



Rights Issue 2016

ABRIDGED INFORMATION MEMORANDUM

Family Bank Family Bank Family Bank Family Bank Family Bank Family Bank



Family Bank Limited

Incorporated in Kenya under the Companies Act, 2015

(Registration Number 34/2007)

Abridged Information Memorandum

May 2016

In respect of

Rights Issue of 199,229,951 New Ordinary Shares at an Offer Price of
KES 22 per share in the ratio of 4 New Ordinary Shares for
every 25 Ordinary Shares held

Strictly Private and Confidential

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

**THIS ABRIDGED 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**

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

ABRIDGED INFORMATION MEMORANDUM

1. Important Notice

This is not the Information Memorandum (“IM”) for the Rights Issue.

This document is an Abridged Information Memorandum inviting the Existing Shareholders to apply for New Shares in Family Bank under the terms outlined in the full Information Memorandum. This document should be read in conjunction with the Information Memorandum dated 31st May 2016 which contains historical, current and prospective financial information and legal provisions which are important for your decision making. If you are in doubt as to the contents of this Abridged Information Memorandum, it is recommended that you consult your investment banker, financial advisor, stockbroker, lawyer, banker, accountant or other professional advisor.

2. The Offer

Family Bank is offering a total of 199,229,951 New Shares at KShs 22/= per Share to raise approximately KShs 4,383,058,922 (before expenses) under the Information Memorandum on the basis of 4 New Shares for every 25 Ordinary Shares held on the Record Date (5.00 pm on May 25th, 2016) (the “Offer”).

As an existing shareholder, the number of New Shares that you are entitled to is shown on the Provisional Allotment Letter (“PAL”).

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 Shares cum Rights.

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

This abridged 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 21st March, 2016 and 22nd April, 2016 respectively.

All terms and expressions used in this abridged Information Memorandum have been defined in the published Information Memorandum.

3. Advisers to the Issuer

Lead Transaction Advisor	Reporting Accountants
NIC Capital Limited	Deloitte & Touche
Legal Advisor	Receiving Bank
Mboya Wangong'u & Waiyaki Advocates	Family Bank Limited
Registrar & Data Processor	
Family Bank Limited	

4. Features of the Offer

4.1. Timetable for the Offer

Activity	Timing
Record Date	Wednesday, May 25 th , 2016
Distribution of IM and PALs to Eligible Shareholders	Tuesday, May 31 st , 2016
Commencement of trading in Shares cum Rights	Thursday, June 02 nd , 2016
Last date for renunciation	Monday, June 13 th , 2016
Last date for trading in Shares cum Rights	Monday, June 13 th , 2016
Closing Date	Monday, June 27 th , 2016
Final date for confirmation of payment for New Shares to Receiving Bank	Monday, June 27 th , 2016
Announcement of Offer Results	Wednesday, June 29 th , 2016
Final date for payment for New Shares to Receiving Bank for applications against Letters of Undertaking and irrevocable Bank Guarantee	Thursday, June 30 th , 2016
Dispatch of payment of Refunds through Electronic Funds Transfer or Refund Cheques	Wednesday, July 06 th , 2016
Commencement of Over the Counter Trading	Wednesday, July 06 th , 2016

4.2. Reasons for the Offer

The proceeds of the Rights Issue shall be used to expand the Bank's lending capacity.

4.3. Key Financial Data

Par Value of each Share	KES 1.00
Total number of authorized shares of Family Bank	1,500,000,000
Total number of issued and fully paid up shares before the Rights Issue	1,245,187,196
Authorized share capital of Family Bank	KES 1,500,000,000
Fully paid up share capital of Family Bank before the Rights Issue	KES 1,245,187,196
Net Profit for the year ended 31 December 2015	KES 1,982,946,000
Total Dividends declared and paid for the year ended December 2015	KES 606,592,000
Earnings per share (EPS) for the year ended 31 December 2015	KES 1.59

