NATIONAL BANK OF KENYA LIMITED

INDEPENDENT ADVISOR REPORT

Proposed Acquisition of 100% Ordinary Issued Shares in National Bank of Kenya by Kenya Commercial Bank Group Plc

Prepared by:

STANDARD INVESTMENT BANK

04th July 2019

STANDARD INVESTMENT BANK

03 July 2019
Chairman,
Board of Directors,
National Bank of Kenya Limited,
National Bank Building,
18 Harambee Avenue,
P.O Box 72866 – 00200,
Nairobi, Kenya
Telephone: 2828000, 0711038000, 0732018000

Dear Sir

INDEPENDENT FAIRNESS OPINION ON THE PROPOSED TAKE-OVER OFFER BY KCB GROUP PLC

We, Standard Investment Bank Limited ("SIB"), are delighted to submit our final assessment of the offer by KCB GROUP PLC ("KCB") for the acquisition of 100% of the ordinary issued shares of National Bank of Kenya Limited ("NBK") upon re-designation of the Preference Shares into ordinary shares ("Offer Shares") ("Proposed Transaction"). Under the Take-Over Document, KCB intends to satisfy the Offer Price/Purchase Consideration through a share swap of one (1) ordinary share of KCB for every ten (10) ordinary shares of NBK.

This is in relation to the services of Independent Financial Adviser as specified in the Capital Markets Take-overs and Mergers Regulation with respect to an engagement signed with the Board of National Bank of Kenya Limited.

Please do not hesitate to contact me or Eric Musau, who is the Project Technical Leader in the event of any clarifications.

Yours sincerely,

Job Kihumba
Executive Director

Authorized Signature 27.06.2019

Contact:
Job Kihumba: Mobile No: 0722-517090; Direct Landline: 2277036; jkkihumba@sib.co.ke

Eric Musau: Mobile No: 0722-293047; Direct Landline: 2277025; emusau@sib.co.ke

Dear Sir/Madam

The Board of Directors of National Bank of Kenya Limited ('the Company') appointed Standard Investment Bank ('SIB') to prepare a fairness opinion assessing the financial adequacy of the Share Swap offer for National Bank of Kenya Limited by KCB GROUP PLC ("KCB" or "Offeror"), a listed company on the Nairobi Securities Exchange under the Main Investment Market Segment and a constituent company of the NSE 20 share index, under ISIN code: KE0000000315. KCB is cross listed in the Dar-es-salaam Stock Exchange("DSE"), Uganda Securities Exchange("USE") and Rwanda Stock Exchange ("RSE").

The fairness opinion is intended solely for use by the Board of Directors of National Bank of Kenya Limited, which will refer to the fairness opinion in its statement assessing the aforementioned offer. It may be published in full and made available to interested parties. Use for any purpose other than an assessment of the financial adequacy of the offer is not permitted. In particular, the fairness opinion does not constitute a recommendation to the shareholders of National Bank of Kenya Limited to either accept or reject the offer.

SIB prepared this fairness opinion as an independent financial adviser and is being paid a reasonable fee for this. SIB is not receiving any compensation that is dependent on statements in the opinion or the success of the transaction. SIB confirms that it is suitably qualified as an assessor within the meaning of the duties and responsibilities of the Independent Adviser outlined under Section 11 of the Capital Markets (Take-overs and Mergers) Regulations, 2002 to prepare a fairness opinion and is independent of the offeror, the offeree company or other persons that may act in concert with.

When preparing the fairness opinion, SIB assumed the accuracy and completeness of the information provided by National Bank of Kenya Limited and the publicly available information as well as information contained in the KCB Offer Document dated June 19th 2019, a copy of which was made available to us. The management of NBK confirmed that it was not aware of any facts or circumstances that would render the information provided either misleading, inaccurate or incomplete. SIB's responsibility is restricted to the careful and professional assessment thus verification of the plausibility of the information provided, and calculations made thereon.

The evaluation exercise contemplates facts and conditions existing as of the date of this report. Events and conditions occurring after that date have not been considered, and we have no obligation to update our report for such events and conditions. Various assumptions have been made when preparing this report, which if changed can affect the approach and the conclusions made.

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Acronyms and Abbreviations

CA	Current Assets
CAGR	Compounded Annual Growth Rate
Capex	Capital Expenditure
CBR	Central Bank Rate
CL	Current Liabilities
DCF	Discounted Cash Flow
DDM	Dividend Discount Model
DSE	Dar es Salaam Stock Exchange
EBITDA	Earnings Before Interest, Taxes, Depreciation and Amortization
EBIT	Earnings Before Interest and Taxes
ESOP	Employee Share Ownership Plan
Fair Value	This is the price at which an asset would change hands in an open and unrestricted market
FCY	Foreign Currency
IRR	Internal Rate of Return
KCB	KCB Group Plc
KES or Kshs	Kenya Shillings
NPL	Non-Performing Loans
NWC	Net Working Capital
Preference shares	A share which entitles the holder to a fixed dividend, whose payment takes priority over that of ordinary share dividends.
PV	Present Value
PVIF	Present Value Interest Factor
ROA	Return on Asset
ROE	Return on Equity
RSE	Rwanda Stock Exchange
SIB	Standard Investment Bank
USE	Uganda Securities Exchange
VWAP	Volume Weighted Average Price
WACC	Weighted Average Cost of Capital

Chapter 1. Introduction

Background

National Bank of Kenya Limited ("the Company") is listed on the Main Investment Market Segment of the Nairobi Securities Exchange under the banking sector. Its core business operations include; Retail banking, Corporate & Institutional banking and Islamic banking. It has a network of 83 -branches, 1,480 listed banking agents, 124 Automated Teller Machines (ATM) and electronic channels of mobile and internet banking. The products and services include; banking, lending, capital management, leasing, insurance and mortgage.

National Bank of Kenya Limited employs 1,400 personnel as at June 2019. National Bank of Kenya Limited realized a net profit of KES 7 million in 2018 and KES 411 million in 2017. Accumulated losses is currently at KES 4.8 billion. The company has its headquarters in Nairobi, Kenya. The Company's total shareholder capital is KES 6,972,854 divided into 1,473,781,200 registered shares with a par value of KES 5 per share ("National Bank of Kenya Limited share" or "Share"). This includes 338,781,200 voting shares and 1,135,000,000 non-voting and non-cumulative preference shares, held by the two anchor shareholders. Its market capitalization stood at KES 1,389,058,344 as at 21 June 2019.

On 19th June 2019, KCB Group PLC made an offer for acquisition of 100% of the ordinary shares of National Bank of Kenya Limited at an offer purchase consideration through a share swap of one (1) ordinary share of KCB for every ten (10) ordinary shares of NBK.

KCB is a financial service non-operating holding company which started operations as a licensed banking institution in 1 January 2016. It has a geographical presence in; Kenya, Tanzania, South Sudan, Uganda, Rwanda, Burundi and Ethiopia. It owns KCB Insurance Agency, KCB Capital, KCB Foundation and all associate companies. It is listed on the Nairobi Stock exchange in the Main Investment Segment, in the banking sector under ISIN code: KE0000000315. It is cross listed on the Dar es Salaam Stock Exchange ("DSE"), Uganda ("USE") and Rwanda Stock Exchange ("RSE").

KCB's nominal share capital is KES 4,500,000,000 divided into 4,500,000,000 ordinary shares with a par value of KES 1 per share ("KCB Group Plc share").

The acquisition of the Offer Shares by the Offeror is also stated to be subject to several conditions, including:

(i) the Company delisting from the Nairobi Securities Exchange upon acceptance of the Offer by not less than 75% of the Offer Shares including scope for minority squeeze out;

(ii) the conversion of the 1,135,000,000 preference shares in the capital of the Company to 1,135,000,000 ordinary shares; and;

(iii) Procurement of regulatory approvals from, amongst others, the Capital Markets Authority, the Central Bank of Kenya and the Competition Authority of Kenya.

Standard Investment Bank Ltd ("SIB" or "Independent Financial Advisor") was founded in 1995 as a licensed stockbroker focusing on high value customer relationship management and integrity. In 2005, SIB ventured into transaction advisory services, after obtaining an investment banking license. Today, SIB is one of the leading independent Kenyan financial services firm providing investment banking, securities trading & investment management services to a substantial and diversified client base that includes governments, fund managers, corporations, financial institutions, high-net-worth individuals and retail investors, in Kenya and the wider Eastern Africa region.

