

update



27 May 2015

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 2015

Update on strategic re-alignment

- MMI's purpose is to enhance the lifetime financial wellness of people, their communities and their businesses.
- The strategic focus areas remain growth, client-centricity and excellence.
- Good progress has been made in implementing the significant changes required for the new client-centric operating model. The benefits from these changes will emerge over time.
- MMI is continuing to invest in a number of growth and diversification initiatives that will impact the results in the shorter-term.
- The Board is firmly of the view that the strategy of MMI will result in a stronger and better positioned group, once fully implemented.

Operational highlights

- The combined new business flows, on the present value of premiums (PVP) basis, increased 12% year-to-date for MMI as a whole.
- This increase, despite the tough economic environment, reflects the strength of the diverse distribution channels and the alignment of the comprehensive product and solutions offered across the group with the needs of clients in the respective market segments.
- Single premium inflows continued to grow strongly ending 20% higher than the comparative nine-months of the prior year.
- Recurring premium new business increased by 2% when compared with the same period of the prior year.
- Satisfactory client retention was experienced across the group; there are some areas where persistency appears to be under pressure, however the businesses continue to manage it very closely.

Focus areas

- The group continues to invest in initiatives required to achieve its long-term strategic goals.
- Momentum Short-term Insurance continued to experience good new business growth.

- The claims ratio for Momentum Short-term Insurance, further increased during the quarter to above the targeted long-term range, and this, together with the continued investment in the business has increased the combined ratio.
- Taking into account the current environment, the group will continue to focus on efficiencies while continuing to pursue top-line growth.

Momentum Retail *

	9 months to 31-March-13	9 months to 31-March-14	9 months to 31-March-15	Change vs 2014
	Rm	Rm	Rm	%
New business				
Recurring premiums	828	775	766	(1)
Single premiums	7 802	10 882	11 460	5
Annual premium equivalent (APE)	1 609	1 863	1 912	3
Present value of premiums (PVP)	12 638	15 266	15 851	4

* Covered business includes on-balance sheet business only.

- Recurring premium risk sales exceeded the comparative period's performance by 2% while recurring savings premiums came in slightly below.
- Encouraging single premium new business growth was recorded, being 13% above the exceptional third quarter in the prior year (5% for the nine-month total) and well ahead of the 2013 performance.
- New business volumes (PVP) for the quarter were similarly 9% higher than that recorded in the same quarter of the prior year (4% for the nine-month total), and also well up on the 2013 total.
- The mix of new business continues to favour lower-margin single premium investments.
- Steady progress is being made with the middle market initiative and new business has been written with effect from August 2014.
- Good progress has been made in establishing alternative distribution models.
- Client-service remained at satisfactory levels as confirmed by the latest South African Customer Satisfaction Index.
- Positive risk experience continued, confirming the benefits of focussing on good quality new business.

Metropolitan Retail @

	9 months to 31-March-13	9 months to 31-March-14	9 months to 31-March-15	Change vs 2014
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
New business				
Recurring premiums	722	800	820	2
Single premiums #	607	778	966	24
Annual premium equivalent (APE)	782	879	916	4
Present value of premiums (PVP)	3 764	3 796	3 945	4

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 March 2014 total, despite the economic pressure clients are experiencing.
- As advised at the time of the June 2014 results release, the large scale changes being made within the Metropolitan Retail distribution channels and the introduction of a new remuneration model in January 2015 to improve productivity, are currently impacting the volumes of new business sold.
- The mix of new business has changed in favour of lower-margin products.
- Single premium income continued to perform very well.
- In light of challenging economic conditions and the changes to the distribution model, persistency at early duration remains a risk that continues to be managed closely.
- Expense and mortality experience continued to be well managed during the period under review.

Corporate and Public Sector

Employee benefits

	9 months to 31-March-13	9 months to 31-March-14	9 months to 31-March-15	Change vs 2014
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
New business				
Recurring premiums	535	782	760	(3)
Single premiums	4 520	2 932	5 169	76
Annual premium equivalent (APE)	987	1 075	1 277	19
Present value of premiums (PVP)	8 402	9 590	12 274	28

- The group risk premium market continues to be very competitive placing pressure on new business volumes and margins.
- FundsAtWork umbrella fund business (small medium and micro enterprises) continued to attract good recurring premiums.
- Single premium new business continued to be strong, with large single premium with-profit annuities being written during the current reporting period.

- Client retention remains at acceptable levels without compromising sound underwriting principles.
- The underwriting margins continue to be below the longer-term trends.
- The Momentum Health open scheme continues to provide an attractive offering to clients, however we did experience clients moving to lower-margin options.

Guardrisk

- Guardrisk is currently experiencing good organic growth and is benefiting from new business flows.
- Good progress was made in unlocking synergies that arose from aligning Guardrisk within MMI, and to enhance the client-value proposition.

Investments

- Good progress has been made with implementing an outcomes-based investment philosophy throughout all client segments, supported by internal and external investment capabilities.

Health

- Currently there are 1.1 million principal members under administration.
- Good progress has been made with the further roll-out of the Multiply wellness and rewards programme.
- Total revenue is under pressure following the revised contract with the Government Employees Medical Scheme, effective 1 January 2015.
- Industry consolidation of medical schemes has also reduced the total principal members.
- Total expense growth, however, has been contained at below the increase in revenue.
- Continued product enhancements and operational efficiencies are being pursued.

International §

	9 months to 31-March-13	9 months to 31-March-14	9 months to 31-March-15	Change vs 2014
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
New business				
Recurring premiums	235	236	278	18
Single premiums	122	154	166	8
Annual premium equivalent (APE)	247	252	294	17
Present value of premiums (PVP)	1 285	1 334	1 456	9
Membership (health) ('000)	387	402	432	7

- Namibia, Lesotho and Botswana continue to grow, contributing positively to the life insurance new business.
- Health membership remained stable during the quarter.
- The medical claims ratio remained at acceptable levels in the majority of the regions.
- Good progress is being made with a number of regional growth initiatives.
- Regional restructuring is underway to reduce the cost base.

Executive changes

The Group Finance Director of MMI Holdings Limited (MMI), Preston Speckmann, will retire at the end of June 2015 after 16 years of distinguished service to the group. Mary Vilakazi will assume the position of Group Finance Director on 1 July 2015. Mary's appointment completes the succession planning and structured handover process implemented last year ahead of Preston's retirement. Preston will step down as an executive director and Mary will be appointed as executive director to the MMI Holdings and MMI Group Boards.

In addition, Ngao Motsei, our Group Executive for Strategic HR & Transformation (executive director), has decided to leave the corporate world to pursue other interests.

Kagiso Tiso Holdings (KTH) / MMI preference shares

- At 31 December 2014 KTH held 33 million A3 MMI preference shares.
- 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.
- During the quarter KTH requested that 1.1 million A3 preference shares be converted into ordinary shares. These converted shares were listed on 31 March 2015.

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 for each year 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

27 May 2015

Queries

NICOLAAS KRUGER
GROUP CHIEF EXECUTIVE

MMI Holdings
TEL 012 673 7438

PRESTON SPECKMANN
GROUP FINANCE DIRECTOR

MMI Holdings
TEL 012 673 7446

MARY VILAKAZI
CHIEF FINANCIAL OFFICER

MMI Holdings
TEL 012 673 7443

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