



DTB | DIAMOND
TRUST
BANK

**SHAREHOLDERS'
CIRCULAR**
2017

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you have disposed of all your shares in Diamond Trust Bank Kenya Limited ("DTB") please forward this document and the attached form of proxy to the stockbroker, banker or other agent through whom you disposed of your shares.

If you are currently a shareholder of DTB but are unable to attend the annual general meeting (the "AGM") which has been convened for **10.30 a.m. on 25th May 2017**, please complete and return the attached form of proxy in accordance with the instructions printed thereon and send it to the Company Secretary, Diamond Trust Bank Kenya Limited, DTB Centre, Mombasa Road, P.O. Box 61711, City Square 00200, Nairobi, Kenya.

This Circular is being issued by DTB and has been prepared in compliance with the requirements of The Capital Markets Act (Cap. 485A), The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and the Nairobi Securities Exchange Listing Manual, 2002. The Capital Markets Authority ("CMA") has approved the issuance of this Circular, and the transaction described in it, including the issue of 13,281,105 additional new ordinary shares with a par value of KES 4/= each of DTB (the "New Shares") on the terms described herein. As a matter of policy, neither the Capital Markets Authority nor the Nairobi Securities Exchange Limited ("NSE") assume any responsibility for the correctness of any statements or opinions made or reports contained in this Circular.



Diamond Trust Bank Kenya Limited

(Incorporated in Kenya on 30/09/1965 under the repealed Companies Act (CAP.486))
Registration Number C.15/67

CIRCULAR TO SHAREHOLDERS

Acquisition of the business, assets and liabilities of Habib Bank Limited Kenya Branch and proposed allotment of 13,281,105 new ordinary shares to Habib Bank Limited in satisfaction of the Purchase Consideration

A Notice of an Annual General Meeting of DTB which is to be held on 25th May 2017 in the Crystal Ballroom, Laico Regency Hotel ("LAICO"), along Uhuru Highway, Nairobi, Kenya is set out at the end of this Circular. A form of proxy for use by shareholders is also enclosed.






Dated: 8th May 2017

PART 1 – TIMETABLE

EVENT	KEY DATES
Execution of Asset Purchase (“Acquisition”) Agreement	Tuesday, 21 March 2017
Latest time to return proxy forms for the AGM	Tuesday, 23 May 2017
AGM	Thursday, 25 May 2017
Completion of the Acquisition	Friday, 21 July 2017
Press Announcement following completion of the Acquisition	Monday, 24 July 2017
Date for admission of the New Shares to Listing	Monday, 31 July 2017

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

TRANSACTION ADVISORS

<p>Lead Transaction Advisor</p>  <p>Pacifis Advisory</p> <p>Pacifis Advisory Limited International House, 1st Floor Mama Ngina Street P.O. Box 6392- 00100 Nairobi, Kenya Attention: John Kiruthu</p>	<p>Lead Legal Advisor</p>  <p>ANJARWALLA & KHANNA Anjarwalla & Khanna Advocates The Oval, 3rd Floor Westlands, P.O. Box 40034 - 00100 Nairobi, Kenya Attention: Karim Anjarwalla/Rosa N. Mutero</p>
<p>Auditors</p>  <p>PricewaterhouseCoopers Delta Towers Westlands P.O. Box 43963-00100 Nairobi, Kenya Attention: Richard Njoroge</p>	<p>Financial Advisor</p>  <p>PricewaterhouseCoopers Delta Towers Westlands P.O. Box 43963-00100 Nairobi, Kenya Attention: Anthony Murage</p>
<p>Share Registrar</p>  <p>Diamond Trust Bank Kenya Limited DTB Centre, Mombasa Road P.O. Box 61711 - 00200 Nairobi, Kenya Attention: Duncan Nyingi Tel: +254 20 2849000; Fax: +254 20 2245495 www.dtbafrica.com</p>	

DEFINITIONS

The following definitions apply throughout this Circular, unless the context requires otherwise:

“Acquisition”	The proposed purchase of the Business, Assets and Liabilities of Habib Bank Limited’s duly licensed branches in Kenya (“HBL Kenya Branch”) by DTB as described in this Circular;
“AGM”	The annual general meeting of DTB to be held on 25th May 2017;
“Agreement”	The agreement for the proposed Acquisition of the HBL Kenya Branch made between HBL and DTB dated 21st March 2017;
“Articles of Association”	The articles of association of DTB;
“Banking Act”	The Banking Act (Cap 488), as amended, of the Laws of Kenya;
“Board” or “Directors”	The persons named on page 5 as Directors of DTB;
“CBK”	The Central Bank of Kenya, established under the Central Bank of Kenya Act (Cap 491) of the Laws of Kenya;
“CMA”	The Capital Markets Authority, established under The Capital Markets Act (Cap 485A) of the Laws of Kenya;
“Competition Act”	means the Competition Act, Act No. 12 of 2010;
“Competition Authority”	means the Authority established under Section 7 of the Competition Act of the laws of Kenya;
“Completion”	The date on which DTB completes the acquisition of the Business, Assets and Liabilities of HBL Kenya Branch, whose purchase consideration is to be satisfied through the issuance of the New Shares;
“Completion Date”	The date Completion takes place;
“Consideration” or “Purchase Consideration”	means the aggregate sum of KShs. 1,824,691,016.00 payable to HBL by DTB for acquisition of the Business, Assets and Liabilities of HBL Kenya Branch, which consideration is to be satisfied in 13,281,105 fully paid up New Shares of DTB to be allotted to HBL;
“DTB”	Diamond Trust Bank Kenya Limited a public limited liability company (Incorporated in Kenya on 30 September 1965 under the Companies Act (Cap 486) Registration Number C.15/67, listed on the NSE under the Main Market Segment; Diamond Trust Bank Kenya Limited and its subsidiaries;
“DTB Group”	The volume weighted average price of DTB Shares traded on the NSE during the period of one hundred and eighty (180) consecutive calendar days immediately preceding the Business Day before the Completion Date as certified by DTB and HBL;
“Pre Completion Strike Price”	
“HBL” “HBL Kenya Branch”	Habib Bank Limited, a public limited liability company incorporated in Pakistan with Company Registration Number 3400 of 1941-42. Habib Bank Limited Kenya Branch, established under Certificate of Compliance No. F 33/74 dated 10 September 1974 issued in accordance with Section 366 of the Companies Act Cap. 488 of the laws of Kenya (now repealed), and with requisite approvals from the CBK.

“KShs” or “Kshs”	Kenya Shillings, the lawful currency of the Republic of Kenya;
“Listing”	Admission of the New Shares to the Official List of the NSE;
“New Shares” or “Share Consideration”	The 13,281,105 new ordinary shares with a par value of KShs 4. each in the capital of DTB to be issued fully paid to HBL in satisfaction of the purchase consideration;
“NSE”	The Nairobi Securities Exchange;
“Ordinary shares”	The 266,321,115 existing issued ordinary shares of KShs 4/= each in the capital of DTB;
“POS Regulations”	The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002;
“Strike Price”	The volume weighted average price of DTB Shares traded on the NSE during the immediate period of 180 calendar days up to and including 31st January 2017, calculated at KShs 137.39 per New Share.



To all shareholders of Diamond Trust Bank Kenya Limited

8th May 2017

Dear Shareholder,

PROPOSED ACQUISITION OF THE BUSINESS, ASSETS AND LIABILITIES OF HABIB BANK LIMITED KENYA BRANCH AS A GOING CONCERN

On the 21st March, 2017 DTB entered into a definitive Acquisition Agreement (“**Agreement**”) with Habib Bank Limited (“**HBL**”), to acquire the Business, Assets and Liabilities of Habib Bank Limited Kenya Branch (“**HBL Kenya Branch**”) as a going concern (the “**Transaction**” or “**Acquisition**”), a licensed bank carrying on commercial banking business in Kenya. The Completion of this transaction is conditional to customary closing conditions that include procurement of shareholders’ approval as well as regulatory approvals from various regulators, which the Board expects will be concluded in July 2017.

The Consideration for the Acquisition is a sum of **Kshs 1,824,691,016.00**, which is to be satisfied by issue of New Shares of DTB (“**Share Consideration**”) to HBL at an allotment price of **KShs. 137.39** per New Share.

The purpose of this Circular is to provide you with information on the reasons for and the terms of the Acquisition. This document is being sent to you along with the Agenda for the AGM scheduled for 25th May 2017.

BACKGROUND AND VALUE PROPOSITION FOR THE ACQUISITION

As you know, HBL, the owner of Habib Bank Limited Kenya Branch, is one of DTB’s largest shareholders (second largest with 11.97% shareholding).

HBL is listed on the Pakistan Stock Exchange and is at present the largest bank in Pakistan, with an unrivalled reach, operating 1,677 (1,663: 31 December 2015) branches, nearly 2,000 ATMs (1,950 ATMs: 31 December 2015) and almost 15,000 (12,000: 31 December 2015) POS in that country. Further, HBL has an additional foot print of operations in 22 countries (through 17 branches, 4 subsidiaries, and 2 Representative Offices) spanning four continents. It also has three affiliates in three different countries. At the end of FY2015, HBL’s assets amounted to **Kshs 2,191 billion** equivalent to approximately **64%** of Kenya’s banking sector.

HBL commands approximately 14% of total deposits in Pakistan. As a testimony to this leadership, HBL was conferred several accolades in FY2015, among them: “Best Bank in Pakistan”; and “Safest Bank in Pakistan”. HBL’s AAA domestic credit rating was also reaffirmed for the third year running.

The majority shareholder of HBL in Pakistan is the Aga Khan Fund for Economic Development (AKFED) with 51% shareholding. AKFED is also DTB’s largest shareholder with a shareholding of 17.32%.

Due to the above relationships, DTB and HBL have decided to embark on a group reorganisation of HBL’s investments in Kenya. The objective of this reorganisation is to align shareholders’ interests and thereby grow shareholder value. The proposed reorganisation aims at consolidating the HBL Kenya Branch operations with DTB, which will in turn increase DTB’s operating and financing leverage and thereby permit extraction of synergies for the benefit of all the shareholders.

In line with this vision, DTB has executed an Agreement with HBL to acquire the Business, Assets and Liabilities of HBL Kenya Branch, as a going concern.

Board of Directors:
Abdul Samji
(Chairman)(Kenyan)
Nasim Devji (Mrs)
(Managing Director) (Kenyan)
Pamella Ager (Mrs)(Kenyan)
Shaffiq Dharamshi (Kenyan)
Linus Gitahi (Kenyan)
Rizwan Hyder (Pakistani)
Moez Jamal (Swiss)
Guédi Ainaché (French)
Irfan Keshavjee (Kenyan)
Ismail Mawji (Kenyan)
Jamaludin Shamji (Kenyan)

Diamond Trust Bank
Kenya Limited
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Nairobi, Kenya

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Swift Code: DTKEKENA
www.dtbafrika.com

In determining the merits for the proposed Acquisition your Board took into account several factors, the more important ones being:

- HBL Kenya Branch is an attractive operation with a consistent track record of profitability and deploys a business model that is compatible with and/or complementary to DTB's business model;
- The HBL Kenya Branch has been operational for many years and its customers would make a good fit for DTB and further boost DTB's visibility under both the corporate, SME and retail market segments;
- The satisfactory completion of this Transaction will, among others, enhance DTB's operational leverage, and diversify its presence through correspondent relationships in additional geographical areas that include some of the most promising growth frontier markets in Asia within the 22 countries where HBL has operations;
- HBL Kenya Branch has a work force of about 50 people which would boost DTB's delivery capacity;
- The relatively lean workforce will make it easier to integrate the operations into DTB; and
- The Purchase Consideration for this Transaction is being satisfied in New Shares of DTB which supports preservation of value as this will ensure that the interests of both HBL and DTB remain aligned.

Part 3 of this Circular, sets out further information on HBL Kenya Branch, its business and current management.

BASIS OF DETERMINATION OF CONSIDERATION AND NUMBER OF NEW SHARES TO BE ALLOTTED

Basis of determination of the consideration payable for the HBL Kenya Branch

The Board appointed a Transaction Advisor (Pacifis Advisory Limited) to provide an indicative market value of HBL Kenya Branch, as a going concern, representing the price at which the HBL Kenya Branch would change hands between a willing buyer and a willing seller. The valuation date is 31st December 2015 adjusted for material developments in Kenya's banking sector in FY2016. The Transaction Advisor conducted the valuation utilising a combination of three approaches namely: the Discounted Cashflow ("DCF") Method, Price Earnings ("PE") Multiples Method and the Net Assets ("NAV") Multiples Method.

