

23 April 2020

The Directors

RMB Holdings Limited

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Dear Sirs,

FAIR AND REASONABLE OPINION IN RESPECT OF THE RMH UNBUNDLING

The definitions and interpretations contained in the Circular to Shareholders, dated 30 April 2020 (the "**Circular**"), apply to this Independent Expert Opinion, unless otherwise defined herein.

1. INTRODUCTION

In an announcement released on SENS dated 19 November 2019, RMH advised that the RMH Board has resolved to restructure RMH's portfolio of assets and liabilities. In terms of the RMH Unbundling, it is proposed that RMH will distribute its entire shareholding in FirstRand, less the FirstRand Disposal Shares, to Shareholders.

The RMH Unbundling will take place by way of a distribution *in specie* in terms of section 46 of the Companies Act and section 46 of the Income Tax Act. The FirstRand Distribution Shares will be distributed to Shareholders in the Distribution Ratio of 1.31189 FirstRand Distribution Shares for every 1 Share held at the RMH Unbundling Record Date, expected to be Friday, 26 June 2020.

2. SCOPE

The RMH Unbundling is considered to be a Section 112 Disposal, and as such, constitutes an "affected transaction" as defined in section 117(1)(c)(i) of the Companies Act. Consequently, the RMH Unbundling is regulated by the Companies Act and the Takeover Regulations.

The RMH Board has established the Independent Board for the purposes of the Companies Act and the Takeover Regulations and for the purposes of considering and, if deemed fit, approving the RMH Unbundling.

In accordance with Regulation 90 (1)(b) and Regulation 110 of the Takeover Regulations, the Independent Board is required to appoint an independent expert to evaluate the consequences of the RMH Unbundling and assess the effects of the RMH Unbundling on the rights and interests of a

Shareholder and provide an opinion whether the proposed terms and conditions of the RMH Unbundling are fair and reasonable insofar as the Shareholders are concerned.

The Independent Board has appointed Merrill Lynch South Africa Proprietary Limited trading as BofA Securities ("**BofA**") to act as independent professional expert in terms of in terms of section 114(2) of the Companies Act and Regulation 90 of the Takeover Regulations to provide an opinion on whether the terms of the RMH Unbundling are fair and reasonable in so far as Shareholders are concerned.

We understand our opinion (this "**Opinion**") will be used by the Independent Board to satisfy the requirements of the Companies Act and the Takeover Regulations and this Opinion letter will be included in the Circular sent to Shareholders seeking approval of the RMH Unbundling.

In accordance with section 114(3)(g) of the Companies Act, a copy of section 115 and section 164 of the Companies Act is set out in **Annexure 2** of the Circular.

3. RESPONSIBILITY

Compliance with the Companies Act is the responsibility of the RMH Board. Our responsibility is to report on the terms of the RMH Unbundling and to provide an Opinion indicating whether the terms of the RMH Unbundling are fair and reasonable to the Shareholders in compliance with the relevant provisions of the Companies Act and the Takeover Regulations and to advise in relation to the matters specified in section 114(3) of the Companies Act and Regulations 90 and 110 of the Companies Regulations.

We confirm that our Opinion has been provided to the Independent Board for the sole purpose of assisting them in forming and expressing an opinion with regard to the RMH Unbundling for the benefit of the Shareholders.

Full details of the RMH Unbundling are contained in the Circular which will include a copy of this Opinion. The material interests of the Directors are set out in paragraph 13 of the Circular and the effect of the RMH Unbundling on those interests and persons are also set out in that section of the Circular.

4. DEFINITION OF THE TERMS "FAIR" AND "REASONABLE"

The assessment of "fairness" is based primarily on quantitative considerations. A transaction will generally be said to be fair if the benefits received by the shareholders, as a result of the transaction, are equal to or greater than the value given up by the shareholders.

The RMH Unbundling may be said to be fair if the fair value attributable to Shareholders after the RMH Unbundling is equal to or more than the fair value attributable to Shareholders before the RMH Unbundling.

Reasonableness is primarily based on qualitative issues surrounding the particular transaction. Reasonableness in terms of the RMH Unbundling is measured relative to various quantitative factors

which include where the relative RMH and FirstRand share prices were trading before and after the initial RMH Unbundling announcement, amongst other things.

