

MMI Group Limited

Summary of financial information

Unaudited results for the 6 months ended 31 December 2016

MMI GROUP LIMITED

DIRECTORS' STATEMENT

The directors take pleasure in presenting the unaudited summarised interim results of MMI Group Ltd for the period ended 31 December 2016. The preparation of the company's results was supervised by the finance director, Mary Vilakazi, CA(SA).

Corporate events

During the current period, the Financial Services Board (FSB) approved the transfer of the FNB Life book of business from MMI Group Ltd to FirstRand Life Assurance Ltd. MMI Group Ltd recognised a profit of R73 million relating to the sale which was effective from 1 October 2016. There were no other corporate events in the current period.

Basis of preparation of financial information

These summarised interim 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. Critical judgements and accounting estimates are disclosed in detail in the company's annual financial statements for the year ended 30 June 2016, including changes in estimates that are an integral part of the insurance business. The company is exposed to financial and insurance risks, details of which are also provided in the company's annual financial statements.

New and revised standards effective for the period ended 31 December 2016 and relevant to the company

- The following amendments to standards and interpretations became effective for the first time in the current period and had no impact on the company's earnings or net asset value: Amendments to IAS 1 Presentation of financial statements, IAS 16 Property, plant and equipment, IAS 38 Intangible assets and IAS 27 Separate financial statements.
- 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 company's earnings.

Segmental report

The client-centric reporting view reflects the following segments:

Momentum Retail: Momentum Retail's 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.

Metropolitan Retail: 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: 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 the company's global expansion holistically, in order to enhance the lifetime financial wellness of people, their communities and their businesses and to take care of client needs in the selected segments of countries where the company is represented.

Shareholder Capital: This segment is responsible for the management of the capital base of the company.

Corporate governance

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

MMI GROUP LIMITED

Changes to the directorate and secretary

On 22 November 2016, Johan Burger resigned from the board and as deputy chairman. On 1 December 2016, Louis von Zeuner was elected as deputy chairman of the board.

Contingent liabilities and capital commitments

The company is party to legal proceedings and appropriate provisions are made when losses are expected to materialise. The company had no material capital commitments at 31 December 2016 that were not in the ordinary course of business.

Events after the reporting period

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

Directors' responsibility

These results are the responsibility of the directors. The summarised interim results have not been reviewed or audited by the external auditors.

Signed on behalf of the board

JJ Njeke

Chairman

Nicolaas Kruger

Group chief executive officer

Centurion

1 March 2017

DIRECTORS: MJN Njeke (chairman), LL von Zeuner (deputy chairman), NAS Kruger (chief executive officer), M Vilakazi (finance director), F Jakoet, Prof SC Jurisich, FJC Truter,

COMPANY SECRETARY: Maliga Chetty

WEBSITE: www.mmiholdings.com

AUDITORS: PricewaterhouseCoopers Inc

REGISTERED OFFICE: 268 West Avenue, Centurion, 0157

MMI GROUP LIMITED – IFRS FINANCIAL INFORMATION

SUMMARISED STATEMENT OF FINANCIAL POSITION	31.12.2016	31.12.2015	30.06.2016
	Rm	Rm	Rm
ASSETS			
Intangible assets	2 979	2 868	2 967
Owner-occupied properties	1 614	1 536	1 441
Property and equipment	110	132	117
Investment properties	6 719	7 081	6 785
Investment in subsidiary companies	51 816	54 232	53 174
Employee benefit assets	456	413	441
Financial instrument assets ⁽¹⁾	293 866	287 561	294 851
Insurance and other receivables	2 534	3 387	2 705
Reinsurance contracts	1 788	1 512	1 735
Current income tax	310	215	321
Cash and cash equivalents	12 907	17 364	16 499
Non-current assets held for sale	-	-	470
Total assets	375 099	376 302	381 506
EQUITY			
Equity attributable to owners of the parent	16 238	16 105	16 614
Non-redeemable, non-cumulative, non-participative preference shares	500	500	500
Total equity	16 738	16 605	17 114
LIABILITIES			
Insurance contract liabilities			
Long-term insurance contracts	96 263	95 208	97 749
Financial instrument liabilities			
Investment contracts	239 327	238 277	242 508
– with discretionary participation features (DPF)	22 885	24 097	23 581
– designated at fair value through income	216 442	214 180	218 927
Other financial instrument liabilities ⁽²⁾	12 750	15 217	12 848
Deferred income tax	1 255	1 746	1 420
Employee benefit obligations	853	683	948
Other payables	7 913	8 566	8 919
Total liabilities	358 361	359 697	364 392
Total equity and liabilities	375 099	376 302	381 506
(1) Financial instrument assets consist of the following:			
Securities designated at fair value through income	268 125	263 574	272 702
Investment in associates designated at fair value through income	16 378	15 765	13 969
Derivative financial instrument assets	2 076	2 451	1 841
Available-for-sale assets	-	8	-
Loans and receivables	7 287	5 763	6 339
	293 866	287 561	294 851
(2) Financial instrument liabilities consist of the following:			
Liabilities designated at fair value through income	10 970	11 649	10 808
Derivative financial instrument liabilities	1 780	3 568	2 040
	12 750	15 217	12 848

