



CIRCULAR TO SHAREHOLDERS

PROPOSED ACQUISITION OF ALL OF THE ORDINARY SHARES
OF NATIONAL BANK OF KENYA LIMITED

THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you require assistance with this Circular, please consult your stockbroker, investment banker, or any other professional adviser.

This Circular 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, the Capital Markets (Licensing Requirements) (General) Regulations, 2002 and the Nairobi Securities Exchange Listing Manual, 2013.

The Capital Markets Authority has approved the issue of this Circular. Approval of this Circular is not to be taken as an indication of the merits of the proposed transaction or a recommendation by the Capital Markets Authority.

As a matter of policy, the Capital Markets Authority and the Nairobi Securities Exchange do not assume any responsibility for the correctness of any statements or opinions made or reports contained in this Circular.

Date of issue: 10 May, 2019

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DEFINITIONS

Definitions and interpretations set out on page 4 apply, mutatis mutandis, to the entire Circular.

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 references to juristic persons and associations of persons:

“Annual General Meeting” or “AGM”	means the annual general meeting of KCB to be held in the Kasarani Indoor Sports Arena, Nairobi , on Thursday, 30 May, 2019 at 10.00 a.m.;
“Acquisition”	means the proposed acquisition by KCB of all of the ordinary shares of NBK;
“Banking Act”	means the Banking Act (Chapter 488 of the Laws of Kenya);
“Companies Act”	means the Companies Act (Act No. 17 of 2015, Laws of Kenya);
“CAK”	means the Competition Authority of Kenya, established under the Competition Act (Chapter 504 of the Laws of Kenya);
“Capital Markets Act”	means the Capital Markets Act (Chapter 485A of the Laws of Kenya);
“CBK”	means the Central Bank of Kenya, established under the Central Bank of Kenya Act (Chapter 491 of the Laws of Kenya);
“Circular”	means this Shareholders Circular dated 10 May 2019;
“CMA”	means the Capital Markets Authority, established under the Capital Markets Act (Chapter 485A of the Laws of Kenya);
“Conditions Precedent”	means the conditions precedent to which the Acquisition is subject, as summarised in paragraph 2.3 of this Circular;
“Directors” or “Board”	means the Board of Directors of KCB acting collectively and comprising the persons listed on page 18 as Directors of KCB;
“KCB Group” or “Group”	means KCB and its subsidiaries;
“Kenya”	means the Republic of Kenya;
“KCB” or “Company”	means KCB Group Plc., a public limited liability company (incorporated in Kenya under registration number C 9/88) and listed on the NSE;
“KCB Shares”	means the ordinary shares with a par value of Kes 1.00 each in the capital of KCB;
“Kes”	means Kenya Shillings, being the lawful currency of Kenya;
“Licensing Regulations”	The Capital Markets (Licensing Requirements) (General) Regulations, 2002;
“NBK”	means National Bank of Kenya Limited, a limited liability company (incorporated in Kenya under registration number C.7763) and listed on the NSE;
“NBK Shares”	means the ordinary shares with a par value of Kes 5.00 each in the capital of NBK;
“NSE”	means the Nairobi Securities Exchange Limited, a public limited liability company (incorporated in Kenya under registration number CPU/2014/144920) and approved as a securities exchange under the Capital Markets Act;
“Offer”	means the offer by KCB to acquire all of the NBK Shares, to be issued to NBK Shareholders pursuant to the Take-Over Regulations;
“Offer Shares”	all of the NBK Shares including those issued following the conversion of the non-Wcumulative preference shares;
“Prudential Guidelines”	means the prudential guidelines for institutions licensed under the Banking Act, as published by the CBK from time to time;
“Public Offers, Listing and Disclosures Regulations”	means the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002;
“Shareholder” or “Member”	means a registered holder of the KCB Shares or NBK Shares, as the case may be;
“Swap Shares”	means the KCB Shares to be issued by KCB to NBK shareholders in exchange for the Offer Shares as consideration for the Acquisition; and
“Take-Over Regulations”	means the Capital Markets (Take-Overs and Mergers) Regulations 2002.

PART 2 - LETTER FROM THE GROUP CHAIRMAN OF KCB

Date 10 May, 2019

To all Shareholders of KCB Group Plc.

Dear Shareholder,

NATIONAL BANK OF KENYA LIMITED – A NATURAL FIT

It gives me great pleasure to address you on what your Board considers to be a landmark transaction for our organization.

