

FAMILY BANK



With you, for life

INFORMATION MEMORANDUM

2023 EXTRA ORDINARY GENERAL MEETING



Family Bank is regulated by the Central Bank of Kenya





Family Bank Limited
Incorporated in Kenya under the Companies Act, 2015
(Registration Number 34/2007)

Information Memorandum
October 2023



In respect of

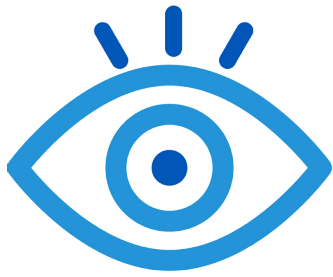
**Rights Issue of 643,553,771 New Ordinary Shares at an Offer Price of KES 14.50 per share in the ratio
of 1 New Ordinary Shares for every 2 Ordinary Shares held**

Strictly Private and Confidential

This is not an invitation to the public but to Family Bank Limited members only

**THIS INFORMATION MEMORANDUM IS ONLY MEANT FOR THE PERSON TO WHOM IT HAS BEEN
ADDRESSED AND IS STRICTLY NOT FOR THE USE OR CONSIDERATION OF ANY OTHER PERSON**

Lead Arranger and Placing Agent	
	
Receiving Bank	Legal Advisors
	
Registrar	
	



VISION

“To be the financial institution that leads in the positive transformation of people’s lives in Africa.”



MISSION

“We positively transform people’s lives by providing quality financial services through innovative, efficient and reputable practices.”



OUR CORPORATE VALUES

- Winning Together
- Self Belief
- Transparency
- Humility

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1 Important Notice

THIS DOCUMENT IS IMPORTANT FOR CONSIDERING WHAT ACTION TO TAKE AND REQUIRES YOUR CAREFUL ATTENTION AS IT INCLUDES LEGAL, MARKET AS WELL AS HISTORIC, CURRENT AND FUTURE FINANCIAL INFORMATION

This Information Memorandum contains information that is provided in compliance with the requirements of the Companies Act, 2015.

This Information Memorandum is issued by Family Bank Limited (“**Family Bank**” or “**the Bank**” or “**the Issuer**” or “**the Company**”) and has been prepared in respect to an invitation to Eligible Shareholders and Rump Investors to subscribe for New Shares in Family Bank under the terms outlined herein being issued under Family Bank’s capital raising exercise (the “**Rights Issue**”) and subsequent trading of the New Shares on the Over The Counter platform (“**OTC**”). This follows approval of the Rights Issue by the Board and shareholders through resolutions dated 13th September, 2023 and 18th October, 2023 respectively.

If you are in doubt as to the meaning of the contents of this Information Memorandum or as to what action to take, please consult your investment bank, financial advisor, stockbroker or other professional advisor, who specializes in advising on the acquisition of shares and other securities.

If you have sold or transferred all your ordinary shares in Family Bank, please forward this Information Memorandum and the Entitlement and Acceptance Form to the purchaser or transferee.

Pursuant to section 338(2) of the Companies Act, this is a Rights Issue where the applicant has the right to renounce in favour of other persons and relates to shares that are to be in all respects uniform with shares previously issued; therefore, this Information Memorandum may not contain all the information generally required of a prospectus or form of application.

Directors’ Responsibility

The individual members of the Board of Directors of Family Bank (the “**Directors**”) being the persons named in Section 10.7 (Board of Directors) of this Information Memorandum have taken all reasonable care to ensure that the facts stated and the opinions expressed herein are true and accurate in all material respects, and there are no other material facts the omission of which would make any statement herein, whether of fact or opinion, misleading. All the Directors of Family Bank accept responsibility accordingly.

Legal Advisor’s Opinion

Mboya Wangong’u & Waiyaki Advocates, the Legal Advisors, have given and not withdrawn their written consent to the inclusion in this Information Memorandum of their Legal Opinion (attached as an Appendix), and the references to their names, in the form and context in which they appear, and have authorized the contents of the said Legal Opinion.

Forward-looking statement

This Information Memorandum contains “forward-looking statements” relating to the Company’s business. These forward-looking statements can be identified by the use of forward-looking terminology such as “believes”, “expects”, “may”, “is expected to”, “will”, “will continue”, “should”, “would be”, “seeks” or “anticipates” or similar expressions or the negative thereof or other variations thereof or comparable terminology, or by discussions of strategy, plans or intentions. These statements reflect the current views of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions. Many factors could cause the actual results, performance or achievements of the Company to be materially different from the future results, performance or achievements that may be expressed or implied by such forward-looking statements. Some of these factors are discussed in more detail under “Risk Factors” and “Business Overview”. Should one or more of these risks or uncertainties materialize, or should underlying assumptions prove incorrect, actual results may vary materially from those described in this Information Memorandum as anticipated, believed, estimated or expected.

This Information Memorandum is dated: 18th, October 2023

2 Chairman's Statement

Dear Shareholders,

I am pleased to present to you this Information Memorandum (IM) for the Family Bank Limited rights issue. On behalf of the Board of Directors of Family Bank Limited, I invite you to participate in the rights issue, a key milestone in Family Bank's strategic plan. Significant progress has been made in preparing the Bank for the fundraise and the timing is right and aligns with our 2020 – 2024 strategic plan.

From the onset, I would like to sincerely thank you, the shareholders, for your unwavering support throughout the Family Bank journey. Family Bank's journey over the last five years to June 2023 has been characterised by impressive growth, many firsts and resilience in the face of the headwinds in the economy.

During this period, our total assets have increased from KES 67 billion in December 2018 to KES 132.8 as of 30th June 2023, an impressive 98% growth. Similarly, our loan book grew from KES 44.1 billion to KES 84.7 billion, 92% growth. During this period, customer deposits surpassed KES. 100 billion to stand at KES 100.8 billion by June of 2023 from KES 48.5 billion in December 2018 a 207% growth rate. We have remained profitable over this period with our Profit Before Tax (PBT) improving from KES 435 million recorded in 2018 to KES 3.7 billion as at end of December 2022. This is also the period when the bank resumed dividends payment and over the last four (4) years the bank has paid, to you the shareholders, a cumulative amount of KES 2.19 billion in dividends.

The Bank's brand positioning has greatly improved as we have continued engaging both with our customers and our employees on what we stand for as an institution. This has seen the bank being recognized for two years in a row as the best bank in customer experience and digital responsiveness by customers through the Kenya Bankers Association (KBA) independent customer survey in 2021 and 2022.

This growth has been funded through a mix of (i) a KES 922 million rights issue in 2016, (ii) retained earnings, and long-term debt issued through the Nairobi Securities Exchange KES 2 billion issued in 2016 and paid back in 2021 and KES 4 billion issued in 2021, which was oversubscribed and remains in our books is payable in 2026.

We have complimented this long-term debt with senior debt unsecured funding our development partners namely (European Investment Bank, OikoCredit, ResponsAbility, BlueOrchard, Incofin and Finance in Motion).

Shareholders you will note that since 2016, the Board has not come back to you for additional capital and the capital raised in 2016 via the rights issue has more than been paid back to you as dividends. This is evidence of the Bank's ability to avail to you, as shareholders, superior returns. The reason we call on your support as we embark on this rights issue.

These results are encouraging to the board since launching our 2020 – 2024 strategic plan a testament to the effectiveness of the strategy we are executing.

Our long-term objective as a bank is to become a tier one bank in balance sheet size. This is an ambitious plan which the Board and the Management is committed to. To fund this next phase of growth, it has become necessary to anchor our balance sheet with additional capital.

Shareholders, the capital you will put in the Bank will be applied in funding our next phase of growth, in line with our strategic plan. This next phase will be executed through, (a) faster organic growth through our 93 branches across 32 counties, (b) continuous investments in digital transformation and IT infrastructure for operational efficiency and scale and (c) inorganic growth through regional expansion within the East African region.

To successfully execute this, the bank will require additional capital from you the shareholders.

The bank has demonstrated a superior track record by above the industry compounded annual growth rates in total assets, loan book and deposits over the last four (4) years. The before tax return on Equity has significantly improved to 24% in December 2022. This continues to demonstrate efficient capital allocation for maximized returns to the shareholders. On behalf of the Board of Directors, I would like to encourage you to participate in this rights issue.

The first step towards the success of the capital raise will be for the board to seek your approval to create an additional 800 million shares in the bank. This will be the pool of shares from which the new capital will be raised. The additional 800 million shares will increase our authorised share capital to 2.3 billion shares.

The board is also proposing that the existing shareholders be given a right to buy 1 Ordinary share for every 2 Ordinary shares. The shares will be issued at a discounted price of KES 14.50 from the KES 16.00 Over the Counter price. This represents a 10% discount.

I encourage you to read this information memorandum and other documents carefully to allow you to make an informed decision.

Thank you.



Dr. Wilfred D. Kiboro, EBS
Chairman- Board of Directors

2 Chief Executive Officer's Statement

Dear Shareholders,

2023 has been our fourth year of our strategy as we realign the Bank for take-off to be a leading. When we began our strategic journey, we sought to make Family Bank a leading bank in providing, innovative and customer focused products and solutions for unmatched customer experience. We knew superior customer experience would be our path to tier I status.

This period has not been without a fair share of challenges. The period has been a period characterized by unusual volatility across financial, commodity and consumer markets. Despite this context, I am pleased to report that the Bank performed well, reflecting a continued trajectory of growth and shared value creation. Global pressures, including impacts of the Russian-Ukraine war on commodity markets, the lagging effects of the Covid-19 pandemic, weak recovery of leading economies, and an elections-related economic slowdown in our Kenya, has had a broad-based impact on our key stakeholders.

In the post-volatility season, we are focused on rebuilding and enabling economic and social recovery across all the business segments we are operating in (Retail, Micro-Small and Medium Enterprises and Corporates).

The Bank performance remained robust over the last five years, reflecting the resilience that the business has developed due to deliberate and intentional leadership and management decisions. Over this period, the bank's performance has more than outperformed the industry average in the key performance indicators.

In KES Billion			
	Dec 2018	June 2023	Percentage Growth
Customer deposits	48.5	100.8	207%
Loan book	44.1	84.7	92%
Total assets	67	132.8	98%
	Dec 2018	June 202	Percentage Growth
Interest Income	7.01B	13.1B	86%
Net Interest Income	4.76B	8.5B	78%
Non-Funded Income	2.3B	3.3B	43%
Profit Before Tax	434M	3.7B	8X

This impressive growth reflects the resilience that the business has developed due to deliberate and intentional leadership and management decisions strategically positioning the business to the evolving macroeconomic headwinds and turbulence in the financial and economic sector. We commit to continue being intentional and deliberate as trusted stewards to you, our shareholders.

We have achieved this by partnering with like-minded institutions. These partnerships have been in asset financing, education, health, agribusiness, environmental and social governance and in credit sharing guarantees. Through these partnerships, we have remained relevant to our customers.

Through The Family Group Foundation, the Bank has also partnered with communities and partners in investment programs in education, afforestation and climate change, economic empowerment, ICT and agriculture in order to transform lives and families.

Technology underpins the way we run our operation and deliver value. We have revamped our efforts to become a truly technology driven digital bank by deploying system digitization, particularly in the lending space, which has enabled us to provide loans with a faster turnaround time. We are transforming our customer relationship management tools, which support us to onboard, transact, and engage customers through increased digital capabilities. We believe that these investments provide a solid foundation for our next growth phase.

Building a high-performance culture remains a key priority for our teams, and over the years, we have reviewed our performance management approach, creating a balanced scorecard model and personal dashboards to facilitate

employee productivity assessments. This has greatly improved our employee engagement levels and has guided the bank in the employee rewards mechanism.

As we continue executing our 2020 – 2024 strategic plan, it is paramount that we do so at the back of tier one (I) fit balance sheet. This is a balance sheet anchored on a strong capital base which will strategically position the bank to continue taking advantage of business opportunities both in the local and regional market, continue investing in new innovative products and solutions and lead in digitally transforming our business. It is for this reason that I invite you to participate and continue supporting your bank on this journey.

To successfully execute the above plans the bank needs to raise up to KES 10 billion in additional capital. Through this capital raise, we are positioning ourselves for expansion and growth in order to expand our outreach to our clients and potential clients and enhance service delivery not only in Kenya but also in the Region.

The industry growth trajectory remains positive with increased financial inclusion through digital banking services and new innovations on products and solutions.

I would like to express our appreciation to you, our shareholders, and look forward to your support in making this capital raise a success.

Thank you and God bless you.



Ms. Rebecca Mbithi
Managing Director and Chief Executive Officer

4 Directors' Statement

The directors of Family Bank Limited accept responsibility for the information contained in this document. To the best of the knowledge and belief of the directors (who have taken all reasonable care to ensure that such is the case), the information contained in this document is in accordance with facts and does not omit anything likely to affect the import of such information.

The directors declare that all information stated in this information memorandum and the statements contained herein are correct and neither the board of directors, minutes, audit reports or any other internal documents contain information which could distort the interpretation of this Information Memorandum.

Signed by:



Dr. Wilfred D. Kiboro, EBS
Chairman



Ms. Rebecca Mbithi
Managing Director and Chief Executive Officer

5 Corporate Information

5.1 List of Contacts

Family Bank Limited 8th Floor, Family Bank Towers, Muindi Mbingu Street, P.O. Box 74145 – 00200 Nairobi Tel: +254 703 095 445 / 703 095 000 Email: info@familybank.co.ke Website: www.familybank.co.ke		
Ms. Rebecca Mbithi Managing Director & Chief Executive officer Family Bank Limited E: info@familybank.co.ke	Mr. Eric K. Murai Company Secretary & Chief Legal Officer Family Bank Limited E: info@familybank.co.ke	Mr. Stephen K. Ngugi Chief Finance Officer Family Bank Limited E: info@familybank.co.ke

5.2 Board of Directors of the Issuer

Name	Position	Nationality	Address
Dr. Wilfred D. Kiboro, EBS	Chairman (Non-Executive Director)	Kenyan	P.O. Box 74145- 00200 Nairobi
Arch. Francis Gitau Mungai	Vice-Chairman (Non-Executive Director)	Kenyan	P.O. Box 74145- 00200 Nairobi
Mr. Titus K. Muya	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
Mr. David Muni Ichoho	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
Mr. Lazarus Muema	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
Ms. Mary Njeri Mburu	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
Ms. Rebecca Mbithi	Managing Director and Chief Executive Officer	Kenyan	P.O. Box 74145- 00200 Nairobi
Mr. Eric K. Murai	Company Secretary and Chief Legal Officer	Kenyan	P.O. Box 74145- 00200 Nairobi

5.3 Other Corporate Information

Company Secretary	Eric K. Murai Company Secretary & Chief Legal Officer, 8th Floor, Family Bank Towers, Muindi Mbingu Street, P.O. Box 74145 -00200, Nairobi, Kenya.
Registered Office	Family Bank Limited 8th Floor, Family Bank Towers, Muindi Mbingu Street, P.O.Box 74145- 00200, Nairobi , Kenya.
Financial Calendar	Financial Year End – 31st December
Auditor	PricewaterhouseCoopers LLP Certified Public Accountants (Kenya), PWC Tower, Waiyaki Way/Chiromo Road, Westlands, P.O. Box 43963 – 00100, Nairobi, Kenya.
Share Registrars	The Share Registrar Family Bank Limited 8th Floor, Family Bank Towers, Muindi Mbingu Street, P.O. Box 74145-0200, Nairobi, Kenya.

6 Definitions and Abbreviations

Unless otherwise stated and as the context allows, the words in the first column have the meaning stated opposite them in the second column, throughout this Information Memorandum, its appendices and enclosures. Words in the singular include the plural and vice versa, words signifying one gender include the other gender and references to a person include references to juristic persons and associations of persons:

Subject	Definition
Additional Shares	Shares applied for by Eligible Shareholders in excess of their Entitlement.
Application Money or Application Monies	Monies paid by Eligible Shareholders in respect of the New Shares they apply for.
Authorised Selling Agent	A specific party duly authorised by Family Bank to receive Provisional Allotment Letters(PALs) together with the Application Money. The selling agents are outlined in Section 15 of this Information Memorandum.
Bank	Family Bank Limited and its subsidiaries identified in Section 10.11 (Subsidiaries).
Banking Act	The Banking Act (Chapter 488 of the Laws of Kenya).
Board	The Board of Directors of Family Bank.
Business Day	A day (other than a Saturday or a Sunday or Gazetted Public Holiday) on which commercial banks are open for business in Kenya
CAGR	Compound Annual Growth Rate.
CBK	The Central Bank of Kenya.
Closing Date	Thursday, November 16th 2023. The last day for receipt of Applications and Application Money.
CMA	Capital Markets Authority of Kenya established under the Capital Markets Act (Chapter 485A of the Laws of Kenya).
Director	A director of Family Bank.
EFT	Electronic Funds Transfer.
Eligible Shareholder	Those Shareholders who are registered as holders of shares as at the Record Date.
Entitlement	The entitlement to New Shares of an Eligible Shareholder as at Record Date, pursuant to the Rights Issue at the Entitlement Ratio.
Entitlement and Acceptance Form	Refers to the Provisional Allotment Letter (PAL), Form E or Form R to be completed by shareholders, investors and renounces to apply and accept New Shares in the Rights Issue offer.
Entitlement or Rights Issue ratio	The entitlement to 1 New Ordinary Shares for every 2 Ordinary Shares held as at the Record Date.
Existing Shares	Ordinary Shares of value KES 1.00 each in Family Bank and held by Eligible Shareholders as of the Record Date.

Subject	Definition
Independent Director	means a director who: <ul style="list-style-type: none"> (i) has not been employed by the Company in an executive capacity within the last five years; (ii) is not associated to an adviser or consultant to the Company or a member of the Company's senior management or a significant customer or supplier of the Company or with a not-for-profit entity that receives significant contributions from the Company; or within the last five years, has not had any business relationship with the Company (other than service as a director) for which the Company has been required to make disclosure; (iii) has no personal service contract(s) with the Company, or a member of the Company's senior management; (iv) is not employed by a public listed company at which an executive officer of the Company serves as a director; (v) is not a member of the immediate family of any person described above; or (vi) has not had any of the relationships described above with any affiliate of the Company.
Kenyan Bank	A bank licensed to conduct banking business in Kenya under the Banking Act.
KES	Kenya Shillings, the lawful currency of the Republic of Kenya.
New Shares	643,553,771 Ordinary Shares in the capital of Family Bank to be issued pursuant to the Rights Issue.
Offer Period	The period from Record Date to the Closing Date.
Offer Price	KES 14.50 per New Share.
Ordinary Shares	The ordinary shares of KES 1.00 each in the capital of Family Bank.
OTC	a decentralized market in which market participants trade stocks, commodities, currencies, or other instruments directly between two parties and without a central exchange or broker.
PAL	The Provisional Allotment Letter, which indicates an Eligible Shareholders Entitlement and comprises the Entitlement and Acceptance Form, and the Renunciation and Transfer Form.
Provisional Rights	The number of New Shares offered based on the entitlement ratio.
RTGS	Real Time Gross Settlement, a payment system used by commercial bank to effect electronic payment of funds.
Receiving Bank	Family Bank Limited.
Record Date	Thursday, October 19th 2023 . The date for determining entitlements of Eligible Shareholders to participate in the Offer.
Register	The register of members of Family Bank Limited.
Renounce	The act of giving up or abandoning your Rights formally.
Renounee	Any person not less than 18 years of age as at the date of renunciation and in whose favour the Rights or part of the Rights of an Eligible Shareholder have been renounced under the terms of this Information Memorandum and the Provisional Allotment Letter.
Renunciation and Transfer Form	The form by which Eligible Shareholders may renounce and transfer their rights to a third party.
Rights	The right to subscribe for New Shares under the terms of this Information Memorandum and the Provisional Allotment Letter.

Subject	Definition
Rights Issue Documents	Means a) the Abridged Information Memorandum and the Information Memorandum b) the Provisional Allotment Letter and c) any other written communication or notification made by Family Bank to Eligible Shareholders in connection with the Rights Issue
Rump Shares	Rump Shares are the pool of New Shares that remain untaken after Eligible Shareholders have taken up their entitlement and Additional Shares and as at the Closure Date which Rump Investors are free to apply for.
Untaken Rights	The aggregate of New Shares not subscribed for, howsoever that may occur.

7 Key Features Of The Offer

This section contains a summary of the offer for New Shares. You should read this Information Memorandum in full along with other documents available for inspection for a full appreciation of the Offer (defined below).

7.1 The Offer

Family Bank is offering a total of 643,553,771 New Shares at KES 14.50 per Share to raise approximately KES 9,331,529,679 (before expenses) under this Information Memorandum based on 1 New Ordinary Share for every 2 Ordinary Shares held on the Record Date (5.00 pm on Thursday, October 19th, 2023) (the “Offer”). The number of New Shares that you are entitled to is shown on the PAL. The Entitlement Ratio, once declared, will not be altered.

Rights are renounceable, which means that Eligible Shareholders who do not wish to take up all or part of their New Shares may choose to abandon, sell, or transfer their Rights to a third party.

7.2 Rights Issue Statistics

Offer Price	KES 14.50 per New Ordinary Share
Total number of New Shares offered	643,553,771 Ordinary Shares, to rank pari passu in all respects with the existing ordinary shares in Family Bank
Total amount to be raised before expenses	KES 9,331,529,679
Ratio of Entitlement	1 New Ordinary Share for every 2 Ordinary Shares held

7.3 Use of Proceeds – Rationale of the Rights Issue

The Bank’s strategic intent is to become a Tier I bank. This will be achieved through continuous investment in the Bank’s six pillars of digital transformation, brand positioning, organic and inorganic growth and a key focus on people and IT infrastructure upgrade. The Bank is therefore seeking additional capital to support the following:

1. Regional expansion – KES 4.0 billion
2. Investment in IT infrastructure and new product initiatives – KES 2.0 billion; and
3. Supporting onward lending activities – KES 3.0 billion.

7.4 Timetable Of Principal Events

Activity	Timing
Record Date	Thursday, October 19th, 2023
Distribution of the Information Memorandum and the Provisional Allotment Letters to Eligible Shareholders	Thursday, October 19th, 2023
Commencement of trading in Rights	Thursday, October 19th, 2023
Last date for renunciation	Thursday, November 02nd, 2023
Last date for trading in Rights	Friday, November 03rd, 2023
Closing Date	Thursday, November 16th, 2023
Announcement of Offer Results and Allocation	Monday, November 20th, 2023
Final date for payment for New Shares to Receiving Bank for applications against Letters of Undertaking and Irrevocable Bank Guarantees	Thursday, November 30th, 2023
Dispatch of payment of Refunds through Electronic Funds Transfer or Refund Cheques	Thursday, November 30th, 2023
Commencement of Over-the-Counter Trading	Monday, December 04th, 2023

These dates are subject to change and are indicative only. Family Bank reserves the right to amend this indicative timetable. Should this occur, a supplementary Rights Issue timetable will be issued. In particular, Family Bank reserves the right, to close the Offer early, to extend the Closing Date or to withdraw the Offer. Any extension of the Closing Date will have a consequential effect on the date of the issue of New Shares. Any such amendments will be communicated in advance.

7.5 Underwriting

The Issuer may opt to seek an underwriting during the Offer period.

7.6 Basis Of Offer Price

The rights issue offer price of KES 14.50 represents a discount of 10% on the six month weighted volume weighted average price at the over the counter market. The factors below were also considered when determining the price:

- the Company's financial results for the period ended 30th September 2023;
- the current macroeconomic environment;
- the banking sector environment; and
- FBL's strategic plan.
- The banks competitive strengths and focused strategic growth relative to the peers

The performance of FBL shares on the OTC platform during the period October 2022 to September 2023 is as follows:

Month	Weighted Average Price (KES)	Number of Shares Traded	Turnover (KES)
Oct-22	14.14	741,086	10,481,870
Nov-22	13.70	913,947	12,524,201
Dec-22	14.26	332,955	4,749,535
Jan-23	14.06	389,500	5,476,500
Feb-23	17.06	955,718	16,304,741
Mar-23	14.57	589,651	8,589,114
Apr-23	13.68	259,049	3,543,042
May-23	14.20	636,805	9,044,648
Jun-23	14.69	691,930	10,161,909
Jul-23	18.16	646,694	11,745,962
Aug-23	14.93	118,836	1,774,104
Sep-23	19.32	572,625	11,060,747
Total for the Period		6,848,796	105,456,373
1 Month Weighted Average Price of FBL Shares (KES)		19.32	
3 Months Weighted Average Price of FBL Shares (KES)		18.37	
6 Months Weighted Average Price of FBL Shares (KES)		16.18	
12 Months Weighted Average Price of FBL Shares (KES)		15.40	
Closing Price on 30th September (2023) (KES)		16.00	

7.7 Key Financial Data

Par Value of each Share	KES 1.00
Total number of authorized shares of Family Bank	2,300,000,000
Total number of issued and fully paid up shares before the Rights Issue	1,287,107,542
Authorized share capital of Family Bank	KES 2,300,000,000
Fully paid up share capital of Family Bank before the Rights Issue	KES 1,287,107,542
Net Profit for the year ended 31st December 2022	KES 2,271,182,000
Total Dividends declared and paid for the year ended 31st December 2022	KES 794,914,000
Earnings per share (EPS) for the year ended 31st December 2022	KES 1.76
Dividend per share (DPS) for the year ended 31st December 2022	KES 0.62
Price/Earnings (PE) ratio based on the results for the year ended 31st December 2022	7.9x
Net Asset Value per share for the year ended 31st December 2022	KES 12.2
Family Bank valuation based on current OTC trading price	KES 20,593,720,672
Family Bank valuation based on Rights Issue Price	KES 18,663,059,359
Offer Price per share	KES 14.50
Number of New Shares on offer under the Rights Issue	643,553,771
Gross proceeds of the offer (assumes no ineligible Rights arise)	KES 9,331,529,679
Total number of issued and fully paid up shares after the Rights Issue assuming full subscription	1,930,661,313
Fully paid up share capital of Family Bank post Rights Issue assuming full subscription	KES 1,930,661,313

7.8 OTC Price

The latest traded average price before the date of the Information Memorandum was KES 16 post par-value split.

7.9 Acceptance And Application Procedures

Eligible Shareholders may take up all, some or none of their Rights. Eligible Shareholders wishing to take up all their Rights are required to observe the procedures set out in Section 7.14 (Acceptance Procedure).

Eligible Shareholders wishing to renounce some or all of their Rights are invited to follow the steps set out in Section 7.16 (Renunciation of Rights).

Eligible Shareholders wishing to apply for Additional Shares must do so in the manner set out in Section 7.15 (Application for Additional Shares and Allocation Policy).

7.10 Offer For Subscription

1. Family Bank hereby offers to Eligible Shareholders by way of renounceable rights, a total of 643,553,771 New Shares at the Offer Price of KES 14.50 per New Share payable in full on acceptance in the terms set out below.
2. Persons who are not Eligible Shareholders as of the Record Date will be eligible to participate in the offer by way of Rump Shares.
3. The Rights Issue is on the basis of a ratio of 1 New Ordinary Share for every 2 Existing Ordinary Shares.
4. The number of New Shares that an Eligible Shareholder is entitled to (i.e. your entitlement or your number of Rights) is shown on the PAL.
5. Rights are renounceable and may be sold or transferred to third parties subject to the provisions of this IM. Information on how Rights may be sold or transferred is set out in Section 7.16.
6. Eligible Shareholders may also, at their option, choose not to take any action at all and untaken Rights will be allocated by the Directors in accordance with the Allocation Policy.

