

METROPOLITAN

20
05

Y E A R - E N D R E S U L T S

METROPOLITAN
HOLDINGS LIMITED



Content

- ▶ **Performance highlights**
- ▶ **Business overview**
- ▶ **Capital management**
- ▶ **Group strategic focus**

Vision

Creating prosperity for Africa's people



Performance highlights

IFRS compliant results



Salient features of results

rands

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		%
Core headline earnings	R641m	+33
Total recurring premiums	R5.8bn	+11
Embedded value	R11.5bn	+27
Total assets under management	R71.4bn	+33
Gross funds received from clients	R23.6bn	+39

benefiting from diversification ...



Salient features of results

% vs Dec 2004

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	%
Return on embedded value	27
Diluted core headline EPS	+35
Embedded value per share	+22
Final ordinary dividend per share	+24



Growth in core headline earnings

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+33% to R641m

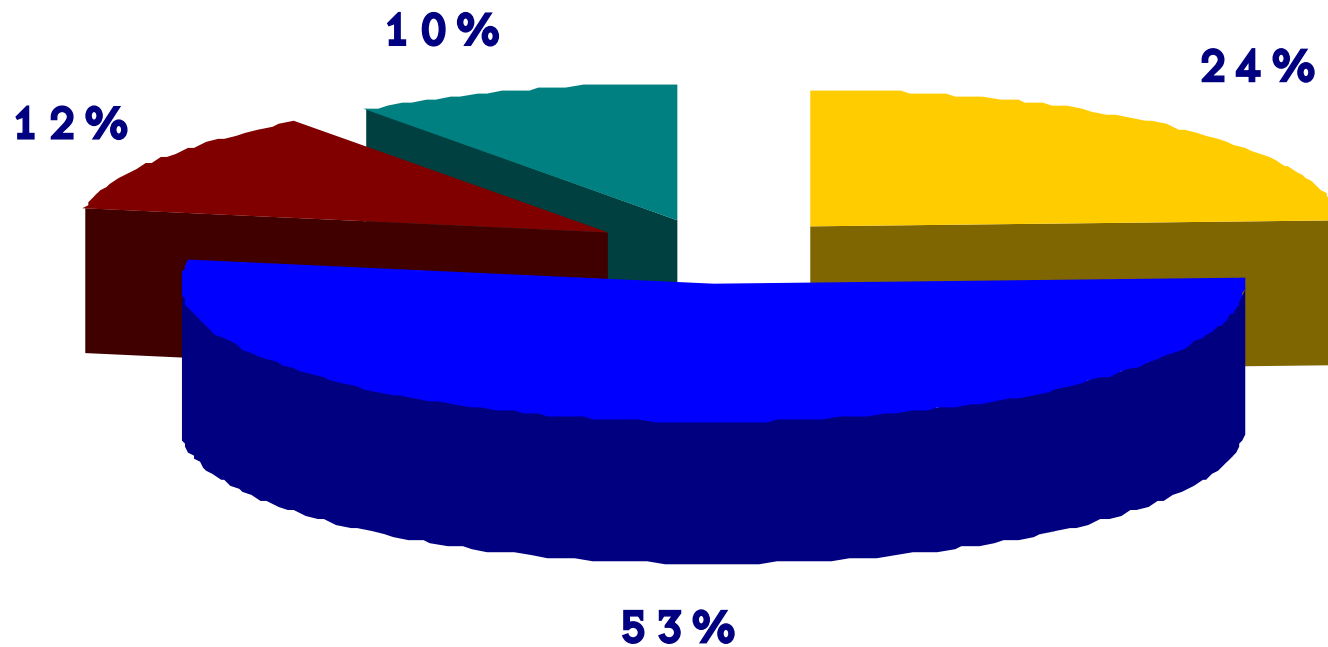
+35% to 96cps

	2004	2005	%
	<i>Rm</i>	<i>Rm</i>	growth
Retail business	259	369	42
Corporate business	105	167	59
Health business	(11)	9	-
International business	52	86	65
Shareholders' equity	77	10	-
Total	482	641	33



Contribution to operating profit *before IFRS adjustment to Health*

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■ Corporate ■ Retail ■ International ■ Health



Contribution to operating profit *before IFRS adjustment to Health*

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	Rm
Retail	369
Corporate	167
International	86
Health	68



Value of new business by source

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	APE	APE	PVP	VONB
	Margin	Margin	Margin	Rm
	2004	2005	2005	
	%	%	%	
Retail ★	15.2	11.5	2.3	100
EB	9.7	4.3	0.5	6
International	13.1	22.5	4.3	28