MMI GROUP LIMITED – IFRS FINANCIAL INFORMATION

SUMMARISED INCOME STATEMENT	6 mths to	6 mths to	12 mths to
	31.12.2016	31.12.2015	30.06.2016
	Rm	Rm	Rm
Net insurance premiums received	9 280	9 552	19 408
Fee income ⁽¹⁾	1 474	1 564	3 450
Investment income	7 560	6 940	14 214
Net realised and fair value (losses)/gains	(4 503)	5 165	12 288
Net income	13 811	23 221	49 360
Net insurance benefits and claims	(9 621)	(10 247)	(20 935)
Change in liabilities	2 236	2 054	251
Change in insurance contract liabilities	1 320	1 587	(953)
Change in investment contracts with DPF liabilities	697	547	1 062
Change in reinsurance assets	219	(80)	142
Fair value adjustments on investment contract liabilities	466	(8 257)	(15 767)
Depreciation, amortisation and impairment expenses	(133)	(87)	(299)
Employee benefit expenses	(1 413)	(1 195)	(2 694)
Sales remuneration	(1 680)	(1 650)	(3 110)
Other expenses	(1 025)	(1 080)	(2 363)
Expenses	(11 170)	(20 463)	(44 917)
Results of operations	2 641	2 758	4 443
Finance costs ⁽²⁾	(402)	(356)	(712)
Profit before tax	2 239	2 402	3 731
Income tax expenses	(740)	(665)	(1 150)
Earnings for the period	1 499	1 737	2 581
Attributable to:			
Owners of the parent	1 481	1 721	2 548
MMI Group Ltd preference shares	18	16	33
	1 499	1 737	2 581

(1) Fee income consists of the following:

Investment contracts	1 218	1 136	2 345
Trust and fiduciary services	99	292	589
Other fee income	157	136	516
	1 474	1 564	3 450

(2) Finance costs consist of the following:

Subordinated debt	(176)	(169)	(340)
Cost of carry positions	(202)	(175)	(346)
Other	(24)	(12)	(26)
	(402)	(356)	(712)

MMI GROUP LIMITED – IFRS FINANCIAL INFORMATION

SUMMARISED STATEMENT OF COMPREHENSIVE INCOME	6 mths to 31.12.2016 Rm	6 mths to 31.12.2015 Rm	12 mths to 30.06.2016 Rm
Earnings for the period	1 499	1 737	2 580
Other comprehensive (loss)/income, net of tax	(311)	(507)	319
Items that may subsequently be reclassified to income	(333)	(544)	238
Revaluation of subsidiaries	(333)	(544)	243
Available-for-sale financial assets	-	-	(6)
Income tax relating to items that may be reclassified	-	-	1
Items that will not be reclassified to income	22	37	83
Land and building revaluation	59	56	108
Remeasurements of post-employee benefit funds	(24)	(15)	(3)
Income tax relating to items that will not be reclassified	(13)	(4)	(22)
Total comprehensive income for the period	1 188	1 230	2 899
Total comprehensive income attributable to:			
Owners of the parent	1 170	1 214	2 866
MMI Group Ltd preference shares	18	16	33
	1 182	1 230	2 899

