WERKSMANS
ATTORNEYS

Rand Merchant Bank, a division of FirstRand Bank Limited
(as Arranger and Dealer)

and to

Absa Bank Limited,
acting through its Corporate and Investment Banking division
(as Dealer)

and to

The Standard Bank of South Africa Limited,
acting through its Corporate and Investment Banking division
(as Dealer)

and to

City of Cape Town
(as Issuer)

Johannesburg Office
155 5th Street
Sandton 2196 South Africa
Private Bag 10015
Sandton 2146
Docex 111 Sandton
Tel +27 11 535 8000
Fax +27 11 535 8600
www.werksmans.com
enquiries@werksmans.com

YOUR REFERENCE: Ms Angela Mokone
OUR REFERENCE: Mr B R Roothman/R Maleka/sm/CITY8210.38/#4391267v1
DIRECT PHONE: +27 11 535 8115/+27 11 535 8454
DIRECT FAX: +27 11 535 8715/+27 11 535 8554
EMAIL ADDRESS: rroothman@werksmans.com/rmaleka@werksmans.com

17 July 2017

Dear Sirs

CITY OF CAPE TOWN ZAR7,000,000,000 DOMESTIC MEDIUM TERM NOTE PROGRAMME

1 **Introduction**

1.1 We have acted as legal advisors to the City of Cape Town (the "**Issuer**"), Rand Merchant Bank, a division of FirstRand Bank Limited ("**RMB**"), Absa Bank Limited, acting through its Corporate and Investment Banking division ("**Absa**") and The Standard Bank of South Africa Limited, acting through its Corporate and Investment Banking division ("**Standard Bank**") in South Africa in connection with the amended and restated programme memorandum issued by the Issuer in relation to the Issuer's ZAR7,000,000,000 domestic medium term note programme (the "**Programme**"), dated 11 July 2017 (the "**Programme Memorandum**") and the issuance of ZAR1,000,000,000 senior unsecured fixed rate notes due 2027 (the "**Notes**") issued under the Programme.

1.2 For the purposes of rendering this opinion, we have reviewed -

1.2.1 a signed copy of the Programme Memorandum;

1.2.2 a signed copy of the amended and restated programme agreement dated 11 July 2017 between the Issuer, RMB (as Arranger and Dealer), Absa (as Dealer), and Standard Bank (as Dealer) (the "**Programme Agreement**");

1.2.3 a signed copy of the amended and restated agency agreement dated 10 July 2017 between the Issuer and Absa in its capacity as Transfer Agent, Calculation Agent and Paying Agent (the "**Agency Agreement**");

1.2.4 a signed copy of the subscription agreement dated on or about 14 July 2017 between the Issuer and RMB in relation to the issue of and subscription for the Notes;

1.2.5 a signed copy of the applicable pricing supplement dated 14 July 2017 in relation to the issue of the Notes (the "**Applicable Pricing Supplement**");

1.2.6 a certificate of no material adverse change issued on behalf of the Issuer dated 17 July 2017;

1.2.7 a resolution of the council of the Issuer passed at a meeting of the council held in Cape Town on 23 May 2017 authorising, *inter alia*, the update of the programme memorandum dated 30 May 2008 and issuance of Notes under the Programme;

1.2.8 a letter addressed by the JSE Limited ("**JSE**") dated 12 July 2017, which confirms the JSE's formal approval of the Programme Memorandum;

1.2.9 the disclosure and information statement of the Issuer dated 14 July 2017 (the "**Disclosure Statement**") issued in terms of the Municipal Regulations on Debt Disclosures, Government Notice number R492 published in Government Gazette number 29966, dated 15 June 2007 ("**Municipal Regulations on Debt Disclosures**");

1.2.10 a letter by Strate Limited to the Issuer dated 6 July 2017 in respect of which Strate Limited confirms that the Issuer's securities may be deposited in the Central Securities Depository; and

1.2.11 a report by the Auditor General dated 17 July 2017 confirming that the Programme Memorandum and issuance of the Notes is in compliance with the Commercial Paper Regulations and that the Issuer is in compliance with the provisions of the Municipal Regulations on Debt Disclosures in relation to the issue of the Notes.

1.3 The documents and agreements referred to under 1.2.1 to 1.2.11 (both inclusive) are hereinafter referred to as "**the Documents**", the documents and agreements referred to in 1.2.1 to 1.2.3 (both inclusive) are hereinafter referred to as the "**Programme Documents**" and the documents and agreements referred to in 1.2.4 and 1.2.5 are hereinafter referred to as "**the Issue Documents**".

