



CIRCULAR TO SHAREHOLDERS

In relation to:

**Proposed acquisition of 90% issued shares in the capital of
Orient Bank Limited, Uganda**

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you have disposed of all your shares in I&M Holdings Plc (the “Company” or “IMHP”), please forward this document to the stockbroker, banker or other agent through whom you disposed of your shares.

This Circular is issued by I&M Holdings Plc 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 with the provisions of the Capital Markets Act and 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 IMHP.

I&M HOLDINGS PLC

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

Circular to Shareholders

Proposed acquisition of 90% of the issued shares in the capital of Orient Bank Limited

A Notice of an Extraordinary General Meeting of the Company which is to be held on 2nd December 2020 held via electronic communication as is set out at the end of this document. A form of proxy for use by shareholders is also enclosed.

This Circular is dated 3rd November 2020.

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SECTION 1: GENERAL INFORMATION

1.1. Timetable

EVENT	DATE
Execution of the Share Purchase Agreement	17 th July 2020
Latest Time to Return EGM Proxy Forms	30 th November 2020
EGM	2 nd December 2020
Announcement on EGM Resolutions	3 rd December 2020
Completion Date	31st December 2020

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

1.2. Transaction Advisers

Transaction Advisors:

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Eldama Park, Eldama Ravine Road
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Edward Burbidge, CEO
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Financial Due Diligence:

KPMG Advisory Services Limited
8th Floor, ABC Towers
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Independent Valuation:

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PO Box 10032-00100
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Rina Hicks, Operations Director
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Auditors:

KPMG Kenya
ABC Towers, 8th Floor, ABC Place
Waiyaki Way,
P.O. Box 40612-00100
Nairobi, Kenya

Jacob Gathecha – P/1610, Partner
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SECTION 2: DEFINITIONS

“Acquisition”/ “Transaction”	The proposed purchase of 90% of the issued share capital of Orient Bank Limited (“OBL”) by the Company as described in this document;
“Articles of Association”	The articles of association of the Company;
“Bank of Uganda” or “BOU”	The Central Bank of Uganda established under the Bank of Uganda Act 1966 (Chapter 51 of the Laws of Uganda),
“Banking Act”	Banking Act (Chapter 488 of the Laws of Kenya);
“Board” or “Directors”	The persons named in this Circular as Directors of the IMHP or OBL;
“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);
“Circular”	This document that outlines details of the Acquisition;
“CMA”	The Capital Markets Authority, established under The Capital Markets Act (Chapter 485A) of the Laws of Kenya;
“COMESA”	The Common Market for Eastern and Southern Africa;
“Companies Act”	The Companies Act (Act No. 17 of 2015, Laws of Kenya);
“OBL”	Orient Bank Limited, a company incorporated in the Republic of Uganda with company number 80010000225601, for the purposes hereof of Orient Plaza, Plot 6/A, Kampala Road, Kampala, Uganda;
“EAC”	East African Community, a regional intergovernmental organisation of 6 Partner States: The Republics of Burundi, Kenya, Rwanda, South Sudan, the United Republic of Tanzania, and the Republic of Uganda
“EGM”	The extraordinary general meeting of IMHP to be held on 2 nd December 2020;
“I&M Bank Group”	I&M Holdings Plc, its subsidiaries and associates;
“IMHP” or “Company”	I&M Holdings Plc, a company incorporated under the Companies Act (No. C. 7/50) and listed on the Nairobi Securities Exchange under the Main Market Segment;
“Kshs” or “KES”	Kenya Shillings, being the lawful currency of the Republic of Kenya;
“Listing Regulations”	The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002;
“NSE”	The Nairobi Securities Exchange;
“Purchase Consideration”	The payment consideration payable to Vendors agreed as per the terms of the Share Purchase agreement for the acquisition of 90% shareholding in OBL;
“SPA”	The Share Purchase Agreement for the proposed sale and purchase of 90% of the shares of OBL made between the Vendors and the Company dated July 17, 2020;
“UGX”	The Ugandan shilling, being the national currency for the Republic of Uganda
“USD”	The United States dollar being the official currency of the United States and its territories per the Coinage Act of 1792
“Vendors”	The several persons who own 87,075,000 ordinary shares of UGX 1,000/- each in the capital of OBL whose details are more particularly set out in Section 4.3

SECTION 3: LETTER FROM THE CHAIRMAN OF I&M HOLDINGS PLC

3rd November, 2020

To: All Shareholders of I&M Holdings Limited

Dear Shareholder,

PROPOSED ACQUISITION OF 90% OF THE ISSUED SHARE CAPITAL OF ORIENT BANK LIMITED

On July 21, 2020 your Company advised by way of a cautionary announcement published in the local dailies that it had on July 17, 2020 entered into a Sale and Purchase Agreement (“**SPA**”) with the shareholders of Orient Bank Limited (“**OBL**”) for the acquisition of the 90% shareholding in OBL (the “**Transaction**”). The effect of completion of the Transaction will be that OBL will become a subsidiary of IMHP.

The completion of this Acquisition is subject to customary closing conditions which include procurement of your approval 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 Transaction on IMHP’s financial position and the various approvals required to consummate the Acquisition. Further information on OBL, 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 as outlined in the Notice of the EGM set out in Section 9.2.

Your approval is required for the Acquisition.

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.

I&M Bank Group has primarily focused its expansion to markets based on where its customers want it to go and to support reciprocal trade with the other country. In 2019, I&M Bank Group was presented with an opportunity to acquire 90% shareholding in OBL, a licensed and established commercial bank providing a full range of personal and business banking products in the Ugandan market.

Set out below is the rationale for IMHP’s interest in undertaking this investment, which in a nutshell, is to expand the I&M Group regional footprint and to fulfill the vision of being a banking powerhouse in East Africa.

I&M Bank Group’s strategy and vision for establishing its presence in the region stems from the following considerations:

- i) The combined Group will be better able to serve the needs of regional and global customers, and in turn promote regional trade flows. In its regional expansion strategy, I&M Bank Group seeks to follow its customers in order to support their business and banking needs. This will be fulfilled by its presence in Uganda.
- ii) Exchange of man-power, training and interaction between the staff of I&M Bank and OBL will go a long way towards developing human resources in terms of broadening their perspectives and horizons as well as helping staff to better appreciate the nature of risks in different markets. I&M Bank Group invests heavily in the training and development of its people, and The Group has received prestigious awards in Kenya for its human resources management.

- iii) The Group expects to realize significant advantages of diversification through its Treasury and Trade Finance functions, as there is good scope for expanding these business lines in Uganda – this will also result in OBL gaining a competitive advantage in these areas in the Ugandan market.
- iv) The plan is to introduce the Group's technology-driven in-house developed existing products so as to benefit from economies of scale and thereby lead the market in terms of product innovation.
- v) We expect to gain considerable operational synergies in terms of integration of the ICT platforms and from the implementation of best banking practices between the banks within the Group.
- vi) The larger banking entity will be better placed to benefit from the advantages of economies of scale that would give the larger bank a better bargaining position with suppliers/vendors and thus improve efficiency.

