





Family Bank Limited

Incorporated in Kenya under the Companies Act (Chapter 486, Laws of Kenya) (Registration Number 34/2007)

Information Memorandum

30 September, 2015

In respect of

Kenya Shillings Ten Billion (KES 10,000,000,000) Senior Unsecured/Subordinated

Multicurrency Medium Term Note Programme

This Information Memorandum is issued in compliance with all applicable laws including the Companies Act (Cap 486), the Capital Markets Act (Cap 485A) and the Nairobi Securities Exchange Listing Manual.

JOINT LEAD TRANSACTION ADVISORS AND PLACING AGENTS





REPORTING ACCOUNTANTS

Deloitte.

LEGAL ADVISOR

mboya wangong'u & waiyaki

RECEIVING BANK



REGISTRAR



NOTE TRUSTEE

MTC TRUST

PR & MARKETING ADVISORS

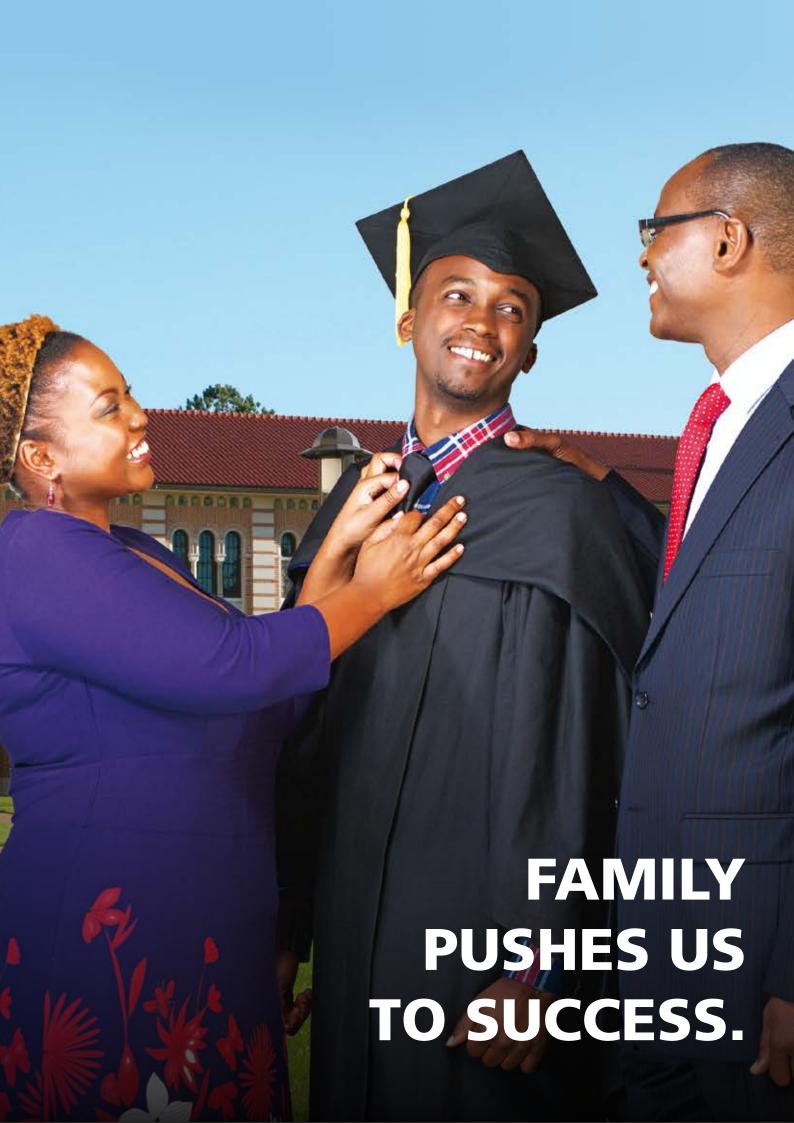


This Information Memorandum has been approved by the Board of Directors of Family Bank Limited and has been issued in compliance with the requirements of the Capital Markets Act (cap 485A), the Capital Markets (Securities) (Public Offers, Listing And Disclosures) Regulations, 2002, the rules of the Nairobi Securities Exchange Limited and the Companies Act (cap 486).

