30 May 2008

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 2008

Message from Wilhelm van Zyl, new group chief executive

Although I only officially succeeded Peter Doyle on 1 April (ie at the conclusion of the first quarter of 2008), I have been assuming more of the group responsibilities since the beginning of the year to facilitate a smooth transition and disruption-free change-over.

As a group, we are committed to strengthening and extending our brand to embrace a broader range of financial products and services, to expanding our reach further into Africa and to earning and retaining the trust and loyalty of our customers and clients through quality service delivery and the provision of an enhanced value proposition. There is no doubt in my mind that we at Metropolitan can continue to build on an already sustainable business and I am greatly looking forward to pitting our combined expertise and experience, energy and enthusiasm against the challenges that lie ahead.

Certain key leadership positions are still being filled, especially in view of the wealth of opportunities confronting the group at present.

Group overview

- Retail new business on a present value of premiums basis (PVP) grew by 27%, boosted mainly by successes in the single premium markets.
- This growth is proof of the increased reach of the Metropolitan brand in line with group strategy.
- The increased awareness in our target markets of the importance of savings and insurance is pleasing.
- Measured over a longer term, the all-round successes in the corporate business continued.
- The international business officially launched its Nigerian operation and continued to make progress with their other new ventures, increasing their annual premium equivalent (APE) by 68%.
- Metropolitan Health further increased the number of members under administration while maintaining exceptional levels of service, highlighting the sound underlying business model.
- The new management team within asset management settled in and started to secure new inflows.
- Overall the net cashflow remained positive at R2.8 billion.
- Capital management activities received ongoing focus.
- The global investment, financial and economic markets remain challenging.

Retail business

	3 months to 31-Mar-05 *Rm*	3 months to 31-Mar-06 *Rm*	3 months to 31-Mar-07 *Rm*	3 months to 31-Mar-08 *Rm*	Increase 2008 on 2007 *%*
New business					
Recurring premiums	168	153	175	188	7
Single premiums	266	375	485	869	79
APE	195	191	224	275	23
PVP			1 308	1 662	27
Cashflow					
Recurring premiums	829	908	1 011	1 067	6
Single premiums	276	374	492	869	77
Claims paid	650	801	875	1 102	26
Net	455	481	628	834	33

- The growth of 27% in total new business (PVP) was as a result of:
  - Increased single premiums from all distribution channels.
  - Improved new business flows from direct writers.
  - Continued focus on the quality of new business being issued.

- The business remains well-positioned because:
  - Claims experience is in line with expectations, with the increase mainly asset-level related.
  - Due to the economic pressures experienced by all consumers, we expect retention rates to come under pressure.
  - Lapses at inception for ordinary business remain below the group target of 15%.
  - Direct marketing's persistency is receiving ongoing attention.
  - Both recurring and single premium income continue their healthy increase, confirming the growth of the in-force book.
  - The re-alignment of the value chain within Retail, with a view to increasing the value propositions, remains on track.

Looking ahead
- The prospects for Retail remain directly correlated to that of its target markets.
- Food and transport inflation as well as credit extension are still the biggest challenges.
- Any further increases, unless compensated by an equivalent increase in salary inflation, will curtail new business prospects and could threaten the persistency of the in-force book.

Corporate business

	3 months to 31-Mar-05 *Rm*	3 months to 31-Mar-06 *Rm*	3 months to 31-Mar-07 *Rm*	3 months to 31-Mar-08 *Rm*	Increase 2008 on 2007 *%*
New business					
Recurring premiums	17	34	58	49	(16)
Single premiums	79	161	1 209	295	(76)
APE	25	50	179	79	(56)
PVP			1 589	641	(60)
Cashflow					
Recurring premiums	358	374	442	421	(5)
Single premiums	79	161	1 209	295	(76)
Claims paid	791	1 090	670	1 043	56
Net	(354)	(555)	981	(327)	-

While the market conditions remain challenging, cognizance must be taken of the following:

- The group insurance business market has responded positively to players with strong rating expertise and high service ratings.
- Metropolitan has considerably increased its group insurance market share over the past few years - further growth in this area is thus expected to be at a slower pace.
- Excluding the large single premium secured in the first quarter of 2007, single premium income is 97% higher than 2007. The longer term trend remains positive.
- Unique opportunities still exist for solution-driven suppliers.
- Certain funds are again recognising the value of investment protection, given current market volatility.
- The increase in benefits paid was largely due to the growth in the book of business as well as a higher than expected number of disinvestments and terminations. Disinvestments are normally partial and are often anticipated, being made to fund benefit payments. On the other hand, terminations constitute the withdrawal of total investments.

