

SEGMENTAL REPORT

FOR THE YEAR ENDED 30 JUNE 2016

INTRODUCTION

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REMUNERATION

FINANCIAL STATEMENTS

Management has determined the operating segments based on the way the business is managed. The reports used by the chief operating decision-maker, the members of the executive committee, to make strategic decisions reflect this.

From 1 July 2015, the MMI group embarked on a new segmental reporting view that is aligned with the client-centric goals of the group. The segmental report has been disclosed on this new internal structure and the prior year has been restated. The new segmental reporting had no impact on the current or prior year reported earnings, diluted earnings or headline earnings per share, or on the net asset value or net cash flow.

The new client-centric reporting view reflects the following segments:

- **Momentum Retail:** Momentum Retail's purpose is to enhance the lifetime financial wellness of people, their families, communities and businesses. The focus is on the upper retail segment and the small business segment in South Africa, offering innovative and appropriate wealth creation, risk and savings solutions. The group's short-term insurance and open medical scheme solutions are also marketed under the Momentum Retail brand.
- **Metropolitan Retail:** Metropolitan Retail's purpose is to enhance the lifetime financial wellness of people, their families and their communities through empowerment and education. The focus is on the entry-level market in South Africa, offering savings, income generation, risk and funeral products and solutions.
- **Corporate and Public Sector:** This segment's purpose is to enhance the lifetime financial wellness of businesses, employees, customers and their communities. The segment focuses on the strategic issues that affect institutions and their employees.

The Corporate and Public Sector focuses on medium to large corporates, affinity groups, labour unions and the public sector institutions, offering solutions that grow their profitability, protect their asset base and enhance their sustainability.

- **International:** The International segment manages MMI's global expansion holistically in order to enhance the lifetime financial wellness of people, their communities and their businesses in selected segments of countries where MMI is represented. The results of any strategic initiatives are reported under Shareholder Capital.
- **Shareholder Capital:** This segment is responsible for the management of the capital base of the group. It also includes the incubation of strategic initiatives until they are transferred to the relevant operating segment.

Intergroup fees are charged at market-related rates. Corporate costs are allocated on a usage or time spent basis. Intergroup charges are eliminated in the "Reconciling items" column. No individual customer generates more than 10% of revenue for the group.

The executive committee assesses the performance of the operating segments based on diluted core headline earnings. This measurement basis excludes the effect of net realised and fair value gains on financial assets and liabilities, investment variances, basis changes, certain non-recurring items, and the amortisation of intangible assets acquired in business combinations. For insurance operating segments, diluted core headline earnings also exclude the effect of investment income on shareholder assets, as this income is managed on a group basis and is therefore included in the Shareholder Capital segment.

A reconciliation of diluted core headline earnings to earnings is provided in note 36.

Reconciliation of management information to IFRS

The segmental information is reconciled to the IFRS income statement results. The "Reconciling items" column represents the IFRS accounting reclassifications and adjustments that are required to reconcile management information to the IFRS financial statements. More information has been provided as a footnote.

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FOR THE YEAR ENDED 30 JUNE 2016

2016	Momentum Retail Rm	Metropolitan Retail Rm
Revenue		
Net insurance premiums	25 767	6 816
Recurring premiums	9 278	5 558
Single premiums	16 489	1 258
Fee income	3 599	209
External fee income	3 068	179
Intergroup fee income	531	30
Expenses		
Net payments to contract holders		
External payments	25 067	6 037
Other expenses	5 792	2 325
Sales remuneration	2 156	967
Administration expenses ²	2 757	1 191
Amortisation due to business combinations and impairments	–	–
Cell captive business	–	–
Direct property expenses	–	–
Asset management and other fee expenses	182	103
Holding company expenses	–	–
Intergroup expenses	697	64
Income tax	483	321
Diluted core headline earnings	1 600	667
Operating profit	2 172	940
Tax on operating profit	(628)	(273)
Investment income	72	–
Tax on investment income	(16)	–
Covered	1 563	694
Non-covered	37	(27)
	1 600	667
Actuarial liabilities	195 346	32 942

¹ The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; non-recurring items included in administration expenses; direct property and asset management fees for all entities, except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes and other minor adjustments to expenses and fee income.

² Momentum Retail administration expenses includes R79 million relating to Momentum SP Reid.

³ The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in South Africa is R23 089 million, and the total of such non-current assets located in other countries is R1 175 million.

