THE PROPOSED MERGER BETWEEN COMMERCIAL BANK OF AFRICA LIMITED AND NIC GROUP PLC

1. The Competition Authority of Kenya has approved the proposed merger between Commercial Bank of Africa Limited and NIC Group Plc **on condition** that none of the employees of the merged entity are declared redundant within 12 months of closing the transaction in Kenya.
2. NIC Group PLC (NIC) is a limited liability company incorporated in Kenya and listed on the Nairobi Securities Exchange (NSE). Through its subsidiaries, the company provides retail and corporate banking services, among other financial services.
3. Commercial Bank of Africa (CBA) is incorporated in Kenya. CBA, through its subsidiaries, also provides various financial services, including retail and corporate banking services.
4. The proposed transaction is the acquisition of the issued share capital in CBA in exchange for shares in NIC. It is proposed that the shareholders of CBA get shares in NIC and, ultimately, the two (2) banks will merge.
5. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No.12 of 2010. In addition, the parties' combined turnover for the preceding year was over Sh1 billion and, therefore, the transaction met the threshold for full merger analysis as provided in the Merger Threshold Guidelines.
6. NIC is involved in retail and corporate banking services that include deposit taking, lending, forex trading, financing of trade and other auxiliary banking services. CBA is involved in the provision of retail and corporate banking services, investment banking and brokerage services, insurance agency services and syndicate nominees services.
7. Therefore, for the purpose of this transaction, the Authority defined the relevant product markets as:
    i. The market for retail and corporate banking services; and
    ii. The market for insurance intermediaries.
8. Both parties offer their products throughout the country. Therefore, the relevant geographic market is national.
9. In regard to the relevant product market for retail and corporate banking services, data from the Central Bank of Kenya (CBK) indicates that there are 42 licensed banks in Kenya.
10. The banks are classified by the Central Bank of Kenya into three peer groups using a weighted

composite index that comprises net assets, customer deposits, capital and reserves, number of deposit accounts and number of loan accounts.

11. The market shares of the top players in the market for retail and corporate banking services, as at December 2017, were as follows: KCB (14.14%), Cooperative Bank of Kenya (9.93%), Equity Bank (9.85%), Standard Chartered Bank (7.11%), Diamond Trust Bank (6.72%), Barclays Bank of Kenya (6.57%), CBA (6.05%), CFC Stanbic (5.65%), I&M Bank (4.78%), NIC Bank (4.62%), and Others (24.58%).

12. Post-merger, the market share of merged entity will be 10.67%. This will make it the second largest bank. However, it is anticipated that the merged entity will continue facing competition from Tier 1 banks who, together, control 55.32% of the market.

13. Based on the foregoing, the Authority's view is that the proposed transaction is unlikely to lead to lessening of competition in the relevant product market for retail and corporate banking services in Kenya.

14. In regard to the relevant product market for insurance intermediaries, data from the Insurance Regulatory Authority (IRA) indicates that there were over 8,000 licensed insurance intermediaries as at August 2017.

15. The IRA data shows that insurance customers can access insurance products either through the insurance company directly, which accounts for **18%** of the market, through agents (**50.5%)** or through brokers who control the remaining **31.5%** of the market.

16. Bancassurance involves the sale of insurance products by commercial banks. The parties are both active as short-term insurance sales agents for various underwriters on a non-exclusive basis. They have a combined market share of less than 1% in this relevant product market.

17. The proposed transaction is therefore unlikely to raise competition concerns. The target has a minimal market presence and there are many insurance agencies who are expected to offer competition. It is unlikely that the proposed transaction will raise market foreclosure concerns.

18. However, the Authority noted that the transaction is likely to lead to negative public interest concerns.

19. The Authority considers the following public interest concerns during merger analysis;

    i. extent to which a proposed merger would impact employment opportunities;
    ii. impact on competitiveness of small and medium enterprises (SMEs);
    iii. impact on particular industries/sectors; and
    iv. impact on the ability of national industries to compete in international markets

20. Based on this criteria, the Authority noted that the merged entity will have a staff compliment of **one thousand, eight hundred and seventy two employees (1,872)** and consequently approved the merger on condition that none of these employees are declared redundant for a period of 12 months from the date of closing of the transaction in Kenya.

21. The decision was informed further by the parties' indication that no Branch closure is anticipated except in locations where there are overlaps. Also, where overlaps exist, the merging parties indicated that they intend to open new branches in other locations.

22. Premised on the analysis above, the Authority approved the proposed merger between Commercial Bank of Africa Limited and NIC Group Plc **on condition that none of the 1,872 employees of the merged entity are declared redundant for a period of 12 months from the date of closing of the transaction in Kenya.**