Further, subject to Central Banks' approvals in the respective EAC countries, it is also the medium-to-long-term vision of the I&M Bank Group to offer seamless regional banking services to its customers in the EAC countries in which it has a presence. This would enable real-time transactions between the countries

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:

- IMHP to acquire 90% of the issued shares in OBL presently held by the Vendors (who are listed in Section 4.4 of this Circular);
- Payment of Purchase consideration as per the terms of the SPA
- Shareholders' approval to be obtained by each of IMHP and OBL;
- Regulatory approvals to be obtained from BOU, CBK, CMA, and COMESA Competition Authority;
- Warranties and indemnities in favour of IMHP in connection with the business affairs of OBL;

Purchase Consideration

IMHP is required to effect payment of the purchase consideration for OBL's shares by way of an amount in USD 33,686,373 /- (US Dollars Thirty-Three Million, Six Hundred and Eighty-Six Thousand, Three Hundred and Seventy-Three) equivalent to UGX 124,342,130,000 /- (Uganda Shillings One Hundred and Twenty-Four Billion, Three Hundred Forty-Two Million, One Hundred Thirty Thousand). This consideration is subject to further adjustments on account of such matters as any exchange rate (USD–UGX) fluctuation between the date of signing of SPA and Completion of the Transaction, post-Completion integration support, net loss or net profit of OBL for the period from 1st January 2020 until Completion, and the proceeds of the agreed disposal of OBL's property, Orient Plaza, prior to the Completion of the Transaction,

In determining the purchase consideration payable under the SPA, the Company took into account the Net Asset Value ("NAV") of OBL as at 31 December 2019 as adjusted for the fair value and to which a market multiple of c 1.1x was applied. The final purchase consideration was informed by the results of the legal, financial and commercial due diligence investigation carried out prior to execution of the SPA and the findings of which were supported by the Independent Valuation carried out by Faida Investment Bank Limited dated 8th September 2020. A summary of the Independent Valuation has been set in Section 6;

Effect of the Acquisition on Existing Shareholders

Following the Acquisition, OBL will become a subsidiary of IMHP. There are no new shares being issued to complete the Transaction and therefore the Transaction will not have any dilutive effect on your shareholding.

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 has since been received.

Furthermore, regulatory approvals for the Acquisition have been sought from the Central Bank of Kenya and the Bank of Uganda. Details of this Transaction together with the required application have also been submitted to the COMESA Competition Authority.

As required by law and IMHP's Articles of Association, shareholders must be given the opportunity to approve the proposed Acquisition. This shall be sought from shareholders as set out in the Notice of the EGM, which is included in Section 9 of this Circular.

If you are currently a shareholder but are unable to attend the EGM to be held on 2nd December, 2020, you may complete the Form of Proxy and send it to the Company's Share Registrar no later than 5pm on 30th November 2020. 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

IMHP'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.

IMHP's Board considers that the Acquisition will contribute positively towards enabling IMHP achieve its objectives of maximizing shareholder value, and believes that the Acquisition is in the best long-term interests of IMHP 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.

Your sincerely



Daniel Ndonge

Chairman

SECTION 4: INFORMATION ON ORIENT BANK LIMITED

4.1. Background

Orient Bank Limited is a licensed Financial Institution by the Bank of Uganda and a leading private sector commercial bank in Uganda. It was founded by Dr. Ketan Morjaria and his family in 1993.

In November 2002 Orient Bank Limited successfully bid and acquired TransAfrica Bank Ltd (TABL) from the Bank of Uganda attributed to its professional, technical and banking soundness.

In 2009, following the enactment of the Financial Institutions Act, which had the effect of limiting private shareholdings in Banks, Dr. Ketan Morjaria sold 80% of OBL to Bank PHB of Nigeria (later acquired by Keystone Bank Limited, Nigeria) and the then existing shareholders retained an aggregate 20% stake in the Bank.

Following the change of guard, the Bank performed dismally between 2010 and 2014, attributed to ambiguous strategic direction, declining customer service, unprecedented NPAs, absence of a robust risk management framework and attrition of key talent.

In February 2015, the Nigerian shareholders exited the Bank and the remaining shareholders increased their aggregate stake to 49% while bringing in new shareholders, including the PE Fund '8 Miles' that took up 42%.

Following this change, the Bank set in motion, a transformation journey of the Bank with a 3-year focused strategy aimed at

- Improving its Operational Risk Management Framework,
- Investing in new IT driven products,
- Strengthening senior management team with new hires,
- Capital injection of USD 6 Mn

Given in the table below is a breakdown of their Shareholders Funds for the Financial year 2015 to 2019 (in UGX '000')

	31-Dec-15	31-Dec-16	31-Dec-17	31-Dec-18	31-Dec-19
	UGX '000'	UGX '000'	UGX '000'	UGX '000'	UGX '000'
Share Capital	76,500,000	96,750,000	96,750,000	96,750,000	96,750,000
Revaluation Reserve	2,601,106	3,116,160	2,434,811	1,831,836	1,564,041
Credit Risk Reserve	225,099	2,982,438	-	-	13,835,877
Retained Earnings	1,497,897	5,029,240	13,801,980	16,129,514	1,842,384
Non-controlling Interest	50,872	94,173	95,392	103,229	107,712
Total	80,874,974	107,972,011	113,082,183	114,814,579	114,100,014

As at December 2019, OBL had an asset base of UGX 814 billion and loss after tax of UGX 1 billion. It also has a staff force of about 340 employees and a branch network of 22 branches (with 14 of them in Kampala).

4.2. Board of Directors

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

Name	Role	Profile
Michael Cook	Chairman	Michael Cook was a senior career diplomat and a former British High Commissioner to Uganda, with a wide range of political and commercial experience in Scandinavia, the Caribbean, Turkey and Africa. After retiring from the

		Diplomatic Service he was a member of a commission established by David Cameron before he became British Prime Minister, to advise on future aid policy. He has been Chairman of Orient Bank since April 2005
Kumaran Pather	Managing Director and CEO	Kumaran is a seasoned banking executive with experience in Retail Business Banking spanning over two decades across seven countries. He is reputed with building winning Banking strategies that have led to transformative business performance throughout his career. He was most recently the Retail Business Banking Director at Barclays Uganda. Kumaran holds an MBA from the University of Johannesburg and has attended Executive Leadership Programs in South Africa and at Cass Business School in London.
Ketan Morjaria	Vice-Chairman	Mr. Morjaria was born in Uganda and has a lifetime commitment to the development of trade, investment, and financial services in the East African sub-region. He is a founder and Board Member of both Orient Bank and Credit Bank in Kenya, and a strategic shareholder in both institutions, and has wide experience in commerce and property development in Africa, the United Kingdom, and the Middle East. He has served on the boards of several successful commercial companies. He is a member of the Institute of Chartered Accountants of England and Wales and the Institute of Certified Public Accountants of Uganda
Tashin Morjaria	Ag. Executive Director	Mr. Tashin K. Morjaria holds a degree in BA Industrial Economics from the University of Nottingham, UK. After graduating in this field Tashin joined FTC Global Limited, a leading venture capitalist specializing in technology and consumer sectors. Since joining Orient Bank in 2014, Tashin has served in a variety of capacities as Project Manager, Head of Business Development and currently the Ag. Executive Director. He has been instrumental in driving business development, customer relations, digital transformations and credit structuring. In 2020, Tashin was nominated by the Uganda Bankers Association to be the Chairman of the newly formed Digital Financial Services Committee to spearhead engagement with regulators and other stakeholders on adaptation of digital financial services in Uganda
Hemen Shah	Non-Executive Director	Mr. Hemen Shah is a graduate of Harvard University and an MBA graduate of Stanford University USA. He is a professional Banker with over 23 years' experience. Mr. Shah has held several Board memberships from 2008 to 2010. Mr. Shah is currently a Partner at 8 Miles LLP, an Africa focused Private Equity firm where he is one of the founding partners and Board members.
Joram Kahenano	Non-Executive Director	Mr. Kahenano is a fellow of the Uganda Institute of Bankers and a fellow of the Chartered Institute of Bankers. He has held various director positions in the Bank of Uganda where he worked for 36 years. He has in addition served on various Boards. Joram is currently a trustee of Uganda Small Scale Industries.
Jay Karia	Alternative Non-Executive Director	Mr. Karia is a business magnate with over 25 years diversified exposure in London, Kenya and Uganda. He has served in several managerial capacities as Manager Lloyds Exports UK, Manager Kabril Limited UK.

