



12 September 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.

Unaudited group results for the six months ended 30 June 2007

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METROPOLITAN HOLDINGS FINANCIAL SERVICES GROUP

UNAUDITED GROUP RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2007

ADDING SHAREHOLDER VALUE

- Net funds received from clients - R6.7 billion
- Value of new business – up 76%
- Diluted core headline earnings per share - up 35%
- Interim dividend per share - up 24%
- Total premium income - up 40%
- Total assets under management - R95 billion+
- Return on embedded value - 20%

REVIEW OF OPERATIONS AND PROSPECTS

Financial highlights

- Diluted core headline earnings per share increased by 35% (basic 32% up), augmented by the reduction in the number of shares over the past few years.
- Headline earnings and earnings, boosted by the performance of the investment markets, were 30% higher.
- All the businesses in the group increased their operating profit, with the strongest growth coming from the newer businesses, highlighting once again the benefits of our diversification strategy.
- The unbroken record of positive cashflow from clients continued, with an unprecedented net inflow of R6.7 billion being recorded for the period under review, more than 2.5 times up on the previous period.
- The total value of new business concluded during the six-month period increased 76% from R84 million to R148 million.
- Investment income on shareholder assets was 16% higher, despite the special dividend of 77 cents per share paid during April 2007.
- Over the six month period the embedded value per share rose 22% (annualised) from 1 585 cents (after the special dividend) to 1 761 cents.

Operational overview

- Retail recurring premium income was 11% higher, corporate was 16% up and international increased by 5%, highlighting the continued growth in all of the life businesses.
- The value of retail new business grew by 29%, corporate 130%, international 29%, asset management 23% and health 190%.
- The retail new business margin increased from 1.5% to 1.6% (percentage of present value of future premiums (PVP) basis).
- Corporate new business showed an impressive 267% increase.
- International recorded a strong new business margin of 3.5% (PVP).
- Asset management new business grew by 23%, mainly driven by collective investments.
- New business from the health operations increased almost three times, mostly as a result of the tremendous growth in membership of the Government Employees Medical Scheme (GEMS).
- The agreement to establish a life insurance business in Nigeria was finalised and the company has started operating, increasing our non South African life companies to six.
- Once again positive operating experience variances emerged in the embedded value, highlighting the continued successes achieved from ongoing management actions.
- The economic capital model was further enhanced during the period and the output proved to be consistent during the recent turbulent market.

Prospects

- Metropolitan continues to capitalise on its focused market positioning, in line with its strategy to create prosperity for Africa's people by providing accessible, affordable and appropriate products.
- All businesses in the group are well prepared for the threats and opportunities posed by ongoing changes in the highly regulated environments in which they operate.
- Food and transport inflation remains the biggest challenge to our core target market. Any increase in this factor will curtail new business prospects.
- The retail business is currently reviewing its business model with a view to curtailing future expense growth. This project is still in the planning phase, and as a result no account has been taken in these results of any future project costs or related expense savings.
- The board process of finding a successor for Peter Doyle has made good progress, and an announcement will be made in due course.
- The group remains well capitalised and will continue to buy back shares up to fair value.
- The board is satisfied that the business is sustainable, thanks to its strong focus on client service, product innovation, business retention, cost containment and capital management.

DIRECTORS' STATEMENT

The directors take pleasure in presenting the unaudited interim results of the Metropolitan Holdings financial services group for the six months ended 30 June 2007.

These results have been prepared in accordance with International Accounting Standard 34 (IAS34) – Interim financial reporting; guidelines issued by the Actuarial Society of South Africa; and the disclosure requirements of the JSE Limited (JSE). The accounting policies of the group have been applied consistently to all the periods presented. The preparation of financial statements in accordance with IFRS requires the use of certain critical accounting estimates as well as the exercise of managerial judgement in the application of the group's accounting policies. Such critical judgements and accounting estimates are disclosed in detail in the annual financial statements for the year ended 31 December 2006 and, with the exception of the principal economic assumptions, have remained unchanged since then.

Restatement of June 2006 results

The accounting treatment of certain items has been changed from that disclosed in June 2006. In finalising the December 2006 annual financial statements, some refinements were made to the application of IFRS, as disclosed in the 2006 annual report.

- The trustees of the group's retirement and pension fund schemes have submitted their surplus apportionment arrangements in terms of the Pension Funds Second Amendment Act 39 of 2001. The Metropolitan Staff Pension Fund submission was the only arrangement noted by the Financial Services Board. Approval of the other arrangements is still outstanding. As a result of this process, a net asset of R126 million in respect of pension funds and a post-retirement medical benefit obligation of R59 million were recognised in the 2006 group results.
- IFRIC 8 – Scope of IFRS 2 – Share-based payments – was early adopted by the group on 1 January 2006 and retrospectively applied, decreasing total assets by R130 million and equity by R96 million, increasing liabilities by R18 million and decreasing earnings to equity holders of the group by R4 million.
- Management fees in Metropolitan Collective Investments Limited have been accounted for against service fees charged. This reallocation has had no impact on earnings.
- Deferred tax on owner-occupied properties was increased to the normal income tax rate, increasing liabilities by R18 million and decreasing equity by R18 million.
- Cash and cash equivalents have been reclassified between cash with a maturity date of less than 90 days and greater than 90 days.

Standards and interpretations to published standards effective in 2007 and relevant to the group

IFRS 7 – Financial instruments: Disclosure; and complementary amendment to IAS 1 – Presentation of financial statements - capital disclosure.

IFRS 7 introduces new disclosure relating to financial instruments while the complementary amendment to IAS 1 introduces new disclosure relating to capital management.

IFRIC 10 – Interim financial reporting and impairment

IFRIC 10 prohibits the reversal at a subsequent balance sheet date of the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost.

