CAK DECISION ON THE PROPOSED ACQUISITION OF 10.13% OF THE ISSUED SHARE CAPITAL OF I&M GROUP PLC BY EAST AFRICA GROWTH HOLDING

1. The Competition Authority of Kenya ('the Authority') has approved the proposed acquisition of 10.13% of the issued share capital of I&M Group PLC by East Africa Growth Holding unconditionally.
2. This approval has been granted based on the finding that the transaction is unlikely to negatively impact competition in the market for commercial banking services, nor elicit negative public interest concerns - the two key considerations during merger analysis.
3. East Africa Growth Holding is a limited liability company incorporated and registered in Mauritius. It does not have operations in Kenya. However, it is affiliated with AfricInvest, a private equity investor that has invested in more than 200 companies across 35 African countries, and in several sectors.
4. I&M Group PLC is a public limited liability company incorporated in Kenya and licensed by the Central Bank of Kenya (CBK) as a non-operating holding company whose shares are listed on the Nairobi Securities Exchange (NSE). It is a financial institution offering banking and bancassurance services. It is regulated by the Capital Markets Authority and the CBK, and has operations across five (5) countries namely Kenya, Uganda, Tanzania, Rwanda, and Mauritius.
5. The proposed transaction involves the acquisition of 10.13% of the issued share capital of I&M Group PLC by East Africa Growth Holding from one of its existing shareholders – British International Investment PLC – with certain rights touching on appointment of directors to the Board, business plans, significant changes to senior management. Therefore, the East Africa Growth Holding will acquire indirect joint control over I&M Group PLC with existing shareholders.
6. The transaction therefore qualified as a merger within the meaning of section 2 and 41 of the Competition Act No. 12 of 2010 ('the Act'). The Act stipulates that a merger, or takeover, may occur when an undertaking directly or indirectly acquires control over

another business within Kenya. This may happen through, among others, purchase/lease of shares, exchange of shares, vertical integration.

7. Further, merging parties whose combined turnover or assets, whichever is higher, is over Ksh. 1 Billion are required to seek approval from the Authority prior to implementing the proposed transaction. The transaction between East Africa Growth Holding and I&M Group PLC met this threshold for mandatory notification and full analysis as provided in the Competition (General) Rules, 2019.

8. During merger analysis, and in order to determine the impact that a transaction will have on competition, the Authority identifies the **relevant product market** as well as the **relevant geographic market.**

9. The **relevant product market** comprises products/services that are interchangeable or substitutable by the consumer due to their characteristics, prices and/or intended use. The acquirer is a newly incorporated company and has had no operations in Kenya before the proposed transaction. Its parent AfricInvest controls undertakings engaged in various business activities including retail and distribution of tyres, batteries, lubricants, auto parts and accessories, commercial bank services, digital payments services, and fleet management. The target's subsidiaries in Kenya provide various services including commercial banking services, investment advisory/wealth and fund management, leasing of real property, and social investment.

10. Based on this criterion, the relevant product market for the proposed transaction is the market for **commercial banking services** since the target's and the acquirer's activities overlap, **including through Prime Bank, the acquirer's affiliate.**

11. Determination of the **relevant geographic market** involves interrogating the area in which merging parties undertake the business and in which competition conditions are sufficiently similar. With regard to the proposed transaction, East Africa Growth Holding and I&M Group PLC operate nationwide. Therefore, the relevant geographic market is **national**.

12. Kenyan commercial banks are classified into three peer groups using a weighted composite index. The index comprises net assets, customer deposits, shareholders' funds, number of deposit accounts, and number of loan accounts. A bank with a weighted composite index of 5% and above is classified as a large peer bank (Tier 1). A medium peer bank (Tier 2) has a weighted composite index of between 1% and 5%,

while a small peer bank (Tier 3) has a weighted composite index of less than 1%.

13. The competitiveness and substitutability in the banking sector in Kenya are influenced by, among other factors, number and spread of branches, banking agents, and Automated Teller Systems (ATMs).

14. There were 39 licensed banks in Kenya as of December 2022[1], out of which nine were Tier 1, eight were Tier 2, and 22 were Tier 3 according to data from the CBK.

15. I&M Bank is classified as a Tier 1 bank ranking at position nine with a market share of 5.15%. Other Tier 1 banks include KCB Bank, Equity Bank, NCBA, Co-operative Bank, Absa Bank, Standard Chartered, Stanbic Bank, and Diamond Trust Bank.

16. On the other hand, Prime Bank is classified as a Tier 2 bank ranking at position 11 overall with a market share of 2.1%. The other banks in Tier 2 include Bank of Baroda, Citibank, National Bank, Family Bank, Bank of India, Ecobank, and SBM Bank.

17. The current market shares based on the market size index are shown below:

No.	Bank Name	Market Share (%)
1	KCB Bank Kenya Ltd	14.20
2	Equity Bank Kenya Ltd	12.67
3	NCBA Bank Kenya PLC	10.01
4	Co-operative Bank of Kenya Ltd	9.24
5	Absa Bank Kenya Plc	6.69
6	Standard Chartered Bank (K) Ltd	5.81
7	Stanbic Bank Kenya Ltd	5.74
8	Diamond Trust Bank Kenya Limited	5.63
9	I & M Bank Limited	5.15
	Sub Total Tier 1	**75.14**
10	Bank of Baroda (K) Limited	3.09
11	Prime Bank Ltd	2.54
	Other Tier 2	10.66
	Tier 3	8.57
	Total	**100**

[1] https://www.centralbank.go.ke/uploads/banking_sector_annual_reports/1620216033_2022%20Annual%20Report.pdf

18. One criterion of assessing a merger's impact on competition is the post-merger market share of the undertakings involved in the transaction. With regard to the proposed transaction, the market share of the merged entity will be **7.69%.** This change will not significantly alter the structure and concentration of the market for commercial banking services. Additionally, the merged entity will face competition from the other banks controlling over 90% of the market post-merger. Therefore, the proposed transaction **is unlikely to lead to a substantial lessening of competition in the market for commercial banking services in Kenya.**

19. The parties have also indicated that I&M Bank and Prime Bank will continue to operate independently across their respective markets after the implementation of the proposed transaction.

20. During merger analysis, the Authority also considers the impact that a proposed transaction will have on public interest. Public interest in this case refers to various economically-inclined concepts that, when considered, protect the welfare of the public. In the Competition Act, some of the public interest considerations are;

    a) extent to which a proposed merger would impact employment opportunities;
    b) impact on competitiveness of SMEs;
    c) impact on particular industries/sectors; and
    d) impact on the ability of national industries to compete in international markets.

21. As per the parties' submissions, this transaction will not elicit negative public interest concerns. Specifically, all the 1,414 employees of I &M Bank will be retained under the current employment terms. Additionally, the proposed transaction is unlikely to affect the ability of SMEs to gain access to the market and neither will the transaction affect the ability of Kenyan undertakings to effectively compete in international markets.

22. Premised on the above, the Authority approved the proposed acquisition of 10.13% of the issued share capital of I&M Group Plc by East Africa Growth Holding unconditionally.