

29 May 2013

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 2013

Group overview and operational highlights

- Total group new business PVP (present value of premiums) for the quarter increased by 11% compared with the corresponding figure of the prior year, and 11% year-to-date, confirming the need for financial products and the benefits to MMI from product and market segment diversification.
- Capital management projects are ongoing and the group remains appropriately capitalised.
- Delivering on expense management and merger efficiencies remain one of the top priorities; however the medium-term focus has moved to growth initiatives.

Market conditions and environment

- The group is currently operating in a challenging economic environment.
- Pressure on disposable income is increasing and the market remains highly competitive.
- The need for and importance of investment and protection products within MMI's client base remains an integral part of their financial planning and wellness.
- Investment markets, while relatively strong, continue to be volatile.

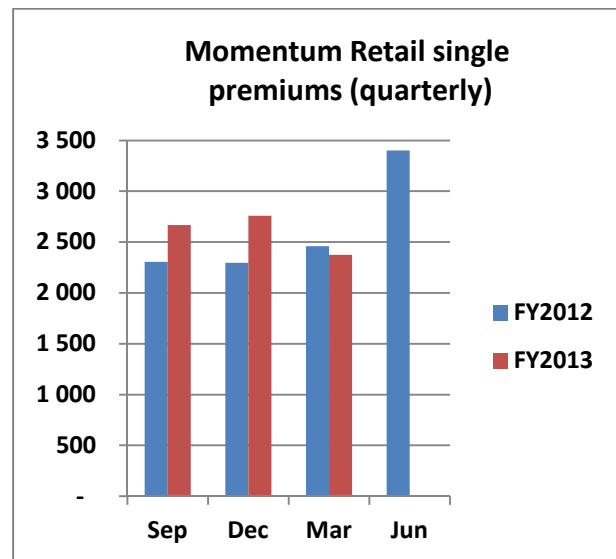
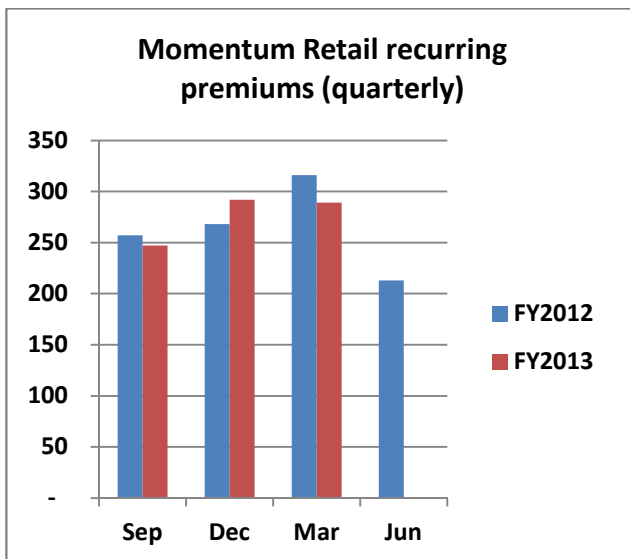
Momentum Retail *

	9 months to 31-March-12	9 months to 31-March-13	Change vs 2012
	Rm	Rm	%
New business			
Recurring premiums	841	828	(1)
Single premiums	7 062	7 802	10
Annual premium equivalent (APE)	1 547	1 609	4
Present value of premiums (PVP)	11 802	12 638	7

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

* Covered business includes on-balance sheet business only.

* Includes only two periods as a result of the change in the definition of covered business to exclude off-balance sheet Wealth business.