Summary of Work Performed

i) ***Review of the Group's business operating environment:*** We carried out a high-level review of the key industries in the economy as well as the banking sector in which the Company is under. This was done to obtain an understanding of the of the Company's business operating environment and possible prospects for the future;

ii) ***Financial Analysis:*** In order to obtain a better understanding of the historical financial performance of the Company, we carried out a financial analysis using consolidated audited financial statements and other business and financial information. This analysis also provided information that was used in testing the assumptions applied in development of the financial projections;

iii) ***Review of Financial Projections:*** Management developed financial projections for the operations which we then analyzed and challenged considering the above knowledge. Certain analysis has led to adjustments in the management projections, which then served as base case projections to formulate the Pro forma Company Financial Statements;

iv) ***Valuation of National Bank of Kenya Limited***. We carried out research on listed companies in Kenya and obtained Tier 2 peer multiples that would be applicable to the Company. These provided the benchmark required to determine the Price to Book and Price to Earnings valuation for National Bank of Kenya Limited.

v) ***Fairness Opinion.*** In order to further check the plausibility of the results of the valuation methods obtained, we deployed a market-value-based valuation method by undertaking a share price analysis. We analyzed the share price development over the last 12 months in order to draw conclusions about the Company's market value prior to the take-over offer announcement.

vi) ***Broad Analysis of the Offeror.*** In order to better understand the Offeror and the basis of the Offer consideration, we obtained publicly available information on the Offeror and further analyzed the Offer Document served on NBK and its shareholders by the Offeror.

vii) ***Disclosures.*** Information and Statements required in an Independent Advisor's Circular

Sources of information

For the purposes of our opinion set out in this circular, we have used various sources of information including:

i) Reviewing certain publicly available information including integrated reporting financial statements and annual report, other business and financial information of NBK and KCB;

ii) Reviewing certain internal financial statements and other financial and operating data concerning National Bank of Kenya Limited;

iii) Reviewing National Bank of Kenya Limited Pro forma financial statements for 2020 prepared by management and adjusted by us;

iv) Reviewing Information provided by management through various correspondence with management to improve understanding of the numbers and strategy;

v) Reviewed current and past operations and financial conditions and prospects of the company, including a limited review of the industry and business;

vi) Review of certain industry and capital markets data to establish various valuation parameters;

vii) Review of research material by SIB staff on the industry to understand the environment under which National Bank of Kenya Limited operates;

viii) Review of other third-party sources including the internet, public databases and company websites among others.

ix) Reviewed, for information purposes only, the Offer Document

x) Performed such other analysis and reviewed such other information and considered such other factors as we have deemed appropriate

KEY IMPORTANT DATES

Below are key important dates for the Take- Over transaction.

EVENT	KEY DATES
NBK makes Public Announcement and posts the Shareholders Circular and Independent Advisors Report and Takeover Offer Document to its shareholders	Tuesday, 9th July 2019
Record date for Purposes of the Offer	Wednesday, 10th July 2019
Closing date of Offer Acceptance period	5.00pm, Friday 30th August 2019
Announcement of the results of the Offer and declaration as to whether has become unconditional as to the Acceptances	Monday, 9th September 2019
Settlement of KCB shares in the CDS Accounts of Shareholders	Thursday, 12th September 2019
Listing of additional KCB Shares on the National Securities Exchange	Monday, 16th September 2019

The above dates are indicative and timelines are subject to amendment as may be communicated from time to time.

Chapter 2. Review of Industry, Company & Market

Overview of Kenyan Economy

Real Gross Domestic Product (GDP) is estimated to have expanded by 6.3 per cent in 2018 compared to 4.9 per cent in 2017. The growth was attributable to increased agricultural production, accelerated manufacturing activities, sustained growth in transportation and vibrant service sector activities. Agricultural activities benefited from sufficient rains that were well spread throughout the country. Similarly, the increased precipitation was a significant boost to electricity generation and consequently favorable to growth during the review period. The Agriculture, Forestry and Fishing sector growth accelerated from a revised growth of 1.9 per cent in 2017 to 6.4 per cent in 2018. The manufacturing sector expanded by 4.2 per cent compared to a revised growth of 0.5 per cent in 2017 mainly buoyed by increased agro-processing during the review period. Other sectors that grew notably in 2018 include Electricity Supply, Transportation and Storage, Information and Communication Technology, Accommodation and Food Services at 10.5, 8.8, 11.4, 16.6 per cent, respectively in 2018. The growth realized was anchored on a relatively stable macroeconomic in 2018. Inflation remained low at 4.7 per cent in 2018 compared to 8.0 per cent in 2017 majorly as a result of considerable declines in prices of food after the shortage experienced in 2017. The current account deficit narrowed to stand at Kshs. 441.8 billion in 2018 compared to Kshs. 503.4 billion in 2017 mainly due to a faster growth of imports of goods and services.

Government Expenditure

In 2018/19, the overall expenditure by the National Government is expected to grow by 17.8 per cent to Kshs. 3,033.6 billion. In the review period, recurrent and development expenditure is estimated at Kshs. 2,392.1 billion and Kshs. 641.5 billion, respectively. Total revenue is expected to grow by 20.8 per cent to Kshs. 1,886.0 billion in 2018/19. Total ordinary revenue is estimated at Kshs. 1,838.5 billion in 2018/19, of which tax revenue category is expected at Kshs. 1,621.7 billion, accounting for 88.2 per cent of the total ordinary revenue during the same period. As at the end of June 2018, the total stock of public debt stood at Kshs. 4,537.6 billion, of which external debt accounted for 56.6 per cent. In the review period, a total of Kshs. 856.6 billion has been allocated towards debt servicing charges. County governments are expected to spend a total of Kshs 459.5 billion, against an estimated total revenue of Kshs 422.8 billion in 2018/19. In the same period, current transfers from National Government to county governments inclusive of conditional grants, is estimated to grow by 7.8 per cent to Kshs. 372.7 billion.

Agriculture:

Growth in Agriculture Value Added at constant prices increased to 6.6 per cent in 2018 from 1.8 per cent recorded in 2017. The improved performance during the year under review was due to favorable weather conditions for both crops and livestock production, occasioned by the long rains in 2018. Maize production increased by 26.0 per cent from 35.4 million bags in 2017 to 44.6 million bags in 2018. Production of tea and coffee recorded growths of 12.1 and 7.0 per cent, respectively, during the review period. The volume of fresh horticultural exports increased by 6.1 per cent to 322.6 thousand tonnes in 2018. The value of marketed livestock and livestock products increased by 8.3 per cent to Kshs 146.8 billion during the year under review.

During the review period, the prices of tea and coffee declined by 15.5 per cent and 15.3 per cent to Kshs. 25,896.47 and Kshs 40,286.41, respectively, per 100 kilograms. The price paid for wheat increased by 11.2 per cent from Kshs. 3,197.99 per 100 kilogram in 2017 to Kshs 3,555.50 per 100 kilogram in 2018. The total domestic sugar production increased by 30.6 per cent from 376.1 thousand tonnes in 2017 to 491.1 thousand tonnes in 2018. Overall, marketed production increased by 11.4 per cent from Kshs 446.9 billion in 2017 to Kshs 497.9 billion in 2018.

Manufacturing:

The manufacturing real value added increased by 4.2 per cent in 2018 compared to a growth of 0.5 per cent in 2017. The manufacturing output volume expanded by 5.1 per cent in 2018 from a revised contraction of 0.8 per cent in 2017. This was mainly on account of increase in production of dairy products, tea, coffee and sugar due to favorable weather conditions. However, the plastic products, wood and other products of wood, and other non-metallic mineral products subsectors registered declines in the review period. The Producer Price Index (PPI), which excludes the Value Added Tax (VAT) and transport cost of the finished products, increased by 0.9 per cent in 2018 mainly due to increase in prices of wood and products of wood and cork except furniture; and chemicals and chemical products.

Formal employment in the manufacturing sector increased by 1.4 per cent to 307,592 persons in 2018 accounting for 11.1 per cent of the total formal employment. The number of local employees working in Export Processing Zone (EPZ) enterprises rose from 54,764 persons in 2017 to 56,945 persons in 2018. Credit advanced to the Sector by commercial banks and industrial financial institutions rose from Kshs 315.3 billion in 2017 to Kshs 335.7 billion in 2018.

Building and Construction

The construction sector expanded by 6.3 per cent in 2018 from a revised growth of 8.5 per cent recorded in 2017. Expenditure on roads is expected to rise by 23.0 per cent to Kshs. 195.1 billion in 2018/19, of which Kshs. 128.4 billion is to be spent on construction of new roads. Loans and advances from commercial banks to the construction sector grew slightly by 1.8 per cent from Kshs. 112.0 billion in 2017 to Kshs. 114.0 billion in 2018, reflecting a slowdown in the construction sector. Wage employment in the sector grew by 2.2 per cent from 167.9 thousand persons in 2017 to 171.6 thousand persons in 2018. The approved Government expenditure on housing in 2018/19 is expected to increase by 57.3 per cent to Kshs. 29.0 billion to finance housing flagship projects.

