update

MMI HOLDINGS

10 September 2014

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

SUMMARISED GROUP RESULTS for the year ended 30 June 2014

New business **PVP** up 18% to R42 billion

Comparable **VALUE OF NEW BUSINESS** up 14% to R779 million

Annualised **RETURN on EMBEDDED VALUE** of 19% to R40 billion

Profit from **OPERATING DIVISIONS** up 22% to R3.0 billion

HEADLINE EARNINGS up 27% to R3.2 billion

CORE HEADLINE EARNINGS up 12% to R3.6 billion

Total DIVIDEND (including special) up 51% to R3.0 billion

OVERVIEW OF OPERATIONS

GROUP RESULTS

MMI delivered strong financial results for the year under review.

- Embedded value increased to R40 billion (2 474 cents per share), driven by an excellent 19% return on embedded value.
- Diluted core headline earnings of R3.6 billion reflected a 12% increase on the prior year.
- Growth in diluted headline earnings of 27%.
- The contribution from operating divisions rose 22% to R3.0 billion.
- Actual merger expense savings of R522 million achieved (target R500 million).A total dividend of 192 cents per share was paid for the year, including the special dividend, an increase of 51%.
- MMI invested in excess of R2.5 billion in growth initiatives during the year.

OPERATING ENVIRONMENT

Local operating conditions were economically challenging and highly competitive. Equity markets increased strongly throughout the year, while interest rate volatility continued. Consumer confidence remained fragile with ongoing labour challenges, unemployment, indebtedness and inflation reducing disposable and investible income. GDP growth in many African countries, however, is proving to be resilient. Despite the tough environment, MMI has delivered very good financial results for the year, as the need for and provision of investment and protection products within MMI's client base remains an important part of financial wellness and planning.

CAPITAL STRENGTH

- MMI actively manages its capital resources within a defined risk appetite and balances the interests of all stakeholders.
- The investment mandate for shareholder capital is restricted to lower-risk investments.
- MMI successfully issued R1.5 billion subordinated debt during March 2014 on the back of an improved credit rating.
- A strong capital buffer of R3.2 billion was reported at 30 June 2014, after allowing for capital requirements, growth initiatives and dividends. This level is considered to be appropriate taking into account the expected impact of Solvency Assessment and Management and other strategic initiatives.

OVERVIEW OF OPERATIONS

MOMENTUM RETAIL

- New insurance business, on a present value of premiums (PVP) basis, increased by 17% to R20.4 billion for the year.
- The value of new business increased strongly by 18% to R240 million, boosted by excellent single premium sales.
- Good risk experience continued, confirming the benefits of focusing on good quality new business.
- Operating expenses were well contained during the year.
- Asset-based fees boosted the profitability of the division.
- Operating profit for the year increased by 18% to R1 372 million.

METROPOLITAN RETAIL

- Single premium new business continued to perform very well, ending 22% higher, while recurring premiums increased 9%.
- The profit-sharing arrangement with FNB Life reduced from 10% to 4% from 1 July 2013.
- The value of new business for the year increased 13% to R236 million, supported by well contained expenses.
- Good risk experience and higher asset levels during the year, together with disciplined expense management, all contributed to the increase in profits while a slight deterioration in grouped individual persistency reduced profit growth.
- Operating profit for the year increased by 15% to R587 million.

MOMENTUM EMPLOYEE BENEFITS

- New business, on a PVP basis, increased by 25% to R14.5 billion for the year.
- Good risk and investment recurring premium new business were secured, particularly in the small, medium and micro enterprise (SMME) space, while increased retirement fund single premiums further boosted volumes.
- Value of new business exceeded expectations, increasing 19% to R254 million.
- Client retention interventions resulted in better persistency, while stable risk profit performance jointly contributed to positive operating experience variances.
- The inclusion of Guardrisk, with effect from March 2014, further enhanced the results. As part of MMI's diversification strategy, Guardrisk is an important acquisition. This business is performing well and further benefits are expected as the inherent synergies are unlocked.
- Operating profit for the year increased by 51% to R516 million.

METROPOLITAN INTERNATIONAL

- New business increased by 14% to R1.9 billion on a PVP basis, with improved contributions from most operations.
- The value of new business came under pressure, decreasing 13% to R49 million as the mix of business favoured lower-margin products.
- Lives under administration in the health business increased by 5% to 415 000, while claims ratios remained within acceptable limits.
- International expansion is key to MMI's strategy. The acquisition of Cannon Assurance in Kenya became unconditional when we received the Competition Authority's approval during August 2014.
- Operating profit for the year increased by 13% to R122 million.

MOMENTUM INVESTMENTS

- Focus on investment excellence is starting to pay off, with equity and balanced fund performance showing satisfactory improvement.
- The longer-term outlook for the investment management business remains positive as the alignment with the group is strengthened.
- Operating profit, including investment income, for the year increased by 13% to R197 million.

METROPOLITAN HEALTH

- Total members under administration remain steady at 1.2 million principal members or three million lives.
- As part of a revenue and capability diversification strategy, the group acquired Providence Healthcare Risk Managers.
- Operating profit, including investment income, for the year increased by 22% to R171 million.

SHAREHOLDER CAPITAL

- Shareholder capital includes investment income on shareholder assets, operating profit from the balance sheet management operation, the investment in MMI Wellness and Rewards Programme, the results of Momentum Short-Term Insurance businesses, shareholder expenses and investments in other new ventures.
- The prior year results include a value added tax refund and the reversal of income tax provisions that were no longer required.
- Investment income in the current year has been impacted as a result of the R1.6 billion paid to acquire Guardrisk as well as the interest paid on the R1.5 billion debt issued in March 2014.

TRANSFORMATION AND SUSTAINABILITY

- MMI is currently rated a level two broad-based black economic empowerment (B-BBEE) contributor.
- The group is a member of the JSE Sustainability Index, and remains committed to a strategy that promotes sustainable businesses.

CLIENT-CENTRIC OPERATING MODEL

- MMI is implementing a new client-centric operating model under a restructured group executive committee.

PROSPECTS

- The strategic focus areas of the MMI group are firmly focused on growth, client-centricity and excellence.
- Each segment is implementing plans and processes to identify and optimise structures, operations, target markets, distribution channels and product offerings through innovation and collaboration, in order to grow the group through client-centricity.
- Growth in new business volumes will also be influenced by a tougher economic environment.
- The board of MMI Holdings believes that the group has identified and is implementing innovative strategies to continue unlocking value and generating the required return on capital for shareholders over time.

SUMMARY OF FINANCIAL INFORMATION
Audited results for the 12 months ended 30 June 2014

DIRECTORS' STATEMENT

The directors take pleasure in presenting the audited results of MMI Holdings financial services group for the year ended 30 June 2014. The preparation of the group's results was supervised by the group finance director, Preston Speckmann, BCompt (Hons), CA(SA).

Corporate events

Acquisitions

On 11 November 2013, the group acquired 100% of Providence Group (Providence), a healthcare administrator, for R108 million.

On 3 March 2014, the group acquired 100% of Guardrisk Group (Pty) Ltd and its subsidiaries (collectively "Guardrisk") from Alexander Forbes for R1.6 billion. The group's earnings therefore include four months (March to June 2014) of Guardrisk's results. For embedded value purposes Guardrisk has been classified as non-covered business.

Metropolitan International announced the acquisition of a significant majority stake in Kenyan insurer Cannon Assurance Ltd (Cannon) for around R300 million. The acquisition was subject to regulatory and other required approvals. The shareholders of Cannon will in turn acquire a minority stake in Metropolitan Life Kenya.

Metropolitan Health announced that it has acquired, subject to relevant regulatory approval, the CareCross Health Group, including a majority share in Occupational Care South Africa (OCSA).

Listed debt

The JSE Limited has granted MMI Group Ltd the listing of new instruments to the total value of R1.5 billion. The instruments are unsecured subordinated callable notes and were issued on 17 March 2014.

Licence amalgamation

On 6 June 2014, the High Court of Namibia approved the transfer of Momentum Life Assurance Namibia Ltd's long term insurance business to MMI Holdings Namibia Ltd (previously Metropolitan Life Namibia Ltd) with effect from 30 June 2014. This had no impact on the group results.

Basis of preparation of financial information

These condensed consolidated financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim financial reporting; the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; the JSE Listings Requirements and the South African Companies Act, 71 of 2008. The accounting policies applied in the preparation of these financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those adopted in the previous years except as described below. Critical judgements and accounting estimates are disclosed in detail in the group's integrated report for the year ended 30 June 2014, 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 year ended 30 June 2014 and relevant to the group

- IFRS 10 – Consolidated financial statements, IFRS 11 – Joint arrangements, IFRS 12 - Disclosure of interests in other entities, IAS 28 (revised) – Investments in associates and joint ventures (consolidation project)

  IFRS 10 builds on existing principles by identifying the concept of control as the determining factor in whether an entity should be included within the consolidated financial statements of the parent company. Under IFRS 10, subsidiaries are all entities (including structured entities) over which the group has control. The group controls an entity when it has power over an entity, is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect these returns through its power over the entity. If no single party controls the investee, IFRS 11 provides guidance on whether a joint arrangement exists. IAS 28 was revised to incorporate amendments from this consolidation project.

  - Collective investment schemes: Previously the group consolidated collective investment schemes where the group's holding in a fund was greater than 50% and investments in a fund of between 20% and 50% were considered to be interests in associates. As a result of the adoption of IFRS 10 the group considers control over the fund manager and no longer uses the percentage holdings referred to above as the defining parameter of control over the schemes. This resulted in an increased number of collective investment schemes being reclassified to subsidiaries (from associates) and to associates (from unit-linked investments).
  - Cell captives: Before the adoption of IFRS 10, cells were regarded as special purpose entities under SIC 12 and were not included in the consolidated group results as the risks and rewards of these cells were not transferred to the group. As a result, these cells were included in the consolidated results of cell owners. Under IFRS 10, a cell can only be consolidated by the cell owner if it first meets the definition of a deemed separate entity. Cell captives in South Africa are not legally ring-fenced and are not seen as protected cells; therefore they do not meet the definition of a deemed separate entity. Cells are therefore no longer considered to be special purpose entities. This resulted in the group recognising the assets, liabilities, income and expenses relating to its cell captive business in its consolidated results. Because the risks and rewards relating to cell activities are for the benefit of cell owners, the inclusion of cell income and expenses does not impact the group's net results, as the results of cell activities are transferred back to the cell owner.
  - Other financial instruments: There were no other material financial instruments that met the new consolidation criteria.

The changes resulting from the above have been applied retrospectively as required by the transitional provisions of IFRS 10.

IFRS 12 was also issued as part of the consolidation project and includes the disclosure requirements for all forms of interests in other entities, including joint arrangements, associates, special purpose entities and other off-balance sheet vehicles. The group has incorporated these disclosures in the 2014 integrated report.

Refer to the appendix for details of the above required restatements to the previously reported statement of financial position, income statement and statement of cash flows. Total assets and liabilities increased by R17.2 billion for June 2013. Refer to the segment report for its restatements due to IFRS 10. There was no impact on the statement of other comprehensive income or statement of changes in equity. The restatements had no impact on the current or prior year earnings, diluted earnings or headline earnings per share, or on the net asset value of the group.

New and revised standards effective for the year ended 30 June 2014 and relevant to the group (continued)

- Amendments to IAS 19 - Employee benefits

  The revised employee benefit standard introduces changes to the recognition, measurement, presentation and disclosure of post-employment benefits. The standard requires the immediate recognition of all past service costs in the income statement and replaces interest cost and expected return on plan assets with a net interest amount that is calculated by applying the discount rate to the net defined benefit liability (asset). Remeasurements as defined in the standard are now recorded in other comprehensive income. The application of this amendment did not have a significant impact on the group's financial position, group earnings and cash flows in the prior year and the impact in the current year resulted in R98 million of asset remeasurements being recorded in other comprehensive income and not the income statement.

- IFRS 13 – Fair value measurements

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. This standard is required to be applied prospectively with no restatements. The impact of this change of fair value measurement has not been material on the current year earnings, diluted earnings or headline earnings per share, or on the net asset value of the group. IAS 34 – Interim reporting was revised for the introduction of IFRS 13 and requires additional disclosure on financial instruments carried at fair value. The group has complied with these additional disclosure requirements in these results.

