



MMI HOLDINGS

# **Summary of financial information**

**Unaudited results for the 6 months ended 31 December 2012**

# MMI HOLDINGS LIMITED GROUP

## DIRECTORS' STATEMENT

The directors take pleasure in presenting the unaudited abridged interim results of MMI Holdings financial services group for the period ended 31 December 2012. The preparation of the group's results was supervised by the group finance director, Preston Speckmann, BCompt (Hons), CA(SA).

## Corporate events and amalgamations

The transactions to acquire 55% of Eris Properties and the remaining 50% in Momentum Short-Term Insurance (MSTI) became unconditional during the current period.

As a preparatory step for the proposed legal amalgamation of the life insurance licences of Metropolitan Life Limited and Momentum Group Limited, Momentum Group Limited has changed its name to MMI Group Limited.

## Basis of presentation of financial information

These results have been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim financial reporting; the South African Companies Act of 2008; and the Listings Requirements of the JSE Limited (JSE). The accounting policies of the group are in terms of International Financial Reporting Standards (IFRS) and have been applied consistently to all the periods presented. The preparation of financial statements is in accordance with and contains the information required by IFRS and the AC 500 standards, as issued by the Accounting Practices Board or its successor, which requires the use of certain critical accounting estimates as well as the exercise of managerial judgement in the application of the group's accounting policies. Such critical judgments and accounting estimates are disclosed in detail in the group's integrated report for the year ended 30 June 2012, 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.

## Segmental information

The group operates through the following divisions: Momentum Retail, Metropolitan Retail, Momentum Employee Benefits, Metropolitan International, Momentum Investments, Metropolitan Health and shareholder capital (which includes the balance sheet management business unit).

## Reclassifications

The December 2011 and June 2012 results have been restated for the following reclassifications:

- Investments in collective investment schemes where the group holds between 20% and 50% of the issued units were previously disclosed as investments in associates. These investments have always been designated at fair value through income using the scope exemption in IAS 28 and disclosed as part of the investment in associates. Totalling R8 376 million as at 31 December 2011, these investments have been reallocated to financial instruments – investments in associates designated at fair value through income as this better reflects the nature thereof. The investment in associates' balance has therefore been restated from R8 663 million to R287 million.
- Carry positions of R1 304 million as at 31 December 2011, previously included in financial liabilities designated at fair value through income, have been set off against the assets designated at fair value through income as a result of further alignments and judgements related to financial instruments within the MMI group. The financial liabilities designated at fair value through income have therefore been restated from R13 085 million to R11 781 million and financial assets designated at fair value through income from R230 315 million to R229 011 million, respectively.

- The liquidity of certain items on the statement of financial position was also re-assessed, which resulted in reinsurance contracts and insurance and other receivables being moved on the statement of financial position.
- Further alignments within financial assets, regarding classification, have been made in the current period and as a result certain 31 December 2011 and 30 June 2012 balances have been restated. These alignments did not result in a change to the statement of financial position but only to certain detailed financial asset related tables.
- The comparative segmental information for December 2011 and June 2012 has been restated, where appropriate, to ensure alignment with the way in which the chief operating decision-maker, being the MMI executive committee, monitors and evaluates the performance of the various segments of the business.

These restatements had no impact on the current or prior reported earnings, diluted earnings or headline earnings per share, nor on the net asset value or the statement of cash flows.

### **Standards and interpretations of published standards effective for the period ended 31 December 2012 and relevant to the group**

- The following amendment to a standard became effective for the first time in the current period and had no impact on the group's earnings: IAS 1 (amendment) – Presentation of financial statements: presentation of items of other comprehensive income.
- The following amendment to a standard is effective for annual periods beginning on or after 1 January 2012, but was early adopted by the group for the June 2011 financial period: IAS 12 (amendment) – Income taxes: deferred tax – recovery of underlying assets.

### **Corporate governance**

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

### **Directorate changes and directors' shareholding**

John Newbury retired as a non-executive director on 26 November 2012 and we thank him for his invaluable input and support of the group over many years. On the same date, Ms N Motsei was appointed executive director to the board. All transactions in listed shares of the company involving directors were disclosed on SENS as required.

### **Capital commitments and contingent liabilities**

The group had no material capital commitments at 31 December 2012. The group is party to legal proceedings in the normal course of business, and appropriate provisions are made when losses are expected to materialise.

### **Events after the reporting period**

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

### **Dividend declaration for the interim period**

#### **Ordinary shares**

The dividend policy for ordinary listed shares, approved by the directors, is to provide shareholders with stable dividend growth, increasing to reflect the board's long-term view on the expected underlying basic core headline earnings growth. Exceptions will be made from time to time, in order to account for, inter alia, volatile investment markets, capital requirements and changes in legislation.

On 5 March 2013 a gross interim dividend of 51 cents per ordinary share was declared, payable out of income reserves to all holders of ordinary shares recorded in the register of the company at the close of

business on Thursday, 28 March 2013 and will be paid on Tuesday, 2 April 2013. The dividend will be subject to local dividends withholding tax at a rate of 15% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate. The STC credits utilised per share amount to 0.35597 cents per ordinary share. This will result in a net dividend, for those shareholders who are not exempt from paying dividend tax, of 43.40340 cents per ordinary share.

MMI's income tax number is 975 2050 147 and the number of ordinary shares in issue at the declaration date was 1 569 803 700. The last day to trade cum dividend will be Wednesday, 20 March 2013. The shares will trade ex dividend from the start of business on Friday, 22 March 2013. Share certificates may not be dematerialised or rematerialised between Friday, 22 March and Thursday, 28 March 2013, both days inclusive.

Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to certificated shareholders on or about payment date. Shareholders who hold dematerialised shares will have their accounts with their CSDP or broker credited on the payment date.

### Preference share dividend

Dividends of R22.6 million (132 cents per share p.a.) were declared on the unlisted A3 MMI preference shares. The declaration rate was determined as set out in the company's articles and the total preference dividend utilised STC credits of R157 949.

Signed on behalf of the board

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

Centurion  
6 March 2013

DIRECTORS: MJN Njeke (chairman), JP Burger (deputy chairman), NAS Kruger (group chief executive officer), FW van Zyl (deputy group chief executive officer), PE Speckmann (group finance director), N Motsei (executive), L Crouse, RB Gouws, F Jakoet, Prof JD Krige, PJ Moleketi, SA Muller, V Nkonyeni, SE Nxasana, KC Shubane, FJC Truter, BJ van der Ross, JC van Reenen, M Vilakazi SECRETARY: FD Jooste [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)

REGISTERED OFFICE: 268 West Avenue, Centurion

JSE CODE: MMI NSX CODE: MIM ISIN NO. ZAE0001149902

# MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.12.2012 Rm	Restated 31.12.2011 Rm	30.06.2012 Rm
<b>ASSETS</b>			
Intangible assets	12 097	11 935	11 998
Owner-occupied properties	1 504	1 446	1 464
Property and equipment	316	321	321
Investment properties	5 766	6 140	5 415
Investment in associates	68	287	127
Employee benefit assets	308	387	302
Financial instrument assets (1)	288 235	246 993	260 883
Reinsurance contracts	1 565	1 337	1 439
Deferred income tax	110	106	107
Properties under development	90	-	-
Insurance and other receivables	3 091	2 427	2 657
Current income tax assets	68	309	69
Cash and cash equivalents	21 333	16 527	16 957
Non-current assets held for sale	716	53	865
<b>Total assets</b>	<b>335 267</b>	<b>288 268</b>	<b>302 604</b>
<b>EQUITY</b>			
Equity attributable to owners of the parent	23 066	22 311	23 517
Preference shares	500	500	500
	<b>23 566</b>	<b>22 811</b>	<b>24 017</b>
Non-controlling interests	416	250	281
<b>Total equity</b>	<b>23 982</b>	<b>23 061</b>	<b>24 298</b>
<b>LIABILITIES</b>			
Insurance contract liabilities			
Long-term insurance contracts	95 787	84 710	88 116
Financial instrument liabilities			
Investment contracts	172 422	149 723	156 929
– with discretionary participation features	25 445	24 257	23 696
– designated at fair value through income	146 977	125 466	133 233
Other financial instrument liabilities (2)	20 926	14 844	18 140
Deferred income tax	4 279	4 049	3 934
Employee benefit obligations	1 136	736	1 206
Other payables	16 324	10 977	9 517
Provisions	164	104	153
Current income tax liabilities	247	64	311
<b>Total liabilities</b>	<b>311 285</b>	<b>265 207</b>	<b>278 306</b>
<b>Total equity and liabilities</b>	<b>335 267</b>	<b>288 268</b>	<b>302 604</b>

1. Financial instrument assets consist of the following:

Securities designated at fair value through income: R264 723 million (31.12.2011: R229 011 million; 30.06.2012: R236 129 million)

Investments in associates designated at fair value through income: R13 137 million (31.12.2011: R8 376 million; 30.06.2012: R14 333 million)

Derivative financial instruments: R4 461 million (31.12.2011: R2 865 million; 30.06.2012: R3 579 million)

Held-to-maturity assets: R75 million (31.12.2011: R51 million; 30.06.2012: R60 million)

Available-for-sale assets: R1 345 million (31.12.2011: R3 472 million; 30.06.2012: R2 902 million)

Loans and receivables: R4 494 million (31.12.2011: R3 218 million; 30.06.2012: R3 880 million)

2. Other financial instrument liabilities consist of the following:

Liabilities designated at fair value through income: R17 121 million (31.12.2011: R11 781 million; 30.06.2012: R15 246 million)

Derivative financial instruments: R2 837 million (31.12.2011: R1 776 million; 30.06.2012: R2 040 million)

Liabilities at amortised cost: R968 million (31.12.2011: R1 287 million; 30.06.2012: R854 million)