Extracts of the methodology and overall conclusions reached are set out in **Part 4** of this Circular.

In arriving at the Purchase Consideration payable to HBL, your Board took into account the following matters:

- The purchase price agreed at **Kshs 1,824,691,016.00** is within the range of the valuation that the Transaction Advisor estimated that the HBL Kenya Branch would change hands between a willing buyer and a willing seller in an arms-length transaction;
- The agreed price represents a multiple of approximately 6.11x of the HBL Kenya Branch's after tax profit for 2015 or net assets multiple of 0.98x (after writing off the Statutory Reserve) or 0.85x (before writing off the Statutory Reserve) based on the financial statements for the year ended 31 December 2015. The NAV multiples above compare closely with the banking sector's net asset multiples of 0.96x calculated in January 2017 (after deduction of the outlier), based on unaudited published accounts as at 30th September 2016 for banks listed on the NSE; HBL Kenya Branch has an attractive customer base and has been consistently profitable and maybe be a jig-saw fit to DTB's business model; and
- The earnings per share (EPS) calculated from the Proforma Income Statements (see **Part 5** of this Circular) indicate that the risk of EPS dilution is low.

Therefore, the Board is optimistic that this Acquisition is a value proposition to the optimisation of the shareholder value.

Basis of determination of the Number of New Shares to be Allotted

The Consideration is to be satisfied in the New Shares of DTB at an agreed Strike Price of **Kshs 137.39** for each New Share, which represents the ruling trading prices at the NSE for the immediate preceding **180** calendar days up to and including **31st January 2017**. Accordingly, the Board proposes to allot **13,281,105** New Shares to HBL in satisfaction of the Consideration. The New Shares have been determined by dividing the Consideration of **Kshs 1,824,691,016.00** by the Strike Price of **Kshs 137.39** per New Share.

It is also a term of the Agreement that a **Pre Completion Strike Price** shall be calculated based on the volume weighted average trading price for the immediate **180** calendar days preceding the **Completion Date**. If the Pre Completion Strike Price shall be greater or lower than the Strike Price by fifty percent (50%), then the Parties have agreed that the Consideration will be renegotiated. However, if the Pre Completion Strike Price shall be within 50% variation of the Strike Price, then no adjustment will be required and the Parties shall proceed to allot the New Shares based on the Strike Price.

THE PRINCIPAL TERMS OF THE ACQUISITION

The terms of the Acquisition are spelt out in the Agreement dated 21st March 2017 between the Parties (a copy of which is available for inspection by shareholders) as provided under Section 6 of **Part 7** of this Circular. The Agreement provides for the commercial terms, compliance and completion formalities which include:

- DTB to acquire the Business, Assets and Liabilities of HBL Kenya Branch as a going concern, currently entirely owned by HBL;
- Consideration for HBL Kenya Branch to be satisfied through issuance of the New Shares in DTB to HBL and potential adjustment factors;
- Shareholders' approval;
- Several regulatory approvals including the CMA, CBK, NSE, Competition Authority in Kenya, and if required, any other regulator;
- HBL's warranties and indemnities in favour of DTB in connection with the business affairs of HBL Kenya Branch; and
- Post-acquisition Integration of the HBL Kenya Branch into DTB's network.

EFFECT OF THE ACQUISITION ON EXISTING SHAREHOLDERS

As a result of the New Shares to be issued under the Transaction contemplated by the Agreement, the issued share capital of DTB will increase to 279,602,220 ordinary shares in order to accommodate the **13,281,105** New Shares being issued to HBL in satisfaction of the Consideration.

At present DTB's authorised share capital is **300,000,000** ordinary shares with a par value of Kshs.4 each, of which **266,321,115** ordinary shares are issued and fully paid or credited as fully paid and listed on the Main Investment Market Segment of the Nairobi Securities Exchange. This means that DTB can issue up to **33,678,885** ordinary shares without increasing its authorised share capital. As such, the unissued shares are sufficient to accommodate the proposed New Shares.

This implies that all the shareholders of record as at the Completion Date will be diluted by **4.75%**. In this respect, upon Completion of the Transaction DTB will issue a public announcement which will specify the New Shares allotted to HBL. Shortly thereafter an application will be made to the NSE for Listing.

The Completion of the Acquisition will culminate in the Business, Assets and Liabilities of HBL Kenya Branch becoming part of DTB's Business, Assets and Liabilities and henceforth DTB's financial statements will incorporate the concerned Business, Assets and Liabilities, as a going concern.

Further, following Completion, DTB will integrate the HBL Kenya Branch operations into its systems. Your Board is of the view that this integration will be concluded within six to nine months of Completion.

Further information on the pro-forma effects of the Acquisition and New Shares subscription is set out in **Part 6** of this Circular.

APPROVALS FOR THE ACQUISITION AND ISSUE OF NEW SHARES

Regulatory approvals have been sought from the CMA under the Capital Markets Act pursuant to The Fourth Schedule of the POS Regulations and the Central Bank of Kenya under sections 9, 9A and 13(4) of the Banking Act, the Competition Authority of Kenya in terms of the Competition Act No. 12 of 2010 as well from other regulators. In addition, an application will be made to the NSE for Listing upon receipt of both shareholders' and regulatory approvals.

As required by law and DTB's Articles of Association, DTB's shareholders must be given the opportunity to assess and consider and, if deemed fit, approve the acquisition of the HBL Kenya Branch and the allotment to HBL of the New Shares to be issued to satisfy the Consideration.

You should be aware that your Board has given due consideration to this Transaction and determined that it should be recommended to the shareholders at the AGM.

ADDITIONAL INFORMATION

Included in Parts 3 - 8 of this Circular is additional important information and disclosures regarding the Transaction as follows:

- Part 3 - Information on HBL Kenya Branch and HBL
- Part 4 – Summary of the valuation conducted by the Transaction Advisor
- Part 5 – Information on DTB's share price and trading volumes
- Part 6 - Pro-forma Financial Information
- Part 7 – Additional CMA Disclosures and General Information
- Part 8 – AGM Notice

RECOMMENDATION

Your Board is confident that this Transaction, once completed, will augment DTB's growth trajectory, widen access to a stronger and diverse network under HBL's markets of operations, improve operational leverage and financing capacity and thereby support DTB to acquire additional market share, as a basis of growing shareholder and stakeholder value. On this basis, the Directors unanimously recommend that the shareholders should vote in favour of the resolutions to be proposed at the AGM. The details of these resolutions are given under **Part 8** of this Circular.

I am therefore pleased to present this opportunity to you and in case you have any doubt as to what action to take, it is recommended that you seek independent professional advice from your stockbroker, investment advisor, accountant, banker, lawyer or other professional advisor. DTB will also run a help desk (shares@dtbafrica.com) to assist with shareholder queries of administrative nature.

Yours truly,



Abdul Samji
CHAIRMAN

PART 3 - INFORMATION ON HBL AND HBL KENYA BRANCH

Background

HBL was established in 1941 by the Habib Family in Bombay, India at a time when India and Pakistan were one economy under the British India Empire. In 1947, Pakistan was partitioned from India, and as a consequence, HBL relocated its head office to Karachi in Pakistan. In 1974, the bank was nationalized by the Government of Pakistan ending the ownership of the bank by the Habib Family. In 2003, the AKFED acquired a 51% stake from the Pakistani government, making AKFED the majority shareholder but operational and management control was only passed to AKFED in 2004 upon completion of the transaction. In April 2015, the Government of Pakistan embarked on further privatisation that culminated in the divestiture of a further 41.5% shareholding in the bank through a listing on the Pakistan Stock Exchange.

Today, HBL is the largest bank in Pakistan operating 1,677 (1,663: 31 December 2015) branches, nearly 2,000 ATMs (1,950 ATMs: 31 December 2015) and about 15,000 POS (12,000 POS: 31 December 2015) in that country with an additional footprint of operations in 22 countries (through branches, subsidiaries and representative offices). In addition, HBL has three affiliates in three countries.

HBL commands approximately 14% of total deposits in Pakistan. As a testimony to this leadership, HBL was conferred several accolades in FY2015, among them: "Best Bank in Pakistan"; "Safest Bank in Pakistan". HBL's AAA domestic credit rating was also reaffirmed for the third year running.

HBL therefore presents a strong shareholder who can add significant value to DTB, a role that it has played in the past since it became a shareholder in FY2007.

HBL Kenya Branch on the other hand opened doors in Kenya in 1966 initially with a branch in Mombasa. On 1st October 1974, the bank opened a second branch in Malindi. In later years a decision was made to move the head office to Nairobi and as a consequence, a third branch, Koinange Street, was also opened in 1974. The bank did not expand its distribution footprint further until 3rd March 2015 when it added a fourth branch, Industrial Area Branch Nairobi and a fifth one on 20th July 2015 in Westlands, Nairobi.







At present the HBL Kenya Branch employs about 53 staff serving about 4,000 plus customers through its five branches and head office in Nairobi. Driven by innovation, the HBL Kenya Branch has a broad service offering mainly addressing corporates and SMEs.

Board and Governance

HBL and its HBL Kenya Branch have practiced sound corporate governance over the years under the stewardship of its Board of directors. The Board has seven members comprising of six non-executive members and the President and Chief Executive. The Board oversees management on behalf of shareholders, formulates the business strategy, approves policies and procedures, oversees risk management and monitors key operational and performance indicators to ensure that the business and operations perform in line with expectations. HBL and its subsidiaries are regulated by the relevant central banks under the oversight of the applicable regulators. Before admission to the HBL Board, all directors are subjected to fit and proper pre-approval process by their respective regulators. The fit and proper approval process takes into account the experience, track record and integrity of each board member. Similarly, HBL and its subsidiaries have policies and processes of recruiting the appropriate skill sets of set management. Before recruitment of senior management, such management are subjected to fit and proper pre-approval process by their respective regulators. The profiles for the incumbent board members' and senior management are given below.

Mr. Moez Jamal and Mr. Shaffiq Dharamshi are directors of both HBL and of DTB and have therefore not participated in the negotiation and finalization of terms with regard to the Agreement, nor did they attend and vote at the board meetings in relation to the Agreement.

Directors Profile

Director	Profile
<p>Sultan Ali Allana (Chairman)</p> 	<p>Mr. Sultan Ali Allana has been Chairman of the Board of Directors of HBL since February 2004. He has over 31 years of experience in the financial and banking industry.</p> <p>He also serves on the Boards of The Aga Khan Fund for Economic Development, Tourism Promotion Services Pakistan Ltd, Jubilee Holdings Ltd (East Africa), Jubilee Life Insurance Company Ltd and Industrial Promotion Services (Pakistan) Limited.</p> <p>Mr. Allana has also served as the Chairman of the First Microfinance Bank and also held senior positions in Citibank N.A.</p>
<p>Nauman K Dar (President & CEO)</p> 	<p>Mr. Nauman K Dar, President & CEO of Habib Bank Limited, is a banker with over 33 years of banking experience.</p> <p>He also serves as Chairman of Habib Allied Holding Limited UK, Habib Finance International Limited, Hong Kong and Habib Bank Financial Services (Pvt.) Limited.</p> <p>In the past Mr. Dar has also held senior positions in Habib Allied Bank Plc, Citibank and Bank of America.</p>
<p>Sajid Zahid</p> 	<p>Mr. Sajid Zahid is a Barrister with over 40 years experience in Corporate and Commercial Law.</p> <p>He is Joint Senior Partner at Orr, Dignam & Co.</p> <p>Mr. Zahid has previously served as a Director on the Boards of various companies including Pakistan Petroleum Limited.</p>
<p>Moez Ahamed Jamal</p> 	<p>Mr. Moez Ahamed Jamal has experience of over 37 years in the financial sector.</p> <p>He currently serves on the Boards of Diamond Trust Bank Kenya Limited, Marcuard Family Office, Switzerland, Jubilee Holdings Limited and Global Finanz Agency AG. He is a Partner of JAAM AG, an investment advisory company in Switzerland.</p> <p>Mr. Jamal has also held senior positions in Credit Suisse and Lloyds Bank International.</p>
<p>Shaffiq Dharamshi</p> 	<p>Mr. Dharamshi is a banker with over 23 years of banking experience in the Middle East and Africa.</p> <p>He currently holds the position of Head of Banking at AKFED, and is responsible for overseeing the operations of banks in AKFED's portfolio across Asia and Africa.</p> <p>He also currently serves on the Boards of Diamond Trust Bank Kenya Limited, Diamond Trust Bank Tanzania Limited, Diamond Trust Bank Uganda Limited, Kyrgyz Investment and Credit Bank and DCB Bank Limited, India.</p>
<p>Agha Sher Shah</p> 	<p>Mr. Agha Sher Shah has over 25 years of experience in the financial sector. He is currently Chairman and Chief Executive of Bandhi Sugar Mills (Pvt) Limited. He also serves on the Boards of Attock Cement Pakistan Limited, Sui Southern Gas Company Limited, Thatta Cement Company Limited, Newport Containers Terminal (Private) Limited and Triton LPG (Private) Limited.</p> <p>Mr. Sher Shah has also held the position of Senior Portfolio Manager at the Abu Dhabi Investment Authority.</p>

Directors

Profile

Dr Najeeb Samie



Dr Najeeb Samie has over 35 years of experience in the corporate and financial sector.

