

12 September 2012

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

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MMI Holdings audited group results for the year ended 30 June 2012

- Core headline earnings increased by 12% to R2 955 million
- Group embedded value of R32.5 billion
- Integration progressing well
- R201 million recurring expense savings achieved
- Final ordinary dividend up 10% to 69 cents per share
- Special dividend of 65 cents per share / R1 021 million

OVERVIEW OF OPERATIONS AND PROSPECTS

Nature of activities

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

Operating environment

Local operating conditions remained challenging. Equity market volatility continued, with a slight positive bias, while long bond interest rates decreased, mainly in the last quarter. Employment levels improved in some sectors; however, levels of debt are high and overall consumer confidence remained fragile.

Group results

- The embedded value of R32.5 billion (2 023 cents per share) reflects the underlying financial strength and sustainability of the group.
- Diluted core headline earnings, as per the segmental information, increased by 12% to R2 955 million for the year.

Capital management

- The group actively manages its capital resources within a defined risk appetite and balances the interests of all stakeholders to protect and enhance shareholder wealth.
- The investment mandate for shareholder capital was finalised during the year and a less risky mandate was implemented for Metropolitan Life Limited. This change reduced the capital adequacy requirement (CAR) and increased the CAR multiple. The new mandate also resulted in a once-off increase in the cost of capital in the traditional embedded value calculation, which reduced the embedded value by R523 million.
- The group remains committed to the FSB's solvency assessment and management (SAM) project.
- The group has declared a special dividend in order to enhance capital efficiencies.
- The capital buffer was R3.3 billion on 30 June 2012, after allowing for strategic growth initiatives, the final dividend and a special dividend.
- The impact of SAM on the capital buffer will continually be assessed.
- The group is comfortable that its present level of capital is appropriate in the current environment; this position is evaluated on an ongoing basis.

Merger integration

- The overarching objective of the integration, overseen by a dedicated chief integration officer, is to incorporate “the best of both”.
- The integration process moved from planning to implementation during the year.
- Systems and data migration projects are proceeding according to plan.
- The legal amalgamation of the Metropolitan and Momentum long-term insurance licences has commenced, subject to regulatory approvals.
- Group and divisional strategies have been embedded and total targeted merger expense savings of R500 million remain on track to emerge up to 30 June 2014:
 - Targets have been set per division and firm deadlines are in place.
 - The board is measuring progress against these targets on an ongoing basis.
 - Recurring expense savings of R201 million were realised during the current year; however, additional integration costs were incurred that reduced the immediate benefit.

Prospects

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

OPERATIONAL REVIEW

Shareholder capital

- Shareholder capital includes investment income on shareholder funds. The prior year included a once-off interest accrual on an income tax refund.
- Operating profit from the balance sheet management business is reflected in this segment.
- Staff rationalisation costs of R76 million are included in this section.
- The investment mandate for shareholder capital was revised during the year and a less risky mandate has been implemented for Metropolitan Life Limited.

Momentum Retail

- Despite tough trading conditions, new business on an annual premium equivalent (APE) basis grew by 2%, excluding the Odyssey business.
- The new business margin, on a present value of premiums (PVP) basis, remained under pressure as a result of a shift to lower margin single premium products.

- The Momentum Wealth off balance sheet business was reclassified as non-covered business with effect from the end of the financial year. Excluding this business, the Momentum Retail new business PVP margin would have been 1.1%.
- Positive mortality experience was recorded during the year.
- The results were materially supported by certain discretionary margins that were released as a result of the gradual shift to more capital efficient products.
- Operating profit increased by 40% to R1 064 million.

Metropolitan Retail

- Recurring premium new business ended 12% higher, driven by good production in the traditional agency channels.
- The reduction in single premium income was the direct result of certain distribution channels having been discontinued; new business from the continuing channels was up 33%.
- The value of new business increased by 2% at a PVP margin of 4.9%, on the back of increased production and good expense management after allowing for a R17 million increase in the cost of capital.
- Operating profit increased by 11% to R438 million.

Momentum Employee Benefits

- Total new business for the year increased 12% to R1 157 million on an APE basis and a satisfactory new business pipeline remains in place.
- The new business growth was achieved in an environment where expense growth was well contained over the year.
- The value of new business more than doubled due to improved expense efficiencies, increased volumes and business mix, in particular for risk business from the large corporate market.
- Client retention interventions resulted in better persistency across all product lines.
- The combination of strong new business and better retention led to net cash flows turning positive for the year.
- The integration of the two employee benefits businesses is materially complete.
- Overall risk experience was very satisfactory and included a turnaround in disability experience in comparison with the first six months.
- Operating profit increased 33% to R249 million as a result of good risk experience and expense efficiencies.

Metropolitan International

- New business APE increased by 26% to R255 million.
- The main contributions to new business improvement came from Lesotho, Namibia and Ghana.
- The individual life policy book grew by 8.5%, boosted primarily by the business in Ghana.
- Capital of R500 million has been allocated for growth in Africa.
- The medical claims ratio has improved as a result of appropriate re-pricing and improved claims controls.
- Following these changes, the total lives under administration in the health business declined slightly during the period as some clients sought cheaper alternatives in the market.

- Risk and claims experience improved across the division.
- Operating profit increased 78% to R57 million.

Momentum Investments

- During the period under review assets under management remained exposed to volatile global and local markets.
- Equity performance improved during the year; however, more work is required on the performance of institutional balanced mandates.
- Although Momentum Collective Investments recorded good inflows, new white label regulations published by the FSB could have a negative impact on this business in future.
- Operating profit reduced by 5% to R125 million.

Metropolitan Health

- The new business model for the Government Employees Medical Scheme was implemented successfully during the year; however, the change had a negative impact on revenue.
- The reduction was, however, partly mitigated by the take-on of two new corporate schemes.
- The division currently administers 1.3 million principal members, covering 3.2 million lives.
- The Momentum Open Scheme increased membership by 7% over the year while solvency levels remained stable.
- Metropolitan Health Risk Management continued to deliver good performance and expand the product offering.
- Positioning for national health insurance reforms is ongoing.
- Operating profit increased 17% to R133 million, reflecting the improvement in operational efficiencies.

DIRECTORS' STATEMENT

The directors take pleasure in presenting the audited results of the MMI Holdings financial services group for the year ended 30 June 2012. The preparation of the MMI group's consolidated and audited results was supervised by the group finance director, Preston Speckmann, BCompt (Hons), CA(SA).

Basis of preparation of financial information

These results have been prepared in accordance with International Accounting Standard 34 (IAS34) – Interim financial reporting; the South African Companies Act of 2008; and the listings requirements of the JSE Limited (JSE). The accounting policies of the group are in terms of International Financial Reporting Standards (IFRS) and have been applied consistently to all the periods presented and the previous reporting period. The preparation of the financial statements is in accordance with and contains the information required by IFRS and the AC 500 standards, as issued by the Accounting Practices Board, which requires the use of certain critical accounting estimates as well as the exercise of managerial judgement in the application of the group's accounting policies. Such critical judgements and accounting estimates are disclosed in detail in the group's integrated report for the year ended 30 June 2012, including changes in estimates which are an integral part of the insurance business. The group is exposed to financial and insurance risks – details are also provided in the group's integrated report.

Segmental information

During the 2011 financial year Metropolitan merged with Momentum to form the MMI financial services group. The group operates through the following divisions: Momentum Retail, Metropolitan Retail, Momentum Employee Benefits, Metropolitan International, Momentum Investments, Metropolitan Health and Shareholder Capital (which includes the balance sheet management business unit).

Management information presented to the executive committee (chief operating decision-maker) assumes that the merger occurred prior to 1 July 2010 and therefore all segmental information in terms of IFRS 8 – Operating segments – has been disclosed on an 'as if' basis. The operational reviews are based on this segmental information. More details are available in the tables, on SENS and on the company's website.

Reclassifications

On analysing the equity portfolios classified as available-for-sale financial instruments, it was noted that certain of the net cumulative realised gains over a period before June 2010, totalling R651 million, were not recycled from the available-for-sale reserve to the income statement on disposal or de-recognition of these assets. The retained earnings and available-for-sale reserve balances at 1 July 2010 have therefore been restated from R6 495 million to R7 146 million and R658 million to R7 million respectively, and the retained earnings and available-for-sale reserve balances at 30 June 2011 have been restated from R6 803 million to R7 454 million and R666 million to R15 million respectively. These restatements had no taxation impact.

Investments in collective investment schemes where the group holds between 20% and 50% of the issued units were previously disclosed as investments in associates. These investments have always been designated at fair value through profit and loss using the scope exemption in IAS 28, and disclosed as part of the investment in associates. These investments, totalling R7 554 million as at 30 June 2011, are now disclosed as financial instruments as this better reflects the nature thereof. The investment in associates balance has therefore been restated from R7 797 million to R243 million and the financial instruments investment in associates designated at fair value through income from nil to R7 554 million respectively.

Core headline earnings for the year ended June 2011 have increased by R60 million while investment variances have been reduced by the same amount in order to provide consistent disclosure.

These restatements had no impact on the 2012 or 2011 year reported earnings or headline earnings per share or on the statement of cash flows.

Business combinations

The group acquired the remaining 51% of shares in Momentum Life Assurance Namibia Ltd for R342.8 million cash and R28.6 million on loan account on 30 June 2012.

CORPORATE GOVERNANCE

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

DIRECTORATE CHANGES AND DIRECTORS' SHAREHOLDING

Mr LL Dippenaar and Mr PK Harris resigned with effect from 22 November 2011. On the same date, Mr MJN Njeke was appointed chairman while Mr JP Burger was elected deputy chairman. In addition, Prof JD Krige and Mr MH Visser were appointed to the board. Mr K Matseke resigned with effect from 31 October 2011 and was replaced by Mr V Nkonyeni, the chief executive of Kagiso Tiso Holdings. On 26 April 2012 Mr MH Visser passed away tragically following a motor vehicle accident. Mr L Crouse was appointed to the board on 18 May 2012. Mr M Mthombeni resigned as an executive director with effect from 31 August 2012. All transactions in listed shares of the company involving directors were disclosed on SENS as required.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The group had no material capital commitments at 30 June 2012. The group is party to legal proceedings in the normal course of business, and appropriate provisions are made when losses are expected to materialise.

