



MMI HOLDINGS

PROPOSED RESTRUCTURING OF THE EXISTING BROAD-BASED BLACK ECONOMIC EMPOWERMENT ("BEE") TRANSACTION BETWEEN MMI HOLDINGS LIMITED ("MMI") AND KAGISO TISO HOLDINGS PROPRIETARY LIMITED (RF) ("KTH"), PROPOSED ODD-LOT OFFER AND VOLUNTARY REPURCHASE OFFER

1. RESTRUCTURING OF THE EXISTING BEE TRANSACTION

1.1 Introduction

MMI and KTH have a long-standing relationship, which began in 2004 when Kagiso Trust Investments Proprietary Limited (now known as KTH following its merger with Tiso Group Proprietary Limited) acquired a 10% shareholding in MMI, through Off the Shelf Investments 108 Proprietary Limited ("SPV"), and became MMI's strategic empowerment partner ("BEE transaction").

MMI was created in 2010 pursuant to the merger of Metropolitan Holdings Limited ("Metropolitan") and Momentum Group Limited ("Momentum"), resulting in a substantially larger and more diversified financial services group. MMI supports opportunities to improve its business and advance its BEE status in line with the philosophy of good corporate citizenship and in line with the philosophy of good corporate citizenship and the department of trade and industry's broad-based black economic empowerment codes of good practice ("codes").

Following the merger of Metropolitan and Momentum in 2010, KTH and the Metropolitan Empowerment Trust (the vehicle through which MMI management held an indirect interest in MMI) together held approximately 8.2% of MMI's total issued ordinary shares. The Metropolitan Empowerment Trust has since exited the BEE structure, and KTH has increased its effective shareholding in MMI.

MMI, in line with the continued objective to advance its BEE status, intends to facilitate the refinancing of the BEE transaction through specific amendments which will result in a restructuring thereof ("BEE restructuring"). This announcement outlines the key details of the BEE restructuring.

1.2 Rationale

BEE is one of MMI's most important business imperatives and is in line with MMI's strategic objectives. While KTH's effective interest in MMI has increased, the current beneficial BEE shareholding was reduced following the Metropolitan Empowerment Trust's exit. Given that the lock-in restrictions on KTH's holding of MMI ordinary shares as provided for in the current relationship agreement will expire in the near future, the empowerment credentials of MMI could be negatively impacted should KTH elect to sell its interests in MMI.

MMI intends to facilitate the BEE restructuring through the refinancing of KTH's shareholding in MMI and the extension of the lock-in restrictions in relation to KTH's shareholding in MMI. Pursuant to this, MMI and KTH have entered into a revised relationship agreement to facilitate MMI's empowerment credentials.

1.3 Terms of the BEE restructuring

Below are the principal terms of the proposed BEE restructuring:

Step 1:	Extension and amendment to the terms of the A3 MMI preference shares and A3 SPV preference shares	Both the A3 SPV preference shares and the A3 MMI preference shares will be extended for a period of 5 years and the terms attaching to these shares will be amended. The annual coupon per share payable on the A3 MMI preference shares will be reduced to R1.32 per share per annum from the current R1.76 per share.
Step 2:	Convert all A1 and A2 MMI preference shares into MMI ordinary shares	SPV will convert all the A1 and A2 MMI preference shares held by it into MMI ordinary shares on a one-for-one basis as set out in the terms and conditions attaching to the A1 and A2 MMI preference shares.
Step 3:	Funding raised by SPV	SPV intends to independently raise funding of up to R271 million by issuing a new class of preference shares to external funders, which funding will be utilised to redeem the existing A1 SPV preference shares.
Step 4:	Redemption of the A2 SPV preference shares	SPV will sell such number of MMI ordinary shares as is required to redeem all the A2 SPV preference shares.

Following the BEE restructuring KTH will hold a direct and indirect equity interest of approximately 7% in MMI mainly through 79 million ordinary shares and 34 million A3 MMI preference shares.

1.4 Pro forma financial effects of the BEE restructuring

The table below sets out the unaudited *pro forma* financial effects of the BEE restructuring on earnings per share ("EPS"), headline EPS ("HEPS"), net asset value ("NAV") and tangible net asset value ("TNAV") per share assuming that the proposed BEE restructuring took place to its full extent for purposes of the income statement for the six-month period started 1 July 2011 and ended 31 December 2011 and as at 31 December 2011 for purposes of the statement of financial position.