		He has also served on several boards including Lloyds Exports and, Kabril Limited- in London UK, Orion FXB Ltd and Credit Bank in Nairobi Kenya.
Francis Magembe Byaruhanga	Non-Executive Director	Mr. Byaruhanga holds a Masters Degree in Business Administration. He has over 25 years' experience in the areas of Management, Finance, Accounting, Procurement and Logistics Management with excellent knowledge of government and International agencies procedures and practices.
Zhong Shuang Quan	Non-Executive Director	Mr. Zhong Shuang Quan holds a Bachelors of Arts in Business Management from the Sichuan Normal University, China. He is a prominent businessman with diversified interests in East Africa, Asia and other parts of the world specializing in the fields of manufacturing household plastics, large scale rice farming, import trade in household goods and road transport. He has Managerial experience in Trade and Manufacturing Enterprises spanning over several years

4.3. Corporate Governance

Orient Bank Limited has established a tradition of best practices in corporate governance. The corporate governance framework is based on an effective independent board, the separation of the board's supervisory role from the executive management and the constitution of board committees generally comprising a majority of non-executive directors and chaired by a non-executive director to oversee critical areas.

The board functions either as a full board or through various committees constituted to oversee specific operational areas. The Board has constituted six committees. These are the Audit Committee, Risk Committee, Asset & Liability Committee, Remunerations and Nominations Committee, Credit Committee, Board IT Committee. All of these Board Committees are constituted and chaired by non-executive directors. As at 31 December 2019, the Board of Directors consisted of 8 members.

a) Audit Committee

This committee is chaired by an independent Non-Executive Director and meets every quarter. The Audit Committee informs the Bank and the Board of any risks, suspected frauds or irregularities, failures of internal control or suspected infringements of laws, rules and regulations which come to its attention.

b) Asset and Liability Committee

ALCO is headed by a Non-Executive Director and meets quarterly. The overall objective of the Asset and Liability Committee is to maximize earning and return on capital with acceptable and controllable levels of the main treasury risks i.e. liquidity, interest rate, foreign exchange and concentration risks. The assets and liabilities of the Bank shall be managed to maximize shareholder value, to enhance profitability and increase capital, and to protect the Bank from any excessive financial risks arising from changes in interest rates.

c) Remuneration and Nominations Committee

This committee decides on recruitment at senior levels based on responsibilities and remuneration of management staff and directors. It is responsible for ensuring that the Board remains balanced, both in terms of skills and experience, and between Executive and Non-Executive Directors. It is authorized to lead the process for appointments to the Board, and make recommendations to the Board, ensuring there is a formal, rigorous and transparent procedure.

d) Risk committee

This committee is headed by a Non-Executive Director and meets quarterly. The committee is granted the authority for

- (i) oversight and advice to the board in relation to the current and potential risk exposures of OBL;
- (ii) oversight of the Bank's Risk Management Framework; the future risk strategy of the bank, including strategy for capital and liquidity management and the determination of risk appetite and tolerance, and
- (iii) promoting a risk awareness culture in the bank, alongside established policies and procedures.

e) Credit Committee

The Board Credit Committee is chaired by a Non-Executive Director and meets quarterly. The Credit Committee seeks to ensure that the quality of the Bank's asset book remains within acceptable parameters and that the business has an effective credit policy, consistent with regulatory requirements and prudent risk management practices.

f) IT Committee

The IT Committee is granted the authority for oversight and advice to the Board on IT strategy and initiatives, and to oversee the implementation and cost effectiveness of IT projects and IT security. The Board IT Committee is chaired by a Non-Executive Director and meets quarterly.

In addition to the above committees, there are committees on a management level comprised of senior management whose frequency of meetings is daily, weekly, monthly and quarterly.

4.4. Shareholding

OBL has an authorized share capital of UGX 96,750,000,000/- divided into 96,750,000 ordinary shares of UGX 1,000/- each, all of which are issued and fully paid for.

The current shareholding of OBL is summarized below as:

Shareholder Name	Number of Shares	%
Cornerstone M8 Limited	40,635,000	42.00%
Morka Holdings Limited	32,107,500	33.19%
Dr. Ketan Morjaria	7,650,000	7.91%
Mr. Zhong Shuang Quan	4,353,750	4.50%
Mr. Alemayehu Fisseha	4,353,750	4.50%
Ms. Hemlata Karia	3,825,000	3.95%
Mr. Jay Karia	3,825,000	3.95%
TOTAL	96,750,000	100.00%

After completion of the Transaction IMHP will acquire the ninety per cent (90%) of the issued shares in OBL while two of the existing shareholders will retain ten per cent (10%) shareholding as detailed below:

Name of Shareholder	Number of Shares to be retained	Proportional ownership retained
Dr. Ketan Morjaria	5,321,250	5.50%
Mr. Alemayehu Fisseha	4,353,750	4.50%
TOTAL	9,675,000	10.00%

4.5. Human Resources & Senior Management

OBL has about 340 employees, of which approx. 240 are on permanent basis while the rest on contract terms.

Senior Management	Role	Professional/Academic Qualifications
Kumaran Pather	Managing Director and CEO	<ul style="list-style-type: none"> • Master of Business Administration • Executive leadership programs
Tashin Morjaria	Ag. Executive Director	<ul style="list-style-type: none"> • Bachelor of Arts in Industrial Economics
Denis Damba	Head of Treasury	<ul style="list-style-type: none"> • ACI Dealing Certification • Bachelor of Tourism
Carlos Omer	Senior Manager Operations	<ul style="list-style-type: none"> • Postgraduate in Computer Science • Bachelor of Science
Joseph Fetaa	Head Products & Channels	<ul style="list-style-type: none"> • Master of Arts in Economic Policy Management • Bachelor of Arts in Social Sciences
Oscar Karamagi	Ag. Head of Internal Audit	<ul style="list-style-type: none"> • Certified Public Accountant (CPA) • Master of Science in Accounting & Finance • Bachelor of Commerce • Diploma in Business Studies
Andrew Ssekamwa	Chief Finance Officer	<ul style="list-style-type: none"> • Bachelor of Statistics • Certified Public Accountant (CPA) • ACCA
Martha Akatukunda	Head of Human Resources	<ul style="list-style-type: none"> • Master's in Business Administration • Bachelor of Industrial & Organizational Psychology
Kenneth Kisambira	Head of Corporate	<ul style="list-style-type: none"> • Bachelor of Business Administration
Martin Anioka	Head of Risk	<ul style="list-style-type: none"> • Certified Public Accountant (CPA) • ACCA • Bachelors in International Business
Srinallapa Kumar	Head of IT	<ul style="list-style-type: none"> • Masters in Information Technology • Masters in Computer Sciences • Bachelors of Computer Sciences
Natalie Kironde	Head of Legal and Compliance	<ul style="list-style-type: none"> • Postgraduate Diploma in Legal Practice • Bachelor of Laws

