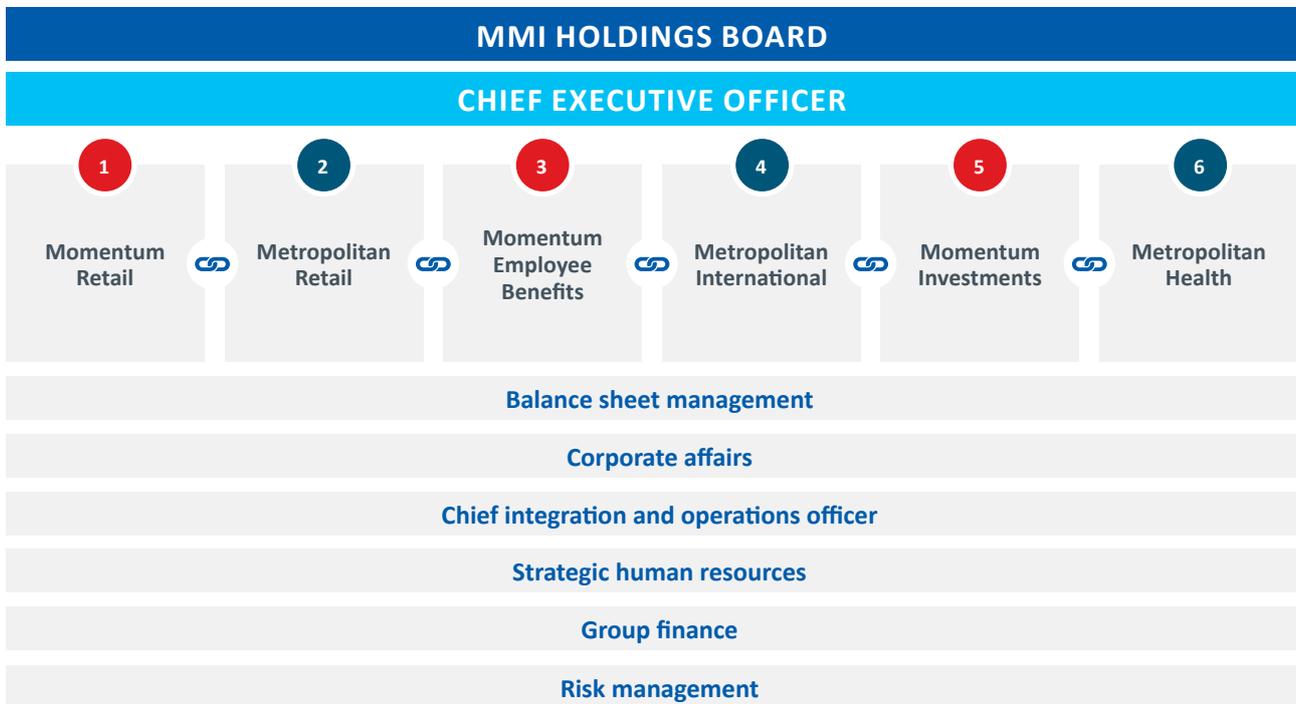


OPERATING MODEL FOR THE PERIOD 1 JULY 2013 – 30 JUNE 2014



This report is based on the operating model that was in place from 1 July 2013 to 30 June 2014, comprising a structure with six full value chain divisions and supporting group-wide functions (see diagram above). In support of MMI's strategic focus on client-centricity, a new client-centric operating model will be rolled out over the next three years, from 1 July 2014 (see diagram below).

NEW OPERATING MODEL

The new operating model enables MMI to deliver solutions based on client insights and market trends. This operating model moves away from product-driven silo businesses and organises business activities around our clients. During the past financial year, a significant amount of work and deliberation took place between senior management and leading international consultants to formulate a suitable client-centric operating model for the MMI group. During February 2014, the MMI board approved the new client-centric operating model and structure to be implemented across all MMI divisions from July 2014. The new model separates all the group's activities into **segment** businesses and a **products and solutions** business, supported by **group-wide functions**.

1

SEGMENT CAPABILITIES that focus on understanding and fulfilling the financial wellness needs of specific client segments by designing targeted solutions.

2

CHANNEL CAPABILITIES that focus on all client interaction, including sales and services, using a wide range of appropriate channels.