# MMI HOLDINGS – IFRS FINANCIAL INFORMATION

<b>CONDENSED CONSOLIDATED INCOME STATEMENT</b>	<b>6 mths to 31.12.2012 Rm</b>	<b>6 mths to 31.12.2011 Rm</b>	<b>12 mths to 30.06.2012 Rm</b>
Net insurance premiums received	12 585	9 625	18 694
Fee income <sup>(1)</sup>	2 689	2 612	5 248
Investment income	6 543	6 925	13 100
Net realised and fair value gains	21 013	4 720	13 989
<b>Net income</b>	<b>42 830</b>	<b>23 882</b>	<b>51 031</b>
Net insurance benefits and claims	10 647	9 345	18 976
Change in liabilities	9 257	1 606	3 354
Change in insurance contract liabilities	7 637	1 779	4 277
Change in investment contracts with DPF liabilities	1 748	(23)	(694)
Change in reinsurance provision	(128)	(150)	(229)
Fair value adjustments on investment contract liabilities	12 328	5 258	12 092
Fair value adjustments on collective investment scheme liabilities	967	63	619
Depreciation, amortisation and impairment expenses	566	489	1 008
Employee benefit expenses	2 447	1 948	3 874
Sales remuneration	1 581	1 508	2 850
Other expenses	1 947	1 834	3 711
<b>Expenses</b>	<b>39 740</b>	<b>22 051</b>	<b>46 484</b>
<b>Results of operations</b>	<b>3 090</b>	<b>1 831</b>	<b>4 547</b>
Share of profit/(loss) of associates	9	22	(7)
Finance costs <sup>(2)</sup>	(631)	(584)	(899)
<b>Profit before tax</b>	<b>2 468</b>	<b>1 269</b>	<b>3 641</b>
Income tax expenses	(972)	(454)	(1 304)
<b>Earnings</b>	<b>1 496</b>	<b>815</b>	<b>2 337</b>
<b>Attributable to:</b>			
Owners of the parent	1 468	805	2 301
Non-controlling interests	13	(5)	5
MMI Group Ltd preference shares	15	15	31
	<b>1 496</b>	<b>815</b>	<b>2 337</b>
Basic earnings per ordinary share (cents)	94	54	154
Diluted earnings per ordinary share (cents)	94	53	151

1. Fee income consists of the following:

- Investment contracts: R662 million (31.12.2011: R699 million; 30.06.2012: R1 455 million)
- Trust and fiduciary services: R913 million (31.12.2011: R882 million; 30.06.2012: R1 546 million)
- Health administration services: R901 million (31.12.2011: R878 million; 30.06.2012: R1 799 million)
- Other fee income: R213 million (31.12.2011: R153 million; 30.06.2012: R448 million)

2. Finance costs consist of the following:

- Preference shares issued by MMI Holdings Ltd: R23 million (31.12.2011: R46 million; 30.06.2012: R92 million)
- Subordinated redeemable debt: R56 million (31.12.2011: R57 million; 30.06.2012: R114 million)
- Cost of carry and derivative financial instruments: R477 million (31.12.2011: R465 million; 30.06.2012: R624 million)
- Other: R75 million (31.12.2011: R16 million; 30.06.2012: R69 million)

# MMI HOLDINGS – IFRS FINANCIAL INFORMATION

RECONCILIATION OF HEADLINE EARNINGS attributable to owners of the parent	Basic earnings			Diluted earnings		
	6 mths to 31.12.2012 Rm	6 mths to 31.12.2011 Rm	12 mths to 30.06.2012 Rm	6 mths to 31.12.2012 Rm	6 mths to 31.12.2011 Rm	12 mths to 30.06.2012 Rm
<b>Earnings</b>	<b>1 468</b>	805	2 301	<b>1 468</b>	805	2 301
Finance costs – convertible preference shares				<b>23</b>	46	92
<b>Diluted earnings</b>				<b>1 491</b>	851	2 393
Realised gains on available-for-sale financial assets	-	(12)	-	-	(12)	-
Intangible asset impairments	<b>1</b>	19	67	<b>1</b>	19	67
Profit on step-up of associate	<b>(54)</b>	-	(207)	<b>(54)</b>	-	(207)
Profit on sale of business	-	-	(3)	-	-	(3)
<b>Headline earnings</b> <sup>(1)</sup>	<b>1 415</b>	812	2 158	<b>1 438</b>	858	2 250
Net realised and fair value gains on excess basis and other changes and investment variances	<b>(232)</b>	(93)	(250)	<b>(232)</b>	(93)	(250)
Amortisation of intangible assets relating to business combinations	<b>(10)</b>	153	292	<b>(10)</b>	153	292
Secondary Tax on Companies (STC)	<b>302</b>	257	516	<b>302</b>	257	516
BEE cost <sup>(2)</sup>	-	88	144	-	88	144
Dilutory effect of subsidiaries <sup>(3)</sup>	-	25	3	-	25	3
Dilutory effect of subsidiaries <sup>(3)</sup>				<b>(12)</b>	(3)	(14)
Investment income on treasury shares – contract holders				<b>15</b>	9	14
<b>Core headline earnings</b> <sup>(4)</sup>	<b>1 475</b>	1 242	2 863	<b>1 501</b>	1 294	2 955

- Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes.
- This represents the cost of the BEE transaction in Namibia in the prior periods in terms of IFRS 2 – *Share based payments*.
- Metropolitan Health, Metropolitan Namibia and Metropolitan Kenya are consolidated at 100%, 96% and 96%, respectively, in the results. For the purposes of diluted core headline earnings, non-controlling interests and investment returns are reinstated.
- Core headline earnings disclosed comprise operating profit and investment income on shareholder assets. It excludes net realised and fair value gains on investment assets, investment variances and basis and other changes which can be volatile, STC (prior periods), 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 – IFRS FINANCIAL INFORMATION

<b>EARNINGS PER SHARE</b> (cents) attributable to owners of the parent	<b>6 mths to 31.12.2012</b>	6 mths to 31.12.2011	12 mths to 30.06.2012
<b>Basic</b>			
Core headline earnings	<b>95</b>	83	192
Headline earnings	<b>91</b>	54	145
Earnings	<b>94</b>	54	154
Weighted average number of shares (million)	<b>1 558</b>	1 489	1 491
<b>Diluted</b>			
Core headline earnings	<b>94</b>	81	184
Weighted average number of shares (million) <sup>(1)</sup>	<b>1 604</b>	1 605	1 605
Headline earnings	<b>90</b>	54	142
Earnings	<b>94</b>	53	151
Weighted average number of shares (million) <sup>(2)</sup>	<b>1 592</b>	1 590	1 590

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>2013</b>	2012
<b>Ordinary listed MMI Holdings Limited shares</b> (cents per share)		
Interim – March	<b>51</b>	44
Final – September		69
Total		<u>113</u>

A special dividend of 65 cents per share was declared in September 2012.

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

The A1 and A2 MMI preference shares were converted into MMI ordinary shares on a one-for-one basis in June 2012.

The A3 MMI preference shares are redeemable in June 2017 at a redemption value of R9.18 per share unless converted into MMI ordinary shares on a one-for-one basis. Dividends are payable at 132 cents per annum (payable March and September).



# MMI HOLDINGS – IFRS FINANCIAL INFORMATION

<b>CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME</b>	<b>6 mths to 31.12.2012 Rm</b>	<b>6 mths to 31.12.2011 Rm</b>	<b>12 mths to 30.06.2012 Rm</b>
Earnings	1 496	815	2 337
Other comprehensive income for the period, net of tax	69	80	121
Items that may be reclassified subsequently to income	17	48	68
Exchange differences on translating foreign operations	15	55	71
Available-for-sale financial assets	2	(7)	(3)
Items that will not be reclassified to income	52	32	53
Land and buildings revaluation	59	34	63
Change in non-distributable reserves	-	1	1
Income tax relating to items that will not be reclassified	(7)	(3)	(11)
<b>Total comprehensive income for the period</b>	<b>1 565</b>	<b>895</b>	<b>2 458</b>
<b>Total comprehensive income attributable to:</b>			
Owners of the parent	1 532	877	2 414
Non-controlling interests	18	3	13
MMI Group Ltd preference shares	15	15	31
	<b>1 565</b>	<b>895</b>	<b>2 458</b>

# MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6 mths to 31.12.2012 Rm	6 mths to 31.12.2011 Rm	12 mths to 30.06.2012 Rm
<b>Changes in share capital</b>			
Balance at beginning	13 814	13 421	13 421
Staff share scheme shares released	-	1	3
Treasury shares held on behalf of contract holders	31	21	2
Conversion of preference shares <sup>(1)</sup>	-	-	388
Share buy-back	(7)	-	-
Balance at end	<u>13 838</u>	<u>13 443</u>	<u>13 814</u>
<b>Changes in other reserves</b>			
Balance at beginning	1 572	1 466	1 466
Total comprehensive income	64	71	113
BEE cost	-	25	3
Transfer to retained earnings	(3)	(8)	(10)
Balance at end <sup>(2)</sup>	<u>1 633</u>	<u>1 554</u>	<u>1 572</u>
<b>Changes in retained earnings</b>			
Balance at beginning	8 131	7 454	7 454
Total comprehensive income	1 468	806	2 301
Dividend paid	(2 095)	(942)	(1 603)
Transactions with non-controlling interests	88	(12)	(31)
Transfer from other reserves	3	8	10
Balance at end	<u>7 595</u>	<u>7 314</u>	<u>8 131</u>
<b>Equity attributable to owners of the parent</b>	<u>23 066</u>	<u>22 311</u>	<u>23 517</u>
<b>MMI Group Ltd preference shares</b>			
Balance at beginning	500	500	500
Total comprehensive income	15	15	31
Dividend paid	(15)	(15)	(31)
Balance at end	<u>500</u>	<u>500</u>	<u>500</u>
<b>Changes in non-controlling interests</b>			
Balance at beginning	281	298	298
Total comprehensive income	18	3	13
Dividends paid	(9)	(5)	(3)
Transactions with owners	11	(46)	(27)
Business combinations	115	-	-
Balance at end	<u>416</u>	<u>250</u>	<u>281</u>
<b>Total equity</b>	<u>23 982</u>	<u>23 061</u>	<u>24 298</u>

1. The conversion of the preference shares in the year ended 30 June 2012 represents the conversion of the A1 and A2 MMI preference shares into ordinary shares on a one-for-one basis.

