



A Subsidiary of Republic Financial Holdings Limited

(HFC Bank (Ghana) Limited is incorporated as a public limited liability company in the  
Republic of Ghana under registration number C0002799596)

Circular to all Shareholders of HFC Bank (Ghana) Limited in respect of a Renounceable Rights  
Issue of 90,909,094 ordinary shares of no par value at GHS 0.55 per share in a ratio of 1 new  
share for every 3.2716 existing shares held by a Qualifying Shareholder

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#### Transaction Advisers



Lead Manager



Co-Manager



Sponsoring Broker



Legal Adviser



Reporting Accountant



Co-Sponsor

*This Circular was registered with the Registrar of Companies on 23rd November 2017*



# HFC BANK GHANA LIMITED

*(Incorporated in Ghana as a limited liability company under the Companies Act, 1963 (Act 179) with 1,000,000,000 authorised shares)*

## CIRCULAR TO SHAREHOLDERS REGARDING A RENOUNCEABLE RIGHTS ISSUE OF 90,909,094 NEW ORDINARY SHARES OF NO PAR VALUE AT GHS 0.55 PER SHARE

HFC Bank (Ghana) Limited ("HFC" or the "Bank" or the "Company"), formerly Home Finance Company Limited was incorporated on May 7, 1990 under the Companies Act, 1963 (Act 179) (the "Companies Act"), and commenced business on December 2, 1991 as a licensed mortgage finance institution. HFC became a public limited liability on October 5, 1994 and subsequently listed on the Ghana Stock Exchange on March 17, 1995.

On June 11, 2003, the name of the Bank was changed to HFC Bank (Ghana) Limited and on November 17, 2003 the Bank of Ghana issued a universal banking license to HFC. The Bank's business ranges from Retail Banking, International Trade Services, Corporate Banking, Mortgage and Consumer Loans as well as E-banking and Private Banking.

HFC intends to undertake the Rights Issue (as defined below), under which it will offer 90,909,094 new ordinary shares of no par value at GHS 0.55 per share. All terms for the Rights Issue have been set out in this circular (the "Offer Circular" or "Circular") in Part 6 (Additional Terms and Information on the Offer).

NewWorld Securities Limited ("NWS") is acting as Lead Manager to HFC in respect of the Rights Issue and consents to act in the capacity stated and to its name being stated in this Circular. NWS has relied on information provided by the Bank and, accordingly, does not provide any assurance of the accuracy of the information contained in this Offer Circular and does not accept any responsibility or liability for the inaccuracy or incompleteness of the information contained in the Circular.

HFC Investment Services Limited ("HFC-SL") is acting as Co-Manager to HFC in respect of the Rights Issue and consents to act in the capacity stated and to its name being stated in this Circular. HFC-ISL has relied on information provided by the Bank and, accordingly, does not provide any assurance of the accuracy of the

information contained in this offer circular (the "Circular") and does not accept any responsibility or liability for the inaccuracy or incompleteness of the information contained in the Circular.

Both NWS and HFC-ISL confirm that, to the best of their knowledge and belief, the Circular constitutes full and fair disclosure of all material facts about the Rights Issue and HFC and, where appropriate, that the profit forecast has been stated by the HFC Directors (as defined below) after due and careful inquiry.

UMB Stockbrokers Limited ("UMB-SL") and HFC Brokerage Services Limited ("HFC-BSL") are acting as Sponsoring Broker and Co-Sponsor, respectively, to HFC in respect of the Rights Issue and consent to act in the capacity stated and to their names being stated in this Circular. UMB-SL and HFC-BSL have relied on information provided by HFC and, accordingly, do not provide any assurance of the accuracy of the information contained in this Circular and do not accept any responsibility or liability for the inaccuracy or incompleteness of the information contained in the Circular.

Ashong Benjamin & Associates ("AB") is acting as Legal Adviser to HFC in respect of the Rights Issue and consents to act as legal adviser and to its name being stated in this Circular. AB has relied on information provided by the Bank. Accordingly, AB does not provide any assurance of the accuracy of the information contained in the Circular. AB confirms that, to the best of its knowledge and belief, the Circular constitutes a full and fair disclosure of all material facts about the Rights Issue and HFC. AB has not withdrawn its consent to its legal compliance letter being included in the Circular, in the form and context in which it is included.

Deloitte and Touche ("Deloitte") is acting as the Reporting Accountant to HFC in respect of the Rights Issue. Deloitte has relied on information provided by the Bank and its auditors. Deloitte

does not provide any assurance of the accuracy of the information contained in the Circular. Deloitte does, however, confirm that, based on its review, nothing has come to its attention that causes it to believe that:

- » the financial statements set forth in Part 4 of the Circular do not represent a true and fair view in accordance with International Financial Reporting Standards, and the Companies Act; and,
- » the assumptions set forth in Part 4 of the Circular do not provide a reasonable basis for the associated projected financial statements.

Deloitte has not withdrawn its written consent to the statement or report being included in the Circular, in the form and context in which it is included.

Neither the Ghana Stock Exchange (the "GSE") nor the Securities and Exchange Commission of Ghana (the "SEC") assumes any responsibility for the correctness of any statements made, opinions expressed or reports contained in this Circular. Neither the GSE nor the SEC has verified the accuracy and truth of the contents of this Circular or any other documents submitted to it, and the SEC and GSE will not be liable for any claim of any kind whatsoever.

**A copy of this prospectus has been delivered to the Registrar of Companies, Ghana, for filing. The Registrar has not checked and will not check the accuracy of any statements made and accepts no responsibility therefor or for the financial soundness of the issuer or the value of the securities concerned.**

Shareholders should have regard, amongst other things, to the factors described under the section with the heading "Risk Factors" in this Circular.

A summary Circular will be circulated, and must be read in conjunction with this Full Circular.

## **THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

**This Circular has been reviewed and approved by the SEC in accordance with Section 3 of the Securities Industry Act, 2016 (Act 929) and the Securities and Exchange Commission Regulations, 2003 (L.I 1728). In its review, the SEC examined the contents of the Circular to ensure that adequate disclosures have been made.**

**Provisional approval has been obtained from the Ghana Stock Exchange for permission to deal in and for quotation of all shares of the issuer already issued as well as those which are the subject of this issue. Such approval is granted subject to the issuer being admitted to one of the Lists of the said stock exchange upon the issuer fulfilling all the listing requirements.** The GSE assumes no responsibility for the correctness of any of the statements made, opinions expressed and reports presented in this Circular.

This Circular pertaining to the Rights Issue has been sent to all the shareholders of HFC in the Register of Members as at the Qualifying Date (as defined below). If you have sold or otherwise transferred all your shares in HFC, please send this Circular as soon as possible to the purchaser or transferee, or to the stockbroker, or any other agent through whom the sale or transfer was effected for delivery to the purchaser or transferee.

The Bank has not authorised any person to give any information or to make any representation in relation to the Offer other than those contained in this Circular, and if given or made, such information or representation must not be relied upon as having been authorised. Neither the delivery of this Circular nor any sale hereunder shall under any circumstances create any impression that there has been no change in the affairs of the Bank since the date hereof or that the information contained herein is correct as of anytime subsequent to this date. Any material change, relevant to the Rights Issue, in the affairs of the Bank during the Offer Period will be communicated to the SEC and the investing public.

The distribution of this Circular and the offering of the shares in certain jurisdictions may be

restricted by law. The Bank requires persons into whose possession this Circular comes to inform themselves about, and observe, any such restriction. This Circular does not constitute an offer and may not be used for the purpose of an offer or solicitation by anyone in any jurisdiction or in any circumstances in which such an offer or solicitation is not authorised or is unlawful.

Before deciding whether to apply for shares, you should consider whether shares are a suitable investment for you. Their values can go down as well as up. Past performance is not necessarily indicative of future performance.

The contents of this Circular do not constitute and are not to be construed as legal, business or tax advice. Each Qualifying Applicant should consult his/her/its own legal adviser, financial adviser or tax adviser for legal, financial and tax advice. **To ascertain the financial soundness or value of the securities on offer, investors are advised to consult a dealer, investment adviser or other professional for appropriate advice.**

### **Notice to Residents of the United States**

The securities to be offered have not been, and will not be, registered with the U.S. Securities and Exchange Commission under the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or with any securities regulatory authority of any state or other jurisdiction in the United States, in reliance upon the exemption from the registration requirements of the U.S. Securities Act provided by Rule 801<sup>1</sup> thereunder. Neither the U.S. Securities and Exchange Commission nor any U.S. State Securities Commission has approved or disapproved of the securities to be offered or passed upon the adequacy or accuracy of this Circular. Any representation to the contrary is a criminal offence in the United States.

The Offer will be made for the securities of a limited liability company incorporated under the laws of the Republic of Ghana. The Offer is subject to the disclosure requirements of the Republic of Ghana which are different from those of the United States. The financial statements and

<sup>1</sup> Full Rule Presented in 1.13 Appendix 1

financial projections included in this Circular have been prepared in accordance with accounting standards applicable in Ghana and thus may not be comparable to financial statements or financial projections of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the U.S. federal securities laws, since HFC is located outside the United States and some or all of its officers and directors may be resident outside the United States. You may not be able to sue a non-U.S. company or its officers or directors in a non-U.S. court for violations of the U.S. securities laws. Further, it may be difficult to compel a non-U.S. company and its affiliates to subject themselves to a U.S. court's judgment.

### **Forward-Looking Statements**

This Circular includes forward-looking statements that reflect HFC's intentions, beliefs or current expectations and projections about HFC's future results, operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans, opportunities, trends and the market in which HFC operates. These forward-looking statements are based on numerous assumptions regarding HFC's present and future business and the environment in which the Company expects to operate in the future.

Forward-looking statements are subject to known and unknown risks, uncertainties and assumptions and other factors that could cause HFC's actual results, operations, financial condition, liquidity, performance, prospects, anticipated growth, strategies, plans or opportunities, as well as those of the markets HFC serves or intends to serve, to differ materially from those expressed in, or suggested by, forward-looking statements contained in this Circular.

The Company undertakes no obligation to revise or update any forward-looking statement contained in this document, regardless of whether those statements are affected as a result of new information, future events or otherwise.

### **Rounding**

Some numerical figures included in this Circular may have been subject to rounding adjustments. Accordingly, numerical figures shown as totals in certain figures may not be an arithmetic aggregation of the figures that precede them.

### **Directors Responsibility Statement**

This Circular provides a description of HFC and its business activities. Responsibility for the accuracy of the information in this Circular lies with the HFC Board (as defined below).

**The profit forecasts in this Circular have been stated by the HFC Board after due and careful inquiry.**

This Circular has been seen and approved by the HFC Board, who collectively and individually accept full responsibility for the accuracy of the information given and, after making all reasonable inquiries and to the best of their knowledge and belief, there are no facts the omission of which would make any statement in the Circular misleading.



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# Key Milestones and Timetable

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<b>Activity</b>	<b>Date</b>	<b>Time</b>
Ex-Rights Date	Thursday, November 23, 2017	3.00pm
Qualifying Date	Tuesday, November 28, 2017	3.00pm
Book Closure Date	Wednesday, November 29, 2017	5.00pm
Commencement of Offer	Monday, December 4, 2017	9.00am
Commencement of Trading in the Rights	Tuesday, December 5, 2017	10.00am
Closure of the Trading in the Rights	Friday, December 15, 2017	3.00pm
Deadline for Acceptance of Application Forms	Wednesday, December 20, 2017	5.00pm
End of Offer	Wednesday, December 20, 2017	5.00pm
Allotment Begins	Thursday, December 21, 2017	9.00am
Allotment Ends	Wednesday, December 27, 2017	5.00pm
Results of the Offer Submitted to SEC	Wednesday, December 27, 2017	5.00pm
Issue of Allotment letters (where applicable)	Thursday, December 28, 2017	9.00am
Crediting of Shares onto the CSD	Friday, December 29, 2017	3.00pm
Commencement of Trading in the Shares	Friday, January 5, 2018	9.00am

*All times provided are in Greenwich Mean Time, the time zone of the Republic of Ghana. Any amendment will be published in a national daily newspaper not later than 72 hours after receipt of regulatory approval.*

# CORPORATE INFORMATION

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<b>Directors:</b>	Board Chairman Acting Managing Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director Non-Executive Director	Charles William Zwennes Anthony Jordan Nigel Mark Baptiste David Dulal-Whiteway Michael Addotey Addo Ebenezer Tetteh Tagoe Paul King Aryene
<b>Company Secretary:</b>	Beatrix Ama Amoah	
<b>Registered Office:</b>	No. 35 Sixth Avenue North Ridge P. O. Box CT 4603 Accra, Ghana Tel: +233 302 242 090-4 Fax: +233 302 242 095	
<b>Auditors:</b>	Ernst & Young G15, White Avenue Airport Residential Area Accra, Ghana P. O. Box KA 16009, Airport Tel: +233 302 779 868 Fax: +233 302 778 894  <i>Contact:</i> Pamela Des Bordes <i>Tel:</i> +233 302 779 868 <i>Email:</i> Pamela.Des-Bordes@gh.ey.com	
<b>Lead Manager:</b>	NewWorld Securities Limited 5 Abafun Crescent Labone Accra, Ghana Tel: +233 302 768 961 Fax: +233 302 768 966  <i>Contact:</i> Richmond Agbesi <i>Tel:</i> +233 302 768 960 <i>Email:</i> richmond-a@newworldgħ.com	
<b>Co-Manager:</b>	HFC Investment Services Limited No. 48 A, Sixth Avenue North Ridge, Accra, Ghana P.O. Box CT 4603 Tel: +233 302 664214, 664430 Fax: +233 302 664106, 665095  <i>Contact:</i> Peter Larbi-Yeboah <i>Tel:</i> +233 244 411 836 <i>Email:</i> pyeboah@hfcbank.com.gh	

<b>Sponsoring Broker:</b>	UMB Stockbrokers Limited No. 57 Dr. Isert Street North Ridge Accra P.O Box CT 1317, Cantonments, Accra Tel: +233 302 251 137  <i>Contact:</i> Benjamin B. Ackah <i>Tel:</i> +233 244 627 326 <i>Email:</i> backah@umbcapital.com
<b>Co-Sponsor</b>	HFC Brokerage Services Limited No. 48 A, Sixth Avenue North Ridge, Accra, Ghana P.O. Box CT 4603 Tel: +233 302 664430, 664214, 0289669310/1 Fax: +233 302 664106, 665095  <i>Contact:</i> Madeline Nettey <i>Tel:</i> +233 244 977 022 <i>Email:</i> mnettey@hfcbank.com.gh
<b>Legal Adviser:</b>	Ashong Benjamin & Associates 6, Fourth Norla St, Cantonments Accra, Ghana P.O. Box CT 6265, Tel: +233 302 277 4378  <i>Contact:</i> Enyonam Aheto-Tsegah <i>Email:</i> Enyonam@ashongbenjamin.com <i>Contact:</i> Marian Ekua Hayfron-Benjamin <i>Email:</i> Ekua@ashongbenjamin.com
<b>Reporting Accountant:</b>	Deloitte and Touche Ibex Court 4 Liberation Road P.O. Box GP 453 Accra, Ghana Tel: +233 302 775 355, +233 302 770 559  <i>Contact:</i> Kwame Ampim Darko <i>Tel:</i> +233 501 320 906 <i>Email:</i> kampimdarko@deloitte.com.gh
<b>Registrars:</b>	Universal Merchant Bank Limited SSNIT Emporium Airport City Accra P.O Box GP 401, Accra Tel: +233 302 666 331  <i>Contact:</i> Mrs. Harriet Antwi <i>Tel:</i> +233 302 226112 / 220952 <i>Email:</i> harriet.antwi@myumbbank.com

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**Receiving Bank:**

Cal Bank Limited  
No. 23 Independence Avenue,  
GP 14596,  
North Ridge, Accra  
Tel: +233 302 680 063

*Contact:* Philip Fynn  
*Tel:* +233 261 513 233 / +233 244 945 904  
*Email:* PFynn@calbank.net

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**Receiving Agent(s):**

HFC Brokerage Services Limited  
No. 48 A, Sixth Avenue  
North Ridge,  
Accra, Ghana  
P.O. Box CT 4603  
Tel: +233 302 664430, 664214, 0289669310/1  
Fax: +233 302 664106, 665095

UMB Stockbrokers Limited  
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North Ridge  
Accra  
P.O Box CT 1317, Cantonments, Accra  
Tel: +233 302 251 137

All Bank Branches of:  
HFC Bank (Ghana) Limited  
No. 35 Sixth Avenue  
North Ridge  
Accra, Ghana  
Tel: +233 302 242 090-4  
Fax: +233 302 242 095

# DEFINITIONS

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<b>"AB"</b>	Ashong Benjamin & Associates, acting as Legal Adviser
<b>"Advisers"</b>	Ashong Benjamin & Associates, HFC Brokerage Services Limited, HFC Investment Services Limited, NewWorld Securities Limited and UMB Stockbrokers Limited
<b>"Applicable Law"</b>	Any constitution, statute, law, rule, regulation, ordinance, judgment, order, decree, consent of a governmental authority, or any published directive, guideline, requirement or other governmental restriction that has the force of law, or any determination by, or interpretation of any of the foregoing by, any judicial authority, that is binding on HFC whether in effect as of the date hereof or as of any date thereafter
<b>"Application Form"</b>	Application form for the Rights Issue
<b>"Application of Funds"</b>	Capital raised from shareholder subscription to Rights
<b>"BoG"</b>	Bank of Ghana
<b>"Book Closure Date"</b>	The time period when HFC will not handle adjustments to the Register of Members, or requests to transfer shares
<b>"Companies Act"</b>	Companies Act, 1963 (Act 179) (as amended)
<b>"CSD"</b>	Central Securities Depository (Ghana) Limited
<b>"CSD Account"</b>	An electronic account held with the CSD where a successful applicant's new HFC Shares will be deposited
<b>"Deloitte" or "Reporting Accountant"</b>	Deloitte and Touche ("Deloitte"), acting as the reporting accountant
<b>"EGM"</b>	Extraordinary General Meeting held on 28th September, 2017 at the Accra City Hotel at 11am
<b>"EPA"</b>	Environmental Protection Agency
<b>"Escrow Accounts"</b>	Temporary accounts set up with the Receiving Bank (CAL Bank) where all Application Funds collected will be deposited until paid into HFC's account after the close of the Rights Issue
<b>"Escrow Account Agreement"</b>	A written agreement between HFC, the Sponsoring Broker and the Receiving Bank regarding the movement of Application Funds in the Escrow Account during the Offer Period and at the close of the Offer Period
<b>"EUR"</b>	Euro, the single European currency used by nineteen of the twenty-eight member states of the European Union
<b>"Ex-Rights Date"</b>	Thursday, November 23, 2017, the date from which if an investor purchases HFC shares on GSE, such investor will NOT qualify for rights
<b>"Extra Shares"</b>	Additional shares over and above those that each Qualifying HFC Shareholder is entitled to under the Offer
<b>"FCF"</b>	Free Cash Flow
<b>"GBP"</b>	British Pound Sterling
<b>"GDP"</b>	Gross Domestic Product
<b>"Ghana"</b>	The Republic of Ghana
<b>"GHS"</b>	Ghanaian Cedi
<b>"GRA"</b>	Ghana Revenue Authority
<b>"GSE" or "the Exchange"</b>	The Ghana Stock Exchange
<b>"GSS"</b>	Ghana Statistical Service

<b>"HFC" or the "Bank" or the "Issuer" or the "Company"</b>	HFC Bank (Ghana) Limited
<b>"HFC Board" or "Board of Directors" or "Directors"</b>	The Board of Directors of HFC
<b>"HFC-BSL" or "Co-Sponsor"</b>	HFC Brokerage Services Limited (HFC-BSL), the Brokerage subsidiary of HFC Investments and the Co-Sponsor for the Offer
<b>"HFC-ISL" or "Co-Manager"</b>	HFC Investment Services Limited (HFC-ISL), the Co-Manager for the Offer
<b>"HFC Shares"</b>	All 297,420,918 issued ordinary shares of HFC and 90,909,094 New Shares to be issued pursuant to the Offer
<b>"IFRS"</b>	International Financial Reporting Standards
<b>"IMF"</b>	International Monetary Fund
<b>"Listing Date"</b>	Friday, January 5, 2018
<b>"New Shares"</b>	Up to 90,909,094 new ordinary shares of HFC to be issued pursuant to the Rights Issue in accordance with the terms of the Offer
<b>"NWS" or "Lead Manager"</b>	NewWorld Securities Limited, acting as Lead Manager
<b>"The Offer" or "Rights Issue"</b>	Renounceable rights issue of 90,909,094 ordinary shares of no par value at GHS 0.55 per share in a ratio of 1 new share for every 3.2716 existing shares held by a Qualifying Shareholder of HFC as at the Qualifying Date
<b>"Offer Circular" or "Document" or "Circular"</b>	This Offer Circular dated 23, November 2017
<b>"Offer Closure Date"</b>	The closing date of the Offer, being Wednesday, December 20, 2017, being the last day a Qualifying Applicant can subscribe to the Offer
<b>"Offer Commencement Date"</b>	The opening date of the Offer, being Monday, December 4, 2017, being the first day on which a Qualifying Applicant can subscribe to the Offer
<b>"Offer Period"</b>	The period between the Offer Commencement Date and the Offer Closure Date
<b>"Offer Price"</b>	GHS 0.55
<b>"Prevailing Exchange Rate"</b>	The interbank exchange rate or other reference exchange rate agreed upon at the date cleared funds are received
<b>"Qualifying Applicant"</b>	Any natural person who is 18 years or over, or a corporation, partnership or other unincorporated associations who are resident/incorporated in Ghana or some other state, or country (including a Qualifying HFC Shareholder and a Renouncee) provided that (a) the offer to and acceptance by such an applicant of the Offer is not in contravention of the laws of either that state or country and (b) such applicant is not resident or located in California
<b>"Qualifying Date"</b>	The Tuesday, November 28, 2017 on which persons whose names appear on the register of HFC's members qualify for Rights under the Offer
<b>"Qualifying HFC Shareholder" or "Qualifying Shareholder"</b>	HFC shareholders on the register of shareholders as at the Qualifying Date, and who (a) have no legal restrictions barring them from partaking in the Offer and (b) are not resident or located in California
<b>"Receiving Agent"</b>	HFC Brokerage Services Limited, UMB Stockbrokers Limited and all branches of HFC Bank Ghana Limited which will be receiving applications and payments from Qualifying Applicants under the Offer
<b>"Receiving Bank"</b>	CAL Bank Ghana Limited which has been appointed by HFC to receive applications and payments from Qualifying Applicants under the Offer
<b>"Refund Commencement Date"</b>	Friday, January 5, 2018, on which the unused applicants' funds are returned to the Receiving Agents

<b>"Registrar"</b>	The registrar of HFC, being Universal Merchant Bank Limited at the date of this Circular
<b>"Register of Members"</b>	A register held by the Registrar that records the names and addresses of the shareholders of HFC
<b>"Renouncee"</b>	A Qualifying Applicant, in whose favour a Qualifying HFC Shareholder has renounced his/her/its Rights and who has no legal restrictions barring him/her/it from partaking in the Offer
<b>"Renouncer"</b>	A Qualifying HFC Shareholder who has renounced some or all of his/her/ its Rights in favour of another person or legal entity
<b>"Rights"</b>	The legal and financial right of Qualifying HFC Shareholders to partake in the Offer, which Right may be traded to other persons or legal entities for value, in which case the Right is traded on the GSE, or which Right could be renounced in favour of another person or legal entity
<b>"Rights Trading Period"</b>	The period from Tuesday, December 5, 2017 to Friday, December 15, 2017 when holders of HFC Rights and Qualifying Applicants can trade Rights on the GSE
<b>"UMB-SL" or "Sponsoring Broker"</b>	UMB Stockbrokers Limited, acting as the Sponsoring Broker
<b>"SEC"</b>	Securities and Exchange Commission of Ghana
<b>"Uploading Date"</b>	Friday, December 29, 2017, or any other date determined by the Directors and Advisers and approved by the SEC and GSE, being the date when new shares are credited to the CSD Accounts of successful applicants
<b>"USA" or "United States"</b>	United States of America
<b>"U.S. Securities Act"</b>	United States Securities Act of 1933, as amended
<b>"USD"</b>	United States Dollars
<b>"VAT"</b>	Value Added Tax

## Legal Adviser's Compliance Certificate



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24<sup>th</sup> October 2017

The Director-General  
Securities and Exchange Commission  
30, Third Circular Road Cantonments,  
Accra Ghana

The Managing Director  
Ghana Stock Exchange  
5th Floor, Cedi House  
Liberia Road,  
Accra Ghana

Dear Sirs,

**HFC BANK (GHANA) LIMITED  
RIGHTS ISSUE AND ADDITIONAL LISTING OF SHARES ON THE GHANA STOCK EXCHANGE**

**1. INTRODUCTION**

We have acted as legal counsel to HFC Bank (Ghana) Limited, a public limited liability company incorporated under the laws of Ghana ("HFC"), in connection with the offer by it of up to 90,909,094 ordinary shares to increase its capital by up to GH\$50,000,000 ("the Rights Issue") and the proposed listing of newly issued shares on the Ghana Stock Exchange (the Additional Listing").

