



Black Ownership Transaction



FIRSTRAND



Agenda

1. Strategy and partners

GT Ferreira/

Sonja Sebotsa

2. Mechanics

GT Ferreira

3. Financial impact

Johan Burger



1. Ownership strategy and partners



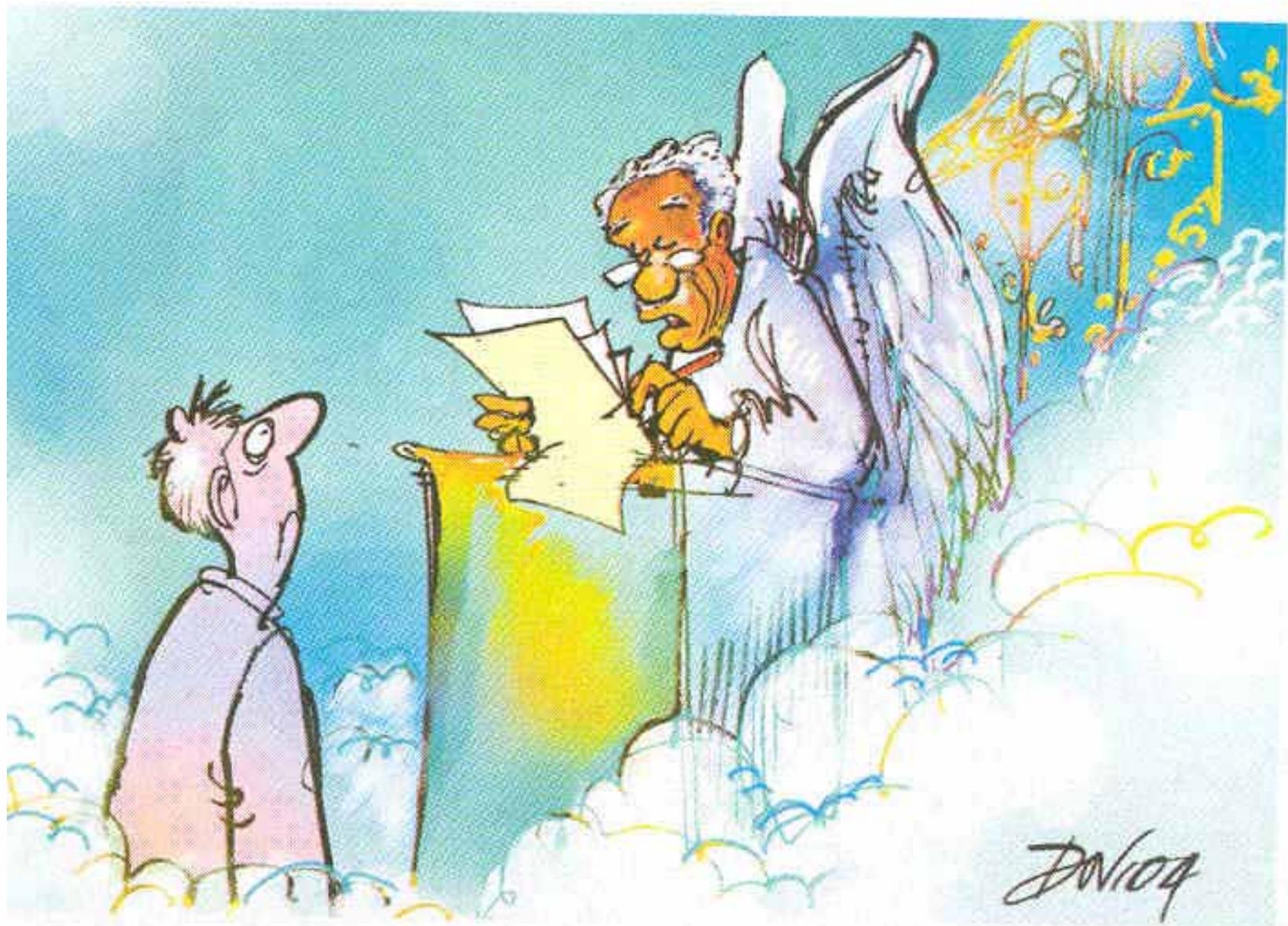
Ownership strategy – the key principles

- Achieve meaningful participation by broad-based BEE groups as well as black staff
- Enable active participation by partners in the Group's business
- Transfer full economic and voting rights of 10% immediately



Ownership strategy – the key principles

- Ensure BEE shareholding until 2014
- Ensure sustainability and resilience of transaction
- Achieve realistic economic cost to existing shareholders
- Achieve compliance with the Charter



"...and your BEE partners are?"



