

# update



**9 September 2015**

*Update is a newsletter produced by the investor relations department of MMI Holdings Limited. It provides information on the different divisions in the group. Contact Natalie Amos (investor relations) on (021) 940-6112 / [namos@mmiholdings.co.za](mailto:namos@mmiholdings.co.za) for further information.*

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MMI Holdings Limited  
Incorporated in the Republic of South Africa  
Registration Number: 2000/031756/06  
JSE share code: MMI  
NSX share code: MIM  
ISIN: ZAE000149902  
("MMI" or "the company")



## MMI HOLDINGS SUMMARISED GROUP RESULTS

For the year ended 30 June 2015

### Financial highlights

New business PVP up 21% to R50 billion  
VALUE of NEW BUSINESS up 22% to R954 million  
RETURN on EMBEDDED VALUE of 10%  
PROFITS from OPERATING DIVISIONS up 17% to R3.5 billion  
CORE HEADLINE EARNINGS up 6% to R3.8 billion  
Total DIVIDEND up 9% to 155 CENTS PER SHARE

### SUMMARY OF RESULTS

#### Group results

MMI delivered another solid set of financial results for the year under review.

- The group recorded a 10% return on embedded value (R3.8 billion embedded value profit) for the year.
- The year-end embedded value, of R40.3 billion (2 514 cents per share), was calculated taking into account dividend payments to ordinary shareholders during the year of R3.1 billion (198 cents per share).
- The contribution from operating divisions increased 17% to R3.5 billion for the year, while total diluted core headline earnings increased by 6% to R3.8 billion.
- Overall, the established businesses continued to grow profits. The increase was impacted by significant investments into growth initiatives that are being pursued in line with the group's client-centric strategy to enhance financial wellness.
- Good expense management contributed positively to value creation.
- Positive experience variances were recorded in total, supported mainly by better than expected mortality and morbidity experience.
- Strong new business flows resulted in a 22% increase in the value of new business to R954 million.
- A final ordinary dividend of 92 cents per share was declared, resulting in a total dividend of 155 cents per share, an increase of 9% on the prior year.

#### Operating environment

Local operating conditions remained economically challenging and highly competitive. The strong performance of the South African equity markets over recent years was not repeated and was replaced by increased volatility and only a small positive growth over the year. Inflationary pressures and interest rate increases continued.

The need for investment and protection solutions, however, remains an integral part of enhancing financial wellness.

#### Capital strength

- MMI successfully issued R750 million of new subordinated debt and redeemed R500 million of expiring debt in December 2014.
- Another R1 billion of debt, due in September 2015, has similarly been replaced with a fresh issue of R1.25 billion during August 2015.

- A strong capital buffer of R4.3 billion was reported as at 30 June 2015, after allowing for capital requirements, strategic growth initiatives and the final dividend.
- Taking into account the many growth initiatives and the imminent change to a new capital regime (Solvency Assessment and Management), the group is satisfied that its present capital level is appropriate.

### **Transformation**

- MMI is proud to have remained a level two broad-based black economic empowerment (B-BBEE) contributor.

### **Prospects**

- The strategic focus areas of the MMI group are growth, client centricity and excellence.
- Each segment, together with the Product and Solutions Centres of Excellence and supporting functions, is advancing the implementation of MMI's client-centric strategy.
- Plans and processes are being executed to optimise structures, distribution channels and solutions, focusing on innovation and collaboration.
- Taking into account the current environment, the group has increased the focus on efficiencies, having identified specific cost-saving initiatives, whilst continuing to pursue top-line growth.
- Growth in new business volumes and profits will, however, be impacted by many factors in the South African economy, including employment levels and disposable income.
- The board of MMI Holdings believes that the group has identified and is implementing innovative strategies to continue unlocking value and generating the required return on capital for shareholders over time.

## **SUMMARY OF FINANCIAL INFORMATION**

### **Audited results for the 12 months ended 30 June 2015**

#### **DIRECTORS' STATEMENT**

The directors take pleasure in presenting the audited results of MMI Holdings financial services group for the year ended 30 June 2015. The preparation of the group's results was supervised by the group finance director, Mary Vilakazi, CA(SA).

#### **Corporate events**

##### *Acquisitions*

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

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

##### *Listed debt*

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

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

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

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim financial reporting; the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; the JSE Listings Requirements and the South African Companies Act, 71 of 2008. The accounting policies applied in the preparation of these financial statements are in terms of International Financial Reporting Standards (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 2015, 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.

The current year includes Guardrisk Group (Pty) Ltd and its subsidiaries' (collectively Guardrisk's) results for 12 months, while the prior year includes four months (3 March 2014 to 30 June 2014). Certain aspects of the group results are therefore not directly comparable.

#### **New and revised standards effective for the period ended 30 June 2015 and relevant to the group**

- The following amendments to standards and interpretations became effective for the first time in the current year and had no impact on the group's earnings or net asset value: Amendments to IFRS 10 Consolidated financial statements, IFRS 12 Disclosure of interests in other entities, IAS 19 Employee benefits, IAS 27 Separate financial statements, IAS 32 Financial instruments: presentation, IAS 36 Impairment of assets and IAS 39 Financial instruments: recognition and measurement; IFRIC 21 Levies.
- 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.

#### **Reclassifications**

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

- Certain income and expenses of R334 million in the Shareholder Capital segment have been set off to better reflect the information used by management.
- The classification of certain financial assets has been refined in the current period, and where considered necessary, the prior year was restated. This had no change to the statement of financial position and only impacted information required by paragraph 16A(j) of IAS 34.
- As reported with the December 2014 results, reinsurance contract liabilities of R202 million, previously shown with reinsurance contract assets, have been grossed up and disclosed separately. This restatement was deemed necessary in order to improve comparability between periods.
- As reported with the December 2014 results, promoter cell administration expenses of R88 million, previously included in cell captive business expenses in the segment report, was reallocated to administration expenses in line with the way in which the chief operating decision-maker, being the MMI executive committee, monitors and evaluates the performance of the Momentum Employee Benefits segment.

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

#### **Corporate governance**

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

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

On 30 June 2015, Ngao Motsei, group executive for strategic human resources and transformation, resigned. We thank her for her contribution to the development and growth of the group. On the same day, Preston Speckmann, the group finance director, retired from the board and on 1 July 2015, Mary Vilakazi, was appointed in the same position. We thank Preston for his invaluable input over the years and wish him well in his future endeavours. On 8 July 2015 MMI announced the impending retirement of Sizwe Nxasana from the MMI board with effect from 30 September 2015. We thank Sizwe for his commitment and contribution to the group.

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

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

Herman Schoeman, managing director of Guardrisk, was appointed to the group executive committee from 1 July 2014. On the same day, Khanyi Nzukuma was appointed to the group executive committee as chief executive officer of Metropolitan Retail. On 30 June 2015, Ngao Motsei resigned and Preston Speckmann retired from the group executive committee.

## **Contingent liabilities and capital commitments**

As part of running a business, the group is party to legal proceedings and appropriate provisions are made when losses are expected to materialise. The group had no material capital commitments at 30 June 2015 that were not in the ordinary course of business other than those disclosed in the 2015 integrated report.

## **Events after year-end**

### *Announcements*

On 8 July 2015 the group announced that it entered into an agreement with a group of key individuals from Momentum Asset Management for a management buy-out of a portion of the asset management business. This marks one of the initial steps in the implementation of MMI's client-centric outcomes-based investment model.

This buy-out will enable these individuals to establish a new majority black-owned and controlled asset management business, in which MMI will be a shareholder. The transaction will be financed by both MMI and the key individuals.

On 12 August 2015, MMIGL issued listed instruments to the value of R1.25 billion on the JSE Limited and will be redeeming R1 billion of the existing issued subordinated debt that becomes callable during September 2015. The newly issued instruments are unsecured subordinated callable notes.

Subsequent to the financial year-end, Metropolitan Health, which was party to a competitive tender process regarding the administration contracts of two existing clients, was informed that these two clients had decided not to renew these contracts. The contracts will terminate effective 1 January 2016. Management is in the process of assessing the financial impact of the loss of these contracts on the business.

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

## **Final dividend declaration**

### *Ordinary shares*

- On 8 September 2015, a gross final dividend of 92 cents per ordinary share was declared, resulting in a total dividend of 155 cents per share.
- 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, 2 October 2015, and will be paid on Monday, 5 October 2015.
- The dividend will be subject to local dividend withholding tax at a rate of 15% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate.
- This will result in a net final dividend of 78.2 cents per ordinary share for those shareholders who are not exempt from paying dividend tax.
- The last day to trade cum dividend will be Friday, 25 September 2015.
- The shares will trade ex dividend from the start of business on Monday, 28 September 2015.
- Share certificates may not be dematerialised or rematerialised between Monday, 28 September 2015 and Friday, 2 October 2015, both days inclusive.
- The number of ordinary shares at the declaration date was 1 571 950 755.
- MMI's income tax number is 975 2050 147.

#### *Preference shares*

- Dividends of R21.3 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.

#### **Integrated information**

The full integrated report for 2015 will be posted to shareholders, and can be viewed online at [www.mmiholdings.com](http://www.mmiholdings.com), on or about 30 September 2015.

#### **Directors' responsibility**

The preparation of these results, and the correct extraction thereof from the group's audited 2015 annual financial statements, are the responsibility of the directors. This announcement does not include the information required by paragraph 16A(j) of IAS 34. The full condensed IAS 34 compliant results are available on MMI's website and at MMI's registered offices upon request. A printed version of the SENS announcement may be requested from the group company secretary, Maliga Chetty tel: 012 684 4255.

#### **External audit**

These condensed results have not been audited, but have been extracted from the group's 2015 annual financial statements, which have been audited by PricewaterhouseCoopers Inc. and their unqualified audit report, together with the group's audited 2015 annual financial statements, are available for inspection at the company's registered office. In addition, the summarised group embedded value information has been extracted from the 2015 group embedded value report, which has been reviewed by PricewaterhouseCoopers Inc. in accordance with the embedded value basis of MMI, and the review report is available for inspection at the company's registered office.

Signed on behalf of the board

|                        |                                      |
|------------------------|--------------------------------------|
| <b>JJ Njeke</b>        | <i>Chairman</i>                      |
| <b>Nicolaas Kruger</b> | <i>Group chief executive officer</i> |

Centurion  
8 September 2015

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

GROUP COMPANY SECRETARY: Maliga Chetty

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

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

AUDITORS: PricewaterhouseCoopers Inc

REGISTERED OFFICE: 268 West Avenue, Centurion 0157

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

SENS ISSUE: 9 September 2015

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

| CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION | 30.06.2015<br>Rm | Restated<br>30.06.2014<br>Rm |
|--|------------------|------------------------------|
| <b>ASSETS</b>  |                  |                              |
| Intangible assets                                      | 13 153           | 12 819                       |
| Owner-occupied properties                              | 3 030            | 1 714                        |
| Property and equipment                                 | 353              | 315                          |
| Investment properties                                  | 7 212            | 7 675                        |
| Investments in associates                              | 145              | 179                          |
| Employee benefit assets                                | 408              | 405                          |
| Financial instruments (1)                              | 388 258          | 355 073                      |
| Reinsurance contract assets                            | 3 046            | 2 778                        |
| Deferred income tax                                    | 287              | 263                          |
| Properties under development                           | 330              | 252                          |
| Insurance and other receivables                        | 4 080            | 3 813                        |
| Current income tax assets                              | 365              | 330                          |
| Cash and cash equivalents                              | 26 174           | 28 875                       |
| Non-current assets held for sale                       | -                | 17                           |
| <b>Total assets</b>                                    | <b>446 841</b>   | <b>414 508</b>               |
| <b>EQUITY</b>  |                  |                              |
| Equity attributable to owners of the parent            | 24 547           | 24 734                       |
| Non-controlling interests                              | 501              | 480                          |
| <b>Total equity</b>                                    | <b>25 048</b>    | <b>25 214</b>                |
| <b>LIABILITIES</b>                                     |                  |                              |
| Insurance contract liabilities                         |                  |                              |
| Long-term insurance contracts                          | 104 776          | 106 047                      |
| Short-term insurance contracts                         | 6 553            | 5 496                        |
| Financial instruments                                  |                  |                              |
| Investment contracts                                   | 246 490          | 227 056                      |
| – with discretionary participation features            | 26 134           | 25 405                       |
| – designated at fair value through income              | 220 356          | 201 651                      |
| Other financial instruments (2)                        | 42 923           | 34 117                       |
| Reinsurance contract liabilities                       | 659              | 202                          |
| Deferred income tax                                    | 4 351            | 4 281                        |
| Employee benefit obligations                           | 1 735            | 1 246                        |
| Other payables   | 14 062           | 10 437                       |
| Provisions   | 78               | 157                          |
| Current income tax liabilities                         | 166              | 255                          |
| <b>Total liabilities</b>                               | <b>421 793</b>   | <b>389 294</b>               |
| <b>Total equity and liabilities</b>                    | <b>446 841</b>   | <b>414 508</b>               |

