

update



26 November 2014

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

Trading update for the three months ended 30 September 2014

Operational highlights

- The MMI group had a good quarter from a new business perspective, with the total present value of premiums (PVP) increasing 30% on the prior year, primarily on the back of continued good employee benefits production.
- Strong single premium inflows continued, ending 30% higher than the strong prior year comparative quarter.
- New business recurring premiums increased 22% compared to the same quarter of 2013, mainly due to good growth in employee benefits.
- Overall, satisfactory client retention was experienced across the group.
- This growth in a very difficult operating environment reflects the strength of the diverse distribution channels and the alignment of the comprehensive product offerings in the group with their respective target markets.
- Good progress has been made in implementing the client-centric operating model and the group will continue to invest in the initiatives required to achieve its long-term strategic goals.

Group overview and operating environment

- Growth in the South African economy slowed significantly and this will put pressure on the disposable income of our clients.
- During this quarter the investment market volatility continued with the JSE all-share index falling about 4%. The absolute levels, however, remained higher than the previous year.
- The appropriateness of MMI's new client-centricity strategy has been confirmed by developments in the operating environment, including challenging economic conditions, regulatory changes and changing client behaviour.

Growth initiatives

- Progress has been made with the strategic initiatives to diversify the group's earnings streams.
- The acquisitions of Cannon Assurance in Kenya and Carecross have become unconditional.
- During October MMI announced that it had entered into a Memorandum of Understanding with Aditya Birla Financial Services Group ('ABFSG'), the financial services arm of India's leading conglomerate, Aditya Birla Group ('ABG'). MMI and ABFSG intend setting up a joint venture, which will enter the health insurance market in India.

- MMI is investing in a number of growth initiatives across the group, including the middle market and Momentum Short-term Insurance businesses.

Momentum Retail *

	3 months to 30-Sept-12 <i>Rm</i>	3 months to 30-Sept-13 <i>Rm</i>	3 months to 30-Sept-14 <i>Rm</i>	Change vs 2013 %
New business				
Recurring premiums	247	268	254	(5)%
Single premiums	2 667	3 862	4 011	4%
Annual premium equivalent (APE)	514	654	655	-
Present value of premiums (PVP)	4 054	5 338	5 415	1%

* Covered business includes on-balance sheet business only.

- Risk sales matched the comparative period's performance; however less recurring savings premiums were recorded.
- Strong single premium new business growth continued, ending 4% above the exceptional prior quarter's total and well ahead of the 2012 number.
- New business volumes (PVP) for the quarter similarly ended marginally higher than those recorded in the prior year and well up on the 2012 total.
- The mix of new business continues to favour single premium investments.
- There has been good growth in the new business written by Momentum Short-term Insurance; however the recent claims ratio has increased slightly to above the long-term target.
- Steady progress is being made with the middle market initiative and new business has been written with effect from August 2014.
- Client service remained at satisfactory levels.

Metropolitan Retail @

	3 months to 30-Sept-12 <i>Rm</i>	3 months to 30-Sept-13 <i>Rm</i>	3 months to 30-Sept-14 <i>Rm</i>	Change vs 2013 %
New business				
Recurring premiums	235	279	293	5%
Single premiums #	202	253	283	12%
Annual premium equivalent (APE)	255	305	321	5%
Present value of premiums (PVP)	1 220	1 339	1 316	(2)%

Single premium income and maturity claims now exclude retirement annuity lump sum contributions received that mature immediately for purposes of reinvestment. New business single premiums, APE and PVP comparatives have been restated accordingly. The value of new business is not affected.

@ All figures exclude FNB Life.

- Steady recurring premium new business was recorded, ending slightly above the September 2013 total, despite the economic pressure clients are experiencing and changes being made within the Metropolitan distribution channels.
- Single premium income continued to perform very well.
- In light of challenging economic conditions, persistency continues to be monitored closely.