- Other
  - IFRS 7 (amendment) – Financial instruments: disclosures: offsetting financial assets and financial liabilities became effective for the first time in the current year and had no impact on the group's earnings or net asset value. The relevant information has been disclosed in the 2014 integrated report.
  - The International Accounting Standards Board (IASB) made amendments to various standards as part of their annual improvements project. These amendments had no impact on the group's earnings.

Reclassifications

The group's June 2013 results have been restated for the following reclassifications:

- The comparative segmental information has been restated, where appropriate, to ensure alignment with the way in which the chief operating decision-maker, being the MMI executive committee, monitors and evaluates the performance of the various segments of the business.
  - MMI Rewards (including Momentum Multiply) has been reallocated from Momentum Retail to Shareholder Capital as the Rewards programme is a group-wide initiative. As a result, the income, expenses, employees and all related activities have moved from the Momentum Retail segment to the Shareholder Capital segment.
  - The Momentum Employee Benefits segment has taken over the management of the Momentum Health open scheme administration business to better align this with the corporate business. As a result, the income, expenses, employees and all related activities have moved from the Metropolitan Health segment to the Momentum Employee Benefits segment.

  Refer to the analysis of segmental restatements tables for more details.

- Interest relating to interest rate swaps was previously grossed up and disclosed as interest income and finance costs. As interest rate swaps are subject to fair value risk associated with the fixed and floating interest legs, the net amount has now been disclosed as net realised and fair value gains. Refer to the appendix for further details.
- The assets under management and related fund flows tables have been refined. Refer to these tables for details.

Reclassifications (continued)

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

Embedded value – FNB Life

The contractual agreement between MMI and FirstRand Bank was changed with effect from 1 July 2013, reducing MMI's profit-sharing arrangement from 10% to 4%. As a result, the value of new business and value of in-force of the FNB Life business has been excluded from the published MMI embedded value with effect from 1 July 2013. The profits arising from this business will therefore only be recognised in the embedded value earnings as they emerge. The prior year figures have not been restated as the change occurred during the current reporting year.

Corporate governance

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

Changes to the directorate, secretary and directors' shareholding

On 27 November 2013, Blignault Gouws, a non-executive director, retired from the board and Wilhelm van Zyl, the deputy group chief executive officer, resigned as a director with effect from 30 June 2014. We thank them for their invaluable input over the years and wish them well in their future endeavours.

Mary Vilakazi resigned from the board as non-executive director to take up an executive position with the group as described below, we thank her for her significant contribution over the years and look forward to working with her as part of MMI's executive team.

The Nominations Committee of the MMI Holdings Board appointed Maliga Chetty as the group company secretary with effect from 3 September 2013 and Louis von Zeuner was appointed as a non-executive director of MMI, with effect from 1 January 2014.

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

Changes to the group executive committee

In November 2013, Jan Lubbe, chief risk officer, and Vuyo Lee, group executive brand - stakeholder management and sustainability, were appointed as members of the group executive committee. Nigel Dunkley, group executive - balance sheet management has been transferred to the group's asset management business in the UK and Mary Vilakazi has been appointed as group executive - balance sheet management from 1 May 2014. Herman Schoeman, managing director of Guardrisk, was appointed to the group executive committee from 1 July 2014. On the same day, Khanyi Nzukuma was appointed chief executive officer of Metropolitan Retail.

Contingent liabilities and capital commitments

As part of running a business, the group is party to legal proceedings and appropriate provisions are made when losses are expected to materialise. The group had no material capital commitments at 30 June 2014 that were not in the ordinary course of business other than those disclosed in the 2014 integrated report.

MMI HOLDINGS GROUP

Events after year-end

Subsequent to year-end the market value of the African Bank equities and bonds decreased. Based on MMI's current understanding, the direct impact on MMI's earnings (less than 2%), core headline earnings (less than 0.5%) and embedded value (less than 0.5%) is not expected to be material.

The Kenyan competition authorities approved the Cannon transaction on 25 August 2014.

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

Dividend declaration

Ordinary shares

The dividend policy for ordinary listed shares, approved by the directors, is to provide shareholders with stable dividend growth, reflecting 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 9 September 2014, a gross final dividend of 85 cents per ordinary share was declared, resulting in an annual dividend of 142 cents per share. In addition, a special dividend of 50 cents per share was also declared. The final and special dividends are payable out of income reserves to all holders of ordinary shares recorded in the register of the company at the close of business on Friday, 3 October 2014, and will be paid on Monday, 6 October 2014. Both dividends will be subject to local dividend withholding tax at a rate of 15% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate. The secondary tax on companies (STC) credit utilised per share amounts to 0.03487 cents per ordinary share on the final dividend and 0.02051 cents per ordinary share on the special dividend. This will result in a net dividend, for those shareholders who are not exempt from paying dividend tax, of 72.25523 cents per ordinary share for the final dividend and 42.50308 cents per ordinary share for the special dividend.

The number of ordinary shares in issue at the declaration date was 1 569 803 700, while the last day to trade cum dividend will be Friday, 26 September 2014. The shares will trade ex dividend from the start of business on Monday, 29 September 2014. Share certificates may not be dematerialised or rematerialised between Monday, 29 September 2014, and Friday, 3 October 2014, both days inclusive. MMI's income tax number is 975 2050 147.

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

Preference shares

Dividends of R22.8 million (132 cents per share p.a.) was declared on the unlisted A3 MMI Holdings Ltd preference shares. The declaration rate was determined as set out in the company's Memorandum of Incorporation and the total preference dividend utilised STC credits of R9 335.

Integrated information

The full integrated report for 2014 will be posted to shareholders by 30 September 2014, and can then be viewed online at www.mmiholdings.com.

MMI HOLDINGS GROUP

Directors' responsibility

These results are the responsibility of the directors. A printed version of the SENS announcement may be requested from the group company secretary, Maliga Chetty tel: 012 684 4255.

External audit

The condensed results have been extracted from the group's 2014 annual financial statements, which have been audited by PricewaterhouseCoopers Inc. and their unqualified audit report is available for inspection at the company's registered office. In addition, the summarised group embedded value information has been extracted from the 2014 group embedded value report, which has been reviewed by PricewaterhouseCoopers Inc. in accordance with the embedded value basis of MMI, and the review report is available for inspection at the company's registered office.

Signed on behalf of the board

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

Centurion
9 September 2014

DIRECTORS: MJN Njeke (chairman), JP Burger (deputy chairman), NAS Kruger (group chief executive officer), PE Speckmann (group finance director), N Motsei (executive), L Crouse, F Jakoet, Prof JD Krige, PJ Moleketi, SA Muller, V Nkonyeni, SE Nxasana, KC Shubane, FJC Truter, BJ van der Ross, JC van Reenen, LL von Zeuner
GROUP COMPANY SECRETARY: Maliga Chetty www.mmiholdings.com
TRANSFER SECRETARIES: Link Market Services SA (Pty) Ltd (registration number 2000/007239/07) Rennie House, 13th Floor, 19 Ameshoff Street, Braamfontein 2001. PO Box 4844, Johannesburg 2000 Telephone: +27 11 713 0800 E-mail: info@linkmarketservices.co.za SPONSOR: Merrill Lynch (registration number: 2000/031756/06)
REGISTERED OFFICE: 268 West Avenue, Centurion 0157
JSE CODE: MMI NSX CODE: MIM ISIN NO: ZAE000149902

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30.06.2014 Rm	Restated 30.06.2013 Rm
ASSETS		
Intangible assets	**12 819**	11 769
Owner-occupied properties	**1 714**	1 488
Property and equipment	**315**	348
Investment properties	**7 675**	6 433
Investment in associates	**179**	121
Employee benefit assets	**405**	327
Financial instrument assets (1)	**355 073**	312 424
Reinsurance contracts	**2 576**	1 345
Deferred income tax	**263**	124
Properties under development	**252**	98
Insurance and other receivables	**3 813**	2 828
Current income tax assets	**330**	108
Cash and cash equivalents	**28 875**	22 275
Non-current assets held for sale	**17**	680
Total assets	**414 306**	360 368
EQUITY		
Equity attributable to owners of the parent	**24 734**	23 473
Non-controlling interests	**480**	391
Total equity	**25 214**	23 864
LIABILITIES		
Insurance contract liabilities		
Long-term insurance contracts	**106 047**	96 973
Short-term insurance contracts	**5 496**	-
Financial instrument liabilities		
Investment contracts	**227 056**	184 713
– with discretionary participation features	**25 405**	24 937
– designated at fair value through income	**201 651**	159 776
Other financial instrument liabilities (2)	**34 117**	37 964
Deferred income tax	**4 281**	3 917
Employee benefit obligations	**1 246**	1 328
Other payables	**10 437**	11 162
Provisions	**157**	180
Current income tax liabilities	**255**	267
Total liabilities	**389 092**	336 504
Total equity and liabilities	**414 306**	360 368

1. Financial instrument assets consist of the following:
   - Securities designated at fair value through income: R334 996 million (30.06.2013: R289 501 million)
   - Investments in associates designated at fair value through income: R11 900 million (30.06.2013: R13 031 million)
   - Derivative financial instruments: R2 362 million (30.06.2013: R3 173 million)
   - Available-for-sale assets: R129 million (30.06.2013: R953 million)
   - Held-to-maturity assets: R100 million (30.06.2013: R69 million)
   - Loans and receivables: R5 586 million (30.06.2013: R5 697 million)
2. Other financial instrument liabilities consist of the following:
   - Liabilities designated at fair value through income: R30 801 million (30.06.2013: R34 171 million)
   - Derivative financial instruments: R1 853 million (30.06.2013: R2 547 million)
   - Liabilities at amortised cost: R1 463 million (30.06.2013: R1 246 million)

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT	12 mths to 30.06.2014 Rm	Restated 12 mths to 30.06.2013 Rm
Net insurance premiums received	**23 138**	23 304
Fee income (1)	**6 567**	6 205
Investment income	**14 043**	13 046
Net realised and fair value gains	**43 906**	30 859
Net income	**87 654**	73 414
Net insurance benefits and claims	**22 321**	20 327
Change in liabilities	**7 850**	9 305
Change in insurance contract liabilities	**7 786**	8 087
Change in short-term insurance contract liabilities	**(72)**	-
Change in investment contracts with DPF liabilities	**468**	1 239
Change in reinsurance provision	**(332)**	(21)
Fair value adjustments on investment contract liabilities	**32 959**	22 715
Fair value adjustments on collective investment scheme liabilities	**3 061**	2 782
Depreciation, amortisation and impairment expenses	**1 159**	1 144
Employee benefit expenses	**5 132**	4 494
Sales remuneration	**3 899**	3 061
Other expenses	**5 035**	4 476
Expenses	**81 416**	68 304
Results of operations	**6 238**	5 110
Share of profit of associates	**2**	12
Finance costs (2)	**(482)**	(667)
Profit before tax	**5 758**	4 455
Income tax expenses	**(2 458)**	(1 804)
Earnings	**3 300**	2 651
Attributable to:		
Owners of the parent	**3 197**	2 587
Non-controlling interests	**103**	32
MMI Group Ltd preference shares	**-**	32
	3 300	2 651
Basic earnings per ordinary share (cents)	**205.5**	166.0
Diluted earnings per ordinary share (cents)	**202.4**	164.2

1. Fee income consists of the following:
   - Investment contracts: R1 772 million (30.06.2013: R1 901 million)
   - Trust and fiduciary services: R2 014 million (30.06.2013: R1 837 million)
   - Health administration services: R1 978 million (30.06.2013: R1 866 million)
   - Other fee income: R803 million (30.06.2013: R601 million)
2. Finance costs consist of the following:
   - Preference shares issued by MMI: R46 million (30.06.2013: R46 million)
   - Subordinated redeemable debt: R149 million (30.06.2013: R100 million)
   - Cost of carry positions: R156 million (30.06.2013: R255 million)
   - Other: R131 million (30.06.2013: R266 million)

