



JUBILEE HOLDINGS LIMITED

**PROPOSED STRATEGIC PARTNERSHIP WITH ALLIANZ SE IN RESPECT OF GENERAL
INSURANCE BUSINESS**

CIRCULAR TO SHAREHOLDERS



THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This circular is issued by Jubilee Holdings Limited (“Jubilee” “JHL” or “the Company”) and has been prepared in compliance with the requirements of the Capital Markets Act (CAP 485A of the Laws of Kenya); the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 and the Nairobi Securities Exchange Listing Manual. The Capital Markets Authority (“CMA”) has approved the issue of this Circular. As a matter of policy, the CMA assumes no responsibility for the correctness of any statements or opinions made or reports contained in this Circular.

The responsibility for preparation of this Circular resides with the Company which accepts responsibility for the accuracy and completeness of the information, reports or opinions expressed, contained or referred to in this Circular.

If you have disposed of all your shares in the Company, please forward this document and the attached proxy to the purchaser or transferee, or to the stockbroker, banker or other agent through whom the sale or transfer was effected, for the delivery to the purchaser or transferee.

If you are currently a shareholder but unable to attend the Annual General Meeting (“AGM”) on 15 December 2020, please complete the form of proxy and lodge with the Company Secretary at the Company’s Head Office situated at Jubilee Insurance Centre, Nairobi or email to info@jubileekenya.com not later than 11:00 a.m. on 14 December 2020. A form of proxy is enclosed at the end of this Circular.

CIRCULAR TO SHAREHOLDERS

The proposed transaction involves the creation of a strategic partnership with Allianz SE in respect of the short-term general (property and casualty) insurance business in Kenya, Uganda and Tanzania and the short-term insurance business in Burundi and Mauritius by the:

- 1) restructuring of existing Jubilee subsidiaries in Tanzania and Uganda by way of (i) a transfer of the short-term general insurance business to a newly-created subsidiary in Tanzania and (ii) transfer of medical insurance business to a newly-created subsidiary in Uganda;
- 2) sale of a controlling interest in five subsidiary companies (each a “Target Company”) by Jubilee, and affiliates of Jubilee, to Allianz Africa Holding GmbH whilst retaining a significant minority stake in each of the Target Companies;
- 3) transfer of the insurance portfolio and specified assets and liabilities of Allianz Insurance Company of Kenya Limited to Jubilee General Insurance Company Limited – the Target Company in Kenya; and
- 4) entry into shareholders’ agreements in respect of each of the Target Companies and other Transaction Documents.

A notice of the AGM of the Company to be held on 15 December 2020 at 11.00 a.m., via electronic communication in accordance with the provisions of section 280 of the Companies, Act, 2015 and pursuant to a Court Order issued by the High Court of Kenya in Miscellaneous Application No. E680 of 2020 on Wednesday 29 April 2020 and upon receipt of no objection from the Capital Markets Authority, will be published in the media on 23 and 24 November 2020. A copy of the notice may be viewed on Jubilee Holdings Limited’s website at www.jubileeinsurance.com.



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PART 1: GENERAL

1.1 Key dates

Latest time to return proxy forms for the AGM	11:00 a.m. on 14 December 2020
The AGM	11.00 a.m. on 15 December 2020

The above timetable is indicative only. The Company may vary any of the above dates without notice, subject to the Capital Markets Act, the NSE Listing Rules and other applicable law.



1.2 Terms and Definitions

In this Circular, unless otherwise stated and as the context allows, the words in the first column have the meaning stated opposite them in the second column. Words in the singular include the plural and vice versa, words signifying one gender include the other gender and references to a person include reference to juristic persons and associations of persons

“Act”	The Companies Act, (Act No. 17 of 2015, Laws of Kenya);
“Agreement”	the framework agreement entered between Jubilee, Allianz and AKFED on 29 September 2020 that sets out the terms of the Proposed Transaction, the salient terms of which are set out in PART 5: of this circular;
“AKFED”	Aga Khan Fund for Economic Development S.A incorporated in Switzerland with company number CHE-103.248.749;
“Allianz”	Allianz Africa Holding GmbH whose registered office is at Königinstrasse 28, 80802, Munich, Germany (registered in Germany, with company number 249923);
“Allianz Group”	Allianz SE and its subsidiaries – including Allianz and Allianz Kenya;
“Allianz Kenya”	Allianz Insurance Company of Kenya Limited, a private limited company incorporated in Kenya with registered number CPR/2014/129953 and currently a subsidiary of Allianz SE
“Allianz SE”	a holding company incorporated in Germany and listed on German securities exchanges that is the parent company of both Allianz and Allianz Kenya;
“AKFED Consideration”	aggregate consideration to be paid by Allianz to AKFED in respect of Sale Shares in each Target Company as set out in more detail in 5.1.2;
“Articles of Association”	the articles of association of the Company;
“AGM”	the Annual General Meeting of the Company to be held on the date and time as mentioned in Part 1 – Key Dates;
“BIF”	Burundi Francs;
“billion” or “bn”	One thousand million i.e. 1,000,000,000;
“Board”	the board of directors of the Company;
“CMA”	the Capital Markets Authority established under the Capital Markets Act (CAP 485A, the Laws of Kenya);
“Company” or “Jubilee” or “JHL”	Jubilee Holdings Limited, a public limited liability company (incorporated in Kenya under registration number C. 7/37) and listed on the Nairobi Securities Exchange and cross-listed on the Uganda Securities Exchange and the Dar-es-Salaam Stock Exchange;
“Completion”	completion of the sale and purchase of Sale Shares of, in context, JK (JK Completion), JT (JT Completion), JU (JU Completion), JB (JB Completion) and JM (JM Completion);
“DSE”	Dar-es-Salaam Stock Exchange;
“EUR”	Euros;
“GAAP”	Generally Accepted Accounting Principles;



“IFRS”	International Financial Reporting Standards;
“IFRS NAV”	means the reported book carrying value of assets less the reported book carrying value of liabilities less non-controlling interests extracted from financial statements prepared in accordance with IFRS as at a specified date;
“IFRS PAT”	means the reported profit after tax attributable to shareholders of the parent reported in financial statements prepared in accordance with IFRS for a specified period;
“JB”	Jubilee Insurance Company of Burundi S.A., a private company incorporated in Burundi with registered number 72973;
“JK”	Jubilee General Insurance Limited, a private limited liability company incorporated in Kenya with registered number PVT-8LUYEXV;
“JM”	Jubilee Insurance Company of Mauritius Limited, a private company incorporated in Mauritius with registered number C17369;
“JT”	a new Tanzanian short-term general insurance company which will be incorporated after the date of this Circular and to which the Target Business in Tanzania will be transferred;
“JU”	Jubilee Insurance Company of Uganda Limited, a private company incorporated in Uganda with registered number 80010000236233;
“JICL”	The Jubilee Investments Company Ltd, a private limited company incorporated in Uganda with registered number 80010000227740 / P394
“JICBL”	Jubilee Investments Company of Burundi, a private limited company incorporated in Burundi with registered number 72974;
“JITL”	Jubilee Investments Tanzania Ltd, a private limited company incorporated in Tanzania with registered number 66278;
“JUMedco”	a new Ugandan short-term medical and health insurance company which will be incorporated after the date of this Circular and to which the medical and health business in Uganda will be transferred;
“Jubilee Consideration”	aggregate consideration to be paid by Allianz to Jubilee and its subsidiaries in respect of Sale Shares in each Target Company as set out in more detail in 5.1.2;
“Jubilee Group” or “the Group”	Jubilee Holdings Limited and its subsidiaries;
“KES”	Kenya Shillings;
“LTM”	Last twelve months to a specified date:
“MUR”	Mauritian Rupees;
“Net Assets”	means the reported book carrying value of assets less the reported book carrying value of liabilities;
“NSE”	the Nairobi Securities Exchange;
“Ordinary Share”	an ordinary share at par value in the Company;
“POS Regulations”	the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 issued by CMA and applicable to the Company as a company listed on NSE and cross-listed on other regional exchanges;

“Property and Casualty Insurance” or “P&C” or “General Insurance”	Insurance that covers motor, fire, theft, aviation, engineering, marine, liability, personal accident, and workmen’s compensation risks but excluding medical and health insurance and life insurance;
“Proposed Transaction”	<ul style="list-style-type: none"> (i) incorporation of JT and JUMedco and separation of short-term general and medical insurance businesses in Tanzania and Uganda respectively, (ii) sale of Sale Shares in each Target Company to Allianz and described in 5.1.2, and (iii) Transfer of business and assets of Allianz Kenya to JK;
“Sale Shares”	Ordinary shares in each of JK, JT, JU, JB and JM to be sold to Allianz;
“Target Businesses”	business activities carried out by each of the Target Companies in their respective countries that involves (i) in the case of JK, JT and JU underwriting and distributing short-term property and casualty insurance together with the provision of services that are ancillary to that underwriting and distribution activity and (ii) in the case of JM and JB underwriting and distribution of short-term property and casualty, medical and health insurance together with the provision of ancillary services that are ancillary to that underwriting and distribution activity
“Target Companies”	JK, JT, JU, JB and JM (and each a “Target Company”)
“Total Consideration”	sum of Jubilee Consideration and AKFED Consideration to be paid by Allianz in respect of Sale Shares in each Target Company that it intends to purchase under the terms of the Transaction Agreements as set out in further detail in 5.1.2;
“Transaction Documents”	collectively (i) the Agreement (ii) the shareholders’ agreement in relation to each Target Company (iii) the share purchase agreements in respect of each Target Company; (iv) the transitional services agreement (v) a brand licence agreement in relation to the Allianz brand; (vi) a brand licence agreement in relation to the Jubilee brand; and (vii) such other legal agreements or documents as may be agreed between the parties from time to time;
“TZS”	Tanzanian Shillings;
“UGX”	Ugandan Shillings;
“USD”	United States Dollars; and
“USE”	the Uganda Securities Exchange.



1.3 Corporate information on the Company

Name	Jubilee Holdings Limited, a public company incorporated in Kenya under company registration number C.7/37 and which is listed on the NSE and cross-listed in the USE and the DSE.
Registered Office	LR 209/3526 Jubilee Insurance House, Wabera Street Nairobi, P.O. Box 30376, 00100 Nairobi, Kenya
Issued Share Capital	KES 362,365,000 divided into 72,472,950 ordinary shares of KES 5 par value each.
Core business	Holding company with insurance and asset management subsidiaries in Kenya, Uganda, Tanzania, Burundi and Mauritius engaged in provision of long-term insurance, short-term general insurance, health insurance and asset management services.

Directors

Name	Address	Nationality
Mr. Nizar Juma	P.O. Box 30376 00100 NBO	Kenyan
Mr. Sultan Ali Allana	P.O. Box 30376 00100 NBO	Pakistani
Mr. Lutf Kassam	P.O. Box 30376 00100 NBO	Kenyan
Mr. John Metcalf	P.O. Box 30376 00100 NBO	British
Mrs. Jane Mwangi	P.O. Box 30376 00100 NBO	Kenyan
Mr. Juma Kisaame	P.O. Box 30376 00100 NBO	Ugandan
Mr. Shabir Abji	P.O. Box 30376 00100 NBO	Tanzanian
Mr. Zul Abdul	P.O. Box 30376 00100 NBO	Kenyan
Mr. Ashif Kassam	P.O. Box 30376 00100 NBO	Kenyan

Company Secretary
Mrs. Margaret Kipchumba
Certified Public Secretary (Kenya) (CPS Number 1367)
Jubilee Insurance House,
Wabera Street Nairobi,
P.O. Box 30376, 00100
Nairobi, Kenya

Share Registrar
Jubilee Holdings Limited

Advisors

Independent Transaction Adviser	Legal Adviser
Stanbic Bank Kenya Limited Stanbic Centre, Westlands Road P.O. Box 72833-00200, Nairobi, Kenya	CMS Daly Inamdar Advocates ABC Towers ABC Place, Waiyaki Way, Westlands 00100 Nairobi Kenya
Contact: Mr. Naval Sood	Contact: Ms Ashwini Bhandari



PART 2: LETTER FROM THE CHAIRMAN OF JUBILEE HOLDINGS LIMITED

Jubilee Holdings Limited
Jubilee Insurance House
Wabera Street, Nairobi
P.O. Box 30376, 00100
Nairobi, Kenya

20 November 2020

Dear Shareholder

Strategic partnership with Allianz SE in respect of the short-term general insurance business

On behalf of the Board, I am pleased to invite you to consider and approve (i) the sale of controlling interests in four existing subsidiary companies of Jubilee and (ii) the creation of two additional subsidiary companies in Uganda and Tanzania to be followed by the sale of controlling interests in one of the new subsidiaries as part of the implementation of the steps to establish a strategic partnership with Allianz SE with respect to the short-term general insurance business in Kenya, Uganda and Tanzania and the short-term insurance business in Burundi and Mauritius.