Director

Municipality

Director



MULTI-CURRENCY MEDIUM TERM NOTE PROGRAMME INFORMATION MEMORANDUM

1. Preface

Under this Medium Term Note issuance programme (the "Programme"), the Issuer may from time to time issue debt securities (the "Notes"). The Notes may rank as senior unsecured or subordinated obligations of the Issuer. The aggregate principal amount of Notes outstanding will not at any time exceed Kenya Shillings Ten Billion ("KES 10,000,000,000") or the equivalent in other currencies at the date of issue. It is proposed that the Issue will be in tranches with the first tranche of Kenya Shillings Four Billion ("KES 4,000,000,000") or the equivalent in other currencies, with a green shoe option of up to Kenya Shillings Two Billion ("KES 2,000,000,000") being issued in 2015 and the balance within the next five years in various tranches/series.

Interest on the Notes of a particular series shall be calculated and paid in accordance with the Terms and Conditions of the Notes as outlined in the relevant Pricing Supplement.

The Notes, unless previously redeemed, will be redeemed in full in accordance with the provisions of the relevant Pricing Supplement.

The Notes will be issued as Dematerialized Notes in denominations of KES 100,000 or Kenya Shilling equivalent and in integral multiples of KES 100,000 or Kenya Shilling equivalent in excess thereof, subject to a minimum subscription amount of KES 100,000 or Kenya Shilling equivalent. The Notes shall rank as specified in the Summary of the Programme and as specified under the Terms and Conditions of the Notes.

The register of Noteholders will be maintained by Family Bank Limited as Fiscal Agent and Registrar (the "Issue and Paying Agent, Calculation Agent and Registrar").

The sale or transfer of Notes by Noteholders will be subject to the rules of the Nairobi Securities Exchange ("NSE"), and where applicable, the prevailing CDSC Rules and the Terms and Conditions of the Notes. There are currently no other restrictions on the sale or transfer of Notes under Kenyan law. In particular, there are no restrictions on the sale or transfer of Notes by or to non-residents of Kenya.

The Notes have not been and will not be registered under any other securities legislation in any other country other than Kenya.

A copy of this Information Memorandum has been filed with the Registrar of Companies in Nairobi, in accordance with the Companies Act (Chapter 486 of the Laws of Kenya).

The Notes to be issued under the Programme shall be placed with investors and thereafter be available for secondary trading on the Fixed Income Securities Market Segment (FISMS) of the NSE.

Applications for participation shall be processed through the Placing Agents, details of which are provided in this Information Memorandum (under the section headed "Subscription and Sale"). The Notes may not be offered or sold, directly or indirectly, and neither this document nor any other offering material or other information relating to the Issuer or the Notes may be issued, distributed or published in any country or jurisdiction, except under circumstances that will result in compliance with all applicable laws, orders, rules and regulations of that country or jurisdiction.

2. Disclaimer and Statements

- 1. The Issuer, having made all reasonable enquiries, confirms that this Information Memorandum contains all information with respect to itself and the Notes to be issued by it which is material in the context of the programme. The Issuer further confirms that the information contained in this Information Memorandum is true and accurate in all material respects and is not misleading, that the intentions and opinions expressed in this Information Memorandum are held, and that there are no other facts the omission of which would make any such information or the expression of any such opinions or intentions misleading in any material respect.
- 2. The Issuer has given an undertaking to the Mandated Lead Arrangers that if at any time during the duration of the programme there is a significant new factor, material mistake or inaccuracy relating to information contained in this Information Memorandum which is capable of affecting the assessment of the Notes and whose inclusion in or removal from this Information Memorandum is necessary for the purpose of allowing an investor to make an informed assessment of the assets and liabilities, financial position, profits and losses and prospects of the Issuer, and the rights attaching to the Notes, the Issuer shall prepare an amendment or supplement to this Information Memorandum or publish a replacement Information Memorandum and shall file such amendment, supplement or replacement Information Memorandum with the Nairobi Securities Exchange (NSE) and shall supply to the Placing Agents, the Note Trustee and the NSE such number of copies of such supplement hereto as such Placing Agents, the Note Trustee and the NSE may reasonably request.
- 3. Neither this Information Memorandum nor any other information supplied in connection with the programme is intended to provide the complete basis of any credit or other evaluation, nor should it be considered as a recommendation by the Mandated Lead Arrangers and Placing Agents that any recipient of this Information Memorandum or any other information supplied in connection with the Programme should purchase any Notes. Each investor contemplating purchasing any Notes should make his/ her own independent investigation of the financial condition and affairs, and his/ her own appraisal of the creditworthiness of the Issuer. Neither this Information Memorandum nor any other information supplied in connection with the Programme constitutes an offer or invitation to any person by or on behalf of the Mandated Lead Arrangers and Placing Agents to subscribe for or to purchase any Notes.

