

IMPORTANT INFORMATION FOR CLIENTS

June 12, 2020 – Accra: IGS Financial Services Limited (IGS), one of Ghana's leading investment management firms, has expressed concern about what we consider as unfair and discriminatory actions meted out by Bank of Ghana, Ministry of Finance, the Receiver (Eric Nana Nipa of PricewaterhouseCoopers) and Consolidated Bank Ghana Limited (CBG) in respect of payments to Fund Managers who placed funds with some defunct Savings & Loans and Finance Houses, under receivership.

The current financial industry crisis resulted from Bank of Ghana's initiation of a clean-up exercise within the financial industry. The licences of 7 Banks, 23 Savings & Loans and Finance Houses, and 386 Microfinance Institutions were revoked in accordance with section 123 of Act 930. Licences of 53 Fund Managers were also revoked by the Securities and Exchange Commission (SEC). The collapse of these institutions during the financial industry clean-up resulted in loss of trust and confidence, general fear and panic, and uncertainty in the financial system. This fuelled a cumulative effect of panic withdrawals, leading to general liquidity challenges, affecting the entire financial system, including almost all issuers of securities, with which we invested clients' funds.

It is very important to note that in the case of the Banks, whose licenses were revoked, the total validated deposits, including accrued interest were fully paid (in cash) in accordance with Bank of Ghana's Press Release and Bank of Ghana's constructive obligation. However, in the case of the Savings and Loans, Finance Houses, Microfinance and Micro-credit institutions, whose licenses were revoked, Bank of Ghana initially wanted to prioritise the payment of only a capped amount of GHS 10,000, which was subsequently increased to GHS 20,000, despite Bank of Ghana's public declaration that the Government of Ghana had made funds available to enable the Receiver pay depositors, after their claims were validated.

In the interest of our clients and to ensure the payment of all our funds, we initiated legal action against Bank of Ghana and the Receiver in September 2019, in a suit entitled IGS Financial Services Vs. Bank of Ghana and Eric Nipah, Suit No. CM/BFS/1285/2019. It was our contention that prioritization of amounts up to GHS 10,000, which was subsequently increased to a capped amount of GHS 20,000, was wrongful and unlawful, and that Bank of Ghana was obliged to fully pay all these funds based on their press releases and constructive obligation. This is because, Bank of Ghana, in several public notices, accepted liability for any potential risk and/or loss to the public for doing business with any properly licensed Bank and/or Specialized Deposit-Taking Institution. Bank of Ghana, in these notices, also cautioned the general public against any business transaction with unlicensed deposit-taking institutions. Bank of Ghana further stated that, in the event of any loss, it would not be liable to such clients or depositors who transact business with unlicensed deposit taking institutions. Subsequent to our legal action, Bank of Ghana filed an application to be exempted from the Case. According to them, they were not responsible for any liability since the funds were not directly given to them. We opposed their application and the Court held that Bank of Ghana was very relevant to the Case, hence dismissed their application.

Furthermore, H.E. Nana Addo Dankwa Akufo-Addo (President of the Republic of Ghana) indicated in his Christmas message to the Nation, that he had directed the Ministry of Finance to work with Bank of Ghana to guarantee the payment of 100% of deposits, of customers of savings and loans, finance houses, and microfinance companies (specialised deposit-taking institutions), whose licenses were revoked, just as they did in the case of deposits of customers of the failed banks. On February 20, 2020, The President, H.E. Nana Addo Dankwa Akufo-Addo, in his State of the Nation Address, confirmed the payment of 100% deposits effective February 24, 2020. Based on the assurances from the President of the Republic of Ghana, regarding 100% payments of deposits made, we filed a Notice of Discontinuance of our legal action and withdrew our court case against Bank of Ghana, and the Receiver on February 21, 2020.

Subsequent to the President's address, Fund Managers (including IGS Financial Services Limited) are currently being paid a small capped cash amount of GHS 170,000. Remaining funds, in excess of the capped amount, are

IGS Financial Services Ltd.

Head Office: Plot # 48, Block G, Hospital Road, Near the Community Centre, Kwawrekwano, Tarkwa.

