



MMI HOLDINGS

ACHIEVING FOCUS

Results for the six months ended 31 December 2017

momentum



GUARDRISK 

multiply

Momentum, Metropolitan, Guardrisk and Multiply form part of MMI Holdings Group, an authorised financial services provider.



Financial Results

For 6 months ended 31 December 2017

Summary of key metrics

During the half year MMI Holdings has made good progress on further embedding its client-centric strategy and on investing in our core operations. Even though economic conditions remained challenging, we have seen progress come through from the measures previously communicated. We also believe the possible near-term turn in the economic cycle and improved levels of consumer and business confidence will enable us to reap the rewards of the various investments into our business.

MMI's diluted core headline earnings of R1 556m (97 cents per share) is down 3% year-on-year. Diluted core headline earnings has been negatively affected during the period by weaker persistency in Metropolitan Retail (R44m negative impact), weaker profitability in both new generation and legacy life products at Momentum Retail (R111m), and an increase in MMI's share of losses (R82m), in line with business plans, on new initiatives such as the India joint venture. The negative impacts were offset by mortality and morbidity experience which was R162m stronger in 1H2018, mainly as a result of much improved group underwriting results in Momentum Corporate. Core earnings were also aided by improved short-term underwriting profits (R43m) and by the impact of stronger investment returns on fee income (R108m).

MMI's operating businesses contributed R1.3 billion to core headline earnings, a 4% improvement year-on-year. If we exclude the three large ongoing investments (India, aYo and Money Management) the operating profit growth on the established businesses was 11%.

We have decided to update our dividend policy to be more consistent with our planned capital deployment and the projected profile of required capital under the SAM regime. Our old dividend policy targeted a cover range of 1.5x to 1.7x core headline earnings. In future we will target a dividend cover centred at 2.5x core headline earnings.

Given our current discount to embedded value (EV), we have opted to buy back shares in lieu of paying out cash dividends. We understand the importance of our decision to our shareholders and have not taken this decision lightly. In our opinion this is currently the most efficient use of capital and will enhance value for shareholders. We plan to distribute R2bn to shareholders through open market share buy-backs during the next 12 months.

New business volumes showed an improvement in the second quarter after a sluggish first quarter. Nonetheless, volumes are down 5% year-on-year to R20.3bn when measured on the present value of new business premiums

(PVNBP) basis. Momentum Retail and Metropolitan Retail both showed increased volumes of 3% and 9% respectively. We have seen specific improvements recently in our guaranteed endowment, offshore investment and recurring savings product flows. New business volumes in Momentum Corporate remains under pressure especially for single premium investment business and risk business sold to larger corporate schemes.

Value of new business declined by 1% to R288m. Margins showed improvement in 2Q18 and ended up flat year-on-year at 1.4%. Margins were particularly pleasing in Metropolitan Retail where acquisition costs increased less than sales volumes. We believe that the main driver of ongoing margin improvement will be to increase the productivity and scale of our various sales channels.

Group embedded value of R43.4bn was up 2% in the six months since June 2017. This equates to an embedded value per share of R27.05 on 31 December 2017. The annualised return of embedded value (ROEV) for the period was 11.2%. This shows a significant year-on-year improvement, largely driven by investment variances which reverted from a substantial negative amount to a material positive contribution during the current period. The ROEV on covered business was 15.5% during the period (11.4% excluding investment variances, interest rate changes and forex movements). The ROEV on non-covered business was disappointing at -5.4%. The biggest contributors to the weak non-covered ROEV were reduced valuations of our International operations, a more conservative valuation approach followed for Momentum Short-term Insurance, an increased allowance for Multiply expenses, and a reduction in the carry value of our domestic asset management subsidiaries.

Operating experience variation on the embedded value basis was positive in 1H2018. Mortality and morbidity variances of R176m were strongly positive (compared to R27m in prior year). Credit experience remained positive and our credit risk variance of R44m in 1H2018 was well above the R24m in 1H2017. These positive items were offset by higher than expected discounts to Multiply clients and a correction on reinsurance balances due.

Diluted headline earnings were R1 292m, up 27% year-on-year. The R277m difference between diluted headline earnings and diluted core headline earnings relates to amortisation of acquisition related intangibles and R113m to non-recurring items, offset to some extent by the more favourable fair value gains on shareholder funds and by positive investment variances during the six months.

Key metrics	1H2018	1H2017	Δ %
Diluted core headline earnings (Rm)	1 556	1 598	(3)
Diluted core headline earnings per share (cents)	97.0	99.6	(3)
Diluted headline earnings per share (cents)	81.4	64.0	27
Operating profit after new initiatives	1 312	1 264	4
Operating profit before new initiatives	1 457	1 311	11
New business volumes (PVNBP, Rm)	20 323	21 295	(5)
Value of new business (Rm)	288	292	(1)
New business margin (%)	1.4	1.4	-
Embedded value per share (cents)	2 705	2 648	2
Return on Embedded Value (%)	11.2	4.5	6.7

Analysis of Group earnings

Diluted core headline earnings of R1 556m for the period represents a 3% decrease for the six months. Operating profit growth was 4% year-on-year. If we exclude the three large ongoing investments (India, aYo and Money Management) the operating profit growth on the established businesses was 11%.

Momentum Retail

Momentum Retail's core headline earnings declined by 10% to R567m. Earnings from covered operations (life insurance) were down 16% to R 600m whereas losses from non-covered operations narrowed by around 60% to R33m.

The lower life insurance earnings were mainly due to releases of discretionary margin that were R108m lower than in 1H2017. While we expect the level of discretionary margin releases to steadily decline over time, the decline during the period was exceptional due to some discretionary margins being capitalised at the end of F2017 as well as the interaction between weak investment returns in F2017 and discretionary margins available for recognition in F2018.

In addition, expenses increased year-on-year mainly due to increased spend on initiatives such as growing our distribution footprint, Money Management, investment in the Momentum Wealth platform functionality and IT investments to improve the client and advisor experience.

Earnings were also negatively impacted by a reinsurance correction of R43m for a historical underpayment as well as higher than expected premium discounts offered to Multiply clients (R31m impact). Even though we have observed a negative impact due to the premium discounts, we have seen strong mortality and premium alteration experience on this engaged subset of clients, which partly offsets the impact of the premium discounts.

Non-covered business in Momentum Retail experienced an improved first six months, with losses declining by R48m year-on-year to a loss of R33m. Notably, MSTI's core earnings improved by R68m year-on-year due to very good growth in earned premiums, lower claims ratios, good expense management and recognition of a deferred tax asset.

Metropolitan Retail

Metropolitan Retail's core headline earnings declined by 15% to R317m, mainly due to weaker persistency experience

in policies aged 6 to 12 months, increased spending on new initiatives, including Metropolitan's share of the Money Management initiative. A reduction in reserve releases year-on-year and African Bank joint venture set up costs also negatively impacted core earnings. Strong mortality and morbidity experience, good expense management and commission payments growing by less than new business volumes aided core earnings.

Momentum Corporate

Momentum Corporate's core headline earnings increased by 42% to R455m driven by a significant improvement in covered underwriting performance. Group disability experience improved by around R80m year-on-year. Management initiatives around the underwriting experience such as premium re-ratings, increased focus on client servicing and the revised risk-pricing strategy have all contributed to the improved underwriting earnings performance. An emphasis on expense management and improved investment market performance for the six months also had a positive impact on earnings.

Guardrisk performed strongly and contributed R129m (up 42% year-on-year) to core headline earnings. Health contributed R50m and Eris R21m.

International

Core headline earnings have improved from a loss of R61m for the previous period to a loss of R27m for 1H2018. Results have improved by R29m due to better PHI claims experience in Namibia. Support costs in SA have declined by R20m year-on-year. These positives were offset to some extent by increased losses incurred in our start up initiatives aYo and the joint venture in India. The losses are in line with business plans, but show a marked increase compared to the previous year. We also saw a decline in the health insurance profits in Botswana and Lesotho.

Shareholder Capital

Investment income is down 18% for the period to R260m (net of tax). This is mainly driven by a the sale of a high-yielding property that was held in the shareholder portfolio during 1H2017, the proceeds of which are now invested in low-yielding assets such as development property. Finance costs on subordinated debt also increased as a result of R750m of new debt being issued during the period.

Core headline earnings (Rm)	1H2018	Restated 1H2017	Δ %
Momentum Retail	567	632	(10)
Metropolitan Retail	317	373	(15)
Momentum Corporate	455	320	42
International	(27)	(61)	56
Operating profit	1 312	1 264	4
Shareholder Capital	244	334	(27)
Diluted core headline earnings	1 556	1 598	(3)

New business commentary

New business volumes are down 5% to R20.3bn for the year when measured as PVNBP. The largest contributor to new business is Momentum Retail where volumes ended 3% higher for the period. Overall the new business margin remained stable at 1.4%.

Momentum Retail

Momentum Retail sales were 3% up over the year. New single premium new business increased by 1% while recurring premiums increased by 5%. In single premiums we have seen large increases on our offshore business as well as on the new Guaranteed Return Option product that was launched in October 2017. For recurring premiums, our core risk offering, Myriad, showed an increase of 8%.

The positive volume growth did not translate into value of new business growth, mainly because of higher growth in distribution related expenses. Value of new business decreased 16% to R89m and the new business margin of 0.8% was down from the 1.0% margin in the prior period.

Metropolitan Retail

Metropolitan grew recurring premium volumes by 4%. Risk sales increased by 4% while savings business increased by 5% year-on-year. Single premium new business was up 26%, mainly due to large inflows into preservation funds.

Value of new business increased by 38% to R130m mainly due to lower commission following a recalibration in some parts of our sales staff remuneration model, a favourable new business mix and the adoption of the yield curve methodology. New business margin increased to 4.5%.

Momentum Corporate

Momentum Corporate new business volume was down 24% for the year. New business volumes were lower in group risk business where the market pricing remains highly competitive. On-balance sheet investment flows were also weak during the year. Recurring premium savings business was aided by ongoing good demand for our FundsAtWork umbrella fund solution.

VNB in Corporate reduced by 4% to R44m, whereas new business margins increased from 0.7% to 0.9%. Considerable management action is being undertaken to restore the margins in this business.

International

International new business volumes were down 3% year-on-year. VNB was down 46% to R25m. The VNB was negatively impacted by an increase in expenses in Namibia and a significant fall in the volumes of the corporate business in Lesotho. New business margin was 1.8% for the six months.

Present Value of New Business Premiums (Rm)	1H2018	Restated 1H2017	Δ (%)
Momentum Retail	11 182	10 842	3
Metropolitan Retail	2 919	2 673	9
Momentum Corporate	4 855	6 366	(24)
International	1 367	1 414	(3)
MMI total PVNBP	20 323	21 295	(5)

Embedded Value

Our EV was R27.05 per share on 31 December 2017, representing an annualised ROEV of 11.2% over the period. ROEV excluding investment variances, forex movements, and economic assumption changes was 8.0%.

Our covered business continued to produce steady EV growth and generated ROEV of 15.5% (11.4% excluding market items). Our non-covered operations generated ROEV of -5.4%. The negative non-covered ROEV mainly relates to downward adjustments of some of the non-covered valuations such as our International operations, MSTI and SA asset management operations.

Experience variation

Our overall experience variation, including development expenses, for the period was positive R13m. Risk experience variances were strong in aggregate following the recovery in Momentum Corporate. Retail mortality and disability generated R119m of positive variances while Corporate generated a positive variance of R33m, compared to the R108m negative variance in the previous period. Our credit risk variance of R44m is well up on that achieved in the prior period.

Persistency variance was negative R43m across the group, with higher terminations in group risk as the result of highly competitive pricing observed across that market. Persistency also deteriorated in the lower-income market segments. Persistency in higher-income market segments remains in line with expectations. The negative expense variance for this period reflects the significant investment in our core business.

Non-covered EV earnings

Non-covered EV earnings amounted to negative R230m for the period. This was mainly due to the reduced valuation of our International operations, increased allowance for Multiply expenses, and reduction in the carry value of our domestic asset management subsidiaries. We also adopted a more conservative approach to our MSTI valuation in December 2017. Non-covered operations with positive ROEV contributions included Guardrisk, Eris, and our various health operations.

Embedded value profits(Rm)	EV total	ANW	Net VIF
New business	288	(757)	1 045
Unwind of RDR	1 292	-	1 292
Expected profit	-	1 896	(1 896)
Experience variance	13	7	6
Operating assumptions	(70)	-	(70)
Investment return on ANW	365	365	-
Investment variance	515	28	487
Economic assumption changes	161	30	131
FX translation effect	(12)	(8)	(4)
EV profit on non-covered	(230)	(230)	-
EV Profit	2 322	1 331	991

Capital, capital distribution and outlook

Our capital position remains solid on the current statutory basis and we had a buffer of R4.1bn on 31 December 2017 on our internal basis. The CAR cover ratio was 2.8x as of 31 December 2017 versus 2.7x as of 31 December 2016. On a forward looking Solvency Assessment and Management (SAM) basis MMI is also well capitalised after taking into account all capital deployment initiatives and planned capital distributions.

