

update



26 May 2014

Update is a newsletter produced by the investor relations department of MMI Holdings Limited. It provides information on the different divisions in the group. Contact Natalie Amos (investor relations) on (021) 940-6112 / namos@mmiholdings.co.za for further information.

Trading update for the nine months ended 31 March 2014

Group overview and operational highlights

- Total new business recurring premiums increased by 12% compared with the same period of the prior year.
- Strong single premium inflows continued, ending 13% higher than the comparative nine-months of the prior year; a period which included exceptional inflows in the employee benefits division.
- The combined new business flows resulted in a 15% increase in respect of the year-to-date present value of premiums (PVP) for MMI as a whole.
- This reflects the strength of the diverse distribution channels and the alignment of the comprehensive product offerings in the group with their respective target markets.
- Overall, satisfactory client retention was experienced across the group.
- MMI is investing in a number of growth initiatives; the benefits of which will only emerge in future reporting periods.
- The group has substantially completed the merger integration phase and has transformed from an integration focus to a growth focus.
- A new client-centric operating model is being developed for MMI in order to capture growth opportunities in the fast-changing environment.
- The cumulative merger expense target of R500 million has been achieved ahead of the due date.

Market conditions and environment

- The group operates in a highly competitive market and the economic environment remains challenging.
- Equity markets overall have continued to perform strongly, increasing the total assets under management.
- Consumers are feeling the pressure of rising food prices and transport inflation against lower wage and salary increases.
- The need for and importance of investment and protection products within MMI's client base remains an integral part of their financial planning and wellness.

Momentum Retail *

	9 months to 31-March-12	9 months to 31-March-13	9 months to 31-March-14	Change vs 2013
	Rm	Rm	Rm	%
New business				
Recurring premiums	841	828	775	(6)
Single premiums	7 062	7 802	10 882	39
Annual premium equivalent (APE)	1 547	1 609	1 863	16
Present value of premiums (PVP)	11 802	12 638	15 266	21

* Covered business includes on-balance sheet business only.

- Competition in the upper-income recurring premium risk market continues to be very tough.
- Year-to-date new business volumes increased by 21% on a PVP basis, assisted by strong single premiums (up 39%) on the back of good guaranteed endowment flows.
- Positive risk experience continued, confirming the benefits of focussing on good quality new business.
- Business efficiency initiatives have resulted in good expense management in the current period.

Metropolitan Retail

	9 months to 31-March-12	9 months to 31-March-13	9 months to 31-March-14	Change vs 2013
	Rm	Rm	Rm	%
New business				
Recurring premiums	702	722	800	11
Single premiums	793	845	1 094	29
Annual premium equivalent (APE)	781	806	910	13
Present value of premiums (PVP)	3 810	4 001	4 112	3

Metropolitan Retail excludes FNB Life for all periods shown.

- The markets in which Metropolitan Retail operate continue to be tough as increasing food and transport inflation erode available income.
- Recurring premium new business recovered well with the year-to-date total ending 11% higher than March 2013, boosted by the third-quarters' increase of 14%.
- Single premiums continued to perform very well, delivering a 29% increase for the nine-months ended 31 March 2014.
- The process and systems renewal projects are progressing well.
- Expenses were well managed during the period under review.

Momentum Employee Benefits

	9 months to 31-March-12	9 months to 31-March-13	9 months to 31-March-14	Change vs 2013
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
New business				
Recurring premiums	591	535	782	46
Single premiums	2 898	4 520	2 932	(35)
Annual premium equivalent (APE)	881	987	1 075	9
Present value of premiums (PVP)	7 123	8 402	9 590	14

- Good risk and investment recurring premium new business was secured during the period, particularly in the small medium and micro enterprise (SMME) space.
- Following the record levels of single premiums received in the prior year, strong retirement fund single premiums were again written during the current period.
- Client retention remains at good levels.
- The Momentum Health open scheme, which is part of the Momentum Employee Benefits division, continues to provide an attractive offering to clients.
- The incorporation of Guardrisk into the MMI group is progressing well.
- Guardrisk will be included in the MMI results from March 2014, however, as this business is classified as “non-covered,” no new business information has been included in this report.

Metropolitan International §

	9 months to 31-March-12	9 months to 31-March-13	9 months to 31-March-14	Change vs 2013
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
New business				
Recurring premiums	161	235	236	-
Single premiums	156	122	154	26
Annual premium equivalent (APE)	177	247	252	2
Present value of premiums (PVP)	884	1 285	1 334	4
Membership (health) ('000)	390	387	402	4

§ New business includes MMI's share of life insurance new business written by all Metropolitan International subsidiaries.

- The acquisition of Cannon Assurance, an insurance company in Kenya, is awaiting regulatory approvals.
- The medical claims ratio remained at acceptable levels.
- The total lives under administration in the health business increased to 402 000 at the end of March 2014 driven by member growth in the Namibian operation, however growth in other countries remains slow due to price competitiveness.
- A number of growth and business process efficiency improvements are being implemented.

Momentum Investments

- The strong equity market performance has increased the total assets under management.
- Earnings are positively impacted by the levels and mix of assets under management, together with improved expense ratios.
- The longer term outlook for the investment management business in general remains positive as the alignment with the group is strengthened.

Metropolitan Health

- The total number of principal members under administration has remained constant during the quarter under review.
- Good progress has been made in the roll-out of the Multiply Wellness and Rewards programme.
- Continued product enhancements and operational efficiencies are being pursued.

Other corporate activity

- During the quarter under review MMI Group Ltd issued R1.5 billion worth of subordinated debt – as disclosed on SENS.

New client-centric operating model

- MMI has decided to pursue a new client-centric operating model.
- The vision, purpose and strategic focus areas have been finalised.
- A new group executive committee (EXCO) has been identified and work has commenced to determine what changes are needed in order to implement the new operating model with effect from 1 July 2014.
- The reconstituted MMI exco members are:
 - Nicolaas Kruger (Group Chief Executive Officer),
 - Segment businesses: Mark van der Watt (Momentum Retail), Khanyi Nzukuma (Metropolitan Retail), Blum Khan (International)
 - Products and solutions: Etienne de Waal (group-wide)
 - Group-wide functions: Preston Speckmann (Group Finance), Danie Botes (Chief Operating Officer), Jan Lubbe (Chief Risk Officer), Mary Vilakazi (Balance Sheet Management), Ngao Motsei (Strategic HR and Transformation), Vuyo Lee (Brand and Corporate Affairs)

Opportunities and challenges

- MMI is a well diversified financial services group with scale in all the established operations.
- Merger synergies will continue to emerge as projects are completed.
- Cross-selling opportunities are being pursued across the group.
- Growth in new business volumes will, however, remain dependent on the economic environment, including a recovery in employment and stronger disposable income levels.

Comments / qualifications

- All figures contained in this trading update are provisional, have not been reviewed or reported on by the Company's auditors and are for the period 1 July to 31 March as presented in the current internal management accounts.
- The basis on which the new business figures have been calculated is the same as that used for embedded value purposes. Premium income is included from the date on which policies come into force as opposed to the date on which they are accepted.
- The new business figures are all net of outside shareholder interests.

End

Date

26 May 2014

Queries

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