4.6. Highlights of Financial Information

Statement of Profit and Loss

	Dec-19 UGX 'Mn'	Dec-18 UGX 'Mn'	Dec-17 UGX 'Mn'	Dec-16 UGX 'Mn'	Dec-15 UGX 'Mn'
Interest Income	61,561	64,810	56,463	50,311	40,413
Interest Expense	21,282	20,295	21,608	17,851	17,418
Net Interest Income	40,279	44,515	34,855	32,460	22,994
Fees & Commission (net)	22,033	21,472	20,099	20,095	29,687
Foreign Exchange Income	4,079	3,196	3,763	4,022	(4,529)
Total Non-interest Income	26,112	24,667	23,862	24,117	25,158
Net Operating Income	66,391	69,183	58,717	56,577	48,152
Operating expenses	58,022	54,703	45,488	45,808	42,011
Write back/ (impairment)	17,936	6,580	6,254	2,831	5,669
Profit before Tax	(9,567)	7,900	6,975	7,938	473
Taxation charge	8,513	(2,345)	(2,157)	(1,902)	1,065
Profit for the year	(1,053)	5,555	4,818	6,036	1,538

Balance Sheet Summary

Assets	Dec-19 UGX 'Mn'	Dec-18 UGX 'Mn'	Dec-17 UGX 'Mn'	Dec-16 UGX 'Mn'	Dec-15 UGX 'Mn'
Cash & bank balances	229,296	163,256	93,832	78,292	77,517
Placements and Investments	197,300	194,951	227,134	180,316	239,366
Loans & advances to Customers	305,517	334,103	310,780	250,756	177,021
All Other Assets	82,190	57,546	49,192	44,853	44,781
Total Assets	814,302	749,857	680,937	554,217	538,684
Liabilities					
Customer deposits	673,460	618,019	554,792	423,248	440,373
Borrowings	-	63	84	121	104
Other Liabilities	26,742	16,960	12,979	22,876	17,332
Total Liabilities	700,202	635,042	567,855	446,245	457,809
Shareholders' Funds	114,100	114,815	113,082	107,972	80,875
Total Liabilities & Shareholders' Equity	814,302	749,857	680,937	554,217	538,684

4.7. Branch network

The Bank has 22 branches spread across the country, with the majority of them (14) in Kampala.

4.8. Products & Services

OBL has a relatively mixed clientele with a modest lending portfolio of approx. 70 Corporate and 1,100 Retail and SME borrowing accounts. On the liability side, it has 37,145 accounts comprising current, savings & term deposits. In terms of market share, OBL ranked 9th Total Deposits, 12th in Revenue and Total Assets as at 31st December 2018. With a wider range of products and more support, the Bank is in a strong position to emerge as a leader within the Ugandan market.

Some of the main products that the Bank offers are listed below:

- i) Various Current and Savings accounts tailored to suit needs of their Personal, Corporate and Sapphire Banking Clientele.
- ii) Cash Management – offered to business and corporate clients, to help them manage their cash flows
- iii) Funds transfer services including Swift payments, Electronic funds transfers, Real time gross settlements and salary processing.
- iv) Bill payments, Money transfer services in partnership with MoneyGram and Western Union.
- v) Treasury Services including Foreign currency exchange
- vi) Trade Finance facilities – LCs, inward and outward payment transfers
- vii) Business Credit Facilities – Including term, construction, investment and equipment loans and leasing
- viii) Working Capital financing - overdrafts, bill/invoice discounting and insurance premium financing
- ix) Personal Loans – unsecured, mortgages, car loans and overdraft facilities for salaried individuals
- x) Personal Accounts – both current and savings
- xi) Convenience channels for seamless banking including Fastpay mobile banking App, Xpresspay to support customers receive payment to their Visa, MasterCard or UnionPay debit and credit cards, Internet Banking, Point of sale terminals and Visa Cards.

SECTION 5: RISKS TO THE TRANSACTION

5.1. Risk Governance 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 IMHP 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 being 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.

While the Board is responsible for the overall risk management and internal control systems, oversight of the Group's risk management process has been delegated to the Board Audit and Risk Management Committee. The internal audit function is responsible for providing assurance to the Board regarding the implementation, operation and effectiveness of internal control and risk management within the Group.

5.2. Group risk appetite

The Group Risk appetite expresses the level of risk that the Group is willing to assume within its risk capacity in order to achieve its business objectives. It includes a set of minimum quantitative metrics and qualitative standards adopted by all subsidiaries in the achievement of their specific country objectives.

Qualitative

- Managed risk appetite that aligns with our vision:
- Living the risk philosophy that 'Sustainability of the bank's business and enhancement of our stakeholder's value will always inform our business decisions'
- Implementation of the three lines of defense approach to strengthen and embed risk culture where everyone within the Bank assumes responsibility for risk and control.

Quantitative

- The Group's risk appetite framework will involve the following:
- Return on Equity (ROE) above cost of equity;
- Aggregate operational loss not to exceed the pre-defined threshold;
- Ensuring the Group's Capital Adequacy ratio exceeds that required by regulator and the pre-specified buffer at all times; and
- Ensuring the ratio of non-performing assets to total assets does not exceed the pre-defined threshold.

5.3. Risk Management Framework

Risk management is embedded in the Group as an intrinsic process. It is a core competence of all its employees and ensures early warning triggers and alerts are actively controlled and mitigated.

The Group risk profile identifies and includes 12 key risk categories in a coordinated manner within the organisation:

Risk Category	Definition
Credit Risk	The potential that a borrower or counterparty will fail to meet its obligations in accordance with agreed terms. In simple terms, credit risk is the risk that the borrower defaults and does not honour his obligation to service the debt or delays in servicing the debt
Market Risk	The risk of losses in on and off-balance sheet risk positions arising from movements in market prices. The losses result from changes in the prices of instruments such as bonds, shares, currencies and commodities.
Operational Risk	Defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This definition includes legal risk, but excludes strategic and reputational risk, as well as the losses that the Group entities are exposed to, due to poorly designed or poorly executed processes; challenges with human capital whether in terms of numbers or competencies; challenges with systems both software and hardware; or from external events such as terrorist activities, pandemics, earthquakes, floods etc.
Compliance Risk	The risk of legal or regulatory sanctions, financial loss, or loss to reputation that a group entity may suffer as a result of its failure to comply with all applicable laws, regulations, codes of conduct and standards of good practice
Environmental and Social Risk	The possible financial loss and/or reputational damage to a group entity as a result of the clients' activities/operations that may have negative environmental and social impacts. The impact could be direct e.g. fines, restoration of the degraded environment or indirect through loss in value of asset pledged as collateral.
Capital Management (ICAAP)	This is an internal review of the core risks that Banking entities are exposed to and assessing if the capital at its disposal is adequate given the risks and the possible shocks
Cyber Risk	Possible financial loss, disruption to operations or damage to a group's reputation as a result of malicious damage to the information technology system. These could come in the form of denial of service, data breaches, etc.
Information Communication Technology Risk	The risk of loss or damage resulting from breach of confidentiality, integrity and availability of ICT assets. The loss or damage could be financial, reputational or safety
Country/Transfer	The exposure to losses caused by events in the particular country, which may be under the control of the government but not under the control of a private enterprise or individual. Transfer risk is the risk that the government may impose restrictions on the transfer of funds by debtors/corporations (subsidiary) in the country in question to foreign creditors or parent company for financial or other reasons.
Reputational Risk	The possible financial loss resulting from a potential damage of the Group's image
Business Continuity Risk	The capability of the organisation to continue delivery of products or services at acceptable predefined levels following a disruptive incident. It also includes the possibility of financial loss, reputational damage to a group entity as a result of not adequately planning for natural disasters, terrorist incidents, or blackouts etc. that could lead to business disruptions.
Liquidity risks	The ability of a group entity to fund increases in assets and meet obligations as they come due, without incurring unacceptable losses

The Group continually modifies and enhances its risk management policies and systems to reflect changes in markets, products and international best practices. Training, individual responsibility and accountability, together with a disciplined and cautious culture of control, is an integral part of the Group's management of risk.

