SMEP MICROFINANCE BANK PLC
(Registration Number **C.7/2012**)

Licensed and regulated by the Central Bank of Kenya under the Microfinance Act, 2006

CIRCULAR TO SHAREHOLDERS

IN RESPECT OF

THE PROPOSED RIGHTS ISSUE OF UP TO 790,196,079 CLASS B ORDINARY SHARES AT KES 1.00 PER SHARE

A Notice of the Extraordinary General Meeting of the Company to be held on **23rd November 2026 at 2.30pm** is set out at the end of this document. A form of proxy for use by Shareholders is also enclosed.

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

It contains resolutions to be considered at an Extraordinary General Meeting of the Company to be held on **23rd November 2026** which you are being asked to approve.

If you are in any doubt about the action to take, please consult your lawyer, accountant or other independent professional adviser.

If you have sold or transferred all your shares in SMEP Microfinance Bank PLC, please forward this Circular to the purchaser or transferee, or to the agent through whom the sale or transfer was made, for delivery to the purchaser or transferee.

1 IMPORTANT NOTICES

This Circular is issued by SMEP Microfinance Bank PLC (the "**Company**") and has been prepared in compliance with the Companies Act, 2015, and the Microfinance Act, 2006.

The Company is an unlisted public company. Under regulation 17 of the Capital Markets (Public Offers, Listings and Disclosures) Regulations, 2023 (the "**POLD Regulations**"), an offer of shares by an unlisted public company to its existing shareholders is a private offer. The Rights Issue will be made only to Shareholders on the Register at the Record Date, the rights will not be transferable, and the offer will not be advertised to the public.

This Circular is therefore not a prospectus or information memorandum, and has not been approved by the Capital Markets Authority.

This Circular is not itself an offer of shares. If the Resolutions are passed and the regulatory approvals are obtained, each Shareholder will receive an Entitlement Letter and Application Form setting out the number of Class B Ordinary Shares they may subscribe for and how to accept.

The Directors, whose names appear in Part 1, accept responsibility for the information in this Circular.

If you cannot attend the EGM and wish to be represented, please complete the Form of Proxy and return it to the Company Secretary or the Registrar so that it is received not later than 2.30 p.m. on Saturday, 21st November 2026, being forty-eight (48) hours before the time of the meeting, as more particularly set out in the EGM Notice.

2 GENERAL

2.1 DIRECTORS OF THE COMPANY AND CHIEF EXECUTIVE OFFICER

Name	Position	Nationality
Dr. Nelson Chege Kuria	Chairman, Non-Executive Director	Kenyan
Mr. Micah Crist	Non-Executive Director	American
Mr. Stanley Tsikirayi	Non-Executive Director	Zimbabwean
Mr. Paul Nyachiwowa Munhuwaani	Non-Executive Director	Zimbabwean
Mr. John Mwangi Thiongo	Non-Executive Director	Kenyan
Canon Chris Kinyanjui Kamau	Non-Executive Director	Kenyan
Mr. Gideon Maniragaba	Non-Executive Director	Ugandan
Mr. James Nyokangi	Non-Executive Director	Kenyan
Bernard Kivava	Chief Executive Officer	Kenyan

2.2 CORPORATE INFORMATION AND ADVISERS

Principal Place of Business	Kirichwa Road Off Argwings Kodhek Road P.O. Box 64063-00620
Company Secretary	Catherine Kawira P.O. Box 72133-00200 Nairobi
Legal Adviser	Mboya Wangong'u & Waiyaki Advocates
Share Registrar	Image Registrars
Receiving Bank	SMEP Microfinance Bank PLC
Independent Valuer	BDO East Africa Kenya

2.3 DEFINITIONS

In this Circular, unless the context requires otherwise, the following words have the meanings set out opposite them. The singular includes the plural and the reverse.

