CIRCULAR TO SHAREHOLDERS

Proposed allotment and issue of 21,043,330 New Ordinary Shares of I&M Holdings Limited as part consideration in exchange for the acquisition of all the issued shares in the capital of Giro Commercial Bank Limited

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you have disposed off all your shares in I&M Holdings Limited (the "Company" or "IMHL"), please forward this document to the stockbroker, investment bank or other agent through whom you disposed of your shares.

This Circular is issued by I&M Holdings Limited and has been prepared in compliance with the requirements of the Capital Markets Act (chapter 485A of the Laws of Kenya), the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and the Nairobi Securities Exchange Listing Manual, 2002.

Approval has been obtained from the Capital Markets Authority ("CMA") in respect of the compliance of this Circular and the issue of 21,043,330 New Shares (hereinafter defined) a par value of KES 1 each of the Company on the terms described in this Circular in accordance with the provisions of the Capital Markets Act and other applicable regulations. As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Circular. Approval of the Circular by the CMA is not to be taken as an indication of the merits of the Listing or as a recommendation by CMA to the shareholders of IMHL.

The Nairobi Securities Exchange ("NSE") has given its approval for the listing of all the New Shares (hereinafter defined) on the Main Investment Market Segment (MIMS) of the NSE.

I&M HOLDINGS LIMITED

Incorporated in Kenya under the Companies Act (chapter 486 of the Laws of Kenya)
(Registration Number No. C. 7/50)

Circular to Shareholders

Proposed allotment and issue of 21,043,330 new ordinary shares of the Company as part consideration in exchange for the acquisition of all the issued shares in the capital of Giro Commercial Bank Limited

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A Notice of an Extraordinary General Meeting of the Company which is to be held on June 27, 2016 at Hotel Sarova Panafric Nairobi, Kenya is set out at the end of this document. A form of proxy for use by shareholders is also enclosed.

This Circular is dated June 2, 2016

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ACQUISITION OF GIRO COMMERCIAL BANK LIMITED

Note:
A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on his/her behalf and such a proxy need not be a member of the Company. To be valid, proxy forms must be deposited at the Registered Office of the Company not less than 48 hours before the appointed time of the meeting.

SECTION 1: GENERAL

1.1 Timetable

Activity	Date
Execution of the Share Purchase Agreement	September 5, 2015
Latest Date to Return EGM Proxy Forms	June 23, 2016
Extraordinary General Meeting	June 27, 2016
Announcement of EGM Resolutions	June 28, 2016
Completion Date	July 29, 2016
Admission of the New Shares to Listing	July 29, 2016

The above dates and timelines are subject to amendment as may be communicated from time to time.

1.2 Advisors

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Financial Due Diligence & Independent Valuation:

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Auditors:

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Eric Aholi – P/1471, Partner
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SECTION 2: DEFINITIONS

"Acquisition"	The proposed purchase of all the issued share capital of Giro Commercial Bank Limited ("GCBL") by the Company as described in this document;
"APA"	The Asset Purchase Agreement for the banking assets and liabilities of GCBL made between the I&M Bank Limited ("IMBL") and GCBL;
"Articles of Association"	The articles of association of the Company or of GCBL, as may be stated;
"Banking Act"	Banking Act (Chapter 488 of the Laws of Kenya);
"Board" or "Directors"	The persons named in this Circular as Directors of IMHL or GCBL, as may be stated;
"CAK"	The Competition Authority of Kenya, established under The Competition Act (No. 10 of 2010);
"Central Bank of Kenya or "CBK"	The Central Bank of Kenya, established under the Central Bank of Kenya Act, Chapter 491 of the Laws of Kenya;
"Companies Act"	The Companies Act (Chapter 486 of the Laws of Kenya);
"CMA"	The Capital Markets Authority, established under The Capital Markets Act (Chapter 485A) of the Laws of Kenya;
"EGM"	The extraordinary general meeting of IMHL to be held on June 27, 2016;
"GCBL"	Giro Commercial Bank Limited, a company incorporated in Kenya with registration number C.51957 and is licensed and regulated by CBK as a commercial bank;
"IMBL"	I&M Bank Limited, a company incorporated in Kenya with registration number C. 8/90 is licensed and regulated by the CBK as a commercial bank;
"I&M Bank Group"	I&M Holdings Limited and its subsidiaries, affiliates and associate;
"IMHL" or "Company"	I&M Holdings Limited, a company incorporated under the Companies Act (No. C. 7/50) and listed on the Nairobi Securities Exchange under the Main Investment Market Segment;
"Kshs" or "KES"	Kenya Shillings, being the lawful currency of the Republic of Kenya;
"Listing"	Admission of the New Shares to the Official List of the NSE;
"Listing Regulations"	The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 (as amended);
"New Shares"	The additional 21,043,330 (twenty one million forty three thousand three hundred and thirty) new ordinary shares of KES 1.00 each in the capital of IMHL to be issued fully paid to the Vendors in part satisfaction of the Share Purchase Agreement;
"NSE"	The Nairobi Securities Exchange;
"Ordinary Shares"	Ordinary shares of KES 1.00 each in the capital of the Company, of which the issued and paid up shares are 392,362,039;
"Purchase Consideration"	The payment consideration agreed as per the SPA (hereinafter defined) being the aggregate of the Cash Consideration and the New Shares, for the purchase of 100% shareholding in GCBL;
"RBA"	The Retirement Benefits Authority;
"SPA"	The Share Purchase Agreement for the proposed sale and purchase of 100% of the shares of GCBL made between the Vendors and the Company dated September 5, 2015;
"Vendors"	The several persons who own in aggregate 57,500,000 ordinary issued and paid up shares of KES 20.00 each in the capital of GCBL details of whom are more particularly set out in Section 4.3 of this Circular.

SECTION 3: LETTER FROM THE CHAIRMAN OF IMHL

June 2, 2016

To: Shareholders of I&M Holdings Limited

Dear Shareholder,

PROPOSED ACQUISITION OF ALL OF THE ISSUED SHARE CAPITAL OF GIRO COMMERCIAL BANK LIMITED

On September 7, 2015 your Company advised by way of the cautionary announcement published in the local dailies that it had on September 5, 2015 entered into a Sale and Purchase Agreement ("SPA") with the shareholders of Giro Commercial Bank Limited ("GCBL") for the acquisition of the entire shareholding in GCBL (the "Share Purchase Transaction"). The effect of completion of the Share Purchase Transaction will be that GCBL will become a wholly owned subsidiary of IMHL. It is also intended immediately upon completion of the Share Purchase Transaction, subject however to obtaining the relevant regulatory approvals from CBK that GCBL's banking assets and liabilities will be acquired and merged with those of IMBL (the "Asset Transfer").

It is brought to your attention that the Share Purchase Transaction will not be completed unless approval of the Asset Transfer has been obtained from the CBK and further on the condition that the Asset Transfer will be consummated immediately after the Share Purchase Transaction.

The completion of this Acquisition is subject to customary closing conditions which include procurement of your approval as shareholders of the Company as well as regulatory approvals from various regulators as further outlined below.

This Circular provides you with key information on the reasons, effect and impact of the Share Purchase and Asset Transfer transactions on IMHL's financial position and the various approvals required to consummate the Acquisition. Most importantly this Circular seeks your approval to proceed with the proposed issue of the New Shares. Further information on GCBL, its business, current management and board have been included as well and are set out in Section 4 of this Circular. This Circular is being sent to you along with the Agenda for the EGM and as outlined in the Notices of the EGM set out in Section 11.3. Your approval is required for:

i) The proposed acquisition of 100% of the issued share capital of GCBL;
ii) Issue and allotment of 21,043,330 New Ordinary Shares in IMHL as part consideration for the Acquisition; and
iii) The transfer and merger of the banking assets and liabilities of GCBL with those of I&M Bank.

Value Proposition for the Acquisition

The I&M Bank Group as part of its growth strategy, seeks for opportunities to expand its banking business both locally and regionally, with a preference to do so by way of acquisitions where possible.

The I&M Bank Group represented in Kenya by its flagship entity - IMBL, is now presented with an opportunity to acquire the banking business of GCBL, a licensed commercial bank providing the full range of personal and business banking products in the Kenyan market.

We set out below the rationale for undertaking this investment:

i) I&M Bank Group would acquire an additional net advances of approx. KES 9.2 billion, and deposits of KES 13.2 billion besides other assets of approx. KES 7.1 billion. GCBL has a relatively clean lending book with a Gross NPA ratio of 1.90% and Net NPA Ratio of 1.19% (as at March 2016);

ii) I&M Bank Group would acquire GCBL's branch network which will supplement IMBL's existing network of 35 branches;

iii) It is envisaged that the Acquisition would result in annual cost savings of approx. KES 60 million in addition to GCBL's estimated annual profit before tax of approx. KES 500 million;

iv) IMBL will benefit from the additional human resource capacity of GCBL's employees which is expected to increase effectiveness and efficiency;

v) Though marginal, it will increase IMBL's market share, allowing IMBL to face competition more effectively; and

In addition to the above, we believe that the proposed Acquisition would also be in the public interest especially because following the Acquisition, IMBL will be an even bigger and stronger bank, and in a better position to provide highly skilled and specialized services to its customers.

Principal Terms of the Acquisition

The terms and conditions of the Acquisition are spelt out in the SPA and are summarized below. The SPA provides for the commercial terms, compliance and completion formalities which include, inter alia:

- IMHL to acquire 100% of the issued shares in GCBL all of which are presently held by the Vendors (listed under Section 4.3 of this Circular);
- Purchase consideration to be satisfied through payment of (i) cash consideration of KES 2,547,295,000/- (Kenya Shillings Two Billion, Five Hundred Forty Seven Million, Two Hundred Ninety Five Thousand) and (ii) issuance of the additional 21,043,330 (twenty one million forty three thousand three hundred and thirty) new shares of KES 1/- each in the capital of IMHL ("New Shares") on completion of the Acquisition.
- Shareholders' approval to be obtained by each of IMHL and GCBL;
- Regulatory approvals to be obtained from the CBK, CMA, NSE and CAK;
- Warranties and indemnities in favour of IMHL in connection with the business affairs of GCBL;

In particular, the completion of the Acquisition is subject to the CBK's approval under Section 9 of the Banking Act and the Prudential Guideline on Acquisitions, Mergers, Amalgamations, Transfers of Assets and Liabilities (CBK/PG/12), for the transfer and merger of the banking business of GCBL with that of IMBL.

Purchase Consideration

IMHL is required to effect payment of the purchase consideration for GCBL's shares by way of (i) cash consideration of KES 2,547,295,000/- (Kenya Shillings Two Billion, Five Hundred Forty Seven Million, Two Hundred Ninety Five Thousand) and (ii) issuance of the additional 21,043,330 (twenty one million forty three thousand three hundred and thirty) new ordinary shares of KES 1/- each in the capital of IMHL ("New Shares") on completion of the Acquisition.

In determining the purchase consideration payable under the SPA, the Company took into account the Net Asset Value ("NAV") of GCBL as at 30 June, 2014 as adjusted for the fair values and to which a market multiple of 2.1875x was applied. The final purchase consideration was informed by the results of the legal, financial and commercial due diligence work carried out prior to execution of the Agreement and the findings of which were supported by the Independent Valuation carried out by BDO East Africa as at October 2015, an extract of which is set out in Section 6 of this Circular.

Pursuant to the terms of the SPA, the Board proposes to allot the New Shares in IMHL to the Vendors as satisfaction of payment of the purchase consideration. The New Shares were determined at a price of KES 121.05 (Kenya Shillings one hundred and twenty one and five cents) per share computed on the volume weighted average trading price for the three (3) month period immediately preceding July 31, 2015.

On completion of the Acquisition, the New Shares will represent an aggregate 5.09% of IMHL's shareholding. The New Shares, when issued, shall rank pari passu in all respects with the existing ordinary shares in the capital of IMHL, including the right to receive all dividends declared, made or paid by IMHL after the completion of the Acquisition.

Merger of Banking Business of GCBL with IMBL

By way of an internal reorganization of the I&M Bank Group, GCBL's banking assets and liabilities will be acquired by IMBL ("the Asset Transfer") at net book value on the date of completion of the Share Purchase Transaction. The Asset Transfer will take place immediately upon completion of the Share Purchase Transaction.

We wish to point out that L.R. No. 1870/I/579, Nairobi (Eldama Park), being an immovable property owned by GCBL will not be transferred to I&M Bank pursuant to the Asset Transfer.

As at June 30, 2015 the net book value of GCBL (excluding the value of the immovable property referred to above) was KES 2,449,227,964/- (Kenya Shillings two billion four hundred and forty nine million two hundred and twenty seven thousand nine hundred and sixty four). Assuming that this transaction had been completed on 30 June, 2015, this amount would be paid by IMBL to GCBL by way of issuance of 1,305,560 (One Million Three Hundred Five Thousand, Five Hundred and Sixty) new shares in IMBL of a par value of KES 100/- each.

On conclusion of the transaction these new shares issued to GCBL would have represented 4.34% of the issued and paid up share capital of IMBL making GCBL a minority shareholder in IMBL. However, since GCBL would be a wholly owned subsidiary of IMHL at the time of completing this transaction, the ultimate beneficial holding of IMBL will remain unchanged with IMHL continuing to beneficially hold 100% of the issued and paid up share capital of IMBL.

Effect of the Acquisition on Existing Shareholders

Following the Acquisition, GCBL will become a wholly-owned subsidiary of IMHL. The allotment of the New Shares to the Vendors will mean that the number of issued and fully paid up shares that qualify to a share in IMHL's earnings and net assets and to participate in future dividend distributions will increase. Based on the proposed issue of the New Shares, the existing shareholders will see their stake in IMHL diluted by 5.09%.