- 4. The Central Bank of Kenya has given a letter of no objection for the establishment of the Programme by the Issuer. As a matter of policy, the Central Bank of Kenya does not assume responsibility for the accuracy of any statements, opinions, reports or recommendations made in this Information Memorandum. Approval by the Central Bank of Kenya of the Programme should not be taken as an indication of the merit of the Issuer or of the Notes.
- 5. Application has been made to the Capital Markets Authority (the CMA) for approval of this Information Memorandum and listing of the securities on the Fixed Income Securities Market Segment (FISMS) at the NSE and the CMA has granted the approval. As a matter of policy, the CMA does not assume responsibility for the accuracy of any of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Approval by the CMA of the Programme and/or listing should not be taken as an indication of the merit of the Issuer or of the Notes.
- 6. The NSE has no objection to the Issuer listing the Notes on the NSE. The NSE assumes no responsibility for the accuracy of the statements made or opinions or reports expressed or referred to in this Information Memorandum. Admission by the NSE of the Notes on the FISMS should therefore not be taken as an indication of the merits of the Issuer or of the Notes.
- 7. The Placing Agents have relied on information provided by the Issuer and, accordingly, do not provide assurance for the accuracy or completeness of the information contained in this Information Memorandum and therefore do not accept any liability or responsibility in relation to information contained in the Information Memorandum.
- 8. The delivery of this Information Memorandum does not, at any time, imply that the information contained herein concerning the Issuer is correct at any time subsequent to the date hereof, or that any other information supplied in connection with the programme is correct as of any time subsequent to the date indicated in the document containing the same.
- 9. No person has been authorised to give any information or make any representation other than that contained in this Information Memorandum and, if given or made, such information or representation should not be relied upon as having been authorised by or on behalf of the Issuer.

3. Caution Statement

A copy of this Information Memorandum has been delivered to the CMA for approval and approval has been granted.

The Directors of the Issuer, whose names appear on pages 13 and 68 of this Information Memorandum, 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.

Prospective investors should carefully consider the matters set forth under the Section "Risk Factors" on page 91.

This Information Memorandum has been drawn up in compliance with the requirements of the Kenyan statutes and regulations and particularly in accordance with the regulations and requirements of the CMA and the NSE.

This document is important and requires your attention. If you are in any doubt as to the meaning of any information contained in this Information Memorandum or what action to take, consult your banker, stockbroker, advocate, accountant, licensed investment adviser or other professionals.

The distribution of this Information Memorandum and the offering or sale of the Medium Term Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Information Memorandum comes are required by the Issuer, the Placing Agents and the Mandated Lead Arrangers to inform themselves

about and to observe any such restrictions. The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"). Notes may not be offered, sold or delivered within the United States or to US persons. For a description of certain restrictions on offers and sales of the Medium Term Notes and on the distribution of this Information Memorandum, see "Subscription and Sale" under Section 18.

This Information Memorandum does not constitute an offer of, or an invitation by or on behalf of the Issuer or the Placing Agent to subscribe for, or purchase any Notes under the Multicurrency Medium Term Note Programme.