"Act"	the Companies Act, No. 17 of 2015 of the Laws of Kenya;
"AGM"	the 15th Annual General Meeting of the Company held on 26th June 2026;
"AGM Capital Resolutions"	Resolutions 7(b), 7(c), 7(d) and 7(e) passed at the AGM;
"Application Form"	the form on which a Shareholder accepts its entitlement and applies for Excess Shares;
"Articles"	the Articles of Association of the Company;
"BDO Valuation"	the independent valuation of the Company's shares prepared by BDO and completed in June 2026;
"Board" or "Directors"	the board of directors of the Company, whose names are set out in Section 1 of this Circular;
"CBK"	the Central Bank of Kenya;
"Class A Ordinary Shares"	the Class A ordinary shares of KES 5.00 each in the capital of the Company;
"Class B Ordinary Shares" or "New Shares"	the new Class B ordinary shares of KES 1.00 each to be created and offered in the Rights Issue;
"CMA"	the Capital Markets Authority;
"Company" or "SMEP"	SMEP Microfinance Bank PLC;
"EGM"	the Extraordinary General Meeting of the Company to be held on Monday, 23rd November 2026, or any adjournment of it;
"Entitlement"	the number of Class B Ordinary Shares a Shareholder may subscribe for in the Rights Issue;
"Excess Shares"	Class B Ordinary Shares applied for by a Shareholder above its Entitlement;
"HOPE"	HOPE Advancement Inc, the holder of 51.0% of the issued shares of the Company;
"HOPE Commitment"	the sum of USD 3,100,000;

"Issue Price"	KES 1.00 per Class B Ordinary Share;
"KES"/"KShs."/"Kshs"	Kenya Shillings;
"Ordinary Shares"	the ordinary shares of KES 5.00 each in the capital of the Company;
"Record Date"	the date, to be fixed by the Directors, at the close of business on which Shareholders must be on the Register to receive an Entitlement;
"Register"	the register of members of the Company;
"Resolutions"	the resolutions set out in the Notice of EGM;
"Rights Issue"	the proposed offer of up to 790,196,079 Class B Ordinary Shares to Shareholders at the Issue Price, on the terms of this Circular;
"Shareholder"	a registered holder of Ordinary Shares or Class A Ordinary Shares;
"USD"	United States Dollars.

30th October 2026

Dear Shareholder,

PROPOSED RIGHTS ISSUE OF CLASS B ORDINARY SHARES AND RELATED RESOLUTIONS

1.1. Introduction

On behalf of the Board, I am pleased to invite you to an Extraordinary General Meeting of the Company on Monday, 23rd November 2026.

At the meeting, Shareholders will consider proposals to strengthen the Company's capital base through a rights issue open to every Shareholder.

The purpose of this Circular is to explain:

(a) why the Board proposes to raise additional capital, and why it has chosen a rights issue;
(b) why the resolutions passed at the AGM on 26th June 2026 are proposed to be replaced;
(c) the terms of the Rights Issue and its effect on your shareholding;
(d) the Resolutions you are being asked to pass; and
(e) the Board's recommendation.

1.2. Background

At the AGM, Shareholders approved a capital injection of USD 1,500,000 by HOPE Advancement Inc (HOPE), our majority shareholder, through the issue of Class A Ordinary Shares, together with related resolutions. No shares have been allotted under those resolutions.

Since the AGM, two developments have led the Board to revisit the structure of the capital raising.

1.2.1. Additional support from HOPE

HOPE has increased its commitment to the Company to a total of USD 3,100,000 (approximately KES 403,000,000), to be converted into shares of the Company. This is a strong expression of HOPE's continued confidence in the Company and its prospects.

1.2.2. The independent valuation

The Board commissioned an independent valuation of the Company's shares by BDO East Africa Kenya. The valuation supports an issue price of KES 1.00 per share.

The Board therefore proposes to create a new class of Class B Ordinary Shares with a nominal value of KES 1.00 each, to be issued at that price.

1.3 Rationale and justification for the Rights Issue

1.3.1 Supporting the Company's Growth

The additional capital will strengthen the Company's capital position, in line with the requirements of the Microfinance Act, 2006 and the Central Bank of Kenya. It will also enable the Company to expand its lending to customers and grow its operations.

HOPE has undertaken to subscribe for its full Entitlement of 403,000,000 Class B Ordinary Shares. This will add approximately KES 403,000,000 to the Company's share capital. Subscriptions by other Shareholders may add up to a further KES 387,196,079.

1.3.2 Why a rights issue

The Companies Act, 2015 and the Company's Articles of Association give every Shareholder the right to participate, in proportion to their holding, in any new issue of shares.