Financial Sector

In 2018, the Central Bank Rate (CBR) was reviewed downwards twice from 10.00 per cent to 9.50 per cent in March 2018 and then to 9.00 per cent in July 2018, signaling easing monetary policy stance. This was aimed at reducing cost of borrowing, increase money supply and boost economic activity. Consequently, overall interest rates dropped during the review period except for the interbank rate. The 91-Day Treasury bill dropped to 7.34 per cent in December 2018 from 8.01 per cent in December 2017. Annual average inflation eased from 8.0 per cent in 2017 to 4.7 per cent in 2018. Extended broad money supply (M3) grew to Kshs. 3,337.8 billion in 2018. The commercial banks liquidity ratio rose from 46.4 per cent in December 2017 to 50.6 per cent in December 2018. The advances to deposits ratio declined significantly to 78.4 per cent in December 2018 down from 83.5 per cent in 2017. This was due to commercial banks opting for less risky lending in the form of Government securities.

Tourism Sector

The tourism sector registered an improved performance in 2018 compared to 2017. The number of international visitor arrivals increased by 14.0 per cent from 1,778.4 thousand in 2017 to 2,027.7 in 2018. The improved performance may be attributed to stable political environment, withdrawal of travel advisories, improved security and investor confidence in the country.

The number of hotel bed-nights increased by 20.1 per cent from 7,174.2 thousand in 2017 to 8,617.9 thousand in 2018. The number of international conferences held expanded by 6.8 per cent to 204 in 2018 compared to 191 in 2017. This was boosted by high profile international conferences held in the country and visits by foreign dignitaries during the review period. Visitors to national parks and game reserves rose by 20.3 per cent to 2,868.9 thousand in 2018. Overall, the sector recorded an increase in tourism earnings from Kshs. 119.9 billion in 2017 to Kshs. 157.4 billion in 2018.

Transport and Storage

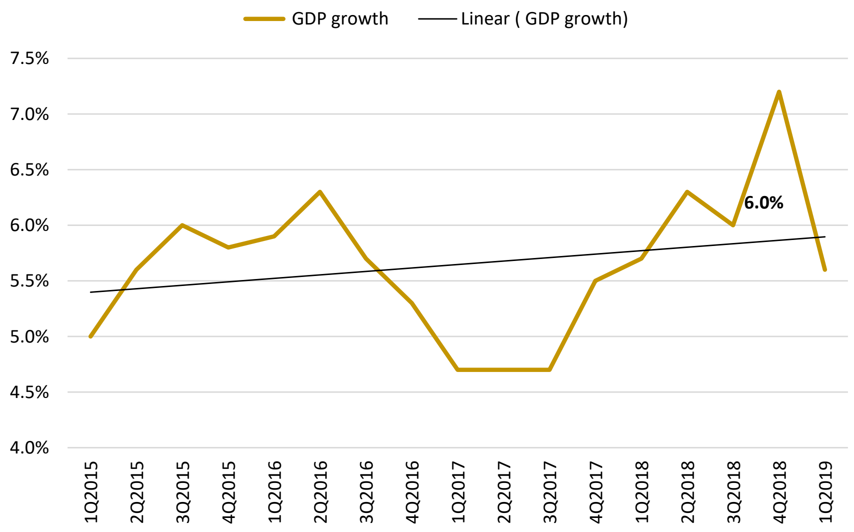
The value of output from transport and storage expanded by 14.6 per cent from Kshs. 1,092.1 billion in 2017 to Kshs. 1,252.0 billion in 2018.Cargo throughput handled at the Port of Mombasa rose from 30.3 million tonnes in 2017 to 30.9 million tonnes in 2018. Commercial passenger traffic handled at the airports increased by 16.8 per cent to 11.8 million in 2018. Domestic and international passengers handled increased by 22.5 per cent and 13.1 per cent to 4.9 million and 6.9 million, respectively, during the review period. Rail freight traffic more than tripled from 1,147 thousand tonnes in 2017 to 3,544 thousand tonnes in 2018, mainly due to introduction of freight transportation services on the Standard Gauge Railway (SGR). Revenue from railway freight increased from Kshs. 3.0 billion in 2017 to Kshs. 9.8 billion in 2018. Similarly, earnings from passenger traffic stream more than doubled to Kshs. 1.7 billion in 2018. Total pipeline throughput increased by 2.7 per cent to 6,321.5 thousand cubic meters during the review period.

Energy Sector

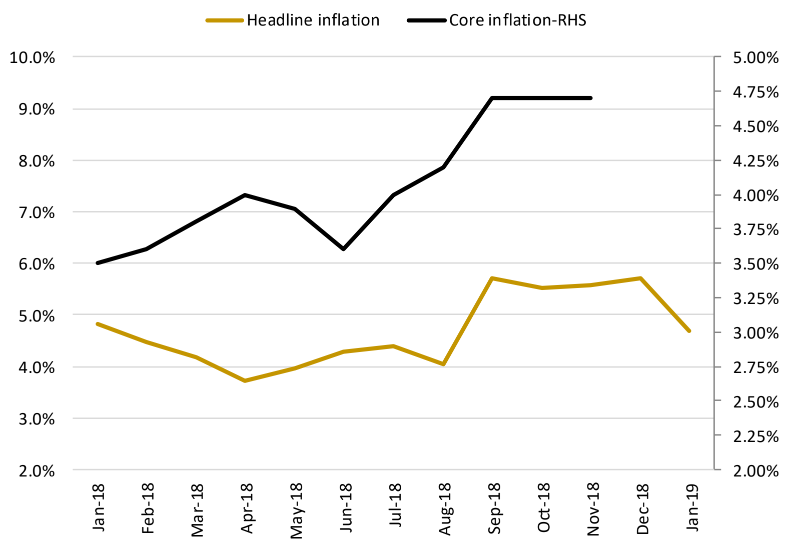
Average international Murban crude oil prices increased from USD 54.9 in 2017 to USD 71.48 in 2018. This was mainly occasioned by continued oil supply cuts in the international market in the first half of the year and decline in oil production in Venezuela and the U.S. During the review period, the total import bill of petroleum products increased to Kshs. 327.8 billion. Similarly, the total value of petroleum products exported, including re-exports, increased by 7.5 per cent to Kshs. 38.8 billion in 2018. Total installed electricity capacity increased from 2,339.9 MW in 2017 to 2,711.7 MW in 2018. Total electricity demand increased by 7.9 per cent to 11,182.0 GW h in 2018 compared to 10,359.9 GWh in 2017. Domestic demand for electricity increased from 8,410.1 GWh in 2017 to 8,702.3 GWh in 2018.

Economy Outlook

Performance of Kenya's economy looks less optimistic in 2019 on account of a number of factors. The 2019 long rains have delayed and weather forecast indicate that most parts of the country will experience depressed rainfall, while a number of others may record almost long rains failure. If this materializes, direct negative impacts will be felt within the activities of agriculture, electricity and water supply sectors. Further impacts could be experienced in industries that have strong interlinkages with these sectors. However, activities of the tourism sector are likely to remain vibrant supported by strong expansion in tourists' arrivals. The construction industry is expected to follow the current trend given the ongoing infrastructural development by the government as well as the prevailing private sector confidence.



Inflation is likely to rise significantly, largely driven by increase in food prices as a result of constrained domestic production in 2019. This could worsen if the magnitude of the expected rise in fuel prices ends up being substantial. The Kenyan Shilling exchange rate against major trading currencies is expected to remain stable supported by diaspora remittances and a significant level of reserves. On the demand side, growth is likely to be driven by both the public consumption as well as private sector investment. Public consumption is projected to be underpinned by the ongoing development in infrastructure. Private consumption might not expand as rapidly as that of public, but is likely to remain robust in 2019 and therefore supportive of growth, while business confidence should remain strong enough to back up expansion in investment. Exports are likely to be constrained by a subdued external demand against a background of a slowdown in global trade. Overall, the economic growth is likely to slow down, but key macroeconomic indicators are likely to remain within desirable ranges throughout 2019.



Capital Markets

The Nairobi Securities Exchange (NSE) 20-Share index dropped by 23.7 per cent to 2,834 points in December 2018, with the market capitalization standing at Kshs. 2,102 billion in December 2018. The value of bonds traded rose to Kshs. 558 billion in 2018 from Kshs. 429 billion in 2017.

