

update



6 March 2012

Update is a newsletter produced by the investor relations department of MMI Holdings Limited. It provides information on the different businesses in the group as well as financial news. Contact Natalie Amos (investor relations) on (021) 940-6112 / namos@mmiholdings.co.za for further information.

Unaudited group results for the six months ended 31 December 2011

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MMI Holdings unaudited group results for the six months ended 31 December 2011

- Merger **integration** progressing well
- R500 million **merger savings** on track
- **Strong capital** structure
- Group **embedded value** of R30.8 billion
- **Core headline earnings** up 5% to 81 cents per share
- Interim **dividend** up 5% to 44 cents per share

OVERVIEW OF OPERATIONS AND PROSPECTS

NATURE OF ACTIVITIES

MMI Holdings is a South African based financial services group that provides a wide range of products and services to clients locally and in selected African countries.

OPERATING ENVIRONMENT

Equity markets remained volatile during the reporting period while long bond interest rates closed slightly lower. Overall consumer confidence stabilised, household disposable income increased marginally in some market segments and employment levels showed pockets of improvement. Despite positive signs, local operating conditions remained challenging.

GROUP RESULTS

The process of merging the operations of Metropolitan and Momentum continues to be a very challenging and complex exercise; however, good progress is being made in this regard and the integration projects are on schedule.

- The embedded value of R30.8 billion (1 920 cents per share) reflects the underlying financial strength and sustainability of the group.
- Diluted core headline earnings, as per the segmental information, increased by 4% to R1 294 million for the period.
- Positive net cash flow from clients was recorded for the period.

CAPITAL MANAGEMENT

- The group actively manages its capital resources within a defined risk appetite and balances the interests of all stakeholders to protect and enhance shareholder wealth.
- Capital is regarded as a scarce resource and a significant driver of shareholder returns.
- Capital management focuses on the investment, level and allocation of capital.
- The investment mandate for shareholder capital was finalised during the period and a less risky mandate has been implemented in Metropolitan, which reduced the capital adequacy requirement (CAR) and increased the CAR multiple from 2.3 times at year-end to 2.7 times. The new mandate also resulted in a once-off increase in the cost of capital in the traditional embedded value calculation, which reduced the embedded value by R523 million.
- The FSB's solvency assessment and management (SAM) project SA QIS1 submissions were completed during the period.
- The group held a capital buffer of R4.0 billion at 31 December 2011.
- The group is comfortable that its present level of capital is appropriate in the current environment; this position is evaluated on an ongoing basis.

MERGER INTEGRATION

- The overarching objective of the integration, overseen by a dedicated chief integration officer, is to incorporate “the best of both”.
- The integration has moved from planning to implementation.
- Systems and data migration projects are proceeding according to plan.
- The legal amalgamation of the Metropolitan and Momentum long-term insurance licences has commenced, subject to regulatory approvals.
- Group and divisional strategies have been embedded and merger savings of R500 million have been identified and should emerge over the next three years:
 - Targets have been set per division and firm deadlines are in place.
 - The board is measuring progress against these targets on an ongoing basis.

PROSPECTS

- Each division has implemented strategic plans and integration processes to identify and optimise structures, operations, target markets, distribution channels and product offerings.
- Growth in new business volumes will, however, remain dependent on the economic environment, including a recovery in employment and stronger disposable income levels.
- All divisions face opportunities and threats posed by ongoing changes in the highly regulated environments in which they operate, including the national health insurance and national social security reform proposals.
- Ongoing uncertainties from the eurozone crisis could continue to have a negative impact on business confidence in the markets where we operate.
- The board of MMI Holdings believes that the group has appropriate strategies to unlock value and generate a satisfactory return on capital for shareholders over time.

OPERATIONAL REVIEW

MOMENTUM RETAIL

- Trading conditions remained tough, resulting in an 11% decline in new business on an annual premium equivalent (APE) basis.
- The value of new business margin, on a present value of premiums (PVP) basis, came under pressure as a result of decreased production in most lines of business, a change in the business mix as well as further investment into the agency channel.
- The integration of the Odyssey business remains on track.
- Operating profit for the period reduced by 2% to R377 million, largely due to experience profit being below the long-term expectations.

METROPOLITAN RETAIL

- Recurring premium new business ended 18% higher, driven by good production in the traditional agency channels.
- Further investment in the group scheme business resulted in a gratifying 36% improvement in new business from this distribution channel.
- Significant improvements were delivered through the new markets distribution channel.
- The reduction in single premium income was the result of the transfer of certain distribution channels to Momentum Retail.
- The value of new business increased by 4% to R151 million, at a PVP margin of 5.3%, on the back of increased production and good expense management, after allowing for an increase of R11 million in the cost of capital and a R14 million reduction resulting from the narrowing of real yields.

- The size of the in-force book increased to 2.9 million policies through satisfactory retention and good new business volumes.
- At R204 million, operating profit for the period was 23% higher, reflecting the strong operational performance of the division.

MOMENTUM EMPLOYEE BENEFITS

- Total new business for the half-year increased 8% to R599 million on an APE basis.
- Value of risk new business was significantly higher due to improved business mix and increased volumes, in particular risk business from the large corporate market.
- New business flows for investment products were lower than recorded for the corresponding period of the previous year.
- Client retention interventions resulted in better persistency across all product lines.
- Efforts to reduce the division's expense to income ratio through the merger integration are ongoing.
- A satisfactory new business pipeline is in place.
- Disability experience reduced as a result of the impact of the prevailing economic conditions.
- Operating profit for the period reduced by 3% to R99 million.

METROPOLITAN INTERNATIONAL

- New business revenue was very satisfactory and increased by 47% to R129 million on an APE basis.
- Botswana and Lesotho recorded significant increases in single premium business.
- The individual life policy book grew by 4.4%, boosted primarily by the business in Ghana.
- Lives under administration in the health business increased by 7% and claims ratios improved as a result of successful re-pricing.
- The employee benefits environment in Namibia remained highly competitive.
- An operating loss of R3 million was recorded, as risk profits decreased and new business strain increased.

MOMENTUM INVESTMENTS

- During the period under review assets under management remained exposed to volatility in global and local markets.
- Equity performance improved during the period; however, further work is required on the performance of balanced mandates.
- Five Raging Bull awards reflect the improved investment performance of the division.
- The multi-manager business recorded satisfactory investment performance across most product lines.
- The net funds outflow from third parties decreased significantly over the reporting period.
- Although Momentum Collective Investments recorded inflows, the new white label regulations published by the FSB could have a negative impact on this business in future.
- Operating profit for the period reduced by 30% to R62 million.

METROPOLITAN HEALTH

- The new business model of the Government Employees Medical Scheme was implemented successfully and the scheme continued to grow by 350 – 400 principal members per day.
- Revenue was increased by the take-on of two new corporate schemes.
- Metropolitan Health Risk Management continued to deliver good performance.
- Merger savings continued to improve the operational efficiencies.
- The business continued to position itself for national health insurance (NHI) reforms.

- Operating profit increased substantially to R58 million, reflecting the improvement in operational efficiencies.

SHAREHOLDER CAPITAL

- Shareholder capital includes investment income on shareholder funds. The prior reporting period included a once-off interest accrual on an income tax refund.
- Operating profit from the balance sheet management business is included in this segment.
- The investment mandate for shareholder capital was revised during the period and a less risky mandate has been implemented.

DIRECTORS' STATEMENT

The directors take pleasure in presenting the unaudited interim results of MMI Holdings financial services group for the period ended 31 December 2011. The preparation of the group's condensed consolidated results was supervised by the group finance director, Preston Speckmann, BCompt (Hons), CA(SA).

During the 2011 financial year Metropolitan merged with Momentum to form the MMI financial services group.

Basis of preparation of financial information

These results have been prepared in accordance with International Accounting Standard 34 (IAS34) – Interim financial reporting; the South African Companies Act of 2008; and the listings requirements of the JSE Limited (JSE). The accounting policies of the group are in terms of International Financial Reporting Standards (IFRS) and have been applied consistently to all the periods presented and the previous reporting period. The preparation of the financial statements is in accordance with and contains the information required by IFRS and the AC 500 standards, as issued by the Accounting Practices Board, which requires the use of certain critical accounting estimates as well as the exercise of managerial judgement in the application of the group's accounting policies. Such critical judgements and accounting estimates are disclosed in detail in the group's integrated report for the year ended 30 June 2011, including changes in estimates which are an integral part of the insurance business. The group is exposed to financial and insurance risks – details are also provided in the group's integrated report.

Segmental information

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

Management information presented to the executive committee (chief operating decision-maker) assumes that the merger occurred on 1 July 2009 and therefore all segmental information, in terms of IFRS 8 – Operating segments – has been disclosed on an 'as if' basis. The operational reviews are based on this segmental information. More details are available in the tables, on SENS and on the company's website.

The comparative information has been restated to be consistent with the current structure of the group.

Reclassifications

Subsequent to the release of the MMI group interim results for December 2010 the group aligned the presentation of financial statement line items of Momentum and Metropolitan for consistency purposes, resulting in certain reclassifications as noted in the group's integrated report for the year

ended 30 June 2011. The MMI group results for December 2010 have therefore been restated, on a consistent basis, for the following:

- Direct property expenses of R88 million were previously set off against investment income while asset management fee expenses of R205 million and customer loyalty fee expenses of R60 million were set off against fee income. These expenses have now been separately disclosed under other expenses for the six months ended 31 December 2010.
- The classification of certain equity, credit, index and commodity linked notes was aligned, resulting in a reclassification from derivative financial instruments to assets designated at fair value through income of R5 904 million as at 31 December 2010.
- The classification between cash and cash equivalents and financial instrument assets was aligned, resulting in a reclassification from cash and cash equivalents of R312 million as at 31 December 2010.
- The group aligned its treatment of deferred tax assets and liabilities, resulting in a deferred tax asset of R908 million being set off against the deferred tax liability at 31 December 2010.

