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### **The Independent Board**

The South African Bank of Athens Limited  
Building No.3, Inanda Greens Business Park  
54 Wierda Road West  
Wierda Valley  
Sandton  
2196

31 October 2018

Dear Sirs

## **REPORT OF THE INDEPENDENT PROFESSIONAL EXPERT TO THE SOUTH AFRICAN BANK OF ATHENS REGARDING THE MANDATORY OFFER BY GROCAPITAL HOLDINGS LIMITED TO ACQUIRE ALL OR A PORTION OF THE SHARES IN THE SOUTH AFRICAN BANK OF ATHENS, NOT ALREADY HELD**

### **Introduction**

On Friday, 5 October 2018 a firm intention announcement was published jointly by GroCapital Holdings Limited (“GroCapital” or “Offeror”), with shareholders AFGRI Holdings Proprietary Limited, Fairfax Africa Investments Proprietary Limited and the Public Investment Corporation SOC Limited, and The South African Bank of Athens (“SABA” or “Company”) on the SABA website and in the press (the “Announcement”) which referred the registered holders of issued ordinary shares of SABA (“Shares” or “SABA Shares”) (other than the Offeror) (“SABA Shareholders”) that the board of SABA (“Board”) had received formal notification from the Offeror of its intention to make an offer to acquire the shares of the minority shareholders in SABA (“Offer Shares”).

On 22 December 2016, the Offeror entered into the share sale and purchase agreement between the Offeror, the National Bank of Greece S.A. and NBG Malta Holdings Limited (“Share Sale and Purchase Agreement”), in terms of which the Offeror acquired 31,725,369 ordinary shares or 99.823% of the issued shares of SABA for a consideration of R313,943,082 (“SABA Acquisition”). All the suspensive conditions to the Share Sale and Purchase Agreement have been fulfilled and the SABA Acquisition has been implemented. Following the implementation of the SABA Acquisition and as at 31 October 2018, being the last practicable date prior to the finalisation of the offer document (the “Last Practicable Date”), dated 1 November 2018, setting out the details of the unconditional mandatory offer by the Offeror to all SABA Shareholders to purchase all of their SABA Shares (“Offer” or “Mandatory Offer”) at a consideration of R9.90 per Offer Share (“Offer Consideration”), including the annexures and the form of acceptance, surrender and transfer, sent to SABA Shareholders who were registered as such on 1 November 2018 (“Offer Document”), the Offeror owns 99.823% of the ordinary shares in SABA.

As contemplated in the Announcement, the implementation of the SABA Acquisition has resulted in the Offeror being able to exercise more than 35% of the voting rights attached to securities of SABA. As a result, the Offeror is obliged, in terms of section 123 of the South African Companies Act 71 of 2008, as amended (“Companies Act” or “Act”), read with regulation 86 of the regulations published by the Minister of Trade and Industry in terms of section 120, read with section 223, of the Act (“Takeover Regulations”), to make the Offer to SABA Shareholders.

The Offer is classified as an affected transaction as defined in section 117 of the Companies Act and as such is regulated by that Act and the Companies Regulations, 2011, in terms of the Companies Act, as amended (the “Companies Regulations”).

As at the date of this report, the authorised and issued share capital of the Company comprises the following:

- authorised share capital comprising 100,000,000 Shares of R1 each; and

BDO Corporate Finance (Pty) Ltd  
Registration number: 1983/002903/07  
VAT number: 4250218718

BDO Corporate Finance (Pty) Ltd, a South African company, is an affiliated company of BDO South Africa Inc, a South African company, which in turn is a member of BDO International Limited, a UK company limited by guarantee, and forms part of the international BDO network of independent member firms.

BDO is an international network of independent public accounting, tax and advisory firms (“the BDO network”), which perform professional services under the name of BDO (BDO is the brand name for the BDO International network and for each of the BDO Member Firms.)

- issued share capital comprising 33,002,699 Shares of R1 each.

The Offer will directly or indirectly affect all SABA Shareholders. More information on the material effects that the Offer may have on the rights and interests of SABA Shareholders is detailed in the circular to SABA Shareholders dated Thursday, 1 November 2018 ("Circular").

As at the Last Practicable Date, the SABA directors ("Directors") held no interests in SABA Shares.

### **Fair and reasonable opinion required in terms of the Companies Act**

The Offer is an affected transaction as defined in section 117(1)(c)(vi) of the Companies Act. In terms of section 114(2) of the Companies Act, as read with Regulations 90 and 110 of the Companies Regulations, an independent committee of the SABA board of directors constituted in terms of the Companies Regulations ("Independent Board") is required to retain an independent expert to provide an independent expert report (in the form of a fair and reasonable opinion) in terms of section 114(3) of the Companies Act and Regulations 90 and 110 of the Companies Regulations (the "Independent Expert Report").

BDO Corporate Finance Proprietary Limited ("BDO Corporate Finance" or "Independent Expert") has been appointed as the independent expert by the Independent Board to assess the Offer as required in terms of section 114 of the Companies Act and Regulations 90 and 110 of the Companies Regulations. The Independent Expert Report set out herein is provided to the Independent Board for the sole purpose of assisting the Independent Board in forming and expressing an opinion on the Offer and Offer Consideration for the benefit of SABA Shareholders.