1. Financial instruments consist of the following:

- Securities designated at fair value through income: R365 727 million (30.06.2014: R334 996 million)
- Investments in associates designated at fair value through income: R12 362 million (30.06.2014: R11 900 million)
- Derivative financial instruments: R2 033 million (30.06.2014: R2 362 million)
- Available-for-sale: R208 million (30.06.2014: R129 million)
- Held-to-maturity: R73 million (30.06.2014: R100 million)
- Loans and receivables: R7 855 million (30.06.2014: R5 586 million)

2. Other financial instruments consist of the following:

- Designated at fair value through income: R39 720 million (30.06.2014: R30 801 million)
- Derivative financial instruments: R2 111 million (30.06.2014: R1 853 million)
- Amortised cost: R1 092 million (30.06.2014: R1 463 million)

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

| CONDENSED CONSOLIDATED INCOME STATEMENT                            | 12 mths to<br>30.06.2015<br>Rm | 12 mths to<br>30.06.2014<br>Rm |
|--|--------------------------------|--------------------------------|
| Net insurance premiums   | 27 396                         | 23 138                         |
| Fee income <sup>(1)</sup>  | 7 355                          | 6 567                          |
| Investment income  | 15 559                         | 14 043                         |
| Net realised and fair value gains                                  | 16 248                         | 43 906                         |
| <b>Net income</b>  | <b>66 558</b>                  | <b>87 654</b>                  |
| Net insurance benefits and claims                                  | 24 610                         | 22 321                         |
| Change in liabilities  | (869)                          | 7 850                          |
| Change in long-term insurance contract liabilities                 | (2 069)                        | 7 786                          |
| Change in short-term insurance contract liabilities                | (139)                          | (72)                           |
| Change in investment contracts with DPF liabilities                | 728                            | 468                            |
| Change in reinsurance assets                                       | 154                            | (534)                          |
| Change in reinsurance liabilities                                  | 457                            | 202                            |
| Fair value adjustments on investment contract liabilities          | 16 039                         | 32 959                         |
| Fair value adjustments on collective investment scheme liabilities | 2 457                          | 3 061                          |
| Depreciation, amortisation and impairment expenses                 | 1 326                          | 1 159                          |
| Employee benefit expenses  | 5 922                          | 5 132                          |
| Sales remuneration   | 5 071                          | 3 899                          |
| Other expenses   | 5 806                          | 5 035                          |
| <b>Expenses</b>  | <b>60 362</b>                  | <b>81 416</b>                  |
| <b>Results of operations</b>                                       | <b>6 196</b>                   | <b>6 238</b>                   |
| Share of profit of associates                                      | 4                              | 2                              |
| Finance costs <sup>(2)</sup>                                       | (792)                          | (482)                          |
| <b>Profit before tax</b>   | <b>5 408</b>                   | <b>5 758</b>                   |
| Income tax expense   | (2 431)                        | (2 458)                        |
| <b>Earnings for the year</b>                                       | <b>2 977</b>                   | <b>3 300</b>                   |
| <b>Attributable to:</b>  |                                |                                |
| Owners of the parent   | 2 857                          | 3 197                          |
| Non-controlling interests  | 120                            | 103                            |
|  | <b>2 977</b>                   | <b>3 300</b>                   |
| Basic earnings per ordinary share (cents)                          | 183.5                          | 205.5                          |
| Diluted earnings per ordinary share (cents)                        | 180.5                          | 202.4                          |

1. Fee income consists of the following:

- Investment contracts: R2 225 million (30.06.2014: R1 772 million)
- Trust and fiduciary services: R1 842 million (30.06.2014: R2 014 million)
- Health administration: R2 053 million (30.06.2014: R1 978 million)
- Other fee income: R1 235 million (30.06.2014: R803 million)

2. Finance costs consist of the following:

- Preference shares issued by MMI: R108 million (30.06.2014: R46 million)
- Subordinated redeemable debt: R271 million (30.06.2014: R149 million)
- Cost of carry positions: R261 million (30.06.2014: R156 million)
- Other: R152 million (30.06.2014: R131 million)



# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

| CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME   | 12 mths to<br>30.06.2015<br>Rm | 12 mths to<br>30.06.2014<br>Rm |
|--|--------------------------------|--------------------------------|
| Earnings for the year                                      | 2 977                          | 3 300                          |
| Other comprehensive income, net of tax                     | 68                             | 165                            |
| Items that may subsequently be reclassified to income      | 6                              | 32                             |
| Exchange differences on translating foreign operations     | 1                              | 40                             |
| Available-for-sale financial assets                        | 5                              | (8)                            |
| Items that will not be reclassified to income              | 62                             | 133                            |
| Land and building revaluation                              | 118                            | 41                             |
| Change in non-distributable reserves                       | -                              | 6                              |
| Adjustments to employee benefit funds                      |                                |                                |
| Metropolitan Staff Pension Fund                            | -                              | 107                            |
| Other  | (20)                           | (9)                            |
| Income tax relating to items that will not be reclassified | (36)                           | (12)                           |
| <b>Total comprehensive income for the year</b>             | <b>3 045</b>                   | <b>3 465</b>                   |
| <b>Total comprehensive income attributable to:</b>         |                                |                                |
| Owners of the parent                                       | 2 926                          | 3 363                          |
| Non-controlling interests                                  | 119                            | 102                            |
|  | <b>3 045</b>                   | <b>3 465</b>                   |

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

| RECONCILIATION OF HEADLINE EARNINGS<br>attributable to owners of the parent | Basic earnings                 |                                | Diluted earnings               |                                |
|---|--------------------------------|--------------------------------|--------------------------------|--------------------------------|
|   | 12 mths to<br>30.06.2015<br>Rm | 12 mths to<br>30.06.2014<br>Rm | 12 mths to<br>30.06.2015<br>Rm | 12 mths to<br>30.06.2014<br>Rm |
| <b>Earnings</b>   | <b>2 857</b>                   | 3 197                          | <b>2 857</b>                   | 3 197                          |
| Finance costs – convertible preference shares                               |                                |                                | <b>44</b>                      | 45                             |
| Dilutory effect of subsidiaries <sup>(1)</sup>                              |                                |                                | <b>(31)</b>                    | (22)                           |
| <b>Diluted earnings</b>   |                                |                                | <b>2 870</b>                   | 3 220                          |
| Intangible asset and other impairments                                      | <b>19</b>                      | 25                             | <b>19</b>                      | 25                             |
| Tax on intangible asset and other impairments                               | <b>(4)</b>                     | -                              | <b>(4)</b>                     | -                              |
| <b>Headline earnings</b> <sup>(2)</sup>                                     | <b>2 872</b>                   | 3 222                          | <b>2 885</b>                   | 3 245                          |
| Net realised and fair value gains<br>on excess                              | <b>6</b>                       | (544)                          | <b>6</b>                       | (544)                          |
| Basis and other changes and investment variances                            | <b>148</b>                     | 160                            | <b>148</b>                     | 160                            |
| Amortisation of intangible assets relating to business<br>combinations      | <b>720</b>                     | 575                            | <b>720</b>                     | 575                            |
| Non-recurring items <sup>(3)</sup>  | <b>53</b>                      | 171                            | <b>53</b>                      | 171                            |
| Investment income on treasury shares – contract holders                     |                                |                                | <b>24</b>                      | 14                             |
| <b>Core headline earnings</b> <sup>(4)</sup>                                | <b>3 799</b>                   | 3 584                          | <b>3 836</b>                   | 3 621                          |

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

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

| <b>EARNINGS PER SHARE</b> (cents)<br>attributable to owners of the parent | <b>12 mths to<br/>30.06.2015</b> | 12 mths to<br>30.06.2014 |
|---|----------------------------------|--------------------------|
| <b>Basic</b>  |                                  |                          |
| Core headline earnings  | <b>244.0</b>                     | 230.3                    |
| Headline earnings   | <b>184.5</b>                     | 207.1                    |
| Earnings  | <b>183.5</b>                     | 205.5                    |
| Weighted average number of shares (million)                               | <b>1 557</b>                     | 1 556                    |
| <b>Diluted</b>  |                                  |                          |
| Core headline earnings  | <b>239.2</b>                     | 225.7                    |
| Weighted average number of shares (million) <sup>(1)</sup>                | <b>1 604</b>                     | 1 604                    |
| Headline earnings   | <b>181.4</b>                     | 204.0                    |
| Earnings  | <b>180.5</b>                     | 202.4                    |
| Weighted average number of shares (million) <sup>(2)</sup>                | <b>1 590</b>                     | 1 591                    |

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

| <b>DIVIDENDS</b>   | <b>2015</b> | 2014 |
|--|-------------|------|
| <b>Ordinary listed MMI Holdings Ltd shares</b> (cents per share) |             |      |
| Interim – March  | <b>63</b>   | 57   |
| Final – September  | <b>92</b>   | 85   |
| Total  | <b>155</b>  | 142  |
| Special dividend - September                                     |             | 50   |

## **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 each of 13 November 2014 and 31 March 2015, 1.1 million preference shares were converted into ordinary shares. The ordinary shares were originally issued at a price of R10.18 per share. Dividends are still payable on the remaining preference shares at 132 cents per annum (payable March and September).

## **Significant related party transactions**

R333 million of the ordinary dividends declared by MMI Holdings Ltd in September 2014 (R298 million of the ordinary dividends declared in September 2013) and R248 million of the ordinary dividends declared in March 2015 (R223 million of the ordinary dividends declared in March 2014) were attributable to RMI Holdings Ltd. In September 2014, R196 million of the special dividends declared by MMI Holdings Ltd were attributable to RMI Holdings Ltd.

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

| CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY          | 12 mths to<br>30.06.2015<br>Rm | 12 mths to<br>30.06.2014<br>Rm |
|--|--------------------------------|--------------------------------|
| <b>Changes in share capital</b>                                |                                |                                |
| Balance at beginning and end                                   | 9                              | 9                              |
| <b>Changes in share premium</b>                                |                                |                                |
| Balance at beginning   | 13 782                         | 13 794                         |
| Conversion of preference shares                                | 20                             | -                              |
| Increase in treasury shares held on behalf of contract holders | (7)                            | (12)                           |
| Balance at end   | 13 795                         | 13 782                         |
| <b>Changes in other reserves</b>                               |                                |                                |
| Balance at beginning   | 1 802                          | 1 631                          |
| Total comprehensive income                                     | 69                             | 166                            |
| BEE cost   | 4                              | 2                              |
| Transfer (to)/from retained earnings                           | (9)                            | 3                              |
| Balance at end <sup>(1)</sup>                                  | 1 866                          | 1 802                          |
| <b>Changes in retained earnings</b>                            |                                |                                |
| Balance at beginning   | 9 141                          | 8 039                          |
| Total comprehensive income                                     | 2 857                          | 3 197                          |
| Dividend paid  | (3 094)                        | (2 092)                        |
| Transactions with non-controlling interests                    | (15)                           | -                              |
| Transfer from/(to) other reserves                              | 9                              | (3)                            |
| Puttable non-controlling interests <sup>(2)</sup>              | (21)                           | -                              |
| Balance at end   | 8 877                          | 9 141                          |
| <b>Equity attributable to owners of the parent</b>             | <b>24 547</b>                  | <b>24 734</b>                  |
| <b>Changes in non-controlling interests</b>                    |                                |                                |
| Balance at beginning   | 480                            | 391                            |
| Total comprehensive income                                     | 119                            | 102                            |
| Dividend paid  | (23)                           | (18)                           |
| Transactions with owners <sup>(2)</sup>                        | (170)                          | -                              |
| Business combinations  | 95                             | 5                              |
| Balance at end   | 501                            | 480                            |
| <b>Total equity</b>  | <b>25 048</b>                  | <b>25 214</b>                  |

1. Other reserves consist of the following:

- Land and building revaluation reserve: R631 million (30.06.2014: R561 million)
- Foreign currency translation reserve: R181 million (30.06.2014: R179 million)
- Revaluation of available-for-sale investments: R8 million (30.06.2014: R3 million)
- Non-distributable reserve: R19 million (30.06.2014: R16 million)
- Employee benefit revaluation reserve: R78 million (30.06.2014: R98 million)
- Fair value adjustment for preference shares issued by MMI Holdings Ltd: R940 million (30.06.2014: R940 million)
- Equity-settled share-based payment arrangements: R9 million (30.06.2014: R5 million)

2. Non-controlling interests of 25% of Metropolitan Life Kenya and Cannon have the option to sell their shares from 3 October 2016 at a price linked to embedded value. In terms of IFRS, the group has recognised a financial liability (R111 million), being the present value of the estimated purchase price, for exercising this option. The group has consolidated 96% of the subsidiaries' results and de-recognised the non-controlling interest (R90 million) due to the financial liability recognised above, which is in line with its selected accounting policy.