On analysing the equity portfolios classified as available-for-sale financial instruments, it was noted that certain of the net cumulative realised gains over a period before June 2010, totalling R651 million, were not recycled from the available-for-sale reserve to the income statement on disposal or de-recognition of these assets. The retained earnings and available-for-sale reserve balances at 1 July 2010 have therefore been restated from R6 495 million to R7 146 million and R658 million to R7 million respectively. This restatement had no impact on the 2012 or 2011 year reported earnings or headline earnings per share.

CORPORATE GOVERNANCE

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

DIRECTORATE CHANGES AND DIRECTORS' SHAREHOLDING

Mr LL Dippenaar and Mr PK Harris resigned with effect from 22 November 2011. On the same date, Mr MJN Njeke was appointed chairman while Mr JP Burger was elected deputy chairman. In addition, Prof JD Krige and Mr MH Visser were appointed to the board. Mr K Matseke resigned with effect from 31 October 2011 and was replaced by Mr V Nkonyeni, the chief executive of Kagiso Tiso Holdings. All transactions in listed shares of the company involving directors were disclosed on SENS as required.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The group had no material capital commitments at 31 December 2011. The group is party to legal proceedings in the normal course of business, and appropriate provisions are made when losses are expected to materialise.

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND DECLARATION

Ordinary shares

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

On 5 March 2012 a dividend of 44 cents per ordinary share was declared. This dividend is payable to the holders of ordinary shares recorded in the register of the company at the close of business on Friday, 30 March 2012 and will be paid on Monday, 2 April 2012. The last day to trade “cum” dividend will be Friday, 23 March 2012. The shares will trade “ex” dividend from the start of business on Monday, 26 March 2012. Share certificates may not be dematerialised or rematerialised between Monday, 26 March and Friday, 30 March 2012, both days inclusive.

Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders’ bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to certificated shareholders on or about payment date. Shareholders who hold dematerialised shares will have their accounts with their CSDP or broker credited on Monday, 2 April 2012.

Preference share dividend

Dividends of R10.4 million (7.7% p.a.), R4.5 million (7.7% p.a.) and R30.3 million (19.1% p.a.) were declared on 2 March 2012 on the unlisted A1, A2 and A3 MMI preference shares respectively, and are payable on 31 March 2012. The declaration rate was determined as set out in the company’s articles. MMI preference share dividends are included under finance costs in these results.

Signed on behalf of the board

JJ Njeke

Chairman

Nicolaas Kruger

Group chief executive officer

Centurion

6 March 2012

Directors: MJN Njeke (chairman), JP Burger (deputy chairman), NAS Kruger (group chief executive officer), FW van Zyl (deputy group chief executive officer), M Mthombeni (executive), PE Speckmann (group finance director), RB Gouws, F Jakoet, Prof JD Krige, PJ Moleketi, SA Muller, JE Newbury, V Nkonyeni, SE Nxasana, KC Shubane, FJC Truter, BJ van der Ross, JC van Reenen, M Vilakazi, MH Visser

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JSE code: MMI **NSX code:** MIM **ISIN NO:** ZAE0001149902



MMI HOLDINGS

Summary of financial information

Unaudited results for the 6 months ended 31 December 2011

MMI HOLDINGS LIMITED GROUP

IFRS financial information (page 3 to 15)

The MMI group was formed on 1 December 2010 following the merger of Metropolitan and Momentum.

The unaudited results presented for the current period comprise Momentum and Metropolitan results for the six months ended 31 December 2011. The comparatives for the following periods, comprise:

- six months to 31 December 2010: the Momentum results for the six months ended 31 December 2010 and Metropolitan results for the month of December 2010 (restated for reclassifications noted below)
- 12 months to 30 June 2011: the Momentum results for the 12 months ended 30 June 2011 and Metropolitan results for the seven months ended 30 June 2011.

Effective 1 December 2010 the group entered into a reinsurance agreement with a cell captive owned by FirstRand whereby 90% of the FNB Life business is reinsured to the cell captive owned by FirstRand. The IFRS results for the current period therefore include 10% of FNB Life results for the six months ended 31 December 2011; 100% for the five months ended 30 November 2010 and 10% of FNB Life's results for the month of December 2010 and for the seven months ended 30 June 2011.

Segmental information (page 11 to 15)

The current MMI group results disclose the segmental information based on the way the business has been managed since the merger. This assumes that the merger was in place for all comparative information. Management information presented to the MMI executive committee (chief operating decision maker) is also presented this way and therefore all segmental information, in terms of IFRS 8 – Operating segments – is disclosed on an 'as if' basis.

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

Embedded value and statement of assets and liabilities on the reporting basis (page 16 to 27)

The analysis of embedded value earnings reported for the 12 months ended 30 June 2011 and the six months ended 31 December 2010 reconciles embedded value at 30 June 2010 (assuming Metropolitan and Momentum were already merged then) to the closing embedded value at 30 June 2011 and 31 December 2010 respectively.

The analysis of surplus, relating to the long-term insurance business excess on the statement of assets and liabilities on the reporting basis, for the 12 months ended 30 June 2011 and for the six months ended 31 December 2010 assumes that Metropolitan and Momentum were already merged on 1 July 2010.

MMI HOLDINGS LIMITED GROUP

Basis of presentation of financial information

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The preparation of the MMI Group's condensed consolidated, unaudited results was supervised by the Group Finance Director, Preston Speckmann, BCompt (Hons), CA (SA).

Reclassifications

Subsequent to the release of the MMI group interim results for December 2010 the group aligned the presentation of financial statement line items of Momentum and Metropolitan for consistency purposes, resulting in certain reclassifications as noted in the MMI Integrated Report for the year ended 30 June 2011. The MMI group results for December 2010 have therefore been restated, on a consistent basis, for the following:

- Direct property expenses of R88 million were previously set off against investment income; asset management fee expenses of R205 million and customer loyalty fee expenses of R60 million were previously set off against fee income. These expenses have now been separately disclosed under other expenses for the six months ended 31 December 2010.
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- The classification between cash and cash equivalents and financial instrument assets was aligned, resulting in a reclassification from cash and cash equivalents of R312 million as at 31 December 2010.
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On analysing the equity portfolios classified as available-for-sale financial instruments, it was noted that certain of the net cumulative realised gains over a period before June 2010, totalling R651 million, were not recycled from the available-for-sale reserve to the income statement on disposal or derecognition of these assets. The retained earnings and available-for-sale reserve balances at 1 July 2010 have therefore been restated from R6 495 million to R7 146 million and R658 million to R7 million, respectively. This restatement had no impact on the 2012 or 2011 year reported earnings or headline earnings per share.

Standards and interpretations of published standards effective for the period ended 31 December 2011 and relevant to the group

- The following amendments to standards became effective for the first time in the current period and had no impact on the group's earnings: IFRS 7 (amendment) Financial instruments: disclosures, IAS 24 (amendment) – Related party disclosures, IFRIC 14 (amendment) – Prepayments of a minimum funding requirement, AC 504 – IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction in the South African pension fund environment.
- The International Accounting Standards Board (IASB) made amendments to various standards as part of their annual improvements project. These amendments had no impact on the group's earnings.

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	31.12.2011 Rm	Restated 31.12.2010 Rm	30.06.2011 Rm
ASSETS			
Intangible assets	11 935	12 719	12 257
Owner-occupied properties	1 446	1 657	1 416
Property and equipment	321	254	301
Investment properties	6 140	5 554	5 982
Investment in associates	8 663	6 354	7 797
Employee benefit assets	387	334	381
Financial instrument assets ⁽¹⁾	239 921	232 982	234 067
Insurance and other receivables	2 427	2 363	2 296
Deferred income tax	106	86	108
Reinsurance contracts	1 337	1 164	1 148
Current income tax assets	309	52	174
Cash and cash equivalents	16 527	18 775	19 770
Non-current assets held for sale	53	5 337	6 854
Total assets	289 572	287 631	292 551
EQUITY			
Equity attributable to owners of the parent	22 311	22 572	22 341
Preference shares	500	500	500
	22 811	23 072	22 841
Non-controlling interests	250	262	298
Total equity	23 061	23 334	23 139
LIABILITIES			
Insurance contract liabilities			
Long-term insurance contracts	84 710	83 209	82 835
Financial instrument liabilities			
Investment contracts	149 723	146 057	146 045
– with discretionary participation features	24 257	26 010	24 280
– designated at fair value through income	125 466	120 047	121 765
Other financial instrument liabilities ⁽²⁾	16 148	16 553	16 730
Deferred income tax	4 049	3 892	4 042
Employee benefit obligations	736	661	874
Other payables	10 977	9 651	12 887
Provisions	104	112	109
Current income tax liabilities	64	53	38
Non-current liabilities held for sale	-	4 109	5 852
Total liabilities	266 511	264 297	269 412
Total equity and liabilities	289 572	287 631	292 551

1. Financial instrument assets consist of the following:

Assets designated at fair value through income: R230 315 million (31.12.2010: R223 275 million; 30.06.2011: R223 990 million)

Derivative financial instruments: R2 865 million (31.12.2010: R2 383 million; 30.06.2011: R2 207 million)

Held-to-maturity assets: R51 million (31.12.2010: R64 million; 30.06.2011: R14 million)

Available-for-sale assets: R3 472 million (31.12.2010: R4 763 million; 30.06.2011: R4 709 million)

Loans and receivables: R3 218 million (31.12.2010: R2 497 million; 30.06.2011: R3 147 million)

2. Other financial instrument liabilities consist of the following:

Liabilities designated at fair value through income: R13 085 million (31.12.2010: R13 573 million; 30.06.2011: R14 096 million)

Derivative financial instruments: R1 776 million (31.12.2010: R1 543 million; 30.06.2011: R1 235 million)

Liabilities at amortised cost: R1 287 million (31.12.2010: R1 437 million; 30.06.2011: R1 399 million)

