7 November 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) 9406111 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 nine months ended 30 September 2007

Group overview

- Management is confident that the actions taken over the past year will continue to generate positive results for the group as a whole.
- Group present value of premiums (PVP) increased by 12% year on year.
- The 34% growth in retail PVP over the nine months was driven by a change in the business mix.
- Growth of between 5% and 10% in retail recurring premium new business for the full year remains achievable.
- The corporate business has continued to take advantage of profitable opportunities in the market through innovative solutions, achieving a 143% growth in recurring new business premiums.
- The 45% growth in Metropolitan International recurring individual life new business was driven mainly by the Namibia and Botswana businesses.
- Metropolitan Health Group (MHG) continued its successful take-on of new GEMS members while two major existing contracts are in the process of being renewed.
- The group's capital management activities continue to receive focused attention, with further refinements being made to the capital model.
- The net cash received from clients, including all Metropolitan businesses, was R8.7 billion.

Retail business

	9 months to 30-Sept-05	9 months to 30-Sept-06	Change	9 months to 30-Sept-07	Change
	Rm	*Rm*	*%*	*Rm*	*%*
New business					
Recurring premiums	527	587	11	578	(2)
Single premiums	954	1 402	47	1 853	32
APE	622	727	17	763	5
PVP		3 296		4 424	34
Cashflow					
Recurring premiums	2 599	2 847	10	3 126	10
Single premiums	954	1 402	47	1 853	32
Claims paid	2 110	2 955	40	2 988	1
Net cashflow	1 443	1 294	(10)	1 991	54

New business

- New business improved across most of the distribution channels over the corresponding period for 2006.
- In particular, telemarketing, direct writers and Odyssey broker business delivered strong contributions.

- The increased direct marketing lapse rate assumptions, implemented at the end of 2006, have understated the year-to-date growth in recurring premium new business. This effect will not be reflected in the full year results as the 2006 full year results already incorporated these assumptions.
- Gross new recurring premium business is 10% above that for 2006.

Cashflow
- Both total recurring and single premium income increased well in excess of inflation and contributed to the growth of the in-force book.
- Claims experience remained in line with expectations, with the rate of growth slowing considerably during the period under review.
- Retention rates for our core business remained within acceptable limits; continued attention is being given to that business secured via the direct marketing channel.
- The net result of these factors is a 54% increase in net cash received.

Challenges and opportunities
- Changes to the commission structure and transitional arrangements.
- Re-alignment of the value chain and related restructuring.
- Inclusion of HTG Life (Union Life) within the Retail business cluster.

Corporate business

	9 months to 30-Sept-05 *Rm*	9 months to 30-Sept-06 *Rm*	Change *%*	9 months to 30-Sept-07 *Rm*	Change *%*
New business					
Recurring premiums	35	68	94	165	143
Single premiums	309	2 583	-	1 655	(36)
APE	66	326	394	331	2
PVP		3 005		2 731	(9)
Cashflow					
Recurring premiums	1 087	1 171	8	1 357	16
Single premiums	309	2 583	736	1 655	(36)
Off-balance sheet		321		-	
Claims paid	2 829	2 088	(26)	2 211	6
Net cashflow	(1 433)	1 987	238	801	(60)

New business
- The employee benefits market remains a challenging one in which to secure new business.
- The 143% growth in recurring new business was generated mainly from group risk and disability solutions.
- Excluding the recent two large single premium transactions (R1.1 billion in 2007 and R2.2 billion in 2006), the residual single premium business grew by 45%, the majority of which was smoothed bonus type products.
- The pipeline for future new business remains healthy but we are cautious about the very aggressive pricing practices in the market for risk and single premium annuity contracts at the moment.

Cashflow
- Recurring premium income increased substantially over 2006, confirming the stability introduced by the growth in the EB book over the last few years.
- The ability of the corporate business to successfully administer large schemes on the MRA platform is gaining increased recognition, which bodes well for the future positioning of this business.
- The increase reflected in claims paid is as a result of the large volumes of annuity and risk business sold over the last few years. Claims experience on risk schemes remained within pricing parameters. For the year to date, annuity claims are more than double those for the similar period last year. Overall both these claim increases have been offset by favourable investment termination experience.
- Net cash flow for the year to date remains positive but is down on 2006 owing to the very large inflow in the third quarter of that year. It is expected to remain positive for the full financial year.

International business

	9 months to 30-Sept-05 *Rm*	9 months to 30-Sept-06 *Rm*	Change *%*	9 months to 30-Sept-07 *Rm*	Change *%*
New business					
Recurring premiums	83	70	(16)	85	21
Individual life	60	55	(8)	80	45
Employee benefits	23	15	(35)	5	(67)
Single premiums (incl EB)	133	147	11	77	(48)
APE	96	85	(11)	93	9
PVP		379		356	(6)
Cashflow					
Recurring premiums	575	585	2	614	5
Single premiums	160	185	16	93	(50)
Claims paid	394	452	15	510	13
Net cashflow	341	318	(7)	197	(38)

New business

- Conditions in the Lesotho and Botswana markets remained challenging, whilst the Namibian business showed some improvement.
- The new operation in Ghana is progressing according to expectations, although progress in Kenya is slower than anticipated.
- UBA Metropolitan Life Insurance in Nigeria is currently assessing the implications of a recent court ruling against the national regulator that has restricted the rollout of the business.