The Board has therefore chosen a rights issue, under which:

- every Shareholder is offered new shares in proportion to their existing holding, at the same price as HOPE;
- a Shareholder who takes up their full Entitlement keeps their percentage shareholding in the Company; and
- Shareholders may also apply for additional shares not taken up by others.

1.3.3 The Issue Price

The Issue Price of KES 1.00 per share is supported by the independent valuation and equals the nominal value of the Class B Ordinary Shares. Every Shareholder may subscribe at the same price, so all Shareholders are treated equally.

1.3.4 Replacement of the AGM Resolutions

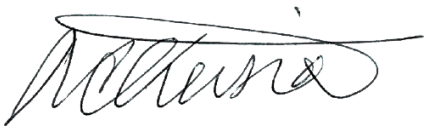
The resolutions passed at the AGM were designed for an issue of Class A Ordinary Shares to HOPE alone. They are being replaced by the Rights Issue, which gives every Shareholder the opportunity to participate. No shares were allotted under the AGM resolutions, so their replacement does not affect any Shareholder's existing holding.

1.4 Recommendation

The Board considers that the Rights Issue and the Resolutions are in the best interests of the Company and its Shareholders as a whole. The Board unanimously recommends that you vote in favour of all the Resolutions at the EGM.

I thank you for your continued support.

Yours faithfully,



Dr. Nelson Chege Kuria, MBS, OGW, F.IoDK
Chairman, on behalf of the Board

4 THE PROPOSED RIGHTS ISSUE

4.1 Principal terms

Term	Detail
Issuer	SMEP Microfinance Bank PLC
Securities offered	Up to 790,196,079 Class B Ordinary Shares of KES 1.00 each
Issue Price	KES 1.00 per share, payable in full on acceptance
Entitlement ratio	3.4679 new shares for every one share held)
Fractions	Entitlements are rounded down to the nearest whole share
Offer period	Entitlement Letters will be sent after the EGM. The offer will remain open for acceptance for up to twenty-one (21) days from the date the Entitlement Letters are sent
Eligible Shareholders	Holders of Ordinary Shares and Class A Ordinary Shares on the Register at the close of business on the Record Date
Nature of rights	Rights cannot be sold, transferred or given to another person
HOPE's subscription	403,000,000 shares (KES 403,000,000)
Other Shareholders	Up to 387,196,079 shares in aggregate (KES 387,196,079), payable in cash
Excess applications	Shareholders may apply for Excess Shares, allocated pro rata to excess applications from shares not taken up
Minimum subscription	None. The Rights Issue does not depend on any level of take-up by other Shareholders
Conditions	Passing of the Resolutions and receipt of all necessary regulatory approvals, if any

4.2 Indicative Rights Issue Timetable

The Entitlement Letters (offer letters) will be issued only after the EGM has approved the Resolutions, and receipt of regulatory approvals, if any. The offer will then remain open for up to 21 days.

*(The timetable (**especially on the actions after the EGM**) is indicative. The Company may change it, subject to the Companies Act, 2015 and the Articles of Association, and will notify Shareholders of any change. All times are Kenya time.)*

No.	**Event**	**Indicative timing**	**What it means for you**
1	Board approves the Rights Issue and recommends the Resolutions	22nd October 2026	The Board has decided that a rights issue open to all Shareholders is the fairest way to raise the capital.
2	Publication of this Circular, the Notice of EGM and the Form of Proxy	30th October 2026	At least 21 clear days' notice is required by the Articles of Association of the Company for circulation of the EGM Notice. Please read this Circular and decide how to vote.
3	Latest time for receipt of Forms of Proxy	2.30pm, Saturday, 21st November 2026	48 hours before the EGM. Return your Form of Proxy by this time if you will not attend.
4	Extraordinary General Meeting	2.30pm, Monday, 23rd November 2026	Shareholders vote on the Resolutions. Resolutions 3(a) and 3(c) need 75% of the votes cast; the others need a simple majority.
5	Announcement of the EGM results	Tuesday, 24 November 2026	Results will be published on the Company's website and communicated directly to Shareholders.
6	Filing of the special resolutions and amended Articles with the Registrar of Companies	Within the period required by the Act	Formal step to record the new share capital and Class B rights.
7	Record Date	23rd November 2026	Only Shareholders on the Register at close of business on this date receive an Entitlement.
8	Dispatch of Entitlement Letters and Application Forms; offer opens	25th November 2026	You will receive a letter showing your Entitlement and how to pay. The letters will be sent directly to registered Shareholders by email, electronic means or such other means the Company deems appropriate, as the offer may not be advertised publicly.

