



MMI HOLDINGS

Summary of financial information

Audited results for the 12 months ended 30 June 2016

MMI HOLDINGS GROUP

DIRECTORS' STATEMENT

The directors take pleasure in presenting the audited summarised results of MMI Holdings financial services group for the year ended 30 June 2016. The preparation of the group's results was supervised by the group finance director, Mary Vilakazi, CA(SA).

Corporate events

Listed debt

MMI Group Ltd (MMIGL) listed new unsecured subordinated callable notes to the total value of R1 250 million on the JSE on 6 August 2015.

On 15 September 2015, R1 000 million of unsecured subordinated notes previously issued by MMIGL were redeemed.

Minority buy-out

In May 2016, MMI acquired the remaining stake in UBA Metropolitan (50%) for R248 million. From an IFRS perspective the 50% acquired is carried at R144 million which excludes any goodwill or value of intangibles, and therefore resulted in a loss of R104 million, which was recorded in equity. This had no impact on earnings.

Sale of business

The group has signed a sale agreement to sell the FNB Life business to FirstRand Life Assurance Ltd. The transaction is awaiting FSB approval for the S37 transfer.

Basis of preparation of financial information

These summarised consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS); International Accounting Standard 34 (IAS 34) – Interim financial reporting; the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; the JSE Listings Requirements and the South African Companies Act, 71 of 2008. The accounting policies applied in the preparation of these financial statements are in terms of IFRS and are consistent with those adopted in the previous years except as described below. Critical judgements and accounting estimates are disclosed in detail in the group's integrated report for the year ended 30 June 2016, including changes in estimates that are an integral part of the insurance business. The group is exposed to financial and insurance risks, details of which are also provided in the group's integrated report.

New and revised standards effective for the period ended 30 June 2016 and relevant to the group

There were no new standards or new amendments to standards and interpretations effective in the current period.

MMI HOLDINGS GROUP

Segmental report

From 1 July 2015 the MMI group embarked on a new segmental reporting view that is aligned with the client-centric goals of the group. The segmental report and analysis of changes in embedded value have been disclosed on this new internal structure and the prior year has been restated. The new segmental reporting had no impact on the current or prior year reported earnings, diluted earnings or headline earnings per share, or on the net asset value or net cash flow.

The new client-centric reporting view reflects the following segments:

Momentum Retail: Momentum Retail's purpose is to enhance the lifetime financial wellness of people, their families, communities and businesses. The focus is on the upper retail segment and the small business segment in South Africa, offering innovative and appropriate wealth creation, risk and savings solutions. The group's short-term insurance and open medical scheme solutions are also marketed under the Momentum Retail brand.

Metropolitan Retail: Metropolitan Retail's purpose is to enhance the lifetime financial wellness of people, their families and their communities through empowerment and education. The focus is on the entry-level market in South Africa, offering savings, income generation, risk and funeral products and solutions.

Corporate and Public Sector: This segment's purpose is to enhance the lifetime financial wellness of businesses, employees, customers and their communities. The segment focuses on the strategic issues that affect institutions and their employees. The Corporate and Public Sector focuses on medium to large corporates, affinity groups, labour unions and the public sector institutions, offering solutions that grow their profitability, protect their asset base and enhance their sustainability.

International: The International segment manages MMI's global expansion holistically in order to enhance the lifetime financial wellness of people, their communities and their businesses in selected segments of countries where MMI is represented. The results of any strategic initiatives are reported under Shareholder Capital.

Shareholder Capital: This segment is responsible for the management of the capital base of the group. It also includes the incubation of strategic initiatives until they are transferred to the relevant operating segment.

Corporate governance

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

Changes to the directorate, secretary and directors' shareholding

Sizwe Nxasana retired from the MMI board on 30 September 2015 and Leon Crouse retired from the MMI board with effect from 31 March 2016. On 1 July 2015, Mary Vilakazi was appointed as the group finance director. On 20 November 2015, Peter Cooper was appointed to the board. On 21 July 2016, Voyt Krzychylkiewicz was appointed as an alternative director to Peter Cooper.

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

Changes to the group executive committee

Mark van der Watt resigned from his role of chief executive officer of the Life Insurance Centre of Excellence on 30 April 2016. Thinus Alsworth-Elvey was appointed to the group executive committee as chief executive officer of the Investments and Savings Centre of Excellence from 1 May 2016. Zureida Ebrahim was appointed to the group executive committee as chief executive officer of Client Engagement Solutions from 1 May 2016. Blum Khan retired from his role as chief executive officer of MMI's Africa and Southeast Asia business on 30 June 2016. Innocent Dutiro was appointed in this role from 1 July 2016.

MMI HOLDINGS GROUP

Contingent liabilities and capital commitments

As part of running a business, the group is party to legal proceedings and appropriate provisions are made when losses are expected to materialise. The group had no material capital commitments at 30 June 2016 that were not in the ordinary course of business other than those disclosed in the 2016 integrated report.

Events after year-end

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

Final dividend declaration

Ordinary shares

- On 6 September 2016, a gross final dividend of 92 cents per ordinary share was declared, resulting in a total dividend of 157 cents per share.
- The dividend is 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, 30 September 2016, and will be paid on Monday, 3 October 2016.
- The dividend will be subject to local dividend withholding tax at a rate of 15% unless the shareholder is exempt from paying dividend tax or is entitled to a reduced rate.
- This will result in a net final dividend of 78.2 cents per ordinary share for those shareholders who are not exempt from paying dividend tax.
- The last day to trade cum dividend will be Tuesday, 27 September 2016.
- The shares will trade ex dividend from the start of business on Wednesday, 28 September 2016.
- Share certificates may not be dematerialised or rematerialised between Wednesday, 28 September 2016 and Friday, 30 September 2016, both days inclusive.
- The number of ordinary shares in issue at the declaration date was 1 573 834 190.
- MMI's income tax number is 975 2050 147.

Preference shares

- Dividends of R20.1 million (2015: R21.3 million) (132 cents per share p.a.) were declared on the unlisted A3 MMI Holdings Ltd preference shares as determined by the company's Memorandum of Incorporation.

Integrated information

The integrated report for 2016 will be posted to shareholders, and can be viewed online at www.mmiholdings.com, on or about 30 September 2016.

Directors' responsibility

The preparation of these results, and the correct extraction thereof from the group's audited 2016 annual financial statements, are the responsibility of the directors. A printed version of the SENS announcement may be requested from the group company secretary, Maliga Chetty tel: 012 684 4255.

MMI HOLDINGS GROUP

External audit

These summarised results have not been audited, but have been extracted from the group's 2016 annual financial statements, which have been audited by PricewaterhouseCoopers Inc. and their unqualified audit report, together with the group's audited 2016 annual financial statements, are available for inspection at the company's registered office. In addition, the summarised group embedded value information has been extracted from the 2016 group embedded value report, which has been reviewed by PricewaterhouseCoopers Inc. in accordance with the embedded value basis of MMI, and the review report is available for inspection at the company's registered office.

Signed on behalf of the board

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

Centurion
6 September 2016

DIRECTORS: MJN Njeke (chairman), JP Burger (deputy chairman), NAS Kruger (group chief executive officer), M Vilakazi (group finance director), P Cooper, F Jakoet, Prof JD Krige, PJ Moleketi, SA Muller, V Nkonyeni, KC Shubane, FJC Truter, BJ van der Ross, JC van Reenen, LL von Zeuner, W Krzychylkiewicz (alternate to P Cooper)

GROUP COMPANY SECRETARY: Maliga Chetty

WEBSITE: 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 – SOUTH AFRICA: Merrill Lynch South Africa (Pty) Ltd (registration number: 2000/031756/06) SPONSOR – NAMIBIA: Simonis Storm Securities (Pty) Ltd

AUDITORS: PricewaterhouseCoopers Inc.

REGISTERED OFFICE: 268 West Avenue, Centurion 0157

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

SENS ISSUE: 7 September 2016

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED STATEMENT OF FINANCIAL POSITION	30.06.2016 Rm	30.06.2015 Rm
ASSETS		
Intangible assets	12 433	13 153
Owner-occupied properties	3 112	3 030
Property and equipment	432	353
Investment properties	7 422	7 212
Investments in associates	680	145
Employee benefit assets	445	408
Financial instruments (1)	393 968	388 258
Reinsurance contract assets	5 092	3 046
Deferred income tax	279	287
Properties under development	187	330
Insurance and other receivables	4 497	4 080
Current income tax assets	537	365
Cash and cash equivalents	29 148	26 174
Non-current assets held for sale	470	-
Total assets	458 702	446 841
EQUITY		
Equity attributable to owners of the parent	24 109	24 547
Non-controlling interests	290	501
Total equity	24 399	25 048
LIABILITIES		
Insurance contract liabilities		
Long-term insurance contracts	107 115	104 776
Short-term insurance contracts	6 978	6 553
Financial instruments		
Investment contracts	257 985	246 490
– with discretionary participation features (DPF)	25 195	26 134
– designated at fair value through income	232 790	220 356
Other financial instruments (2)	41 529	42 923
Reinsurance contract liabilities	973	659
Deferred income tax	3 812	4 351
Employee benefit obligations	1 452	1 735
Other payables	14 384	14 062
Provisions	43	78
Current income tax liabilities	32	166
Total liabilities	434 303	421 793
Total equity and liabilities	458 702	446 841

1. Financial instruments consist of the following:

- Securities designated at fair value through income: R373 630 million (30.06.2015: R365 727 million)
- Investments in associates designated at fair value through income: R10 499 million (30.06.2015: R12 362 million)
- Derivative financial instruments: R1 977 million (30.06.2015: R2 033 million)
- Available-for-sale: R125 million (30.06.2015: R208 million)
- Held-to-maturity: R122 million (30.06.2015: R73 million)
- Loans and receivables: R7 615 million (30.06.2015: R7 855 million)

2. Other financial instruments consist of the following:

- Designated at fair value through income: R38 374 million (30.06.2015: R39 720 million)
- Derivative financial instruments: R2 097 million (30.06.2015: R2 111 million)
- Amortised cost: R1 058 million (30.06.2015: R1 092 million)