Kenya Capital Markets Trading Statistics

	CY13	CY14	CY15	CY16	CY17	CY18	1Q19	19-Apr	19-May
NSE 20 Index	19.20%	3.80%	-21.00%	-21.10%	16.50%	-23.70%	0.40%	-1.70%	-4.30%
NASI	44.10%	19.20%	-10.60%	-8.50%	28.40%	-18.00%	12.30%	-0.20%	-4.70%
NSE 25 Index				-15.80%	21.30%	-17.10%	10.80%	-0.70%	-7.50%
NSE 20 Index points					3,711.94	2,833.84	2,846.35	2,796.84	2,676.92
NASI points					171.20	140.43	157.66	157.31	149.92
NSE 25 Index points					4,283.38	3,551.59	3,935.99	3,908.71	3,616.28
Turnover (USD m)	1,811	2,424.17	2,119.54	1,448.67	1,660.85	1,724.28	449.01	97.28	123.12
Avg. daily (USD m)	7.3	9.66	8.38	5.79	6.75	6.9	7.13	4.86	5.6
Foreign flow (USD m)*	392.6	86.2	-12.33	88.84	-117.43	-286.6	7.66	0.35	21.46

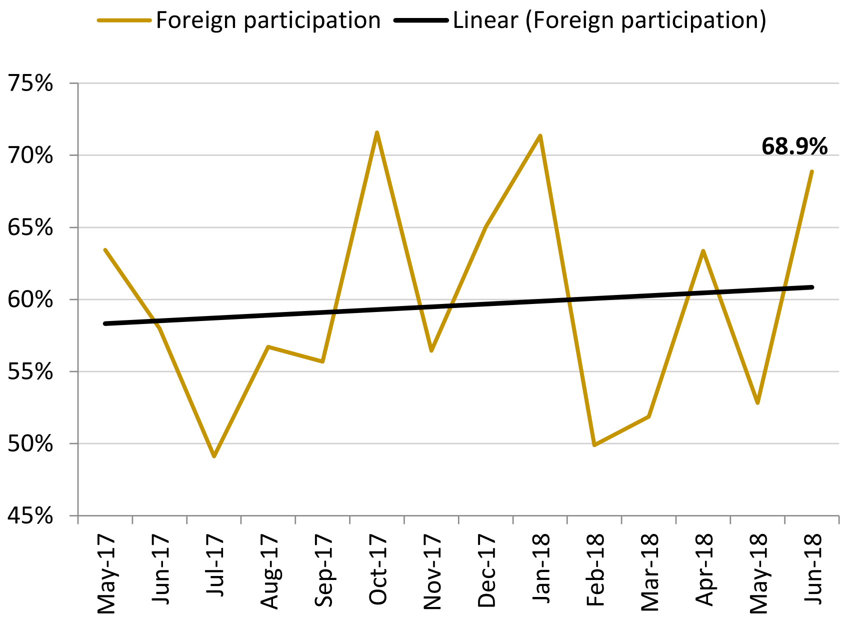
Source: NSE data, Standard Investment Bank, Bloomberg
** Net inflow*

Top 20 Companies by Market Capitalization

Company	Price (KES)	% 2Q19	%YTD	Turnover (USD k)	Net flows (USD k)	Mrkt-cap (USD m)	% foreign portion	% of total Mrkt cap
Safaricom	29.5	-4.80%	10.30%	195,576	-45,083.30	11,702.30	73.60%	45.90%
Equity Bank	46.25	-14.40%	16.40%	80,149	-15,354.60	1,728.00	68.70%	6.80%
EABL	218	-17.70%	-8.40%	41,231	-19,073.40	1,706.80	63.70%	6.70%
KCB	46.25	-11.10%	8.20%	50,862	-18,342.40	1,404.00	58.00%	5.50%
Co-op Bank	17.5	-10.70%	9.40%	11,142	-1,175.20	1,016.60	13.60%	4.00%
StanChart	198	-13.20%	-4.80%	5,227	2,686.90	673.4	26.20%	2.60%
Bamburi Cement	179	2.30%	-0.60%	5,167	1,633.10	643.3	19.80%	2.50%
Barclays Bank	11.45	-8.80%	19.30%	12,927	4,896.20	615.8	32.60%	2.40%
Kenya Airways	10.65	-1.80%	-37.90%	381	-18.7	599.1	3.10%	2.30%
BAT Kenya	600	-23.00%	-21.10%	5,147	1,789.90	594.1	46.50%	2.30%
DTB	199	-9.10%	3.60%	1,802	-312.3	550.9	22.00%	2.20%
I&M Holdings	115	-8.00%	-9.40%	1,401	-260.7	470.7	9.30%	1.80%
KenGen	7	-22.70%	-18.10%	2,406	-933.1	457	26.90%	1.80%
Britam	14.6	16.80%	9.40%	11,575	6,998.00	364.8	36.60%	1.40%
Jubilee Holdings	505	-4.70%	1.20%	2,015	-1,531.90	362.4	42.20%	1.40%
Stanbic	91.5	-1.10%	13.00%	3,478	1,253.60	358.1	21.10%	1.40%
KenolKobil	18.1	3.10%	29.30%	6,774	-358.8	263.8	63.40%	1.00%
NIC Bank	35.5	-13.90%	5.20%	4,131	163.6	247.4	4.80%	1.00%
Centum	37	-16.90%	-15.40%	4,364	105.2	243.8	44.60%	1.00%
Nation Media Group	90	-18.90%	-22.40%	1,312	103.4	168	47.10%	0.70%

Source: NSE data, Standard Investment Bank, Bloomberg

Foreign investor participation



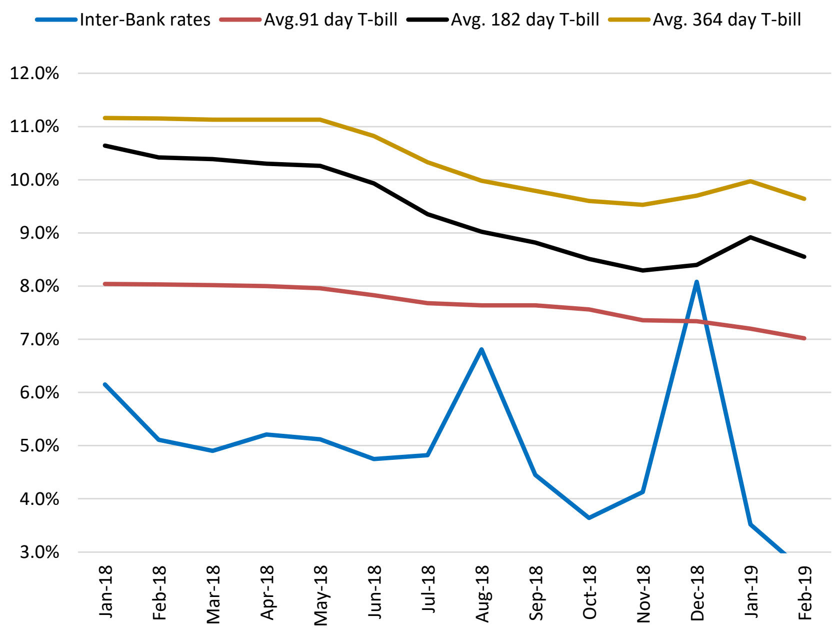
Source: NSE data, Standard Investment Bank

Foreign investor participation has remained robust, averaging over 60%

Industry Overview

In 2018, the Central Bank Rate (CBR) was reviewed downwards twice from 10.00 per cent to 9.50 per cent in March 2018 and then to 9.00 per cent in July 2018, signaling easing monetary policy stance. This was aimed at reducing cost of borrowing, increase money supply and boost economic activity. Consequently, overall interest rates dropped during the review period except for the interbank rate. The 91-Day Treasury bill dropped to 7.34 per cent in December 2018 from 8.01 per cent in December 2017. Annual average inflation eased from 8.0 per cent in 2017 to 4.7 per cent in 2018.