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	**12 mths to 30.06.2014 Rm**	12 mths to 30.06.2013 Rm
Earnings	**3 300**	2 651
Other comprehensive income for the year, net of tax	**165**	88
Items that may subsequently be reclassified to income	**32**	86
Exchange differences on translating foreign operations	**40**	86
Available-for-sale financial assets	**(8)**	-
Items that will not be reclassified to income	**133**	2
Land and buildings revaluation	**41**	9
Adjustments to employee benefit funds		
Metropolitan Staff Pension Fund	**107**	-
Other	**(9)**	-
Change in non-distributable reserves	**6**	(10)
Income tax relating to items that will not be reclassified	**(12)**	3
Total comprehensive income for the year	**3 465**	2 739
Total comprehensive income attributable to:		
Owners of the parent	**3 363**	2 654
Non-controlling interests	**102**	53
MMI Group Ltd preference shares	**-**	32
	3 465	2 739

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

RECONCILIATION OF HEADLINE EARNINGS attributable to owners of the parent	Basic earnings		Diluted earnings	
	12 mths to 30.06.2014 Rm	12 mths to 30.06.2013 Rm	**12 mths to 30.06.2014 Rm**	12 mths to 30.06.2013 Rm
Earnings	**3 197**	2 587	**3 197**	2 587
Finance costs – convertible preference shares			**45**	46
Dilutory effect of subsidiaries (1)			**(22)**	(19)
Diluted earnings			**3 220**	2 614
Realised gains on available-for-sale financial assets	**-**	(2)	**-**	(2)
Intangible asset and other impairments	**25**	3	**25**	3
Profit on change from associate to subsidiary	**-**	(67)	**-**	(67)
Loss on sale of business	**-**	3	**-**	3
Headline earnings (2)	**3 222**	2 524	**3 245**	2 551
Net realised and fair value gains on excess	**(544)**	(340)	**(544)**	(340)
Basis and other changes and investment variances	**160**	367	**160**	367
Amortisation of intangible assets relating to business combinations	**575**	587	**575**	587
Non-recurring items (3)	**171**	58	**171**	58
Investment income on treasury shares – contract holders			**14**	18
Core headline earnings (4)	**3 584**	3 196	**3 621**	3 241

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

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

EARNINGS PER SHARE (cents) attributable to owners of the parent	**12 mths to 30.06.2014**	12 mths to 30.06.2013
Basic		
Core headline earnings	**230.3**	205.1
Headline earnings	**207.1**	162.0
Earnings	**205.5**	166.0
Weighted average number of shares (million)	**1 556**	1 558
Diluted		
Core headline earnings	**225.7**	202.1
Weighted average number of shares (million) (1)	**1 604**	1 604
Headline earnings	**204.0**	160.2
Earnings	**202.4**	164.2
Weighted average number of shares (million) (2)	**1 591**	1 592

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

DIVIDENDS	**2014**	2013
Ordinary listed MMI Holdings Ltd shares (cents per share)		
Interim – March	**57**	51
Final – September	**85**	76
Total	**142**	127
Special dividend	**50**	-
Total	**192**	127

MMI Holdings Ltd convertible redeemable preference shares (issued to Kagiso Tiso Holdings (Pty) Ltd (KTH))

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

Significant related party transactions

R298 million (2013: R271 million) of the ordinary dividends declared by MMI Holdings Ltd in September 2013 (2013: September 2012) and R223 million (2013: R200 million) of the ordinary dividends declared in March 2014 (2013: March 2013) were attributable to RMI Holdings Ltd. In September 2012, R255 million of the special dividends declared by MMI Holdings Ltd were attributable to RMI Holdings Ltd.

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12 mths to 30.06.2014 Rm	12 mths to 30.06.2013 Rm
Changes in share capital		
Balance at beginning and end	**9**	9
Changes in share premium		
Balance at beginning	**13 794**	13 805
Treasury shares held on behalf of contract holders	**(12)**	(4)
Share buy-back	**-**	(7)
Balance at end	**13 782**	13 794
Changes in other reserves		
Balance at beginning	**1 631**	1 572
Total comprehensive income	**166**	67
BEE cost	**2**	-
Transfer from/(to) retained earnings	**3**	(8)
Balance at end (1)	**1 802**	1 631
Changes in retained earnings		
Balance at beginning	**8 039**	8 131
Total comprehensive income	**3 197**	2 587
Dividend paid	**(2 092)**	(2 886)
Transactions with non-controlling interests	**-**	87
Transfer (to)/from other reserves	**(3)**	8
Profit on preference share buy-back	**-**	112
Balance at end	**9 141**	8 039
Equity attributable to owners of the parent	**24 734**	23 473
MMI Group Ltd preference shares		
Balance at beginning	**-**	500
Total comprehensive income	**-**	32
Dividend paid	**-**	(32)
Share buy-back	**-**	(500)
Balance at end	**-**	-
Changes in non-controlling interests		
Balance at beginning	**391**	281
Total comprehensive income	**102**	53
Dividends paid	**(18)**	(97)
Transactions with owners	**-**	39
Business combinations	**5**	115
Balance at end	**480**	391
Total equity	**25 214**	23 864

1. Other reserves consist of the following:
    - Land and buildings revaluation reserve: R561 million (30.06.2013: R534 million)
    - Foreign currency translation reserve: R179 million (30.06.2013: R139 million)
    - Fair value adjustment for preference shares issued by MMI: R940 million (30.06.2013: R940 million)
    - Fair value reserve: R3 million (30.06.2013: R11 million)
    - Non-distributable reserve: R16 million (30.06.2013: R4 million)
    - Equity-settled share-based payments reserve: R5 million (30.06.2013: R3 million)
    - Employee benefit revaluation reserve: R98 million (30.06.2013: Rnil)

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	**12 mths to 30.06.2014 Rm**	Restated 12 mths to 30.06.2013 Rm
Net cash inflow from operating activities	**5 201**	7 924
Net cash inflow from investing activities	**793**	(753)
Net cash inflow from financing activities	**606**	(3 169)
Net cash flow	**6 600**	4 002
Cash resources and funds on deposit at beginning	**22 275**	18 273
Cash resources and funds on deposit at end	**28 875**	22 275

PRINCIPAL ASSUMPTIONS (South Africa) (1)	**30.06.2014 %**	30.06.2013 %
Pre-tax investment return		
Equities	**12.0**	11.4
Properties	**9.5**	8.9
Government stock	**8.5**	7.9
Other fixed-interest stocks	**9.0**	8.4
Cash	**7.5**	6.9
Risk-free return (2)	**8.5**	7.9
Risk discount rate (RDR)	**10.8**	10.2
Investment return (before tax) – balanced portfolio (2)	**10.7**	10.1
Expense inflation base rate (3)	**6.7**	6.1

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

NON-CONTROLLING INTERESTS	**30.06.2014 %**	30.06.2013 %
Eris Property Group	**45.7**	45.7
Metropolitan Botswana	**24.2**	24.2
Metropolitan Ghana	**3.8**	5.0
Metropolitan Health Botswana (previously Momentum Health Botswana)	**28.0**	28.0
Metropolitan Health Ghana (previously Momentum Health Ghana)	**1.8**	4.8
Metropolitan Health Group	**17.6**	17.6
Metropolitan Health Mauritius (previously Momentum Health Mauritius)	**5.0**	5.0
Metropolitan Health Namibia Administrators	**49.0**	49.0
Metropolitan Kenya	**33.7**	33.7
Metropolitan Nigeria	**50.0**	50.0
Metropolitan Swaziland	**33.0**	33.0
Metropolitan Tanzania (previously Momentum Tanzania)	**33.0**	33.0
Metropolitan Zambia (previously Momentum Zambia)	**35.0**	35.0
MMI Holdings Namibia (previously Metropolitan Namibia)	**10.3**	10.3
Momentum Mozambique	**33.0**	33.0
Momentum Swaziland	**33.0**	33.0

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

ANALYSIS OF ASSETS UNDER MANAGEMENT (1)	30.06.2014 Rm	Restated 30.06.2013 Rm
Managed and/or administered by Momentum Investments (net)		
Financial assets	**370 073**	330 809
Momentum Manager of Managers	**72 846**	60 417
Momentum Collective Investments	**51 215**	48 025
Metropolitan Collective Investments (2)	**55 538**	42 834
Momentum Asset Management	**141 874**	140 005
Momentum Global Investments	**36 076**	26 960
Momentum Alternative Investments	**12 524**	12 568
Properties – Eris Property Group	**24 448**	24 922
On-balance sheet	**7 406**	7 615
Off-balance sheet	**17 042**	17 307
	394 521	355 731
Momentum Wealth linked product assets under administration	**130 845**	106 482
On-balance sheet	**80 484**	63 045
Off-balance sheet	**50 361**	43 437
Managed internally or by other managers within MMI	**26 712**	21 553
On-balance sheet	**21 600**	17 010
Off-balance sheet	**5 112**	4 543
Managed by external managers (on-balance sheet)	**32 507**	33 941
Properties managed internally or by other managers within MMI or externally	**2 252**	1 084
Momentum Employee Benefits – segregated assets	**1 380**	1 232
Momentum Employee Benefits – cell captives on-balance sheet	**12 058**	1 582
Total assets under management	**600 275**	521 605
Managed and/or administered by Momentum Investments (net)		
On-balance sheet	**181 915**	167 011
Off-balance sheet	**212 606**	188 720
	394 521	355 731

1. Assets under management are reported net of double counted assets except where one entity manages assets on behalf of another in the division, and both entities earn a fee on the same assets. Non-financial assets (except properties) have been excluded.
2. Subsequent to year-end, approximately 60% of these assets have left the group. As this is low-margin business the financial impact of this outflow is not expected to be material, after taking cost savings into account.
3. The June 2013 restatement relates to refinements in presentation, as explained in note 1 above.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

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

NET FUNDS RECEIVED FROM CLIENTS (1) **Restated** **12 mths to 30.06.2013**	**Gross single inflows Rm**	**Gross recurring inflows Rm**	**Gross inflow Rm**	**Gross outflow Rm**	**Net inflow/ (outflow) Rm**
Momentum Retail	10 964	7 611	18 575	(18 609)	(34)
Metropolitan Retail	1 233	5 013	6 246	(4 509)	1 737
Momentum Employee Benefits	5 083	7 145	12 228	(9 385)	2 843
Metropolitan International	291	2 244	2 535	(1 340)	1 195
Momentum Investments	16 819	-	16 819	(15 241)	1 578
Metropolitan Health	-	37	37	(37)	-
Shareholder Capital	12	287	299	(269)	30
Long-term insurance business fund flows	34 402	22 337	56 739	(49 390)	7 349
Off-balance sheet fund flows					
Managed and/or administered by Momentum Investments (net)					
Financial assets			69 371	(68 392)	979
Properties – Eris Property Group			1 353	(2 724)	(1 371)
Properties – Eris Property Group acquisition			18 678	-	18 678
Momentum Wealth linked product assets under administration			14 635	(11 213)	3 422
Managed internally or by other managers within MMI			936	(785)	151
Momentum Employee Benefits – segregated assets			2 598	(1 931)	667
Total net funds received from clients			164 310	(134 435)	29 875

1. Assets under management and the related fund flows are reported net of double counted assets except where one entity manages assets on behalf of another in the division, and both entities earn a fee on the same assets. Non-financial assets (except properties) have been excluded.
2. The June 2013 restatement relates to refinements in presentation, as explained in note 1 above.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	**30.06.2014**		30.06.2013	
	Rm	**%**	Rm	%
Equity securities	**1 228**	**5.0**	973	4.1
Preference shares	**1 354**	**5.5**	538	2.3
Collective investment schemes	**710**	**2.9**	699	3.0
Debt securities	**6 699**	**27.1**	3 797	16.2
Properties	**2 459**	**9.9**	2 324	9.9
Owner-occupied properties	**1 270**	**5.1**	1 175	5.0
Investment properties	**1 189**	**4.8**	1 149	4.9
Cash and cash equivalents and funds on deposit	**6 980**	**28.2**	9 405	40.1
Intangible assets	**8 129**	**32.9**	7 109	30.3
Other net assets	**563**	**2.3**	503	2.1
	28 122	**113.7**	25 348	108.0
Redeemable preference shares	**(313)**	**(1.3)**	(313)	(1.3)
Subordinated redeemable debt	**(3 075)**	**(12.4)**	(1 562)	(6.7)
Shareholder excess per reporting basis	**24 734**	**100.0**	23 473	100.0

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

BUSINESS COMBINATIONS – JUNE 2014

Guardrisk

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

Providence

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

Other

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

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

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

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

BUSINESS COMBINATIONS – JUNE 2013

Momentum Short-Term Insurance

As at 30 June 2012 MMI Group Ltd (MGL) and OUTsurance Holdings Ltd (OUTsurance) each owned 50% of the ordinary share capital of Momentum Short-Term Insurance Company Ltd (MSTI). As OUTsurance controlled MSTI, MGL accounted for the investment as an associate. On 13 July 2012, MGL acquired the remaining 50% shareholding for R125 million in cash, which was based on the embedded value of MSTI. No goodwill was recognised on the transaction.