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT	6 mths to 31.12.2011 Rm	Restated 6 mths to 31.12.2010 Rm	12 mths to 30.06.2011 Rm
Net insurance premiums received	9 625	5 265	15 029
Fee income ⁽¹⁾	2 612	1 802	4 232
Investment income	6 925	4 846	11 711
Net realised and fair value gains	4 720	12 822	13 846
Net income	23 882	24 735	44 818
Net insurance benefits and claims	9 345	5 793	15 898
Change in liabilities	1 606	3 573	2 265
Change in insurance contract liabilities	1 779	3 207	2 899
Change in investment contracts with DPF liabilities	(23)	637	(389)
Change in reinsurance provision	(150)	(271)	(245)
Fair value adjustments on investment contract liabilities	5 258	8 743	12 106
Fair value adjustments on collective investment scheme liabilities	63	1 025	1 506
Depreciation, amortisation and impairment expenses	489	149	676
Employee benefit expenses	1 948	1 220	3 202
Sales remuneration	1 508	1 067	2 697
Other expenses	1 834	1 161	2 783
Expenses	22 051	22 731	41 133
Results of operations	1 831	2 004	3 685
Share of profit of associates	22	26	44
Finance costs ⁽²⁾	(584)	(278)	(1 147)
Profit before tax	1 269	1 752	2 582
Income tax expenses	(454)	(651)	(919)
Earnings	815	1 101	1 663
Attributable to:			
Owners of the parent	805	1 079	1 612
Non-controlling interests	(5)	4	18
Momentum preference shares	15	18	33
	815	1 101	1 663
Basic earnings per share (cents)	54	104	128
Diluted earnings per share (cents)	53	103	126

1. Fee income consists of the following:

- Investment contracts: R699 million (31.12.2010: R866 million; 30.06.2011: R1 340 million)
- Trust and fiduciary services: R882 million (31.12.2010: R453 million; 30.06.2011: R1 386 million)
- Health administration services: R878 million (31.12.2010: R228 million; 30.06.2011: R1 239 million)
- Other fee income: R153 million (31.12.2010: R255 million; 30.06.2011: R267 million)

2. Finance costs consist of the following:

- Preference shares issued by MMI Holdings Ltd: R46 million (31.12.2010: R8 million; 30.06.2011: R52 million)
- Subordinated redeemable debt: R57 million (31.12.2010: R41 million; 30.06.2011: R98 million)
- Cost of carry and derivative financial instruments: R465 million (31.12.2010: R182 million; 30.06.2011: R891 million)
- Other: R16 million (31.12.2010: R47 million; 30.06.2011: R106 million)

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

RECONCILIATION OF HEADLINE EARNINGS attributable to owners of the parent	Basic earnings			Diluted earnings		
	6 mths to	6 mths to	12 mths to	6 mths to	6 mths to	12 mths to
	31.12.2011	31.12.2010	30.06.2011	31.12.2011	31.12.2010	30.06.2011
	Rm	Rm	Rm	Rm	Rm	Rm
Earnings	805	1 079	1 612	805	1 079	1 612
Finance costs – convertible preference shares				46	8	52
Diluted earnings				851	1 087	1 664
Realised gains on available-for-sale financial assets	(12)	-	-	(12)	-	-
Intangible asset impairments	19	7	28	19	7	28
Impairment/loss on step-up of associate	-	2	18	-	2	18
Profit on sale of business	-	-	(27)	-	-	(27)
Tax effect on profit on sale of business	-	-	3	-	-	3
Headline earnings ⁽¹⁾	812	1 088	1 634	858	1 096	1 686
Net realised and fair value gains on excess Basis and other changes and investment variances	(93)	(155)	(43)	(93)	(155)	(43)
FNB Life (90%) ⁽²⁾	-	(174)	(174)	-	(174)	(174)
Amortisation of intangible assets relating to business combinations	257	63	318	257	63	318
Secondary Tax on Companies (STC)	88	-	90	88	-	90
BEE cost ⁽³⁾	25	-	-	25	-	-
Merger transaction costs	-	27	29	-	27	29
Dilutory effect of subsidiaries ⁽⁴⁾	-	-	-	(3)	(1)	(6)
Investment income on treasury shares – contract holders	-	-	-	9	-	6
Core headline earnings ⁽⁵⁾	1 242	747	2 047	1 294	754	2 099
Metropolitan pre-merger				-	489	489
Core headline earnings as per segmental information ⁽⁶⁾				1 294	1 243	2 588

1. Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes.
2. This represents the 90% of FNB Life's results for the five months ended 30 November 2010 which has been excluded from the December 2010 and June 2011 figures as it is non-recurring.
3. This represents the cost of the BEE transaction in Namibia in the current period in terms of IFRS 2 – *Share based payments*.
4. Metropolitan Health and Metropolitan Kenya are consolidated at 100% in the results. For the purposes of diluted core headline earnings, non-controlling interests and investment returns are reinstated.
5. Core headline earnings disclosed comprise operating profit and investment income on shareholder assets. It excludes net realised and fair value gains on investment assets, investment variances and basis and other changes which can be volatile, STC, certain non-recurring items, as well the amortisation of intangible assets relating to business combinations as this is part of the cost of acquiring the business. STC has been added back as it will fall away and be replaced by the new dividends withholding tax effective 1 April 2012.
6. Core headline earnings as per segmental information represent the core headline earnings of the group as though the merger was effective for all reported periods.

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

EARNINGS PER SHARE (cents) attributable to owners of the parent	6 mths to 31.12.2011	6 mths to 31.12.2010	12 mths to 30.06.2011
Basic			
Core headline earnings	83	74	163
Headline earnings	54	105	130
Earnings	54	104	128
Weighted average number of shares (million)	1 489	1 038	1 259
Diluted			
Core headline earnings ⁽²⁾	81	74	158
Weighted average number of shares (million) ⁽¹⁾	1 605	1 058	1 329
Headline earnings	54	104	128
Earnings	53	103	126
Weighted average number of shares (million) ⁽¹⁾	1 590	1 055	1 317
Diluted core headline earnings as per segmental information	81	77	161
Weighted average number of shares (million) for purposes of segmental information ⁽²⁾	1 605	1 605	1 605

- 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, these shares are deemed to be cancelled.
- The weighted average number of shares for purposes of segmental information assumes that the merger was effective from 1 July 2010 in line with the diluted core headline earnings as per the segmental information.

DIVIDENDS	2012	2011
Ordinary listed MMI Holdings Limited shares (cents per share)		
Interim – March	44	42
Final – September		63
Total		<u>105</u>

A special dividend of 21 cents per share was also declared in March 2011.

DIVIDENDS		A1	A2	A3
MMI Holdings convertible redeemable preference shares (issued to Kagiso Tiso Holdings (KTH))				
Redemption value (per share)	R	5.12	9.18	9.18
Paid – 30 September 2010	Rate	8.5%	8.5%	17.1%
	Rm	12	5	27
Paid – 31 March 2011	Rate	7.7%	7.7%	18.0%
	Rm	11	5	29
Paid – 30 September 2011	Rate	7.7%	7.7%	19.1%
	Rm	10	5	30
Payable – 31 March 2012	Rate	7.7%	7.7%	19.1%
	Rm	10	4	30
Redemption date		Oct - 2012	Dec - 2012	Apr – 2012 ⁽¹⁾

- The redemption date of the A3 MMI preference shares has been extended from 5 December 2011 to 30 April 2012. The preference rate payable remained unchanged and MMI took over as a funder for the duration of this extension.

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	6 mths to 31.12.2011 Rm	6 mths to 31.12.2010 Rm	12 mths to 30.06.2011 Rm
Earnings	815	1 101	1 663
Other comprehensive income for the year, net of tax	80	(11)	35
Exchange differences on translating foreign operations	55	(37)	(29)
Available-for-sale financial assets	(7)	12	11
Land and buildings revaluation	34	14	105
Share of other comprehensive income of associates	-	(2)	(2)
Change in non-distributable reserves	1	1	-
Income tax relating to components of other comprehensive income	(3)	1	(50)
Total comprehensive income for the year	895	1 090	1 698
Total comprehensive income attributable to:			
Owners of the parent	877	1 074	1 651
Non-controlling interests	3	(2)	14
Momentum preference shares	15	18	33
	895	1 090	1 698

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6 mths to 31.12.2011 Rm	Restated 6 mths to 31.12.2010 Rm	Restated 12 mths to 30.06.2011 Rm
Changes in share capital			
Balance at beginning ⁽¹⁾	13 421	1 041	1 041
Staff share scheme shares released	1	-	2
Treasury shares held on behalf of contract holders	21	(328)	(204)
Shares issued ⁽²⁾	-	12 582	12 582
Balance at end	<u>13 443</u>	<u>13 295</u>	<u>13 421</u>
Changes in other reserves			
Balance at beginning	1 466	1 140	1 140
Reclassification ⁽³⁾	-	(651)	(651)
Total comprehensive income	71	(3)	42
BEE cost	25	-	-
Fair value adjustment for preference shares issued by MMI ⁽⁴⁾	-	940	940
Transfer (to)/from retained earnings	(8)	1	(5)
Balance at end ⁽⁵⁾	<u>1 554</u>	<u>1 427</u>	<u>1 466</u>
Changes in retained earnings			
Balance at beginning	7 454	6 495	6 495
Reclassification ⁽³⁾	-	651	651
Total comprehensive income	806	1 077	1 609
Dividend paid	(942)	(359)	(1 302)
Employee share scheme	-	(13)	(9)
Transactions with minorities	(12)	-	5
Transfer from/(to) other reserves	8	(1)	5
Balance at end	<u>7 314</u>	<u>7 850</u>	<u>7 454</u>
Equity attributable to owners of the parent	<u>22 311</u>	<u>22 572</u>	<u>22 341</u>
Momentum preference shares			
Balance at beginning	500	500	500
Total comprehensive income	15	18	33
Dividend paid	(15)	(18)	(33)
Balance at end	<u>500</u>	<u>500</u>	<u>500</u>
Changes in non-controlling interests			
Balance at beginning	298	(4)	(4)
Total comprehensive income	3	(2)	14
Dividends paid	(5)	-	(35)
Transactions with owners	(46)	46	69
Business combinations	-	222	263
Other	-	-	(9)
Balance at end	<u>250</u>	<u>262</u>	<u>298</u>
Total equity	<u>23 061</u>	<u>23 334</u>	<u>23 139</u>

