



KCB GROUP PLC

(Incorporated in Kenya under the Companies Act, 2015)
(Registration Number C 9/88)



CIRCULAR TO SHAREHOLDERS

PROPOSED ACQUISITION BY KCB GROUP PLC OF
TRUST MERCHANT BANK SA



THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you require any assistance in respect of this Circular, you are advised to seek independent professional advice from your stockbroker, investment adviser, accountant, bank manager, lawyer, or other professional adviser.

This circular ("Circular") is being issued by KCB Group Plc ("KCB") and has been prepared in compliance with the requirements of The Capital Markets Act (Chapter 485A of the laws of Kenya), The Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and The Capital Markets (Licensing Requirements) (General) Regulations, 2002.

A copy of this document is available free of charge on the website of KCB at www.kcbgroup.com

The Capital Markets Authority ("CMA") has approved the issuance of this Circular. As a matter of policy, neither the CMA nor the Nairobi Securities Exchange ("NSE"), assume any responsibility for the correctness of any statements or opinions made or reports contained in this Circular.

Date of issue: 30 August 2022

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PART 1

DEFINITIONS

In this Circular, unless otherwise stated and as the context allows, the words in the first column have the meaning stated opposite them in the second column. Words in the singular include the plural and vice versa, words signifying one gender include the other gender, and references to a person include references to juristic persons and associations of persons:

| | |
|--|--|
| "Afrissur" | Afrissur SA, a public company limited by shares with registration number CD/KNG/RCCM/19-B-01070 incorporated on 14 June 2019 under the laws of the DRC and of 10 Boulevard du 30 juin, Gombe, Kinshasa (DRC). |
| "ARCA" | Autorité de Régulation et de Contrôle des Assurances having its address at 16, Pumbu Street, Gombe, Kinshasa, DRC, the insurance regulatory authority in DRC. |
| "Board" or "Directors" | The board of directors of KCB, comprising the persons listed in paragraph 3 of Part 5 of this Circular. |
| "BCC" | Banque Centrale du Congo, the Central Bank of the Democratic Republic of Congo having its registered address at 563 Boulevard Colonel Tshatshi, BP 2697, Kinshasa, DRC. |
| "CBK" | The Central Bank of Kenya, a statutory corporation established under the Central Bank of Kenya Act, Chapter 491 of the laws of Kenya. |
| "Circular" | This shareholders' circular dated 30 August 2022. |
| "CMA" | The Capital Markets Authority of Kenya established under the Capital Markets Act, Chapter 485A of the laws of Kenya. |
| "Director" | A director of KCB. |
| "DRC" | Democratic Republic of Congo. |
| "EGM" or "Extraordinary General Meeting" | The extraordinary general meeting of the shareholders of KCB to be held on 21 September 2022 via electronic communication. |
| "Group" | KCB and its subsidiaries listed in paragraph 4 of Part 5 of this Circular. |
| "KCB" | KCB Group PLC, a public limited liability company (incorporated in Kenya under registration number C 9/88), which is listed on the NSE and cross-listed on the Dar es Salaam Stock Exchange, the Rwanda Stock Exchange and the Uganda Securities Exchange. |
| "KES" | Kenya Shillings, the lawful currency of the Republic of Kenya. |
| "NSE" | Nairobi Securities Exchange. |
| "Transaction" | The proposed acquisition by KCB of TMB as described in this Circular. |
| "TMB" | Trust Merchant Bank SA, a public company limited by shares (Société Anonyme) (registered as CD/LSH/RCCM/14-B1624, in the Trade and Credit Register (Registre du Commerce et du Crédit Mobilier) of Lubumbashi), incorporated in the DRC with its registered address at 1223, Avenue Lumumba, Commune and City of Lubumbashi, Katanga Province. |
| "TMB Group" | TMB and Afrissur together. |
| "USD" | United States Dollars, the lawful currency of the United States of America. |

PART 2 LETTER FROM THE GROUP CHAIRMAN

30 August 2022

To all Shareholders of KCB Group PLC

Dear Shareholder,

On behalf of the Board of Directors of KCB, it gives me great pleasure to inform you on what we consider to be the next major milestone in your company's history.

The focus of KCB Group on scaling its regional subsidiaries continues to bear fruit and the contribution of its subsidiaries has grown significantly in recent times. In 2019, we acquired National Bank of Kenya Limited (NBK) at a time when it was loss making. I am pleased to report that the NBK business is now profitable and making good progress. In May 2022, we successfully launched our new bank – BPR Bank Rwanda PLC resulting from the amalgamation of Banque Populaire du Rwanda and KCB Bank Rwanda. This merger catapulted our business to become the second largest bank in Rwanda.

As we continue our journey to enhance our regional participation, accelerate our growth and maintain sustainable long-term regional success, your Board has carefully considered an acquisition opportunity in the region in line with our strategy. This has led us to the current proposal for the acquisition of TMB, one of the leading financial services companies in the DRC. Initially KCB will acquire 85% of the shares of TMB while the existing shareholders will continue to hold the balance for a period of not less than two years, after which KCB may acquire their shares. Retaining the existing shareholders in the business post-acquisition is advantageous to KCB in that it provides management and business continuity to TMB's business and support for KCB as it enters the DRC market.

The acquisition of TMB will be a new market entry for KCB giving us an opportunity to tap into the DRC market, the newest member of the East African Community. In addition, because TMB already has a licensed and operating insurance subsidiary called Afrissur SA this will provide a good platform for KCB to diversify its offerings in the DRC.

The acquisition of TMB provides KCB with the opportunity to scale up its balance sheet and revenue streams as well as increase its geographic region of operation through establishing a presence in a new market. KCB will be able to rapidly establish its presence within DRC by leveraging on TMB's 18-year operational history and vast branch network.