4. Documents Incorporated by Reference

This Information Memorandum should be read and construed in conjunction with:

- All supplements to this Information Memorandum circulated by the Issuer from time to time in accordance with the undertakings given by the Issuer in the Trust Deed and as further described in the second paragraph in the section headed Disclaimers and Statements.
- 2. Each Pricing Supplement relating to a Series or Tranche of Notes issued under this Information Memorandum.
- 3. The audited annual financial statements (and Notes thereto) and any un-audited interim financial statements published subsequent to such annual financial statements of the Issuer for the five financial years prior to each issue of Notes under this Issue.

Legal Advisor's Opinion

Mboya Wangong'u & Waiyaki Advocates, the Legal Advisors to the Issuer, have given and not withdrawn their written consent to the inclusion in this Information Memorandum of their legal opinion and the references to their names, in the form and context in which they appear and have authorized the contents of their letter set out in Appendix B of this Information Memorandum.

Reporting Accountants' Report

This Information Memorandum contains a statement from Deloitte & Touche, the Reporting Accountants, which constitutes a statement made by an expert in terms of Section 42(1) of the Companies Act and have not withdrawn their consent to the issue of the said statement in the form and context in which it is included in Appendix A of this Information Memorandum.

The financial statements provided in the Reporting Accountants Report in this Information Memorandum, excluding the seven months to 31st July 2015, have been audited.

5. Selling Restrictions

- (A) General: The Placing Agents will comply with all applicable laws and regulations in each jurisdiction in which it acquires, offers, sells or delivers Notes or has in its possession or distributes this Information Memorandum or any such other material, in all cases at its own expense. It will also ensure that no obligations are imposed on the Issuer or any other Placing Agent in any such jurisdiction as a result of any of the foregoing actions. The Issuer and the Placing Agent will have no responsibility for, and each Placing Agent will obtain any consent, approval or permission required by it for, the acquisition, offer, sale or delivery by it of Notes under the laws and regulations in force in any jurisdiction to which it is subject or in or from which it makes any acquisition, offer, sale or delivery. No Placing Agent is authorised to make any representation or use any information in connection with the issue, subscription and sale of Notes other than as contained in this Information Memorandum.
- (B) The approval of the Capital Markets Authority has been obtained for the issue and offering of the Notes in Kenya. The sale or transfer of listed Notes by Noteholders will be subject to the rules of the Nairobi Securities Exchange, the CDSC, and the provisions of the Agency Agreement. There are no other restrictions on the sale or transfer of Notes under Kenyan law. In particular, there are no restrictions on the sale or transfer of Notes by or to non-residents.

6. List of Contacts

6.1 CORPORATE INFORMATION

Family Bank Limited

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Fax: +254 (20) 2318174

Peter Munyiri

Managing Director Family Bank Limited E: info@familybank.co.ke

Rebecca Mbithi

Company Secretary
Family Bank Limited
E: info@familybank.co.ke

Njung'e Kamau

Director, Finance and Strategy Family Bank Limited E: info@familybank.co.ke

6.1.2 Other Corporate Information

Company Secretary

Rebecca Mbithi Company Secretary 8th Floor, Family Bank Towers, Muindi Mbingu Street P.O. Box 74145 -00200 Nairobi

Registered Office

Family Bank Limited 6th Floor, Family Bank Towers, Muindi Mbingu Street P.O.Box 74145- 00200 Nairobi

Financial Calendar

Financial Year End – 31st December

Auditor

Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Place, Waiyaki Way, Muthangari P. O. Box 40092 – 00100 Nairobi

Share Registrars

The Share Registrar
Family Bank Limited
8th Floor, Family Bank Towers,
Muindi Mbingu Street
P.O. Box 74145-0200
Nairobi, Kenya