Rbn	Dec 2017	Jun 2017
NAV as per EV statement	16.1	16.3
Qualifying debt capital	4.4	3.6
Less: NAV in strategic subsidiaries	(4.4)	(3.7)
Less: Required capital	(9.6)	(10.1)
Capital buffer before deployment	6.4	6.2
Deployed for capital distribution	(1.0)	(1.5)
Deployed for strategic initiatives	(1.3)	(1.0)
Capital buffer	4.1	3.7

The capital buffer increased by roughly R400m compared to 30 June 2017. Note that required capital has reduced mainly due to improved investment market returns reducing the stress arising in the investment resilience test component of the CAR calculation.

Movement in capital buffer	Rbn
Capital buffer on 30 June 2017	3.7
Profit from covered business	1.6
Profit from non-covered business	(0.3)
Dividends and new capital	(1.0)
Increase in required capital	(0.3)
New subordinated debt raised	0.8
Change in strategic commitments	(0.3)
Capital buffer	4.1

Investors should note that actual capital investments during the period do not necessarily affect the capital buffer as these are usually provided for in the 'deployed for strategic initiatives' item. For clarity we can confirm that during the past six months we have invested c. R600m:

- c. R160m was invested into M&A activity and the African Bank JV
- c. R360m was invested into our International operations (including India and aYo)
- c. R70m was invested into Momentum Short-term Insurance

Capital distribution

We have decided to review our dividend policy as the existing policy was becoming inconsistent with our capital deployment plans given sustainable earnings levels as well as the need to maintain steady capital ratios under the SAM regime. Our previous dividend policy referenced core headline earnings and targeted a cover range of 1.5x to 1.7x. In future we will target

a dividend cover range centred around 2.5x core headline earnings. We are also planning on migrating from core headline earnings to normalised headline earnings as our primary earnings measure. We are currently reviewing the impact that this, and of the introduction of IFRS17, on future earnings volatility. On completion of this work we will communicate more detail on the new dividend policy; especially on the dividend cover range.

Given that our shares are valued at a discount to embedded value, we have opted to buy back shares in lieu of paying out dividends. We understand the importance of our decision to our shareholders and have not taken this decision lightly. In our opinion this is the most efficient use of capital and will enhance value for shareholders. We plan to distribute R2bn to shareholders through open market share buy-backs during the next year. Should the share price recover and the discount to EV close, we will reinstate cash dividends. Note that the current repurchase program represents a more generous capital distribution than that implied by the new dividend policy. This is because the share buy-back provides us with greater flexibility and because the current discount to EV makes the repurchase program an attractive investment for our discretionary capital. We also plan to be more active with regards to capital management going forward and the share repurchase program is an early illustration of that.

Strategy update

We remain committed to our client-centric strategy that is purposefully focused on providing for our clients' needs in order to enhance their lifetime Financial Wellness. At the same time we continue to refine the actions and decisions to optimise delivery on our strategy aspirations. Investors should be aware that:

- The business is increasingly focused on execution, with strategy now well ingrained in the various business areas;
- We are starting to see the benefit of the execution focus coming through in a number of areas such as our product offering, technology environment, and footprint growth in Momentum Retail.
- We have commenced the exit of a number of African countries to improve focus on remaining operations.
- We continue to invest in our Multiply programme and see it as a key component of our client engagement strategy;
- We continue to invest in our existing distribution channels and to look for new distribution channels; the African Bank joint venture is one manifestation of this focus.

We acknowledge that we have had significant leadership changes over the last twelve months, but under the new CEO, Hillie Meyer, we expect more stability going forward. The priority at present is to put in place a new and enduring management team for both Momentum Retail and Metropolitan Retail. We will communicate this to the market in due course.



Summary of financial information

Results for the 6 months ended 31 December 2017

DIRECTORS' STATEMENT

The directors take pleasure in presenting the unaudited summarised interim results of MMI Holdings financial services group for the period ended 31 December 2017. The preparation of the group's results was supervised by the group finance director, Risto Ketola (FIA, FASSA, CFA).

Corporate events

Listed debt

MMI Group Ltd listed new instruments to the total value of R750 million on the JSE Ltd on 4 December 2017. The instruments are unsecured subordinated callable notes.

Basis of preparation of financial information

These summarised consolidated interim financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS); International Accounting Standard 34 (IAS 34) – Interim financial reporting (with the exception of disclosures required in terms of paragraph 16A(j)); the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; the JSE Listings Requirements and the South African Companies Act, 71 of 2008. The accounting policies applied in the preparation of these financial statements are in terms of IFRS and are consistent with those adopted in the previous years except as described below. Critical judgements and accounting estimates are disclosed in detail in the group's integrated report for the year ended 30 June 2017, including changes in estimates that are an integral part of the insurance business. The group is exposed to financial and insurance risks, details of which are also provided in the group's integrated report.

New and revised standards effective for the period ended 31 December 2017 and relevant to the group

- The following amendments to standards and interpretations became effective for the first time in the current period and had no impact on the group's earnings or net asset value: Amendments to IAS 7 Cash flow statements and IAS 12 Income taxes.
- 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.

Segmental report

The client-centric reporting view reflects the following segments:

Momentum Retail: Momentum Retail offers a wide range of financial solutions to middle and affluent market segments. Our product range spans all major insurance lines (life, disability, health, motor, property, and all-risks) and a wide range of savings and investment products. We differentiate our business through the quality of our advice channels and our commitment to high levels of client engagement to encourage our clients to make choices that optimise their financial and physical wellness. Our most popular product solutions are retirement savings and life insurance. Momentum Retail is closely associated with Multiply, our client engagement programme. Clients who have Multiply active on their policies enjoy premium discounts, partner rewards and access to personal financial management tools.

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Segmental report (continued)

Metropolitan Retail: Metropolitan Retail is a long-established life insurance provider in the lower- and middle-income segments. Metropolitan Retail's most popular products include funeral plans, savings policies, underwritten life cover policies, and annuities. Our funeral plans are low sum insured whole life policies designed to pay for funeral costs. To extend our distribution channels and expand our solutions basket, Metropolitan recently partnered with African Bank to offer insurance and lending products to the existing Metropolitan client base.

Momentum Corporate: Momentum Corporate provides insurance, administration and investment services to employee groups in the private and public sectors. The business is one of the largest underwriters of death and disability insurance in the corporate market. We also have a strong market share in umbrella funds (multi-employer retirement schemes) and annuity solutions.

International: MMI International operates in the rest of Africa, India and the United Kingdom. We offer a wide range of solutions in these areas, with a focus on life, health and short-term insurance products. In Africa, life insurance is offered in nine countries and health insurance offered in seven as well as in India. Our Multiply wellness programme is only active in India at present, where it complements the health insurance offering. We have announced our plan to exit a number of African countries to improve focus on remaining operations.

Shareholder Capital: The Shareholder Capital segment reflects investment income on capital held to support operations, earnings from start-up ventures not yet allocated to other segments, and some costs not allocated to operating segments (eg certain holding company expenses).

The product houses support the segments to deliver best of breed product solutions that segments can distribute to clients. There are five of these centres of excellence supporting the segments, namely: Investments and savings, Life Insurance, Health, Short-term Insurance and Client Engagement Solutions. Each of the centres of excellence design solutions that meet unique Financial Wellness needs of clients as identified by our segment business.

Corporate governance

The board has satisfied itself that appropriate principles of corporate governance (King IV) were applied, where possible, throughout the period under review.

Changes to the directorate, secretary and directors' shareholding

On 9 October 2017, Voyt Krzychylkiewicz resigned from the board. On 24 November 2017, Ben van der Ross retired from the board. On 16 January 2018, Risto Ketola was appointed to the board. On 15 February 2018, Nicolaas Kruger stepped down from the board and as CEO. On the same date, Hillie Meyer was appointed to the board as CEO. On 1 March 2018, Jeanette Marais was appointed to the board and as deputy CEO. On 31 March 2018, Mary Vilakazi will be resigning from the board and as deputy CEO.

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

MMI HOLDINGS GROUP

Changes to the group executive committee

Change in roles

Mary Vilakazi	Deputy CEO and CEO Momentum Retail and Metropolitan Retail (previously also Group Finance Director)
Risto Ketola	Group Finance Director (previously Group Chief Financial Officer)
Thinus Alsworth-Elvey	CEO Momentum Corporate (previously also CEO Momentum Investments)

<i>Appointments/resignations</i>	<i>Role</i>	<i>Appointments</i>	<i>Resignations</i>
Innocent Dutiro	CEO International		30 September 2017
Nontokoza Madonsela	Group Chief Marketing Officer	9 October 2017	
Khanyi Nzukuma	CEO Momentum Retail and acting CEO Metropolitan Retail		31 December 2017
Andrew Le Roux	Chief Business Transformation Officer	1 January 2018	
Nicolaas Kruger	Group CEO		15 February 2018
Hillie Meyer	Group CEO	15 February 2018	
Peter Tshiguvho	Metropolitan Retail: Head of Channel	26 February 2018	
Jeanette Marais	Deputy CEO and CEO Momentum Investments	1 March 2018	
Mary Vilakazi	Deputy CEO and CEO Momentum Retail and Metropolitan Retail		31 March 2018

Contingent liabilities and capital commitments

The group is party to legal proceedings and appropriate provisions are made when losses are expected to materialise. The group had no material capital commitments at 31 December 2017 that were not in the ordinary course of business.

Events after the reporting period

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

MMI HOLDINGS GROUP

Interim dividend declaration

Ordinary shares

- No interim dividend has been declared.

Preference shares

- Dividends of R18.5 million (2016: R19.5 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.

Share buy-back program

- The group will distribute capital to shareholders by means of repurchasing shares, in lieu of paying a dividend. Up to R2 billion will be used to buy back shares in this repurchase program during the next 12 months.

Directors' responsibility

The preparation of these results are the responsibility of the directors. This announcement does not include the information required by paragraph 16A(j) of IAS 34. The summarised interim results have not been reviewed or audited by the external auditors. The full summarised IAS 34 compliant results (including paragraph 16A(j)) 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.

Signed on behalf of the board

JJ Njeke *Chairman*

Hillie Meyer *Group chief executive officer*

Centurion

6 March 2018

DIRECTORS: MJN Njeke (chairman), LL von Zeuner (deputy chairman), HP Meyer (group chief executive officer), J Marais (deputy chief executive), M Vilakazi (deputy chief executive), RS Ketola (group finance director), P Cooper, F Jakoet, Prof SC Jurisich, Prof JD Krige, PJ Moleketi, SA Muller, V Nkonyeni, KC Shubane, FJC Truter, JC van Reenen

GROUP COMPANY SECRETARY: Maliga Chetty

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SPONSOR – NAMIBIA: Simonis Storm Securities (Pty) Ltd

AUDITORS: PricewaterhouseCoopers Inc

REGISTERED OFFICE: 268 West Avenue, Centurion 0157

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

SENS ISSUE: 7 March 2018

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.12.2017 Rm	31.12.2016 Rm	30.06.2017 Rm
ASSETS			
Intangible assets	11 007	11 996	11 260
Owner-occupied properties	4 250	3 324	4 105
Property and equipment	365	386	389
Investment properties	7 346	7 484	7 340
Investments in associates and joint ventures	626	654	595
Employee benefit assets	421	460	410
Financial assets designated at fair value through income	394 058	367 138	369 205
Investments in associates designated at fair value through income	11 821	13 099	15 039
Derivative financial assets	2 935	2 180	2 439
Available-for-sale financial assets	7	64	18
Held-to-maturity financial assets	396	507	397
Loans and receivables	6 453	7 240	7 293
Reinsurance contract assets	5 216	4 850	4 495
Deferred income tax	258	328	249
Properties under development	116	249	111
Insurance and other receivables	4 781	4 250	4 621
Current income tax assets	477	548	581
Cash and cash equivalents	27 275	24 980	27 353
Total assets	477 808	449 737	455 900
EQUITY			
Equity attributable to owners of the parent	22 763	23 543	22 956
Non-controlling interests	299	254	292
Total equity	23 062	23 797	23 248
LIABILITIES			
Insurance contract liabilities			
Long-term insurance contracts	111 173	106 465	106 581
Short-term insurance contracts	8 088	6 984	7 661
Investment contracts	271 162	254 083	257 772
– with discretionary participation features (DPF)	25 086	24 462	24 338
– designated at fair value through income	246 076	229 621	233 434
Financial liabilities designated at fair value through income	41 730	36 581	37 331
Derivative financial liabilities	1 854	1 968	1 827
Financial liabilities at amortised cost	1 238	1 150	1 229
Reinsurance contract liabilities	1 475	931	1 368
Deferred income tax	3 371	3 595	3 198
Employee benefit obligations	998	1 165	1 334
Other payables	13 480	12 860	14 128
Provisions	55	30	57
Current income tax liabilities	122	128	166
Total liabilities	454 746	425 940	432 652
Total equity and liabilities	477 808	449 737	455 900

