



KCB GROUP PLC

(Incorporated in Kenya under the Companies Act, 2015)

(Registration Number C 9/88)



**OFFER BY KCB GROUP PLC
TO ACQUIRE 100% OF THE ISSUED ORDINARY SHARES
OF NATIONAL BANK OF KENYA LIMITED**

Regulated by the Central Bank of Kenya

THIS DOCUMENT IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

This offer document (the **Offer Document**) is issued pursuant to Regulation 7 of the Capital Markets (Take-overs and Mergers) Regulations, 2002 (the **Take-Over Regulations**).

If you are in doubt about this offer, you should consult the independent adviser appointed by your board of directors, or you should consult your stockbroker, investment bank or other professional investment adviser.

If you have transferred all your holding of shares in National Bank of Kenya Limited, please send the Offer Document together with the Form of Acceptance at once to the stockbroker, investment bank or other agent through whom the sale or transfer was effected, for delivery to the purchaser or transferee. If you have sold or otherwise transferred only part of your holding of shares in National Bank of Kenya Limited, you should retain these documents and consult the stockbroker, investment bank or custodian through whom the sale or transfer was effected.

Offer by

KCB GROUP PLC

(Incorporated in Kenya, company number C.9/88)

to acquire 100% of the issued ordinary shares of

NATIONAL BANK OF KENYA LIMITED

(Incorporated in Kenya, company number C.7763)

Dated: 19 June 2019

Transaction Adviser



KCB Capital Limited

Kencom House,
2nd Floor,
P. O. Box 48400 - 00100
Nairobi, Kenya

Legal Adviser



Coulson Harney LLP

5th Floor, West Wing, ICEA Lion Centre,
Riverside Park, Chiromo Road
P.O. Box 10643-00100
Nairobi, Kenya

Together with this Offer Document you will find a Form of Acceptance (as defined on page 8) to enable you to accept the Offer (as defined on page 9), should you wish to do so.

ACTION TO BE TAKEN

1. Read this Offer Document fully.
2. Read the instructions in this Offer Document and on the reverse of the Form of Acceptance and then complete the Form of Acceptance should you wish to accept the offer.
3. Send the completed Form of Acceptance, together with the required supporting documents, including:
 - a. a certified copy of your national identity card or passport (for individuals) or your certificate of incorporation/registration (for corporate entities);
 - b. if signed under a power of attorney, a certified (or notarised) copy of the power of attorney;
 - c. your share certificate(s) (if any);
 - d. any other document as set out in Part 4 required for the purposes of the acceptance of the Offer,

to a stockbroker or investment bank listed in Appendix 4 in this document (Authorised Acceptance Agents) by no later than 5 p.m. on the Closing Date, being Friday 30 August, 2019.

You can also drop off your duly completed Form of Acceptance together with the required supporting documents to KCB Capital Limited as the Lead Authorized Acceptance Agent through any of the KCB Bank Kenya Limited branches which are listed in Appendix 5.

IMPORTANT NOTICES

Approval has been obtained from the Capital Markets Authority for the issuance of this Offer Document under the Capital Markets (Take-Overs and Mergers) Regulations, 2002. As a matter of policy, the Capital Markets Authority assumes no responsibility for the correctness of any statements or opinions made in this Offer Document. Approval of the Offer is not to be taken as an indication of the merits of the Offer or of a recommendation by the Capital Markets Authority to the shareholders of National Bank of Kenya Limited.

This Offer Document has been approved by the Directors of KCB Group Plc whose names appear in Part 2, paragraph 2.2.2 of this Offer Document, all of whom jointly and severally accept responsibility for the accuracy of the information given and confirm that, after making all reasonable enquiries and to the best of their knowledge and belief, there are no facts the omission of which would make any statement herein misleading.

No person is authorised to give any information or to make any representation not contained in this document and any information or representation not contained in this document must not be relied upon as having been authorised by KCB. Neither the delivery of this document, nor any disposal made hereunder will, under any circumstances, create any implication that the information contained in this document is correct as at any time subsequent to its date.

This Offer Document includes forward-looking statements. These forward-looking statements involve known and unknown risks and uncertainties, many of which are beyond the control of KCB and all of which are based on KCB's current beliefs and expectations about future events. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "plans", "continues", "assumes" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements include all matters that are not historical facts. No assurance can be given that such future results will be achieved; actual events or results may differ materially as a result of risks and uncertainties facing NBK. Such risks and uncertainties could cause actual results to vary materially from the future results indicated, expressed, or implied in such forward-looking statements. Such forward-looking statements contained in this Offer Document speak only as of the date of this Offer Document. KCB expressly disclaims any obligation or undertaking to update these forward-looking statements contained in the document to reflect any change in their expectations or any change in events, conditions, or circumstances on which such statements are based unless required to do so by applicable law.

Certain data in this Offer Document, including financial, statistical, and operating information has been rounded off. As a result of the rounding, the totals of data presented in this Offer Document may vary slightly from the actual arithmetic totals of such data. Percentages in tables have been rounded off and accordingly may not add up to 100%.

NBK Shareholders will be given notice, published in any two English language dailies of national circulation in Kenya, of any event that occurs during the Offer Period that materially affects the accuracy of the information contained in this document that comes to the knowledge of KCB.

This Offer Document has been sent to all NBK Shareholders on the register of members at the Nairobi Securities Exchange as at 5 p.m. on Wednesday 10 July, 2019.

This Offer Document does not intend to and does not constitute or form part of any offer to sell or to subscribe for or an invitation to purchase or subscribe for any securities in any jurisdiction pursuant to the Offer or otherwise, nor shall there be any sale or purchase, issuance or transfer of securities in any jurisdiction in contravention of applicable law.

The Offer is for securities of a company incorporated under the laws of Kenya and is subject to the procedure and disclosure requirements of Kenyan law. Since this document has been prepared in accordance with Kenyan law and the Take-Over Regulations, the information disclosed may not be the same as that which would have been prepared in accordance with the laws of any other jurisdiction.

This document is **NOT** for sale.

If you are in doubt about this offer, you should consult the independent adviser appointed by your board of directors, or you should consult your stockbroker, investment bank or other professional investment adviser.

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GENERAL INFORMATION

Offeror	KCB Group Plc., Kencom House, P. O. Box 48400 – 00100, Nairobi, Kenya.
Offeree	National Bank of Kenya Limited, Head Office, National Bank Building, Harambee Avenue, P. O. Box 72866 – 00200, Nairobi, Kenya.
Offeror Transaction Adviser	KCB Capital Limited, Kencom House, P. O. Box 48400 – 00100, Nairobi, Kenya.
Sponsoring Stockbroker and Lead Authorized Acceptance Agent	KCB Capital Limited, Kencom House, P. O. Box 48400 – 00100, Nairobi, Kenya.
Offeror Legal Adviser	Coulson Harney LLP Trading as Bowmans, 5th Floor West Wing, ICEA Lion Centre Riverside Park, Chiromo Road, P. O. Box 10643-00100, Nairobi, Kenya.
Public Relations	Oxygene Marketing Communications Limited, 6th Floor, Lenana Towers, Lenana Road, P. O. Box 34623 – 00100, Nairobi, Kenya.
Offeror Shares Registrar and Processing Agent	Image Registrars Limited, 5th Floor, Barclays Plaza, Loita Street, P. O. Box 9287-00100, Nairobi, Kenya.

TIMETABLE OF KEY EVENTS

Event	Time and Date
Circulation of Offer Document, and NBK Board of Directors' and independent adviser's circulars to NBK Shareholders	Tuesday 9 July, 2019
Record Date for purposes of the Offer	Wednesday 10 July, 2019
Closing Date of the Offer	5.00 p.m. on Friday 30 August, 2019
Announcement of the results of the Offer and declaration as to whether the Offer has become unconditional as to acceptances	Monday 9 September, 2019
Settlement of KCB Shares in CDSC Accounts of Shareholders	Thursday 12 September, 2019
Listing of additional KCB Shares on the Nairobi Securities Exchange	Monday 16 September, 2019

These dates are subject to change by KCB, which reserves the right to extend the period of the Offer (subject to obtaining the necessary regulatory consents). Any change in the timetable will be published in any two English language daily newspapers with national circulation in Kenya.

1. DEFINITIONS

The following definitions apply throughout this Offer Document and in the accompanying Form of Acceptance unless the context requires otherwise:

In this Offer Document, 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:

“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);
“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);
“CDA”	means a central depository agent appointed by CDSC, being (a) any member of a securities exchange; or (b) a non-bank subsidiary of any bank or financial institution licensed under the Banking Act; or (c) any institutional investor; or (d) any body corporate of a type prescribed by the CMA;
“CDS”	means the central depository system operated by the CDSC;
“CDS Account”	means the securities account in the name of a NBK Shareholder at the CDS recording the number of Offer Shares held by such Shareholder;
“CDSC”	the Central Depository and Settlement Corporation Limited, the Kenyan company licensed by the CMA that owns and manages the CDS;
“Closing Date”	means 5.00 p.m. on Friday 30 August, 2019, being the last day for receipt of acceptances in respect of the Offer Shares, or such later time and/or date as may be notified by KCB, subject to CMA approval;
“CMA”	means the Capital Markets Authority, established under the Capital Markets Act (Chapter 485A of the Laws of Kenya);
“Companies Act”	means the Companies Act (Act No. 17 of 2015, Laws of Kenya);
“Conditions”	means the conditions to which the Acquisition is subject, as set out in Part 2 of this Offer Document;
“Directors” or “Board”	means the Board of Directors of KCB acting collectively and comprising the persons listed on page 10 as Directors of KCB;
“Form of Acceptance”	means the form to be duly completed and signed by a NBK Shareholder signifying acceptance of the Offer;
“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;
“Long Stop Date”	means 5.00 p.m. on Thursday 31 October, 2019, unless such date is extended by KCB and NBK, with the approval of the CMA;

“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 Document”	means this document;
“Offer Period”	means the period commencing from the date of service of the Offer Document and ending on the Closing Date;
“Offer Shares”	means all of the NBK Shares including those issued following the conversion of the non-cumulative 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.