Standards not yet effective but early adopted by the group

IFRS 8 – Operating segments (effective from annual periods beginning on or after 1 January 2009)

IFRS 8 specifies how an entity should report information about its operating segments in annual financial statements. The requirements of IFRS 8 are based on the information about the components of the entity that management uses to make operating decisions. The group has applied IFRS 8 from 1 January 2007.

Corporate activity during the year

Metropolitan Holdings Limited bought back a further 24 million ordinary shares, cancelled 44 million listed ordinary shares and is holding 6 million as treasury shares.

Related parties

There have been no significant changes to the nature of the related party transactions as described in note 37 of the 2006 annual financial statements.

Corporate governance

The board has satisfied itself that appropriate principles of corporate governance were applied throughout the period under review.

Directorate changes and directors' shareholding

Prof Wiseman Nkuhlu was appointed group chairman on 31 May 2007. No further changes have been made to the directorate. All transactions in listed shares involving directors were disclosed on SENS as required.

Capital commitments and contingent liabilities

The group had no material capital commitments or contingent liabilities at 30 June 2007. The group is party to legal proceedings in the normal course of business, including one relating to the curatorship of Ovation as set out in the 2006 directors' report (page 84 of the annual report). Appropriate provisions are made when losses are expected to materialise.

Post balance sheet events

No material post balance sheet events occurred between the balance sheet date and the date of approval of the interim results.

DIVIDEND DECLARATION

Ordinary listed shares

The dividend policy for ordinary listed shares, approved by the directors and consistent with prior years, is to provide shareholders with stable dividend growth that reflects expected growth in underlying earnings in the medium term, while allowing the dividend cover to fluctuate.

An interim dividend of 36.00 cents per ordinary share was declared on 11 September 2007. This dividend is payable to the holders of ordinary shares recorded in the register of the company at the close of business on Friday, 5 October 2007 and will be paid on Monday, 8 October 2007. The last day to trade "cum" dividend will be Friday, 28 September 2007. The shares will trade "ex" dividend from the start of business on Monday, 1 October 2007. Share certificates may not be dematerialised or rematerialised between Monday, 1 October 2007 and Friday, 5 October 2007, both days inclusive.

Where applicable, dividends in respect of certificated shareholders will be transferred electronically to shareholders' bank accounts on payment date. In the absence of specific mandates, dividend cheques will be posted to certificated shareholders on or about payment date. Shareholders who have dematerialised their shares will have their accounts with their CSDP or broker credited on Monday, 8 October 2007.

Preference shares (unlisted shares)

Dividends of R27.2 million (14.4%), R4.6 million (36.00 cents per share) and R24.1 million (15.6%) were declared on 11 September 2007 on the A1, A2 and A3 Metropolitan preference shares respectively, payable on 30 September 2007. The declaration rates were determined as set out in the company's articles. These amounts are included under finance costs in these results.

Signed on behalf of the board

Prof Wiseman Nkuhlu
Peter Doyle

Group chairman
Group chief executive

Cape Town
11 September 2007

Directors:

Prof Wiseman Nkuhlu (non-executive group chairman), Peter Doyle (group chief executive), Phillip Matlakala (executive director), Abel Sithole (executive director), Preston Speckmann (executive director), Fatima Jakoet, Peter Lamprecht, Syd Muller, Bulelwa Ndamase, John Newbury, JJ Njeke, Andile Sangqu, Marius Smith, Franklin Sonn, Johan van Reenen

Secretary: Bongiwe Gobodo-Mbomvu

Registration number: 2000/031756/06
Registered office: 7 Parc du Cap, Mispel Road, Bellville 7535
JSE code: MET
NSX code: MTD
ISIN NO: ZAE000050456

Transfer secretaries

Link Market Services SA (Proprietary) Limited
(Registration number 2000/007239/07)
5th Floor, 11 Diagonal Street,
Johannesburg 2001
P O Box 4844, Johannesburg 2000
Telephone: +27 11 834 2266
E-mail: info@linkmarketservices.co.za

Sponsor

Merrill Lynch

METROPOLITAN HOLDINGS – GROUP RESULTS

CONSOLIDATED BALANCE SHEET	30.06.2007 Rm	30.06.2006 Rm	31.12.2006 Rm
ASSETS			
Property, plant and equipment	596	559	541
Investment property	2 478	2 322	2 492
Intangible assets	433	404	413
Investment in associates	6	3	4
Financial assets ⁽¹⁾	57 390	45 557	54 090
Employee benefit assets	131	126	126
Deferred income tax	4	3	11
Reinsurance contracts	237	181	217
Cash and cash equivalents	10 265	6 554	8 516
Total assets	71 540	55 709	66 410
EQUITY			
Capital and reserves attributable to equity holders	6 542	5 886	6 694
Minority interests	274	441	561
Total equity	6 816	6 327	7 255
LIABILITIES			
Insurance contract liabilities			
Long-term insurance ⁽²⁾	32 579	26 986	30 790
Capitation contracts	3	2	2
Financial liabilities			
Investment contracts			
– designated as at fair value through income	13 243	7 893	11 137
– with discretionary participation features ⁽²⁾	13 849	10 604	12 695
Other financial liabilities	2 189	1 328	1 849
Employee benefit obligations	237	243	223
Deferred income tax	267	287	300
Other payables	2 133	1 896	1 957
Current income tax	224	143	202
Total liabilities	64 724	49 382	59 155
Total equity and liabilities	71 540	55 709	66 410

(1) Financial instruments include equity and debt securities as well as loans and receivables.

(2) Under IFRS4, the group continues to account for long-term insurance contracts and investment contracts with discretionary participation features using SA GAAP.