5.4. Risks relating to this Transaction

5.4.1. Share Liquidity

IMHP's shares are listed on the Main Investment Market Segment of the NSE. This Transaction is envisioned to increase the interest in the shares, given the new opportunities that the Transaction presents to the Company. 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 IMHP shares on the NSE or otherwise or how liquid and vibrant any market activity that does develop might be.

5.4.2. Post-acquisition Business Growth

The Company is targeting synergies and growth from the Transaction and the financial planning for the Company is based in part on realizing 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 Transaction are based on assumptions regarding, amongst other things, the financial and operational performance of OBL including the period prior to completion, when the financial and operational performance of OBL is outside the control of the Company. Until completion, it is possible that an adverse event, or events, could affect OBL and which would not give rise to a right to IMHP to terminate the Transaction. In such an event, the value of OBL may be less than the consideration paid by IMHP and, accordingly, the net assets of the Company post acquisition could be reduced.

SECTION 6: SUMMARY OF THE VALUATION REPORT

The Board of Directors of I&M Holdings Plc appointed Faida Investment Bank (“**Faida**”) to complete an independent valuation of Orient Bank Limited. The text in italics below represents an extract from the valuation report dated September 8, 2020 from Faida. The full report is available for inspection by shareholders as set out in Section 8.6.

Faida was appointed by the Board of Directors of I&M Holdings Plc as the Independent Financial Advisor to provide a fairness opinion on the value of Orient Bank Limited, relative to the cash consideration to be paid by I&M Holdings Plc for the 90.0% stake.

Based on the analysis we performed, the value of a 90.0% and 100.0% stake in Orient Bank Limited is as described below:

Methodology	Value (UGX ‘000)	Value (UGX ‘000)
	90.0% Stake	100.0% Stake
Trading Multiple	106,696,795	118,551,994
Transaction Multiple	174,408,222	193,786,913
Discounted Cash Flow (DCF) Method	103,687,627	115,208,475
Net Asset Value as at FY2019	102,593,072	113,992,302
Net Asset Value as at 1H2020	104,755,915	116,395,461
I&M Holdings proposed acquisition of 90.0% stake (before adjustments)	124,342,130	

Opinion

In summary, after carefully considering all the information available to us, and based on the market, economic and other relevant considerations prevailing as at 4th September 2020, and subject to our terms of reference, we are of the opinion that the financial terms of the Offer are fair. The proposed acquisition value falls well within the range of values derived from our valuation analysis.

Methodology	Value (UGX ‘000)
	90.0% Stake
Transaction Multiple	174,408,222
Purchase Consideration	124,342,130
Trading Multiple	106,696,795
Net Asset Value as at 1H2020	104,755,915
DCF	103,687,627
Net Asset Value as at FY2019	102,593,072

In reviewing the fairness of the Offer, we looked at the financials and fundamentals of the Bank as well as future prospects, growth opportunities and risk factors, in order to derive a fair value range, which we compared to the Offer price.

We also took into consideration the actual and potential financial impact of other circumstances surrounding the Offer and the Bank which we consider relevant, both qualitative and quantitative in nature.

SECTION 7: I&M HOLDINGS PLC SUMMARY INFORMATION

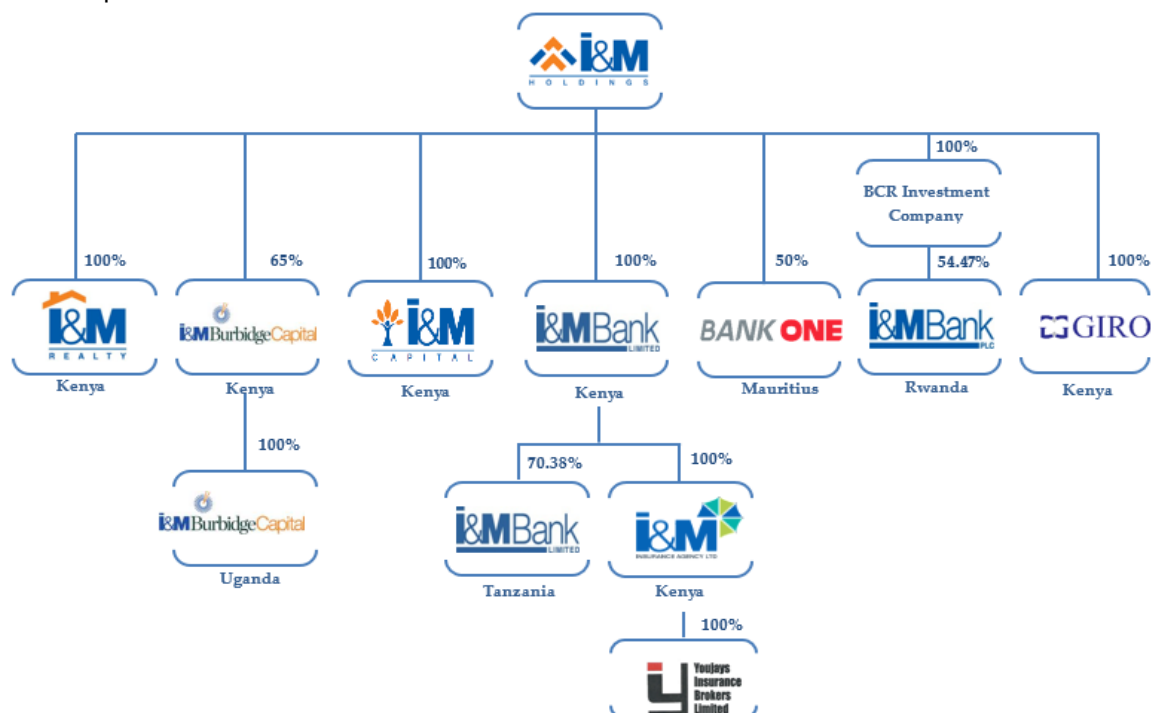
7.1 Company Overview

I&M Holdings Plc, formerly known as City Trust Limited (CTL) was incorporated on 16th August, 1950 and was one of the oldest companies to list on the Nairobi Securities Exchange (NSE). IMHP was licensed and approved as a non-operating holding company in accordance with the provisions of the Banking Act, 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 IMHP and moved on to the Main Investment Market Segment (MIMS) of the NSE. As at December 31, 2019 IMHP has a market capitalization of KES 45.2 billion and is regulated by the Capital Markets Authority and the Central Bank of Kenya.

IMHP 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, IMHP's flagship entity is a public company incorporated in the Republic of Kenya, under Registration Number C.8/90 on 14th May 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 25th September 2008. Today, I&M Bank has a network of 41 branches and 55 ATMs covering the major financial centers in Kenya. IMHP also has a wholly owned subsidiary, I&M Capital Limited and Giro Limited, I&M Insurance Agency Limited a wholly owned subsidiary of I&M Bank provides Bancassurance services, I&M Burbidge Capital Limited where IMHP has 65% shareholding provides business advisory services while I&M Realty Limited, another subsidiary of IMHP holds the Group's real estate assets.

