FirstRand Limited
(Incorporated in the Republic of South Africa)
(Registration number 1966/010753/06)
Share code: FSR ISIN: ZAE000066304
("FirstRand")

Metropolitan Holdings Limited
(Incorporated in the Republic of South Africa)
(Registration number 2000/031756/06)
Share code: MET ISIN: ZAE000050456
("Metropolitan")

Momentum Group Limited
(Incorporated in the Republic of South Africa)
(Registration number 1904/002186/06)
("Momentum")

Detailed terms announcement in relation to the merger of Momentum and Metropolitan, the subsequent unbundling by FirstRand of its shares in Metropolitan, the specific repurchase of shares by Metropolitan and the withdrawal of cautionary announcement

1. Introduction

FirstRand and Metropolitan shareholders are referred to the announcement released on SENS on 31 March 2010 wherein shareholders were advised that FirstRand, Metropolitan and Momentum (the "Parties") had reached agreement on the proposed merger of Metropolitan and Momentum (the "Merger"), and to the further cautionary announcements released on SENS on 17 May 2010, 15 June 2010 and 2 August 2010.

The Merger will create a leading insurance-based financial services group that will significantly expand the product offerings, target markets and growth prospects of Momentum and Metropolitan in South Africa and elsewhere in Africa. Following the implementation of the Merger, FirstRand will unbundle its entire shareholding in Metropolitan to its ordinary shareholders (the "Unbundling"). The Merger and the Unbundling are collectively hereinafter referred to as the "Transaction".

FirstRand and Metropolitan shareholders are advised that the reciprocal due diligence processes have been completed to the satisfaction of the Parties and the salient terms of the Transaction are set out in this announcement. Circulars containing the details of the Transaction will be posted to FirstRand and Metropolitan shareholders on or about Friday, 3 September 2010.

A general meeting of Metropolitan shareholders will be convened to be held at 10:00 on Tuesday, 28 September 2010 in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town to consider and, if deemed fit, pass, *inter alia*, the resolutions required to authorise the implementation of the Merger and the specific repurchase of certain Metropolitan shares. A general meeting of FirstRand ordinary shareholders will be convened to be held at 11:00 on Tuesday, 28 September 2010 in the RMB Auditorium, 1 Merchant Place, Fredman Drive, Sandton to consider and, if deemed fit, pass, *inter alia*, the resolutions required to authorise the implementation of the Unbundling.

2. Transaction mechanism

The Merger will be implemented by FirstRand selling the entire issued ordinary share capital of Momentum to Metropolitan, in consideration for which Metropolitan will issue new Metropolitan ordinary shares to FirstRand ("Metropolitan Consideration Shares"). Following the implementation of the Merger, FirstRand will proceed with the Unbundling. FirstRand has irrevocably undertaken not to vote or dispose of the Metropolitan Consideration Shares prior to the Unbundling.

3. Rationale for the Merger

Momentum and Metropolitan operate in different target markets, with Momentum's key area of focus being the upper-income market segment and Metropolitan focusing predominantly on the low to middle-income markets segments. This difference is especially noticeable in the retail sector of each business. The Parties believe that significant value can be realised for FirstRand and Metropolitan shareholders, clients, staff and other stakeholders as a result of the Merger for, *inter alia*, the following reasons:

- the combination of Momentum and Metropolitan will expand the merged entity's target markets and create a leading, competitive, insurance-based financial services group with businesses in life insurance (upper, middle and low-income groups), healthcare administration, asset management, short-term insurance and employee benefits, both locally and elsewhere in Africa;
- the merged entity will benefit from enhanced growth opportunities, revenue synergies and economies of scale through the combination of complementary target markets and resources;
- cross-selling of insurance-based financial products and loyalty programmes into the large combined retail and group client bases of Momentum and Metropolitan;
- capital efficiencies through the further diversification of risks as part of an ongoing capital management programme;
- with its enlarged footprint the merged entity will be well positioned to expand its activities outside of South Africa; and
- the merged entity will have a material black empowerment shareholding.

The merged entity, which will have a substantial free float, will be listed in the Long-term Insurance Sector of the JSE Limited (the "JSE"). It will also have a secondary listing on the Namibian Stock Exchange (the "NSX").