METROPOLITAN HOLDINGS – GROUP RESULTS

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES ON REPORTING BASIS	30.06.2007 Rm	30.06.2006 Rm	31.12.2006 Rm
Total assets per balance sheet	71 540	55 709	66 410
Actuarial value of policy liabilities per balance sheet	(59 671)	(45 483)	(54 622)
Other liabilities per balance sheet	(5 053)	(3 900)	(4 533)
Minority interests	(274)	(441)	(561)
Excess – group per reporting basis	6 542	5 885	6 694
Net assets – other businesses	(1 492)	(552)	(858)
Excess – long-term insurance business ⁽³⁾	5 050	5 333	5 836

LONG-TERM INSURANCE BUSINESS ⁽³⁾

Change in excess of long-term insurance business ⁽³⁾	(786)	(811)	(308)
Increase in share capital	(4)	(25)	(35)
Metropolitan Kenya included in insurance	-	(8)	(8)
Exchange differences	4	(4)	-
Change in other reserves	33	269	232
Dividend paid	1 432	1 578	2 187
Total surplus arising	679	999	2 068
Operating profit	322	274	660
Investment income on excess	147	117	211
Net realised and fair value gains on excess	274	624	1 245
Investment variances ⁽⁴⁾	20	18	70
Basis changes and other changes	(89)	(101)	(166)
Employee benefit asset/obligation	5	67	67
LOA statement of intent	-	-	(19)
Consolidation adjustments	127	(278)	(186)
Income tax expenses	210	158	364
Adjustment for finance costs	23	(1)	-
Results of long-term insurance business ⁽³⁾	1 039	878	2 246
Results of other group businesses	236	66	324
Results of operations per income statement	1 275	944	2 570

STATEMENT OF ACTUARIAL VALUES OF ASSETS AND LIABILITIES ON STATUTORY BASIS	30.06.2007 Rm	30.06.2006 Rm	31.12.2006 Rm
Reporting excess – long-term insurance business ⁽³⁾	5 050	5 333	5 836
Disallowed assets in terms of statutory requirements ⁽⁵⁾	(211)	(150)	(194)
Capital adjustments	402	(200)	101
Statutory excess – long-term insurance business ⁽³⁾	5 241	4 983	5 743
Capital adequacy requirement (CAR) (Rm)	1 580	1 559	1 592
Ratio of long-term insurance business excess to CAR (times)	3.3	3.2	3.6
Discretionary margins	2 341	1 903	2 058

(3) The long-term insurance business includes both insurance and investment contract business and is the simple aggregate of all the life insurance companies in the group. It includes minority interests and other items, which are eliminated on consolidation. It excludes non-insurance business.

(4) Investment variances reflect the impact of actual investment returns on the value of future expense recoveries.

(5) Disallowed assets include goodwill, deferred acquisition costs, deferred revenue liabilities and employee benefit asset/obligation.

METROPOLITAN HOLDINGS – GROUP RESULTS

CONSOLIDATED INCOME STATEMENT	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Net insurance premiums received	4 101	3 452	7 423
Fee income	407	334	698
Investment income	1 453	1 228	2 578
Net realised and fair value gains	3 693	2 801	9 831
Net income	9 654	7 815	20 530
Net insurance benefits and claims	3 069	2 867	5 634
Change in provisions	2 940	2 137	8 009
Change in insurance contract provision	1 807	1 437	5 233
LOA statement of intent	-	-	19
Change in investment contract with DPF provision	1 155	698	2 792
Change in reinsurance provision	(22)	2	(35)
Fair value adjustments on investment contracts	848	607	1 687
Depreciation, amortisation and impairment expense	65	64	127
Employee benefit expense	597	452	924
Sales remuneration and distribution cost	538	486	1 034
Other expenses	322	258	545
Expenses	8 379	6 871	17 960
Results of operations	1 275	944	2 570
Share of profit of associates	2	1	3
Finance costs	(92)	(47)	(99)
Profit before tax	1 185	898	2 474
Income tax expenses	(362)	(226)	(491)
Earnings	823	672	1 983
Attributable to:			
Equity holders of group	818	663	1 947
Minority interests	5	9	36
	823	672	1 983

METROPOLITAN HOLDINGS – GROUP RESULTS

RECONCILIATION OF HEADLINE EARNINGS attributable to equity holders of group	Basic earnings			Diluted earnings		
	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Earnings	818	663	1 947	818	663	1 947
Finance costs – preference shares				61	41	93
Diluted earnings				879	704	2 040
Goodwill impaired		4	4	-	4	4
Headline earnings ⁽⁶⁾	818	667	1 951	879	708	2 044
Net realised and fair value gains on excess	(573)	(392)	(1 265)	(573)	(392)	(1 265)
Basis changes, LOA statement of intent and investment variances	66	83	111	66	83	111
Employee benefit asset/obligation	(5)	(67)	(67)	(5)	(67)	(67)
IFRIC 8 – adjustment ⁽⁷⁾				1	4	9
Investment income on treasury shares – contract holders ⁽⁸⁾				12	8	15
STC on special dividend	60			60		
Core headline earnings ⁽⁹⁾	366	291	730	440	344	847

(6) Headline earnings consist of operating profit, investment income, net realised and fair value gains, investment variances and basis and other changes. Adjustments to headline earnings, as required by SAICA Circular 7/2002, relate to returns on shareholder assets only.

(7) In terms of IFRIC 8, Metropolitan Health and Metropolitan Kenya are consolidated at 100% in the results. For the purposes of diluted core headline earnings, minority interests and investment returns are reinstated.

(8) For diluted core headline earnings, treasury shares held on behalf of contract holders are deemed to be issued. For diluted earnings and headline earnings, these shares are deemed to be cancelled.

(9) Net realised and fair value gains on investment assets, investment variances and basis and other changes can be volatile; therefore core headline earnings have been disclosed that comprise operating profit and investment income on shareholder assets.