Dividend per share (DPS) for the year ended 31 December 2015	KES 0.50
Price/Earnings (PE) ratio based on the results for the year ended 31 December 2015	18.0 x
Net Asset Value per share for the year ended 31 December 2015	KES 9.67
Family Bank valuation based on current OTC trading price as at 31 st May 2016	KES 31,129,679,900
Family Bank valuation based on Rights Issue Price	KES 27,394,118,312
Offer Price per share	KES 22
Number of New Shares on offer under the Rights Issue	199,229,951
Gross proceeds of the offer (assumes no ineligible Rights arise)	KES 4,383,058,922
Total number of issued and fully paid up shares after the Rights Issue assuming full subscription	1,444,417,147
Net Asset Value per share for the year ended 31 December 2015 accommodating the Rights Issue	KES 8.34
Fully paid up share capital of Family Bank post Rights Issue assuming full subscription	KES 1,444,417,147

5. Terms and Conditions of Application of New and Additional Shares

Applicants should read carefully the terms and conditions of application of New and Additional Shares as set out below.

5.1. 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 5.6 (**Acceptance Procedure**).

Eligible Shareholders wishing to renounce some or all of their Rights are invited to follow the steps set out in Section 5.8 (**Renunciation of Rights**).

Eligible Shareholders wishing to apply for Additional Shares must do so in the manner set out in Section 5.7 (**Application for Additional Shares and Allocation Policy**).

5.2. Offer For Subscription

- Family Bank hereby offers to Eligible Shareholders by way of renounceable rights, a total of 199,229,951 New Shares at the Offer Price of KES 22 per New Share payable in full on acceptance in the terms set out below.
- Persons who are not Eligible Shareholders as of the Record Date will be eligible to participate in the offer by way of Rump Shares.
- The Rights Issue is on the basis of a ratio of 4 New Shares for every 25 Existing Shares.
- 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 5.8.
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.

5.3. Status Of The New Shares

The New Shares 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 2016. There are therefore no time limitations in respect of the right to dividend for the said financial year.

5.4. Opening and Closing Date Of The Rights Issue

The Rights Issue will open at 9:00 a.m. on Tuesday 31st May, 2016 and close at 5:00 p.m. on Monday, 27th June 2016.

5.5. Entitlement

- 5.5.1. Your Entitlement (excluding Rump Investors) is shown on the PAL.
- 5.5.2 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.
- 5.5.3 Fractions of New Shares that result from applying the Entitlement Ratio will form part of the Untaken Rights.

5.6. Acceptance Procedure

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

- 5.6.1 Persons wishing to apply for New Shares must complete the Entitlement and Acceptance Form (PAL).
- 5.6.2 Copies of the abridged IM may be obtained from the Authorized Agents referred to in Section 9 of this abridged IM.

5.6.3 Except in the case of negligence or willful 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.

5.6.4 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.

5.6.5 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 5.9 (**Application Money**) no later than 5.00 pm on Monday, 27th June 2016.

5.6.6 New Shares in respect of which duly completed and signed Entitlement and Acceptance Forms together with the Application Money, paid in accordance with Section 5.6.5 above, which are not received by Family Bank or a Selling Agent by the dates and times stipulated in Section 5.6.5 above will be deemed not to have been duly subscribed for and any Rights in connection with the same will have lapsed.

5.6.7 Eligible Shareholders who wish to take up their full Entitlement are required to duly complete the section entitled "Full Acceptance" (PART 1A) as well as other relevant sections of the PAL. Eligible Shareholders wishing to accept only part of their entitlement are required to duly complete the section of the PAL entitled "Partial Acceptance" (PART 2) as well as other relevant sections of the PAL. Please note that partial acceptance will not be permitted for less than One hundred (100) New Shares

5.7. Application For Additional Shares And Allocation Policy

5.7.1 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 PAL and signing and returning the duly completed and signed PAL together with the Application Money. These should be received by Family Bank or the relevant Authorized Agent not later than 5.00 pm on

Monday, 27th June 2016.

5.7.2 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 5.12 (**Refund Policy**) and will be free of interest. There will be no changes once the basis of allocation has been announced.