**2. DOCUMENTS EXAMINED**

- 2.1 For the purpose of giving this opinion, we have examined a draft copy of the circular to the Shareholders (the "Offer Circular").
- 2.2 Unless otherwise indicated, all expressions defined in the Offer Circular have the same meanings when used in this opinion.
- 2.3 In addition, we have examined originals or copies certified to our satisfaction of the following documents:
  - a. the certificate of incorporation of HFC dated 5 November 2013;
  - b. the certificate to commence business of HFC dated 5 November 2013;

**Partners:** David Addo-Ashong, Tawia Addo-Ashong, Marian Blua Hayfron-Benjamin

- c. the regulations of HFC (the **Regulations**) which was last amended on 14<sup>th</sup> June 2016;
  - d. HFC's banking licence dated 17 November 2003;
  - e. a resolution of the board of directors of HFC passed on 26<sup>th</sup> July, 2017 approving the Rights Issue and the Additional Listing;
  - f. a resolution of the shareholders of HFC passed on 28<sup>th</sup> September, 2017 approving the Rights Issue and the Additional Listing; and
  - g. approval of the Board of Directors to the Offer Circular.
- 2.4 We have also examined such other documents and certificates, searches and records as are necessary under the laws of Ghana to enable us to give this opinion.

### **3. SCOPE AND PURPOSE OF THE OPINION**

- 3.1 We are qualified to practice law in Ghana. This opinion is limited to matters of Ghanaian law as in force and applied at the date of this opinion. We have not investigated the laws of any country other than Ghana and we express no opinion as to any law other than the laws of the Republic of Ghana.
- 3.2 This opinion is given on the basis of the assumptions set out in Schedule A (Assumptions).

### **4. OPINION**

Based on the preceding paragraphs, we are of the opinion that:

#### **4.1 Incorporation**

- a. HFC is duly incorporated as a public limited liability company under the laws of Ghana.
- b. HFC has perpetual corporate existence and the capacity to sue or be sued in its name and to carry on its businesses as currently conducted.
- c. To the best of our knowledge and upon due enquiry, HFC has all the necessary power and authority to own its property and assets and to carry on its businesses as currently conducted and no steps have been (or are being taken) to appoint any administrator, receiver, liquidator or analogous person or body over, or to wind up or dissolve, HFC (or to take any analogous action) nor has a moratorium been declared on the payment of any indebtedness of HFC.

**4.2 Powers and Authorisations**

- a. HFC is duly licensed as a bank by the Bank of Ghana;
- b. The Board of Directors of HFC has reviewed and approved the Offer Circular.

**4.3 Regulatory Approvals and Consents**

- a. The approval of the Securities and Exchange Commission is required for the Rights Issue.
- b. The approval of the Ghana Stock Exchange is required for the Additional Listing.
- c. The approval of the Bank of Ghana would be required for: (i) any new acquisition of 5% or more of the total shareholding in the Company; and /or (ii) any increase of an existing shareholding to 5%, 10%, 20%, 30%, 50% or 75% of the total shareholding of the Company.
- d. Apart from the approvals referred to under paragraph 4.3(a) to paragraph 4.3(c), no other regulatory approvals, consents or licenses or authorisations are or would be required or advisable under Ghanaian law for the Rights Issue, the issuance of shares thereunder or the Additional Listing.

**4.4 Offer Circular**

The Offer Circular complies with the relevant provisions of Schedule 5 of the Securities and Exchange Commission Regulations, 2003 (L. I. 1728) and Schedule 7 of the Companies Act.

**4.5 Contractual Obligations**

To the best of our knowledge and upon due enquiry, there are no contractual agreements, obligations or undertakings preventing HFC from undertaking the Rights Issue.

**4.6 The Regulations**

- a. The Regulations comply with all legal requirements on the contents of the regulations of a public company.
- b. The Regulations comply with the requirements of Part V of the GSE Listing Rules.
- c. The Rights Issue and the Additional Listing do not contravene any provision of the Regulations or any applicable laws in Ghana.

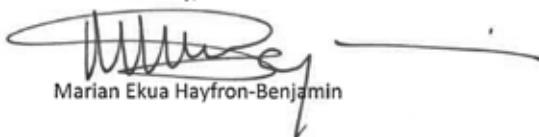
**4.7 Taxes and Stamp Duty**

- a. The statements in the Offer Circular regarding taxation in Ghana are correct in all material respects.
- b. The proceeds of the Rights Issue will be subject to a capital duty at the rate of 0.5% of the amount of the proceeds payable by HFC.

**4.8 Registrations and Filings**

Save that copies of the Offer Circular are required to be delivered to the Registrar of companies and registered pursuant to the Companies Act, no registration or filing is required at any registry in Ghana in order for the Offer Circular to be valid, binding and enforceable in accordance with their respective terms.

Yours faithfully,



Marian Ekua Hayfron-Benjamin

**Schedule A**

**Assumptions**

In giving this opinion, we have assumed, and this opinion is given on the basis, that:

1. all original documents supplied to us are complete, authentic and up to date, and that all copy documents supplied to us are complete and conform to the originals;
2. each of the resolutions of the board of directors of HFC regarding the Rights Issue and the Additional Listing was duly passed by the directors of HFC and all requirements relating to disclosure of interest and due consideration of the commercial interests of HFC were complied with;
3. all disclosures made to us by HFC and its officers as reflected in the Offer Circular are materially correct as at the date of this opinion and no event has occurred which undermines or may undermine the correctness of those disclosures.

We have found nothing to indicate that the above assumptions are not justified.

# PART 1.

## THE RIGHTS ISSUE

### 1.1 Rationale for the Rights Issue

The purpose of the Rights Issue is to enable the Bank to meet the regulatory minimum capital requirement, develop and grow its business and undertake larger volume transactions in line with the growth and competitive strategy of the Bank. The Offer will also further improve the Bank's single obligor limits and enable HFC to better serve the needs of its clients in a competitive environment. An improved single obligor limit will enable the Bank to implement and achieve its growth and competitive strategy and therefore improve its market share (3.08% of loans and advances as at 31 December 2016).

### 1.2 Legal Basis for the Rights Issue

At the Extra Ordinary general meeting of HFC held at the Accra City Hotel, Barnes Road, Accra on the 28th day of September 2017, shareholders of HFC approved, amongst others, a resolution to issue additional shares through a renounceable rights issue to raise up to GHS 50,000,000 in accordance with the regulations of HFC, the Companies Act, and other relevant laws and regulations and subject to prior approval by the GSE and SEC.

- That the Directors of the Company be and are hereby generally and unconditionally authorised to increase the Company's Stated Capital by up to GHS 50,000,000 by a Renounceable Rights Issue in accordance with Section 202 (1)(b) of the Companies Act, 1963 (Act 179) to enable the Company comply with Bank of Ghana's directives, to expand the business and to better serve customers.
- That the Directors of the Company be and are hereby generally and unconditionally authorised pursuant to Section 202 (1) of the Companies Act, 1963 (Act 179) to exercise all the powers of the Company to offer, issue and allot to registered members of the Company, in proportion as nearly as may be to their respective holdings in the issued shares of the Company, such number of ordinary shares as may be required to increase the Company's Stated Capital by GHS 50,000,000 and to

determine the terms, timing and pricing of any such offer, option, allotment or issue.

- That the Directors of the Company be and are further authorised to offer, issue, allot, and/or deal with all such shares as are not subscribed to by the registered members of the Company in the Rights Issue at such times, on such terms and for such prices as the Directors shall determine.

The transaction has also been approved by the HFC Board through a Board Resolution dated 26th July, 2017.

### 1.3 Use of the Rights Issue Proceeds

The Directors, in conjunction with the management team of the Bank will utilise the proceeds from the Offer as follows:

**Table 1: USE OF OFFER PROCEEDS**

Expense Item	Amount (GHS)
Working Capital	48,152,366
Offer Related Expenses	1,847,634
<b>Total</b>	<b>50,000,000</b>

### Minimum Amount to be raised under Offer

The minimum amount to be raised for the Offer to be declared successful is GHS 30,000,000. If HFC only raises the minimum amount under the Offer, then HFC shall utilise the amount raised as follows:

**Table 2: DEPLOYMENT OF MINIMUM AMOUNT RAISED**

Expense Item	Amount (GHS)
Working Capital	28,698,410
Offer Related Expenses	1,301,590
<b>Total</b>	<b>30,000,000</b>

In the event that the minimum amount is not obtained, all monies paid for New Shares under the Offer and deposited into any of the Escrow Accounts will be returned to the Receiving Bank or Receiving Agent without interest for onward distribution to applicants on the Refund Commencement Date. In this case, Application

Funds are deemed to have been returned when notices have been given for the Receiving Bank or Receiving Agent to collect funds received from applications that were lodged with them. The Sponsoring Broker / Issuer shall cause a publication in a newspaper of national circulation and announcements on local radio stations on how and where subscribers are to collect refunds.

If any money is not repaid within eight days after it becomes repayable, the Directors of the Bank shall be jointly and severally liable to repay that money with interest (in accordance with section 284(4) of the Companies Act) at the rate of 5% per annum each day of default until the refund is made to the Receiving Bank or Receiving Agent unless the Directors can prove that the default in the repayment was not due to any misconduct or negligence on their part.

### Oversubscription

Should HFC receive applications for shares whose value is in excess of GHS 50,000,000, the Directors shall not issue additional HFC Shares to satisfy the extra demand. Any monies received in respect of applications which are not for allotted shares, after the consideration of Directors of the excess applications, will be returned to the applicants within 10 days of the date on which the allotments end. Refunds after this period will attract interest at the prevailing BoG monetary policy rate as stated on the BoG website under Monetary Policy section in the press release for the latest Monetary Policy Committee meeting.

### 1.4 Key Terms of the Offer

#### Number of Shares and Price

The Offer comprises a renounceable Rights Issue of 90,909,094 new ordinary shares at GHS 0.55 per share to Qualifying Shareholders in a ratio of 1 new share for every 3.2716 existing ordinary share held. The shares to be issued under the Offer will rank pari passu with the ordinary shares of HFC already in issue and listed on the GSE.

The ratio in which the Rights to ordinary shares are allocated to Qualifying Shareholders may result in fractional entitlements. Fractional entitlements of 0.50 shares and above will be rounded up to one new share, whilst those below 0.50 shares will not be allotted to Qualifying Shareholders but will be consolidated and allotted by the Directors to Qualifying Applicants as they deem fit.

### Pricing of the Shares

The Offer is priced at GHS 0.55 per share, representing a 60.4% discount to current market price of GHS 1.39 (as at November 22, 2017), or a 58.6% discount to the three-month average share price of GHS 1.18. The market price realized on 22 May 2017, the first trading day in the most recent six months was GHS 0.50 and the market price realized on 22 November 2017, the last trading day before the date of the offer document, was GHS 1.39.

**Table 3: OFFER PRICE CALCULATION**

<b>Duration and Discount Applied</b>	
Current Market Price (as at 22 November, 2017)	GHS 1.39
Implied Discount/Premium	60.4%
<b>Offer Price</b>	<b>GHS 0.55</b>

**Table 4: OFFER PRICE COMPARISON TO THREE MONTH AND SIX MONTH AVERAGE**

<b>Details</b>	
Three Month High	GHS 1.39
Three Month Low	GHS 0.85
Three Month Average based on daily prices	GHS 1.33
<b>Offer Price Discount to Three Month Average</b>	
	58.6%
Six Month High	GHS 1.39
Six Month Low	GHS 0.50
Six Month Average based on daily prices	GHS 1.08
<b>Offer Price Discount to Six Month Average</b>	
	49.1%

If all the shares on offer are fully subscribed, HFC will raise a total of GHS 50,000,000. Pursuant to this Rights Issue, the GSE has granted approval to list the New Shares on the GSE. It is expected that the dealings in the New Shares will start alongside the existing 297,420,918 ordinary HFC Shares on the Listing Date.

#### Qualifying Date and Distribution of this Circular

The shares on offer under this Rights Issue will be offered to shareholders of HFC whose names appear in the Register of Members as at the Qualifying Date. The Registrar has sent a copy of this Circular containing the allotment details and Application Forms through the post to shareholders of HFC on record on the Qualifying

Date. Shareholders of HFC who do not receive copies of the Circular by the Offer Commencement Date may contact the offices of the Registrar, HFC-BSL or HFC Bank for a copy of the Circular (subject to availability of extra copies of the Circular). The Circular will also be available online at the HFC-BSL website at [www.hfcinvestments.com](http://www.hfcinvestments.com) as well as the UMB-SL website at <https://umbcapital.com/UMBSTOCKBROKERSLIMITED/> and HFC Bank (Ghana) website at [www.hfcbank.com.gh](http://www.hfcbank.com.gh)

### **Form of the New Shares**

The New Shares will, when issued, be held in dematerialised form. Qualifying HFC Shareholders and Renouncees who do not have a CSD Account will be issued letters of allotment. Qualifying HFC Shareholders and Renouncees who receive letters of allotment will be required to use their letters of allotment to open CSD Accounts and have those shares credited to their CSD Account.

Those Qualifying HFC Shareholders and Renouncees with CSD Accounts will have their respective CSD Accounts credited with the number of New Shares allotted to them. Share certificates will not be issued.

### **Trading in the Rights**

The Rights pertaining to the Offer may only be traded on the GSE during the Rights Trading Period, which commences at 10.00am on Tuesday, December 5, 2017 and closes at 3.00pm on Friday, December 15, 2017. U.S. holders (as defined in Rule 800 under the U.S. Securities Act)<sup>2</sup> may transfer Rights only in accordance with Regulation S under the U.S. Securities Act. Shareholders who desire to sell all or some of their Rights on the GSE should contact their brokers, or the Co-Sponsor at the address below:

HFC Brokerage Services Limited  
No. 48 A, Sixth Avenue  
North Ridge,  
Accra, Ghana  
P.O. Box CT 4603  
Tel: +233 302 664430, 664214, 0289669310/1  
Fax: +233 302 664106, 665095

### **Application**

All applications for shares under the Offer must be in whole numbers and no purported application for fractions of a share will be accepted.

<sup>2</sup> Full Rule Presented in 1.13. Appendix 1

### **Shareholders and Renouncees**

Shareholders wishing to take-up some or all of their Rights must complete the appropriate Option in the accompanying Application Form in order to exercise their Rights. Qualifying Shareholders are allowed to apply for Extra Shares. Persons resident in the United States or who hold shares or Rights for the account of beneficial owners resident in the United States may transfer Rights only in accordance with Regulation S under the U.S. Securities Act. Shareholders are otherwise allowed to renounce in part or in full their Rights in favour of a third party at their own option by completing Option 3 of the Application Form. Renouncees should complete Option 4 and Part II of the Application Form, sign the declaration and submit it, together with the Renouncer's and Renouncee's valid ID, to the Receiving Agent or Receiving Bank.

Should a Qualifying Shareholder desire to renounce his/her/its Rights in favour of more than one person or legal entity, his/her/it should complete an Application Form in favour of each Renouncee, stating that Renouncee's name and the number of Rights renounced in favour of that Renouncee in Option 3 of the Application Form. The Renouncer must then sign against the box ticked in in Option 3. Each Renouncee must then complete Option 4, and Part II of the same Application Form, sign the declaration and submit it, together with payment for the shares applied for, to the Receiving Agent or Receiving Bank.

### **1.5 Escrow Accounts Details**

All Application Funds collected will be deposited into the following Escrow Accounts of:

Cal Bank Limited  
No. 23 Independence Avenue,  
GP 14596,  
North Ridge, Accra  
Tel: +233 302 680 063

<b>Account Name</b>	HFC RIGHTS ISSUE
<b>Account Number</b>	1400002849102
<b>Branch</b>	Head Office
<b>Swift Code</b>	ACCCGHAC

A copy of the Escrow Account Agreement has been lodged with the SEC.

## **1.6 Allotment**

The Directors will be responsible for the allotment of the New Shares.

The allotment of New Shares to applicants will be:

- i. first to satisfy all duly completed applications from Qualifying Shareholders and their Renouncees as pertains to Qualifying Shareholders' Rights in the Offer; and
- ii. to satisfy all duly completed applications from Qualifying Shareholders and Renouncees for Extra Shares, pro-rating where necessary.

To the extent that applications for Extra Shares received are more than the available number of unsubscribed Rights under the Offer, the Directors will allot fewer Extra Shares than applied for. The Board of Directors will allot Extra Shares on a pro-rata basis to Qualifying Applicants.

As of the date of this prospectus, to the extent known to HFC Bank, there are no person(s) who have explicitly stated their intention to subscribe for more than 5% of the offering, beyond their rights entitlements.

## **1.7 Payment**

The currency of the issue is in GHS.

Payment for HFC Shares must be made in full in cash, by cheque, postal or money order, or funds transfer on application. Payment by instalments will not be accepted. HFC-BSL reserves the right to reject multiple applications, applications not paid for in full or to be paid in instalments. The offer is priced in Ghanaian Cedis and Receiving Agents will receive GHS subscriptions, and process any refunds in GHS. All applications for shares and subscriptions received will be forwarded from the Receiving agents to the Sponsoring brokers at the end of each week during the offer period with accompanying payments paid into the escrow account with the receiving bank. Non-resident shareholders, who execute their rights in United States Dollars, Euros, British Pound Sterling, or a combination of any of these, will have their Rights allocated to them using the Bank of Ghana Prevailing Mid-Rate specified to them at the date cleared funds are received for their subscription. In this regard, the GHS equivalent of the amount being paid by the applicant and the corresponding number of shares being acquired under the Offer will be communicated to the applicant when cleared funds are received.

Payment may be in cash, cheque, postal and money order. Cheques, postal and money orders, which will be presented for payment, should be made payable to "HFC RIGHTS ISSUE" and should be crossed and marked "COMMISSION TO DRAWER'S ACCOUNT". This endorsement must be signed by the drawer. Cleared funds must be received before the offer closes if payment is by cheque, postal or money order.

Applications in respect of which cheques are returned unpaid will be rejected. Bank commissions and transfer charges on application monies must be paid by the applicant.

## **1.8 Refund**

If any application is not accepted or is accepted for a smaller number of shares than applied for, the balance of the amount paid on application, following the completion of allotment, will be forwarded to each respective receiving agent for onward remittance to all affected applicants. The Lead Manager shall instruct the Receiving Bank to transfer all refunds to the Receiving Agents not later than the Refund Commencement Date for onward distribution to applicants. HFC will announce such refunds through a daily newspaper with national circulation within 72 hours of the making of such refunds.

If HFC does not make refunds of extra Application Funds to the Receiving Agent or Receiving Bank by the Refund Commencement Date then HFC will pay to investors, interest (calculated on a per annum basis) on the unpaid amounts after the Refund Commencement Date at the prevailing BoG prime rate for each day of default until the refund is made to the Receiving Agent or Receiving Bank.

## **1.9 Lodgment of Completed Application Forms**

All Qualifying Applicants resident in Ghana must deliver or lodge their duly completed Application Forms at the offices of the Receiving Agent or Receiving Bank, whose details are provided in Part 7 of this Circular by 4 pm on the Offer Closure Date.

Qualifying Applicants not resident in Ghana must deliver or lodge their duly completed Application Forms by scanning and emailing them to HFC Brokerage Services Limited ([brokerage@hfcbank.com.gh](mailto:brokerage@hfcbank.com.gh)). Original completed Application Forms

should then be mailed to HFC-BSL or UMB-SL through a registered mail service. Applicants who choose to mail their Application Forms to the Receiving Agent are advised to use registered mail services. However, all documents mailed to the Receiving Agent by applicants will be at the applicant's own risk and HFC may treat applications not received by 4 pm on the Offer Closure Date as invalid.

