EXHIBIT BB 8(d)

PRESENTATION ON MNS REPORT VOLUME 2(b)

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PRESENTATION ON VOLUME 2(b) REPORT

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INTRODUCTION

This presentation deals with the transaction advisory services provided to Transnet and the financial transactions concluded by Transnet in respect of the acquisition of 232 diesel locomotives from China North Rail ("CNR") and 359 electric locomotives from China South Rail ("CSR").

- By way of introduction:
  - Transnet appointed transaction advisors in 2012 to provide it with transaction advisory services related to the acquisition of 1064 locomotives; and
  - Transnet awarded the transaction advisory contract to the McKinsey Consortium in July 2012. The scope of the contract was extended from time to time.

INTRODUCTION

The McKinsey Consortium was led by McKinsey Incorporated (South Africa) and comprised of the following entities:

- McKinsey Incorporated (Main bidder);
- Letsema Consulting (Co-bidder);
- Advance Rail Technologies;
- Nedbank Capital;
- Edward Nathan Sonnenbergs (ENS);
- Koikanyang Inc.; and
- Utho Capital.

Sub-contractors

INTRODUCTION (cont.)

- On 22 August 2012, Transnet raised a conflict of interest between Letsema and Barloworld, it was based on this conflict that Transnet advised the McKinsey Consortium to consider a replacement for Letsema.

- At the date of appointment the McKinsey Consortium excluded Letsema and it was replaced with Regiments.

- Regiments would subsequently also replace Nedbank & Utho(due to a conflict of interest) as a member of the McKinsey consortium. This happened on 19 October 2013.

INTRODUCTION (cont.)

- 05 February 2014 McKinsey purportedly ceded its rights and obligations to Regiments for Transaction Advisory Services related to the 1064 Locomotive Transaction. Regiments was now responsible for the whole of the advisory services.

- The details of the manner in which Regiments replaced Letsema and Nedbank & Utho, the "cession" between McKinsey and Regiments as well as Regiments' extension of scope of work has been dealt with by Mr Sedumedi of MNS Attorneys when he testified in respect of Volume 2a.

MNS REPORT VOLUME 2b

- The Volume 2b Report provides a technical analysis of and comment on the irregular transactions concluded by Transnet on the advice of transaction advisors.

- Accordingly, this presentation is limited to my analysis of:

  - the services rendered by the transaction advisors (principally Regiments) and the fees paid to them;

  - the loans that Transnet concluded to purchase the Chinese locomotives, namely:
    - The CDB loan for USD 2,5 billion (only USD 1,5 billion was used and remaining USD 1 billion was held in a standby facility); and
    - The ZAR 12 billion Club loan; and

MNS REPORT VOLUME 2b (cont.)

- the risks associated with the loans, namely:
  - interest rate fluctuations;
  - fluctuations in the exchange rate (i.r.o. the CDB USD denominated loan); and
  - credit risk (i.r.o. Transnet default or default due to factors beyond Transnet's control) and the manner in which these risks were addressed.

- In summary the services that the McKinsey Consortium and subsequently Regiments were contracted to provide included capital raising, deal structuring and other advisory services.

INCREASE IN THE TRANSACTION ADVISORS CONTRACT VALUE

- As previously discussed by other witnesses the initial contract value for the transaction advisory services was **fixed** (no performance fees were payable) at R35,2 million. However, as the role of Regiments expanded so too did the fees payable to it.

- The contract value increased from the initial R35,2 million (December 2012) to:
    - R41,2 million in February 2014;
    - R78,4 million in April 2014; and
    - an amount not exceeding R 265,5 million in July 2015.

  All these amounts are exclusive of Vat.

FEES CHARGED BY REGIMENTS

Total capital loaned by Transnet	R 28 billion (USD 2.5 billion)
Total transaction advisory fees charged by Regiments and paid by Transnet	R 265 500 000 (excl. Vat) (0.9% of the loan amount) The original advisory fee was capped at R35.2 million

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IRREGULAR SUCCESS FEES

- In April 2015 Transnet's Group Treasurer (Mr Phetole Ramosebudi) submitted a memorandum to the BADC motivating for the approval of *inter alia*:
    - the confined appointment of JP Morgan to hedge the financial risks (Interest rate, credit and currency risk) emanating from the USD 1.5bn CDB loan back into South African Rand and lead and underwrite the equivalent syndicated ZAR loan of USD 1.5 billion; and
    - the contract extension to R265.5 million for the appointment of Regiments Capital for transaction advisory services and support to Transnet of the 1064 locomotive transaction (it was sought to justify the extension of the contract by proposing a success fee of R166 million).
- BADC approved all the requests in the memorandum **but** for the appointment of JP Morgan to lead and underwrite the USD 1.5 billion loan.