The unaudited *pro forma* financial effects are the responsibility of the directors of MMI and have been prepared for illustrative purposes only to provide information about how the BEE restructuring may have impacted MMI shareholders ("shareholders") on the relevant reporting date and because of its nature may not give a fair reflection of the group's financial position, changes in equity, results of operations or cash flows after implementation of the BEE restructuring or of the group's future earnings. The unaudited *pro forma* financial effects have been prepared using accounting policies that are consistent with International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies adopted by MMI.

	Before the BEE restructuring	Pro forma after the BEE restructuring	% Movement
EPS (cents)	54	53	-1.85
HEPS (cents)	54	54	0.00
NAV per share (cents)	1,532	1,492	-2.61
TNAV per share (cents)	730	724	-0.82
Weighted average number of shares in issue (millions)	1,489	1,555	4.43

Notes:

- Assuming that SPV converts 65.7 million MMI convertible, redeemable preference shares into 65.7 million MMI ordinary shares, this will result in the conversion of a R388 million preference share liability into equity.
- The SPV converts the A1 and A2 MMI preference shares into MMI ordinary shares, resulting in a reduction of preference share dividends (accounted for as finance costs) of R15 million. The impact of additional interest income, and the related tax impact, is negligible and has been ignored for these purposes. No adjustment was made to dividends paid on MMI ordinary shares. This also results in the basic weighted average number of MMI ordinary shares in issue increasing by 65.7 million shares.
- Assumes both the A3 MMI preference shares and the A3 SPV preference shares are extended for a period of five years. The dividend rate per annum payable by MMI on the A3 MMI preference shares will be R1.32 per share, resulting in a saving of R9 million in finance costs. The net impact of interest income on this saving and the extension of the A3 SPV preference shares, and the related tax impact, is negligible and has been ignored for these purposes.
- Transaction costs of R5 million (R1 million deferred tax) have been taken into account.

1.5 Conditions precedent

The BEE restructuring is subject to:

- the approval of all relevant resolutions in the notice of general meeting attached to the circular posted to shareholders today by the requisite majority of votes at the general meeting, which resolutions are required in order to effect the amendment to the terms attaching to the A3 MMI preference shares as detailed in the circular, and
- the lodgement of the relevant special resolutions with the Companies and Intellectual Property Commission.

1.6 Fairness opinion

As the BEE restructuring involves the amendment of a previously approved BEE transaction and includes an extension of existing preference shares which are unlisted voting instruments, the Listings Requirements of the JSE Limited ("JSE") require an opinion from an independent professional expert, confirming that the terms of the BEE restructuring are fair to MMI's shareholders. Ernst & Young has been appointed by MMI as an independent expert and is of the opinion that the BEE restructuring is fair. Ernst & Young's opinion is detailed in the circular posted to shareholders today.

2. ODD-LOT OFFER AND VOLUNTARY REPURCHASE OFFER

2.1 Introduction and rationale

Following the merger and the subsequent unbundling by FirstRand Limited ("FirstRand") of its entire shareholding in MMI to FirstRand ordinary shareholders, MMI inherited a large number of minority shareholders, who each hold up to 500 MMI ordinary shares. On Tuesday 8 May 2012, MMI had a total of 31,176 shareholders, of which approximately 4,915 shareholders (15% of all shareholders) held less than 100 MMI ordinary shares ("odd-lot holders") and an additional 12,898 shareholders (41% of all shareholders) held from 100 to 500 MMI ordinary shares ("voluntary holders"). These shareholders hold approximately 2,915,526 MMI ordinary shares in aggregate, which constitutes approximately 0.2% of the total number of MMI ordinary shares in issue.

In order to reduce the substantial and ongoing costs of administration connected with a large number of odd-lot and voluntary holders, and to provide them with a cost effective method of realising their investment in MMI, the Board is proposing the implementation of an odd-lot offer to repurchase the MMI ordinary shares of shareholders holding less than 100 MMI ordinary shares ("odd-lot offer") and a voluntary repurchase offer to repurchase the shares of shareholders holding from 100 to 500 MMI ordinary shares ("voluntary repurchase offer") (collectively, "the offers").

2.2 Terms of the offers

In terms of the odd-lot offer, odd-lot holders are offered the opportunity to:

- sell their odd-lot holdings at the offer price detailed below; or
- retain their odd-lot holdings.

Those odd-lot holders who do not make an election by no later than 17:00 on Friday 20 July 2012 ("record date"), will automatically be regarded as having chosen to sell their odd-lot holdings at the offer price.

In terms of the voluntary repurchase offer, MMI is extending an offer to voluntary holders to sell their entire shareholding at the offer price. Those voluntary holders who do not make an election by no later than 12:00 on the record date will retain their shareholding in MMI.