EARNINGS PER SHARE (cents) attributable to equity holders of group	6 mths to 30.06.2007	6 mths to 30.06.2006	12 mths to 31.12.2006
Basic			
Core headline earnings	67.65	51.23	130.36
Headline earnings	151.20	117.43	348.39
Earnings	151.20	116.73	347.68
Weighted average number of shares (million)	541	568	560
Diluted			
Core headline earnings	61.28	45.26	112.93
Weighted average number of shares (million) ⁽⁷⁾	718	760	750
Headline earnings	124.15	95.81	280.00
Earnings	124.15	95.26	279.45
Weighted average number of shares (million) ⁽⁷⁾	708	739	730

DIVIDENDS	2007	2006
Ordinary listed shares (cents per share)		
Interim	36.00	29.00
Final		48.00
Total		77.00
Special dividend		77.00

METROPOLITAN HOLDINGS – GROUP RESULTS

DIVIDENDS

Convertible redeemable preference shares		A1	A2	A3
Paid – 31 March 2006	Rate	10.4%	39.00 cps	9.2%
	Rm	24	5	10
Paid – 30 September 2006	Rate	11.7%	29.00 cps	11.6%
	Rm	22	4	18
Paid – 31 March 2007	Rate	13.5%	125.00 cps	13.3%
	Rm	26	16	21
Payable – 30 September 2007	Rate	14.4%	36.00 cps	15.6%
	Rm	27	5	24
Redemption value (per share)	R	5.12	9.18	9.18

ANALYSIS OF DILUTED CORE HEADLINE EARNINGS	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Retail business	217	199	436
Operating profit	307	281	627
Tax	(90)	(82)	(191)
Corporate business	70	59	145
Operating profit	98	85	204
Tax	(28)	(26)	(59)
International business	41	21	61
Operating profit	46	23	67
Tax	(5)	(2)	(6)
Asset management business	35	16	69
Operating profit	51	20	94
Tax	(16)	(4)	(25)
Health business	32	-	51
Operating profit	53	17	72
Tax	(21)	(17)	(21)
Shareholder capital	45	49	85
Holding company expenses	(26)	(28)	(44)
Strategic ventures	(20)	(1)	(21)
Investment income on shareholder excess	176	152	310
Income tax on investment income	(85)	(74)	(160)
Diluted core headline earnings	440	344	847

RESULTS OF OPERATIONS FROM ADMINISTRATION BUSINESS (gross of minority interests and before tax)	Net income	Expenses	Results of operations		
	Rm	Rm	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Health business	346	(293)	53	17	72
Asset administration	68	(31)	37	20	58
Asset management	55	(41)	14	-	36
Strategic ventures	16	(36)	(20)	(1)	(21)
	485	(401)	84	36	145

METROPOLITAN HOLDINGS – GROUP RESULTS

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Changes in share capital			
Balance at beginning	(136)	559	559
Staff share scheme shares released	72	67	86
Shares repurchased and cancelled	-	(200)	(200)
Treasury shares held on behalf of contract holders	53	29	61
Capital reduction	-	(642)	(642)
Balance at end	(11)	(187)	(136)
Changes in other reserves			
Balance at beginning	413	428	428
Total recognised income	-	(17)	(30)
Earnings directly accounted for in equity	5	(18)	(29)
Foreign currency translation differences	(5)	1	(1)
Employee share schemes – value of services provided	1	6	10
Fair value gains – available-for-sale financial assets	-	-	1
Transfer from retained income	(2)	-	4
Balance at end ⁽¹⁰⁾	412	417	413
Changes in retained income			
Balance at beginning	6 417	5 219	5 219
Earnings for period	818	663	1 947
Dividend paid	(716)	(224)	(386)
Shares repurchased	(380)	-	(358)
Transfer to other reserves	2	(2)	(5)
Balance at end	6 141	5 656	6 417
Capital and reserves attributable to equity holders			
	6 542	5 886	6 694
Changes in minority interests			
Balance at beginning	561	417	417
Total recognised income	4	9	36
Earnings for period	5	9	36
Foreign currency translation differences	(1)	-	-
Employee share schemes – value of services provided	-	(1)	-
Dividend paid	(49)	(35)	(34)
Net change in minority interests	(242)	51	142
Balance at end	274	441	561
Total equity	6 816	6 327	7 255

(10) Other reserves consist of the following:

Land and buildings revaluation reserve: R102 million (30.06.2006: R103 million; 31.12.2006: R96 million)

Foreign currency translation reserve: (R21 million) (30.06.2006: (R14 million); 31.12.2006: (R16 million))

Fair value reserve: R36 million (30.06.2006: R33 million; 31.12.2006: R38 million)

Non-distributable reserve: R295m (30.06.2006: R295 million; 31.12.2006: R295 million)

METROPOLITAN HOLDINGS – GROUP RESULTS

CONSOLIDATED CASH FLOW STATEMENT	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Net cash inflow from operating activities	1 660	1 303	2 013
Net cash in/(out)flow from investing activities	48	(1 062)	(78)
Net cash outflow from financing activities	(1 047)	(1 179)	(1 198)
Net cash flow	661	(938)	737
Exchange (losses)/gains on cash resources	(58)	9	10
Cash resources and funds on deposit at beginning	7 273	6 526	6 526
Cash resources and funds on deposit at end	7 876	5 597	7 273

SEGMENT REPORT ⁽¹¹⁾	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Retail business	4 721	3 878	10 404
Corporate business ⁽¹²⁾	3 015	2 386	6 175
Health business	346	267	560
Asset management business	123	87	216
Shareholder capital ⁽¹³⁾	815	580	1 636
International business ⁽¹⁴⁾	691	662	1 653
Inter-segment fee income	(57)	(45)	(114)
Net income per income statement	9 654	7 815	20 530
Retail business	307	281	627
Corporate business ⁽¹²⁾	98	85	204
Health business	53	17	72
Asset management business	51	20	94
Shareholder capital ⁽¹³⁾	739	465	1 375
International business ⁽¹⁴⁾	27	76	198
Results from operations per income statement	1 275	944	2 570

(11) The segment report is compiled on the basis of Metropolitan's primary segments.

(12) The corporate business includes Metropolitan Retirement Administrators (Proprietary) Limited, a newly acquired subsidiary.

