



## THE PROPOSED ACQUISITION OF 90% SHAREHOLDING OF JAMII BORA BANK LIMITED BY THE CO-OPERATIVE BANK OF KENYA LIMITED

1. The Competition Authority of Kenya has approved the proposed acquisition of Jamii Bora Bank Limited by the Co-operative Bank Kenya Limited unconditionally.
2. The Co-operative Bank Kenya Limited (Co-op), the acquirer, is incorporated in Kenya and listed on the Nairobi Securities Exchange.
3. The acquirer is involved in retail, corporate, institutional and co-operatives banking services and offering financial solutions in Kenya and South Sudan. Co-op's network comprises of 159 branches and 187 Automated Teller Machines (ATMs).
4. Jamii Bora Bank Limited (Jamii Bora), the target, is incorporated in Kenya and licensed as commercial bank. It is a public non-listed limited liability company focused on providing flexible short-term trade and working capital solutions to small and medium enterprises with 18 branches in Kenya.
5. In March 2010, Jamii Bora merged with City Finance Bank (CFB), a private financial services provider which, in the past, had provided services to large corporations and high-net-worth individuals.
6. The proposed transaction will result in the acquisition of 90% of the issued share capital of the target. The transaction therefore qualified as a merger within the meaning of Section 2 and 41 of the Competition Act No. 12 of 2010.
7. The parties' combined and relevant turnover 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**.
8. The acquirer is involved in retail, corporate, institutional and co-operatives' banking services and financial solutions while the target provides retail and corporate banking



services, with a focus on providing flexible short-term trade and working capital solutions to small and medium enterprises.

9. The merging parties are banking institutions authorized to operate as such by the Central Bank of Kenya (CBK). While each party focuses on its stronger business lines, their services are in three broad categories; (i) Retail banking (ii) Corporate banking and (iii) Non-banking products, specifically, the sale of short-term insurance as agent for various underwriters.
10. Therefore, for the purpose of analyzing this transaction, the relevant product market is the market for retail and corporate banking services whereas the relevant geographic market is national.
11. Data from the CBK indicates that there are 42 licensed banks in the country. The CBK 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.
12. A bank's branch count and spread may determine its competitiveness and substitutability. However, the increased adoption of alternative service delivery channels such as mobile, agency and Internet banking, has made physical branches less critical and strategic.
13. Co-op Bank is currently classified as a Tier 1 bank and is ranked at position three (3) based on its assets, deposits, shareholders' funds, loan accounts and deposits accounts. On the other hand, Jamii Bora Bank is classified as a Tier 3 bank and is ranked at position 36 on the CBK's classification.
14. The market shares and concentration of the leading banks in the market for retail and corporate banking services are: Kenya Commercial Bank (KCB) (14.4%), Equity Banks (9.73%), Cooperative Bank of Kenya (9.44%), Standard Chartered Bank (6.60%), Diamond Trust Bank (6.55%), Barclays Bank of Kenya (6.68%), NCBA (5.66%), CFC Stanbic (5.88%), I & M Bank (5.32%), Tier 2(18.99%) and Tier 3 banks (10.54%).
15. Jamii has a market share of (0.21%) meaning that, post-merger, the market share of merged entity will be **9.65%**. It is anticipated that the merged entity will face competition from the other banks controlling over 90% of the market. Therefore, the proposed



transaction is not likely to raise negative public interest concerns.

16. 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.

17. With regard to public interest issues, the parties have indicated that the proposed transaction will not result in loss employment.

18. Furthermore, the transaction is unlikely to negatively affect the ability of the SMEs to gain access to the market and it will also enhance the ability of merged entity to effectively compete in the regional and international market.

19. Based on the fact that the proposed transaction is unlikely to lead to a substantial lessening or prevention of competition in the market for retail and corporate banking services in Kenya, the Authority approved the proposed acquisition of Jamii Bora Bank Limited by the Co-operative Bank Kenya Limited unconditionally.