



MMI HOLDINGS

# **Summary of financial information**

**Unaudited results for the 6 months ended 31 December 2016**

# MMI HOLDINGS GROUP

## **DIRECTORS' STATEMENT**

The directors take pleasure in presenting the unaudited summarised interim results of MMI Holdings financial services group for the period ended 31 December 2016. The preparation of the group's results was supervised by the group finance director, Mary Vilakazi, CA(SA).

## **Corporate events**

During the current period, the FSB approved the transfer of the FNB Life book of business from MMI Group Ltd to FirstRand Life Assurance Ltd. MMI Group Ltd recognised a profit of R73 million relating to the sale which was effective from 1 October 2016. There were no other corporate events in the current period.

## **Basis of preparation of financial information**

These summarised consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS); 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 financial statements are in terms of IFRS and are consistent with those adopted in the previous years 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 2016, 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 2016 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, IAS 28 Investments in associates and joint ventures, IFRS 11 Joint arrangements, IAS 1 Presentation of financial statements, IAS 16 Property, plant and equipment, IAS 38 Intangible assets and IAS 27 Separate financial statements.
- 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

## Segmental report

To align segmental reporting with actual management responsibilities, we have made numerous movements across the five segments. The changes can be categorised into two main themes; (1) transfer of smaller operations previously shown as part of the Shareholder Capital segment into the client-facing segment where management responsibility actually rests and (2) transfer of UK operations previously residing in Momentum Retail or in Shareholder Capital to the International segment. The group has also refined the manner in which costs related to our Rewards programme are allocated. This has resulted in Momentum Retail carrying more of these costs than under the old allocation methodology. The new segmental reporting 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.

The client-centric reporting view reflects the following segments:

**Momentum Retail:** Momentum Retail's focus is on the upper retail segment and the small business segment in South Africa, offering innovative and appropriate wealth creation, risk and savings solutions. The group's short-term insurance and open medical scheme solutions are also marketed under the Momentum Retail brand. The main change during the period was the transfer of Momentum Wealth International from Momentum Retail to the International segment.

**Metropolitan Retail:** The focus is on the entry-level market in South Africa, offering savings, income generation, risk and funeral products and solutions.

**Corporate and Public Sector:** The Corporate and Public Sector focuses on medium to large corporates, affinity groups, labour unions and the public sector institutions, offering solutions that grow their profitability, protect their asset base and enhance their sustainability. The most material impact of the segmental changes for the Corporate and Public Sector is the inclusion of profits from Eris (property management) which was previously shown as part of the Shareholder Capital segment.

**International:** The International segment manages MMI's global expansion holistically in selected segments of countries where MMI is represented. Material changes to the segmental reporting include the consolidation of most UK operations in this segment (from Momentum Retail and Shareholder Capital) and the transfer in of India and Ayo operations (from Shareholder Capital).

**Shareholder Capital:** This segment is responsible for the management of the capital base of the group. Note that we have transferred almost all of the strategic initiatives out from Shareholder Capital into the segments where management responsibility sits for these initiatives.

## Embedded value information

In addition to the segmental reporting changes, the methodology for classifying business as covered or non-covered has been reviewed and the following changes have been implemented:

- Guardrisk Life business has been reclassified as non-covered as the business being written is mainly fee income in nature rather than underwriting exposure.
- An entity will only be classified as covered business once it has reached sufficient operational scale to support all operational expenses attributable to that entity.

As a result, with effect from 1 July 2015, Guardrisk Life Ltd and a number of International life and health entities were transferred to non-covered business. The December 2015 and June 2016 comparatives have been restated to reflect these transfers to non-covered business.

## Corporate governance

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

# MMI HOLDINGS GROUP

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

On 21 July 2016, Voyt Krzychylkiewicz was appointed as an alternative director to Peter Cooper. On 1 October 2016, Professor Stephen Jurisich was appointed to the board. On 22 November 2016, Johan Burger resigned from the board and as deputy chairman. On 1 December 2016, Louis von Zeuner was elected as deputy chairman of the board.

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

## **Changes to the group executive committee**

Innocent Dutiro was appointed in the role of chief executive officer of MMI's International segment from 1 July 2016. On 10 October 2016, Linda Mthenjane was appointed in the role of group executive of human capital. On 28 February 2017, Vuyo Lee resigned as group executive officer of brand, corporate affairs and transformation. Herman Schoeman, the current chief executive officer of the Corporate and Public Sector segment, will be the chief executive officer of the MMI Short-term Insurance Centre of Excellence from 1 March 2017. On the same day, Thinus Alsworth-Elvey will become the chief executive officer of the Corporate and Public Sector segment in addition to his current responsibilities.

## **Contingent liabilities and capital commitments**

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 2016 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.

## **Interim dividend declaration**

### *Ordinary shares*

- On 1 March 2017, a gross interim dividend of 65 cents per ordinary share was declared by the board.
- The dividend is 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, 31 March 2017, and will be paid on Monday, 3 April 2017.
- The dividend will be subject to local dividend withholding tax at a rate of 20% (as announced in the 2017 Budget) unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate.
- This will result in a net final dividend of 52 cents per ordinary share for those shareholders who are not exempt from paying dividend tax.
- The last day to trade cum dividend will be Tuesday, 28 March 2017.
- The shares will trade ex dividend from the start of business on Wednesday, 29 March 2017.
- Share certificates may not be dematerialised or rematerialised between Wednesday, 29 March 2017 and Friday, 31 March 2017, both days inclusive.
- The number of ordinary shares at the declaration date was 1 574 615 233.
- MMI's income tax number is 975 2050 147.

### *Preference shares*

- Dividends of R19.5 million (2015: R20.7 million) (132 cents per share p.a.) were declared on the unlisted A3 MMI Holdings Ltd preference shares as determined by the company's Memorandum of Incorporation.

# MMI HOLDINGS GROUP

## Directors' responsibility

These results are the responsibility of the directors. The summarised interim results have not been reviewed or audited by the external auditors. A printed version of the SENS announcement may be requested from the group company secretary, Maliga Chetty tel: 012 684 4255.

Signed on behalf of the board

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

Centurion  
1 March 2017

DIRECTORS: MJN Njeke (chairman), LL von Zeuner (deputy chairman), NAS Kruger (group chief executive officer), M Vilakazi (group finance director), P Cooper, F Jakoet, Prof SC Jurisich, Prof JD Krige, PJ Moleketi, SA Muller, V Nkonyeni, KC Shubane, FJC Truter, BJ van der Ross, JC van Reenen, W Krzychylkiewicz (alternate to P Cooper)

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 – SOUTH AFRICA: Merrill Lynch South Africa (Pty) Ltd (registration number: 2000/031756/06) SPONSOR – NAMIBIA: Simonis Storm Securities (Pty) Ltd

AUDITORS: PricewaterhouseCoopers Inc

REGISTERED OFFICE: 268 West Avenue, Centurion 0157

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

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# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED POSITION	CONSOLIDATED STATEMENT OF FINANCIAL	31.12.2016 Rm	31.12.2015 Rm	30.06.2016 Rm
<b>ASSETS</b>				
Intangible assets		11 996	12 813	12 433
Owner-occupied properties		3 324	3 084	3 112
Property and equipment		386	463	432
Investment properties		7 484	7 595	7 422
Investments in associates		634	212	680
Investments in joint ventures		20	-	-
Employee benefit assets		460	417	445
Financial instruments <sup>(1)</sup>		390 228	387 538	393 968
Reinsurance contract assets		4 850	3 272	5 092
Deferred income tax		328	296	279
Properties under development		249	225	187
Insurance and other receivables		4 250	5 157	4 497
Current income tax assets		548	352	537
Cash and cash equivalents		24 980	31 849	29 148
Non-current assets held for sale		-	-	470
<b>Total assets</b>		<b>449 737</b>	<b>453 273</b>	<b>458 702</b>
<b>EQUITY</b>				
Equity attributable to owners of the parent		23 543	24 838	24 109
Non-controlling interests		254	395	290
<b>Total equity</b>		<b>23 797</b>	<b>25 233</b>	<b>24 399</b>
<b>LIABILITIES</b>				
Insurance contract liabilities				
Long-term insurance contracts		106 465	103 771	107 115
Short-term insurance contracts		6 984	6 914	6 978
Financial instruments				
Investment contracts		254 083	253 107	257 985
– with discretionary participation features (DPF)		24 462	25 650	25 195
– designated at fair value through income		229 621	227 457	232 790
Other financial instruments <sup>(2)</sup>		39 699	45 181	41 529
Reinsurance contract liabilities		931	910	973
Deferred income tax		3 595	4 201	3 812
Employee benefit obligations		1 165	1 081	1 452
Other payables		12 860	12 668	14 384
Provisions		30	25	43
Current income tax liabilities		128	182	32
<b>Total liabilities</b>		<b>425 940</b>	<b>428 040</b>	<b>434 303</b>
<b>Total equity and liabilities</b>		<b>449 737</b>	<b>453 273</b>	<b>458 702</b>

1. Financial instruments consist of the following:

- Securities designated at fair value through income: R367 138 million (31.12.2015: R365 881 million; 30.06.2016: R373 630 million)
- Investments in associates designated at fair value through income: R13 099 million (31.12.2015: R12 168 million; 30.06.2016: R10 499 million)
- Derivative financial instruments: R2 180 million (31.12.2015: R2 537 million; 30.06.2016: R1 977 million)
- Available-for-sale: R64 million (31.12.2015: R142 million; 30.06.2016: R125 million)
- Held-to-maturity: R507 million (31.12.2015: R129 million; 30.06.2016: R122 million)
- Loans and receivables: R7 240 million (31.12.2015: R6 681 million; 30.06.2016: R7 615 million)

2. Other financial instruments consist of the following:

- Designated at fair value through income: R36 581 million (31.12.2015: R40 391 million; 30.06.2016: R38 374 million)
- Derivative financial instruments: R1 968 million (31.12.2015: R 3 807 million; 30.06.2016: R2 097 million)
- Amortised cost: R1 150 million (31.12.2015: R983 million; 30.06.2016: R1 058 million)

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

<b>SUMMARISED CONSOLIDATED INCOME STATEMENT</b>	<b>6 mths to 31.12.2016 Rm</b>	<b>6 mths to 31.12.2015 Rm</b>	<b>12 mths to 30.06.2016 Rm</b>
Net insurance premiums	14 072	14 144	28 971
Fee income <sup>(1)</sup>	3 851	3 790	7 679
Investment income	9 364	8 350	17 522
Net realised and fair value (losses)/gains	<b>(6 630)</b>	6 417	11 824
<b>Net income</b>	<b>20 657</b>	32 701	65 996
Net insurance benefits and claims	12 241	13 046	26 609
Change in liabilities	<b>(2 418)</b>	(2 395)	(674)
Change in long-term insurance contract liabilities	<b>(1 390)</b>	(1 977)	354
Change in short-term insurance contract liabilities	<b>(81)</b>	(100)	(71)
Change in investment contracts with DPF liabilities	<b>(731)</b>	(488)	(940)
Change in reinsurance assets	<b>(172)</b>	(81)	(331)
Change in reinsurance liabilities	<b>(44)</b>	251	314
Fair value adjustments on investment contract liabilities	<b>(301)</b>	8 486	16 205
Fair value adjustments on collective investment scheme liabilities	<b>(1 572)</b>	1 274	(153)
Depreciation, amortisation and impairment expenses	669	664	1 408
Employee benefit expenses	2 605	2 549	5 341
Sales remuneration	2 763	2 707	5 304
Other expenses	3 641	3 183	6 695
<b>Expenses</b>	<b>17 628</b>	29 514	60 735
<b>Results of operations</b>	<b>3 029</b>	3 187	5 261
Share of (loss)/profit of associates	<b>(36)</b>	5	18
Share of loss of joint ventures	<b>(3)</b>	-	-
Finance costs <sup>(2)</sup>	<b>(523)</b>	(468)	(937)
<b>Profit before tax</b>	<b>2 467</b>	2 724	4 342
Income tax expense	<b>(1 445)</b>	(1 167)	(2 164)
<b>Earnings for the period</b>	<b>1 022</b>	1 557	2 178
<b>Attributable to:</b>			
Owners of the parent	<b>1 015</b>	1 537	2 142
Non-controlling interests	<b>7</b>	20	36
	<b>1 022</b>	1 557	2 178
Basic earnings per ordinary share (cents)	<b>65.0</b>	98.7	137.6
Diluted earnings per ordinary share (cents)	<b>64.6</b>	97.2	135.9

1. Fee income consists of the following:

- Investment contracts: R1 276 million (31.12.2015: R1 078 million; 30.06.2016: R2 471 million)
- Trust and fiduciary services: R839 million (31.12.2015: R988 million; 30.06.2016: R1 892 million)
- Health administration: R946 million (31.12.2015: R1 107 million; 30.06.2016: R1 945 million)
- Other fee income: R790 million (31.12.2015: R617 million; 30.06.2016: R1 371 million)

2. Finance costs consist of the following:

- Preference shares issued by MMI: R58 million (31.12.2015: R54 million; 30.06.2016: R110 million)
- Subordinated debt: R176 million (31.12.2015: R169 million; 30.06.2016: R341 million)
- Cost of carry positions: R202 million (31.12.2015: R175 million; 30.06.2016: R346 million)
- Other: R87 million (31.12.2015: R70 million; 30.06.2016: R140 million)

