

Remgro Limited

(Incorporated in the Republic of South Africa)
(Registration number 1968/006415/06)
(Share code: REM) (ISIN: ZAE00026480)
("Remgro" or "the Company")

Terms announcement relating to the transfer of:

- FirstRand shares to RMBH, in exchange for RMBH shares;
- FirstRand and MMI Holdings shares to the Founders of RMBH, in exchange for RMBH shares; and
- Remgro's interest in MMI Holdings to RMI Holdings, in exchange for RMI Holdings' shares.

1. Introduction

Remgro shareholders are referred to the detailed terms announcement published today by its 25% held associate, RMB Holdings Limited ("**RMBH**") (the "**RMBH Announcement**").

In that announcement RMBH advised its shareholders that its directors had resolved to embark on a restructuring and re-alignment of its investment portfolio to enhance shareholder value through the creation of separate, focused insurance and banking entities. This separation of RMBH's insurance and banking interests will be effected through the transfer of RMBH's insurance assets to a newly incorporated wholly-owned subsidiary of RMBH, Main Street 796 Limited, which will be renamed Rand Merchant Insurance Holdings Limited ("**RMI Holdings**"), in exchange for RMI Holdings shares. RMI Holdings will subsequently be unbundled to RMBH shareholders (the "**RMI Unbundling**") and separately listed on the securities exchange operated by the JSE Limited ("**JSE**").

RMBH's portfolio of strategic investments in South African financial services groups comprises:

- MMI Holdings Limited ("**MMI Holdings**") (18%), Discovery Holdings Limited ("**Discovery**") (25%), FirstRand STI Holdings Limited ("**OUTsurance**") (45%) and RMB-SI Holdings Limited ("**RMB-SI**") (76%); and
- FirstRand (30%), owner of, *inter alia*, First National Bank, Rand Merchant Bank, WesBank and 45% of OUTsurance.

RMBH further advised its shareholders of the terms of the agreements reached with Remgro relating to the following restructuring steps:

- the acquisition by RMBH of additional FirstRand ordinary shares from Financial Securities Limited ("**FSL**"), a wholly-owned subsidiary of Remgro, in exchange for the issue of new RMBH ordinary shares (the "**RMBH FirstRand Exchange**"); and
- the acquisition by RMI Holdings, post the RMI Unbundling, of additional MMI Holdings ordinary shares from FSL, in exchange for the issue to FSL of new RMI Holdings ordinary shares (the "**RMI MMI Exchange**").

In addition, shareholders are referred to the joint announcement released on SENS on 23 December 2009, by FirstRand Limited ("**FirstRand**") and RMBH. In that announcement RMBH and FirstRand advised their shareholders of a private transaction in terms of which a group of RMBH and FirstRand Directors, comprising Messrs G T Ferreira, L L Dippenaar and P K Harris ("**the Founders**") agreed to dispose of RMBH and FirstRand ordinary shares to a group of senior executives at RMBH and FirstRand (the "**Group Executives**") at a price based on the 30-day volume weighted average prices ("**VWAP**") in the middle of October 2009 (the "**Founders Disposal**"). It was indicated in this announcement that the Founders would, to the extent that there is an imbalance between the shares being sold by them and the shares being acquired by the Group Executives at implementation of the Founders' Disposal, sell RMBH shares and acquire additional FirstRand shares in the market.

As such the Founders have reached agreement with Remgro to acquire from Remgro, that number of FirstRand ordinary shares to be delivered under the Founders' Disposal, together with MMI Holdings ordinary shares (refer paragraph 3.3 below) (the "**Founders' Disposal Shares**"), in exchange for RMBH ordinary shares (the "**Founders' FirstRand Exchange**").

The RMBH FirstRand Exchange, the RMI MMI Exchange and the Founders' FirstRand Exchange (collectively the "**Remgro Transactions**") are each subject to certain conditions, which are detailed in paragraph 7 below.

The RMBH FirstRand Exchange and the RMI MMI Exchange will be implemented as "asset-for-share transactions" in terms of section 42 of the Income Tax Act, 1962.

The purpose of this announcement is to provide Remgro shareholders with the salient terms and conditions of the Remgro Transactions.

2. Rationale for the Remgro Transactions

2.1 Rationale for the RMBH FirstRand Exchange and the Founders' FirstRand Exchange

Remgro believes that the RMBH FirstRand Exchange and the Founders' FirstRand Exchange provide an opportune time to consolidate its investment in FirstRand through the RMBH entry point.

2.2 Rationale for the RMI MMI Exchange

Following the transfer of RMBH's insurance interests into RMI Holdings, RMI Holdings will own 18% of MMI Holdings. In order to prevent potential structural value traps, RMI Holdings intends to increase this stake to more than 25% over time and Remgro as a material shareholder believes it is beneficial to facilitate the achievement of such objective through the RMI MMI Exchange. Remgro is further of the view that the portfolio of assets owned by RMI Holdings is an attractive investment.