(13) Shareholder capital consists of holding company, Metropolitan Card Operations (Proprietary) Limited and shareholder return. Metropolitan Card Operations (Proprietary) Limited has net income of R16 million (30.06.2006: R3 million; 31.12.2006: R2 million) and negative results from operations of R12 million (30.06.2006 R1 million; 31.12.2006: R21 million).

(14) International, with secondary segments in Botswana, Ghana, Kenya, Lesotho, Mauritius and Namibia, includes investment return.

(15) Segment assets did not change materially from 31 December 2006, except for market related movements.

METROPOLITAN HOLDINGS – GROUP RESULTS

EMBEDDED VALUE	30.06.2007 Rm	30.06.2006 Rm	31.12.2006 Rm
Reporting excess – long-term insurance business	5 050	5 333	5 836
Disallowed assets ⁽¹⁶⁾	(85)	(29)	(73)
Adjustments to reporting excess	2 470	1 861	2 085
Net assets – other businesses	1 492	552	858
Dilutory effect of subsidiaries ⁽¹⁷⁾	91	97	80
Staff share scheme loans	155	246	227
Liability – convertible redeemable preference shares	832	824	832
Treasury shares held on behalf of contract holders	9	251	197
Goodwill	(109)	(109)	(109)
Adjustments for	470	447	405
Asset management business	249	221	210
Health business ⁽¹⁸⁾	515	479	481
Holding company expenses	(294)	(253)	(286)
Adjusted net asset value	7 905	7 612	8 253
Net value of in-force business	4 403	3 516	4 096
Individual life	3 554	2 833	3 338
Gross value of in-force business	3 695	2 978	3 475
Less: Cost of capital	(141)	(145)	(137)
Employee benefits	849	683	758
Gross value of in-force business	924	781	830
Less: Cost of capital	(75)	(98)	(72)
Diluted embedded value	12 308	11 128	12 349
Diluted embedded value per share (cents)	1 761	1 486	1 710
Diluted adjusted net asset value per share (cents)	1 131	1 016	1 143
Diluted number of shares in issue (million) ⁽¹⁹⁾	699	749	722

(16) Disallowed assets include goodwill, deferred acquisition costs and deferred revenue liabilities.

(17) For accounting purposes and in terms of IFRIC 8, Metropolitan Health and Metropolitan Kenya have been consolidated at 100% (2006: 100%) in the balance sheet. For embedded value purposes, disclosed on a diluted basis, the minority interests and related funding have been reinstated.

(18) The value of the health business is net of R38 million, being the total liability in respect of the option held by MHG management (30.06.2006: R54 million; 31.12.2006: R53 million).

(19) The diluted number of shares in issue takes into account all issued shares, assuming conversion of the convertible redeemable preference shares and the release of staff share scheme shares, and includes the treasury shares held on behalf of contract holders.

METROPOLITAN HOLDINGS – GROUP RESULTS

EMBEDDED VALUE ATTRIBUTABLE TO GROUP	Net asset value Rm	Value of in-force Rm	30.06.2007 Rm	30.06.2006 Rm	31.12.2006 Rm
Metropolitan Life Ltd	4 544	3 919	8 463	7 883	8 781
Metropolitan Odyssey Ltd	34	-	34	34	34
Metropolitan Life International Ltd	48	-	48	47	48
Metropolitan Life (Namibia) Ltd	115	254	369	423	479
Metropolitan Life of Botswana Ltd	92	57	149	140	160
Metropolitan Lesotho Ltd	118	167	285	255	295
Metropolitan Life Insurance Kenya Ltd	6	3	9	3	7
Metropolitan Life Insurance Ghana Ltd	8	3	11	15	13
Asset management business	114	249	363	299	320
Metropolitan Health Group	177	515	692	575	622
Metropolitan Holdings (after consolidation adjustments)	2 288	(294)	1 994	1 563	1 699
Goodwill	(109)		(109)	(109)	(109)
Total embedded value	7 435	4 873	12 308	11 128	12 349
Adjustments to reporting excess	(2 470)				
Disallowed assets	85				
Reporting excess – long-term insurance business	5 050				

VALUE OF NEW BUSINESS	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Retail business	45	35	114
Gross value of new business	46	38	116
Less: Cost of capital	(1)	(3)	(2)
Corporate business	23	10	30
Gross value of new business	26	15	37
Less: Cost of capital	(3)	(5)	(7)
International business	9	7	7
Gross value of new business	9	7	9
Less: Cost of capital	(0)	(0)	(2)
Value of long-term insurance new business	77	52	151
Asset management business	16	13	25
Health business	55	19	78
Total value of new business	148	84	254

- Due to rounding the cost of capital for the international business is less than R1 million.
- 2007 and 2006 results exclude Metropolitan Ghana, Metropolitan Kenya and Cover-2-Go as these businesses were in start-up phase.
- Net of minority interests.

METROPOLITAN HOLDINGS – GROUP RESULTS

NEW BUSINESS PREMIUMS	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Recurring premiums			
Retail business	361	337	753
Corporate business	116	50	141
International business	42	44	89
	519	431	983
Single premiums			
Retail business	1 060	905	1 872
Corporate business	1 487	283	2 661
International business	58	74	157
	2 605	1 262	4 690
Annual premium equivalent (APE)			
	780	557	1 452
Retail business	467	428	940
Corporate business	265	78	407
International business	48	51	105
Present value premiums (PVP)			
	5 283	3 141	9 502
Retail business	2 808	2 284	5 410
Corporate business	2 241	612	3 563
International business	234	245	529

- 2007 and 2006 exclude Metropolitan Ghana (06.07: R4 million; 12.06: R4 million APE), Metropolitan Kenya (06.07: R4 million; 12.06: R4 million APE) and Cover-2-Go as these businesses were in start-up phase.
- Net of minority interests.

