



PRESS RELEASE

MUTUAL & FEDERAL ANNOUNCES BEE TRANSACTION

The JSE Securities Exchange South Africa (“The JSE”)-listed short-term insurer Mutual & Federal has announced today (Tuesday, April 19) a black economic empowerment (“BEE”) transaction that will result in the introduction of direct black ownership of 11.00% of the company. The Mutual & Federal Transaction (the Transaction”) is a separate, but inter-dependent transaction which forms part of the Old Mutual Group Transactions. The transaction comprises the following key components:

- Staff and Management – 6.14%,
- Black Business Partners – the WIPHOLD consortium will acquire 3.5% and Mtha-we-Mpumelelo (“Mtha”) will acquire 0.5% in the issued share capital of Mutual & Federal (post the transaction);
- Mutual & Federal Black Broker Trust - will acquire 0.5% of the issued share capital in Mutual & Federal (post the transaction) and will be established to provide or secure finance to black people wishing to develop broker businesses ; and
- Mutual & Federal Community Trust - will be established to provide meaningful benefit to selected community and charitable projects and will acquire 0.5% of the issued share capital in Mutual & Federal, post the transaction.

The transaction will directly benefit a significant number of formerly disadvantaged South Africans through these structures and accelerate the transformation of Mutual & Federal in line with the requirements of the Financial Sector Charter.

WIPHOLD is South Africa's leading women's empowerment group, with investments in stockbroking, asset management, treasury services, telecommunications, leisure and gaming, manufacturing and power and automation. The WIPHOLD consortium includes Sphere Holdings, a new generation empowerment company, comprising of experienced individuals with a proven track record in private equity, investment banking and asset management.

The Mtha consortium includes a new investment vehicle, Chestnut Hill, established for the purpose of the Old Mutual Group transaction, and Izingwe Capital and further includes a broad base of other shareholders including legal and medical practitioner groupings.

The deal, which is valued at R663 million, will reduce the shareholding of Old Mutual plc from the current 88% to 78%.

Mutual & Federal's CEO Bruce Campbell says the deal was several months in gestation and has been structured to satisfy several criteria: "First of all, we decided at the outset that the deal had to be broad-based, by which we mean that the economic benefits of the transaction had to be distributed as broadly as possible to constituencies within South Africa.

Secondly, we wanted to ensure that our Black Business Partners introduced measurable value to our group. Additionally, the deal had to be sustainable and make economic sense to the parties involved."

Campbell adds that the Black Business Partners will assist in transforming Mutual & Federal in a variety of ways: "WIPHOLD has a recruiting arm that will assist us in defining and implementing our human resources strategy by giving us access to a pool of talent, and assisting in the mentoring of people once they're on board. The BEE partners will assist in the drive towards employment equity within the group, and also Black Business Partners raise our profile as a transformed organisation. We are also eager to increase our ability to satisfy the insurance needs of lower income groups, and this is another area where our Black Business Partners will be involved in respect of advice and research. "

A key feature of the Mutual & Federal transaction is that the primary beneficiaries are current and future Mutual & Federal staff. A R7,500 grant in the form of Mutual & Federal shares will be made available to all staff not currently participating in any other employee share scheme. This means that approximately 2,300 of Mutual & Federal's total staff complement of 2,800 will receive shares under the Mutual & Federal Broad-based scheme. These shares will be placed in a trust for the benefit of staff, approximately half of whom are previously disadvantaged. Staff will be entitled to receive dividend payments on the shares from day one and will be entitled to take delivery of the shares after five years.

A Mutual & Federal Senior Black Management Scheme valued at R64 million, reserves 1,08% of the group's equity for senior black management. These shares will be placed in a separate trust and the receipt of dividends and voting rights will accrue from the outset, participants will be entitled to take delivery of one-third of the share entitlement after four years, with the delivery of the full entitlement after six years. This scheme is structured to incentivise senior black managers to contribute positively to the development and transformation of the company.

A third scheme, the Mutual & Federal Management Scheme, similar to the existing management scheme, reserves 4,81% of the group's equity for designated levels of management. While the existing management scheme is based on share options, the new scheme will use a combination of shares and share options. Participants will receive the shares element of the allocation at no cost and enjoy full entitlement from the outset. Options will be allocated according to management performance and will be exercisable from years three to six following allocation.

The Mutual & Federal Transaction is underpinned by an agreement that rewards the Black Business Partners according to predetermined performance targets, focusing on three key areas:

- business development and retention;
- human resources development, and;
- transformation and public relations.

The extent to which the Black Business Partners achieve performance targets determines the funding rate provided by Mutual & Federal.

"Hence, there is a very strong incentive for the Black Business Partners to strive for exceptional performance," says Campbell.

"We are very excited by our transaction and what it means for the Mutual & Federal group in terms of introducing new expertise at board, senior management and other levels," says Campbell. "We believe this opens new opportunities for Mutual & Federal that would not otherwise be available to us. In the process of negotiating this transaction we developed a strong co-operative working relationship with our new Black Business Partners, and managed to achieve a remarkable degree of consensus on the way forward for the group, which will be to the benefit of all stakeholders."

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