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED INCOME STATEMENT	6 mths to 31.12.2017 Rm	6 mths to 31.12.2016 Rm	12 mths to 30.06.2017 Rm
Net insurance premiums	14 688	14 072	28 191
Fee income ⁽¹⁾	3 852	3 851	7 411
Investment income	9 750	9 364	18 958
Net realised and fair value gains/(losses)	18 689	(6 630)	183
Net income	46 979	20 657	54 743
Net insurance benefits and claims	12 268	12 241	24 441
Change in actuarial liabilities and related reinsurance	4 573	(2 418)	(2 267)
Change in long-term insurance contract liabilities	4 172	(1 390)	(1 437)
Change in short-term insurance contract liabilities	(25)	(81)	(86)
Change in investment contracts with DPF liabilities	749	(731)	(855)
Change in reinsurance assets	(386)	(172)	(278)
Change in reinsurance liabilities	63	(44)	389
Fair value adjustments on investment contract liabilities	14 986	(301)	6 650
Fair value adjustments on collective investment scheme liabilities	1 422	(1 572)	688
Depreciation, amortisation and impairment expenses	614	669	1 665
Employee benefit expenses	2 755	2 605	5 249
Sales remuneration	2 923	2 763	5 283
Other expenses	3 693	3 641	7 367
Expenses	43 234	17 628	49 076
Results of operations	3 745	3 029	5 667
Share of loss of associates and joint ventures	(92)	(39)	(126)
Finance costs ⁽²⁾	(539)	(523)	(1 023)
Profit before tax	3 114	2 467	4 518
Income tax expense	(1 852)	(1 445)	(2 937)
Earnings for the period	1 262	1 022	1 581
Attributable to:			
Owners of the parent	1 247	1 015	1 536
Non-controlling interests	15	7	45
	1 262	1 022	1 581
Basic earnings per ordinary share (cents)	80.0	65.0	98.4
Diluted earnings per ordinary share (cents)	79.4	64.6	98.1

1. Fee income consists of the following:
 - Investment contracts: R1 266 million (31.12.2016: R1 276 million; 30.06.2017: R2 477 million)
 - Trust and fiduciary services: R805 million (31.12.2016: R839 million; 30.06.2017: R1 608 million)
 - Health administration: R892 million (31.12.2016: R946 million; 30.06.2017: R1 764 million)
 - Other fee income: R889 million (31.12.2016: R790 million; 30.06.2017: R1 562 million)
2. Finance costs consist of the following:
 - Preference shares issued by MMI: R57 million (30.12.2016: R58 million; 30.06.2017: R113 million)
 - Subordinated debt: R190 million (31.12.2016: R176 million; 30.06.2017: R351 million)
 - Cost of carry positions: R195 million (31.12.2016: R202 million; 30.06.2017: R408 million)
 - Other: R97 million (31.12.2016: R87 million; 30.06.2017: R151 million)

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6 mths to 31.12.2017 Rm	6 mths to 31.12.2016 Rm	12 mths to 30.06.2017 Rm
Earnings for the period	1 262	1 022	1 581
Other comprehensive loss, net of tax	(37)	(164)	(103)
Items that may subsequently be reclassified to income	(78)	(180)	(224)
Exchange differences on translating foreign operations	(79)	(175)	(218)
Available-for-sale financial assets	(1)	(1)	(4)
Share of other comprehensive income/(loss) of associates	2	(4)	(2)
Items that will not be reclassified to income	41	16	121
Land and building revaluation	49	49	142
Remeasurements of post-employee benefit funds	(11)	(24)	11
Income tax relating to items that will not be reclassified	3	(9)	(32)
Total comprehensive income for the period	1 225	858	1 478
Total comprehensive income attributable to:			
Owners of the parent	1 209	850	1 434
Non-controlling interests	16	8	44
	1 225	858	1 478

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

RECONCILIATION OF HEADLINE EARNINGS attributable to owners of the parent	Basic earnings			Diluted earnings		
	6 mths to 31.12.2017 Rm	6 mths to 31.12.2016 Rm	12 mths to 30.06.2017 Rm	6 mths to 31.12.2017 Rm	6 mths to 31.12.2016 Rm	12 mths to 30.06.2017 Rm
Earnings	1 247	1 015	1 536	1 247	1 015	1 536
Finance costs – convertible preference shares				21	20	39
Dilutory effect of subsidiaries ⁽¹⁾				(7)	(6)	(14)
Diluted earnings				1 261	1 029	1 561
Intangible assets and other impairments ⁽²⁾	43	63	417	43	63	417
Tax on intangible assets and other impairments	(12)	-	(61)	(12)	-	(61)
Gain on sale of business/subsidiary	-	(73)	(94)	-	(73)	(94)
Tax on gain on sale of business/subsidiary	-	-	21	-	-	21
Impairment of owner-occupied property below cost	-	-	28	-	-	28
Headline earnings ⁽³⁾	1 278	1 005	1 847	1 292	1 019	1 872
Net realised and fair value (gains)/losses on excess	(110)	2	94	(110)	2	94
Basis and other changes and investment variances	(41)	183	458	(41)	183	458
Adjustments for MMI shares held by policyholder funds	25	10	(42)	25	20	(42)
Amortisation of intangible assets relating to business combinations	277	293	577	277	293	577
Non-recurring items ⁽⁴⁾	113	81	249	113	81	249
Core headline earnings ⁽⁵⁾	1 542	1 574	3 183	1 556	1 598	3 208

- Metropolitan Health is consolidated at 100% and the MMI Holdings Namibian group, Metropolitan Kenya and Cannon are consolidated at 96% in earnings. For purposes of diluted earnings, diluted non-controlling interests and investment returns are reinstated. From June 2017, there is no longer a dilutory effect for Metropolitan Health as all the shares in Metropolitan Health Corporate (Pty) Ltd which were held by Kagiso Tiso Holdings (Pty) Ltd were purchased by the group in June 2017.
- Current period impairment relates mainly to software in Metropolitan Retail.
The June 2017 period includes impairments relating to:
 - Goodwill, customer relations and internally developed software (R213 million) in the International segment that were recognised on acquisition of subsidiaries as the companies are making losses. A risk discount rate of 18.2% has been used in the impairment calculation.
 - Internally developed software in International (R88 million) and Metropolitan Retail (R76 million) whereby certain components will no longer be used and/or the costs to maintain the system exceed the economic benefits. A risk discount rate of 11.6% has been used in the impairment calculation.
 December 2016 includes the impairment of Cannon goodwill and software in International.
- Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes.
- Non-recurring items include costs relating mainly to the restructuring of the group. The current and prior periods also include the core earnings/loss relating to companies in countries that the group has or will be exiting in the near future.
- Core headline earnings 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.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

EARNINGS PER SHARE (cents) attributable to owners of the parent	6 mths to 31.12.2017	6 mths to 31.12.2016	12 mths to 30.06.2017
Basic			
Core headline earnings	98.9	100.8	203.9
Headline earnings	82.0	64.3	118.3
Earnings	80.0	65.0	98.4
Weighted average number of shares (million)	1 559	1 562	1 561
Diluted			
Core headline earnings	97.0	99.6	200.0
Weighted average number of shares (million) ⁽¹⁾	1 604	1 604	1 604
Headline earnings	81.4	64.0	117.7
Earnings	79.4	64.6	98.1
Weighted average number of shares (million) ⁽²⁾	1 588	1 592	1 591

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

DIVIDENDS	2018	2017
Ordinary listed MMI Holdings Ltd shares (cents per share)		
Interim – March	-	65
Final – September		92
Total		157

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 2018 (after extending it under the same terms by six months in December 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 2 October 2017, 1 million preference shares were converted into ordinary shares. The ordinary shares were originally issued at a price of R10.18 per share. Dividends are payable on the remaining preference shares at 132 cents per annum (payable March and September).

Significant related party transactions

R369 million of the ordinary dividends declared by MMI Holdings Ltd in September 2017 (R369 million of the ordinary dividends declared in September 2016) and R261 million of the ordinary dividends declared in March 2017 were attributed to RMI Holdings Ltd.

A3 MMI Holdings Ltd preference share dividends	2018 Rm	2017 Rm
KTH		
Interim – March	19	20
Final – September		19
Total		39

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6 mths to 31.12.2017 Rm	6 mths to 31.12.2016 Rm	12 mths to 30.06.2017 Rm
Changes in share capital			
Balance at beginning and end	9	9	9
Changes in share premium			
Balance at beginning	13 737	13 847	13 847
Conversion of preference shares	7	7	14
Decrease/(increase) in treasury shares held on behalf of contract holders	42	17	(124)
Balance at end	13 786	13 871	13 737
Changes in other reserves			
Balance at beginning	1 788	1 955	1 955
Total comprehensive loss	(38)	(165)	(102)
Employee share schemes – value of services provided	3	3	(22)
Change in non-distributable reserves	-	-	(3)
Transfer to retained earnings	(50)	(41)	(40)
Balance at end ⁽¹⁾	1 703	1 752	1 788
Changes in retained earnings			
Balance at beginning	7 422	8 298	8 298
Total comprehensive income	1 247	1 015	1 536
Dividend paid	(1 435)	(1 443)	(2 456)
Transactions with non-controlling interests	(19)	-	4
Transfer from other reserves	50	41	40
Balance at end	7 265	7 911	7 422
Equity attributable to owners of the parent	22 763	23 543	22 956
Changes in non-controlling interests			
Balance at beginning	292	290	290
Total comprehensive income	16	8	44
Dividend paid	(24)	(28)	(53)
Transactions with owners	(1)	(16)	11
Business combinations	16	-	-
Balance at end	299	254	292
Total equity	23 062	23 797	23 248

1. Other reserves consist of the following:

- Land and building revaluation reserve: R802 million (31.12.2016: R742 million; 30.06.2017: R807 million)
- Foreign currency translation reserve: -R175 million (31.12.2016: -R57 million; 30.06.2017: -R98 million)
- Revaluation of available-for-sale investments: R6 million (31.12.2016: R9 million; 30.06.2017: R7 million)
- Non-distributable reserve: R60 million (31.12.2016: R50 million; 30.06.2017: R54 million)
- Employee benefit revaluation reserve: R77 million (31.12.2016: R53 million; 30.06.2017: R88 million)
- Fair value adjustment for preference shares issued by MMI Holdings Ltd: R940 million (31.12.2016: R940 million; 30.06.2017: R940 million)
- Equity-settled share-based payment arrangements: -R7 million (31.12.2016: R15 million; 30.06.2017: -R10 million)

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS	6 mths to 31.12.2017 Rm	6 mths to 31.12.2016 Rm	12 mths to 30.06.2017 Rm
Net cash inflow/(outflow) from operating activities	1 551	(3 126)	586
Net cash (outflow)/inflow from investing activities	(194)	408	(288)
Net cash outflow from financing activities	(1 435)	(1 450)	(2 093)
Net cash flow	(78)	(4 168)	(1 795)
Cash resources and funds on deposit at beginning	27 353	29 148	29 148
Cash resources and funds on deposit at end	27 275	24 980	27 353

NON-CONTROLLING INTERESTS	31.12.2017 %	31.12.2016 %	30.06.2017 %
Cannon Assurance	33.7	33.7	33.7
Eris Property Group	23.9	23.7	23.7
Metropolitan Health Ghana	0.9	0.9	0.9
Metropolitan Health Group	-	17.6	-
Metropolitan Health Namibia Administrators	49.0	49.0	49.0
Metropolitan Kenya	33.7	33.7	33.7
Metropolitan Swaziland	33.0	33.0	33.0
Metropolitan Tanzania	33.0	33.0	33.0
Metropolitan Health Zambia	35.0	35.0	35.0
MMI Holdings Namibia	9.9	9.9	9.9
Momentum Mozambique	33.0	33.0	33.0
Momentum Swaziland	33.0	33.0	33.0
Quanta Insurance	30.0	-	-

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

BUSINESS COMBINATIONS – DECEMBER 2017

There were no significant business combinations for the 6 months ended December 2017. Goodwill (R26m), customer relationships relating to short-term business (R84m), broker network (R71m), and computer software (R5m) were recognised due to small acquisitions.

BUSINESS COMBINATIONS – DECEMBER 2016

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

BUSINESS COMBINATIONS – JUNE 2017

There were no significant business combinations for the 12 months ended June 2017. Goodwill and customer relationships to the value of R11 million each were recognised due to a small acquisition.