1. Background

On 29 September 2020, your Board issued a Cautionary Notice informing shareholders that the Jubilee Board had entered into a set of binding agreements with Allianz to establish a long-term strategic partnership in respect of Jubilee's short-term general insurance businesses in Kenya, Uganda, Tanzania and its short-term general and medical insurance business in Burundi and Mauritius.

The notice further explained that implementing the proposed partnership would involve Allianz becoming a co-shareholder in five companies that are currently, or will be established as, subsidiaries of Jubilee by purchasing controlling interests of between 51% and 66% in these Target Companies and Jubilee remaining as a significant minority shareholder in these Target Companies. The proposed transaction also involves Allianz transferring the business and assets of its subsidiary in Kenya – Allianz Kenya Limited – to Jubilee General Insurance Limited ("JK") that will be the jointly owned Target Company operating in Kenya.

The cautionary notice stated that completion of these sale and purchase transactions would be subject to receipt of regulatory approvals and also to conditions that are usual and customary to transactions of this nature, including approval from Jubilee's shareholders.

2. Information on Allianz and reasons for the proposed strategic partnership

The Allianz Group is one of the leading integrated financial services providers worldwide – with services predominantly in the insurance and asset management business. Headquartered in Germany, Allianz Group serves more than 100 million retail and corporate customers in more than 70 countries worldwide and has over a century of history in Africa, where it has built and developed its footprint across the continent. It is currently present in 12 countries in Africa and serves customers in 49 African markets. Globally, Allianz Group achieved total revenues of EUR 142 billion (KES 18 trillion) and an operating profit of EUR 11.9 billion (KES 1.5 trillion) in 2019. Further details of the Allianz Group are available on its website <https://www.allianz.com/en/about-us.html>.

Over the past decade, your Board has been approached by a number of international insurers looking to partner with Jubilee to expand into East Africa. With Allianz, the Board identified a potential partner whose strategic aims are aligned to Jubilee's and whose expertise in the general insurance business is able to enhance the range and depth of products and risk management solutions that we can offer to our customers.



In particular, your Board believes that Allianz has expertise across a wide spectrum of clients and insurance needs and that the proposed partnership will foster growth in the East African markets through delivering innovative solutions and superior quality service made possible by the combined expertise of both organizations.

As an example, the proposed partnership would draw on Allianz's proven expertise in retail, digital insurance, and in micro-insurance deployed in several developing markets across the world; this, coupled with Jubilee's well established reputation, market presence, distribution networks, local experience and expertise will allow the partnership to offer innovative, affordable and technically advanced products to a growing section of the regional population, supporting our ambition to increase insurance awareness and accessibility. Further, the proposed partnership aims to build an enhanced ability to provide comprehensive and effective expertise and solutions, with best practice in underwriting and claims processing to support the growing corporate, multinational and cross-border business sector in East Africa through combining the best of Jubilee and Allianz and deploying Allianz's global insurance solutions.

3. Scope of the planned long-term strategic partnership

As you know, today, your company engages in the provision of a wide range of insurance and asset management services in Kenya, Uganda, Tanzania, Burundi and Mauritius. These services include long-term life insurance and pensions services and short-term insurance services comprising general (property and casualty) insurance and medical / health insurance.

The scope of the proposed partnership is currently limited to underwriting and distributing short-term property and casualty insurance in Kenya, Uganda and Tanzania and underwriting and distributing short-term property and casualty, medical and health insurance in Burundi and Mauritius.

Jubilee will continue to serve its life and medical insurance clients with increased focus on these rapidly growing insurance segments across our core markets.

4. The Proposed Transaction

4.1. Separation of businesses in Tanzania and Uganda

In Kenya, following approvals from the Insurance Regulatory Authority, The Jubilee Life Insurance Limited (formerly The Jubilee Insurance Company Kenya Limited) transferred its short-term general insurance business to JK and, at the same time, transferred its short-term medical insurance business to Jubilee Health Insurance Limited as set out in Gazette Notice Nos. 12214 and 12215 dated 24 December 2019. In Burundi and Mauritius, the short-term insurance businesses are already conducted via separate subsidiary companies.

However, in Tanzania and in Uganda, Jubilee subsidiaries carry out both short-term general and medical insurance businesses. Consequently, in preparation for implementation of the proposed strategic partnership, your company intends to complete a corporate restructuring exercise in both Tanzania and Uganda to (i) create a new subsidiary company in Tanzania and transfer the short-term general insurance business to that new subsidiary company, and (ii) create a new subsidiary company in Uganda and transfer the medical business to that new subsidiary leaving the existing subsidiary company with the short-term general insurance business.

These separation transactions involve an internal group reorganisation of existing businesses. Consequently, these transactions are not expected to have any material impact on the consolidated earnings and financial position that Jubilee Group reports.

4.2. Transfer of controlling interests in Target Companies to Allianz

4.2.1. Equity stakes to be transferred

As described more fully in 5.1 to implement the proposed partnership, the Agreement specifies that Allianz will buy controlling stakes in the Target Companies as set out in the table below from JHL and its affiliated Companies. Further details of the current shareholding, shares to be sold and the anticipated shareholding in each Target Company are set out in Annexure 1 to this circular.

Target Company	Jubilee Group	AKFED	Others	Allianz	Total
JK - now	100%	0%	0%	0%	100%
JK - after	34%	0%	0%	66%	100%
JT – once incorporated	51%	15%	34%	0%	100%
JT - after	15%	0%	34%	51%	100%
JU - now	65%	35%	0%	0%	100%
JU - after	34%	0%	0%	66%	100%
JB - now	70%	0%	30%	0%	100%
JB - after	19%	0%	30%	51%	100%
JM - now*	88%	12%	0%	0%	100%
JM - after	34%	0%	0%	66%	100%

Note * - after completion of planned share reorganisation

As can be seen from the table above, the planned transactions will mean that Jubilee retains significant minority stakes in each of the Target Companies that it intends to continue to hold for the long-term. Your Board has negotiated that these stakes will entitle Jubilee to representation on the Boards of each of these Target Companies and to protective rights that are usual and customary for this level of shareholding. The completion of the sale and purchase transactions outlined above will mean that the Target Companies are no longer classified as subsidiary companies but, instead, will be classified as associated companies given that the size of Jubilee's shareholding and contractual rights will enable Jubilee to exercise significant influence (but not control) over each of the Target Companies.

4.2.2. Consideration

The Agreement specifies that Allianz will pay aggregate cash consideration to Jubilee and AKFED for the Sale Shares that Allianz purchases in each of the Target Companies as set out in more detail in 5.1.2. This consideration is the equivalent of approximately Kenya Shillings Ten Billion Eight Hundred and Eighty Million (KES 10,880,000,000) at current exchange rates. Of this sum, the Jubilee Group is entitled to consideration that equates to approximately Kenya Shillings Seven Billion Seven Hundred and Eighty million (KES 7,780,000,000) for the Sale Shares.

The Agreement also specifies that fifteen percent (15%) of the aggregate cash consideration for each of the Target Companies (reducing to twelve percent (12%) on completion and approval of the Completion Accounts as provided for in the Agreement) will be held in an escrow account for a period of two years to secure potential amounts that Allianz may be entitled to claim under warranty and indemnity arrangements. Jubilee will however be entitled to earn interest on these escrow funds.

4.2.3. Use of proceeds

Your Board intends to reinvest the proceeds from the sale to accelerate the expansion of its remaining life and medical businesses and invest the balance in financial instruments and other investments to earn competitive investment returns.

4.3. Transfer of business of Allianz Kenya to Jubilee General Insurance Limited

Allianz currently owns, indirectly, a 100% equity stake in Allianz Kenya, a company that is engaged in the provision of short-term general and medical insurance services. Allianz Kenya launched operations in 2015 and is at an early stage of development. Allianz Kenya reported gross premiums written of



KES 910 million in 2019 which represents a 0.7% market share of total gross short-term premiums written in Kenya for that year of KES 130,516 million as reported by the Insurance Regulatory Authority.

The Agreement provides that, following receipt of the required regulatory approvals and Allianz becoming a majority shareholder in JK, Allianz will arrange for the business, insurance portfolio and specified assets and liabilities of Allianz Kenya to be transferred to JK for a cash consideration equal to Kenya Shillings Three Hundred and Twelve Million Seven Hundred and Eighty-four Thousand and Sixty-Seven (KES 312,784,067).

As this transfer will take place after JK has ceased to be a subsidiary of Jubilee and as the financial implications of the proposed transaction are not material in the context of the Jubilee Group, your Board considers that completion of this aspect of the Proposed Transaction is unlikely to have any material impact on the Jubilee Group's consolidated earnings and financial position that the Jubilee Group reports.

Part 3 of this Circular sets out further details of the Target Businesses to be sold and of Allianz Kenya and an assessment of the commercial terms of the Proposed Transaction. Part 4 sets out the likely impact of the Proposed Transaction on Jubilee's reported financial statements. Part 5 sets out further details of the Transaction Agreements.

5. Recommendation

Your Board has carefully considered the terms set out in the Transaction Documents in respect of the proposed long-term strategic partnership in light of the relevant circumstances and factors outlined in this Circular, and having done so, together with the advice received from our independent transaction advisor, is satisfied that the Proposed Transaction is in the best interests of your Company. The Board also confirms that each director of Jubilee who holds shares in Jubilee, together with his/her family members and related trusts, intends to vote in favour of the Proposed Transaction. The Board therefore recommends to the Jubilee shareholders that they approve the Proposed Transaction.

Yours faithfully

A handwritten signature in blue ink, appearing to read "Nizar Juma".

Nizar Juma
Chairman

PART 3: COMMERCIAL RATIONALE FOR THE PROPOSED TRANSACTION

3.1 Information on the Target Businesses

3.1.1 Nature of Target Businesses that are the subject of the Proposed Transaction

As you are aware, your Company through its subsidiaries in Kenya, Uganda, Tanzania, Burundi and Mauritius (together forming the Jubilee Group) underwrites life and non-life insurance risks, such as those associated with death, disability, health, property and liability. The Group also issues a diversified portfolio of investment contracts to provide its customers with asset management solutions for their savings and retirement needs.

In 2017 and 2018, the Group organised its businesses into three operating segments – investments, long-term insurance business and short-term insurance business. Investments relates to investments in the energy sector through the Bujagali Power and Tsavo Power projects, in property development through PDM and in manufacturing and services sectors through entities such as Seacom and Farmers Choice Limited as well as investments in financial instruments. Long-term insurance business relates to the underwriting of life risks relating to insured persons, the issue of investment contracts and the administration of pension funds, whilst short-term insurance business relates to underwriting of property and liability insurance business and medical insurance business. In 2019, the Group reorganised its operating segments into four operating segments – investments, long-term insurance, short-term general (property and casualty) insurance and medical insurance segments but continued to report the net financial position for the short-term general insurance and medical insurance segments on a combined basis.

As set out earlier, the Proposed Transaction is only in respect of the short-term general insurance business carried out by the Group in Kenya, Uganda, and Tanzania and the short-term insurance (general and medical) insurance business in Burundi and Mauritius (collectively the “Target Businesses”). Consequently, the Proposed Transaction excludes the remaining parts of Jubilee Group’s business such as investments and long-term insurance in Kenya, Uganda, Tanzania and Burundi and the short-term medical insurance business in Kenya, Uganda and Tanzania that the Jubilee Group will retain and continue to grow and develop.

