NCBA GROUP PLC

INDEPENDENT FINANCIAL ADVISER'S CIRCULAR

IN RELATION TO THE OFFER BY NEDBANK GROUP LIMITED TO ACQUIRE APPROXIMATELY 1,087,362,891 ORDINARY SHARES COMPRISING CIRCA 66% OF THE ISSUED SHARES IN NCBA GROUP PLC FROM SHAREHOLDERS

PREPARED BY:

FAIDA INVESTMENT BANK

DATE: 30 APRIL 2026

30 April 2026

Board of Directors
NCBA Group Plc
NCBA Centre
Mara & Ragati Roads,
Upper Hill, Nairobi, Kenya

Dear Directors,

RE: INDEPENDENT FAIRNESS AND REASONABLENESS OPINION IN RELATION TO THE OFFER BY NEDBANK GROUP LIMITED TO ACQUIRE APPROXIMATELY 66% OF THE ISSUED SHARES IN NCBA GROUP PLC

Faida Investment Bank Limited ("Faida") was appointed by NCBA Group PLC ("NCBA") to serve as the Independent Financial Adviser in connection with the proposed acquisition of 66% of NCBA's issued ordinary shares by Nedbank Group Limited ("Nedbank") ("the Transaction").

This fairness and reasonableness opinion has been prepared to provide the Board of Directors with a broader perspective on the commercial reasonableness and cross-border considerations in relation to the Transaction.

This circular has been approved by the Capital Markets Authority ("CMA") in accordance with the Capital Markets (Take-overs & Mergers) Regulations, 2002. As a matter of policy, the CMA assumes no responsibility for the correctness of any statement or opinions made or reports contained in this circular. The CMA's approval does not constitute an endorsement of the merits of the Transaction, nor should it be interpreted as a recommendation to shareholders.

Yours sincerely,
For: Faida Investment Bank Ltd

Rina Hicks
Chief Operations Officer

Limitation and scope

This fairness and reasonableness opinion has been prepared exclusively for the Board of Directors of NCBA (the "Board") in connection with its assessment of the Transaction. The Board may refer to this opinion in its recommendation to shareholders and the opinion may be published in full and made available to relevant stakeholders. This opinion is provided solely for the purpose of assessing the financial fairness and reasonableness of the offer and may not be used for any other purpose. It does not constitute a recommendation to shareholders as to whether to accept or reject the offer.

Faida confirms that it is suitably qualified and meets the independence requirements prescribed under Regulation 11 of the Capital Markets (Take-overs and Mergers) Regulations, 2002, and is independent of Nedbank and NCBA.

In preparing this opinion, Faida has relied upon and assumed, without independent verification, the accuracy and completeness of the information provided by NCBA. Faida's scope of work has been limited to a careful and professional review of such information. This opinion is based on prevailing market, economic and other conditions as at the date hereof, and Faida has not considered any subsequent events or developments. Faida undertakes no obligation to update or revise this opinion. The conclusions expressed herein are subject to various assumptions, and any changes to these assumptions may materially affect the outcome.

This opinion has been prepared on the basis that Faida shall not be liable for any direct, indirect, or consequential loss arising from reliance on this opinion or in connection with the Transaction. This report is intended solely for use by the Board, the shareholders of NCBA, the CMA, and the Nairobi Securities Exchange ("NSE") in relation to the Transaction, and may not be reproduced or used for any other purpose without Faida's prior written consent.

This opinion does not constitute advice to any shareholder or a recommendation to any shareholder regarding how to vote at any meeting relating to the Transaction or whether to accept or reject the offer. Its sole purpose is to provide an independent assessment of the fairness and reasonableness of the offer in accordance with applicable regulations. While due care and professional diligence have been exercised in its preparation, Faida accepts no responsibility for its use outside the stated purpose.

Faida has consented to the inclusion of this opinion, in its entirety and in the form and context presented, in the shareholder circular to be issued to the shareholders of NCBA in relation to the Transaction.

DEFINITIONS

Accepting Shareholder(s)	An NCBA shareholder who accepts the Offer in accordance with the terms of the Offer Document.
Asset quality	A measure of the credit risk of the bank's loan book.
Base information	The base information is typically either the results from the previous corresponding reporting period or a previously issued profit forecast for that same period.
Beta	A measure of a stock's volatility relative to the overall market.
Book value	The net value of a company's assets after deducting liabilities
Capital adequacy ratio	A measure of a bank's financial strength, calculated as capital relative to risk-weighted assets, ensuring the bank can absorb potential losses.
Cost of equity	The required rate of return expected by investors for investing in a company's equity.
Cost-to-income ratio	A measure of operational efficiency.
Credit risk	The risk that a borrower will fail to meet their financial obligations.
CSDP	Central Securities Depository Participant in South Africa
CSDP Account	An account opened and held with a CSDP
CGT	Capital gains tax
Currency translation risk	The risk that exchange rate movements will affect the value of investments denominated in foreign currencies.
Dividend Parity Period	The period commencing on the Opening Date and ending on the Nedbank Issue Date.
Dividend payout ratio	The proportion of a company's earnings paid out to shareholders as dividends.
DTA	Double Taxation Agreement between Kenya and South Africa
Earnings per share (EPS)	A measure of profitability calculated as profit attributable to ordinary shareholders divided by the weighted average number of shares in issue.
Earnings per share (EPS) accretion	An increase in EPS following a transaction, indicating that the deal improves shareholder earnings.
Equity risk premium	The additional return investors expect for investing in equities over risk-free assets
Exchange ratio/swap ratio	The number of shares an acquiring company offers for each share of the target company in a share-based transaction

Funded income	Income generated from interest-earning assets such as loans and investments
Gross non-performing loans	Loans on which borrowers are not making scheduled payments of principal or interest.
GNPL ratio	The proportion of non-performing loans relative to total loans, indicating asset quality.
Implied premium	The percentage by which the offer price exceeds the market price of a company's shares before the market share price is affected by a transaction-related announcement.
Intrinsic value	The estimated value of a company based on its fundamentals, independent of market price.
Interim Period	The period between the date when Nedbank issued the notice of intention to NCBA and the date of issue of Nedbank shares to the Accepting Shareholders who accept the Offer.
JSE cloudlink	The specific URL designated by the JSE where the results are uploaded on the JSE cloud, which URL must be included in the results announcement.
KES	Kenya shilling, the lawful currency of the Republic of Kenya.
Liquidity ratio	A measure of a company's ability to meet its short-term financial obligations.
NCBA	NCBA Group PLC, a non-operating holding company incorporated in the Republic of Kenya with company registration number C.11/71 and whose registered office is at NCBA Centre, Mara and Ragati Road, P.O. Box 44599-00100, Nairobi, Kenya.
NCBA Group	NCBA and all its subsidiaries.
Nedbank	Nedbank Group Limited, a public company incorporated in the Republic of South Africa with registration number 1966/010630/06 and having its registered office at 135 Rivonia Road, Sandown, Sandton, Gauteng, 2196, South Africa.
Nedbank Issue Date	The date of issue of Nedbank Shares to the relevant NCBA Shareholders pursuant to the Offer
Offer	The partial pro-rata offer by Nedbank to acquire Offer Shares, from the NCBA shareholders on the terms set out in the Offer Document
Offer Document	The formal offer document dated [17 April 2026] issued by Nedbank to NCBA shareholders setting out the full terms and conditions of the Offer, including the detailed timetable, acceptance procedures, and all other information required under the Capital Markets Act and

	the Capital Markets (Take-overs and Mergers) Regulations, 2002.
Offer shares receiving both cash and Nedbank shares	Those entitled to receive more than 200 Nedbank shares.
Offer shares receiving cash only	Those entitled to receive less than 200 Nedbank shares or shareholders (including institutions) who are ineligible to hold shares outside Kenya, and hence only qualify to receive cash only.
Opening Date	28 May 2026
Offer Shares	The NCBA Shares that are the subject of the Offer, being approximately 1,087,362,891 NCBA Shares (representing 66% of the issued NCBA Shares) to be acquired from NCBA Shareholders on a *pro rata* basis.
Partial pro-rata offer	An offer where the acquirer intends to purchase a certain percentage of shares from each shareholder on a proportional basis.
Residual income	The income generated by a company after deducting the cost of equity from its net earnings.
Risk-weighted assets	Assets adjusted for risk to determine capital adequacy requirements.
SENS	The Stock Exchange News Service, a system established by the JSE to disseminate relevant company information to the market on a real time basis.
Share portion (of consideration)	The part of transaction payment made in the acquiring company's shares.
Tangible net asset value	Net asset value excluding intangible assets such as goodwill, representing the tangible equity of a company.
Terminal value	The estimated value of a business beyond the forecast period in a valuation model.
Total consideration	The total value offered to shareholders in a transaction, including both cash and share components.
Volume weighted average price (VWAP)	The average price at which a stock trades over a specific period, weighted by trading volume, often used as a benchmark for fair market price.
ZAR	South African Rand, the lawful currency of the Republic of South Africa.

LIST OF ABBREVIATIONS

AFD	Agence Française de Développement
CAR	Capital Adequacy Ratio
CASA	Current accounts and savings accounts
CBK	Central Bank of Kenya
CAGR	Compound Annual Growth Rate
CIR	Cost-to-Income Ratio
CMA	Capital Markets Authority
DDM	Dividend Discount Model
DTB	Diamond Trust Bank
EPS	Earnings Per Share
EURIBOR	Euro Interbank Offered Rate
FX	Foreign Exchange
GNPL	Gross Non-Performing Loans
JSE	Johannesburg Stock Exchange
KMRC	Kenya Mortgage Refinance Company
NFI	Non-Funded Income
NII	Net Interest Income
NIM	Net Interest Margin
GNPL	Gross Non-Performing Loan
NSE	Nairobi Securities Exchange
PAT	Profit After Tax
PBT	Profit Before Tax
P/B	Price-to-Book Ratio
P/TB	Price-to-Tangible Book Ratio
ROaA	Return on Average Assets
ROaE	Return on Average Equity
RWA	Risk-Weighted Assets
SME	Small and Medium-sized Enterprises
SOFR	Secured Overnight Financing Rate
TNAV	Tangible Net Asset Value
TV	Terminal Value
USD	United States Dollar
VWAP	Volume Weighted Average Price

1. EXECUTIVE SUMMARY

1.1. Introduction

This report provides an independent valuation of NCBA and assesses the fairness and commercial reasonableness of the Offer. The report analyzes NCBA's performance, applies multiple valuation methods and evaluates the proposed consideration for the Offer.

1.2. Transaction overview

Nedbank issued a Notice of Intention on 21 January 2026 to acquire up to 66% of NCBA's issued shares. The consideration payable under the Offer for every 100 NCBA Shares tendered and accepted (adjusted on a *pro rata* basis as required) comprises 4.02994 Nedbank shares (the **Share Portion**) and KES 2,100 payable in cash (the **Cash Portion**). The CMA granted Nedbank an exemption from the requirement to make a mandatory takeover offer which would preserve domestic shareholding. Nedbank has received irrevocable undertakings from 77.54% of shareholders of NCBA which means the Transaction has a high completion certainty. NCBA is expected to remain listed. In addition, it is Nedbank's intention that NCBA remain Kenyan-led and managed, with Nedbank providing capital and strategic input to enable NCBA to continue and potentially accelerate its growth trajectory.

1.3. NCBA Group performance

NCBA Group, a pan-African bank with KES 716 billion in assets and 19.7% in ROaE ratio as of FY2025, showed strong growth in the review period 2021 – 2025: net interest income grew at a CAGR of 11.2% to KES 57.7 billion; NIM expansion to 9.9%; improving asset quality (GNPL ratio to 7.4%), and high capital adequacy (21.9% CAR). Faida's projections to 2030 forecast PAT growth by a CAGR of 17.0% to KES 51.2 billion, ROaE ratio to 23.6% and CAR to 25.6%, driven by loan growth and stable margins coupled with improved operating efficiency with CIR at 41.0% excluding provisions.

1.4. Valuation analysis

Four methods were applied with equal 25% weighting: Residual income (KES 119.60/share); Dividend discount model (KES 82.86/share); P/TB multiple (KES 84.80/share), and precedent transactions P/B (KES 79.00/share), yielding a fair value of KES 91.56 per share. The offer price exceeds this weighted value by 15% - 17% and sits at the upper end of the range.

Table 1: Valuation summary

Valuation method	Equity value estimate (KES '000')	Equity value per share (KES)	Weight	Weighted equity value per share (KES)
Residual income model	197,048,158	119.60	25.00%	29.90
Dividend discount model	136,509,062	82.86	25.00%	20.71
Relative (P/TB) model	139,703,674	84.80	25.00%	21.20
Previous transaction (P/B) model	130,156,440	79.00	25.00%	19.75
Estimated weighted equity value			**100.00%**	**91.56**

1.5. Consideration fairness

The offer swap ratio implies 0.0502 Nedbank shares per NCBA share, a 0.76 Nedbank shares premium to computed ratio, which we deem to be fair. Premiums to unaffected prices range between 17.9% - 26.2% (for offer shares receiving both cash and Nedbank shares as consideration) and 16.0% - 24.1% (for offer shares receiving cash only), which are reasonable for share-based deals. The offer implies 1.5x FY2025 TNAV (which is close to the offer price of 1.4x book value) and is immediately EPS accretive by 10.7% at Nedbank level. Currency risk (KES/ZAR) is partially hedged by the cash portion.

1.6. Opinion and recommendation

We opine that the consideration is fair, supported by valuation, premiums, fair book value pricing, accretion, and synergies in complementary strengths.

Furthermore, the Transaction is commercially reasonable as it strengthens NCBA's strategic positioning, enhances balance sheet resilience, and ensures shareholder protections across jurisdictions.

Key risks include foreign exchange volatility, synergy execution and country risks. However, the risks are mitigated by the cash portion and NCBA's strong capital (11.1% buffer above regulatory minimums). Cross-border mechanisms for disclosure, dividend flows, and taxation are well established, mitigating risks and ensuring fairness.

The board may reasonably recommend acceptance.

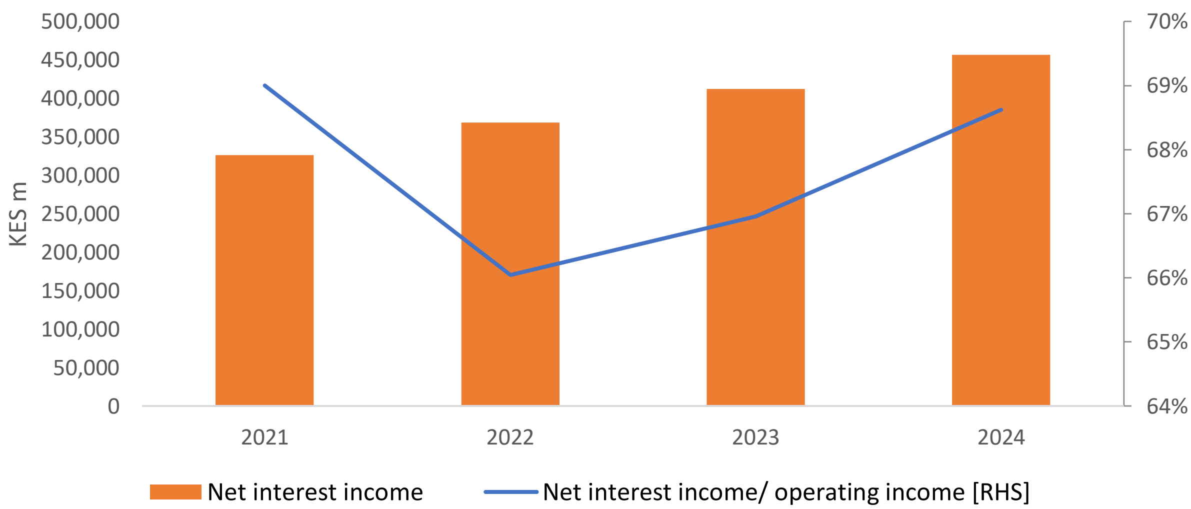
2. INDUSTRY OUTLOOK

NCBA Group has a presence in Kenya, Uganda, Rwanda, Tanzania, Ghana, and Ivory Coast. By the end of FY2025, the Kenyan operation contributed 85% to the Group's profit before tax, while the rest of the subsidiaries contributed 15%. As a result, we have only focused on the Kenyan operations in our industry outlook and market positioning of NCBA Bank Kenya Plc.

2.1. Trend in funded income

During the 2021-2024 period, the sector top-line growth was mainly driven by funded income. The funded income accounted for 68.6% of the total operating income by the end of 2024. The net interest income grew at a CAGR of 11.8% from KES 326.5 billion to KES 456.4 billion.

Figure 1: Trend in net interest income



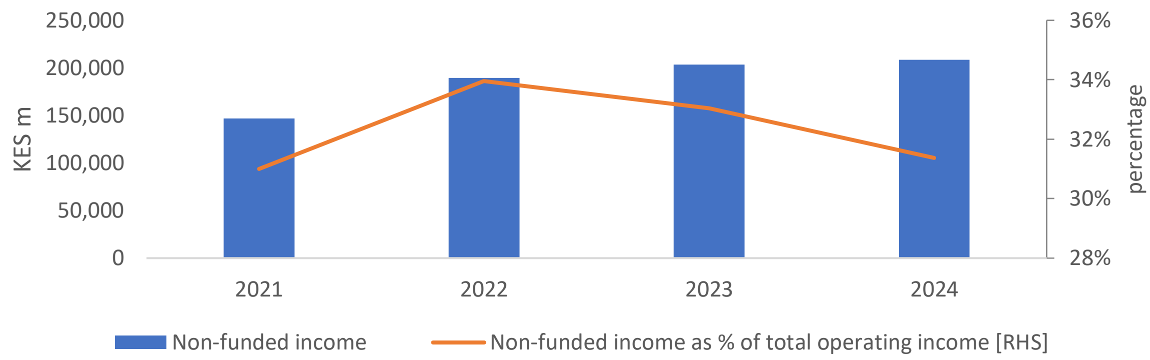
Source: CBK Bank Supervision Annual Report (2024)

In the short-term, we expect funded-income to continue driving the top-line, supported by improving interest rates. Higher lending rates and improved yields on government securities are likely to drive growth in interest income.

2.2. Trend in non-funded income

The contribution of non-funded income to the top -line remained fairly stable during the 2021-2024 period, experiencing a marginal increase from 31.0% to 31.4%. It grew at a CAGR of 12.4% from KES 146.7 billion to KES 208.7 billion.