2. Other reserves consist of the following:

Land and buildings revaluation reserve: R580 million (31.12.2011: R513 million; 30.06.2012: R533 million)

Foreign currency translation reserve: R85 million (31.12.2011: R58 million; 30.06.2012: R74 million)

Fair value adjustment for preference shares issued by MMI: R940 million (31.12.2011: R940 million; 30.06.2012: R940 million)

Fair value reserve: R12 million (31.12.2011: R7 million; 30.06.2012: R11 million)

Non-distributable reserve: R13 million (31.12.2011: R11 million; 30.06.2012: R11 million)

Equity-settled share-based payments reserve: R3 million (31.12.2011: R25 million; 30.06.2012: R3 million)

# MMI HOLDINGS – IFRS FINANCIAL INFORMATION

<b>CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS</b>	<b>6 mths to 31.12.2012 Rm</b>	6 mths to 31.12.2011 Rm	12 mths to 30.06.2012 Rm
Net cash inflow/(outflow) from operating activities	7 384	(2 534)	(1 142)
Net cash outflow from investing activities	(910)	(474)	(697)
Net cash outflow from financing activities	(2 098)	(1 136)	(1 875)
<b>Net cash flow</b>	<b>4 376</b>	<b>(4 144)</b>	<b>(3 714)</b>
Cash resources and funds on deposit at beginning	16 957	20 671	20 671
<b>Cash resources and funds on deposit at end</b>	<b>21 333</b>	<b>16 527</b>	<b>16 957</b>

<b>PRINCIPAL ASSUMPTIONS (South Africa) <sup>(1)</sup></b>	<b>31.12.2012 %</b>	31.12.2011 %	30.06.2012 %
Pre-tax investment return			
Equities	10.5	11.8	11.3
Properties	8.0	9.3	8.8
Government stock	7.0	8.3	7.8
Other fixed interest stocks	7.5	8.8	8.3
Cash	6.0	7.3	6.8
Risk free return	7.0	8.3	7.8
Risk discount rate (RDR)	9.4	10.6	10.1
Investment return (before tax) – smoothed bonus	9.2	10.5	10.0
Expense inflation rate			
MMI Group Ltd	5.9	7.3	6.8
Metropolitan Life Ltd	4.9	6.8	5.8

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.

<b>NON-CONTROLLING INTERESTS</b>	<b>31.12.2012 %</b>	31.12.2011 %	30.06.2012 %
<b>Metropolitan</b>			
Metropolitan Health Group	17.6	17.6	17.6
Metropolitan Namibia	10.3	20.8	13.8
Metropolitan Health Namibia Administrators	49.0	49.0	49.0
Metropolitan Botswana	24.2	24.2	24.2
Metropolitan Kenya	33.7	33.7	33.7
Metropolitan Ghana	5.0	7.8	7.8
Metropolitan Nigeria	50.0	50.0	50.0
Metropolitan Swaziland	33.0	33.0	33.0
Eris Property Group (acquired in the current period)	45.7	-	-
<b>Momentum</b>			
Momentum Mozambique	25.0	25.0	25.0
Momentum Tanzania	33.0	33.0	33.0
Momentum Zambia	35.0	35.0	35.0
Momentum Health Ghana	4.8	20.0	20.0
Momentum Health Mauritius	5.0	5.0	5.0
Momentum Health Botswana	28.0	28.0	28.0

# MMI HOLDINGS – IFRS FINANCIAL INFORMATION

FINANCIAL INSTRUMENT ASSETS	31.12.2012 Rm	Restated 31.12.2011 Rm	Restated 30.06.2012 Rm
Equity securities	79 177	74 334	64 754
Debt securities	85 618	75 601	82 020
Funds on deposit and other money market instruments	13 048	13 131	12 477
Unit-linked investments	88 300	69 468	79 840
Derivative financial instruments	4 461	2 865	3 579
Loans and receivables	4 494	3 218	3 880
Investments in associates designated at fair value	13 137	8 376	14 333
<b>Total financial instrument assets</b>	<b>288 235</b>	<b>246 993</b>	<b>260 883</b>

ANALYSIS OF ASSETS UNDER MANAGEMENT	31.12.2012 Rm	Restated 31.12.2011 Rm	Restated 30.06.2012 Rm
<b>On-balance sheet assets</b>			
Managed and/or administered by Momentum Investments	195 020	167 366	173 627
Investment assets	133 205	114 154	113 325
Collective investment schemes	54 545	45 627	53 423
Properties	7 270	7 585	6 879
Linked product assets under administration	56 421	45 859	50 412
Managed internally or by other managers within MMI	23 372	18 686	20 195
Managed by external managers	37 561	35 518	34 990
Other assets	22 893	20 839	23 380
	<b>335 267</b>	<b>288 268</b>	<b>302 604</b>
<b>Off-balance sheet assets</b>			
Managed and/or administered by Momentum Investments	144 726	98 189	125 458
Collective investment schemes	73 063	52 379	65 585
Segregated assets and linked products	53 006	45 810	59 873
Properties	18 657	-	-
Managed internally or by other managers within MMI	4 522	3 878	4 161
Momentum Employee Benefits – segregated assets and linked products	531	170	498
Metropolitan Health	10 773	11 830	11 624
Linked product assets under administration	39 135	33 415	35 640
<b>Total assets under management</b>	<b>534 954</b>	<b>435 750</b>	<b>479 985</b>

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	31.12.2012		Restated 31.12.2011		Restated 30.06.2012	
	Rm	%	Rm	%	Rm	%
Equity securities	1 080	4.6	1 202	5.3	1 121	4.7
Preference shares	374	1.6	1 479	6.5	1 492	6.2
Collective investment schemes	535	2.3	1 232	5.4	966	4.0
Debt securities	4 393	18.6	3 956	17.3	4 900	20.4
Properties	1 991	8.5	1 794	7.9	1 906	7.9
Owner-occupied properties	1 290	5.5	1 165	5.1	1 172	4.8
Investment properties	701	3.0	629	2.8	734	3.1
Cash and cash equivalents and funds on deposit	9 126	38.7	7 220	31.7	7 608	31.7
Intangible assets	7 654	32.5	7 342	32.1	7 425	30.9
Other net assets	311	1.3	845	3.7	487	2.0
	<b>25 464</b>	<b>108.1</b>	<b>25 070</b>	<b>109.9</b>	<b>25 905</b>	<b>107.8</b>
Redeemable preference shares	(313)	(1.3)	(712)	(3.1)	(316)	(1.3)
Subordinated redeemable debt	(1 585)	(6.8)	(1 547)	(6.8)	(1 572)	(6.5)
<b>Shareholder excess per reporting basis</b>	<b>23 566</b>	<b>100.0</b>	<b>22 811</b>	<b>100.0</b>	<b>24 017</b>	<b>100.0</b>

# MMI HOLDINGS – IFRS FINANCIAL INFORMATION

## Business combinations – December 2012

### Momentum Short-term Insurance

As at 30 June 2012 MMI Group Limited (MGL) and OUTsurance Holdings Limited (OUTsurance) each owned 50% of the ordinary share capital of Momentum Short-term Insurance Company Limited (MSTI). As OUTsurance controlled MSTI, MGL accounted for the investment as an associate.

On 13 July 2012, MGL acquired the remaining 50% shareholding for R125 million in cash, which was based on the embedded value of MSTI. No goodwill was recognised on the transaction.

### Eris Property Group

On 29 October 2012, MMI Holdings Ltd (MMI) acquired 55% in Eris Property Group (Eris) for R329 million in cash. The group's property portfolio is currently managed by Eris and Momentum Properties. The transaction resulted in R191 million goodwill being recognised (not tax deductible).

Eris management and Kagiso Tiso Holdings Proprietary Limited (KTH), who were existing shareholders in Eris, also acquired further shares from MMI, resulting in an effective controlling interest for MMI of 54%.

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

	<u>Rm</u>
<b>Purchase consideration</b>	<b>454</b>
<b>Fair value of net assets</b>	
Intangible assets	276
Tangible assets	332
Financial instrument assets	353
Cash and cash equivalents	43
Other assets	17
Insurance contract liabilities	(50)
Financial instrument liabilities	(85)
Other liabilities	(368)
<b>Net identifiable assets acquired</b>	<b>518</b>
Fair value step-up of associate - MSTI (recognised in net fair value gains/(losses))	(67)
Derecognise investment in associate - MSTI (carrying value at acquisition date)	(73)
Non-controlling interests	(115)
Goodwill recognised	191
	<u>454</u>

The above two transactions contributed net income of R208 million and earnings of R22 million to the group results for the current period.

## MMI HOLDINGS – SEGMENTAL INFORMATION

6 mths to 31.12.2012	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan Inter- national Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Segmental total Rm	Other reconciling items <sup>(1)</sup> Rm	IFRS total Rm
<b>Revenue</b>										
Net insurance premiums	8 842	3 141	6 624	1 267	11 406	15	145	<b>31 440</b>	(18 855)	<b>12 585</b>
Recurring premiums	3 740	2 606	3 417	1 069	-	15	144	<b>10 991</b>	(2 026)	<b>8 965</b>
Single premiums	5 102	535	3 207	198	11 406	-	1	<b>20 449</b>	(16 829)	<b>3 620</b>
Fee income	1 028	45	384	100	746	873	59	<b>3 235</b>	(546)	<b>2 689</b>
Fee income	1 028	45	384	100	746	873	59	<b>3 235</b>	33	<b>3 268</b>
Inter-segmental fee income	-	-	-	-	-	-	-	-	(579)	<b>(579)</b>
<b>Expenses</b>										
Net payments to contract holders										
External payments	9 036	2 230	4 338	668	11 100	15	163	<b>27 550</b>	(16 903)	<b>10 647</b>
Other expenses	1 611	1 060	531	545	633	779	350	<b>5 509</b>	1 032	<b>6 541</b>
Sales remuneration	813	469	74	167	-	9	16	<b>1 548</b>	33	<b>1 581</b>
Administration expenses <sup>(2)</sup>	798	591	457	377	506	762	168	<b>3 659</b>	132	<b>3 791</b>
Amortisation due to business combinations and impairments	-	-	-	1	1	8	19	<b>29</b>	409	<b>438</b>
Direct property expenses	-	-	-	-	-	-	-	-	103	<b>103</b>
Asset management and other fee expenses	-	-	-	-	126	-	-	<b>126</b>	928	<b>1 054</b>
Holding company expenses	-	-	-	-	-	-	147	<b>147</b>	-	<b>147</b>
Inter-segmental expenses	-	-	-	-	-	-	-	-	(573)	<b>(573)</b>
<b>Diluted core headline earnings</b>	<b>522</b>	<b>242</b>	<b>163</b>	<b>39</b>	<b>74</b>	<b>66</b>	<b>395</b>	<b>1 501</b>	-	<b>1 501</b>
Operating profit	727	337	235	54	81	86	(11)	<b>1 509</b>	-	<b>1 509</b>
Tax on operating profit	(205)	(95)	(72)	(15)	(23)	(24)	64	<b>(370)</b>	-	<b>(370)</b>
Investment income	-	-	-	-	22	6	438	<b>466</b>	-	<b>466</b>
Tax on investment income	-	-	-	-	(6)	(2)	(96)	<b>(104)</b>	-	<b>(104)</b>
Actuarial liabilities	146 381	28 794	50 191	7 127	33 015	1	3 188	<b>268 697</b>	(488)	<b>268 209</b>