6.1.1 Board of Directors

	Name	Position	Nationality	Address
1.	Wilfred D. Kiboro	Chairman (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
2.	Peter Munyiri	Managing Director (Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
3.	Njung'e Kamau	Director (Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
4.	Mark Keriri	Director (Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
5.	Titus K. Muya	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
6.	Prof. David Kimutai arap Some	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
7.	David Kimani	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
8.	Dr. Ruth Waweru	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
9.	Lerionka S. Tiampati	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
10.	Francis Gitau Mungai	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
11.	Julius Brian Kiondo Muyah Alternate to Titus K. Muya	Director (Non-Executive)	Kenyan	P.O. Box 74145- 00200 Nairobi
12.	Rebecca Mbithi	Company Secretary	Kenyan	P.O. Box 74145- 00200 Nairobi



Transactional Advisors

Joint Lead Transaction Advisors and Placing Agents

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P.O. Box 44599 - 00100

Nairobi

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Nairobi

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Email: gwangongu@lexgroupafrica.com

Reporting Accountant

Deloitte & Touche

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Nairobi

Tel: +254 (20) 423 0000 Fax: +254 (20) 444 8966 Contact: Anne Muraya

Email: amuraya@deloitte.co.ke

Registrar

Family Bank Limited

6th Floor, Family Bank Towers Muindi Mbingu Street P.O. Box 74145 – 00200

Nairobi

Tel: +254 (20) 3252000 / 703 095 000

Fax: +254 (20) 2318174 Contact: Lawrence Kanyari Email: lkanyari@familybank.co.ke

Note Trustee

MTC Trust and Corporate Services Limited

Delta, Block 4, Riverside Drive P.O Box 1071 – 00200

Nairobi, Kenya

Tel: +254 (20) 256 6667 Contact: Robert Turmel

Email: bob.turmel@mtc-trust.com

PR and Marketing Advisors

BSD Group

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P.O Box 10237 - 00100

Nairobi, Kenya

Tel: +254 701 466 853 Contact: Eva Muraya Email: eva@bsd.co.ke

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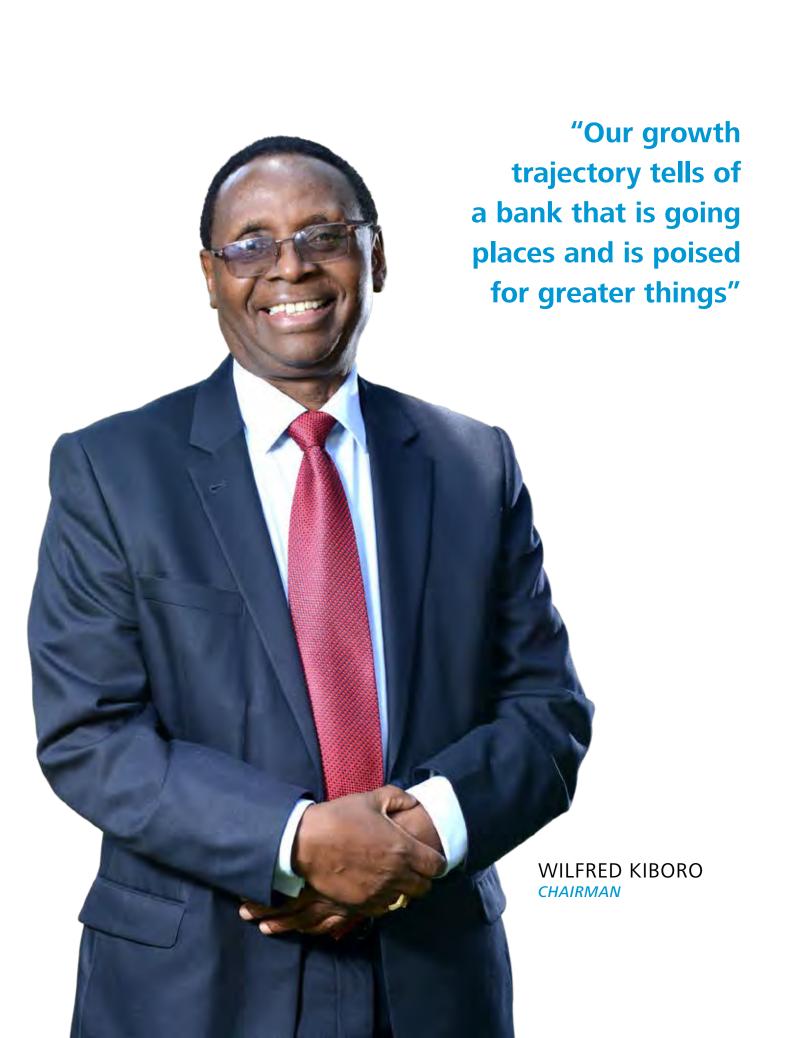
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Our growth story continues to bring us to new milestones and today, we as the Family Bank fraternity are happy to invite you to share in our growth story by investing in the KES. 10 Billion Family Bank Multi-Currency Medium Term Note Program on the terms and conditions of this Information Memorandum.