Our partners - ownership of FirstRand



Kagiso Trust	2.00%	1 568
WDB Trust and WDBIH	0.83%	523
Mineworkers Investment Trust and MIC	0.83%	523
Performance allocation	0.74%	586
FirstRand Empowerment Foundation	<u>2.10%</u>	<u>1 651</u>
	6.50%	5 111

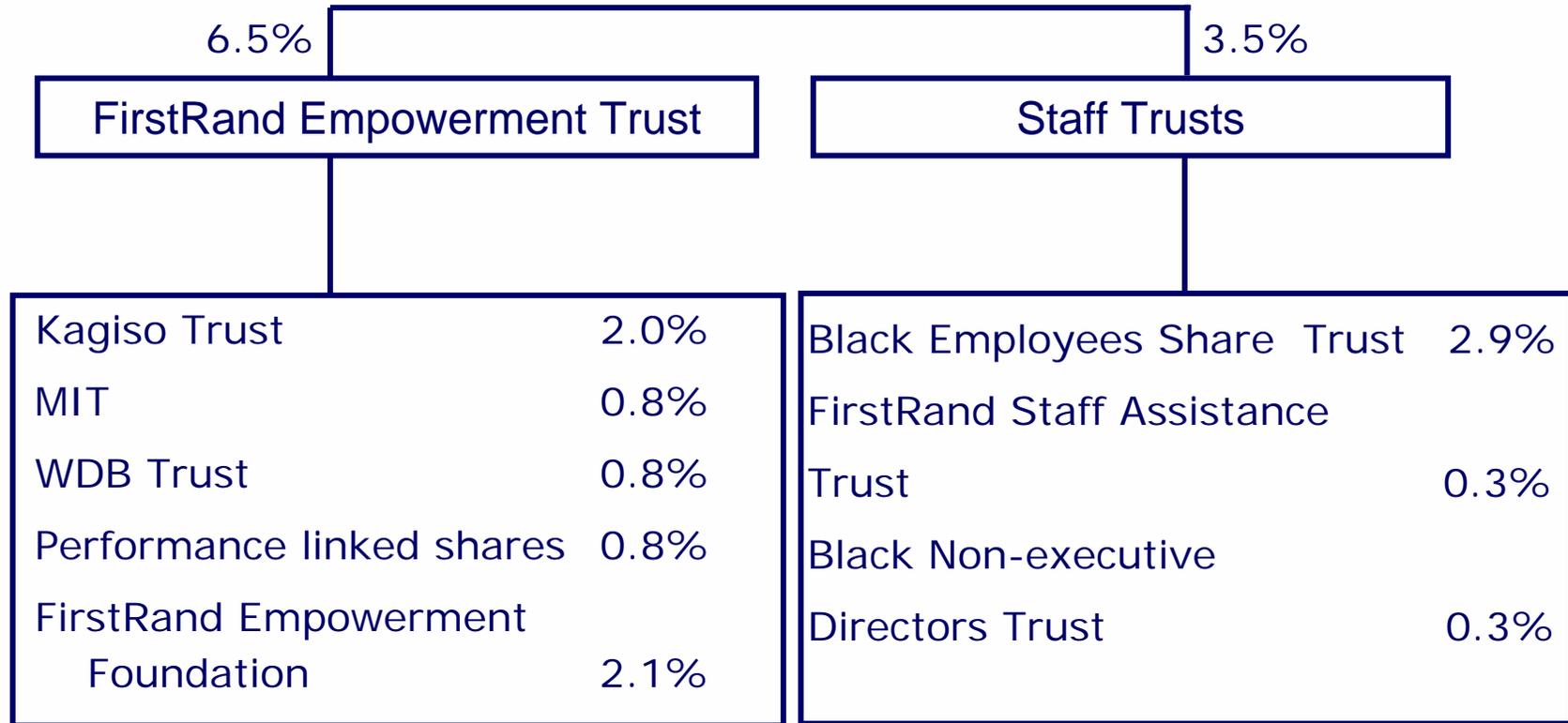


Meaningful participation for staff

- 20m shares to FirstRand Staff Assistance Trust
 - For black employees outside current share schemes
 - Focus on education and healthcare assistance
- 136.4m shares to Black Employee Share Trust
 - Attract and retain key black intellectual capital
 - Incentivise black staff
- 15m shares to black non-executive directors



Black shareholding in FirstRand





Active participation of partners in the Group's business

- Participation in FirstRand and divisional boards
- Partnering in business opportunities
- Spearheading specific business initiatives
 - Micro-finance
 - Banking the unbanked
 - Affordable housing
- Transformation and skills transfer



Performance linked shares

- Direct incentive for BEE partners to contribute
- R600m of shares allocated linked to performance
- ± 6 m shares allocated annually for first 7 years
- Performance criteria set each year in advance
- Determination made by FirstRand non-executive directors



Our partners – key criteria

- Long established track records
- Strong existing relationships between Trusts and FirstRand
- Dividends and benefits will flow to a very broad group of recipients
- Investment companies bring active participation



FirstRand Empowerment Foundation

- New foundation independent of FirstRand and the FirstRand Foundation
- Will form part of FirstRand Empowerment Trust
- Majority of trustees will be black
- All the beneficiaries will be black
- First Chairperson will be a FirstRand black non-executive director



