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The Board and Independent Board
Liberty Holdings Limited
Liberty Centre, 1 Ameshoff Street
Braamfontein
Johannesburg, 2001

Dear Sir/Madam:

Report of the Independent Expert on the proposed buy-out of Liberty Holdings Limited's ("Liberty") preference shareholders by Standard Bank Group Limited ("SBG")

Introduction

SBG intends to make an offer to Liberty preference shareholders ("Preference Shareholders") to acquire all the issued Liberty preference shares with a par value of 10 cents each in Liberty ("Preference Shares") held by the Preference Shareholders and which, if successfully implemented, will result in the Preference Shares being delisted from the JSE ("the Proposed Transaction").

The Proposed Transaction will be implemented by way of a single offer constituted by:

- a scheme of arrangement in terms of Section 114 of the Companies Act, 71 of 2008 ("Companies Act"), comprising the acquisition by SBG of all the Preference Shares for a cash consideration of R1.50 per Preference Share ("Scheme Consideration"); or
- if the scheme of arrangement lapses, a conditional general offer ("General Offer") by SBG to the Preference Shareholders to acquire all of the Preference Shares for a cash consideration of R1.50 per Preference Share ("Offer Consideration"), in terms of Paragraph 1.15(c) of the Listings Requirements of the JSE ("JSE Listings Requirements.

The scheme of arrangement will be proposed by the board of directors of Liberty ("Board"), between Liberty and the Preference Shareholders.

The details provided in respect of the Preference Shares are as follows:

- 15 000 000 cumulative Preference Shares;
- Non-redeemable;
- Dividend yield of R0.11 per share per annum (annual dividend of R1.65m);
- Current market capitalisation of R16.5m.

Full details of the Proposed Transaction are contained in the Circular in which this Opinion is replicated as Annexure 1 ("Circular"). The material interests of directors of Liberty and the impact of the Proposed Transaction on them are set out in paragraph 14 of the Circular.

Scope

In terms of Section 114(1)(c), as read with Section 115 of the Companies Act and Chapter 5 of the Takeover Regulations, the Board will propose a scheme of arrangement between Liberty and the Preference Shareholders.

Ernst & Young Advisory Services (Pty) Limited ("EY") has been appointed by Liberty as the independent expert to provide a fair and reasonable opinion ("Opinion") in compliance with Section 114(3) of the

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Chief Executive: Ajen Sita

Companies Act, Regulation 90 of the Takeover Regulations and Schedule 5 to the JSE Listings Requirements, in respect of the Proposed Transaction.

Copies of Sections 115 and 164 of the Companies Act are included in Annexures 6 and 7, respectively, of the Circular.

Responsibility

Compliance with the Companies Act, the Takeover Regulations and the JSE Listings Requirements is the responsibility of the Board, including the independent board of Liberty ("Independent Board"). Our responsibility is to report on the Proposed Transaction in compliance with the related provisions of the Companies Act, Takeover Regulations and JSE Listings Requirements, as appropriate.

We confirm that our Opinion has been provided to the Board, including the Independent Board, for the sole purpose of assisting them in forming and expressing an opinion for the benefit of the Preference Shareholders, as required in terms of Paragraph 1.15(d) of the JSE Listings Requirements and Regulation 110 of the Takeover Regulations, as applicable.

Definition of the terms “fair” and “reasonable”

Market value is defined as the estimated amount for which an asset should exchange on the date of valuation between a willing buyer and a willing seller in an arm’s-length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The “fairness” of a transaction is primarily based on quantitative issues. A transaction will generally be considered "fair" to the company’s shareholders if the benefits received by shareholders, as a result of a transaction, are equal to or greater than the value surrendered.

The assessment of "reasonableness" is generally based on qualitative issues. Even though the consideration attributable to the transaction may differ from the market value of the shares subject to a transaction, a transaction may still be reasonable after considering other significant qualitative factors.

Information utilized

In the course of our analysis, we relied upon financial and other information, obtained from Liberty, together with industry-related and other information in the public domain. Our conclusion is dependent on such information being complete and accurate in all material respects.

The principal sources of information used in formulating our Opinion regarding the valuation of the Preference Shares include:

- Liberty's annual financial statements;
- The Firm Intention Announcement (as published on the Stock Exchange News Service on 15 July 2021);
- Discussions held with Liberty management; and
- EY analysis and research of publicly available information.

Where practical, we have corroborated the reasonableness of the information provided to us for the purposes of our Opinion, whether in writing or obtained through discussions with Liberty management.

Procedures performed

In arriving at our Opinion, we have undertaken the following procedures in evaluating the fairness and reasonableness of the Proposed Transaction to Preference Shareholders:

- Supplemented our knowledge and understanding of the operations of Liberty;
- Considered information made available by, and from discussions held with, Liberty management;
- Considered the rationale and relevant information for the Proposed Transaction, as represented in the Firm Intention Announcement and by Liberty management;
- Reviewed general economic, market and related conditions relevant to the Preference Shares;
- Performed an independent valuation of the Preference Shares;
- Concluded on a value range for the Preference Shares for the Proposed Transaction; and
- Considered any further qualitative aspects of the Proposed Transaction or which affect the Scheme Consideration or the Offer Consideration.