It is for these reasons that your Board, following careful consideration, has entered into a transaction to acquire TMB. The acquisition is subject to conditions typical to transactions of this nature including shareholder and regulatory approvals.

Recommendation

Your Board considers that the acquisition is in the best interest of KCB and all its stakeholders as well as the banking industry in the region.

Accordingly, we unanimously recommend to you, our dear shareholders, to vote in favour of the resolutions contained in the published EGM notice to give effect to the proposed acquisition of TMB.

If you are in any doubt as to what action to take, please seek independent professional advice from your investment adviser, stockbroker, or other professional adviser.

Yours faithfully,

Andrew Wambari Kairu
Group Chairman

PART 3

THE TRANSACTION

INFORMATION ON THE TRANSACTION

KCB is seeking to expand its business in the DRC by entering into an agreement that will see it acquire up to 100% of the issued share capital of TMB (the “Transaction”).

1. Sale of Shares Agreement

On 2 August 2022 KCB entered into a sale of shares agreement with the shareholders of TMB, *inter alia*, Robert Levy, the estate of the late Augustin Kabila Kisole, Oliver Meisenberg and Alexandre Mandeiro (together the “Sellers”), for the purchase of 85% of the issued share capital of TMB (the “Sale of Shares Agreement”).

The Sale of Shares Agreement sets out the terms and conditions of the Transaction, including the agreed pricing structure, appropriate warranties, indemnities, and undertakings made in favour of KCB by the Sellers. Completion of the Sale of Shares Agreement is subject to several conditions precedent, which include, *inter alia*, approvals for the Transaction by the BCC; the ARCA in DRC; CBK; the COMESA Competition Commission, and the shareholders of KCB.

At completion of the Sale of Shares Agreement, the Sellers and KCB shall enter into a shareholder’s agreement to govern their relationship as shareholders of TMB, and which includes key terms for the eventual purchase of the remaining 15% of the shares of TMB not acquired under the Sale of Shares Agreement from the Sellers (the “Shareholders Agreement”).

(i) Transaction structure

- (a) Under the Sale of Shares Agreement, the Sellers will sell to KCB 85% of the ordinary issued shares in TMB.
- (b) Under the Shareholders Agreement KCB has the right to require the Sellers to sell their remaining 15% of the ordinary issued shares of TMB at any time after the second anniversary of the completion of the Sale of Shares Agreement.

(ii) Consideration

- (a) KCB will pay a cash consideration in USD which shall be determined based on a price to book value ratio using a multiple of 1.49 times the adjusted net asset value of TMB Group as at completion of the Sale of Shares Agreement. The purchase of TMB will be funded from the internal resources of KCB.
- (b) The consideration payable for the 15% of the TMB shares to be acquired under the Shareholders Agreement shall be determined on the same basis set out above. The final value shall be agreed by KCB and the Sellers based on the net asset value of TMB Group at the point of transfer.

2. Shareholders Agreement

The Shareholders Agreement provides that whilst the Sellers remain as shareholders, they will be entitled to nominate one person to the board of directors of TMB. In addition, the Sellers are granted certain specific rights to give their consent in respect of a number of key decisions regarding TMB and its business, for so long as they continue to hold shares. The current chief executive of TMB will continue in office subject to the terms of a new executive employment contract to be entered into at completion of the Transaction. The agreement also provides other terms customary for an arrangement of this type, including pre-emptive rights on share transfers and restrictions on the ability of the Sellers to compete with TMB after they have sold their remaining shares.

3. Extracts from Independent Financial Adviser’s Report

KCB appointed Deloitte Consulting Limited as Independent Transaction Adviser to carry out an independent valuation of TMB on ‘as is’ basis, to undertake an assessment of the offer price for the Transaction and to further assess the value of potential synergies that KCB’s management anticipates could be realised after completion of the Transaction.

Below represents an extract from the report from Deloitte dated 29 July 2022. The full report is available for inspection by shareholders as noted in paragraph 8 of Part 5 of this circular:

Deloitte was appointed by KCB to perform an independent business valuation of TMB as at 31 December 2021. The purpose of the independent business valuation is to inform KCB on the indicative fair value of TMB as part of the Transaction and assess the fairness of KCB's offer to TMB's selling shareholders.

Based on our valuation analysis, we conclude on the value of TMB as described below:

| Methodology | Indicative Equity Value Range (USD m except for P/B multiples) | |
|--|---|---------------|
| | Low | High |
| Trading Multiple | 102.8 | 161.0 |
| Transaction Multiple | 122.4 | 180.0 |
| Break-up value | 125.1 | 155.3 |
| Discounted Cash Flow | 156.4 | 171.3 |
| Discounted Cash Flow (As is + Synergies) | 199.1 | 219.2 |
| Dividend Discount Model | 174.7 | 189.7 |
| Reference Range | 156.4 | 190.1 |
| Implied P/B multiple Range | 1.251x | 1.520x |
| KCB's Offer to TMB (P/B multiple) | 1.49x | |

Conclusion

As part of the Transaction, KCB will pay a cash consideration, which shall be determined based on P/B multiple of 1.49 times the adjusted net asset value (NAV) of TMB Group at completion. Based on our valuation analysis performed as at 31 December 2021, we are of the opinion that KCB's offer of a P/B multiple of 1.49x as per the sale of shares agreement dated 2 August 2022 is within our calculated P/B multiple range of 1.251x to 1.520x.