7.11 Status Of The New Shares

The New Shares in issue by way of this rights issue will rank *pari passu* in all respects with the Existing Shares including the right to receive in full all dividends and other distributions declared, made or paid in respect of the Ordinary Shares, for the financial year ending 31st December 2023. There are therefore no time limitations in respect of the right to dividend for the said financial year.

7.12 Opening And Closing Date Of The Rights Issue

The Rights Issue will open at 9:00 a.m. on Thursday, October 19th, 2023 and close at 5:00 p.m. on Thursday, November 16th, 2023

7.13 Entitlement

- 7.15.1 Your Entitlement (excluding Rump Investors) is shown on the PAL.
- 7.15.2 The number of New Shares offered to Eligible Shareholders has been calculated pro rata on the basis of the Entitlement Ratio and no restrictions are placed on the number of Existing Shares to be held before entitlement accrues. However, mathematically, this might result in fractional entitlements to New Shares and in such an event, fractions will be rounded downwards to the nearest whole number. Kindly, therefore note that where this occurs, the Eligible Shareholder will be allotted the number of New Shares after rounding down.
- 7.15.3 Fractions of New Shares that result from applying the Entitlement Ratio will form part of the Untaken Rights.

6.14 Acceptance Procedure

Acceptance of the Offer, once given is irrevocable. Full details of the procedure for acceptance and payment are set out below:

- 7.16.1 Persons wishing to apply for New Shares must complete the Entitlement and Acceptance Form (PAL).
- 7.16.2 Copies of the Information Memorandum may be obtained from the Selling Agents referred to in Section 15 of this Information Memorandum.
- 7.16.3 Except in the case of negligence or wilful default on the part of Family Bank, their Advisors or any of the Selling Agents, neither the Issuer, nor any of the Advisors nor any of the Selling Agents nor its Processing Agent shall be under any liability whatsoever should an Entitlement and Acceptance Form not be received by the Closing Date.
- 7.16.4 Acceptance may ONLY be communicated by submitting a duly completed Entitlement and Acceptance Form together with Application Money for the number of New Shares applied for, which cannot be withdrawn and constitutes a binding application for the number of New Shares (including any Additional Shares) specified in the Entitlement and Acceptance Form on the terms set out in this Information Memorandum. The Entitlement and Acceptance Form must be signed so as to be binding.
- 7.16.5 The Entitlement and Acceptance Form, once duly completed and signed, must be returned to Family Bank either directly or through any Selling Agent, together with the Application Money for the number of New Shares. Payment of the Application Money by all Eligible Shareholders must be made as specified in Section 7.17 (Application Money) no later than 5.00 pm on Thursday, November 16th, 2023.
- 7.16.6 New Shares in respect of which duly completed and signed Entitlement and Acceptance Forms together with the Application Money, paid in accordance with Section 7.16.5 above, which are not received by Family Bank or a Selling Agent by the dates and times stipulated in Section 7.16.5 above will be deemed not to have been duly subscribed for and any Rights in connection with the same will have lapsed.
- 7.16.7 Eligible Shareholders who wish to take up their full Entitlement are required to duly complete the section entitled "Full Acceptance of New Shares" (PART 1A) as well as other relevant sections of the Provisional Allotment Letter. Eligible Shareholders wishing to accept only part of their entitlement are required to duly complete the section of the Provisional Allotment Letter entitled "Partial Acceptance of New Shares" (PART 2) as well as other relevant sections of the Provisional Allotment Letter. Please note that partial acceptance will not be permitted for less than One hundred (100) New Shares

7.15 Application For Additional Shares And Allocation Policy

- 7.17.1 Eligible Shareholders who have taken up all their Entitlement may apply for Additional Shares by completing the section for Application for Additional Shares on their Provisional Allotment Letter and signing and returning the duly completed and signed Provisional Allotment Letter together with the Application Money. These should be received by Family Bank or the relevant Authorized Agent not later than 5.00 pm on Thursday, November 16th, 2023.
- 7.17.2 Additional Shares applied for by Eligible Shareholders will be allocated by the Board of Family Bank in accordance with the Allocation Policy to the extent only of any Untaken Rights. Please note that payment in respect of any Additional Shares applied for and not allocated will be refunded in accordance with Section 7.20 (Refund Policy) and will be free of interest. There will be no changes once the basis of allocation has been announced.

- 7.17.3 Subject to Section 7.17.2 of this section, the Untaken Rights will be allocated on a pro rata basis based on the entitlement to the New Shares; and in the event that, after this allocation of Untaken Rights, there are any additional Untaken Rights, then these will be allocated pro rata based on the number of New Shares applied for to Rump Investors and in accordance with this Section 7.15 (Application for Additional Shares and Allocation Policy).
- 7.17.4 If any person applies for Additional Shares which might trigger the regulatory restrictions and obligations set out in Section 7.25 (Regulatory Restrictions) of this Section, the Directors reserve the right, at their sole discretion, not to allocate any Additional Shares to any such person unless all required regulatory approvals are duly obtained and attached with the Provisional Allotment Letter before 5.00 pm on Thursday, November 16th, 2023.
- 7.17.5 Eligible Shareholders wishing to take up Additional Shares are required to duly complete the section entitled “Application for Additional Shares” as well as other relevant sections of the Provisional Allotment Letter.

7.16 Renunciation of Rights

The Rights are renounceable. Accordingly, Eligible Shareholders may elect to (a) sell their shares cum Rights (i.e. shares together with the right to take up the New Shares indicated in the Provisional Allotment Letter) or (b) decline to take up their Rights, all in accordance with the procedures set out below.

7.16.1 Renunciation by way of Trading in the shares cum Rights

- 7.16.1.1 Shareholders may sell their shares on the OTC platform together with the Rights thereon.
- 7.16.1.2 Only Eligible Shareholders will be permitted to trade in shares cum Rights. In such an event, Eligible Shareholders who wish to sell their shares cum Rights in this way may instruct any Authorized Agent to dispose any or all of such shares cum Rights by way of sale on the OTC platform.
- 7.16.1.3 Shares cum Rights may be traded on the OTC platform from Thursday, October 19th, 2023 to Friday, November 03rd, 2023. Following this date, any transferee of such shares shall not be entitled to take up the Rights to New Shares.
- 7.18.1 Renunciation by declining Eligible Shareholders who wish to decline their Rights need not do anything. Any Rights not taken up by such Eligible Shareholders will form part of the Untaken Rights.

7.17 Application Money

- 7.19.1 Payment for the New Shares shall be made in the form of a banker’s cheque for values that are under one million shillings or via RTGS for values that are one million shillings and above. Payment may also be made by Authorised Agents on behalf of Eligible Shareholders (Global Payment System or GPS). Such bankers cheques for each Provisional Allotment Letter must be in Kenya Shillings and drawn on a licensed commercial bank that is a member of the Central Bank of Kenya Clearing House, and should be made payable to “Family Bank Rights Issue-Provisional Allotment Letter No ___” and be crossed “A/C Payee Only”. Each banker’s cheque received by Family Bank will be deposited immediately for collection. Please note that no interest will be payable by Family Bank on money received. Any Eligible Shareholders applying for any New Shares may provide an Irrevocable Bank Guarantee in the form stipulated in Section 16 of this IM, for the full amount of the Shares, provided that such application is for a value of KES. 1,000,000 and above. Such a bank guarantee must be authenticated by the guaranteeing bank via a SWIFT message sent to Family Bank before 5.00pm on Thursday, November 16th, 2023. The Eligible Shareholder must attach the original Irrevocable Bank Guarantee to the Provisional Allotment Letter at the time of submission by 5.00pm on Thursday, November 16th, 2023. Qualified Institutional Investors applying for New Shares who wish to make payment after the allotment of New Shares should note that acceptance of the application will be at the discretion of Family Bank and must be secured by an Irrevocable Bank Guarantee or Letter of Undertaking, in the format required by Family Bank (Section 16) for the required amount. Only one form of payment is acceptable per application.
- 7.19.2 Payments made in accordance with Section 7.19.1 above will, upon receipt by Family Bank of the relevant amount in cleared funds, constitute acceptance of the Rights Issue upon the terms and condition set out in this Information Memorandum and in the Entitlement and Acceptance Form.

7.18 Rejection Policy

Applications will be rejected for the following reasons:

7.18.1 Application Form

- a) The Provisional Allotment Letter is missing;
- b) The cheque payment is less than the value of the shares applied for;
- c) The number of shares applied for are below the minimum or not in multiples set out in the Information Memorandum;
- d) Missing or illegible name of primary applicant/joint applicant/corporate applicant in any application;
- e) Missing or illegible identification number, including company registration number;
- f) Missing account number or name for nominee applications;
- g) Insufficient documentation;
- h) Missing or illegible postal address and postal code;
- i) Missing bank details and verification documents where mode of refund is indicated as electronic fund transfer and the bank mandate details are not provided on the Register (the refund will be defaulted to a cheque payment); and
- j) Missing or inappropriately signed Application Form including: -
 - Primary signature missing from signatures box;
 - Joint signature missing from signature box;
 - One or both of the two directors/official or a director and company secretary has/have not signed in the case of a corporate application;
 - Missing seal in the case of a corporate application of a company registered under the Companies Act;
 - Application bears stamps from two different Agents.

7.18.2 Payment

- a) Personal cheques from shareholders to the Family Bank Rights Issue account will not be accepted;
- b) Cash payments will not be accepted;
- c) Post-dated or stale cheques will not be accepted;
- d) Amount in words does not correspond with amount in figures;
- e) Amount on cheque does not correspond with amount on Application Form;
- f) Cheque is not signed;
- g) Cheque carries alterations;
- h) Mutilated or cancelled cheques;
- i) Endorsed cheques will not be accepted; and
- j) Multiple types of payment for one application.

7.19 Loan Facilities

- 7.21.1 Eligible Shareholders and Rump Investors may approach a Financier other than Family Bank for loan facilities to facilitate participation and payment of the full amount due in respect of the Rights Issue.
- 7.21.2 The extension of loan facilities by any Financier is a decision to be made by such Financier, at its sole and absolute discretion and risk.
- 7.21.3 A letter signed by authorised representatives of the Financier should be addressed to the Registrar, requesting the share certificates for the applicable shares to be released to such Financier directly. This letter should be attached to the Entitlement and Acceptance Form.

7.20 Refund Policy

No interest will be paid on any Application Monies to any Eligible Shareholder or other person taking the Rights.

Refunds in respect of applications for additional shares, where the allotted value is less than that applied for shall be in the form of refund cheques or by way of EFT by Family Bank (where an Eligible Shareholder has valid EFT details in the Register or has provided accurate EFT details to the Selling Agents). In the event an Eligible Shareholder has no valid EFT details on the Register, the refund will be made by cheque through Family Bank. Family Bank will begin refunds to Eligible Shareholders from Thursday, November 30th, 2023. Eligible Shareholders are required to choose their preferred option of refund: (a) by EFT, against confirmation of bank details if such details are not mandated in the register or (b) collected by the Eligible Shareholder from Family Bank or the Selling Agent (as designated by the Eligible Shareholder on the Provisional Allotment Letter for that purpose) against

proof of identity. Where a lender has advanced money to an investor to subscribe for New Shares, refunds will be made to or for the account of such Lender as the case may be.

Payment of refunds in foreign currency shall be made having regard to the prevailing exchange rates less bank charges for the foreign currency draft and any fluctuations in the exchange rate shall be for the Eligible Shareholder's or Investor's account.

7.21 New Shares and Share Certificates

- 7.23.1 Allottees will receive their fully paid New Shares in share certificate form to be delivered through post or delivered through the Sales Agent or Family Bank branches.
- 7.23.2 Share certificates should be collected against proof of identity and other documentation to the satisfaction of a Sales Agent or Collecting Agent.
- 7.23.3 Fully paid New Shares will be traded on the OTC Market after the closure of the Rights Issue. Contact Family Bank for more details.

7.22 Untaken Rights And Allocation Policy

- 7.24.1 All Eligible Shareholders who apply for their New Shares in full shall receive the full number of New Shares indicated in their Provisional Allotment Letter. New Shares not taken up shall form the Untaken Rights. The Untaken Rights may be allocated as Additional or Rump Shares in accordance with the Allocation Policy set out in Section 7.15 to Eligible Shareholders who duly submit applications for Additional Shares in accordance with Section 7.15 (Application for Additional Shares and Allocation Policy)
- 7.24.2 Any residual Rights not taken up of the Untaken Rights even after the allocation in Section 7.15, may be allocated by the Board in their sole discretion subject to Section 7.25 (Regulatory Restrictions) and if not so allotted, will lapse.
- 7.24.3 If the results for the subscription makes the above Allocation Policy impractical, then an amendment of the Allocation Policy shall be made and such amendment will be announced within twenty-four (24) hours of Board approval.

7.23 Rump Mechanism

- 7.25.1 This mechanism is a (restricted) private placement as approved by the shareholders of Family Bank at the Extraordinary General Meeting held on Wednesday, October 18th, 2023.
- 7.25.2 This mechanism can only be activated if there are Untaken Rights as defined in this Information Memorandum.
- 7.25.3 The Board may invite Rump Investors at their discretion (but subject to regulatory restrictions including Capital Markets Legislation on private offers) through a Sales Agent/Collecting Agent under this mechanism provided the Board reserves the right to set a minimum amount to be invested.
- 7.25.4 Applications should be in multiples of 100 New Shares.
- 7.25.5 Applicants may apply by completing and signing the duly completed Rump Form together with Application Money (including option of Irrevocable Bank Guarantees/Letters of Undertaking) and returning it to a Selling Agent/Collecting Agent as per their instructions.
- 7.25.6 The last date for receipt of the Rump Form is the date as shall be determined by the board.
- 7.25.7 All payments for Rump Shares must be made to a Sales Agent/ Receiving Bank via Funds Transfer and should comply where applicable with Regulatory Restrictions below.
- 7.25.8 The Rump Shares to be allotted will be allotted in accordance with Section 7.22 (Untaken Rights and Allocation Policy) above.

7.24 Foreign Investors

- 7.26.1 A foreign investor is any person who is not a local investor. A "local investor" is defined to mean (a) an individual being a natural person who is a citizen of an East African Community Partner State or (b) a body corporate being a company incorporated under the Companies Act of Kenya or such other similar statute of an East African Community Partner State in which the citizen or the Government of an East African Community Partner State have beneficial interest in 100% of its ordinary shares or any other body corporate established or incorporated in an East African Community Partner State under the provisions of any written law. An East African Community Partner State means States that are members of the East African Community.
- 7.26.2 Foreign Investors wishing to apply for New Shares must satisfy themselves as to the full observance of the laws of the relevant territory and governmental and other consents to ensure that all requisite formalities

are adhered to, and pay any issue, transfer or other taxes due in such territory. Before applying for and purchasing New Shares, foreign investors are advised to consult their own professional advisors as to whether they require any governmental or other approvals or need to observe any applicable legal or regulatory requirements.

- 7.26.3 This Information Memorandum and accompanying Provisional Allotment Letter (PAL) do not, and are not intended to, constitute an offer for the New Shares in any place outside Kenya or in any circumstances where such offer or solicitation is not authorized or is unlawful. In that regard, this Information Memorandum and accompanying PAL may not be used for or in connection with any offer to, or solicitation by, anyone in any jurisdiction or in any circumstances where such offer or solicitation is not authorized or is unlawful. The distribution of this Information Memorandum and the accompanying PAL outside of Kenya may be restricted by law and persons who come into possession of this Information Memorandum and the accompanying PAL should seek advice on and observe those restrictions. Any failure to comply with those restrictions may constitute a violation of applicable securities laws. Any such recipient must not treat this Information Memorandum and accompanying PAL as constituting an offer to him, unless in the relevant jurisdiction, such invitation or offer could be made lawfully to him without contravention of any unfulfilled registration or legal requirements. Without limitation, neither this Information Memorandum nor the accompanying PAL may be sent or passed or otherwise distributed outside Kenya.
- 7.26.4 In particular, the Rights Issue has not been, and will not be, registered under the United States Securities Act, 1933 or the securities laws of any state in the United States of America and is not being made in the United States of America or to persons resident in the United States of America. Without limitation, neither this Information Memorandum nor the accompanying PAL may be sent or otherwise distributed to investors in the United States of America.
- 7.26.5 Eligible Shareholders with a registered address in Kenya holding Existing Shares on behalf of persons who are resident in a jurisdiction outside Kenya are responsible for ensuring that taking up New Shares under the Rights Issue does not breach securities laws in that other jurisdiction. The return of a duly completed Entitlement and Acceptance Form in accordance with this Information Memorandum will not be deemed as a representation that there has been no breach of such laws.

7.25 Regulatory Restrictions

Eligible Shareholders are requested to note that Family Bank is subject to the provisions of the Banking Act. Notable, for purposes of the Rights Issue are the provisions summarized below. Eligible Shareholders and Rump Investors are required to seek their own advice in connection with these matters. Kindly note that the Directors may take the said provisions into account when determining the allocation of any Untaken Rights to applicants for Additional Shares.

- 7.27.1 Sections 9A(2) and (4)(b) of the Banking Act preclude any person from becoming a “significant shareholder”, being a person, other than the Government of Kenya or a public entity who holds directly or indirectly or otherwise has a beneficial interest in more than 5% of the share capital of a bank, financial institution or mortgage finance company, unless such person has been certified by the Central Bank of Kenya as a fit and proper person.
- 7.27.2 Section 13(1) of the Banking Act prohibits particular classes of persons from owning, directly or indirectly, or otherwise having a beneficial interest in more than 25% of the share capital in a bank, financial institution or mortgage finance company.

7.26 Taxation Implications

- 7.28.1 Eligible Shareholders interested in participating in the Rights Issue should consult their tax advisors of any possible tax implications connected with the Rights Issue. Therefore, Family Bank and the Directors consider it inappropriate to provide detailed advice in respect of taxation consequences in connection with the Rights Issue save for what is expressly set out in this Information Memorandum.
- 7.28.2 Neither Family Bank nor any of the Directors or any of Family Bank’s officers or advisors accepts any liability for any tax implications of Eligible Shareholders in connection with the Rights Issue.
- 7.28.3 Local investors are subject to withholding tax on dividends at the rate of 5%. Foreign Investors will be subject to a withholding tax rate of 10%.

7.27 Expenses of the Offer

Expense	Total (KES)*
Transaction Advisor Costs	93,315,297
Legal costs	27,994,589
Printing Costs	900,000
Total	122,209,886

The expenses of the Offer amount to 1.3% of the Offer amount.

7.28 Governing Law

The Rights Issue Documents and any contract resulting from the acceptance of an application to purchase the New Shares shall be governed by and construed in accordance with the Laws of Kenya.

8 Key Investment Considerations

Family Bank Limited wishes to raise approximately KES 8.0 billion by way of a Rights Issue. The Rights Issue was approved by shareholders at an Extraordinary General Meeting held on 18th October, 2023. The Group has received approval from the relevant regulatory authorities for the Rights Issue to proceed on terms set out in this document. The investment considerations below do not constitute a guarantee neither are they indicative of future returns. Furthermore, they are not exhaustive and there may be other considerations, which should be considered in relation to participation in the Rights Issue. Potential investors are advised to consult with their investment, legal and tax advisors to determine the suitability of an investment in the Rights Issue, and the appropriate amount, if any, of an investment of this nature.

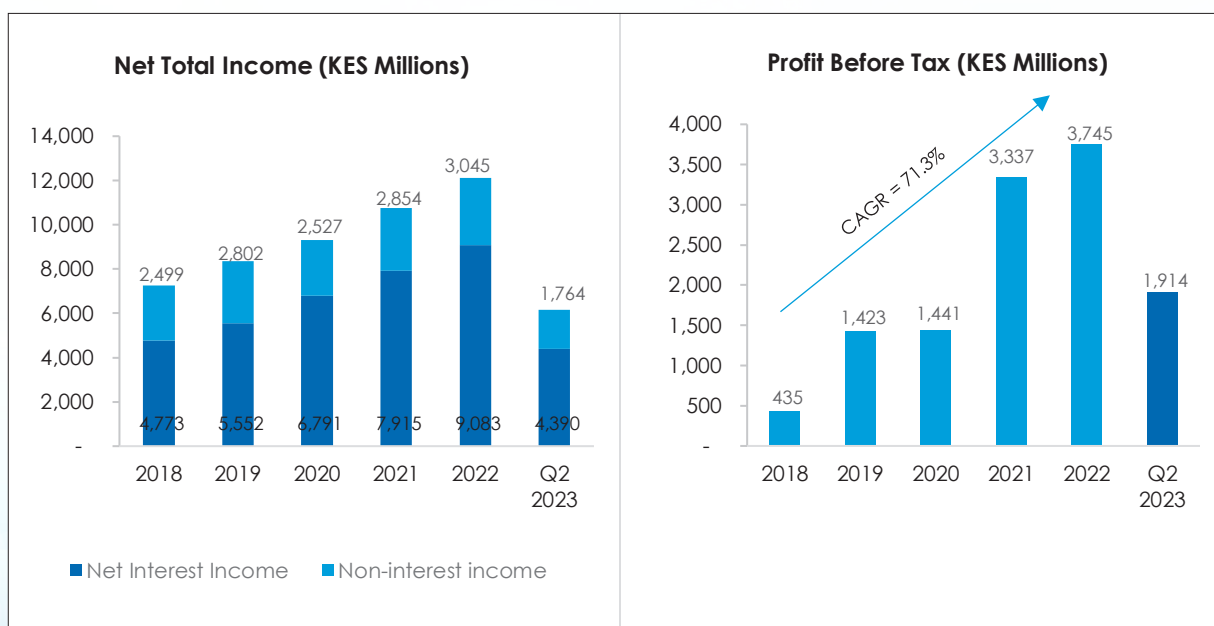
8.1 Track Record of Growth

The Bank has recorded tremendous growth in both Operating Income and Profit before Tax over the years. Interest Income continues to be the Bank's primary revenue stream contributing on average 72% of total income, over the past five years. The COVID 19 pandemic, Ukraine-Russia war, electioneering period and increased inflation, saw volatile operating business environment during the period. The Bank managed to shrug off the challenging operating environment to report a compounded annual growth rate in interest income of 17.5% between 2018 and 2022.

There has also been an impressive increase in non-funded income, which has grown by a compounded annual growth rate of 5.1% over the past five financial years from KES 2.5 billion in 2018 to KES 3.0 billion in 2022. The growth is mainly attributed to a significant increase in foreign exchange trading income and fees and commissions on loans and advances.

Profit before tax over the last five financial years grew at compounded annual growth rates of 71.3% from 2018 to 2022. There was a slower growth in profit before tax of 1.3% from 2019 to 2020, the slow growth was attributed by COVID-19 pandemic prudential provisions which were made by the management.

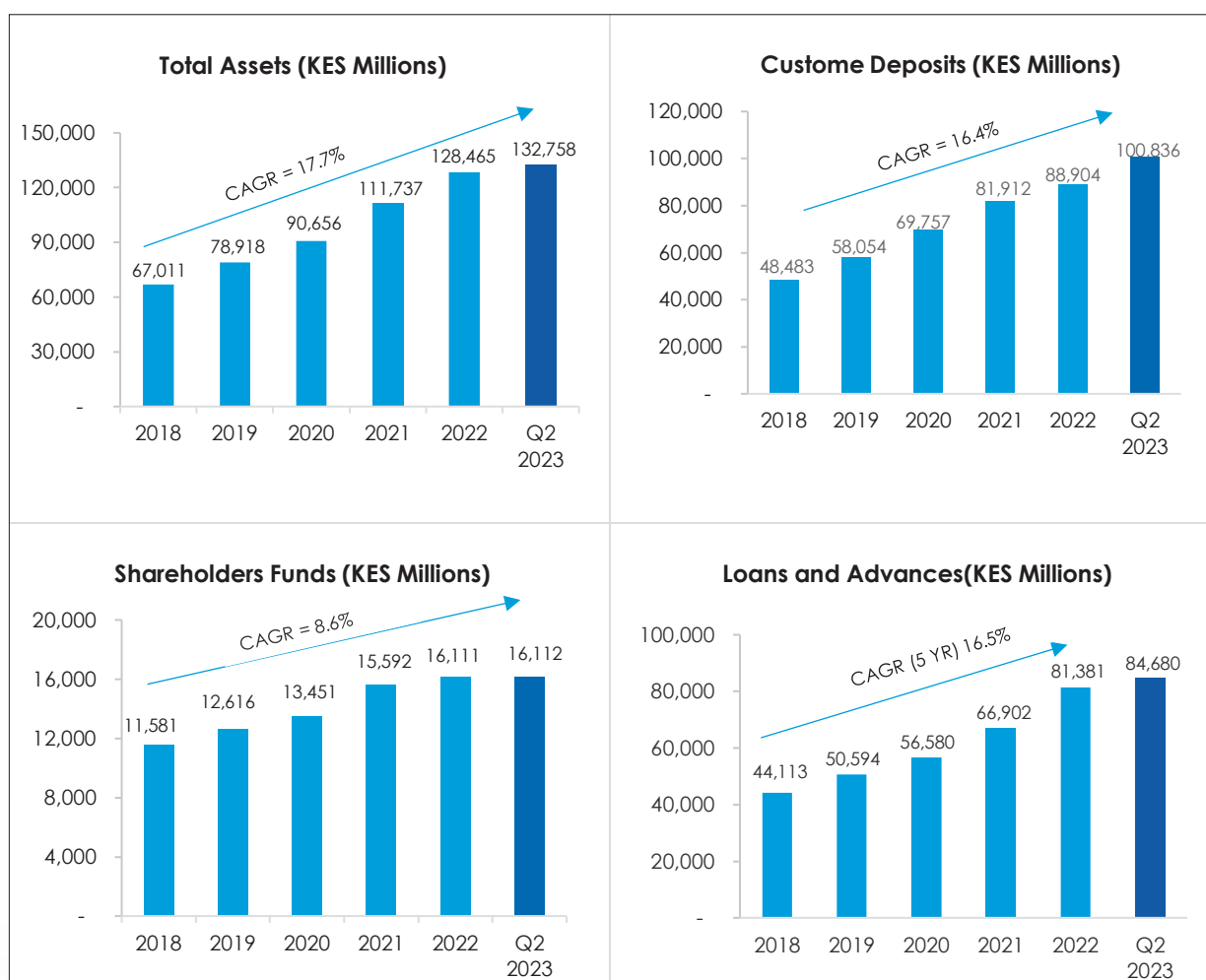
Table 1: Family Bank Historical Performance (Total Income and Profit before Tax)



Source: Family Bank Audited Financial Statements for FY 2018 to FY 2022, Q2 2023 Management accounts and NCBA Investment Bank Analysis

On the balance sheet side, the Bank has recorded significant growth in total assets, customer deposit, shareholder funds and loans and advances over the last five financial years, with each financial indicator growing at a compounded annual growth rate of 17.7%, 16.4%, 8.6% and 16.5% respectively during the period 2018 to 2022. In comparison to the industry, Family bank's performance has been quite commendable as the industry compounded annual growth rate for the period between 2018 and 2022 for total assets, customer deposits, total shareholder funds and net loans advances was 8.4%, 7.9%, 6.3% and 7.8% respectively.