5.7.3 Subject to Section 5.7.4 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 5.7 (**Application for Additional Shares and Allocation Policy**).

5.7.4 If any person applies for Additional Shares which might trigger the regulatory restrictions and obligations set out in Section 5.17 (**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 PAL before 5.00 pm on Monday, 27th June 2016.

5.7.5 Eligible Shareholders wishing to take up Additional Shares are required to duly complete the section entitled "Additional Shares" as well as other relevant sections of the PAL.

5.8 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 PAL) or (b) decline to take up their Rights, all in accordance with the procedures set out below.

5.8.1 Renunciation by way of Trading in the shares cum Rights

5.8.1.1 Shareholders may sell their shares on the on the OTC platform together with the Rights thereon.

5.8.1.2 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.

5.8.1.3 Shares cum Rights may be traded on the OTC platform from Thursday, June 02nd, 2016 to Monday, June 13th, 2016. Following this date, any transferee of such shares shall not be entitled to take up the Rights to new shares.

5.8.2 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.

5.9. Application Money

5.9.1 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 Authorized Agents on behalf of Eligible Shareholders (Global Payment System or GPS). Such bankers cheques for each PAL 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-PAL No { Insert No}" and be crossed "A/C Payee Only". Each bankers 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 Shareholder applying for any New Shares may provide an Irrevocable Bank Guarantee in the form stipulated in Section 19.1 of the Information Memorandum, 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 Monday, 27th June 2016. The Eligible Shareholder must attach the original Irrevocable Bank Guarantee to the PAL at the time of submission by 5.00pm on Monday, 27th June 2016. 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 19.2 of the Information memorandum) for the required amount. Only one form of payment is acceptable per application.

5.9.2 Payments made in accordance with Section 5.9.1 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.

5.10. Rejection Policy

Applications will be rejected for the following reasons:

5.10.1. Application Form

- a) The PAL 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 signature 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.

5.10.2. Payment

The following will not be accepted;

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

5.11. Loan Facilities

5.11.1 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.

5.11.2 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.

5.11.3 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.

5.12. 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 Wednesday, July 6th 2016. 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 PAL 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.

5.13. New Shares and Share Certificates

5.13.1 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.

5.13.2 Share certificates should be collected against proof of identity and other documentation to the satisfaction of a Sales Agent or Collecting Agent.

- 5.13.3 Fully paid New Shares will be traded on the OTC Market after the closure of the Rights Issue. **Contact Family Bank for details.**
- 5.14. Untaken Rights And Allocation Policy**
- 5.14.1 All Eligible Shareholders who apply for their New Shares in full shall receive the full number of New Shares indicated in their PAL. 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 5.7 to Eligible Shareholders who duly submit applications for Additional Shares in accordance with Section 5.7 (**Application for Additional Shares and Allocation Policy**)
- 5.14.2 Any residual Rights not taken up of the Untaken Rights even after the allocation in Section 5.7, may be allocated by the Board in their sole discretion subject to Section 5.17 (**Regulatory Restrictions**) and if not so allotted, will lapse.
- 5.14.3 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 after Board approval.
- 5.15. Rump Mechanism**
- 5.15.1 This mechanism is a (restricted) private placement as approved by the shareholders of Family Bank at the 22nd April 2016 annual general meeting.
- 5.15.2 This mechanism can only be activated if there are Untaken Rights as defined in this Information Memorandum.
- 5.15.3 The Board may invite Rump Investors at their discretion (but subject to regulatory restrictions including Capital Markets Legislation on private offers) to make applications for New Shares of a minimum amount of KES 22,000,000 (i.e. 1,000,000 New Shares), through a Sales Agent/Collecting Agent under this mechanism provided the Board reserves the right to vary the minimum.
- 5.15.4 Applications should be in multiples of 100 New Shares.
- 5.15.5 Applicants may apply by completing and signing the duly completed Rump Form together with Application Money (including option of IBG/LOU) and returning it to a Selling Agent/Collecting Agent as per their instructions.
- 5.15.6 The last date for receipt of the Rump Form is the Closing Date.
- 5.15.7 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.
- 5.15.8 The Rump Shares to be allotted will be allotted in accordance with Section 5.14 (**Untaken Rights and Allocation Policy**) above.
- 5.16. Foreign Investors**
- 5.16.1 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.
- 5.16.2 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.
- 5.16.3 This abridged Information Memorandum and accompanying 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 Abridged 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 Abridged Information Memorandum and the accompanying PAL outside of Kenya may be restricted by law and persons who come into possession of this Abridged 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 abridged 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 abridged Information Memorandum nor the accompanying PAL may be sent or passed or otherwise distributed outside Kenya.