PROFITABILITY OF NEW BUSINESS	6 mths to 30.06.2007	6 mths to 30.06.2006	12 mths to 31.12.2006
% of APE	9.9	9.3	10.4
Retail business	9.6	8.2	12.1
Corporate business	8.7	12.8	7.4
International business	18.8	13.6	6.7
% of PVP	1.5	1.7	1.6
Retail business	1.6	1.5	2.1
Corporate business	1.0	1.6	0.8
International business	3.8	2.9	1.3

METROPOLITAN HOLDINGS – GROUP RESULTS

SOURCE OF NEW BUSINESS PRODUCTION – GROUP	30.06.2007		30.06.2006		31.12.2006	
	APE %	Total %	APE %	Total %	APE %	Total %
Individual life – insurance and investment business						
General intermediary channel	7	6	9	6	8	6
Direct writers	24	23	22	23	23	25
Group schemes	9	5	9	5	9	6
Direct mail and telemarketing	23	12	24	14	24	14
Odyssey broker channel	29	47	27	43	28	43
3 rd party business	-	1	-	2	-	1
International	8	6	9	7	8	5

PRINCIPAL ASSUMPTIONS (South Africa) ⁽²⁰⁾	30.06.2007	30.06.2006	31.12.2006
	%	%	%
Pre-tax investment return			
Equities	10.5	10.8	10.0
Properties	10.5	10.8	10.0
Government stock	8.5	8.8	8.0
Cash	6.5	6.8	6.0
Risk discount rate (RDR)	11.0	11.3	10.5
Investment return (before tax) – smoothed bonus	9.9	10.2	9.4
Expense inflation rate	5.3	5.5	4.8

(20) The principal assumptions relate only to the South African life insurance business. Assumptions relating to international life insurance businesses are based on local requirements and can differ from the South African assumptions.

MINORITY INTERESTS	30.06.2007	30.06.2006	31.12.2006
	%	%	%
Metropolitan Life (Namibia) Ltd	19.0	19.0	19.0
Metropolitan Life of Botswana Ltd	24.2	24.2	24.2
Metropolitan Health Group	17.6	17.6	17.6
Metropolitan Life Insurance Kenya Ltd	33.3	33.3	40.0
Metropolitan Life Insurance Ghana Ltd	40.0	40.0	40.0

METROPOLITAN HOLDINGS – GROUP RESULTS

LONG-TERM INSURANCE BUSINESS: SENSITIVITIES – 30.06.2007	Net worth Rm	In-force business			New business written		
		Net value Rm	Gross value Rm	Cost of CAR Rm	Net value Rm	Gross value Rm	Cost of CAR Rm
Base value	5 050	4 403	4 619	(216)	77	81	(4)
1% increase in risk discount rate % change		4 018 (9)	4 346 (6)	(328) 52	63 (18)	69 (14)	(6) 45
1% reduction in risk discount rate % change		4 834 10	4 920 7	(86) (60)	92 21	94 16	(2) (62)
10% increase in future expenses % change (note 1)		4 135 (6)	4 351 (6)	(216) -	58 (24)	62 (23)	(4) -
10% increase in policy discontinuance % change		4 288 (3)	4 504 (2)	(216) -	56 (26)	60 (25)	(4) -
10% increase in mortality and morbidity % change (note 2)		4 080 (7)	4 296 (7)	(216) -	50 (34)	54 (32)	(4) -
1% reduction in gross investment return, inflation rate and risk discount rate % change (note 3)	5 095 1	4 397 -	4 613 -	(216) -	88 16	92 15	(4) -
1% reduction in gross investment return only (no change in risk discount rate) % change (note 3)	4 950 (2)	4 102 (7)	4 446 (4)	(344) 59	68 (11)	74 (7)	(6) 48
1% reduction in inflation rate % change	5 189 3	4 339 (1)	4 555 (1)	(216) -	86 12	90 12	(4) -
10% fall in market value of equities % change	4 813 (5)	4 263 (3)	4 479 (3)	(216) -			
10% reduction in premium indexation take-up rate % change		4 317 (2)	4 533 (2)	(216) -	73 (4)	77 (4)	(4) -
10% increase in non commission related acquisition expenses % change					55 (29)	59 (27)	(4) -

Notes

- (1) No corresponding changes in variable policy charges are assumed, although in practice it is likely that these will be modified according to circumstances.
- (2) Mortality decreases by 10% for annuities; mortality and morbidity increase by 10% for assurance.
- (3) Bonus rates are assumed to change commensurately.
- (4) The change in the value of cost of CAR is disclosed as nil where the sensitivity test results in an insignificant change in the value.

METROPOLITAN HOLDINGS – GROUP RESULTS

ANALYSIS OF CHANGES IN GROUP EMBEDDED VALUE	Other businesses	Long-term insurance business		6 mths to 30.06.2007	6 mths to 30.06.2006	12 mths to 31.12.2006
		NAV	VoIF	Total	Total	Total
	Rm	Rm	Rm	Rm	Rm	Rm
Profit from new business	72	(64)	143	151	86	267
Embedded value from new business	70	(64)	141	147	84	254
Expected return to end of year	2	-	2	4	2	13
Profit from existing business	67	302	93	462	256	604
Expected return – unwinding of RDR	32	-	230	262	198	440
Expected (or actual) net of tax profit transfer to net worth	-	313	(313)	-	-	-
Operating experience variances	22	77	42	141	117	381
Operating assumption changes	13	(88)	134	59	(59)	(166)
LOA statement of intent						(51)
Embedded value profit from operations	139	238	236	613	342	871
Investment return on net worth	73	380	-	453	512	1 387
Investment variances	8	37	88	133	146	480
Economic assumption changes	-	(31)	(17)	(48)	(74)	(12)
Exchange rate movements	-	-	-	-	-	-
Total embedded value profit	220	624	307	1 151	926	2 726
Changes in share capital	(384)	4	-	(380)	(842)	(1 200)
Dividend paid	632	(1 383)	-	(751)	(261)	(429)
Redeemable preference shares	-	-	-	-	(122)	(123)
Finance costs – preference shares	(61)	-	-	(61)	(41)	(93)
Change in embedded value	407	(755)	307	(41)	(340)	881
Time weighted return on embedded value (%) (June results annualised)				20.3	17.7	26.1

ANALYSIS OF VARIANCES AND OPERATING ASSUMPTION CHANGES – 30.06.2007

Operating experience variances

Other businesses A higher than expected net fee income from asset management.