- The opening share capital and share premium represents the issued equity interests of Momentum Group Limited, however the number and type of shares in issue reflects the equity structure of MMI Holdings Limited. This is due to the reverse acquisition for accounting purposes in December 2010.
- The shares issued represent the fair value of the consideration relating to the reverse acquisition of Metropolitan in December 2010.
- Certain net cumulative realised gains on available-for-sale assets relating to prior periods, totalling R651 million, were not recycled from the available-for-sale reserve to the income statement on disposal of these assets. These net gains have been reclassified from the available-for-sale reserve to retained earnings at 1 July 2010.
- This represents the write up of the carrying value of the preference shares issued by MMI Holdings Limited to Kagiso Tiso Holdings to fair value as part of the fair value exercise performed as a result of the merger in December 2010.
- Other reserves consist of the following:
 - Land and buildings revaluation reserve: R513 million (31.12.2010: R458 million; 30.06.2011: R491 million)
 - Foreign currency translation reserve: R58 million (31.12.2010: R4 million; 30.06.2011: R11 million)
 - Fair value adjustment for preference shares issued by MMI: R940 million (31.12.2010: R940 million; 30.06.2011: R940 million)
 - Fair value reserve: R7 million (31.12.2010: R17 million; 30.06.2011: R15 million)
 - Non-distributable reserve: R11 million (31.12.2010: R8 million; 30.06.2011: R9 million)
 - Equity-settled share-based payments reserve: R25 million (31.12.2010: Rnil; 30.06.2011: Rnil)

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	6 mths to 31.12.2011 Rm	Restated 6 mths to 31.12.2010 Rm	12 mths to 30.06.2011 Rm
Net cash outflow from operating activities	(2 534)	(3 118)	(1 570)
Net cash (outflow)/inflow from investing activities	(474)	7 184	7 067
Net cash outflow from financing activities	(1 136)	(620)	(1 316)
Net cash flow	(4 144)	3 446	4 181
Cash resources and funds on deposit at beginning	20 671	16 490	16 490
Cash resources and funds on deposit at end	16 527	19 936	20 671
Made up as follows:			
Cash and cash equivalents as per statement of financial position	16 527	18 775	19 770
Cash and cash equivalents held for sale	-	1 161	901
	16 527	19 936	20 671

PRINCIPAL ASSUMPTIONS (South Africa) ⁽¹⁾	31.12.2011 %	31.12.2010 %	30.06.2011 %
Pre-tax investment return			
Equities	11.8	12.0	12.3
Properties	9.3	9.5	9.8
Government stock	8.3	8.5	8.8
Other fixed interest stocks	8.8	9.0	9.3
Cash	7.3	7.5	7.8
Risk free return	8.3	8.5	8.8
Risk discount rate (RDR)	10.6	10.8	11.1
Investment return (before tax) – smoothed bonus	10.5	10.7	11.0
Expense inflation rate			
Momentum	7.3	6.8	7.2
Metropolitan	6.8	6.3	6.7

1. The principal assumptions relate only to the South African life insurance business. Assumptions relating to international life insurance businesses are based on local requirements and can differ from the South African assumptions.

NON-CONTROLLING INTERESTS	31.12.2011 %	31.12.2010 %	30.06.2011 %
Metropolitan			
Metropolitan Health Group	17.6	17.6	17.6
Metropolitan Namibia	20.8	18.0	18.0
Metropolitan Health Namibia Administrators	49.0	*	49.0
Metropolitan Botswana	24.2	24.2	24.2
Metropolitan Kenya	33.7	33.6	33.7
Metropolitan Ghana	7.8	7.8	7.8
Metropolitan Nigeria	50.0	50.0	50.0
Metropolitan Swaziland	33.0	33.0	33.0
Momentum			
Momentum Mozambique	25.0	25.0	25.0
Momentum Tanzania	33.0	33.0	33.0
Momentum Zambia	35.0	5.0	35.0
Momentum Health Ghana	20.0	20.0	20.0
Momentum Health Mauritius	5.0	5.0	5.0
Momentum Health Botswana	28.0	28.0	28.0
Advantage Asset managers	-	15.0	-

* Associate as at 31 December 2010

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

FINANCIAL INSTRUMENT ASSETS	31.12.2011 Rm	31.12.2010 Rm	30.06.2011 Rm
Equity securities	76 404	66 871	82 864
Debt securities	75 856	65 800	71 521
Funds on deposit and other money market instruments	13 488	15 617	10 908
Unit-linked investments	68 090	79 814	63 420
Derivative financial instruments	2 865	2 383	2 207
Loans and receivables	3 218	2 497	3 147
Total financial instrument assets	239 921	232 982	234 067

ANALYSIS OF ASSETS UNDER MANAGEMENT	31.12.2011 Rm	31.12.2010 Rm	30.06.2011 Rm
On-balance sheet assets			
Managed and/or administered by Momentum Investments	169 848	164 304	165 910
Investment assets	125 693	114 320	117 090
Collective investment schemes	36 570	42 773	41 423
Properties	7 585	7 211	7 397
Linked product assets under administration	44 660	39 290	41 824
Managed by external managers	35 451	35 769	35 518
Other assets	39 613	48 268	49 299
	289 572	287 631	292 551
Off-balance sheet assets			
Managed and/or administered by Momentum Investments	102 067	107 895	109 289
Collective investment schemes	52 379	50 423	51 633
Segregated assets	49 688	57 472	57 656
Momentum Employee Benefits – segregated assets	170	151	151
Metropolitan Health	11 830	9 360	10 166
Linked product assets under administration	33 415	27 116	30 383
Total assets under management	437 054	432 153	442 540

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	31.12.2011		31.12.2010		30.06.2011	
	Rm	%	Rm	%	Rm	%
Equity securities	1 559	6.8	2 687	11.7	2 889	12.6
Preference shares	1 479	6.5	3 010	13.0	2 155	9.4
Collective investment schemes	1 232	5.4	1 786	7.7	1 392	6.1
Debt securities	3 599	15.8	1 628	7.1	2 869	12.6
Properties	1 889	8.3	1 833	7.9	1 819	8.0
Owner-occupied properties	1 241	5.5	1 443	6.3	1 202	5.3
Investment properties	648	2.8	390	1.7	617	2.7
Cash and cash equivalents	7 125	31.2	6 041	26.2	6 070	26.6
Intangible assets	7 577	33.2	8 045	34.9	7 826	34.3
Other net assets	610	2.7	266	1.2	48	0.2
	25 070	109.9	25 296	109.7	25 068	109.8
Redeemable preference shares	(712)	(3.1)	(711)	(3.1)	(711)	(3.1)
Subordinated redeemable debt	(1 547)	(6.8)	(1 513)	(6.6)	(1 516)	(6.7)
Shareholder excess per reporting basis	22 811	100.0	23 072	100.0	22 841	100.0

MMI HOLDINGS – SEGMENTAL INFORMATION

6 mths to 31.12.2011 ⁽¹⁾	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan Inter- national Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Segmental total Rm	Other reconciling items ⁽¹⁾ Rm	IFRS total Rm
Revenue										
Net insurance premiums	7 649	3 009	4 731	945	4 755	14	-	21 103	(11 478)	9 625
Recurring premiums	3 633	2 423	2 907	796	-	14	-	9 773	(2 081)	7 692
Single premiums	4 016	586	1 824	149	4 755	-	-	11 330	(9 397)	1 933
Fee income	840	73	294	20	480	847	219	2 773	(161)	2 612
Fee income	840	73	294	20	480	847	219	2 773	(5)	2 768
Inter-segment fee income	-	-	-	-	-	-	-	-	(156)	(156)
Expenses										
Net payments to contract holders	7 719	2 386	4 557	580	5 794	11	804	21 851	(12 506)	9 345
Other expenses	1 610	958	515	422	416	775	245	4 941	838	5 779
Sales remuneration	813	435	80	127	1	-	-	1 456	52	1 508
Administration expenses	797	523	435	295	415	775	122	3 362	395	3 757
Direct property and asset management expenses	-	-	-	-	-	-	-	-	475	475
Holding company expenses	-	-	-	-	-	-	123	123	-	123
Inter-segment expenses	-	-	-	-	-	-	-	-	(84)	(84)
Diluted core headline earnings	377	204	99	(3)	62	58	497	1 294	-	1 294
Operating profit	520	282	124	(2)	71	74	164	1 233	-	1 233
Tax on operating profit	(143)	(78)	(25)	(1)	(22)	(24)	60	(233)	-	(233)
Investment income	-	-	-	-	18	9	343	370	-	370
Tax on investment income	-	-	-	-	(5)	(1)	(70)	(76)	-	(76)
Diluted weighted average number of shares in issue (millions)								1 605	-	1 605
Diluted core headline earnings per share (cents)								81	-	81

1. The 'other reconciling items' column includes: an adjustment to reverse investment contract premiums (R11 582 million) and claims (R12 508 million); FNB Life adjustments reconciling the 10% of FNB Life included in each of the relevant lines to the accounting treatment of the reinsurance arrangement (premiums R104 million; fee income R1 million, claims R2 million, sales remuneration R57 million and expenses R55 million); direct property and asset management fees (R475 million) for the life companies that are set off against investment income and fee income, respectively for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to the merger (R306 million); Namibian BEE cost (R30 million) and other minor adjustments to expenses (R4 million), sales remuneration (R5 million) and fee income (R6 million).