RECONCILIATION OF GOODWILL	31.12.2017 Rm	31.12.2016 Rm	30.06.2017 Rm
Balance at beginning	1 128	1 237	1 237
Business combinations ⁽¹⁾	26	-	11
Impairment charges ⁽²⁾	-	(52)	(100)
Exchange differences	(2)	(20)	(20)
Balance at end	1 152	1 165	1 128

1. An acquisition was made in the Guardrisk group for R90 million. This resulted in the recognition of R26 million goodwill in the current period. The entity's business is that of underwriting managers.
2. There were no impairments in the current period. In the prior periods, goodwill relating to the Cannon (International segment) (31.12.2016: R52 million; 30.06.2017: R62 million) and Momentum Financial Technology (International segment) (31.12.2016: Rnil; 30.06.2017: R38 million) acquisitions were impaired due to these companies making losses.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

6 mths to 31.12.2017	Momentum Retail		Metropolitan Retail		Momentum Corporate		International ⁽¹⁾		Shareholder Capital		Segmental total		Reconciling Items ⁽²⁾		IFRS total	
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Revenue																
Net insurance premiums	12 228	3 788	14 586	2 296	-	-	-	-	-	-	32 898	(18 210)	14 688			
Recurring premiums	4 940	3 120	9 003	1 872	-	-	-	-	-	-	18 935	(6 490)	12 445			
Single premiums	7 288	668	5 583	424	-	-	-	-	-	-	13 963	(11 720)	2 243			
Fee income	1 769	81	2 230	386	24	-	-	-	-	-	4 490	(638)	3 852			
Intergroup fee income	1 535	78	1 987	354	-	-	-	-	-	-	3 954	(102)	3 852			
	234	3	243	32	24	-	-	-	-	-	536	(536)	-			
Expenses																
Net payments to contract holders																
External payments	12 591	2 781	15 080	1 327	-	-	-	-	-	-	31 779	(19 511)	12 268			
Other expenses	3 072	1 280	2 929	1 188	106	-	-	-	-	-	8 575	1 410	9 985			
Sales remuneration	1 113	541	940	363	-	-	-	-	-	-	2 957	(34)	2 923			
Administration expenses	1 424	630	1 455	649	366	-	-	-	-	-	4 524	70	4 594			
Amortisation due to business combinations and impairments	-	43	6	-	23	-	-	-	-	-	72	357	429			
Cell captive business	-	-	69	-	-	-	-	-	-	-	69	1 010	1 079			
Direct property expenses	-	-	-	-	-	-	-	-	-	-	-	225	225			
Asset management and other fee expenses	198	40	136	21	9	-	-	-	-	-	404	318	722			
Holding company expenses	-	-	-	-	13	-	-	-	-	-	13	-	13			
Intergroup expenses	337	26	323	155	(305)	-	-	-	-	-	536	(536)	-			
Diluted core headline earnings	567	317	455	(27)	244	-	-	-	-	-	1 556	-	1 556			
Operating profit/(loss)	762	448	556	(10)	(53)	-	-	-	-	-	1 703	-	1 703			
Tax on operating profit/(loss)	(222)	(131)	(165)	(29)	10	-	-	-	-	-	(537)	-	(537)			
Investment income	34	-	84	15	392	-	-	-	-	-	525	-	525			
Tax on investment income	(7)	-	(20)	(3)	(105)	-	-	-	-	-	(135)	-	(135)			
Covered	600	337	256	97	252	-	-	-	-	-	1 542	-	1 542			
Non-covered	(33)	(20)	199	(124)	(8)	-	-	-	-	-	14	-	14			
	567	317	455	(27)	244	-	-	-	-	-	1 556	-	1 556			
Actuarial liabilities	204 346	34 879	137 693	13 505	-	-	-	-	-	-	390 423	-	390 423			

1. The 'international' column includes amounts received/incurred by companies the group has decided to exit: Net insurance premiums R324 million; external payments R183 million and administration expenses R171 million.

2. The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; direct property and asset management fees for all entities, except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; asset management fees from cell captive business; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes and other minor adjustments to expenses and fee income.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

Restated 6 mths to 31.12.2016	Momentum Retail		Metropolitan Retail		Momentum Corporate		International ⁽¹⁾		Shareholder Capital		Segmental total		Reconciling items ⁽²⁾		IFRS total	
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Revenue																
Net insurance premiums	12 018	3 521	13 257	2 054	-	-	30 850	(16 778)	14 072							
Recurring premiums	4 716	2 996	7 960	1 759	-	-	17 431	(4 517)	12 914							
Single premiums	7 302	525	5 297	295	-	-	13 419	(12 261)	1 158							
Fee income	1 986	37	2 026	404	15	15	4 468	(617)	3 851							
Intergroup fee income	1 686	37	1 813	384	11	11	3 931	(80)	3 851							
	300	-	213	20	4	4	537	(537)	-							
Expenses																
Net payments to contract holders																
External payments	11 845	2 724	12 158	1 228	-	-	27 955	(15 714)	12 241							
Other expenses	3 096	1 152	2 623	1 166	(12)	(12)	8 025	1 653	9 678							
Sales remuneration	1 133	549	774	311	-	-	2 767	(4)	2 763							
Administration expenses	1 291	593	1 394	731	134	134	4 143	342	4 485							
Amortisation due to business combinations and impairments	-	-	6	-	18	18	24	378	402							
Cell captive business	-	-	88	-	-	-	88	867	955							
Direct property expenses	-	-	-	-	-	-	-	221	221							
Asset management and other fee expenses	315	-	107	7	5	5	434	386	820							
Holding company expenses	-	-	-	-	32	32	32	-	32							
Intergroup expenses	357	10	254	117	(201)	(201)	537	(537)	-							
Diluted core headline earnings	632	373	320	(61)	334	334	1 598	-	1 598							
Operating profit/(loss)	879	520	378	(38)	33	33	1 772	-	1 772							
Tax on operating profit/(loss)	(273)	(148)	(105)	(38)	(36)	(36)	(600)	-	(600)							
Investment income	35	1	65	22	413	413	536	-	536							
Tax on investment income	(9)	-	(18)	(7)	(76)	(76)	(110)	-	(110)							
Covered	713	384	143	82	341	341	1 663	-	1 663							
Non-covered	(81)	(11)	177	(143)	(7)	(7)	(65)	-	(65)							
	632	373	320	(61)	334	334	1 598	-	1 598							
Actuarial liabilities	198 054	32 549	121 734	12 687	2 508	2 508	367 532	-	367 532							

1. The 'International' column includes amounts received/incurred by companies the group has decided to exit: Net insurance premiums R116 million; external payments R88 million and administration expenses R64 million.
2. The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; non-recurring items included in administration expenses (R35 million); direct property and asset management fees for all entities, except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; asset management fees from cell captive business; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes and other minor adjustments to expenses and fee income.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

12 mths to 30.06.2017	Momentum Retail		Metropolitan Retail		Momentum Corporate		International ⁽¹⁾		Shareholder Capital		Segmental total		Reconciling Items ⁽²⁾		IFRS total	
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Revenue																
Net insurance premiums	24 740	6 898	27 167	4 130	-	-	62 935	(34 744)								28 191
Recurring premiums	9 663	5 877	16 951	3 476	-	-	35 967	(9 291)								26 676
Single premiums	15 077	1 021	10 216	654	-	-	26 968	(25 453)								1 515
Fee income	3 496	146	4 270	835	73	73	8 820	(1 409)								7 411
Intergroup fee income	3 011	143	3 708	794	2	2	7 658	(247)								7 411
	485	3	562	41	71	71	1 162	(1 162)								-
Expenses																
Net payments to contract holders																
External payments	25 360	5 321	25 574	2 624	-	-	58 879	(34 438)								24 441
Other expenses	5 994	2 448	5 681	2 419	201	201	16 743	2 821								19 564
Sales remuneration	2 184	1 029	1 462	615	-	-	5 290	(7)								5 283
Administration expenses	2 631	1 280	3 125	1 346	589	589	8 971	121								9 092
Amortisation due to business combinations and impairments	-	73	31	88	37	37	229	977								1 206
Cell captive business	-	-	186	-	-	-	186	1 800								1 986
Direct property expenses	-	-	-	-	-	-	-	443								443
Asset management and other fee expenses	379	60	309	84	10	10	842	649								1 491
Holding company expenses	-	-	-	-	63	63	63	-								63
Intergroup expenses	800	6	568	286	(498)	(498)	1 162	(1 162)								-
Diluted core headline earnings																
Operating profit/(loss)	1 271	660	835	(166)	608	608	3 208	-								3 208
Tax on operating profit/(loss)	1 861	926	969	(102)	(48)	(48)	3 606	-								3 606
Investment income	(631)	(267)	(270)	(87)	(12)	(12)	(1 267)	-								(1 267)
Tax on investment income	57	2	187	27	822	822	1 095	-								1 095
	(16)	(1)	(51)	(4)	(154)	(154)	(226)	-								(226)
Covered	1 467	685	387	203	648	648	3 390	-								3 390
Non-covered	(196)	(25)	448	(369)	(40)	(40)	(182)	-								(182)
	1 271	660	835	(166)	608	608	3 208	-								3 208
Actuarial liabilities	195 283	32 417	131 420	12 894	-	-	372 014	-								372 014

1. The 'International' column includes amounts received/incurred by companies the group has decided to exit: Net insurance premiums R524 million; external payments R359 million and administration expenses R113 million.

2. The 'Reconciling items' column includes: investment contract business premiums and claims; intergroup fee income and expenses; non-recurring items included in administration expenses (R263 million); direct property and asset management fees for all entities, except non-life entities, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; asset management fees from cell captive business; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes and other minor adjustments to expenses and fee income.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

CHANGE IN DILUTED CORE HEADLINE EARNINGS	Change %	6 mths to 31.12.2017 Rm	Restated 6 mths to 31.12.2016 Rm	12 mths to 30.06.2017 Rm
Momentum Retail	(10)	567	632	1 271
Metropolitan Retail	(15)	317	373	660
Momentum Corporate	42	455	320	835
International	56	(27)	(61)	(166)
Operating segments ⁽¹⁾	4	1 312	1 264	2 600
Shareholder Capital	(27)	244	334	608
Total diluted core headline earnings	(3)	1 556	1 598	3 208

1. Includes investments in three main new initiatives being India, aYo and Money Management of R145 million (31.12.2016: R47 million; 30.06.2017: R187 million).

SEGMENT BY CENTRE OF EXCELLENCE	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Corporate Rm	International Rm	Shareholder Capital Rm	Total Rm
6 mths to 31.12.2017						
Covered						
Operating profit	600	337	256	97	(8)	1 282
Investment income	-	-	-	-	260	260
Total	600	337	256	97	252	1 542
Non-covered						
Investment and savings	48	-	33	52	-	133
Life insurance	-	-	-	(38)	-	(38)
Health	(2)	-	50	(77)	-	(29)
Short-term insurance	(22)	-	132	(1)	-	109
Client engagement	(57)	(20)	(8)	(10)	3	(92)
Unallocated expenses	-	-	-	-	(41)	(41)
Other operations	-	-	(8)	(50)	30	(28)
Total	(33)	(20)	199	(124)	(8)	14
Core earnings	567	317	455	(27)	244	1 556
Restated						
6 mths to 31.12.2016						
Covered						
Operating profit	713	383	141	82	24	1 343
Investment income	-	1	2	-	317	320
Total	713	384	143	82	341	1 663
Non-covered						
Investment and savings	52	-	27	19	-	98
Life insurance	-	-	-	(42)	-	(42)
Health	(27)	-	59	6	-	38
Short-term insurance	(71)	(2)	91	(44)	-	(26)
Client engagement	(35)	(9)	(12)	(12)	9	(59)
Unallocated expenses	-	-	-	-	(63)	(63)
Other operations	-	-	12	(70)	47	(11)
Total	(81)	(11)	177	(143)	(7)	(65)
Core earnings	632	373	320	(61)	334	1 598

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

SEGMENT BY CENTRE OF EXCELLENCE	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Corporate Rm	International Rm	Shareholder Capital Rm	Total Rm
12 mths to 30.06.2017						
Covered						
Operating profit	1 467	685	387	203	37	2 779
Investment income	-	-	-	-	611	611
Total	1 467	685	387	203	648	3 390
Non-covered						
Investment and savings	61	-	119	82	-	262
Life insurance	-	-	-	(111)	-	(111)
Health	(29)	-	136	(82)	-	25
Short-term insurance	(162)	(7)	200	(80)	-	(49)
Client engagement	(66)	(18)	(25)	(24)	12	(121)
Unallocated expenses	-	-	-	-	(60)	(60)
Other operations	-	-	18	(154)	8	(128)
Total	(196)	(25)	448	(369)	(40)	(182)
Core earnings	1 271	660	835	(166)	608	3 208

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

MOMENTUM INVESTMENTS CENTRE OF EXCELLENCE – NON-COVERED BUSINESS	Momentum Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
6 mths to 31.12.2017				
Revenue	496	355	230	1 081
Fee income	456	314	207	977
Performance fees	1	-	-	1
Investment income	40	28	1	69
Fair value (losses)/gains	(1)	13	22	34
Expenses and finance costs	(423)	(293)	(173)	(889)
Fair value adjustments on investment contracts	-	-	(21)	(21)
Other expenses	(414)	(271)	(152)	(837)
Finance costs	(9)	(22)	-	(31)
Share of loss of associates	-	(4)	-	(4)
Profit before tax	73	58	57	188
Income tax expense	(25)	(16)	(5)	(46)
Non-controlling interest	-	(9)	-	(9)
Core earnings	48	33	52	133
Operating profit before tax	51	43	56	150
Tax on operating profit	(19)	(15)	(5)	(39)
Investment income	23	4	1	28
Tax on investment income	(7)	1	-	(6)
Diluted core headline earnings	48	33	52	133
Assets under management at period end	302 888	116 811	67 089	486 788
Restated				
6 mths to 31.12.2016				
Revenue	593	318	229	1 140
Fee income	566	287	194	1 047
Performance fees	-	6	-	6
Investment income	28	25	-	53
Fair value (losses)/gains	(1)	-	35	34
Expenses and finance costs	(522)	(295)	(210)	(1 027)
Fair value adjustments on investment contracts	-	-	(39)	(39)
Other expenses	(519)	(270)	(171)	(960)
Finance costs	(3)	(25)	-	(28)
Share of profit of associates	-	20	-	20
Profit before tax	71	43	19	133
Income tax expense	(19)	(7)	-	(26)
Non-controlling interest	-	(9)	-	(9)
Core earnings	52	27	19	98
Operating profit before tax	50	32	20	102
Tax on operating profit	(15)	(5)	(1)	(21)
Investment income	23	-	-	23
Tax on investment income	(6)	-	-	(6)
Diluted core headline earnings	52	27	19	98
Assets under management at period end	311 116	108 332	68 514	487 962