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED INCOME STATEMENT	12 mths to 30.06.2016 Rm	12 mths to 30.06.2015 Rm
Net insurance premiums	28 971	27 396
Fee income ⁽¹⁾	7 679	7 355
Investment income	17 522	15 559
Net realised and fair value gains	11 824	16 248
Net income	65 996	66 558
Net insurance benefits and claims	26 609	24 610
Change in liabilities	(674)	(869)
Change in long-term insurance contract liabilities	354	(2 069)
Change in short-term insurance contract liabilities	(71)	(139)
Change in investment contracts with DPF liabilities	(940)	728
Change in reinsurance assets	(331)	154
Change in reinsurance liabilities	314	457
Fair value adjustments on investment contract liabilities	16 205	16 039
Fair value adjustments on collective investment scheme liabilities	(153)	2 457
Depreciation, amortisation and impairment expenses	1 408	1 326
Employee benefit expenses	5 341	5 922
Sales remuneration	5 304	5 071
Other expenses	6 695	5 806
Expenses	60 735	60 362
Results of operations	5 261	6 196
Share of profit of associates	18	4
Finance costs ⁽²⁾	(937)	(792)
Profit before tax	4 342	5 408
Income tax expense	(2 164)	(2 431)
Earnings for the year	2 178	2 977
Attributable to:		
Owners of the parent	2 142	2 857
Non-controlling interests	36	120
	2 178	2 977
Basic earnings per ordinary share (cents)	137.6	183.5
Diluted earnings per ordinary share (cents)	135.9	180.5

1. Fee income consists of the following:

- Investment contracts: R2 471 million (30.06.2015: R2 225 million)
- Trust and fiduciary services: R1 892 million (30.06.2015: R1 842 million)
- Health administration: R1 945 million (30.06.2015: R2 053 million)
- Other fee income: R1 371 million (30.06.2015: R1 235 million)

2. Finance costs consist of the following:

- Preference shares issued by MMI: R110 million (30.06.2015: R108 million)
- Subordinated debt: R341 million (30.06.2015: R271 million)
- Cost of carry positions: R346 million (30.06.2015: R261 million)
- Other: R140 million (30.06.2015: R152 million)

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED STATEMENT OF OTHER COMPREHENSIVE INCOME	12 mths to 30.06.2016 Rm	12 mths to 30.06.2015 Rm
Earnings for the year	2 178	2 977
Other comprehensive income, net of tax	83	68
Items that may subsequently be reclassified to income	(24)	6
Exchange differences on translating foreign operations	(27)	1
Available-for-sale financial assets	3	5
Items that will not be reclassified to income	107	62
Land and building revaluation	124	118
Remeasurements of post-employee benefit funds	(1)	(20)
Income tax relating to items that will not be reclassified	(16)	(36)
Total comprehensive income for the year	2 261	3 045
Total comprehensive income attributable to:		
Owners of the parent	2 193	2 926
Non-controlling interests	68	119
	2 261	3 045

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

RECONCILIATION OF HEADLINE EARNINGS attributable to owners of the parent	Basic earnings		Diluted earnings	
	12 mths to 30.06.2016 Rm	12 mths to 30.06.2015 Rm	12 mths to 30.06.2016 Rm	12 mths to 30.06.2015 Rm
Earnings	2 142	2 857	2 142	2 857
Finance costs – convertible preference shares			41	44
Dilutory effect of subsidiaries ⁽¹⁾			(23)	(31)
Diluted earnings			2 160	2 870
Intangible asset and other impairments ⁽²⁾	158	19	158	19
Tax on intangible asset and other impairments	(10)	(4)	(10)	(4)
Release of foreign currency translation reserve	(92)	-	(92)	-
Gain on sale of subsidiary	(115)	-	(115)	-
Headline earnings ⁽³⁾	2 083	2 872	2 101	2 885
Net realised and fair value gains on excess	(210)	6	(210)	6
Basis and other changes and investment variances	517	148	517	148
Amortisation of intangible assets relating to business combinations	618	720	618	720
Non-recurring items ⁽⁴⁾	155	53	155	53
Investment income on treasury shares – contract holders			25	24
Core headline earnings ⁽⁵⁾	3 163	3 799	3 206	3 836

1. Metropolitan Health is consolidated at 100% and the MMI Holdings Namibian group, Metropolitan Kenya and Cannon are consolidated at 96% in the results. For purposes of diluted earnings, diluted non-controlling interests and investment returns are reinstated.
2. Relates to the impairment of Hello Doctor and Cannon goodwill as well as the impairment of software in Health and International businesses.
3. Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes.
4. Non-recurring items include one-off costs relating mainly to the restructuring of the group.
5. Core headline earnings disclosed comprise operating profit and investment income on shareholder assets. It excludes net realised and fair value gains on financial assets and liabilities, investment variances and basis and other changes that can be volatile, certain non-recurring items, as well as the amortisation of intangible assets relating to business combinations as this is part of the cost of acquiring the business.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

EARNINGS PER SHARE (cents) attributable to owners of the parent	12 mths to 30.06.2016	12 mths to 30.06.2015
Basic		
Core headline earnings	203.1	244.0
Headline earnings	133.8	184.5
Earnings	137.6	183.5
Weighted average number of shares (million)	1 557	1 557
Diluted		
Core headline earnings	199.9	239.2
Weighted average number of shares (million) ⁽¹⁾	1 604	1 604
Headline earnings	132.2	181.4
Earnings	135.9	180.5
Weighted average number of shares (million) ⁽²⁾	1 589	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	2016	2015
Ordinary listed MMI Holdings Ltd shares (cents per share)		
Interim – March	65	63
Final – September	92	92
Total	157	155

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

The A3 MMI Holdings Ltd preference shares are redeemable in June 2017 at a redemption value of R9.18 per share unless converted into MMI Holdings Ltd ordinary shares on a one-for-one basis prior to that date. On 1 October 2015 and 5 April 2016, 1 million preference shares were converted into ordinary shares, on each date. In the prior year, on 13 November 2014 and 31 March 2015, 1.1 million preference shares were converted into ordinary shares, on each date. The shares were originally issued at a price of R10.18 per share. Dividends are payable on the remaining preference shares at 132 cents per annum (payable March and September).

Significant related party transactions

R362 million of the ordinary dividends declared by MMI Holdings Ltd in September 2015 (R333 million of the ordinary dividends declared in September 2014) and R261 million of the ordinary dividends declared in March 2016 (R248 million of the ordinary dividends declared in March 2015) were attributable to RMI Holdings Ltd. Dividends of R20.1 million (2015: R21.3 million) were paid to KTH on the A3 MMI Holdings Ltd preference shares. Dividends of R5 million (2015: R13 million) were paid to KTH on the MHC A ordinary shares.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	12 mths to 30.06.2016 Rm	12 mths to 30.06.2015 Rm
Changes in share capital		
Balance at beginning and end	9	9
Changes in share premium		
Balance at beginning	13 795	13 782
Conversion of preference shares	17	20
Decrease/(increase) in treasury shares held on behalf of contract holders	35	(7)
Balance at end	13 847	13 795
Changes in other reserves		
Balance at beginning	1 866	1 802
Total comprehensive income	51	69
BEE cost	4	4
Change in non-distributable reserves	2	-
Transfer from/(to) retained earnings	32	(9)
Balance at end ⁽¹⁾	1 955	1 866
Changes in retained earnings		
Balance at beginning	8 877	9 141
Total comprehensive income	2 142	2 857
Dividend paid	(2 475)	(3 094)
Transactions with non-controlling interests	(214)	(15)
Transfer (to)/from other reserves	(32)	9
Puttable non-controlling interests ⁽²⁾	-	(21)
Balance at end	8 298	8 877
Equity attributable to owners of the parent	24 109	24 547
Changes in non-controlling interests		
Balance at beginning	501	480
Total comprehensive income	68	119
Dividend paid	(60)	(23)
Transactions with owners ⁽²⁾	(219)	(170)
Business combinations	-	95
Balance at end	290	501
Total equity	24 399	25 048

1. Other reserves consist of the following:

- Land and building revaluation reserve: R742 million (30.06.2015: R631 million)
- Foreign currency translation reserve: R122 million (30.06.2015: R181 million)
- Revaluation of available-for-sale investments: R11 million (30.06.2015: R8 million)
- Non-distributable reserve: R50 million (30.06.2015: R19 million)
- Employee benefit revaluation reserve: R77 million (30.06.2015: R78 million)
- Fair value adjustment for preference shares issued by MMI Holdings Ltd: R940 million (30.06.2015: R940 million)
- Equity-settled share-based payment arrangements: R13 million (30.06.2015: R9 million)

2. June 2015: Non-controlling interests of 25% of Metropolitan Life Kenya and Cannon have the option to sell their shares from 3 October 2016 at a price linked to embedded value. In terms of IFRS, the group recognised a financial liability of R111 million in the prior year, being the present value of the estimated purchase price, for exercising this option. The group has consolidated 96% of the subsidiaries' results and in June 2015 de-recognised the non-controlling interest (R90 million) due to the financial liability recognised above, which is in line with its selected accounting policy. The value of the liability is R104 million at 30 June 2016.

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

SUMMARISED CONSOLIDATED STATEMENT OF CASH FLOWS	12 mths to 30.06.2016 Rm	12 mths to 30.06.2015 Rm
Net cash inflow from operating activities	8 842	1 505
Net cash outflow from investing activities	(1 051)	(1 271)
Net cash outflow from financing activities	(4 817)	(2 935)
Net cash flow	2 974	(2 701)
Cash resources and funds on deposit at beginning	26 174	28 875
Cash resources and funds on deposit at end	29 148	26 174

PRINCIPAL ASSUMPTIONS (South Africa) ⁽¹⁾	30.06.2016 %	30.06.2015 %
Pre-tax investment return		
Equities	12.7	12.1
Properties	10.2	9.6
Government stock	9.2	8.6
Other fixed-interest stocks	9.7	9.1
Cash	8.2	7.6
Risk-free return ⁽²⁾	9.2	8.6
Risk discount rate (RDR)	11.4	10.9
Investment return (before tax) – balanced portfolio ⁽²⁾	11.4	10.8
Expense inflation base rate ⁽³⁾	7.4	6.8

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.
2. The risk-free return was determined with reference to the market interest rate on South African government bonds at the valuation date. The investment return on balanced portfolio business was calculated by applying the above returns to an expected long-term asset distribution.
3. An additional 1% expense inflation is allowed for in some divisions to reflect the impact of closed books that are in run-off.

