



**FIMBANK**

FIMBank p.l.c.

Mercury Tower  
The Exchange Financial & Business Centre  
Elia Zammit Street, St. Julian's  
STJ3155 - Malta

## **Circular to the Members**

*in terms of Chapter 6 of the Listing Rules*

Dear Member,

### **EXTRAORDINARY GENERAL MEETING OF 31 JANUARY 2013**

The documentation for the Extraordinary General Meeting (or the **"Meeting"**) of FIMBank plc (**"FIMBank"** or the **"Bank"**) to be held on 31 January 2013 contains a 'Notice to Members' detailing two Extraordinary Resolutions of a Special Business nature which Members will be asked to consider and approve. The Extraordinary Resolutions relate respectively to:

- (i) the Offer received from Burgan Bank S.A.K. (**"Burgan"**) and United Gulf Bank B.S.C. (**"UGB"**), with the corresponding authorities to be given to Directors to issue Equity Securities and to Restrict or Withdraw Statutory Pre-Emption Rights, and
- (ii) an amendment to the Bank's Memorandum of Association.

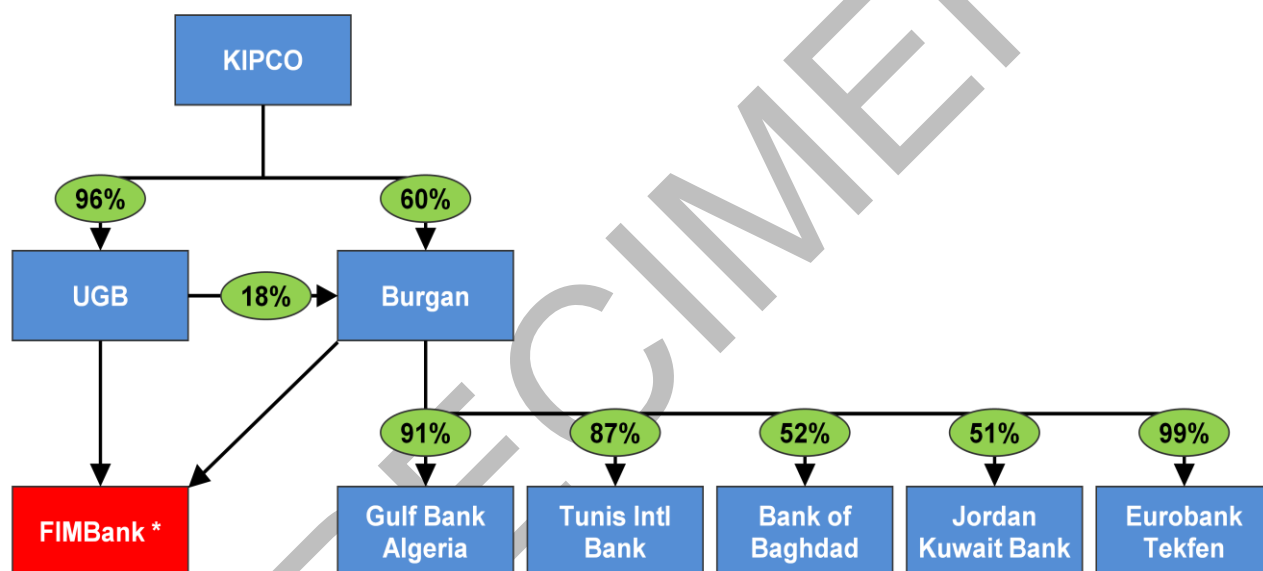
**THE PURPOSE OF THIS CIRCULAR TO THE MEMBERS (THE "CIRCULAR"), WHICH IS TO BE READ IN CONJUNCTION WITH THE 'NOTICE TO MEMBERS', IS TO HIGHLIGHT SALIENT POINTS IN TERMS OF THE LISTING RULES IN CONNECTION WITH THE EXTRAORDINARY RESOLUTIONS, EXPLAINING THEIR ESSENTIAL CHARACTERISTICS, BENEFITS AND RISKS. ALL MEMBERS ON THE REGISTER AT THE CENTRAL SECURITIES DEPOSITORY OF THE MALTA STOCK EXCHANGE ON 2 JANUARY 2013 (THE 'RECORD DATE') ARE ENTITLED TO RECEIVE NOTICE OF, PARTICIPATE AND VOTE AT THE MEETING. PLEASE READ THE 'NOTICE TO MEMBERS' AND THIS CIRCULAR CAREFULLY IN VIEW OF THE VOTING ACTION YOU ARE REQUIRED TO TAKE AT THE FORTHCOMING MEETING. IN THE EVENT THAT YOU HAVE TRANSFERRED YOUR EQUITY SECURITIES SINCE THE RECORD DATE OF 2 JANUARY 2013, YOU ARE STILL ENTITLED TO VOTE AT THE MEETING BUT ARE ASKED TO INFORM THE INTERMEDIARY (THROUGH WHOM THE SALE/TRANSFER TOOK PLACE) OF THIS CIRCULAR AND THE NOTICE FOR ONWARD INFORMATION TO THE PURCHASER/TRANSFeree.**