Table 2: Family Bank Historical Performance (Total Assets, Customer Deposits, Shareholders Funds and Loans and Advances)



Source: Family Bank Audited Financial Statements for FY 2018 to FY 2022, Q2 2023 Management accounts and NCBA___ Investment Bank Analysis

8.2 Key Partnerships

Family Bank works with a strong group of partners and supporters, who share the same values in financial inclusion schemes.

Furthermore, through its Family Bank Foundation, the Bank has partnered with communities to develop sustainable community programs for under-resourced individuals and families in order to improve their economic prosperity. The community investment programs are concentrated on four key areas: education; nurturing sports talent; water and sanitation; and afforestation to combat climate change.

8.3 Liquidity for the Shares

Family Bank shares are trading at Over The Counter (OTC) Market, therefore providing an opportunity where liquidity events can be realised.

8.4 Long-standing Heritage

Family Bank was started in 1984 as Family Finance Building Society with a vision to be the institution of choice for the unbanked population. Family Finance Building Society thereafter converted into a fully-fledged bank in May 2007. The main driver for the conversion was the need to offer a broader range of products and services to its customers.

Family Bank’s aim has always been to serve the mass market’s needs which the mainstream banks had ignored. This market segment comprises of millions of small and medium scale enterprises, artisans, tea, coffee, dairy, grain, fish and sugar farmers, teachers, junior government employees (local authorities and central government),

parastatals NGOs and even private organizations. Today the Bank focuses on all the key market segments spanning treasury, corporate banking, SME banking, consumer banking and institutional banking thus creating tremendous growth momentum.

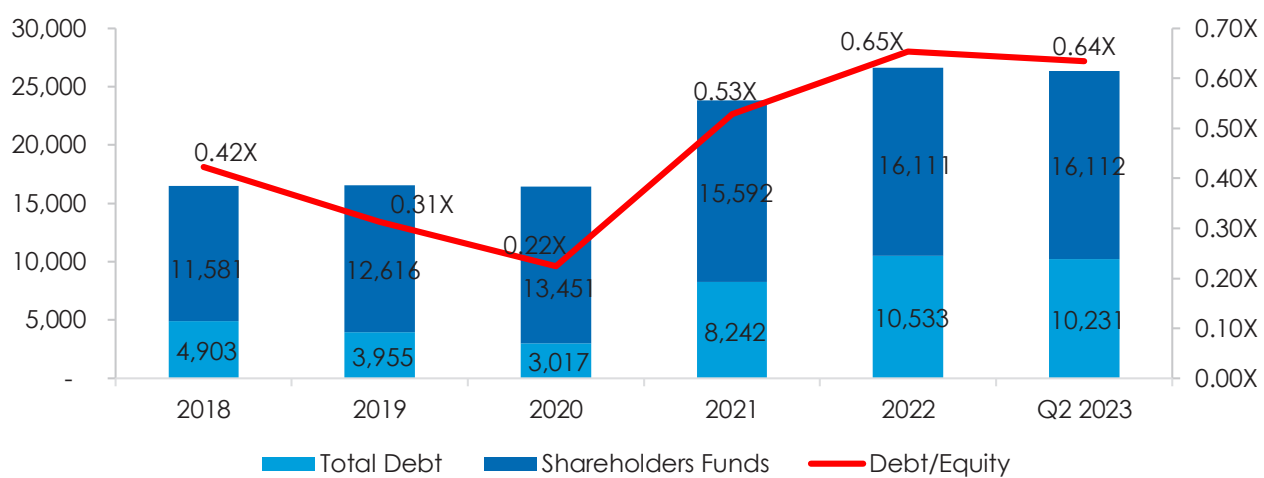
8.5 Competent Board and Senior Management

Family Bank is led by a management team comprising very experienced professionals in the banking industry, who have worked for different entities both locally and internationally. The Bank is therefore well equipped to handle all commercial banking solutions. The Board of Family Bank also comprises members who have extensive experience in various industries cutting across Financial, Education, Investments and Banking sectors. Hence, they are very vital in formulating the Bank’s strategies for superior growth.

8.6 Low Leverage Levels

Over the past five years, the Bank has maintained leverage levels well below the CMA prescribed level of 400% or 4.0x total indebtedness to shareholders’ equity.

Figure 1: Family Bank Leverage Levels



Source: Family Bank Audited Financial Statements for FY 2018 to FY 2022, Q2 2023 Management accounts and NCBA Analysis

8.7 Wide Geographic Coverage

As of 31st December 2022, Family Bank had the 5th largest branch network in Kenya cutting across major urban and rural centres in the country. The Bank has grown from one branch in 1985 to the current network of 93 branches, 3,666 agents and 144 Automated Teller Machines (ATM’s) spread across 32 out of 47 counties in Kenya.

8.8 Innovative Service Delivery

Family Bank has, over the years, heavily invested and endeavoured to premier innovations within the Fintech space. The revamped mobile application (PesaPap), internet banking and the VISA cards acquiring and issuance platform together with the Unstructured Supplementary Service Data (USSD) banking, has integrated vanilla banking services and issuance of instant mobile loans to both customers and non-customers. Furthermore, the Bank has a salary advance feature in the mobile application, USSD banking and also through the ATM’s, which enables salaried customers to access salary advance facilities hassle-free.

9 Economic Outlook and Overview of the Kenyan Banking Sector

9.1 Kenya Economic Performance

According to the Kenya National Bureau of Statistics (KNBS), Kenya's Gross Domestic Product (GDP) growth rate stood at 5.3% in the first quarter of 2023 compared to 6.2% recorded in the first quarter of 2022. . Although all sectors posted positive growth, the magnitudes were varied which cumulatively led to a lower GDP than that reported in a similar quarter in 2022.

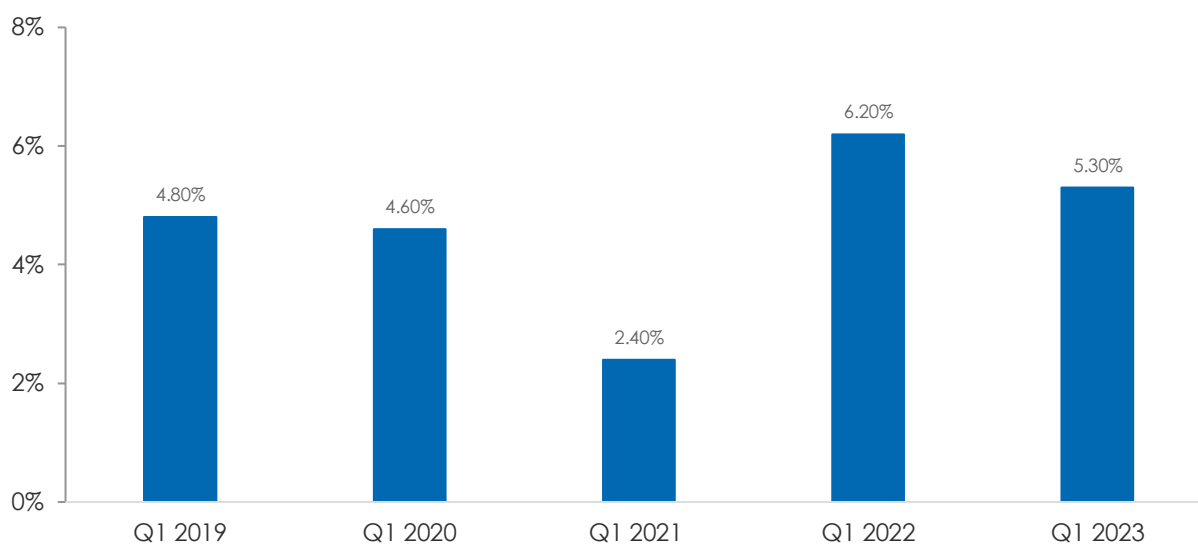
From a sectoral perspective, the acceleration of GDP was broad-based. The agricultural sector drove headline GDP, growing 5.8% annually in the first quarter, contrasting the fourth quarter's 0.9% decrease and marking the best reading since Q4 2020. Agricultural growth was underpinned by improved weather conditions, which alleviated the country's most severe drought in forty years. Retail and wholesale trade sector growth improved to 5.7% in Q1, from the 2.7% increase in the prior quarter. In addition, the manufacturing sector gained steam, growing 2.0% in Q1, while transport and construction activities increased by 6.2% in annual terms and 3.1% respectively.

9.1.1 Kenya Economy Outlook

The African Development Bank projected the country's economic growth prospect to a pace of 5.6% this year driven by services and household consumption.

The Kenya National Treasury, on the other hand projected Kenya's economy to grow by 5.5% in 2023 and above 6.0% over the medium term. It is believed that this growth would be reinforced by the Government's Bottom-Up Economic Transformation Agenda geared towards economic turnaround and inclusive growth. Avenues of this inclusive growth would include creating jobs and agro-processing for export which is to be achieved when the markets are governed well.

Figure 2: Real GDP Growth Rate



Source: Kenya National Bureau of Statistics Q1 2019 to Q1 2023

9.1.2 Macro-Economic Overview

9.1.2.1 Inflation

In September 2023, inflation ticked up to 6.78% from 6.73% in August 2023. This was the first time in four months that inflation recorded an upward trajectory. This was driven by higher food and energy prices.

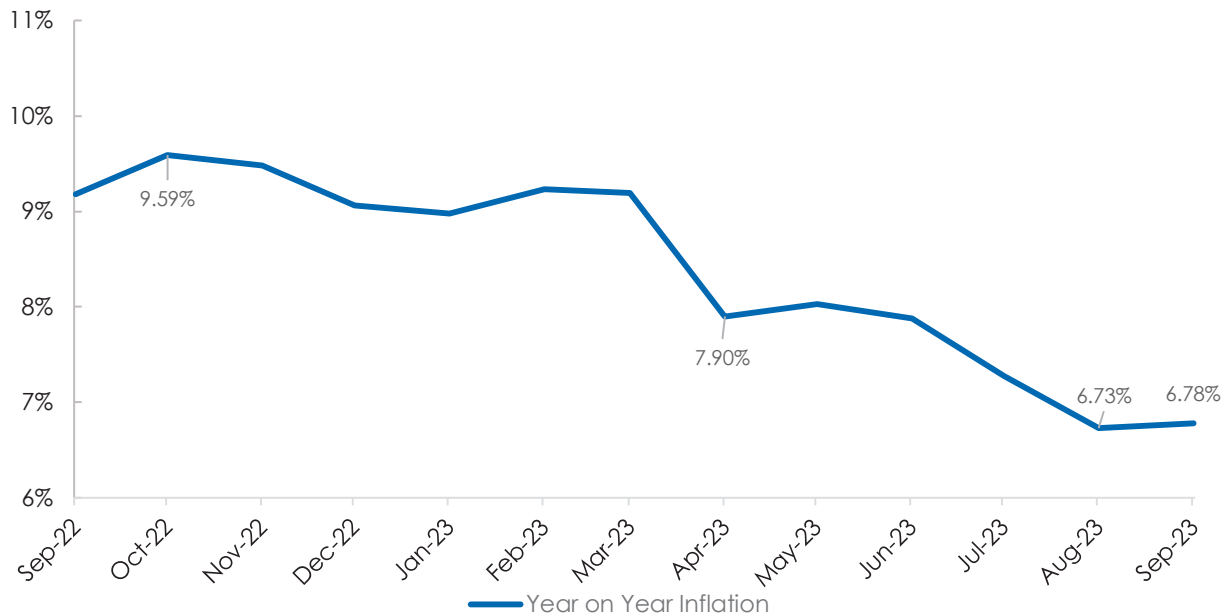
The food and non-alcoholic drinks index which constitutes a third of the inflation basket rose to 7.9% from 7.5% in August 2023, due to higher prices of vegetables. Food prices could be further impacted by the impending El Nino — a weather phenomenon characterized by higher than normal rainfall. Additionally, the government's plan to institute additional levies, such as new excise and value-added taxes portends further upside risk to inflation.

The Monetary Policy Committee ("MPC") has maintained a tight policy stance over the last one year by gradually raising the Central Bank Rate (CBR) from 8.25% set in September 2022 to the current 10.5% as at September 2023.

The MPC's tightening of the monetary policy stance over the period has been due to a combination of factors which include anchoring inflation expectations due to increased food and fuel prices, sustained inflationary pressures and elevated global risks. The elevated global risks stem from financial sector stability issues in the advanced economies, geopolitical tensions caused by the Russia-Ukraine war, waning global growth prospects and volatile financial markets.

On 3rd October during the MPC meeting, the CBR was maintained at 10.50% as the committee continues to closely monitor the impact of policy measures and any developments globally and locally.

Figure 3: Kenya 12-Month Inflation



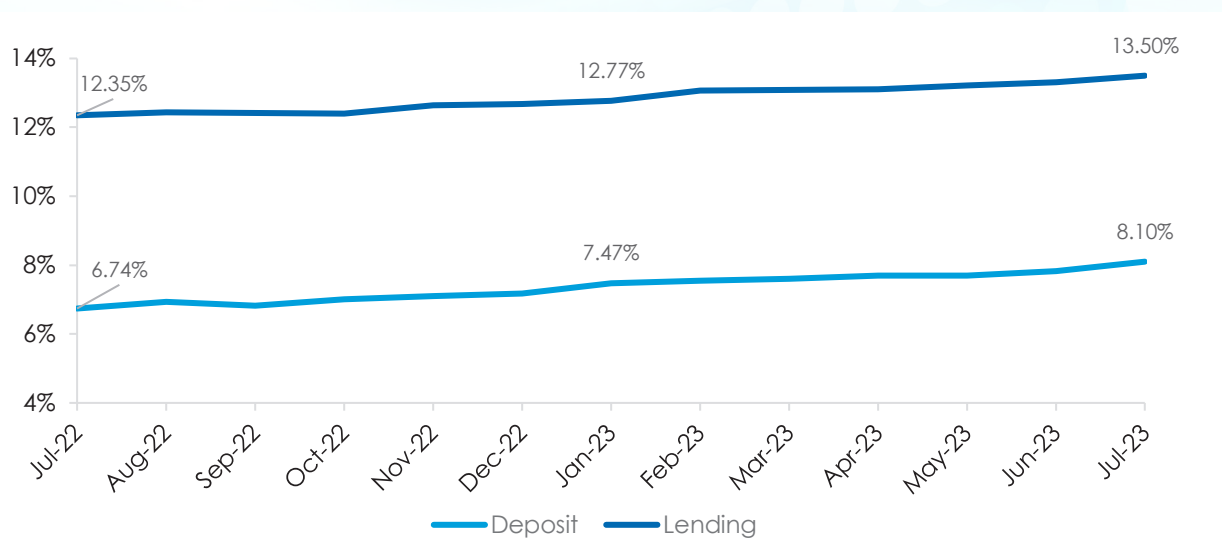
Source: Central Bank of Kenya

9.1.2.1.1 Interest Rates

9.1.2.1.2 Deposit and Lending Rates

Both the commercial bank lending and the deposit rates grew marginally during the period between July 2022 and July 2023. The deposit rate increased by 136 bps from 6.74% in July 2022 to stand at 8.10% in July 2023 while the lending rate increased by 115 bps to stand at 13.5% as at July 2023 from 12.35% recorded in July 2022. Both the deposit and lending rates have remained fairly stable over the period between July 2022 and July 2023 despite prevalence of tight liquidity conditions in the financial markets. The slight increase in the rates resulted from the increase in the CBR rate by the MPC to curb inflationary pressure.

Figure 4: Commercial Bank Weighted Average Deposit and Lending Rates



Source: Central Bank of Kenya

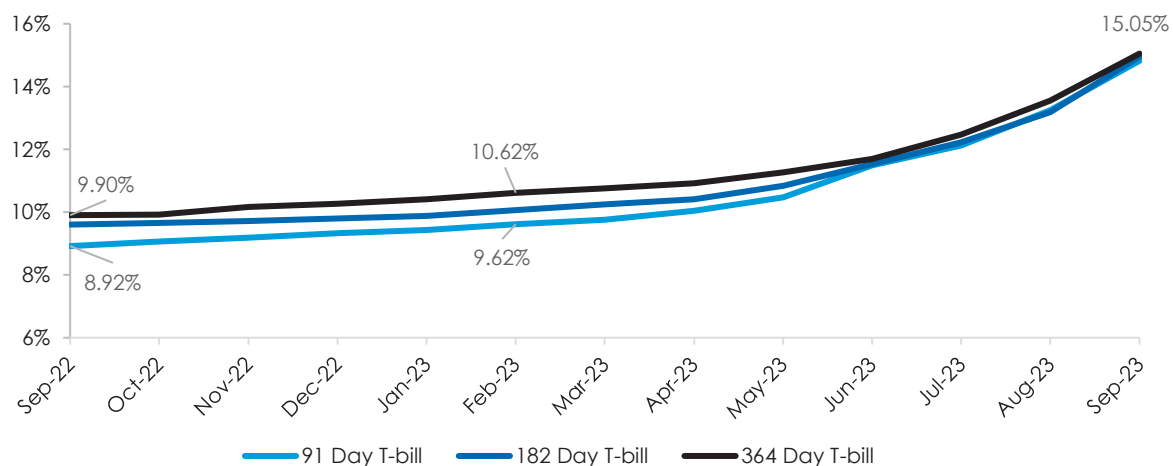
9.1.2.1.3 Short Term Interest Rates

Yields on GOK treasury bills went up in September 2023, surpassing the 15% mark for the 364-day tenor. High subscription rates were also recorded underpinning demand for short term papers. Investors' demand was concentrated on the 91-day paper as investors looked to mitigate duration risk.

The yield curve has continued to invert within medium-term and long-term assets, as rates on securities with below ten years to maturity climb faster. This is reflective of short-term expectations for the country's interest rate environment and the government's need for cash where investors' aggression has continued to increase as new developments signal potential inflationary pressures.

Short term bonds reported larger gains in yields relative to the medium and long-term bonds in the period spanning from September 2022 to September 2023. The 2-year, 3-year and 4-year bonds increased by 592 bps, 562 bps, and 535 bps to 17.5%, 18.01% and 17.96% respectively.

Figure 5: Treasury Bill Rates



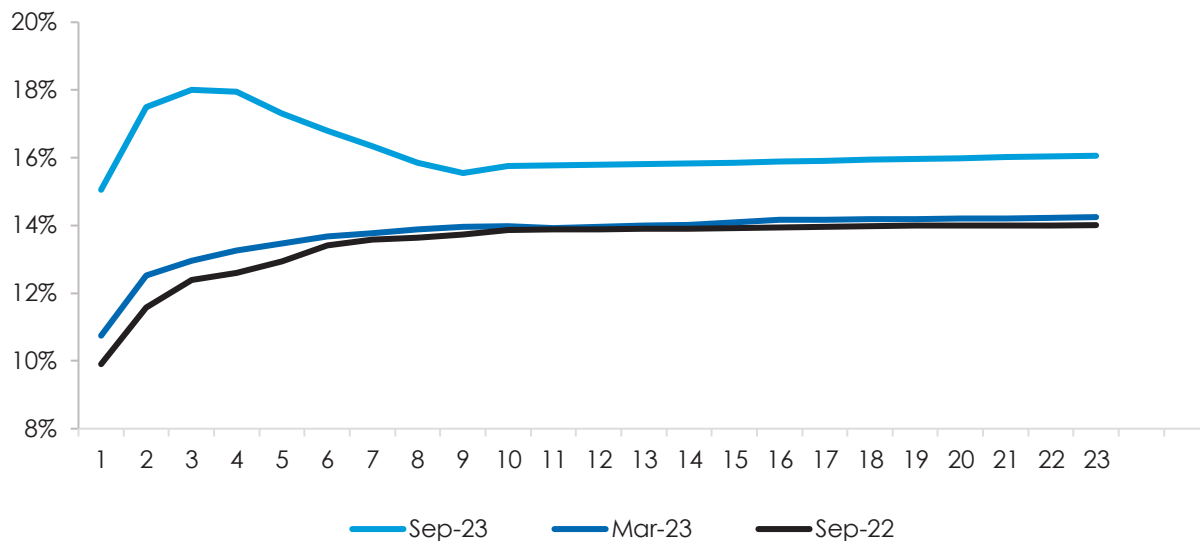
Source: Central Bank of Kenya and NCBA Analysis

9.1.2.1.4 Medium- and Long-Term Rates

From September 2022 to date, there has been increased appetite for the domestic debt necessary to meet GOK's target for FY 2023/2024 which has contributed to the upward shift in the yield curve. Other causes of the spike in the yield curve include reasons such as prevailing tight liquidity conditions in the country, inflationary pressures and a weakening domestic currency. The medium-term notes; 5-year, 7-year and 10-year increased by 436 bps, 277 bps and 189 bps to 17.30%, 16.35% and 15.75% respectively. On the other hand, the long-term notes; 15-year, 20-year and 23-year increased by 194 bps, 199 bps and 205 bps to 15.86%, 15.99% and 16.06% respectively.

In particular, in September 2023, the overall yield curve shifted upwards with a significant upward spike on the short-term bonds. This was due to a shift in investor preferences towards short term tenure bonds offering higher risks premiums in a bid to cushion themselves against adverse macroeconomic conditions and the risks posed by a public debt level that remains high. It is still on this backdrop that the yield curve is expected to continue with the upward shift as the country continues to grapple with, tight liquidity conditions, elevated inflation and the depreciation of the Kenya Shilling against the major currencies.

Figure 6: Yield Curve



Source: Nairobi Stock Exchange (NSE)

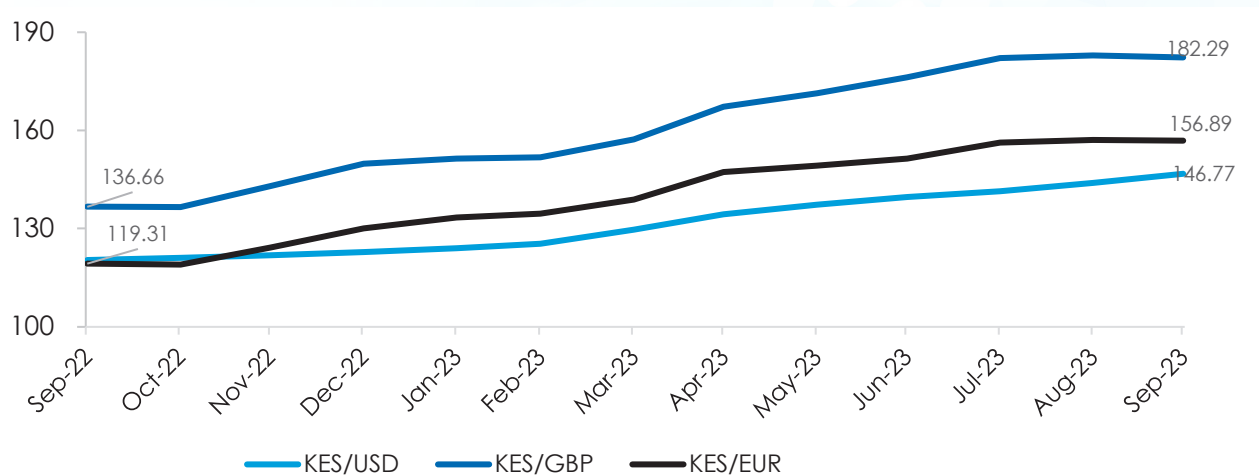
9.1.2.2 Exchange Rates

The Kenyan shilling experienced brief appreciation against the dollar between August 2022 and September 2022. However, as from October 2022 to September 2023, the KES has been gradually depreciating against the USD. The depreciation can be attributed to the strengthening of the US dollar as a result of monetary tightening policies by the United States of America adopted in 2022, deterioration of forex reserves occasioned by increased demand for the USD by importers and elevated external debt servicing costs.

The trend between the KES/GBP and the KES/EUR was quite similar to the KES/USD over the period between September 2022 and September 2023. Over this period, the Kenya shilling experienced a steady depreciation against both the EUR and GBP, a phenomenon attributable to policy rate hikes by the ECB and the Bank of England respectively.

It is expected that the KES will continue depreciating against major currencies owing to the widening interest rate differentials, reserve currency preference due to geopolitical risks and elevated import costs.

Figure 7: Exchange Rates



Source: Central Bank of Kenya and NCBA Analysis

9.1.2.3 Kenya Debt Analysis

Kenya's gross public debt increased by 18.77% from KES 8,579.1 billion in June 2022 to KES 10,189.5 billion in June 2023. External debt accounted for 53.5% of gross public debt and 37.6% of the GDP while domestic debt accounted for 46.5% of total debt and 32.6% of total GDP.

The total external debt stock recorded a nominal increase of 27.09% from KES 4,290.7 billion to KES 5,452.9 billion over the review period on account of fluctuations in the exchange rate coupled with an increase in the disbursements of external loans. Majority of the external debt was owed to multilaterals which accounted for 50.39%, followed by bilateral debt at 24.45%, commercial debt at 24.89% and suppliers' credit at 0.27%. Multilateral debt recorded an increase of 42.82% commercial banks increased by 14.89%, bilateral sources and suppliers' credit increased by 13.63%, and 21.31% respectively.

The total gross domestic debt recorded an increase of 10.45% from KES 4,288.3 billion to KES 4,736.6 billion over the review period (June 2022 to June 2023). The domestic debt comprised of non-banking financial institutions (52.93%), commercial banks (44.27%), CBK (2.17%) and non-residents 0.68%. Treasury bills stocks dropped by 5% from KES 647 billion to KES 614.7 billion while the total stock of treasury bonds increased by 12.46% to KES 4,013.9 billion from KES 3,569.1 billion.

Kenya's debt stock has been on the rise over the years mainly due to a widening fiscal deficit coupled with increased debt servicing costs. The country's debt stood at KES 9.9 trillion as of end of August 2023, equivalent to 68.4% of GDP and 18.4% points above the IMF recommended threshold of 50.0% for developing nations. The increased debt burden has consequently led to a decline in the gross reserves as it necessitates a draw down in the reserves, leading to the deterioration of the balance of payments.

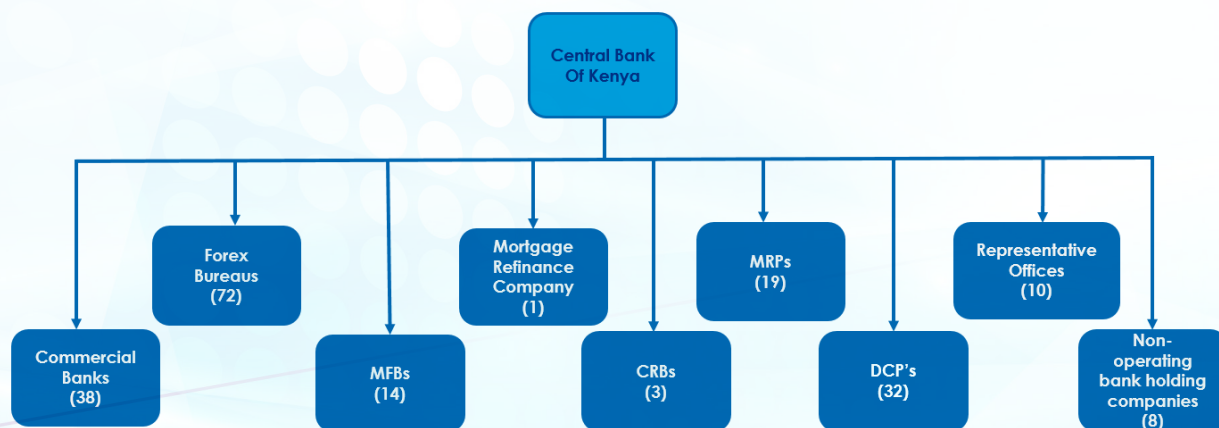
Despite, the debt service to revenue ratio easing by 2.1% points to 47.9% in the FY'2021/2022 down from 50.0% observed in FY'2020/2021, the ratio remained 17.9% points above the IMF's recommended threshold of 30.0%. Notably, the country's debt service to revenue ratio stood at 82.6% as at the end of August 2023. The sustained level of debt service to revenue ratio above the recommended threshold is a worrying sign, elevating the refinancing risk following shocks arising from the political tension witnessed in the country and global supply disruptions accelerated by the ongoing Russian-Ukrainian conflict.