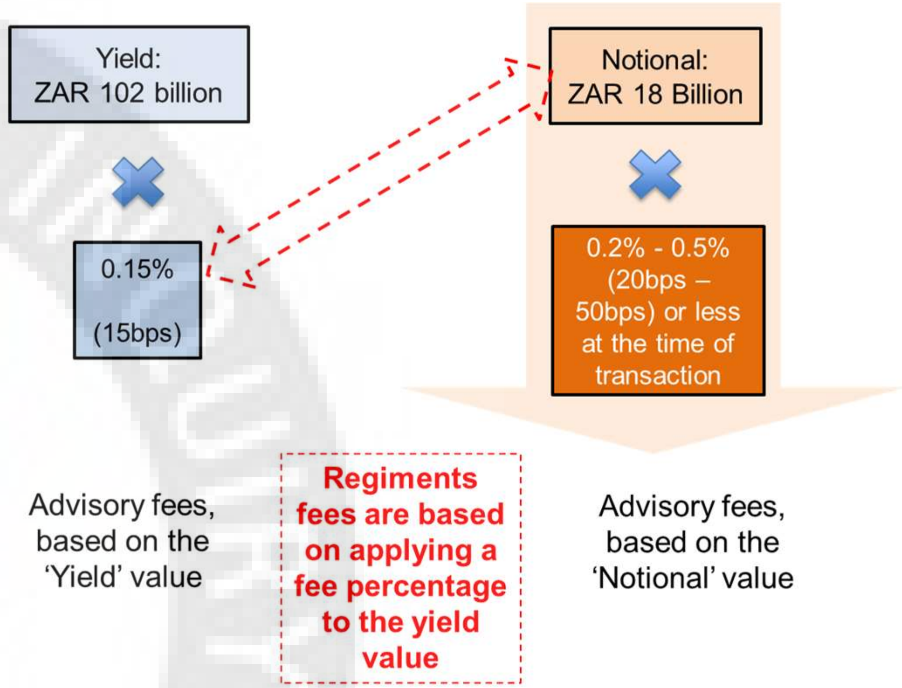
IRREGULAR SUCCESS FEES (CONT.)

- No such success fee should have been charged or paid as the services performed formed part of the transaction advisory services for which Regiments had already been appointed. This issue has been dealt with separately.
- In 2014 (when the CDB loan was being negotiated and concluded), Transnet had a Treasury and Funding team that included three highly experienced Funding Managers and an Analyst. Between them, they had cumulative experience in excess of 50 years in fund-raising in most capital markets.
- The Transnet Board violated Section 8.3 of the Procedures and Procurement Manual (PPM) by leveraging third parties to lead, arrange and negotiate the CDB loan while having a fully capacitated internal debt raising department. The appointment of Regiments to lead arrange the CDB loan was irregular and flouted the Transnet's Board's own policy.

OVERPAYMENTS TO REGIMENTS

- The invoice for R166 million (excl. Vat) submitted by and paid to Regiments included the following:
  - R152 756 408 as the lead manager and debt originator for CDB loan; and
  - other fees relate to the hedging structure for the CDB Loan (discussed later as part of hedging).

- Based on my financial knowledge and expertise including my research of transactions at Transnet, the normal and accepted basis for debt originating fees within Transnet involves two factors:
  - an amount of money; either the original capital loaned or the aggregate of all repayments made over the full term of the loan; and
  - the percentage applied to that amount of money.



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OVERPAYMENTS TO REGIMENTS (CONT.)

- The fee Regiments charged, i.e. 0,15% on yield is equivalent to 0,85% on the notional amount of R18 billion.
- Market conventions and Transnet practices are to pay lead arrangement fees on notional and not on yield to maturity as Regiments did.
- Based on market norms, Regiments should have charged 0,2% and 0,5% on notional.
- If the fee was based on yield, market convention and Transnet practice would dictate a percentage of 0,06%.
- In fact, Regiments charged 0,15% on the yield amount.
- To its obvious advantage Regiments charged a fee that is not nearly in line with market conventions and Transnet practice.
- Transnet paid this fee, an over-payment, in my estimate, of R90 million.
- Notwithstanding, Regiments should not have been paid due to sufficient capacity and internal skills within Transnet to perform the require function.

R12 BILLION CLUB LOAN

- The USD 1,0 billion CDB facility was shelved in favour of a R12 billion Syndicated Club Loan (the “Club Loan”) for a duration of 15 years with a floating interest rate.
- JP Morgan was named as the preferred bidder to lead, arrange and underwrite the Club Loan per letter dated 12 May 2015, signed by Mr Anoj Singh.
- Regiments was appointed as the supplier development partner of JP Morgan.

R12 BILLION CLUB LOAN (CONT.)

- On 27 August 2015, Mr Eric Wood (CEO Regiments) and Mr P Ramosebudi (Transnet Group Treasurer) agreed to conclude the R12 billion Club Loan, comprising of:
  - Nedbank: R3.0 billion;
  - Bank of China: R3.0 billion;
  - ABSA: R3.0 billion;
  - OMSFIN: R1.5 billion; and
  - Future Growth: R1.5 billion

- On 01 October 2015 the BADC approved a memorandum approving the replacement of JP Morgan with Trillian in respect of the lead arranging and underwriting services for this loan.

UNJUSTIFIED PAYMENTS MADE TO TRILLIAN

- On 17 September 2015, the Acting GCE (Mr S Gama) submitted a signed memorandum to the BADC requesting the appointment of Trillian as the lead arranger for the Club Loan, thereby replacing JP Morgan.
- On 22 September 2015, the recommendation to replace JP Morgan with Trillian was submitted to the GCE.
- The appointment was approved by the BADC on 1 October 2015.
- On 18 November 2015, the Club Loan Facility Agreement was signed by Mr Daniel Roy from Trillian, Mr S Gama (Acting GCE) and Mr Garry Pita (Acting GCFO).
- According to the MNS Volume 2b report Salim Essa became the controlling shareholder of Trillian in September 2015.

