

# Empowering the Old Mutual Group in Namibia

*A strong foundation. A new future*



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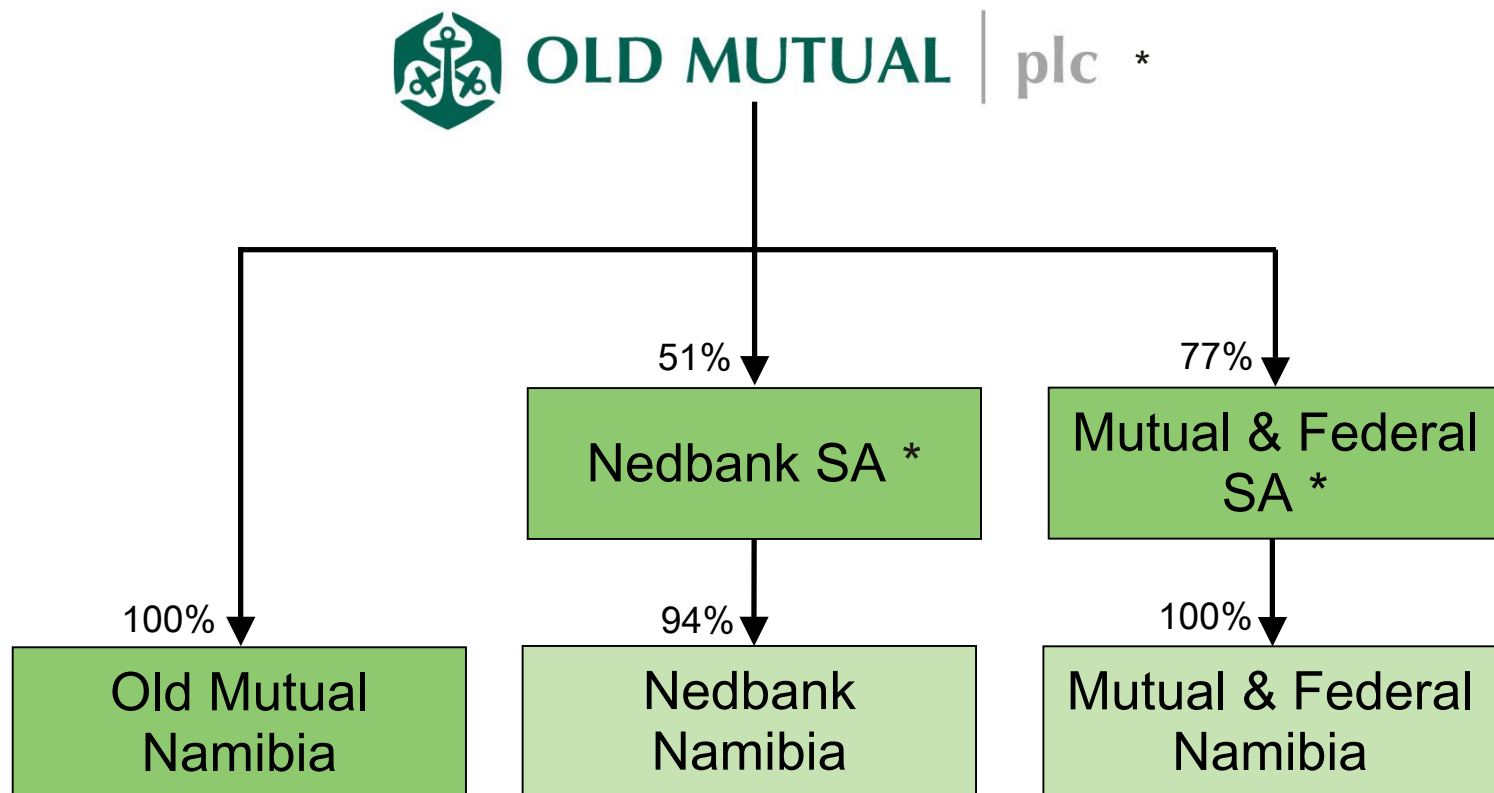
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# Agenda