EVENTS AFTER THE REPORTING PERIOD

MMI Holdings has agreed to acquire the remaining 50% of Momentum Short-term Insurance (MSTI) as well as a controlling interest in Eris Property Group, subject to the fulfilment of certain suspensive conditions.

No other events occurred between the reporting date and the date of approval of the annual financial statements.

FINAL AND SPECIAL DIVIDEND DECLARATION FOR THE YEAR ENDED 30 JUNE 2012

Ordinary shares

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

On 11 September 2012 a gross final dividend of 69 cents per ordinary share was declared, resulting in an annual dividend of 113 cents per share. In addition, a special dividend of 65 cents per share was declared. The final dividend and the special dividend 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, 5 October 2012 and will be paid on Monday, 8 October 2012. Both dividends will be subject to local dividend

withholding tax at a rate of 15% per ordinary share unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate.

Final dividend

The STC credits utilised per share amount to 1.89762 cents per ordinary share on the final dividend. This will result in a net dividend, for those shareholders who are not exempt from paying dividend tax, of 58.93464 cents per ordinary share.

Special dividend

The STC credits utilised per share amount to 1.78762 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 55.51814 cents per ordinary share.

MMI's income tax number is 975 2050 147 and the number of ordinary shares in issue at the declaration date is 1 570 132 231. The last day to trade "cum" dividend will be Friday, 28 September 2012. The shares will trade "ex" dividend from the start of business on Monday, 1 October 2012. Share certificates may not be dematerialised or rematerialised between Monday, 1 October and Friday, 5 October 2012, both days inclusive.

Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to certificated shareholders on or about payment date. Shareholders who hold dematerialised shares will have their accounts with their CSDP or broker credited on Monday, 8 October 2012.

Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to certificated shareholders on or about payment date. Shareholders who hold dematerialised shares will have their accounts with their CSDP or broker credited on Monday, 8 October 2012.

Preference share dividend

Dividends of R5.7 million (8.4% pa), R2.2 million (8.4% pa), and R26.5 million (19.1% pa/132 cps) were declared on the unlisted A1, A2 and A3 MMI preference shares respectively. The declaration rate was determined as set out in the company's articles and the total preference dividend utilised STC credits of R946 061. MMI preference share dividends are included under finance costs in these results.

ANNUAL GENERAL MEETING

The next annual general meeting will be held at 14:00 on Monday, 26 November 2012 at 268 West Street, Centurion. All shareholders are welcome to attend.

AUDIT OPINION

The auditors, PricewaterhouseCoopers Inc, have issued their opinion on the group financial statements for the year ended 30 June 2012. A copy of their unqualified report is available for inspection at the company's registered office.

REVIEW OF EMBEDDED VALUE

The consolidated value of in-force business and value of new business results have been independently reviewed by PricewaterhouseCoopers Inc. A copy of their unqualified 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

11 September 2012

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

Secretary: FD Jooste

www.mmiholdings.com

Transfer secretaries: Link Market Services SA (Pty) Ltd (registration number 2000/007239/07)
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Sponsor: Merrill Lynch (Registration number: 2000/031756/06)

Registered office: 268 West Avenue, Centurion

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

MMI HOLDINGS LIMITED GROUP

Summary of financial information

Audited results for the year ended 30 June 2012

IFRS financial information

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

The audited results presented for the current period comprise Momentum and Metropolitan results for the year ended 30 June 2012. The comparatives for the year ended 30 June 2011 comprise the Momentum results for the 12 months ended 30 June 2011 and Metropolitan results for the seven months ended 30 June 2011.

Effective 1 December 2010 the group entered into a reinsurance agreement with a cell captive owned by FirstRand whereby 90% of the FNB Life business is reinsured to the cell captive owned by FirstRand. The IFRS results for the current and prior periods therefore include 10% of FNB Life results for the year ended 30 June 2012; 100% for the five months ended 30 November 2010 and 10% of FNB Life's results for the seven months ended 30 June 2011.

Segmental information

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

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

Embedded value and statement of assets and liabilities on the reporting basis

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

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

MMI HOLDINGS LIMITED GROUP

Basis of presentation of financial information

These results have been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim financial reporting; the South African Companies Act of 2008; and the Listings Requirements of the JSE Limited (JSE). The accounting policies of the group are in terms of International Financial Reporting Standards (IFRS) and have been applied consistently to all the periods presented. The preparation of financial statements is in accordance with and contains the information required by IFRS and the AC 500 standards, as issued by the Accounting Practices Board or its successor, which requires the use of certain critical accounting estimates as well as the exercise of managerial judgement in the application of the group's accounting policies. Such critical judgements and accounting estimates are disclosed in detail in the MMI Holdings integrated report for 2012 (which will be available on the company website: www.mmiholdings.com), including changes in estimates which are an integral part of the insurance business. The group is exposed to financial and insurance risks – details are also provided in the MMI Holdings group integrated report.

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

Reclassifications

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

- On analysing the equity portfolios classified as available-for-sale financial instruments, it was noted that certain of the net cumulative realised gains over a period before June 2010, totalling R651 million, were not recycled from the available-for-sale reserve to the income statement on disposal or derecognition of these assets. The retained earnings and available-for-sale reserve balances at 1 July 2010 have therefore been restated from R6 495 million to R7 146 million and R658 million to R7 million, respectively and the retained earnings and available-for-sale reserve balances at 30 June 2011 have been restated from R6 803 million to R7 454 million and R666 million to R15 million, respectively. This restatement had no taxation impact.
- Investments in collective investment schemes where the group holds between 20% and 50% of the issued units were previously disclosed as investments in associates. These investments have always been designated at fair value through profit and loss using the scope exemption in IAS 28 and disclosed as part of the investment in associates. These investments, totalling R7 554 million as at 30 June 2011, are now disclosed as financial instruments as this better reflects the nature thereof. The investment in associates balance has therefore been restated from R7 797 million to R243 million and financial instruments investment in associates designated at fair value through income from Rnil to R7 554 million respectively.
- Core headline earnings for the year ended June 2011 has increased by R60 million, which was previously included in investment variances and therefore excluded from core headline earnings, to ensure consistency with the year ended June 2012. It relates to the expected release of reserves held in respect of minimum maturity guarantees as well as demographic experience on these reserves. It is reflected as part of core headline earnings as these are releases that are expected at the start of the financial year and are already allowed for in the reserving. Treating this component as core headline earnings is consistent with the treatment of margin releases on other reserves. Similarly, all other demographic experience is already included in core headline earnings. For Momentum Retail the operating profit and tax on operating profit have therefore been restated from R995 million to R1 078 million and R296 million to R319 million respectively.
- The group reallocated preference share investments of R2 134 million previously included in unlisted equity securities to debt securities as they are mandatorily redeemable at a fixed or determinable amount at a fixed or future date of which the dividends are non-discretionary.
- The analysis of assets under management has been expanded to separately disclose assets managed internally or by other managers within the group that do not form part of Momentum Investments. An amount of R29 027 million has been separately classified for the year ended June 2011.

- Fee income and administration expenses in the June 2011 segmental report has been restated to ensure consistency with internal reporting for the year ended June 2012. These restatements had no impact on core headline earnings.
- Net value of in-force of R701 million was transferred from Shareholder capital to Momentum Retail, reflecting a refinement in the allocation of discretionary margins to the divisions. The comparatives have been restated to reflect this change.

Except where indicated above, these restatements had no impact on the 2012 or 2011 year reported or diluted earnings or headline earnings per share. These restatements had no impact on the statement of cash flows.

Standards and interpretations of published standards effective for the period ended 30 June 2012 and relevant to the group

- The following amendments to standards became effective for the first time in the current period and had no impact on the group's earnings: IFRS 7 (amendment) Financial instruments: disclosures, IAS 24 (amendment) – Related party disclosures.
- The International Accounting Standards Board (IASB) made amendments to various standards as part of their annual improvements project. These amendments had no impact on the group's earnings.

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30.06.2012 Rm	Restated 30.06.2011 Rm
ASSETS		
Intangible assets	11 998	12 257
Owner-occupied properties	1 464	1 416
Property and equipment	321	301
Investment properties	5 415	5 982
Investment in associates	127	243
Employee benefit assets	302	381
Financial instrument assets ⁽¹⁾	260 883	241 621
Insurance and other receivables	2 657	2 296
Deferred income tax	107	108
Reinsurance contracts	1 439	1 148
Current income tax assets	69	174
Cash and cash equivalents	16 957	19 770
Non-current assets held for sale	865	6 854
Total assets	302 604	292 551
EQUITY		
Equity attributable to owners of the parent	23 517	22 341
Preference shares	500	500
	24 017	22 841
Non-controlling interests	281	298
Total equity	24 298	23 139
LIABILITIES		
Insurance contract liabilities		
Long-term insurance contracts	88 116	82 835
Financial instrument liabilities		
Investment contracts	156 929	146 045
– with discretionary participation features	23 696	24 280
– designated at fair value through income	133 233	121 765
Other financial instrument liabilities ⁽²⁾	18 140	16 730
Deferred income tax	3 934	4 042
Employee benefit obligations	1 206	874
Other payables	9 517	12 887
Provisions	153	109
Current income tax liabilities	311	38
Non-current liabilities held for sale	-	5 852
Total liabilities	278 306	269 412
Total equity and liabilities	302 604	292 551

1. Financial instrument assets consist of the following:

Securities designated at fair value through income: R236 129 million (30.06.2011: R223 990 million)

Investments in associates designated at fair value through income: R14 333 million (30.06.2011: R7 554 million)

Derivative financial instruments: R3 579 million (30.06.2011: R2 207 million)

Held-to-maturity assets: R60 million (30.06.2011: R14 million)

Available-for-sale assets: R2 902 million (30.06.2011: R4 709 million)

Loans and receivables: R3 880 million (30.06.2011: R3 147 million)

2. Other financial instrument liabilities consist of the following:

Liabilities designated at fair value through income: R15 246 million (30.06.2011: R14 096 million)

