

FIRSTRAND LIMITED

Incorporated in the Republic of South Africa

(Registration number 1966/010753/06)

JSE share code: FSR

ISIN: ZAE000066304

JSE B preference share code: FSRP

ISIN: ZAE000060141

LEI: 529900XYOP8CUZU7R671

NSX share code: FST

(FirstRand or the group)

FIRM INTENTION ANNOUNCEMENT | REPURCHASE OFFER TO FIRSTRAND PREFERENCE SHAREHOLDERS TO ACQUIRE THEIR "B" VARIABLE RATE NON-CUMULATIVE, NON-REDEEMABLE PREFERENCE SHARES AND WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

1. INTRODUCTION

- 1.1. Further to the cautionary announcement first released on the Stock Exchange News Service on 2 March 2022 (**Cautionary Announcement**), the board of directors of FirstRand (**board**) is pleased to announce that it has resolved to make an offer to repurchase (**Proposed Repurchase**) all of the group's listed "B" variable rate non-cumulative, non-redeemable preference shares with a par value of ZAR0.01 (**Preference Shares**), being 45 000 000 issued Preference Shares, by way of:
 - 1.1.1. a scheme of arrangement in terms of section 114(1), read with section 115(2), of the Companies Act 71 of 2008, as amended, (**Companies Act**) proposed by the board between FirstRand and registered holders of the Preference Shares (**Scheme**), in terms of which, if the Scheme becomes operative, FirstRand will repurchase 100% of the Preference Shares (**Scheme Shares**) held by Preference Shareholders (excluding those who validly exercise their appraisal rights in accordance with section 164 of the Companies Act pursuant to the approval of the Scheme and whose rights have not been reinstated as envisaged in sections 164(9) and 164(10) of the Companies Act, or who have not been ordered by a South African court of competent jurisdiction (**Court**) to withdraw their demands in terms of section 164(15)(c)(v)(aa) of the Companies Act) (**Scheme Participants**) for a cash consideration per Scheme Share of ZAR100 (**Repurchase Price**) plus an amount equal to the "B" Preference Dividend per Preference Share as defined in Schedule 3 to the memorandum of incorporation of the group (**Preference Dividend**) calculated for the period from 30 August 2022 up to and including the operative date of the Scheme (**Pro Rata Preference Dividend Amount**) (in aggregate the **Scheme Consideration**), and the subsequent delisting of the Scheme Shares from the Main Board of the Johannesburg Stock Exchange (**JSE**) and the cancellation thereof as issued shares of FirstRand; or
 - 1.1.2. a general offer by FirstRand to registered holders of the Preference Shares in accordance with section 48 (read with the requirements of sections 114 and 115) of the Companies Act (**Standby Offer**), in terms of which FirstRand offers to repurchase all of the Preference Shares held by the Preference Shareholders for a cash consideration per Preference Share of ZAR100 (**Repurchase Price**) plus the *Pro Rata* Preference Dividend Amount (in aggregate the **Standby Offer Consideration**), and the subsequent delisting of only those Preference Shares that are repurchased pursuant to the Standby Offer from the Main Board of the JSE and the cancellation thereof as issued shares of FirstRand.
- 1.2. The Scheme and the Standby Offer are proposed concurrently on the basis that the implementation of the Standby Offer will be conditional upon, *inter alia*, the Scheme not becoming unconditional and operative. If the Scheme becomes unconditional and operative, the Standby Offer will lapse. Alternatively, if the Scheme does not become unconditional and operative, the Standby Offer will become operative (assuming that all other relevant suspensive conditions have been fulfilled).
- 1.3. The contents of this announcement constitute a firm intention by FirstRand to propose an affected transaction as contemplated in Chapter 5 of the Companies Act and Chapter 5 of the Companies Regulations, 2011 (**Companies Regulations**).
- 1.4. As required in terms of regulation 108 of the Companies Regulations, FirstRand has constituted an independent board of directors of the group (**Independent Board**) for purposes of the Proposed Repurchase, including for the purposes of evaluating the terms and conditions of the Scheme and the Standby Offer and advising Shareholders thereon, as required by the Companies Act. The Independent Board comprises of RM Loubser, T Winterboer, LL von Zeuner, and GG Gelink.
- 1.5. The purpose of this announcement is to advise Shareholders of the Proposed Repurchase and, specifically, the terms and conditions of the Scheme and the Standby Offer.