Further information on the anticipated effects of the Acquisition are included in the pro-forma financial and shareholding information set out in Section 9 of this Circular.

Approvals for the Acquisition

Regulatory approvals have been sought from the CMA under the Capital Markets Act pursuant to the Fourth Schedule of the Listing Regulations and the Capital Markets (Take-overs and Mergers) Regulations, 2002. In addition, pursuant to the Listing Manual, an application has been made to the NSE for the admission of the New Shares on the NSE.

Furthermore, regulatory approvals for the Acquisition have been sought from the Central Bank of Kenya and the Competition Authority of Kenya.

As required by law and IMHL's Articles of Association, shareholders must be given the opportunity to approve the proposed Acquisition and the allotment of the New Shares to the Vendors. This shall be sought from shareholders as set out in the Notice of the EGM, which is included in Section 11 of this Circular.

If you are currently a shareholder but are unable to attend the EGM to be held on June 27, 2016, you may complete the Form of Proxy and send it to the Company's Share Registrar no later than 4:00 pm on June 23, 2016. The completion and return of a proxy form will not prevent you from attending and voting in person if you wish to do so.

Recommendation

IMHL's Board has given due consideration to this transaction and unanimously resolved to recommend to all shareholders to vote in favour of the resolutions to be proposed at the EGM.

IMHL's Board considers that the Acquisition will contribute positively towards enabling the I&M Bank Group achieve its objectives of maximizing shareholder value, and believes that the Acquisition is in the best long-term interests of IMHL and its shareholders.

If you are in any doubt as to the matters set out in this Circular, it is recommended that you seek independent advice from your stockbroker, bank manager, lawyer or other professional adviser.

Yours sincerely

Daniel Ndonye
Chairman

SECTION 4: INFORMATION ON GIRO COMMERCIAL BANK LIMITED

4.1 Background

GCBL is a full-fledged commercial bank licensed by the CBK, and was established in 1993. The Bank traces its roots back to Credit & Commerce Finance Limited (CCF) a non-bank financial institution that commenced its operations in 1986.

CCF quickly established itself in the market place and ranked amongst the top in its peer group. In order for CCF to expand and provide additional banking services such as checking account facilities and foreign exchange business the main shareholders decided to apply for a banking license, which they did under Giro Bank Limited (GBL).

The two institutions complemented each other with GBL offering the full range of banking services and CCF creating a niche for itself in the Hire Purchase and Trade Finance sector. In 1996, CBK introduced the principal of universal banking and encouraged non-bank financial institutions to convert into commercial banks and imposed cash ratio requirements on non-bank financial institutions, thus taking away any advantages the non-bank financial institutions enjoyed in the market place. It was then decided to convert CCF into a commercial bank under the name of Commerce Bank Limited.

The two institutions ran parallel for some time until the management and principal shareholders took a decision to rationalize both businesses by way of a merger into a single entity to take advantage of the synergies, economies of scale and bring renewed focus to the business to improve service delivery and preserve its competitive edge. Following the merger in 1998, Giro Bank changed its name to Giro Commercial Bank Limited.

In eighteen years, GCBL has grown from its humble beginnings into a profitable bank with seven branches, employing over 100 employees and holding more than Kenya Shillings thirteen billion two hundred million (KES 13.2 billion) in deposits and serving over 9,000 customers with a range of tailor made banking products to satisfy their customer needs. In addition to its personal banking business, GCBL serves customers in all sectors of Kenya's rapidly growing economy, including real estate, education, transport, manufacturing and agriculture.

As at March 2016, GCBL had an asset base of KES 16.3 billion and profits before tax for the 3 months ended 31 March 2016 of KES 169 million. It also has a staff force of about 113 employees and a branch network of 7 branches (5 in Nairobi and one each in Mombasa and Kisumu), with the head office at Eldama Park, Westlands.

4.2 Board of Directors

The Board of GCBL consists of six directors, four of whom are non-executive directors (including the chairman) and two executive directors. The Board of Directors of GCBL as at the date of this Circular are:

Name	Role	Profile
C.J. Gidoomal	Chairman	Mr. C. J. Gidoomal is the founder Chairman of GCBL. He is a Director of a number of companies with investments in real estate, trading and finance.
Sanjay Gidoomal	Managing Director	Mr. Sanjay Gidoomal serves as the Managing Director and prior to that he was the Executive Director for the bank before his promotion to the current position in February 2014. He joined the bank on February 1, 2001. He holds a BA in Maths & Economics and CIMA.
B.K. Patel	Finance Director	Mr. Patel serves as the Director of Finance and is also a member of the Bank's Board. Prior to his appointment to the board on March 6, 2008 he served as the Chief Finance Officer. He joined the Bank on December 1, 1999. He holds a B.Com (Hons), ACA(I) and CPA(K).
P.J. Gidoomal	Non-Executive Director	Mr. P. J. Gidoomal has been a Director of GCBL since inception. He is a Director of a number of companies with investments in real estate, trading and finance. He sits on the board of a number of charitable and social organizations.
C.M. Ngini	Independent Non-Executive Director	Mr. Ngini joined the board in July 2010. He is a holder of a Bachelor of Science Degree in Business and Finance. He operates various business interests and is a director of G4S Secure Data Solutions, St. Christopher's Schools Limited, PJP Holdings, Taibu Insurance Agencies, FARM Africa and Sidai Kenya.
M.S. Shah	Independent Non-Executive Director	Mr. Shah joined the board in January 2009. He is a Fellow of the Association of Chartered Certified Accountants, a Certified Public Accountant of Kenya and a Certified Public Secretary of Kenya. He is a management consultant and is on the board of Victoria Commercial Bank Limited and Victoria at Two Rivers Limited. He is also a Trustee of the Friends of Environment Trust.

Corporate Governance

GCBL's Board of Directors is responsible for the governance of the bank and is accountable to its shareholders to ensure that the bank complies with the law, the highest standards of corporate governance and business ethics. The directors attach great importance on the need to conduct the business and operations of the bank with integrity and in accordance with generally accepted corporate practices and endorse internationally developed principles of good corporate governance.

The full Board meets at least four times a year. The Directors are given appropriate and timely information so as to maintain full and effective control over strategic, financial, operational and compliance issues.

While the Board has delegated the day-to-day management of the business to the Managing Director, the Board retains the overall responsibility of establishing and monitoring the bank's overall internal control of financial, operational and compliance matters.

At every Board meeting the Directors are appraised of the latest developments in the regulatory and market environments. In addition to reviewing the performance of each unit of the bank, they also review and discuss the minutes of each of the management committees – Assets and Liabilities Committee (ALCO), Risk and Credit Committee.

The Board has created the following Committees to which certain responsibilities are delegated, and which meet regularly under well-defined terms of reference. These Committees report to the Board on a regular basis:

i) Board Audit and Risk Committee (BARC)

All the members of the BARC are non-executive Directors, and meet at least four times a year. The Audit and Risk managers of GCBL are invitees to these meetings. The Committee is responsible for the review of the internal and external audit reports, financial statements, internal controls, development plans and compliance issues.

ii) Board Credit Committee (BCC)

All Directors except the Chairman, of the Board are members of the BCC. Its responsibilities, among others include reviewing the overall lending policy, lending by the management credit committee, deliberating and considering loan applications beyond the limits of the management credit committee and ensuring that policies and procedures in place are adequate to effectively manage credit risk.

4.3 GCBL's Shareholding

GCBL has an authorized share capital of KES. 1,150,000,000 divided into 57,500,000 ordinary shares of KES. 20.00 each, all of which were issued and fully paid for as at March 2016.

The current shareholding of GCBL is summarized below as:

Shareholder Name	Number of Shares	%
Blanford Investments Limited	12,510,834	21.76%
Lombard Holdings Limited	10,072,828	17.52%
Sentinel Investments Limited	9,459,749	16.45%
Laxmi Fibres Limited	9,218,829	16.03%
Sunsheli Limited	9,218,829	16.03%
Gilt Investments Limited	7,018,892	12.21%
Prem Jethanand Gidoomal	17	0%
Chandan Jethanand Gidoomal	13	0%
Chandrabhai L. Kimatrai	9	0%

4.4 Senior Management

Name	Role	Profile
Sanjay Gidoomal	Managing Director	Mr. Sanjay Gidoomal serves as the Managing Director and prior to that he was the Executive Director before his promotion to the current position in February 2014. He joined the bank on February 1, 2001. He holds a BA in Maths & Economics and CIMA.
B. K Patel	Finance Director	Mr. Patel serves as the Director of Finance and is also a member of the Bank's Board. Prior to his appointment to the Board on March 6, 2008 he served as the Chief Finance Officer. He joined the Bank on December 1, 1999. He Holds B.Com (Hons), ACA(I) and CPA(K).
Anurag Srivastava	General Manager	Mr. Anurag Srivastava serves as the General Manager Operations since March 1, 2014 and intially served as a manager of Westlands branch. He joined the Bank on January 1, 1995. He holds an MA, CAIIB and Dip in Computers.
Manoj Agarwal	Head of Treasury & Foreign Exchange	Mr. Manoj Agarwal serves as the Deputy General Manager and Head of Treasury and intially served as the Head of Treasury & Foreign Business for the Bank before his promotion to the current position on March 1, 2014. He joined the bank on October 1, 1995. He holds Msc, CAIIB, and Dip in Pers. Management.
S. K Ajmani	Head of Systems and Information Technology	Mr. Ajmani serves as the Deputy General Manager and Head of IT & Systems and initially served as the Senior Manager (IT & Systems) prior to his promotion to the current position on August 12, 2011. He joined the Bank on January 1, 1997 and holds a Bsc (Hons) and CAIIB.
Ruth Karau	Head of Credit	Ms. Ruth Karau joined the company on July 1, 2005. She holds a Master in International Business Administration and CPA Part 1.
Daniel Kabuku	Head of Internal Audit	Mr. Daniel Kabuku joined the company on April 1, 2007. He is a holder of B. Com. (Hons), CPA (K), CISA

4.5 Highlights of Financial Information

Statement of Profit or Loss

	Unaudited	Audited				
	Mar-16	Dec-15	Dec-14	Dec-13	Dec-12	Dec-11
	KES'000'	KES'000'	KES'000'	KES'000'	KES'000'	KES '000'
Interest Income	524,407	1,853,260	1,582,794	1,507,206	1,643,678	1,185,113
Interest Expense	284,354	1,020,130	863,584	800,200	1,159,953	631,864
Net Interest Income	**240,053**	**833,130**	**719,210**	**707,006**	**483,725**	**553,249**
Fees & Commission (net)	24,099	143,808	142,674	91,961	75,533	90,943
Foreign Exchange Income	5,502	24,634	20,681	25,969	18,564	25,418
Other Operating Income	14,370	(31,212)	24,246	(6,045)	33,306	34,586
Total Non-interest Income	**43,971**	**137,230**	**187,601**	**111,885**	**127,403**	**150,947**
Net Operating Income	**284,024**	**970,360**	**906,811**	**818,891**	**611,128**	**704,196**
Operating expenses	(111,925)	(473,210)	(451,949)	(442,949)	(405,067)	(392,269)
Write back/ (impairment)	(3,449)	(18,344)	17,291	7,288	812	18,006
Profit before Tax	**168,650**	**478,806**	**472,153**	**383,230**	**206,873**	**329,933**
Taxation charge	-	(26,367)	(76,564)	(5,182)	19,487	(28,837)
Profit for the year	**168,650**	**452,439**	**395,589**	**378,048**	**226,360**	**301,096**

Statement of Financial Position

	Unaudited	Audited				
	Mar-16	Dec-15 KES'000'	Dec-14 KES'000'	Dec-13 KES'000'	Dec-12 KES'000'	Dec-11 KES'000'
Assets						
Cash & bank balances	2,257,646	1,327,956	1,380,205	1,126,639	1,252,350	752,236
Government securities	4,537,392	4,840,680	5,598,386	5,144,533	5,054,924	4,379,352
Loans & advances to customers	9,241,364	9,327,951	7,716,949	6,908,548	5,519,203	6,360,245
Other Assets	49,343	54,216	125,882	162,579	165,375	138,952
Property and equipment	218,065	223,890	224,503	243,817	249,871	211,959
Operating lease prepayments	35,144	35,368	36,274	37,180	38,086	3,628
Total Assets	**16,338,954**	**15,810,061**	**15,082,199**	**13,623,296**	**12,279,809**	**11,846,372**
Liabilities						
Customer deposits	13,208,169	12,801,838	12,451,363	11,457,177	10,419,778	10,069,206
Deposits from banks	17,227	7,177	67,202	4,490	6,582	100,477
Other Liabilities	159,265	166,529	141,306	74,917	78,490	97,930
Total Liabilities	**13,384,661**	**12,975,544**	**12,659,871**	**11,536,584**	**10,504,850**	**10,267,613**
Capital Resources						
Share capital	1,150,000	1,150,000	1,150,000	803,010	754,000	754,000
Revenue reserves	1,684,788	1,565,012	1,179,946	1,202,405	939,904	745,756
Statutory reserve	119,505	119,505	92,382	81,297	81,055	79,003
Shareholders' Funds	**2,954,293**	**2,834,517**	**2,422,328**	**2,086,712**	**1,774,959**	**1,578,759**
Total Liabilities & Shareholders' Equity	**16,338,954**	**15,810,061**	**15,082,199**	**13,623,296**	**12,279,809**	**11,846,372**

4.6. Products & Services

Given below is the list of the Bank's product offering under various business lines:

Corporate Banking

- Business Bank Account
- Forex Services
- Asset Financing
- Loan Facilities
- Bill/Cheque/LPO Discounting
- Guarantees
- Bid Bonds
- Trade Finance Products
- Salary Processing Services

Personal Banking

- Personal Bank Account Plans
- Term Deposits
- Personal Loans
- Safe Deposit Lockers

Alternate Banking Channels

- ATM & Debit Cards
- Internet banking

SECTION 5: RISKS TO THE TRANSACTION

5.1 Risk Management Framework

The following risk management framework already established within the I&M Bank Group at each entity ensures that risks identified are adequately considered and mitigated:

- The Board of Directors at both IMHL and IMBL level assume the ultimate responsibility for the level of risks taken and are responsible to oversee the effective implementation of the risk strategies;
- The organizational risk structure and the functions, tasks and powers of the committees, employees and departments involved in the risk processes are continuously reviewed to ensure their effectiveness and the clarity of their roles and responsibilities;
- Risk issues are taken into consideration in all business decisions. Measures are in place to develop risk-based performance measures and this is supplemented by setting risk limits at each entity level;
- Risk management has been integrated into various management processes such as strategic planning, annual budgeting and performance measurement;
- Identified risks are reported in a transparent and timely manner and monitored at regular intervals;
- Appropriate and effective controls exist for all processes.