3.1.2 Estimating the Target Businesses’ historical financial contribution to the Group

As the Proposed Transaction relates to only the Group’s Property and Casualty business and will mean that your Group reduces its ownership interest in the Target Companies carrying out the Target Businesses from a controlling ownership stake to a significant minority stake – your Board appreciates that shareholders will wish to understand the historical financial contribution of these Target Businesses to the consolidated earnings and financial position that your Group has reported.

To provide this information, your Board has prepared estimates of the profit after tax and accounting book net asset value attributable to the Target Businesses for the past three annual financial periods to 31 December 2019 as well as the six- month period to 30 June 2020 and has set out these estimates in the sections that follow.

Whilst the assets and liabilities relating to the Target Businesses in Kenya, Uganda and Tanzania have not been reported separately from other short-term insurance businesses in the financial periods to 30 June 2020, the Group companies maintain separate accounting records for each major line of business allowing for the estimation of historical financial contribution attributable to the Target Businesses. This means that the accounting records allow for certain assets and liabilities to be attributed to the Target Businesses directly – other assets (particularly investment assets) and liabilities (particularly accruals, provisions and taxes) cannot be directly attributed to the Target Businesses.

Similarly, whilst the accounting records do allow for elements of the statement of comprehensive income attributable to the Target Businesses – particularly gross and net earned premiums, expenses and underwriting profits – to be extracted directly from the accounting records, this is not the case for other elements particularly investment income, profit before tax, income tax and profit after tax.



Consequently, the Board has estimated the allocation of such elements in preparing the carve out financial statements presented in this section.

Under the terms of the Agreement, as explained further in 5.1.5, Jubilee is obliged to create new subsidiary companies in Tanzania and Uganda and (i) to transfer the short-term general insurance business to the new subsidiary in Tanzania and (ii) transfer the medical business to the new subsidiary company in Uganda. This will be effected before the transfer of shares in each of those companies can be completed. Further, Jubilee is obliged to ensure that all Target Companies meet minimum solvency or capital adequacy regulatory requirements and report accounting book net assets of more than a specified minimum amount as at the date of completion and the Agreement specifies the nature and composition of the assets and liabilities at the date of completion.

Consequently, your Board has adopted the following principles to estimate the assets and liabilities and earnings attributable to the Target Businesses for the accounting periods ended 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020.

- i. Prepared proforma statement of financial positions for each Target Company as at 31 December 2019 and 30 June 2020 by allocating specific assets and liabilities to each Target Business such that the Target Company would have reported the target accounting net asset value specified in the Agreements.
- ii. Based on these proforma statements of financial position, estimated the proportion of shared expenses and investment income and income taxes attributable to each Target Company for the periods ended 31 December 2017, 31 December 2018, 31 December 2019 and 30 June 2020 to be added to underwriting profits attributable to each Target Business to estimate the resulting attributable profit after tax.

The results of this analysis are set out in the sections that follow.

3.2 Historical contribution of Target Businesses to Jubilee Group

3.2.1 Proforma carve-out statement of financial position

The table below sets out a proforma carve-out summary statement of financial position showing the estimated financial assets and liabilities that the Targeted Businesses would have reported at the end of each financial period from 2017 to June 2020 had the businesses been classified as a separate operating segment.

Table 1: Proforma carve-out statement of financial position for Target Businesses 2017 to June 2020

Carve-out summary statement of financial position attributable to Target Businesses	As at	As at	As at	As at
	31 Dec 17	31 Dec 18	31 Dec 19	30 Jun 20
	KES bn	KES bn	KES bn	KES bn
Assets				
Fixed and intangible assets	0.17	0.19	0.33	0.32
Investment in Financial assets	5.63	6.37	5.75	6.99
Insurance Receivables	9.74	8.85	9.90	9.97
Other assets	0.46	0.97	1.03	0.83
Cash and bank balances	0.73	0.69	1.81	1.07
Total assets	16.74	17.07	18.81	19.19
Liabilities				
Insurance contract liabilities	-5.95	-4.94	-6.73	-6.73
Provision for unearned premium	-4.72	-4.69	-4.85	-4.67
Payables arising from reinsurance	-1.28	-1.42	-1.20	-0.91
Other payables	-0.78	-1.22	-1.91	-2.69
Current income tax payable	0.01	-0.10	-0.05	-0.09
Total Liabilities	-12.71	-12.37	-14.74	-15.09
Net Assets	4.02	4.70	4.07	4.09

Source: Jubilee management analysis

The table below sets out a comparison of the total assets, total liabilities and net assets attributable to the Target Businesses with the equivalent amounts reported in the Group consolidated financial statements.

Table 2: Contribution of Target Business to Group total assets and total liabilities

Extracts from reported Group consolidated statement of financial position	As at	As at	As at	As at
	31 Dec 17	31 Dec 18	31 Dec 19	30 Jun 20 (un-audited)
	KES bn	KES bn	KES bn	KES bn
Total Assets	104.97	114.19	130.08	140.11
Total Liabilities	-80.39	-86.83	-99.56	-107.82
Net Assets	24.58	27.35	30.52	32.29
Less non-controlling interests	-1.68	-1.89	-2.27	-2.58
IFRS NAV and Shareholder Equity	22.90	25.47	28.25	29.71
<i>Target Business share of reported Group total assets and total liabilities</i>				
Total Assets	15.9%	14.9%	14.5%	13.7%
Total Liabilities	15.8%	14.2%	14.8%	14.0%
Net Assets	16.4%	17.2%	13.3%	12.7%

Source: Jubilee management analysis, Jubilee Group audited financial statements for financial years 2017, 2018 and 2019 and unaudited half year report to 30 June 2020

As shown in the table above, the Target Businesses accounted for 12.7% of Group total net assets as at 30 June 2020.

After completion of the Proposed Transaction, your Group will continue to own controlling interests in operating subsidiaries engaged in long-term insurance business in Kenya, Uganda, Tanzania and Burundi and in short-term medical insurance business in Kenya, Uganda and Tanzania. These

remaining subsidiaries together with the investments that the group holding company has made in its own name account for the remaining 87.3% of reported Net Assets as 30 June 2020.

3.2.2 Proforma carve out statement of profit and loss

The table below sets out a proforma carve-out summary statement of profit and loss showing the key summary profit and loss components that Targeted Businesses would have reported at the end of each financial period from 2017 to June 2020 had the businesses been classified as a separate operating segment.

Table 3: Proforma carve-out statement of profit or loss for Target Businesses 2017 to June 2020

Carve-out statement of profit or loss attributable to Target Businesses	12 months ended 31 Dec 17	12 months ended 31 Dec 18	12 months ended 31 Dec 19	6 months ended 30 Jun 20
	KES bn	KES bn	KES bn	KES bn
Gross written premiums	11.00	11.05	11.76	5.88
Net earned premiums	6.09	6.00	6.36	3.25
Investment income	0.65	0.70	0.64	0.37
Commissions earned	1.12	1.22	1.24	0.59
Other income	0.02	0.06	0.14	0.01
Total income less reinsurance	7.89	7.98	8.39	4.22
Net claims incurred	-3.26	-3.24	-4.18	-1.60
Operating and other expenses	-1.95	-1.97	-2.31	-1.05
Commissions expense	-1.50	-1.49	-1.57	-0.81
Profit before tax	1.19	1.29	0.33	0.77
Income tax (expense) / credit	-0.28	-0.36	-0.21	-0.23
Profit for the year	0.91	0.93	0.12	0.53

Source: Jubilee management analysis

The table below sets out a comparison of components of the statement of profit or loss attributable to the Target Businesses with the equivalent amounts reported in the Group consolidated financial statements.

Table 4: Contribution of Target Business to Group consolidated profit and loss components

Extracts from reported Group consolidated statement of profit or loss	12 months ended 31 Dec 17	12 months ended 31 Dec 18	12 months ended 31 Dec 19	6 months ended 30 Jun 20 (Un-audited)
	KES bn	KES bn	KES bn	KES bn
Gross premiums written	26.94	26.90	29.81	15.52
Net earned premiums	19.19	17.25	19.49	10.15
Total income less reinsurance	31.27	27.94	32.83	13.95
Profit before tax	5.16	5.34	5.01	1.83
Profit after tax	4.23	4.13	4.02	1.77
<i>Target Business share of consolidated amount reported</i>				
Gross premiums written	41%	41%	39%	38%
Net earned premiums	32%	35%	33%	32%
Total income less reinsurance	25%	29%	26%	30%
Profit before tax	23%	24%	7%	42%
Profit after tax	22%	23%	3%	30%

Source: Jubilee management analysis, Jubilee Group audited financial statements for financial years 2017, 2018 and 2019 and unaudited half year report to 30 June 2020

As set out in the table above, your Board estimates that the Target Businesses have contributed between 32% and 35% to total income less reinsurance that the Group reported in the period. Further, the Target Businesses contributed between 3% and 30% of the reported Group profit after tax in the period. As explained in the audited financial statements for the year ended 31 December 2019, the short-term general insurance business in Kenya reported a loss for that year largely as a consequence of higher claims expenses. The unaudited financial results for the 6 months to 30 June 2020 showed that the short-term business in Kenya had returned to profit in that period.

The Target Businesses contributed 30% of the profit after tax reported by your Group in the six months to 30 June 2020. The investments and operating subsidiaries that your Group will retain after completion of the Proposed Transaction contributed the balance of 70% of the reported profit after tax for that period.

3.3 Information on Allianz Kenya

Allianz Kenya is a wholly owned indirect subsidiary of Allianz. It is a licensed insurance company in Kenya authorised under the Insurance Act to carry on the following classes of general insurance business in Kenya: (i) aviation; (ii) engineering; (iii) fire domestic; (iv) fire commercial; (v) liability; (vi) marine; (vii) motor-private; (viii) motor-commercial; (ix) personal accident; (x) theft; (xi) work injury benefits; (xii) medical; and (xiii) micro-insurance miscellaneous.

Allianz Kenya currently employs 30 personnel and has a branch office in Nairobi and an agency office in Mombasa.

The tables below set out the proforma financial statements of Allianz Kenya showing the performance of the business that will be transferred from Allianz Kenya to JK.

Table 5: Proforma carve-out statement of financial position for Allianz Kenya business to be transferred 2017 to June 2020

Carve-out summary statement of financial position attributable to Allianz Kenya business to be transferred	As at 31-Dec-17	As at 31-Dec-18	As at 31-Dec-19	As at 30-Jun-20
	KES bn	KES bn	KES bn	KES bn
Assets				
Fixed and intangible assets	-	-	-	-
Investment in Financial assets	0.119	0.256	0.750	0.780
Insurance Receivables	0.177	0.359	0.281	0.376
Other assets	0.018	0.042	0.048	0.052
Cash and bank balances	-	0.124	-	-
Total assets	0.314	0.782	1.078	1.208
Liabilities				
Insurance contract liabilities	(0.047)	(0.113)	(0.209)	(0.306)
Provision for unearned premium	(0.153)	(0.282)	(0.343)	(0.382)
Payables arising from reinsurance	(0.043)	(0.219)	(0.344)	(0.321)
Other payables	(0.071)	(0.167)	(0.175)	(0.200)
Current income tax payable	-	-	(0.006)	(0.000)
Total Liabilities	(0.314)	(0.782)	(1.078)	(1.208)
Net Assets	-	-	-	-

Source: Allianz Kenya management

Table 6: Proforma carve-out statement profit or loss for Allianz Kenya business to be transferred 2017 to June 2020

Carve-out statement of profit or loss attributable to Allianz Kenya business to be transferred	12 months ended 31-Dec-17	12 months ended 31-Dec-18	12 months ended 31-Dec-19	6 months ended 30-Jun-20
	KES bn	KES bn	KES bn	KES bn
Gross written premiums	0.347	0.704	0.911	0.509
Net earned premiums	0.130	0.250	0.404	0.252
Investment income	0.003	0.014	0.046	0.032
Commissions income	0.014	0.048	0.060	0.027
Other income	-	0.002	-	-
Total income less reinsurance	0.147	0.314	0.510	0.312
Net claims payable	(0.090)	(0.164)	(0.219)	(0.146)
Operating and other expenses	(0.048)	(0.102)	(0.127)	(0.070)
Commissions expense	(0.041)	(0.095)	(0.114)	(0.062)
Profit before tax	(0.031)	(0.047)	0.051	0.034
Income tax (expense) / credit	0.009	0.014	(0.015)	(0.008)
Profit for the year	(0.022)	(0.033)	0.036	0.025

Source: Allianz Kenya management

3.4 Commercial factors considered by your Board

3.4.1 Strategic rationale for considering a strategic partnership

Your Board has been monitoring the fast-evolving market for short-term general insurance in the countries in which your Group operates – particularly Kenya, Uganda and Tanzania – over the past few years. In each of these three countries – your Group has established a leading market position as set out in the table below.

