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**DISPUTE:** Diamond Trust Bank group CEO Nasim Devji with the group chairman Abdul Samji during its AGM where it announced its strategy to reinforce growth strategy in Nairobi on May 14, 2015.

# Imperial owners unhappy with DTB

**BY DOMINIC WABALA**

TROUBLED Imperial Bank's shareholders have accused Diamond Trust Bank of colluding with Kenya Depositors Insurance Corporation to take over its assets and recruit its staff instead of reviving the bank.

DTB's chief executive Nasim Devji sits on the KDIC's board, which is charged with conducting due diligence and investigations into the fraudulent loan activities at Imperial Bank and leading the revival efforts.

Mid-tier DTB and Kenya Commercial Bank were on December 2 appointed by the CBK to process payments of up to Sh1 million for 88.6 per cent or 44,300 depositors of Imperial Bank upon verification of their accounts and identity.

In a miscellaneous civil application number 43 of 2016, Imperial Bank's lawyer Andrew Wandabwa says DTB has been calling employees for job interviews, with some of them at an advanced stage of being hired.

He alleges DTB has already employed Imperial Bank's entire Card Centre team. The Nairobi Securities Exchange-listed lender has also been trying to lure Imperial Bank's customers through telephone calls, the shareholders allege, adding that some of the customers have been asked to refer some of its employees that should be absorbed.

About 40 staff based in Nairobi branches and about 15 in Mombasa have been interviewed by DTB, the collapsed bank alleges, with many progressing to the final round and the mandatory pre-appointment medical check-up.

"The core of the bank's Credit Card team (five members) has been poached by the first interested party (DTB)," the shareholders claim. "On January 8, 2016, the first interested party's (DTB) MD Naseem Devji with two other senior colleagues visited the (Imperial) Bank's Mombasa branch office and held a meeting with the staff, in which she congratulated Mustaq Dar, the branch's general manager, for the dynamic team he ran and subsequently had lunch with senior members of staff of the branch where she commented that the bank's staff work with their hearts."

Imperial Bank further says the possibility of involvement of Central Bank's employees in the alleged fraud demonstrates conflict of interest on the regulator, and explains "skewed, biased, unfair, un-procedural, irregular and illegal manner" in which the receivership is being undertaken.

CBK Patrick Njoroge has maintained internal and external administrative action will be taken on the staff found culpable in the fraud upon completion of investigations by US forensic auditor FTI Consulting and the Banking Fraud Investigations Department of the Kenya police.

Imperial Bank, however, says since it was granted leave to begin judicial review and subsequent filing of a substantive motion on February 9, CBK, KDIC, DTB and KCB have been working to illegally exclude the bank from the process.

"Since the grant of leave and the filing of the substantive notice of motion herein, it has come to the applicant's knowledge the respondents (CBK, KDIC and DTB, KCB) are taking steps that are consistent with a rapid move towards an illegal exclusion and transfer process," the Imperial Bank's lawyer says in the suit.

The fallen bank says the "conflict of interest and prejudice" of CBK and KDIC on the one hand, and DTB and KCB, on the other, in its affairs is further amplified by the fact that W.E Tilley (Muthaiga) Limited, is one of the borrowers at DTB. A substantial portion of the cash irregularly withdrawn from Imperial Bank, the bank alleges, was deposited in accounts at DTB.

The shareholders argue the due diligence and investigations being carried out by CBK, helped DTB and KCB, could be biased in order to protect CBK's and DTB's interests.

They say unless the court intervenes, the beleaguered bank will be wound up prematurely, exposing shareholders, depositors, creditors, bondholders and employees to losses.

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## ALY KHAN'S STAR PORTFOLIO

## BARCLAYS' EXIT A VOTE OF NO CONFIDENCE IN ZUMA

I was at a reception given by the British High Commissioner last week, where the high-commissioner to Ethiopia Gregory Dory posed the question:

"What are the meta-trends?" And I thought lets try and bring it all together.

Let's start with the news announced Friday that Barclays PLC's chief executive Jes Staley has made the decision to exit Africa. This decision surely has not been taken lightly. Barclays has had operations in parts of Africa for almost a century.

Barclays Africa Group, which includes the South African branch network ABSA, is one of the largest banks on the continent, with a 991 billion rand (about $67.39 billion) balance sheet. It has 45,000 employees – a third of all Barclays staff – and 1,267 branches across 12 countries, including Kenya, Ghana, Tanzania, Mozambique, and Uganda.

Many reasons have been given including the fact that the sale of Barclays Africa will add as much as 0.8 percentage points to Barclays' core capital ratio, that the African unit's return on equity of 9.3% last year was below the bank's target rate of 11%, that Africa translates into Barclays carrying 100% of the "reputational risk" without 100% control. For example, in South Africa the UK bank has a minority of board seats.

The real reason in my view is the Zuma "Zupta" volatility. The Barclays Africa exit is a vote of no confidence in South Africa's President Jacob Zuma and by extension in South Africa's gateway position.

Two days before South Africa's Finance minister Pravin Gordhan presented his budget last Wednesday, Zuma described Van Rooyen as the most qualified finance minister his administration has had. Unless the president is stopped, Barclays PLC's move might well be the first in what becomes an Avalanche of Exits.

Over in Nigeria, we have an artificial naira foreign exchange rate. President Muhammadu Buhari is seemingly determined not to devalue the currency. Of course, the parallel market is a more accurate barometer and is trading at a significant discount to the official rate. For President Buhari to pull this rabbit out of the hat, crude oil needs to embark on a "V-shaped" recovery and head straight back to around $80.00 a barrel. It is not going to happen.

The stock market has retreated 15.41% so far this year and no-one is going to put any hard currency to work, when they could be facing a more than 35% [at the least] haircut down the track. The IMF still has a 3 handle for Nigeria GDP in 2016. That looks like a Hail-Mary call to me, given the current situation.

Here at home, we are now in the full year earnings season. You will recall that we have seen about 19 companies (35% of the Securities Exchange) issue profit warnings. This is at least a 10-year high.

The common thread running through these profit warnings has been FX impairments. East African Portland was the latest company [they have a yen-denominated loan and the yen is soaring and I expect it to go higher] last week to cite FX. What we are in fact watching at the Nairobi Securities Exchange is a bifurcation. Think of a continuum, from the left you have dishonesty [there are numerous examples], then incompetency, then competency and then super competency.

As an investor, you have to be investing on the right hand side of this continuum.

The Nairobi All Share has shed 3.07% year to date, but that is veiling the continuum. BAT, notwithstanding its challenges which have caught up a number of reputations, served up 16.95% full year profit after tax acceleration.

Safaricom remains a money-printing machine and, we know, it has tip-top leadership.

Kenya Commercial Bank is a similar story. EABL's results confirm they are no slouch. EABL re-positioned very effectively. KenGen on a trailing P/E which carries a 1 handle looks interesting and an anomaly.

**Shares go up and down and readers are advised that this column represents Mr Satchu's personal opinions.**