PROBLEMATIC APPOINTMENT AND FEES PAID

- In November 2015, Trillian issued an invoice to Transnet for R 93 million (inclusive of VAT) for services it purportedly rendered as the Lead Arranger for the Club Loan even though it did not do the work.
- In summary:
  - the appointment of Trillian was irregular;
  - the transaction advisory work now being charged for had already been performed by Regiments; and
  - in any event, Trillian could not have done the work charged for.
- This evidence has already been given.
- The payment of R93 million for work performed as part of transaction advisory services was in my view, fraudulent, irregular, unjustified and notwithstanding, was paid to an entity (Trillian) that did not do the work or have an appointment to do the same. The work related hereto also flouted Section 8.3 of the Procedures and Procurement Manual (PPM) of Transnet.

RISK MANAGEMENT INSTRUMENTS

INSTRUMENTS USED TO HEDGE (MITIGATE RISK)

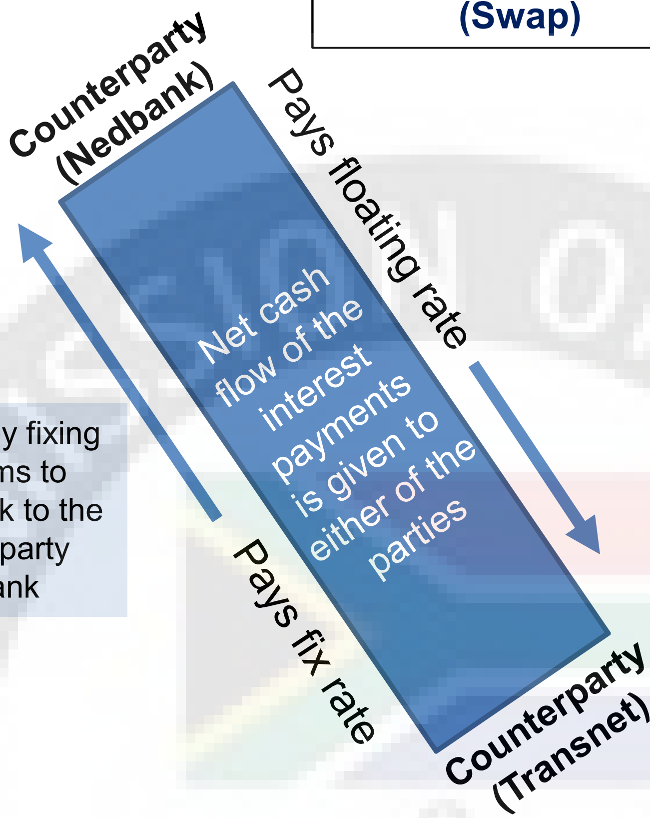
- The Transnet Financial Risk Management Framework (FRM) permits hedging (or de-risking) of funding in a foreign currency to mitigate potential risks. In other words Transnet policy deals expressly with how the risks associated with foreign borrowing and financing risks are managed.
- Risks that needed mitigation in respect of the Chinese locomotives deal were:
  - fluctuating exchange rates (USD to ZAR and ZAR to USD) (CDB loan);
  - credit risk (e.g. default on interest payments attributable to the borrower) which has a contingent component (default attributable to circumstances beyond the borrower's control) (CDB loan); and
  - financing costs (interest rate fluctuations) (R12 billion Club loan).

INSTRUMENTS USED TO HEDGE (MITIGATE RISK)

- A hedging instrument in the form of a *swap* was used to hedge the exchange rate, credit risk and interest rate risks.
- interest rate *swap* is an instrument entered into between the original borrower and a third party, the effect of which mitigates the risk arising from an adverse event.

THE COMPOSITION OF AN INTEREST RATE SWAP

Risk mitigation (Swap)



Transnet by fixing rates aims to transfer risk to the counter-party Nedbank

Original loan (Principal Debt}

Lender (Consortium of lenders)

Floating interest rate loan of R12 billion

Capital value of the loan stays intact

Borrower (Transnet)

Risk of increasing interest rates which increases borrowing costs

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SWAP DEFINITION (INTEREST RATE EXAMPLE)

- An interest-rate swap is a transaction between two so-called counterparties in which fixed and floating interest-rate payments on a notional amount of principal are exchanged over a specified term.

- One counterparty "pays" interest at a fixed rate and "receives" interest at a floating rate (typically three-month JIBAR). The other pays interest at the floating rate and receives the fixed-rate payment.

SWAP DEFINITION (INTEREST RATE EXAMPLE) (CONT)

- A swap can give both counterparties a lower cost of money than could be obtained from investors, at least initially.
- If interest rates subsequently rise, pushing floating rates higher, the fixed-rate payer obtains additional savings at the expense of the floating-rate payer (Transnet). Conversely, if rates move lower, the floating-rate (Nedbank) payer obtains additional savings at the expense of the fixed-rate payer.
- A swaps dealer (executor) (Nedbank) is typically one of the counterparties.
- The dealers profit from the difference between the fixed rate they are willing to pay and the fixed rate they demand. The difference is a negotiated amount referred to as the delta.

