



MMI HOLDINGS

# **Summary of financial information**

**Unaudited results for the 6 months ended 31 December 2014**

# MMI HOLDINGS GROUP

## DIRECTORS' STATEMENT

The directors take pleasure in presenting the unaudited condensed interim results of MMI Holdings financial services group for the period ended 31 December 2014. The preparation of the group's results was supervised by the group chief financial officer, Mary Vilakazi, CA(SA).

## Corporate events

### *Acquisitions*

On 2 October 2014, the group acquired an accounting ownership of 71% (legal ownership of 66%) of Cannon Assurance Ltd (Cannon), a composite insurer, for R308 million. The minority shareholders of Cannon also acquired a minority stake in Metropolitan Life Kenya.

On 19 November 2014, the group acquired 100% of the shares in the CareCross Health Group (CareCross), a health administrator, for R300 million in cash. It includes a majority share in Occupational Care South Africa (OCSA).

### *Listed debt*

MMI Group Ltd listed new instruments to the total value of R750 million on the JSE Limited on 1 December 2014. The instruments are unsecured subordinated callable notes.

On 15 December 2014, R500 million of unsecured subordinated notes previously issued by MMI Group Ltd were redeemed.

## Basis of preparation of financial information

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim financial reporting; the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; the JSE Listings Requirements and the South African Companies Act, 71 of 2008. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those adopted in the previous periods except as described below. Critical judgements and accounting estimates are disclosed in detail in the group's integrated report for the year ended 30 June 2014, including changes in estimates that are an integral part of the insurance business. The group is exposed to financial and insurance risks, details of which are also provided in the group's integrated report.

## New and revised standards effective for the period ended 31 December 2014 and relevant to the group

- The following amendments to standards and interpretations became effective for the first time in the current period and had no impact on the group's earnings or net asset value: Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities, IAS 19 Employee benefits, IAS 27 Separate financial statements, IAS 32 Financial instruments: presentation, IAS 36 Impairment of assets and IAS 39 Financial instruments: recognition and measurement. IFRIC 21 Levies became effective.
- The International Accounting Standards Board (IASB) made amendments to various standards as part of their annual improvements project. These amendments had no impact on the group's earnings.

# MMI HOLDINGS GROUP

## Reclassifications

The group's December 2013 results have been restated for the following reclassifications:

- Reinsurance contract liabilities of R178 million, previously shown with reinsurance contract assets, have been grossed up and disclosed separately. This restatement was deemed necessary in order to improve comparability between periods.
- Liabilities to third party cell captive owners of R287 million, previously disclosed as liabilities at amortised cost, have been reclassified as long-term insurance contracts.
- Interest relating to interest rate swaps was previously grossed up and disclosed as interest income (R639 million) and finance costs (R497 million). As interest rate swaps are subject to fair value risk associated with the fixed and floating interest legs, the net amount (R142 million) has now been disclosed as net realised and fair value gains.
- The comparative segmental information has been restated, where appropriate, to ensure alignment with the way in which the chief operating decision-maker, being the MMI executive committee, monitors and evaluates the performance of the various segments of the business. Liabilities to cell captive owners (R1 350 million), cell captive expenses (R51 million) and sales remuneration (R35 million) attributable to cell owners were previously not allocated to any segment and were included as a reconciling item. It is now included in the Momentum Employee Benefits segment.
- The assets under management and related fund flows tables have been refined. Refer to these tables for details.

The group's June 2014 results have been restated for the following reclassifications:

- Reinsurance contract liabilities of R202 million, previously shown with reinsurance contract assets, have been grossed up and disclosed separately. This restatement was deemed necessary in order to improve comparability between periods.
- Promoter cell administration expenses of R88 million, previously included in cell captive business expenses in the segment report, was reallocated to administration expenses in line with the way in which the chief operating decision-maker, being the MMI executive committee, monitors and evaluates the performance of the Momentum Employee Benefits segment.

These restatements had no impact on the current or prior period reported earnings, diluted earnings or headline earnings per share, or on the net asset value or net cash flow.

## Corporate governance

The board has satisfied itself that appropriate principles of corporate governance were applied throughout the period under review.

## Changes to the directorate, secretary and directors' shareholding

There were no changes to the directorate or secretary during the period.

All transactions in listed shares of the company involving directors were disclosed on SENS.

## Changes to the group executive committee

Herman Schoeman, managing director of Guardrisk, was appointed to the group executive committee from 1 July 2014. On the same day, Khanyi Nzukuma was appointed to the group executive committee as chief executive officer of Metropolitan Retail.

# MMI HOLDINGS GROUP

## **Contingent liabilities and capital commitments**

As part of running a business, the group is party to legal proceedings and appropriate provisions are made when losses are expected to materialise. The group had no material capital commitments at 31 December 2014 that were not in the ordinary course of business.

## **Events after the reporting period**

No material events occurred between the reporting date and the date of approval of these results.

## **Dividend declaration**

### **Ordinary shares**

- On 3 March 2015, a gross interim dividend of 63 cents per ordinary share was declared, payable out of income reserves to all holders of ordinary shares recorded in the register of the company at the close of business on Friday, 27 March 2015, and will be paid on Monday, 30 March 2015.
- The dividend will be subject to local dividend withholding tax at a rate of 15% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate.
- The STC credits utilised per share amount to 0.03459 cents per ordinary share. This will result in a net dividend, for those shareholders who are not exempt from paying dividend tax, of 53.55519 cents per ordinary share.
- The shares will trade ex dividend from the start of business on Monday, 23 March 2015.
- The last day to trade cum dividend will be Friday, 20 March 2015.
- Share certificates may not be dematerialised or rematerialised between Monday, 23 March 2015 and Friday, 27 March 2015, both days inclusive.
- The number of ordinary shares at the declaration date was 1 570 899 561.
- MMI's income tax number is 975 2050 147.

### **Preference shares**

- Dividends of R22.1 million (132 cents per share p.a.) were declared on the unlisted A3 MMI Holdings Ltd preference shares.
- The declaration rate was determined as set out in the company's Memorandum of Incorporation and the total preference dividend utilised STC credits of R12 123.

# MMI HOLDINGS GROUP

## Directors' responsibility

These results are the responsibility of the directors. The condensed interim results have not been reviewed or audited by the external auditors. This announcement does not include the information required pursuant to paragraph 16A(j) of IAS 34. A printed version of the SENS announcement and condensed interim results may be requested from the group company secretary, Maliga Chetty tel: 012 684 4255 and are also available on our website [www.mmiholdings.com](http://www.mmiholdings.com).

Signed on behalf of the board

**JJ Njeke** *Chairman*  
**Nicolaas Kruger** *Group chief executive officer*

Centurion  
3 March 2015

DIRECTORS: MJN Njeke (chairman), JP Burger (deputy chairman), NAS Kruger (group chief executive officer), PE Speckmann (group finance director), N Motsei (executive), L Crouse, F Jakoet, Prof JD Krige, PJ Moleketi, SA Muller, V Nkonyeni, SE Nxasana, KC Shubane, FJC Truter, BJ van der Ross, JC van Reenen, LL von Zeuner

GROUP COMPANY SECRETARY: Maliga Chetty

WEBSITE: [www.mmiholdings.com](http://www.mmiholdings.com)

TRANSFER SECRETARIES: Link Market Services SA (Pty) Ltd (registration number 2000/007239/07) Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein 2001. PO Box 4844, Johannesburg 2000 Telephone: +27 11 713 0800 E-mail: [info@linkmarketservices.co.za](mailto:info@linkmarketservices.co.za) SPONSOR: Merrill Lynch (registration number: 2000/031756/06)

AUDITORS: PricewaterhouseCoopers Inc

REGISTERED OFFICE: 268 West Avenue, Centurion 0157

JSE CODE: MMI NSX CODE: MIM ISIN NO: ZAE000149902

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.12.2014 Rm	Restated 31.12.2013 Rm	Restated 30.06.2014 Rm
<b>ASSETS</b>			
Intangible assets	13 280	11 596	12 819
Owner-occupied properties	1 805	1 528	1 714
Property and equipment	353	330	315
Investment properties	8 180	7 343	7 675
Investments in associates	194	128	179
Employee benefit assets	412	330	405
Financial instruments (1)	370 089	332 171	355 073
Reinsurance contract assets	3 057	1 425	2 778
Deferred income tax	268	103	263
Properties under development	301	129	252
Insurance and other receivables	4 253	2 924	3 813
Current income tax assets	466	83	330
Cash and cash equivalents	26 009	21 865	28 875
Non-current assets held for sale	-	17	17
<b>Total assets</b>	<b>428 667</b>	<b>379 972</b>	<b>414 508</b>
<b>EQUITY</b>			
Equity attributable to owners of the parent	24 023	24 191	24 734
Non-controlling interests	526	408	480
<b>Total equity</b>	<b>24 549</b>	<b>24 599</b>	<b>25 214</b>
<b>LIABILITIES</b>			
Insurance contract liabilities			
Long-term insurance contracts	105 385	100 787	106 047
Short-term insurance contracts	6 244	-	5 496
Financial instruments			
Investment contracts	236 079	205 711	227 056
– with discretionary participation features	26 292	24 414	25 405
– designated at fair value through income	209 787	181 297	201 651
Other financial instruments (2)	38 660	34 606	34 117
Reinsurance contract liabilities	645	178	202
Deferred income tax	4 300	4 249	4 281
Employee benefit obligations	1 228	1 244	1 246
Other payables	11 216	8 224	10 437
Provisions	26	153	157
Current income tax liabilities	335	221	255
<b>Total liabilities</b>	<b>404 118</b>	<b>355 373</b>	<b>389 294</b>
<b>Total equity and liabilities</b>	<b>428 667</b>	<b>379 972</b>	<b>414 508</b>

1. Financial instruments consist of the following:

- Securities designated at fair value through income: R347 229 million (31.12.2013: R316 592 million; 30.06.2014: R334 996 million)
- Investments in associates designated at fair value through income: R15 009 million (31.12.2013: R7 243 million; 30.06.2014: R11 900 million)
- Derivative financial instruments: R2 029 million (31.12.2013: R 3 442 million; 30.06.2014: R2 362 million)
- Available-for-sale: R131 million (31.12.2013: R437 million; 30.06.2014: R129 million)
- Held-to-maturity: R88 million (31.12.2013: R76 million; 30.06.2014: R100 million)
- Loans and receivables: R5 603 million (31.12.2013: R4 381 million; 30.06.2014: R5 586 million)

2. Other financial instruments consist of the following:

- Designated at fair value through income: R35 421 million (31.12.2013: R30 082 million; 30.06.2014: R30 801 million)
- Derivative financial instruments: R2 202 million (31.12.2013: R2 925 million; 30.06.2014: R1 853 million)
- Amortised cost: R1 037 million (31.12.2013: R1 599 million; 30.06.2014: R1 463 million)