KCB envisions itself as the preferred financial services provider in Africa with a global reach. We are working towards this by investing in our existing business whilst exploring opportunities for new growth. Organically, KCB has had an impressive growth with profit before tax compounded annual growth rate of 11% for the last 5 years to close 2018 at Kes. 33.9 Billion. The main driver for our growth has been through innovation and strategic partnerships geared towards delivering products and services that meet our customers' needs.

In order to further accelerate our growth, your Board has carefully considered acquisition opportunities in the market that are in line with our strategy and this has led us to the current proposal for the acquisition of National Bank of Kenya Limited.

The two companies have a shared history and common shareholders. A lot of synergy can be seen and derived from the business lines and operating structure of the two organizations making this a natural fit.

The acquisition of NBK provides KCB with the opportunity to rapidly scale up its balance sheet and revenue streams while leveraging on cost synergies. It will distinguish our organization from the competition putting it and all its stakeholders on a path to greater prosperity.

The proposed acquisition will also create a stronger and more robust institution that will continue to play a key role in enhancing financial inclusion, further cementing KCB's position as a market leader.

It is for these reasons that your Board, following careful consideration, has made an offer to acquire all of NBK the shares. The acquisition is subject to conditions typical to transactions of this nature including shareholder and regulatory approvals. If successfully completed, it will result in NBK becoming a wholly owned subsidiary of KCB.

Recommendation

Your Board considers that the acquisition is in the best long-term interest of KCB and all its stakeholders as well as the banking industry in Kenya and the region.

Accordingly, we unanimously recommend to you, our dear shareholders, to vote in favour of the resolutions contained in the published AGM notice to give effect to the proposed acquisition of NBK.

Yours faithfully,



Andrew Wambari Kairu
Group Chairman

PART 3 - THE PROPOSED ACQUISITION

3.1. ABOUT THE ORGANIZATIONS

3.1.1 KCB GROUP PLC

KCB Group Plc is the holding company of one of the oldest commercial banking and financial services businesses in East Africa with operations in Kenya, Uganda, Tanzania, South Sudan, Rwanda, Burundi and Ethiopia. Over the years, KCB has expanded its operations to offer investment banking services as well as bancassurance services resulting in a one-stop shop for all clients' financial needs.

Within the East African region, KCB operates 258 branches, 16,600 merchants and agents and 946 ATMs throughout the region, with an asset base of Kes. 714.3 billion, a market capitalisation of over Kes 115 billion and more than 17.4 million customers.

Key Business Lines

Across the region, KCB Group has a large balance sheet that has grown from the following key segments of its business:

- **Corporate banking** – leveraging on the capital base and internal expertise to facilitate long and short term financing, trade and asset finance and enabling of transactional and global corresponding banking services.
- **Retail banking** - through the largest foot print of branches, the bank extends unsecured and secured personal loans. Within the retail portfolio also exists mobile loan facilities, the credit card offering, SME and Micro banking offering and the diaspora banking services, targeted to the East Africans living outside their home countries.
- **Mortgage banking** – this part of the business is targeted towards the development or acquisition of residential or commercial property.

Share Capital

The authorised share capital of KCB is Kes 4,500,000,000.00 divided into 4,500,000,000 ordinary shares of Kes 1.00 each. The issued share capital is Kes 3,066,063,487 divided into 3,066,063,487 ordinary shares of Kes 1.00 each.

Shareholders

A public listed company, KCB is widely held with the top shareholder holding only 17.53% of the shares. The top ten largest shareholders of the Company at 31 March 2019 were as follows:

Name	Number of Shares	Percentage Shareholding
Permanent Secretary to the Treasury of Kenya	537,378,947	17.53
National Social Security Fund	187,634,448	6.12
Stanbic Nominees Ltd A/C Nr3530153-1	85,000,000	2.77
Standard Chartered Kenya Nominees Non-Resd. A/C 9069	65,445,945	2.13
Standard Chartered Nominees A/C 9688	45,778,323	1.49
Standard Chartered Kenya Nominees Ltd A/C Ke002381	32,067,087	1.05
Standard Chartered Nominees A/C 9687	31,680,986	1.03
Sandip Kana Singh Babla & Alka Sandip Babla	28,733,200	0.94
Stanbic Nominees Ltd A/C Nr1031327	27,776,780	0.91
Standard Chartered Nominees Non-Resd A/C Ke11464	24,326,415	0.79
Others	2,000,241,356	65.24
GRAND TOTAL	3,066,063,487	100.00

2018 Performance

The Group delivered a robust performance in 2018, with all key indicators reflecting an upward trajectory. The Group's total assets grew to Kes 714.3 billion from Kes 646.7 billion, driven by growth in the traditional loan book and mobile loans. Deposits were up Kes 38 billion to Kes 537.5 billion while the net loan and advances increased to Kes 455.9 billion from Kes 422.7 billion.