Source: Adapted from (https://www.thestreet.com/topic/47223/swaps.html)

SWAPS USED FOR THE CDB LOAN AND THE CLUB LOAN

- Cross-currency swaps were applicable to the USD1,5 billion CDB loan:
  - A calculated call on the movement of exchange rates which are hedged through charging higher interest rates.
- Credit Default Swaps ("CDS") and Contingent Credit Default Swaps ("CCDS") related to the CBD loan:
  - a credit default swap ("CDS") is 'contingent' upon two triggers. The first is an ordinary CDS, where the buyer receives the face value of the bond or loan from the protection seller in the event of a default. This is termed a credit event, such as defaulting on interest payments. The other trigger is specific to the *contingent* part of the CCDS and is another event usually in relation to a macro-economic variable (not firm-specific); and
  - a CCDS is designed to provide cover against unfavourable market movements.

SWAPS USED FOR THE CDB LOAN AND THE CLUB LOAN (CONT.)

- Interest rate swaps were applicable to the R12 billion Club Loan:
  - Agreement between two parties in which one stream of future interest payments is exchanged for another, based on a specific principle amount. Interest rate swaps usually involve the exchange of a floating interest rate to a fixed rate or *vice versa.*

CROSS CURRENCY SWAPS ("CCS")

- Regiments was not appointed for the CCS, but was paid R7,5 million rand for assisting to structure and arrange the CCS, although JP Morgan was appointed to do the same. In my understanding and opinion this is blatant fraud, unjustified and unwarranted.

CONTINGENT CREDIT DEFAULT SWAP ("CCDS")

- Regiments was paid R5,7 million to structure and arrange the CCDS, while the IP related thereto and the structuring thereof was part of the JP Morgan appointment. This is blatant fraud, unjustified and unwarranted.

INTEREST RATE SWAPS

- Interest rates swaps were only applicable to the R12 billion Club Loan.

- The swaps were executed in two tranches, R4,5 billion on 4 December 2015 and a further R7,5 billion on 7 March 2016.

- What is "swapped" are cash flows associated with two interest rates, the one is floating that moves with the market and the other is fixed for a certain duration. The one party "receives" the amount attached to the floating interest rate and the other party "pays" an amount attached to the fixed interest rate. Only the difference in the amounts based on the fixed and floating rates are paid to one of the parties (example of fixed and variable home loan).

INTEREST RATE SWAPS (CONT.)

- Two parties are applicable to the transaction: Transnet and what is termed a Counterparty – these parties engage in the swap transaction and each assumes potential risk.

- An execution agent does the trades and can also be either the Counterparty or Transnet in this case. Regiments was the Execution Agent for all trades related to the Club Loan.

- Nedbank was the Counterparty for all the swap transaction related to the Club loan.

- Transnet Dealing Room was more than capable and had the requisite capacity to execute the trades. This is a point of contention and Mr P Ramosebudi will dispute this. As will be indicated, the fees paid to Regiments were unjustified and irregular.

FIXED INTEREST RATE STRATEGY:

A REQUIREMENT FOR THE CLUB LOAN SCHEME

TRANSNET'S FIXED RATE STRATEGY

- When it borrowed R12 billion from the Club, Transnet agreed to a floating interest rate.
- Transnet had previously adopted a "fixed rate" strategy as a matter of policy.
- The floating to fixed rate ratio of the Transnet debt book stood at 60% : 85% (fixed) and 40% : 15% (floating) in March 2012. In February 2013 the fixed rate strategy changed to 70% : 90% (fixed) and 30% : 10% (floating).
- Compliance with the trends indicated by the FRM Policy would have suggested that the Club Loan be entered into on a fixed interest rate basis.
- The Club Loan was signed on 23 November 2015 subject to floating interest rates.
- But about a week after entering into the Club Loan, the first interest rate swap was executed at a fixed rate. Effectively converting R4.5 billion of the loan to a fixed rate.

TRANSNET'S FIXED RATE STRATEGY (CONT.)

- The entire R 12 billion Club loan was contracted at a floating interest rate.
  - on 01 December 2015, R4,5 billion was drawn down and 3 days later, on 04 December 2015, the R 4,5 billion interest swap from floating to fixed was concluded; and
  - on 01 March 2016, R7,5 billion was drawn down and 3 days later, 07 March 2016, the R 4,5 billion interest swap from floating to fixed was concluded.
- The question arises; why did this take place?
- The argument put forward by the Transnet Group Treasurer was that short-term interest rates were forecasted to increase. However, it appears that this was a two-year view in 2016 and 2017 and was based on forecasts from the Bureau for Economic Research, Stellenbosch University. This research would have been known to Transnet (subscribed to the service) prior to entering into the Club loan on a floating rate basis.

TRANSNET'S FIXED RATE STRATEGY (CONT.)

- [I am informed by the Commission investigators that there is evidence to the effect that prior to entering into the club loan on a floating rate basis, it was known that Transnet would at a later stage enter into the fixed rate swaps.]
- In my opinion it is more probable than not that an interest rate swap that occurred in December 2015 would have taken at least a month's preparation. The indications therefore are, and my opinion is, that prior to entering into the club loan on a floating rate basis, Transnet officials would have intended to effect interest rate swaps effectively converting the loan into a fixed interest based loan.