Russia-Ukraine war situation:

The Russia-Ukraine war is a constantly evolving situation with many uncertainties as to the effect the war will have on broader global and domestic economies (and hence the banking sector and TMB) in the medium-to-long term. Our independent valuation of TMB had factored in the updated DRC macroeconomic and banking sector outlook (based on Economist Intelligence Unit and Fitch). From our assessment, we noted that the growth forecasts for TMB remained largely unaffected and therefore no substantial impact on the valuation results. However, owing to the evolving war situation and the diverse views of various economists on its impact (some are of the view that the war's impact will be short term and that it has also exposed Europe's underbelly regarding its energy policy), our independent valuation may not fully capture the potential impact of these future uncertainties on TMB's future financial performance. We also envisage that TMB's management will continue running the bank prudently and consciously to mitigate any macroeconomic and operational risks including the effects of the Russia-Ukraine war and other future global events.

DRC integration into the EAC:

Our independent valuation had factored in the potential synergies that TMB could derive from the integration of DRC into the EAC, such as:

- *Expanded loan book due to access to a broader customer base and leveraging on KCB's regional best lending practices; and*
- *Diversification of investment portfolio through reallocation of funds to regional investment securities that earn better yields.*

Post integration, DRC is envisaged to benefit from enhanced trading (mainly through leveraging on the EAC Common Market and Customs frameworks to overcome trading restrictions, lower tariffs on goods and faster shipment of commodities), access to a wider customer base for its natural resources/raw materials, accelerated private sector growth, access to modern technology and regional innovation and increased local market competitiveness, among other key economic dividends.

Local and regional banks are envisaged to be at the forefront of providing requisite finance to cement the regional integration and expansion of the EAC economy, thereby generating long-term synergistic value to shareholders.

BENEFITS OF THE ACQUISITION

The Board considers that the acquisition of TMB will contribute positively to KCB's growth and diversification objectives. The Board believes that the Transaction is in the best long-term interests of KCB and all its stakeholders.

The Board anticipates, among others, the following key benefits from the Transaction:

(a) Regional expansion

The Transaction will positively contribute towards KCB's increased scale of operations by establishing its presence in new markets and providing income diversification from a geographical perspective.

Further, the Transaction will enable KCB to accelerate its market presence in the DRC in the near term by leveraging on TMB's 18-year operational history, vast branch network, valuable local customer relationships and deep knowledge of local business dynamics. In addition to the core banking business of TMB, the existence of an insurance subsidiary Afrissur SA will provide opportunity for KCB to diversify its offerings in DRC in the insurance sector. Therefore, the Transaction will provide KCB a strategic foundation to expand its presence beyond Eastern Africa.

(b) Shareholder and stakeholder value

The Transaction will leverage current strengths of both KCB and TMB and generate tangible value to the existing and new customers, shareholders, and key stakeholders. Some of the envisaged value increments include:

- i. Strong capital and liquidity position that provides an operational resilience.
- ii. Access to innovative, competitive, and diversified product and service offerings.
- iii. Digital acceleration i.e., effective deployment of modern technology to provide a universal access to products and services.
- iv. Improved long-term sustainable returns to shareholders' funds.
- v. Accelerated economic growth in the DRC through increased financial inclusivity.
- vi. Enhanced KCB brand.

(c) Synergies

The acquisition of TMB and subsequent amalgamation into KCB Group will enable realisation of the following potential synergies:

- i. Balance sheet optimisation through reallocation of assets to higher earning asset categories.
- ii. Incremental lending through enhancement of products and services and targeting high potential customers.
- iii. Lower Group cost of funding through ready access to hard currency, given DRC's dollarised economy.
- iv. Growth in non-interest income from innovative and competitive financial services to customers.
- v. Cost rationalisation and operational efficiencies.
- vi. Streamlining of systems and operations to deliver tangible value to the key stakeholders.

(d) Financial inclusivity

KCB envisages that, in addition to creating long term value for its shareholders, the investment will help to enhance financial inclusivity in DRC through availability of affordable, competitive, innovative, and diversified banking products and efficient service offerings to consumers. Enhanced financial inclusivity is expected to generate several short-term and long-term positive multiplier effects to the economy, including:

- i. Access to financial services by the unbanked and underserved population (including households and small-scale businesses).
- ii. Enhanced access to credit, which will enable financing of business activities and thereby leading to growth in household income.
- iii. Increased money circulation in the economy.
- iv. Job creation opportunities.
- v. Wealth creation through access to savings, borrowing, insurance and investing opportunities.
- vi. Improved financial sector stability and growth of financial markets.

(e) Enhanced value to customers

Through KCB's expertise and experience, the acquisition presents a good opportunity for KCB to provide to the existing customers of TMB and new customers to be acquired as a result of the Transaction, quality banking products that is expected to grow and enhance KCB's brand in the DRC market and beyond.

(f) Sustainability and effective competition

The Transaction is expected to position KCB strongly with the resultant effect being enhancing its ability to compete with other financial service providers strongly and effectively in DRC and beyond. This will have long term benefits for all stakeholders including shareholders, customers and employees and enable KCB to realise its long-term vision and mission.

EFFECT OF THE INVESTMENT ON EXISTING KCB SHAREHOLDERS

The Transaction will not result in any change in the shareholding of KCB. Accordingly, shareholders of KCB will continue to hold the same number and type of shares they owned prior to completion of the Transaction subject to any sale or purchase instructions made by them on the securities exchange in the ordinary manner. The rights of shareholders will be as provided in the articles of association of KCB and in law.

At completion TMB will become a subsidiary of KCB with its financial statements consolidated with that of the Group. In the long term, the Board anticipates incremental earnings on the shares held by shareholders in KCB once the investment in DRC is completed and KCB manages to efficiently streamline and integrate its operations with TMB.

