



20
06

I N T E R I M R E S U L T S

METROPOLITAN
HOLDINGS LIMITED



Agenda

Financial & operational overview

Peter Doyle

Retail business

Derek Pead

Strategic update

Peter Doyle



Salient features of results

% vs June 2005

	%
Total premiums received	+17
Diluted core headline earnings	+19
Ordinary dividend per share	+21
Gross funds received from clients	+23
Value of new business	+24
Retail operating profit before tax	+37



Group as at 30 June 2006

rands (% vs Dec 2005)

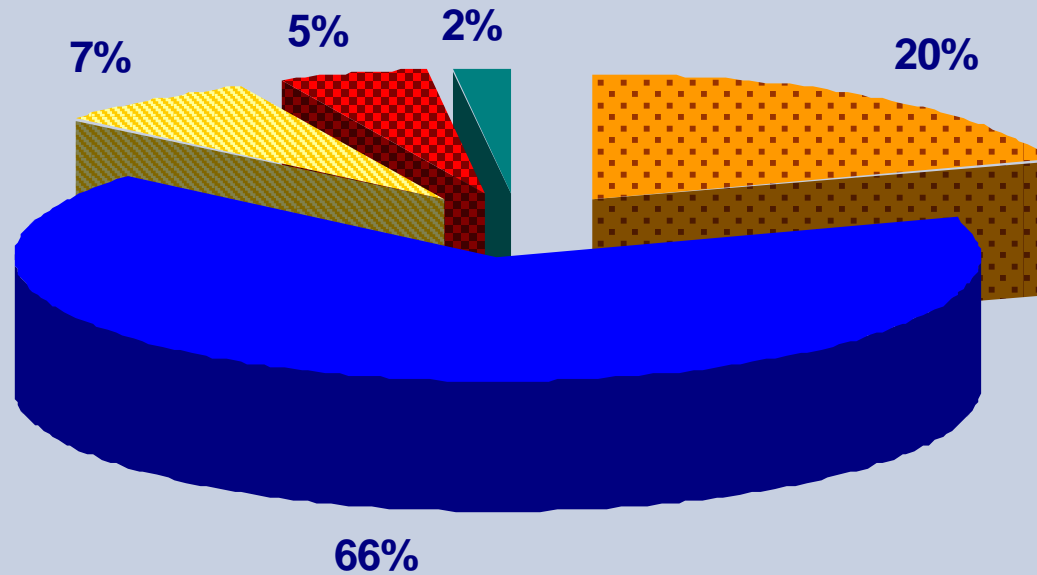
		%	#
Embedded value *	R11bn	+11	
Embedded value per share *	R14.79	+11	
Total assets under management	R75bn	+13	

* *Adjusted for capital reductions*

Annualised



Contribution to operating profit *before IFRS adjustment to health business*



■ Corporate ■ Retail ■ International ■ Asset management ■ Health



New business margins

	APE margin 1H05 %	APE margin 1H06 %	PVP margin 1H06 %
Retail *	11.2	8.2	1.5
EB	(25.6)	12.8	1.6
International	13.4	13.6	2.9
Total	8.3	9.3	1.7

* 2006 reduced by 0.2% (PVP) & 1.1% (APE)



Value of new business

rands

	June 05 <i>Rm</i>	June 06 <i>Rm</i>	% <i>growth</i>
Retail **	44	35	(20)
Corporate	(11)	10	-
International *	9	7	(22)
Total	42	52	24