Outlined below are some uncertainties and risks that IMHL is mainly exposed to as a result of the Group's exposure to the banking sector. In addition to these, there may be other risks and uncertainties not presently known to IMHL or any of its entities or that it currently believes not to be material that may also have an adverse effect on IMHL's future performance, which may cause the price of shares to decline.

5.2 General Risks

5.2.1 Political and Economic Risk

IMHL, like all other companies in emerging and developing markets, operates within a framework of relative political and economic volatility. The operations and financial results and the market price and liquidity of IMHL's shares may be affected by government policy or taxation of earnings and/or revenues or political, social, ethnic, economic or other developments in or affecting each or a group of the various countries where IMHL has a presence. Commercial and employment practices and procedures may at times be at risk from violence and lack of law enforcement, political or labour unrest, inflation, currency fluctuations or economic recession.

Changes in Government policy or the implementation or enforcement of policy by the Government or other authorities may have a detrimental effect. These factors could affect IMHL's results and financial condition, causing interruptions to operations and/or increasing the cost of operations.

5.3 Risk factors relating to the Banking Business

This section provides details of IMHL's exposure to risks arising from its banking entities and describes the methods used by management to mitigate this risk. The most important types of risk to which IMHL is exposed are regulatory risk, credit risk, liquidity risk, market risk and operational risk. Market risk includes currency risk and interest rate risk.

5.3.1 Regulatory Risk

Regulatory risk relates to the risk of non-compliance with laws, rules, regulations, prescribed practice or ethical standards issued from time to time. Regulatory risk may arise in instances where the laws and rules governing the conduct of business may be ambiguous or change drastically.

IMHL's regulatory risks arise from its compliance to the Companies Act, the Prudential Guidelines issued by the CBK, as well as the Capital Markets Act and other guidelines as may be stipulated by the relevant authorities. Banking services in Kenya are regulated by the Banking Act (and its amendments), the Finance and the CBK amongst others, under which IMBL and GCBL are regulated. New policy guidelines and regulations issued by any of the regulators could impact on the operations of the Bank and hence IMHL's performance.

5.3.2 Credit Risk

Credit risk is the risk of financial loss to the banking entities if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the banks' loans and advances to customers and investment securities. For risk management reporting purposes, all elements of credit risk exposure are considered on a stand-alone as well as a consolidated perspective.

IMHL is able to monitor credit risk through the various entity boards, who in turn have delegated responsibility of the management of credit risk to the respective Board Credit Committees. A separate bank Credit Risk Management Committee reporting to the Board Credit Committee is responsible for oversight of each banking entity's credit risk.

The risk that the counter-parties to trading instruments might default on their obligation is monitored on an on-going basis. In monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and to the volatility of the fair value of trading instruments over their remaining life.

To manage the level of credit risk, the banking entities deal with counter parties of good credit standing, enter into master netting agreements wherever possible and when appropriate, obtains collateral.

The entities also monitor concentrations of credit risk that arise by industry and type of customer in relation to Bank loans and advances to customers by carrying a balanced portfolio, to ensure that significant exposure to any individual customer or counter-party are minimised.

5.3.3 Liquidity Risk

Liquidity risk includes the risk of being unable to meet financial obligations as they fall due because of inability to liquidate assets at a reasonable price and in an appropriate timeframe.

Liquidity risk is continually assessed by identifying and monitoring changes in funding required to meet business goals and targets set in terms of the overall strategy. In addition, each of the banking entities hold a portfolio of liquid assets as part of their liquidity risk management strategy.

5.3.4 Market Risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spread (not relating to changes in the obligator's/issuer's credit standing) will affect the income or the value of the holdings of financial instruments.

The management of market risk at each of the different entities is managed through the Board Risk Committee. Exposure to market risk is formally managed within risk limits and policy guidelines issued by the Board. The Asset and Liabilities Committee (ALCO), a management committee set up at each entity is charged with the responsibility of ensuring implementation and monitoring of the risk management framework in line with policy guidelines. The banking entities are primarily exposed to interest rate and foreign exchange risks. The policy guidelines and procedures in place are adequate to effectively manage these risks.

5.3.5 Operational Risk

The overall responsibility of managing operational risks - the risks arising from failed or inadequate internal processes, people, systems and external events - is vested with the Board of Directors of each entity. Each entity has policies that guide Management on appropriate practices of operational risk mitigation. An independent Risk Manager assures the Board Risk Committee of the implementation of the said policies.

The following are key measures that have been undertaken at each of the banking entities in managing operational risk:

- Documentation of procedures and controls, including regular review and updates to reflect changes in the dynamic business environment;
- Appropriate segregation of duties, including implementing the four eye principle for authorisation of transactions;
- Reconciliation and monitoring of transactions;
- Zero tolerance for non-compliance with regulatory and other legal requirements;
- Reporting of operational losses and ensuring appropriate remedial action to avoid recurrence;
- Development and implementation of Business Continuity and Disaster Recovery Plans;
- Training and professional development of employees to ensure they are well equipped to identify and mitigate operational risks in a timely manner;
- Establishment of ethical practices at business and individual employee's level;
- Implementation of risk mitigation parameters, including insurance where this is considered effective.

The entire operational risk management framework is subjected to periodic independent audits (internal) in order to obtain independent opinions on the effectiveness and efficiency of the framework. Further, the findings of the Internal Audit department are reviewed by the Board Audit Committee and appropriate recommendations made are implemented in line with the agreed timeframe.

5.3.6 Strategic Risk

Strategic risk is the current and prospective impact on earnings or capital arising from adverse business decisions, improper implementation of decisions or lack of responsiveness to industry changes. The I&M Bank Group manages strategic risk as below:

- Each entity within the Group has a Board approved Corporate and Strategic Planning policy that is reviewed periodically, and whose implementation is monitored by the Executive Office;
- A business strategy that covers a 5 year planning cycle which is well defined and documented and covers each area of product development, growth, marketing, sales, human resource development and information and communication technology;
- Implementation of well-defined annual budgets as well as corporate and strategic objectives;
- Internal systems have been put in place to ensure regular monitoring and analysis of the external and internal operating environments so as to gather relevant management information and ensure that each entity is not unduly exposed to strategic risk.

5.3.7 Reputational Risk

Reputational risk is the potential that negative publicity regarding an institution's business practices, whether true or false, will cause a decline in the customer base, costly litigations, or revenue reductions.

This risk may result from a financial institutions' failure to effectively manage any or all of the other risk types. The ultimate accountability for reputational risk management rests with the Board. The Board of Directors explicitly address reputational risk as a distinct and controllable risk through a versatile and robust risk management framework for reputational risk. Responsibility for corporate reputation resides with the Executive Director's and/or Chief Executive Officer's offices at each of the banking entities.

5.4. Risks relating to this transaction

5.4.1 Share Liquidity

IMHL's shares are listed on the Main Investment Market Segment of the NSE. This transaction is envisioned to increase the number of IMHL shares available for trading, by increasing the number of shares, through an increased shareholder base. However, it is not possible to accurately predict whether investor interest in the Company after the transaction will lead to the development of a more active trading of IMHL shares on the NSE or otherwise or how liquid and vibrant any market activity that does develop might be.

5.4.2 Dilution

By approving the Acquisition, though, IMHL shareholders will dilute their holding in IMHL. Further details of the effect of the Transaction on shareholding are set out in Section 9 of this Circular.

5.4.3 Post Acquisition Business Growth

The Company is targeting synergies and growth from the proposed transaction and the financial planning for the Company is based in part on realizing these synergies. There is a risk that synergy benefits from the Acquisition may fail to materialize, or they may be materially lower than estimated.

Further the anticipated benefits and synergies of the proposed transaction are based on assumptions regarding, amongst other things, the financial and operational performance of GCBL including in the period prior to Completion, when the financial and operational performance of GCBL is outside the control of the Company. Until Completion, it is possible that an adverse event, or events, could affect GCBL and which would not give rise to a right to IMHL to terminate the transaction. In such an event, the value of GCBL may be less than the consideration paid by IMHL and, accordingly, the net assets of the Company post acquisition could be reduced.

SECTION 6: EXTRACT FROM VALUATION REPORT

The Board of Directors
I&M Holdings Limited
I&M Bank House, 2nd Ngong Avenue
P. O. Box 30238 - 00100
Nairobi, GPO
Kenya

Our ref: Group CF/RG/VB

October 2, 2015

Dear Sirs,

Valuation report of Giro Commercial Bank Limited

We refer to our proposal dated September 10, 2015 and our appointment for the valuation of Giro Commercial Bank Ltd ("GCBL") in the context of a potential acquisition of GCBL by I&M Holdings Limited.

We are pleased to enclose herewith our valuation report. We detail in our report the sources of information on which we have relied, restrictions in scope, valuation methods considered and provide the valuation of the shares of GCBL.

We would like to take this opportunity to thank you for entrusting this valuation exercise to us. Should you wish to discuss any aspect of our report, please do not hesitate to contact us.

Assuring you of our best services at all times.

Yours faithfully,

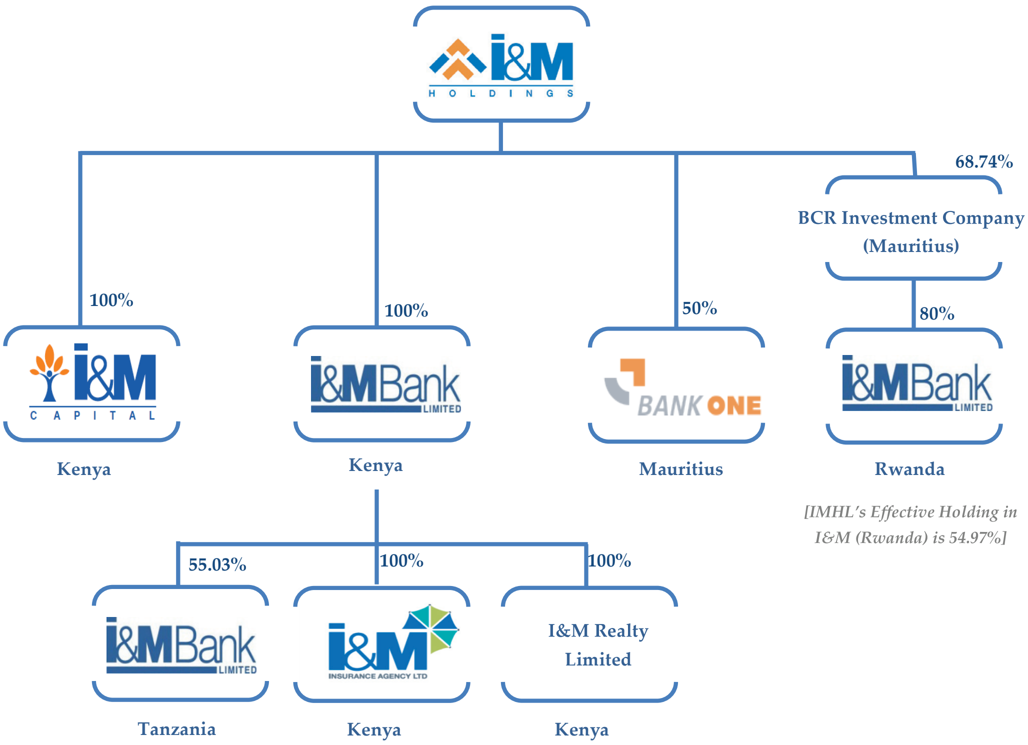
BDO East Africa Kenya

6.1 Introduction

Context

I&M Holdings Limited ("IMHL") is a Kenya-based holding company for I&M Bank Group. IMHL has signed an agreement to acquire 100 % of the shares of Giro Commercial Bank Limited ("GCBL") subject to regulatory approval.

I&M Bank Group ("IMBG") offers services in banking, financial, insurance, e-Commerce and investment categories.



IMBG operates within four geographical segments: Kenya, Tanzania, Rwanda and Mauritius. I&M Bank Kenya is the country's seventh biggest lender by market capitalisation and as at end of September 2015 has 32 branches located in Nairobi, Mombasa, Kisumu, Eldoret, Nakuru, Nyeri and Malindi.

GCBL, the target, has seven branches in Kenya and about 9,000 customers. It caters mainly for Small and Medium Enterprises ("SMEs") and retail customers, similar to IMBG. In market share, Giro was ranked 27 out of 44 banking institutions with a share of 0.49 per cent as at December 2014. Giro Commercial Bank's total assets stood at KShs16 billion as at June 2015. Giro's half-year results for 2015 show that the bank is comfortably above the minimum capital and liquidity ratios prescribed by Central Bank of Kenya ("CBK").