TRANSNET'S FIXED RATE STRATEGY (CONT.)

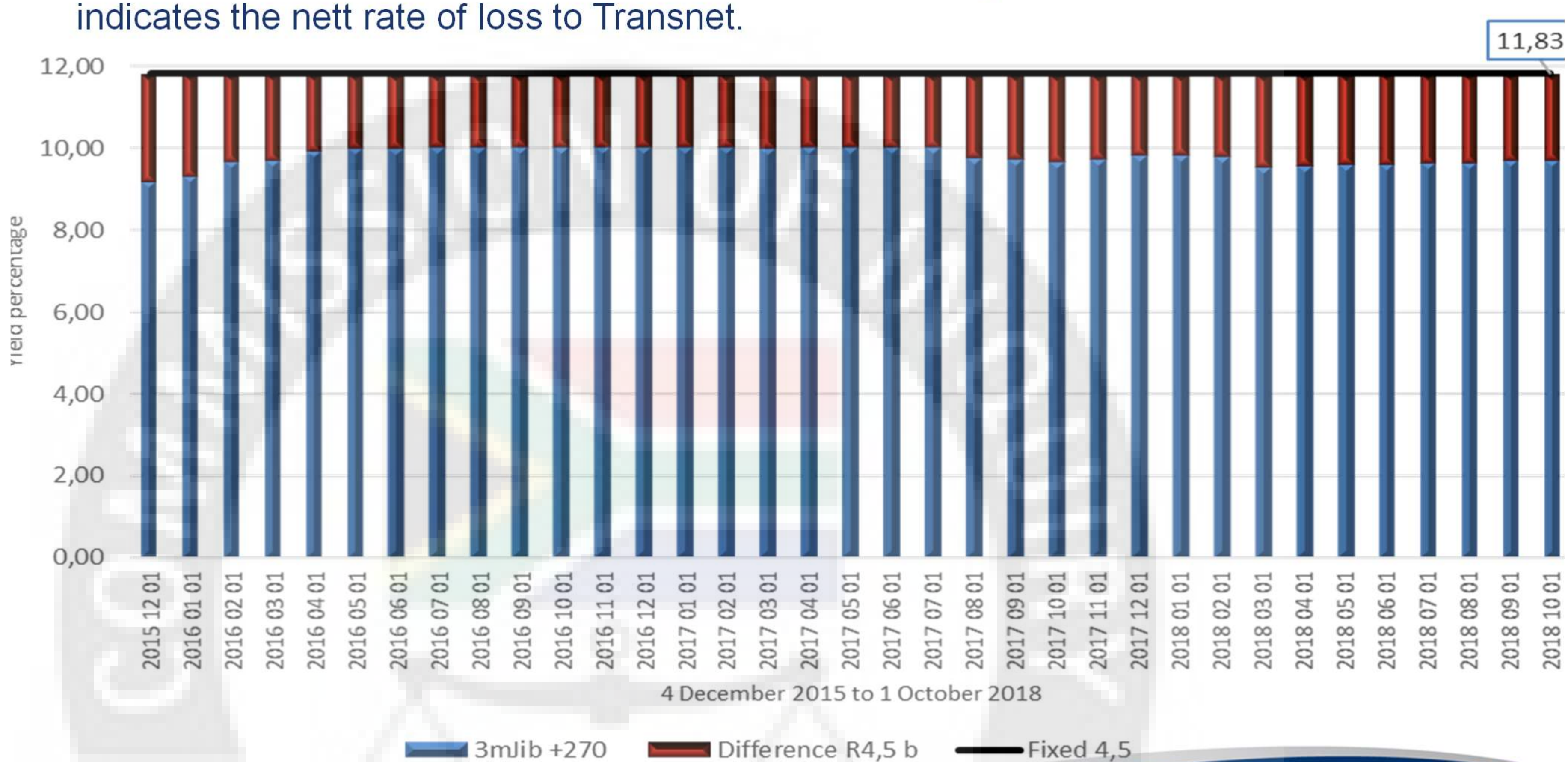
- There could be no justification for the execution of the extreme change of the floating debt to fixed debt in the manner considered and ultimately executed. In my view the argument put forward was baseless on the following grounds:
  - the strategy adopted assumes an environment of higher interest rates over a period of 15 years. The implication is that Transnet is locked into the interest rate swap agreement for 15 years;
  - it is not possible to predict interest rates so far into the future. Adopting an extreme adjustment to the debt structure from floating to fixed interest rates is irresponsible and unfounded. This was particularly so when conferring large risk and potential losses on Transnet;
  - in my view, to mitigate against paying significant fees a phased approach in small increments would have been prudent based on evolving market conditions or when circumstances dictated; and
  - the Transnet Group Treasurer assumed a steep increase in the trajectory of long-term interest rates. There was no indication at that point in time and to date that such dramatic upward movement in interest rates would apply.
- In my view the effect and timing of the interest rate swap transactions, would be significant fees for Regiments and cash flow for the Counterparty at the expense of Transnet. This outcome was in fact the only reliably predictable outcome.
- In summary, I am of the view that it was irresponsible, unfounded and unwarranted to fix a large portion of the debt at the time.