NON-CONTROLLING INTERESTS	30.06.2016 %	30.06.2015 %
Cannon Assurance	33.7	33.7
Eris Property Group	23.7	45.7
Metropolitan Health Ghana	0.9	1.8
Metropolitan Health Group	17.6	17.6
Metropolitan Health Mauritius	-	5.0
Metropolitan Health Namibia Administrators	49.0	49.0
Metropolitan Kenya	33.7	33.7
Metropolitan Life Mauritius	-	30.0
Metropolitan Nigeria	-	50.0
Metropolitan Swaziland	33.0	33.0
Metropolitan Tanzania	33.0	33.0
Metropolitan Health Zambia	35.0	35.0
MMI Holdings Namibia	10.3	10.3
Momentum Mozambique	33.0	33.0
Momentum Swaziland	33.0	33.0

MMI HOLDINGS GROUP – IFRS FINANCIAL INFORMATION

BUSINESS COMBINATIONS – JUNE 2016

There were no significant business combinations for the 12 months ended June 2016.

BUSINESS COMBINATIONS – JUNE 2015

Cannon

On 2 October 2014, the group acquired an accounting ownership of 71% (legal ownership of 66%) of Cannon, a composite insurer, for R308 million. The minority shareholders of Cannon also acquired a minority stake in Metropolitan Life Kenya. This acquisition allowed for geographical as well as product diversification within the group's international operations. The purchase price allocation has been finalised and the transaction resulted in R103 million goodwill being recognised attributable to certain anticipated operating synergies.

CareCross

On 19 November 2014, the group acquired 100% in CareCross, a health administrator, for R300 million in cash. It includes a majority share in Occupational Care South Africa (OCSA). This acquisition allowed for revenue diversification in the Metropolitan Health segment. The transaction did not result in any goodwill being recognised.

Other

During the 2015 year the group also made a few smaller acquisitions.

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

June 2015	Total Rm	Cannon Rm	CareCross Rm
Purchase consideration in total	608	308	300
Fair value of net assets			
Intangible assets	566	174	392
Tangible assets	145	138	7
Financial instrument assets	241	228	13
Reinsurance contract assets	6	6	-
Insurance and other receivables	36	36	-
Other assets	39	19	20
Cash and cash equivalents	79	16	63
Insurance contract liabilities	(195)	(177)	(18)
Financial instrument liabilities	(38)	(38)	-
Other liabilities	(268)	(98)	(170)
Net identifiable assets acquired	611	304	307
Non-controlling interests (fair value method)	(95)	(88)	(7)
Goodwill recognised	103	103	-
Derecognition of Metropolitan Life Kenya shares	(11)	(11)	-
Purchase consideration in cash	608	308	300

The goodwill relating to the above transactions is not deductible for tax purposes. The above transactions contributed net income of R437 million and earnings of R43 million to the group results for the 2015 year.

RECONCILIATION OF GOODWILL	30.06.2016 Rm	30.06.2015 Rm
Balance at beginning	1 333	1 088
Business combinations	-	234
Impairment charges ⁽¹⁾	(104)	-
Exchange differences	8	11
Balance at end	1 237	1 333

1. Goodwill relating to the Cannon (International segment) and Hello Doctor (Shareholder Capital segment) acquisitions were impaired by R41 million and R63 million respectively during the current year due to losses incurred by these companies.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

12 mths to 30.06.2016	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector Rm	International Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items ⁽¹⁾ Rm	IFRS total Rm
Revenue								
Net insurance premiums	25 767	6 816	26 608	3 921	-	63 112	(34 141)	28 971
Recurring premiums	9 278	5 558	15 170	3 322	-	33 328	(8 720)	24 608
Single premiums	16 489	1 258	11 438	599	-	29 784	(25 421)	4 363
Fee income	3 599	209	4 641	365	759	9 573	(1 894)	7 679
External fee income	3 068	179	3 986	280	544	8 057	(378)	7 679
Intergroup fee income	531	30	655	85	215	1 516	(1 516)	-
Expenses								
Net payments to contract holders								
External payments	25 067	6 037	30 568	2 292	-	63 964	(37 355)	26 609
Other expenses	5 792	2 325	6 063	1 741	1 342	17 263	1 485	18 748
Sales remuneration	2 156	967	1 537	647	4	5 311	(7)	5 304
Administration expenses ⁽²⁾	2 757	1 191	3 152	824	1 356	9 280	157	9 437
Amortisation due to business combinations and impairments	-	-	12	-	72	84	823	907
Cell captive business	-	-	203	-	-	203	1 178	1 381
Direct property expenses	-	-	-	-	-	-	317	317
Asset management and other fee expenses	182	103	437	13	80	815	533	1 348
Holding company expenses	-	-	-	-	54	54	-	54
Intergroup expenses	697	64	722	257	(224)	1 516	(1 516)	-
Diluted core headline earnings	1 600	667	617	28	294	3 206	-	3 206
Operating profit	2 172	940	771	45	(358)	3 570	-	3 570
Tax on operating profit	(628)	(273)	(233)	(42)	(10)	(1 186)	-	(1 186)
Investment income	72	-	108	29	849	1 058	-	1 058
Tax on investment income	(16)	-	(29)	(4)	(187)	(236)	-	(236)
Covered	1 563	694	345	206	403	3 211	-	3 211
Non-covered	37	(27)	272	(178)	(109)	(5)	-	(5)
	1 600	667	617	28	294	3 206	-	3 206
Actuarial liabilities	195 346	32 942	129 856	11 367	2 567	372 078	-	372 078

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

2. Momentum Retail administration expenses includes R79 million relating to Momentum SP Reid.

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

Restated 12 mths to 30.06.2015	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector Rm	International Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items ⁽¹⁾ Rm	IFRS total Rm
Revenue								
Net insurance premiums	24 676	6 910	29 921	3 563	-	65 070	(37 674)	27 396
Recurring premiums	8 992	5 495	14 345	3 215	-	32 047	(8 282)	23 765
Single premiums	15 684	1 415	15 576	348	-	33 023	(29 392)	3 631
Fee income	3 452	95	4 068	362	1 120	9 097	(1 742)	7 355
External fee income	2 962	95	3 644	257	762	7 720	(365)	7 355
Intergroup fee income	490	-	424	105	358	1 377	(1 377)	-
Expenses								
Net payments to contract holders								
External payments	24 088	4 967	27 500	1 953	-	58 508	(33 898)	24 610
Other expenses	5 650	2 070	5 522	1 586	1 563	16 391	1 734	18 125
Sales remuneration	2 200	893	1 426	544	15	5 078	(7)	5 071
Administration expenses	2 483	1 135	3 172	837	1 316	8 943	724	9 667
Amortisation due to business combinations and impairments	17	-	12	-	81	110	891	1 001
Cell captive business	-	-	236	-	-	236	961	1 197
Direct property expenses	-	-	-	-	-	-	105	105
Asset management and other fee expenses	129	-	201	7	243	580	437	1 017
Holding company expenses	-	-	-	-	67	67	-	67
Intergroup expenses	821	42	475	198	(159)	1 377	(1 377)	-
Diluted core headline earnings	1 756	604	861	152	463	3 836	-	3 836
Operating profit	2 423	876	1 170	179	(186)	4 462	-	4 462
Tax on operating profit	(697)	(272)	(344)	(33)	53	(1 293)	-	(1 293)
Investment income	42	-	48	6	775	871	-	871
Tax on investment income	(12)	-	(13)	-	(179)	(204)	-	(204)
Covered	1 725	604	487	266	550	3 632	-	3 632
Non-covered	31	-	374	(114)	(87)	204	-	204
	1 756	604	861	152	463	3 836	-	3 836
Actuarial liabilities	186 493	32 937	125 177	10 095	3 117	357 819	-	357 819

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

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

CHANGE IN DILUTED CORE HEADLINE EARNINGS	Change %	12 mths to 30.06.2016 Rm	Restated 12 mths to 30.06.2015 Rm
Momentum Retail	(9)	1 600	1 756
Metropolitan Retail	10	667	604
Corporate and Public Sector	(28)	617	861
International	(82)	28	152
Operating segments	(14)	2 912	3 373
Shareholder Capital	(37)	294	463
Total diluted core headline earnings	(16)	3 206	3 836

RECONCILIATION OF INVESTMENTS	12 mths to 30.06.2016 Rm	Restated 12 mths to 30.06.2015 Rm
Revenue	1 360	1 429
Fee income	805	797
Intergroup fees	535	574
Investment income	42	26
Fair value (losses)/gains	(22)	32
Expenses and finance costs	(1 234)	(1 259)
Other expenses	(1 218)	(1 253)
Finance costs	(16)	(6)
Share of loss of associates	(8)	-
Profit before tax	118	170
Tax	(42)	(61)
Earnings attributable to ordinary shareholders	76	109
Core adjustments	66	31
Goodwill and other impairments	-	12
Net realised and fair value losses/(gains) on excess	17	(22)
Amortisation of intangible assets relating to business combinations	-	41
Non-recurring items	49	-
Diluted core headline earnings	142	140
Operating profit before tax	182	182
Tax on operating profit	(59)	(56)
Investment income	26	20
Tax on investment income	(7)	(6)
Diluted core headline earnings	142	140
Allocated per segment:		
Momentum Retail	107	120
Corporate and Public Sector	46	28
Shareholder Capital	(11)	(8)
	142	140

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

RECONCILIATION OF HEALTH	12 mths to 30.06.2016 Rm	Restated 12 mths to 30.06.2015 Rm
Revenue	2 503	2 593
Net insurance premiums	566	623
Fee income	1 883	1 930
Intergroup fees	24	11
Investment income	35	29
Fair value losses	(5)	-
Expenses	(2 439)	(2 301)
Net payments to contract holders	(427)	(485)
Other expenses	(2 010)	(1 816)
Finance costs	(2)	-
Profit before tax	64	292
Tax	(31)	(92)
Non-controlling interests	-	(3)
Earnings attributable to ordinary shareholders	33	197
Core adjustments	56	(11)
Dilutory effect of subsidiaries	(9)	(23)
Goodwill and other impairments	16	-
Net realised and fair value losses on excess	5	-
Amortisation of intangible assets relating to business combinations	12	12
Non-recurring items	32	-
Diluted core headline earnings	89	186
Operating profit before tax	100	242
Tax on operating profit	(36)	(80)
Investment income	33	35
Tax on investment income	(8)	(11)
Diluted core headline earnings	89	186
Allocated per segment:		
Momentum Retail	(56)	(23)
Corporate and Public Sector	145	209
	89	186
Principal number of members:		
Open schemes	143 462	135 726
Closed schemes	830 548	1 098 643
	974 010	1 234 369
Allocated per segment:		
Momentum Retail	95 888	88 668
Corporate and Public Sector	878 122	1 145 701
	974 010	1 234 369