Applicants are to note that Application Forms must be lodged at the same Receiving Agent office where payment is made for the shares applied for. The Receiving Agent will acknowledge receipt of Application Forms and funds from Qualifying Applicants.

### **1.10 Cost of the Offer**

The total cost of the Offer is not expected to exceed 4.00% of the amount being raised. HFC will pay all fees out of the proceeds of the Rights Issue. Below are the summarised details of the cost of the Offer:

Item	Amount GHS	% of Offer
<b>Professional and Advisory Fees</b>		
Lead Manager	625,000.00	1.25%
Co-Manager	125,000.00	0.25%
Sponsoring Broker	125,000.00	0.25%
Co-Sponsor	125,000.00	0.25%
Legal Adviser	80,000.00	0.16%
Reporting Accountant	110,110.00	0.22%
Registrar	7,965.70	0.02%
<b>Regulatory Fees</b>		
SEC	25,000.00	0.05%
GSE	165,808.00	0.33%
CSD	8,750.00	0.02%
<b>Registrar General</b>		
Stamp Duty	250,000.00	0.50%
<b>Other</b>		
Printing, Distribution & Mailing	150,000.00	0.30%
Other	50,000.00	0.10%
<b>Total</b>	<b>1,847,633.70</b>	<b>3.70%</b>

### **1.11 Declaration of Interests by Advisers**

As at the date of this Circular:

- NWS holds 64 shares of HFC. Nortey Omaboe holds 15 shares of HFC. No other employee or principal of NWS holds any interest in HFC Shares.

- AB does not hold any HFC Shares. No employee or partner of AB or any of its associated persons holds or has any interest in HFC Shares.
- Deloitte does not hold any HFC Shares. No employee or partner of Deloitte or any of its associated persons holds or has any interest in HFC Shares.
- HFC-BSL holds 7,547 shares of HFC. No employee or principal of HFC-BSL holds any interest in HFC Shares.
- UMB-SL does not hold any HFC Shares. The following employees or principals of UMB-SL hold an interest in HFC Shares as shown below:

UMB-SL Employee/Principal	Number of HFC Shares
Benjamin B. Ackah-Nyamike	1
Kofi Busia Kyei	400
Francis Kofi Oduro	100

- HFC-ISL does not hold any HFC Shares. Peter Osei Yaw holds 1,136 shares of HFC. No other employee or principal of HFC-ISL holds any interest in HFC Shares.

### **1.12 Documents Available for Inspection**

The following documents are available for inspection during the hours of 8.30 a.m. and 4.30 p.m. on any Business Day at the registered offices of HFC during the Offer Period:

- The Bank's Regulations;
- The extract of minutes of the meeting of the Board of Directors held on 26 July 2017 authorising the Rights Issue;
- The extract of minutes of the EGM of HFC held on 28 September 2017 authorising the Rights Issue;
- The Bank's audited annual reports for the last five years;
- This Offer Circular;
- The Escrow Account Agreement;
- The Valuation Report;
- The Bank's Certificate to Commence Business; and,
- The Bank's Certificate of Incorporation.

### **1.13 Appendix 1 – Rules 800 and 801 of U.S. Securities Act**

Full text of the U.S. Securities Act is located on the United States Government Publishing Office website at <https://www.ecfr.gov/cgi-bin/text-idx?amp;node=17:3.0.1.12&rgn=div5>

#### **Rule 800**

The following definitions apply in §§230.800, 230.801 and 230.802.

- a. Business combination. Business combination means a statutory amalgamation, merger, arrangement or other reorganization requiring the vote of security holders of one or more of the participating companies. It also includes a statutory short form merger that does not require a vote of security holders.
- b. Equity security. Equity security means the same as in §240.3a11-1 of this chapter, but for purposes of this section only does not include:
  1. Any debt security that is convertible into an equity security, with or without consideration;
  2. Any debt security that includes a warrant or right to subscribe to or purchase an equity security;
  3. Any such warrant or right; or
  4. Any put, call, straddle, or other option or privilege that gives the holder the option of buying or selling a security but does not require the holder to do so.
- c. Exchange offer. Exchange offer means a tender offer in which securities are issued as consideration.
- d. Foreign private issuer. Foreign private issuer means the same as in §230.405 of Regulation C.
- e. Foreign subject company. Foreign subject company means any foreign private issuer whose securities are the subject of the exchange offer or business combination.
- f. Home jurisdiction. Home jurisdiction means both the jurisdiction of the foreign subject company's (or in the case of a rights offering, the foreign private issuer's) incorporation, organization or chartering and the principal foreign market where the foreign subject company's (or in the case of a rights offering,

the issuer's) securities are listed or quoted.

- g. Rights offering. Rights offering means offers and sales for cash of equity securities where:
  1. The issuer grants the existing security holders of a particular class of equity securities (including holders of depository receipts evidencing those securities) the right to purchase or subscribe for additional securities of that class; and
  2. The number of additional shares an existing security holder may purchase initially is in proportion to the number of securities he or she holds of record on the record date for the rights offering. If an existing security holder holds depository receipts, the proportion must be calculated as if the underlying securities were held directly.
- h. U.S. holder. U.S. holder means any security holder resident in the United States. To determine the percentage of outstanding securities held by U.S. holders:
  1. Calculate the percentage of outstanding securities held by U.S. holders as of a date no more than 60 days before or 30 days after the public announcement of a business combination conducted under §230.802 under the Act or of the record date in a rights offering conducted under §230.801 under the Act. For a business combination conducted under §230.802, if you are unable to calculate as of a date within these time frames, the calculation may be made as of the most recent practicable date before public announcement, but in no event earlier than 120 days before public announcement.
  2. Include securities underlying American Depository Shares convertible or exchangeable into the securities that are the subject of the tender offer when calculating the number of subject securities outstanding, as well as the number held by U.S. holders. Exclude from the calculation other types of securities that are convertible or exchangeable into the securities that are the subject of the tender offer, such as warrants, options and convertible securities. Exclude from those calculations securities held by the

- acquiror in an exchange offer or business combination;
3. Use the method of calculating record ownership in Rule 12g3-2(a) under the Exchange Act (§240.12g3-2(a) of this chapter), except that your inquiry as to the amount of securities represented by accounts of customers resident in the United States may be limited to brokers, dealers, banks and other nominees located in the United States, the subject company's jurisdiction of incorporation or that of each participant in a business combination, and the jurisdiction that is the primary trading market for the subject securities, if different from the subject company's jurisdiction of incorporation;
  4. If, after reasonable inquiry, you are unable to obtain information about the amount of securities represented by accounts of customers resident in the United States, you may assume, for purposes of this provision, that the customers are residents of the jurisdiction in which the nominee has its principal place of business.
  5. Count securities as owned by U.S. holders when publicly filed reports of beneficial ownership or information that is otherwise provided to you indicates that the securities are held by U.S. residents.
  6. For exchange offers conducted pursuant to §230.802 under the Act by persons other than the issuer of the subject securities or its affiliates that are not made pursuant to an agreement with the issuer of the subject securities, the issuer of the subject securities will be presumed to be a foreign private issuer and U.S. holders will be presumed to hold 10 percent or less of the outstanding subject securities, unless paragraphs (h)(7)(i), (ii) or (iii) of this section indicate otherwise.
  7. For rights offerings and business combinations, including exchange offers conducted pursuant to §230.802 under the Act, where the offeror is unable to conduct the analysis of U.S. ownership set forth in paragraph (h)(3) of this section, the issuer of the subject securities will be presumed to be a foreign private issuer and U.S. holders will be presumed to hold 10 percent or less of the outstanding subject securities so long as there is a primary trading market for the subject securities outside the United States, as defined in §240.12h-6(f)(5) of this chapter, unless:
    - (i) Average daily trading volume of the subject securities in the United States for a recent twelve-month period ending on a date no more than 60 days before the public announcement of the business combination or of the record date for a rights offering exceeds 10 percent of the average daily trading volume of that class of securities on a worldwide basis for the same period; or
    - (ii) The most recent annual report or annual information filed or submitted by the issuer with securities regulators of the home jurisdiction or with the Commission or any jurisdiction in which the subject securities trade before the public announcement of the offer indicates that U.S. holders hold more than 10 percent of the outstanding subject class of securities; or
    - (iii) The acquiror or issuer knows or has reason to know, before the public announcement of the offer, that the level of U.S. ownership exceeds 10 percent of such securities. As an example, an acquiror or issuer is deemed to know information about U.S. ownership of the subject class of securities that is publicly available and that appears in any filing with the Commission or any regulatory body in the issuer's jurisdiction of incorporation or (if different) the non-U.S. jurisdiction in which the primary trading market for the subject securities is located. The acquiror in a business combination is deemed to know information about U.S. ownership available from the issuer. The acquiror or issuer is deemed to know information obtained or readily available from any other source that is reasonably reliable, including from persons it has retained to advise it about the transaction, as well as from third-party information providers. These examples are not intended to be exclusive.

- (iv) United States. United States means the United States of America, its territories and possessions, any State of the United States, and the District of Columbia.

**Rule 801:**

A rights offering is exempt from the provisions of Section 5 of the Act (15 U.S.C. 77e), so long as the following conditions are satisfied:

**a. Conditions**

1. Eligibility of issuer. The issuer is a foreign private issuer on the date the securities are first offered to U.S. holders.
2. Limitation on U.S. ownership. U.S. holders hold no more than 10 percent of the outstanding class of securities that is the subject of the rights offering (as determined under the definition of "U.S. holder" in §230.800(h)).
3. Equal treatment. The issuer permits U.S. holders to participate in the rights offering on terms at least as favorable as those offered the other holders of the securities that are the subject of the offer. The issuer need not, however, extend the rights offering to security holders in those states or jurisdictions that require registration or qualification.
4. Informational documents.
  - (i) If the issuer publishes or otherwise disseminates an informational document to the holders of the securities in connection with the rights offering, the issuer must furnish that informational document, including any amendments thereto, in English, to the Commission on Form CB (§239.800 of this chapter) by the first business day after publication or dissemination. If the issuer is a foreign company, it must also file a Form F-X (§239.42 of this chapter) with the Commission at the same time as the submission of Form CB to appoint an agent for service in the United States.
  - (ii) The issuer must disseminate any informational document to U.S. holders, including any amendments thereto, in English, on a comparable basis to that provided to security holders in the home jurisdiction.

(iii) If the issuer disseminates by publication in its home jurisdiction, the issuer must publish the information in the United States in a manner reasonably calculated to inform U.S. holders of the offer.

5. Eligibility of securities. The securities offered in the rights offering are equity securities of the same class as the securities held by the offerees in the United States directly or through American Depository Receipts.
6. Limitation on transferability of rights. The terms of the rights prohibit transfers of the rights by U.S. holders except in accordance with Regulation S (§230.901 through §230.905).

**b. Legends.**

The following legend or an equivalent statement in clear, plain language, to the extent applicable, appears on the cover page or other prominent portion of any informational document the issuer disseminates to U.S. holders:

This rights offering is made for the securities of a foreign company. The offer is subject to the disclosure requirements of a foreign country that are different from those of the United States. Financial statements included in the document, if any, have been prepared in accordance with foreign accounting standards that may not be comparable to the financial statements of United States companies.

It may be difficult for you to enforce your rights and any claim you may have arising under the federal securities laws, since the issuer is located in a foreign country, and some or all of its officers and directors may be residents of a foreign country. You may not be able to sue the foreign company or its officers or directors in a foreign court for violations of the U.S. securities laws. It may be difficult to compel a foreign company and its affiliates to subject themselves to a U.S. court's judgment.

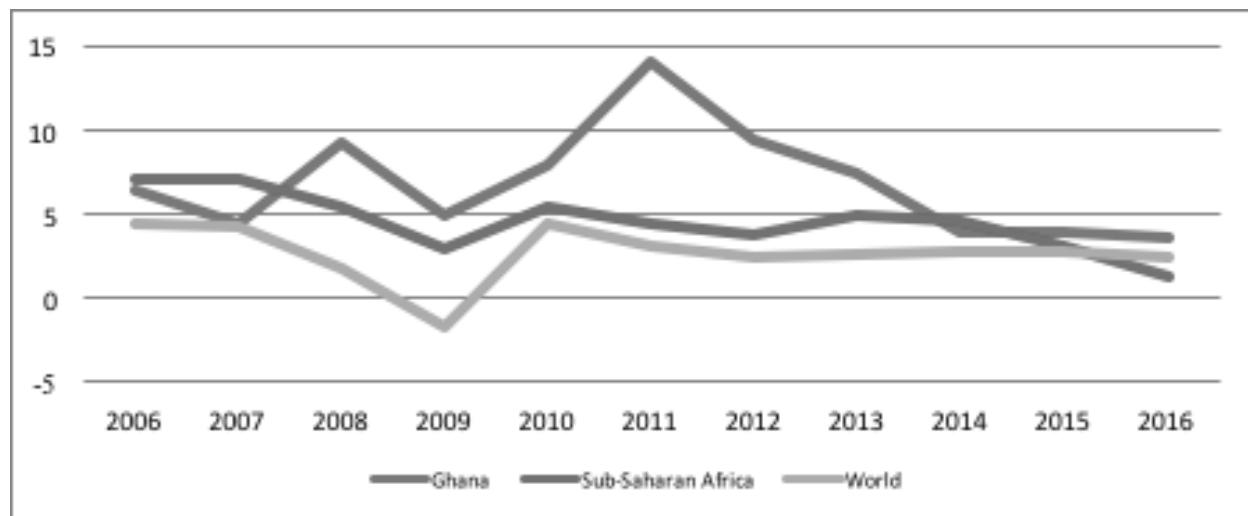
# PART 2.

# THE ECONOMY OF GHANA

## 2.1 Overview of the Ghanaian Economy

Ghana has one of the fastest growing economies in sub-Saharan Africa ("SSA") with gross domestic product ("GDP") growing at an average rate of 6.9% versus an average growth rate of 3.8% for SSA and 2.3% for the world over the past eight years (2009 to 2016) per IMF data.<sup>3</sup>

**Figure 1: Annual GDP Growth (%)**



Source: IMF World Economic Outlook April 2017 data

## 2.2 Political Background<sup>4</sup>

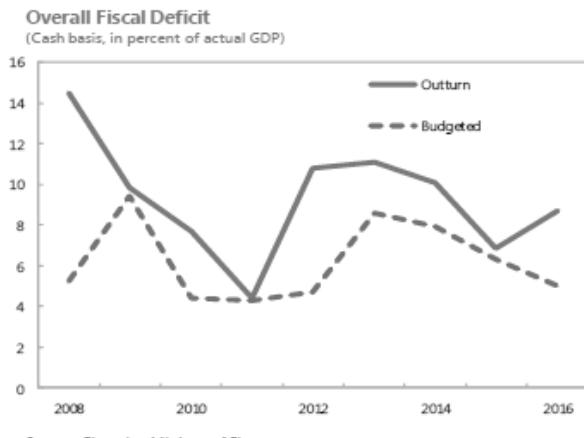
Ghana is a unitary state governed by its 1992 Constitution. The President and members of Parliament are elected by universal adult suffrage. The President serves a maximum of two four-year terms. The governance system also includes a well-structured local government system purposely set up to ensure decentralization of governance and allocation of resources. As a result of a robust democratic system built over two decades, Ghana held its seventh consecutive democratic election in 2016, which resulted in the opposition party winning and forming a government in January 2017.

## 2.3 Historical Economic Performance

Ghana's GDP growth decreased from 14.0% in 2011 to 4.6% in 2014 due to a global commodities slump and disruptions in oil and gas production. Ghana's principal exports in the cocoa, oil, and gold have decreased in value, leading to balance of payments deficits as shown in the chart below:

<sup>3</sup> IMF World Economic Outlook – April 2017

<sup>4</sup> Government of Ghana official website



The Ministry of Finance and Economic Planning ("MOFEP") announced a trade surplus of USD 951 million for Q1:2017, driven by recovering gold and oil prices. Consequently, there was a build-up in gross foreign assets to USD 6.4 billion by the end of Q1:2017, which supported the relative stability in the exchange rate<sup>5</sup>. In 2016, the balance of payments surplus was USD 247 million (0.6% of GDP) compared to a deficit of USD 129 million (-0.3% of GDP) in 2015.

## 2.4 IMF Programme<sup>6</sup>

The Executive Board of the IMF approved a three-year USD 918 million arrangement under the Extended Credit Facility for Ghana in April 2015. The IMF completed its fourth review of the bailout programme and disbursed USD 94 million, increasing total disbursements under the programme to USD 565 million. In addition the IMF approved Ghana's request for waivers of non-observance of performance criteria, modified one performance criterion and extended the support programme by one year. The IMF has advocated for a more ambitious and front-loaded fiscal consolidation to help place public debt on a sustainable path, and to allow monetary policy to be more effective in bringing down inflation by strictly limiting budget financing from the Bank of Ghana. Current efforts that have been made so far include the total removal of subsidies on petroleum products, mitigation of payroll irregularities, enhancement of public finance management and transparency and deregulation of the oil distribution sector.

## 2.5 Monetary and Fiscal Policies

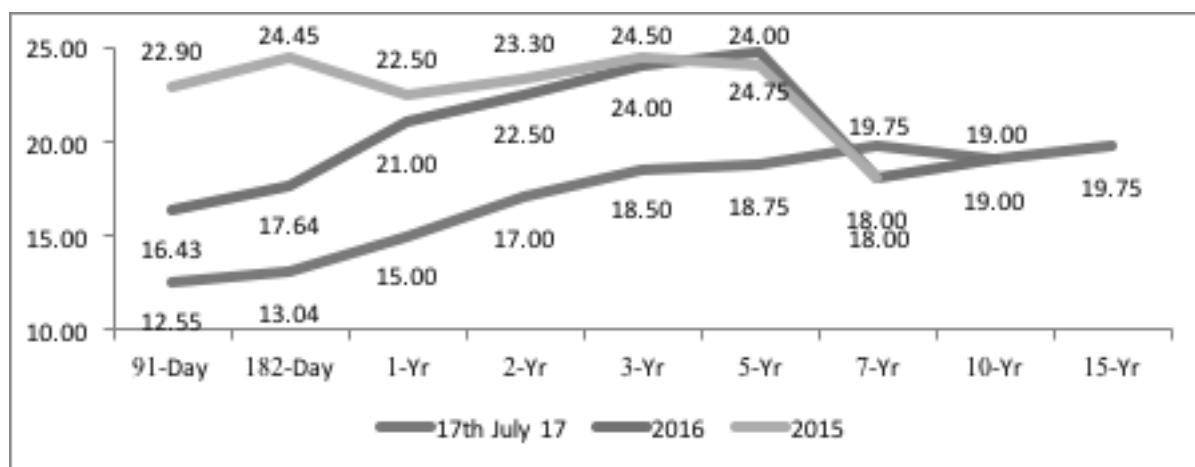
The Bank of Ghana ("BoG") targets an inflation of 8%±2%.<sup>7</sup> Ghana's inflation rate has decreased from 15.4% in December 2016 to 12.3% in August 2017, with food inflation dropping from 9.7% to 7.4% in the same time period and non-food inflation decreasing from 18.2% to 14.7%.<sup>8</sup> The disinflation process is due to exchange rate stability and lower interest rates. Ghana's government domestic yield curve has shifted downward with yields at all tenures declining from December 2016 to August 2017. Due to expectations of greater stability, in 2016 and 2017 the government introduced 10-yr and 15-yr bonds, respectively, to undertake longer-term infrastructure projects, pay off short-term debt and stabilize the cedi's exchange rate.

<sup>5</sup> Bank of Ghana: Summary of Economic and Financial Data May 2017

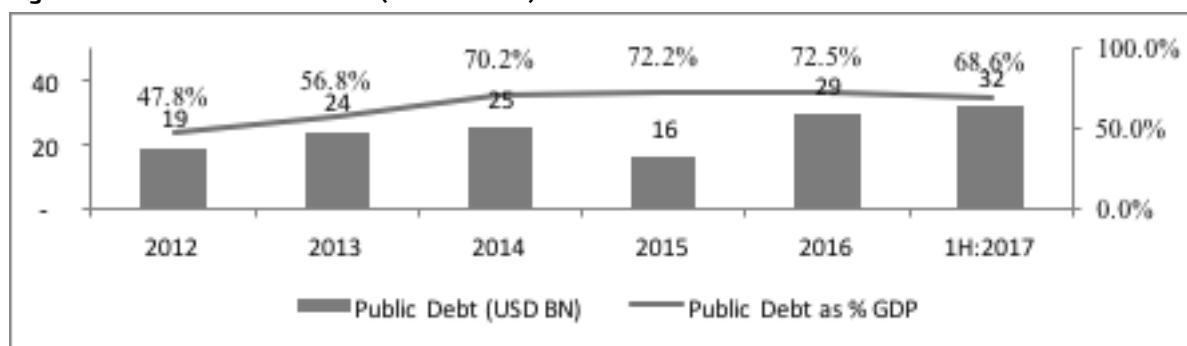
<sup>6</sup> IMF Country Report No. 17/262. Ghana. September 2017.

<sup>7</sup> Bank of Ghana. Monetary Policy Framework. Medium Term Inflation Target

<sup>8</sup> Bank of Ghana. Summary of Economic and Financial Data

**Figure 2: Ghana Yield Curve 2015 to Present (%)<sup>9</sup>**

Ghana's public debt increased from GHS 122.6 billion in December 2016 to GHS 138.6 billion in June 2017, but decreased as a percentage of GDP from 72.5% to 68.6% over the same period. The 91-day Treasury-bill rate fell from 16.81% in December 2016 to 12.10% in June 2017; and the rates on the 182-day Treasury-bill rate moved from 18.5% to 13.28% over the same period.<sup>10</sup> Aside from GDP growth, lower interest rates decreased the cost of servicing debt which has, in turn, increased fiscal space for growth enhancing policies. Ghana's fiscal deficit in the first half of 2017 was 2.7% of GDP.

**Figure 3: Ghana Public Debt Stock (2012-1H:2017)<sup>11</sup>**

The fiscal policy outlined in the 2016 budget stressed reducing the deficit to 3.5% of GDP in 2018 and to 3% of GDP in 2019, by increasing the tax participation rate and reducing expenditure overruns and corruptions.<sup>12</sup> For example, the National Identification Scheme will identify economically active but undocumented citizens in the informal sector to broaden the tax base and reduce "ghost" employees on the payroll. In addition, the "One District One Factory" program will focus on industrialization through import substitution to promote job creation, increase payroll, and therefore increase the tax base via increased payroll tax receipts and other ancillary taxes e.g. increased consumption will drive increase in value-added tax receipts.