9.2 Kenyan Banking Sector Overview

9.2.1 Industry Structure

As of 30th June, 2023, the Kenyan banking sector comprised of the Central Bank of Kenya (CBK) as the regulatory authority, 38 Commercial Banks, 1 Mortgage Finance Company, 1 Mortgage Refinance Company, 14 Microfinance Banks, 10 Representative Offices of Foreign Banks, 72 Foreign Exchange Bureaus, 19 Money Remittance Providers (MRPs), 3 Credit Reference Bureaus (CBRs) and 32 registered Digital Credit Providers (DCPs).

Figure 8: Kenya Banking Industry



Source: Central Bank of Kenya (CBK)

9.2.2 Asset Base

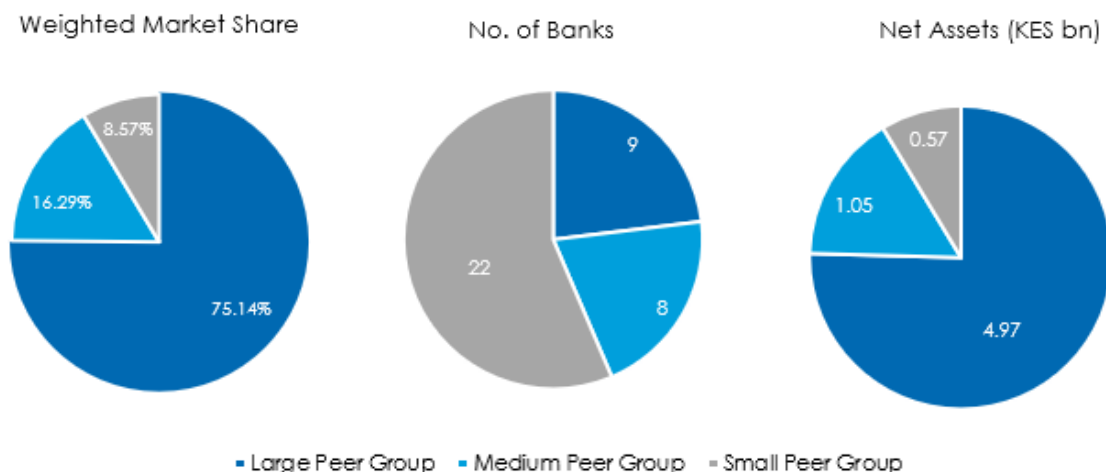
The sector's balance sheet grew by 4.1% from KES 6.77 trillion in March 2023 to KES 7.05 trillion in June 2023. The greatest contributor to the growth in assets was loans and advances which grew by 3.3% to KES 3,980.5 billion and placements which grew by 29.7%. The growth was attributed to increased lending to the Manufacturing, Transport and Communication, Restaurants and Hotels and Tourism sectors mainly for working capital purposes. In the second quarter of 2023, the largest component of total assets remained to be the net loans and advances accounting for 51.8%.

9.2.3 Market Share

Kenyan commercial banks are classified into three peer groups using a weighted composite index. The index comprises net assets, customer deposits, capital and reserves, number of deposit accounts and loan accounts. A bank with a weighted composite index of 5% and above is classified as a large bank. A medium bank has a weighted composite index of between 1% and 5% while a small bank has a weighted composite index of less than 1%.

For the year ended December 31, 2022, there were nine large banks with a combined market share of 75.14%, nine medium banks with a combined market share of 16.29% and 21 small banks with a combined market share of 8.57%.

Figure 9: Kenya Banking Industry Market Snapshot



Source: Central Bank of Kenya (CBK)

9.2.4 Industry Performance

The banking sector was profitable in the second quarter of 2023 although the profit of KES 55.1 billion was a 15.36% drop in profitability from KES 65.1 billion recorded in March 2023. Despite the dip in profitability caused by an increase in expenses, the sector exhibited resilience and stability in the second quarter of 2023. Credit risk still remained on an upward trajectory as the Gross non-performing loans to gross loans ratio went up to 14.5% from 14% recorded at end of March 2023.

9.2.4.1 Deposits

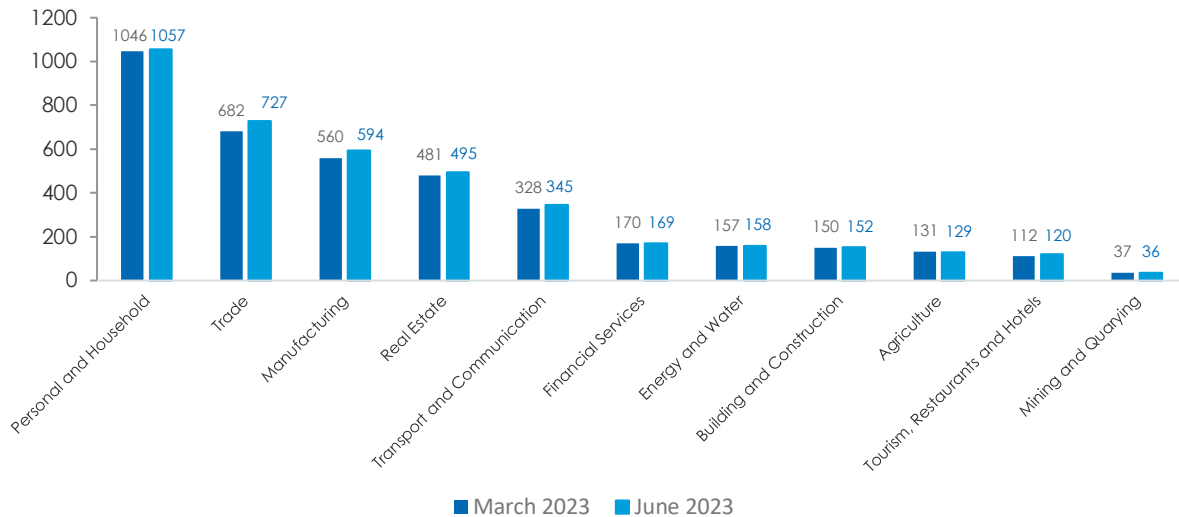
Customer deposits, which are the main source of funding for this sector went up from KES 4,828.3 billion in March 2023 to KES 5,160.5 billion as at end of June 2023, a 6.8% increase. Local currency deposits went up by 5.7% from KES 3,529.5 billion as at March 2023 to KES 3,730.7 billion as at end of June 2023 while foreign currency deposits went up by 10.1% from KES 1,298.8 billion to KES 1,429.9 billion over the same period. The growth was supported by the mobilization of deposits through agency banking and mobile phone platforms.

9.2.4.2 Asset Quality

Asset quality decreased as the non-performing loans (NPLs) went up by 6.5% from KES 540.8 million as at end of quarter one of 2023 to KES 576.1 billion as at end of June 2023. For the first quarter of 2023, the growth in the NPLs of 6.5% was more than the growth in gross loans of 3.3%. This therefore caused the NPLs to gross loans ratio to increase from 14.0% in March 2023 to 14.5% as at June 2023.

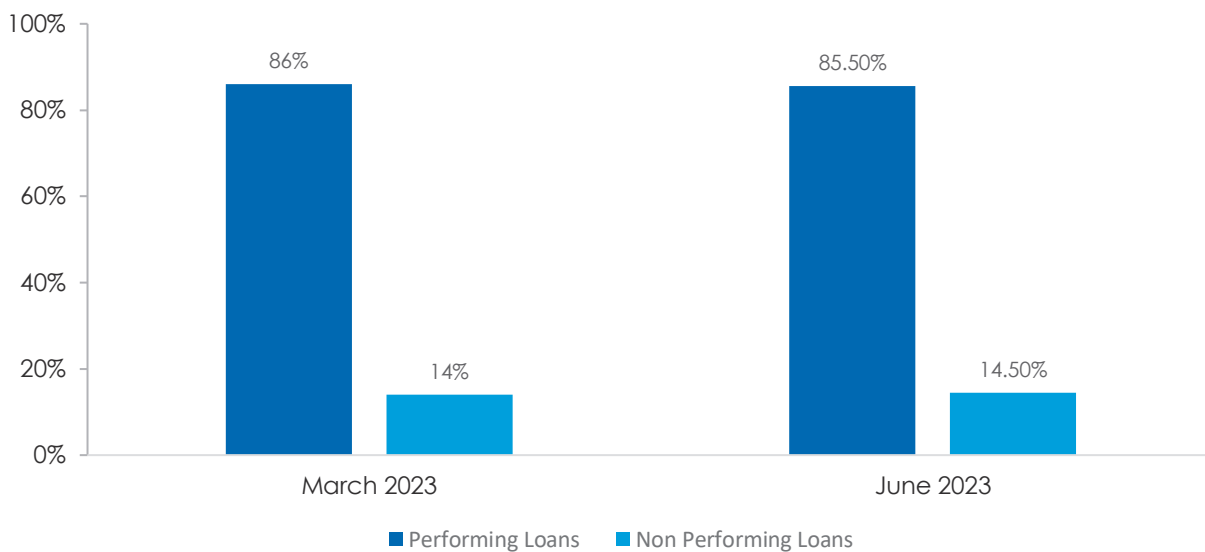
The coverage ratio (measured as a percentage of specific provisions to total NPLs) was 38.1% as at end of June 2023 compared to 40.4% as at end of March 2023. The decrease was due to a higher increase in total NPLs of 6.5% compared to a lower 0.7% increase in the specific provisions.

Figure 10: Gross Non-Performing Loan Distribution by Sector (KES Billion)



Source: Central Bank of Kenya (CBK)

Figure 11: Banking Industry Gross Loans vis-a-vis NPL



Source: Central Bank of Kenya (CBK)

9.2.4.3 Profitability

The banking sector posted a KES 55.1 billion profit as at end of June 2023. This was a decrease in profitability of 15.4% from the KES 65.1 billion recorded as at end of March 2023. The key cause of this decrease in profitability was an increase in quarterly expenses of 13.0% against a much lower increase in quarterly income of 3.9%. The major income sources in the first two quarters of 2023 were, Interest income on loans and advances (48.1%), interest on government securities (26.5%) and other incomes (14.7%). On the other hand, interest on deposits (31.3%), other expenses (23.3%), and salaries and wages (19.7%) were the key components of expenses.

Return on Assets (ROA) as at end of quarter two 2023 was 2.7%, a decrease from the 3.1% recorded for quarter one of 2023. On the other hand, Return on Equity (ROE) at the end of quarter two was 25.4% a decrease from 27% as at end of quarter one of 2023. Decrease in pre-tax profits reported at end of June 2023 was the reason for the decline in both profitability ratios, ROA & ROE.

9.2.4.4 Liquidity

Liquidity in the banking sector decreased from 49.9% as at end of quarter one of 2023 to 49.7% as at end of the second quarter. A higher increase in the total short-term liabilities of 5.7% in comparison to a 5.2% increase in total liquid assets over the period between March 2023 and June 2023 was the major reason for the decline in overall sector liquidity.

The liquidity component noted to have declined significantly was the investment in Treasury Bills which decreased by 15.0% while balances in foreign banks were noted to increase significantly growing by 112.1%. The decline in liquidity was however not reason for concern as the ratio was well above the minimum statutory ratio of 20%.

9.2.5 Recent Developments

9.2.5.1 Legal and Regulatory Framework

On 18th March 2022, the Central Bank of Kenya (Digital Credit Providers) Regulations 2022 were publicised and operationalised pursuant to Sections 57(1), 57(3) and 57(4) of the CBK Act. Subsequently, CBK was empowered to regulate unregulated Digital Credit Providers (DCPs) through amendment to the CBK Amendment Act no 10 of 2021. The regulations provided for the licensing, governance and credit operations of digital lenders.

On the 18th May 2022, the National Assembly's Committee on Delegated legislation approved the DCP regulations and in accordance with Section 59(2) of the CBK, all DCP's were required to apply for a license within 6 months from the CBK.

9.2.5.2 Innovative MSME Products by banks

2022 saw commercial banks launch various innovative products that serve the Micro, Small and Medium Sized enterprises. Some of these innovative products include: digital platforms and applications that are accessible on smart mobile phones and or other devices, collaboration with third party service providers especially Fintech and Payment Service Providers to ease payments, adoption of Artificial Intelligence to improve customer service and support, engagement of data analytics to improve comprehension of customer needs and preferences, application of algorithm whose data sources include payments transaction history and other account transactions.

9.2.5.3 Information, Communication and Technology

The fast pace at which technology is growing in this era has had a profound impact in the banking sector by changing the mode of transactions, introducing new banking channels, account management and increased need for enhanced data protection strategies. Quantum secure technology, Green Technology, data reliability, Central Bank Digital Currency and Cryptocurrency as emerging technologies are but some examples of key technological innovations that are coming up in the banking sector.

9.2.5.4 Transition from London Interbank Offered Rate (LIBOR) to Alternative Rates

LIBOR was the benchmark interest rate at which major banks in the global market used to lend to one another in the international interbank market for short term loans. Its use was expected to completely cease by the end of June 2023 for the USD settings that hadn't ceased use of it yet with banks and institutions turning to alternative rates. For Sterling, Euro, Swiss Franc and Japanese Yen settings, the 1-week and 2-month USD settings ceased immediately after 31st December 2022. The reasons of cessation of the use of the LIBOR include: concerns that the benchmark was being manipulated and that banks have been changing the way they transact business, and, as a result, LIBOR rate became a less reliable benchmark. In the USA, it is being replaced by the Secured Overnight Financing Rate (SOFR), which many experts consider a more accurate and more secure pricing benchmark.

9.2.6 Future Outlook

The growth trajectory for the banking sector remains positive with expectations that the sector will continue to grow with increased digital banking services uptake and innovative fintech solutions being the major drivers of this growth.

The banking sector is expected to invest more in technology and digital banking with banks seeking to expand their outreach to clients and potential clients and enhance their service delivery.

10 Family Bank Limited Business Overview

10.1 History and Background

Family Bank Limited (“the Bank” or “Family Bank” is a fully-fledged commercial bank, licensed and operating under the provisions of the Banking Act (Cap 488 Laws of Kenya) and the Central Bank of Kenya (CBK) Prudential Guidelines. The Bank is also a member of the Kenya Deposit Insurance Corporation (KDIC) and the Kenya Bankers Association (KBA).

Family Finance Building Society - the predecessor to Family Bank, was registered as a Building Society in October 1984 in Kenya, under the Building Societies Act and commenced operations in early 1985. Since its inception, Family Finance Building Society’s mission has been to liberate the unbanked from financial bondage and the poverty cycle. Family Bank was incorporated as a private limited liability company limited by shares with the name “Family Bank Limited” on 11th April 2006 under the Companies Act (cap 486 Laws of Kenya, now repealed) with registration number C. 124197. Family Bank became a bank on the conversion of Family Finance Building Society to a commercial bank by the transfer of its assets and liabilities to the Bank with the Central Bank of Kenya granting its approval for the transfer of the assets and liabilities on 4th April 2007 and the Registrar of Building Societies granting its approval on 11th May 2007. The main driver for the conversion was the need to offer a broader range of products and services to its customers.

Family Bank converted to a public company on 10th May 2006 by a resolution amending its Articles of Association and was issued with a certificate to commence business as a public company on 21st June 2007 with registration number 34/2007.

From only one branch in 1985, the Bank has grown over time and currently enjoys a network of 93 branches countrywide, the 5th largest branch network in the country as of 31st December 2022. It was the first Bank in Kenya to introduce paperless banking through smart card technology that enables customers to transact without having to fill in deposit or withdrawal slips.

The Bank now has over 1,000,000 customers with Net Assets exceeding KES 1 billion and a deposit base in excess of KES 100 billion. Furthermore, the Bank is leveraging the successful adoption of the universal banking model, which aims at gradually position the Bank as a one stop-shop providing retail and consumer products, SME, agribusiness, corporate banking, trade finance and insurance products.

Vision: To be the financial institution that leads in the positive transformation of people’s lives in Africa.

Mission: We positively transform people’s lives by providing quality financial services through innovative, efficient and reputable practices

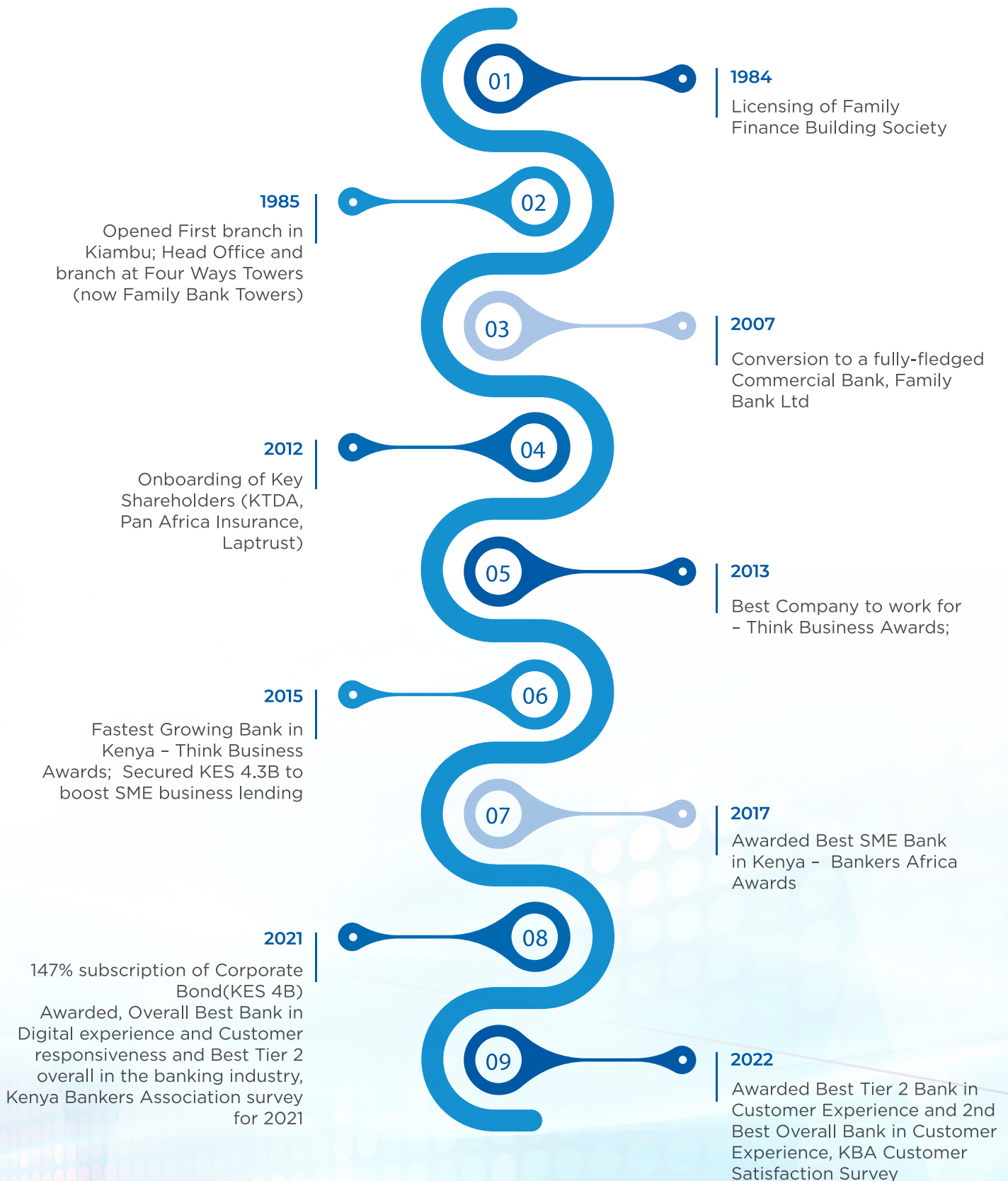
Purpose: To enable people create and sustain wealth through access to flexible, affordable financial services.

Core Values:

- Winning Together – Within ourselves and with our customers, we work together and we win together
- Self-Belief – in ourselves and our customers’ ability to change the world
- Transparency – our customers will trust and reward us for it
- Humility – it’s not about us, it’s about our customers

Tagline: “With you, for life”

10.2 Key Milestones



10.3 Accolades

Family Bank, in its transformation process leading it to becoming one of the fastest growing banks in Kenya, has had the following achievements:



- Overall second-best bank and best tier-two in customer responsiveness and digital banking experience in 2022 survey. This was the third year running that our customers voted us as the best tier-two bank.



- Best Tier 2 Bank in Digital Experience and Customer Responsiveness - Kenya Banker's Customer Satisfaction Survey.
- Member of the UN-Global Compact Network (pictured right).



- Launch of Wangige (91st) & Eastleigh (92nd) branches.



- Best SME Bank Kenya – Banker Africa Awards.
- Nominated for the 2019 Banker Africa Innovation Award.



- Best SME Bank Kenya award – 2017 Banker Africa East Africa Awards.



- Voted the Fastest growing Bank in Kenya - Think Business Awards.
- Bank's CEO featured in Business Daily survey as among the most influential and visionary CEOs in the country-Nation Media Group.



- 1st Runners-up as Best Bank in Micro-Finance - Think Business Awards.
- Bank's CEO featured in Business Daily survey as among the most influential and visionary CEOs in the country-Nation Media Group.
- Best Farmers Bank in Kiambu and Laikipia counties – ASK.
- 2nd best financial services provider in Kitui County – ASK.
- The 3rd Best Commercial Bank stand at The Nairobi International Trade Fair - ASK.



- 1st Runners-up as Best Bank in Micro-Finance - Think Business Awards.
- The Best use of ICT in Banking at the ICT Value Awards - Information Communication Technology Association of Kenya (ICTAK).



- Best Product Launch and Marketing (Pesa Pap!) - Marketing Society of Kenya.
- Best product marketing award for the launch of the mobile banking product - Marketing Society of Kenya.
- First runners up in use of technology in offering banking services – Think Business Awards.



- 6th most preferred bank in Kenya - Inter-brand Sampson

10.4 Branch Network

Family Bank has the 5th largest branch network in Kenya cutting across major urban and rural centres in the country. The Bank has grown from one branch in 1985, to the current network of 93 branches, 5,900 agents and 144 Automated Teller Machines (ATM's) spread across 32 out of 47 counties in Kenya. These are represented below:

Table 3: Family Bank Branch Network

County	Name of The Branch	County	Name of The Branch
Nairobi (27)	Cargen Branch	Kiambu (13)	Banana Branch
	Dagoretti Branch		Gatundu Branch
	Donholm Branch		Githunguri Branch
	Eastleigh Branch		Githurai Branch
	Family Bank Towers Corp		Kagwe Branch
	Family Bank Towers Retail		Kiambu Branch
	Gikomba Area 42 Branch		Kikuyu Branch
	Gikomba Branch		Limuru Branch
	Industrial Area Branch		Ruaka Branch
	Jkia Branch		Ruiru Branch
	Kahawa West Branch		Thika Branch
	Kangemi Branch		Thika Makongeni Branch
	Kariobangi Branch		Wangige Branch
	Kasarani Branch	Mombasa (4)	Mombabsa DIGO Branch
	Kayole Branch		Mombasa Kenyatta Avenue
	Kenyatta Avenue Branch		Mombasa Nkrumah
	Kilimani Branch		Mtwapa Branch
	KTDA Corporate Branch	Murang'a (4)	Kangari Branch
	KTDA Retail Branch		Kangema Branch
	Laptrust Nbi Branch		Kiria-Ini Branch
	NBI City Hall Branch		Muranga Branch
	Ngara Branch	Nakuru (4)	Molo Branch
	River Road Branch		Naivasha Branch
	Sonalux Branch		Nakuru Finance Branch
	Tom Mboya Branch		Nakuru Market Branch
	Utawala Branch	Uasin Gishu (2)	Eldoret Branch
	Westlands Branch		Eldoret West Branch

County	Name of The Branch	County	Name of The Branch
Nyeri (3)	Karatina Branch	Kajiado (3)	Kajiado Branch
	Nyeri Branch		Kitengela Branch
	Othaya Branch		Ongata Rongai Branch
Machakos (3)	Gateway Mall Branch	Meru (3)	Maua Branch
	Machakos Branch		Meru Branch
	Mlolongo Branch		Nkubu Branch
Laikipia (2)	Nanyuki Branch	Kakamega (2)	Kakamega Branch
	Nyahururu Branch		Mumias Branch
Kericho (2)	Kericho Branch	Kisii	Kisii Branch
	Litein Branch	Kisumu	Kisumu Reliance Branch
Kirinyaga (3)	Kerugoya Branch	Kitui	Kitui Branch
	Kutus Branch	Kwale	Ukunda Branch
	Mwea Branch	Bomet	Bomet Branch
Bungoma	Bungoma Branch	Narok	Narok Branch
Busia	Busia Branch	Nyamira	Nyamira Branch
Embu	Embu Branch	Nyandarua	OI Kalou Branch
Kilifi	Malindi Branch	Tharaka Nithi	Chuka Branch
Makueni	Wote Branch	Trans Nzoia	Kitale Branch
Migori	Migori Branch	Nandi	Kapsabet Branch

Source: Family Bank Records

10.5 Products and Services

Family Bank Ltd offers a wide range of commercial banking products and services to its customers in Kenya. The Bank's products & services are offered to a cross-section of customers in the Retail, corporate, SME and Micro sectors.

The major services and products currently on offer are explained in the following sections.

10.5.1 Personal Banking

10.5.1.1 Current Accounts

- **Personal Current Account:** The Personal Current account enables customers to do banking transactions using a cheque book and with their Family Bank VISA Card with access to digital banking and secure various bank loans and facilities.
- **Salary Account:** Family Bank salary account is the ideal personal bank account for employed customers who need to access their funds after payment by the employer. It has no monthly charges, no minimum opening or operating balance and access to salary-based loans and advances.
- **Mwananchi Account:** The Mwananchi account is open to individuals of all walks of life and occupations, designed to make their banking life convenient. It's a hassle-free banking service and convenient banking. It also provides access to various loan facilities.
- **Scholar Account:** This is a bank account designed for students in Universities, Colleges, Polytechnics and other institutions of higher learning. Loans for students from Higher Education Loans Board (HELB) can be disbursed to this account. The account has features such as a low opening balance, no account maintenance fee and personal accident benefit is also available for this account.
- **Fuzu Premier Account -** This is a current/transactional account that offers differentiated and premium customer experience through convenient banking. The account is packaged with bundled and preferential product bouquet, merchant and partnership offering and wealth creation through various investment platforms.
- **Foreign Currency Accounts in USD GBP and EUR:** these are available for individuals and corporates with cash flows denominated in those currencies.