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

RECONCILIATION OF GUARDRISK (PROMOTER CELL ⁽¹⁾)	12 mths to 30.06.2016 Rm	12 mths to 30.06.2015 Rm
Revenue by type	527	495
Management fees	405	353
Investment fees	62	51
Underwriting (loss)/profit	(6)	23
Other income	2	3
Investment income	64	65
Expenses and finance costs	(334)	(273)
Administration expenses	(323)	(263)
Finance costs	(11)	(10)
Operating profit before tax	193	222
Tax attributable to promoter operating profit	(50)	(62)
Diluted core headline earnings	143	160
Covered	34	33
Non-covered	109	127
Corporate and Public Sector segment	143	160

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

RECONCILIATION OF SHORT-TERM INSURANCE	12 mths to 30.06.2016 Rm	12 mths to 30.06.2015 Rm
Revenue	617	537
Net insurance premiums	571	506
Fee income	21	15
Investment income	25	16
Expenses	(743)	(719)
Net payments to contract holders	(467)	(441)
Other expenses	(276)	(278)
Loss before tax	(126)	(182)
Tax	18	51
Earnings attributable to ordinary shareholders	(108)	(131)
Operating loss before tax	(144)	(198)
Tax on operating loss	23	56
Investment income	18	16
Tax on investment income	(5)	(5)
Diluted core headline earnings – Momentum Retail segment	(108)	(131)

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

ANALYSIS OF SHAREHOLDER CAPITAL	12 mths to 30.06.2016 Rm	Restated 12 mths to 30.06.2015 Rm
International	(189)	(102)
Momentum short-term insurance administration	(42)	(35)
Eris Property Group	60	41
Other net operational expenses	(196)	(37)
Finance costs	(460)	(389)
Investment income	1 308	1 164
Tax on investment income	(187)	(179)
Total	294	463

RECONCILIATION OF NON-COVERED CORE EARNINGS	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector Rm	International Rm	Shareholder Capital Rm	Total Rm
12 mths to 30.06.2016						
Investments	107	-	46	-	(11)	142
Wealth	82	-	-	-	-	82
Health	(56)	-	145	-	-	89
Guardrisk	-	-	109	-	-	109
Short-term insurance	(108)	-	-	(68)	(42)	(218)
Other	12	(27)	(28)	(110)	(56)	(209)
	<u>37</u>	<u>(27)</u>	<u>272</u>	<u>(178)</u>	<u>(109)</u>	<u>(5)</u>
12 mths to 30.06.2015						
Investments	120	-	28	-	(8)	140
Wealth	72	-	-	-	-	72
Health	(23)	-	209	-	-	186
Guardrisk	-	-	127	-	-	127
Short-term insurance	(131)	-	-	16	(35)	(150)
Other	(7)	-	10	(130)	(44)	(171)
	<u>31</u>	<u>-</u>	<u>374</u>	<u>(114)</u>	<u>(87)</u>	<u>204</u>

MMI HOLDINGS GROUP – SEGMENTAL INFORMATION

NET PAYMENTS TO CONTRACT HOLDERS	12 mths to 30.06.2016 Rm	Restated 12 mths to 30.06.2015 Rm
Momentum Retail	25 067	24 088
Death and disability claims	4 338	3 694
Maturity claims	6 964	7 547
Annuities	4 945	4 692
Withdrawal benefits	221	80
Surrenders	9 341	8 523
Short-term insurance	469	440
Health claims	133	116
Reinsurance recoveries	(1 344)	(1 004)
Metropolitan Retail	6 037	4 967
Death and disability claims	1 076	1 093
Maturity claims	2 540	1 668
Annuities	677	620
Withdrawal benefits	-	84
Surrenders	1 800	1 560
Reinsurance recoveries	(56)	(58)
Corporate and Public Sector	30 568	27 500
Death and disability claims	6 938	5 084
Maturity claims	1 939	948
Annuities	1 795	1 625
Withdrawal benefits	4 850	3 796
Terminations and disinvestments	15 335	14 613
Short-term insurance	7 112	4 745
Health claims	294	185
Reinsurance recoveries	(7 695)	(3 496)
International	2 292	1 953
Death and disability claims	481	420
Maturity claims	458	371
Annuities	96	99
Withdrawal benefits	225	108
Surrenders	458	498
Terminations	109	90
Short-term insurance	158	104
Health claims	438	393
Reinsurance recoveries	(131)	(130)
Total payments to contract holders	63 964	58 508
Reconciling items ⁽¹⁾	(37 355)	(33 898)
Net insurance benefits and claims per income statement	26 609	24 610

1. Relates mainly to payments to investment contract holders.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS SUMMARISED BY MEASUREMENT CATEGORY	30.06.2016 Rm	30.06.2015 Rm
Financial assets designated at fair value through income	386 231	380 330
Securities designated at fair value through income	373 630	365 727
Investments in associates designated at fair value through income	10 499	12 362
Derivative financial instruments	1 977	2 033
Available-for-sale	125	208
Financial assets carried at amortised cost	36 660	33 899
Held-to-maturity	122	73
Loans and receivables	7 390	7 652
Cash and cash equivalents	29 148	26 174
Total financial assets	422 891	414 229

The fair value of loans and receivables is R7 416 million (30.06.2015: R7 666 million) and the carrying value of held-to-maturity financial assets and cash and cash equivalents approximates fair value.

FINANCIAL LIABILITIES SUMMARISED BY MEASUREMENT CATEGORY	30.06.2016 Rm	30.06.2015 Rm
Investment contracts with DPF	25 195	26 134
Financial liabilities designated at fair value through income	273 261	262 187
Investment contracts designated at fair value through income	232 790	220 356
Liabilities designated at fair value through income	38 374	39 720
Derivative financial instruments	2 097	2 111
Financial liabilities carried at amortised cost	14 006	12 927
Financial liabilities	1 058	1 092
Other payables	12 948	11 835
Total financial liabilities	312 462	301 248

The value of investment contracts with DPF is the retrospective accumulation of the fair value of the underlying assets, which is a reasonable approximation to the fair value of this financial liability.

The fair value of financial liabilities at amortised cost is R1 471 million (30.06.2015: R1 772 million) and the carrying value of other payables approximates fair value due to their short-term nature.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

The different valuation method levels have been defined as follows:

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

FINANCIAL ASSETS	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30.06.2016				
Securities designated at fair value through income	258 571	109 983	5 076	373 630
Equity securities				
Local listed	84 750	261	-	85 011
Foreign listed	21 633	953	34	22 620
Unlisted	-	24	219	243
Debt securities				
Stock and loans to government and other public bodies				
Local listed	31 696	9 727	-	41 423
Foreign listed	904	1 410	24	2 338
Unlisted	-	3 064	64	3 128
Other debt instruments				
Local listed	350	25 058	5	25 413
Foreign listed	17	660	-	677
Unlisted	-	36 547	1 871	38 418
Funds on deposit and other money market instruments	-	18 697	-	18 697
Unit-linked investments				
Collective investment schemes ⁽¹⁾				
Local unlisted or listed quoted	83 623	1 380	-	85 003
Foreign unlisted or listed quoted	35 402	112	27	35 541
Foreign unlisted unquoted	-	504	571	1 075
Other unit-linked investments				
Local unlisted or listed quoted	196	7 408	2	7 606
Local unlisted unquoted	-	4 178	2 243	6 421
Foreign unlisted unquoted	-	-	16	16
Investments in associates designated at fair value through income ⁽¹⁾	10 483	16	-	10 499
Derivative financial instruments – Held for trading	115	1 862	-	1 977
Available-for-sale	113	12	-	125
Equity securities				
Local listed	65	-	-	65
Foreign listed	48	-	-	48
Local unlisted/listed quoted unit-linked investments	-	12	-	12
	269 282	111 873	5 076	386 231

1. Collective investment schemes and Investments in associates designated at fair value through income are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price. As a result certain foreign unlisted or listed quoted instruments were transferred to level 1.
2. African Bank was relaunched on 4 April 2016 and business from that date has been booked through the new legal entity. The previous instruments (level 3) were replaced with new instruments (level 2) during April 2016. The timing of the transfers are deemed to have occurred at the end of the period.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30.06.2015				
Securities designated at fair value through income	232 804	126 361	6 562	365 727
Equity securities				
Local listed	79 806	37	-	79 843
Foreign listed	23 566	1 033	16	24 615
Unlisted	-	75	215	290
Debt securities				
Stock and loans to government and other public bodies				
Local listed	29 009	10 393	-	39 402
Foreign listed	596	1 312	24	1 932
Unlisted	-	2 840	81	2 921
Other debt instruments				
Local listed	215	25 621	114	25 950
Foreign listed	91	471	2	564
Unlisted	16	29 817	3 574	33 407
Funds on deposit and other money market instruments	-	24 470	3	24 473
Unit-linked investments				
Collective investment schemes ⁽¹⁾				
Local unlisted or listed quoted	78 158	360	61	78 579
Foreign unlisted or listed quoted	20 358	9 667	2	30 027
Foreign unlisted unquoted	-	470	433	903
Other unit-linked investments				
Local unlisted or listed quoted	984	8 311	1	9 296
Local unlisted unquoted	-	10 222	2 019	12 241
Foreign unlisted unquoted	-	1 262	17	1 279
Foreign unlisted or listed quoted	5	-	-	5
Investments in associates designated at fair value through income ⁽¹⁾	12 280	-	82	12 362
Derivative financial instruments	109	1 924	-	2 033
Held for trading	109	1 918	-	2 027
Held for hedging purposes	-	6	-	6
Available-for-sale	190	14	4	208
Equity securities				
Local listed	12	-	-	12
Foreign listed	147	-	-	147
Unlisted	31	1	4	36
Local unlisted/listed quoted unit-linked investments	-	13	-	13
	245 383	128 299	6 648	380 330

1. Collective investment schemes and Investments in associates designated at fair value through income are classified as level 1 when there is an active market of transactions between investors and collective investment schemes based on a published price. ABIL retention funds have been classified as level 3.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30.06.2016				
Investment contracts				
Designated at fair value through income	1 042	231 672	76	232 790
Financial liabilities designated at fair value through income	25 987	12 035	352	38 374
Collective investment scheme liabilities	25 987	147	234	26 368
Subordinated call notes	-	3 557	-	3 557
Carry positions	-	7 313	-	7 313
Preference shares	-	1 018	-	1 018
Other borrowings	-	-	118	118
Derivative financial instruments				
Held for trading	29	2 068	-	2 097
	27 058	245 775	428	273 261
30.06.2015				
Investment contracts				
Designated at fair value through income	965	219 247	144	220 356
Financial liabilities designated at fair value through income	24 322	14 289	1 109	39 720
Collective investment scheme liabilities	24 322	583	964	25 869
Subordinated call notes	-	3 320	-	3 320
Carry positions	-	9 370	-	9 370
Preference shares	-	1 016	-	1 016
Other borrowings	-	-	145	145
Derivative financial instruments				
Held for trading	163	1 948	-	2 111
	25 450	235 484	1 253	262 187

