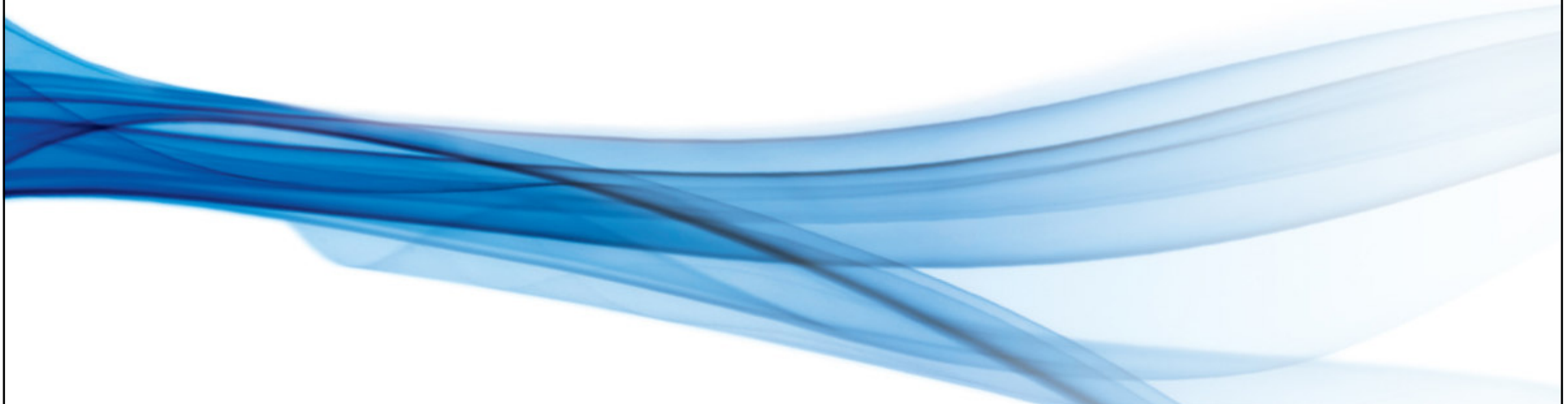




MMI HOLDINGS

# 2012 interim results

For the six months ended 31 December 2011





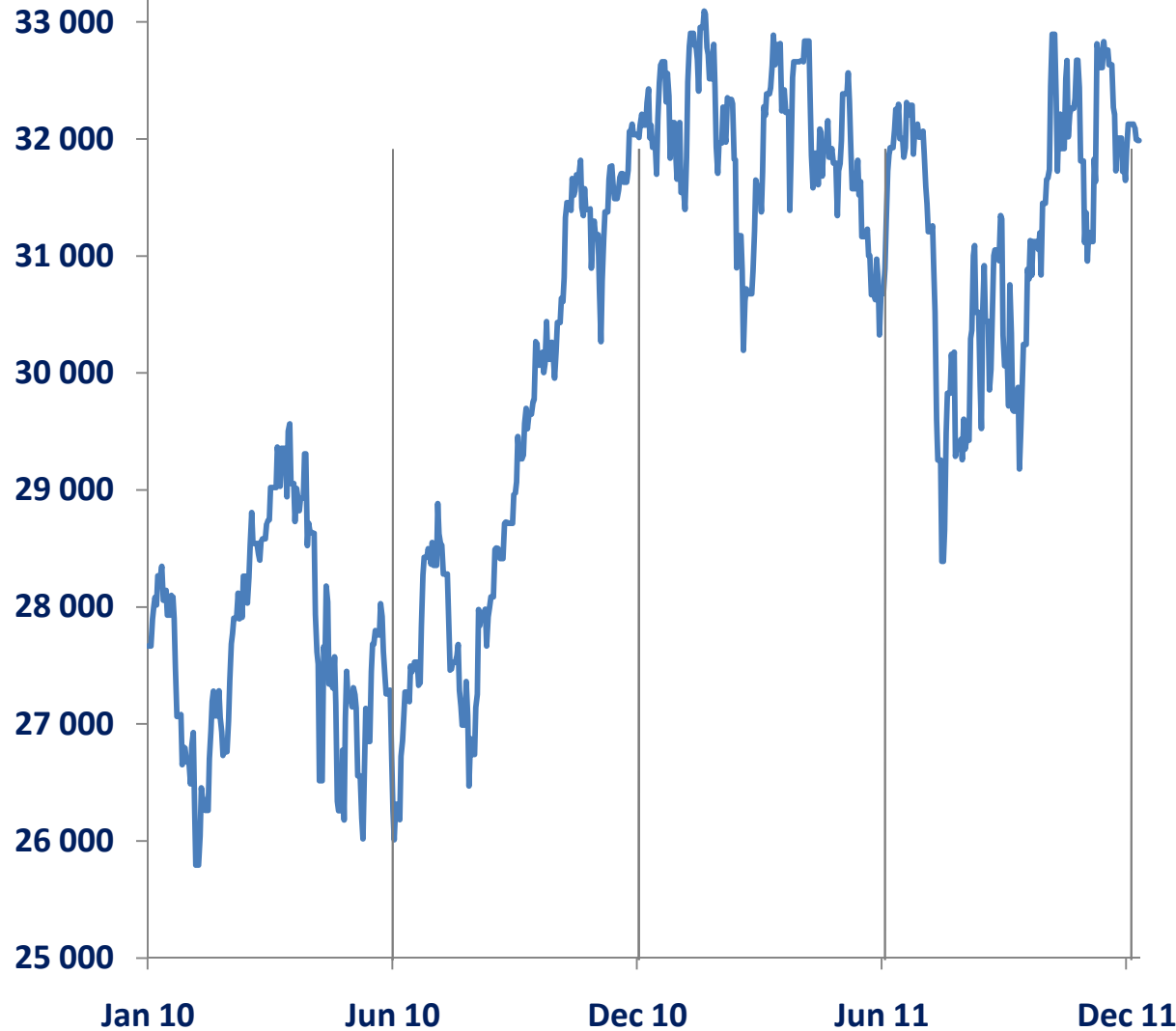
# Operating environment



# External environment

Continued uncertainty

