MMI HOLDINGS

DIRECTORS' STATEMENT

The directors take pleasure in presenting the unaudited condensed interim results of MMI Holdings financial services group for the period ended 31 December 2013. The preparation of the group's results was supervised by the group finance director, Preston Speckmann, BCompt (Hons), CA(SA).

CORPORATE EVENTS

On 4 November the group announced that it will acquire 100% of Guardrisk from Alexander Forbes. In terms of the proposed transaction MMI will acquire the investment in Guardrisk from Alexander Forbes for an amount of R1,6 billion. The acquisition is subject to, inter alia, regulatory approvals by the Financial Services Board and the competition authorities.

BASIS OF PREPARATION OF FINANCIAL INFORMATION

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim financial reporting; the SAICA Financial Reporting Guide as issued by the Accounting Practices Committee and Financial Pronouncements as issued by the Financial Reporting Standards Council; JSE Listing Requirements and as well as the South African Companies Act of 2008. The accounting policies applied in the preparation of these interim financial statements are in terms of International Financial Reporting Standards (IFRS) and are consistent with those adopted in the previous periods 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 2013, 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 31 DECEMBER 2013 AND RELEVANT TO THE GROUP

- <u>IFRS 10 – Consolidated financial statements, IFRS 11 – Joint arrangements, IAS 28 (revised) – Investments in associates and joint ventures (consolidation project)</u>

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

  – Collective investment schemes: Previously the group consolidated collective investment schemes where the group's holding in a fund was greater than 50% and investments in a fund of between 20% and 50% were considered to be interests in associates. As a result of the adoption of IFRS 10 the group no longer uses the percentage holdings referred to above as the defining parameter of control. This resulted in an increased number of collective investment schemes being reclassified to subsidiaries (from associates) and to associates (from unit linked investments).

  – Cell captives: Before the adoption of IFRS 10, cells were regarded as separate entities under SIC 12 and were not included in the consolidated group results as the risks and rewards of these cells were not transferred to the group. These cells were therefore included in the consolidated results of cell owners. Under IFRS 10 a cell can only be consolidated by the cell owner if it first meets the definition of a 'silo'. Cell captives in South Africa are not legally ring-fenced and are not seen as protected cells and therefore do not meet the definition of a 'silo'. Cells are therefore no longer considered to be separate entities. This resulted in the group recognising the assets, liabilities, income and expenses relating to its cell captive business in its consolidated results. Because the risks and rewards relating to cell activities are for the benefit of cell owners, the inclusion of cell income and expenses does not impact the group's net results, as the result of cell activities are transferred back to the cell owner.

  – Other financial instruments: There were no other material financial instruments that met the new consolidation criteria.

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

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

Refer to the appendix for details of the above required restatements to the previously reported statement of financial position and income statement. The statement of other comprehensive income, statement of changes in equity, statement of cash flows and segment report has also been restated. Total assets and liabilities increased by R17.2 billion for June 2013 (December 2012: R11.2 billion). The restatements had no material impact on the current or prior period earnings, diluted earnings or headline earnings per share, nor on the net asset value of the group.

- Amendments to IAS 19 - Employee benefits

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

- IFRS 13 – Fair value measurements

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. This standard is required to be applied prospectively with no restatements. The impact of this change of fair value measurement has not been material on the current period earnings, diluted earnings or headline earnings per share, nor on the net asset value of the group. IAS 34 – Interim reporting was revised for the introduction of IFRS 13 and requires additional disclosure on financial instruments carried at fair value. The group has complied with these additional disclosure requirements in these interim results.

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

RECLASSIFICATIONS

The December 2012 and June 2013 results have been restated for the following reclassifications:

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

These restatements had no impact on the current or prior period reported earnings, diluted earnings or headline earnings per share, nor on the net asset value or the statement of cash flows. Refer to the analysis of restatements tables for more details.

EMBEDDED VALUE – FNB LIFE

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

CORPORATE GOVERNANCE

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

DIRECTORATE CHANGES AND DIRECTORS' SHAREHOLDING

Mr Blignault Gouws, a non-executive director, retired from the Board of MMI Holdings on 27 November 2013. On the same day Ms Mary Vilakazi resigned from the Board as non-executive director in order to take up an executive position with the group as described below. Mr Louis Leon von Zeuner was appointed as a non-executive director of MMI, with effect from 1 January 2014.

Wilhelm van Zyl, the deputy group CEO, informed the Board that he will be leaving the group, and resigning as a director, with effect from 30 June 2014. MMI would like to thank him for his 24 years of invaluable service to the group. He played a pivotal role in the creation of MMI and the successful completion of the integration phase. We wish him well in his future endeavours.

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

CHANGES TO THE GROUP EXECUTIVE COMMITTEE

In November 2013 Jan Lubbe, chief risk officer, and Vuyo Lee, group executive brand - stakeholder management and sustainability, were appointed as members of the group executive committee.

Nigel Dunkley, group executive - balance sheet management has been transferred to the group's asset management business in the UK and Mary Vilakazi has been appointed as group executive - balance sheet management from 1 May 2014.

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 31 December 2013 that were not in the ordinary course of business.

EVENTS AFTER THE REPORTING PERIOD

The Competition Tribunal and FSB approved the Guardrisk transaction on 12 February 2014 and 24 February 2014 respectively. The disclosure of the initial accounting for the business combination will be included in the June 2014 financial results as the approvals were only obtained in February.

Metropolitan International acquired a significant majority stake in Kenyan insurer Cannon Assurance Ltd (Cannon) for around R300 million. The acquisition is subject to regulatory and other required approvals. The shareholders of Cannon will in turn acquire a minority stake in Metropolitan Life Kenya. This transaction will enable a merger of the two companies with the consolidation of the life licences into one and a standalone short-term insurance licence and business.

MMI intends to issue R1.5 billion of unsubordinated debt during March 2014 for which FSB approval has already been received.

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

DIVIDEND DECLARATION

Ordinary shares

The dividend policy for ordinary listed shares, approved by the directors, is to provide shareholders with 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 2014 a gross interim dividend of 57 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 Friday, 28 March 2014 and will be paid on Monday, 31 March 2014. 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. The STC credits utilised per share amount to 0.01429 cents per ordinary share. This will result in a net dividend, for those shareholders who are not exempt from paying dividend tax, of 48.45214 cents per ordinary share.

The number of ordinary shares in issue at the declaration date was 1 569 803 700, whilst the last day to trade cum dividend will be Thursday, 20 March 2014. The shares will trade ex dividend from the start of business on Monday, 24 March 2014. Share certificates may not be dematerialised or rematerialised between Monday, 24 March 2014 and Friday, 28 March 2014, both days inclusive. MMI's income tax number is 975 2050 147.

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

Preference shares

Dividends of R22.6 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 R5 674.

DIRECTORS' RESPONSIBILITY AND EXTERNAL AUDIT

These results are the responsibility of the directors. The condensed interim results have not been reviewed or audited by the external auditors. A printed version of the SENS announcement may be requested from the group company secretary, Maliga Chetty tel: 012 684 4255.

Signed on behalf of the board

JJ Njeke	Chairman
Nicolaas Kruger	Group chief executive officer

Centurion

5 March 2014