Eris Property Group

On 29 October 2012, MMI Holdings Ltd acquired 55% in Eris Property Group (Eris) for R329 million in cash. The group's property portfolio is currently managed by Eris and Momentum Properties. The transaction resulted in R191 million goodwill being recognised attributable to certain anticipated operating synergies. The goodwill is not deductible for tax purposes. Eris management and Kagiso Tiso Holdings (Pty) Ltd (KTH), who were existing shareholders in Eris, also acquired further shares from MMI Holdings Ltd, resulting in an effective controlling interest for MMI Holdings Ltd of 54%.

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

	Total Rm	MSTI Rm	Eris Rm
Purchase consideration in total	**454**	125	329
Fair value of net assets			
Intangible assets	**276**	158	118
Tangible assets	**332**	-	332
Financial instrument assets	**353**	201	152
Cash and cash equivalents	**43**	7	36
Other assets	**17**	3	14
Financial instrument liabilities	**(85)**	-	(85)
Other liabilities	**(418)**	(104)	(314)
Net identifiable assets acquired	**518**	265	253
Fair value step-up of associate - MSTI (recognised in net realised and fair value gains)	**(67)**	(67)	-
Derecognise investment in associate - MSTI (carrying value at acquisition date)	**(73)**	(73)	-
Non-controlling interests	**(115)**	-	(115)
Goodwill recognised	**191**	-	191
Purchase consideration in cash	**454**	125	329

The above two transactions contributed net income of R603 million and earnings of R33 million to the group results for the current year.

Common control transactions

After consultation with the Financial Services Board (FSB), the group applied to the High Court of South Africa for the approval of the amalgamation of the two main long-term insurance licences. As a preparatory step for this legal amalgamation of the life insurance licences, Momentum Group Ltd changed its name to MMI Group Ltd. The court approval for the amalgamation was granted on 20 May 2013 and the assets and liabilities of Metropolitan Life Ltd were sold to MMI Group Ltd on this date. The transaction was recorded in accordance with the group's accounting policy for common control transactions. It had no impact on the group results or net asset value.

RECONCILIATION OF GOODWILL	**30.06.2014 Rm**	30.06.2013 Rm
Carrying amount at beginning	**502**	311
Business combinations	**586**	191
Carrying amount at end	**1 088**	502

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

12 mths to 30.06.2014	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Momentum Investments Rm	Metropolitan Health (2) Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items (1) Rm	IFRS total Rm
Revenue										
Net insurance premiums	22 517	6 820	17 343	2 898	6 262	47	355	**56 242**	(33 104)	**23 138**
Recurring premiums	7 856	5 313	10 283	2 621	-	47	332	**26 452**	(6 713)	**19 739**
Single premiums	14 661	1 507	7 060	277	6 262	-	23	**29 790**	(26 391)	**3 399**
Fee income	2 034	112	1 479	184	1 442	1 513	502	**7 266**	(699)	**6 567**
Fee income	2 034	112	1 479	184	1 442	1 513	502	**7 266**	110	**7 376**
Inter-segmental fee income	-	-	-	-	-	-	-	**-**	(809)	**(809)**
Expenses										
Net payments to contract holders										
External payments	21 215	5 523	12 907	1 602	10 823	46	313	**52 429**	(30 108)	**22 321**
Other expenses	3 474	2 100	2 316	1 168	1 195	1 311	1 164	**12 728**	2 497	**15 225**
Sales remuneration	1 892	937	519	424	-	-	71	**3 843**	56	**3 899**
Administration expenses	1 582	1 163	1 338	729	954	1 288	531	**7 585**	518	**8 103**
Amortisation due to business combinations and impairments	-	-	-	15	9	14	39	**77**	776	**853**
Cell captive business	-	-	459	-	-	-	-	**459**	-	**459**
Direct property expenses	-	-	-	-	-	-	-	**-**	159	**159**
Asset management and other fee expenses	-	-	-	-	232	9	270	**511**	1 819	**2 330**
Holding company expenses	-	-	-	-	-	-	253	**253**	-	**253**
Inter-segmental expenses	-	-	-	-	-	-	-	**-**	(831)	**(831)**
Diluted core headline earnings	1 372	587	516	122	197	171	656	**3 621**	-	**3 621**
Operating profit	1 908	814	704	155	219	205	(38)	**3 967**	-	**3 967**
Tax on operating profit	(536)	(227)	(188)	(33)	(59)	(44)	12	**(1 075)**	-	**(1 075)**
Investment income	-	-	-	-	51	14	864	**929**	-	**929**
Tax on investment income	-	-	-	-	(14)	(4)	(182)	**(200)**	-	**(200)**
Actuarial liabilities	175 869	32 296	82 902	9 152	34 942	8	3 528	**338 697**	(98)	**338 599**

1. The 'Reconciling items' column includes an adjustment to reverse investment contract premiums (R33 305 million) and claims (R30 108 million); FNB Life excluded from Metropolitan Retail (premiums R201 million, fee income R20 million, sales remuneration R64 million and expenses R159 million); non-recurring items of R192 million; direct property and asset management fees for all segments, except non-life segments, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes (R6 million); other minor adjustments to expenses (R161 million), sales remuneration (R8 million) and fee income (R90 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.
2. Metropolitan Health's administration expenses for the current year include R33 million relating to the acquisition of Providence.
3. Momentum Employee Benefits includes net insurance premiums (R1 699 million), fee income (R187 million), net payments to contract holders (R1 509 million), sales remuneration (R376 million), cell captive business expenses (R382 million) and actuarial liabilities (R13 944 million) relating to Guardrisk.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

Restated 12 mths to 30.06.2013	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items (1) Rm	IFRS total Rm
Revenue										
Net insurance premiums	18 575	6 246	12 228	2 535	16 819	37	299	**56 739**	(33 435)	**23 304**
Recurring premiums	7 611	5 013	7 145	2 244	-	37	287	**22 337**	(4 889)	**17 448**
Single premiums (2)	10 964	1 233	5 083	291	16 819	-	12	**34 402**	(28 546)	**5 856**
Fee income	2 089	134	1 182	145	1 467	1 452	470	**6 939**	(734)	**6 205**
Fee income	2 089	134	1 182	145	1 467	1 452	470	**6 939**	193	**7 132**
Inter-segmental fee income	-	-	-	-	-	-	-	**-**	(927)	**(927)**
Expenses										
Net payments to contract holders	18 609	4 509	9 385	1 340	15 241	37	269	**49 390**	(29 063)	**20 327**
External payments	18 609	4 509	9 385	1 340	15 241	37	269	**49 390**	(29 031)	**20 359**
Inter-segmental payments	-	-	-	-	-	-	-	**-**	(32)	**(32)**
Other expenses	3 173	2 029	1 380	1 052	1 215	1 294	974	**11 117**	2 058	**13 175**
Sales remuneration	1 645	871	128	335	-	-	34	**3 013**	48	**3 061**
Administration expenses	1 528	1 158	1 202	715	948	1 279	364	**7 194**	424	**7 618**
Amortisation due to business combinations and impairments	-	-	-	2	1	15	39	**57**	795	**852**
Cell captive business	-	-	50	-	-	-	-	**50**	-	**50**
Direct property expenses	-	-	-	-	-	-	-	**-**	220	**220**
Asset management and other fee expenses	-	-	-	-	266	-	313	**579**	1 521	**2 100**
Holding company expenses	-	-	-	-	-	-	224	**224**	-	**224**
Inter-segmental expenses	-	-	-	-	-	-	-	**-**	(950)	**(950)**
Diluted core headline earnings	1 158	509	341	108	175	140	810	**3 241**	-	**3 241**
Operating profit	1 619	707	456	145	198	163	211	**3 499**	-	**3 499**
Tax on operating profit	(461)	(198)	(115)	(37)	(54)	(33)	(52)	**(950)**	-	**(950)**
Investment income	-	-	-	-	43	14	860	**917**	-	**917**
Tax on investment income	-	-	-	-	(12)	(4)	(209)	**(225)**	-	**(225)**
Actuarial liabilities	153 463	29 070	55 977	7 656	32 703	11	3 250	**282 130**	(444)	**281 686**

1. The 'Reconciling items' column includes: an adjustment to reverse investment contract premiums (R33 609 million) and claims (R29 034 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 R174 million, fee income R11 million, claims R3 million, sales remuneration R65 million and expenses R130 million); grossing up of fee income and expenses relating to properties under development (R121 million); non-recurring items of R67 million; direct property and asset management fees for all segments, except non-life segments, that are set off against investment income for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to business combinations; expenses relating to consolidated collective investment schemes (R18 million); other minor adjustments to expenses (R88 million), sales remuneration (R17 million) and fee income (R61 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.
2. Momentum Investments includes two significant client single premium inflows.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

Analysis of reclassifications	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items Rm	IFRS total Rm

The comparative segmental information has been restated for the effect of IFRS 10 and, where appropriate, to ensure alignment with the way in which the chief operating decision-maker, being the MMI executive committee, monitors and evaluates the performance of the various segments of the business. Refer to the directors' statement for explanations on restatements below. These restatements had no impact on total core headline earnings.

Analysis of reclassifications	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items Rm	IFRS total Rm
June 2013										
Net insurance premiums										
Published June 2013	18 575	6 246	12 072	2 535	16 819	193	299	**56 739**	(33 435)	**23 304**
Reclassifications	-	-	156	-	-	(156)	-	**-**	-	**-**
Restated June 2013	18 575	6 246	12 228	2 535	16 819	37	299	**56 739**	(33 435)	**23 304**
Fee income										
Published June 2013	2 369	134	862	145	1 467	1 772	190	**6 939**	(705)	**6 234**
Reclassifications	(280)	-	320	-	-	(320)	280	**-**	(29)	**(29)**
Restated June 2013	2 089	134	1 182	145	1 467	1 452	470	**6 939**	(734)	**6 205**
Net payments to contract holders										
Published June 2013	18 609	4 509	9 240	1 340	15 241	182	269	**49 390**	(29 063)	**20 327**
Reclassifications	-	-	145	-	-	(145)	-	**-**	-	**-**
Restated June 2013	18 609	4 509	9 385	1 340	15 241	37	269	**49 390**	(29 063)	**20 327**
Other expenses										
Published June 2013	3 215	2 029	983	1 052	1 215	1 619	700	**10 813**	2 089	**12 902**
Reclassifications	(42)	-	397	-	-	(325)	274	**304**	(31)	**273**
Restated June 2013	3 173	2 029	1 380	1 052	1 215	1 294	974	**11 117**	2 058	**13 175**
Diluted core headline earnings										
Published June 2013	1 179	509	330	108	175	151	789	**3 241**	-	**3 241**
Reclassifications	(21)	-	11	-	-	(11)	21	**-**	-	**-**
Restated June 2013	1 158	509	341	108	175	140	810	**3 241**	-	**3 241**
Actuarial liabilities										
Published June 2013	153 463	29 070	54 614	7 656	32 703	11	3 250	**280 767**	(444)	**280 323**
Reclassifications	-	-	1 363	-	-	-	-	**1 363**	-	**1 363**
Restated June 2013	153 463	29 070	55 977	7 656	32 703	11	3 250	**282 130**	(444)	**281 686**