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT	6 mths to 31.12.2014 Rm	Restated 6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm
Net insurance premiums	13 943	10 511	23 138
Fee income <sup>(1)</sup>	3 768	3 198	6 567
Investment income	7 980	6 343	14 043
Net realised and fair value gains	5 853	27 968	43 906
<b>Net income</b>	<b>31 544</b>	<b>48 020</b>	<b>87 654</b>
Net insurance benefits and claims	11 905	11 308	22 321
Change in liabilities	98	3 160	7 850
Change in long-term insurance contract liabilities	(1 181)	3 565	7 786
Change in short-term insurance contract liabilities	158	-	(72)
Change in investment contracts with DPF liabilities	842	(523)	468
Change in reinsurance provision	279	118	(332)
Fair value adjustments on investment contract liabilities	6 158	20 321	32 959
Fair value adjustments on collective investment scheme liabilities	1 315	2 629	3 061
Depreciation, amortisation and impairment expenses	633	564	1 159
Employee benefit expenses	3 086	2 603	5 132
Sales remuneration	2 623	1 815	3 899
Other expenses	2 980	2 167	5 035
<b>Expenses</b>	<b>28 798</b>	<b>44 567</b>	<b>81 416</b>
<b>Results of operations</b>	<b>2 746</b>	<b>3 453</b>	<b>6 238</b>
Share of profit of associates	5	6	2
Finance costs <sup>(2)</sup>	(374)	(225)	(482)
<b>Profit before tax</b>	<b>2 377</b>	<b>3 234</b>	<b>5 758</b>
Income tax expense	(971)	(1 416)	(2 458)
<b>Earnings for the period</b>	<b>1 406</b>	<b>1 818</b>	<b>3 300</b>
<b>Attributable to:</b>			
Owners of the parent	1 353	1 796	3 197
Non-controlling interests	53	22	103
	<b>1 406</b>	<b>1 818</b>	<b>3 300</b>
Basic earnings per ordinary share (cents)	87.0	115.4	205.5
Diluted earnings per ordinary share (cents)	85.5	113.7	202.4

1. Fee income consists of the following:

- Investment contracts: R1 229 million (31.12.2013: R983 million; 30.06.2014: R1 772 million)
- Trust and fiduciary services: R865 million (31.12.2013: R900 million; 30.06.2014: R2 014 million)
- Health administration: R1 075 million (31.12.2013: R953 million; 30.06.2014: R1 978 million)
- Other fee income: R599 million (31.12.2013: R362 million; 30.06.2014: R803 million)

2. Finance costs consist of the following:

- Preference shares issued by MMI: R55 million (31.12.2013: R23 million; 30.06.2014: R46 million)
- Subordinated redeemable debt: R133 million (31.12.2013: R55 million; 30.06.2014: R149 million)
- Cost of carry positions: R109 million (31.12.2013: R83 million; 30.06.2014: R156 million)
- Other: R77 million (31.12.2013: R64 million; 30.06.2014: R131 million)

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

<b>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>6 mths to 31.12.2014 Rm</b>	<b>6 mths to 31.12.2013 Rm</b>	<b>12 mths to 30.06.2014 Rm</b>
Earnings for the period	1 406	1 818	3 300
Other comprehensive income, net of tax	57	109	165
Items that may subsequently be reclassified to income	3	54	32
Exchange differences on translating foreign operations	3	53	40
Available-for-sale financial assets	-	1	(8)
Items that will not be reclassified to income	54	55	133
Land and building revaluation	68	38	41
Change in non-distributable reserves	2	-	6
Adjustments to employee benefit funds			
Metropolitan Staff Pension Fund	-	30	107
Other	1	(3)	(9)
Income tax relating to items that will not be reclassified	(17)	(10)	(12)
<b>Total comprehensive income for the period</b>	<b>1 463</b>	<b>1 927</b>	<b>3 465</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	1 410	1 899	3 363
Non-controlling interests	53	28	102
	<b>1 463</b>	<b>1 927</b>	<b>3 465</b>



# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

RECONCILIATION OF HEADLINE EARNINGS attributable to owners of the parent	Basic earnings			Diluted earnings		
	6 mths to 31.12.2014 Rm	6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm	6 mths to 31.12.2014 Rm	6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm
<b>Earnings</b>	<b>1 353</b>	1 796	3 197	<b>1 353</b>	1 796	3 197
Finance costs – convertible preference shares				<b>23</b>	23	45
Dilutory effect of subsidiaries <sup>(1)</sup>				<b>(16)</b>	(10)	(22)
<b>Diluted earnings</b>				<b>1 360</b>	1 809	3 220
Intangible asset and other impairments	<b>3</b>	16	25	<b>3</b>	16	25
Loss on sale of business	-	2	-	-	2	-
<b>Headline earnings <sup>(2)</sup></b>	<b>1 356</b>	1 814	3 222	<b>1 363</b>	1 827	3 245
Net realised and fair value gains on excess	<b>73</b>	(398)	(544)	<b>73</b>	(398)	(544)
Basis and other changes and investment variances	<b>25</b>	(64)	160	<b>25</b>	(64)	160
Amortisation of intangible assets relating to business combinations	<b>330</b>	277	575	<b>330</b>	277	575
Non-recurring items <sup>(3)</sup>	<b>43</b>	27	171	<b>43</b>	27	171
Investment income on treasury shares – contract holders				<b>18</b>	21	14
<b>Core headline earnings <sup>(4)</sup></b>	<b>1 827</b>	1 656	3 584	<b>1 852</b>	1 690	3 621

1. Metropolitan Health is consolidated at 100% and the MMI Holdings Namibian group, Metropolitan Kenya and Cannon are consolidated at 96% in the results. For purposes of diluted earnings, diluted non-controlling interests and investment returns are reinstated.
2. Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes.
3. Non-recurring items include one-off costs relating to the restructuring of the group. For June 2014 it also includes a one-off enhancement of benefits relating to the outsourcing of the Metropolitan Staff Pension Fund liabilities, amounting to R107 million. The previously unrecognised net surplus asset exceeding the employer surplus account was used to fund the enhancement and released in other comprehensive income, resulting in an accounting mismatch. The net asset value of the group has therefore not been impacted.
4. Core headline earnings disclosed comprise operating profit and investment income on shareholder assets. It excludes net realised and fair value gains on financial assets and liabilities, investment variances and basis and other changes that can be volatile, certain non-recurring items, as well as the amortisation of intangible assets relating to business combinations as this is part of the cost of acquiring the business.

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

<b>EARNINGS PER SHARE</b> (cents) attributable to owners of the parent	<b>6 mths to 31.12.2014</b>	6 mths to 31.12.2013	12 mths to 30.06.2014
<b>Basic</b>			
Core headline earnings	<b>117.4</b>	106.4	230.3
Headline earnings	<b>87.1</b>	116.6	207.1
Earnings	<b>87.0</b>	115.4	205.5
Weighted average number of shares (million)	<b>1 556</b>	1 556	1 556
<b>Diluted</b>			
Core headline earnings	<b>115.5</b>	105.4	225.7
Weighted average number of shares (million) <sup>(1)</sup>	<b>1 604</b>	1 604	1 604
Headline earnings	<b>85.7</b>	114.9	204.0
Earnings	<b>85.5</b>	113.7	202.4
Weighted average number of shares (million) <sup>(2)</sup>	<b>1 590</b>	1 591	1 591

1. For diluted core headline earnings per share, treasury shares held on behalf of contract holders are deemed to be issued.
2. For diluted earnings and headline earnings per share, treasury shares held on behalf of contract holders are deemed to be cancelled.

<b>DIVIDENDS</b>	<b>2015</b>	2014
<b>Ordinary listed MMI Holdings Ltd shares</b> (cents per share)		
Interim – March	<b>63</b>	57
Final – September		85
Total		142
Special dividend		50
Total		192

## **MMI Holdings Ltd convertible redeemable preference shares (issued to Kagiso Tiso Holdings (Pty) Ltd (KTH))**

The A3 MMI Holdings Ltd preference shares are redeemable in June 2017 at a redemption value of R9.18 per share unless converted into MMI Holdings Ltd ordinary shares on a one-for-one basis prior to that date. During the current period, one million preference shares were converted to listed ordinary shares with effect from 13 November 2014. The ordinary shares were originally issued at a price of R10.18 per share. Dividends are still payable on the remaining preference shares at 132 cents per annum (payable March and September).

## **Significant related party transactions**

R333 million of the ordinary dividends declared by MMI Holdings Ltd in September 2014 (R298 million of the ordinary dividends declared in September 2013) and R223 million of the ordinary dividends declared in March 2014 were attributable to RMI Holdings Ltd. In September 2014, R196 million of the special dividends declared by MMI Holdings Ltd were attributable to RMI Holdings Ltd.

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6 mths to 31.12.2014 Rm	6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm
<b>Changes in share capital</b>			
Balance at beginning and end	9	9	9
<b>Changes in share premium</b>			
Balance at beginning	13 782	13 794	13 794
Conversion of preference shares	10	-	-
(Increase)/decrease in treasury shares held on behalf of contract holders	(2)	16	(12)
Balance at end	13 790	13 810	13 782
<b>Changes in other reserves</b>			
Balance at beginning	1 802	1 631	1 631
Total comprehensive income	57	103	166
BEE cost	2	-	2
Transfer (to)/from retained earnings	(9)	3	3
Balance at end <sup>(1)</sup>	1 852	1 737	1 802
<b>Changes in retained earnings</b>			
Balance at beginning	9 141	8 039	8 039
Total comprehensive income	1 353	1 796	3 197
Dividend paid	(2 110)	(1 197)	(2 092)
Transfer from/(to) other reserves	9	(3)	(3)
Puttable non-controlling interests <sup>(2)</sup>	(21)	-	-
Balance at end	8 372	8 635	9 141
<b>Equity attributable to owners of the parent</b>	<b>24 023</b>	<b>24 191</b>	<b>24 734</b>
<b>Changes in non-controlling interests</b>			
Balance at beginning	480	391	391
Total comprehensive income	53	28	102
Dividend paid	(16)	(11)	(18)
Transactions with owners <sup>(2)</sup>	(92)	-	-
Business combinations	101	-	5
Balance at end	526	408	480
<b>Total equity</b>	<b>24 549</b>	<b>24 599</b>	<b>25 214</b>

1. Other reserves consist of the following:

- Land and building revaluation reserve: R606 million (31.12.2013: R562 million; 30.06.2014: R561 million)
- Foreign currency translation reserve: R180 million (31.12.2013: R185 million; 30.06.2014: R179 million)
- Revaluation of available-for-sale investments: R3 million (31.12.2013: R12 million; 30.06.2014: R3 million)
- Non-distributable reserve: R18 million (31.12.2013: R8 million; 30.06.2014: R16 million)
- Employee benefit revaluation reserve: R99 million (31.12.2013: R27 million; 30.06.2014: R98 million)
- Fair value adjustment for preference shares issued by MMI Holdings Ltd: R940 million (31.12.2013: R940 million; 30.06.2014: R940 million)
- Equity-settled share-based payment arrangements: R6 million (31.12.2013: R3 million; 30.06.2014: R5 million)

2. Non-controlling interests of 25% of Metropolitan Life Kenya and Cannon have the option to sell their shares from 3 October 2016 at a price linked to embedded value. In terms of IFRS, the group has recognised a financial liability, being the present value of the estimated purchase price, for exercising this option. The group has consolidated 96% of the subsidiaries' results and de-recognised the non-controlling interest due to the financial liability recognised above, which is in line with its selected accounting policy.