1.4 Expressions not defined herein but defined in the Programme Memorandum shall, save where the context clearly indicates a contrary intention, where used in this letter, have the same meanings as assigned to them in the Programme Memorandum.

1.5 This letter and the opinions expressed herein, shall be construed and interpreted in accordance with the laws of the Republic of South Africa (the "**RSA**").

2 Scope of Opinion

2.1 We have examined copies of the Documents and such other documents and the laws of the RSA as we have considered necessary or desirable to examine in order that we may give this opinion.

2.2 This opinion is given only with respect to South African law in force and effect as at the date of this letter and in the context of practices and standards developed under South African law, which have been applied and observed in light of our experiences as South African attorneys. No opinion is expressed or applied as to the laws of any other territory.

3 Assumptions

In considering the Documents and in rendering this opinion we have assumed -

3.1 the genuineness of all signatures on and the authenticity and completeness of, all Documents submitted to us whether as originals or as copies;

3.2 the conformity to originals of all Documents supplied to us as photocopies, facsimile copies or electronic copies;

3.3 that the Documents submitted to us have been duly executed by all parties (duly authorised thereto) without amendments;

3.4 that all of the Programme Documents and the Issue Documents have been duly authorised and executed by each of the parties thereto (other than the Issuer) in accordance with the laws of the RSA and in substantially the form reviewed by us;

3.5 that none of the parties to the Programme Documents and the Issue Documents is in breach of its obligations thereunder;

3.6 that none of the parties to the Documents has been subject to or responsible for any duress, undue influence, misrepresentation, mistake, corruption, collusion or any other circumstances that in law would render any of the Documents void or voidable;

3.7 that the Programme Documents and the Issue Documents constitute legal, valid and binding obligations of each of the parties thereto (other than the Issuer) and that they are enforceable against such parties in accordance with the laws of the RSA;

3.8 that all of the Programme Documents and the Issue Documents are still in force and effect according to their tenor, and that no breach has occurred which may give rise to a cancellation of any of the Programme Documents or the Issue Documents;

3.9 that all of the conditions to which the Documents are subject have timeously been or shall be fulfilled or waived by the parties thereto;

3.10 that each Note will only be issued in compliance with the restrictions contained in the Programme Agreement and the Programme Memorandum and in compliance with the provisions of the Companies Act, 2008, as amended (the "**Companies Act**");

3.11 that the resolutions of the council of the Issuer referred to in 1.2.7 was passed at a duly convened meeting and have not been amended or rescinded and remain in full force and effect;

B

3.12 that none of the Documents or any other documents submitted to us has been varied or amended between the time of its signature and the date hereof and that the integrity of such documents shall not, before or after the signature thereof, be affected by the omission therefrom of any page or part or the substitution of any page or part thereof;

3.13 there are no agreements or arrangements in existence which affect, amend or vary, or purport to affect, amend or vary the terms of the Programme Documents and the Issue Documents;

3.14 that there are no provisions of the laws of any jurisdiction outside the RSA which would be contravened by the execution of the Programme Documents and the Issue Documents and that in so far as any obligation thereunder falls to be performed in any jurisdiction outside the RSA, its performance will not be illegal by virtue of the laws of that jurisdiction; and

3.15 that any and all representations expressed in or implied by the Programme Documents and the Issue Documents by any party and, subject to our actual knowledge, all certificates of all directors, shareholders, officers and/or employees of the parties to the Programme Documents and the Issue Documents and other documents submitted to us given for purposes of rendering this opinion, are accurate, true and correct.

4 Opinion

We are of the opinion, subject to the assumptions in 3 and the qualifications in 5, that -

4.1 the Issuer is a municipality established in terms of section 12(1) of the Local Government: Municipal Structures Act, 1998, read with the Province of the Western Cape Gazette (Provincial Notice No. 479/2000) dated 22 September 2000, capable of suing and being sued, and has the corporate power and authority to own assets and to conduct the business or operations which it conducts, as described in the Programme Memorandum;

4.2 the Issuer has the statutory power and capacity to enter into and perform its obligations under the Programme Documents and the Issue Documents and has taken all necessary internal action to authorise the respective execution and performance of the Programme Documents and the Issue Documents;