- Background
  - Old Mutual Group in Namibia
  - Why do a BEE transaction?
  - How BEE will be measured?
- The BEE transaction
  - Overview
  - Employees
  - Strategic Business & Community Partners
  - Education Trust
  - Distributors Trust
- Conclusion

# Old Mutual Group in Namibia



\* Listed companies - the respective listed holding company shares will be issued for the Namibian BEE transaction

# Old Mutual Group in Namibia *(continued)*

December 2005	Old Mutual	Nedbank	Mutual & Federal
Attributable profit (N\$m)	346	90	29
Total assets (N\$m)	7 337	4 271	291
Assets under management (N\$m)	13 100	3 584	256
Number of clients (current)			
Corporate	140	3 129	5 499
Retail	70 052	49 594	13 356
Retail branches (agencies)	11	11 (4)	5
Number of employees (current)	460	499	108
Operating in Namibia since	1921	1973	1921

# Why do a BEE transaction in Namibia?

- Policy guidelines on BEE issued by Minister of Finance
- Charter for financial sector proposed
  - Currently work in progress
  - Banking charter completed
- Consulted with government & regulators
- Many competitors have already concluded BEE deals
- Retention of existing & attraction of new business
- Improve profile of the Group's Namibian businesses
- Assist strategic & holistic transformation of the Group
- ***Response to a changing business environment***

# Policy guidelines for Charter

Policy guidelines for Charter set by Namibian Government:

- Access & affordability of financial services
- Ownership & control
- Procurement
- Empowerment financing & enterprise development
- Human resources development
- Social responsibility
- Consumer protection

# How BEE supports strategy

- Assists in growth of the business
  - Creates a sustainable business
- Facilitates distribution of wealth to a broader sector
- Allows for recruitment, motivation & retention of staff
- Reinforces image in community
- Supports the Group's vision of becoming Namibia's first choice in financial services

# Transformation not only about equity

➤ Employment equity (%)	Black	White	Male	Female
Old Mutual Namibia	75	25	56	44
Nedbank Namibia	76	24	33	67
Mutual & Federal Namibia	56	44	37	63
Total	74	26	44	56

- Procurement policy in draft form
- Corporate social investment – all group companies actively involved in the community – details in handout slides

➤ ***Equity ownership will enhance transformation***

# Corporate social investment

*Handout only*

## Old Mutual

- Channeled through Old Mutual Namibia Foundation
- Invested over N\$2.5 m in projects over past five years
- Focus areas
  - Education – primary & secondary education
  - Health & welfare – national immunisation campaign
  - Community development – local & rural economic development
  - Staff Community Builder – employees involved in community projects

# Corporate social investment

*Handout only*

## Nedbank

- National youth service project - N\$50 000 for purchasing agricultural equipment for crop production & training needs
- Go Green Fund - N\$1.2 m invested in various conservation projects
- OEWONA (Organisation for the Empowerment of Widows & Widowers & Orphans of HIV/AIDS in Namibia) – N\$1m over five years
- Onandjokwe Hospital Nedbank Ward - N\$300 000 for a new special ward at Onandjokwe Hospital in Ondangwa
- Enkondopeko-Strengthening mathematics - over N\$77 000 from both Old Mutual & Nedbank, to improve teachers' mathematics skills & knowledge of the subject in Kavango region
- Walvis Bay Multi-purpose Centre - eleven computers for the Walvis Bay multi-purpose centre to support ITC needs within the communities of Walvis Bay
- Nedbank / Unam Zeri Mushroom project – N\$1 m to develop & promote mushroom farming & production within less privileged communities

# Corporate social investment

*Handout only*

## Mutual & Federal

- Road safety awareness campaign with Road Safety Council— awareness of road safety & responsible, safe driving in Namibia (N\$10 000)
- Business against Crime (N\$20 000) – donating technology to the Police Force to improve vehicle tracking & recovery, aimed at reducing crime HIV/AIDS awareness in the community (N\$10 000)
- Assistance to old age people (N\$35 000)
- Donations to orphanages in previously disadvantaged areas (N\$20 000)

