

National Bank of Kenya Limited Summary Audited Group and Bank Financial Statements for the year ended 31 December 2016
**SUMMARY STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016**

	GROUP		BANK	
	2015 Sh'000	2016 Sh'000	2015 Sh'000	2016 Sh'000
ASSETS				
Cash and balances with Central Bank of Kenya	16,438,119	8,581,315	16,119,714	8,417,163
Deposits and balances due from banking institutions	4,257,046	1,311,975	4,257,046	1,311,975
Government securities	27,083,464	34,545,832	27,083,464	34,545,832
Loans and advances to customers (net)	67,803,990	59,339,225	67,803,990	59,339,225
Other assets and assets held for sale	3,029,303	4,811,884	3,029,164	4,801,374
Other investments	231,647	237,007	231,647	237,007
Due from a subsidiary company	-	-	169,991	778
Corporate tax recoverable	505,652	506,976	510,846	504,332
Deferred tax asset	483,299	474,353	482,668	473,722
Investment in subsidiary companies	19,963	19,963	19,963	19,963
Property and equipment	4,188,468	4,111,684	4,187,457	4,110,825
Intangible assets	1,399,365	1,352,178	1,399,085	1,352,178
TOTAL ASSETS	125,440,316	115,292,392	125,295,035	115,114,374
LIABILITIES				
Customer deposits	110,622,469	96,966,522	110,622,469	96,966,522
Deposits and balances due to banking institutions	2,343,245	4,233,654	2,343,245	4,233,654
Other liabilities	1,369,251	2,913,057	1,363,897	2,889,695
Due to a subsidiary company	21,976	21,976	21,976	21,976
Unclaimed dividends	29,826	6,444	29,826	6,444
TOTAL LIABILITIES	114,386,767	104,141,653	114,381,413	104,118,291
CAPITAL RESOURCES				
Share capital	7,214,976	7,214,976	7,214,976	7,214,976
Property revaluation surplus	509,752	660,062	509,752	660,062
Retained earnings	2,709,414	3,038,128	2,569,487	2,883,472
Investment fair value reserve	619,407	302,573	619,407	302,573
	-	(65,000)	-	(65,000)
SHAREHOLDERS' FUNDS	11,053,549	11,150,739	10,913,622	10,996,083
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	125,440,316	115,292,392	125,295,035	115,114,374

**SUMMARY CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016**

	Share capital Sh' 000	Property surplus Sh' 000	Revenue reserve Sh' 000	Statutory reserve Sh' 000	Investment revaluation reserve Sh' 000	Total Sh' 000
At 1 January 2015	7,075,000	1,188,147	3,378,423	565,456	16,997	12,224,023
Total comprehensive income for the year	-	-	(1,153,477)	-	(16,997)	(1,170,474)
Realized revaluation reserve on sale of property	-	(668,546)	668,546	-	-	-
Bonus shares issued	139,976	-	(139,976)	-	-	-
Transfer of excess depreciation net of deferred tax	-	(9,849)	9,849	-	-	-
Transfer to statutory reserve	-	-	(53,951)	53,951	-	-
At 31 December 2015	7,214,976	509,752	2,709,414	619,407	-	11,053,549
At 1 January 2016	7,214,976	509,752	2,709,414	619,407	-	11,053,549
Total comprehensive income for the year	-	-	162,190	-	(65,000)	97,190
Transfer of excess depreciation net of deferred tax	-	(16,448)	16,448	-	-	-
Realized revaluation reserve on sale of property	-	166,758	(166,758)	-	-	-
Transfer from statutory reserve	-	-	316,834	(316,834)	-	-
At 31 December 2016	7,214,976	660,062	3,038,128	302,573	(65,000)	11,150,739

**SUMMARY STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2016**

	GROUP		BANK	
	2015 Sh'000	2016 Sh'000	2015 Sh'000	2016 Sh'000
Net interest income	6,397,539	8,018,837	6,381,357	8,018,837
Non funded income	3,157,554	3,015,739	3,083,032	2,934,917
Operating Income	9,555,093	11,034,576	9,464,389	10,953,754
Operating expenses	(7,473,950)	(8,154,027)	(7,429,658)	(8,094,249)
Operating profit before impairment losses and taxation	2,081,143	2,880,549	2,034,731	2,859,505
Impairment losses on loans and advances	(3,719,128)	(2,697,895)	(3,719,128)	(2,697,895)
Operating profit/(loss)	(1,637,985)	182,654	(1,684,397)	161,610
Profit/(loss) before taxation	(1,637,985)	182,654	(1,684,397)	161,610
Taxation (charge)/credit	484,508	(20,464)	501,104	(14,149)
Profit/(loss) for the year	(1,153,477)	162,190	(1,183,293)	147,461
Other comprehensive loss for the year	(16,997)	(65,000)	(16,997)	(65,000)
Total comprehensive income/(loss) for the year	(1,170,474)	97,190	(1,200,290)	82,461
(Loss)/Earnings per share - basic & diluted	Sh (3.86)	Sh 0.53	Sh (3.96)	Sh 0.50