** Net of outside shareholders*

*** 2006 reduced by R5m allowing for the statement of intent*



Strong growth in shareholder value

16% return on EV

100cps capital reduction

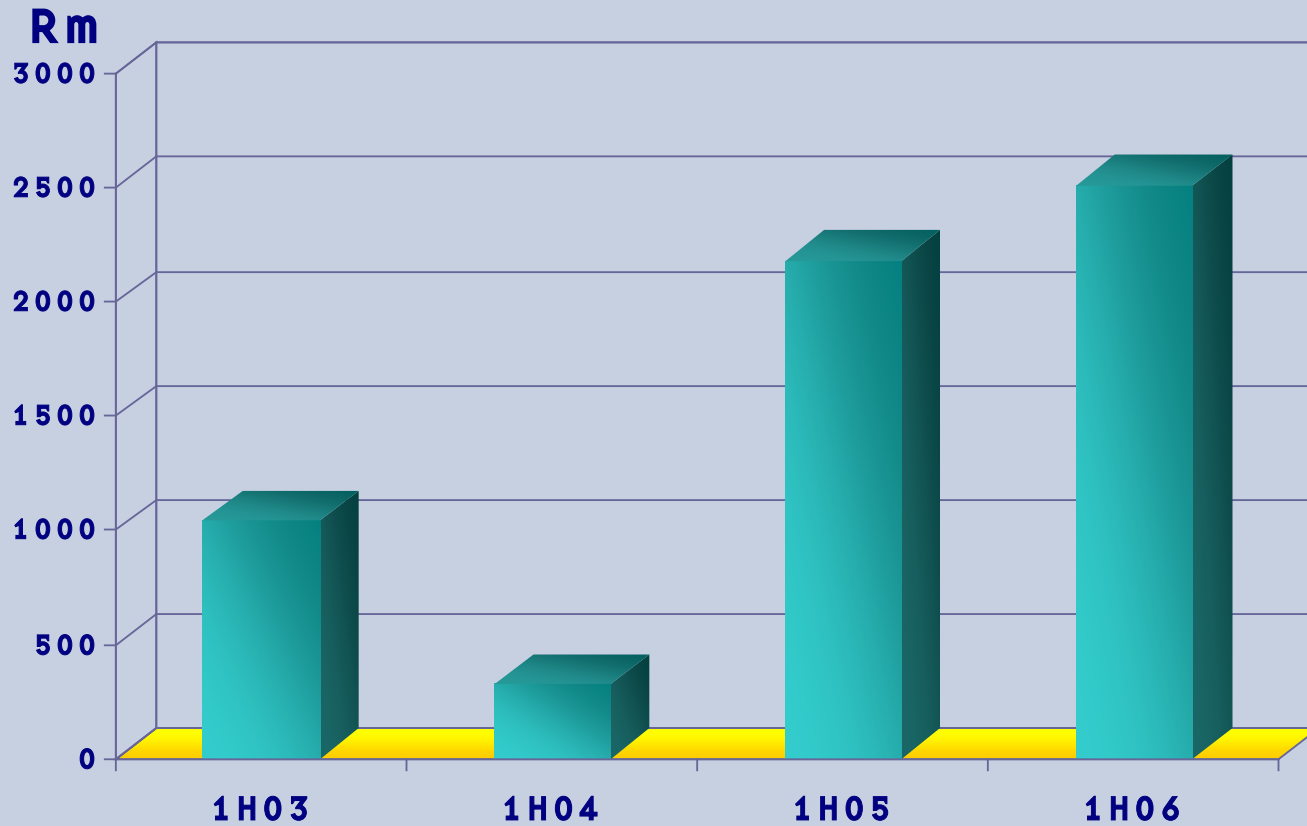
	31/12/05 <i>Rm</i> *	30/06/06 <i>Rm</i>	% growth **
Adjusted net asset value	7 056	7 563	14
Value of in-force	3 447	3 516	4
Fully diluted embedded value	10 503	11 079	11
Fully diluted embedded value per share (cents)	1 399	1 479	11
Return on embedded value (%)		16	