On behalf of the Board of Directors of Family Bank it is my pleasure to offer you the opportunity to participate in the continued success of our Bank.

This is indeed a great milestone for us and is our first public offering, which is primarily indicative of the fact that our brand has come of age and can now command its own place at the table of greats in the banking sector not just in Kenya, but in the region.

From its really humble origins as a small Finance and Building Society on Muindi Mbingu Street in Nairobi to the increasingly formidable and profitable corporate entity it is today, Family Bank is now undoubtedly Kenya's fastest growing bank.

On May 8, 2015, Family Bank was feted as Kenya's Fastest Growing Bank at the 10th Edition of the Think Business Banking Awards. This finding is supported by Central Bank of Kenya data showing that the Bank increased its market share to 2.06 per cent in 2014 up from 1.6 per cent a year earlier. That growth has pushed the Bank three places up the industry pecking order and confirmed our status as the Fastest Growing Bank.

Today, according to the Central Bank of Kenya, Family Bank is ranked fifth in Kenya in terms of branch Network out of 43 banks. Having knocked on the door of the Tier One segment, the journey to the top is now one of investment and hard work.

Indeed Family Bank has come a long way since converting into a fully-fledged commercial bank, in 2007; it has continued to grow its brand while enabling its customers grow themselves and achieve their dreams.

Since 2009 – Family Bank's asset base has more than quadrupled – currently at KES. 75 billion up from KES. 13.5 billion. Over the same period, shareholders' funds have grown six fold to KES. 10.6 billion up from KES 1.8 billion in 2009.

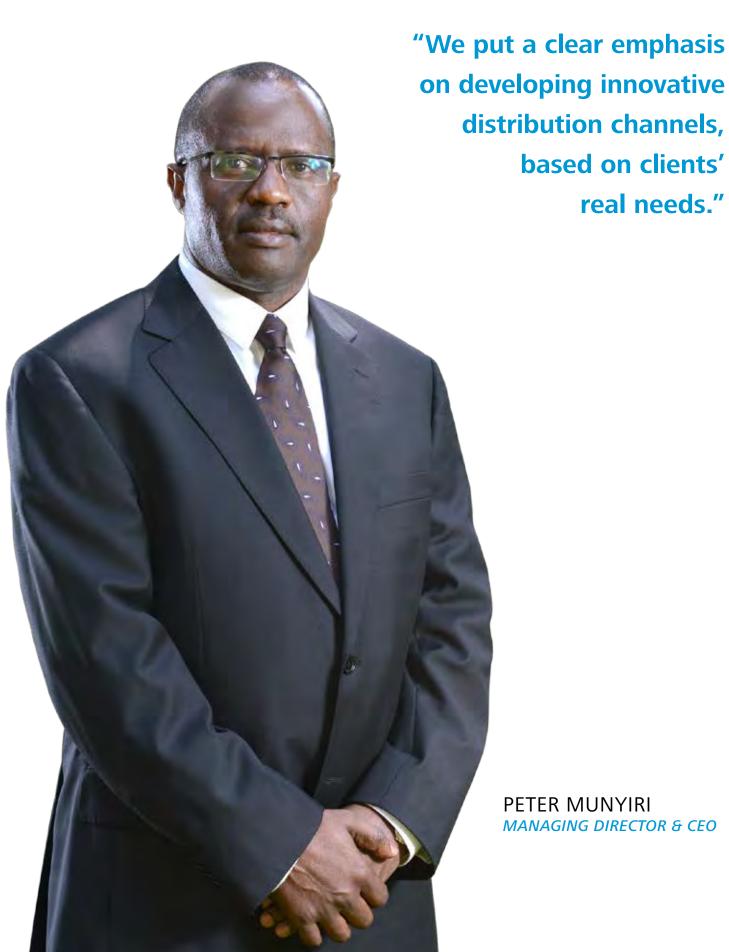
Over the past 5 years, the Bank's market capitalization has grown by more than KES. 32 billion meaning that every single shilling invested in Family Bank shares in 2009 was worth KES. 7.20 on 30th June 2015.