**SUMMARY STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016**

	GROUP		BANK	
	2015 Sh'000	2016 Sh'000	2015 Sh'000	2016 Sh'000
Net cash generated from/(used in) operating activities	4,420,398	(10,486,948)	4,331,713	(10,332,736)
Net cash used in investing activities	(1,077,262)	(687,051)	(1,077,251)	(687,009)
Net cash used in financing activities	(8,259)	(23,382)	(8,259)	(23,382)
Increase/(decrease) in cash and cash equivalents	3,334,877	(11,197,381)	3,246,203	(11,043,127)
Cash and cash equivalents at 1 January	8,701,584	12,036,461	8,471,853	11,718,056
Cash and cash equivalents at 31 December	12,036,461	839,080	11,718,056	674,929

APPROVAL

The audited Group and Bank financial statements were approved by the Board of Directors on 30 March 2017 and signed on its behalf by:

M.A. Hassan - Chairman
W. Musau - Managing Director & CEO
J. Nzomo - Chair Audit Committee
H. Waswani - Company Secretary

A full copy of the Group and Bank financial statements including explanatory notes will be available from our website www.nationalbank.co.ke/investor-relations/ after 27 April 2017.

**INDEPENDENT AUDITORS' REPORT ON SUMMARY GROUP AND BANK
FINANCIAL STATEMENTS TO THE SHAREHOLDERS OF NATIONAL BANK OF KENYA LIMITED**
Opinion

The summary Group and Bank financial statements of National Bank of Kenya Limited (the "Bank") and its subsidiaries (together, the "Group"), which comprise the summary statements of financial position as at 31 December 2016, the summary statements of comprehensive income, the summary statements of changes in equity and the summary statements of cash flows for the year then ended are derived from the audited financial statements of National Bank of Kenya Limited for the year ended 31 December 2016.

In our opinion, the accompanying summary Group and Bank financial statements are consistent, in all material respects, with the audited Group and Bank financial statements of National Bank of Kenya Limited.

Summary Group and Bank Financial Statements

The summary Group and Bank financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Kenyan Companies Act and the Banking Act as applicable to annual financial statements. Reading the summary Group and Bank financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements of National Bank of Kenya and the auditor's report thereon. The summary Group and Bank financial statements and the audited Group and Bank financial statements do not reflect the effect of events that occurred subsequent to the date of our report on the audited Group and Bank financial statements.

The Audited Group and Bank Financial Statements and Our Report Thereon

We expressed an unmodified audit opinion on the audited Group and Bank financial statements in our report dated 31 March 2017. That report also includes the communication of a key audit matter as reported in the auditor's report of the audited Group and Bank financial statements.

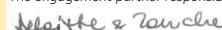
Directors' Responsibility for the Summary Group and Bank Financial Statements

The directors are responsible for the preparation of the summary Group and Bank financial statements and for such internal controls as the directors determine are necessary to enable the preparation of the summary Group and Bank financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on whether the summary Group and Bank financial statements are consistent, in all material respects, with the audited Group and Bank financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810 (Revised), Engagements to Report on Summary Financial Statements.

The engagement partner responsible for the audit resulting in this independent auditors' report is CPA F Okwiri - P/No 1699



Certified Public Accountants (Kenya)
Nairobi, Kenya
27 April 2017

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty Eighth Annual General Meeting of the Shareholders of National Bank of Kenya Limited ("the Company") will be held at the **Kenyatta International Conference Centre, Tsavo Ballroom**, Harambee Avenue, Nairobi, on **Friday, 19th May 2017 at 10.00 a.m.** to transact the following business:-