The proposed acquisition, upon completion, envisages the immediate merger of GCBL's banking business into I&M Bank Limited. The two banks both focus on lending to small- and medium-sized enterprises and on retail banking, it will therefore be easier to integrate the models. The acquisition is subject to a number of approvals under the Banking Act, from the Central Bank of Kenya, the Capital Markets Authority, the Competition Authority of Kenya and I&M shareholders in a general meeting. I&M was ranked 10th with a market share of 4.1 per cent (market share index as defined by CBK Annual Report 2014). After merger, the entity will have a market share of 4.59 per cent, propelling I&M to the 9th rank above NIC Bank (holding 4.24 per cent as at December 2014).

BDO was approached by I&M Holdings Limited to conduct a valuation of GCBL. This report provides an overview of the performance of the banking sector in Kenya, an analysis of GCBL and outlines the different valuation methods used to reach the valuation of GCBL.

Scope of work

BDO has been appointed to carry out a valuation of GCBL. Our report has been prepared for the Board of Directors of IMHL for the purpose of determining the fair value of the shares of GCBL.

Sources of information

In carrying the valuation of GCBL we have based ourselves on the following information:

- Audited Financial Statements of GCBL for FY14;
- Management accounts for 6 months ending June 30, 2015;
- 5 year forecasts of GBCL;
- Due diligence report 2014;
- Representations and other information provided by management.

Our reliance on the above information does not constitute an expression of our opinion on the said information. We accept no responsibility or liability for any losses occasioned to IMHL, its directors or shareholders, or any other parties as a result of our reliance of the aforesaid information.

Restrictions in scope

The valuation we have performed does not constitute an audit. Consequently we have not carried out a physical inspection of the assets of GCBL. We have not independently verified any assets or liabilities of the Company.

We have also relied on the explanations provided by management during the course of our valuation, without independent verification. We have assessed such comments and explanations for reasonableness within the context of our knowledge and understanding of GCBL and its business.

We do not express an opinion on the commercial merits of any aspects of GCBL.

6.2 The Banking Sector in Kenya

As at the end of December 2014, there were 43 commercial banks which hold a licence from the Central Bank of Kenya. They altogether operated 1,443 bank branches, 101 up from 1,342 in 2013. 55% of the population is aged above 15 years, around 14 million people hold a bank account in a financial institution and there are 9 million people who own a debit card. The most important uses of bank facilities are for savings and borrowings. Mobile banking is also quite prominent in Kenya with around 15 million people having mobile accounts. The top 5 banks, on the basis of profit, are Kenya Commercial Bank, Equity Bank, Standard Chartered Bank, Barclays Bank of Kenya and Co-operative Bank. There are 10 banks listed on the Nairobi Securities Exchange.

The top 2 banks are local banks, namely Kenya Commercial Bank and Equity Bank, both displaying a substantially higher profit before tax than the foreign banks such as Standard Chartered Bank and Barclays Bank of Kenya. Table 1 provides an overview of key indicators on the banking sector in Kenya.

Table 1: Key Indicators of the banking sector in Kenya

	2012	2013	2014
Net Assets (KShs)	2,330.3 billion	2,703.9 billion	3,199.4 billion
% change in Net Assets	15.3	16.0	18.3
Net loans and advances (KShs)	1,296.5 billion	1,532.4 billion	1,881.0 billion
% growth in net loans and advances	12.5	18.2	22.8
Customer deposits (KShs)	1,707.8 billion	1,935.7 billion	2,292.2 billion
% change in customer deposits	14.8	13.3	18.4
Shareholder's wealth (KShs)	362.2 billion	432.2 billion	501.7 billion
% change in shareholders' wealth	28.1	19.3	16.1
Net non-performing loans (KShs)	22.9 billion	35.5 billion	48.5 billion
% change in net non-performing loans	16.8	54.7	32.4
Average liquidity ratio	41.9	38.6	37.7

It can be noted that the growth in net assets, loans and advances and deposits increased from 2012 to 2014 which may suggest that the banks are performing quite well. However, the growth in shareholder's equity decreased in percentage from 2012 to 2014. Moreover, non-performing loans increased significantly from 16.8% to 54.7% in 2013 although they declined to 32.4% in 2014.

Average liquidity ratio for the last 3 years stood at 41.9% (2012), 38.6% (2013) and 37.7% (2014). It can be observed that the average liquidity ratio for the sector for all the 3 years was above the statutory minimum requirement of 20 percent. A slight decline in liquidity ratio is noted nevertheless, attributable to increased lending in 2013 as evidenced by the increase in loans to deposits ratio from 77.9% to 81.6% over the same period. The high liquidity ratio in 2012 is also attributable to a higher investment in government securities occasioned by higher interest rates on bonds and bills in that year.

The profit before tax and the total income increased from KShs 107.9 billion in 2012 to KShs 141.1 billion in 2014 (Table 2). However, the extent of the increase declined over the 3 years. The major components of income are: interest on loans and advances, fees and commissions as well as Government securities, as shown in Table 2. Total expenses increased from KShs 248.4 billion in 2012 to KShs 277.6 billion in 2014. The different components of expenses are interest on deposits, staff costs, bad debts charge and other expenses.

Table 2: Major Trends in Bank Profitability

	2012	2013	2014
Pre-tax profit (KShs)	107.9 billion	125.8 billion	141.1 billion
% change in pre-tax profit	20.6	16.6	12.2
Total income (KShs)	356.3 billion	362.2 billion	418.7 billion
% change in total income	39.0	39.0	15.6
Major components of income:			
Interest on loans and advances (KShs)	216.8 billion	211.4 billion	247.2 billion
Interest on loans and advances (% of total income)	30.8	58.4	59.0
Total fees and commission (KShs)	47.5 billion	53.5 billion	63.0 billion
Total Fees and commission (% of total income)	13.3	14.8	15.1
Government securities (KShs)	48.3 billion	56.8 billion	62.3 billion
Government securities (% of total income)	13.5	15.7	14.9
Total expenses (KShs)	**248.4 billion**	**236.4 billion**	**277.6 billion**
% change in total expenses	48.8	(4.8)	17.4
Major components of expenses:			
Interest on deposits (KShs)	110.9 billion	83.8 billion	103.6 billion
Interest on deposits (% of total expenses)	44.6	35.4	24.8
Staff costs (KShs)	59.5 billion	68.8 billion	75.4 billion
Staff costs (% of total expenses)	24.0	29.1	18.0
Bad debts charge (KShs)	12.3 billion	12.9 billion	17.2 billion
Bad debts (% of total expenses)	4.95	3.6	4.1
Other expenses (KShs)	65.6 billion	70.9 billion	81.4 billion
Other expenses (% of total expenses)	26.4	30.0	19.4

Performance Rating

The CBK uses the Capital Adequacy, Asset Quality, Management Quality, Earnings and Liquidity ("CAMEL") rating system in assessing the soundness of the commercial banks. The institutions rated strong, satisfactory and fair in December 2014 were 22, 16 and 5 respectively. The institutions rated strong increased from 18 in 2013 to 22 in 2014.

According to CBK, banks are ranked into three categories: large, medium and small according to their net assets and deposits among others. The minimum capital for a bank is currently KShs 1 billion. The 2015 Finance Bill proposal to raise minimum capital to KShs 5 billion was however rejected in early September 2015. Had this proposal been approved, it would have spurred a series of mergers and acquisitions in the banking sector of Kenya.

[1] Central Bank of Kenya Bank Supervision Annual Report 2014

In 2015, the performance of the banking sector is likely to be influenced largely by the following factors:

- The macro-economic environment

  The macro-economic situation in 2015 will be a key determinant of economic confidence and the overall level of economic activity. This is expected to have an impact on the overall demand for banking services.

- Clients and products

  The mix of product offerings and differentiated service levels made available by banks will determine customer satisfaction levels and market shares in an increasingly discerning banking market.

- Technology

  Increasing adoption of digital banking is expected to lead to a transformation in digitally-enabled banking technologies and create new value chains for financial service providers. Revenues and profits are anticipated to migrate towards banks that acquire digital proficiency sooner than competitors. On the downside, digitization also poses greater risks especially in regard to cyber security.

- Data and analytics

  Efficiency in data management and utilisation will continue to be a key interface between banks' technology, operations and business functions. Efficiency in data management and application across the value chain - from customer sign up to complaint resolution - should facilitate the creation of more compelling value propositions, enhanced service and increased revenues.

- Regional integration

  The on-going regional integration efforts in East Africa will continue expanding commercial opportunities for banking sector players. This should foster growth in both market share and profitability for banks willing to venture and expand their footprint in the regional market.

6.3 About Giro Commercial Bank Limited

GCBL was incorporated on 18 December 1992 and was launched in 1993. The original roots of the Bank go back to another institution, Credit & Commerce Finance Limited (CCF) a non-bank financial institution that commenced its operations in 1986. CCF continued to operate alongside Garnet as a hire purchase and trade finance lender until 1996, when the Central Bank of Kenya imposed similar banking restrictions (cash reserve requirements) on non financial institutions. This therefore resulted in the conversion of CCF into a bank, with the subsequent merger between Commerce Bank Ltd and Giro Commercial Bank.

The Current Board of Directors is composed of the following members

C. J. Gidoomal	Chairman
Sanjay Gidoomal	Managing Director
B. K . Patel	Finance Director
P. J. Gidoomal	Non-executive Director
C. M. Ngini	Non-executive Director
M. S. Shah	Non-executive Director

The Key people from the Head Office Management team are:

Sanjay Gidoomal	Managing Director
B. K. Patel	Finance Director
Anurag Srivastava	General Manager

The shareholders of GCBL are listed in Table 3 below.

Shareholders	Number of shares	Total % shareholding
Blanford Investment Ltd	8,735,935	22.00%
Lombard Holdings Ltd	7,033,550	18.00%
Sentinel Investment Ltd	6,605,455	16.00%
Laxmi Fibres Limited	6,437,228	16.00%
Sunsheli Ltd	6,437,228	16.00%
Gilt Investments Ltd	4,901,079	12.00%
Prem Jethanand Gidoomal	12	0.00003%
Chandan Jethanand Gidoomal	9	0.00002%
Mrs Chandrabai K. Kimatrai	6	0.00001%
Total	**40,150,502**	**100.00%**

Source: Particulars of shareholders at 30 June 2014

Based on the above details, the bank is within the 25% restriction on shareholding by any one shareholder.

As at 31 August 2015, the bank had a work force of 107 people including 10 in senior management. GCBL currently has 7 branches in the following locations:

- Nairobi:
  - Eldama Park, Westlands (Head Office)
  - Banda Street
  - Industrial Area
  - Parklands
  - Westlands
- Mombasa
- Kisumu

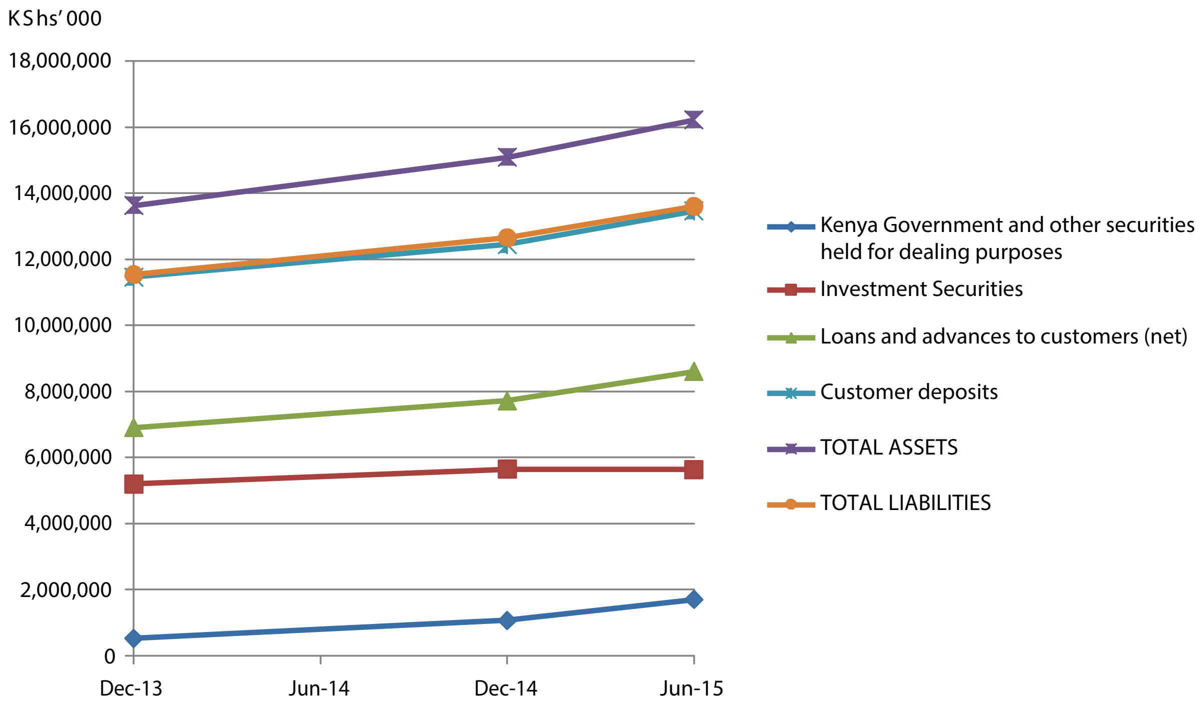
Banking services offered to customers include:

- Foreign exchange services (issuing of forex drafts, SWIFT money transfers, RTGS)
- Issue of banker's cheques
- Cheque clearance services
- Standing orders
- Safe deposit lockers
- Payment of taxes via EFT and VAT payments

6.4 Review of GCBL

Its total assets as of June 2015 stood at KShs 16.2 billion which consist mainly of KShs 8.6 billion of net loans and advances and KShs 5.6 billion of Government investment securities. Customer deposits reached KShs 13.5 billion in June 2015 rising from 11.4 billion as at end of December 2013. A corresponding percentage increase can be observed in net loans and advances to customers over the same period. The net assets (total shareholder's funds) stood at KShs 2.6 billion at the end of June 2015.