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

| <b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b> | <b>12 mths to<br/>30.06.2015<br/>Rm</b> | 12 mths to<br>30.06.2014<br>Rm |
|---|---|--------------------------------|
| Net cash inflow from operating activities             | 1 505                                   | 5 201                          |
| Net cash (outflow)/inflow from investing activities   | (1 271)                                 | 793                            |
| Net cash (outflow)/inflow from financing activities   | (2 935)                                 | 606                            |
| <b>Net cash flow</b>                                  | <b>(2 701)</b>                          | 6 600                          |
| Cash resources and funds on deposit at beginning      | 28 875                                  | 22 275                         |
| <b>Cash resources and funds on deposit at end</b>     | <b>26 174</b>                           | 28 875                         |

| <b>PRINCIPAL ASSUMPTIONS</b> (South Africa) <sup>(1)</sup>         | <b>30.06.2015<br/>%</b> | 30.06.2014<br>% |
|--|-------------------------|-----------------|
| Pre-tax investment return  |                         |                 |
| Equities   | 12.1                    | 12.0            |
| Properties   | 9.6                     | 9.5             |
| Government stock   | 8.6                     | 8.5             |
| Other fixed-interest stocks  | 9.1                     | 9.0             |
| Cash   | 7.6                     | 7.5             |
| Risk-free return <sup>(2)</sup>                                    | 8.6                     | 8.5             |
| Risk discount rate (RDR)   | 10.9                    | 10.8            |
| Investment return (before tax) – balanced portfolio <sup>(2)</sup> | 10.8                    | 10.7            |
| Expense inflation base rate <sup>(3)</sup>                         | 6.8                     | 6.7             |

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

| <b>NON-CONTROLLING INTERESTS</b>           | <b>30.06.2015<br/>%</b> | 30.06.2014<br>% |
|--|-------------------------|-----------------|
| Cannon Assurance                           | 33.7                    | -               |
| Eris Property Group                        | 45.7                    | 45.7            |
| Metropolitan Botswana                      | -                       | 24.2            |
| Metropolitan Ghana                         | -                       | 3.8             |
| Metropolitan Health Botswana               | 28.0                    | 28.0            |
| Metropolitan Health Ghana                  | 1.8                     | 1.8             |
| Metropolitan Health Group                  | 17.6                    | 17.6            |
| Metropolitan Health Mauritius              | 5.0                     | 5.0             |
| Metropolitan Health Namibia Administrators | 49.0                    | 49.0            |
| Metropolitan Kenya                         | 33.7                    | 33.7            |
| Metropolitan Life Mauritius                | 30.0                    | 30.0            |
| Metropolitan Nigeria                       | 50.0                    | 50.0            |
| Metropolitan Swaziland                     | 33.0                    | 33.0            |
| Metropolitan Tanzania                      | 33.0                    | 33.0            |
| Metropolitan Zambia                        | 35.0                    | 35.0            |
| MMI Holdings Namibia                       | 10.3                    | 10.3            |
| Momentum Mozambique                        | 33.0                    | 33.0            |
| Momentum Swaziland                         | 33.0                    | 33.0            |

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

| ANALYSIS OF ASSETS MANAGED AND/OR ADMINISTERED <sup>(1)</sup>               | 30.06.2015<br>Rm | 30.06.2014<br>Rm |
|---|------------------|------------------|
| Managed and/or administered by Momentum Investments (net)                   |                  |                  |
| Financial assets  | <b>333 545</b>   | 370 073          |
| Momentum Manager of Managers  | <b>83 044</b>    | 72 846           |
| Momentum Collective Investments   | <b>54 977</b>    | 51 215           |
| Metropolitan Collective Investments   | <b>25 546</b>    | 55 538           |
| Momentum Asset Management   | <b>125 920</b>   | 141 874          |
| Momentum Global Investments   | <b>40 126</b>    | 36 076           |
| Momentum Alternative Investments  | <b>3 932</b>     | 12 524           |
| Properties – Eris Property Group  | <b>26 133</b>    | 24 448           |
| On-balance sheet  | <b>8 066</b>     | 7 406            |
| Off-balance sheet   | <b>18 067</b>    | 17 042           |
|   | <b>359 678</b>   | 394 521          |
| Momentum Wealth linked product assets under administration                  | <b>138 854</b>   | 130 845          |
| On-balance sheet  | <b>85 433</b>    | 80 484           |
| Off-balance sheet   | <b>53 421</b>    | 50 361           |
| Managed internally or by other managers within MMI                          | <b>70 450</b>    | 26 712           |
| On-balance sheet  | <b>64 872</b>    | 21 600           |
| Off-balance sheet   | <b>5 578</b>     | 5 112            |
| Managed by external managers (on-balance sheet)                             | <b>16 789</b>    | 32 507           |
| Properties managed internally or by other managers within MMI or externally | <b>2 506</b>     | 2 252            |
| Momentum Employee Benefits – segregated assets                              | <b>1 517</b>     | 1 380            |
| Momentum Employee Benefits – cell captives on-balance sheet                 | <b>16 381</b>    | 12 058           |
| <b>Total assets managed and/or administered</b>                             | <b>606 175</b>   | 600 275          |
| <b>Managed and/or administered by Momentum Investments (net)</b>            |                  |                  |
| On-balance sheet  | <b>181 042</b>   | 181 915          |
| Off-balance sheet   | <b>178 636</b>   | 212 606          |
|   | <b>359 678</b>   | 394 521          |

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

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

| <b>NET FUNDS RECEIVED FROM CLIENTS</b> <sup>(1)</sup>      | <b>Gross<br/>single<br/>inflows<br/>Rm</b> | <b>Gross<br/>recurring<br/>inflows<br/>Rm</b> | <b>Gross<br/>inflow<br/>Rm</b> | <b>Gross<br/>outflow<br/>Rm</b> | <b>Net inflow/<br/>(outflow)<br/>Rm</b> |
|--|--|---|--------------------------------|---------------------------------|---|
| <b>12 mths to 30.06.2015</b>                               |  |   |                                |                                 |   |
| Momentum Retail  | 15 684                                     | 8 333   | 24 017                         | (23 636)                        | 381                                     |
| Metropolitan Retail  | 1 415                                      | 5 495   | 6 910                          | (4 967)                         | 1 943                                   |
| Momentum Employee Benefits                                 | 7 271                                      | 13 860  | 21 131                         | (15 933)                        | 5 198                                   |
| International  | 348  | 3 215   | 3 563                          | (1 953)                         | 1 610                                   |
| Momentum Investments                                       | 8 305                                      | -   | 8 305                          | (11 277)                        | (2 972)                                 |
| Metropolitan Health  | -  | 387   | 387                            | (301)                           | 86                                      |
| Shareholder Capital  | -  | 506   | 506                            | (442)                           | 64                                      |
| <b>Long-term insurance business fund flows</b>             | <b>33 023</b>                              | <b>31 796</b>                                 | <b>64 819</b>                  | <b>(58 509)</b>                 | <b>6 310</b>                            |
| <b>Off-balance sheet fund flows</b>                        |  |   |                                |                                 |   |
| Managed and/or administered by Momentum Investments (net)  |  |   |                                |                                 |   |
| Financial assets <sup>(2)</sup>                            |  |   | 65 329                         | (88 354)                        | (23 025)                                |
| Properties – Eris Property Group                           |  |   | 2 912                          | (1 886)                         | 1 026                                   |
| Momentum Wealth linked product assets under administration |  |   | 10 168                         | (10 582)                        | (414)                                   |
| Managed internally or by other managers within MMI         |  |   | 1 280                          | (1 117)                         | 163                                     |
| Momentum Employee Benefits – segregated assets             |  |   | 3 077                          | (2 396)                         | 681                                     |
| <b>Total net funds received from clients</b>               |  |   | <b>147 585</b>                 | <b>(162 844)</b>                | <b>(15 259)</b>                         |

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

- Assets managed and/or administered and the related fund flows are reported net of double counted assets except where one entity manages assets on behalf of another in the division, and both entities earn a fee on the same assets. Non-financial assets (except properties) have been excluded.
- Includes outflows of R31 billion relating to Metropolitan Collective Investments.

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

| ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS  | 30.06.2015    |              | Restated<br>30.06.2014 |              |
|--|---------------|--------------|------------------------|--------------|
|  | Rm            | %            | Rm                     | %            |
| Equity securities                              | 346           | 1.4          | 1 533                  | 6.2          |
| Preference shares                              | 1 497         | 6.1          | 1 354                  | 5.5          |
| Collective investment schemes                  | 523           | 2.1          | 710                    | 2.9          |
| Debt securities                                | 4 761         | 19.4         | 6 699                  | 27.1         |
| Properties                                     | 2 241         | 9.1          | 2 459                  | 9.9          |
| Owner-occupied properties                      | 1 509         | 6.1          | 1 270                  | 5.1          |
| Investment properties                          | 732           | 3.0          | 1 189                  | 4.8          |
| Cash and cash equivalents and funds on deposit | 9 368         | 38.2         | 6 980                  | 28.2         |
| Intangible assets                              | 8 503         | 34.6         | 8 129                  | 32.9         |
| Other net assets                               | 1 322         | 5.4          | 563                    | 2.3          |
|  | <b>28 561</b> | <b>116.4</b> | <b>28 427</b>          | <b>114.9</b> |
| Redeemable preference shares                   | (292)         | (1.2)        | (313)                  | (1.3)        |
| Subordinated redeemable debt                   | (3 298)       | (13.4)       | (3 075)                | (12.4)       |
| Treasury shares <sup>(1)</sup>                 | (424)         | (1.7)        | (305)                  | (1.2)        |
| <b>Shareholder excess per reporting basis</b>  | <b>24 547</b> | <b>100.0</b> | <b>24 734</b>          | <b>100.0</b> |

1. The elimination of treasury shares was previously included in equity securities. This is now disclosed as a separate line item to enhance comparability between periods.



# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

## BUSINESS COMBINATIONS – JUNE 2015

### Cannon

On 2 October 2014, the group acquired an accounting ownership of 71% (legal ownership of 66%) of Cannon, a composite insurer, for R308 million. The minority shareholders of Cannon also acquired a minority stake in Metropolitan Life Kenya. This acquisition allowed for geographical as well as product diversification within the group's international operations. The purchase price allocation has been finalised and the transaction resulted in R103 million goodwill being recognised attributable to certain anticipated operating synergies.

