

6 March 2013

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.

CONTENT	PAGE
• Overview of operations & prospects	3-5
• Directors' statement	5-8
• IFRS financial information	
○ Condensed consolidated statement of financial position	9
○ Condensed consolidated income statement	10
○ Reconciliation of headline earnings	11
○ Earnings per share	12
○ Dividends	12
○ Condensed consolidated statement of comprehensive income	13
○ Condensed consolidated statement of changes in equity	14
○ Condensed consolidated statement of cash flows	15
○ Principal assumptions	15
○ Non-controlling interests	15
○ Financial instrument assets	16
○ Analysis of assets under management	16
○ Analysis of assets backing shareholder excess	16
○ Business combinations	17
• Segmental information	
○ Restated 6 months to 31.12.2012	18
○ Restated 6 months to 31.12.2011	19
○ Restated 12 months to 30.06.2012	20
○ Reconciliation of Momentum Investments	21
○ Reconciliation of Metropolitan Health	21
○ Payments to contract holders	22
○ Net funds received from clients	23
○ Number of employees	23

• Statement of assets & liabilities	
○ On reporting basis	24
○ Reconciliation of reporting excess to statutory excess	25
• Embedded value information	
○ Embedded value results as at ...	26
○ Analysis of net value of in-force business per division	27
○ Embedded value	28
○ Analysis of changes in group embedded value	29
○ Value of new business	30-33
○ Reconciliation of lump sum inflows	34
○ Operating experience variances	35
○ Operating assumptions changes	36
○ Investment return on adjusted net worth	37
○ Covered business: sensitivities – 31.12.2012	38
• Stock exchange performance	40

MMI HOLDINGS UNAUDITED GROUP RESULTS

for the six months ended 31 December 2012

FOCUSED HIGHLIGHTS

VALUE OF NEW BUSINESS up 18% to R340 million

EXPENSE BASE reduced by R256 million

CORE HEADLINE EARNINGS up 16% to 94 cents per share

Interim DIVIDEND up 16% to 51 cents per share

CAPITAL BUFFER of R3.8 billion

Annualised RETURN on EMBEDDED VALUE of 20%

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. The core activities of MMI are long- and short-term insurance (upper, middle and lower income groups), investments, employee benefits, healthcare administration and health risk management.

OPERATING ENVIRONMENT

Equity markets rose strongly during the reporting period while long bond interest rates closed slightly lower. Overall consumer confidence remained fragile, labour unrest increased and employment levels continued to be under pressure. Despite some positive economic signals, local operating conditions remained challenging.

GROUP RESULTS

- The embedded value of R33.5 billion (2 086 cents per share), after allowing for the R2.1 billion final and special dividend paid to shareholders, generated an impressive annualised return on embedded value for shareholders of 20%.
- Diluted core headline earnings increased by 16% to R1 501 million for the period. The contribution from operating divisions increased 39% to R1 106 million.
- A positive net cash flow from policyholders was recorded for the period.
- The transactions to acquire 55% of Eris Properties and the remaining 50% in Momentum Short-Term Insurance (MSTI) became unconditional during the period.
- The full results of Momentum Namibia and MSTI were included for the first time, while MMI's share of Eris Properties' results was included from the effective date of acquisition.

MERGER BENEFITS

- The legal amalgamation of the Metropolitan and Momentum long-term insurance licences into MMI Group is progressing, subject to regulatory approvals.
- The Metropolitan and Momentum client-facing brands remain unchanged.
- Group and divisional strategies have been entrenched and collaboration initiatives between divisions implemented.
- The targeted merger savings of R500 million are on track, with a reduction of R256 million recorded to date.
- Overall, the benefits envisaged as part of the merger rationale are being realised.

CAPITAL STRENGTH

- MMI actively manages its capital resources within a defined risk appetite and balances the interests of all stakeholders.
- The group remains actively involved and committed to the Regulator's Solvency Assessment and Management (SAM) project.
- A capital buffer of R3.8 billion was recorded at 31 December 2012, after allowing for strategic growth initiatives and

the interim 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.

OVERVIEW OF OPERATIONS

MOMENTUM RETAIL

- New business, on an annual premium equivalent (APE) basis and excluding non-covered business, increased by 10% to exceed R1 billion for the half-year.
- The new business margin, on a present value of premiums (PVP) basis, while boosted by a 10% increase in volume and controlled expense management, only increased marginally to 1.1% as a result of the mix of business favouring lower-margin single premium products.
- Good risk experience was recorded during the period.
- As a result, operating profit for the period increased by 38% to R522 million.