1. There were no significant transfers between level 1 and level 2 liabilities for both the current and prior years.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS	Financial assets				
	Designated at fair value through income				
	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm	Other invest- ments ⁽²⁾ Rm	Total Rm
12 mths to 30.06.2016					
Opening balance	231	3 798	2 533	86	6 648
Total gains/(losses) in net realised and fair value gains in the income statement					
Realised (losses)/gains	(17)	32	2	-	17
Unrealised gains/(losses)	22	211	458	(5)	686
Accrued interest in investment income in the income statement	-	90	-	-	90
Purchases	76	696	301	-	1 073
Sales	(88)	(860)	(270)	(4)	(1 222)
Settlements	-	(612)	(42)	-	(654)
Transfer into level 3	36	5	2	-	43
Transfers out of level 3 ⁽³⁾	(7)	(1 396)	(125)	(77)	(1 605)
Closing balance	253	1 964	2 859	-	5 076
12 mths to 30.06.2015					
Opening balance	730	2 971	2 841	4	6 546
Total gains/(losses) in net realised and fair value gains in the income statement					
Realised gains/(losses)	338	25	(80)	-	283
Unrealised (losses)/gains	(32)	(237)	206	2	(61)
Accrued interest in investment income in the income statement	-	25	-	-	25
Purchases	187	885	784	1	1 857
Sales	(233)	(756)	(1 102)	-	(2 091)
Settlements	(759)	(133)	(183)	-	(1 075)
Transfers into level 3 ⁽³⁾	-	1 295	67	79	1 441
Transfers out of level 3	-	(277)	-	-	(277)
Closing balance	231	3 798	2 533	86	6 648

1. Includes funds on deposit and other money market instruments.
2. Includes investments in associates designated at fair value through income and available-for-sale equity securities.
3. The group's holdings in the various debt and equity instruments of ABIL, and its various subsidiaries, were transferred from levels 1 and 2 to level 3 on 1 January 2015, subsequent to the placing into curatorship of the African Bank Group and the suspension of these securities by the JSE. In the current year, these instruments were transferred out of level 3, effective 1 July 2015. African Bank was relaunched on 4 April 2016 and business from that date has been booked through the new legal entity. The previous instruments (level 3) were replaced with new instruments (level 2) during April 2016.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

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

	Financial assets					Total Rm
	Designated at fair value through income				Other invest- ments ⁽²⁾ Rm	
	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm			
30.06.2016						
Carrying value	253	1 964	2 859	-		5 076
Assumption change	10% increase/ (decrease) in markets	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price		N/A	
Effect of increase in assumption	25	25	286		N/A	
Effect of decrease in assumption	(25)	(21)	(286)		N/A	
30.06.2015						
Carrying value	231	3 798	2 533	86		6 648
Assumption change	10% increase/ (decrease) in markets	1% increase/ (decrease) in interest rates	10% increase/ (decrease) in unit price		Not sensitive	
Effect of increase in assumption	23	6	253		N/A	
Effect of decrease in assumption	(23)	1	(253)		N/A	

1. Includes funds on deposit and other money market instruments.

2. Includes investments in associates designated at fair value through income and available-for-sale equity securities.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES	Financial liabilities designated at fair value through income			Total Rm
	Investment contracts Rm	Collective investment scheme liabilities Rm	Other borrowings Rm	
30.06.2016				
Opening balance	144	964	145	1 253
Total losses/(gains) in net realised and fair value gains in the income statement				
Realised (gains)/losses	(1)	1	-	-
Unrealised losses/(gains)	4	128	(7)	125
Total losses in other comprehensive income	-	23	-	23
Issues	-	8	9	17
Sales	-	(10)	-	(10)
Settlements	-	(826)	(29)	(855)
Contract holder movements				
Benefits paid	(76)	-	-	(76)
Investment return	5	-	-	5
Transfers out of level 3	-	(54)	-	(54)
Closing balance	76	234	118	428
30.06.2015				
Opening balance	153	40	58	251
Business combinations	-	-	4	4
Total losses/(gains) in net realised and fair value gains in the income statement				
Realised losses	1	189	-	190
Unrealised losses/(gains)	4	(11)	-	(7)
Issues	-	53	117	170
Settlements	-	(98)	(34)	(132)
Contract holder movements				
Benefits paid	(19)	-	-	(19)
Investment return	5	-	-	5
Transfers into level 3 ⁽¹⁾	-	791	-	791
Closing balance	144	964	145	1 253

1. The transfer into level 3 represents the ABIL retention funds consolidated as at 30 June 2015.

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R39 million and R39 million (30.06.2015: R117 million and R118 million), respectively.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

VALUATION TECHNIQUES USED IN DETERMINING THE FAIR VALUE OF LEVEL 2 FINANCIAL ASSETS AND LIABILITIES

Group's valuation processes

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

Instrument	Valuation basis	Main assumptions
Equities and similar securities		
- Listed, local and foreign	External valuations/quoted prices	Management applies judgement if an adjustment of quoted prices is required due to an inactive market.
Stock of and loans to other public bodies		
- Listed, local	Yield of benchmark (listed government) bond	Market input
- Listed, foreign	Discounted cash flow (DCF), benchmarked against similar instrument with the same issuer	Market input
- Unlisted	DCF, real interest rates, six-month JIBAR plus fixed spread or risk-free yield curve plus fixed spread	Market input and appropriate spread
Other debt securities		
- Listed, local	DCF (BESA and ASSA bond perfect fit zero curve and other published real or nominal yields, uplifted with inflation), external valuations (linked notes), or published price quotations on JSE equity (preference shares) and interest rate market	Market input, uplifted with inflation
- Listed, foreign	Published price quotations, external valuations that are based on published market input	Market input
- Unlisted	DCF (market-related nominal and real discount rates, bank and credit default swap curves, government bond yield curve plus a spread, three-month JIBAR plus fixed spread), external valuations	Market input and appropriate spread
Funds on deposit and other money market instruments		
- Listed	DCF (market-related yields), issue price, or external valuations	Market input (based on quotes received from market participants and valuation agents)
- Unlisted	Deposit rates, or DCF (market-related yields)	Market input (based on quotes received from market participants and valuation agents)

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

VALUATION TECHNIQUES USED IN DETERMINING THE FAIR VALUE OF LEVEL 2 FINANCIAL ASSETS AND LIABILITIES

Instrument	Valuation basis	Main assumptions
Unit-linked investments	External valuations	Net asset value (assets and liabilities are carried at fair value)
Derivative assets and liabilities	Black-Scholes model/net present value of estimated floating costs less the performance of the underlying index over the contract term/DCF (using fixed contract rates and market-related variable rates adjusted for credit risk, credit default swap premiums, offset between strike price and market projected forward value, yield curve of similar market-traded instruments)	Market input, credit spreads, contract inputs
Subordinated call notes (Liability)	Price quotations on JSE interest rate market (based on yield of benchmark bond)	Market input
Carry positions (Liability)	DCF (in accordance with JSE interest rate market repo pricing methodology)	Market input, contract input
Preference shares (Liability)	Capital outstanding plus accrued dividends	Contract input

There were no significant changes in the valuation methods applied since the prior year, except for transfers between levels.

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial assets	Fair value at 30 June 2016 Rm	Fair value at 30 June 2015 Rm	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Securities designated at fair value through income						
Equity securities						
Unlisted	219	215	Net asset value	Fair value of the respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
			Mark to model	Adjusted price-earnings ratios	Could vary significantly due to the different risks associated with the investee	The higher the price-earnings multiple, the greater the fair value
Debt securities						
Stock and loans to government and other public bodies						
Foreign listed	24	24	Mark to model	Adjustments to market-related inputs as a result of inactivity	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the lower the fair value
Unlisted	64	81	Discounted cash flow	Nominal interest rate	8.51% to 9.99% (2015: 8.51% to 9.99%)	The higher the nominal interest rate, the lower the fair value of the assets
Subtotal	307	320				

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial assets (continued)	Fair value at 30 June 2016 Rm	Fair value at 30 June 2015 Rm	Valuation technique(s)	Unobser- vable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Subtotal	307	320				
Debt securities (continued)						
Other debt instruments						
Local listed	5	114	Mark to model	Adjustments to market-related inputs as a result of inactivity	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the lower the fair value
Unlisted	1 871	3 574	Discounted cash flow	Nominal interest rate	7.56% to 11.50%; 5.45% to 17.11% (2015: 6.73% to 10.69%; 7.38% to 13.09%)	The higher the nominal interest rate, the lower the fair value of the assets
			Mark to model	Adjustments to market-related inputs as a result of inactivity	Could vary significantly due to the different risks associated with the investee	The greater the adjustments, the lower the fair value
			Net asset value	Fair value of respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
Subtotal	2 183	4 008				

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial assets (continued)	Fair value at 30 June 2016 Rm	Fair value at 30 June 2015 Rm	Valuation technique(s)	Unobser- vable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Subtotal	2 183	4 008				
Unit-linked investments						
Collective investment schemes						
Local unlisted or listed quoted	-	61	Net asset value	Fair value of respective assets and liabilities which are adjusted in line with market practice	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
Foreign unlisted or listed quoted	27	2	Net asset value	Fair value of respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
Foreign unlisted unquoted	571	433	Net asset value	Fair value of the respective assets and liabilities	Could vary significantly based on the assets and liabilities held by the investee	The higher the NAV, the greater the fair value
Other unit-linked investments						
Local unlisted unquoted	2 243	2 019	Adjusted net asset value method	Price per unit	Could vary significantly due to range of holdings	The higher the price per unit, the higher the fair value
				Distributions or net cash flows since last valuation	Could vary significantly due to range of holdings	The fair value varies on distributions/net cash flows and period since last valuation
	5 024	6 523				
Other	52	125				
	5 076	6 648				

MMI HOLDINGS GROUP – FINANCIAL INSTRUMENTS

INFORMATION ABOUT FAIR VALUE MEASUREMENT USING SIGNIFICANT UNOBSERVABLE INPUT (LEVEL 3)

Financial liabilities	Fair value at 30 June 2016 Rm	Fair value at 30 June 2015 Rm	Valuation technique(s)	Unobservable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobservable inputs to fair value
Investment contracts designated at fair value through income	76	144	Asset and liability matching method	Asset value	Unit price	The asset value increase will increase the fair value of the liability
Financial liabilities designated at fair value through income						
Collective investment scheme liabilities	234	964	Adjusted net asset value method	Price per unit	Could vary significantly due to range of holdings	The higher the price per unit, the higher the fair value
Other borrowings	118	145	Discounted cash flow	Adjustments to discount rate	Dependent on credit risk and other risk factors	The lower the rate, the higher the fair value
			Mark to model	Adjusted embedded value	Could vary significantly based on the risks associated with the investee	The higher the embedded value, the greater the fair value
	428	1 253				

There were no significant changes in the valuation methods applied since the prior year, except for transfers between levels.