### CareCross

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

### Other

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

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

| June 2015                                       | Total<br>Rm | Cannon<br>Rm | CareCross<br>Rm |
|---|-------------|--------------|-----------------|
| <b>Purchase consideration in total</b>          | <b>608</b>  | 308          | 300             |
| <b>Fair value of net assets</b>                 |             |              |                 |
| Intangible assets                               | 566         | 174          | 392             |
| Tangible assets                                 | 145         | 138          | 7               |
| Financial instrument assets                     | 241         | 228          | 13              |
| Reinsurance contract assets                     | 6           | 6            | -               |
| Insurance and other receivables                 | 36          | 36           | -               |
| Other assets                                    | 39          | 19           | 20              |
| Cash and cash equivalents                       | 79          | 16           | 63              |
| Insurance contract liabilities                  | (195)       | (177)        | (18)            |
| Financial instrument liabilities                | (38)        | (38)         | -               |
| Other liabilities                               | (268)       | (98)         | (170)           |
| <b>Net identifiable assets acquired</b>         | <b>611</b>  | 304          | 307             |
| Non-controlling interests (fair value method)   | (95)        | (88)         | (7)             |
| Goodwill recognised                             | 103         | 103          | -               |
| Derecognition of Metropolitan Life Kenya shares | (11)        | (11)         | -               |
| <b>Purchase consideration in cash</b>           | <b>608</b>  | 308          | 300             |

The goodwill relating to the above transactions is not deductible for tax purposes. The above transactions contributed net income of R437 million and earnings of R43 million to the group results for the year.

# MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

## BUSINESS COMBINATIONS – JUNE 2014

### Guardrisk

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

### Providence

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

### Other

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

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

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

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

| RECONCILIATION OF GOODWILL    | 30.06.2015   | 30.06.2014 |
|-------------------------------|--------------|------------|
|                               | Rm           | Rm         |
| Carrying amount at beginning  | 1 088        | 502        |
| Business combinations         | 234          | 586        |
| Exchange differences          | 11           | -          |
| <b>Carrying amount at end</b> | <b>1 333</b> | 1 088      |

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

| 12 mths to 30.06.2015                                     | Momentum<br>Retail<br>Rm | Metropolitan<br>Retail<br>Rm | Momentum<br>Employee<br>Benefits <sup>(3)</sup><br>Rm | International<br>Rm | Momentum<br>Investments<br>Rm | Metropolitan<br>Health<br>Rm | Shareholder<br>Capital<br>Rm | Segmental<br>total<br>Rm | Reconciling<br>items <sup>(1)</sup><br>Rm | IFRS total<br>Rm |
|---|--------------------------|------------------------------|---|---------------------|-------------------------------|------------------------------|------------------------------|--------------------------|---|------------------|
| <b>Revenue</b>  |                          |                              |   |                     |                               |                              |                              |                          |   |                  |
| Net insurance premiums                                    | 24 017                   | 6 910                        | 21 131  | 3 563               | 8 305                         | 387                          | 506                          | <b>64 819</b>            | (37 423)                                  | <b>27 396</b>    |
| Recurring premiums  | 8 333                    | 5 495                        | 13 860  | 3 215               | -                             | 387                          | 506                          | <b>31 796</b>            | (8 031)                                   | <b>23 765</b>    |
| Single premiums   | 15 684                   | 1 415                        | 7 271   | 348                 | 8 305                         | -                            | -                            | <b>33 023</b>            | (29 392)                                  | <b>3 631</b>     |
| Fee income  | 2 374                    | 95                           | 2 054   | 256                 | 1 367                         | 1 674                        | 74                           | <b>7 894</b>             | (539)                                     | <b>7 355</b>     |
| Fee income  | 2 374                    | 95                           | 2 054   | 256                 | 1 367                         | 1 674                        | 74                           | <b>7 894</b>             | 439                                       | <b>8 333</b>     |
| Inter-segmental fee income                                | -                        | -                            | -   | -                   | -                             | -                            | -                            | -                        | (978)                                     | <b>(978)</b>     |
| <b>Expenses</b>   |                          |                              |   |                     |                               |                              |                              |                          |   |                  |
| Net payments to contract holders                          |                          |                              |   |                     |                               |                              |                              |                          |   |                  |
| External payments   | 23 636                   | 4 967                        | 15 933  | 1 953               | 11 277                        | 301                          | 442                          | <b>58 509</b>            | (33 899)                                  | <b>24 610</b>    |
| Other expenses  | 3 916                    | 1 982                        | 4 120   | 1 431               | 1 189                         | 1 481                        | 1 043                        | <b>15 162</b>            | 2 963                                     | <b>18 125</b>    |
| Sales remuneration  | 2 072                    | 893                          | 1 391   | 544                 | -                             | 7                            | 87                           | <b>4 994</b>             | 77  | <b>5 071</b>     |
| Administration expenses <sup>(2)</sup>                    | 1 844                    | 1 089                        | 1 532   | 887                 | 1 028                         | 1 462                        | 437                          | <b>8 279</b>             | 1 079                                     | <b>9 358</b>     |
| Amortisation due to business combinations and impairments | -                        | -                            | -   | -                   | 58                            | 12                           | 40                           | <b>110</b>               | 891                                       | <b>1 001</b>     |
| Cell captive business                                     | -                        | -                            | 1 197   | -                   | -                             | -                            | -                            | <b>1 197</b>             | -   | <b>1 197</b>     |
| Direct property expenses                                  | -                        | -                            | -   | -                   | -                             | -                            | -                            | -                        | 120                                       | <b>120</b>       |
| Asset management and other fee expenses                   | -                        | -                            | -   | -                   | 103                           | -                            | 252                          | <b>355</b>               | 1 774                                     | <b>2 129</b>     |
| Holding company expenses                                  | -                        | -                            | -   | -                   | -                             | -                            | 227                          | <b>227</b>               | -   | <b>227</b>       |
| Inter-segmental expenses                                  | -                        | -                            | -   | -                   | -                             | -                            | -                            | -                        | (978)                                     | <b>(978)</b>     |
| <b>Diluted core headline earnings</b>                     | <b>1 531</b>             | <b>738</b>                   | <b>660</b>  | <b>152</b>          | <b>181</b>                    | <b>209</b>                   | <b>365</b>                   | <b>3 836</b>             | -   | <b>3 836</b>     |
| Operating profit  | 2 129                    | 1 026                        | 918   | 185                 | 206                           | 272                          | (21)                         | <b>4 715</b>             | -   | <b>4 715</b>     |
| Tax on operating profit                                   | (598)                    | (288)                        | (258)   | (33)                | (61)                          | (76)                         | (48)                         | <b>(1 362)</b>           | -   | <b>(1 362)</b>   |
| Investment income   | -                        | -                            | -   | -                   | 50                            | 19                           | 549                          | <b>618</b>               | -   | <b>618</b>       |
| Tax on investment income                                  | -                        | -                            | -   | -                   | (14)                          | (6)                          | (115)                        | <b>(135)</b>             | -   | <b>(135)</b>     |
| Actuarial liabilities                                     | 184 048                  | 33 226                       | 91 912  | 10 095              | 34 420                        | 30                           | 4 203                        | <b>357 934</b>           | (115)                                     | <b>357 819</b>   |

- The 'Reconciling items' column includes: an adjustment to reverse investment contract premiums (R37 673 million) and claims (R33 899 million); FNB Life excluded from Metropolitan Retail (premiums R250 million, fee income R10 million, sales remuneration R84 million and expenses R184 million); grossing up of fee income and expenses relating to the Shareholder Capital segment that are set off for management reporting purposes (R355 million); non-recurring items of R378 million; direct property and asset management fees for all segments, except non-life segments, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes (R17 million); other minor adjustments to expenses (R145 million), sales remuneration (R7 million) and fee income (R74 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.
- Administration expenses for the current year include the following relating to new acquisitions: International – R54 million relating to Cannon; Metropolitan Health – R258 million relating to CareCross.
- Momentum Employee Benefits includes net insurance premiums (R5 484 million), fee income (R577 million), net payments to contract holders (R3 502 million), sales remuneration (R1 293 million), administration expenses (R272 million), cell captive business expenses (R1 197 million) and actuarial liabilities (R17 460 million) relating to Guardrisk (now including Momentum Ability).

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

| Restated<br>12 mths to 30.06.2014                         | Momentum<br>Retail<br>Rm | Metropolitan<br>Retail<br>Rm | Momentum<br>Employee<br>Benefits <sup>(2)</sup><br>Rm | International<br>Rm | Momentum<br>Investments<br>Rm | Metropolitan<br>Health<br>Rm | Shareholder<br>Capital<br>Rm | Segmental<br>total<br>Rm | Reconciling<br>items <sup>(1)</sup><br>Rm | IFRS total<br>Rm |
|---|--------------------------|------------------------------|---|---------------------|-------------------------------|------------------------------|------------------------------|--------------------------|---|------------------|
| <b>Revenue</b>  |                          |                              |   |                     |                               |                              |                              |                          |   |                  |
| Net insurance premiums                                    | 22 517                   | 6 820                        | 17 343  | 2 898               | 6 262                         | 47                           | 355                          | <b>56 242</b>            | (33 104)                                  | <b>23 138</b>    |
| Recurring premiums  | 7 856                    | 5 313                        | 10 283  | 2 621               | -                             | 47                           | 332                          | <b>26 452</b>            | (6 713)                                   | <b>19 739</b>    |
| Single premiums   | 14 661                   | 1 507                        | 7 060   | 277                 | 6 262                         | -                            | 23                           | <b>29 790</b>            | (26 391)                                  | <b>3 399</b>     |
| Fee income  | 2 034                    | 112                          | 1 479   | 184                 | 1 442                         | 1 513                        | 168                          | <b>6 932</b>             | (365)                                     | <b>6 567</b>     |
| Fee income  | 2 034                    | 112                          | 1 479   | 184                 | 1 442                         | 1 513                        | 168                          | <b>6 932</b>             | 444                                       | <b>7 376</b>     |
| Inter-segmental fee income                                | -                        | -                            | -   | -                   | -                             | -                            | -                            | -                        | (809)                                     | <b>(809)</b>     |
| <b>Expenses</b>   |                          |                              |   |                     |                               |                              |                              |                          |   |                  |
| Net payments to contract holders                          |                          |                              |   |                     |                               |                              |                              |                          |   |                  |
| External payments   | 21 215                   | 5 523                        | 12 907  | 1 602               | 10 823                        | 46                           | 313                          | <b>52 429</b>            | (30 108)                                  | <b>22 321</b>    |
| Other expenses  | 3 474                    | 2 100                        | 2 316   | 1 168               | 1 195                         | 1 311                        | 830                          | <b>12 394</b>            | 2 831                                     | <b>15 225</b>    |
| Sales remuneration  | 1 892                    | 937                          | 519   | 424                 | -                             | -                            | 71                           | <b>3 843</b>             | 56  | <b>3 899</b>     |
| Administration expenses                                   | 1 582                    | 1 163                        | 1 426   | 729                 | 954                           | 1 288                        | 197                          | <b>7 339</b>             | 852                                       | <b>8 191</b>     |
| Amortisation due to business combinations and impairments | -                        | -                            | -   | 15                  | 9                             | 14                           | 39                           | <b>77</b>                | 776                                       | <b>853</b>       |
| Cell captive business                                     | -                        | -                            | 371   | -                   | -                             | -                            | -                            | <b>371</b>               | -   | <b>371</b>       |
| Direct property expenses                                  | -                        | -                            | -   | -                   | -                             | -                            | -                            | -                        | 159                                       | <b>159</b>       |
| Asset management and other fee expenses                   | -                        | -                            | -   | -                   | 232                           | 9                            | 270                          | <b>511</b>               | 1 819                                     | <b>2 330</b>     |
| Holding company expenses                                  | -                        | -                            | -   | -                   | -                             | -                            | 253                          | <b>253</b>               | -   | <b>253</b>       |
| Inter-segmental expenses                                  | -                        | -                            | -   | -                   | -                             | -                            | -                            | -                        | (831)                                     | <b>(831)</b>     |
| <b>Diluted core headline earnings</b>                     | <b>1 372</b>             | <b>587</b>                   | <b>516</b>  | <b>122</b>          | <b>197</b>                    | <b>171</b>                   | <b>656</b>                   | <b>3 621</b>             | -   | <b>3 621</b>     |
| Operating profit  | 1 908                    | 814                          | 704   | 155                 | 219                           | 205                          | (38)                         | <b>3 967</b>             | -   | <b>3 967</b>     |
| Tax on operating profit                                   | (536)                    | (227)                        | (188)   | (33)                | (59)                          | (44)                         | 12                           | <b>(1 075)</b>           | -   | <b>(1 075)</b>   |
| Investment income   | -                        | -                            | -   | -                   | 51                            | 14                           | 864                          | <b>929</b>               | -   | <b>929</b>       |
| Tax on investment income                                  | -                        | -                            | -   | -                   | (14)                          | (4)                          | (182)                        | <b>(200)</b>             | -   | <b>(200)</b>     |
| Actuarial liabilities                                     | 175 869                  | 32 296                       | 82 902  | 9 152               | 34 942                        | 8                            | 3 528                        | <b>338 697</b>           | (98)                                      | <b>338 599</b>   |

1. The 'Reconciling items' column includes an adjustment to reverse investment contract premiums (R33 305 million) and claims (R30 108 million); FNB Life excluded from Metropolitan Retail (premiums R201 million, fee income R20 million, sales remuneration R64 million and expenses R159 million); grossing up of fee income and expenses relating to the Shareholder Capital segment that are set off for management reporting purposes (R334 million); non-recurring items of R192 million; direct property and asset management fees for all segments, except non-life segments, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes (R6 million); other minor adjustments to expenses (R161 million), sales remuneration (R8 million) and fee income (R90 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.