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6 mths to 31.12.2016 Rm	6 mths to 31.12.2015 Rm	12 mths to 30.06.2016 Rm
Earnings for the period	1 022	1 557	2 178
Other comprehensive (loss)/income, net of tax	(164)	360	83
Items that may subsequently be reclassified to income	(180)	323	(24)
Exchange differences on translating foreign operations	(175)	320	(27)
Available-for-sale financial assets	(1)	3	3
Share of other comprehensive loss of associates	(4)	-	-
Items that will not be reclassified to income	16	37	107
Land and building revaluation	49	58	124
Remeasurements of post-employee benefit funds	(24)	(13)	(1)
Income tax relating to items that will not be reclassified	(9)	(8)	(16)
<b>Total comprehensive income for the period</b>	<b>858</b>	<b>1 917</b>	<b>2 261</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	850	1 898	2 193
Non-controlling interests	8	19	68
	<b>858</b>	<b>1 917</b>	<b>2 261</b>



# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

RECONCILIATION OF HEADLINE EARNINGS attributable to owners of the parent	Basic earnings			Diluted earnings		
	6 mths to 31.12.2016 Rm	6 mths to 31.12.2015 Rm	12 mths to 30.06.2016 Rm	6 mths to 31.12.2016 Rm	6 mths to 31.12.2015 Rm	12 mths to 30.06.2016 Rm
<b>Earnings</b>	<b>1 015</b>	1 537	2 142	<b>1 015</b>	1 537	2 142
Finance costs – convertible preference shares				<b>20</b>	21	41
Dilutory effect of subsidiaries <sup>(1)</sup>				<b>(6)</b>	(14)	(23)
<b>Diluted earnings</b>				<b>1 029</b>	1 544	2 160
Intangible asset and other impairments <sup>(2)</sup>	<b>63</b>	-	158	<b>63</b>	-	158
Tax on intangible asset and other impairments	-	-	(10)	-	-	(10)
Release of foreign currency translation reserve	-	-	(92)	-	-	(92)
Gain on sale of business/subsidiary	<b>(73)</b>	(115)	(115)	<b>(73)</b>	(115)	(115)
<b>Headline earnings</b> <sup>(3)</sup>	<b>1 005</b>	1 422	2 083	<b>1 019</b>	1 429	2 101
Net realised and fair value losses/(gains) on excess	<b>2</b>	(138)	(112)	<b>2</b>	(138)	(112)
Basis and other changes and investment variances	<b>183</b>	68	517	<b>183</b>	68	517
Adjustments for MMI shares held by policyholder funds	<b>10</b>	(127)	(98)	<b>20</b>	(114)	(73)
Amortisation of intangible assets relating to business combinations	<b>293</b>	373	618	<b>293</b>	373	618
Non-recurring items <sup>(4)</sup>	<b>81</b>	61	155	<b>81</b>	61	155
<b>Core headline earnings</b> <sup>(5)</sup>	<b>1 574</b>	1 659	3 163	<b>1 598</b>	1 679	3 206

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. Relates to impairments of Cannon goodwill and software in International in the current and prior period. The prior period also includes the impairment of Hello Doctor goodwill and software in the health business.
3. Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes.
4. Non-recurring items include one-off costs relating mainly to the restructuring of the group.
5. 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</b> <b>31.12.2016</b>	6 mths to 31.12.2015	12 mths to 30.06.2016
<b>Basic</b>			
Core headline earnings	<b>100.8</b>	106.6	203.1
Headline earnings	<b>64.3</b>	91.3	133.8
Earnings	<b>65.0</b>	98.7	137.6
Weighted average number of shares (million)	<b>1 562</b>	1 557	1 557
<b>Diluted</b>			
Core headline earnings	<b>99.6</b>	104.7	199.9
Weighted average number of shares (million) <sup>(1)</sup>	<b>1 604</b>	1 604	1 604
Headline earnings	<b>64.0</b>	90.0	132.2
Earnings	<b>64.6</b>	97.2	135.9
Weighted average number of shares (million) <sup>(2)</sup>	<b>1 592</b>	1 588	1 589

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>2017</b>	2016
<b>Ordinary listed MMI Holdings Ltd shares</b> (cents per share)		
Interim – March	<b>65</b>	<b>65</b>
Final – September		<b>92</b>
Total		<b>157</b>

## **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. On 3 October 2016, 1 million preference shares were converted into ordinary shares. The ordinary shares were originally issued at a price of R10.18 per share. Dividends are payable on the remaining preference shares at 132 cents per annum (payable March and September).

## **Significant related party transactions**

R369 million of the ordinary dividends declared by MMI Holdings Ltd in September 2016 (R362 million of the ordinary dividends declared in September 2015) and R261 million of the ordinary dividends declared in March 2016 were attributable to RMI Holdings Ltd. Dividends of R19.5 million (2016: R20.1 million) were paid to KTH on the A3 MMI Holdings Ltd preference shares. Dividends of R8 million (2016: R5 million) were paid to KTH on the MHC A ordinary shares.

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6 mths to 31.12.2016 Rm	6 mths to 31.12.2015 Rm	12 mths to 30.06.2016 Rm
<b>Changes in share capital</b>			
Balance at beginning and end	9	9	9
<b>Changes in share premium</b>			
Balance at beginning	13 847	13 795	13 795
Conversion of preference shares	7	9	17
Decrease/(increase) in treasury shares held on behalf of contract holders	17	(87)	35
Balance at end	13 871	13 717	13 847
<b>Changes in other reserves</b>			
Balance at beginning	1 955	1 866	1 866
Total comprehensive (loss)/income	(165)	361	51
BEE cost	3	2	4
Change in non-distributable reserves	-	(2)	2
Transfer (to)/from retained earnings	(41)	(3)	32
Balance at end <sup>(1)</sup>	1 752	2 224	1 955
<b>Changes in retained earnings</b>			
Balance at beginning	8 298	8 877	8 877
Total comprehensive income	1 015	1 537	2 142
Dividend paid	(1 443)	(1 453)	(2 475)
Transactions with non-controlling interests	-	(76)	(214)
Transfer from/(to) other reserves	41	3	(32)
Balance at end	7 911	8 888	8 298
<b>Equity attributable to owners of the parent</b>	<b>23 543</b>	<b>24 838</b>	<b>24 109</b>
<b>Changes in non-controlling interests</b>			
Balance at beginning	290	501	501
Total comprehensive income	8	19	68
Dividend paid	(28)	(33)	(60)
Transactions with owners	(16)	(92)	(219)
Balance at end	254	395	290
<b>Total equity</b>	<b>23 797</b>	<b>25 233</b>	<b>24 399</b>

1. Other reserves consist of the following:

- Land and building revaluation reserve: R742 million (31.12.2015: R679 million; 30.06.2016: R742 million)
- Foreign currency translation reserve: -R57 million (31.12.2015: R493 million; 30.06.2016: R122 million)
- Revaluation of available-for-sale investments: R9 million (31.12.2015: R10 million; 30.06.2016: R11 million)
- Non-distributable reserve: R50 million (31.12.2015: R21 million; 30.06.2016: R50 million)
- Employee benefit revaluation reserve: R53 million (31.12.2015: R70 million; 30.06.2016: R77 million)
- Fair value adjustment for preference shares issued by MMI Holdings Ltd: R940 million (31.12.2015: R940 million; 30.06.2016: R940 million)
- Equity-settled share-based payment arrangements: R15 million (31.12.2015: R11 million; 30.06.2016: R13 million)

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

<b>SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>6 mths to 31.12.2016 Rm</b>	<b>6 mths to 31.12.2015 Rm</b>	<b>12 mths to 30.06.2016 Rm</b>
Net cash (outflow)/inflow from operating activities	<b>(3 126)</b>	7 503	8 842
Net cash inflow/(outflow) from investing activities	<b>408</b>	(342)	(1 051)
Net cash outflow from financing activities	<b>(1 450)</b>	(1 486)	(4 817)
<b>Net cash flow</b>	<b>(4 168)</b>	5 675	2 974
Cash resources and funds on deposit at beginning	<b>29 148</b>	26 174	26 174
<b>Cash resources and funds on deposit at end</b>	<b>24 980</b>	31 849	29 148

<b>PRINCIPAL ASSUMPTIONS (South Africa) <sup>(1)</sup></b>	<b>31.12.2016 %</b>	<b>31.12.2015 %</b>	<b>30.06.2016 %</b>
Pre-tax investment return			
Equities	<b>12.8</b>	13.6	12.7
Properties	<b>10.3</b>	11.1	10.2
Government stock	<b>9.3</b>	10.1	9.2
Other fixed-interest stocks	<b>9.8</b>	10.6	9.7
Cash	<b>8.3</b>	9.1	8.2
Risk-free return <sup>(2)</sup>	<b>9.3</b>	10.1	9.2
Risk discount rate (RDR)	<b>11.5</b>	12.3	11.4
Investment return (before tax) – balanced portfolio <sup>(2)</sup>	<b>11.5</b>	12.2	11.4
Expense inflation base rate <sup>(3)</sup>	<b>7.5</b>	8.3	7.4

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.

<b>NON-CONTROLLING INTERESTS</b>	<b>31.12.2016 %</b>	<b>31.12.2015 %</b>	<b>30.06.2016 %</b>
Cannon Assurance	<b>33.7</b>	33.7	33.7
Eris Property Group	<b>23.7</b>	23.7	23.7
Metropolitan Health Ghana	<b>0.9</b>	0.9	0.9
Metropolitan Health Group	<b>17.6</b>	17.6	17.6
Metropolitan Health Namibia Administrators	<b>49.0</b>	49.0	49.0
Metropolitan Kenya	<b>33.7</b>	33.7	33.7
Metropolitan Nigeria	<b>-</b>	50.0	-
Metropolitan Swaziland	<b>33.0</b>	33.0	33.0
Metropolitan Tanzania	<b>33.0</b>	33.0	33.0
Metropolitan Health Zambia	<b>35.0</b>	35.0	35.0
MMI Holdings Namibia	<b>9.9</b>	10.3	10.3
Momentum Mozambique	<b>33.0</b>	33.0	33.0
Momentum Swaziland	<b>33.0</b>	33.0	33.0

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

## BUSINESS COMBINATIONS – DECEMBER 2016

There were no significant business combinations for the 6 months ended December 2016.

## BUSINESS COMBINATIONS – JUNE 2016

There were no significant business combinations for the 12 months ended June 2016.

<b>RECONCILIATION OF GOODWILL</b>	<b>31.12.2016</b>	31.12.2015	30.06.2016
	<b>Rm</b>	Rm	Rm
Balance at beginning	<b>1 237</b>	1 333	1 333
Impairment charges <sup>(1)</sup>	<b>(52)</b>	-	(104)
Exchange differences	<b>(20)</b>	35	8
<b>Balance at end</b>	<b>1 165</b>	1 368	1 237

1. Goodwill relating to the Cannon (International segment) acquisition was impaired by R52 million (31.12.2015: Rnil; 30.06.2016: R41 million). Goodwill of R63 million relating to Hello Doctor (International and Corporate and Public Sector segment) was also impaired in June 2016.

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

6 mths to 31.12.2016	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector Rm	International Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items <sup>(1)</sup> Rm	IFRS total Rm
<b>Revenue</b>								
Net insurance premiums	12 018	3 521	13 257	2 054	-	30 850	(16 778)	14 072
Recurring premiums	4 716	2 996	7 960	1 759	-	17 431	(4 517)	12 914
Single premiums	7 302	525	5 297	295	-	13 419	(12 261)	1 158
Fee income	1 986	37	2 026	404	15	4 468	(617)	3 851
Fee income	1 686	37	1 813	384	11	3 931	(80)	3 851
Intergroup fee income	300	-	213	20	4	537	(537)	-
<b>Expenses</b>								
Net payments to contract holders								
External payments	11 845	2 724	12 158	1 228	-	27 955	(15 714)	12 241
Other expenses	3 096	1 152	2 623	1 166	(12)	8 025	1 653	9 678
Sales remuneration	1 133	549	774	311	-	2 767	(4)	2 763
Administration expenses	1 291	593	1 394	731	134	4 143	342	4 485
Amortisation due to business combinations and impairments	-	-	6	-	18	24	378	402
Cell captive business	-	-	88	-	-	88	867	955
Direct property expenses	-	-	-	-	-	-	221	221
Asset management and other fee expenses	315	-	107	7	5	434	386	820
Holding company expenses	-	-	-	-	32	32	-	32
Intergroup expenses	357	10	254	117	(201)	537	(537)	-
<b>Diluted core headline earnings</b>	649	373	280	(61)	357	1 598	-	1 598
Operating profit	903	520	323	(38)	64	1 772	-	1 772
Tax on operating profit	(280)	(148)	(90)	(38)	(44)	(600)	-	(600)
Investment income	35	1	65	22	413	536	-	536
Tax on investment income	(9)	-	(18)	(7)	(76)	(110)	-	(110)
Covered	730	384	103	82	364	1 663	-	1 663
Non-covered	(81)	(11)	177	(143)	(7)	(65)	-	(65)
	649	373	280	(61)	357	1 598	-	1 598
Actuarial liabilities	198 054	32 549	121 734	12 687	2 508	367 532	-	367 532

1. The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; non-recurring items included in administration expenses; direct property and asset management fees for all entities, except non-life entities, 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 and other minor adjustments to expenses and fee income.