2. SUMMARY OF THE OFFER

2.1 Introduction

2.1.1 On 18 April 2019, KCB delivered to the board of directors of NBK a notice (the **Notice of Intention**) of its intention to acquire 100% of the ordinary shares of NBK. A comprehensive press notice was further issued in the national press on 19 April 2019, as required by regulation 3 of the Take-Over Regulations.

2.1.2 On 6 May 2019, KCB served on NBK an offeror's statement issued pursuant to Regulation 4(4) of the Take-Over Regulations, which outlined the terms of its proposed Offer, and contained the information required by the First Schedule to the Take-Over Regulations.

2.1.3 The purpose of this document is to set out the detailed terms and Conditions of the Offer, to provide you with background information relating to the Offer and to supply Shareholders with the documentation required to accept the Offer.

2.2 The Offeror

2.2.1 Corporate Identity

2.2.1.1 The ultimate Offeror is KCB, an approved non-operating holding company which holds 100% of the issued ordinary shares in KCB Bank Kenya Limited, together with other banking and non-banking subsidiaries which are set out in Appendix 1 of this Offer Document. KCB is incorporated under the Companies Act with registration number C.9/88 and its registered office is at Kencom House, P.O. Box 48400-00100, Nairobi, Kenya.

2.2.1.2 KCB is not acting in concert with any person (whether pursuant to a formal or informal agreement or understanding) in relation to the Acquisition of the Offer Shares.

2.2.2 Directors of KCB

The Directors of KCB as at the date of this Offer Document are as follows:

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
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 48400-00100 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 & MD
Lawrence Kimathi	P.O. Box 48400-00100 Nairobi	Executive, Group CFO

*** Note: All Directors are Kenyan**

2.2.3 Shareholders with notifiable interest in KCB

A public listed company, KCB is widely held with the top shareholder holding only 17.53% of the shares. The shareholders with a notifiable interest (3% or greater) in the Company as 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
TOTAL	725,013,395	23.65

2.3 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 by NBK following the conversion of the non-cumulative preference shares into ordinary NBK Shares.

2.4 Conditions of the Offer

2.4.1 The Offer is made pursuant to Regulation 3 of the Take-Over Regulations and is subject to the Conditions set out below.

2.4.2 The completion of the Offer will be subject to fulfilment (or waiver at the discretion of KCB where legally capable of waiver) of the following Conditions:

2.4.2.1 receipt of regulatory approvals, including:

2.4.2.1.1 the approval by CBK of:

2.4.2.1.1.1 the acquisition by KCB of more than 25% of the issued shares of NBK; and

2.4.2.1.1.2 KCB becoming a significant shareholder of NBK;

2.4.2.1.2 approval of the take-over by the Competition Authority of Kenya, pursuant to the Competition Act (Chapter 504 of the Laws of Kenya);

2.4.2.1.3 to the extent required for the implementation of the Offer, the approval of any other relevant regulatory authorities;

2.4.2.1.4 to the extent that any of the approvals or exemptions listed herein have conditions attached to them, such conditions being acceptable to KCB;

2.4.2.1.5 KCB receiving its shareholders' approval for the transaction;

2.4.2.1.6 KCB receiving acceptances on or prior to the Closing Date of the Offer from NBK Shareholders holding at least seventy five per cent (75%) of the Offer Shares;

2.4.2.1.7 The recommendation of the board of directors of NBK to the Shareholders of NBK to accept the Offer;

2.4.2.1.8 NBK board and Shareholder approvals for the conversion of the 1,135,000,000 non-cumulative preference shares with a par value of Kes. 5.00 each, of NBK, into ordinary shares at a ratio of 1:1; and

2.4.2.1.9 Approval by NBK Shareholders for the de-listing of NBK Shares from the NSE.

2.4.3 KCB shall at its sole and absolute discretion waive any condition which it is legally capable of waiving.

2.4.4 In the event of a waiver of a condition, the appropriate notices will be given to the CMA, the NSE and the Shareholders and notification of such waiver will be published in two English language daily newspapers with national circulation in Kenya.

2.5 Consideration

2.5.1 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**).

2.5.2 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**).

2.5.3 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, and taking into account fractional shares rounded up (as described under paragraph 2.5.5.2) it will require 147,383,968 ordinary shares (the **Swap Shares**) to satisfy the consideration for the Acquisition.

Based on the Swap Ratio and having given consideration to the holdings by NBK Shareholders as at the date of this Offer Document, KCB will issue an additional 5,840 Shares to take into account the fractional shares rounded up.

The particulars of NBK's share capital and Swap Ratio are summarized below:

Par value of each NBK share	Kes. 5.00
Number of NBK shares in issue	338,781,200
Preference shares to be converted to ordinary shares	1,135,000,000
Total number of Offer Shares	1,473,781,200
Swap Ratio (NBK: KCB)	10:1
Number of KCB Shares per Swap Ratio	147,378,120
Fractional Shares rounded up	5,848
Total Number of KCB Swap Shares	147,383,968

2.5.4 The Swap Shares will be issued out of KCB's 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 (Pre-Acquisition)	3,066,063,487
Available Shares	1,433,936,513
Swap Shares	147,383,968
Issued Share Capital (Post-Acquisition)	3,213,447,455

2.5.5 Accordingly, KCB, and its financial advisers are satisfied that:

2.5.5.1 the Acquisition will not fail due to insufficient financial capacity of KCB; and

2.5.5.2 every NBK Shareholder who accepts the Offer will receive the Swap Shares to which they are entitled. In the event that the Swap Ratio results in fractional entitlements to Swap Shares, fractions will be rounded upwards to the nearest whole number. Kindly, therefore note that where this occurs, the NBK Shareholder will be issued the number of Swap Shares after rounding up.

2.6 Valuation

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

2.6.1.1 The value of KCB's Volume Weighted Average Price (VWAP) of one KCB Share on the NSE for the 180 days up to and including 16 April, 2019 (the date before the KCB Board approval of the proposed Offer).

2.6.1.2 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 April, 2019 (the date before the KCB Board approval of the proposed Offer).

2.6.1.3 A discount of 30% to the value of NBK's 180 day VWAP up to and including 16 April, 2019 (the date before the KCB Group Board approval of the proposed Offer) of one NBK Share on the NSE to factor the need to recapitalize the business.

2.6.2 The Offer values the issued ordinary share capital of NBK at **Kes. 1,287,707,341**. After conversion NBK's cumulative preference shares into ordinary shares, the Offer values the issued ordinary shares of NBK at **Kes. 5,601,842,341**.

2.6.3 Additional historical information on the performance of both KCB and NBK Shares on the NSE prior to the Offer is provided in Appendix 3.

2.7 Justification for the Offer

2.7.1 The NBK Business

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.

2.7.2 Key Business Lines

2.7.2.1 NBK is currently positioned as a large financial services provider in Kenya, serving individuals, small-to-medium 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.

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

2.7.2.2.1 **Corporate, Business Banking & Institutions:** Serves medium to large corporate and institutional customers.

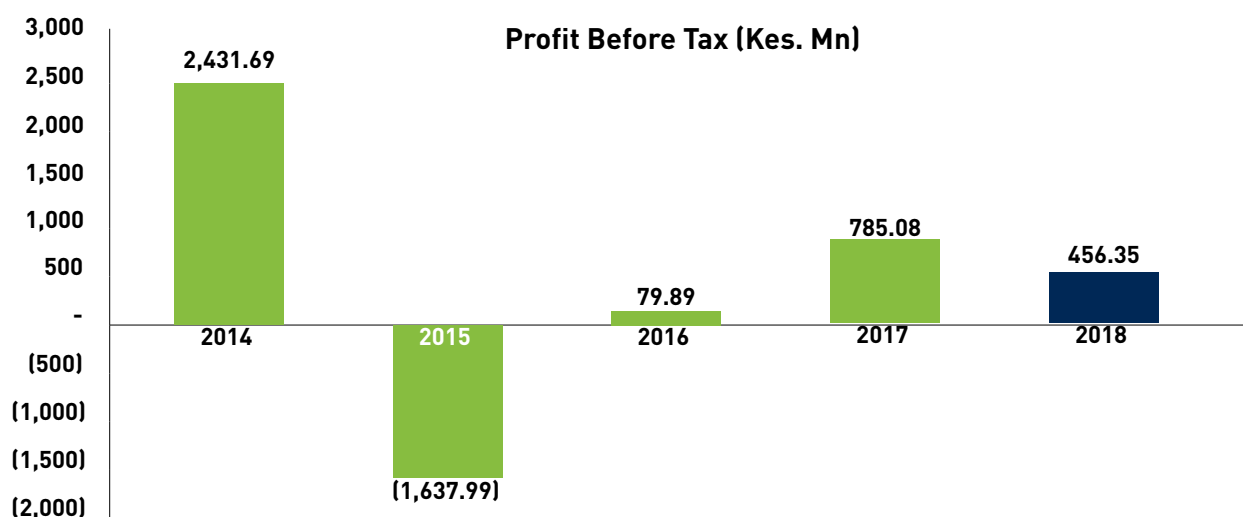
2.7.2.2.2 **Retail, Personal & SME Banking:** Provides banking activities such as proactive advice to customers through a network of branches in Kenya.