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

MOMENTUM INVESTMENTS CENTRE OF EXCELLENCE – NON-COVERED BUSINESS	Momentum Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
Restated				
12 mths to 30.06.2017				
Revenue	1 105	802	490	2 397
Fee income	1 041	656	386	2 083
Performance fees	3	13	-	16
Investment income	61	121	1	183
Fair value gains	-	12	103	115
Expenses and finance costs	(1 001)	(626)	(405)	(2 032)
Fair value adjustments on investment contracts	-	-	(103)	(103)
Other expenses	(992)	(577)	(302)	(1 871)
Finance costs	(9)	(49)	-	(58)
Share of profit of associates	-	1	-	1
Profit before tax	104	177	85	366
Income tax expense	(43)	(32)	(3)	(78)
Non-controlling interest	-	(26)	-	(26)
Core earnings	61	119	82	262
Operating profit before tax	61	90	84	235
Tax on operating profit	(30)	(11)	(3)	(44)
Investment income	43	55	1	99
Tax on investment income	(13)	(15)	-	(28)
Diluted core headline earnings	61	119	82	262
Assets under management at period end	306 359	114 454	68 685	489 498

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

HEALTH CENTRE OF EXCELLENCE – NON-COVERED BUSINESS	Momentum Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
6 mths to 31.12.2017				
Revenue	294	937	232	1 463
Net insurance premiums	108	201	135	444
Fee income	179	716	84	979
Investment income	7	12	13	32
Intergroup fees	-	8	-	8
Expenses and finance costs	(297)	(862)	(197)	(1 356)
Net payments to contract holders	(81)	(158)	(93)	(332)
Other expenses	(215)	(704)	(104)	(1 023)
Finance costs	(1)	-	-	(1)
Share of loss of associates	-	-	(84)	(84)
(Loss)/Profit before tax	(3)	75	(49)	23
Income tax expense	1	(25)	(15)	(39)
Non-controlling interest	-	-	(13)	(13)
Earnings attributable to ordinary shareholders	(2)	50	(77)	(29)
Operating (loss)/profit before tax	(9)	64	(77)	(22)
Tax on operating (loss)/profit	1	(23)	(9)	(31)
Investment income	6	11	10	27
Tax on investment income	-	(2)	(1)	(3)
Diluted core headline earnings	(2)	50	(77)	(29)
Closed schemes	-	43	25	68
Open scheme	2	(5)	(102)	(105)
Other	(4)	12	-	8
	(2)	50	(77)	(29)
	Principal members	Principal members	Lives	
Closed schemes	-	820 577	602 732	
Open schemes	110 390	51 349	411 779	
	110 390	871 926	1 014 511	

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

HEALTH CENTRE OF EXCELLENCE – NON-COVERED BUSINESS	Momentum Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
Restated				
6 mths to 31.12.2016				
Revenue	259	933	280	1 472
Net insurance premiums	102	193	179	474
Fee income	152	726	89	967
Investment income	5	13	12	30
Fair value losses	(1)	-	-	(1)
Intergroup fees	1	1	-	2
Expenses and finance costs	(297)	(849)	(195)	(1 341)
Net payments to contract holders	(71)	(141)	(113)	(325)
Other expenses	(225)	(708)	(82)	(1 015)
Finance costs	(1)	-	-	(1)
Share of loss of associate	-	-	(51)	(51)
(Loss)/Profit before tax	(38)	84	34	80
Income tax expense	11	(22)	(16)	(27)
Non-controlling interest	-	-	(12)	(12)
Earnings attributable to ordinary shareholders	(27)	62	6	41
Dilutory effect of subsidiaries	-	(3)	-	(3)
Diluted core headline earnings	(27)	59	6	38
Operating (loss)/profit before tax	(43)	67	6	30
Tax on operating (loss)/profit	12	(18)	(9)	(15)
Investment income	5	14	10	29
Tax on investment income	(1)	(4)	(1)	(6)
Diluted core headline earnings	(27)	59	6	38
Closed schemes	-	44	45	89
Open scheme	(25)	-	(39)	(64)
Other	(2)	15	-	13
	(27)	59	6	38
	Principal members	Principal members	Lives	
Closed schemes	-	845 311	458 106	
Open schemes	97 752	47 880	-	
	97 752	893 191	458 106	

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

HEALTH CENTRE OF EXCELLENCE – NON-COVERED BUSINESS	Momentum Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
Restated				
12 mths to 30.06.2017				
Revenue	560	1 884	468	2 912
Net insurance premiums	209	390	259	858
Fee income	340	1 419	191	1 950
Investment income	11	27	18	56
Intergroup fees	-	48	-	48
Expenses and finance costs	(603)	(1 691)	(384)	(2 678)
Net payments to contract holders	(151)	(279)	(168)	(598)
Other expenses	(450)	(1 411)	(216)	(2 077)
Finance costs	(2)	(1)	-	(3)
Share of loss of associates	-	-	(105)	(105)
(Loss)/Profit before tax	(43)	193	(21)	129
Income tax expense	14	(57)	(36)	(79)
Non-controlling interest	-	-	(25)	(25)
Earnings attributable to ordinary shareholders	(29)	136	(82)	25
Operating (loss)/profit before tax	(53)	167	(72)	42
Tax on operating (loss)/profit	17	(49)	(24)	(56)
Investment income	10	26	15	51
Tax on investment income	(3)	(8)	(1)	(12)
Diluted core headline earnings	(29)	136	(82)	25
Closed schemes	-	106	66	172
Open scheme	(23)	(6)	(148)	(177)
Other	(6)	36	-	30
	(29)	136	(82)	25
	Principal members	Principal members	Lives	
Closed schemes	-	834 061	404 756	
Open schemes	108 244	50 380	207 882	
	108 244	884 441	612 638	

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

SHORT-TERM INSURANCE CENTRE OF EXCELLENCE	Momentum Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
6 mths to 31.12.2017				
Net insurance premiums	350	-	2	352
Fee income	3	321	4	328
Management fees	-	233	-	233
Investment fees	-	42	-	42
Underwriting fees	-	46	-	46
Other fee income	3	-	4	7
Investment income	19	70	-	89
Total income	372	391	6	769
Expenses and finance costs	(427)	(213)	(8)	(648)
Net payments to contract holders	(250)	-	-	(250)
Acquisition costs ⁽¹⁾	(50)	-	(3)	(53)
Other expenses	(127)	(207)	(5)	(339)
Finance costs	-	(6)	-	(6)
(Loss)/Profit before tax	(55)	178	(2)	121
Income tax expense	33	(46)	-	(13)
Non-controlling interest	-	-	1	1
Earnings attributable to ordinary shareholders	(22)	132	(1)	109
Operating (loss)/profit before tax	(58)	113	(1)	54
Tax on operating (loss)/profit	34	(28)	-	6
Investment income	2	66	-	68
Tax on investment income	-	(19)	-	(19)
Diluted core headline earnings	(22)	132	(1)	109
Ability	-	3	-	3
Momentum Short-term Insurance	9	-	-	9
MMI Short-term Insurance Administration	(31)	-	-	(31)
Guardrisk Group	-	129	-	129
Quanta Insurance	-	-	(1)	(1)
	(22)	132	(1)	109

1. The acquisition costs relating to the Momentum Corporate segment is included in underwriting fees.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

SHORT-TERM INSURANCE CENTRE OF EXCELLENCE	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
6 mths to 31.12.2016					
Net insurance premiums	296	-	-	118	414
Fee income	11	-	268	9	288
Management fees	-	-	214	-	214
Investment fees	-	-	36	-	36
Underwriting fees	-	-	18	-	18
Other fee income	11	-	-	9	20
Investment income	14	-	44	10	68
Fair value losses	-	-	-	(9)	(9)
Total income	321	-	312	128	761
Expenses and finance costs	(405)	(3)	(187)	(175)	(770)
Net payments to contract holders	(233)	-	-	(78)	(311)
Change in actuarial liabilities	-	-	-	(9)	(9)
Acquisition costs ⁽¹⁾	(66)	-	-	(23)	(89)
Other expenses	(106)	(3)	(182)	(65)	(356)
Finance costs	-	-	(5)	-	(5)
(Loss)/Profit before tax	(84)	(3)	125	(47)	(9)
Income tax expense	13	1	(34)	(3)	(23)
Non-controlling interest	-	-	-	6	6
Earnings attributable to ordinary shareholders	(71)	(2)	91	(44)	(26)
Operating (loss)/profit before tax	(92)	(3)	81	(44)	(58)
Tax on operating (loss)/profit	15	1	(22)	(2)	(8)
Investment income	9	-	44	2	55
Tax on investment income	(3)	-	(12)	-	(15)
Diluted core headline earnings	(71)	(2)	91	(44)	(26)
Momentum Short-term Insurance	(59)	-	-	-	(59)
MMI Short-term Insurance Administration	(12)	(2)	-	(8)	(22)
Guardrisk Group	-	-	91	-	91
Swaziland	-	-	-	(2)	(2)
Tanzania	-	-	-	(3)	(3)
Cannon Short-term	-	-	-	(31)	(31)
	(71)	(2)	91	(44)	(26)

1. The acquisition costs relating to the Momentum Corporate segment is included in underwriting profit.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

SHORT-TERM INSURANCE CENTRE OF EXCELLENCE	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
12 mths to 30.06.2017					
Net insurance premiums	616	-	-	148	764
Fee income	13	3	566	17	599
Management fees	-	-	435	-	435
Investment fees	-	-	73	-	73
Underwriting fees	-	-	58	-	58
Other fee income	13	3	-	17	33
Investment income	30	-	93	12	135
Fair value losses	-	-	-	(9)	(9)
Total income	659	3	659	168	1 489
Expenses and finance costs	(784)	(9)	(379)	(241)	(1 413)
Net payments to contract holders	(449)	-	-	(133)	(582)
Change in actuarial liabilities	-	-	-	7	7
Acquisition costs ⁽¹⁾	(122)	-	-	(34)	(156)
Other expenses	(213)	(9)	(367)	(81)	(670)
Finance costs	-	-	(12)	-	(12)
(Loss)/Profit before tax	(125)	(6)	280	(73)	76
Income tax expense	(37)	(1)	(80)	(9)	(127)
Non-controlling interest	-	-	-	2	2
Earnings attributable to ordinary shareholders	(162)	(7)	200	(80)	(49)
Operating (loss)/profit before tax	(130)	(6)	187	(71)	(20)
Tax on operating (loss)/profit	(34)	(1)	(54)	(9)	(98)
Investment income	3	-	93	-	96
Tax on investment income	(1)	-	(26)	-	(27)
Diluted core headline earnings	(162)	(7)	200	(80)	(49)
Momentum Short-term Insurance	(83)	-	-	-	(83)
MMI Short-term Insurance Administration	(79)	(7)	-	(25)	(111)
Guardrisk Group	-	-	200	-	200
Cannon Short-term	-	-	-	(55)	(55)
	(162)	(7)	200	(80)	(49)

1. The acquisition costs relating to the Momentum Corporate segment is included in underwriting profit.

MMI HOLDINGS GROUP – STATUTORY EXCESS

STATUTORY EXCESS	31.12.2017 Rm	31.12.2016 Rm	30.06.2017 Rm
Group excess per reporting basis	22 763	23 543	22 956
Net assets – other businesses	(3 203)	(2 984)	(2 849)
Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments	(2 805)	(3 284)	(2 946)
Excess – long-term insurance business, net of non-controlling interests ⁽¹⁾	16 755	17 275	17 161
Disregarded assets ⁽²⁾	(1 308)	(969)	(847)
Difference between statutory and published valuation methods	(1 048)	(597)	(942)
Write-down of subsidiaries and associates for statutory purposes	(1 218)	(1 347)	(1 328)
Unsecured subordinated debt	4 405	3 553	3 602
Consolidation adjustments	(35)	(37)	(33)
Statutory excess – long-term insurance business	17 551	17 878	17 613
Capital adequacy requirement (CAR) (Rm) ⁽³⁾	6 299	6 560	6 577
Ratio of long-term insurance business excess to CAR (times)	2.8	2.7	2.7
Discretionary margins	12 717	12 753	12 407