**JSE all-share index**

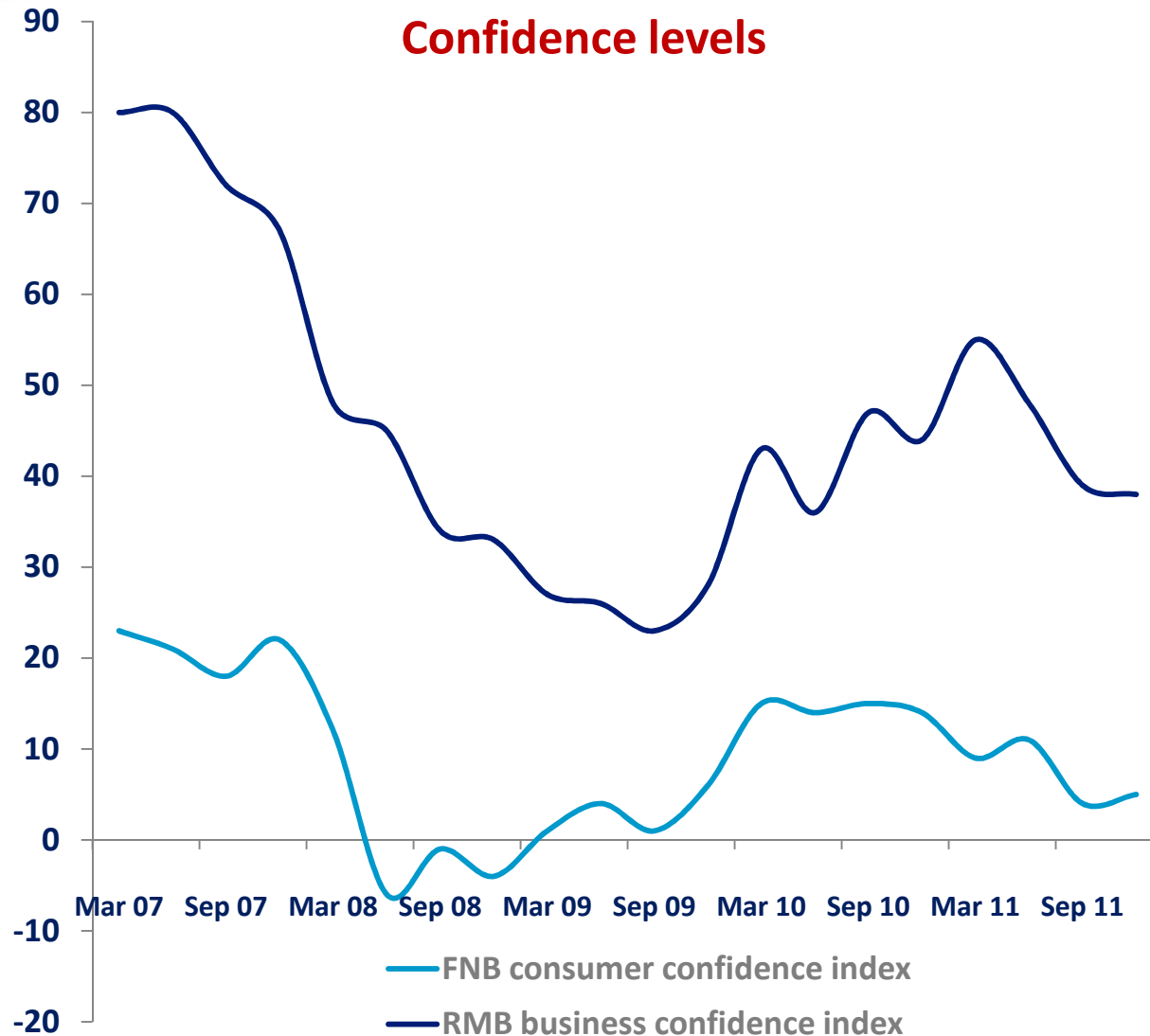


- High volatility
- Market performance flat
- SA credit outlook downgraded
- Regulatory change
  - NSSF
  - NHI
  - FSB exams
  - SAM
- Eurozone developments