2. BACKGROUND AND RATIONALE FOR THE PROPOSED REPURCHASE

- 2.1. Following the implementation of the Basel III framework, the Preference Shares no longer qualify as regulatory capital since 1 January 2022. It is FirstRand's view that the Preference Shares are also unlikely to qualify as first loss after capital instruments once current proposals have been incorporated into prudential standards. As a

result, FirstRand does not consider it appropriate to continue to have the Preference Shares as part of its issued share capital structure.

- 2.2. The Repurchase Price represents a 12.8% premium to the 30-day volume weighted average price of R88.63 per Preference Share up to and including the business day prior to release of the Cautionary Announcement.
- 2.3. Due to the limited market for preference shares in general, which results in low liquidity and trading volumes, there are limited opportunities for Preference Shareholders to dispose of their Preference Shares on the JSE. The repurchase of the Preference Shares provides a single liquidity event for all Preference Shareholders that will give them the opportunity to monetise their Preference Shares at a premium of 8.7% to the closing price of R91.99 on 7 July 2022.

3. TERMS AND CONDITIONS OF THE SCHEME

The Scheme constitutes an “affected transaction” as defined in section 117(1)(c)(iii) of the Companies Act and, as such, is regulated by the Companies Act and the Companies Regulations. The salient terms of and other information pertaining to the Scheme are set out below:

3.1. Terms of the Scheme and Scheme Consideration

- 3.1.1. If the Scheme becomes unconditional and operative, Scheme Participants will dispose of all of their Scheme Shares for the Scheme Consideration, such that FirstRand will acquire all of the Scheme Shares held by the Scheme Participants, whereafter the listing of all the Scheme Shares on the JSE will be terminated.
- 3.1.2. The board has determined that the distribution to Scheme Participants (in an amount equal to the Scheme Consideration) pursuant to the repurchase in terms of the Scheme will, in respect of the Repurchase Price component thereof, comprise a return of capital that will reduce the contributed tax capital (CTC) of FirstRand. The *Pro Rata* Dividend Amount, however, will comprise a “dividend” (as defined in section 1 of the Income Tax Act 58 of 1962, as amended), which will be subject to Dividend Withholding Tax.

3.2. Scheme Conditions

- 3.2.1. The implementation of the Scheme will be subject to the fulfilment or waiver (where capable of waiver) of the following suspensive conditions (**Scheme Conditions**) by no later than 17:00 on 31 December 2022 (**Scheme Conditions Longstop Date**):
 - 3.2.1.1. the adoption of a special resolution in terms of section 115 of the Companies Act approving the Scheme (**Scheme Resolution**), proposed to be passed at a meeting of Preference Shareholders by the requisite majority of Preference Shareholders;
 - 3.2.1.2. the adoption of (i) a special resolution in terms of section 48(8)(a) of the Companies Act and (ii) a special resolution in terms of section 48(8)(b), read with section 115, of the Companies Act, (collectively, **Section 48(8) Resolutions**), proposed to be passed at a general meeting of the ordinary shareholders of the group and the Preference Shareholders by the requisite majority of those shareholders;
 - 3.2.1.3. in the circumstances where a shareholder duly requires FirstRand to seek Court approval in terms of section 115(3)(a) of the Companies Act, FirstRand not having elected to treat the Scheme Resolution and/or the special resolution in terms of section 48(8)(b) (**Section 48(8)(b) Resolution**), as the case may be, as a nullity pursuant to section 115(5)(b) of the Companies Act;
 - 3.2.1.4. in the circumstances where a shareholder duly required FirstRand to seek court approval in terms of section 115(3)(a) of the Companies Act and FirstRand has not elected to treat the Scheme Resolution or the Section 48(8)(b) Resolution, as the case may be, as a nullity pursuant to section 115(5)(b) of the Companies Act, a court has granted its approval pursuant to section 115(3) of the Companies Act;
 - 3.2.1.5. no Shareholder who voted against the Scheme Resolution and/or Section 48(8)(b) Resolution applying to court within ten business days after the passing of the relevant resolution for leave to apply to the court for a review of the Scheme Resolution or the Section 48(8)(b) Resolution, as contemplated in sections 115(3)(b) and 115(6) of the Companies Act;
 - 3.2.1.6. in the circumstances where FirstRand waived the Scheme Condition in paragraph 3.2.1.5 above, the Court not granting leave to any shareholder to apply to court for a review of the Scheme Resolution or the Section 48(8)(b) Resolution, as contemplated in sections 115(3)(b), 115(6) and 115(7) of the Companies Act;
 - 3.2.1.7. in the circumstance where FirstRand waived the Scheme Conditions in paragraph 3.2.1.5 and 3.2.1.6 above, the court approving the Scheme Resolution and/or the Section 48(8)(b) Resolution, as may be required, pursuant to section 115(7) of the Companies Act;
 - 3.2.1.8. no shareholder (i) giving notice objecting to the Scheme Resolution or Section 48(8)(b) Resolution; (ii) voting against the Scheme Resolution or Section 48(8)(b) Resolution; and (iii) exercising its appraisal rights in terms of section 164 of the Companies Act by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act; and

