



31 May 2007

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 Nico Oosthuizen on (021) 940-6111 or Sue Snow on (021) 940-6119 or send an e-mail to noosthuizen@metropolitan.co.za or ssnow@metropolitan.co.za for further information.

Operational performance for the three months ended 31 March 2007

Group overview

- Group annual premium equivalent (APE) increased by a remarkable 64% as a result of the management interventions introduced to the business over the past few years.
- Retail new business APE grew by 17% with healthy contributions from both recurring and single premiums.
- The ongoing all-round successes in the corporate business resulted in a 257% growth in APE.
- The international businesses increased their APE by 21% while making further progress with their new ventures.
- Metropolitan Health continued to increase the number of members under administration, once again highlighting the sound underlying business model.
- Overall net positive cashflow of almost R5bn for the quarter.
- Further refinement of the capital management process remains a focus area.
- Putting clients and their needs first continues to enjoy the highest priority in all facets of the group's business.

Retail business

| | 3 months to 31-Mar-04 | 3 months to 31-Mar-05 | 3 months to 31-Mar-06 | 3 months to 31-Mar-07 |
|---------------------|----------------------------------|----------------------------------|----------------------------------|----------------------------------|
| | <i>Rm</i> | <i>Rm</i> | <i>Rm</i> | <i>Rm</i> |
| New business | | | | |
| Recurring premiums | 171 | 168 | 153 | 175 |
| Single premiums | 202 | 266 | 375 | 485 |
| APE | 191 | 195 | 191 | 224 |
| Cashflow | | | | |
| Recurring premiums | 747 | 829 | 908 | 1 011 |
| Single premiums | 209 | 276 | 374 | 492 |
| Claims paid | 705 | 650 | 801 | 875 |
| Net | 251 | 455 | 481 | 628 |

- As expected, total new business increased significantly over 1Q06. The factors contributing to this increase were:
 - Continued focus on the quality of new business being issued
 - Improved new business flows from direct writer, direct marketing and broker channels

- Increased single premiums from third party distribution channels
- Single premium re-investments trebled over the reporting period
- Higher proficiency levels amongst the sales force in using new business interventions such as the retail enhancement initiative (REI), which introduced a more cost-effective and speedier way of capturing and issuing new business
- Metropolitan Retail remains on track with the implementation of the statement of intent (SOI) and related communication is being sent to affected clients.
- The business remains well-positioned for growth because:
 - Claims experience is in line with expectations
 - Retention rates remain within acceptable limits, with lapses at inception below the group target of 15%
 - Both recurring and single premium income continue their healthy increase, confirming the growth of the in-force book.

Corporate business

| | 3 months to 31-Mar-04 | 3 months to 31-Mar-05 | 3 months to 31-Mar-06 | 3 months to 31-Mar-07 |
|---------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <i>Rm</i> | <i>Rm</i> | <i>Rm</i> | <i>Rm</i> |
| New business | | | | |
| Recurring premiums | 54 | 17 | 34 | 58 |
| Single premiums | 245 | 79 | 161 | 1 209 |
| APE | 79 | 25 | 50 | 179 |
| Cashflow | | | | |
| Recurring premiums | 317 | 358 | 374 | 442 |
| Single premiums | 244 | 79 | 161 | 1 209 |
| Claims paid | 420 | 791 | 1 090 | 670 |
| Net | 141 | (354) | (555) | 981 |

- While the market conditions during 1Q07 remained challenging, cognizance must be taken of the following:
 - Unique opportunities continue to exist for solution-driven suppliers
 - The group insurance business market responded positively to players with strong rating expertise and high service ratings
 - Certain funds are again recognising the value of investment protection, given current share price levels
 - Record 2006 bonus rates and product enhancements on our smoothed bonus product range were well received by clients, especially in view of the continued strong funding position of these products.
- Performance
 - Total premium income is substantially higher than 2006, driven by recurring premiums and boosted by single premiums
 - Positive recurring new business flows (up 71%), mainly from group risk insurance business
 - Single premiums (up 651%) were underpinned by another large solution-based contract
 - Claims paid reduced significantly (down 38%), driven largely by reduced investment outflows, resulting in net inflows of almost R1 billion for the quarter
 - Innovative products to meet the needs of risk-averse clients continue to be developed
 - MetEB's ability to tailor solutions for individual retirement funds is gaining increased recognition
 - Claims experience on all risk schemes remained within pricing parameters
 - Independently, and together with KTI, MetEB continues to explore new business opportunities
 - Metropolitan's leading empowerment credentials, together with the excellent track record, are being recognised by the market.
- Acquisitions
 - The take-on of the administration of the Transnet Funds, as well as the staff and infrastructure of the old Transnet Pension Fund Administrators (TPFA), was successfully completed. The contract

effective date was 1 April 2007, after Competition Commission approval was obtained on 9 March 2007. A new subsidiary by the name of Metropolitan Retirement Administrators (MRA) was launched at the same time to house Metropolitan's scale retirement fund administration business.