INTEREST RATE COMPARISON

- In introducing this graph the following points need to be made:
    - it was entirely unacceptable to enter into a floating rate loan and thereafter effectively enter into a fixed rate loan; and
    - by doing it in this manner, Transnet ended up paying interest at a fixed rate substantially higher than it would have had it entered into a fixed rate loan in the first place.
- [This is quite apart from the substantial fees and cost incurred at the hands of third parties when the interest rate swaps were effected.]

INTEREST RATE COMPARISON (CONT.)

- This graph illustrates the floating rate of the Club Loan (blue lines).
- The solid black line reflects the fixed rate incurred in the swaps.
- The red bars illustrate the difference between the floating and fixed rate and in this instance, indicates the nett rate of loss to Transnet.



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LOSSES TO TRANSNET – R12 BILLION CLUB LOAN @ 14 MAY 2019

INTEREST RATE SWAP: NEDBANK AS AT 14MAY2019

Deal number	Structure	Capital amount	Counterparty	Loan Counterparty	Realised cash flow as at 14May2019	Cost of exist as at 14May2019 (unrealised)	Realised + Unrealised
349102	R12bn Club Loan	R 1 500 000 000	Nedbank	Absa	-R 100 181 519	-R 94 316 874	-R 194 498 393
349103	R12bn Club Loan	R 1 500 000 000	Nedbank	Bank of China	-R 97 611 616	-R 108 568 486	-R 206 180 103
349104	R12bn Club Loan	R 500 000 000	Nedbank	Nedbank	-R 33 848 986	-R 34 766 937	-R 68 615 923
349105	R12bn Club Loan	R 500 000 000	Nedbank	Futuregrowth	-R 33 848 986	-R 34 766 937	-R 68 615 923
349106	R12bn Club Loan	R 500 000 000	Nedbank	Old Mutual Financ	-R 33 848 986	-R 34 766 937	-R 68 615 923
351213	R12bn Club Loan	R 1 500 000 000	Nedbank	Absa	-R 108 987 688	-R 121 193 407	-R 230 181 094
351240	R12bn Club Loan	R 2 500 000 000	Nedbank	Nedbank	-R 186 079 247	-R 227 885 057	-R 413 964 304
351241	R12bn Club Loan	R 1 000 000 000	Nedbank	Old Mutual Financ	-R 74 431 699	-R 91 154 023	-R 165 585 721
351242	R12bn Club Loan	R 1 000 000 000	Nedbank	Futuregrowth	-R 74 431 699	-R 91 154 023	-R 165 585 721
351216	R12bn Club Loan	R 1 500 000 000	Nedbank	Bank of China	-R 107 268 082	-R 141 905 346	-R 249 173 429
		R 12 000 000 000			-R 850 538 508	-R 980 478 025	-R 1 831 016 534

Source: Transnet

Total negative cash flow for Transnet related to first Tranche of R4,5 billion: R299,3 million (14/5/2019)

Total negative cash flow for Transnet related to first Tranche of R7,5 billion: R551,2 million (14/5/2019)

THE FINANCIAL RISK MANAGEMENT FRAMEWORK

- Transnet Financial Risk Management Framework ("FRMF") regulates amongst other things, the following:
    - debt portfolio and transaction parameters (amongst other things, the size of the debt book and the ratio of fixed to floating); and
    - risk management practices within the Transnet Treasury environment (hedging of risks through swaps).

- The FRMF dictates that the decision to secure funding on a fixed or floating interest rate should be taken at the time of concluding the funding transaction (at the source) to avoid unnecessary costs of revising the position at a later date (had this been done, Transnet would have saved billions).

THE FINANCIAL RISK MANAGEMENT FRAMEWORK (CONT.)

- Timeline and justification for the Club Loan:
  - Club Loan contracted: 23 November 2015;
  - first drawdown (R4,5 billion): 1 December 2015
  - first tranche of Interest rate swaps (R4,5 billion) from a floating to fixed interest rate: 4 December 2015;
  - Mr P Ramosebudi argued a volatile economic environment with high inflation and a volatile exchange rate as the basis for fixing interest rates. To the extent that this was true, he should have known this prior to 23 November 2015 and certainly would have known this had he listened to his Treasury team;
  - this argument would only hold water if some “black swan event” could trigger exchange rate volatility or higher inflation, which would invariably drive interest rates higher. Five days after the execution of the first swaps with Nedbank, the Finance Minister at the time, Mr Nhlanhla Nene, was sacked (9 December 2015), which was a “black swan event” and caused significant volatility in the Rand and caused long-term and short-term interest rates to spike;
  - however, rates stabilised quickly at slightly higher levels after the appointment of Mr Pravin Gordhan and moved in a narrow band; and
  - the rates never reached levels that were close to the fixed rates concluded for the swap transactions (as we will see later).

FUNDING AND DERIVATIVE TRADING EXPERTISE WITHIN TRANSNET

- The Transnet Treasury team had and still has the expertise to handle these transactions without the support of external transaction advisers or execution agents (Regiments). The relevant transactions are typically termed ‘vanilla’ (stock-standard) swaps. The Treasury Dealing Room has done and does these periodically without external assistance:
  - the normal process would be for the Transnet Treasury Dealing Team to obtain indicative pricing of the proposed structure from all the Transnet approved counterparties; and
  - depending on the size of the proposed transaction, the number of participating counterparties will be reduced to 3, based on the best achievable prices.