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. In respect of Guardrisk, only MMI's promoter exposure to the South African long-term insurance business, Guardrisk Life Ltd. is included. It excludes the short-term insurance businesses of Guardrisk, Momentum Short-term Insurance and Cannon (Kenya), as well as the other non-life insurance entities, including African health operations. The figures are after non-controlling interests but excludes certain items which are eliminated on consolidation.
2. Disregarded assets are those as defined in the South African Long-term Insurance Act, 52 of 1998, and are only applicable to South African long-term insurance companies. Adjustments are also made for the international insurance companies from reporting excess to statutory excess as required by their regulators. It includes Sage intangible assets of R448 million (31.12.2016: R477 million; 30.06.2017: R464 million).
3. The CAR is an aggregation of the separate CAR's, with no assumption of diversification benefits. MMI elected to adopt the revised actuarial guidance note SAP 104 (version 9) which was published in August 2017 but permitted adoption for reporting dates on or after 30 June 2017.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE RESULTS	31.12.2017 Rm	31.12.2016 Rm	30.06.2017 Rm
Covered business			
Reporting excess – long-term insurance business	16 755	17 275	17 161
Reclassification to non-covered business	(2 544)	(2 010)	(2 206)
	14 211	15 265	14 955
Disregarded assets ⁽¹⁾	(488)	(517)	(504)
Difference between statutory and published valuation methods	(1 048)	(553)	(942)
Dilutory effect of subsidiaries ⁽²⁾	(56)	(50)	(53)
Consolidation adjustments ⁽³⁾	(17)	(24)	(21)
Value of MMI Group Ltd preference shares issued	(500)	(500)	(500)
Diluted adjusted net worth – covered business	12 102	13 621	12 935
Net value of in-force business	22 121	20 542	21 130
Diluted embedded value – covered business	34 223	34 163	34 065
Non-covered business			
Net assets – non-covered business within life insurance companies	2 544	2 010	2 206
Net assets – non-covered business outside life insurance companies	3 203	2 984	2 849
Consolidation adjustments and transfers to covered business ⁽³⁾	(2 438)	(2 639)	(2 415)
Adjustments for dilution ⁽⁴⁾	686	676	720
Diluted adjusted net worth – non-covered business	3 995	3 031	3 360
Write-up to directors' value	5 173	5 281	5 098
Non-covered business	6 442	6 388	6 344
Holding company expenses ⁽⁵⁾	(682)	(557)	(671)
International holding company expenses ⁽⁵⁾	(587)	(550)	(575)
Diluted embedded value – non-covered business	9 168	8 312	8 458
Diluted adjusted net worth	16 097	16 652	16 295
Net value of in-force business	22 121	20 542	21 130
Write-up to directors' value	5 173	5 281	5 098
Diluted embedded value	43 391	42 475	42 523
Required capital – covered business (adjusted for qualifying debt) ⁽⁶⁾	5 250	6 317	6 449
Surplus capital – covered business	6 852	7 304	6 486
Diluted embedded value per share (cents)	2 705	2 648	2 651
Diluted adjusted net worth per share (cents)	1 004	1 038	1 016
Diluted number of shares in issue (million) ⁽⁷⁾	1 604	1 604	1 604

- Disregarded assets include Sage intangible assets of R448 million (31.12.2016: R477 million; 30.06.2017: R464 million), goodwill and various other items.
- For accounting purposes, MMI Holdings Namibia, Metropolitan Kenya and Cannon have been consolidated at 96% 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.
- Adjustments for dilution are made up as follows:
 - Dilutory effect of subsidiaries (note 2): R109 million (31.12.2016: R122 million; 30.06.2017: R106 million)
 - Treasury shares held on behalf of contract holders: R323 million (31.12.2016: R286 million; 30.06.2017: R353 million)
 - Liability – MMI Holdings Ltd convertible preference shares issued to KTH: R254 million (31.12.2016: R268 million; 30.06.2017: R261 million)
- The holding company expenses reflect the present value of projected recurring head office expenses. The international holding company expenses reflect the allowance for support services to the international life assurance and health businesses.
- The required capital for covered business amounts to R9 631 million (31.12.2016: R9 870 million; 30.06.2017: R10 051 million) and is adjusted for qualifying debt of R4 381 million (31.12.2016: R3 553 million; 30.06.2017: R3 602 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	31.12.2017 Rm	Restated	
		31.12.2016 Rm	30.06.2017 Rm
Momentum Retail	11 838	10 651	11 379
Gross value of in-force business	13 337	11 906	12 865
Less cost of required capital	(1 499)	(1 255)	(1 486)
Metropolitan Retail	4 003	3 543	3 758
Gross value of in-force business	4 688	4 282	4 396
Less cost of required capital	(685)	(739)	(638)
Momentum Corporate	4 045	4 201	3 846
Gross value of in-force business	4 886	4 950	4 743
Less cost of required capital	(841)	(749)	(897)
International	2 235	2 147	2 147
Gross value of in-force business	2 496	2 352	2 403
Less cost of required capital	(261)	(205)	(256)
Net value of in-force business	22 121	20 542	21 130

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE DETAIL	Adjusted net worth Rm	Net value of in-force Rm	31.12.2017 Rm	31.12.2016 Rm	30.06.2017 Rm
Covered business					
Momentum Retail	4 018	11 838	15 856	15 371	15 716
Metropolitan Retail	2 371	4 003	6 374	6 117	6 007
Momentum Corporate	2 380	4 045	6 425	6 240	6 409
International	1 798	2 235	4 033	3 869	3 913
Shareholder Capital	1 535	-	1 535	2 566	2 020
Total covered business	12 102	22 121	34 223	34 163	34 065
		Write-up to directors' value Rm			
Non-covered business	Adjusted net worth Rm	Rm	31.12.2017 Rm	31.12.2016 Rm	30.06.2017 Rm
Momentum Retail	1 124	842	1 966	2 310	2 107
Investment and savings	542	615	1 157	1 528	1 402
Health	20	384	404	381	379
Short-term insurance	562	54	616	414	514
Client engagement	-	(211)	(211)	(13)	(188)
Metropolitan Retail	-	(73)	(73)	(84)	(78)
Client engagement	-	(73)	(73)	(84)	(78)
Momentum Corporate	1 736	4 389	6 125	5 179	5 747
Investment and savings	341	1 167	1 508	1 319	1 370
Health	359	1 116	1 475	1 283	1 515
Short-term insurance	1 051	2 136	3 187	2 662	2 853
Client engagement	-	(30)	(30)	(85)	9
Other	(15)	-	(15)	-	-
International	91	348	439	494	60
Investment and savings ⁽¹⁾	192	496	688	815	712
Life insurance	273	(36)	237	395	279
Health	356	491	847	699	800
Short-term insurance	98	19	117	180	139
Client engagement	-	(35)	(35)	-	(92)
Other (shared services) ⁽²⁾	(828)	(587)	(1 415)	(1 595)	(1 778)
Shareholder Capital	1 044	(333)	711	413	622
Short-term insurance	-	-	-	165	101
Client engagement	382	-	382	202	368
Other (head office expenses) ⁽²⁾	662	(333)	329	46	153
Total non-covered business	3 995	5 173	9 168	8 312	8 458
Total embedded value	16 097	27 294	43 391	42 475	42 523
Diluted net asset value – non-covered business	(3 995)				
Adjustments to covered business – net asset value	4 653				
Reporting excess – long-term insurance business	16 755				

1. This includes MMI non-covered subsidiaries domiciled in the United Kingdom and related territories.

2. The International shared services impact reflects the allowance for support services to the international life assurance and health businesses. The Shareholder head office expenses impact reflects the present value of projected recurring head office expenses.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

DIRECTORS' VALUE PER VALUATION METHOD	Covered methodology Rm	Appraisal value Rm	31.12.2017 Rm
Non-covered business			
Momentum Retail	954	1 012	1 966
Investment and savings	550	607	1 157
Health	404	-	404
Short-term insurance	-	616	616
Client engagement	-	(211)	(211)
Metropolitan Retail	-	(73)	(73)
Client engagement	-	(73)	(73)
Momentum Corporate	4 683	1 442	6 125
Investment and savings	-	1 508	1 508
Health	1 496	(21)	1 475
Short-term insurance	3 187	-	3 187
Client engagement	-	(30)	(30)
Other	-	(15)	(15)
International	1 064	(625)	439
Investment and savings	478	210	688
Life insurance	184	53	237
Health	380	467	847
Short-term insurance	22	95	117
Client engagement	-	(35)	(35)
Other (shared services)	-	(1 415)	(1 415)
Shareholder Capital	-	711	711
Short-term insurance	-	-	-
Client engagement	-	382	382
Other (head office expenses)	-	329	329
Total non-covered business	6 701	2 467	9 168

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

DIRECTORS' VALUE PER VALUATION METHOD	Covered methodology Rm	Appraisal value Rm	31.12.2016 Rm
Non-covered business			
Momentum Retail	742	1 568	2 310
Investment and savings	361	1 167	1 528
Health	381	-	381
Short-term insurance	-	414	414
Client engagement	-	(13)	(13)
Metropolitan Retail	-	(84)	(84)
Client engagement	-	(84)	(84)
Momentum Corporate	3 963	1 216	5 179
Investment and savings	-	1 319	1 319
Health	1 301	(18)	1 283
Short-term insurance	2 662	-	2 662
Client engagement	-	(85)	(85)
International	1 069	(575)	494
Investment and savings	474	341	815
Life insurance	267	128	395
Health	318	381	699
Short-term insurance	10	170	180
Client engagement	-	-	-
Other (shared services)	-	(1 595)	(1 595)
Shareholder Capital	-	413	413
Short-term insurance	-	165	165
Client engagement	-	202	202
Other (head office expenses)	-	46	46
Total non-covered business	5 774	2 538	8 312

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

DIRECTORS' VALUE PER VALUATION METHOD	Covered methodology Rm	Appraisal value Rm	30.06.2017 Rm
Non-covered business			
Momentum Retail	955	1 152	2 107
Investment and savings	576	826	1 402
Health	379	-	379
Short-term insurance	-	514	514
Client engagement	-	(188)	(188)
Metropolitan Retail	-	(78)	(78)
Client engagement	-	(78)	(78)
Momentum Corporate	4 388	1 359	5 747
Investment and savings	-	1 370	1 370
Health	1 535	(20)	1 515
Short-term insurance	2 853	-	2 853
Client engagement	-	9	9
International	1 143	(1 083)	60
Investment and savings	458	254	712
Life insurance	242	37	279
Health	417	383	800
Short-term insurance	26	113	139
Client engagement	-	(92)	(92)
Other (shared services)	-	(1 778)	(1 778)
Shareholder Capital	-	622	622
Short-term insurance	-	101	101
Client engagement	-	368	368
Other (head office expenses)	-	153	153
Total non-covered business	6 486	1 972	8 458

- Covered methodology refers to APN107 (embedded value methodology) and the risk discount rate of covered business. The Health businesses, Momentum Wealth and Guardrisk are valued using embedded value methodology.
- For Health business, explicit assumptions are made around large scheme terminations. The key assumption is the long-term profit as a percentage of revenue.
- Discounted cash flow models for Investment and savings, as well as Short-term insurance business, include assumptions around future new business. To reflect the additional uncertainty introduced, the current period risk discount rates for these businesses are approximately 3.0% and 2.7% higher than covered business risk discount rates.
- For Eris, we approximate discounted cash flows using a Price/Earnings multiple.
- The International shared services impact reflects the allowance for support services to the international life and health businesses. The Shareholder head office expenses impact reflects the present value of projected recurring head office expenses.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Notes	Covered business			6 mths to	6 mths to	12 mths to
		Adjusted net worth (ANW) Rm	Gross value of in- force (VIF) Rm	Cost of CAR Rm	31.12.2017 Total EV Rm	31.12.2016 Total EV Rm	30.06.2017 Total EV Rm
Profit from new business		(757)	1 162	(99)	306	317	643
Embedded value from new business	A	(757)	1 144	(99)	288	292	547
Expected return to end of period	B	-	18	-	18	25	96
Profit from existing business		1 903	(732)	46	1 217	1 353	3 123
Expected return – unwinding of RDR	B	-	1 246	(169)	1 077	1 156	2 327
Release from the cost of required capital	C	-	-	197	197	181	442
Expected (or actual) net of tax profit transfer to net worth	D	1 896	(1 896)	-	-	-	-
Operating experience variances	E	20	(12)	18	26	114	18
Development expenses	F	(13)	-	-	(13)	(17)	(67)
Operating assumption changes	G	-	(70)	-	(70)	(81)	403
Embedded value profit from operations		1 146	430	(53)	1 523	1 670	3 766
Investment return on adjusted net worth	H	365	-	-	365	310	652
Investment variances	I	28	467	20	515	(731)	(1 354)
Economic assumption changes	J	30	109	22	161	(29)	(164)
Exchange rate movements	K	(8)	(6)	2	(12)	(33)	(36)
Embedded value profit – covered business		1 561	1 000	(9)	2 552	1 187	2 864
Transfer of business to non-covered business	L	(420)	-	-	(420)	(298)	(675)
Changes in share capital	M	5	-	-	5	(28)	(25)
Dividend paid		(1 979)	-	-	(1 979)	(1 665)	(3 066)
Change in embedded value – covered business		(833)	1 000	(9)	158	(804)	(902)
Non-covered business							
Change in directors' valuation and other items					(207)	(238)	(696)
Holding company expenses					(23)	-	(139)
Embedded value profit – non-covered business					(230)	(238)	(835)
Changes in share capital	M				(5)	28	25
Dividend paid					544	222	610
Finance costs – preference shares					(19)	(20)	(39)
Transfer of business from covered business	L				420	298	675
Change in embedded value – non-covered business					710	290	436
Total change in group embedded value					868	(514)	(466)
Total embedded value profit					2 322	949	2 029
Return on embedded value (%) - internal rate of return					11.2%	4.5%	4.7%

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN ADJUSTED NET WORTH	Covered business					Shareholder Capital Rm	6 months to 31.12.2017
	Momentum Retail	Metropolitan Retail	Momentum Corporate	International	Total		
	Rm	Rm	Rm	Rm	Rm		
Embedded value from new business	(432)	(92)	(94)	(139)	-	(757)	
Expected (or actual) net of tax profit transfer to net worth	1 000	406	241	249	-	1 896	
Operating experience variances	(61)	(4)	98	(8)	(5)	20	
Development expenses	(4)	(3)	(6)	-	-	(13)	
Operating assumption changes	-	-	-	-	-	-	
Embedded value profit from operations	503	307	239	102	(5)	1 146	
Investment return on adjusted net worth	113	58	64	79	51	365	
Investment variances	(21)	12	19	18	-	28	
Economic assumption changes	11	22	-	(3)	-	30	
Exchange rate movements	-	-	-	(8)	-	(8)	
Embedded value profit – covered business	606	399	322	188	46	1 561	