MMI HOLDINGS – SEGMENTAL INFORMATION

Restated 6 mths to 31.12.2010 ⁽¹⁾	Momentum Retail	Metropolitan Retail	Momentum Metropolitan Employee Benefits	Metropolitan Inter- national	Momentum Investments	Metropolitan Health	Shareholder capital	Segmental total	Other reconciling items ⁽²⁾	Metropolitan pre-merger	IFRS total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Revenue											
Net insurance premiums	8 447	3 303	4 201	830	5 556	12	-	22 349	(12 345)	(4 739)	5 265
Recurring premiums	3 758	2 261	2 572	677	-	12	-	9 280	(2 284)	(3 186)	3 810
Single premiums	4 689	1 042	1 629	153	5 556	-	-	13 069	(10 061)	(1 553)	1 455
Fee income	835	63	292	16	511	834	159	2 710	(253)	(655)	1 802
Fee income	835	63	292	16	511	834	159	2 710	-	(655)	2 055
Inter-segment fee income	-	-	-	-	-	-	-	-	(253)	-	(253)
Expenses											
Net payments to contract holders	7 154	2 104	5 296	510	5 990	8	-	21 062	(10 571)	(4 698)	5 793
Other expenses	1 609	891	541	376	412	744	200	4 773	463	(1 639)	3 597
Sales remuneration	819	363	81	106	1	-	-	1 370	92	(395)	1 067
Administration expenses	790	528	460	270	411	744	116	3 319	86	(1 186)	2 219
Direct property and asset management expenses	-	-	-	-	-	-	-	-	332	-	332
Holding company expenses ⁽³⁾	-	-	-	-	-	-	84	84	-	(58)	26
Inter-segment expenses	-	-	-	-	-	-	-	-	(47)	-	(47)
Diluted core headline earnings	386	166	102	10	88	18	473	1 243	-	(489)	754
Operating profit	521	212	127	13	110	26	175	1 184	-	(380)	804
Tax on operating profit	(135)	(46)	(25)	(3)	(31)	(14)	(34)	(288)	-	80	(208)
Investment income	-	-	-	-	13	8	426	447	-	(235)	212
Tax on investment income	-	-	-	-	(4)	(2)	(94)	(100)	-	46	(54)
Diluted weighted average number of shares in issue (millions)								1 605	-	(547)	1 058
Diluted core headline earnings per share (cents)								77	-	(3)	74

1. The table above assumes that Metropolitan and Momentum were merged from 1 July 2010. The 'Metropolitan pre-merger' column represents the segmental information for Metropolitan for the five months ended 30 November 2010.

2. The 'other reconciling items' column includes: an adjustment to reverse investment contract premiums (R14 484 million) and claims (R13 255 million); FNB Life adjustments reconciling the 10% of FNB Life included in each of the relevant lines to the accounting treatment of the reinsurance arrangement (premiums R318 million; claims R84 million; sales remuneration R92 million, administration expenses R39 million); direct property and asset management fees (R332 million) for the life companies that are set off against investment income and fee income, respectively for management reporting purposes but shown as an administration expense for accounting purposes; the amortisation of the intangibles (R50 million) relating to the merger; and other minor adjustments to expenses (R3 million).

MMI HOLDINGS – SEGMENTAL INFORMATION

12 mths to 30.06.2011 ⁽¹⁾	Momentum Retail	Metropolitan Retail	Momentum Metropolitan Employee Benefits	Metropolitan Inter- national	Momentum Investments	Metropolitan Health	Shareholder capital	Segmental total	Other reconciling items ⁽²⁾	Metropolitan pre-merger	IFRS total
	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Revenue											
Net insurance premiums	16 595	6 393	8 171	1 637	8 846	26	36	41 704	(21 936)	(4 739)	15 029
Recurring premiums	7 133	4 489	5 300	1 383	-	26	-	18 331	(3 273)	(3 186)	11 872
Single premiums	9 462	1 904	2 871	254	8 846	-	36	23 373	(18 663)	(1 553)	3 157
Fee income	1 349	117	648	85	935	1 651	448	5 233	(346)	(655)	4 232
Fee income	1 349	117	648	85	935	1 651	448	5 233	-	(655)	4 578
Inter-segment fee income	-	-	-	-	-	-	-	-	(346)	-	(346)
Expenses											
Net payments to contract holders	15 277	4 440	10 886	983	8 267	21	214	40 088	(19 492)	(4 698)	15 898
Other expenses	3 540	1 777	1 005	777	842	1 541	402	9 884	1 113	(1 639)	9 358
Sales remuneration	1 830	725	164	231	2	-	-	2 952	140	(395)	2 697
Administration expenses	1 710	1 052	841	546	840	1 541	210	6 740	462	(1 186)	6 016
Direct property and asset management expenses	-	-	-	-	-	-	-	-	792	-	792
Holding company expenses	-	-	-	-	-	-	192	192	-	(58)	134
Inter-segment expenses	-	-	-	-	-	-	-	-	(281)	-	(281)
Diluted core headline earnings	699	394	187	32	131	114	1 031	2 588	-	(489)	2 099
Operating profit	995	517	257	37	149	132	326	2 413	-	(380)	2 033
Tax on operating profit	(296)	(123)	(70)	(5)	(36)	(40)	34	(536)	-	80	(456)
Investment income	-	-	-	-	25	25	788	838	-	(235)	603
Tax on investment income	-	-	-	-	(7)	(3)	(117)	(127)	-	46	(81)
Diluted weighted average number of shares in issue (millions)								1 605	-	(276)	1 329
Diluted core headline earnings per share (cents)								161	-	(3)	158

1. The table above assumes that Metropolitan and Momentum were merged from 1 July 2010. The 'Metropolitan pre-merger' column represents the segmental information for Metropolitan for the five months ended 30 November 2010.
2. The 'other reconciling items' column includes: an adjustment to reverse investment contract premiums (R22 350 million) and claims (R19 576 million); FNB Life adjustments reconciling the 10% of FNB Life included in each of the relevant lines to the accounting treatment of the reinsurance arrangement (premiums R414 million; claims R84 million and expenses R233 million); direct property and asset management fees (R792 million) for the life companies that are set off against investment income and fee income, respectively for management reporting purposes but shown as an expense for accounting purposes; the amortisation of the intangibles (R352 million) relating to the merger; and other minor adjustments to expenses (R17 million).

MMI HOLDINGS – SEGMENTAL INFORMATION

PAYMENTS TO CONTRACT HOLDERS ⁽¹⁾	6 mths to 31.12.2011 Rm	Restated 6 mths to 31.12.2010 Rm	12 mths to 30.06.2011 Rm
Momentum Retail	7 719	7 154	15 277
Death and disability claims	1 291	1 353	2 634
Maturity claims	2 204	2 114	4 059
Annuities	1 687	1 000	3 249
Withdrawal benefits	19	-	-
Surrenders	2 802	3 234	6 372
Re-insurance recoveries	(284)	(547)	(1 037)
Metropolitan Retail	2 386	2 104	4 440
Death and disability claims	644	468	1 132
Maturity claims	682	641	1 258
Annuities	375	371	755
Withdrawal benefits	19	19	45
Surrenders	829	628	1 409
Re-insurance recoveries	(163)	(23)	(159)
Momentum Employee Benefits	4 557	5 296	10 886
Death and disability claims	1 350	1 197	2 455
Maturity claims	204	158	411
Annuities	478	424	886
Withdrawals and surrenders	1 272	1 776	3 764
Terminations	293	153	879
Disinvestments	1 236	1 729	2 737
Re-insurance recoveries	(276)	(141)	(246)
Metropolitan International	580	510	983
Death and disability claims	218	160	341
Maturity claims	123	72	160
Annuities	26	20	41
Withdrawal benefits	54	32	67
Surrenders	140	138	239
Terminations	24	1	52
Disinvestments	4	96	101
Re-insurance recoveries	(9)	(9)	(18)
Momentum Investments			
Withdrawals	5 794	5 990	8 267
Metropolitan Health			
Claims	11	8	21
Shareholder capital			
Claims	804	-	214
Total payments to contract holders	21 851	21 062	40 088
Adjustment for payments to investment contract holders	(12 575)	(10 718)	(23 082)
Transfers between insurance, investment and investment with DPF contracts	67	63	3 506
FNB Life adjustment	2	84	84
Metropolitan pre-merger ⁽²⁾	-	(4 698)	(4 698)
Net insurance benefits and claims per income statement	9 345	5 793	15 898

1. The total payments to contract holders assume that Metropolitan and Momentum were merged from 1 July 2010.

2. The Metropolitan pre-merger line represents the segmental claims for Metropolitan for the five months ended 30 November 2010 before the merger.

MMI HOLDINGS – SEGMENTAL INFORMATION

NET FUNDS RECEIVED FROM CLIENTS	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	6 mths to 31.12.2011 Net inflow/ (outflow) Rm	6 mths to 31.12.2010 Net inflow/ (outflow) Rm	12 mths to 30.06.2011 Net inflow/ (outflow) Rm
Momentum Retail	4 016	3 633	7 649	(7 719)	(70)	1 293	1 318
Metropolitan Retail	586	2 423	3 009	(2 386)	623	1 199	1 953
Momentum Employee Benefits	1 824	2 907	4 731	(4 557)	174	(1 095)	(2 715)
Metropolitan International	149	796	945	(580)	365	320	654
Momentum Investments	4 755	-	4 755	(5 794)	(1 039)	(434)	579
Shareholder capital	-	-	-	(804)	(804)	-	(178)
Long-term insurance business cash flows	11 330	9 759	21 089	(21 840)	(751)	1 283	1 611
Momentum Retail	5 679	-	5 679	(4 386)	1 293	3 067	6 680
Momentum Employee Benefits	5	-	5	-	5	(688)	(676)
Metropolitan International	46	-	46	(103)	(57)	-	-
Momentum Investments	19 846	-	19 846	(18 999)	847	(14 773)	(16 446)
Metropolitan Health	-	17 426	17 426	(13 909)	3 517	1 637	3 382
Total net funds received from clients	36 906	27 185	64 091	(59 237)	4 854	(9 474)	(5 449)

• The table above assumes that Metropolitan and Momentum were merged from 1 July 2010.