FUNDING AND DERIVATIVE TRADING EXPERTISE WITHIN TRANSNET (CONT.)

- Up until 30 April 2017, the Transnet Treasury Dealing Room team comprised of four Traders and a Market Analyst. The Transnet Treasury Dealing Room team members have a combined experience of almost a hundred years in the local, Money, Capital and Forex Markets.
- Transnet's Treasury was rated as one of the best in the world by McKinsey in a 2010 Survey.
- Transnet Treasury Team had all the ability, skills, qualifications and experience to raise debt and execute financial transactions in most markets.

SCOPE OF INTEREST RATE SWAPS RELATED TO THE R12 BILLION CLUB LOAN

WHAT DID INTEREST RATE SWAPS ENTAIL?

- There is a need for "syndication" of very large amounts due to the loan limits (i.e. the maximum amount a party is permitted to swap per trade).
- For the first tranche of R4,5 billion (4 December 2015), the underlying loan issuers were:

Loan issuer and amount	Floating Rate (receive)	Mid-market blended rate	Fixed rate (pay)
ABSA Bank: R1,5 billion	9,18%	11.16%	11,83%
Bank of China: R1,5 billion	9,22%	11.16%	11,83%
Nedbank: R0,5 billion	9,22%	11.16%	11,83%
Future Growth: R0,5 billion	9,22%	11.16%	11,83%
OMSFIN: R0,5 billion	9,22%	11.16%	11,83%

- The blended mid-price (rate) according to Bloomberg (utilising the Swap Pricing Module) at which the swaps were executed, was 11.156% and 11.444% (CVA and market execution fees not included) for the first and second tranches of R4.5 billion and R7.5 billion, respectively.
- The blended rate means the weighting of the rates applicable to the total loan as different spreads (margins) are applicable to different loan issuers. The outcome is a blended rate that is applicable to the full swap.

INTEREST RATE SWAPS – CONTEXT FOR R7,5 BILLION

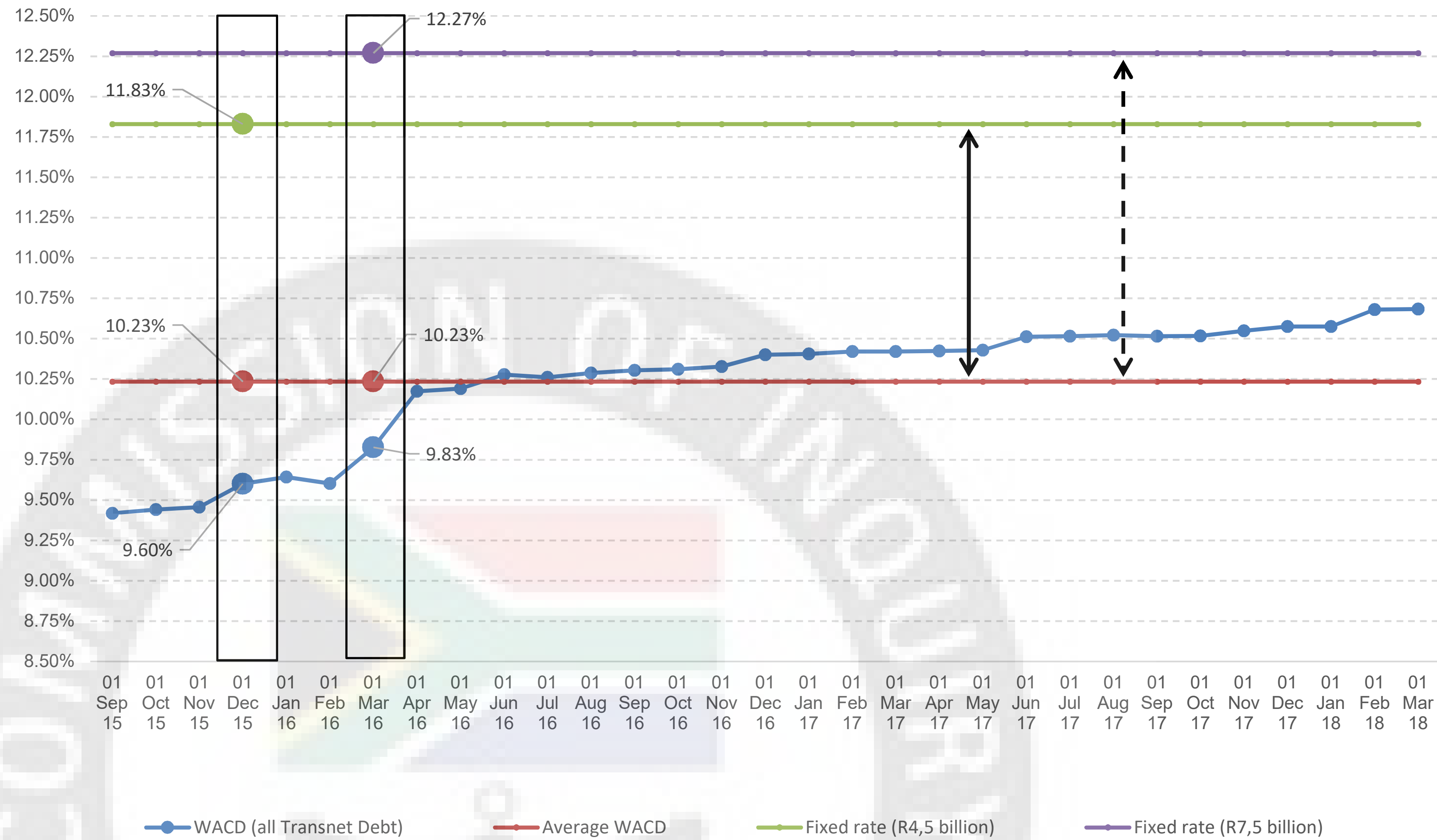
- For the second tranche of R7,5 billion (7 March 2016), the underlying loan issuers and relevant details were as follows:

Loan issuer and amount	Floating Rate (receive)	Mid-market blended rate	Fixed rate (pay)
ABSA Bank: R1,5 billion	Jibar3M (7,017%) + 2,6%	11.444%	12,27%
Bank of China: R1,5 billion	Jibar3M + 2,7%	11.444%	12,27%
Nedbank: R2,5 billion	Jibar3M + 2,7%	11.444%	12,27%
Future Growth: R1,0 billion	Jibar3M + 2,7%	11.444%	12,27%
OMSFIN: R1,0 billion	Jibar3M + 2,7%	11.444%	12,27%

- At the very least, what the above schedules show, is that Transnet significantly overpaid for swap transactions.

- How do the fixed rates align with the overall weighted average cost of debt in the Transnet debt book?

TRANSNET KEY DEBT POINTS



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FEES PAID TO REGIMENTS

As agent of Transnet in executing the swaps, Regiments would receive a fee. The manner in which the fee was calculated and the resultant amount accrued to or paid to Regiments is the subject matter of further investigation.

TRANSNET SECOND DEFINED BENEFIT FUND (TSDBF)

TRANSNET SECOND DEFINED BENEFIT FUND ("TSDBF")

- Transnet Second Defined Benefit Fund ("TSDBF") is one of Transnet's pension fund of Transnet with a specific mandate to pay benefits to Transnet Pensioners and beneficiaries.
- At a stage it was decided to hedge R 11,3 billion of Transnet debt (at floating rate) through a swap with a counterparty.
- At the time of this transaction a party related to Regiments (Regiments Fund Managers (Pty) Ltd) were the fund managers of the TSDBF.
- In addition and in relation to this transaction; Regiments was the transaction advisors. Further Regiments was the execution agent for the R 11,3 billion.
- The TSDBF is a defined benefit pension fund.

TRANSNET SECOND DEFINED BENEFIT FUND (CONT.)

- As I have explained previously, the very nature of using swaps as a hedging instrument implies that there is only one winner, in this case, either Transnet or the TSDBF.
  - Transnet notionally pays the fixed rate to the TSDBF and receives the floating rate from the TSDBF; and
  - the funds of pensioners would be used to cover positions if floating rates exceeded the fixed rate - which has not occurred to date.

- A further question arises whether the TSDBF could engage in derivative transactions in terms of the Transnet Pension Funds Act, The Fund Rules and Investment Policy Statement (IPS) of 2010 as amended in 2013. This is under investigation.

- The execution of the swaps and claims of repayment of fees paid by the fund to Regiments are currently the subject of litigation. These issues are also the subject matter of further investigation.

TSDBF INTEREST RATE TRANSACTIONS (CONT.)

- Losses to Transnet arising from the interest rate swaps (R11,3 billion) executed with the TSDBF, as at 14 May 2019.

- To date, the TSDBF benefited by an amount of R720,8 million with Transnet being the equivalent loser.

INTEREST RATE SWAP: TSDBF AS AT 14MAY2019

Deal number	Structure	Capital amount	Counterparty	Loan Counterparty	Realised cash flow as at 14May2019	Cost of exit as at 14May2019 (unrealised)	Realised + Unrealised
351435	R11,3 billion	R 6 991 500 000	TSDBF	Export Developme	-R 467 681 088	-R 585 311 011	-R 1 052 992 099
351772	R11,3 billion	R 1 604 166 667	TSDBF	Liberty Finance	-R 96 701 858	-R 102 502 882	-R 199 204 740
351774	R11,3 billion	R 1 000 000 000	TSDBF	Old Mutual	-R 57 150 356	-R 63 556 246	-R 120 706 602
351775	R11,3 billion	R 1 700 000 000	TSDBF	Standard Bank	-R 99 307 112	-R 64 309 865	-R 163 616 977
		R 11 295 666 667			-R 720 840 414	-R 815 680 004	-R 1 536 520 418

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CONCLUSIONS

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1. The expertise and skills of Transnet treasury were side-lined in favour of highly questionable arrangements with third party advisors.

2. The Club Loan (R12 billion) entered into was, in the first instance questionable. In my view, it is probable that the decision to enter into that loan on a floating rate basis was made deliberately in order to enable the introduction of the interest rate swaps to introduce fixed rates.

3. The resultant hedging transactions were in themselves questionable. They resulted in excessive hedging costs to Transnet.

4. The transactions involving Regiments and others, related to the above resulted in the payment of excessive amounts of fees to them with the corresponding cost to Transnet.

5. The transactions involving the TSDBF, Transnet and Regiments involved intolerable conflicts of interest.

Thank you.

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