ANALYSIS OF CHANGES IN GROSS VALUE OF IN-FORCE	Covered business					Shareholder Capital Rm	6 months to 31.12.2017
	Momentum Retail	Metropolitan Retail	Momentum Corporate	International	Total		
	Rm	Rm	Rm	Rm	Rm		
Embedded value from new business	565	252	151	176	-	1 144	
Expected return – unwinding of RDR	622	206	280	156	-	1 264	
Expected (or actual) net of tax profit transfer to net worth	(1 000)	(406)	(241)	(249)	-	(1 896)	
Operating experience variances	(34)	7	14	1	-	(12)	
Operating assumption changes	-	-	(70)	-	-	(70)	
Embedded value profit from operations	153	59	134	84	-	430	
Investment variances	291	165	13	(2)	-	467	
Economic assumption changes	28	68	(5)	18	-	109	
Exchange rate movements	-	-	-	(6)	-	(6)	
Embedded value profit – covered business	472	292	142	94	-	1 000	

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN COST OF CAR	Covered business				6 months to 31.12.2017	Total Rm
	Momentum Retail	Metropolitan Retail	Momentum Corporate	International		
	Rm	Rm	Rm	Rm		
Embedded value from new business	(44)	(30)	(13)	(12)	(99)	
Expected return – unwinding of RDR	(69)	(32)	(53)	(15)	(169)	
Release from the cost of required capital	81	53	63	-	197	
Operating experience variances	-	-	18	-	18	
Operating assumption changes	-	-	-	-	-	
Embedded value profit from operations	(32)	(9)	15	(27)	(53)	
Investment variances	19	(38)	39	-	20	
Economic assumption changes	-	(1)	2	21	22	
Exchange rate movements	-	-	-	2	2	
Embedded value profit – covered business	(13)	(48)	56	(4)	(9)	

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Covered business					Shareholder Capital	Total Rm
	Momentum Retail	Metropolitan Retail	Momentum Corporate	International			
	Rm	Rm	Rm	Rm	Rm		
6 mths to 31.12.2017							
Embedded value from new business	89	130	44	25	-	-	288
Expected return – unwinding of RDR	553	174	227	141	-	-	1 095
Release from the cost of required capital	81	53	63	-	-	-	197
Operating experience variances	(95)	3	130	(7)	(5)	-	26
Development expenses	(4)	(3)	(6)	-	-	-	(13)
Operating assumption changes	-	-	(70)	-	-	-	(70)
Embedded value profit from operations	624	357	388	159	(5)	-	1 523
Investment return on adjusted net worth	113	58	64	79	51	-	365
Investment variances	289	139	71	16	-	-	515
Economic assumption changes	39	89	(3)	36	-	-	161
Exchange rate movements	-	-	-	(12)	-	-	(12)
Embedded value profit – covered business	1 065	643	520	278	46	-	2 552

6 mths to 31.12.2016							
Embedded value from new business	106	94	46	46	-	-	292
Expected return – unwinding of RDR	617	208	232	124	-	-	1 181
Release from the cost of required capital	66	62	53	-	-	-	181
Operating experience variances	10	86	(62)	52	28	-	114
Development expenses	(17)	-	-	-	-	-	(17)
Operating assumption changes	(48)	(7)	(29)	3	-	-	(81)
Embedded value profit from operations	734	443	240	225	28	-	1 670
Investment return on adjusted net worth	135	77	70	26	2	-	310
Investment variances	(420)	(219)	(91)	(8)	7	-	(731)
Economic assumption changes	(21)	11	(28)	9	-	-	(29)
Exchange rate movements	-	-	-	(33)	-	-	(33)
Embedded value profit – covered business	428	312	191	219	37	-	1 187

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Covered business					Total Rm
	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Corporate Rm	International Rm	Shareholder Capital Rm	
	12 mths to 30.06.2017					
Embedded value from new business	228	178	68	73	-	547
Expected return – unwinding of RDR	1 255	451	490	227	-	2 423
Release from the cost of required capital	210	127	105	-	-	442
Operating experience variances	36	20	(147)	65	44	18
Development expenses	(36)	-	(31)	-	-	(67)
Operating assumption changes	537	184	(295)	(23)	-	403
Embedded value profit from operations	2 230	960	190	342	44	3 766
Investment return on adjusted net worth	269	157	145	63	18	652
Investment variances	(932)	(193)	(203)	(21)	(5)	(1 354)
Economic assumption changes	(54)	(14)	(103)	7	-	(164)
Exchange rate movements	-	-	-	(36)	-	(36)
Embedded value profit – covered business	1 513	910	29	355	57	2 864

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

A. VALUE OF NEW BUSINESS

VALUE OF NEW BUSINESS ^(1,2)	Momentum Retail ⁽³⁾ Rm	Metropolitan Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
6 mths to 31.12.2017					
Value of new business	89	130	44	25	288
Gross	133	160	57	37	387
Less cost of required capital	(44)	(30)	(13)	(12)	(99)
New business premiums	8 603	1 391	1 750	473	12 217
Recurring premiums	563	675	327	232	1 797
Single premiums	8 040	716	1 423	241	10 420
New business premiums (APE)	1 367	747	469	256	2 839
New business premiums (PVP)	11 182	2 919	4 855	1 367	20 323
Profitability of new business as a percentage of APE	6.5	17.4	9.4	9.8	10.1
Profitability of new business as a percentage of PVP	0.8	4.5	0.9	1.8	1.4
Restated					
6 mths to 31.12.2016					
Value of new business	106	94	46	46	292
Gross	139	125	69	52	385
Less cost of required capital	(33)	(31)	(23)	(6)	(93)
New business premiums	8 490	1 218	2 500	421	12 629
Recurring premiums	535	649	423	239	1 846
Single premiums	7 955	569	2 077	182	10 783
New business premiums (APE)	1 331	706	630	257	2 924
New business premiums (PVP)	10 842	2 673	6 366	1 414	21 295
Profitability of new business as a percentage of APE	8.0	13.3	7.3	17.9	10.0
Profitability of new business as a percentage of PVP	1.0	3.5	0.7	3.3	1.4
12 mths to 30.06.2017					
Value of new business	228	178	68	73	547
Gross	314	230	113	95	752
Less cost of required capital	(86)	(52)	(45)	(22)	(205)
New business premiums	17 624	2 325	4 637	824	25 410
Recurring premiums	1 135	1 220	751	439	3 545
Single premiums	16 489	1 105	3 886	385	21 865
New business premiums (APE)	2 784	1 331	1 140	478	5 733
New business premiums (PVP)	22 774	5 164	11 121	2 536	41 595
Profitability of new business as a percentage of APE	8.2	13.4	6.0	15.3	9.5
Profitability of new business as a percentage of PVP	1.0	3.4	0.6	2.9	1.3

1. Value of new business and new business premiums are net of non-controlling interests.
2. 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 reporting date have been used.
3. For Momentum Retail, the definition of new business has been amended to exclude negative alterations after the commission clawback period. This change aligns with the definition used internally by Momentum Sales.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NEW BUSINESS PREMIUMS	Momentum Retail ⁽¹⁾ Rm	Metropolitan Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
6 mths to 31.12.2017					
New business premiums	8 603	1 391	1 750	473	12 217
Recurring premiums	563	675	327	232	1 797
Risk	276	450	67	-	793
Savings/Investments	287	225	260	-	772
International	-	-	-	232	232
Single premiums	8 040	716	1 423	241	10 420
Savings/Investments	7 580	361	1 068	-	9 009
Annuities	460	355	355	-	1 170
International	-	-	-	241	241
New business premiums (APE)	1 367	747	469	256	2 839
Risk	276	450	67	-	793
Savings/Investments	1 045	261	367	-	1 673
Annuities	46	36	35	-	117
International	-	-	-	256	256
Restated					
6 mths to 31.12.2016					
New business premiums	8 490	1 218	2 500	421	12 629
Recurring premiums	535	649	423	239	1 846
Risk	270	434	154	-	858
Savings/Investments	265	215	269	-	749
International	-	-	-	239	239
Single premiums	7 955	569	2 077	182	10 783
Savings/Investments	7 496	227	1 533	-	9 256
Annuities	459	342	544	-	1 345
International	-	-	-	182	182
New business premiums (APE)	1 331	706	630	257	2 924
Risk	270	434	154	-	858
Savings/Investments	1 015	238	422	-	1 675
Annuities	46	34	54	-	134
International	-	-	-	257	257

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NEW BUSINESS PREMIUMS	Momentum Retail ⁽¹⁾ Rm	Metropolitan Retail Rm	Momentum Corporate Rm	International Rm	Total Rm
12 mths to 30.06.2017					
New business premiums	17 624	2 325	4 637	824	25 410
Recurring premiums	1 135	1 220	751	439	3 545
Risk	532	811	306	-	1 649
Savings/Investments	603	409	442	-	1 454
Annuities	-	-	3	-	3
International	-	-	-	439	439
Single premiums	16 489	1 105	3 886	385	21 865
Savings/Investments	15 455	439	2 917	-	18 811
Annuities	1 034	666	969	-	2 669
International	-	-	-	385	385
New business premiums (APE)	2 784	1 331	1 140	478	5 733
Risk	532	811	306	-	1 649
Savings/Investments	2 149	453	734	-	3 336
Annuities	103	67	100	-	270
International	-	-	-	478	478

- For Momentum Retail, the definition of new business has been amended to exclude negative alterations after the commission clawback period. This change aligns with the definition used internally by Momentum Sales.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

RECONCILIATION OF LUMP SUM INFLOWS	6 mths to 31.12.2017 Rm	6 mths to 31.12.2016 Rm	12 mths to 30.06.2017 Rm
Total lump sum inflows	13 963	13 419	26 968
Inflows not included in value of new business	(4 342)	(3 344)	(6 518)
Term extensions on maturing policies	262	227	345
Retirement annuity proceeds invested in living annuities	549	497	1 107
Non-controlling interests and other adjustments	(12)	(16)	(37)
Single premiums included in value of new business	10 420	10 783	21 865

PRINCIPAL ASSUMPTIONS (South Africa) ^(1, 4)	31.12.2017 %	31.12.2016 %	30.06.2017 %
Pre-tax investment return			
Equities	12.9	12.8	12.9
Properties	10.4	10.3	10.4
Government stock	9.4	9.3	9.4
Other fixed-interest stocks	9.9	9.8	9.9
Cash	8.4	8.3	8.4
Risk-free return ⁽²⁾	9.4	9.3	9.4
Risk discount rate (RDR)	11.6	11.5	11.7
Investment return (before tax) – balanced portfolio ⁽²⁾	11.5	11.5	11.6
Renewal expense inflation rate ⁽³⁾	6.7	7.5	6.8

- 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.
- Risk-free returns are taken from an appropriate market related, risk-free yield curve as at the valuation date. Appropriate risk premia are added to the risk-free yields in order to derive yields on other asset classes. Expected cash flows at each duration are discounted using yields appropriate to that duration. The investment return on balanced portfolio business was calculated by applying the above returns to an expected long-term asset distribution.
- An inflation rate of 6.0% p.a. is used over the planning horizon (three years) where after the inflation rate is derived from market inputs as the difference between nominal and real yields across the term structure of these curves. An additional 1% expense inflation is allowed for in some divisions to reflect the impact of closed books that are in run-off.
- The assumptions quoted in the table are representative rates derived at the 10-year point of the yield curves.

B. EXPECTED RETURN

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

C. RELEASE FROM THE COST OF REQUIRED CAPITAL

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

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

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

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

E. OPERATING EXPERIENCE VARIANCES

OPERATING EXPERIENCE VARIANCES	Notes	6 mths to 31.12.2017			Restated	12 mths to
		ANW Rm	Net VIF Rm	EV Rm	6 mths to 31.12.2016 EV Rm	30.06.2017 EV Rm
Momentum Retail		(61)	(34)	(95)	10	36
Mortality and morbidity	1	55	14	69	61	165
Terminations, premium cessations and policy alterations		(5)	17	12	26	58
Expense variance	2	(54)	-	(54)	37	40
Credit risk variance		14	-	14	3	39
Other	3	(71)	(65)	(136)	(117)	(266)
Metropolitan Retail		(4)	7	3	86	20
Mortality and morbidity	1	41	9	50	40	83
Terminations, premium cessations and policy alterations	4	(52)	(11)	(63)	(11)	(69)
Expense variance		(5)	-	(5)	42	(23)
Credit risk variance		8	-	8	5	21
Other		4	9	13	10	8
Momentum Corporate		98	14	112	(96)	(135)
Mortality and morbidity	1	33	-	33	(108)	(152)
Terminations		(2)	14	12	(18)	(191)
Expense variance	5	47	-	47	4	36
Credit risk variance		22	-	22	16	57
Other		(2)	-	(2)	10	115
International		(8)	1	(7)	52	65
Mortality and morbidity	1	35	(11)	24	34	44
Terminations, premium cessations and policy alterations		(3)	(1)	(4)	-	4
Expense variance		(7)	-	(7)	6	(3)
Other		(33)	13	(20)	12	20
Shareholder Capital		(5)	-	(5)	28	44
Opportunity cost of required capital		-	18	18	34	(12)
Total operating experience variances		20	6	26	114	18

Notes

- Overall, mortality and morbidity experience for the 6 months were better compared to what was allowed for in the valuation basis.
- Due to additional investment in order to improve Momentum Retail's capabilities available to clients and intermediaries.
- Includes one off impact arising from reinsurance premium as well as larger than expected premium discounts.
- Higher than expected terminations.
- The impact of efficiencies achieved in the segment.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

F. DEVELOPMENT EXPENSES

Business development expenses within segments.