MMI GROUP LIMITED – IFRS FINANCIAL INFORMATION

SUMMARISED STATEMENT OF CHANGES IN EQUITY	6 mths to 31.12.2016	6 mths to 31.12.2015	12 mths to 30.06.2016
	Rm	Rm	Rm
Changes in share capital			
Balance at beginning and end	9	9	9
Changes in share premium			
Balance at beginning and end	1 032	1 032	1 032
Changes in other reserves			
Balance at beginning	6 898	6 595	6 595
Total comprehensive (loss)/income	(310)	(504)	321
Transfer to retained earnings	(14)	(7)	(18)
Balance at end ⁽¹⁾	6 574	6 084	6 898
Changes in retained earnings			
Balance at beginning	8 675	8 832	8 832
Total comprehensive income	1 482	1 721	2 548
Dividend paid	(1 548)	(1 580)	(2 723)
Transfer from other reserves	14	7	18
Balance at end	8 623	8 980	8 675
Equity attributable to owners of the parent	16 238	16 105	16 614
Non-redeemable, non-cumulative, non-participative preference shares			
Balance at beginning	500	500	500
Total comprehensive income	18	16	16
Dividends paid	(18)	(16)	(16)
Balance at end	500	500	500
Total equity	16 738	16 605	17 114
⁽¹⁾ Other reserves consist of the following			
Land and buildings revaluation reserve	635	578	603
Revaluation of subsidiaries	1 225	771	1 558
Revaluation of available-for-sale investments	-	5	-
Employee benefit revaluation reserve	55	71	78
Common control reserve	4 659	4 659	4 659
	6 574	6 084	6 898

MMI GROUP LIMITED – IFRS FINANCIAL INFORMATION

SUMMARISED CASH FLOW STATEMENT	6 mths to	6 mths to	12 mths to
	31.12.2016	31.12.2015	30.06.2016
	Rm	Rm	Rm
Net cash (outflow)/ inflow from operating activities	(2 404)	7 102	8 449
Net cash inflow/(outflow) from investing activities	214	(383)	(532)
Net cash outflow from financing activities	(1 402)	(2 392)	(4 455)
Net cash flow	(3 592)	4 327	3 462
Cash resources and funds on deposit at beginning	16 499	13 037	13 037
Cash resources and funds on deposit at end	12 907	17 364	16 499

MMI GROUP LIMITED – SEGMENTAL INFORMATION

6 mths to 31.12.2016	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	11 620	3 521	9 686	-	-	24 827	(15 547)	9 280
Recurring premiums	4 319	2 996	4 983	-	-	12 298	(4519)	7 779
Single premiums	7 301	525	4 703	-	-	12 529	(11 028)	1 501
Fee income	1 016	37	417	-	4	1 474	-	1 474
Expenses								
Net payments to contract holders								
External payments	11 541	2 724	10 384	-	-	24 649	(15 028)	9 621
Other expenses	1 954	1 140	519	12	134	3 759	492	4 251
Sales remuneration	1 064	549	67	-	-	1 680	-	1 680
Administration expenses	890	591	452	12	120	2 065	-	2 065
Amortisation due to business combinations and impairments	-	-	-	-	18	18	-	18
Direct property expenses	-	-	-	-	-	-	194	194
Asset management and other fee expenses	-	-	-	-	(4)	(4)	298	294
Core headline earnings	703	382	101	(11)	212	1 387	-	1 387
Operating profit	983	531	141	(11)	(52)	1 592	-	1 592
Tax on operating profit	(280)	(149)	(40)	-	(14)	(483)	-	(483)
Investment income	-	-	-	-	350	350	-	350
Tax on investment income	-	-	-	-	(72)	(72)	-	(72)
Actuarial liabilities	197 828	32 549	102 444	-	2 769	335 590	-	335 590

(1) The 'Reconciling items' column includes: investment contract business premiums and claims; non-recurring items included in administration expenses; direct property and asset management fees 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; and other minor adjustments to expenses and fee income.