Corporate and Public Sector

Employee benefits

	3 months to 30-Sept-12 <i>Rm</i>	3 months to 30-Sept-13 <i>Rm</i>	3 months to 30-Sept-14 <i>Rm</i>	Change vs 2013 %
New business				
Recurring premiums	112	235	413	76%
Single premiums	1 919	1 252	2 666	113%
Annual premium equivalent (APE)	304	360	680	89%
Present value of premiums (PVP)	2 771	3 426	6 481	89%

- Good recurring premium new business was recorded in the first quarter, particularly in the FundsAtWork umbrella fund space, resulting in recurring premium new business of almost twice the level recorded in the prior comparative for the business unit as a whole.
- Single premium levels remained high, with single premium annuities in particular doing well in this quarter.
- Securing new business in the group insurance and investment markets remains highly competitive.
- Client retention remains at good levels.

Guardrisk

- Good progress was made to further align Guardrisk within MMI to enhance the client-value proposition and extract business synergies.

Investments

- Focus on investment excellence is starting to pay off, with equity and balanced fund performance showing satisfactory improvement.
- The longer-term outlook for the investment management business remains positive as the alignment within the group is strengthened.

Health

- Total members under administration remain steady at 1.2 million principal members.
- The administration contract with the Government Employees Medical Scheme (GEMS) was renewed.
- Good progress has been made with the further roll-out of the Multiply rewards programme.

International §

	3 months to 30-Sept-12	3 months to 30-Sept-13	3 months to 30-Sept-14	Change vs 2013
	Rm	Rm	Rm	%
New business				
Recurring premiums	71	73	85	16%
Single premiums	35	49	78	59%
Annual premium equivalent (APE)	74	78	93	19%
Present value of premiums (PVP)	399	420	449	7%
Health (lives) ('000)#	381	390	418	7%

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

Health includes Namibia.

- Good recurring and single premium new business volumes were recorded in Namibia, Botswana and Lesotho during the period under review.
- Strong growth was experienced in Namibia through the FundsAtWork umbrella fund offering, while up-selling contributed to the increase in Botswana.
- The medical claims ratio has remained at satisfactory levels.

Kagiso Tiso Holdings (KTH) / MMI preference shares

- During 2004 and 2005 MMI issued 75 million A1 preference shares, 13 million A2 preference shares and 34 million A3 preference shares to KTH at the listed ordinary share price at the date of issue.
- These shares were fully paid for by KTH, have full voting rights and are redeemable by MMI if they are not converted into ordinary shares within an agreed period of time.
- In June 2012 KTH requested the conversion of all of the A1 and A2 preference shares.
- KTH have requested that 1.1 million of the A3 preference shares be converted into ordinary shares. These converted shares were listed on 13 November 2014.
- The KTH / MMI relationship has recently celebrated its ten year anniversary. It is gratifying to note that 73% of the original preference shares have now been converted into ordinary shares.

MMI subordinated debt

- MMI issued R500 million of subordinated debt in December 2006.
- This debt has a first-call date of December 2014.
- In line with the original intention and timeline MMI is redeeming this debt and at the same time MMI is issuing another R500 million of subordinated debt.

AGM

- The MMI AGM was held on 18 November 2014 and all resolutions tabled were passed with the required majority of votes.

Opportunities and challenges

- MMI has achieved scale in its main established operations, creating an excellent base for future growth.
- Cross-selling and other new business 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 are provisional and unaudited, and are for the period 1 July to 30 September 2014 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 November 2014

Queries

NICOLAAS KRUGER
GROUP CHIEF EXECUTIVE
MMI Holdings
TEL 012 673 7438

PRESTON SPECKMANN
GROUP FINANCE DIRECTOR
MMI Holdings
TEL 012 673 7446

TYRREL MURRAY
GROUP FINANCE & INVESTOR RELATIONS
MMI Holdings
TEL 021 940 5083 OR 082 889 2167