Derivative financial instruments: R2 040 million (30.06.2011: R1 235 million)

Liabilities at amortised cost: R854 million (30.06.2011: R1 399 million)

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED INCOME STATEMENT	12 mths to 30.06.2012 Rm	12 mths to 30.06.2011 Rm
Net insurance premiums received	18 694	15 029
Fee income ⁽¹⁾	5 248	4 232
Investment income	13 100	11 711
Net realised and fair value gains	13 989	13 846
Net income	51 031	44 818
Net insurance benefits and claims	18 976	15 898
Change in liabilities	3 354	2 265
Change in insurance contract liabilities	4 277	2 899
Change in investment contracts with DPF liabilities	(694)	(389)
Change in reinsurance provision	(229)	(245)
Fair value adjustments on investment contract liabilities	12 092	12 106
Fair value adjustments on collective investment scheme liabilities	619	1 506
Depreciation, amortisation and impairment expenses	1 008	676
Employee benefit expenses	3 874	3 202
Sales remuneration	2 850	2 697
Other expenses	3 711	2 783
Expenses	46 484	41 133
Results of operations	4 547	3 685
Share of (loss)/profit of associates	(7)	44
Finance costs ⁽²⁾	(899)	(1 147)
Profit before tax	3 641	2 582
Income tax expenses	(1 304)	(919)
Earnings	2 337	1 663
Attributable to:		
Owners of the parent	2 301	1 612
Non-controlling interests	5	18
Momentum preference shares	31	33
	2 337	1 663
Basic earnings per ordinary share (cents)	154	128
Diluted earnings per ordinary share (cents)	151	126

1. Fee income consists of the following:

- Investment contracts: R1 455 million (30.06.2011: R1 340 million)
- Trust and fiduciary services: R1 546 million (30.06.2011: R1 386 million)
- Health administration services: R1 799 million (30.06.2011: R1 239 million)
- Other fee income: R448 million (30.06.2011: R267 million)

2. Finance costs consist of the following:

- Preference shares issued by MMI Holdings Ltd: R92 million (30.06.2011: R52 million)
- Subordinated redeemable debt: R114 million (30.06.2011: R98 million)
- Cost of carry and derivative financial instruments: R624 million (30.06.2011: R891 million)
- Other: R69 million (30.06.2011: R106 million)

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

RECONCILIATION OF HEADLINE EARNINGS attributable to owners of the parent	Basic earnings		Diluted earnings	
	12 mths to 30.06.2012	Restated 12 mths to 30.06.2011	12 mths to 30.06.2012	Restated 12 mths to 30.06.2011
	Rm	Rm	Rm	Rm
Earnings	2 301	1 612	2 301	1 612
Finance costs – convertible preference shares			92	52
Diluted earnings			2 393	1 664
Intangible asset impairments	67	28	67	28
(Profit)/loss on step-up of associate	(207)	18	(207)	18
Profit on sale of business	(3)	(27)	(3)	(27)
Tax effect on profit on sale of business	-	3	-	3
Headline earnings ⁽¹⁾	2 158	1 634	2 250	1 686
Net realised and fair value gains on excess	(250)	(43)	(250)	(43)
Basis and other changes and investment variances ⁽⁷⁾	292	253	292	253
FNB Life (90%) ⁽²⁾	-	(174)	-	(174)
Amortisation of intangible assets relating to business combinations	516	318	516	318
Secondary Tax on Companies (STC)	144	90	144	90
BEE cost ⁽³⁾	3	-	3	-
Merger transaction costs	-	29	-	29
Dilutory effect of subsidiaries ⁽⁴⁾			(14)	(6)
Investment income on treasury shares – contract holders			14	6
Core headline earnings ⁽⁵⁾	2 863	2 107	2 955	2 159
Metropolitan pre-merger			-	489
Core headline earnings as per segmental information ⁽⁶⁾			2 955	2 648

- Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes.
- This represents the 90% of FNB Life's results for the five months ended 30 November 2010 which has been excluded from the June 2011 figures as it is non-recurring.
- This represents the cost of the BEE transaction in Namibia in the current period in terms of IFRS 2 – *Share based payments*.
- Metropolitan Health and Metropolitan Kenya are consolidated at 100% and 96%, respectively, in the results. For the purposes of diluted core headline earnings, non-controlling interests and investment returns are reinstated.
- Core headline earnings disclosed comprise operating profit and investment income on shareholder assets. It excludes net realised and fair value gains on investment assets, investment variances and basis and other changes which can be volatile, STC, 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. STC has been added back as it fell away and was replaced by the new dividends withholding tax effective 1 April 2012.
- Core headline earnings as per segmental information represent the core headline earnings of the group as though the merger was effective for all reported periods.
- Core headline earnings for the year ended June 2011 has increased by R60 million, which was previously included in investment variances and therefore excluded from core headline earnings, to ensure consistency with the year ended June 2012.

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

EARNINGS PER SHARE (cents) attributable to owners of the parent	12 mths to 30.06.2012	Restated 12 mths to 30.06.2011
Basic		
Core headline earnings	192	167
Headline earnings	145	130
Earnings	154	128
Weighted average number of shares (million)	1 491	1 259
Diluted		
Core headline earnings ⁽²⁾	184	162
Weighted average number of shares (million) ⁽¹⁾	1 605	1 329
Headline earnings	142	128
Earnings	151	126
Weighted average number of shares (million) ⁽¹⁾	1 590	1 317
Diluted core headline earnings as per segmental information	184	165
Weighted average number of shares (million) for purposes of segmental information ⁽²⁾	1 605	1 605

- For diluted core headline earnings per share, treasury shares held on behalf of contract holders are deemed to be issued. For diluted earnings and headline earnings per share, these shares are deemed to be cancelled.
- The weighted average number of shares for purposes of segmental information assumes that the merger was effective from 1 July 2010 in line with the diluted core headline earnings as per the segmental information.

DIVIDENDS	2012	2011
Ordinary listed MMI Holdings Limited shares (cents per share)		
Interim – March	44	42
Final – September	69	63
Total	113	105

A special dividend of 65 cents per share was also declared in September 2012 (21 cents per share in March 2011).

DIVIDENDS		A1	A2	A3
MMI Holdings convertible redeemable preference shares (issued to Kagiso Tiso Holdings (KTH))				
Redemption value (per share)	R	5.12	9.18	9.18
Paid – 30 September 2010	Rate	8.5%	8.5%	17.1%
	Rm	12	5	27
Paid – 31 March 2011	Rate	7.7%	7.7%	18.0%
	Rm	11	5	29
Paid – 30 September 2011	Rate	7.7%	7.7%	19.1%
	Rm	10	5	30
Paid – 31 March 2012	Rate	7.7%	7.7%	19.1%
	Rm	10	4	30
Payable – 30 September 2012	Rate	8.4%	8.4%	19.1%
	Rm	6	2	26
Redemption date		Converted ⁽¹⁾	Converted ⁽¹⁾	June – 2017 ⁽²⁾

- The A1 and A2 MMI preference shares were converted into MMI ordinary shares on a one-for-one basis with effect from 22 June 2012 and 29 June 2012 respectively.
- The redemption date of the A3 MMI preference shares has been extended from 5 December 2011 to 29 June 2017. The preference rate payable remained unchanged up to 29 June 2012. With effect from 30 June 2012 an annual dividend of 132 cents per share will be paid. MMI took over as a funder from 5 December 2011 for the duration of the extension.

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	12 mths to 30.06.2012 Rm	12 mths to 30.06.2011 Rm
Earnings	2 337	1 663
Other comprehensive income for the year, net of tax	121	35
Exchange differences on translating foreign operations	71	(29)
Available-for-sale financial assets	(3)	11
Land and buildings revaluation	63	105
Share of other comprehensive income of associates	-	(2)
Change in non-distributable reserves	1	-
Income tax relating to components of other comprehensive income	(11)	(50)
Total comprehensive income for the year	2 458	1 698
Total comprehensive income attributable to:		
Owners of the parent	2 414	1 651
Non-controlling interests	13	14
Momentum preference shares	31	33
	2 458	1 698

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12 mths to 30.06.2012 Rm	Restated 12 mths to 30.06.2011 Rm
Changes in share capital		
Balance at beginning ⁽¹⁾	13 421	1 041
Staff share scheme shares released	3	2
Treasury shares held on behalf of contract holders	2	(204)
Conversion of preference shares/shares issued net of issue costs ⁽²⁾	388	12 582
Balance at end	<u>13 814</u>	<u>13 421</u>
Changes in other reserves		
Balance at beginning	1 466	1 140
Reclassification ⁽³⁾	-	(651)
Total comprehensive income	113	42
BEE cost	3	-
Fair value adjustment for preference shares issued by MMI ⁽⁴⁾	-	940
Transfer (to)/from retained earnings	(10)	(5)
Balance at end ⁽⁵⁾	<u>1 572</u>	<u>1 466</u>
Changes in retained earnings		
Balance at beginning	7 454	6 495
Reclassification ⁽³⁾	-	651
Total comprehensive income	2 301	1 609
Dividend paid	(1 603)	(1 302)
Employee share scheme	-	(9)
Transactions with minorities	(31)	5
Transfer from/(to) other reserves	10	5
Balance at end	<u>8 131</u>	<u>7 454</u>
Equity attributable to owners of the parent	<u>23 517</u>	<u>22 341</u>
Momentum preference shares		
Balance at beginning	500	500
Total comprehensive income	31	33
Dividend paid	(31)	(33)
Balance at end	<u>500</u>	<u>500</u>
Changes in non-controlling interests		
Balance at beginning	298	(4)
Total comprehensive income	13	14
Dividends paid	(3)	(35)
Transactions with owners	(27)	69
Business combinations	-	263
Other	-	(9)
Balance at end	<u>281</u>	<u>298</u>
Total equity	<u>24 298</u>	<u>23 139</u>