MMI GROUP LIMITED – SEGMENTAL INFORMATION

6 mths to 31.12.2015	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	12 273	3 645	10 454	-	-	26 372	(16 820)	9 552
Recurring premiums	4 205	2 991	4 631	-	-	11 827	(4 237)	7 590
Single premiums	8 068	654	5 823	-	-	14 545	(12 583)	1 962
Fee income	890	34	638	-	2	1 564	-	1 564
Expenses								
Net payments to contract holders								
External payments	12 071	3 012	13 508	-	-	28 591	(18 344)	10 247
Other expenses	1924	1065	610	-	(67)	3 532	480	4 012
Sales remuneration	1060	514	76	-	-	1 650	-	1 650
Administration expenses	864	551	534	-	(97)	1 852	-	1 852
Amortisation due to business combinations and impairments	-	-	-	-	19	19	-	19
Direct property expenses	-	-	-	-	-	-	182	182
Asset management and other fee expenses	-	-	-	-	11	11	298	309
Core headline earnings	679	314	161	-	262	1 416	-	1 416
Operating profit	964	442	233	-	110	1 749	-	1 749
Tax on operating profit	(285)	(128)	(72)	-	(64)	(549)	-	(549)
Investment income	-	-	-	-	248	248	-	248
Tax on investment income	-	-	-	-	(32)	(32)	-	(32)
Actuarial liabilities	195 946	32 296	102 297	-	2 946	333 485	-	333 485

(1) The 'Reconciling items' column includes: investment contract business premiums and claims; non-recurring items included in administration expenses; direct property and asset management fee, 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; and other minor adjustments to expenses and fee income.

MMI GROUP LIMITED – 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	24 887	6 816	20 267	-	-	51 970	(32 562)	19 408
Recurring premiums	8 531	5 558	9 291	-	-	23 380	(8 720)	14 660
Single premiums	16 356	1 258	10 976	-	-	28 590	(23 842)	4 748
Fee income	2 026	77	1 344	-	3	3 450	-	3 450
Expenses								
Net payments to contract holders								
External payments	24 240	5 816	26 431	-	-	56 487	(35 552)	20 935
Other expenses	3 977	2 153	1 299	4	370	7 803	663	8 466
Sales remuneration	2 017	960	133	-	-	3 110	-	3 110
Administration expenses	1 960	1 193	1 166	4	327	4 650	(137)	4 513
Amortisation due to business combinations and impairments	-	-	-	-	38	38	-	38
Direct property expenses	-	-	-	-	-	-	273	273
Asset management and other fee expenses	-	-	-	-	5	5	527	532
Core headline earnings	1 533	696	248	(3)	410	2 884	-	2884
Operating profit	2 126	970	351	(4)	(129)	3 314	-	3314
Tax on operating profit	(593)	(274)	(103)	1	(27)	(996)	-	(996)
Investment income	-	-	-	-	723	723	-	723
Tax on investment income	-	-	-	-	(157)	(157)	-	(157)
Actuarial liabilities	200 837	32 942	103 649	-	2 829	340 257	-	340 257

(1) The 'Reconciling items' column includes: investment contract business premiums and claims; non-recurring items included in administration expenses; direct property and asset management fees 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; and other minor adjustments to expenses and fee income.

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS SUMMARISED BY MEASUREMENT CATEGORY	31.12.2016	31.12.2015	30.06.2016
	Rm	Rm	Rm
Financial assets designated at fair value through income	286 579	281 798	288 512
Securities designated at fair value through income	268 125	263 574	272 702
Investment in associates designated at fair value through income	16 378	15 765	13 969
Derivative financial instruments	2 076	2 451	1 841
Available-for-sale	-	8	-
Financial assets carried at amortised cost	20 194	23 127	22 838
Loans and receivables	7 287	5 763	6 339
Cash and cash equivalents	12 907	17 364	16 499
Total financial assets	306 773	304 925	311 350

The carrying value of both loans and receivables, and cash and cash equivalents approximate fair value.

FINANCIAL LIABILITIES SUMMARISED BY MEASUREMENT CATEGORY	31.12.2016	31.12.2015	30.06.2016
	Rm	Rm	Rm
Investment contracts with DPF	22 885	24 097	23 581
Financial liabilities designated at fair value through income	229 192	229 397	231 775
Investment contracts designated at fair value through income	216 442	214 180	218 927
Liabilities designated at fair value through income	10 970	11 649	10 808
Derivative financial instruments	1 780	3 568	2 040
Financial liabilities carried at amortised cost			
Other payables	7 913	8 566	8 919
Total financial liabilities	259 990	262 060	264 275

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 carrying value of other payables approximates fair value due to their short-term nature.