Net interest income grew by to Kes 48.8 billion while non-interest income remained stable at Kes 23 billion. Operating expenses went down to Kes 35 billion from Kes 36.4 billion following improved efficiencies across the entire business. These results pushed up the Group's after tax profit by 22% to Kes 24 billion compared to the previous year's Kes 19.7 billion. Return on average equity was 21.9%, an improvement over the previous year's performance while dividend per share improved substantially by 17% to Kes 3.50.

3.1.2 NATIONAL BANK OF KENYA LIMITED

NBK was established in 1968 as a 100% government-owned financial institution. In 1994, the Kenyan Government reduced its shareholding to 68% by selling 32% shareholding to the public. In 2003, the bank increased its share capital to Kes. 9 billion through the creation of 1,200,000,000 non-cumulative preference shares of Kes. 5.00 each. The government further divested from NBK over the years, until its present shareholding of 22.5%, as of end of March 2019. NBK is listed on the Main Investment Market Segment of the NSE.

Key Business Lines

NBK is currently positioned as a large financial services provider in Kenya, serving individuals, small-to-medium companies and businesses (SMEs) and large corporations. The bank owns two subsidiaries: NatBank Trustee and Investment Services Limited and NBK Insurance Agency Limited. As per the audited financial statements issued for the period ended 31 December 2018, NBK's asset base was valued at approximately Kes 115 billion, with shareholders' equity valued at about Kes 7 billion. As at December 2018, NBK had 1,499 staff members, 80 Branches, 124 ATMs, 1,480 agents, an e-banking platform and a mobile banking platform.

NBK is in five main business units segmented according to the characteristics of their customers, products and services.

- **Corporate, Business Banking & Institutions:** Serves medium to large corporate and institutional customers,
- **Retail, Personal & SME Banking:** Provides banking activities such as proactive advice to customers through a network of branches in Kenya,
- **Islamic Banking:** Offers Shariah compliant financial services and products,
- **NBK Insurance Agency:** NBK subsidiary, offering all types of insurance services in partnership with major insurance companies in Kenya, and
- **NatBank Trustees:** NBK subsidiary that deals with the analysis and investments in financial assets including wealth management, investment for segregated pension schemes, umbrella schemes and income draw down.

Share Capital

The authorised share capital of NBK is Kes 13,000,000,000.00 divided into 1,400,000,000 ordinary shares of Kes 5.00 each and 1,200,000,000 non-cumulative preference shares of Kes. 5.00 each. The issued and fully paid share capital is Kes 7,368,906,000.00 divided into 338,781,200 ordinary shares of Kes 5.00 each and 1,135,000,000 non-cumulative preference shares of Kes. 5.00 each.

Shareholders

The top ten largest Shareholders of the Company at 31 March 2019 were as follows:

Name	Number of Shares	Percentage Shareholding
National Social Security Fund	162,802,746	48.10%
Permanent Secretary to the Treasury of Kenya	76,230,000	22.50%
Kenya Reinsurance Corporation Limited	4,840,000	1.40%
Best Investment Decisions Limited	2,350,271	0.70%
Dizzyland Limited	1,946,000	0.60%
Stanbic Nominees Limited A/C NR5551514	1,864,863	0.60%
Equity Nominee Ltd A/C00084	1,256,343	0.40%
NBK Client A/c 1	1,143,450	0.30%
Eng. Ephraim Mwangi Maina	1,105,003	0.30%
George Muhia Mwaura	1,028,240	0.30%
Others	84,214,284	24.90%
GRAND TOTAL	338,781,200	100.00

3.2 TERMS OF THE ACQUISITION

3.2.1 The Offer

The Offer made by KCB is for the acquisition of 100% of the NBK Shares including, for the avoidance of doubt, the shares to be issued following the conversion of the non-cumulative preference shares.