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6 mths to 31.12.2014 Rm	6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm
Net cash (outflow)/inflow from operating activities	(53)	787	5 201
Net cash (outflow)/inflow from investing activities	(961)	(307)	793
Net cash (outflow)/inflow from financing activities	(1 852)	(890)	606
<b>Net cash flow</b>	<b>(2 866)</b>	<b>(410)</b>	<b>6 600</b>
Cash resources and funds on deposit at beginning	28 875	22 275	22 275
<b>Cash resources and funds on deposit at end</b>	<b>26 009</b>	<b>21 865</b>	<b>28 875</b>

PRINCIPAL ASSUMPTIONS (South Africa) <sup>(1)</sup>	31.12.2014 %	31.12.2013 %	30.06.2014 %
Pre-tax investment return			
Equities	11.7	11.8	12.0
Properties	9.2	9.3	9.5
Government stock	8.2	8.3	8.5
Other fixed-interest stocks	8.7	8.8	9.0
Cash	7.2	7.3	7.5
Risk-free return <sup>(2)</sup>	8.2	8.3	8.5
Risk discount rate (RDR)	10.5	10.6	10.8
Investment return (before tax) – balanced portfolio <sup>(2)</sup>	10.4	10.5	10.7
Expense inflation base rate <sup>(3)</sup>	6.4	6.5	6.7

1. The principal assumptions relate only to the South African life insurance business. Assumptions relating to international life insurance businesses are based on local requirements and can differ from the South African assumptions.
2. The risk-free return was determined with reference to the market interest rate on South African government bonds at the valuation date. The investment return on balanced portfolio business was calculated by applying the above returns to an expected long-term asset distribution.
3. An additional 1% expense inflation is allowed for in some divisions to reflect the impact of closed books that are in run-off.

NON-CONTROLLING INTERESTS	31.12.2014 %	31.12.2013 %	30.06.2014 %
Cannon Assurance	33.7	-	-
Eris Property Group	45.7	45.7	45.7
Metropolitan Botswana	24.2	24.2	24.2
Metropolitan Ghana	-	5.0	3.8
Metropolitan Health Botswana	28.0	28.0	28.0
Metropolitan Health Ghana	1.8	4.8	1.8
Metropolitan Health Group	17.6	17.6	17.6
Metropolitan Health Mauritius	5.0	5.0	5.0
Metropolitan Health Namibia Administrators	49.0	49.0	49.0
Metropolitan Kenya	33.7	33.7	33.7
Metropolitan Life Mauritius	30.0	30.0	30.0
Metropolitan Nigeria	50.0	50.0	50.0
Metropolitan Swaziland	33.0	33.0	33.0
Metropolitan Tanzania	33.0	33.0	33.0
Metropolitan Zambia	35.0	35.0	35.0
MMI Holdings Namibia	10.3	10.3	10.3
Momentum Mozambique	33.0	33.0	33.0
Momentum Swaziland	33.0	33.0	33.0

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

ANALYSIS OF ASSETS UNDER MANAGEMENT <sup>(1)</sup>	31.12.2014 Rm	Restated 31.12.2013 Rm	30.06.2014 Rm
Managed and/or administered by Momentum Investments (net)			
Financial assets	<b>319 703</b>	337 581	370 073
Momentum Manager of Managers	<b>77 187</b>	67 288	72 846
Momentum Collective Investments	<b>49 735</b>	52 252	51 215
Metropolitan Collective Investments	<b>27 520</b>	43 573	55 538
Momentum Asset Management	<b>123 563</b>	130 122	141 874
Momentum Global Investments	<b>38 634</b>	32 169	36 076
Momentum Alternative Investments	<b>3 064</b>	12 177	12 524
Properties – Eris Property Group	<b>26 903</b>	23 984	24 448
On-balance sheet	<b>7 776</b>	7 568	7 406
Off-balance sheet	<b>19 127</b>	16 416	17 042
	<b>346 606</b>	361 565	394 521
Momentum Wealth linked product assets under administration	<b>130 569</b>	123 017	130 845
On-balance sheet	<b>79 078</b>	74 644	80 484
Off-balance sheet	<b>51 491</b>	48 373	50 361
Managed internally or by other managers within MMI	<b>63 358</b>	22 324	26 712
On-balance sheet	<b>57 976</b>	17 855	21 600
Off-balance sheet	<b>5 382</b>	4 469	5 112
Managed by external managers (on-balance sheet)	<b>15 832</b>	32 990	32 507
Properties managed internally or by other managers within MMI or externally	<b>2 510</b>	1 449	2 252
Momentum Employee Benefits – segregated assets	<b>1 460</b>	1 333	1 380
Momentum Employee Benefits – cell captives on-balance sheet	<b>13 024</b>	1 895	12 058
<b>Total assets under management</b>	<b>573 359</b>	544 573	600 275
<b>Managed and/or administered by Momentum Investments (net)</b>			
On-balance sheet	<b>174 364</b>	166 226	181 915
Off-balance sheet	<b>172 242</b>	195 339	212 606
	<b>346 606</b>	361 565	394 521

- Assets under management are reported net of double counted assets except where one entity manages assets on behalf of another in the division, and both entities earn a fee on the same assets. Non-financial assets (except properties) have been excluded.
- The December 2013 restatement relates to refinements in presentation, as explained in note 1 above.

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

NET FUNDS RECEIVED FROM CLIENTS <sup>(1)</sup>	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
<b>6 mths to 31.12.2014</b>					
Momentum Retail	7 542	4 094	11 636	(12 084)	(448)
Metropolitan Retail	591	2 865	3 456	(2 408)	1 048
Momentum Employee Benefits	3 833	6 623	10 456	(7 294)	3 162
International	238	1 488	1 726	(973)	753
Momentum Investments	4 989	-	4 989	(5 449)	(460)
Metropolitan Health	25	170	195	(150)	45
Shareholder Capital	-	227	227	(160)	67
<b>Long-term insurance business fund flows</b>	17 218	15 467	32 685	(28 518)	4 167
<b>Off-balance sheet fund flows</b>					
Managed and/or administered by Momentum Investments (net)					
Financial assets <sup>(2)</sup>			33 129	(63 629)	(30 500)
Properties – Eris Property Group			2 199	(114)	2 085
Momentum Wealth linked product assets under administration			6 376	(5 452)	924
Managed internally or by other managers within MMI			1 743	(1 725)	18
Momentum Employee Benefits – segregated assets			1 491	(1 168)	323
<b>Total net funds received from clients</b>			77 623	(100 606)	(22 983)

NET FUNDS RECEIVED FROM CLIENTS <sup>(1)</sup>	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
<b>Restated 6 mths to 31.12.2013</b>					
Momentum Retail	7 497	3 860	11 357	(10 689)	668
Metropolitan Retail	698	2 752	3 450	(2 896)	554
Momentum Employee Benefits	3 782	4 014	7 796	(5 532)	2 264
International	157	1 264	1 421	(770)	651
Momentum Investments	3 781	-	3 781	(6 653)	(2 872)
Metropolitan Health	-	23	23	(21)	2
Shareholder Capital	5	154	159	(195)	(36)
<b>Long-term insurance business fund flows</b>	15 920	12 067	27 987	(26 756)	1 231
<b>Off-balance sheet fund flows</b>					
Managed and/or administered by Momentum Investments (net)					
Financial assets			39 286	(44 606)	(5 320)
Properties – Eris Property Group			1 480	(2 371)	(891)
Momentum Wealth linked product assets under administration			6 317	(5 258)	1 059
Managed internally or by other managers within MMI			345	(465)	(120)
Momentum Employee Benefits – segregated assets			2 186	(1 040)	1 146
<b>Total net funds received from clients</b>			77 601	(80 496)	(2 895)

- Assets under management and the related fund flows are reported net of double counted assets except where one entity manages assets on behalf of another in the division, and both entities earn a fee on the same assets. Non-financial assets (except properties) have been excluded. As a result December 2013 has been restated to reflect this refined presentation.
- Includes outflows of R34 billion relating to Metropolitan Collective Investments, as disclosed in the June 2014 results.

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

NET FUNDS RECEIVED FROM CLIENTS <sup>(1)</sup>	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
<b>12 mths to 30.06.2014</b>					
Momentum Retail	14 661	7 856	22 517	(21 215)	1 302
Metropolitan Retail	1 507	5 313	6 820	(5 523)	1 297
Momentum Employee Benefits	7 060	10 283	17 343	(12 907)	4 436
International	277	2 621	2 898	(1 602)	1 296
Momentum Investments	6 262	-	6 262	(10 823)	(4 561)
Metropolitan Health	-	47	47	(46)	1
Shareholder Capital	23	332	355	(313)	42
<b>Long-term insurance business fund flows</b>	<b>29 790</b>	<b>26 452</b>	<b>56 242</b>	<b>(52 429)</b>	<b>3 813</b>
<b>Off-balance sheet fund flows</b>					
Managed and/or administered by Momentum Investments (net)					
Financial assets			70 048	(72 444)	(2 396)
Properties – Eris Property Group			2 114	(2 379)	(265)
Momentum Wealth linked product assets under administration			11 332	(11 163)	169
Managed internally or by other managers within MMI			842	(775)	67
Momentum Employee Benefits – segregated assets			2 571	(2 108)	463
<b>Total net funds received from clients</b>			<b>143 149</b>	<b>(141 298)</b>	<b>1 851</b>

1. Assets under management and the related fund flows are reported net of double counted assets except where one entity manages assets on behalf of another in the division, and both entities earn a fee on the same assets. Non-financial assets (except properties) have been excluded.

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	31.12.2014		31.12.2013		30.06.2014	
	Rm	%	Rm	%	Rm	%
Equity securities	1 279	5.3	1 050	4.3	1 228	5.0
Preference shares	1 363	5.7	967	4.0	1 354	5.5
Collective investment schemes	523	2.2	272	1.1	710	2.9
Debt securities	4 321	18.0	4 994	20.6	6 699	27.1
Properties	2 262	9.4	2 506	10.3	2 459	9.9
Owner-occupied properties	1 463	6.1	1 190	4.9	1 270	5.1
Investment properties	799	3.3	1 316	5.4	1 189	4.8
Cash and cash equivalents and funds on deposit	6 408	26.7	7 289	30.1	6 980	28.2
Intangible assets	8 525	35.5	7 092	29.3	8 129	32.9
Other net assets	2 939	12.2	1 892	7.9	563	2.3
	<b>27 620</b>	<b>115.0</b>	<b>26 062</b>	<b>107.6</b>	<b>28 122</b>	<b>113.7</b>
Redeemable preference shares	(303)	(1.3)	(313)	(1.3)	(313)	(1.3)
Subordinated redeemable debt	(3 294)	(13.7)	(1 558)	(6.3)	(3 075)	(12.4)
<b>Shareholder excess per reporting basis</b>	<b>24 023</b>	<b>100.0</b>	<b>24 191</b>	<b>100.0</b>	<b>24 734</b>	<b>100.0</b>

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

## BUSINESS COMBINATIONS – DECEMBER 2014

### Cannon

On 2 October 2014, the group acquired an accounting ownership of 71% (legal ownership of 66%) of Cannon, a composite insurer, for R308 million. The minority shareholders of Cannon also acquired a minority stake in Metropolitan Life Kenya. The transaction resulted in R88 million goodwill being recognised attributable to certain anticipated operating synergies.