PART 4 THE ORGANIZATIONS

ABOUT THE ORGANIZATIONS

1. KCB GROUP PLC

KCB Group Plc is a registered non-operating holding company listed on the Nairobi Securities Exchange (NSE), Dar es Salaam Stock Exchange (DSE), Uganda Securities Exchange (USE), and Rwanda Stock Exchange (RSE). Headquartered in Nairobi, it operates in Kenya, Tanzania, South Sudan, Uganda, Rwanda, Burundi, and Ethiopia (representative office). It also owns National Bank of Kenya (NBK), acquired in 2019, KCB Bancassurance Intermediary, KCB Capital, KCB Foundation, and other associate companies.

KCB has the largest branch network in the region with 495 branches, 1,172 ATMs, 27,102 point of sale (PoS)/merchants and agents offering banking services on a 24/7 basis. This is complemented by mobile banking and internet banking services with a 24-hour contact centre for 30.1 million customers. KCB also has a wide network of correspondent relationships of over 200 banks across the world, thereby assuring customers of a seamless facilitation of their international trade requirements.

KCB provides a broad range of financial products and services in retail banking, corporate banking, investment banking and insurance whilst also offering mortgages and Shariah-compliant products. KCB has over the years continually invested in deepening its sustainability agenda that is anchored on building a responsible business for the future with special focus on environmental, social, financial, and economic pillars.

Share Capital

The authorised share capital of KCB is KES 4,500,000,000.00 divided into 4,500,000,000 ordinary shares of KES 1.00 each. The issued share capital is KES 3,213,462,815.00 divided into 3,213,462,815 ordinary shares of KES 1.00 each.

Shareholders

A public listed company, KCB is widely held with the top shareholder holding only 19.76% of the shares. The top ten largest shareholders of the Company as at 30 June 2022 were as follows:

| Name | Number of Shares | Percentage Shareholding |
|---|----------------------|-------------------------|
| Permanent Secretary to the Treasury of Kenya | 635,001,947 | 19.76 |
| National Social Security Fund | 272,552,009 | 8.48 |
| Stanbic Nominees Ltd A/C Nr3530153-1 | 129,297,900 | 4.02 |
| Standard Chartered Kenya Nominees A/C KE004667 | 63,984,400 | 1.99 |
| Kenya Commercial Bank Nominees LTD A/C 927B | 51,289,541 | 1.60 |
| Babla, Sandip Kana Sinh; Babla, Alka Sandip | 29,514,900 | 0.92 |
| Standard Chartered Nominees A/C 9688 | 29,013,023 | 0.90 |
| Babla Sandip Kanaksinh: Karsandas | 28,193,900 | 0.88 |
| Standard Chartered Kenya Nominees Ltd A/C Ke10085 | 27,574,726 | 0.86 |
| Standard Chartered Nominees NON- RED. A/C 9827 | 26,432,015 | 0.82 |
| Others | 1,920,608,454 | 59.77 |
| GRAND TOTAL | 3,213,462,815 | 100.00 |

2021 Performance

In 2021, total income grew 15% to KES 109.3 billion driven by 42% increase in interest from government securities and 21% growth in foreign exchange trading income. Provisions for the period reduced by 49% to close at KES 13.9 billion due to lower corporate and digital lending impairment charge after the deliberate action on covid related provisions absorbed in the previous year.

The Group's stringent cost management particularly during the year resulted in the decrease in the cost to income ratio to 44.0%. The cumulative performance of 2021 therefore resulted in the Group after tax profit increasing by 74% year on year to KES 34.2 billion.

The Group maintained strong performance on the balance sheet, with double digit growth on the key balance sheet parameters of customer deposits, loans & advances, government securities and total assets.

A summary of the three-year position is presented below:

| KCB Group PLC | | | |
|---------------------------------------|----------------|----------------|------------------|
| Summarized P&L | | | |
| KES 'M | 2019 | 2020 | 2021 |
| Total Income | 84,301 | 95,065 | 109,323 |
| Total expenses | (38,515) | (41,837) | (47,550) |
| Loan loss provision | (8,889) | (27,509) | (13,998) |
| PBT | 36,897 | 25,719 | 47,775 |
| PAT | 25,165 | 19,604 | 34,173 |
| Summarized Balance Sheet | | | |
| KES 'M | 2019 | 2020 | 2021 |
| Loans and Advances | 535,371 | 595,255 | 675,481 |
| Investment securities | 169,242 | 210,784 | 276,292 |
| Other assets | 193,959 | 181,771 | 187,899 |
| Total Assets | 898,572 | 987,810 | 1,139,672 |
| Customer deposits | 686,583 | 787,224 | 884,958 |
| Other liabilities | 82,248 | 58,163 | 83,001 |
| Equity | 129,741 | 142,423 | 171,713 |
| Total Equity & Liabilities | 898,572 | 987,810 | 1,139,672 |

2. TMB

TMB is a commercial bank in the DRC with its headquarters in Lubumbashi. TMB began operations in 2004 and is regulated by the BCC.

As at 30 September 2021, TMB had 109 branches spread across DRC and a representative office in Belgium to receive clients and partners in Belgium. Under Belgian law, representative offices are not permitted to undertake any business transactions.

In 2019, Afrissur SA, an insurance company was established and was granted approval to operate by the ARCA in 2020. TMB owns 99% of Afrissur SA.

Products and Services

TMB is primarily a commercial bank focusing on meeting the needs of retail and small and medium sized (SME) clients in DRC. The bank offers current and instant access accounts; savings and term deposits; money transfer services, loans and financing, credit and debit cards, cards business and Point of Sale (POS) machines and leasing operations to its clients. Individual customers accounted for 62.5% of TMB's deposits as at 30 September 2021.