The consideration for the Acquisition is to be satisfied in whole by way of a share swap of one (1) KCB Share for every ten (10) NBK Shares (the **Swap Ratio**).

The Swap Ratio has been determined on the basis of the following:

- i. The value of KCB Group's Volume Weighted Average Price (VWAP) of one KCB Share on the NSE for the 180 days up to and including 16 March, 2019 (the date before the KCB Group Board approval of the proposed Offer).
- ii. The value of NBK's Volume Weighted Average Price (VWAP) of one NBK Share on the NSE for the 180 days up to and including 16 March, 2019 (the date before the KCB Group Board approval of the proposed Offer).
- iii. A book discount to the value of NBK's 180 day VWAP up to and including 16 March, 2019 (the date before the KCB Group Board approval of the proposed Offer) of one NBK Share on the NSE to factor the limited enterprise value of NBK in its current financial state.

KCB has a nominal share capital of Kes 4,500,000,000 divided into 4,500,000,000 ordinary shares with a par value of Kes 1.00 each, of which 3,066,063,487 ordinary shares have been issued, leaving 1,433,936,513 ordinary shares available for issue (the **Available Shares**).

Upon conversion of the non-cumulative preference shares in the share capital of NBK to ordinary shares, NBK will have 1,473,781,200 ordinary shares in issue. Assuming that KCB receives acceptances in respect of 100% of the Offer Shares, at the Swap Ratio, it will require 147,378,120 ordinary shares (the **Swap Shares**) to satisfy the consideration for the Acquisition. The Swap Shares will be issued out of the Available Shares as set out above, and highlighted in the table below.

KCB Group Share Capital	No. of Shares
Nominal Share Capital	4,500,000,000
Issued Share Capital	3,066,063,487
Available Shares	1,433,936,513
Swap Shares	147,378,120

The issue of the Swap Shares to NBK shareholders will result in a dilution of the current shareholders of KCB, while the current shareholders of NBK will receive newly issued KCB Shares as consideration for the transfer of their NBK Shares to KCB.

The anticipated upturn and increase in earnings for KCB shareholders will, within 3 years post acquisition, far outweighing the minimal dilutive effect to current KCB shareholders of approximately 4.5%.

3.2.2 Resultant Structure

KCB proposes to maintain NBK as a stand-alone subsidiary of KCB Group post-acquisition, and thereafter fully integrate NBK into KCB Bank Kenya Limited within a period of about 2 years. This transitional integration period is necessary to streamline human resources, systems, processes and procedures to realize the full value of the envisioned efficiencies and productivity synergies post-acquisition.

3.2.3 Conditions Precedent

Completion of the acquisition will be conditional upon the fulfilment (or, where applicable, waiver) of the Conditions Precedent, which include, amongst other things:

- (a) the recommendation of the Board of Directors of NBK to the Shareholders of NBK to accept the Offer;
- (b) receipt of requisite regulatory approvals including:
 - a. approval of the acquisition from the CAK, pursuant to the Competition Act (Chapter 504 of the Laws of Kenya);
 - b. From the CBK:
 - i. approval of the acquisition by KCB of more than 25% of the issued shares of NBK; and
 - ii. no objection to KCB as a significant shareholder of NBK;
 - c. to the extent required for the implementation of the Offer, the approval of any other relevant regulatory authorities;
 - d. to the extent that any of the regulatory approvals, no objection or exemptions have conditions attached to them, such conditions being acceptable to KCB;
- (c) the approval by KCB Shareholders of the acquisition of 100% of the NBK Shares;
- (d) conversion of the 1,135,000,000 non-cumulative preference shares of Kenya Shillings Five (Kes. 5.00) each, of NBK, into ordinary shares at a ratio of one preference share to one ordinary share;
- (e) receipt by the closing date of the Offer (as will be provided in the offer document to NBK shareholders) of acceptances from NBK shareholders holding at least seventy five per cent (75%) of the Offer Shares; and
- (f) resolution by NBK's shareholders to approve the de-listing of the Offer Shares from the NSE.

3.2.4 Delisting and Squeeze Out

(a) If acceptances of 75% of the Offer Shares are received, and subject to approval from the Capital Markets Authority, the Offer Shares will be de-listed from the NSE.

(b) If the Offer is accepted by NBK shareholders holding 90% of the Offer Shares, KCB intends to apply the provisions of the Take-Over Regulations and Part XXIV, Division 4 of the Companies Act, 2015 to compulsorily acquire the remaining shares of NBK.