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

Restated 6 mths to 31.12.2015	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector Rm	International Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items <sup>(1)</sup> Rm	IFRS total Rm
<b>Revenue</b>								
Net insurance premiums	12 642	3 645	13 661	2 103	-	32 051	(17 907)	14 144
Recurring premiums	4 575	2 991	7 494	1 774	-	16 834	(4 237)	12 597
Single premiums	8 067	654	6 167	329	-	15 217	(13 670)	1 547
Fee income	1 862	43	2 304	367	34	4 610	(820)	3 790
Fee income	1 551	40	2 043	309	3	3 946	(156)	3 790
Intergroup fee income	311	3	261	58	31	664	(664)	-
<b>Expenses</b>								
Net payments to contract holders								
External payments	12 386	3 232	15 339	1 362	-	32 319	(19 273)	13 046
Other expenses	3 036	1 072	2 758	1 151	5	8 022	1 081	9 103
Sales remuneration	1 125	515	734	338	-	2 712	(5)	2 707
Administration expenses	1 246	541	1 562	636	106	4 091	318	4 409
Amortisation due to business combinations and impairments	-	-	6	-	45	51	453	504
Cell captive business	-	-	94	-	-	94	515	609
Direct property expenses	-	-	-	-	-	-	211	211
Asset management and other fee expenses	247	-	106	20	11	384	253	637
Holding company expenses	-	-	-	-	26	26	-	26
Intergroup expenses	418	16	256	157	(183)	664	(664)	-
<b>Diluted core headline earnings</b>	644	316	396	(39)	362	1 679	-	1 679
Operating profit	915	443	504	(60)	97	1 899	-	1 899
Tax on operating profit	(300)	(127)	(142)	5	(57)	(621)	-	(621)
Investment income	35	-	52	18	380	485	-	485
Tax on investment income	(6)	-	(18)	(2)	(58)	(84)	-	(84)
Covered	753	325	180	109	438	1 805	-	1 805
Non-covered	(109)	(9)	216	(148)	(76)	(126)	-	(126)
	644	316	396	(39)	362	1 679	-	1 679
Actuarial liabilities	196 193	32 296	120 266	12 091	2 946	363 792	-	363 792

1. The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; non-recurring items included in administration expenses; direct property and asset management fees for all entities, except non-life entities, 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 and other minor adjustments to expenses and fee income.

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

Restated 12 mths to 30.06.2016	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector Rm	International Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items <sup>(1)</sup> Rm	IFRS total Rm
<b>Revenue</b>								
Net insurance premiums	25 634	6 816	26 608	4 054	-	<b>63 112</b>	(34 141)	<b>28 971</b>
Recurring premiums	9 278	5 558	15 170	3 322	-	<b>33 328</b>	(8 720)	<b>24 608</b>
Single premiums	16 356	1 258	11 438	732	-	<b>29 784</b>	(25 421)	<b>4 363</b>
Fee income	3 555	209	4 940	773	96	<b>9 573</b>	(1 894)	<b>7 679</b>
Fee income	2 992	179	4 203	664	19	<b>8 057</b>	(378)	<b>7 679</b>
Intergroup fee income	563	30	737	109	77	<b>1 516</b>	(1 516)	-
<b>Expenses</b>								
Net payments to contract holders								
External payments	24 846	6 037	30 568	2 513	-	<b>63 964</b>	(37 355)	<b>26 609</b>
Other expenses	5 907	2 293	6 309	2 348	121	<b>16 978</b>	1 770	<b>18 748</b>
Sales remuneration	2 154	967	1 537	653	-	<b>5 311</b>	(7)	<b>5 304</b>
Administration expenses	2 804	1 158	3 385	1 391	256	<b>8 994</b>	443	<b>9 437</b>
Amortisation due to business combinations and impairments	-	-	12	-	72	<b>84</b>	823	<b>907</b>
Cell captive business	-	-	203	-	-	<b>203</b>	1 178	<b>1 381</b>
Direct property expenses	-	-	-	-	-	-	317	<b>317</b>
Asset management and other fee expenses	248	103	437	26	2	<b>816</b>	532	<b>1 348</b>
Holding company expenses	-	-	-	-	54	<b>54</b>	-	<b>54</b>
Intergroup expenses	701	65	735	278	(263)	<b>1 516</b>	(1 516)	-
<b>Diluted core headline earnings</b>	<b>1 466</b>	<b>700</b>	<b>692</b>	<b>(156)</b>	<b>504</b>	<b>3 206</b>	-	<b>3 206</b>
Operating profit	2 029	972	857	(151)	(137)	<b>3 570</b>	-	<b>3 570</b>
Tax on operating profit	(619)	(272)	(246)	(26)	(23)	<b>(1 186)</b>	-	<b>(1 186)</b>
Investment income	72	-	111	25	850	<b>1 058</b>	-	<b>1 058</b>
Tax on investment income	(16)	-	(30)	(4)	(186)	<b>(236)</b>	-	<b>(236)</b>
Covered	1 577	723	291	185	631	<b>3 407</b>	-	<b>3 407</b>
Non-covered	(111)	(23)	401	(341)	(127)	<b>(201)</b>	-	<b>(201)</b>
	1 466	700	692	(156)	504	<b>3 206</b>	-	<b>3 206</b>
Actuarial liabilities	201 066	32 942	123 065	12 438	2 567	<b>372 078</b>	-	<b>372 078</b>

1. The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; non-recurring items included in administration expenses; direct property and asset management fees for all entities, except non-life entities, 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 and other minor adjustments to expenses and fee income.



## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

CHANGE IN DILUTED CORE HEADLINE EARNINGS	Change %	6 mths to 31.12.2016 Rm	Restated 6 mths to 31.12.2015 Rm	Restated 12 mths to 30.06.2016 Rm
Momentum Retail	1	649	644	1 466
Metropolitan Retail	18	373	316	700
Corporate and Public Sector	(29)	280	396	692
International	(56)	(61)	(39)	(156)
<b>Operating segments</b>	<b>(6)</b>	<b>1 241</b>	<b>1 317</b>	<b>2 702</b>
Shareholder Capital	(1)	357	362	504
<b>Total diluted core headline earnings</b>	<b>(5)</b>	<b>1 598</b>	<b>1 679</b>	<b>3 206</b>

INVESTMENTS AND SAVINGS CENTRE OF EXCELLENCE – NON-COVERED BUSINESS	6 mths to 31.12.2016 Rm	Restated 6 mths to 31.12.2015 Rm	Restated 12 mths to 30.06.2016 Rm
<b>Revenue</b>	<b>1 178</b>	<b>1 087</b>	<b>2 270</b>
Fee income	737	725	1 488
Intergroup fees	354	349	677
Investment income	53	49	111
Fair value gains/(losses)	34	(36)	(6)
<b>Expenses and finance costs</b>	<b>(1 064)</b>	<b>(954)</b>	<b>(1 962)</b>
Fair value adjustments on investment contracts	(39)	36	41
Other expenses	(997)	(962)	(1 945)
Finance costs	(28)	(28)	(58)
Share of profit of associates	20	3	13
Non-controlling interest	(9)	(9)	(18)
<b>Profit before tax</b>	<b>125</b>	<b>127</b>	<b>303</b>
Tax	(27)	(15)	(78)
<b>Core earnings</b>	<b>98</b>	<b>112</b>	<b>225</b>
Operating profit before tax	102	107	251
Tax on operating profit	(21)	(8)	(66)
<b>Net operating profit</b>	<b>81</b>	<b>99</b>	<b>185</b>
Investment income	23	20	52
Tax on investment income	(6)	(7)	(12)
<b>Diluted core headline earnings</b>	<b>98</b>	<b>112</b>	<b>225</b>
<b>Net operating profit allocated per segment:</b>			
Momentum Retail	36	42	98
Corporate and Public Sector	26	41	102
International	19	15	(14)
Shareholder Capital	-	1	(1)
	<b>81</b>	<b>99</b>	<b>185</b>

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

HEALTH CENTRE OF EXCELLENCE – NON-COVERED BUSINESS	6 mths to 31.12.2016 Rm	Restated 6 mths to 31.12.2015 Rm	Restated 12 mths to 30.06.2016 Rm
<b>Revenue</b>	<b>1 238</b>	1 322	2 522
Net insurance premiums	295	319	566
Fee income	878	987	1 889
Intergroup fees	47	2	32
Investment income	18	14	35
<b>Expenses</b>	<b>(1 192)</b>	(1 211)	(2 355)
Net payments to contract holders	(212)	(238)	(427)
Other expenses	(979)	(973)	(1 926)
Finance costs	(1)	-	(2)
<b>Profit before tax</b>	<b>46</b>	111	167
Tax	(11)	(48)	(44)
<b>Earnings</b>	<b>35</b>	63	123
Dilutory effect of subsidiaries	(3)	(8)	(9)
<b>Diluted core headline earnings</b>	<b>32</b>	55	114
Operating profit before tax	24	88	125
Tax on operating profit	(6)	(42)	(36)
<b>Net operating profit</b>	<b>18</b>	46	89
Investment income	19	15	33
Tax on investment income	(5)	(6)	(8)
<b>Diluted core headline earnings</b>	<b>32</b>	55	114
<b>Net operating profit allocated per segment:</b>			
Momentum Retail	(31)	(53)	(50)
Corporate and Public Sector	49	99	139
	<b>18</b>	46	89
<b>Closed schemes</b>	<b>45</b>	66	102
<b>Open scheme</b>	<b>(42)</b>	(51)	(46)
<b>Other</b>	<b>15</b>	31	33
	<b>18</b>	46	89
<b>Principal number of members:</b>			
Closed schemes	845 311	1 106 028	830 548
Open schemes	145 632	136 263	143 462
	<b>990 943</b>	1 242 291	974 010
<b>Allocated per segment:</b>			
Momentum Retail	97 752	88 021	95 888
Corporate and Public Sector	893 191	1 154 270	878 122
	<b>990 943</b>	1 242 291	974 010

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

RECONCILIATION OF GUARDRISK (PROMOTER CELL <sup>(1)</sup> )	6 mths to 31.12.2016 Rm	Restated 6 mths to 31.12.2015 Rm	Restated 12 mths to 30.06.2016 Rm
<b>Revenue by type</b>	<b>312</b>	240	527
Management fees	214	204	405
Investment fees	36	30	62
Underwriting profit/(loss)	18	(26)	(6)
Other income	-	1	2
Investment income	44	31	64
<b>Expenses and finance costs</b>	<b>(187)</b>	(158)	(334)
Administration expenses	(182)	(152)	(323)
Finance costs	(5)	(6)	(11)
<b>Earnings before tax</b>	<b>125</b>	82	193
Tax attributable to promoter operating profit	(34)	(18)	(50)
<b>Diluted core headline earnings – non-covered <sup>(2)</sup></b>	<b>91</b>	64	143
Operating profit before tax	81	51	129
Tax on operating profit	(22)	(9)	(32)
<b>Net operating profit</b>	<b>59</b>	42	97
Investment income	44	31	64
Tax on investment income	(12)	(9)	(18)
<b>Diluted core headline earnings</b>	<b>91</b>	64	143

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.
2. Guardrisk Life Ltd has been transferred to non-covered business in the current period. Prior periods have been restated.

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

<b>MOMENTUM SHORT-TERM INSURANCE</b>	<b>6 mths to 31.12.2016 Rm</b>	Restated 6 mths to 31.12.2015 Rm	Restated 12 mths to 30.06.2016 Rm
<b>Revenue</b>	<b>321</b>	306	617
Net insurance premiums	<b>296</b>	286	571
Fee income	<b>11</b>	8	21
Investment income	<b>14</b>	12	25
<b>Expenses</b>	<b>(418)</b>	(433)	(822)
Net payments to contract holders	<b>(233)</b>	(243)	(466)
Other expenses	<b>(185)</b>	(190)	(356)
<b>Loss before tax</b>	<b>(97)</b>	(127)	(205)
Tax	<b>16</b>	23	39
<b>Earnings</b>	<b>(81)</b>	(104)	(166)
Operating loss before tax	<b>(106)</b>	(140)	(223)
Tax on operating loss	<b>19</b>	27	44
<b>Net operating loss</b>	<b>(87)</b>	(113)	(179)
Investment income	<b>9</b>	12	18
Tax on investment income	<b>(3)</b>	(3)	(5)
<b>Diluted core headline earnings</b>	<b>(81)</b>	(104)	(166)
<b>Net operating loss allocated per segment:</b>			
Momentum Retail	<b>(77)</b>	(107)	(164)
Metropolitan Retail	<b>(2)</b>	(2)	(6)
International	<b>(8)</b>	(4)	(9)
	<b>(87)</b>	(113)	(179)
Momentum Short-term Insurance	<b>(65)</b>	(94)	(137)
MMI Short-term Insurance Administration	<b>(22)</b>	(19)	(42)
	<b>(87)</b>	(113)	(179)