TMB also recognises the importance of digitisation and diversification to grow its retail and SME banking business. It offers the following additional services to its clients:

- **Insurance:** In partnership with Afrissur, TMB offers insurance products including loan protection insurance, authorised overdraft insurance and life insurance.
- **TMB Netbank:** This is a fully-fledged, top-of-the-class online banking service. TMB Netbank gives a customer control over their account and can perform various applications including checking the account balance; making money transfers online, downloading account statements; viewing all account transactions etc. The service gives TMB an edge over other commercial banks in DRC, which typically run-on legacy systems.
- **Payroll Services:** Companies can outsource their payroll services to TMB.

The market share of TMB in DRC, based on total assets, was about 11% as of June 2021.

Shareholding

The current shareholding structure of TMB is as shown on the table below. As outlined in Part 3 of this Circular, KCB intends to acquire up to 100% of the issued share capital of TMB. Prior to the exercise of the right to acquire the remaining 15% of the ordinary issued shares of TMB at any time after the second anniversary of the completion of the Sale of Shares Agreement, the shareholding structure shall be as set out in the table below.

| Shareholder | Current Shareholding | | Post Completion | |
|--|----------------------|--------------------|------------------|--------------------|
| | Number of shares | % of issued shares | Number of shares | % of issued shares |
| KCB Group Plc. | N/A | N/A | 131,750 | 85.0% |
| Robert Levy | 137,050 | 88.4% | 20,150 | 13.0% |
| <i>Succession:</i> Augustin Kabila Kisoile | 8,500 | 5.5% | 1,550 | 1.0% |
| Oliver Meisenberg | 7,750 | 5.0% | 1,550 | 1.0% |
| Alexandre Maindeiro | 1,700 | 1.1% | 0 | - |
| Total issued share capital | 155,000 | 100.0% | 155,000 | 100.0% |

Historical Financial Information

TMB prepares audited financial statements under Generally Accepted Accounting Principles ("GAAP"). In addition, it also prepares the International Financial Reporting Standards ("IFRS") equivalent of the financial statements.

Below are TMB's financial results as at 31 December 2018 (FY18) to 31 December 2021 (FY21):

| TMB Statement of Comprehensive Income | CDF Millions | | | | KES Millions |
|---------------------------------------|----------------|----------------|----------------|----------------|--------------|
| | FY18 | FY19 | FY20 | FY21 | FY21 |
| Interest and similar income | 46,136 | 51,831 | 75,879 | 99,896 | 5,650 |
| Interest and similar expenses | (16,820) | (22,074) | (37,090) | (45,655) | (2,582) |
| Net interest income | 29,316 | 29,757 | 38,789 | 54,241 | 3,068 |
| Net fees and commission income | 85,215 | 90,072 | 90,360 | 106,613 | 6,030 |
| Net trading income | 227 | 56 | (1,085) | (3,597) | (203) |
| Other operating income | (875) | 0 | 4,274 | 4,183 | 237 |
| Net banking income | 113,882 | 119,886 | 132,338 | 161,440 | 9,131 |
| Non-banking income | 3,985 | 3,236 | 1,342 | 2,269 | 128 |
| General operating expenditure | (46,505) | (49,642) | (65,106) | (87,110) | (4,927) |
| Personnel costs | (18,649) | (21,332) | (26,893) | (38,685) | (2,188) |
| Taxes and duties | (3,934) | (6,298) | (5,378) | (6,145) | (348) |
| Depreciation and amortisation | (6,451) | (8,116) | (9,039) | (8,954) | (506) |
| Gross operating income | 42,328 | 37,733 | 27,265 | 22,815 | 1,290 |
| Cost of risk | (19,094) | (19,852) | (10,648) | (10,362) | (586) |
| Net operating income | 23,234 | 17,882 | 16,616 | 12,453 | 704 |
| Capital gain on disposal of assets | 408 | 1,606 | 582 | 3,834 | 217 |
| Profit before tax | 23,642 | 19,487 | 17,198 | 16,288 | 921 |
| Income tax | (4,850) | (5,514) | (3,787) | (3,271) | (185) |
| Net profit for the year | 18,793 | 13,973 | 13,412 | 13,017 | 736 |

