

## 8. TERMS AND CONDITIONS OF THE OFFER

This section contains a summary of the offer for New Shares. You should reach this Information Memorandum in full along with other documents available for inspection.

### 8.1 The Offer

The Group is offering 1,153,842,504 new ordinary shares (the "New Shares") at the Offer Price to raise KES 4,615,370,016. The Offer comprises of:

- (1) the Entitlement in which Eligible Shareholders will be granted 2 new ordinary shares for 1 ordinary share held to subscribe for shares at the Offer Price amounting to 769,228,336 ordinary shares (the "Entitlement Shares"); and
- (2) the Additional Issue in which Eligible Shareholders will have an option to apply for one or more additional shares for every 1 ordinary share held amounting to 384,614,168 ordinary shares (the "Additional Shares"). The Additional Shares will be sold at the Offer Price. The Entitlement and the Additional Issue are together herein referred to as the "Rights".

The Entitlement Shares are renounceable, which means that shareholders who do not wish to take up all or part of their Entitlement Shares can abandon them. These shares will be known as the Untaken Shares. The Untaken Shares will be added to the Additional Shares available for subscription.

There will also be a green shoe option of up to 30% of the New Shares (equivalent to 346,152,751 ordinary shares) (the "Green Shoe Option Shares") at the Offer Price to cater for oversubscription of the New Shares.

The number of New Shares that you are entitled to is shown on the PAL or through a link sent to you for the Application Portal. The Entitlement Ratio, once declared, will not be altered.

Shareholders will be allowed to apply to take up any Untaken Shares which will form part of the Additional Shares available to Shareholders. Eligible Shareholders will be able to apply for the Additional Shares through the Application Portal or via their PAL.

## 8.2 Rights Issue Statistics

DATA	STATISTIC
Par value	KES 5 each
Offer Price	KES 4.00 per share
Number of issued and paid up shares prior to the Rights Issue	384,614,168 <sup>2</sup>
Number of Entitlement Shares	769,228,336
Number of Additional Shares	384,614,168
Number of New Shares	1,153,842,504
Number of Green Shoe Option Shares	346,152,751
Number of New Shares plus Green Shoe Option shares	1,499,995,255
Number of issued and fully paid up shares post-Rights Issue assuming full subscription	1,538,456,672
Number of issued and fully paid up shares post-Rights Issue assuming full subscription and 100% uptake of the green shoe option	1,884,609,423
Gross proceeds of Rights Issue assuming full subscription	KES 4,615,370,016
Gross proceeds of Rights Issue assuming full subscription and 100% uptake of the green shoe option	KES 5,999,981,020
Estimated expenses of the Offer assuming full subscription (ex VAT)	KES 222,240,675
Estimated expenses of the Offer assuming full subscription and 100% uptake of the green shoe option	KES 260,317,478
Net proceeds of Rights Issue assuming full subscription	KES 4,393,129,341
Net proceeds of Rights Issue assuming full subscription and 100% uptake of the green shoe option	KES 5,739,663,542
Market Capitalisation of HF Group as at 30 <sup>th</sup> September 2024	KES 1,630,764,072
Profit after tax and exceptional items for financial year ended 31 <sup>st</sup> December 2023	KES 388,156,451
Profit after tax for six months to 30 <sup>th</sup> June 2024	KES 266,269,245
Total dividends declared and paid for the year ended 31 <sup>st</sup> December 2023	Nil
Earnings per share ("EPS") for the year ended 31 <sup>st</sup> December 2023	1.01
Dividend per share ("DPS") for the year ended 31 <sup>st</sup> December 2023	Nil
Net Asset Value per share for the year ended 31 <sup>st</sup> December 2023	KES 23.05
Theoretical Value of the Right	KES 0.16 <sup>3</sup>

<sup>2</sup> Employees who are eligible members of the HF Group ESOP are due to exercise their options to purchase HF Group shares in line with the scheme rules. These options vested in September 2024 with 937,883 new ordinary shares to be issued to employees in the following months.

<sup>3</sup> This is calculated using the theoretical ex-rights price and the share price as at 24<sup>th</sup> October 2024.

### 8.3 Reasons for the Offer and Use of Proceeds

HF Group is raising capital as part of its strategy to increase its investment in HFC's expanded business segments and to shore up its capital base and ensure it is sufficiently capitalised. The capital injection will also allow HF Group to continue to implement its growth strategy through its investments in growing business segments and enhancing its digital proposition.

Table 1: HF Group's Use of Proceeds

Beneficiary	Approximate Amount (KES '000)	% of proceeds	Description
HFC	4,250,000	~85%	<p>To invest across several business segments including Mortgage business, Personal banking, Ultimate banking, Diaspora banking, Business banking, Commercial banking, Institutional banking, Treasury Business, Banking for financial institutions, Custodial services.</p> <p>This will include:</p> <ul style="list-style-type: none"> <li>• Resourcing and continuous capacity development;</li> <li>• Enhancement of our physical distribution channels to select strategic locations; and</li> <li>• Enhancement of the business propositions to ensure that our customers can benefit from our integrated business solutions regardless of their segment.</li> </ul>
HFC	750,000	~15%	<p>Investment in the enhancement of its digital proposition in line with the company's strategy.</p> <p>This will include:</p> <ul style="list-style-type: none"> <li>• Enhancement of the digital market place;</li> <li>• Enhancement of data processing and storage capacity; and</li> <li>• Synchronization of our customer interfaces to ensure a seamless omnichannel experience.</li> </ul>

The bancassurance business (HF Bancassurance Intermediary Limited ("HFBI")) and the property business (HF Development & Investment Limited ("HFDI")) are sufficiently funded and thus would not need any additional capital.

