



MMI Holdings Ltd Debt Investor Roadshow

06 – 08 February 2019



MMI team and key contacts



RMB (Distribution)

Delia Patterson	Principal: Distribution	Delia.Patterson@rmb.co.za	011 282 4162
Leigh Cunningham-Scott	Transactor	Leigh.Cunningham-Scott@rmb.co.za	011 282 8559
Nick Tunnicliffe	Transactor	Nick.Tunnicliffe@rmb.co.za	011 282 1092

MMI Group Limited

Risto Ketola	MMI Group Finance Director	Risto.Ketola@mmiholdings.co.za	012 671 8566
Lulama Booi	Head: Balance Sheet Management	Lulama.Booi@mmiholdings.co.za	012 671 8945
Neels Ludik	Head: Special Projects	Neels.Ludik@mmiholdings.co.za	012 673 7442
Gerber Schnetler	Head: Capital Optimisation	Gerber.Schnetler@mmiholdings.co.za	012 673 7064

Agenda

Strategic overview

Financial overview

Risk and Capital Management

Instrument structure



Agenda

Strategic overview

Financial overview

Risk and Capital Management

Instrument structure





Group CEO
Hillie Meyer



Deputy Group CEO
Jeanette Marais
Momentum Investments
Momentum Intermediary Solutions
Group Marketing



Thinus Alsworth-Elvey
Momentum Corporate
Health
India
aYo



Zureida Ebrahim
Multiply
Money management



Herman Schoeman
Short-term insurance
Guardrisk



Johann le Roux
Life insurance
Momentum Financial
Planning
Legacy Solutions



Peter Tshiguvho
Metropolitan Retail



Risto Ketola
Group Finance Director
Africa



Jan Lubbe
Group Chief Risk Officer



Nontokoza Madonsela
Group Chief Marketing
Officer



Ashlene van der Colff
Group Chief Operating
Officer
Business transformation
Human Capital

Operating units

Support functions

Operating environment



Operating environment

Tough macroeconomic environment coupled with legislation and industry developments that can impact the market



Macroeconomic environment

Volatile macroeconomic and political environment
Subdued local and international growth
Tough economic conditions continue to put consumers under pressure



NHI and Social Security reform

>3 year time horizon
Increasingly populist prior to 2019 elections
A need to balance with fiscal budget constraints



Digital disruption

Driving efficiencies, improved client engagement and data analytics
Changing the future way of work and employment practices
Driving new business models



Incumbent and new competitors

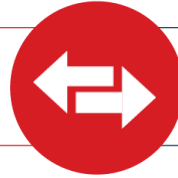
Existing competitors and brokerages operating more of the value chain
Non-traditional players like mobile network operators launching life insurance products