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

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

| CHANGE IN DILUTED CORE HEADLINE EARNINGS    | Change<br>% | 12 mths to<br>30.06.2015<br>Rm | 12 mths to<br>30.06.2014<br>Rm |
|---|-------------|--------------------------------|--------------------------------|
| Momentum Retail                             | 12          | 1 531                          | 1 372                          |
| Metropolitan Retail                         | 26          | 738                            | 587                            |
| Momentum Employee Benefits                  | 28          | 660                            | 516                            |
| International                               | 25          | 152                            | 122                            |
| Momentum Investments                        | (8)         | 181                            | 197                            |
| Metropolitan Health                         | 22          | 209                            | 171                            |
| <b>Operating divisions</b>                  | <b>17</b>   | <b>3 471</b>                   | <b>2 965</b>                   |
| Shareholder Capital                         | (44)        | 365                            | 656                            |
| <b>Total diluted core headline earnings</b> | <b>6</b>    | <b>3 836</b>                   | <b>3 621</b>                   |

| RECONCILIATION OF MOMENTUM INVESTMENTS | 12 mths to<br>30.06.2015<br>Rm | 12 mths to<br>30.06.2014<br>Rm |
|--|--------------------------------|--------------------------------|
| <b>Revenue</b>                         | <b>1 410</b>                   | <b>1 463</b>                   |
| Fee income                             | 1 367                          | 1 442                          |
| Other income                           | 43                             | 21                             |
| <b>Expenses and finance costs</b>      | <b>(1 237)</b>                 | <b>(1 239)</b>                 |
| Other expenses                         | (1 189)                        | (1 195)                        |
| Finance costs                          | (48)                           | (44)                           |
| <b>Share of profit of associates</b>   | <b>6</b>                       | <b>9</b>                       |
| <b>Non-controlling interests</b>       | <b>(36)</b>                    | <b>(23)</b>                    |
|  | <b>143</b>                     | <b>210</b>                     |
| <b>Core adjustments</b>                | <b>63</b>                      | <b>9</b>                       |
| <b>Operating profit before tax</b>     | <b>206</b>                     | <b>219</b>                     |
| Tax on operating profit                | (61)                           | (59)                           |
| Investment income                      | 50                             | 51                             |
| Tax on investment income               | (14)                           | (14)                           |
| <b>Diluted core headline earnings</b>  | <b>181</b>                     | <b>197</b>                     |

## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

| RECONCILIATION OF METROPOLITAN HEALTH   | 12 mths to<br>30.06.2015<br>Rm          | 12 mths to<br>30.06.2014<br>Rm         |
|---|---|--|
| <b>Revenue</b>  | <b>2 061</b>                            | <b>1 560</b>                           |
| Net insurance premiums  | 387                                     | 47                                     |
| Fee income  | 1 674                                   | 1 513                                  |
| <b>Expenses</b>   | <b>(1 782)</b>                          | <b>(1 357)</b>                         |
| Net payments to contract holders  | (301)                                   | (46)                                   |
| Other expenses  | (1 481)                                 | (1 311)                                |
| <b>Non-controlling interests</b>  | <b>(3)</b>                              | <b>-</b>                               |
|   | <b>276</b>                              | <b>203</b>                             |
| <b>Core adjustments</b>   | <b>(4)</b>                              | <b>2</b>                               |
| Impairments and amortisation of intangibles relating to business combinations | 12                                      | 14                                     |
| Adjustments for dilution  | (19)                                    | (13)                                   |
| Other   | 3                                       | 1                                      |
| <b>Operating profit before tax</b>  | <b>272</b>                              | <b>205</b>                             |
| Tax on operating profit   | (76)                                    | (44)                                   |
| Investment income   | 19                                      | 14                                     |
| Tax on investment income  | (6)                                     | (4)                                    |
| <b>Diluted core headline earnings</b>   | <b>209</b>                              | <b>171</b>                             |
| <b>Additional off-balance sheet information</b>                               |   |  |
| Assets under administration at reporting date                                 | 10 776                                  | 10 686                                 |
| Gross recurring inflow of funds   | 42 162                                  | 41 137                                 |
| Gross outflow of funds  | (37 582)                                | (36 791)                               |
| <b>RECONCILIATION OF GUARDRISK (PROMOTER CELL <sup>(1)</sup>)</b>             | <b>12 mths to<br/>30.06.2015<br/>Rm</b> | <b>4 mths to<br/>30.06.2014<br/>Rm</b> |
| <b>Revenue by type</b>  | <b>495</b>                              | <b>165</b>                             |
| Management fees   | 353                                     | 121                                    |
| Investment fees   | 51                                      | 22                                     |
| Underwriting profit   | 23                                      | 2                                      |
| Other income  | 3                                       | 1                                      |
| Investment income   | 65                                      | 19                                     |
| <b>Expenses and finance costs</b>   | <b>(273)</b>                            | <b>(81)</b>                            |
| Administration expenses   | (263)                                   | (80)                                   |
| Finance costs   | (10)                                    | (1)                                    |
| <b>Operating profit before tax</b>  | <b>222</b>                              | <b>84</b>                              |
| Tax attributable to promoter operating profit                                 | (62)                                    | (10)                                   |
| <b>Diluted core headline earnings</b>   | <b>160</b>                              | <b>74</b>                              |

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

# MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

| RECONCILIATION OF SHAREHOLDER CAPITAL                            | 12 mths to<br>30.06.2015<br>Rm | Restated<br>12 mths to<br>30.06.2014<br>Rm |
|--|--------------------------------|--|
| <b>Revenue</b>   |                                |  |
| Net insurance premiums (excluding investment business)           | 506                            | 332  |
| Balance Sheet Management income including fee income             | 791                            | 607  |
| Guaranteed portfolios earnings                                   | 354                            | 299  |
| Returns in excess of benchmark                                   | 234                            | 160  |
| Returns on working capital and other                             | 203                            | 148  |
| Other income   | 127                            | 18   |
| <b>Total income</b>  | <b>1 424</b>                   | <b>957</b>                                 |
| <b>Expenses</b>  |                                |  |
| Net payments to contract holders (excluding investment business) | (442)                          | (204)                                      |
| Other expenses   | (1 003)                        | (791)                                      |
| Balance Sheet Management   | (203)                          | (196)                                      |
| Strategic initiatives and other <sup>(1)</sup>                   | (573)                          | (342)                                      |
| Holding company  | (227)                          | (253)                                      |
| <b>Total expenses</b>  | <b>(1 445)</b>                 | <b>(995)</b>                               |
| <b>Operating loss before tax</b>                                 | <b>(21)</b>                    | <b>(38)</b>                                |
| Tax on operating loss  | (48)                           | 12   |
| Investment income  | 549                            | 864  |
| Tax on investment income   | (115)                          | (182)                                      |
| <b>Diluted core headline earnings</b>                            | <b>365</b>                     | <b>656</b>                                 |

1. Includes Momentum Short-term Insurance, Solvency Assessment and Management (SAM) costs, India joint venture costs and other strategic initiatives.

# MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

| PAYMENTS TO CONTRACT HOLDERS                                  | 12 mths to<br>30.06.2015<br>Rm | 12 mths to<br>30.06.2014<br>Rm |
|---|--------------------------------|--------------------------------|
| <b>Momentum Retail</b>  | <b>23 636</b>                  | <b>21 215</b>                  |
| Death and disability claims                                   | 3 730                          | 3 412                          |
| Maturity claims   | 7 546                          | 6 444                          |
| Annuities   | 4 763                          | 4 505                          |
| Withdrawal benefits   | 80                             | 46                             |
| Surrenders  | 8 523                          | 7 569                          |
| Re-insurance recoveries                                       | (1 006)                        | (761)                          |
| <b>Metropolitan Retail</b>                                    | <b>4 967</b>                   | <b>5 523</b>                   |
| Death and disability claims                                   | 1 093                          | 1 049                          |
| Maturity claims   | 1 668                          | 2 373                          |
| Annuities   | 620                            | 558                            |
| Withdrawal benefits   | 84                             | 97                             |
| Surrenders  | 1 560                          | 1 542                          |
| Re-insurance recoveries                                       | (58)                           | (96)                           |
| <b>Momentum Employee Benefits <sup>(1)</sup></b>              | <b>15 933</b>                  | <b>12 907</b>                  |
| Death and disability claims                                   | 4 589                          | 3 635                          |
| Maturity claims   | 948                            | 667                            |
| Annuities   | 1 554                          | 765                            |
| Withdrawals and surrenders                                    | 4 020                          | 3 358                          |
| Terminations and disinvestments                               | 3 109                          | 3 802                          |
| Short-term insurance  | 4 745                          | 1 880                          |
| Re-insurance recoveries                                       | (3 032)                        | (1 200)                        |
| <b>International</b>  | <b>1 953</b>                   | <b>1 602</b>                   |
| Death and disability claims                                   | 813                            | 701                            |
| Maturity claims   | 371                            | 284                            |
| Annuities   | 99                             | 97                             |
| Withdrawal benefits   | 108                            | 90                             |
| Surrenders  | 498                            | 395                            |
| Terminations and disinvestments                               | 194                            | 80                             |
| Re-insurance recoveries                                       | (130)                          | (45)                           |
| <b>Momentum Investments</b>                                   |                                |                                |
| Withdrawals   | 11 277                         | 10 823                         |
| <b>Metropolitan Health</b>                                    |                                |                                |
| Claims – capitation agreements                                | 301                            | 46                             |
| <b>Shareholder Capital</b>                                    |                                |                                |
| Claims  | 442                            | 313                            |
| <b>Total payments to contract holders</b>                     | <b>58 509</b>                  | <b>52 429</b>                  |
| Reconciling items <sup>(2)</sup>                              | (33 899)                       | (30 108)                       |
| <b>Net insurance benefits and claims per income statement</b> | <b>24 610</b>                  | <b>22 321</b>                  |

1. Included in Momentum Employee Benefits above is R6 119 million claims (30.06.2014: R2 556 million) and R2 617 million re-insurance recoveries (30.06.2014: R914 million) relating to Guardrisk (now including Momentum Ability).
2. Relates mainly to payments to investment contract holders.



## MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

| NUMBER OF EMPLOYEES                       | 30.06.2015    | 30.06.2014 |
|---|---------------|------------|
| Indoor staff                              | <b>10 438</b> | 9 877      |
| Momentum Retail                           | <b>1 841</b>  | 1 711      |
| Metropolitan Retail                       | <b>1 052</b>  | 1 174      |
| Momentum Employee Benefits <sup>(1)</sup> | <b>1 668</b>  | 1 650      |
| International <sup>(2)</sup>              | <b>1 010</b>  | 1 037      |
| Momentum Investments                      | <b>651</b>    | 667        |
| Metropolitan Health <sup>(3)</sup>        | <b>2 902</b>  | 2 553      |
| Shareholder Capital                       |               |            |
| Balance Sheet Management                  | <b>78</b>     | 68         |
| Group services <sup>(4)</sup>             | <b>925</b>    | 781        |
| Short-term insurance                      | <b>311</b>    | 236        |
| Field staff                               | <b>6 801</b>  | 6 815      |
| Momentum Retail                           | <b>1 327</b>  | 1 041      |
| Metropolitan Retail                       | <b>3 840</b>  | 4 424      |
| International <sup>(2)</sup>              | <b>1 634</b>  | 1 350      |
| <b>Total</b>                              | <b>17 239</b> | 16 692     |

1. Momentum Employee Benefits in the current year includes 220 (30.06.2014: 218) employees relating to Guardrisk (now including Momentum Ability).
2. International in the current year includes 87 employees relating to Cannon indoor staff and 201 employees relating to Cannon field staff.
3. Metropolitan Health in the current year includes 467 employees relating to CareCross.
4. Group services in the current year includes 83 employees transferred from operating divisions.