- The 'other reconciling items' column includes: an adjustment to reverse investment contract premiums (R18 948 million) and claims (R16 904 million); FNB Life adjustments reconciling the 10% of FNB Life included in each of the relevant lines to the accounting treatment of the reinsurance arrangement (premiums R93 million, claims R1 million, sales remuneration R36 million and expenses R61 million); direct property and asset management fees that are set off against investment income and fee income, respectively for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; and other minor adjustments to expenses (R71 million), sales remuneration (R3 million) and fee income (R33 million).
- Administration expenses for the current period include: Metropolitan International - R68 million relating to Momentum Namibia; Momentum Investments – R104 million relating to Eris Property Group and; Shareholder capital – R32 million relating to Momentum Short-Term Insurance.

## MMI HOLDINGS – SEGMENTAL INFORMATION

Restated 6 mths to 31.12.2011	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan Inter- national Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Segmental total Rm	Other reconciling items (1) Rm	IFRS total Rm
<b>Revenue</b>										
Net insurance premiums	7 649	3 009	4 731	945	4 755	14	-	<b>21 103</b>	(11 478)	<b>9 625</b>
Recurring premiums	3 633	2 423	2 907	796	-	14	-	<b>9 773</b>	(2 081)	<b>7 692</b>
Single premiums	4 016	586	1 824	149	4 755	-	-	<b>11 330</b>	(9 382)	<b>1 948</b>
Inter-segmental premiums	-	-	-	-	-	-	-	-	(15)	<b>(15)</b>
Fee income	1 058	73	319	20	480	852	26	<b>2 828</b>	(216)	<b>2 612</b>
Fee income	1 058	73	319	20	480	852	26	<b>2 828</b>	(5)	<b>2 823</b>
Inter-segmental fee income	-	-	-	-	-	-	-	-	(211)	<b>(211)</b>
<b>Expenses</b>										
Net payments to contract holders	7 724	2 386	4 557	580	5 794	11	799	<b>21 851</b>	(12 506)	<b>9 345</b>
External payments	7 724	2 386	4 557	580	5 794	11	799	<b>21 851</b>	(12 490)	<b>9 361</b>
Inter-segmental payments	-	-	-	-	-	-	-	-	(16)	<b>(16)</b>
Other expenses	1 652	958	500	419	416	775	236	<b>4 956</b>	823	<b>5 779</b>
Sales remuneration	813	435	80	127	1	-	-	<b>1 456</b>	52	<b>1 508</b>
Administration expenses	820	523	420	292	350	768	109	<b>3 282</b>	48	<b>3 330</b>
Amortisation due to business combinations and impairments	19	-	-	-	6	7	19	<b>51</b>	322	<b>373</b>
Direct property expenses	-	-	-	-	-	-	-	-	262	<b>262</b>
Asset management and other fee expenses (2)	-	-	-	-	59	-	-	<b>59</b>	382	<b>441</b>
Holding company expenses	-	-	-	-	-	-	108	<b>108</b>	-	<b>108</b>
Inter-segmental expenses	-	-	-	-	-	-	-	-	(243)	<b>(243)</b>
<b>Diluted core headline earnings</b>	<b>377</b>	<b>204</b>	<b>99</b>	<b>(3)</b>	<b>62</b>	<b>58</b>	<b>497</b>	<b>1 294</b>	-	<b>1 294</b>
Operating profit	520	282	124	(2)	71	74	121	<b>1 190</b>	-	<b>1 190</b>
Tax on operating profit	(143)	(78)	(25)	(1)	(22)	(24)	62	<b>(231)</b>	-	<b>(231)</b>
Investment income	-	-	-	-	18	9	386	<b>413</b>	-	<b>413</b>
Tax on investment income	-	-	-	-	(5)	(1)	(72)	<b>(78)</b>	-	<b>(78)</b>
Actuarial liabilities	125 209	30 672	42 448	4 786	29 003	2	2 313	<b>234 433</b>	-	<b>234 433</b>

1. The 'other reconciling items' column includes: an adjustment to reverse investment contract premiums (R11 567 million) and claims (R12 492 million); FNB Life adjustments reconciling the 10% of FNB Life included in each of the relevant lines to the accounting treatment of the reinsurance arrangement (premiums R104 million, fee income R1 million, claims R2 million, sales remuneration R57 million and expenses R55 million); direct property and asset management fees that are set off against investment income and fee income, respectively for management reporting purposes but shown as an expense for accounting purposes; the amortisation of the intangibles relating to business combinations; Namibian BEE cost (R30 million) and other minor adjustments to expenses (R37 million), sales remuneration (R5 million) and fee income (R6 million).

2. Momentum Investments asset management fee expense of R38 million has been off-set against fee income in the above table.

## MMI HOLDINGS – SEGMENTAL INFORMATION

Restated 12 mths to 30.06.2012	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan Inter- national Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Segmental total Rm	Other reconciling items <sup>(1)</sup> Rm	IFRS total Rm
<b>Revenue</b>										
Net insurance premiums	17 148	6 042	9 712	1 960	10 661	29	-	45 552	(26 858)	18 694
Recurring premiums	7 376	4 760	5 990	1 639	-	29	-	19 794	(4 547)	15 247
Single premiums	9 772	1 282	3 722	321	10 661	-	-	25 758	(21 847)	3 911
Inter-segmental premiums	-	-	-	-	-	-	-	-	(464)	(464)
Fee income	1 751	130	932	129	1 099	1 701	82	5 824	(576)	5 248
Fee income	1 751	130	932	129	1 099	1 701	82	5 824	(7)	5 817
Inter-segmental fee income	-	-	-	-	-	-	-	-	(569)	(569)
<b>Expenses</b>										
Net payments to contract holders	16 095	5 049	9 033	1 099	12 772	24	799	44 871	(25 895)	18 976
External payments <sup>(2)</sup>	16 095	5 049	9 033	1 099	12 772	24	799	44 871	(25 865)	19 006
Inter-segmental payments	-	-	-	-	-	-	-	-	(30)	(30)
Other expenses	3 217	1 863	991	841	959	1 560	477	9 908	1 535	11 443
Sales remuneration	1 582	778	166	247	4	-	-	2 777	73	2 850
Administration expenses	1 616	1 085	819	574	730	1 507	236	6 567	65	6 632
Amortisation due to business combinations and	19	-	6	20	12	53	40	150	614	764
Direct property expenses	-	-	-	-	-	-	-	-	302	302
Asset management and other fee expenses	-	-	-	-	213	-	-	213	1 050	1 263
Holding company expenses	-	-	-	-	-	-	201	201	-	201
Inter-segmental expenses	-	-	-	-	-	-	-	-	(569)	(569)
<b>Diluted core headline earnings</b>	1 064	438	249	57	125	133	889	2 955	-	2 955
Operating profit	1 472	609	351	77	146	170	218	3 043	-	3 043
Tax on operating profit	(408)	(171)	(102)	(20)	(40)	(51)	(28)	(820)	-	(820)
Investment income	-	-	-	-	27	17	855	899	-	899
Tax on investment income	-	-	-	-	(8)	(3)	(156)	(167)	-	(167)
Actuarial liabilities	131 252	31 064	43 898	6 326	30 055	1	2 902	245 498	(453)	245 045

- The 'other reconciling items' column includes: an adjustment to reverse investment contract premiums (R26 580 million) and claims (R25 868 million); FNB Life adjustments reconciling the 10% of FNB Life included in each of the relevant lines to the accounting treatment of the reinsurance arrangement (premiums R186 million; fee income R1 million, claims R3 million, sales remuneration R90 million and expenses R103 million); direct property and asset management fees that are set off against investment income and fee income, respectively for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; Namibian BEE cost (R3 million) and other minor adjustments to expenses (R41 million), sales remuneration (R17 million) and fee income (R8 million).
- The R799 million payments to contract holders in shareholder capital relates to the maturity of certain corporate policies administered by balance sheet management division.