In the currency market, the Ghana cedi remained relatively stable against the major currencies, on account of improved foreign exchange inflows and tighter monetary policy. In 2016, the Ghana cedi depreciated 9.6% against the dollar, depreciated 5.3% against the euro, and appreciated 10% against the pound sterling.<sup>13</sup> The IMF projects that the Ghanaian cedi will depreciate by approximately 4% to 8% against the dollar in the near to mid-term.

<sup>9</sup> Bank of Ghana. Markets. Treasury Bill Rates

<sup>10</sup> Bank of Ghana. Markets. Treasury Bill Rates

<sup>11</sup> Ghana Ministry of Finance and Economic Planning. Fiscal Data.

<sup>12</sup> Ghana Ministry of Finance and Economic Planning. Fiscal Data.

<sup>13</sup> Bank of Ghana. Markets. Daily Interbank FX Rates.

## 2.6 Economic Outlook

Ghana's economy is expected to grow at an average of about 6.2% over the next five years per IMF projections. The services sector is the largest contributor to GDP accounting for 59% of GDP in the first quarter of 2017, and is expected to grow at a CAGR of 6.6% from 2017 to 2019.

Ghana's near term economic growth will be driven primarily by an increase in oil production. Also, gold output will likely remain high and cocoa production is expected to grow to above 900,000 tons. However, non-oil growth is expected to slow to 4.3%. Inflation is expected to fall within its target range of 6-10% by 2018, allowing for more monetary policy easing and lower interest rates to spur private investment<sup>14</sup>.

The fiscal deficit target of 6.3% of GDP for 2017 is expected to be met. In addition, if met, the targeted 2.5 percentage points primary balance adjustment, could help reduce the debt stock from 73.4% to 70.5% by December 2017. Considering that Ghana is already placed at high risk of suffering debt distress, any further fiscal slippage could have a significant adverse impact on the debt dynamics. Ghana still faces high financing costs in both the domestic and external markets.<sup>15</sup>

## 2.7 Banking Sector in Ghana<sup>16</sup>

The banking sector is the largest and most competitive segment of Ghana's financial services sector. There were thirty-five (35) licensed banks in Ghana in August 2017, up from thirty-three (33) in December 2016. There were over 1,377 bank branches in June 2017, compared to 1,342 in December 2016.

On a microeconomic level, the latest Ghana Living Standards Survey, taken in 2012, showed that the banking penetration rate remains low, with 35.4% of households holding a bank account or contributing to a savings scheme. 11.4% of households reported applying for a loan sometime during the last 12 months. The most cited reasons for requiring credit were to acquire land, vehicles or housing. Bank provided 30.8% of all loans, and less than half (41%) of all loans

required some form of collateral or guarantee, of which land as collateral and the employer as guarantor were the most common.

The BoG's Banking Sector Report measures the financial soundness of the banking industry in terms of earnings, portfolio quality, and liquidity and capital adequacy.

In earnings, return on assets and return on equity decreased from 4.9% in June 2016 to 3.7% in June 2017 and from 22.9% to 17.7% over the same time period, respectively. The ratio of gross income to total assets declined marginally from 9.8% to 9.2% and the interest spread also declined from 7.8% to 6.3% from June 2016 to June 2017. The banking sector recorded a decrease in profit after tax from GHS 1.06 billion to GHS 1.00 billion, in line with declining profitability.

In terms of the composition of banks' income, interest income from loans, fees and commission, and investment income constitute 44.1%, 10.0% and 40.3% of total income in June 2017, respectively, compared to 51.2%, 10.7% and 32.9% of income in June 2016.

NPLs in the banking industry increased to GHS 7.96 billion in June 2017 from GHS 6.09 billion in June 2016. The year-on-year growth in NPLs in June 2017 of 30.7% however represented a slowdown in the accumulation of NPLs from the 82.5% year-on-year growth recorded in June 2016. The deterioration in asset quality was largely attributed to the downgrading of some facilities following the Asset Quality Review of banks' loans. Adjusting for the fully provisioned loan loss category, the NPL ratio was 11.3% in June 2017 versus 10.9% in June 2016.

The banking industry remained adequately liquid in June 2017 with improvements in liquidity indicators. The capital adequacy ratio in June 2017 was 14.8%, above the minimum 10% regulatory requirement. The industry's risk-weighted assets to total assets declined from 71.3% in June 2016 to 65.4% in June 2017, due to the increase in asset base.

<sup>14</sup> World Bank estimates

<sup>15</sup> World Bank estimates

<sup>16</sup> Bank of Ghana. Banking Sector Reports used for entire section

## 2.8 Regulatory Bodies in the Banking Sector

The main regulators of the banking industry are the BoG and the MOFEP.<sup>17</sup> The BoG has “overall supervisory and regulatory authority in all matters relating to deposit-taking business” and is charged with the responsibility of ensuring that there is a stable financial system. The Central Bank’s functions and responsibilities as a regulator are set out in Act 612 and Act 930 and include the following:

- » Support the general economic policy of the Government;
- » Promote economic growth and development, and effective and efficient operation of the banking and credit system;
- » Regulate, supervise and direct the banking and credit system and ensure the smooth operation of the financial sector;
- » Promote, regulate and supervise payment and settlement systems;
- » Promote and maintain relations with international banking and financial institutions and subject to the Constitution or any other relevant enactment, implement international monetary agreements to which Ghana is party; and
- » Do all other things that are incidental or conducive to the efficient performance of its functions under this Act and any other enactment.

The governing body of the BoG is its Board of Directors as stipulated in Act 612. The Board consists of the Governor, who is also the Chairman, two Deputy Governors and nine Non-Executive Directors. The current Governor of the BoG is Dr. Ernest Kwamina Yedu Addison, who was sworn-in on April 2017.

Within the last decade a number of regulations have been introduced, such setting the minimum capital requirement to obtain and operate a Class 1 banking license at GHS 60 million to expand the financial sector in 2008. In 2013, BoG increased the minimum capital requirement to GHS 120 million and on September 11, 2017, BoG announced an increase in the minimum capital requirement to GHS 400 million with a compliance deadline of December 2018.

All banks, non-bank financial institutions and forex bureaus operate under the following regulatory and legal framework:

- » Bank of Ghana Act 2002 (Act 612) as amended by the Bank of Ghana (Amendment) Act, 2016 (Act 918)
- » Banks and Specialised Deposit-Taking Institutions Act 2016 (Act 930)
- » Non-Bank Financial Institutions Act 2008 (Act 774)
- » Companies Act 1963 (Act 179) as amended
- » Bank of Ghana Notice/Directives/Circulars/Regulations
- » Anti-Money Laundering Act 2008 (Act 749) as amended and Regulations
- » Foreign Exchange Act 2006 (Act 723)
- » Borrowers and Lenders Act 2008 (Act 773)
- » Credit Reporting Act 2007 (Act 726)
- » Home Mortgage Finance Act 2008 (Act 770)
- » Ghana Deposit Protection Act, 2016 (Act 931)
- » Payment Systems Act, 2003 (Act 662)

<sup>17</sup> Bank of Ghana and Ghana Ministry of Finance and Economic Planning

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# PART 3.

# HFC BANK GHANA LIMITED

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## 3.1 Corporate History and Background

The Company was incorporated in May 1990 as Home Finance Company Limited and functioned as a mortgage company with the government, the Social Security and National Insurance Trust ("SSNIT") and Merchant Bank being its major shareholders. The Bank operated as a special purpose vehicle by providing long-term funds from the World Bank and SSNIT to primary mortgage lenders such as commercial banks.

In 1994 the Bank was converted to a public limited company in preparation for an initial public offer, and in 1995 the Bank successfully listed on the Ghana Stock Exchange ("GSE"). On 17 November 2003, the Bank was issued with a licence to operate as a bank under the then existing Banking Law 1989, (PNDCL 225). In June 2003 the Bank changed its name to HFC Bank (Ghana) Limited.

In 2015, Republic Bank Limited (of Trinidad and Tobago) (now called Republic Financial Holdings Limited) acquired 17.25% of HFC shares via a mandatory tender offer to the then existing shareholders, increasing its stake from 39.86% to 57.11%.

HFC's vision is to be the Ghanaian Financial Institution of choice for all stakeholders and to set the standard of excellence in customer satisfaction, employee engagement, social responsibility and shareholder value while building successful communities.

## 3.2 HFC Capital Structure

As of the date of this Circular, HFC's capital structure consists of:

Class of Shares	Authorised Shares	Issued and Outstanding Shares	Stated Capital (GHS)
Ordinary Shares	1,000,000,000	297,420,918	96,191,000

All HFC Shares are fully paid and there are no un-issued shares agreed to be issued. No HFC Shares are the subject of any options.

## 3.3 Key Business Activities and Existing Product Portfolio

As a licensed universal bank, HFC is authorized to carry out the business of banking to corporate customers, individuals, and small and medium scale enterprises. It primarily provides corporate banking and mortgage banking services.

HFC offers its products and services through a network of forty-two (42) branches in the Greater Accra, Ashanti, Brong Ahafo, Northern, Eastern, Central, Upper East and Western Regions. The Bank also has forty-eight (48) Automatic Teller Machines. The group's principal activities include:

### 1. Private Banking

HFC Bank Private Banking presents holistic world-class personalized banking service to high net worth individuals.

### 2. Mortgage Banking

HFC Bank has been instrumental in the development of the mortgage industry in Ghana and is a leading home loan provider in Ghana. In November 2007, HFC was appointed Manager of the Public Sector

Employees' Housing Scheme. The Bank has financed over 323 mortgages for public sector workers under the scheme. Today the Bank services more than 27% of all mortgages and offers a range of products to homeowners nationwide.<sup>18</sup>

### **3. International Trade Services**

The Bank contributes to the finance and the growth in trade between Ghana and its overseas trading partners by combining local knowledge and international trade expertise.

### **4. Investment Banking**

HFC Investments Services Limited ("HFC-ISL") undertakes the business of funds management among others. The subsidiary has Managed Funds, Financial Advisory, and Asset Management departments. The National Pensions Regulatory Authority has also licensed HFC Investments as a Fund Manager for the New Three Tier Pension Scheme. HFC Brokerage Services Limited ("HFC-BSL") is a subsidiary of HFC-ISL. HFC-BSL facilitates capital market access for individuals and institutions, engages in securities and fixed income trading and executes transactions on the GSE. HFC-BSL is a Licensed Dealing Member of the Ghana Stock Exchange ("GSE").

#### **3.4 Top 20 shareholders as at 31 August 2017**

	Name	Holding	% of Issued Capital
1	Republic Bank Limited	169,831,101	57.11%
2	Social Security & National Investment Trust	77,588,794	26.09%
3	Ghana Union Assurance Co. Ltd	32,423,556	10.90%
4	SCBN/State Insurance Company	9,221,968	3.10%
5	Dr. Asare Akuffo	1,102,842	0.37%
6	Capital and Equity Ltd.	625,000	0.21%
7	United Master Trust Provident	401,300	0.13%
8	Mr. Daniel Ofori	206,200	0.07%
9	Mr. Charles Ofori-Acquah	180,796	0.06%
10	Fanel Limited	165,000	0.06%
11	Mr. Gideon Amenuvor	150,000	0.05%
12	STD Noms Tvl Pty/Petra Opportunity	144,200	0.05%
13	Enterprise Group Ltd	133,420	0.04%
14	Mr. Charles Agyeman Bonsu	120,000	0.04%
15	Mr. Osei Asafo-Adjei	120,000	0.04%
16	GNI/GGFC-Prime Equity	112,200	0.04%
17	United Smart Provident Fund Scheme	102,654	0.03%
18	Regimmanuel Gray Ltd.	100,400	0.03%
19	Mr. Charles Asa Martinson	100,000	0.03%
20	NSIA Ghana Limited	100,000	0.03%
<b>SUBTOTALS</b>		<b>292,929,431</b>	<b>98.48%</b>
<b>OTHER</b>		<b>4,491,487</b>	<b>1.52%</b>
<b>GRAND TOTAL</b>		<b>297,420,918</b>	<b>100.00%</b>

<sup>18</sup> Bank of Ghana data

### 3.5 Corporate Governance

HFC's Board of Directors ("the Board") is committed to ensuring that best practice in corporate governance remains a fundamental part of the culture and business of the Bank and its Subsidiaries, whilst ensuring adequate levels of Shareholder participation and protection.

The Bank's policies, systems and procedures are therefore geared towards promoting and enhancing the corporate governance principles of accountability, integrity, transparency, robustness, fairness and social responsibility, whilst maximizing long term Shareholder value. These principles, which are compliant with regulatory and international guidelines, underpin all areas of the Bank's business.

<b>Name</b>	<b>Nationality</b>	<b>Age</b>	<b>Position</b>	<b>Other Directorships held</b>
Charles William Zwennes	Ghanaian	45	Board Chairman	None
David Dulal-Whiteway	Trinidadian	61	Non-Executive Director	ANSA McAL
Ebenezer Tetteh Tagoe	Ghanaian	70	Non-Executive Director	HFC Investment Services
Paul King Aryene	Ghanaian	68	Non-Executive Director	UG/HFC Limited
Nigel Mark Baptiste	Trinidadian	51	Non-Executive Director	Republic Financial Holdings Ltd Republic Bank Ltd Republic Bank (Guyana) Ltd Republic Investments Ltd
Michael Addo	Ghanaian	52	Non-Executive Director	Ghana Stock Exchange Emex Oil Ndawta Ltd, Nigeria/ Ghana Central Dialysis Centre, Ghana
Anthony Jordan	Trinidadian	58	Appointed as Acting Managing Director	None

### 3.6 Board of Directors Profiles

The Board consists of a Non-Executive Chairman and five (5) Non-Executive Directors. An Acting Managing Director was appointed in August 2017. The Non-Executive Directors are independent of management and free from management constraints that could interfere with the exercise of the objective and independent judgments. The Directors collectively possess strong functional knowledge, expertise, and experience to make valuable contributions to the Bank.

#### **Charles William Zwennes – Board Chairman**

Mr. Zwennes was appointed the Chairman of the Bank in April 2017. He is 45 years old. He is a Barrister-at-Law of England & Wales and a Barrister & Solicitor of the Superior Courts of Ghana. He is a Partner at Gaisie Zwennes Hughes & Co., Private Practitioners. His work experience includes the Chambers of Christian Bevington,

Q.C, London and Messrs. Arnold Fooks Chadwick, Solicitors, London.

He holds an LLB from the University of Kent, UK and an LLM in Corporate & Commercial Law from the University of London, UK. He also holds a Certificate in Structuring, Negotiating and Documenting Oil and Gas Transactions from the Centre for Energy & Mineral Policy Law (CEMPL), University of Dundee, Scotland. He is a member of the American Society of International Law (ASIL), Institute of Advanced Legal Studies (IALS), Chartered Institute of Arbitrators, Commonwealth Law Bulletin, Honourable Society of Gray's Inn and the Ghana Bar Association.

#### **David Dulal-Whiteway – Non-Executive Director**

Mr. Dulal-Whiteway was appointed to the Board in April 2013. He is 61 years old. He was Managing Director of the Republic Bank Group until February 2016. He was a Director on several Boards of

the Republic Bank Group and is Chairman of The Foundation for the Enhancement and Enrichment of Life (FEEL), a nonprofit organisation.

He is a seasoned banker with over 25 years' experience in banking. He holds a BSc. in Management Studies from the University of the West Indies (UWI) and an MBA from the University of Western Ontario, Canada.

#### **Ebenezer Tetteh Tagoe – Non-Executive Director**

Mr. Tagoe was the Board Chairman of the State Enterprises Audit Corporation, a corporation established to audit state organizations. He is 70 years old. Until March 2017 he was a Board Member of Adisadel College and Council Member of Accra Ridge Church.

He has served in various management positions with the United Nations World Food Programme, Peat Marwick Mitchell (London) and Mobil Oil Ghana Ltd. He holds a BSc. Administration (Accounting) from the University of Ghana. He is a Fellow (of) Chartered Association of Certified Accountants (FCCA).

#### **Paul King Aryene – Non-Executive Director**

Mr. Aryene served as the Ambassador to the Federal Republic of Germany with concurrent accreditation to Estonia, Latvia, and Lithuania. He is 68 years old. He has served in various positions at the Ministry of Foreign Affairs and its overseas Missions.

He holds a Degree from the University of Ghana, Diploma in Diplomacy from the University of Nairobi and a Diploma in Investment Analysis from the Research Institute of Investment Analysts, Malaysia.

#### **Nigel Mark Baptiste – Non-Executive Director**

Mr. Baptiste is the President and Chief Executive Officer of Republic Financial Holdings Limited and Managing Director of Republic Bank Limited. He is 51 years old. He is a graduate of the Harvard Business School's Advanced Management Programme. He also holds a diploma with distinction from the ABA Stonier Graduate School of Banking (USA), he is a member of the Chartered Institute of Bankers (England) and holds a BSc and MSc in Economics from the University of the West Indies.

He joined Republic Bank in 1991, after spending two years at the Caribbean Development Bank in Barbados as a Country Economist. Prior to assuming his current position of Managing Director, he held the positions of Deputy Managing Director, Executive Director, Managing Director of the Group's subsidiary in Guyana and General Manager, Human Resources.

He serves on the Boards of Republic Financial Holdings Limited, Republic Bank Limited (Trinidad and Tobago), Republic Bank (Guyana) Limited, Republic Bank (Cayman) Limited and other entities within the Republic Group.

#### **Michael Addo – Non-Executive Director**

Mr. Michael Addotey Addo is currently the Deputy Director-General responsible for Finance & Administration at the Social Security and National Insurance Trust (SSNIT). He is 52 years old. He was until recently the Executive Director at Emex Oil Ndawta Limited (Ghana & Nigeria). He has also previously served as a General Manager, Investments & Development at SSNIT, Chief Operating Officer & Fund Manager at Databank Agrifund Manager Limited and Deputy Managing Director at NTHC Limited.

He has served on the Boards of several organizations including Starwin Products Limited, Ghana International Bank (London), First Atlantic Bank and Prudential Bank.

Mr. Addo holds an MBA Finance from the Johnson Graduate School of Management, Cornell University; an MSAT (Insurance) from Barney School of Business, University of Hartford and BA Economics from the Bates College, all in the USA.

#### **Anthony Jordan –Acting Managing Director**

Mr. Jordan was appointed the Acting Managing Director of the Bank in August 2017. He is 58 years old. Prior to this appointment, he is also responsible for Enterprise Wide Risk Management including Market, Credit, Operational, Compliance, Information and Technology risk. Prior to joining HFC Bank he was Assistant General Manager-Corporate and Investment banking at Republic Bank Limited in Trinidad & Tobago with responsibility for all aspects of Business development in both Corporate banking and the Capital markets.

He holds an Executive Masters of Business Administration, and a Bsc Management studies from the University of the West Indies. He is also an Associate of the Chartered Institute of Bankers, London (ACIB).

### **3.7 Board Committees**

#### **a. Finance and Credit Committee**

The Finance and Credit Committee assists the Board to review all credit and finance related policies and issues of the Bank.

#### **b. Remuneration and Nominations Committee**

The Remuneration and Nominations Committee ensures that the Bank has a competent and effective Board. The Committee makes recommendations to the Board in respect of succession planning and appointments of Directors and executive management. It also assists the Board to establish transparent structures for developing policies on Directors, executive and staff compensation.

#### **c. Audit and Risk Committee**

The Audit and Risk Committee reviews the scope and findings of all audits, as well as the independence and objectivity of the Auditors. The Committee also monitors the adequacy, integrity and effectiveness of critical systems and internal controls; compliance with legal obligations; safeguarding of assets and the review of all activities to control the Bank's risk exposure.

### **3.8 Human Resources and Senior Management**

HFC's human resource policy is to recognise and celebrate the achievements of its employees. The Bank believes in the creation of a nurturing work environment where the Bank and its employees are guided by its values. The Bank therefore strives to build great relationships between its managers and other employees. HFC's attractive working environment ensures that the Bank continues to attract the best talent in Ghana and other countries.

As at 30 September 2017, HFC Bank had 755 permanent employees and 7 temporary employees. Below is a table showing staff strength and turnover from 2014 to September 2017<sup>19</sup>

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>Sept. 2017</b>
Staff Strength	706	776	808	755
Turnover	27	30	99	110

Below are the profiles of HFC's senior management team.

#### **Anthony Jordan – Acting Managing Director and GM, Risk Management**

Mr. Jordan was appointed the Acting Managing Director of the Bank in August 2017. He is 58 years old. Prior to this appointment, he is also responsible for Enterprise Wide Risk Management including Market, Credit, Operational, Compliance, Information and Technology risk. Prior to joining HFC Bank he was Assistant General Manager-Corporate and Investment banking at Republic Bank Limited in Trinidad & Tobago with responsibility for all aspects of Business development in both Corporate banking and the Capital markets.

He holds an Executive Masters of Business Administration, and a Bsc Management studies from the University of the West Indies. He is also an Associate of the Chartered Institute of Bankers, London (ACIB).

#### **Benjamin Dzoboku – General Manager, Finance & Strategy**

Mr. Dzoboku is a seasoned banker aged 42 years old. He started his banking career with SG SSB as an Internal Auditor. Prior to this time, he worked with Pannell Kerr Forster (PKF Ghana) as a Senior Auditor. At HFC Bank he has occupied the following positions; Head, Risk Management, Group Head, Internal Audit, Financial Controller, Treasurer, General Manager Banking Operations where he supervised following departments under this division: Treasury, International Trade, Operations Control, Cash Collection and Management Services, Money Remittance and Retail Banking and currently as General Manager, Finance and Strategy.

He holds the following Professional qualifications and membership: Chartered Accountant (ICA, Ghana), Chartered Institute of Taxation (CIT, Ghana), Fellow, Institute of Financial Accountants (UK), Certified Fraud Examiners (CFE, USA) and Academic qualification in MBA from St Clements University, UK in Financial Management, Masters in Public Administration (MPA) GIMPA, Ghana.

<sup>19</sup> In 2015 there were 58 exits due to voluntary separation and in 2016 there were 44 exits due to redundancies.

**Beatrix Ama Amoah – Company Secretary**

Ms. Amoah was appointed as the Company Secretary effective 2nd January 2015. She is 60 years old. Prior to taking up her current position, she was the Head of Mortgage Department and Legal Department of HFC Bank (Ghana) Ltd. Before then she worked as a Lawyer with the Regeneration Team of the Legal Department of the London Borough of Hackney, UK.

