

EXTRAORDINARY GENERAL MEETING

Date: 28th September 2017

Venue: Accra City Hotel

Circular to Shareholders



NOTICE OF MEETING

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the shareholders of HFC Bank (Ghana) Limited (the "Company") will be held at Accra City Hotel, Barnes Road, Accra at Eleven O'clock in the forenoon (11.00 a.m.) on Thursday, 28th September 2017 to transact the following business:

I ORDINARY BUSINESS

1. Election of Institutional Directors.
2. Raising of Capital.

II SPECIAL BUSINESS

3. Amendments to Regulations / Change of Company Name.

Dated this 6th day of September 2017

BY ORDER OF THE BOARD OF DIRECTORS

Beatrix Ama Amoah
COMPANY SECRETARY

NOTES

A Member (Shareholder) who is unable to attend a General Meeting is entitled to appoint a proxy to attend and vote on his/her behalf. A proxy need not also be a member.

A proxy form is attached herewith to enable you exercise your vote if you cannot attend. The form should be completed and deposited at the Company's Registered Office at Ebankese, No. 35, 6th Avenue, North Ridge, Accra, aforesaid or via email to hfcomp@hfcbank.com.gh at any time prior to the commencement of the meeting in accordance with the Company's Regulations.

All relevant documents in connection with the meeting are available to shareholders from the date of this notice on the Company's website (www.hfcbank.com.gh) and at the Company's Registered Office aforesaid.

DRAFT RESOLUTIONS

I AS ORDINARY RESOLUTIONS

1. That Mr. Michael Addotey Addo be and is hereby elected as a Director of the Company under Regulation 63 of the Company's Regulations and Section 298 (d) of the Companies Act, 1963 (Act 179) ("Companies Act").
2. That Mr. David Addo-Ashong be and is hereby elected as a Director of the Company under Regulation 63 of the Company's Regulations and Section 298 (d) of the Companies Act, 1963 (Act 179) ("Companies Act").
3. Raising of Capital:-
 - (a) 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.
 - (b) 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.
 - (c) 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.

II AS SPECIAL RESOLUTIONS

4. Amendments to Regulations / Change of Company Name:
 - (a) That Regulation 1 of the Regulations of the Company be deleted and replaced with following as a new Regulation 1

"The name of the Company is Republic Bank (Ghana) Limited".
 - (b) That Regulation 53 be amended by deleting the words, "HFC Bank (Ghana) Limited" and replacing them with the words, "Republic Bank (Ghana) Limited".
 - (c) That the Directors of the Company be and are hereby authorised to take all such steps as are required to effect and publicise the name change.

PROFILES OF PROPOSED DIRECTORS

MR. MICHAEL ADDOTEY ADDO

Mr. Michael Addotey Addo is currently the Deputy Director-General responsible for Finance & Administration at the Social Security and National Insurance Trust (SSNIT). 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 Ltd.

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

MR. DAVID ADDO-ASHONG

Mr. David Addo-Ashong is a Partner at Ashong Benjamin & Associates. He previously served as a Partner at Ankamah and Associates and also a Deputy Managing Director at First Atlantic Merchant Bank Limited.

Over the years he has held several key positions at the Office of the Ombudsman, Merchant Bank (Ghana) Limited (now UMB) and Home Finance Company Limited (now HFC Bank (Ghana) Limited).

Mr. Addo-Ashong is currently a Director at Afina Group and HFC Investment Services Limited.

Mr. Addo-Ashong holds an LLB from the University of Ghana, Legon and BL from the Ghana Law School.

He is a Member of Ghana Bar Association, the Ghana Olympic Committee and President of the Ghana Basketball Association.

3. PROPOSED RIGHTS ISSUE

3.1 REASONS FOR THE PROPOSED RIGHTS ISSUE

A proposed Rights Issue is advocated to raise GHS 50,000,000 for the following purposes:

- 3.1.1. To meet the regulatory minimum capital requirement of GHS 120,000,000 as per Bank of Ghana directives/notice.
- 3.1.2. To enable the Company develop, expand its business and undertake larger volume transactions in line with its competitive strategy (which is expected to yield significant return on equity for the Shareholders in the medium term).
- 3.1.3. To further improve the Company's single obligor limits.
- 3.1.4. To enable the Company to better serve the needs of its customers in a competitive environment.

Accordingly, the Board of Directors has opted (after seeking relevant advice) to recommend an equity capital raise through a proposed Renounceable Rights Issue to enable all Shareholders to participate on an equal basis in the Company's growth agenda and also create an opportunity for Shareholders to maintain their shareholding without being diluted by an alternative route to a capital raise.

3.2 DETAILS OF THE PROPOSED RIGHTS ISSUE

The exact number of offer shares and the issue price will be determined by the Board of Directors immediately prior to the launch of the proposed Rights Issue and will be set out in a Prospectus to be circulated to Shareholders.

It is intended that any rights not taken up or renounced by any Shareholder will be offered to the other participating Shareholders. Details of this will be set out in the Prospectus.

