

## Reduction of Share Premium - Frequently Asked Questions (FAQs)

Britam Holdings Plc (**Company**) is proposing to reduce the amount standing to the credit of the Company's share premium account by KES 5,875,252,000 from KES 13,237,451,000 to KES 7,362,199,000 to eliminate the Company's historical accumulated losses reflected in its accumulated losses account.

### **1. What is a share premium account?**

- 1.1. The share premium account represents amounts received by the Company from time to time upon allotment of shares at a subscription price above the nominal value of its shares.
- 1.2. The nominal value of the ordinary shares of the Company is KES 0.10 each. The Company has on several occasions since its initial public offering on the Nairobi Securities Exchange (**NSE**) in 2011 raised capital at a subscription price that is higher than its nominal value. The portion of the subscription price above the nominal value of the Company's ordinary shares is classified as share premium.
- 1.3. Share premium forms part of total equity in the Company but is treated as an undistributable reserve with limited applications.
- 1.4. Share premium cannot be used to pay dividends or make other distributions or otherwise to return cash to shareholders. However, it can be applied, to offset any accumulated losses of the Company provided that such application is approved by the shareholders by way of a special resolution and subsequently confirmed by the High Court of Kenya.

### **2. Why is the Company proposing a share premium reduction?**

The purpose of the proposed reduction is to eliminate historical accumulated losses to enable the Company to improve its retained earning position to support future return of capital to Shareholders through payment of dividends.

### **3. What caused the accumulated losses that need to be off set through a reduction in the share premium account?**

- 3.1. Accumulated losses are losses carried forward from previous years that reduce shareholders' equity. They sit on the balance sheet and can prevent the company from paying dividends until cleared.
- 3.2. In the financial year ended 31 December 2020, the Group reported a loss after tax of KES 9,111,539,000 (compared to a profit after tax of 3,542,625,000 in the financial year ended 31 December 2019). This resulted from the adverse impact of Covid-19 on the operating environment, its operations, and its investments. This loss eliminated the Group's and consequently, the Company's retained earnings.

### **4. Does this mean the Company is in financial distress?**

- 4.1. No. The proposed share premium reduction is simply a balance sheet exercise intended to offset historical accumulated losses to enable the Company to create distributable reserves to support the future payment of dividends to the Shareholders (should circumstances make it appropriate or desirable to do so).
- 4.2. From 2021 to 2025, the Group returned to profitability resulting from our disciplined execution of the OneBritam Strategy. This resulted in the reduction of the Company's accumulated losses

from KES 9,891,877,000 as at 31 December 2020 to KES 5,875,252,000 as at 31 December 2025.

4.3. Notwithstanding the above sustained profitability over the last five years, the Company has not yet fully extinguished its accumulated losses. Accordingly, the Company does not have distributable reserves to enable it to pay dividends to Shareholders.

**5. Does this involve any cash payment to shareholders?**

No. This is an accounting exercise and will not involve any distribution or return of capital to any Shareholder and will not reduce the Company's underlying assets.

**6. How will the Company's balance sheet look after the reduction?**

After the share premium reduction, the Company's balance sheet will show a lower share premium balance and a reduced (or eliminated) accumulated losses balance. The adjustment is purely within equity and does not affect assets or liabilities.

**7. Will this affect my shareholding or the number of shares I own in the Company?**

No. The share premium reduction will not change the number of shares in issue or their nominal value. In addition, no new shares will be issued as a result of the share premium reduction.

**8. Will the market price of the shares be affected?**

The Company's share price is determined by market forces on the NSE. This accounting exercise by itself does not directly impact the share price.

**9. Will creditors be affected?**

No. The share premium reduction does not involve any outflow of cash and does not reduce the Company's underlying assets. The Company will still have sufficient assets to be able to meet its normal operations and financial obligations as and when they fall due.

**10. Will customers be affected?**

No. The share premium reduction will not adversely affect or impact the customers of the Company. The Company will continue its relationship with its customers as it did before the share premium reduction.

**11. Will employees be affected?**

No. The share premium reduction will not have any negative effect on employees. The Company will continue to strengthen its workforce.

**12. Is shareholder approval required?**

Yes. The share premium reduction requires approval by shareholders through a special resolution under the Companies Act and the Company's articles of association. The board has in the AGM notice dated 30 April 2026 proposed a special resolution to the shareholders for consideration and, if deemed fit, approval of the proposal to reduce the share premium at the annual general meeting of the Company to be held on 21 May 2026.

**13. Are there mandated processes or regulatory approvals required?**

13.1. Yes. The reduction requires the approval of the shareholders of the Company by way of a special resolution in accordance with the Companies Act and the articles of association of the Company.

13.2. In addition, the proposed share premium reduction requires the approval of the High Court of Kenya. The special resolution approving the share premium reduction will take effect upon the registration of the order from the High Court confirming the share premium reduction and a statement of capital approved by the High Court at the Companies Registry.

13.3. The Company will also comply with disclosure requirements under the Capital Markets Act and the Capital Markets (Public Offers, Listings, and Disclosures) Regulations, 2023.

#### **14. Are there any other sector specific regulatory approvals (CBK, IRA, RBA) required?**

No approvals from, or notifications to, the IRA, RBA, or CBK are required. The reduction will not affect the regulatory capital or financial position of the subsidiaries of the Company. However, as the Company holds interests in various entities regulated by the IRA, the Company has notified the IRA of the proposed share premium reduction.

#### **15. How will this be reflected in the financial statements?**

In accordance with International Financial Reporting Standards (IFRS) the share premium account will be debited, and the retained earnings will be credited by the same amount. This does not generate new cash. It is an accounting adjustment that improves the balance sheet of the Company.

#### **16. Will this enable the Company to pay dividends?**

The reduction will help create positive retained earnings creating a foundation for future value to shareholders through payment of dividends. However, dividend payments will still depend on future profitability of the Company, cash flows, board approvals as well as shareholder approvals.

#### **17. What are the risks associated with this proposal?**

The share premium reduction itself carries no direct risk as it is an internal accounting adjustment. However, broader risks relate to market perception and reputation, market conditions affecting share price, and increased regulatory scrutiny.

#### **18. What happens if shareholders do not approve the proposal?**

If the special resolution is not passed the share premium account will remain unchanged and accumulated losses will continue to be reflected in the financial statements. The Company may also have limited flexibility in paying dividends in future.

#### **19. Can the Board withdraw from this process after the Shareholders have passed the Special Resolution**

Yes. The Board reserves the right not to proceed with the Company's application for the Court Order if (contrary to current expectations) the Court requires undertakings which the Board considers to be unduly onerous or contrary to the best interests of the Company and its Shareholders as a whole.

#### **20. How will shareholders be notified about the finalization of the process and registration at the Companies Registry?**

The Company will publish a notice of the registration of the Court Order and statement of capital in the manner directed by the Court.

## **21. Where can shareholders obtain more information?**

Shareholders can refer to the shareholder circular and notice of general meeting and the Company's audited financial statements available on the website of the Company at <https://www.britam.com>. You can also contact Ms. Hilda Njeru, the Company Secretary.