In her capacity, she was a member of a number of major economic regeneration project teams providing legal representation and advising on a broad spectrum of issues ranging from property matters to the selection of development partners.

She holds an LLB Hons, BL and an MBA and is a member of the Ghana Bar Association.

**Charles Agyeman Bonsu – General Manager,  
Technology & Bus. Systems Support**

Mr. Bonsu has over 25 years of experience in Banking, Information and Communication Technology, Housing and Real Estate Financing and in Management including 15 years exclusively spent within the housing finance industry. He is 59 years old.

He moved to Home Finance Company Ltd, now HFC Bank (Ghana) Ltd in the year 2000 as the head of ICT. In 2010, he became the General Manager in charge of Mortgage and Consumer Banking until 2016 when he moved to head the Technology and Business Support Division of the Bank. Between 2012 and 2014, he was elected the Vice President of the African Union for Housing Finance (AUHF).

He holds a Bachelor in Business Administration, Accounting degree from Howard University in Washington D.C and a Masters Degree in Management Information Systems from the University of Maryland, University College in Maryland, USA. He also holds a certificate in Executive Leadership from the American Management Association and an Associate of the Zell/Lurie Real Estate Center of the Wharton School, University of Pennsylvania, USA.

**Paula Baldwin – General Manager, Retail Banking**

Ms. Baldwin was appointed the position of General Manager, Retail Banking at HFC Bank Ghana with effect from October 12, 2015. She is 64 years old.

Paula is a customer focused entrepreneurial Business Professional with over 35 years of retail banking experience. Her key strengths include strong leadership, organisational and planning skills, creative, innovative and analytical problem solving capabilities and an ability to bring out the best in people. Proactive, self-driven and able to manage multiple priorities on a timely basis, she works well independently and is a supportive team player. More recently, she facilitated the continuous development of banking and finance professionals through the advancement of educational programmes in Trinidad and Tobago.

She holds a Diploma in Business Management, University of the West Indies, Diploma in Project Management and High School Diploma, Anglican High School, Grenada.

**Joseph Edward Nketsiah – General Manager,  
Treasury & International Trade**

Mr. Nketsiah joined HFC Bank (GH) Limited in 2003. He is 53 years old. He has twenty five years banking experience gained from working in various institutions including The Trust Bank Limited, National Investment Bank and Unibank (Gh) Limited.

He has held senior management positions in the last seventeen years as Head of Treasury, General Manager- Risk Management and Compliance, General Manager Investments and General Manager, Banking Operations. He was also a Senior Consultant in Treasury Management and Corporate Finance at the National Banking College.

He holds B.Sc. Administration (Banking and Finance) degree from the University of Ghana and MBA Finance degree from the University of Hull (UK). He is currently the General Manager, Treasury and International Trade at HFC Bank.

**Rodney N. A. Saint Acquaye – Senior Manager,  
Corporate Banking**

Mr. Saint Acquaye is the Head of the Corporate Banking Department. He is 46 years old. He joined HFC Bank (GH) Limited in 2012. He has over 19 years banking experience with various institutions including Agricultural Development Bank, The Trust Bank Limited and Ecobank Ghana Ltd.

He has extensive knowledge in lending having worked mostly with the Corporate and Commercial Banking departments throughout his career.

He holds the following Professional qualifications and membership: B.Sc. Degree in Agricultural Economics from The University of Ghana, an Executive MBA from GIMPA. He is an Associate of the Chartered Institute of Bankers, Ghana (ACIB) and obtained a certificate in Project Appraisal from Queens University.

#### **Frank Yaovi Lawoe – Senior Manager, Recoveries and Special Projects**

Mr. Lawoe joined HFC Bank in January 2009 as the Head of Risk Management. He is 44 years old. He subsequently became the Head of Internal Audit in June 2012. He is currently the Senior Manager in charge of Recoveries and Collections, a role he has held since February 2016.

Prior to joining HFC Bank, he worked with GCB Bank from 2001 to 2008. He joined GCB as a Management Trainee within the Bank's Retail Banking network and subsequently worked as Assistant Corporate Manager in the Corporate Banking Department and later as Internal Auditor.

He holds Bachelor of Commerce (B.Com) Degree from the University of Cape Coast and Executive

Master of Business Administration Degree in Finance from the University of Ghana. He is also a Member of the Institute of Chartered Accountants (Ghana) and Institute of Internal Auditors (Ghana).

#### **Frances Sallah-Brown – Senior Manager, Human Resources**

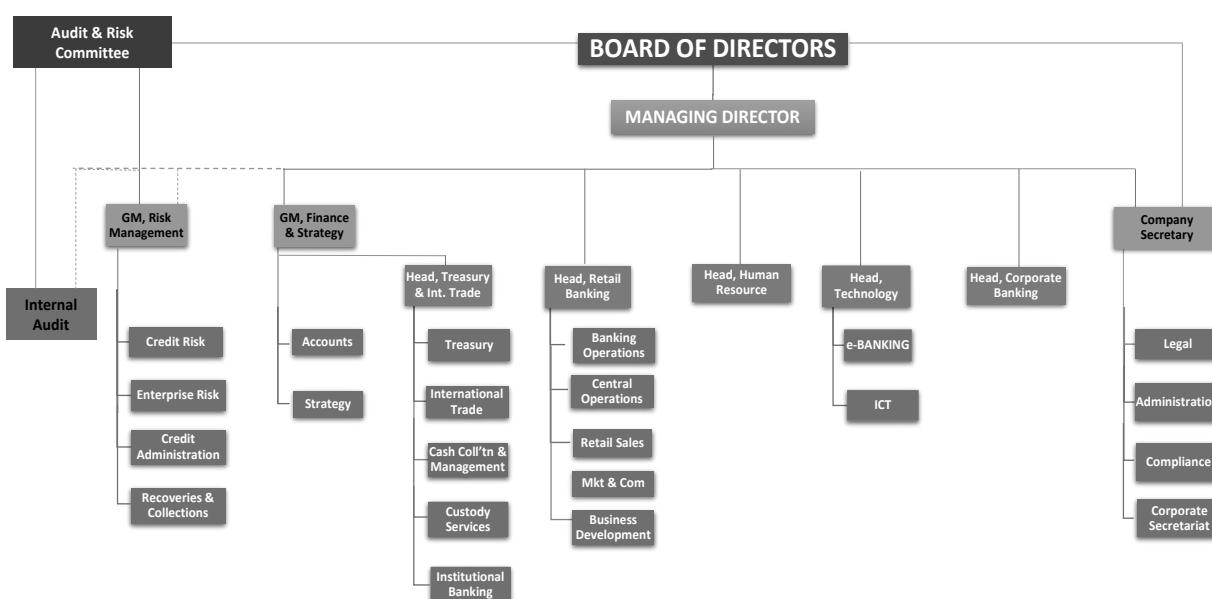
Ms. Sallah-Brown joined HFC Bank Ghana in 2016 as Head of Human Resources. She is 60 years old. She has the responsibility of leading, developing, and managing the Human Capital within the HFC Group to enable the Bank and its Subsidiaries meet their strategic, business and operational objectives.

She is a seasoned HR Practitioner with over 25 years of experience working in the UK.

Prior to joining HFC Bank, she was the Senior Programme Manager, HR Projects at Network Rail Infrastructure, UK. She also spent some time as the Human Resource Subject Matter Expert at Deloitte Ghana.

She holds BA in Human Resource Management and is a full member of the Chartered Institute of Personnel Development (CIPD). She is also an Associate Member of the Association of Project Managers (APMP), UK.

### **3.9 Organisational Chart**



### 3.10 Compensation Schemes

HFC operates a three-tiered pension scheme under the National Pensions Act, 2008 (Act 766) for its employees. These are:

#### a. Tier 1

HFC is required to deduct, from the monthly salary of each of its employees, an amount equal to 5.5% of the employee's salary. HFC is also required to pay, in respect of each employee, a matching monthly contribution of 13% of the employee's salary. Of the total contribution of 18.5%, HFC is required to remit 13.5% to SSNIT, within 14 days from the end of each month, on behalf of each employee.

#### b. Tier 2 Pension Scheme

HFC is required to remit 5% of the total pension contribution of 18.5% (referred to under section 3.10(a) above) to the custodian appointed under this scheme, within 14 days from the end of each month, on behalf of each employee.

#### c. Tier 3 Pension Scheme (Provident Fund)

HFC has a provident fund scheme for staff under which the Bank contributes 5% of staff basic salary for junior staff and senior staff. The obligation under the pension fund scheme is limited to the relevant contribution.

### 3.11 Remuneration of Directors

GHS '000	2015 Bank	2015 Group	2016 Bank	2016 Group
<b>Executive Directors</b>	1,756	1,756	1,185	1,185
<b>Non- Executive Directors</b>	974	1,322	684	1,011
<b>Total</b>	<b>2,730</b>	<b>3,078</b>	<b>1,869</b>	<b>2,196</b>

### 3.12 Disclosure of Interests by Directors

As at the date of this Circular, the following Directors hold HFC Shares:

Director	Number of Shares	% of Issued Capital
Mr. Charles Zwennes	2,000	0.00%

The relevant Director(s) do not have any intention to realise or transfer any part of their interests in the issue within a period of two years of the date of this Circular.

### 3.13 Dividend Policy and Payment History

The Bank's dividend policy stipulates that dividend payout should not exceed 45% of its average net profit after tax over the preceding 3 years (including the current year). The table below shows final dividends paid in the preceding five years and the corresponding payout ratios:

Financial Year	Dividend per Share (Ghana pesewa)	Basic EPS (Ghana pesewa)	Payout Ratio
2016	-	(16.13)	0.00%
2015	-	(12.46)	0.00%
2014	6.00	19.35	31.01%
2013	3.50	13.27	26.38%
2012	2.80	7.90	35.44%

### 3.14 Litigation

As at the time of this Circular, HFC is not involved in any litigation or arbitration of material importance whose adverse determination will have a material adverse effect on the financial position, profitability or operations of HFC.

HFC is involved with 29 lawsuits in connection with its mortgage business with a value at risk of GHS 9.2 million. HFC is involved with 68 lawsuits in connection with its corporate and retail banking business with a value at risk of GHS 73.1 million. Below is a list summarising employee grievance and other lawsuits outside the ordinary course of business:

Case Summary	Reliefs Being Sought
Former staff has sued the Bank for general damages for unlawful arrest, false imprisonment, malicious prosecution and wrongful dismissal.	Non-liquidated damages
Bank has sued Defendant for the recovery of the sum of which is an outstanding amount due and payable to the Bank under a technical partnership agreement	Liquidated Damages
Former employee of the Bank has sued the Bank for alleged entitlements owed him	Liquidated Damages

### **3.15 Material Contracts**

As at the date of this Circular, HFC has not entered into any material contract which is not in the ordinary course of its business.

### **3.16 Related Party Transactions**

The following are related party transactions involving HFC:

An undated strategic collaboration agreement between the Company and Republic Bank Limited (the Company's parent). The agreement is for a term of 2 years and is for the purpose of transferring knowledge and expertise in banking from Republic to HFC. Under the agreement a Technical Service/ Assistance Fee which is the sum of 2% of profit before tax and 0.5% of net interest income less impairment would be payable by HFC.

The agreement is being considered for approval by the Bank of Ghana as part of the process of registration with the Ghana Investment Promotion Centre ("GIPC"). The agreement will come into force once it has received the Bank of Ghana's approval and has been registered with the GIPC.

On July 21, 2016, the outstanding balance on loans granted to HFC Realty Limited was converted to an investment. The loan balance of GHS2,238,725.00 (as at September 30, 2017) represents the unpaid portion of the construction loan due to unsold residential properties at Community 20. The balance will be liquidated when the houses are eventually sold. The Bank therefore treats this as an investment in the Realty properties. It is a non interest bearing debt that will be repaid through the sale of the properties.

### **3.17 Risk Factors**

Investing in the equities of any entity entails some risks. In considering a subscription to the Rights Issue, prospective investors should carefully consider the following potential risks and all other relevant information contained in this Circular.

#### **a. Political Risk**

Potential political unrest is a risk to the operations of any company operating in Ghana including HFC as it could adversely impact its sales targets. However, Ghana has successfully conducted peaceful elections since the beginning of the fourth Republic in 1992. The democratic process prevailing in the country reduces the risk of significant political unrest.

#### **b. Economic Risk**

The operational results and income of HFC depends on the stability of Ghana's macroeconomic environment. HFC, like all entities operating within the borders of Ghana, is exposed to economic risks associated with the country. The Bank's experienced and qualified management team ensures that procedures and systems are in place to minimise the Bank's exposure to adverse economic conditions. However, this cannot provide an assurance that adverse economic conditions will not hamper HFC's performance.

#### **c. Credit Risk**

This is the risk that the Bank will incur a loss because its customers or counterparties fail to discharge their contractual obligations. The Bank manages and controls credit risk by setting limits on the amount of risk it is willing to accept for

individual counterparties and for geographical and industry concentrations and by monitoring exposures relating to such limits. The Bank also monitors its counterparty risk through adherence to BoG's prudential requirements.

#### **d. Interest Rate Risk**

This risk is the incurred risk in case of interest rate variation because of all on-and off-balance sheet operations except operations subject to market risk. Global interest rate risk is corresponding to interest rate on the banking portfolio. The strategic management of liquidity is done at a high level of senior management; reviewing of results on weekly basis in line with competition and economic conditions and also ensuring that regulatory requirements are met.

#### **e. Market Risk**

Market risk is the risk of losses incurred as a result of adverse movement in interest or exchange rates and arises in the Bank's treasury activities. Market risk is controlled by interest mismatch and foreign currency open position limits approved by the Executive Committee of the Bank and monitored daily.

#### **f. Currency Risk**

This risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The open positions of currencies are held and monitored on a daily basis. The objective of monitoring the open position in foreign currency is to manage foreign exchange risk due to movements in rates as well as changes in liquidity positions.

#### **g. Operational Risk**

This is the exposure to financial or other damage arising through unforeseen events or failure in operational processes and systems. Examples include inadequate controls and procedures, human error, deliberate malicious acts including fraud and business interruptions. These risks are controlled and monitored through system controls, segregation of duties, exception and exposure reporting, business continuity planning, reconciliations, internal audit and timely and reliable management reporting.

#### **h. Share Liquidity Risk**

HFC Shares are listed on the GSE to enable trading in the Bank's shares. However, it is possible that there could be inadequate liquidity in HFC Shares on the GSE at certain periods, meaning that investors may not be able to sell or buy HFC Shares whenever they want to and at their desired price.

#### **i. Dilution Risk**

A Qualifying Shareholder who chooses not to participate or partially participate in the Offer may have his/her/its shareholding diluted if his/her/its unsubscribed Rights are allotted to other shareholders of HFC or Renouncees under the Offer.

#### **j. Regulatory Framework**

The Ghanaian financial services sector continues to develop with the regulator, the BoG, having required participants in the financial services sector to increase their capital quite significantly over the past 4 years. The Bank of Ghana has recently directed a further increase to GHS400,000,000 to be complied with by December 2018. Although HFC has currently met all its capital obligations, this increase and any subsequent increases in the capital requirement by BoG will have to be met by HFC and its shareholders and may have an impact on HFC's business operations. It can be noted that HFC has not had any difficulty meeting its capitalisation obligations to date.

#### **3.18 Additional Information**

Save as disclosed in this Circular, there has been no material change in the financial or operating position of HFC other than in the ordinary course of business since 31 December 2016 the date to which the last audited accounts of HFC were prepared.

# PART 4.

# FINANCIAL STATEMENTS

# & REPORTS

## 4.1 Reporting Accountants' Report on Historical Financial Information

**Deloitte.**

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Ghana

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Registered Auditors  
Ibox Court 4 Liberation Road  
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Accra  
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### INDEPENDENT REPORTING ACCOUNTANTS' REPORT ON HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

October 2, 2017

The Board of Directors  
HFC Bank (Ghana) Limited  
No. 35 Sixth Avenue  
North Ridge, Accra  
P. O. Box CT 4603  
Cantonments, Accra

Dear Sir,

#### A RIGHTS ISSUE - ACCOUNTANTS' REPORT

We have reviewed the annual audited financial statements of HFC Bank (Ghana) Limited and its Subsidiaries that comprise the statement of financial position as at end of 31 December 2012, 2013, 2014, 2015 and 2016, the income statement and statement of cash flows for the periods then ended and a summary of significant accounting policies and other explanatory notes as set in the financial statements.

Ernst and Young have acted as Auditors of the Bank for the years relevant to this report. For each of the relevant years, the Auditors issued an unqualified audit report. The Board of Directors approved the audited financial statements to 31 December 2016 on 3 February 2017. No audited financial statements have been prepared for submission to the shareholders for any period subsequent to 31 December 2016.

The financial statements from 2012 to 2016 set out in the following sections have been prepared from the audited financial statements of HFC Bank (Ghana) Limited and its Subsidiaries for 2012, 2013, 2014, 2015 and 2016.

#### Directors' Responsibility

The Company's directors are responsible for the preparation and fair presentation of the financial statement in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Companies Act, 1963 (Act 179) and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Independent Reviewer's Responsibility

Our responsibility is to express a conclusion on the annual financial statements based on our review. We conducted our review in accordance with International Standard on Review Engagements (ISRE) 2400, Engagement to Review Historical Financial Statements. ISRE 2400 requires us to conclude whether anything has come to our attention that causes us to believe that the financial statement, taken as a whole, are not prepared in all material respects in accordance with the applicable financial reporting framework. This Standard also requires us to comply with relevant ethical requirements.

# Deloitte.

A review of financial statements in accordance with ISRE 2400 consists primarily of making inquiries of management and others within the entity involved in financial and accounting matters, applying analytical procedures, and evaluating the sufficiency and appropriateness of evidence obtained.

A review also requires performance of additional procedures when we become aware of matters that cause us to believe that the financial statements as a whole may be materially misstated.

We believe that the evidence we obtained in our review is sufficient and appropriate to provide a basis for our conclusion.

#### **Conclusion**

Based on our review, nothing has come to our attention that causes us to believe that the financial statements do not present fair view, in all material respects, the financial position of HFC Bank (Ghana) Limited and its subsidiaries as at 31 December, 2012, 2013, 2014, 2015 and 2016 and of requirements of the International Financial Reporting Standards (IFRS) and the Companies Act, 1963 (Act 179).

This report is intended for the sole use of HFC Bank (Ghana) Limited and its Subsidiaries in support of its rights issue. No responsibility to any third party is accepted. The report should not be disclosed to any third party without our prior written consent.

FOR DELOITTE & TOUCHE

PARTNER  
*[Signature]*  
**Deloitte & Touche (ICAG/F/2017/129)**  
**Chartered Accountants**  
**4 Liberation Road**  
**Accra, Ghana**  
**Daniel Kwadwo Owusu (ICAG/P/1327)**

Partners: \*D Owusu \*K Ampim-Darko \*G Ankomah

\*Partner and Chartered Accountant

2

**HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES**  
**Statement of Comprehensive Income**

For the years ending:

**4.2 Historical Financial Statements**

GROUP	Q3: 2017 (Unaudited)	2016	2015	2014	2013	2012
	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
Interest income	236,279	287,572	256,676	196,605	119,959	68,768
Interest expense	(119,267)	(156,383)	(113,672)	(64,646)	(39,307)	(23,305)
Net interest income	117,012	131,189	143,004	131,959	80,652	45,463
Fee and commission income	35,770	35,768	28,934	30,428	25,582	17,219
Fee and commission expense	(909)	(729)	(427)	(620)	(650)	(284)
Net fee and commission income	34,861	35,039	28,507	29,808	24,932	16,934
Net trading income	8,746	11,503	26,761	27,718	16,428	4,951
Other operating income	3,375	12,359	5,567	9,636	5,756	3,960
Other income	26,969	11,510	5,722	2,458	1,935	1,016
Operating income	190,963	201,600	209,561	201,579	129,703	72,325
Net impairment loss on financial asset	(1,211)	(72,781)	(81,848)	(14,626)	(10,183)	(5,566)
Personal expenses	(71,354)	(97,770)	(90,111)	(65,493)	(39,427)	(25,905)
Operating lease expenses	(6,684)	(7,981)	(6,066)	(4,736)	(3,213)	(2,135)
Depreciation and amortization	(10,625)	(12,999)	(9,732)	(5,654)	(2,945)	(2,291)
Other expenses	(62,594)	(73,851)	(54,034)	(37,480)	(21,876)	(16,681)
Profit / Loss before income tax for the period	38,496	(63,782)	(32,230)	73,590	52,059	19,747
National stabilization levy	(1,649)	(393)	(353)	(3,652)	(1,298)	-
Tax expense	(12,186)	16,446	(3,752)	(12,043)	(10,976)	(3,393)
<b>Profit/Loss for the period</b>	<b>24,661</b>	<b>(47,729)</b>	<b>(36,335)</b>	<b>57,895</b>	<b>39,785</b>	<b>15,424</b>
<b>Profit/Loss attributable to:</b>						
Controlling Equity holders of the bank	23,888	(47,982)	(37,071)	57,418	39,332	15,272
Non-controlling interest	773	253	736	477	453	152
<b>Profit/Loss for the period</b>	<b>24,661</b>	<b>(47,729)</b>	<b>(36,335)</b>	<b>57,895</b>	<b>39,785</b>	<b>15,424</b>
Other comprehensive income, net of income tax	-	-	-	28,201	-	-
<b>Total comprehensive profit/ loss for the period</b>	<b>24,661</b>	<b>(47,729)</b>	<b>(36,335)</b>	<b>86,096</b>	<b>39,307</b>	<b>23,305</b>
<b>Profit/ loss attributable to:</b>						
Controlling Equity holders of the bank	23,888	(47,982)	(37,071)	85,619	39,332	15,272
Non-controlling interest	773	253	736	477	453	-
<b>Profit/Loss for the period</b>	<b>24,661</b>	<b>(47,729)</b>	<b>(36,335)</b>	<b>86,096</b>	<b>39,785</b>	<b>15,272</b>
Basic earnings per share (Ghana pesewas)		(16.13)	(12.46)	19.35	13.27	7.9
Diluted earnings per share (Ghana pesewas)		(16.13)	(12.46)	18.97	13.02	7.52

**HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES****Statement of Comprehensive Income (continued)****For the years ending:**