- The opening share capital and share premium represents the issued equity interests of Momentum Group Limited, however the number and type of shares in issue reflects the equity structure of MMI Holdings Limited. This is due to the reverse acquisition for accounting purposes in December 2010.
- The conversion of the preference shares in the year ended 30 June 2012 represents the conversion of the A1 and A2 MMI preference shares into ordinary shares on a one-for-one basis. The shares issued in the year ended 30 June 2011 represent the fair value of the consideration relating to the reverse acquisition of Metropolitan in December 2010.
- Certain net cumulative realised gains on available-for-sale assets relating to prior periods, totalling R651 million, were not recycled from the available-for-sale reserve to the income statement on disposal of these assets. These net gains have been reclassified from the available-for-sale reserve to retained earnings at 1 July 2010.
- This represents the write up of the carrying value of the preference shares issued by MMI Holdings Limited to Kagiso Tiso Holdings to fair value as part of the fair value exercise performed as a result of the merger in December 2010.
- Other reserves consist of the following:
 - Land and buildings revaluation reserve: R533 million (30.06.2011: R491 million)
 - Foreign currency translation reserve: R74 million (30.06.2011: R11 million)
 - Fair value adjustment for preference shares issued by MMI: R940 million (30.06.2011: R940 million)
 - Fair value reserve: R11 million (30.06.2011: R15 million)
 - Non-distributable reserve: R11 million (30.06.2011: R9 million)
 - Equity-settled share-based payments reserve: R3 million (30.06.2011: Rnil)

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS	12 mths to 30.06.2012 Rm	12 mths to 30.06.2011 Rm
Net cash outflow from operating activities	(1 142)	(1 570)
Net cash (outflow)/inflow from investing activities	(697)	7 067
Net cash outflow from financing activities	(1 875)	(1 316)
Net cash flow	(3 714)	4 181
Cash resources and funds on deposit at beginning	20 671	16 490
Cash resources and funds on deposit at end	16 957	20 671
Made up as follows:		
Cash and cash equivalents as per statement of financial position	16 957	19 770
Cash and cash equivalents held for sale	-	901
	16 957	20 671

PRINCIPAL ASSUMPTIONS (South Africa) ⁽¹⁾	30.06.2012 %	30.06.2011 %
Pre-tax investment return		
Equities	11.3	12.3
Properties	8.8	9.8
Government stock	7.8	8.8
Other fixed interest stocks	8.3	9.3
Cash	6.8	7.8
Risk free return	7.8	8.8
Risk discount rate (RDR)	10.1	11.1
Investment return (before tax) – smoothed bonus	10.0	11.0
Expense inflation rate		
Momentum	6.8	7.2
Metropolitan	5.8	6.7

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

NON-CONTROLLING INTERESTS	30.06.2012 %	30.06.2011 %
Metropolitan		
Metropolitan Health Group	17.6	17.6
Metropolitan Namibia	4.7	18.0
Metropolitan Health Namibia Administrators	49.0	49.0
Metropolitan Botswana	24.2	24.2
Metropolitan Kenya	33.7	33.7
Metropolitan Ghana	7.8	7.8
Metropolitan Nigeria	50.0	50.0
Metropolitan Swaziland	33.0	33.0
Momentum		
Momentum Mozambique	25.0	25.0
Momentum Tanzania	33.0	33.0
Momentum Zambia	35.0	35.0
Momentum Health Ghana	20.0	20.0
Momentum Health Mauritius	5.0	5.0
Momentum Health Botswana	28.0	28.0

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

FINANCIAL INSTRUMENT ASSETS	30.06.2012	Restated
	Rm	30.06.2011
		Rm
Equity securities	67 506	80 730
Debt securities	79 959	73 655
Funds on deposit and other money market instruments	13 125	10 908
Unit-linked investments	78 501	63 420
Derivative financial instruments	3 579	2 207
Loans and receivables	3 880	3 147
Investments in associates designated at fair value	14 333	7 554
Total financial instrument assets	260 883	241 621

ANALYSIS OF ASSETS UNDER MANAGEMENT	30.06.2012	Restated
	Rm	30.06.2011
		Rm
On-balance sheet assets		
Managed and/or administered by Momentum Investments	173 627	164 598
Investment assets	113 325	109 683
Collective investment schemes	53 423	47 518
Properties	6 879	7 397
Linked product assets under administration	50 412	43 309
Managed internally or by other managers within MMI	20 195	29 027
Managed by external managers	34 990	35 518
Other assets	23 380	20 099
	302 604	292 551
Off-balance sheet assets		
Managed and/or administered by Momentum Investments	123 965	109 289
Collective investment schemes	65 585	51 633
Segregated assets	58 380	57 656
Managed internally or by other managers within MMI	4 161	-
Momentum Employee Benefits – segregated assets	498	151
Metropolitan Health	11 624	10 166
Linked product assets under administration	37 133	30 383
Total assets under management	479 985	442 540

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	30.06.2012		30.06.2011	
	Rm	%	Rm	%
Equity securities	1 669	6.9	2 889	12.6
Preference shares	1 492	6.2	2 155	9.4
Collective investment schemes	966	4.0	1 392	6.1
Debt securities	4 352	18.1	2 869	12.6
Properties	2 014	8.4	1 819	8.0
Owner-occupied properties	1 254	5.2	1 202	5.3
Investment properties	760	3.2	617	2.7
Cash and cash equivalents and funds on deposit	7 608	31.7	6 070	26.6
Intangible assets	7 654	31.9	7 826	34.3
Other net assets	150	0.6	48	0.2
	25 905	107.8	25 068	109.8
Redeemable preference shares	(316)	(1.3)	(711)	(3.1)
Subordinated redeemable debt	(1 572)	(6.5)	(1 516)	(6.7)
Shareholder excess per reporting basis	24 017	100.0	22 841	100.0

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

Business combinations

Momentum Life Assurance Namibia Limited

On 30 June 2012 the group acquired an additional 51% in the ordinary share capital of Momentum Life Assurance Namibia Ltd, taking the holding to 100%. The additional shares were acquired for R343 million in cash and R29 million on loan account.

The carrying value of the investment in Momentum Life Assurance Namibia Ltd before the 51% was acquired was R144 million. The fair value gain recognised by the group as a result of re-measuring the 49% equity interest in Momentum Life Assurance Namibia Ltd before the business combination was R207 million and is disclosed in net realised and fair value gains/(losses) in the income statement. The provisional purchase price allocation included intangible assets R365 million, tangible assets R4 million, financial instrument assets R1 314 million, cash and cash equivalents R191 million, other assets R44 million, insurance contract liabilities R965 million, financial instrument liabilities R177 million and other liabilities R58 million.

Impact of business combination

Assuming the acquisition occurred at the beginning of the period, Momentum Life Assurance Namibia Ltd would have contributed additional net income (revenue) of R224 million to the group for the 12 months ended 30 June 2012.

Events after the reporting period

No material events occurred between the reporting date and the date of approval of the summary other than the following:

MMI Holdings announced that it has reached an agreement with Rand Merchant Bank and Royal Bafokeng Holdings to acquire their shares in the Eris Property Group (Eris) for an amount of approximately R240 million. MMI's property portfolio is currently managed by Eris and Momentum Properties (previously Metropolitan Property Services). MMI will also merge the property management business of Momentum Properties with Eris in exchange for additional shares in Eris. This merger will be effective as soon as all suspensive conditions are met. Eris management and Kagiso Tiso Holdings Proprietary Limited (KTH), who are existing shareholders in Eris, have agreed to acquire further shares from MMI, resulting in MMI holding a controlling interest of 50.1%, KTH 21.2% and Eris Management 28.7% in Eris post implementation. This transaction is subject to a number of conditions precedent including approval by the Competition authorities.

MMI Holdings, through its wholly-owned subsidiary Momentum Group Ltd ("Momentum") entered into a binding sale of shares agreement with OUTsurance Holdings Ltd ("OUTsurance") a subsidiary of Rand Merchant Insurance Holdings Ltd ("RMI") in terms of which Momentum was to, upon fulfilment of the suspensive conditions, acquire OUTsurance's 50% shareholding in Momentum Short-term Insurance Company Ltd. ("MSTI") for approximately R123 million. Momentum already owns the other 50% of the issued share capital of MSTI.

MMI HOLDINGS – SEGMENTAL INFORMATION

12 mths to 30.06.2012	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan Inter- national Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Segmental total Rm	Other reconciling items ⁽¹⁾ Rm	IFRS total Rm
Revenue										
Net insurance premiums	17 148	6 042	9 712	1 960	10 661	29	-	45 552	(26 858)	18 694
Recurring premiums	7 376	4 760	5 990	1 639	-	29	-	19 794	(4 547)	15 247
Single premiums	9 772	1 282	3 722	321	10 661	-	-	25 758	(21 847)	3 911
Inter-segmental premiums	-	-	-	-	-	-	-	-	(464)	(464)
Fee income	1 797	130	938	129	1 099	1 701	30	5 824	(576)	5 248
Fee income	1 797	130	938	129	1 099	1 701	30	5 824	(7)	5 817
Inter-segmental fee income	-	-	-	-	-	-	-	-	(569)	(569)
Expenses										
Net payments to contract holders	16 095	5 049	9 033	1 099	12 772	24	799	44 871	(25 895)	18 976
External payments ⁽²⁾	16 095	5 049	9 033	1 099	12 772	24	799	44 871	(25 865)	19 006
Inter-segmental payments	-	-	-	-	-	-	-	-	(30)	(30)
Other expenses	3 217	1 863	991	841	959	1 560	477	9 908	1 535	11 443
Sales remuneration	1 582	778	166	247	4	-	-	2 777	73	2 850
Administration expenses	1 616	1 085	819	574	730	1 507	236	6 567	100	6 667
Amortisation due to business combinations and impairments	19	-	6	20	12	53	40	150	594	744
Direct property and asset management expenses	-	-	-	-	213	-	-	213	844	1 057
Holding company expenses	-	-	-	-	-	-	201	201	-	201
Inter-segmental expenses	-	-	-	-	-	-	-	-	(76)	(76)
Diluted core headline earnings	1 064	438	249	57	125	133	889	2 955	-	2 955
Operating profit	1 472	609	351	77	146	170	306	3 131	-	3 131
Tax on operating profit	(408)	(171)	(102)	(20)	(40)	(51)	(34)	(826)	-	(826)
Investment income	-	-	-	-	27	17	767	811	-	811
Tax on investment income	-	-	-	-	(8)	(3)	(150)	(161)	-	(161)
Diluted weighted average number of shares in issue (millions)								1 605		1 605
Diluted core headline earnings per share (cents)								184		184
Actuarial liabilities	131 723	31 064	43 898	6 326	30 055	1	2 431	245 498	(453)	245 045

1. The 'other reconciling items' column includes: an adjustment to reverse investment contract premiums (R26 580 million) and claims (R25 868 million); FNB Life adjustments reconciling the 10% of FNB Life included in each of the relevant lines to the accounting treatment of the reinsurance arrangement (premiums R186 million; fee income R1 million, claims R3 million, sales remuneration R90 million and expenses R103 million); direct property and asset management fees (R844 million) for all companies, except Momentum Investments, that are set off against investment income and fee income, respectively for management reporting purposes but shown as an expense for accounting purposes; the amortisation of intangibles relating to the merger (R594 million); Namibian BEE cost (R3 million) and other minor adjustments to expenses (R6 million), sales remuneration (R17 million) and fee income (R8 million).