2.7.2.2.3 **Islamic Banking:** Offers Shariah compliant financial services and products.

2.7.2.2.4 **NBK Insurance Agency:** NBK subsidiary, offering all types of insurance services in partnership with major insurance companies in Kenya.

2.7.2.2.5 **NatBank Trustee and Investment Services:** 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.

2.7.3 NBK Performance Ratios

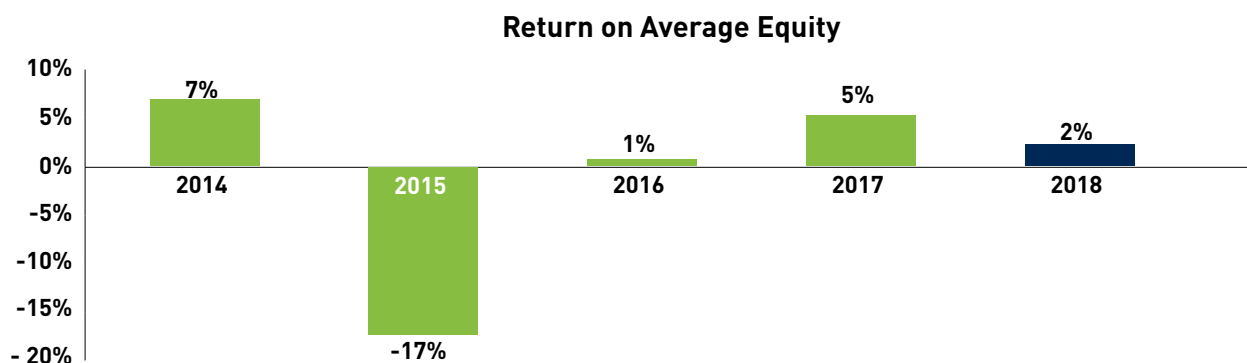


Source: NBK Annual Report and Financial Statements FY 2014, 2015, 2016, 2017 and 2018

Between 2014 and 2018, NBK's compounded annual growth rate was -34% relative to the compounded annual growth rate for listed banks at 4% and an industry average of 3%.

NBK's profitability has largely been impacted by a decline in total income coupled with a high cost to income ratio of 90% compared to peer banks at 57.3%.

The weak performance has led to the erosion of capital thus inhibiting the ability to write new loans and grow at par with the industry or other listed banks.

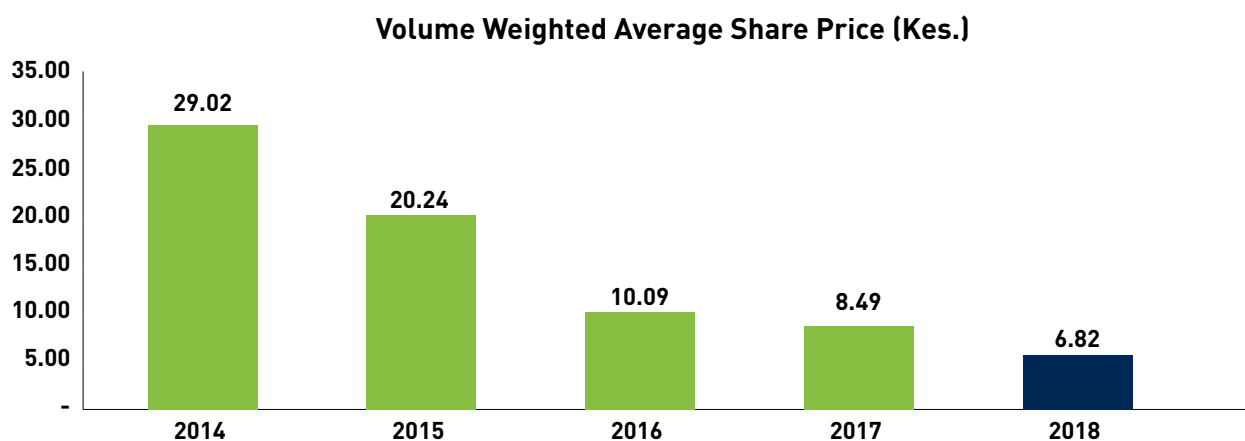


Source: NBK Annual Report and Financial Statements FY 2014, 2015, 2016, 2017 and 2018

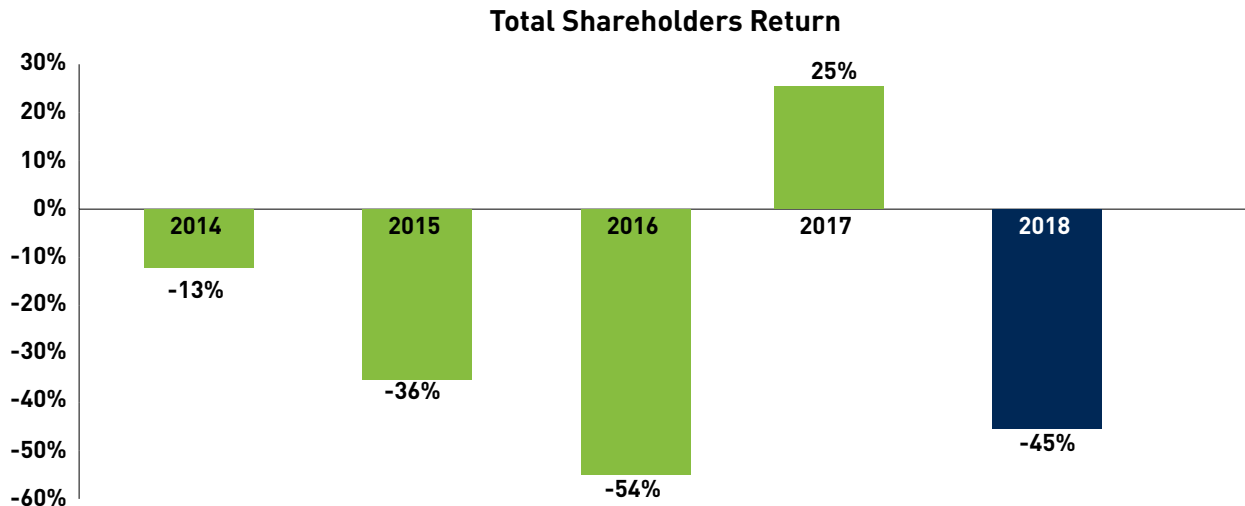
Despite the regulatory impact of the rate cap which came into effect in 2016, the return on investment of listed banks has increased from 17.6% in 2017 to 18.9% in 2018. In the same period, NBK's return on investment dropped from 5% in 2017 to 2% in 2018. This represents a significantly low return for NBK Shareholders.

The ordinary Shareholder of NBK has not received a dividend for their original investment in the last five years. For the financial year 2018, listed banks declared an absolute dividend per share of at least Kes. 0.90.

NBK's financial performance which has had a significant impact on its share price, coupled with no dividend pay outs to shareholders in the last 5 years has had a negative impact on the total shareholder return which was at -45% in 2018.



Source: NSE Price Data

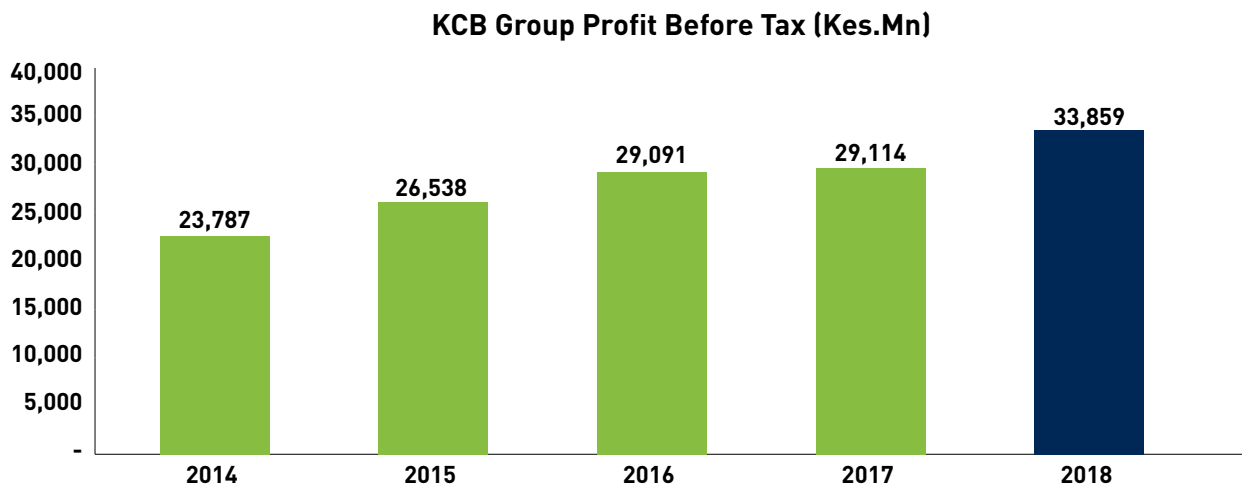


Source: NSE Price Data & NBK Financial Statements 2014, 2015, 2016, 2017 and 2018

2.8 Why you should accept the Offer

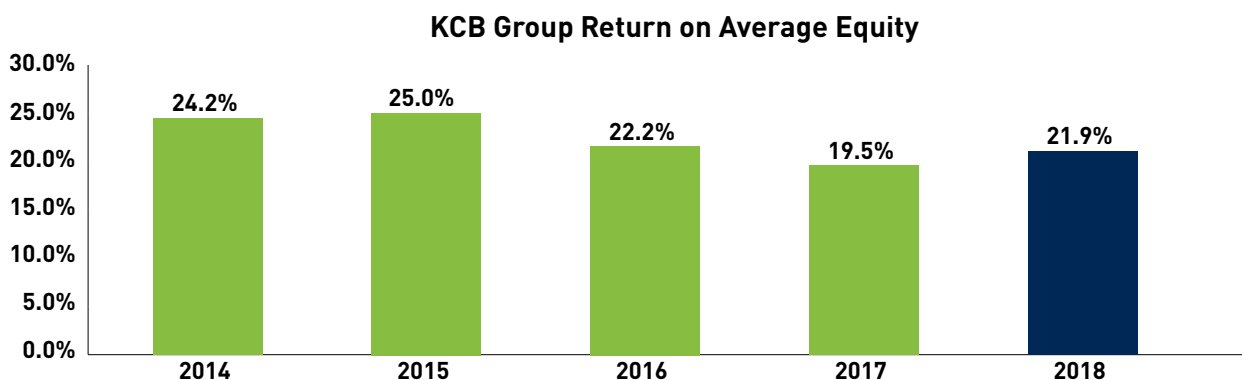
2.8.1 If you accept the offer, you will receive shares in a company that has consistently generated attractive returns:

- a. 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, well ahead of listed banks growth (4%) and industry average (3%).