### CareCross

On 19 November 2014, the group acquired 100% in CareCross, a health administrator, for R300 million in cash. It includes a majority share in Occupational Care South Africa (OCSA). The transaction did not result in any goodwill being recognised.

### Other

During the period the group also made a few smaller acquisitions.

The purchase price consideration, the net assets acquired and any relevant goodwill relating to the above two transactions are as follows:

<b>December 2014</b>	<b>Total</b>	<b>Cannon</b>	<b>CareCross</b>
	<b>Rm</b>	<b>Rm</b>	<b>Rm</b>
<b>Purchase consideration in total</b>	<b>608</b>	308	300
<b>Fair value of net assets</b>			
Intangible assets	566	174	392
Tangible assets	145	138	7
Financial instrument assets	241	228	13
Reinsurance contract assets	6	6	-
Insurance and other receivables	36	36	-
Other assets	40	20	20
Cash and cash equivalents	79	16	63
Insurance contract liabilities	(195)	(177)	(18)
Financial instrument liabilities	(38)	(38)	-
Other liabilities	(248)	(78)	(170)
<b>Net identifiable assets acquired</b>	<b>632</b>	325	307
Non-controlling interests	(101)	(94)	(7)
Goodwill recognised	88	88	-
Derecognition of Metropolitan Life Kenya shares	(11)	(11)	-
<b>Purchase consideration in cash</b>	<b>608</b>	308	300

The goodwill relating to the above transactions is not deductible for tax purposes. The above transactions contributed net income of R109 million and earnings of R7 million to the group results for the period.



# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

## BUSINESS COMBINATIONS – JUNE 2014

### Guardrisk

On 3 March 2014, MMI Holdings Ltd acquired 100% of Guardrisk for R1.6 billion in cash. The transaction resulted in R567 million goodwill being recognised attributable to certain anticipated operating synergies.

### Providence

On 11 November 2013, the group acquired 100% of Providence, a health administrator, for R51 million in cash with an additional R57 million contingent consideration. The transaction resulted in R19 million goodwill being recognised attributable to certain anticipated operating synergies.

### Other

During the June 2014 year the group also had a few smaller acquisitions, relating mostly to life books being acquired.

The purchase price consideration, the net assets acquired and any relevant goodwill relating to the above transactions are as follows:

June 2014	Total Rm	Guardrisk Rm	Providence Rm	Other Rm
<b>Purchase consideration in total</b>	<b>1 760</b>	1 607	108	45
<b>Fair value of net assets</b>				
Intangible assets	1 095	940	112	43
Tangible assets	5	1	2	2
Financial instrument assets	10 837	10 630	11	196
Reinsurance contracts	762	762	-	-
Insurance and other receivables	686	686	-	-
Other assets	176	176	-	-
Cash and cash equivalents	2 330	2 284	4	42
Insurance contract liabilities	(6 061)	(5 836)	-	(225)
Financial instrument liabilities	(7 305)	(7 298)	-	(7)
Other liabilities	(1 346)	(1 305)	(40)	(1)
<b>Net identifiable assets acquired</b>	<b>1 179</b>	1 040	89	50
Non-controlling interests	(5)	-	-	(5)
Goodwill recognised	586	567	19	-
Contingent liability payments	(57)	-	(57)	-
<b>Purchase consideration in cash</b>	<b>1 703</b>	1 607	51	45

The goodwill relating to the above transactions is not deductible for tax purposes. The above transactions contributed net income of R2 255 million and earnings of R83 million to the group results for the June 2014 year.

RECONCILIATION OF GOODWILL	31.12.2014 Rm	31.12.2013 Rm	30.06.2014 Rm
Carrying amount at beginning	1 088	502	502
Business combinations	158	19	586
<b>Carrying amount at end</b>	<b>1 246</b>	521	1 088

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

6 mths to 31.12.2014	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items <sup>(1)</sup> Rm	IFRS total Rm
<b>Revenue</b>										
Net insurance premiums	11 636	3 456	10 456	1 726	4 989	195	227	32 685	(18 742)	13 943
Recurring premiums	4 094	2 865	6 623	1 488	-	170	227	15 467	(3 901)	11 566
Single premiums	7 542	591	3 833	238	4 989	25	-	17 218	(14 841)	2 377
Fee income	1 345	59	995	120	649	834	285	4 287	(519)	3 768
Fee income	1 345	59	995	120	649	834	285	4 287	38	4 325
Inter-segmental fee income	-	-	-	-	-	-	-	-	(557)	(557)
<b>Expenses</b>										
Net payments to contract holders										
External payments	12 084	2 408	7 294	973	5 449	150	160	28 518	(16 613)	11 905
Other expenses	2 047	1 077	1 991	700	537	743	648	7 743	1 579	9 322
Sales remuneration	1 067	508	689	276	-	3	41	2 584	39	2 623
Administration expenses	980	569	806	424	484	733	318	4 314	566	4 880
Amortisation due to business combinations and impairments	-	-	-	-	-	7	20	27	440	467
Cell captive business	-	-	496	-	-	-	-	496	-	496
Direct property expenses	-	-	-	-	-	-	-	-	75	75
Asset management and other fee expenses	-	-	-	-	53	-	129	182	1 016	1 198
Holding company expenses	-	-	-	-	-	-	140	140	-	140
Inter-segmental expenses	-	-	-	-	-	-	-	-	(557)	(557)
<b>Diluted core headline earnings</b>	673	344	272	62	97	98	306	1 852	-	1 852
Operating profit	933	475	526	82	104	133	(41)	2 212	-	2 212
Tax on operating profit	(260)	(131)	(254)	(20)	(23)	(42)	28	(702)	-	(702)
Investment income	-	-	-	-	22	9	383	414	-	414
Tax on investment income	-	-	-	-	(6)	(2)	(64)	(72)	-	(72)
Actuarial liabilities	177 943	32 716	88 111	9 820	35 236	31	3 949	347 806	(98)	347 708

- The 'Reconciling items' column includes: an adjustment to reverse investment contract premiums (R18 907 million) and claims (R16 604 million); FNB Life excluded from Metropolitan Retail (premiums R165 million, fee income R3 million, claims R9 million, sales remuneration R44 million and expenses R124 million); non-recurring items of R333 million; direct property and asset management fees for all segments, except non-life segments, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes (R17 million); other minor adjustments to expenses (R92 million), sales remuneration (R5 million) and fee income (R35 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.
- Administration expenses for the current period include the following relating to new acquisitions: International – R27 million relating to Cannon; Metropolitan Health – R123 million relating to CareCross.
- Momentum Employee Benefits includes net insurance premiums (R2 379 million), fee income (R254 million), net payments to contract holders (R1 432 million), sales remuneration (R624 million), administration expenses (R141 million), cell captive business expenses (R496 million) and actuarial liabilities (R16 957 million) relating to Guardrisk (now including Ability).

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

Restated 6 mths to 31.12.2013	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items <sup>(1)</sup> Rm	IFRS total Rm
<b>Revenue</b>										
Net insurance premiums	11 357	3 450	7 796	1 421	3 781	23	159	<b>27 987</b>	(17 476)	<b>10 511</b>
Recurring premiums	3 860	2 752	4 014	1 264	-	23	154	<b>12 067</b>	(3 333)	<b>8 734</b>
Single premiums	7 497	698	3 782	157	3 781	-	5	<b>15 920</b>	(14 143)	<b>1 777</b>
Fee income	1 119	51	704	102	768	738	252	<b>3 734</b>	(536)	<b>3 198</b>
Fee income	1 119	51	704	102	768	738	252	<b>3 734</b>	63	<b>3 797</b>
Inter-segmental fee income	-	-	-	-	-	-	-	-	(599)	<b>(599)</b>
<b>Expenses</b>										
Net payments to contract holders										
External payments	10 689	2 896	5 532	770	6 653	21	195	<b>26 756</b>	(15 448)	<b>11 308</b>
Other expenses	1 707	1 107	804	634	636	651	540	<b>6 079</b>	1 070	<b>7 149</b>
Sales remuneration	940	502	82	232	-	-	32	<b>1 788</b>	27	<b>1 815</b>
Administration expenses	767	605	671	387	471	630	152	<b>3 683</b>	210	<b>3 893</b>
Amortisation due to business combinations and impairments	-	-	-	15	-	8	19	<b>42</b>	385	<b>427</b>
Cell captive business	-	-	51	-	-	-	-	<b>51</b>	-	<b>51</b>
Direct property expenses	-	-	-	-	-	-	-	-	75	<b>75</b>
Asset management and other fee expenses	-	-	-	-	165	13	177	<b>355</b>	974	<b>1 329</b>
Holding company expenses	-	-	-	-	-	-	160	<b>160</b>	-	<b>160</b>
Inter-segmental expenses	-	-	-	-	-	-	-	-	(601)	<b>(601)</b>
<b>Diluted core headline earnings</b>	<b>652</b>	<b>315</b>	<b>179</b>	<b>49</b>	<b>95</b>	<b>75</b>	<b>325</b>	<b>1 690</b>	-	<b>1 690</b>
Operating profit	908	434	242	62	117	91	28	<b>1 882</b>	-	<b>1 882</b>
Tax on operating profit	(256)	(119)	(63)	(13)	(37)	(20)	(6)	<b>(514)</b>	-	<b>(514)</b>
Investment income	-	-	-	-	21	6	422	<b>449</b>	-	<b>449</b>
Tax on investment income	-	-	-	-	(6)	(2)	(119)	<b>(127)</b>	-	<b>(127)</b>
Actuarial liabilities	166 858	30 913	63 057	8 415	34 410	10	3 310	<b>306 973</b>	(475)	<b>306 498</b>

1. The 'Reconciling items' column includes: an adjustment to reverse investment contract premiums (R17 584 million) and claims (R15 447 million); FNB Life excluded from Metropolitan Retail (premiums R108 million, fee income R10 million, claims R1 million, sales remuneration R33 million and expenses R84 million); non-recurring items of R36 million; direct property and asset management fees for all segments, except non-life segments, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes (R2 million); other minor adjustments to expenses (R88 million), sales remuneration (R6 million) and fee income (R53 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.

2. Momentum Employee Benefits includes net insurance premiums (R38 million), fee income (R9 million), net payments to contract holders (R64 million), sales remuneration (R35 million), administration expenses (R8 million), cell captive business expenses (R51 million) and actuarial liabilities (R1 575 million) relating to Ability.