★ 2005 reduced by R12m allowing for statement of intent



Strong growth in embedded value

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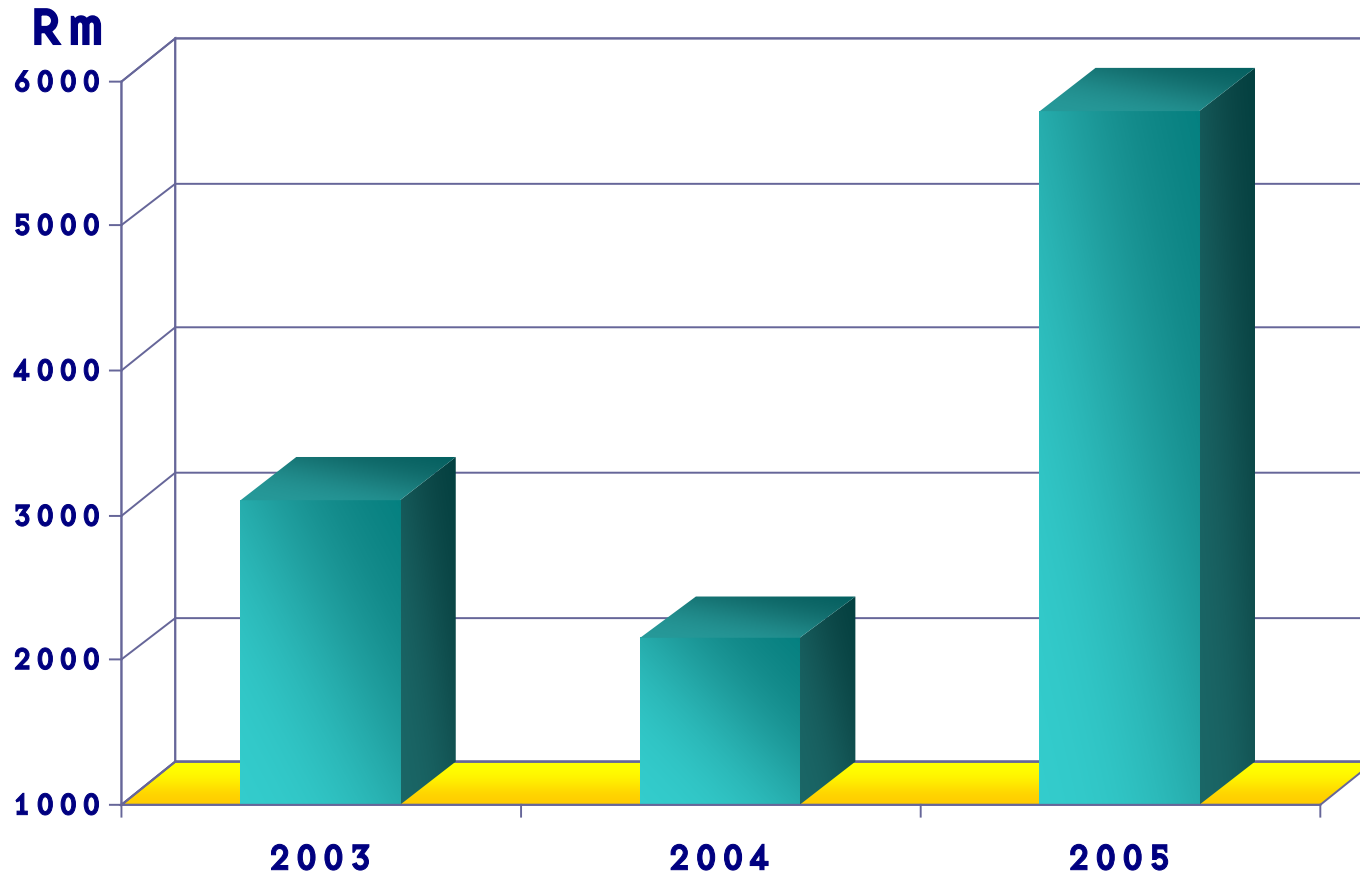
27% return on EV

	31/12/04	31/12/05	%
	<i>Rm</i>	<i>Rm</i>	growth
Adjusted net asset value	6 141	8 021	31
Value of in-force	2 915	3 447	18
Fully diluted embedded value	9 056	11 468	27
Fully diluted embedded value per share (cents)	1 225	1 499	22
Return on embedded value (%)	29.4	26.9	



Net funds received from customers

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Significant collective investment schemes inflows