Kagiso – track record & philosophy

- Established 1985 and initially supported by the EU and others
- SA's largest black-led non government development agency
- Focus on:
 - Water and sanitation
 - Education, training, and bursaries
 - Health
 - Small businesses and agriculture
- 20 000 bursaries to the value of R1bn
- Evolved into
 - Development Trust
 - A Commercial Group
- Owns 55% of Kagiso Trust Investments, a successful BEE group





MIT– track record & philosophy

- Founded in 1995 by National Union of Mineworkers (NUM)
- Focus on economic development for social upliftment and delivery of social projects and programmes to
 - mineworkers and ex-mineworkers
 - construction and energy sector workers
 - their dependents and communities
- Owns 100% of MIC, an investment company provide funding for these initiatives through sustainable cash flows
- Grant-making in excess of R62m into micro enterprise development, training and education





WDB – track record & philosophy

- Founded in 1991
- Activities directed at poor rural women
 - Successful group micro finance programme
 - Basic business skills training
 - Computer based literacy programme
 - Micro credit capacity building
- 100% subsidiary WDB Investment Holdings
 - Over R30m repatriated to the Trust from investments





Why FirstRand?

- Long established relationships
- Successful, well managed, ethos
- Entrepreneurial culture
- Leaders in spheres of operation
- Offers platform with exposure to banking, insurance, and asset management
- Willingness to facilitate BEE participation



What we bring

- Cognisant of backdrop of Charter
 - HRD, procurement, enterprise development
 - Access to financial services
 - Empowerment financing
 - Educational awareness
- Bringing relevant experience from other transformatory partnerships eg BP, Bidvest, Primedia
- Business development and networks



Economic benefits to BEE partners

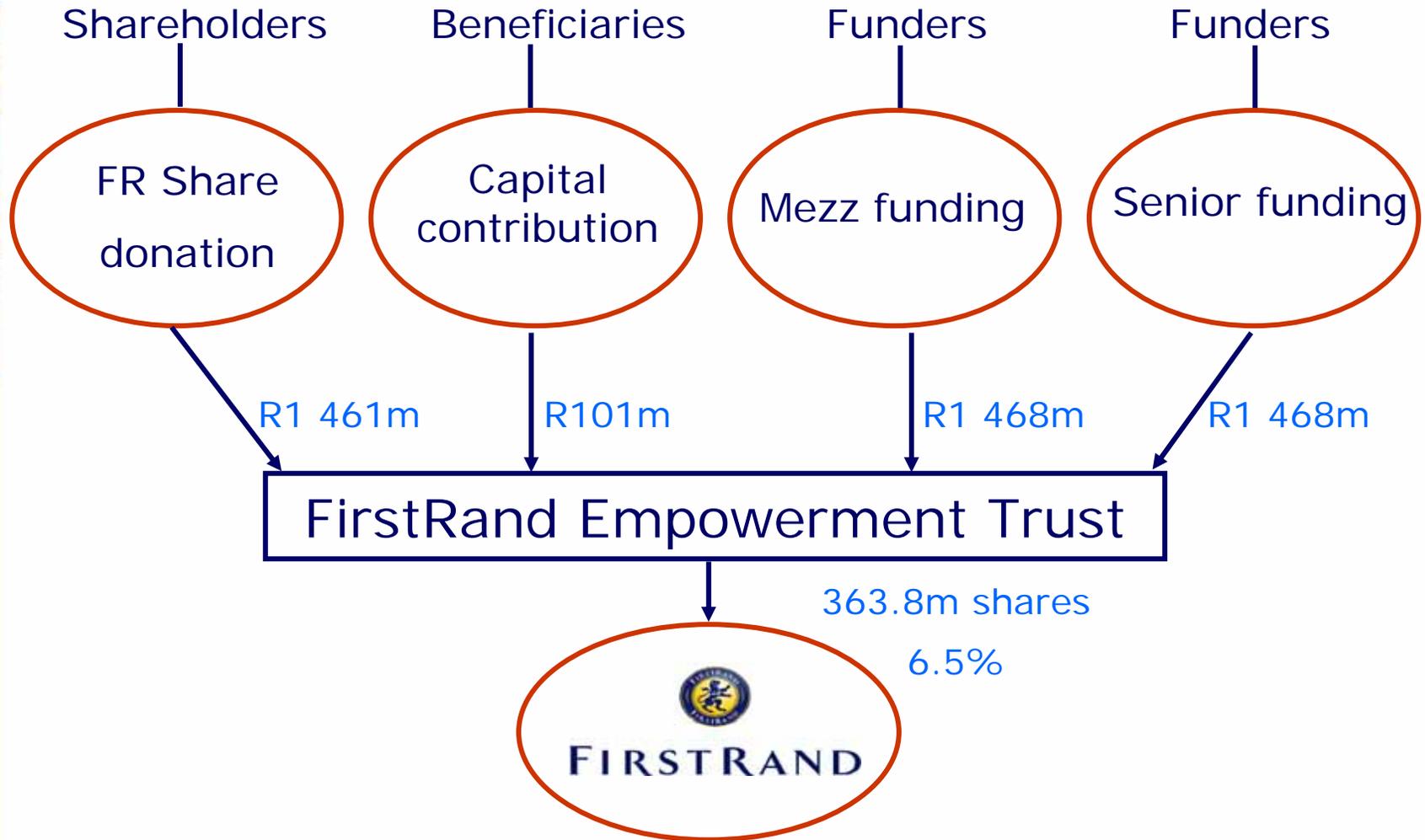
- Beneficiary distribution
 - 3% of dividends during funding period
 - Provides access to cash flows for Trusts for sustainability
- Attractive vesting profile
 - Assuming conservative growth rate of 10% to 2014, vested shares worth approx. R7bn
 - Assuming consensus growth rate of 15% to 2014, vested shares worth approx. R15bn
- Offers considerable future endowment to the four beneficiary trusts