The Rights Issue will have the following benefits to stakeholders:

- Capitalisation of HFC in line with capital adequacy requirements which will fund the growth of the business and generate returns for shareholders;
- Increase the liquidity of the HF Group's shares on the NSE through the issuance of new shares; and
- Encourage increased local share ownership as the transaction structure allows for investors to acquire additional shares beyond their Rights entitlement.

### 8.4 Intention of the Major Shareholders

Britam Group has confirmed that it will be taking up its full Rights. Other principal shareholders are supportive of the Transaction.

## 8.5 Impact on Share Capital

The impact of the Rights Issue on share capital is outlined below.

*Table 2: Share Capital pre Rights Issue*

	Par Value (KES)	Number of shares	Share Capital (KES)
Authorised Capital	5	500,000,000	2,500,000,000
Issued and fully paid up capital	5	384,614,168	1,923,070,840

*Table 3: Share Capital post Rights Issue (with no green shoe option)*

	Par Value (KES)	Number of shares	Share Capital (KES)
Issued and fully paid up capital	5	1,538,456,672	7,692,283,360

*Table 4: Share Capital post Rights Issue (with a green shoe option)*

	Par Value (KES)	Number of shares	Share Capital (KES)
Issued and fully paid up capital	5	1,884,609,423	9,423,047,115

## 8.6 Potential dilutive impact of the Offer on Shareholders who renounce their Rights

Shareholders who transfer, or who do not timely or validly, or are not permitted to, exercise any of their Rights granted under the Rights Issue will suffer dilution of their proportionate ownership and voting rights of approximately 75% as a result of the issue of the New Shares. However, such Shareholders may receive consideration for their Rights during the Offer Period by trading their Rights on the NSE (see Section 8.21).

## 8.7 Basis of the Offer Price

The Offer Price has been arrived at after taking into consideration several factors including, but not limited to:

- The Group's positive growth prospects;
- Prevailing macroeconomic conditions;
- Banking sector environment in Kenya;
- Group's recent financial results; and
- The performance of the Group's share price on the NSE over the past six months.

The Directors' of the Group approved the Transaction structure on 12th August 2024 and the prevailing market price was KES 4.15. The Offer Price is a discount of 3.61% to the market price on 12th August 2024.

As at 30th September 2024, the six-month VWAP of the Group's shares was KES 4.19. The Offer Price represents a discount of 4.44% to the six-month VWAP.

Table 5: Share Price Performance on the NSE

	Daily High (KES)	Daily Low (KES)	Volume Weighted Average Price (KES)	Percentage premium / (discount) of Offer Price to VWAP
April 2024	4.63	3.64	3.99	0.38%
May 2024	4.50	3.73	4.24	-5.75%
June 2024	4.55	3.81	4.22	-5.14%
July 2024	4.90	4.00	4.29	-6.71%
August 2024	4.66	3.70	4.21	-5.04%
September 2024	4.50	3.57	4.15	-3.63%
Six Month period VWAP as at 30th September 2024	4.79 <sup>4</sup>	3.73 <sup>5</sup>	4.19	-4.44%
Last day of trading before announcement of the Rights Issue (12th August 2024)	4.15	4.05	4.15	-3.61%
Last practicable day of trading before approval of the Information Memorandum (24th October 2024)	4.48	4.34	4.39	-8.88%

## 8.8 Share Price Performance

Figure 1: HF Group Share Price Performance 2020 - 2024 YTD



Source: NSE Data/Bloomberg

## 8.9 Employee Share Ownership Plan

HF Group established an Employee Share Ownership Plan ("ESOP") on 2<sup>nd</sup> July 2008 by trust deed ("2008 HF Group ESOP") which is operational to date after receiving approval from Shareholders by an ordinary resolution during the 40<sup>th</sup> Annual General Meeting held on 26<sup>th</sup> July 2006. The ESOP is set up as an options plan where eligible staff can elect to exercise their options to purchase the Group's shares at a predetermined price. Employees have elected to exercise their options which vested in September 2024 to purchase the Group's shares amounting to 937,883 new shares. These shares are unlikely to be issued by the Record Date of the Transaction, the shares will therefore not qualify to be part of the Transaction.

<sup>4</sup> Calculated as the highest daily VWAP during the six month period

<sup>5</sup> Calculated as the lowest daily VWAP during the six month period

## 8.10 Minimum Subscription

The Transaction is subject to a minimum subscription of 40% of the New Shares (excluding the green shoe option) with full payment in order for the Transaction to be declared as successful. This implies that a minimum of 461,537,002 New Shares (KES 1,846,148,008) need to be taken up and fully paid for by the Closing Date of the Offer.