# External environment

## Challenges

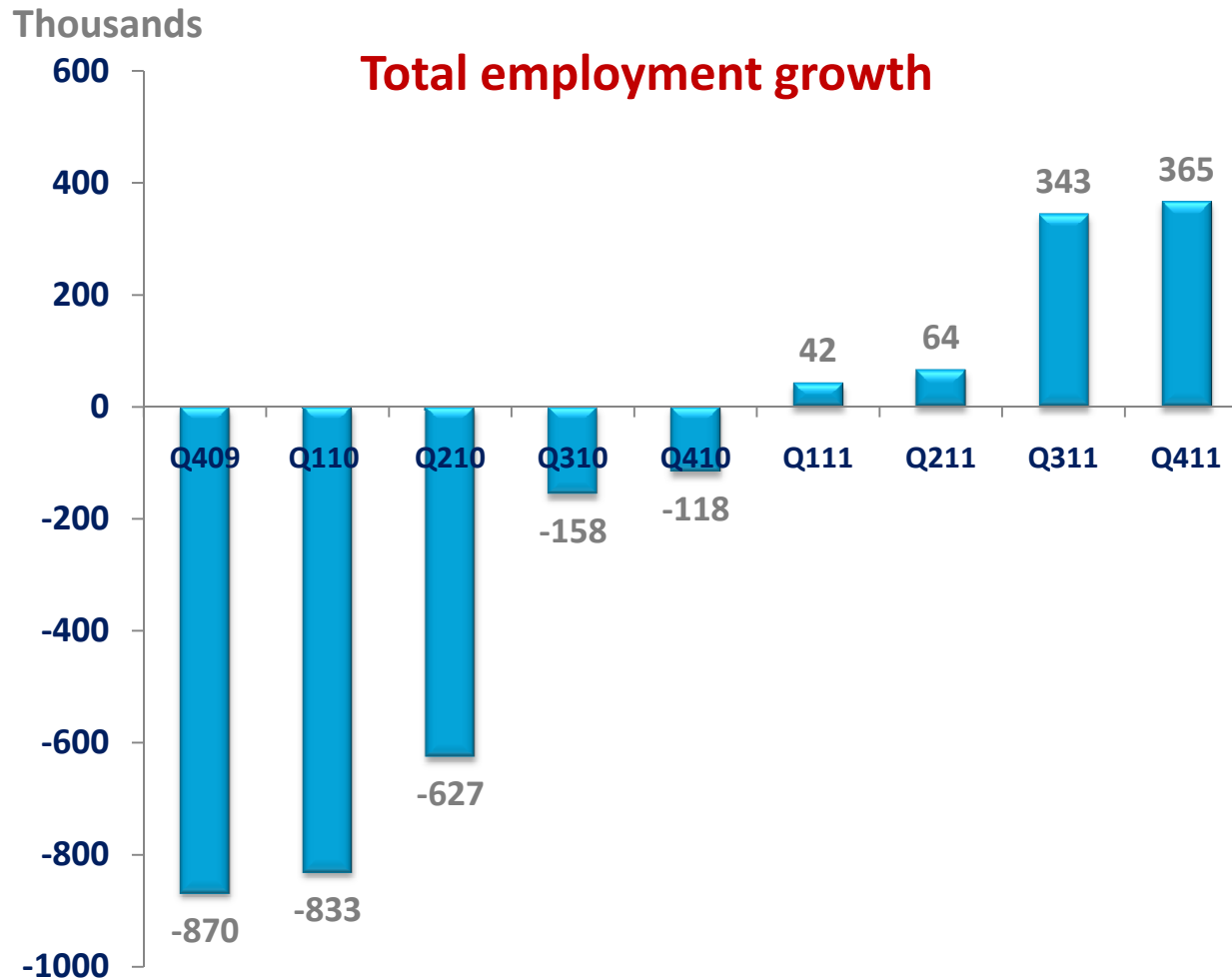
### Confidence levels



- Lower GDP forecasts
- Moderate disposable income growth
- Inflationary pressure
- Low savings
- Low confidence

# External environment

## Positive developments



- Employment growth
- Lower household debt
- Stable interest rates
- High insurance confidence



# Group strategy

## MMI



# **Vision**

**We will be a leader  
in meeting financial  
services needs**



# Strategic pillars

1

**In-depth  
market  
knowledge**

2

**Innovative  
solutions**

3

**Effective  
distribution**

4

**Entrepreneurial  
culture**



## Mission

- Focus on meeting client needs
- South Africa, other African countries & selected international markets
- Superior shareholder returns

# Strategic objectives

Critical issues





# Integration progress

- **Implementation of integration on track**
- **Integration moved from planning to implementation**
- **Redeployment process optimised**
- **Amalgamation of Momentum & Metropolitan licences**
  - **subject to regulatory approvals**



## **R500 million expense savings**

- **Savings opportunities identified per division**
- **Targets set on basis of timing & value**