Table 7: Market share by gross premiums written in short-term general insurance (excluding medical insurance)

Country	Currency	Annual premiums written in the market (latest available)	Jubilee Group premiums written in the year	Jubilee Group market share	Market share rank
Uganda (1)	UGX bn	467.3	92.5	19.8%	1 out of 21
Tanzania (2)	TZS bn	440.2	60.0	13.6%	1 out of 21
Kenya (3)	KES bn	218.7	7.0	3.2%	7 out of 36

Source:
 (1) 2018 Annual Market Insurance Report - Uganda Insurance Regulatory Authority
 (2) Annual Insurance Market Performance Report for Y/E 31/12/18 - Tanzania Insurance Regulatory Authority
 (3) Insurance Industry Annual Report 2019 - Kenya Insurance Regulatory Authority

Your Board expects that the short-term general insurance premiums in these markets will continue to grow at least at the same rate than economic growth measured by growth in gross domestic product over the period 2021 to 2024 as insurance penetration increases in these markets. Further your Board believes that industry trends observed in other countries – such as customers demanding more tailored products delivered digitally - will also become more evident in these markets.

Given this outlook, your Board expects that to maintain and expand its market position in these markets, the Group will need to:

1. modify its product and service offerings in line with changing consumer behaviours and, specifically, deploying technology to digitise and automate its offerings so as to enable it to cost effectively service a potential large retail market to the highest international standards;
2. use “big data” i.e. extremely large data sets that may be analysed computationally to reveal patterns, trends, and associations, especially relating to human behaviour and interactions – will increasingly become critical for success in these markets to improve the speed and accuracy of insurance risk assessment and enable underwriters to price more effectively;
3. build stronger and better skilled underwriting expertise and risk management capacity to serve successfully some of our larger clients that face increasingly complex insurance risks; and,
4. develop both products and distribution systems to meet the needs of the potentially large but underserved microinsurance market through a tailored, sustainable strategy.

This is in line with conclusions that some market commentators have drawn i.e. that “...*Insurance companies will have to re-consider their pricing models, underwriting and risk selection processes by finding ways to incorporate the use of big data. Big data will allow development of products that will cater to specific customer needs as opposed to one size fits all products...*” and that “...*The first insurers who capitalise on the opportunities that digitisation and automation offer, will most likely be the biggest beneficiaries...*” (source: Insurance Outlook Report 2019/2020, East Africa. September 2019 https://www2.deloitte.com/content/dam/Deloitte/ke/Documents/financial-services/ea_insurance_outlook_report_2019.pdf).

Your Group has built up an enviable market position in the East African markets and now needs to further develop its Information Technology infrastructure and human resources to transition to using big data to become more cost effective and efficient whilst providing the insights to enable it to tailor its product offerings to meet customer needs better and enhance risk management.

Consequently, your Board believes that the optimal strategy to succeed in this highly competitive and increasingly price sensitive insurance segment would be to find a long-term strategic partner that has the skills, international experience and expertise in general insurance, in particular, the use of technology and digitisation, that could be deployed to deliver an enhanced range and depth of products and risk management solutions to existing and new customers of the Target Businesses in East Africa. Your Board emphasises that, under this strategy, Jubilee Group would remain a significant minority shareholder in each of the Target Companies, working alongside the selected long-term strategic partner to deliver these strategic objectives.

Hence, it was against this background that your Board contemplated the possibility of forging a long-term strategic partnership and, after initial discussions with a number of potential international partners, Jubilee embarked on more extensive discussions and negotiations with Allianz.

3.4.2 Main commercial factors that your Board considered

The main commercial factors that your Board considered in assessing the Proposed Transaction included the following:

- 1) Are Allianz’s strategic objectives and vision aligned with those of the Jubilee Group and is it likely that the two parties will be able to work together harmoniously and effectively to deliver this shared vision?
- 2) Does Allianz bring specific short-term general insurance skills and capabilities that are likely to increase the range and depth of products that the Target Companies are able to deliver to the markets that they serve?
- 3) Is the consideration that Allianz is willing to pay to buy controlling stakes in each of the Target Companies reasonable in the circumstances and a fair reflection of the intrinsic value of the underlying businesses that Jubilee has built up over the years?
- 4) Having regard to price, terms and all other relevant factors and considerations, is pursuing the Proposed Transaction in the best interests of the Company?

Your Board deliberated extensively on each of these factors and drew the following conclusions in respect of the above considerations:

- (i) **Allianz's strategic objectives and vision for the Target Businesses are closely aligned with those of Jubilee.** Allianz's strategic intent to grow both the market and market share through simple, digital, and scalable products and to focus on rebalancing its portfolio towards growth markets and new risk pools including in Africa is of particular resonance. Further, your Board understands that Allianz already operates a number of successful joint ventures in developing markets and this evidence, coupled with the direct experience built up through extensive engagement with Allianz executives and staff over the negotiation process, gives your Board the confidence that your Company and Allianz are well positioned to be able to work together harmoniously to achieve their joint goals.
- (ii) **Allianz is likely to be able to deploy and transfer specific skills and capabilities that will help the Target Businesses increase the range and depth of products they are able to deliver.** As part of the lengthy negotiation process, the management teams from both organisations engaged in extensive discussions as to the growth strategies that the co-owned Target Companies could adopt going forward. Through these discussions your Board concluded that Allianz is able to deliver specific skills and capabilities and negotiated a commitment from Allianz to deliver such skills and capabilities to the Target Businesses.
- (iii) **The consideration that Allianz has contracted to pay to acquire controlling stakes in the Target Companies is reasonable in the circumstances.** Your Board assessed the reasonableness of the consideration specified in the Agreement primarily by completing a "sell vs hold" analysis that compared the discounted cash flows that your Group would expect to receive under the "sell" option i.e. inflows from cash consideration and dividends from the remaining equity stakes in the Target Companies against the "hold" option i.e. cash inflows from dividends from retaining its current equity stakes in the Target Businesses. Both sets of analysis were completed using a set of financial forecasts prepared by the management teams of the Target Companies for the period 2020 to 2024 on a stand-alone basis i.e. assuming management's current business strategies and investment plans continue over the projection period. This analysis suggested that the "sell" option resulted in a positive net present value. Further, your board computed valuation metrics commonly used in the insurance industry (i.e. Price to Earnings multiples and Price to Accounting Book Net Asset Value multiples) that the negotiated consideration implies and compared these metrics to implied multiples at which other equity transactions involving Kenya-based insurance companies have taken place over the past five years. This analysis also suggested that the negotiated consideration for the Proposed Transactions was reasonable. Further information on the analyses completed can be found in section 3.4.3.
- (iv) **Taking into account the price, terms and all other relevant factors and considerations, pursuing the Proposed Transaction is in the best interests of the Company.** Having taken into account the results of the analyses summarised above and the terms specified in the Agreements (as summarised in Part 5) – your Board concluded that the Proposed Transaction is in the best interests of the Company and recommends that the Jubilee shareholders vote in favour of the resolutions required to implement the Proposed Transactions.

Your Board appointed Stanbic Bank Kenya Limited as independent transaction advisor to advise and guide the Board through the process of evaluating, negotiating, contracting and implementing the Proposed Transaction. In particular, Stanbic Bank provided written reports to the Board summarising its advice in respect of the analysis of the proposed consideration for the Proposed Transaction. Appendix 1 sets out a letter from Stanbic Bank that summarises its advice in respect of the analysis of consideration to be paid

3.4.3 Analysis of consideration

3.4.3.1 Summary of expected consideration

The Agreements specify that Allianz will purchase controlling interests in the five Target Companies and will pay consideration as summarised in the table below.

Table 8: Summary of consideration specified in the Agreements

Target Company	Aggregate equity stake to be purchased by Allianz	Aggregate consideration to be paid by Allianz (in billions)	Stake to be sold by Jubilee to Allianz	Aggregate consideration to be paid by Allianz to Jubilee (in billions)	Jubilee stake in the Company before Proposed Transaction	Jubilee remaining equity stake in the Company after Proposed Transaction
JK	66%	<i>KES</i> 3.75	66%	<i>KES</i> 3.75	100%	34%
JT	51%	<i>TZS</i> 39.59	36%	<i>TZS</i> 27.95	51%	15%
JU	66%	<i>UGX</i> 159.25	31%	<i>UGX</i> 74.80	65%	34%
JB	51%	<i>BIF</i> 4.00	51%	<i>BIF</i> 4.00	70%	19%
JM	66%	<i>MUR</i> 0.12	54%	<i>MUR</i> 0.10	88%	34%

Note

JK = Jubilee General Insurance Limited

JT = a new Tanzanian short-term general insurance company that will be incorporated and into which the Target Business in Tanzania will be transferred

JU = Jubilee Insurance Company of Uganda Limited after transfer of medical business to a new subsidiary leaving the Target Business in Uganda in JU

JB = Jubilee Insurance Company of Burundi S.A.

JM = Jubilee Insurance Company of Mauritius Limited

The Agreements specify that the consideration to be paid for each Target Company will be denominated in the local currency applicable to that company as set out in the table above. However, the Agreement further specifies that Allianz will translate the consideration payable to Jubilee denominated in local currency into Kenya Shillings using specified exchange rates computed just prior to the completion date for each Target Company.

Whilst the final consideration that Jubilee will receive and report in Kenya Shillings depends on actual exchange rates prevailing just prior to completion of the sale shares in each Target Company – Jubilee has estimated the gross consideration it will receive (applying current exchange rates to the local currency consideration specified in the Agreements) as summarised in the table below.

Table 9: Estimate of KES equivalent of consideration

Target Company	Aggregate consideration to be paid by Allianz (in billions)	Aggregate consideration to be paid by Allianz to Jubilee (in billions)	Exchange rate as at 20 November 2020	KES equivalent of aggregate consideration to be paid by Allianz (KES bn)	KES equivalent of consideration to be paid by Allianz to Jubilee (KES bn)
JK	<i>KES</i> 3.75	3.75	1.0000	3.75	3.75
JT	<i>TZS</i> 39.59	27.95	21.1990	1.87	1.32
JU	<i>UGX</i> 159.25	74.80	33.8690	4.70	2.21
JB	<i>BIF</i> 4.00	4.00	17.7077	0.23	0.23
JM	<i>MUR</i> 0.12	0.10	0.3633	0.33	0.27
Total				10.88	7.78

Source of exchange rates: Central Bank of Kenya website + Central Bank of Mauritius website

3.4.3.2 Results of discounted cash flow analysis

To assess the reasonableness of the specified consideration, your Board completed a “sell vs hold” analysis. This analysis is based on the principle that:

- (i) Under the hold option – the Group would continue to own controlling interests in each Target Business and, consequently, would be entitled to share of distributable earnings generated by each business each year going forward proportionate to its shareholding in the relevant Target Company (ranging from 100% share in JK to 51% share in JT) and, similarly, would be entitled to its proportionate share of the estimated market value of 100% of the equity shares on sale of the shares at some point in the future; and
- (ii) Under the sell option – the Group would own reduced minority interests in each Target Business (ranging from 34% in JK to 15% in JT) and hence would be entitled to a lower share of distributable earnings generated by each business each year going forward proportionate to its shareholding in the relevant Target Company and, similarly, would be entitled to its proportionate share of the estimated market value of 100% of the equity shares on sale of the shares at some point in the future but that the Group would receive net cash consideration (after taxes and costs) and that would offset the reduced share of earnings and exit values.