Interest rate movements

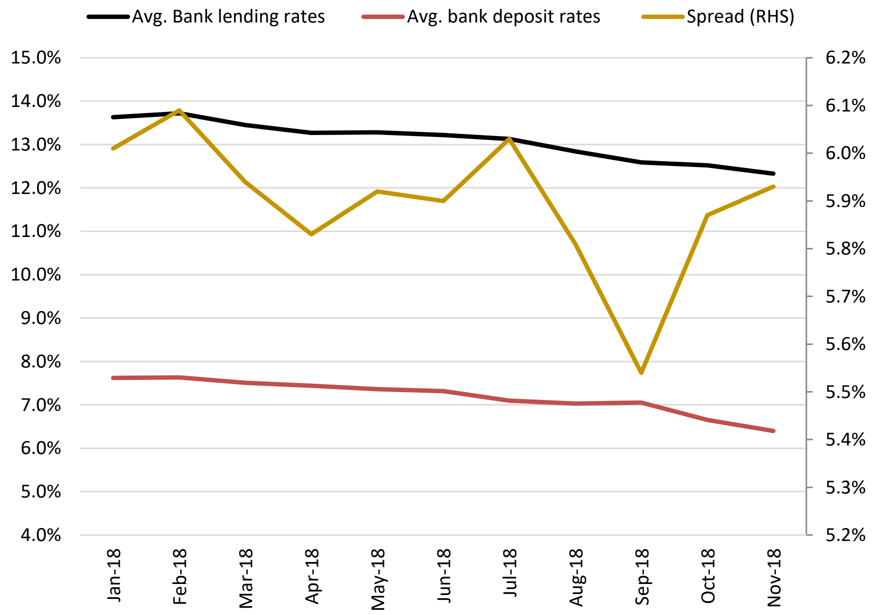


Source: NSE data, Standard Investment Bank

Extended broad money supply (M3) grew to Kshs. 3,337.8 billion in 2018. The commercial banks liquidity ratio rose from 46.4 per cent in December 2017 to 50.6 per cent in December 2018. The advances to deposits ratio declined significantly to 78.4 per cent in December 2018 down from 83.5 per cent in 2017. This was due to commercial banks opting for less risky lending in the form of Government securities.

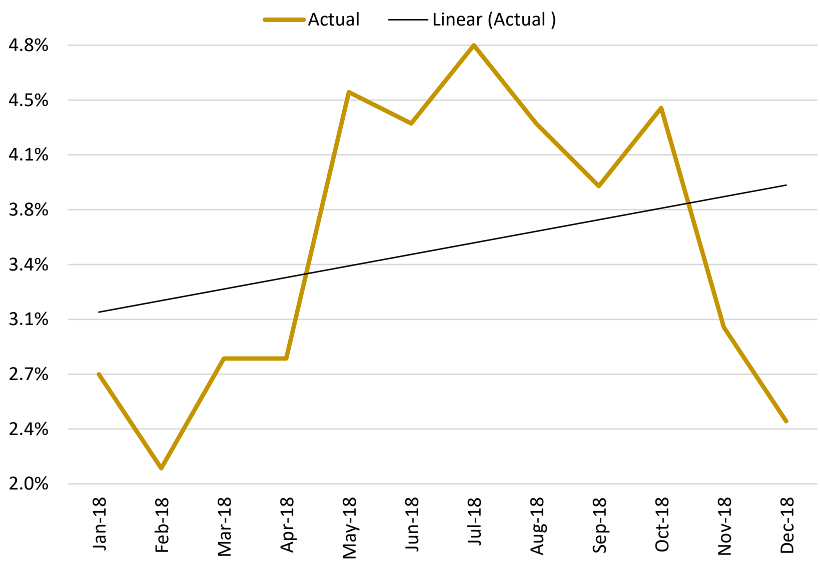
The Nairobi Securities Exchange (NSE) 20-Share index dropped by 23.7 per cent to 2,834 points in December 2018, with the market capitalization standing at Kshs. 2,102 billion in December 2018. The value of bonds traded rose to Kshs. 558 billion in 2018 from Kshs. 429 billion in 2017.

Banking sector rates and spreads



Source: CBK data, Standard Investment Bank

Private sector y/y credit growth



Source: CBK data, Standard Investment Bank

Chapter 3. National Bank of Kenya Limited

Company Overview

National Bank was incorporated on 19th June 1968 and officially opened on Thursday November 14th 1968. At the time it was fully owned by the Government. The objective for which it was formed was to help Kenyans get access to credit. The Bank is listed on the Nairobi Securities Exchange, under ISIN Code: KE0000000398.

National Bank is a major player in Kenya's banking industry. It is one of the largest banks in the country giving financial services to all sectors of the economy, under Tier 2 in the medium peer group. The bank will continue to cover the financial landscape and respond positively to the needs of its customers, shareholders and the economy besides offering traditional financial services and products.

National Bank of Kenya Limited, is a group which consists of the bank entity and subsidiary in;

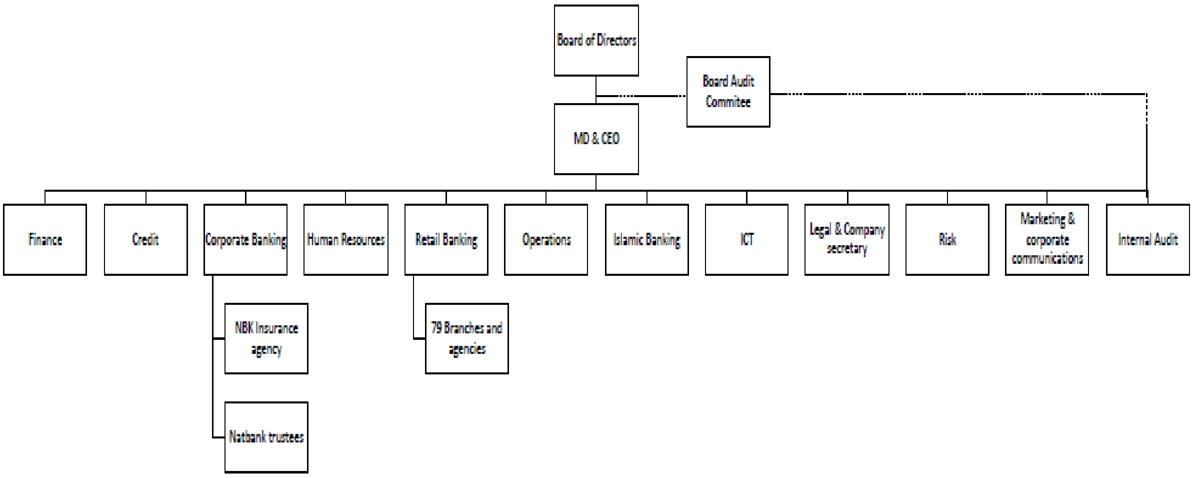
(i) The National Bank of Kenya Insurance Agency Limited – Active;
(ii) The NatBank Trustees & Investment Services Limited – Active;
(iii) Kenya National Capital Corporation Limited – Dormant

National Bank of Kenya Limited has eighty-three (83) branches and agencies with a market presence in forty-two (42) counties, it has 124 Automated Teller Machines (ATMs), six (6) premium centers and an estimated customer base of six hundred thousand (600,000) throughout the counties with loan accounts worth fifty-four thousand (54,000). National Bank has a total net asset of Kshs. 114.849 billion, total deposits of Kshs. 98.865 billion, shareholders capital fund of Kshs. 6.972 billion as of 31 December 2008.

The Bank has also won a number of awards including, "Best Bank in Service", best Islamic Window in the East African award, best in internal communication campaign and also won the best M-Visa Consumer Experience award. It goes by the slogan "Bank on Better".

At National Bank of Kenya Limited, the practice of good corporate governance is adhered to by having the Board of Directors is mandated to control and direct the activities, affairs, operations and property of the Bank with a view to maximizing shareholders value, increasing profitability and guaranteeing sustainable business. The Bank has in place a Board Charter as well as all critical Policies including Conflict of Interest and Code of Ethics and Conduct that govern operations of the Board and Management in the stewardship of the Bank within the confines of the Memorandum and Articles of Association of the Bank. It has a board of directors comprised of; eight (8) non- executive members (including the Chairman); with four being Independent non-executive members and one executive member (being the Managing Director and Chief Executive Officer).

Group Structure



Subsidiaries

1. NBK Insurance Agency Ltd - Active
2. Natbank Trustees & Investment Services Ltd - Active
3. Kenya National Capital Corporation Ltd - Dormant

Branches

Region	No. of Branches & Agencies
Harambee	1
Nairobi	24
Central	15
Coast	12
Eastern	10
Western	9
Rift	8
Unopened Branches	7

Source: NBK

Positioning in the industry: Competitive advantage, threats and opportunities

NBK is well positioned in the collection of taxes for the national government, county governments, government agencies and related bodies which is a unique strength for the bank. With the launch of new innovations, the bank expects to increase its share of wallet from these agencies. The institution has a low cost of funding relative to the industry at less than 3%, which compares favourably with Tier 1 banks. It has an extensive branch network across the country which if harnessed, is likely to provide significant upside. While NBK might need rationalization of some of the branches and people to manage cost, the company believes it has great people and assets – which with relevant capital can deliver significant growth to the business.

