

Directors' statement

The directors take pleasure in presenting the audited results of the MMI Holdings financial services group for the year ended 30 June 2011. The preparation of the MMI group's condensed consolidated, audited results was supervised by the group finance director, Preston Speckmann, BCompt (Hons), CA(SA).

METROPOLITAN/MOMENTUM MERGER

MMI Holdings Limited (previously Metropolitan Holdings Limited) acquired all the ordinary shares in Momentum Group Limited (Momentum) from FirstRand Bank Limited (FirstRand) during 2010 and issued 951 million shares to FirstRand as consideration. For accounting purposes, the acquisition is accounted for as a reverse acquisition in terms of IFRS 3 (Revised) – Business combinations, with Momentum being treated as the acquirer and Metropolitan Holdings Limited (Metropolitan) as the acquiree. The relevant approvals for the transaction were received on 12 November 2010 (transaction unconditional), the consideration shares were issued on 1 December 2010 and the new MMI Holdings Limited board was reconstituted on the latter date.

Presentation of financial information

The group has adopted a June year-end, being the year-end of Momentum. The statutory results presented for the current period comprise Momentum results for the 12 months ended 30 June 2011 and Metropolitan results for the seven months ended June 2011, while the comparative results are the 12 months ended 30 June 2010 for Momentum only (restated for accounting policy changes noted below).

Segmental information

The group operates through the following divisions:

- *Momentum Retail*: Existing Momentum Retail business including Momentum Wealth and Metropolitan Odyssey in the middle to upper income markets;
- *Metropolitan Retail*: Existing Metropolitan Retail business, Momentum's New Markets initiative and 10% of FNB Life in the entry level market;
- *Momentum Employee Benefits*: Momentum and Metropolitan's employee benefits businesses including Metropolitan Retirement Administrators;
- *Metropolitan International*: Metropolitan and Momentum's life assurance and health businesses in Africa;
- *Momentum Investments*: Momentum's asset management businesses including its United Kingdom operations and Metropolitan's asset management businesses;
- *Metropolitan Health*: Metropolitan and Momentum's South African health businesses;
- *Shareholder capital*: Holding company related activities and the management of MMI's capital and shareholder balance sheet risks, such as market risk and credit risk; includes the run-off of corporate policy business and operational items managed centrally by the group.

Management information presented to the executive committee (chief operating decision maker) assumes that the merger occurred on 1 July 2009 and therefore all segmental information, in terms of IFRS 8 – Operating segments – has been disclosed on this basis. The operational reviews are based on this segmental information. More details are available in the tables, on SENS and on the company's website.

The comparative information has been restated to be consistent with the new structure of the group.

The segmental information also assumes that the reinsurance agreement with the cell captive owned by FirstRand was effective from 1 July 2009. The segmental information for the current and comparative period therefore only includes 10% of FNB Life's results.

Basis of presentation of financial information

These results have been prepared in accordance with International Accounting Standard 34 (IAS 34) – Interim financial reporting; the South African Companies Act of 2008; and the listings requirements of the JSE Limited (JSE). The accounting policies of the group are in terms of International Financial Reporting Standards (IFRS) and have been applied consistently to all the periods presented and the previous reporting period (except for those noted below). The comparatives have been restated for the changes in accounting policies. The preparation of financial statements is in accordance with and contains the information required by IFRS and the AC 500 standards, as issued by the Accounting Practices Board, which requires the use of certain critical accounting estimates as well as the exercise of managerial judgement in the application of the group's accounting policies. Such critical judgements and accounting estimates are disclosed in detail in the Momentum financial statements at 30 June 2010 (31 December 2009 for Metropolitan).

Change in accounting policies and reclassifications

The group has chosen to early adopt IAS 12 – Income taxes and now accounts for deferred tax on investment property at the capital gains tax rate instead of the corporate rate.

Certain accounting policies or disclosure practices have been amended to align the historic accounting policies and disclosure of Momentum and Metropolitan. Owner-occupied properties are carried at fair value instead of cost less accumulated depreciation; actuarial gains and losses on employee benefit assets are recognised immediately instead of over the service lives of employees; investment contracts with discretionary participation features are accounted for as insurance contracts with premiums and claims recorded in the income statement instead of applying deposit accounting. The MMI group aligned the presentation of the financial statement items of Metropolitan and Momentum for consistency purposes, resulting in certain reclassifications. None of these amendments has had any material impact on earnings for the current reporting period.

More information is available on SENS and on the company website.

CORPORATE GOVERNANCE

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

DIRECTORATE CHANGES AND DIRECTORS' SHAREHOLDING

Following the implementation of the merger between Momentum and Metropolitan the board of directors was reconstituted as set out in the circular to shareholders, and the current board members are listed below. All transactions in listed shares of the company involving directors were disclosed on SENS as required.

CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

The group had no material capital commitments or contingent liabilities at 30 June 2011. The group is party to legal proceedings in the normal course of business, and appropriate provisions are made when losses are expected to materialise.

EVENTS AFTER THE REPORTING PERIOD

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

DIVIDEND DECLARATION

Ordinary listed shares

The dividend policy for ordinary listed shares, approved by the directors, is to provide shareholders with a stable dividend, 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 13 September 2011 a final dividend of 63 cents per ordinary share was declared that resulted in a normalised annual dividend of 105 cents per share. This final dividend is payable to the holders of ordinary shares recorded in the register of the company at the close of business on Friday, 7 October 2011 and will be paid on Monday, 10 October 2011. The last day to trade "cum" dividend will be Friday, 30 September 2011. The shares will trade "ex" dividend from the start of business on Monday, 3 October 2011. Share certificates may not be dematerialised or rematerialised between Monday, 3 October and Friday, 7 October 2011, both days inclusive.

Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to certificated shareholders on or about payment date. Shareholders who hold dematerialised shares will have their accounts with their CSDP or broker credited on Monday, 10 October 2011.

Preference share dividend

Dividends of R10 million (7.7% p.a.), R5 million (7.7% p.a.), and R30 million (19.1% p.a.) were declared on 13 September 2011 on the unlisted A1, A2 and A3 MMI preference shares respectively, and are payable on 30 September 2011.

The declaration rate was determined as set out in the company's articles. MMI preference share dividends are included under finance costs in these results.

AUDIT OPINION

The auditors, PricewaterhouseCoopers Inc, have issued their opinion on the group financial statements for the year ended 30 June 2011. A copy of their unqualified report is available for inspection at the company's registered office.

INDEPENDENT ACTUARIAL REVIEW

The statement of assets and liabilities, embedded value and value of new business results have been independently reviewed by Deloitte. A copy of their report is available for inspection at the company's registered office.

Signed on behalf of the board

Laurie Dippenaar Chairman

Nicolaas Kruger Group chief executive officer

Centurion

13 September 2011