NUMBER OF EMPLOYEES	31.12.2011	31.12.2010	30.06.2011
Indoor staff	9 631	10 350	10 058
Momentum Retail	1 954	1 899	1 932
Metropolitan Retail	1 397	1 453	1 471
Momentum Employee Benefits	995	1 333	1 147
Metropolitan International	716	672	716
Momentum Investments	509	498	532
Metropolitan Health	3 091	3 529	3 266
Balance sheet management	50	40	50
Group services	793	926	944
Redeployment centre	126	-	-
Field staff	5 585	5 043	5 586
Momentum Retail	489	505	494
Metropolitan Retail	3 899	3 366	3 813
Metropolitan International	1 197	1 172	1 279
Total	15 216	15 393	15 644

• The table above assumes that Metropolitan and Momentum were merged from 1 July 2010.

MMI HOLDINGS – STATEMENT OF ASSETS AND LIABILITIES

STATEMENT OF ASSETS AND LIABILITIES ON REPORTING BASIS	31.12.2011 Rm	31.12.2010 ⁽¹⁾ Rm	30.06.2011 ⁽¹⁾ Rm
Total assets	289 572	287 631	292 551
Actuarial value of policy liabilities	(234 433)	(229 266)	(228 880)
Other liabilities	(32 078)	(35 031)	(40 532)
Non-controlling interests	(250)	(262)	(298)
Group excess per reporting basis	22 811	23 072	22 841
Net assets – other businesses	(1 143)	(819)	(830)
Fair value adjustments on Metropolitan acquisition and other consolidation adjustments	(5 901)	(6 252)	(6 100)
Excess – long-term insurance business, net of non-controlling interests^(1,2)	15 767	16 001	15 911
RECONCILIATION OF CHANGE IN LONG-TERM INSURANCE EXCESS TO THE INCOME STATEMENT			
Change in excess of long-term insurance business⁽²⁾	(144)	1 021	931
Increase in share capital	(65)	(32)	(84)
Change in other reserves	(39)	13	6
Dividend paid – ordinary shares	1 495	558	1 722
Change in non-controlling interests	(66)	-	-
Total surplus arising, net of non-controlling interests (including 90% of FNB Life)	1 181	1 560	2 575
FNB Life 90%	-	(174)	(174)
Total surplus arising, net of non-controlling interests (excluding 90% of FNB Life)	1 181	1 386	2 401
Operating profit	997	876	1 803
Investment income on excess	238	273	610
Net realised and fair value gains on excess	124	418	418
Investment variances	6	35	151
Basis and other changes	(184)	(216)	(581)
Consolidation adjustments	1	2	(3)
Earnings after non-controlling interest of long-term insurance business	1 182	1 388	2 398
FNB Life 90%	-	174	174
Earnings after non-controlling interests of other group businesses and consolidation adjustments	(377)	(77)	(554)
Earnings attributable to owners of the parent	805	1 485	2 018
Metropolitan pre-merger	-	(406)	(406)
Earnings attributable to owners of the parent as per income statement	805	1 079	1 612

1. The total surplus arising in the comparatives above represents the surplus (for the six months ended 31 December 2010 and the 12 months ended 30 June 2011) that would have arisen had Momentum and Metropolitan been merged for both periods.
2. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes other items which are eliminated on consolidation. It also excludes non-insurance business.

MMI HOLDINGS – STATEMENT OF ASSETS AND LIABILITIES

RECONCILIATION OF REPORTING EXCESS TO STATUTORY EXCESS	31.12.2011 Rm	31.12.2010 Rm	30.06.2011 Rm
Reporting excess – long-term insurance business ⁽¹⁾	15 767	16 001	15 911
Disregarded assets ⁽²⁾	(1 106)	(1 229)	(1 205)
Difference between statutory and published valuation methods	(270)	(254)	(263)
Write down of subsidiaries and associates for statutory purposes	(772)	(708)	(715)
Unsecured subordinated debt	1 538	1 513	1 507
Consolidation adjustments	(69)	(23)	(65)
Statutory excess – long-term insurance business	15 088	15 300	15 170
Capital adequacy requirement (CAR) (Rm) ⁽³⁾	6 521	6 111	6 485
Ratio of long-term insurance business excess to CAR (times)	2.3	2.5	2.3
Discretionary margins	9 785	10 348	9 999

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes other items which are eliminated on consolidation. It also excludes non-insurance business.
2. Disregarded assets are those as defined in the South African Long Term Insurance Act and are only applicable to South African Long Term insurance companies. Adjustments are also made for the international insurance companies from reporting excess to statutory excess as required by their regulators. It includes Sage intangible assets of R604 million (31.12.2010: R624 million; 30.06.2011: R618 million).
3. Aggregation of separate company CAR's, with no assumption of diversification benefits.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE RESULTS AS AT	31.12.2011 Rm	31.12.2010 Rm	30.06.2011 Rm
Covered business			
Reporting excess – long-term insurance business	15 767	16 001	15 911
Reclassification to non-covered business	(943)	(890)	(918)
	14 824	15 111	14 993
Disregarded assets ⁽¹⁾	(850)	(822)	(821)
Difference between statutory and published valuation methods	(270)	(254)	(263)
Dilutory effect of subsidiaries ^(2,5)	(52)	(6)	(5)
Consolidation adjustments ⁽³⁾	(133)	(87)	(108)
Momentum Namibia adjustment ⁽⁴⁾	(38)	-	(42)
Value of Momentum preference shares issued	(500)	(500)	(480)
Diluted adjusted net worth – covered business	12 981	13 442	13 274
Net value of in-force business	13 843	13 548	14 083
Diluted embedded value – covered business	26 824	26 990	27 357
Non-covered business			
Net assets – non-covered subsidiaries of life insurance companies	943	890	918
Net assets – non-covered subsidiaries of the holding company	1 143	819	830
Consolidation adjustments ⁽³⁾	(175)	(285)	(303)
Adjustments for dilution ⁽⁵⁾	1 077	1 127	1 009
Diluted adjusted net worth – non-covered business	2 988	2 551	2 454
Write up to directors' value	999	1 577	880
Non-covered businesses	1 929	2 073	1 944
Holding company expenses ⁽⁶⁾	(813)	(496)	(797)
International holding company expenses ⁽⁶⁾	(117)	-	(117)
Secondary Tax on Companies allowance	-	-	(150)
Diluted embedded value – non-covered business	3 987	4 128	3 334
Diluted adjusted net worth	15 969	15 993	15 728
Net value of in-force business	13 843	13 548	14 083
Write up to directors' value	999	1 577	880
Diluted embedded value	30 811	31 118	30 691
Required capital – covered business (adjusted for qualifying debt and preference shares)	8 107	8 297	8 401
Surplus capital – covered business	4 874	5 145	4 873
Diluted embedded value per share (cents)	1 920	1 939	1 912
Diluted net asset value per share (cents)	995	996	980
Diluted number of shares in issue (million) ⁽⁷⁾	1 605	1 605	1 605

- Disregarded assets include Sage intangible assets of R604 million (31.12.2010: R624 million; 30.06.2011: R618 million), goodwill and various other items.
- For accounting purposes, Metropolitan Health and Metropolitan Kenya have been consolidated at 100%, while Metropolitan Namibia has been consolidated at 99% for the current period, in the statement of financial position. For diluted embedded value purposes the non-controlling interests and related funding have been reinstated.
- Consolidation adjustments include mainly goodwill and intangibles in subsidiaries that are eliminated.
- The carrying value of Momentum Namibia included in the reporting excess was written down to 49% of the company's net asset value.
- Adjustments for dilution are made up as follows:
 - Dilutory effect of subsidiaries (note 2): R165 million (31.12.2010: R76 million; 30.06.2011: R70 million)
 - Staff share scheme loans: R2 million (31.12.2010: R8 million; 30.06.2011: R3 million)
 - Treasury shares held on behalf of contract holders: R198 million (31.12.2010: R332 million; 30.06.2011: R225 million)
 - Liability – MMI convertible preference shares issued to KTH: R712 million (31.12.2010: R711 million; 30.06.2011: R711 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 to the international life assurance and health businesses.
- The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares and the release of staff share scheme shares, and includes the treasury shares held on behalf of contract holders.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

ANALYSIS OF NET VALUE OF IN-FORCE BUSINESS PER DIVISION	31.12.2011 Rm	31.12.2010 Rm	30.06.2011 Rm
Momentum Retail	7 973	7 136	7 449
Gross value of in-force business ⁽¹⁾	9 529	8 556	8 960
Less cost of required capital ⁽²⁾	(1 556)	(1 420)	(1 511)
Metropolitan Retail	3 278	3 016	3 206
Gross value of in-force business	3 804	3 382	3 579
Less cost of required capital ⁽²⁾	(526)	(366)	(373)
Momentum Employee Benefits	1 365	1 486	1 500
Gross value of in-force business	2 145	1 960	1 980
Less cost of required capital ⁽²⁾	(780)	(474)	(480)
Metropolitan International	922	782	860
Gross value of in-force business	950	805	883
Less cost of required capital	(28)	(23)	(23)
Shareholder capital ⁽³⁾	305	1 128	1 068
Gross value of in-force business ⁽¹⁾	315	1 165	1 096
Less cost of required capital	(10)	(37)	(28)
Net value of in-force business	13 843	13 548	14 083