He is currently the Managing Director of PIA Investments Limited and is a Director of the Roosevelt Hotel Corporation and the Parisien Management Company Limited, amongst other tourism related companies.

Dr. Samie has also served as the Chairman of State Life Insurance Corporation of Pakistan, Alpha Insurance Company Limited and PICIC.

Profiles of the Senior Management team

Habib Bank Limited

Nauman K Dar (President & CEO)

See profile under directors.

Nausheen Ahmed (Company Secretary and Head of Legal)

Ms. Nausheen Ahmed was appointed as Company Secretary and Head of Legal in 2006. Prior to joining the Bank, she spent 10 years with ICI Pakistan Limited as Company Secretary & General Manager Legal. She has spent over 30 years in legal practice and has worked with Unilever Pakistan, Pakistan Petroleum Ltd and SurrIDGE & Beecheno. She holds an LL.M from the University of London, U.K. and an LL.B (Hons) from King's College London, U.K., and is a qualified Barrister-at-Law from Gray's Inn, London. She is an Advocate of the Sindh High Court and is also a member of the High Court Bar Association and Karachi Bar Association.

Tariq M. Akbar (Head of Global Operations)

Mr. Tariq M. Akbar was appointed as Head of Global Operations at HBL in the year 2013. He has been associated with HBL since year 2000 and has served as Group Head, Operations of Habibsons Bank Ltd. UK for 12 years before moving to Karachi. He possesses an overall experience of 39 years in the Banking industry and has exposure of working at both domestic and international locations including UAE, UK and USA. Prior to joining HBL, he was with Bank of America, Pakistan and Mashreq Bank Pakistan and UAE respectively. He holds an Honors degree in Commerce from the University of Punjab, Pakistan and is an associate of the Institute of Bankers, Pakistan.

Salim Amlani (Chief Compliance Officer)

Mr. Salim Amlani was appointed as Chief Compliance Officer in 2016. He previously served HBL as Chief Internal Auditor for a period of 10 years. Prior to joining HBL in 2005 he has held senior positions involving all aspects of Audit, Operations, Quality Assurance, Compliance, Consumer/ Retail Banking, Financial Control and Treasury Front Office in Allied Bank, UBL & Citibank. He possesses more than 35 years of diverse experience in international and domestic banking. He holds a Bachelor's degree from the University of Karachi, Pakistan and has also attended management/leadership courses at Oxford, Harvard, INSEAD and IESE.

Naveed Asghar (Chief Marketing Officer)

Mr. Naveed Asghar, joined the Bank in 2014 in the capacity of the Chief Marketing Officer. He is a seasoned professional and an astute marketer with over 23 years of emerging markets experience. Prior to joining the Bank he has worked at senior levels with some of the most iconic brands such as Lipton, Coca-Cola, Knorr, Sunsilk, etc. Naveed is known for his value addition and has a strong track record of consistent delivery with blue chip multinational companies like Unilever, Coca-Cola, Pepsi, Lipton International and Fronterra. He holds a Masters in Business Administration degree from LUMS - Lahore University of Management Sciences (a leading business school in Pakistan).

Mirza Saleem Baig (Head of Islamic Banking)

Mr. Mirza Saleem Baig was appointed as Head of Islamic Banking in 2011. He joined the Bank in 2000 and has previously served as Head of Commercial Banking and Head of Learning & Development during this period. He possesses an overall experience of over 30 years in senior roles. Prior to joining the Bank, he worked with Artal Pakistan, Standard Chartered Bank, Mashreqbank and Banker's Equity. He holds an MBA degree from the Institute of Business Administration, Karachi and MS in Civil Engineering from the University of Nebraska, USA.

Rizwan Haider
(Chief Risk Officer)

Mr. Rizwan Haider was appointed as Chief Risk Officer in 2012. He had previously served the Bank as Regional General Manager—Far East & Africa regions and as Head of International & Market Risks. Mr. Haider possesses an extensive and diverse experience of over 30 years in banking industry in senior management positions with local and international banks. Prior to joining the Bank in 2002 he was with Credit Agricole, where he held senior management positions in Corporate and Investment banking and Risk management. He holds a degree in Commerce from the University of Karachi, Pakistan.

Abbas Hassan
(Head International: Europe,
Middle East & Americas)

Mr. Abbas Hassan was appointed as Head International – Europe, Middle East & Americas in 2015. He was previously associated with HBL as CEO, Habibsons Bank, UK and Regional General Manager – Gulf. He possesses more than 28 years of experience in the Banking industry. Prior to joining HBL in 2006, he has worked in senior roles at Mashreq Bank – Dubai and Bank of America after starting his career from American Express Bank. He holds an MBA Degree from University of Chicago and a Bachelors’ Degree from University of California LA.

Aamir Irshad
(Head of Corporate and
Investment Banking)

Mr. Aamir Irshad was appointed as Head of Corporate & Investment Banking in 2013. He was previously responsible for the Corporate Banking function, overseeing the Bank’s corporate portfolio throughout Pakistan. Prior to joining the Bank, he had worked in various multinational financial institutions in Pakistan, including Orix, Standard Chartered Bank and Credit Agricole. Mr. Irshad holds an MBA from the Canterbury Business School, University of Kent, U.K.

Rayomond Kotwal
(Chief Financial Officer)

Mr. Rayomond Kotwal was hired and appointed as Chief Financial Officer in 2015. Prior to joining the Bank, he has held the positions of Chief Financial Officer at United Bank Limited and NIB. He possesses over 30 years of experience in the field of finance. He has also worked with Citibank Pakistan & Canada and with ICI Pakistan during his career. He holds a Bachelor’s and Master’s degree in Electrical Engineering and Computer Science from the Massachusetts Institute of Technology, USA and an MBA in Finance from the Institute of Business Administration, University of Karachi, Pakistan.

Salahuddin Manzoor
(Global Treasurer)

Mr. Salahuddin Manzoor was appointed as Global Treasurer in 2011, based on his extensive experience of more than 26 years in global financial markets in trading and investments. He has experience of both domestic and international markets in this field. Prior to joining the Bank, he has worked with Observatory Capital, BNP Paribas in Europe, Middle East & Africa and with Chemical Bank in New York, London and Singapore. He holds a Bachelors degree in Economics from The George Washington University and an MBA from The Wharton School, University of Pennsylvania, USA. Mr Manzoor also has the distinction of being a member of PRIME Finance - Panel of Recognised International Market Experts - based in the Hague assisting judicial systems on dispute resolution involving complex financial litigation.

Aamir Matin
(Head Technology Strategy)

Dr. Aamir Matin was appointed as Head Technology Strategy in 2016. Before joining the Bank he held the position of CEO and Partner at Grant Thornton Technologies, prior to which he was Country Manager for Pakistan for Cisco Systems, Inc for six years. He possesses an overall experience of over 28 years in different capacities in the field of technology both in the domestic as well as the international markets. He has worked as Advisor to the Federal Minister for IT and Telecommunications, Govt of Pakistan, from 2003 to 2006, developing and executing against strategies to promote the export of software from Pakistan. He was with the United Nations Development Program from 1994-2000, working with governments in the Asia Pacific region. Dr Matin has a PhD in IT Project Management from Cranfield University in the UK and has taught Master’s level courses at LUMS, NUST and Quaid-e-Azam Universities in Pakistan as well as Cranfield University.

Abrar Ahmed Mir
(Chief Innovation and Financial
Inclusion Officer)

Mr. Abrar Ahmed Mir joined the Bank in 2015. He possesses more than 20 years of diverse industry and functional work experience within and outside Pakistan. Before joining HBL, he has worked with UBL, Citibank and ICI Pakistan Limited. He holds a Bachelors’ degree in Electrical Engineering from Pakistan, MBA degree from Illinois Institute of Technology, Chicago, USA and a certification in Strategic leadership in Inclusive Finance from Harvard Business School.

Jamal Nasir
(Global Head of Human and Organisational Development)

Mr. Jamal Nasir was appointed as Global Head of Human and Organisational Development in 2015 based on his extensive experience of more than 25 years in the field of Human Resources. Prior to joining the Bank, he has previously served as Group Head HR & Corporate Affairs at UBL; as Regional Head of HR, Asia responsible for Indonesia, Singapore and other South East Asian countries at Standard Chartered Bank; as Country Head HR at ABN AMRO Bank, Pakistan and Exxon / Engro Chemicals. He holds an Engineering degree from the University of Texas, USA, and an MBA from the Institute of Business Administration, Karachi.

Faiq Sadiq
(Chief Internal Auditor)

Mr. Faiq Sadiq was appointed as Chief Internal Auditor in May 2016. Previously he had served HBL as Head of Payment Services Group– Pakistan, as Country Manager & Country Operations Manager at HBL – USA and as Country Relationship Head—Sri Lanka and Maldives. During his exposure in USA, in addition to managing the operations and business relationships for the Country he was also responsible for managing finance and regulatory audits, along with oversight of the compliance function. He possesses an overall experience of over 25 years in the financial industry in different capacities both in the domestic and international markets. He holds a Master's degree from Columbia University, USA, and a Master's degree from Punjab University, Pakistan.

Abid Sattar
(Head International – Asia & Africa)

Mr. Abid Sattar was appointed as Head International – Asia & Africa in 2015. He was previously associated with HBL as Regional General Manager – Far East & Africa, as Head Global Operations (3 years) and as Head Retail & Consumer Banking (4 ½ years) where he was involved in extensive restructuring, planning and implementing new strategic model for Retail and Consumer banking . Prior to joining HBL in 2006, he has worked in senior roles at Standard Chartered, ANZ Grindlays and Citibank both in Pakistan and abroad. He holds M. Phil Degree in Development Economics from Cambridge University - UK and an MBA finance degree from Punjab University, Pakistan. He has wide range of experience spanning over 30 years of which at least 18 years are in senior management roles where he was involved in strategic roles, building businesses and teams and delivering outstanding results.

Khalid Mohsin Shaikh
(Head Remedial and Structured Credit)

Mr. Khalid Mohsin Shaikh was appointed as Head Remedial and Structured Credit in 2016. He possesses an overall experience of 30 years in the banking industry. Previously, he was Senior Credit Officer, Risk Management at HBL for a period of 2.5 years before taking over the responsibility as Head Remedial and Structured Credits. Prior to joining the Bank in 2013 he has held the position of CRO at Kazinvest Bank and has been in senior roles in the area of Risk Management and Corporate Banking in KASB Bank, Union Bank and Faysal Bank. He holds a master's degree from Edward Kardelji University, Slovenia and Bachelors in Economics / Finance from University of Wisconsin, USA.

Anwar Zaidi
(Head of Financial Institutions & Global Trade Services)

Mr. Anwar Zaidi was appointed as Head of Financial Institutions & Global Trade Services in 2014. He has previously served as CEO and Director of Habib Allied International Bank U.K. Prior to joining the Bank, he held the position of Country Manager - USA for United Bank Limited and General Manager - U.K. for Mashreq Bank. He possesses an overall experience of more than 30 years in the financial industry. He has also been associated with Grindlays Bank, HSBC and American Express during the initial years of his career. Mr. Zaidi holds an MBA degree from the IBA - University of Karachi, Pakistan and a Master of Science in Computer Sciences from the University of London, U.K. He has also completed the Advanced Management Program at Harvard Business School, USA and the Leadership and Management Programme at INSEAD, France.

