

**INDEPENDENT ADVISER'S STATEMENT
ON THE MANDATORY OFFER MADE BY REPUBLIC BANK
LIMITED TO THE SHAREHOLDERS OF
HFC BANK (GHANA) LIMITED
DATED MARCH 23, 2015**

TO HFC BANK (GHANA) LIMITED

**PREPARED BY
BOULDERS ADVISERS LIMITED**



**REPORT DATE
APRIL 16, 2015**

DISCLAIMER

Information and other relevant data contained in this document obtained by Boulders Advisors Limited and utilized in this report are believed to be accurate and reliable. However, we issue no warranty or other form of assurance regarding their accuracy.

This document is prepared solely for the purpose stated therein. No other purpose is intended or should be inferred.

This report is solely prepared and submitted to HFC Bank (Group) Ghana Limited ("HFC" or "The Bank") its Directors and its Shareholders, and to no other party. Boulders Advisors Limited ("BAL") will discuss this document with HFC and any other party as HFC may designate.

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Acronyms

| | |
|--------------------------------------|--------------|
| Bank of Ghana | BoG |
| Brokerage Services Limited | BSL |
| CAL Bank | CAL |
| Ecobank (Ghana) Limited | EBG |
| Ecobank Transnational Limited | ETI |
| Executive Director | ED |
| Ghana Cedi | GHS/C |
| GCB Bank Limited | GCB |
| HFC Bank Ghana Limited | HFC/the Bank |
| Price Earnings Ratio | P/E |
| Price Assets ratio | P/A |
| Price Book Ratio | P/Bv |
| Republic Bank of Trinidad and Tobago | RBT |
| Security and Exchange Commission | SEC |
| Standard Chartered Bank Limited | SCB |
| SG-SSB Bank Limited | SG-SSB |
| Trust Bank (Gambia) Limited | TBL |
| UT Bank Limited | UTB |

1.0 EXECUTIVE SUMMARY:

Dear Members of HFC Bank (Ghana) Limited's Board and Shareholders,

In accordance with our appointment as the Independent Advisers to the Board and Members of HFC Bank (Ghana) Limited, to render our opinion and statements on the fairness or otherwise of the Mandatory Takeover Offer made by Republic Bank of Trinidad and Tobago to the members of HFC Bank (Ghana) Limited. We herewith submit our report.

1.1 PURPOSE AND OBJECTIVES OF THE INDEPENDENT ADVISER'S STATEMENT

Boulders Advisors Limited (BAL) have been retained by HFC Bank (Group) Ghana Limited as their Independent Advisers in accordance with rules of the Securities and Exchange Commission's Code on Mergers and Acquisitions to advise the Board of Directors of HFC and the Shareholders of the Bank on the fairness or otherwise of the Mandatory Takeover Offer made by the Republic Bank Limited ("RBL") to acquire a majority shareholding in HFC Bank.

In carrying out our mandate we are of the opinion that, we are bound to undertake an appraisal and valuation of HFC, as the appropriate measure of determining the price per share attributable to HFC Bank (Group) Ghana Limited's shareholders and using that, to give an opinion as to the fairness or otherwise of the offer made by Republic Bank of Trinidad and Tobago.

Additionally as per Schedule V of the Securities and Exchange Commission's Code on Takeovers and Mergers (2008), our Independent Adviser Statement includes comments and advice on the following;

- RBL's stated intentions regarding the continuation of the business of HFC;
- RBL's stated intentions regarding any major changes to be introduced in the business, including any plans to liquidate the offeree, sell its assets, redeploy its fixed assets or make any other major change in the structure of the offeree;
- RBL's stated long-term commercial justification for the proposed takeover offer;
- RBL's stated intentions with regard to the continued employment of the employees of HFC and of its subsidiaries; and
- Merits of the takeover offer, including the reasonableness and accuracy of profit forecast and underlying assumptions for the offeree, if any, contained in the offer document.
- outlook for the next twelve months, of the banking industry;
- prospects for the next twelve months, of HFC in terms of financial performance as well as positioning in the industry including competitive advantage, threats and opportunities;
- risk factors associated with HFC's operations and the reasonable probability of such risks materializing for the next twelve months