Figure 1: Key Performance Indicators



The loan to deposit ratio was about 65% and 63% as at June 2015 and December 2014 respectively.

Profitability (June 2015 refers to a 6 months period compared to 12 months ended for 2014 and 2013)

Interest income consists mainly of interest on loans and advances and of interest on Government securities. Total interest income reached KShs 862 million for the 6 months ending June 2015, KShs 1.6 billion in 2014 growing by 5% over 2013. Non-interest income consisting of various fees and commissions on loans, advances, foreign exchange income and other services additionally represented KShs 78 million for the June 2015 period, and KShs 187.6 million in 2014.

Expenses are made up mostly of interest expenses (payable on customer deposits and deposits and placements with banking institutions), totalling KShs 465 million for the June 2015 period and KShs 863.6 million in 2014. Other expenses (KShs 221 million for the June 2015 period and KShs 434.6 million in 2014) related to operating expenses such as staff costs, directors' remuneration, rental charges etc.

GCBL recorded a net profit of KShs 237.9 million for the six months ending to June 2015, and a net profit of KShs 395.6 million for the year ended 31 December 2014 (2013: KShs 378 million).

Dividends paid in 2014 and 2013 were KShs 406.9 million and KShs 115.3 million respectively. In 2015, no dividends have been paid for the 6 months period ending June 2015.

The Earnings per Share was KShs 9.30 for 2014 and KShs 9.52 for 2013, the drop in 2014 being due to an increase in share capital and number of shares.

Sector-specific ratios

With a capital of KShs 2.4 billion, the Bank is above the minimum capital of KShs 1 billion, as at December 2014 (June 2015: Kshs 2.6mn)

GCBL has been in compliance with the CBK requirements to maintain the monthly cash reserve ratio requirement at 5.25% of eligible deposits.

The core capital to total deposit liabilities ratio was 17.7% in June 2015, which represents an excess of 7.2% over the minimum statutory ratio of 10.5% (Table 4). The bank's total capital to total risk weighted assets ratio stands at 21.6 per cent in June 2015 compared to the minimum requirement of 14.5 per cent, while the liquidity ratio stands at 51 per cent versus a minimum requirement of 20 per cent.

Table 4: Performance ratios

	30-Jun-15 Shs '000 Un-Audited	31-Dec-14 Shs '000 Audited	31-Dec-13 Shs '000 Audited
Core capital/total deposit liabilities	**17.7%**	**18.7%**	**17.5%**
Minimum Statutory Ratio	10.5%	10.5%	8.0%
Excess	7.2%	8.2%	9.5%
Core capital/total risk weighted assets	**20.7%**	**22.9%**	**27.8%**
Minimum Statutory Ratio	10.5%	10.5%	8.0%
Excess	10.2%	12.4%	19.8%
Total capital/total risk weighted assets	**21.6%**	**23.8%**	**28.9%**
Minimum Statutory Ratio	14.5%	14.5%	12.0%
Excess	7.1%	9.3%	16.9%

Non-performing loans

Total non-performing loans and advances (net of interest in suspense) totaled Kshs 150.8 million as at June 30, 2015, KShs 247.4 million as at December 31, 2014 and KShs 374.6 million as at December 31, 2013. This represents 1.8% in June 2015 of total loans and advances, 3.2% in 2014 improving from 5% in 2013.

For the latest period available (as at June 30, 2014), the non-performing loans consisted of 1% classified as substandard, 4% as doubtful while there were no loans classified as loss.

Class	Arrears	%
1. Normal	Performing facility	83%
2. Watch	Performing facility, includes arrears < 90 days	12%
3. Substandard	Non performing facility, includes arrears between 90-180 days	1%
4. Doubtful	Non performing facility, includes arrears > 180 days	4%
5. Loss:	Non performing facility, includes > 1 year	0%

In July 2014, the Kenya Banks Reference Rate (KBRR) was introduced as a uniform base lending rate across the banking sector to enable consumers compare the pricing of loan products.

KBRR is currently at 9.87%. Bank loans are offered at an interest rate of KBRR + "K". "K" varied between 6.46% and 8.63% depending on the type of loans, and being highest on consumer loans with a maturity of 1-2 years.

	31-Dec-14 KShs '000 (Audited)	31-Dec-13 KShs '000 (Audited)
Interest on loans & advances	1,099,123	1,046,060
Total loans & advances	7,716,949	6,908,548
Provisions	66,285	88,881
	7,783,234	6,997,429
% interest on loans & advances	15%	17%
Interest on Customer deposits	859,679	793,935
Customer deposits	12,451,363	11,457,177
% interest on deposits	7%	7%
Net interest margin	8%	9%

The net interest margins were 8% and 9% in 2014 and 2013 respectively.

The Return on Equity for 2014 and 2013 were respectively 16% and 18%.

	31-Dec-14 KShs '000	31-Dec-13 KShs '000
ROE	16%	18%
Profit for the year	395,589	378,048
Total shareholders' funds	2,422,328	2,086,712

Based on the latest available information, we have made an analysis of loans and advances, and customer deposits as follows:

Loans and advances comprised in 2014, 60.1% of term loans, 37.4% of overdrafts and 2.5% of bills discounted. The most important sectors of activity of the bank's customers are real estate (26.3%), wholesale and retail (20%), building and construction (13.2%), transport and communication (12.5%) as well as manufacturing (9.6%). The maturity of the gross advances over the last two years was as follows:

Gross advances	2014	2013
Maturing within one year	61%	64%
Over one year to three years	21%	17%
Over three years	18%	19%

Customer deposits consisted mainly of fixed account deposits (75%) and of current and demand deposits (19%). There were 5% deposits into savings account while 1% was in fact accrued interest. It can be observed that the majority of deposits originate from non-profit organizations and individuals (73%) and from private enterprises (25%). The maturity of the customer deposits over the last two years was as follows:

Customer deposits	2014	2013
Maturing within one year	91.6%	80.9%
Over one year to three years	8.0%	19.1%
Over three years	0.4%	0.0%

6.5. Valuation Methods Considered

The following valuation methods have been considered when determining the most relevant valuation method:

Adjusted net assets value multiple

Under this method the value of a business is the sum of the total value of the net assets held by the company and applying a multiple to it. Depending on their specific nature, assets may be valued at cost, market value or replacement cost. However adjustments may have to be made if assets are inclusive of investments, investment property and any other non-revenue generating assets. It is generally assumed that the latest audited accounts reflect assets at fair values. In certain instances, assets, especially land and buildings, have to be revalued by a professional property valuer to determine any increase or decrease in fair value. Any inventory is assessed to determine its net realisable value. Receivables are assessed as to their recoverability and necessary adjustments made thereto.

The adjusted net asset value method is usually appropriate for a business with a high asset backing or a business which accumulates assets. It ensures that a fair value is given to the assets of the company. The disadvantage of this method is that it does not reflect the potential of a company to generate earnings as a going concern business.

Relative valuation (commonly referred to as multiple earnings)

Relative valuation involves estimating the value of an entity by reference to the observed prices and fundamentals of peer companies. The most common approach for implementing relative valuation is based on price multiples.

Multiple valuation assumes that the value is proportional to a particular fundamental (for example, earnings, operating cash flow, book value of equity), and that a similar proportionality holds for 'comparable' companies, that is, entities from the same industry and/or with similar characteristics.

Given the choice of fundamental and a set of comparable companies, the intrinsic value is estimated by simply multiplying the fundamental for the company by the corresponding multiple, which is based on the ratio of the share price to that fundamental of the group of comparable companies. The most common multiple used is the Price Earnings ("PE") ratio of the selected companies. The PE ratio is sometimes adjusted to reflect the subject company's inherent business nature.

This method of valuation can give an indication of the value of a company that generates revenues consistently.

Fundamental valuation (discounted cash flow method)

The most common fundamental method for valuing companies involves discounting projected 'free cash flows' to obtain an estimate of the value of the enterprise and then subtracting an estimate of the value of the net debt to obtain an estimate of equity value.

This valuation method is an income based approach and involves:

- The projection of Free Cash Flows to the Firm ("FCFF") accruing to all claimholders of the company and making allowances for the capital expenditure to maintain the existing assets or to cater for growth opportunities;
- The discounting of these cash flows by a cost of capital (usually the WACC) which reflects the risks pertaining to these cash flows. Key factors that will determine the discount rate in valuing the company include:
  - Perceived country risk;
  - Risks associated with the industry including regulatory risks; and
  - The commercial risks of the business including physical and operational risks.

6.6. Selected Valuation Methodologies

Approach

The valuation of GCBL based on the different valuation methodologies is summarised in the table below.

Methodology	Value KShs'000	Value per share KShs
NAV multiple	5,182,241	90.13
PE multiple	5,106,340	88.81
Discounted cash flow model	4,772,597	83.00

Methodology

Adjusted net assets value multiple

Based on the adjusted net assets value multiple basis, the value of GCBL is KShs '000' - 5,182,241 with a per share value of KShs 90.13 as shown in the table below. The reasonableness of the NAV multiple of 2 is based on transactions that have been conducted recently in Kenya.

Details	KShs'000
Net Asset Value as at June 30, 2015	2,620,005
Less investment properties - Kisumu	(57,769)
Adjusted NAV	2,562,236
Multiplier	2.00
NAV after applying multiple	5,124,473
Add back investment properties	57,769
Adjusted Net Asset Value	5,182,241
Number of ordinary shares	57,500,000
Price per ordinary share based on adjusted net asset value - KShs	**90.13**

Price earnings multiple

Based on the PE multiple, the value of GCBL is KShs '000' - 5,106,340 with a per share value of KShs. 88.81 as shown in table below.

Details	KShs'000
Maintainable earnings	475,854
PE multiple	10.73
Enterprise Value	5,106,340
Number of shares	57,500,000
Value per share (KShs)	**88.81**

The maintainable earnings have been based on the June 30, 2015 financials to give a more accurate basis of the Bank's financial performance. Assuming rather stable conditions at GCBL with no major changes in business model, we have extrapolated the 6 months ending June 2015 actual net profit after tax to a full 12 months figure in arriving at the maintainable earnings.

We have taken the PE multiple of 10.73 times, which is the average PE ratios of the listed local banks on the Nairobi Securities Exchange as shown in the table below. On the basis of a control premium that would apply in the context of a potential acquisition of GCBL, we have not discounted the average PE multiple derived.

Company	Last Traded Price(Ksh)	Earnings per Share	PE
Diamond Trust Bank Kenya Ltd	201	17.44	11.50
Equity Bank Ltd	47.75	3.26	14.60
I&M Holdings Ltd	116	13.56	8.60
Kenya Commercial Bank Ltd	46.50	4.11	11.30
National Bank of Kenya Ltd	17.55	1.49	11.80
NIC Bank Ltd	44	6.03	7.30
The Co-operative Bank of Kenya Ltd	18.40	1.84	10.00
Average			**10.70**

Free cash flow

We have reviewed the forecasts prepared by management and have also considered actual results achieved recently in comparison to forecasted data for those years, in arriving at the free cash flows, which we then discounted using a weighted average cost of capital (“WACC”).

Determination of WACC

The WACC is based on the targeted debt to equity ratio of the company, an estimate of its cost of equity, and the after tax cost of debt used in the forecasts prepared by management.

Cost of equity

The cost of equity is determined by adding an equity risk premium (comprising of business risk and country risk) to the risk free rate. The country risk premium has been based on Damodaran table of Country Default Spreads and Risk Premiums dated January 2015, estimated at 6.75%. We have added a business risk premium of 1.75%.

We have used the latest yield Kenyan Central Bank Rate (September 2015) as the risk free rate for the valuation; 11.50%.

Therefore, the cost of equity of GCBL is determined at 20.0%.

WACC

Since GCBL does not have any long term borrowings, WACC is equal to the cost of equity, which is at 20.0%.

Main assumptions

In determining the free cash flow of GCBL, the following assumptions have been utilised.

- Corporate tax is assumed at 30% for GCBL. Interest income on infrastructure bonds is tax exempt. Depreciation and amortisation are assumed to be equal to capital allowances;
- The FCF is for a 5-year period up to 2020. Post 2020, we have assumed a terminal value based on perpetuity cash flows, using 2020 as a basis;
- The target debt to equity ratio is assumed to be 100% equity and 0% debt;
- The risk free rate is assumed to be 11.5% as per the Kenyan Central Bank Rate on September 21, 2015;
- The risk premium is assumed to be at 8.5% which consists of a country risk premium of 6.75% and business risk premium of 1.75%;
- A perpetual CAPEX of Kshs ‘000’ - 10,000 is assumed;
- Assumed a 5% perpetual growth rate;
- Assumed an annual growth rate of 9% in total interest income over the forecasted period;
- Assumed an annual growth rate of 8% in total interest expense over the forecasted period;
- Assumed total non-interest income to be 9.5% of total interest income over the forecasted period;
- Assumed an annual growth rate of 2% in total non-interest expense over the forecasted period.

DCF Valuation

Based on the DCF method, the value of GCBL is KShs '000' - 4,772,597 with a per share value of KShs. 83 as shown in the table below.

Currency: KShs'000	2016	2017	2018	2019	2020
EBTDA	613,083	697,786	795,925	909,248	1,039,721
Tax paid	(54,294)	(79,997)	(109,703)	(143,939)	(183,298)
Working capital adjustments	155	138	117	90	56
Operating Cash Flow adjusted	**558,943**	**617,927**	**686,338**	**765,398**	**856,479**
Capex	(10,000)	(10,000)	(10,000)	(10,000)	(10,000)
Free Cash Flow	**548,943**	**607,927**	**676,338**	**755,398**	**846,479**
Terminal Value					**5,925,356**
	548,943	**607,927**	**676,338**	**755,398**	**6,771,836**
Discount Factor	0.913	0.761	0.634	0.528	0.440
Perpetual Growth rate					5%
Present value	**501,114**	**462,465**	**428,757**	**399,063**	**2,981,198**
Net present value of future cash flows	**4,772,597**				

Total number of shares	57,500,000
Value per share - KShs	**83.00**

6.7. Conclusion

The three valuation methods give the following values for GCBL.