Business overview

Vision

Creating prosperity for Africa's people



2005 results characterised by

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- ▶ **Regulatory issues**
- ▶ **Internal restructuring**
- ▶ **Solid retail value of new business (VONB)**
- ▶ **Continued cost containment**
- ▶ **Increased EB profits**
- ▶ **Substantially higher international profits**
- ▶ **Successful integration of Polmed**
- ▶ **Excellent absolute and relative investment returns**



Retail business

2nd largest market share in emerging markets



Retail business

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- ▶ **Environment**
- ▶ **Contribution**
- ▶ **Retention**
- ▶ **In-force growth continues**
- ▶ **2006 focus**



Retail business *environment*

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External

- ▶ Consumption vs savings
- ▶ Negative industry image
- ▶ Growing consumer numbers

Internal

- ▶ Retail enhancement initiative (REI)
 - ▶ New business via cell phone
 - ▶ Tele-underwriting
- ▶ Sales management restructuring
- ▶ Positioning retail for the “new world”



Retail business *contribution*

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Operating profit	+42% to R369m
Value of new business	R100m

- ▶ Growth of in-force book
- ▶ Maintained persistency
- ▶ Continued focus on unit costs

benefiting from focus on low/middle income market ...

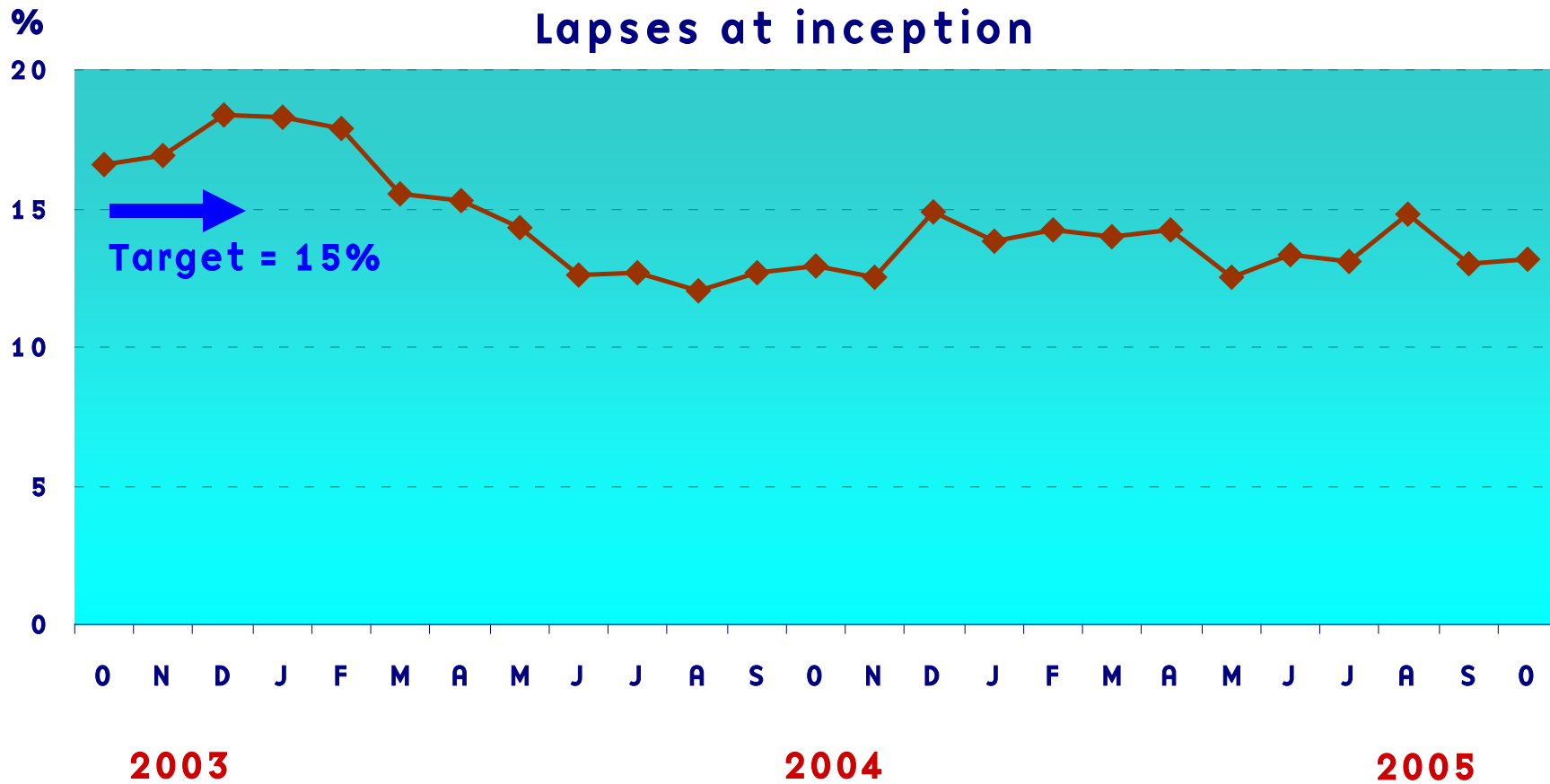


Retail business

continued improvement in retention

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Lapses at inception



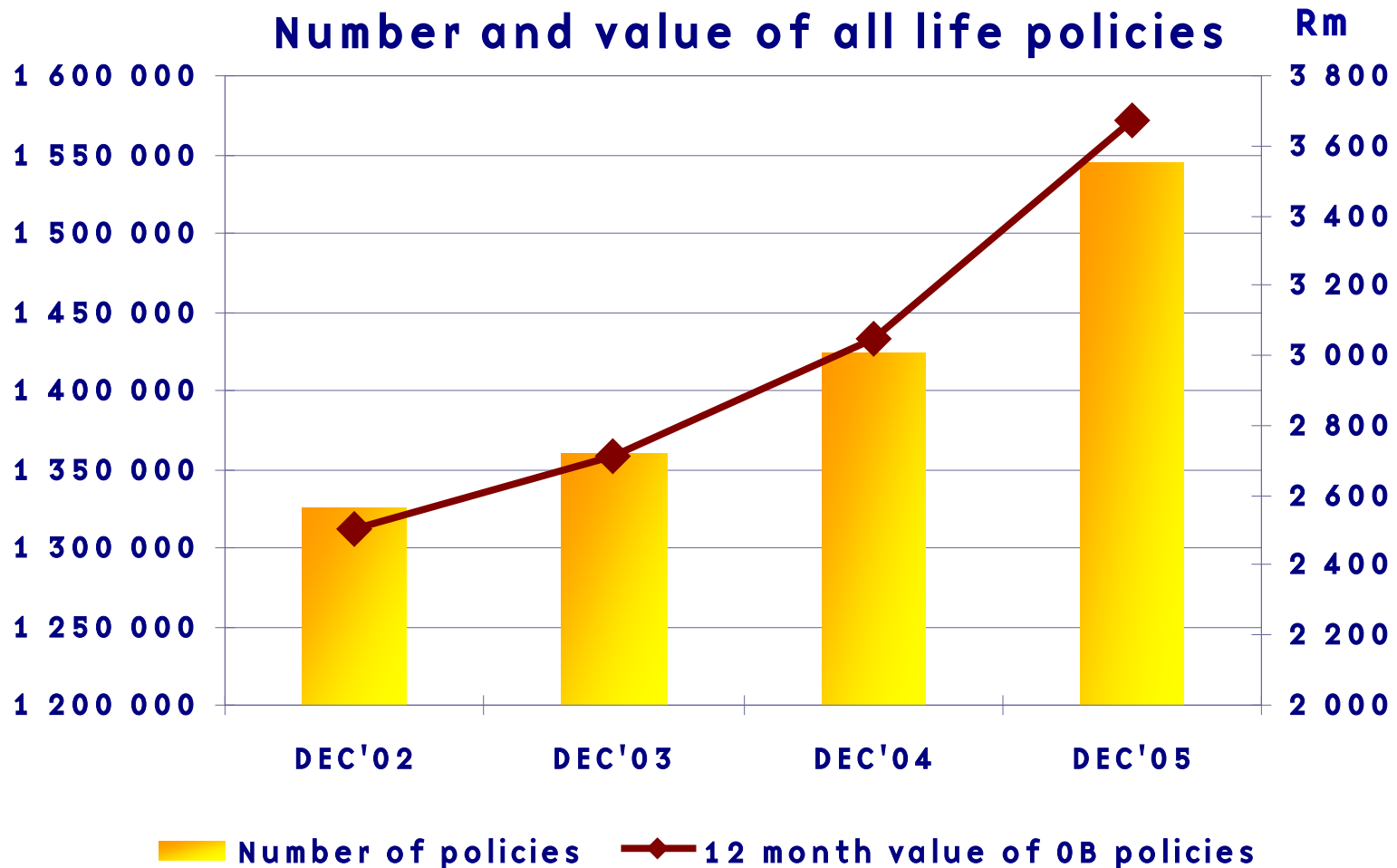
Retention levels maintained despite increase in debit order business



Retail business

in-force growth continues - group

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Retail business

2006 focus is to capitalise on ...