In Tanzania, IMHP is represented by I&M Bank (T) Limited, a full-fledged commercial bank licensed by the Bank of Tanzania and has 8 branches across major towns. In Rwanda, IMHP is represented by I&M Bank (Rwanda) Plc, a full-fledged commercial bank licensed by the National Bank of Rwanda and has 18 branches across the country. In Mauritius, IMHP has a joint venture – Bank One Limited, which is a full-fledged commercial bank licensed by the Bank of Mauritius and has 12 branches across the island.

The Group structure of IMHP is as shown below.



7.2 Board of Directors and Senior Management

IMHP 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. IMHP 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	Position	Profile
Mr. Daniel Ndonge	<i>Chairman</i>	Mr. Daniel Ndonge 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.
Mr. SBR Shah, MBS	<i>Non-Executive</i>	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.
Mr. Sarit S. Raja Shah	Group Executive Director	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 IMHP banking subsidiaries as well as several other companies, including GA Insurance Limited & Coastal Bottlers Ltd (a bottling plant that has a Coca Cola Franchise).
Mr. Michael Turner	<i>Independent Director</i>	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.
Mr. Sachit S. Raja Shah	<i>Non-Executive</i>	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.
Mr. Oliver Fowler	<i>Independent Director</i>	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	<i>Independent Director</i>	Dr. Nyambura joined the board on October 28th, 2015. She has worked in various capacities in the financial sector including banking, business development, information technology and was the Managing Director at Postbank for nine years. Nyambura is also trained in management of Pensions Funds, is a certified trainer in corporate governance and is a certified mediator. She holds a Doctorate in Business Administration from the Nelson Mandela Metropolitan University, South Africa, an MBA and Bachelor Degree both from the University of Nairobi. She is a Fellow of the Kenya Institute of Management and the Institute of Certified Secretaries. She sits in several private and public sector boards.
Mr. Suleiman Kiggundu Jr	<i>Independent Director</i>	Mr. Suleiman Kiggundu Jr. joined the board on 5 th June 2018. He has served in senior leadership roles at various institutions, including Equator Bank, HSBC Bank Plc and CDC Group Plc. He sits on the boards of several companies. He holds a Bachelor of Arts (B.A) in Electrical engineering and economist from Yale University
Ms. Rose Wanjiru Kinuthia	<i>Independent Director</i>	Ms. Rose Kinuthia joined the board on 3rd March 2020. She brings on board wealth of experience and knowledge having spent a significant part of her career as a seasoned risk practitioner for 20 years with extensive experience in risk management and specializing in banking, pension funds and insurance. She holds a Master of Science degree in Risk Management from New York University, New York; Master of Business Administration from Adelphi University, New York and; a Bachelor of Arts from the University of Nairobi, Nairobi.

IMHP is licensed as a non-operating holding company. 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 IMHP's 2019 Integrated Annual Report.

Corporate Governance

I&M Holdings Plc is a non-operating holding company. The Group's banking and advisory subsidiaries are governed by different statutory and regulatory requirements across the region. As a non-operating holding company, the Board takes full ownership of its responsibility to provide effective and responsible leadership, characterised by ethical values of responsibility, accountability, fairness and transparency in order to promote the long-term success of the Group by creating and delivering sustainable shareholder value.

The Board Charter defines the governance parameters within which the Board exists and operates. It also sets out specific responsibilities to be discharged by the Board, its committees and directors collectively, as well as certain roles and responsibilities binding upon the directors as individuals. The tenure of independent directors is set so as not to exceed a cumulative term of nine years. The term of office for directors is organized in a manner that ensures a smooth transition. To facilitate this, the Board develops an annual work plan and calendar of meetings to guide its activities for the year.

The Board has set up three Board Committees to assist in discharging its responsibilities. These include:

Board Audit and Risk Management Committee (BARMC)

The BARMC consists of two independent directors and one executive director. It is led by an independent director.

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 Remuneration and Governance Committee (BNRGC)

The BNRGC consists of two independent Directors and two executive Director. It is currently chaired by an independent Director.

The BNRGC 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. In addition, the Committee provides oversight in relation to the development and implementation of governance related policies at the Group level and ensures compliance with the prevailing corporate governance regulations and principles.

The Board, through the Board Nomination, Remuneration and Governance Committee, is responsible for nominating members to the Board and for filling vacancies on the Board that occur between annual meetings of shareholders. In considering potential directors, the Board seeks to not only identify candidates with appropriate skills, knowledge and experience to contribute to effective direction of the Group but also ensure achievement of diversity in its composition as set out in the Board Succession Policy.

Board Strategy Steering Committee (BSSC)

The BSSC consists of one independent director, two executive directors and five members. The BSSC assists and provides guidance to the Board in fulfilling its responsibilities by considering matters pertaining to the Group's overall long-term strategic direction, as well as corporate objectives. The BSSC assists the Board in review of the optimum level of the Group's capital structure to support the Group's strategic and financial goals and review the Group's major strategic and investment decisions (including merger & acquisition transactions).

The key committees for the subsidiaries in the Group comprise the following:

Board Audit Committee (BAC)

The BAC assists the Board in fulfilling its responsibilities by reviewing the financial condition of the Bank, its internal controls, performance and findings of the Internal Audit functions. Two BAC meetings are held in each year independent of management giving the internal and external auditors an opportunity to raise matters directly with members of the BAC.

Board Risk Management Committee (BRC)

The BRC, through the risk management function, is responsible for translating the Risk Management Framework established by the Board of Directors into specific policies, processes and procedures that can be implemented and verified within the different business units, so that risks faced by the Bank are adequately considered and mitigated.

Board Credit Committee (BCC)

The BCC is responsible for review of the overall lending policy, conducting independent loan reviews, delegation and review of lending limits. It also ensures compliance with all statutory and regulatory requirements and is responsible for the overall management of credit risk. The Credit Risk Management Committee (CRMC) assists the BCC in its role.

Board Procurement Committee (BPC)

The BPC is responsible for reviewing and approving significant procurement proposals as well as proposed consultancy assignments and unbudgeted capital expenditure. In addition, the BPC also vets any agreements with procurement from related parties.

7.3 Statement of Profit and Loss

	Unaudited	Audited		
	Jun-20	Dec-19	Dec-18	Dec-17
	KES '000'	KES '000'	KES '000'	KES '000'
Interest Income	13,116,189	27,163,847	25,998,868	24,423,762
Interest Expense	6,196,884	11,654,006	10,404,686	8,869,275
Net Interest Income	6,919,305	15,509,841	15,594,182	15,554,487
Fees & Commission (net)	959,415	1,867,240	1,777,524	1,117,082
Other Operating Income	3,253,639	6,418,301	5,819,817	4,645,744
Total Non-interest Income	4,213,054	8,285,541	7,597,341	5,762,826
Net Operating Income	11,132,359	23,795,382	23,191,523	21,317,313
Staff costs	2,325,199	4,662,868	4,051,835	3,694,803
Premises & equipment costs	218,736	423,951	748,058	693,479
General administrative expenses	1,831,651	3,208,517	3,084,966	2,884,291
Depreciation & amortization	649,264	1,165,520	596,849	561,610
Operating expenses	5,024,850	9,460,856	8,481,708	7,834,183
Net impairment on loans & advance	1,030,628	636,455	3,807,345	4,143,521
Share of profit of joint venture	(579,546)	905,037	595,310	554,965
Profit before Tax	4,497,335	14,603,108	11,497,780	9,894,574
Income tax expense	(1,307,267)	(3,834,494)	(2,994,423)	(2,630,325)
Profit for the period	3,190,068	10,768,614	8,503,357	7,264,249