Reset and Grow Strategy



Reset and grow

Reset



Grow



Fix the basics



Address cost base



Distribution



Products

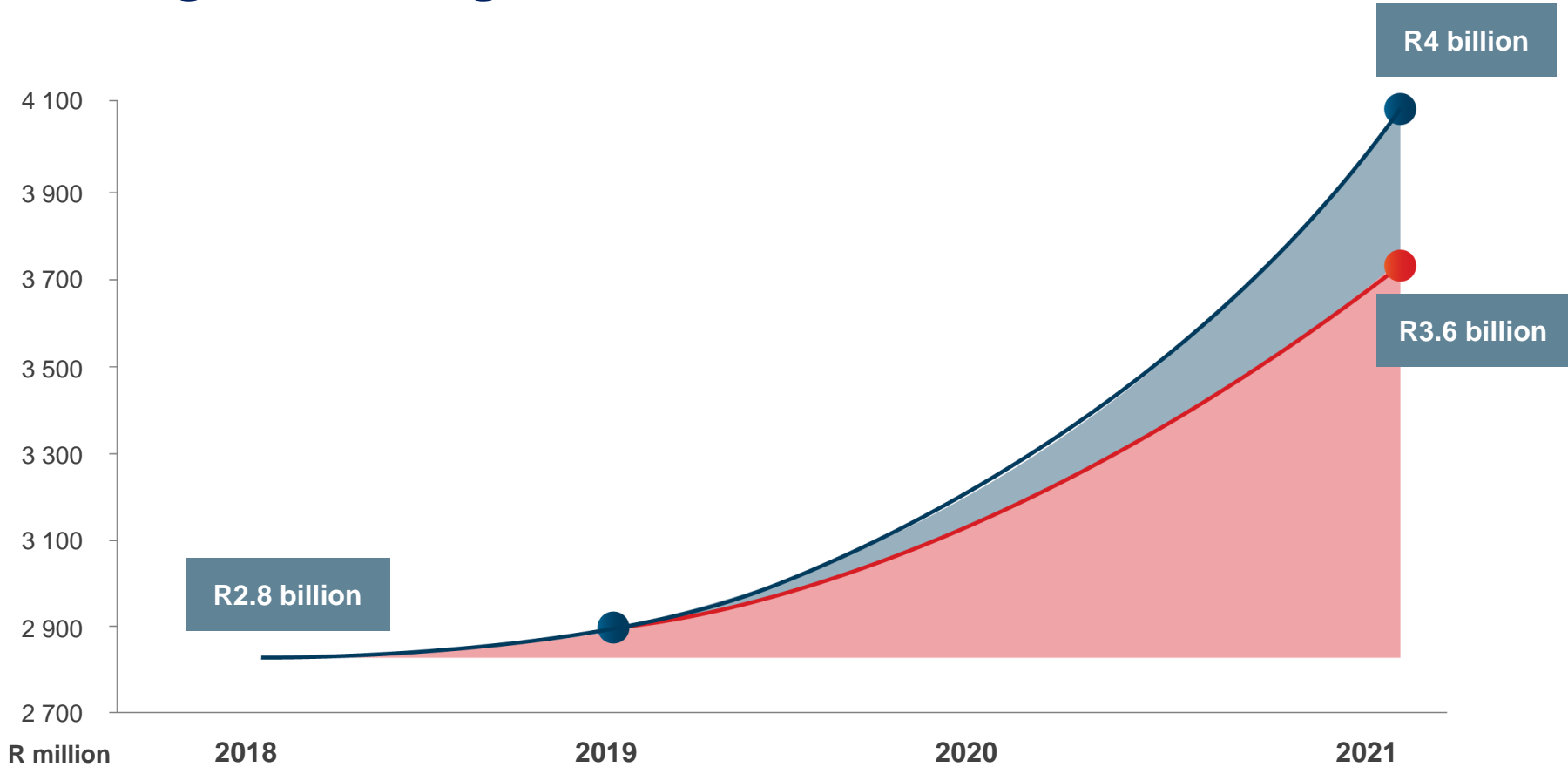


Service

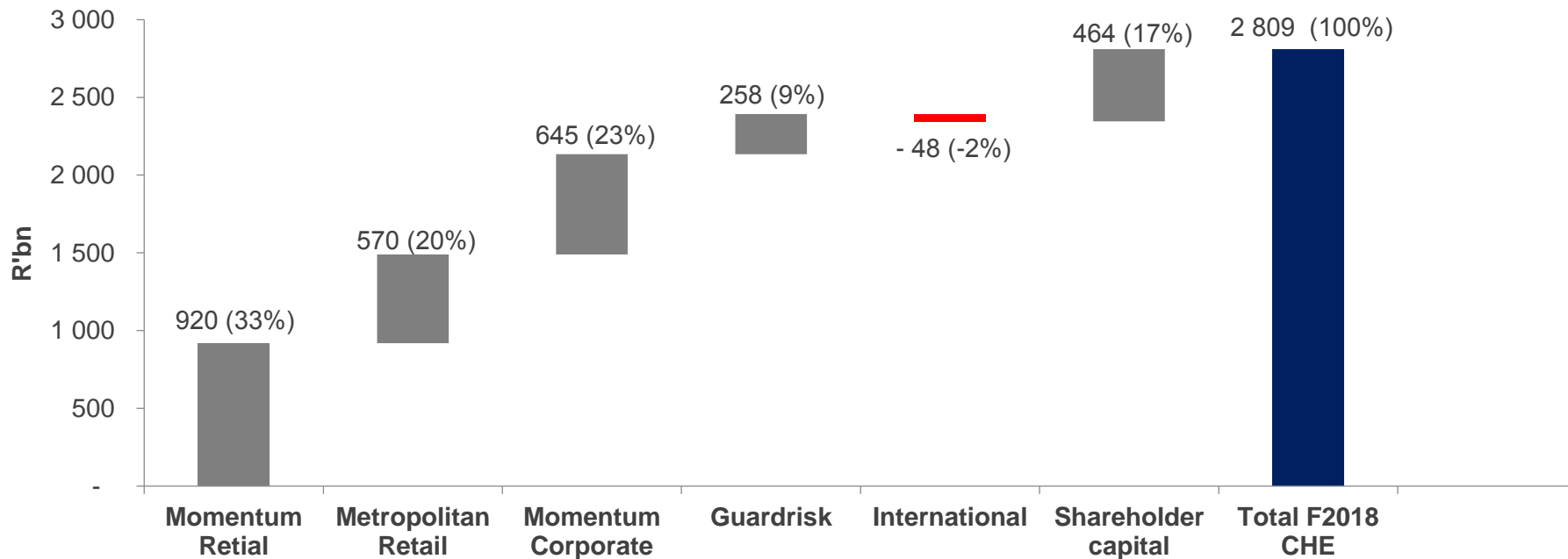


Marketing

Earnings reset and grow



Relative contribution to earnings per segment



Group - wide

Reset progress



Strengthen senior leadership



Revisit Sandton head office



Cost savings



Momentum Retail

Reset progress



Full value chain



Reshape distribution channels



Improve client service



Scale back UK presence



Wealth platform fees



Momentum advisers **footprint growth**



Momentum Consult **footprint growth**



Grow productive brokers



Product **innovation**



Increase flows into own funds



Enhance Multiply offering

Metropolitan Retail

Reset progress



Stabilise sales force



System migration



Upgrade points of sale



Adviser productivity



Improved client value proposition



Sales and service efficiencies



African Bank JV

Momentum Corporate

Reset progress



Full value chain **responsibility**



Strengthen leadership team



Rebuild distribution



Improve underwriting experience



Diversify distribution channels



Increase underwriting margins



Organised Labour and **Public Sector**



Retailisation

Health

Reset progress



Systems **consolidation**



Public sector **value proposition**