METROPOLITAN RETAIL

- Recurring premium new business maintained the high levels recorded in the prior year.
- Single premium income from continuing business increased by 20%.
- The value of new business increased marginally to R153 million, at a PVP margin of 5.3%, on the back of strong production and good new business expense management.
- The 2011 results included new business and profits from a poor-performing group scheme that was subsequently terminated.
- At R242 million, operating profit for the period was 19% higher.

MOMENTUM EMPLOYEE BENEFITS

- Total new business of R566 million, on an APE basis, was recorded for the half-year.
- A couple of large single premium new business policies were secured during the period. Recurring premium new business is traditionally slow in the first half of the year.
- Increased single premium annuity business was a large contributor to the higher value of new business.
- Client retention interventions resulted in better persistency across all product lines while improved risk profit performance, with a recovery in disability experience, contributed to positive operating experience variances.
- The division's expense-to-income ratio has improved through merger-related efficiencies.
- Operating profit for the period increased by 65% to R163 million.

METROPOLITAN INTERNATIONAL

- New business increased by 32% to R170 million on an APE basis, with improved contributions from all operations.
- The value of new business followed the same trend, increasing from R13 million to R28 million.
- Lives under administration in the health business decreased by 3% to 381 000, while claims ratios improved as a result of successful re-pricing.
- Good progress has been made strategically and operationally and the business is well positioned to continue growing in the twelve countries outside South Africa.
- Operating profit of R39 million was recorded for the half-year, compared to a R3 million loss in the prior period.

MOMENTUM INVESTMENTS

- Equity performance showed satisfactory improvement during the period. Further work is required on the performance of institutional balanced mandates.
- The retail offerings are gaining traction in the market.
- The unconstrained strategies team was launched.

- A transaction to acquire control of the Eris Property Group was concluded.
- Operating profit for the period increased by 19% to R74 million.

METROPOLITAN HEALTH

- Good growth was recorded in both the Momentum Health open scheme and the Government Employees Medical Scheme.
- Revenue growth was restricted by the loss of a few smaller corporate schemes.
- Merger-related efficiencies contributed to improved operational efficiencies.
- The business continued positioning itself for health reforms.
- Operating profit increased 14% to R66 million.

PROSPECTS

- The strategic focus of the MMI group has shifted from integration to growth initiatives.
- Each division has implemented plans and processes to identify and optimise structures, operations, target markets, distribution channels and product offerings.
- Growth in new business volumes will, however, remain dependent on the economic environment, including a recovery in employment and stronger disposable income levels.
- Ongoing uncertainties from local labour and the Eurozone could have a negative impact on business confidence in the markets where we operate.
- The board of MMI Holdings believes that the group has appropriate strategies to unlock value and generate a satisfactory return on capital for shareholders over time.

DIRECTORS' STATEMENT

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

Corporate events and amalgamations

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

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

Basis of presentation of financial information

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

in estimates that are an integral part of the insurance business. The group is exposed to financial and insurance risks, details of which are also provided in the group's integrated report.

Segmental information

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

Reclassifications

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

- Investments in collective investment schemes where the group holds between 20% and 50% of the issued units were previously disclosed as investments in associates. These investments have always been designated at fair value through income using the scope exemption in IAS 28 and disclosed as part of the investment in associates. Totalling R8 376 million as at 31 December 2011, these investments have been reallocated to financial instruments – investments in associates designated at fair value through income as this better reflects the nature thereof. The investment in associates' balance has therefore been restated from R8 663 million to R287 million.
- Carry positions of R1 304 million as at 31 December 2011, previously included in financial liabilities designated at fair value through income, have been set off against the assets designated at fair value through income as a result of further alignments and judgements related to financial instruments within the MMI group. The financial liabilities designated at fair value through income have therefore been restated from R13 085 million to R11 781 million and financial assets designated at fair value through income from R230 315 million to R229 011 million, respectively.
- The liquidity of certain items on the statement of financial position was also re-assessed, which resulted in reinsurance contracts and insurance and other receivables being moved on the statement of financial position.
- Further alignments within financial assets, regarding classification, have been made in the current period and as a result certain 31 December 2011 and 30 June 2012 balances have been restated. These alignments did not result in a change to the statement of financial position but only to certain detailed financial asset related tables.
- The comparative segmental information for December 2011 and June 2012 has been restated, where appropriate, to ensure alignment with the way in which the chief operating decision-maker, being the MMI executive committee, monitors and evaluates the performance of the various segments of the business.