An individual shareholder's decision as to whether to support a particular transaction may be influenced by his or her particular circumstances (for example taxation) and the price paid for the shares. This Opinion does not purport to cater for individual Shareholders' positions but rather the rights and interests of the general body of Shareholders subject to the RMH Unbundling. Should a Shareholder be in doubt, he or she should consult a relevant advisor as to the merits of the RMH Unbundling, considering his/her personal circumstances.

In reaching a conclusion on whether the RMH Unbundling is fair and reasonable to the Shareholders, we considered the material effects of the RMH Unbundling on the rights and interests of the Shareholders.

5. SOURCES OF INFORMATION

In the course of our valuation analysis, we relied upon financial and other information obtained from RMH and RMH Property management and from various public, financial and industry sources. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in arriving at our Opinion, include the following public and privately made available information:

- FirstRand broker notes published post its FY2019 results announcement on 5 September 2019 from the following brokers: BofA Securities, CitiBank, Goldman Sachs, HSBC, Investec, JPMorgan, Morgan Stanley and UBS;
- Financial statements, investor presentations and annual reports of FirstRand for the financial years ended June 2017 - 2019;
- Basel pillar 3 disclosure of FirstRand for the financial years ended June 2017 - 2019;
- FirstRand's published interim results for the six-month period ended 31 December 2019;
- RMH Board presentations for 2017 - 2019;
- RMH investment team's high-level views on the future outlook for FirstRand reflected in written responses received from RMH on 29 February 2020. These responses and views were based solely on public information and were not supplemented by the RMH CEO given his position as a non-executive director of FirstRand;
- Information on RMH Property, including its history and development milestones, nature of the business, properties overview, key partnerships, shareholders and tenants;

- The independent property valuation reports in respect of the fair value of the properties (fully or partially) owned by the underlying portfolio companies of RMH Property (comprised of APH, Atterbury Europe, Divercity and Integer Properties, together the “**Underlying Vehicles**”) as prepared by local and international appraisers;
- Information and assumptions made available by and from discussions held with the CEO and other management of RMH Property;
- Empirical research from National Association of Certified Valuators and Analysts with regards to the observed discounts in the market for minority stakes, lack of control and illiquidity, all applicable to RMH Property; and
- Industry information and publicly available research analysts’ reports on selected, publicly listed peer companies.

6. PROCEDURES PERFORMED

In arriving at our Opinion we have, *inter alia*, undertaken the following procedures in evaluating the fairness and reasonableness of the RMH Unbundling:

- **FirstRand**
 - o Reviewed publicly available business and financial information relating to FirstRand including the historical audited financial statements of FirstRand audited by PWC;
 - o Compared certain financial information of FirstRand with similar information of companies we deemed relevant;
 - o Developed a fundamental valuation model based on brokers’ consensus of key metrics; and
 - o Reviewed and took into account RMH’s investment team’s views on the future outlook of FirstRand.
- **RMH Property**
 - o Reviewed property valuations prepared by independent property appraisers appointed on behalf of RMH Property for each of the Underlying Vehicles;
 - o Reviewed the methodologies and procedures used by such independent appraisers. We confirm that we are satisfied with the basis of property valuations and have relied on these valuations;
 - o Reviewed financial and operating information furnished to us and discussed with the CEO and other management of RMH Property including NAV assessment and reconciliation, underlying assets / portfolio statistics and historical financial statements; and

- Consulted publicly available information relating to the real estate investment industry in relevant sectors (office and retail) and geographies (Central and Eastern Europe and Southern Africa).
- **RMH**
 - Reviewed RMH's audited historical financials – prepared under IFRS and audited by PWC.
- **Other**
 - Reviewed the Circular and other announcements to be published in connection with the RMH Unbundling; and
 - Performed such other analyses and studies and considered such other information and factors as we deemed appropriate.

Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of this Opinion, by reference to publicly available or independently obtained information or by discussions with RMH and RMH Property management. Save for corroborating the reasonableness of the information provided to us for the purpose of this Opinion as aforesaid, we have not conducted any audit of any such information and accordingly, we assume no responsibility and make no representations with respect to the accuracy or completeness of any information (including any third party property valuations provided to us) provided to us in respect of the RMH Unbundling.

As directed by the Independent Board, who had regard for the extent of public available information on FirstRand as well as the fact that the FirstRand Shares are listed and highly liquid, we have not engaged the FirstRand management or Board, nor have we received any forecasts or other information from them.

7. ASSUMPTIONS

We have arrived at our Opinion based on the following assumptions:

- That the terms and conditions of the RMH Unbundling are legally enforceable;
- That reliance can be placed on the historical and forecast financial information of RMH, RMH Property and FirstRand used in our analysis;
- That the current economic, regulatory and market conditions will not change materially;
- That the RMH Unbundling will not give rise to any undisclosed tax liabilities;
- That the RMH Unbundling will have the legal, accounting and taxation consequences described in the Circular and discussions with, and materials furnished to us by representatives and advisors of RMH;
- That FirstRand and RMH will remain listed on the main board of the JSE;

- That RMH is not involved in any other material legal proceedings other than those conducted in the ordinary course of business and as disclosed in paragraph 16 of the Circular in relation to the liquidation of Propertuity;
- That RMH has no material outstanding disputes with the South African Revenue Service; and
- That there are no undisclosed contingencies that could affect the values of RMH, FirstRand or RMH Property.

8. APPROPRIATENESS AND REASONABLENESS OF UNDERLYING INFORMATION AND ASSUMPTIONS

We satisfied ourselves as to the appropriateness and reasonableness of the information and assumptions employed in arriving at our Opinion by:

- Placing reliance on audit reports in the annual financial statements of RMH and FirstRand;
- Considering the historical trends of information and assumptions provided by RMH and RMH Property management;
- Comparing and corroborating such information and assumptions with external sources of information, to the extent available; and
- Determining the extent to which representations from RMH and RMH Property management, and other industry experts were confirmed by documentary evidence as well as our understanding of RMH, FirstRand and RMH Property and the economic environment in which each of them operates.

9. VALUATION APPROACH

In conducting our analyses and arriving at our Opinion contained in this letter, BofA has utilised a variety of valuation methods, including *inter alia*, dividend discount model and other cash flow related methodologies and comparable company trading and transaction analyses.

Specifically, for FirstRand, amongst other methods, BofA performed:

- i. a fundamental valuation, i.e. a dividend discount model based on publicly available brokers' forecasts for the years 2020 - 2025 and extrapolated financial projections for the years 2026 - 2029;
- ii. a regression analysis based on a sample of listed South African banks, as well as a broader sample of Middle-Eastern, African and European banks; and
- iii. a sum-of-the-parts valuation of the African and UK businesses.

BofA has excluded:

- i. direct application of the trading comparables valuation method given the differences in the risk, growth and profitability profile of FirstRand versus its peers; and
- ii. precedent transactions analysis given limited number of comparable transactions.

While not included in the valuation methods, BofA also observed historical market views on FirstRand stock, particularly share price performance in the past two years and the current range of brokers' target prices.

Specifically, for RMH Property, BofA has exclusively relied on a NAV-based valuation supplemented by NAV trading multiples for selected comparable companies. BofA has excluded cash flow-based methodologies (i.e. discounted cash flows and dividend discount valuation methods) given the passive nature of RMH Property as a holding company and the lack of control over the Underlying Vehicles' dividend policy and ultimate liquidity of the underlying assets. Finally, BofA has excluded precedent transactions analysis given the limited number of comparable transactions involving similar structures, operations and/or geographies.

The analyses prepared by BofA were prepared solely for the purpose of enabling BofA to provide the Opinion and do not purport to be appraisals or necessarily reflect the prices at which businesses or securities may actually be sold, which are inherently subject to uncertainty.

10. LIMITING CONDITIONS

In arriving at our Opinion, we have assumed and relied upon, without independent verification, the accuracy and completeness of the financial and other information and data publicly available or provided to or otherwise reviewed by or discussed with us and have relied upon the assurances of RMH and RMH Property management that they are not aware of any facts or circumstances that would make such information or data inaccurate or misleading in any material respect.