Methodology	Value KShs'000	Value per share KShs
NAV multiple	5,182,241	90.13
PE multiple	5,106,340	88.81
Discounted cash flow model	4,772,597	83.00

Based on the above methodologies, we estimate the equity value of GCBL to be in the range of KShs. 4.8 billion to KShs. 5.2 billion. This would give a value per share in the range of KShs 83 to KShs 90.13.

SECTION 7: IMHL SUMMARY FINANCIAL INFORMATION

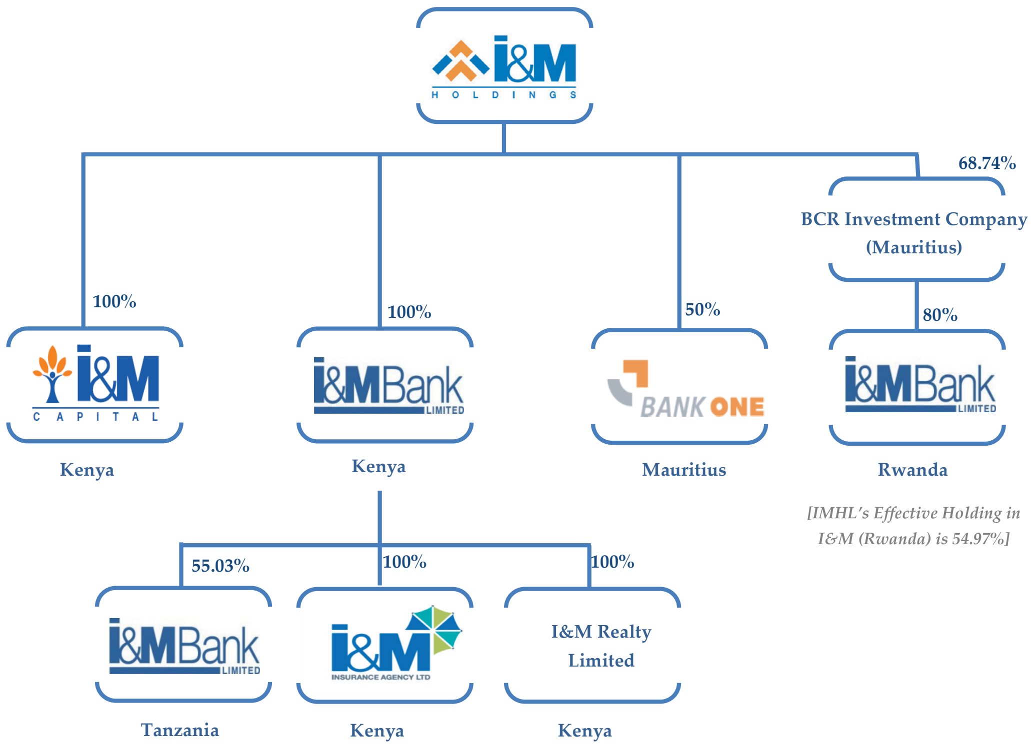
7.1. IMHL Company Overview

IMHL, formerly known as City Trust Limited (CTL) was incorporated on August 16, 1950 and was one of the oldest companies to list on the NSE. IMHL was licensed and approved as a non-operating holding company in accordance with the terms of the Banking Act, Cap 488 Laws of Kenya following a reverse takeover of CTL by I&M Bank Limited in June 2013. Prior to that, CTL was an investment holding company listed on the Alternative Investment Market Segment (AIMS) of the NSE, its only investment being a 7.28% shareholding in I&M Bank. Following the reverse takeover, CTL changed its name to IMHL and moved on to the Main Investment Market Segment (MIMS) of the NSE. As at May 27, 2016 IMHL has a market capitalization of KES 43.16 billion and is regulated by the Capital Markets Authority and the Central Bank of Kenya.

IMHL operates in four countries – Kenya, Tanzania, Rwanda and Mauritius through its banking subsidiaries and joint venture investments in each of these countries. I&M Bank in Kenya, IMHL's flagship entity is a public company. Incorporated in the Republic of Kenya, under Registration Number C.8/90 on May 14 1974, it was initially established as a financial institution and was converted to a bank licensed by the Central Bank of Kenya in 1996, at which point it became known as "Investments & Mortgages Bank Limited". The institution adopted the name "I&M Bank Limited" on September 25, 2008. Today, I&M Bank has a network of 35 branches and 49 ATMs covering the major financial centers in Kenya. IMHL also has a wholly owned subsidiary – I&M Capital Limited that is licensed as a fund manager by the Capital Markets Authority. I&M Insurance Agency Limited a wholly owned subsidiary of I&M Bank provides Bancassurance services while I&M Realty Limited, another subsidiary of I&M Bank Limited holds the Group's real estate assets.

In Tanzania, IMHL is represented by I&M Bank (T) Limited, a full-fledged commercial bank licensed by the Bank of Tanzania, and which has 9 branches across the major towns. In Rwanda, IMHL is represented by I&M Bank (Rwanda) Limited, a full-fledged commercial bank licensed by the National Bank of Rwanda, having 16 branches across the country. In Mauritius, IMHL has a joint venture – Bank One Limited, which is a full-fledged commercial bank licensed by the Bank of Mauritius with 15 branches across the island.

The Group structure of IMHL is as shown below.



7.2. Board of Directors and Senior Management

IMHL is led by a Board of Directors as outlined below. The Board is charged with the responsibility to ensure that it adequately provides strategic direction and monitoring of the Company, its subsidiaries and associates. IMHL is in compliance with the Guidelines on Corporate Governance Practices by Public Listed Companies in Kenya, 2002 and is committed to upholding best practice Corporate Governance framework in each of the Group entities.

DIRECTOR NAME	Role	PROFILE
Daniel Ndonye	Independent Chairman	Mr. Daniel Ndonye has been a director on the Board of IMHL since October 2010. He is a chartered accountant by profession, having worked with Deloitte & Touche for over 30 years, 20 of which he was a Managing/Senior Partner. He holds a Bachelor of Commerce degree from the University of Nairobi. He is a fellow of the Institute of Chartered Accountants in England and Wales, the Institute of Certified Public Accountants of Kenya and the Institute of Certified Public Secretaries of Kenya. He sits on the boards of several companies, among which four (4) are listed on the Nairobi Securities Exchange.
Suresh Bhagwanji Raja Shah, MBS	Non-Executive	Mr. Suresh Bhagwanji Raja Shah is a founder member and Chairman of I&M Bank. He has vast experience in the banking industry and in business. In December 2002, he was bestowed the Honour of a Moran of the Order of the Burning Spear. He sits on the boards of several companies.
Sarit S. Raja Shah	Non-Executive	Mr. Sarit S. Raja Shah has been the Executive Director of I&M Bank since 1993. He holds a Master's Degree from City University London. He also serves on the boards of all the IMHL banking subsidiaries as well as several other companies, including GA Insurance Limited & Coastal Bottlers Ltd (a bottling plant that has a Coca Cola Franchise).
Michael Turner	Independent Non-Executive	Mr. Michael Turner joined the board in August 2014. He is the Managing Director of Actis (East Africa). He holds a BSc. in Civil Engineering from the University of Southampton and is a Fellow of the Institute of Chartered Accountants, England and Wales.
Sachit S. Raja Shah	Non-Executive	Mr. Sachit Shah joined the board in July 2015. He is the Executive Director of GA Insurance Limited. His previous professional experiences include Citibank London, AMP Asset Management in London and HSBC Bank Plc, London.
Oliver Fowler	Independent Non-Executive	Mr. Fowler joined the board in August , 2015. He is a qualified Kenyan Advocate and an English Solicitor and is a Senior Partner at Kaplan & Stratton Advocates. His work encompasses commercial work, particularly financial, corporate and taxation matters and has been extensively involved in project finance, capital markets, banking and foreign investments sectors. He holds an LLB from University of Bristol and was admitted to the Kenyan High Court in 1979.
Dr. Nyambura Koigi	Independent Non-Executive	Dr. Koigi joined the board on October 28, 2015. She was the Managing Director of Postbank from 2005 to 2014. She has worked in various capacities in the financial sector including banking, business development and information communication technology. She has extensive training and experience in leadership, project management, product development, ICT and Microfinance. She holds a Doctorate of Business Administration from the Nelson Mandela Metropolitan University, an MBA and a BA both from the University of Nairobi. She is a fellow of the Institute of Certified Public Secretaries of Kenya and the Kenya Institute of Management.
Damien Braud	Non-Executive Director	Mr. Braud joined the board in December 2015. He is the East Africa Regional Representative at Proparco, where he has worked since 2012. He holds an MSc in Telecommunications Engineering and a HEC Specialized Masters in International Finance.

IMHL is licensed as a non-operating holding company and as such, it does not have any management and/or staff. All administrative and regulatory aspects of the Company are handled through the Executive office of I&M Bank. This structure will remain unchanged as per the disclosures in IMHL's 2015 Annual Report.

Corporate Governance

The IMHL Board has consistently placed great importance on good corporate governance practices of the Company and its subsidiaries (together the 'Group') as it believes that this is vital to the Group's well-being. The Company's Corporate Governance framework is grounded on the Capital Markets Authority Guidelines and best practices which are designed to balance performance and conformance. IMHL's Corporate Governance framework influences how the Group objectives are set and achieved, how it assess and monitor risks within the Group and how to optimise performance in order to increase and enhance shareholder value.

In order to ensure transparency in line with the Corporate Governance Guidelines and consistency in monitoring the Company, the Board has set up two Board Committees to assist in discharging its responsibilities. These include:

- **Board Audit and Risk Management Committee (BARMC)**

  The BARMC consists of three independent Directors and one non-executive Director. It is currently led by the Chairman of the Board.

  The key responsibilities of the BARMC are to assist the Board in fulfilling its statutory and fiduciary responsibilities, by providing an objective and independent review of the effectiveness of the external reporting of financial information and the internal control environment of the Group. The BARMC is also responsible of the oversight of the Group's risk management framework and reviewing the Group's risk appetite as assumed by the Group in the course of carrying on its business.

- **Board Nomination and Remuneration Committee (BNRC)**

  The BNRC consists of two independent Directors and one non-executive Director. It is currently chaired by an independent Director.

  The BNRC assists the Board in fulfilling its responsibilities by undertaking structured assessment of candidates for membership of the Board and Board Committees, and the establishment of an appropriate framework for remuneration of the Board and Board Committees, in line with clearly defined remuneration principles.

7.3. Highlights of Financial Information April 15, 2016

Statement of Profit or Loss

	Audited			
	Dec-15 KES '000'	Dec-14 KES '000'	Dec-13 KES '000'	Dec-12 KES '000'
Interest Income	21,869,337	17,591,479	14,483,258	12,718,823
Interest Expense	(9,222,172)	(7,187,395)	(5,595,544)	(6,723,817)
Net Interest Income	**12,647,165**	**10,404,084**	**8,887,714**	**5,995,006**
Fees & Commission (net)	2,364,931	2,139,456	1,895,754	1,511,564
Other Operating Income	2,226,845	1,708,892	1,542,237	1,477,393
Total Non-interest Income	**4,591,776**	**3,848,348**	**3,437,991**	**2,988,957**
Net Operating Income	**17,238,941**	**14,252,432**	**12,325,705**	**8,983,963**
Staff costs	(3,266,810)	(2,884,496)	(2,436,801)	(1,815,085)
Premises & equipment costs	(522,590)	(448,380)	(389,266)	(303,547)
General administrative expenses	(2,121,829)	(1,580,589)	(1,401,116)	(1,070,985)
Depreciation & amortization	(501,019)	(418,889)	(444,971)	(386,924)
Operating expenses	**(6,412,248)**	**(5,332,354)**	**(4,672,154)**	**(3,576,541)**
Operating profit before impairment losses and tax	**10,826,693**	**8,920,078**	**7,653,551**	**5,407,422**
Net impairment on loans & advance	(982,495)	(857,788)	(472,089)	4,890
Share of profit of joint venture	323,463	167,604	76,332	289,992
Profit before Tax	**10,167,661**	**8,229,894**	**7,257,794**	**5,702,304**
Income tax expense	(3,023,250)	(2,495,881)	(2,282,838)	(1,582,747)
Profit for the period	**7,144,411**	**5,734,013**	**4,974,956**	**4,119,557**

Statement of Financial Position

	Audited			
	Dec-15 KES '000	Dec-14 KES '000	Dec-13 KES '000	Dec-12 KES '000
Assets				
Cash & bank balances	15,457,501	16,779,687	14,984,582	13,518,146
Investment securities	39,135,807	38,461,486	26,197,402	27,322,216
Loans & advances to customers	127,823,778	112,491,329	91,882,664	71,012,960
Investment in subsidiaries & joint venture	3,062,350	2,573,560	2,411,973	2,066,668
Other assets	1,888,838	1,919,731	1,766,119	1,767,668
Property and equipment	2,935,233	2,763,692	2,608,196	2,129,369
Intangible assets	1,420,035	1,474,966	1,349,609	1,416,318
Total Assets	**191,723,542**	**176,464,451**	**141,200,545**	**119,233,345**
Liabilities				
Customer deposits	132,980,678	114,201,280	97,145,568	87,774,149
Deposits from banks	7,971,475	17,205,630	6,411,628	5,877,198
Other liabilities	2,834,117	2,254,134	1,823,031	1,657,883
Tax payable	145,434	24,698	569,712	110,005
Long term borrowings	14,070,539	14,672,567	11,572,650	4,446,420
Total Liabilities	**158,002,243**	**148,358,309**	**117,522,589**	**99,865,655**
Shareholders' Equity				
Share capital	392,362	392,362	392,362	392,362
Share premium	17,331,510	17,331,510	17,331,510	17,331,510
Retained earnings	12,971,933	7,360,529	3,671,202	(79,745)
Statutory reserve	912,617	905,486	218,048	141,176
Other reserves	(160,289)	69,357	297,037	4,524
Shareholders' Funds	**31,448,133**	**26,059,244**	**21,910,159**	**17,789,827**
Non-controlling interest	2,273,166	2,046,898	1,767,797	1,577,863
Total Liabilities & Shareholders' Equity	**191,723,542**	**176,464,451**	**141,200,545**	**119,233,345**