MMI GROUP LIMITED – 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	Level 2	Level 3	Total
31.12.2016	Rm	Rm	Rm	Rm
Securities designated at fair value through income	184 068	80 257	3 800	268 125
Equity securities				
Local listed	55 745	15	-	55 760
Foreign listed	461	-	-	461
Unlisted	-	5	123	128
Debt securities				
Stock and loans to government and other public bodies				
Local listed	29 083	9 333	-	38 416
Foreign listed	-	35	-	35
Unlisted	-	3 170	-	3 170
Other debt instruments				
Local listed	-	20 482	7	20 489
Foreign listed	-	91	-	91
Unlisted	-	22 106	1 462	23 568
Funds on deposit and other money market instruments	-	12 147	60	12 207
Unit-linked investments				
Collective investment schemes ⁽¹⁾				
Local unlisted or listed quoted	78 039	36	-	78 075
Foreign unlisted or listed quoted	19 566	48	26	19 640
Foreign unlisted unquoted	-	2 751	109	2 860
Other unit-linked investments				
Local unlisted or listed quoted	1 174	6 284	-	7 458
Local unlisted unquoted	-	3 754	2 000	5 754
Foreign unlisted unquoted	-	-	13	13
Investments in associates designated at fair value through income ⁽¹⁾	16 315	63	-	16 378
Derivative financial instruments – Held for trading	-	2 076	-	2 076
	200 383	82 396	3 800	286 579

- (1) Collective investment schemes and Investment 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.

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
31.12.2015				
Securities designated at fair value through income	182 901	74 780	5 893	263 574
Equity securities				
Local listed	54 839	-	-	54 839
Foreign listed	551	-	-	551
Unlisted	-	-	210	210
Debt securities				
Stock and loans to government and other public bodies				
Local listed	25 081	8 670	-	33 751
Foreign listed	-	2 923	-	2 923
Other debt instruments				
Local listed	-	21 400	35	21 435
Foreign listed	-	129	-	129
Unlisted	-	21 396	3 300	24 696
Funds on deposit and other money market instruments	-	9 187	-	9 187
Unit-linked investments				
Collective investment schemes ⁽¹⁾	72 650	-	35	72 685
Local unlisted or listed quoted	26 561	-	-	26 561
Foreign unlisted or listed quoted	-	395	123	518
Other unit-linked investments				
Local unlisted or listed quoted	3 219	250	7	3 476
Local unlisted unquoted	-	10 348	2 168	12 516
Foreign unlisted unquoted	-	82	15	97
Investments in associates designated at fair value through income ⁽¹⁾	15 692	-	73	15 765
Derivative financial instruments - Held for trading	49	2 402	-	2 451
	198 642	77 182	5 966	281 790

- (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. ABIL retention funds have been classified as level 3. The timing of the transfers is deemed to have occurred at the beginning of the period.

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL ASSETS	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
30.06.2016				
Securities designated at fair value through income	190 338	77 847	4517	272 702
Equity securities				
Local listed	57 711	12	-	57 723
Foreign listed	445	-	-	445
Unlisted	-	-	179	179
Debt securities				
Stock and loans to government and other public bodies				
Local listed	28 055	9 050	-	37 105
Foreign listed	18	6	-	24
Unlisted	-	3 060	-	3 060
Other debt instruments				
Local listed	-	20 991	-	20 991
Foreign listed	-	99	-	99
Unlisted	-	22 486	1 989	24 475
Funds on deposit and other money market instruments	-	10 922	-	10 922
Unit-linked investments				
Collective investment schemes ⁽¹⁾				
Local unlisted or listed quoted	80 262	50	-	80 312
Foreign unlisted or listed quoted	23 702	7	27	23 736
Foreign unlisted unquoted	-	363	113	476
Other unit-linked investments				
Local unlisted or listed quoted	117	6 731	-	6 848
Local unlisted unquoted	28	4 070	2 193	6 291
Foreign unlisted unquoted	-	-	16	16
Investments in associates designated at fair value through income ⁽¹⁾	13 906	63	-	13 969
Derivative financial instruments – Held for trading	-	1 841	-	1 841
	<u>204 243</u>	<u>79 751</u>	<u>4 517</u>	<u>288 512</u>

- (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 is deemed to have occurred at the end of the period.