## MMI HOLDINGS – SEGMENTAL INFORMATION

RECONCILIATION OF MOMENTUM INVESTMENTS	6 mths to 31.12.2012 Rm	6 mths to 31.12.2011 Rm	12 mths to 30.06.2012 Rm
<b>Revenue</b>			
Fee income	746	480	1 099
<b>Expenses and finance costs</b>	639	423	970
Other expenses	633	416	959
Finance costs	6	7	11
<b>Less non-controlling interest</b>	27	-	-
	80	57	129
<b>Core adjustments</b>	1	14	17
Impairments and amortisation of intangibles relating to business combinations	1	6	12
Other	-	8	5
<b>Operating profit before tax</b>	81	71	146

RECONCILIATION OF METROPOLITAN HEALTH	6 mths to 31.12.2012 Rm	6 mths to 31.12.2011 Rm	12 mths to 30.06.2012 Rm
<b>Revenue</b>	888	866	1 730
Net insurance premiums (excluding investment business)	15	14	29
Fee income	873	852	1 701
<b>Expenses and finance costs</b>	794	787	1 587
Net payments to contract holders (excluding investment business)	15	11	24
Other expenses	779	775	1 560
Finance costs	-	1	3
	94	79	143
<b>Core adjustments</b>	(8)	(5)	27
Impairments and amortisation of intangibles relating to business combinations	8	7	53
Adjustments for dilution	(7)	(5)	(17)
Other	(9)	(7)	(9)
<b>Operating profit before tax</b>	86	74	170

## MMI HOLDINGS – SEGMENTAL INFORMATION

PAYMENTS TO CONTRACT HOLDERS	6 mths to 31.12.2012 Rm	Restated 6 mths to 31.12.2011 Rm	12 mths to 30.06.2012 Rm
<b>Momentum Retail</b>	<b>9 036</b>	7 724	16 095
Death and disability claims	1 624	1 291	2 940
Maturity claims	2 649	2 209	4 844
Annuities	1 914	1 687	3 420
Withdrawal benefits	71	19	48
Surrenders	3 331	2 802	5 684
Re-insurance recoveries	(553)	(284)	(841)
<b>Metropolitan Retail</b>	<b>2 230</b>	2 386	5 049
Death and disability claims	683	644	1 030
Maturity claims	836	682	1 512
Annuities	268	375	761
Withdrawal benefits	33	19	37
Surrenders	626	829	1 796
Re-insurance recoveries	(216)	(163)	(87)
<b>Momentum Employee Benefits</b>	<b>4 338</b>	4 557	9 033
Death and disability claims	1 531	1 350	2 791
Maturity claims	203	204	471
Annuities	581	478	938
Withdrawals and surrenders	1 609	1 272	2 344
Terminations	74	293	676
Disinvestments	637	1 236	2 382
Re-insurance recoveries	(297)	(276)	(569)
<b>Metropolitan International</b>	<b>668</b>	580	1 099
Death and disability claims	270	218	455
Maturity claims	121	123	209
Annuities	43	26	51
Withdrawal benefits	40	54	95
Surrenders	173	140	266
Terminations	33	24	39
Disinvestments	1	4	5
Re-insurance recoveries	(13)	(9)	(21)
<b>Momentum Investments</b>			
Withdrawals	11 100	5 794	12 772
<b>Metropolitan Health</b>			
Claims	15	11	24
<b>Shareholder capital</b>			
Claims	163	799	799
<b>Total payments to contract holders</b>	<b>27 550</b>	21 851	44 871
Adjustment for payments to investment contract holders	(16 944)	(12 559)	(25 991)
Transfers between insurance, investment and investment with DPF contracts	40	67	123
FNB Life adjustment	1	2	3
Inter-segmental	-	(16)	(30)
<b>Net insurance benefits and claims per income statement</b>	<b>10 647</b>	9 345	18 976

## MMI HOLDINGS – SEGMENTAL INFORMATION

NET FUNDS RECEIVED FROM CLIENTS	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	6 mths to 31.12.2012 Net inflow/ (outflow) Rm	Restated 6 mths to 31.12.2011 Net inflow/ (outflow) Rm	Restated 12 mths to 30.06.2012 Net inflow/ (outflow) Rm
Momentum Retail	5 102	3 740	8 842	(9 036)	(194)	(75)	1 053
Metropolitan Retail	535	2 606	3 141	(2 230)	911	623	993
Momentum Employee Benefits	3 207	3 417	6 624	(4 338)	2 286	174	679
Metropolitan International	198	1 069	1 267	(668)	599	365	861
Momentum Investments	11 406	-	11 406	(11 100)	306	(1 039)	(2 111)
Shareholder capital	1	144	145	(163)	(18)	(799)	(799)
<b>Long-term insurance business cash flows</b>	20 449	10 976	31 425	(27 535)	3 890	(751)	676
Momentum Retail	6 528	-	6 528	(5 541)	987	1 293	2 542
Momentum Employee Benefits	12	48	60	(114)	(54)	5	332
Metropolitan International	495	-	495	(361)	134	(57)	(5)
Momentum Investments	36 161	4 499	40 660	(48 092)	(7 432)	847	1 019
Momentum Investments – Eris Property acquisition	18 678	-	18 678	-	18 678	-	-
Metropolitan Health	-	20 118	20 118	(11 888)	8 230	3 517	6 171
<b>Total net funds received from clients</b>	82 323	35 641	117 964	(93 531)	24 433	4 854	10 735

NUMBER OF EMPLOYEES	31.12.2012	31.12.2011	Restated 30.06.2012
Indoor staff	9 908	9 631	9 418
Momentum Retail	1 859	1 954	1 948
Metropolitan Retail	1 462	1 397	1 431
Momentum Employee Benefits	966	995	980
Metropolitan International	781	716	720
Momentum Investments	798	509	519
Metropolitan Health	3 109	3 091	2 961
Shareholder capital			
Balance sheet management	56	50	54
Group services	732	793	751
Short-term insurance	139	-	-
Redeployment centre	6	126	54
Field staff	5 844	5 585	5 694
Momentum Retail	387	489	433
Metropolitan Retail	4 344	3 899	4 179
Metropolitan International	1 113	1 197	1 082
<b>Total</b>	<b>15 752</b>	<b>15 216</b>	<b>15 112</b>

- The increase in the number of employees of Momentum Investments is mainly due to the acquisition of Eris with 280 employees.
- The June 2012 employees in the table above have been restated to exclude contractors and temporary employees.

# MMI HOLDINGS – STATEMENT OF ASSETS AND LIABILITIES

STATEMENT OF ASSETS AND LIABILITIES ON REPORTING BASIS	31.12.2012 Rm	Restated 31.12.2011 Rm	Restated 30.06.2012 Rm
Total assets	335 267	288 268	302 604
Actuarial value of policy liabilities	(268 209)	(234 433)	(245 045)
Other liabilities	(43 076)	(30 774)	(33 261)
Non-controlling interests	(416)	(250)	(281)
<b>Group excess per reporting basis</b>	<b>23 566</b>	<b>22 811</b>	<b>24 017</b>
Net assets – other businesses	(1 503)	(1 143)	(1 334)
Fair value adjustments on Metropolitan acquisition and other consolidation adjustments	(5 675)	(5 901)	(5 901)
<b>Excess – long-term insurance business, net of non-controlling interests <sup>(1)</sup></b>	<b>16 388</b>	<b>15 767</b>	<b>16 782</b>
<b>RECONCILIATION OF CHANGE IN LONG-TERM INSURANCE EXCESS TO THE INCOME STATEMENT</b>			
<b>Change in excess of long-term insurance business <sup>(1)</sup></b>	<b>(394)</b>	<b>(144)</b>	<b>871</b>
Increase in share capital	(21)	(65)	(345)
Change in other reserves	(37)	(39)	(60)
Dividend paid – ordinary shares	2 289	1 495	2 502
Change in non-controlling interests	(7)	(66)	(53)
Acquisition of Momentum Namibia	-	-	(117)
Other	(29)	-	-
<b>Total surplus arising, net of non-controlling interests</b>	<b>1 801</b>	<b>1 181</b>	<b>2 798</b>
Operating profit	1 237	997	2 309
Investment income on excess	377	238	520
Net realised and fair value gains on excess	179	124	242
Investment variances	189	6	(54)
Basis and other changes	(181)	(184)	(219)
Consolidation adjustments	(27)	1	(12)
<b>Earnings after non-controlling interest of long-term insurance business</b>	<b>1 774</b>	<b>1 182</b>	<b>2 786</b>
Earnings after non-controlling interests of other group businesses and consolidation adjustments	(83)	(154)	(39)
Amortisation of intangibles relating to the merger	(223)	(223)	(446)
<b>Earnings attributable to owners of the parent as per income statement</b>	<b>1 468</b>	<b>805</b>	<b>2 301</b>

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes certain items which are eliminated on consolidation. It also excludes non-insurance business.

## MMI HOLDINGS – STATEMENT OF ASSETS AND LIABILITIES

RECONCILIATION OF REPORTING EXCESS TO STATUTORY EXCESS	31.12.2012 Rm	31.12.2011 Rm	30.06.2012 Rm
<b>Reporting excess – long-term insurance business</b> <sup>(1)</sup>	<b>16 388</b>	15 767	16 782
Disregarded assets <sup>(2)</sup>	<b>(977)</b>	(1 106)	(998)
Difference between statutory and published valuation methods	<b>(452)</b>	(270)	(436)
Write down of subsidiaries and associates for statutory purposes	<b>(871)</b>	(772)	(1 209)
Unsecured subordinated debt	<b>1 576</b>	1 538	1 563
Consolidation adjustments	<b>(150)</b>	(69)	(56)
<b>Statutory excess – long-term insurance business</b>	<b>15 514</b>	15 088	15 646
Capital adequacy requirement (CAR) (Rm) <sup>(3)</sup>	<b>6 581</b>	6 521	6 641
Ratio of long-term insurance business excess to CAR (times)	<b>2.4</b>	2.3	2.4
Discretionary margins	<b>11 041</b>	9 785	9 974

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes certain items which are eliminated on consolidation. It also excludes non-insurance business.
2. Disregarded assets are those as defined in the South African Long Term Insurance Act 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 R576 million (31.12.2011: R604 million; 30.06.2012: R590 million).
3. Aggregation of separate company CAR's, with no assumption of diversification benefits.