- Whether HFC holds directly or indirectly, any voting shares or convertible securities in the RBL and if so, the number and percentage holding of such voting shares and convertible securities;
- Whether the Directors of HFC hold, directly or indirectly any voting or convertible securities in the RBL or HFC and if so, the number and percentage of such voting shares and convertible securities so held; and
- Whether the Directors of HFC intend, in respect of their own beneficial holdings to accept or reject the takeover offer.
- In the event that there are no holdings of the nature required to be stated, a statement to this effect has to be made.
- a declaration from the Directors of HFC stating any other interest held by them in RBL and in HFC
- Whether any party whose holdings are required to be disclosed pursuant to the Law has dealt in the voting shares in question during the period commencing six months prior to the beginning of the offer period and ending with the latest practical date prior to the sending of the Offer Document, the details, including the number of shares, dates and prices, must be stated and where such deals have been made, this fact should be so stated.
- Particulars of all service contracts of any Director or proposed Director with HFC or any of its subsidiaries (unless expiring or determinable by the employing company without payment of compensation within twelve months from the date of the Offer Document) and where there are no such contracts, this fact shall be so stated.
- Where the service contracts referred to above have been entered into or amended within six months of the date of the Document, the particulars of the contract or amendments shall be given and where there have been no new service contracts or amendments, this fact shall be so stated, and
- The Statement must state the qualification and expertise of the adviser, as well as include a declaration that the adviser has no conflict of interest that could affect the adviser's ability to provide an unbiased report and statement.

1.2 VALUATION PROCEDURES

The valuation appraisal was performed in accordance with the Uniform Standards of Professional Appraisal. We relied basically on the Market Approach to estimate the fair market value of HFC bank. Three methods considered under this approach were the Price to Earnings Ratio, Price to Book Value Ratio and Price to Assets Method.

We reviewed and analyzed the financial position and performance of HFC bank over the period ending December 2014 (relevant period). This review entailed an analysis of the Bank's current financial statements in comparison with prior years and in comparison with its peer group. Results of this review that have specific valuation implications are noted below or at the appropriate point in the valuation section of this report.

We then performed a valuation synthesis and reached an overall conclusion based upon the results of the analyses summarized above. The indicated value from these methods represents a fully marketable price of HFC's shares.

1.3 VALUATION SYNTHESIS AND CONCLUSION

Based upon the analysis of this report, it is our opinion that the fair market value of HFC Bank is **GH¢543.06 million or approximately GH¢1.85 per share as at December 31, 2014**. This valuation is valid only for the stated report date and for the stated purpose.

With an offer of GH¢1.60 per share and the March 31st 2015 stock market price per share of GH¢ 1.50, we are of the view that the price of GH¢1.60 on offer is undervalued to the intrinsic value and controlling interest that RBL stands to benefit from. As such we are of the view that a premium of 14.10% in addition to the offer price, leading to a revised offer price of GH¢1.85 per share will better reflect fair value to the shareholders.

We however advice that in making the decision to accept or reject the offer, we cannot and do not guarantee that the shareholder/s will be able to obtain the GH¢1.85 per share as contained in our report. The risk of making the decision to accept or reject the offer price of GH¢1.60 per share ultimately rests with the individual shareholder.

The table below illustrates the breakdown of the methods utilized, the weights assigned and the value derived: **It must be noted that in calculating the values in the methodologies used, HFC Bank (Ghana) Limited was omitted from the peer group since it is the target bank and Standard Chartered Bank was also omitted due to it being an outlier.**

Table 1: Valuation of HFC Bank (Ghana) Limited as at 31st December, 2014

| Methodology | Value (GHS'm) | Weight | Weighted Value(GHS' m) |
|--|----------------------|---------------|-------------------------------|
| Price to Earnings Ratio | 303.96 | 40% | 121.58 |
| Price to Book Ratio | 529.88 | 40% | 211.95 |
| Price to Assets | 343.67 | 20% | 68.73 |
| Total weighted Value | | | 402.27 |
| Add Premium for Majority Control and Currency Depreciation (35%) | | | 140.79 |
| Fair Market Value of a Controlling Marketable HFC issued shares Basis | | | 543.06 |
| Total Number of HFC Issued Shares | | | 297.36 |
| Price per Share of HFC's issued Shares | | | GHS 1.83 |
| | | | |

Source: BAL Computation, Audited Financial Statements of Listed Banks on the Ghana Stock Exchange and HFC's Audited Financial Statements

Note: HFC Bank and Standard Chartered Bank were excluded from the methodologies used due to being considered the target bank and as an outlier respectively.