The documents required in terms of Listing Rule 6.2.12, namely the Memorandum and Articles of Association, the Annual Financial Report for the year ended 31 December 2011 and the Half-Yearly Financial Report for the period ended 30 June 2012, are available for inspection at the Registered Office of FIMBank as from the date of this Circular until the date of the Extraordinary General Meeting.

# 1. OFFER RECEIVED FROM BURGAN AND UGB, DIRECTORS' AUTHORITY TO ISSUE EQUITY SECURITIES AND DIRECTORS' AUTHORITY TO RESTRICT OR WITHDRAW STATUTORY PRE-EMPTION RIGHTS

The Company Announcement dated 22 November 2012 made reference to the joint offer (the "Offer") received from Burgan and UGB. Burgan is licensed by the Central Bank of Kuwait and is formed under the laws of Kuwait while UGB is licensed as a conventional wholesale bank by the Central Bank of Bahrain and is formed under the laws of Bahrain. Both Burgan and UGB form part of the Kuwait Projects Company ("KIPCO") Group, which has diverse and significant investments in the Middle East and North Africa regions. Further information about Burgan and UGB can be found on their respective websites: [www.burgan.com](http://www.burgan.com) and [www.ugbbh.com](http://www.ugbbh.com).

1.1 The following is a pictorial description of the position of Burgan and UGB within the KIPCO Group and the resulting inclusion of FIMBank within this Group structure:



\* the extent of UGB/Burgan stake in FIMBank may vary depending on the level of ownership that is progressively acquired – vide 'Table of Actions' below.

Sources: KIPCO\_Equity\_Investor\_Presentation.pdf (as at 09/2112);

SHAFAFIYAH\_Presentation\_15 Mar.pdf; <http://www.ugbbh.com/subsidiaries-associates.htm>

1.2 The Offer proposes a multi-step approach culminating in a rights issue to increase the Bank's capital and in Burgan and UGB potentially acquiring a controlling interest in the Bank. In particular, the Offer provides that:

- (i) Burgan will acquire 35,000,000 listed ordinary shares in FIMBank currently pledged by Massaleh Investments K.S.C.C. ("Massaleh") in favour of Burgan. On or about the date of the said acquisition, UGB shall acquire approximately an additional 17,950,000 listed ordinary shares in FIMBank from Massaleh pursuant to a share transfer between the parties. On completion of this step of the transaction, UGB and Burgan shall have a combined shareholding interest in FIMBank of approximately 37.04% (the "Share Transfers");

- (ii) UGB will grant a two-tranche Convertible Loan to the Bank;
- (iii) UGB and Burgan will potentially acquire a controlling interest in the Bank; and
- (iv) UGB and Burgan will participate in and support a rights issue to be made by FIMBank.

The table below presents the salient steps in the process as well as the potential changes in FIMBank's shareholding profile, subject that the precise timing/sequence of the actions can vary and would need to be interpreted with a measure of flexibility:

TABLE OF ACTIONS		% ownership consequence in FIMBank		
Steps	Action	Burgan	UGB	All other shareholders
<b>Step 1a</b> <sup>1</sup>	<ul style="list-style-type: none"> <li>UGB to extend a convertible loan (Tranche A) to FIMBank. Broad terms would be: Amount USD 30m; Tenor 12 months; Interest at arm's length terms; Collateralized loan (to be discussed); At any time from drawdown, option to convert, in full or in part, principal and/or accrued interest into new FIMBank shares at the price of USD 0.83/share</li> </ul>	unchanged	unchanged	unchanged
<b>Step 1b</b> <sup>1</sup>	<ul style="list-style-type: none"> <li>Debt-to-asset swap between Burgan and Massaleh for 24.49% stake in FIMBank</li> <li>UGB to purchase from Massaleh 12.56%</li> </ul>	Increased	Increased	Unchanged, except for Massaleh
<b>Step 2</b>	<ul style="list-style-type: none"> <li>UGB to convert the loan extended to FIMBank, thereby increasing its equity stake<sup>2</sup></li> </ul>	Potentially diluted	Potentially increased	Potentially diluted
<b>Step 3</b>	<ul style="list-style-type: none"> <li>UGB or Burgan decides to launch a bid in order to reach a combined controlling stake in FIMBank (minimum 50% + 1 share ownership)</li> </ul>	Potentially increased	Potentially increased	Potentially decreased
<b>Step 4</b>	<ul style="list-style-type: none"> <li>UGB to extend a second convertible loan (Tranche B) to FIMBank. Broad terms would be: Amount USD 30m; Tenor 12 months; Interest at arm's length terms; No collateral; At any time from drawdown, option to convert, in full or in part, principal and/or accrued interest into new FIMBank shares at the price of book value as per latest audited financial statements, capped at USD 0.90/share</li> </ul>	unchanged	unchanged	unchanged
<b>Step 5</b>	<ul style="list-style-type: none"> <li>UGB to convert the loan extended to FIMBank for equity</li> </ul>	Potentially diluted	Potentially increased	Potentially diluted
<b>Step 6</b> <sup>2</sup>	<ul style="list-style-type: none"> <li>FIMBank general meeting to approve raising further capital by offering rights issue to the shareholders (Burgan/UGB committed to buy and exercise their rights)</li> </ul>	unchanged	unchanged	unchanged

<sup>1</sup> Steps 1a and 1b to take place simultaneously

<sup>2</sup> Assumption: all shareholders exercise their rights (i.e. no further increase of Burgan/UGB's stake)

1.3 The Board of Directors of the Bank met on 21 November 2012 to consider this Offer. After having considered the terms of the Offer favourably, the Board of Directors resolved to recommend that certain issues relating to the Offer be presented to this Extraordinary General Meeting of the Members of the Bank for their consideration and approval, as set out in the accompanying 'Notice to Members' and outlined in the above table.

The following additional points are considered to be worth underlining:

- a. As part of this process, UGB will also seek to increase its combined shareholding with Burgan in FIMBank through a bid to all the shareholders for all of their shares, in conformity with applicable Maltese laws;
- b. FIMBank shall arrange to make a rights issue to all its shareholders, at a price and with the timing yet to be determined, for such number of new ordinary shares as will be necessary so as to raise a minimum of USD 100,000,000, whether by way of nominal value and/or premium (the "**Rights Issue**"). The Offer stipulates that each of UGB and Burgan will subscribe in full to all the new ordinary shares to which it is respectively entitled under the said Rights Issue;
- c. As part of the Offer, each of UGB and Burgan has undertaken to FIMBank not to require or implement any material changes to its current business model as a trade finance specialist;
- d. The transactions as contemplated by the Offer are subject, amongst other things, to each party obtaining all required regulatory approvals in Malta, Bahrain and Kuwait; and
- e. It is envisaged that all the steps contemplated by this Offer should take place within 12 months from the date when all regulatory approvals in the respective countries have been obtained.

1.4 In order to facilitate the implementation of all of the above steps, the Board of Directors is also proposing that the Extraordinary General Meeting authorises the Board of Directors:

- a. to do all that is necessary or desirable in connection with the Offer, including to negotiate and agree to amendments to the terms of the Offer and related documentation;
- b. to issue Equity Securities up to the maximum value of the Authorised Share Capital (as increased pursuant to the Extraordinary Resolution No. 2 set out in the 'Notice to Members'); and
- c. to restrict or withdraw the statutory pre-emption rights of the Company's Equity Securities holders for as long as the Board of Directors remains authorised to issue and allot Equity Securities.

1.5 In accordance with the requirements of the Listing Rules, Members are informed that:

- a. It is being proposed to grant the Directors of the Bank authority to allot relevant Equity Securities. This proposal is to be read in conjunction with Resolution number 2 in the 'Notice to Members' which has the aim of increasing the authorised share capital of the Bank from USD 200,000,000, divided into 400,000,000 Ordinary shares of USD 0.50 each, to USD 500,000,000 divided into 1,000,000,000 Ordinary shares of USD 0.50 each. The issued share capital of FIMBank as at the Record Date of 2 January 2013 was of 142,943,602 Ordinary shares of USD 0.50 each. In the event that Resolution number 2 is approved by the Extraordinary General Meeting this authority will allow the Directors to issue up to 857,056,398 Ordinary shares of USD 0.50 each, which would be equivalent to more than 500% the current issued share capital of the Bank.
- b. The authority to the Directors is limited to:
  - (i) issuing options in favour of UGB to convert, in full or in part, the principal sum of USD 60 million of the two-tranche Convertible Loan and interest thereon into new ordinary shares in FIMBank; and
  - (ii) issuing such number of new ordinary shares in the Company whether by way of nominal value and/or premium, by way of the proposed Rights Issue.

as specified in more detail in Resolution number 1 in the 'Notice to Members'.