* *Reduced by capital reductions*

** *Annualised*



Net funds received from customers



Excellent growth in diluted core headline earnings

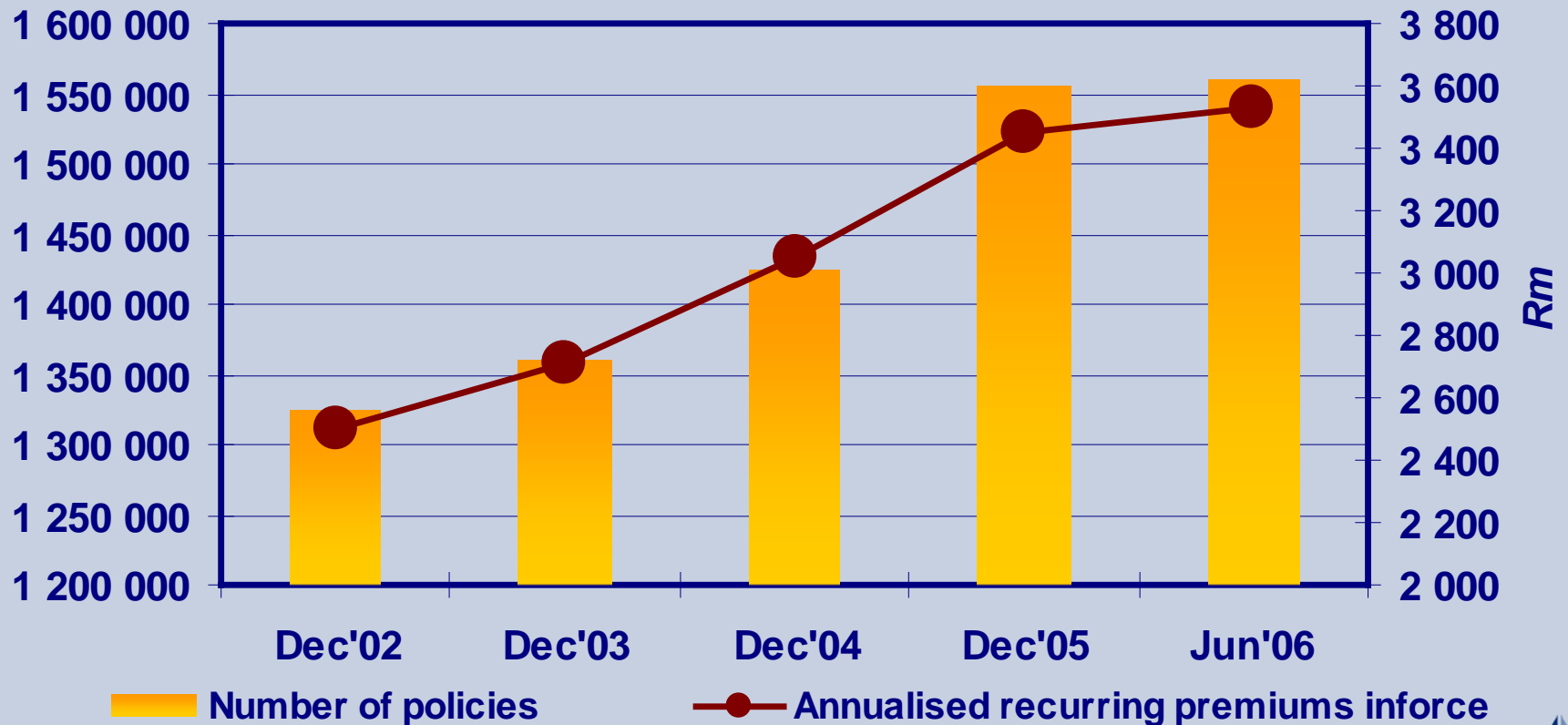
+19% to R344m

	Six months to 30/06/05	Six months to 30/06/06	% growth
	<i>Rm</i>	<i>Rm</i>	
Retail business	148	199	34
Corporate business	54	59	9
International business	28	21	(25)
Asset management business	12	16	33
Health business	4	(5)	-
Shareholders equity	42	54	29
Total	288	344	19
Diluted CHEPS (cents)	38.97	45.26	16



In-force growth continues – group

Number of individual life policies
and annualised recurring premiums



Employee benefits business



Employee benefits

contribution

Core headline earnings **R59m**

Value of new business **R10m**

- ▶ Retained profitability despite competitive pricing
- ▶ New business value supported by off-balance sheet inflow of R231m
- ▶ R2.2bn inflation-linked annuity secured in July
- ▶ Exceptional bonuses (26%) on smoothed bonus products year ending June



Employee benefits

environment

- ▶ **Reduced fund terminations**
- ▶ **Few large tender opportunities**
- ▶ **Very competitive risk market**
- ▶ **Focus on retention – matching of risk rates**
- ▶ **Retirement fund reform**
- ▶ **Profile of industry (bulking, governance, etc...)**



Employee benefits

current initiatives

- ▶ **Progress on smoothed bonus product enhancements**
- ▶ **Promoting absolute return products**
- ▶ **Improved pricing mechanisms for small to mid-sized schemes**
- ▶ **Finalising 2 legacy system replacements**
- ▶ **Continued focus on client retention and service standards**