We have not interviewed any Preference Shareholders to obtain their views on the Proposed Transaction.

Based on the results of the procedures mentioned above, we have determined the fairness and reasonableness of the Proposed Transaction to Preference Shareholders. We believe that the above considerations justify the conclusion outlined below.

Valuation

In considering the Proposed Transaction value, we performed an independent valuation of the Preference Shares based on the information available to us.

EY performed a valuation based on a Dividend Discount Model ("DDM") to determine whether the Scheme Consideration or Offer Consideration (as applicable) represents fair value for the Preference Shareholders.

The DDM valuation (income approach) was the primary valuation methodology utilised. Our DDM valuation was supplemented with the market approach (based on financial data for comparable publicly traded South African peer companies) as a secondary methodology to support the results of the DDM valuation. The DDM valuation was performed taking cognisance of risk and other market and industry factors affecting Liberty's operations. The risk analysis was including but not limited to the operating environment in which Liberty operates, the current economic climate and the overall expected yields on similar shares in the market. Prevailing market and industry conditions were also considered in assessing the risk profile of Liberty.

Key value drivers for the Liberty DDM included:

- Nature of the shares being non-redeemable cumulative preference shares;

- The annual dividends paid of R0.11 per Preference Share;
- The discount rate, which has been modelled on a range of between 67% and 75% of the assumed prime rate. The prime rate has been based on the South African swap curve plus a spread of 3.5%; and
- External value drivers considered include prevailing market and industry conditions, including the impact of the Covid-19 pandemic, in which Liberty operates.

Key sensitivity analysis included discount rate movements, specifically that of interest rate increases or decreases.

Qualitative considerations

We have considered the following as qualitative factors, in evaluating the reasonableness of the Proposed Transaction:

- Preference Shareholders will be offered liquidity through the Proposed Transaction, as the Preference Shares by nature are classified as non-redeemable shares.
- The Scheme Consideration or the Offer Consideration (as applicable) offers Preference Shareholders a premium on the current market capitalization of the shares.

Findings

Based on our procedures performed we have determined an independent valuation range for the Preference Shares as being between R1.17 and R1.27 per share, with R1.22 per share being the most likely value.

The Scheme Consideration or the Offer Consideration of R1.50 per Preference Share compares favorably to the above noted Preference Share valuation range.

Conclusion

Based on the results of our procedures performed, our valuation work and qualitative considerations, and subject to the conditions set out herein, we are of the opinion that the Proposed Transaction is fair and reasonable insofar as the Preference Shareholders are concerned. Further, for purposes of paragraph 1.15(d) of the Listings Requirements, we are of the opinion that the General Offer is fair insofar as the Preference Shareholders are concerned.

Limiting conditions

Our opinion is necessarily based upon the information available to us up to 30 June 2021, including in respect of the financial, regulatory, securities market and other conditions and circumstances existing and disclosed to us at the date thereof. We have furthermore assumed that all conditions precedent, including any material regulatory, other approvals and consents required in connection with the Proposed Transaction has been or will be timeously fulfilled and/or obtained.

This Opinion is provided solely for the use of Liberty for the sole purpose of assisting the Independent Board in forming and expressing an opinion on the Proposed Transaction for the benefit of Preference Shareholders.

We have also assumed that the Proposed Transaction will have the legal, accounting and taxation consequences described in discussions with, and materials furnished to us by, representatives of Liberty and we express no opinion on such consequences. We have assumed that all agreements that will be entered into in respect of the Proposed Transaction will be legally enforceable.

While our work has involved an analysis of, inter alia, the annual financial statements, and other information provided to us, our engagement does not constitute, nor does it include, an audit conducted in accordance with generally accepted auditing standards.

We have relied upon and assumed the accuracy of the information used by us in deriving our Opinion. Where practical, we have corroborated the reasonability of the information provided to us for the purpose of this Opinion, whether in writing or obtained in discussions with management of Liberty, by reference to publicly available or independently obtained information. We assume no responsibility and make no representations with respect to the accuracy of any information provided to us in respect of Liberty.

An individual shareholder’s decision may be influenced by his or her particular circumstances. This opinion does not purport to cater for each shareholder’s circumstances and risk profile, but rather the general body of shareholders taken as a whole. Should a shareholder be in any doubt as to what action to take, he or she should consult an independent advisor

Independence, competence and fees

We confirm that we have no direct or indirect interest in Liberty (or any of its subsidiaries). We also confirm that we have the necessary independence, qualifications and competence to provide the independent Opinion on the Proposed Transaction, as required by section 114(2) of the Companies Act.

Furthermore, we confirm that our professional fees of R500,000 (excluding VAT) are not contingent upon the success of the Proposed Transaction.

Consent

We consent to the inclusion of this letter in the Circular to be issued to the Preference Shareholders in the form and context in which it appears and in any required regulatory announcement or documentation.

Yours faithfully

Hannes Boshoff

Partner: Ernst & Young Advisory Services Proprietary Limited