The Directors reserve the right not to proceed with the final allotment of the New Shares unless the minimum threshold is achieved. Should there be an under-subscription on the offer but one above the minimum threshold, the Directors have a right to utilise the funds raised in a manner that will still achieve the objectives set out in the IM.

## 8.11 Green shoe and Oversubscription

The Transaction includes a “green shoe” option of 30% which equates to 346,152,751 Green Shoe Option Shares to cater for

oversubscription. These shares will be allocated in accordance with the Allocation Policy outlined in Section 8.20.

In the event of an oversubscription, the Group shall make refunds in accordance with the Refund Policy outlined in Section 8.24.

## 8.12 Underwriting

The Transaction is not underwritten.

## 8.13 Rights Issue Documents

The following documents will be used for the Transaction. These documents can be accessed through the Application Portal or hard copies can be requested via your Stockbroker.

Table 6: Transaction Documents

Document	Description
Information Memorandum	This is the document that contains information on the Group, the Rights Issue Offer, terms and conditions of the Offer, financial statement, legal opinion, reporting accountant's report, statutory and general information to assist Shareholders to make an informed decision.
Provisional Allotment Letter (“PAL”)	This is the renounceable (nil paid) provisional allotment letter issued to Eligible Shareholders and includes the Entitlement in the form or substantially in the form set out in APPENDIX I.
Form A	Form of Power of Attorney: This is the form to be completed by Eligible Shareholders wishing to appoint third parties as their lawful attorney or agent to act on their behalf in connection with the Rights Issue. The form is set out in APPENDIX IV.
Form E	Form of Entitlement: This is the form to be used by any person and issued in favour of such person, in the case of Rights purchased on the NSE or balance Rights in the CDS account as set out in APPENDIX II.
Form R	Form of Renunciation: This is the form to be used by Eligible Shareholders renouncing or transferring their Rights, by way of private transfer and by Renounees to take up their New Shares as set out in APPENDIX III.
CDS Form 1	Standard form by CDSC to be used to open a CDS Account in CDS through a CDA.
CDS Form 2	Standard form by CDSC to be used for immobilisation of Rights and Existing Shares into the CDS through a CDA.
CDS Form 5	Standard form by CDSC to be used for pledged shares.
CDS Form 7	Standard form by the CDSC that is used in connection with a private transfer.
Irrevocable Bank Guarantee (“IBG”)	Issued by a commercial bank licensed by the Central Bank of Kenya. A sample letter is contained in APPENDIX V and can only be used by any Eligible Person
Irrevocable Letter of Undertaking (“ILU”)	Issued by an institution approved by the Transaction Advisor which includes an Authorised Custodian or Qualified Institutional Investor. A sample letter is contained in APPENDIX VI and can only be used after the allocation policy has been announced

Shareholders will be able to apply for Additional Shares using the PAL, Form E and Form R by indicating the number they wish to apply for in the appropriate section. The process is set out in Section 8.20.

Eligible Shareholders can download a copy of the Information Memorandum from the Group's website and Application Portal. Eligible Shareholders can also request an electronic copy from the Authorised Selling Agents outlined in APPENDIX VII.

A sample of Forms A can be downloaded from the Application Portal or obtained from the Authorised Selling Agents. Form E and R can be obtained from the Authorised Selling Agents or the Data Processing Agent.

The IBG and ILU sample formats are available in the Appendices of the Information Memorandum.

## 8.14 Acceptance and Application Process

Eligible Shareholders may take up all, some or none of their Rights. Shareholders wishing to take up all their Rights are required to observe the procedures set out in Section 8.19 (Acceptance Procedure).

Shareholders wishing to renounce some or all of the Rights are invited to follow the steps set out in Section 8.21 (Renunciation of Rights).

Shareholders wishing to apply for Additional Shares must do so in the manner set out in Section 8.20 (Application for Additional Shares and Allocation Policy).

The table below sets out the possible actions that may be taken by Eligible Shareholders.

Table 7: Table of Possible Actions by Eligible Shareholders

Action	Section Reference
<b>Take up</b> their entitlement in <b>Full</b>	Section 8.19
<b>Renounce all</b> the Rights (private transfer) to a close relation	Section 8.21
<b>Renounce all (Sell All)</b> of their entitlement on the NSE	Section 8.21
<b>Accept part</b> of their entitlement and sell balance on the NSE	Section 8.19 and 8.21
<b>Accept part</b> of their entitlement and <b>renounce</b> balance to a close relation	Section 8.19 and 8.21
<b>Accept part</b> of their entitlement and <b>allow balance to lapse</b>	Section 8.19 and 8.21
<b>Do nothing</b> and allow entitlement to lapse	Section 8.21
Apply for <b>Additional</b> shares	Section 8.20

Table 8: Table of Other Actions by Eligible Shareholders

Action	Section Reference
<b>Purchase</b> Rights on the NSE and take up the entitlement	Section 8.21
<b>Purchase</b> and <b>Sell all</b> the Rights on the NSE	Section 8.21
<b>Purchase</b> and <b>Sell</b> some rights on the NSE and take up the balance of the entitlement	Section 8.21