Source: KCB Annual Report and Financial Statements FY 2014, 2015, 2016, 2017 and 2018

- b. KCB has consistently delivered return on shareholders' equity above 20% in four of the last five years as shown on the graph below (with the exception of FY 2017 which was due to the impact of the regulation on interest rate capping which came into effect in September 2016).

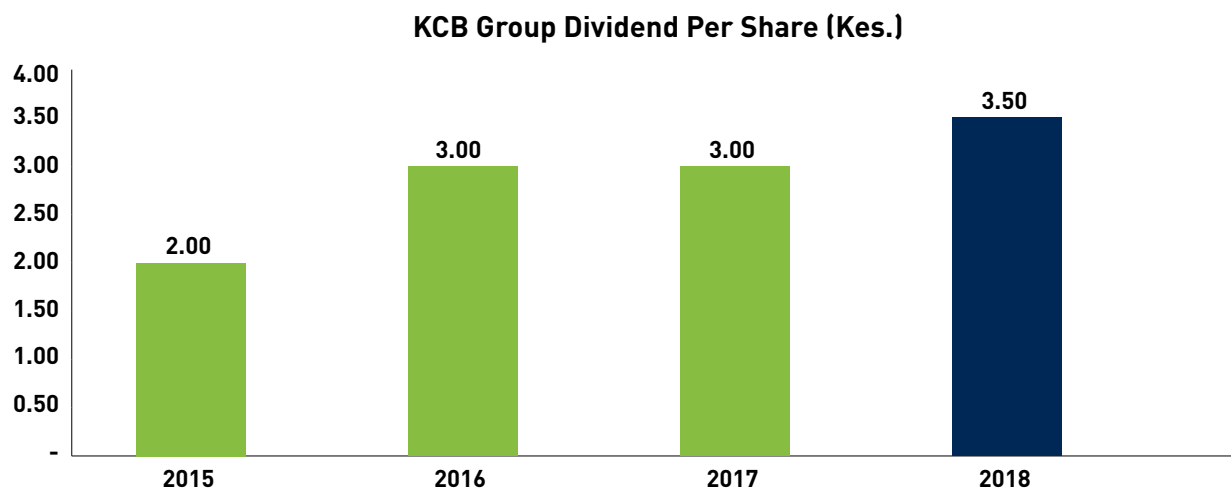


Source: KCB Annual Report and Financial Statements FY 2014, 2015, 2016, 2017 and 2018

It is anticipated that the synergies realized from the Acquisition of NBK will increase the return on equity for KCB's Shareholders. This, coupled with dividend pay-out will translate into a significant increase in total shareholders return. The Acquisition is expected to deliver a further uplift of returns on shareholders' equity from the current 21.9% in 2018 to 26.9% in 2023 post-acquisition and integration.

2.8.2 If you accept the offer, you will receive shares in a company that has consistently paid dividends to its shareholders:

KCB Group has consistently paid dividends to its Shareholders as illustrated by the below chart.



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

2.8.2.1 The Offer is an opportunity to become a shareholder in an organization that is a market leader within the region:

KCB's regional footprint provides value in diversifying risk and strengthening regional ties translating to more business for the Group and its customers. Your acceptance of KCB's Offer will further create a stronger and more robust institution that will continue to play a key role in enhancing financial inclusion in the region, further cementing KCB's position as a market leader.

2.8.2.2 Lack of liquidity of shares following completion of the Offer:

Should you choose not to accept the Offer, and the shares are delisted from the NSE following completion, you will remain a Shareholder in an unlisted entity and you will no longer be able to sell your shares on the NSE.

2.9 KCB's intentions regarding the business of NBK

2.9.1 KCB intends to acquire all of the NBK Shares and maintain it as a subsidiary and will continue operating NBK's banking business alongside KCB Bank Kenya Limited, its wholly owned subsidiary which is in the same line of business, for a period of about two years, after which it will integrate the two banks. KCB and NBK are established banking businesses with distinct core clientele and business models and therefore careful deliberation is required prior to integration to ensure that there is minimal disruption to either of the clientele or the entities' businesses.

2.9.2 To realize the full value of the envisioned efficiencies and productivity synergies post-acquisition, KCB will use the integration period to enhance NBK's systems, processes and procedures by undertaking a review of the organizational structure in a bid to improve the management and operations of NBK from an efficiency as well as productivity perspective. The integration will entail the restructuring of the organization which will lead to an overall reduction of staff which will be dictated by the strategy for the combined business and exigencies of the business. The integration will also involve a review of the distribution networks including branches, agents and ATMs for the optimization.

2.10 Risks and Mitigants

2.10.1 Non-Performing Loan Book

NBK's loan book has an NPL ratio in the region of 49% as at 31 December, 2018. Post-acquisition, KCB plans to employ all possible legal 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.

2.10.2 Integration Risk

Integration by its nature introduces risks to the continuity of business. To manage this risk, KCB has committed not to rush the integration process to ensure that all material considerations are addressed. Further, an integration team thoughtfully composed and comprising key stakeholders will be put in place to focus on the complexity of people, processes and system integration, as well as manage the integration process in an efficient and timely manner.

2.10.3 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.

2.11 Other Disclosures

2.11.1 Agreement, arrangement or understanding regarding the Offer Shares

- 2.11.1.1** There is no existing or proposed agreement, arrangement or understanding between KCB or any of its Directors, past directors, holders of voting shares, or past holders of voting shares, with any connection to, or conditional upon, the outcome of the Offer.
- 2.11.1.2** No voting shares acquired in pursuance of the Offer will be transferred within a foreseeable period from the date of this Offer Document to any other person. Accordingly, there is no agreement or arrangement by which shares acquired by KCB in pursuance of the Offer will or may be transferred to any other person.
- 2.11.1.3** The settlement of the consideration for the Offer Shares will be implemented in full in accordance with the terms of this Offer Document without regard to any lien, right of set-off, counterclaim, or other analogous rights to which KCB may be entitled as against the holder of the Offer Shares.

2.11.2 Existing shareholding in NBK

- 2.11.2.1** There are no voting shares or convertible securities in NBK held by or on behalf of KCB or any of its Directors.
- 2.11.2.2** The voting shares of NBK held by persons associated with KCB are 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%
TOTAL	239,032,746	70.60%

- 2.11.2.3** As at the date of this Offer Document, KCB has received no irrevocable undertakings from any persons who hold, directly or indirectly, voting shares or convertible securities in NBK, to accept the Offer.

2.11.3 Names and shareholding of ultimate shareholders of KCB

2.11.3.1 KCB is a public listed company whose key shareholders are the government of Kenya, through the Permanent Secretary to the Treasury, and the National Social Security Fund. Their respective shareholdings are set out below:

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%
TOTAL	725,013,395	23.65%

2.11.3.2 Neither KCB, nor or any of its related companies or any person associated with it has an option to acquire any Shares in NBK.

2.11.4 Dealings in NBK Shares by notifiable shareholders

Neither the Permanent Secretary to the Treasury of Kenya or the National Social Security Fund has dealt in any of the voting shares of NBK during the period commencing six (6) months prior to the beginning of the Offer Period and ending with the latest practicable date prior to the date of this Offer Document.

2.11.5 Payment or benefit to KCB Directors

There is no proposed payment or any other benefit that shall be made or be given by KCB to any director of NBK or of any person related to NBK as a consideration for, or in connection with, his retirement from office.

2.11.6 Action to be taken by NBK Shareholders

To accept the Offer, NBK Shareholders should complete the accompanying Form of Acceptance in accordance with the instructions set out on the reverse of the Form of Acceptance and return it to any of the Authorised Acceptance Agents listed in Appendix 4 no later than 5:00 pm. on the Closing Date.

If you are in doubt about this offer, you should consult the independent adviser appointed by your board of directors, or you should consult your stockbroker, investment bank or other professional investment adviser.

3. ADDITIONAL INFORMATION ON THE OFFER

3.1 The Offer Period

- 3.1.1 The Offer will remain open for acceptance until 5:00 p.m. on Friday 30 August, 2019 or such other date as may be adjusted. Subject to obtaining the consent of the CMA, KCB reserves the right to extend the Offer Period beyond such time and/or date, but in any case, not later than the Long Stop Date.
- 3.1.2 Any extension of the Offer Period will be announced by KCB in two English language daily newspapers with national circulation in Kenya.
- 3.1.3 All references in this document to the Closing Date shall (except where the context otherwise requires), if the Offer Period is extended, be deemed to refer to the expiry date of the Offer Period as so extended.