4. Name of the merged entity

Metropolitan, which is the entity listed on the JSE and the NSX, will be renamed MMI Holdings Limited with effect from the date of implementation of the Transaction. This new name will only apply to the listed entity and the established and well-recognised brands of Metropolitan and Momentum will continue to be used at the appropriate business and client levels. The merged entity will retain an operational footprint throughout South Africa and Africa, including the Centurion and Cape Town based centres.

5. Rationale for the Unbundling

FirstRand's strategic intention is to be the leading financial services group in Africa. It owns an extensive portfolio of established financial services brands in South Africa and these, combined with its accelerating African expansion plans and Asian corridor strategy, are expected to deliver superior returns to shareholders.

In considering whether to proceed with the Unbundling, FirstRand evaluated the consequences of retaining ownership of the Metropolitan Consideration Shares within the FirstRand Group and decided that the interests of the shareholders and other stakeholders of both FirstRand and the merged entity would be best served through an unbundling, as this will:

- unlock value for FirstRand shareholders;
- ensure a substantial free float in the merged entity's shares; and
- create an appropriate public profile for the merged entity.

FirstRand remains committed to growing its operations across all the profit pools associated with lending, transactional and savings products and services. It will continue to pursue the synergistic benefits that exist between banking, insurance and asset management activities with the merged entity, particularly given the success of FNB Insurance and the significant growth opportunities for the merged entity. FirstRand's future relationship with the merged entity has been formalised through a strategic relationship agreement.

6. Specific repurchase of Metropolitan shares

6 511 200 Metropolitan shares are held by the Metropolitan Staff Share Purchase Trust and a further 3 528 400 Metropolitan shares by the Metropolitan Share Incentive Trust (the "Trusts"). These shares have not been allocated to participants in the two schemes and both schemes were closed for new allocations in 2005. Accordingly, Metropolitan will repurchase these unallocated shares from the Trusts (the "Specific Repurchase"), subject to the passing and registration by the Registrar of Companies (the "Registrar") of the requisite special resolution by Metropolitan shareholders at the general meeting on Tuesday, 28 September 2010, for the sum of R169 167 260 equal to R16.85 per share, which is the volume weighted average share price of a Metropolitan share traded on the JSE over a period of 30 business days prior to 25 August 2010. Following the registration of the relevant special resolution by the Registrar, the shares will be acquired and cancelled as issued shares and restored to the status of unissued authorised shares forthwith.

The Specific Repurchase will have no financial effect on Metropolitan or its shareholders, save for a decrease in the diluted number of Metropolitan shares, as the Trusts are consolidated and provision has been made for the taxation consequences of the Specific Repurchase. Further details regarding the Specific Repurchase will be included in the circular to be posted by Metropolitan to its shareholders on or about Friday, 3 September 2010.

Subsequent to the Specific Repurchase and until 31 December 2010, a maximum of 3 155 600 Metropolitan shares that may be acquired by the Metropolitan Staff Share Purchase Trust and a maximum of 100 200 Metropolitan shares that may be acquired by the Metropolitan Share Incentive Trust (together the "Remaining Shares"), will be repurchased by Metropolitan from the Trusts on 30 December 2010. The repurchase of the Remaining Shares is subject to the passing of the requisite special resolution by Metropolitan shareholders at the general meeting on Tuesday, 28 September 2010. The Remaining Shares will be acquired at a price of R16.85 per share, which is the volume weighted average share price of a Metropolitan share traded on the JSE over a period of 30 business days prior to 25 August 2010. Following the registration of the relevant special resolution by the Registrar, the shares will be acquired and cancelled as issued shares and restored to the status of unissued authorised shares forthwith.

7. Merger consideration

The exchange ratio was agreed following completion of the due diligence investigations, to reflect a consistent Embedded Value valuation methodology.

Accordingly, in terms of the adjusted merger exchange ratio, Metropolitan will issue 951 496 294 Metropolitan Consideration Shares to FirstRand in consideration for the entire issued ordinary share capital of Momentum. Following implementation of the Transaction, FirstRand ordinary shareholders will hold 59.3% and current Metropolitan shareholders 40.7% of the issued share capital of the merged entity.