PMB Tarkwa, Western Region • Tel: 031 232 2178 | 026 422 2668 • Email: info@igsghana.com

Branches: Obuasi - 032 254 3196 | 020 925 3392 Tema - 030 298 2990 | 020 957 1888

Accra - 030 226 3070 | 050 152 4552 Takoradi - 031 202 3147 | 050 140 2372 Kumasi - 032 239 7687 | 050 140 2369

Directors: James M. Kulley | Kofi A. Asare

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being paid with 5-yr zero-coupon bonds. For IGS Financial Services Limited, this means we expect to receive 0.54% of our total funds with the Receiver in cash while 99.46% will be paid in the form of 5-yr zero-coupon bonds. The bonds are payable in ten (10) equal instalments over a 5-year period. The first instalment is due in March 2021 and every six months thereafter. We have petitioned the relevant authorities that this is very selective, discriminatory, unfair and contrary to the President's public declaration. It is important to note that the issuance of 5-yr zero-coupon bonds is indeed not the case of payments made to customers of the failed banks as indicated above nor payments made to Bank of Ghana regulated entities, who also had funds with the microfinance and savings and loans companies, whose licenses were revoked. There is evidence that the Bank of Ghana regulated entities have either being fully paid (in cash) or are being paid 80% cash and only 20% of the 5-yr zero-coupon bonds.

In addition, CBG is unfortunately offering to discount the bonds at very exorbitant/punitive rates. CBG Bank is offering to discount the first two instalment payments and has proposed discount factors (rates) of 23% and 23.45% respectively. It is our considered opinion that these rates are very inappropriate, considering existing market conditions. Our sample banking survey revealed that the average cost of funds falls in the range of 6% – 9%; average returns on risk-free assets stand between 15% – 17%, whilst CBG's indicated fixed-deposit rate for amounts above GHS 500,000 is 15.50%. It must be stated that with the average cost of funds between 6% – 9% and other relatively lower market indicators, CBG's discount factors/interest rates amount to an unfair/unethical market conduct and an overkill. CBG's discount factor/interest rate should not exceed the medium-term inflation rate target of 8% ± 2%, or worse; the Bank of Ghana Policy rate of 14.5%.

We are earnestly following up on the unfair payment of approximately 100% bonds, which has been allocated to fund managers. We are also following up to discuss the unfair/unethical approach by CBG and to have them reconsider their actions immediately. This is because, their actions will worsen an already bad situation and is tantamount to taking advantage of depositors', who unlike others, have been given 5-yr zero-coupon bonds. As an establishment, created by Government to help solve the financial system crisis, CBG should not be positioned to profit from the crisis unfairly and/or abnormally, at the expense of Ghanaians. We appreciate the fact that as a commercial entity, CBG may have to make some profit, but certainly not abnormal profits from a crisis, which they were established to help solve. It must be noted that such exorbitant/punitive interest rates, which is typical of monopolistic behaviour can exacerbate current socio-economic problems for Ghanaians.

IGS Financial Services Limited wishes to inform clients that although our license has not been revoked, the systemic liquidity challenges have affected the entire industry, including IGS. This is because almost all the institutions, who issued securities, with which we invested clients' funds, were affected. However, we wish to assure clients that all funds were duly invested and would be recovered. We would like to take this opportunity to thank you for your patience and continued support as we pursue all available options against this unfairness, discrimination and injustice against fund managers and clients. Please be assured that we shall continue to go to every extent to seek your interest, including measures to minimise any potential impact on our clients.

For more information on IGS Financial Services Limited, call +233 302 260367/ 302 260370 or email info@igsghana.com or visit our website www.igsghana.com.

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About IGS Financial Services

Established in 2009, IGS Financial Services (IGS) is a professional financial management services company licensed and regulated by the Securities and Exchange Commission (SEC), and the National Pensions Regulatory Authority (NPRA). IGS provides investment advisory, investment research and publication, as well as portfolio management of securities on behalf of clients for investment purposes. We aspire to be the financial institution of choice through the provision of superior financial management services to our clients.

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