



Fairness Opinion

Republic Bank (Grenada) Limited

Offer Date: May 9, 2016
Report Date: May 9, 2016

PRIVATE AND CONFIDENTIAL

Mr. Leon D. Charles
Chairman of the Independent Committee
Republic Bank of Grenada Limited
Republic House
Maurice Bishop Highway, Grand Anse
St George, Grenada

May 9, 2016

Dear Mr. Charles:

FAIRNESS OPINION – REPUBLIC BANK (GRENADA) LTD.

- 1 Grant Thornton LLP (“GT”, “we”, “us”, or “our”) understands that Republic Financial Holdings Limited (“RFHL”, or the “Offeror”), has by way of an Offer and Take-Over Bid Circular dated May 9, 2016 (the “Offer”), made an offer to acquire at least 90% of the remaining publically traded common shares (the “Shares”, or the “Minority Share Interests”), that it does not currently own in Republic Bank (Grenada) Limited (“RBGL”, the “Bank”, or the “Company”), at a price of EC\$45.00 cash, per common share (the “Offer Price”).
- 2 Prior to the Offer, in July 1992, the Offeror had purchased 51% of the Bank’s common shares (“Initial Acquisition”). At the time of the Initial Acquisition, the Bank operated under its former name, the National Commercial Bank of Grenada Limited. The Initial Acquisition is the only time, or instance when the Offeror acquired any common shares in RBGL.
- 3 The Independent Committee of the Board of Directors of the Bank (the “Committee”) has retained GT to provide a fairness opinion report (the “Fairness Opinion”) setting out our opinion as to whether the Offer is fair, from a financial point of view, to the Minority Share Interests in RBGL.

Republic Bank (Grenada) Limited

- 4 RBGL is a publically listed company, traded on the Eastern Caribbean stock exchange. 51% of its shares are owned by RFHL, and the remaining 49% of its shares are publically owned.
- 5 The Bank is a Grenadian incorporated entity, and provides various banking services through its six branches in Grenada and Carriacou. Banking services to the public, primarily include deposit taking, and commercial and retail lending. Capital, or customer deposits the Bank is not able to lend safely and productively, is invested by the bank in a variety of investments and/or securities.

- 6 RBGL's predecessor was the National Commercial Bank of Grenada Limited, an entity that was established in October 1979, and who at the time was fully owned by the Government of Grenada. In July of 1992, RFHL acquired 51% of RBGL's predecessor's shares from the Government of Grenada, and has since not acquired anymore shares.
- 7 RBGL's Managing Director is Mr. Keith Johnson, and the Company has more than 200 employees.
- 8 While RBGL's shares are publically listed on the Eastern Caribbean Stock Exchange, its shares have low trading volumes, whereby approximately 0.2% of its public float has traded on average, during each of RBGL's last three fiscal years (2015, 2014, and 2013). As such, the public market provides the Minority Share Interests marginal liquidity on their investment, and in the absence of the Offer, assuming the level of historic trading volume will continue into the future, the Minority Share Interests ability to receive a return of their equity may be challenged.

Engagement of Grant Thornton LLP

- 9 The Committee first contacted GT about the proposed Offer in August, 2015. Subsequent to that, the Committee, through RBGL retained GT pursuant to an Engagement Letter dated October 9, 2015. The terms of the Engagement Letter provide that GT will receive a fee for rendering a Fairness Opinion in relation to the Offer. The fee to be received is based on the professional time required for GT to render the Fairness Opinion. GT's compensation for rendering the Fairness Opinion is not contingent on the result of, or on any action or event resulting from the use of, the Fairness Opinion. The effective date of our Fairness Opinion is May 9, 2016 (the "Report Date").

Credentials of Grant Thornton LLP

- 10 Grant Thornton LLP ("GT-Canada") is the Canadian member firm of Grant Thornton International Ltd ("GTIL"), one of the world's leading organizations of independent audit, tax, and advisory firms.
- 11 In Canada, we serve a broad range of clients, including privately-held and publicly-listed companies, financial institutions, governmental agencies, and civic and religious organizations. Our core industry focuses include financial services; charity and not-for-profit; manufacturing and distribution; energy; construction, real estate and hospitality; mining; and professional services.
- 12 Internationally, we are a firm with revenues of US\$4.2 billion, employ in excess of 35,000 people, have over 2,800 partners, which are spread out over approximately 500 offices.
- 13 The valuation practitioners involved in providing the Fairness Opinion are professionally trained, and hold Chartered Professional Accountant and Chartered Business Valuator designations.