10.5.1.2 Savings Accounts

- **The Tujenge Account:** This is an account designed to aid regular income earners accumulate funds to achieve their financial management goals. This account facilitates a savings plan through a cash, cheque, standing order or check-off from the employer and can be opened with any amount of cash and has absolutely no charges.
- **Mdosi Junior Account:** Mdosi Junior is an ideal account for children below 12 years of age and is operated by a parent or guardian. The account has additional features free banker's cheques for payment of Child's school fees and no ledger fees charged. It is an account that is in line with the aspirations that many parents have for their children.
- **Chama Account:** This is a savings account designed for formal and informal groups such as chamas, self-help groups, welfare groups, partnerships and investment groups, and helps facilitate wealth creation and welfare activities of its members. This account can also be used to appraise customers for chama loans.

10.5.1.3 Investment

- **Call –** The facility provides an investment opportunity where a client can place funds with the bank to earn interest with the option to withdraw at any given time.
- **Fixed Deposit account:** The facility offers customers a saving option for a fixed duration of time where they can agree on an interest rate for a set duration.

10.5.1.4 Personal Loans

- **Mobile Loans:** Family Bank mobile loan allows both Family Bank customers and non-customers to access affordable instant mobile loans through PesaPap wallet or the USSD feature (*325#) to meet their personal and emergency needs.
- **Salary Loan:** Salary loans are available to all Family Bank account holders who process a regular income from their employers. It is ideal for individuals who earn a regular salary income through their employment contracts.
- **Salary Advance:** Salary advance is a short-term loan open to all salaried employees who have an account with Family Bank. An individual can receive up to 50% of your previous month's net salary. Salary advance is also available to our customers via PesaPap mobile application, USSD feature and all Family Bank ATMs.
- **Check-off Loan:** Check-off loans are available to all employees whose employers have signed a memorandum of agreement (MOU) with Family Bank to process loan facilities. Monthly instalments are paid directly to the bank.

10.5.2 Diaspora Banking

Diaspora banking offers quality, convenient and reliable financial services to the Kenyans in the Diaspora. Family Bank has both current and savings account under the "Mkenya Daima" brand name, i.e. Mkenya Daima Savings Account and Mkenya Daima Current Account. Diaspora customers have access to loans and various investment solutions that are offered by dedicated relationship managers and can also transact through the internet banking platform.

10.5.3 Business Banking

- **Business Current Account:** This account enables the account holder to transact using a cheque book and with the ability to access Pesa Pap Mobile Banking while helping to secure various benefits and loan facilities from the bank. This account is ideal for registered businesses, organizations or groups.
- **Jenga Bizna:** Jenga Bizna is an account specifically tailored for micro-businesses, start-ups and for Jua Kali artisans and other low scale businesses. Its features include no opening balances, no ledger fees, no limitation on withdrawals and no minimum operating balances. It also provides access to micro credit loans.
- **Church Account:** The account is tailored for churches or faith-based institution with numerous projects and in need of financing from a reputable bank. Family Bank offers specialized banking services to religious organizations of all types, regardless of creed or theology.
- **Collection Account:** The Bank offers money collection accounts designed to enhance cash flow and money management processes for universities, utility companies, hospitals, religious bodies and government parastatals.
- **NGO Miradi Account:** The Family Bank NGO Miradi Account offers Non-Profit Organisations tailor-made financial solutions, hassle-free banking in the most convenient manner. It is ideal for NGOs, diplomatic missions, trusts, charities and foundations.

- **Check-off Loan:** Check-off loans are available to all employees whose employers have signed a memorandum of agreement (MOU) with Family Bank to process loan facilities. Monthly instalments are paid directly to the bank.
- **Relationship Management:** Family Bank guarantees proactive partnership through a dedicated Corporate Relationship Manager who will be the point of contact for all its corporate customers banking needs.

10.5.3.1 Business Facilities

- **Asset Finance:** Asset finance is available to business account holders and is intended to assist in the acquiring movable assets, such as, motor vehicles, pick-ups, buses and lorries. Other assets include: tractors, heavy earth moving equipment, machinery and motor cycles.
- **MajiPlus:** Family Bank partnered with water.org, to provide a tailor-made financial solution that seeks to provide flexible financial solutions to individuals, micro-business, SMEs and Water Service Providers (WSPs) such as water companies and Water, Sanitation and Hygiene (WASH) service providers.
- **Cheque Discounting:** The Bank discounts cheques deposited by existing customers drawn on reputable organisations and confirmed with the drawers and/or the drawer's bank. Cheque discounting enables customers to access cash for their business requirements while they await their cheque(s) to clear.
- **Overdraft Loans:** Overdraft loans are available to existing Family Bank customers for financing working capital. A maximum period of 12 months is allowed for repayment.

10.5.3.2 Agribusiness Loans

- **Agribusiness Asset Finance Loan:** Finance purchase of farm machinery, agri-equipment & vehicles used in agricultural production and transportation.
- **Agricultural inputs & working Capital Finance:** Finance purchase of farm inputs and production activities.
- **Dairy Loan:** To finance actors in dairy value chains e.g. dairy herd improvement, dairy equipment etc.
- **Majani Plus:** Finance farmers involved in the production of tea leaves for supply to tea factories.
- **Livestock Loan:** To finance actors in Livestock value chain e.g. steers fattening, ranching fish, poultry, pigs etc.
- **Agribusiness project secured loans:** Finance businesses in self-projects, private/public partnership projects with partners, donors, Govt.
- **Contract growers finance:** The product is designed for farmers/agribusiness who have formal contracts from reputable institution/organisations /buyers.
- **Biogas & other clean energy:** Construction of biogas digesters and accessories such as biogas cookers, biogas.

10.5.3.3 Micro Loans

- **Biashara Boost Loan:** Biashara Boost Loan is specially designed for micro-businesses that require funds to expand their existing business line(s) profitably.
- **Chama Investment Loan:** The Bank finances up to 10 times on group savings and provides financing options such as: land purchase, construction (real estate development), property acquisition, asset finance (M/Vehicles/ Machinery/Equipment) and listed shares & bonds.

10.5.3.4 Trade Finance

Family Bank facilitates sourcing and financing of trade inputs for its clients. Through the Trade finance departments, the bank can offer the following:

- Bid Bonds;
- Letters of credit;
- LPO financing;
- Bank Guarantees including Performance Bonds, Payment Bank Guarantees, Custom Bonds etc;
- Stock Financing;
- Collections; and
- Avalized Bills and trade loans.

10.5.4 Treasury Services

Family Bank has a robust treasury division designed to provide a one-stop-shop for all its customers' foreign exchange and money market needs. They have a team of highly trained and experienced dealers who are well placed to support customers' businesses.

10.5.4.1 Treasury products

- **Spot Deals:** We offer spot dealing for all major currencies. This can be done as cash deals, internal account transfers, SWIFT or RTGS.
- **Forward Contracts:** This is a hedging instrument that clients can use to purchase or sell foreign currencies for delivery/receipt at a future date, generally between one to six months.
- **Currency Swap:** This product can assist enhance liquidity in a particular currency using surplus funds in a different currency.
- **Foreign Currency Banker's Cheques (Local):** These are banker's cheques issued and denominated in major foreign currencies US Dollar, Sterling Pound and Euro for local Banks.
- **Structured Deals:** Treasury, in conjunction with other departments such as Trade Finance and Corporate Banking offers clients customized structured finance solutions depending on their needs.
- **Foreign Current Accounts:** The Bank offers foreign currency accounts to their customers. This can either be a current account or a savings account. These accounts are mainly in the major currencies, i.e. USD, GBP and Euro.
- **Treasury Bills and Bonds Investment:** Family Bank invests in T-Bills and Bonds on behalf of the client at a small commission.
- **Foreign Currency Lending:** The Bank offers foreign currency loans to both individual and corporates.

10.5.5 Mortgages

Family Bank, is determined to help its clients in their construction projects and also the staff to realize their treasured dreams of owning a home. Family Bank offers 100% mortgage financing.

Family Bank's Growing Home Mortgage has a wide range of mortgage services that include:

- **Brick by Brick:** Enables customers to build and pay in affordable stages and move in once the first phase is done.
- **Estate Development:** Developers who intend to put up houses for sale can get financing.
- **Company Schemes:** Employers can access subsidized mortgage plans for their employees.
- **Construction Loans:** The Bank will provide financing based on the land's value and type of development. Construction loans are available to both residential housing development as well as estate development.
- **Owner Occupier:** Customer identifies the house they want to occupy and Family Bank finances it. Owner-occupier is secured by the dwelling house. Repayment for an owner-occupier mortgage is capped at a maximum of 25 years.
- **Plot Loans:** Family Bank will help the customer buy land for future developments.

10.5.6 Bancassurance

Through partnerships with reputable insurance companies in the industry, Family Bank Bancassurance Intermediary Limited (FBBI) offers a full bouquet of innovative insurance products and services.

The primary services and products currently on offer are:

- **Motor Insurance:** FBBI offers comprehensive and third party covers for motor insurance policies. The various motor classes include Public Service Vehicles (PSV), Motorcycles-Private, Motor Private-Insurance, Motor Commercial insurance and institutional vehicles.
- **Education Plan:** Education Plan provides insurance for the life of a child for a specific period of time. It may also include an early payment feature allowing the recipients a specific percentage of the insured amount each year, with the remainder of the sum assured plus interest paid at the end of the policy term.
- **Property Insurance:** Property insurance includes: marine insurance, livestock insurance and Homeowners Comprehensive Insurance (HOI).
- **Personal Accident Insurance:** Personal Accident insurance provides compensation for death, permanent disability and temporary loss of income due to disability from an accident.
- **Group credit Life Assurance:** Group Credit Life Assurance provides life cover to borrowers of credit institutions, such as banks. In the unfortunate event of the member's death during the term of the policy, the outstanding loan amount would be repaid by the insurance company thus relieving the member's family.
- **Endowment Plan:** This policy gives a combination of death protection and investment for a stated period. The full sum assured is payable plus applicable interest on the survival of the assured to the term or permanent total disability and/or death.
- **Family Afya:** Family Afya enables customers to manage their finances and access quality healthcare across many healthcare providers in Kenya. The product offers: Inpatient, Outpatient, Maternity, Dental, and Optical.

The product is available to Individuals, families, groups and organisations.

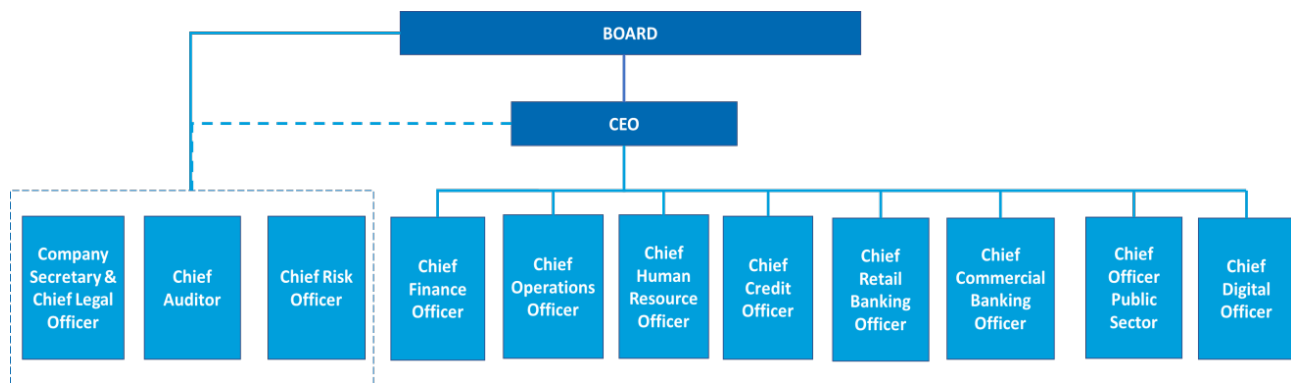
- **Funeral Cover:** FBBI funeral expense package is designed to protect customers’ financial security, as well as your loved ones, in case of their demise

10.5.7 Digital Financial Products

Family Bank offers clients various digital financial products to enable them to enjoy convenient banking

- **Cards:** this includes Visa Debit, Credit and Pre-paid cards available to customers operating an account with the bank
- **Mobile Banking:** PesaPap application is available for mobile banking needs and is easy to download and use.
- **Internet Banking:** Both for individual clients and Family Pay for Corporates.
- **Agency Banking:** bringing banking to the customer doorsteps countrywide.

Figure 12: Family Bank’s High-Level Organisation Structure



Source: Family Bank Records

10.6 Employees

The Group has employed a total of 1,729 employees, 49% male and 51% female. 1363 employees are permanent, and 366 employees are temporary. The breakdown is shown below:

Table 4: Family Bank Employees

Contract Type	Female	Male	Total
Permanent	677	681	1363
Contract	210	156	366
Grand Total	887	842	1729




Source: Family Bank Records



10.7 Board of Directors

The Board of Directors is responsible for the governance of the Company. It comprises of six non-executive directors, the Chief Executive Officer and the Company Secretary. The summary profiles of the directors of Family Bank's Board is as follows:

Table 5: Family Bank Board of Directors

Director	Summary Profile
 <p data-bbox="181 818 508 921">Dr. Wilfred D. Kiboro, EBS Chairman Non-Executive Director</p>	<p data-bbox="543 444 1545 649">Dr. Kiboro holds a Bachelor of Science, Civil Engineering from the University of Nairobi and he began his engineering career with Shell and Esso. He was later appointed as Managing Director of Rank Xerox, and he is the former Chief Executive Officer of the Nation Media Group, where he still serves as Chairman. He is the Chancellor of Riara University, a Trustee of the Rhino Ark, and the Chairman of Wilfay Investment Limited.</p> <p data-bbox="543 653 1545 924">Dr. Kiboro has received various accolades including being a Member of the International Who's Who of Professionals, and he is a past Chairman of several organisations, including the Media Owners Association, the East African Business Council, the International Press Institute Board, the Federation of Kenyan Employers, and the Standard Chartered Bank, Kenya. He has also served on the Boards of the Kenya Association of Manufacturers, the National Environmental Management Authority (NEMA) and East African Breweries Limited among others.</p>
 <p data-bbox="174 1298 515 1401">Arch. Francis Gitau Mungai Vice-Chairperson Non-Executive Director</p>	<p data-bbox="543 940 1545 1211">Mr Gitau holds a Master's Degree in Architecture and Urban Design from the University of California, Los Angeles (UCLA) and a Bachelor of Architecture degree, First Class Honours from the University of Nairobi. He is also a Fellow of the Architectural Association of Kenya (FAAK) and is registered by the Board of Registration of Architects & Quantity Surveyors (BORAQS) in Kenya. He is the founding Partner of Aaki Consultants, Architects and Urban Designer and has worked as an Architect with prominent firms like Triad Architects in Nairobi, and Urban Innovation Group (UIG) in Los Angeles.</p> <p data-bbox="543 1215 1545 1418">He has been a Chairman of various bodies such as the Architectural Association of Kenya (AAK), Kenya Private Sector Alliance (KEPSA) where he was Director and Chairman of Building and Infrastructure Board. He is a former lecturer at the University of Nairobi, Architecture and Building Sciences Department, where he focused on both Architectural and Urban Design Studios, as well as Professional Practice and Management.</p>
 <p data-bbox="198 1707 491 1768">Mr. Titus K. Muya Non-Executive Director</p>	<p data-bbox="543 1432 1545 1665">TK, as he is popularly known, founded Family Bank in 1984, and he served as the institution's Chief Executive Officer from 1984 to June 2006, after which he chaired the Banks Board of Directors until December 2012. He is one of Kenya's leading visionary entrepreneurs associated with various companies, including Kenya Orient Insurance Limited, Daykio Plantations Limited and Alpha Africa Asset Managers Limited, on whose Boards he sits or is represented in different capacities.</p> <p data-bbox="543 1669 1545 1768">In recognition of his entrepreneurship and, more specifically, his contribution to the banking industry, TK was awarded the national accolade, Elder of the Order of the Burning Spear, in December 2011.</p>

Director	Summary Profile
 <p data-bbox="194 559 491 625">Mr. David Muni Ichoho Non-Executive Director</p>	<p data-bbox="543 221 1545 630">Mr. Ichoho joined the Board in March 2023. He is currently serving as the Chairman of the Board of KTDA as well as its subsidiaries, a position he has held from June 2021 to date. He has over 20 years of experience and has worked in various capacities in the insurance industry, manufacturing and processing, tax and human resources. He has held senior management positions in UAP Insurance Co. Ltd; Bank of America - Texas, USA; Texas Instruments – Texas US; The Ministry of Gender, Sports, Culture and Social Services - Kenya; Kenya Forest Services/Kenya Forestry College and at the Kenya Tea Development Agency Holdings Limited. Mr. Ichoho holds a Masters in Business Administration (MBA) in Human Resource Management from Kenyatta University, a BA in Economics and Geography from the University of Nairobi and a Higher National Diploma in Human Resource Management from the Institute of Human Resource Management (IPM Kenya).</p>
 <p data-bbox="194 1023 491 1088">Mr. Lazarus Muema Non-Executive Director</p>	<p data-bbox="543 644 1545 1154">Mr. Muema holds a Bachelor of Commerce Degree from the University of Nairobi and is a Certified Public Accountant (CPA-K). Lazarus was appointed to the Family Bank Board in 2017. He is a highly respected professional in the Finance/Pensions sector with experience spanning over 30 years, having held senior positions in multinational corporations both in Kenya and Europe. He has been a Finance Manager at Shell Exploration in Kenya and Shell Uganda, a financial controller at Kenya Shell and a finance advisor at Shell International London, rising through the ranks to the position of the Pensions Investment and Policy Advisor for Africa by the time he left in 2011. Currently, he is a pension consultant with Penplan Services Limited, a Pensions Consultancy Firm that he founded in 2011. He is a board member in various companies including Kenya Orient Insurance. He is currently the Board Chair of Riscura Solutions (Kenya) Ltd, an investment consulting firm with its hold company based in South Africa. He is also a former Chairman of the Association of Retirement Benefits Schemes of Kenya, Bright Technologies Ltd and Nanga Investments Ltd.</p>
 <p data-bbox="194 1540 491 1606">Ms. Mary Njeri Mburu Non-Executive Director</p>	<p data-bbox="543 1168 1545 1646">Ms. Mburu was appointed to the Board of Family Bank in October 2020. She holds a Master's degree in Business Administration (MBA) from United States International University, a BSc. in Agriculture from the University of Nairobi. She is currently pursuing a Doctorate in Business Administration (DBA) in Global Supply Management. Professionally, Ms Mburu is also a Certified Chartered Accountant from the Association of Chartered Certified Accountants (ACCA). She is a Contracting Officer Representative (COR) in project finance and administration. Ms. Mburu has worked as a Senior Acquisition and Assistance Specialist (Senior A&A Specialist) at USAID overseas Missions designated as a Third Country National (TCN) for six years. Before her overseas assignment, she worked at USAID Regional Mission in Nairobi for 7 Years as an Acquisition and Assistance specialist (A&A Specialist). Ms. Mburu's strength is in finance management, audit and procurement administration.</p>

Director	Summary Profile
 <p data-bbox="196 583 491 684">Ms. Rebecca Mbithi Managing Director and Chief Executive Officer</p>	<p data-bbox="543 221 1547 460">Rebecca holds an MBA with a concentration in Strategic Management from USIU and an LL. B degree from the University of Nairobi. She is a CPA and a member of the Institute of Certified Public Accountants of Kenya, a Certified Secretary and a Member of the Institute of Certified Secretaries, an advocate of the High Court of Kenya and a member of the Law Society of Kenya. In addition, she is a Certified Executive Coach. She joined Family Bank in January 2015, taking on the role of Company Secretary & Director, Legal Services.</p> <p data-bbox="543 465 1547 764">Rebecca was appointed CEO of Family Bank in February 2019. She is a seasoned professional and a respected lawyer with an extensive leadership background in various organisations, having previously worked at Kenya Tea Development Agencies, where she served as Head of Legal and Regulatory Affairs and Rift Valley Railways, where she served as the Company Secretary & Legal Counsel. She has vast domain expertise and knowledge in law, project finance, corporate restructuring, equity/debt raising and governance, and has served in the Corporate Governance and Standards Committee of the Institute of Certified Public Secretaries. Kenya.</p>
 <p data-bbox="191 1096 497 1197">Mr. Eric K. Murai Company Secretary and Chief Legal Officer</p>	<p data-bbox="543 778 1547 950">Eric holds a Master of Laws (LL.M) and a Bachelor of Laws (LL.B) from the University of Nairobi and a BSc. In Applied Accounting from Oxford Brookes University. He is an advocate of the High Court of Kenya, a member of the Law Society of Kenya and a member of the Institute of Certified Secretaries. He is also a certified professional mediator.</p> <p data-bbox="543 954 1547 1020">Eric is the Company Secretary and Chief Legal Officer. He was appointed Company Secretary and Head of Legal Services in October 2019.</p> <p data-bbox="543 1025 1547 1190">Eric is an experienced in-house counsel and corporate governance professional, having previously worked as the Assistant Company Secretary at Britam Holdings Plc and as Legal Counsel at Standard Chartered Bank Kenya. He has vast experience in banking and finance law, corporate finance projects and corporate governance and regulatory compliance.</p>





Source: Family Bank Records

10.8 Senior Management

The summary profiles of Family Bank's senior management is as follows:

Table 6: Family Bank Senior Management

Senior Manager	Summary Profile
 <p>Ms. Rebecca Mbithi Managing Director and Chief Executive Officer</p>	<p>Rebecca holds an MBA with a concentration in Strategic Management from USIU and an LL. B degree from the University of Nairobi. She is a CPA and a member of the Institute of Certified Public Accountants of Kenya, a Certified Secretary and a Member of the Institute of Certified Secretaries, an advocate of the High Court of Kenya and a member of the Law Society of Kenya. In addition, she is a Certified Executive Coach. She joined Family Bank in January 2015, taking on the role of Company Secretary & Director, Legal Services.</p> <p>Rebecca was appointed CEO of Family Bank in February 2019. She is a seasoned professional and a respected lawyer with an extensive leadership background in various organisations, having previously worked at Kenya Tea Development Agencies, where she served as Head of Legal and Regulatory Affairs and Rift Valley Railways, where she served as the Company Secretary & Legal Counsel. She has vast domain expertise and knowledge in law, project finance, corporate restructuring, equity/debt raising and governance, and has served in the Corporate Governance and Standards Committee of the Institute of Certified Public Secretaries. Kenya.</p>
 <p>Mr. Stephen K. Ngugi Chief Finance Officer</p>	<p>Stephen holds a Master of Arts in Economics from the University of Nairobi and a Bachelor of Arts with a major in Economic and a minor in Business Studies from Kenyatta University. He is a Certified Public Accountant of Kenya and a member of the Institute of Certified Public Accountants of Kenya.</p> <p>Stephen was appointed the Chief Finance Officer in October 2020.</p> <p>Stephen is an experienced finance professional, having previously worked at Tugende Limited as the Chief Finance Officer and as Head of Finance and Strategy at Chase Bank. Prior to this he had worked at Equity Bank and EY. He has extensive experience in corporate finance, finance, strategy, investor relations and tax consulting.</p>
 <p>Mr. Elijah Kariuki Chief Human Resource Officer</p>	<p>Elijah holds a Bachelor's Degree in Human Resource Management from Kenyatta University. He also holds a Higher Diploma in Human Resource Management and a certificate in counselling both from the college of Human Resource Management. He is also a certified Trustee (TDPK) and a Certified Executive Leadership Coach (ICF accredited). He is currently pursuing a Master of Business Administration in Strategic Management and Human Resource Management from the United States International University-Africa. He is a full member of Human Resource Management Kenya (IHRM).</p> <p>He has also attended numerous trainings covering Leadership, People Management, Labour Law, Performance Management and many more.</p> <p>He was appointed Chief Human Resources Officer in 2018.</p> <p>Elijah Kariuki is an HR specialist and a seasoned banker with over 13 years' banking experience. He started his career at Family Bank Ltd as an Intern in the ICT department in October 2007, and rose through the ranks in different functions to his current role of Chief Human Resource Officer.</p>
 <p>Ms. Nancy Njau Chief Commercial Officer</p>	<p>Nancy holds a Master in Business Administration in Strategic Management from Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Commerce Degree (Accounting) from Kenyatta University and a Higher Diploma in Human Resource Management. In addition, she is a Certified Public Accountant of Kenya (CPA-K) and a Certified Executive Leadership Coach. She has attended numerous courses on Performance Management, Credit Management, Transformational Leadership, Customer Service among others. Nancy was appointed the Chief Officer - Public Sector in January 2020. Nancy has previously served as the Head of Strategic Partnerships and the Head of Retail Banking.</p> <p>She joined Family Bank in 2002 as a graduate clerk and has risen through the ranks in various capacities across the Bank network to her current position.</p>

Senior Manager	Summary Profile
 <p data-bbox="184 519 486 583">Mr. John Ndugi Chief Operations Officer</p>	<p>John Ndugi is Family Bank’s Chief Operations Officer. He is a seasoned banker with over 18 years’ experience.</p> <p>John started his career at Family Bank as an operations officer, moving up to different functions in; Customer service, Credit, Branch Operations Manager, Branch Manager, Regional Manager Mount Kenya and Nairobi North. Prior to this appointment, John was the Head of Corporate and Institutional Banking department for a period of 2 years.</p> <p>Mr. Ndugi is a holder of a Master of Banking and Finance (Micro-finance Option) from Moi University, Bachelor of Commerce (Accounting and Business Administration) from Daystar University. He is also certified by the International Coaching Federation (IFC) as an Engagement and Productivity Coach (CEPC). He is also graduate of Strathmore Business School, Executive Leadership Course.</p>
 <p data-bbox="162 912 514 976">Ms. Phyllis Kimani Chief Retail Banking Officer</p>	<p>Phyllis Kimani is the Bank’s Chief Retail Banking Officer. She has accumulated over 16 Years’ worth of experience in the Finance (Operations and Business) space.</p> <p>Prior to her career at Family Bank, Phyllis worked at Equity Bank as a Credit Officer cum Credit Administrator concluding her time as a Credit Manager. Phyllis joined Family Bank in 2013 and rose through the ranks in; Branch Management-Nyahururu Branch, Regional Management-Rift Region and interim Chief Retail Banking officer. Phyllis is currently pursuing a Master’s Degree in Business Administration (Strategic Management) at Kenyatta University. She also holds a Bachelor ‘s Degree in Education (Mathematics and Economics major) from Moi University. These are backed by professional certification and experience in; Transformation Leadership, Capacity Management, Banking Law and Practice.</p>
 <p data-bbox="198 1411 476 1474">Mr. Paul Ngaragari Chief Internal Auditor</p>	<p>Paul joined Family bank as the Chief Internal Auditor on July 2021. He has over fifteen years’ experience in audit having worked in various local and international companies. His audit experience cut across Capital markets, Banking, Insurance (General and Life businesses),Fund management, stock and Insurance Brokerage firms.</p> <p>He holds a Master of Science degree in Finance from the University of Nairobi and a Bachelor of Commerce degree in Accounting from the same university. He is Certified Public Accountant of Kenya and a Member of the Institute of Certified Public Accountants of Kenya (ICPAK). He is a Certified Information System Auditor (CISA) and a member of ISACA. He is also a member of Institute of Internal Auditors IIA- Kenya Chapter.</p> <p>Paul has previously worked with Nairobi Securities Exchange (NSE)as Group Chief Internal auditor and Internal Audit director, before that he worked as a Group Audit Manager as well as an Internal Audit Partner for Britam Life Assurance company. He also worked at KCB Group as a Manger internal Audit as well as Group internal audit with Stanbic Holdings Africa where he was involved in execution of Standard Bank’s audit assignments across Africa.</p>
 <p data-bbox="215 1959 459 2022">Veronica Muthara Chief Credit Officer</p>	<p>Veronica Muthara is the Bank’s Chief Credit Officer. She has accumulated over 14 years’ worth of experience in Banking. Prior to her career at Family Bank, Veronica worked at National Bank where she started her career as an operations officer and then joined Credit as a Credit Officer cum Credit Analyst. She later joined Family Bank as an Assistant Manager in Credit and rose through the ranks in Credit to head the Credit Analysis Unit as a Senior Manager and Interim Chief Credit Officer. Veronica holds a Masters of Business Administration Degree in Strategic Management from JKUAT, a Bachelor’s of Arts Degree in Major Economics and minor Sociology from Kenyatta University. She also holds a Higher Diploma in Human Resource Management and a certificate in counselling from the College of Human Resource Management. These are backed by professional trainings and certification in areas of Leadership, Credit Risk Management, Problem Loan Management, Debt Recovery, Advanced SME and Corporate Analysis, SME Relationship Management, Customer Service among others</p>

