



METROPOLITAN

2008 year-end results

**INVESTOR
PRESENTATION**



Economic environment & highlights

Wilhelm Van Zyl, group CEO

Financial results

Preston Speckmann, group finance director

2009 & beyond

Wilhelm van Zyl, group CEO

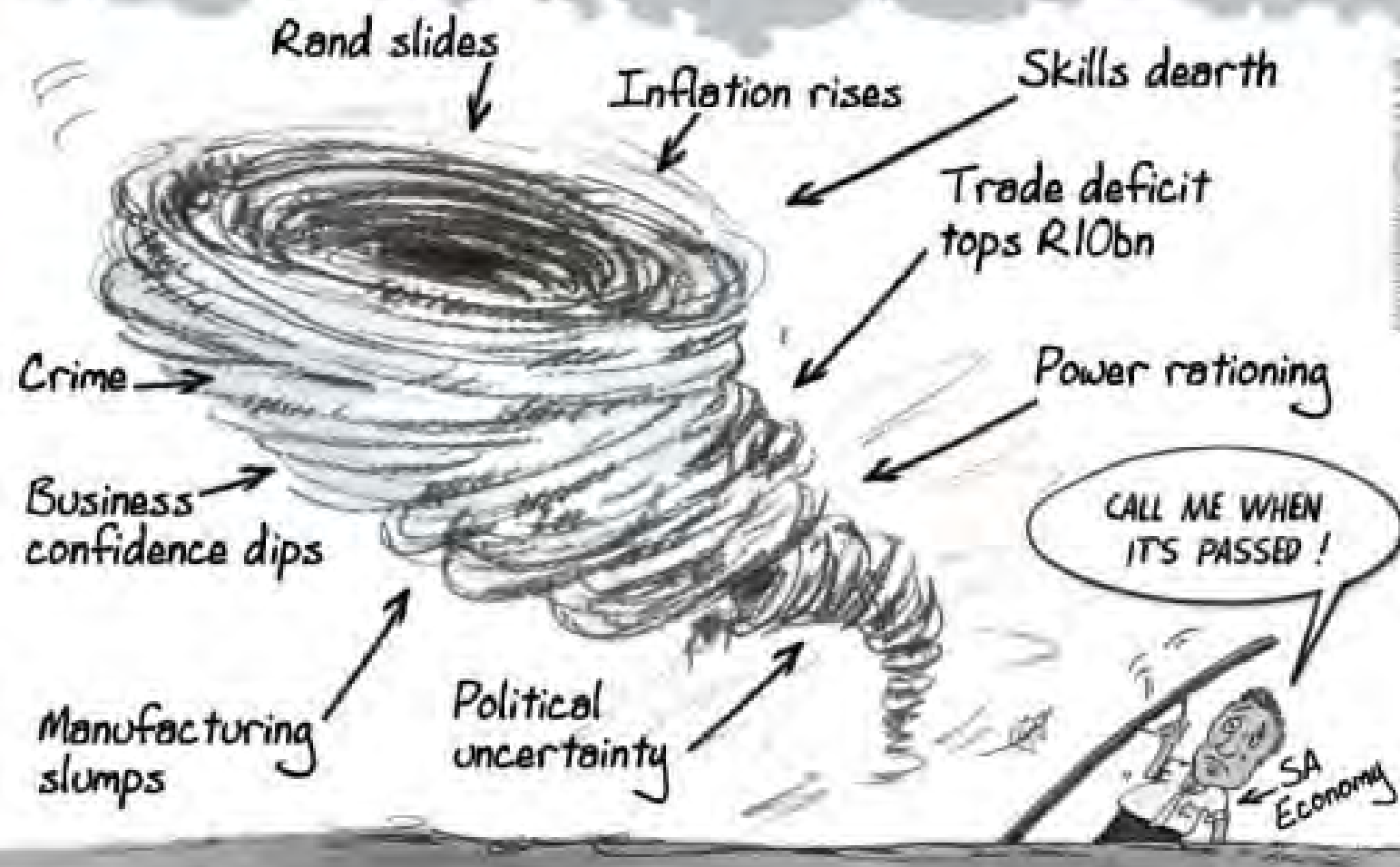


Economic environment & highlights

Wilhelm van Zyl
Group CEO



PERFECT ECONOMIC STORM



Strategic focus



**Leading financial services business
focused on creating prosperity
for Africa's people**

Economic environment



- ▶ **Depressed SA & global investment markets**
- ▶ **Volatile inflation & interest rates**
- ▶ **Continued pressure on disposable income**
- ▶ **Political uncertainty in Southern African region**