2. Mechanics

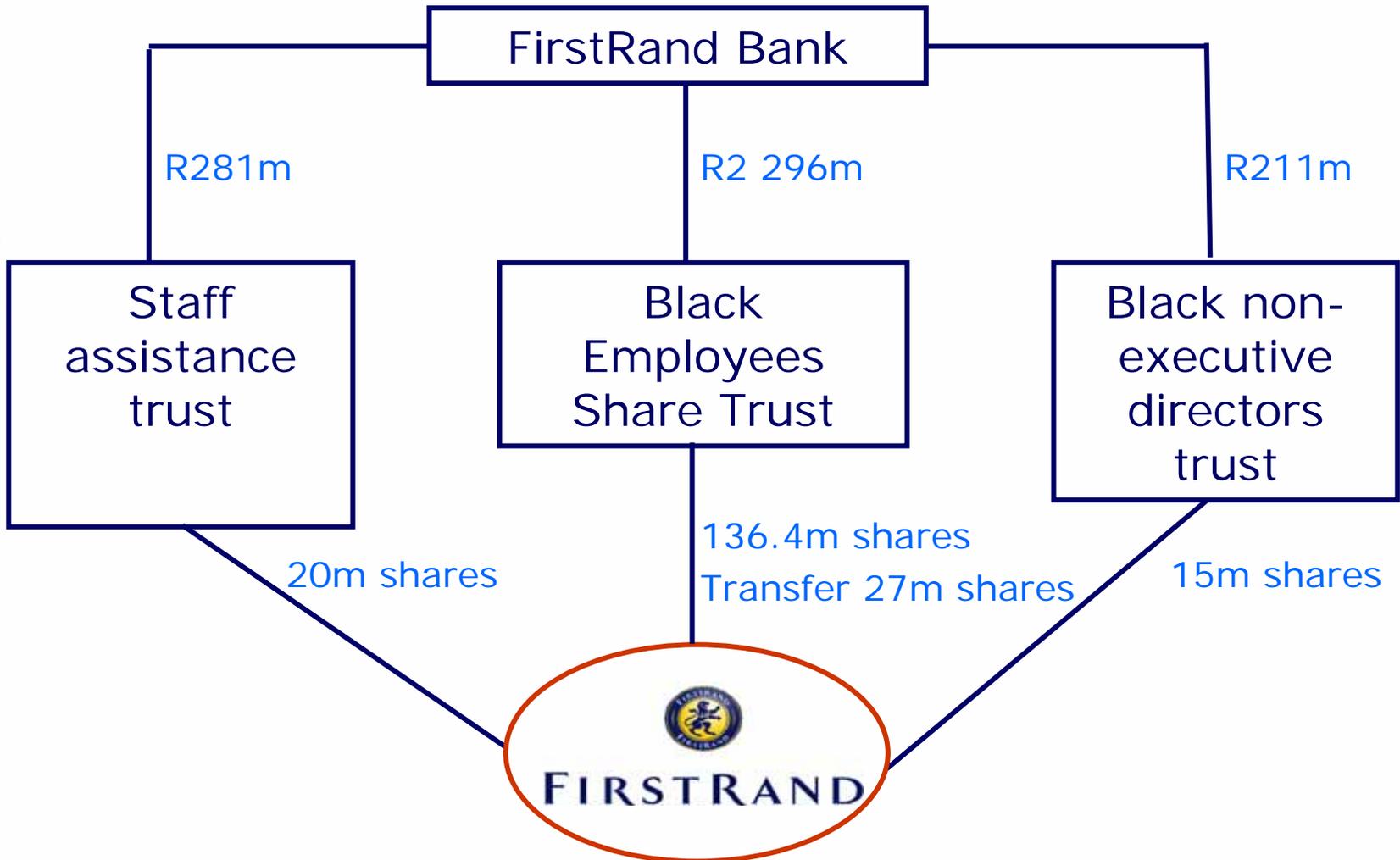


FirstRand Empowerment Trust Structure





Staff trusts





Structure

- Third party BEE component – 6.5%
 - 2.12% shares subscribed for at par – effectively a donation which benefits all BEE partners pro rata
 - 4.38% purchased from existing shareholders
 - Third party funded – 50% mezzanine, 50% senior
 - Initial contribution by BEE partners of 3.3%
- Black Staff component – 3.5%
 - Held by various trusts
 - Funded by FirstRand Bank
 - 0.4% held by incumbent black staff
- Scheme of arrangement to secure shares at R12.28