We have not made any independent evaluation or appraisal of the assets or liabilities (contingent or otherwise) of RMH, nor have we made any physical inspection of the properties or assets of RMH. We have not evaluated the solvency or fair value of RMH under any laws relating to bankruptcy, insolvency or similar matters. We have assumed, at the direction of RMH, that the RMH Unbundling will be completed in accordance with its terms, without waiver, modification or amendment of any material term, condition or agreement and that, in the course of obtaining the necessary governmental, regulatory and other approvals, consents, releases and waivers for the RMH Unbundling, no delay, limitation, restriction or condition, including any divestiture requirements or amendments or modifications, will be imposed that would have an adverse effect on RMH or the contemplated benefits of the RMH Unbundling.

We express no view or opinion as to any terms or other aspects of the RMH Unbundling (other than the financial terms of the RMH Unbundling to the extent expressly specified herein), including, without limitation, the form or structure of the RMH Unbundling. We were not requested to, and we did not,

participate in the negotiation of the terms of the RMH Unbundling, nor were we requested to, and we did not provide any advice or services in connection with the RMH Unbundling other than the delivery of this Opinion. We express no view or opinion as to any such matters. Our Opinion is limited to the fairness and reasonableness, from a financial point of view, to Shareholders of the financial terms of the RMH Unbundling and no opinion or view is expressed with respect to any consideration received in connection with the RMH Unbundling by the holders of any class of securities, creditors or other constituencies of any party. In addition, no opinion or view is expressed with respect to the fairness or reasonableness (financial or otherwise) of the amount, nature or any other aspect of any compensation to any of the officers, directors or employees of any party to the RMH Unbundling, or class of such persons, relative to such consideration. Furthermore, no opinion or view is expressed as to the relative merits of the RMH Unbundling in comparison to other strategies or transactions that might be available to RMH or in which RMH might engage or as to the underlying business decision of RMH to proceed with or effect the RMH Unbundling. In addition, we express no opinion or recommendation as to how any shareholder should vote or act in connection with the RMH Unbundling or any related matter.

Our Opinion is necessarily based on financial, economic, monetary, market and other conditions and circumstances as in effect on, and the information made available to us as of, the date hereof. It should be understood that subsequent developments may affect this Opinion, and we do not have any obligation to update, revise, or reaffirm this Opinion. The credit, financial and stock markets have recently been experiencing unusual volatility and we express no opinion or view as to any potential effects of such volatility on RMH or the RMH Unbundling. The issuance of this Opinion was approved by our EMEA Fairness Opinion Review Committee.

We have furthermore assumed that all the RMH Unbundling Conditions Precedent, including any material regulatory and other approvals required in connection with the RMH Unbundling have been or will be fulfilled or waived (where capable of waiver).

11. OPINION

The rationale for the RMH Unbundling in relation to the business and prospects of RMH is set out in paragraph 2 of the Circular.

Based on the procedures performed, our valuation work and other considerations, we concluded that:

- The fundamental value attributable to Shareholders prior to the RMH Unbundling is between R71 billion and R92 billion on a marketable, minority basis. The most likely value is R81.8 billion, which approximates the midpoint of our value range.
- The fundamental value attributable to Shareholders post the RMH Unbundling is between R72 billion and R93 billion on a marketable, minority basis. The most likely value is R82.4 billion, which approximates the midpoint of our value range.

- We are of the opinion that the fundamental value attributable Shareholders post the unbundling is not materially different to the fundamental value to Shareholders prior to the RMH Unbundling.

Based upon and subject to the foregoing, including the procedures performed and the various assumptions and limitations set forth herein, we are of the opinion on the date hereof that the terms of the RMH Unbundling are fair and reasonable to Shareholders.

12. INDEPENDENCE, COMPETENCE AND FEES

We have acted as an independent professional expert to the RMH Independent Board, in terms of Regulation 90(1) of the Takeover Regulations, in connection with the RMH Unbundling solely to render this Opinion and will receive a fee of R500,000 excluding Value Added Tax for our services. In addition, RMH has agreed to reimburse our expenses and indemnify us against certain liabilities arising out of our engagement.