- 3.2.1.9. the issuing of a compliance certificate in terms of section 121(b)(i) of the Companies Act by the Takeover Regulation Panel (**TRP**).
- 3.2.2. FirstRand shall be entitled to waive (in whole or in part) in writing any one or more of the Scheme Conditions stipulated in paragraphs 3.2.1.5, 3.2.1.6 and 3.2.1.8 above. The remaining Scheme Conditions stipulated in paragraph 3.2.1 above are not capable of waiver.
- 3.2.3. If the scheme becomes unconditional and operative, FirstRand will, in terms of paragraph 1.17(b) of the Listings Requirements, apply to the JSE for the delisting of the Preference Shares from the Main Board of the JSE with effect from Tuesday, 27 September 2022.
- 3.3. Lapse of the Scheme
The Scheme will lapse with immediate effect and not become operative if any of the Scheme Conditions have not been fulfilled (or waived, where capable of waiver) on or before the relevant date for fulfilment or waiver (where capable of waiver) thereof.

4. TERMS AND CONDITIONS OF THE STANDBY OFFER

- 4.1. Terms of the Standby Offer and Standby Offer Consideration
 - 4.1.1. Simultaneously with the Scheme, FirstRand will make a voluntary Standby Offer to Eligible Shareholders to acquire all of their Preference Shares at the Standby Offer Consideration, in accordance with sections 48, 114 and 115 of the Companies Act.
 - 4.1.2. Implementation of the Standby Offer will be conditional on, *inter alia*, the Scheme not becoming unconditional and operative. If the Scheme does become unconditional and operative, the Standby Offer will lapse and will be of no force and effect.
 - 4.1.3. If the Standby Offer becomes unconditional and is implemented, Preference Shareholders who are eligible to accept the Standby Offer (**Eligible Shareholders**) will be entitled to accept the Standby Offer in whole or in part, and FirstRand will acquire all of the Preference Share Shares tendered and previously held by those Eligible Shareholders who have accepted the Standby Offer (**Standby Offer Participants**).
 - 4.1.4. The board has determined that the distribution to Standby Offer Participants (in an amount equal to the Standby Offer Consideration) pursuant to the repurchase in terms of the Standby Offer will, in respect of the Repurchase Price component thereof, comprise a return of capital that will reduce the CTC of FirstRand. The *Pro Rata* Dividend Amount, however, will comprise a “dividend” (as defined in section 1 of the Income Tax Act 58 of 1962), which will be subject to Dividend Withholding Tax.
- 4.2. Standby Offer Conditions
 - 4.2.1. The Standby Offer is subject to the fulfilment or waiver (where capable of waiver) of the following suspensive conditions (**Standby Offer Conditions**) by no later than **31 December 2022** or such later date as FirstRand may, in its sole discretion, determine (**Standby Offer Longstop Date**):
 - 4.2.1.1. the Scheme does not become unconditional and operative (meaning that the Scheme Conditions have not been fulfilled or waived (where capable of waiver) by the Scheme Conditions Longstop Date);
 - 4.2.1.2. the Section 48(8) Resolutions having been adopted at the combined general meeting of ordinary shareholders and Preference Shareholders to authorise the Proposed Repurchase by way of the Standby Offer;
 - 4.2.1.3. no shareholder (i) giving notice objecting to the Section 48(8)(b) Resolution; (ii) voting against the Section 48(8)(b) Resolution; and (iii) exercising its appraisal rights in terms of section 164 of the Companies Act by giving valid demands in terms of sections 164(5) to 164(8) of the Companies Act;
 - 4.2.1.4. in the circumstances where a shareholder duly requires FirstRand to seek court approval in terms of section 115(3)(a) of the Companies Act, FirstRand not having elected to treat the Section 48(8)(b) Resolution as a nullity pursuant to section 115(5)(b) of the Companies Act;
 - 4.2.1.5. in the circumstances where a shareholder duly required FirstRand to seek court approval in terms of section 115(3)(a) of the Companies Act and FirstRand has not elected to treat the Scheme Resolution or the Section 48(8)(b) Resolution as a nullity pursuant to section 115(5)(b) of the Companies Act, a court has granted its approval pursuant to section 115(3) of the Companies Act;
 - 4.2.1.6. no Shareholder who voted against the Section 48(8)(b) Resolution applying to court within ten business days after the passing of the relevant resolution for leave to apply to the court for a review of the Section 48(8)(b) Resolution, as contemplated in sections 115(3)(b) and 115(6) of the Companies Act;
 - 4.2.1.7. in the circumstances where FirstRand waived the Standby Offer Condition in paragraph 4.2.1.6 above, the Court not granting leave to any shareholder to apply to court for a review of the Section 48(8)(b) Resolution, as contemplated in sections 115(3)(b), 115(6) and 115(7) of the Companies Act;