Third party funding structure



Subordinated funding

1 468

Proparco

IFC

DEG

IDC

PIC

Makalani

Investec Bank Limited

Eskom Pension Fund

Futuregrowth

Senior funding

1 468

Citigroup

Barclays Bank plc, South Africa Branch

Liberty Group Limited

2 936



3. Financial impact



Financial Impact

1. Objectives

- Sustainable structure
- Secure third party funding
- Limit the sterilisation of capital
- Limit the cost to shareholders

2. Impact on earnings and NAV

3. Top 10 shareholders

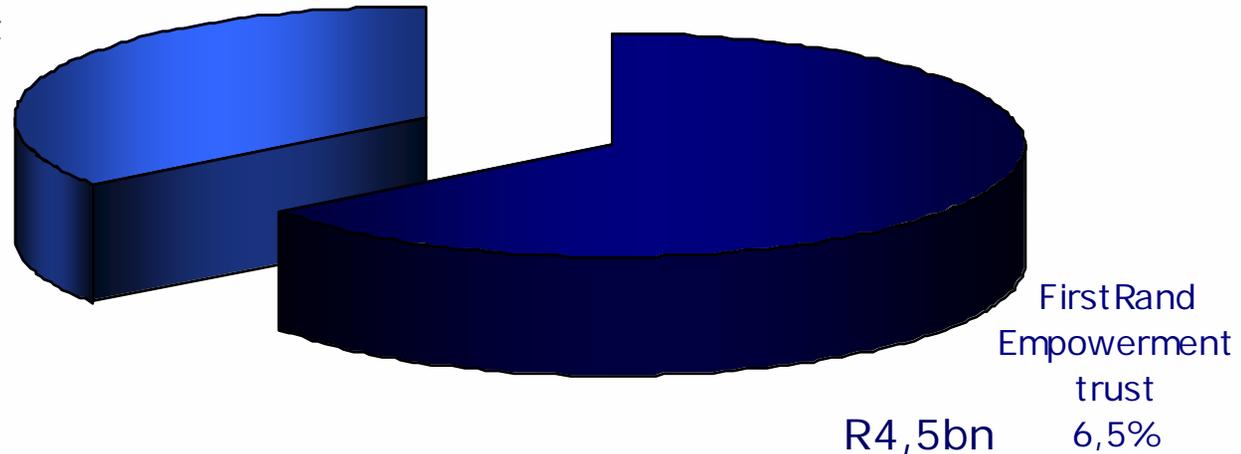


Funding requirement



Black employee
share trust
3,5%

R2,4bn



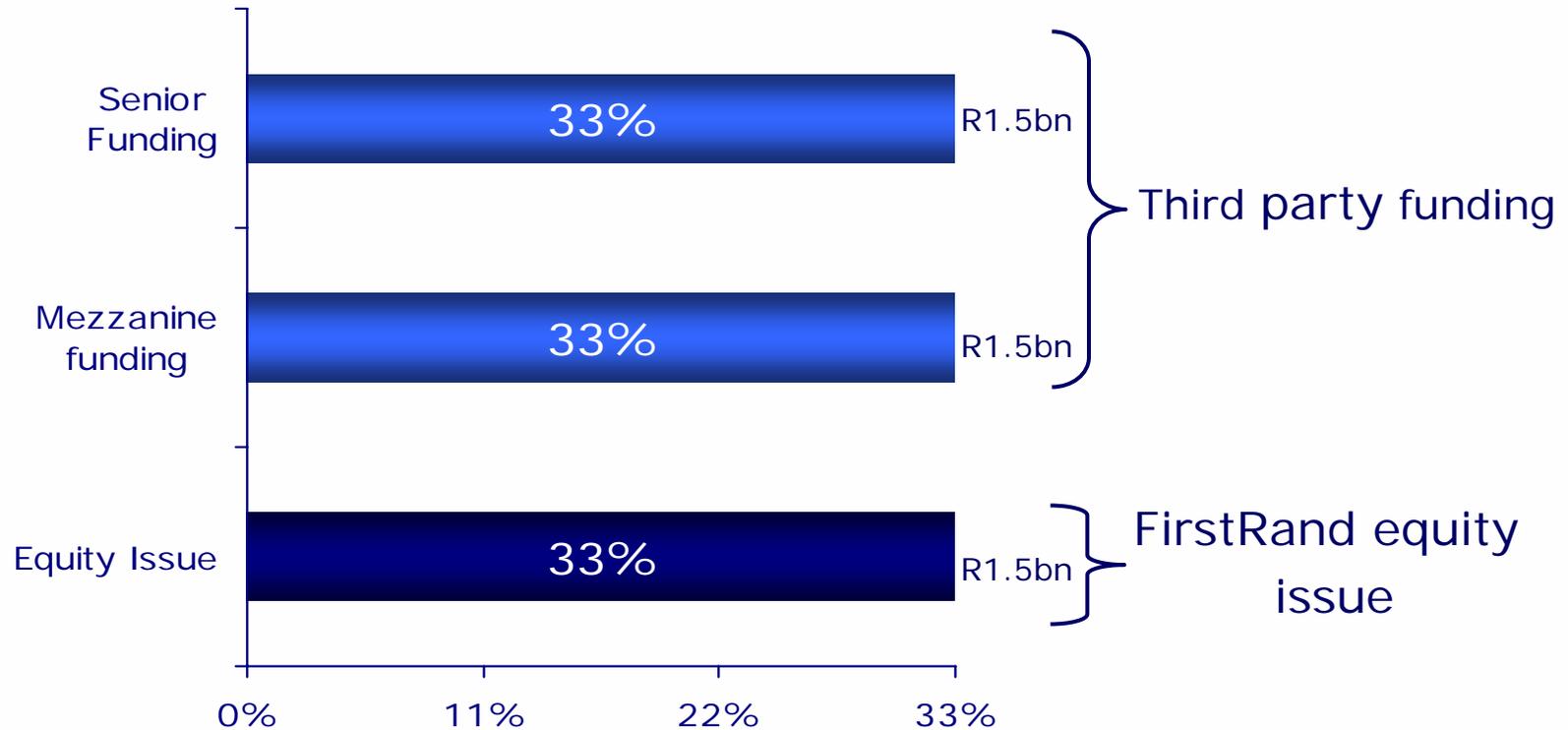
10% Shareholding in FirstRand Limited – R6.9bn