Asset management

R75bn under management



Asset management business

update

- ▶ **Positioning of MetAm as African wealth creators progressing well**
- ▶ **Best life company asset management performance**
- ▶ **4th in AF Global Manager Watch for 12 mths to 30/6/06**
- ▶ **Perceptions starting to change**
- ▶ **Relocation of business development team to Gauteng impacting positively on visibility amongst decision-makers**



Asset management business

update

- ▶ **Actively pursuing off-balance sheet business**
- ▶ **Benefiting from cutting edge technology – Charles River**
- ▶ **MetAm's multi-specialist approach to asset management now being adopted by competitors**
- ▶ **Collective investments ranked 1st for number of white label unit trust funds and 3rd for third party assets under management**
- ▶ **Composition of R2.8bn property portfolio unchanged – no major developments or disposals**



International business



International business *contribution*

Core headline earnings **R21m**

Value of new business **R7m**

- ▶ Increased margin despite declining individual & credit life new business volumes in existing markets
- ▶ All new business in Namibia, Kenya & Ghana being issued on independent local admin platform
- ▶ New product range launched in Kenya & Ghana should boost new business figures in 2H06
- ▶ Growth into Africa continuing



Health business



Health business

Core headline earnings **(R5m)**

- ▶ **GEMS growing at 300 new principal members per day**
 - ▶ **22 000 principal members at end of August**
(June 8 000)
 - ▶ **Increased marketing will boost figures going forward**
- ▶ **Qualsa appointed HIV service provider to Foschini and Clicks**
- ▶ **MHG first to be unconditionally accredited as a medical scheme administrator**
- ▶ **Shortlisted for admin and managed care tenders – October 2006**



Metropolitan Card Operations



Positioning

- ▶ **Make broader product range available to existing clients, eg loan facility, savings and debit card (Visa)**
- ▶ **Live pilot proved viability and appeal of extended offering**
- ▶ **Confirmation that brand is trusted and new products and services likely to be welcomed**
- ▶ **New business unit established – Metropolitan Card Operations (Pty) Ltd – wholly-owned subsidiary**
- ▶ **Mercantile Bank to provide regulatory and back office support**



Positioning

- ▶ Full operation approved by board: breakeven expected in 3 years, reasonable returns in 5
- ▶ Offering to be rolled out progressively to existing clients during 4Q06
- ▶ To date in-house capacity-building has had priority – credit management, CRM, call centre capabilities
- ▶ No physical branch network



Retail business

Derek Pead



Retail business

Core headline earnings **R199m**

Value of new business **R35m**

Drivers of reduction in new business margin

- ▶ **Economic basis changes**
- ▶ **Statement of intent**
- ▶ **Slow growth in production during 4Q05 & 1Q06**
- ▶ **Growth in group expenses**
- ▶ **Slow improvement in conservation during 1Q06**



Retail business

production

	1Q05	2Q05	3Q05	4Q05	1Q06	2Q06	YTD
Pols ('000)	112	114	147	126	105	172	
Quarter growth (%)		2	29	-14	-17	64	
Year on year (%)					-6	51	23
APE (R'm)	225	238	286	238	198	312	
Quarter growth (%)		6	20	-17	-17	58	
Year on year (%)					-12	31	10



Retail business

production

- ▶ **Slow start to 2006 with recovery during Q2**
- ▶ **Factors affecting slow start**
 - ▶ **REI rollout to all direct writers (DW)**
 - ▶ **DW restructure**
- ▶ **Factors affecting 2nd quarter recovery**
 - ▶ **Improved REI performance for DW**
 - ▶ **Strong group schemes growth**
 - ▶ **Direct mail campaign during June**



Retail business

production – 2H06

Anticipated positive impacts

- ▶ Direct mail campaign – July
- ▶ Embedding of REI and field restructure
- ▶ Risk product upgrade in Odyssey and other product activity

Negative impacts

- ▶ REI rollout to all GIC
- ▶ Compliance requirements and testing
- ▶ Introduction of new quotation system
- ▶ Uncertainty over future commission system



Retail business

major initiatives

Retail enhancement initiative

- ▶ **Significantly improved operational performance**
- ▶ **Intermediary survey of overall experience:**
 - ▶ **Very good – excellent** 76%
 - ▶ **Fair – good** 21%
 - ▶ **Very poor – poor** 3%
- ▶ **Result of dipstick customer survey positive**
- ▶ **Opportunities opened by REI:**
 - ▶ **Thinner branch office infrastructure with bigger footprint**
 - ▶ **Virtual office environment for representatives**