Source: 2018 - 2021 IFRS Audited Financial Statements

| TMB Statement of Financial Position | CDF Millions | | | | KES Millions |
|--|------------------|------------------|------------------|------------------|----------------|
| | 31-Dec-18 | 31-Dec-19 | 31-Dec-20 | 31-Dec-21 | 31-Dec-21 |
| Cash in hand and at bank | 869,311 | 951,255 | 1,489,605 | 1,845,508 | 104,384 |
| Financial assets at fair value | 49,655 | 83,231 | 16,335 | 306 | 17 |
| Loans due from customers | 420,953 | 526,132 | 613,719 | 814,302 | 46,058 |
| Current tax assets | 3,408 | 3,258 | 3,911 | 3,179 | 180 |
| Deferred tax assets | 775 | 1,546 | 799 | 1,433 | 81 |
| Accruals and other assets | 24,063 | 50,310 | 31,633 | 63,146 | 3,572 |
| Deferred expenses | 39,660 | 60,838 | 69,436 | 72,535 | 4,103 |
| Investment property | 15,027 | 35,959 | 40,430 | 40,447 | 2,288 |
| Property and equipment | 60,206 | 59,983 | 94,499 | 99,567 | 5,632 |
| Intangible assets | 2,167 | 1,812 | 1,490 | 2,303 | 130 |
| Total assets | 1,485,225 | 1,774,325 | 2,361,856 | 2,942,726 | 166,444 |
| Debts with credit institutions | 63,242 | 17,512 | 18,125 | 10,456 | 591 |
| Financial liabilities at fair value | 40,823 | 41,294 | - | - | - |
| Customer deposits | 1,176,624 | 1,459,561 | 2,044,369 | 2,617,776 | 148,064 |
| Current tax liabilities | 4,190 | 9,160 | 9,866 | 9,136 | 517 |
| Deferred tax liabilities | 3,211 | 2,507 | 1,807 | 4,426 | 250 |
| Other liabilities | 22,251 | 19,907 | 16,092 | 24,576 | 1,390 |
| Accruals and deferred income | 2,173 | 8,139 | 9,961 | 5,002 | 283 |
| Long term loans and debts | - | 22,853 | 22,753 | 14,503 | 820 |
| Provisions for risk | - | 3,549 | 5,551 | 6,731 | 381 |
| Total liabilities | 1,312,514 | 1,584,482 | 2,128,524 | 2,692,607 | 152,297 |
| Net assets | 172,711 | 189,843 | 233,333 | 250,119 | 14,147 |
| Represented by | | | | | |
| Share capital and related premiums | 19,383 | 22,038 | 26,181 | 27,765 | 1,570 |
| Undistributed reserves and retained earnings | 71,392 | 90,321 | 121,278 | 135,253 | 7,650 |
| Other comprehensive income | 63,144 | 63,512 | 72,462 | 73,918 | 4,181 |
| Profit for the year | 18,793 | 13,973 | 13,412 | 13,182 | 746 |
| Total equity | 172,711 | 189,843 | 233,333 | 250,119 | 14,147 |

Source: 2018 - 2021 IFRS Audited Financial Statements

| Exchange rates as at 31 December | 2018 | 2019 | 2020 | 2021 |
|----------------------------------|----------|----------|----------|----------|
| CDF/USD | 1,635.62 | 1,672.95 | 1,971.80 | 1,999.97 |
| KES/USD | 101.85 | 101.34 | 109.17 | 113.14 |
| CDF/KES | 16.06 | 16.51 | 18.06 | 17.68 |

Source: Management Accounts, CBK, BCC

PART 5 STATUTORY AND GENERAL INFORMATION

1. RESPONSIBILITY STATEMENT

- 1.1 The Directors, whose names appear in paragraph 2 of Part 5 of this Circular, accept responsibility for the information contained herein. To the best of the knowledge and belief of the Directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.
- 1.2 The Directors are the persons responsible for the application made to the CMA for the approval of the issue of this Circular.

2. DIRECTORS

| Name* | Address | Position |
|--------------------------|------------------------------|-------------------------|
| Andrew Wambari Kairu | P.O. Box 48400-00100 Nairobi | Non-executive, Chairman |
| C. S., National Treasury | P.O. Box 48400-00100 Nairobi | Non-executive |
| Lawrence Njiru | P.O. Box 48400-00100 Nairobi | Non-executive |
| Anne Eriksson | P.O. Box 48400-00100 Nairobi | Non-executive |
| Ahmed Mohamed | P.O. Box 48400-00100 Nairobi | Non-executive |
| Dr. Obuya Bagaka | P.O. Box 48400-00100 Nairobi | Non-executive |
| Alice Kirenge | P.O. Box 48400-00100 Nairobi | Non-executive |
| Paul Russo | P.O. Box 48400-00100 Nairobi | Executive, Group CEO |
| Lawrence Kimathi | P.O. Box 48400-00100 Nairobi | Executive, Group CFO |

* Note: **All Directors are Kenyan**

3. DIRECTORS' INTERESTS

- 3.1 The following Directors had direct or indirect beneficial equity interests in the ordinary shares of KCB at 30 June 2022:

| Name* | Number of Shares | Percentage Shareholding |
|--------------------------|------------------|-------------------------|
| Andrew Wambari Kairu | 30,700 | 0.00% |
| C. S., National Treasury | 635,001,947 | 19.76% |
| Lawrence Njiru | Nil | 0.00% |
| Anne Eriksson | Nil | 0.00% |
| Ahmed Mohamed | Nil | 0.00% |
| Dr. Obuya Bagaka | Nil | 0.00% |
| Alice Kirenge | Nil | 0.00% |
| Paul Russo | Nil | 0.00% |
| Lawrence Kimathi | 103,800 | 0.00% |

- 3.2 As at the date of this Circular, there was no existing or proposed contract between any of the Directors and the Company, other than employment contracts for those Directors who are employed in the ordinary course of business.
- 3.3 No options to purchase any securities of the Company have been granted to or exercised by any Directors of the Company.
- 3.4 None of the Directors have or have had any beneficial interest in any property acquired by the Company 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 the Company (nor a related company) has any direct or indirect interest in the shares or business of TMB.

4. SUBSIDIARIES AND ASSOCIATES

The following are the subsidiaries and associated companies of KCB:

| Incorporated in Kenya: | | |
|--|---------------------------------|---------------------------------|
| Name | Country of Incorporation | Beneficial Ownership (%) |
| KCB Bank Kenya Limited | Kenya | 100 |
| National Bank of Kenya Limited | Kenya | 100 |
| Kenya Commercial Finance Co. Limited | Kenya | 100 |
| KCB Capital Limited | Kenya | 100 |
| Savings & Loan Kenya Limited | Kenya | 100 |
| KCB Foundation | Kenya | 100 |
| Kenya Commercial Bank Nominees Limited | Kenya | 100 |
| Kencom House Limited | Kenya | 100 |
| KCB Bancassurance Intermediary Limited | Kenya | 100 |
| Incorporated outside Kenya: | | |
| Name | Country of Incorporation | Beneficial Ownership (%) |
| KCB Bank Tanzania Limited | Tanzania | 100 |
| KCB Bank South Sudan Limited | South Sudan | 100 |
| KCB Bank Burundi Limited | Burundi | 100 |
| KCB Bank Uganda Limited | Uganda | 100 |
| BPR Bank Rwanda Plc | Rwanda | 87.56 |
| Associate: | | |
| Name | Country of Incorporation | Beneficial Ownership (%) |
| United Finance Limited | Kenya | 45 |

5. GENERAL INFORMATION

5.1 The Board hereby declares that the annual financial statements of the Company for the year ended 31 December 2021 have been audited and received an unqualified opinion.