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

FINANCIAL LIABILITIES				
31.12.2016	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Investment contracts				
Designated at fair value through income	-	216 384	58	216 442
Financial liabilities designated at fair value through income	-	10 970	-	10 970
Subordinated call notes	-	3 553	-	3 553
Carry positions	-	7 417	-	7 417
Derivative financial instruments				
Held for trading	-	1 780	-	1 780
	-	229 134	58	229 192

FINANCIAL LIABILITIES				
31.12.2015	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Investment contracts				
Designated at fair value through income	-	214 064	116	214 180
Financial liabilities designated at fair value through income	-	11 649	-	11 649
Subordinated call notes	-	3 459	-	3 459
Carry positions	-	8 190	-	8 190
Derivative financial instruments				
Held for trading	57	3 511	-	3 568
	57	229 224	116	229 397

FINANCIAL LIABILITIES				
30.06.2016	Level 1 Rm	Level 2 Rm	Level 3 Rm	Total Rm
Investment contracts				
Designated at fair value through income	-	218 851	76	218 927
Financial liabilities designated at fair value through income	-	10 808	-	10 808
Subordinated call notes	-	3 557	-	3 557
Carry positions	-	7 251	-	7 251
Derivative financial instruments				
Held for trading	-	2 040	-	2 040
	-	231 699	76	231 775

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

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS	Financial assets				Total Rm
	Designated at fair value through income				
6 mths to 31.12.2016	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm	Investments in associates designated at fair value through income Rm	
Opening balance	179	1 989	2 349	-	4 517
Total gains/(losses) in net realised and fair value gains in the income statement					
Realised (losses)/gains	(6)	54	907	-	906
Unrealised (losses)/gains	(21)	2	(427)	-	(446)
Accrued interest in investment income in the income statement	-	11	-	-	11
Purchases	5	213	2 054	-	2 272
Sales	(34)	(434)	(2 735)	-	(3 203)
Settlements	-	(342)	-	-	(342)
Transfer into level 3	-	85	-	-	85
Closing balance	123	1 529	2 148	-	3 800

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS	Financial assets				Total Rm
	Designated at fair value through income				
6 mths to 31.12.2015	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm	Investments in associates designated at fair value through income Rm	
Opening balance	166	3 726	2 176	77	6 145
Total gains/(losses) in net realised and fair value gains in the income statement					
Realised (losses)/gains	(3)	49	17	-	63
Unrealised gains/(losses)	47	(338)	213	-	(78)
Accrued interest in investment income in the income statement	-	(12)	-	3	(9)
Purchases	14	295	159	-	468
Sales	(14)	(310)	(191)	-	(515)
Settlements	-	(75)	(33)	-	(108)
Transfers into level 3	-	-	7	-	7
Transfers out of level 3	-	-	-	(7)	(7)
Closing balance	210	3 335	2 348	73	5 966

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

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL ASSETS	Financial assets					Total Rm
	Designated at fair value through income					
	Equity securities Rm	Debt securities Rm	Unit-linked investments Rm	Investments in associates designated at fair value through income Rm		
12 mths to 30.06.2016						
Opening balance	166	3 726	2 176	77		6 145
Total gains/(losses) in net realised and fair value gains in the income statement						
Realised (losses)/gains	(2)	32	2	-		32
Unrealised gains	6	210	297	-		513
Accrued interest in investment income in the income statement	-	86	-	-		86
Purchases	27	567	208	-		802
Sales	(26)	(862)	(228)	-		(1 116)
Settlements	-	(594)	(42)	-		(636)
Transfers into level 3	8	-	-	-		8
Transfers out of level 3 ⁽¹⁾	-	(1 176)	(64)	(77)		(1 317)
Closing balance	179	1 989	2 349	-		4 517

- (1) The company'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 2016 financial 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 GROUP LIMITED – FINANCIAL INSTRUMENTS

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

Financial assets Designated at fair value through income						
31.12.2016	Equity securities Rm	Debt securities ⁽¹⁾ Rm	Unit-linked investments Rm	Investments in associates designated at fair value through income Rm	Total Rm	
Carrying value	123	1 529	2 148	-	3 800	
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	12	(15)	215	N/A		
Effect of decrease in assumption	(12)	15	(215)	N/A		

