

Management has determined the operating segments based on the way the business is managed. The reports used by the chief operating decision-maker, the members of the executive committee, to make strategic decisions reflect this.

MMI is in the process of phasing in a new client-centric operating model announced in March 2014. The disclosure in the financial statements is consistent with that of the 2014 year-end. Appropriate changes in financial reporting will be introduced as the group progresses with the operating model implementation.

The committee considers the business from both a geographic and product perspective. The South African operations are segregated into Momentum Retail, Metropolitan Retail, Momentum Employee Benefits, Momentum Investments, Metropolitan Health and Shareholder Capital (which includes Momentum Short-term Insurance (MSTI), Balance sheet management (BSM), other support services, and growth initiatives). The non-South African life insurance, health and asset management companies are all managed as one operating segment, International.

For management purposes, the group is organised into the following reporting segments:

- **Momentum Retail:** Caters for the financial needs of clients in the middle to upper-income and wealth market segments in South Africa. Product offering: Best-of-breed and fit-for-purpose wealth creation and preservation, risk (insurance) and savings (income) products.
- **Metropolitan Retail:** Focuses on meeting the needs of clients in the lower to middle-income market, including extended families. Product offering: Savings, income generation and income protection (risk) products.
- **Momentum Employee Benefits:** Provides income protection and continuation for employees, liability management for employers and retirement funds, and administration for selected retirement funds in South Africa and the open medical scheme, Momentum Medical Scheme Administrators. Product offering: Administration, insurance and investment solutions for employers and retirement funds in large corporate and small, micro and medium enterprise (SMME) market segments. This segment also includes Guardrisk in the current year (2014: four months).
- **International:** Provides products for retail and institutional customers in Africa for: health insurance and healthcare administration, risk savings and investment products, retirement fund administration, short-term and long-term insurance.
- **Momentum Investments:** A full-service investment manager in South Africa, Africa and selected international markets. Product offering: Active and passive investment management (local and international), alternative

investment management, multi-management, collective investment management and property investment management.

- **Metropolitan Health:** A leading player in the health industry for public sector and corporate clients plus open schemes in South Africa. Product offering: medical scheme administration, managed healthcare, healthcare-related IT and open scheme distribution.
- **Shareholder Capital:** Manages the holding company activities and includes BSM. BSM manages the group's strategic balance sheet risks, focusing on the financial position of shareholders and including capital, corporate action, strategic funding and liquidity risk, credit risk, asset-liability matching (with a primary focus on guaranteed liabilities), group treasury, performance measurement and market risk. It includes MSTI, MMI Rewards, other support services and growth initiatives.

Inter-segment fees are charged at market-related rates. Corporate costs are allocated on a usage or time spent basis. Inter-segment charges are eliminated in the "Reconciling items" column. No individual customer generates more than 10% of revenue for the group.

The executive committee assesses the performance of the operating segments based on diluted core headline earnings. This measurement basis excludes the effect of net realised and fair value gains on financial assets and liabilities, investment variances, basis changes, certain non-recurring items, and the amortisation of intangible assets acquired in business combinations. For insurance operating segments, diluted core headline earnings also exclude the effect of investment income on shareholder assets, as this income is managed on a group basis and is therefore included in the Shareholder Capital segment.

A reconciliation of diluted core headline earnings to earnings is provided in note 36.

Reconciliation of management information to IFRS

The segmental information is reconciled to the IFRS income statement results. The adjustments are shown in two columns:

- The "Adjustments for FNB Life" column represents a reconciliation of Metropolitan Retail's segmental information, which excludes the FNB Life profit-sharing arrangement, to the figures included under IFRS.
- The "Reconciling items" column represents the IFRS accounting reclassifications and adjustments that are required to reconcile management information to the IFRS financial statements. More information has been provided as a footnote.