5.2 Registered Office: Kencom House
Moi Avenue
P. O. Box 48400 – 00100
Nairobi

5.3 Financial Year: Year end 31 December

Auditors PricewaterhouseCoopers LLP
PWC Tower,
Waiyaki Way/Chiromo Road, Westlands
P. O. Box 43963 – 00100,
Nairobi, Kenya

Shares Registrar Image Registrars Limited,
5th Floor, Absa Plaza,
Loita Street,
P. O. Box 9287 – 00100,
Nairobi, Kenya

6. CONSENTS

Deloitte Consulting Limited (Transaction Adviser and Independent Valuer), Ernst and Young LLP (Financial and Tax Advisers) and Bowmans – Coulson Harney LLP, Advocates (Legal Adviser) have given and not withdrawn their consent to the issue of this Circular with the inclusion herein of their names and the references thereto, in the form and context in which they appear.

7. GOVERNING LAW

This circular is governed by and construed in accordance with Kenyan law.

8. DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection by shareholders, free of charge, at the Company's offices at Kencom House, Moi Avenue, P. O. Box 48400, GPO 00100, Nairobi, Kenya between 9.00 a.m. and 5.00 p.m. Monday to Friday (except public holidays) from the date hereof until 19 September 2022:

- (a) The Company's audited financial statements for the five financial years up to 31 December 2021.
- (b) The Company's Memorandum and Articles of Association.
- (c) The approval of the CMA relating to the issue of this Circular.
- (d) The Sale of Shares Agreement dated 2 August 2022 with, inter alia, Robert Levy, the estate of the late Augustin Kabila Kisole, Oliver Meisenberg and Alexandre Maindeiro, for the purchase of up to 100% of the issued share capital of TMB, incorporating the terms of the Shareholders Agreement to be entered into at Completion.
- (e) Independent valuation report from Deloitte Consulting Limited dated 29 July 2022.

PART 6 APPENDIX

KCB GROUP PLC.

(Incorporated in Kenya under the Companies Act, 2015, Laws of Kenya)
(Registration Number C 9/88)

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notice is hereby given that the Extraordinary General Meeting of the shareholders of KCB Group PLC ("Company") will be held via electronic communication, on Wednesday, 21 September 2022 at 10.00 a.m. when the business set out below will be transacted:

AGENDA

1. Constitution of the Meeting

To read the notice convening the meeting and determine if a quorum is present.

2. Special Business

To consider and, if thought fit, pass the following resolutions BY WAY OF ORDINARY RESOLUTIONS:

Proposed Acquisition of Trust Merchant Bank SA

- i. THAT, subject to and conditional upon the receipt of requisite regulatory approvals and fulfilment or waiver (if legally capable of being waived) of other applicable conditions as agreed in writing between the Company and the relevant counterparties in the share purchase agreement entered into by the Company in this regard ("Agreement"), the acquisition by the Company of Trust Merchant Bank SA ("TMB"), in accordance with, and on the terms set out in the Agreement and as a result of which, upon completion TMB would become a subsidiary of the Company, be and is hereby approved.

A shareholders' circular providing details relating to the transaction is available to shareholders on the Company's website.

- ii. THAT, the Board of Directors of the Company be and is hereby authorised to do all such things and take all such steps as are necessary to give effect to the above resolution.

3. Any Other Business

To transact any other business of the Company which may be transacted at an Extraordinary General Meeting for which due notice has been received.

By Order Of The Board

Bonnie Okumu
Company Secretary
30 August 2022

Notes:

1. KCB Group Plc has convened and will conduct its Extraordinary General Meeting via virtual/electronic means in line with The Companies Act, 2015.
2. Shareholders wishing to participate in the meeting should register for the EGM by doing the following:

Shareholders with email addresses will receive a registration link via email through which they can use to register.

- a. dialling *483*905# for all Kenyan telephone networks and following the various registration prompts; or
- b. sending an email request to be registered to kcbshares@image.co.ke

To complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their CDSC Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 709 170 037/ 709 170 034 from 9:00 a.m. to 5:00 p.m. from Monday to Friday. Any shareholder outside Kenya should dial the helpline number to be assisted to register.

3. Registration for the EGM opens on Tuesday, 30 August 2022 at 9.00 a.m. and will close on Tuesday, 20 September 2022 at 11.00 a.m. Shareholders will not be able to register after Tuesday 20 September 2022 at 11.00 a.m.
4. In accordance with Section 283 (3) of the Companies Act, the following documents may be viewed on the Company's website www.kcbgroup.com
 - a. copy of this Notice and the proxy form.
 - b. the shareholders' circular in relation to the acquisition of Trust Merchant Bank SA.

The documents may also be accessed upon request by dialling the USSD code above and selecting the reports option. The reports and agenda can also be accessed on the livestream link.