Looking ahead

- Various smoothed bonus product enhancements have been rolled out over the past few months, and a new multi-manager fully vesting product has attracted inflows and interest from a spread of brokers and consultants.
- Ongoing efforts to reduce the business's dependence on large transactions, which are intermittent by nature, included a stronger focus on small to medium sized investment and annuity business.
- Securing new risk business continued to be impacted by competitive market conditions.
- A new administration product with many innovative features will be introduced to the market during 2008.
- Exciting opportunities exist in the large fund administration market with a number of good prospects for Metropolitan.

International business

	3 months to 31-Mar-05 *Rm*	3 months to 31-Mar-06 *Rm*	3 months to 31-Mar-07 *Rm*	3 months to 31-Mar-08 *Rm*	Increase 2008 on 2007 *%*
New business					
Recurring premiums	23	16	19	35	84
Individual life	19	15	19	28	47
Employee benefits	4	1	-	7	-
Single premiums (incl EB)	67	24	32	24	(25)
APE	30	18	22	37	68
PVP				173	
Cashflow					
Recurring premiums	190	184	204	202	(1)
Single premiums	74	30	38	24	(37)
Claims paid	123	161	203	170	(16)
Net	141	53	39	56	44

- Business conditions remain challenging in all the markets in which we operate.
- Ghana made a significant contribution to the new business production.
- As expected, premium income has started slowing down in the established businesses.
- The Nigerian business was officially launched in April 2008.
- The unrest in Kenya impacted severely on the planned development of that business.
- Two new CEOs were appointed; Oupa Mothibatsela in Botswana and Muzi Dlamini in Swaziland.
- Appropriate new product roll-outs in all of the operations remain a priority.
- Overall, the net cashflow position remained positive.

Asset management business

	3 months to 31-Mar-05 *Rm*	3 months to 31-Mar-06 *Rm*	3 months to 31-Mar-07 *Rm*	3 months to 31-Mar-08 *Rm*
Third party mandates – net	(51)	(298)	58	790
Collective investments – net	968	1 297	3 169	1 027

- New management team in place and starting to deliver.
- Key vacancies in Metropolitan Asset Managers have all now been filled. The diversified knowledge and skills of the full complement of investment professionals are complementary in all respects.
- Concerted efforts to increase third party assets under management are starting to pay dividends, with new mandates secured in the first quarter of 2008, the highest figure for the past four first quarters.
- Collective investment's performance was distorted by a significant once-off inflow during 2007.
- At R20.3 billion, collective investment assets under management exceeded the R20 billion mark for the first time, compared to R16.2 billion in the equivalent period of the previous year.
- At the 2008 Micropal Investment Fund Awards, presented in partnership with Financial Mail, the Metropolitan Gilt Fund achieved first place (out of 16 funds) in the bond sector based on its relative risk-adjusted return over a three-year period. The fund was also runner-up for its risk-adjusted one-year performance.
- The net cashflows of the business remained positive.

Health business

- Main focus is on managing existing clients and the smooth take-on of members joining the GEMS scheme.
- In total, principal members under administration rose to 700 000 (1.7 million lives) vs 555 000 in 2007 (440 000 in 2006).
- GEMS growth continues at approximately 450 new principal members per day.
- 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.
- MHG and Qualsa have submitted a combined proposal for services to the Road Accident Fund, the outcome of which is anticipated shortly.
- With the four largest restricted schemes remaining firmly under MHG administration, the business is well placed for ongoing sound performance.

Group perspective

Administration expenses
- Administration expenses continue to be a key area of focus, especially in the current economic environment.
- Overall life insurance administration and other expenses remain well-controlled and within budget.

Capital management
- The group's capital management initiatives are ongoing.
- Further refinements are being made to the economic capital model with a view to extending it down to a product level.
- The group has been active in the market buying back Metropolitan shares on price weakness.
- Implementation of the new embedded value guidance is on track for the full-year 2008 results.

Corporate developments

Improved empowerment ranking
In the most recent Financial Mail/Empowerdex Top Empowerment Companies survey (April 2008), we achieved an overall ranking of 5th (out of the 188 top empowerment companies surveyed) and 2nd out of 20 in the financial services sector.

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	30 MAY 2008
QUERIES	WILHELM VAN ZYL GROUP CHIEF EXECUTIVE METROPOLITAN HOLDINGS LIMITED TEL 021 9406637
	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