8. Unbundling ratio

Based on the merger exchange ratio (as set out above in paragraph 7), FirstRand ordinary shareholders can expect to receive 16.9 shares in the merged entity for every 100 ordinary shares held in FirstRand.

9. Board and CEO of the merged entity

The board of the merged entity will be reconstituted following the implementation of the Transaction to include nominees of FirstRand, Metropolitan and Momentum. The Parties have agreed to nominate Laurie Dippenaar as the first chairman and JJ Njeke as the deputy chairman of the merged entity. The appointment of Messrs Dippenaar and Njeke will be for one year, after which they will step down from these positions. The parties have also agreed to appoint Nicolaas Kruger as the group chief executive officer and Wilhelm van Zyl as the deputy group chief executive officer. Preston Speckmann will remain the group finance director and Morris Mthombeni will be appointed as an additional executive director. Johan Burger, Blignault Gouws, Paul Harris, Fatima Jakoet, Joyce Matlala, Jabu Moleketi, Syd Muller, John Newbury, Sizwe Nxasana, Khehla Shubane, Frans Truter, Ben van der Ross, Johan van Reenen and Mary Vilakazi have been nominated as non-executive board members of the merged entity.

10. Unaudited *pro forma* financial information

10.1. FirstRand

The table below sets out the unaudited *pro forma* financial effects of the Transaction on FirstRand for the six months ended 31 December 2009. These *pro forma* financial effects have been prepared for illustrative purposes only and, because of their nature, may not fairly present FirstRand's financial position, changes in equity, and results of operations or cash flows. The *pro forma* financial information below is the responsibility of the directors of FirstRand.

	FirstRand before the Transaction	Unaudited adjusted FirstRand after the Transaction	Change (%)
Earnings (R million)	4 520	13 245	
Headline earnings (R million)	4 492	3 898	
Normalised earnings (R million) (1)	4 605	3 962	
Earnings per share (cents)	86.1	250.8	191
Fully diluted earnings per share (cents)	85.8	250.1	191
Headline earnings per share (cents)	85.5	73.8	(14)
Fully diluted headline earnings per share (cents)	85.3	73.6	(14)
Normalised earnings per share (cents) (1)	81.7	70.3	(14)
Fully diluted normalised earnings per share (cents) (1)	81.7	70.3	(14)
Net asset value per share (cents)	948	805	(15)

Tangible net asset value per share (cents)	841	756	(10)
Number of shares in issue after treasury shares (million)	5 263	5 292	
Weighted average number of shares in issue (million)	5 252	5 282	
Diluted weighted average number of shares in issue (million)	5 267	5 297	

Notes:

1. Normalised earnings are a measure of performance that has been used by FirstRand historically in addition to earnings and headline earnings as it is seen by the directors of FirstRand as an appropriate measure. Normalised earnings are derived at by adjusting headline earnings to take into account non operational and accounting anomalies. Normalised earnings are a FirstRand developed performance measurement and is therefore not governed by IFRS.

Assumptions

- The unaudited *pro forma* financial effects are based on the published unaudited financial information of FirstRand for the six month period ended 31 December 2009 and are based on the accounting policies adopted by FirstRand, which are in accordance with IFRS.
- The financial impact on the earnings of FirstRand is illustrated as if the Transaction was implemented on 1 July 2009, and the impact on the net assets of FirstRand is calculated as if the Transaction was implemented on 31 December 2009.
- Net tangible asset value is the net asset value less goodwill and other intangible assets.
- Historically Momentum's financial information was consolidated into FirstRand's financial information. The impact of the Transaction on the unaudited *pro forma* income statement represents the reversal of Momentum's attributable portion to FirstRand's earnings for the six months ended 31 December 2009 and the recognition of a profit on the Unbundling, which is effected at fair value. The impact of the Transaction on the statement of financial position represents the elimination of Momentum's net asset value impact on the FirstRand consolidated statement of financial position as at 31 December 2009.
- The profit on the Unbundling referred to above is non-recurring and is calculated at R9 314 million. This profit has been calculated with reference to the fair value of the Metropolitan Consideration Shares, based on a Momentum embedded value of R17 220 million (adjusted for the value attributable to FNB Life of R615 million), received less the historic carrying value of Momentum of R7 906 million. The actual profit made on the distribution of Momentum will be calculated on the effective date of the Transaction.
- The treatment of the FirstRand shares held by Momentum policyholders as treasury shares, is reversed and impacts the number of FirstRand shares in issue used to calculate the financial effect.
- FirstRand will receive 90% of the earnings of FNB Life in terms of the merger agreement. For purposes of the unaudited *pro forma* adjustments, this amount has been treated as non interest income, given that the legal mechanism is yet to be finalised which results in a R191 million (after income tax of 28%), adjustment to earnings, based on the actual earnings of FNB Life for the six months ended 31 December 2009. There is no adjustment for any interest received as the non interest income is assumed to be received at the end of the six months.