3.3 BENEFITS OF THE ACQUISITION

The following benefits are envisaged from the Acquisition:

Customer deposit mix: The opportunity for KCB to access and consolidate its deposits with NBK's large portfolio of deposits would translate to a lower cost of funding for KCB post-acquisition.

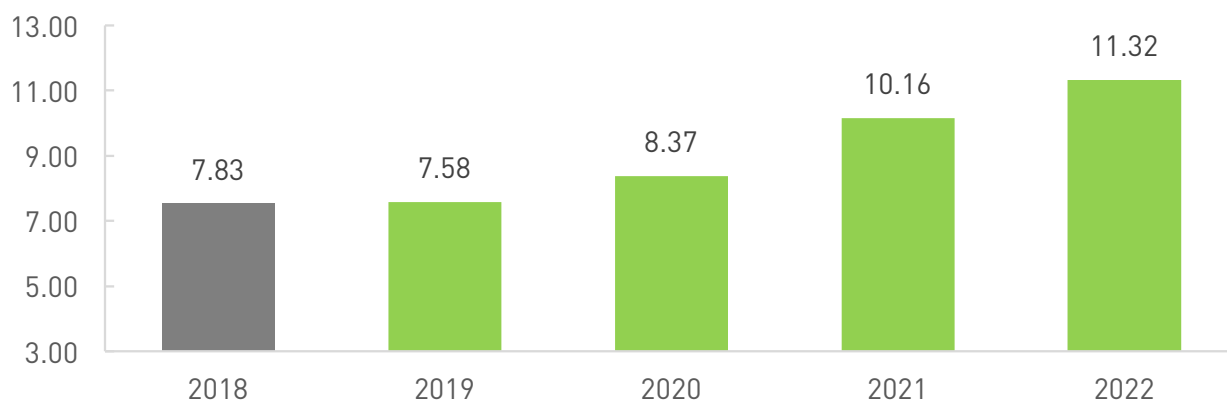
Increased lending capacity: The combined balance sheet will increase capacity for KCB to lend to a wider customer base. The merged entity will have a unique opportunity to create a Kes. 1 Trillion balance sheet financial institution by end of 2022.

Portfolio growth: creates the opportunity for KCB to generate additional transactional revenue from the wider customer base.

Cost synergies: this transaction is expected to increase cost efficiency due to economies of scale and leveraging of technology.

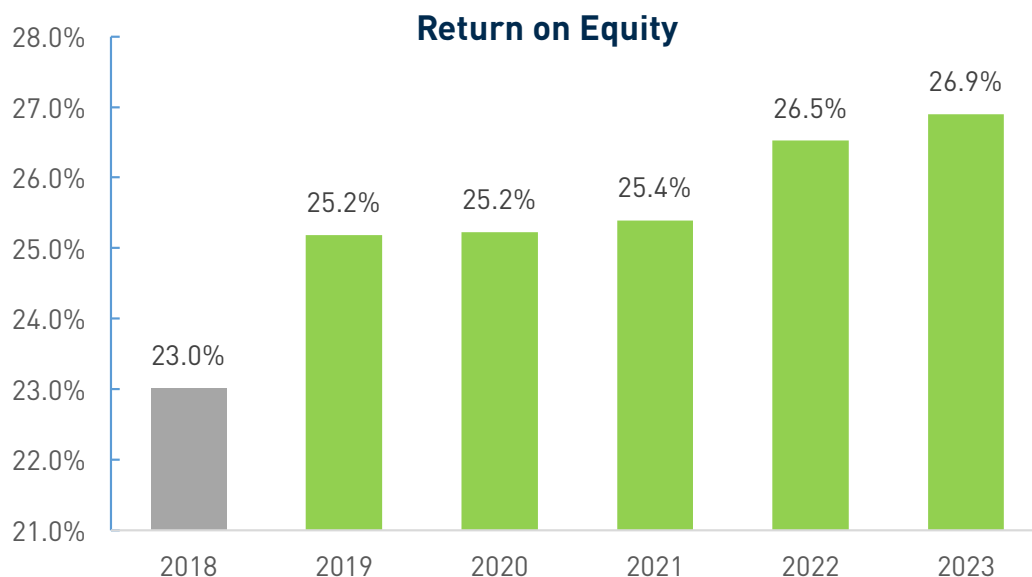
It is anticipated that the synergies realized from the acquisition of NBK will increase the return on equity for KCB Shareholders, translating to the following earnings per share for KCB Shareholders post-acquisition of NBK up to the year 2022.