Notes

1. Value of in-force of R729 million was transferred from Shareholder capital to Momentum Retail, reflecting a refinement in the allocation of discretionary margins to the divisions.
2. The strategic decision to de-risk shareholder assets resulted in an increase in the technical calculation of the required cost of capital, impacting Momentum Retail by negative R78 million, Metropolitan Retail by negative R135 million and Momentum Employee Benefits by negative R310 million, respectively.
3. The value of in-force in the Shareholder capital represents discretionary margins not allocated to specific divisions.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE	Adjusted net worth Rm	Net value of in-force Rm	31.12.2011 Rm	31.12.2010 Rm	30.06.2011 Rm
Covered business					
Momentum Group Ltd	6 980	9 259	16 239	16 095	16 425
Metropolitan Life Ltd	5 020	3 662	8 682	9 352	9 134
Metropolitan Odyssey	47	-	47	44	44
Metropolitan International	934	922	1 856	1 499	1 754
Metropolitan Life International	85	-	85	104	81
Metropolitan Namibia	177	336	513	511	496
Metropolitan Botswana	121	81	202	181	186
Metropolitan Lesotho	203	284	487	444	439
Metropolitan Kenya	19	-	19	14	11
Metropolitan Ghana	22	20	42	36	43
Metropolitan Swaziland	19	-	19	23	20
Metropolitan Nigeria	53	1	54	57	58
Momentum International businesses (1)	235	200	435	129	420
Total covered business	12 981	13 843	26 824	26 990	27 357
Non-covered business					
Momentum Investments (2)	710	804	1 514	1 766	1 535
Metropolitan Health (3)	363	1 072	1 435	1 511	1 416
Momentum Retail (short-term insurance)	83	53	136	77	83
Metropolitan International Holdings (4)	-	(117)	(117)	-	(117)
MMI Holdings (after consolidation adjustments) (4)	1 832	(813)	1 019	774	567
Secondary Tax on Companies allowance	-	-	-	-	(150)
Total non-covered business	2 988	999	3 987	4 128	3 334
Total embedded value	15 969	14 842	30 811	31 118	30 691
Diluted net asset value – non-covered business	(2 988)				
Adjustments to covered business – adjusted net worth	2 786				
Reporting excess – long-term insurance business	15 767				

1. The Momentum International businesses were transferred from non-covered to covered business at 30 June 2011.
2. Momentum Investments subsidiaries are valued using forward Price Earnings multiples applied to the relevant sustainable earnings bases.
3. Metropolitan Health subsidiaries have been valued using Embedded Value methodology.
4. The holding company expenses reflect the present value of projected recurring head office expenses. The International holding company expenses reflect the allowance for support to the international life assurance and health businesses.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Notes	Covered business			6 mths to 31.12.2011	6 mths to 31.12.2010	12 mths to 30.06.2011
		Adjusted net worth (ANW) Rm	Gross Value of in-force (VIF) Rm	Cost of CAR Rm	Total EV Rm	Total EV excluding FNB Life 90% Rm	Total EV excluding FNB Life 90% Rm
Profit from new business		(726)	1 114	(55)	333	387	727
Embedded value from new business	A	(726)	1 092	(55)	311	356	632
Expected return to end of period	B	-	22	-	22	31	95
Profit from existing business		1 651	(777)	(472)	402	822	2 229
Expected return – unwinding of RDR	B	-	891	(155)	736	674	1 377
Release from the cost of required capital	C	-	-	200	200	208	366
Expected (or actual) net of tax profit transfer to net worth	D	1 472	(1 472)	-	-	-	-
Operating experience variances	E	215	(67)	(25)	123	133	712
Operating assumption changes	F	(36)	(129)	(492)	(657)	(193)	(226)
Allowance for service level agreement between RMBUT and Momentum		-	-	-	-	98	128
Embedded value profit from operations		925	337	(527)	735	1 307	3 084
Investment return on adjusted net worth	G	369	-	-	369	713	1 057
Investment variances	H	(5)	(192)	28	(169)	734	215
Economic assumption changes	I	(155)	104	14	(37)	91	(65)
Change in risk margin		-	-	-	-	2	-
Exchange rate movements		20	6	-	26	(16)	(10)
Embedded value profit – covered business		1 154	255	(485)	924	2 831	4 281
Transfer of business from non-covered business		(5)	-	-	(5)	462	420
Capital transferred to non-covered business		3	(10)	-	(7)	(22)	-
Changes in share capital		13	-	-	13	41	139
Dividend paid		(1 495)	-	-	(1 495)	(556)	(1 717)
Change in reserves		37	-	-	37	-	-
Opening restatement for FNB Life (EV statement shown after restatement)		-	-	-	-	161	161
Change in embedded value – covered business		(293)	245	(485)	(533)	2 917	3 284
Non-covered business							
Change in directors' valuation and earnings					106	45	(82)
Allowance for service level agreement between RMBUT and Momentum					-	(272)	(288)
Holding company expenses					(16)	-	(574)
Secondary Tax on Companies allowance					62	-	(150)
Embedded value profit – non-covered business					152	(227)	(1 094)
Changes in share capital					(13)	(28)	(139)
Dividend paid					548	(32)	176
Finance costs – preference shares					(46)	(44)	(88)
Transfer of business to covered business					5	(462)	(420)
Capital transferred from covered business					7	22	-
Change in embedded value – non-covered business					653	(771)	(1 565)
Total change in group embedded value					120	2 146	1 719
Total embedded value profit					1 076	2 604	3 187
Return on embedded value (%) - internal rate of return					7.1%	18.9%	11.0%

- The analysis of changes in embedded value above assumes that Momentum and Metropolitan were merged for the 12 months ended 30 June 2011 and the six months ended 31 December 2010.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

A. VALUE OF NEW BUSINESS

VALUE OF NEW BUSINESS	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Segmental total Rm
6 mths to 31.12.2011					
Value of new business	95	151	52	13	311
Gross	119	163	70	13	365
Less cost of required capital	(24)	(12)	(18)	-	(54)
New business premiums	10 827	1 113	2 083	212	14 235
Recurring premiums	547	562	433	105	1 647
Single premiums	10 280	551	1 650	107	12 588
New business premiums (APE)	1 575	617	599	129	2 920
New business premiums (PVP)	13 234	2 826	4 503	707	21 270
Profitability of new business as a % of APE	6.0	24.5	8.7	10.1	10.7
Profitability of new business as a % of PVP	0.7	5.3	1.2	1.8	1.5
6 mths to 31.12.2010					
Value of new business	171	145	26	14	356
Gross	202	146	41	14	403
Less cost of required capital	(31)	(1)	(15)	-	(47)
New business premiums	11 772	1 515	1 993	168	15 448
Recurring premiums	666	475	394	79	1 614
Single premiums	11 106	1 040	1 599	89	13 834
New business premiums (APE)	1 777	578	553	88	2 996
New business premiums (PVP)	14 400	3 018	4 132	422	21 972
Profitability of new business as a % of APE	9.6	25.1	4.7	15.9	11.9
Profitability of new business as a % of PVP	1.2	4.8	0.6	3.3	1.6
12 mths to 30.06.2011					
Value of new business	288	257	62	25	632
Gross	338	262	97	25	722
Less cost of required capital	(50)	(5)	(35)	-	(90)
New business premiums	23 910	2 822	3 531	320	30 583
Recurring premiums	1 237	921	753	190	3 101
Single premiums	22 673	1 901	2 778	130	27 482
New business premiums (APE)	3 504	1 111	1 030	203	5 848
New business premiums (PVP)	28 758	5 698	8 300	967	43 723
Profitability of new business as a % of APE	8.2	23.1	6.0	12.3	10.8
Profitability of new business as a % of PVP	1.0	4.5	0.7	2.6	1.4

- The above table forms part of the IFRS segmental information and assumes that Momentum and Metropolitan merged on 1 July 2010.
- Value of new business and new business premiums are net of non-controlling interests.
- Due to rounding, the cost of capital for the international business is less than R1 million.
- The value of new business has been calculated on closing assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business, for other business the investment yields at the end of the year have been used.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

RECONCILIATION OF LUMP SUM INFLOWS	6 mths to 31.12.2011 Rm	6 mths to 31.12.2010 Rm	12 mths to 30.06.2011 Rm
Total lump sum inflows	36 906	38 498	73 292
Inflows not included in value of new business	(24 821)	(25 079)	(47 284)
Momentum Retail	7	(27)	(36)
Momentum Employee Benefits	(180)	(35)	(109)
Balance Sheet Management	-	-	(36)
Momentum Africa	(47)	(39)	(124)
Momentum Investments			
On-balance sheet inflows	(4 755)	(5 556)	(8 846)
Off-balance sheet inflows	(19 846)	(19 422)	(38 133)
Term extensions on maturing policies	427	441	817
Retirement annuity proceeds invested in living annuities	151	-	715
Non-controlling interests and other adjustments	(75)	(26)	(58)
Single premiums included in value of new business	12 588	13 834	27 482

- The above table assumes that Momentum and Metropolitan had merged on 1 July 2010.

B. EXPECTED RETURN – UNWINDING OF RDR

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

C. RELEASE FROM THE COST OF REQUIRED CAPITAL

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

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

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

E. OPERATING EXPERIENCE VARIANCES

OPERATING EXPERIENCE VARIANCES	Notes	6 mths to 31.12.2011			6 mths to	12 mths to
		ANW Rm	Net VIF Rm	EV Rm	31.12.2010 EV Rm	30.06.2011 EV Rm
Momentum Retail		(58)	(53)	(111)	(22)	222
Mortality and morbidity	1	29	4	33	85	195
Terminations, premium cessations and policy alterations	2	(66)	(1)	(67)	(50)	(6)
Wealth International restructuring	3	-	(39)	(39)	-	-
Expense variance	4	(38)	-	(38)	(64)	5
Other		17	(17)	-	7	28
Metropolitan Retail		24	(6)	18	80	106
Mortality and morbidity	1	60	12	72	59	132
Terminations, premium cessations and policy alterations	5	(28)	(24)	(52)	20	(56)
Expense variance		21	-	21	(23)	8
Other		(29)	6	(23)	24	22
Momentum Employee Benefits		32	(11)	21	(22)	(19)
Mortality and morbidity	1	(15)	4	(11)	8	65
Terminations		(4)	10	6	(34)	(80)
Expense variance		3	-	3	(1)	(15)
Other	6	48	(25)	23	5	11
Metropolitan International		(25)	13	(12)	24	66
Mortality and morbidity	1	27	1	28	68	94
Terminations, premium cessations, policy alterations and expense variances	7	(53)	19	(34)	(34)	(48)
Other		1	(7)	(6)	(10)	20
Shareholder capital	8	242	(10)	232	35	320
Opportunity cost of required capital		-	(25)	(25)	38	17
Total operating experience variances		215	(92)	123	133	712

- The above table assumes that Momentum and Metropolitan were merged from 1 July 2010.