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

SEGMENT BY CENTRE OF EXCELLENCE	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector Rm	International Rm	Shareholder Capital Rm	Total Rm
<b>6 mths to 31.12.2016</b>						
<b>Covered</b>						
Operating profit	730	383	101	82	47	1 343
Investment income	-	1	2	-	317	320
<b>Total</b>	<b>730</b>	<b>384</b>	<b>103</b>	<b>82</b>	<b>364</b>	<b>1 663</b>
<b>Non-covered</b>						
Investment and savings	36	-	26	19	-	81
Life insurance	-	-	-	(42)	-	(42)
Health	(31)	-	49	(6)	-	12
Short-term insurance	(77)	(2)	59	(46)	-	(66)
Client engagement	(35)	(9)	(12)	(12)	5	(63)
Unallocated expenses	-	-	-	-	(63)	(63)
Net investment income	26	-	45	15	20	106
Other operations	-	-	10	(71)	31	(30)
<b>Total</b>	<b>(81)</b>	<b>(11)</b>	<b>177</b>	<b>(143)</b>	<b>(7)</b>	<b>(65)</b>
<b>Core earnings</b>	<b>649</b>	<b>373</b>	<b>280</b>	<b>(61)</b>	<b>357</b>	<b>1 598</b>
<b>6 mths to 31.12.2015</b>						
<b>Covered</b>						
Operating profit	753	325	178	109	129	1 494
Investment income	-	-	2	-	309	311
<b>Total</b>	<b>753</b>	<b>325</b>	<b>180</b>	<b>109</b>	<b>438</b>	<b>1 805</b>
<b>Non-covered</b>						
Investment and savings	42	-	41	15	1	99
Life insurance	-	-	-	(19)	-	(19)
Health	(53)	-	99	(51)	-	(5)
Short-term insurance	(107)	(2)	42	(35)	-	(102)
Client engagement	(20)	(7)	(10)	(10)	10	(37)
Unallocated expenses	-	-	-	-	(62)	(62)
Net investment income	29	-	32	16	13	90
Other	-	-	12	(64)	(38)	(90)
<b>Total</b>	<b>(109)</b>	<b>(9)</b>	<b>216</b>	<b>(148)</b>	<b>(76)</b>	<b>(126)</b>
<b>Core earnings</b>	<b>644</b>	<b>316</b>	<b>396</b>	<b>(39)</b>	<b>362</b>	<b>1 679</b>
<b>Restated</b>						
<b>12 mths to 30.06.2016</b>						
<b>Covered</b>						
Operating profit	1 577	723	287	185	(28)	2 744
Investment income	-	-	4	-	659	663
<b>Total</b>	<b>1 577</b>	<b>723</b>	<b>291</b>	<b>185</b>	<b>631</b>	<b>3 407</b>
<b>Non-covered</b>						
Investment and savings	98	-	102	(14)	(1)	185
Life insurance	-	-	-	(68)	-	(68)
Health	(50)	-	139	(63)	-	26
Short-term insurance	(164)	(6)	97	(89)	-	(162)
Client engagement	(53)	(17)	(22)	(23)	17	(98)
Unallocated expenses	-	-	-	-	(102)	(102)
Net investment income	56	-	77	21	5	159
Other operations	2	-	8	(105)	(46)	(141)
<b>Total</b>	<b>(111)</b>	<b>(23)</b>	<b>401</b>	<b>(341)</b>	<b>(127)</b>	<b>(201)</b>
<b>Core earnings</b>	<b>1 466</b>	<b>700</b>	<b>692</b>	<b>(156)</b>	<b>504</b>	<b>3 206</b>

## MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS SUMMARISED BY MEASUREMENT CATEGORY	31.12.2016 Rm	31.12.2015 Rm	30.06.2016 Rm
Financial assets designated at fair value through income	<b>382 481</b>	380 728	386 231
Securities designated at fair value through income	<b>367 138</b>	365 881	373 630
Investments in associates designated at fair value through income	<b>13 099</b>	12 168	10 499
Derivative financial instruments	<b>2 180</b>	2 537	1 977
Available-for-sale	<b>64</b>	142	125
Financial assets carried at amortised cost	<b>32 443</b>	38 399	36 660
Held-to-maturity	<b>507</b>	129	122
Loans and receivables	<b>6 956</b>	6 421	7 390
Cash and cash equivalents	<b>24 980</b>	31 849	29 148
<b>Total financial assets</b>	<b>414 924</b>	419 127	422 891

The fair value of loans and receivables is R6 956 million (31.12.2015: R6 475 million; 30.06.2016: R7 416 million) and the carrying value of held-to-maturity financial assets and cash and cash equivalents approximates fair value.

FINANCIAL LIABILITIES SUMMARISED BY MEASUREMENT CATEGORY	31.12.2016 Rm	31.12.2015 Rm	30.06.2016 Rm
Investment contracts with DPF	<b>24 462</b>	25 650	25 195
Financial liabilities designated at fair value through income	<b>268 170</b>	271 655	273 261
Investment contracts designated at fair value through income	<b>229 621</b>	227 457	232 790
Liabilities designated at fair value through income	<b>36 581</b>	40 391	38 374
Derivative financial instruments	<b>1 968</b>	3 807	2 097
Financial liabilities carried at amortised cost	<b>12 840</b>	12 440	14 006
Financial liabilities	<b>1 150</b>	983	1 058
Other payables	<b>11 690</b>	11 457	12 948
<b>Total financial liabilities</b>	<b>305 472</b>	309 745	312 462

The value of investment contracts with DPF is the retrospective accumulation of the fair value of the underlying assets, which is a reasonable approximation to the fair value of this financial liability.

The fair value of financial liabilities at amortised cost is R1 570 million (31.12.2015: R1 387 million; 30.06.2016: R1 471 million) and the carrying value of other payables approximates fair value due to their short-term nature.

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

The different valuation method levels have been defined as follows:

- **Level 1:** Quoted prices (unadjusted) in active markets for identical assets or liabilities
- **Level 2:** Input other than quoted prices included within level 1 that is observable for the asset or liability, either directly (that is, prices) or indirectly (that is, derived from prices)
- **Level 3:** Input for the asset or liability that is not based on observable market data (that is, unobservable input)

<b>FINANCIAL ASSETS</b>	<b>Level 1 Rm</b>	<b>Level 2 Rm</b>	<b>Level 3 Rm</b>	<b>Total Rm</b>
<b>31.12.2016</b>				
Securities designated at fair value through income	251 341	111 352	4 445	<b>367 138</b>
Equity securities				
Local listed	83 570	449	-	<b>84 019</b>
Foreign listed	19 227	1 033	49	<b>20 309</b>
Unlisted	-	62	159	<b>221</b>
Debt securities				
Stock and loans to government and other public bodies				
Local listed	33 099	9 840	-	<b>42 939</b>
Foreign listed	1 061	1 708	24	<b>2 793</b>
Unlisted	-	3 182	81	<b>3 263</b>
Other debt instruments				
Local listed	-	25 093	15	<b>25 108</b>
Foreign listed	12	1 764	123	<b>1 899</b>
Unlisted	-	30 006	1 213	<b>31 219</b>
Funds on deposit and other money market instruments	-	24 176	105	<b>24 281</b>
Unit-linked investments				
Collective investment schemes <sup>(1)</sup>				
Local unlisted or listed quoted	82 539	379	-	<b>82 918</b>
Foreign unlisted or listed quoted	30 500	66	26	<b>30 592</b>
Foreign unlisted unquoted	-	2 818	511	<b>3 329</b>
Other unit-linked investments				
Local unlisted or listed quoted	1 333	6 419	2	<b>7 754</b>
Local unlisted unquoted	-	4 357	2 124	<b>6 481</b>
Foreign unlisted unquoted	-	-	13	<b>13</b>
Investments in associates designated at fair value through income <sup>(1)</sup>	13 056	43	-	<b>13 099</b>
Derivative financial instruments – Held for trading	61	2 119	-	<b>2 180</b>
Available-for-sale	54	10	-	<b>64</b>
Equity securities				
Local listed	10	-	-	<b>10</b>
Foreign listed	44	-	-	<b>44</b>
Local unlisted/listed quoted unit-linked investments	-	10	-	<b>10</b>
	<b>264 512</b>	<b>113 524</b>	<b>4 445</b>	<b>382 481</b>

1. Collective investment schemes and Investments in associates designated at fair value through income are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price.

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

<b>FINANCIAL ASSETS</b>	<b>Level 1 Rm</b>	<b>Level 2 Rm</b>	<b>Level 3 Rm</b>	<b>Total Rm</b>
<b>31.12.2015</b>				
Securities designated at fair value through income	253 832	105 512	6 537	<b>365 881</b>
Equity securities				
Local listed	80 179	-	-	<b>80 179</b>
Foreign listed	24 723	1 042	17	<b>25 782</b>
Unlisted	-	108	209	<b>317</b>
Debt securities				
Stock and loans to government and other public bodies				
Local listed	28 407	9 579	-	<b>37 986</b>
Foreign listed	1 036	1 221	24	<b>2 281</b>
Unlisted	-	2 934	63	<b>2 997</b>
Other debt instruments				
Local listed	356	25 370	58	<b>25 784</b>
Foreign listed	117	696	3	<b>816</b>
Unlisted	-	35 211	3 360	<b>38 571</b>
Funds on deposit and other money market instruments	-	16 069	3	<b>16 072</b>
Unit-linked investments				
Collective investment schemes <sup>(1)</sup>				
Local unlisted or listed quoted	76 848	1 427	37	<b>78 312</b>
Foreign unlisted or listed quoted	38 744	109	3	<b>38 856</b>
Foreign unlisted unquoted	-	515	570	<b>1 085</b>
Other unit-linked investments				
Local unlisted or listed quoted	3 422	556	9	<b>3 987</b>
Local unlisted unquoted	-	10 593	2 166	<b>12 759</b>
Foreign unlisted unquoted	-	82	15	<b>97</b>
Investments in associates designated at fair value through income <sup>(1)</sup>	12 113	-	55	<b>12 168</b>
Derivative financial instruments – Held for trading	68	2 469	-	<b>2 537</b>
Available-for-sale	120	18	4	<b>142</b>
Equity securities				
Local listed	11	-	-	<b>11</b>
Foreign listed	109	-	-	<b>109</b>
Unlisted	-	-	4	<b>4</b>
Local unlisted/listed quoted unit-linked investments	-	18	-	<b>18</b>
	<b>266 133</b>	<b>107 999</b>	<b>6 596</b>	<b>380 728</b>

1. Collective investment schemes and Investments in associates designated at fair value through income are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price. As a result certain foreign unlisted or listed quoted instruments were transferred to level 1. ABIL retention funds have been classified as level 3. The timing of the transfers are deemed to have occurred at the beginning of the period.



# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

<b>FINANCIAL ASSETS</b>				
<b>30.06.2016</b>	<b>Level 1 Rm</b>	<b>Level 2 Rm</b>	<b>Level 3 Rm</b>	<b>Total Rm</b>
Securities designated at fair value through income	258 571	109 983	5 076	<b>373 630</b>
Equity securities				
Local listed	84 750	261	-	<b>85 011</b>
Foreign listed	21 633	953	34	<b>22 620</b>
Unlisted	-	24	219	<b>243</b>
Debt securities				
Stock and loans to government and other public bodies				
Local listed	31 696	9 727	-	<b>41 423</b>
Foreign listed	904	1 410	24	<b>2 338</b>
Unlisted	-	3 064	64	<b>3 128</b>
Other debt instruments				
Local listed	350	25 058	5	<b>25 413</b>
Foreign listed	17	660	-	<b>677</b>
Unlisted	-	36 547	1 871	<b>38 418</b>
Funds on deposit and other money market instruments	-	18 697	-	<b>18 697</b>
Unit-linked investments				
Collective investment schemes <sup>(1)</sup>				
Local unlisted or listed quoted	83 623	1 380	-	<b>85 003</b>
Foreign unlisted or listed quoted	35 402	112	27	<b>35 541</b>
Foreign unlisted unquoted	-	504	571	<b>1 075</b>
Other unit-linked investments				
Local unlisted or listed quoted	196	7 408	2	<b>7 606</b>
Local unlisted unquoted	-	4 178	2 243	<b>6 421</b>
Foreign unlisted unquoted	-	-	16	<b>16</b>
Investments in associates designated at fair value through income <sup>(1)</sup>	10 483	16	-	<b>10 499</b>
Derivative financial instruments – Held for trading	115	1 862	-	<b>1 977</b>
Available-for-sale	113	12	-	<b>125</b>
Equity securities				
Local listed	65	-	-	<b>65</b>
Foreign listed	48	-	-	<b>48</b>
Local unlisted/listed quoted unit-linked investments	-	12	-	<b>12</b>
	<b>269 282</b>	<b>111 873</b>	<b>5 076</b>	<b>386 231</b>

1. Collective investment schemes and Investments in associates designated at fair value through income are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price. As a result certain foreign unlisted or listed quoted instruments were transferred to level 1.
2. African Bank was relaunched on 4 April 2016 and business from that date has been booked through the new legal entity. The previous instruments (level 3) were replaced with new instruments (level 2) during April 2016. The timing of the transfers are deemed to have occurred at the end of the period.