- To read the Notice convening the Meeting.
- To receive, consider and adopt the Company's audited financial statements for the year ended 31st December 2016 together with the Directors' and Auditors' reports thereon.
- To note that the Directors do not recommend payment of dividend to shareholders for the year ended 31st December 2016.
- To elect Directors:-
 - In accordance with Article 90 of the Company's Articles of Association, The Cabinet Secretary, to the National Treasury retires by rotation as a Director and being eligible offers himself for re-election.
 - In accordance with Article 90 of the Company's Articles of Association, Eng. Erastus Mwongera retires by rotation as Director and being eligible offers himself for re-election.
 - In accordance with the provisions of Section 769 of the Companies Act 2015, the following Directors being members of the Board Audit Committee be elected to continue to serve as members of the said Committee:-
 - Mr. Jones M. Nzomo
 - Mr. Joseph K. Kering
 - The Cabinet Secretary, to the National Treasury
 - Eng. Erastus K. Mwongera
 - The Managing Trustee, National Social Security Fund
- To note and authorise payment of Directors' fees.
- To appoint the Company's Auditors, M/s.PricewaterhouseCoopers (PwC), in accordance with Section 722 of the Companies Act (Act No.17 of 2015) and Section 24(1) of the Banking Act (Cap.488).
- To note the Auditors' remuneration for the year 2016 and authorise the Directors to fix the Auditors' remuneration for the year 2017.
- To transact any other business of the Annual General Meeting in respect of which notice has been given.

Special Business:

- Approval of Bonus Issue** :- To consider and, if thought fit, to pass the following resolution as a special resolution:
 - THAT** subject to receipt of requisite regulatory approvals, the sum of Kenya Shillings one hundred and fifty three million nine hundred and ninety seven thousand five hundred and ninety (KShs153,997,590) being part of the amount standing to the credit of revenue reserves be capitalised and accordingly that such sum be set free for distribution amongst the shareholders of existing ordinary shares in the capital of the Company in the share register as at 19th May 2017, to be allocated on or about 19th June 2017, on the condition that, the same be not paid in cash but applied in paying up in full at par thirty million seven hundred and ninety nine thousand, five hundred and eighteen (30,799,518) of the unissued ordinary shares of KSh5.00 each in the authorized share capital of the company, and that such newly created shares be credited as fully paid up accordingly be allotted to such shareholders in the proportion of one (1) of such new share for every ten (10) of existing issued and paid up three hundred and seven million nine hundred and ninety five thousand one hundred and eighty two (307,995,182) shares then held by such shareholders respectively (fraction of a share to be disregarded), and that, the shares so distributed shall be treated for all purposes as an increase of the nominal amount of the capital of the Company held by each such shareholder and not as income and further that such shares shall rank pari passu for all purposes with the existing shares in the capital of the Company, and the directors be and are hereby authorised and directed to give effect to this resolution"; and
 - THAT** should any of the said thirty million seven hundred and ninety nine thousand, five hundred and eighteen (30,799,518) bonus shares not be issued by reason of fractions of a share being disregarded the same be retained as unallocated in the Company's reserves".

By Order of the Board,



Habil A. Waswani
Company Secretary
31st March 2017

Notes:

- A member entitled to attend and vote at the above meeting may appoint a proxy to attend and vote instead of him/her. A proxy need not be a member of the Company.
- In the case of a member being a limited liability company or corporate body, the form must be completed under its Common Seal or under the hand of an officer or attorney duly authorised in writing.
- The Proxy Form shall be available at the Bank's website www.nationalbank.co.ke, or, the offices of the Company's Share Registrars - Image Registrars Limited, 5th Floor, Barclays Plaza, Loita Street, P.O. Box 9287-00100, Nairobi.
- Shareholders who will not be able to attend the Annual General Meeting are requested to complete the proxy form and return:-
 - by hand or email to Image Registrars Limited, 5th Floor, Barclays Plaza, Loita Street, P.O. Box 9287-00100, Nairobi, email: info@image.co.ke, or
 - by hand to the Registered Office of the Company.
- Proxies must be received not less than 48 hours before the meeting i.e. not later than 5.00 p.m. on Tuesday 16th May 2017.
- In accordance with Article 125 of the Company's Articles of Association a copy of the Audited Financial Statements may be viewed on and obtained from the Company's website www.nationalbank.co.ke or from the Registered Office of the Company. An abridged set of the audited Balance Sheet, Income Statement, Statement of Changes in Equity and Cashflow Statements for year ended 31st December 2016 have been published in two daily newspapers with nationwide circulation.
- Registration of Members and proxies attending the Annual General Meeting will commence at 7:00 a.m. and will close at 10:00 a.m. Production of a National Identification Card, Passport or other acceptable means of identification and the Member's share certificate or current Central Depository Statement of account for their shares in the Company will be required.