### 8.15 Offer for Subscription

- a) HF Group hereby offers to Shareholders by way of renounceable rights, a total of 769,228,336 ordinary shares (the "Entitlement Shares") at the Offer Price of KES 4.00 per share payable in full on acceptance of the terms set out below.
- b) HF Group also offers to Shareholders the option to subscribe for additional shares without restriction to their initial entitlement amounting to 384,614,168 ordinary shares (the "Additional Shares"). There will also be a green shoe option capped at 30% of the New Shares comprising 346,152,751 ordinary shares (the "Green Shoe Option Shares") at the Offer Price to cater for oversubscription of the New Shares.
- c) Persons who are not on the Shareholder Register as at Record Date will not be entitled to participate in the offer except as stipulated below.
- d) The Rights Issue is on a basis of a ratio of 2 New Shares for every 1 Existing Share being the Entitlement Ratio. The Entitlement Ratio once declared, will not be altered.
- e) The information on the number of New Shares that a Shareholder is entitled to (i.e. your entitlement or your number of Rights) is shown on your PAL which will be available via a link to the Application Portal or as a physical copy obtained from the Data Processing Agent or your stockbroker.
- f) Rights are renounceable and may be sold or transferred to third parties subject to the provisions of this IM. Information on how Rights may be sold or transferred is set out in Section 8.21. Any Untaken Shares will be offered to Shareholders as per Section 8.20.
- g) Shareholders may also, at their option, choose not to take any action at all and untaken Rights will be allocated by the Directors in accordance with the Allocation Policy in Section 8.20.

### 8.16 Status of the New Shares

The New Shares will rank *pari passu* in all respects with the Existing Shares including the right to vote in general meetings and to receive in full all dividends and other distributions declared, made or paid in respect of the Ordinary Shares, for the financial year ending 31<sup>st</sup> December 2024.

### 8.17 Opening and Closing Date of the Rights Issue

The Rights Issue will open at 9.00am on the Offer Opening Date and close at 5.00pm on the Closing Date. The Rights Issue remains open for the Offer Period.

### 8.18 Entitlement

- a) Eligible Shareholders as at the Record Date are being granted Rights to subscribe for the New Shares at the Offer Price;
- b) The Entitlement to the Rights for each Eligible Shareholder is shown on the PAL available via the Application Portal. A physical PAL will be serialised and customised with the Eligible Shareholders' personal details. The PAL will inform the Eligible Shareholder of the number of Rights to which it is entitled and of the procedures that it must follow to exercise or trade its Rights;
- c) The number of New Shares offered to Eligible Shareholders has been calculated pro rata on the basis of the Entitlement Ratio on the Record Date;
- d) Subject to Capital Markets Regulations and the terms set out in this IM, Eligible Persons will be entitled to subscribe for 2 New Shares for every 1 share held until the end of the Offer Period;
- e) No restrictions have been placed on the number of Existing Shares that can be held before the Entitlement accrues (except for the CBK's single shareholder limit of 5% of the Group's issued capital). However, mathematically, this might result in fractional entitlements to New Shares, and in such an event, fractions will be rounded downwards to the nearest whole number. Please note that where this occurs, Shareholders will be allotted the number of New Shares after rounding down. No fractional Offer Shares will be issued and fractions of the New Shares that result from applying the Entitlement Ratio will form part of the Untaken Rights;
- f) Eligible Shareholders with CDS Accounts at the Record Date will have their CDS Accounts credited with the applicable Entitlement. Shareholders will be notified of their Rights via their PAL; and
- g) Eligible Shareholders will receive their entire allocation of their Entitlement that they have applied and paid for.

### 8.19 Acceptance Procedure

- a) Subject to the restrictions set out below, an Eligible Person, whether a Shareholder at the Record Date or a subsequent transferee of Rights, may subscribe for New Shares before the Offer Period expires;
- b) If an Eligible Person has not exercised its Rights by the end of the Offer Period, these can no longer be exercised by the Eligible Person;
- c) Once an Eligible Person has validly exercised its Rights, it cannot revoke or modify that exercise. Accordingly, once a holder of Rights has validly exercised its Rights, it must pay the Offer Price for the Offer Shares subscribed for, even if the market price of the Ordinary Shares fluctuates below the Offer Price;



- d) An Eligible Person exercises his Rights by either:
- i) Filling out and submitting a completed Entitlement and Acceptance form on the Application Portal, together with remitting the Application Money for the number of New Shares (including where applicable any Additional Shares); or
  - ii) Submitting the physical Entitlement and Acceptance form to the Authorised Selling Agents, together with remitting the Application Money for the number of New Shares (including where applicable any Additional Shares);

On the terms set out in this IM by 5.00pm on the Closing Date.