FirstRand empowerment Trust



R4,5bn funding requirement

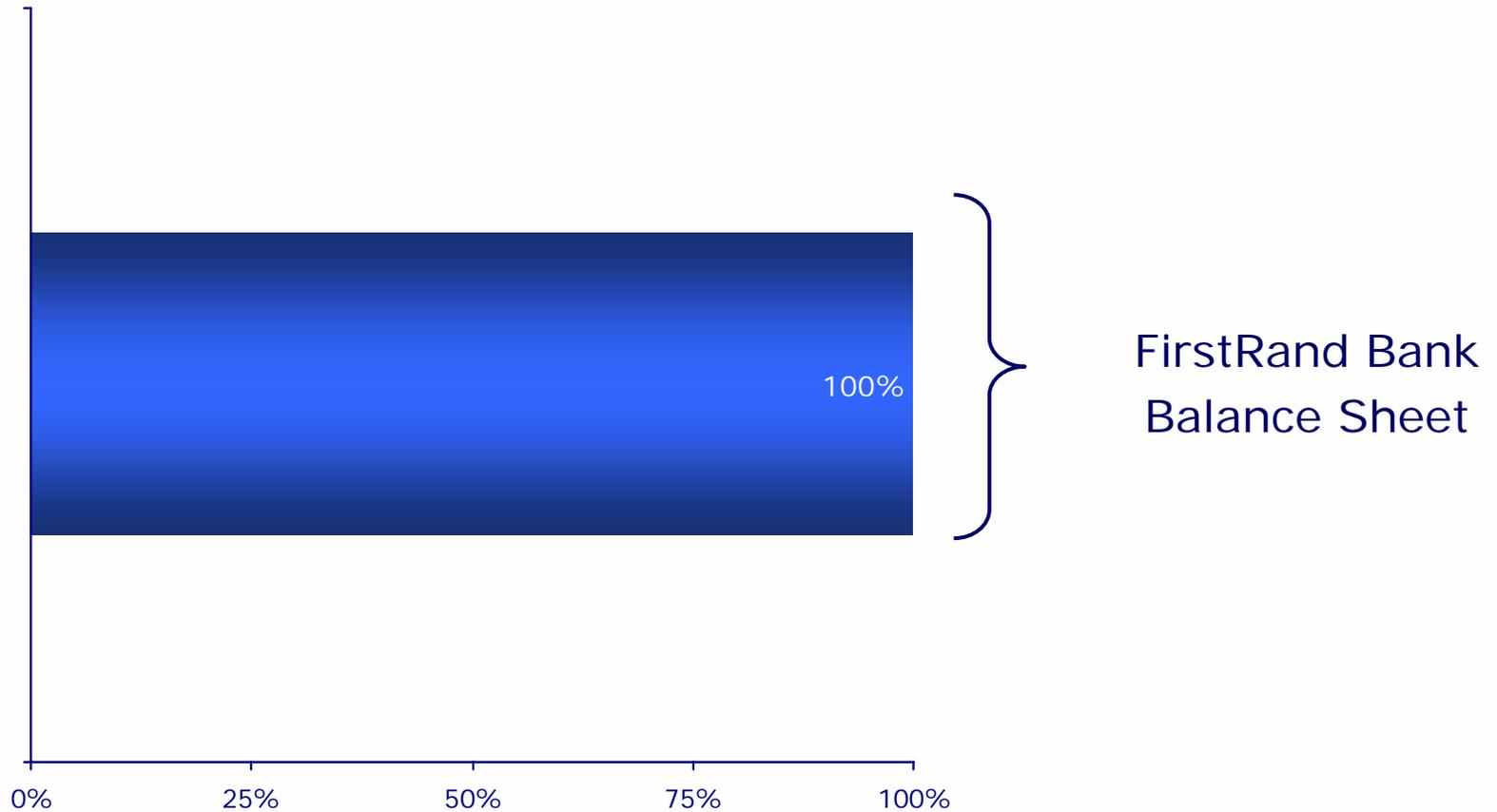


Robust funding structure



Black Employee Share Trust

R2,4bn funding requirement





Limit the sterilisation of capital



Capital position before BEE

	Capital Adequacy
FirstRand Banking Group (June '04)	13,8%
Issue of preference shares (R3,0bn)	1,8%
Capital adequacy after preference shares	15,6%