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

CHANGE IN DILUTED CORE HEADLINE EARNINGS	12 mths to 30.06.2014 Rm	Restated 12 mths to 30.06.2013 Rm	Change %
Momentum Retail	**1 372**	1 158	18
Metropolitan Retail	**587**	509	15
Momentum Employee Benefits	**516**	341	51
Metropolitan International	**122**	108	13
Momentum Investments	**197**	175	13
Metropolitan Health	**171**	140	22
Operating divisions	**2 965**	2 431	22
Shareholder Capital	**656**	810	(19)
Total diluted core headline earnings	**3 621**	3 241	12

RECONCILIATION OF MOMENTUM INVESTMENTS	12 mths to 30.06.2014 Rm	12 mths to 30.06.2013 Rm
Revenue	**1 463**	1 467
Fee income	**1 442**	1 467
Other income	**21**	-
Expenses and finance costs	**(1 239)**	(1 234)
Other expenses	**(1 195)**	(1 215)
Finance costs	**(44)**	(19)
Share of profit of associates	**9**	5
Non-controlling interests	**(23)**	(42)
	210	196
Core adjustments	**9**	2
Impairments	**9**	1
Other	**-**	1
Operating profit before tax	**219**	198
Tax on operating profit	**(59)**	(54)
Investment income	**51**	43
Tax on investment income	**(14)**	(12)
Diluted core headline earnings	**197**	175

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

RECONCILIATION OF METROPOLITAN HEALTH	12 mths to 30.06.2014 Rm	Restated 12 mths to 30.06.2013 Rm
Revenue	**1 560**	1 489
Net insurance premiums	**47**	37
Fee income	**1 513**	1 452
Expenses and finance costs	**(1 357)**	(1 331)
Net payments to contract holders	**(46)**	(37)
Other expenses	**(1 311)**	(1 294)
	203	158
Core adjustments	**2**	5
Impairments and amortisation of intangibles relating to business combinations	**14**	15
Adjustments for dilution	**(13)**	(10)
Other	**1**	-
Operating profit before tax	**205**	163
Tax on operating profit	**(44)**	(33)
Investment income	**14**	14
Tax on investment income	**(4)**	(4)
Diluted core headline earnings	**171**	140
Additional off-balance sheet information		
Assets under administration at reporting date	**10 686**	9 540
Gross recurring inflow of funds	**41 137**	38 730
Gross outflow of funds	**(36 791)**	(33 806)

RECONCILIATION OF GUARDRISK (PROMOTER CELL (1))	4 mths to 30.06.2014 Rm
Income	
Net insurance premiums (excluding investment business)	**913**
Fee income	**179**
Other income	**12**
Total income	**1 104**
Expenses and finance costs	
Net payments to contract holders (excluding investment business)	**(812)**
Change in liabilities	**36**
Other expenses	**(243)**
Finance costs	**(1)**
Total expenses and finance costs	**(1 020)**
Operating profit before tax	**84**
Tax on operating profit	**(10)**
Diluted core headline earnings	**74**

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

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

RECONCILIATION OF SHAREHOLDER CAPITAL	**12 mths to 30.06.2014 Rm**	Restated 12 mths to 30.06.2013 Rm
Revenue		
Net insurance premiums (excluding investment business)	**332**	287
Balance Sheet Management income including fee income	**607**	711
Guaranteed portfolios earnings	**299**	174
Returns in excess of benchmark	**160**	138
Returns on working capital and other	**148**	399
Other income	**352**	306
Total income	**1 291**	1 304
Expenses		
Net payments to contract holders (excluding investment business)	**(204)**	(158)
Other expenses	**(1 125)**	(935)
Balance Sheet Management	**(196)**	(173)
Strategic initiatives and other (1)	**(676)**	(538)
Holding company	**(253)**	(224)
Total expenses	**(1 329)**	(1 093)
Operating (loss)/profit before tax	**(38)**	211
Tax on operating profit	**12**	(52)
Investment income	**864**	860
Tax on investment income	**(182)**	(209)
Diluted core headline earnings	**656**	810

1. Includes Momentum Short-term Insurance, Solvency Assessment and Management (SAM) costs, redeployment centre costs (in prior year), MMI Rewards and India project costs.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

PAYMENTS TO CONTRACT HOLDERS	12 mths to 30.06.2014 Rm	Restated 12 mths to 30.06.2013 Rm
Momentum Retail	**21 215**	18 609
Death and disability claims	**3 412**	3 018
Maturity claims	**6 444**	5 726
Annuities	**4 505**	3 849
Withdrawal benefits	**46**	140
Surrenders	**7 569**	6 655
Re-insurance recoveries	**(761)**	(779)
Metropolitan Retail	**5 523**	4 509
Death and disability claims	**1 049**	991
Maturity claims	**2 373**	1 688
Annuities	**558**	540
Withdrawal benefits	**97**	61
Surrenders	**1 542**	1 324
Re-insurance recoveries	**(96)**	(95)
Momentum Employee Benefits (1)	**12 907**	9 385
Death and disability claims	**3 635**	3 241
Maturity claims	**667**	491
Annuities	**765**	1 321
Withdrawals and surrenders	**3 358**	2 550
Terminations and disinvestments	**3 802**	2 454
Short-term insurance	**1 880**	-
Re-insurance recoveries	**(1 200)**	(672)
Metropolitan International	**1 602**	1 340
Death and disability claims	**701**	556
Maturity claims	**284**	234
Annuities	**97**	84
Withdrawal benefits	**90**	70
Surrenders	**395**	362
Terminations and disinvestments	**80**	64
Re-insurance recoveries	**(45)**	(30)
Momentum Investments		
Withdrawals	**10 823**	15 241
Metropolitan Health		
Claims	**46**	37
Shareholder Capital		
Claims	**313**	269
Total payments to contract holders	**52 429**	49 390
Reconciling items (2)	**(30 108)**	(29 063)
Net insurance benefits and claims per income statement	**22 321**	20 327

1. Included in Momentum Employee Benefits above is R2 023 million claims and R514 million re-insurance recoveries relating to Guardrisk.
2. Relates mainly to payments to investment contract holders.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

NUMBER OF EMPLOYEES	30.06.2014	Restated 30.06.2013
Indoor staff	**9 877**	9 597
Momentum Retail	**1 711**	1 573
Metropolitan Retail	**1 174**	1 452
Momentum Employee Benefits (1)	**1 650**	1 361
Metropolitan International	**1 037**	852
Momentum Investments	**667**	693
Metropolitan Health (2)	**2 553**	2 638
Shareholder Capital		
Balance Sheet Management	**68**	66
Group services	**781**	806
Short-term insurance	**236**	156
Field staff	**6 815**	6 798
Momentum Retail	**1 041**	993
Metropolitan Retail	**4 424**	4 369
Metropolitan International	**1 350**	1 436
Total	**16 692**	16 395

1. Momentum Employee Benefits in the current year includes 218 employees relating to Guardrisk.
2. Metropolitan Health in the current year includes 116 employees relating to Providence.
3. Employee numbers were restated to align with segmental disclosures.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS SUMMARISED BY MEASUREMENT CATEGORY	30.06.2014 Rm
Financial assets designated at fair value through income	**349 387**
Securities designated at fair value through income	**334 996**
Investments in associates designated at fair value through income	**11 900**
Derivative financial instruments	**2 362**
Available-for-sale	**129**
Financial assets carried at amortised cost	**34 561**
Held-to-maturity	**100**
Loans and receivables	**5 586**
Cash and cash equivalents	**28 875**
Total financial assets	**383 948**

The fair value of loans and receivables is R5 636 million and the carrying value of held-to-maturity financial assets and cash and cash equivalents approximates fair value.

FINANCIAL LIABILITIES SUMMARISED BY MEASUREMENT CATEGORY	30.06.2014 Rm
Investment contracts with DPF	**25 405**
Financial liabilities designated at fair value through income	**234 305**
Investment contracts designated at fair value through income	**201 651**
Liabilities designated at fair value through income	**30 801**
Derivative financial instruments	**1 853**
Financial liabilities carried at amortised cost	**10 011**
Financial liabilities	**1 463**
Other payables	**8 548**
Total financial liabilities	**269 721**

The fair value of financial liabilities at amortised cost is R2 053 million and the carrying value of other payables approximates fair value due to their short-term nature.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

The different valuation method levels have been defined as follows:

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

FINANCIAL ASSETS **30.06.2014**	**Level 1** **Rm**	**Level 2** **Rm**	**Level 3** **Rm**	**Total** **Rm**
Securities designated at fair value through income	221 835	106 619	6 542	**334 996**
Equity securities				
Local listed	78 237	24	-	**78 261**
Foreign listed	20 878	792	2	**21 672**
Unlisted	-	129	728	**857**
Debt securities				
Stock and loans to government and other public bodies				
Local listed[1]	23 466	7 048	-	**30 514**
Foreign listed	424	1 258	24	**1 706**
Unlisted	6	3 156	70	**3 232**
Other debt instruments				
Local listed	20	23 590	74	**23 684**
Foreign listed	47	440	4	**491**
Unlisted	5	21 420	2 799	**24 224**
Funds on deposit and other money market instruments	-	29 878	-	**29 878**
Unit-linked investments				
Collective investment schemes				
Local unlisted or listed quoted	70 588	136	-	**70 724**
Foreign unlisted or listed quoted	25 583	358	1	**25 942**
Foreign unlisted unquoted	-	550	675	**1 225**
Other unit-linked investments				
Local unlisted or listed quoted	2 565	6 374	2	**8 941**
Local unlisted unquoted	-	10 174	2 159	**12 333**
Foreign unlisted unquoted	-	1 292	4	**1 296**
Foreign unlisted or listed quoted	16	-	-	**16**
Investments in associates designated at fair value through income	11 900	-	-	**11 900**
Derivative financial instruments	71	2 291	-	**2 362**
Held for trading	71	2 276	-	**2 347**
Held for hedging purposes	-	15	-	**15**
Available-for-sale	121	4	4	**129**
Equity securities				
Local listed	3	-	-	**3**
Foreign listed	87	-	-	**87**
Unlisted	-	-	4	**4**
Debt securities – foreign listed	31	-	-	**31**
Local unlisted/listed quoted unit-linked investments	-	4	-	**4**
	233 927	108 914	6 546	**349 387**

1. R626 million of listed government stock was transferred from level 2 to level 1 assets during the year in line with classification policy. The timing of the transfers are deemed to have occurred at the beginning of the year. There were no significant transfers between level 1 and level 2 assets in the previous year.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES 30.06.2014	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Investment contracts				
Designated at fair value through income	1 658	199 840	153	**201 651**
Financial liabilities designated at fair value through income	21 747	8 956	98	**30 801**
Collective investment scheme liabilities	21 747	526	40	**22 313**
Subordinated call notes	-	2 573	-	**2 573**
Carry positions	-	4 851	-	**4 851**
Preference shares	-	1 001	-	**1 001**
Other borrowings	-	5	58	**63**
Derivative financial instruments				
Held for trading	176	1 677	-	**1 853**
	23 581	210 473	251	**234 305**

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS	Financial assets Designated at fair value through income				
30.06.2014	**Equity securities Rm**	**Debt securities Rm**	**Unit-linked investments Rm**	**Other investments(1) Rm**	**Total Rm**
Opening balance	820	4 846	2 571	439	**8 676**
Transfer from/(to) other asset classes	-	-	41	(41)	**-**
Total realised gains/(losses) in net realised and fair value gains in the income statement	2	(5)	(51)	-	**(54)**
Total unrealised gains in net realised and fair value gains in the income statement	177	552	259	-	**988**
Accrued interest in investment income in the income statement	-	62	14	-	**76**
Purchases	254	426	264	-	**944**
Sales	(523)	(377)	(188)	(394)	**(1 482)**
Settlements	-	(1 667)	(53)	-	**(1 720)**
Transfers into level 3	-	311	1	-	**312**
Transfers out of level 3 (2)	-	(1 177)	(17)	-	**(1 194)**
Closing balance	730	2 971	2 841	4	**6 546**