# The BEE transactions



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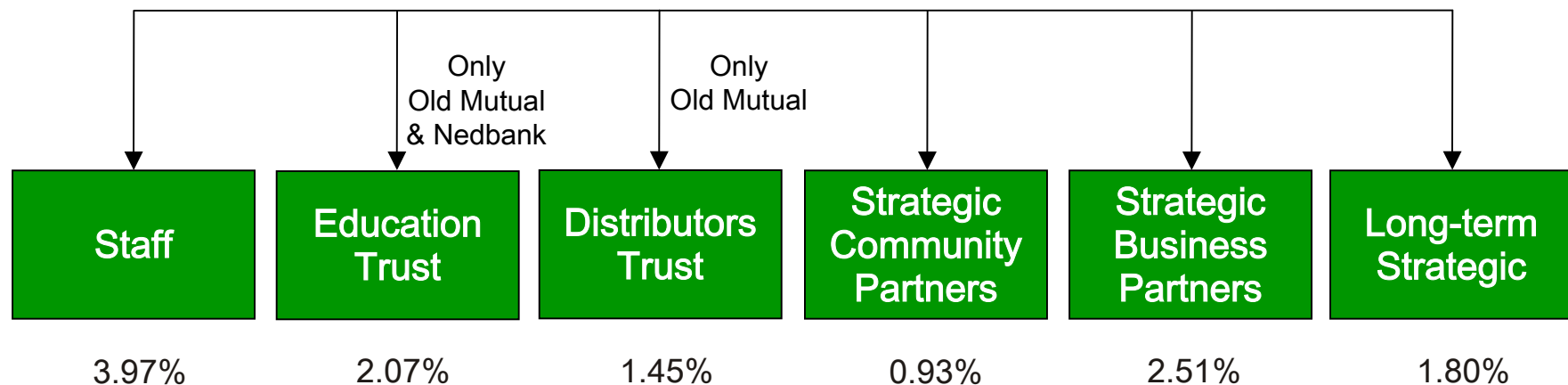


# Overview of the transactions

- Over 3.5 times larger than other BEE deals in Namibia
- One Group, one transaction
- Introducing black shareholders through three separate but inter-dependent transactions
- Most broad-based transactions in Namibia to date
- Women beneficiaries = 48%
- Black ownership = 12.6% of Namibian businesses
- Good corporate citizen to secure future growth

➤ ***Transformation a business imperative***

# Structure of BEE transactions



Total deal value = N\$307.7 million

Cost to Group of **N\$89.5** million - discount of approximately 30% on shares sold

# What makes transactions unique

- Includes employees, distributors, business partners & community
- True empowerment - active involvement of partners in business
- Reward partners on basis of value added
- Favourable funding rate for acceptable performance - even lower for exceptional performance (rate fixed for 10 years)
- Use of quoted holding company shares
- Successfully avoided common BEE pitfalls
  - Excessive asset prices
  - Guarantees on funding
  - Excessive interest rates
  - Enrichment of only a few already wealthy individuals

# Local Namibian vs listed shares

- Arguments for use of local Namibian company shares
  - Focus
  - Optically more in line with Namibianisation
- Arguments against local & for listed company shares
  - Namibians spearheading Old Mutual's African strategy – a role within wider Old Mutual Group
  - Opportunity to bring work to Namibia as skills are developed
  - Market capitalisation would be thin & not representative
  - Share price clear & good liquidity
  - Focus achieved through funding rate based on performance
  - Listed shares provides clear exit mechanism
  - Old Mutual & Mutual & Federal listed & Nedbank to list on NSX
- Hence decision to utilise listed holding company shares