- Total estimated transaction costs to be incurred by FirstRand (excluding costs incurred by Momentum) amount to R11 million and are non-recurring. Of the total costs, external costs of R5 million impact the consolidated earnings of FirstRand. R6 million are internal costs and are eliminated on consolidation. The impact of the net cash outflow on interest costs is immaterial.

10.2. Metropolitan

The table below sets out the unaudited *pro forma* financial effects of the Merger on Metropolitan for the financial year ended 31 December 2009. These *pro forma* financial effects have been prepared for illustrative purposes only and, because of their nature, may not fairly present Metropolitan's financial position, changes in equity and results of operations or cash flows. The *pro forma* financial information below is the responsibility of the directors of Metropolitan.

	Audited unadjusted Metropolitan before the Merger and Specific Repurchase	Unaudited adjusted Metropolitan after the Merger and Specific Repurchase	% change
Earnings (R million)	1 129	1 846	
Diluted earnings (R million)	1 247	1 964	
Headline earnings (R million)	1 190	1 976	
Diluted headline earnings (R million)	1 308	2 094	
Core headline earnings (R million) (1)	816	2 051	
Diluted core headline earnings (R million) (1)	934	2 184	
Earnings per share (cents)	214	126	(41)
Diluted earnings per share (cents)	188	123	(35)
Headline earnings per share (cents)	225	134	(40)
Diluted headline earnings per share (cents)	197	131	(34)
Core headline earnings per share (cents) (1)	154	140	(9)
Diluted core headline earnings per share (cents) (1)	141	137	(3)
Net asset value per share (cents)	1 207	1 394	15
Tangible net asset value per share (cents)	1 122	588	(48)
Diluted embedded value per share (cents)	1 811	1 831	1
Number of ordinary shares in issue (million)	548	1 489	
Diluted number of shares in issue (million) (2)	663	1 594	
Weighted average number of ordinary shares in issue (million)	529	1 470	
Diluted weighted average number of shares in issue (million) (2)	663	1 594	

Notes:

1. Core headline earnings are a measure of the performance that has been used by Metropolitan historically in addition to earnings and headline earnings as it is seen by the directors of Metropolitan as an appropriate measure. Core headline earnings eliminate items of both a once-off and an inherently volatile nature, such as changes to the valuation basis, investment variances, capital appreciation/depreciation and the amortisation of any intangible assets recognised due to business combinations.
2. Includes the conversion of 100 081 139 preference shares held by KTI Trust Investments (Proprietary) Limited.

Assumptions

- Intangible assets have been recognised as a result of the preliminary purchase price allocation performed on Metropolitan in terms of IFRS 3 (Revised) – Business combinations. Additional amortisation relating to these intangible assets has been recognised in the *pro forma* financial information and consists of value of business acquired (R210 million), customer relations, being the value of in-force of Metropolitan Health Group and Metropolitan Asset Management (R103 million) and other intangible assets (R57 million); totalling R370 million. The following table demonstrates the impact of the additional amortisation of the intangible assets recognised as a result of the Transaction:

	Before the Merger and Specific Repurchase	Additional amortisation of intangible assets	% change
Earnings per share (cents)	214	(25)	(12%)
Diluted earnings per share (cents)	188	(23)	(12%)
Headline earnings per share (cents)	225	(25)	(11%)
Diluted headline earnings per share (cents)	197	(23)	(12%)