BEE **transactions**



Public Sector



Low-income health



Focused distribution

Africa

Reset progress



Exit selected countries



Strengthen distribution



In-country **governance and control**



Improve product margins



Strengthen leadership teams



aYo roll-out



Finalise operating model





Reprice loss-making schemes



Increase underwriting revenue



Bolt-on transactions



Underwritten investment products



Open architecture insurance platform

Momentum Short Term Insurance

Reset progress



Full value chain **responsibility**



SA focus **only**



Exit car dealerships



Enhance **pricing** and **underwriting** capability



Grow client base



Improve claims ratio



Streamline processes

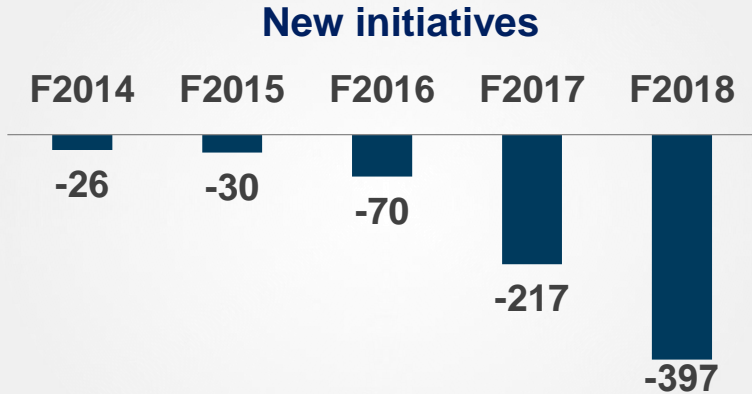
New Initiatives



New initiatives



New initiatives



F2021 Core headline earnings target

-R310 MILLION to **-R270** MILLION

Roughly R100m improvement on F2018 losses over 3 years

Key drivers

- Materially lower India losses expected by F2021
- Losses in aYo and Money Management sharply lower by F2021
- No further large initiatives assumed

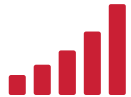
Key risks

- India projections highly dependent on favorable claims ratio outcome
- Consumer behaviour assumptions in Money Management
- aYo still in early stages = high forecast risk

India has huge potential due to huge scale...