- e) The Entitlement and Acceptance forms are the PAL, Form R and Form E which will be available via the Application Portal or as physical copies;
- f) The relevant Entitlement and Acceptance forms must be correctly executed so as to be binding, while the Application Money must be cleared funds;
- g) PAL: Eligible Shareholders who wish to take up their full Entitlement are required to:
  - i) Click "Acceptance in Full" and fill out the other relevant sections on the PAL on the Application Portal; or
  - ii) Duly complete the "Acceptance in Full" section on the physical form.
- h) Eligible Shareholders wishing to accept only part of their Entitlement are required to:
  - i) Click "Partial Acceptance of New Shares", add the number of New Shares to be applied for and fill out the other relevant sections on the PAL on the Application Portal; or
  - ii) Duly complete the "Partial Acceptance of New Shares" section on the physical form.

Note that partial acceptance will not be permitted for less than 100 New Shares.

- i) If the Entitlement and Acceptance Form is not completed correctly on the Application Portal or as a physical form, the Group may in its sole and absolute discretion reject it or treat it as valid, and the Group's decision as to whether to accept or reject, or how to construe, amend or complete and Entitlement and Acceptance Form shall be final;
- j) Entitlement and Acceptance Forms can be rejected as per Section 8.23 ("Rejection Policy");
- k) Acceptance is subject to regulatory restrictions and obligations as per Section 8.20.

## 8.20 Application for Additional Shares and Allocation Policy

- a) Eligible Shareholders who have taken up all their Entitlement may apply for Additional Shares by either:
  - i) Clicking on "Apply for Additional Shares", inputting the number of New Shares on and completing the submission process on the Application Portal; or
  - ii) Completing the section called "Apply for Additional Shares" on the physical PAL, signing and returning the duly completed and signed PAL to the Authorised Selling Agent.

Applications for additional shares should be accompanied with the Application Money.

- b) Additional Shares applied for by Shareholders will be allocated by the Board of HF Group in accordance with the Allocation Policy to the extent only of any Additional Shares which will include any Untaken Rights. Please note that payment in respect of the Additional Shares applied for and not allocated will be refunded in accordance with Section 8.24 (Refund Policy) and will be free of interest. There will be no changes once the basis of allocation has been announced.
- c) Subject to Section 8.20 d) of this section, the Additional Shares will be allocated at the discretion of the Board.
- d) If any person applies for Additional Shares which might trigger the regulatory restrictions and obligations set out in Section 8.28 (Regulatory Restrictions) of this Section, the Directors reserve the right, at their sole discretion, not to allocate any Additional Shares to any such person.

## 8.21 Renunciation of Rights

The Rights are renounceable. Accordingly, Eligible Shareholders may elect to give up their Rights in full or in part. Shareholders who wish to decline their Rights do not need to do anything. Any Rights not taken up by Eligible Shareholders will form part of the Untaken Rights which will go into the pool of Additional Shares.

### 8.21.1 Renunciation of Rights by Trading on the NSE

- a) The Rights of the Eligible Shareholders with CDS Accounts will be credited to their CDS accounts and shall constitute a security tradeable on the NSE;
- b) Eligible Shareholders may sell their Rights on the NSE. A buyer of the Rights must ensure that the Form E is duly completed and signed as this will be *prima facie* proof of purchase of the Rights;
- c) Eligible Shareholders and third parties with CDS Accounts will be permitted to trade the Rights. In such an event, Eligible Shareholders who wish to sell their Rights in this way may instruct any Authorised Selling Agent to dispose any or all of such Rights by way of sale on the NSE;
- d) Rights may be traded on the NSE before 2nd December 2024 at 3pm,, the last day for trading of the Rights which will be 7 calendar days (both days inclusive) before the Closing Date. Following the last day for trading of the Rights, any buyer of such Rights shall be entitled to take up the Rights to the New Shares including the ability to apply for Additional Shares;
- e) Once the trade in Rights on the NSE is completed, the buyer or transferee of such Rights is required to submit the duly completed and signed Entitlement Form (Form E) together with proof of payment of the applicable Application Money to the Group or the relevant Authorised Selling Agent not later than 5.00 p.m. on the Closing Date. Failure to do so shall result in such Rights lapsing and the associated New Shares shall be treated as Untaken Rights; and
- f) The trading of the Rights on the NSE may attract a brokerage commission plus other statutory costs payable by the seller and buyer of such Rights.

### 8.21.2 Renunciation of Rights by Declining

- a) Eligible Shareholders who wish to decline their Rights need not take any further action. Any Rights not taken up by such Eligible Shareholders will as of the Closing Date will automatically be treated as Untaken Rights and will contribute to the pool of Additional Shares.

### 8.21.3 Renunciation by Private Transfer

- a) Eligible Shareholders are advised to contact an Authorised Selling Agent for the purposes of effecting the renunciation by private transfer;
- b) Eligible Shareholders wishing to transfer their Nil Paid Rights to a close relative or to an entity with the same beneficial ownership, may do so by way of private transfer, as per NSE rules;
- c) A close relative means a relationship supported by documentary evidence of a spouse, parent, sibling, child, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, grandchild or spouse of a grandchild;
- d) In order to effect a private transfer, both the Eligible Shareholder and the person to whom the Rights are being transferred to must have a CDS account and must duly complete a CDS Form 7 (Private Transfer Form);
- e) An Eligible Shareholder may split their Rights when renouncing via private transfer and Renounees must comply with the criteria set out in Section 8.21.3 b);
- f) If an Eligible Shareholder accepts some Rights and renounces the remainder by way of private transfer in the manner specified above, and where such renunciation is done via CDS Form 7, such Eligible Shareholder shall be required to submit the PAL Form, in addition to the resulting Form R, both duly completed and executed and accompanied with the Application Money in connection with the accepted Rights to the relevant Authorised Selling Agent or Receiving Agent, not later than on the Closing Date; and
- g) The last date and time for renunciation by way of private transfer is 2nd December 2024 at 3 p.m. on the Private Transfer Renunciation Date.