Figure 2: Trend in the banking sector non-funded income



Source: CBK Bank Supervision Annual Reports

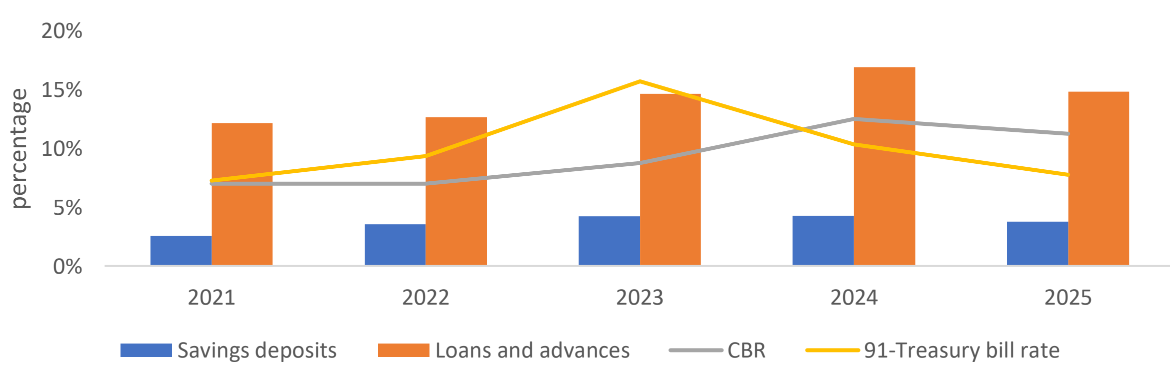
In the short-term, we do not expect a drastic shift from these levels. However, credit-related fees may come under pressure, as loan book growth slows down.

2.3. Trend in interest rates

The 2021-2025 period exhibited significant volatility, reflecting shifts in monetary policy and macroeconomic conditions. The 91-day Treasury bill rate increased from 7.3% in 2021 to a peak of 15.7% in 2023, before declining to 7.8% in 2025, indicating a period of aggressive monetary tightening followed by gradual easing. Similarly, the Central Bank Rate (CBR) remained stable at 7.0% in 2021, before rising sharply to 12.5% in 2023, and subsequently easing to 9.0% in 2025.

Commercial bank rates also followed a similar trajectory. Average lending rates increased from 12.2% in 2021 to 16.9% in 2024, before moderating to 14.8% in 2025, reflecting the pass-through of higher policy rates to borrowers. At the same time, savings deposit rates increased from 2.6% in 2021 to 4.3% in 2024, before declining slightly to 3.8% in 2025.

Figure 3: Trend in interest rates



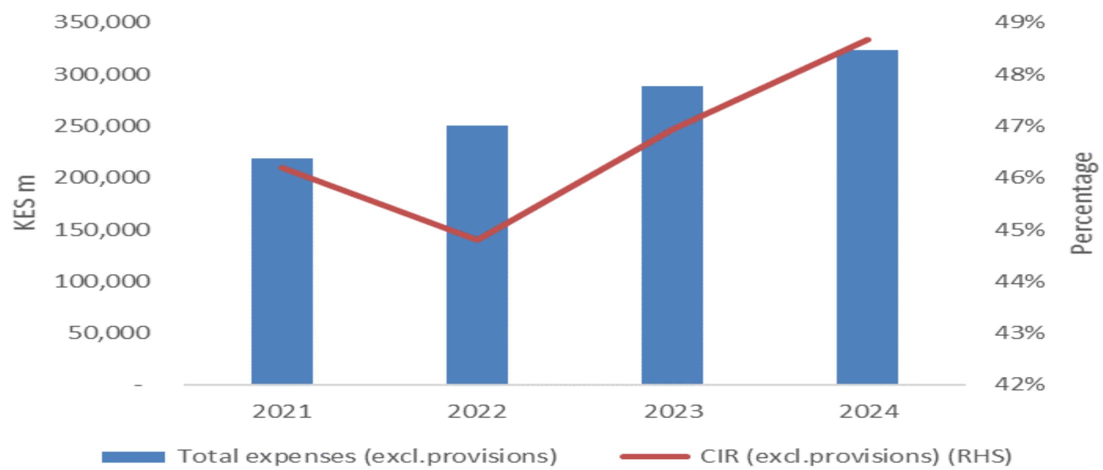
Source: KNBS Annual Economic Survey Reports and CBK Credit Officer Survey

In the short-term, due to the expected increase in inflation, largely attributable to the US–Iran conflict, we expect the CBK to halt further rate cuts on the CBR. This is expected to put an upward pressure on interest rates.

2.4. Operating efficiency

The sector total operating expenses (excluding provisions) grew at a CAGR of 14.0%, rising from KES 218.6 billion to KES 323.7 billion in the review period. As a result, the operating efficiency deteriorated, with the cost-income ratio (excluding provisions) rising from 46.2% in 2021 to 48.7% in 2024, indicating a sustained rise in cost pressures relative to income growth.

Figure 4: Trend in operating efficiency



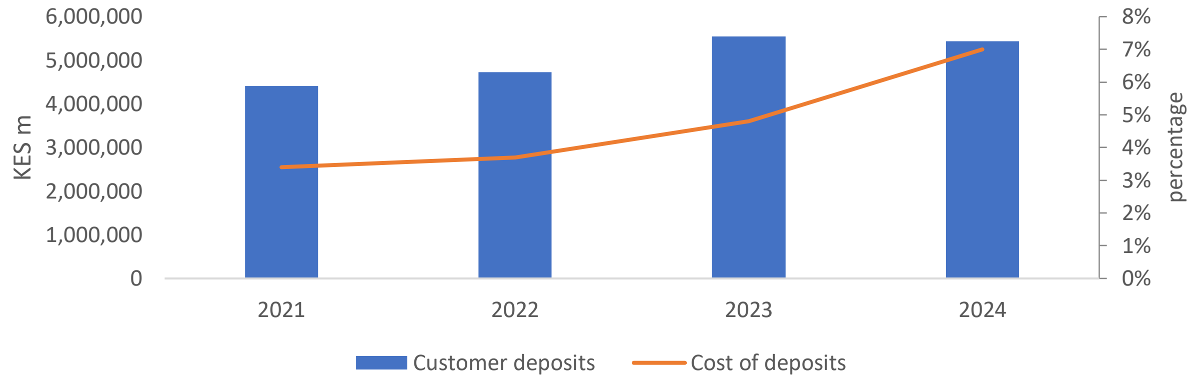
Source: CBK Bank Supervision Annual Report (2024)

In the short-term, the operating efficiency is expected to remain under pressure, with the operating environment expected to remain subdued. Operating expenses are expected to increase in the short term, primarily driven by prevailing inflationary pressures as well as continued investments in digital capabilities and branch expansion initiatives.

2.5. Customer deposit mobilisation

During the 2021-2024 period, customer deposits in the Kenyan banking sector grew at a CAGR of 7.0% from KES 4.4 trillion (2021) to KES 5.4 trillion (2024). Deposit mobilization was characterized by a spike in the cost of customer deposits, which rose from 3.4% in 2021 to 7.0% in 2024.

Figure 5: Trend in banking sector deposits



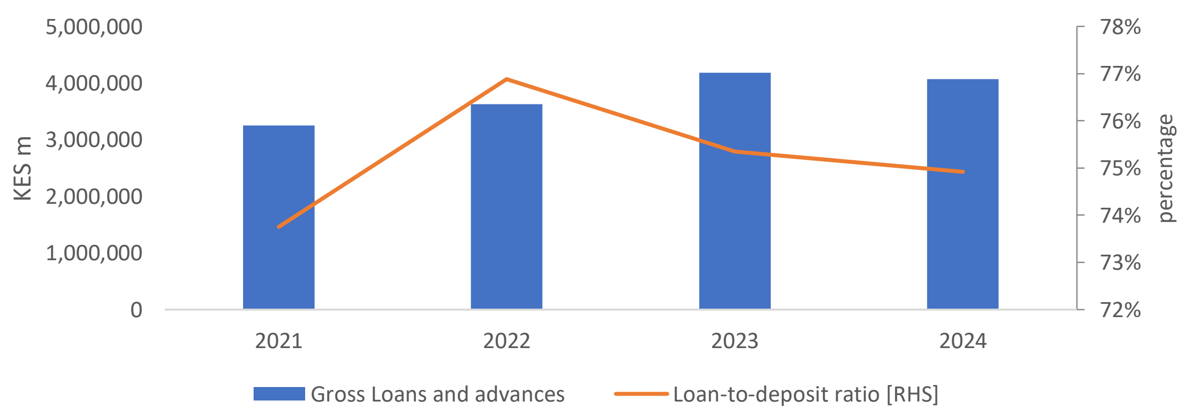
Source: CBK Bank Supervision Annual Reports

In the short-term, customer deposits are projected to grow relatively slowly, due to the expected increase in the cost of funding, owing to rising inflationary pressure. The rising cost of fuel is expected to affect the inflation basket, causing a general increase in the cost of living. As the cost of living rises, households are likely to shift from savings to consumption, which will likely slow down the pace of deposit mobilization. At the same time, the expected increase in interest rates is likely to push up the cost of deposits.

2.6. Loan book growth

The sector gross loan book grew at a CAGR of 7.5% from KES 3.3trillion in 2021 to KES 4.1trillion in 2024. The loan-to-deposit ratio remained relatively stable within the range of 74% to 75% between 2021 and 2024.

Figure 6: Trend in the banking sector loan book



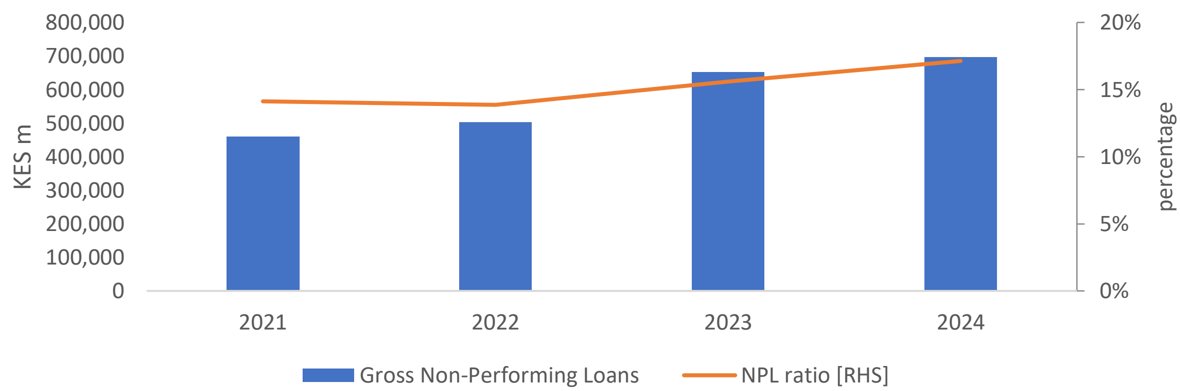
Source: CBK Bank Supervision Annual Reports

We expect the growth in the sector loan book to grow at a relatively lower pace in the short-term, on the back of rising inflationary pressure which might affect asset quality. Elevated interest rates are expected to raise debt servicing costs, thereby reducing borrower capacity and dampening credit demand. Financial institutions are likely to adopt a more cautious lending approach, with a preference for lower-risk assets such as government securities. As a result, private sector credit growth may come under pressure.

2.7. Asset quality

The sector gross non-performing loans (GNPLs) grew at a CAGR of 14.7% from KES 460.0 billion in 2021 to KES 697.3 billion in 2024. In the same period, asset quality deteriorated, with the GNPL ratio rising from 14.1% (2021) to 17.1% (2024).

Figure 7: Trend in the banking sector non-performing loans



Source: CBK Bank Supervision Annual Reports

In the short-term, there is an increasing risk of NPL formation. This may result in a cautious approach to loan book growth, and we expect banks to invest most of their liquidity in government securities in order to de-risk the balance sheet.

2.8. NCBA Bank Kenya PLC'smarket positioning in the industry

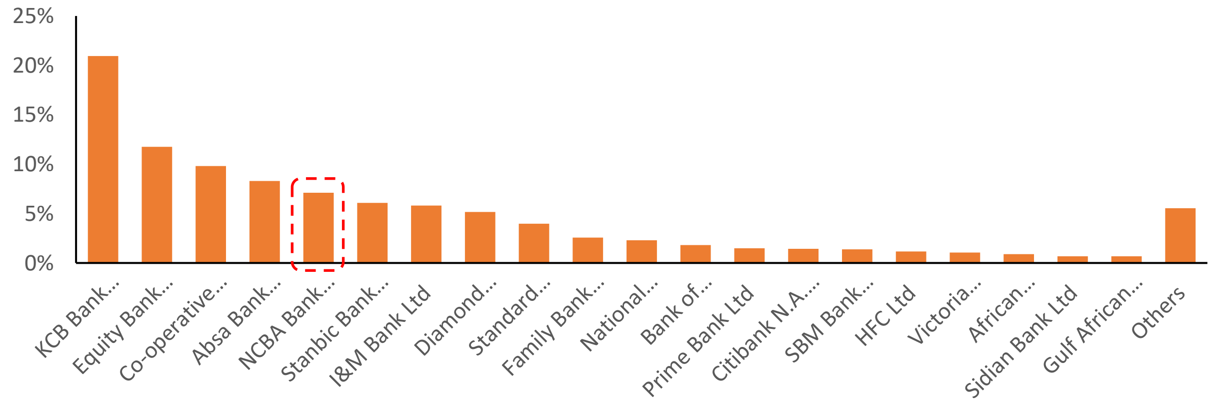
2.8.1 <u>Loan book</u>

As of December 2024, NCBA Bank Kenya Plc ranked among the top-tier banks in Kenya by loan book, representing a market share of 7.1%[1]. This places the bank 5th in the industry, behind larger peers such as KCB Bank Kenya Ltd and Equity Bank Ltd. While NCBA Bank Kenya Plc's lending

[1] CBK Bank Supervision Annual Report 2024

scale is relatively smaller than the top three banks, it maintains a strong mid-tier position, indicating a solid presence in credit markets and capacity for further loan book expansion.

Figure 8: Market share by loan book size

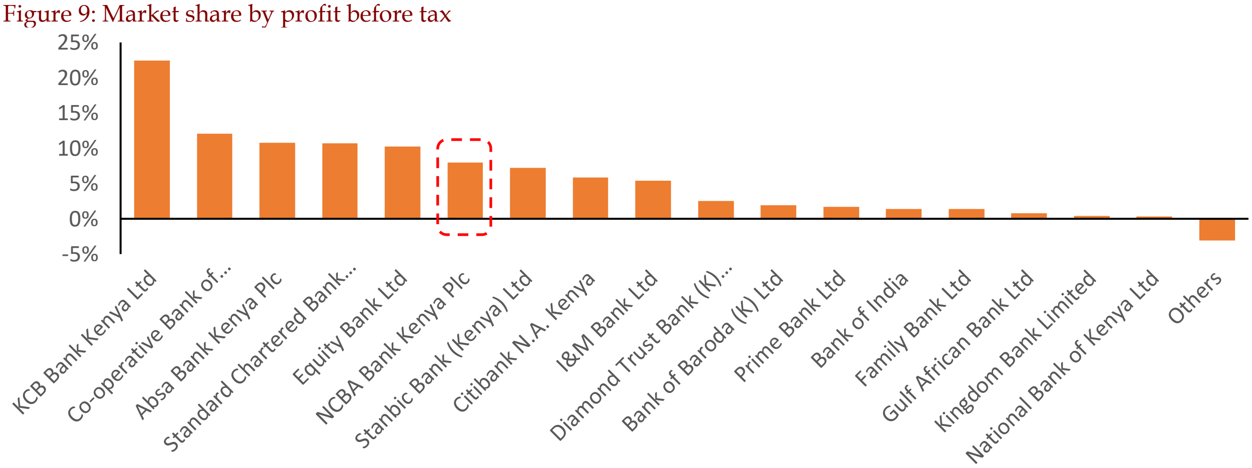


Source: CBK Bank Supervision Annual Report (2024)

2.8.2 Profitability

In terms of profitability, NCBA Bank Kenya Plc demonstrates a strong earnings position relative to its size, ranking 6th in the industry, translating to a market share of 8.0%[2]. Notably, NCBA's profit share is higher than its loan market share, suggesting relatively strong margins and operating efficiency. This indicates that the bank is able to generate higher returns per unit of assets compared to some peers, reflecting effective pricing and cost management.

Figure 9: Market share by profit before tax



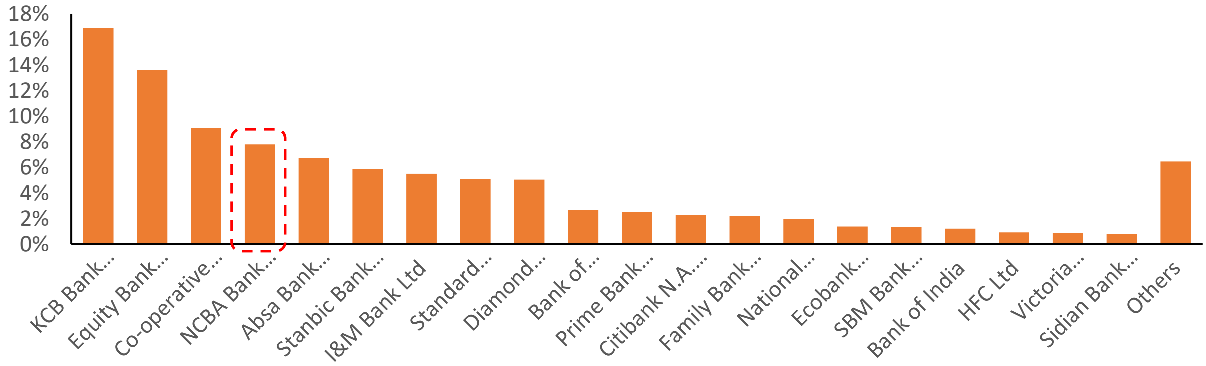
Source: Bank Supervision Annual Report (2024)

[2] CBK Bank Supervision Annual Report 2024

2.8.3 Asset base

On the balance sheet side, NCBA Bank Kenya Plc holds a solid asset base, with a market share of 7.8%[3]. This positions the bank ahead of several competitors, including Absa Bank Kenya Plc, and highlights its strong balance sheet capacity to support growth. The relatively higher ranking in assets compared to loans suggests diversification into other asset classes, including government securities and interbank placements.

