

# **OFFEREE'S STATEMENT**

**TO**

**SHAREHOLDERS**

## HFC BANK'S STATEMENT TO SHAREHOLDERS

### PURSUANT TO RULE 9 OF THE SECURITIES & EXCHANGE COMMISSION CODE ON TAKEOVERS & MERGERS

1. **Date: 23<sup>rd</sup> April 2015**
  
2. **Number, description, and amount of marketable securities in HFC Bank held by or on behalf of each Director of the Bank, or in the case where no such securities are held, a statement to that effect.**

**- and -**

3. **In respect of each Director of HFC Bank holding shares of HFC Bank whether the Director intends to accept or reject any takeover offer in respect of the Shares; or**

DIRECTORS	NO. OF HFC SHARES HELD (ORDINARY)	% OF SUCH SHARES	ACCEPTING OR REJECTING OFFER (?)
Asare Akuffo	1,102,842	0.37088	REJECT
Osei Asafo-Adjei	160,000	0.05381	These are executive stock option shares which cannot be sold for 3 year.
Francis Solace Koranteng	91	0.00003	REJECT

4. **Marketable securities of Republic Bank Limited held by, or on behalf of, any Director of HFC Bank and, if any, the number, description and amount of such securities so held.**

Robert Le Hunte - 12,581 shares (beneficially held in profit sharing scheme).

David Dulal-Whiteway – 67,198 shares (beneficially held in profit sharing scheme).

5. **Payment or other benefit proposed to be made or be given to any Director of HFC Bank or any other company related to HFC Bank as consideration, or in connection with, retirement from office and if so, particulars of the proposed payment or benefit.**

Negotiations ongoing.

6. **Details and particulars of any other agreement or arrangement made between the Director or HFC Bank and any other person in connection with or conditional upon the outcome of the takeover offer.**

None.

7. **Names of Directors having a direct or indirect interest in any Contract entered into by Republic Bank Limited and if so, details of the nature and extent of such interest.**

None aware of.

8. **Details of any material change in the financial position of HFC Bank since the date the last balance sheet was laid before the company in General Meeting, and particulars of such change.**

Last Financial Statement laid before Members at Annual General Meeting of 23<sup>rd</sup> April 2015.

No material changes save for any published at the end of the first quarter of 2015.

9. **Recommendation:**

**9.1 either:**

- (a) **a Recommendation by the Directors to accept or reject the offer and the reasons for such recommendation; or**

The Directors recommend that the offer be accepted.  
The revised offer price of GH¢1.95 is well above the valuation of the Independent Advisers.

- (b) a Declaration that the Directors are unable to make, or are not making, a recommendation and the reasons for not making a recommendation.**

N/A

- 9.2 if any of the Directors dissent from a recommendation or from any statement under sub-clause 9.1(b) above made by the Directors or abstains from making a recommendation or any statement under sub-clause 9.1(b) above, their names and their reasons for dissenting or abstaining;**

N/A

- 9.3 if no recommendation is made, but all or any of the Directors propose to make a recommendation, or to reconsider their decision not to make a recommendation, a declaration to that effect and, if the Directors consider it appropriate, a declaration to the effect that shareholders should not accept the offer in the meantime.**

N/A

- 10. Identity of the Independent Adviser who has provided a Statement under Rule 10 and a copy of the Independent Adviser's Statement under Rule 10.**

Boulders Advisors Limited of No. 91 Osu Badu Street, West Airport, P. O. Box CT 3064 Cantonments, Accra.



Independent Adviser's Statement attached.

**11. Information pursuant to Rule 9.4 of the SEC Takeover & Mergers Code.**

**a. Republic Bank's stated intentions regarding the continuation of the business of HFC Bank:**

Clause 7.5.1 of the Offer Document states Republic Bank's strategic vision for HFC Bank

Clause 9.3 also states Republic Bank's intention of maintaining HFC'S listing on the Ghana Stock Exchange (GSE).

Therefore, it is a stated intention of Republic Bank to continue the business of HFC Bank.

**b. Republic Bank's stated intentions regarding major changes to be introduced in the business:**

The Offer Document does not expressly state any major changes to be introduced in the business. However Republic Bank's vision for HFC Bank stated in the Offer Document includes bringing on board best practices & products, stronger risk management and rich banking experience.

**c. Republic Bank's stated long term commercial justification for the proposed takeover offer:**

Clause 7.5.4 of the Offer Document states Republic Bank's long term justification of the takeover offer. Republic Bank has a long term commitment to growing its presence in Sub-Saharan Africa with Ghana as the preferred base. Republic Bank believes that this takeover will stimulate the business climate and heighten interest in foreign direct investment in Ghana.

**d. Republic Bank's stated intentions with regard to the continued employment of the management and employees of HFC Bank and of its subsidiaries:**

Clause 7.5.5 states that Republic Bank has no intention of reducing HFC Bank staff and will ensure continued employment of staff.

Republic Bank also intends to retain the existing organizational structure but will give due consideration to any major restructuring initiatives recommended by HFC'S management and board of directors.

**e. Reasonableness of the offer, including, the reasonableness and accuracy of the profit forecasts:**

Reasonableness of the offer

The price on offer is ₵1.95 per share which represents a 50% premium over the trading price on 19<sup>th</sup> March 2015 of GH¢1.30 when the offer was made.

The independent advisor (Boulders Advisers) estimated a price of ₵1.83 as a fair price to be offered to shareholders their valuation included a 35% premium. Without this premium, the price would have been fairly estimated at GH¢1.35. Republic Bank's revised offer of GH¢1.95 represents a 44% premium over the fairly estimated value. In summary, considering the premium above the fair market price by 44% we consider the offer price to be very reasonable.

Accuracy of profit forecast

The use of discounted cash flow method would have considered forecast figures. The independent advisors used the audited financial statement as the base for the multiples of price earnings ratio they obtained. The profit had been audited by the External Auditors (Ernest & Young). There is therefore no indication that the profit figure is overstated or understated. The growth projections of 16% profit after tax as shown in the Boulders Advisers Document is realistic as

compared to the previous year's growth of 49%. The reduced growth is as a result of the uncertain economic climate that Ghana is facing at the moment and the need to be cautiously optimistic. We also consider the estimates used by the independent advisors and the profit figures to be reasonable.

Based on the analysis above we conclude that both the offer price and the profit figure are reasonable.

12. To the best of our knowledge and belief, after making proper enquiry, the information contained in or accompanying this Statement is, in all material respects, true and correct and not misleading, whether by omission of any information or otherwise, and includes all the information required to be disclosed by the Target company under the Takeovers Code.

Signature 

Name REBECCA ATSWEI LOMO  
(Director-HFC Bank (GH) Ltd)

Signature 

Name Prof. Joshua Akab  
(Director-HFC Bank (GH) Ltd)