KCB Group Earnings Per Share (Kes)



Source: KCB Projections FY 2019 to FY 2022

The Acquisition is expected to deliver an uplift of returns on Shareholders' equity from the current 23.0% in 2018 to 26.9% in 2023 post acquisition and integration.



Source: KCB Group projections

3.4 RISKS AND MITIGANTS

3.4.1 Non-Performing Loan Book

NBK's loan book has an NPL ratio in the region of 49% as at 31 December, 2018. This is expected to be covered by provisions and collateral. Post-acquisition, KCB plans to adopt measures to manage the NPLs including all possible measures to recover as well as write down key NPLs, and subsequently put in place effective loan portfolio management measures to maintain a favorable loan portfolio quality for KCB.

3.4.2 Integration Risk

KCB runs the risk of experiencing challenges in fully integrating NBK into KCB's business. To manage this risk, KCB will ensure that an integration team is in place to concentrate on the complexity of people, processes and system integration, as well as manage the integration process in an efficient and timely manner.

3.4.3 Public Scrutiny of Transaction

The transaction is likely to attract significant public attention due to its nature involving two public listed entities operating in a highly regulated sector. Being publicly listed, the Capital Markets Act and Take-Over Regulations provide detailed procedures to guide the transaction under the supervision of the CMA and the CAK. KCB will roll out a public relations and communication plan for various stakeholders and the public to provide timely information on the transaction.

3.5 KEY DATES *

KCB announces the proposed offer by Press Notice	April 19, 2019
KCB serves NBK with CMA approved Offeror's Statement	May 6, 2019
KCB Group issues AGM Notice	May 8, 2019
KCB Group AGM	May 30, 2019
CMA approval of KCB's Offer Document	July 10, 2019
KCB serves Offer Document on NBK	July 17, 2019
CAK approval	July 30, 2019
CBK approval	July 30, 2019
NBK circulates Offer Document, Independent Adviser's Circular & Board's Recommendation to NBK shareholders	August 6, 2019
Offer period begins	August 6, 2019
Offer period ends	September 17, 2019
Announcement of the results of the Offer	October 1, 2019
Completion, issue and listing of additional KCB Shares	October 8, 2019

* **Notes:** The above dates are indicative and subject to change as the listed actions are subject to certain conditions whose completion cannot be confirmed at the time of publication of the Circular.

PART 4 - SUMMARY FINANCIAL INFORMATION

4.1 KCB - Summary of latest audited financial statements for the period ending 31 December, 2018

SUMMARY CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT	31-Dec-2018 Kes M	31-Dec-2017 Kes M
ASSETS		
Cash and balances with Central Banks	50,101	50,714
Loans and advances to banks	32,017	21,711
Financial assets at fair value through OCI	82,896	71,743
Clearing house	1,217	1,222
Other assets and prepayments	30,646	20,006
Loans and advances to customers (Net)	455,880	422,685
Financial assets at amortized cost	37,174	38,264
Tax recoverable	-	524
Property and equipment	11,007	10,454
Intangible assets	3,003	3,371
Prepaid operating lease rentals	129	132
Retirement benefit asset	658	1,018
Deferred tax asset	9,585	4,824
Total assets	714,313	646,668
EQUITY AND LIABILITIES		
Liabilities		
Deposits from banks	20,105	11,039
Deposits from customers	537,460	499,549
Bills payable	5,514	6,141
Other liabilities and accrued expenses	14,817	8,653
Deferred tax liability	-	160
Tax payable	309	266
Borrowings	22,447	14,895
Total liabilities	600,652	540,703
Equity		
Share capital	3,066	3,066
Share premium	21,647	21,647
Revenue and other reserves	81,283	75,120
Proposed dividend	7,665	6,132
Total Equity	113,661	105,965
TOTAL EQUITY AND LIABILITIES	714,313	646,668