Salman Malik (Regional General Manager & Country Executive Kenya)	Mr. Salman Malik joined HBL as Regional General Manager- Singapore, HK, Mauritius & Seychelles in 2011. In 2015 he was appointed as RGM Africa and Country Executive Kenya. He has 29 years of banking experience in Pakistan as well as international locations. He has held various Senior Managerial roles in Corporate, Retail and Investment Banking functions with Bank of America (10 years) and ABN Amro (13 years). He holds MBA and BBA from Ohio University, Athens, Ohio, USA.
Aurangzeb Ashan Quadri (Country Operations Manager)	Mr. Aurangzeb Quadri was appointed as Country Operations Manager at HBL, Kenya in 2013. He joined HBL in 2006 and has served as AGM- Operations at various Commercial Centers in HBL Pakistan. He possesses 26 years of banking experience with 15 years at Bank of Tokyo Mitsubishi and 1 year at NIB in operations/business. He holds MBA from University of Sindh and Bachelors from University of Karachi.
Sohaib Umer (Regional Risk Manager Africa)	Mr. Sohaib Umer was appointed as Risk Manager – Africa, based in Kenya in 2016. Prior to this he was Head of Corporate at HBL Mauritius for 5 years. He joined HBL in 2007 as Area Manager and has 16 years of banking experience in Retail, Corporate & Risk Management in various domestic banks. He has a diploma in Business Administration from Edith Cowan University, Australia and MBA from University of Agriculture & Bachelors from Government College Lahore.
Muhammad Shoaib Awan (Head of Compliance)	Mr. Shoaib Awan was appointed as Compliance Head HBL Kenya in 2013. He joined HBL in 2001 and has served in Retail Business, Compliance & Audit functions. He has 18 years of experience with 3 years in MCB Bank. He holds MBA & M.Com from University of Agriculture and University of Punjab and also has DAIBP (Diploma Associate Institute of Bankers) and CA (Foundation) from Institute of Chartered Accountants.
John M. Kasuvu (Head of Finance and Control)	Mr. John Kasuvu was appointed as Head of Finance HBL Kenya in 2011. He has 8 years of experience in Finance. He was working with SMEP Microfinance Bank Kenya since 2008 before joining HBL. He is CPA-K and registered member of Institute of Certified Public Accountants of Kenya. He holds MBA from University of Nairobi and Bachelors in Sciences from Moi University Kenya.
Patrick M. Mwangi (Head of Marketing)	Mr. Patrick Mwangi joined as Head of Marketing HBL Kenya in 2007. He has 19 years of Banking experience in Credit & Risk functions with various banks in Kenya including ABN Amro, Commercial Bank of Africa /First American Bank and Cooperative bank. He holds Bachelor's degree from University of Nairobi with Diploma in Business Administration from Kenya Institute of Management.
Grace Wangari Mbogo (Branch Manager Industrial Area)	Ms. Grace Mbogo was appointed as Branch Manager HBL Industrial Area in 2016 after having worked as Relationship Manager, since joining the Bank in 2012. She has 17 years of banking experience within various local Kenyan banks.
Farzana Khan (Head of Treasury)	Ms. Farzana Khan joined the bank in 2000 as a treasury back office officer and climbed the ladder to become the Head of Treasury in 2002. She has more than fifteen years' experience in treasury operations obtained in Habib Bank Limited. Farzana holds a Diploma in Banking and has gone through various trainings in treasury operations.
Esther Oginga (Head HR)	Ms. Esther Oginga joined the bank in 2008 as the Head of Human Resources and has been working in same capacity to date. Her experience spans more than ten years in human resource management obtained in Habib Bank Ltd and other organizations. She holds a bachelors and MBA degree in Business Administration from United States International University Kenya (USIU).

Historical Financial information

HBL Kenya Branch prepares its financial statements to 31 December each year in accordance with International Financial Reporting Standards. The sections that follow set out extracts of the audited financial statements of the HBL Kenya Branch, for the three financial periods to 31 December 2015, which were issued without qualification. The extracts from the financial statements for the nine months period to 30 September 2016 are un-audited.

Summarised Consolidated Income Statements

Table 1: HBL Kenya Branch Income Statement

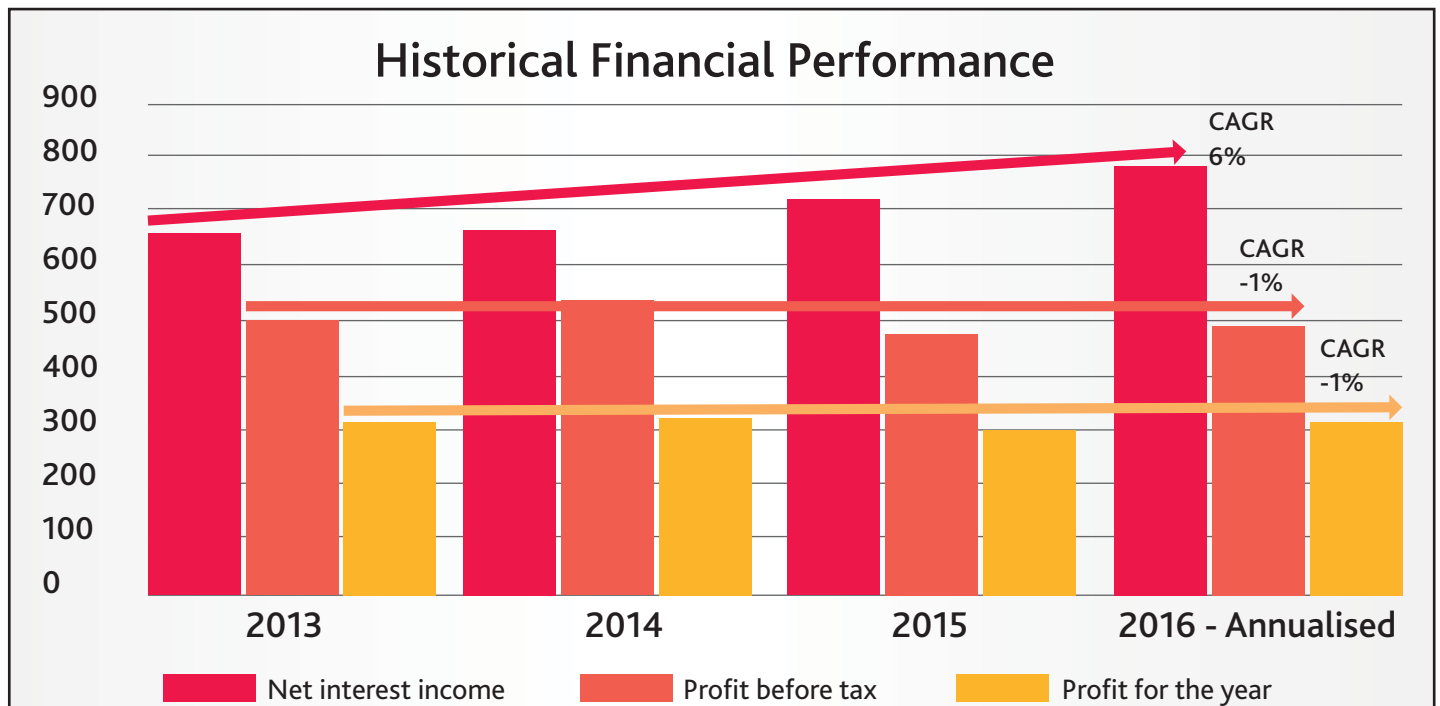
Figures in Kshs'000	31-Dec-13	31-Dec-14	31-Dec-15	30-Sept-16
Interest income	858,296	946,479	1,060,673	909,689
Interest expense	(208,662)	(292,472)	(341,300)	(331,547)
Net interest income	649,634	654,007	719,373	578,142
Net fee and commission income	55,240	64,336	60,176	28,748
Foreign exchange income	25,164	25,742	32,391	17,613
Other operating income	23,284	41,854	18,876	24,087
Operating income	753,322	785,939	830,816	648,590
Operating expenses	(233,058)	(236,448)	(294,202)	(249,837)
Impairment loss on loans and advances	(20,010)	(17,729)	(52,094)	(29,192)
Profit before income tax	500,254	531,762	484,520	369,561
Income tax expense	(181,623)	(213,236)	(185,936)	(133,500)
Profit after tax	318,631	318,526	298,584	236,061

Source: Annual Reports FY 2013, 2014 and 2015 and nine months management accounts to 30th September 2016

Commentary on historical Income Statements:

Figure 1 below depicts the performance of HBL Kenya Branch in terms of net interest income, profit before and after tax from FY 2013 up to 30th September 2016. In summary, net interest income has grown at a CAGR of 6%, while both profit before tax and profit after tax have reduced at a CAGR of minus 1% attributed to increased impairment losses on loans and advances. Overall, the trend above suggests that the transformation realised shortly after the financial crisis has levelled off or competition and market movements have forced HBL Kenya Branch to operate a near flat profit growth regime.

Figure 1: Analysis of Net Interest Income, Profit before Tax and Profit after Tax

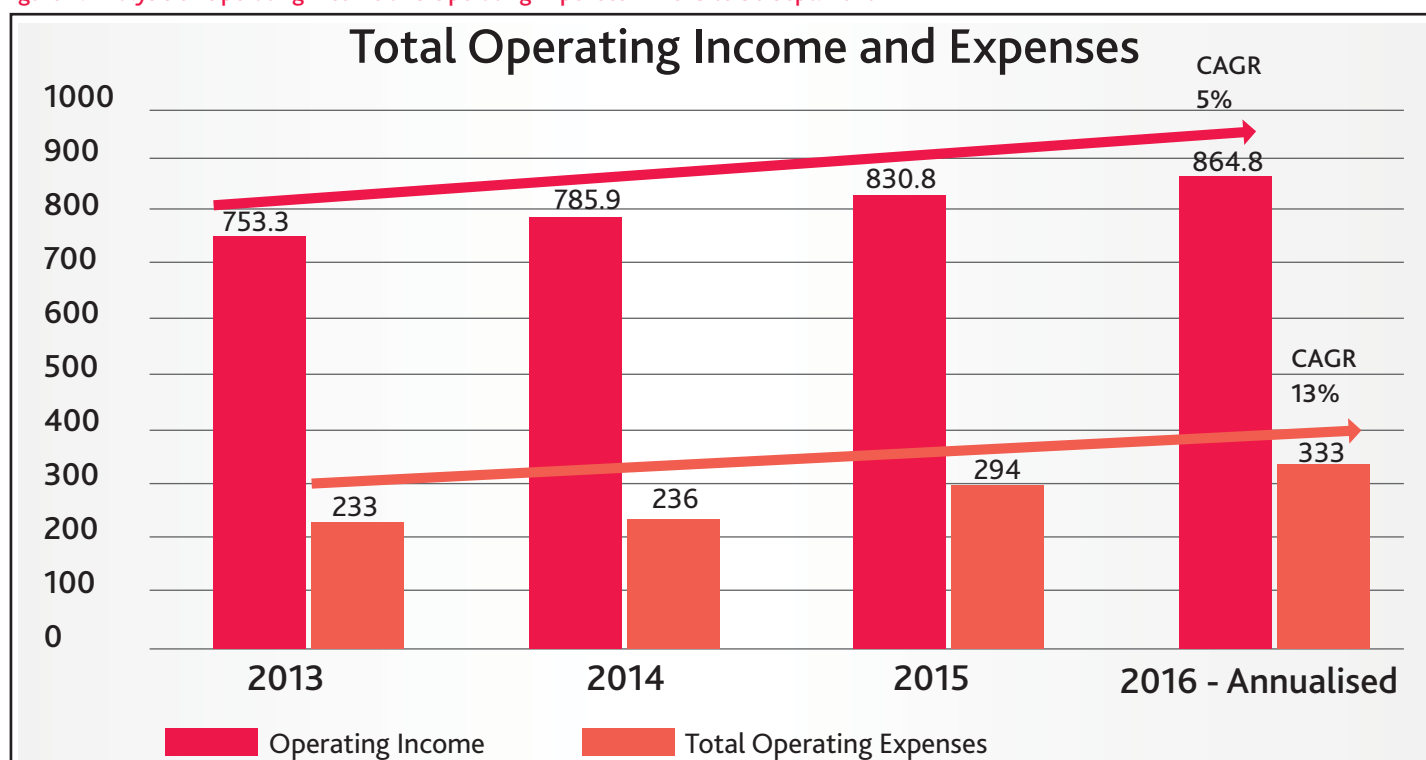


Source: Annual Reports, Management Accounts for 30th September 2016 and Pacifis Analysis

Figure 2 below, on the other hand, depicts the performance of HBL Kenya Branch in terms of operating income (net interest income plus other income) and total operating expenses from FY 2013 up to 30th September 2016.

In summary, operating income has grown at a CAGR of 5%, while operating expenses have grown at a CAGR of 13%. While the growth in operating expenses is slightly below the banking sector average, the growth in operating income is below market, a phenomenon attributed to HBL Kenya Branch's limited penetration owing to relatively low investment in digital and retail distribution channels.