MMI HOLDINGS GROUP – STATUTORY EXCESS

STATUTORY EXCESS	30.06.2016 Rm	30.06.2015 Rm
Group excess per reporting basis	24 109	24 547
Net assets – other businesses	(2 939)	(3 256)
Fair value adjustments on Metropolitan business acquisition and other consolidation adjustments	(3 471)	(3 826)
Excess – long-term insurance business, net of non-controlling interests ⁽¹⁾	17 699	17 465
Disregarded assets ⁽²⁾	(983)	(1 010)
Difference between statutory and published valuation methods	(582)	(839)
Write-down of subsidiaries and associates for statutory purposes	(1 246)	(1 210)
Unsecured subordinated debt	3 557	3 320
Consolidation adjustments	(53)	141
Statutory excess – long-term insurance business	18 392	17 867
Capital adequacy requirement (CAR) (Rm) ⁽³⁾	6 238	6 639
Ratio of long-term insurance business excess to CAR (times)	2.9	2.7
Discretionary margins	12 702	13 620

1. The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group, including life insurance companies in Africa; in respect of Guardrisk only MMI's promoter exposure to the South African long-term insurance business, Guardrisk Life Ltd. It excludes the short-term insurance businesses of Guardrisk, Momentum Short-term Insurance and Cannon (Kenya) due to them being classified as non-covered, as well as the other non-life insurance entities, including African health operations. The figures are after non-controlling interests but excludes certain items which are eliminated on consolidation.
2. Disregarded assets are those as defined in the South African Long-term Insurance Act, 52 of 1998, and are only applicable to South African long-term insurance companies. Adjustments are also made for the international insurance companies from reporting excess to statutory excess as required by their regulators. It includes Sage intangible assets of R491 million (30.06.2015: R518 million).
3. Aggregation of separate companies' capital adequacy requirements (CARs), with no assumption of diversification benefits.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE RESULTS AS AT	30.06.2016 Rm	30.06.2015 Rm
Covered business		
Reporting excess – long-term insurance business	17 699	17 465
Reclassification to non-covered business	(1 262)	(1 204)
	16 437	16 261
Disregarded assets ⁽¹⁾	(531)	(575)
Difference between statutory and published valuation methods	(575)	(839)
Dilutory effect of subsidiaries ⁽²⁾	(51)	(38)
Consolidation adjustments ⁽³⁾	(40)	(5)
Value of MMI Group Ltd preference shares issued	(500)	(500)
Diluted adjusted net worth – covered business	14 740	14 304
Net value of in-force business	21 668	21 696
Diluted embedded value – covered business	36 408	36 000
Non-covered business		
Net assets – non-covered business within life insurance companies	1 262	1 204
Net assets – non-covered business outside life insurance companies	2 939	3 256
Consolidation adjustments and transfers to covered business ⁽³⁾	(2 776)	(3 024)
Adjustments for dilution ⁽⁴⁾	690	819
Diluted adjusted net worth – non-covered business	2 115	2 255
Write-up to directors' value	4 466	2 075
Non-covered business	5 573	4 143
Holding company expenses ^(5,6)	(557)	(1 578)
International holding company expenses ⁽⁵⁾	(550)	(490)
Diluted embedded value – non-covered business	6 581	4 330
Diluted adjusted net worth	16 855	16 559
Net value of in-force business	21 668	21 696
Write-up to directors' value	4 466	2 075
Diluted embedded value	42 989	40 330
Required capital – covered business (adjusted for qualifying debt) ⁽⁷⁾	6 484	7 306
Surplus capital – covered business	8 256	6 998
Diluted embedded value per share (cents)	2 680	2 514
Diluted adjusted net worth per share (cents)	1 051	1 032
Diluted number of shares in issue (million) ⁽⁸⁾	1 604	1 604

- Disregarded assets include Sage intangible assets of R491 million (30.06.2015: R518 million), goodwill and various other items.
- For accounting purposes, Metropolitan Health has been consolidated at 100%, while MMI Holdings Namibia, Metropolitan Kenya and Cannon have been consolidated at 96% in the statement of financial position, for the current year. For embedded value purposes, disclosed on a diluted basis, the non-controlling interests and related funding have been reinstated.
- Consolidation adjustments include mainly goodwill and intangibles in subsidiaries that are eliminated.
- Adjustments for dilution are made up as follows:
 - Dilutory effect of subsidiaries (note 3): R123 million (30.06.2015: R103 million)
 - Treasury shares held on behalf of contract holders: R292 million (30.06.2015: R424 million)
 - Liability – MMI Holdings Ltd convertible preference shares issued to KTH: R275 million (30.06.2015: R292 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 holding company expense adjustment reduced in the current year due to a reallocation of expenses to the operating life company covered business as part of the implementation of the client centricity model. For further detail refer to note N of the Analysis of Changes in the Group Embedded Value.
- The required capital for covered business amounts to R10 041 million (30.06.2015: R10 604 million) and is adjusted for qualifying debt of R3 557 million (30.06.2015: R3 298 million).
- The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares, and includes the treasury shares held on behalf of contract holders.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NET VALUE OF IN-FORCE BUSINESS	30.06.2016 Rm	Restated 30.06.2015 Rm
Momentum Retail	11 409	11 331
Gross value of in-force business	12 803	12 818
Less cost of required capital	(1 394)	(1 487)
Metropolitan Retail	3 692	3 582
Gross value of in-force business	4 376	4 288
Less cost of required capital	(684)	(706)
Corporate and Public Sector	4 341	4 657
Gross value of in-force business	5 120	5 354
Less cost of required capital	(779)	(697)
International	2 157	2 108
Gross value of in-force business	2 444	2 310
Less cost of required capital	(287)	(202)
Shareholder Capital	69	18
Gross value of in-force business	69	18
Less cost of required capital	-	-
Net value of in-force business	21 668	21 696

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

EMBEDDED VALUE DETAIL	Adjusted net worth Rm	Net value of in-force Rm	30.06.2016 Rm	30.06.2015 Rm
Covered business				
South African life licences	12 517	19 511	32 028	32 040
MMI Group Ltd	12 348	18 851	31 199	31 391
Guardrisk Life Ltd	169	660	829	649
International	2 223	2 157	4 380	3 960
MMI Holdings Namibia Ltd	800	1 358	2 158	1 972
Metropolitan Life of Botswana Ltd	452	224	676	571
Metropolitan Lesotho Ltd	372	386	758	847
Other international businesses ⁽¹⁾	599	189	788	570
Total covered business	14 740	21 668	36 408	36 000
	Adjusted net worth Rm	Write-up to directors' value Rm	30.06.2016 Rm	30.06.2015 Rm
Non-covered business				
Momentum Investments ⁽²⁾	734	2 087	2 821	2 165
Health businesses ^(3,4)	62	1 364	1 426	1 660
Momentum Retail (Wealth) ⁽³⁾	391	578	969	817
Guardrisk business ^(3,5)	597	1 144	1 741	1 446
Momentum Short-term Insurance (MSTI)	299	81	380	377
International ^(4,6,7)	(752)	(407)	(1 159)	(805)
MMI Holdings (after consolidation adjustments) ^(4,7,8)	784	(381)	403	(1 330)
Total non-covered business	2 115	4 466	6 581	4 330
Total embedded value	16 855	26 134	42 989	40 330
Diluted adjusted net worth – non-covered business	(2 115)			
Adjustments to covered business – adjusted net worth	2 959			
Reporting excess – long-term insurance business	17 699			

1. African life and health businesses are included in covered business for embedded value purposes.
2. The material Momentum Investments subsidiaries are valued using a discounted cash flow methodology applied to projections of future earnings.
3. The Health businesses, Momentum Retail (Wealth off-balance sheet) and Guardrisk are valued using embedded value methodology.
4. The increase in the adjusted net worth for the holding company is offset by the decrease in the International and Health adjusted net worth. These movements were due to intergroup transactions and alignment in the treatment of intercompany loans.
5. This excludes Guardrisk Life Ltd which is included under covered business.
6. Cannon is included within International's non-covered business.
7. The holding company expenses reflect the present value of projected recurring head office expenses. The international holding company expenses reflect the allowance for support services to the international life assurance and health businesses.
8. The holding company expense adjustment reduced in the current year due to a reallocation of expenses to the operating life company covered business as part of the implementation of the client centricity model. For further detail refer to note N of the Analysis of Changes in the Group Embedded Value.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Notes	Covered business			12 mths to	Restated
		Adjusted net worth (ANW) Rm	Gross value of in-force (VIF) Rm	Cost of CAR Rm	30.06.2016 Total EV Rm	12 mths to 30.06.2015 Total EV Rm
Profit from new business		(1 438)	2 569	(180)	951	1 054
Embedded value from new business	A	(1 438)	2 468	(180)	850	954
Expected return to end of period	B	-	101	-	101	100
Profit from existing business		3 766	(2 166)	(24)	1 576	3 063
Expected return – unwinding of RDR	B	-	2 697	(345)	2 352	2 213
Release from the cost of required capital	C	-	-	457	457	445
Expected (or actual) net of tax profit transfer to net worth	D	4 310	(4 310)	-	-	-
Operating experience variances	E	(236)	148	(42)	(130)	501
Development expenses	F	(99)	-	-	(99)	(79)
Operating assumption changes	G	(209)	(701)	(94)	(1 004)	(17)
Embedded value profit from operations		2 328	403	(204)	2 527	4 117
Investment return on adjusted net worth	H	893	-	-	893	664
Investment variances	I	33	(306)	147	(126)	(406)
Economic assumption changes	J	(39)	(112)	19	(132)	58
Exchange rate movements	K	(31)	16	2	(13)	(7)
Embedded value profit – covered business		3 184	1	(36)	3 149	4 426
Transfer of business (to)/from non-covered business	L	30	23	(16)	37	723
Changes in share capital	M	117	-	-	117	202
Dividend paid		(2 895)	-	-	(2 895)	(3 744)
Change in embedded value – covered business		436	24	(52)	408	1 607
Non-covered business						
Change in directors' valuation and other items	N				1 065	(357)
Holding company expenses	N				961	(275)
Embedded value profit – non-covered business					2 026	(632)
Changes in share capital	M				(117)	(202)
Dividend paid					420	649
Finance costs – preference shares					(41)	(44)
Transfer of business to covered business	L				(37)	(723)
Change in embedded value – non-covered business					2 251	(952)
Total change in group embedded value					2 659	655
Total embedded value profit					5 175	3 794
Return on embedded value (%) - internal rate of return					12.8%	9.6%