2. The R799 million payments to contract holders in shareholder capital relates to the maturity of certain corporate policies administered by balance sheet management division.

MMI HOLDINGS – SEGMENTAL INFORMATION

Restated 12 mths to 30.06.2011 ⁽¹⁾	Momentum Metropolitan				Shareholder			Segmental	Other		IFRS total
	Momentum Retail ⁽³⁾ Rm	Metropolitan Retail Rm	Employee Benefits Rm	Inter- national Rm	Momentum Investments Rm	Metropolitan Health Rm	capital Rm	total Rm	reconciling items ⁽²⁾ Rm	Metropolitan pre-merger Rm	Rm
Revenue											
Net insurance premiums	16 595	6 393	8 171	1 637	8 846	26	36	41 704	(21 936)	(4 739)	15 029
Recurring premiums	7 133	4 489	5 300	1 383	-	26	-	18 331	(3 273)	(3 186)	11 872
Single premiums	9 462	1 904	2 871	254	8 846	-	36	23 373	(18 663)	(1 553)	3 157
Fee income ⁽⁴⁾	1 562	117	710	85	1 016	1 651	176	5 317	(430)	(655)	4 232
Fee income	1 562	117	710	85	1 016	1 651	176	5 317	-	(655)	4 662
Inter-segmental fee income	-	-	-	-	-	-	-	-	(430)	-	(430)
Expenses											
Net payments to contract holders	15 277	4 440	10 886	983	8 267	21	214	40 088	(19 492)	(4 698)	15 898
Other expenses	3 445	1 774	997	777	881	1 541	381	9 796	1 201	(1 639)	9 358
Sales remuneration	1 830	725	164	231	2	-	-	2 952	140	(395)	2 697
Administration expenses ⁽⁴⁾	1 615	1 049	833	533	676	1 516	97	6 319	237	(1 186)	5 370
Amortisation due to business combinations and impairments	-	-	-	13	30	25	92	160	352	-	512
Direct property and asset management expenses	-	-	-	-	173	-	-	173	753	-	926
Holding company expenses	-	-	-	-	-	-	192	192	-	(58)	134
Inter-segmental expenses	-	-	-	-	-	-	-	-	(281)	-	(281)
Diluted core headline earnings	759	394	187	32	131	114	1 031	2 648	-	(489)	2 159
Operating profit	1 078	517	257	37	149	132	326	2 496	-	(380)	2 116
Tax on operating profit	(319)	(123)	(70)	(5)	(36)	(40)	34	(559)	-	80	(479)
Investment income	-	-	-	-	25	25	788	838	-	(235)	603
Tax on investment income	-	-	-	-	(7)	(3)	(117)	(127)	-	46	(81)
Diluted weighted average number of shares in issue (millions)								1 605	-	(276)	1 329
Diluted core headline earnings per share (cents)								165	-	(3)	162
Actuarial liabilities	120 139	29 878	40 545	4 441	29 267	3	4 607	228 880	-	-	228 880

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

2. The 'other reconciling items' column includes: an adjustment to reverse investment contract premiums (R22 350 million) and claims (R19 576 million); FNB Life adjustments reconciling the 10% of FNB Life included in each of the relevant lines to the accounting treatment of the reinsurance arrangement (premiums R414 million; claims R84 million and expenses R233 million); direct property and asset management fees (R753 million) for all companies, except Momentum Investments, that are set off against investment income and fee income, respectively for management reporting purposes but shown as an expense for accounting purposes; the amortisation of the intangibles (R352 million) relating to the merger; and other adjustments to expenses (R144 million) that are not taken into account when the CODM monitors and evaluates the performance of individual segments.

3. R60 million of earnings for the year ended June 2011, that was previously included in investment variances and therefore excluded from core headline earnings, is now included in core headline earnings to ensure consistency with the year ended June 2012.

4. Fee income and administration expenses have been restated to ensure consistency with internal reporting for the year ended June 2012.

MMI HOLDINGS – SEGMENTAL INFORMATION

Analysis of reclassifications	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan Inter- national Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Segmental total Rm	Other reconciling items Rm	Metropolitan pre-merger Rm	IFRS total Rm
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. Refer to table below for detail. These restatements had no impact on core headline earnings.											
Fee income											
Published 30 June 2011	1 349	117	648	85	935	1 651	448	5 233	(346)	(655)	4 232
Reclassifications	213	-	62	-	81	-	(272)	84	(84)	-	-
Restated 30 June 2011	1 562	117	710	85	1 016	1 651	176	5 317	(430)	(655)	4 232
Other expenses											
Published 30 June 2011	3 540	1 777	1 005	777	842	1 541	402	9 884	1 113	(1 639)	9 358
Reclassifications	(95)	(3)	(8)	-	39	-	(21)	(88)	88	-	-
Restated 30 June 2011	3 445	1 774	997	777	881	1 541	381	9 796	1 201	(1 639)	9 358
Income tax											
Published 30 June 2011	412	200	125	3	97	58	187	1 082	(32)	(131)	919
Reclassifications	-	-	-	-	-	-	75	75	(75)	-	-
Restated 30 June 2011	412	200	125	3	97	58	262	1 157	(107)	(131)	919

MMI HOLDINGS – SEGMENTAL INFORMATION

RECONCILIATION OF MOMENTUM INVESTMENTS AND METROPOLITAN HEALTH	Momentum Investments			Metropolitan Health Rm
	Asset management Rm	Asset administration Rm	Total Rm	
12 mths to 30.06.2012				
Revenue	989	110	1 099	1 730
Net insurance premiums (excluding investment business)	-	-	-	29
Fee income	989	110	1 099	1 701
Expenses and finance costs	888	82	970	1 587
Net payments to contract holders (excluding investment business)	-	-	-	24
Other expenses	877	82	959	1 560
Finance costs	11	-	11	3
	101	28	129	143
Core adjustments	17	-	17	27
Impairments and amortisation of intangibles relating to business combinations	12	-	12	53
Adjustments for dilution	-	-	-	(17)
Other	5	-	5	(9)
Operating profit before tax	118	28	146	170

RECONCILIATION OF MOMENTUM INVESTMENTS AND METROPOLITAN HEALTH	Momentum Investments			Metropolitan Health Rm
	Asset management Rm	Asset administration Rm	Total Rm	
12 mths to 30.06.2011				
Revenue	895	121	1 016	1 677
Net insurance premiums (excluding investment business)	-	-	-	26
Fee income	895	121	1 016	1 651
Expenses and finance costs	814	83	897	1 565
Net payments to contract holders (excluding investment business)	-	-	-	21
Other expenses	798	83	881	1 541
Finance costs	16	-	16	3
	81	38	119	112
Core adjustments	30	-	30	20
Impairments and amortisation of intangibles relating to business combinations	30	-	30	25
Adjustments for dilution	-	-	-	(10)
Other	-	-	-	5
Operating profit before tax	111	38	149	132

MMI HOLDINGS – SEGMENTAL INFORMATION

PAYMENTS TO CONTRACT HOLDERS ⁽¹⁾	12 mths to 30.06.2012 Rm	12 mths to 30.06.2011 Rm
Momentum Retail	16 095	15 277
Death and disability claims	2 940	2 634
Maturity claims	4 844	4 059
Annuities	3 420	3 249
Withdrawal benefits	48	-
Surrenders	5 684	6 372
Re-insurance recoveries	(841)	(1 037)
Metropolitan Retail	5 049	4 440
Death and disability claims	1 030	1 132
Maturity claims	1 512	1 258
Annuities	761	755
Withdrawal benefits	37	45
Surrenders	1 796	1 409
Re-insurance recoveries	(87)	(159)
Momentum Employee Benefits	9 033	10 886
Death and disability claims	2 791	2 455
Maturity claims	471	411
Annuities	938	886
Withdrawals and surrenders	2 344	3 764
Terminations	676	879
Disinvestments	2 382	2 737
Re-insurance recoveries	(569)	(246)
Metropolitan International	1 099	983
Death and disability claims	455	341
Maturity claims	209	160
Annuities	51	41
Withdrawal benefits	95	67
Surrenders	266	239
Terminations	39	52
Disinvestments	5	101
Re-insurance recoveries	(21)	(18)
Momentum Investments	12 772	8 267
Withdrawals	12 772	8 267
Metropolitan Health	24	21
Claims	24	21
Shareholder capital	799	214
Claims	799	214
Total payments to contract holders	44 871	40 088
Adjustment for payments to investment contract holders	(25 991)	(23 082)
Transfers between insurance, investment and investment with DPF contracts	123	3 506
FNB Life adjustment	3	84
Inter-segmental	(30)	-
Metropolitan pre-merger ⁽²⁾	-	(4 698)
Net insurance benefits and claims per income statement	18 976	15 898