Figure 2: Analysis of Operating Income and Operating Expenses FY2013 to 30 Sept. 2016



Source: Annual Reports, Management Accounts for 30th September 2016 and Pacifis Analysis

The table below provides further analysis on HBL Kenya Branch performance relative to the Market.

Table 2: HBL Kenya Branch growth and performance metrics and comparison with Kenyan Banking sector FY2013-2015

Operational Area	HBL Kenya Branch			Kenyan Banking sector		
	F2013	F2014	F2015	F2013	F2014	F2015
Some key ratios						
Growth in Net interest income	n/a	1%	10%	n/a	11%	8%
Growth in operating expenses	n/a	2%	21%	n/a	15%	19%
Growth in profit before tax	n/a	6%	-9%	n/a	13%	-6%
Growth in profit after tax	n/a	0%	-6%	n/a	14%	-7%
Net Interest/Gross Interest	76%	69%	68%	70%	68%	62%
Cost of funds	4%	5%	5%	4%	5%	6%
Non-interest income to Net interest income	16%	20%	15%	45%	48%	44%
Staff costs to Operating income	17%	16%	19%	25%	24%	21%
Staff costs to Total income	13%	12%	14%	19%	18%	15%
Staff costs to other operating costs	117%	116%	122%	97%	92%	72%
Other operating costs to Operating income	14%	14%	16%	26%	26%	29%
Other operating costs to Total income	11%	10%	11%	20%	20%	21%
Return on equity (profit after tax /closing net assets)	19%	18%	15%	21%	22%	18%
Return on total assets (profit after tax/closing assets)	4%	4%	3%	3%	3%	3%

Source: Pacifis Analysis, Banking Survey and Central Bank data
n/a – means not analysed.

The following inferences can be made:

- *Net interest income:* HBL Kenya Branch has grown at a slower rate than market save for 2015 when it exceeded the market average.
- *Interest income margin:* HBL Kenya Branch has outperformed the market average suggesting it has slightly better yields than the market average.

- *Operating expenses:* Overall HBL Kenya Branch costs have increased at a slower rate than market – depicting possible efficiencies.
- *Cost of funds:* HBL Kenya Branch’s cost of funds are almost similar to market.
- *Non-interest income/Net interest income:* HBL Kenya Branch is doing significantly below market implying that it does not leverage properly on non-funded income.
- *Staff costs to operating income:* the analysis suggests that HBL Kenya Branch is more efficient than market.
- *Other operating costs to operating income:* as in above, HBL Kenya Branch is more efficient than market.

Summarised Historical Balance Sheets

Table 3: HBL Kenya Branch Statements of Financial Position as at 31st Dec. 2013, 2014 and 2015 and 30th Sept. 2016

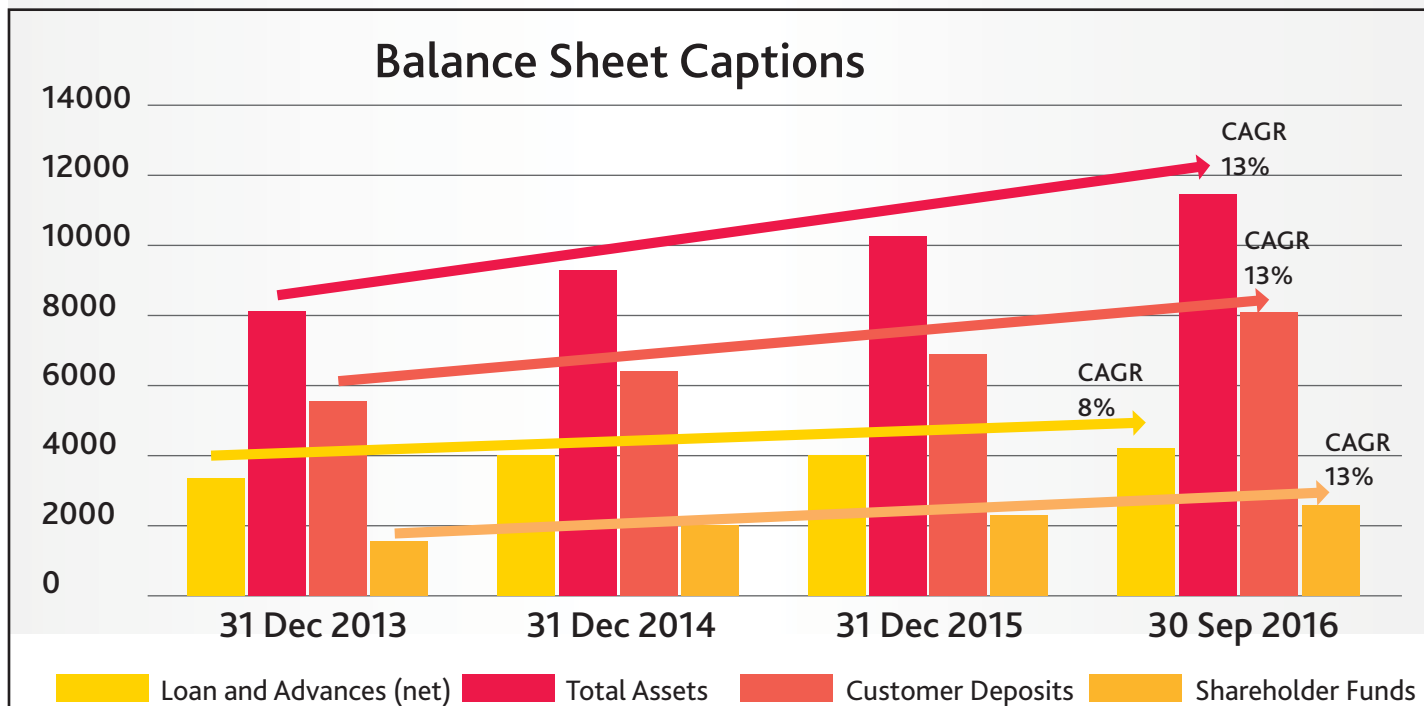
Figures in Kshs'000	31-Dec-13	31-Dec-14	31-Dec-15	30-Sep-16
Assets				
Cash and balances with Central Bank of Kenya	425,365	456,257	538,163	678,447
Government securities	3,562,299	4,064,631	5,045,333	5,581,450
Deposits and balances due from banking institutions	138,149	210,267	322,735	605,463
Loans and advances to customers	3,386,080	4,040,001	3,946,146	4,321,007
Investments in commercial paper	494,672	566,075	170,534	170,534
Other assets	17,467	49,470	45,639	69,709
Property and equipment	31,090	30,464	86,159	123,335
Current income tax	346	5,437	-	58,949
Deferred income tax	22,653	26,763	75,268	75,269
Total Assets	8,078,121	9,449,365	10,229,977	11,684,163
Liabilities				
Customer deposits	5,599,384	6,398,944	6,861,254	8,011,088
Deposits and balances due to banking institutions	735,571	991,359	1,004,447	1,168,548
Other liabilities	76,264	117,534	135,987	121,014
Current income tax	-	-	80,837	-
	6,411,219	7,507,837	8,082,525	9,300,650
Shareholders' Equity				
Share capital	1,044,226	1,044,226	1,044,226	1,044,226
Retained earnings	565,502	801,351	811,887	1,047,949
Other reserves	57,174	95,951	291,339	291,338
Total equity	1,666,902	1,941,528	2,147,452	2,383,513
Total liabilities and equity	8,078,121	9,449,365	10,229,977	11,684,163

Source: Annual Reports and management accounts as at 30th September 2016

Commentary Historical Balance Sheets:

Figure 3 below summarises the historical movements and CAGR of loans and advances, total assets, deposits and shareholders' funds of HBL Kenya Branch from 31st December 2013, 2014 and 2015 and 30th September 2016. Overall, during the period, loans and advances to customers and total assets have grown at a CAGR of 8% and 13% p.a., respectively. On the other hand deposits from customers and shareholder funds have grown coincidentally at a CAGR of 13% p.a. These statistics are synonymous to managed growth strategies.

Figure 3: Historical Balance Sheets as at 31 Dec. 2013, 2014, 2015 & 30th Sept. 2016



Source: Annual Reports, Management Accounts for 30th September 2016 and Pacifis Analysis

The table below provides further analysis on HBL Kenya Branch’s performance relative to the Market.

Table 4: HBL Kenya Branch Balance Sheet key ratios and comparison with Kenyan Banking sector FY2013-2015

Operational Area	HBL Kenya Branch			Kenyan Banking sector		
	F2013	F2014	F2015	F2013	F2014	F2015
Some key ratios						
Growth in loans and advances (net)	n/c	19%	-2%	n/c	23%	16%
Growth in total assets	n/c	17%	8%	n/c	18%	0%
Growth in customer deposits	n/c	14%	7%	n/c	18%	12%
NPL balances/Gross loans and advances	17%	12%	15%	4%	5%	6%
Return on equity (profit after tax/closing net assets)	19%	18%	15%	21%	22%	18%
Return on total assets (profit after tax/closing total assets)	4%	4%	3%	3%	3%	3%
Net loans and advances to customer deposits	60%	63%	58%	78%	81%	84%
Specific provisions/NPL balances	41%	33%	39%	68%	64%	56%

Source: Pacifis Analysis, Banking Survey and Central Bank data
n/c: means not calculated/analysed.

The following inferences can be made:

- HBL Kenya Branch’s loans and advances and customer deposits have been growing at a lower rate than market.
- HBL Kenya Branch’s total assets cumulatively have grown at a higher rate than market.
- HBL Kenya Branch’s return on equity FY 2013, 2014 and 2015 stands at about 17% which is lower than market average of 20%, however its return on total assets of about 4% is higher than market 3%.
- HBL Kenya Branch has a higher NPL ratio than market.

PART 4 – EXTRACT FROM VALUATION REPORT

The Board appointed a Transaction Advisor (Pacifis Advisory Limited) to provide an indicative market value of HBL Kenya Branch, as a going concern on as is basis, representing the price at which the HBL Kenya Branch would change hands between a willing buyer and a willing seller, neither being under the compulsion to act and both having full/reasonable knowledge of the relevant facts of the HBL Kenya Branch and market conditions. The valuation date is 31st December 2015 and the Transaction Advisor conducted the valuation utilising three methodologies namely: the Discounted Cashflow/Dividend Discount ("DCF/DDM") Method, Price Earnings ("PE") Multiples Method and the Net Assets ("NAV") Multiples Method, which are briefly explained here below.

Discounted Cashflow/Dividend Discount Method ("DCF"/"DDM"): this is a prospective income approach method adjusted for cash flows and growth considerations. This method recognises that value is future oriented and accordingly the theoretically correct manner to assess value is to consider the future earnings potential of the business. The DCF method is based on the premise that the value of a business can be estimated today by forecasting the future financial performance of the business and identifying the net cash that the business generates for the shareholders (Free Cash Flows to the Firm). Cash flows adjusted for regulatory capital requirements for all future years are then discounted by a risk-adjusted cost of capital back to the present to obtain the present value of those future cash flows. A terminal value at the end of the explicit forecast period is then determined and that value is also discounted back to the valuation date to give an overall value for the business. The risk-adjusted cost of capital ("discount factor") utilised for purposes of discounting the cash flows for HBL Kenya Branch was calculated at **17.0%** as shown below.

Capital asset pricing model

Parameter	Quantum
Risk free rate [Central Bank Rate]	10.0%
Beta (β_a)	1.16
Emerging Market risk premium	6.0%
Cost of Equity (K_e)	17.0%

The DCF/DDM method is sensitive to the accuracy of the projections and the choice of discount factor. The choice of the discount factor may vary from investor to investor, depending upon their attitude to risk.

Price Earnings ("PE") Multiples Method: this is also an earnings approach based valuation. Specifically, buyers and sellers of businesses sometimes use a formula to value companies or equity shares, that is based on price-earnings ('P/E') multiples or other income based multiples. The term simply means the number of times the earnings (after-tax profits) of a firm can be divided into the price. An earnings approach is typically used to provide a market cross-check to the conclusions reached under a theoretical DCF approach. It involves the use of an earnings multiple and a maintainable earnings estimate usually derived from historical performance but there are also no limitations to use of future performance in which case forward PE multiples would be applied.

An estimated sustainable level of future earnings for a business ('maintainable earnings') is multiplied with an appropriate multiple to those earnings, capitalising them into a value for the business.

The maintainable level of future earnings may be defined as the level below which, in the absence of unforeseen or exceptional circumstances, the earnings would not be likely to fall in an average year. In the case of this valuation a historical PE multiple was applied.