Long-term insurance business

NAV

Positive variances from mortality profits across most product lines, unexpected tax profits and the impact of better than expected investment performance, including a higher than expected investment return on working capital.

Negative variances from worse than expected withdrawal experience on direct marketing and smoothed bonus business as well as expenses, including start-up costs of strategic ventures.

VoIF

Mainly due to better than expected retention of employee benefits business as well as positive contributions from mortality.

Operating assumption changes

Other business

A reduction in the assumed future STC rate, partially offset by an increase to future expected expenses in the holding company.

METROPOLITAN HOLDINGS – GROUP RESULTS

ANALYSIS OF VARIANCES AND OPERATING ASSUMPTION CHANGES – 30.06.2007

Long-term insurance business	
NAV	A positive change in respect of the assumed mortality of individual funeral business was more than offset by a strengthening of the valuation basis in respect of worsening partial surrender rates on smoothed bonus business as well as lapse rates on direct marketing business and voluntary group schemes. An increase in the allowance for future renewal expenses on Namibian funeral business also had a negative impact.
VoIF	A better than expected mortality experience on direct marketing schemes was recognised through an increase in discretionary margins. A reduction in the assumed future STC rate had a further positive impact.

PREMIUMS RECEIVED (pre-IFRS4; excluding MHG capitation contracts)	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Recurring premiums	3 319	2 977	6 301
Retail business	2 018	1 822	3 918
Corporate business	910	782	1 592
International business	391	373	791
Single premiums	2 608	1 271	4 729
Retail business	1 060	905	1 872
Corporate business	1 487	283	2 661
International business	61	83	196
Total premiums received	5 927	4 248	11 030

PAYMENTS TO POLICYHOLDERS (pre-IFRS4; excluding MHG capitation contracts)	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Individual life	2 179	2 108	4 377
Death and disability claims	435	436	934
Maturity claims	677	609	1 307
Annuities	285	436	519
Surrenders	824	665	1 697
Re-insurance recoveries	(42)	(38)	(80)
Employee benefits	1 442	1 685	2 775
Death and disability claims	426	344	726
Maturity claims	53	61	136
Annuities	300	141	387
Withdrawal benefits	212	166	358
Terminations	123	618	631
Disinvestments	397	427	676
Re-insurance recoveries	(69)	(72)	(139)
Total payments to policyholders	3 621	3 793	7 152

METROPOLITAN HOLDINGS – GROUP RESULTS

FUNDS RECEIVED FROM CLIENTS	Gross inflow Rm	Gross outflow Rm	6 mths to 30.06.2007 Net inflow Rm	6 mths to 30.06.2006 Net inflow Rm	12 mths to 31.12.2006 Net inflow Rm
Retail business	3 078	(1 928)	1 150	822	1 845
Corporate business	2 397	(1 362)	1 035	(535)	1 623
International business	452	(331)	121	168	410
Long-term insurance business cash flows	5 927	(3 621)	2 306	455	3 878
Health business	4 964	(4 717)	247	(392)	373
Asset management business	7 847	(3 666)	4 181	2 215	(1 863)
Corporate business	-	-	-	231	371
Total funds received from clients	18 738	(12 004)	6 734	2 509	2 759

NUMBER OF EMPLOYEES	30.06.2007	30.06.2006	31.12.2006
Indoor staff	4 651	3 988	4 321
Insurance companies	2 560	2 412	2 506
Retail	1 343	1 289	1 325
Employee benefits	349	325	332
International	354	305	346
Group services	514	493	503
Metropolitan Health Group	1 765	1 425	1 638
Asset management	74	74	70
Asset administration	61	57	58
Metropolitan Card Operations	41	-	28
Metropolitan Retirement Administrators	132	-	-
Holding company	18	20	21
Field staff	3 216	3 506	3 316
Retail	2 445	2 895	2 551
International	771	611	765
Total	7 867	7 494	7 637

METROPOLITAN HOLDINGS – GROUP RESULTS

ANALYSIS OF EXPENSES	6 mths to 30.06.2007 Rm	6 mths to 30.06.2006 Rm	12 mths to 31.12.2006 Rm
Depreciation, amortisation and impairment expense	65	64	127
Employee benefit expense	597	452	924
Sales remuneration and distribution cost	538	486	1 034
Other expenses	322	258	545
Finance costs	92	47	99
Total expenses	1 614	1 307	2 729
Long-term insurance business	1 087	979	2 019
Management expenses	609	556	1 115
Administration expenses	552	494	988
Distribution costs	57	62	127
Sales remuneration	478	423	904
Administration business	355	313	594
Health	283	247	472
Asset management	41	43	77
Asset administration	31	23	45
Finance costs – preference shares and subordinated redeemable debt	85	41	93
Holding company	25	29	24
Metropolitan Card Operations	28	4	44
Metropolitan Retirement Administrators	21	-	-
Consolidation adjustments	18	8	22
Employee benefit asset/obligation	(5)	(67)	(67)
Total expenses	1 614	1 307	2 729
ASSETS UNDER MANAGEMENT	30.06.2007 Rm	30.06.2006 Rm	31.12.2006 Rm
Property, plant and equipment	596	559	541
Investment property	2 478	2 322	2 492
Intangible assets	433	404	413
Investment in associates	6	3	4
Financial assets	57 390	45 557	54 090
Employee benefit assets	131	126	126
Deferred income tax	4	3	11
Reinsurance contracts	237	181	217
Cash and cash equivalents	10 265	6 554	8 516
Total on-balance sheet assets	71 540	55 709	66 410
Collective investments	15 700	10 202	12 241
Health	3 723	2 364	2 669
Asset management – segregated assets	2 801	5 935	3 368
Employee benefits – segregated assets	1 246	1 014	1 170
Total assets under management	95 010	75 224	85 858