1.4 INDEPENDENT ADVISER'S STATEMENT, VALUATION TERMS AND CONDITIONS

During the Independent Adviser's statement and appraisal, we utilized audited financial statements, peer group and banking industry data with respect to HFC Bank. We also reviewed the offer document and had confirmation of aspects of the report from the Board of Directors of HFC Bank (Ghana) Limited. We have accepted these explanations and data without independent verification or confirmation.

Boulders Advisors Limited is a Securities and Exchange Commission Licensed Investment Adviser. We are independent of HFC, and we have no financial interests in the securities subject to appraisal. Our fees for acting as the Independent Advisers to HFC are in no way influenced by the result of our valuation conclusions.

The **Independent Adviser's Statement and valuation opinion report** is prepared solely for the purpose stated herein. No other purpose is intended or should be inferred. The attached valuation opinion report and appendices further describe the analyses performed and conclusions reached during this appraisal.

We declare that BAL has no conflict of interest that could affect our ability to provide an unbiased and independent report and statement.

We conclude that we did not find any issues worthy of raising with respect to schedule V of the takeover code with the exception of the fact that we are as of date awaiting response from the RBL Directors on the HFC Board. We however do not think that the absence of this will materially affect the report.

BAL appreciates the opportunity to be of service to HFC Bank (Ghana) Limited and would be pleased to review the Report with anyone who has a legitimate need to understand the methodology and rationale supporting the valuation.

Sincerely,

**BOULDERS ADVISORS LIMITED
INDEPENDENT ADVISORS**

2.0 INDEPENDENT ADVISER'S STATEMENT AND REPORT ON THE VALUATION OF HFC BANK TO THE BOARD AND SHAREHOLDERS OF HFC BANK (GHANA) LIMITED:

2.1 BUSINESS APPRAISAL

2.2 DEFINITION AND PREMISE OF VALUE

For purposes of this appraisal or valuation, we adopted the fair market value as the standard of value. The fair market value is defined as the price at which the property would change hands between a willing buyer and a willing seller when the former is not under any compulsion to buy and the latter is not under any compulsion to sell, both having reasonable knowledge of the relevant facts, and with both seeking their maximum economic self-interest.

We have appraised the value of HFC Bank Ghana Limited ("HFC or the Bank") under the appraisal premise of value in continued use, as part of a going-concern business entity. We concluded that this appraisal premise was appropriate upon analysis of the highest and best use of the operating business.

2.3 DEFINITION OF FAIR MARKET VALUE:

Fair market value is the logical framework through which an effort is made to determine the price at which the Bank's common stock would trade under the presumption that a market exists. Fair market value is considered to represent a value at which a willing buyer and a willing seller, both being informed of the relevant facts about the business, could reasonably conduct a transaction, neither party acting under compulsion.

Among other factors, this appraisal takes into consideration elements which generally outline the valuation of publicly held stocks and includes but not limited to the following:

- The nature of the business and history of the enterprise since its inception;
- The economic outlook in general and the conditions of the specific industry in particular;
- The book value of the stock and financial condition of the bank
- The earnings capacity of the bank;
- The dividend-paying capacity of the Bank and the Bank's history of and prospects for paying dividends;
- The market price of stocks of companies engaged in the same or similar lines of business that have their stocks actively traded on the Ghana Stock Exchange
- The ruling market price of HFC Bank
- The marketability, or lack thereof, of the securities ; and the
- Control premium attributable to Republic Bank Limited or ("RBL") should they purchase the block of shares that would give them a majority stake in the shareholdings of HFC Bank.

2.4 VALUATION PROCEDURES

This appraisal was performed in accordance with the Uniform Standards of Professional Appraisal. We relied basically on the Market Approach to estimate the fair market value of HFC Bank, this is because the shares of the Bank which forms the basis for this report is freely traded on the Ghana Stock Exchange.

The three methods employed under the market approach were the Price to Earnings (PE), Price to Book Ratio (P/B) and Price to Assets Method (P/A).

We reviewed and analyzed the financial position and performance of HFC bank for the period ending 31st December 2014 (relevant period) and utilized the various price multiples of publicly traded banks as at December 31st 2014 as the basis for developing market multiples. This review entailed an analysis of the Bank's current financial statements in comparison with prior years. Results of this review that have specific valuation implications are noted below or at the appropriate point in the valuation section of this report. **We excluded from our analysis of the peer group HFC Bank (Ghana) Limited as the target bank and Standard Chartered Bank due to it being considered an outlier in the group.**

We then performed a valuation synthesis and reached an overall conclusion based upon the results of the analyses summarized above.