Retail business

major initiatives

Retail enhancement initiative – underwriting

- ▶ Automated underwriting with data collection through ACE call centre
- ▶ Quotations from RGA who audited the system:
 - ▶ *“The RGA team is positive that the data collection system in place is equal to or better than the traditional intermediary questioning and recording of answers.”*
 - ▶ *“There is better consistency and more detail at Metropolitan which makes risk selection easier and more efficient in terms of the intermediary and the underwriter.”*
 - ▶ *“The final decision from the underwriting tool is clear and concise.”*



Retail business

major initiatives

Direct writer restructure and virtualisation

- ▶ **New management at all levels in place**
- ▶ **REI process changes allow lighter infrastructure**
- ▶ **Pilot testing of virtual branches in urban & rural settings**

Direct marketing activities

- ▶ **Significant volumes of business with high response rate from partnership**



Group strategic focus update

Vision

Creating prosperity for Africa's people

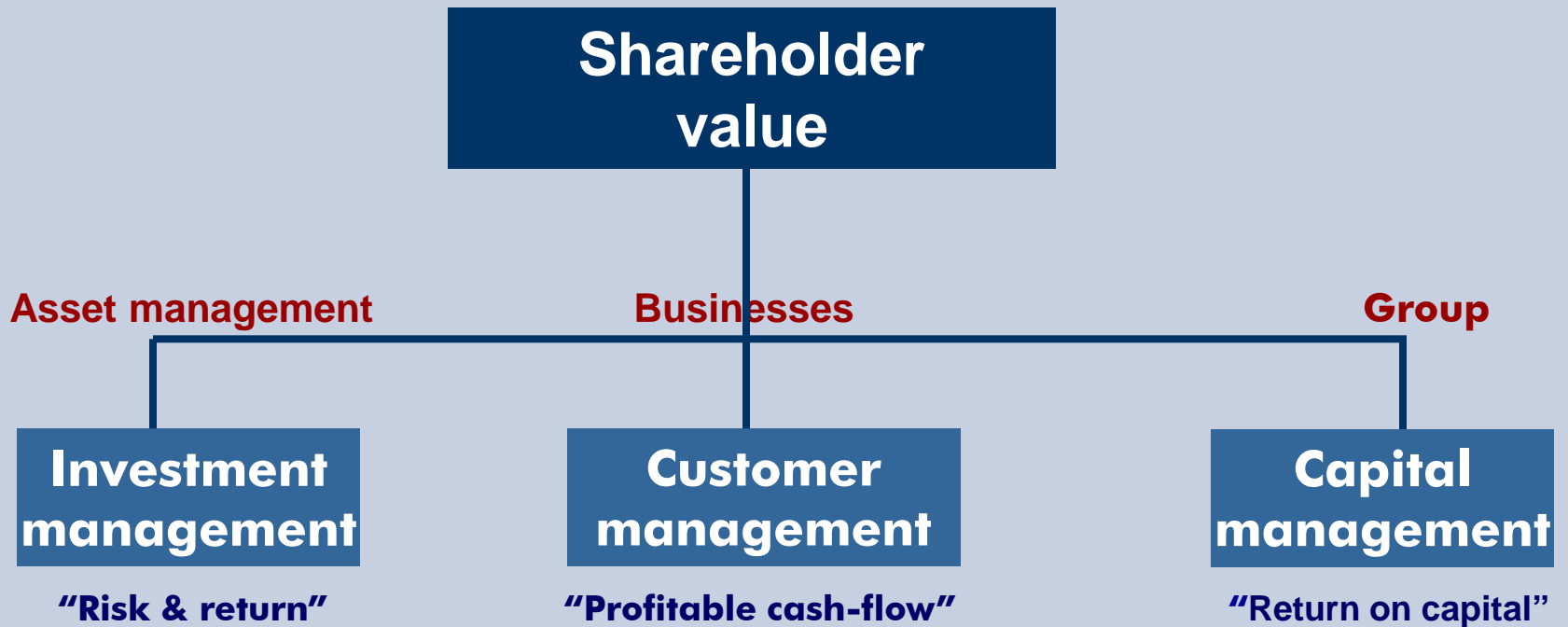


Strategic objectives

- ▶ **Sustain a competitive ROE**
- ▶ **One new African market per year**
- ▶ **Wider range of financial services to our customers**
- ▶ **Grow our brand value**
- ▶ **Grow our leadership capacity**
- ▶ **Review our retail business model**



