

NATIONAL BANK MESSAGE TO STAKEHOLDERS AND ALL KENYANS OF GOODWILL

The Management and Board of Directors of the National Bank of Kenya Limited wishes to take this opportunity to address its dear shareholders, customers, members of staff, stakeholders and Kenyans whose goodwill we enjoy on the true position regarding the malicious and sensational stories published by sections of the media about the National Bank of Kenya.

National Bank of Kenya has been undergoing a major transformation program that has introduced among other things performance based management, systems checks and control. Be assured that when we took up this transformation agenda, we expected resistance to change and so these stories are not entirely a surprise. However, realizing that banking is sensitive to such kind of malicious stories, we wish to categorically state the following:

1. In full Control: The Board of Directors of the Bank, that includes Treasury and NSSF representatives, are in full control of and exercise their governance and oversight authority over the Bank.

2. Not under investigation - National Bank of Kenya is NOT under any investigation whatsoever by the National Treasury or Central Bank of Kenya. We also wish to remind you that Treasury, which has dismissed these allegations as well, is a shareholder in National Bank and sits in the board.

3. The Bank is sound and well managed: We wish to reaffirm to everyone who banks with us or would want to bank with us that the Bank is performing excellently and is well on the strategic path to becoming a top tier bank in Kenya contrary to the media reports. It has never been better managed and in better financial position than it is now in its history. And the bank now has in place world class management, operations, technology, risk management capabilities and controls framework for the first time in its history.

4. Cost efficient: The strategy we are implementing, developed with the assistance of McKinsey & Company, has progressively seen the bank reduce its cost base through centralization, automation, head-office thinning, reducing overall work force and leveraging technology. We have already reduced our Cost Income ratio by 10% from 75% to 65% in the last two years and will further reduce this to 50% soon.

5. We are expanding branches yet lowering staff count: The strategy execution has seen the Bank expand its branch network by 25 branches to give us a total of 75 branches over the last 2 years yet still reduce our staff headcount from 1801 to 1560 over the same period. The result is that the Bank's Cost- Income ratio has come down by 10% in the last two years from 75% to 65% and is headed to 60% this year. We are working towards the target of 50% by 2017.

6. Balance sheet has Doubled: The bank's balance sheet has doubled from Kshs 67Billion in 2012 to Kshs123Billion in 2014 constituting a 33% Compounded Annual Growth Rate ("CAGR"). NBK target is 25% CAGR so this is 8% faster than required to take the bank to be a Top Tier 1 bank by 2017.

7. The Bank is financially strong: The Bank's Operating Profits have grown tremendously from Kshs1.8 Billion in 2013 to Kshs2.43 Billion in 2014, despite the restricting costs. This is a rate of 45% CAGR, exceeding by an impressive 15% the target CAGR rate required to make the NBK a Tier1 bank by 2017.

8. Key Ratios are improving: The banks key profits and efficiency ratios have all registered significant and impressive improvements as at end of Q1 2015 as follows: the Cost income ratio down from 75% to 65%; the Productivity ratios up by 15% and ROE improved from 7% to 22%, NPLs down from 12% to 8.7%. We are still working on getting these to even better places by the end of this year.

9. Strong Controls Framework: National Bank of Kenya has robust and well tested Management Controls systems, Operational, Risk and financial controls, Policies and Procedures, including strict segregation of duties and operational and internal audit enforcement in place over all conduct of business in accordance with expectations of the Regulator Central Bank of Kenya and Capital Markets Authority.

10. Closely Regulated and Supervised - The Kenya Banking Industry is one of the most closely regulated, thanks to strict guidelines by the Central Bank of Kenya. In this regard, National Bank is itself in the remit of multiple regulators who exercise active supervision of the financial services sector including: the Capital Markets Authority (CMA Act), Central Bank of Kenya (Central Bank Act, Banking Act, Companies Act, RBA Act, Insurance Act, Labour laws and POCAMLA and the Nairobi Securities Exchange Regulations.

11. NO staff exodus: Contrary to the media reports, there is no "Exodus of 10 bosses" from the Bank in the last 6/8 months. Repeated stories in the media about staff leaving the bank in droves and specifically citing 10 Top Team members leaving the Bank is not only inaccurate but malicious. Only one of the top ten members left recently and on June 19, the same day the story broke. We have paraded our Top Team in front of the media during the Press Conference. And anyone can check in our website/annual accounts the same team is in place. So that report is a lie and no retraction has been published.

12. National Amanah is just but a shariah compliant product segment of the Bank. It is not a subsidiary or separate entity away from the Bank. The following clarifies what National Amanah is: National Amanah as a portfolio has grown and broken even within 2 years. The portfolio is approximately Kshs7 billion and with near zero non performing loans.

13. CBK Conflict of interest guidelines: Similar to all well run banks, National Bank has a robust Conflict of Interest management policy and procedures that govern conflict of interest, aligned to the best practice of managing this risk and the relevant Banking Act and Prudential Guidelines issued by the Central Bank of Kenya. Conflicted individuals are excluded from the decisions around those issues handled in compliance with the related party regulations of Central Bank of Kenya.

14. Data Confidentiality: The Banking Act and the Prudential Guidelines bestow a

responsibility on the Bank and its staff to uphold customer confidentiality. It is unlawful and illegal for parties to apply under-hand tactics to access confidential customer information from the Bank. The mere holding of customer related data outside the Bank is in gross breach of the Banking Act in respect of which appropriate legal recourse shall be pursued whenever it happens.

15. Strong independent governance in place: Finally, we confirm that National Bank is now better governed by the Board and Management, annually inspected (like all other banks) by the Central Bank of Kenya in great detail, and its full operations audited by both Internal and External Auditors.

16. Skilled and Professional Management and Staff: The Bank recruited talented seasoned professional bankers: We have invested in our staff skills and development, established clear objectives and appraisal process to drive performance and accountability and improved the work environment through refurbishment of the offices and branch spaces, new workstations, office equipment and tools and systems to enable the staff work comfortably and in conducive environment. We shortly opening a new Staff Training and Recreation Centre with Training labs and rooms; library; staff restaurant & café, and gym complete with showers.

17. Winning accolades: The Banks successes is visible and are now recognized by our competitors, customers and general public. And we are celebrated as shown by the accolades we win both locally at the East Africa Banking Awards and International – including for Product Innovation, Fastest Growing SME business, Customer service, CEO of the Year, Agency Banking, Mobile Banking, Best rebranding creativity, Best Islamic Banking window, the latter two being international. This is the first time National Bank wins accolades of this nature. Walk into any of our modern banking halls and you will appreciate the visible change we made in a short two years.

18. We urge all to disregard the malicious media reports: In this regard, we take great exception at the sensational, inaccurate and malicious reporting from some quarters of the media intended to create a sense of panic and suspicion within the fraternity of our customers, shareholders and all other stakeholders. We urge our stakeholders to disregard these baseless stories.

19. We will stay firmly on course to transform National Bank: We confirm that the Board shall ensure that the Bank's continued ambitious growth and transformation is not hampered by the negative reports and stays on course to become a leading bank in the region and a top tier one in Kenya by 2017. Further, the Bank wishes to seek support of all Kenyans as we make progressive transformation of this bank which at the heart of Kenyans heritage.

**BY ORDER OF THE BOARD
NATIONAL BANK OF KENYA**