Net Assets Value ("NAV") Multiples Method: Under a net assets approach, total value is based on the sum of net asset value plus, if appropriate, a premium to reflect the value of intangible assets not recorded on the balance sheet. Net asset value is determined by marking every asset and liability on (and off) the company's balance sheet to current market values. A premium is added, if appropriate, to the marked-to-market net asset value, reflecting the profitability, market position and the overall attractiveness of the business. The net asset value, including any premium, can be matched to the 'book' net asset value, to give a price-to-book multiple, which can then be compared to that of similar companies. The average NAV multiples ruling at the NSE (after adjusting for the outliers) have been used to determine the NAV multiples based valuation for the HBL Kenya Branch. Again, NAV approach is also used to provide a market cross-check to the conclusions reached under a theoretical DCF approach.

CONCLUSIONS

Based on a combination of these approaches, the following high and low values were returned:

Table 5: HBL Kenya Branch Valuation Results

Valuation Method and Results (all figures Kshs million)	Valuation Results	Comments
DCF Method Fair Value/Average	2,572.7	High
PE Multiples based valuation	1,561.4	Low
NAV Multiples based valuation	2,147.5	Mid before adjustment of statutory reserve*

Note: Statutory reserve to be deducted from net assets value as at 31 December 2015 amounted to Kshs 291 million*

The Consideration therefore falls within the low and high bands of valuation. Furthermore, from an Investor's point of view the income approaches and more importantly the DCF are considered to be the most responsive valuation methods because they reflect what the Investor will derive from the business.

The shareholders should be aware that the prospective financial information used for the business valuation contains forward-looking statements with respect to the HBL Kenya Branch's business, financial condition and results of operations. Such information is subject to risks and uncertainties that could cause actual results to differ materially from those forecasted, and due regard should be given to this fact.

PART 5 - INFORMATION ON DTB'S SHARE PRICES

As stated in the Chairman's Letter, the Consideration is to be satisfied by issue of New Shares of DTB to HBL. Under the Agreement the target number of New Shares to be allotted to HBL has been calculated at 13,281,105 shares based on the Strike Price of Kshs. 137.39 per share calculated based on the volume weighted average share prices for the immediate preceding 180 calendar days up to and including 31st January 2017. It is a term of the Agreement that if the Pre Completion Strike Price calculated from the volume weighted average trading price of DTB's shares for the immediate 180 calendar days preceding Completion Date is higher or lower than the Strike Price by more than 50%, then Parties will renegotiate the Transaction.

To accommodate approval and execution, the Board proposes to allot the 13,281,105 New Shares (calculated at Strike Price) to HBL, in satisfaction of the Consideration.

The Strike Price represents management's best estimate of the share value of DTB taking into account the current market conditions and approximates the valuation conducted on HBL. The Board is also comfortable that the duration of 180 calendar days used in the calculation of the Strike Price represents a fair and rational transacting basis for concluding the Share Consideration.

The table below provides the average share prices and volumes during the immediate preceding 180 calendar days up to and including 31st January 2017.

Table 6: Volume Weighted Average Price Calculation

Date	VWAP	VOLUME	Total Value for shares sold Kshs	Date	VWAP	VOLUME	Total Value for shares sold Kshs
17-Jul-16	-	-	-	7-Sep-16	149.00	800	119,200
18-Jul-16	163.00	8,000	1,304,000	8-Sep-16	140.00	204,300	28,602,000
19-Jul-16	163.00	-	-	9-Sep-16	139.00	33,100	4,600,900
20-Jul-16	159.00	6,500	1,033,500	13-Sep-16	139.00	-	-
21-Jul-16	160.00	25,900	4,144,000	14-Sep-16	140.00	273,400	38,276,000
22-Jul-16	160.00	35,500	5,680,000	15-Sep-16	140.00	93,200	13,048,000
25-Jul-16	160.00	100,600	16,096,000	16-Sep-16	138.00	15,600	2,152,800
26-Jul-16	160.00	8,000	1,280,000	19-Sep-16	140.00	25,700	3,598,000
27-Jul-16	161.00	500	80,500	20-Sep-16	139.00	269,900	37,516,100
28-Jul-16	160.00	47,200	7,552,000	21-Sep-16	139.00	1,600	222,400
29-Jul-16	156.00	3,500	546,000	22-Sep-16	139.00	700	97,300
1-Aug-16	158.00	4,900	774,200	23-Sep-16	135.00	8,500	1,147,500
2-Aug-16	160.00	44,500	7,120,000	26-Sep-16	139.00	373,300	51,888,700
3-Aug-16	159.00	7,200	1,144,800	27-Sep-16	139.00	-	-
4-Aug-16	161.00	1,100	177,100	28-Sep-16	135.00	5,400	729,000
5-Aug-16	163.00	200	32,600	29-Sep-16	139.00	57,900	8,048,100
8-Aug-16	163.00	-	-	30-Sep-16	139.00	53,600	7,450,400
9-Aug-16	160.00	2,400	384,000	3-Oct-16	139.00	50,200	6,977,800
10-Aug-16	160.00	100	16,000	4-Oct-16	140.00	55,500	7,770,000
11-Aug-16	160.00	32,300	5,168,000	5-Oct-16	140.00	58,000	8,120,000
12-Aug-16	160.00	1,400	224,000	6-Oct-16	140.00	27,900	3,906,000
15-Aug-16	160.00	12,100	1,936,000	7-Oct-16	140.00	41,000	5,740,000
16-Aug-16	160.00	800	128,000	10-Oct-16	139.00	39,000	5,421,000
17-Aug-16	164.00	54,300	8,905,200	11-Oct-16	139.00	27,100	3,766,900
18-Aug-16	161.00	28,000	4,508,000	12-Oct-16	139.00	55,300	7,686,700
19-Aug-16	160.00	88,900	14,224,000	13-Oct-16	140.00	100	14,000
22-Aug-16	160.00	2,000	320,000	14-Oct-16	140.00	50,100	7,014,000
23-Aug-16	160.00	1,500	240,000	17-Oct-16	138.00	5,900	814,200
24-Aug-16	159.00	24,800	3,943,200	18-Oct-16	138.00	1,500	207,000
25-Aug-16	142.00	1,000	142,000	19-Oct-16	137.00	38,500	5,274,500
26-Aug-16	140.00	2,400	336,000	21-Oct-16	137.00	-	-
29-Aug-16	138.00	22,900	3,160,200	24-Oct-16	135.00	5,900	796,500
30-Aug-16	137.00	198,600	27,208,200	25-Oct-16	135.00	100	13,500
31-Aug-16	142.00	23,700	3,365,400	26-Oct-16	135.00	-	-

Date	VWAP	VOLUME	Total Value for shares sold Kshs	Date	VWAP	VOLUME	Total Value for shares sold Kshs
1-Sep-16	141.00	5,200	733,200	27-Oct-16	135.00	-	-
2-Sep-16	141.00	168,700	23,786,700	28-Oct-16	135.00	8,000	1,080,000
5-Sep-16	141.00	28,700	4,046,700	31-Oct-16	138.00	100	13,800
6-Sep-16	141.00	10,000	1,410,000	27-Dec-16	118.00	-	-
1-Nov-16	135.00	7,700	1,039,500	28-Dec-16	118.00	-	-
2-Nov-16	135.00	100	13,500	29-Dec-16	118.00	-	-
3-Nov-16	137.00	28,300	3,877,100	30-Dec-16	118.00	-	-
4-Nov-16	137.00	79,300	10,864,100	3-Jan-17	118.00	800	94,400
7-Nov-16	136.00	154,800	21,052,800	4-Jan-17	118.00	100	11,800
8-Nov-16	133.00	42,200	5,612,600	5-Jan-17	124.00	900	111,600
9-Nov-16	133.00	55,400	7,368,200	6-Jan-17	118.00	200	23,600
10-Nov-16	132.00	28,600	3,775,200	9-Jan-17	120.00	8,300	996,000
11-Nov-16	133.00	50,000	6,650,000	10-Jan-17	119.00	14,100	1,677,900
14-Nov-16	133.00	-	-	11-Jan-17	118.00	6,300	743,400
15-Nov-16	131.00	42,400	5,554,400	12-Jan-17	119.00	100	11,900
16-Nov-16	132.00	244,600	32,287,200	13-Jan-17	116.00	29,500	3,422,000
17-Nov-16	133.00	1,100	146,300	16-Jan-17	116.00	100	11,600
18-Nov-16	136.00	185,400	25,214,400	17-Jan-17	114.00	73,500	8,379,000
21-Nov-16	136.00	-	-	18-Jan-17	114.00	3,200	364,800
22-Nov-16	133.00	35,600	4,734,800	19-Jan-17	114.00	6,900	786,600
23-Nov-16	133.00	-	-	20-Jan-17	114.00	3,200	364,800
24-Nov-16	133.00	-	-	23-Jan-17	111.00	1,000	111,000
25-Nov-16	129.00	17,900	2,309,100	24-Jan-17	111.00	2,300	255,300
28-Nov-16	130.00	2,700	351,000	25-Jan-17	110.00	3,300	363,000
29-Nov-16	130.00	93,100	12,103,000	26-Jan-17	110.00	-	-
30-Nov-16	130.00	5,800	754,000	27-Jan-17	110.00	100	11,000
1-Dec-16	130.00	40,700	5,291,000	30-Jan-17	110.00	-	-
2-Dec-16	129.00	30,300	3,908,700	31-Jan-17	107.00	179,500	19,206,500
5-Dec-16	128.00	3,500	448,000				
6-Dec-16	128.00	500	64,000				
7-Dec-16	128.00	300	38,400				
8-Dec-16	127.00	139,300	17,691,100				
9-Dec-16	127.00	-	-				
13-Dec-16	125.00	3,900	487,500				
14-Dec-16	125.00	67,100	8,387,500				
15-Dec-16	125.00	1,000	125,000				
16-Dec-16	120.00	21,900	2,628,000				
19-Dec-16	120.00	19,800	2,376,000				
20-Dec-16	118.00	10,900	1,286,200				
21-Dec-16	118.00	12,300	1,451,400				
22-Dec-16	118.00						
23-Dec-16	118.00						
				Total: 0-180 days VWAP-Kshs		4,644,500	638,098,000 137.39

Source: Pacifis Analysis, NSE trade data

PART 6 - PRO-FORMA FINANCIAL AND SHAREHOLDING INFORMATION

As set out in the Chairman's Letter, the Acquisition will among others increase DTB's market share and enable DTB to gain access to alliances across different geographies where HBL has operations, as a basis of growing shareholder value. To help illustrate the potential impact, tables 7, 9 and 10 set out pro-forma income statements and balance sheets of DTB assuming that the Acquisition had been completed as at 31st December 2015 and 30th September 2016.

Pro-forma Income Statement

The Board considers that there will be no dilutive impact from the increase in issued share capital of DTB on earnings per ordinary share given that the earnings per share ("EPS") of DTB based on the Proforma Income Statements as at 31st December 2015 (on a fully diluted basis) and 30th September 2016 pre-acquisition and post-acquisition of the HBL Kenya Branch reveal the following:

- Based on 31st December 2015 Proforma Income Statement the EPS of DTB pre-acquisition, on a fully diluted basis, calculates at **Kshs 24.78** while the post-acquisition EPS calculates at **Kshs 25.00**. The improvement on EPS of 0.9% implies that the shares are being issued for value (see Table 7 below).
- Based on 30th September 2016 Proforma Income Statement (unaudited), the EPS of DTB pre-acquisition calculates at **Kshs 26.63** while the post-acquisition EPS works out at **Kshs 26.72**. The improvement on EPS of 0.03% is not material and implies that the shares are being issued for value (see Table 7 below).

Furthermore this acquisition is expected to unlock further value for DTB on the basis that incremental earnings can be realised from extraction of synergies of HBL's and DTB's existing business. Accordingly, it is projected in the short-medium-long-term that this acquisition is likely to favourably impact on DTB's earnings.

Table 7 below presents the Proforma consolidated income statements for the year ended 31st December 2015 and nine months period ended 30th September 2016, assuming that the acquisition contemplated herein, had been consummated on both dates.