<b>BANK</b>						
	<b>Q3: 2017 (Unaudited)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
Interest income	228,301	276,012	251,081	183,500	115,623	66,122
Interest expense	(119,267)	(156,383)	(113,672)	(64,646)	(39,413)	(23,336)
Net interest income	109,034	119,629	137,409	118,854	76,210	42,785
Fee and commission income	21,184	20,096	14,894	27,227	18,405	12,603
Fee and commission expense	(909)	(729)	(400)	(587)	(616)	(284)
Net fee and commission income	20,275	19,367	14,494	26,640	17,789	12,319
Net trading income	8,746	11,503	26,761	27,718	16,428	4,951
Other operating income	3,375	2,372	9	803	774	812
Other income	2,750	19,990	5,127	2,255	1,684	999
Operating income	145,181	172,861	183,800	174,015	111,201	60,867
Net impairment loss on financial asset	(1,211)	(69,781)	(85,203)	(14,262)	(10,183)	(5,566)
Personal expenses	(60,954)	(84,264)	(75,801)	(55,350)	(32,858)	(21,096)
Operating lease expenses	(5,932)	(6,870)	(4,975)	-	-	-
Depreciation and amortization	(9,808)	(11,957)	(8,940)	(5,001)	(2,464)	(1,939)
Other expenses	(36,789)	(56,984)	(45,960)	(31,041)	(38,532)	(59,114)
Profit / Loss before income tax for the period	30,486	(56,995)	(37,079)	68,361	47,530	(15,716)
National stabilization levy	(1,368)	-	-	(3,418)	(1,188)	-
Tax expense	(10,880)	18,389	(2,162)	(10,678)	(10,003)	(2,690)
<b>Profit/Loss for the period</b>	<b>18,238</b>	<b>(38,606)</b>	<b>(39,241)</b>	<b>54,265</b>	<b>36,339</b>	<b>13,025</b>
<b>Profit/Loss attributable to:</b>						
Controlling Equity holders of the bank	18,238	(38,606)	(39,241)	54,265	36,339	13,025
Non-controlling interest	-	-	-	-	-	-
<b>Profit/Loss for the period</b>	<b>18,238</b>	<b>(38,606)</b>	<b>(39,241)</b>	<b>54,265</b>	<b>36,339</b>	<b>13,025</b>
Other comprehensive income, net of income tax	-	-	-	28,201	-	-
<b>Total comprehensive profit/loss for the period</b>	<b>18,238</b>	<b>(38,606)</b>	<b>(39,241)</b>	<b>82,466</b>	<b>36,339</b>	<b>13,025</b>
<b>Profit/Loss attributable to:</b>						
Controlling Equity holders of the bank	18,238	(38,606)	(39,241)	82,466	36,339	13,025
Non-controlling interest	-	-	-	-	-	-
<b>Profit/Loss for the period</b>	<b>18,238</b>	<b>(38,606)</b>	<b>(39,241)</b>	<b>82,466</b>	<b>36,339</b>	<b>13,025</b>
Basic earnings per share (Ghana pesewas)	-	(12.98)	(13.19)	18.28	12.26	6.75
Diluted earnings per share (Ghana pesewas)	-	(12.98)	(13.19)	17.92	12.03	6.43

## HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

### Statement of Financial Position

As at the years ending:

GROUP						
	Q3:2017 (Unaudited)	2016	2015	2014	2013	2012
	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000	GHS'000
<b>Assets</b>						
Cash and cash equivalents	737,572	642,944	413,458	225,300	239,408	132,035
Non-Pledged trading assets	73,361	68,607	72,262	288,528	128,783	67,716
Pledged assets	73,000	22,300	10,000	10,000	6,000	6,500
Other investments	34,579	28,376	24,887	52,308	32,401	9,103
Loans and advances to customers	827,891	919,436	890,890	657,039	519,319	333,725
Investment securities	16,661	26,225	33,441	2,313	2,515	2,562
Current income tax assets	11,818	25,275	9,740	-	960	602
Deferred tax assets	19,104	15,263	-	-	-	-
Intangible asset	5,864	6,685	9,893	3,931	3,931	-
Derivative assets	-	-	-	-	7,502	4,561
Other assets	54,699	76,900	75,334	46,911	40,049	24,059
Property, plant and equipment	69,164	65,545	60,424	57,062	18,143	14,362
<b>Total assets</b>	<b>1,923,714</b>	<b>1,897,556</b>	<b>1,600,329</b>	<b>1,343,392</b>	<b>999,011</b>	<b>595,226</b>
<b>Liabilities and Equity</b>						
Deposits from banks	-	-	24,000	24,180	41,937	44,845
Deposits from customers	1,615,295	1,558,210	1,189,454	829,411	561,754	312,380
Due to other banks	-	-	-	30,401	35,000	-
Borrowing	17,578	41,845	28,463	51,948	49,250	20,901
Deferred tax	-	-	3,098	1,074	810	539
Derivative liability	-	-	-	-	6,989	4,411
Current income tax	-	-	-	1,079	-	-
Other liabilities	118,826	149,903	159,987	156,563	130,631	79,204
<b>Total liabilities</b>	<b>1,751,698</b>	<b>1,749,958</b>	<b>1,405,002</b>	<b>1,094,656</b>	<b>826,280</b>	<b>462,280</b>
<b>Equity</b>						
Stated capital	96,191	96,191	96,191	94,424	95,127	95,127
Income surplus	(19,862)	(43,750)	(167)	31,318	19,871	5,668
Revaluation reserve	32,067	32,309	32,835	32,835	4,634	4,634
Statutory reserve fund	57,203	57,203	57,203	57,203	40,845	19,715
Regulatory credit risk reserve	2,400	2,400	6,273	29,506	10,281	6,280
Other reserve	-	-	-	194	194	194
Housing development assistance reserve	744	744	744	744	744	744
<b>Total equity attributable to equity holders of the bank</b>	<b>168,742</b>	<b>145,097</b>	<b>193,079</b>	<b>247,224</b>	<b>171,696</b>	<b>132,363</b>
<b>Non-controlling interest</b>	<b>3,274</b>	<b>2,501</b>	<b>2,248</b>	<b>1,512</b>	<b>1,035</b>	<b>583</b>
<b>Total equity</b>	<b>172,016</b>	<b>147,598</b>	<b>195,327</b>	<b>248,736</b>	<b>172,731</b>	<b>132,946</b>
<b>Total liabilities and equity</b>	<b>1,923,714</b>	<b>1,897,556</b>	<b>1,600,329</b>	<b>1,343,392</b>	<b>999,011</b>	<b>595,226</b>

**HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES**  
**Statement of Financial Position (continued)**

**As at the years ending:**

<b>BANK</b>		<b>Q3:2017 (Unaudited)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
		<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>
<b>Assets</b>							
Cash and cash equivalents		735,798	638,851	411,920	185,771	180,210	71,930
Due from other banks		-	-	-	37,577	55,071	-
Non-Pledged trading assets		73,361	68,607	72,263	284,140	122,527	65,097
Pledged assets		73,000	22,300	10,000	10,000	6,000	6,500
Other investments		38,612	42,838	17,423	28,220	22,445	6,298
Loans and advances to customers		828,179	919,964	924,736	664,875	516,063	335,814
Investment securities		8,726	8,612	32,946	-	1,432	1,471
Current income tax assets		11,537	25,111	9,830	-	1,896	949
Deferred tax assets		19,003	15,199	-	-	-	-
Intangible asset		-	6,512	9,654	3,931	3,931	-
Derivative assets		-	-	-	-	7,502	4,561
Investment in subsidiaries		-	-	-	5,537	5,517	-
Investment in venture capital fund		-	-	-	-	9,706	-
Other assets		40,206	45,200	19,728	11,944	20,700	12,383
Property, plant and equipment		68,292	62,977	57,919	55,046	16,455	13,280
<b>Total assets</b>		<b>1,896,714</b>	<b>1,856,171</b>	<b>1,566,419</b>	<b>1,324,350</b>	<b>973,066</b>	<b>587,787</b>
<b>Liabilities and Equity</b>							
Deposits from banks		-	-	24,000	24,180	41,937	44,845
Deposits from customers		1,615,295	1,558,210	1,189,454	660,933	453,589	312,963
Due to other banks		-	-	-	30,401	35,000	-
Borrowing		17,578	41,845	28,463	51,948	49,250	20,901
Short term borrowings		-	-	-	168,478	108,165	-
Deferred tax		-	-	3,189	1,030	766	540
Derivative liability		-	-	-	-	6,898	4,411
Bonds		-	-	-	86,468	67,437	-
Current income tax		-	-	-	180	-	-
Other liabilities		104,698	114,967	141,558	64,662	46,329	18,642
<b>Total liabilities</b>		<b>1,737,571</b>	<b>1,715,022</b>	<b>1,386,664</b>	<b>1,088,280</b>	<b>809,371</b>	<b>460,431</b>
<b>Equity</b>							
Stated capital		96,191	96,191	96,191	95,424	95,127	95,127
Income surplus		(29,445)	(47,682)	(13,475)	20,180	11,886	1,067
Revaluation reserve		32,051	32,293	32,819	32,819	4,618	4,618
Statutory reserve fund		57,203	57,203	57,203	57,203	40,845	19,325
Regulatory credit risk reserve		2,400	2,400	6,273	29,506	10,281	6,280
Other reserve		-	-	-	194	194	194
Housing development assistance reserve		744	744	744	744	744	744
<b>Total equity attributable to equity holders of the bank</b>		<b>159,144</b>	<b>141,149</b>	<b>179,755</b>	<b>236,070</b>	<b>163,695</b>	<b>127,356</b>
<b>Non-controlling interest</b>		-	-	-	-	-	-
<b>Total equity</b>		<b>159,144</b>	<b>141,149</b>	<b>179,755</b>	<b>236,070</b>	<b>163,695</b>	<b>127,356</b>
<b>Total liabilities and equity</b>		<b>1,896,714</b>	<b>1,856,171</b>	<b>1,566,419</b>	<b>1,324,350</b>	<b>973,066</b>	<b>587,787</b>

## HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES Statement of Cash Flows

**For the years ending:**

<b>GROUP</b>	<b>Q3:2017 (Unaudited)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>
<b>Cash flows from operating activities</b>						
Cash generated from operations	134,751	278,872	105,490	265,974	122,840	14,298
Interest paid-long term bonds and borrowing	(5,550)	(17,454)	(16,968)	(10,588)	(4,275)	(1,287)
Mandatory deposits with BoG	-	-	-	55,735	(91,804)	-
Tax paid	(3,751)	(13,456)	(11,555)	(10,519)	(11,063)	(4,162)
National stabilization levy paid	(633)	(2,527)	(2,489)	(3,373)	(1,218)	-
<b>Net cash generated from operating activities</b>	<b>124,818</b>	<b>245,435</b>	<b>74,478</b>	<b>298,575</b>	<b>59,358</b>	<b>8,848</b>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(13,827)	(15,265)	(12,682)	(16,488)	(6,774)	(3,314)
Purchase of Intangible asset- software	-	(785)	(6,559)	-	-	-
Proceeds from sale of property, plant and equipment	727	935	271	301	84	76
Purchase of government securities	(63,129)	(4,394,531)	(1,667,350)	(53,877)	(29,584)	-
Sale of government securities	62,725	4,385,815	1,653,516	-	-	10,707
(Purchase)/sale of other investments	(6,203)	(3,489)	8,272	7,563	(15,397)	(1,743)
(Purchase)/sale of investment securities	9,563	(10,984)	(9,794)	203	47	-
Purchase of branches	-	-	-	-	(5,708)	-
Investment in venture capital fund	-	18,200	716	(12,345)	(7,902)	(742)
(Purchase)/Redemption of debt securities	-	-	-	-	-	(1,562)
<b>Net cash used in investing activities</b>	<b>(10,143)</b>	<b>(20,104)</b>	<b>(33,613)</b>	<b>(89,769)</b>	<b>(65,234)</b>	<b>3,422</b>
<b>Financing activities</b>						
Dividend paid	-	-	(17,843)	(10,388)	(4)	(9,146)
Redemption of bonds	(4,524)	(16,766)	(25,628)	(38,201)	(665)	(8,184)
Borrowings repaid	(25,554)	(32,902)	(48,962)	(75,093)	(5,729)	(3,581)
Proceeds from bonds issue	-			43,671	-	-
Proceeds from borrowings	-	43,245	26,839	73,364	32,255	18,846
Proceeds from ESOP issue	-	-	-	-	-	63
Proceeds from share issue	-	-	-	-	-	50,000
Net cash generated from financing activities	(30,078)	(6,423)	(65,594)	(6,647)	25,857	47,998
Increase in cash and cash equivalents	84,596	218,908	(24,726)	202,159	19,981	60,269
Net foreign exchange difference	10,032	10,578	6,143	11,038	6,578	6,237
At 1 January	642,944	413,458	225,300	239,408	120,378	89,713
<b>Cash and cash equivalents as at 31 December</b>	<b>737,572</b>	<b>642,944</b>	<b>413,458</b>	<b>225,300</b>	<b>239,408</b>	<b>132,035</b>

**HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES**  
**Statement of cash flows (Continued)**

**For the years ending:**

<b>BANK</b>	<b>Q3:2017 (Unaudited)</b>	<b>2016</b>	<b>2015</b>	<b>2014</b>	<b>2013</b>	<b>2012</b>
	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>	<b>GHS'000</b>
<b>Cash flows from operating activities</b>						
Cash generated from operations	133,534	277,552	97,711	264,517	160,649	8,673
Interest paid-long term bonds and borrowing	(5,550)	(17,454)	(16,968)	(10,588)	(4,275)	(1,287)
Mandatory deposits with BoG		-	-	55,735	(91,804)	-
Tax paid	(1,878)	(11,377)	(9,996)	(9,117)	(10,725)	(3,586)
National stabilization levy paid	(601)	(2,119)	(2,142)	(3,139)	(1,109)	-
<b>Net cash generated from operating activities</b>	<b>125,506</b>	<b>246,602</b>	<b>68,605</b>	<b>297,408</b>	<b>52,736</b>	<b>3,800</b>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment	(12,837)	(14,103)	(11,111)	(15,500)	(5,638)	(2,761)
Purchase of Intangible asset- software	-	(742)	(6,522)	-	-	-
Proceeds from sale of property, plant and equipment	618	740	179	269	3	32
Purchase of government securities	(63,129)	(4,394,445)	(1,627,452)	(52,620)	(29,539)	-
Sale of government securities	62,725	4,385,804	1,614,251	-	-	14,710
(Purchase)/sale of other investments	4,226	(8,127)	18,617	(5,775)	(16,147)	(743)
(Purchase)/sale of investment securities	(115)	6,134	(11,612)	1,432	39	-
Purchase of branches	-	-	-	-	(5,708)	-
Investment in venture capital fund	-	913	716	(12,364)	(9,387)	(882)
(Purchase)/Redemption of debt securities	-	-	-	-	-	(471)
<b>Net cash used in investing activities</b>	<b>(8,512)</b>	<b>(23,826)</b>	<b>(22,934)</b>	<b>(84,558)</b>	<b>(66,377)</b>	<b>9,886</b>
<b>Financing activities</b>						
Dividend paid	-	-	(17,843)	(10,388)	(4)	(9,146)
Redemption of bonds	(4,524)	(16,766)	(25,628)	(38,201)	(665)	(8,184)
Borrowings repaid	(25,554)	(32,902)	(48,962)	(75,093)	(5,729)	(3,581)
Proceeds from bonds issue	-	-	-	43,671	-	-
Proceeds from borrowings	-	43,245	26,839	73,364	32,255	18,846
Proceeds from ESOP issue	-	-	-	-	-	63
Proceeds from share issue	-	-	-	-	-	50,000
Net cash generated from financing activities	(30,078)	(6,423)	(65,594)	(6,647)	25,857	47,998
Increase in cash and cash equivalents	86,915	216,353	(19,923)	206,203	12,216	61,682
Net foreign exchange difference	10,032	10,578	6,143	11,038	6,578	6,237
At 1 January	638,851	411,920	425,700	136,553	117,79	85,678
<b>Cash and cash equivalents as at 31 December</b>	<b>235,798</b>	<b>638,851</b>	<b>411,920</b>	<b>353,794</b>	<b>136,553</b>	<b>153,597</b>

# HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES Statement of Indebtedness as of 31 August 2017

## HFC BANK AND SUBSIDIARIES INDEBTEDNESS



Ernst & Young Chartered Accountants  
Q15, White Avenue  
Airport Residential Area  
P. O. Box KA 16009  
Airport Accra, Ghana

Tel: +233 302 779868 / 4275 / 9223 / 2091  
Fax: +233 302 778894 / 2934  
ey.com

14 November 2017

The Director General  
Securities and Exchange Commission (Ghana)  
Post Office Box CT 6181  
Cantonments, Accra

Dear Sir / Madam,

### REQUEST FOR CERTIFICATION OF HFC BANK AND ITS SUBSIDIARIES INDEBTEDNESS

In response to a letter from HFC Bank (Ghana) Limited on November 13, 2017 on the subject above, we wish to certify to your office as the external auditors of HFC Bank and its Subsidiaries of their indebtedness to third parties as at 31 August 2017.

HFC Bank and it's Subsidiaries Indebtedness to third parties as at 31 August 2017 per their records are as follows:

Description	Facility 1- Term Borrowing	Facility 2 - Bonds	Facility 3 - Bonds
Term of facility	Term borrowing	Bond -Inflation linked	Bond -Treasury linked
Issuer	Societe De Promotion Et De Participation Pour La Cooperation Economique S.A. (PROPARCO)s	Social Security & National Insurance Trust (SSNIT)	Social Security & National Insurance Trust (SSNIT)
Facility Balance	US\$4,000,000 (Equiv. GHS 17,597,600)	GHS30,229,206	GHS22,000,000
Rate	6%	15% p.a.	BoG 2-Year Plus 2.5% p.a
Tenor	7.5 years	20 Years	20 Years
Security	Unsecured	Unsecured	Unsecured

Total contingent liabilities as at 31 August 2017 also totalled GHS60.76 million.

Yours faithfully,

Pamela Des Bordes  
PARTNER

CC: The Managing Director  
HFC Bank (Ghana) Limited

A member firm of Ernst & Young Global Limited.  
Partners : Ferdinand A. Gulin, Kwadwo Gyekye Brantasi, Victor C. Georgeish, Pamela Des Bordes, Isaac Nkrumah Sirpong, Priscilla Koomeng-Oyazi

The total contingent liabilities of the Bank and its subsidiaries as at 31 August 2017 was GHS 60,764,308.

#### 4.3 Reporting Accountants' Report on Historical Financial Projections

**Deloitte.**

P. O. Box GP 453  
Accra  
Ghana

Deloitte & Touche  
Registered Auditors  
Ibex Court 4 Liberation Road  
Dr. Ako Adjei Interchange  
Accra  
Ghana

The Board of Directors  
HFC Bank (Ghana) Limited  
No. 35 Sixth Avenue  
North Ridge, Accra  
P. O. Box CT 4603  
Cantonments, Accra

Tel: +233 (0) 302 775 355  
Email: ghdeloitte@deloitte.com.gh  
www2.deloitte.com/gh

Ladies and Gentlemen,

**HFC BANK (GHANA) LIMITED  
INDEPENDENT REPORTING ACCOUNTANTS' REPORT**

**STATEMENT OF ADJUSTMENTS**

Our review of the financial statements for the relevant period did not reveal significant adjustments to warrant restatement of the statement of comprehensive income and the statement of financial position for the respective years.

The review was for the purpose of our Accountants' Report to be included in the circular by HFC Bank (Ghana) Limited

*(Handwritten signature of Partner)*  
**PARTNER**  
**Deloitte & Touche (ICAG/F/2016/129)**

**Chartered Accountants**  
**4 Liberation Road**  
**Accra, Ghana**  
**Daniel Kwadwo Owusu (ICAG/P/1327)**

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Partners: \*D Owusu \*K Ampim-Darko \*G Ankomah

\*Partner and Chartered Accountant

Associate of Deloitte Africa, a Member of Deloitte Touche Tohmatsu Limited

#### 4.4 Assumptions Underlying the Projections

## **HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES Projected Financial statements**

# **Deloitte**

The Board of Directors  
HFC Bank (Ghana) Limited  
No. 35 Sixth Avenue  
North Ridge, Accra  
P. O. Box CT 4603  
Cantonments, Accra

P. O. Box GP 453  
Accra  
Ghana  
Deloitte & Touche  
Registered Auditors  
Ibex Court 4 Liberation Road  
Dr. Ako Adjei Interchange  
Accra  
Ghana  
Tel: +233 (0) 302 775 355  
Email: ghdeloitte@deloitte.com.gh  
[www2.deloitte.com/gh](http://www2.deloitte.com/gh)

Ladies and Gentlemen,

Reporting Accountant's report on forecast and projections

We have examined the accounting policies and calculations for the profit forecast and projections of HFC Bank (Ghana) Limited for the four years ending 31 December 2020, set out on Page 65 of this report in accordance with the Listing Rules of the Ghana Stock Exchange (GES), The company's Act, 1963, Act 179 and L.I.1728 of the Securities and Exchange Commission applicable to the examination of prospective financial information. The directors are responsible for the forecast and projections, including the assumptions set out on pages 61 to 77 on which it is based.

The forecasts and projections have been prepared for inclusion in the circular for a renounceable rights issue of the Bank. These forecasts and projections have been prepared using a set of assumptions that include hypothetical assumption about future events and management's actions that are not necessarily expected to occur. Consequently, readers are cautioned that these assumptions may not be appropriate for purposes other than described above.

Based on our examination of the evidence supporting the assumptions, nothing has come to our attention which causes us to believe that these assumptions do not provide a reasonable basis for the projections.

In our opinion the forecast financial statements, so far as the accounting policies and calculations are concerned, have been properly compiled on the basis of the assumptions made by the Directors of the Bank, and are presented on a basis consistent with the accounting policies normally adopted by the Bank.

We do not express an opinion as to whether the actual results for the forecast period will approximate the forecast because events and circumstances do not frequently occur as expected, and those differences may be material.