# MMI HOLDINGS – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE RESULTS AS AT	31.12.2012 Rm	31.12.2011 Rm	30.06.2012 Rm
<b>Covered business</b>			
Reporting excess – long-term insurance business	16 388	15 767	16 782
Reclassification to non-covered business	(1 306)	(943)	(1 388)
	<b>15 082</b>	14 824	15 394
Disregarded assets <sup>(1)</sup>	(726)	(850)	(688)
Difference between statutory and published valuation methods	(452)	(270)	(436)
Dilutory effect of subsidiaries <sup>(2)</sup>	(31)	(52)	(30)
Consolidation adjustments <sup>(3)</sup>	(202)	(133)	(30)
Momentum Namibia adjustment <sup>(4)</sup>	-	(38)	(247)
Value of MMI Group Ltd preference shares issued	(483)	(500)	(480)
<b>Diluted adjusted net worth – covered business</b>	<b>13 188</b>	12 981	13 483
<b>Net value of in-force business</b>	<b>16 547</b>	13 843	14 910
<b>Diluted embedded value – covered business</b>	<b>29 735</b>	26 824	28 393
<b>Non-covered business</b>			
Net assets – non-covered subsidiaries of life insurance companies	1 306	943	1 388
Net assets – non-covered subsidiaries of the holding company	1 503	1 143	1 334
Consolidation adjustments <sup>(3)</sup>	(835)	(175)	(200)
Adjustments for dilution <sup>(5)</sup>	637	1 077	610
<b>Diluted adjusted net worth – non-covered business</b>	<b>2 611</b>	2 988	3 132
<b>Write up to directors' value</b>	<b>1 107</b>	999	947
Non-covered businesses	2 447	1 929	2 110
Holding company expenses <sup>(6)</sup>	(998)	(813)	(953)
International holding company expenses <sup>(6)</sup>	(342)	(117)	(210)
<b>Diluted embedded value – non-covered business</b>	<b>3 718</b>	3 987	4 079
Diluted adjusted net worth	15 799	15 969	16 615
Net value of in-force business	16 547	13 843	14 910
Write up to directors' value	1 107	999	947
<b>Diluted embedded value</b>	<b>33 453</b>	30 811	32 472
Required capital – covered business (adjusted for qualifying debt and preference shares)	8 095	8 107	7 858
Surplus capital – covered business	5 093	4 874	5 625
Diluted embedded value per share (cents)	2 086	1 920	2 023
Diluted adjusted net worth per share (cents)	985	995	1 035
Diluted number of shares in issue (million) <sup>(7)</sup>	1 604	1 605	1 605

- Disregarded assets include Sage intangible assets of R576 million (31.12.2011: R604 million; 30.06.2012: R590 million), goodwill and various other items.
- For accounting purposes, Metropolitan Health has been consolidated at 100%, while Metropolitan Namibia and Metropolitan Kenya have been consolidated at 96% for the current period, in the statement of financial position. 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.
- The carrying value of Momentum Namibia included in the reporting excess for the prior period was written down to the company's net asset value. For December 2012 this adjustment is already included in the reporting excess.
- Adjustments for dilution are made up as follows:
  - Dilutory effect of subsidiaries (note 2): R121 million (31.12.2011: R165 million; 30.06.2012: R74 million)
  - Staff share scheme loans: Rnil (31.12.2011: R2 million; 30.06.2012: Rnil)
  - Treasury shares held on behalf of contract holders: R203 million (31.12.2011: R198 million; 30.06.2012: R220 million)
  - Liability – MMI convertible preference shares issued to KTH: R313 million (31.12.2011: R712 million; 30.06.2012: R316 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 diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares and the release of staff share scheme shares, and includes the treasury shares held on behalf of contract holders.

## MMI HOLDINGS – EMBEDDED VALUE INFORMATION

ANALYSIS OF NET VALUE OF IN-FORCE BUSINESS PER DIVISION	31.12.2012 Rm	31.12.2011 Rm	Restated 30.06.2012 Rm
Momentum Retail <sup>(1)</sup>	8 588	7 973	8 029
Gross value of in-force business	10 036	9 529	9 587
Less cost of required capital	(1 448)	(1 556)	(1 558)
Metropolitan Retail	3 532	3 278	3 323
Gross value of in-force business	4 203	3 804	3 968
Less cost of required capital	(671)	(526)	(645)
Momentum Employee Benefits	2 386	1 365	1 992
Gross value of in-force business	3 079	2 145	2 609
Less cost of required capital	(693)	(780)	(617)
Metropolitan International	1 445	922	1 268
Gross value of in-force business	1 527	950	1 321
Less cost of required capital	(82)	(28)	(53)
Shareholder capital <sup>(1)</sup>	596	305	298
Gross value of in-force business <sup>(2)</sup>	596	315	298
Less cost of required capital	-	(10)	-
<b>Net value of in-force business</b>	<b>16 547</b>	<b>13 843</b>	<b>14 910</b>

### Notes

1. Net value of in-force of R93 million was transferred from Momentum Retail to Shareholder capital for June 2012, reflecting a change in the responsibility for managing financial options and guarantees (Advisory Practice Note 110).
2. The value of in-force in the Shareholder capital represents discretionary margins managed by Balance Sheet Management.

## MMI HOLDINGS – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE	Adjusted net worth Rm	Net value of in-force Rm	31.12.2012 Rm	31.12.2011 Rm	30.06.2012 Rm
<b>Covered business</b>					
MMI Group Ltd	6 777	10 479	17 256	16 239	16 644
Metropolitan Life Ltd	5 392	4 624	10 016	8 682	9 471
Metropolitan Odyssey Ltd	49	-	49	47	48
Metropolitan International	970	1 444	2 414	1 856	2 230
Metropolitan Life International	98	-	98	85	89
Metropolitan Namibia <sup>(1)</sup>	151	429	580	513	927
Momentum Namibia <sup>(1)</sup>	253	478	731	-	-
Metropolitan Botswana	109	94	203	202	215
Metropolitan Lesotho	218	354	572	487	539
Metropolitan Kenya	13	1	14	19	18
Metropolitan Ghana	27	17	44	42	26
Metropolitan Swaziland	20	2	22	19	21
Metropolitan Nigeria	73	(2)	71	54	59
Metropolitan Zambia	1	-	1	-	-
Other international businesses <sup>(1)</sup>	7	71	78	435	336
<b>Total covered business</b>	<b>13 188</b>	<b>16 547</b>	<b>29 735</b>	<b>26 824</b>	<b>28 393</b>
	<b>Adjusted net worth Rm</b>	<b>Write up to directors' value Rm</b>	<b>31.12.2012 Rm</b>	<b>31.12.2011 Rm</b>	<b>Restated 30.06.2012 Rm</b>
<b>Non-covered business</b>					
Momentum Investments <sup>(2)</sup>	820	866	1 686	1 514	1 453
Metropolitan Health <sup>(3)</sup>	287	1 237	1 524	1 435	1 603
Momentum Retail (Wealth) <sup>(4)</sup>	266	165	431	-	408
Shareholder capital (Momentum Short-Term Insurance)	157	139	296	136	160
Metropolitan International Holdings <sup>(5)</sup>	119	(302)	(183)	(117)	78
MMI Holdings (after consolidation adjustments) <sup>(5)</sup>	962	(998)	(36)	1 019	377
<b>Total non-covered business</b>	<b>2 611</b>	<b>1 107</b>	<b>3 718</b>	<b>3 987</b>	<b>4 079</b>
<b>Total embedded value</b>	<b>15 799</b>	<b>17 654</b>	<b>33 453</b>	<b>30 811</b>	<b>32 472</b>
Diluted net asset value – non-covered business	(2 611)				
Adjustments to covered business – adjusted net worth	3 200				
<b>Reporting excess – long-term insurance business</b>	<b>16 388</b>				

- The Momentum international businesses were transferred from non-covered to covered business at 30 June 2011. At 31 December 2012 Momentum Namibia has been shown separately, reflecting the conclusion of the purchase transaction.
- Momentum Investments subsidiaries are valued using forward Price Earnings multiples applied to the relevant sustainable earnings bases. December 2012 includes the valuation of Eris Properties Group.
- Metropolitan Health subsidiaries have been valued using Embedded Value methodology.
- Momentum Retail (Wealth) embedded value was included under covered business as at 31 December 2011.
- 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 – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Notes	Covered business			6 mths to 31.12.2012	6 mths to 31.12.2011	12 mths to 30.06.2012
		Adjusted net worth (ANW) Rm	Gross Value of in-force (VIF) Rm	Cost of CAR Rm	Total EV Rm	Total EV Rm	Total EV Rm
Profit from new business		(684)	1 128	(82)	362	333	723
Embedded value from new business	A	(684)	1 106	(82)	340	311	633
Expected return to end of period	B	-	22	-	22	22	90
Profit from existing business		1 675	(473)	65	1 267	402	2 350
Expected return – unwinding of RDR	B	-	886	(180)	706	736	1 518
Release from the cost of required capital	C	-	-	278	278	200	411
Expected (or actual) net of tax profit transfer to net worth	D	1 471	(1 471)	-	-	-	-
Operating experience variances	E	361	146	(3)	504	123	711
Operating assumption changes	F	(157)	(34)	(30)	(221)	(657)	(290)
<b>Embedded value profit from operations</b>		991	655	(17)	1 629	735	3 073
Investment return on adjusted net worth	G	507	-	-	507	369	870
Investment variances	H	225	638	126	989	(169)	(364)
Economic assumption changes	I	37	268	(130)	175	(37)	110
Acquisition of covered business		-	-	-	-	-	5
Exchange rate movements		6	4	-	10	26	18
<b>Embedded value profit – covered business</b>		1 766	1 565	(21)	3 310	924	3 712
Transfer of business from/(to) non-covered business		20	-	-	20	(5)	(523)
Capital transferred from/(to) non-covered business	J	186	93	-	279	(7)	(48)
Changes in share capital		21	-	-	21	13	365
Dividend paid		(2 301)	-	-	(2 301)	(1 495)	(2 498)
Change in reserves		13	-	-	13	37	28
<b>Change in embedded value – covered business</b>		(295)	1 658	(21)	1 342	(533)	1 036
<b>Non-covered business</b>							
Change in directors' valuation and other items					(38)	106	4
Holding company expenses					(177)	(16)	(248)
Secondary Tax on Companies allowance					-	62	6
<b>Embedded value profit – non-covered business</b>					(215)	152	(238)
Changes in share capital					(21)	(13)	(365)
Dividend paid					197	548	889
Finance costs – preference shares					(23)	(46)	(92)
Transfer of business (to)/from covered business					(20)	5	510
Capital transferred (to)/from covered business	J				(279)	7	41
<b>Change in embedded value – non-covered business</b>					(361)	653	745
<b>Total change in group embedded value</b>					981	120	1 781
<b>Total embedded value profit</b>					3 095	1 076	3 474
Return on embedded value (%) - internal rate of return					20.0%	7.1%	11.3%