The indicated value from these methods represents a fully marketable price of HFC Bank (Ghana) Limited

2.5 Price/Earnings ratio

A company's value under the Price/Earnings business valuation method is based on the assumption that the company's value should be similar to its value and that of similar companies whose shares are traded in the stock market. The company's value is recalculated using the market median P/E ratio of the industry.

The total net profit earnings of HFC bank was used as the basis for the capitalized earnings and multiplied by the current (December 31st 2014) median price-earnings ratio (P/E) of the Ghanaian listed banking stocks on the Ghana Stock Exchange. The detailed calculation of the price-earnings ratio is as follows:

The formula for HFC's Value is considered to be a function of capitalized earnings. Thus,

$$\text{Value} = \text{Earnings} \times \text{Price/Earnings Ratio}$$

TABLE 2: COMPUTATION OF PRICE-EARNING RATIO OF LISTED BANKS AS OF DECEMBER 31 2014

| Bank | Net Profit @ Dec 2014 (GH¢ m) | Outstanding shares (million) | Earnings Per Share (GH¢) | Closing Price @ 31/12/14 | PE Ratio |
|--|-------------------------------|------------------------------|---------------------------|--------------------------|-------------|
| CAL Bank (Ghana) Limited | 143.00 | 548.26 | 0.261 | 1.01 | 3.87 |
| Ecobank (Ghana) Limited | 353.00 | 293.23 | 1.204 | 7.60 | 6.31 |
| GCB Bank Limited | 268.00 | 265.00 | 1.011 | 5.30 | 5.24 |
| SG-SSB Bank Limited | 49.00 | 333.89 | 0.147 | 1.00 | 6.81 |
| UT Bank Limited | 11.00 | 456.31 | 0.024 | 0.25 | 10.37 |
| Median Company' PE Ratio December 31st 2014 | | | | | 5.24 |

Source: Audited Financial Statement of Listed Banks as at 31st December, 2014

GSE Official List for 31st December, 2014 & BoG

NOTE: Analysis excludes TBL (The Gambia) and ETI, it also excludes HFC and SCB for reasons outlined above.

TABLE 3: VALUATION OF HFC BANK USING PRICE TO EARNINGS RATIO AS AT DECEMBER 31ST 2014

| Valuation Price to Earnings (HFC) | GH¢ million |
|---|---------------|
| HFC Net Profit after Tax as at Dec. 31st 2014 | 58.00 |
| Median Price to Earnings Ratio of Industry | 5.24 |
| Total Indicative Value | 303.96 |

2.6 Price/Book –Value Ratio

A company's value using the Price/Book (P/Bv) business valuation method is based on the assumption that the company value should be similar to that of companies whose shares are traded in the stock market. The company's value is calculated according to the shareholders funds of the business and the industry median P/Bv ratio of banks quoted on the Ghana Stock Exchange.

The total shareholders' funds of HFC bank were multiplied by the 31st December 2014 price-book value ratio (P/Bv) of Ghanaian listed banking stocks on the Ghana Stock Exchange. The detailed calculation of the price-book value ratio is as follows:

P/B ratios for banking companies from public markets will be derived using the following

$$P/B = \frac{\text{Market price per share}}{\text{Most recently book value per share}}$$

TABLE 4: COMPUTATION OF PRICE TO BOOK RATIO OF LISTED BANKING STOCKS AS AT DECEMBER 31ST 2014

| Bank | Book Value @ 31 th December 2014 (GH¢ m) | Outstanding shares (million) | Book Value/Share (GH¢) | Closing Price @ 30/12/14 | Price/Book Value Ratio (GH¢) |
|--|---|------------------------------------|-------------------------------|--------------------------------|------------------------------------|
| CAL Bank (Ghana) Limited | 400.00 | 548.26 | 0.73 | 1.01 | 1.38 |
| Ecobank (Ghana) Limited | 784.00 | 293.23 | 2.67 | 7.60 | 2.84 |
| GCB Bank Limited | 660.00 | 265.00 | 2.49 | 5.30 | 2.13 |
| SG-SSB Bank Limited | 222.00 | 333.89 | 0.66 | 1.00 | 1.50 |
| UT Bank Limited | 138.00 | 456.31 | 0.30 | 0.25 | 0.83 |
| Median Company's Price/Book Value Ratio at 31 December 2014 | | | | | 2.13 |

Source: Audited Financial Statement of Listed Banks as at 31st December, 2014
GSE Official List for 31st December, 2014 & BAL computations

NOTE: Analysis excludes TBL (The Gambia) and ETI, it also excludes HFC and SCB due to reasons outlined above.