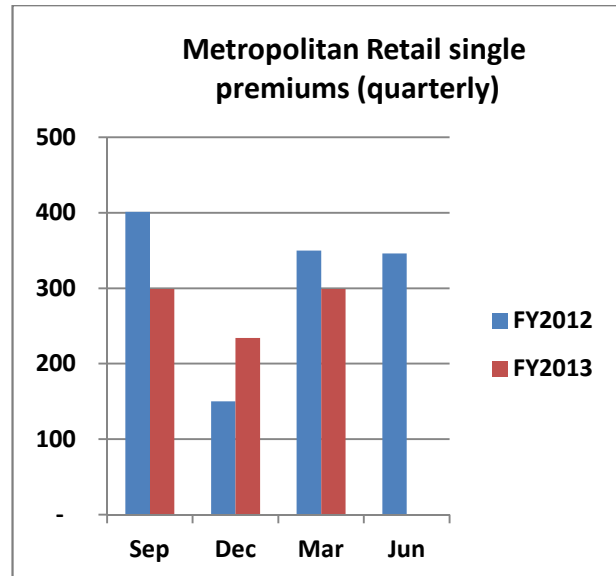
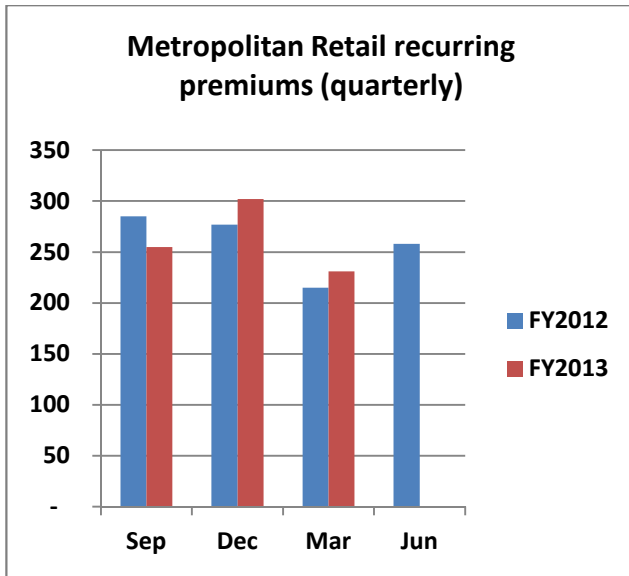


- Competition in the upper-income risk market continues to be very tough.
- Year-to-date new business volumes increased by 7% on a PVP basis assisted by strong single premium flows.
- The mix of new business favours single premium investments with lower inherent margins.
- Good mortality experience continued during the quarter.
- Business efficiency initiatives are ongoing.
- The Odyssey conversion whereby 180 000 policies were transferred onto the Momentum administration platform was completed successfully and the expense savings target was achieved.

Metropolitan Retail

	9 months to 31-March-11	9 months to 31-March-12	9 months to 31-March-13	Change vs 2012
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
New business				
Recurring premiums	680	777	788	1
Single premiums	1 441	901	832	(8)
Annual premium equivalent (APE)	823	868	873	1
Present value of premiums (PVP)	4 247	4 057	4 117	1

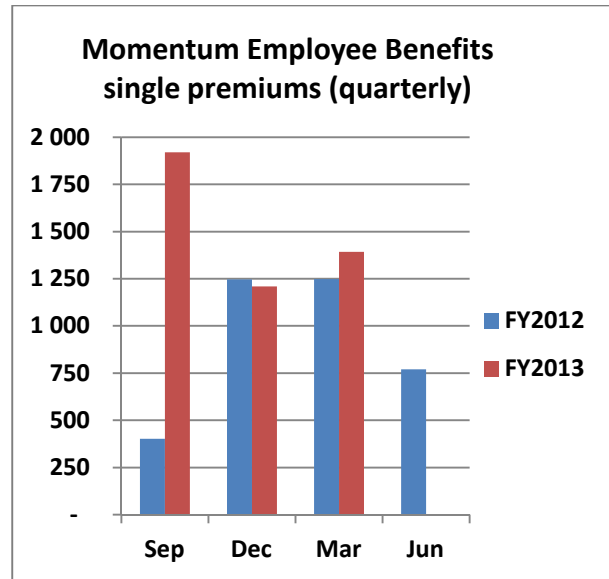
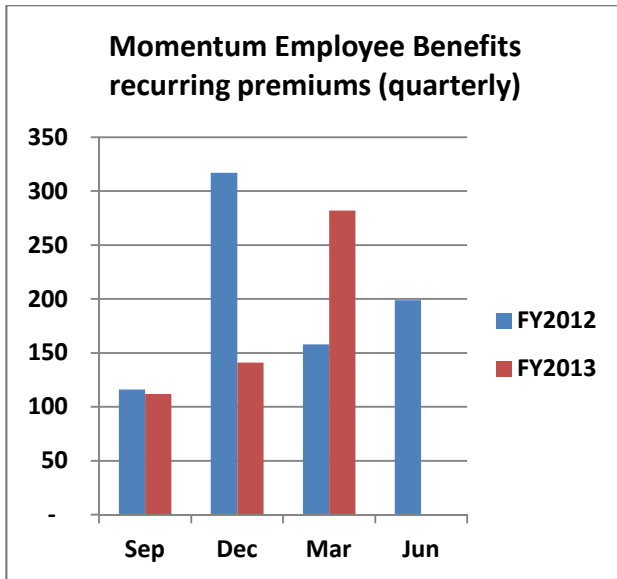
#Metropolitan Retail includes new markets and FNB Life, but excludes Odyssey.