- **Progress made with relocation & consolidation**
- **Performance continually monitored**
- **Assumptions for future expenses not revised at interim stage**



# Financial results

## MMI



# Key aspects of group results

	Dec 2010 6 months	June 2011 12 months	Dec 2011 6 months
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>
Value of new business	356	632	311
VNB margins (PVP)	1.6%	1.4%	1.5%
Segmental CHE per share	77	161	81



## Core headline earnings per division – 6 months

	Dec 2010	Dec 2011
	<i>Rm</i>	<i>Rm</i>
Momentum Retail	386	377
Metropolitan Retail	166	204
Momentum Employee Benefits	102	99
Metropolitan International	10	(3)
Momentum Investments	88	62
Metropolitan Health	18	58
Shareholder capital	473	497
Total	1 243	1 294

***Increase of 4%***



## **New business APE per division – 6 months**

---

	<b>Dec 2010</b>	<b>Dec 2011</b>	<b>Change</b>
	<i>Rm</i>	<i>Rm</i>	
<b>Momentum Retail</b>	<b>1 777</b>	<b>1 575</b>	<b>(11)%</b>
<b>Metropolitan Retail</b>	<b>578</b>	<b>617</b>	<b>7%</b>
<b>Momentum Employee Benefits</b>	<b>553</b>	<b>599</b>	<b>8%</b>
<b>Metropolitan International</b>	<b>88</b>	<b>129</b>	<b>47%</b>
<b>Total</b>	<b>2 996</b>	<b>2 920</b>	<b>(3)%</b>