## 8.22 Application Money

- a) All payments shall be made in Kenya Shillings ("KES");
- b) Any fees payable in securing any of the payments shall be borne by the Eligible Shareholder, Entitlee or Renounee but not the Group or its Advisors/Authorised Selling Agents;
- c) All payments have to be made to the Receiving Bank (or via the Authorised Selling Agents) and shall upon receipt of the relevant amount in cleared funds, constitute acceptance of the Rights Issue on the terms and conditions set out in the IM and on the Form, but subject to Section 8.24 ("Refund Policy");
- d) No interest shall be payable by the Group, its Advisors nor the Authorised Selling Agents on any Application Money received for the Rights Issue;

- e) If a Financier is involved where the New Shares are to be used as security, payment can be made by the Financier as in Section 8.22 f);
- i) Eligible Shareholders may approach a financier for loan facilities to facilitate its participation and payment of the full amount due in respect of the Rights;
  - ii) The extension of loan facilities by any financier is a decision to be made by such financier, at its sole and absolute discretion and risk;
  - iii) The applicant and Financing Bank must complete a CDS Securities Pledge form (CDS 5 form) and record the pledge details on the PAL form;
  - iv) This Bank Guarantee will be submitted together with the CDS Securities Pledge form (CDS 5 form) and the PAL; and
  - v) Neither the Group nor the Board offers any advice, recommendation or guarantee in respect of an Eligible Shareholder seeking to approach or secure such financing.
- f) Payment of an Eligible Shareholders' Application Money for the New Shares shall be made in Kenya Shillings ("KES") by:

Payment Mode	Description	Proof of Payment
Mobile Money Transfer (M-PESA)	<ul style="list-style-type: none"> <li>Payment to be sent to the Paybill Number 100400 which will be provided by the Authorised Selling Agent with the account number being the unique PAL No that will appear on the Application Portal or the physical form for amounts up to KES 150,000 in one go, multiple payments can be made to reach the total amount due if above KES 150,000</li> </ul>	<ul style="list-style-type: none"> <li>Input the MPESA Payment Reference Codes on the PAL on the Application Portal or on the physical form</li> </ul>
Funds Transfer	<ul style="list-style-type: none"> <li>Payment via EFT or RTGS to the Receiving Bank account (Name: HF GROUP RIGHTS ISSUE TRUST ACCOUNT, Account No: 9783903324) or to the Authorised Selling Agent's account for onward transmission</li> </ul>	<ul style="list-style-type: none"> <li>Upload of payment remittance receipt to the Application Portal</li> <li>Attachment of payment remittance receipt to the physical form</li> </ul>
IBG	<ul style="list-style-type: none"> <li>IBGs shall be used in the format provided in APPENDIX V and should be authenticated by the guaranteeing bank via a Swift message forwarded to the Receiving Bank on or before 5.00pm on the Closing Date</li> <li>The IBG shall be drawn down at the sole discretion of the Group</li> </ul>	<ul style="list-style-type: none"> <li>The original IBG should be attached to the physical PAL</li> <li>If applying through the Application Portal, please upload a scanned copy and send the original to the Authorised Selling Agent</li> </ul>
ILU	<ul style="list-style-type: none"> <li>ILUs shall be used in the format provided in APPENDIX VI and forwarded to the Authorised Selling Agents on or before 5.00pm on the Closing Date</li> </ul>	<ul style="list-style-type: none"> <li>The original ILU should be attached to the physical PAL</li> <li>If applying through the Application Portal, please upload a scanned copy and send the original to the Authorised Selling Agent</li> </ul>

- g) Authorised Selling Agents on behalf of Eligible Shareholders may also make payment through a global payment;
- h) Payments made in accordance with Section 8.22 constitute acceptance of the Rights Issue upon the terms and conditions set out in the IM and in the PAL; and
- i) Eligible Shareholders with CDS Accounts are required to pay the Application Money in accordance with the PAL

### 8.23 Rejection Policy

Application will be rejected for the following reasons:

- a) The physical PAL is missing or has not been completed on the Application Portal;
  - b) Missing financing bank details in case of financed application;
  - c) Missing or illegible name of primary applicant/joint applicant/corporate applicant in any physical application;
  - d) Missing or illegible copy of identification document, including company registration number, certificate of corporate shareholders;
  - e) Missing account number or name for nominee applications;
  - f) Insufficient documentation;
  - g) Missing or illegible postal address and postal code;
  - h) Missing bank details and verification documents where mode of refund is indicated as electronic fund transfer and the bank mandate details are not provided on the Register;
  - i) Missing or inappropriately signed physical Application Form including:
    - Primary signature missing from signature box;
    - Joint signature missing from signature box;
    - One or more required signatories has/have not signed in the case of a corporate application;
    - Application bears stamps from two different Agents.
  - j) Applications submitted on the Application will be rejected if:
    - Missing identification information;
    - Missing proof of payment;
  - k) Issues relating to Payment
    - The payments is less than the value of the shares applied for; and
    - Cheques are used to make payment.
- b) Refunds in respect of applications for Additional Shares, where the allotted value is less than that applied for shall be in the form of MPESA or by way of Electronic Funds Transfer (EFT) by the Receiving Bank (where an Eligible Shareholder has valid EFT details in the PAL or has provided accurate EFT details to the Authorised Selling Agents);
  - c) In the event an Eligible Shareholder has no valid EFT details on the PAL, the Data Processing Agent will reach out to the Eligible Shareholder to get updated payment details. The Group will begin refunds to Eligible Shareholders from 23rd December 2024;
  - d) Eligible Shareholders are required to choose their preferred option of refund: (a) by EFT, against confirmation of bank details if such details are not mandated in the register or (b) MPESA against registered mobile number in the name of the Eligible Shareholder against proof of identity;
  - e) Where a financier has advanced money to an Eligible Shareholder to subscribe for New Shares, refunds will be made to or for the account of such financier; and
  - f) Neither Receiving Bank nor any Authorized Selling Agent will be responsible for any refund not received using the chosen method and account details provided by the Eligible Shareholder.

### 8.24 Refund Policy

- a) No interest shall be paid on any Application Monday to any Eligible Shareholder or other person taking the Rights. Any interest earned, if any, on any Application Money is payable to the CMA Investor Compensation Fund on the basis of the prevailing Central Bank Rate for the period between the Closing Date and the date of crediting of accounts or issuing refund payments;

### 8.25 New Shares

- a) Eligible Shareholders with CDS Accounts who comply with the procedures for acceptance as set out in this Information Memorandum, will receive their New Shares in electronic form by way of credit to their respective CDS Accounts. It is the responsibility of Eligible Shareholders to ensure that their CDS Account details set out in the PAL are correct.
- b) New Shares will be admitted on the NSE on 24th December 2024 with dealings of New Shares commencing on the same date.

## 8.26 **Untaken Rights and Allocation Policy**

- a) All Shareholders who apply for their New Shares in full shall receive the full number of New Shares as indicated in their PAL. New Shares not taken up shall form the Untaken Rights. The Untaken Rights may be allocated as Additional Shares in accordance with the Allocation Policy set out in Section 8.20 to Shareholders who duly submit applications for Additional Shares in accordance with Section 8.20;
- b) Any residual Untaken Rights not taken up even after the allocation in Section 8.20 may be allocated by the Board in their sole discretion subject to Section 8.28 (Regulatory Restrictions) and if not so allotted, will lapse; and
- c) If the result for the subscription makes the above Allocation Policy impractical, then an amendment to the Allocation Policy shall be made by the Board of Directors and such amendment will be announced within 24 hours of Board Approval.

## 8.27 **Foreign Investors**

- a) The Capital Markets (Foreign Investors) Regulations, 2002 (the **Foreign Investor Regulations**) provide that a foreign investor (**Foreign Investor**) is any person who is not a local investor. A local investor is defined to mean:
  - i) an individual being a natural person who is a citizen of an East African Community Partner State; or
  - ii) body corporate being a company incorporated under the Companies Act or such other similar statute or an East African Community Partner State in which the citizen or the Government of an East African Community Partner State have beneficial interest in 100% of its ordinary shares or any other body corporate established or incorporated in an East African Community Partner State under the provisions of any written law. An East African Community Partner State means States that are members of the East African Community.
- b) Foreign investors wishing to apply for the New Shares must satisfy themselves as to the full observance of the laws of the relevant territory and governmental and other consents to ensure that all requisite formalities are adhered to, and pay any issue, transfer or other taxes due in such territory. Before applying for and purchasing the New Shares, Foreign Investors are advised to consult their own professional advisers as to whether they require any governmental or other approvals or need to observe any applicable legal or regulatory requirements;
- c) This Information Memorandum and accompanying PAL do not, and are not intended to, constitute an offer for the New Shares in any place outside Kenya or in any circumstances where such offer or solicitation is not authorised or is unlawful. In that regard, this Information Memorandum and accompanying PAL may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction (other than Kenya) or in any circumstances where such offer or solicitation is not authorized or is unlawful. The distribution of this Information Memorandum and the accompanying PAL outside of Kenya may be restricted by law and persons who come into possession of this Information Memorandum and the accompanying PAL should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws of any jurisdiction. Any such recipient must not treat this Information Memorandum and PAL as constituting an offer to him, unless in the relevant jurisdiction, such invitation or offer could be made lawfully to him without contravention of any unfulfilled registration or legal requirements;
- d) In particular, the Rights Issue has not been, and will not be, registered under the United States' Securities Act, 1933 or under any other applicable securities laws of any state in the United States of America and, subject to certain exceptions, is not being made in the United States of America or to persons resident in the United States of America. The New Shares will be offered or sold only in an offshore transaction outside the United States of America within the meaning of and in compliance with Regulation S under the United States' Securities Act, 1933. In addition, an offer of New Shares within the United States by a dealer (whether or not participating in the Rights Issue) may violate the registration requirements of the United States' Securities Act, 1933 if such offer or sale is made otherwise than in accordance with Rule 144A under the United States' Securities Act, 1933;

