How we **create value**

OUR PURPOSE:

To enhance the lifetime Financial Wellness of people, their communities and their businesses.

HOW OUR BUSINESS WORKS

Segments intimately understand client needs and design matching Financial Wellness solutions.

Momentum Retail	Metropolitan Retail	Corporate and Public Sector	International: Africa and India	International: United Kingdom
Lifetime client value propositions for the middle, upper and high net worth markets.	Needs-based solutions for clients in the emerging and middle income markets.	Holistic solutions for the needs of corporates and public sector entities.	Solutions for clients in African countries outside South Africa, and in India.	Investment solutions for clients in the UK.

Client Engagement Solutions support all segments with solutions design.

Centres of Excellence provide the product building blocks for the client value propositions designed by the segments.

Life insurance and legacy solutions	Short-term insurance	Health	Investments and savings	Lending solutions
Provides life insurance and savings solutions.	Provides asset and risk protection solutions.	Provides health administration, risk management and healthcare funding solutions.	Delivers outcomes-based investment solutions.	Designs focused lending solutions to enhance Financial Wellness.

DELIVERING FOR OUR STAKEHOLDERS

		OUTCOME	REFERENCE
Shareholders	• Achieving growth in earnings and maintaining stable dividends. • Growing the embedded value of the company.	• Total dividend per share of 157 cents. • Return on embedded value of 4.7%.	• Group finance director's report – page 52. • At a glance – page 6.
Clients	• Providing Financial Wellness.	• Paid insurance benefits and claims of R24 441 million.	• Financial statements – page 104.
Employees	• Providing career opportunities and leadership development. • Enhancing employee wellness.	• 17 230 employees. • Skills development spend of R150 million. • Paid employee benefits of R5 249 million.	• At a glance – page 6. • Financial statements – page 104.

		OUTCOME	REFERENCE
Communities	• Delivering programmes that create lasting benefits for the communities in which we operate by addressing barriers to Financial Wellness.	• Corporate social investment spend of R29 million.	• Social and environmental indicators – page 41.
Regulators and government	• Complying with all regulatory requirements. • Providing input into new industry legislation.	• B-BBEE Level 2 contributor. • Paid income tax of R2 937 million.	• Transformation review – page 38. • Financial statements – page 104.
Suppliers	• Fair and ethical partnerships, thereby contributing to employment and growth in the economy. • Offering enterprise and supplier development funding.	• B-BBEE trust established to increase enterprise and supplier development contribution. • Long term mutually beneficial supplier relationships.	• Transformation review – page 38.
Intermediaries and brokers	• Offering a competitive suite of products.	• Paid sales remuneration of R5 283 million. • Training opportunities delivered.	• Financial statements – page 104. • Transformation review – page 38.

GROUP PROFIT DRIVERS

The main determinants underlying MMI's 2017 financial outcomes (earnings and return on embedded value) are set out below. Earnings and value drivers specific to segments and lines of business are covered in more detail under the segmental reviews starting on page 18.

EARNING AND/OR VALUE DRIVERS

New business volumes	**Recurring premiums** from new policies written on the life insurance licence (excluding premiums acquired by Guardrisk cells) exhibited a modest increase of 2% over the prior year. The Metropolitan Retail segment experienced satisfactory growth of 12% year-on-year, with more muted growth of 3% from the Momentum Retail segment and a decline of 16% from the Corporate and Public Sector segment. Southern African countries outside South Africa experienced 10% growth in new recurring premiums. **Single premiums** from on-balance sheet products declined 10% year-on-year, while off-balance sheet single premiums were 24% lower. Most local market segments experienced a decline in on-balance sheet single premium receipts, with the Corporate and Public Sector being the worst affected, experiencing a decline of 24% year-on-year.

How we **create value** (continued)

EARNING AND/OR VALUE DRIVERS	
New business volumes (continued)	New business fee income from **Guardrisk** cells was lower than the prior year. However, **Momentum Short-term Insurance** experienced strong new business premium growth of 35%. The growth in new short-term premium income is pleasing, since it was accompanied by a material improvement in claims ratio (ie better quality business). Premium inflows in **India** (health insurance business, launched during November 2016) were well ahead of expectations, although currently more weighted towards group schemes, as opposed to retail business where the growth focus will be. Membership of closed **health** administration schemes was stable year-on-year, while membership of the Momentum Health open scheme increased by 11%. Products aimed at the low income primary healthcare space also experienced strong premium growth over the previous year.
Value of new business (VNB)	The value of new covered business (excluding Guardrisk and off-balance sheet flows) declined by 23% since the previous financial year. This is mainly a result of lower **sales**, but **margin** contraction also played a role, especially within the Corporate and Public Sector segment, where the aggregate new business margin more than halved from the previous year.
Persistency (client retention)	**Termination** experience within Momentum Retail was satisfactory. Metropolitan Retail experienced some increase in the rate of policies not taken up (early duration lapses), partly due to an increase in the proportion of inexperienced new agents. The Corporate and Public Sector segment experienced higher than expected terminations on risk business. Clients that are members of the **Multiply** Financial Wellness programme have been shown to exhibit better persistency (lower terminations) than those who are not members.
Claims	Claims experience (mortality and morbidity) on **retail business** was better than expectations and profitable relative to the actuarial valuation basis. Claims experience from clients that are members of the **Multiply** Financial Wellness programme have been demonstrably lower than those from non-members. **Disability claims** experience within the Corporate and Public Sector segment remained under pressure in light of unfavourable economic conditions. Underwriting experience in **Momentum Short-term Insurance** continued to improve, with the claims ratio improving from 82% in F2016 to 73% during F2017. While still higher than the South African peer average, this exhibits a positive trend especially in the light of strong new business growth over the year.

EARNING AND/OR VALUE DRIVERS	
Claims (continued)	**Outside South Africa**, claims experience on life insurance business was satisfactory. The health business also improved, following the implementation of management actions. However, underwriting results on short-term insurance conducted outside South Africa remained poor.
Expense management	Group-wide **management and administration expenses** have been well managed coming in slightly below corresponding expenditure during F2016. This is despite substantial investments in new initiatives (India) and streamlining (Africa) and inclusive of various non-recurring and non-cash items (eg impairments). In real terms, taking into account inflation over the period, there was a considerable year-on-year reduction in management and administration expenses across the group. In terms of the four-year project to reduce annual management expenses by R750 million by F2019, MMI comfortably exceeded all its targets to date.
Investment markets, economic conditions and exchange rates	MMI's headline earnings and return on embedded value are strongly correlated to investment market conditions – particularly long-term interest rates (negatively correlated) and equity market returns (positive correlation). During F2017, weak local equity markets (especially during the last quarter of the financial year) impacted negatively on MMI's return on embedded value. Furthermore, the relative strengthening of the rand against other major currencies negatively influenced earnings from offshore operations (eg the UK business) when reported in rands. The impact of weak economic growth in South African (as measured by muted real GDP growth of 0.6% over the reporting period) could be felt in a number of areas, including sales and disability claims. Shareholder assets have been conservatively invested, primarily in cash or near-cash instruments. Hence, investment returns on shareholder funds were shielded from the poor equity market. performance over the period.