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

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

MMI HOLDINGS – SEGMENTAL INFORMATION

NET FUNDS RECEIVED FROM CLIENTS	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	12 mths to 30.06.2012 Net inflow/ (outflow) Rm	12 mths to 30.06.2011 Net inflow/ (outflow) Rm
Momentum Retail	9 772	7 376	17 148	(16 095)	1 053	1 318
Metropolitan Retail	1 282	4 760	6 042	(5 049)	993	1 953
Momentum Employee Benefits	3 722	5 990	9 712	(9 033)	679	(2 715)
Metropolitan International	321	1 639	1 960	(1 099)	861	654
Momentum Investments	10 661	-	10 661	(12 772)	(2 111)	579
Shareholder capital	-	-	-	(799)	(799)	(178)
Long-term insurance business cash flows	25 758	19 765	45 523	(44 847)	676	1 611
Momentum Retail	12 874	-	12 874	(10 332)	2 542	6 680
Momentum Employee Benefits	6	389	395	(63)	332	(676)
Metropolitan International	1 012	-	1 012	(1 017)	(5)	-
Momentum Investments	65 440	4 670	70 110	(69 091)	1 019	(16 446)
Metropolitan Health	-	26 768	26 768	(30 923)	(4 155)	3 382
Total net funds received from clients	105 090	51 592	156 682	(156 273)	409	(5 449)

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

NUMBER OF EMPLOYEES	30.06.2012	30.06.2011
Indoor staff	10 005	10 058
Momentum Retail	2 067	1 932
Metropolitan Retail	1 512	1 471
Momentum Employee Benefits	1 027	1 147
Metropolitan International	784	716
Momentum Investments	542	532
Metropolitan Health	3 130	3 266
Balance sheet management	57	50
Group services	832	944
Redeployment centre	54	-
Field staff	5 694	5 586
Momentum Retail	433	494
Metropolitan Retail	4 179	3 813
Metropolitan International	1 082	1 279
Total	15 699	15 644

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

MMI HOLDINGS – STATEMENT OF ASSETS AND LIABILITIES

STATEMENT OF ASSETS AND LIABILITIES ON REPORTING BASIS	30.06.2012 Rm	Restated 30.06.2011 ⁽¹⁾ Rm
Total assets	302 604	292 551
Actuarial value of policy liabilities	(245 045)	(228 880)
Other liabilities	(33 261)	(40 532)
Non-controlling interests	(281)	(298)
Group excess per reporting basis	24 017	22 841
Net assets – other businesses	(1 334)	(830)
Fair value adjustments on Metropolitan acquisition and other consolidation adjustments	(5 901)	(6 100)
Excess – long-term insurance business, net of non-controlling interests ^(1,2)	16 782	15 911
RECONCILIATION OF CHANGE IN LONG-TERM INSURANCE EXCESS TO THE INCOME STATEMENT		
Change in excess of long-term insurance business ⁽²⁾	871	931
Increase in share capital	(345)	(84)
Change in other reserves	(60)	6
Dividend paid – ordinary shares	2 502	1 722
Change in non-controlling interests	(53)	-
Acquisition of Momentum Namibia	(117)	-
Total surplus arising, net of non-controlling interests (including 90% of FNB Life)	2 798	2 575
FNB Life 90%	-	(174)
Total surplus arising, net of non-controlling interests (excluding 90% of FNB Life)	2 798	2 401
Operating profit ⁽³⁾	2 309	1 863
Investment income on excess	520	610
Net realised and fair value gains on excess	242	418
Investment variances ⁽³⁾	(54)	91
Basis and other changes	(219)	(581)
Consolidation adjustments	(12)	(3)
Earnings after non-controlling interest of long-term insurance business	2 786	2 398
FNB Life 90%	-	174
Earnings after non-controlling interests of other group businesses and consolidation adjustments	(485)	(554)
Earnings attributable to owners of the parent	2 301	2 018
Metropolitan pre-merger	-	(406)
Earnings attributable to owners of the parent as per income statement	2 301	1 612

1. The total surplus arising in the comparatives above represents the surplus (for the 12 months ended 30 June 2011) that would have arisen had Momentum and Metropolitan been merged since 1 July 2010.
2. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes other items which are eliminated on consolidation. It also excludes non-insurance business.
3. R60 million of earnings for the year ended June 2011, that was previously included in investment variances and therefore excluded from operating profit, is now included in operating profit to ensure consistency with the year ended June 2012.

MMI HOLDINGS – STATEMENT OF ASSETS AND LIABILITIES

RECONCILIATION OF REPORTING EXCESS TO STATUTORY EXCESS	30.06.2012 Rm	30.06.2011 Rm
Reporting excess – long-term insurance business ⁽¹⁾	16 782	15 911
Disregarded assets ⁽²⁾	(998)	(1 205)
Difference between statutory and published valuation methods	(436)	(263)
Write down of subsidiaries and associates for statutory purposes	(1 209)	(715)
Unsecured subordinated debt	1 563	1 507
Consolidation adjustments	(56)	(65)
Statutory excess – long-term insurance business	15 646	15 170
Capital adequacy requirement (CAR) (Rm) ⁽³⁾	6 641	6 485
Ratio of long-term insurance business excess to CAR (times)	2.4	2.3
Discretionary margins	9 974	9 999

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa. It is after non-controlling interests but excludes other items which are eliminated on consolidation. It also excludes non-insurance business.
2. Disregarded assets are those as defined in the South African Long Term Insurance Act and are only applicable to South African Long Term insurance companies. Adjustments are also made for the international insurance companies from reporting excess to statutory excess as required by their regulators. It includes Sage intangible assets of R590 million (30.06.2011: R618 million).
3. Aggregation of separate company CAR's, with no assumption of diversification benefits.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE RESULTS AS AT	30.06.2012 Rm	30.06.2011 Rm
Covered business		
Reporting excess – long-term insurance business	16 782	15 911
Reclassification to non-covered business	(1 388)	(918)
	15 394	14 993
Disregarded assets ⁽¹⁾	(688)	(821)
Difference between statutory and published valuation methods	(436)	(263)
Dilutory effect of subsidiaries ⁽²⁾	(30)	(5)
Consolidation adjustments ⁽³⁾	(30)	(108)
Momentum Namibia adjustment ⁽⁴⁾	(247)	(42)
Value of Momentum preference shares issued	(480)	(480)
Diluted adjusted net worth – covered business	13 483	13 274
Net value of in-force business	14 910	14 083
Diluted embedded value – covered business	28 393	27 357
Non-covered business		
Net assets – non-covered subsidiaries of life insurance companies	1 388	918
Net assets – non-covered subsidiaries of the holding company	1 334	830
Consolidation adjustments ⁽³⁾	(200)	(303)
Adjustments for dilution ⁽⁵⁾	610	1 009
Diluted adjusted net worth – non-covered business	3 132	2 454
Write up to directors' value	947	880
Non-covered businesses	2 110	1 944
Holding company expenses ⁽⁶⁾	(953)	(797)
International holding company expenses ⁽⁶⁾	(210)	(117)
Secondary Tax on Companies allowance	-	(150)
Diluted embedded value – non-covered business	4 079	3 334
Diluted adjusted net worth	16 615	15 728
Net value of in-force business	14 910	14 083
Write up to directors' value	947	880
Diluted embedded value	32 472	30 691
Required capital – covered business (adjusted for qualifying debt and preference shares)	7 858	8 401
Surplus capital – covered business	5 625	4 873
Diluted embedded value per share (cents)	2 023	1 912
Diluted adjusted net worth per share (cents)	1 035	980
Diluted number of shares in issue (million) ⁽⁷⁾	1 605	1 605

- Disregarded assets include Sage intangible assets of R590 million (30.06.2011: R618 million), goodwill and various other items.
- For accounting purposes, Metropolitan Health has been consolidated at 100%, Metropolitan Kenya has been consolidated at 96% and Metropolitan Namibia has been consolidated at 95% for the current period, in the statement of financial position. For embedded value purposes, disclosed on a diluted basis, the non-controlling interests and related funding have been reinstated.
- Consolidation adjustments include mainly goodwill and intangibles in subsidiaries that are eliminated.
- The carrying value of Momentum Namibia included in the reporting excess was written down to the company's net asset value.
- Adjustments for dilution are made up as follows:
 - Dilutory effect of subsidiaries (note 2): R74 million (30.06.2011: R70 million)
 - Staff share scheme loans: Rnil (30.06.2011: R3 million)
 - Treasury shares held on behalf of contract holders: R220 million (30.06.2011: R225 million)
 - Liability – MMI convertible preference shares issued to KTH: R316 million (30.06.2011: R711 million)
- The holding company expenses reflect the present value of projected recurring head office expenses. The International holding company expenses reflect the allowance for support services to the international life assurance and health businesses.
- The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares and the release of staff share scheme shares, and includes the treasury shares held on behalf of contract holders.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

ANALYSIS OF NET VALUE OF IN-FORCE BUSINESS PER DIVISION	30.06.2012 Rm	Restated 30.06.2011 Rm
Momentum Retail ⁽¹⁾	8 122	8 150
Gross value of in-force business	9 680	9 689
Less cost of required capital ⁽²⁾	(1 558)	(1 539)
Metropolitan Retail	3 323	3 206
Gross value of in-force business	3 968	3 579
Less cost of required capital ⁽²⁾	(645)	(373)
Momentum Employee Benefits	1 992	1 500
Gross value of in-force business	2 609	1 980
Less cost of required capital ⁽²⁾	(617)	(480)
Metropolitan International	1 268	860
Gross value of in-force business	1 321	883
Less cost of required capital	(53)	(23)
Shareholder capital ⁽¹⁾	205	367
Gross value of in-force business ⁽³⁾	205	367
Less cost of required capital	-	-
Net value of in-force business	14 910	14 083