- e) Each person who initially acquires New Shares or to whom any offer is made will be deemed to have represented, warranted and agreed to and with the Transaction Advisor and the Group that:
- i) It and any person for whose account it is subscribing for New Shares are outside the United States and is acquiring such New Shares in an offshore transaction within the meaning of and in compliance with Regulation S under the United States' Securities Act, 1933;
  - ii) it did not become aware of nor is it making any investment decision with respect to the New Shares as a result of any "directed selling efforts" within the meaning of Rule 902(c) of Regulation S under the United States' Securities Act, 1933; and
  - iii) it will not reoffer, re-sell, pledge or otherwise transfer or deliver any New Shares, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the United States' Securities Act, 1933 and all applicable securities laws of the states and other jurisdictions of the United States.

The Group and the Transaction Advisors, and others will rely upon the truth and accuracy of the foregoing acknowledgements, representations and agreements.

- f) Eligible Shareholders with a registered address in Kenya holding the Existing Shares on behalf of persons who are resident in a jurisdiction outside Kenya are responsible for ensuring that taking up the New Shares under the Rights Issue does not breach securities laws in that other jurisdiction. The return of a duly completed PAL in accordance with this Information Memorandum will not be deemed as a representation that there has been no breach of such laws.

## 8.28 Regulatory Restrictions

- a) Eligible Shareholders are requested to note that the Group is subject to the provisions of the Capital Markets Act, which, for the purposes of the Rights Issue are the provisions summarised below. Eligible Shareholders are required to seek their own advice in connection with these matters. The Board may take the said provisions into account when determining the allocation of any Additional and Untaken Rights to applicants for New Shares;

- b) HF Group is subject to the Capital Markets (Take-overs and Mergers) Regulations, 2002 ("Take-over Regulations"), which state that any shareholder seeking to acquire shares in excess of 25% must apply to the CMA to seek exemption from making a takeover offer if they do not desire to do so;

- c) HF Group is also subject to the provisions of the Banking Act. Notable, for purposes of the Rights Issue are the provisions summarized below. Shareholders are required to seek their own advice in connection with these matters. The Board of Directors may take the said provisions into account when determining the allocation of any Untaken Rights to applications for Additional Shares.

- i) Sections 9A (2) and (4)(b) of the Banking Act preclude any person from becoming a "significant shareholder", being a person, other than the Government of Kenya or a public entity who holds directly or indirectly or otherwise has a beneficial interest in more than 5% of the share capital of a bank, financial institution or mortgage finance company, unless such person has been certified by the Central Bank of Kenya as a fit and proper person.

- ii) Section 13(1) of the Banking Act prohibits particular classes of persons from owning, directly or indirectly, or otherwise having a beneficial interest in more than 25% of the share capital in a bank, financial institution or mortgage finance company.

## 8.29 Taxation Implications

- a) Shareholders interested in participating in the Rights Issue should consult their tax advisors of any possible tax implications connected with the Rights Issue. Therefore, HF Group and the Directors consider it inappropriate to provide detailed advice in respect of taxation consequences in connection with the Rights Issue save for what is expressly set out in this IM.

- b) Neither HF Group nor any of its Directors, officers or advisors accepts any liability for any tax implications of Shareholders in connection with the Rights Issue.

- c) Kenyan shareholders are subject to withholding tax on dividends at a rate of 5%. Foreign Shareholders will be subject to a withholding tax rate of 15%.

### 8.30 **Governing Law**

The Rights Issue documents and any contract resulting from the acceptance of an application to purchase the Offer Shares shall be governed by and construed in accordance with the Laws of Kenya and it shall be a term of each such contract that the parties thereto and all other interested parties submit to the exclusive jurisdiction of the Courts of Kenya.

### 8.31 **Expenses of the Offer**

The table below captures the expenses of the Offer assuming there is no greenshoe option.

*Table 9: Expenses of the Offer*

<b>Expense</b>	<b>Total (KES)<sup>6</sup></b>
Transaction Advisor and Sponsoring Broker*	46,153,700
Placement Commission*	69,230,550
Legal Advisor	3,045,000
Reporting Accountant	5,223,000
Data Processing Agent and Portal Fee	6,550,000
Marketing and Public Relations	80,000,000
CMA Approval Fees	11,538,425
NSE Approval Fees	500,000
<b>Total</b>	<b>222,240,675</b>

\*Placement commission computed at 1.5% for NSE Trading Participants for successfully allotted applications

The Transaction costs account for Kenya Shillings 4.82% of the Offer amount.

<sup>6</sup>These figures are exclusive of VAT (where applicable) and may be subject to change