International business

| | 3 months to 31-Mar-04 | 3 months to 31-Mar-05 | 3 months to 31-Mar-06 | 3 months to 31-Mar-07 |
|---------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| | <i>Rm</i> | <i>Rm</i> | <i>Rm</i> | <i>Rm</i> |
| New business | | | | |
| Recurring premiums | 25 | 23 | 16 | 19 |
| Individual life | 20 | 19 | 15 | 19 |
| Employee benefits | 5 | 4 | 1 | - |
| Single premiums (incl EB) | 6 | 67 | 24 | 32 |
| APE | 26 | 30 | 18 | 22 |
| Cashflow | | | | |
| Recurring premiums | 164 | 190 | 184 | 204 |
| Single premiums | 22 | 74 | 30 | 38 |
| Claims paid | 104 | 123 | 161 | 203 |
| Net | 82 | 141 | 53 | 39 |

- Conditions remain challenging in all the markets in which we operate
- The new operations that were started in Kenya and Ghana during the previous year are progressing well but are not included in these new business figures
- Due to outstanding regulatory approvals, the joint venture between Metropolitan and United Bank for Africa in Nigeria has not commenced
- A temporary insurance licence has been obtained in Swaziland, and the group is in the process of applying for a permanent one
- Net cashflow position remained positive, but reduced.

Asset management business

| | 3 months to 31-Mar-05 | 3 months to 31-Mar-06 | 3 months to 31-Mar-07 |
|------------------------------|--------------------------|--------------------------|--------------------------|
| | <i>Rm</i> | <i>Rm</i> | <i>Rm</i> |
| Cashflow | | | |
| Third party mandates – net | (51) | (298) | 58 |
| Collective investments – net | 968 | 1 297 | 3 169 |

- Improved performance over the longer term continues
- Overall net cashflow remained positive
- Most funds exceeded their performance benchmarks in 1Q07
- The industrial fund was the winner in the domestic-equity-industrial portfolio sector at the prestigious Standard & Poor's awards in March 2007
- Collective investment's performance was boosted by a significant once-off inflow during the period.

Health business

- Main focus is on managing existing clients and the smooth take-on of members joining the GEMS scheme
- GEMS
 - At 31 March membership stood at 110,000 and at 30 April 122,000. A constant growth pattern has emerged, with approximately 700 new members joining per day.
- In total, principal members under administration rose to 555 000, vs 440 000 in 2006
- Contract renewal
 - Transmed has commenced a tender process in respect of administration and managed care services. This action forms part of their standard governance processes. MHG remains highly competitive in terms of service, price and black economic empowerment and thus stands an excellent chance of renewing existing contracts.
- Qualsa continued to increase its managed healthcare business by being awarded new mandates
- Performance levels across the board are in line with service level agreements
- Graduate Management Development Programme
 - This programme was launched with a first intake of 18 predominantly black graduates who are being rotated through a series of placements within the business. In addition, a series of action learning tasks will be assigned to them.
- Outlook remains positive.

Group perspective

Administration expenses

Administration expenses continue to be a key area of focus. Overall life insurance administration expenses remain well-controlled.

Capital management

The group's capital management initiatives are ongoing. The final R360m and special dividends R535m were paid out on 10 April 2007.

Corporate developments

2007 empowerment rankings

Metropolitan was ranked first amongst the country's life insurers, 3rd in the financial services sector and 9th overall out of the top 200 companies listed on the JSE in the 2007 Top Empowerment Companies Survey, conducted by independent rating agency Empowerdex in conjunction with the Financial Mail. In the employment equity dimension, the group was ranked 2nd overall while it achieved 10th position overall in the management transformation category.

Open day at Parc du Cap

An open day for members of the investment community is being planned for 1 August 2007. This one-day conference will give delegates the opportunity to meet management of the different businesses and find out more about their challenges and strategies. Invitations with further detail will be distributed towards the middle of June.

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

31 MAY 2007

QUERIES

PETER DOYLE
GROUP CHIEF EXECUTIVE
METROPOLITAN HOLDINGS LIMITED
TEL 021 9405681 OR 082 880 2690

PRESTON SPECKMANN
GROUP FINANCE DIRECTOR
METROPOLITAN HOLDINGS LIMITED
TEL 021 9406634 OR 083 285 6454

TYRREL MURRAY
GENERAL MANAGER FINANCE & INVESTOR RELATIONS
METROPOLITAN HOLDINGS LIMITED
TEL 021 940 5083 OR 082 889 2167