Consequently, the purpose of the sell vs hold analysis is to compare the discounted net present value of the cash flows that the Group would achieve under the sell and the hold options.

This analysis was completed in March 2020 and was based on financial projections that the Group’s management teams had prepared in early 2020. These projections were prepared before the World Health Organisation declared the Covid-19 pandemic on 11 March 2020. Consequently, the financial projections used in the analysis do not include the potential effect of the pandemic on the future prospects of each of the Target Companies. As explained further below, the sell vs hold analysis was completed for all five Target Businesses in aggregate rather than on a company by company basis as the Proposed Transactions are indivisible. Further, your Board completed the analysis using a set of “most-likely” financial forecasts supplemented by sensitivity analysis.

The broad assumptions applied in estimating the projected maximum distributable earnings in Kenya Shillings under the most-realistic forecasts included the following:

- (i) Project net earned premiums from the Subject Businesses growing at between 10% and 11% per annum in the period 2021 to 2025 and 7% per annum from 2026 to 2030
- (ii) A blended average combined ratio (claims and expenses as a percentage of net earned premiums) of approximately 90% over the projection period
- (iii) Projected profits after tax from Target businesses of growing at between 4.7% to 6.7% in the period 2022 to 2025 and 7% in the period 2026 to 2030



- (iv) Minimum required retention of profits equal to 20% of growth in net earned premiums each year which implies a maximum potential dividend pay-out ratio of between 87% and 91% over the projection period
- (v) An exit multiple of 10.5x of forecast FY2030 profit after tax
- (vi) A cost of equity of 15% in nominal Kenya Shilling term

The results of this analysis suggests that the discounted net present value of earning streams that JHL would forgo in the sell option and, hence, the intrinsic investment value of its equity stakes in the Target Companies is the equivalent of KES 5.46 bn which compares favourably with the expected gross consideration that JHL expects to receive of KES 7.78 bn and the net consideration after taxes and costs of KES 6.69 bn resulting in a positive net present value for the Sell option.

JHL and its advisors completed a range of sensitivity analyses to assess whether the intrinsic value of earning streams forgone remains below the net proceeds. This analysis suggests:

- (i) Sell option remains favourable at all combinations of discount rates of between 14% and 16% and exit multiples of between 9x and 12x
- (ii) At the discount rate of 15% and an exit multiple of 10.5x – the sell option remains favourable for forecast earnings that reflect a growth rate of less than 10% per annum in the period 2022 to 2025.

Based on the results of this analysis – your Board concluded that the negotiated consideration for the Proposed Transaction is reasonable in the circumstances and is higher than the intrinsic investment value attributable to the equity stakes that Jubilee Group would be selling to Allianz in the Proposed Transactions.

As explained earlier, your Board reached this conclusion in March 2020 based on financial projections prepared before the Covid-19 pandemic had been declared. Your Board has considered the potential implications of the pandemic on the Target Businesses and, given the context that the Proposed Transaction represents a long-term strategic partnership, considers that the commercial considerations outlined in the sections above remain valid and that the Board's conclusion that Proposed Transaction is in the best interest of your Company does not change.

Further, your Board does not consider that the pandemic results in material incremental uncertainty neither with respect to whether the Proposed Transactions will ultimately complete nor the proceeds that your Company will receive on Completion. This is because the Agreement acknowledges that the pandemic has occurred and the consideration to be paid is not directly subject to change by reasons related to the pandemic. Also the Agreement specifies that Allianz is not entitled terminate the proposed transaction on the basis that a material adverse change has occurred in the period between signature of the Agreement and completion of the Proposed Transactions if that change has been caused by or arisen as a result of factors outside the control of the relevant Target Company by reason of the pandemic, except to the extent such event, occurrence, change or development has a disproportionate effect on the relevant Target Company relative to other P&C insurance companies operating in the region.

3.4.3.3 Results of analysis of comparable company and transaction market multiples

Investors typically use two basic valuation metrics to compare insurance companies – the Price to IFRS Book Net Asset Value (P/ IFRS NAV) multiple and the Price to Earnings (P/E) multiple.

Consequently, your Board and its advisor computed the implied valuation metrics using the consideration specified in the Agreements. The results of the analysis are set out in the tables below.

Table 10: Computation of implied Price to IFRS NAV multiples

Target Company	Aggregate stake to be purchased by Allianz from Jubilee	Aggregate consideration to be paid by Allianz to Jubilee (in billions)	Implied aggregate price of 100% equity stake (in billions)	Target IFRS NAV to be delivered on completion (billions)	Implied Price to IFRS NAV multiples
JK	66%	KES 3.75	5.69	2.22	
JT	36%	TZS 27.95	77.63	11.06	
JU	31%	UGX 74.80	241.29	33.22	
JB	51%	BIF 4.00	7.85	1.11	
JM	54%	MUR 0.10	0.18	0.09	
Aggregate		KES 7.78	17.42	4.02	4.31x

Note: aggregate computed by translating local currency consideration to KES using exchange rates in Table 9

Table 11: Computation of implied Price to Earnings multiples

Target Company	KES equivalent of implied aggregate price for 100% equity stake (KES bn)	Profit after Tax attributable to Target Businesses in 6-month period ended 30 June 2020 (KES bn)	Implied Price to annualised HY20 earnings multiple	Average annualised profit after tax attributable to Target Businesses 1 January 2017 to 30 June 2020 (KES bn)	Implied Price to average annual earnings FY17 to HY20
JK	5.69	0.13		0.02	
JT	3.66	0.15		0.41	
JU	7.12	0.19		0.19	
JB	0.44	0.04		0.07	
JM	0.51	0.03		0.02	
Aggregate	17.42	0.53	16.4x	1.08	16.1x

Note: aggregate consideration computed by translating local currency consideration to KES using exchange rates in Table 9
Source: Jubilee management analysis

Your Board compared these implied multiples with the equivalent market multiples at which shares of your Company have been trading on the Nairobi Securities Exchange and observed multiples at which sale transactions involving significant equity stakes in other Kenya-based insurance companies have completed in the period 2015 to 2019.

The equity shares of Jubilee are listed on the NSE hence it is possible to use traded market price to compute equivalent valuation multiples at various points in time such as 28 February 2020 which was the month ended prior to declaration of the Covid-19 pandemic, 30 June 2020 after Jubilee published its financial statements for the year ended 31 December 2019 and 28 September 2020 which was the day before Jubilee announced the signature of the Agreement. The table below sets out the computed valuation metrics for Jubilee.

Table 12: Computation of multiples at which Jubilee shares traded on NSE

	Units	As at 28 Feb 2020	As at 30 Jun 2020	As at 28 Sep 2020
Jubilee closing share price on NSE	KES/share	338	242	220
Number of shares in issue	million	72.47	72.47	72.47
Market capitalisation	KES bn	24.50	17.54	15.94
Latest available published financial statements		Jun-19	Dec-19	Jun-20
Reported consolidated IFRS net assets attributable to owners of the parent	KES bn	27.61	28.25	29.71
Price to IFRS NAV multiple		0.89x	0.62x	0.54x
Reported consolidated IFRS net profit attributable to owners of the parent	KES bn	1.57	3.56	1.59
Number of months in period		6	12	6
Annualised profit after Tax	KES bn	3.15	3.56	3.18
Price to annualised Earnings multiple		7.79x	4.93x	5.01x

Your Board is aware that the multiples computed above are not directly comparable with the implied multiples for the Target Companies because:

- (i) Jubilee Group engages in a broad range of businesses included long-term insurance, short-term general insurance business, medical insurance business and investments. The Target Businesses form a relatively small proportion of the Group's business in the 12-month period to 31 December 2019, Jubilee reported that the short-term general insurance business contributed KES 10.1 bn (30.9%) of the total consolidated income less reinsurance of KES 32.8bn and profit after tax of KES 0.36bn (9.2%) of the total consolidated profit after tax of KES 4.0 bn. In that period – the long-term business contributed approximately 50% of total income and net profits.
- (ii) Traded market prices reflect the prices at which small minority stakes trade. Consequently, the prices may not reflect prices at which controlling interests may trade.

Despite these factors, the market multiples still represent the best available comparable company metrics. All other insurance companies that trade on the NSE also engage in both long-term and short-term insurance in varying proportions and have significant investments in property. There is no NSE listed company that engages only in short-term insurance business.

Your Board noted that the implied valuation multiples for the Proposed Transactions are significantly higher than the valuation multiples at which Jubilee's shares have traded on NSE in 2020. In particular, the Price to IFRS NAV multiple for the Proposed Transactions of 4.3x is approximately seven and a half times and the Price to Annualised HY20 Earnings multiple of 16.4x is more than three times the equivalent multiples at which Jubilee shares traded on 28 September 2020.

Your Board and its transaction advisor also compared multiples at which transactions for purchase and sale of significant stakes in Kenya-based insurance companies had been completed in the period from 2015 to 2019 and for which information is available in the public domain. The table below sets out the results of that analysis.

Table 13: Comparable transaction multiples 2015 - 2019

Buyer	Target	Ann-ounce date	Gross Transaction Value (USD m)	Stake purchased	Implied pre-money Equity Value (USD m)		Price to Book IFRS NAV multiple	Price to LTM Earnings multiple
Swiss Re Asset Management Geneva SA	Britam Holdings Plc	Jun-18	nd	13.81%	n/a		n/a	n/a
Africinvest III - SPV 1(Note 1)	Britam Holdings Plc	Sep-17	55.0	14.30%	329.6	^	1.79x	20.66x
International Finance Corporation	Britam Holdings Plc	Dec-16	35.0	10.37%	302.5	~	1.72x	23.3x
Barclays Africa Group Limited	First Assurance Company Limited	Jun-15	29.8	63.30%	47.1	#	1.83x	13.15x
Old Mutual plc	UAP Holdings Limited	Jan-15	155.5	37.30%	416.9	*	2.59x	21.70x
Old Mutual plc	UAP Holdings Limited	Jan-15	97.6	23.30%	418.3	*	2.60x	21.78x
# - used data for year ended 31 Dec 2015 as FY14 not available					Max		2.60x	23.30x
* - LTM to 31 December 2013					Median		1.83x	21.70x
~ - LTM to 30 September 2016					Min		1.38x	13.15x
^ - LTM to 30 June 2017					Mean		1.96x	20.12x

Source: S&P Capital IQ, Stanbic analysis

Your Board is aware that these transactions may not be directly comparable with the Proposed Transaction. This is because the subject companies in the transactions set out above engage in both long-term and short-term insurance business and have significant investment property portfolios.

However, the analysis shows that the implied Price to IFRS NAV multiple falls for the Proposed Transaction of 4.3x is significantly higher than the average multiples and the range within which the comparable transaction set out above were completed whilst the implied Price to Earnings multiple for the Proposed Transaction of 16.1x is within the range at which comparable transactions were completed.

Based on the result of this analysis – your Board concluded that the negotiated consideration for the Proposed Transaction is reasonable in the circumstances.

3.5 Use of proceeds

Your Board intends to reinvest the proceeds from the sale to accelerate the expansion of its remaining life and medical businesses and invest the balance in financial instruments and other investments to earn competitive investment returns.

PART 4: IMPLICATIONS OF THE PROPOSED TRANSACTION

Whilst the actual impact of the Proposed Transaction will be determined by the actual purchase consideration received, the actual date on which Completion occurs for each Target Company and actual taxes that crystallise on completion, the following sections illustrates the pro forma impact of the proposed Transaction based on the assumption that the Proposed Transaction completed on 31 December 2019 for the purposes of estimating the financial impact on the Group's reported financial position and on the Group's reported statement of profit or loss and other comprehensive income.

4.1 Pro forma impact on reported financial position

Your Board expects that on completion of the Proposed Transaction the Jubilee Group will recognise a profit on sale of equity interests in the Target Companies and that this, in turn, will mean that the Group will report an increase in the Group's reported Net Assets in its statement of financial position.

To illustrate the potential effect of the Proposed Transaction on Jubilee Group's reported consolidated financial position, the Board estimates the profit on sale of equity interests that your Group would have reported had the Proposed Transaction been completed on 31 December 2019 would have been as set out in the table below.