7.4 Statement of Financial Position

	Unaudited Jun-20 KES '000'	Dec-19 KES '000'	Audited Dec-18 KES '000'	Dec-17 KES '000'
Assets				
Cash & bank balances	71,185,317	72,792,281	61,687,458	21,171,442
Investment securities	55,366,408	40,180,217	39,011,472	48,756,251
Loans & advances to customers	184,564,775	175,329,426	166,736,729	153,018,152
Investment in subsidiaries & joint venture	5,068,398	5,398,545	4,535,205	4,267,166
Other assets	8,199,956	6,281,098	4,954,430	4,061,357
Property and equipment	10,807,554	10,152,429	6,724,561	5,335,853
Intangible assets	5,447,504	5,156,678	4,872,194	3,500,520
Total Assets	340,639,912	315,290,674	288,522,049	240,110,741
Liabilities				
Customer deposits	252,483,719	229,736,509	213,139,370	169,282,314
Deposits from banks	9,465,958	8,005,604	5,647,101	5,996,295
Other liabilities	6,148,638	4,936,068	4,975,316	4,863,525
Tax payable	495,445	894,694	130,130	290,630
Long term borrowings	9,976,507	10,855,626	13,755,684	12,662,494
Total Liabilities	278,570,267	254,428,501	237,647,601	193,095,258
Shareholders' Funds				
Share capital	826,811	826,811	413,405	413,405
Share premium	18,390,507	18,390,507	18,805,359	18,805,359
Retained earnings	33,399,587	33,918,324	26,931,401	22,621,210
Statutory reserve	7,056,021	5,518,392	2,190,131	2,163,403
Other reserves	(957,215)	(915,425)	(471,265)	316,476
Shareholders' Funds	58,715,711	57,738,609	47,869,031	44,319,853
Non-controlling interest	3,353,934	3,123,564	3,005,417	2,695,630
Total Liabilities & Shareholders' Equity	340,639,912	315,290,674	288,522,049	240,110,741

SECTION 8: ADDITIONAL CMA DISCLOSURES AND GENERAL INFORMATION

8.1 Responsibility Statement

- 8.1.1 The Directors, whose names appear in Section 8.3.1 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.
- 8.1.2 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.
- 8.1.3 Forward Looking Statements.
- (a) This Document contains forward-looking statements relating to the business of IMHP. 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.
- 8.1.4 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.
- 8.1.5 Presentation of Financial Information
- The financial information in respect of OBL set out in this Circular has, unless otherwise indicated, been derived from OBL's audited and interim financial statements. OBL's Annual Financial Statements were prepared on the basis of IFRS and in a manner required by the Bank of Uganda.

8.2 Company Share Capital

- 8.2.1 The authorised share capital of IMHP at the date of this Circular is KES 1,500,000,000 divided into 1,500,000,000 ordinary shares of KES 1.00 each while its issued and paid share capital as at the same date is KES 826,810,738 divided into 826,810,738 ordinary shares of KES 1.00 each. The authorised and issued share capital of IMHP is not divided into different classes of shares and all of the ordinary shares carry equal rights;
- 8.2.2 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 (see paragraph 8.6 below);
- 8.2.3 No change is expected in the shareholding structure of IMHP as a direct result of the Transaction;

8.3 Directors' Interests

- 8.3.1 The Board comprises of 9 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	Group Executive Director	Banker	Kenyan
Dr. Nyambura Koigi	Independent Director	Finance Executive	Kenyan
Mr. Michael Turner	Independent Director	Investment Executive	British
Mr. Sachit Raja Shah	Non-Executive Director	Insurance Executive	Kenyan
Mr. Oliver Fowler	Independent Director	Lawyer	Kenyan
Mr. Suleiman Kiggundu Jr	Independent Director	Banker	Ugandan
Ms. Rose Kinuthia	Independent Director	Risk Professional	Kenyan

- 8.3.2 As at the date of this Circular, the following Directors had direct and indirect beneficial equity interests in the ordinary shares of IMHP:

Director's Name	Shares Held in IMHP	%
SBR Shah	88,323,250	10.68%
Sarit Suresh Raja-Shah	16,958,572	2.05%
Sachit Suresh Raja-Shah	16,790,936	2.03%

As at 30th September 2020

- 8.3.3 At the date of this Circular there was no existing or proposed contract between any of the Directors and IMHP, other than employment contracts for those Directors who are employed in the ordinary course of business;
- 8.3.4 No options to purchase any securities of IMHP have been granted to, or exercised by, any Director of IMHP;
- 8.3.5 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 IMHP during the two years preceding the date of this Circular;
- 8.3.6 Except as disclosed in this Circular, no officer, director or major shareholder of IMHP (nor a related company) has any direct or indirect interest in the shares or business of OBL;

8.4 Consents

- 8.4.1 Faida Investment Bank Limited 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.

8.5 Compliance and Disclosure – The Capital Markets Act

- 8.5.1 Section 4 of this Circular contains a description of the business, directors, management and major shareholders of OBL. The disclosures therein provide useful information on OBL and the assets and business to be acquired which can indicate the relative value thereof in relation to the consideration to be paid.
- 8.5.2 The SPA sets the Purchase Consideration for 90% equity shareholding in OBL to be satisfied by way of cash consideration of Uganda Shillings One Hundred and Twenty-Four Billion Three hundred and forty-two million one hundred and thirty thousand (UGX 124,342,130,000/=) subject to the adjustments as stated in the detailed Share Purchase Agreement and ancillary documents. A summary of the Key Terms of the Share Purchase Agreement is available for inspection (See Section 8.6 below);
- 8.5.3 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 IMHP for the year ended 31st December, 2019 have been audited and received an unqualified opinion. Summary of these audited financial statements are included in Section 7;

- 8.5.4 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 OBL;
- 8.5.5 Save as disclosed in this Circular and in the ordinary course of business, there are no related party transactions.

8.6 Documents Available for Inspection

Copies of the following documents will be available for inspection by shareholders, free of charge, at the Company offices at 1 Park Avenue, 1st Parklands Avenue, P.O. Box 32038 00100 Nairobi between 9.00 a.m. and 4.00 p.m. Monday to Friday (except public holidays) from the date of this Circular until 2nd December 2020;

- i) The Company's audited financial statements for the three years ended December 31, 2019
- ii) OBL's audited financial statements for the five financial years ended December 31, 2019 and management accounts as at June 30, 2020;
- iii) The Resolution of IMHP's Board approving the Transaction;
- iv) The Resolution of the OBL's Board approving the Transaction;
- v) The approval from the Bank of Uganda relating to the Transaction (if available);
- vi) The Company's Memorandum and Articles of Association;
- vii) A summary of the key terms of the Share Purchase Agreement between OBL, the Sellers, the Warrantors, IMHP dated July 17, 2020;
- viii) The Independent Fairness Opinion issued by Faida Investment Bank on fairness of acquisition value;
- ix) The approval of the CMA relating to this Circular;

SECTION 9: APPENDICES

9.1 Director's Declaration



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 directors of I&M Holdings Plc, 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

A handwritten signature in black ink, appearing to be 'dp', written over a horizontal line.

Chairman

3rd November 2020

A handwritten signature in black ink, appearing to be 'Issah', written over a horizontal line.

Director

9.2 EGM Notice & Proxy Form

I&M HOLDINGS PLC Notice of Extraordinary General Meeting

NOTICE IS HEREBY GIVEN to the Shareholders that in accordance with the Company's Articles of Association an **Extraordinary General Meeting** of the **I&M Holdings PLC** will be held via electronic communication on **2nd December 2020 at 10:00 a.m.** for the purposes of transacting the business set out below.