Capital Implications



	Capital Adequacy
Capital adequacy after preference shares	15,6%
Less:	
FirstRand Empowerment Trust	-
Vendor finance on FirstRand Bank's balance sheet	(1,5%)
Capital adequacy after BEE transaction	<u>14,1%</u>

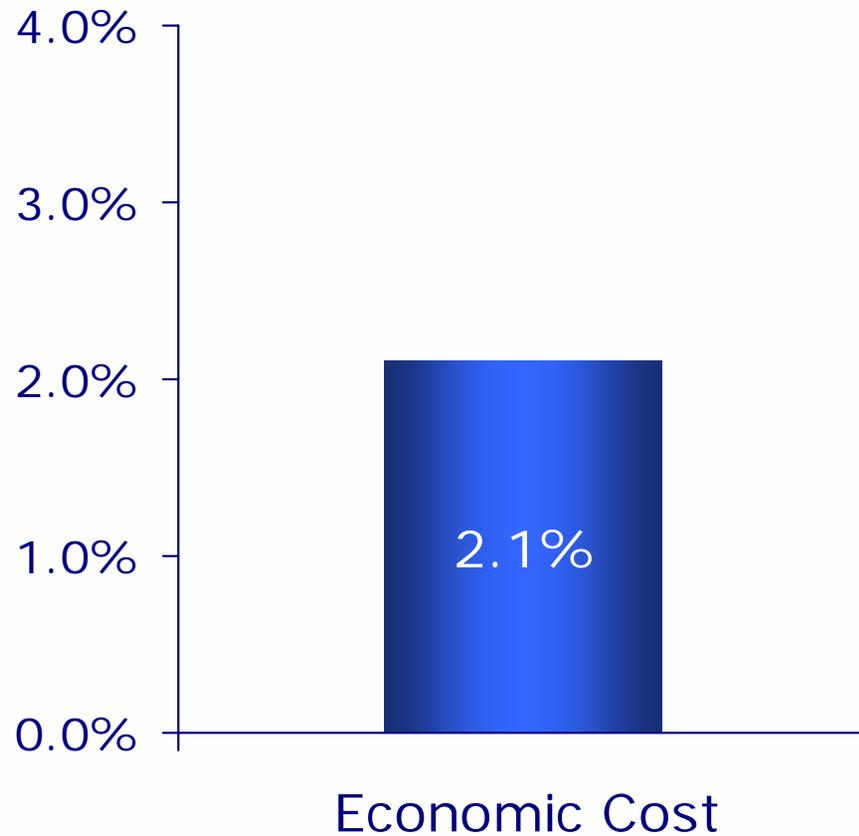
Only a portion of surplus capital sterilised



Limited cost to
shareholders



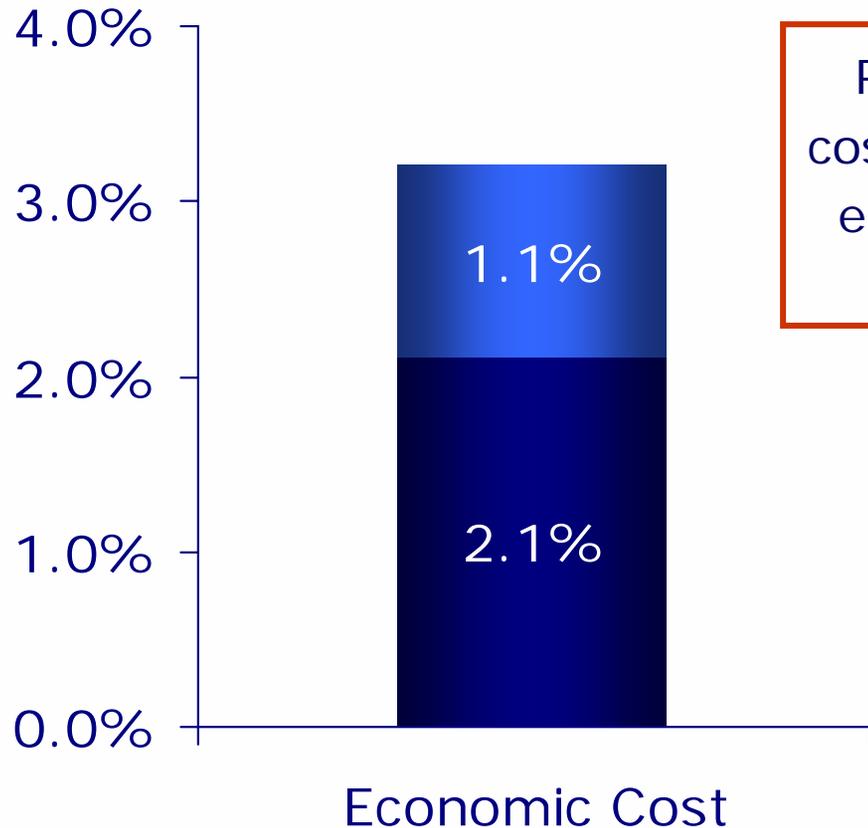
Economic cost as % of Market Capitalisation