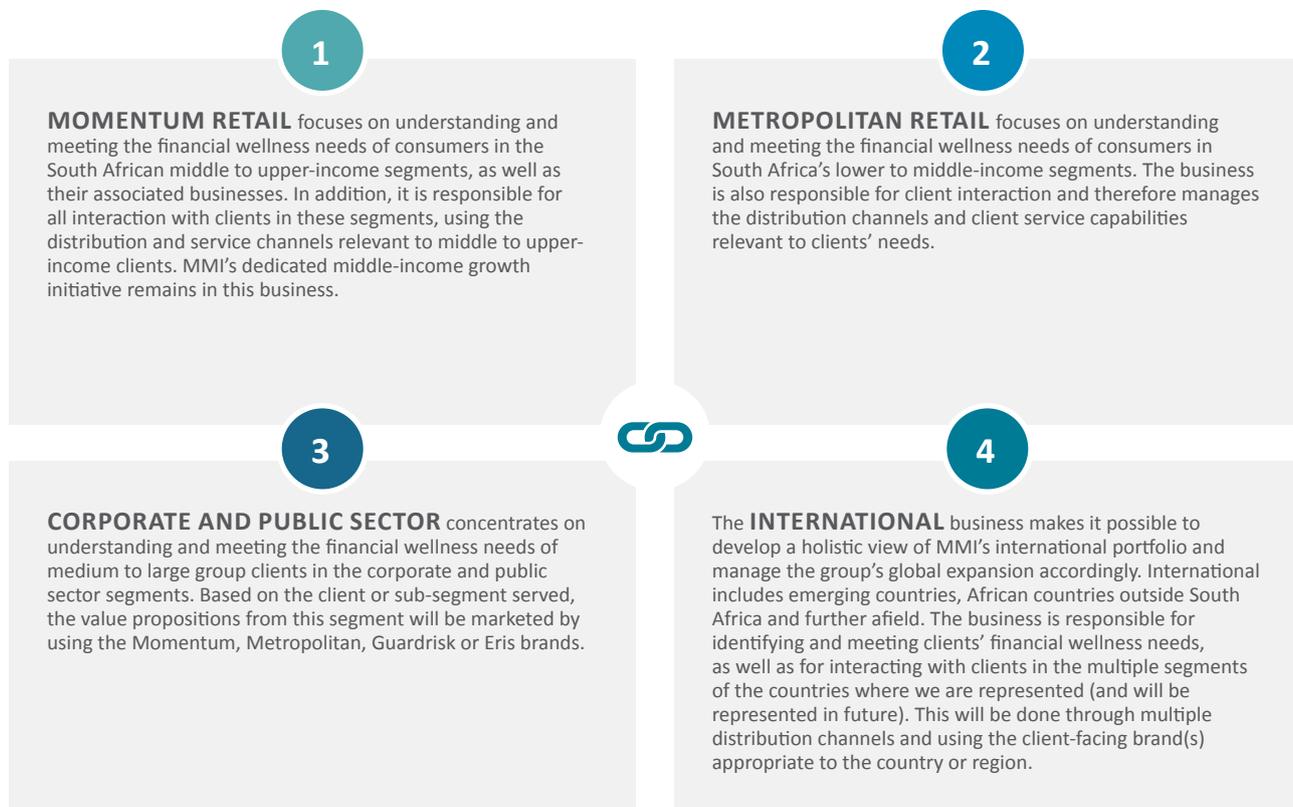
3

PRODUCTS AND SOLUTIONS business that focus on creating products and solutions that meet our clients' financial wellness needs, which are identified by the segment businesses.

In the same way that MMI's operating model must support its strategy, it needs an operating structure that enables optimal execution of the operating model. To achieve this, the group will be implementing an operating structure that comprises four **segment businesses** and **one products and solutions business**, supported by **group-wide functions**.

ABOUT MMI CONTINUED

OUR FOUR SEGMENTS



NEW OPERATING STRUCTURE



KEY PERFORMANCE INDICATORS

MMI assesses its operational performance against a set of key performance indicators that are approved and annually reviewed by the group's Remuneration Committee. The set of indicators include both short-term and longer-term objectives. Specific targets have been set for each division and subsidiary.



SHORT-TERM PERFORMANCE INDICATORS – BALANCED SCORECARD

Short-term deliverables are measured over a period of 12 months and are reviewed on an annual basis. For the financial year ended 30 June 2014, the following set of short-term deliverables applied to the group as a whole:

METRIC	Weight F2013	Weight F2014	Weight F2015
Return on embedded value	–	20%	20%
Core earnings	30%	25%	25%
Value of new business	20%	20%	20%
Integration expenses savings	15%	–	–
Transformation (FSC scorecard)	15%	15%	15%
Strategic projects	20%	20%	20%
Total	100%	100%	100%

LONGER-TERM PERFORMANCE INDICATORS – RETURN ON EMBEDDED VALUE (ROEV)