Every **6th** Person in the World is Indian

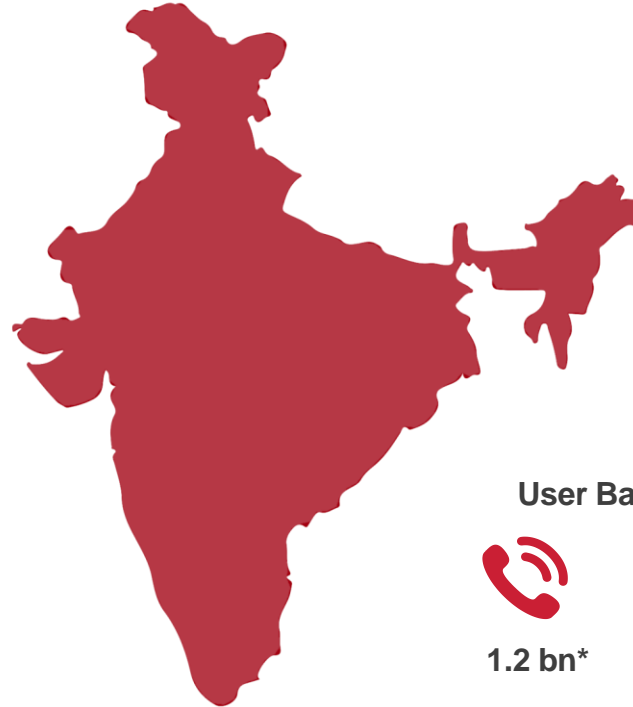


3rd largest economy (PPP)
Nominal GDP – **US\$ 2.6tn** to **US\$ 4.6tn** by 2023

FY18 Growth **6.7%**



Forecast FY19 **7.4%**



Largest Democracy



Largest Youth Population at **600 million**

User Base



1.2 bn*



330m



500m



#1



#2

24 months back ABHI initiated its journey to transform health insurance perception in India



Robust
Revenue
growth

- In a short span of 12 months, ABHI covered 1m+ customers



Distribution &
Product journey

- Comprehensive product suite with product launched for all customer segments
- All channels activated within 3 months of launch



Customer
engagement
experience

- One of the youngest customer base in the Industry

Strength of our business model has been validated by the company's performance

**Environmental,
Social and
Governance (ESG)
&
Transformation**



ESG (Environmental, Social and Governance)

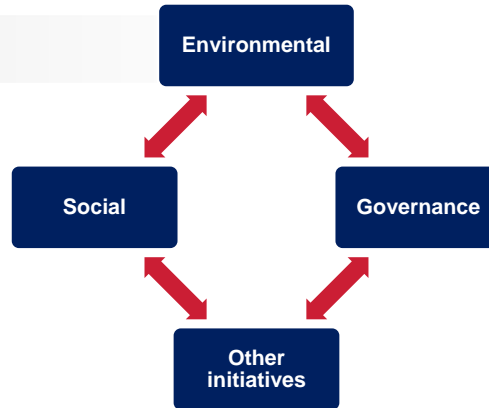


Environmental

- Board approved target of 25% reduction in carbon emissions by 2030
- MMI participates in the Carbon Disclosure Project (CDP)
- Main sponsor of the University of Pretoria National Hazard Centre for Africa

Social

- MMI strives in assisting to achieve the Sustainable Development Goals (SDGs) where possible
- Established MMI Foundation to guide its corporate social investments - 25% spent on qualifying initiatives
- Committed to Transformation which is integrated into our business and governance processes.
- Level 1 B-BBEE Contributor as at Feb 2019



Governance

- MMI Board and committees are custodians of the group's corporate governance and takes ultimate responsibility
- Culture of strong corporate values of ethical and effective leadership.
- Social, Ethics and Transformation Committee: Responsibility to recommend for approval, monitor and advise on all ESG issues that have a significant impact on the company and its stakeholders
- Ongoing execution of King IV application of principles
- Engaging our shareholders – Remuneration matters
- Board Diversity Policy set and approved

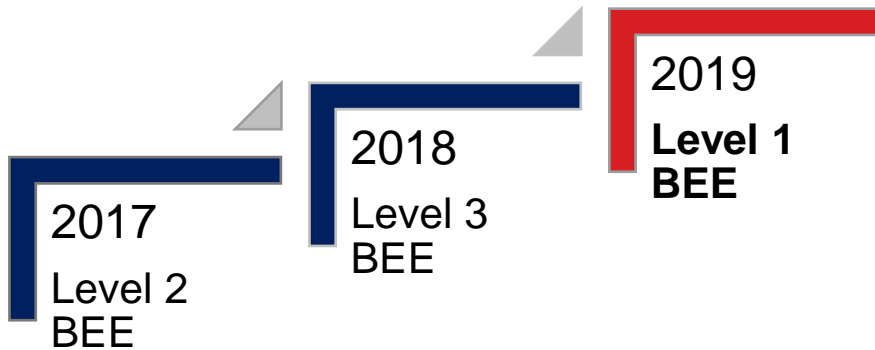


Other ESG initiatives

- Listed on FTSE/JSE Responsible Investment Index
- Constituent of FTSE4Good criteria
- Signatory to UN supported Principles for Responsible Investments
- Resonates with our Outcomes-based investment philosophy
- Involvement in the Responsible Investment Committee of ASISA
- Annual report on MMI's investment integration of ESG risk factors.
- Established MMI Responsible Investment Committee
- Targets on sustainable investment reviewed annually