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

Restated 12 mths to 30.06.2014	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items <sup>(1)</sup> Rm	IFRS total Rm
<b>Revenue</b>										
Net insurance premiums	22 517	6 820	17 343	2 898	6 262	47	355	<b>56 242</b>	(33 104)	<b>23 138</b>
Recurring premiums	7 856	5 313	10 283	2 621	-	47	332	<b>26 452</b>	(6 713)	<b>19 739</b>
Single premiums	14 661	1 507	7 060	277	6 262	-	23	<b>29 790</b>	(26 391)	<b>3 399</b>
Fee income	2 034	112	1 479	184	1 442	1 513	502	<b>7 266</b>	(699)	<b>6 567</b>
Fee income	2 034	112	1 479	184	1 442	1 513	502	<b>7 266</b>	110	<b>7 376</b>
Inter-segmental fee income	-	-	-	-	-	-	-	-	(809)	<b>(809)</b>
<b>Expenses</b>										
Net payments to contract holders										
External payments	21 215	5 523	12 907	1 602	10 823	46	313	<b>52 429</b>	(30 108)	<b>22 321</b>
Other expenses	3 474	2 100	2 316	1 168	1 195	1 311	1 164	<b>12 728</b>	2 497	<b>15 225</b>
Sales remuneration	1 892	937	519	424	-	-	71	<b>3 843</b>	56	<b>3 899</b>
Administration expenses	1 582	1 163	1 426	729	954	1 288	531	<b>7 673</b>	518	<b>8 191</b>
Amortisation due to business combinations and impairments	-	-	-	15	9	14	39	<b>77</b>	776	<b>853</b>
Cell captive business	-	-	371	-	-	-	-	<b>371</b>	-	<b>371</b>
Direct property expenses	-	-	-	-	-	-	-	-	159	<b>159</b>
Asset management and other fee expenses	-	-	-	-	232	9	270	<b>511</b>	1 819	<b>2 330</b>
Holding company expenses	-	-	-	-	-	-	253	<b>253</b>	-	<b>253</b>
Inter-segmental expenses	-	-	-	-	-	-	-	-	(831)	<b>(831)</b>
<b>Diluted core headline earnings</b>	<b>1 372</b>	<b>587</b>	<b>516</b>	<b>122</b>	<b>197</b>	<b>171</b>	<b>656</b>	<b>3 621</b>	-	<b>3 621</b>
Operating profit	1 908	814	704	155	219	205	(38)	<b>3 967</b>	-	<b>3 967</b>
Tax on operating profit	(536)	(227)	(188)	(33)	(59)	(44)	12	<b>(1 075)</b>	-	<b>(1 075)</b>
Investment income	-	-	-	-	51	14	864	<b>929</b>	-	<b>929</b>
Tax on investment income	-	-	-	-	(14)	(4)	(182)	<b>(200)</b>	-	<b>(200)</b>
Actuarial liabilities	175 869	32 296	82 902	9 152	34 942	8	3 528	<b>338 697</b>	(98)	<b>338 599</b>

1. The 'Reconciling items' column includes an adjustment to reverse investment contract premiums (R33 305 million) and claims (R30 108 million); FNB Life excluded from Metropolitan Retail (premiums R201 million, fee income R20 million, sales remuneration R64 million and expenses R159 million); non-recurring items of R192 million; direct property and asset management fees for all segments, except non-life segments, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes (R6 million); other minor adjustments to expenses (R161 million), sales remuneration (R8 million) and fee income (R90 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.

2. Momentum Employee Benefits includes net insurance premiums (R1 927 million), fee income (R192 million), net payments to contract holders (R1 642 million), sales remuneration (R415 million), administration expenses (R88 million), cell captive business expenses (R371 million) and actuarial liabilities (R15 869 million) relating to Guardrisk (now including Ability).

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

CHANGE IN DILUTED CORE HEADLINE EARNINGS	Change %	6 mths to 31.12.2014 Rm	6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm
Momentum Retail	3	673	652	1 372
Metropolitan Retail	9	344	315	587
Momentum Employee Benefits	52	272	179	516
International	27	62	49	122
Momentum Investments	2	97	95	197
Metropolitan Health	31	98	75	171
<b>Operating divisions</b>	<b>13</b>	<b>1 546</b>	<b>1 365</b>	<b>2 965</b>
Shareholder Capital	(6)	306	325	656
<b>Total diluted core headline earnings</b>	<b>10</b>	<b>1 852</b>	<b>1 690</b>	<b>3 621</b>

RECONCILIATION OF MOMENTUM INVESTMENTS	6 mths to 31.12.2014 Rm	6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm
<b>Revenue</b>	<b>664</b>	768	1 463
Fee income	649	768	1 442
Other income	15	-	21
<b>Expenses and finance costs</b>	<b>(563)</b>	(647)	(1 239)
Other expenses	(537)	(636)	(1 195)
Finance costs	(26)	(11)	(44)
<b>Share of profit of associates</b>	<b>11</b>	10	9
<b>Non-controlling interests</b>	<b>(8)</b>	(14)	(23)
	<b>104</b>	117	210
<b>Core adjustments</b>	<b>-</b>	-	9
<b>Operating profit before tax</b>	<b>104</b>	117	219
Tax on operating profit	(23)	(37)	(59)
Investment income	22	21	51
Tax on investment income	(6)	(6)	(14)
<b>Diluted core headline earnings</b>	<b>97</b>	95	197

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

RECONCILIATION OF METROPOLITAN HEALTH	6 mths to 31.12.2014 Rm	6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm
<b>Revenue</b>	<b>1 029</b>	761	1 560
Net insurance premiums	<b>195</b>	23	47
Fee income	<b>834</b>	738	1 513
<b>Expenses and finance costs</b>	<b>(893)</b>	(672)	(1 357)
Net payments to contract holders	<b>(150)</b>	(21)	(46)
Other expenses	<b>(743)</b>	(651)	(1 311)
	<b>136</b>	89	203
<b>Core adjustments</b>	<b>(3)</b>	2	2
Impairments and amortisation of intangibles relating to business combinations	<b>7</b>	8	14
Adjustments for dilution	<b>(10)</b>	(6)	(13)
Other	<b>-</b>	-	1
<b>Operating profit before tax</b>	<b>133</b>	91	205
Tax on operating profit	<b>(42)</b>	(20)	(44)
Investment income	<b>9</b>	6	14
Tax on investment income	<b>(2)</b>	(2)	(4)
<b>Diluted core headline earnings</b>	<b>98</b>	75	171
<b>Additional off-balance sheet information</b>			
Assets under administration at reporting date	<b>10 406</b>	10 102	10 686
Gross recurring inflow of funds	<b>21 670</b>	20 220	41 137
Gross outflow of funds	<b>(17 903)</b>	(11 213)	(36 791)

RECONCILIATION OF GUARDRISK (PROMOTER CELL <sup>(1)</sup> )	6 mths to 31.12.2014 Rm	4 mths to 30.06.2014 Rm
<b>Revenue by type</b>	<b>244</b>	165
Management fees	<b>182</b>	121
Investment fees	<b>28</b>	22
Underwriting profit	<b>10</b>	2
Other income	<b>1</b>	1
Investment income	<b>23</b>	19
<b>Expenses and finance costs</b>	<b>(142)</b>	(81)
Administration expenses	<b>(137)</b>	(80)
Finance costs	<b>(5)</b>	(1)
<b>Operating profit before tax</b>	<b>102</b>	84
Tax attributable to promoter operating profit	<b>(29)</b>	(10)
<b>Diluted core headline earnings</b>	<b>73</b>	74

1. An insurer that enters into contractual arrangements with cell shareholders whereby the risks and rewards associated with certain insurance activities accruing to the cell shareholder, in relation to the insurer, is specified. The promoter cell will exclude all assets and liabilities and related income and expenses of the cell arrangements.

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

RECONCILIATION OF SHAREHOLDER CAPITAL	6 mths to 31.12.2014 Rm	Restated 6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm
<b>Revenue</b>			
Net insurance premiums (excluding investment business)	227	154	332
Balance Sheet Management income including fee income	350	335	607
Guaranteed portfolios earnings	202	178	299
Returns in excess of benchmark	126	71	160
Returns on working capital and other	22	86	148
Other income	170	147	352
<b>Total income</b>	<b>747</b>	<b>636</b>	<b>1 291</b>
<b>Expenses</b>			
Net payments to contract holders (excluding investment business)	(160)	(87)	(204)
Other expenses	(628)	(521)	(1 125)
Balance Sheet Management	(109)	(112)	(196)
Strategic initiatives and other <sup>(1)</sup>	(379)	(249)	(676)
Holding company	(140)	(160)	(253)
<b>Total expenses</b>	<b>(788)</b>	<b>(608)</b>	<b>(1 329)</b>
<b>Operating (loss)/profit before tax</b>	<b>(41)</b>	<b>28</b>	<b>(38)</b>
Tax on operating profit	28	(6)	12
Investment income	383	422	864
Tax on investment income	(64)	(119)	(182)
<b>Diluted core headline earnings</b>	<b>306</b>	<b>325</b>	<b>656</b>

1. Includes Momentum Short-term Insurance, Solvency Assessment and Management (SAM) costs, MMI Rewards and India project costs.

# MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

PAYMENTS TO CONTRACT HOLDERS	6 mths to 31.12.2014 Rm	Restated 6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm
<b>Momentum Retail</b>	<b>12 084</b>	10 689	21 215
Death and disability claims	1 890	1 794	3 412
Maturity claims	3 778	3 214	6 444
Annuities	2 405	2 145	4 505
Withdrawal benefits	21	15	46
Surrenders	4 564	3 919	7 569
Re-insurance recoveries	(574)	(398)	(761)
<b>Metropolitan Retail</b>	<b>2 408</b>	2 896	5 523
Death and disability claims	555	539	1 049
Maturity claims	783	1 307	2 373
Annuities	301	280	558
Withdrawal benefits	46	33	97
Surrenders	753	775	1 542
Re-insurance recoveries	(30)	(38)	(96)
<b>Momentum Employee Benefits <sup>(1)</sup></b>	<b>7 294</b>	5 532	12 907
Death and disability claims	2 192	1 681	3 635
Maturity claims	430	291	667
Annuities	743	716	765
Withdrawals and surrenders	1 799	1 381	3 358
Terminations and disinvestments	1 512	1 895	3 802
Short-term insurance	2 172	-	1 880
Re-insurance recoveries	(1 554)	(432)	(1 200)
<b>International</b>	<b>973</b>	770	1 602
Death and disability claims	397	332	701
Maturity claims	194	148	284
Annuities	49	47	97
Withdrawal benefits	59	42	90
Surrenders	222	197	395
Terminations and disinvestments	122	28	80
Re-insurance recoveries	(70)	(24)	(45)
<b>Momentum Investments</b>			
Withdrawals	5 449	6 653	10 823
<b>Metropolitan Health</b>			
Claims	150	21	46
<b>Shareholder Capital</b>			
Claims	160	195	313
<b>Total payments to contract holders</b>	<b>28 518</b>	26 756	52 429
Reconciling items <sup>(2)</sup>	(16 613)	(15 448)	(30 108)
<b>Net insurance benefits and claims per income statement</b>	<b>11 905</b>	11 308	22 321

- Included in Momentum Employee Benefits above is R2 785 million claims (30.06.2014: R2 556 million) and R1 353 million re-insurance recoveries (30.06.2014: R914 million) relating to Guardrisk (now including Ability). For December 2013 it includes R282 million claims and R218 million re-insurance recoveries relating to Ability.
- Relates mainly to payments to investment contract holders.



## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

NUMBER OF EMPLOYEES	31.12.2014	31.12.2013	30.06.2014
Indoor staff	<b>10 488</b>	9 634	9 877
Momentum Retail	<b>1 686</b>	1 672	1 711
Metropolitan Retail	<b>1 093</b>	1 322	1 174
Momentum Employee Benefits <sup>(1)</sup>	<b>1 642</b>	1 421	1 650
International <sup>(2)</sup>	<b>1 185</b>	828	1 037
Momentum Investments	<b>671</b>	691	667
Metropolitan Health <sup>(3)</sup>	<b>3 067</b>	2 706	2 553
Shareholder Capital			
Balance Sheet Management	<b>78</b>	68	68
Group services	<b>802</b>	751	781
Short-term insurance	<b>264</b>	175	236
Field staff	<b>7 488</b>	6 921	6 815
Momentum Retail	<b>1 221</b>	996	1 041
Metropolitan Retail	<b>4 974</b>	4 610	4 424
International	<b>1 293</b>	1 315	1 350
<b>Total</b>	<b>17 976</b>	16 555	16 692

1. Momentum Employee Benefits in the current period includes 207 (31.12.2013: nil; 30.06.2014: 218) employees relating to Guardrisk.
2. International in the current period includes 82 employees relating to Cannon.
3. Metropolitan Health in the current period includes 525 employees relating to CareCross.

## MMI HOLDINGS GROUP – STATUTORY EXCESS

STATUTORY EXCESS	31.12.2014 Rm	Restated 31.12.2013 Rm	Restated 30.06.2014 Rm
<b>Group excess per reporting basis</b>	<b>24 023</b>	24 191	24 734
Net assets – other businesses	<b>(3 517)</b>	(2 557)	(2 999)
Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments	<b>(4 070)</b>	(4 638)	(4 343)
<b>Excess – long-term insurance business, net of non-controlling interests <sup>(1)</sup></b>	<b>16 436</b>	16 996	17 392
Disregarded assets <sup>(2)</sup>	<b>(991)</b>	(986)	(966)
Difference between statutory and published valuation methods	<b>(615)</b>	(660)	(571)
Write-down of subsidiaries and associates for statutory purposes	<b>(1 132)</b>	(1 305)	(1 387)
Unsecured subordinated debt	<b>3 339</b>	1 549	3 075
Consolidation adjustments	<b>63</b>	(83)	(23)
<b>Statutory excess – long-term insurance business</b>	<b>17 100</b>	15 511	17 520
Capital adequacy requirement (CAR) (Rm) <sup>(3)</sup>	<b>6 398</b>	6 044	6 221
Ratio of long-term insurance business excess to CAR (times)	<b>2.7</b>	2.6	2.8
Discretionary margins <sup>(4)</sup>	<b>13 661</b>	13 547	14 161

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes certain items which are eliminated on consolidation. It excludes Guardrisk and Cannon due to them being classified as non-covered, as well as other non-life insurance business.
2. Disregarded assets are those as defined in the South African Long-term Insurance Act, 52 of 1998, and are only applicable to South African long-term insurance companies. Adjustments are also made for the international insurance companies from reporting excess to statutory excess as required by their regulators. It includes Sage intangible assets of R532 million (31.12.2013: R548 million; 30.06.2014: R546 million).
3. Aggregation of separate company's capital adequacy requirements (CARs), with no assumption of diversification benefits.
4. Discretionary margins are shown gross of tax. The December 2013 number has been restated.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE RESULTS AS AT	31.12.2014 Rm	31.12.2013 Rm	30.06.2014 Rm
<b>Covered business</b>			
Reporting excess – long-term insurance business	16 436	16 996	17 392
Reclassification to non-covered business	(1 243)	(1 629)	(1 459)
	<b>15 193</b>	15 367	15 933
Disregarded assets <sup>(1)</sup>	(664)	(678)	(682)
Difference between statutory and published valuation methods	(615)	(660)	(571)
Dilutory effect of subsidiaries <sup>(2)</sup>	(38)	(28)	(34)
Consolidation adjustments <sup>(3)</sup>	(62)	-	(77)
Value of MMI Group Ltd preference shares issued	(500)	(500)	(500)
<b>Diluted adjusted net worth – covered business</b>	<b>13 314</b>	13 501	14 069
<b>Net value of in-force business</b>	<b>20 572</b>	19 370	20 324
<b>Diluted embedded value – covered business</b>	<b>33 886</b>	32 871	34 393
<b>Non-covered business</b>			
Net assets – non-covered business within life insurance companies	1 243	1 629	1 459
Net assets – non-covered business outside life insurance companies	3 517	2 557	2 999
Consolidation adjustments and transfers to covered business <sup>(3)</sup>	(2 792)	(1 295)	(2 291)
Adjustments for dilution <sup>(4)</sup>	838	758	720
<b>Diluted adjusted net worth – non-covered business</b>	<b>2 806</b>	3 649	2 887
<b>Write-up to directors' value</b>	<b>3 061</b>	868	2 395
Non-covered business <sup>(5)</sup>	4 941	2 566	4 188
Holding company expenses <sup>(6)</sup>	(1 430)	(1 288)	(1 383)
International holding company expenses <sup>(6)</sup>	(450)	(410)	(410)
<b>Diluted embedded value – non-covered business</b>	<b>5 867</b>	4 517	5 282
Diluted adjusted net worth	16 120	17 150	16 956
Net value of in-force business	20 572	19 370	20 324
Write-up to directors' value	3 061	868	2 395
<b>Diluted embedded value</b>	<b>39 753</b>	37 388	39 675
Required capital – covered business (adjusted for qualifying debt) <sup>(7)</sup>	7 018	8 424	7 039
Surplus capital – covered business	6 296	5 077	7 030
Diluted embedded value per share (cents)	2 478	2 331	2 474
Diluted adjusted net worth per share (cents)	1 005	1 069	1 057
Diluted number of shares in issue (million) <sup>(8)</sup>	1 604	1 604	1 604

- Disregarded assets include Sage intangible assets of R532 million (31.12.2013: R548 million; 30.06.2014: R546 million), goodwill and various other items.
- For accounting purposes, Metropolitan Health has been consolidated at 100%, while MMI Holdings Namibia, Metropolitan Kenya and Cannon have been consolidated at 96% in the statement of financial position, for the current period. For embedded value purposes, disclosed on a diluted basis, the non-controlling interests and related funding have been reinstated.
- Consolidation adjustments include mainly goodwill and intangibles in subsidiaries that are eliminated.
- Adjustments for dilution are made up as follows:
  - Dilutory effect of subsidiaries (note 2): R115 million (31.12.2013: R110 million; 30.06.2014: R102 million)
  - Treasury shares held on behalf of contract holders: R420 million (31.12.2013: R335 million; 30.06.2014: R305 million)
  - Liability – MMI Holdings Ltd convertible preference shares issued to KTH: R303 million (31.12.2013: R313 million; 30.06.2014: R313 million)
- Guardrisk is included as part of non-covered business at 30 June 2014 and 31 December 2014 and Cannon as part of non-covered business at 31 December 2014.
- The holding company expenses reflect the present value of projected recurring head office expenses. The international holding company expenses reflect the allowance for support services to the international life assurance and health businesses.
- The required capital for covered business amounts to R10 312 million (31.12.2013: R9 982 million; 30.06.2014: R10 114 million) and is adjusted for qualifying debt of R3 294 million (31.12.2013: R1 558 million; 30.06.2014: R3 075 million).
- The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders.

## MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NET VALUE OF IN-FORCE BUSINESS PER DIVISION	31.12.2014 Rm	31.12.2013 Rm	30.06.2014 Rm
Momentum Retail	<b>9 963</b>	9 441	9 674
Gross value of in-force business	<b>11 483</b>	10 952	11 212
Less cost of required capital	<b>(1 520)</b>	(1 511)	(1 538)
Metropolitan Retail	<b>3 627</b>	3 811	3 738
Gross value of in-force business	<b>4 384</b>	4 490	4 445
Less cost of required capital	<b>(757)</b>	(679)	(707)
Momentum Employee Benefits	<b>4 406</b>	3 447	4 242
Gross value of in-force business	<b>5 131</b>	4 052	4 892
Less cost of required capital	<b>(725)</b>	(605)	(650)
International	<b>1 950</b>	1 783	1 832
Gross value of in-force business	<b>2 131</b>	1 911	2 006
Less cost of required capital	<b>(181)</b>	(128)	(174)
Shareholder Capital	<b>626</b>	888	838
Gross value of in-force business <sup>(1)</sup>	<b>626</b>	888	838
Less cost of required capital	-	-	-
<b>Net value of in-force business</b>	<b>20 572</b>	19 370	20 324

### Notes

- The value of in-force in the Shareholder Capital represents discretionary margins managed centrally by Balance Sheet Management.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE PER DIVISION	Adjusted net worth Rm	Net value of in-force Rm	31.12.2014 Rm	31.12.2013 Rm	30.06.2014 Rm
<b>Covered business</b>					
MMI Group Ltd	11 677	18 623	<b>30 300</b>	29 764	30 994
Metropolitan Odyssey Ltd	62	-	<b>62</b>	49	59
International	1 575	1 949	<b>3 524</b>	3 058	3 340
MMI Holdings Namibia Ltd	627	1 290	<b>1 917</b>	1 634	1 793
Metropolitan Life of Botswana Ltd	219	153	<b>372</b>	308	341
Metropolitan Lesotho Ltd	341	457	<b>798</b>	741	783
Other international businesses	388	49	<b>437</b>	375	423
<b>Total covered business</b>	<b>13 314</b>	<b>20 572</b>	<b>33 886</b>	<b>32 871</b>	<b>34 393</b>
	<b>Adjusted net worth Rm</b>	<b>Write-up to directors' value Rm</b>	<b>31.12.2014 Rm</b>	<b>31.12.2013 Rm</b>	<b>30.06.2014 Rm</b>
<b>Non-covered business</b>					
Momentum Investments <sup>(1)</sup>	913	1 115	<b>2 028</b>	1 679	1 928
Health businesses <sup>(2)</sup>	327	1 718	<b>2 045</b>	1 673	1 761
Momentum Retail (Wealth) <sup>(3)</sup>	320	382	<b>702</b>	431	655
Guardrisk business <sup>(4)</sup>	495	1 354	<b>1 849</b>	-	1 607
Momentum Short-term Insurance (MSTI)	138	181	<b>319</b>	300	319
International <sup>(5, 6)</sup>	(334)	(259)	<b>(593)</b>	(302)	(386)
MMI Holdings (after consolidation adjustments) <sup>(6)</sup>	947	(1 430)	<b>(483)</b>	736	(602)
<b>Total non-covered business</b>	<b>2 806</b>	<b>3 061</b>	<b>5 867</b>	<b>4 517</b>	<b>5 282</b>
<b>Total embedded value</b>	<b>16 120</b>	<b>23 633</b>	<b>39 753</b>	<b>37 388</b>	<b>39 675</b>
Diluted adjusted net worth – non-covered business	(2 806)				
Adjustments to covered business – adjusted net worth	3 122				
<b>Reporting excess – long-term insurance business</b>	<b>16 436</b>				

