

26 May 2011

Update is a newsletter produced by the investor relations department of MMI Holdings Limited. It provides information on the different businesses in the group as well as financial news. Contact Sue Snow (financial media) on (021) 940-6119 / ssnow@mmiholdings.co.za or Natalie Amos (investor relations) on (021) 940-6112 / namos@mmiholdings.co.za for further information.

Trading update for the nine months ended 31 March 2011

Merger update

- The merged group has the following operating divisions:
 - Momentum Retail
 - Metropolitan Retail
 - Momentum Employee Benefits
 - Metropolitan International
 - Momentum Investments
 - Metropolitan Health
- All management reporting is currently prepared on a segmental basis using the abovementioned divisions.
- The operating structures in each division have been finalised, the executive teams have been appointed and certain systems integration projects are already in progress.
- The branding strategy was finalised and published during April 2011.
- The strategic plans for each division have been presented to the MMI Holdings board, and are in the process of being implemented.

Group overview and operational highlights

- New business continued to grow, reflecting the comprehensive product offering and strong distribution capabilities across the group.
- Investment markets, while still volatile, remained relatively strong for the last quarter of the period under review.
- Expense management remains a top priority.

Momentum Retail

	9 months to 31-March-10 <i>Rm</i>	9 months to 31-March-11 <i>Rm</i>	Change vs 2010 %
New business			
Recurring premiums	870	939	8
Single premiums	14 945	17 392	16
Annual premium equivalent (APE)	2 365	2 678	13
Present value of premiums (PVP)	19 675	22 008	12

* Includes Odyssey but excludes new markets and FNB Life.

- New business volumes (APE) rose by 13%, with good growth in discretionary savings products and retirement annuities.
- New business sourced through the agency force increased in line with Momentum's objective to grow this channel.
- Early terminations (surrenders and lapses) continued to reduce, resulting in a further improvement in persistency.
- The overall new business margin remains under pressure as a result of the product mix continuing to favour lower margin investment and savings products.

Metropolitan Retail

	9 months to 31-March-10 <i>Rm</i>	9 months to 31-March-11 <i>Rm</i>	Change vs 2010 %
New business			
Recurring premiums	557	680	22
Single premiums	673	1 441	114
Annual premium equivalent (APE)	624	823	32
Present value of premiums (PVP)	2 785	4 247	52

*Includes new markets and 10% of FNB Life, excludes Odyssey.

- New business APE ended 32% higher, driven by good production in the traditional agency channels and strong single premium production.
- Persistency across all lines of business continued to hold up very well.
- Extensive preparatory work is being done to address the potential negative impact of the upcoming regulatory exams amongst advisers in the entry level market.
- Claims paid during the period under review were in line with expectations.

Momentum Employee Benefits

	9 months to 31-March-10 <i>Rm</i>	9 months to 31-March-11 <i>Rm</i>	Change vs 2010 %
New business			
Recurring premiums	360	546	52
Single premiums	2 273	2 062	(9)
Annual premium equivalent (APE)	587	752	28
Present value of premiums (PVP)	4 627	5 839	26

- The division continues to focus on forging strategic distribution partnerships, product innovation, improved operational efficiencies and satisfactory service levels.
- Strong new business growth was achieved in risk and investment business.
- Securing new business in the group insurance, investment and administration markets remains highly competitive, resulting in pressure on new business margins.
- New umbrella fund products have been successfully rolled out and were well received by the market.
- Metropolitan Retirement Administrators secured 41 000 new members under administration.

Metropolitan International

	9 months to 31-March-10 <i>Rm</i>	9 months to 31-March-11 <i>Rm</i>	Change vs 2010 %
New business			
Recurring premiums	110	112	2
Single premiums (incl EB)	68	103	51
Annual premium equivalent (APE)	117	122	5
Present value of premiums (PVP)	492	619	26

* New business includes MMI's share of life insurance new business written by all international life insurance subsidiaries.

- Namibia and Lesotho recorded good new business growth. New business volumes across the African insurance businesses showed a modest increase.
- Overall, the risk experience in the life businesses remained favourable.
- Although still in the developmental phase, the health business has shown steady growth in lives under administration of about 6% year to date.

Momentum Investments

- Good progress has been made in developing the various business plans, and key management appointments have been announced.
- Equity performance continues to be a focus area while fixed interest has maintained its good longer-term performance track record.
- The business experienced further outflows of third-party business during the period.
- While the long-term outlook for the investment management businesses in general remains positive, earnings will be dependent on the level of assets under management.
- Building competitive investment management capabilities, especially third party asset management, continue to form the core of Momentum Investments' growth strategy.

Metropolitan Health

- The number of members under administration continued to grow, assisted by the highly successful Government Employees Medical Scheme (GEMS).
- At 31 March 2011 GEMS had in excess of 550 000 principal members, with membership continuing to increase at around 500 members per day.
- The total principal members under administration stood at 1.13 million (2.85 million lives) as at 31 March 2011.
- All schemes under administration are in a sound financial position.
- A business unit has been established to focus exclusively on the open scheme market, with a primary focus to grow the Momentum Health open scheme.
- Performance levels across the board are in line with or exceed contracted service level agreements.

Opportunities and challenges

- Merger synergies are expected to start flowing through during the second half of the 2011 calendar year.
- Growth in new business volumes remains dependent on the economic environment, including a continued recovery in employment and further increases in disposable income levels.
- Africa, although a complex market, is still largely untapped and provides a number of opportunities for the group throughout its footprint in 12 countries outside of South Africa.
- All business units face opportunities and threats posed by ongoing changes in the highly regulated environments in which they operate, including the regulatory exams, the national health insurance and national social security reform proposals.

Comments / qualifications

- All figures are provisional and unaudited.
- All figures are for the period 1 July 2010 to 31 March 2011 as presented in the current internal management accounts, and not from the effective date of the merger (1 December 2010).
- All figures for 2010 have been presented on the same basis as those for 2011, taking into account the current operational structure.
- 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. (Figures calculated on the latter basis are normally referred to as production figures.) It should be noted that there can be a delay of up to three months between these two dates.
- The new business figures are all net of outside shareholder interests.

End

Date

26 May 2011

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