Figure 10: Market share by total net assets



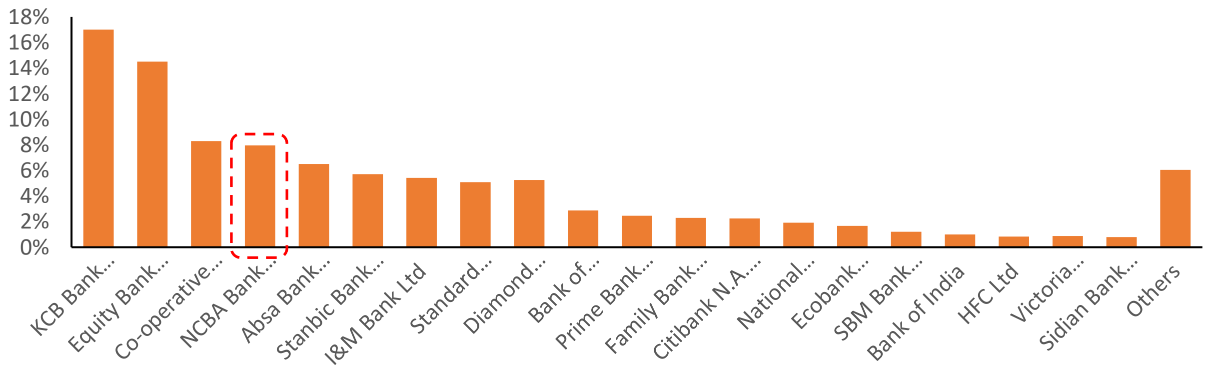
Source: Bank Supervision Annual Report (2024)

2.8.4 Deposits

NCBA Bank Kenya Plc also maintains a strong funding position, ranking 4th in total deposits, representing a market share of 8.0%[4]. This indicates a stable and sizeable deposit base, which is critical for funding lending activities and managing cost of funds. The bank's deposit market share relative to loan book market share suggests a relatively high liquidity position, providing room for future credit growth

Figure 11: Market share by total deposits

[3] CBK Bank Supervision Annual Report 2024
4 CBK Bank Supervision Annual Report 2024



Source: Bank Supervision Annual Report (2024)

3. COMPANY ANALYSIS

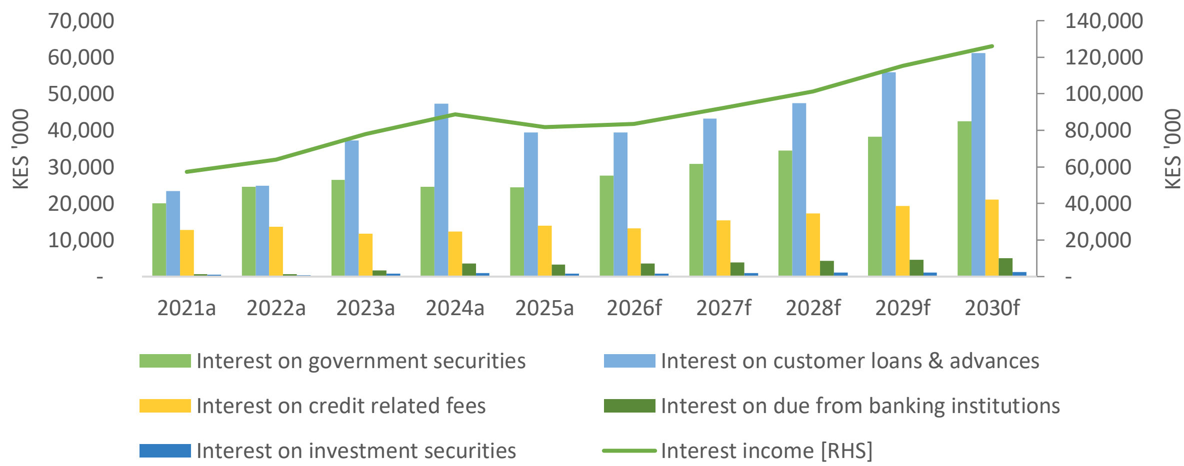
In this section, we look at how NCBA Group performed in the last five years, as well as provide an outlook on how we expect it to perform in the short to medium term.

3.1. Historical performance and outlook

3.1.1 Top-line mainly driven by funded income

Between 2021 and 2025, the Group continued to derive most of its income from funded sources. By the end of FY2025, the net interest income[5] (NII) accounted for 80.3%, while the non-funded income[6] (NFI) accounted for 19.7% of the total operating income. Overall, interest income grew at a CAGR of 9.3%, from KES 57.3 billion in 2021 to KES 81.8 billion in 2025 (an increase of KES 24.5 billion in the five years). This was mainly driven by interest income from customer lending (accounting for 65.2%), followed by investments in government securities (29.8%), placements with banking institutions (4.0%), and income from investment securities (1.0%).

Figure 12: Trend in key interest income drivers



Source: Company reports, Faida IB estimates

In terms of outlook, we expect funded income to continue driving revenue, with its contribution to operating income growing to about 89.5% by 2030. We project that total income will grow at a

[5] Computed as the difference between interest income and interest expense

[6] Computed as the Sum of net fee and commission income, insurance service result income, foreign exchange income, gain on disposal of financial instruments, fair value loss on financial assets, other income, bargain purchase gain and loss on remeasurement of investment in associate.

CAGR of 10.2% from KES 81.8 billion in 2025 to KES 133.1 billion by 2030. This growth is expected to be driven primarily by steady expansion in the loan book (CAGR of 7.9%), with interest income from customer loans remaining the dominant contributor, increasing from KES 53.3 billion in 2025 to KES 82.2 billion by 2030 (CAGR of 9.0%). Interest income from government securities is projected to grow at a CAGR of 11.7%, rising from KES 24.4 billion to KES 42.5 billion (driven by investments in government securities growing at a CAGR of 10.6%, and effective yields remaining slightly elevated at levels of 11.3% in the forecast period). Interest income from placements with banking institutions is projected to grow at a CAGR of 16.6%, from KES 3.3 billion to KES 7.1 billion. Interest income on investment securities is expected to grow at a CAGR of 10.9% from KES 773.2 million to KES 1.3 billion.

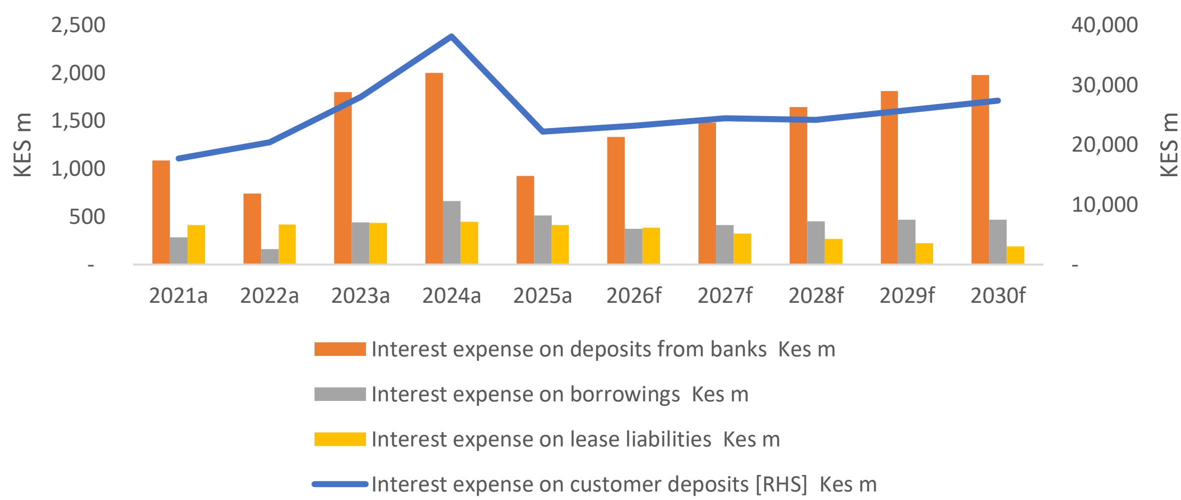
3.1.2 Reorientation of customer deposit mix to manage interest expense

During the review period, interest expense grew at a relatively lower CAGR relative to interest income (5.4% vs 9.3%) rising from KES 19.5 billion in 2021 to KES 24.1 billion in 2025. This was largely driven by a shift in customer deposit mix. Overall, customer deposits grew at a CAGR of 3.2% from KES 469.9 billion to KES 531.9 billion. The composition of the cheap CASA deposits grew from 51.2% to 53.4%[7], resulting in the cost of customer deposits dropping by 33 basis points (from 4.3% - 4.0%).

Interest expense on deposits from banks declined at a CAGR of -4.3%, from KES 1.1 billion in 2021 to KES 923 m in 2025, reflecting intermittent reliance on interbank funding. In addition, deposits from other financial institutions dropped from KES 14.8 billion to KES 10.3 billion in the review period. Interest expense on borrowings grew at a CAGR of 15.6%, from KES 285 million in 2021 to KES 510 million in 2025, driven by a growth in borrowings (CAGR of 5.5% from KES 6.1 billion to KES 7.6 billion).

Figure 13: Trend in interest expense

[7] Proportion computed as the sum of deposits in current accounts and savings accounts divided by the total customer deposits



Source: Company reports, Faida IB estimates

In our outlook, we expect management to continue with its focus on mobilisation of cheap deposits. We project interest expense to grow from KES 24.1 billion in 2025 to KES 30.0 billion in 2030, representing a CAGR of 4.5%. This increase is expected to be driven primarily by customer deposits, with interest expense on deposits projected to rise from KES 22.2 billion in 2025 to KES 27.4 billion in 2030, a CAGR of 4.3%.

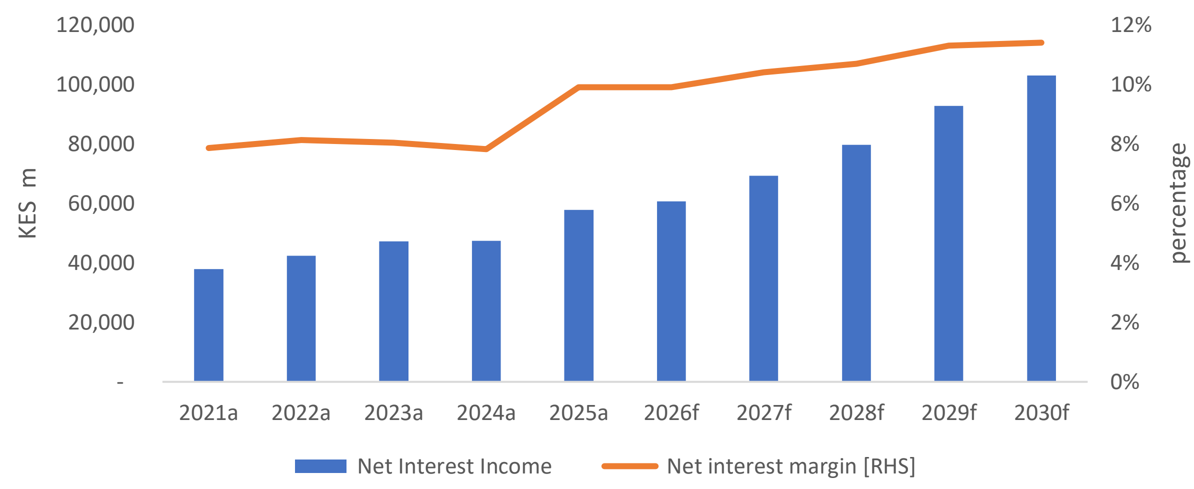
Interest expense on deposits from banks is projected to grow at a CAGR of 16.5%, increasing from KES 923 million in 2025 to KES 2.0 billion in 2030. In contrast, interest expense on borrowings is expected to decline slightly from KES 510 million in 2025 to KES 467 million in 2030, representing a CAGR of -1.7%.

3.1.3 Net interest margin expansion

Between 2021 and 2025, the Group recorded strong growth in net interest income (NII), with NII growing at a CAGR of 11.2%, rising from KES 37.8 billion in 2021 to KES 57.7 billion in 2025. Net interest margin[8] (NIM) improved by 200 basis points from 7.9% in 2021 to 9.9% in 2025, reflecting improved funding base mix.

Figure 14: Trend in net interest income and margin

[8] This is calculated by dividing the net interest income by the average interest-earning assets



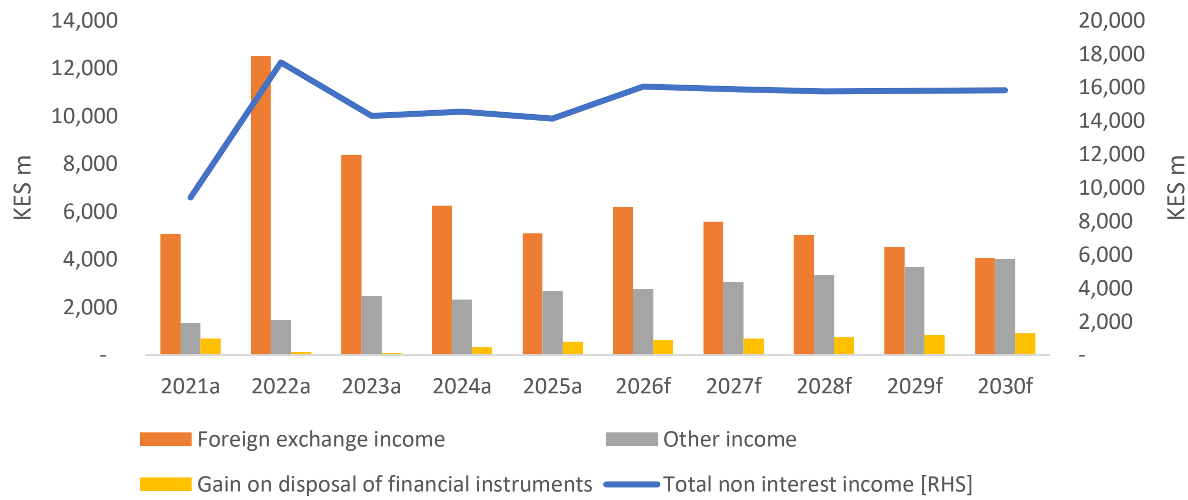
Source: Company reports, Faida IB estimates

Looking ahead, we project net interest income (NII) to grow from KES 57.7 billion in 2025 to KES 103.1 billion in 2030, representing a CAGR of 12.3%, with focus remaining on the low-cost funding. Consequently, we expect NIMs to remain relatively stable, improving slightly by 150 basis points from 9.9% in 2025 to 11.4% in 2030.

3.1.4 NFI, still relatively low

The total composition of non-funded income (NFI) dropped marginally by 27 basis points (from 19.93% to 19.66%) in the review period. However, in absolute terms, non-interest income grew at a CAGR of 10.7%, increasing from KES 9.4 billion in 2021 to KES 14.1 billion in 2025, mainly driven by fee and foreign exchange income.

Figure 15: Trend in non-funded income



Source: Company reports, Faida IB estimates

Looking ahead, we expect non-funded income to continue being under pressure. As a result, we project that non-funded income will grow at a modest CAGR of 2.3% from KES 14.1 billion in 2025 to KES 15.8 billion in 2030. Net fee income is expected to grow marginally at a CAGR of 1.6% from KES 5.4 billion in 2025 to KES 5.8 billion in 2030, while foreign exchange income is projected to decline marginally from KES 5.1 billion in 2025 to KES 4.1 billion in 2030.

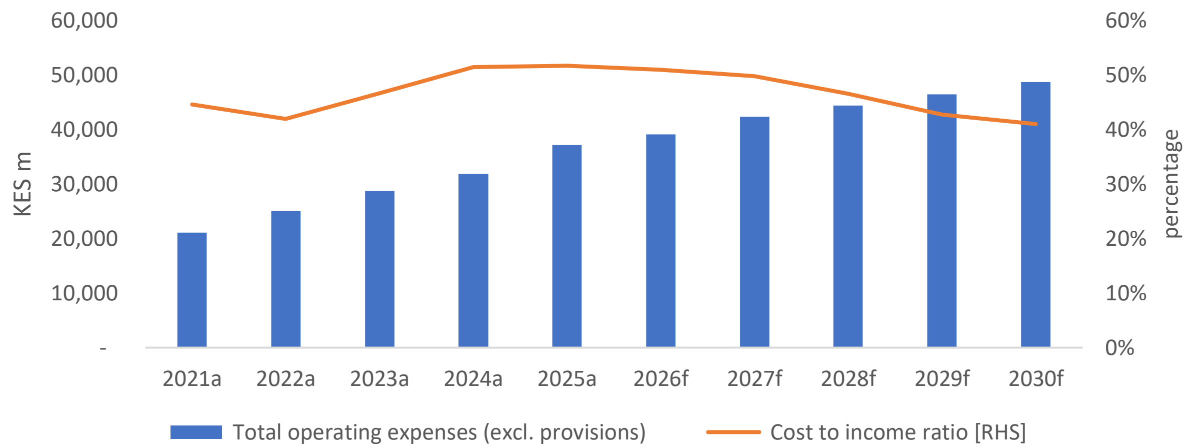
3.1.5 Operating efficiency

The total operating expenses (excluding provisions) grew at a CAGR of 15.2% from KES 21.1 billion to KES 37.1 billion in the review period. This was mainly driven by investments made during the period. Staff costs grew at a CAGR of 20.1% from KES 8.0 billion to KES 16.6 billion (with number of employees rising from 2,633 to 3,712), expenditure on information and technology grew at a CAGR of 21.1% from KES 2.3 billion to KES 4.9 billion (highlighting strong strategic focus on digitisation and platform enhancement) while other operating expenses grew at a CAGR of 21.2% from KES 2.6 billion to KES 5.5 billion. Consequently, the operating efficiency, as measured by the cost-to-income ratio (CIR)[9] deteriorated by 706 basis points (from 44.6% to 51.7%, excluding provisions). Marketing and business development expenses also increased at a CAGR of 25.9%, rising from KES 795 million in 2021 to KES 2.0 billion in 2025, supporting customer acquisition and growth initiatives.

[9] This is calculated by dividing the total operating expenses excluding provisions by the total operating income

In our view, we expect the maturity of these investments to start unlocking efficiency gains thereby improving operating efficiency in the long-term. There has been a clear shift toward a hybrid brick-and-mortar and digital operating model, with continued investment aimed at improving service delivery, scalability, and supporting growth in digital lending and other income streams.

Figure 16: Trend in operating efficiency (CIR excluding provisions)



Source: Company reports, Faida IB estimates

We expect operating expenses to grow at a CAGR of 5.6% from KES 37.1 billion in 2025 to KES 48.7 billion in 2030. This is in line with the expected continued focus on regional diversification, additional investments in information and technology, adequate staffing as well as entrenching the brand image. Consequently, we forecast a CIR of 41.0% (excluding provisions) in 2030.

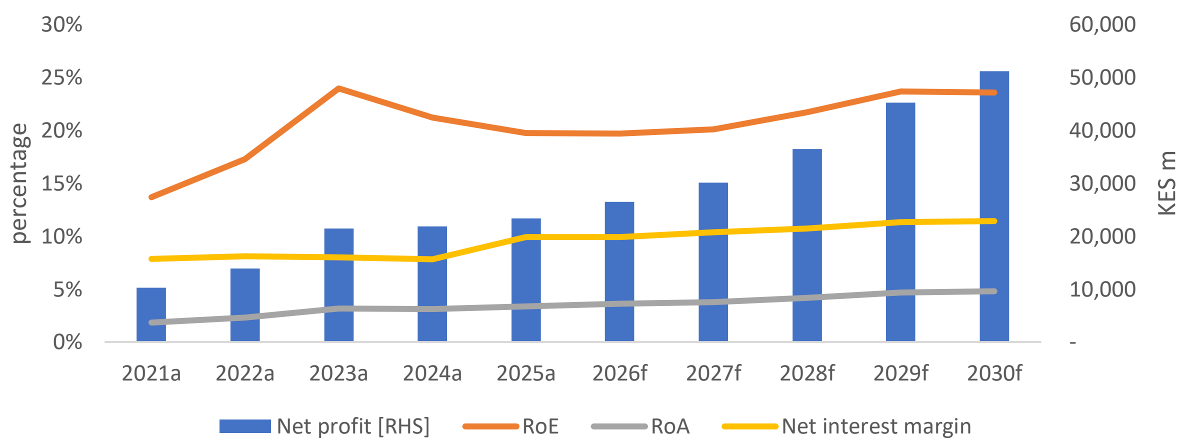
3.1.6 Improving earnings, profitability and shareholder returns

The net profit after tax grew at a CAGR of 22.8%, increasing from KES 10.3 billion in 2021 to KES 23.4 billion in 2025. As a result, the earnings per share (EPS)[10] increased from KES 6.21 to KES 14.20. In addition, the return on average equity (ROaE)[11] ratio rose from 13.7% to 19.7%, while the

[10] This is calculated by dividing net profit attributable to ordinary shareholders by the weighted average number of outstanding shares.
[11] This is calculated by dividing net profit by the average shareholders' equity over the period.

return on average assets (ROaA)[12] ratio increased by 155 basis points, from 1.8% in 2021 to 3.4% in 2025.