1. Momentum Investments subsidiaries are valued using forward price-earnings multiples applied to the relevant sustainable earnings bases.
2. All Health businesses are valued using embedded value methodology.
3. Momentum Retail (Wealth) is valued using embedded value methodology.
4. Guardrisk is valued using embedded value methodology.
5. Cannon is included within International at 31 December 2014.
6. The holding company expenses reflect the present value of projected recurring head office expenses. The international holding company expenses reflect the allowance for support services to the international life assurance and health businesses.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Notes	Covered business			6 mths to	6 mths to	12 mths to
		Adjusted net worth (ANW) Rm	Gross Value of in-force (VIF) Rm	Cost of CAR Rm	31.12.2014	31.12.2013	30.06.2014
					Total EV Rm	Total EV Rm	Total EV Rm
Profit from new business		(657)	1 189	(85)	447	403	875
Embedded value from new business	A	(657)	1 162	(85)	420	378	779
Expected return to end of period	B	-	27	-	27	25	96
Profit from existing business		2 070	(563)	58	1 565	1 503	3 228
Expected return – unwinding of RDR	B	-	1 240	(166)	1 074	896	1 786
Release from the cost of required capital	C	-	-	214	214	217	407
Expected (or actual) net of tax profit transfer to net worth	D	1 996	(1 996)	-	-	-	-
Operating experience variances	E	114	157	10	281	378	544
Development expenses	F	(45)	-	-	(45)	-	-
Operating assumption changes	G	5	36	-	41	12	491
<b>Embedded value profit from operations</b>		1 413	626	(27)	2 012	1 906	4 103
Investment return on adjusted net worth	H	430	-	-	430	583	1 063
Investment variances	I	(10)	(411)	(74)	(495)	1 178	1 278
Economic assumption changes	J	(13)	137	(10)	114	(225)	(321)
Exchange rate movements		6	(1)	(1)	4	12	(2)
<b>Embedded value profit – covered business</b>		1 826	351	(112)	2 065	3 454	6 121
Transfer of business from/(to) non-covered business	K	20	1	(2)	19	(56)	(6)
Changes in share capital		20	10	-	30	2	42
Dividend paid		(2 621)	-	-	(2 621)	(2 078)	(3 271)
Change in reserves		-	-	-	-	42	-
<b>Change in embedded value – covered business</b>		(755)	362	(114)	(507)	1 364	2 886
<b>Non-covered business</b>							
Change in directors' valuation and other items					248	44	718
Holding company expenses					(87)	(80)	(175)
<b>Embedded value profit – non-covered business</b>					161	(36)	543
Changes in share capital					(30)	(2)	(42)
Dividend paid					496	881	1 179
Finance costs – preference shares					(23)	(23)	(45)
Transfer of business (to)/from covered business	K				(19)	56	6
<b>Change in embedded value – non-covered business</b>					585	876	1 641
<b>Total change in group embedded value</b>					78	2 240	4 527
<b>Total embedded value profit</b>					2 226	3 418	6 664
Return on embedded value (%) - internal rate of return					11.5%	20.4%	19.0%

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

## A. VALUE OF NEW BUSINESS

VALUE OF NEW BUSINESS	Momentum Retail Rm	Metropolitan Retail <sup>(1)</sup> Rm	Momentum Employee Benefits Rm	International Rm	Total Rm
<b>6 mths to 31.12.2014</b>					
Value of new business	118	108	167	27	420
Gross	149	131	192	34	506
Less cost of required capital	(31)	(23)	(25)	(7)	(86)
New business premiums	8 288	1 177	4 395	305	14 165
Recurring premiums	524	587	595	178	1 884
Single premiums	7 764	590	3 800	127	12 281
New business premiums (APE)	1 300	646	975	191	3 112
New business premiums (PVP)	10 656	2 699	9 369	975	23 699
Profitability of new business as a percentage of APE	9.1	16.7	17.1	14.1	13.5
Profitability of new business as a percentage of PVP	1.1	4.0	1.8	2.8	1.8
<b>Restated</b>					
<b>6 mths to 31.12.2013</b>					
Value of new business	136	122	90	30	378
Gross	170	143	113	37	463
Less cost of required capital	(34)	(21)	(23)	(7)	(85)
New business premiums	8 128	1 054	2 236	284	11 702
Recurring premiums	519	558	532	166	1 775
Single premiums	7 609	496	1 704	118	9 927
New business premiums (APE)	1 280	607	702	178	2 767
New business premiums (PVP)	10 499	2 635	6 506	943	20 583
Profitability of new business as a percentage of APE	10.6	20.1	12.8	16.9	13.7
Profitability of new business as a percentage of PVP	1.3	4.6	1.4	3.2	1.8
<b>Restated</b>					
<b>12 mths to 30.06.2014</b>					
Value of new business	240	236	254	49	779
Gross	312	276	299	61	948
Less cost of required capital	(72)	(40)	(45)	(12)	(169)
New business premiums	15 948	2 160	6 384	541	25 033
Recurring premiums	1 022	1 083	1 033	327	3 465
Single premiums	14 926	1 077	5 351	214	21 568
New business premiums (APE)	2 515	1 191	1 568	348	5 622
New business premiums (PVP)	20 434	4 948	14 491	1 866	41 739
Profitability of new business as a percentage of APE	9.5	19.8	16.2	14.1	13.9
Profitability of new business as a percentage of PVP	1.2	4.8	1.8	2.6	1.9

1. The Metropolitan Retail APE and PVP have been changed to only reflect the initial inflows on certain early retirement annuity business (comparatives have been restated). This reduced APE by R24 million (31.12.2013: R20 million; 30.06.2014: R42 million) and PVP by R240 million (31.12.2013: R196 million; 30.06.2014: R424 million). This had no impact on value of new business.
2. Value of new business and new business premiums are net of non-controlling interests.
3. The value of new business has been calculated on closing assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business, for other business the investment yields at the end of the period have been used.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NEW BUSINESS PREMIUMS	Momentum Retail	Metropolitan Retail <sup>(1)</sup>	Momentum Employee Benefits	International	Total
	Rm	Rm	Rm	Rm	Rm
<b>6 mths to 31.12.2014</b>					
New business premiums	8 288	1 177	4 395	305	14 165
Recurring premiums	524	587	595	178	1 884
Risk	264	379	206	-	849
Savings/Investments	260	208	389	-	857
International	-	-	-	178	178
Single premiums	7 764	590	3 800	127	12 281
Savings/Investments	7 415	123	2 193	-	9 731
Annuities	349	467	1 607	-	2 423
International	-	-	-	127	127
New business premiums (APE)	1 300	646	975	191	3 112
Risk	264	379	206	-	849
Savings/Investments	1 001	220	608	-	1 829
Annuities	35	47	161	-	243
International	-	-	-	191	191
<b>Restated</b>					
<b>6 mths to 31.12.2013</b>					
New business premiums	8 128	1 054	2 236	284	11 702
Recurring premiums	519	558	532	166	1 775
Risk	260	365	160	-	785
Savings/Investments	259	193	372	-	824
International	-	-	-	166	166
Single premiums	7 609	496	1 704	118	9 927
Savings/Investments	7 215	100	1 583	-	8 898
Annuities	394	396	121	-	911
International	-	-	-	118	118
New business premiums (APE)	1 280	607	702	178	2 767
Risk	260	365	160	-	785
Savings/Investments	981	202	530	-	1 713
Annuities	39	40	12	-	91
International	-	-	-	178	178



# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NEW BUSINESS PREMIUMS	Momentum Retail Rm	Metropolitan Retail <sup>(1)</sup> Rm	Momentum Employee Benefits Rm	International Rm	Total Rm
<b>Restated</b>					
<b>12 mths to 30.06.2014</b>					
New business premiums	15 948	2 160	6 384	541	<b>25 033</b>
Recurring premiums	1 022	1 083	1 033	327	<b>3 465</b>
Risk	501	713	408	-	<b>1 622</b>
Savings/Investments	521	370	625	-	<b>1 516</b>
International	-	-	-	327	<b>327</b>
Single premiums	14 926	1 077	5 351	214	<b>21 568</b>
Savings/Investments	14 130	201	4 198	-	<b>18 529</b>
Annuities	796	876	1 153	-	<b>2 825</b>
International	-	-	-	214	<b>214</b>
New business premiums (APE)	2 515	1 191	1 568	348	<b>5 622</b>
Risk	501	713	408	-	<b>1 622</b>
Savings/Investments	1 934	390	1 045	-	<b>3 369</b>
Annuities	80	88	115	-	<b>283</b>
International	-	-	-	348	<b>348</b>

- The Metropolitan Retail APE and PVP have been changed to only reflect the initial inflows on certain early retirement annuity business (comparatives have been restated). This reduced APE by R24 million (31.12.2013: R20 million; 30.06.2014: R42 million) and PVP by R240 million (31.12.2013: R196 million; 30.06.2014: R424 million). This had no impact on value of new business.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

RECONCILIATION OF LUMP SUM INFLOWS	6 mths to 31.12.2014 Rm	Restated 6 mths to 31.12.2013 Rm	Restated 12 mths to 30.06.2014 Rm
<b>Total lump sum inflows</b>	<b>17 218</b>	15 920	29 790
Inflows not included in value of new business	<b>(5 163)</b>	(6 321)	(8 670)
Term extensions on maturing policies	<b>265</b>	223	465
Non-controlling interests and other adjustments	<b>(39)</b>	105	(17)
<b>Single premiums included in value of new business</b>	<b>12 281</b>	9 927	21 568

- December 2013 has been restated to reconcile from on-balance sheet single lump sum inflows instead of total lump sum inflows.
- The Metropolitan Retail APE and PVP have been changed to only reflect the initial inflows on certain early retirement annuity business (comparatives have been restated). This reduced APE by R24 million (31.12.2013: R20 million; 30.06.2014: R42 million) and PVP by R240 million (31.12.2013: R196 million; 30.06.2014: R424 million). This had no impact on value of new business.

## B. EXPECTED RETURN

The expected return is determined by applying the risk discount rate applicable at the beginning of the reporting period to the present value of in-force covered business at the beginning of the reporting period and adding the expected return on new business, which is determined by applying the current risk discount rate to the value of new business from the point of sale to the end of the period.

