

DIRECTORS' STATEMENT UNDER SECTION 348 OF THE COMPANIES ACT, 2015

WHEREAS

- A. The directors have, for reasons explained hereunder elected to make a recommendation (hereinafter “the Recommendation”) to the Company to pass various resolutions (as special resolutions) for the creation and issue of Eighty million(80,000,000) Ordinary Shares with a par value of Kenya Shillings Twenty (KSH.20.00) each ranking pari pasu with the existing ordinary shares (“New Shares”) to the National Treasury.
- B. The New Shares (credited as fully paid) proposed to be allotted to the National Treasury are in consideration of the sum of **Kenya Shillings One Billion Six Hundred Million (KShs 1,600,000,000.00)** advanced by the National Treasury to the Company on 22 October 2019 for purposes of enabling the Company to redeem its Medium Term Notes (whose Maturity Date was on 22nd October 2019).
- C. The New Shares are to be allotted to the National Treasury as if section 338 of Act (requiring the exercise of pre-emption rights by other Shareholders of the Company), did not apply.
- D. Pursuant to Section 348 (7) of the Companies Act, Directors are (*where Section 338 of the Act requiring the exercise of pre-emption rights by other Shareholders of the Company is disappplied*) required to make a written statement setting out:(i) the reasons for making the recommendation; (ii) the amount to be paid to the Company in respect of the equity securities to be allotted; and (iii) the directors justification of that amount..

WE as the directors of the Company, state as follows:

1. **THAT** the reasons for making the Recommendation are as follows:

- a. The Bank had issued a medium term note program with the following terms:

i. Aggregate nominal amount	Kshs.2,000,000,000/-
ii. Series: Senior Notes	Kshs.1,750,000,000/-
iii. Subordinated Notes	Kshs.250,000,000/-
iv. Issue Date:	30 July 2012
v. Interest Commencement Date:	30th July 2012
vi. Maturity Date:	22 July 2019
vii. Redemption/Payment Basis	Redemption at par
• Senior Notes	Bullet payment at Maturity
• Subordinated Notes	Five equal installments beginning 27 th July 2015

However, as at 22nd July 2019, and due to liquidity issues, the Bank was unable to raise from its own sources the amounts required to settle the last tranche of the principal of the subordinated

notes and the bullet payment of the principal of the senior note (in the aggregate sum of Kshs. 1,520,000,000.00) which were due on 22nd July 2019, being the Maturity Date of the Notes.

The Maturity Date was extended (through a special resolution of the Noteholders) to 22nd October 2019 on the basis that the National Treasury would support the Bank in settling the last tranche of the principal of the subordinated notes and the bullet payment of the principal of the senior note (in the aggregate sum of Kshs. 1,520,000,000.00). Prior to the extended Maturity Date, the National Treasury made a payment to the Bank amounting to Kenya Shillings One Billion Six Hundred Million (Kshs. 1,600,000,000.00) (“**Bond Redemption Amount**”) which was applied towards redeeming the outstanding Notes as well as the accrued interest as at 22nd October 2019.

- b. The Bank has still not met the minimum regulatory capital requirements and Central Bank of Kenya (CBK) Prudential Guidelines for institutions licensed under the Banking Act.. The National Treasury has agreed to have the Bond Redemption Amount capitalized and ordinary shares in the capital of the Bank equivalent to the Bond Redemption Amount issued to it. The reason for the capitalization is to aid the Bank move towards meeting its minimum regulatory capital requirements. .
2. **THAT** in light of the foregoing, the Directors recommend the creation and the allotment of Eighty million (80,000,000) Ordinary Shares at the price of Kenya Shillings Twenty (KSH.20.00) per share (“the New Shares”) to the National Treasury. The New Shares are to rank *pari passu* with the existing ordinary shares of the Bank.
3. **THAT** the price of KShs.20 per share is based on the par value of the shares since the shares are not traded in the market and no valuation of the shares has been carried out. In any case, the book value of the Company as at the last audited accounts of the Bank is [Kshs 14.70].
4. **THAT** this statement is made in accordance with and pursuant to Section 348 of the Companies Act, 2015 on disapplication of pre-emption rights by special resolution

SIGNED

CHAIRMAN

DIRECTOR/SECRETARY

DATE

DATE