Notes

1. Net value of in-force of R701 million was transferred from Shareholder capital to Momentum Retail, reflecting a refinement in the allocation of discretionary margins to the divisions. The comparatives have been restated to reflect this change.
2. The strategic decision to de-risk shareholder assets resulted in an increase in the technical calculation of the required cost of capital, impacting Momentum Retail by negative R78 million, Metropolitan Retail by negative R135 million and Momentum Employee Benefits by negative R310 million, respectively.
3. The value of in-force in the Shareholder capital represents discretionary margins not allocated to specific divisions.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE	Adjusted net worth Rm	Net value of in-force Rm	30.06.2012 Rm	30.06.2011 Rm
Covered business				
Momentum Group Ltd	7 130	9 514	16 644	16 425
Metropolitan Life Ltd	5 343	4 128	9 471	9 134
Metropolitan Odyssey Ltd	48	-	48	44
Metropolitan International	962	1 268	2 230	1 754
Metropolitan Life International	89	-	89	81
Metropolitan Namibia	288	639	927	496
Metropolitan Botswana	129	86	215	186
Metropolitan Lesotho	236	303	539	439
Metropolitan Kenya	18	-	18	11
Metropolitan Ghana	11	15	26	43
Metropolitan Swaziland	20	1	21	20
Metropolitan Nigeria	59	-	59	58
Momentum international businesses (1)	112	224	336	420
Total covered business	13 483	14 910	28 393	27 357
	Adjusted net worth Rm	Write up to directors' value Rm	30.06.2012 Rm	30.06.2011 Rm
Non-covered business				
Momentum Investments (2)	1 059	802	1 861	1 535
Metropolitan Health (3)	356	1 247	1 603	1 416
Momentum Retail (short-term insurance)	99	61	160	83
Metropolitan International Holdings (4)	288	(210)	78	(117)
MMI Holdings (after consolidation adjustments) (4)	1 330	(953)	377	567
Secondary Tax on Companies allowance	-	-	-	(150)
Total non-covered business	3 132	947	4 079	3 334
Total embedded value	16 615	15 857	32 472	30 691
Diluted net asset value – non-covered business	(3 132)			
Adjustments to covered business – adjusted net worth	3 299			
Reporting excess – long-term insurance business	16 782			

1. The Momentum international businesses were transferred from non-covered to covered business at 30 June 2011.

2. Momentum Investments subsidiaries are valued using forward Price Earnings multiples applied to the relevant sustainable earnings bases.

3. Metropolitan Health subsidiaries have been valued using Embedded Value methodology.

4. The holding company expenses reflect the present value of projected recurring head office expenses. The International holding company expenses reflect the allowance for support services to the international life assurance and health businesses.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Notes	Covered business			12 mths to 30.06.2012	12 mths to 30.06.2011
		Adjusted net worth (ANW) Rm	Gross Value of in-force (VIF) Rm	Cost of CAR Rm	Total EV Rm	Total EV excluding FNB Life 90% Rm
Profit from new business		(1 343)	2 192	(126)	723	727
Embedded value from new business	A	(1 343)	2 102	(126)	633	632
Expected return to end of period	B	-	90	-	90	95
Profit from existing business		3 587	(988)	(249)	2 350	2 229
Expected return – unwinding of RDR	B	-	1 835	(317)	1 518	1 377
Release from the cost of required capital	C	-	-	411	411	366
Expected (or actual) net of tax profit transfer to net worth	D	3 006	(3 006)	-	-	-
Operating experience variances	E	587	10	114	711	712
Operating assumption changes	F	(6)	173	(457)	(290)	(226)
Allowance for service level agreement between RMBUT and Momentum		-	-	-	-	128
Embedded value profit from operations		2 244	1 204	(375)	3 073	3 084
Investment return on adjusted net worth	G	870	-	-	870	1 057
Investment variances	H	(66)	(259)	(39)	(364)	215
Economic assumption changes	I	(117)	248	(21)	110	(65)
Acquisition of covered business	J	(215)	242	(22)	5	-
Exchange rate movements		14	4	-	18	(10)
Embedded value profit – covered business		2 730	1 439	(457)	3 712	4 281
Transfer of business (to)/from non-covered business	K	(350)	(173)	-	(523)	420
Capital transferred to non-covered business	L	(18)	(30)	-	(48)	-
Changes in share capital	M	317	49	(1)	365	139
Dividend paid		(2 498)	-	-	(2 498)	(1 717)
Change in reserves		28	-	-	28	-
Opening restatement for FNB Life (EV statement shown after restatement)		-	-	-	-	161
Change in embedded value – covered business		209	1 285	(458)	1 036	3 284
Non-covered business						
Change in directors' valuation and earnings					4	(82)
Allowance for service level agreement between RMBUT and Momentum					-	(288)
Holding company expenses					(248)	(574)
Secondary Tax on Companies allowance					6	(150)
Embedded value profit – non-covered business					(238)	(1 094)
Changes in share capital					(365)	(139)
Dividend paid					889	176
Finance costs – preference shares					(92)	(88)
Transfer of business to/(from) covered business	K				510	(420)
Capital transferred from covered business	L				41	-
Change in embedded value – non-covered business					745	(1 565)
Total change in group embedded value					1 781	1 719
Total embedded value profit					3 474	3 187
Return on embedded value (%) - internal rate of return					11.3%	11.0%

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

A. VALUE OF NEW BUSINESS

VALUE OF NEW BUSINESS	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan International Rm	Segmental total Rm
12 mths to 30.06.2012					
Value of new business (1)	207	262	130	34	633
Gross	269	284	173	34	760
Less cost of required capital	(62)	(22)	(43)	-	(127)
New business premiums	24 304	2 282	4 458	497	31 541
Recurring premiums	1 119	1 035	790	228	3 172
Single premiums	23 185	1 247	3 668	269	28 369
New business premiums (APE)	3 437	1 159	1 157	255	6 008
New business premiums (PVP)	29 249	5 371	9 421	1 332	45 373
Profitability of new business as a % of APE	6.0	22.6	11.2	13.3	10.5
Profitability of new business as a % of PVP	0.7	4.9	1.4	2.6	1.4
12 mths to 30.06.2011					
Value of new business	288	257	62	25	632
Gross	338	262	97	25	722
Less cost of required capital	(50)	(5)	(35)	-	(90)
New business premiums	23 910	2 822	3 531	320	30 583
Recurring premiums	1 237	921	753	190	3 101
Single premiums	22 673	1 901	2 778	130	27 482
New business premiums (APE)	3 504	1 111	1 030	203	5 848
New business premiums (PVP)	28 758	5 698	8 300	967	43 723
Profitability of new business as a % of APE	8.2	23.1	6.0	12.3	10.8
Profitability of new business as a % of PVP	1.0	4.5	0.7	2.6	1.4

- The above table assumes that Momentum and Metropolitan merged on 1 July 2010.
 - Value of new business and new business premiums are net of non-controlling interests.
 - The cost of capital for the international business is less than R1 million.
 - The value of new business has been calculated on closing assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business, for other business the investment yields at the end of the year have been used.
1. The value of new business (VNB) at 30 June 2012 still includes Momentum Wealth off-balance sheet sales; with VNB of R34 million (30.06.2011: R35 million) and PVP of R12 809 million (30.06.2011: R12 497 million). From financial year 2013 onwards the Wealth off-balance sheet business will be disclosed as part of non-covered business in the embedded value analysis. Excluding the Momentum Wealth off-balance sheet business would improve the Momentum Retail PVP margin to 1.1% and the overall PVP margin to 1.8%.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

	Momentum Retail On-balance sheet Rm	Momentum Retail Off-balance sheet Rm	Metropolitan Retail On-balance sheet Rm	Momentum Employee Benefits On-balance sheet Rm	Metropolitan International On-balance sheet Rm	Segmental total Rm
12 mths to 30.06.2012						
Value of new business	173	34	262	130	34	633
Gross	235	34	284	173	34	760
Less cost of required capital	(62)	-	(22)	(43)	-	(127)
New business premiums	11 518	12 786	2 282	4 458	497	31 541
Recurring premiums	1 054	65	1 035	790	228	3 172
Risk	566	-	735	419	-	1 720
Savings/Investments	486	65	300	368	-	1 219
Annuities	2	-	-	3	-	5
International	-	-	-	-	228	228
Single premiums	10 464	12 721	1 247	3 668	269	28 369
Savings/Investments	9 699	12 721	659	2 397	-	25 476
Annuities	765	-	588	1 271	-	2 624
International	-	-	-	-	269	269
New business premiums (APE)	2 100	1 337	1 159	1 157	255	6 008
Risk	566	-	734	419	-	1 719
Savings/Investments	1 456	1 337	366	608	-	3 767
Annuities	78	-	59	130	-	267
International	-	-	-	-	255	255
New business premiums (PVP)	16 384	12 865	5 371	9 421	1 332	45 373
Profitability of new business as a % of APE	8.2	2.5	22.6	11.2	13.3	10.5
Profitability of new business as a % of PVP	1.1	0.3	4.9	1.4	2.6	1.4

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

RECONCILIATION OF LUMP SUM INFLOWS	12 mths to 30.06.2012 Rm	12 mths to 30.06.2011 Rm
Total lump sum inflows	105 090	73 292
Inflows not included in value of new business	(77 631)	(47 284)
Momentum Retail	(342)	(36)
Momentum Employee Benefits	(66)	(109)
Balance Sheet Management	-	(36)
Momentum Africa	(1 122)	(124)
Momentum Investments		
On-balance sheet inflows	(10 661)	(8 846)
Off-balance sheet inflows	(65 440)	(38 133)
Term extensions on maturing policies	885	817
Retirement annuity proceeds invested in living annuities	-	715
Non-controlling interests and other adjustments	25	(58)
Single premiums included in value of new business	28 369	27 482

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

B. EXPECTED RETURN – UNWINDING OF RDR

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

C. RELEASE FROM THE COST OF REQUIRED CAPITAL

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

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

The expected profit transfer for covered business from the present value of in-force to the adjusted net worth is calculated on the statutory valuation method. While investment returns on certain explicit discretionary margin reserves were retained in the past, expected investment returns of R146 million on the statutory basis after tax (R182 million on the published basis after tax) have been released to earnings in the 12 months ended 30 June 2012 in conjunction with management's regular review of the adequacy of these margins in line with the accounting policy. This item is released from the value of in force as part of the item "Expected (or actual) net of tax profit transfer to net worth".

