update
METROPOLITAN HOLDINGS LIMITED

10 November 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.

Trading update for the nine months ended 30 September 2010

- The merger between Metropolitan and Momentum is expected to be implemented during the fourth quarter of 2010, and all future reporting will cover the new MMI Holdings group.

Group overview and operational highlights

- Investment markets, while still volatile, have steadily recovered throughout the year.
- Total recurring premium income for the nine-month period was slightly greater that that recorded in the previous year.
- A decrease in the new recurring premium business over the period, when adjusted for discontinued operations, reflects the tough trading conditions in all the life insurance businesses.
- Despite the economic downturn, ongoing strikes and post World Cup depression, the persistency of the group's policyholder base has remained resilient.
- Expense management has remained well under control, with life insurance administration expenses being contained below the 2009 levels.
- The corporate business secured a number of profitable annuity and administration contracts.
- Metropolitan International continued to make satisfactory progress in its African operations.
- All service levels were maintained at above contracted levels at Metropolitan Health Group (MHG).
- Net cash received from clients to date was R1.9 billion (June 2009: R1.2 bn) and we expect to end the year in a positive cash position.

Retail business

	9 months to 30-Sept-08 *Rm*	**9 months to 30-Sept-09 *Rm***	**9 months to 30-Sept-10 *Rm***	**Change vs 2009 *%***
New business				
Recurring premiums	669	660	575	(13)
Continuing business	556	563	574	2
Discontinued business #	113	97	1	(99)
Single premiums	2 479	1 596	1 630	2
Annual premium equivalent (APE)	917	813	738	(9)
Present value of premiums (PVP)	5 365	3 868	3 940	2
Cashflow				
Recurring premiums	3 396	3 567	3 536	(1)
Single premiums	2 351	1 596	1 630	2
Claims paid	3 501	3 761	4 193	11
Net cashflow	2 246	1 402	973	(31)

Discontinued businesses include direct marketing and Union Life.

New business

- Almost all of the retail business measures showed improvements when compared with the half-year results.
- New business sales were impacted by a number of negative factors during the first nine months of 2010, including the economic downturn, increased employee strike action within our target markets, changes to the commission payment rules, the closure of certain product lines and additional FAIS training. The last three factors, however, have laid a good foundation for the future of this business.
- New recurring premium income for the quarter recovered well, delivering the best quarterly performance over the past five quarters.
- Single premium income was even better, delivering the highest level since the last quarter of 2008.
- A change in the mix of new business sold (more risk and single premiums, less savings), together with a reduction in yields, resulted in a slight increase in the present value of premiums (PVP).
- The personal financial advisers' channel (agents) performed very well while year-to-date new business decreased in the broker distribution channels in difficult operating conditions.
- Both direct marketing (closed to new business during 2009) and Union Life (business sold) new business is included in the 2009 numbers – when excluded, the 2010 numbers are 2% up on 2009.
- Persistency across all lines of business continued to hold up very well.
- Overall, the existing life insurance book has performed well during the recent economic downturn, with growth in all of the active books.

Cashflow

- Recurring premium income was in line with 2009, confirming the resilience of the target market under tough economic conditions.
- Claims paid during the year to date were 11% up, having slowed down since June and remaining in line with expectations.
- As a result, the retail business ended the period in a net cash received position of R973 million (June 2010: R376m).

Challenges and opportunities

- Disposable income of South African consumers, while improving, remains under pressure.
- This business is looking forward to the benefits of increased target market focus within the enlarged MMI group, and the necessary building blocks are in place for long-term profitable growth.

Corporate business

	9 months to 30-Sept-08 *Rm*	9 months to 30-Sept-09 *Rm*	9 months to 30-Sept-10 *Rm*	Change vs 2009 *%*
New business (on balance sheet)				
Recurring premiums	130	151	126	(17)
Single premiums	735	608	858	41
Annual premium equivalent (APE)	204	212	212	-
Present value of premiums (PVP)	1 568	1 679	1 780	6
New business (off balance sheet)				
APE	8	72	108	50
Cashflow				
Recurring premiums	1 421	1 358	1 456	7
Single premiums	735	608	858	41
Claims paid	3 172	4 324	3 173	(27)
Net cashflow	(1 016)	(2 358)	(859)	64

New business

- The business performed very well during the past quarter.
- Securing new business in the current employee benefits (EB) market remains challenging.
- New recurring premium business (on balance sheet) also had a very good quarter, the best recorded since the second quarter of 2009.
- New administration business (off balance sheet) grew significantly, with total new recurring annual premium income of R108 million for the period, compared to R72 million for the same period in 2009.
- New single premium income for the nine-month period increased substantially as a result of good annuity business secured during the second and third quarters of 2010.