5. Shareholders wishing to raise any questions or clarifications regarding the EGM may do so by:
 - a. sending their written questions by email to kcbshares@image.co.ke; or
 - b. shareholders who will have registered to participate in the meeting shall be able to ask questions via sms by dialing the USSD code above and selecting the option (Ask Question) on the prompts; or
 - c. to the extent possible, physically delivering their written questions with a return physical, postal or email address to the registered office of the Company at Kencom House, P. O. Box 48400 – 00100, Nairobi, or to Image Registrars offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street.

Shareholders must provide their full details (full names, National ID/Passport Number/CDSC Account Number) when submitting their questions and clarifications.

All questions and clarification must reach the Company on or before Monday, 19 September 2022 at 11.00 a.m.

Following receipt of the questions and clarifications, the Directors of the Company shall provide written responses to the questions received to the return physical, postal or email address provided by the Shareholder no later than 12 hours before the start of the EGM. A full list of all questions received and the answers thereto will be published on the Company's website not later than 12 hours before the start of the EGM.

6. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the EGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company. The proxy form is available on the Company's website via this link: www.kcbgroup.com. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street P. O. Box 9287 – 00100. Shareholders who do not propose to be at the Extraordinary General Meeting are requested to complete and return the proxy form to Image Registrars Limited, or alternatively to the Registered Office of the Company to arrive not later than 10.00 a.m. on Monday, 19 September 2022.

Duly signed proxy forms may also be emailed to kcbshares@image.co.ke in PDF format. A proxy form must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under the Company's common seal or under the hand of an officer or duly authorized attorney of such body corporate.

7. The EGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the EGM. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the EGM acting as a reminder of the EGM. A second SMS/USSD prompt shall be sent one hour before the EGM, reminding duly registered shareholders and proxies that the EGM will begin in an hour's time and providing a link to the live stream.
8. Duly registered shareholders and proxies may follow the proceedings of the EGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted) via the USSD prompts.
9. Duly registered shareholders and proxies may follow the proceedings of the EGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted) via the USSD prompts.

Shareholders are encouraged to continuously monitor the Company's website www.kcbgroup.com for updates relating to the EGM.

PROXY FORM

GROUP COMPANY SECRETARY,
KCB GROUP PLC.,
KENCOM HOUSE, MOI AVENUE,
P. O. BOX 48400 – 00100,
NAIROBI, KENYA

I/WE

of

Being a shareholder of KCB Group PLC hereby appoint

(see notes 2 and 3) (Name of proxy) of P. O. BOX and whose mobile phone number for purposes of registration and voting is

OR FAILING WHOM, the Chairman of the Meeting in respect of my (Number of shares). Please indicate here if you are appointing more than one

proxy (including the mobile phone number of such proxy) (see note 3) as my/our proxy to

attend, represent and vote for me/us on my/our behalf at the Extraordinary General Meeting of the Company to

be held electronically on Wednesday, 21 September 2022 at 10.00 am and at any adjournment thereof.

Signed this day of 2022

Signature(s)

.....
.....

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

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

| RESOLUTION | FOR | AGAINST | WITHHELD |
|--|-----|---------|----------|
| THAT, subject to and conditional upon the receipt of requisite regulatory approvals and fulfilment or waiver (if legally capable of being waived) of other applicable conditions as agreed in writing between the Company and the relevant counterparties in the share purchase agreement entered into by the Company in this regard ("Agreement"), the acquisition by the Company of Trust Merchant Bank SA ("TMB"), in accordance with, and on the terms set out in the Agreement and as a result of which, upon completion TMB would become a subsidiary of the Company, be and is hereby approved. | | | |
| The board of directors of KCB be and is hereby authorised to do all such things and take all such steps as are necessary to give effect to the above resolutions. | | | |

ELECTRONIC COMMUNICATIONS PREFERENCE FORM**Please complete in BLOCK CAPITALS**

Full name of member(s):

.....

.....

Address:.....

.....

.....

CDSC No. (if known).....

(This can be found on your CDSC Statement)

Mobile Number

Date:

Signature:

Please tick ONE of the boxes below and return to Image Registrars at P.O. Box 9287 – 00100 Nairobi, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street:

Approval of RegistrationI/WE approve to register to participate in the virtual Extraordinary General Meeting to be held on 21 September 2022. **Consent for use of the Mobile Number provided**I/WE would give my/our consent for the use of the mobile number provided for purposes of voting at the EGM. **Notes:**

1. If a member is unable to attend personally, this Proxy Form should be completed, duly signed and returned to reach the Company's share registrar, Image Registrars Limited, 5th Floor, Absa Towers (formerly Barclays Plaza), Loita Street, P. O. Box 9287 – 00100 Nairobi or can be scanned and emailed to kcbshares@image.co.ke in PDF format, to arrive not later than 10:00 a.m. on Monday, 19 September 2022 i.e. 48 hours before the meeting or any adjournment thereof.
2. In case of a member being a corporate body, the Proxy Form must be under given under its common seal or under the hand of an officer or duly authorized attorney of such corporate body.
3. As a shareholder you are entitled to appoint one or more proxies to exercise all or any of your shareholder rights to attend and to speak and vote on your behalf at the meeting. The appointment of the Chairman of the meeting as proxy has been included for convenience. To appoint any other person as a proxy, delete the words "the Chairman of the Meeting or" and insert the full name of your proxy in the space provided. A proxy need not to be a shareholder of the Company.
4. Completion and submission of the Proxy Form will not prevent you from attending the meeting and voting at the meeting in person, in which case any votes cast by your proxy will be excluded.
5. A "vote withheld" option has been included on the Proxy Form. The legal effect of choosing this option on any resolution is that you will be treated as not having voted on the relevant resolution. The number of votes in respect of which votes are withheld will, however, be counted and recorded, but disregarded in calculating the number of votes for or against each resolution.



www.kcbgroup.com