3.2 Lapse

If all the Conditions are not satisfied by the Long Stop Date (or if legally capable of waiver, have not been waived by KCB), the Offer will lapse unless it is extended by KCB, with the approval of the CMA. If the Offer lapses, all Forms of Acceptance will be null and void and KCB or its agents will return all documents of title (if any) for the NBK Shares to the NBK Shareholders who had by the Closing Date submitted them and shall destroy all the Forms of Acceptance and any other accompanying documents.

3.3 De-listing and squeeze-out

- 3.3.1 If acceptances of 75% of the Offer Shares are received, and subject to approval from the Capital Markets Authority, NBK will be de-listed from the NSE.
- 3.3.2 If NBK is de-listed, the NBK Shareholders who will not have accepted the Offer and whose Shares are not acquired in the circumstances provided in the Companies Act will remain minority shareholders in an unlisted company, thereby limiting the liquidity in the trading of their Shares.
- 3.3.3 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.

3.4 Acceptances

- 3.4.1 NBK Shareholders may only accept the Offer in respect of their entire holding of NBK Shares. No NBK Shareholder shall be entitled to accept the Offer in respect of less than its/his/her entire holding of NBK Shares.
- 3.4.2 In the event that the Swap Ratio results in fractional entitlements to Swap Shares, fractions will be rounded upwards to the nearest whole number. Kindly, therefore note that where this occurs, the NBK Shareholder will be issued the number of Swap Shares after rounding up.

3.5 Revision of the Offer

- 3.5.1 In accordance with regulation 16 of the Take-Over Regulations, KCB reserves the right to vary the terms and Conditions of the Offer, provided such variation is made at least 5 days before the Closing Date.
- 3.5.2 KCB shall send a revised Offer Document to NBK, the CMA and the NSE within 24 hours of its decision to vary the Offer, and shall publish a press announcement in any two English language daily newspapers with national circulation in Kenya. Any revised Offer made to NBK Shareholders will be deemed to have been accepted by any NBK Shareholder who has already accepted the Offer in its original or any previously revised form(s) provided the revised Offer results in more Swap Shares than the Swap Shares offered as consideration using the Swap Ratio stated in this document.

3.6 Rights to the Shares

In all respects, the ordinary shares of NBK will be acquired free from all liens, charges, encumbrances and other interests and together with all rights now and hereafter attaching thereto, including the right to receive all dividends and other distributions declared, made or paid after the date of the Notice of Intention.

3.7 Form of Acceptance

3.7.1 Each NBK Shareholder by whom, or on whose behalf, a Form of Acceptance is executed irrevocably undertakes, authorises, represents, warrants and agrees to and with KCB (so as to bind it/him/her and its/his/her successors and assigns) that:

3.7.1.1 It/he/she is irrevocably and unconditionally entitled to transfer the legal and beneficial ownership of the Offer Shares comprised in the acceptance of the Offer;

3.7.1.2 The Offer Shares are sold free from all liens, charges, encumbrances, equities and other interests and together with all rights now or subsequently attaching to them including the rights to all dividends and distributions declared, made or paid thereafter;

3.7.1.3 It/he/she, has fully complied with the laws of any relevant jurisdiction in connection with the Offer;

3.7.1.4 The execution of the Form of Acceptance shall constitute a valid acceptance of the Offer in respect of the number of Offer Shares inserted, or deemed inserted, in the Form of Acceptance, in each case on and subject to the terms and Conditions set out or referred to in this document;

3.7.1.5 The execution of the Form of Acceptance shall constitute an undertaking to execute all or any documents and/or give any such further assurance as may be required to enable KCB to obtain the full benefit of the terms of this document and/or to perfect any of the authorities expressed to be given hereunder;

3.7.1.6 The execution of the Form of Acceptance constitutes, subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, the irrevocable authority and instruction to CDSC to transfer its/his/her NBK Shares from its/his/her CDS Account to KCB's CDS Account or to the order or instructions of KCB;

3.7.1.7 The execution of the Form of Acceptance constitutes, subject to the Offer becoming or being declared unconditional in all respects in accordance with its terms, the irrevocable appointment of any KCB director (or other individual(s) appointed in writing by any KCB director) as such shareholder's attorney and agent, and an irrevocable instruction and authority to the attorney to:

3.7.1.7.1 Procure that it/he/she is granted the Swap Shares in the manner set out in the Form of Acceptance;

3.7.1.7.2 Complete and execute all or any form(s) of transfer and/or other document(s) (including deeds or any document required to be signed, sealed and delivered) as may be necessary or desirable in the attorney's discretion in relation to the Offer Shares referred to in paragraph 3.7.1.4 above in favour of KCB;

3.7.1.7.3 Deliver any such form(s) of transfer and/or other document(s) together with the certificate(s) and/or other document(s) of title relating to the Offer Shares in the attorney's discretion for registration within 30 days following the Offer becoming unconditional in all respects; and

3.7.1.7.4 Execute all such other documents and do all such other acts and things as may in the opinion of such attorney be necessary or expedient for the purpose of, or in connection with, the acceptance of the Offer and to vest in KCB such Offer Shares.

3.8 General

- 3.8.1 Without prejudice to any other Conditions of the Offer, KCB reserves the right to treat acceptances of the Offer as valid if not entirely in order or not accompanied by the relevant share certificate(s) and/or other relevant document(s) of title where the NBK Shares are not dematerialized. In that event, no transfer of shares will be made under the Offer until the relevant share certificate(s) and/or other document(s) of title and/or indemnity in the form approved by KCB have been received.
- 3.8.2 Each NBK Shareholder shall be responsible for all communications, notices, certificates, documents of title and other documents and remittances to be delivered by or to, or sent to or from, him/her or it or his/ hers or its designated agent.
- 3.8.3 Any omission to dispatch this document to, or any failure to receive it by, any person to whom the Offer is made, or should be made, shall not invalidate the Offer in any way or create any implication that the Offer has not been made to any such person. The Offer extends to any NBK Shareholder to whom this document may not have been dispatched. All reasonable efforts shall be made to send the Offer Document to all NBK Shareholders on the register of members as at the Record Date. The Offer Document shall be sent to the address provided by Shareholders in the register of members or the last known address of such Shareholder.
- 3.8.4 The instructions, authorities, terms and provisions contained in or deemed to be incorporated in the rest of this document and the accompanying Form of Acceptance constitute part of the terms of the Offer.
- 3.8.5 The Offer, all acceptances of it, and all contracts arising from or pursuant to any of them and all action made or taken or deemed to have been made or taken under any term of the Offer shall be governed by and construed in accordance with Kenyan law.

4. PROCEDURE FOR ACCEPTING THE OFFER

4.1 Completing the Form of Acceptance

- 4.1.1 To accept the Offer you must complete the accompanying Form of Acceptance in accordance with the instructions set out in the Form of Acceptance.
- 4.1.2 NBK Shareholders may only accept the Offer in respect of their entire holding of NBK Shares. No NBK Shareholder shall be entitled to accept the Offer in respect of less than their entire holding of NBK Shares.
- 4.1.3 In the event that the Swap Ratio results in fractional entitlements to Swap Shares, fractions will be rounded upwards to the nearest whole number. Kindly, therefore note that where this occurs, the NBK Shareholder will be issued the number of Swap Shares after rounding up.
- 4.1.4 Eligible NBK Shareholders who wish to take up the offer may appoint an attorney to act on their behalf. In the case of appointment of an attorney, the shareholder/attorney will attach to the Form of Acceptance a certified copy of the power of attorney, duly registered at the Registry of Documents established under the Registration of Documents Act (Chapter 285, Laws of Kenya) as well as a copy of the attorney's national identification card or passport.
- 4.1.5 The Form of Acceptance must be properly signed by the NBK Shareholder. In case of joint shareholding, all joint holders must sign the Form of Acceptance. A company or other body corporate may either execute the Form of Acceptance under seal, the seal being affixed and witnessed by a director, by two authorized signatories, or by a director of the company in the presence of a witness who attests the signature. Where the Form of Acceptance is to be executed by a duly appointed attorney, the attorney will sign the Form of Acceptance in the designated space.
- 4.1.6 Attach the original Share certificate(s) or letter of indemnity for a lost share certificate to the Form of Acceptance for submission.
- 4.1.7 Attach a certified copy of the national identification card or passport for individuals who sign the Form of Acceptance.
- 4.1.8 For corporate bodies, attach a certified copy of the certificate of incorporation or registration where applicable.
- 4.1.9 For Shares that have been pledged to a financial institution or any third party, obtain the documents necessary for facilitating the discharge of the pledge as set out in paragraph 5.2 and send these together with the Form of Acceptance to the Authorised Acceptance Agent.

4.2 Lost or missing share certificates

- 4.2.1 Obtain a letter of indemnity from Image Registrars Limited, which should be completed in accordance with the instructions printed thereon.
- 4.2.2 The duly completed letter of indemnity should be lodged together with the Form of Acceptance and an affidavit duly commissioned by a Commissioner of Oaths attesting to the loss or misplacement of the share certificate.