- The markets in which Metropolitan Retail operate have become tougher as a result of increased competition, together with food and transport inflation.
- The regulatory exams that dampened new business in the first quarter of FY2013 are no longer having a material impact on new business activity in subsequent quarters.
- Recurring premium new business continued to recover, increasing 7% in the last quarter when compared to the prior year.
- The reduction in single premium income over the past few reporting periods was the result of the closure of certain less profitable products and also some distribution channels; good growth has continued in the remaining products and channels.
- Early duration persistency in some lines of business showed signs of deterioration; however overall experience remains within the valuation basis.
- Expenses were well managed during the period under review.

Momentum Employee Benefits

	9 months to 31-March-11 <i>Rm</i>	9 months to 31-March-12 <i>Rm</i>	9 months to 31-March-13 <i>Rm</i>	Change vs 2012 %
New business				
Recurring premiums	546	591	535	(9)
Single premiums	2 062	2 898	4 520	56
Annual premium equivalent (APE)	752	881	987	12
Present value of premiums (PVP)	5 839	7 123	8 402	18

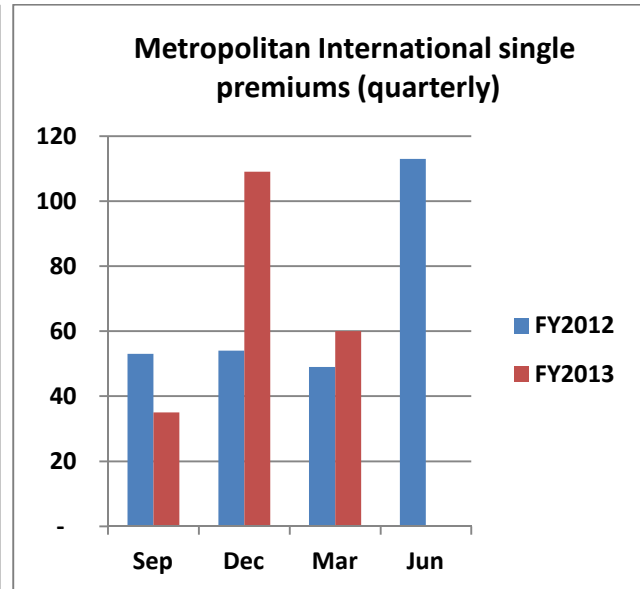
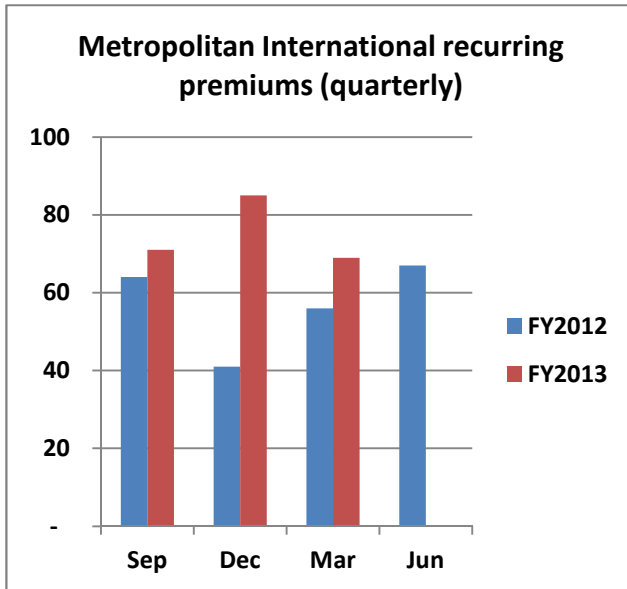