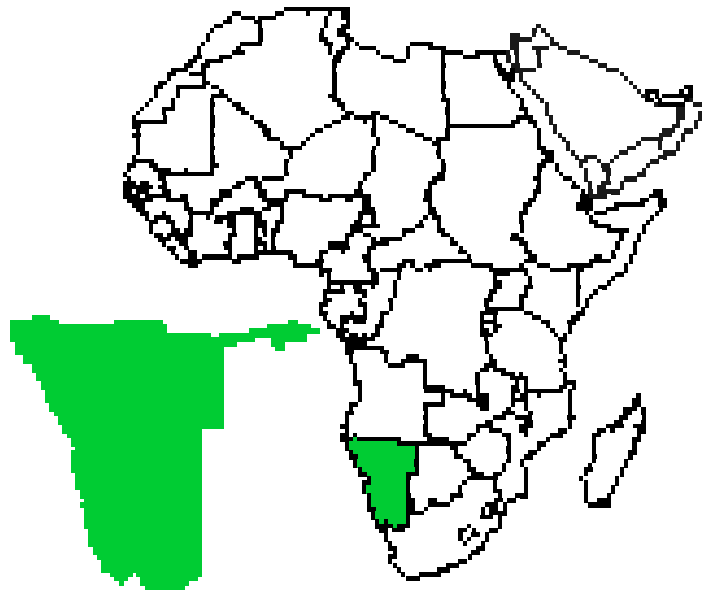
# Broad-based empowerment

<u>Value of shares issued (N\$m)</u>	Old	Nedbank	Mutual &	Total
Participants	Mutual Namibia	Namibia	Federal Namibia	
Employees	66.96	21.40	7.58	95.94
Strategic Business & Community Partners	46.25	27.75	9.25	83.25
Education Trust	40.00	10.00	-	50.00
Distributors Trust	35.00	-	-	35.00
Long-term strategic allocation	32.25	8.25	2.96	43.46
<b>Total</b>	<b>220.46</b>	<b>67.40</b>	<b>19.79</b>	<b>307.65</b>
% of Namibian business	13.36	11.23	11.64	12.71
% held by black Namibians	13.31	11.13	11.42	12.64

# National impact

Schemes aim to reach beneficiaries throughout Namibia

- 785 black employees (1 067 total employees)
- Distributors, in order to grow black client base nationally
- Community upliftment
- Strategic Business Partners from most regions in Namibia



***Over 250 000  
participants across  
Namibia***

# Building the client base

## Distributors

- Grow distribution channels through empowering black SMME distributors

## Communities

- Unique plan for education benefits for union members
- Benefit community through WAD & churches

➤ ***Unique schemes, supporting business strategy***

# Value of Namibian holding

	Value of issued shares as % of Namibian business	Shares held by Namibians as % of Namibian business	Total held by Namibians post BEE transactions
Old Mutual Namibia	13.4%	24.1%	37.5%
Nedbank Namibia	11.2%	71.0%	82.2%
Mutual & Federal Namibia	11.6%	31.8%	43.4%

***Indicative numbers only as shareholding changes  
as shares are traded on a daily basis***

# Estimated cost of deal

<u>N\$m</u>	Value of Namibian businesses	Cost	Cost as % of value
Old Mutual Namibia	1 650	57.31	3.47
Nedbank Namibia	600	24.75	4.13
Mutual & Federal Namibia	170	7.42	4.36
Total	2 420	89.48	3.70
Old Mutual plc portion of cost		75.6	3.62

# Timetable & approvals

*Handout only*

September 2006	Public announcement of transaction, subject to shareholder approval for: <ul style="list-style-type: none"><li>• Nedbank</li><li>• Mutual &amp; Federal</li></ul>
October 2006	Shareholder approval: <ul style="list-style-type: none"><li>• Nedbank</li><li>• Mutual &amp; Federal</li></ul>
January 2007	Starting date for performance contracts - although credit will be given for any business targets achieved during 2006