4.3 Deceased Shareholders

4.3.1 Where the shareholder is deceased, the following should be provided:

- 4.3.1.1** A certified copy of the Grant of Letters of Administration and Certificate of Confirmation of Grant from the High Court of Kenya. This is where the gross value of the estate exceeds Kes. 500,000/=.
- 4.3.1.2** The Public Trustee's Letter of Indemnity and Letters of Administration. This is where the gross value is less than Kes. 500,000/=.
- 4.3.1.3** A certified copy of the death certificate of the deceased shareholder.
- 4.3.1.4** Where the names of the deceased differs between any of the documents provided and the CDS or share certificate, an affidavit should be sworn by all administrators.
- 4.3.1.5** A clear certified copy (certified on the face) of national identification card or valid passport of the administrator(s) or executor(s) and beneficiaries of the deceased shareholder.

4.4 Returning your completed Form of Acceptance

- 4.4.1** A properly completed and duly executed Form of Acceptance, (together with the share certificate(s) for your NBK Shares and/or other document(s) of title where the Shares are not dematerialized at the CDS), should be returned to an Authorised Acceptance Agent. Forms of Acceptance should be returned as soon as possible but in any event so as to be received no later than 5:00 p.m. on the Closing Date.
- 4.4.2** The method of delivery of the Forms of Acceptance, together with the relevant share certificate(s) and/ or other document(s) of title, is at the election and responsibility of each accepting NBK Shareholder. If delivery is by mail, accepting NBK shareholders are advised to use registered mail. In all cases, sufficient time must be allowed to ensure delivery to an Authorized Acceptance Agent by 5:00 p.m. on the Closing Date.
- 4.4.3** If your shares are not dematerialized at the CDS and your Share certificate(s) and/or other document(s) of title is/ are not readily available or is/are lost, you should contact Image Registrars Limited and obtain a letter of indemnity. This letter of indemnity should then be completed in accordance with the instructions printed thereon and lodged, together with a properly completed and duly executed Form of Acceptance, with an Authorised Acceptance Agent as soon as possible but in any event so as to be received no later than 5:00 p.m. the Closing Date.

5. SETTLEMENT

5.1 Settlement

- 5.1.1 Subject to the Offer becoming or being declared unconditional in all respects, NBK Shareholders shall relinquish all rights to their NBK Shares which shall be transferred to KCB.
- 5.1.2 Subject to the Offer becoming or being declared unconditional in all respects, settlement of the Swap Shares to which any NBK Shareholder is entitled under the Offer will be effected, in the case of acceptances received, complete in all respects, within 14 days of the date on which the Offer becomes unconditional in all respects.
- 5.1.3 The transfer of the Swap Shares shall be effected through the CDS. CDS shall procure that share transfers are processed in accordance with this Offer Document and the Form of Acceptance.
- 5.1.4 NBK Shareholders who do not have a CDS Account as at the record date, are highly encouraged to open CDS Accounts to facilitate crediting of the Swap Shares to their respective accounts.

5.2 Settlement of pledged Shares

If a Shareholder's Shares in NBK are pledged to a financial institution or any third party (Pledgee), settlement of the Swap Shares shall be subject to the following:

- 5.2.1 Where the pledge is yet to be satisfied, subject to the Pledgee's consent, the pledge may be transferred from the Pledgor's NBKs Shares to the Swap Shares to which they are entitled. In this case, the Pledgor shall execute a CDS6 form to discharge the NBK Shares and a CDS5 form to pledge the Swap Shares. These forms should be attached to the Form of Acceptance together with a banker's cheque of Kes. 1,000 payable to the CDSC, and presented to the Authorised Acceptance Agent. In the event that the CDSC or the Pledgee do not approve or verify the discharge of the pledge, the Swap Shares will be held in trust for the NBK Shareholder pending the resolution of the pledge, or,
- 5.2.2 Where the pledge has been satisfied, the Pledgor shall execute a CDS6 form to discharge the NBK Shares and attach it to the Form of Acceptance together with a banker's cheque of Kes. 1,000 payable to the CDSC, and present the documents to the Authorised Acceptance Agent. In the event that the CDSC does not approve or verify the discharge of the pledge, the Swap Shares will be held in trust for the NBK Shareholder pending the resolution of the pledge.

5.3 General

- 5.3.1 NBK Shareholders are responsible for the safe delivery of all documents sent by or to them in connection with the Offer.
- 5.3.2 If the Offer does not become or is not declared unconditional in all respects, the share certificate(s) and/or other document(s) of title in respect of NBK Shareholders that have accepted the Offer will be returned to the CDA through whom they were delivered or where they were sent by post, they will be mailed back by post within 21 days of the Offer lapsing to the person or agent whose name and address is set out in Box 1 on the accompanying Form of Acceptance or, if none is set out, to the first-named holder at his or her registered address.

6. GENERAL INFORMATION

6.1 Consents

KCB Capital Limited (transaction adviser), and Bowmans (legal adviser) have given and not withdrawn their respective consents to the issue of this Offer Document with the inclusion herein of their names and the references thereto, in the form and context in which they appear respectively.

6.2 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 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 the Closing Date:

6.2.1 The Company's audited financial statements for the five financial years up to 31 December 2018;

6.2.2 The Company's Memorandum and Articles of Association; and

6.2.3 The approval of CMA relating to the issue of this Offer Document.

APPENDIX 1 - KCB GROUP PLC

1. Background

- 1.1. 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.
- 1.2. 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 capitalization of over Kes. 115 billion and more than 17.4 million customers.
- 1.3. KCB is listed on the Main Investment Market Segment of the NSE and cross-listed on the Dar es Salaam Securities Exchange, Uganda Securities Exchange and Rwanda Securities Exchange.

2. Key Business Lines

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

- 2.1. **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.
- 2.2. **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.
- 2.3. **Mortgage banking** – this part of the business is targeted towards the development or acquisition of residential or commercial property.

3. 2018 Performance

- 3.1. KCB 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. 647.7 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.
- 3.2. Net interest income grew to Kes. 48.8 billion while non-interest income remained stable at Kes. 23 billion. Operating expenses went down to Kes. 35.0 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.

4. Share capital and ownership structure of KCB

4.1. 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.

4.2. A public listed company, KCB is widely held with the top shareholder holding only 17.53% of the shares. The top 10 Shareholders of the Company as at 31 March, 2019 are 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

5. KCB Group structure

The following are the subsidiaries and associated companies of KCB:

Name	Business Activity	Country of Incorporation	Beneficial Ownership (%)
SUBSIDIARIES			
KCB Bank Kenya Limited	Commercial Banking	Kenya	100
Kenya Commercial Finance Co. Limited	Dormant	Kenya	100
KCB Capital Limited	Investment Banking	Kenya	100
Savings & Loan Kenya Limited	Dormant	Kenya	100
KCB Foundation	Corporate Social Responsibility	Kenya	100
Kenya Commercial Bank Nominees Ltd	Nominee Shareholders	Kenya	100
Kencom House Limited	Property Ownership & Management	Kenya	100
KCB Insurance Agency Limited	Insurance Brokerage	Kenya	100
KCB Bank Tanzania Limited	Commercial Banking	Tanzania	100
KCB Bank South Sudan Limited	Commercial Banking	South Sudan	100
KCB Bank Rwanda Limited	Commercial Banking	Rwanda	100
KCB Bank Burundi Limited	Commercial Banking	Burundi	100
KCB Bank Uganda Limited	Commercial Banking	Uganda	100
ASSOCIATE			
United Finance Limited	Dormant	Kenya	45

6. Financial Information

The sections below set out extracts from KCB's audited financial statements for the two financial periods ending 31 December, 2017 and 31 December, 2018. KCB's detailed financial statements can be obtained from KCB Group's website at www.kcbgroup.com

a) KCB Summary Consolidated Statement of Financial Position

	31-Dec-2018 Kes. Mn	31-Dec-2017 Kes. Mn
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

Source: KCB audited financial statements for the year ended 31 December 2017 and 31 December 2018

b) KCB Summary Consolidated Income Statement

	31-Dec-2018 Kes. Mn	31-Dec-2017 Kes. Mn
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

Source: KCB audited financial statements for the year ended 31 December 2017 and 31 December 2018

c) Consolidated Statement of Cash Flows for The Year Ended 31 December 2018

	2018 Kes. Mn	2017 Kes. Mn
Net cash flows generated from operating activities	11,731	20,158
Investing activities		
Proceeds from disposal of property and equipment	17	14
Purchase of intangible assets	(921)	(1,244)
Purchase of property and equipment	(2,960)	(2,496)
Effects of exchange rate changes on translation of foreign operation	(3,066)	(1,625)
Net cash flows used in investing activities	(6,930)	(5,351)
Financing activities		
Net movement in borrowings	7,552	(8,087)
Dividends paid	(9,198)	(12,264)
Net cash flows used in financing activities	(1,646)	(20,351)
Decrease in cash and cash equivalents	3,155	(5,544)
Cash and cash equivalents at the beginning of the year	47,474	53,018
Cash and cash equivalents at the end of the year	50,629	47,474

Source: KCB audited financial statements for the year ended 31 December 2017 and 31 December 2018

d) Earnings Per Share

KCB reported a basic and diluted earnings per share of Kes. 7.83 for the year ended 31 December 2018.