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

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

- The following amendment to a standard became effective for the first time in the current period and had no impact on the group's earnings: IAS 1 (amendment) – Presentation of financial statements: presentation of items of other comprehensive income.

- The following amendment to a standard is effective for annual periods beginning on or after 1 January 2012, but was early adopted by the group for the June 2011 financial period: IAS 12 (amendment) – Income taxes: deferred tax – recovery of underlying assets.

Corporate governance

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

Directorate changes and directors' shareholding

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

Capital commitments and contingent liabilities

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

Events after the reporting period

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

Dividend declaration for the interim period

Ordinary shares

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

On 5 March 2013 a gross interim dividend of 51 cents per ordinary share was declared, payable out of income reserves to all holders of ordinary shares recorded in the register of the company at the close of business on Thursday, 28 March 2013 and will be paid on Tuesday, 2 April 2013. The dividend will be subject to local dividends withholding tax at a rate of 15% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate. The STC credits utilised per share amount to 0.35597 cents per ordinary share. This will result in a net dividend, for those shareholders who are not exempt from paying dividend tax, of 43.40340 cents per ordinary share.

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

Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to certificated

shareholders on or about payment date. Shareholders who hold dematerialised shares will have their accounts with their CSDP or broker credited on the payment date.

Preference share dividend

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

Signed on behalf of the board

JJ Njeke

Chairman

Nicolaas Kruger

Group chief executive officer

Centurion

6 March 2013

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

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

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

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

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

1. Financial instrument assets consist of the following:

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

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

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

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

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

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

2. Other financial instrument liabilities consist of the following:

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

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

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

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

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

1. Fee income consists of the following:

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

2. Finance costs consist of the following:

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

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

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

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

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

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

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

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

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

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

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

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

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

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

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

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

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

2. Other reserves consist of the following:

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

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

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

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

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

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

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

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

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

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

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

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

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

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

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

MMI HOLDINGS – IFRS FINANCIAL INFORMATION

Business combinations – December 2012

Momentum Short-term Insurance

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

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

Eris Property Group

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

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

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

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

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

MMI HOLDINGS – SEGMENTAL INFORMATION

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

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

MMI HOLDINGS – SEGMENTAL INFORMATION

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

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

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

MMI HOLDINGS – SEGMENTAL INFORMATION

Restated 12 mths to 30.06.2012	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits Rm	Metropolitan Inter- national Rm	Momentum Investments Rm	Metropolitan Health Rm	Shareholder capital Rm	Segmental total Rm	Other reconciling items ⁽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	1 751	130	932	129	1 099	1 701	82	5 824	(576)	5 248
Fee income	1 751	130	932	129	1 099	1 701	82	5 824	(7)	5 817
Inter-segmental fee income	-	-	-	-	-	-	-	-	(569)	(569)
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	65	6 632
Amortisation due to business combinations and	19	-	6	20	12	53	40	150	614	764
Direct property expenses	-	-	-	-	-	-	-	-	302	302
Asset management and other fee expenses	-	-	-	-	213	-	-	213	1 050	1 263
Holding company expenses	-	-	-	-	-	-	201	201	-	201
Inter-segmental expenses	-	-	-	-	-	-	-	-	(569)	(569)
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	218	3 043	-	3 043
Tax on operating profit	(408)	(171)	(102)	(20)	(40)	(51)	(28)	(820)	-	(820)
Investment income	-	-	-	-	27	17	855	899	-	899
Tax on investment income	-	-	-	-	(8)	(3)	(156)	(167)	-	(167)
Actuarial liabilities	131 252	31 064	43 898	6 326	30 055	1	2 902	245 498	(453)	245 045

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

MMI HOLDINGS – SEGMENTAL INFORMATION

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	Other reconciling items 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.										
December 2011										
Fee income										
Published December 2011	840	73	294	20	480	847	219	2 773	(161)	2 612
Reclassifications	218	-	25	-	-	5	(193)	55	(55)	-
Restated December 2011	1 058	73	319	20	480	852	26	2 828	(216)	2 612
Net payments to contract holders										
Published December 2011	7 719	2 386	4 557	580	5 794	11	804	21 851	(12 506)	9 345
Reclassifications	5	-	-	-	-	-	(5)	-	-	-
Restated December 2011	7 724	2 386	4 557	580	5 794	11	799	21 851	(12 506)	9 345
Other expenses										
Published December 2011	1 610	958	515	422	416	775	245	4 941	838	5 779
Reclassifications	42	-	(15)	(3)	-	-	(9)	15	(15)	-
Restated December 2011	1 652	958	500	419	416	775	236	4 956	823	5 779
June 2012										
Fee income										
Published June 2012	1 797	130	938	129	1 099	1 701	30	5 824	(576)	5 248
Reclassifications	(46)	-	(6)	-	-	-	52	-	-	-
Restated June 2012	1 751	130	932	129	1099	1 701	82	5 824	(576)	5 248