ESG (Environmental, Social and Governance)

- ✓ Achieved B-BBEE Level 1
- ✓ The 1st & Only one in the Insurance Industry
- ✓ 1st time for MMI
- ✓ Industry Leader



B-BBEE ELEMENTS

Equity Ownership

Skills Development

Preferential Procurement

Enterprise & Supplier Development

Socio-Economic Development

Empowerment Financing

Access to Financial Services

Management Control

Employment Equity

Progress



Agenda

Strategic overview

Financial overview

Risk and Capital Management

Instrument structure



Overview

Disappointing F2018 results

Core headline earnings
decreased by **12%**
to **R2 809m**

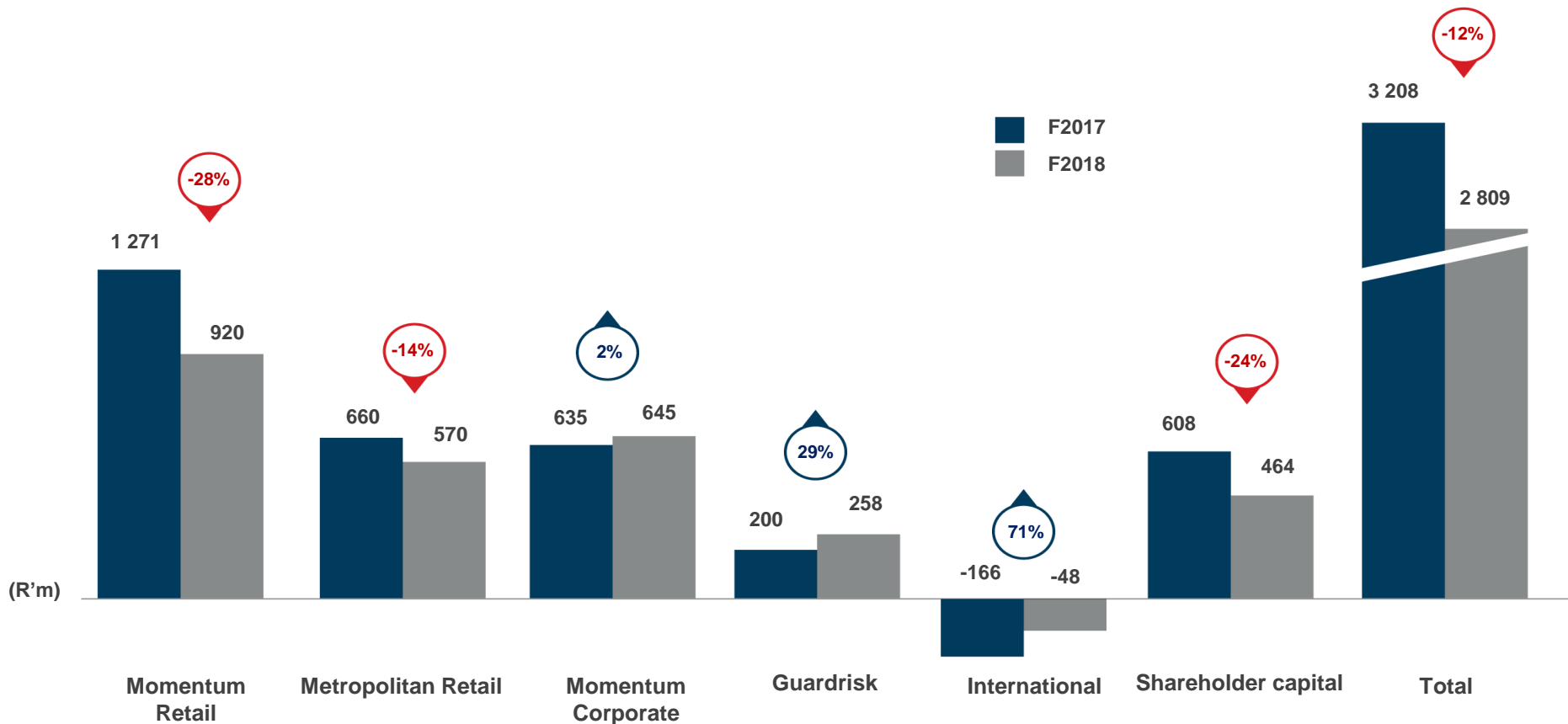
Present value of future
premiums increased by **1%**
to **R42 177m**