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

<b>FINANCIAL LIABILITIES</b>				
<b>31.12.2016</b>	<b>Level 1 Rm</b>	<b>Level 2 Rm</b>	<b>Level 3 Rm</b>	<b>Total Rm</b>
Investment contracts				
Designated at fair value through income	1 014	228 549	58	229 621
Financial liabilities designated at fair value through income	24 142	12 150	289	36 581
Collective investment scheme liabilities	24 142	89	223	24 454
Subordinated call notes	-	3 553	-	3 553
Carry positions	-	7 489	-	7 489
Preference shares	-	1 019	-	1 019
Other borrowings	-	-	66	66
Derivative financial instruments				
Held for trading	43	1 925	-	1 968
	25 199	242 624	347	268 170

<b>FINANCIAL LIABILITIES</b>				
<b>31.12.2015</b>	<b>Level 1 Rm</b>	<b>Level 2 Rm</b>	<b>Level 3 Rm</b>	<b>Total Rm</b>
Investment contracts				
Designated at fair value through income	1 121	226 220	116	227 457
Financial liabilities designated at fair value through income	27 266	12 781	344	40 391
Collective investment scheme liabilities	27 266	40	230	27 536
Subordinated call notes	-	3 459	-	3 459
Carry positions	-	8 265	-	8 265
Preference shares	-	1 017	-	1 017
Other borrowings	-	-	114	114
Derivative financial instruments				
Held for trading	225	3 582	-	3 807
	28 612	242 583	460	271 655

<b>FINANCIAL LIABILITIES</b>				
<b>30.06.2016</b>	<b>Level 1 Rm</b>	<b>Level 2 Rm</b>	<b>Level 3 Rm</b>	<b>Total Rm</b>
Investment contracts				
Designated at fair value through income	1 042	231 672	76	232 790
Financial liabilities designated at fair value through income	25 987	12 035	352	38 374
Collective investment scheme liabilities	25 987	147	234	26 368
Subordinated call notes	-	3 557	-	3 557
Carry positions	-	7 313	-	7 313
Preference shares	-	1 018	-	1 018
Other borrowings	-	-	118	118
Derivative financial instruments				
Held for trading	29	2 068	-	2 097
	27 058	245 775	428	273 261

1. There were no significant transfers between level 1 and level 2 liabilities for both the current and prior periods.

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS	Financial assets					Total Rm
	Designated at fair value through income					
	Equity securities Rm	Debt securities <sup>(1)</sup> Rm	Unit-linked investments Rm	Other investments Rm		
<b>6 mths to 31.12.2016</b>						
Opening balance	253	1 964	2 859	-		<b>5 076</b>
Total gains/(losses) in net realised and fair value gains in the income statement						
Realised (losses)/gains	(6)	2	907	-		<b>903</b>
Unrealised (losses)/gains	(30)	2	(468)	-		<b>(496)</b>
Accrued interest in investment income in the income statement	-	(2)	-	-		<b>(2)</b>
Purchases	7	361	2 132	-		<b>2 500</b>
Sales	(35)	(520)	(2 754)	-		<b>(3 309)</b>
Settlements	-	(468)	-	-		<b>(468)</b>
Transfers into level 3	19	222	-	-		<b>241</b>
Closing balance	208	1 561	2 676	-		<b>4 445</b>

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS	Financial assets					Total Rm
	Designated at fair value through income					
	Equity securities Rm	Debt securities <sup>(1)</sup> Rm	Unit-linked investments Rm	Other investments <sup>(2)</sup> Rm		
<b>6 mths to 31.12.2015</b>						
Opening balance	231	3 798	2 533	86		<b>6 648</b>
Total gains/(losses) in net realised and fair value gains in the income statement						
Realised (losses)/gains	(1)	47	17	-		<b>63</b>
Unrealised gains/(losses)	54	(333)	454	4		<b>179</b>
Accrued interest in investment income in the income statement	-	(9)	-	-		<b>(9)</b>
Purchases	16	438	45	-		<b>499</b>
Sales	(74)	(329)	(225)	-		<b>(628)</b>
Settlements	-	(87)	(32)	-		<b>(119)</b>
Transfers into level 3	-	-	8	-		<b>8</b>
Transfers out of level 3	-	(14)	-	(31)		<b>(45)</b>
Closing balance	226	3 511	2 800	59		<b>6 596</b>

1. Includes funds on deposit and other money market instruments.

2. Includes investments in associates designated at fair value through income and available-for-sale equity securities.

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS	Financial assets					Total Rm
	Designated at fair value through income					
	Equity securities Rm	Debt securities <sup>(1)</sup> Rm	Unit-linked investments Rm	Other invest- ments <sup>(2)</sup> Rm		
<b>12 mths to 30.06.2016</b>						
Opening balance	231	3 798	2 533	86		<b>6 648</b>
Total gains/(losses) in net realised and fair value gains in the income statement						
Realised (losses)/gains	(17)	32	2	-		<b>17</b>
Unrealised gains/(losses)	22	211	458	(5)		<b>686</b>
Accrued interest in investment income in the income statement	-	90	-	-		<b>90</b>
Purchases	76	696	301	-		<b>1 073</b>
Sales	(88)	(860)	(270)	(4)		<b>(1 222)</b>
Settlements	-	(612)	(42)	-		<b>(654)</b>
Transfers into level 3	36	5	2	-		<b>43</b>
Transfers out of level 3 <sup>(3)</sup>	(7)	(1 396)	(125)	(77)		<b>(1 605)</b>
Closing balance	253	1 964	2 859	-		<b>5 076</b>

1. Includes funds on deposit and other money market instruments.
2. Includes investments in associates designated at fair value through income and available-for-sale equity securities.
3. The group's holdings in the various debt and equity instruments of ABIL, and its various subsidiaries, were transferred from levels 1 and 2 to level 3 on 1 January 2015, subsequent to the placing into curatorship of the African Bank Group and the suspension of these securities by the JSE. In the 2016 financial year, these instruments were transferred out of level 3, effective 1 July 2015. African Bank was relaunched on 4 April 2016 and business from that date has been booked through the new legal entity. The previous instruments (level 3) were replaced with new instruments (level 2) during April 2016.

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

Sensitivity of level 3 financial instrument assets measured at fair value to changes in key assumptions:

Financial assets					
31.12.2016	Designated at fair value through income			Other invest- ments Rm	Total Rm
	Equity securities Rm	Debt securities <sup>(1)</sup> Rm	Unit-linked investments Rm		
<b>Carrying value</b>	<b>208</b>	<b>1 561</b>	<b>2 676</b>	-	<b>4 445</b>
<b>Assumption change</b>	10% increase/ (decrease) in markets	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	N/A	
Effect of increase in assumption	21	22	268	N/A	
Effect of decrease in assumption	(21)	(18)	(268)	N/A	

Financial assets					
31.12.2015	Designated at fair value through income			Available-for- sale	Total Rm
	Equity securities Rm	Debt securities <sup>(1)</sup> Rm	Unit-linked investments Rm	Equity securities Rm	
<b>Carrying value</b>	<b>226</b>	<b>3 511</b>	<b>2 800</b>	<b>59</b>	<b>6 596</b>
<b>Assumption change</b>	10% increase/ (decrease) in markets	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	Not sensitive	
Effect of increase in assumption	23	(19)	280	N/A	
Effect of decrease in assumption	(23)	23	(280)	N/A	

Financial assets					
30.06.2016	Designated at fair value through income			Other invest- ments <sup>(2)</sup> Rm	Total Rm
	Equity securities Rm	Debt securities <sup>(1)</sup> Rm	Unit-linked investments Rm		
<b>Carrying value</b>	<b>253</b>	<b>1 964</b>	<b>2 859</b>	-	<b>5 076</b>
<b>Assumption change</b>	10% increase/ (decrease) in markets	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	N/A	
Effect of increase in assumption	25	25	286	N/A	
Effect of decrease in assumption	(25)	(21)	(286)	N/A	

1. Includes funds on deposit and other money market instruments.

2. Includes investments in associates designated at fair value through income and available-for-sale equity securities.

## MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES	Financial liabilities designated at fair value through income			
	Investment contracts	Collective investment scheme liabilities	Other borrowings	Total
<b>31.12.2016</b>	Rm	Rm	Rm	Rm
Opening balance	76	234	118	<b>428</b>
Total losses/(gains) in net realised and fair value gains in the income statement				
Realised losses	1	-	-	<b>1</b>
Unrealised gains	(8)	(15)	(52)	<b>(75)</b>
Total losses in other comprehensive income	-	6	-	<b>6</b>
Issues	-	1	-	<b>1</b>
Sales	-	(3)	-	<b>(3)</b>
Contract holder movements				
Benefits paid	(13)	-	-	<b>(13)</b>
Investment return	2	-	-	<b>2</b>
Closing balance	58	223	66	<b>347</b>

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R33 million and R33 million, respectively.

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES	Financial liabilities designated at fair value through income			
	Investment contracts	Collective investment scheme liabilities	Other borrowings	Total
<b>Restated 31.12.2015</b>	Rm	Rm	Rm	Rm
Opening balance	144	964	145	<b>1 253</b>
Total (gains)/losses in net realised and fair value gains in the income statement				
Realised gains	(4)	(2)	-	<b>(6)</b>
Unrealised losses/(gains)	4	25	(12)	<b>17</b>
Total losses in other comprehensive income	-	36	-	<b>36</b>
Issues	-	8	-	<b>8</b>
Sales	-	(34)	-	<b>(34)</b>
Settlements	-	(897)	(23)	<b>(920)</b>
Contract holder movements				
Benefits paid	(31)	-	-	<b>(31)</b>
Investment return	3	-	-	<b>3</b>
Transfers into level 3	-	130	4	<b>134</b>
Closing balance	116	230	114	<b>460</b>

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R39 million and R40 million, respectively.

## MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES	Financial liabilities designated at fair value through income			
	Investment contracts	Collective investment scheme liabilities	Other borrowings	Total
<b>30.06.2016</b>	Rm	Rm	Rm	Rm
Opening balance	144	964	145	<b>1 253</b>
Total losses/(gains) in net realised and fair value gains in the income statement				
Realised (gains)/losses	(1)	1	-	-
Unrealised losses/(gains)	4	128	(7)	<b>125</b>
Total losses in other comprehensive income	-	23	-	<b>23</b>
Issues	-	8	9	<b>17</b>
Sales	-	(10)	-	<b>(10)</b>
Settlements	-	(826)	(29)	<b>(855)</b>
Contract holder movements				
Benefits paid	(76)	-	-	<b>(76)</b>
Investment return	5	-	-	<b>5</b>
Transfers out of level 3	-	(54)	-	<b>(54)</b>
Closing balance	76	234	118	<b>428</b>

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R39 million and R39 million, respectively.

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

## VALUATION TECHNIQUES USED IN DETERMINING THE FAIR VALUE OF LEVEL 2 FINANCIAL ASSETS AND LIABILITIES

### Group's valuation processes

The group's in-house valuation experts perform the valuations of financial assets required for financial reporting purposes. Discussions of valuation processes and results are held at least bi-annually, in line with the group's bi-annual reporting dates.

Instrument	Valuation basis	Main assumptions
Equities and similar securities		
- Listed, local and foreign	External valuations/quoted prices	Management applies judgement if an adjustment of quoted prices is required due to an inactive market.
Stock of and loans to other public bodies		
- Listed, local	Yield of benchmark (listed government) bond	Market input
- Listed, foreign	Discounted cash flow (DCF), benchmarked against similar instrument with the same issuer	Market input
- Unlisted	DCF, real interest rates, six-month JIBAR plus fixed spread or risk-free yield curve plus fixed spread	Market input and appropriate spread
Other debt securities		
- Listed, local	DCF (BESA and ASSA bond perfect fit zero curve and other published real or nominal yields, uplifted with inflation), external valuations (linked notes), or published price quotations on JSE equity (preference shares) and interest rate market	Market input, uplifted with inflation
- Listed, foreign	Published price quotations, external valuations that are based on published market input	Market input
- Unlisted	DCF (market-related nominal and real discount rates, bank and credit default swap curves, government bond yield curve plus a spread, three-month JIBAR plus fixed spread), external valuations	Market input and appropriate spread



## MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

### VALUATION TECHNIQUES USED IN DETERMINING THE FAIR VALUE OF LEVEL 2 FINANCIAL ASSETS AND LIABILITIES

Instrument	Valuation basis	Main assumptions
Funds on deposit and other money market instruments		
- Listed	DCF (market-related yields), issue price, or external valuations	Market input (based on quotes received from market participants and valuation agents)
- Unlisted	Deposit rates, or DCF (market-related yields)	Market input (based on quotes received from market participants and valuation agents)
Unit-linked investments	External valuations	Net asset value (assets and liabilities are carried at fair value)
Derivative assets and liabilities	Black-Scholes model/net present value of estimated floating costs less the performance of the underlying index over the contract term/DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments)	Market input, credit spreads, contract inputs
Subordinated call notes (Liability)	Price quotations on JSE interest rate market (based on yield of benchmark bond)	Market input
Carry positions (Liability)	DCF (in accordance with JSE interest rate market repo pricing methodology)	Market input, contract input
Preference shares (Liability)	Capital outstanding plus accrued dividends	Contract input

There were no significant changes in the valuation methods applied since the prior period.