### **Responsibility**

Compliance with the Companies Act and the Companies Regulations is the responsibility of the Independent Board. Our responsibility is to report to the Independent Board on whether the terms and conditions of the Offer and the Offer Consideration are fair and reasonable to SABA Shareholders.

### **Definition of the terms "fair" and "reasonable" applicable in the context of the Offer**

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

The Offer may be said to be fair to SABA Shareholders if the Offer Consideration is equal to or greater than the fair value of an Offer Share, or unfair if the Offer Consideration is less than the fair value of an Offer Share. Furthermore, in terms of Regulation 110(8) of the Companies Regulations, an offer with a consideration per offeree regulated company security within the fair-value range is generally considered to be fair.

The assessment of reasonableness of the Offer is generally based on qualitative considerations surrounding the transaction. Hence, even though the consideration may be lower than the market value, the Offer may be considered reasonable after considering other significant qualitative factors.

### **Details and sources of information**

In arriving at our opinion we have relied upon the following principal sources of information:

- the terms and conditions of the Offer, as set out in the Circular;
- the Joint Firm Intention Announcement by SABA and GroCapital as set out in the Announcement;
- the Share Sale and Purchase Agreement;
- the annual reports of SABA, incorporating the audited annual financial statements, for the years ended December 2016 and 2017;
- the year to date financial information of SABA as at 31 August 2018;
- budgeted financial information provided by SABA management for the year ending 31 December 2018;
- discussions with SABA Directors and management regarding the Offer;
- discussions with SABA Directors and management regarding the historical and forecast financial information of the Company;
- discussions with SABA Directors and management on prevailing market, economic, legal and other conditions which may affect underlying value;

- discussions with SABA Directors and management regarding proposed capital raisings by SABA to take place during the period of the Mandatory Offer;
- publicly available information relating to the South African banking industry in general; and
- publicly available information relating to SABA that we deemed to be relevant, including Company announcements and media articles.

The information above was secured from:

- SABA Directors and management; and
- third-party sources, including information related to publicly available economic, market and other data which we considered applicable to, or potentially influencing SABA.

## Procedures

In arriving at our opinion we have undertaken the following procedures and taken into account the following factors in evaluating the Offer:

- reviewed the terms and conditions of the Offer;
- reviewed the Share Sale and Purchase Agreement;
- reviewed the audited financial information related to SABA as detailed above;
- reviewed and obtained an understanding from management as to the budget financial information of SABA for the financial year ending 31 December 2018 prepared by management of SABA. This review included an assessment of the recent historical performance to date as well as the reasonableness of the outlook assumed based on discussions with management and assessed the achievability thereof by considering historic information as well as macro-economic and industry-specific data;
- performed such other studies and analyses as we considered appropriate and have taken into account our assessment of general economic, market and financial conditions and our experience in other transactions, as well as our experience in securities valuation and knowledge of the banking industry generally;
- held discussions with directors and management of SABA regarding the past and current business operations, regulatory requirements, financial condition and future prospects of SABA and such other matters as we have deemed relevant to our inquiry;
- held discussions with SABA directors and management regarding the rationale for the SABA Acquisition and Offer;
- determined the fair value of SABA by applying appropriate generally accepted valuation approaches and methods in use in the market from time to time in order to derive the fair value of a SABA Share;
- assessed the long-term potential of SABA;
- performed a sensitivity analysis on key assumptions included in the valuation;
- evaluated the relative risks associated with SABA and the banking industry;
- reviewed certain publicly available information relating to SABA and the banking industry that we deemed to be relevant, including Company announcements and media articles, including available analyst coverage of the South African banking industry in general; and
- where relevant, representations made by management and/or directors were corroborated to source documents or independent analytical procedures were performed by us, to examine and understand the industry in which SABA operates, and to analyse external factors that could influence the business of SABA.

## Assumptions

We arrived at our opinion based on the following assumptions:

- that all agreements that have been entered into in terms of the Offer will be legally enforceable against the relevant parties thereto;
- that the Offeror is a newly incorporated company which was acquired by its shareholders for purposes of the SABA Acquisition. It has been approved by the Registrar of Banks in terms of the Banks Act 94 of 1990, as amended, as a controlling company in respect of SABA;

- that none of the SABA Shares acquired pursuant to the Offer will be transferred to any person other than the Offeror and it will be the ultimate owner of the SABA Shares so acquired;
- that the Offer will have the legal, accounting and taxation consequences described in the Circular and discussions with, and materials furnished to us by representatives and advisers of SABA; and
- that reliance can be placed on the financial information of SABA.

### **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 financial statements of SABA;
- conducting analytical reviews on the historical financial results and forecast financial information, such as key ratio and trend analyses; and
- determining the extent to which representations from management were confirmed by documentary and other financial evidence as well as our understanding of SABA and the economic environment in which the Company operates.