Embedded Value per share
decreased by **4%** to
R25.43

Value of new business
decreased by **45%** to
R301m

F2018 Core headline earnings by segment

Total core headline earnings down 12%

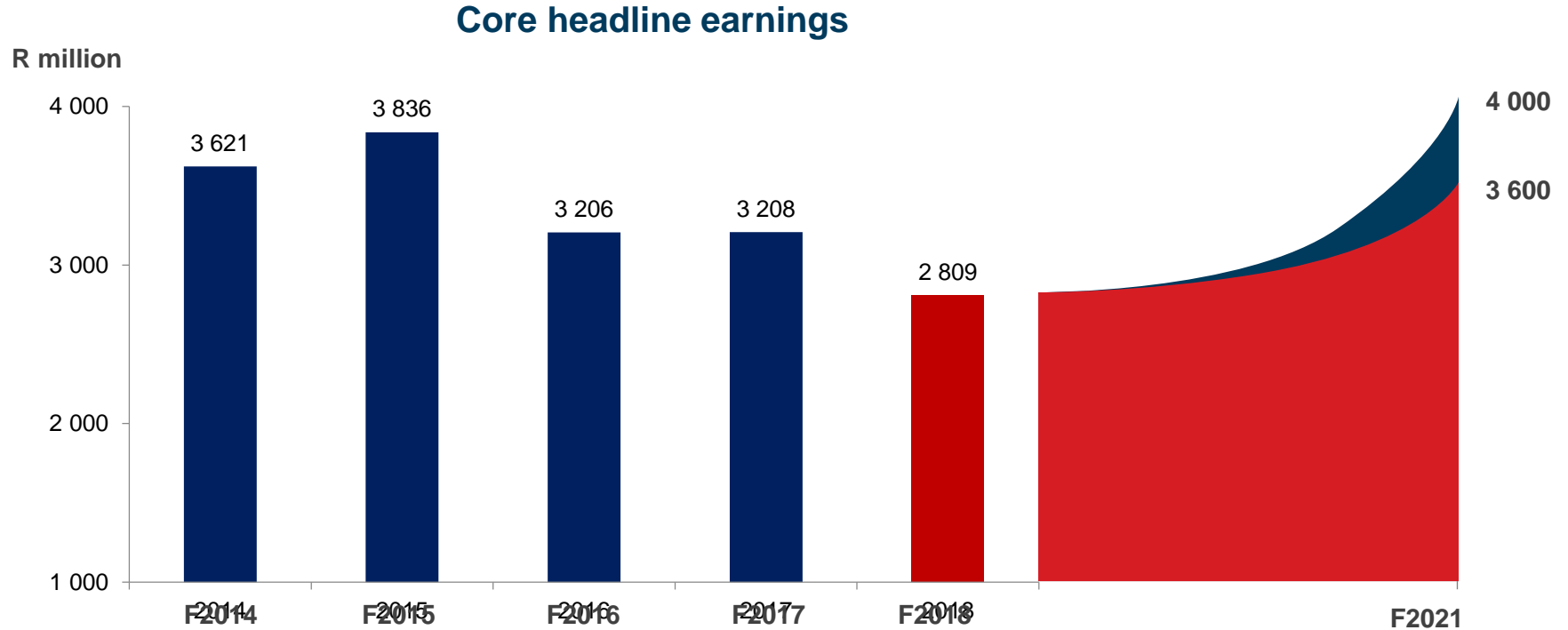


Forward looking overview



Core headline earnings

Past and projected



Agenda

Strategic overview

Financial overview

Risk and Capital Management

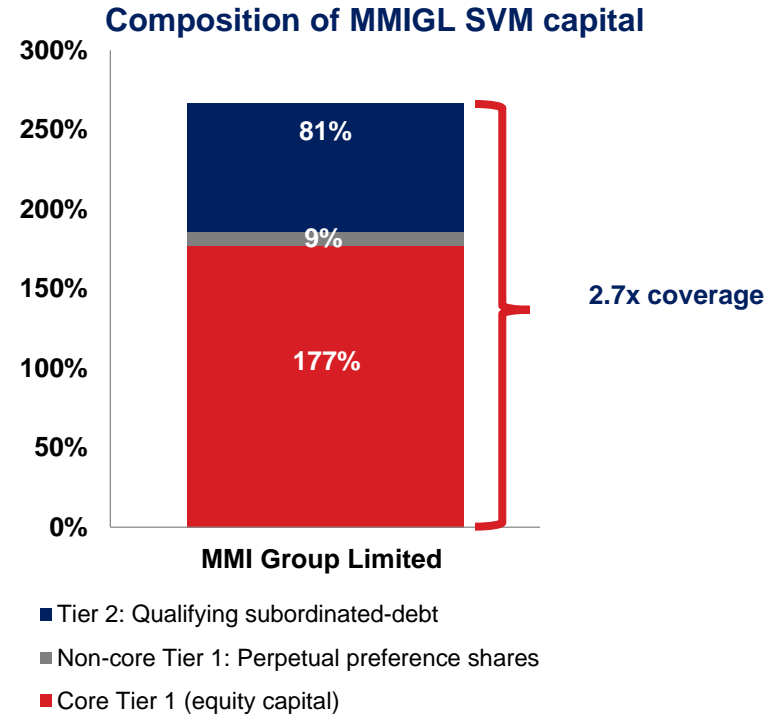
Instrument structure



History of strong capital position

Track record of strong capital position above regulatory minimum in SVM regulatory regime

MMI Group Limited	30-Jun-18	30-Jun-17
SVM Basis	R'm	R'm
Statutory excess over liabilities	14 423	15 496
CAR	5 405	5 714
CAR cover (times)	2.7x	2.7x



Solvency Assessment and Management

Regulatory developments

- The Financial Sector Regulation Act 9 of 2017 commenced on 01 April 2018
- Financial sector regulation now sits within the Prudential Authority (PA), hosted within the South African Reserve Bank (SARB) and the Financial Sector Conduct Authority (FSCA).
- MMI will report its first set of results on the SAM regulatory regime following the half-year ended 31 December 2018.

SAM readiness

- Three mock ORSAs successfully performed (F2015 – F2017).
- F2018 ORSA submitted to the PA in November 2018.
- Quarterly ORSA process established and well embedded in business processes.