Figure 17: Trend in earnings and profitability



Source: Company reports, Faida IB estimates

The net profit after tax is expected to grow at a CAGR of 17.0%, increasing from KES 23.4 billion in 2025 to KES 51.2 billion in 2030. This will lead to the EPS growing steadily from KES 14.2 to KES 31.1 by 2030, reflecting continued earnings expansion driven by loan book growth, high margins, and disciplined cost management. In addition, we expect the ROaE ratio to expand by 390 basis points, rising from 19.7% in 2025 to 23.6% by 2030, while ROaA ratio is expected to improve by 140 basis points, from 3.4% to 4.8%.

3.1.7 Strength and resilience of the future balance sheet

NCBA enters this transaction from a position of genuine financial strength. The balance sheet trajectory over the five-year forecast period to FY2030 reflects a business that is growing its asset base at a pace consistent with Kenya's nominal economic expansion, maintaining disciplined credit quality, and compounding its equity capital through retained earnings, without reliance on external capital raises.

- **Asset base and loan book growth**

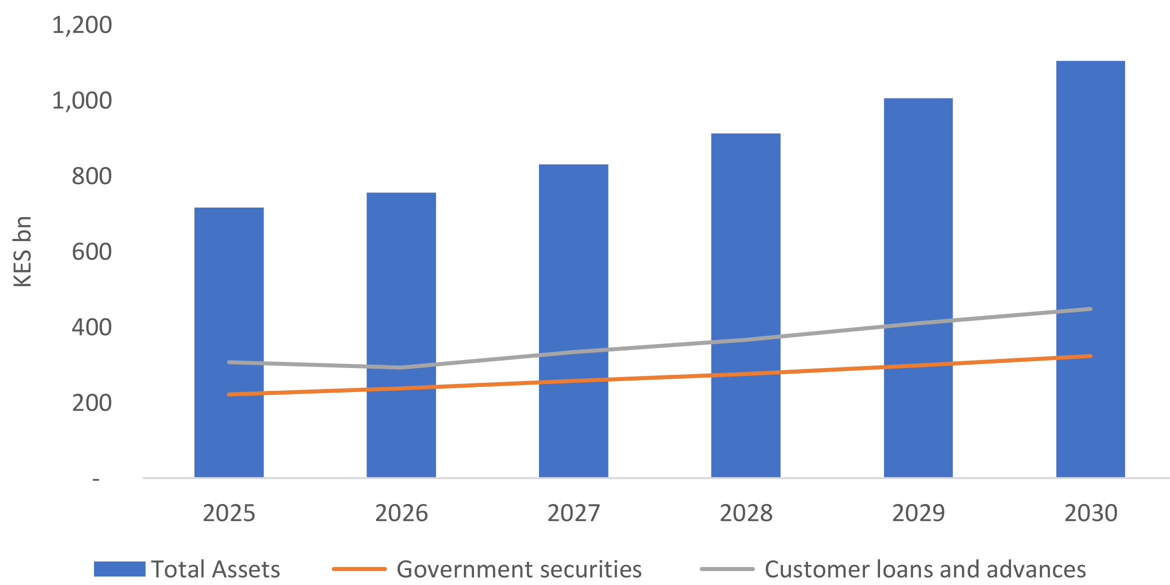
[12] This is calculated by dividing net profit by the average total assets over the period.

Total assets are projected to grow from KES 716.0 billion in 2025 to KES 1.1 trillion by 2030, representing a CAGR of approximately 9.3% per annum. This is a measured and sustainable growth rate, broadly in line with Kenya's nominal GDP trajectory and NCBA's historical balance sheet expansion and does not imply balance sheet stretch or aggressive risk-taking.

The primary driver of asset growth is the loan book. Net loans and advances to customers are forecast to expand from KES 306.9 billion in 2025 to KES 447.9 billion by 2030, a CAGR of approximately 7.9%, anchored on a target net loans-to-deposits ratio of above 50% from 2026 to 2030.

Growth in the government securities portfolio from KES 221.6 billion in FY2025 to KES 365.9 billion by FY2030, a CAGR of approximately 10.6%, provides a complementary and lower-risk asset growth channel. The Group's substantial government securities holdings contribute meaningfully to net interest income through their yield, and they constitute a high-quality liquid asset buffer that strengthens the Group's liquidity coverage ratio. The continued growth of this portfolio at a pace comparable to the loan book demonstrates prudent balance sheet management rather than excessive concentration in higher-risk lending.

Figure 18: Forecasted trend in assets

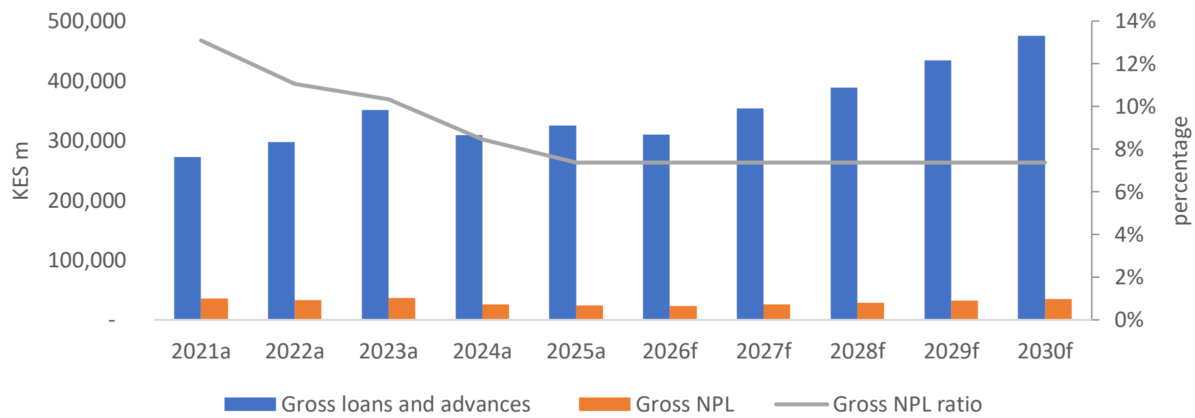


Source: Company reports, Faida IB estimates

- **Asset quality**

The total gross loan book grew at a CAGR of 4.6% from KES 272.3 billion in FY2021 to KES 325.5 billion in FY2025. Gross non-performing loans (GNPLs) declined, at a CAGR of -9.4% from KES 35.7 billion to KES 24.0 billion, resulting in the GNPL ratio[13] improving by 5.7%, from 13.1% to 7.4% in the review period. In addition, the cost of risk improved from 4.1% to 2.1% in the review period.

Figure 19: Trend in asset quality



Source: Company reports, Faida IB estimates

We project the total loan book will grow at a CAGR of 7.8% to KES 475.0 billion by 2030. We also expect GNPLs to increase from KES 24.0 billion in 2025 to KES 35.0 billion in 2030, reflecting portfolio growth.

We project the GNPL ratio to stabilise at approximately 7.4% across the forecast period, below the historical peak of 13.1% recorded in 2020 and significantly below the 10.3% recorded as recently as in 2023. This improvement reflects the credit quality recovery already evidenced in 2024 (8.5%) and 2025 (7.4%) actuals.

We project the total coverage ratio is projected to remain at 77.4% until 2030, compared to 57.1% in 2023. This means that for every KES 100 of gross NPLs on the balance sheet, the Group has provisioned approximately KES 77.40, a meaningfully more conservative position than three

[13] This is calculated by dividing gross non-performing loans by total gross loans. This excludes interest in suspense

years ago, and one that reduces the risk of future earnings volatility from unexpected credit impairment charges.

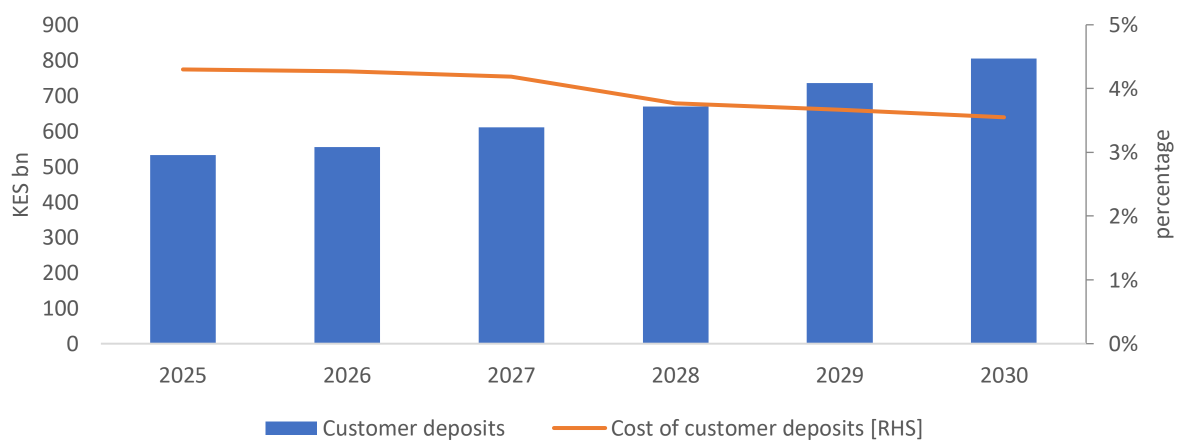
- **Funding stability and deposit composition**

Customer deposits, which we view as the Group's primary funding source and which represented approximately 81% of total liabilities in FY2025, are projected to grow from KES 531.9 billion in FY2025 to KES 805.0 billion by FY2030, representing a CAGR of approximately 8.6%.

We note that the composition of the deposit base is a key source of stability. Current accounts accounted for approximately 46.8% of total deposits in 2025, representing the largest single component, and carry a low or zero rate of interest, making them a highly cost-effective funding source. Time deposits (38.5%) and savings deposits (6.6%) constitute the remainder of the base, while call deposits (7.7%) sit between the two in terms of cost and duration. This composition implies that the Group's funding cost is structurally anchored at the lower end of the market rate spectrum.

We further expect the cost of customer deposits[14] to stabilise, declining from approximately 4.3% in 2025 to 3.6% by 2030, following a peak of 7.0% in 2024, which reflected the elevated **interest** rate environment during that period.

Figure 20: Forecasted trend in customer deposits



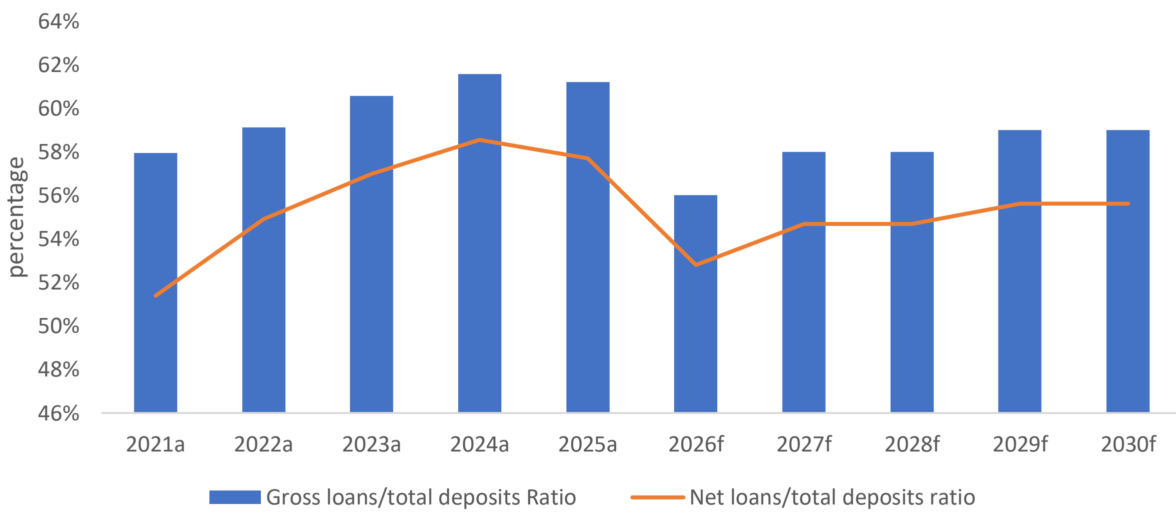
Source: Company reports, Faida IB estimates

[14] This is calculated by dividing interest expense on customer deposits by the average customer deposits.

3.1.8 Elevated liquidity position

Gross loans to total deposits ratio[15] increased from 57.9% in 2021 to 61.2% in 2025, while the net loans to total deposits ratio rose from 51.4% to 57.7% over the same period. This trend reflects modest loan deployment, perhaps to minimize the risk of NPL formation.

Figure 21: Trend in liquidity ratios



Source: Company reports, Faida IB estimates

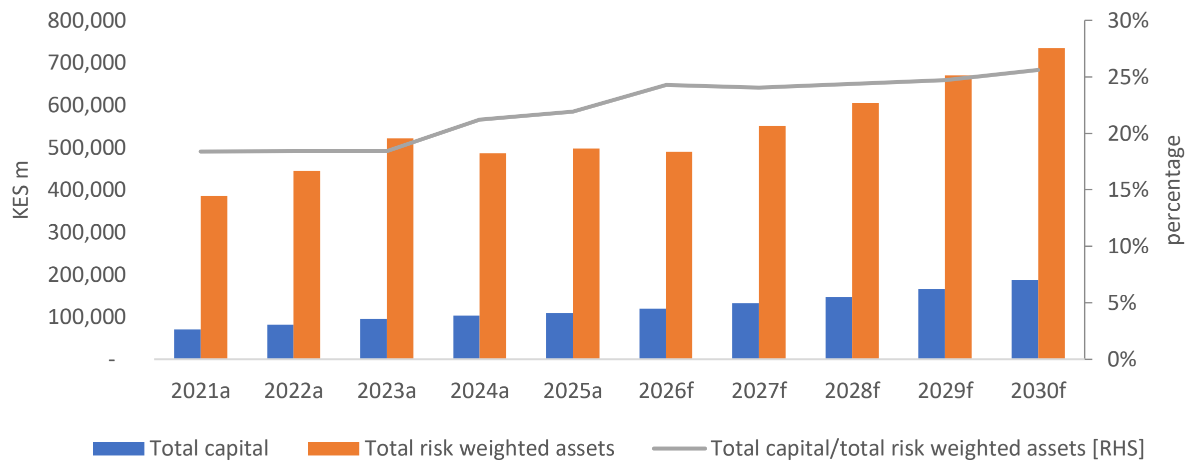
Looking ahead, liquidity ratios are expected to remain stable. The gross loans to total deposits ratio is projected to decline by 220 basis points, from 61.2% in 2025 to 59.0% in 2030, indicating a modest improvement in liquidity headroom.

3.1.9 High capital adequacy

The Group maintained a strong capital adequacy position in the review period. Total capital increased significantly from KES 70.9 billion in 2021 to KES 109.2 billion in 2025, representing a CAGR of 11.4%, reflecting sustained profitability and retained earnings over the period. Total risk-weighted assets (RWA) grew at a CAGR of 6.6% from KES 385.7 billion to KES 497.9billion. As a result, the total capital to RWA (CAR) ratio[16] improved from 18.4% in 2021 to 21.9% in 2025.

Figure 22: Trend in capital adequacy

[15] This is calculated by dividing total gross loans by total customer deposits.
[16] This is calculated by dividing total regulatory capital by risk-weighted assets.



Source: Company reports, Faida IB estimates

We project total capital to grow at a CAGR of 11.5% from KES 109.2 billion in 2025 to KES 188.1 billion in 2030. The total RWAs are projected to grow at a CAGR of 8.1% from KES 497.9 billion to KES 734.8 billion, resulting in the capital adequacy ratio (CAR) improving from 21.9% in 2025 to 25.6% by 2030.

3.2. Competitive advantages, strengths, opportunities and threats analysis

3.2.1 Competitive advantage

NCBA Group benefits from a set of defensible competitive advantages anchored on its scalable digital banking ecosystem, strong low-cost funding base, and growing regional footprint.

The Group's proven digital platform, led by Loop, enables high-volume, data-driven lending and payments, supporting customer acquisition at relatively low marginal cost and creating a technology-led advantage in an increasingly digital financial services landscape.

This is complemented by a structurally strong CASA-driven deposit mix, which provides a sustainable cost-of-funds advantage and supports resilient net interest margins across interest rate cycles.

In addition, NCBA's presence across multiple East and West African markets offers revenue diversification and positions the Group to capture cross-border trade and regional growth opportunities, reinforcing its ability to scale efficiently beyond a single domestic market.

3.2.2 Strengths

- Market position and scale

NCBA Bank Kenya PLC is one of Kenya's largest banks by assets. In 2024, the bank ranked 4th in total assets at KES 665.9 billion, representing a market share of 7.8%. It also ranked 4th in deposits at KES 502.0 billion (8.0% market share) and 5th in gross loans at KES 293.9 billion (7.1% market share) during the same period. It ranked 6th in profit before tax (PBT), contributing 8.0% of the industry PBT.

- Pan-African operational footprint

NCBA operates in six countries, namely Kenya, Uganda, Tanzania, Rwanda, Ghana, and Ivory Coast, with 123 branches serving over 60 million customers. Unlike purely domestic banks, NCBA has diversified revenue streams across multiple East and West African markets, reducing dependence on any single operating jurisdiction.

- Robust and improving capital position

NCBA's capital adequacy position is strong. Total capital to risk-weighted assets improved from 17.9% in FY2021 to 21.9% in FY2025, providing a buffer of 11.8 percentage points above the CBK minimum of 10.5%. This balance sheet strength enables the Group to absorb credit stress, support loan growth, and withstand downturns without raising external capital.

- Strong and accelerating earnings trajectory

NCBA's profit after tax (PAT) grew at a CAGR of 22.8%, from KES 10.3 billion in FY2021 to KES 23.4 billion in FY2025. Return on average equity ratio improved from 13.7% to 19.7%, and return on average assets (ROaA) ratio increased by 155 basis points, from 1.8% to 3.4% over the same period. The earnings per share grew from KES 6.2 to KES 14.2.