**Deloitte & Touche (ICAG/F/2017/129)**

**Chartered Accountants**  
4 Liberation Road  
Accra, Ghana  
Daniel Kwadwo Owusu (ICAG/P/1327)

Partners: \*D Owusu \*K Ampim-Darko \*G Ankomah  
\*Partner and Chartered Accountant

## HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

# Projected Financial statements

### ASSUMPTIONS UNDERLYING THE FINANCIAL PROJECTIONS

#### **Balance sheet assumptions**

	2017	2018	2019	2020
<b>1. Growth in Interest Earning Liquid Assets</b>	18%	38%	22%	21%

#### *Basis for growth in Rates*

Interest earning asset is expected to grow by 38% in 2018 and average 22% in 2019 and 2020. Capital injection of GHS 50M is anticipated by December 2017 and additional Capital injection of GHS 250M is expected by December 2018 to meet the BoG minimum capital requirement. The Bank will increase its investment by 22% in 2019 and increase its liquid asset by 21% in 2020, which is an election year and investment rates are expected to rise. It is also expected deposit growth will average 21% over the 3-year period, which will be invested in liquid assets.

<b>2. Growth in Loans and Advances broken down by product type</b>	2017	2018	2019	2020
<b>Mortgage Loans</b>	9%	7%	20%	21%

#### *Basis for growth in Rates*

It is expected that the decentralized Mortgage department to the branches will lead to growth in the mortgage loans portfolio over the years. The growth is also in line with the capital injection projections.

	2017	2018	2019	2020
<b>Corporate and Commercial Loans</b>	9%	12%	23%	24%

#### *Basis for growth in Rates*

The strengthening of the economic fundamentals and drop in the Bank's base rate is anticipated to surge the commercial loan portfolio over the 3 year period. The growth is also in line with the expected capital injection.

	2017	2018	2019	2020
<b>Retail/Personal Loans</b>	9%	25%	28%	29%

#### *Basis for growth in Rates*

The revamped retail-banking unit is expected to translate into growth of the retail loan portfolio over next 3 years. The growth is also in line with the expected capital injection.

	2017	2018	2019	2020
<b>3. Growth in investment</b>	18%	38%	22%	21%

#### *Basis for growth in Rates*

Growth in investment is projected at 38% for 2018 and average of 22% for 2019 and 2020. This is in line with the anticipated capital injection and deposit mobilization.

	2017	2018	2019	2020
<b>4. Growth in Customer Deposit and Savings Account</b>	10%	18%	22%	23%

#### *Basis for growth in Rates*

It is expected that the Bank will ride on successes achieved with the introduction of the new suit of deposit products which was launched in 2016 and being aggressively promoted in 2017 to increase its share of deposit. The average growth in deposit is expected to be 21% for the 3 year period.

## HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

# Projected Financial statements

### Income Statement Assumptions

	2017	2018	2019	2020
<b>1. Yield on Interest Earning Liquid Assets</b>	17%	18%	17%	18%

#### Basis for movement in Rates

Liquid assets will principally constitute 14day Bank of Ghana (BoG) Bill which is expected to average 19% in the 3 years to 2020.

<b>2. Yield on Loans and Advances broken down by product type</b>	2017	2018	2019	2020
<b>Mortgage Loans</b>	20%	14%	14%	14%

#### Basis for growth in Rates

The rates have been projected in line with industry rates on mortgages.

	2017	2018	2019	2020
<b>Corporate and commercial loans</b>	20%	23%	23%	24%

#### Basis for growth in Rates

This projection is line with bank base rate, which is anchored on the Bank of Ghana Policy rate.

	2017	2018	2019	2020
<b>Retail/Personal Loans</b>	20%	23%	23%	24%

#### Basis for growth in Rates

The projected rates are in line with the banks historical rates yield on Retail loans.

	2017	2018	2019	2020
<b>3. Yield on Investments</b>	17%	18%	17%	18%

#### Basis for growth in Rates

It expected that rates on money market instruments will continue to drop and pick up in 2020 during the election year. Yield on Investment is expected to average 18% over the 3-year period.

	2017	2018	2019	2020
<b>4. Interest on Customer Deposit and Savings Accounts</b>	8.6%	8%	7%	7%

#### Basis for growth in Rates

The strategic direction of re-pricing the Bank's deposit products and Retail banking effort to dilute the deposit mixed is expected to keep average rate on deposit at 7% over the period.

	2018	2019	2020
<b>5. Other Income Growth</b>	35%	25%	21%

#### Basis for movement in Rates

Other income is expected to grow by 35% in 2018 and thereafter by 25% and 21% in line with the Bank's strategic growth model.

## HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

### Projected Financial statements

	2018	2019	2020
<b>6. Operating Expenses</b>	11%	15%	15%

**Basis for movement in Rates**

Operating expenses averages 14% in the subsequent periods.

	2018	2019	2020
<b>7. Staff Cost</b>	12%	13%	13%

**Basis for movement in Rates**

Staff cost is expected to grow in line with average inflation of 10.7% and expansion drive over the 3-year period.

	2017	2018	2019	2020
<b>8. Loan Impairment Expense</b>	130%	234%	11%	56%

**Basis for movement in Rates**

It is expected that the implementation of IFRS 9 in 2018 will increase provision on loans from the 2017 position of GHS 2,781,000. On account of that, impairment provision of GHS 9,288,000 GHS10,325,000 and GHS 16,057,000 was made for 2018, 2019 and 2020 respectively.

	2017	2018	2019	2020
<b>9. Taxation</b>	17%	26%	57%	68%

**Basis for movement in Rates**

It is projected that the income tax expense for 2018 will be GHS 15,179,000 as against the tax expense of GHS 13,596,000 for 2017. The expected increase in Profit before tax over the period will result in the growth rate above.

Other Assumptions	2017	2018	2019	2020
1 Exchange Rate (GHS/USD)	4.4	4.55	4.75	5.3
2 Inflation	11.50%	10.50%	10.00%	11.50%
3 91- Day TB Rate	13.50%	10.00%	9.00%	8.00%
4 Policy Rate	20.50%	15.60%	14.30%	13.00%

## HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES

### Projected Financial statements

#### 4.5 Projected Financial Statements

#### Forecast Statement of Comprehensive Income

	2017 FORECAST GHS'000	2018 FORECAST GHS'000	2019 FORECAST GHS'000	2020 FORECAST GHS'000
Interest income	312,826	371,005	451,603	590,177
Interest expense	(154,774)	(178,293)	(206,162)	(237,339)
<b>Net interest income</b>	<b>158,052</b>	<b>192,713</b>	<b>249,404</b>	<b>352,838</b>
Fee and commission income	40,558	64,436	80,544	102,291
Fee and commission expense	(1,352)	(1,649)	(2,062)	(2,618)
<b>Net fee and commission income</b>	<b>39,206</b>	<b>62,786</b>	<b>78,483</b>	<b>99,673</b>
Net trading income	14,209	17,335	21,669	27,519
Other operating income	5,895	7,369	9,358	11,979
Other income	29,917	32,874	37,110	43,202
<b>Operating income</b>	<b>247,278</b>	<b>313,076</b>	<b>396,024</b>	<b>535,210</b>
Net impairment loss on financial asset	(2,781)	(9,288)	(10,325)	(16,057)
Personnel expenses	(90,850)	(101,508)	(114,826)	(129,861)
Operating lease expenses	(12,261)	(13,487)	(14,971)	(16,768)
Depreciation and amortization	(13,168)	(13,877)	(14,620)	(14,901)
Other expenses	(77,004)	(86,186)	(102,372)	(122,276)
<b>Profit before income tax for the period</b>	<b>51,214</b>	<b>88,731</b>	<b>138,910</b>	<b>235,347</b>
National Stabilization Levy	(2,561)	(4,437)	(6,646)	(11,767)
Tax expense	(13,596)	(15,179)	(25,124)	(42,036)
Profit for the period	<b>35,057</b>	<b>68,323</b>	<b>106,841</b>	<b>181,543</b>
<b>Total comprehensive income for the period</b>	<b>35,057</b>	<b>68,323</b>	<b>106,841</b>	<b>181,543</b>
<b>Profit / (loss) attributable to:</b>				
Controlling Equity holders of the bank	33,455	67,004	104,304	178,460
Non-controlling interest	1,602	1,319	2,537	3,083
	<b>35,057</b>	<b>68,323</b>	<b>106,841</b>	<b>181,543</b>
<b>Total comprehensive income attributable to:</b>				
Controlling Equity holders of the bank	33,455	67,004	104,304	178,460
Non- controlling interest	1,602	1,319	2,537	3,083
	<b>35,057</b>	<b>68,323</b>	<b>106,841</b>	<b>181,543</b>

**HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES**  
**Projected Financial statements**

**Forecast Statement of Financial Position**

	2017 FORECAST GHS'000	2018 FORECAST GHS'000	2019 FORECAST GHS'000	2020 FORECAST GHS'000
<b>Assets</b>				
Cash and cash equivalents	829,373	1,316,010	1,566,862	1,905,605
Non-Pledged trading assets	104,340	75,604	90,724	110,684
Pledged assets	91,300	107,734	129,281	157,723
Other investments	31,378	35,182	40,951	49,377
Loans and advances to customers	942,607	1,054,587	1,310,060	1,645,663
Investment securities	17,735	19,030	21,777	25,305
Current income tax assets	9,022	11,327	9,241	5,385
Deferred tax assets	19,574	19,506	22,164	27,197
Intangible asset -Goodwill	3,931	3,931	3,931	3,931
Other assets	60,282	88,787	107,634	164,994
Property, plant and equipment	65,877	64,601	62,980	61,678
<b>Total assets</b>	<b>2,175,418</b>	<b>2,796,299</b>	<b>3,365,604</b>	<b>4,157,542</b>
<b>Liabilities and equity</b>				
Deposits from customers	1,773,617	2,092,868	2,511,442	3,143,959
Borrowing	17,497	59,769	30,281	77,525
Other liabilities	151,893	89,862	113,241	93,873
<b>Total liabilities</b>	<b>1,943,007</b>	<b>2,242,499</b>	<b>2,704,963</b>	<b>3,315,358</b>
<b>Equity</b>				
Stated capital	146,935	400,000	400,000	400,000
Income surplus	(27,022)	23,231	101,458	235,303
Revaluation reserve	32,067	32,067	32,067	32,067
Statutory reserve fund	73,931	90,682	116,758	161,373
Regulatory credit risk reserve	2,400	2,400	2,400	2,400
Housing development assistance reserve				
<b>Total equity attributable to equity holders of the Bank</b>	<b>228,310</b>	<b>548,379</b>	<b>652,683</b>	<b>831,143</b>
Non-controlling interest	4,103	5,421	7,958	11,042
<b>Total equity</b>	<b>232,412</b>	<b>553,800</b>	<b>660,641</b>	<b>842,184</b>
<b>Total liabilities and equity</b>	<b>2,175,418</b>	<b>2,796,299</b>	<b>3,365,604</b>	<b>4,157,542</b>

**HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES**  
**Projected Financial statements**

**Forecast Statements of cash flows**

	2017 FORECAST GHS'000	2018 FORECAST GHS'000	2019 FORECAST GHS'000	2020 FORECAST GHS'000
<b>Cash flows from Operating activities</b>				
Cash generated from operations	287,691	211,772	353,078	400,272
Interest paid-long term bonds and borrowing	(14,899)	(15,724)	(16,918)	(18,938)
Tax paid	(3,966)	(21,108)	(21,401)	(26,279)
National stabilization levy paid	(1,102)	(4,040)	(5,188)	(6,545)
<b>Net cash generated from operating activities</b>	<b>267,724</b>	<b>170,902</b>	<b>309,570</b>	<b>348,509</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(13,500)	(12,600)	(13,000)	(13,600)
Proceeds from sale of property and equipment	486	510	546	595
Purchase of government securities	(5,370,252)	(6,047,045)	(7,215,734)	(8,472,830)
Sale of government securities	5,261,043	6,068,639	7,179,779	8,436,905
Changes in other investments	(3,002)	(3,804)	(5,769)	(8,426)
(Purchase)/sale of investment securities	8,490	(1,296)	(2,747)	(3,528)
<b>Net cash used in investing activities</b>	<b>(116,735)</b>	<b>2,404</b>	<b>(56,925)</b>	<b>(60,884)</b>
<b>Cash flows from financing activities</b>				
Redemption of bonds	(4,667)	(4,928)	(5,370)	(5,878)
Borrowings repaid	(26,747)	(8,561)	(35,005)	(48,770)
Addition to borrowing		53,193	12,878	73,125
Proceeds from issuance of shares	50,000	253,065		
<b>Net cash generated from financing activities</b>	<b>18,586</b>	<b>292,770</b>	<b>(27,497)</b>	<b>18,477</b>
Increase in cash and cash equivalents	165,744	466,076	92,649	306,102
Net foreign exchange difference	16,854	20,562	25,702	32,642
At 1 January	642,944	829,373	1,316,010	1,566,862
<b>Cash and cash equivalents as at 31st</b>	<b>829,373</b>	<b>1,316,010</b>	<b>1,566,862</b>	<b>1,905,605</b>

**HFC BANK (GHANA) LIMITED AND ITS SUBSIDIARIES**  
**Projected Financial statements**

	2017 JULY ACTUAL GHS'000	2017 FORECAST GHS'000	2018 FORECAST GHS'000	2019 FORECAST GHS'000	2020 FORECAST GHS'000
<b>Cash flows from operating activities</b>					
Profit for the period	33,825	51,214	88,731	132,910	235,347
Depreciation and amortization	8,265	13,168	13,877	14,620	14,901
Loss / (profit) on disposal of property and equipment	(323)	(486)	(510)	(546)	(595)
Increase in impairment for credit losses	1,211	2,781	9,288	10,325	16,057
Interest expense on long term bonds and borrowings	7,140	8,197	13,545	14,294	15,380
Inflation adjustment on borrowing	998	1,225	5,262	5,091	10,078
Net foreign exchange difference	(8,376)	(16,854)	(20,562)	(25,702)	(32,642)
<b>Cash generated from operations before changes in operating assets and liabilities</b>	<b>42,739</b>	<b>59,244</b>	<b>109,629</b>	<b>156,992</b>	<b>258,527</b>
Decrease in loans and advances to customers	61,310	62,521	(111,981)	(255,473)	(335,603)
Decrease /(increase) in interest receivable and other assets	10,526	17,529	(26,663)	(18,847)	(57,360)
Increase/ (decrease) in deposits from customers	54,169	215,407	319,251	468,574	582,517
Changes in trading assets					
Changes in pledged assets	(60,700)	(69,000)	(16,434)	(21,547)	(28,442)
Increase /(decrease) in other liabilities	(17,826)	1,989	(62,030)	23,378	(19,368)
<b>Cash generated from operations</b>	<b>90,218</b>	<b>287,691</b>	<b>211,772</b>	<b>353,078</b>	<b>400,272</b>

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# PART 5.

# OVERVIEW OF THE GHANA STOCK EXCHANGE

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## 5.1 Historical Background of the GSE

The GSE was incorporated in July 1989 as a private company limited by guarantee under the Companies Act. The Exchange, however, changed its status to a public company limited by guarantee in April 1994. It is governed by a nine (9)-member Council. Members of the GSE include 21 Licensed Dealing Members (brokerage firms), 35 Fixed Income Dealing Members and 33 Associate Members. The Exchange is regulated by the SEC under the Securities Industry Act.

## 5.2 Trends and Developments

Trading on the GSE began on 12 November 1990 with 11 listed companies. As at 31 August 2017, there were 37 equities, 1 exchange-traded fund, 1 depository share and 1 preference share listed on the GSE's Main Market.<sup>20</sup> Debt instruments also listed were 78 sovereign bonds and several Government of Ghana bonds having tenures of 1 to 15 years.<sup>21</sup>

The GSE also operates an alternative market, the Ghana Alternative Market GAX, which was launched in May 2013. As at 31 August 2017, there were 4 listed equities and several debt instruments issued by 6 corporates on the GAX.<sup>22</sup>

In August 2016, the GSE launched a fixed income market to facilitate the secondary trading of fixed income securities issued by GoG and quasi government entities, corporates and supranational institutions.

Some of the key initiatives the GSE is working on currently are:

- » West African Market Integration – The GSE, together with Bourse Regionale des Valeurs Mobilieres and Nigerian Stock Exchange are collaborating to integrate the markets across the sub-region under the West African Capital Markets Integration program. The key objective of the integration program is to enable primary and secondary market activities to be carried out across borders under a common regulatory framework.
- » Demutualisation of the GSE – The Council of the GSE has made a broad commitment to demutualise the GSE in the near future.

## 5.3 General Market Performance

Investors were generally cautious and bearish on the GSE throughout 2016. The challenging macroeconomic situation, coupled with relatively high interest rates on treasury instruments (21% for 1-yr Note) ([bog.gov.gh](http://bog.gov.gh)), and the uncertainties surrounding the Ghana cedi, were the primary causes for the hands-off approach adopted by investors on the GSE. The bearish market was evidenced by the loss returns recorded for both the Ghana Stock Exchange Composite Index (GSE-CI) and the Financial Index (GSE-FI). Thus, price declines across multiple sectors resulted in the GSE-CI posting a loss of 15.33% at the close of trading on 30 December 2016, with manufacturing, agri-business as well as the financial sectors leading the bears. Similarly, the GSE-FI also registered year-to-date losses of 19.93%. This loss was propelled by declines in the Banking sector stocks such as UTB, ETI, CAL and SCB, with each posting more than 20% loss in value.

<sup>20</sup> GSE Trading Session 5063

<sup>21</sup> <sup>3</sup>GFIM Trading Results for September 7, 2017

<sup>22</sup> GSE Trading Session 5063

Some of the major primary market activities in 2016 included the Initial Public Offering and Listing of Access Bank Ghana Limited (ACCESS) and ADB Bank Limited (ADB); and the Rights Issues of Ghana Oil Company Limited (GOIL) and Societe Generale Ghana Limited (SOGEGH).

Total market capitalization declined by 7.75% to GHS52.7bn in 2016, mainly due to price corrections, compared with GHS57.1bn on 31 December 2015.<sup>23</sup>

As at 31 August 2017, the GSE-Cl had recorded 41.44% returns while total market capitalization stood at GHS 58.05bn.<sup>24</sup> In 2017, there are yet to be rights issues on the market.

#### 5.4 Trading Volumes and Values

For the year to 31 December 2016, a total of 252.8m shares were traded on the GSE at a total value of GHS242.1m (2015: 246.4m shares; GHS 247.6m). The most actively traded equities by volume in 2016 were AYRTN, FML, CAL and UTB. FML accounted for 36.9% of the value traded in 2016, followed by GOIL and GCB, which accounted for 17.1% and 8.9% respectively, of the total value traded during the period.<sup>25</sup>

For the year to 31 August 2017, a total of 301.13m shares valued at GHS 502.61m traded on the GSE. The most actively traded equities by volume during the period were CAL, GGBL and TOTAL. Out of the total value traded, CAL, which was the most traded equity, accounted for 51.73%. FML and GCB followed suit with 10.77% and 7.38% respectively.<sup>26</sup>

#### 5.5 Other Information

<b>Trading Days:</b>	Monday-Friday; starting with Pre-Opening at 09:30 GMT. It opens at 10:00 GMT and closes at 15:00 GMT
<b>Trading Method:</b>	Automated trading from either the exchange floor or remotely via the wide area network or via the internet
<b>Settlement Method:</b>	Delivery vs payment. Central Securities Depository for share settlement and Central Bank for fund settlement
<b>Settlement Period:</b>	Trading day plus 3 Business Days (T+3)

<sup>23</sup> GSE Market Report 2016

<sup>24</sup> Trading Session 5059

<sup>25</sup> <sup>7</sup> HFC Brokerage Research

<sup>26</sup> HFC Brokerage Research

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# PART 6.

# ADDITIONAL TERMS AND INFORMATION ON THE OFFER

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## 6.1 Qualifying Shareholders

Qualifying Shareholders are entitled to subscribe to one (1) new ordinary share for every 3.2716 ordinary shares registered in their name as at the close of business on the Qualifying Date under the Offer.

Qualifying Shareholders may take any one of the following actions under the Offer:

- a. Fully subscribe for their Rights under the Offer: This is where Qualifying Shareholders complete the Application Form and pay for their entire allocation under the Offer, returning same to the Receiving Agent(s) or Receiving Bank(s) not later than 5 pm on the Offer Closure Date.

Qualifying Shareholders exercising this option must tick Option 1 of the Application Form, in accordance with the instructions set out under the enclosed Guidelines to Completing the Application.

- b. Fully subscribe for their Rights and apply for Extra Shares in addition to those which they are entitled to under the Offer: In addition to subscribing and paying for their entire allocation under the Offer, Qualifying Shareholders may apply to subscribe and pay for Extra Shares, returning the duly completed Application Form and payment covering both their Rights and Extra Shares to the Receiving Agent(s) or Receiving Bank(s) not later than 5 pm on the Offer Closure Date.

Qualifying Shareholders choosing this option must tick Option 2 of the Application Form, in accordance with the instructions set out under the enclosed Guidelines to Completing the Application.

- c. Partially subscribe for their Rights only: Qualifying Shareholders may apply for only part of the shares they are entitled to under the Offer and return the duly completed Application Form together with payment to the Receiving Agent(s) or Receiving Bank(s) not later than 5 pm on the Offer Closure Date.

Qualifying Shareholders may take no further action on their remaining Rights under the Offer and empower the Directors of HFC to allot such unsubscribed portion of their Rights as the Directors deem fit.

Qualifying Shareholders must tick Option 3 of the Application Form, in accordance with the instructions set out under the Guidelines to Completing the Application Form.

- d. Partially subscribe to their Rights under the Offer and renounce their unsubscribed Rights in favour of Renouncee(s), who may or may not be Shareholder(s) of HFC: Qualifying Shareholders may apply for only part of the shares they are entitled to under the Offer, renouncing the remainder of their Rights in favour of Renouncee(s) who now have to apply for and pay for those shares. U.S. holders (as defined in Rule 800 under the U.S. Securities Act) may renounce Rights only in accordance with Regulation S under the U.S. Securities Act. The Application Form completed by both the Qualifying Shareholder and the Renouncee, together with payment for the shares must be returned to the Receiving Agent(s) or Receiving Bank(s) not later than 5 pm on the Offer Closure Date.

Qualifying Shareholders choosing this option must tick Option 3 of the Application Form, sign the declaration and complete Part II of the Application Form. A separate Application

Form must be endorsed by the Renoucer for each named Renouncee who must complete Option 4 and Part II of the same Application Form in accordance with the instructions set out under the Guidelines to Completing the Application.