3. Details of the Remgro Transactions

3.1 The RMBH FirstRand Exchange

The RMBH FirstRand Exchange will result in Remgro holding an effective 31.4% interest in RMBH. It is intended that the RMBH FirstRand Exchange will take place in two stages:

- Prior to the RMI Unbundling, RMBH will purchase from FSL that number of ordinary shares in FirstRand which, after the issue of new fully paid ordinary shares in RMBH (the "**First Consideration Shares**") to FSL and the implementation of the RMI MMI Exchange will result in FSL holding 34.9% of the ordinary shares in RMI Holdings (the "**First RMBH FirstRand Exchange**").
- Post the RMI Unbundling, RMBH will purchase from FSL that number of further ordinary shares in FirstRand (the "**Second Sale Shares**") which, after the implementation of such acquisition and the First RMBH FirstRand Exchange will result in FSL holding no more than 34.9% of the ordinary shares in RMBH and RMBH holding 33.9% of the ordinary shares in FirstRand (the "**Second RMBH FirstRand Exchange**"). In consideration for the Second Sale Shares, RMBH shall issue to FSL new fully paid ordinary shares in RMBH (the "**Second Consideration Shares**").

The First Consideration Shares and Second Consideration Shares will be determined in accordance with a formula based on net asset values ("**NAV**") of RMBH, utilising 15-day VWAPs for the listed underlying assets of RMBH, and the 15-day VWAP of FirstRand, as at the date on which the last of the suspensive conditions to the First RMBH FirstRand Exchange, as set out in the RMBH announcement, are fulfilled (the "**Pricing Date**").

3.2 The RMI MMI Exchange

In terms of the RMI MMI Exchange, RMI Holdings will acquire 105 608 098 MMI Holdings ordinary shares from FSL in consideration for which RMI Holdings will allot and issue to FSL that number of RMI Holdings ordinary shares which will be determined in accordance with a formula based on the NAV of RMI Holdings, utilising 15-day VWAPs for the listed underlying assets of RMI Holdings, and the 15-day VWAP of MMI Holdings, as at the Pricing Date.

3.3 The Founders' FirstRand Exchange

The Founders require 20 543 977 FirstRand ordinary shares to deliver in terms of the Founders' Disposal. As such Remgro will dispose such number of FirstRand ordinary shares to the Founders in exchange for 12 112 707 RMBH ordinary shares beneficially held by the Founders. The exchange was determined based on the 15-day VWAPs of FirstRand (R21.16) and RMBH (R35.88) as at 3 December 2010. At such date FirstRand was trading *cum* entitlement to MMI Holdings ordinary shares and as such, Remgro will deliver to the Founders the 20 543 977 FirstRand ordinary shares as well as 3 467 125 MMI Holdings' ordinary shares (refer to FirstRand's website www.firstrand.co.za for details on the FirstRand unbundling of MMI Holdings).

4. Small related party transaction

Two of the Founders, Messrs G T Ferreira and P K Harris, are currently directors of Remgro ("**Founder Directors**") and, as such, are classified as related parties to Remgro in terms of the Listings Requirements of the JSE (the "**JSE Listings Requirements**"). The value of the shares disposed by Remgro to the Founder Directors accounts for 0.45% of Remgro's current market capitalisation. As a result, the Founders' FirstRand Exchange relating to the Founder Directors is considered a small related party transaction.

Messrs G T Ferreira and P K Harris are entitled to 43% and 14%, respectively, of the total number of FirstRand and MMI Holdings ordinary shares to be received by the Founders under the Founders' FirstRand Exchange.

In accordance with the relevant provisions of the JSE Listings Requirements, Remgro has appointed KPMG Services (Proprietary) Limited ("**KPMG**") as the independent expert (subject to the approval of the JSE) to advise the Remgro shareholders on whether the terms and conditions of the related party transactions are fair to Remgro shareholders. Such opinion will be made available for inspection by shareholders at the registered office of Remgro.

The effective date of the Founders' FirstRand Exchange is expected to be 31 January 2011.

5. Indicative shareholdings

The indicative economic interests that Remgro will hold after the implementation of the Remgro Transactions, based on the formulas contemplated above applied to market data as at the trading day prior to the date of this announcement, are as follows:

• RMBH	31.4%
• RMI Holdings	34.9%
• FirstRand	3.9%

6. Pro forma financial effects of the Remgro Transactions

The table below sets out the unaudited *pro forma* financial effects of the Remgro Transactions based on the unaudited results of Remgro for the six months ended 30 September 2010.