Profits before tax grew nearly nine fold to KES. 2.6 billion in 2014 from KES. 300 million in 2009. This numbers are no doubt impressive for Family Bank and set the tone for future performance and growth.

Indeed our growth trajectory suggests a bank that is poised to go places, taking our customers to heights of achievement that they could only dream of before.

In the past if we have been successful, it is because of our customers and our partners who together with our hardworking staff form the core of our family. Our success has been rooted in that family's success.

Ladies and gentlemen, Family Bank and your family, indeed our Family, invite you to invest and share in this success.



PETER MUNYIRI

real needs."

Family Bank has been on a rapid, aggressive but decidedly strategic growth path with a view to enlarging its footprint in the markets in which it operates. This has been in order to increase financial inclusion and the penetration of financial services.

When we started as a Finance and Building Society, our focus was primarily the productive but unbanked farmers. Our belief and investment in this segment of society in our formative years has borne fruit with a lot of these clients seeing themselves and their businesses grow. They still continue to support us in a big way.

We as Family Bank have over the years developed a core expertise to serve the banking and finance space, with a focus on certain key sectors. Our banking model aims at systematically positioning the bank as a one stop-shop providing retail and consumer products, SME, agribusiness, corporate banking, treasury, trade finance and insurance products.

Today we are proud to say that we are a leading SME bank. We as Family Bank have also put a clear emphasis on developing innovative distribution channels, which are based on clients' needs, ensuring an enhanced service reliability and customer experience.

Key to this is our continual push to leverage technology and innovation through the agency banking model and mobile banking through our innovative and groundbreaking Pesa Pap offering. Today, Family Bank has more than 3,000 Pesa Pap agents who offer our wide client base banking services including account opening, depositing, revenue collection, Pesa Pap mobile registration, account activation and also serve as collection points for loan applications.

Licensed in 2010, Dhamana Insurance Agency is the insurance subsidiary for the Bank. Since inception, the agency has realized a 200% growth and is leveraging the bank's expansive network to increase uptake of insurance services in the country. Dhamana provides motor and marine insurance, education plan, funeral cover, life cover, fire and burglary, goods-in-transit,

individual and home insurance. Besides this, we also promote a strong culture of excellence amongst our staff. Over the years, this has allowed us to sustain the highest growth momentum in the industry.

The year 2015 has marked the Bank's biggest advances yet in delivering on its vision of empowering our customers to achieve what matters to them most.

Our footprint continues to grow, – 86 branches up from 49 five years ago. Seven out of the ten branches slated to be opened this year – have so far been opened at Gateway Mall, along Mombasa Road, Rwaka, Chuka, Bamburi, Migori, Utawala and Thika Makongeni. We plan to open at least three more by year end in places where we will not only stand out as a brand that delivers, but continue to embrace our Kenyan Family here and abroad.

Our enlarging footprint has greatly contributed to our ever growing customer base, of over 1.6 million – nearly triple the number in 2009, which stood at 600,000 - with nearly KES. 60 billion in customer deposits.

At Family Bank our future is bright. We are now looking far beyond our borders to do business. This means that as our customers continue to do business with the world, we are one step ahead ready to lay out the red carpet to welcome them in the world's trade centers.

We encourage them to use us for financing for their goods; logistics, their insurance and other trade needs.