SUMMARY CONSOLIDATED INCOME STATEMENT

For the year ended	31-Dec-2018	31-Dec-2017
	Kes M	Kes M
Net interest income	48,830	48,385
Non- interest revenue	22,973	23,000
Total income	71,803	71,385
Credit impairment charges	(2,944)	(5,914)
Income after impairment charges	68,859	65,471
Total operating expenses	(34,698)	(34,996)
Profit before tax and loss on monetary position	34,161	30,475
Loss on monetary position	(302)	(1,361)
Profit before income tax	33,859	29,114
Income tax expense	(9,864)	(9,410)
Profit for the year	23,995	19,704

4.2 NBK - Summary of latest audited financial statements for the periods ending 31 December, 2015 to 31 December, 2018

NBK's financial statements include results of NBK and its wholly owned subsidiaries:

- i. NBK Insurance Agency Limited and
- ii. Natbank Trustee and Investment Services Limited.

SUMMARIZED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Profit and Loss Account	31-Dec-2015 (Kes '000)	31-Dec-2016 (Kes '000)	31-Dec-2017 (Kes '000)	31-Dec-2018 (Kes '000)
Interest Income	12,248,203	12,100,827	9,962,495	8,912,892
Interest Expense	(5,850,664)	(4,308,945)	(3,237,573)	(2,884,962)
Net Interest Income	6,397,539	7,791,882	6,724,922	6,027,930
Non-Interest Income	3,157,554	2,857,037	2,428,679	1,990,944
Total Operating Income	9,555,093	10,648,919	9,153,601	8,018,874
Loan Loss Provisions	(3,719,128)	(2,415,001)	(756,740)	(185,099)
Total Operating Expenses	(11,193,078)	(10,569,028)	(8,368,519)	(7,565,523)
Profit/(loss) before tax and exceptional items	(1,637,985)	79,891	785,082	456,351
Exceptional Items	-	-	-	(541,252)
Profit after exceptional items	(1,637,985)	79,891	785,082	(84,901)
Current tax	(24,018)	(15,319)	(29,078)	(53,611)
Deferred tax	508,526	6,381	(345,221)	145,520
Profit/(loss) after tax and exceptional items	(1,153,477)	70,953	410,784	7,008

Source: NBK Annual Report and Financial Statements FY 2015, 2016, 2017 and 2018.

NBK SUMMARIZED HISTORICAL STATEMENT OF FINANCIAL POSITION

	2015 Restated (Kes '000)	2016 Restated (Kes '000)	2017 (Kes '000)	2018 (Kes '000)
Cash and balances with Central Bank of Kenya	16,416,143	8,559,339	7,500,172	6,117,711
Deposits and balances due from financial institutions	4,257,046	1,311,975	2,460,142	2,068,220
Government securities	27,083,464	34,545,832	35,718,032	46,341,772
Loans and advances to customers (net)	62,531,311	55,019,784	52,361,043	47,778,777
Property and equipment	4,188,468	4,111,684	3,710,949	3,998,833
Other assets	6,773,355	8,537,516	8,122,802	8,543,792
Total Assets	121,249,787	112,086,130	109,873,140	114,849,105
Customer deposits	108,439,401	93,870,288	94,275,768	98,865,959
Deposits and balances due to banking institutions	4,526,313	7,311,668	5,620,120	6,020,730
other liabilities	1,399,077	3,993,724	2,743,344	2,989,561
Total liabilities	114,364,791	105,175,680	102,639,232	107,876,250
Share capital	7,214,976	7,214,976	7,368,906	7,368,906
Other reserves	(329,980)	(304,526)	(134,998)	(396,051)
Total equity	6,884,996	6,910,450	7,233,908	6,972,855
Total liabilities and equity	121,249,787	112,086,130	109,873,140	114,849,105
Issued and fully paid				
Ordinary shares	1,539,976	1,539,976	1,693,906	1,693,906
Preference shares	5,675,000	5,675,000	5,675,000	5,675,000
	7,214,976	7,214,976	7,368,906	7,368,906

PART 5 - STATUTORY AND GENERAL INFORMATION

5.1 RESPONSIBILITY STATEMENT

- 5.1.1** The Directors, whose names appear on section 2 of Part 5 of this Circular, accept responsibility for the information contained herein. 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.
- 5.1.2** The Directors are the persons responsible for the application made to the CMA for the approval of the issue of this Circular.