- 4.2.1.8. in the circumstance where FirstRand waived the Standby Offer Conditions in paragraphs 4.2.1.6 and 4.2.1.7 above, the Court approving the Section 48(8)(b) Resolution pursuant to section 115(7) of the Companies Act; and
 - 4.2.1.9. the issuing of a compliance certificate in terms of section 121(b)(i) of the Companies Act by the TRP.
- 4.2.2. FirstRand shall be entitled to waive (in whole or in part) in writing the Standby Offer Conditions stipulated in paragraphs 4.2.1.3, 4.2.1.6 and 4.2.1.7 at any time (including after the fulfilment date of the Standby Offer Conditions). The remaining Standby Offer Conditions stipulated above are not capable of waiver.
- 4.3. Termination of the Standby Offer
The Standby Offer shall terminate and cease with immediate effect if the Scheme becomes unconditional or if any of the Standby Offer Conditions have not been fulfilled or waived (where capable of waiver) on or by the Standby Offer Longstop Date (or such extended date, as applicable).

5. INDEPENDENT EXPERT AND FAIR AND REASONABLE OPINION

The Independent Board has appointed KPMG Services (Pty) Ltd as the independent expert in terms of section 114(2) of the Companies Act and regulation 90 of the Companies Regulations (**Independent Expert**) to provide the Independent Board with external advice in relation to the Scheme and the Standby Offer, in the form of a fair and reasonable opinion (**Independent Expert's Report**).

The complete text of Independent Expert's Report will be contained in the circular to be distributed to Shareholders as referred to in paragraph 8 below.

6. DIRECTOR'S RESPONSIBILITY STATEMENT

The Independent Board and the board, collectively and individually, accept responsibility for the accuracy of the information contained in this announcement which relates to FirstRand, the Scheme and the Standby Offer and certify that, to the best of their knowledge and belief, such information is true and that announcement does not omit any facts that would make any of the information false or misleading or would be likely to affect the importance of any information contained in this announcement. The Independent Board and the board have made all reasonable enquiries to ascertain that no facts have been omitted and that this announcement contains all information required by law.

7. CASH CONFIRMATION

FirstRand will use available resources within FirstRand to fund the Scheme Consideration or the Standby Offer Consideration, as applicable. In accordance with regulation 111(4) and 111(5) of the Companies Regulations, FirstRand Bank Limited has provided an irrevocable guarantee to the Takeover Regulation Panel (TRP) to satisfy payment of the maximum possible consideration in respect of the repurchase of the Preference Shares in terms of the Scheme or the Standby Offer.

8. DISTRIBUTION OF THE CIRCULAR AND NOTICE OF GENERAL MEETING AND MEETING OF PREFERENCE SHAREHOLDERS

A circular, providing full details of the Scheme and the Standby Offer and containing a notice of a general meeting of ordinary shareholders and Preference Shareholders and a notice of a meeting of the Preference Shareholders, the Independent Expert's Report, the recommendations of the Independent Board, the salient dates and times relating to the Scheme and the Standby Offer and the necessary forms in order to effect the Scheme and the Standby Offer, is expected to be distributed to Shareholders on or about **Monday, 11 July 2022**.

9. WITHDRAWAL OF CAUTIONARY ANNOUNCEMENT

As the terms of the Proposed Repurchase are disclosed in this announcement, Shareholders are no longer required to exercise caution and the Cautionary Announcement is hereby withdrawn.

Sandton
8 July 2022

EXCLUSIVE FINANCIAL ADVISOR AND SPONSOR
Rand Merchant Bank (a division of FirstRand Bank Limited)

INDEPENDENT SPONSOR
Deloitte & Touche Sponsor Services (Pty) Ltd

LEGAL ADVISOR
DLA Piper Advisory Services (Pty) Ltd

INDEPENDENT EXPERT

KPMG Services (Pty) Ltd

TRANSFER SECRETARY

Computershare Investor Services (Pty) Ltd