However, South Africa is still holding up relatively well

Economic environment



RSA 13.50% 15.09.2015 / 2016, BEASSA 10 YEAR YIELD, RSA 3.75% 31.03.2021



Metropolitan's response



- ▶ **Extra attention given to client retention**
- ▶ **Focus on new business production**
- ▶ **Expense budgets reviewed & cut**
- ▶ **Focus on balance sheet solvency & capital preservation**

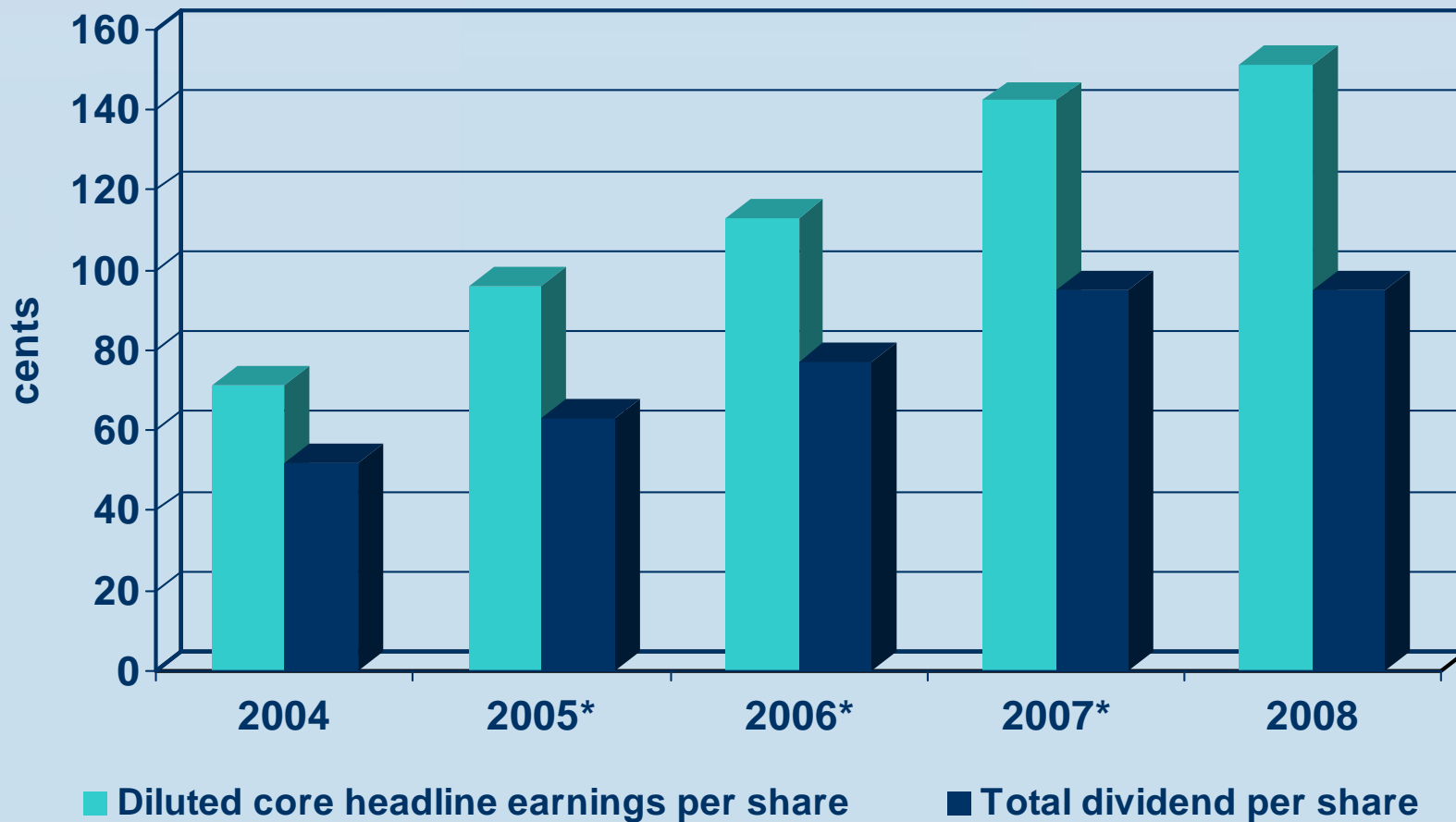
Result: a better year than anticipated

Highlights of results



Core headline earnings	↑
Retail new business APE	+22%
Retail new business margin (APE)	16.4%
Health business profits	+56%
Positive cashflow	R8bn
Group CAR	3.1X

Growth in earnings



** Excluding capital reductions and special dividend*



Financial results

Preston Speckmann

Group finance director



The Miami Herald

MORIN
01-26-09

HERE!!! THROW
THIS TOSSED SALAD
AT HIM.