2.3 Shareholder information line

Minority shareholders are encouraged to carefully read the circular and complete the relevant election form. Any odd-lot or voluntary holder can contact the transfer secretary, Link Market Services South Africa Proprietary Limited on telephone +27 11 713 0894 from Thursday 7 June 2012 to Friday 29 June 2012 between 09:00 and 12:00, excluding weekends and public holidays, for further information.

2.4 Offer price

The offer price will be calculated using the volume weighted average traded price of an MMI ordinary share on the JSE over the 5 trading days commencing on Thursday 28 June 2012 and ending on Wednesday 4 July 2012, plus a 10% premium ("offer price"). The offer price will be announced on SENS on Friday, 6 July 2012 and published in the South African and Namibian press on Monday 9 July 2012.

2.5 Mechanism

- The offers shall be open for acceptance from 09:00 on Thursday 7 June 2012 and will close at 12:00 on Friday 20 July 2012. All shareholders who hold less than 100 MMI ordinary shares at the close of business on the record date are invited to participate in the odd-lot offer, and shareholders who hold from 100 to 500 MMI ordinary shares at the close of business on the record date are invited to participate in the voluntary offer.
- The MMI ordinary shares of those odd-lot holders who do not make an election or who choose to receive the offer price will be repurchased by MMI. Any such repurchase will be regarded as an acquisition of shares under a specific approval in terms of the Companies Act, Act 71 of 2008 ("Companies Act") and as a specific repurchase of shares in terms of the JSE Listings Requirements. Shareholders will be required to exercise their votes to approve or not approve the odd-lot offer at the general meeting.
- The MMI ordinary shares of those voluntary holders who choose to receive the offer price will be repurchased by MMI. Any such repurchase will be regarded as an acquisition of shares under a specific approval in terms of the Companies Act and as a specific repurchase of shares in terms of the JSE Listings Requirements. Shareholders will be required to exercise their vote to approve or not approve the voluntary offer at the general meeting.
- Odd-lot holders who do not make an election should note that, subject to the resolutions necessary to implement the offers being passed at the general meeting, their shares will automatically be repurchased by MMI, without any further action on their part and without any further notice to them.
- Voluntary holders who do not make an election will retain their shareholding in MMI.

2.6 Effect on share capital

The maximum number of shares that could potentially be repurchased by MMI if all odd-lot and voluntary holders sell their holdings to MMI will not exceed 2,915,526 shares. As the current issued share capital of MMI (prior to the implementation of the offers) comprises 1,503,985,331 shares as at 31 December 2011, the repurchase of shares in terms of the offers will have no material effect on MMI's issued share capital.

2.7 Specific repurchase of shares and tax consequences thereof for shareholders selling their shares in MMI in terms of the odd-lot offer and voluntary repurchase offer

Below is a high-level summary of the potential tax consequences arising for shareholders who are odd-lot holders and voluntary holders in respect of the disposal of MMI ordinary shares by way of a specific share repurchase by MMI in terms of the offers. The summary of the tax implications serves as a general guide and is not intended to constitute a complete analysis of the tax consequences of the repurchase under South African tax law. It is not intended to be, nor should it be considered to be legal or tax advice. As each shareholder's personal circumstances may lead to a different tax analysis, shareholders should seek appropriate advice in respect of their particular circumstances from their personal tax advisors.

In general, the cash consideration paid by MMI to shareholders pursuant to the specific share repurchase under the offers should constitute a "dividend" in the hands of such MMI shareholders as no portion of the repurchase price will consist of contributed tax capital.

The dividend should constitute an "exempt dividend" as contemplated in section 10(1)(k)(i) of the Income Tax Act (unless one of the specific exclusions apply). The dividend will, however, be subject to the withholding of dividends tax at a rate of 15% (fifteen percent) of the dividend paid to the shareholder, unless a specific exemption from dividends tax applies.

2.8 Financial effects

The table below sets out the unaudited *pro forma* financial effects of the offers on EPS, HEPS, NAV and TNAV per share assuming that the odd lot and voluntary repurchase offers took place to their full extent for purposes of the income statement for the six-month period started 1 July 2011 and ended 31 December 2011 and as at 31 December 2011 for purposes of the statement of financial position.

The unaudited *pro forma* financial effects are the responsibility of the directors of MMI and have been prepared for illustrative purposes only to provide information about how the offers may have impacted shareholders on the relevant reporting date and because of its nature may not give a fair reflection of the group's financial position, changes in equity, results of operations or cash flows after implementation of the offers or of the group's future earnings. The unaudited *pro forma* financial effects have been prepared using accounting policies that are consistent with International Financial Reporting Standards ("IFRS") and in accordance with the accounting policies adopted by MMI.

