update

MMI HOLDINGS

31 May 2012

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 2012

Group overview and operational highlights

- The overall economy in which the group operates continued to show signs of recovery; however, certain areas of the market remain under pressure.
- Total new business APE for the quarter increased by 12% compared with the same quarter in the prior year, reflecting the success of the diverse and comprehensive product offerings across the group.
- Increased competitive forces, together with strong single premium sales with inherently lower margins, continued to put pressure on the overall new business margins.
- Investment markets, while still volatile, remained relatively strong for the last quarter of the period under review.
- Expense management and merger efficiencies remain one of the top priorities over the short to medium term.
- The integration process is progressing on schedule and the merger-related expense-saving commitments are on track.

Momentum Retail

	9 months to 31-March-11 *Rm*	9 months to 31-March-12 *Rm*	Change vs 2011 *%*
New business			
Recurring premiums	939	841	(10)
Single premiums	17 392	17 070	(2)
Annual premium equivalent (APE)	2 678	2 548	(5)
Present value of premiums (PVP)	22 008	21 672	(2)

* Momentum Retail includes Odyssey but excludes new markets and FNB Life.

- The operating environment in the upper-income market remained difficult.
- New business volumes for the quarter were better than those recorded in the comparative period; however, the year-to-date totals are still slightly below the levels recorded in the prior year.

- Excluding the discontinued Odyssey business from the prior period comparatives, on a like-for like basis, the APE for the nine months is in line with 2011.
- The mix of new business continues to favour single premium investments with lower inherent margins; therefore the overall new business margin remains under pressure.
- New business sourced through the agency force continued to increase in line with Momentum's objective to grow this channel.
- Business efficiency initiatives have commenced; however, the benefits will only emerge in later reporting periods.

Metropolitan Retail

	9 months to 31-March-11	**9 months to 31-March-12**	**Change vs 2011**
	Rm	***Rm***	***%***
New business			
Recurring premiums	680	777	14
Single premiums	1 441	901	(37)
Annual premium equivalent (APE)	823	868	5
Present value of premiums (PVP)	4 247	4 057	(4)

*Metropolitan Retail includes new markets and FNB Life, but excludes Odyssey.

- Recurring premium new business exceeded that of the comparative period, driven by good recurring premium production in the group schemes and other traditional agency channels.
- The reduction in single premium income was the result of the transfer of certain distribution channels to Momentum Retail; good growth has continued in the remaining channels.
- Excluding the discontinued distribution channels, the APE for the nine months, on a like-for-like basis, increased by 16%.
- Early duration persistency across most lines of business, while slightly lower than the prior period, remained within the pricing basis.
- Extensive work is being done to manage any risks associated with the regulatory exams and the pass rate has improved.
- Expenses were well managed during the period under review.

Momentum Employee Benefits

	9 months to 31-March-11	**9 months to 31-March-12**	**Change vs 2011**
	Rm	***Rm***	***%***
New business			
Recurring premiums	546	591	8
Single premiums	2 062	2 898	41
Annual premium equivalent (APE)	752	881	17
Present value of premiums (PVP)	5 839	7 123	22

- Strong new business growth was achieved in the group insurance and annuity product lines, however, investment product sales declined.
- Good single premium production was recorded during the quarter.
- Securing new business in the group insurance and investment markets remains highly competitive.
- Client retention remains at satisfactory levels.
- Expense efficiency initiatives are continually being investigated and implemented.

Metropolitan International

	9 months to 31-March-11	9 months to 31-March-12	Change vs 2011
	Rm	*Rm*	*%*
New business			
Recurring premiums	122	161	32
Single premiums (incl EB)	103	156	51
Annual premium equivalent (APE)	132	177	34
Present value of premiums (PVP)	619	884	43
Membership (health) (‘000)	125	121	(4)

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

- Good growth in new business volumes was recorded during the period under review.
- Botswana, Lesotho and Ghana increased their recurring new business premiums while strong single premium contracts were secured in Botswana and Lesotho.
- The medical claims ratio has improved as a result of appropriate re-pricing and improved claims controls.
- Following these changes, the total lives under administration in the health business declined slightly during the period as some clients sought cheaper alternatives in the market.

Momentum Investments

- In asset management, the performance of the fixed income funds, retail equity and balanced funds continued to deliver good performance relative to the benchmarks and peers while institutional equity and balanced funds performed below benchmark and remain the focus area for improvement.
- Net flows for the asset management division continued to be negative.
- The collective investments business unit performed well and had strong net inflows for the period under review.
- The managers of managers business continued to have significant successes in both group and third party distribution with regards to new business written.
- The long term outlook for the investment management business in general remains positive, but the earnings will be dependent on the levels and mix of the assets under management, as well as expense ratios.
- Building competitive third party investment management capabilities remain core to the growth strategy.

- MMI has reached agreement with Rand Merchant Bank and Royal Bafokeng Holdings to acquire the shares which these entities currently hold in Eris Property Group (Pty) Ltd ("Eris"). MMI will merge the property business of Momentum Properties (previously Metropolitan Property Services) with Eris in exchange for further shares in Eris. This merger will be effective from 1 July 2012 or as soon as practical thereafter. Eris management and Kagiso Tiso Holdings Proprietary Limited (RF) ("KTH"), who are existing shareholders in Eris, have agreed to acquire further shares from MMI, resulting in MMI holding a controlling interest of 50.1%, KTH 21.2% and Eris Management 28.7% in Eris post implementation. The transaction is subject to a number of conditions precedent, including approval by the Competition authorities.

Metropolitan Health

- The number of members under administration increased by 6% to 1.3 million principal members (3.1 million lives) at the end of March 2012.
- The new administration contract with the Government Employees Medical Scheme was implemented successfully.
- The business continues to position itself for national health insurance (NHI).

Changes in directors

- Mr Thys Visser passed away following a car accident on 26 April 2012. Although Mr Visser only served on the board for a relatively short period, from 22 November 2011, his contribution on both the board and the remuneration committee was highly valued.
- Mr Leon Crouse was appointed as a non-executive director on the MMI board with effect from 18 May 2012. He has also been appointed on the boards of Momentum Group Ltd and Metropolitan Life Ltd, both subsidiary companies of MMI.

Other corporate activity

- The group is hosting an investor open day on 5 June 2012.
- A circular was distributed to shareholders on 18 May 2012 proposing:
  - an odd-lot offer to shareholders holding up to 99 MMI shares,
  - a voluntary offer to shareholders holding between 100 and 500 MMI shares; and
  - an extension of the successful BEE partnership with Kagiso Tiso Holdings.

  A shareholder meeting has been scheduled for 18 June 2012 in this regard.

Opportunities and challenges

- Merger synergies will emerge as progress is made in integrating the businesses.
- Growth in new business volumes will, however, remain dependent on the economic environment, including a recovery in employment and stronger 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 to 31 March as presented in the current internal management accounts.
- All figures for 2011 have been presented on the same basis as those for 2012, 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
31 May 2012

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