New business APE



	2005	2006	2007	2008	Compound growth (3 years)
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
Retail	869	940	1 056	1 285	13.9
Corporate	135	407	422	308	31.7
International *	122	105	103	116	(1.7)
Total	1 126	1 452	1 581	1 709	14.9

* excludes start-up businesses

New business PVP



	2005	2006	2007	2008	Compound growth (3 years)
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
Retail	4 444	5 410	6 033	7 426	18.7
Corporate	1 056	3 563	3 613	2 431	32.0
International	644	529	422	497	(8.3)
Total	6 144	9 502	10 068	10 354	19.0

New business margin APE



	2005	2006	2007	2008
	%	%	%	%
Retail	11.5	12.1	11.3	16.4
Corporate	4.3	7.4	10.9	6.5
International	22.5	6.7	14.6	14.7
Total	11.9	10.4	11.4	14.5

New business margin PVP



	2005	2006	2007	2008
	%	%	%	%
Retail	2.3	2.1	2.0	2.8
Corporate	0.5	0.8	1.3	0.8
International	4.3	1.3	3.6	3.4
Total	2.2	1.6	1.8	2.4

Value of new business



	2005	2006	2007	2008	Compound growth (3 years)
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
Retail	100	114	119	211	28.3
Corporate	6	30	46	20	49.4
International	28	7	15	17	(15.3)
Asset management	22	25	35	39	21.0
Health	76	78	121	84	3.4
Total	232	254	336	371	16.9

Retail new business sensitivity



	Rm	PVP%
Value of new business 2007	119	2.0
2008		
Volume & mix	59	0.5
Expenses	9	0.1
Basis & methodology changes	(11)	(0.2)
Economic basis changes	36	0.4
Value of new business 2008	211	2.8
<i>Sensitivity: 1% increase in yields</i>	<i>(36)</i>	<i>(0.4)</i>