Independence of Grant Thornton LLP

- 14 This report was prepared in conformity with the Practice Standards of the Canadian Institute of Chartered Business Valuators (“CICBV”), and in doing so the authors have acted independently and objectively.
- 15 GT-Canada has completed an internal search of its records and determined that we are independent of RBGL and the Offeror. GT-Canada has informed the Committee that based on a conflict search, GT-Canada is not aware of any actual or perceived conflicts that could affect our ability to act impartially.
- 16 Our search concluded that, except for as noted herein, neither GT-Canada, nor any of our affiliates, is an insider, associate, or affiliate of RBGL, the Offeror or any of their respective associations or affiliates.
- 17 We note that the spouse of one Committee member, an independent director of RBGL, is a director of Grant Thornton (British Virgin Islands) Limited (“GT-BVI”). Pursuant to our Engagement Letter dated October 9, 2015, the Committee has engaged GT-Canada. While GT-BVI and GT-Canada are both members of GTIL, GTIL is not structured as a worldwide partnership, and GT-BVI and GT-Canada provide services independently of each other. In preparing the Fairness Opinion, GT-Canada and GT-BVI have operated within the boundaries of an ethical wall, or cone of silence. As such, GT-Canada has kept all information in respect of the Offer and the business affairs of RBGL confidential, and has not disclosed any such information to GT-BVI. Furthermore, all analyses conducted and opinions developed as part of GT-Canada’s Fairness Opinion have been conducted solely by practitioners of GT-Canada, and did not seek input, or involve any consultation with GT-BVI.
- 18 There are no understandings, agreements or commitments between GT, the Offeror and RBGL or any of their respective associates, subsidiaries or affiliates with respect to any future business dealings.

Scope of Review

- 19 The Scope of Review describes the extent of and the process of collecting, confirming and reporting data. In connection with rendering our Fairness Opinion, we have reviewed and relied upon, or carried out, among other things, those items listed in Appendix A. We were provided full access to records and personnel, with no restrictions to information requested.

Assumptions and Limitations

- 20 In arriving at our Fairness Opinion, we have relied upon the following statements:
- 21 There has been full disclosure of any unsolicited independent offers to purchase the Shares or significant assets of RBGL by others during the past twenty-four months (preceding the date of this report).

- 22 The financial statements referred to under “Scope of Review” are complete in all material respects. The financial statements contain all, and reflect only those, revenues, expenses, assets and liabilities of RBGL.
- 23 GT has relied upon the completeness, accuracy and fair presentation of all the financial and other factual information, data, advice, opinions or representations obtained from public sources and management of the Bank (“Management”). Our conclusions are conditional upon the completeness, accuracy and fair presentation of such information. Subject to the exercise of professional judgment, GT has not attempted to verify independently the accuracy, completeness or fair presentation of the information obtained. The Fairness Opinion is conditional upon such completeness and accuracy.
- 24 At the date of this report, there were no contingent or unrecorded liabilities, environmental liabilities, litigation pending or threatened, other than in the ordinary course of business, or contained in the public record, as they would apply to the Bank.
- 25 We have made assumptions with respect to industry performance, general business, market and economic conditions and other matters, many of which are beyond the control of GT and any party involved in the Offer. We have rendered our Fairness Opinion on the basis of prevailing market and industry conditions and expectations, and on the condition that prospects, financial and otherwise, have been represented to GT in discussions with Management and their representatives and factored into information and analysis provided.
- 26 The preparation of a fairness opinion is a complex process and our opinion was arrived at giving consideration to our analyses viewed as a whole and is not susceptible to partial analysis.
- 27 We understand that our opinion will form a portion of the basis for the Committee’s recommendations to holders of the Shares to vote in favour of, or against the Offer. We have consented that our Fairness Opinion be referred to and included in the Directors’ Circular to be sent to the holders of the Shares. Our report has been prepared to provide an opinion as to whether the Offer is fair, from a financial point of view, to the holders of the Shares. Our report is to be used in contemplation of this stated purpose only, and may not be used or relied upon by any other person, or for any other purpose without our prior written consent. The Fairness Opinion is not intended for general circulation or publication. We do not assume any responsibility or liability for losses occasioned by the Bank, the Committee, the Bank’s Board of Directors, the Minority Share Interests, or any other parties as a result of the circulation, reproduction, or use of our report, or its contents, in a manner contrary to the provisions of this paragraph.
- 28 The Fairness Opinion does not constitute a recommendation as to how any shareholder should vote or act on any matter relating to the Offer.