# MMI HOLDINGS – EMBEDDED VALUE INFORMATION

## A. VALUE OF NEW BUSINESS

VALUE OF NEW BUSINESS	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Total Rm
<b>6 mths to 31.12.2012</b>					
Value of new business (1)	93	153	66	28	<b>340</b>
Gross	118	167	108	30	<b>423</b>
Less cost of required capital	(25)	(14)	(42)	(2)	<b>(83)</b>
New business premiums	5 965	1 090	3 381	300	<b>10 736</b>
Recurring premiums	539	557	253	156	<b>1 505</b>
Single premiums	5 426	533	3 128	144	<b>9 231</b>
New business premiums (APE)	1 083	610	566	170	<b>2 429</b>
New business premiums (PVP)	8 459	2 866	4 977	874	<b>17 176</b>
Profitability of new business as a % of APE	8.6	25.1	11.7	16.5	<b>14.0</b>
Profitability of new business as a % of PVP	1.1	5.3	1.3	3.2	<b>2.0</b>
<b>Restated</b>					
<b>6 mths to 31.12.2011</b>					
Value of new business (1)	73	151	52	13	<b>289</b>
Gross	97	163	70	13	<b>343</b>
Less cost of required capital	(24)	(12)	(18)	-	<b>(54)</b>
New business premiums	5 126	1 113	2 083	225	<b>8 547</b>
Recurring premiums	525	562	433	118	<b>1 638</b>
Single premiums	4 601	551	1 650	107	<b>6 909</b>
New business premiums (APE)	985	617	599	129	<b>2 330</b>
New business premiums (PVP)	7 503	2 826	4 503	707	<b>15 539</b>
Profitability of new business as a % of APE	7.4	24.5	8.7	10.1	<b>12.4</b>
Profitability of new business as a % of PVP	1.0	5.3	1.2	1.8	<b>1.9</b>
<b>Restated</b>					
<b>12 mths to 30.06.2012</b>					
Value of new business (1)	173	262	130	34	<b>599</b>
Gross	235	284	173	34	<b>726</b>
Less cost of required capital	(62)	(22)	(43)	-	<b>(127)</b>
New business premiums	11 518	2 282	4 458	497	<b>18 755</b>
Recurring premiums	1 054	1 035	790	228	<b>3 107</b>
Single premiums	10 464	1 247	3 668	269	<b>15 648</b>
New business premiums (APE)	2 100	1 159	1 157	255	<b>4 671</b>
New business premiums (PVP)	16 384	5 371	9 421	1 332	<b>32 508</b>
Profitability of new business as a % of APE	8.2	22.6	11.2	13.3	<b>12.8</b>
Profitability of new business as a % of PVP	1.1	4.9	1.4	2.6	<b>1.8</b>

- Value of new business and new business premiums are net of non-controlling interests.
  - The cost of capital for the international business for December 2011 and June 2012 is less than R1 million.
  - 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.
1. The Wealth off-balance sheet business has been excluded from covered business in the current period. The comparative value of new business information has been restated but the analysis of changes in embedded value has not been restated.

## MMI HOLDINGS – EMBEDDED VALUE INFORMATION

	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Total Rm
<b>6 mths to 31.12.2012</b>					
Value of new business	93	153	66	28	<b>340</b>
Gross	118	167	108	30	<b>423</b>
Less cost of required capital	(25)	(14)	(42)	(2)	<b>(83)</b>
<b>New business premiums</b>	<b>5 965</b>	<b>1 090</b>	<b>3 381</b>	<b>300</b>	<b>10 736</b>
Recurring premiums	539	557	253	156	<b>1 505</b>
Risk	269	390	110	-	<b>769</b>
Savings/Investments	270	167	143	-	<b>580</b>
International	-	-	-	156	<b>156</b>
Single premiums	5 426	533	3 128	144	<b>9 231</b>
Savings/Investments	5 179	250	1 548	-	<b>6 977</b>
Annuities	247	283	1 580	-	<b>2 110</b>
International	-	-	-	144	<b>144</b>
<b>New business premiums (APE)</b>	<b>1 083</b>	<b>610</b>	<b>566</b>	<b>170</b>	<b>2 429</b>
Risk	270	390	110	-	<b>770</b>
Savings/Investments	788	192	298	-	<b>1 278</b>
Annuities	25	28	158	-	<b>211</b>
International	-	-	-	170	<b>170</b>
<b>New business premiums (PVP)</b>	<b>8 459</b>	<b>2 866</b>	<b>4 977</b>	<b>874</b>	<b>17 176</b>
Profitability of new business as a % of APE	8.6	25.1	11.7	16.5	<b>14.0</b>
Profitability of new business as a % of PVP	1.1	5.3	1.3	3.2	<b>2.0</b>

## MMI HOLDINGS – EMBEDDED VALUE INFORMATION

	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Total Rm
<b>Restated</b>					
<b>6 mths to 31.12.2011</b>					
Value of new business	73	151	52	13	<b>289</b>
Gross	97	163	70	13	<b>343</b>
Less cost of required capital	(24)	(12)	(18)	-	<b>(54)</b>
New business premiums	5 126	1 113	2 083	225	<b>8 547</b>
Recurring premiums	525	562	433	118	<b>1 638</b>
Risk	294	394	277	-	<b>965</b>
Savings/Investments	231	168	156	-	<b>555</b>
International	-	-	-	118	<b>118</b>
Single premiums	4 601	551	1 650	107	<b>6 909</b>
Savings/Investments	4 248	299	859	-	<b>5 406</b>
Annuities	353	252	791	-	<b>1 396</b>
International	-	-	-	107	<b>107</b>
New business premiums (APE)	985	617	599	129	<b>2 330</b>
Risk	294	394	278	-	<b>966</b>
Savings/Investments	655	198	242	-	<b>1 095</b>
Annuities	36	25	79	-	<b>140</b>
International	-	-	-	129	<b>129</b>
New business premiums (PVP)	7 503	2 826	4 503	707	<b>15 539</b>
Profitability of new business as a % of APE	7.4	24.5	8.7	10.1	<b>12.4</b>
Profitability of new business as a % of PVP	1.0	5.3	1.2	1.8	<b>1.9</b>

## MMI HOLDINGS – EMBEDDED VALUE INFORMATION

	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Total Rm
<b>Restated</b>					
<b>12 mths to 30.06.2012</b>					
Value of new business	173	262	130	34	<b>599</b>
Gross	235	284	173	34	<b>726</b>
Less cost of required capital	(62)	(22)	(43)	-	<b>(127)</b>
<b>New business premiums</b>	<b>11 518</b>	<b>2 282</b>	<b>4 458</b>	<b>497</b>	<b>18 755</b>
Recurring premiums	1 054	1 035	790	228	<b>3 107</b>
Risk	566	735	419	-	<b>1 720</b>
Savings/Investments	486	300	368	-	<b>1 154</b>
Annuities	2	-	3	-	<b>5</b>
International	-	-	-	228	<b>228</b>
Single premiums	10 464	1 247	3 668	269	<b>15 648</b>
Savings/Investments	9 699	659	2 397	-	<b>12 755</b>
Annuities	765	588	1 271	-	<b>2 624</b>
International	-	-	-	269	<b>269</b>
<b>New business premiums (APE)</b>	<b>2 100</b>	<b>1 159</b>	<b>1 157</b>	<b>255</b>	<b>4 671</b>
Risk	566	734	419	-	<b>1 719</b>
Savings/Investments	1 456	366	608	-	<b>2 430</b>
Annuities	78	59	130	-	<b>267</b>
International	-	-	-	255	<b>255</b>
<b>New business premiums (PVP)</b>	<b>16 384</b>	<b>5 371</b>	<b>9 421</b>	<b>1 332</b>	<b>32 508</b>
Profitability of new business as a % of APE	8.2	22.6	11.2	13.3	<b>12.8</b>
Profitability of new business as a % of PVP	1.1	4.9	1.4	2.6	<b>1.8</b>

## MMI HOLDINGS – EMBEDDED VALUE INFORMATION

RECONCILIATION OF LUMP SUM INFLOWS	6 mths to 31.12.2012 Rm	Restated 6 mths to 31.12.2011 Rm	Restated 12 mths to 30.06.2012 Rm
<b>Total lump sum inflows</b>	<b>82 323</b>	36 906	105 090
<b>Inflows not included in value of new business</b>	<b>(73 453)</b>	(30 500)	(90 352)
Momentum Retail	<b>(6 582)</b>	(5 672)	(13 063)
Momentum Employee Benefits	<b>(53)</b>	(180)	(66)
Metropolitan International	<b>(573)</b>	(47)	(1 122)
Momentum Investments			
On-balance sheet inflows	<b>(11 406)</b>	(4 755)	(10 661)
Off-balance sheet inflows	<b>(54 839)</b>	(19 846)	(65 440)
Term extensions on maturing policies	<b>379</b>	427	885
Retirement annuity proceeds invested in living annuities	-	151	-
Non-controlling interests and other adjustments	<b>(18)</b>	(75)	25
<b>Single premiums included in value of new business</b>	<b>9 231</b>	6 909	15 648

### B. EXPECTED RETURN – UNWINDING OF RDR

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

### C. RELEASE FROM THE COST OF REQUIRED CAPITAL

The release from the cost of required capital represents the difference between the risk discount rate and the expected after tax investment return on the assets backing the required capital over the 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. While investment returns on certain explicit discretionary margin reserves were retained in the past, expected investment returns of R55 million (31.12.2011: R86 million; 30.06.2012: R146 million) on the statutory basis after tax (R68 million (31.12.2011: R101 million; 30.06.2012: R182 million) on the published basis after tax) have been released to earnings in the six months ended 31 December 2012 in conjunction with management's regular review of the adequacy of these margins in line with the accounting policy. This item is released from the value of in force as part of the item "Expected (or actual) net of tax profit transfer to net worth".

