

THEMATIC RESPONSE TO AGM QUESTIONS

1. Sale of Kingdom Bank Shares

Kingdom Bank shares are traded over the counter on a willing buyer willing seller basis and the price is determined by the seller and the buyer. The Book value of Kingdom Bank Limited shares is Ksh 8.04 per share as of 31st December 2021. These shares can be traded at the below listed authorized stockbrokers.

Kingdom Securities Kenya Limited

5th Floor, Co-op Bank Towers
Haile Selassie Avenue
Nairobi
info@kingdomsecurities.co.ke

Faida Investments Bank

Windsor House, 1ST floor
University Way, Nairobi
info@fib.co.ke

AIB AXYS

The Promenade, 5th Floor,
General Mathenge Drive,
Westlands, Nairobi.
info@aib-axysafrica.com

Standard Investment Bank

16th Floor JKUAT Building,
Kenyatta Ave, Nairobi,
clientservices@sib.co.ke

2. Dividends

The Bank for now will focus on increasing its capital base by retaining earnings. This position will, however, be reviewed in future based on the Bank's performance.

3. Onboarding of a Strategic Investor

In August of 2020, the Bank brought on board a strategic investor: The Co-operative Bank of Kenya Limited to support in its stability, turn around and growth. This was achieved through the creation and sale of an additional 224,153,541 Class A shares representing 90% shareholding in the Bank. All the existing shares were converted into Class B shares. Both Class A and Class B shares rank in parri passu. This is the strategic investor's inclusive growth vision for the Bank where the existing shareholders and the strategic investor obtain value from the turnaround of the Bank that was loss making and had negative net worth at acquisition,

The onboarding commenced with a notice from the Central Bank of Kenya dated 11th March 2020 advising the public of the intended acquisition by Co-operative Bank of Kenya of majority shareholding in Jamii Bora Bank. Co-operative Bank Limited subsequently conducted a due diligence exercise on the Bank and based on that, in June of 2020 Co-operative Bank made an offer to purchase 224,153,541 shares in Jamii Bora Bank through the injection of Ksh 1 billion in capital.

This offer was presented through due notice and an information memorandum to the existing shareholders who unanimously approved by over 90% of the existing shareholders in a Special General Meeting dated 1st July 2020. The approved resolutions were subsequently converted into a share subscription agreement and executed by both parties. Upon completion of the transaction CBK notified the public through a notice dated August 7, 2020. The Bank subsequently changed its name to Kingdom Bank Limited.

The injection of Capital and the transfer of skill and expertise has seen the Bank stabilize, comply with all statutory ratios, and has led to the first steps of the turn around journey as evidenced by the 2020 and 2021 results. The Annual Report can be accessed through <https://www.kingdombankltd.co.ke/agm/>

4. Were the FY20 results edited? If so, why was it done?

As per Page 14 of the 2021 Audited Financial Statements the 2020 Financials were restated positively on two grounds:

a) The net income of Kes.201.5 million that had been booked in the year 2020 as a result of amortization of interest and deferred benefit on long-term loan (as per IAS 20) was derecognized due to change in accounting policy. Whereas the previous assumption was that the entire loan will be due and repayable in the 10th year, the same was adjusted to reflect a more conservative start of repayments in the fourth year after the three-year moratorium. The new formula means there will no longer be an impact on the month-on-month performance as opposed to the previous one where benefit would have accrued in the first years of the term and charges in the latter years.

b) The second issue was excess loan loss provisions of Kes.449 million being the difference between the CBK's PG guided Model and ECL Model as per IFRS 9 that were reversed through the P&L so as to have the same reclassified from the Retained Earnings to Statutory Credit Risk Reserve as required by IFRS and Prudential Guidelines.

5. What comprises other operating expenses and what informs increase in this from KES 793k to KES 1.78m?

As per note 10 of the 2021 Audited Financial Statements on page 61, the increase on operating expenses is largely from Legal and professional fees, General office expenses and Advertising, marketing and publicity.

6. What is the Banks strategy around the high NPL Ratios?

The Bank strategy in bringing down the high NPL ratio is three-fold. Enhanced good lending so as to increase the percentage of performing loans in the loan book; reduce NPL accounts, sale of securities, negotiation with customers leading to restructure of loans and full and final settlements through customer sale of securities or repayment from other sources.

Strategies on the NPL are bearing fruit as seen from the reduced figure, and loans increase are a focus for 2022.