Due to the ongoing Government of Kenya restrictions on public gatherings, shareholders will not be able to attend the Extraordinary General Meeting in person but will be able to register for, access information pertaining to the proposed resolution, follow the meeting in the manner detailed below and vote electronically or by proxy. Shareholders may ask questions in advance of the meeting as detailed below.

AGENDA

SPECIAL BUSINESS

To pass the following resolution as an Ordinary Resolution:

1. Acquisition of Orient Bank Limited, Uganda (OBL(U))

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 Bank of Uganda, the Capital Markets Authority and the Common Market for Eastern and Southern Africa ("**COMESA**") Competition Authority (the "Regulatory Approvals") the acquisition by the Company of Eighty Seven Million and Seventy Five Thousand (87,075,000) ordinary shares (the "Sale Shares") in the capital of Orient Bank Limited, Uganda (OBL(U)) constituting ninety percent (90%) of the entire issued share capital of OBL(U) from Dr. Ketan Morjaria, Hemlata Karia, Jay Karia, Morka Holdings Limited, Zhong Shuang Quan and Cornerstone M8 Limited, in accordance to the terms and conditions set out in the Share Purchase Agreement dated 17th July 2020 (The "SPA") be and is hereby approved.

A circular providing shareholders with detailed information of the proposed acquisition is available on the Company's website.

To pass the following resolution as a Special Resolution:

2. Amendment of the Company's Articles of Association

THAT, Article 101 of the Company's Articles of Association be amended to read as follows:
The number of Directors shall be not less than seven (7) and, unless and until otherwise determined by special resolution of the Company in general meeting, shall not exceed twelve (12).

BY ORDER OF THE BOARD



Bilha Wanjiru Mwangi
Company Secretary,
P.O. Box 51922-00100,
Nairobi.

3rd November 2020

Notes

1. I&M Holdings PLC has convened and is conducting this virtual Extraordinary General Meeting in accordance with Article 66A of its Articles of Association. Shareholders wishing to participate in the meeting should register using either of the following:
 - a. **Through the web portal**
By logging onto <https://www.escrowagm.com/imbank/login.aspx> and filling in the registration form. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC or Share Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 710 888 000 between 9:00 a.m. to 4:00 p.m. from Monday to Friday.
 - b. **Unstructured Supplementary Service Data (USSD)**
By dialing *483*560# and following the prompts. In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC or Share Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 710 888 000 between 9:00 a.m. to 4:00 p.m. from Monday to Friday. The USSD service cost will be borne by the Company.
2. Registration for the EGM opens on 24th November 2020 at 8.00 am and shall remain open to any Shareholder wishing to participate in the meeting.
3. In accordance with Section 283 (2) (c) of the Companies Act, the following documents may be viewed on the Company's website at <https://www.imbank.com/about-us/i-and-m-holdings/investor-relations>
 - i. a copy of this Notice and the proxy form;
 - ii. the Shareholders Circular.
4. Shareholders wishing to raise any questions or clarifications regarding the EGM may do so by:
 - a. sending their written questions by email to invest@imbank.co.ke; or
 - b. to the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at 1 Park Avenue, First Parklands Avenue, P.O. Box 30238-00100, Nairobi or to CDSC Registrars Limited's offices at 1st Floor, Occidental Plaza, Westlands, Nairobi; or
 - c. sending their written questions with a return physical address or email address by registered post to the Company's address at P.O. Box 30238 -00100 Nairobi.
 - d. Shareholders must provide their full details (full names, ID/Passport Number/CDSC or Share Account Number) when submitting their questions and clarifications.
 - e. All questions and clarification must reach the Company on or before 29th November 2020 at 5:00pm.
 - f. Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical address or email address provided by the Shareholder no later than 24 hours before the start of the general meeting. A full list of all questions received and the answers thereto will be published on the Company's website not later than 24 hours before the start of the general meeting.
5. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the EGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the EGM, the appointed proxy will need access to a mobile telephone.

A proxy form is available on the Company's website via this link: <https://www.imbank.com/about-us/i-and-m-holdings/investor-relations>. Physical copies of the proxy form are also available at the following address: CDSC Registrars Limited's offices at 1st Floor, Occidental Plaza, Westlands, Nairobi.

A proxy must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to registrar@cdscregistrars.com or delivered to CDSC Registrars Limited's offices at 1st Floor, Occidental Plaza, Westlands, P.O. Box 6341-001000 Nairobi, so as to be received not later than 30th November 2020 at 5.00 p.m. Any shareholder appointing a proxy must provide the phone number, Identity Card Number and e-mail address of the proxy on the proxy form. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 1st December 2020 to allow time to address any issues.
6. All proxies should register using either the web portal or USSD. When registering, the proxy will be required to use their identity card/Passport Number. For further assistance, Proxies may call CDSC Registrars Limited on +254 710 888 000.
7. The EGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies shall be able to join the meeting either by logging into the system using their registration credentials or following proceedings on the link to be shared.
8. Duly registered shareholders and proxies may follow the proceedings of the EGM using the live stream platform. Duly registered shareholders and proxies may vote (when prompted by the Chairman) for resolutions on a panel provided next to the live stream screen or via the USSD prompts.
9. Results of the EGM shall be published within 24 hours following conclusion of the EGM. The results will also be available on the web portal and summarized results on the USSD menu.

I&M HOLDINGS PLC

CDSC A/c No:
 Shareholder No:
 ID No:

THE COMPANY SECRETARY
P.O BOX 51922 -00100
NAIROBI

PROXY FORM

I/WE.....

of

Being a shareholder of I&M Holdings PLC hereby appoint the Chairman of the Meeting or (see note 5) (Name of proxy) of (Mobile number of proxy) and (email address of the proxy) in respect of my (Number of shares). Please indicate here if you are appointing more than one proxy as my/our proxy to attend, represent and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to be held electronically on 2nd December, 2020 at 10 am and at any adjournment thereof.

Signed this..... day of, 2020

Signature(s) (i) (ii)

I/WE direct my/our proxy to vote on the following resolutions as I/WE have indicated by marking the appropriate box with an 'X'. If no indication is given, my/our proxy will vote or withhold his or her vote at his or her discretion and I/WE authorize my/our proxy to vote (or withhold his or her vote) as he or she thinks fit in relation to any other matter which is properly put before the Meeting.

Please clearly mark the box below to instruct your proxy how to vote.

RESOLUTION	FOR	AGAINST	WITHHELD
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 Bank of Uganda, the Capital Markets Authority and the Common Market for Eastern and Southern Africa ("COMESA") Competition Authority (the "Regulatory Approvals") the acquisition by the Company of Eighty Seven Million and Seventy Five Thousand (87,075,000) ordinary shares (the "Sale Shares") in the capital of Orient Bank Limited, Uganda (OBL(U)) constituting ninety percent (90%) of the entire issued share capital of OBL(U) from Dr. Ketan Morjaria, Hemlata Karia, Jay Karia, Morka Holdings Limited, Zhong Shuang Quan and Cornerstone M8 Limited, in accordance to the terms and conditions set out in the Share Purchase Agreement dated 17th July 2020 (The "SPA") be and is hereby approved.			
Amendment of the Company's Articles of Association THAT, Article 101 of the Company's Articles of Association be amended to read as follows: The number of Directors shall be not less than seven (7) and, unless and until otherwise determined by special resolution of the Company in general meeting, shall not exceed twelve (12).			

NOTE: The proxy form should be completed and returned not later than 48 hours before the meeting or any adjournment thereof. In case of a Corporation, the Proxy must be executed under the Common Seal. 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