

Comparable **VALUE OF NEW BUSINESS** up 23% to R378 million
ANNUALISED RETURN on **EMBEDDED VALUE** OF 20%
Profits from **OPERATING DIVISIONS** up 24%
Diluted **CORE HEADLINE EARNINGS** up 13% to R1.7 billion
Interim **DIVIDEND** up 12% to 57 cents per share



MMI HOLDINGS

OVERVIEW OF OPERATIONS

GROUP RESULTS

MMI delivered very strong financial results for the period under review.

- Embedded value, at R37 billion (2 331 cents per share), reflects an impressive annualised return on embedded value for shareholders of 20%.
- Diluted core headline earnings increased by 13% to R1.7 billion for the period. The contribution from operating divisions increased 24% to R1.4 billion.

OPERATING ENVIRONMENT

Operating conditions remained economically challenging and highly competitive during the period under review. Equity markets increased strongly while interest rate volatility continued. Consumer confidence remained uncertain, with ongoing labour challenges, unemployment, indebtedness and inflation reducing disposable and investible income. GDP growth in the rest of Africa, however, is proving to be resilient. Overall, the need for and provision of investment and protection products within MMI's client base remains an important part of financial wellness and planning.

CAPITAL MANAGEMENT

- MMI actively manages its capital resources within a defined risk appetite and balances the interests of all stakeholders.
- The investment mandate for shareholder capital is restricted to lower-risk investments.
- The group remains actively involved and committed to the Regulator's Solvency Assessment and Management (SAM) project.
- MMI intends to issue R1.5 billion of unsubordinated debt during March 2014.
- A strong capital buffer of R3.5 billion was reported as at 31 December 2013, after allowing for the Guardrisk acquisition, other strategic growth initiatives and the interim dividend.
- Taking into account the various growth initiatives, the group is satisfied that its present capital level is appropriate in the current environment. This position is regularly evaluated.

TRANSFORMATION

- MMI currently has a level two broad-based black economic empowerment (B-BBEE) contributor status.
- The group is a member of the JSE Sustainability Index, and remains committed to a strategy that promotes sustainable businesses.

OVERVIEW OF OPERATIONS

MOMENTUM RETAIL

- New insurance business, on a present value of premiums (PVP) basis, increased 24% to R10.5 billion for the half year.
- The value of new business increased 46% to R136 million, boosted by excellent guaranteed endowment sales.
- Good risk experience continued, confirming the benefits of focusing on good quality new business.
- Operating expenses were well contained during the period.
- Operating profit for the half-year increased by 27% to R652 million.

METROPOLITAN RETAIL

- Single premium new business was 30% higher, while recurring premiums, excluding FNB Life, were 10% above the levels recorded in the prior period.
- The profit-sharing arrangement with FNB Life reduced from 10% to 4% with effect from 1 July 2013.
- The value of new business for the period, again excluding FNB Life, rose by 2% to R122 million as further investments into the sales force increased selling expenses.
- Operating profit for the half-year increased by 30% to R315 million.

MOMENTUM EMPLOYEE BENEFITS

- New business, on a PVP basis, increased substantially, rising 31% to R6.5 billion for the period.
- Good risk and investment recurring premium new business were secured while increased retirement fund single premiums further boosted the volumes.
- Value of new business exceeded expectations, increasing 36% to R90 million, at a satisfactory PVP margin of 1.4%.
- Operating profit for the half-year increased by 13% to R179 million.

METROPOLITAN INTERNATIONAL

- New business increased 8% to R943 million on a PVP basis, with improved contributions from most operations.
- The value of new business followed the same trend, increasing 7% to R30 million.
- Lives under administration in the health business increased by 7% to 408 000, while claims ratios improved as a result of good risk management and successful repricing.
- Operating profit for the half-year increased by 26% to R49 million.

MOMENTUM INVESTMENTS

- Focus on investment excellence paying off with equity and balanced fund performance showing satisfactory improvement.
- Expanded Africa investment offering combined with recently added unconstrained strategies and Eris increases product diversity.
- Increased revenue combined with well contained expenses resulted in improved expense ratios.
- Operating profit for the half-year increased by 28% to R95 million.

METROPOLITAN HEALTH

- Slower growth was recorded in the Government Employees Medical Scheme.
- A few corporate schemes were amalgamated into schemes administered outside the MMI group thus resulting in lost business for the group.
- As part of its revenue diversification strategy, the group acquired Providence Healthcare Risk Managers.
- The business has been and will continue positioning itself for the anticipated health reforms.
- Operating profit for the half-year increased by 7% to R75 million.

SHAREHOLDER CAPITAL

- Shareholder capital includes investment income on shareholder capital, operating profit from the Balance Sheet Management, MMI Rewards and Momentum Short-term Insurance businesses, central shareholder expenses and new ventures.
- The current and prior period results include the reversal of income tax provisions that are no longer required.
- Investment income in the current period has been impacted as a result of the R1 billion special dividend paid in October 2012.

PROSPECTS

- The strategy of the MMI group is firmly focused on growth, excellence and client-centricity.
- Each division has implemented plans and processes to identify and optimise structures, operations, target markets, distribution channels and product offerings through innovation and collaboration, in order to grow each business.
- Growth in new business volumes will, however, remain dependent on the economic environment, including a recovery in employment and improved disposable income levels.
- The board of MMI Holdings believes that the group has identified and is implementing innovative strategies to unlock value and generate the required return on capital for shareholders over time.