5.2 DIRECTORS

Name*	Address	Position
Andrew Wambari Kairu	P.O. Box 48400-00100 Nairobi	Non-executive, Chairman
CS, National Treasury (Henry Rotich)	P.O. Box 48400-00100 Nairobi	Non-executive
Ngengy Biwott	P.O. Box 48400-00100 Nairobi	Non-executive
Adil Khawaja	P.O. Box 48400-00100 Nairobi	Non-executive
Tom Ipomai	P.O. Box 48400-00100 Nairobi	Non-executive
John Nyerere	P.O. Box 30333-00100 Nairobi	Non-executive
Georgina Malombe	P.O. Box 48400-00100 Nairobi	Non-executive
Lawrence Mark Njiru	P.O. Box 48400-00100 Nairobi	Non-executive
Joshua Oigara	P.O. Box 48400-00100 Nairobi	Executive, Group CEO
Lawrence Kimathi	P.O. Box 48400-00100 Nairobi	Executive Group CFO

* Note: All Directors are Kenyan

5.3 DIRECTORS' INTERESTS

- 5.3.1** The following Directors had direct or indirect beneficial equity interests in the ordinary shares at 31st March 2019:

Name	Number of Shares	Percentage Shareholding
Andrew Wambari Kairu	Nil	0.00%
CS, National Treasury (Henry Rotich)	537,378,947	17.53%
Ngengy Biwott	1,537	0.00%
Adil Khawaja	38,500	0.00%
Tom Ipomai	Nil	0.00%
John Nyerere	Nil	0.00%
Georgina Malombe	10,455	0.00%
Lawrence Mark Njiru	Nil	0.00%
Joshua Oigara	35,157	0.00%
Lawrence Kimathi	Nil	0.00%

- 5.3.2** As at the date of this Circular, there was no existing or proposed contract between any of the Directors and the Company, other than employment contracts for those Directors who are employed in the ordinary course of business.
- 5.3.3** No options to purchase any securities of the Company have been granted to or exercised by any Director of the Company.
- 5.3.4** None of the Directors has or has had any beneficial interest in any property acquired by the Company during the two years preceding the date of this Circular.
- 5.3.5** Except as disclosed in this Circular, no officer, director or major shareholder of the Company (nor a related company) has any direct or indirect interest in the shares or business of NBK.

5.4 SUBSIDIARIES AND ASSOCIATES

The following are the subsidiaries and associated companies of KCB:

Incorporated in Kenya:		
Name	Country of Incorporation	Beneficial Ownership (%)
KCB Bank Kenya Limited	Kenya	100
Kenya Commercial Finance Co. Limited	Kenya	100
KCB Capital Limited	Kenya	100
Savings & Loan Kenya Limited	Kenya	100
KCB Foundation	Kenya	100
Kenya Commercial Bank Nominees Ltd	Kenya	100
Kencom House Limited	Kenya	100
KCB Insurance Agency Limited	Kenya	100
Incorporated outside Kenya:		
Name	Country of Incorporation	Beneficial Ownership (%)
KCB Bank Tanzania Limited	Tanzania	100
KCB Bank South Sudan Limited	South Sudan	100
KCB Bank Rwanda Limited	Rwanda	100
KCB Bank Burundi Limited	Burundi	100
KCB Bank Uganda Limited	Uganda	100
Associate:		
Name	Country of Incorporation	Beneficial Ownership (%)
United Finance Limited	Kenya	45

5.5 GENERAL INFORMATION

- 5.5.1** The Board hereby declares that the annual financial statements of the Company for the year ended 31st December 2018 have been audited and received an unqualified opinion.

Registered Office: Kencom House
Moi Avenue
P. O. Box 48400 – 00100
Nairobi

Group Company Secretary: Mr. Joseph Kania
P. O. Box 48400 – 00100
Nairobi

5.6 CONSENTS

KCB Capital Limited (Transaction Adviser), and Bowmans (Legal Adviser) have given and not withdrawn their respective consents to the issue of this Circular with the inclusion herein of their names and the references thereto, in the form and context in which they appear respectively.

5.7 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents will be available for inspection by shareholders, free of charge, at the Company's offices at 2nd Floor, Kencom House, Moi Avenue, P.O. Box 48400, GPO 00100, Nairobi, Kenya between 9.00 a.m. and 5.00 p.m. Monday to Friday (except public holidays) from the date hereof until 28 May 2019:

- (a) The Company's audited financial statements for the five financial years up to 31 December 2018;
- (b) The Company's Memorandum and Articles of Association;
- (c) The approval of the CMA relating to the issue of this Circular.



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