We confirm that neither we nor any person related to us (as contemplated in the Companies Act) have a direct or indirect interest in the RMH Unbundling, nor have or have had within the immediately preceding two years, any relationship as contemplated in section 114(2)(b) of the Companies Act, and specifically declare, as required by Regulations 90(6)(i) and 90(3)(a) of the Takeover Regulations, that we are independent in relation to the RMH Unbundling and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide this Opinion and meet the criteria set out in section 114(2)(a) of the Companies Act.

We and our affiliates comprise a full service securities firm and commercial bank engaged in securities, commodities and derivatives trading, foreign exchange and other brokerage activities, and principal investing as well as providing investment, corporate and private banking, asset and investment management, financing and financial advisory services and other commercial services and products to a wide range of companies, governments and individuals. In the ordinary course of our businesses, we and our affiliates may invest on a principal basis or on behalf of customers or manage funds that invest, make or hold long or short positions, finance positions or trade or otherwise effect transactions in equity, debt or other securities or financial instruments (including derivatives, bank loans or other obligations) of RMH or FirstRand and certain of their respective affiliates.

We and our affiliates in the past have provided, currently are providing, and in the future may provide, investment banking, commercial banking and other financial services to RMH and have received or in the future may receive compensation for the rendering of these services.

We also confirm that we have the necessary qualifications and competence to provide the Opinion on the RMH Unbundling. Furthermore, we confirm that our professional fees are not contingent upon the success of the RMH Unbundling.

13. MATERIAL INTERESTS OF DIRECTORS AND TRUSTEES

In accordance with sections 114(3)(e) and (f) of the Companies Act, we confirm that Directors' interests in RMH are as follows:

	Direct beneficial	Indirect beneficial	Held by associates	Total	%
Executive					
HL Bosman	-	-	-	-	-
Non-executive					
JJ Durand	-	-	-	-	-
JP Burger	-	1 234 000	-	1 234 000	0.09
P Cooper	750 058	-	3 060 889	3 810 947	0.27
SEN de Bruyn	-	-	-	-	-
LL Dippenaar	-	75 096 576	232 868	75 329 444	5.34
PK Harris	-	7 000 000	-	7 000 000	0.50
A Kekana	-	-	-	-	-
P Lagerström	-	-	-	-	-
MM Mahlare	-	-	-	-	-
MM Morobe	-	-	-	-	-
RT Mupita	-	-	-	-	-
O Phetwe	-	-	-	-	-
JA Teeger	-	52 000	-	52 000	-
DA Frankel	-	-	-	-	-
F Knoetze	-	-	-	-	-
UH Lucht	-	-	-	-	-
Total	750 058	83 382 576	3 293 757	87 426 391	6.21

We understand that the RMH Unbundling has the same effect on such Directors that it has on the other Shareholders.

14. THIRD PARTY RIGHTS

This Opinion is provided to the Independent Board (in its capacity as such) in connection with and for the purposes of the RMH Unbundling for the sole purpose of assisting the Independent Board in forming and expressing an opinion for the benefit of the Shareholders. Therefore, this Opinion should not be regarded as suitable for use by any other party and shall not confer rights or remedies upon any person other than the Independent Board. Fair and reasonableness opinions do not purport to cater for individual shareholders but rather the general body of shareholders. Also, an individual shareholder's decision may be influenced by such shareholder's particular circumstances and, accordingly, a

shareholder should consult an independent advisor if any doubts as to the merits or otherwise of the RMH Unbundling exist.

15. CONSENT

We hereby consent to the inclusion of this Opinion and the reference to this Opinion in the Circular to be issued to Shareholders in connection with the RMH Unbundling in the form and context in which it appears and in any required regulatory announcement or documentation. This Opinion shall not otherwise be disclosed, reproduced, disseminated, quoted, summarised or referred to at any time, in whole or in part, in any manner or for any purpose, nor shall any public references to BofA be made by RMH or any of its affiliates, without the prior consent of BofA.

Yours faithfully



Richard Gush

Managing Director

Merrill Lynch South (Pty) Ltd trading as BofA Securities

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