As at 2018, NBK was in breach of capital ratios as outlined below:

	Total regulatory capital expressed as a percentage of total risk-weighted assets	Tier 1 capital expressed as a percentage of total risk-weighted assets	Tier 1 capital expressed as a percentage of total deposits
Regulatory Requirement	14.5%	10.5%	8.0%
NBK	3.7%	2.3%	2.1%

The financial institution has been in breach of regulatory capital since 2015, and is likely in breach of other non-capital related ratios such as single obligor, insider lending to core capital and ratio of non-core assets to core capital. While there is a plan in place to achieve regulatory compliance with regards to capital ratios, this has not been realised. This remains one of the key threats to the company.

NBK also has a significant non-performing loan book at KES 27.0bn (March 2019), and a growing NPL ratio now at over 50%. The company has established key drivers and metrics for the business growth in the financial year; key highlights are the KShs.7 billion of legacy Non-Performing Loans expected to be recovered in 2019 (KES 1.8bn recovered in Q1 2019). Overall, the company proposes to recover 80% of legacy Non-Performing Loans by 2022. The gross non-performing loans is projected to drop to 20% in 2020 (2018 - 48%) and 10% in 2023.

As part of driving its digital strategy, the Bank has revamped mobile and internet banking platforms on the back of an upgrade of the core banking system. This will to enhance customer service offering while increasing the proportion of transactions on digital platforms from 30% towards the 70% to 80% enjoyed by some of the leading Tier I banks.

Business Outlook

NBK Management guided in their strategy that they expect to deliver a profit before tax of KES 1.1bn in 2019 and KES 1.6bn in 2020, excluding any one off provisioning (items disclosed under disclosures section).

Management has indicated that the cost Income Ratio is expected to improve from 95% to 65% by 2024 whereas the loss ratio to range between 3%-4%. At this level, the bank will still be underperforming the sector.

Chapter 4. Kenya Commercial Bank Group PLC

Company Overview

KCB Group is registered as a non-operating holding company which started operations as a licensed banking institution with effect from January 1, 2016. The holding company oversees KCB Kenya – incorporated with effect from January 1, 2016 – and all KCB's regional units in Uganda, Tanzania, Rwanda, Burundi, Ethiopia and South Sudan. It also owns KCB Insurance Agency, KCB Capital, KCB Foundation and all associate companies. The KCB bank Kenya Limited is under Tier 1.

In 2005, KCB Bank received an international credit rating from Moody's and S&P rating agencies. B1 and B+ respectively and at par with the Kenya sovereign rating. The launch of KCB M-PESA, a mobile based account, offered exclusively to M-PESA customers. 5M accounts were opened during the year (2015) transacting over KES 259B. The Launch of Representative office in Ethiopia was established.

The bank provides corporate and retail banking services across the East Africa region and is currently present in all the 47 counties of Kenya. The bank provides its customers and the general population with the widest branch network of over 235 outlets across the region backed by over 950 automated teller machine outlets. With a wide network of correspondent relationships totaling over 200 banks across the globe our customers are assured of a seamless facilitation of their international trade requirements.

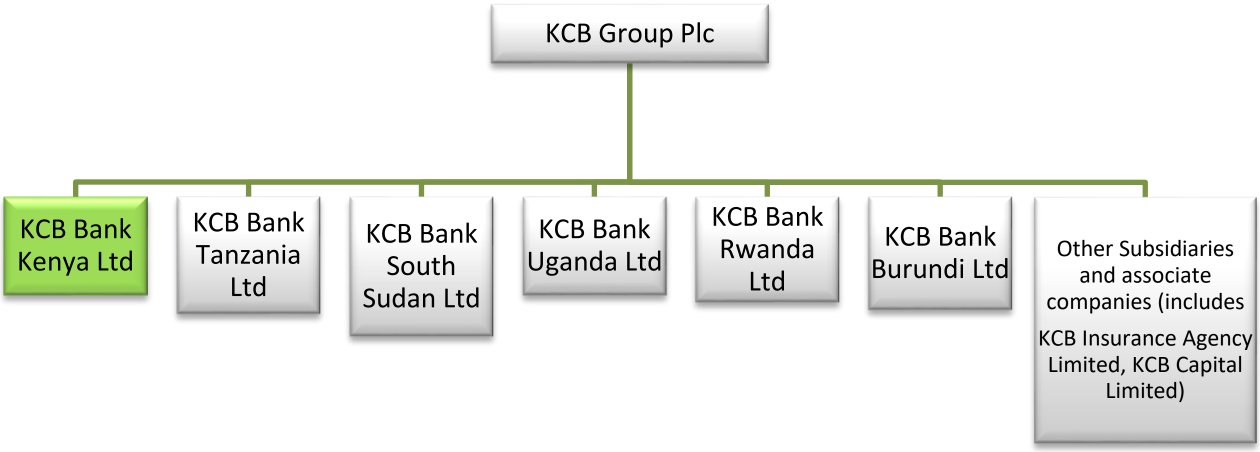
The company operates its business through the following segments: Retail Banking, Corporate Banking, Mortgages, Treasury and other Group. The Retail Banking segment provides services such as customer current accounts, savings and fixed deposits to individuals. The Corporate Banking segment offers services such as current accounts, fixed deposits, overdrafts, loans and other credit facilities both in local and foreign currencies. The Mortgages segment engages in the provision of mortgage finance through KCB S&L. The Other Group segment comprises trade finance and forex business activities.

KCB Group Plc is listed on the banking sector of the Nairobi Securities Exchange and is a constituent company of the NSE 20 share index. KCB is cross listed in the Dar-es-salaam, Uganda and Rwanda Stock Exchanges. This is strategic in accessing unrestricted capital in the region. KCB's strength lies in its corporate services focusing on supporting existing value chains and clusters that contribute positively to the total Risk weighted Assets. The bank has the largest asset base in the region at half a Trillion Kenya Shillings which makes it superior compared to its peers and can easily access capital subsequently. The wide asset base enables it to leverage on the possible consolidation of the Banking Sector due to the increased capital requirements. The bank's customers include retail, corporate, SME's and Government (both county government and National Government).

The holding company was set up to among other things to enhance the Group's capacity to access unrestricted capital and also enable investment in new ventures outside banking regulations, achieve operational and strategic autonomy for the Group's operating entities and enhance corporate governance across the Group and oversight in management of subsidiaries

Every year, KCB Group Plc remits 1% of its profits before tax to the KCB Foundation to facilitate their corporate social investment programs approved for the year. The Foundation is led by a Board of Trustees and has in place structures to ensure it achieves its vision to be the most responsible and responsive provider of social investment support to deserving communities in the region.

Group Structure



Business Outlook

KCB Group operates 258 branches spread out across 6 African markets (Kenya – 200, Uganda – 15, Tanzania – 14, Rwanda – 14, South Sudan – 10 and Burundi – 5) with the addition of a Representative office in Ethiopia. Given that banks' topline growth is currently being driven by volumes vis-à-vis margins upon the advent of the rate caps, the lender has continually focused on digital lending (KCB-M-Pesa and KCB Mobi) to drive both the non-funded income and funded income over and above growing its loan book above industry average. In addition to the above, the lender has constantly leveraged on its deposit franchise to drive low cost funding, a paramount matter in sustaining satisfactory net interest margins.

Chapter 5. Valuation

Valuation Approaches

The principal determinant of value for a company is its ability to generate future free cash flow, which is a direct result of revenue growth, profitability and capital investment requirements.

While there are a number of possible methods, we considered the following valuation and pricing approaches to be suitable in the circumstances.

1. Dividend Discount Model (Theoretical)

2. Relative Valuation Approach (ratios)
   - Price-to-Earnings (P/E) Multiple
   - Price to Book Value method

3. Historical Share Price/ Share Price Analysis with Control Premium

4. Asset-Based Approach
   - Net Asset Valuation

We used the Dividend Discount Model (DDM) as our primary intrinsic tool for valuation. DDM values company's stock price based on the theory that its stock is worth the sum of all of its future dividend payments, discounted back to their present value. We made various assumptions including going concern. NBK operates below the required regulatory capital level and remains at the risk of regulatory action. Even at the growth trajectory assumed, it appears that NBK would find it difficult to improve its capital ratios on the strength of organic profitability.

We also used the Relative Valuation approach. In Relative Valuation approach, the prices at which companies trade in the public markets are reflected as a multiple of revenue, Price to Book (PB), Price to Earnings (PE), EBIT (earnings before interest and taxes) and EBITDA (earnings before interest, taxes, depreciation and amortization) among others. It should be noted that valuations of these individual companies vary substantially as a result of factors such as size, geographical coverage, growth prospects and margins. Relative valuation works on the assumption that stock market values correctly prices the shares of an entity, which is true only under the efficient market conditions.