Corporate and Public Sector Rm	International Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items ¹ Rm	IFRS total Rm
26 608	3 921	–	63 112	(34 141)	28 971
15 170	3 322	–	33 328	(8 720)	24 608
11 438	599	–	29 784	(25 421)	4 363
4 641	365	759	9 573	(1 894)	7 679
3 986	280	544	8 057	(378)	7 679
655	85	215	1 516	(1 516)	–
30 568	2 292	–	63 964	(37 355)	26 609
6 063	1 741	1 342	17 263	1 485	18 748
1 537	647	4	5 311	(7)	5 304
3 152	824	1 356	9 280	157	9 437
12	–	72	84	823	907
203	–	–	203	1 178	1 381
–	–	–	–	317	317
437	13	80	815	533	1 348
–	–	54	54	–	54
722	257	(224)	1 516	(1 516)	–
1 068	134	299	2 305	(141)	2 164
617	28	294	3 206	–	3 206
771	45	(358)	3 570	–	3 570
(233)	(42)	(10)	(1 186)	–	(1 186)
108	29	849	1 058	–	1 058
(29)	(4)	(187)	(236)	–	(236)
345	206	403	3 211	–	3 211
272	(178)	(109)	(5)	–	(5)
617	28	294	3 206	–	3 206
129 856	11 367	2 567	372 078	–	372 078

SEGMENTAL REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

Restated 2015	Momentum Retail Rm	Metropolitan Retail Rm
Revenue		
Net insurance premiums	24 676	6 910
Recurring premiums	8 992	5 495
Single premiums	15 684	1 415
Fee income	3 452	95
External fee income	2 962	95
Intergroup fee income	490	–
Expenses		
Net payments to contract holders		
External payments	24 088	4 967
Other expenses	5 650	2 070
Sales remuneration	2 200	893
Administration expenses	2 483	1 135
Amortisation due to business combinations and impairments	17	–
Cell captive business	–	–
Direct property expenses	–	–
Asset management and other fee expenses	129	–
Holding company expenses	–	–
Intergroup fee income	821	42
Diluted core headline earnings	1 756	604
Operating profit	2 423	876
Tax on operating profit	(697)	(272)
Investment income	42	–
Tax on investment income	(12)	–
Covered	1 725	604
Non-covered	31	–
	1 756	604
Actuarial liabilities	186 493	32 937

¹ The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; non-recurring items included in administration expenses; direct property and asset management fees for all entities, except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes and other minor adjustments to expenses and fee income.

² The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in South Africa is R23 000 million, and the total of such non-current assets located in other countries is R1 233 million.

Corporate and Public Sector Rm	International Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items ¹ Rm	IFRS total Rm
29 921	3 563	–	65 070	(37 674)	27 396
14 345	3 215	–	32 047	(8 282)	23 765
15 576	348	–	33 023	(29 392)	3 631
4 068	362	1 120	9 097	(1 742)	7 355
3 644	257	762	7 720	(365)	7 355
424	105	358	1 377	(1 377)	–
27 500	1 953	–	58 508	(33 898)	24 610
5 522	1 586	1 563	16 391	1 734	18 125
1 426	544	15	5 078	(7)	5 071
3 172	837	1 316	8 943	724	9 667
12	–	81	110	891	1 001
236	–	–	236	961	1 197
–	–	–	–	105	105
201	7	243	580	437	1 017
–	–	67	67	–	67
475	198	(159)	1 377	(1 377)	–
861	152	463	3 836	–	3 836
1 170	179	(186)	4 462	–	4 462
(344)	(33)	53	(1 293)	–	(1 293)
48	6	775	871	–	871
(13)	–	(179)	(204)	–	(204)
487	266	550	3 632	–	3 632
374	(114)	(87)	204	–	204
861	152	463	3 836	–	3 836
125 177	10 095	3 117	357 819	–	357 819

SEGMENTAL REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2016

	2016 Rm	Restated 2015 Rm
Payments to contract holders are reconciled to net insurance benefits and claims in the income statement.		
Momentum Retail	25 067	24 088
Death and disability claims	4 338	3 694
Maturity claims	6 964	7 547
Annuities	4 945	4 692
Withdrawal benefits	221	80
Surrenders	9 341	8 523
Short-term insurance	469	440
Health claims	133	116
Reinsurance recoveries	(1 344)	(1 004)
Metropolitan Retail	6 037	4 967
Death and disability claims	1 076	1 093
Maturity claims	2 540	1 668
Annuities	677	620
Withdrawal benefits	–	84
Surrenders	1 800	1 560
Reinsurance recoveries	(56)	(58)
Corporate and Public Sector	30 568	27 500
Death and disability claims	6 938	5 084
Maturity claims	1 939	948
Annuities	1 795	1 625
Withdrawal benefits	4 850	3 796
Terminations and disinvestments	15 335	14 613
Short-term insurance	7 112	4 745
Health claims	294	185
Reinsurance recoveries	(7 695)	(3 496)
International	2 292	1 953
Death and disability claims	481	420
Maturity claims	458	371
Annuities	96	99
Withdrawal benefits	225	108
Surrenders	458	498
Terminations	109	90
Short-term insurance	158	104
Health claims	438	393
Reinsurance recoveries	(131)	(130)
Total payments to contract holders	63 964	58 508
Reconciling items ¹	(37 355)	(33 898)
Net insurance benefits and claims (refer to note 30)	26 609	24 610

¹ Relates mainly to payments to investment contract holders.