- 5.16.4 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 abridged Information Memorandum nor the accompanying PAL may be sent or otherwise distributed to investors in the United States of America.
- 5.16.5 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 abridged Information Memorandum will not be deemed as a representation that there has been no breach of such laws.

5.17. 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.

- 5.17.1 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.
- 5.17.2 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.

5.18. Taxation Implications

- 5.18.1 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 Abridged Information Memorandum.
- 5.18.2 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.
- 5.18.3 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%.

5.19. 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.

6. Key Investment Considerations

Family Bank Limited wishes to raise approximately KES 4.4 billion by way of a Rights Issue. The Rights Issue was approved by shareholders at an Annual General Meeting held on 22nd April, 2016.

6.1. Track record of growth

- The Bank has recorded a stable consistent growth in both operating income and profit before tax over the last five financial years, with operating income and profit before tax growing at a compounded annual growth rate of 24.6% and 41.7% respectively from 2010 to 2015.
- Interest Income continues to be the Bank’s main revenue stream having grown by an average annual growth rate of 37.0% during the same period. This stood at approximately KES 10 billion in 2015, up from KES 2.8 billion in 2011.
- The Bank’s balance sheet has recorded strong growth in total assets, customer deposits, shareholder funds and

loans and advances over the last 5 financial years, with each item growing at a compounded annual growth rate of 33.0%, 30.8%, 37.8% and 36.0% respectively during the period 2011 to 2015.

6.2. Long standing heritage

- The Bank was founded in 1984 with a vision to be the institution of choice for the unbanked population. Family Bank formerly known as Family Finance Building Society converted into a fully-fledged Bank in May 2007 and expanded its product range to service the increasing client base and the changing needs of its customers and business environment.
- Over the last 31 years, the bank has grown to be a well-established diversified financial services provider offering a wide range of products to a cross-section of its customers in the Retail, Corporate, SME and Micro Finance sector.
- With a wide customer base coupled with high ethical standards, the Bank has become one of the fastest growing banks in Kenya, with over 1,800,000 customers, and a reputation for excellence.

6.3. Competent Board and Senior Management

- Family Bank is led by a dynamic and experienced management team, the members of the management team bring together a vital combination of leadership skills and extensive banking experience from both local and international exposure.

6.4. Wide geographic coverage

- Family Bank has the 5th largest branch network in Kenya cutting across major urban and rural centres in the country having grown from one branch in 1985, to 20 branches in 2007 to the current network of 87 branches, with 154 automated teller machines (ATM's) and about 3,000 agents.

7. Information on the Issuer

7.1. Business Overview

Family Finance Building Society – 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 inception, Family Finance Building Society has been providing affordable financial services to the low and medium income earners. This augers with its vision to be the financial institution that leads in the positive transformation of people's lives in Africa.

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) with registration number C. 124197. Family Bank became a bank on 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 wider 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.