- Improving asset quality with strong coverage

The Group has achieved a sustained improvement in credit quality. The gross non-performing loans declined at a CAGR of -9.4%, from KES 35.7 billion in FY2021 to KES 24.0 billion in FY2025, while the gross NPL ratio fell from 13.1% to 7.4% over the same period.

- Net interest margin expansion

The NIM improved by 200 basis points, from 7.9% in FY2021 to 9.9% in FY2025, driven by a deliberate reorientation of the deposit mix toward lower-cost current account and savings account deposits. Maintaining a high proportion of low-cost current accounts provides a structural funding advantage and protects NCBA's spread in a rate-normalization environment.

- Proven digital banking platform and innovation track record

The Group has invested significantly in its digital platform, with IT expenditure growing at a CAGR of 21.1%, from KES 2.3 billion in FY2021 to KES 4.9 billion in FY2025. The Loop digital banking platform is NCBA's flagship fintech proposition, enabling scalable digital lending, payments, and financial services across East Africa. The Group disburses over KES 1 trillion in digital loans, demonstrating that digital investments have translated into operational capability rather than merely balance sheet capitalization.

- Diversified funding base

NCBA's deposit base reached KES 531.9 billion in 2025, diversified across current accounts (46.8%), time deposits (38.5%), call deposits (7.7%), and savings deposits (6.6%). The concentration in CASA deposits provides a structural cost-of-funds advantage. Interest expense grew at a CAGR of 5.4% from 2021 to 2025, compared with 9.3% for interest income, reflecting an expanded net interest spread as total assets grew. The cost of customer deposits stabilized at 4.3% in FY2025, down from the FY2024 peak of 7.0%.

3.2.3 <u>Opportunities</u>

a) East African economic growth tailwinds

Kenya's banking sector deposits grew from KES 4.4 trillion in 2021 to KES 6.3 trillion in 2025, representing a CAGR of 9.2%. Sustained GDP growth of 5% to 6% per annum, a large and youthful population, increasing formalization of the economy, and deepening financial inclusion provide strong structural tailwinds for deposit mobilization and loan growth.

b) Digital monetization and fee income recovery

NCBA has developed one of the more advanced digital banking platforms in East Africa (Loop). A clear opportunity exists to leverage this digital scale to increase non-funded income through deeper transactional banking relationships, merchant payment services, bancassurance distribution, and investment products.

3.2.4 Threats

a) Kenyan banking sector asset quality deterioration

Absolute gross NPLs in the sector increased from KES 460 billion in FY2021 to KES 672.9 billion in FY2025 and we project that they will continue to trend upwards in the short-term. A deterioration in the macroeconomic environment, characterized by relatively slower GDP growth, fiscal stress, or reversal of CBR normalization, could negatively impact banks' asset quality.

b) Non-funded income structural pressure from fintech disruption

Fintech platforms such as M-Pesa, Airtel Money, and a growing cohort of pan-African digital payment and lending platforms continue to erode traditional fee income streams, including FX spreads and transaction fees. NCBA's investment in the Loop digital platform is a direct response to this threat. However, fintech competition is accelerating across all six NCBA markets, each with varying levels of digital infrastructure and, placing structural pressure on non-funded income.

3.3. Summary of financial statements

3.3.1. Summary of income statement

12 months to December	2023a	2024a	2025a	2026f	2027f	2028f	2029f	2030f
KES m unless otherwise stated								
Interest income	77,926	88,620	81,765	85,906	95,842	106,048	121,093	133,055
Interest expense	30,638	41,173	24,053	25,252	26,635	26,468	28,257	30,004
Net interest income	47,288	47,447	57,712	60,655	69,206	79,580	92,836	103,050
Net interest income Y/Y%	*11.6%*	*0.3%*	*21.6%*	*5.1%*	*14.1%*	*15.0%*	*16.7%*	*11.0%*
Non-funded income	14,289	14,544	14,120	16,057	15,899	15,747	15,784	15,819
Non-funded income Y/Y%	*-18.3%*	*1.8%*	*-2.9%*	*13.7%*	*-1.0%*	*-1.0%*	*0.2%*	*0.2%*
Total operating income	61,577	61,990	71,832	76,712	85,106	95,327	108,620	118,870
Total operating income Y/Y%	*2.8%*	*0.7%*	*15.9%*	*6.8%*	*10.9%*	*12.0%*	*13.9%*	*9.4%*
Operating expenses*	36,137	36,936	44,033	45,660	49,844	52,600	55,614	58,798
OpEx Y/Y%	*-3.9%*	*2.2%*	*19.2%*	*3.7%*	*9.2%*	*5.5%*	*5.7%*	*5.7%*
Profit before tax	25,482	25,141	27,890	31,163	35,384	42,862	53,153	60,233
PBT Y/Y%	*13.3%*	*-1.3%*	*10.9%*	*11.7%*	*13.5%*	*21.1%*	*24.0%*	*13.3%*
Taxation	4,025	3,275	4,497	4,674	5,308	6,429	7,973	9,035
Effective tax rater (%)	*15.8%*	*13.0%*	*16.1%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*	*15.0%*
Profit after tax	21,457	21,866	23,394	26,488	30,076	36,432	45,180	51,198
PAT Y/Y%	*55.7%*	*1.9%*	*7.0%*	*13.2%*	*13.5%*	*21.1%*	*24.0%*	*13.3%*
Proposed dividend	7,826	9,061	11,697	13,248	15,043	18,222	22,597	25,607
Dividend payout ratio	*36.47%*	*41.44%*	*50.00%*	*50.02%*	*50.02%*	*50.02%*	*50.02%*	*50.02%*

*Includes credit impairment charges

3.3.2. Statement of financial position

12 months to December	2023a	2024a	2025a	2026f	2027f	2028f	2029f	2030f
KES m unless otherwise stated								
Cash & balance with CBK	43,328	43,679	63,774	66,580	60,871	68,935	74,888	87,735
Government securities	228,861	207,516	221,551	247,712	274,601	302,791	333,252	365,887
Investment securities	17,685	15,227	15,513	16,990	18,633	20,434	22,420	24,583
Loans & advances to customers	330,214	293,932	306,918	292,646	333,893	366,197	409,419	447,872
Loans and advances Y/Y%	*19.6%*	*-11.0%*	*4.4%*	*-4.6%*	*14.1%*	*9.7%*	*11.8%*	*9.4%*
Property & equipment	2,484	4,333	4,719	4,743	4,662	4,478	4,190	3,798
Intangible assets	7,779	7,455	7,264	7,386	7,193	6,686	5,863	4,725
Total assets	734,621	665,944	716,047	757,135	834,245	918,188	1,014,984	1,116,769
Total assets Y/Y%	*18.6%*	*-9.3%*	*7.5%*	*5.7%*	*10.2%*	*10.1%*	*10.5%*	*10.0%*
Customer deposits	579,402	502,016	531,866	554,206	610,514	669,581	735,923	805,041
Customer deposits Y/Y%	*15.3%*	*-13.4%*	*5.9%*	*4.2%*	*10.2%*	*9.7%*	*9.9%*	*9.4%*
Borrowings	6,412	10,172	7,565	7,890	8,267	8,324	8,125	7,721
Other liabilities	21,471	24,241	29,601	29,373	32,357	35,488	39,004	42,667
Total liabilities	637,958	556,229	588,622	615,464	676,378	740,051	811,428	885,672
Total liabilities Y/Y%	*18.7%*	*-12.8%*	*5.8%*	*4.6%*	*9.9%*	*9.4%*	*9.6%*	*9.1%*
Retained earnings	64,901	77,720	89,423	102,671	117,714	135,936	158,533	184,139
Shareholders' funds	96,663	109,715	127,426	141,671	157,867	178,137	203,556	231,097

3.3.3. CAMEL analysis

12 months to December (%)	2023a	2024a	2025a	2026f	2027f	2028f	2029f	2030f
Capital adequacy								
Core capital/total deposits	16.5%	20.5%	20.5%	21.5%	21.7%	22.0%	22.5%	23.4%
Core capital/TRWA	18.3%	21.2%	21.9%	24.3%	24.0%	24.4%	24.7%	25.6%
Total capital/TRWA	18.4%	21.2%	21.9%	24.3%	24.0%	24.4%	24.7%	25.6%
Asset quality								
GNPL ratio*	10.3%	8.5%	7.4%	7.4%	7.4%	7.4%	7.4%	7.4%
Total coverage ratio	57.1%	58.2%	77.4%	77.4%	77.4%	77.4%	77.4%	77.4%
Cost of risk	2.1%	1.6%	2.1%	2.1%	2.1%	2.1%	2.1%	2.1%
Management efficiency								
CIR-excluding provisions	46.6%	51.4%	51.7%	51.0%	49.8%	46.5%	42.7%	41.0%
Staff costs/operating income	20.4%	22.4%	23.1%	24.4%	23.1%	21.5%	19.6%	18.5%
Cost of average customer deposits	5.2%	7.0%	4.3%	4.3%	4.2%	3.8%	3.7%	3.6%
Cost of average funds	5.4%	7.2%	4.4%	4.5%	4.4%	4.0%	3.9%	3.7%
Earnings and profitability								
NII/operating income	76.8%	76.5%	80.3%	79.1%	81.3%	83.5%	85.5%	86.7%
NFI/operating income	23.2%	23.5%	19.7%	20.9%	18.7%	16.5%	14.5%	13.3%
ROaE	24.0%	21.2%	19.7%	19.7%	20.1%	21.7%	23.7%	23.6%
RoaA	3.2%	3.1%	3.4%	3.6%	3.8%	4.2%	4.7%	4.8%
NIM**	8.0%	7.8%	9.9%	9.9%	10.4%	10.7%	11.3%	11.4%
Liquidity								
Gross loans/total deposits	60.6%	61.6%	61.2%	56.0%	58.0%	58.0%	59.0%	59.0%
Net loans/deposits	57.0%	58.6%	57.7%	52.8%	54.7%	54.7%	55.6%	55.6%

*Excludes interest in suspense

** This is calculated by dividing the net interest income by the average interest-earning assets

4. VALUATION OF NCBA

This valuation exercise considered the historical performance of the company over the last eight years (2018 to 2025); the company's initial strategic targets and outcomes and the expected strategic direction going forward; trends in the broader macro-economic environment; the local and regional industry performance and trading of similar businesses across different markets in Africa.

We used a weighted value methodology with equal weighting based on the following rationale for each method, to estimate the value of the business:

4.1. Residual Income method (weighting = 25%)

We believe this method is highly appropriate for valuing the NCBA Group, as it captures value creation relative to the cost of equity. Given NCBA Group's ability, to generate returns above its required return, the residual income framework effectively reflects profitability, capital efficiency, and earnings sustainability. It is particularly suitable for financial institutions where cash flows are less observable, and book value is a key anchor for valuation. Residual income represents the excess earnings the group generates above its required return on equity, effectively measuring value creation beyond the cost of capital

Assumptions

- Risk free rate based on the government's 10-year treasury bond: 12.85%
- Equity risk premium: 10.35%
- Beta: 0.62
- Cost of equity: 19.27%
- Terminal growth rate: 5.18%

Valuation outputs

Year to Dec (KES mn)	2026f	2027f	2028f	2029f	2030f	TV
Forecast average beginning book value of equity	118,570	134,548	149,769	168,002	190,846	
Equity charge	22,843	25,922	28,854	32,367	36,768	
Profit after tax	26,488	30,076	36,432	45,180	51,198	
Forecast residual income	3,645	4,155	7,578	12,814	14,430	107,783
Years from valuation date	1	2	3	4	5	
Discount factors	0.9	0.7	0.6	0.5	0.4	
Current book value	127,426					
Add: Present of residual income	69,623					

Equity value	197,048
Ordinary shares	1,648
Fair value per share	**119. 60**

4.2. Dividend Discount Model (DDM) (weighting = 25%)

This method provides a direct measure of shareholder value by discounting expected future dividend streams. It is relevant given NCBA group's established dividend payout track record and relatively stable earnings profile. However, it is somewhat sensitive to assumptions around payout ratios and long-term growth, particularly in periods of earnings volatility or capital retention requirement. The methodology assumes that dividends represent the cash flows available to shareholders and therefore provides a direct measure of shareholder value.

Assumptions

- Risk free rate based on the government's 10-year treasury bond: 12.85%
- Equity risk premium: 10.35%
- Beta: 0.62
- Cost of equity: 19.27%
- Dividend pay-out ratio 50.0%

Valuation outputs

Year to Dec (KES mn)	2026f	2027f	2028f	2029f	2030f	TV
Forecast dividends	13,248	15,043	18,222	22,597	25,607	
Terminal dividends						191,269
Years from valuation date	1	2	3	4	5	
Discount factors	0.9	0.7	0.6	0.5	0.4	
Present value of total dividends	136,509					
Ordinary shares	1,648					
Fair value per share	**82.86**					

4.3. Precedent transaction (P/B) method (weighting = 25%)

This method provides a market-based valuation benchmark by referencing price-to-book multiples observed in comparable historical transactions involving similar banks. Similar transactions such as the acquisition of Cogebanque (Rwanda), BCDC (Rwanda), National Bank (Kenya), Transnational Bank (Kenya), Standard Chartered (Angola), Mayfair Bank (Kenya), and Sidian Bank (Kenya) were considered. It reflects the valuation levels that acquirers have been willing to pay for control, including any applicable control premiums. The method is particularly relevant in assessing takeover value and market clearing prices in an M&A context. However, it may be influenced by transaction-specific factors such as strategic considerations, deal synergies, and prevailing market conditions at the time of the transaction, which may limit direct comparability to the subject group.

Valuation outputs

Benchmark multiples	Multiple	
Cogebanque [Rwanda]	1.13x	times
BCDC [DRC]	0.84x	times
NBK [Kenya]	1.56x	times
Transnational [Kenya]	0.14x	times
Standard Chartered [Angola]	0.22x	times
Mayfair – Kenya	2.27x	times
Sidian Bank – Kenya	0.99x	times
Average P/B	**1.02x**	**times**
Median	**0.99x**	**times**
NCBA book value [2025]	**127,425,566**	**Kes '000'**
Equity value-adjusted	**130,156,440**	**Kes '000'**
Ordinary shares	**1,647,519**	**000' shares**
Fair Value Per Share	**79.00**	**KES**

Source: Public information and FIB analysis

4.4. P/TB multiple method (weighting = 25%)

This method refines the P/B approach by focusing on tangible book value, excluding intangible assets such as goodwill. It provides a more conservative and capital-focused valuation, particularly relevant in assessing downside risk and balance sheet strength. The intangible assets for NCBA Group, especially the goodwill, are not significantly high.

Valuation outputs

Benchmark multiples	Multiple	
KCB (Kenya)	0.83x	times
Equity (Kenya)	1.05x	times
Absa (Kenya)	1.73x	times
Standard Chartered (Kenya)	2.11x	times
Stanbic (Kenya)	1.61x	times
I&M (Kenya)	0.90x	times
DTB (Kenya)	0.45x	times
RBL (India)	1.10x	times
Karur Vysya (India)	1.41x	times

City Union Bank (India)	1.91x	times
Federal Bank (India)	1.89x	times
China Zheshang Bank (China)	0.49x	times
Bank of Jiangsu (China)	0.78x	times
China Minsheng Bank (China)	0.31x	times
Bank of Ningbo (China)	0.93x	times
NMB Bank (Tanzania)	1.07x	times
CRDB Bank (Tanzania)	0.84x	times
Bank of Kigali (Rwanda)	0.81x	times
Stanbic Bank (Uganda)	1.87x	times
Average P/TB	**1.16x**	**times**
Median	**1.05x**	**times**
NCBA tangible book value [2025]	**120,161,603**	**Kes '000'**
Equity value-adjusted	**139,703,674**	**Kes '000'**
Ordinary shares	**1,647,519**	**000' shares**
Fair Value Per Share	**84.80**	**KES**

Source: Bloomberg, FIB analysis

4.5. Valuation summary

Based on the valuation methodologies applied, the estimated intrinsic value of NCBA Group varies across approaches, reflecting differences in assumptions, valuation perspectives, and underlying methodologies. The residual income method yields an intrinsic value of approximately KES 197.0 billion, or KES 119.60 per share. The DDM approach results in a lower valuation of approximately KES 136.5 billion, or KES 82.86 per share, while the previous transactions (P/B) method implies an estimated value of approximately KES 130.2 billion, or KES 79.00 per share. The P/TB multiple method, based on peer trading multiples, indicates a higher valuation of approximately KES 139.7 billion, or KES 84.80 per share.

Table 2: Valuation summary

Valuation method	Equity value estimate (KES '000')	Equity value per share (KES)	Weight	Weighted equity value per share (KES)
Residual income model	197,048,158	119.60	25.00%	29.90
Dividend discount model	136,509,062	82.86	25.00%	20.71
Relative (P/TB) model	139,703,674	84.80	25.00%	21.20
Precedent transaction (P/B) model	130,156,440	79.00	25.00%	19.75
Estimated weighted equity value			**100.00%**	**91.56**

5. NEDBANK FINANCIAL PERFORMANCE

5.1. Company analysis

5.1.1. Trend in operating income

Nedbank's total operating income grew consistently between 2021 and 2025, rising from ZAR 58.2 billion in 2021 to ZAR 75.1 billion in 2025, a 5-year CAGR of 6.6%. The primary driver of the operating income growth over the five years was the sharp rise in interest rates from 2022, which boosted net interest income substantially. The South African Reserve Bank (SARB) hiked the repo rate by 475 basis points between late 2021 and 2023, lifting Nedbank's NII from ZAR 32.5 billion in 2021 to ZAR 41.5 billion in 2023—a 27.6% increase in the two years. It continued to grow, reaching ZAR 42.9 billion in 2025. Non-funded revenue growth, while slower than NII, grew at a 5-year CAGR of 5.7% from ZAR 24.9 billion in 2021 to ZAR 31.0 billion in 2025.

The split between net interest income and non-funded income reflects the composition of Nedbank's revenue model. Over 2021–2025, NII's share of total income expanded as interest rates rose from 56.6% in 2021 to 58.0% in 2025. Consequently, NFI decreased from 43.4% in 2021 to 42.0% in 2025.

Nedbank's NIM tracked the interest rate cycle closely over 2021–2025, peaking in 2023 and compressing thereafter as monetary policy eased. The NIM rose from 3.7% in 2021, peaked at 4.2% in 2023 then fell to 3.8% in 2025.

5.1.2. Trend in operating expenses

Total operating expenses (excluding provisions) grew at a 5-year CAGR of 6.6%, in line with operating income growth (6.6%). The operating expenses grew from ZAR 33.6 billion in 2021 to ZAR 43.4 billion in 2025. The cost-to-income ratio fell from 57.8% to a low of 53.9% in 2023 due to the surge in NII but rose back to 57.8% in 2025.

5.1.3. Trend in customer deposits

The deposit book has grown materially over the five-year period, reflecting deepening client relationships and a growing transactional account base. The deposit base grew at a robust 5-year CAGR of 7.8% from ZAR 967.9 billion in 2021 to ZAR 1.3 trillion in 2025. This resulted in the loan-to-deposit ratio declining from 88.6% in 2021 to 81.0% in 2025.

