



**CHAIRMAN'S LETTER
TO SHAREHOLDERS**

DEAR SHAREHOLDER

In my previous letter to you I expressed my enthusiasm about concluding the MMI merger and therefore being able to focus all our attention on MMI's future. During the past year, we further developed and implemented our client-centric strategy to a level that I believe will secure an exciting future for MMI. There is no doubt that the insurance industry of tomorrow will look meaningfully different to what we have today, but our management team and employees are up to the challenge and look forward to the exciting opportunities that we expect will emerge in the next few years.

MMI achieved excellent growth of 22% in the value of new business, and operating profit growth from established operations was 17%. After allowing for a significant increase in the investment in initiatives to advance MMI's strategy, core headline earnings grew by 6%. The additional investment in strategic initiatives was mainly in respect of our short-term insurance business, the middle-market segment focus, a wider and more effective distribution footprint, new solutions for regular client engagement and our India initiative.

Making a difference

MMI's purpose is to enhance the lifetime financial wellness of people, their communities and their businesses. This purpose is not only about making a difference in our clients' lives, but also the communities where they live and where we operate. Our corporate social investment (CSI) is aimed at creating meaningful and lasting benefits for community members. We specifically invest in CSI projects that focus on education, health, disability and sports development. Our group chief executive officer, Nicolaas Kruger and the CEO of Metropolitan Retail, Khanyi Nzukuma recently joined many other South African chief executive officers for the "702 Sun International CEO Sleepout" that raised funds for vulnerable children.

MMI's focus on financial wellness is not limited to our own clients. Working with Unisa, we measure the financial wellness of South African households on an annual basis and publish the results as the Momentum/Unisa South African household financial wellness index. This index improved in the past year.

MMI is committed to B-BBEE and our goal to enhance MMI's contribution in terms of the Financial Sector Charter. October 2014 marked the 10-year empowerment partnership between MMI and Kagiso Tiso Holdings (KTH). MMI and KTH share many values and our relationship has grown stronger over many years, successfully navigating the global financial crisis and major mergers on both sides.

The importance of making a difference in South Africa becomes even clearer, considering the current headwinds in our country. The macroeconomic and socio-political environment remained challenging over the past year. Internationally, economic growth performance continued to be mixed, but was generally pedestrian. Emerging Markets, which had contributed meaningfully to economic growth during the first decade of the millennium, are currently experiencing a slowdown. This has become more evident in the case of commodity exporters and those countries, like South Africa, with fiscal and external

funding vulnerabilities. Prolonged and generally challenging economic realities, combined with widening inequalities, have given rise to mounting socio and geopolitical risk and instability, with negative consequences for confidence and investment. South Africa, particularly with its difficult history has not escaped these challenges.

These macroeconomic and socio-political strains, ongoing regulatory reform in the insurance and savings sectors and ever more demanding consumers have made for an increasingly tough business environment for insurers. Despite these headwinds, I believe our country still offers many opportunities. Accordingly, MMI is making a considerable effort to find innovative ways to make financial wellness a reality for more people across society. We believe our efforts are aligned with the goals of government's National Development Plan, which we fully support.

MMI board

The Group Finance Director of MMI, Preston Speckmann, retired on 30 June 2015. Preston was an integral part of the MMI merger transaction and we have benefited from his guidance and insight on financial matters for 16 years. Our Group Executive for Strategic HR and Transformation, Ngao Motsei, resigned on 30 June 2015. Ngao made a valuable contribution to MMI through her introduction of a strong strategic approach to Human Resources. On behalf of the board of MMI I convey our gratitude to Preston and Ngao for the role they played in developing MMI's people and our business. Mary Vilakazi succeeded Preston on 1 July 2015 in the position of Group Finance Director, completing the succession planning implemented last year ahead of Preston's retirement. I wish Mary all the best in her new role. Sizwe Nxasana retired as a non-executive director on 30 September 2015. Sizwe's valued guidance as Chairman of our Remuneration Committee, as well as his remarkable insights into strategic matters will be sorely missed. I would like to thank Sizwe for the significant contribution he made to MMI and wish him all the best in this new phase of his life.

MMI updated its corporate governance framework during the year. Key objectives of the framework include continuous improvement in how MMI meets governance responsibilities and adherence to legislative requirements. It provides a summary of the principles, methodologies and procedures used in MMI to support effective governance and is aligned with MMI's core values, including integrity and excellence.

Prospects

We expect the operating environment to remain tough in the short to medium term. I am confident that MMI's client-centric strategy will be implemented successfully to create value for all stakeholders over time.

Thanks

In closing, I would like to thank all MMI's stakeholders. To shareholders, thank you for trusting us to create value. To the MMI board, executive management and employees, thank you for your guidance and continued commitment to achieving MMI's vision to be the preferred lifetime financial wellness partner, with a reputation for innovation and trustworthiness.