SEGMENTAL REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

2015	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits ³ Rm	International Rm
Revenue				
Net insurance premiums	24 017	6 910	21 131	3 563
Recurring premiums	8 333	5 495	13 860	3 215
Single premiums	15 684	1 415	7 271	348
Fee income	2 374	95	2 054	256
External fee income	2 374	95	2 054	256
Inter-segmental fee income	–	–	–	–
Expenses				
Net payments to contract holders				
External payments	23 636	4 967	15 933	1 953
Other expenses	3 916	1 982	4 120	1 431
Sales remuneration	2 072	893	1 391	544
Administration expenses ²	1 844	1 089	1 532	887
Amortisation due to business combinations and impairments	–	–	–	–
Cell captive business	–	–	1 197	–
Direct property expenses	–	–	–	–
Asset management and other fee expenses	–	–	–	–
Holding company expenses	–	–	–	–
Inter-segmental expenses	–	–	–	–
Income tax	788	390	1 123	100
Diluted core headline earnings	1 531	738	660	152
Operating profit	2 129	1 026	918	185
Tax on operating profit	(598)	(288)	(258)	(33)
Investment income	–	–	–	–
Tax on investment income	–	–	–	–
Actuarial liabilities	184 048	33 226	91 912	10 095

¹ The “Reconciling items” column includes: an adjustment to reverse investment contract premiums (R37 673 million) and claims (R33 899 million); grossing up of fee income and expenses relating to the Shareholder Capital segment that are set off for management reporting purposes (R355 million); non-recurring items of R378 million; direct property and asset management fees for all segments, except non-life segments, 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 (R17 million); other minor adjustments to expenses (R145 million), sales remuneration (R7 million) and fee income (R74 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.

² Administration expenses for the current year include the following relating to new acquisitions: International – R54 million relating to Cannon; Metropolitan Health – R258 million relating to CareCross.

³ Momentum Employee Benefits includes net insurance premiums (R5 484 million), fee income (R577 million), net payments to contract holders (R3 502 million), sales remuneration (R1 293 million), administration expenses (R272 million), cell captive business expenses (R1 197 million) and actuarial liabilities (R17 460 million) relating to Guardrisk (now including Momentum Ability).

⁴ The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in South Africa is R23 000 million, and the total of such non-current assets located in other countries is R1 223 million.

Momentum Investments Rm	Metropolitan Health Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items ¹ Rm	Adjustments for FNB Life Rm	IFRS total Rm
8 305	387	506	64 819	(37 673)	250	27 396
–	387	506	31 796	(8 281)	250	23 765
8 305	–	–	33 023	(29 392)	–	3 631
1 367	1 674	74	7 894	(549)	10	7 355
1 367	1 674	74	7 894	429	10	8 333
–	–	–	–	(978)	–	(978)
11 277	301	442	58 509	(33 899)	–	24 610
1 189	1 481	1 043	15 162	2 695	268	18 125
–	7	87	4 994	(7)	84	5 071
1 028	1 462	437	8 279	895	184	9 358
58	12	40	110	891	–	1 001
–	–	–	1 197	–	–	1 197
–	–	–	–	120	–	120
103	–	252	355	1 774	–	2 129
–	–	227	227	–	–	227
–	–	–	–	(978)	–	(978)
88	58	(21)	2 526	(95)	–	2 431
181	209	365	3 836	–	–	3 836
206	272	(21)	4 715	–	–	4 715
(61)	(76)	(48)	(1 362)	–	–	(1 362)
50	19	549	618	–	–	618
(14)	(6)	(115)	(135)	–	–	(135)
34 420	30	4 203	357 934	(115)	–	357 819

SEGMENTAL REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

Restated 2014	Momentum Retail Rm	Metropolitan Retail Rm	Momentum Employee Benefits ² Rm	International Rm
Revenue				
Net insurance premiums	22 517	6 820	17 343	2 898
Recurring premiums	7 856	5 313	10 283	2 621
Single premiums	14 661	1 507	7 060	277
Fee income	2 034	112	1 479	184
External fee income	2 034	112	1 479	184
Inter-segmental fee income	–	–	–	–
Expenses				
Net payments to contract holders				
External payments	21 215	5 523	12 907	1 602
Other expenses	3 474	2 100	2 316	1 168
Sales remuneration	1 892	937	519	424
Administration expenses	1 582	1 163	1 426	729
Amortisation due to business combinations and impairments	–	–	–	15
Cell captive business	–	–	371	–
Direct property expenses	–	–	–	–
Asset management and other fee expenses	–	–	–	–
Holding company expenses	–	–	–	–
Inter-segmental expenses	–	–	–	–
Income tax	957	341	754	76
Diluted core headline earnings	1 372	587	516	122
Operating profit	1 908	814	704	155
Tax on operating profit	(536)	(227)	(188)	(33)
Investment income	–	–	–	–
Tax on investment income	–	–	–	–
Actuarial liabilities	175 869	32 296	82 902	9 152

¹ The "Reconciling items" column includes an adjustment to reverse investment contract premiums (R33 305 million) and claims (R30 108 million); grossing up of fee income and expenses relating to the Shareholder Capital segment that are set off for management reporting purposes (R334 million); non-recurring items of R192 million; direct property and asset management fees for all segments, except non-life segments, 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 (R6 million); other minor adjustments to expenses (R161 million), sales remuneration (R8 million) and fee income (R90 million); and adjustments to actuarial liabilities representing inter-segmental liabilities.