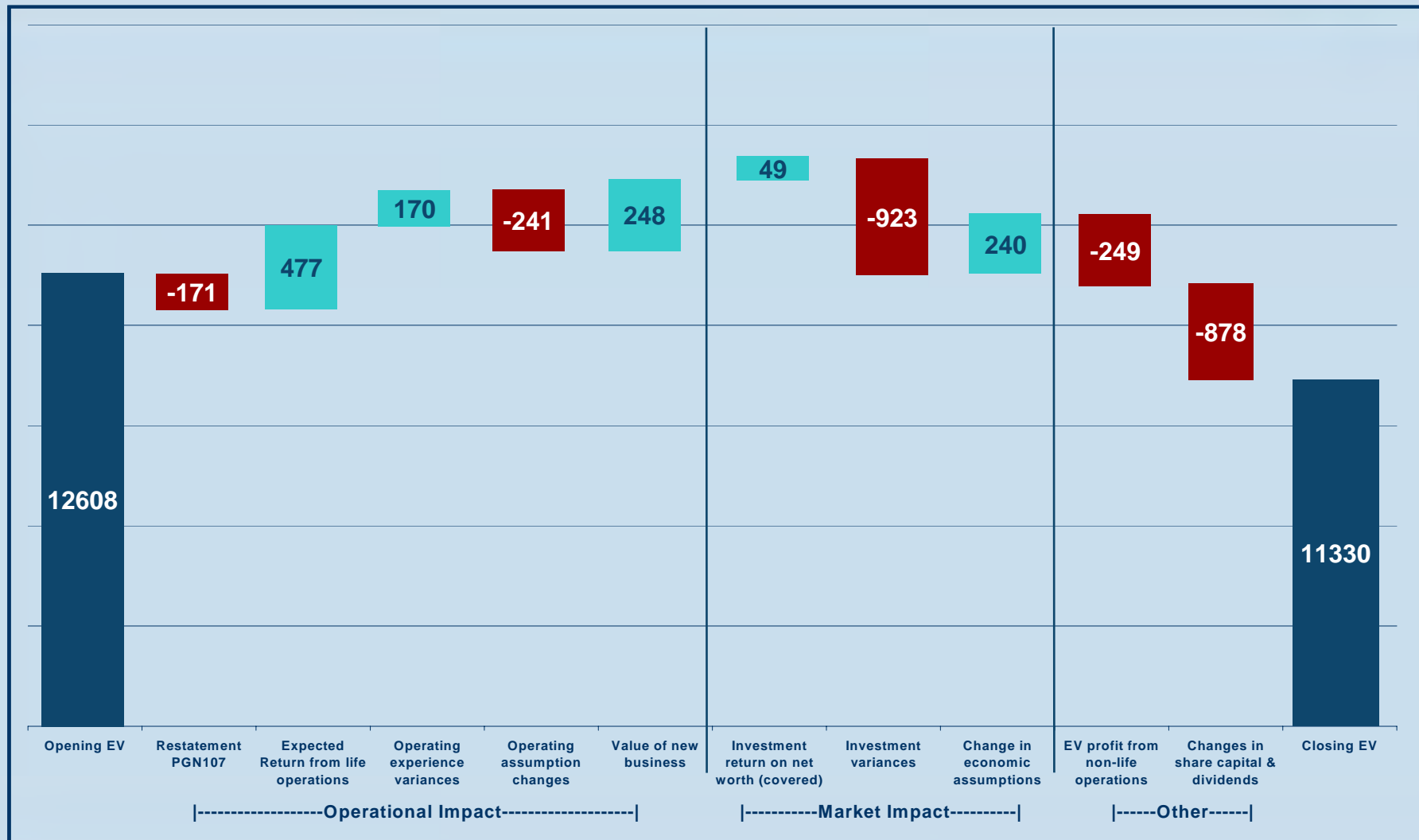
Funds received from clients



	Net inflow 2005	Net inflow 2006	Net inflow 2007 *	Net inflow 2008
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>
Retail	2 182	1 845	2 546	2 920
Corporate	(1 842)	1 623	1 235	(1 243)
International	429	410	309	382
Long-term insurance business cash flows	769	3 878	4 090	2 059
Health	529	373	1 364	1 837
Asset administration	4 028	1 531	6 708	3 321
Asset management	474	(3 394)	222	959
Corporate		371	78	159
Total	5 800	2 759	12 462	8 335

* restated

Group EV analysis (Rm)



Operating profit



	2005	2006	2007	2008	Compound growth (3 years)
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
Retail	369	436	460	448	6.7
Corporate	115	145	176	153	10.0
International	86	61	110	94	3.0
Asset management	52	69	70	65	7.7
Health	20	51	64	100	71.0
Shareholders	66	85	123	151	31.8
Diluted core headline earnings	708	847	1 003	1 011	12.6
Diluted core headline earnings per share (cents)	95.93	112.93	142.27	151.12	16.4
Total dividend per share	63.00	77.00	95.00	95.00	14.7

Economic capital



- ▶ **Economic capital requirement of R4.5bn at 31/12/2008**
- ▶ **Model updated: volatilities, interest rates, etc**
- ▶ **Model proved robust in volatile environment**
- ▶ **Focus on asset/liability matching & capital protection**
- ▶ **Provides comfort as to financial requirements**

Capital management

– *actions during 2008*



- ▶ **Asset allocation**
- ▶ **De-risking strategies**
- ▶ **Market value adjusters**
- ▶ **Interim & future bonuses**
- ▶ **New bonus series**

**Resulted in a CAR multiple
in Met SA of 2.1 times at year-end
in group of 3.1 times at year-end**

Discretionary capital



		2007	2008
		<i>Rm</i>	<i>Rm</i>
Group excess per financials		6 817	5 847
Add:	Redeemable preference shares	837	841
Less:	Disregarded assets	(293)	(489)
Available capital		7 361	6 199
Retained for:	Redeemable preference shares	(837)	(841)
	Metropolitan Life Ltd	(3 383)	(3 621)
	- Economic capital	3 884	4 122
	- Less: qualifying debt	(501)	(501)
	Economic capital (other group companies)	(457)	(331)
Discretionary capital		2 684	1 406
Attributed to:	Approved for expansion	336	233
	Proposed dividend	440	335
	Surplus capital	1 908	838
		2 684	1 406

Focus areas 2009



- ▶ **Expense management**
- ▶ **Capital management**
- ▶ **Business intelligence**
- ▶ **Value proposition**
- ▶ **Client retention**



2009 & beyond

Wilhelm van Zyl

Group CEO



DEFLATED EXPECTATIONS...