- Securing new business in the group insurance and investment markets remains highly competitive.
- The division recorded exceptional new business during the quarter – the highest since the merger.
 - Strong single premium new business was recorded throughout the year.
 - A number of large recurring risk schemes were secured during the quarter.
- Client retention remains satisfactory while positive risk experience continued.
- Expense efficiency initiatives are continually being investigated and implemented.
- The division remained in a strong cash flow positive position.

Metropolitan International §

	9 months to 31-March-11 <i>Rm</i>	9 months to 31-March-12 <i>Rm</i>	9 months to 31-March-13 <i>Rm</i>	Change vs 2012 %
New business				
Recurring premiums	122	161	225	40
Single premiums (incl EB)	103	156	204	31
Annual premium equivalent (APE)	132	177	245	38
Present value of premiums (PVP)	619	884	1 285	45
Membership (health) ('000)	367	390	387	(3)

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



- Strong growth in new business volumes was recorded in Namibia, supported by the Botswana and Lesotho operations.
- The acquisition of a life insurance company in Mauritius has been finalised and the other two new life operations, namely Zambia and Tanzania, are progressing according to plan.
- The medical claims ratio improved as a result of appropriate re-pricing and improved claims controls.
- The total lives under administration in the health business increased from 381 000 at the end of December 2012 to 387 000 at the end of March 2013.
- A number of new growth and business process efficiency improvements are being implemented.

Momentum Investments

- Strong inflows into unit trusts for the quarter aided by flows into the Momentum-managed enhanced yield, property and Africa fund offerings together with continued positive flows into the white label boutique asset managers resulted in positive net flows for the quarter.
- These flows, together with the strong equity market performance, have increased the total assets under management.
- The longer 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.

Metropolitan Health

- The division administered 1.3 million principal members (3.1 million lives) at the end of March 2013.
- Growth in membership was recorded in both the Momentum Health open scheme and the Government Employees Medical Scheme.
- A couple of smaller schemes terminated their agreements with Metropolitan in order to amalgamate into larger schemes administered by other administrators.

- Good progress has been made in the roll-out of the Multiply rewards programme.
- Further operational efficiencies are being pursued.
- The business continues to position itself for health reform. In this regard, in association with the Alpha Pharm National Health Network, the business is rolling out in-store primary healthcare clinics. These clinics will provide services to insured and uninsured members of the public.

Other corporate activity

- During the quarter under review MMI Holdings Ltd acquired the floating-rate, irredeemable preference shares, issued by Momentum Group Limited (since renamed to MMI Group Limited) in 2005 from FirstRand Limited in order to simplify and optimise the group's capital structure. The transaction was approved by the Financial Services Board and the effective date of the transaction was 25 March 2013. Following this transaction, all the ordinary and preference shares issued by MMI Group Limited are owned by MMI Holdings Limited.
- On 20 May 2013 the High Court approved the amalgamation of MMI's two main South African long-term insurance companies into MMI Group Limited. The use of a single licence simplifies the group structure and facilitates effective deployment of capital within the MMI Holdings group.

Opportunities and challenges

- MMI is a well diversified financial services group with scale in all the established operations.
- Merger synergies will continue to emerge as projects are completed.
- Cross-selling 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 31 March 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. (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

29 May 2013

Queries

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