

## CHAIRMAN'S LETTER TO SHAREHOLDERS

JJ NJEKE



## DEAR SHAREHOLDER

I believe that the merger between Metropolitan and Momentum was very successful. The success of the merger is the result of contributions from all our stakeholders, who demonstrated their commitment from the date the merger was announced on 30 March 2010. The way in which the MMI board, our leaders, management team and employees implemented the merger integration was remarkable and ensured the creation of an organisation poised for growth. We have a debt of gratitude to everyone who has contributed to the building of MMI over the past three years.

MMI's strong financial results for 2014 are evidence of the success of the merger. Our return on embedded value for the 2014 financial year was 19% and diluted core headline earnings increased by 12% to R3.6 billion. Our total dividends of R3 billion (including the special dividend of R0.8 billion) represents an increase of 51%.

We exceeded our objectives for the MMI merger and I am pleased that the completion of the merger now makes it possible to focus all our attention on MMI's future. The environment remains challenging, but there are many exciting opportunities that we look forward to.

### Challenges and new opportunities

South Africa's economic performance is under pressure, as reflected by economists' continued downgrades of the expected growth rates for 2014 and 2015. Inflation is trending upward, further interest rate hikes seem likely and Standard & Poor's downgraded South Africa's foreign credit rating. The main regulatory changes in the insurance industry keep increasing the complexity of the operating environment and the cost of compliance. South African consumers remain under pressure and the recent failure of African Bank illustrates how this situation can have a profound negative affect on financial services organisations. The global consumer advocacy trend is gaining momentum through the increasing role of social media and highly informed consumers.

MMI's strong results in such a challenging environment reflect our view that many attractive growth opportunities remain available. We believe the appropriate response to capitalising on these opportunities and face the headwinds in the environment lies in an unwavering focus on our clients. Therefore, we have developed MMI's client-centric strategy during the past year, which will be implemented through an "outside-in" business orientation with an operating model that places the client at the centre of everything we do. Client-centricity was already a key theme of MMI's strategy, but will now become the way in which we do business and drive growth.

### Corporate citizenship

The passing of Nelson Mandela was a stark reminder of our duty to be a responsible corporate citizen who contributes to the

improvement of the quality of life of all South Africans. Without Madiba's visionary leadership, South Africa's transition into a peaceful democracy may not have been as smooth. We have a duty to sustain his legacy. MMI is committed to B-BBEE and we are implementing plans to continue increasing our contribution in respect of the Financial Sector Charter. We continue with our corporate social investment (CSI) initiatives, using the MMI Foundation as the main vehicle to make a positive difference in people's lives in the areas of health, education, disability and sport development.

### Board changes

Blignault Gouws retired as a non-executive director from the MMI board during the year and I pay tribute to his immense contribution to the success of the group over the past 30 years. I am very pleased that Blignault will continue serving as a member on the Actuarial Committee and Fair Practices Committee. I welcome Louis von Zeuner as a non-executive director of MMI and look forward to his contribution. Mary Vilakazi did not stand for re-election as a board member, but assumed an executive role as chief executive officer of MMI Balance sheet management.

The deputy chief executive officer of MMI and previous chief executive officer of Metropolitan, Wilhelm van Zyl resigned from MMI at the end of June 2014. MMI has benefited significantly from Wilhelm's strategic role during the first three years of MMI's existence. He played a pivotal role as a member of the MMI Executive Committee in leading MMI through the integration process and steering the organisation on its path from integration to growth. I would like to sincerely thank Wilhelm for his role in the creation of MMI and his significant contribution to our people and business over many years.

### Prospects

We expect the challenges in our operating environment to prevail in the short to medium term. With the merger truly behind us and armed with its resulting strong foundation, I have confidence in our ability to implement MMI's client-centric strategy successfully and drive long-term growth.

### Thanks

In closing, I would like to thank all MMI's stakeholders. To shareholders, thank you for relying on us to add value, and to the MMI board, executive management and employees for your guidance and hard work, all of which contributed significantly to MMI's success.



**JJ NJEKE**  
**CHAIRMAN**