SECTION 8: INFORMATION ON IMHL SHARE TRADING

SECTOR	Finance & Investment										
Counter	I&M Holdings Ltd (Ord 1.00)										
Date	Volume	High	Low	Close	Daily Value	Date	Volume	High	Low	Close	Daily Value
26-Feb-16	6,400	100.00	97.00	98.50	630,400	15-Apr-16	600	108.00	105.00	107.00	64,200
01-Mar-16	4,000	100.00	98.50	99.00	396,000	19-Apr-16	56,700	107.00	105.00	106.00	6,010,200
02-Mar-16	100	99.00	99.00	99.00	9,900	20-Apr-16	338,000	107.00	105.00	106.00	35,828,000
03-Mar-16	13,000	100.00	98.50	99.50	1,293,500	21-Apr-16	13,000	108.00	106.00	107.00	1,391,000
04-Mar-16	231,100	100.00	100.00	100.00	23,110,000	22-Apr-16	100	105.00	105.00	105.00	10,500
10-Mar-16	2,000	100.00	100.00	100.00	200,000	25-Apr-16	600,000	108.00	107.00	107.00	64,200,000
14-Mar-16	100	100.00	100.00	100.00	10,000	26-Apr-16	100	105.00	105.00	105.00	10,500
15-Mar-16	3,500	102.00	100.00	100.00	350,000	27-Apr-16	88,000	110.00	110.00	110.00	9,680,000
16-Mar-16	38,200	103.00	100.00	100.00	3,820,000	28-Apr-16	220,100	112.00	109.00	112.00	24,651,200
17-Mar-16	6,100	100.00	100.00	100.00	610,000	04-May-16	299,600	113.00	112.00	112.00	33,555,200
18-Mar-16	109,600	100.00	100.00	100.00	10,960,000	05-May-16	12,600	111.00	111.00	111.00	1,398,600
23-Mar-16	151,000	100.00	100.00	100.00	15,100,000	06-May-16	15,900	111.00	107.00	108.00	1,717,200
24-Mar-16	6,000	100.00	100.00	100.00	600,000	09-May-16	100	110.00	110.00	110.00	11,000
29-Mar-16	355,100	105.00	103.00	103.00	36,575,300	10-May-16	35,400	110.00	108.00	109.00	3,858,600
30-Mar-16	6,300	105.00	103.00	103.00	648,900	11-May-16	1,500	109.00	109.00	109.00	163,500
31-Mar-16	217,200	105.00	103.00	104.00	22,588,800	13-May-16	1,000	112.00	112.00	112.00	112,000
01-Apr-16	400	103.00	103.00	103.00	41,200	16-May-16	1,000	112.00	110.00	110.00	110,000
05-Apr-16	100,000	104.00	104.00	104.00	10,400,000	17-May-16	2,100	112.00	112.00	112.00	235,200
06-Apr-16	154,800	105.00	105.00	105.00	16,254,000	18-May-16	7,800	113.00	110.00	112.00	873,600
08-Apr-16	155,500	105.00	105.00	105.00	16,327,500	23-May-16	1,400	112.00	112.00	112.00	156,800
12-Apr-16	100	105.00	105.00	105.00	10,500	24-May-16	8,500	112.00	110.00	110.00	935,000
13-Apr-16	5,000	105.00	105.00	105.00	525,000	25-May-16	104,900	110.00	110.00	110.00	11,539,000
14-Apr-16	3,200	108.00	105.00	107.00	342,400						
						Total	**3,377,100**				**357,314,700**
										3 month VWAP	**105.81**

SECTION 9: PRO-FORMA FINANCIAL AND SHAREHOLDER INFORMATION

This Section gives a highlight of the pro-forma consolidated financial statements and shareholding for IMHL assuming that the acquisition had been concluded by June 30, 2015:

9.1. Pro-forma Statement of Profit or Loss

	IMHL 30-Jun-2015 KES' 000	GCBL 30-Jun-2015 KES' 000	IMHL Consolidated Pro-forma KES' 000
Interest income	10,107,376	861,962	10,969,338
Interest expense	(4,216,389)	(464,771)	(4,681,160)
Net interest income	**5,890,987**	**397,191**	**6,288,178**
Net fee and commission income	1,194,522	59,470	1,253,992
Other operating income	1,170,264	18,904	1,189,168
Operating Income	**8,255,773**	**475,565**	**8,731,338**
Staff costs	(1,651,929)	(136,884)	(1,788,813)
Premises and equipment costs	(200,462)	(12,609)	(213,071)
General administrative expenses	(1,033,987)	(58,344)	(1,092,331)
Depreciation and amortization	(201,822)	(11,048)	(212,870)
Operating expenses	**(3,088,200)**	**(218,885)**	**(3,307,085)**
Operating profit/(loss) before impairment, losses & taxation	**5,167,573**	**256,680**	**5,424,253**
Net impairment	(467,278)	(1,653)	(468,931)
Share of profit of Joint Venture	137,110	-	137,110
Profit before income tax	**4,837,405**	**255,027**	**5,092,432**
Income tax	(1,441,097)	(17,100)	(1,458,197)
Profit for the period	**3,396,308**	**237,927**	**3,634,235**
Other comprehensive income	(58,556)	-	(58,556)
Total comprehensive income for the period	**3,337,752**	**237,927**	**3,575,679**

9.2. Pro-forma Statement of Financial Position

	IMHL 30-Jun-2015 KES' 000	GCBL 30-Jun-2015 KES' 000	IMHL Consolidated Pro-forma KES' 000
Assets			
Cash & Balances with Central Banks	11,788,446	1,057,020	10,445,244
Placements with Financial Institutions	4,953,961	606,071	5,560,032
Loans & advances to customers	123,121,122	8,603,344	131,628,085
Investment Securities	38,185,217	5,637,342	43,822,559
Investment in joint venture	2,676,820	-	2,676,820
Property and equipment	2,865,779	213,230	3,149,895
Intangible assets - Goodwill	1,174,601	-	3,530,601
Intangible assets - Software	297,118	1,349	298,467
Prepaid lease rentals	358,627	35,822	391,456
Deferred tax asset	574,499	-	574,499
Other assets	3,304,749	60,192	3,364,941
Total assets	**189,300,939**	**16,214,370**	**205,442,599**
Equity and Liabilities			
Liabilities			
Deposits from banks	9,917,058	5,754	9,922,812
Deposits from customers	129,496,175	13,460,950	142,957,125
Deferred tax liability	81,839	26,396	108,235
Tax payable	140,759	5,346	146,105
Other liabilities	4,544,484	95,919	4,640,403
Long term borrowings	14,934,118	-	14,934,118
Total liabilities	**159,114,433**	**13,594,365**	**172,708,798**
Shareholders' Equity			
Share capital	392,362	1,150,000	413,405
Share premium	17,331,510	-	19,857,762
Revaluation reserve	446,387	-	446,387
Available-for-sale reserve	(350,822)	-	(350,822)
Statutory reserves	888,779	112,882	888,779
Retained earnings	9,426,404	1,357,123	9,426,404
Translation reserve	(51,265)	-	(51,265)
Total Shareholders' Equity	**28,083,355**	**2,620,005**	**30,630,650**
Non-controlling interest	2,103,151	-	2,103,151
Total Liabilities and Shareholders' Equity	**189,300,939**	**16,214,370**	**205,442,599**

9.3. Pro-forma Shareholding Information

On completion of the transaction, the shareholding structure of IMHL will change following issuance of the 21,043,330 New Shares ordinary shares in IMHL to the Vendors. Below is a summary of the shareholding as a result of the acquisition.

It may be noted from the table below, that while we show the shareholding that will be held by the new shareholders below as a collective 5.09%, this shareholding will be held in individual names as shown, such that none of the new shareholders will hold 4.99% or more of this shareholding. Consequently, since the new shareholders will not represent a major shareholding, the entire 5.09% will be categorized under the *"Other Shareholders (Held by the Public)":*

Shareholder Names	No. of Shares in IMHL (Pre Transaction)	% Holding	No. of Shares in IMHL (Post Transaction)	% Holding
Minard Holdings Limited	88,325,016	22.51%	88,325,016	21.37%
Tecoma Limited	75,874,808	19.34%	75,874,808	18.35%
Ziyungi Limited	73,548,000	18.74%	73,548,000	17.79%
DEG & Proparco	41,881,500	10.68%	41,881,500	10.13%
Other Shareholders *(Held by the Public)*	112,732,715	28.73%	112,732,715	27.27%
TOTAL	**392,362,039**	**100.00%**	**392,362,039**	**94.91%**
New Shareholders				
Blanford Investments Limited	-	-	4,578,602	1.11%
Lombard Holdings Limited	-	-	3,686,362	0.89%
Sentinel Investments Limited	-	-	3,461,993	0.84%
Laxmi Fibres Limited	-	-	3,373,824	0.82%
Sunsheli Limited	-	-	3,373,824	0.82%
Gilt Investments Limited	-	-	2,568,711	0.62%
Prem Jethanand Gidoomal	-	-	6	0.00%
Chandan Jethanand Gidoomal	-	-	5	0.00%
Chandrabhai L. Kimatrai	-	-	3	0.00%
TOTAL NEW SHARES	**-**	**-**	**21,043,330**	**5.09%**
IMHL NEW TOTAL SHARES (Post)	**-**	**-**	**413,405,369**	**100.00%**

SECTION 10: ADDITIONAL CMA DISCLOSURES AND GENERAL INFORMATION

10.1 Responsibility Statement

10.1.1 The Directors, whose names appear in Section 10.3.1 accept responsibility for the information contained herein. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

10.1.2 The Directors are the persons responsible for the application made to the CMA pursuant to paragraph 17 of the Fourth Schedule to the Listing Regulations.

10.1.3 Forward Looking Statements.

(a) This Document contains forward-looking statements relating to the business of IMHL. These forward-looking statements can be identified by the use of forward-looking terminology such as believes, expects, may, is expected to, will, will continue, should, would be, seeks or anticipates or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions.

(b) These statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements that may be expressed or implied by such forward-looking statements. Should one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Circular as anticipated, believed, estimated or expected.

10.1.4 The Company does not intend, and does not assume any obligation, to update any industry information or forward-looking statements set out in this Circular.

10.1.5 Presentation of Financial Information

(a) The financial information in respect of GCBL set out in this Circular has, unless otherwise indicated, been derived from GCBL's audited and interim financial statements. GCBL's Annual Financial Statements were prepared on the basis of IFRS and in a manner required by the Central Bank of Kenya.

(b) To help illustrate the potential impact of the Acquisition on the financial position and earnings of the Group, the Directors have included pro-forma financial statements in Section 9 of this Circular. The Board cautions shareholders that, because of its nature, the pro-forma financial information addresses a hypothetical situation and, therefore, does not represent IMHL's or Group's actual financial position or results. In particular, the Board cautions shareholders that the actual impact on earnings per ordinary share in future financial periods will depend on the performance of IMBL's business post-acquisition as well as external factors. Thus, the actual results could differ materially from those anticipated in the pro-forma statements.

10.2. Company Share Capital

10.2.1 The authorised share capital of IMHL at the date of this Circular is KES 500,000,000 divided into 500,000,000 ordinary shares of KES 1.00 each while its issued and paid share capital as at the same date is KES 392,362,039 divided into 392,362,039 ordinary shares of KES 1.00 each. The authorised and issued share capital of IMHL is not divided into different classes of shares and all of the ordinary shares carry equal rights;

10.2.2 The Articles of Association describe all of the rights attached to the ordinary shares as regards such matters as voting, dividends, liquidation proceeds and other matters. A copy of the Articles of Association is available for inspection (Section 10.6 below);

10.2.3 The New Shares shall, rank pari passu in all respects with the existing ordinary shares, shall have a par value of KES 1.00 each and shall, upon issue, be credited as fully-paid up. The New Shares shall rank for dividend in respect of the financial year ending on December 31, 2016 and beyond. Upon completion of the Acquisition, the New Shares shall be credited to the respective CDSC accounts of the Vendors;

10.2.4 In order to eliminate fractional shares arising from the allotment of New Shares, the aggregate number of shares has been rounded to the nearest whole number;

10.2.5 The New Shares are expected to be admitted to Listing on or about July 29, 2016;

10.2.6 Assuming no movements in the shareholdings between the date of this Circular and the date of allotment, the allotment of the New Shares to the respective Vendors will affect the composition of the ten largest shareholders of IMHL as follows;

	Holder Names	Shares	%
1	Minard Holdings Limited	88,325,016	21.37%
2	Tecoma Limited	75,874,808	18.35%
3	Ziyungi Limited	73,548,000	17.79%
4	DEG	24,516,000	5.93%
5	Proparco	17,365,500	4.20%
6	The Registered Trustees Bhagwanji Raja Charitable Foundation	9,458,830	2.29%
7	Investments & Mortgages Nominees Ltd A/C 0001229	8,479,286	2.05%
8	Investments & Mortgages Nominees Ltd A/C 0004047	8,371,860	2.03%
9	Blanford Investments Limited	4,578,602	1.11%
10	Lombard Holdings Limited	3,686,362	0.89%
	SUB – TOTAL	**314,204,264**	**76.00%**
	Other Shareholders	99,201,105	24.00%
	TOTAL	**413,405,369**	**100.00%**

10.2.7 The ten largest shareholders pre-completion constitute 79.29% of the entire issued capital, while post completion the ten largest shareholders will constitute 76.00% of the issued share capital of IMHL.