5.1.4. Loan book growth

Over the 2021–2025 period, gross advances grew at a 5-year CAGR of 5.4%, expanding from ZAR 857.4 billion to ZAR 1.1 trillion, crossing the 1 trillion milestone. By segment, corporate and investment banking (CIB) is the largest segment with net advances of ZAR 495.1 billion in 2025 (vs ZAR 462.2 billion in 2024), followed closely by Personal and Private Banking (PPB) at ZAR 411.9 billion (vs ZAR 383.9 billion). Business and Commercial Banking (BCB) contributed ZAR 94.7 billion in advances, while the Nedbank Africa Regions (NAR) segment provided ZAR 27.0 billion.

5.1.5. Asset quality

The impairment of advances rose by a CAGR of 1.9% from ZAR 25.7 billion in 2021 to ZAR 27.6 billion in 2025. It peaked at ZAR 29.6 billion in 2023, reflecting the impact of the high interest rates. The impairments to gross advances ratio rose from 3.0% in 2021 to a five-year high of 3.2% in 2023, then fell to 2.6% in 2025, reflecting active portfolio management, improved collections capabilities, and the beneficial impact of rate cuts on consumer affordability.

5.1.6. Capital adequacy

The group maintained robust capital ratios throughout the 2021–2025 period, comfortably exceeding SARB minimum requirements. The common equity tier 1 (CET1) ratio ranged between 12.8% and 14.0%, higher than the regulatory requirements of 7.5%. Over the five-year period, the Tier 1 capital ratio was between 14.3% and 15.5%, well above the requirement of 9%. The total capital ratio was between 16.6% and 18.1%, above the 11.0% minimum requirement.

6. ASSESSMENT OF CONSIDERATION

6.1. Structure of the consideration

The Offer is for a partial pro-rata acquisition of approximately 1.09 billion NCBA shares, representing 66% of the Company's issued share capital. Shareholders are entitled to tender up to 66% of their holdings, with an option to tender for more shares. The consideration payable under the Offer for every 100 NCBA Shares tendered and accepted (adjusted on a *pro rata* basis as required) comprises 4.02994 Nedbank Shares (the **Share Portion)** and KES 2,100, payable in cash (the **Cash Portion)**. Given the transaction structure, the final total consideration in Kenya shillings is subject to variability based on the prevailing market price of shares in Nedbank Group and the applicable foreign exchange rate on the effective date of settlement.

6.2. The swap ratio

6.2.1. <u>The proposed offer swap ratio</u>

For every 100 NCBA shares tendered and accepted, shareholders will receive a combination of 4.02994 Nedbank shares and a cash settlement of KES 2,100. In addition, for shareholders whose entitled Nedbank shares amount to less than 200 shares after swapping their NCBA shares, or institutional shareholders who are not able to hold offshore assets, the consideration will entail cash only at a price KES 105 per share.

6.2.2. <u>Fairness of the proposed offer swap ratio</u>

At the time of receiving the Notice of Intention by NCBA Group, the following were the trading metrics for the two groups as at 20 Jan 2026 (a day before the receipt of the Notice of Intention).

Table 3: NCBA Computed swap ratio

Metric	NCBA Group (KES)	Nedbank Group (ZAR)	KES -equivalent[17]
Share Price	90.50	273.34	2,127.62
Computed swap ratio (per each NCBA share)	0.0425358		
Computed swap ratio (per 100 NCBA share)	4.25358		

Based on the set offer swap ratio, for every 100 NCBA shares, a shareholder is entitled to 4.02994 Nedbank shares plus KES 2,100. Given the transaction structure, the final total consideration in Kenya shillings is subject to variability based on the prevailing market price of shares in Nedbank Group and the applicable foreign exchange rate on the effective date of settlement. Assuming a settlement date as of 20 January 2026, , the implied all-share swap ratio is arrived at as follows:

Table 4: Nedbank's computed swap ratio

Item	Values
Nedbank share entitlement per 100 NCBA shares	4.02994
Nedbank share entitlement per 1 NCBA share	0.0402994
Nedbank cash entitlement per 100 NCBA shares	KES 2,100
Nedbank cash entitlement per 1 NCBA share	KES 21
Nedbank share price as of 20 January 2026	ZAR 273.34
Value of each Nedbank share[18]	KES 2,127.6184
Equivalent number of shares from the cash component	0.0098702

[17] KES/ZAR of 7.78378 as at 20 January 2026 (Central Bank of Kenya)

[18] KES/ZAR of 7.78378 as at 20 January 2026 (Central Bank of Kenya)

Implied all-share swap ratio (per NCBA share)	0.0501696
Implied all-share swap ratio (per 100 NCBA shares)	5.01696

Based on the computed swap ratio (4.25358) and the implied all-share offer swap ratio (5.01696), we are of the view that the offered exchange ratio is fair. This represents a premium of 0.76 Nedbank shares for every 100 NCBA shares tendered and accepted.

6.3. Premium to unaffected market price

6.3.1. Determination of the unaffected share price

On 14 October 2025, Bloomberg ran a story regarding a planned acquisition by Standard Bank. During the previous day's trading session, before the story was widely shared through the media, the NCBA Group's stock traded at a high of KES 70, a low of KES 69, before closing the session at a volume weighted average price (VWAP) of KES 69.50, having traded 34,264 shares. Additionally, on this day (13 October 2025), the 52-week high stood at KES 75.00. On 14 October 2025, the stock established a new high of KES 76.25, a new low of KES 72.00 and closed the session at a volume weighted average price of KES 75.25 (8.3% higher), and moving a total of 341,475 shares.

On 21 January 2026, Nedbank served NCBA Group with its Notice of Intention with respect to the offer. On the same day, NCBA Group released a press statement, indicating that it had received a Strategic Investment Proposal and a Notice of Intention from Nedbank Group. During the previous day's trading session (20 January 2026), the NCBA Group's stock traded at a high of KES 92.50, a low of KES 88.50, and closed the day at a volume-weighted price of KES 90.50 having traded a total of 169,643 shares. On 21 January 2026, the stock traded at a high of KES 91.00, a low of KES 88.50 and closed the day 0.8% lower at a volume-weighted price of KES 89.75, trading a modest volume of 19,254 shares. However, the share price rallied, hitting a high of KES 98.25 on 22 January 2026, before beginning to retreat.

Figure 17: Trends in NCBA Group share price during key announcements

Source: Public media disseminations, company releases.

Based on these price movements, we hold the view that there are **two critical reference points** for the unaffected NCBA Group share price. The first one was the day **before the speculation** that Stanbic Holdings was planning to acquire NCBA Group (**13 October 2025**, when the share **price stood at KES 69.50**). Following these rumours, the price rallied closing the year 2025 at KES 84.00. The second reference point is the day **before the public announcement by NCBA Group** (**20 January 2026**, when the share **price stood at KES 90.50**). Following this announcement, there was a further rise, with the share price hitting a high of KES 98.25 (22 January 2026). However, it is important to note that the banking sector stocks have experienced an upward momentum in share prices, NCBA Group stock price included. This means that even in the absence of any potential takeover news, the share price may have continued with its upward trend. However, it is difficult to disaggregate the price between the fundamentally market-driven price and the take-over sentiment driven price.

Based on the reference KES/ZAR exchange rate of 7.78378 (as at 20 January 2026 according to the Central Bank of Kenya), the total implied consideration is approximately KES 10,674.17 per 100 shares, equivalent to KES 106.74 per share, for offer shares receiving both cash and Nedbank shares as consideration.

Table 5: Implied total consideration at Nedbank share price of ZAR 273.34 as at 20 January 2026

Component	KES	% of Total

Share portion (Nedbank shares)-per 100 NCBA shares	8,574.17	80%
Cash portion – per 100 NCBA shares	2,100	20%
Total Consideration (100 NCBA shares)	**10,674.17**	**100%**
Total Consideration (per NCBA per share)	**106.74**	

6.3.2. Implied premiums analysis

Looking at the VWAP periods before the media speculation surrounding the acquisition by Stanbic Holdings commenced and up to the day prior to receiving the Notice of Intention from Nedbank, we arrived at the following premiums for offer shares receiving both cash and Nedbank shares as consideration and those receiving cash only:

Table 6: Premiums at various time periods based on the estimated total consideration of KES 106.74 per share for offer shares receiving both cash and Nedbank shares as consideration

Reference window	VWAP (KES)	Implied premium
1-day (before public announcement by NCBA Group -20 Jan 2026)	**90.50**	**17.9%**
30-day average daily VWAP (4 Dec 2025 to 20 Jan 2026)	87.49	22.0%
66-day average daily VWAP (13 Oct 2025 to 20 Jan 2026)*	**84.61**	**26.2%**
90-day average daily VWAP (8 Sep 2025 to 20 Jan 2026)	84.97	25.6%
120-dayaverage daily average VWAP (28 Jul 2025 to 20 Jan 2026)	76.77	39.0%
180-day average daily VWAP (30 Apr 2025 to 20 Jan 2026)	76.57	39.4%

*Before the initial speculation around the acquisition commenced

Table 7: Premiums at various time periods based on the estimated total consideration of KES 105.0 per share for offer shares receiving only cash as consideration

Reference window	Price (KES)	Implied premium
1-day (before public announcement by NCBA Group -20 Jan 2026)	**90.50**	**16.0%**
30-day average daily VWAP (4 Dec 2025 to 20 Jan 2026)	87.49	20.0%
66-day average daily VWAP (13 Oct 2025 to Jan 2026)*	**84.61**	**24.1%**
90-day average daily VWAP (8 Sep 2025 to 20 Jan 2026)	84.97	23.6%
120-day average daily VWAP (28 Jul 2025 to 20 Jan 2026)	76.77	36.8%
180-day average daily VWAP (30 Apr 2025 to 20 Jan 2026)	76.57	37.1%

*Before the initial speculation around the acquisition commenced

The two most critical premium levels are the 1-day price (before public disclosure of the Notice of Intention by Nedbank to acquire NCBA) and the 66-day average VWAP which is the average since the initial speculation of a potential acquisition by Stanbic Holdings were first released to the public.

In our view, the most appropriate single headline metric for premium consideration would be the 66-day average VWAP, which results in a premium of 26.2% (offer shares receiving both cash and Nedbank shares as consideration) and 24.1% (offer shares receiving cash only). However, it is difficult to separate the effects of speculation surrounding the potential

acquisition by Stanbic from those of the share price uplift that has been witnessed across the banking sector stocks at the NSE. As a result, the premium offered can be considered as a range between 17.9% - 26.2% (offer shares receiving both cash and Nedbank shares as consideration) and 16.0% - 24.1% (offer shares receiving cash only). This premium, albeit modest, is reasonable and falls within the range observed in bank transactions, particularly where the consideration includes a share component.

The consideration structure also includes a fixed cash component of KES 2,100 per 100 shares, which provides partial downside protection to offer shares receiving both cash and Nedbank shares as consideration.

6.4. Tangible net asset value (TNAV) impact

As at 31 December 2025, NCBA reported total shareholders' equity of KES 127.4 billion, with intangible assets amounting to KES 7.3 billion. This results in a TNAV of KES 120.2 bn. With 1.65 bn shares outstanding as at 31 December 2025, this corresponds to a TNAV per share of KES 72.93, noting that the group does not carry material goodwill (KES 34 million) on its balance sheet.

The implied offer price of KES 106.74 per share represents a price-to-TNAV multiple of approximately 1.5x, based on the FY2025 TNAV per share of KES 72.93. This indicates that at an offer price of 1.4x book value, the offer is fairly valued.

For shareholders who do not participate in the offer, TNAV per share remains unchanged at KES 72.93, as there is no dilution arising from the transaction structure at the NCBA level.

6.5. Earnings accretion (medium-term view)

6.5.1. Earnings per share (EPS)

In FY2025, NCBA reported a total net profit after tax of KES 23.4 billion. Using the ZAR/KES exchange rate of 7.8048 as at 31 December 2025, this translates to approximately ZAR 2,997 million. In the same period, Nedbank reported a net profit after tax of ZAR 9,260 million. With 456.9 million shares outstanding, this corresponds to a standalone EPS of ZAR 20.27 without considering the merger.

To fund the share component of the transaction, Nedbank is expected to issue 43.8 million new shares, increasing its total shares outstanding from 456.9 million to 500.7 million. This means that NCBA shareholders will hold about 8.8% post the acquisition.

Following the acquisition, Nedbank will consolidate 66% of NCBA's earnings. On this basis, the earnings contribution from NCBA amounts to approximately ZAR 1,978 million (17.6% of the total Group earnings), resulting in a combined group net profit of ZAR 11,238 million based on FY2025 financials. This translates in a combined group EPS of ZAR 22.44.

Table 8: Proforma group's EPS

Year	Nedbank standalone PAT (ZAR m)	NCBA contribution at 66% (ZAR m)	Group PAT (ZAR m)	Group EPS before (ZAR)	Group EPS (ZAR) after	EPS accretion (%)
2025	9,260	1,978	11,238	20.27	22.44	10.7%

Comparing the combined Group EPS of ZAR 22.44 with Nedbank's standalone EPS of ZAR 20.70 implies an EPS accretion of approximately 10.7%. This merger is therefore immediately EPS accretive at Nedbank Group level.

6.5.2. Expected synergies and strategic benefits

In addition to the merger being EPS accretive, it is expected to generate the following synergies for shareholders:

a) **Capital and funding synergies:** NCBA is expected to benefit from access to Nedbank's balance sheet strength and credit standing, which may reduce its cost of offshore funding over time. NCBA currently carries borrowings from KMRC, AFD, Proparco, TMRC, Rwanda Development Bank, and the European Investment Bank at margins ranging from 0.8% to 2.81% above SOFR and Euribor. Membership in the Nedbank Group may enable NCBA to access lower-cost funding.

b) **Revenue and business synergies:** Nedbank's corporate and investment banking capabilities, particularly in cross-border structuring, trade finance, and pan-African corridor business, complement NCBA's established retail and SME franchise in East Africa. NCBA is also expected to generate modest incremental revenue post-transaction, driven by cross-referrals of corporate clients and enhanced product offerings. No cost synergies from staff rationalization or branch closures are assumed, as Nedbank does not propose any material changes to NCBA's existing operations, and NCBA is expected to remain Kenyan-led and managed.

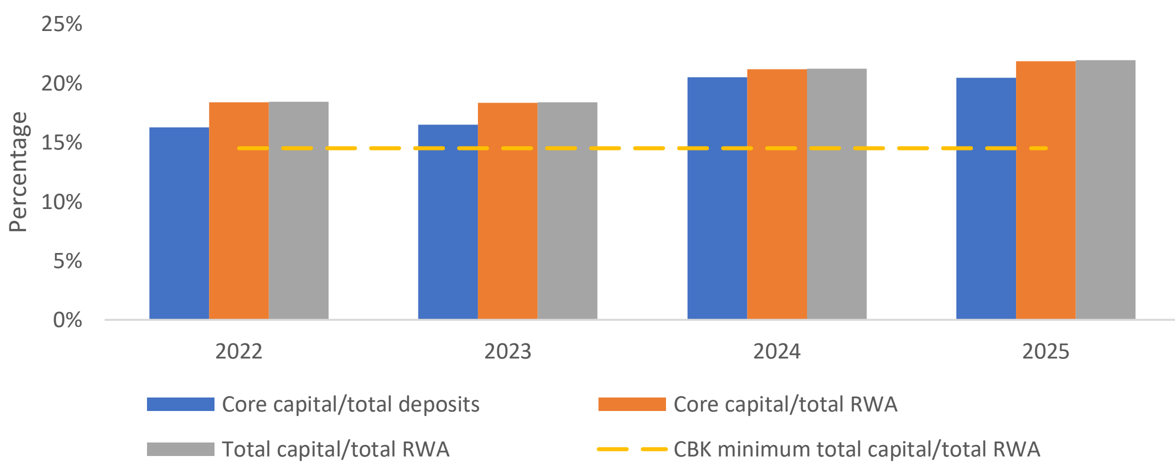
c) **Technology and shared services:** Over the longer term, the sharing of technology platforms and back-office infrastructure is expected to provide opportunities for efficiency gains.

However, the realisation of these synergies will be highly dependent on the effective implementation of the Transaction.

6.6. Capital adequacy implications

Between 2021 and 2025, NCBA has maintained a strong and improving capital position, with core capital to risk-weighted assets (RWA) increasing from 18.4% to 21.9%. Similarly, total capital to total RWA rose from 18.4% to 21.9%, while core capital to total deposits improved from 15.1% to 20.5%.

Figure 24: NCBA capital adequacy ratios



Source: Company reports, internal analysis

Nedbank's offer does not directly impact NCBA's capital structure, as the transaction does not involve the issuance of new shares or the assumption of additional debt. Consequently, NCBA's capital adequacy will continue to be driven by retained earnings and RWA growth, within the regulatory framework set by the CBK.

NCBA remains well capitalized relative to regulatory thresholds, with a core capital ratio of 21.9% in FY2025, providing a buffer of a significant 11.4% above the CBK minimum requirement of

10.5%. This substantial headroom provides resilience against potential downside risks, including accelerated RWA growth or earnings compression.

As part of the transaction terms, Nedbank requires NCBA to maintain a minimum capital adequacy ratio of 17.5% during the Interim Period. NCBA's current CAR of 21.9% implies a headroom of approximately 440 basis points, indicating that NCBA is comfortably positioned to meet this condition without constraining operations or growth.

NCBA's strong capital position reduces transaction risk, supports balance sheet flexibility, and ensures that NCBA can sustain growth and absorb potential shocks without breaching regulatory or transaction-specific capital requirements.

7. GOVERNANCE AND SHAREHOLDER PROTECTIONS POST TRANSACTION

Following the completion of the Transaction, Nedbank will assume the position of majority shareholder in NCBA. This change in shareholding structure reflects a significant strategic investment and underscores Nedbank's long-term commitment to the growth and stability of NCBA. The Transaction has considered the governance and shareholder protections post-transaction.

7.1. Governance structure post-transaction

Nedbank's intention is for the principal business of NCBA and its subsidiaries to continue with their current operations. Nedbank does not currently propose any material changes to the nature of NCBA's existing business operations and the combination will allow NCBA to retain its independent governance structures, local leadership, brand identity and NSE listing. The current framework of accountability, oversight and risk management within NCBA will remain intact, ensuring continuity of governance standards. Board independence and the integrity of the board committees, will be preserved to safeguard shareholder interests and maintain transparency.

7.2. Shareholder protections post-transaction

Post-transaction shareholder rights will remain fully safeguarded, regardless of whether shareholders choose to participate in the Offer or not.

- **Shareholders who <u>accept</u> the Offer**

NCBA shareholders who take up the Offer and are allotted Nedbank shares, while retaining a portion of their NCBA shares, will benefit from the protections and entitlements provided under both the Kenyan law and South African law given the cross jurisdictional listings of Nedbank and NCBA. This dual legal framework ensures that their rights are preserved, including voting rights, dividend entitlements and equitable treatment under the applicable legal framework in place.