# Employees



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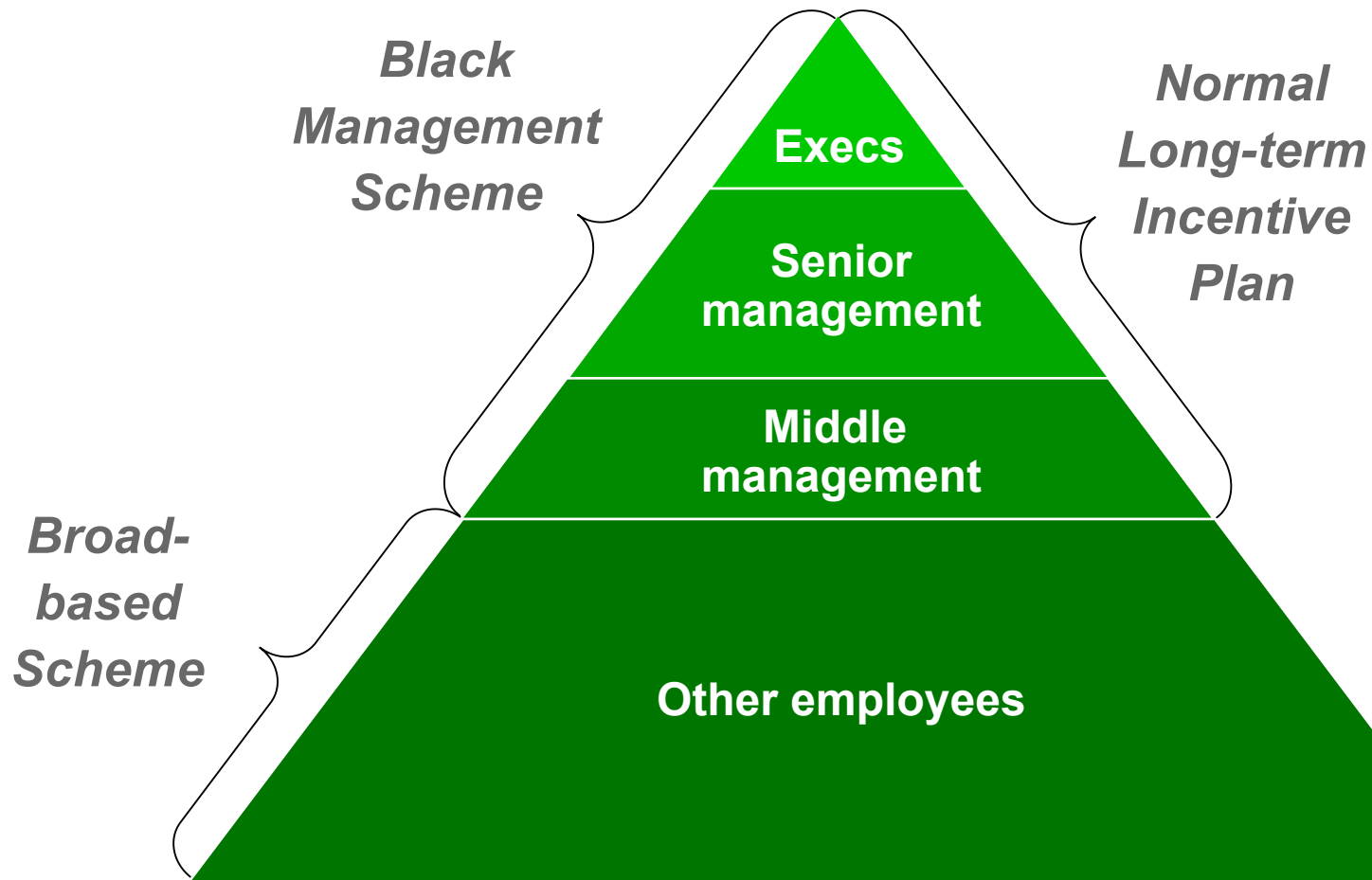
# Employee empowerment

- Key step in creating a fully representative work force
- All black Namibian employees eligible to participate (& white employees in broad-based scheme)
- Tailored schemes to retain & promote black leadership
- Trusts - full ownership & benefits with black people

	Old Mutual	Nedbank	Mutual & Federal	Total
Number of black participants	344	381	60	785

➤ ***Comprehensive ownership schemes***

# Employee schemes



# Strategic Business & Community Partners



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# What we want in a partner

- Ability to add value to current businesses
- Alignment or potential alignment of interest with Group
- Broad-based nature & reach to black beneficiaries
- Geographic location of partners
- Ability to introduce new clients (public & private sector)
- Credibility & track-record
- Organisational substance & value-add potential

➤ ***Partners to help business profiling & development***

# Strategic Business Partners

## Central Consortium

45%

### Fox

- Broad base of black professionals & entrepreneurs
- Proven business records

25%

### Ripanga

- Broad-base of black professionals from four professions
- Proven business records