Senior Manager	Summary Profile
 <p data-bbox="223 597 454 660">Mr. John Wachiuri Chief Risk Officer</p>	<p>John Wachiuri is a holder of a Master’s in Business Administration (MBA) majoring in Finance from the United States International University and a Bachelors of Education Degree (Business Studies and Economics) from Kenyatta University. He is a Certified Public Accountant of Kenya, a Certified Internal Auditor (CIA), a Certified Information Systems Auditor (CISA)</p> <p>Wachiuri is an accredited Integrity Assurance Officer by the Ethics and Anti-Corruption Commission (EACC) and is also a designated trainer of trainers in Corporate Governance by the Centre of Corporate Governance.</p> <p>John Wachiuri was appointed the Chief Risk Officer in January 2021. Prior to this, he was the Head of Audit in the Bank.</p> <p>He joined Family Bank from Bank of Africa where he was the Head of Internal Audit. He has over 17 years of experience from Equity Bank, Credit Bank, Strathmore University, East African Development Bank and Competition Authority of Kenya. Wachiuri has been involved in setting up risk and compliance departments, designing internal audit departments using risk-based methodology whilst offering valuable recommendations and strategic insights to Management and Boards of the organizations he has worked in especially in the improvement of internal controls, enhancing enterprise risk management and operational efficiency.</p>
 <p data-bbox="213 1194 466 1258">Mr. Kevin Ayugi Chief Digital Officer</p>	<p>Mr. Ayugi holds a Bachelor’s Degree, Computer Science from Africa Nazarene University and is currently pursuing his MBA, Strategic Management from the same Institution. He has also in the course of his career attended numerous courses on Strategy and Leadership, Analytics-driven innovation, Mentorship, Performance Management and Design Thinking.</p> <p>Kevin Joined the Bank in October 2019 as the Head of Digital Channel. He was appointed Chief Digital Officer in January 2020.</p> <p>Prior to his current role, he was the Head, Direct and Digital Channels for the Britam Group. There he was instrumental in formulating strategies to increase insurance uptake through digitization of the physical channels, as well as revision of branch models and standards.</p> <p>Kevin is a seasoned financial services professional with over 12 years’ experience; having held various senior leadership roles across the industry, as Assistant Vice President, Senior Manager Customer Network Strategy, Senior Manager, Digital Business and Head, Direct and Digital Channels while working at Barclays, Stanbic and Britam.</p>
 <p data-bbox="187 1712 491 1813">Mr. Eric K. Murai Company Secretary and Chief Legal Officer</p>	<p>Eric holds a Master of Laws (LL.M) and a Bachelor of Laws (LL.B) from the University of Nairobi and a BSc. In Applied Accounting from Oxford Brookes University. He is an advocate of the High Court of Kenya, a member of the Law Society of Kenya and a member of the Institute of Certified Secretaries. He is also a certified professional mediator.</p> <p>Eric is the Company Secretary and Chief Legal Officer. He was appointed Company Secretary and Head of Legal Services in October 2019.</p> <p>Eric is an experienced in-house counsel and corporate governance professional, having previously worked as the Assistant Company Secretary at Britam Holdings Plc and as Legal Counsel at Standard Chartered Bank Kenya. He has vast experience in banking and finance law, corporate finance projects and corporate governance and regulatory compliance.</p>

Source: Family Bank Records

10.9 Competence and Suitability of Directors and Management

As at the date of the application and for a period of at least two years prior to the date of the application, no director or senior manager of the Issuer has:

- Had any petition under bankruptcy laws pending or threatened against the directors (for individuals) or senior managers, or any winding-up petition pending or threatened against it (for corporate bodies);
- Had any criminal proceedings in which the director or senior manager was convicted of fraud or any criminal offence or action either within or outside Kenya; and
- Been the subject of any ruling of a court of competent jurisdiction or any governmental body that permanently or temporarily prohibits such director or senior manager from acting as an investment adviser or as a director or employee of a stockbroker, dealer or any financial institution or engaging in any type or business practice or activity

10.10 Corporate Governance

10.10.1 Board Committees

The Board operates under a comprehensive structure made up of committees established to assist it in discharging its responsibilities and obligations. Each committee has a set of specific terms of reference outlining the scope of its responsibility and relevant administrative and procedural arrangements. The Board appoints the members of the Board Committee and reviews each Committee's composition regularly upon recommendation of the Nominations Committee. Family Bank has six board committees as follows:

- Credit Committee;
- Audit Committee;
- Risk Management and Compliance Committee;
- Human Resource Committee;
- Strategy Committee; and
- Nomination Committee.

10.10.1.1 Credit Committee

The Credit Committee plays a critical role in the formulation and review of lending policies and ensures that such policies comply with regulatory requirements. It assesses the credit quality and risk profile of the Bank's lending book by sector and by product and makes recommendations to the Board on remedial actions or on matters that may enhance the quality of the lending book.

10.10.1.2 Audit Committee

The Committee reviews the integrity of the Company's financial statements and its subsidiaries and recommends the statements for approval to the Board, the effectiveness of the Company's system of internal control and receives reports on the findings of the internal and external audits and tracks the actions on audit findings. The Committee also reviews the proposed work plans for the Country Internal Audit and Compliance functions at the beginning of each year.

10.10.1.3 Risk Management and Compliance Committee

The Committee oversees the group's preparedness and mitigation for the major risks faced by the Group across the business including operational risk, country risk, credit risk, liquidity risk, market risk, regulatory risk, legal risk, reputational risk and compliance risk. The Committee is responsible for ensuring that there are written policies, procedures and processes to identify and manage the risks.

10.10.1.4 Human Resource Committee

The Committee acts as the link between the board and management. It is responsible for reviewing human resources policies and practices, particularly concerning the various business units' operations. The Committee also assists the Managing Director in guiding and controlling the overall direction of the institution's business and acting as a medium of key management staff and new Board members' recruitment, communication, and coordination between the business units and the board.

10.10.1.5 Strategy Committee

The Committee analyses the Group's strategy and provides oversight over the implementation of the strategy approved by the Board by reviewing progress regularly. They examine the budget and strategic plan of the Group before submission to the Board.

10.10.1.6 Nomination Committee

The Committee regularly reviews the structure, size, and composition of the board and makes recommendations on any necessary adjustments. It identifies, nominates and recommends for the board's approval, candidates to fill board vacancies as and when they arise.

10.10.2 Board of Directors Meetings Attendance

The Board meeting attendance has always met the threshold of the Central Bank of Kenya. In FY 2022, attendance was above the 75% average attendance as outlined below.

Table 7: Board of Directors Meeting Attendance during FY 2022

Name	Total attendance
Dr. Wilfred D. Kiboro, EBS (Chairman)	100%
Titus Kiondo Muya	100%
Francis Gitau Mungai	100%
Lazarus Muema	100%
Mary Njeri Mburu	100%
Rebecca Mbithi	100%

Source: Family Bank Records

10.10.3 Shareholding Structure

Family Bank has an authorised share capital of one billion five hundred million (1,500,000,000) ordinary shares of one Kenya shillings (KES 1) each. The issued and fully paid shares amount to one billion, two hundred and eighty-seven million, one hundred and seven thousand, five hundred and forty four shares (1,287,107,542 of one Kenya shillings (KES 1) each.

10.10.3.1 Major Shareholders

The top ten shareholders own 64.9% of the company. The table below shows the top ten shareholders.

Table 8: Major Shareholders as at 31ST December 2022

	Shareholder	Number of shares	Percentage Ownership
1.	Kenya Tea Development Agency Holding Ltd (KTDA)	212,184,905	16.5%
2.	Estate of the Late Rachael Njeri	167,143,948	13.0%
3.	Daykio Plantations Limited	158,460,364	12.3%
4.	Titus Kiondo Muya	72,998,502	5.7%
5.	Standard Chartered Kenya Nominees Ltd a/c 9660b	46,417,000	3.6%
6.	Sanlam Securities	44,444,445	3.5%
7.	Brian Muyah Kiondo	33,448,788	2.6%
8.	Ann Muya	33,428,788	2.6%
9.	Mark Keriri	33,428,788	2.6%
10.	Sheila Kahaki Muya	33,428,788	2.6%
	Total Top 10 Shareholders	835,384,316	64.9%
	Other Shareholders (5,930)	451,723,228	35.1%
	Total	1,287,107,542	100.0%

Source: Family Bank Records

10.10.3.2 Change in Major Shareholding

The table below presents the major shareholding in Family Bank for the past four years.

Table 9: Change in Major Shareholders

No	Full Names	31/12/2019	31/12/2020	31/12/2021	31/12/2022
1	KTDA Holdings Ltd	16.5%	16.5%	16.5%	16.5%
2	Estate of the Late Rachael Njeri	13.0%	13.0%	13.0%	13.0%
3	Daykio Plantations Limited	12.3%	12.3%	12.3%	12.3%
4	Titus Kiondo Muya	5.22%	5.45%	5.54%	5.67%
5	Equity Nominees Limited A/C 00084*	-	3.57%	3.57%	3.57%
	Standard Chartered Kenya Nominees A/C 9660B	3.57%	3.57%	3.57%	3.57%
7	Sanlam Securities (formerly P.A Securities)	3.5%	3.5%	3.5%	3.5%

Source: Family Bank Records

N/B: *The Beneficiary shareholder changed the custodian from Standard Chartered Kenya Nominees A/C 9660B to Equity Nominees Limited A/C 00084 in 2020.

10.11 Subsidiaries

10.11.1 Family Bank Bancassurance Intermediary Limited

Family Bancassurance Intermediary Insurance Limited (FBBI) is a wholly owned subsidiary of Family Bank Limited with a nominal share capital of KES 10,000,000 and domiciled in Kenya. FBBI was established in 2008. FBBI is licenced by the Insurance Regulatory Authority (IRA) as a Bancassurance Intermediary.

FBBI's main objective is to offer various insurance products and services using the Bancassurance model. It facilitates access to professional insurance advisory services and provides convenient and accessible insurance policies and claims service to customers through the broad branch outreach and alternative banking channels.

FBBI offers a wide range of insurance solutions ranging from education plans to marine and motor commercial insurance and homeowners' comprehensive insurance. FBBI has recently ventured into medical insurance and launched its flagship product dubbed Family Afya that covers inpatient, outpatient, maternity, dental and optical with flexible payment terms.

10.11.2 Family Group Foundation

Family Bank Foundation Limited was incorporated on 1st October 2012 as Family Bank Foundation Limited and later changed its name to Family Group Foundation on 11th October 2013. The key objects for which Family Group Foundation was incorporated are as follows:

- To promote and advance education by establishing and maintaining educational facilities including but not limited to schools, colleges, universities, libraries and co-curricular institutions such as museums, art galleries, clubs and associations.
- To sponsor and fund educational programmes of whatever kind in Kenya; and
- To undertake the promotion and furtherance of study and research in all useful branches of human knowledge, be they arts or sciences, for public benefit and ensure public dissemination of the results of such study and research;

The Bank has control over The Family Group Foundation as per the provision of IFRS 10 Consolidated Financial Statements. Control in this case is achieved through The Bank's contribution to the foundation which indicate power over the Foundation and its ability to influence the Foundation's activities, as well as the reputation divided from the Foundation's name.

10.11.3 Family Bank (Kenya) Limited

Family Bank (Kenya) Limited was incorporated on 7th August 2017 with company number PVT/2017/032278 as a private company limited by shares and wholly owned by the Issuer. It was incorporated for purposes of an intended corporate reorganization to set up a non-operating holding company.

10.11.4 Pesa Pap Digital Limited

Pesa Pap Digital Limited (CPR/2015/206229) was incorporated on 7th September 2015. It was set up to carry out the business of designing and developing software and related products and services.

10.12 Strategy and Prospects

Family Bank's strategy is anchored on the bank's aspiration to grow to a Tier I bank in the medium term. The Bank's unique selling point will be the accessibility of banking and financial services given the existing wide branch network and the move to digitization, personalized services, responsiveness to customer needs, and promptly offering simple and relevant products. The journey to Tier I will be underpinned by the following:

- a. Offering a **differentiated customer experience** driven by a deep understanding of its customers. The Bank will target all customer segments in different demographics and psychographics with special emphasis on agribusiness and aggregators
- b. **Simplicity:** ease of accessing services and using products and services
- c. **Automation and digitization of processes.** The Bank will repurpose its branches and enhance its service centre/agency banking offerings. Furthermore, the Bank is creating a digital platform for holistic financial services that is accessible anywhere, anytime and anyhow while serving the behavioural interests of the Bank's different stakeholders
- d. Continuous **innovation and improvement** driven by customer requirements. Family Bank will continue offering its conventional banking and other financial services (financial/investment advisory, insurance), beyond banking including technical advisory and platform services.
- e. Creating **centres of excellence** with specific sub-sector focus supporting its partners and clients achieve more and deliver better value through offering end to end value chain financial services creating access to knowledge, networks and affordable financing. The primary sectors of focus will be agriculture, transport, education, trade and financial services and
- f. **Differentiated** employee experience with high performance and customer-oriented culture.

The Bank will take a renewed approach to conventional banking by emphasizing the ecosystem banking. The renewed approach will offer customized solutions to aggregators and deepen the relationship to tap into the ecosystem and the value chain within which the aggregators operate in. The primary proposition being supporting the aggregator to achieve more and deliver better value whilst creating value for the Bank. The aggregator proposition will be anchored on strong partnerships with industry and non-industry players, including government and partner organisations, as outlined below:

- a. **Agricultural aggregators:** the objective is to improve production management of post-harvest losses, improved access to finance, technology and networks. In addition, this proposition will address holistic individual basic, educational and family needs.
- b. **Financial aggregators:** the objectives include increased convenience of access to Sacco services country wide through repurposed branches and agents, white labelling products and provision of credit risk management support
- c. **Transport aggregators:** provision of customized solutions for vehicle owners and operators, service providers along the value chain and solutions related to users e.g. booking services
- d. **Other aggregators:** by offering supply chain management, cash management and loyalty programme solutions.

Family Bank has identified both organic and inorganic paths to achieve its objectives. Under the organic phase, the Bank intends to achieve the following strategic objectives:

1. **Grow the balance sheet's size to a total asset value of KES 200.7 Billion by the end of FY 2025.** This will be achieved through growth in the Bank's digital banking offering and rollout of agribusiness banking. The agribusiness banking proposition considers a value chain approach by improving access to finance players within the wider ecosystem and improving market efficiency through collaboration with various partners.
2. **Achieve a Cost to Income Ratio of at most 50% by the end of 2025 with a Non-Funded Income to Funded Income ratio of 28:72%.** This objective will be achieved through growth in transaction size and frequency of existing customers held within the Banks ecosystem, acquiring new customers through centres of excellence and offering a differentiated customer experience while managing the quality of assets and monitoring risks associated with adverse changes in the market position and business environment.
3. **Achieve and maintain a Net Promoter score of +35 by 2025 with a direct active customer base to 1 million by**

2025: The Bank will achieve this objective by creating a differentiated customer experience through a deep holistic understanding of its customers through artificial intelligence and repositioning the brand with its strategic aspirations.

In addition to the above, the Bank has identified inorganic growth opportunities that will further support its Tier I ambition. The inorganic phase will provide the necessary scale to support the Bank's growth ambitions by attracting larger institutional deposits, better preparedness in the event of market shocks, creation of efficiencies, improved returns and improved market perception on the growth and stability of the Bank. Some of the key initiatives identified under the inorganic growth phase include:

1. Potential acquisition of a stake in a regional bank or micro finance institution; and
2. Strategic partnerships with Fintech's and other partners for customer acquisition and servicing.

11 Group Financial Performance and Statutory Ratios

11.1 Consolidated Statement of Profit or Loss

KES '000	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	30-Jun-23
Interest Income	7,056,590	7,515,819	9,386,726	11,156,351	13,819,961	7,281,579
Interest Expense	(2,283,914)	(2,253,464)	(2,770,700)	(3,241,600)	(4,736,677)	(2,872,205)
Net Interest Income/(Loss)	4,772,676	5,262,355	6,616,026	7,914,751	9,083,284	4,409,374
Fees & commissions income	2,038,214	1,806,548	1,666,113	2,038,121	1,876,491	1,141,178
Foreign exchange income	337,455	390,760	341,362	297,421	664,659	476,013
Other operating Income	123,303	507,728	519,560	518,352	503,730	279,982
Total Operating Income	7,271,648	7,967,391	9,143,060	10,768,645	12,128,164	6,306,547
Loan loss provision	(1,204,273)	(1,282,909)	(2,228,983)	(1,276,138)	(1,307,131)	(562,921)
Operating Expenses	(5,632,433)	(5,261,653)	(5,648,228)	(6,155,660)	(7,076,041)	(3,729,200)
Profit before tax	434,942	1,422,829	1,440,653	3,336,847	3,744,992	2,014,426
Income tax expense	(190,716)	(472,993)	(278,133)	(1,028,201)	(1,531,280)	(604,143)
Profit after tax	244,226	949,836	1,162,520	2,308,646	2,213,712	1,410,283
Earnings per Share	0.20	0.74	0.90	1.66	1.72	1.10
Profit after tax	244,226	696,926	494,849	2,308,646	2,213,712	1,410,283
Earnings per Share	0.20	0.74	0.90	1.66	1.72	1.10

Source: Family Bank Audited Financial Statements for FY 2018 to FY 2022, Q2 2023 Management accounts and NCBA Investment Bank Analysis.

11.2 Consolidated Statement of Financial Position

	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	30-Jun-23
Assets						
Cash and balances with CBK	6,281,701	6,961,324	8,879,521	8,212,917	8,992,039	7,535,621
Balances due from banking institutions	1,222,738	2,779,374	819,406	4,287,227	5,589,075	8,164,780
Government Securities:	6,946,277	9,849,893	17,001,198	24,700,645	25,754,686	24,794,028
Corporate bonds at amortized cost	392,772	399,847	-	-	-	-
Other investments	1,730,698	1,385,077	126,804	1,355,980	-	-
Loans and advances to customers(net)	44,113,093	50,594,439	56,579,798	66,901,824	81,380,510	84,680,206
Right of Use Assets	-	1,520,371	1,483,603	919,407	635,330	-
Other assets	1,607,838	1,362,923	1,421,545	1,006,508	1,794,011	2,624,894
Investment in Properties	18,200	23,400	23,400	23,400	28,600	28,600
Property and Equipment	2,841,773	2,509,996	2,211,001	2,061,977	2,132,510	2,612,202
Intangible assets	597,692	486,843	399,355	326,111	298,282	480,819
Prepaid operating lease	143,885	139,220	134,583	132,553	127,916	125,598
Current income tax	587,095	19,423	27,904	3,336	8,702	18,124
Deferred tax asset	527,303	885,542	1,552,679	1,805,110	1,771,452	1,771,452
Total Assets	67,011,065	78,917,672	90,660,797	111,736,995	128,513,113	132,836,324

	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	30-Jun-23
Liabilities & Shareholders' Funds						
Liabilities						
Customer Deposits	48,483,189	58,054,485	69,756,770	81,911,523	88,903,786	100,835,614
Short Term Borrowing CBK	-	-	-	-	2,997,544	
Deposits due to banking Institutions	247,051	56,906	451,741	2,281,200	6,419,589	1,298,305
Borrowings	4,903,207	3,954,679	3,017,148	8,241,794	10,532,651	10,230,939
Provisions	349,615	424,606	587,877	549,497	370,179	-
Other liabilities	1,446,678	1,949,516	1,655,823	1,757,548	2,310,002	3,707,110
Lease Liability	-	1,569,539	1,607,076	1,139,178	843,009	-
Deferred tax liability	535	1,421	1,126	761	-	-
Current Income Tax	-	290,095	126,975	263,148	25,324	212,152
Total Liabilities	55,430,275	66,301,247	77,204,536	96,144,649	112,402,084	116,284,120
Shareholders' Funds						
Share Capital	1,287,108	1,287,108	1,287,108	1,287,108	1,287,108	1,287,108
Share Premium	5,874,662	5,874,662	5,874,662	5,874,662	5,874,662	5,874,662
Revaluation Reserve	192,624	278,424	278,424	278,424	278,424	(1,503,747)
Retained Earnings	4,226,396	5,176,233	6,029,844	6,881,691	6,911,705	7,751,836
Fair Value Reserve			(13,777)	(186,338)	(813,067)	-
Statutory Reserve	-	-	-	369,161	1,777,283	2,347,431
Proposed Dividend	-	-	-	1,087,638	794,914	794,914
Total Shareholders' Funds	11,580,790	12,616,427	13,456,261	15,592,346	16,111,029	16,552,204
Total Liabilities & Shareholders' Funds	67,011,065	78,917,674	90,660,797	111,736,995	128,513,113	132,836,324

Source: Family Bank Audited Financial Statements for FY 2018 to FY 2022, Q2 2023 Management accounts and NCBA Investment Bank Analysis.

11.3 Prudential Ratios

	31-Dec-18	31-Dec-19	31-Dec-20	31-Dec-21	31-Dec-22	30-Jun-23
Capital Adequacy						
Core capital/total deposit liabilities	22.10%	19.30%	16.20%	15.80%	14.80%	13.70%
Minimum Statutory Ratio	8.00%	8.00%	8.00%	8.00%	8.00%	8.00%
Excess/(Deficiency)(g-h)	14.10%	11.30%	8.20%	7.80%	6.80%	5.70%
Core capital/total weighted assets	16.40%	15.80%	15.20%	15.60%	14.00%	13.60%
Minimum Statutory Ratio	10.50%	10.50%	10.50%	10.50%	10.50%	10.50%
Excess/(Deficiency) (j-k)	5.90%	5.30%	4.70%	5.10%	4.50%	3.10%
Total capital/total risk weighted assets	19.50%	18.70%	17.90%	20.90%	19.50%	18.00%
Minimum Statutory Ratio	14.50%	14.50%	14.50%	14.50%	14.50%	14.50%
Excess (Deficiency)(m-n)	5.00%	4.20%	3.40%	6.40%	5.00%	3.50%
Liquidity Ratios						
Liquidity Ratio	30.70%	33.10%	37.10%	43.4.1%	34.60%	39.30%
Minimum Statutory Ratio	20.00%	20.00%	20.00%	20.00%	20.00%	20.00%
Excess (Deficiency)(a-b)	10.70%	13.10%	17.10%	23.4.1%	14.60%	19.30%
Asset Quality						
NPL/ loans and advances	16.99%	14.99%	14.94%	15.00%	14.20%	N/A

Source: Family Bank Audited Financial Statements for FY 2018 to FY 2022, Q2 2023 Management accounts and NCBA Investment Bank Analysis.

12 Risk Factors

The group defines risk as the possibility of losses or profits foregone, which may be caused by internal or external factors. The group aims to achieve an appropriate balance between risk and return and minimize the potential adverse effects of the group's financial performance.

As a financial services provider, effective risk management is critical to the overall profitability, competitive market positioning and long-term financial viability of the Bank. Our Risk Management Framework sets out lines of responsibility and authority for risk-taking, governance and control. The Board of Directors is ultimately responsible for ensuring the oversight of all risks across the enterprise and has primary responsibility for taking action to ensure risk management policies, programs and practices are in place. The Board delegates certain responsibilities to standing Board Committees, which oversee and monitor these risks:

- i. Risk Management and Compliance Committee
- ii. Audit Committee

Our approach

We have a robust Enterprise Risk Management (ERM) Framework, approved by the Board of Directors that prescribes a comprehensive set of protocols and programs for conducting our business activities. This framework seeks to ensure that risks to a business undertaking are appropriately managed to achieve the Bank's business objectives over time. The Risk Management Framework, corporate strategy and business objectives are all aligned and risk management protocols and programmes are embedded in every business segment. Our Risk Appetite Policy, also approved by the Board of Directors, sets out specific constraints that define the aggregate level of risk that the Bank is willing to accept. The Bank's risk appetite seeks to balance the various needs, expectations, risk and reward perspectives and investment horizons of key stakeholders. In particular, our risk appetite supports the pursuit of shareholder value while ensuring that all the stakeholders' interests are looked after. Our risk management program is embedded in the Bank's culture, which encourages ownership and responsibility for risk management at all levels. A key premise is that all employees have an important role to play in managing the Bank's risks. Assurance is guaranteed via the risk department, internal audit, compliance and enforcement teams, external audits and supervision by the Central Bank of Kenya.

12.1 Credit Risk

Credit risk is the risk associated with the default or adverse change in the credit profile of a client, counterparty, or customer. Credit risk arises principally from the Group's loans and advances to customers and other investment securities but can also arise from credit enhancement provided such as financial guarantees, letters of credit, and acceptances.

Credit risk poses a significant risk for the Group, and management carefully manages its exposure to credit risk. For risk management reporting purposes, the group considers and consolidates all elements of credit risk exposure. For risk management purposes, credit risk arising on trading securities is managed independently but reported as a market risk exposure component. The Board of Directors has delegated responsibility for the oversight of credit risk to its Credit Committee comprising three non-executive directors and two executive directors. The implementation of the credit risk policies and monitoring of the credit portfolio to ensure that risks are managed within acceptable standards is the responsibility of the Management Credit Committee (MCC) comprising of executive management.

The MCC, assisted by the credit department is responsible for the management of the group's credit risk, including:

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorization structure for the approval and renewal of credit facilities.
- Authorization limits are delegated to the head of credit and the credit committee, while larger facilities require approval by the Board of Directors.
- Limiting concentrations of exposure to counterparties, geographies, and industries for loans and advances.
- Developing and maintaining the group's risk grading to categorize exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk grading system is used in determining where impairment provisions may be required against specific credit exposures.
- Varying degrees of risk of default and the availability of collateral or other credit risk mitigation. Risk grades are

subject to regular reviews by the credit department.

- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk, and product types. Regular reports are provided to the group credit committee on local portfolios' credit quality, and appropriate corrective action is taken.
- Providing advice, guidance, and specialist skills to branches to promote best practices throughout the group to manage credit risk.

12.1.1 Credit risk measurement

In measuring credit risk of loans and advances to customers, the Group considers the following factors:

- The probability of default: this is the possibility of the customer's failure to pay over the stipulated period in the contract.
- Exposure on the borrower and the likely future development from which the Group derives the exposure at default.
- Estimated recovery ratio should default occur; this is the amount that can be recovered through the sale of collateral.

The Group assesses the probability of default of individual borrowers using internal rating methods tailored to the various categories of the borrower. In assessing the credit quality of the customer, the Group considers the customer's financial position, credit history, and other industry-specific factors. The credit risk measurements are embedded in the Group's daily operational management and closely aligned to the Central Bank of Kenya loan classifications.

12.2 Liquidity Risk

Liquidity risk is the risk that the Group will be unable to meet its contractual and contingent financial obligations as they arise or that it does not have the appropriate amount, composition, and tenor of funding and liquidity to support its assets and liabilities.

The group's liquidity risk management is carried out by the Asset Liability Committee (ALCO), a management committee responsible for liquidity governance. The committee ensures that the Group can operate in support of client needs, meet contractual and contingent financial obligations through normal economic cycles as well as during stress events, and manage an optimal funding mix and availability of liquidity sources.

Liquidity risk is addressed through the following measures:

- The Treasury Department monitors liquidity ratios daily against internal and regulatory requirements.
- Day-to-day funding is managed by monitoring future cash flows to ensure that requirements can be met; this includes replenishment of funds as they mature or are borrowed by customers. The group invests in short-term liquid instruments which can easily be sold in the market when the need arises.
- The group enters lending contracts subject to the availability of funds.
- The group has an aggressive strategy aimed at increasing the customer deposit base.
- Performing an independent review of liquidity risk management processes to evaluate their adequacy and effectiveness.
- Having in place a Contingency Funding Plan (CFP) that sets out the strategies for addressing and managing liquidity resource needs during a liquidity stress event and which incorporates liquidity risk limits, indicators, and risk appetite tolerances. The CFP also identifies the alternative contingent funding and liquidity resources available to the Group in a period of stress.

The daily liquidity position is monitored, and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and severe market conditions. All liquidity policies and procedures are subject to review and approval by the board. Daily reports covering the liquidity position of the Group are regularly submitted to the Asset and Liability Committee.

12.2.1 Exposure to liquidity risk

The key measure used by the Group for managing liquidity risk is the ratio of net liquid assets to deposits from customers. For this purpose, net liquid assets are considered as including cash and cash equivalents and investment grade debt securities for which there is an active and liquid market less any deposits from banks, debt securities issued, other borrowings, and commitments maturing within the next month.

The group has always maintained the liquidity ratio above the regulatory rate set by the Central which is 20%. The Group also uses Basel III liquidity metrics to measure liquidity exposure and determine necessary corrective actions. The Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR) require the Group to maintain an amount of eligible high-quality assets to cover expected cash outflows, and adequate stable longer-term funding respectively.

12.3 Market Risk

Market risk is the risk associated with the effect of changes in market factors such as interest and foreign exchange rates, equity and commodity prices, credit spreads, or implied volatilities, on the value of assets and liabilities held for both the short and long-term.

The Group separates exposures to market risk into either trading or banking portfolios. Trading portfolios include those positions arising from market-making transactions where the Group acts as principal with clients or with the market. Non-trading portfolios mainly arise from the interest rate management of the entity's retail and commercial banking assets and liabilities.

12.3.1 Management of market risks

The overall responsibility of managing market risk rests with the ALCO. The Treasury Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation. The Board of Directors sets limits on the level of mismatch of interest rate repricing that may be undertaken which is monitored daily.

12.3.2 Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in future cash flows or fair values of financial instruments because of a change in market interest rates. The ALCO is the monitoring body for compliance with these limits and is assisted by the Treasury Department in its day-to-day monitoring activities.

A principal part of the Group's management of market risk is to monitor the sensitivity of projected net interest income under varying interest rate scenarios (simulation modelling) and the sensitivity of future earnings and capital to varying foreign exchange rates. Stress tests provide an indication of the potential size of losses that could arise in extreme conditions.

The Group deploys a range of interest rate risk measures to quantify and simulate interest rate risk exposure. These measures include.

- Testing
- Value at Risk (VaR)
- Earnings at risk
- Other sensitivity measures

For simulation modelling, the Group uses a combination of scenarios relevant to local businesses and local markets. These scenarios are used to illustrate the effect on the Group's earnings and capital.

12.3.3 Currency Risk

The Group takes on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions which are monitored daily.

The group manages the currency risk through deposit mobilization and long-term borrowings and onward lending to customers to mitigate any gaps. The Group also uses interbank borrowings or lending to manage the currency gap position.

12.4 Operational Risk

Operational risk is the potential for loss arising from inadequate or failed processes, systems, people or external events. Operational risk is embedded in all business activities, including the practices for managing other risks, e.g. credit, market and liquidity risks, and arises in the normal course of business. These risks can result in significant

financial loss, reputational harm or regulatory censure and penalties. The major operational risks faced by the Group include:

- People and related issues such as staff retention, frauds, amongst others.
- Systems and processes changes related to the drive to meet our clients' needs.

The Group's operational risk management framework is designed to ensure key risk exposures are proactively managed within acceptable levels. It incorporates best practice and meets regulatory guidelines through:

- **Governance and Policy:** Management and Committee reporting and organisational structures emphasise accountability, ownership and effective oversight of each business unit's operational risk exposures. Furthermore, the Board Risk Management Committee and Senior Management's expectations are set out via enterprise-wide policies.
- **Risk and Control Self-Assessment:** Through quarterly comprehensive assessments of our key operational risk exposures and internal control environments, senior management can evaluate its effectiveness and implement appropriate additional corrective actions where needed to offset or reduce unacceptable risks.
- **Operational Risk Event Monitoring:** Our policies require that internal and industry-wide operational risk events are identified, tracked, and reported to the right levels to ensure they are analysed appropriately and corrective action taken promptly.
- **Risk Reporting:** Significant operational risk issues together with measures to address them are tracked, assessed and reported to Senior Management and the Board of Directors to ensure accountability is maintained over current and emerging risks.
- **Insurance:** A comprehensive portfolio of insurance and other risk-mitigating arrangements are maintained with the type and level of insurance coverage continually assessed to ensure both risk tolerance and statutory requirements are met. This includes identifying opportunities for transferring our risks to third parties where appropriate.
- **Technology and Information:** The key risks here revolve around our reliance on technology and information and their impact on operational availability, integrity and security of our information data and systems/infrastructure. Our risk framework and programs use best practice and include robust threat and vulnerability assessments and security and change management practices.

Business Continuity Management: Business Continuity Management supports senior management's ability to continue to operate their businesses and provide customer access to products and services in times of disruptions. This program includes formal crisis management protocols and continuity strategies. All key functions of the Group are regularly tested to confirm their contingency plan designs can respond to a broad range of potentially disruptive scenarios.

12.5 Compliance Risk

Compliance risk refers to the potential of loss arising from non-compliance with laws, rules, regulations, obligatory practices/standards, contractual agreements, or other legal requirements, including the effectiveness of preventing and handling litigation. It is not actively or deliberately pursued in the expectation of a return but occurs in the normal course of our business operations.

The Group meets high compliance standards with policy, legal and regulatory requirements in all business dealings and transactions. As a result of high financial business regulation, we are exposed to regulatory and legal risks in virtually all our activities. Failure to comply with regulation not only poses a risk of censure and litigation but may lead to serious reputational risks. Financial penalties and costs related to litigation may also substantially erode the Bank's earnings.

Business unit heads manage day-to-day regulatory and legal risk primarily by implementing appropriate policies, procedures and controls already in place. The Legal as well as the Risk & Compliance departments assist them by:

- Communicating and advising on regulatory and legal requirements and emerging compliance obligations to each business unit as required.
- Implementing or assisting with reviews of policies, procedures and training. They do this by independently monitoring and testing adherence to certain regulatory and legal requirements and the effectiveness of associated critical internal controls.
- Tracking, escalating and reporting significant issues and findings to Senior Management and the Board of Directors.

- Liaising with regulators, as appropriate, regarding new or revised legislation, regulatory guidelines or regulatory examinations.

The Bank has developed robust policies and procedures designed to manage Know Your Customer (KYC) and Anti-Money Laundering (AML) risks as envisaged in the Proceeds of Crime & Anti-Money Laundering Act. Our account opening requirements and customer transaction screening procedures meet the stringent requirements stipulated therein. Reporting of suspicious and other transactions is done as required by the law and policy standards. We carry out appropriate periodic due diligence on correspondent banking counterparties, and meet KYC / AML obligations to them continuously. All staff are trained when they join the Bank.

The Bank has also appointed an Anti –Money Laundering Reporting Officer (AMLRO) in line with the Proceeds of Crime and Anti Money Laundering Act (POCAMLA). The AMLRO ensures compliance with POCAMLA as we as enforcing AML guidelines from Central Bank as the Financial Reporting Centre which includes reporting of large cash as well as suspicious transactions.

12.6 Reputational Risk

Reputational risk is the potential that negative stakeholder impressions or perceptions, whether true or not, regarding the Bank’s business practices, actions or inactions, will or may cause a decline in its value, brand, liquidity or customer base. It is a resultant effect of all other risks highlighted in this report and cannot be managed in isolation. Therefore, when all the other risks are managed well, this risk is substantially minimised.

Family Bank’s reputation is an invaluable business asset essential for optimising shareholder value; hence it is constantly under threat. Our services and activities, including new ones, ensure the Bank’s good reputation is always maintained or enhanced.

The ultimate responsibility for this risk rests with the Board of Directors and Senior Management, who examine the Bank’s reputational risk as part of their regular mandate. They are assisted in this aspect by the Marketing & Corporate Communications Department.

Their purpose is to ensure that all products, services, and activities meet the Bank’s reputational risk objectives in line with the Board of Director’s approved appetite. Nonetheless, every employee and representative of the Bank has a responsibility to contribute positively to our reputation.

Senior Management and the BRMC receive periodic reports from the Risk & Compliance Department on the assessment of the Bank’s reputational risk exposures that arise from its business activities.

Every employee and representative of the Bank has a responsibility to contribute positively towards our reputation. This is through ensuring ethical practices are always adhered to, interactions with all stakeholders are positive, and we comply with applicable policies, legislation, and regulations

Reputational risk is most effectively managed when every individual works continuously to protect and enhance our reputation. In addition, our customer service department maintains a log of all incidences emanating from negative media publicity and customer complaints touching on the bank’s reputation.

12.7 Strategic Risk

Strategic risk is the potential for loss arising from ineffective business strategies, improper implementation of strategy, sudden unexpected changes in the Group’s environment, or lack of adequate responsiveness to changes in the business environment.

The Group faces several strategic risks from its environment, which include:

- Macroeconomic changes.
- Competition from the financial industry and organizations providing similar services.
- Technological changes.
- Key legislative and regulatory changes.
- Major political events.
- Human capital or social/demographic trends and changes.

The Executive Committee executes the approved strategic objectives on a day-to-day basis and actively monitors business performance against these objectives through periodic reviews.

Performance review is carried out regularly against pre-determined milestones and key performance indicators. The reviews, which cover branches and departments, are supported by the Board of Directors.

The Management coordinates an annual strategic planning, intended to align individual business strategies to overall enterprise-level strategies as approved by the Board of Directors. They include a comprehensive review and evaluation of the business strategies, competitive positioning, financial performance, initiatives of strategic executions, and key business risks.

Each business head unit is responsible for directing strategies in their respective units and ensuring such strategies are aligned with the overall strategy of the Bank. They are also responsible for monitoring, managing, and reporting on the effectiveness and risks of their business's strategic objectives and their progress toward achieving these. They oversee the direction and trends of significant current and emerging risks related to their business units and ensure that mitigating actions are taken where appropriate.

12.8 Regulatory Risk

Regulatory risk is the risk of non-compliance with regulatory guidelines. Regulatory risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, rules, regulations, prescribed practice, or ethical standards issued by the regulator from time to time. Regulatory risk also arises when the laws or rules governing certain activities of the bank's clients may be ambiguous or untested. Currently, the Group operates in an environment that is regulated by the Central Bank of Kenya and the Insurance Regulatory Authority.

The group closely monitors and ensures that it complies with the regulatory capital requirements. The objectives of which include:

- To safeguard the Group's ability to continue as a going concern so that it can continue to provide returns for the shareholders and benefits for the other stakeholders.
- To maintain a strong capital base to support the current and future developments.
- To comply with the capital requirements set by the Central Bank of Kenya.

Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the Central Bank of Kenya guidelines for supervisory purposes. The required information is filed with the Central Bank of Kenya monthly. The Central Bank of Kenya requires each bank to:

- Hold the minimum level of regulatory capital of KES 1 billion;
- Maintain a ratio of total regulatory capital; to risk weighted assets plus risk weighted off balance assets at above the required minimum of 10.5%;
- Maintain a core capital of not less than 8 % of total deposit liabilities; and
- Maintain total capital of not less than 14.5% of risk weighted assets plus risk weighted off balance sheet items

The Bank's regulatory capital is analysed into two tiers:

- Tier 1 capital, which includes ordinary share capital, non-cumulative irredeemable non-convertible preference shares, disclosed reserves such as share premiums, retained earnings, and 50% un-audited after-tax profit less investment in subsidiaries conducting banking business, investments in equity of other institutions, intangible assets (excluding computer software) and goodwill.
- Tier 2 capital, which includes 25% revaluation surplus which have received prior CBK approval, subordinated debt, hybrid capital instruments or any other capital instruments approved by CBK.

The Group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

The Insurance Regulatory Authority requires Family Bank Bancassurance Ltd to maintain a minimum level of regulatory capital of KES 1,000,000. The Group's policy is to maintain a strong capital base to maintain investor, creditor and market confidence and sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the

higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position. The entity has complied with the capital requirement.

12.9 Political Risk

Political risk is the risk of loss when investing in a given country caused by changes in the country's political structure or policies. Political risk may affect the nature of business which could impact the banking sector. The group's exposure is spread over diverse geographical and industrial sectors which may cushion the effects resulting from political shocks experienced in some areas in times of political turmoil.

12.10 ESG and Climate Risk

As Family Bank, we consider the impact of our activities on the environment and communities within which we operate. We also appreciate that environmental and social risks can become financial risks for the Bank as well as our counterparties.

In this regard, we work with our clients to identify and mitigate ESG and climate related risks as well as harnessing business opportunities that make our business Sustainable.

The Bank has prepared and rolled an Environmental and Social Management System (ESMS) guide its operations. The elements of the ESMS include:

- An Environmental and Social Policy.
- Environmental and Social Risk Procedures.
- An Exclusion list.
- E & S tools and checklists.

The Bank manages its internal operations to ensure they are sustainable as well as reducing on emissions. In relation to our financed emissions, we screen our clients against our exclusion list and conduct Environmental and Social Due Diligence on their activities before lending to them.

12.11 Data Protection

The enactment of Data Protection Act in 2019 and passage General Regulations in 2021, seeks to regulate how entities collect, use and share personal information. The significance of Data Protection risks introduced in this Act lies in the potential impact it can have on the Bank's brand reputation, customer trust, legal, compliance and financial risk should any breach occur involving personal information of customers and other stakeholders.

The Act requires the Group to process personal information within 8 prescribed Principles and have legal justifications for collection and processing of this information. In addition, data subjects have been rights to access and have control of their personal data. The Bank has prioritized data protection and privacy in all its operations to this end the following have been achieved.

- The Bank and Family Bank Bancassurance Intermediary Ltd have been registered with the Data Protection Commissioner as per the Act.
- A Data Protection Officer has already been hired to champion compliance program
- The Data Protection Policy has been developed
- Staff trainings at all levels have been done to sensitize staff on this risk

The Bank is in the process of implementing all the provisions of the Data Protection Act 2019.

12.12 Cybersecurity and Information Communication Technology (ICT) Risk Management

The Group recognizes the paramount importance of safeguarding its digital assets and ensuring the integrity, confidentiality, and availability of sensitive information. In today's interconnected world that presents ever-evolving threat landscape, cybersecurity and Information and Communication Technology (ICT) risks are critical considerations for our operations. We have implemented comprehensive measures to mitigate these risks and maintain a robust cybersecurity posture.

Risk Identification and Mitigation:

The Group takes a proactive approach to mitigate these risks through the below comprehensive measures:

12.12.1 Board oversight and expertise:

The Board through Board Audit as well as Risk and Compliance Committees provide oversight over ICT and Cybersecurity controls through quarterly meetings coordinated by the Risk Department.

12.12.2 Cybersecurity Policies and Procedures:

The Group maintains a robust set of ICT and cybersecurity policies and procedures that outline the roles, responsibilities, and expectations of all stakeholders regarding cybersecurity. These policies are consistently reviewed and updated to reflect emerging threats and best practices.

12.12.3 Risk Assessment and Mitigation:

Regular risk assessments are conducted to identify vulnerabilities and threats in our ICT and cybersecurity infrastructure. Mitigation strategies are implemented promptly to address identified risks and vulnerabilities.

12.12.4 Data Security and Unauthorized Access:

The Group employs industry-leading encryption protocols, access controls, and user authentication mechanisms to safeguard our data. Our vigilant approach includes regular security assessments and penetration testing to identify and address vulnerabilities promptly.

12.12.5 Phishing and Social Engineering:

We prioritize employee training on identifying and thwarting phishing attempts. Our advanced email filtering systems and continuous security awareness training programs empower our staff to recognize and report potential threats. Additionally, we implement multi-factor authentication (MFA) for added security.

12.12.6 Third-Party Vendor Risk:

We maintain a comprehensive vendor risk management program, which involves stringent security assessments of third-party partners. Our contractual agreements with vendors include clauses related to cybersecurity, ensuring their commitment to maintaining secure practices.

12.12.7 Malware and Ransomware:

The Bank employs robust antivirus and anti-malware solutions. We consistently update and patch software to fortify our defences against evolving threats. Our resilient backup and disaster recovery procedures ensure minimal disruption in case of an incident.

12.12.8 Insider Threats:

To counter insider threats, we have implemented user activity monitoring and anomaly detection mechanisms. Access control policies and least privilege principles limit unauthorized access. Employee vetting and background checks are integral components of our security strategy.

12.12.9 Cybersecurity and ICT Regulatory and Compliance Related Risks:

Compliance with relevant regulations and industry-specific cybersecurity standards such as the Data Protection Act, ISO 27001, PCI-DSS is paramount. We have dedicated compliance officers and conduct regular audits and assessments to ensure adherence to these regulations. This commitment ensures that we adhere to the highest legal and regulatory standards in our operations.

12.12.10 Incident Response and Recovery:

Family Bank maintains a comprehensive incident response plan and a dedicated response team. Our procedures for reporting and handling security incidents are well-defined and regularly tested through rehearsals.

12.12.11 Physical Security Risks:

Physical security is a priority, encompassing access controls and surveillance. We maintain redundancy in our data centres and offsite backups to mitigate risks associated with physical breaches.

12.12.12 Regular reporting:

The Group tracks, escalates, and reports significant issues, findings or incidents to Senior Management and the Board of Directors. Reporting of cybersecurity incidents is done in line with statutory, regulatory, and the Group's policy standards.

12.12.13 Employee Training and Awareness:

The Group prioritizes continuous training and awareness programs to educate our employees about the latest cybersecurity threats and best practices. This empowers our workforce to be vigilant and proactive in maintaining cybersecurity and uphold our strong cybersecurity posture.

The Bank is committed to maintaining a proactive stance against cybersecurity and ICT risks. Our comprehensive approach to risk identification and mitigation ensures the integrity of our operations, business continuity maintenance, and the security of our stakeholders' data.

13 Statutory and General Information

13.1 Incorporation Details and History of the Company

The Company was incorporated as a private limited liability company limited by shares with the name “Family Bank Limited” on 11th April 2006 under the Companies Act (Cap 486 Laws of Kenya) and Certificate of incorporation number C. 124197 issued. The Company passed a resolution and converted to a public company on 10th May 2006 and was later issued with a certificate to commence business as a public company under registration number 34/2007. The Company became a bank in April 2007 on conversion of Family Finance Building Society to a commercial bank by the transfer of its assets and liabilities to the Company.

13.2 Principal Objects (as contained in the Memorandum of Association)

The main object of the Company is set out in Clause 3 (a) of its Memorandum of Association as follows:

- To acquire carry on in Kenya and any part of the world the businesses of banking in all their branches and departments, including the accepting of deposits of money on current account or otherwise subject to withdrawal by cheque, draft or order, the borrowing, raising or taking up of money, lending or advancing of money, securities and property, discounting, buying, holding, selling and dealing in investments of all kinds; bills of lading, warrants, debentures, certificates, script and other instruments and securities, whether transferable, negotiable or otherwise, the granting and issuing of letters of credit and circular notes, buying, selling and dealing in bullion, currencies and specie, acquiring, holding, issuing, holding, issuing on commission, underwriting and dealing in stocks, funds, shares, debentures, debenture and loan stocks, bonds, obligations, securities and investments of all kinds, negotiating loans and advances, guarantees and indemnity of all descriptions, performance and security bonds, credit guarantees or credit insurance, the receiving of securities, property and valuables of any description whatsoever on deposit or for safe custody or otherwise, collecting and transmitting moneys and securities, and managing property, and generally the transaction of every kind of mercantile business or agency business which may lawfully be transacted by banks.
- To carry on in any part of the world the businesses of obtaining, receiving and holding money and holding money in any deposit or current account (whether expressed in Kenya Shillings or other currencies) or in any manner whatsoever and whether at interest or otherwise, and the issuing of cheques or any other means of any description whatsoever to provide facilities for the withdrawal or transfer thereof.
- To carry on business as bankers, financiers, capitalists, concessionaires, commercial agents, mortgage brokers, financial agents and advisers, exporters of goods and merchandise of all kinds and merchants generally.
- To advance and borrow money, negotiate loans and lend money for any purpose and object, with or without security including the lending of money to finance hire purchase agreements in respect of any property or assets.

13.3 The Registered Office of Family Bank Limited

The registered address of the Company is Family Bank Towers, Muindi Mbingu Street, P. O. Box 74145 – 00200, Nairobi.

13.4 Articles of Association

13.4.2 Shares

- 8 Except as required by law, no person shall be recognized by the Company as holding any share upon any trust; and, the Company shall not be bound by or be compelled in any way to recognize (even when having notice thereof) any equitable, contingent, future or partial interest in any share or any interest in any fractional part of a share or (except only as by these Articles or by law otherwise provided) any other rights in respect of any share except an absolute right to the entirety thereof in the registered holder.
9. Without prejudice to any special rights previously conferred on the holders of any existing shares or class of share any share in the company may be issued with such preferred, deferred or other special rights or such restrictions, whether in regard to dividend, voting, return of capital or otherwise as the Company may from time to time by ordinary resolution determine.
10. The Company may by special resolution create and sanction the issue of Preference shares which are, or at the option of the Company are to be, liable to be redeemed, subject to and in accordance with the provisions of the Statutes. The special resolution sanctioning any such issue shall also specify by way of an addition to these Articles the terms in, which and the manner in which any such Preference shares shall be redeemed.
11. If, at any time, the share capital is divided into different classes of shares, the rights attached to any class (unless otherwise provided by the terms of issue of the shares of that class) may, whether or not the Company is being wound up, be varied with the consent in writing of the holders of three-fourths of the issued shares of

that class, or with the sanction of a special resolution passed after a separate general meeting of the holders of the shares of that class. To every such separate general meeting the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the necessary quorum shall be ten persons at least holding or representing by proxy sixty percent of the issued shares of the class and that any holder of shares of the class present in person or by proxy may demand a poll and if any adjourned meeting of such holders a quorum, is not present, the holders present shall form a quorum.

12. The rights conferred upon the holders of the shares of any class issued with preferred or other rights shall not, unless otherwise expressly provided by the terms of issue of the shares of that class, be deemed to be varied by the creation or issue of further shares ranking pari passu therewith.

13.4.3 Alteration of Capital

50. The Company may from time to time, by ordinary resolution, increase the share capital by such sum, to be divided into shares of such amount, as the resolution shall direct, or, in default of such direction, as the Directors shall determine.
51. Subject to any direction to the contrary that may be given by the resolution sanctioning the increase of capital, all new shares shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstance admit, to the amount of the existing shares to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting time within which the offer, if not accepted, will be deemed to be declined and after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered the Directors may dispose of the same in such manner as they think most beneficial to the Company subject always to any direction to the contrary by any resolution of the Members. The Directors may likewise, subject always to any direction to the contrary by any resolution of the Members, so dispose of any new shares which, by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares, cannot in the opinion of the Directors, be conveniently offered under this Article.
52. Any new shares may be offered at par, at a premium or (subject to the provisions of the Act) at a discount as the Directors may decide.
53. The new shares shall be subject to the same provisions with reference to the payment of calls, liens, transfer, transmission, forfeiture and otherwise as the shares in the original share capital.
54. The Company may, by ordinary resolution:
 - (a) Consolidate and divide all or any of its share capital into shares of large amount than its existing shares;
 - (b) Sub-divide its existing shares, or any of them, into shares of smaller amount than is fixed by the Memorandum of Association subject, nevertheless, to the provision of the Act;
 - (c) Cancel any shares which, at the date of the passing, of the resolution, have not been taken or agreed to be taken by any persons;
And may by special resolution;
 - (d) Reduce its share capital, any capital redemption reserve fund and any share premium account in any manner and with, and subject to, any incident authorized, and consent required, by law.

13.4.4 General Meetings

56. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year, and shall specify the matter as such in the notices calling it. Not more than fifteen months shall elapse between the date one general meeting of the company and that of the next: provided that if the first annual general meeting is held within Eighteen months of the date of incorporation of the Company, it need not be held in the year of incorporation nor in the next following year. Annual and extraordinary general meetings shall be held at such times and places within Kenya as the Directors shall from time to time appoint.
57. All general meetings other than annual general meeting shall be called extraordinary general meetings.
58. The Directors may, whenever they think fit, convene an extraordinary general meeting, and extraordinary general meetings shall also be convened on such requisition, or, in default, may be convened by such requisitionists, as provided by section 277 of the Companies Act.

13.4.5 Votes of Members

75. Subject to any rights or restrictions for the time being attached to any class or classes of shares on a show of hands every Member present in person shall have one vote, and on a poll every member present in person or by proxy shall have one vote for each share he is the holder.

76. In the case of joint holders, the vote of the senior who tenders a vote either in person or through a proxy, shall be accepted to the exclusion of the votes of the other joint holders and for this purpose, seniority shall be determined by the order in which the name stand in the register.
77. A member incapable by reason of mental disorder of managing and administering his property and affairs may vote, whether on a show of hands or on a poll, by his receiver, or other person authorized by any court of competent jurisdiction to act on his behalf, and such person may on a poll vote by proxy.
78. No member shall be entitled to vote at any general meeting unless all calls or other sums presently payable by him in respect of the shares in the company have been paid.