TABLE 5: VALUATION OF HFC BANK USING PRICE TO BOOK VALUE RATIO AS AT 31ST DECEMBER 2014

| Valuation HFC Price to Book ratio | GH¢ million |
|---|---------------|
| Book Value of HFC as at 31 st Dec. 2014 | 249.00 |
| Median Price to Book Value of Industry ² | 2.13 |
| Indicative Value | 529.88 |

2.7 Price/Asset Ratio

Bank analysts capitalize banking assets as an indication of value. This ratio attempts to measure the value of the banks “franchise” as a bundle.

The ratio is derived as $P/A = \frac{\text{Market Capitalization}}{\text{Total Assets}}$

TABLE 6: COMPUTATION OF PRICE TO ASSETS OF LISTED BANKS AS AT 31st DECEMBER 2014

| Bank | Assets @ December 2014 (GH¢ m) | Outstanding shares (million) | Asset Per Share (GH¢) | Closing Price @ 30/12/14 | Price/Assets Ratio (GH¢) |
|--------------------------|--------------------------------------|---|------------------------------|--------------------------------|-----------------------------|
| CAL Bank (Ghana) Limited | 2,715.00 | 548.26 | 4.95 | 1.01 | 0.20 |
| Ecobank (Ghana) Limited | 5,649.17 | 293.23 | 19.27 | 7.60 | 0.39 |
| GCB Bank Limited | 3,778.85 | 265.00 | 14.26 | 5.30 | 0.37 |
| SG-SSB Bank Limited | 1,395.40 | 333.89 | 4.18 | 1.00 | 0.24 |
| UT Bank Limited | 1,628.00 | 456.31 | 3.57 | 0.25 | 0.07 |
| Average | | Price to Assets Ratio December 31st 2014 | | | 0.26 |

Source: Audited Financial Statement of Listed Banks as at 31st December, 2014

GSE Official List for 31st December, 2014 & BAL Computations

NOTE: Analysis excludes TBL (The Gambia) and ETI, it also excludes HFC and SCB due to reasons outlined above.

Table 7: VALUATION OF HFC BANK USING PRICE TO ASSETS RATIO AS AT 31st December 2014

| Valuation Price to Assets Ratio (HFC) | GH¢ million |
|--|---------------|
| Total Assets of HFC as at Dec. 31 st 2014 | 1,343.00 |
| Median Price to Assets Ratio | 0.26 |
| Indicative Value | 343.67 |

2.8 Control Premium

Control Premium is “the additional consideration that an investor would pay over a marketable minority equity value in order to own a controlling interest in the common shares of a company”¹ A controlling interest is considered to have greater value than a minority interest because of the purchaser’s ability to effect changes in the overall business structures and to influence business policies. Control Premium can vary greatly. Factors that affect the magnitude of the control premium utilized include:

- ◆ The nature and magnitude of non-operating assets,
- ◆ The nature and magnitude of discretionary expenses,
- ◆ The perceived quality of existing management,
- ◆ The nature and magnitude of business opportunities which are not currently being exploited, and
- ◆ The ability to enhance the Bank’s business or distribution channels.

Republic Bank Limited (RBL) will thus benefit from the following prerogatives of control by successfully purchasing controlling shares in HFC bank’s shares:

- ◆ Appoint management,
- ◆ Determine management compensation and prerequisites,
- ◆ Set policy and change the course of business,
- ◆ Acquire or liquidate assets,
- ◆ Select people with whom to do business and award contracts,
- ◆ Make acquisitions,
- ◆ Liquidate, dissolve, sell out, or recapitalize the company,
- ◆ Sell or acquire Treasury shares,
- ◆ De-register the company’s shares from the Ghana Stock Exchange,
- ◆ Declare and pay dividends,
- ◆ Change the articles of incorporation of bylaws, and
- ◆ Block any of the above actions.

