



INVITATION TO TAKE AN EQUITY INTEREST IN CHASE BANK (KENYA) LIMITED

Overview and Background

The Central Bank of Kenya (“CBK”) is issuing this invitation to take an equity interest in Chase Bank (Kenya) Limited (In Receivership) (“CBL” or “the Bank”). CBK and the Kenyan Deposit Insurance Corporation (“KDIC”), the appointed Receiver, are executing their mandates in this matter in accordance with the Laws of Kenya.

Chase Bank (Kenya) Limited (“Chase Bank”) was a rapidly developing commercial bank operating through 62 branches. CBK placed Chase Bank in receivership on April 7, 2016. The following circumstances led to the Bank being placed in receivership:

- (a) The existence of unsafe/unsound conditions to transact business that threatened the interest of Chase Bank, its depositors, and creditors (Section 43(2)(e) of the Kenya Deposit Insurance (KDI) Act);
- (b) Chase Bank’s likelihood of failure to meet its financial obligations (Section 43(2)(g) of the KDI Act);
- (c) Violation of certain provisions of the law and/or regulations (Section 43(2)(g) of the KDI Act); and
- (d) The existence of substantially insufficient capital in Chase Bank (Section 43(2)(h) of the KDI Act).

The Bank was re-opened on April 27, 2016, albeit with reduced activities, with KCB Bank Kenya Limited appointed as Manager of the Bank. The Bank has continued to operate and has grown its deposits from the date of receivership.

Notwithstanding the circumstances listed above, the CBK and KDIC have concluded that such activities were not an endemic part of the Bank’s business and that the Bank’s core activities are of merit as a service in Kenya. With improved management, governance and oversight CBL could represent a long term viable banking business.

Consequently CBK/KDIC is initiating a formal process and issuing this invitation for Expressions of Interest (“EOI”) in taking an equity interest in the Bank. Shareholders, as well as funding creditors have been informed of this process, and depositors will be informed shortly.

CBK has appointed KPMG as its Advisors in this process.

Expression of Interest

Potential strategic investors interested in taking an equity interest in CBL are hereby invited to provide an EOI, **not later than 5.00 p.m. (East Africa Time) on Friday, April 21, 2017.**

Following the receipt of EOIs, CBK will evaluate and shortlist qualifying investors (“Shortlisted Investors”) who will be invited to pursue a more detailed engagement and also be granted access to a comprehensive confidential “Data Room” of financial, legal and business performance information to develop a formal offer to take an equity interest in CBL (“Investor Proposal”). A deal closure date of no later than September 30, 2017 is targeted.

EOIs should include the following key areas:

1. **Interest in banking in Kenya** –the extent of interest in developing/increasing a long term banking presence in Kenya. The EOI should also provide evidence of an understanding of the Kenyan and East African Banking sector.
2. **Ownership details** – details of any (immediate and ultimate shareholding) parties that may hold beneficial ownership in CBL.
3. **Skills support** – details of the nature of management capacity, governance and oversight resources available that the strategic investor would bring to CBL.
4. **Regulatory capital level** – expected level (as a ratio) of regulatory capital (as prescribed in Kenya) that you would expect to achieve and maintain following the re-launch of CBL out of receivership, and an overview of how you would expect this to be achieved (in respect of new money or capital contribution from existing stakeholders).
5. **Financial resources** – financial resources that could be made available in supporting and developing CBL. The EOI should include such financial information as to allow CBK to evaluate the capacity of the respondent to support a transaction of this nature.
6. **Liquidity support** – the extent of liquidity support that you could bring to support the Bank as it emerges from receivership and regains trust of depositors and funders.
7. **Transaction structure** – the broad outline of the type of transaction contemplated.

No information beyond what is already available in the public domain will be made available to interested parties and there will be no question and answer process at this stage.

Following the receipt of EOIs, Shortlisted Investors will also be granted access to the Data Room to develop an Investor Proposal.

The Shortlisted Investors will be determined in a fair process using appropriate and objective criteria based on, *inter alia*, regulatory imperatives and prudential guidelines which will ensure the speedy and optimal recovery for depositors, creditors and other stakeholders of CBL, whilst also mindful of seeking to preserve and develop a sound and innovative banking system in Kenya.

Indicative timetable

Set out below is an indicative timetable for the transaction:

Thursday, March 30, 2017	EOI issued
Friday, March 31, 2017	Press Statement issued by CBK
Friday, April 21, 2017	Responses to EOI received
Wednesday, May 3, 2017	Shortlisted Investors selected for Data Room access
Wednesday, May 3, 2017	Data Room access opens for Shortlisted Investors
Friday, June 9, 2017	Investor Proposals expected
Friday, June 23, 2017	CBK engagement with single preferred bidder
June 26, 2017 onwards	CBK engagement with Shareholders on preferred Investor Proposal and way forward
June 26, 2017 onwards	CBK engagement with creditors on preferred Investor Proposal and way forward
June 26, 2017 onwards	CBK engagement with depositors on preferred Investor Proposal and way forward

The process and timing beyond June 26, 2017, will be informed by the structure proposed in the preferred Investor Proposal, but is currently intended that any resultant transaction will be completed before September 30, 2017.

To qualify, EOIs should be received by 5.00 p.m. (East Africa Time) on Friday, April 21, 2017 and should be addressed to:

KPMG

The Advisors to Central Bank of Kenya

Email address: chasebank@kpmg.com

EOIs not received at this email address by this time will not be considered.

EOIs must include the contact details should CBK, KDIC or KPMG require clarification on any matters therein. It is expected that Shortlisted Investors will be contacted on or before Wednesday, May, 3, 2017.

A press statement from CBK has been issued to coincide with this invitation.

CENTRAL BANK OF KENYA

Thursday, March 30, 2017