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- ▶ Higher levels of disposable income
- ▶ Restored credibility of industry
- ▶ Government/FSC access requirements
- ▶ Successful implementation of new commission structure
- ▶ Diversified distribution partnerships
- ▶ Cost savings from new initiatives
- ▶ Higher re-investments from clients
- ▶ Highly competitive bonus rates



Employee benefits business

*Client-focused solutions
for the corporate market*



Employee benefits business

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- ▶ **Environment**
- ▶ **Contribution**
- ▶ **Current initiatives**
- ▶ **2006 focus**



Employee benefits business *environment*

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- ▶ **Outflows of smoothed bonus (SB) funds**
- ▶ **Few tender opportunities**
- ▶ **Competitive risk market**
- ▶ **Danger of loss leaders**
- ▶ **Little growth in formal employment**
- ▶ **Government focus on retirement funding**



Employee benefits business *contribution*

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Operating profit	+59% to R167m
Value of new business	R6m

- ▶ **Improved profits from growing business**
- ▶ **Avoided losses & cross-subsidisation**



Employee benefits business

current initiatives

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- ▶ **Considering various enhancements to SB products**
- ▶ **Capitalised on low risk profile of SB products**
- ▶ **Capitalised on absolute return products**
- ▶ **Improved funeral products**
- ▶ **Exceptional bonuses (22%) on SB products**
- ▶ **Boosted bonus stabilisation reserves**



Employee benefits business

2006 focus

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- ▶ **Developing targeted strategies with selected intermediaries**
- ▶ **Sharpened focus on investment business**
- ▶ **Build on competitive position in risk market**
- ▶ **Continued focus on client retention and service**



Asset management business

R50bn under management



Asset management business

progress

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- ▶ **Excellent absolute and relative investment performance**
- ▶ **3rd in AF Global Manager Watch (31/12/05)**
- ▶ **Best life company asset management performance**
- ▶ **General Equity Unit Trust Fund (8/56)**
- ▶ **Most funds in 1st or 2nd quartile**
- ▶ **Returns on shareholder funds of 34%**

continued ...



Asset management business

progress

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- ▶ **Management team in place**
- ▶ **Staff morale at an all-time high**
- ▶ **Entrenched as growth manager**
- ▶ **Group restructured to focus on asset management business**



Health business

*Largest administrator of
closed medical schemes*



Health business

- ▶ **Contribution**
- ▶ **Continued growth**



Health business *contribution*

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Operating profit★

+94% to R68m

- ▶ Administration revenue up 44%
- ▶ Qualsa (managed care) revenue up 85%
- ▶ Principal members exceed 440 000
- ▶ Average admin costs 7% (industry average 10%)
- ▶ Earnings impacted by accounting treatment

★ Before IFRS costs relating to staff share schemes



Health business

continued growth

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- ▶ **Polmed scheme successfully implemented; membership grew from 130 000 to 140 000**
- ▶ **New contracts for Qualsa – Polmed & Bankmed**
- ▶ **Solvency levels**
- ▶ **Awarded two GEMS contracts**
 - ▶ **Administration**
 - ▶ **Medicine clearing house**

continued ...



Health business

continued growth

METROPOLITAN

- ▶ **Ability to franchise administration platform**
- ▶ **Well positioned for government's social health insurance plan**
- ▶ **Active participant in low income medical scheme (LIMS) project**
- ▶ **Dominates restricted medical aid scheme market (47%)**