2.9 Foreign Exchange Premium

We looked at the rate of depreciation of the cedi against the major foreign currencies and concluded that a premium should be applied in order to take cognizance of the effect of the depreciating cedi.

2.10 Deriving the Final Value of HFC Bank (Ghana) Limited

BAL summed up the three main methodologies applied and weighted each based on our perceived relevance in the banking industry to obtain a fair market value (as per table 8 below).

The fair market value of the voting shares of HFC Bank (Ghana) Limited as of December 31, 2014 is **GH¢543.06 million. With 296.36 million issued shares this translates to a per share price of GHS 1.83**

TABLE 8: VALUATION SYNTHESIS OF THE FAIR MARKET VALUE OF HFC BANK (GHANA) LIMITED AS OF DECEMBER 31ST 2014

| Methodology | Value (GHS'm) | Weight | Weighted Value(GHS' m) |
|--|----------------------|---------------|-------------------------------|
| Price to Earnings Ratio | 303.96 | 40% | 121.58 |
| Price to Book Ratio | 529.88 | 40% | 211.95 |
| Price to Assets | 343.67 | 20% | 68.73 |
| Total weighted Value | | | 402.27 |
| Add Premium for Majority Control and Currency Depreciation (35%) | | | 140.79 |
| Fair Market Value of a Controlling Marketable HFC issued shares Basis | | | 543.06 |
| Total Number of HFC Issued Shares | | | 297.36 |
| Price per Share of HFC's issued Shares | | | GHS 1.83 |
| | | | |

3.0 COMMENTS AND ADVICE PER SCHEDULE V OF THE CODE ON TAKEOVERS AND MERGERS

(I.) Our report as the Independent Adviser's includes comments and advice on the following:

- RBL's stated intentions regarding the continuation of the business of the Offeree;

As per pages 21 to 23 of the Offer Document, it is the stated intention of the RBL to continue the business of the Offeree (HFC). It is the opinion of the Adviser that this will be continued and maintained

- RBL's stated intentions regarding any major changes to be introduced in the business, including any plans to liquidate the Offeree, sell its assets, redeploy its fixed assets or make any other major change in the structure of the Offeree;

The Offer Document does not include any intentions regarding any major changes to be introduced by RBL, and in clause 7.5.5 under the heading "Continued Employment" RBL categorically states that the RBL has no intention to reduce HFC Bank's staff and in so far as possible will retain the existing organizational structure. We are of the opinion that RBL will continue on that path.

- RBL'S stated long-term commercial justification for the proposed takeover offer; *In the Offer Document, RBL gives no clear indication of its stated long-term justification for the proposed takeover offer, however under Clause 7.5.4 of the Offer Document under the heading "Long-term justification for the transaction", it states that Republic Bank Limited "has a long-term commitment to growing its presence in Sub-Saharan Africa with Ghana as its preferred base and sees its presence as a conduit for trade and investments between the Caribbean and Ghana". RBL believes that Ghana as a key banking jurisdiction in Africa and within the Global banking industry this transaction will stimulate the business climate and heighten interest in foreign direct investment in Ghana. In the opinion of the Independent Adviser we find that the Offer Document does not clearly articulate the Offeror's long-term commercial justification for the take-over, however we believe that it sees its presence as a conduit for trade and investments between the Caribbean and Ghana.*

- RBL's stated intentions with regard to the continued employment of the employees of HFC and of its subsidiaries; and

In clause 7.5.5 of the offer document, under the heading "Continued Employment" RBL states that the Offeror "has no intention to reduce HFC Bank's staff and in so far as possible will retain the existing organizational structure".

It is the opinion of the Independent Adviser that while we cannot guarantee the continued employment of HFC Bank's staff, as well as RBL retaining the existing organizational structure, we would advise that RBL be taken on their statement.

- Merits of the takeover offer, including the reasonableness and accuracy of profit forecast and underlying assumptions for the Offeree, if any, contained in the Offer Document.

After reviewing the Offer Document, we did not come across any stated merits of the takeover offer, however per clause 7.5.2 of the Offer Document, under its Strategic Vision RBL believes Ghana will benefit economically from RBL's increased investment in HFC Bank Limited. We did not however come across any forecast financial statements. As such

we are unable to comment on the reasonableness and accuracy of profit forecast and underlying assumptions for the Offeree.