## MMI HOLDINGS GROUP – STATUTORY EXCESS

| STATUTORY EXCESS  | 30.06.2015<br>Rm | 30.06.2014<br>Rm |
|---|------------------|------------------|
| <b>Group excess per reporting basis</b>   | <b>24 547</b>    | 24 734           |
| Net assets – other businesses   | <b>(3 256)</b>   | (2 999)          |
| Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments | <b>(3 826)</b>   | (4 343)          |
| <b>Excess – long-term insurance business, net of non-controlling interests <sup>(1)</sup></b>   | <b>17 465</b>    | 17 392           |
| Disregarded assets <sup>(2)</sup>   | <b>(1 010)</b>   | (966)            |
| Difference between statutory and published valuation methods                                    | <b>(839)</b>     | (571)            |
| Write-down of subsidiaries and associates for statutory purposes                                | <b>(1 210)</b>   | (1 387)          |
| Unsecured subordinated debt   | <b>3 320</b>     | 3 075            |
| Consolidation adjustments   | <b>141</b>       | (23)             |
| <b>Statutory excess – long-term insurance business</b>  | <b>17 867</b>    | 17 520           |
| Capital adequacy requirement (CAR) (Rm) <sup>(3)</sup>  | <b>6 639</b>     | 6 221            |
| Ratio of long-term insurance business excess to CAR (times)                                     | <b>2.7</b>       | 2.8              |
| Discretionary margins   | <b>13 620</b>    | 14 161           |

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa; in respect of Guardrisk only including 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) due to it being classified as non-covered, as well as the other non-life insurance entities. Guardrisk Life Ltd was transferred to covered business 1 July 2014, with a statutory excess of R44 million and capital adequacy requirement of R20 million. 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 R518 million (30.06.2014: R546 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  | 30.06.2015<br>Rm | 30.06.2014<br>Rm |
|---|------------------|------------------|
| <b>Covered business</b>   |                  |                  |
| Reporting excess – long-term insurance business <sup>(1)</sup>                    | 17 465           | 17 392           |
| Reclassification to non-covered business  | <b>(1 204)</b>   | (1 459)          |
|   | <b>16 261</b>    | 15 933           |
| Disregarded assets <sup>(2)</sup>   | <b>(575)</b>     | (682)            |
| Difference between statutory and published valuation methods                      | <b>(839)</b>     | (571)            |
| Dilutory effect of subsidiaries <sup>(3)</sup>                                    | <b>(38)</b>      | (34)             |
| Consolidation adjustments <sup>(4)</sup>  | <b>(5)</b>       | (77)             |
| Value of MMI Group Ltd preference shares issued                                   | <b>(500)</b>     | (500)            |
| <b>Diluted adjusted net worth – covered business</b>                              | <b>14 304</b>    | 14 069           |
| <b>Net value of in-force business</b>   | <b>21 696</b>    | 20 324           |
| <b>Diluted embedded value – covered business</b>                                  | <b>36 000</b>    | 34 393           |
| <b>Non-covered business</b>   |                  |                  |
| Net assets – non-covered business within life insurance companies                 | 1 204            | 1 459            |
| Net assets – non-covered business outside life insurance companies                | 3 256            | 2 999            |
| Consolidation adjustments and transfers to covered business <sup>(4)</sup>        | <b>(3 024)</b>   | (2 291)          |
| Adjustments for dilution <sup>(5)</sup>   | <b>819</b>       | 720              |
| <b>Diluted adjusted net worth – non-covered business</b>                          | <b>2 255</b>     | 2 887            |
| <b>Write-up to directors' value</b>   | <b>2 075</b>     | 2 395            |
| Non-covered business <sup>(1)</sup>   | 4 143            | 4 188            |
| Holding company expenses <sup>(6)</sup>   | <b>(1 578)</b>   | (1 383)          |
| International holding company expenses <sup>(6)</sup>                             | <b>(490)</b>     | (410)            |
| <b>Diluted embedded value – non-covered business</b>                              | <b>4 330</b>     | 5 282            |
| Diluted adjusted net worth  | <b>16 559</b>    | 16 956           |
| Net value of in-force business  | <b>21 696</b>    | 20 324           |
| Write-up to directors' value  | <b>2 075</b>     | 2 395            |
| <b>Diluted embedded value</b>   | <b>40 330</b>    | 39 675           |
| Required capital – covered business (adjusted for qualifying debt) <sup>(7)</sup> | <b>7 306</b>     | 7 039            |
| Surplus capital – covered business  | <b>6 998</b>     | 7 030            |
| Diluted embedded value per share (cents)  | <b>2 514</b>     | 2 474            |
| Diluted adjusted net worth per share (cents)                                      | <b>1 032</b>     | 1 057            |
| Diluted number of shares in issue (million) <sup>(8)</sup>                        | <b>1 604</b>     | 1 604            |

- Guardrisk Life Ltd was included as part of non-covered business at 30 June 2014 at a directors' valuation of R368 million. On 1 July 2014 Guardrisk Life Ltd was transferred to covered business (adjusted net worth of R44 million and value of in-force of R324 million).
- Disregarded assets include Sage intangible assets of R518 million (30.06.2014: R546 million), goodwill and various other items.
- For accounting purposes, Metropolitan Health has been consolidated at 100%, while MMI Holdings Namibia, Metropolitan Kenya and Cannon have been consolidated at 96% in the statement of financial position, for the current 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): R103 million (30.06.2014: R102 million)
  - Treasury shares held on behalf of contract holders: R424 million (30.06.2014: R305 million)
  - Liability – MMI Holdings Ltd convertible preference shares issued to KTH: R292 million (30.06.2014: R313 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 R10 604 million (30.06.2014: R10 114 million) and is adjusted for qualifying debt of R3 298 million (30.06.2014: R3 075 million).
- The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

| ANALYSIS OF NET VALUE OF IN-FORCE BUSINESS PER DIVISION | 30.06.2015<br>Rm | 30.06.2014<br>Rm |
|---|------------------|------------------|
| Momentum Retail   | 10 062           | 9 674            |
| Gross value of in-force business                        | 11 486           | 11 212           |
| Less cost of required capital                           | (1 424)          | (1 538)          |
| Metropolitan Retail                                     | 3 661            | 3 738            |
| Gross value of in-force business                        | 4 374            | 4 445            |
| Less cost of required capital                           | (713)            | (707)            |
| Momentum Employee Benefits <sup>(1)</sup>               | 5 200            | 4 242            |
| Gross value of in-force business                        | 5 954            | 4 892            |
| Less cost of required capital                           | (754)            | (650)            |
| International   | 2 108            | 1 832            |
| Gross value of in-force business                        | 2 310            | 2 006            |
| Less cost of required capital                           | (202)            | (174)            |
| Shareholder Capital                                     | 665              | 838              |
| Gross value of in-force business <sup>(2)</sup>         | 665              | 838              |
| Less cost of required capital                           | -                | -                |
| <b>Net value of in-force business</b>                   | <b>21 696</b>    | <b>20 324</b>    |

## Notes

- Guardrisk Life Ltd is included within Momentum Employee Benefits at 30 June 2015. The business was transferred effective 1 July 2014 with gross value of in-force of R348 million less cost of capital of R24 million at that date.
- The value of in-force in the Shareholder Capital represents discretionary margins managed centrally by Balance Sheet Management.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

| EMBEDDED VALUE PER DIVISION                                   | Adjusted net worth<br>Rm         | Net value of in-force<br>Rm                    | 30.06.2015<br>Rm         | 30.06.2014<br>Rm         |
|---|----------------------------------|--|--------------------------|--------------------------|
| <b>Covered business</b>                                       |                                  |  |                          |                          |
| South African life licences                                   | 12 452                           | 19 588   | <b>32 040</b>            | 31 053                   |
| MMI Group Ltd   | 12 280                           | 19 052   | <b>31 332</b>            | 30 994                   |
| Guardrisk Life Ltd <sup>(1)</sup>                             | 113                              | 536  | <b>649</b>               | -                        |
| Metropolitan Odyssey Ltd                                      | 59                               | -  | <b>59</b>                | 59                       |
| International   | 1 852                            | 2 108  | <b>3 960</b>             | 3 340                    |
| MMI Holdings Namibia Ltd                                      | 677                              | 1 295  | <b>1 972</b>             | 1 793                    |
| Metropolitan Life of Botswana Ltd                             | 354                              | 217  | <b>571</b>               | 341                      |
| Metropolitan Lesotho Ltd                                      | 370                              | 477  | <b>847</b>               | 783                      |
| Other international businesses                                | 451                              | 119  | <b>570</b>               | 423                      |
| <b>Total covered business</b>                                 | <b>14 304</b>                    | <b>21 696</b>                                  | <b>36 000</b>            | <b>34 393</b>            |
|   | <b>Adjusted net worth<br/>Rm</b> | <b>Write-up to directors'<br/>value<br/>Rm</b> | <b>30.06.2015<br/>Rm</b> | <b>30.06.2014<br/>Rm</b> |
| <b>Non-covered business</b>                                   |                                  |  |                          |                          |
| Momentum Investments <sup>(2)</sup>                           | 1 007                            | 1 158  | <b>2 165</b>             | 1 928                    |
| Health businesses <sup>(3)</sup>                              | 445                              | 1 215  | <b>1 660</b>             | 1 761                    |
| Momentum Retail (Wealth) <sup>(3)</sup>                       | 344                              | 473  | <b>817</b>               | 655                      |
| Guardrisk business <sup>(1,3)</sup>                           | 448                              | 998  | <b>1 446</b>             | 1 607                    |
| Momentum Short-term Insurance (MSTI)                          | 295                              | 82   | <b>377</b>               | 319                      |
| International <sup>(4, 5)</sup>                               | (532)                            | (273)  | <b>(805)</b>             | (386)                    |
| MMI Holdings (after consolidation adjustments) <sup>(5)</sup> | 248                              | (1 578)  | <b>(1 330)</b>           | (602)                    |
| <b>Total non-covered business</b>                             | <b>2 255</b>                     | <b>2 075</b>                                   | <b>4 330</b>             | <b>5 282</b>             |
| <b>Total embedded value</b>                                   | <b>16 559</b>                    | <b>23 771</b>                                  | <b>40 330</b>            | <b>39 675</b>            |
| Diluted adjusted net worth – non-covered business             | (2 255)                          |  |                          |                          |
| Adjustments to covered business – adjusted net worth          | 3 161                            |  |                          |                          |
| <b>Reporting excess – long-term insurance business</b>        | <b>17 465</b>                    |  |                          |                          |