Table 14: Pro forma profit on sale of equity interests in Target Companies as at 31 December 2019

Proforma profit on sale of equity stakes in Target Companies as at 31 December 2019	KES bn	KES bn
Proceeds on sale attributable to Jubilee Group	7.66	
Add fair value of retained interest	4.56	
Sub-total		12.22
Tax expense on sale		-0.99
After tax proceeds + fair value of retained interest		11.23
Net Assets disposed including goodwill	-4.07	
Non-controlling interests	0.61	
Sub-total IFRS NAV disposed		-3.46
Post-tax gain on sale reported by Jubilee		7.77

Source: Jubilee management estimates

This proforma statement is based on the following main assumptions:

1. proceeds attributable to the Jubilee Group equal the aggregate consideration to be paid to Jubilee Group by Allianz as specified in Table 10 in local currency for each company translated into Kenya Shilling equivalent by applying the closing exchange rates that Jubilee Group used in preparing its audited financial statements for the year ended 31 December 2019;
2. fair value of retained interest in the Target Companies is based on the pro-rata value implied by the consideration to be paid by Allianz less a minority discount;
3. Net Assets disposed are based on the carve out financial statements as at 31 December 2019;
4. tax expense is based on Jubilee management estimates based on current applicable tax rates in various tax jurisdictions in which Jubilee and members of the Jubilee Group will report gains on sale of equity shares; and
5. impact of acquisition of business and assets of Allianz Kenya is immaterial in respect Jubilee Group's reported financial position.

The table below sets out the proforma impact on the Group's reported financial position as at 31 December 2019 had the Proposed Transactions been completed on that date.

Table 15: Pro forma statement of financial position as at 31 December 2019

Pro forma statement of financial position as at 31 December 2019	Before			After
	As reported 31-Dec-19	Deconsolidate subsidiaries	Record proceeds & residual interest	Proforma financial position
	KES bn	KES bn	KES bn	KES bn
Assets				
Fixed and intangible assets	0.89	-0.33		0.56
Other investment assets	105.71	-5.75	4.56	104.51
Insurance receivables	14.48	-9.90		4.58
Other assets	3.48	-1.03		2.45
Cash and bank balances	5.52	-1.81	6.67	10.39
Total assets	130.08	-18.81	11.23	122.49
Liabilities				
Insurance contract liabilities	84.62	-6.73		77.90
Provision for unearned premium	8.41	-4.85		3.56
Payables arising from reinsurance	1.89	-1.20		0.69
Other payables	4.54	-1.91		2.63
Current income tax payable	0.09	-0.05		0.04
Total liabilities	99.56	-14.74	0.00	84.82
Net Assets	30.52	-4.07	11.23	37.67
Equity				
Share capital	0.36			0.36
Reserves	2.69			2.69
Retained earnings	24.62	-3.46	11.23	32.39
Proposed dividend	0.58			0.58
IFRS NAV	28.25	-3.46	11.23	36.02
Non-controlling interest	2.27	-0.61		1.66
Total equity	30.52	-4.07	11.23	37.67

Source: Jubilee management estimates

As shown in the table above, the impact of the Proposed Transaction should be to increase the Net Assets that the Group reports mainly as a result of recognising a profit on sale of equity shares in the Target Companies.

4.2 Proforma impact on reported statement of comprehensive income

Your Board also anticipates that, whilst the Group will not be able to consolidate the earnings of each of the Target Companies after completion of the Proposed Transactions as the Target Companies would no longer be classified as subsidiaries, the Group will be able to (i) report a share of profits of these Target Companies as they would be classified as associate companies and (ii) earn investment income from reinvesting the proceeds received from sale of the equity interests in the Target Companies.

To illustrate the potential impact of the Proposed Transactions on the Jubilee Group's reported statement of profit and loss and other comprehensive income, your Board estimates that had the Proposed Transactions been completed on 31 December 2019 and had the Group reinvested the net after-tax proceeds it would have received in a portfolio of Government of Kenya infrastructure bonds – then the Group would have reported profit after tax, comprehensive income and earnings per share for the 6 month period ended 30 June 2020 as set out in the table below.

Table 16: Pro forma statement of profit or loss and other comprehensive income for 6 months to 30 June 2020

Proforma statement of profit and loss and other comprehensive income for 6 months ended 30 June 2020	Before As reported for 6 months to 30 June 2020			After Proforma income statement
		Deconsolidate subsidiaries	Reinvest proceeds	
Gross Written Premiums	20.23	-5.88		14.34
Net earned premiums	10.15	-3.25		6.90
Investment income	4.98	-0.37	0.42	5.03
Commissions earned	1.10	-0.59		0.51
Other income	-1.17	-0.01		-1.18
Total income after reinsurance	15.05	-4.22	0.42	11.25
Net claims incurred	-8.61	1.60		-7.01
Operating and other expenses	-2.47	1.05		-1.42
Commissions expense	-1.89	0.81		-1.09
Share of profit of associates	0.30	0.00	0.14	0.44
Profit before income tax	2.38	-0.77	0.56	2.17
Income tax credit/(expense)	-0.55	0.23	0.00	-0.31
Profit for the year	1.83	-0.53	0.56	1.86
<i>Profit after tax attributable to Equity holders of the Company</i>				
	1.59	-0.37	0.56	1.78
<i>Non-controlling interest</i>				
	0.24	-0.16	0.00	0.08
<i>Total</i>				
	1.83	-0.53	0.56	1.86
Profit after tax	1.83	-0.53	0.56	1.86
Other comprehensive income	-0.06	-0.02	0.00	-0.08
Total comprehensive income for the year	1.77	-0.55	0.56	1.78
Number of shares in issue (millions)	72.47			72.47
Earnings per share KES / share	21.94			24.56

Source: Jubilee management estimates

This proforma statement is based on the following main assumptions:

1. the Target Companies will no longer be classified as subsidiary companies with effect from 1 January 2020 and, consequently, the Group would no longer consolidate the results of the Target Companies;
2. Jubilee Group would have received proceeds of KES 7.66 bn less applicable taxes of KES 0.99bn on 31 December 2019 and these would have been available for reinvestment from 1 January 2020;
3. Jubilee would have been able to purchase IFB1/2019/25Yr bond utilising the net after tax proceeds on 1 January 2020 and would have accounted for the bond at fair value through profit and loss account in the 6 month period to 30 June 2020; and
4. the Group will account for its residual investment in each Target Company as an investment in an associate and apply the equity basis of accounting for such interests and, consequently, would record its proportionate share of the profit after tax reported by each Target Company.

The Board cautions shareholders that, because of its nature, the proforma financial information presented in this section addresses a hypothetical situation and, therefore, does not represent the Company's or Group's actual financial position or results. In particular, the Board cautions shareholders that the actual impact on earnings per ordinary share in future financial periods will depend on the actual proceeds that the Group receives, the actual taxes that crystallise and the actual investment income that the Group is able to achieve from reinvesting the after-tax proceeds that it receives. Thus, the actual results could differ materially from those anticipated in the proforma statements above.

PART 5: TRANSACTION DOCUMENTS

The key terms of the Agreement are summarized below.

5.1 Overview of Transaction Documents

5.1.1 Target Companies

The Target Companies are as follows:

- JK (incorporated in accordance with the laws of Kenya under registration number PVT-8LUYEXV);
- JT (to be incorporated in accordance with the laws of Tanzania)
- JU (incorporated in accordance with the laws of Uganda under registration number 80010000236233);
- JB (incorporated in accordance with the laws of Burundi under registration number 72973); and
- JM (incorporated in accordance with the laws of Mauritius under registration number C17369);

After completion of the Proposed Transaction, Allianz will hold sixty six percent (66%) of the shareholding in JK, fifty-one (51%) of the shareholding in JT, fifty one percent (51%) of the shareholding in JB, sixty six percent (66%) of the shareholding in JU and sixty six percent (66%) of the shareholding in JM. Further, after completion of the Proposed Transaction, JHL directly, and indirectly through its subsidiaries, will hold thirty-four percent (34%) of the shareholding in JK, fifteen percent (15%) of the shareholding in JT, thirty-four percent (34%) of the shareholding in JU, nineteen percent (19%) of the shareholding in JB, and thirty-four percent (34%) of the shareholding in JM.

5.1.2 Consideration

The consideration payable by Allianz under the Agreement is as summarised in the table below:

Table 17: Summary of Total Consideration

Target Company	Currency	Into escrow account on Completion (A)	To Jubilee Group on Completion (B)	Jubilee Consideration (C) (= A+B)	AKFED Consideration (D)	Total Consideration (E) (= C+D)
JK	KES	563,223,000	3,191,597,000	3,754,820,000	-	3,754,820,000
JT	TZS	5,938,416,750	22,007,073,838	27,945,490,588	11,643,954,412	39,589,445,000
JU	UGX	23,888,119,650	50,913,063,092	74,801,182,742	84,452,948,258	159,254,131,000
JB	BIF	600,230,400	3,401,305,600	4,001,536,000	-	4,001,536,000
JM	MUR	18,208,050	81,378,607	99,586,657	21,800,343	121,387,000

5.1.3 Shareholders' Agreements

Pursuant to the Agreement, JHL, Allianz and the relevant Target Company shall enter into Shareholders' Agreements (SHAs) to regulate the operation and management of the Target Company and the relationship between Allianz and JHL as shareholders in each of the Target Companies. The SHA relating to JK is in substantially agreed form, and will form the basis for the entry into the other SHAs for the other Target Companies. The other SHAs will contain similar provisions to those set out in the SHA's for JK that sets out, among other matters, various reserved matters on which JHL shall be entitled to vote, to include but not limited to; any change in the articles of association of the Target Company and its share capital, any material change in the legal name of the Target Company, any change in the dividend policy of the Target Company and winding up of the Target Company. In addition, JHL shall have the right to appoint the first Chairperson.

5.1.4 Other ancillary Agreements

Other transaction documents, other than the Agreement and the SHAs finalised or yet to be finalised between JHL and Allianz, are as follows:

- a) the Share Purchase Agreements (SPA) between JHL and Allianz in respect of the sale of shares in each of the Target Companies;
- b) a transitional services agreement to be entered into between the Company, Jubilee Life Insurance Limited, JU Medco, Jubilee Insurance Company of Tanzania Limited, JK, JT, JU, JB and JM;
- c) a brand licence agreement in relation to the use of the Allianz brand to be entered into between Allianz, JK, JT, JU, JB and JM;
- d) a brand licence agreement in relation to the use of the Jubilee brand to be entered into between the Company, JK, JT, JU, JB and JM; and
- e) an escrow agreement to be entered into between an escrow agent (to be appointed) and Allianz and JHL.

5.1.5 Conditions Precedent

5.1.5.1 The JK conditions precedent are as follows:

- a) Confirmation by Allianz that JHL has completed the separation of the long term and medical insurance businesses from the short- term insurance business in all material respects in relation to JK.
- b) Confirmation by Allianz that JK is compliant with the local solvency requirements and has met a prescribed minimum net asset value at completion.
- c) Actuarial review confirming the sufficiency of JK's reserves.
- d) Obtaining the approval of the Insurance Regulatory Authority of Kenya (IRA) for the sale of the JK Sale Shares.
- e) Obtaining the COMESA Competition Commission approval.
- f) Obtaining shareholder approvals and holding an AGM in connection with the Proposed Transaction.
- g) Written confirmation that no material adverse effect has occurred.
- h) Written confirmation that no material breach by JHL or AKFED of any of the warranties under the Agreement has occurred.

5.1.5.2 In addition to items 5.1.5.1 (f), (g) and (h) above, the JT conditions precedent are as follows:

- a) Confirmation by Allianz that JHL has completed the separation of the short-term insurance business and the medical insurance business in relation to JT.
- b) Confirmation by Allianz that JT is compliant with the local solvency capital requirements and a prescribed minimum net asset value at completion.
- c) Obtaining the Tanzania Insurance Regulatory Authority approval for the sale of the JT Sale Shares.
- d) Obtaining the Fair Competition Commission's approval.
- e) JK Completion having occurred, or occurring simultaneously.
- f) Confirmation of JT's capital structure to ensure that Allianz acquires a 51% shareholding in JT (and any necessary amendments to the Agreement in this regard).
- g) Actuarial review confirming the sufficiency of JT's reserves.