DYBALLENE

ENGINEERING NEWS 18-01-09

Retail business *achievements*



- ▶ **Strong year-on-year growth in production**
- ▶ **Significant increase in single premium business**
- ▶ **Growth in in-force book**
- ▶ **Good expense management**
- ▶ **Pro-active persistency management initiatives**

Retail APE by line of business



	2005	2006	2007	2008	Compound growth (3 years)
	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	<i>Rm</i>	%
Individual life	361	339	356	473	9.4
Odyssey	185	208	245	272	13.7
Direct marketing	104	136	153	175	18.9
Third party distribution	52	77	117	78	14.5
Funeral Funder	105	89	87	124	5.7
Group schemes	48	71	77	106	30.2
Credit life	14	20	21	46	48.7
Union Life	-	-	-	11	
Total	869	940	1 056	1 285	13.9

APE % split of individual life new business *(production)*



	2005	2006	2007	2008
	%	%	%	%
Personal financial advisors	37	36	36	39
Brokers	32	27	25	27
Wholesale	*14	21	21	20
3 rd party	6	8	9	5
International	11	8	9	9

* *excluding credit life*

Growth in in-force – Retail & International



Number of individual life policies
& annualised recurring premiums
(home service & wholesale policies excluded)



In-force ordinary business per province



Retail business

persistency



- ▶ **Good persistency in traditional business at all durations**
- ▶ **Improvements in most lines of business**
- ▶ **Direct marketing continues to receive focused attention**
- ▶ **Active management involvement**

Corporate business *environment*



- ▶ **Uncertainty of proposed retirement reforms**
- ▶ **Tough economic times & reform uncertainty led to large increase in benefit payments across the industry – early retirement, withdrawals & disabilities**
- ▶ **Large number of funds & administrators in fragmented industry**
- ▶ **Increased compliance requirements**
- ▶ **Focus on cost of saving for retirement**
- ▶ **Industry's image still recovering**

Retirement fund administration



- ▶ **Low cost provider, highly rated by government & labour in terms of systems & service**
- ▶ **Two-pronged focused strategy for growth**
 - ▶ **MRA for mega funds (> 5000 members)**
 - ▶ **Neon umbrella product**
- ▶ **280 000 members under administration – 5% market share**
- ▶ **Social security reform will need public-private partnerships**
- ▶ **Capacity to relieve resource burden for government cost-effectively**

CAR – movements



Metropolitan Life Limited

Rm

Capital adequacy requirement 2007 (OCAR)

1 422

Capital adequacy requirement 2008 (OCAR)

2 056

Increases: credit & operational risks

financial options & guarantees

economic & other changes

Decreases: de-risking of portfolios

- shareholders

- policyholders

MHG growth in lives under administration



MHG results



Free cashflow

	2007	2008
	<i>Rm</i>	<i>Rm</i>
Diluted core headline earnings	64	100
Tax (2007 incl R10m STC)	52	42
Net income before tax	116	142
Administration	79	111
Managed health care	37	31
Non-cash items		
Amortisation of software	12	12
IAS 19 and IFRS 2 costs	32	3
	160	157

Strategic initiatives



- ▶ **Current economic conditions have curtailed expansion**
- ▶ **Sunray: IT platform for retail business**
- ▶ **Management changes**
- ▶ **Capital management**
- ▶ **Re-financing of KTI's shareholding**

Strategic focus areas



- ▶ **Investment performance**
- ▶ **Geographic reach**
- ▶ **Expanding relevant product offering**
- ▶ **Client access & brand**
- ▶ **Managing through current economic cycle**
 - ▶ **Expenses, persistency, capital, risk management**

JSE performance



Key areas of strength



- ▶ **Sustainable premium growth**
- ▶ **Strong individual new business growth**
- ▶ **Assets & clients under management**
- ▶ **Scale in admin businesses**
- ▶ **Robust capital position**
- ▶ **Attractive dividend yield**
- ▶ **Geographic footprint**
- ▶ **Positioned for growth**



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