- Guardrisk Life Ltd was included as part of non-covered business at 30 June 2014 at a directors' valuation of R368 million. On 1 July 2014 Guardrisk Life Ltd was transferred to covered business (adjusted net worth of R44 million and value of in-force of R324 million).
- Momentum Investments subsidiaries are valued using forward price-earnings multiples applied to the relevant sustainable earnings bases.
- The Health businesses, Momentum Retail (Wealth off-balance sheet) and Guardrisk are valued using embedded value methodology.
- Cannon is included within International's non-covered business at 30 June 2015.
- 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            |                                  |                | 12 mths to 30.06.2015 | 12 mths to 30.06.2014 |
|--|-------|-----------------------------|----------------------------------|----------------|-----------------------|-----------------------|
|  |       | Adjusted net worth (ANW) Rm | Gross Value of in-force (VIF) Rm | Cost of CAR Rm | Total EV Rm           | Total EV Rm           |
| Profit from new business                                     |       | (1 345)                     | 2 615                            | (216)          | 1 054                 | 875                   |
| Embedded value from new business                             | A     | (1 345)                     | 2 513                            | (214)          | 954                   | 779                   |
| Expected return to end of period                             | B     | -                           | 102                              | (2)            | 100                   | 96                    |
| Profit from existing business                                |       | 4 289                       | (1 162)                          | 136            | 3 263                 | 3 228                 |
| Expected return – unwinding of RDR                           | B     | -                           | 2 551                            | (338)          | 2 213                 | 1 786                 |
| Release from the cost of required capital                    | C     | -                           | -                                | 445            | 445                   | 407                   |
| Expected (or actual) net of tax profit transfer to net worth | D     | 4 128                       | (4 128)                          | -              | -                     | -                     |
| Operating experience variances                               | E     | 474                         | 261                              | (34)           | 701                   | 544                   |
| Development expenses   | F     | (79)                        | -                                | -              | (79)                  | -                     |
| Operating assumption changes                                 | G     | (234)                       | 154                              | 63             | (17)                  | 491                   |
| <b>Embedded value profit from operations</b>                 |       | 2 944                       | 1 453                            | (80)           | 4 317                 | 4 103                 |
| Investment return on adjusted net worth                      | H     | 664                         | -                                | -              | 664                   | 1 063                 |
| Investment variances   | I     | 61                          | (494)                            | 27             | (406)                 | 1 278                 |
| Economic assumption changes                                  | J     | (23)                        | 12                               | 69             | 58                    | (321)                 |
| Exchange rate movements                                      |       | (12)                        | 4                                | 1              | (7)                   | (2)                   |
| <b>Embedded value profit – covered business</b>              |       | 3 634                       | 975                              | 17             | 4 626                 | 6 121                 |
| Transfer of business from/(to) non-covered business          | K     | 202                         | 348                              | (27)           | 523                   | (6)                   |
| Changes in share capital                                     | L     | 143                         | 73                               | (14)           | 202                   | 42                    |
| Dividend paid  |       | (3 744)                     | -                                | -              | (3 744)               | (3 271)               |
| <b>Change in embedded value – covered business</b>           |       | 235                         | 1 396                            | (24)           | 1 607                 | 2 886                 |
| <b>Non-covered business</b>                                  |       |                             |                                  |                |                       |                       |
| Change in directors' valuation and other items               |       |                             |                                  |                | (557)                 | 718                   |
| Holding company expenses                                     |       |                             |                                  |                | (275)                 | (175)                 |
| <b>Embedded value profit – non-covered business</b>          |       |                             |                                  |                | (832)                 | 543                   |
| Changes in share capital                                     | L     |                             |                                  |                | (202)                 | (42)                  |
| Dividend paid  |       |                             |                                  |                | 649                   | 1 179                 |
| Finance costs – preference shares                            |       |                             |                                  |                | (44)                  | (45)                  |
| Transfer of business (to)/from covered business              | K     |                             |                                  |                | (523)                 | 6                     |
| <b>Change in embedded value – non-covered business</b>       |       |                             |                                  |                | (952)                 | 1 641                 |
| <b>Total change in group embedded value</b>                  |       |                             |                                  |                | 655                   | 4 527                 |
| <b>Total embedded value profit</b>                           |       |                             |                                  |                | 3 794                 | 6 664                 |
| Return on embedded value (%) - internal rate of return       |       |                             |                                  |                | 9.6%                  | 19.0%                 |

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

## A. VALUE OF NEW BUSINESS

| VALUE OF NEW BUSINESS                                | Momentum<br>Retail<br>Rm | Metropolitan<br>Retail <sup>(1)</sup><br>Rm | Momentum<br>Employee<br>Benefits<br>Rm | International<br>Rm | Total<br>Rm   |
|--|--------------------------|---|--|---------------------|---------------|
| <b>12 mths to 30.06.2015</b>                         |                          |   |  |                     |               |
| Value of new business                                | 246                      | 186   | 456                                    | 66                  | <b>954</b>    |
| Gross  | 305                      | 233   | 552                                    | 78                  | <b>1 168</b>  |
| Less cost of required capital                        | (59)                     | (47)  | (96)                                   | (12)                | <b>(214)</b>  |
| New business premiums                                | 18 138                   | 2 460                                       | 8 351                                  | 686                 | <b>29 635</b> |
| Recurring premiums                                   | 1 077                    | 1 045                                       | 1 564                                  | 402                 | <b>4 088</b>  |
| Single premiums                                      | 17 061                   | 1 415                                       | 6 787                                  | 284                 | <b>25 547</b> |
| New business premiums (APE)                          | 2 783                    | 1 187                                       | 2 243                                  | 430                 | <b>6 643</b>  |
| New business premiums (PVP)                          | 22 924                   | 5 117                                       | 20 191                                 | 2 164               | <b>50 396</b> |
| Profitability of new business as a percentage of APE | 8.8                      | 15.7  | 20.3                                   | 15.3                | <b>14.4</b>   |
| Profitability of new business as a percentage of PVP | 1.1                      | 3.6   | 2.3                                    | 3.0                 | <b>1.9</b>    |
| <b>Restated</b>                                      |                          |   |  |                     |               |
| <b>12 mths to 30.06.2014</b>                         |                          |   |  |                     |               |
| Value of new business                                | 240                      | 236   | 254                                    | 49                  | <b>779</b>    |
| Gross  | 312                      | 276   | 299                                    | 61                  | <b>948</b>    |
| Less cost of required capital                        | (72)                     | (40)  | (45)                                   | (12)                | <b>(169)</b>  |
| New business premiums                                | 15 948                   | 2 160                                       | 6 384                                  | 541                 | <b>25 033</b> |
| Recurring premiums                                   | 1 022                    | 1 083                                       | 1 033                                  | 327                 | <b>3 465</b>  |
| Single premiums                                      | 14 926                   | 1 077                                       | 5 351                                  | 214                 | <b>21 568</b> |
| New business premiums (APE)                          | 2 515                    | 1 191                                       | 1 568                                  | 348                 | <b>5 622</b>  |
| New business premiums (PVP)                          | 20 434                   | 4 948                                       | 14 491                                 | 1 866               | <b>41 739</b> |
| Profitability of new business as a percentage of APE | 9.5                      | 19.8  | 16.2                                   | 14.1                | <b>13.9</b>   |
| Profitability of new business as a percentage of PVP | 1.2                      | 4.8   | 1.8                                    | 2.6                 | <b>1.9</b>    |

1. The Metropolitan Retail APE and PVP have been changed to only reflect the initial inflows on certain early retirement annuity business (comparatives have been restated). This reduced APE by R64 million (30.06.2014: R42 million) and PVP by R635 million (30.06.2014: R424 million). This had no impact on value of new business.
2. Value of new business and new business premiums are net of non-controlling interests.
3. The value of new business has been calculated on closing assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business, for other business the investment yields at the end of the year have been used.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

| ANALYSIS OF NEW BUSINESS PREMIUMS | Momentum | Metropolitan          | Momentum | International | Total         |
|-----------------------------------|----------|-----------------------|----------|---------------|---------------|
|                                   | Retail   | Retail <sup>(1)</sup> | Employee |               |               |
|                                   | Rm       | Rm                    | Benefits | Rm            | Rm            |
|                                   |          |                       | Rm       |               |               |
| <b>12 mths to 30.06.2015</b>      |          |                       |          |               |               |
| New business premiums             | 18 138   | 2 460                 | 8 351    | 686           | <b>29 635</b> |
| Recurring premiums                | 1 077    | 1 045                 | 1 564    | 402           | <b>4 088</b>  |
| Risk                              | 509      | 668                   | 843      | -             | <b>2 020</b>  |
| Savings/Investments               | 568      | 377                   | 721      | -             | <b>1 666</b>  |
| International                     | -        | -                     | -        | 402           | <b>402</b>    |
| Single premiums                   | 17 061   | 1 415                 | 6 787    | 284           | <b>25 547</b> |
| Savings/Investments               | 16 418   | 277                   | 4 652    | -             | <b>21 347</b> |
| Annuities                         | 643      | 1 138                 | 2 135    | -             | <b>3 916</b>  |
| International                     | -        | -                     | -        | 284           | <b>284</b>    |
| New business premiums (APE)       | 2 783    | 1 187                 | 2 243    | 430           | <b>6 643</b>  |
| Risk                              | 509      | 668                   | 843      | -             | <b>2 020</b>  |
| Savings/Investments               | 2 210    | 405                   | 1 186    | -             | <b>3 801</b>  |
| Annuities                         | 64       | 114                   | 214      | -             | <b>392</b>    |
| International                     | -        | -                     | -        | 430           | <b>430</b>    |
| <b>Restated</b>                   |          |                       |          |               |               |
| <b>12 mths to 30.06.2014</b>      |          |                       |          |               |               |
| New business premiums             | 15 948   | 2 160                 | 6 384    | 541           | <b>25 033</b> |
| Recurring premiums                | 1 022    | 1 083                 | 1 033    | 327           | <b>3 465</b>  |
| Risk                              | 501      | 713                   | 408      | -             | <b>1 622</b>  |
| Savings/Investments               | 521      | 370                   | 625      | -             | <b>1 516</b>  |
| International                     | -        | -                     | -        | 327           | <b>327</b>    |
| Single premiums                   | 14 926   | 1 077                 | 5 351    | 214           | <b>21 568</b> |
| Savings/Investments               | 14 130   | 201                   | 4 198    | -             | <b>18 529</b> |
| Annuities                         | 796      | 876                   | 1 153    | -             | <b>2 825</b>  |
| International                     | -        | -                     | -        | 214           | <b>214</b>    |
| New business premiums (APE)       | 2 515    | 1 191                 | 1 568    | 348           | <b>5 622</b>  |
| Risk                              | 501      | 713                   | 408      | -             | <b>1 622</b>  |
| Savings/Investments               | 1 934    | 390                   | 1 045    | -             | <b>3 369</b>  |
| Annuities                         | 80       | 88                    | 115      | -             | <b>283</b>    |
| International                     | -        | -                     | -        | 348           | <b>348</b>    |

1. The Metropolitan Retail APE and PVP have been changed to only reflect the initial inflows on certain early retirement annuity business (comparatives have been restated). This reduced APE by R64 million (30.06.2014: R42 million) and PVP by R635 million (30.06.2014: R424 million). This had no impact on value of new business.



# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

| RECONCILIATION OF LUMP SUM INFLOWS                       | 12 mths to<br>30.06.2015<br>Rm | Restated<br>12 mths to<br>30.06.2014<br>Rm |
|--|--------------------------------|--|
| <b>Total lump sum inflows</b>                            | <b>33 023</b>                  | 29 790                                     |
| Inflows not included in value of new business            | <b>(8 966)</b>                 | (8 670)                                    |
| Term extensions on maturing policies                     | <b>558</b>                     | 465  |
| Retirement annuity proceeds invested in living annuities | <b>822</b>                     | -  |
| Non-controlling interests and other adjustments          | <b>110</b>                     | (17)                                       |
| <b>Single premiums included in value of new business</b> | <b>25 547</b>                  | 21 568                                     |

- The Metropolitan Retail APE and PVP have been changed to only reflect the initial inflows on certain early retirement annuity business (comparatives have been restated). This reduced APE by R64 million (30.06.2014: R42 million) and PVP by R635 million (30.06.2014: R424 million). This had no impact on value of new business.