(II.) Outlook for the next twelve months, of the banking industry;

Based on a questionnaire sent to the management of the Bank, the outlook for the next twelve months are summarized below.

The sector is one of the most competitive industries in Ghana with 28 commercial banks, 70% of the industries deposits located in Accra, Kumasi and Takoradi. A key factor that affects the sector is the macroeconomic environment and challenges to be faced are (1) low level of GDP growth, (2) high current account deficits, (3) low external reserves and (4) fiscal challenges among others.

The current power crisis also have consequential effects on the sector, with job losses and the possible collapse of firms as well as the fear of defaults affecting the willingness of the sector to on-lend. This has led to an increase in investments into secure government securities to the detriment of industry loans.

The oil and gas sector is expected to contribute the most to incomes and profits in the sector, however the challenge of availability of foreign exchange continue to serve as a threat to the growth of this sub-sector. Commerce is also expected to contribute significantly to the industry's incomes and profits, while competition is expected to be intensified with the expected entry of new banks.

In general the following indicators are likely to affect the sector;

- Reduced growth in deposit levels leading to high cost of deposits,*
- Falling incomes resulting from falls in the demand for banking services,*
- Likely high default rates by industry and consumer loan products and*
- Declining profit levels within the industry.*

In spite of these, HFC Bank considers that the Banking Industry will be still profitable in 2015.

(III) Prospects for the next twelve months, of HFC in terms of financial performance as well as positioning in the industry including competitive advantage, threats and opportunities;

Management of the bank, is of the view that in the face of the economic challenges the bank has good prospects. HFC's focus is based on operational efficiency, increased market share and effective risk management. The bank expects to make good profits, which is expected to translate into payment of competitive dividends to shareholders. Growth expectations are very modest due to the worsening economic challenges, however with its strong management staff, the bank hopes to manage the organization into the foreseeable future.

Prospects for the year 2015 are summarized below:

Growth Indicators

| | 2014 Audited | 2015 Projected |
|--------------------|---------------------|-----------------------|
| Profit after Tax | 49% | 16% |
| Operating Income | 56% | 20% |
| Operating Expenses | 69% | 21% |

- risk factors associated with HFC's operations and the reasonable probability of such risks materializing for the next twelve months

As with other banks in the industry, HFC is faced with the following risks; Credit Risk, Market Risk, Interest rate Risk, Foreign Exchange Risk, Liquidity Risk and Operational Risk, from HFC's past experience the probability of these risks materializing within the next twelve months is very low. The bank however has put in place appropriate risk management strategies to reduce the incidence and impact of such risks. These measures are considered adequate by the Bank of Ghana and other regulatory agencies for the management of the potential risks identified in the industry

(IV) Whether HFC holds directly or indirectly, any voting shares or convertible securities in the RBL and if so, the number and percentage holding of such voting shares and convertible securities;

As of date HFC does not hold any voting or convertible shares either directly or indirectly in the RBL

(V) Whether the directors of HFC hold, directly or indirectly any voting or convertible securities in RBL or HFC and if so, the number and percentage of such voting shares and convertible securities so held; and

As of the date of this Independent Adviser's statement, directors of HFC currently hold voting shares in HFC are as follows:

| Directors | No. of HFC Shares Held | % of shares Held | Accepting or Rejecting Offer |
|------------------------------|-------------------------------|-------------------------|-------------------------------------|
| Mr. Asare Akuffo | 1,102,842 | 0.37088 | REJECT |
| Mr. Osei Asafo-Adjei | 160,000 | 0.05381 | REJECT |
| Mr. Francis Solace Koranteng | 91 | 0.00003 | REJECT |

Note: we are as of date awaiting response from the RBL Directors on the HFC Board. We however do not think that the absence of this will materially affect the report.

(VI) Whether the directors of HFC intend, in respect of their own beneficial holdings to accept or reject the takeover offer.

Refer to V above

IV. In the event that there are no holdings of the nature required to be stated under paragraph (V) above, the Independent Adviser's Statement shall contain a statement to this effect.

Refer to IV, and V above

V. Declaration from the Directors of HFC stating any other interest held by them in RBL and in HFC.

We have received a copy of the declaration, this is however not signed. It is our view that, the signed copies will be included in the Directors report to the Shareholders.