7.2. Shareholding structure

As at 31st March 2016, the top ten largest shareholders of the Group were as follows:

Full Names	No. of Shares	Percentage
KTDA Holding Ltd	192,418,298	15.45%
Rachael N. Muya (Deceased)	167,143,948	13.42%
Daykio Plantations Limited	153,914,910	12.36%
Titus Kiondo Muya	67,163,748	5.39%
Standard Chartered Kenya Nominees Ltd A/C 9660B	46,417,000	3.73%
P A Securities	44,444,445	3.57%
Kenya Orient Insurance Ltd	35,600,936	2.86%
Julius M. Kiondo	33,448,788	2.69%
Ann Muya	33,428,788	2.68%
Jane Wangui Karumi	33,428,788	2.68%
TOTAL	807,122,880	64.83%

7.3. The Group's Board of Directors

Name	Position	Nationality
Wilfred D. Kiboro	Chairman (Non-Executive)	Kenyan
David Thuku	Managing Director and CEO (Executive)	Kenyan
Njung'e Kamau	Director (Executive)	Kenyan
Titus K. Muya	Director (Non-Executive)	Kenyan
Prof. David Kimutai arap Some	Director (Non-Executive)	Kenyan
David Kimani	Director (Non-Executive)	Kenyan
Dr. Ruth Waweru	Director (Non-Executive)	Kenyan
Lerionka S. Tiampati	Director (Non-Executive)	Kenyan

Francis Gitau Mungai	Director (Non-Executive)	Kenyan
Julius Muya Kiondo - Alternate to Titus K. Muya	Director (Non-Executive)	Kenyan
Rebecca Mbithi	Company Secretary	Kenyan

7.4. Family Bank and its Subsidiaries

7.4.1. Family Bank Insurance Agency Limited

Family Bank Insurance Agency limited (formerly known as Dhamana Insurance Agency Limited) is a wholly owned subsidiary of Family Bank Limited which was incorporated in 2008. The company was licensed in May 2010 and is regulated by the Insurance Regulatory Authority.

The company offers a variety of insurance products including motor insurance, marine insurance, education plan, funeral cover, life cover, fire & burglary, goods in transit, individual medical insurance and home insurance.

7.4.2. Family Insurance Brokers Limited

Family Insurance Brokers Limited will be wholly owned by Family Bank Insurance Agency Limited following the successful completion of the ongoing purchase. Consequently it will be a subsidiary of the Issuer.

The company is licensed to carry out insurance brokerage business by the Insurance Regulatory Authority.

7.4.3. Pesapap Digital Limited

Pesapap Digital Limited is a wholly owned subsidiary of Family Bank Limited which was incorporated on September 7th 2015. The company has not yet commenced operations.

7.4.4. Family Group Foundation

Family Group 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 Foundation is a related party.

The key objects for which Family Group Foundation was incorporated are as follows:

- a) 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;
- b) To sponsor and fund educational programmes of whatever kind in Kenya; and
- c) 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 Issuer regularly contributes to the Foundation to enable it advance its objectives.

7.5. Financial Summary

- Profit Before Tax has grown by a compounded annual growth rate of 47% over the past five years standing at KShs 2.9bn in 2015. This has been driven mainly by growth in lending and non funded income.
- Total operating revenues have increased by a compounded annual growth rate of 25% over the past five years to stand at KShs. 9.4bn in 2015. The key driver of growth has been the consistent execution of the Family Bank strategy and diversification of revenue streams.
- Ratio of non-performing loans to total gross loans has been reducing consistently over the past five years and remains one of the lowest in the industry standing at 6.06% in 2015.

7.5.1. Group Audited Statement of Comprehensive Income

Kshs'000	2011	2012	2013	2014	2015	Mar-16
Interest Income	2,845	4,779	5,354	7,122	10,032	2,997
Interest expense	-490	-1,485	-904	-1,748	-3,632	-1,395
Net Interest Income	2,354	3,291	4,451	5,373	6,400	1,602
Fee and commission Income	1,332	1,309	1,703	2,185	2,388	555
Fee and commission expense	-	-	-	-	-	-
Net Fee and commission expense	1,332	1,309	1,703	2,185	2,388	555
Foreign exchange Income	31	51	67	111	299	109
Other Operating Income	49	78	83	343	291	57
Comprehensive Operating Income	3,766	4,729	6,303	8,013	9,377	2,324
Impairment On Loans and Advances	-337	-645	-322	-390	-212	-81
Employee Expenses	-1,113	-1,358	-1,762	-2,306	-2,641	-721
Other Operating Expenses	-1,793	-1,858	-2,434	-2,651	-3,567	-984
Operating expense	-3,244	-3,861	-4,518	-5,347	-6,420	-1,786
Profit Before tax	523	868	1,785	2,665	2,957	538
Income Tax Expense	-168	-307	-540	-855	-974	-160
Profit for the year	355	562	1,245	1,810	1,983	378
Earnings per share- Basicand diluted	0.68	1.01	2.24	1.94	1.59	0.3

