update

METROPOLITAN HOLDINGS LIMITED

25 May 2010

Update is a newsletter produced by the investor relations department of Metropolitan Holdings Limited. It provides information on the different businesses in the group as well as financial news. Contact Sue Snow (financial media) on (021) 940-6119 / ssnow@metropolitan.co.za or Natalie Amos (investor relations) on (021) 940-6112 / namos@metropolitan.co.za for further information.

Operational performance for the three months ended 31 March 2010

Group overview

Metropolitan/Momentum merger update

- The merger process has continued as detailed in the SENS announcements dated 31 March and 17 May 2010.
- The due diligence is being finalised, and we anticipate posting the circular to shareholders around the end of June, with a shareholders' meeting scheduled for July.

Operational update

- Despite the merger deliberations, it remains business as usual on the operational front.
- All the markets in which we operate showed unexpected signs of recovery during the first quarter of 2010; however the sustainability of this recovery remains uncertain.
- Recurring premium new business, excluding the discontinued direct marketing channel, exceeded expectations in both the retail and international businesses.
- Persistency experience remained broadly in line with the pricing basis; however, signs of stress in certain pockets of the retail operations are being actively managed as they appear.
- Recurring premium income increased in all three businesses, ending 6% up on the 2009 levels.
- Single premium new business was affected by the slow-down in the broker markets as well as the withdrawal of certain retail products sold through third party partners.
- Total claims paid to policyholders ended 13% below the levels paid out in 2009.
- Life insurance administration expenses were well controlled, with growth being restricted to below 1%.
- The healthcare administration business further increased the size of its business while maintaining exceptional levels of service, highlighting the sound underlying business model.
- The improved investment performance recorded by the asset managers continued over a one year rolling period.
- Overall, the group maintained its positive net cashflow; recording just over R1.4 billion in net inflows.
- Volatile local and global investment, financial and economic markets remain challenging.

Retail business

	3 months to 31-Mar-06 *Rm*	3 months to 31-Mar-07 *Rm*	3 months to 31-Mar-08 *Rm*	3 months to 31-Mar-09 *Rm*	3 months to 31-Mar-10 *Rm*
New business					
Recurring premiums	153	175	188	209	204
Direct marketing	27	36	29	48	-
Other	126	139	159	161	204
Single premiums	375	485	869	548	344
Annual premium equivalent (APE)	191	224	275	264	239
PV of premiums		1 308	1 646	1 351	1 227

Cashflow					
Recurring premiums	908	1 011	1 094	1 156	1 196
Single premiums	374	492	778	548	344
Claims paid	801	875	1 197	1 197	1 188
Net	481	628	675	507	353

APE = new recurring premiums plus 10% of single premiums
PV = present value

The growth in recurring premium new business, excluding the discontinued direct marketing channel, continued its five-year trend, increasing by 27% in 2010, mainly as a result of:

- increased recurring premiums from the personal financial adviser distribution channel
- the entrenched and successful focus on the quality of new ordinary business issued.

The business remains well positioned:

- Recurring premium income continues to grow.
- Administration expenses have been restricted to below the 2009 levels.
- Independent benchmarking carried out recently confirmed that Metropolitan is a low-cost administrator.
- Claims experience has improved slightly and remains in line with expectations.
- The number of policies under administration in the books still open to business is growing.
- Economic pressures still constitute a threat to the ordinary business retention rates in our target market, but active management has succeeded in growing the business.

Looking ahead

- Single premium new business is expected to lag 2009 as a result of the withdrawal of certain low-margin products during 2009.
- Cover2Go has been consolidated into the retail business.
- The prospects for the retail business remain directly correlated to those of its target market.
- Food, fuel and transport inflation, together with unemployment levels, are still the biggest challenges.
- The target market has, however, remained resilient and Metropolitan is confident that continued growth can be achieved within this segment.

Corporate business

	3 months to 31-Mar-06 *Rm*	3 months to 31-Mar-07 *Rm*	3 months to 31-Mar-08 *Rm*	3 months to 31-Mar-09 *Rm*	3 months to 31-Mar-10 *Rm*
New business					
Recurring premiums	34	58	49	31	29
Off balance sheet (APE basis)				21	106
Single premiums	161	1 209	295	308	59
Total APE*	50	179	79	83	141
PV of premiums		1 589	641	506	265
Cashflow					
Recurring premiums	374	442	421	417	456
Single premiums	161	1 209	295	308	59
Claims paid	1 090	670	1 043	1 261	901
Net	(555)	981	(327)	(536)	(386)

* APE includes off balance sheet new business

The growth in new business APE continued its three-year trend, increasing by 70% in 2010, mainly as a result of additional off balance sheet administration contracts on the Neon platform.

The market conditions remain tough but the business is well prepared:

- The group insurance market responds positively to players with strong risk-rating expertise and high service levels.

- The reduction in new recurring premium income relates mainly to risk business where pricing is extremely competitive and experience is returning to more normal levels.
- The administration platform continues to attract interest and generate new business opportunities.
- Certain funds and commentators are again recognising the value of the investment protection inherent in our smoothed bonus products, given the continued market volatility.
- Recurring premium income is 9% above that recorded in 2009 while expenses have increased by less than that.
- The reduction in claims paid was largely due to higher than expected disinvestments during 2008 and 2009.

