Metropolitan and Kagiso Trust Investments in strategic business partnership

Metropolitan, currently ranked - in empowerment terms - 1st in the financial services sector amongst SA's top 200 listed companies (Financial Mail/Empowerdex, April 2004), today announced that it is entering into a strategic partnership with another prominent empowerment group in the sector, Kagiso Trust Investments (KTI).

Metropolitan will issue five-year convertible preference shares worth R540 million to KTI, an amount slightly in excess of 10% of Metropolitan's total issued share capital subsequent to the issue, as a first step in what both parties see as a long-term business relationship.

The issue price of R7.12 is based on a weighted average of the price paid for the shares bought back by Metropolitan earlier in the year, and a thirty-day volume weighted average trading price of Metropolitan shares on the JSE.

KTI is funding the transaction via a capital investment of R30 million plus financing of R510 million, provided by a consortium of banks on commercial terms.

KTI will enjoy full economic and voting rights in respect of the preference shares, which will be convertible into ordinary shares in Metropolitan on a one-for-one basis in years four and five.

The preferential half-yearly dividend payable to KTI can increase based on pre-determined quantitative performance measures for Metropolitan, as well as KTI's contribution as partners with reference to qualitative deliverables, agreed mutually in advance.

In other words, the deal is structured in such a way that KTI will, provided it helps Metropolitan exceed the specified growth rate, own a substantial stake in the group, debt free, in the foreseeable future.

This new alliance should see Metropolitan, which is already growing at a faster rate than its competitors, surge even further ahead.

Group chief executive Peter Doyle says that Metropolitan selected KTI as its partner because the two groups share a similar business culture centered around people, trust and performance. Profit is of prime importance to both businesses, but so is the development of people. Trust and integrity are the cornerstones on which they are built.

KTI's strong focus on and extensive experience in financial services was also key, as was its proven track record. Over the past decade (KTI was established in 1993) the group has achieved high annual growth in net asset value thanks to the business acumen, leadership abilities and extensive networks of its co-founders, executive chairman Eric Molobi and managing director Johnson (JJ) Njeke.

"The fact that our two groups think alike in regard to empowerment is equally vital. For example, having the Kagiso Trust as its main shareholder means that KTI's beneficial ownership is widely spread. Our existing empowerment ownership, directly via staff and indirectly via policyholders and retirement fund members, is broad based, and for us it is crucial that the economic benefits of the transaction be distributed as universally as possible."

Both Molobi and Njeke are to be appointed to the main board of Metropolitan, with group executive Andile Sangqu as an alternate director.

"We are committed to actively assisting the management of Metropolitan to promote the business interests of the group, and we will also be getting involved at a subsidiary level over time," says Molobi.

"From our perspective, the proposed transaction creates the opportunity for us, as a significant empowerment group focused on financial services, to become the largest shareholder in Metropolitan. It provides us with an excellent way of extending our existing investment banking activities, gives us a significant entry point into the life insurance market and is entirely consistent with our investment strategy.

"Metropolitan is our partner of choice because they approach empowerment holistically and treat it in all its manifestations – from skills development to employment equity, from board representation to executive management, from affirmative procurement to social investment – as a business imperative."

Although Metropolitan will, through this transaction, meet another of the requirements of the Financial Sector Charter, Doyle emphasises that the group will not sit back and relax. "The board will be looking to KTI to support us in our ongoing transformation efforts in the area of ownership as in all other aspects of empowerment."

Metropolitan has existing direct black ownership of 4.5% via its staff, as well as estimated indirect black ownership of 12.5% via policyholders and retirement fund members, which, together with the KTI holding of 10%, means that it will exceed the overall ownership target of 25% immediately the transaction becomes effective.

Once the initial stage has been bedded down, the parties will consider a second leg to the transaction, involving an additional stake of up to 10% and including members of Metropolitan's staff, to broaden the base of their empowerment partnership still further.

The board of Metropolitan has recommended the transaction to shareholders for approval, including authority to issue the requisite 75.8 million convertible preference shares. The exact quantum of the dilution in shareholder value has to be confirmed by independent advisors but Doyle says in-house evaluations indicate that it is well within acceptable levels given the enhanced profit potential that the partnership brings with it.

"As in any partnership, signing the contract is the easy step; now comes the real test – making the partnership work, making sure it's sustainable and continues to add value. But because we're confident we have the right partner in KTI, we believe that together we can do exactly that! "

end

ISSUED BY SUE SNOW

FINANCIAL MEDIA SPECIALIST

METROPOLITAN HOLDINGS LIMITED TEL 021 9406119 OR CEL 083 300 9745

DATE 17 JUNE 2004

QUERIES PETER DOYLE

GROUP CHIEF EXECUTIVE

METROPOLITAN HOLDINGS LIMITED TEL 021 9405681 OR 082 880 2690

NATHI CHONCO

GROUP EXECUTIVE: EMPOWERMENT & CORPORATE AFFAIRS

METROPOLITAN HOLDINGS LIMITED TEL 021 9406669 OR 083 648 4820

TYRREL MURRAY

GENERAL MANAGER: GROUP FINANCE METROPOLITAN HOLDINGS LIMITED TEL 021 9405083 OR 082 889 2167