Should a Qualifying Shareholder desire to renounce his/her/its Rights in favour of more than one person or legal entity, his/her/it should complete an Application Form in favour of each Renouncee, stating that Renouncee's name and the number of Rights renounced in favour of that Renouncee in Option 3 of the Application Form. The Renoucer must then sign against the box ticked in Option 3. Each Renouncee must then complete Option 4, and Part II of the same Application Form, sign the declaration and submit it, together with payment for the shares applied for, to the Receiving Agent or Receiving Bank(s) not later than 5 pm on the Offer Closure Date.

- e. Renounce all their Rights in favour of Renouncees, who may or may not be Shareholders of HFC: Qualifying Shareholders may decide not to partake in the Offer and may renounce all their Rights under the Offer in favour of Renouncees who may or may not be existing shareholders of HFC. U.S. holders (as defined in Rule 800 under the U.S. Securities Act) may renounce Rights only in accordance with Regulation S under the U.S. Securities Act. Renouncees must complete and return the Application Form (endorsed by the Renoucer as set out below) together with payment for the shares being applied for to the Receiving Agent(s) and Receiving Bank(s) not later than 5 pm on the Offer Closure Date.

Qualifying Shareholders choosing this option must complete Part 1 of the Application Form, selecting Option 3 and indicating nil as Rights purchased, but endorse (sign) each Application Form, as evidence of consent to renounce their Rights in favour of the proposed Renouncee. The Renouncee named in Option 3 in Part 1 must complete Option 4 of the same form, sign the declaration, and complete Part II (Applicant's Details) of the Application Form in accordance with the instructions set out

under the Guidelines to Completing the Application Form.

Should a Qualifying Shareholder wish to renounce his/her/its Rights in favour of more than one person or legal entity, his/her/it should complete an Application Form in favour of each Renouncee, stating that Renouncee's name and the number of Rights renounced in favour of that Renouncee in Option 3 of the Application Form. The Renoucer must then sign against the box ticked in Option 3. Each Renouncee must then complete Option 4, and Part II of the same Application Form, sign the declaration and submit it, together with payment for the shares applied for, to the Receiving Agent or Receiving Bank(s) not later than 5 pm on the Offer Closure Date.

- f. Take no action: Qualifying Shareholders who choose not to apply for shares under the Offer, or who fail to make payment for the shares they have applied for under the Offer, or who fail to meet the deadline of 5 pm on the Offer Closure Date for returning the Application Form and making payment to the Receiving Agent(s) or Receiving Bank(s), may be deemed to have not taken any action under the Offer. Qualifying Shareholders who take no action under these terms empower the Directors of the Company to allot such unsubscribed Rights as the Directors deem fit.

## **6.2 Offer to Subscribe for Shares**

- a. As an applicant, you offer to subscribe for the number of shares indicated on your Application Form under the terms and conditions of the Offer and on the basis of the information set out in this Circular and subject to the Regulations of HFC.
- b. You agree that your application to subscribe for shares cannot be revoked after the Offer Closure Date or such later date as the Directors and advisers may agree, and promise that any cheque, banker's draft or money or postal order will be honoured on first presentation and that this paragraph constitutes an agreement between you and HFC. It becomes binding when your application is posted, or in the case of delivery by hand, received by the Receiving

Agent(s) or Receiving Bank(s). However, the Company will not be held liable if you use a wrong address in posting. You must pay all bank commissions, transfers and other bank charges related to your application.

- c. A thumbprint on an Application Form will be accepted instead of a signature thereon only if it is duly certified in accordance with the Applicable law.
- d. If your Application Form is not completed correctly or is amended, or if any cheque, banker's draft, money or postal order is found to be less than the amount stated on your Application Form, it may still be treated as valid. In such case, the Company's decision as to whether to treat the application as valid, and how to construe, amend or complete it shall be final. You will not, however, be treated as having applied to purchase a number of shares which, when multiplied by the Offer Price, gives a value greater than the amount remitted.
- e. An application may be rejected in whole or in part at the discretion of the Directors of HFC if the application is incomplete or illegible or if it is determined that the applicant is not eligible to participate in the Offer.

### **6.3 Acceptance of the Offer**

- a. Acceptance of your application to subscribe for shares under the Offer will be approved by the Directors of the bank (if your application is received, valid, processed and not rejected), and the SEC and GSE will be notified of the basis of allocation.
- b. Acceptance of your application to subscribe for shares under the Offer may be of the whole or any part thereof.
- c. If your application to subscribe for shares under the Offer is accepted (in whole or in part), there will be a binding contract under which you will be required to subscribe for the shares in respect of which your application has been accepted.

### **6.4 Payment for Shares**

- a. You undertake to pay the subscription price of the shares in respect of which your application is accepted. The offer is priced in Ghana Cedis (GHS) and Receiving Agents will receive GHS subscriptions, and process any refunds in GHS. Non-resident shareholders, who execute their rights in United States Dollars, Euros, British Pound Sterling, or a combination of any of these, will have their Rights allocated to them using the Bank of Ghana Prevailing Mid-Rate specified to them at the date cleared funds are received for their subscription. In this regard, the GHS equivalent of the amount being paid by the applicant and the corresponding number of shares being acquired under the Offer will be communicated to the applicant when cleared funds are received. The cheque or banker's draft or other remittances may be presented for payment before acceptance of your application, but this will not constitute acceptance of your application, either in whole or in part.
- b. In the case of excess applications, if your application is invalid, rejected or not accepted in full, or if the amount of the application divided by the offer price does not result in a whole number of shares, the proceeds of the cheque or other remittances or the unused balance of those proceeds (as the case may be) will be refunded to you without interest.
- c. If the remittances are not honoured on first presentation, then at any time until HFC has received cleared funds in respect of your application, the Advisers, on behalf of HFC may terminate the agreement to subscribe for that share. The termination will be effected by notifying the Receiving Agent or Receiving Bank whom you submitted your application to.

### **6.5 Renunciation**

- a. The Right to subscribe for the Rights Issue shares may be renounced in whole or in part only by completing the Application Form in accordance with the instructions therein, or by taking no action.
- b. Qualifying Shareholders who wish to purchase some of their Rights and to renounce the remainder in favour of a

different person or persons, may complete all the relevant sections of Part 1 of the Application Form in accordance with the instructions provided in the Guidelines to Completing the Application Form.

- c. U.S. holders (as defined in Rule 800 under the U.S. Securities Act) may renounce Rights only in accordance with Regulation S under the U.S. Securities Act.
- d. The Application Form must be lodged with any of the Receiving Agent(s) and Receiving Bank(s), together with payment for the shares to be received not later than 5 pm on the Offer Closure Date.

## **6.6 Procedure in Respect of Rights not Taken up or Renounced**

If a properly completed Application Form and payment in full is not received by 5 pm the Offer Closure Date, the Rights will be deemed to have been declined by the shareholder. These shares will then be available to shareholders of HFC applying for Extra Shares under the Offer, and allotted by the Directors of HFC as they deem fit.

## **6.7 Warranties**

You warrant that:

- a. you are qualified to apply;
- b. the applicant on whose behalf you are applying is qualified to apply;
- c. you will submit a complete application including all supporting documents required under the terms of the Offer;
- d. in making your application, you are not relying on any information or representation concerning the Company not contained in this Circular. You agree that no person responsible for this Circular or any part of it will have liability for any such other information or representation;
- e. if any person signing, or making a thumbprint on the Application Form is not the applicant, that person warrants that he/she has authority to do so on behalf of the applicant and that this authority is vested in him or her; and

- f. if the applicant is other than a natural person, the person signing the Application Form warrants that he/she has authority to do so on behalf of the applicant.

Each person who is a U.S. holder (as defined in Rule 800 under the U.S. Securities Act) who takes up, delivers or otherwise transfers Rights or purchases, trades or otherwise deals in Rights will be deemed, by accepting delivery of this Circular or of the Rights or new Shares offered hereby or by otherwise participating in the Offer, to have represented and agreed that:

- a. if such Rights were not allocated to such person in the Offer, such person has acquired such Rights in accordance with Regulation S under the U.S. Securities Act; and
- b. such person has not offered, sold, pledged or otherwise transferred, and will not offer, sell, pledge or otherwise transfer, Rights except in accordance with Regulation S under the U.S. Securities Act.

## **6.8 Supply and Disclosure of Information**

The Company, Directors, Advisers and their agents shall have full access to all information relating to, or deriving from, the cheque or banker's draft or other remittance accompanying your application and its processing. If the Directors or their agents request any information about your application you must promptly disclose it to them.

## **6.9 Listing of New Ordinary Shares**

Pursuant to this Rights Issue, the GSE has granted approval to list all the ordinary shares of HFC on the First Official List. It is expected that the dealings in the New Shares will start alongside the existing 297,420,918 ordinary HFC shares on the Listing Date.

## **6.10 New Shares**

Shares in respect of the new ordinary shares to be issued pursuant to the Rights Issue will be deposited into the Qualifying Applicant's CSD Account by the Uploading Date.

Letters of allotment will be issued to those shareholders who do not hold a CSD Account by the Uploading Date.

### **6.11 Bank of Ghana approval**

Under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930), the Bank of Ghana's approval is required for the sale or acquisition of 5% shareholding or more of the shares of the Company. Increases in existing shareholdings within the following percentage thresholds also require Bank of Ghana approval - 5%, 10%, 20%, 30%, 50% and 75%.

### **6.12 Exchange Controls**

Ghana's exchange control regime is governed by the Foreign Exchange Act, 2006 (Act 723) (the "Foreign Exchange Act") and notices issued by the Bank of Ghana. There are no restrictions on the purchase of capital market instruments by non-residents. Capital or principal amounts, gains and dividends derived by a non-resident in respect of investments in securities in a Ghana incorporated company are fully and freely transferable outside Ghana.

### **6.13 Taxation**

These include:

a. Withholding Tax on Dividend

Under current Ghanaian tax law, all dividend payments are subject to a dividend withholding tax of 8%. No further tax is payable on dividends received.

b. Capital Gains

Under the Income Tax Act, 2015 (Act 896), gains made by a person from a realisation of shares in a company are included in the computation of that person's total chargeable income of the person. However, pursuant to the Income Tax (Amendment) Act, 2017 (Act 941) gains derived from the realisation of securities listed on the Ghana Stock Exchange (which would include HFC Shares) are exempt from tax. This exemption is applicable up to 31 December 2021.

c. Corporate tax

The Income Tax Act, 2015 (Act 896), prescribes a corporate tax of 25% for all listed companies.

d. Stamp Duty

Under the Stamp Duty Act, 2005 (Act 689), a transfer of shares is exempt from stamp duty.

The information provided under this section or elsewhere in this Circular is not intended to be professional advice on the tax consequences of purchasing any shares under the Offer. Persons intending to purchase shares under the Offer are advised to seek professional tax advice as to tax obligations relating to investing in the shares issued under the Offer.

# PART 7.

# RECEIVING AGENT AND RECEIVING BANK'S CONTACT DETAILS

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## 7.1 Escrow and Receiving Bank

**Cal Bank Limited**  
No. 23 Independence Avenue  
GP 14596  
North Ridge, Accra  
Tel: +233 302 680 063

## 7.2 Receiving Agents

**HFC Brokerage Services Limited**  
No. 48 A, Sixth Avenue  
North Ridge,  
Accra, Ghana  
P.O. Box CT 4603  
Tel: +233 302 664430, 664214, 0289669310/1  
Fax: +233 302 664106, 665095

## UMB Stockbrokers Limited

No. 57 Dr. Isert Street  
North Ridge  
Accra  
P.O Box CT 1317, Cantonments, Accra  
Tel: +233 302 251 137  
Fax: +233 302 251 138

## All Bank Branches of HFC Bank Ghana Limited

No. 35 Sixth Avenue,  
North Ridge,  
Accra, Ghana  
Tel: +233 302 242 090-4  
Fax: +233 302 242 095

# PART 8.

# GUIDELINES TO COMPLETING

# APPLICATION FORMS

*It is important that the Application Form is correctly completed. Applicants in doubt should consult the Receiving Agent for assistance. Applications received after the Offer Closure Date may not be considered.*

## General Instructions for Completing the Application Form

Please read the instructions carefully before completing the relevant parts of the Application Form.

- a. There are two Parts to the Application Form with various sections. Please ensure that you complete all the relevant and appropriate sections of the Application Form in accordance with your choices, and return the completed Application Form together with payment for your subscription to a Receiving Agent or Receiving Bank.
- b. Use block / capital letters in completing the Application Form and return the completed Application Form together with payment for your subscription to the Receiving Agent or the Receiving Bank by the Offer Closure Date.
- c. Only people over 18 years of age can buy shares in their own name. Shares may be bought for a child by a parent, grandparent or guardian of the child who may complete another Application Form to buy shares in his/her own name.
- d. Power(s) of attorney must be enclosed if anyone is signing on behalf of a Qualifying Applicant other than a minor.
- e. Photocopies of Application Forms will be accepted only when they are clear and legible. The submission of a photocopied Application Form presumes that the applicant understands and accepts the terms and conditions of the Offer.

## Parts of the Application Form

The Application Form has the following parts:

### Part 1

To be completed by Qualifying HFC Shareholders/ Renouncees/ New Shareholders taking part in the Offer. Each Qualifying HFC Shareholder/ Renouncee/ New Shareholder must indicate his/ her/its preferred option with regard to the Offer.

### Part 2

To be completed by each Applicant named in Part 1 of the Application Form.

## Guidelines to Completing the Application Form for Qualifying HFC Shareholders

- a. Provisional allotment

The Directors of HFC have provisionally allotted to Qualifying HFC Shareholders a number of new ordinary shares set out under the terms of the Offer. The allotment is in the proportion of 1 new ordinary share for every 3.2716 existing ordinary shares registered to each Qualifying HFC Shareholder's name as at the Book Closure Date.

Qualifying HFC Shareholders may accept all or any number of the new ordinary shares offered to them, or renounce their Rights in favour of another person(s), or take no action.

If the Qualifying HFC Shareholder does not wish to partake in the Offer, he/she/it does not have to do anything. All Qualifying HFC Shareholders who do not submit a duly completed Application Form by the Offer Closure Date will be deemed to have selected not to participate in the Offer. The Directors of HFC will allot the shares declined by such Qualifying HFC Shareholders as they deem fit.

Applicants to the Offer must provide a valid ID. For the purposes of the Offer, a valid ID includes a national passport, driver's license and voter's ID

card for individuals; and registration documents, Registrar General's Form A or Form 3 or a duly executed resolution from the organization for institutions, clubs and other bodies.

- b. Available options if Qualifying HFC Shareholders wish to take part in the Offer

They may do only one of the following:

- i. Accept all the new shares provisionally allotted to them: if they select this option, Qualifying HFC Shareholder(s) should kindly complete Part 1 of the Application Form, selecting Option 1.
- ii. Accept all the new shares provisionally allotted to them and apply for more shares: if they select this option, Qualifying HFC Shareholder(s) should kindly complete Part 1 of the Application Form, selecting Option 2.
- iii. Accept part of the new shares provisionally allotted to them: if they select this option, Qualifying HFC Shareholders should kindly complete Part 1 of the Application Form, selecting Option 3 and proceed to sign the Declaration and complete Part II of the application form, with applicant's details.
- iv. Accept part of the new shares provisionally allotted to them and renounce the remainder in favour of another party/other parties: if they select this option, Qualifying HFC Shareholders (Renoucer) should have already completed the Application Form per provisions in (iii) of this section. Thereafter, the Renoucer must endorse (sign) an application form for each renouncee, as evidence of consent to renounce their rights entitlement in favour of the proposed applicant(s). Each Renouncee named in Option 3 in Part 1 must complete Option 4 of the same endorsed form, sign the Declaration, and complete Part II (Applicant's Details) of the Application Form.
- v. Renounce all the new shares provisionally allotted to them in favour of another party(ies): if they select this option, Qualifying HFC Shareholders should kindly complete Part 1 of the Application Form, selecting Option 3 and indicating nil as rights purchased, but endorse (sign) each application form, as evidence of consent

to renounce their rights entitlement in favour of the proposed applicants. Each Renouncee named in Option 3 in Part 1 must complete Option 4 of the same form, Sign the Declaration, and Complete Part II (Applicant's Details) of the Application Form.

- c. Available options if a New Applicant / Prospective Shareholders wish to take part in the Offer:

The new applicant/prospective shareholder may buy traded rights (from the GSE through a Licensed Dealing Member / Broker), and he/she/it must present a CSD Statement as evidence of the rights purchased to a receiving agent, before applicant may be allowed to submit an application. Each Applicant under this category must complete Option 4 of Part 1 of the Application Form, Sign the Declaration, and Complete Part II (Applicant's Details) of the Application Form.

- d. The Applicant Details in Part II of the application form must have details of the person for whom payment is being made in his/her/its favour.

### **Guide to Completing the Application Form for Renouncees**

#### **Renouncees**

If a Qualifying HFC Shareholder (Renoucer) has renounced a portion or all of his/her/its Rights in favour of a Renouncee under the Offer, Qualifying Shareholders choosing this option must tick Option 3 of Part I, whilst each named Renouncee must complete Option 4, the Declaration, and Part II of the same Application Form in accordance with the instructions set out under the Guidelines to Completing the Application Form.

Should Qualifying Shareholders want to renounce their Rights in favour of more than one person, the Renoucer must state the number of shares to be allotted to each Renouncee in Option 3 of Part 1 of the Application Form, and endorse (sign) each application form, as evidence of consent to renounce their rights entitlement in favour of the proposed applicants

The Renouncee must provide responses for all items of the Applicant details Section(s) being completed in Part 2 of the Application Form, with the exception of "CSD Details", which must only be completed if the Renouncee completing that

Renouncee Section has an existing CSD Account as at the date of the application.

General instructions for completing **Part 2 (Applicants Details)** of the Application Form are as follows:

## APPLICATION

### 1. Personal Details

Complete with your surname (if individual) or with the full name of your organization/ or company name (if institutional).

### 2. Identification Card Details ("ID")

Kindly provide a valid ID (i.e. a national passport, driver's license and voter's ID card for individuals), tick the ID type and state the ID number as requested. If applicant is an institutional investor/ organization, kindly indicate at the section marked 'ID Number (or Other)', the type of registration documents, Registrar General's Form A or Form 3 or a duly executed resolution from the organization.

### 3. Other Personal Details & Correspondence Address

Complete with your other names (i.e. first name, other names, title,) if applicable. Additionally, provide your contact details (i.e. mobile/ telephone number, email address, and full residential/ office or postal address. The address must be current and reliable and in case of any change in address you should immediately inform the Registrars of your new address. The address provided will be used to mail Renouncees without CSD accounts their allotment letters

### 4. Central Securities Depository Account Details

Complete with your client name as appears on the CSD, your CSD client code and the Broker/LDM name, if you have a CSD Account as at the date of your application. You may contact any broker to open a CSD Account prior to the submission of your completed Application Form.

### 5. Renounced Rights

Please indicate the number of Rights renounced in your favour by a Qualifying HFC Shareholder in Option 4 of Part I of the Application Form.

### 6. Payment Amount Due

Please indicate the monetary value due for the number (total) of shares you are applying for.

### 7. Declaration

Please read the declaration carefully before signing (or thumb printing) on the line and dating the form in the space provided. The application form may also be signed by joint applicants, where applicable.

The Application Form may be signed by someone else on your behalf if he/she is duly authorized to do so.

An agent must enclose the original power of attorney appointing him/her (or copy certified by a notary public) unless he/she is a selling agent or financial intermediary and states the capacity in which he/she signs.

# APPLICATION FORM

I. **SUBSCRIPTION INSTRUCTIONS (Please choose only one of the options stated below):** Date: .....

**Option 1**

Please tick your option

I/We, ..... wish to subscribe fully for my Rights. 

I/We make payment of GH¢..... covering my subscribed rights of ..... shares.

Kindly complete applicant's details, sign the declaration below and return this signed form together with the amount above to the receiving agent.

**Option 2**I/We, ..... wish to subscribe fully for my Rights and apply for extra shares. 

If you ticked Yes, please put in the number of extra shares you wish to apply for and amount payable covering your total application below:

I/We wish to subscribe for ..... extra shares in addition to my allotted rights of ..... shares.

I/We make payment of GH¢..... covering my total rights and the extra shares of ..... shares.

I/We understand and accept that receiving these additional shares depends upon the number of unsubscribed shares available after the closure of the Offer and will be at the discretion of the Directors of HFC Bank.

**Option 3**I/We, ..... wish to partially subscribe for / renounce my Rights. I/We wish to renounce ..... shares, in favour of ..... 

I/We make payment of GH¢..... covering my subscribed rights of ..... shares.

Kindly complete applicant's details, sign the declaration below and return this signed form together with the amount above to the receiving agent.

If renouncing, Kindly tick, and sign by the second box in this section to confirm your consent to renounce your rights to your proposed applicant(s).

**Option 4 - To be completed by Renouncee(s)/ Applicants with Traded rights purchased**I/We, ..... wish to apply for shares renounced to me /rights purchased under this offer. 

I/We make payment of GH¢..... covering my application for ..... shares.

Kindly complete the applicant's details, sign the declaration below and return this signed form together with the amount above to the receiving agent. I/We understand and accept that receiving shares under this offer depends upon the number of rights purchased/ shares renounced in my favour.

**II. APPLICANTS DETAILS (All Applicants should kindly provide an update of their contact details):**

SURNAME/COMPANY NAME:								
ID Type	Passport	Drivers License		Voters ID		NHIS Card		ID Number:
FIRST NAME:						CSD ACCOUNT/DEPOSITORY DETAILS		
MIDDLE NAME:						Client Name:		
TITLE:						CSD Client Code:		
TELEPHONE NUMBER:						Broker Name:		
EMAIL:								
ADDRESS (PHYSICAL ADDRESS / POSTAL BOX):								

**DECLARATION**

I/We hereby apply for shares of HFC Bank under the terms and conditions set out in the Offer Circular. I/We certify that all statements made in this application to enable me take part in HFC Bank's rights issue are correct and the responses are my / our own.

Applicant's Signature(s)	Date <small>Please Cut / Tear Along This Line</small>	Receiving Agent's Stamp & Signature
-----		
To be completed by the Receiving Agent and then signed and retained by applicant as evidence of application HFC BANK GHS50 MILLION RIGHTS ISSUE - APPLICATION COUNTER FOIL		
Applicant's Name and Address		Applicants Signature / Thumbprint
Name:		Receiving Agent's Stamp & Signature
Address:		
Telephone / Email:		
No. of Shares Applied For:		Amount Paid (GH¢):
		Date:







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