Financial assets Designated at fair value through income						
31.12.2015	Equity securities Rm	Debt securities Rm	Unit-linked investments Rm	Investments in associates designated at fair value through income Rm	Total Rm	
Carrying value	210	3 335	2 348	73	5 966	
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	21	33	235	N/A		
Effect of decrease in assumption	(21)	(33)	(235)	N/A		

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

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

30.06.2016	Financial assets Designated at fair value through income				Investments in associates designated at fair value through income Rm	Total Rm
	Equity securities Rm	Debt securities (1) Rm	Unit-linked investments Rm			
Carrying value	179	1 989	2 349		-	4 517
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	18	20	235		N/A	
Effect of decrease in assumption	(18)	(20)	(235)		N/A	

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

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES	Financial liabilities designated at fair value through income	
	Investment contracts Rm	Total Rm
31.12.2016		
Opening balance	76	76
Realised losses	1	1
Unrealised gains	(8)	(8)
Contracts holder movements		
Benefits paid	(13)	(13)
Investment return	2	2
Closing balance	58	58

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R6 million and R6 million, respectively.

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES	Financial liabilities designated at fair value through income	
	Investment contracts	Total
	Rm	Rm
31.12.2015		
Opening balance	144	144
Realised gains	(4)	(4)
Unrealised losses	4	4
Contracts holder movements		
Benefits paid	(31)	(31)
Investment return	3	3
Closing balance	<u>116</u>	116

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R12 million and R12 million, respectively.

RECONCILIATION OF THE FAIR VALUE OF LEVEL 3 FINANCIAL LIABILITIES	Financial liabilities designated at fair value through income	
	Investment contracts	Total
	Rm	Rm
30.06.2016		
Opening balance	144	144
Realised gains	(1)	(1)
Unrealised losses	4	4
Contracts holder movements		
Benefits paid	(76)	(76)
Investment return	5	5
Closing balance	<u>76</u>	76

Sensitivity: Increasing/decreasing the investment return by 10% would decrease/increase the carrying value of level 3 financial instrument liabilities by R8 million and R8 million, respectively.

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

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

Company's valuation processes

The company'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 company'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

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

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

Instrument	Valuation basis	Main assumptions
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)
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 period.

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

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

Financial assets	Fair value at 31 December 2016 Rm	Fair value at 31 December 2015 Rm	Fair value at 30 June 2016 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	123	210	179	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
Subtotal	123	210	179				

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

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

Financial assets (continued)	Fair value at 31 December 2016 Rm	Fair value at 31 December 2015 Rm	Fair value at 30 June 2016 Rm	Valuation technique(s)	Unobser- vable inputs	Range of unobservable inputs (probability weighted average)	Relationship of unobser- vable inputs to fair value
Subtotal	123	210	179				
Debt securities							
Other debt instruments							
Unlisted	1 462	3 300	1 989	Discounted cash flow	Nominal interest rate	7.98% to 11.58%; 7.70% to 14.03% (December 2015: 7.03% to 12.45%; 5.66% to 14.88%) (June 2016: 7.56% to 11.50%; 5.45% to 17.11%)	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	1 585	3 510	2 168				

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

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

Financial assets (continued)	Fair value at 31 December 2016 Rm	Fair value at 31 December 2015 Rm	Fair value at 30 June 2016 Rm	Valuation technique(s)	Unobser- vable inputs	Range of unobser- vable inputs (probability weighted average)	Relationship of unobser- vable inputs to fair value
Subtotal	1 585	3 510	2 168				
Unit-linked investments							
Collective investment schemes							
Local unlisted or listed quoted	-	35	-	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	26	-	27	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	109	123	113	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	2 000	2 168	2 193	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
	3 720	5 836	4 501				
Other	80	130	16				
Total	3 800	5 966	4 517				

MMI GROUP LIMITED – FINANCIAL INSTRUMENTS

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

Financial liabilities	Fair value at 31 December 2016 Rm	Fair value at 31 December 2015 Rm	Fair value at 30 June 2016 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	58	116	76	Asset and liability matching method	Asset value	Unit price	The asset value increase will increase the fair value of the liability
Total	58	116	76				

There were no significant changes in the valuation methods applied since the prior period.