9	Offer period	21 calendar days (from 25th November 2026)	You may accept all or part of your Entitlement and apply for Excess Shares during this period.
10	Offer closes – latest time for acceptance and payment	5.00 p.m. on Wednesday, 16th December 2026	Any Entitlement not accepted and paid for by this time lapses. It cannot be sold and no payment is made for it.
11	Reconciliation of applications and payments by the Registrar and Receiving Bank	22nd December 2026	Payments are matched to applications. Incomplete applications may be rejected.
12	Allocation of Excess Shares	29th December 2026	Shares not taken up are allocated pro rata among Shareholders who applied for Excess Shares.
13	Allotment of all Class B Ordinary Shares; Register updated	30th December 2026	Your new Class B Ordinary Shares are issued and recorded in your name.
14	Dispatch of share statements and refund of surplus application monies	15th January 2027	Any amount paid for Excess Shares not allocated is refunded without interest.
15	Announcement of the results of the Rights Issue;	15th January 2027	The final take-up and post-issue shareholding will be published.
16	Filing of the return of allotment with the Registrar of Companies	Within the period required by the Act	Completes the legal process.

4.3 How Your Entitlement is Calculated

Your Entitlement is your shareholding at the Record Date multiplied by about 3.4679, rounded down to a whole number.

Example: a Shareholder holding 1,000 shares at the Record Date may subscribe for 3,467 Class B Ordinary Shares (1,000 × 3.4679 = 3,467.9, rounded down) at a total cost of KES 3,467.

4.4 Rights Attaching to the Class B Ordinary Shares

The rights of the Class B Ordinary Shares will be set out in the amended Articles of Association of the Company. In summary:

- **Voting:** one vote per share;
- **Dividends:** they rank equally with the Ordinary Shares and Class A Ordinary Shares;
- **Return of capital:** the holders of the Class A Ordinary Shares and Class B Ordinary Shares shall be entitled to repayment of the capital in priority to the other shareholders of the Company in the event of winding up.
- **Other rights:** otherwise, they rank equally in all respects with the existing shares.

The Class B Ordinary Shares will not be listed on any securities exchange.

4.5 Share Capital Before and After

	Authorised share capital (KES)
Before the AGM (and after the replacement of the AGM Capital Resolutions)	1,139,297,560
Add: 790,196,079 Class B Ordinary Shares of KES 1.00 each	790,196,079
After the EGM	1,929,493,639

After the EGM, the authorised share capital will comprise 111,651,161 Ordinary Shares of KES 5.00 each, 116,208,351 Class A Ordinary Shares of KES 5.00 each and 790,196,079 Class B Ordinary Shares of KES 1.00 each.

5 THE RESOLUTIONS TO BE PROPOSED AT THE EGM

Shareholders will be asked to consider and, if thought fit, pass the following Resolutions.

Resolutions 3(a) and 3(c) are special resolutions, requiring at least 75% of the votes cast.

All other resolutions are ordinary resolutions, requiring a simple majority of the votes cast.

Each of Resolutions 3(b) to 3(e) depends on the passing of the earlier Resolutions.

Resolution	Resolution	Type	Purpose
3 (a)	Replacement of the AGM Capital Resolutions	Special	Sets aside the June 2026 resolutions for a Class A issue to HOPE
3 (b)	Increase in authorised share capital	Ordinary	Creates 790,196,079 Class B Ordinary Shares of KES 1.00 each
3 (c)	Amendment of the Articles	Special	Replaces Article 3 and adds Article 3A (Class B rights)
3 (d)	Authority to allot	Ordinary	Authorises the Directors under section 329 of the Act to allot the Class B shares
3 (e)	Approval of the Rights Issue	Ordinary	Approves the terms of the Rights Issue
3 (i)	Authority to implement	Ordinary	Authorises the Directors and Company Secretary to complete the process

The full text of the Resolutions is set out in the attached EGM Notice. The EGM Notice also includes resolutions to confirm the appointment of Ms. Dorothy Sagwe as an Independent Director (Resolution 3(f)), to remove Mr. Emmanuel Efili Mordey Wuver and Mr. Simon Kamore Mwangi as directors (Resolution 3(g)), and to amend the Articles so that the appointment of the Chief Executive Officer does not, by itself, confer automatic appointment as a director (Resolution 3(c)).