The additional shares to be issued by the Company under the proposed Rights Issue shall be listed on the Ghana Stock Exchange.

3.3 REQUIRED APPROVALS FOR THE PROPOSED RIGHTS ISSUE

The Company would be required to issue a Prospectus which is subject to the approval of the Securities & Exchange Commission. Accordingly, the Company shall, immediately after the Shareholders have authorised the proposed Rights Issue, obtain the approval of the Securities & Exchange Commission to the Prospectus and thereafter circulate same to the Shareholders.

The shares to be issued by the Company under the proposed Rights Issue shall be listed on the Ghana Stock Exchange. The additional listing is subject to the approval of the Ghana Stock Exchange. Accordingly, the Company shall, immediately after the Shareholders have authorised the proposed Rights Issue, also obtain the approval of the Ghana Stock Exchange for the additional listing.

3.4 DIRECTORS' RECOMMENDATION

In view of the above, the Board recommends that the Shareholders vote in favour of the resolutions to raise capital by a renounceable rights issue under the Ordinary Business at the EGM.

4. AMENDMENT TO REGULATIONS

PROPOSED COMPANY NAME CHANGE

HFC BANK (GHANA) LIMITED TO REPUBLIC BANK (GHANA) LIMITED

4.1 INTRODUCTION

In May 2015, Republic Bank Limited (RBL), now Republic Financial Holdings Limited (RFHL), became the majority shareholder in HFC Bank with a 57.11% equity stake following the closure of the Mandatory Tender Offer to shareholders and the subsequent approval by the Securities and Exchange Commission.

A number of initiatives geared towards stabilizing the Bank and getting the Bank on course to produce the desired results have since been successfully undertaken. The key activities undertaken during the past two years include the restructuring of critical departments of the Bank, upgrade of core technology infrastructure and data centre and the introduction of a new Branch Model.

In addition, a number of activities, including cultural revitalization initiatives, aimed at promoting a new high performing and result oriented culture by adopting responsibility, leadership, teamwork, customer-centred and action-oriented attitudes at work, have also been undertaken. Although some success has been achieved, a name change will bring focus on the new image of the Bank and support staff to live the new culture in order to align with the Group's culture and core values.

4.2 RATIONALE FOR CHANGE OF NAME

Currently, the Ghanaian Banking Industry is faced with declining returns on short-term Government of Ghana Securities. Additionally, the Government's creation of the Treasury Single Account (TSA) (which houses bank accounts of all Government institutions at Bank of Ghana) would also deprive the Industry of relatively cheaper source of funds. These developments will result in narrower spreads which will negatively impact the bottom-line of Banks. Furthermore, the Industry is bedevilled with high operating costs (cost to income ratio 86%: April 2017) and high Non-Performing Loans (NPL Ratio 19.8%: April 2017). Most pressing of all, the Ghanaian Banking Industry is experiencing weaknesses in capital and liquidity.

All these challenges are impacting negatively on smaller Banks in the Industry. Presently a number of small Banks are not meeting Bank of Ghana's capital requirements. Some Non-Bank Financial Institutions (NBFI) in the country are also facing similar capital and liquidity issues.

A change of name has therefore become critical for the Bank due to the following factors:

4.2.1 A Sign of Rebirth

Traditionally, whenever there is uncertainty in the system, the result is a "capital flight to safety" - where customers move their funds from smaller Banks to larger Banks such as Barclays, Standard Chartered or Stanbic Bank. Although HFC Bank is part of the larger and well established RFHL Group and very well liquid, it is still perceived as a small local Bank and therefore could be negatively affected if there should be a "capital flight to safety" in the Industry. This is notwithstanding that, in terms of credit ratings, Standard and Poor (S&P) accords RFHL BBB+ rating ahead of Barclays Plc (parent company of Barclays Bank Ghana) which is rated BBB-. A name change has thus become essential to usher in the rebirth of the Bank as one of the big players in the Industry.

4.2.2 Mergers, Acquisitions and Demergers

Changes of business ownership, such as mergers, acquisitions and demergers, result in an immediate rebranding or name change. The aim here is not only to make the change visible, but also to comply with legal requirements. For instance, in the case of mergers and acquisitions, the new company may develop a completely new brand or the name of one of the parties is used.

The Company, now a subsidiary of RFHL, would therefore benefit immensely from a name change to that of its parent Bank, which has total assets of USD10.7 billion and is rated BBB+ by S&P.

4.2.3 Repositioning

A name change will reposition the Bank by highlighting its new strategy in products and services, customer service and corporate identity, among others. The Company is a Universal Bank with a licence to provide a wide range of financial products and services; it is still nevertheless widely perceived as a mortgage company because of its history. The Company currently has only 22% of its loan portfolio in mortgages and has 42 branches scattered across the country.

The new direction of the Company is to leverage on the infrastructure and strong mortgage base to generate additional income and deepen its presence in Corporate / Commercial, Retail and SME Banking. The name change will enhance the Company's image by leveraging on its universal banking licence and erode the misconception that it is principally a mortgage bank.

