



MMI HOLDINGS

**Our purpose:** To enhance the lifetime financial wellness of people, their communities and their businesses

## FINANCIAL HIGHLIGHTS

### NEW BUSINESS PVP

↑ 14%  
R27 billion

### VALUE of NEW BUSINESS

R361 million

### Annualised RETURN on EMBEDDED VALUE of

7%

### Total EARNINGS

↑ 14%  
R1.5 billion

### CORE HEADLINE EARNINGS

↓ 9%  
R1.7 billion

### Interim DIVIDEND

↑ 3%  
65 cents per share

## SUMMARY OF RESULTS

### Group results

MMI Holdings Limited (MMI) announced its interim results for the six months to 31 December 2015, delivering a satisfactory performance in a tough environment.

- Diluted core headline earnings decreased 9% to R1.7 billion for the period, mainly as a result of unusually low underwriting profits across the group. MMI expects underwriting profits to normalise over the medium term.
- Total earnings and headline earnings proved to be resilient, increasing by 14% and 5% respectively.
- Embedded value was maintained at R40 billion (2 505 cents per share), reflecting an annualised return on embedded value for shareholders of 7%.
- New business volumes increased 14% on the prior period, with strong growth from Corporate and International clients.
- The value of new business came in at R361 million, down 14% on the prior year. It should be noted, however, that it would have been 4% higher than the prior period had the discount rate remained unchanged.
- The life insurance profits in both Momentum Retail and Metropolitan Retail delivered good growth compared to the prior period.
- In addition, overall profit growth was once again restricted by investments into strategic initiatives that are being pursued in line with the group strategy.
- An interim dividend of 65 cents per share was declared, an increase of 3% on the prior period. This dividend is within the dividend cover range of 1.5 to 1.7.

### Operating environment

Local operating conditions remained challenging and highly competitive. The performance of the South African equity markets slowed dramatically during the reporting period and ended slightly negative for the six-month period, while inflationary pressures and higher interest rates put further pressure on disposable income.

### Capital strength

- A strong capital buffer of R4 billion was reported as at 31 December 2015, after allowing for capital requirements, strategic growth initiatives and the interim dividend.
- Taking into account the growth focus, changing regulations including Solvency Assessment and Management and the difficult economic outlook, the group is satisfied that its present capital level is appropriate.

### Prospects

- The strategic focus areas of the MMI group are growth, client centricity and excellence.
- Each segment, together with the Product and Solutions Centres of Excellence and supporting functions, is advancing the implementation of MMI's client-centric strategy.
- Taking into account the economic outlook, the group has increased the focus on efficiencies while continuing to focus on quality top-line growth.
- As part of the implementation of the client-centric model, a number of areas have been identified where further efficiencies can be extracted. These savings have been quantified and MMI is targeting a further reduction in annual expenses of R750m by financial year 2019.
- MMI is continuing to invest in growth initiatives with the aim of enhancing shareholder value over the longer term.
- Growth in new business volumes and profits will, however, be impacted by many factors in the South African economy, including employment levels and disposable income.
- The board of MMI Holdings believes that the group has identified and is implementing innovative strategies to continue unlocking value and generating the required return on capital for shareholders over time.