## C. RELEASE FROM THE COST OF REQUIRED CAPITAL

The release from the cost of required capital represents the difference between the risk discount rate and the expected after tax investment return on the assets backing the required capital over the period.

## D. EXPECTED (OR ACTUAL) NET OF TAX PROFIT TRANSFER TO NET WORTH

The expected profit transfer for covered business from the present value of in-force to the adjusted net worth is calculated on the statutory valuation method.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

## E. OPERATING EXPERIENCE VARIANCES

OPERATING EXPERIENCE VARIANCES	Notes	12 mths to 31.12.2014			6 mths to	12 mths to
		ANW Rm	Net VIF Rm	EV Rm	31.12.2013 EV Rm	30.06.2014 EV Rm
<b>Momentum Retail</b>		26	52	<b>78</b>	72	170
Mortality and morbidity	1	144	7	<b>151</b>	77	235
Terminations, premium cessations and policy alterations	2	(79)	51	<b>(28)</b>	20	5
Expense variance		4	-	<b>4</b>	18	43
Other	3	(43)	(6)	<b>(49)</b>	(43)	(113)
<b>Metropolitan Retail</b>		68	5	<b>73</b>	104	39
Mortality and morbidity	1	48	(17)	<b>31</b>	60	108
Terminations, premium cessations and policy alterations		(2)	16	<b>14</b>	27	(60)
Expense variance		14	-	<b>14</b>	(6)	45
FNB Life – share of profits		19	-	<b>19</b>	22	30
Other		(11)	6	<b>(5)</b>	1	(84)
<b>Momentum Employee Benefits</b>		(6)	27	<b>21</b>	108	218
Mortality and morbidity	1	33	-	<b>33</b>	12	60
Terminations		-	27	<b>27</b>	59	138
Expense variance		(5)	-	<b>(5)</b>	10	21
Other	4	(34)	-	<b>(34)</b>	27	(1)
<b>International</b>		8	62	<b>70</b>	52	102
Mortality and morbidity	1	42	3	<b>45</b>	45	86
Terminations, premium cessations and policy alterations		(4)	32	<b>28</b>	4	17
Expense variance		(17)	(6)	<b>(23)</b>	2	6
Other		(13)	33	<b>20</b>	1	(7)
<b>Shareholder Capital</b>	5	18	11	<b>29</b>	42	86
<b>Opportunity cost of required capital</b>		-	10	<b>10</b>	-	(71)
<b>Total operating experience variances</b>		<b>114</b>	<b>167</b>	<b>281</b>	<b>378</b>	<b>544</b>

### Notes

- Overall, mortality and morbidity experience for the six months was better compared to what was allowed for in the valuation basis.
- Better than expected termination experience on whole life insurance contracts as well as negative persistency on investment contracts contributed to the negative termination experience.
- Various items including negative experience on policyholders taking up premium discounts on risk business and the impact of share price appreciation on the deferred compensation share scheme for sales agents.
- Various items including business development and system migration costs.
- The income recorded in respect of Shareholder Capital relates mostly to earnings from holding company activities and the management of MMI's capital and shareholder balance sheet risks. Other sources of earnings such as variations in actual tax payments and corporate expenses not allocated to underlying business units are also included here.

## F. DEVELOPMENT EXPENSES

Business development expenses, comprising mainly middle market and other initiatives within Momentum Retail.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

## G. OPERATING ASSUMPTION CHANGES

OPERATING ASSUMPTION CHANGES	Notes	6 mths to 31.12.2014			6 mths to	12 mths to
		ANW Rm	Net VIF Rm	EV Rm	31.12.2013 EV Rm	30.06.2014 EV Rm
<b>Momentum Retail</b>		-	(2)	(2)	17	12
Mortality and morbidity assumptions		-	-	-	-	80
Renewal expense assumptions		-	-	-	-	(30)
Termination assumptions		-	-	-	-	(51)
Modelling, methodology and other changes		-	(2)	(2)	17	13
<b>Metropolitan Retail</b>		-	4	4	(66)	(129)
Mortality and morbidity assumptions		-	-	-	-	101
Renewal expense assumptions		-	-	-	-	87
Termination assumptions		-	-	-	1	(85)
FNB Life		-	-	-	(91)	(91)
Modelling, methodology and other changes		-	4	4	24	(141)
<b>Momentum Employee Benefits</b>		-	26	26	7	461
Assumed mortality and morbidity profit margin		-	-	-	-	(23)
Termination assumptions		-	(1)	(1)	2	144
Renewal expense assumptions	1	-	46	46	-	366
Modelling, methodology and other changes		-	(19)	(19)	5	(26)
<b>International</b>		5	8	13	(22)	15
Mortality and morbidity assumptions	2	-	32	32	3	(7)
Renewal expense assumptions		(4)	3	(1)	(20)	17
Termination assumptions		(1)	-	(1)	11	10
Modelling, methodology and other changes		10	(27)	(17)	(16)	(5)
<b>Shareholder Capital</b>		-	-	-	56	(7)
<b>Methodology change: cost of required capital</b>		-	-	-	20	139
<b>Total operating assumption changes</b>		5	36	41	12	491

### Notes

1. Impact of good sales volumes on expense recoveries.
2. Mainly allowance for improved risk profits on employee benefits business.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

## H. INVESTMENT RETURN ON ADJUSTED NET WORTH

INVESTMENT RETURN ON ADJUSTED NET WORTH	6 mths to 31.12.2014 Rm	6 mths to 31.12.2013 Rm	12 mths to 30.06.2014 Rm
Investment income	425	349	722
Capital appreciation and other	20	246	368
Preference share dividends paid and change in fair value of preference shares	(15)	(12)	(27)
<b>Investment return on adjusted net worth</b>	<b>430</b>	<b>583</b>	<b>1 063</b>

## I. INVESTMENT VARIANCES

Investment variances represent the impact of higher/lower than assumed investment returns on current and expected future after tax profits from in-force business.

## J. ECONOMIC ASSUMPTION CHANGES

The economic assumption changes include the effect of the change in assumed rate of investment return, expense inflation rate and risk discount rate in respect of local and offshore business.

## K. TRANSFER OF BUSINESS (TO)/FROM NON-COVERED BUSINESS

This transfer represents the alignment of net assets and value of in-force of mainly international subsidiaries between covered and non-covered business.

## MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

COVERED BUSINESS: SENSITIVITIES – 31.12.2014	Adjusted net worth	In-force business			New business written		
		Net value	Gross value	Cost of CAR <sup>(3)</sup>	Net value	Gross value	Cost of CAR <sup>(3)</sup>
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
<b>Base value</b>	<b>13 314</b>	<b>20 572</b>	<b>23 755</b>	<b>(3 183)</b>	<b>420</b>	<b>506</b>	<b>(86)</b>
1% increase in risk discount rate % change		18 972 (8)	22 513 (5)	(3 541) 11	354 (16)	448 (11)	(94) 9
1% reduction in risk discount rate % change		22 459 9	25 227 6	(2 768) (13)	495 18	572 13	(77) (10)
10% decrease in future expenses % change <sup>(1)</sup>		21 731 6	24 920 5	(3 189) -	474 13	559 10	(85) (1)
10% decrease in lapse, paid-up and surrender rates % change		21 303 4	24 531 3	(3 228) 1	504 20	594 17	(90) 5
5% decrease in mortality and morbidity for assurance business % change		21 944 7	25 159 6	(3 215) 1	490 17	576 14	(86) -
5% decrease in mortality for annuity business % change		20 176 (2)	23 393 (2)	(3 217) 1	416 (1)	502 (1)	(86) -
1% reduction in gross investment return, inflation rate and risk discount rate % change <sup>(2)</sup>	13 274 -	20 940 2	24 143 2	(3 203) 1	438 4	524 4	(86) -
1% reduction in inflation rate % change		21 315 4	24 498 3	(3 183) -	457 9	542 7	(85) (1)
10% fall in market value of equities and properties % change	13 068 (2)	19 453 (5)	22 562 (5)	(3 109) (2)			
10% reduction in premium indexation take-up rate % change		20 296 (1)	23 459 (1)	(3 163) (1)	404 (4)	490 (3)	(86) -
10% decrease in non-commission related acquisition expenses % change					465 11	551 9	(86) -
1% increase in equity/property risk premium % change		21 048 2	24 217 2	(3 169) -	433 3	519 3	(86) -

1. No corresponding changes in variable policy charges are assumed, although in practice it is likely that these will be modified according to circumstances.
2. Bonus rates are assumed to change commensurately.
3. The change in the value of cost of required capital is disclosed as nil where the sensitivity test results in an insignificant change in the value.

# MMI HOLDINGS GROUP – STOCK EXCHANGE PERFORMANCE

STOCK EXCHANGE PERFORMANCE	31.12.2014	30.06.2014	31.12.2013	30.06.2013
<b>6 month period</b>				
Value of listed shares traded (rand million)	7 166	8 370	6 992	9 268
Volume of listed shares traded (million)	260	338	299	398
Shares traded (% of average listed shares in issue) <sup>(1)</sup>	33	43	38	51
Value of shares traded – life insurance (J857 – Rbn)	104	88	77	93
Value of shares traded – top 40 index (J200 – Rbn)	1 628	1 566	1 502	1 691
Trade prices				
Highest (cents per share)	3 192	2 783	2 622	2 700
Lowest (cents per share)	2 502	2 228	2 039	1 951
Last sale of period (cents per share)	3 000	2 625	2 530	2 217
Annualised percentage (%) change during period	31	8	30	-
Annualised percentage (%) change – life insurance sector (J857)	10	25	33	20
Annualised percentage (%) change – top 40 index (J200)	(9)	23	40	2
<b>31 December/30 June</b>				
Price/diluted core headline earnings (segmental) ratio	13.0	11.6	12.0	11.0
Dividend yield % (dividend on listed shares) <sup>(1)</sup>	4.9	5.4	5.3	5.7
Dividend yield % – top 40 index (J200) <sup>(1)</sup>	2.9	2.6	2.7	2.9
<b>Total shares issued (million)</b>				
Ordinary shares listed on JSE	1 571	1 570	1 570	1 570
Treasury shares held on behalf of contract holders	(14)	(14)	(13)	(14)
<b>Basic number of shares in issue</b>	<b>1 557</b>	<b>1 556</b>	<b>1 557</b>	<b>1 556</b>
Treasury shares held on behalf of contract holders	14	14	13	14
Convertible redeemable preference shares	33	34	34	34
<b>Diluted number of shares in issue</b> <sup>(2)</sup>	<b>1 604</b>	<b>1 604</b>	<b>1 604</b>	<b>1 604</b>
Market capitalisation at end (Rbn) <sup>(3)</sup>	48	42	41	36
Percentage (%) of life insurance sector <sup>(1)</sup>	13	12	13	13

1. Percentages have been annualised.

2. The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders.

3. The market capitalisation is calculated on the fully diluted number of shares in issue.