- **Shareholders who do not take up the Offer**

NCBA shareholders who choose not to take up the Offer will continue to enjoy all rights and protections guaranteed under Kenyan law. Their interests will remain safeguarded through the Kenyan legal framework, including their rights relating to dividends, voting, and fair treatment under the Companies Act and relevant regulatory frameworks.

This will ensure that all shareholders, whether they participate in the Offer or not, retain strong and enforceable protections under the established legal and regulatory framework. The Transaction therefore provides continuity, legal certainty and equitable treatment across the shareholder base.

8. REGULATORY OVERSIGHT IN BOTH JURISDICTIONS

	Nedbank Group Limited	**NCBA Group PLC**
Banking regulator	South Africa Reserve Bank	Central Bank of Kenya
Capital markets regulator	Financial Sector Conduct Authority	Capital Markets Authority
Exchange listed on:	**Primary listing:** Johannesburg Securities Exchange **Secondary listing:** Namibia Securities Exchange	Nairobi Securities Exchange

9. KEY RISKS

9.1. Country risks

Economic Risks

Prior to completion, the Transaction is exposed to the prevailing economic conditions in both

South Africa and the key markets in which NCBA operates, including Kenya, Uganda, Tanzania, Rwanda, Côte d'Ivoire, and Ghana. Any deterioration in macroeconomic conditions, such as slowing GDP growth, inflationary pressures, or tightening liquidity could affect investor sentiment, banking sector stability, and ultimately the attractiveness of the Transaction.

Regulatory Risks

The Transaction requires approvals from multiple regulators across different jurisdictions, each with its own processes, timelines, and requirements. This includes capital markets, banking, and competition authorities. The need to coordinate across these regulators introduces execution risk, as delays, conditional approvals, or additional compliance requirements may arise.

There is also the possibility that regulators may impose conditions that affect the structure or timing of the Transaction, particularly given the cross-border nature and the change in control implications.

Political and Policy Risks

Changes in government policy, shifts in political priorities, or election-related uncertainty may influence regulatory decision-making or market sentiment during the Transaction period.

In addition, there is a risk of policy intervention in the financial services sector. Governments may introduce new measures such as changes in banking regulations, taxation, or foreign investment rules that could affect the transaction.

9.2. Currency Risks

Currency risk arises from fluctuations in the exchange rate between the Kenyan Shilling (KES) and the South African Rand (ZAR), as Nedbank shares are quoted, traded, and pay dividends in ZAR. As a result, the KES equivalent value of dividends, investment holdings, and sale proceeds will vary depending on prevailing exchange rates, with ZAR depreciation reducing returns and appreciation enhancing them. This exposure is an inherent feature of cross-border investments and introduces potential variability in returns and will affect Accepting Shareholders who will be allocated Nedbank Shares post-transaction.

9.3. Synergy execution risk

The realisation, timing, and quantum of the synergies are inherently uncertain and subject to how well NCBA is integrated into the overall architecture of Nedbank.

10. LIQUIDITY OF NEDBANK SHARES LISTED ON THE JSE

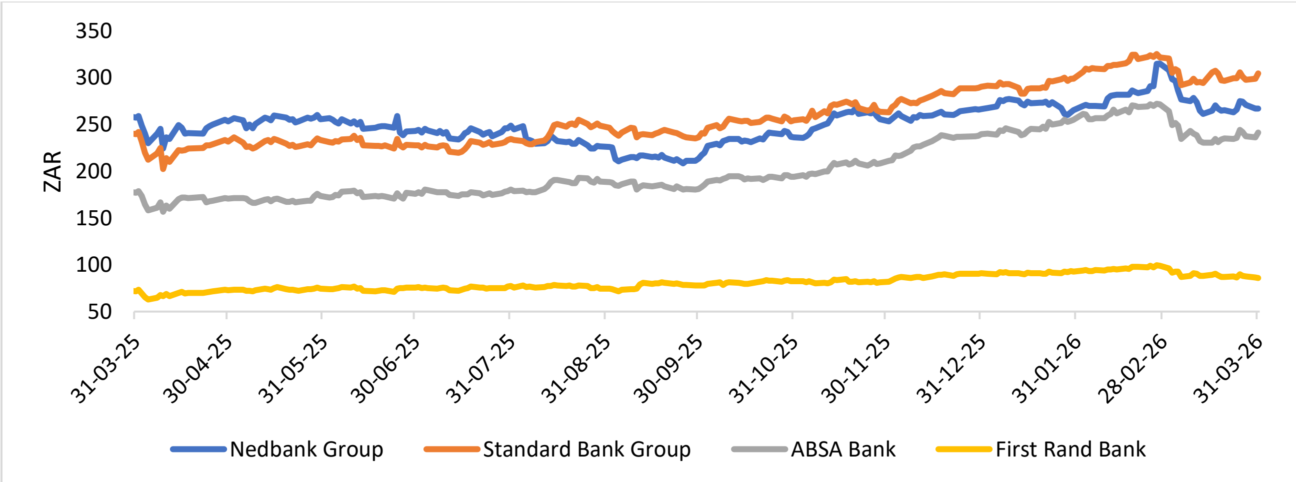
Nedbank Shares Performance

Nedbank shares have exhibited relatively stable performance, increasing by 2.8% year-on-year. On a year-to-date basis, however, the share price has declined by 0.6% to ZAR 265.6, representing a modest correction following a high of ZAR 315.0 reached on 27 February 2026. The recent pullback is broadly in line with softer performance across large-cap financial stocks and reflects a degree of profit-taking after the strong rally coming into early 2026 and recent global geopolitical events

Nedbank's liquidity profile is supported by its substantial free float relative to total shares outstanding. With 477,272,628 shares in issue and a free float of 460,141,447 shares (representing approximately 96.4% of total shares outstanding), Nedbank exhibits a high proportion of shares available for public trading.

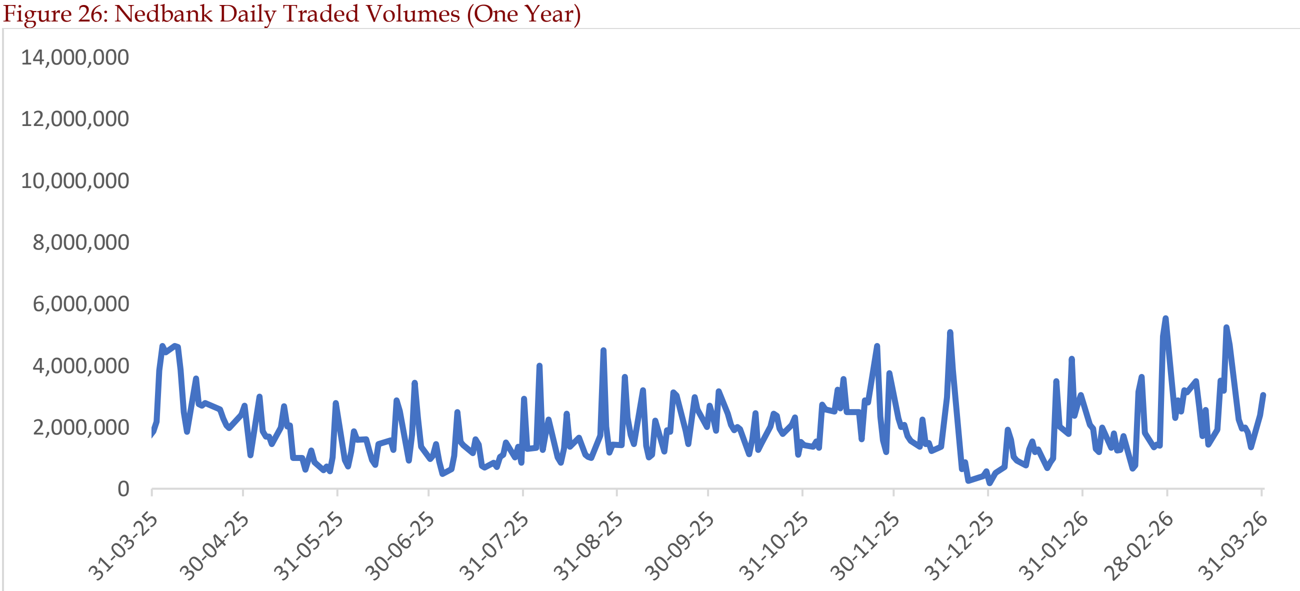
In terms of trading activity, Nedbank recorded an average daily volume of approximately 1.9 million shares over a one-year period ending on 24 March 2026, relative to an overall average of 273.9 million shares traded daily on the FTSE/JSE All Share Index during the same period. Within its peer group, Nedbank ranks fourth by volumes, behind FirstRand Limited, Standard Bank Group and Absa Group, which recorded average daily trading volumes of approximately 14.4 million shares, 3.4 million shares and 3.0 million shares, respectively.

Figure 25: Share Price Movement of Nedbank vs a Selection of Other Banking Peers



Source: Bloomberg

Figure 26: Nedbank Daily Traded Volumes (One Year)



Source: Bloomberg

11. LISTING, DISCLOSURE AND CONTINUING OBLIGATIONS

As a company listed on the JSE, Nedbank is subject to the JSE Listings Requirements, which prescribe the continuing disclosure and reporting obligations applicable to listed issuers. These continuing obligations are designed to promote transparency, maintain market integrity, and ensure that all investors have timely and equal access to material information relating to listed

companies. For the full JSE regulatory framework, please visit:
https://www.jse.co.za/regulation/companies-issuer-regulation

Summary of continuing obligations pertaining to shareholders.

- **Dividends and distributions**

An issuer listed on the JSE is obliged to announce all dividend and distribution decisions, providing shareholders with full disclosure of the type, tax treatment, source, and relevant corporate details, issuing circulars for scrip and capitalisation distributions, and making immediate SENS disclosures where a decision not to declare dividends constitutes price-sensitive information.

- **Disclosure of Financial Results**

Issuers are obliged to release financial results and reports through SENS in accordance with JSE requirements and South African legislation, ensuring timely publication of annual, interim, and restated results, accompanied by full disclosure of changes, auditor reports, and shareholder information via JSE Cloudlink and circulars where applicable.

- **Rights between holders of securities/shareholders**

An issuer must treat all shareholders holding the same class of securities fairly and equally, ensuring that no group is disadvantaged or given preferential treatment over others in the same position.

- **Communication with holders of securities/shareholders**

Issuers are obliged to communicate with shareholders in English through SENS announcements, supplemented where required by press notices in widely circulated newspapers, ensuring shareholders receive timely and practical information to exercise their rights, with short-form press releases highlighting key financial details and directing stakeholders to the full announcements on SENS and the issuer's website.

12. DIVIDEND FLOWS, CAPITAL REPATRIATION AND TAX CONSIDERATIONS FOR KENYAN SHAREHOLDERS

This section evaluates the cross-border implications arising from the proposed Transaction with a specific focus on Kenyan shareholders.

Dividend Flow Considerations

Dividend considerations are an important aspect of this Transaction, as they impact both categories of Accepting Shareholders. During the dividend parity period, both cash and mixed consideration Accepting Shareholders will be affected if the book closure date of either Nedbank or NCBA falls within the period. Additionally, post-offer, the mixed consideration Accepting Shareholders will retain a portion of their holdings in NCBA while also being allocated Nedbank shares, thereby giving rise to future dividend entitlements from both entities.

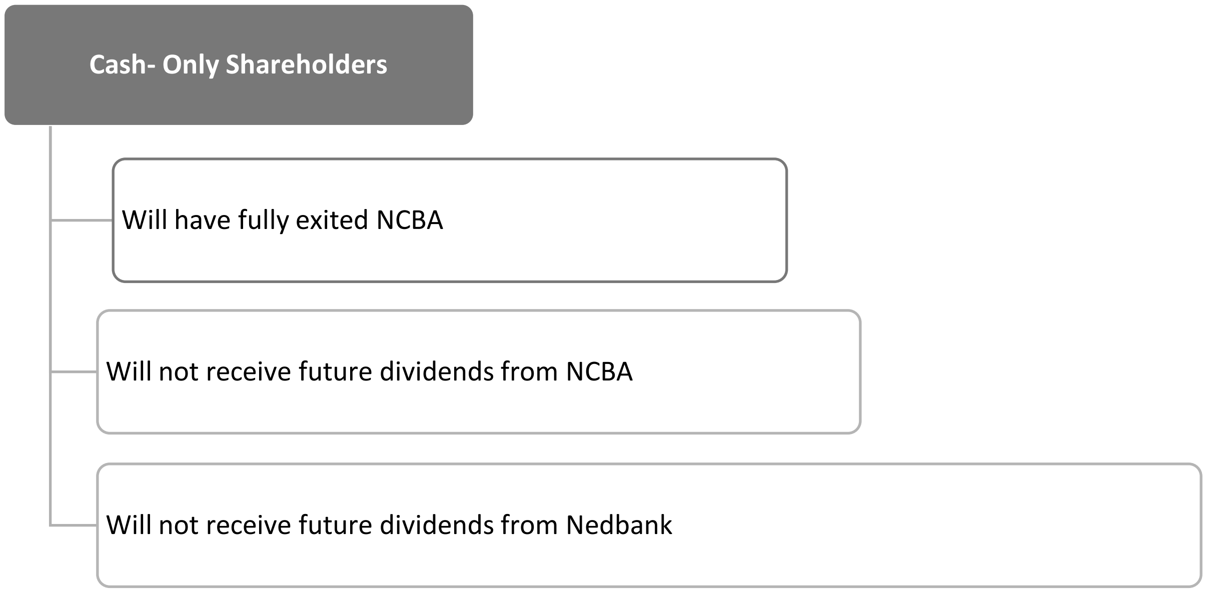
Dividend Parity – Detailed Scenario Analysis

The Offer includes a dividend parity mechanism, the objective of which is to ensure that Accepting Shareholders receive the economic benefit of either an NCBA dividend or a Nedbank dividend relating to the same financial period, but not both.

Scenario	**Settlement date (the date the dividend parity period begins)**	**Cash Consideration Impact**
Before both book closure dates	Settlement date occurs before both book closure dates	No adjustment
After both book closure dates	Settlement date occurs after both book closure dates	No adjustment
Between book closure dates (NCBA first)	Settlement date occurs after NCBA book closure date, before Nedbank book closure date	Cash consideration reduced by Nedbank dividend, however, such reduction shall not apply to NCBA Shareholders that are not eligible to receive Nedbank Shares
Between book closure dates (Nedbank first)	Settlement date occurs after Nedbank book closure date, before NCBA book closure date	Cash consideration increased by NCBA dividend

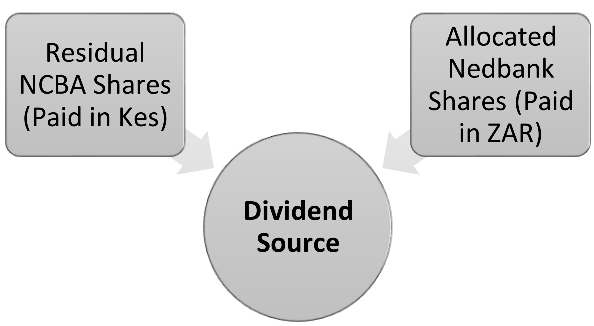
Post-Transaction Dividend Treatment

i. Cash-Only Shareholders



ii. Mixed Consideration Shareholders

Accepting Shareholders who will receive the Cash Portion and the Share Portion will receive future dividends from NCBA and Nedbank:



The Accepting Shareholders will have exposure to different dividend policies, currency fluctuations (ZAR/KES) and ongoing tax and repatriation considerations.

Tax Considerations for Kenyan Shareholders on Dividends and Capital Gains

Dividends from NCBA (Kenya)

Dividends in Kenya are taxed in accordance with the Income Tax Act (Cap 470). Under the Act, a 5% withholding tax applies to all Kenyan shareholders. This tax treatment is straightforward and predictable, and generally, no additional tax obligations arise for individual shareholders.

Dividends from Nedbank (South Africa)

Kenya and South Africa have a Double Taxation Relief (South Africa Notice, 2014), which is designed to protect investors from being taxed twice on the same income. In South Africa, the typical withholding tax rate on dividends is 20%, which applies to all Nedbank shareholders.

This treatment applies to Accepting Shareholders eligible to receive more than 200 Nedbank shares, regardless of whether they:

- Elect to be placed under a nominee account,
- Are defaulted to a nominee account, or
- Opt to open a CSDP account independently.

For illustration purposes, below is the effective Dividend Tax Position

Dividend Source	Tax in South Africa	Tax in Kenya	Effective Tax
NCBA	N/A	5%	5%
Nedbank	20%, less 10% credit under DTA	N/A	10%

Capital Gains Tax Considerations

Capital gains taxation in Kenya is governed by the Income Tax Act (Cap 470), which generally imposes tax on gains arising from the disposal of property. However, under current Kenyan tax legislation, capital gains arising from the disposal of shares listed on the NSE are exempt from Capital Gains Tax.

Accordingly, any proceeds from the sale of NCBA shares post-transaction will not attract CGT, providing investors with certainty regarding taxation on the disposal of their holdings.

For investors who will hold Nedbank shares post-transaction, no capital gains tax will generally apply in South Africa for non-resident investors, meaning that any future disposal of these shares by eligible non-resident shareholders will not attract CGT under South African tax law.

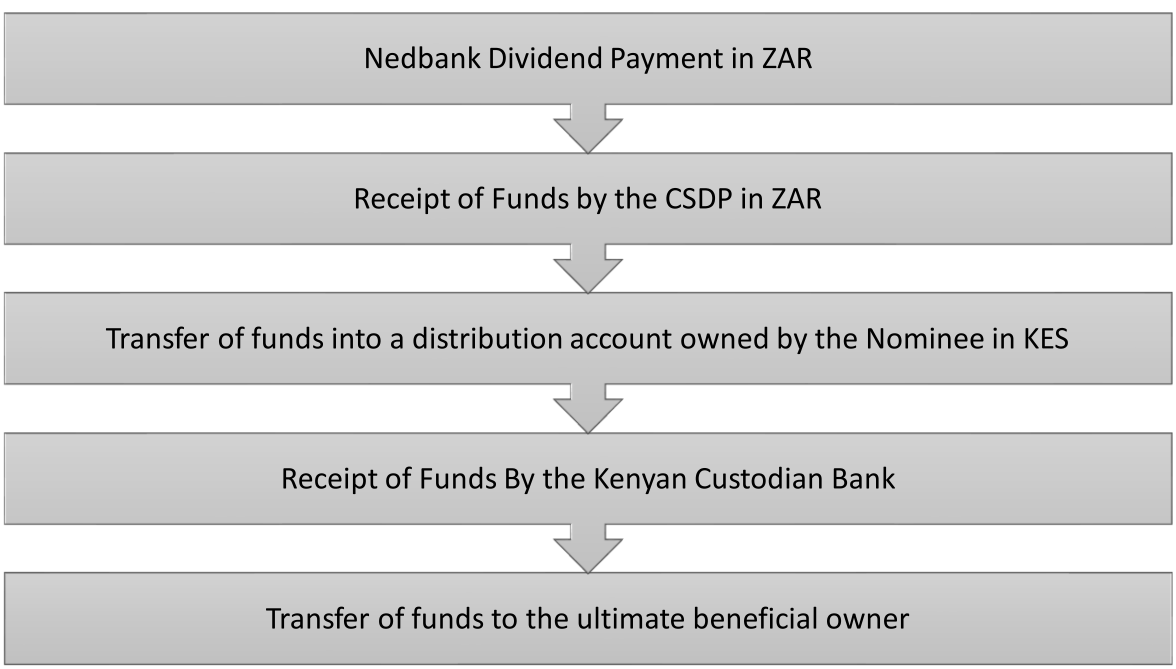
Capital Repatriation Considerations

a) Dividend Repatriation

<u>Nominee Account (default or elected)</u>

- Dividends declared by Nedbank will be paid in South African Rand (ZAR) to the custodian holding the shares on behalf of investors.
- Nedbank will cover any bank charges, ensuring that investors receive the full dividend they are entitled to.
- The dividend will be converted into Kenyan Shillings (KES) at the prevailing exchange rate on the date of conversion.