1. Includes investments in associates' unit-linked investments as well as available-for-sale instruments.
2. The reason for the transfer out of level 3 in the current year is mainly as a result of obtaining access to more observable data and refining the valuation technique. The timing of the transfers are deemed to have occurred at the beginning of the year.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

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

	Financial assets Designated at fair value through income				
30.06.2014	**Equity securities Rm**	**Debt securities Rm**	**Unit-linked investments Rm**	**Other investments[1] Rm**	**Total Rm**
Carrying value	**730**	**2 971**	**2 841**	**4**	**6 546**
Assumption change	10% increase/ (decrease) in markets	10% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price	Not sensitive	
Effect of increase in assumption	73	(130)	284	N/A	
Effect of decrease in assumption	(73)	123	(284)	N/A	

1. Includes investments in associates' unit-linked investments as well as available-for-sale instruments.

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES	**Investment contracts designated at fair value through income**	**Financial liabilities designated at fair value through income**		
		Collective investment scheme liabilities	**Other borrowings**	**Total**
30.06.2014	**Rm**	**Rm**	**Rm**	**Rm**
Opening balance	663	-	-	**663**
Business combinations	-	-	4	**4**
Total realised losses in net realised and fair value gains in the income statement	5	-	-	**5**
Total unrealised losses in net realised and fair value gains in the income statement	1	7	(3)	**5**
Issues	-	33	57	**90**
Settlements	(498)	-	-	**(498)**
Contract holder movements				
Benefits paid	(28)	-	-	**(28)**
Investment return	10	-	-	**10**
Closing balance	153	40	58	**251**

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R30 million and R30 million, respectively.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

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

Group's valuation processes

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

Instrument	Valuation basis	Main assumptions
Equities and similar securities		
- Listed, local and foreign	External valuations/quoted prices *(level 2)*	Management applies judgement if an adjustment of quoted prices is required due to an inactive market.
- Unlisted	External valuations/price-earnings ratios *(level 3)*	Management applies judgement if an adjustment of the relevant price-earnings ratio is required.
Stock and loans to other public bodies		
- Listed, local	Yield of benchmark (listed government) bond *(level 2)*	Market input
- Listed, foreign	Discounted cash flow (DCF), benchmarked against similar instrument with the same issuer *(level 2)*	Market input
- Unlisted	DCF, real interest rates or six-month JIBAR plus fixed spread *(level 2)*	Market input and appropriate spread
	DCF, risk-free yield curve plus fixed spread *(level 3)*	Market input and appropriate spread
Other debt securities		
- Listed, local	DCF (BESA and ASSA bond perfect fit zero curve and other published real or nominal yields, uplifted with inflation), external valuations (linked notes), or published price quotations on JSE equity (preference shares) and interest rate market *(level 2)*	Market input, uplifted with inflation
- Listed, foreign	External valuations that are based on published market input *(level 2)*	Market input
- Unlisted	DCF (market-related nominal and real discount rates, zero coupon bond curve plus issuer spread, non-observable nominal rates, bank and credit default swap curves, government bond yield curve plus a spread), external valuations, or NAV of a hedge fund (debenture) *(level 2 and 3)*	Market input, appropriate spread For level 3 assets, rates ranged between 5.8% and 14.0% (2013: 5.2% and 11.0%)

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

Instrument	Valuation basis	Main assumptions
Funds on deposit and other money market instruments		
- Listed	DCF (market-related yields), issue price, or external valuations *(level 2)*	Market input (based on quotes received from market participants and valuation agents)
- Unlisted	Deposit rates, or DCF (market-related yields) *(level 2)*	
Unit-linked investments	External valuations *(level 2 and 3)*	Net asset value (assets and liabilities are carried at fair value)
Derivative assets and liabilities	Black-Scholes model/net present value of estimated floating costs less the performance of the underlying index over the contract term/DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments) *(level 2)*	Market input, credit spreads, contract inputs
Subordinated call notes (Liability)	Price quotations on JSE interest rate market (based on yield of benchmark bond) *(level 2)*	Market input
Carry positions (Liability)	DCF (in accordance with JSE interest rate market repo pricing methodology) *(level 2)*	Market input, contract input
Preference shares (Liability)	Preference shares issued on 26 June 2014, therefore valued at transaction price *(level 2)*	Transaction price approximates fair value

There were no significant changes in the valuation methods applied since 30 June 2013.

MMI HOLDINGS GROUP – STATEMENT OF ASSETS AND LIABILITIES

STATEMENT OF ASSETS AND LIABILITIES ON REPORTING BASIS	30.06.2014 Rm	Restated 30.06.2013 Rm
Total assets	**414 306**	360 368
Actuarial value of policy liabilities	**(338 599)**	(281 686)
Other liabilities	**(50 493)**	(54 818)
Non-controlling interests	**(480)**	(391)
Group excess per reporting basis	**24 734**	23 473
Net assets – other businesses	**(2 999)**	(1 547)
Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments	**(4 343)**	(5 001)
Excess – long-term insurance business, net of non-controlling interests (1)	**17 392**	16 925
RECONCILIATION OF CHANGE IN LONG-TERM INSURANCE EXCESS TO THE INCOME STATEMENT		
Change in excess of long-term insurance business (1)	**467**	143
Increase in share capital	**(27)**	(29)
Change in other reserves (2)	**(271)**	(62)
Dividend paid – ordinary shares	**3 282**	3 140
Change in non-controlling interests	**9**	-
Other	**(21)**	(22)
Total surplus arising, net of non-controlling interests	**3 439**	3 170
Operating profit	**2 677**	2 530
Investment income on excess	**748**	683
Net realised and fair value gains on excess	**301**	221
Investment variances	**170**	117
Basis and other changes	**(457)**	(381)
Net consolidation adjustments	**20**	(43)
Earnings after non-controlling interests of long-term insurance business	**3 459**	3 127
Earnings after non-controlling interests of other group businesses and consolidation adjustments	**184**	(94)
Amortisation of intangibles relating to the merger	**(446)**	(446)
Earnings attributable to owners of the parent as per income statement	**3 197**	2 587

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes certain items that are eliminated on consolidation. It also excludes non-insurance business.
2. Includes a one-off enhancement of benefits relating to the outsourcing of the Metropolitan Staff Pension Fund liabilities (R107 million), that is not included in the surplus arising from long-term insurance business.
3. The June 2013 restatement was to align to the restated statement of financial position.

MMI HOLDINGS GROUP – STATEMENT OF ASSETS AND LIABILITIES

RECONCILIATION OF REPORTING EXCESS TO STATUTORY EXCESS	30.06.2014 Rm	Restated 30.06.2013 Rm
Reporting excess – long-term insurance business (1)	**17 392**	16 925
Disregarded assets (2)	**(966)**	(977)
Difference between statutory and published valuation methods	**(571)**	(551)
Write-down of subsidiaries and associates for statutory purposes	**(1 387)**	(936)
Unsecured subordinated debt	**3 075**	1 553
Consolidation adjustments	**(23)**	(119)
Statutory excess – long-term insurance business	**17 520**	15 895
Capital adequacy requirement (CAR) (Rm) (3)	**6 221**	6 167
Ratio of long-term insurance business excess to CAR (times)	**2.8**	2.6
Discretionary margins (4)	**14 161**	12 508

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes certain items which are eliminated on consolidation. It also excludes non-insurance business.
2. Disregarded assets are those as defined in the South African Long-term Insurance Act, 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 R546 million (30.06.2013: R562 million).
3. Aggregation of separate company's capital adequacy requirements (CARs), with no assumption of diversification benefits.
4. Discretionary margins are shown gross of tax. The prior year number has been restated.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE RESULTS AS AT	30.06.2014 Rm	30.06.2013 Rm
Covered business		
Reporting excess – long-term insurance business	**17 392**	16 925
Reclassification to non-covered business	**(1 459)**	(1 482)
	15 933	15 443
Disregarded assets (1)	**(682)**	(693)
Difference between statutory and published valuation methods	**(571)**	(551)
Dilutory effect of subsidiaries (2)	**(34)**	(26)
Consolidation adjustments (3)	**(77)**	(36)
Value of MMI Group Ltd preference shares issued	**(500)**	(500)
Diluted adjusted net worth – covered business	**14 069**	13 637
Net value of in-force business (4)	**20 324**	17 870
Diluted embedded value – covered business	**34 393**	31 507
Non-covered business		
Net assets – non-covered business within life insurance companies	**1 459**	1 482
Net assets – non-covered business outside life insurance companies	**2 999**	1 547
Consolidation adjustments and transfers (to)/from covered business (3)	**(2 291)**	(1 011)
Adjustments for dilution (5)	**720**	698
Diluted adjusted net worth – non-covered business	**2 887**	2 716
Write-up to directors' value	**2 395**	925
Non-covered business (6)	**4 188**	2 543
Holding company expenses (7)	**(1 383)**	(1 208)
International holding company expenses (7)	**(410)**	(410)
Diluted embedded value – non-covered business	**5 282**	3 641
Diluted adjusted net worth	**16 956**	16 353
Net value of in-force business	**20 324**	17 870
Write-up to directors' value	**2 395**	925
Diluted embedded value	**39 675**	35 148
Required capital – covered business (adjusted for qualifying debt and preference shares) (8)	**7 039**	8 620
Surplus capital – covered business	**7 030**	5 017
Diluted embedded value per share (cents)	**2 474**	2 191
Diluted adjusted net worth per share (cents)	**1 057**	1 020
Diluted number of shares in issue (million) (9)	**1 604**	1 604

1. Disregarded assets include Sage intangible assets of R546 million (30.06.2013: R562 million), goodwill and various other items.
2. For accounting purposes, Metropolitan Health has been consolidated at 100%, while MMI Holdings Namibia and Metropolitan Kenya have been consolidated at 96% in the statement of financial position, for the current year. For embedded value purposes, disclosed on a diluted basis, the non-controlling interests and related funding have been reinstated.
3. Consolidation adjustments include mainly goodwill and intangibles in subsidiaries that are eliminated.
4. The FNB Life value of in-force is excluded from the embedded value from 1 July 2013. The FNB Life net value of in-force amounted to R91 million at 30 June 2013.
5. Adjustments for dilution are made up as follows:
   - Dilutory effect of subsidiaries (note 2): R102 million (30.06.2013: R119 million)
   - Treasury shares held on behalf of contract holders: R305 million (30.06.2013: R266 million)
   - Liability – MMI Holdings Ltd convertible preference shares issued to KTH: R313 million (30.06.2013: R313 million)
6. Guardrisk is included as part of non-covered business at 30 June 2014.
7. 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.
8. The required capital for covered business amounts to R10 114 million (30.06.2013: R10 182 million) and is adjusted for qualifying debt of R3 075 million (30.06.2013: R1 562 million).
9. The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NET VALUE OF IN-FORCE BUSINESS PER DIVISION	**30.06.2014 Rm**	30.06.2013 Rm
Momentum Retail	**9 674**	8 967
Gross value of in-force business	**11 212**	10 490
Less cost of required capital	**(1 538)**	(1 523)
Metropolitan Retail (1)	**3 738**	3 555
Gross value of in-force business	**4 445**	4 312
Less cost of required capital	**(707)**	(757)
Momentum Employee Benefits	**4 242**	3 106
Gross value of in-force business	**4 892**	3 776
Less cost of required capital	**(650)**	(670)
Metropolitan International	**1 832**	1 659
Gross value of in-force business	**2 006**	1 772
Less cost of required capital	**(174)**	(113)
Shareholder Capital	**838**	583
Gross value of in-force business (2)	**838**	583
Less cost of required capital	**-**	-
Net value of in-force business	**20 324**	17 870

Notes

1. The FNB Life value of in-force is excluded from the embedded value from 1 July 2013. The FNB Life net value of in-force amounted to R91 million at 30 June 2013.
2. The value of in-force in the Shareholder Capital represents discretionary margins managed centrally by Balance Sheet Management.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE PER DIVISION	Adjusted net worth Rm	Net value of in-force Rm	30.06.2014 Rm	30.06.2013 Rm
Covered business				
MMI Group Ltd (1)	12 503	18 491	**30 994**	28 652
Metropolitan Odyssey Ltd	59	-	**59**	49
Metropolitan International	1 507	1 833	**3 340**	2 806
MMI Holdings Namibia Ltd	551	1 242	**1 793**	1 523
Metropolitan Life of Botswana Ltd	202	139	**341**	266
Metropolitan Lesotho Ltd	349	434	**783**	655
Other international businesses	405	18	**423**	362
Total covered business	14 069	20 324	**34 393**	31 507

