



PRESS RELEASE

IMPERIAL BANK LIMITED (IN RECEIVERSHIP)

1. On October 26, 2015, the Central Bank of Kenya (CBK) received a report on the state of financial affairs of Imperial Bank Ltd. (In Receivership) from the Kenya Deposit Insurance Corporation (KDIC). This follows KDIC's appointment by CBK as receiver for Imperial Bank Limited (IBL) on October 13, 2015, according to the provisions of the Banking Act and of the Kenya Deposit Insurance Act. The appointment of KDIC as a receiver for IBL was done in the interest of IBL's depositors, creditors, and members of the public.
2. CBK has reviewed the report, which confirms fraudulent activities of substantial magnitude, and the misrepresentation of IBL's financial statements. These activities relate largely to irregular granting of loans by IBL's management, contrary to the legal and regulatory requirements, and the internal policies of IBL. In particular, these irregular loans were a violation of the statutory limit of lending to a single borrower, and inadequate loan loss provisions, thereby overstating IBL's capital adequacy position.
3. The fraudulent activities have resulted in a significant shortfall in IBL's capital position. Nevertheless, CBK and KDIC consider IBL to be viable and have examined options that will lead to the prompt reopening of the bank. These options require the shareholders to inject new capital to meet the identified capital shortfall. The ultimate objective is to ensure that the reopened bank will remain viable.
4. CBK and KDIC met today with the bank's shareholders and presented a proposal that will enable reopening of the bank and a resumption of operations. The proposal will require the injection of new capital, conversion of some of the large deposits to equity, recovery and collateralization of the fraudulent loans, as well as a change of Board of directors and senior management. The proposal envisages full access to small deposits, and a structured schedule of repayment to large depositors. CBK expressed its expectation that an agreement with shareholders should be reached enabling the bank to reopen in a month's time.
5. Shareholders appreciated the proposal and expressed their strong commitment to reopen the bank quickly. Shareholders requested to consider the proposal over the next few days and to come back with an implementation plan for the way forward. In parallel, CBK and KDIC will on Wednesday, October 28, 2015, meet some representatives from a cross-section of IBL's depositors to brief them on these developments.

6. In the meantime, steps are being taken to facilitate the recovery of the funds that were obtained irregularly from IBL. A forensic audit and other investigations are also ongoing on the culpability of these fraudulent activities.
7. CBK and KDIC will continue to work closely with IBL's shareholders and all concerned parties to facilitate an expeditious resolution. CBK and KDIC will communicate further as the way forward is clarified.

CENTRAL BANK OF KENYA

October 27, 2015