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

## INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial assets	Fair value at 31 December 2016 Rm	Fair value at 31 December 2015 Rm	Fair value at 30 June 2016 Rm	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Securities designated at fair value through income							
Equity securities							
Unlisted	159	209	219	Net asset value	Fair value of the respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
				Mark to model	Adjusted price-earnings ratios	Could vary significantly due to the different risks associated with the investee	The higher the price-earnings multiple, the greater the fair value
Debt securities							
Stock and loans to government and other public bodies							
Foreign listed	24	24	24	Mark to model	Adjustments to market-related inputs as a result of inactivity	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the lower the fair value
Unlisted	81	63	64	Discounted cash flow	Nominal interest rate	8.51% to 9.99% (all periods)	The higher the nominal interest rate, the lower the fair value of the assets
<b>Subtotal</b>	<b>264</b>	<b>296</b>	<b>307</b>				

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

## INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial assets (continued)	Fair value at 31 December 2016 Rm	Fair value at 31 December 2015 Rm	Fair value at 30 June 2016 Rm	Valuation technique(s)	Unobser- vable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobser- vable inputs to fair value
<b>Subtotal</b>	<b>264</b>	296	307				
Debt securities (continued)							
Other debt instruments							
Local listed	<b>15</b>	58	5	Mark to model	Adjustments to market- related inputs as a result of inactivity	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the lower the fair value
Unlisted	<b>1 213</b>	3 360	1 871	Discounted cash flow	Nominal interest rate	7.98% to 11.58%; 7.70% to 14.03% (December 2015: 7.03% to 12.45%; 5.66% to 14.88%) (June 2016: 7.56% to 11.50%; 5.45% to 17.11%)	The higher the nominal interest rate, the lower the fair value of the assets
				Mark to model	Adjustments to market- related inputs as a result of inactivity	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the lower the fair value
				Net asset value	Fair value of respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
<b>Subtotal</b>	<b>1 492</b>	3 714	2 183				

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

## INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial assets (continued)	Fair value at 31 December 2016 Rm	Fair value at 31 December 2015 Rm	Fair value at 30 June 2016 Rm	Valuation technique(s)	Unobser- vable inputs	Range of unobser- vable inputs (probability weighted average)	Relationship of unobser- vable inputs to fair value
<b>Subtotal</b>	<b>1 492</b>	<b>3 714</b>	<b>2 183</b>				
Unit-linked investments							
Collective investment schemes							
Local unlisted or listed quoted	-	37	-	Net asset value	Fair value of respective assets and liabilities which are adjusted in line with market practice	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
Foreign unlisted or listed quoted	26	-	27	Net asset value	Fair value of respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
Foreign unlisted unquoted	511	570	571	Net asset value	Fair value of the respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
Other unit- linked investments							
Local unlisted unquoted	2 124	2 166	2 243	Adjusted net asset value method	Price per unit	Could vary significantly due to range of holdings	The higher the price per unit, the higher the fair value
					Distributions or net cash flows since last valuation	Could vary significantly due to range of holdings	The fair value varies on distributions/ net cash flows and period since last valuation
	<b>4 153</b>	6 487	5 024				
Other	<b>292</b>	109	52				
	<b>4 445</b>	6 596	5 076				

# MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

## INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial liabilities	Fair value at 31 December 2016 Rm	Fair value at 31 December 2015 Rm	Fair value at 30 June 2016 Rm	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Investment contracts designated at fair value through income	58	116	76	Asset and liability matching method	Asset value	Unit price	The asset value increase will increase the fair value of the liability
Financial liabilities designated at fair value through income							
Collective investment scheme liabilities	223	230	234	Adjusted net asset value method	Price per unit	Could vary significantly due to range of holdings	The higher the price per unit, the higher the fair value
Other borrowings	66	114	118	Discounted cash flow	Adjustments to discount rate	Dependent on credit risk and other risk factors	The lower the rate, the higher the fair value
				Mark to model	Adjusted embedded value	Could vary significantly based on the risks associated with the investee	The higher the embedded value, the greater the fair value
	<b>347</b>	460	428				

There were no significant changes in the valuation methods applied since the prior period.

## MMI HOLDINGS GROUP – STATUTORY EXCESS

STATUTORY EXCESS	31.12.2016 Rm	31.12.2015 Rm	30.06.2016 Rm
<b>Group excess per reporting basis</b>	<b>23 543</b>	24 838	24 109
Net assets – other businesses	<b>(2 984)</b>	(3 413)	(2 939)
Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments	<b>(3 284)</b>	(3 618)	(3 471)
<b>Excess – long-term insurance business, net of non-controlling interests <sup>(1)</sup></b>	<b>17 275</b>	17 807	17 699
Disregarded assets <sup>(2)</sup>	<b>(969)</b>	(996)	(983)
Difference between statutory and published valuation methods	<b>(597)</b>	(846)	(582)
Write-down of subsidiaries and associates for statutory purposes	<b>(1 347)</b>	(1 352)	(1 246)
Unsecured subordinated debt	<b>3 553</b>	3 459	3 557
Consolidation adjustments	<b>(37)</b>	(39)	(53)
<b>Statutory excess – long-term insurance business</b>	<b>17 878</b>	18 033	18 392
Capital adequacy requirement (CAR) (Rm) <sup>(3)</sup>	<b>6 560</b>	6 456	6 238
Ratio of long-term insurance business excess to CAR (times)	<b>2.7</b>	2.8	2.9
Discretionary margins	<b>12 753</b>	12 759	12 702

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; in respect of Guardrisk only MMI's promoter exposure to the South African long-term insurance business, Guardrisk Life Ltd. It excludes the short-term insurance businesses of Guardrisk, Momentum Short-term Insurance and Cannon (Kenya), as well as the other non-life insurance entities, including African health operations. The figures are after non-controlling interests but excludes certain items which are eliminated on consolidation.
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 R477 million (31.12.2015: R504 million; 30.06.2016: R491 million).
3. Aggregation of separate company's capital adequacy requirements (CARs), with no assumption of diversification benefits.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE RESULTS AS AT	31.12.2016 Rm	Restated 31.12.2015 Rm	Restated 30.06.2016 Rm
<b>Covered business</b>			
Reporting excess – long-term insurance business	17 275	17 807	17 699
Reclassification to non-covered business	<b>(2 010)</b>	(1 999)	(1 897)
	<b>15 265</b>	15 808	15 802
Disregarded assets <sup>(1)</sup>	<b>(517)</b>	(544)	(531)
Difference between statutory and published valuation methods	<b>(553)</b>	(841)	(575)
Dilutory effect of subsidiaries <sup>(2)</sup>	<b>(50)</b>	(39)	(51)
Consolidation adjustments <sup>(3)</sup>	<b>(24)</b>	(32)	(40)
Value of MMI Group Ltd preference shares issued	<b>(500)</b>	(500)	(500)
<b>Diluted adjusted net worth – covered business</b>	<b>13 621</b>	13 852	14 105
<b>Net value of in-force business</b>	<b>20 542</b>	20 863	20 862
<b>Diluted embedded value – covered business</b>	<b>34 163</b>	34 715	34 967
<b>Non-covered business</b>			
Net assets – non-covered business within life insurance companies	<b>2 010</b>	1 999	1 897
Net assets – non-covered business outside life insurance companies	<b>2 984</b>	3 413	2 939
Consolidation adjustments and transfers to covered business <sup>(3)</sup>	<b>(2 639)</b>	(3 240)	(2 776)
Adjustments for dilution <sup>(4)</sup>	<b>676</b>	783	690
<b>Diluted adjusted net worth – non-covered business</b>	<b>3 031</b>	2 955	2 750
<b>Write-up to directors' value</b>	<b>5 281</b>	2 506	5 272
Non-covered business	<b>6 388</b>	4 604	6 379
Holding company expenses <sup>(5)</sup>	<b>(557)</b>	(1 578)	(557)
International holding company expenses <sup>(5)</sup>	<b>(550)</b>	(520)	(550)
<b>Diluted embedded value – non-covered business</b>	<b>8 312</b>	5 461	8 022
Diluted adjusted net worth	<b>16 652</b>	16 807	16 855
Net value of in-force business	<b>20 542</b>	20 863	20 862
Write-up to directors' value	<b>5 281</b>	2 506	5 272
<b>Diluted embedded value</b>	<b>42 475</b>	40 176	42 989
Required capital – covered business (adjusted for qualifying debt) <sup>(6)</sup>	<b>6 317</b>	6 190	6 098
Surplus capital – covered business	<b>7 304</b>	7 662	8 007
Diluted embedded value per share (cents)	<b>2 648</b>	2 505	2 680
Diluted adjusted net worth per share (cents)	<b>1 038</b>	1 048	1 051
Diluted number of shares in issue (million) <sup>(7)</sup>	<b>1 604</b>	1 604	1 604

- Disregarded assets include Sage intangible assets of R477 million (31.12.2015: R504 million; 30.06.2016: R491 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 year. 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 3): R122 million (31.12.2015: R116 million; 30.06.2016: R123 million)
  - Treasury shares held on behalf of contract holders: R286 million (31.12.2015: R384 million; 30.06.2016: R292 million)
  - Liability – MMI Holdings Ltd convertible preference shares issued to KTH: R268 million (31.12.2015: R283 million; 30.06.2016: R275 million)
- 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 R9 870 million (31.12.2015: R9 716 million; 30.06.2016: R9 655 million) and is adjusted for qualifying debt of R3 553 million (31.12.2015: R3 526 million; 30.06.2016: R3 557 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

<b>ANALYSIS OF NET VALUE OF IN-FORCE BUSINESS</b>	<b>31.12.2016</b> Rm	Restated 31.12.2015 Rm	Restated 30.06.2016 Rm
Momentum Retail	<b>11 207</b>	11 246	11 409
Gross value of in-force business	<b>12 522</b>	12 501	12 803
Less cost of required capital	<b>(1 315)</b>	(1 255)	(1 394)
Metropolitan Retail	<b>3 543</b>	3 364	3 692
Gross value of in-force business	<b>4 282</b>	4 079	4 376
Less cost of required capital	<b>(739)</b>	(715)	(684)
Corporate and Public Sector <sup>(1)</sup>	<b>3 607</b>	4 106	3 681
Gross value of in-force business	<b>4 296</b>	4 810	4 390
Less cost of required capital	<b>(689)</b>	(704)	(709)
International <sup>(2)</sup>	<b>2 147</b>	2 065	2 011
Gross value of in-force business	<b>2 352</b>	2 246	2 226
Less cost of required capital	<b>(205)</b>	(181)	(215)
Shareholder Capital	<b>38</b>	82	69
Gross value of in-force business	<b>38</b>	82	69
Less cost of required capital	<b>-</b>	-	-
<b>Net value of in-force business</b>	<b>20 542</b>	20 863	20 862

1. Prior periods have been restated to exclude Guardrisk Life Ltd from the Corporate and Public Sector.

2. Prior periods have been restated to exclude International life and health entities not yet at operating scale.



# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE PER DIVISION	Adjusted net worth Rm	Net value of in-force Rm	31.12.2016 Rm	Restated 31.12.2015 Rm	Restated 30.06.2016 Rm
<b>Covered business</b>					
MMI Group Ltd business	11 899	18 395	<b>30 294</b>	31 034	31 199
International businesses	1 722	2 147	<b>3 869</b>	3 681	3 768
Namibia	759	1 455	<b>2 214</b>	1 990	2 158
Botswana	435	237	<b>672</b>	678	676
Lesotho	413	410	<b>823</b>	838	758
Other <sup>(1)</sup>	115	45	<b>160</b>	175	176
<b>Total covered business</b>	<b>13 621</b>	<b>20 542</b>	<b>34 163</b>	<b>34 715</b>	<b>34 967</b>
	<b>Adjusted net worth Rm</b>	<b>Write-up to directors' value Rm</b>	<b>31.12.2016 Rm</b>	<b>Restated 31.12.2015 Rm</b>	<b>Restated 30.06.2016 Rm</b>
<b>Non-covered business</b>					
Investment businesses <sup>(2)</sup>	669	1 818	<b>2 487</b>	2 118	2 528
Health businesses <sup>(3)</sup>	278	1 386	<b>1 664</b>	1 302	1 406
Momentum Wealth <sup>(3)</sup>	110	251	<b>361</b>	394	503
Guardrisk <sup>(3,4)</sup>	804	1 858	<b>2 662</b>	2 313	2 570
Momentum Short-term Insurance	468	111	<b>579</b>	502	527
International	79	414	<b>493</b>	565	822
United Kingdom businesses <sup>(5)</sup>	209	564	<b>773</b>	714	840
Other businesses <sup>(1,6)</sup>	(130)	(150)	<b>(280)</b>	(149)	(18)
MMI Holdings (after consolidation adjustments) <sup>(6)</sup>	623	(557)	<b>66</b>	(1 733)	(334)
<b>Total non-covered business</b>	<b>3 031</b>	<b>5 281</b>	<b>8 312</b>	<b>5 461</b>	<b>8 022</b>
<b>Total embedded value</b>	<b>16 652</b>	<b>25 823</b>	<b>42 475</b>	<b>40 176</b>	<b>42 989</b>
Diluted net asset value – non-covered business	(3 031)				
Adjustments to covered business – net asset value	3 654				
<b>Reporting excess – long-term insurance business</b>	<b>17 275</b>				