4.3 each of the Programme Documents, the Issue Documents and the Disclosure Statement has been duly executed on behalf of the Issuer and constitutes legal, valid and binding obligations of the Issuer, enforceable against the Issuer in accordance with their respective terms, subject to bankruptcy, insolvency, fraud, reorganisation, moratorium and similar laws of general applicability relating to or affecting creditors' rights;

4.4 the Notes, when duly delivered by the Issuer and paid for in accordance with the terms of the Programme Agreement and the Agency Agreement, will, upon issue, constitute legal, valid and binding obligations of the Issuer;

4.5 it is not necessary under the laws of the RSA in order to ensure the validity, effectiveness or enforceability of the Programme Documents, the Issue Documents or the Notes, or any of them, in accordance with their respective terms, that they be filed, registered or recorded in South Africa in any court or with any administrative or governmental body;

4.6 there are no governmental or regulatory consents, approvals, authorisations and/or orders required in the RSA by the Issuer in connection with the establishment of the Programme and the issue of the Notes save for -

4.6.1 the approval of the listing of the Programme and the Notes by the JSE or any other relevant financial exchange;

4.6.2 compliance with the requirements in terms of paragraphs 3(5), 3(6) and 3(7) of the Commercial Paper Regulations; and

4.6.3 compliance with the disclosure requirements of the Municipal Regulations on Debt Disclosures and the issuance by the Issuer of the Disclosure Statement pursuant to the Municipal Regulations on Debt Disclosures;

4.7 the approval referred to in 4.6.1 has been obtained by the Issuer;

4.8 on the assumption that there is no fact or circumstance known to or reasonably ought to have been known to the Issuer which has not been disclosed in the Programme Memorandum, the disclosure of which may reasonably be necessary to enable an investor to ascertain the nature of the financial and commercial risk of its investment in the Notes, and subject to the auditor of the Issuer confirming that any issue of Notes under the Programme complies with the Commercial Paper Regulations, the Programme Memorandum and Applicable Pricing Supplement comply with paragraph 3(5) of the Commercial Paper Regulations;

4.9 the Programme Memorandum has been signed in accordance with the requirements of Regulation 3(6) of the Commercial Paper Regulations;

4.10 the Issuer complies with sections 46(2) and 46(3) of the Local Government Municipal Finance Management Act, 2003 in respect of the establishment of the Programme and the issue of the Notes;

4.11 the Programme Memorandum, the Applicable Pricing Supplement and the Disclosure Statement contain the relevant information which the Issuer is required to disclose in terms of the Municipal Regulations on Debt Disclosures. Based on our knowledge and relying on the report in 1.2.11, we are not aware of any inaccuracy of the information disclosed in the Programme Memorandum, the Applicable Pricing Supplement and the Disclosure Statement as required by the Municipal Regulations on Debt Disclosures;

4.12 the execution and delivery by the Issuer of the Programme Documents, the Issue Documents and the Disclosure Statement and the offering, execution and issue by the Issuer of the Notes and the performance by the Issuer of its obligations under the Programme Documents, the Issue Documents and the Notes, do not conflict with the constitutional documents of the Issuer or any laws or regulation or any order of any governmental, judicial or public body or authority of or in the RSA;

4.13 the Issuer is not required by existing laws of the RSA to make any deductions or withholding from any payment of principal or interest due or to become due under the Programme Documents, the Issue Documents or the Notes;

4.14 the payment obligations of the Issuer under the Notes are direct, unconditional, unsubordinated and unsecured obligations of the Issuer and rank *pari passu* among themselves and, save for certain debts required to be preferred by law, rank equally with all other present and future unsubordinated and unsecured obligations of the Issuer;

4.15 no stamp, registration, documentary or similar taxes are payable under the laws of the RSA by reason of the execution of the Programme Documents, the Issue Documents or the Notes; and

4.16 no securities transfer tax is payable in terms of the Securities Transfer Tax Act, 2007, in respect of the issue, cancellation, redemption or the subsequent transfer of Notes.

5 Qualifications

The aforegoing statements and opinions are subject to the qualifications set out below.

5.1 general

5.1.1 We shall not be liable for any inaccuracies in this opinion resulting from the actions and/or omissions and/or wilful statements or, representations on the part of any party to the Documents or any of their respective officers, employees, representatives or agents which may take place or made in connection with the preparation and/or rendering of this opinion.

5.1.2 We express no opinion as to the -

5.1.2.1 creditworthiness of any of the parties to the Documents;

5.1.2.2 suitability or adequacy of the warranties, undertakings or other provisions of any of the Documents or the general compliance of the Documents in relation to market practice.