5.1.5.3 In addition to items 5.1.5.1 (e), (f), (g) and (h) and item 5.1.5.2.(e) above, the JU conditions precedent are as follows:

- a) Confirmation by Allianz that JHL has completed the separation of the short-term insurance business and the medical insurance business in relation to JU.
- b) Confirmation of satisfaction that JU is compliant with local solvency capital requirements and a prescribed minimum net asset value at completion.
- c) Actuarial review confirming the sufficiency of JU's reserves.



- d) Obtaining approval from the Insurance Regulatory Authority of Uganda sale of the JU Sale Shares.

5.1.5.4 In addition to items 5.1.5.1 (e), (f), (g) and (h) and item 5.1.5.2.(e) above, the JB conditions precedent are as follows:

- a) Completion of a satisfactory due diligence of JB by Allianz.
- b) Confirmation of satisfaction that JB is compliant with local solvency capital requirements and a prescribed minimum net asset value at completion.
- c) Actuarial review confirming the sufficiency of JB's reserves.
- d) Obtaining approval from the Agency for Regulation and Supervision of Insurance (ARCA) sale of the JB Sale Shares.

5.1.5.5 In addition to items 5.1.5.1 (e), (f), (g) and (h) and item 5.1.5.2.(e) above, the JM conditions precedent are as follows:

- a) Completion of a satisfactory due diligence of JM by Allianz.
- b) Confirmation of satisfaction that JM is compliant with with local solvency capital requirements and a prescribed minimum net asset value at completion.
- c) Actuarial review confirming the sufficiency of JM's reserves.
- d) Obtaining approval from the Financial Services Commission of Mauritius sale of the JM Sale Shares.
- e) Redemption and cancellation of redeemable preference shares issued by JM and confirmation of Confirmation of JM's capital structure to ensure that Allianz acquires a 66% shareholding in JM (and any necessary amendments to the Agreement in this regard).

Your Company and Allianz have initiated the process of lodging applications with the regulatory authorities in each of the five countries and with the COMESA Competition Commission. Completion of the Proposed Transactions will only take place once the required regulatory approvals have been obtained.

5.1.6 Completion timing

- a) JK Completion will occur on the Completion Date, being the tenth Business Day following the day on which the last in time of the JK conditions precedent shall have been satisfied or waived (other than those that by their nature must be satisfied at JK Completion) in accordance with the Agreement or such other date as JHL and Allianz may agree in writing.
- b) JT, JU, JB, JM Completion may occur simultaneously with JK Completion on the Completion Date or may occur in respect of each relevant Target Company on the tenth Business Day following the day on which the last in time of each of the JT, JU, JB and JM Conditions, as applicable, shall have been satisfied or waived in accordance with the Agreement or such other date (in relation to JU, JT and JM), as AKFED(JHL and Allianz may agree in writing (the Delayed Completion Date).
- c) If Jubilee and or AKED fail to comply with the completion requirements set out in the Agreement and the additional completion obligations set out in the SPA on the Completion Date or the Delayed Completion Date for each Target Company, Allianz will not be obliged to complete the sale and purchase of the relevant Sale Shares and may either defer Completion on that relevant Target Company or proceed to complete on that relevant Target Company's transfer of shares.

5.1.7 Warranties and associated arrangements with AKFED

The Agreement provides for fundamental warranties, business warranties provided by the Company and the Target Companies to Allianz. Claims under fundamental warranties are limited to 100% of the consideration to be paid by Allianz for each Target Company, whilst claims under business warranties and tax warranties are limited to 12% of the total consideration for the Sale Shares. Indemnities are also given by JHL to each Target Company and each member of the Allianz Group that is not a Target Company in respect of any claims arising in connection with (but not limited to) (i) the Business



Separations carried out in respect of JK, JU, JT and JB (completed in 2017), and (ii) any breach of conduct of business restrictions, prior to completion.

The Agreement provides that JHL shall be liable for one hundred percent (100%) of any claim under the business warranties and indemnities (including tax liabilities) of each of the Target Companies, notwithstanding that some or all of Allianz's loss or damage under the Agreement may relate to shares purchased from AKFED or Jubilee Investments Company Limited rather than JHL.

However, to mitigate the effect of JHL agreeing to settle 100% of any claim made by Allianz, JHL and AKFED have entered into a separate agreement setting out the terms upon which AKFED shall indemnify JHL against its share of all damages costs charges or expenses, incurred expended or demanded against Jubilee by Allianz pursuant to any claims under the business warranties and indemnities.

5.1.8 Transfer of Business from Allianz Kenya

The Agreement provides that, following receipt of the required regulatory approvals and Allianz becoming a majority shareholder in JK, Allianz will arrange for the business, insurance portfolio and specified assets and liabilities of Allianz Kenya to be transferred to JK for a cash consideration equal to Kenya Shillings Three Hundred and Twelve Million Seven Hundred and Eighty-Four Thousand and Sixty-Seven (KES 312,784,067).

5.1.9 Termination

The Agreement may be terminated by either Allianz or JHL at any time on written notice to the other party and AKFED if the JK conditions precedent are not fulfilled or waived by 5pm on the Long Stop Date or the Postponed Long Stop Date, if postponed in accordance with the Agreement.

The Long Stop Date is 12 months from the date of the Agreement. If any condition is not (a) fulfilled or (b) waived by Allianz, by 5pm on the Long Stop Date: (i) Jubilee may (on notice) postpone the Long Stop Date by up to 3 months; and/or (ii) Allianz may (on notice) postpone the Long Stop Date by up to 3 months (or if the condition which has not been fulfilled or waived is classed under the Agreement as a 'Seller Condition', by up to 6 months) ('the Postponed Long Stop Date').

If any of the JT, JU, JB and JM conditions remain to be fulfilled or waived by 5pm on the Long Stop Date or the Postponed Long Stop Date if postponed, the Agreement so far as it relates to any of JT, JU, JB, JM (as the case may be) may be terminated at any time thereafter by either Allianz or Jubilee on written notice to the other and AKFED. However, the Agreement will remain in force and effect so far as it relates to the sale of Share in each of the remaining Target Companies.

If JHL is not able to proceed with the JK Completion, then Allianz may terminate the Agreement.

If, however, the relevant completion is the JT Completion, the JU completion, the JB Completion or the JM completion, Allianz may only terminate the Agreement in so far as it relates to the sale and purchase of the shares in each of the relevant Target Companies that Allianz was not able to proceed to complete on.

5.2 Changes to Boards of Target Companies

The SHAs shall provide that on completion of the sale of shares in each Target Company to Allianz, the board of directors of each Target Company shall be restructured such that each company has a board that complies with applicable legal and regulatory requirements such as: (i) the minimum number of directors; (ii) the minimum number of independent directors; and (iii) the minimum number of directors who are citizens of the country of incorporation of the Target Company.

In addition, the boards of each Target Company shall be restructured such that one director nominated by JHL is appointed to the board of each Target Company and sufficient number of directors nominated by Allianz are appointed to the board of each Target Company such that Allianz-nominated directors comprise the majority by number of the board members.



5.3 Changes to Jubilee Board and Shareholding

The Transactions will not result in any changes to the Board of Jubilee nor in the shareholding of Jubilee.

PART 6: INFORMATION ON ALLIANZ

6.1 Information on Allianz and Allianz SE shareholders

Allianz whose registered office is at Königinstrasse 28, 80802, Munich, Germany (registered in Germany, with company number 249923) is a 100% direct subsidiary of Allianz SE.

Allianz SE is a publicly traded corporation organized under the laws of the European Union. Allianz SE's shares are traded on multiple securities exchanges in Germany under the securities code DE0008404005 and trading symbol ALV. No single shareholder owns more than 6% of the issued shares of Allianz SE.

Further details on Allianz SE are available on <https://www.allianz.com/en/about-us.html>.

6.2 Information on Allianz directors

Allianz has two directors whose details are set out below:

1. Nandini Wilcke – Address: Koeniginstrasse 28, Munich, Germany – 80802; and
2. Mohamed Amine Benabbou - Address: Koeniginstrasse 28, Munich, Germany – 80802

6.3 Information on Allianz senior management team

The Allianz Group has organised its business activities in Africa into the Africa Region that consists of Allianz and multiple operating entities engaged in business in the continent. The Africa Region is managed by a group of senior managers listed below.

1. Coenraad Vrolijk – Allianz Africa Regional Chief Executive Officer and Regional Executive Board Member for Allianz Africa
2. Anuj Agarwal - Allianz Africa Regional Chief Finance Officer and Regional Executive Board Member for Allianz Africa
3. Delphine Traoré - Allianz Africa Regional Chief Operating Officer and Regional Executive Board Member for Allianz Africa
4. Dr. Joerg Weber – Chief Executive Officer, Allianz Morocco, and Executive Board Member for Allianz Africa

Further details on Allianz – including profiles of its senior management team can be found on https://www.allianz-africa.com/en_GB.html.



PART 7: STATUTORY AND GENERAL INFORMATION

7.1 Responsibility Statement

The directors of the Company accept responsibility for the information contained in this Circular. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case) the information contained in this Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

7.2 Directors' Interests

Director	Number of shares	% shareholding in Jubilee
Mr Nizar Juma (including shares held by his family)	9,466	0.01%

7.3 Forward Looking Statements

This Circular contains forward-looking statements relating to the Company. These forward-looking statements can be identified by the use of forward-looking terminology such as expects, may, is expected to, believes, is optimistic that, will, will continue, should, would be, seeks or anticipates, or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions.

These statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Several issues could cause the actual results of the Company to be materially different from the projected results, performance or achievements that may be expressed or implied by such forward-looking statements or pro forma financial information.

If any one or more of these risks or uncertainties materialise, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Circular as anticipated, believed, estimated or expected.

The Company does not intend, and does not assume any obligation, to update any industry information or forward-looking statements set out in this Circular.

7.4 Why Shareholder approval is required

The POS Regulations require a listed company to obtain shareholder approval prior to creating a new subsidiary or affiliated company. The Agreement requires Jubilee to restructure its existing subsidiaries operating in Tanzania and Uganda (Jubilee Insurance Company Tanzania Limited and Jubilee Insurance Uganda Limited respectively) so as to separate out the short-term property and casualty business from the short-term medical insurance business into separate companies. This process will involve the creation of two new subsidiary companies in Tanzania and Uganda to house these separated businesses. The Shareholders are therefore required to approve the creation of these two new subsidiaries to enable Jubilee to implement the planned restructuring.

Further, the POS Regulations require a listed company to obtain shareholder approval prior to selling shares in a subsidiary which would result in the subsidiary ceasing to be a subsidiary of the listed company. As a consequence of the Proposed Transaction, the Target Companies will cease to be subsidiaries of the Company. Therefore, the Shareholders are required to approve the Transactions.



7.5 Documents available for inspection

The following documents may be viewed on the Company's website www.jubileeinsurance.com.