G. OPERATING ASSUMPTION CHANGES

OPERATING ASSUMPTION CHANGES	Notes	6 mths to 31.12.2017			Restated	12 mths to
		ANW Rm	Net VIF Rm	EV Rm	6 mths to 31.12.2016 EV Rm	30.06.2017 EV Rm
Momentum Retail		-	-	-	(48)	587
Mortality and morbidity assumptions		-	-	-	-	410
Termination assumptions		-	-	-	-	(60)
Renewal expense assumptions		-	-	-	-	(56)
Modelling, methodology and other changes		-	-	-	(48)	293
Metropolitan Retail		-	-	-	(7)	184
Mortality and morbidity assumptions		-	-	-	-	(15)
Termination assumptions		-	-	-	-	(15)
Renewal expense assumptions		-	-	-	-	(55)
Modelling, methodology and other changes		-	-	-	(7)	269
Momentum Corporate		-	(70)	(70)	(29)	(295)
Mortality and morbidity assumptions		-	-	-	-	(358)
Termination assumptions		-	-	-	-	105
Renewal expense assumptions	1	-	(70)	(70)	(29)	(46)
Modelling, methodology and other changes		-	-	-	-	4
International		-	-	-	3	3
Mortality and morbidity assumptions		-	-	-	-	102
Termination assumptions		-	-	-	-	(56)
Renewal expense assumptions		-	-	-	2	19
Modelling, methodology and other changes		-	-	-	1	(62)
Shareholder Capital		-	-	-	-	-
Methodology change: cost of required capital		-	-	-	-	(76)
Total operating assumption changes		-	(70)	(70)	(81)	403

Notes

1. Lower than expected sales volumes on expense recoveries.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

H. INVESTMENT RETURN ON ADJUSTED NET WORTH

INVESTMENT RETURN ON ADJUSTED NET WORTH	6 mths to 31.12.2017 Rm	6 mths to 31.12.2016 Rm	12 mths to 30.06.2017 Rm
Investment income	272	313	620
Capital appreciation and other	111	15	68
Preference share dividends paid and change in fair value of preference shares	(18)	(18)	(36)
Investment return on adjusted net worth	365	310	652

I. INVESTMENT VARIANCES

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

J. ECONOMIC ASSUMPTION CHANGES

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

K. EXCHANGE RATE MOVEMENTS

The impact of foreign currency movements on International covered businesses.

L. TRANSFER OF BUSINESS TO NON-COVERED BUSINESS

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

M. CHANGES IN SHARE CAPITAL

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

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

COVERED BUSINESS: SENSITIVITIES – 31.12.2017	Adjusted net worth Rm	In-force business			New business written		
		Net value Rm	Gross value Rm	Cost of CAR ⁽³⁾ Rm	Net value Rm	Gross value Rm	Cost of CAR ⁽³⁾ Rm
Base value	12 102	22 121	25 407	(3 286)	288	387	(99)
1% increase in risk discount rate % change		20 105 (9)	23 794 (6)	(3 689) 12	214 (26)	321 (17)	(107) 8
1% reduction in risk discount rate % change		24 090 9	26 943 6	(2 853) (13)	373 30	463 20	(90) (9)
10% decrease in future expenses % change ⁽¹⁾		23 313 5	26 599 5	(3 286) -	348 21	447 16	(99) -
10% decrease in lapse, paid-up and surrender rates % change		22 654 2	25 940 2	(3 286) -	373 30	480 24	(107) 8
5% decrease in mortality and morbidity for assurance business % change		23 930 8	27 245 7	(3 315) 1	358 24	457 18	(99) -
5% decrease in mortality for annuity business % change		21 641 (2)	24 900 (2)	(3 259) (1)	284 (1)	383 (1)	(99) -
1% reduction in gross investment return, inflation rate and risk discount rate % change ⁽²⁾	12 102 -	22 624 2	25 839 2	(3 215) (2)	336 17	435 12	(99) -
1% reduction in inflation rate % change		22 820 3	26 106 3	(3 286) -	326 13	425 10	(99) -
10% fall in market value of equities and properties % change	11 871 (2)	20 969 (5)	24 192 (5)	(3 223) (2)			
10% reduction in premium indexation take-up rate % change		21 571 (2)	24 857 (2)	(3 286) -	269 (7)	368 (5)	(99) -
10% decrease in non-commission related acquisition expenses % change					348 21	447 16	(99) -
1% increase in equity/property risk premium % change		22 840 3	26 126 3	(3 286) -	309 7	408 5	(99) -

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

MMI HOLDINGS GROUP – ADDITIONAL INFORMATION

ANALYSIS OF ASSETS MANAGED AND/OR ADMINISTERED ⁽¹⁾	31.12.2017 Rm	Restated 31.12.2016 Rm	Restated 30.06.2017 Rm
Managed and/or administered by Investments			
Financial assets	410 228	414 771	414 070
Momentum Manager of Managers ⁽²⁾	89 396	82 479	86 757
Momentum Investment Consultants ⁽²⁾	5 153	4 921	4 956
Momentum Collective Investments	80 296	60 419	72 667
Metropolitan Collective Investments	875	31 573	19 860
Momentum Asset Management	154 113	154 695	151 241
Momentum Global Investments	54 328	56 323	55 724
Momentum Alternative Investments	6 154	6 617	6 390
Momentum Securities ⁽²⁾	19 913	17 744	16 475
Properties – Eris Property Group	21 260	19 236	21 307
On-balance sheet	8 147	8 605	8 778
Off-balance sheet	13 113	10 631	12 529
Momentum Wealth linked product assets under administration	157 694	148 793	151 203
On-balance sheet	102 395	94 839	97 082
Off-balance sheet	55 299	53 954	54 121
Managed internally or by other managers within MMI (on-balance sheet)	72 129	63 369	67 399
Managed by external managers (on-balance sheet)	16 307	15 152	15 144
Properties managed internally or by other managers within MMI or externally	3 565	2 452	2 778
Momentum Corporate – cell captives on-balance sheet ⁽²⁾	15 745	16 681	15 508
Total assets managed and/or administered	696 928	680 454	687 409
Managed and/or administered by Investments			
On-balance sheet	230 207	224 227	223 792
Off-balance sheet	180 021	190 544	190 278
	410 228	414 771	414 070

- Assets managed and/or administered, other than CIS assets, are included where an entity earns a fee on the assets. The total CIS assets are included in Momentum Collective Investments only as this is where the funds are housed. Non-financial assets (except properties) have been excluded.
- Restatements relate primarily to the inclusion of Momentum Securities, as well as the removal of double-counted CIS assets.

MMI HOLDINGS GROUP – ADDITIONAL INFORMATION

NET FUNDS RECEIVED FROM CLIENTS ⁽¹⁾	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
6 mths to 31.12.2017					
Momentum Retail	7 288	4 940	12 228	(12 591)	(363)
Metropolitan Retail	668	3 120	3 788	(2 781)	1 007
Momentum Corporate	5 583	9 003	14 586	(15 080)	(494)
International	424	1 872	2 296	(1 327)	969
Long-term insurance business fund flows	<u>13 963</u>	<u>18 935</u>	32 898	(31 779)	1 119
Off-balance sheet fund flows					
Managed and/or administered by Investments			40 901	(61 572)	(20 671)
Properties – Eris Property Group			705	(121)	584
Momentum Wealth linked product assets under administration			3 659	(4 877)	(1 218)
Total net funds received from clients			<u>78 163</u>	<u>(98 349)</u>	<u>(20 186)</u>
Restated					
6 mths to 31.12.2016					
Momentum Retail	7 302	4 716	12 018	(11 845)	173
Metropolitan Retail	525	2 996	3 521	(2 724)	797
Momentum Corporate	5 297	7 960	13 257	(12 158)	1 099
International	295	1 759	2 054	(1 228)	826
Long-term insurance business fund flows	<u>13 419</u>	<u>17 431</u>	30 850	(27 955)	2 895
Off-balance sheet fund flows					
Managed and/or administered by Investments ⁽²⁾			29 140	(63 909)	(34 769)
Properties – Eris Property Group			834	(9 015)	(8 181)
Momentum Wealth linked product assets under administration			3 848	(4 888)	(1 040)
Momentum Corporate – segregated assets			-	(216)	(216)
Total net funds received from clients			<u>64 672</u>	<u>(105 983)</u>	<u>(41 311)</u>
Restated					
12 mths to 30.06.2017					
Momentum Retail	15 077	9 663	24 740	(25 360)	(620)
Metropolitan Retail	1 021	5 877	6 898	(5 321)	1 577
Momentum Corporate	10 216	16 951	27 167	(25 574)	1 593
International	654	3 476	4 130	(2 624)	1 506
Long-term insurance business fund flows	<u>26 968</u>	<u>35 967</u>	62 935	(58 879)	4 056
Off-balance sheet fund flows					
Managed and/or administered by Investments ⁽²⁾			66 343	(102 076)	(35 733)
Properties – Eris Property Group			2 067	(8 350)	(6 283)
Momentum Wealth linked product assets under administration			7 368	(10 081)	(2 713)
Momentum Corporate – segregated assets			-	(216)	(216)
Total net funds received from clients			<u>138 713</u>	<u>(179 602)</u>	<u>(40 889)</u>

- Assets managed and/or administered, other than CIS assets, are included where an entity earns a fee on the assets. The total CIS assets are included in Momentum Collective Investments only as this is where the funds are housed. Non-financial assets (except properties) have been excluded.
- The Aluwani assets were transferred to Aluwani in the prior periods.

MMI HOLDINGS GROUP – ADDITIONAL INFORMATION

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	31.12.2017		31.12.2016		30.06.2017	
	Rm	%	Rm	%	Rm	%
Equity securities	344	1.5	321	1.4	441	1.9
Preference shares	1 216	5.3	1 585	6.7	1 325	5.8
Collective investment schemes	465	2.0	271	1.2	330	1.4
Debt securities	7 061	31.0	6 032	25.6	6 762	29.5
Properties	3 625	15.9	3 180	13.5	3 630	15.8
Owner-occupied properties	2 775	12.2	1 657	7.0	2 374	10.3
Investment properties	850	3.7	1 523	6.5	1 256	5.5
Cash and cash equivalents and funds on deposit	6 084	26.7	7 839	33.3	6 003	26.2
Intangible assets	7 005	30.8	7 646	32.5	7 144	31.1
Other net assets	1 921	8.4	776	3.3	1 537	6.7
	27 721	121.8	27 650	117.4	27 172	118.4
Redeemable preference shares	(254)	(1.1)	(268)	(1.1)	(261)	(1.1)
Subordinated redeemable debt	(4 381)	(19.2)	(3 553)	(15.1)	(3 602)	(15.7)
Treasury shares	(323)	(1.4)	(286)	(1.2)	(353)	(1.5)
Shareholder excess per reporting basis	22 763	100.0	23 543	100.0	22 956	100.0

MMI HOLDINGS GROUP – STOCK EXCHANGE PERFORMANCE

STOCK EXCHANGE PERFORMANCE	31.12.2017	30.06.2017	31.12.2016	30.06.2016
6 month period				
Value of listed shares traded (rand million)	8 160	10 392	9 681	10 914
Volume of listed shares traded (million)	420	449	413	478
Shares traded (% of average listed shares in issue) ⁽¹⁾	54	58	53	61
Trade prices				
Highest (cents per share)	2 242	2 669	2 482	2 597
Lowest (cents per share)	1 709	1 920	2 099	1 955
Last sale of period (cents per share)	2 100	2 024	2 359	2 264
Annualised percentage (%) change during period	8	(26)	9	6
Annualised percentage (%) change – life insurance sector (J857)	55	(2)	(9)	(9)
Annualised percentage (%) change – top 40 index (J200)	34	7	(9)	1
31 December/30 June				
Price/diluted core headline earnings (segmental) ratio	10.8	10.1	11.9	11.3
Dividend yield % (dividend on listed shares) ⁽¹⁾	-	7.8	2.8	6.9
Dividend yield % – top 40 index (J200) ⁽¹⁾	2.7	2.8	2.8	2.9
Total shares issued (million)				
Ordinary shares listed on JSE	1 576	1 575	1 575	1 574
Treasury shares held on behalf of contract holders	(16)	(18)	(12)	(13)
Basic number of shares in issue	1 560	1 557	1 563	1 561
Treasury shares held on behalf of contract holders	16	18	12	13
Convertible redeemable preference shares	28	29	29	30
Diluted number of shares in issue ⁽²⁾	1 604	1 604	1 604	1 604
Market capitalisation at end (Rbn) ⁽³⁾	34	32	38	36

1. Percentages have been annualised.
2. The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders.
3. The market capitalisation is calculated on the fully diluted number of shares in issue.