Dilution of the share issue of 119 million shares



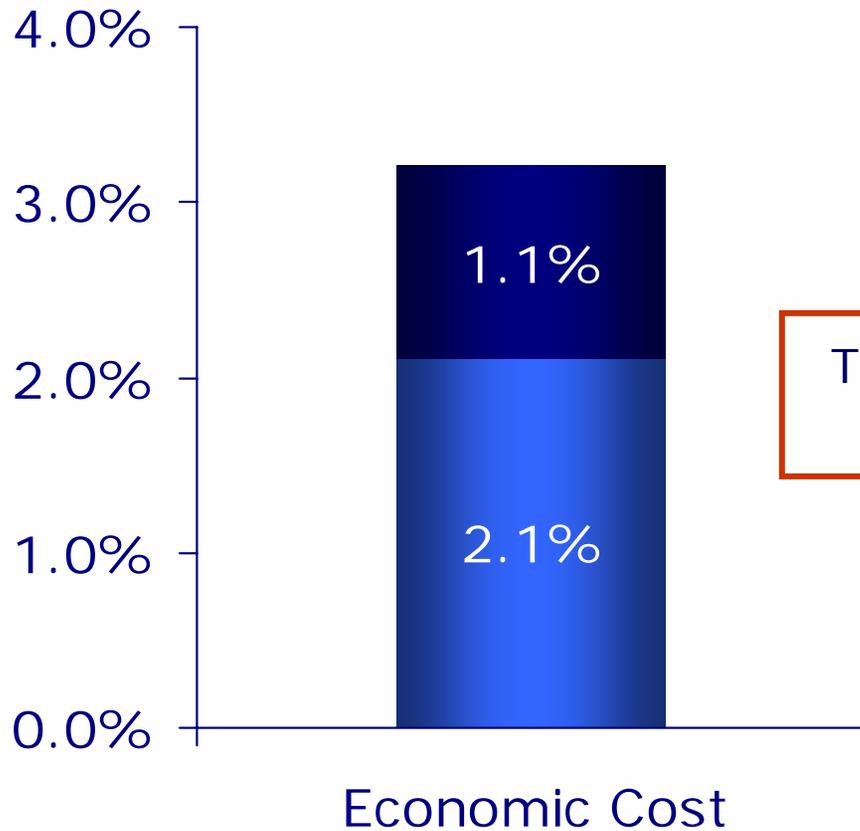
Economic cost as % of Market Capitalisation



Present value of opportunity cost: Difference between cost of equity and effective return on funding the staff trusts



Economic cost as % of Market Capitalisation



Total cost 3,2% of market cap
at R12.28 per share



Impact on earnings and NAV



Accounting Implications

- Repurchase of staff component of shares (s89) – 171,4million shares
 - Treated as “Treasury Shares”
- Share-Based Payments
 - IFRS 2 – no current effect, however FirstRand will adopt for year ended 30 June 2006



Impact on earnings



	Before the scheme and specific issue (cents)	After the scheme and specific issue (cents)	Percentage change (%)
Basic earnings per share	109.3	106.7	-2.4%
Headline earnings per share	110.3	107.7	-2.4%

- Dilution impact of 119 million new shares issued
- Consolidation of staff trusts 171,4 million shares



Impact on NAV



	Before the scheme and specific issue (cents)	After the scheme and specific issue (cents)	Percentage change (%)
Net asset value per share	457.5	420.2	-8.1%
Net tangible asset value per share	444.9	407.4	-8.4%

- Shares bought back at higher than tangible NAV



Top Ten Shareholders

	<u>Before</u>	<u>After</u>
RMB Holdings	32.6%	29.5%
Remgro	9.5%	8.6%
PIC	8.5%	7.6%
FRET		6.5%
FirstRand Group	5.2%	4.7%
Old Mutual Group	4.6%	4.2%
Sanlam	2.4%	2.2%
Investment Solutions	1.7%	1.5%
Allan Gray	1.5%	1.4%
Momentum	1.3%	1.2%
Liberty Group	1.3%	1.2%





Transaction highlights

- Broad based
- Significant partner participation in our business
- Meaningful staff ownership
- Represents 12.2% of Group's local operations
- Strong performance element
- Combination of
 - Donation of shares
 - Vendor financing
 - Third party funding



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