Cashflow

- Net cashflow position remained positive.

Asset management business

	9 months to 30-Sept-05 *Rm*	9 months to 30-Sept-06 *Rm*	Change *%*	9 months to 30-Sept-07 *Rm*	Change *%*
Cashflow					
Third party mandates – net	334	(3 472)	-	240	-
Collective investments - net	3 092	3 003	(3)	5 066	69

- Flows into collective investments have continued to exceed expectations.
- The outlook for asset management remains positive.

New appointments

Robert Walton was appointed managing director of Metropolitan Asset Managers at the end of June 2007.

Romeo Makhubela has been appointed to the position of chief investment officer (CIO) at MetAM with effect from January 2008. He spent close on nine years with Stanlib where he was a senior portfolio manager involved in the recently established multi-asset franchise as well as the core equity franchise. Current CIO Liston Meintjes, whose contract with MetAM expires at the end of June next year, will assist with the CIO handover process.

At the same time, Craig Whittle will be joining the MetAM team as senior portfolio manager for small/mid cap portfolios. He will also assume responsibility for the management of the Metropolitan Industrial Fund. Craig has previously been with PricewaterhouseCoopers in London, Coronation Fund Managers and more recently OMIGSA (OMAM) where he was a senior research analyst and co-managed the Old Mutual High Yield Opportunity Fund.

Wouter de Goede joined MetAM at the beginning of October as a liability-driven and hybrid investments analyst assisting with the Metropolitan Life annuity books. He previously spent time at ABSA Treasury, trading interest rate and bond options and later assuming a structuring role in both the interest rate and foreign exchange markets.

Health business

- At 30 September 2007 GEMS had 167 200 registered, fee-paying members, with membership continuing to increase month on month.
- Principal members under administration and franchise stood at 634 174.
- On the contract renewal front, Transmed is about to sign a 5-year contract while negotiations with Polmed are being finalised for the renewal of its contract.
- Performance levels across the board are in line with contracted service level agreements with the various schemes under administration.
- Outlook remains positive.

Strategic initiatives

Metropolitan Card Operations

Metropolitan Card Operations (MCO), launched in September 2006, completed its first full year in business at the end of the third quarter of 2007.

During its inaugural twelve months, new business growth of approximately R200m in loans advanced was achieved.

The original direct marketing business model was revised throughout the year in accordance with several business alliances or joint venture partnerships that evolved. These were both internal, involving Retail and the Metropolitan Health Group (MHG), and external in the form of the newly created Union Money business and the associated workplace opportunities.

Leveraging such initiatives while continuing to optimise the direct marketing channels will provide excellent client acquisition vehicles for growth through 2008 and beyond.

Metropolitan in two joint ventures with NUMSA

Metropolitan has recently entered into two joint ventures with the National Union of Metalworkers of South Africa (Numsa – 260 000 members) via its investment company.

- The company formerly known as HTG Life, which was previously 100% owned through a Numsa investment, is now owned jointly by Metropolitan and Numsa and has been renamed **Union Life**. Union Life will target clients with whom Numsa has preferred access arrangements/existing relationships, as well as marketing and distributing its products via the branch offices of Doves countrywide. (Doves Funerals is also a Numsa investment.) Union Life will continue to operate as a separate business, with Metropolitan Life providing additional skills and other resources as appropriate. No new business figures have been included in this report.
- **Union Money** is the second of the joint ventures between Numsa and Metropolitan (50/50). Union Money has been established with a single purpose in mind: to identify the specific needs of union members and develop financial products and services tailored to meet those particular needs. It is anticipated that the majority of these products will be provided by companies within the Metropolitan group and Union Life. The products will include life insurance, banking type products and medical scheme administration.

Group perspective

Capital management

- The group continues actively to monitor the capital position throughout its operations with a view to increasing the return on shareholder investments while keeping the capital adequacy risk at an acceptable level
- During the quarter under review the group re-commenced share buy back activities, with an additional 16.5 million shares (R257 million) being repurchased (refer to the separate SENS announcement for further details).

FitchRatings confirms Metropolitan's strong capital position
Metropolitan Life Limited, the primary operating entity and leading life insurance company in the Metropolitan Holdings group, maintained its financial strength (IFS) rating of AA- (double minus) (zaf) in 2007. Metropolitan Holdings Limited, holding company of the group, was awarded a national long-term rating of A (zaf).

Administration expenses
Administration expenses continue to be a key area of focus. Overall life insurance administration expenses were well contained and remain within budget.

Curatorship of Ovation
Shareholders are referred to the directors report (p84) of the 2006 annual report. A second report from the curators has recently been released, which contains new information on how the fraud was perpetrated. However, the full facts of this fraud are not yet known and it will still take a while for these to be established. We are monitoring the progress of the curators and will consider an appropriate course of action once we have obtained more information. In addition, we also want to consider and assess any recoveries made by the curators, details of which have been very sketchy to date.

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 shareholder interests.
- The percentage ownership by the group in the international subsidiaries is as follows:
    - Metropolitan Botswana - 76%
    - Metropolitan Namibia - 81%
    - Metropolitan Kenya - 67%
    - Metropolitan Ghana – 60%

End

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