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

A. VALUE OF NEW BUSINESS

VALUE OF NEW BUSINESS	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector ⁽¹⁾ Rm	International Rm	Total Rm
12 mths to 30.06.2016					
Value of new business	290	191	298	71	850
Gross	362	244	341	83	1 030
Less cost of required capital	(72)	(53)	(43)	(12)	(180)
New business premiums	19 365	2 343	7 665	906	30 279
Recurring premiums	1 292	1 087	2 790	458	5 627
Single premiums	18 073	1 256	4 875	448	24 652
New business premiums (APE)	3 099	1 213	3 278	503	8 093
New business premiums (PVP)	25 950	4 936	34 699	2 579	68 164
Profitability of new business as a percentage of APE	9.4	15.7	9.1	14.1	10.5
Profitability of new business as a percentage of PVP	1.1	3.9	0.9	2.8	1.2
Restated					
12 mths to 30.06.2015					
Value of new business	276	185	427	66	954
Gross	340	232	518	78	1 168
Less cost of required capital	(64)	(47)	(91)	(12)	(214)
New business premiums	18 726	2 450	7 773	686	29 635
Recurring premiums	1 283	1 035	1 368	402	4 088
Single premiums	17 443	1 415	6 405	284	25 547
New business premiums (APE)	3 027	1 177	2 009	430	6 643
New business premiums (PVP)	25 458	5 091	17 683	2 164	50 396
Profitability of new business as a percentage of APE	9.1	15.7	21.3	15.3	14.4
Profitability of new business as a percentage of PVP	1.1	3.6	2.4	3.0	1.9

1. The Corporate and Public Sector recognises cell captive business as new business at the point where all shareholder and other contractual arrangements have been finalised and signed, even though the first premium may only be received after the end of the current reporting period.
2. Value of new business and new business premiums are net of non-controlling interests.
3. The value of new business has been calculated on closing assumptions. Investment yields at the point of sale have been used for fixed annuity and guaranteed endowment business, for other business the investment yields at the end of the year have been used.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

ANALYSIS OF NEW BUSINESS PREMIUMS	Momentum Retail Rm	Metropolitan Retail Rm	Corporate and Public Sector ⁽¹⁾ Rm	International Rm	Total Rm
12 mths to 30.06.2016					
New business premiums	19 365	2 343	7 665	906	30 279
Recurring premiums	1 292	1 087	2 790	458	5 627
Risk	560	703	390	-	1 653
Savings/Investments	732	384	315	-	1 431
Annuities	-	-	1	-	1
Cell captives	-	-	2 084	-	2 084
International	-	-	-	458	458
Single premiums	18 073	1 256	4 875	448	24 652
Savings/Investments	17 091	312	3 499	-	20 902
Annuities	982	944	1 162	-	3 088
Cell captives	-	-	214	-	214
International	-	-	-	448	448
New business premiums (APE)	3 099	1 213	3 278	503	8 093
Risk	560	704	391	-	1 655
Savings/Investments	2 441	415	665	-	3 521
Annuities	98	94	117	-	309
Cell captives	-	-	2 105	-	2 105
International	-	-	-	503	503
Restated					
12 mths to 30.06.2015					
New business premiums	18 726	2 450	7 773	686	29 635
Recurring premiums	1 283	1 035	1 368	402	4 088
Risk	550	658	575	-	1 783
Savings/Investments	733	377	556	-	1 666
Cell captives	-	-	237	-	237
International	-	-	-	402	402
Single premiums	17 443	1 415	6 405	284	25 547
Savings/Investments	16 787	277	4 283	-	21 347
Annuities	656	1 138	2 122	-	3 916
International	-	-	-	284	284
New business premiums (APE)	3 027	1 177	2 009	430	6 643
Risk	550	658	575	-	1 783
Savings/Investments	2 412	405	984	-	3 801
Annuities	65	114	213	-	392
Cell captives	-	-	237	-	237
International	-	-	-	430	430

1. The Corporate and Public Sector recognises cell captive business as new business at the point where all shareholder and other contractual arrangements have been finalised and signed, even though the first premium may only be received after the end of the current reporting year.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

RECONCILIATION OF LUMP SUM INFLOWS	12 mths to 30.06.2016 Rm	12 mths to 30.06.2015 Rm
Total lump sum inflows	29 784	33 023
Inflows not included in value of new business	(6 632)	(8 966)
Term extensions on maturing policies	342	558
Retirement annuity proceeds invested in living annuities	1 008	822
Non-controlling interests and other adjustments	150	110
Single premiums included in value of new business	24 652	25 547

B. EXPECTED RETURN

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

C. RELEASE FROM THE COST OF REQUIRED CAPITAL

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

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

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

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

E. OPERATING EXPERIENCE VARIANCES

OPERATING EXPERIENCE VARIANCES	Notes	12 mths to 30.06.2016			Restated
		ANW Rm	Net VIF Rm	EV Rm	12 mths to 30.06.2015 EV Rm
Momentum Retail		103	130	233	381
Mortality and morbidity	1	214	16	230	365
Terminations, premium cessations and policy alterations	2	(109)	120	11	(75)
Expense variance	3	(52)	-	(52)	(101)
Other	4	50	(6)	44	192
Metropolitan Retail		97	26	123	6
Mortality and morbidity	1	80	8	88	85
Terminations, premium cessations and policy alterations		3	7	10	(20)
Expense variance	3	(9)	-	(9)	(61)
Other	4	23	11	34	2
Corporate and Public Sector		(178)	(62)	(240)	27
Mortality and morbidity	5	(258)	-	(258)	24
Terminations	6	13	(66)	(53)	9
Expense variance	3	(94)	(4)	(98)	(67)
FNB Life – share of profits		37	-	37	38
Other	4,7	124	8	132	23
International		(26)	54	28	119
Mortality and morbidity	1,8	89	50	139	202
Terminations, premium cessations and policy alterations		(13)	(5)	(18)	(11)
Expense variance	8	(100)	1	(99)	(86)
Other		(2)	8	6	14
Shareholder Capital	3	(232)	-	(232)	(11)
Opportunity cost of required capital		-	(42)	(42)	(21)
Total operating experience variances		(236)	106	(130)	501

Notes

- Overall, mortality and morbidity experience for the 12 months were better compared to what was allowed for in the valuation basis.
- Better than expected termination experience on whole life insurance contracts as well as clients choosing lower fee products.
- Overall experience was worse than expected due to proportionally higher internal cost allocations to covered segments in line with the new client centric model. This is offset by lower non-covered expenses. Refer to note N for further detail.
- Various smaller items including credit enhancing activities.
- The negative variance is a result of disability-in-payment experience.
- Higher than expected terminations on risk business.
- Includes a release of discretionary liabilities held in respect of data and systems no longer deemed necessary following completion of investigations.
- Higher expenses than assumed partly offset by morbidity profits on health businesses.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

F. DEVELOPMENT EXPENSES

Business development expenses within Momentum Retail and Metropolitan Retail.

G. OPERATING ASSUMPTION CHANGES

OPERATING ASSUMPTION CHANGES	Notes	12 mths to 30.06.2016			Restated 12 mths to 30.06.2015
		ANW Rm	Net VIF Rm	EV Rm	EV Rm
Momentum Retail		(104)	(22)	(126)	63
Mortality and morbidity assumptions	1	198	(174)	24	235
Termination assumptions	2	(124)	156	32	(19)
Renewal expense assumptions		77	17	94	(28)
Holding company expenses	3	(228)	(97)	(325)	-
Modelling, methodology and other changes		(27)	76	49	(125)
Metropolitan Retail		68	14	82	60
Mortality and morbidity assumptions	4	265	6	271	95
Termination assumptions		7	(37)	(30)	(21)
Renewal expense assumptions		(45)	(1)	(46)	30
Holding company expenses	3	(397)	52	(345)	-
Modelling, methodology and other changes	5	238	(6)	232	(44)
Corporate and Public Sector		(124)	(609)	(733)	(104)
Mortality and morbidity assumptions	6	66	(129)	(63)	(81)
Termination assumptions		-	6	6	63
Renewal expense assumptions	7	(99)	(36)	(135)	(155)
Holding company expenses	3	56	(281)	(225)	-
Modelling, methodology and other changes	8	(147)	(169)	(316)	69
International		(20)	(95)	(115)	86
Mortality and morbidity assumptions		10	33	43	48
Termination assumptions		(2)	(20)	(22)	(4)
Renewal expense assumptions	3	(34)	1	(33)	22
Modelling, methodology and other changes	9	6	(109)	(103)	20
Shareholder Capital		(29)	(18)	(47)	(111)
Methodology change: cost of required capital		-	(65)	(65)	(11)
Total operating assumption changes		(209)	(795)	(1 004)	(17)

Notes

- Refinement of the mortality valuation and reinsurance basis.
- Strengthening of the persistency assumptions mainly on risk business.
- Allowance for increased cost allocation to covered business. Refer to note N.
- Allowance for better than assumed mortality on risk business.
- Introduction of the risk product tax fund partially offset by modelling and methodology changes.
- Strengthening of the mortality and morbidity basis.
- Impact of lower than expected sales volumes on expense recoveries.
- Various modelling and methodology changes, including refinements to disability-in-payment, annuity business as well as Guardrisk Life assumptions.
- Valuation modelling and methodology changes including updating for the expected new taxation basis in Lesotho.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

H. INVESTMENT RETURN ON ADJUSTED NET WORTH

INVESTMENT RETURN ON ADJUSTED NET WORTH	12 mths to 30.06.2016 Rm	12 mths to 30.06.2015 Rm
Investment income	680	618
Capital appreciation and other	246	77
Preference share dividends paid and change in fair value of preference shares	(33)	(31)
Investment return on adjusted net worth	893	664

I. INVESTMENT VARIANCES

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

J. ECONOMIC ASSUMPTION CHANGES

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

K. EXCHANGE RATE MOVEMENTS

The impact of foreign currency movements on International covered businesses.