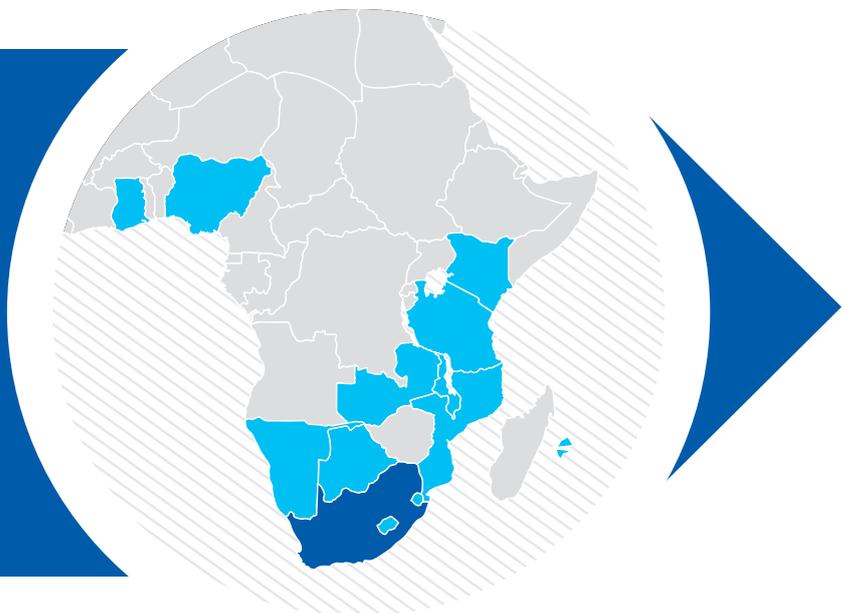
As an indicator of financial performance over the medium to longer term, the group's return on embedded value is measured on an annual basis, but averaged over a rolling three-year period. The targeted rate of return has been set at 300 basis points in excess of the annual growth in South Africa's nominal gross domestic product (GDP). The target is reviewed on an annual basis.

INVESTMENT CASE

BROAD-BASED AND DIVERSIFIED SCALE BUSINESS

1

MMI's overarching strategy is to meet the financial wellness needs in South Africa, the rest of Africa, and selected international countries.



INVESTMENT CASE *CONTINUED*

2

SOUND FINANCIAL POSITION

- Net asset value per the embedded value statement **R17.0bn**
- Capital buffer before deployment **R7.8bn**
- Capital buffer after deployment **R3.2bn**
- Dividend yield of **5.4%** (based on share price at year-end)
- Special dividend paid **50cps**

3

CREDIT RATING

The group's credit rating was upgraded to:

IFS AA+ (zaf)/stable

Sub-debt A+ (zaf)

4

CAPABLE RESOURCES

MMI has a diversified skills base, with an experienced executive team. In addition, the group's strategy and operations are supported by the board of directors' wide range of skills and expertise.

5

POSITIONED FOR SUSTAINABLE GROWTH

- Excluding South Africa, one of the group's great strengths is its extensive African footprint, with operations in 12 African countries, and selected international ones.
- The diversified nature of the group's product offering covers the entire spectrum of the market in which we operate and supports our client-centric model.

6

SCALE

For the year ended 30 June 2014:

- Diluted core headline earnings: **R3 621m**
- Assets under management: **R395bn**
- Value of new business: **R779m**
- Total embedded value: **R39 675m**
- Employees: **16 692**
- Countries: South Africa, 12 African countries and selected international ones

7

BALANCE SHEET MANAGEMENT

The group has a dedicated function that concerns itself with the protection and enhancement of MMI's shareholder balance sheet.

8

GOVERNANCE

The group is committed to the highest standards of corporate governance as evidenced by its ongoing efforts to comply with the principles of King III, including the composition of its board. Board deliberations are enriched by the diversity of skills and experience of its members. For detailed information on the group's governance practices, please see our corporate governance report on page 45.



9

RESPECTED AND WELL-LIKED BRANDS

MMI is purely an investor brand with three established insurance brands – Metropolitan, Momentum, and Guardrisk. Eris is responsible for managing the group's property portfolio.

METROPOLITAN 

High-volume/low-cost operating model, with a strong presence and capabilities in the low to middle-income markets

www.metropolitan.co.za

momentum

Targets middle to upper-income market

www.momentum.co.za

GUARDRISK 
TAILOR-MADE RISK SOLUTIONS

Leading specialist cell captive insurance group providing tailor-made risk financing and insurance solutions

www.guardrisk.co.za

ERIS
PROPERTY GROUP

Commercial property service expertise ranging from property development to asset management

www.eris.co.za

10

SHAREHOLDER STRUCTURE