International business

*Operations throughout
Africa*



International business

- ▶ **Contribution**
- ▶ **New markets**



International business *contribution*

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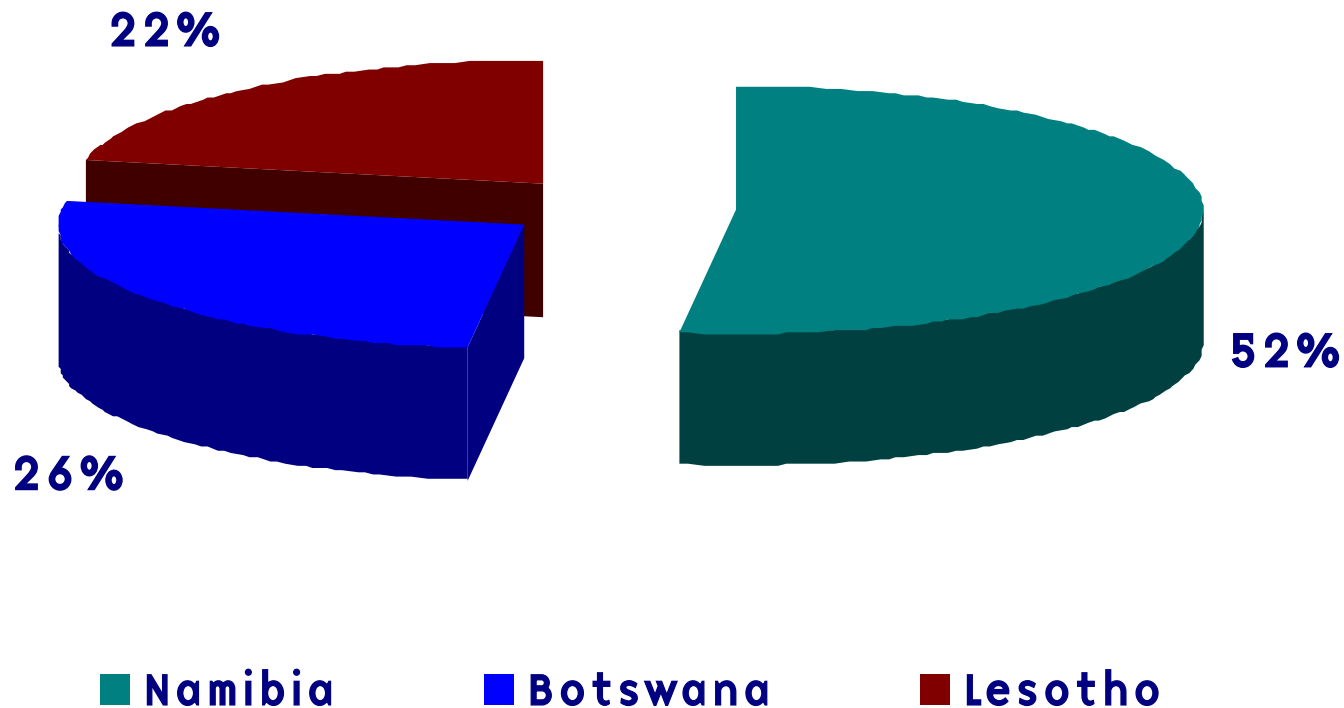
Operating profit	+65% to R86m
Value of new business	+75% to R28m
Embedded value	> R1 billion

- ▶ **Profitability on track**
- ▶ **Meaningful contribution to group results**



International business *contribution to operating profit*

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International business *contribution*

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- ▶ **Channel Life successfully integrated**
- ▶ **Biggest writer of new business in Namibia**
- ▶ **Rolling out Exergy admin system**
- ▶ **Credit life and EB business major drivers of new business in Namibia and Botswana**
- ▶ **Economic slowdown in Lesotho and Botswana negatively affected new business**



International business

new markets

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- ▶ **New businesses established (Jan 2006):**
 - ▶ Kenya - 67% share
 - ▶ Ghana – 60% share
- ▶ **Exergy administration system highly adaptable**
- ▶ **Exploring opportunities in Nigeria**