4.2.4 Group Identification / Internationalization

A name change has become necessary as the Company is now part of an international Bank and thus is not specific to a particular country. Normally, organisations that provide or sell the same products or services in several countries use one brand internationally which tells a clear story about the organisation.

Currently, the Company is the only subsidiary of RFHL with a different name in the Group. The change of name from HFC Bank (Ghana) Limited to Republic Bank (Ghana) Limited will help in easy identification and alignment to the core competence and ethos of the RFHL Group.

4.3 REQUIRED APPROVALS FOR THE PROPOSED CHANGE OF NAME

The Company would be required, pursuant to the Companies Act, 1963 (Act 179), to seek the approval of the Registrar of Companies, Ghana to have its current name changed from HFC Bank (Ghana) Limited to Republic Bank (Ghana) Limited. An initial application has been made to the Registrar of Companies on behalf of the Bank. The application for registration will be made as soon as Shareholders approve the proposal.

The Company is also required, pursuant to the Banks & Specialised Deposit-Taking Institutions Act, 2016 (Act 930) to apply and seek the prior written approval of the Bank of Ghana before it can have its current name changed from HFC Bank (Ghana) Limited to Republic Bank (Ghana) Limited. The Company has made initial application to the Bank of Ghana.

4.4 FINANCIAL IMPLICATIONS

Although there are financial implications for the proposed name change, due to prudent cost management however, the Company currently has a very low stock of stationery.

The main cost that will be incurred for the proposed name change will involve changing signages and a consultant who will assist with Public Relations (PR) activities. An estimated budget of GH¢1,600,000.00 is therefore envisaged for the project.

The Company expects to meet its budget this year and therefore the costs associated with the change of name can be absorbed within the current year.

4.5 CONCLUSION

The rationale behind the name change is to reposition the Bank's image in the market from a laid-back home finance institution to a dynamic, responsive and aggressive Universal Bank with international backbone and lineage. This will help the Company in achieving its objective to maintain a leadership position in Mortgage, strengthen Retail, Corporate and Investment Banking and position itself in the Oil Sector space, leveraging on RFHL experiences.

4.6 DIRECTORS' RECOMMENDATION

In view of the above, the Board of Directors recommends that Shareholders vote in favour of the resolutions to effect a change in the Company's name from HFC Bank (Ghana) Limited to Republic Bank (Ghana) Limited.

HFC BANK (GHANA) LIMITED

PROXY

I/We _____ of _____ being members of HFC BANK (GHANA) LIMITED hereby appoint _____ or failing him, MR. CHARLES ZWENNES, Chairman of HFC Bank (Ghana) Limited, P.O. Box CT4603, Cantonments, Accra, as my/our proxy to vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held at Accra City Hotel, Barnes Road, Accra at eleven o'clock (11:00am) in the forenoon on the 28th day of September 2017 and at any adjournment thereof.

Please indicate with a tick in the space below how you wish your votes to be cast

RESOLUTIONS

		FOR	AGAINST	ABSTAIN
1. To elect Mr. Michael Addotey Addo as a Director.	1.			
2. To elect Mr. David Addo Ashong as a Director	2.			
3. Raising Capital.	3.			
(a) To undertake a renounceable rights issue.	(a).			
(b) To issue, allot shares and determine terms.	(b).			
(c) To issue, allot and deal with unsubscribed shares.	(c).			
SPECIAL RESOLUTIONS				
4. Amendment to Regulations/Change of Name	4.			
(a) To Regulation 1.	(a).			
(b) To Regulation 53.	(b).			
(c) To effect and publicise name change	(c).			

Or any other business transacted at the meeting and otherwise instructed in the paragraphs above, the proxy will vote as he/she thinks fit.

This ___ day of _____ 2017 Signed _____

THIS FORM SHOULD NOT BE COMPLETED AND SENT TO THE SECRETARY IF THE SENDER WILL BE ATTENDING THE MEETING

- Provision has been made on the form for MR. CHARLES ZWENNES, the Chairman of the Meeting, to act as your Proxy but if you so wish, you may insert in the blank space the name of any person whether a member of the Company or not who will attend the Meeting and vote on your behalf instead of the Chairman.
- In the case of joint holder, each holder must sign. In case of a company, the Proxy Form must be signed by a Director or its Common Seal appended.

If you intend to sign a Proxy, please sign the above Proxy Form and post/submit it to reach the Secretary, HFC Bank (Ghana) Limited, Ebankese, P.O. Box CT4603, Cantonments, Accra, Ghana or via email to hfcomp@hfcbank.com.gh at any time prior to the commencement of the meeting in accordance with the Company's Regulations.



THIRD FOLD HERE

THE SECRETARY
HFC BANK (GHANA) LIMITED
EBANKESE
P.O. BOX CT4603
CANTONMENTS
ACCRA, GHANA

SECOND FOLD HERE

FIRST FOLD HERE