- On 1 July 2015 African life and health entities not yet at operating scale were transferred to non-covered business (31.12.2015: adjusted net worth of R371 million and value of in-force of R99 million; 30.06.2016: adjusted net worth of R466 million and value of in-force of R146 million). The December 2015 and June 2016 comparatives have been restated to reflect the transfer.
- The material Investment businesses are valued using a discounted cash flow methodology applied to projections of future earnings.
- The Health businesses, Momentum Wealth and Guardrisk are valued using embedded value methodology.
- On 1 July 2015 Guardrisk Life Ltd was transferred to non-covered business (31.12.2015: adjusted net worth of R149 million and value of in-force of R645 million; 30.06.2016: adjusted net worth of R169 million and value of in-force of R660 million). The December 2015 and June 2016 comparatives have been restated to reflect the transfer.
- This includes MMI non-covered subsidiaries domiciled in the United Kingdom and related territories.
- 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	Restated	Restated
		Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of CAR Rm	31.12.2016	6 mths to 31.12.2015	12 mths to 30.06.2016
					Total EV Rm	Total EV Rm	Total EV Rm
Profit from new business		(769)	1 179	(93)	317	323	805
Embedded value from new business	A	(769)	1 154	(93)	292	301	712
Expected return to end of period	B	-	25	-	25	22	93
Profit from existing business		2 070	(769)	52	1 353	1 238	1 703
Expected return – unwinding of RDR	B	-	1 319	(163)	1 156	1 091	2 260
Release from the cost of required capital	C	-	-	181	181	225	450
Expected (or actual) net of tax profit transfer to net worth	D	2 036	(2 036)	-	-	-	-
Operating experience variances	E	93	(13)	34	114	119	73
Development expenses	F	(17)	-	-	(17)	(53)	(99)
Operating assumption changes	G	(42)	(39)	-	(81)	(144)	(981)
<b>Embedded value profit from operations</b>		1 301	410	(41)	1 670	1 561	2 508
Investment return on adjusted net worth	H	310	-	-	310	282	823
Investment variances	I	(85)	(715)	69	(731)	207	(126)
Economic assumption changes	J	3	(54)	22	(29)	(564)	(124)
Exchange rate movements	K	(22)	(15)	4	(33)	74	53
<b>Embedded value profit – covered business</b>		1 507	(374)	54	1 187	1 560	3 134
Transfer of business to non-covered business	L	(298)	-	-	(298)	(1 172)	(1 333)
Changes in share capital	M	(28)	-	-	(28)	(2)	4
Dividend paid		(1 665)	-	-	(1 665)	(1 671)	(2 838)
<b>Change in embedded value – covered business</b>		(484)	(374)	54	(804)	(1 285)	(1 033)
<b>Non-covered business</b>							
Change in directors' valuation and other items					(238)	(213)	1 080
Holding company expenses					-	(30)	961
<b>Embedded value profit – non-covered business</b>					(238)	(243)	2 041
Changes in share capital	M				28	2	(4)
Dividend paid					222	221	363
Finance costs – preference shares					(20)	(21)	(41)
Transfer of business from covered business	L				298	1 172	1 333
<b>Change in embedded value – non-covered business</b>					290	1 131	3 692
<b>Total change in group embedded value</b>					(514)	(154)	2 659
<b>Total embedded value profit</b>					949	1 317	5 175
Return on embedded value (%) - internal rate of return					4.5%	6.6%	12.8%

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

## A. VALUE OF NEW BUSINESS

VALUE OF NEW BUSINESS	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector <sup>(1)</sup> Rm	International <sup>(2)</sup> Rm	Total Rm
<b>6 mths to 31.12.2016</b>					
Value of new business	110	94	42	46	<b>292</b>
Gross	147	125	61	52	<b>385</b>
Less cost of required capital	(37)	(31)	(19)	(6)	<b>(93)</b>
New business premiums	8 766	1 218	2 224	421	<b>12 629</b>
Recurring premiums	638	649	320	239	<b>1 846</b>
Single premiums	8 128	569	1 904	182	<b>10 783</b>
New business premiums (APE)	1 451	706	510	257	<b>2 924</b>
New business premiums (PVP)	12 114	2 673	5 094	1 414	<b>21 295</b>
Profitability of new business as a percentage of APE	7.6	13.3	8.2	17.9	<b>10.0</b>
Profitability of new business as a percentage of PVP	0.9	3.5	0.8	3.3	<b>1.4</b>
<b>Restated</b>					
<b>6 mths to 31.12.2015</b>					
Value of new business	126	68	76	31	<b>301</b>
Gross	163	92	90	38	<b>383</b>
Less cost of required capital	(37)	(24)	(14)	(7)	<b>(82)</b>
New business premiums	9 690	1 171	2 642	391	<b>13 894</b>
Recurring premiums	627	530	223	188	<b>1 568</b>
Single premiums	9 063	641	2 419	203	<b>12 326</b>
New business premiums (APE)	1 533	594	465	208	<b>2 800</b>
New business premiums (PVP)	12 673	2 411	4 530	1 175	<b>20 789</b>
Profitability of new business as a percentage of APE	8.2	11.4	16.3	14.9	<b>10.8</b>
Profitability of new business as a percentage of PVP	1.0	2.8	1.7	2.6	<b>1.4</b>
<b>Restated</b>					
<b>12 mths to 30.06.2016</b>					
Value of new business	290	191	160	71	<b>712</b>
Gross	362	244	196	83	<b>885</b>
Less cost of required capital	(72)	(53)	(36)	(12)	<b>(173)</b>
New business premiums	19 365	2 343	5 367	841	<b>27 916</b>
Recurring premiums	1 292	1 087	706	400	<b>3 485</b>
Single premiums	18 073	1 256	4 661	441	<b>24 431</b>
New business premiums (APE)	3 099	1 213	1 172	444	<b>5 928</b>
New business premiums (PVP)	25 950	4 936	10 750	2 454	<b>44 090</b>
Profitability of new business as a percentage of APE	9.4	15.7	13.7	16.0	<b>12.0</b>
Profitability of new business as a percentage of PVP	1.1	3.9	1.5	2.9	<b>1.6</b>

1. Value of new business have been restated to exclude Guardrisk Life Ltd that was transferred to non-covered business.
2. Value of new business have been restated to exclude the African entities not yet at operating scale that were transferred to non-covered business.
3. Value of new business and new business premiums are net of non-controlling interests.
4. 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 year have been used.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NEW BUSINESS PREMIUMS	Momentum	Metropolitan	Corporate	International <sup>(2)</sup>	Total
	Retail	Retail	and Public		
	Rm	Rm	Sector <sup>(1)</sup>	Rm	Rm
<b>6 mths to 31.12.2016</b>					
New business premiums	8 766	1 218	2 224	421	<b>12 629</b>
Recurring premiums	638	649	320	239	<b>1 846</b>
Risk	288	434	136	-	<b>858</b>
Savings/Investments	350	215	184	-	<b>749</b>
International	-	-	-	239	<b>239</b>
Single premiums	8 128	569	1 904	182	<b>10 783</b>
Savings/Investments	7 669	209	1 360	-	<b>9 238</b>
Annuities	459	360	544	-	<b>1 363</b>
International	-	-	-	182	<b>182</b>
New business premiums (APE)	1 451	706	510	257	<b>2 924</b>
Risk	288	434	136	-	<b>858</b>
Savings/Investments	1 117	236	320	-	<b>1 673</b>
Annuities	46	36	54	-	<b>136</b>
International	-	-	-	257	<b>257</b>
<b>Restated</b>					
<b>6 mths to 31.12.2015</b>					
New business premiums	9 690	1 171	2 642	391	<b>13 894</b>
Recurring premiums	627	530	223	188	<b>1 568</b>
Risk	288	339	99	-	<b>726</b>
Savings/Investments	339	191	124	-	<b>654</b>
International	-	-	-	188	<b>188</b>
Single premiums	9 063	641	2 419	203	<b>12 326</b>
Savings/Investments	8 672	145	1 736	-	<b>10 553</b>
Annuities	391	496	683	-	<b>1 570</b>
International	-	-	-	203	<b>203</b>
New business premiums (APE)	1 533	594	465	208	<b>2 800</b>
Risk	288	339	99	-	<b>726</b>
Savings/Investments	1 206	205	298	-	<b>1 709</b>
Annuities	39	50	68	-	<b>157</b>
International	-	-	-	208	<b>208</b>

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NEW BUSINESS PREMIUMS	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector (1) Rm	International (2) Rm	Total Rm
<b>Restated</b>					
<b>12 mths to 30.06.2016</b>					
New business premiums	19 365	2 343	5 367	841	<b>27 916</b>
Recurring premiums	1 292	1 087	706	400	<b>3 485</b>
Risk	560	703	390	-	<b>1 653</b>
Savings/Investments	732	384	315	-	<b>1 431</b>
Annuities	-	-	1	-	<b>1</b>
International	-	-	-	400	<b>400</b>
Single premiums	18 073	1 256	4 661	441	<b>24 431</b>
Savings/Investments	17 091	312	3 499	-	<b>20 902</b>
Annuities	982	944	1 162	-	<b>3 088</b>
International	-	-	-	441	<b>441</b>
New business premiums (APE)	3 099	1 213	1 172	444	<b>5 928</b>
Risk	560	704	390	-	<b>1 654</b>
Savings/Investments	2 441	415	665	-	<b>3 521</b>
Annuities	98	94	117	-	<b>309</b>
International	-	-	-	444	<b>444</b>

1. Value of new business have been restated to exclude Guardrisk Life Ltd that was transferred to non-covered business.
2. Value of new business have been restated to exclude the African entities not yet at operating scale that were transferred to non-covered business.

## MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

RECONCILIATION OF LUMP SUM INFLOWS	6 mths to 31.12.2016 Rm	Restated 6 mths to 31.12.2015 Rm	Restated 12 mths to 30.06.2016 Rm
<b>Total lump sum inflows</b>	<b>13 419</b>	15 217	29 784
Inflows not included in value of new business	<b>(3 344)</b>	(3 597)	(6 853)
Term extensions on maturing policies	<b>227</b>	198	342
Retirement annuity proceeds invested in living annuities	<b>497</b>	518	1 008
Non-controlling interests and other adjustments	<b>(16)</b>	(10)	150
<b>Single premiums included in value of new business</b>	<b>10 783</b>	12 326	24 431

### B. EXPECTED RETURN

The expected return is determined by applying the risk discount rate applicable at the beginning of the reporting year to the present value of in-force covered business at the beginning of the reporting year. The expected return on new business 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 year.

### 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 year.

### 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	6 mths to 31.12.2016			Restated	Restated
		ANW Rm	Net VIF Rm	EV Rm	6 mths to 31.12.2015 EV Rm	12 mths to 30.06.2016 EV Rm
<b>Momentum Retail</b>		65	(4)	61	33	233
Mortality and morbidity	1	97	7	104	71	230
Terminations, premium cessations and policy alterations	2	(73)	105	32	(77)	11
Expense variance	3	35	-	35	(14)	(52)
Credit risk variance		3	-	3	24	20
Other	4	3	(116)	(113)	29	24
<b>Metropolitan Retail</b>		88	(2)	86	61	123
Mortality and morbidity	1	40	-	40	28	88
Terminations, premium cessations and policy alterations		(8)	(3)	(11)	37	10
Expense variance	3	42	-	42	(1)	(9)
Credit risk variance		5	-	5	6	10
Other		9	1	10	(9)	24
<b>Corporate and Public Sector</b>		(106)	(39)	(145)	(90)	(228)
Mortality and morbidity	5	(152)	1	(151)	(92)	(230)
Terminations	6	8	(32)	(24)	(43)	(59)
Expense variance		6	-	6	(30)	(94)
Credit risk variance		16	-	16	14	40
FNB Life – share of profits		-	-	-	17	37
Other		16	(8)	8	44	78
<b>International</b>		3	49	52	40	59
Mortality and morbidity	1	17	17	34	47	73
Terminations, premium cessations and policy alterations		-	-	-	(11)	(22)
Expense variance		(21)	27	6	2	5
Other		7	5	12	2	3
<b>Shareholder Capital</b>		43	(17)	26	103	(71)
<b>Opportunity cost of required capital</b>		-	34	34	(28)	(43)
<b>Total operating experience variances</b>		93	21	114	119	73

### Notes

- Overall, mortality and morbidity experience for the 6 months were better compared to what was allowed for in the valuation basis.
- Better than expected experience on voluntary premium increases.
- The impact of managing expenses better than anticipated in the actuarial valuation basis.
- One off impact arising from improved modelling of rider benefits.
- The negative variance is a result of disability-in-payment experience.
- Lower than expected growth on risk business.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

## F. DEVELOPMENT EXPENSES

Business development expenses within Momentum Retail and Metropolitan Retail.

## G. OPERATING ASSUMPTION CHANGES

OPERATING ASSUMPTION CHANGES	Notes	6 mths to 31.12.2016			Restated	Restated
		ANW Rm	Net VIF Rm	EV Rm	6 mths to 31.12.2015 EV Rm	12 mths to 30.06.2016 EV Rm
<b>Momentum Retail</b>		(41)	19	(22)	(15)	(126)
Mortality and morbidity assumptions		-	-	-	-	24
Termination assumptions		-	-	-	-	32
Renewal expense assumptions	1	-	26	26	(5)	94
Holding company expenses		-	-	-	-	(325)
Modelling, methodology and other changes	2	(41)	(7)	(48)	(10)	49
<b>Metropolitan Retail</b>		-	(7)	(7)	6	82
Mortality and morbidity assumptions		-	-	-	-	271
Termination assumptions		-	-	-	-	(30)
Renewal expense assumptions		-	-	-	-	(46)
Holding company expenses		-	-	-	-	(345)
Modelling, methodology and other changes	2	-	(7)	(7)	6	232
<b>Corporate and Public Sector</b>		-	(55)	(55)	(93)	(678)
Mortality and morbidity assumptions		-	-	-	-	(41)
Termination assumptions		-	-	-	-	(1)
Renewal expense assumptions	3	-	(55)	(55)	(98)	(190)
Holding company expenses		-	-	-	-	(225)
Modelling, methodology and other changes		-	-	-	5	(221)
<b>International</b>		(1)	4	3	(42)	(147)
Mortality and morbidity assumptions		-	-	-	(1)	52
Termination assumptions		-	-	-	-	(25)
Renewal expense assumptions		-	2	2	(3)	(21)
Modelling, methodology and other changes		(1)	2	1	(38)	(153)
<b>Shareholder Capital</b>		-	-	-	-	(47)
<b>Methodology change: cost of required capital</b>		-	-	-	-	(65)
<b>Total operating assumption changes</b>		(42)	(39)	(81)	(144)	(981)

### Notes

1. Good sales volumes on expense recoveries on group small schemes.
2. Allowance for improvement in client value-for-money.
3. Lower than expected sales volumes on expense recoveries.



# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

## H. INVESTMENT RETURN ON ADJUSTED NET WORTH

INVESTMENT RETURN ON ADJUSTED NET WORTH	6 mths to 31.12.2016 Rm	Restated 6 mths to 31.12.2015 Rm	Restated 12 mths to 30.06.2016 Rm
Investment income	313	249	614
Capital appreciation and other	15	49	242
Preference share dividends paid and change in fair value of preference shares	(18)	(16)	(33)
<b>Investment return on adjusted net worth</b>	<b>310</b>	<b>282</b>	<b>823</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. EXCHANGE RATE MOVEMENTS

The impact of foreign currency movements on International covered businesses.

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

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

## M. CHANGES IN SHARE CAPITAL

Changes in share capital include the recapitalisation of some of the International subsidiaries.

## MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

COVERED BUSINESS: SENSITIVITIES – 31.12.2016	Adjusted net worth Rm	In-force business			New business written		
		Net value Rm	Gross value Rm	Cost of CAR <sup>(3)</sup> Rm	Net value Rm	Gross value Rm	Cost of CAR <sup>(3)</sup> Rm
<b>Base value</b>	<b>13 621</b>	<b>20 542</b>	<b>23 490</b>	<b>(2 948)</b>	<b>292</b>	<b>385</b>	<b>(93)</b>
1% increase in risk discount rate % change		18 856 (8)	22 171 (6)	(3 315) 12	219 (25)	319 (17)	(100) 8
1% reduction in risk discount rate % change		22 461 9	24 994 6	(2 533) (14)	376 29	460 19	(84) (10)
10% decrease in future expenses % change <sup>(1)</sup>		21 854 6	24 802 6	(2 948) -	356 22	449 17	(93) -
10% decrease in lapse, paid-up and surrender rates % change		21 318 4	24 268 3	(2 950) -	372 27	472 23	(100) 8
5% decrease in mortality and morbidity for assurance business % change		22 149 8	25 124 7	(2 975) 1	363 24	456 18	(93) -
5% decrease in mortality for annuity business % change		20 225 (2)	23 144 (1)	(2 919) (1)	286 (2)	379 (2)	(93) -
1% reduction in gross investment return, inflation rate and risk discount rate % change <sup>(2)</sup>	13 631 -	21 198 3	24 102 3	(2 904) (1)	335 15	428 11	(93) -
1% reduction in inflation rate % change		21 337 4	24 285 3	(2 948) -	332 14	425 10	(93) -
10% fall in market value of equities and properties % change	13 279 (3)	19 553 (5)	22 440 (4)	(2 887) (2)			
10% reduction in premium indexation take-up rate % change		20 228 (2)	23 168 (1)	(2 940) -	273 (7)	366 (5)	(93) -
10% decrease in non-commission related acquisition expenses % change					346 18	439 14	(93) -
1% increase in equity/property risk premium % change		21 122 3	24 064 2	(2 942) -	313 7	406 5	(93) -

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 – ADDITIONAL INFORMATION

<b>ANALYSIS OF ASSETS MANAGED AND/OR ADMINISTERED <sup>(1)</sup></b>	<b>31.12.2016</b>	Restated 31.12.2015	Restated 30.06.2016
	Rm	Rm	Rm
Managed and/or administered by Investments			
Financial assets	<b>405 095</b>	431 886	442 582
Momentum Manager of Managers <sup>(2)</sup>	<b>85 359</b>	81 580	83 703
Momentum Investment Consultants	<b>10 109</b>	10 343	10 327
Momentum Collective Investments	<b>60 419</b>	62 067	62 201
Metropolitan Collective Investments	<b>31 573</b>	37 034	39 847
Momentum Asset Management <sup>(3)</sup>	<b>154 695</b>	177 376	184 389
Momentum Global Investments	<b>56 323</b>	57 161	55 228
Momentum Alternative Investments	<b>6 617</b>	6 325	6 887
Properties – Eris Property Group	<b>19 236</b>	28 782	27 346
On-balance sheet	<b>8 605</b>	8 459	8 534
Off-balance sheet	<b>10 631</b>	20 323	18 812
Momentum Wealth linked product assets under administration	<b>148 793</b>	152 439	153 730
On-balance sheet	<b>94 839</b>	95 329	96 858
Off-balance sheet	<b>53 954</b>	57 110	56 872
Managed internally or by other managers within MMI (on-balance sheet)	<b>63 369</b>	68 867	64 597
Managed by external managers (on-balance sheet)	<b>15 152</b>	16 754	16 605
Properties managed internally or by other managers within MMI or externally	<b>2 452</b>	2 445	2 657
Corporate and Public Sector – segregated assets	-	210	216
Corporate and Public Sector – cell captives on-balance sheet	<b>18 302</b>	17 821	17 834
<b>Total assets managed and/or administered</b>	<b>672 399</b>	719 204	725 567
<b>Managed and/or administered by Investments</b>			
On-balance sheet	<b>224 227</b>	226 876	225 396
Off-balance sheet	<b>180 868</b>	205 010	217 186
	<b>405 095</b>	431 886	442 582

- Assets managed and/or administered are included where an entity earns a fee on the assets. Non-financial assets (except properties) have been excluded.
- Recent operating model changes in the Investment business has resulted in the consolidation of asset administration agreements between entities resulting in a decrease in assets under administration with no impact on earnings.
- In the June 2016 period, MMI performed certain administrative functions for Aluwani Capital Partners (Aluwani) on an arms-length basis. This resulted in R36 billion being included in Momentum Asset Management which was managed by Aluwani. R28 billion of these assets was disinvested in the current period.

## MMI HOLDINGS GROUP – ADDITIONAL 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 31.12.2016</b>					
Momentum Retail	7 302	4 716	12 018	(11 845)	173
Metropolitan Retail	525	2 996	3 521	(2 724)	797
Corporate and Public Sector	5 297	7 960	13 257	(12 158)	1 099
International	295	1 759	2 054	(1 228)	826
<b>Long-term insurance business fund flows</b>	<b>13 419</b>	<b>17 431</b>	<b>30 850</b>	<b>(27 955)</b>	<b>2 895</b>
<b>Off-balance sheet fund flows</b>					
Managed and/or administered by Investments <sup>(2)</sup>			27 088	(59 370)	(32 282)
Properties – Eris Property Group			834	(9 015)	(8 181)
Momentum Wealth linked product assets under administration			3 848	(4 888)	(1 040)
Corporate and Public Sector – segregated assets			-	(216)	(216)
<b>Total net funds received from clients</b>			<b>62 620</b>	<b>(101 444)</b>	<b>(38 824)</b>

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</b>					
<b>6 mths to 31.12.2015</b>					
Momentum Retail	8 067	4 575	12 642	(12 386)	256
Metropolitan Retail	654	2 991	3 645	(3 232)	413
Corporate and Public Sector	6 167	7 494	13 661	(15 339)	(1 678)
International	329	1 774	2 103	(1 362)	741
<b>Long-term insurance business fund flows</b>	<b>15 217</b>	<b>16 834</b>	<b>32 051</b>	<b>(32 319)</b>	<b>(268)</b>
<b>Off-balance sheet fund flows</b>					
Managed and/or administered by Investments			45 756	(45 170)	586
Properties – Eris Property Group			3 818	(1 562)	2 256
Momentum Wealth linked product assets under administration			3 850	(3 858)	(8)
Managed internally or by other managers within MMI			441	(268)	173
Corporate and Public Sector – segregated assets			9	-	9
<b>Total net funds received from clients</b>			<b>85 925</b>	<b>(83 177)</b>	<b>2 748</b>

1. Assets managed and/or administered are included where an entity earns a fee on the assets. Non-financial assets (except properties) have been excluded.
2. Aluwani assets, amounting to R28 billion, were disinvested in the current period.

## MMI HOLDINGS GROUP – ADDITIONAL INFORMATION

NET FUNDS RECEIVED FROM CLIENTS <sup>(1)</sup> Restated 12 mths to 30.06.2016	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
Momentum Retail	16 356	9 278	25 634	(24 846)	788
Metropolitan Retail	1 258	5 558	6 816	(6 037)	779
Corporate and Public Sector	11 438	15 170	26 608	(30 568)	(3 960)
International	732	3 322	4 054	(2 513)	1 541
<b>Long-term insurance business fund flows</b>	<b>29 784</b>	<b>33 328</b>	<b>63 112</b>	<b>(63 964)</b>	<b>(852)</b>
<b>Off-balance sheet fund flows</b>					
Managed and/or administered by Investments			84 243	(80 887)	3 356
Properties – Eris Property Group			2 972	(2 227)	745
Momentum Wealth linked product assets under administration			10 450	(10 837)	(387)
Corporate and Public Sector – segregated assets			16	-	16
<b>Total net funds received from clients</b>			<b>160 793</b>	<b>(157 915)</b>	<b>2 878</b>

1. Assets managed and/or administered are included where an entity earns a fee on the assets. Non-financial assets (except properties) have been excluded.

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	31.12.2016		Restated 31.12.2015		Restated 30.06.2016	
	Rm	%	Rm	%	Rm	%
Equity securities	321	1.4	504	2.0	372	1.5
Preference shares	1 585	6.7	1 406	5.7	1 457	6.0
Collective investment schemes	271	1.2	208	0.8	264	1.1
Debt securities	6 032	25.6	5 285	21.3	5 767	23.9
Properties	3 180	13.5	2 891	11.6	3 436	14.3
Owner-occupied properties	1 657	7.0	1 410	5.7	1 662	6.9
Investment properties	1 523	6.5	1 481	6.0	1 774	7.4
Cash and cash equivalents and funds on deposit	7 839	33.3	8 212	33.1	8 488	35.2
Intangible assets	7 646	32.5	8 388	33.8	8 035	33.3
Other net assets	776	3.3	2 137	8.6	414	1.7
	<b>27 650</b>	<b>117.4</b>	<b>29 031</b>	<b>116.9</b>	<b>28 233</b>	<b>117.1</b>
Redeemable preference shares	(268)	(1.1)	(283)	(1.1)	(275)	(1.1)
Subordinated redeemable debt	(3 553)	(15.1)	(3 526)	(14.2)	(3 557)	(14.8)
Treasury shares	(286)	(1.2)	(384)	(1.5)	(292)	(1.2)
<b>Shareholder excess per reporting basis</b>	<b>23 543</b>	<b>100.0</b>	<b>24 838</b>	<b>100.0</b>	<b>24 109</b>	<b>100.0</b>

## MMI HOLDINGS GROUP – ADDITIONAL INFORMATION

NUMBER OF EMPLOYEES	31.12.2016	Restated 31.12.2015	Restated 30.06.2016
Indoor staff	9 683	10 155	10 077
Segments			
Momentum Retail	1 163	1 385	1 360
Metropolitan Retail	1 193	1 175	1 215
Corporate and Public Sector	1 007	1 009	1 021
International	1 359	1 250	1 295
Centres of Excellence			
Investments and Savings Solutions	485	528	511
Legacy Solutions	219	205	211
Life Insurance Solutions	490	488	487
Health Solutions	2 422	2 682	2 591
Short-term Insurance Solutions	276	289	283
Multiply	170	133	149
Group services divisions	899	1 011	954
Field staff	8 100	6 893	7 483
Momentum Retail	1 165	957	1 111
Metropolitan Retail	5 051	4 148	4 804
International	1 884	1 788	1 568
<b>Total</b>	<b>17 783</b>	<b>17 048</b>	<b>17 560</b>

1. The prior periods have been restated to align to the group's client centric model.

## MMI HOLDINGS GROUP – STOCK EXCHANGE PERFORMANCE

STOCK EXCHANGE PERFORMANCE	31.12.2016	30.06.2016	31.12.2015	30.06.2015
<b>6 month period</b>				
Value of listed shares traded (rand million)	9 681	10 914	14 700	11 987
Volume of listed shares traded (million)	413	478	580	381
Shares traded (% of average listed shares in issue) <sup>(1)</sup>	53	61	74	49
Trade prices				
Highest (cents per share)	2 482	2 597	3 149	3 475
Lowest (cents per share)	2 099	1 955	1 900	2 829
Last sale of period (cents per share)	2 359	2 264	2 200	3 015
Annualised percentage (%) change during period	9	6	(47)	1
Annualised percentage (%) change – life insurance sector (J857)	(9)	(9)	(3)	12
Annualised percentage (%) change – top 40 index (J200)	(9)	1	(1)	10
<b>31 December/30 June</b>				
Price/diluted core headline earnings (segmental) ratio	11.9	11.3	10.5	12.6
Dividend yield % (dividend on listed shares) <sup>(1)</sup>	2.8	6.9	7.1	5.1
Dividend yield % – top 40 index (J200) <sup>(1)</sup>	2.8	2.9	3.1	2.9
<b>Total shares issued (million)</b>				
Ordinary shares listed on JSE	1 575	1 574	1 573	1 572
Treasury shares held on behalf of contract holders	(12)	(13)	(17)	(14)
<b>Basic number of shares in issue</b>	<b>1 563</b>	1 561	1 556	1 558
Treasury shares held on behalf of contract holders	12	13	17	14
Convertible redeemable preference shares	29	30	31	32
<b>Diluted number of shares in issue</b> <sup>(2)</sup>	<b>1 604</b>	1 604	1 604	1 604
Market capitalisation at end (Rbn) <sup>(3)</sup>	38	36	35	48

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.