1.6 Additional Points:

- a. All shares issued shall have a nominal value of USD 0.50 each, ranking *pari passu* in all respects with the other ordinary shares of the Bank, and shall be listed on the Official List of the Malta Stock Exchange.
- b. These authorisations shall be valid for a period of 2 years from the date of the adoption of this resolution and are without prejudice to the Board of Directors' Authority to issue Equity Securities and to restrict or withdraw statutory pre-emption rights in connection with the implementation of the Executive Share Options Scheme for the years 2011 - 2015.

## **2. AMENDMENT TO THE MEMORANDUM OF ASSOCIATION**

The Convertible Loan and the Rights Issue referred to under section 1 above will require the issuance of a substantial amount of shares by FIMBank and therefore it is necessary to increase the authorised share capital of the Bank.

Given that the current authorised share capital of the Bank is of USD 200,000,000, divided into 400,000,000 Ordinary shares of fifty USD 0.50 each, it is being proposed that the authorised share capital be increased by 150% to USD 500,000,000, divided into one billion (1,000,000,000) Ordinary shares of USD 0.50 each.

It is therefore being proposed that, subject to regulatory approvals, the first paragraph of Article 6 of the Memorandum of Association of FIMBank, i.e. the 'Share Capital clause', be deleted in its entirety and substituted by the following:

"The Authorised Share Capital of the Company is five hundred million US Dollars (US\$ 500,000,000) divided into one billion (1,000,000,000) Ordinary shares of fifty US cents (US\$ 0.50c) each."

## **RECOMMENDATIONS**

The Directors, whose names appear hereunder\*, accept responsibility for the information contained in this Circular and have taken all reasonable care to ensure that it is in accordance with the facts and does not omit anything likely to affect the import of such information.

Moreover, the Directors believe that this Circular, read in conjunction with the 'Notice to Members', adequately describes the essential characteristics, benefits and risks of the Resolutions presented to the Extraordinary General Meeting. In particular, the information presented on page 2 about Burgan and UGB and how their geographic and sectoral diversification make them key and important elements in the KIPCO Group's strategy should provide sufficient comfort that the replacement of Massaleh, a founding and largest shareholder in FIMBank since its inception, will provide a quantum leap in the quality and depth of FIMBank's shareholding. For the first time, it will also bring a strong measure of institutionalization in the Bank's shareholding, with two prominent banks in the Gulf region indicating their commitment to increase their equity support in the Bank.

Acceptance of the Offer and the progressive entry of Burgan and UGB in FIMBank's shareholding will also pave the way for them to potentially acquire between them a controlling interest in FIMBank. A change in controlling interest in FIMBank would be a major milestone for FIMBank and the effects of such a change may bring about significant alterations to the way the Bank currently manages its affairs, particularly if through this process FIMBank becomes part of another group of companies. It must be noted however that the Offer contains an undertaking by each of UGB and Burgan to FIMBank not to require or implement any material changes to its current business model as a trade finance specialist. In addition, the consequent dilution effects relating to this Offer have been outlined in this Circular, in particular as spelled out in the 'Table of Actions' on page 3.

Any possible bid to all shareholders for all of their shares to be made by UGB and/or Burgan would need to follow applicable securities laws, including the issuance of a suitable offer document by the applicable offeror for this purpose. The Directors also remind the Members that the transactions as contemplated by the Offer are subject to each party obtaining all required regulatory approvals in Malta, Bahrain and Kuwait.

In conclusion, the Board believes that the Offer has the long term potential of charting out new and promising horizons for the FIMBank Group, thereby creating increased value to all shareholders and, in the process, this should override any short term dilution considerations. Consequently, the Directors consider the terms of the Offer to be fair and reasonable and have accordingly recommended that the Members accept the Offer.

**The Directors therefore recommend that the Members approve the Resolutions presented as, in their opinion, they are in the best interests of the Members as a whole.**

**If you are in doubt as to what action to take in relation to these recommendations please consider seeking independent advice.**



**Dr. John C. Grech**  
Chairman

4 January 2013

*\* also for and on behalf of Margrith Lütshg-Emmenegger (Vice Chairman); Fouad M.T. Alghanim; Mohammed I.H. Marafie; Rogers D. LeBaron; John D. Freeman; Hamad M. B. M. Al-Sayer; Faisal Y. Al-Awadi; Tarik Kaoukji; John W. Kiefer; Mehdi R. Malaki and Islam Zughayer.*

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