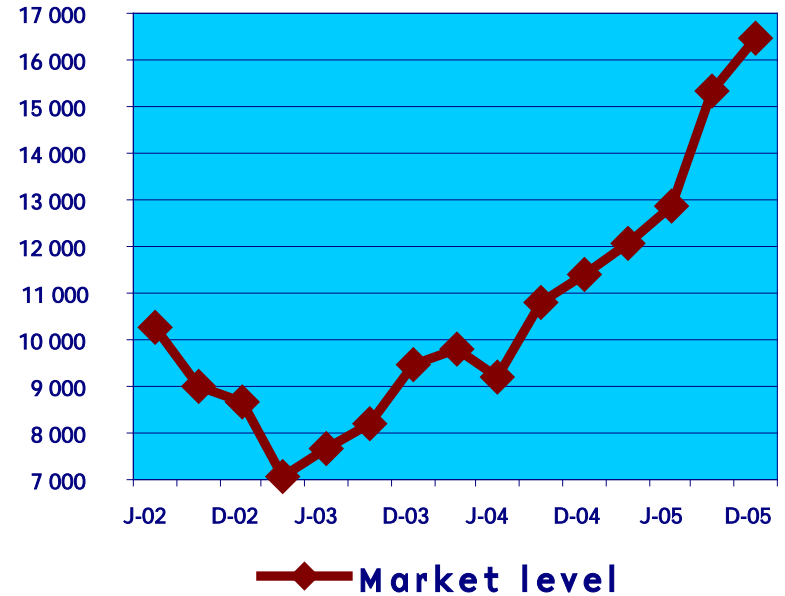
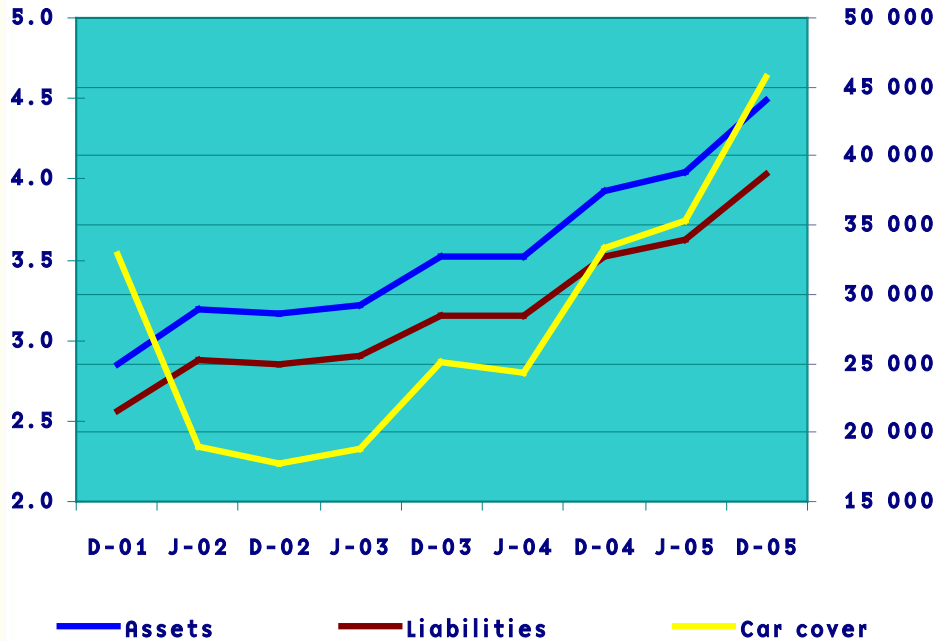
Capital management



Capital management

CAR cover geared to market levels

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Capital management

2005 progress

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- ▶ **Paid back 100 cents per share in Jan 2005**
- ▶ **Repurchased and cancelled 22m shares (R242m)**
- ▶ **Cancelled 41m treasury shares**
- ▶ **Issued 47m prefs to KTI (R479m)**
- ▶ **Facilitated loan to KTI for 17.6% stake in Metropolitan Health**



Capital management

corporate actions

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- ▶ **Successfully integrated Channel Life**
- ▶ **Excellent return on business investments – Botswana, Health, Channel Life, etc**
- ▶ **New investments in Kenya & Ghana**
- ▶ **Pilot investment in banking products**



Capital management

2006 actions to date

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- ▶ **Strong dividend policy maintained (63 cps - +21%)**
- ▶ **Further capital reduction of 100 cps announced**
- ▶ **R765m will be paid out in April 2006**