## B. EXPECTED RETURN

The expected return is determined by applying the risk discount rate applicable at the beginning of the reporting year to the present value of in-force covered business at the beginning of the reporting year and adding the expected return on new business, which is determined by applying the current risk discount rate to the value of new business from the point of sale to the end of the 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 | 12 mths to 30.06.2015 |               |             | 12 mths to             |
|---|-------|-----------------------|---------------|-------------|------------------------|
|   |       | ANW<br>Rm             | Net VIF<br>Rm | EV<br>Rm    | 30.06.2014<br>EV<br>Rm |
| <b>Momentum Retail</b>                                  |       | 76                    | 153           | <b>229</b>  | 170                    |
| Mortality and morbidity                                 | 1     | 296                   | 12            | <b>308</b>  | 235                    |
| Terminations, premium cessations and policy alterations | 2     | (211)                 | 129           | <b>(82)</b> | 5                      |
| Expense variance  |       | (35)                  | -             | <b>(35)</b> | 43                     |
| Other   |       | 26                    | 12            | <b>38</b>   | (113)                  |
| <b>Metropolitan Retail</b>                              |       | 144                   | 3             | <b>147</b>  | 39                     |
| Mortality and morbidity                                 | 1     | 82                    | 10            | <b>92</b>   | 108                    |
| Terminations, premium cessations and policy alterations |       | 2                     | (24)          | <b>(22)</b> | (60)                   |
| Expense variance  |       | 28                    | -             | <b>28</b>   | 45                     |
| FNB Life – share of profits                             |       | 38                    | -             | <b>38</b>   | 30                     |
| Other   |       | (6)                   | 17            | <b>11</b>   | (84)                   |
| <b>Momentum Employee Benefits</b>                       |       | 65                    | 7             | <b>72</b>   | 218                    |
| Mortality and morbidity                                 | 1     | 69                    | 6             | <b>75</b>   | 60                     |
| Terminations  |       | 4                     | 14            | <b>18</b>   | 138                    |
| Expense variance  |       | (2)                   | -             | <b>(2)</b>  | 21                     |
| Other   |       | (6)                   | (13)          | <b>(19)</b> | (1)                    |
| <b>International</b>                                    |       | 58                    | 61            | <b>119</b>  | 102                    |
| Mortality and morbidity                                 | 1     | 88                    | 21            | <b>109</b>  | 86                     |
| Terminations, premium cessations and policy alterations |       | (14)                  | 3             | <b>(11)</b> | 17                     |
| Expense variance  |       | (30)                  | 2             | <b>(28)</b> | 6                      |
| Other   | 3     | 14                    | 35            | <b>49</b>   | (7)                    |
| <b>Shareholder Capital</b>                              | 4     | 131                   | 24            | <b>155</b>  | 86                     |
| <b>Opportunity cost of required capital</b>             |       | -                     | (21)          | <b>(21)</b> | (71)                   |
| <b>Total operating experience variances</b>             |       | <b>474</b>            | <b>227</b>    | <b>701</b>  | <b>544</b>             |

### Notes

- Overall, mortality and morbidity experience for the 12 months were better compared to what was allowed for in the valuation basis.
- Better than expected termination experience on whole life insurance contracts as well as negative persistency on investment contracts contributed to the negative termination experience.
- Mainly contributions from Health operations.
- Shareholder Capital includes mainly earnings from activities in respect of the management of MMI's capital and shareholder balance sheet risks. Other sources of earnings such as variations in actual tax payments and corporate expenses not allocated to underlying business units are also included here.

## F. DEVELOPMENT EXPENSES

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

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

## G. OPERATING ASSUMPTION CHANGES

| OPERATING ASSUMPTION CHANGES                        | Notes | 12 mths to 30.06.2015 |               |          | 12 mths to             |
|---|-------|-----------------------|---------------|----------|------------------------|
|   |       | ANW<br>Rm             | Net VIF<br>Rm | EV<br>Rm | 30.06.2014<br>EV<br>Rm |
| <b>Momentum Retail</b>                              |       | (164)                 | 147           | (17)     | 12                     |
| Mortality and morbidity assumptions                 | 1     | 169                   | 57            | 226      | 80                     |
| Termination assumptions                             |       | -                     | (37)          | (37)     | (51)                   |
| Renewal expense assumptions                         | 2     | (138)                 | 59            | (79)     | (30)                   |
| Modelling, methodology and other changes            | 3     | (195)                 | 68            | (127)    | 13                     |
| <b>Metropolitan Retail</b>                          |       | 97                    | (37)          | 60       | (129)                  |
| Mortality and morbidity assumptions                 | 1     | 75                    | 23            | 98       | 101                    |
| Termination assumptions                             |       | 43                    | (64)          | (21)     | (85)                   |
| Renewal expense assumptions                         | 2     | 34                    | (7)           | 27       | 87                     |
| FNB Life  |       | -                     | -             | -        | (91)                   |
| Modelling, methodology and other changes            | 3     | (55)                  | 11            | (44)     | (141)                  |
| <b>Momentum Employee Benefits</b>                   |       | (63)                  | 37            | (26)     | 461                    |
| Mortality and morbidity assumptions                 | 4     | (3)                   | (72)          | (75)     | (23)                   |
| Termination assumptions                             | 5     | -                     | 81            | 81       | 144                    |
| Renewal expense assumptions                         | 2     | -                     | (101)         | (101)    | 366                    |
| Modelling, methodology and other changes            | 3     | (60)                  | 129           | 69       | (26)                   |
| <b>International</b>                                |       | 91                    | (5)           | 86       | 15                     |
| Mortality and morbidity assumptions                 | 1     | 26                    | 22            | 48       | (7)                    |
| Termination assumptions                             |       | 5                     | (9)           | (4)      | 10                     |
| Renewal expense assumptions                         |       | 28                    | (6)           | 22       | 17                     |
| Modelling, methodology and other changes            | 3     | 32                    | (12)          | 20       | (5)                    |
| <b>Shareholder Capital</b>                          | 6     | (195)                 | 86            | (109)    | (7)                    |
| <b>Methodology change: cost of required capital</b> |       | -                     | (11)          | (11)     | 139                    |
| <b>Total operating assumption changes</b>           |       | (234)                 | 217           | (17)     | 491                    |

### Notes

1. Allowance for better than assumed mortality experience on risk business.
2. Allowance for unit costs in line with budgeted renewal expenses and expected business volumes.
3. Various modelling and methodology changes, including more explicit allowances for reinsurance modelling at Momentum Retail.
4. Allowance for lower future profitability on income disability and group life business.
5. Allowance for better than assumed termination experience on FundsAtWork business.
6. More explicit allowance for Balance Sheet Management future expenses and enhancements to shareholder investment assets in the cost of required capital.

# MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

## H. INVESTMENT RETURN ON ADJUSTED NET WORTH

| INVESTMENT RETURN ON ADJUSTED NET WORTH                                       | 12 mths to<br>30.06.2015<br>Rm | 12 mths to<br>30.06.2014<br>Rm |
|---|--------------------------------|--------------------------------|
| Investment income   | 618                            | 722                            |
| Capital appreciation and other  | 77                             | 368                            |
| Preference share dividends paid and change in fair value of preference shares | (31)                           | (27)                           |
| <b>Investment return on adjusted net worth</b>                                | <b>664</b>                     | <b>1 063</b>                   |

## I. INVESTMENT VARIANCES

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

## J. ECONOMIC ASSUMPTION CHANGES

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

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

This transfer includes the transfer of Guardrisk Life Ltd to covered business (ie adjusted net asset value of R44 million and net value of in-force of R324 million at 1 July 2014) as well as the alignment of net assets and value of in-force of mainly international subsidiaries between covered and non-covered business.

## L. CHANGES IN SHARE CAPITAL

Changes in share capital include the purchase of the non-controlling interest shareholding in Metropolitan Botswana and recapitalisation of some of the health entities.

## MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

| COVERED BUSINESS: SENSITIVITIES<br>– 30.06.2015   | Adjusted<br>net<br>worth | In-force business |                |                               | New business written |                |                               |
|---|--------------------------|-------------------|----------------|-------------------------------|----------------------|----------------|-------------------------------|
|   |                          | Net<br>value      | Gross<br>value | Cost of<br>CAR <sup>(3)</sup> | Net<br>value         | Gross<br>value | Cost of<br>CAR <sup>(3)</sup> |
|   | Rm                       | Rm                | Rm             | Rm                            | Rm                   | Rm             | Rm                            |
| <b>Base value</b>   | <b>14 304</b>            | <b>21 696</b>     | <b>24 789</b>  | <b>(3 093)</b>                | <b>954</b>           | <b>1 168</b>   | <b>(214)</b>                  |
| 1% increase in risk discount rate<br>% change   |                          | 19 891<br>(8)     | 23 399<br>(6)  | (3 508)<br>13                 | 796<br>(17)          | 1 031<br>(12)  | (235)<br>10                   |
| 1% reduction in risk discount rate<br>% change  |                          | 23 737<br>9       | 26 365<br>6    | (2 628)<br>(15)               | 1 141<br>20          | 1 331<br>14    | (190)<br>(11)                 |
| 10% decrease in future expenses<br>% change <sup>(1)</sup>  |                          | 22 805<br>5       | 25 898<br>4    | (3 093)<br>-                  | 1 066<br>12          | 1 280<br>10    | (214)<br>-                    |
| 10% decrease in lapse, paid-up and<br>surrender rates<br>% change   |                          | 22 505<br>4       | 25 622<br>3    | (3 117)<br>1                  | 1 107<br>16          | 1 337<br>14    | (230)<br>7                    |
| 5% decrease in mortality and<br>morbidity for assurance<br>business<br>% change                                 |                          | 23 217<br>7       | 26 310<br>6    | (3 093)<br>-                  | 1 124<br>18          | 1 338<br>15    | (214)<br>-                    |
| 5% decrease in mortality for annuity<br>business<br>% change  |                          | 21 310<br>(2)     | 24 438<br>(1)  | (3 128)<br>1                  | 945<br>(1)           | 1 159<br>(1)   | (214)<br>-                    |
| 1% reduction in gross investment<br>return, inflation rate and risk<br>discount rate<br>% change <sup>(2)</sup> | 14 247<br>-              | 22 260<br>3       | 25 349<br>2    | (3 089)<br>-                  | 1 023<br>7           | 1 237<br>6     | (214)<br>-                    |
| 1% reduction in inflation rate<br>% change  |                          | 22 421<br>3       | 25 514<br>3    | (3 093)<br>-                  | 1 043<br>9           | 1 257<br>8     | (214)<br>-                    |
| 10% fall in market value of equities and<br>properties<br>% change  | 13 987<br>(2)            | 20 626<br>(5)     | 23 624<br>(5)  | (2 998)<br>(3)                |                      |                |                               |
| 10% reduction in premium indexation<br>take-up rate<br>% change   |                          | 21 423<br>(1)     | 24 480<br>(1)  | (3 057)<br>(1)                | 924<br>(3)           | 1 139<br>(2)   | (215)<br>-                    |
| 10% decrease in non-commission<br>related acquisition expenses<br>% change                                      |                          |                   |                |                               | 1 056<br>11          | 1 270<br>9     | (214)<br>-                    |
| 1% increase in equity/property risk<br>premium<br>% change  |                          | 22 135<br>2       | 25 206<br>2    | (3 071)<br>(1)                | 991<br>4             | 1 205<br>3     | (214)<br>-                    |

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

# MMI HOLDINGS GROUP – STOCK EXCHANGE PERFORMANCE

| STOCK EXCHANGE PERFORMANCE                                      | 30.06.2015   | 30.06.2014   |
|---|--------------|--------------|
| <b>12 months</b>  |              |              |
| Value of listed shares traded (rand million)                    | 19 153       | 15 362       |
| Volume of listed shares traded (million)                        | 642          | 637          |
| Shares traded (% of average listed shares in issue)             | 41           | 41           |
| Value of shares traded – life insurance (J857 – Rbn)            | 230          | 165          |
| Value of shares traded – top 40 index (J200 – Rbn)              | 3 464        | 3 069        |
| Trade prices  |              |              |
| Highest (cents per share)                                       | 3 475        | 2 783        |
| Lowest (cents per share)  | 2 502        | 2 039        |
| Last sale of period (cents per share)                           | 3 015        | 2 625        |
| Annualised percentage (%) change during year                    | 15           | 18           |
| Annualised percentage (%) change – life insurance sector (J857) | 11           | 28           |
| Annualised percentage (%) change – top 40 index (J200)          | -            | 31           |
| <b>30 June</b>  |              |              |
| Price/diluted core headline earnings (segmental) ratio          | 12.6         | 11.6         |
| Dividend yield % (dividend on listed shares)                    | 5.1          | 5.4          |
| Dividend yield % – top 40 index (J200)                          | 3.0          | 2.6          |
| <b>Total shares issued (million)</b>                            |              |              |
| Ordinary shares listed on JSE                                   | 1 572        | 1 570        |
| Treasury shares held on behalf of contract holders              | (14)         | (14)         |
| <b>Basic number of shares in issue</b>                          | <b>1 558</b> | <b>1 556</b> |
| Treasury shares held on behalf of contract holders              | 14           | 14           |
| Convertible redeemable preference shares                        | 32           | 34           |
| <b>Diluted number of shares in issue <sup>(1)</sup></b>         | <b>1 604</b> | <b>1 604</b> |
| Market capitalisation at end (Rbn) <sup>(2)</sup>               | 48           | 42           |
| Percentage (%) of life insurance sector                         | 13           | 12           |

1. 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.
2. The market capitalisation is calculated on the fully diluted number of shares in issue.