5.1.3 Where obligations of any person or entity are to be performed in a jurisdiction outside the RSA, such obligations may not be enforceable under South African law to the extent that performance thereof would be illegal or contrary to public policy under the laws of such other jurisdiction.

5.1.4 A South African court will not apply the laws of any jurisdiction other than the RSA if such laws are not specifically pleaded and proved.

5.2 foreign judgements

5.2.1 A plaintiff who is not a resident of South Africa may be required to provide security for costs in the event of proceedings being instituted by it in a court in South Africa. Such security, if the amount thereof is not agreed by the parties, is determined by the Registrar of the relevant court after hearing argument from both parties. Furthermore, the Rules of the High Court of South Africa provide that documents executed outside South Africa must be sufficiently authenticated for the purpose of use within South Africa. In terms of Rule 63(4) of the Rules of the High Court, "... any court of law or public office may accept as sufficiently authenticated any document which is shown to the satisfaction of such court or the officer in charge of such public office, to have been actually signed by the person purporting to have signed such document".

5.2.2 A judgement duly obtained in a court of any jurisdiction other than the RSA in relation to the Documents would only be enforceable in South Africa in accordance with ordinary procedures applicable under South African law for the enforcement of foreign judgements and provided that -

5.2.2.1 the foreign court must have had jurisdiction and competence according to the applicable jurisdiction to decide the case;

5.2.2.2 South African courts will not enforce foreign revenue or penal laws or any award of multiple or punitive damages (being damages which exceeds the amount which the court determines as compensation for the damage or loss actually sustained by the person to whom the damages are awarded);

5.2.2.3 the relevant foreign judgement is final and conclusive and has not been obtained by fraud or in any manner opposed to natural justice, that the enforcement thereof is not contrary to public policy in the RSA and that the relevant foreign court or arbitral body in question had jurisdiction and competence to give such judgement according to the applicable jurisdictional rules of the RSA;

5.2.2.4 the Minister of Trade and Industry must have given his consent thereto in terms of the Protection of Businesses Act, No 99 of 1978, as amended;

5.2.2.5 the South African courts will normally implement their own procedural rules;

5.2.2.6 the capacity of the parties to contract will be determined in accordance with South African law;

5.2.2.7 the judgement must not have been obtained by improper or fraudulent means; and

5.2.2.8 the relevant foreign court or arbitral body had international competence to decide the matter.

5.2.3 In relation to the requirement that the judgement rendered must have been final and conclusive, all that is required is that the judgement is unalterable by the court which pronounced it. When an appeal is pending the South African courts have a discretion to stay the local proceedings to enforce the foreign judgement pending determination of the appeal. A provisional judgement will not be recognised or enforced.

5.2.4 As a general rule the courts of South Africa will not enforce laws repugnant of South African public policy. This does not mean that mere inconsistency with a South African rule or statute will have the effect that a judgement will be refused enforcement. There must be a violation of fundamental policy of South African law. Given that the policy of law is mutable and uncertain it is not possible to predict which judgements may fall foul of the fundamental policy test.

6 Limitation of Liability

The directors, employees and consultants of Werksmans or any of its affiliates shall not be liable in their personal capacity for any claim whatsoever arising, directly or indirectly, out of or in connection with this opinion, and any such claim (whether arising in contract, delict or otherwise) shall be limited in that it shall be enforceable only against Werksmans and may be satisfied only from the assets of Werksmans, including the proceeds of any professional indemnity cover it may have (and not from the personal estates of any individual referred to above). This paragraph constitutes a stipulation for the benefit of each of the individuals referred to in this paragraph, capable of acceptance by any of them at any time.

7 Benefit of opinion

7.1 This opinion is given solely in connection with the transactions contemplated in the Programme Documents and the Issue Documents and solely for the benefit of the Issuer, the Arranger and the Dealers, it being understood that it is given as of the date hereof and may not be relied upon as of any later date.

7.2 This opinion may not be transmitted or disclosed to or be used by any other person or entity whatsoever or be relied upon for any other purpose whatsoever, (except that copies may be given to any further dealers appointed under the Programme Agreement, who may rely on it as if it had also been addressed to them, it being understood that it is given as of the date hereof and may not be relied upon as of any later date) provided, however, that it may be disclosed by you in connection with any due diligence or other defence advanced or made by you in any court proceedings, arbitration, action or other legal proceedings, pending or actual, arising relating to the Programme and the issue of the Notes.

Yours faithfully

WERKSMANS