# MMI HOLDINGS – EMBEDDED VALUE INFORMATION

## E. OPERATING EXPERIENCE VARIANCES

OPERATING EXPERIENCE VARIANCES	Notes	6 mths to 31.12.2012			6 mths to	12 mths to
		ANW Rm	Net VIF Rm	EV Rm	31.12.2011 EV Rm	30.06.2012 EV Rm
<b>Momentum Retail</b>		22	(38)	(16)	(111)	76
Mortality and morbidity	1	115	3	118	33	154
Terminations, premium cessations and policy alterations	2	(22)	(20)	(42)	(67)	3
Expense variance		(10)	-	(10)	(38)	(23)
Other	3	(61)	(21)	(82)	(39)	(58)
<b>Metropolitan Retail</b>		7	(46)	(39)	18	7
Mortality and morbidity	1	44	2	46	72	92
Terminations, premium cessations and policy alterations	4	(11)	(29)	(40)	(52)	(76)
Expense variance		13	-	13	21	27
Other	5	(39)	(19)	(58)	(23)	(36)
<b>Momentum Employee Benefits</b>		89	177	266	21	147
Mortality and morbidity	1	56	-	56	(11)	53
Terminations	6	35	177	212	6	44
Expense variance		-	-	-	3	14
Other		(2)	-	(2)	23	36
<b>Metropolitan International</b>		41	31	72	(12)	38
Mortality and morbidity	1	31	(1)	30	28	62
Terminations, premium cessations and policy alterations		(7)	25	18	(34)	1
Expense variance		(3)	1	(2)	-	(18)
Other		20	6	26	(6)	(7)
<b>Shareholder capital</b>	7	202	26	228	232	328
<b>Opportunity cost of required capital</b>		-	(7)	(7)	(25)	115
<b>Total operating experience variances</b>		361	143	504	123	711

### Notes

- Overall, mortality and morbidity experience during the last six months was better compared to what was allowed for in the valuation basis.
- Unfavourable experience on mainly Wealth business, including impacts of reduction in negotiated fees.
- Mainly non-recurring costs related to strategic initiatives undertaken in the division.
- Mainly one-off items relating to Direct Marketing terminations and expense recoveries on withdrawals of smoothed bonus products. Corrective actions, including provisioning and modelling changes, have been taken during the current period.
- Mainly tax variances resulting from short term expense relief being lower than the long-term assumptions.
- Due to improved persistency and a migration towards less capital intensive products.
- The income recorded in respect of shareholder capital relates mostly to earnings from holding company activities and the management of MMI's capital and shareholder balance sheet risks. Other sources of earnings such as variations in actual tax payments and corporate expenses not allocated to underlying business units are also included here.

# MMI HOLDINGS – EMBEDDED VALUE INFORMATION

## F. OPERATING ASSUMPTION CHANGES

OPERATING ASSUMPTION CHANGES	Notes	6 mths to 31.12.2012			6 mths to	12 mths to
		ANW Rm	Net VIF Rm	EV Rm	31.12.2011 EV Rm	30.06.2012 EV Rm
<b>Momentum Retail</b>		(59)	(4)	<b>(63)</b>	548	(220)
Mortality and morbidity assumptions		-	-	-	-	11
Renewal expense assumptions		-	-	-	(9)	17
Termination assumptions		-	-	-	-	(7)
Modelling and methodology changes	1	(59)	(4)	<b>(63)</b>	(172)	(241)
Reallocation of margins from Shareholder capital		-	-	-	729	-
<b>Metropolitan Retail</b>		(58)	(15)	<b>(73)</b>	(10)	143
Mortality and morbidity assumptions		(2)	(1)	<b>(3)</b>	-	15
Renewal expense assumptions		(6)	1	<b>(5)</b>	7	(3)
Termination assumptions		3	1	<b>4</b>	2	3
Methodology changes	1	(23)	(23)	<b>(46)</b>	-	(6)
Other	2	(30)	7	<b>(23)</b>	(19)	134
<b>Momentum Employee Benefits</b>		25	2	<b>27</b>	25	296
Assumed mortality and morbidity profit margin		-	-	-	-	82
Termination assumptions		-	-	-	-	56
Renewal expense assumptions		-	4	<b>4</b>	13	109
Methodology changes	1	25	(2)	<b>23</b>	8	55
Other		-	-	-	4	(6)
<b>Metropolitan International</b>		(59)	(59)	<b>(118)</b>	(20)	(44)
Mortality and morbidity assumptions		(3)	(17)	<b>(20)</b>	-	1
Renewal expense assumptions	3	(30)	(10)	<b>(40)</b>	23	(8)
Termination assumptions		12	7	<b>19</b>	-	(7)
Modelling and methodology changes	4	(38)	(39)	<b>(77)</b>	(43)	(30)
<b>Shareholder capital</b>		(6)	12	<b>6</b>	(708)	(6)
Reallocation of margins to Momentum Retail		-	-	-	(729)	-
Other		(6)	12	<b>6</b>	21	(6)
<b>Methodology change: cost of required capital</b>		-	-	-	(492)	(459)
<b>Total operating assumption changes</b>		<b>(157)</b>	<b>(64)</b>	<b>(221)</b>	<b>(657)</b>	<b>(290)</b>

### Notes

1. Various model improvements within the divisions.
2. Mainly improvements to the modelling of paid-up policies.
3. Strengthening of expense reserving basis for certain International countries.
4. Various changes to models and methodology, including improvements to a) technical provisions for financial guarantees and b) the cost of required capital calculations affecting the net VIF.



# MMI HOLDINGS – EMBEDDED VALUE INFORMATION

## G. INVESTMENT RETURN ON ADJUSTED NET WORTH

INVESTMENT RETURN ON ADJUSTED NET WORTH	6 mths to 31.12.2012 Rm	6 mths to 31.12.2011 Rm	12 mths to 30.06.2012 Rm
Investment income	322	310	611
Capital appreciation	202	94	290
Preference share dividends paid and change in fair value of preference shares	(17)	(35)	(31)
<b>Investment return on adjusted net worth</b>	<b>507</b>	<b>369</b>	<b>870</b>

## H. 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.

## I. 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.

## J. CAPITAL TRANSFERRED FROM/(TO) NON-COVERED BUSINESS

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

## MMI HOLDINGS – EMBEDDED VALUE INFORMATION

COVERED BUSINESS: SENSITIVITIES – 31.12.2012	Adjusted net worth	In-force business			New business written		
		Net value	Gross value	Cost of CAR	Net value	Gross value	Cost of CAR
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
<b>Base value</b>	<b>13 188</b>	<b>16 547</b>	<b>19 441</b>	<b>(2 894)</b>	<b>340</b>	<b>423</b>	<b>(83)</b>
1% increase in risk discount rate % change		15 179 (8)	18 378 (5)	(3 199) 11	271 (20)	366 (13)	(95) 14
1% reduction in risk discount rate % change		17 967 9	20 513 6	(2 546) (12)	423 24	492 16	(69) (17)
10% decrease in future expenses % change <sup>(1)</sup>		17 471 6	20 365 5	(2 894) -	397 17	480 13	(83) -
10% decrease in lapse, paid-up and surrender rates % change		17 104 3	20 108 3	(3 004) 4	419 23	505 19	(86) 4
5% decrease in mortality and morbidity for assurance business % change		17 840 8	20 734 7	(2 894) -	426 25	509 20	(83) -
5% decrease in mortality for annuity business % change		16 298 (2)	19 183 (1)	(2 885) -	334 (2)	417 (1)	(83) -
1% reduction in gross investment return, inflation rate and risk discount rate % change <sup>(2)</sup>	13 259 1	16 738 1	19 693 1	(2 955) 2	392 15	473 12	(81) (2)
1% reduction in inflation rate % change	13 548 3	16 835 2	19 728 1	(2 893) -	376 11	459 9	(83) -
10% fall in market value of equities and properties % change	13 006 (1)	15 543 (6)	18 604 (4)	(3 061) 6			
10% reduction in premium indexation take-up rate % change		16 229 (2)	19 123 (2)	(2 894) -	316 (7)	399 (6)	(83) -
10% decrease in non-commission related acquisition expenses % change					392 15	475 12	(83) -
1% increase in equity/property risk premium % change		16 912 2	19 806 2	(2 894) -	350 3	433 2	(83) -

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 – STOCK EXCHANGE PERFORMANCE

STOCK EXCHANGE PERFORMANCE	31.12.2012	30.06.2012	31.12.2011	30.06.2011
<b>6 month period</b>				
Value of listed shares traded (rand million)	6 792	7 946	3 474	5 936
Volume of listed shares traded (million)	335	445	209	355
Shares traded (% of average listed shares in issue) <sup>(1)</sup>	43	59	28	47
Value of shares traded – life insurance (J857 – Rbn)	62	65	54	53
Value of shares traded – top 40 index (J200 – Rbn)	1 368	1 423	1 368	1 288
Trade prices				
Highest (cents per share)	2 232	1 976	1 876	1 775
Lowest (cents per share)	1 792	1 645	1 505	1 583
Last sale of period (cents per share)	2 217	1 800	1 710	1 699
Annualised percentage (%) change during period	52	11	1	5
Annualised percentage (%) change – life insurance sector (J857)	57	34	23	9
Annualised percentage (%) change – top 40 index (J200)	38	8	(1)	(1)
<b>31 December/30 June</b>				
Price/diluted core headline earnings (segmental) ratio	11.8	9.8	10.6	10.6
Dividend yield % (dividend on listed shares) <sup>(1)</sup>	5.4	6.3	6.3	6.2
Dividend yield % – top 40 index (J200) <sup>(1)</sup>	2.8	3.0	2.8	2.4
<b>Total shares issued (million)</b>				
Ordinary shares listed on JSE	1 570	1 571	1 504	1 504
Unlisted – share purchase scheme	-	-	1	1
<b>Total ordinary shares in issue</b>	<b>1 570</b>	<b>1 571</b>	<b>1 505</b>	<b>1 505</b>
Treasury shares held on behalf of contract holders	(11)	(13)	(15)	(14)
Adjustment to staff share scheme shares <sup>(2)</sup>	-	-	(1)	(1)
Share purchase scheme	-	-	(1)	(1)
<b>Basic number of shares in issue</b>	<b>1 559</b>	<b>1 558</b>	<b>1 489</b>	<b>1 490</b>
Adjustment to staff share scheme shares	-	-	1	1
Treasury shares held on behalf of contract holders	11	13	15	14
Convertible redeemable preference shares	34	34	100	100
<b>Diluted number of shares in issue <sup>(3)</sup></b>	<b>1 604</b>	<b>1 605</b>	<b>1 605</b>	<b>1 605</b>
Market capitalisation at end (Rbn) <sup>(4)</sup>	36	29	27	27
Percentage (%) of life insurance sector <sup>(1)</sup>	13	13	13	15

1. Percentages have been annualised.

2. These are shares which have been issued since 1 January 2001, the date on which the group adopted AC133 (now IAS 39).

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

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