### **Limiting conditions**

The Independent Expert Report is provided in connection with and for the purposes of the Offer. This Independent Expert Report does not purport to cater for each individual SABA Shareholder's perspective, but rather that of the general body of SABA Shareholders. Should a SABA Shareholder be in doubt as to what action to take, he or she should consult an independent adviser.

Individual SABA Shareholder's decisions regarding the Offer may be influenced by such SABA Shareholder's particular circumstances and accordingly individual SABA Shareholders should consult an independent adviser if in any doubt as to the merits or otherwise of the Offer.

We have relied upon and assumed the accuracy of the information provided to us in deriving our opinion. Where practical, we have corroborated the reasonableness of the information provided to us for the purpose of our opinion, whether in writing or obtained in discussion with management, by reference to publicly available or independently obtained information. 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 an audit conducted in accordance with generally accepted auditing standards.

Where relevant, forward-looking information of SABA relates to future events and is based on assumptions that may or may not remain valid for the whole of the forecast period. Consequently, such information cannot be relied upon to the same extent as that derived from audited financial statements for completed accounting periods. We express no opinion as to how closely the actual future results of SABA will correspond to those projected. We have however compared the forecast financial information to past trends as well as discussing the assumptions inherent therein with management.

We have also assumed that the Offer will have the legal consequences described in discussions with, and materials furnished to us by representatives and advisers of SABA and we express no opinion on such consequences.

Our opinion is based on current economic, regulatory and market as well as other conditions. Subsequent developments may affect the opinion, and we are under no obligation to update, review or re-affirm our opinion based on such developments.

### **Independence, competence and fees**

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 Offer Shares or the Offer, nor 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 Regulation 90(6)(i) and 90(3)(a) of the Companies Regulations, that we are independent in relation to the Offer and will reasonably be perceived to be independent. We also confirm that we have the necessary competence to provide the Independent Expert Report and meet the criteria set out in section 114(2)(a) of the Companies Act.

Furthermore, we confirm that our professional fees of R200,000 (excluding VAT), in respect of professional services relating to the Offer are not contingent upon the success of the Offer. Our fees are not payable in shares.

## Valuation approach

We have performed a valuation of SABA by applying the fair value Price to Book (“P/B”) methodology.

This valuation has been prepared on the basis of “Market Value”. The generally accepted definition of “Market Value” is the value as applied between a hypothetical willing vendor and a hypothetical willing prudent buyer in an open market and with access to all relevant information.

“Market Value” for financial services firms is commonly derived by applying one or more of the following valuation methodologies:

- Fair P/B;
- Return on tangible equity (“RoE”);
- PE Multiples; and
- Dividend discount models (“DDM”) and residual income models (“RI”).

Due to the lack of visibility in earnings, the valuation of SABA was performed by applying the P/B methodology.

We valued SABA with reference to estimated tangible equity, after adding back interest paid on debentures issued by the National Bank of Greece S.A. (incorporated in Greece) (“NBG”) (the “Debentures”), using the market approach based on comparable multiples of 0.6x book value and implied RoE of 5 - 10%. BDO Corporate Finance assumed a flat growth forecast not exceeding inflation which was considered reasonable considering current circumstances. BDO Corporate Finance estimated the cost of equity to be 18.21% based on the weighted average cost of the Debentures.

The valuation was performed taking cognisance of risk and other market and industry factors affecting SABA.

Key internal value drivers to the P/B valuation of SABA included the discount rate, net interest income growth, non-interest income growth, impairment of loans and advances, growth in operating expenses and return on equity.

External value drivers, including key macro-economic parameters and prevailing market and industry conditions in the banking industry, were considered in assessing the forecast cash flows and risk profile of SABA.

## Valuation results

In undertaking the valuation exercise above, we determined a valuation range of R5.74 to R6.24 per Offer Share with a most likely value of R5.99 per Offer Share.

The valuation range above is provided solely in respect of the Fair and Reasonable Opinion and should not be used for any other purposes.

## Reasonableness of the Offer

The Offer Consideration represents a premium of 65.3% to the most likely value per Share as calculated. We have assessed the terms of the Offer with reference to normal market-related practice. We have found no indication that the Offer will have any material adverse effect on the Company or its shareholders.

## Opinion

BDO Corporate Finance has considered the terms and conditions of the Offer. Based upon and subject to the conditions set out herein, BDO Corporate Finance is of the opinion that the terms and conditions of the Offer and the Offer Consideration are fair and reasonable to SABA Shareholders.

Our opinion is necessarily based upon the information available to us up to 31 October 2018, including in respect of the financial, 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 and other approvals and consents required in connection with the Offer have been fulfilled or obtained.

Accordingly, it should be understood that subsequent developments may affect this Independent Expert Report, which we are under no obligation to update, revise or re-affirm.

**Consent**

We hereby consent to the inclusion of this Independent Expert Report, in whole or in part, and references thereto in the Circular and any other announcement or document pertaining to the Offer, in the form and context in which they appear.

Yours faithfully

A handwritten signature in black ink, appearing to read 'N. Lazanakis', with a horizontal line underneath.

N Lazanakis  
Director  
**BDO Corporate Finance Proprietary Limited**  
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Parktown, 2193