10.3. Directors' Interests

10.3.1 The Board comprises of 8 directors as detailed below. The Board meets at least four times a year.

Name	Position on Board	Occupation	Nationality
Mr. Daniel Ndonye	Chairman, Independent Non-Executive Director	Accountant	Kenyan
Mr. SBR Shah, MBS	Non-Executive Director	Banker	Kenyan
Mr. Sarit S. Raja-Shah	Non-Executive Director	Banker	Kenyan
Mr. Michael Turner	Independent Non-Executive Director	Investment Executive	British
Mr. Sachit Raja-Shah	Non-Executive Director	Insurance Executive	Kenyan
Mr. Oliver Fowler	Independent Non-Executive Director	Lawyer	Kenyan
Dr. Nyambura Koigi	Independent Non-Executive Director	Banker	Kenyan
Mr. Damien Braud	Non-Executive Director	Investment Executive	French

10.3.2 As at the date of this Circular (and before the allotment of the New Shares), the following Directors had direct and indirect beneficial equity interests in the ordinary shares of IMHL :

Director's Name	Shares Held in IMHL	%
SBR Shah	44,179,966	11.26%
Sarit Suresh Raja-Shah	8,479,286	2.16%
Sachit Suresh Raja-Shah	8,371,860	2.13%

10.3.3 At the date of this Circular there was no existing or proposed contract between any of the Directors and IMHL, other than employment contracts for those Directors who are employed in the ordinary course of business;

10.3.4 No options to purchase any securities of IMHL have been granted to, or exercised by, any Director of IMHL;

10.3.5 Except as disclosed in this Circular, none of the Directors has or has had any direct or indirect beneficial interest in any property acquired by IMHL during the two years preceding the date of this Circular;

10.3.6 Except as disclosed in this Circular, no Officer, Director or major shareholder of IMHL (nor a related company) has any direct or indirect interest in the shares or business of GCBL;

10.4. Consents

10.4.1 BDO East Africa has given and not withdrawn their consent to the issue of this Circular with the inclusion of their reports and name and the references thereto, in the form and context in which they appear respectively.

10.4.2 I&M Capital has given and not withdrawn their consent to the issue of this Circular with their name and references thereto, in the form and context in which it appears.

10.5. Compliance and Disclosure – The Capital Markets Act

10.5.1 Section 4 of this Circular contains a description of the business, directors, management and major shareholders of GCBL. The disclosures therein provide useful information on GCBL and the assets and business to be acquired which can indicate the relative value thereof in relation to the consideration to be paid.

10.5.2 The Share Purchase Agreement dated September 5, 2015 between the Company and the Vendors set the Purchase Consideration for 100% equity shareholding in GCBL to be satisfied 50% by way of cash consideration of Kenya Shillings Two billion five hundred and forty-seven million two hundred and ninety-five thousand (Ksh 2,547,295,000) and 50% by way of 21,043,330 (twenty one million, forty three thousand, three hundred and thirty) New Ordinary Shares in the Company. A summary of the key terms of the Share Purchase Agreement is available for inspection (See Section 10.6 below);

10.5.3 The fees payable in respect to the Listing of the New Shares are KES 50,000;

10.5.4 In accordance with the disclosure requirements under paragraph 28(a) of the Fourth Schedule to the Listing Regulations, the Board hereby declares that the annual financial statements of IMHL for the year ended December 31, 2015 have been audited and received an unqualified opinion. Summary of these audited financial statements are included in Section 7;

10.5.5 The Company's auditors, KPMG Kenya have issued a statement, in respect of the periods audited by them, under paragraph 28(b) of the Fourth Schedule to the Listing Regulations which requires the auditor to consider whether all circumstances regarding the issue of the New Shares known to them which could influence the evaluation by investors of the assets, liabilities, financial position, results and prospects of IMHL are included in the Circular. A copy of the statement is available for inspection (see Section 10.6 below);

10.5.6 The disclosures contained in Sections 2 and 4 of this Circular provide information on the principles followed and factors considered in determining the consideration to be paid for the acquisition of GCBL;

10.5.7 Save as disclosed in this Circular and in the ordinary course of business, there are no related party transactions.

10.6. Documents Available for Inspection

Copies of the following documents will be available for inspection by shareholders, free of charge, at IMHL's offices at I&M Bank House, 2nd Ngong Avenue, Nairobi between 9.00 a.m. and 4.00 p.m. Monday to Friday (except public holidays) from the date of this Circular until June 24, 2016:

i) The Company's audited financial statements for the three financial years ended December 31, 2015;
ii) IMBL's audited financial statements for the five financial years ended December 31, 2015;
iii) GCBL's audited financial statements for the five financial years ended December 31, 2015 and management accounts as at March 31, 2016;
iv) The Resolution of IMHL's Board approving the Transaction;
v) The Resolution of the GCBL's Board approving the Transaction;
vi) The approval from the Central Bank of Kenya relating to the Transaction (if available);
vii) The approval from the Competition Authority of Kenya relating to the Transaction (if available);
viii) The Company's Memorandum and Articles of Association;
ix) A summary of the key terms of the Share Purchase Agreement between GCBL, the Sellers, the Warrantors, IMBL and IMHL dated September 5, 2015;
x) A summary of the key terms of the Asset Purchase Agreement between IMBL and GCBL;
xi) The statement issued by the Company's auditors as required by regulation 28(b) of the Fourth Schedule of the Listing Regulations;
xii) The Independent Opinion issued by BDO East Africa on fairness of acquisition value;
xiii) The approval of the CMA relating to this Circular;
xiv) The approval of the NSE to the Listing;
xv) Statutory Declaration from the Directors and Company Secretary of GCBL;
xvi) A statement issued by the auditors of GCBL.

SECTION 11: APPENDICES

11.1 Director's Declaration

H O L D I N G S

The Capital Markets Act (Chapter 485A of the Laws of Kenya)

Declaration under paragraph 17(2) and 28(a) of the Fourth Schedule to the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002

We the undersigned, being duly authorised by the Board of Directors of I&M Holdings Limited, hereby declare that all information contained in this Circular is correct, and neither the Board of Directors' minutes, audit reports nor any other internal documents contain information which could distort the interpretation of this Circular.

Signed for and on behalf of the Board of Directors

Chairman

Director

June 2, 2016

I&M HOLDING LIMITED I&M Bank House 2nd Ngong Avenue P.O. Box 30238, 00100-Nairobi, Kenya
Tel: 254 (20) 3221 002 **Mobile:** 0719 088 002/0753 100 001 **Email:** Invest@imbank.co.ke **Web:** www.imbank.com

11.2 Statement from the Auditors

KPMG Kenya
Certified Public Accountants
8th Floor, ABC Towers
Waiyaki Way
PO Box 40612 00100 GPO
Nairobi, Kenya

Telephone +254 20 2806000
Fax +254 20 2215695
Email info@kpmg.co.ke
Internet www.kpmg.com/eastafrica

The Directors
I&M Holdings Limited
I&M Bank House
2nd Ngong Avenue
Nairobi

Our ref: I/030/01/mg/dk

1 December 2015

Dear Sirs

Auditors' statement on information circular to shareholders of I&M Holdings Limited on the proposed allotment and issue of 21,043,330 Ordinary New Shares of I&M Holdings Limited as part consideration in exchange for the acquisition of all the issued shares in the capital of Giro Commercial Bank Limited

We were appointed as auditors of I&M Holdings Limited (the "Company") on 7 October 2015. Deloitte & Touche were the statutory auditors of I&M Holdings Limited for the audit for the year ended 31 December 2014 and they issued an unqualified audit opinion dated 26 March 2015.

On the basis of the audit of the financial statements of the Company for the year ended December 31, 2014 [as carried out by Deloitte & Touche, the previous auditors] and not subsequently supplemented by any additional audit procedures by us, we confirm that to the best of our knowledge and belief, and pursuant to Section 28 of the Fourth Schedule of the Capital Markets (Securities)(Public Offers, Listings and Disclosures) Regulation 2002, that all circumstances regarding the proposed issue of the new ordinary shares which could influence the evaluation by investors of the assets, liabilities, financial position and prospectus of the Company known to us as the auditors, are included in the Circular to Shareholder.

Yours faithfully

KPMG Kenya

Kaplan&Stratton
Advocates

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YOUR REFERENCE:	OUR REFERENCE:	DATE:
	KNK/VNM/HO/139/1	2nd June 2016

I&M Holdings Limited

Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN that an Extraordinary General Meeting of the Company will be held at the Sarova Panafric Hotel, Nairobi on Monday 27th June 2016 at 10.00 a.m. for the following purposes:

AGENDA

SPECIAL BUSINESS
To consider and, if thought fit, pass the following resolutions:

AS ORDINARY RESOLUTIONS:

1. Acquisition of Giro Commercial Bank Limited

(a) Acquisition of Shareholding

THAT subject to and conditional upon the receipt of any required regulatory approval including but not limited to those from the Central Bank of Kenya, the Competition Authority of Kenya, the Capital Markets Authority and the Nairobi Securities Exchange (the "**Regulatory Approvals**") the acquisition by the Company of all the issued share capital of Giro Commercial Bank Limited ("**GCBL**"), in accordance to the terms and conditions set out in the Share Purchase Agreement dated 5th September, 2015 (the "**SPA**") be and is hereby approved;

(b) Issue of Consideration Shares

THAT in part consideration of the transfer of the issued shares of GCBL to the Company and subject to the Regulatory Approvals, the Directors of the Company be and are hereby authorized to allot and issue 21,043,330 (twenty one million forty three thousand three hundred and thirty) new ordinary shares of KES 1.00 each in the capital of the Company (being the "**Consideration Shares**") to the Vendors under the SPA or their assignees;

(c) Transfer of Banking Business

THAT subject to and conditional upon the receipt of the Regulatory Approvals and upon GCBL becoming a wholly owned subsidiary of the Company, the whole of the banking business and all associated assets and the liabilities thereof as carried on by GCBL prior to the effective date of this resolution be transferred to I&M Bank Limited.

2. Increase in Share Capital

THAT the share capital of the Company be increased from the current Kenya Shillings Five Hundred Million (KES 500,000,000) to Kenya Shillings One Billion Five Hundred Million (KES 1,500,000,000) by the creation of One Billion (1,000,000,000) ordinary shares of Kenya Shillings One (KES 1) each which shall rank *pari passu* with the existing shares.

3. Capital Raise

THAT subject to the Company receiving all regulatory approvals including, but not limited to, the approval of the Capital Markets Authority, the Board of Directors be and are hereby authorized to raise a maximum of Kenya Shillings One Billion Five Hundred Million (KES 1,500,000,000) only by way of a combination of:

(i) A rights issue (the "**Rights Issue**") to holders of ordinary shares of the Company in such proportion to the existing shares held by them at the close of business on such date to be fixed by the Directors and at such price as shall be determined by the Directors for up to an amount not exceeding 50% being KES 750 million of the entire proposed capital raise amount and that the Directors are hereby authorized to do all such things as may be necessary to undertake the Rights Issue;

(ii) Issue of new shares to DFI shareholder/(s) on such terms and conditions as may be determined by the Directors for up to an amount not exceeding 40% being KES 600 million of the entire proposed capital raise amount;

(iii) Issue of new shares to the Trustees of the existing I&M Bank Employee Share Ownership Plan (the "**Scheme**") for an amount not exceeding 10% being KES 150 million of the entire proposed capital raise amount subject to the provisions of the Memorandum and Articles of Association of the Company and the terms of the Scheme.

All such shares shall be ordinary shares ranking *pari passu* with all the existing ordinary shares in the Company.

4. General approval for Investment Opportunities

THAT subject to all relevant regulatory approvals being obtained, the Board of Directors be authorised to approve an acquisition, a merger, a joint venture agreement or a new (greenfield) venture where the value of such a transaction shall not exceed 15% of the value of the total assets of the Company as at the end of the most recent calendar quarter and in line with the financials of the Company made available to the public by way of disclosure on the Group's website or by way of publication in the local dailies.

BY ORDER OF THE BOARD

Virginia Ndunge
Company Secretary
P.O Box 40111 -00100 GPO
Nairobi

2nd June, 2016

Note:
A member entitled to attend and vote is entitled to appoint a proxy to attend and vote on his/her behalf and such a proxy need not be a member of the Company. To be valid, proxy forms must be deposited at the Registered Office of the Company not less than 48 hours before the appointed time of the meeting.

I&M HOLDINGS LIMITED

TO: The Company Secretary,
P.O. Box 40111-00100 GPO,
NAIROBI

PROXY FORM

I/We ………

of ………

being a member/members of the above Company,…………………………………………………………………

hereby appoint ……

of ………

or failing him ………

of ………

as my/our proxy to vote for me/us on my/our behalf at an Extraordinary General Meeting of the Company to be held on 27th June 2016 and at any adjournment thereof.

Signed/Sealed this ………… day of ………………………………………………, 2016

……………………………………..…

……………………………………..

Notes:

1. A member entitled to attend and vote is entitled to appoint a proxy to attend and vote in his stead and a proxy need not be a member of the Company.
2. In case of a member being a limited Company this proxy form should be completed under its common seal or under the hand of an officer or attorney duly authorised in writing.
3. Proxies must be in the hands of the Secretary not later than 48 hours before the meeting.