	Adjusted net worth Rm	Write-up to directors' value Rm	30.06.2014 Rm	30.06.2013 Rm
Non-covered business				
Momentum Investments (2)	839	1 089	**1 928**	1 746
Health businesses (3)	329	1 432	**1 761**	1 662
Momentum Retail (Wealth) (4)	355	300	**655**	379
Guardrisk business (5)	431	1 176	**1 607**	-
Momentum Short-term Insurance (MSTI)	150	169	**319**	300
Metropolitan International Holdings (6)	2	(388)	**(386)**	(285)
MMI Holdings (after consolidation adjustments) (6)	781	(1 383)	**(602)**	(161)
Total non-covered business	2 887	2 395	**5 282**	3 641
Total embedded value	16 956	22 719	**39 675**	35 148
Diluted adjusted net worth – non-covered business	(2 887)			
Adjustments to covered business – adjusted net worth	3 323			
Reporting excess – long-term insurance business	17 392			

1. The FNB Life value of in-force is excluded from the embedded value from 1 July 2013. The FNB Life net value of in-force amounted to R91 million at 30 June 2013.
2. Momentum Investments subsidiaries are valued using forward price-earnings multiples applied to the relevant sustainable earnings bases.
3. All Health businesses have been valued using embedded value methodology.
4. Momentum Retail (Wealth) has been valued using embedded value methodology.
5. Guardrisk has been valued using embedded value methodology.
6. The holding company expenses reflect the present value of projected recurring head office expenses. The international holding company expenses reflect the allowance for support services to the international life assurance and health businesses.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Notes	Covered business Adjusted net worth (ANW) Rm	Gross Value of in-force (VIF) Rm	Cost of CAR Rm	12 mths to 30.06.2014 Total EV Rm	12 mths to 30.06.2013 Total EV Rm
Profit from new business		(1 273)	2 316	(168)	**875**	799
Embedded value from new business	A	(1 273)	2 221	(169)	**779**	711
Expected return to end of period	B	-	95	1	**96**	88
Profit from existing business		3 690	(715)	253	**3 228**	3 336
Expected return – unwinding of RDR	B	-	2 078	(292)	**1 786**	1 487
Release from the cost of required capital	C	-	-	407	**407**	417
Expected (or actual) net of tax profit transfer to net worth	D	3 523	(3 523)	-	**-**	-
Operating experience variances	E	396	139	9	**544**	912
Operating assumption changes	F	(229)	591	129	**491**	520
Embedded value profit from operations		2 417	1 601	85	**4 103**	4 135
Investment return on adjusted net worth	G	1 063	-	-	**1 063**	919
Investment variances	H	213	1 130	(65)	**1 278**	1 011
Economic assumption changes	I	(15)	(279)	(27)	**(321)**	(221)
Acquisition of covered business		-	-	-	**-**	89
Exchange rate movements		(7)	4	1	**(2)**	39
Embedded value profit – covered business		3 671	2 456	(6)	**6 121**	5 972
Transfer of business (to)/from non-covered business	J	(10)	4	-	**(6)**	267
Changes in share capital		42	-	-	**42**	37
Dividend paid		(3 271)	-	-	**(3 271)**	(3 140)
Change in reserves		-	-	-	**-**	(22)
Change in embedded value – covered business		432	2 460	(6)	**2 886**	3 114
Non-covered business						
Change in directors' valuation and other items					**718**	131
Holding company expenses					**(175)**	(455)
Embedded value profit – non-covered business					**543**	(324)
Changes in share capital					**(42)**	(37)
Dividend paid					**1 179**	236
Finance costs – preference shares					**(45)**	(46)
Transfer of business from/(to) covered business	J				**6**	(267)
Change in embedded value – non-covered business					**1 641**	(438)
Total change in group embedded value					**4 527**	2 676
Total embedded value profit					**6 664**	5 648
Return on embedded value (%) - internal rate of return					**19.0%**	17.4%

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

A. VALUE OF NEW BUSINESS

VALUE OF NEW BUSINESS	Momentum Retail	Metropolitan Retail (1)	Momentum Employee Benefits	Metropolitan International	Total	Metropolitan Retail (excl. FNB Life) (1)	Comparative Segmental total (excl. FNB Life)
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
12 mths to 30.06.2014							
Value of new business	240	236	254	49	**779**		
Gross	312	276	299	61	**948**		
Less cost of required capital	(72)	(40)	(45)	(12)	**(169)**		
New business premiums	15 948	2 584	6 384	541	**25 457**		
Recurring premiums	1 022	1 083	1 033	327	**3 465**		
Single premiums	14 926	1 501	5 351	214	**21 992**		
New business premiums (APE)	2 515	1 233	1 568	348	**5 664**		
New business premiums (PVP)	20 434	5 372	14 491	1 866	**42 163**		
Profitability of new business as a percentage of APE	9.5	19.1	16.2	14.1	**13.8**		
Profitability of new business as a percentage of PVP	1.2	4.4	1.8	2.6	**1.8**		
12 mths to 30.06.2013							
Value of new business	203	239	213	56	**711**	209	**681**
Gross	268	268	275	63	**874**	238	**844**
Less cost of required capital	(65)	(29)	(62)	(7)	**(163)**	(29)	**(163)**
New business premiums	12 433	2 305	5 836	473	**21 047**	2 220	**20 962**
Recurring premiums	1 057	1 075	769	298	**3 199**	990	**3 114**
Single premiums	11 376	1 230	5 067	175	**17 848**	1 230	**17 848**
New business premiums (APE)	2 195	1 198	1 276	316	**4 985**	1 113	**4 900**
New business premiums (PVP)	17 421	5 126	11 627	1 635	**35 809**	5 042	**35 725**
Profitability of new business as a percentage of APE	9.2	19.9	16.7	17.7	**14.3**	18.8	**13.9**
Profitability of new business as a percentage of PVP	1.2	4.7	1.8	3.4	**2.0**	4.2	**1.9**

1. The FNB Life business was excluded in the Metropolitan Retail VNB at 30 June 2014 and included in the Metropolitan Retail VNB at 30 June 2013. Comparative figures, excluding FNB Life, have been provided.
2. Value of new business and new business premiums are net of non-controlling interests.
3. The value of new business has been calculated on closing assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business, for other business the investment yields at the end of the year have been used.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NEW BUSINESS PREMIUMS	Momentum Retail Rm	Metropolitan Retail (1) Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Total Rm	Metropolitan Retail (excl. FNB Life) (1) Rm	Comparative Segmental total (excl. FNB Life) Rm
12 mths to 30.06.2014							
New business premiums	15 948	2 584	6 384	541	**25 457**		
Recurring premiums	1 022	1 083	1 033	327	**3 465**		
Risk	501	713	408	-	**1 622**		
Savings/Investments	521	370	625	-	**1 516**		
International	-	-	-	327	**327**		
Single premiums	14 926	1 501	5 351	214	**21 992**		
Savings/Investments	14 130	625	4 198	-	**18 953**		
Annuities	796	876	1 153	-	**2 825**		
International	-	-	-	214	**214**		
New business premiums (APE)	2 515	1 233	1 568	348	**5 664**		
Risk	501	713	408	-	**1 622**		
Savings/Investments	1 934	432	1 045	-	**3 411**		
Annuities	80	88	115	-	**283**		
International	-	-	-	348	**348**		

ANALYSIS OF NEW BUSINESS PREMIUMS	Momentum Retail Rm	Metropolitan Retail (1) Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Total Rm	Metropolitan Retail (excl. FNB Life) (1) Rm	Comparative Segmental total (excl. FNB Life) Rm
12 mths to 30.06.2013							
New business premiums	12 433	2 305	5 836	473	**21 047**	2 220	**20 962**
Recurring premiums	1 057	1 075	769	298	**3 199**	990	**3 114**
Risk	508	748	369	-	**1 625**	663	**1 540**
Savings/Investments	549	327	400	-	**1 276**	327	**1 276**
International	-	-	-	298	**298**	-	**298**
Single premiums	11 376	1 230	5 067	175	**17 848**	1 230	**17 848**
Savings/Investments	10 921	589	2 267	-	**13 777**	589	**13 777**
Annuities	455	641	2 800	-	**3 896**	641	**3 896**
International	-	-	-	175	**175**	-	**175**
New business premiums (APE)	2 195	1 198	1 276	316	**4 985**	1 113	**4 900**
Risk	508	748	369	-	**1 625**	663	**1 540**
Savings/Investments	1 641	386	627	-	**2 654**	386	**2 654**
Annuities	46	64	280	-	**390**	64	**390**
International	-	-	-	316	**316**	-	**316**

1. The FNB Life business was excluded in the Metropolitan Retail VNB at 30 June 2014 and included in the Metropolitan Retail VNB at 30 June 2013. Comparative figures, excluding FNB Life, have been provided.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

RECONCILIATION OF LUMP SUM INFLOWS	12 mths to 30.06.2014 Rm	Restated 12 mths to 30.06.2013 Rm
Total lump sum inflows	**29 790**	34 402
Inflows not included in value of new business	**(8 246)**	(17 219)
Momentum Retail	**(200)**	(181)
Momentum Employee Benefits	**(1 715)**	(170)
Metropolitan International	**(46)**	(37)
Momentum Investments	**(6 262)**	(16 819)
Balance Sheet Management	**(23)**	(12)
Term extensions on maturing policies	**465**	610
Non-controlling interests and other adjustments	**(17)**	55
Single premiums included in value of new business	**21 992**	17 848

1. June 2013 has been restated to reconcile from on-balance sheet single lump sum inflows instead of total lump sum inflows.

B. EXPECTED RETURN

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

C. RELEASE FROM THE COST OF REQUIRED CAPITAL

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

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

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

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

E. OPERATING EXPERIENCE VARIANCES

OPERATING EXPERIENCE VARIANCES	Notes	12 mths to 30.06.2014 ANW Rm	Net VIF Rm	EV Rm	12 mths to 30.06.2013 EV Rm
Momentum Retail		93	77	**170**	128
Mortality and morbidity	1	223	12	**235**	259
Terminations, premium cessations and policy alterations	2	(86)	91	**5**	17
Expense variance		43	-	**43**	-
Other	3	(87)	(26)	**(113)**	(148)
Metropolitan Retail		57	(18)	**39**	62
Mortality and morbidity	1	105	3	**108**	97
Terminations, premium cessations and policy alterations	4	(37)	(23)	**(60)**	(97)
Expense variance		45	-	**45**	59
FNB Life – share of profits		30	-	**30**	-
Other	5	(86)	2	**(84)**	3
Momentum Employee Benefits		111	107	**218**	306
Mortality and morbidity	1	59	1	**60**	17
Terminations	6	23	115	**138**	233
Expense variance		21	-	**21**	9
Other		8	(9)	**(1)**	47
Metropolitan International		73	29	**102**	152
Mortality and morbidity	1	78	8	**86**	81
Terminations, premium cessations and policy alterations		12	5	**17**	65
Expense variance		(8)	14	**6**	16
Other		(9)	2	**(7)**	(10)
Shareholder Capital	7	62	24	**86**	242
Opportunity cost of required capital		-	(71)	**(71)**	22
Total operating experience variances		396	148	**544**	912

Notes

1. Overall, mortality and morbidity experience for the 12 months were better compared to what was allowed for in the valuation basis.
2. Mainly due to good persistency on risk business and closed books where the impact of increased revenues in the value of in-force offset lower termination profits.
3. Various items including fee reductions on Wealth business, costs related to strategic initiatives and under-recovery of intergroup distribution costs.
4. Mainly due to negative experience on selected products with cashback features.
5. Mainly expenses relating to the Ukukhula business process enhancement project.
6. Favourable persistency impacted fee income positively.
7. 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 GROUP – EMBEDDED VALUE INFORMATION