METROPOLITAN HOLDINGS – GROUP RESULTS

ANALYSIS OF ASSETS BACKING GROUP EXCESS	30.06.2007		30.06.2006		31.12.2006	
	Rm	%	Rm	%	Rm	%
Listed equities and unit linked – local	3 913	59.8	4 061	69.0	4 851	72.5
Foreign investments – unit linked	711	10.9	481	8.2	428	6.4
Owner-occupied properties	388	5.9	323	5.5	343	5.1
Investment properties	-	-	21	0.4	21	0.3
Debt securities - fixed interest	519	7.9	739	12.6	697	10.4
Cash and cash equivalents	1 279	19.6	972	16.5	1 059	15.8
Goodwill	148	2.3	148	2.5	148	2.2
Other net assets	571	8.7	210	3.5	206	3.1
Adjustment for staff share schemes	(155)	(2.4)	(246)	(4.2)	(227)	(3.4)
Redeemable preference shares	(832)	(12.7)	(824)	(14.0)	(832)	(12.4)
Excess - group per reporting basis	6 542	100.0	5 885	100.0	6 694	100.0

GROUP EXCESS – TOP 10 EQUITY HOLDINGS	30.06.2007		30.06.2006		31.12.2006	
	Rm	%	Rm	%	Rm	%
MTN Group Ltd	256	6.5	120	3.0	177	3.6
Standard Bank Group Ltd	195	5.0	140	3.5	137	2.8
Billiton Plc	144	3.7	150	3.7	110	2.3
Anglo American Plc	144	3.7	162	4.0	128	2.6
Impala Platinum Holdings Ltd	138	3.5	76	1.9	75	1.6
Sasol Ltd	130	3.3	117	2.9	88	1.8
FirstRand Ltd	111	2.8	82	2.0	86	1.8
Imperial Holdings Ltd	101	2.6	74	1.8	78	1.6
Nedbank Group Ltd	97	2.5	-	-	76	1.6
Barloworld Ltd	88	2.2	-	-	-	-
SABMiller Plc	-	-	96	2.4	83	1.7
Remgro Plc	-	-	79	2.0	-	-
Naspers N-ord Ltd	-	-	-	-	-	-
	1 404	35.8	1 096	27.0	1 038	21.4
Collective investments	703	18.0	1 612	39.7	1 781	36.7
	2 107	53.8	2 708	66.7	2 819	58.1
Total equities backing excess	3 913	100.0	4 061	100.0	4 851	100.0

METROPOLITAN HOLDINGS – GROUP RESULTS

STOCK EXCHANGE PERFORMANCE	30.06.2007	31.12.2006	30.06.2006	31.12.2005
6 month period				
Value of listed shares traded (rand million) ⁽²²⁾	4 454	2 945	2 669	1 678
Volume of listed shares traded (million) ⁽²²⁾	286	233	209	154
Shares traded (% of average listed shares in issue) ^(21, 22)	100.6	78.8	70.2	50.0
Value of shares traded – life insurance (J857 – Rbn)	53.6	35.4	46.6	36.1
Value of shares traded – top 40 index (J200 – Rbn)	1 051.1	824.5	910.5	573.6
Trade prices				
Highest (cents per share)	1 691	1 581	1 459	1 220
Lowest (cents per share)	1 421	1 105	1 020	980
Last sale of period (cents per share)	1 486	1 500	1 180	1 185
Percentage (%) change during period ^(21, 23)	9.1	61.6	18.3	37.1
Percentage (%) change – life insurance sector (J857) ⁽²¹⁾	10.8	32.1	24.4	53.3
Percentage (%) change – top 40 index (J200) ⁽²¹⁾	27.9	33.9	41.3	63.4
30 June / 31 December				
Price/diluted core headline earnings ratio	12.12	13.12	13.04	12.35
Dividend yield % (dividend on listed shares) ⁽²¹⁾	5.65	5.13	5.76	5.32
Dividend yield % – top 40 index (J200) ⁽²¹⁾	2.12	2.06	2.05	2.24
Total shares issued (million)				
Listed on JSE	550	585	598	594
Ordinary shares	543	578	591	587
Share incentive scheme	7	7	7	7
Unlisted – share purchase scheme	32	41	44	48
Total ordinary shares in issue	582	626	642	642
Treasury shares held	(6)	(27)	(16)	-
Treasury shares held on behalf of contract holders	(1)	(13)	(21)	(22)
Adjustment to staff share scheme shares ⁽²⁴⁾	(37)	(47)	(47)	(50)
Share incentive scheme	(6)	(7)	(5)	(5)
Share purchase scheme	(31)	(40)	(42)	(45)
Basic number of shares in issue	538	539	558	570
Adjustment to staff share scheme shares	37	47	47	50
Treasury shares held on behalf of contract holders	1	13	21	22
Convertible redeemable preference shares	123	123	123	123
Diluted number of shares in issue	699	722	749	765
Market capitalisation at end (Rbn) ⁽²⁵⁾	10.39	10.83	8.84	9.07
Percentage (%) of life insurance sector ⁽²¹⁾	5.03	5.45	5.07	6.83

(21) Percentages have been annualised.

(22) 30.06.2007 is net of 24 million shares acquired for R380 million as part of a share buy-back programme (31.12.2006: 27 million shares acquired for R358 million; 30.06.2006: 16 million shares acquired for R200 million; 31.12.2005: 22 million shares acquired for R242 million).

(23) 30.06.2007 has been adjusted for a special dividend of 77 cents per share (30.06.2006: capital reduction of 100 cents per share).

(24) These shares have been issued since 1 January 2001, the date on which the group adopted AC133 (now IAS39).

(25) The market capitalisation is calculated on the fully diluted number of shares in issue.