APPENDIX 2 - NBK FINANCIAL INFORMATION

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

2.1 NBK Insurance Agency Limited and

2.2 Natbank Trustee and Investment Services Limited.

a) NBK Summarized Consolidated Statement of Comprehensive Income

Profit and Loss Account (Kes. '000)	31-Dec-2015	31-Dec-2016	31-Dec-2017	31-Dec-2018
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.

b) NBK Summarized Historical Statement of Financial Position

(Kes. '000)	2015 Restated	2016 Restated	2017	2018
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

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

APPENDIX 3 - SHARE PRICE MOVEMENT OF NBK SHARES AND KCB SHARES

3.1 NBK Share Price Movement

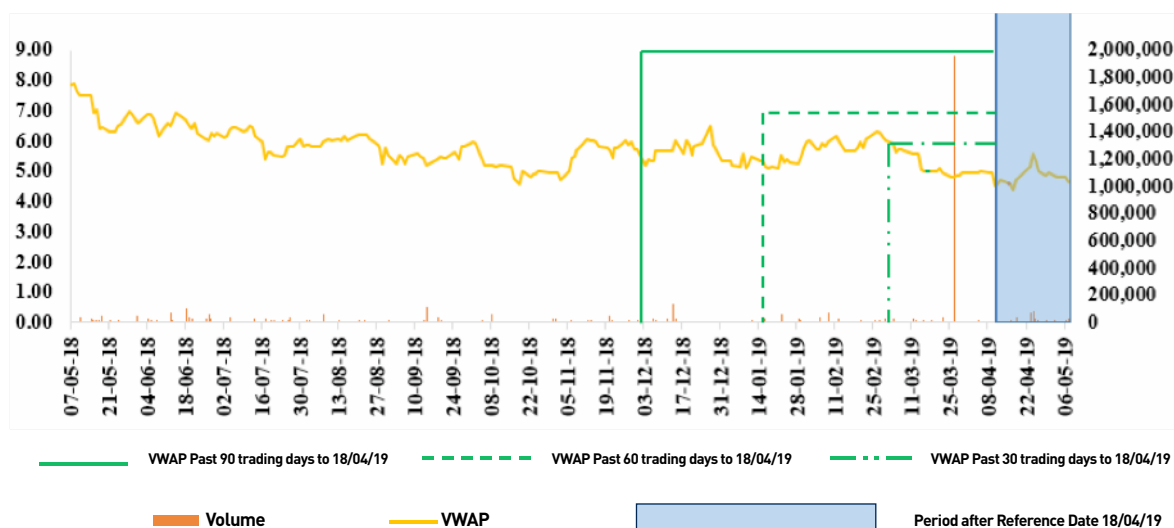
NBK's highest and lowest market price during the three months immediately preceding the takeover offer date and the respective dates of the relevant sales, and the latest market sale price immediately prior to the public announcement are highlighted below:

Three Months (90 Day) Pricing: 18th January 2019 – 17th April 2019

Price Reference	Price (Kes.)	Date
Lowest	4.30	18th January 2019
Highest	4.50	17th April 2019
Prior to Public Announcement - (VWAP)	4.71	17th April 2019
Prior to Public Announcement - Highest	6.28	17th April 2019
Prior to Public Announcement - Lowest	4.39	17th April 2019

Source: NSE

NBK Ltd - VWAP and Volumes



Source: NSE

NBK Offer date price to historical traded market prices

Period	Past 30 Trading Days	Average on 18-Apr-19	90 Calendar Days to	180 Calendar Days to 18-Apr-19
Period Start Date	7-Mar-19	18-Apr-19	18-Jan-19	19-Oct-18
Period end date	18-Apr-19	18-Apr-19	18-Apr-19	18-Apr-19
Sum of number of shares traded in the period	2,225,500	43,900	2,683,800	3,329,700
Sum of value of shares traded in the period (Kes.)	108,127,702	206,769	13,468,182	17,062,716
Volume weighted average price (VWAP) for period (Kes. / share)	4.99	4.71	5.40	5.44
Offer Date VWAP Kes. 4.71	-5.6%	0.0%	-12.8%	-13.5%

The NBK counter traded an average of 26,638 shares per day in the 6 months leading up to the Offer date.

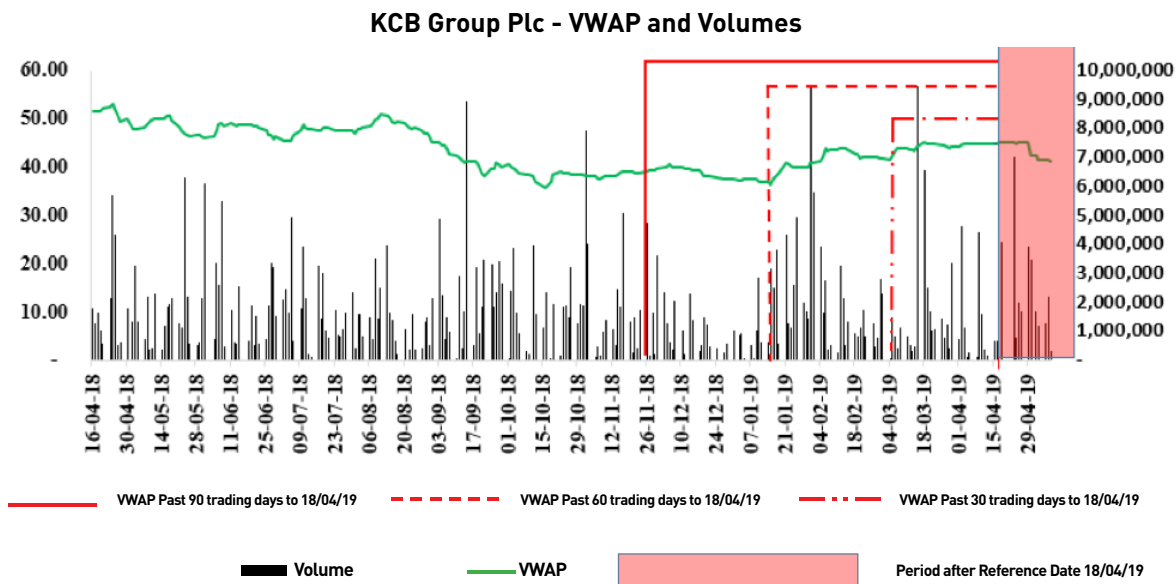
3.2 KCB Share Price Movement

KCB's highest and lowest market price during the three months immediately preceding the takeover offer date and the respective dates of the relevant sales, and the latest market sale price immediately prior to the public announcement are highlighted below:

Three Months (90 Day) Pricing: 18th January 2019 – 17th April 2019

Price Reference	Price (Kes.)	Date
Lowest	38.80	18th January 2019
Highest	44.95	17th April 2019
Prior to Public Announcement - (VWAP)	44.95	17th April 2019
Prior to Public Announcement - Highest	45.00	17th April 2019
Prior to Public Announcement - Lowest	44.90	17th April 2019

Source: NSE



Source: NSE

KCB Offer date price to historical traded market prices

Period	Past 30 Trading Days	Average on 18-Apr-19	90 Calendar Days to 18-Apr-19	180 Calendar Days to 18-Apr-19
Period Start Date	7-Mar-19	18-Apr-19	18-Jan-19	19-Oct-18
Period end date	18-Apr-19	18-Apr-19	18-Apr-19	18-Apr-19
Sum of number of shares traded in the period	48,721,600	4,061,800	115,837,700	207,692,200
Sum of value of shares traded in the period (Kes.)	2,168,318,130	182,781,000	4,947,678,385	8,476,728,540
Volume weighted average price (VWAP) for period (KES / share)	44.43	45.00	43.04	40.77
Offer Date VWAP Kes. 45.00:	1.3%	0.0%	4.6%	10.4%

The KCB counter traded an average of 1.66 million shares per day in the 6 months leading up to the Offer date.

APPENDIX 4 - AUTHORISED ACCEPTANCE AGENTS

SPONSORING BROKER/LEAD AUTHORIZED ACCEPTANCE AGENT

KCB CAPITAL LIMITED

Kencom House, 2nd Floor, Wing B

P. O Box 48400 – 00100

Tel: +254 711 012 000 / 734 108 200, +254 20 3270000/2851000/2852000

Email: kbcapital@kcbgroup.com

Web: <https://kcbgroup.com/capital/>

Accepting shareholders can drop off duly completed Forms of Acceptance together with the required supporting documents to KCB Capital Limited through any of the KCB Bank Kenya Limited branches are listed in Appendix 5

Dyer & Blair Investment Bank Ltd Goodman Tower, 7th floor, P.O. Box 45396 00100 Tel: 3240000/2227803/4/5 Fax: 2218633 Email: shares@dyerandblair.com Web: www.dyerandblair.com	Francis Drummond & Company Limited Hughes Building, 2nd floor, P.O. Box 45465 00100 Tel: 318690/318689 Fax: 2223061 Email: info@drummond.co.ke Web: www.drummond.co.ke	Equity Investment Bank Limited Equity Centre, Hospital Road, Upper Hill, P. O Box 75104 – 00200 Tel: +254-20-2262477 Mobile: +254-732-112477/+254-711-026477 Fax: +254 20 2711439 Web: www.equitybankgroup.com
Suntra Investment Bank Ltd Nation Centre, 7th Floor, P.O. Box 74016-00200 Tel: 2870000/247530/2223330/221184 6/0724- 257024, 0733-222216 Fax: 2224327 Email: info@suntra.co.ke Web: www.suntra.co.ke	Old Mutual Securities Ltd UAP Old Mutual Tower, Upper Hill Road, P. O. Box 43013- 00100 Tel: +254711065100 / +254711010100 Email: info.oms@oldmutualkenya.com Web: www.oldmutual.co.ke	SBG Securities Ltd Stanbic Centre, 58 Westlands Road, P. O. Box 47198 – 00100 Tel: 3638900 Fax: 3752950 Email: sbgs@stanbic.com Web: www.sbgsecurities.co.ke
Kingdom Securities Ltd Co-operative Bank House, 5th Floor, P. O Box 48231 00100 Tel: 3276940/3276256/3276154 Fax: 3276156 Email: info@kingdomsecurities.co.ke Web: www.kingdomsecurities.co.ke	AIB Capital Ltd Finance House, 9th Floor, P.O. Box 11019-00100 Tel: 2212206 / 2210178/2212989//343639 Fax: 2210500 Email: info@aibcapital.com Web: www.aibcapital.com	ABC Capital Ltd IPS Building, 5th floor, P.O. Box 34137-00100 Tel: 2246036/2245971 Fax: 2245971 Email: headoffice@abccapital.co.ke web: www.abccapital.co.ke/
Sterling Capital Ltd Barclays Plaza, 11th Floor, Loita Street, P.O. Box 45080- 00100 Tel: 2213914/244077/ 0723153219/0734219146 Fax: 2218261 Email: info@sterlingib.com Web: www.sterlingib.com	ApexAfrica Capital Ltd The Riverfront, 1st Floor, David Wasawo Drive, Off Riverside Drive, P.O. Box 43676- 00100 Tel: +254-020-7602525/ 0202226440 Email: invest@apexafrica.com Web: www.apexafrica.com	Faida Investment Bank Ltd Crawford Business park, Ground Floor, State House Road, P. O. Box 45236-00100 Tel: +254-20-7606026-35 Fax: 2243814 Email: info@fib.co.ke Web: www.fib.co.ke