	Before the offers	Pro forma after the offers	% Movement
EPS (cents)	54	54	0.00
HEPS (cents)	54	54	0.00
NAV per share (cents)	1,532	1,531	-0.07
TNAV per share (cents)	730	728	-0.27
Weighted average number of shares in issue (millions)	1,489	1,486	-0.20

Notes:

- Assuming a maximum number of 2,915,526 MMI ordinary shares are repurchased in terms of the offers, the financial cost is expected to be R56 million.
- All odd-lot offer shareholders and all voluntary holders are assumed to sell their odd-lot holdings (less than 100 shares) to MMI at the offer price, totalling R3 million.
- The offer price assumed for *pro forma* purposes is R19.07. The impact of the offers results in a loss of interest income of R1 million on an assumed 5% interest rate (based on MMI's actual average interest rate earned on cash during the six months from 1 July to 31 December 2011) before tax (tax impact is negligible) and a reduction of 3 million in the weighted average number of shares.

2.9 Conditions precedent

Subject to:

- the requirements of section 48 (read with section 46) of the Companies Act,
- to the special resolution authorising the specific repurchase in terms of the offers and the ordinary resolution authorising the directors to make and implement the odd-lot offer and the voluntary repurchase offer being passed by shareholders at the general meeting, and
- the lodgement of the relevant special resolutions with the Companies and Intellectual Property Commission,

all MMI ordinary shares sold by odd-lot holders and voluntary holders in terms of the offers will be repurchased by MMI as a specific share repurchase in terms of section 48 (read with section 46) of the Companies Act and the provisions of the JSE Listings Requirements.

3. POSTING OF CIRCULAR AND NOTICE OF GENERAL MEETING

Shareholders are advised that in accordance with the JSE Listings Requirements, a circular incorporating a notice of a general meeting of shareholders has been dispatched to shareholders today, Friday 18 May 2012, containing full details of the BEE restructuring and the offers. This Circular is also available on the MMI website.

The general meeting is convened to be held at MMI's offices, 268 West Avenue, Centurion, on Monday 18 June 2012 at 12:00 for the purpose of obtaining the necessary approvals required to give effect to the proposed BEE restructuring and the offers.

4. SALIENT DATES AND TIMES

The salient dates and times in respect of the BEE restructuring and the offers are as follows:

	2012
Post circular	Friday 18 May
Last day to trade in order to be eligible to attend and vote at the general meeting	Friday 1 June
Offers open at 09:00	Thursday 7 June
Record date to determine which shareholders are entitled to attend and vote at the general meeting	Friday 8 June
Proxy forms for the general meeting of shareholders to be received by transfer secretaries by 12:00 (see note 3)	Thursday 14 June
General meeting of shareholders to be held at MMI's registered offices at 12:00	Monday 18 June
Results of the general meeting released on SENS	Monday 18 June
Results of the general meeting published in the press	Tuesday 19 June
Fulfillment of conditions precedent and finalisation of the offer price announcement (including the final offer price) released on SENS	Friday 6 July
Offer price announced in press	Monday 9 July
Last day to trade in order to participate in the offer	Friday 13 July
Shareholders who purchase shares on or after this date will not be eligible to participate in offers	Friday 13 July
Shares trade "ex" the offers	Monday 16 July
Forms of election and surrender for the offers to be received by transfer secretaries by 12:00	Friday 20 July
Offers close at 12:00	Friday 20 July
Record date to determine those shareholders entitled to participate in the offers at the close of business	Friday 20 July
Implementation of the offers takes effect after close of business	Monday 23 July
Odd-lot holders and voluntary holders with dematerialised shares will have their accounts held at their CSDP or broker updated with their new holding and credited with the offer price	Monday 23 July
Payments of the offer price to odd-lot holders and voluntary holders with certificated shares in respect of their sale shares	Monday 23 July
Results of the offers released on SENS	Monday 23 July
Results of the offers published in the press	Tuesday 24 July

Notes:

- These dates and times are subject to change and are indicated in South African local time. Any material changes will be published on SENS and in the press in South Africa and Namibia.
- Share certificated may not be dematerialised or rematerialised between Monday 16 July 2012 and Friday 20 July 2012, both days inclusive.
- Any proxies not lodged by this time must be handed to the company secretary/Link Market Services or to the person designated by the chairman in the alternate venue to be used for electronic participation in the general meeting, if any, immediately prior to the general meeting.

Centurion
18 May 2012

Merchant bank, transaction sponsor and debt advisor to MMI



Independent reporting accountants



KTH



Legal advisor to MMI



Legal advisor to KTH



Transaction and debt advisors to KTH



Independent sponsor to MMI



Independent expert