Table 7: Pro forma consolidated Income Statement

Figures in Kshs'000	DTB	HBL Branch	Combined	DTB	HBL Branch	Combined
	31-Dec-15	31-Dec-15	31-Dec-15	30-Sept-16	30-Sept-16	30-Sept-16
Income statement						
Interest income	25,825,179	1,060,673	26,885,852	25,499,072	909,689	26,408,761
Interest expense	(9,897,848)	(341,300)	(10,239,148)	(10,072,817)	(331,547)	(10,404,364)
Net interest income	15,927,331	719,373	16,646,704	15,426,255	578,142	16,004,397
Net fee and commission income	2,773,883	60,176	2,834,059	2,221,583	28,748	2,250,331
Foreign exchange income	1,763,096	32,391	1,795,487	1,283,574	17,613	1,301,187
Other operating income	160,950	18,876	502,587	205,606	24,087	788,515
Operating income	20,625,260	830,816	21,778,837	19,137,018	648,590	20,344,430
Operating expenses	(8,171,223)	(294,202)	(8,496,907)	(6,988,503)	(249,837)	(7,545,823)
Impairment loss on loans	(2,150,278)	(52,094)	(2,493,711)	(3,601,159)	(29,192)	(3,921,689)
Profit from operations	10,303,759	484,520	10,788,219	8,547,356	369,561	8,876,918
Share of results of associate*	(1,443)	-	(1,443)	4,716	-	4,716
Finance costs	(737,124)	-	(737,124)	(739,948)	-	(739,948)
Profit before income tax	9,565,192	484,520	10,049,652	7,812,124	369,561	8,141,686
Income tax expense	(2,965,386)	(185,936)	(3,063,920)	(2,493,189)	(133,500)	(2,539,288)
Profit after tax	6,599,806	298,584	6,985,732	5,318,935	236,061	5,602,398
No of Shares issued	266,321,115	N/A	279,602,220	266,321,115	N/A	279,602,220
Earnings Per Share (Kshs)**	24.78	N/A	25.00	26.63	N/A	26.72

Source: Annual Reports 2015 and nine months unaudited accounts to 30 September 2016

Note*: share of results of associate is net of tax

Note**: the EPS calculated on the nine months results to 30th September 2016 have been annualised.

In arriving at the combined proforma income statement for DTB and HBL, some fair valuation adjustments have been made as follows:

Table 8: Pro forma consolidated Income Statement adjustments

Area (all figures in Kshs 000)	Adjustment 31-Dec-15	Adjustment 30-Sept-16
Excess of assets acquired over consideration – credited to other income	322,761	558,822
HBL Statutory Reserve write off through the profit and loss to conform to DTB's policy	(291,339)	(291,339)
Fair valuation adjustments	(31,482)	(267,483)
Tax benefit attributable to statutory reserve write off	87,402	87,402
Bargain on acquisition	87,342	87,402

Based on the table 7 above, DTB would consolidate its position further among the Tier 1 banks, even though the incremental market share would not be significant.

Pro-forma impact on DTB Group Financial Position

Tables 9 and 10 that follow, set out pro-forma balance sheets of DTB assuming that the Acquisition had been completed as at 31 December 2015 and 30 September 2016, respectively.

Table 9: Pro forma consolidated statement of financial position as at 31st December 2015

Figures in Kshs'000	DTB 31-Dec-15	HBL Branch 31-Dec-15	Adjust. 1	Adjust. 2	Combined 31-Dec-15
Assets					
Cash and balances with Central Bank of Kenya	26,350,152	538,163	-	-	26,883,315
Government securities	46,939,146	5,045,333	-	-	51,984,479
Deposits and balances due from banking institutions	10,017,481	322,735	-	-	10,340,216
Loans and advances to customers	177,544,871	3,946,146	-	(291,339)	181,491,017
Corporate bond-held to maturity	127,769	-	-	-	127,769
Investments in commercial paper	-	170,534	-	-	170,534
Other assets	2,475,859	45,639	-	-	2,521,498
Intangible assets-software costs	595,492	-	-	-	595,492
Property and equipment	5,618,767	86,159	-	-	5,704,926
Intangible assets-goodwill	173,372	-	-	-	239,520
Current income tax	6,206	-	-	87,402	6,206
Deferred income tax	1,735,405	75,268	-	-	1,810,673
Investments in subsidiaries and associates	24,077	-	-	-	24,077
Total Assets	271,608,597	10,229,977	-	(203,937)	281,899,722
Liabilities					
Customer deposits	194,051,857	6,861,254	-	-	200,913,111
Deposits and balances due to banking institutions	8,406,398	1,004,447	-	-	9,410,845
Other liabilities	4,411,306	135,987	-	-	4,547,293
Borrowings	26,141,690	-	-	31,482	26,141,690
Current income tax	291,958	80,837	-	-	372,795
	233,303,209	8,082,525	-	31,482	241,385,734
Shareholders' Equity					
Share capital	968,440	1,044,226	(1,044,226)	53,124	1,024,329
Share premium	7,294,767	-	-	1,771,567	9,447,478
Retained earnings	25,293,925	811,887	(811,887)	87,342	25,293,925
Other reserves	(27,970)	291,339	(291,339)	-	(27,970)
Proposed dividend	605,275	-	-	-	605,275
Equity attributable to owners of the bank	34,134,437	2,147,452	(2,147,452)	1,912,033	36,343,037
Non-controlling interests	4,170,951	-	-	-	4,170,951
Total equity	38,305,388	2,147,452	(2,147,452)	1,912,033	40,513,988
Total liabilities and equity	271,608,597	10,229,977	(2,147,452)	1,943,515	281,899,722

Source: Annual Reports 2015 and Pacifis Analysis

Based on table 9 above, DTB would consolidate its position further among the Tier 1 bank but the incremental market share would only be approximately 0.3%.

The proforma adjustments depicted above relate to:

- (i) elimination of the HBL Kenya Branch capital and reserves;
- (ii) recognition of the Share Consideration; and
- (iii) recognition of fair values for certain assets and liabilities.

For details refer to tables 11 and 12 overleaf.

Table 10: Pro forma consolidated statement of financial position as at 30th September 2016

Figures in Kshs'000	DTB 30-Sep-16	HBL Branch 30-Sep-16	Adjust. 1	Adjust. 2	Combined 30-Sep-16
Assets					
Cash and balances with Central Bank of Kenya	19,884,227	678,447	-	(102,099)	20,460,575
Government securities	92,026,364	5,581,450	-	-	97,607,814
Deposits and balances due from banking institutions	7,718,299	605,463	-	-	8,323,762
Loans and advances to customers	181,552,891	4,321,007	-	(291,339)	185,582,559
Corporate bond-held to maturity	127,769	-	-	-	127,769
Investments in commercial paper	-	170,534	-	-	170,534
Other assets	3,458,230	69,709	-	-	3,527,939
Intangible assets-software costs	1,001,585	-	-	-	1,001,585
Property and equipment	5,492,022	123,335	-	-	5,615,357
Intangible assets-goodwill	173,372	-	-	-	173,372
Current income tax	160,313	58,949	-	87,402	306,664
Deferred income tax	2,150,596	75,269	-	-	2,225,865
Investments in subsidiaries and associates	23,113	-	-	-	23,113
Total Assets	313,768,781	11,684,163	-	(306,036)	325,146,908
Liabilities					
Customer deposits	227,422,321	8,011,088	-	-	235,433,409
Deposits and balances due to banking institutions	16,358,928	1,168,548	-	-	17,527,476
Other liabilities	3,795,153	121,014	-	165,384	4,081,551
Borrowings	23,333,447	-	-	-	23,333,447
Current income tax	302,514	-	-	-	302,514
	271,212,363	9,300,650	-	165,384	280,678,397
Shareholders' Equity					
Share capital	1,065,284	1,044,226	(1,044,226)	53,124	1,118,408
Share premium	7,294,767	-	-	1,771,567	9,066,334
Retained earnings	29,242,803	1,047,949	(1,047,949)	87,402	29,330,205
Other reserves	202,796	291,338	(291,338)	-	202,796
Proposed dividend	-	-	-	-	-
Equity attributable to owners of the bank	37,805,650	2,383,513	(2,383,513)	1,912,093	39,717,743
Non-controlling interests	4,750,768	-	-	-	4,750,768
Total equity	42,556,418	2,383,513	(2,383,513)	1,912,093	44,468,511
Total liabilities and equity	313,768,781	11,684,163	(2,383,513)	2,077,477	325,146,908

Source: Management accounts 30th September 2016 and Pacifis Analysis

Based on tables 9 and 10 above, DTB would consolidate its position further among the Tier 1 bank but the incremental market share would only be approximately 0.3%.

The proforma adjustments depicted under tables 9 and 10 above relate to: (i) elimination of the HBL Kenya Branch capital and reserves; (ii) recognition of the Share Consideration; and (iii) recognition of fair values for certain assets and liabilities. For details refer to tables 11 and 12 below.

Table 11: Proforma Purchase Consideration allocation

Parameter	31- Dec-2015 Kshs 000	30-Sept-2016 Kshs 000
Purchase Consideration	1,824,691	1,824,691
Allocated as follows:		
Share Consideration	1,824,691	1,824,691
Share Capital (13,281,105 shares at a par value of Kshs 4.00 each)	53,124	53,124
Share Premium (13,281,105 shares at a premium of Kshs 133.39 each)	1,771,567	1,771,567
Total	1,824,691	1,824,691

Table 12: Proforma Bargain Purchase allocation

Parameter	31- Dec-2015 Kshs 000	30-Sept-2016 Kshs 000
Fair Value of Assets acquired (a)	1,912,033	1,912,093
Purchase Consideration (b)	1,824,691	1,824,691
Bargain on Purchase through profit and loss (a-b)	87,342	87,402

Pro-forma shareholding information

The table below illustrates the pro-forma impact of the Acquisition on DTB's existing shareholders in terms of numbers of ordinary shares they hold and their respective shareholding percentages as at 28th February 2017 (most recent shareholding information available). As can be seen, all existing shareholders suffer a dilution of 4.75% in their respective shareholding percentages as a result of the Acquisition as illustrated below.

Table 13: Proforma Shareholding Information post-completion (base 28 February 2017 Data)

Shareholder	No of Shares pre-acquisition	%age	No of Shares post-acquisition	%age
1. Aga Khan Fund For Economic Development S.A ("AKFED")	46,130,236	17.32	46,130,236	16.50
2. Habib Bank Limited ("HBL")	31,878,744	11.97	45,159,849	16.15
3. The Jubilee Insurance Company of Kenya Limited	27,826,826	10.45	27,826,826	9.95
4. Standard Chartered Nominees A/C Ke18972	7,778,222	2.92	7,778,222	2.78
5. Standard Chartered Nominee A/C Ke18965	6,227,540	2.34	6,227,540	2.23
6. The Diamond Jubilee Investment Trust (U) Limited	3,838,436	1.44	3,838,436	1.37
7. Standard Chartered Nominee A/C Ke002382	3,508,930	1.32	3,508,930	1.25
8. Standard Chartered Nominee Non Resd. A/C Ke11752	2,774,499	1.04	2,774,499	0.99
9. Mr. Amin Nanji Juma	2,458,172	0.92	2,458,172	0.88
10. Aunali Fidahusseini Rajabali & Sajjad Fidahusseini Rajabali	2,430,000	0.91	2,430,000	0.87
11. Craysell Investments Limited	2,284,620	0.86	2,284,620	0.82
12. CFC Stanbic Nominees Ltd A/C NR1873738	2,168,446	0.81	2,168,446	0.78
13. Standard Chartered Nominee Account A/C 9230	2,060,074	0.77	2,060,074	0.74
14. PDM (Holdings) Limited	1,859,613	0.70	1,859,613	0.67
15. Kenya Inland Ports Enterprises Limited	1,693,512	0.64	1,693,512	0.61
16. Kenya Commercial Bank Nominees Limited A/C 915B	1,642,449	0.62	1,642,449	0.59
17. Kenya Commercial Bank Nominees Limited A/C 915A	1,592,900	0.60	1,592,900	0.57
18. Standard Chartered Nominee Account Ke18986	1,490,952	0.56	1,490,952	0.53
19. Freight Forwarders Kenya Limited	1,302,400	0.49	1,302,400	0.47
20. Standard Chartered Nominee Ltd A/C Ke002522	1,296,875	0.49	1,296,875	0.46
Total (top 20 shareholders)	152,243,446	57.17	165,524,551	59.20
Others (11,112 shareholders)	114,077,669	42.83	114,077,669	40.80
TOTAL (11,132 shareholders)	266,321,115	100.00	279,602,220	100.00

Source: DTB Register of Shareholders 28th February 2017 and Pacifis Analysis

PART 7 – ADDITIONAL CMA DISCLOSURES AND GENERAL INFORMATION

1 Responsibility Statement

- 1.1 The Directors, whose names appear on page 5 of this Circular accept responsibility for the information contained herein. To the best of their knowledge and belief the Directors (who have taken all reasonable care to ensure that such is the case) are of the view that 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.
- 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 POS Regulations.