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

E. OPERATING EXPERIENCE VARIANCES

OPERATING EXPERIENCE VARIANCES	Notes	12 mths to 30.06.2012			12 mths to
		ANW Rm	Net VIF Rm	EV Rm	30.06.2011 EV Rm
Momentum Retail		27	49	76	222
Mortality and morbidity	1	150	4	154	195
Terminations, premium cessations and policy alterations	2	(46)	49	3	(6)
Expense variance	3	(23)	-	(23)	5
Other	4	(54)	(4)	(58)	28
Metropolitan Retail		20	(13)	7	106
Mortality and morbidity	1	98	(6)	92	132
Terminations, premium cessations and policy alterations	5	(63)	(13)	(76)	(56)
Expense variance		27	-	27	8
Other	6	(42)	6	(36)	22
Momentum Employee Benefits		130	17	147	(19)
Mortality and morbidity	1	53	-	53	65
Terminations		27	17	44	(80)
Expense variance		14	-	14	(15)
Other	7	36	-	36	11
Metropolitan International		51	(13)	38	66
Mortality and morbidity	1	62	-	62	94
Terminations, premium cessations and policy alterations		8	(7)	1	11
Expense variance	8	(31)	13	(18)	(59)
Other		12	(19)	(7)	20
Shareholder capital	9	359	(31)	328	320
Opportunity cost of required capital	10	-	115	115	17
Total operating experience variances		587	124	711	712

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

Notes

- Overall, underwriting experiences during the last 12 months were better compared to what was allowed for in the valuation basis.
- Worse than expected termination experience on certain product lines, offset by guarantee reserve releases on terminated business.
- The expense variance was a result of lower than expected sales volumes.
- Includes the financial impact of delays in certain annual premium rate adjustments, unanticipated (in valuation basis) reward program discounts and various other items.
- Lower than expected expense recoveries on withdrawals of smoothed bonus business and poor persistency on certain group scheme business written during the last year.
- Mainly relating to tax variances resulting from actual expense relief being lower than assumed.
- Due to various one-off items following the harmonisation of valuation methods and practices.
- Expense under-recoveries are being experienced in mainly the start-up life and health operations.
- The income recorded in respect of shareholder capital relates mostly to earnings from holding company activities and the management of MMI's capital and shareholder balance sheet risks. Other sources of earnings such as variations in actual tax payments and corporate expenses not allocated to underlying business units are also included here.
- Changes in the cost of capital resulting from demographic experience on certain products and also derisking activities.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

F. OPERATING ASSUMPTION CHANGES

OPERATING ASSUMPTION CHANGES	Notes	12 mths to 30.06.2012			12 mths to
		ANW Rm	Net VIF Rm	EV Rm	30.06.2011 EV Rm
Momentum Retail		(12)	(208)	(220)	(244)
Mortality and morbidity assumptions		5	6	11	144
Renewal expense assumptions	1	83	(66)	17	(175)
Termination assumptions		(7)	-	(7)	(79)
Methodology changes	2	(93)	(148)	(241)	(134)
Metropolitan Retail		115	28	143	(141)
Mortality and morbidity assumptions		-	15	15	19
Renewal expense assumptions		(2)	(1)	(3)	(15)
Termination assumptions		15	(12)	3	13
Discretionary margins		-	-	-	14
Methodology changes		(37)	31	(6)	(120)
Other	3	139	(5)	134	(52)
Momentum Employee Benefits		11	285	296	(247)
Assumed mortality and morbidity profit margin	4	21	61	82	-
Termination assumptions		-	56	56	(8)
Renewal expense assumptions	5	(3)	112	109	(98)
Methodology changes	3	(7)	62	55	(138)
Assumption reviews		-	-	-	7
Other		-	(6)	(6)	(10)
Metropolitan International		(120)	76	(44)	(64)
Mortality and morbidity assumptions		1	-	1	(10)
Renewal expense assumptions		(19)	11	(8)	(46)
Termination assumptions		(42)	35	(7)	6
Modelling changes	6	(28)	4	(24)	(26)
Methodology changes		(1)	(9)	(10)	29
Assumed mortality and morbidity profit margin		(31)	35	4	-
Other		-	-	-	(17)
Shareholder capital		-	(6)	(6)	-
Methodology change: cost of required capital	7	-	(459)	(459)	(85)
Secondary Tax on Companies		-	-	-	555
Total operating assumption changes		(6)	(284)	(290)	(226)

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

Notes

- Mainly due to expense reallocations between product lines.
- Various basis and methodology changes including the implementation of new economic scenario generator to calculate maturity guarantee reserves, a correction of fees on the Retail Wealth and closed books, allowance for the revised capital gains and dividend withholding taxes and changes relating to the modelling of fund build-ups on certain linked products.
- Mainly a result of the 50 basis points relative reduction in the expense inflation assumption.
- Allowance for improved risk margins on Group Life business.
- Allowance for merger related savings taken out of the cost base.
- Includes an allowance for expense under-recoveries in start-up African life companies.
- Various changes to the technical calculation of the cost of capital, including the impact of the change in the investment strategy of the Metropolitan Life shareholder assets that increased the cost of capital by R523 million.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

G. INVESTMENT RETURN ON ADJUSTED NET WORTH

INVESTMENT RETURN ON ADJUSTED NET WORTH	12 mths to 30.06.2012 Rm	12 mths to 30.06.2011 Rm
Investment income	611	614
Capital appreciation	290	475
Change in fair value of properties	-	(38)
Preference share dividends paid and change in fair value of preference shares	(31)	6
Investment return on adjusted net worth	870	1 057

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

H. INVESTMENT VARIANCES

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

I. ECONOMIC ASSUMPTION CHANGES

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

J. ACQUISITION OF COVERED BUSINESS

The acquisition of 51% of Momentum Life Assurance Namibia Limited is brought onto the embedded value statement effective 30 June 2012. No embedded value earnings numbers are therefore included for this item.

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

Momentum Wealth off-balance sheet business is reclassified as non-covered business effective 30 June 2012. For the current financial period the embedded value earnings and value of new business is still shown as part of the covered business disclosures and analysis. The net difference in the transfers (ie negative R13 million) represents the change in the allowance for cost of required capital.

L. CAPITAL TRANSFERRED TO NON-COVERED BUSINESS

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

M. CHANGES IN SHARE CAPITAL

Changes in share capital include the capitalisation of Metropolitan Life Namibia, relating to the purchase of the 51% share of Momentum Life Namibia.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

COVERED BUSINESS: SENSITIVITIES – 30.06.2012	Adjusted net worth	In-force business			New business written		
		Net value	Gross value	Cost of CAR	Net value	Gross value	Cost of CAR
	Rm	Rm	Rm	Rm	Rm	Rm	Rm
Base value	13 483	14 910	17 783	(2 873)	633	760	(127)
1% increase in risk discount rate % change		13 581 (9)	16 784 (6)	(3 203) 11	498 (21)	640 (16)	(142) 12
1% reduction in risk discount rate % change		16 299 9	18 798 6	(2 499) (13)	775 22	882 16	(107) (16)
10% decrease in future expenses % change ⁽¹⁾		15 767 6	18 638 5	(2 871) -	759 20	885 16	(126) (1)
10% decrease in lapse, paid-up and surrender rates % change		15 370 3	18 357 3	(2 987) 4	783 24	916 21	(133) 5
5% decrease in mortality and morbidity for assurance business % change		16 025 7	18 898 6	(2 873) -	779 23	905 19	(126) (1)
5% decrease in mortality for annuity business % change		14 694 (1)	17 559 (1)	(2 865) -	622 (2)	748 (2)	(126) (1)
1% reduction in gross investment return, inflation rate and risk discount rate % change ⁽²⁾	13 360 (1)	14 953 -	17 933 1	(2 980) 4	700 11	828 9	(128) 1
1% reduction in inflation rate % change	13 609 1	15 152 2	18 026 1	(2 874) -	672 6	798 5	(126) (1)
10% fall in market value of equities and properties % change	13 268 (2)	13 929 (7)	16 977 (5)	(3 048) 6			
10% reduction in premium indexation take-up rate % change		14 614 (2)	17 487 (2)	(2 873) -	584 (8)	710 (7)	(126) (1)
10% decrease in non-commission related acquisition expenses % change					722 14	848 12	(126) (1)
1% increase in equity/property risk premium % change		15 190 2	18 063 2	(2 873) -	648 2	774 2	(126) (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 – STOCK EXCHANGE PERFORMANCE

STOCK EXCHANGE PERFORMANCE	30.06.2012	30.06.2011
12 month period		
Value of listed shares traded (rand million)	11 420	12 269
Volume of listed shares traded (million)	655	736
Shares traded (% of average listed shares in issue)	43	66
Value of shares traded – life insurance (J857 – Rbn)	119	103
Value of shares traded – top 40 index (J200 – Rbn)	2 791	2 475
Trade prices		
Highest (cents per share)	1 976	1 776
Lowest (cents per share)	1 505	1 505
Last sale of period (cents per share)	1 800	1 699
Percentage (%) change during period	6	6
Percentage (%) change – life insurance sector (J857)	29	17
Percentage (%) change – top 40 index (J200)	4	23
30 June		
Price/diluted core headline earnings (segmental) ratio	9.8	10.6
Dividend yield % (dividend on listed shares)	6.3	6.2
Dividend yield % – top 40 index (J200)	3.0	2.4
Total shares issued (million)		
Listed on JSE	1 571	1 504
Ordinary shares	1 571	1 504
Share incentive scheme	-	-
Unlisted – share purchase scheme	-	1
Total ordinary shares in issue	1 571	1 505
Treasury shares held on behalf of contract holders	(13)	(14)
Adjustment to staff share scheme shares ⁽¹⁾	-	(1)
Share incentive scheme	-	-
Share purchase scheme	-	(1)
Basic number of shares in issue	1 558	1 490
Adjustment to staff share scheme shares	-	1
Treasury shares held on behalf of contract holders	13	14
Convertible redeemable preference shares	34	100
Diluted number of shares in issue ⁽²⁾	1 605	1 605
Market capitalisation at end (Rbn) ⁽³⁾	29	27
Percentage (%) of life insurance sector	13	15

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

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

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