The dividend repatriation process for those who elect or are defaulted into the nominee account is as follows.

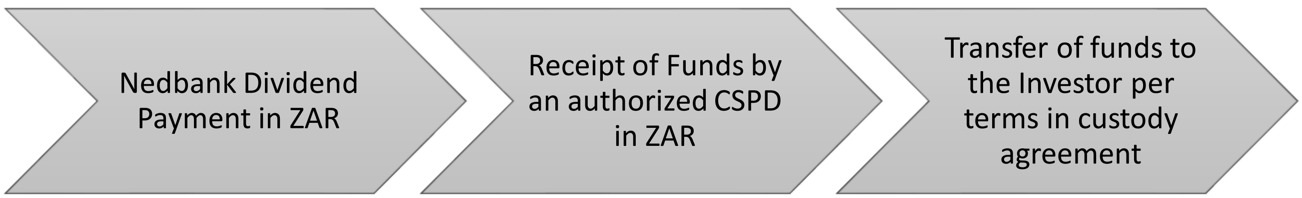


CSDP Account (investors holding shares directly)

- Dividends will be paid directly to the investor by the CSDP
- Dividend will be paid in accordance with the custody agreement entered into between the CSDP and the shareholder

Note: *The final amount in KES may be impacted by exchange rate fluctuations where applicable.*

Below is an illustration of the dividend repatriation process for those who opt to open a CSDP account.

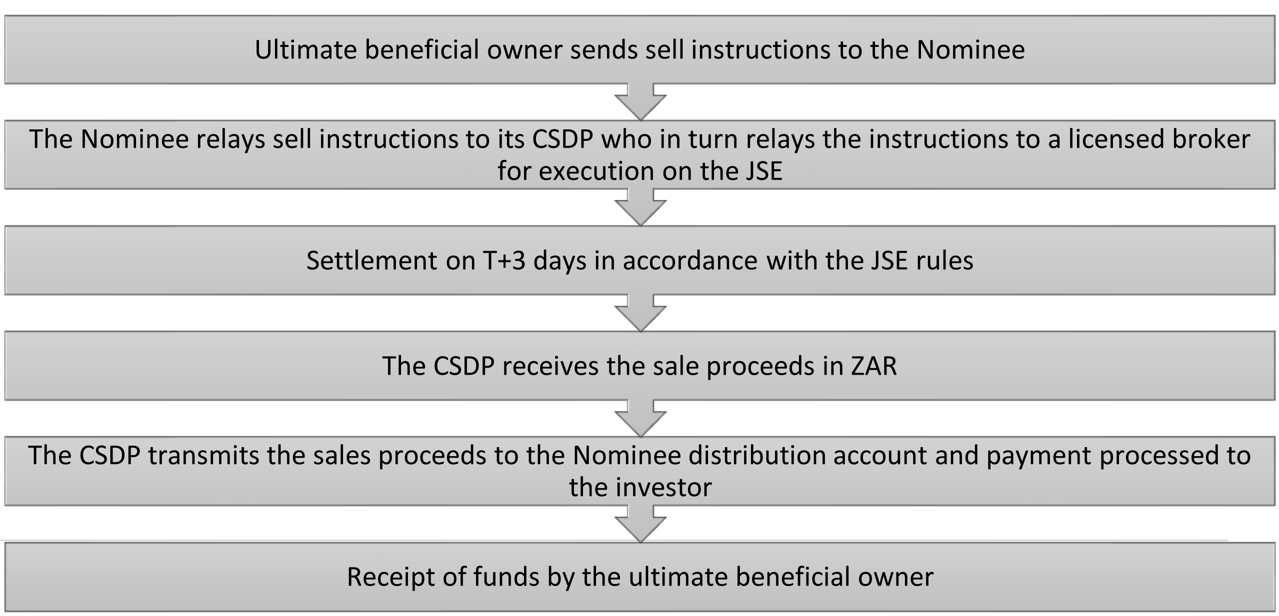


b) Capital Repatriation (Sales Proceeds)

Nominee Account

- When an investor sells Nedbank shares, the trade is executed through a licensed broker.
- Settlement occurs via Strate, the South African central securities depository.
- Proceeds in ZAR are received by the CSDP, who converts them into KES and transfers them to the Nominee's bank account.
- Payment to the investor is effected from the Nominee bank account

Below is the capital repatriation process for the sale proceeds for nominee account holders;

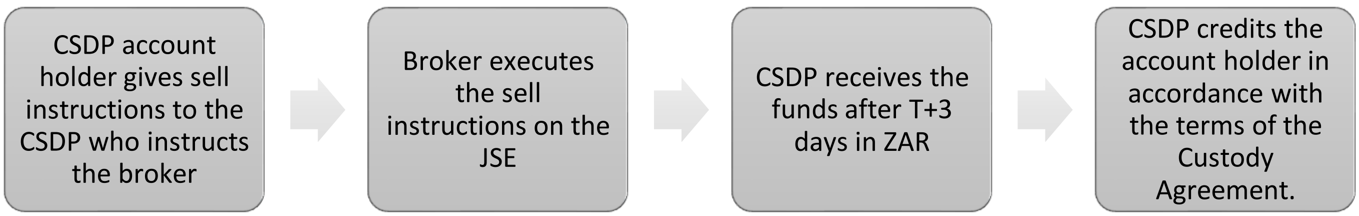


CSDP account

- Investors who hold shares directly in a CSDP account sell their shares through a broker connected to Strate.
- Proceeds are paid in accordance with the terms of the custody mandate between the CSDP and investor.

Note: Currency fluctuations and timing differences between sale execution, settlement, and conversion may affect the final amount received.

Below is the capital repatriation process on the sales proceeds for CSDP Account holders.



13. SETTLEMENT AND CUSTODY ARRANGEMENTS FOR ANY SHARES ISSUED

Settlement of the consideration payable to Accepting Shareholders is structured in accordance with the terms of the Offer and is contingent upon the Offer becoming or being declared unconditional in all respects. Upon satisfaction of the conditions of the Offer, settlement will be done from the tenth trading day after the Settlement Date.

The settlement framework provides that all Accepting Shareholders will receive full consideration strictly in accordance with the terms of the Offer, including the dividend parity provisions. Importantly, Nedbank has explicitly undertaken not to reduce, withhold, delay, or otherwise adjust the consideration payable on account of any lien, set-off, counterclaim, or similar right. This provision enhances payment certainty and mitigates counterparty risk, which is a positive feature from a minority shareholder protection perspective.

Settlement of the Share Portion Process

Accepting Shareholder	•Shareholders agree to the terms of the offer.
Share consideration	•Accepting Shareholders entitled to 200 or more Nedbank shares will receive the Share Portion.
CSDP/Nominee Account	•Qualifying Accepting Shareholders will be required to open a CSDP account. •In the event that a shareholder does not meet the prescribed timeline for opening a CSDP account, their entitlement will be held in a nominee account on their behalf.
Registrar	•The registrar ensures that each shareholder receives their correct entitlement in their respective CSDP accounts •The registrar is also responsible for ensuring that the nominee account is credited with the appropriate consideration.
Shares creditied	•The respective share allocations are credited to the designated CSDP accounts and the nominee account.

14. REGULATORY DISCLOSURES

14.1. Nedbank's Intentions

14.1.1. <u>Business continuity and strategic changes</u>

Based on the information contained in the Offer Document, Nedbank has indicated that its intention is for NCBA and its subsidiaries to continue with their current operations. Further, Nedbank has stated that it does not currently propose any material changes to the nature of NCBA Group's existing business operations and intends to support the continued growth and development of the NCBA Group in line with its strategic objectives. NCBA will become a major subsidiary of Nedbank and the cornerstone of Nedbank's East Africa strategy and operations. In addition, Nedbank has stated that NCBA shall continue to be listed on the NSE.

14.1.2. Rationale for acquisition

Nedbank has stated that through the Transaction, it is executing on its communicated strategy to diversify and grow its presence in Africa, with a focus on the Southern African Development Community (SADC) and East Africa regions. Nedbank also stated that NCBA's strong brand, regional network, digital capabilities and deep customer reach naturally align with Nedbank's established corporate and investment banking expertise, cross-border structuring capabilities, and strong balance sheet. Further, Nedbank believes that there is a compelling synergistic fit in terms of culture, focus on quality, product offerings and digital innovation. In this regard, Nedbank considers NCBA is a highly suitable partner to support the execution of its strategy to expand into Kenya and East Africa.

14.1.3. Employee impact

Nedbank has stated that it does not propose to change the existing contractual and statutory employment rights of the NCBA employees which will remain in full force in accordance with applicable laws. Nedbank expects that the NCBA management and employees will play an important role in the future development of the enlarged group.

Nedbank’s intention is to maintain NCBA as Kenyan-led and managed, with Nedbank providing capital and strategic input to enable NCBA to continue and potentially accelerate its growth trajectory.

14.2. Assessment of the Offer

We have evaluated the terms of the Offer and performed such analyses as we considered necessary, including valuation analyses based on discounted cash flow, comparable companies, and precedent transactions. Based on and subject to the assumptions set out in this Circular, we are of the opinion that the Offer is fair and reasonable, supported by valuation, premiums, fair book value pricing, accretion, and synergies in complementary strengths. For more details refer to the chapters on *Valuation of NCBA* and *Assessment of the Consideration*. In addition, we confirm that the Offer Document shared does not contain any profit forecasts in respect of the Offeree.

14.3. Shareholding and director interests

14.3.1. NCBA's holdings in Nedbank

NCBA does not hold directly or indirectly any voting shares or convertible securities in Nedbank.

14.3.2. NCBA Director holdings

The following NCBA directors currently hold direct or indirect interest in the number of NCBA shares indicated beside their names.

	Name	Number of Shares
1.	Muhoho Kenyatta	227,395,137
2.	Andrew S. M. Ndegwa	77,660,683
3.	James P. M. Ndegwa	76,619,666
4.	Desterio A. Oyatsi	26,000,000
5.	John Gachora	2,364,255
6.	John S. Armitage	1,746,370
7.	Esther N. Ngaine	648,980
8.	David Abwoga	9,108

Save for the above, no other NCBA shares or similar interests are held by or on behalf of any other directors of NCBA.

14.3.3. Director intentions

The above NCBA directors have confirmed that they intend to accept the Offer in respect of their legal and beneficial equity interests.

14.3.4. NCBA Directors' interests in Nedbank

The NCBA directors do not hold any Nedbank shares or similar interests in Nedbank.

14.3.5. Dealings Disclosure

During the period between 28th November 2025 to date, other than the transactions below, there have been no other transactions involving NCBA shares undertaken by any of the NCBA directors.

Registration Date	Settlement Date	Account Name	Quantity	Price (KES)

04/12/2025	09/12/2025	Kestrel Capital Nominee Services Limited A/C 12	38,109	78
11/12/2025	17/12/2025	Kestrel Capital Nominee Services Limited A/C 12	3,636	78.75
11/12/2025	17/12/2025	Kestrel Capital Nominee Services Limited A/C 12	19,840	79
15/12/2025	18/12/2025	Kestrel Capital Nominee Services Limited A/C 12	20,737	79.5
16/12/2025	19/12/2025	Kestrel Capital Nominee Services Limited A/C 12	7,675	80
17/12/2025	22/12/2025	Kestrel Capital Nominee Services Limited A/C 12	200	79.75
17/12/2025	22/12/2025	Kestrel Capital Nominee Services Limited A/C 12	4,090	80
17/12/2025	22/12/2025	Kestrel Capital Nominee Services Limited A/C 12	25,170	84
18/12/2025	23/12/2025	Kestrel Capital Nominee Services Limited A/C 12	6,640	84.75
18/12/2025	23/12/2025	Kestrel Capital Nominee Services Limited A/C 12	2,890	85
18/12/2025	23/12/2025	Kestrel Capital Nominee Services Limited A/C 12	10,679	86.75
18/12/2025	23/12/2025	Kestrel Capital Nominee Services Limited A/C 12	24,000	89.75
19/12/2025	24/12/2025	Kestrel Capital Nominee Services Limited A/C 12	157,490	89
19/12/2025	24/12/2025	Kestrel Capital Nominee Services Limited A/C 12	16,305	88.75
19/12/2025	24/12/2025	Kestrel Capital Nominee Services Limited A/C 12	648	88
02/12/2025	05/12/2025	D&M Management Services LLP	7,587	79
02/12/2025	05/12/2025	D&M Management Services LLP	3,813	80
20/01/2026	23/01/2026	D&M Management Services LLP	100,000	90

14.4. NCBA directors' service contracts

The table below shows the total remuneration for the Group Chairman and Non-Executive Directors for the year ended 31 December 2025.

Name	Date of appointment	Role	Committee Memberships	Total Remuneration (KES 000)
James Ndegwa	2003	Group Chairman – Non-Executive		7,550
Desterio Oyatsi	2019	Deputy Group Chairman – Independent Non-Executive	Chairman, Governance and Nominations Committee; Chairman, Executive and Strategy Committee; Human Resources Committee	7,200
Abdirahin Abdi	2019	Independent Non-Executive	Chairman, Audit and Risk Committee	15,795
Mariam Abdullahi	2024	Independent Non-Executive	Chairman, Information Communications and Technology Committee; Governance and Nominations Committee	4,590
Stuart Armitage	2019	Non-Executive	Executive and Strategy Committee	7,680
Muhoho Kenyatta	2025	Non-Executive	Executive and Strategy Committee	4,780
Philip Lopokoiyit	2018	Independent Non-Executive	Chairman, Human Resources Committee; Audit and Risk	10,877

			Committee; Governance and Nominations Committee	
Andrew Ndegwa	1997	Non-Executive	Executive and Strategy Committee	9,900
Esther Ngaine	2014	Non-Executive	Governance and Nominations Committee	16,679
Kairo Thuo	2024	Independent Non-Executive	Audit and Risk Committee	5,220

Note: In relation to the Director term limits, Independent Directors may serve for a maximum of six years, or up to nine years for those who were appointed prior to the adoption of the CMA (Public Offers, Listing & Disclosures) Regulations,2023. Other Non-Executive Directors retire by rotation in line with the Company's Memorandum and Articles of Association and, upon recommendation by fellow board members, may offer themselves for re-election at the Annual General Meeting.

The table below shows the total remuneration for the Executive Directors for the year ended 31 December 2025.

Name	**Role**	**Total Remuneration (KES 000)**
John Gachora	Group Managing Director - Executive	220,165
David Abwoga	Executive Director	55,291

14.5. Amendment of NCBA directors' service contracts

There have been no amendments to the NCBA directors' service contracts within the past six months.

14.6. Disclosure of interest held by Faida Investment Bank and its employees in NCBA

Name of Person/Entity	**Relation to Faida**	**Number of shares in NCBA**
1. Oak Multi Asset Special Fund (KES)	Faida is the Fund Manager	748,943
2. James Ngugi Waweru	Employee	1,100
TOTAL		**750,043**

15. INDEPENDENT FAIRNESS AND REASONABLENESS OPINION

15.1. Key considerations

15.1.1. Valuation consideration

Our independent valuation of NCBA using multiple methodologies indicates:

- A valuation range of between KES 79.00 – 119.60 per share
- A weighted fair value of KES 91.56 per share

The offer price represents a 15% - 17% premium to the intrinsic value and sits at the upper end of the valuation range (considering offer shares receiving both cash and Nedbank shares and those receiving cash only)

15.1.2. Premium analysis

Implied premiums to unaffected prices were as follows:

- 17.9% - 26.2% (offer shares receiving both cash and Nedbank shares)
- 16.0% - 24.1% (offer shares receiving cash only)

These premiums are within acceptable ranges for banking and mergers and acquisitions in Kenya and comparable markets.

15.1.3. Exchange ratio assessment

The implied all-share swap ratio comes to 5.02 Nedbank shares per 100 NCBA shares, while the computed benchmark share ratio stands at about 4.25 shares.

The exchange ratio provides favourable relative value to NCBA shareholders

15.1.4. Financial impact

Based on our analysis, we determine that the deal is EPS accretive, to the tune of about 10.7% to the combined entity. In addition, there are potential capital adequacy and balance sheet resilience benefits post-Transaction.

15.1.5. Strategic rationale

The Transaction brings together two entities that have complementary strengths. To NCBA and its shareholders, it positions the bank as a regional East African platform, enhances access to capital, trade finance, and cross-border capabilities. In addition, it maintains local listing and operational continuity, thereby preserving the local identity.

15.1.6. Governance and shareholder protection

Nedbank has affirmed its commitment to preserving NCBA's existing managerial and governance structures, thereby ensuring uninterrupted business continuity and stability.

Additionally, shareholder protection is robust, with dual safeguards under Kenyan and South African law. Shareholder rights are comparable under the Companies Acts of both jurisdictions, ensuring consistency in protections. Shareholders who accept the Offer benefit from protections under both jurisdictions, while those who decline remain fully protected under Kenyan law.

15.1.7. Regulatory oversight

Both NCBA and Nedbank have strong regulatory track records, reinforcing confidence in compliance and oversight. Nedbank's listing on the JSE subjects it to rigorous disclosure obligations, promoting transparency and equal access to information.

15.1.8. Liquidity

The liquidity of Nedbank shares on the JSE enhances shareholder flexibility by enabling investors to realise their investments.

15.1.9. Cross-border consideration

Dividend and capital repatriation mechanisms are well established, providing predictable flows to Kenyan shareholders. In Kenya, dividends paid to resident shareholders are subject to a 5% withholding tax. However, dividends from Nedbank to Kenyan shareholders will be subject to a 10% withholding tax under the Kenya–South Africa Double Taxation Agreement. While this is higher than the Kenyan domestic withholding tax rate, it remains significantly lower than the 20% rate that would have applied in the absence of the tax treaty.

15.2. Our opinion

Based on the foregoing, we believe that the consideration being offered to NCBA Group shareholders is both fair from a financial standpoint, as well as reasonable.

15.3. Our recommendation

It is our considered opinion that the Board may reasonably recommend the Transaction to shareholders of NCBA, subject to individual investment objectives and risk preferences.