NIC Securities Limited Ground Floor, NIC House, Masaba Road, P.O. Box 44599-00100 Tel: 2888 444 / 0711 041 444 Fax: 2888 505 Email: info@nic-securities.com Web: www.nic-securities.com	Standard Investment Bank Ltd ICEA Building, 16th floor P. O. Box 13714- 00800 Tel: 2228963/2228967/2228969 Fax: 240297 Email: info@sib.co.ke Web: www.sib.co.ke/	Kestrel Capital (EA) Limited Orbit Place, 2nd floor, Westlands Road, P.O. Box 40005-00100 Tel: 251758/2251893, 2251815,2250082 Fax: 2243264 Email: info@kestrelcapital.com Web: www.kestrelcapital.com
African Alliance Kenya 1st Floor, Wing B, Trans-national Plaza, P.O. Box 27639 - 00506 Tel: 2762610/ 2762628 / 2762000/ 2762557/ 0733333140 Fax: 2731162 Email: securities@africanalliance.co.ke Web: www.africanalliance.com	Renaissance Capital (Kenya)Ltd Purshottam Place ,6th Floor, Westlands, Chiromo Road, P. O BOX 40560-00100 Tel: 3682000/3754422 Fax: 3632339 Email: info@rencap.com Web: www.rencap.com	Genghis Capital Ltd Purshottam Place, 1st Floor, Westlands Road, Nairobi P. O Box 1670-00100 Tel: +254730145000 / +254709185000 Email: customerservice@genghis-capital.com
CBA Capital Limited CBA Centre Mara Ragati Road Junction, Upper Hill, P.O. Box 30437-00100 Tel: 0202884000/+254 20 2884000 / 365, 0711056365 Fax: 0202734616 Email: contact@cbagroup.com Web: cbagroup.com/investment banking	Barclays Financial Services Limited Waiyaki Way, West End Building, Floor 5 Tel: + 254 (0)20 4254000 / + 254 (0)20 4254501 / +254 711-097000 Email: Barclays.kenya@barclays.com	Securities Africa Kenya Limited The Exchange Building, 2nd Floor, Westlands Road, P.O Box 19018-00100 Tel: +254-735 571530, +254-714-646406 Email: info@securitiesafrica.com Web: www.securitiesafrica.com
EFG Hermes Kenya Limited Orbit Place, 8th Floor, Westlands Road, P.O Box 349, 00623 Tel: +254 (020) 3743040 Email: kenyaoperations@EFG-HERMES.com Web: www.EFG-HERMES.com		

APPENDIX 5 – KCB CAPITAL LIMITED FORM OF ACCEPTANCE DROP OFF POINTS

BRANCH NAME	BRANCH NAME
KCB BIASHARA ST	KCB ITEN
KCB BOMET	KCB JKIA
KCB BONDO	KCB JKUAT
KCB BUNGOMA	KCB JOGOO ROAD
KCB BURU BURU	KCB KABARNET
KCB BUSIA	KCB KABARTONJO
KCB CAPITAL HILL	KCB KAJIADO
KCB CHANGAMWE	KCB KAKAMEGA
KCB CHOGORIA	KCB KAKUMA
KCB CHUKA	KCB KANGARI
KCB EASTLEIGH	KCB KANGEMA
KCB EGERTON UNIVERSITY	KCB KAPENGURIA
KCB ELDAMA RAVINE	KCB KAPSABET
KCB ELDORET	KCB KAPSOWAR
KCB ELDORET EAST	KCB KARATINA
KCB ELDORET MORTGAGE CENTRE	KCB KAREN
KCB ELDORET WEST	KCB KARIOBANGI
KCB EMALI	KCB KASARANI
KCB EMBU	KCB KAWANGWARE
KCB FLAMINGO - NAKURU	KCB KAYOLE BRANCH
KCB GARDEN CITY	KCB KEHANCHA
KCB GARDEN MORTGAGE CENTRE	KCB KENGELENI
KCB GARISSA	KCB KENOL TOWN BRANCH
KCB GARSEN	KCB KERICHO
KCB GATEWAY HOUSE - MSA RD	KCB KEROKA
KCB GATUNDU	KCB KERUGOYA
KCB GIGIRI SQUARE	KCB KIAMBU
KCB GIKOMBA	KCB KIANYAGA
KCB GILGIL	KCB KIBERA
KCB GITHUNGURI	KCB KIBWEZI
KCB HAILE SELASSIE MORT CENTRE	KCB KICC
KCB HOLA	KCB KIKIMA
KCB HOMA BAY	KCB KIKUYU
KCB HURLINGHAM	KCB KILGORIS
KCB INDUSTRIAL AREA	KCB KILIFI
KCB ISEBANIA	KCB KILINDINI
KCB ISIOLO	KCB KIMATHI STREET

BRANCH NAME	BRANCH NAME
KCB KIMILILI	KCB MERU
KCB KIPANDE HOUSE	KCB MIGORI
KCB KIRIAINI	KCB MILIMANI
KCB KISAUNI	KCB MOGOTIO
KCB KISERIAN	KCB MOI AVENUE
KCB KISII	KCB MOI REFERRAL HOSPITAL
KCB KISII WEST	KCB MOI S BRIDGE
KCB KISUMU	KCB MOMBASA HIGH COURT
KCB KISUMU AIRPORT	KCB MOMBASA MORTGAGE CENTRE
KCB KISUMU MORTGAGE CENTRE	KCB MOYALE
KCB KISUMU WEST	KCB MPEKETONI
KCB KITALE	KCB MTITO ANDEI
KCB KITALE WEST BRANCH	KCB MTWAPA
KCB KITENGELA	KCB MUHORONI
KCB KITUI	KCB MUKURWEINI
KCB KWALE	KCB MUMIAS
KCB KYUSO	KCB MURANGA
KCB LAMU	KCB MUTOMO
KCB LAVINGTON NAIROBI	KCB MVITA
KCB LIMURU	KCB MWEA
KCB LITEIN	KCB MWEMBE TAYARI
KCB LODWAR	KCB MWINGI
KCB LOITOKITOK	KCB NAIROBI HIGH COURT
KCB LOKICHOGGIO	KCB NAIVASHA
KCB LONDIANI	KCB NAKURU
KCB LUANDA	KCB NAKURU MORTGAGE CENTRE
KCB MAASAI MARA	KCB NAMANGA
KCB MACHAKOS	KCB NANDI HILLS
KCB MAKINDU	KCB NANYUKI
KCB MAKONGENI	KCB NARO MORU
KCB MAKUTANO	KCB NAROK
KCB MALABA	KCB NEXTGEN
KCB MALINDI	KCB NGARA
KCB MANDERA	KCB NJABINI
KCB MARALAL	KCB NJORO
KCB MARIAKANI	KCB NKUBU
KCB MARIGAT	KCB NYAHURURU
KCB MARSABIT	KCB NYALI
KCB MASHARIKI	KCB NYAMIRA
KCB MASII	KCB NYERI
KCB MATUU	KCB OL KALOU
KCB MAUA	KCB ONGATA RONGAI
KCB MBALE	KCB OTHAYA
KCB MBITA	KCB OYUGIS
KCB MENENGA CRATER	KCB PORT VICTORIA

BRANCH NAME	BRANCH NAME
KCB PRESTIGE PLAZA NGONG ROAD	KCB TREASURY SQUARE
KCB RIVER ROAD	KCB TWO RIVERS
KCB RIVERSIDE ADVANTAGE	KCB UGUNJA
KCB RONGO	KCB UKUNDA
KCB RUIRU	KCB UN GIGIRI
KCB SALAMA HSE MORTGAGE CENTRE	KCB UNITED MALL
KCB SARIT CENTRE	KCB UNIVERSITY WAY
KCB SARIT MORTGAGE CENTRE	KCB UPPERHILL PLATINUM
KCB SEREM	KCB VILLAGE MARKET
KCB SIAYA	KCB VOI
KCB SONDU	KCB WAJIR
KCB SORI	KCB WATAMU
KCB SOTIK	KCB WEBUYE
KCB SYOKIMAU	KCB WESTGATE ADVANTAGE
KCB TALA	KCB WOTE
KCB TAVETA	KCB WUNDANYI
KCB THIKA	
KCB THIKA MORTGAGE CENTRE	
KCB THIKA ROAD MALL	
KCB TOM MBOYA ST	
KCB TOWN CENTRE	



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