2 DTB's share capital

- 2.1 As at the date of this Circular, the authorised share capital of DTB is **Kshs 1,200,000,000** divided into **300,000,000** ordinary shares of **Kshs.4** each of which **266,321,115** shares are issued and are fully paid or credited as fully paid and listed on the Nairobi Securities Exchange. The authorised and issued share capital of DTB is not divided into different classes of shares and all of the ordinary shares carry equal rights as to dividend, voting, ratable distribution in times of liquidation and other matters.
- 2.2 The Articles of Association describe all of the rights attached to the ordinary shares with respect to such matters as voting, dividends, liquidation proceeds and other matters. A copy of the Articles of Association are available for inspection as noted in paragraph 6 below.
- 2.3 The New Shares when issued shall rank pari passu with the existing ordinary shares, and shall have a par value of Kshs. 4/= each and shall, upon issue, be credited as fully-paid up. Upon Completion of the Transaction, HBL will receive their share certificates initially in certificate form but these shall, subsequently be dematerialised upon Listing.
- 2.4 The New Shares to be allotted shall be **13,281,105**, and shall be Admitted into the Official List of the NSE on or around 31st July 2017. Upon allotment, an announcement shall be made by DTB within 24 hours, and if the 24 hours fall on a day other than a business day, on the next business day before commencement of trading at the NSE.
- 2.5 At a meeting of the Board held on 21st March 2017, the Board resolved pursuant to Article 54 of the Articles of Association of DTB, to convene the AGM to consider: (i) the approval of the Transaction including the allotment of **13,281,105** New Shares to be allotted to HBL unless the Pre Completion Strike Price determined at Completion is over 50% above or below the Strike Price; and (ii) authorisation to issue the New Shares to HBL without first offering them to existing shareholders including waiver of any right that maybe inferred by the existing shareholders.
- 2.6 Upon the New Shares being allotted to HBL, the existing HBL shareholding of 31,878,744 shares (representing 11.97% shareholding in DTB) will increase to **45,159,849** (representing 16.15% shareholding in DTB). HBL will remain the second largest shareholder in DTB. Thus, the New Shares will not affect the composition of the top twenty largest shareholders of DTB.

The top twenty largest shareholders pre-completion constitute **57.17%** of the entire issued Capital, while post Completion the twenty largest shareholders will constitute **59.20%** of the issued share capital of DTB (see table 13).

The total number of shareholders as at 28th February 2017 was **11,132**.

- 2.7 As at the date of this Circular, HBL had 31,878,744 shares and its majority shareholder, AKFED, had 46,130,236 shares of DTB.

3 Director's Interests

- 3.1 As at 21st March 2017 (date of signing the Agreement) and before the allotment of the New Shares, the following Directors had direct and indirect beneficial equity interests in the ordinary shares as follows:

Director	Number of shares	Shareholding %
Mrs. Nasim Devji	263,022	0.0099
Mr. Jamaludin Shamsudin Alibhai Shamji	10,496	0.00039
Mr. Irfan Keshavjee	1,143	Insignificant

- 3.2 At the date of this Circular there were no existing contracts between any of the Directors and DTB, other than employment contracts for those Directors who are employees of DTB or the DTB Group in the ordinary course of business.
- 3.3 No options to purchase any securities of DTB have been granted to or exercised by any Director of DTB.
- 3.4 None of the Directors has or has had any direct or indirect beneficial interest in any property acquired by DTB during the two years preceding the date of this Circular.
- 3.5 Except as disclosed in this Circular, no officer, director or major shareholder of DTB (nor a related company) has any material direct or indirect interest in the business of HBL.

4 Consents

Anjarwalla & Khanna Advocates (Legal Advisor), Pacifis Advisory Ltd (Transaction Advisor), PricewaterhouseCoopers (Financial Advisor) have given and not withdrawn their respective consents to the issue of this Circular with the inclusion herein of their reports and names and the references thereto, in the form and context in which they appear respectively.

5 Compliance and Disclosure - The Capital Markets Act

- 5.1 Part 3 of this Circular contains a brief description of the business, directors and management and historical financial information of HBL and the HBL Kenya Branch. The disclosures therein provide useful information on HBL Kenya Branch which can inform the reasonableness of the Purchase Consideration payable.
- 5.2 The Agreement dated 21st March 2017 between DTB and HBL put the Consideration for the entire business, assets and liabilities of the HBL Kenya Branch at Kshs 1,824,691,016/= to be satisfied in New Shares of DTB. Further, under the Agreement HBL provided representations, warranties and indemnities in respect of the business, assets and liabilities of HBL Kenya Branch. Full details of such undertakings are contained in Agreement whose copy is available for inspection (refer to Section 6 below of Part 7 of this Circular "Documents Available for Inspection"). If the net assets value determined by the post completion audit to be carried by an independent expert post completion results in such net assets being higher or lower than the Kshs 1,824,691,016, then DTB will pay in cash to HBL any amount above the guaranteed net assets value, while HBL will pay DTB in cash any amount below the guaranteed net assets value.
- 5.3 The Listing Fee payable on the New Shares is K.Shs.500,000/=, while the other costs for the Issue are as follows:

Cost Category	Amount Kshs
1. Capital Markets Authority Fee	4,561,727.54
2. Competition Authority of Kenya Application Fee	1,000,000.00
3. All Advisory Costs Provision (inclusive of VAT)	60,800,000.00
TOTAL	66,361,727.54

- 5.4 In accordance with the disclosure requirements under paragraph 28(a) of The Fourth Schedule to the Public Offer Regulations, the Board hereby declares that the annual financial statements of DTB for the year ended 31st December 2016 have been audited and received an unqualified opinion and the annual report in respect of these financial statements will be presented at the next Annual General Meeting of the Shareholders. Extracts from these audited financial statements are included in Appendix 1.
- 5.5 PricewaterhouseCoopers, the auditors of DTB, have issued a statement, in respect of the periods audited by them, under paragraph 28(b) of The Fourth Schedule to the POS 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 DTB are included in the Circular.
- 5.6 The disclosures contained in Part 2 and Part 4 of this Circular provides information on the rational used in assessing the reasonableness of the agreed Consideration for business, assets and liabilities of HBL Kenya Branch, as a going concern.
- 5.7 As at the date of issuance of the valuation report and conclusion of the Consideration discussions, none of the Advisors namely; Pacifis Advisory Limited the firm that carried out the Valuation and Transaction Advisory work, Pricewaterhouse Coopers the firm that carried out the Financial Due Diligence, Anjarwalla & Khanna the firm that was in charge of the Legal Due Diligence including their directors and employees, had any material relationship with DTB other than the specified Advisory Contracts.

5.8 Save as disclosed herein there are no related party transactions.

6 Documents Available for Inspection

Copies of the documents available for inspection by shareholders are listed here below. These documents will be made available free of charge to the Shareholders of DTB, at DTB's offices at DTB Centre, Mombasa Road, P.O. Box 61711, City Square 00200, Nairobi, Kenya between 9.00 a.m. and 5.00 p.m. Monday to Friday (except public holidays and bank holidays in Kenya) from the date hereof until 24th May 2017:

- (a) DTB's audited financial statements for the four financial years ended 31st December 2013, 2014, 2015 and 2016
- (b) Resolution of the Board Meeting of 21st March 2017
- (c) DTB's declaration under POS Regulations
- (d) DTB's Memorandum and Articles of Association
- (e) the approval of the CMA relating to this Circular
- (f) the approval of the Central Bank of Kenya relating to the Acquisition (if available)
- (g) the approval of the Competition Authority of Kenya relating to the Acquisition (if available)
- (h) the Agreement between HBL and DTB dated 21st March 2017
- (i) the valuation report prepared by Pacifis Advisory Limited
- (j) the statement issued by DTB's auditors as required by regulation 28(b) of the Fourth Schedule of the POS Regulations
- (k) Audited Financial Statements of HBL Kenya Branch FY 2013, 2014, 2015 and 2016
- (l) List of material litigation of HBL Kenya Branch.



Diamond Trust Bank Kenya Limited

(Incorporated in Kenya on 30/09/1965 under the repealed Companies Act (CAP.486))
Registration Number C.15/67

CIRCULAR TO SHAREHOLDERS

NOTICE IS HEREBY GIVEN that an ANNUAL GENERAL MEETING of DIAMOND TRUST BANK KENYA LIMITED (the "Company") will be held at 10.30 a.m. on 25th May 2017 in the [Crystal Ballroom, LAICO Regency Hotel, Along Uhuru Highway, Nairobi, Kenya for the purpose of considering and, if thought fit, passing the resolutions set out below.

RESOLUTIONS

- 1 To approve the Company's acquisition of the business, assets and liabilities of Habib Bank Limited Kenya Branch at a Purchase Consideration of **Kshs 1,824,691,016.00** (the "Transaction") including ratification of the execution of the Acquisition Agreement ("Agreement") and adoption and implementation of its terms and contents;
- 2 To authorize issuance of **13,281,105** new shares (the "New Shares") to Habib Bank Limited in satisfaction of the purchase consideration, **WITHOUT** first offering them to existing shareholders on the basis there are no pre-emption rights. If the Pre Completion Strike Price determined at Completion is more than or less than the Strike Price by 50%, then parties will have to renegotiate the Transaction;
- 3 To allot and issue the New Shares at the Strike Price of **137.39** per New Share with any variation as the Board may deem fit;
- 4 To approve that an Application be made to the Nairobi Securities Exchange ("NSE") for Admission of the New Shares into the Official List of the NSE;
- 5 To adopt the Shareholders Circular; and
- 6 To consider any other business for which due notice has been given.

By order of the Board

Mr Stephen Kodumbe
Company Secretary
26 April 2017

NOTES:

- 1 A member entitled to attend and vote at the meeting and who is unable to attend, is entitled to appoint a proxy to attend and vote on his or her behalf. A proxy need not be a member of the Company.

A Proxy Form may be obtained from the Company's website at www.dtbafrica.com, or registered office of the Company, at DTB Centre, Mombasa Road, P.O. Box 61711, City Square 00200, Nairobi, Kenya, or offices of the Company's Share Registrar, at DTB Centre, Mombasa Road, P.O. Box 61711, City Square 00200, Nairobi, Kenya.

To be valid, a form of Proxy, must be duly completed by the member and lodged with the Company Secretary at the Company's head office situated at DTB Centre, Mombasa Road, P.O. Box 61711, City Square 00200, Nairobi, Kenya, not later than 10.00 am 23rd May 2017, failing which it be invalid. In the case of a corporate body, the proxy must be under its common seal.

- 2 A copy of the Shareholders Circular may be viewed at the Company's website at www.dtbafrica.com or a printed copy may be obtained from the registered Office of the Company, at DTB Centre, Mombasa Road, P.O. Box 61711, City Square 00200, Nairobi, Kenya or offices of the Company's Share Registrar at DTB Centre, Mombasa Road, P.O. Box 61711, City Square 00200, Nairobi, Kenya.

**DIAMOND TRUST BANK KENYA LIMITED
ANNUAL GENERAL MEETING – 25th MAY 2017
PROXY FORM**

I/We _____

CDS A/C No _____ of P.O. BOX [*], _____

being a member(s) of **Diamond Trust Bank Kenya Limited (the "Company")**, hereby appoint

of (address) _____

_____ or, failing him, the duly appointed Chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Annual General Meeting of the Company to be held on **25th May 2017** at 10.30 a.m., in the **Crystal Ballroom, LAICO Regency Hotel**, Along Uhuru Highway, Nairobi, or at any adjournment thereof.

As witness to my/our hands this _____ day of _____ 2017

Signature(s) _____

Notes:

1 This proxy form is to be delivered to the Company Secretary at the Company's offices at DTB Centre, Mombasa Road, P.O. Box 61711, City Square 00200, Nairobi, Kenya between 9.00 a.m. and 5.00 p.m. Monday to Friday (except public holidays and bank holidays in Kenya) from the date hereof until 10.00 am **23rd May 2017**, failing which it will be invalid.

A proxy form must be in writing and in the case of an individual shall be signed by the shareholder or by his attorney,
2 and in the case of a corporation the proxy must be either under its common seal or signed by its attorney or by an officer of the corporation.

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ADMISSION CARD



☎ +254 20 284 9888 | +254 719 031 888 | +254 732 121 888

🌐 www.dtbafrica.com @contactcentr@dtbafrica.com

🐦 @DTBduo 📘 DTB duo