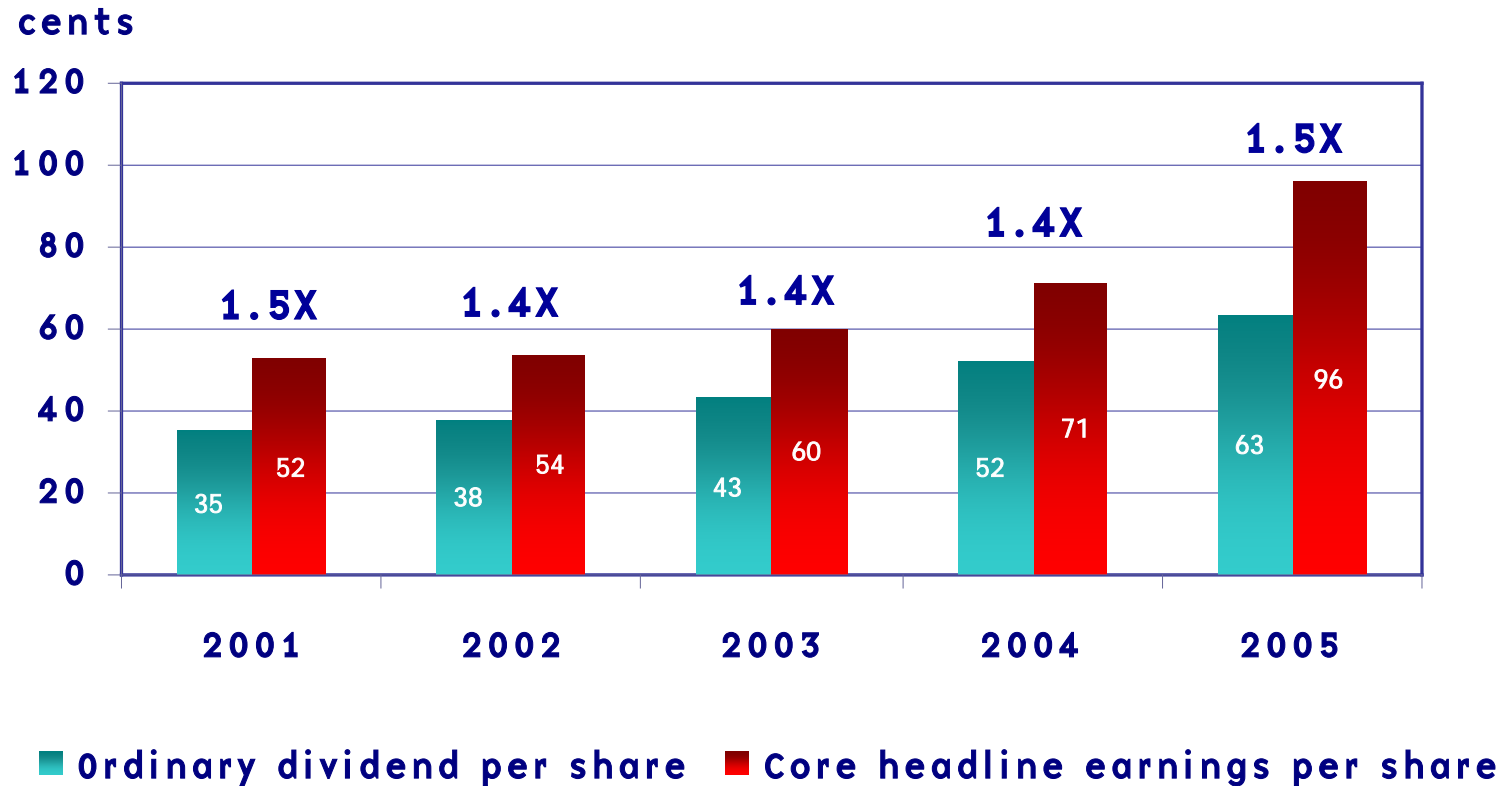
adding shareholder value ...



Capital management

Ordinary dividend vs core headline earnings per share

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Group strategic focus

Mission

*Serving Africa's people through
affordable financial solutions that
create financial growth & security*



Performance objectives

2005 threshold targets

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Objective	Target	Weighting	Actual
Return on value of in-force	RDR + 5%	20%	√√
Growth in earnings (CHEPS)	12%	20%	√√
Value of new business	R225m	30%	×
Market/customers	Various	10%	√√
People & empowerment	Various	20%	√



Strategic focus

progress

METROPOLITAN

- ▶ **Focus on capital management**
 - ▶ Bought back and cancelled shares
 - ▶ Issued prefs to KTI
 - ▶ Reduced subsidiary company capital and transferred to Methold
 - ▶ Capital reduction of 100 cents per share
 - ▶ Strong dividend policy
- ▶ **Focus on Africa – strong regional player**
 - ▶ Entered new markets in Kenya and Ghana
- ▶ **Focus on existing core businesses**
 - ▶ All businesses increased operating profits

continued ...



Strategic focus

progress

METROPOLITAN

- ▶ **Re-positioned asset management**
 - ▶ Appointed new MD, CIO and COO
 - ▶ Established as separate business
 - ▶ Achieved excellent absolute and relative investment performance

- ▶ **Re-design of retail products & processes**
 - ▶ Launched new generation investment product – FutureChoice
 - ▶ Developing new life insurance products (CAT compliant) for consumers in LSMs 1-5

continued ...



Strategic focus

progress

METROPOLITAN

- ▶ **Re-design of retail products & processes**
 - ▶ Retail enhancement initiative almost completed
 - ▶ Restructuring of direct distribution channel to be completed by March 2006
- ▶ **Developing, incentivising and retaining key people**
 - ▶ Training academies
 - ▶ Training programmes
 - ▶ KTI assisted in establishing management trust



Strategic focus

for 2006

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Entrench our leading market position by

- ▶ **Enhancing value proposition to customers**
- ▶ **Offer complementary products to core markets**
- ▶ **Developing affordable financial solutions for previously uninsured markets**
- ▶ **Profitable growth into Africa**



Questions