- Overall PVP ended 6% higher. This, together with the off balance sheet business, confirms Metropolitan's strong standing in the retirement fund market.
- Metropolitan Retirement Administrators (MRA) has continued to grow its members under administration, and is administering 250 000 members on the Benchmark system.

Cashflow
- Recurring premium income is 7% above the 2009 comparative, while single premiums have grown by 41%.
- Claims paid reduced by 27% during the period.
- A much improved net cash outflow position of R859 million was recorded compared to R2 358 million in 2009.

Challenges and opportunities
- MetEB has continued to be a leader in the South African market, with MRA receiving the first ISAE 3000 accreditation and also winning the risk underwriter of the year award for the second year in a row.
- The merger with Momentum will enable the combined business to provide a wider range of appropriately priced products and services across the entire market.

International business

	9 months to 30-Sept-08 *Rm*	9 months to 30-Sept-09 *Rm*	9 months to 30-Sept-10 *Rm*	Change vs 2009 *%*
New business				
Recurring premiums	98	105	111	6
Individual life	88	92	101	10
Employee benefits	10	13	10	(23)
Single premiums (incl EB)	86	96	59	(39)
Annual premium equivalent (APE)	107	115	117	2
Present value of premiums (PVP)	403	470	539	15
Cashflow				
Recurring premiums	662	760	800	5
Single premiums	99	139	68	(51)
Claims paid	477	498	544	9
Net cashflow	284	401	324	(19)

New business includes Metropolitan's share of new business written by all international subsidiaries.
Premiums and claims include Nigeria (excluded prior to 2009), as it is no longer accounted for as a joint venture.

New business
- Recurring new business was assisted by growth in both individual life and employee benefits business in Lesotho and Ghana.
- Single premium growth was curtailed in the current year by a slowdown in the Nigerian financial sector, while the 2009 total was boosted by a transfer from the South African business to Swaziland.
- The PVP growth was assisted by a reduction in yields.
- Overall, the businesses in Lesotho and Ghana performed well during the period.

Cashflow
- Recurring premium income increased marginally while single premiums were lower than in 2009.
- Benefits paid to policyholders increased by 9% to R544 million.
- The net cashflow position decreased, ending 19% below the prior year comparative figure.

Challenges and opportunities
- The impact of the global financial problems is still being felt throughout the African operations.
- The newer operations are starting to contribute to the overall sustainability of the business while the established enterprises continue to deliver solid results.
- Upgrading skills within the operations remains a key focus area.
- The combined MMI group will have a significant footprint on the African continent in largely complementary markets.

Asset management business

	9 months to 30-Sept-08 *Rm*	9 months to 30-Sept-09 *Rm*	9 months to 30-Sept-10 *Rm*	Change vs 2009 *%*
Cashflow				
Third party mandates - net	1 401	(811)	(1 171)	(44)
Collective investments - net	2 728	2 803	1 466	(48)

- Year-to-date equity performance has been reasonable, while fixed interest has maintained its longer-term track record.
- MetAm experienced outflows of third-party business during the period.
- Net inflows into collective investments continued; however, uncertainty relating to white label funds reduced the quantum.
- While the outlook for the asset management business in general remains positive, earnings will continue to be significantly impacted by the reduction in assets under management as a result of past outflows.

Health business

- The business continued to grow, assisted by the highly successful Government Employees Medical Scheme (GEMS).
- At 30 September 2010 GEMS had just over 500 000 registered, fee-paying members, with membership continuing to increase month on month at about 500 members per day.
- MHG's total principal members under administration stood at 905 000 (2.3 million lives)(2009: 830 000, 2.1 million lives; 2008: 760 000 members, 1.9 million lives).
- Performance levels across the board are in line with contracted service level agreements.
- As a differentiated fee income based business, MHG is relatively isolated from the current economic turmoil and the outlook remains good.
- A couple of new administration contracts have been secured, for take-on in January 2011.
- The merger will create a combined Health business incorporating Momentum's open scheme and strong broker distribution capabilities.

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.

End

Date
10 November 2010

Queries:

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