MMI Holdings Limited Group
Incorporated in South Africa
(Registration number 2000/031756/06)
JSE share code (primary listing): MMI
NSX share code: MIM
ISIN NO. ZAE000149902
"MMI Holdings" or "the Company"

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

DIRECTORS' STATEMENT

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

Corporate events

Acquisitions

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

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

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

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

Listed debt

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

Licence amalgamation

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

Basis of preparation of financial information

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

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

- <u>IFRS 10 – Consolidated financial statements, IFRS 11 – Joint arrangements, IFRS 12 - Disclosure of interests in other entities, IAS 28 (revised) – Investments in associates and joint ventures (consolidation project)</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 considers control over the fund manager and no longer uses the percentage holdings referred to above as the defining parameter of control over the schemes. This resulted in an increased number of collective investment schemes being reclassified to subsidiaries (from associates) and to associates (from unit-linked investments).
- Cell captives: Before the adoption of IFRS 10, cells were regarded as special purpose entities under SIC 12 and were not included in the consolidated group results as the risks and rewards of these cells were not transferred to the group. As a result, these cells were included in the consolidated results of cell owners. Under IFRS 10, a cell can only be consolidated by the cell owner if it first meets the definition of a deemed separate entity. Cell captives in South Africa are not legally ring-fenced and are not seen as protected cells; therefore they do not meet the definition of a deemed separate entity. Cells are therefore no longer considered to be special purpose entities. This resulted in the group recognising the assets, liabilities, income and expenses relating to its cell captive business in its consolidated results. Because the risks and rewards relating to cell activities are for the benefit of cell owners, the inclusion of cell income and expenses does not impact the group's net results, as the results of cell activities are transferred back to the cell owner.
- Other financial instruments: There were no other material financial instruments that met the new consolidation criteria.

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

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

Refer to the appendix for details of the above required restatements to the previously reported statement of financial position, income statement and statement of cash flows.

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

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

- Amendments to IAS 19 - Employee benefits

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

- IFRS 13 – Fair value measurements

  IFRS 13 aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across IFRSs. This standard is required to be applied prospectively with no restatements. The impact of this change of fair value measurement has not been material on the current year earnings,

  diluted earnings or headline earnings per share, or on the net asset value of the group. IAS 34 – Interim reporting was revised for the introduction of IFRS 13 and requires additional disclosure on financial instruments carried at fair value. The group has complied with these additional disclosure requirements in these results.

- Other
  - IFRS 7 (amendment) – Financial instruments: disclosures: offsetting financial assets and financial liabilities became effective for the first time in the current year and had no impact on the group's earnings or net asset value. The relevant information has been disclosed in the 2014 integrated report.

- The International Accounting Standards Board (IASB) made amendments to various standards as part of their annual improvements project. These amendments had no impact on the group's earnings.

Reclassifications

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

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

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

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

Reclassifications (continued)

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

Embedded value – FNB Life

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

Corporate governance

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

Changes to the directorate, secretary and directors' shareholding

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

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

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

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

Changes to the group executive committee

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

Contingent liabilities and capital commitments

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

Events after year-end

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

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

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

Dividend declaration

Ordinary shares

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

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

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

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

Preference shares

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

Integrated information

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

Directors' responsibility

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

External audit

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

Signed on behalf of the board

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

Centurion
9 September 2014

DIRECTORS: MJN Njeke (chairman), JP Burger (deputy chairman), NAS Kruger (group chief executive officer), PE Speckmann (group finance director), N Motsei (executive), L Crouse, F Jakoet, Prof JD Krige, PJ Moleketi, SA Muller, V Nkonyeni, SE Nxasana, KC Shubane, FJC Truter, BJ van der Ross, JC van Reenen, LL von Zeuner
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