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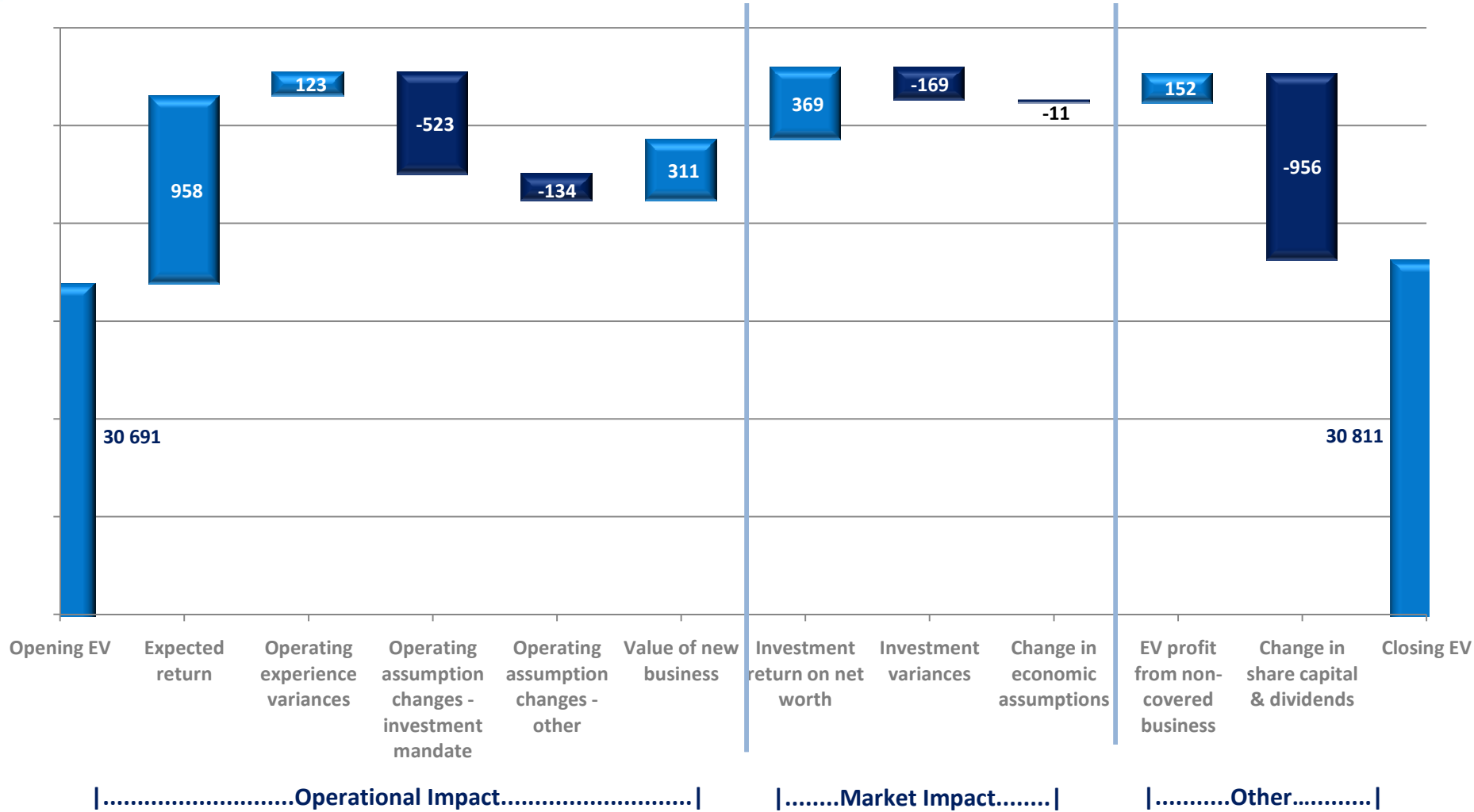




## Value of new business per division

	Dec 2010 6 months	June 2011 12 months	Dec 2011 6 months
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>
Momentum Retail	171	288	95
Metropolitan Retail	145	257	151
Momentum Employee Benefits	26	62	52
Metropolitan International	14	25	13
<b>Total</b>	<b>356</b>	<b>632</b>	<b>311</b>
<b>New business margin (PVP)</b>	<b>1.6%</b>	<b>1.4%</b>	<b>1.5%</b>

# EV analysis (Rm)



**ROEV 7.1%**

# Breakdown of return on embedded value (ROEV)

	<i>Rm</i>	Annualised ROEV
Expected return – unwind of RDR	958	6.2%
Operating experience variances	123	0.8%
Embedded value from new business	311	2.0%
Investment return on adjusted net worth	369	2.4%
Return on non-covered business	152	1.0%
<b>Total</b>	<b>1 913</b>	<b>12.4%</b>
Change in the cost of capital	(523)	(3.4)%
Other operating assumption changes	(134)	(0.8)%
Economic assumption changes & variances	(180)	(1.1)%
<b>Total return on embedded value</b>	<b>1 076</b>	<b>7.1%</b>