Notes

- Overall, underwriting experiences over the six months were better compared to what was allowed for in the valuation basis. The negative variance at Metropolitan Employee Benefits is a result of unfavourable disability experience.
- Worse than expected termination experience on both risk and investment business over the year impacted negatively on the embedded value.
- The restructuring of certain Wealth International products resulted in a loss of covered business value of in-force, partly offset by an increase in the valuation of Momentum Investments.
- The expense variance was a result of lower than expected sales volumes.
- Lower than expected expense recoveries on withdrawals.
- The positive variance on the ANW is due to one-off experience profits due to the exit strategy from selected product lines. The negative variance on the VIF is due to the impact of clients switching to lower margin investment options.
- Expense under-recoveries are being experienced in mainly the start-up life and health operations.
- The income recorded in respect of shareholder capital relates mostly to earnings from holding company activities and the management of MMI's capital and shareholder balance sheet risks. Other sources of earnings such as variations in actual tax payments and corporate expenses not allocated to underlying business units are also included here.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

F. OPERATING ASSUMPTION CHANGES

OPERATING ASSUMPTION CHANGES		6 mths to 31.12.2011			6 mths to	12 mths to
		ANW Rm	Net VIF Rm	EV Rm	31.12.2010 EV Rm	30.06.2011 EV Rm
Momentum Retail		(44)	592	548	51	(244)
Mortality and morbidity assumptions		-	-	-	-	144
Renewal expense assumptions		(10)	1	(9)	(16)	(175)
Termination assumptions		-	-	-	(39)	(79)
Modelling changes	1	(6)	(82)	(88)	-	-
Methodology changes	2	(28)	(56)	(84)	106	(134)
Reallocation of margins from Shareholder capital	3	-	729	729	-	-
Metropolitan Retail		16	(26)	(10)	(54)	(141)
Mortality and morbidity assumptions		-	-	-	(20)	19
Renewal expense assumptions		7	-	7	(28)	(15)
Termination assumptions		4	(2)	2	26	13
Discretionary margins		-	-	-	(31)	14
Modelling changes		3	-	3	-	-
Methodology changes		11	(14)	(3)	23	(120)
Other		(9)	(10)	(19)	(24)	(52)
Momentum Employee Benefits		7	18	25	(160)	(247)
Termination assumptions		-	-	-	-	(8)
Renewal expense assumptions		(2)	15	13	(23)	(98)
Methodology changes		9	(1)	8	(50)	(138)
Assumption reviews		-	-	-	(15)	7
Other		-	4	4	(72)	(10)
Metropolitan International		(34)	14	(20)	(43)	(64)
Mortality and morbidity assumptions		-	-	-	2	(10)
Renewal expense assumptions		15	8	23	(39)	(46)
Termination assumptions		-	-	-	7	6
Modelling changes		(1)	-	(1)	-	(26)
Methodology changes		(2)	(2)	(4)	12	29
Other	4	(46)	8	(38)	(25)	(17)
Shareholder capital		19	(727)	(708)	-	-
Reallocation of margins to Momentum Retail	3	-	(729)	(729)	-	-
Other		19	2	21	-	-
Methodology change: cost of required capital	5	-	(492)	(492)	13	(85)
Secondary Tax on Companies		-	-	-	-	555
Total operating assumption changes		(36)	(621)	(657)	(193)	(226)

- The above table assumes that Momentum and Metropolitan were merged from 1 July 2010.

Notes

1. This mainly relates to the implementation of new economic scenario generator to calculate maturity guarantee reserves.
2. There was a correction of fees on the Retail Wealth and Closed Books.
3. This change reflects a refinement in the allocation of discretionary margins to the divisions.
4. This includes the allowance for the BEE transaction in Metropolitan Life Namibia in terms of IFRS 2 – *Share based payments*.
5. Changes to the technical calculation of the cost of capital due to the change in the investment strategy of the Metropolitan Life shareholder assets increased the cost of capital by R523 million.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

G. INVESTMENT RETURN ON ADJUSTED NET WORTH

INVESTMENT RETURN ON ADJUSTED NET WORTH	6 mths to 31.12.2011 Rm	6 mths to 31.12.2010 Rm	12 mths to 30.06.2011 Rm
Investment income	310	309	614
Capital appreciation	94	432	475
Change in fair value of properties	-	15	(38)
Preference share dividends paid and change in fair value of preference shares	(35)	(43)	6
Investment return on adjusted net worth	369	713	1 057

- The above table assumes that Momentum and Metropolitan were merged from 1 July 2010.

H. INVESTMENT VARIANCES

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

I. ECONOMIC ASSUMPTION CHANGES

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

COVERED BUSINESS: SENSITIVITIES – 31.12.2011	Net worth Rm	In-force business			New business written		
		Net value Rm	Gross value Rm	Cost of CAR Rm	Net value Rm	Gross value Rm	Cost of CAR Rm
Base value	12 981	13 843	16 743	(2 900)	311	365	(54)
1% increase in risk discount rate % change		12 512 (10)	15 807 (6)	(3 295) 14	243 (22)	305 (16)	(62) 15
1% reduction in risk discount rate % change		15 343 11	17 756 6	(2 413) (17)	386 24	432 18	(46) (15)
10% decrease in future expenses % change ⁽¹⁾		14 811 7	17 692 6	(2 881) (1)	377 21	429 18	(52) (4)
10% decrease in lapse, paid-up and surrender rates % change		14 229 3	17 223 3	(2 994) 3	376 21	432 18	(56) 4
5% decrease in mortality and morbidity for assurance business % change		14 839 7	17 716 6	(2 877) (1)	378 22	430 18	(52) (4)
5% decrease in mortality for annuity business % change		13 650 (1)	16 531 (1)	(2 881) (1)	302 (3)	359 (2)	(57) 6
1% reduction in gross investment return, inflation rate and risk discount rate % change ⁽²⁾	12 661 (2)	13 909 -	16 865 1	(2 956) 2	353 14	407 12	(54) -
1% reduction in inflation rate % change	12 961 -	13 866 -	16 747 -	(2 881) (1)	345 11	400 10	(55) 2
10% fall in market value of equities and properties % change	12 669 (2)	12 917 (7)	15 935 (5)	(3 018) 4			
10% reduction in premium indexation take-up rate % change		13 569 (2)	16 451 (2)	(2 882) (1)	286 (8)	341 (7)	(55) 2
10% decrease in non-commission related acquisition expenses % change					363 17	417 14	(54) -
1% Increase in equity/ property risk premium % change		14 206 3	17 087 2	(2 881) (1)	319 3	373 2	(54) -

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

MMI HOLDINGS – STOCK EXCHANGE PERFORMANCE

STOCK EXCHANGE PERFORMANCE	31.12.2011	30.06.2011	31.12.2010	30.06.2010
6 month period				
Value of listed shares traded (rand million)	3 474	5 936	6 333	2 724
Volume of listed shares traded (million)	209	355	381	177
Shares traded (% of average listed shares in issue) ⁽¹⁾	28	47	107	64
Value of shares traded – life insurance (J857 – Rbn)	54	53	50	49
Value of shares traded – top 40 index (J200 – Rbn)	1 368	1 288	1 187	1 211
Trade prices				
Highest (cents per share)	1 876	1 775	1 776	1 731
Lowest (cents per share)	1 505	1 527	1 505	1 291
Last sale of period (cents per share)	1 710	1 699	1 662	1 606
Percentage (%) change during period ⁽¹⁾	1	5	7	43
Percentage (%) change – life insurance sector (J857) ⁽¹⁾	23	9	26	(5)
Percentage (%) change – top 40 index (J200) ⁽¹⁾	(1)	(1)	51	(13)
31 December/30 June				
Price/diluted core headline earnings (segmental) ratio	10.6	10.6	10.8	10.8
Dividend yield % (dividend on listed shares) ⁽¹⁾	6.3	6.2	6.1	6.4
Dividend yield % – top 40 index (J200) ⁽¹⁾	2.8	2.4	2.0	2.2
Total shares issued (million)				
Listed on JSE	1 504	1 504	1 504	553
Ordinary shares	1 504	1 504	1 504	549
Share incentive scheme	-	-	-	4
Unlisted – share purchase scheme	1	1	1	10
Total ordinary shares in issue	1 505	1 505	1 505	563
Treasury shares held on behalf of contract holders	(15)	(14)	(20)	(1)
Adjustment to staff share scheme shares ⁽²⁾	(1)	(1)	(1)	(12)
Share incentive scheme	-	-	-	(2)
Share purchase scheme	(1)	(1)	(1)	(10)
Basic number of shares in issue	1 489	1 490	1 484	550
Adjustment to staff share scheme shares	1	1	1	2
Treasury shares held on behalf of contract holders	15	14	20	1
Convertible redeemable preference shares	100	100	100	100
Diluted number of shares in issue ⁽³⁾	1 605	1 605	1 605	653
Market capitalisation at end (Rbn) ⁽⁴⁾	27	27	27	11
Percentage (%) of life insurance sector ⁽¹⁾	13	15	15	7

1. Percentages have been annualised.

2. These are shares which have been issued since 1 January 2001, the date on which the group adopted AC133 (now IAS39).

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

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

5. Comparatives relate to the listed entity, MMI Holdings Ltd (previously Metropolitan Holdings Ltd).