- 29 GT has also been engaged to provide a Valuation Report as defined by the practice standards of the CICBV. The preparation of the Fairness Opinion is also guided by CICBV Practice Standards.
- 30 No opinion, advice or interpretation is intended in matters that require legal or other appropriate professional advice, and we have not provided such advice to the Committee.
- 31 It is assumed that such opinions, counsel or interpretations have been or will be obtained from the appropriate professional sources.
- 32 The Fairness Opinion is not to be interpreted as a recommendation to any director of RBGL's Board of Directors or shareholder of the Bank to accept or reject the Offer. The Fairness Opinion does not provide assurance that the best possible price was obtained. GT has not been retained to comment on the relative merits of the Offer as compared to any other strategic alternatives that may be available to the Bank.
- 33 In preparing the Fairness Opinion, we have not exposed RBGL's shares or assets to the market to determine whether some third party purchasers would be prepared to negotiate prices and or consideration for the acquisition of the Bank other than those set forth in the Offer. We were not engaged to solicit expressions of interest from, or negotiate with, any third parties concerning potential alternatives to the Offer and we have not done so.
- 34 GT disclaims any undertaking or obligation to advise any person of any change in any fact or matter affecting the Fairness Opinion which would have been known or expected to be known as at the date of the Fairness Opinion, but which may come to our attention after the Report Date. We reserve the right (but will be under no obligation) to review our Fairness Opinion and, if we consider it necessary, to revise, modify, or withdraw our conclusion in light of any information existing at our Report Date that becomes subsequently known to us, or if we learn that any information we relied upon in preparing our conclusions was inaccurate, incomplete or misleading in any material respect.

Methodology Applied and Factors Considered in Performing our Fairness Analysis

- 35 The assessment of the fairness of the Offer, from a financial point of view, must be determined in the context of the Offer. Briefly described, in considering the fairness of the Offer Price, from a financial point of view to the shareholders of RBGL, we have considered a number of matters including, but not limited to, the following:
 - a GT was engaged by the Committee, under a separate engagement letter, to complete an independent estimate valuation report, as at the Bank's most recent fiscal year end (September 30, 2015). As part of the preparation of our Fairness Opinion, we updated our analysis completed in our independent estimate valuation report, for material changes that have occurred between the most recent fiscal year end and the date of this report. We have not however issued an updated estimate valuation report. Furthermore, a component of the work underlying the completion of the Fairness

Opinion, consisted of evaluating both our original and updated valuation conclusions against the Offer/Offer Price;

- b Reviewed, analyzed and assessed the Shares' trading activity, and the Bank's historic and intended dividend policy.
- c Reviewed and analyzed information found in public filings and in documents provided to us by Management related to the Bank;
- d Researched the industries in which the Bank does business and assessed the impact of economic trends and outlook on the performance of the Bank;
- e Reviewed valuation metrics of publicly traded comparable companies;
- f Reviewed and analyzed the Bank's market liquidity as indicated by historical trading prices and volumes, and the resultant impact on the fairness of the Offer;
- g Reviewed historical trading volumes to assess the potential time required by the holders of the Shares to sell their shares on the open market without causing downward pressure on the share price; and
- h Considered our experience in valuing businesses similar to RBGL.

Conclusion

36 Based upon and subject to the foregoing, we are of the opinion that, as at the date hereof, the Offer Price is fair from a financial point of view, to the holders of the Minority Share Interests.

Yours sincerely,

The logo for Grant Thornton LLP, written in a cursive script.

Devin Wagner CA, CBV
Partner, Advisory Services

Dean Das CA, CBV
Senior Manager, Advisory Services

Appendix A – Scope of Review

- a Grant Thornton LLP Estimate Valuation Report, dated February 12, 2016.
- b Audited financial statements of the Company for the fiscal years ended September 30, 2011 to September 30, 2015 prepared by Ernst & Young, of Bridgetown, Barbados.
- c Year to date Management accounts for the period ending April 30, 2016.
- d Draft Government of Grenada Exchange Agreement (restructuring plans) provided in relation to the Bank's treasury bills and government backed investments.
- e Offer and Take-Over Bid Circular by Republic Financial Holdings Limited dated May 9, 2016.
- f Unaudited projections prepared in fiscal 2015, for the three year period 2016 to 2018, as prepared by Management.
- g Fair market value of premises and equipment based upon Management provided estimates.
- h Detailed listings and Management prepared reports related to RBGL's loans/advances, impaired loans/advances, and investment securities portfolios.
- i ECCB capital adequacy regulations, and RBGL's capital adequacy information returns.
- j Variety of industry analyses (loans and customer deposits), and market share information obtained from the ECCB.
- k Economic environment review prepared by RBGL's Trinidadian counterpart, RBL.
- l General research pertaining to the economy, industry, and company. This research included a number of Capital IQ searches, as well as information on RBGL's historic trading activity.
- m Discussions with RBGL's Managing Director, Mr. Keith Johnson.
- n We discussed with management the past and future operations of the Company, pricing, cost and growth trends, the risks around maintaining the loan portfolio currently in place, the state of the industry, the Company's competitive position and opportunities for growth. In keeping with our terms of reference, we completed limited review, analysis and corroboration of this information provided by Management.