² Momentum Employee Benefits includes net insurance premiums (R1 927 million), fee income (R192 million), net payments to contract holders (R1 642 million), sales remuneration (R415 million), administration expenses (R88 million), cell captive business expenses (R371 million) and actuarial liabilities (R15 869 million) relating to Guardrisk (now including Momentum Ability).

³ The total of non-current assets (other than financial instruments, deferred tax assets, post-employment benefit assets, and rights arising under insurance contracts) located in South Africa is R22 216 million, and the total of such non-current assets located in other countries is R755 million.

Momentum Investments Rm	Metropolitan Health Rm	Shareholder Capital Rm	Segmental total Rm	Reconciling items ¹ Rm	Adjustments for FNB Life Rm	IFRS total Rm
6 262	47	355	56 242	(33 305)	201	23 138
–	47	332	26 452	(6 914)	201	19 739
6 262	–	23	29 790	(26 391)	–	3 399
1 442	1 513	168	6 932	(385)	20	6 567
1 442	1 513	168	6 932	424	20	7 376
–	–	–	–	(809)	–	(809)
10 823	46	313	52 429	(30 108)	–	22 321
1 195	1 311	830	12 394	2 608	223	15 225
–	–	71	3 843	(8)	64	3 899
954	1 288	197	7 339	693	159	8 191
9	14	39	77	776	–	853
–	–	–	371	–	–	371
–	–	–	–	159	–	159
232	9	270	511	1 819	–	2 330
–	–	253	253	–	–	253
–	–	–	–	(831)	–	(831)
92	45	342	2 607	(198)	49	2 458
197	171	656	3 621	–	–	3 621
219	205	(38)	3 967	–	–	3 967
(59)	(44)	12	(1 075)	–	–	(1 075)
51	14	864	929	–	–	929
(14)	(4)	(182)	(200)	–	–	(200)
34 942	8	3 528	338 697	(98)	–	338 599

SEGMENTAL REPORT CONTINUED

FOR THE YEAR ENDED 30 JUNE 2015

	2015 Rm	2014 Rm
Payments to contract holders are reconciled to net insurance benefits and claims in the income statement.		
Momentum Retail	23 636	21 215
Death and disability claims	3 730	3 412
Maturity claims	7 546	6 444
Annuities	4 763	4 505
Withdrawal benefits	80	46
Surrenders	8 523	7 569
Reinsurance recoveries	(1 006)	(761)
Metropolitan Retail	4 967	5 523
Death and disability claims	1 093	1 049
Maturity claims	1 668	2 373
Annuities	620	558
Withdrawal benefits	84	97
Surrenders	1 560	1 542
Reinsurance recoveries	(58)	(96)
Momentum Employee Benefits ¹	15 933	12 907
Death and disability claims	4 589	3 635
Maturity claims	948	667
Annuities	1 554	765
Withdrawals and surrenders	4 020	3 358
Terminations and disinvestments	3 109	3 802
Short-term insurance	4 745	1 880
Reinsurance recoveries	(3 032)	(1 200)
International (individual and employee benefits)	1 953	1 602
Death and disability claims	813	701
Maturity claims	371	284
Annuities	99	97
Withdrawal benefits	108	90
Surrenders	498	395
Terminations and disinvestments	194	80
Reinsurance recoveries	(130)	(45)
Investments – withdrawal benefits	11 277	10 823
Health claims – capitation agreements	301	46
Shareholder Capital claims	442	313
Segmental payments to contract holders	58 509	52 429
Reconciling items ²	(33 899)	(30 108)
Net insurance benefits and claims (refer to note 30)	24 610	22 321

¹ Included in Momentum Employee Benefits above is R6 119 million claims (2014: R2 556 million) and R2 617 million reinsurance recoveries (2014: R914 million) relating to Guardrisk (now including Momentum Ability).

² Relates mainly to payments to investment contract holders.