15%

### Latenda

- Women's economic empowerment company
- Diverse experience

15%

### Prudent

- Broad base of shareholders
- Extensive public & private sector experience
- Includes NANTU

# Strategic Business Partners *(continued)*

## Coastal Consortium

### Manmar Investments

- Black business leaders, entrepreneurs, professionals & SME pioneers from the coastal region
- Extensive understanding of public & private sector

# Strategic Business Partners *(continued)*

## Northern Consortium

### Northern Empowerment Investments

- Established black entrepreneurs from across the four northern regions of Oshana, Omusati, Ohangwena & Oshikoto
- Proven business experience

# Strategic Community Partners

## Church groups

Broad representation – more than 90% of Namibians are Christians

- African Methodist Episcopal Church (AME)
- Evangelical Lutheran Church in the Republic of Namibia (ELCRN)
- Evangelical Lutheran Church in Namibia (ELCIN)

## Women's Action for Development

- Section 21 company, not for gain
- Empowering agent for disadvantaged rural women
- Self-help groups
- Encourage & support participation in democratic process

# Strategic partners

<u>Value of shares issued (N\$m)</u>	Old	Nedbank	Mutual &	Total
<b>Strategic Business &amp; Community Partners</b>	<b>Mutual Namibia</b>	<b>Namibia</b>	<b>Federal Namibia</b>	
Central Consortium	20.00	12.00	4.00	36.00
Fox	9.00	5.40	1.80	16.20
Ripanga	5.00	3.00	1.00	9.00
Latenda	3.00	1.80	0.60	5.40
Prudent	3.00	1.80	0.60	5.40
Coastal Consortium - Manmar	7.50	4.50	1.50	13.50
Northern Consortium - Northern	6.25	3.75	1.25	11.25
WAD	6.25	3.75	1.25	11.25
Church groups	6.25	3.75	1.25	11.25
<b>Total</b>	<b>46.25</b>	<b>27.75</b>	<b>9.25</b>	<b>83.25</b>

# Performance contracts

- Specific & detailed measurable performance agreements
- Semi-annual performance monitoring by board
- Annual incentive fee can increase or decrease funding (rate 9.73%) by up to 2.5% (a 5% range) of initial cost

➤ ***Fully committed to the Group businesses***

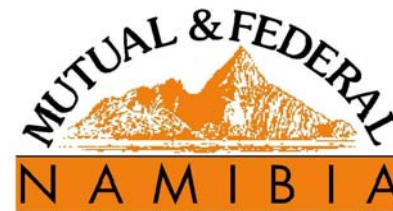
# Education Trust



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# Education Trust

- Benefits black members of participating Namibian trade unions
- Shares worth N\$50m to be placed in trust to fund tertiary education bursaries for union members & families
- Over 100 bursaries to be granted over 10 years
- Initial participants (representing > 600 000 members):
  - MUN
  - PSUN
  - NAMPWU
  - MANWU
  - NUNW
  - NAFINU
  - TUN
  - NATAU
  - NAFAU
  - NANTU

# Distributors Trust



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# Distributors Trust

- Recognises need to reach under-serviced market more effectively
- Shares worth N\$35m to be placed into trust to provide finance to set up black brokers & agents in business
- Supports creation of SMME's
- Over 100 black brokers to benefit over 10 years

# Conclusion



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# Sustainable transformation

- Transaction aligned with BEE policy guidelines
- Post transaction every employee incentivised
- Business partners chosen on commercial criteria
- Measurable performance contracts negotiated annually
- No individual enriched beyond value added
- Direct black ownership – full dividends & voting rights
- Short-term cost exceeded by long-term benefits
- 10-year arrangement with partners
- Ongoing commitment by the Group to BEE

# Building for the future

- Transformational deal benefiting returns for stakeholders
- Breadth of involvement
  - Over 250 000 potential beneficiaries
  - Employees
  - Intermediaries
  - Broad-based entrepreneurial BEE & community groupings
- Each of these transactions adds value

➤ ***Key part of strategy to build future client base***

Questions

Thank you

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