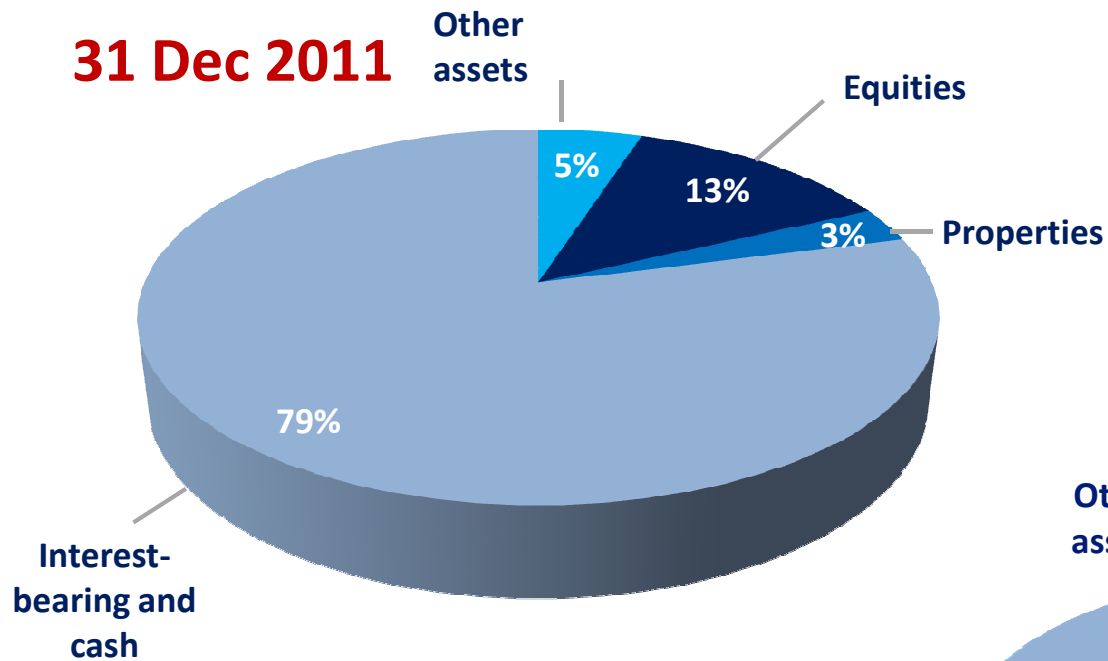


# Capital management

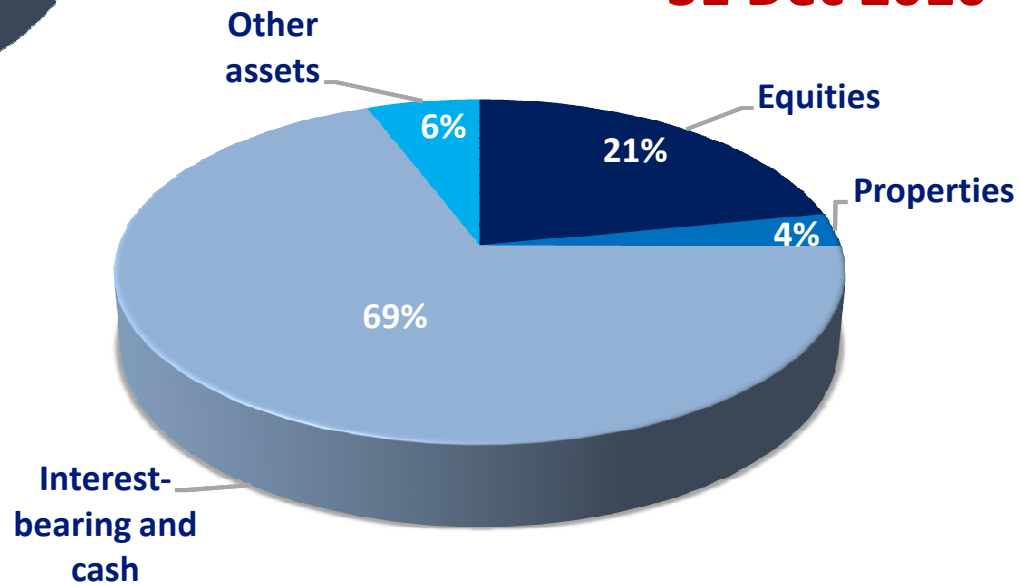
- SA QIS1 (SAM) completed
- Revised investment mandate for shareholder capital implemented
  - reduction in required capital
  - increased cost of capital
- Economic capital models under review
- Appropriate capital buffer of R4.0 billion

# Shareholder investible assets

**31 Dec 2011**



**31 Dec 2010**



# Capital strength

## Economic capital

	Rbn
Net asset value as per embedded value statement	16.0
Qualifying debt & preference shares	2.0
Less: net asset value of strategic subsidiaries	(2.0)
Less: required capital	(10.1)
Capital buffer before deployed	5.9
Deployed	(1.9)
Dividends	(0.8)
Preference shares	(0.7)
Operational	(0.4)
Capital buffer	4.0



# Momentum Retail

## Strategy

To fulfil the lifetime financial needs of clients in the **middle to upper income retail market** in SA

## Product offering

Best-of-breed & fit-for-purpose wealth creation & preservation, risk (insurance) & savings (income) products

