



## CAK DECISION ON PROPOSED ACQUISITION OF 20% OF THE SHARE CAPITAL OF CREDIT BANK PLC BY SHORECAP III, LP

1. The Competition Authority of Kenya has approved the proposed acquisition of 20% of the share capital of Credit Bank Plc by Shorecap III, LP unconditionally.
2. **Shorecap III, LP, the acquirer**, is a private equity firm investing in the financial services sector across Africa, specifically targeting investments in the banking, insurance, and other financial services sectors. The acquiring group does not directly or indirectly control any undertaking in Kenya.
3. **Credit Bank Plc, the target**, is a public company incorporated in Kenya as a commercial bank. Through its 17 branches, Credit Bank offers services in personal banking, insurance intermediary services, trade finance, insurance premium financing, SME and corporate banking, loan products, mobile banking, and internet banking.
4. The proposed transaction involves the subscription for ordinary shares in the target by the acquirer which, once issued, will comprise 20% of the total issued shares of the target. The acquirer will also get certain controlling rights. **The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.**
5. Control during a merger/takeover may be procured through, *inter alia*:
  - i. Acquiring over 50% of the issued shares;
  - ii. Majority votes cast at a general meeting; and
  - iii. Acquisition of powers to veto key decisions.



6. The parties' combined and relevant assets for the preceding year was **over Sh1 billion**. The transaction, therefore, met the threshold for mandatory notification and full merger analysis as provided in the **Competition (General) Rules, 2019**.
7. The merging parties' activities do not overlap. For purposes of analyzing the transaction, the product market was determined as the **markets for retail and corporate banking services, and insurance intermediaries**. The relevant geographic market was determined as **national**.
8. The Central Bank of Kenya classifies banks into three peer groups (tiers) using a weighted composite index that takes into consideration net assets, customer deposits, capital and reserves, deposit and loan accounts.
9. CBK data indicates that there were 39 licensed banks in Kenya as of December 2021. Nine banks were tier one, eight were tier two, and twenty-two were in the tier three category. The target, Credit Bank Plc, is classified as a tier three bank.
10. Other tier 3 banks include HFC Ltd, Victoria Commercial Bank Limited, Guaranty Trust Bank, Bank of Africa Ltd, Gulf African Bank, Sidian Bank Ltd, African Banking Corporation Ltd, and Habib Bank AG Zurich.
11. As at December 2021, the target was ranked 9<sup>th</sup> among Tier 3 banks category and 26<sup>th</sup> overall based on the composite index comprising net assets, customer deposits, capital and reserves, number of deposit accounts, and number of loan accounts. The target had a market share of 0.41%.
12. During merger analysis, the Authority considers the impact that the proposed transaction will have on competition in the specific market/sector and whether it raises



any public interest concerns. **Thereafter, the Authority may approve the transaction with conditions, approve it without conditions, or reject it.**

13. Post-merger, the structure and concentration in the market for retail and corporate banking will not be affected since the acquirer has no business presence in the country. In addition, the target will continue to face competition from the twenty-one (21) tier three banks.
14. Based on the foregoing, the proposed transaction is unlikely to lead to prevention and substantial lessening of competition in the market for retail and corporate banking services in Kenya.
15. The insurance industry in Kenya is segmented as follows; insurance and reinsurance companies; intermediaries (insurance brokers, medical insurance providers, insurance agents, and bancassurance agents); and other service providers (insurance investigators, motor assessors, insurance surveyors, and loss adjusters, among others).
16. According to Insurance Regulatory Authority, 11,446 undertakings were authorized to transact insurance business in Kenya as insurance intermediaries as at April 2022. Commercial banks mainly operate agency services in competition with other stand-alone agencies.
17. Considering that the acquirer has no business presence in the country, the proposed transaction is unlikely to raise competition concerns in this market. In addition the merged entity will continue to face competition from the other intermediary services providers.
18. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. The public interest concerns considerations



include;

- 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.

19. In regard to public interest issues, the proposed transaction is unlikely to lead to any negative public interest issues. Specifically, the target undertaking has confirmed that the proposed transaction will not result in any redundancy of any of 216 employees.

**20. Premised on the foregoing, the Authority approved the proposed acquisition of 20% of the share capital of Credit Bank Plc by Shorecap III, LP unconditionally.**