13.4.6 Dividends and Reserve

135. The Company in general meeting may declare dividends, but no dividend shall exceed the amount recommended by the Directors.
136. The Directors may from time to time recommend to an ad-hoc extraordinary general meeting the payment to the members of such interim dividends (including therein the Fixed dividends payable upon any preference or other shares at stated times) as appear to the Directors to be justified by the profits of the Company.
137. No dividend shall be paid otherwise than out of profits.
138. Subject to the rights of persons, if any, entitled to shares with special rights as to dividends all dividends shall be declared and paid according to the amounts paid or credited as paid on the shares, but if and so long as nothing is paid up on any of the shares in the Company dividends may be declared and paid according to the amounts of the shares. No amount paid or credited as paid on a share in advance of calls shall, while carrying interest, be treated for the purposes of this regulation as paid on the share. All dividends shall be apportioned and paid proportionately to the amounts paid or credited as paid on the share during any portion or portions of the period in respect of which the dividend is paid; but if any share is issued on terms providing that it shall rank for dividend as from a particular date such share shall rank for dividend accordingly.
139. The Directors may, before recommending any dividend, set aside out of the profits of the Company such sums as they think proper as a reserve or reserves which shall, at the discretion of the Directors, be applicable for any purpose to which the profits of the Company may be properly applied, and pending such application may, at the like discretion, either be employed in the business of the Company or be invested in such investments (other than shares of the Company) as the Directors may from time to time think fit. The Directors may also without placing the same to reserve carry forward any profits which they may think prudent not to divide.
140. Notice of any dividend that may have been declared shall be given in manner hereinafter mentioned to the persons entitled to share therein.
141. The Directors may deduct from any dividend payable to any Member all sums of money (if any) presently payable by him to the Company on account of calls or otherwise in relation to the shares of the Company.
142. The Directors may retain any dividend or other money payable on or in respect of a share on which the company has lien and may apply the same in or towards satisfaction of the debts, liabilities or engagements in respect of which the lien exists.
143. Any general meeting declaring a dividend or bonus may direct payment of such dividend or bonus wholly or partly by the distribution of specific assets and in particular of paid up shares, debentures or debenture stock of any other Company or in any one or more of such ways and the Directors shall give effect to such resolution, and where any difficulty arises in regard to such distribution, the Directors may settle the same as they think expedient, and in particular may issue fractional certificates and fix the value for distribution of such specific assets or any part thereof and may determine that cash payments shall be made to any Member upon the footing of the value so fixed in order to adjust the rights of all parties, and may vest any such specific assets in trustees as may seem expedient to the Directors.
144. Any dividend, interest or other moneys payable in respect of shares may be paid by cheque or warrant sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the Register or to such person and to such address as the holder or joint holders may in writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent. Any one of two or more joint holders may give effectual receipts for any dividends bonuses or other moneys payable in respect of the shares held by them as joint holders.
145. No dividends shall bear interest against the Company.
146. Any dividend or bonus share or other right unclaimed for a period of more than twelve years from the date of the declaration thereof may at any time thereafter be forfeited by resolution of the Directors. Prior to the expiry of the twelve-year period, such dividend bonus share or right shall be recognized in the Company's

books of accounts as a contingent liability but the Company shall not be liable to invest the same in any manner whatsoever or to account for any interest or other profit earned on account of such unclaimed dividend share or other right.

13.5 Material Agreements

The Company is a party to the following material contracts each of which is available for inspection:

13.5.1 Note Trust Deed dated 27th May 2021 between Family Bank Limited (Issuer) and MTC Trust and Corporate Services Limited (Note Trustee)

The Company is party to a Trust Deed for the issue of debt securities (“Notes”) in which MTC Trust and Corporate Services Limited was appointed as the trustee. Under the Trust Deed, the Company, as Issuer, covenants with the Note Trustee that it will, in accordance with the Conditions of the Notes, unconditionally pay or procure to be paid to the Note Trustee or to the order of the Note Trustee the principal amount (together with the interest thereon) of the Notes becoming due for redemption or repayment.

The Issuer also covenants with the Note Trustee to comply with those provisions of the Trust Deed, the Conditions and the other Note Documents to which it is a party, and which are expressed to be binding on it and to perform and observe the same.

13.5.2 Other Material Contracts

The Company has not entered in to any other material contracts not disclosed in this Information Memorandum other than contracts entered into in the ordinary course of business.

13.6 Financing Agreements

The Company has issued Letters of Credit and Bank Guarantees including Performance Bonds, Payment Bank Guarantees and Custom Bonds in the ordinary course of business.

13.7 Onerous Covenants and Default

The Company has no material contracts with third parties which have any onerous covenants. As at the date of this Information Memorandum, the Company is not in breach of any of the terms of its loan agreements and is in compliance with regulatory requirements.

13.8 Related Party Agreements

The Company has entered into arrangements under which funds are due to it from some of its significant shareholders and directors. These arrangements are at arm’s length and have been disclosed in the financial statements of the Company.

The Company has also made advances to its employees subject to the applicable prohibitions on insider lending in the Banking Act.

13.9 Loan/Finance Agreements

13.9.1 Loan Agreement between Family Bank Limited as the Borrower and Blue Orchard Microfinance Fund as the Lender dated December 21, 2021

Loan Amount	USD Ten Million
Purpose	Expand the microfinance loan portfolio of the Borrower
Interest Rate	6M SoFr +4.75
Duration	3 years
Draw down	USD Ten Million
Repayment	Four installments
Security	Negative pledge

13.9.2 Loan Agreement between Family Bank Limited as the Borrower and Emerging and Frontier Markets MSME Support Fund SCSP as the Lender, represented by its General Partner Blue Orchard Invest S.à.r.l. dated December 21, 2021

Loan Amount	USD Two Million Five Hundred Thousand
Purpose	Continue operations and address the impact of COVID-19 pandemic to the Borrower's operations and portfolio and to enable the Borrower to provide access to liquidity for its micro, small and medium enterprise (MSME) clients
Interest Rate	6M SoFr +4.75
Duration	3 years
Draw down	USD Two Million Five Hundred Thousand
Repayment	Four installments
Security	Negative pledge

13.9.3 Loan Agreement Between REFFA Fund as the Lender and Family Bank Limited as the Borrower for the Development of Education Finance dated December 21, 2021

Loan Amount	USD Four Million Six Hundred and Fifty Thousand
Purpose	Promote access to education in Kenya by providing customized financial services for the education sector in demand oriented and financially sustainable manner
Interest Rate	6M SoFr +4.75
Duration	3 years
Draw down	USD Four Million Six Hundred and Fifty Thousand
Repayment	Four installments
Security	Negative pledge

13.9.4 Loan Agreement between Microfinance Enhancement Facility SA, SICAV-SIF as the Lender and Family Bank Limited as the Borrower dated December 24, 2021

Loan Amount	USD Seven Million
Purpose	Financing of the microfinance portfolio
Interest Rate	4.75%
Duration	3 years
Draw down	USD Seven Million
Repayment	Three installments
Security	Negative pledge

13.9.5 Facility Agreement between Family Bank as the Borrower and Eco Business Fund, SICAV-SIF as the Lender dated December 24, 2021

Loan Amount	USD Ten Million
Purpose	Financing Sub-Loans
Interest Rate	Aggregate of the applicable margin and LIBOR (in relation to any loan)
Duration	4 years
Draw down	USD Ten Million
Repayment	Seven installments
Security	Negative pledge

13.9.6 Loan Agreement between Family Bank Limited as Borrower and responsibility SICAV (Lux) acting for its sub-fund responsAbility SICAV (Lux) Micro and SME Finance Debt Fund as Lender

Loan Amount	USD Four Million Five Hundred Thousand
Purpose	On lending activities to the Borrower's clients
Interest Rate	1.50% of the principal amount
Duration	4 years
Draw down	USD Four Million Five Hundred Thousand
Repayment	Four installments
Security	Negative pledge

13.9.7 Loan Agreement between Family Bank Limited as Borrower and responsibility SICAV (Lux) acting for its sub-fund responsAbility SICAV (Lux) Micro and SME Finance Leaders as Lender

Loan Amount	USD Two Million
Purpose	On lending activities to the Borrower's clients
Interest Rate	1.50% of the principal amount
Duration	4 years
Draw down	USD Two Million
Repayment	Four installments
Security	Negative pledge

13.9.8 Loan Agreement between Family Bank Limited as Borrower and responsibility SICAV (Lux) acting in its own name responsAbility Global Micro and SME Finance Fund as Lender

Loan Amount	USD Four Million Five Hundred Thousand
Purpose	On lending activities to the Borrower's clients
Interest Rate	1.50% of the principal amount
Duration	4 years
Draw down	USD Four Million Five Hundred Thousand
Repayment	Four installments
Security	Negative pledge

13.9.9 Loan Agreement between Global Access Fund IV LP as Lender and Family Bank Limited as Borrower dated August 9, 2023

Loan Amount	USD Ten Million
Purpose	Disburse loans to (i) groups and individuals for the purposes of financing water and sanitation improvements at household or community level (ii) private water and sanitation utility providers and SME businesses operating in the water and sanitation value chain for providing working capital financing for specific water and sanitation projects
Interest Rate	7.73%
Duration	Two years
Draw down	USD Ten Million
Repayment	Four installments
Security	Negative pledge

13.10 Licenses and Permits

The Company has been issued with a Banking License Number CBK/BSD/03/11 to conduct and carry on banking business in Kenya. The license was issued on 31st May 2016 by the Central Bank of Kenya. There are no conditions attached to the license except that the Central Bank of Kenya may at any time revoke, amend, suspend or restrict the license or any term or condition imposed thereon.

There are no ongoing litigation disputes with any regulatory authorities.

The Company has also procured business permits from the relevant county governments for the operation of its various offices, branches and ATM locations.

13.11 Material Litigation and Disputes

The Company is party to various disputes which are debt recovery, security enforcement and related matters in the ordinary course of business. Some of these disputes are material in the context of the Company's business.

We set out here below some of the suits with the highest pecuniary claims:

PARTIES	YEAR	CASE NUMBER	NATURE	STATUS	CLAIM AMOUNT (KSHS.)
Kusini Villas Ltd, Gatoka Ltd Vs Family Bank Ltd	2022	HCC No. E055 of 2022	Breach of Contract	The matter has been referred to mediation. The Company has filed an application to have the matter struck out.	133,000,000
Kenneth Kaniu Vs Family Bank Ltd	2023	HCHR Petition No. E342 of 2023 Kenneth Kaniu Vs Family Bank & 2 others (CBK and CMA as Interested Parties)	Defamation matter	A claim has been filed against the Bank by Mr. Kaniu, alleging that the Bank violated his constitutional rights by publishing misleading information about him. He claims that his termination letter has been communicated to the Financial Services sector in Kenya thus disqualifying him from any potential employment.	717,000,000
Family Bank Limited vs Deborah Ngugi Karanja & CBK	2023	Court of Appeal Civil Application No. E150 of 2023	Breach of Contract	The matter is pending hearing at the Court of Appeal.	67,000,000
Bwanyange Limited Vs Yusuf Alibhai & Family Bank Limited	2023	Mombasa HCCC. NO. 13 OF 2023	Breach of contract	Hearing of this matter is yet to commence.	56,000,000
Maggie Calf Limited-Vs-Family Bank Limited	2021	Appeal	Breach of Lease	The appeal has been filed. Awaiting hearing date.	68,679,971.52

PARTIES	YEAR	CASE NUMBER	NATURE	STATUS	CLAIM AMOUNT (KSHS.)
Anne Waithira Gachura (Being a Legal Representative of the Estate of Godfrey Mhuri Gachura) Vs FBL	2021	HC COMM E128 OF 2021	Insurance claim	Hearing is ongoing.	61,722,572.09
Peter Munyiri Maina (Former Managing Director) Vs FBL	2019	Elrc No. 1396 Of 2017 (Now Civil Appeal No. 374 of 2019)	Employment matter	The decretal sum as awarded by the High Court was settled by the Bank. The claimant thereafter filed an appeal vide Civil Appeal Number 374 of 2019. Awaiting new hearing date.	27,057,300

13.12 Property and Information on Vendors on material assets acquired in the last five years

The Company has acquired the below two immovable properties in the last five years:

13.12.1 Title Number Kisumu/Ojola/3927

Title Number Kisumu/Ojola/3927 was acquired on 23rd June 2022. It measures approximately 0.06 Ha and is registered in the name of Family Bank Limited at the Kisumu District Land Registry under Mapsheet No. 6.

13.12.2 Title Number Kisumu/Ojola/4116

Title Number Kisumu/Ojola/4116 was acquired on 23rd June 2022. It measures approximately 0.10 Ha and is registered in the name of Family Bank Limited at the Kisumu District Land Registry under Mapsheet No. 6.

13.13 Directors' Statement as to liquidity requirement

The Directors of the Company confirm that as at the date of this Information Memorandum, the Company is in compliance with the liquidity ratios required under the CBK's Prudential Guidelines.

13.14 General Information

Copies of the following documents may be inspected at the Specified Office of the Company:

- i) A copy of this Information Memorandum;
- ii) The Memorandum and Articles of Association of the Company;
- iii) The audited financial statements of the Company in respect of the past five financial years;
- iv) A copy of the Shareholders' Resolution increasing the Company's authorized share capital to Kenya Shillings Two Billion and Three Hundred Million (Kshs. 2,300,000,000/-) and approving the Rights Issue;
- v) A copy of the Board Directors' Resolution approving the Rights Issue;
- vi) The Shareholders' Register used to determine the Entitlement; and
- vii) The Legal Opinion of Mboya Wangong'u & Waiyaki Advocates.

13.15 Changes in Senior Management

There are no planned or expected changes in the Bank's senior management during the twenty four months following this Rights Issue.

13.16 Material Changes in the business

There have been no interruptions in the Company's business, which may have or have had during the recent past (covering at least the previous four months prior to the issuance of this Information Memorandum) a significant effect on the Company's financial position.

13.17 Material Change in the Financial Information

There has been no significant change in the financial or trading position of the Company which has occurred since the date of the last interim financial statements period.

13.18 Principal Investments

As at the date of this Information Memorandum, the Company does not intend to carry out principal investments in its infrastructure in the current financial period.

14 Appendix: Legal Opinion

Lex Chambers,
739 Maji Mazuri Road,
off James Gichuru Road,
Lavington,
P. O. Box 74041 – 00200,
Nairobi, Kenya.
www.lexgroupafrica.com

mboya wangong'u & waiyaki

ADVOCATES
COMMISSIONERS FOR OATHS
NOTARIES PUBLIC
COMPANY SECRETARIES
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Our Ref: Fo25/022/M/2023/W

Your Ref:

October 17, 2023

The Directors
Family Bank Limited
8th Floor, Family Bank Towers
Muindi Mbingu Street,
P. O. Box 74145 – 00200
NAIROBI.

Dear Sirs,

RE: LEGAL OPINION

We act as legal advisers to Family Bank Limited (“the Company”) in relation to the Company’s proposed rights issue and private placement.

We are Advocates of the High Court of Kenya, practicing and qualified as such to practice in Kenya, and to advise upon the laws of Kenya.

This Legal Opinion (“this Opinion”) is given in relation to the rights issue and private placement.

1 PRELIMINARY MATTERS

- 1.1 Unless (a) otherwise stated; or (b) the context otherwise requires, words and terms defined in the Information Memorandum to which this Legal Opinion is attached (“the Information Memorandum”) bear the same meanings in this Opinion.
- 1.2 This Opinion is limited to Kenyan Law as applied in the courts of Kenya and as of the date of this Opinion and to matters of fact prevailing as of the date of this Opinion.

2 ASSUMPTIONS AND DOCUMENTS REVIEWED

- 2.1 For the purposes of this Opinion, we have made the following assumptions:
 - 2.1.1 all information contained in the Information Memorandum and all information provided to us by the Company, and its officers and advisers is true, accurate and up to date;
 - 2.1.2 the authenticity and completeness of all documents submitted to us as originals or copies, the genuineness of all signatures, the conformity to originals of all copies and the accuracy of any translations;
 - 2.1.3 that representations made to us by officers and agents of the Company are true in all material respects.

- 2.2 For the purposes of this Opinion, we have examined originals or copies certified to our satisfaction of the following documents:
- 2.2.1 Memorandum and Articles of Association in force as at the date of this Opinion;
 - 2.2.2 The Company's Annual Returns for the last three years;
 - 2.2.3 The Company's Statutory Books;
 - 2.2.4 Documents filed by the Company with the Registrar of Companies;
 - 2.2.5 Title documents of immovable property in the name of the Company;
 - 2.2.6 Local Authority permits for the Company's places of business;
 - 2.2.7 Details of material contracts and disputes to which the Company is a party;
 - 2.2.8 Audited Accounts of the Company for the last three years;
 - 2.2.9 Licenses from and correspondence with relevant regulatory authorities;
 - 2.2.10 Such other records and documents as we have considered necessary or appropriate for the purposes of this Opinion in respect of the Company and its subsidiaries.

3 OPINION

Based upon and subject to (1) the foregoing; (2) the reservations set out below; and (3) to any matters not disclosed to us, we are of the opinion that:

3.1 STATUS OF THE COMPANY

- 3.1.1 The Company is a public limited liability company, duly registered under the Companies Act (Cap 486 of the Laws of Kenya) (now repealed) and bearing Registration Number 34/2007.
- 3.1.2 The disclosure made in the Information Memorandum listing the top shareholders of the company is correct.
- 3.1.3 The registered office of the Company is Family Bank Towers (Formerly Fourways Tower) 8th Floor, Muindi Mbingu Street, P.O. Box. 74145 - 00200, Nairobi, L.R. No. 209/4383. The address at which the register of members is kept is Family Bank Towers (Formerly Fourways Tower) 8th Floor, Muindi Mbingu Street, P.O.Box 74145 - 00200, Nairobi, L.R. No. 209/4383.
- 3.1.4 The Company has obtained the approval of the Board of Directors and its shareholders to undertake the rights issue and private placement.
- 3.1.5 The Company has, at the date hereof, a Board of Directors consisting of the following individuals:
 - Wilfred David Kiboro;
 - Titus Kiondo Muya;
 - Francis Gitau Mungai;
 - Lazarus Muange Muema;
 - Rebecca Mueni Mbithi;
 - Julius Kiondo Muya (Alternate to Mr. Titus Kiondo Muya);
 - Mary Njeri Mburu; and
 - David Muni Ichoho.

3.1.6 The Company Secretary is Eric Kori Murai of P. O. Box 103 – 00623, Nairobi who is a Certified Secretary.

3.1.7 The Company maintains minutes of the board and of general meetings, register of directors and register of charges at its registered office. The register of members is maintained at the offices of The Company Secretary / Shares Registrar at Family Bank Limited, 8th Floor, Family Bank Towers, Muindi Mbingu Street and P.O. Box 74145-00200 Nairobi, Kenya.

3.2 LICENSES AND CONSENTS

All authorizations, approvals, consents, licenses, exemptions, filings or registrations of or with any governmental or public bodies or authorities in Kenya required in connection with the business of the Company have been obtained in proper form, and are in full force and effect.

3.3 SHARE CAPITAL

- 3.3.1 The authorized share capital of the Company is Kenya Shillings Two Billion Three Hundred Million (Kshs. 2,300,000,000) divided into Two Billion Three Hundred Million (2,300,000,000) ordinary shares of Kenya Shilling One (KES 1.00) each.
- 3.3.2 The issued share capital of the Company is Kenya Shillings One Billion Two Hundred and Eighty-Seven Million One Hundred and Seven Thousand Five Hundred and Forty Two (Kes. 1,287,107,542.00) made up of One Billion Two Hundred and Eighty Seven Million One Hundred and Seven Thousand Five Hundred and Forty Two (1,287,107,542) Ordinary Shares of Kenya Shilling One (KES 1.00) each.
- 3.3.3 The existing capital of the company is in conformity with applicable laws and has received all necessary authorizations.

3.4 OWNERSHIP OF ASSETS

- 3.4.1 The company is the registered owner of the following immovable properties:

Name of the Building/Branch	Land Reference Number
Family Bank Towers/Head Office	L.R. No. 209/4383
Kilimani Branch	L.R. No. 1/1338 (Original No.1/933/2)
Limuru Branch	Title No. Limuru Township/335
Kerugoya Branch	Inoi/Kerugoya/250/473
Eldoret Branch (Retail Section)	Title Number Eldoret Municipality Block 7/23
Githunguri Branch	Title Number Githunguri/Githunguri/T.780/1
Molo Branch	Title Number I.R 8396
Kangari Branch	Title Number Loc.2/Kangari/1940
Murang'a Branch	Murang'a/Township Block 11/96
Othaya Branch	Title Number Loc.2/Kangari/1940
Kitengela Plots (52)	Kajiado/Kitengela/34352-Kajiado/Kitengela/34403
Kisumu Properties	Title Number Kisumu/Ojola/3927 and Title Number Kisumu/Ojola/4116

- 3.4.2 The Company has also entered into leases and license agreements for the occupation and use of various other premises used as offices, branches and ATM locations.

3.5 SUBSIDIARIES

The following companies are subsidiaries of the Company:

Subsidiary	Shareholding
Family Bank Bancassurance Intermediary Limited	Wholly owned by Family Bank Limited
Family Bank Kenya Limited	Wholly owned by Family Bank Limited
Family Group Foundation	Wholly owned by Family Bank Limited
Pesa Pap Digital Ltd	Wholly owned by Family Bank Limited

3.6 MATERIAL LITIGATION

The Company is not party to, and has not been threatened with, any material litigation that has not been disclosed in the Information Memorandum.

3.7 MATERIAL CONTRACTS

- 3.7.1 Save for contracts entered into in the ordinary course of business, the Company has not entered into any material contracts which are not disclosed in the Information Memorandum.
- 3.7.2 As at the date of this Information Memorandum, the Company is not in breach of any material contractual obligations except where disclosed in the Information Memorandum.
- 3.7.3 Except for contracts with advisers engaged by the Company for the Rights Issue, there are no other contracts in respect to the Rights Issue which have not been disclosed in the Information Memorandum.

3.8 MATERIAL BORROWINGS

- 3.8.1 The Company is party as a borrower to the following material borrowing contracts:
 - 3.8.1.1 Loan Agreement between Family Bank Limited and Blue Orchard Microfinance Fund dated December 21, 2021;
 - 3.8.1.2 Loan Agreement between Family Bank Limited and Emerging and Frontier Markets MSME Support Fund SCSP represented by its general partner Blue Orchard Invest S.à.r.l.
 - 3.8.1.3 Loan Agreement Between REFFA Fund as the Lender and Family Bank Limited as the Borrower for the Development of Education Finance;
 - 3.8.1.4 Loan Agreement between Microfinance Enhancement Facility SA, SICAV-SIF as the Lender and Family Bank Limited as the Borrower;
 - 3.8.1.5 Facility Agreement between Family Bank as the Borrower and Eco Business Fund, SICAV-SIF as the Lender;
 - 3.8.1.6 Loan Agreement between Family Bank Limited as Borrower and responsibility SICAV (Lux) acting for its sub-fund responsAbility SICAV (Lux) Micro and SME Finance Debt Fund as Lender;
 - 3.8.1.7 Loan Agreement between Family Bank Limited as Borrower and responsibility SICAV (Lux) acting for its sub-fund responsAbility SICAV (Lux) Micro and SME Finance Leaders as Lender;
 - 3.8.1.8 Loan Agreement between Family Bank Limited as Borrower and responsibility SICAV (Lux) acting in its own name responsAbility Global Micro and SME Finance Fund as Lender; and
 - 3.8.1.9 Loan Agreement between Global Access Fund IV LP and Family Bank Limited dated August 9, 2023.
- 3.8.2 Details of these borrowings are disclosed in the Information Memorandum.
- 3.8.3 The borrowing powers of the Company and its subsidiaries have not been exceeded.

4 CONSENT

We consent to the inclusion of this Opinion in the Information Memorandum to be issued for the rights issue and private placement in the form and context in which it appears. We confirm that we have given and as at the date of issue of the Information Memorandum, have not withdrawn our consent to its issue and the inclusion of our legal opinion herein.

5 RESERVATIONS

- 5.1 We express no opinion as to any document other than the material documents expressly referred to above.
- 5.2 We express no opinion as to any law other than Kenyan law in force, and as interpreted, at the date of this Opinion.
- 5.3 We express no opinion as to any matter not stated herein.

Yours faithfully,
MBOYA WANGONG'U & WAIYAKI



CG MBUGUA
cgmbugua@lexgroupafrica.com
Partner

15 Selling Agents

Family Bank has appointed NCBA Investment Bank as the selling agent in connection with the Offer as outlined below. In addition to NCBA Investment Bank, all Family Bank branches will also collect the duly filled forms and forward them to the selling agent for processing.

Selling Agent
<p>NCBA Investment Bank Limited NCBA Annex, 3rd Floor Hospital Road, Upper Hill P.O. Box 44599-00100, Nairobi. Tel: +254-20-2884000 advisoryservices@ncbagroup.com</p>

[LETTERHEAD OF COMMERCIAL BANK]

Date:
The Chief Executive Officer
Family Bank Limited
P.O. Box 74145-00200
Nairobi

Dear Sirs

FAMILY BANK LIMITED – RIGHTS ISSUE GUARANTEE IN RESPECT OF PAYMENT FOR ALLOCATION OF SHARES TO [name of INVESTOR]

WHEREAS [name of Investor/Eligible Shareholder] (“**the Investor**”) has by an application form dated [] applied for [] New Shares as set out in the Information Memorandum dated [] 2023 (“**the Family Bank Information Memorandum**”). Capitalised terms used in this Guarantee shall have the meaning and interpretation given to such terms in the Family Bank Information Memorandum.

AND WHEREAS it has been stipulated by you in the Family Bank Information Memorandum that the Investor shall furnish you with an irrevocable on demand guarantee for the full value of the price of the New Shares.

AND WHEREAS we [name of Guarantor] have agreed to give this Guarantee:

NOW at the request of the Investor and in consideration of the Issuer agreeing to accept the Investor’s Entitlement and Acceptance Form on the terms set forth in Section 7.14 of the Information Memorandum and to permit payment by the Investor of the Offer Price for such number of the New Shares applied for and in consideration of your allocating to the Investor the New Shares or such lesser number as you shall in your absolute discretion determine, we hereby irrevocably guarantee to pay you, forthwith upon your first written demand declaring the Investor to be in default and without delay or argument, such sum as may be demanded by you up to a maximum sum of Kenya Shillings _____ without your needing to prove or to show grounds or reasons for your demand for the sum specified therein either by way of RTGS transfer to such bank account as shall be specified in your demand for payment (where the money payable is in excess of Kenya Shillings one million (Kshs.1,000,000) or banker’s cheque payable to Family Bank Limited.

This Guarantee will remain in force up to and including [] p.m. on [] 2023 and any demand in respect thereof should reach us not later than the above date and time.

This Guarantee shall be governed and construed in accordance with the laws of Kenya.

[due execution by authorised signatories]





Family Bank Towers, Muindi Mbingu Street | P.O. Box 74145 - 00200, Nairobi, Kenya | Tel: 254-2-3252 445/0703095 445
Email: info@familybank.co.ke | Website: www.familybank.co.ke