VI. Whether any party whose holdings are required to be disclosed pursuant to the Law has dealt in the voting shares in question during the period commencing six months prior to the beginning of the offer period and ending with the latest practical date prior to the sending of the Offer Document, the details, including the number of shares, dates and prices, must be stated and where such deals have been made, this fact should be so stated. *The HFC BSL trading portfolio has undertaken various purchases and sale transactions over the period as summarized below;*

| Account | Transaction | Date | Volume | Price GH¢ | Consideration GH¢ |
|---------------------------|-------------|---------------------------|-----------------------|-----------------|-----------------------|
| HFC BSL Trading Portfolio | Purchase | Various from 26/09/14- | | | |
| HFC BSL Trading Portfolio | Sale | 13/03/15 1/10/2014 | 77,500.00 3,000.00 | Various 1.35 | 98,962.00 4,050.00 |

(VII). Particulars of Service Contracts.

As of the date of this statement there were service contracts with some directors or proposed director with the Offeree or any of its subsidiaries. These service contracts are listed below;

Contract of Managing Director

The Contract is dated January 25, 2005 and took effect from 1st July 2005 for an initial term of 5 years. The Contract was renewed on 3rd June 2010 for a further term of 5 years to expire on 30th June 2015 on the same terms and conditions.

The Managing Director is entitled to the following:

- *a monthly accommodation allowance; furnishing as he requires in accordance with the Bank's policy;*
- *payment of utility bills by the Bank;*
- *Domestic staff of two persons;*
- *Car, driver, fuel and maintenance;*
- *Free medical attention for immediate family to be provided by the doctors approved by the Bank;*
- *24hour security at residence; and*
- *Annual bonus.*
- *Participates in a Stock Option Scheme that the Bank may set up.*
- *Compensation for termination of appointment is at the discretion of the Board.*

Contracts for Executive Directors

Below are the contracts for the Executive Directors

| <i>EXECUTIVE DIRECTOR</i> | <i>COMMENCEMENT DATE</i> | <i>TERM</i> |
|--|---------------------------------|----------------------------|
| <i>Osei Asafo- Adjei (ED/ Corporate Banking)</i> | <i>1-May-12</i> | <i>Five year renewable</i> |
| <i>Robert Le Hunte (ED/Risk Management)</i> | <i>25-Mar-15</i> | <i>One year renewable</i> |

The Executive Directors are entitled to the following

- *a monthly accommodation allowance;*
- *furnishing in accordance with the Bank's policy;*
- *allowances for the payment of electricity, water and cell phone bills;*
- *Car, driver, fuel and maintenance;*
- *Free medical attention for immediate family to be provided by the doctors approved by the Bank;*
- *Night time security at residence; and*
- *Annual bonus*
- *Participation in performance related Stock Options Scheme (except for ED/Risk Management)*
- *The company has the right to terminate the contract for certain breaches*

There have been no new service contracts entered into or no amendments made within the last six months, and

Boulders Advisors Limited is a Security and Exchange Commission Licensed Investment Advisor with years of experience. We are independent of HFC and have no conflict of interest that could affect our ability to provide an unbiased report and statement.

Appendix 1: Statement of Contingent and Limiting Conditions

This report has considered all the information referenced in it, whether specifically mentioned in the report or not. The various estimates and conclusions presented apply to this report only, and may not be used out of the context presented herein. This appraisal has been prepared in accordance with the Uniform Standards of Professional Appraisal Practice.

BAL has not examined the loan portfolio of the Bank. Direct examination would have been beyond the scope of the appraisal assignment. The valuation conclusion of this report is rendered in direct reliance upon the public and regulatory information on the Bank. Possession of the original or copies of this report do not carry with it the right of publication of all or part of it. It is prepared for the exclusive use of HFC, its Board of Directors and its Shareholders and may not be used without the previous written consent of BAL, or HFC, and in any event, only with proper attribution. No copies of this report will be furnished to persons other than the Shareholders, Management and Board of HFC without HFC's specific permission or direction unless ordered by a court of competent jurisdiction.

No officer or employee of BAL is required to give testimony in court, or be in attendance during any hearings or depositions with reference to the Bank.

BAL, its officers, and its staff have no present business interest in HFC bank. No benefits will accrue to BAL, as the result of this report, other than the professional fees previously agreed by HFC Bank. Fees paid to BAL acting as Independent Advisors to HFC as stated above including the preparation of this report are neither dependent nor contingent upon the results of the report.