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

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

M. CHANGES IN SHARE CAPITAL

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

N. HOLDING COMPANY EXPENSES

Certain expenses previously accounted for as recurring shareholder expenses (disclosed as a negative write-up to the directors' value for MMI Holdings) have been charged to expenses within the SA covered business. These two changes mostly offset resulting in a slight increase in Embedded Value. The new expense methodology was not implemented as an opening basis change resulting in the expense variance for covered business being worse than expected and the non-covered experience being better than expected.

MMI HOLDINGS GROUP – EMBEDDED VALUE INFORMATION

COVERED BUSINESS: SENSITIVITIES – 30.06.2016	Adjusted net worth Rm	In-force business			New business written		
		Net value Rm	Gross value Rm	Cost of CAR ⁽³⁾ Rm	Net value Rm	Gross value Rm	Cost of CAR ⁽³⁾ Rm
Base value	14 740	21 668	24 812	(3 144)	850	1 030	(180)
1% increase in risk discount rate % change		19 959 (8)	23 493 (5)	(3 534) 12	698 (18)	891 (13)	(193) 7
1% reduction in risk discount rate % change		23 621 9	26 329 6	(2 708) (14)	1 023 20	1 187 15	(164) (9)
10% decrease in future expenses % change ⁽¹⁾		22 947 6	26 091 5	(3 144) -	975 15	1 155 12	(180) -
10% decrease in lapse, paid-up and surrender rates % change		22 468 4	25 613 3	(3 145) -	1 013 19	1 207 17	(194) 8
5% decrease in mortality and morbidity for assurance business % change		23 194 7	26 366 6	(3 172) 1	1 010 19	1 190 16	(180) -
5% decrease in mortality for annuity business % change		21 368 (1)	24 483 (1)	(3 115) (1)	841 (1)	1 021 (1)	(180) -
1% reduction in gross investment return, inflation rate and risk discount rate % change ⁽²⁾	14 760 -	22 275 3	25 369 2	(3 094) (2)	924 9	1 104 7	(180) -
1% reduction in inflation rate % change		22 457 4	25 601 3	(3 144) -	928 9	1 108 8	(180) -
10% fall in market value of equities and properties % change	14 368 (3)	20 560 (5)	23 640 (5)	(3 080) (2)			
10% reduction in premium indexation take-up rate % change		21 357 (1)	24 492 (1)	(3 135) -	811 (5)	991 (4)	(180) -
10% decrease in non-commission related acquisition expenses % change					949 12	1 129 10	(180) -
1% increase in equity/property risk premium % change		22 021 2	25 160 1	(3 139) -	889 5	1 069 4	(180) -

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

MMI HOLDINGS GROUP – ADDITIONAL INFORMATION

ANALYSIS OF ASSETS MANAGED AND/OR ADMINISTERED ⁽¹⁾	30.06.2016 Rm	Restated 30.06.2015 Rm
Managed and/or administered by Investments		
Financial assets	472 839	456 663
Momentum Manager of Managers	113 960	117 416
Momentum Investment Consultants	10 327	11 715
Momentum Collective Investments	62 201	63 817
Metropolitan Collective Investments	39 847	24 775
Momentum Asset Management ⁽²⁾	184 389	183 198
Momentum Global Investments	55 228	48 639
Momentum Alternative Investments	6 887	7 103
Properties – Eris Property Group	27 346	26 133
On-balance sheet	8 534	8 066
Off-balance sheet	18 812	18 067
Momentum Wealth linked product assets under administration	153 730	138 854
On-balance sheet	96 858	85 433
Off-balance sheet	56 872	53 421
Managed internally or by other managers within MMI (on-balance sheet)	64 597	64 872
Managed by external managers (on-balance sheet)	16 605	16 789
Properties managed internally or by other managers within MMI or externally	2 657	2 506
Corporate and Public Sector – segregated assets	216	200
Corporate and Public Sector – cell captives on-balance sheet	17 834	16 381
Total assets managed and/or administered	755 824	722 398
Managed and/or administered by Investments		
On-balance sheet	255 653	259 594
Off-balance sheet	217 186	197 069
	472 839	456 663

1. Assets managed and/or administered are included where an entity earns a fee on the assets. Non-financial assets (except properties) have been excluded.
2. MMI performs certain administrative functions for Aluwani Capital Partners (Aluwani) on an arms-length basis. Included in Momentum Asset Management in the current year is R36 billion managed by Aluwani.

MMI HOLDINGS GROUP – ADDITIONAL INFORMATION

NET FUNDS RECEIVED FROM CLIENTS ⁽¹⁾	Gross single inflows Rm	Gross recurring inflows Rm	Gross inflow Rm	Gross outflow Rm	Net inflow/ (outflow) Rm
12 mths to 30.06.2016					
Momentum Retail	16 489	9 278	25 767	(25 067)	700
Metropolitan Retail	1 258	5 558	6 816	(6 037)	779
Corporate and Public Sector	11 438	15 170	26 608	(30 568)	(3 960)
International	599	3 322	3 921	(2 292)	1 629
Long-term insurance business fund flows	29 784	33 328	63 112	(63 964)	(852)
Off-balance sheet fund flows					
Managed and/or administered by Investments			84 243	(80 887)	3 356
Properties – Eris Property Group			2 972	(2 227)	745
Momentum Wealth linked product assets under administration			10 450	(10 837)	(387)
Corporate and Public Sector – segregated assets			16	-	16
Total net funds received from clients			160 793	(157 915)	2 878
Restated					
12 mths to 30.06.2015					
Momentum Retail	15 684	8 992	24 676	(24 088)	588
Metropolitan Retail	1 415	5 495	6 910	(4 967)	1 943
Corporate and Public Sector	15 576	14 345	29 921	(27 500)	2 421
International	348	3 215	3 563	(1 953)	1 610
Long-term insurance business fund flows	33 023	32 047	65 070	(58 508)	6 562
Off-balance sheet fund flows					
Managed and/or administered by Investments ⁽²⁾			72 017	(95 906)	(23 889)
Properties – Eris Property Group			2 912	(1 886)	1 026
Momentum Wealth linked product assets under administration			10 168	(10 582)	(414)
Corporate and Public Sector – segregated assets			9	-	9
Total net funds received from clients			150 176	(166 882)	(16 706)

1. Assets managed and/or administered are included where an entity earns a fee on the assets. Non-financial assets (except properties) have been excluded.
2. Includes outflows of R31 billion relating to Metropolitan Collective Investments.

MMI HOLDINGS GROUP – ADDITIONAL INFORMATION

ANALYSIS OF ASSETS BACKING SHAREHOLDER EXCESS	30.06.2016		30.06.2015	
	Rm	%	Rm	%
Equity securities	372	1.5	346	1.4
Preference shares	1 457	6.0	1 497	6.1
Collective investment schemes	264	1.1	523	2.1
Debt securities	4 831	20.0	4 761	19.4
Properties	3 436	14.3	2 241	9.1
Owner-occupied properties	1 662	6.9	1 509	6.1
Investment properties	1 774	7.4	732	3.0
Cash and cash equivalents and funds on deposit	8 488	35.2	9 368	38.2
Intangible assets	8 035	33.3	8 503	34.6
Other net assets	1 350	5.6	1 322	5.4
	28 233	117.1	28 561	116.4
Redeemable preference shares	(275)	(1.1)	(292)	(1.2)
Subordinated redeemable debt	(3 557)	(14.8)	(3 298)	(13.4)
Treasury shares	(292)	(1.2)	(424)	(1.7)
Shareholder excess per reporting basis	24 109	100.0	24 547	100.0

MMI HOLDINGS GROUP – ADDITIONAL INFORMATION

NUMBER OF EMPLOYEES	30.06.2016
Indoor staff	10 077
Segments	
Momentum Retail	1 360
Metropolitan Retail	1 215
Corporate and Public Sector	1 019
International	1 295
Centres of Excellence	
Investments and Savings Solutions	511
Legacy Solutions	211
Life Insurance Solutions	487
Health Solutions	2 591
Products and Solutions	2
Short-term Insurance Solutions	283
Multiply	149
Group services divisions	954
Field staff	7 483
Momentum Retail	1 111
Metropolitan Retail	4 804
International	1 568
Total	17 560

NUMBER OF EMPLOYEES (pre-restructure)	30.06.2015
Indoor staff	10 438
Momentum Retail	1 841
Metropolitan Retail	1 052
Momentum Employee Benefits	1 668
International	1 010
Momentum Investments	651
Metropolitan Health	2 902
Shareholder Capital	
Balance Sheet Management	78
Group services	925
Short-term Insurance	311
Field staff	6 801
Momentum Retail	1 327
Metropolitan Retail	3 840
International	1 634
Total	17 239

MMI HOLDINGS GROUP – STOCK EXCHANGE PERFORMANCE

STOCK EXCHANGE PERFORMANCE	30.06.2016	30.06.2015
12 months		
Value of listed shares traded (rand million)	25 614	19 153
Volume of listed shares traded (million)	1 057	642
Shares traded (% of average listed shares in issue)	67	41
Trade prices		
Highest (cents per share)	3 149	3 475
Lowest (cents per share)	1 900	2 502
Last sale of period (cents per share)	2 264	3 015
Annualised percentage (%) change during year	(25)	15
Annualised percentage (%) change – life insurance sector (J857)	(6)	11
Annualised percentage (%) change – top 40 index (J200)	-	-
30 June		
Price/diluted core headline earnings (segmental) ratio	11.3	12.6
Dividend yield % (dividend on listed shares)	6.9	5.1
Dividend yield % – top 40 index (J200)	2.9	3.0
Total shares issued (million)		
Ordinary shares listed on JSE	1 574	1 572
Treasury shares held on behalf of contract holders	(13)	(14)
Basic number of shares in issue	1 561	1 558
Treasury shares held on behalf of contract holders	13	14
Convertible redeemable preference shares	30	32
Diluted number of shares in issue ⁽¹⁾	1 604	1 604
Market capitalisation at end (Rbn) ⁽²⁾	36	48

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