6 ACTION TO BE TAKEN BY SHAREHOLDERS

6.1 At the EGM

The EGM will be held virtually on Monday, 23rd November 2026 at 2.30 p.m.

Shareholders who wish to attend electronically should register by dialing ***483*824#** for all networks and following the various prompts regarding the registration process.

To complete the registration process, shareholders will need to provide their National ID/Passport Numbers which were used to purchase their shares. For assistance shareholders should dial the following helpline number: **(+254)709 170 000/15** from **8:00 a.m. to 5:00 p.m.** from Monday to Friday. Shareholders outside Kenya should dial the helpline number or send an email to SMEPEGM@image.co.ke for assistance during registration.

If you cannot attend, you may appoint a proxy, who need not be a Shareholder. Please complete the Form of Proxy and return it to the Registrar, Image Registrars Limited, Absa Towers (formerly Barclays Plaza), 5th Floor, Loita Street, P.O. Box 9287 – 00100, Nairobi, Kenya, or to the Company Secretary at the Company's principal place of business, so that it is received **not later than 2.30 p.m. on Saturday, 21st November 2026**. Returning a Form of Proxy does not stop you from attending and voting in person.

6.2 After the EGM: Taking Up Your Rights

No action is needed on the Rights Issue until you receive your Entitlement Letter. Entitlement Letters will be sent only after the EGM. Then:

(a) you will receive an Entitlement Letter showing your shareholding at the Record Date and your Entitlement, with an Application Form;
(b) to take up all or part of your Entitlement, complete the Application Form and pay KES 1.00 per share by [bank transfer / M-PESA / banker's cheque] to the Receiving Bank account shown on the form. The offer will be open for up to 21 days from the date the Entitlement Letters are sent, and the closing date will be stated in your letter;
(c) if you also wish to apply for Excess Shares, state the number on the Application Form and include payment for them. Any amount paid for Excess Shares not allocated to you will be refunded without interest; and
(d) if you do nothing, your Entitlement will lapse at the closing date. You will not receive any payment for it, and your percentage holding will be reduced.

Because the rights are non-renounceable, they cannot be sold or transferred to anyone else.

7 RISKS AND OTHER CONSIDERATIONS

Shareholders should consider the following before deciding how to vote and whether to take up their Entitlement. This list is not exhaustive.

1. **Dilution:** Shareholders who do not take up their Entitlement in full will hold a smaller percentage of the Company.

2. **No market for the shares:** The Company's shares, including the Class B Ordinary Shares, are not listed on any securities exchange. Shareholders may find it difficult to sell their shares, and there is no published market price.

   The Company, however, facilitates private, over-the-counter arrangements by seeking to match prospective sellers with prospective purchasers. The Company does not guarantee that a purchaser will be identified or that a sale will be concluded.

3. **Taxation:** Shareholders should take their own advice on the tax effects of subscribing for, holding or disposing of Class B Ordinary Shares.

4. **Forward-looking statements:** Statements in this Circular about future plans and the expected effect of the Rights Issue reflect the Board's current views. Actual results may differ, and the Company does not undertake to update them.

8 STATUTORY AND GENERAL INFORMATION

8.1 Responsibility statement

The Directors, whose names appear in Section 1, collectively and individually accept full responsibility for the accuracy of the information in this Circular. To the best of their knowledge and belief, having made all reasonable enquiries, there are no other facts whose omission would make any statement in this Circular false or misleading.

8.2 Documents available for inspection

Copies of the following documents are available for inspection, free of charge, at the Company's registered office between 9.00 a.m. and 4.00 p.m., Monday to Friday (except public holidays), from the date of this Circular until the date of the EGM, and on the Company's website at www.smep.co.ke :

a) the Articles of Association of the Company;

b) the Notice of the AGM held on 26th June 2026 and the resolutions passed at it;

c) the Notice of the EGM to be held on 23rd November 2026, and the resolutions proposed to be passed at the said EGM;

d) the audited financial statements of the Company for the year ended 31 December 2025; and

e) a copy of this Circular.

9 ANNEX

a) Notice of Extraordinary General Meeting to be held on 23rd November 2026