7.5.2 Group Audited Statement of Financial Position

(Kshs mns)	2011	2012	2013	2014	2015	March 2016
ASSETS						
Cash and balances with Central Bank of Kenya	1,835	4,321	4,357	5,533	6,167	8,437
Deposits and balances due from banking institutions	88	667	3,037	7,378	4,892	4,862
Government securities	4,485	4,344	4,797	6,051	7,689	6,353
Corporate Bonds	706	682	588	555	1,568	939
Quoted Investment	0.3	0.3	-	-	-	-
Loans and advances to customers	16,332	17,869	27,943	37,926	55,854	58,692
Other assets	436	929	485	1,002	1,347	2,510
Commercial Paper	-	-	-	700	-	-
Deferred tax asset	-	-	-	-	3	24
Other investments	71	94	106	127	108	18
Property and equipment	1,516	1,567	1,706	2,083	3,176	3,747
Intangible assets	355	346	328	318	319	312
Operating lease prepayments	176	172	167	163	158	157
TOTAL ASSETS	26,002	30,989	43,514	61,834	81,281	86,051
LIABILITIES						
Customer deposits	21,444	24,613	34,583	47,137	62,711	65,836
Deposits and balances due to banking institutions	150	-	436	209	132	1,095
Line of credit	527	892	1,344	2,900	5,588	5,608
Current income tax payable	17	94	221	223	30	210
Other liabilities	513	484	914	658	750	876
Deferred tax liability	26	24	2	5	-	-
Unclaimed Dividends	1	2	7	13	29	5
TOTAL LIABILITIES	22,678	26,109	37,506	51,145	69,239	73,629
SHAREHOLDERS' FUNDS						
Share Capital	484	557	1,114	1,245	1,245	1,245
Share premium	1,644	2,664	2,100	5,064	5,063	5,063
Revaluation surplus on property	85	83	81	79	70	72
Statutory reserves	145	158	256	358	528	547
Retained Earnings	965	1,419	2,457	3,944	5,137	5,495
Total capital and reserves attributable to owners of the parent	3,324	4,881	6,008	10,690	12,042	12,422
TOTAL SHAREHOLDERS' FUNDS	3,324	4,881	6,008	10,690	12,042	12,422
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	26,002	30,989	43,514	61,834	81,281	86,051

8. Key Risks

As with all investments, investors should be aware that there are some risks associated with an investment in the Company as set out in the list below. These risk factors (and associated mitigating factors) are explained more fully in the Information Memorandum.

- i. Credit risk: Credit risk is the current or prospective risk to earnings and capital arising from an obligor's failure to meet the terms of any contract with Family Bank or if an obligor otherwise fails to perform as agreed.
- ii. Liquidity risk: is the current or prospective risk to earnings and capital arising from a Bank's inability to meet its liabilities when they fall due.

- iii. Interest rate risk: Family Bank is exposed to the risk that the value of a financial instrument will fluctuate due to changes in market interest rates, as funds are sourced at both fixed and floating rates.
- iv. Operational risk: Operational risk is associated with human error, system failures and inadequate procedures and controls. It is the risk of loss arising from the potential that inadequate information system; technology failures, breaches in internal controls, fraud, unforeseen catastrophes, or other operational problems may result in unexpected losses.
- v. 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.
- vi. Strategic risk: Strategic risk is the potential for loss arising from ineffective business strategies, improper implementation of strategies, sudden unexpected changes in the Group's environment, or from lack of adequate responsiveness to changes in the business environment.
- vii. Regulatory risk: 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.
- viii. Currency risk: Family Bank is exposed to the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates.
- ix. 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.