An Asset-based approach focuses on the company assets or the fair market value of the total assets less total liabilities to determine what could be used to recreate the business. For a bank, this approach establishes the liquidation value. This method may however be difficult to apply when the bank has multiple large businesses. This method was used to further check the plausibility of the results of the other valuation methods.

Valuation Details

SIB was able to carry out the going concern valuation based on the historical financial statements, financial forecasts and business plans of the Company. SIB considered the information provided by National Bank of Kenya Limited to be fair and consistent.

Dividend Discount Model (Theoretical)

DDM, our primary tool of valuation obtained a valuation of KES 5.41, with a high of 9.27 and a low of KES 2.38. The assumptions used includes a terminal Book Value multiple of 1.2x and a target cost of equity of 14.5%. The sensitivity table is shown below.

National bank of Kenya Plc - Net Present Value Sensitivity - Terminal P / TBV Multiples

Terminal P / Terminal Book Value Multiple	KES 5.4	11.5%	12.5%	13.5%	**14.5%**	15.5%	16.5%	17.5%
		Cost of Equity						
	1.8 x	KES 9.27	KES 8.87	KES 8.48	**KES 8.12**	KES 7.77	KES 7.45	KES 7.13
	1.6 x	8.24	7.88	7.54	**7.22**	6.91	6.62	6.34
	1.4 x	7.21	6.90	6.60	**6.31**	6.05	5.79	5.55
	1.2 x	**6.18**	**5.91**	5.66	**5.41**	**5.18**	**4.96**	**4.76**
	1.0 x	5.15	4.93	4.71	**4.51**	4.32	4.14	3.96
	0.8 x	4.12	3.94	3.77	**3.61**	3.45	3.31	3.17
	0.6 x	3.09	2.96	2.83	**2.71**	2.59	2.48	2.38

DDM, our primary tool of valuation obtained a valuation of KES 58.9, with a high of 89.95 and a low of KES 34.30. The assumptions used includes a terminal Book Value multiple of 1.2x and a target cost of equity of 14.5%. The sensitivity table is shown below.

KCB Group Plc - Net Present Value Sensitivity - Terminal P / TBV Multiples

Terminal P / Terminal Book Value Multiple	KES 58.9	11.5%	12.5%	**13.5%**	14.5%	15.5%	16.5%	17.5%
		Cost of Equity						
	1.8 x	KES 89.95	KES 86.41	KES 83.04	**KES 79.85**	KES 76.81	KES 73.92	KES 71.17
	1.6 x	81.97	78.77	75.74	**72.85**	70.11	67.51	65.02
	1.4 x	73.98	71.13	68.43	**65.86**	63.42	61.09	58.88
	1.2 x	**65.99**	**63.50**	61.12	**58.9**	**56.72**	**54.68**	**52.73**
	1.0 x	58.01	55.86	53.82	**51.87**	50.03	48.27	46.59
	0.8 x	50.02	48.22	46.51	**44.88**	43.33	41.85	40.44
	0.6 x	42.04	40.58	39.20	**37.89**	36.63	35.44	34.30

Relative Valuation Approach

Analysis of Comparable Companies

Obtaining a meaningful valuation result from this method depends on ensuring a good level of comparability between National Bank of Kenya Limited and its peers. This is ensured in particular if the companies are similar in their business models, size, risk and opportunity profiles, and ultimately in their growth and profitability profiles. We analysed the current market valuation of the listed Banks in Kenya, especially the larger ones.

We used market derived business valuation multiples such as:

Price to Earnings Ratio Multiple. Using the Price to Earnings multiple, we computed a comparable value.

KCB Price to Earnings Multiple vs Industry	
2018 Profits ('million)	24,039
Number of Shares (million)	3,066
Earnings per Share (KES)	7.84
Median Industry PE Ratio	7.10
KCB Implied Price	55.67

NBK Price to Earnings Multiple vs Industry	
2018 Profits ('000)	7,008
Add restructuring cost (early re	541,252
Net Profit (Ordinary Shareholde	548,260
Number of Shares ('000)	1,473,781
Earnings per Share (KES)	0.37
Median Industry PE Ratio	7.10
NBK Implied Price	2.64

Compared to KCB under the Price to Earnings multiple, NBK shareholders would receive a premium of 110.8% as the value arrived is at KES 3.89bn. We adjusted 2018 numbers to reflect one-off restructuring cost for early retirement of 112 employees at a cost of KES 541m.

Price to Book Value Multiple. Using the market value to book value multiple, we computed a comparable value.

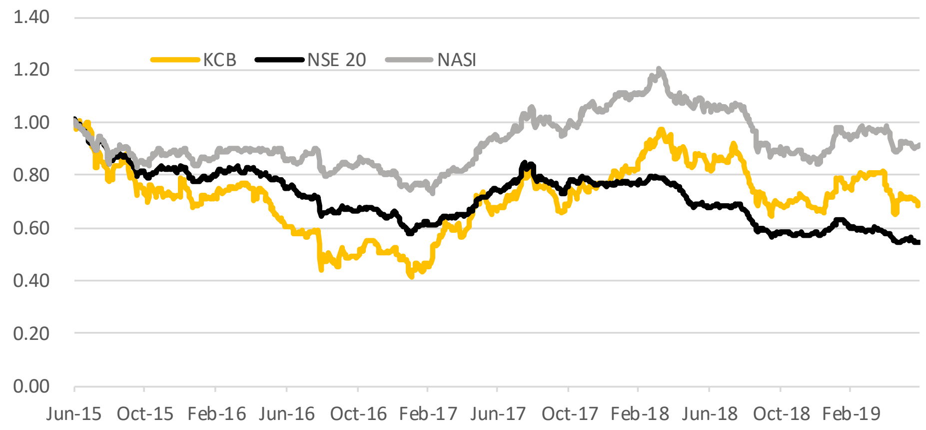
KCB Price to Book Value Multiple vs Industry	
KCB Book Value (KES '000)	130,927,978
Number of Shares ('000)	3,066,057
NAV per Share (KES)	42.70
Median Industry PB Ratio	1.4
KCB Valuation (KES per share)	59.78

NBK Price to Book Value Multiple vs Industry	
NBK Book Value (KES '000)	6,972,854
Number of Shares ('000)	1,473,781
NAV per Share (KES)	4.73
*Median Industry PB Ratio	1.4
NBK Implied Price	6.62

** Based on previous transactions*

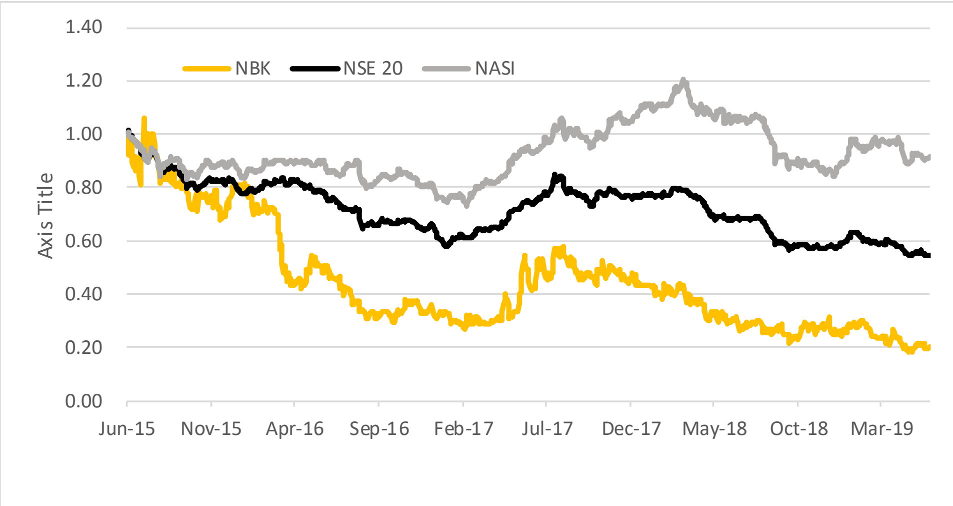
Historical Share Price Analysis

Since 2017, KCB has mostly traded in line with the market and even outperformed the NSE 20 Index as shown below.



Source: NSE data, Standard Investment Bank

National Bank of Kenya has underperformed both the NSE 20 Index and the NASI over the period as shown:



Source: NSE data, Standard Investment Bank

The volume weighted average price of NBK, 60 days prior to the announcement date of 18 April 2019 was KES 5.01. We included a control premium of 30% (control premium not included in other methods as we assumed that the share price is the best reflection of shareholder value).