F. OPERATING ASSUMPTION CHANGES

OPERATING ASSUMPTION CHANGES	Notes	12 mths to 30.06.2014 ANW Rm	 Net VIF Rm	 EV Rm	12 mths to 30.06.2013 EV Rm
Momentum Retail		(212)	224	**12**	78
Mortality and morbidity assumptions		(2)	82	**80**	66
Renewal expense assumptions	1	(19)	(11)	**(30)**	104
Termination assumptions	2	(33)	(18)	**(51)**	104
Modelling, methodology and other changes	3	(158)	171	**13**	(196)
Metropolitan Retail		125	(254)	**(129)**	149
Mortality and morbidity assumptions	4	100	1	**101**	205
Renewal expense assumptions	5	113	(26)	**87**	90
Termination assumptions	4	(54)	(31)	**(85)**	(178)
FNB Life	6	-	(91)	**(91)**	-
Modelling, methodology and other changes	3	(34)	(107)	**(141)**	32
Momentum Employee Benefits		(170)	631	**461**	387
Assumed mortality and morbidity profit margin	7	(76)	53	**(23)**	(29)
Termination assumptions	8	-	144	**144**	201
Renewal expense assumptions	9	(35)	401	**366**	81
Modelling, methodology and other changes	10	(59)	33	**(26)**	134
Metropolitan International		(3)	18	**15**	(18)
Mortality and morbidity assumptions		(12)	5	**(7)**	4
Renewal expense assumptions		-	17	**17**	24
Termination assumptions		(4)	14	**10**	(21)
Modelling, methodology and other changes		13	(18)	**(5)**	(25)
Shareholder Capital		31	(38)	**(7)**	20
Methodology change: cost of required capital	11	-	139	**139**	(96)
Total operating assumption changes		(229)	720	**491**	520

Notes

1. Mainly allowance for the costs of strategic initiatives.
2. Mainly allowance for the impact of better persistency on risk business claims experience.
3. Various changes were made to models and methodology, including refinements to the calculation of tax relief on expenses. Provision was also made for policyholder benefit reviews.
4. Offsetting mortality and termination assumption changes were made to mainly Grouped Individual lines of business, in line with recent experience investigations.
5. Allowances for better expense experience, in line with business budgets.
6. Future profits no longer recognised in the value of in-force for FNB Life business.
7. Strengthening of longevity assumptions on annuity business (ANW), offset by improvements on risk business.
8. Allowance made for improved persistency experience on FundsAtWork and Corporate Investment business.
9. Allowances for better expense experience, in line with business budgets, including allowance for clients moving to lower fee options on certain investment business.
10. Various changes to models and methodology.
11. Refinements to the modelling of the cost of required capital, including better allowance for diversification benefits.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

G. INVESTMENT RETURN ON ADJUSTED NET WORTH

INVESTMENT RETURN ON ADJUSTED NET WORTH	**12 mths to 30.06.2014 Rm**	12 mths to 30.06.2013 Rm
Investment income	**722**	681
Capital appreciation	**368**	267
Preference share dividends paid and change in fair value of preference shares	**(27)**	(29)
Investment return on adjusted net worth	**1 063**	919

H. INVESTMENT VARIANCES

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

I. ECONOMIC ASSUMPTION CHANGES

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

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

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

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

COVERED BUSINESS: SENSITIVITIES – 30.06.2014		Adjusted net worth	In-force business			New business written		
			Net value	Gross value	Cost of CAR (3)	Net value	Gross value	Cost of CAR (3)
		Rm	Rm	Rm	Rm	Rm	Rm	Rm
Base value		**14 069**	**20 324**	**23 393**	**(3 069)**	**779**	**948**	**(169)**
1%	increase in risk discount rate		18 640	22 094	(3 454)	650	836	(186)
	% change		(8)	(6)	13	(17)	(12)	10
1%	reduction in risk discount rate		22 220	24 857	(2 637)	925	1 074	(149)
	% change		9	6	(14)	19	13	(12)
10%	decrease in future expenses		21 456	24 516	(3 060)	875	1 044	(169)
	% change (1)		6	5	-	12	10	-
10%	decrease in lapse, paid-up and surrender rates		21 105	24 189	(3 084)	937	1 115	(178)
	% change		4	3	-	20	18	5
5%	decrease in mortality and morbidity for assurance business		21 803	24 849	(3 046)	919	1 088	(169)
	% change		7	6	(1)	18	15	-
5%	decrease in mortality for annuity business		20 007	23 101	(3 094)	771	941	(170)
	% change		(2)	(1)	1	(1)	(1)	1
1%	reduction in gross investment return, inflation rate and risk discount rate	14 039	20 885	23 930	(3 045)	863	1 032	(169)
	% change (2)	-	3	2	(1)	11	9	-
1%	reduction in inflation rate		21 034	24 103	(3 069)	849	1 018	(169)
	% change		3	3	-	9	7	-
10%	fall in market value of equities and properties	13 858	18 854	21 975	(3 121)			
	% change	(1)	(7)	(6)	2			
10%	reduction in premium indexation take-up rate		20 069	23 099	(3 030)	748	918	(170)
	% change		(1)	(1)	(1)	(4)	(3)	1
10%	decrease in non-commission related acquisition expenses					880	1 049	(169)
	% change					13	11	-
1%	increase in equity/property risk premium		20 876	23 905	(3 029)	806	976	(170)
	% change		3	2	(1)	3	3	1

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

MMI HOLDINGS GROUP – STOCK EXCHANGE PERFORMANCE

STOCK EXCHANGE PERFORMANCE	30.06.2014	30.06.2013
12 months		
Value of listed shares traded (rand million)	**15 362**	16 060
Volume of listed shares traded (million)	**637**	733
Shares traded (% of average listed shares in issue)	**41**	47
Value of shares traded – life insurance (J857 – Rbn)	**165**	155
Value of shares traded – top 40 index (J200 – Rbn)	**3 069**	3 059
Trade prices		
Highest (cents per share)	**2 783**	2 700
Lowest (cents per share)	**2 039**	1 792
Last sale of year (cents per share)	**2 625**	2 217
Annualised percentage (%) change during year	**18**	23
Annualised percentage (%) change – life insurance sector (J857)	**28**	37
Annualised percentage (%) change – top 40 index (J200)	**31**	18
30 June		
Price/diluted core headline earnings (segmental) ratio	**11.6**	11.0
Dividend yield % (dividend on listed shares)	**5.4**	5.7
Dividend yield % – top 40 index (J200)	**2.6**	2.9
Total shares issued (million)		
Ordinary shares listed on JSE	**1 570**	1 570
Treasury shares held on behalf of contract holders	**(14)**	(14)
Basic number of shares in issue	**1 556**	1 556
Treasury shares held on behalf of contract holders	**14**	14
Convertible redeemable preference shares	**34**	34
Diluted number of shares in issue (1)	**1 604**	1 604
Market capitalisation at end (Rbn) (2)	**42**	36
Percentage (%) of life insurance sector	**12**	13

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

Appendix – Restatement of prior year financial statements

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	Audited As previously reported Rm	Reclassification of CIS Rm	Reclassification of cell captives Rm	Restated 30.06.2013 Rm
ASSETS				
Intangible assets	**11 769**	-	-	**11 769**
Owner-occupied properties	**1 488**	-	-	**1 488**
Property and equipment	**348**	-	-	**348**
Investment properties	**6 433**	-	-	**6 433**
Investment in associates	**121**	-	-	**121**
Employee benefit assets	**327**	-	-	**327**
Financial instrument assets	**297 847**	13 534	1 043	**312 424**
Reinsurance contracts	**1 519**	-	(174)	**1 345**
Deferred income tax	**124**	-	-	**124**
Properties under development	**98**	-	-	**98**
Insurance and other receivables	**2 857**	-	(29)	**2 828**
Current income tax assets	**108**	-	-	**108**
Cash and cash equivalents	**19 424**	2 430	421	**22 275**
Non-current assets held for sale	**680**	-	-	**680**
Total assets	**343 143**	15 964	1 261	**360 368**
EQUITY				
Equity attributable to owners of the parent	**23 473**	-	-	**23 473**
Non-controlling interests	**391**	-	-	**391**
Total equity	**23 864**	-	-	**23 864**
LIABILITIES				
Insurance contract liabilities				
Long-term insurance contracts	**96 817**	-	156	**96 973**
Financial instrument liabilities				
Investment contracts	**183 506**	-	1 207	**184 713**
– with discretionary participation features	**24 937**	-	-	**24 937**
– designated at fair value through income	**158 569**	-	1 207	**159 776**
Other financial instrument liabilities	**22 152**	15 812	-	**37 964**
Deferred income tax	**3 917**	-	-	**3 917**
Employee benefit obligations	**1 328**	-	-	**1 328**
Other payables	**11 112**	152	(102)	**11 162**
Provisions	**180**	-	-	**180**
Current income tax liabilities	**267**	-	-	**267**
Total liabilities	**319 279**	15 964	1 261	**336 504**
Total equity and liabilities	**343 143**	15 964	1 261	**360 368**

Appendix – Restatement of prior year financial statements

CONDENSED CONSOLIDATED INCOME STATEMENT	**Audited As previously reported Rm**	Reclassification of CIS Rm	Reclassification of cell captives Rm	Interest rate swaps Rm	**Restated 12 mths to 30.06.2013 Rm**
Net insurance premiums received	**23 304**	-	-	-	**23 304**
Fee income	**6 234**	(29)	-	-	**6 205**
Investment income	**13 537**	788	50	(1 329)	**13 046**
Net realised and fair value gains	**29 152**	1 322	74	311	**30 859**
Net income	**72 227**	2 081	124	(1 018)	**73 414**
Net insurance benefits and claims	**20 327**	-	-	-	**20 327**
Change in liabilities	**9 677**	-	(372)	-	**9 305**
Change in insurance contract liabilities	**8 525**	-	(438)	-	**8 087**
Change in investment contracts with DPF liabilities	**1 237**	-	2	-	**1 239**
Change in reinsurance provision	**(85)**	-	64	-	**(21)**
Fair value adjustments on investment contract liabilities	**22 614**	-	101	-	**22 715**
Fair value adjustments on collective investment scheme liabilities	**882**	1 900	-	-	**2 782**
Depreciation, amortisation and impairment expenses	**1 144**	-	-	-	**1 144**
Employee benefit expenses	**4 494**	-	-	-	**4 494**
Sales remuneration	**3 015**	-	46	-	**3 061**
Other expenses	**4 249**	180	47	-	**4 476**
Expenses	**66 402**	2 080	(178)	-	**68 304**
Results of operations	**5 825**	1	302	(1 018)	**5 110**
Share of profit of associates	**12**	-	-	-	**12**
Finance costs	**(1 684)**	(1)	-	1 018	**(667)**
Profit before tax	**4 153**	-	302	-	**4 455**
Income tax expenses	**(1 502)**	-	(302)	-	**(1 804)**
Earnings	**2 651**	-	-	-	**2 651**
Attributable to:					
Owners of the parent	**2 587**	-	-	-	**2 587**
Non-controlling interests	**32**	-	-	-	**32**
MMI Group Ltd preference shares	**32**	-	-	-	**32**
	2 651	-	-	-	**2 651**
Basic earnings per ordinary share (cents)	**166.0**	-	-	-	**166.0**
Diluted earnings per ordinary share (cents)	**164.2**	-	-	-	**164.2**

Appendix – Restatement of prior year financial statements

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	**Audited As previously reported Rm**	Reclassifi-cation of CIS Rm	Reclassifi-cation of cell captives Rm	**Restated 12 mths to 30.06.2013 Rm**
Net cash inflow from operating activities	**6 321**	1 446	157	**7 924**
Net cash outflow from investing activities	**(753)**	-	-	**(753)**
Net cash outflow from financing activities	**(3 101)**	-	(68)	**(3 169)**
Net cash flow	**2 467**	1 446	89	**4 002**
Cash resources and funds on deposit at beginning	**16 957**	984	332	**18 273**
Cash resources and funds on deposit at end	**19 424**	2 430	421	**22 275**