- MMI consists of multiple regulated and non-regulated entities.
- MMIGL SCR calculated using standard formula.
- Material insurance entities aggregated using Accounting Consolidation method.
- Other entities aggregated using Deduction and Aggregation method.



Strong capital position under SAM

As at 30 June 2018, MMIGL had a SCR cover of 1.9x (1.9x at 30-Sept-18)

MMI Group Limited SAM basis	30-Jun-18 R'm
Eligible own funds	29 851
Solvency Capital Requirement (SCR)	15 874
Excess own funds	13 978
Solvency ratio before foreseeable dividend	1.93x
Solvency ratio after foreseeable dividend	1.88x

MMI aims to maintain adequately strong capital ratios to ensure through the cycle confidence in the group's financial strength within risk appetite whilst optimising the capital base under the SAM regime using SAM-compliant capital instruments.

MMIG01 contributes 4.7% of the 1.93x coverage

Composition of debt

As at 30 June 2018, MMIGL's IFRS gearing position was at 24% (17% as at 30-Jun-17)

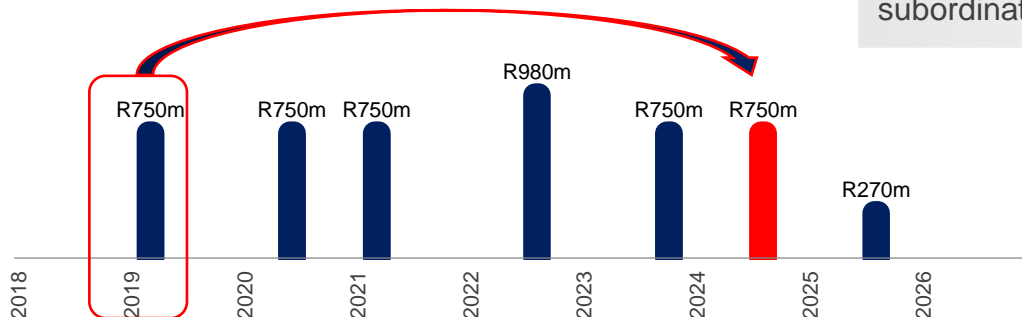
MMIG Group Limited	30-Jun-17	30-Jun-18
Equity	16 500	13 657
Preference shares	500	500
Unsecured subordinated debt	3 602	4 374
Total debt + Equity	20 602	18 531

IFRS gearing	17%	24%
---------------------	------------	------------

MMI utilises financial gearing as an instrument to optimise its capital structure and enable MMI's strategy.