MMI HOLDINGS – SEGMENTAL INFORMATION

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

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

MMI HOLDINGS – SEGMENTAL INFORMATION

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

MMI HOLDINGS – SEGMENTAL INFORMATION

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

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

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

MMI HOLDINGS – STATEMENT OF ASSETS AND LIABILITIES

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

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

MMI HOLDINGS – STATEMENT OF ASSETS AND LIABILITIES

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

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

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

- Disregarded assets include Sage intangible assets of R576 million (31.12.2011: R604 million; 30.06.2012: R590 million), goodwill and various other items.
- For accounting purposes, Metropolitan Health has been consolidated at 100%, while Metropolitan Namibia and Metropolitan Kenya have been consolidated at 96% for the current period, in the statement of financial position. For embedded value purposes, disclosed on a diluted basis, the non-controlling interests and related funding have been reinstated.
- Consolidation adjustments include mainly goodwill and intangibles in subsidiaries that are eliminated.
- The carrying value of Momentum Namibia included in the reporting excess for the prior period was written down to the company's net asset value. For December 2012 this adjustment is already included in the reporting excess.
- Adjustments for dilution are made up as follows:
 - Dilutory effect of subsidiaries (note 2): R121 million (31.12.2011: R165 million; 30.06.2012: R74 million)
 - Staff share scheme loans: Rnil (31.12.2011: R2 million; 30.06.2012: Rnil)
 - Treasury shares held on behalf of contract holders: R203 million (31.12.2011: R198 million; 30.06.2012: R220 million)
 - Liability – MMI convertible preference shares issued to KTH: R313 million (31.12.2011: R712 million; 30.06.2012: R316 million)
- The holding company expenses reflect the present value of projected recurring head office expenses. The International holding company expenses reflect the allowance for support services to the international life assurance and health businesses.
- The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares and the release of staff share scheme shares, and includes the treasury shares held on behalf of contract holders.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

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

Notes

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

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

1. The Momentum international businesses were transferred from non-covered to covered business at 30 June 2011. At 31 December 2012 Momentum Namibia has been shown separately, reflecting the conclusion of the purchase transaction.

2. Momentum Investments subsidiaries are valued using forward Price Earnings multiples applied to the relevant sustainable earnings bases. December 2012 includes the valuation of Eris Properties Group.

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

4. Momentum Retail (Wealth) embedded value was included under covered business as at 31 December 2011.

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

A. VALUE OF NEW BUSINESS

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

- Value of new business and new business premiums are net of non-controlling interests.
- The cost of capital for the international business for December 2011 and June 2012 is less than R1 million.
- The value of new business has been calculated on closing assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business, for other business the investment yields at the end of the year have been used.

1. The Wealth off-balance sheet business has been excluded from covered business in the current period. The comparative value of new business information has been restated but the analysis of changes in embedded value has not been restated.

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

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

B. EXPECTED RETURN – UNWINDING OF RDR

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

C. RELEASE FROM THE COST OF REQUIRED CAPITAL

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

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

The expected profit transfer for covered business from the present value of in-force to the adjusted net worth is calculated on the statutory valuation method. While investment returns on certain explicit discretionary margin reserves were retained in the past, expected investment returns of R55 million (31.12.2011: R86 million; 30.06.2012: R146 million) on the statutory basis after tax (R68 million (31.12.2011: R101 million; 30.06.2012: R182 million) on the published basis after tax) have been released to earnings in the six months ended 31 December 2012 in conjunction with management's regular review of the adequacy of these margins in line with the accounting policy. This item is released from the value of in force as part of the item "Expected (or actual) net of tax profit transfer to net worth".

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

E. OPERATING EXPERIENCE VARIANCES

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

Notes

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

F. OPERATING ASSUMPTION CHANGES

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

Notes

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

G. INVESTMENT RETURN ON ADJUSTED NET WORTH

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

H. INVESTMENT VARIANCES

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

I. ECONOMIC ASSUMPTION CHANGES

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

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

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

MMI HOLDINGS – EMBEDDED VALUE INFORMATION

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

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

MMI HOLDINGS – STOCK EXCHANGE PERFORMANCE

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

1. Percentages have been annualised.

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

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

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