Creating shareholder value



Capital management

- ▶ **Primary goal remains highly competitive investment returns for shareholders**
- ▶ **Emphasis on growing the business – organically or by acquisitions**
- ▶ **Target 20% return on capital (new ventures)**
- ▶ **Return on capital measured at group level**
- ▶ **Developing an internal business-specific capital model**



Capital management

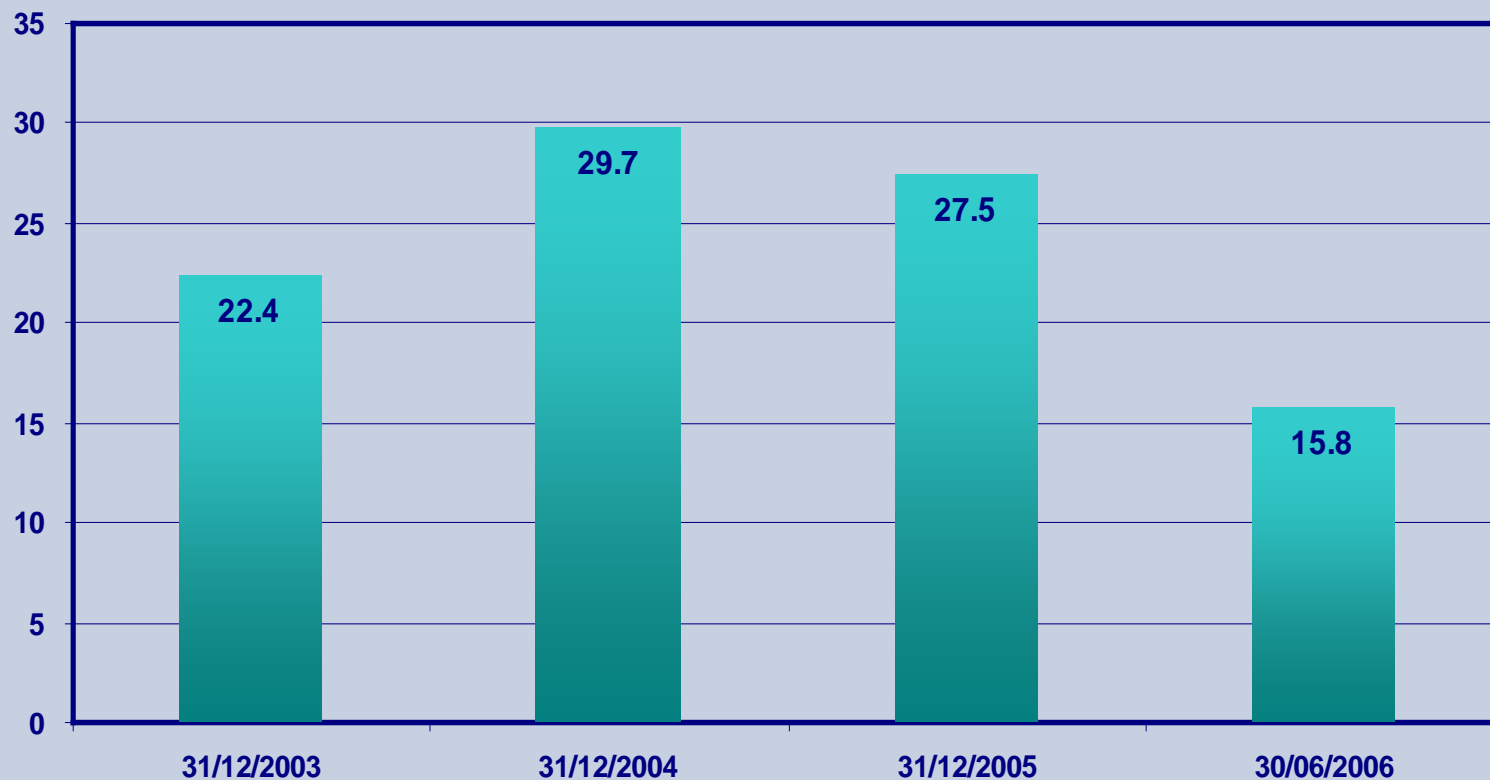
- ▶ **Two capital reductions of 100 cents per share each over past 15 months worth R1.3bn**
- ▶ **Bought back shares worth R737m over past 30 mths**
- ▶ **Will consider further buy backs up to EV**
- ▶ **Rationalising SA life licences**
- ▶ **Considering raising debt to fund working capital**