MMI holds a ring-fenced portfolio of high quality liquid assets matching the nominal redemption value of its subordinated debt instruments.

MMIGL subordinated debt maturity profile



Issue amount of bond	30-Jun-18	17-Mar-19	01-Jun-20	17-Mar-21	15-Aug-22	19-Oct-23	15-Aug-24	15-Aug-25	30-Jun-26
Bond code		MMIG01	MMIG03	MMIG02	MMIG05	MMIG06	MMIG07	MMIG04	



Capital distribution

- ➔ Complete buyback program by December 2018
- ➔ Reinstate interim dividend (early-2019)
- ➔ Target dividend cover of 2.5x Normalised Headline Earnings (NHE) within target range of 2.0x to 3.0x
- ➔ New dividend cover range is wider than in the past due to NHE being inherently a more
- ➔ Pay-out ratio driven by projected balance sheet results

Agenda

Strategic overview

Financial overview

Risk and Capital Management

Instrument structure



Updated DMTN Programme Memorandum



MMI Group Limited's Programme Memorandum is in the process of being updated to allow for:

Updated JSE listing Requirements

- Updating the MMIGL's business and risk factors; and
- Updating the Terms and Conditions with the most recent amendments to the JSE DLRs (04 October 2017).

Insurance Act requirements

- Updating the original SAM provisions (which were implemented when the Programme was established in 2014) with the recent provisions of the new Insurance Act and the Financial Solvency Standards (twin peaks).
- This includes a guarantee from MMI Holdings to MMI Group Limited so that all capital instruments issued from the life license can be recognised as capital at the holding company level

STRATE requirements

- Updating the Programme Memorandum to provide for the recent amendments from STRATE in terms of settlement; and
- Introducing the "Issuer Agent" concept (new STRATE requirement).

Tax laws

- Updating the SA Taxation Section with the most recent Tax laws.



Credit rating

MMI Group Limited

- Credit rating issued by Moody's Investor services.
- In the latest credit opinion (08-Nov-18), Moody's noted: "MMI Group Limited's (MMIGL) Baa2 global scale, and Aaa.za national scale, Insurance Financial Strength (IFS) ratings reflect the insurer's **top tier market position** in South Africa, its **solid capital position** and its **flexible product characteristics** which serve to **reduce the impact on the group from stress related to credit pressures at the sovereign level...**"



National Scale



International Scale

Insurer financial strength

Aaa.za

Baa2

Issuer rating

Aaa.za

Baa3

Subordinated debt rating

Aa2.za

Ba1

Instrument structure

Issuer	MMI Group Limited	
Credit ratings	Insurer Financial Strength	Aaa.za
	Issuer	Aaa.za
	Subordinated Debt	Aa2.za
Rating Agency	Moody's Investor Service	
Programme	ZAR5bn Subordinated Note Programme listed on the Interest Rate Market of the JSE Limited	
Indicative target issue size	ZAR750mn	
Indicative tenor	10.5NC5.5 year (Pending regulatory approval)	
Note profile	Floating rate, Bullet	
Ranking	Subordinated	
Security	Unsecured	
Key terms	<ul style="list-style-type: none"> • Capital Bullet payment • Step-up coupon calculated as the higher of 100bps or 50% of the issue spread • Issuer's Optional Redemption <ul style="list-style-type: none"> • Tax reasons • Regulatory event 	
Prudential Authority Approval	Pending	
Auction process	Sealed bid without feedback (Dutch Auction)	
Proposed auction date	13 March 2019 (09:00 to 11:00) T+3 settlement	
Use of proceeds	To redeem the R750mn MMIG01 note issued in 2014 and callable in March 2019	

Timeline

Date	Action item
06 – 08 February 2019	Investor roadshow
28 February 2019	Termsheet, draft applicable pricing supplement(s) and auction details released to investors
05 March 2019	Moody's pre-sale rating released on MMIG07
07 March 2019	Updated termsheet with price guidance released to investors
13 March 2019	Proposed Auction Date
18 March 2019	Settlement Date (t+3) / Call date of MMIG01