The unaudited *pro forma* financial effects of Remgro are the responsibility of the Remgro directors and has been prepared for illustrative purposes only to provide information about how the transaction might have affected the historical financial information of Remgro. Due to their nature, the unaudited *pro forma* financial effects may not be a fair reflection of Remgro's financial position after the implementation of the transaction, nor of its future earnings.

	Unaudited before the Remgro Transaction	Change due to the Transaction ²	Unaudited after the Remgro Transaction	% Change
Earnings per share ("EPS") (cents)	468.8	933.6	1 402.4	199.1
Headline EPS (cents)	430.2	(22.6)	407.6	(5.3)
Diluted EPS (cents)	451.8	899.7	1 351.5	199.1
Diluted headline EPS (cents)	413.5	(21.7)	391.8	(5.3)
Net asset value per share (Rand)	84.97	9.6	94.52	11.2
Net tangible asset value per share (Rand)	84.27	9.6	93.82	11.3
Number of shares in issue (million)	513.3	–	513.3	–
Weighted number of shares (million)	513.0	–	513.0	–
Diluted weighted number of shares (million)	514.5	–	514.5	–

Notes

1. The unaudited *pro forma* financial effects are prepared on the assumption that the Remgro Transactions were effective 1 April 2010 for purposes of the effects on earnings and 30 September 2010 for purposes of effects on net asset value.
2. Represents the unaudited *pro forma* financial effects of the following transactions:
 - i. the reversal of Remgro's portion of both FirstRand's and RMBH's earnings for the six months to 30 June 2010 as previously accounted for;
 - ii. the unbundling by FirstRand of MMI Holdings shares to its shareholders;
 - iii. the Remgro Transactions as set out in detail in the terms announcement;
 - iv. the unbundling by RMBH of RMI Holdings to its shareholders;
 - v. accounting for Remgro's portion of the *pro forma* earnings of FirstRand, RMBH and RMI Holdings for the six months to 30 June 2010 by applying Remgro's indicative shareholdings in these entities after completion of the transactions referred to above; and
 - vi. tax consequences relating to the Remgro Transactions.

7. Conditions precedent

The Remgro Transactions will be subject to the following suspensive conditions being fulfilled or waived by no later than 17:00 on 31 March 2011 (or such later date as the parties to the respective agreements may agree in writing):

7.1 The First RMBH FirstRand Exchange

The First RMBH FirstRand Exchange will be subject to the following suspensive conditions:

- the issue of shares by RMBH to Royal Bafokeng Holdings (Proprietary) Limited, for cash (the "**Royal Bafokeng Placement**") having been implemented;
- RMBH having obtained the approval, by ordinary resolution, of its shareholders for the RMI Unbundling;
- RMBH having obtained the approval, by ordinary resolution, of its shareholders, for the placing of sufficient authorised but unissued ordinary shares in RMBH under the control of its directors in order to give effect to the RMBH FirstRand Exchange, pursuant to the provisions of section 221 of the Companies Act, 61 of 1973 (the "**Act**");
- RMBH having obtained the approval, by ordinary resolution, of its shareholders, excluding FSL, for the RMBH FirstRand Exchange and the RMI MMI Exchange, in compliance with paragraphs 10.4(d) and 10.4(e) of the JSE Listings Requirements; and
- RMBH obtaining advice from an independent expert acceptable to the JSE that the RMBH FirstRand Exchange and the RMI MMI Exchange are fair insofar as the shareholders of RMBH are concerned, in compliance with paragraph 10.4(f) of the JSE Listings Requirements.

7.2 The Second RMBH FirstRand Exchange

The Second RMBH FirstRand Exchange will be subject to the following suspensive conditions:

- the implementation of the First RMBH FirstRand Exchange and RMI Unbundling; and
- RMI Holdings' ordinary shares having been listed on the JSE.

7.3 The RMI MMI Exchange

The RMI MMI Exchange will be subject to the following suspensive conditions:

- the implementation of the Second RMBH FirstRand Exchange; and
- RMI Holdings having obtained the approval, by ordinary resolution, of its shareholders, for the placing of sufficient authorised but unissued ordinary shares in RMI Holdings under the control of its directors, in order to give effect to the RMI MMI Exchange, pursuant to the provisions of section 221 of the Act.

7.4 The Founders' FirstRand Exchange

The Founders' FirstRand Exchange will be subject to:

- Remgro obtaining advice from an independent expert acceptable to the JSE that the Founders' FirstRand Exchange is fair insofar as the shareholders of Remgro are concerned, in compliance with paragraph 10.7(b) of the JSE Listings Requirements.

15 December 2010

Merchant bank and sponsor



Legal advisors



Independent expert



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