## Profit drivers

- Sales volumes & mix
- Persistency
- Expense management
- Investment performance
- Client service levels

# Momentum Retail

	Dec 2010	Dec 2011	Change
	<i>Rm</i>	<i>Rm</i>	
Total funds received	14 449	13 328	(8)%
New business PVP	14 400	13 234	(8)%
Recurring	666	547	(18)%
Single	11 106	10 280	(7)%
Value of new business	171	95	(44)%
PVP margin	1.2%	0.7%	
Operating profit after tax	386	377	(2)%

## Key factors

- Operating environment remained tough
- Reduced value of new business – volume & mix
- Margins under pressure
- Reduction in experience profit
- Improvement in Odyssey profits



# Momentum Retail

## New business

	VNB	PVP	Margin
	Rm	Rm	
Recurring premiums: on-balance sheet	43	3 412	1.3%
Single premiums: on-balance sheet	30	4 091	0.7%
Total premiums: on-balance sheet	73	7 503	1.0%
Single premiums: off-balance sheet	22	5 731	0.4%
Total premiums	95	13 234	0.7%



# Momentum Retail

## Operational focus areas

- Improve margin on new business
- Odyssey integration
- Drive operational efficiencies
- Implementation of sales & distribution model
- Brand awareness
- Progress toward embedding client-centricity



# Metropolitan Retail

## Strategy

Meeting the needs of clients in the **lower to middle income market** in SA, including their extended families

## Product offering

Savings, income generation & income protection (risk) products

## Profit drivers

- Volume & mix of new business
- Conservation of new & existing business
- Expense management
- Claims management
- Investment performance – absolute & relative

# Metropolitan Retail

	Dec 2010	Dec 2011	Change
	<i>Rm</i>	<i>Rm</i>	
Total premium income	3 303	3 009	(9)%
New business PVP	3 018	2 826	(6)%
Recurring	475	562	18%
Single	1 040	551	(47)%
Value of new business	145	151	4%
PVP margin	4.8%	5.3%	
Operating profit after tax	166	204	23%

## Key factors

- Group scheme business continues to perform well
- Reduction in single premium distribution channel
- In-force policy book increased to 2.9 million policies
- Excellent new business margin
- Strong operational performance

# Metropolitan Retail

## Value of new business (VNB) comparison

	Dec 2010	Dec 2011	Growth
	<i>Rm</i>	<i>Rm</i>	
Consistent VNB	146	177	21%
Cost of capital	(1)	(12)	
Reduced real yield		(14)	
Published VNB	145	151	4%

➤ Shareholder capital invested in low-risk assets

➤ Real yields reduced from 2.6% to 2.0%



# Metropolitan Retail

## Operational focus areas

- Regulatory exams & compliance
- Momentum new markets integration & turnaround
- Refocus telemarketing
- Systems renewal
- Product upgrades & repositioning
- Growth of production capacity



# Momentum Employee Benefits

## Strategy

To be a significant player & preferred provider in satisfying the need for income protection & continuation of employees, liability management for employers & retirement funds, and administration for selected retirement funds in South Africa

## Product offering

Administration, insurance & investment solutions for employers & retirement funds in large corporate & SMME market segments

## Profit drivers

- Asset-based charges on investment & annuity business
- Risk business margins
- Fee income on administration business
- Operational efficiencies

# Momentum Employee Benefits

	Dec 2010	Dec 2011	Change
	<i>Rm</i>	<i>Rm</i>	
Total funds received	4 206	4 736	13%
New business PVP	4 132	4 503	9%
Recurring	394	433	10%
Single	1 599	1 650	3%
Value of new business	26	52	100%
PVP margin	0.6%	1.2%	
Operating profit after tax	102	99	(3)%

## Key factors

- Positive net cash flow
- Competitive new business environment
- Improved mix & volume of new business
- Lower disability experience
- Satisfactory group life experience





# Momentum Employee Benefits

## Operational focus areas

- Sustained sales growth through distribution partnerships
- Improve mix & value of new business
- Satisfactory new business pipeline
- Lower cost of distribution
- Improve operational efficiencies through integration
- Focus on client retention



# Metropolitan International

## Strategy

To become a preferred product and service provider for retail & institutional customers in Africa for:

- health insurance and administration
- risk savings and investment products
- retirement fund administration
- short-term insurance

## Rationale for African expansion

- Diversify earnings
- Higher GDP growth than SA
- Low penetration of insurance
- Growth opportunities