Prospective investors should read the Information Memorandum in full to obtain a complete overview of the risks involved before making any investment decision.

9. List of Selling Agents

Family Bank has appointed specific Selling Agents in connection with the Offer. These Selling Agents have signed agency agreements with Family Bank which contain various terms and conditions that each Selling Agent is required to comply with. These Selling Agents in Kenya are listed below.

Selling Agents
<p>NIC Capital Limited NIC House, Masaba Road Ground Floor P.O. Box 44599-00100, Nairobi. Tel: +254-20-2888000 Email: info@nic-capital.com</p>
<p>Alpha Africa Asset Managers Crawford Business Park, 4th Floor Suite 26 & 26 A State House Road P.O. Box 34530 – 00100, Nairobi Tel: +254-20-2595448/9 Email: jambo@alphafrica.com</p>

Note: All Family Bank branches will also collect all the duly filled forms and forward them to the Selling Agents for processing.

BRANCH	CONTACT NUMBER
BAMBURI	0724249247
BANANA	0715363814
BOMET	0713772282
BUNGOMA	0726610478
BUSIA	0712076019
CARGEN	0738544097
CHUKA	0724249337
CITY HALL	0713771906
DAGORETTI	0715363848
DIGO	0702830985
DONHOLM	0710602290
ELDORET MAIN	0716383853
ELDORET WEST	0703669366
EMBU	0724255736
FAMILY BANK TOWERS - CORPORATE	0722854672
FAMILY BANK TOWERS -RETAIL	0726610472
GATEWAY MALL	0729984423
GATUNDU	0726610469
GIKOMBA	0727531150
GIKOMBA 42	0707391858
GITHUNGURI	0726610473
GITHURAI	0711481036
INDUSRIAL AREA	0719397047
KAGWE	0715364262
KAHAWA WEST	0700607601
KAJIADO	0725449447
KAKAMEGA	0702830937
KANGARI	0727220045
KANGEMA	0726610476
KANGEMI	0701640001
KAPSABET	0728607750
KARATINA	0737146570
KARIOBANGI	0710602292
KASARANI	0708086235
KAYOLE	0701968696
KENYATTA AVENUE	0752240259
KERICHO	0715364284
KERUGOYA	0726610475
KIAMBU	0726610434
KIKUYU	0707677619
KILIMANI	0717724877
KIRIA-INI	0726610439
KISII	0719390124
KISUMU EXPRESS	0715363859
KISUMU RELIANCE	0726610477
KITALE	0726610467
KITENGELA	0719397046
KITUI	0715364248
KTDA RETAIL	0726610435
KTDA CORPORATE	0726610435
LAPTRUST	0707818153
LIMURU	0726610438
LITEIN	0706670075
MACHAKOS	0702764022
MAKONGENI -THIKA	0724249340
MALINDI	0718129900
MAUA	0790201880
MERU	0710901406
MIGORI	0702214875
MLOLONGO	0700607646
MOLO	0705375748
MOMBASA KENYATTA AVENUE	0710602293
MOMBASA NKRUMAH	0726610436
MTWAPA	0716224124
MUMIAS	0705639525
MURANG'A	0724255732
MWEA	0706669818
NAIVASHA	0719233159
NAKURU - FINANCE	0712202679
NAKURU - MARKET	0724255739
NANYUKI	0700753232
NAROK	0702830989
NGARA	0719397049
NKUBU	0714822956
NYAHURURU	0712076034
NYAMIRA	0727531028
NYERI	0716316163
OL-KALOU	0708569533
ONGATA RONGAI	0700753234

BRANCH	CONTACT NUMBER
OTHAYA	0719390122
RIVER ROAD	0714631652
RUAKA	0729984441
RUIRU	0713026158
SONALUX	0724255733
THIKA	0724255735
TOM MBOYA	0719397045
UKUNDA	0718129905
UTAWALA	0702214912
WESTLANDS	0715363849
WOTE	0790201881



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