Looking ahead

- Ongoing efforts to reduce the business's dependence on large transactions are proving successful.
- We anticipate that securing new corporate business will be difficult during the World Cup period.
- However, exciting opportunities still exist in the large fund administration market, with a number of good prospects for Metropolitan.
- The pipeline for new business remains healthy, as evidenced by:
    - Metropolitan Retirement Administrators (MRA) has secured an administration contract of 15 000 members with effect from the 3rd quarter of 2010, and
    - MetEB has secured approximately R450m in investment and annuity business with effect from the 2nd quarter.

International business

	3 months to 31-Mar-06	**3 months to 31-Mar-07**	**3 months to 31-Mar-08**	**3 months to 31-Mar-09**	**3 months to 31-Mar-10**
	Rm	***Rm***	***Rm***	***Rm***	***Rm***
New business					
Recurring premiums	16	19	35	31	40
Individual life	15	19	28	29	33
Employee benefits	1	-	7	2	7
Single premiums (incl EB)	24	32	24	60	20
APE	18	22	37	37	42
PV of premiums			173	166	175
Cashflow					
Recurring premiums	184	204	204	226	248
Single premiums	30	38	26	62	28
Claims paid	161	203	175	161	151
Net	53	39	55	127	125

* New business includes Metropolitan's share of all operations; cashflows include 100% of all operations

- The new business APE and recurring premium income recorded for the first quarter were the highest for the past five years.
- Recurring premium income increased by 29% to R40 million; good growth was recorded in both the Nigerian and Ghanain operations.
- New business premium income slowed in the established businesses.
- Single premium successes were secured in Lesotho.
- Total recurring premium income grew by 10% while life administration expenses were held at the 2009 levels.
- Policyholder claims paid were 5% below the prior year.
- The positive net cashflow position was maintained.

Looking ahead

- Appropriate new product roll-outs in all of the operations remain a priority.
- The in-force book is continuing to grow.
- The business case for the international division remains very strong.

Asset management business

	3 months to 31-Mar-06 *Rm*	3 months to 31-Mar-07 *Rm*	3 months to 31-Mar-08 *Rm*	3 months to 31-Mar-09 *Rm*	3 months to 31-Mar-10 *Rm*
Third party mandates – net	(298)	58	790	644	(271)
Collective investments – net	1 297	3 169	1 027	1 054	923

- The one-year rolling good investment performance continued during the first quarter.
- The MetAM Global Balanced Fund was ranked 3rd out of 11 in the Alexander Forbes Global Large Manager Watch over one year; the Global Moderate Fund 1st out of 13; and the Global Equity Fund 3rd out of 21.
- Two Metropolitan Collective Investments funds received Raging Bull awards in January, while two received Morningstar awards in March.
- The FSB has ruled that Metropolitan, along with some other industry players, may not register any new white label funds; Metropolitan is appealing this decision.
- Collective investment's consistent positive net inflows confirm the market's view on their service delivery.

Health business

- The main focus is on continuing to provide existing clients with service excellence and the smooth take-on of approximately 500 to 600 new Government Employees Medical Scheme (GEMS) member applications every day.
- In total, principal members under administration had risen to 899 000 (809 000 in March 2009, 700 000 in 2008, 555 000 in 2007 and 440 000 in 2006) by the end of March 2010.
- GEMS membership continues to grow in line with expectations, and at the end of April 2010 there were over 468 000 registered principal members.
- Performance levels across the board remained in line with service level agreements.
- The business is well placed for continued growth and ongoing sound performance.

Group perspective

Administration expenses
- Administration expenses remained a key area of focus, especially in the current economic environment.
- Overall, life insurance administration and other expenses were well controlled within tight budget parameters.

Capital management
- The group's capital management initiatives are ongoing.

Empowerment rankings and ratings
As at 31 December 2009 Metropolitan achieved an A rating in terms of the Financial Sector Charter (FSC) scorecard, with a compliance score of 87.75%.

Assessed on the basis of the department of trade and industry's codes of good practice for broad-based black economic empowerment, Metropolitan was rated a level 3 contributor, with a score of 83.79 out of 100 points. A level 3 contributor means that clients can claim 110 cents for every 100 cents spent with Metropolitan in terms of preferential procurement reporting.

Both scores were verified by accredited ratings agency AQRate Verification Services.

In the Financial Mail/Empowerdex Top Empowerment Companies Survey 2010, the results of which were published on 30 April, Metropolitan was ranked 7th in the financial services sector and 14th overall (out of 100 companies surveyed across all sectors).

Comments / qualifications

- All figures are provisional and unaudited.
- The basis on which the new business figures have been calculated is the same as that used for embedded value purposes. Premium income is included from the date on which policies come into force as opposed to the date on which they are accepted. (Figures calculated on the latter basis are normally referred to as production figures.) It should be noted that there can be a delay of up to three months between these two dates.
- The new business figures are all net of outside shareholders' interests.

End

DATE	25 MAY 2010
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