Asset-Based Approach

KCB Asset Value per Share	
KCB Book Value (KES '000)	130,927,978
Number of Shares ('000)	3,066,057
NAV per Share (KES)	42.70

NBK Asset Value per Share	
NBK Book Value (KES '000)	6,972,854
Number of Shares ('000)	1,473,781
NAV per Share (KES)	4.73

Compared to KCB under the Asset Based Approach, NBK value (KES 6.97bn) would be priced at a discount of 9.7%.

Chapter 6. Fairness Opinion

Valuation Results Table

Methodology	KCB	NBK	Control Premium**	NBK*	Offer Premium/(Discount)	Weight	
Price to Book Value Method	59.8	6.62		66.2	**-9.7%**	20%	1.32
Price to Earnings Multiple	55.7	2.64		26.4	**110.8%**	20%	0.53
Asset Value	42.7	4.73		47.3	**-9.7%**	20%	0.95
Market Price**	43.0	5.00	30%	65.0	**-33.8%**	20%	1.30
Dividend Discount Model	58.9	5.41		54.1	**8.8%**	20%	1.08
						100%	**5.18**
Price to Book Value Method	59.8	6.62		66.2	**-9.7%**	30%	1.99
Dividend Discount Model	58.9	5.41		54.1	**8.8%**	40%	2.17
Market Price**	43.0	5.01	30%	65.1	**-33.9%**	30%	1.95
						100%	**6.10**
					Valuation (KES bn)		**9.00**

** Adjusted to reflect the 10 shares per 1 share of KCB offer, assumes transaction will be accretive*
*** 60 days to 18th April 2019 (Offer Announcement Date), volume weighted average price*

The table above summarizes the results of our valuation analysis. In the first section, we obtained a value of KES 5.18 with the value for National Bank of Kenya ranging from KES 2.64 to KES 6.62. We stripped out the outlier of KES 2.64 to come up with a summary of three methods. We also removed the Asset Value method as we could not attribute a multiple based on recent transactions on the back of fundamental changes in the banking environment brought about by the interest rate cap regime.

Based on the above, **we obtain a value of KES 6.10** (KES 9.0 Billion) with the value for National Bank of Kenya indicatively up to KES 6.62 per share or 1 share of KCB for every 7.05 shares of NBK.

The plausibility of this valuation has been verified using share price analysis and asset valuation.

Conclusion:

Based on the valuation analysis, the indicative exchange ratio proposed of one (1) ordinary share of KCB for every ten (10) ordinary shares of NBK may not be adequate. We however note that NBK is operating at way below the required regulatory capital level which exposes the company to considerable risk of regulatory action.

Chapter 7. Disclosures

Information and Statements required in an Independent Advisor's Circular

Disclosure of interests held by Standard Investment Bank and its employees in National Bank of Kenya Limited or the Purchasers "KCB"

1. No director or employee of SIB has any significant shareholding in either the Offeror or the Offeree.
2. SIB has no special business relationship with NBK but has an on-going commercial banking relationship that goes back many years.

Standard Investment Bank is eligible to act as an Independent Advisor under Section 11 of the Capital Markets (Take-Overs and Mergers) Regulations, 2002.

Stated Intentions regarding the continuation of business

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 two (2) years, after which it will integrate the two banks. KCB and NBK are established banking business 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.

Stated Intentions regarding any major changes to be introduced in the business or any other major change in the structure of the offeree;

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

Long-term stated commercial justifications for the proposed take-over offer

KCB expects to generate synergies that will increase return on shareholders' equity from 21.9% in 2018 to 26.9% in 2023 post-acquisition and integration. KCB will be getting a large financial services provider in Kenya, serving individuals, small-to-medium business (SMEs) and large corporations with an asset base of KES 115 billion and shareholders' equity of KES 7 billion.

Stated Intentions regarding the continued employment of the board of directors, management and employees of the offeree and of its subsidiaries

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 efficient and timely manner.

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

Reasonableness of the take-over offer and accuracy of profit forecasts

KCB anticipates that the synergies realized from the acquisition of NBL will increase return on equity for KCB shareholders. This, coupled with dividend pay-out is expected to translate to a significant increase in shareholders return. The acquisition is expected to deliver an uplift in return on shareholders' equity from the current 21.9% in 2018 to 26.9% in 2023 post-acquisition and integration. In our estimates using the Dividend Discount Model, we trimmed the expected shareholder' equity to 20%, to account for uncertainties in the future, and potential delays in realising the synergies suggested.

Does National Bank of Kenya Limited hold directly or indirectly, any voting shares or convertible securities in the Offeror? If so, the number and percentage holding of such voting shares and convertible securities;

No.

Do directors of National Bank of Kenya Limited hold, directly or indirectly any voting shares or convertible securities in the National Bank of Kenya Limited or KCB? If so, the number and percentage holding of such voting shares and convertible securities so held;

No. However, NSSF and National Treasury have common shareholding in NBK and KCB as follows:

Shares in NBK

		No. of Ordinary shares	% (Percentage)	No. of Preference shares
1	National Social Security Fund	162,802,746	48.1%	900,000,000
2	National Treasury	76,230,000	22.5%	235,000,000

Shares in KCB

		No. of Ordinary shares	% (Percentage)
1	National Treasury	537, 378, 947	17.53%
2	National Social Security Fund	187, 634, 448	6.12%

Intention of directors of National Bank of Kenya Limited in respect of their own beneficial holdings to accept or reject the take-over offer.

As at 19 June 2019, KCB had not received any irrevocable undertakings from any persons who hold, directly or indirectly, voting shares or convertible securities in NBK, to accept the Offer.

For the financial year ended 31 December 2018, the Company's directors remuneration was as shown below:

For the year ended 31 December 2018	Salary	Director's Fees	Sitting Allowance	Expense allowance	Estimated value for non-cash benefits	Total
	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000	Sh'000
Executive Directors						
Mr. W Musau	41,492	-	-	8,760	-	50,252
Non-Executive Directors						
Mr. M A Hassan - Chairman	-	2,400	1,014	200	1,542	5,155
Cabinet Secretary - National Treasury	-	1,080	1,872	171	128	3,251
Managing Trustee - NSSF	-	1,080	1,545	200	128	2,953
Mr. M J Obuya	-	1,080	1,924	171	141	3,316
Dr. F L Atwoli	-	1,080	611	200	211	2,102
Ms. L Mirehane	-	1,080	2,186	200	696	4,162
Mr. J K Kering'	-	1,080	2,336	171	257	3,845
Mr. J M Nzomo	-	1,080	2,345	200	128	3,752
Total	**41,492**	**9,960**	**13,832**	**10,274**	**3,229**	**78,787**

Information containing particulars of all service contracts of any directors or any proposed director with the Offeree or any of its subsidiaries within twelve (12) months from date of Offer Document

None of the directors or any directors have any service contracts with the Offeree or any of its Subsidiaries within twelve (12) months from the date of the Offer Document

Any other information relevant for the informed assessment of the holders of voting shares and their professional advisers.

1) Disposal of available for sale securities of KES 4 billion resulted in a loss of KES 291 million
2) The share price of Kenya airways has declined over the last three months which might result in a future impairment/provision against capital. KES 2.3bn is secured against shares of Kenya Airways with a government guarantee, and matures in 10 years from 2017.

Information regarding dealing of voting shares

None of the directors of the Company have dealt in the voting shares of the Company during the period commencing six (6) months prior to the beginning of the take-over offer and ending with the latest practical date prior to sending the offer document.

Top 10 Shareholders as at 31 March 2019

	Shareholder Name	Existing No. of Shares	% Holding
1	National Social Security Fund	162,802,746	48.05
2	The Permanent Secretary Treasury	76,230,000	22.5
3	Kenya Reinsurance Corporation Limited	4,840,000	1.43
4	Best Investment Decisions Limited	2,350,271	0.69
5	Dizzyland Limited	1,946,000	0.57
6	Stanbic Nominees Limited A/C NR5551514	1,864,863	0.55
7	Equity Nominee Ltd A/C00084	1,256,343	0.37
8	NBK Client A/c 1	1,143,450	0.34
9	Eng. Ephraim Mwangi Maina	1,105,003	0.33
10	George Muhia Mwaura	1,028,240	0.3
	SUB TOTAL	**254,566,916**	**75.14**
11	Others [48,977 shareholders]	84,214,284	24.86
	TOTAL	**338,781,200**	**100**

The shares used for valuation purposes includes the preference shares, so total number of shares is 1,473,781,200.