  There is no impact on core and diluted core headline earnings as these already exclude the impact of amortisation of any intangible assets recognised due to business combinations.
- The unaudited *pro forma* financial effects are based on the published and audited consolidated financial information of Metropolitan for the year ended 31 December 2009 and the reviewed financial information of Momentum for the 12 months ended 31 December 2009, adjusted for the alignment of accounting policies, which are in accordance with IFRS.
- Embedded value information is based on the published financial information of Metropolitan as at 31 December 2009 and the published financial information of Momentum included in the FirstRand interim results as at 31 December 2009 and is in accordance with the embedded value guidance of the Actuarial Society of South Africa (Practice Guidance Note 107).
- The financial impact on the earnings of Metropolitan is illustrated as if the Merger and Specific Repurchase were implemented on 1 January 2009, and the impact on the net assets and embedded value of Metropolitan is calculated as if the Merger was implemented on 31 December 2009.
- The "Unaudited unadjusted Metropolitan before the Merger and Specific Repurchase" column has been extracted from the published audited annual financial statements of Metropolitan for the year ended 31 December 2009, except for the embedded value, which has been extracted from the published annual report of Metropolitan for the year ended 31 December 2009.

- The “Unaudited adjusted Metropolitan after the Merger and Specific Repurchase” column reflects the *pro forma* financial position after the implementation of the Merger and Specific Repurchase.
- Tangible net asset value is the net asset value less goodwill and other intangible assets.
- The number of shares in issue before the Merger represents the number of shares Metropolitan had in issue at 31 December 2009.
- Metropolitan will be issuing 951 million Metropolitan shares in exchange for shares in Momentum, referred to as the Metropolitan Consideration Shares.
- The Metropolitan shares held by the Metropolitan Staff Share Purchase Trust and the Metropolitan Share Incentive Trust, which have not been allocated to participants, are removed from the diluted number of shares as a result of the Specific Repurchase.
- The Merger has been accounted for as a reverse acquisition under IFRS 3 (Revised) – Business combinations and Momentum is therefore assumed to be the accounting acquirer and Metropolitan the accounting acquiree.
  - Assets, liabilities and shareholders’ equity of Momentum are carried forward into the merged entity at their historic values (after aligning accounting policies to the policies to be adopted by the merged entity).
  - A preliminary purchase price allocation was performed on Metropolitan and the assets and liabilities of Metropolitan are consolidated at their fair values based on the preliminary purchase price allocation.
  - The fair value of the purchase consideration of Metropolitan is considered to be R12 007 million (with reference to Metropolitan’s published embedded value at 31 December 2009) giving rise to the recognition of intangible assets and fair value adjustments to assets and liabilities totalling R5 395 million.
  - A formal valuation of Metropolitan’s assets and liabilities will be performed at the acquisition date. This will impact the eventual fair value and nature of identified assets, intangible assets and the value of the resulting goodwill, if any, as applicable.
- 10 million Metropolitan shares held by Momentum at 31 December 2009 have been treated as treasury shares. The market value at 31 December 2009, dividend income and realised and unrealised gains for the year ended 31 December 2009 relating to these shares have been eliminated.
- Total estimated transaction costs to be incurred amount to R32 million for Metropolitan (accounted for as part of the purchase price allocation as assumed pre-acquisition) and R38 million for Momentum (reducing earnings) and are all non-recurring. The net impact of interest and tax is calculated at R4 million.
- In terms of the merger agreements FirstRand will receive 90% of the earnings of FNB Life in the future. For purposes of the *pro forma* adjustments, this amount has been treated as a R381 million (after income tax of 28%) adjustment to earnings based on the actual earnings of FNB Life for the 12 months ended 31 December 2009. There is no adjustment for any interest expense as the fee is assumed to be paid at the end of the 12 months.
- Embedded value after the Merger and Specific Repurchase has been adjusted for the 90% of the embedded value of FNB Life at 31 December 2009 attributable to FirstRand, transaction costs incurred by Metropolitan and Momentum and accounting policy adjustments made to align the accounting policies to those to be adopted by the merged entity.