1. a copy of this Circular;
2. a notice of the AGM;
3. a copy of the letter from the Independent Transaction Advisor;
4. Jubilee's audited financial statements for the past three financial years ended on 31 December 2019, 2018 and 2017

ANNEXURE 1: DETAILS OF ANTICIPATED CHANGES TO SHAREHOLDING OF EACH TARGET COMPANY

Jubilee General Insurance Company Limited (JK) - incorporated in Kenya

% of total shares in issue held by each shareholder	Current holding	%	Shares purchased / (sold)	%	Shares after Proposed Transaction	%
Allianz	-	-	1,522,622	66%	1,522,622	66%
JHL	2,307,002	100%	-1,522,622	-66%	784,380	34%
Total	2,307,002	100%	-		2,307,002	100%

New subsidiary to be established in Tanzania (JT)

% of total shares in issue held by each shareholder	After incorporation	%	Shares purchased / (sold)	%	Shares after Proposed Transaction	%
Allianz	-	-	25,500,000	51%	25,500,000	51%
JHL	25,500,000	51%	-18,000,000	-36%	7,500,000	15%
AKFED	7,500,000	15%	-7,500,000	-15%	-	0%
Local shareholders	17,000,000	34%	-	-	17,000,000	34%
Total	50,000,000	100%	-		50,000,000	100%

Jubilee Insurance Company of Uganda Limited (JU) - incorporated in Uganda

% of total shares in issue held by each shareholder	Current holding	%	Shares purchased / (sold)	%	Shares after Proposed Transaction	%
Allianz	-	-	29,700,000	66%	29,700,000	66%
JHL	13,500,000	30%	-13,500,000	-30%	-	0%
The Jubilee Investments Company Ltd	15,750,000	35%	-450,000	-1%	15,300,000	34%
Sub-total JHL direct and indirect holding	29,250,000	65%	13,950,000	-31%	15,300,000	34%
AKFED	15,750,000	35%	-15,750,000	-35%	-	0%
Total	45,000,000	100%	13,950,000		45,000,000	100%



Jubilee Insurance Company of Burundi S.A (JB)
- incorporated in Burundi

% of total shares in issue held by each shareholder	Current holding	%	Shares purchased / (sold)	%	Shares after Proposed Transaction	%
Allianz	-	-	5,100	51%	5,100	51%
<i>Jubilee Investments Company of Burundi Ltd</i>	3,300	33%	-3,300	-33%	-	0%
<i>The Jubilee Investments Company Ltd</i>	3,300	33%	-1,800	-18%	1,500	15%
<i>Jubilee Investments Tanzania Ltd</i>	400	4%	0	-	400	4%
Sub-total JHL indirect holding via subsidiaries	7,000	70%	-5,100	-51%	1,900	19%
Local shareholders	3,000	30%	-	-	3,000	30%
Total	10,000	100%	-		10,000	100%

Jubilee Insurance Company of Mauritius Ltd (JM)
- incorporated in Mauritius

% of total shares in issue held by each shareholder	Proforma post-restructuring	%	Shares purchased / (sold)	%	Shares after Proposed Transaction	%
Allianz	-	-	3,340,874	66.00%	3,340,874	66.00%
<i>JHL</i>	3,228,188	63.77%	-2,740,874	54.15%	487,314	9.63%
<i>The Jubilee Investments Company Ltd</i>	1,233,742	24.37%	-	-	1,233,742	24.37%
Sub-total JHL direct and indirect holding	4,461,930	88.15%	-2,740,874	54.15%	1,721,056	34.00%
AKFED	600,000	11.85%	-600,000	11.85%	-	0.00%
Total	5,061,930	100.00%	-		5,061,930	100.00%

ANNEXURE 2: LETTER FROM INDEPENDENT TRANSACTION ADVISOR



20 November 2020

The Directors
Jubilee Holdings Limited
LR 209/3526 Jubilee Insurance House,
Wabera Street Nairobi,
P.O. Box 30376, 00100
Nairobi, Kenya.

**INVESTMENT
BANKING**

Dear Sirs

RE: CONFIRMATION OF INDEPENDENT TRANSACTION ADVISORS' ADVICE TO THE JUBILEE BOARD

Background

Jubilee Holdings Limited appointed Stanbic Bank Kenya Limited ("Stanbic") as independent Transaction Advisor by way of an appointment letter dated 26 April 2018 (as amended) in connection with the creation of a strategic partnership between Jubilee Holdings Limited ("Jubilee") with Allianz SE ("Allianz") to be implemented through the sale of equity stakes ranging from 51% to 66% in five companies (the "Target Companies") that, immediately prior to the sale, would be subsidiary entities of Jubilee engaged in the provision of short-term general insurance services in Kenya, Uganda, Tanzania, Burundi and Mauritius and in which Jubilee would retain a significant minority stake in each of these Target Companies (the "Proposed Transaction"),

Our scope of work as specified in the mandate letter included provision of strategic and commercial advice to the Board of Jubilee including: advising on the strategic approach to, and structuring of, the Proposed Transaction; assisting in the negotiation of the Proposed Transaction with counterparties and stakeholders; and providing such ongoing strategic and commercial advice in respect of the Proposed Transaction as may reasonably be required by Jubilee. Our scope of work includes providing advice across each of the four phases of the Proposed Transaction i.e.: Phase 1 - Plan and Prepare; Phase 2 – Agree key terms; Phase 3 – Negotiate and announce Proposed Transaction; and Phase 4 – Close and Implement.

In particular, our scope of work in Phase 3 included "...reviewing and commenting on drafts of final form substantive transaction documents...and advising on commercial matters (particularly in terms of price adjustment mechanisms, pre-completion obligations, substantive and protective rights and exit mechanisms) to be incorporated in the substantive transaction documents...".

Stanbic Bank Kenya Limited, Stanbic Bank Centre, Westlands Road, Chiromo / P.O. Box 30550 – 00100, Nairobi, Kenya
Tel: (Switchboard) +254 (20) 326 8000 Fax +254 (20) 375290 / **SWIFT**: SBICKENX / customercare@stanbic.com / stanbicbank.co.ke

Stanbic Bank Kenya Ltd is licensed by the Central Bank of Kenya. Reg. No. 9520. A member of Standard Bank Group.
Directors: K. Mbathi (Chairman), C. Mudiwa* (Chief Executive), P. Mweheire**, R. W. Kimotho, R. T. Ngobi, P. N. Gethi, R. B. Osoro, D. F. Kombo, O. A. Okolloh, and S. N. Gikandi
Company Secretary: Lillian Mbindyo

*Zimbabwean **Ugandan

The purpose of this letter is to summarise certain elements of Stanbic's advice to the Jubilee Board as part of the transaction advisory services provided under the terms of our appointment letter.

Confirmation of advice relating to reasonableness of Transaction consideration

The aggregate consideration payable by Allianz as specified in the substantive binding Transaction agreements for each Target Company is as summarised in the table below.

Table 1: Summary of consideration specified in Transaction agreements

Target Company	Aggregate equity stake to be purchased by Allianz	Aggregate consideration to be paid by Allianz (in billions)	Stake to be sold by Jubilee to Allianz	Aggregate consideration to be paid by Allianz to Jubilee (in billions)	Jubilee stake in the Company before Proposed Transaction	Jubilee remaining equity stake in the Company after Proposed Transaction
JK	66%	KES 3.75	66%	KES 3.75	100%	34%
JT	51%	TZS 39.59	36%	TZS 27.95	51%	15%
JU	66%	UGX 159.25	31%	UGX 74.80	65%	34%
JB	51%	BIF 4.00	51%	BIF 4.00	70%	19%
JM	66%	MUR 0.12	54%	MUR 0.10	88%	34%

Note

JK = Jubilee General Insurance Limited

JT = a new Tanzanian short-term general insurance company that will be incorporated and to which the Target Business in Tanzania will be transferred

JU = Jubilee Insurance Company of Uganda Limited after transfer of medical business to a new subsidiary leaving the Target Business in Uganda in JU

JB = Jubilee Insurance Company of Burundi S.A.

JM = Jubilee Insurance Company of Mauritius Limited

The agreements provide that Allianz will pay Jubilee the Kenya Shilling equivalent of the consideration specified above in local currencies calculated using specified exchange rates published two days prior to the date on which each sale transaction completes. Hence, the actual Kenya Shilling consideration that Jubilee will receive will depend on the exchange rates applicable at the point in time when the sale transaction for each Target Company completes.

In the cautionary notice issued by Jubilee on 29 September 2020 – Jubilee stated that it expects to receive consideration of the equivalent of Kenya Shillings seven billion seven hundred and fifty million (KES 7.75 billion) for the equity stakes in the Target Company that it has contracted to sell to Allianz calculated by applying exchange rates applicable as at that date to the local currency consideration amounts in Table 1. The revised estimates using exchange rates as at 20 November 2020 are aggregate consideration of KES 10.88 bn and consideration to Jubilee of KES 7.78 bn.

As part of the scope of work specified in our mandate letter to advise on commercial matters, Stanbic completed financial analysis and provided advice to the Board as to whether the cash consideration offered by Allianz for the purchase of stakes in each Target Company was reasonable in the circumstances. This advice was provided on 22 March 2020 immediately before the Board accepted Allianz's non-binding offer document that specified the consideration to be paid.

In particular, the report set out the results of Stanbic's analysis that included:

- 1) Results of a "sell versus hold" analysis that compared the discounted present value of forecast cash flows to Jubilee under the "sell" option that involved selling the equity stakes specified in Table 1 and reinvesting the proceeds in financial instruments versus the "hold" scenario of retaining the equity stakes in the subject entities. Based on this analysis, Stanbic concluded that under the most likely financial forecasts the sell option results in a positive net present value.
- 2) Results of a comparison of implied offer price multiples in terms of price to earnings multiples and price to accounting book net asset value multiples against the multiples at which other comparable transactions involving Kenya based insurance companies had completed in the period 2015 to 2019. Based on this analysis, Stanbic concluded that the implied offer price multiples fell within the expected range.

Our report included our conclusion that the offer price was attractive and advised the Jubilee Board to accept the Allianz offer. We can confirm that this advice was based on our opinion that the consideration fell within acceptable ranges given the circumstances.

In our report to the Board, Stanbic made the following additional observation as to additional issues that the Jubilee Board should consider "...This financial evaluation does not factor in other potential strategic benefits that the JHL Board should take into account in assessing the strategic merits of the proposed transaction. For example, - if the Buyer [Allianz] is able to derive synergies that enable the Target Companies to achieve better earnings than the standalone forecasts – this would add to the positive impact of the transaction for JHL ...".

Stanbic can also confirm that as part of its engagement it held further discussions as to the transaction consideration with the Jubilee Board prior to 29 September 2020 when the Board made the decision to execute the substantive binding transaction agreements with Allianz and issue its cautionary notice.

These discussions included the following matters:

- confirming that the consideration specified in the substantive agreements did not differ materially from the consideration specified in the non-binding offer document (the consideration stated in the Transaction agreements is lower by 1.74% compared to the prices stated in the offer document resulting from an agreed reduction in the consideration for Jubilee Insurance Company of Burundi S.A and other minor rounding differences); and
- consequently, that there was no change to Stanbic's advice with respect to the adequacy of the consideration.

In our discussions we also made the observation that the offer document was submitted before the World Health Organisation declared the Covid-19 pandemic on 11 March 2020 (reflecting offer prices that had been under negotiation for over one year at that point) and that the final negotiated prices did not reflect any potential impact of the pandemic on the business prospects of the Target Companies.

Confirmation of independence

Stanbic confirms that throughout the performance of its duties under the mandate Stanbic has acted in an independent and impartial manner. However, Stanbic would like emphasise that it and its affiliates have commercial relationships with Jubilee as summarised below.

- 1) Under the terms of the engagement letter signed with Jubilee, Stanbic is entitled to milestone fee payments on signature of binding transaction documents as well as a contractual success fee and a discretionary success fee payable on the date that the first sale of shares in a Target Company completes.
- 2) Jubilee subsidiaries in Kenya, Uganda and Tanzania hold bank accounts with Stanbic Bank and its affiliates in those countries. These accounts are for operational purposes and hold fluctuating credit balances over the year on arms-length commercial terms. The balances in these accounts amounted to KES 50 million in Kenya, UGX 154 million in Uganda and TZS 158 million in Tanzania as at the end of September 2020. The Jubilee Group members do not borrow any amounts from Stanbic and its affiliates.
- 3) Stanbic's affiliate – Stanbic Insurance Agency Limited – provides insurance agency services including distribution Jubilee group's insurance products in Kenya. In the nine-month period to 30 September 2020, Stanbic Insurance Agency Limited generated premiums of KES 12 million and earned commissions of KES 1.2 million.

Consent for inclusion in Jubilee's circular to shareholders

Stanbic confirms that it consents to the inclusion of this letter in the circular that Jubilee intends to send to its shareholders and for the letter to be made available for inspection by Jubilee shareholders. However, Stanbic emphasises that the terms and conditions of its appointment letter continue to apply including provisions specifying that Stanbic's duty of care extends to the Board of Jubilee and to no other persons and provisions relating to limitation of liability.

Yours faithfully



Naval Sood
Head: Corporate Finance
Stanbic Bank Kenya Limited