# Metropolitan International

	Dec 2010	Dec 2011	Change
	<i>Rm</i>	<i>Rm</i>	
<b>Life insurance</b>			
Total premium income	830	945	14%
New business PVP	422	707	68%
Value of new business	14	13	(7)%
<b>PVP margin</b>	<b>3.3%</b>	<b>1.8%</b>	
<b>Health</b>			
Membership ('000)	121	130	7%
Claims ratio	80.6%	75.4%	
<b>Operating profit after tax</b>	<b>10</b>	<b>(3)</b>	<b>(&gt;100)%</b>

## Key factors

- Good new business volumes
- Operating conditions impacted margins
- Improved claims ratios
- Increased new business strain
- Reduction in risk experience



# Metropolitan International

## Operational focus areas

- Implementation of IT strategy
- Brand migration on track
- Consolidation of support centres
- Country-specific integration plans
- Improve business process efficiencies



# Momentum Investments

## Strategy

To be a significant full-service investment manager in South Africa, Africa and selected international markets.

## Product offering

- Active & passive investment management (local & international)
- Alternative investment management
- Multi-management
- Collective investment management
- Property investment management

## Profit drivers

- Investment performance
- Asset-based fees
- Operational efficiencies
- Expense management
- AUM size & mix

# Momentum Investments

	Dec 2010	Dec 2011	Change
	<i>Rbn</i>	<i>Rbn</i>	
Funds received	25.0	24.6	(2)%
Funds paid out	40.2	24.8	38%
Net flows (3 <sup>rd</sup> party clients)	(15.0)	(0.1)	
Assets under management	272	272	-
	<i>Rm</i>	<i>Rm</i>	
Operating profit after tax	88	62	(30)%

## Key aspects

- Market volatility continues
- Reduced net outflows
- Collective investments business performed well
- Move to lower margin mandates
- Improved equity performance



# Momentum Investments

## Operational focus areas

- Improve balanced portfolio performance
- Client retention
- Focus on cohesive investment team
- Systems integration on track
- Expense management
- Brand awareness



# Metropolitan Health

## Strategy

To be a leading player in the health industry as well as the preferred provider for public sector & corporate clients plus open schemes in South Africa

## Product offering

- Healthcare administration
- Health risk management
- Supplementary healthcare products

## Profit drivers

- Fee income per member/month
- Economies of scale
- Average age of scheme members
- Expense management
- Service delivery



# Metropolitan Health

	Dec 2010	Dec 2011	Change
	<i>Rbn</i>	<i>Rbn</i>	
Gross inflows	15.4	17.4	13%
Gross outflows	13.7	13.9	1%
<b>Total principal members</b>	<b>1 137 163</b>	<b>1 221 534</b>	<b>7%</b>
GEMS	519 553	595 737	15%
Momentum Health	88 056	93 092	6%
Other schemes	529 554	532 705	1%
	<i>Rm</i>	<i>Rm</i>	
Operating profit after tax	18	58	>100%

## Key aspects

- Continued growth in GEMS membership
- Increase in Momentum Health membership
- Merger efficiencies
- Good operating performance

## Operational focus areas

- Implementation of new GEMS model progressing well
- Client retention
- Momentum Health open scheme growth
- Health risk management products and positioning
- Response to National Health Insurance

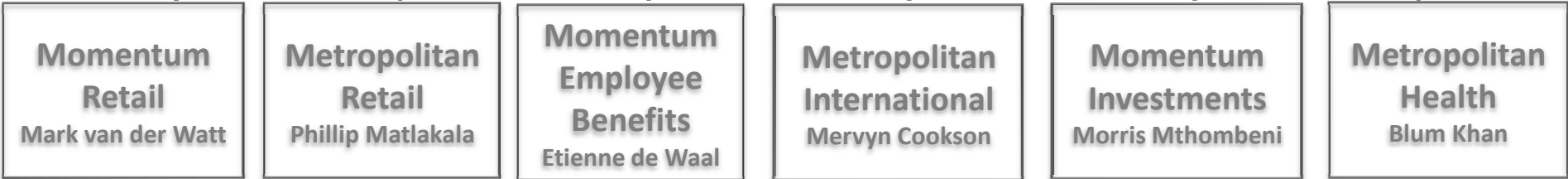


# MMI - Key areas of strength

- **Scale in all businesses**
- **Brand strength across markets**
- **Diversified income streams**
- **Robust capital position**
- **Strong empowerment credentials**
- **Geographic footprint**
- **Committed & experienced team**

# Shareholders & structure

BEE shareholders 16.8%





## Investor relations

**Visit our website**

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