11. Conditions to the Transaction

The Merger is subject to the resolutive condition that the Unbundling is implemented within 10 business days following implementation of the Merger. In addition, the Transaction is subject to the fulfilment or, where appropriate, waiver of the following suspensive conditions prior to 28 October 2010, namely:

- approval by Metropolitan shareholders of the requisite resolutions to give effect to the Merger;
- approval by FirstRand ordinary shareholders of the requisite resolutions to give effect to the Unbundling;
- registration by the Registrar of the special resolutions required to give effect to the Transaction;
- approval of the Transaction, to the extent required, by the Registrar of Long-term Insurance, the Registrar of Short-term Insurance, the Registrar of Pension Funds, the South African Reserve Bank and the Competition Tribunal;
- waiver by certain parties of their pre-emptive and/or other change of control rights that may arise from the implementation of the Proposed Transaction; and
- approval by the JSE of the documentation required to give effect to the Transaction and approval by the JSE for the listing of the Metropolitan Consideration Shares.

12. Salient dates and times

	2010
FirstRand circular and Metropolitan revised listing particulars posted to FirstRand shareholders on	Friday, 3 September
Metropolitan circular and revised listing particulars posted to Metropolitan shareholders on	Friday, 3 September
Last day to trade in the ordinary shares of FirstRand and Metropolitan in order to vote at the general meeting of FirstRand and Metropolitan shareholders on	Wednesday, 15 September
Record date to vote at the general meeting of FirstRand and Metropolitan shareholders on	Wednesday, 22 September
Last day to lodge forms of proxy for the general meeting of FirstRand and Metropolitan shareholders by 11:00 and 10:00 respectively on	Thursday, 23 September
General meeting of Metropolitan shareholders to be held at 10:00 in the Auditorium, 7 Parc du Cap, Mispel Road, Bellville, Cape Town	Tuesday, 28 September
General meeting of FirstRand shareholders to be held at 11:00 in the RMB Auditorium, 1 Merchant Place, Fredman Drive, Sandton	Tuesday, 28 September
Results of the general meeting of FirstRand and Metropolitan shareholders released on SENS on	Tuesday, 28 September
Results of the general meeting of FirstRand and Metropolitan shareholders published in the South African and Namibian press on	Wednesday, 29 September

The above dates and times are subject to change. Furthermore, the timing of the completion of the Merger is primarily determined by the decision of the regulatory authorities. Further announcements will be made on SENS and published in the South African and Namibian press once all of the suspensive conditions have been fulfilled, which is expected to be around the end of October 2010, and to inform shareholders of the change of name of Metropolitan.

Metropolitan will release its interim results for the six months ended 30 June 2010 on 1 September 2010 and FirstRand will release its year-end results for the period ended 30 June 2010 on 14 September 2010. The *pro forma* financial information will be recalculated using the updated results for the six-month period to 30 June 2010 for both companies and will be published on SENS and in the South African and Namibian press.

13. Withdrawal of joint cautionary announcement and posting of circulars

FirstRand and Metropolitan shareholders are advised that, as a result of the publication of this announcement, the joint cautionary announcement is now withdrawn and caution is no longer required to be exercised by FirstRand and Metropolitan shareholders when dealing in their respective shares.

Circulars will be posted to FirstRand and Metropolitan shareholders holding certificated shares, as well as to those shareholders holding dematerialised shares, that have elected to receive such documents, on or about Friday, 3 September 2010. FirstRand and Metropolitan shareholders who hold dematerialised shares and have not elected to receive such documents must contact their CSDP or broker in the manner and at times stipulated in the terms of the agreement entered into between such shareholders and their CSDPs or brokers should they wish to receive the relevant documents.

26 August 2010

Merchant bank and sponsor to FirstRand and merchant bank to Momentum
RAND MERCHANT BANK (A division of FirstRand Bank Limited)

Legal advisors to FirstRand and Momentum
Webber Wentzel

Independent sponsor to FirstRand
PricewaterhouseCoopers Corporate Finance

Financial advisors and joint transaction sponsors to Metropolitan
JP Morgan
Fidelis Partners

Joint transaction sponsor to Metropolitan
Merrill Lynch South Africa (Pty) Limited

Legal advisors to Metropolitan
Edward Nathan Sonnenbergs

Sponsor in Namibia to FirstRand and Metropolitan
Simonis Storm Securities (Pty) Limited

Actuaries to the transaction

Deloitte & Touche