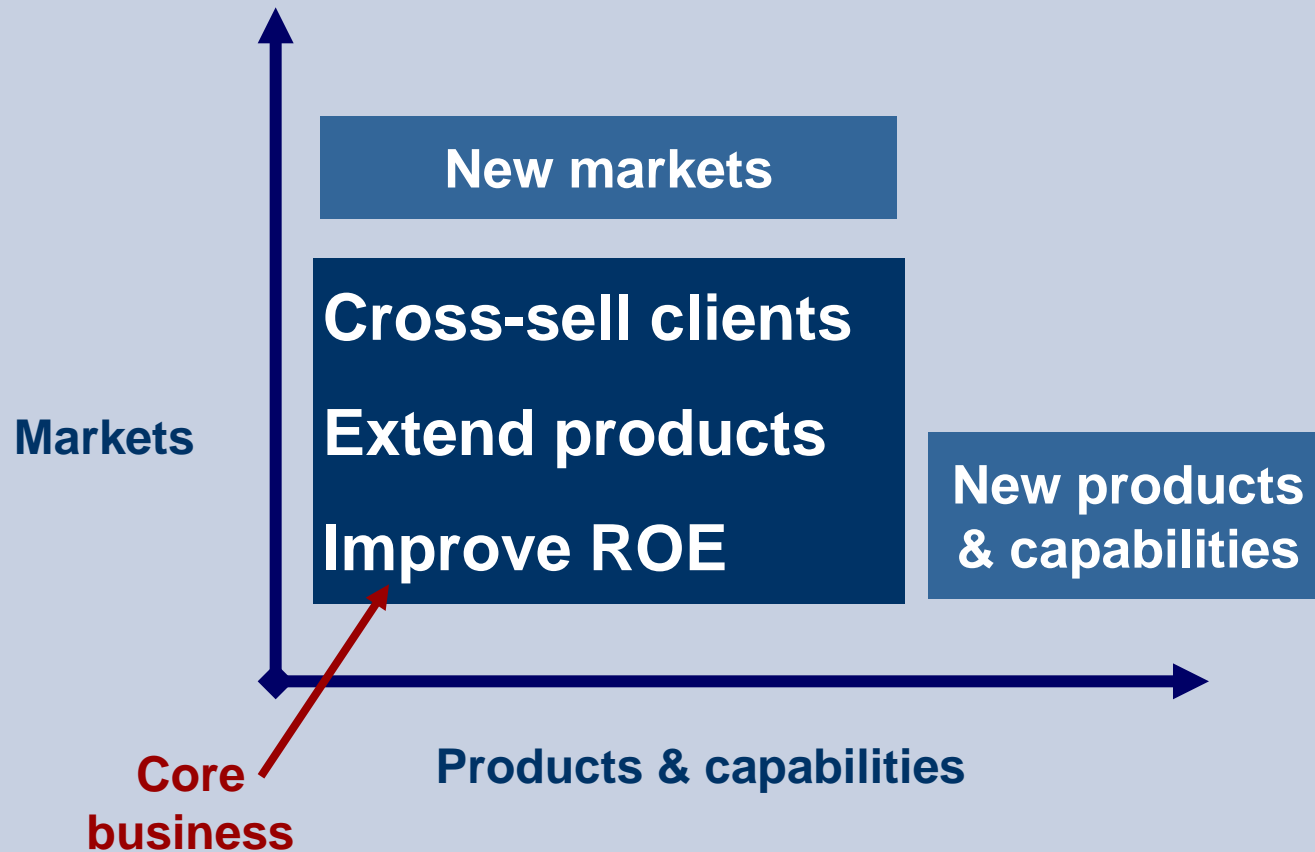
Return on embedded value

111% over 42 months

(%)



What other opportunities are there to invest our capital?



Questions