Our growth momentum is only just beginning to pick up steam and this Bond issue is your opportunity to ensure that you do not miss the train.

Join our family. Family Shares in Success.

7. 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"

Agency Agreement	means the agreement pursuant to which (a) the Issuer covenants and agrees to perform the functions of the Note Agents as set out in the Agency Agreement and (b) the Note Trustee appoints the Issuer to be the Note Agent upon the occurrence of an Event of Default and any other agreement for the time being in force appointing Successor Note Agents, together with any agreement for the time being in force amending or modifying any such agreements.
Applicable Laws	means any laws or regulations (including any foreign exchange rules or regulations) of any governmental or other regulatory authority which may govern the Issue, the Conditions of the Notes and the Notes issued thereunder in accordance with which the same are to be construed.
Appointee	means any delegate or agent appointed pursuant to the provisions of the Trust Deed.
Authorised Officer	means the Managing Director of the Issuer (or any other legal representative of the Issuer acting on its behalf as agreed in advance with the Note Trustee or as authorised by the Issuer's Board of Directors and notified to the Note Trustee as being an Authorised Officer pursuant to Clause 5.10 of the Trust Deed).
Banking Act	means the Banking Act (Chapter 488 of the Laws of Kenya).
Books closed period	means the period which is ten days prior to each Interest Payment Date until the redemption in full of the Notes.
Business Day	means a day which is (i) a business day within the meaning of the NSE Listing Rules, and (ii) (for the purposes of payment or calculation of Interest) a date on which banks are open for general business in Kenya.
Calculation Agent	means the person at its Specified Office appointed or acting as Calculation Agent pursuant to the Agency Agreement and the Conditions and/or, if applicable, any Successor Calculation Agent at its Specified Office.
Capital Markets Authority or CMA	means the Capital Markets Authority set up pursuant to the provisions of Capital Markets Act (Chapter 485A of the Laws of Kenya).
CDS Account	means an account opened and maintained with a Central Depository in accordance with the Central Depositories Act (Act 4 of 2000) and the rules and regulations issued thereunder.
CDSC	means the Central Depository and Settlement Corporation
CDSC Rules	means the operational and procedural rules issued or to be issued by the CDSC with respect to operation of CDS Accounts and trading in immobilised securities.
Companies Act	means the Companies Act (Chapter 486 of the Laws of Kenya).
Conditions	means the terms and Conditions to be endorsed on the dematerialized Notes as set out in Schedule 1 (Terms and Conditions of the Notes) of the Trust Deed and Section 10 of this Information Memorandum.

Cross Default	means any one of the circumstances described in Condition 11.3 (Cross Default)
Default Rate	means the default rate of interest to be charged for late payment as specified in the relevant Pricing Supplement.
Dematerialised Note	means Notes issued in electronic form within the meaning of dematerialised security as defined in the Central Depositories Act (Act 4 of 2000)
Directors or Board	means the directors of the Issuer whose names are set out under the heading Board of Directors in Section 12.9 of this Information Memorandum.
Enforcement Notice	means a notice issued by the Note Trustee to the Issuer declaring all amounts payable under the Notes to be immediately due and repayable; and demanding that the Issuer immediately repay the outstanding principal amount of the Notes (together with all accrued interest thereon).
Euro	means official currency of the Eurozone.
Event of Default	means any one of the circumstances described in Condition 11. (Events of Default)
Extraordinary Resolution	has the meaning set out in Schedule 2 (Regulations for Meetings of Noteholders) of the Trust Deed.
Fixed Rate Note	means a Note in respect of which interest is to be calculated and paid on a fixed rate basis as provided in Condition 6.2.1 and the relevant Pricing Supplement.
Floating Rate Note	means a Note in respect of which interest is to be calculated and paid on a floating rate basis as provided in Condition 6.2.2 and the relevant Pricing Supplement.
GBP	means Great Britain Pound.
Index Interest Note	means a Note in respect of which the interest rate will be calculated by reference to such index and/ or formula as the Issuer and the relevant agent may agree and upon such other terms as may be specified in the applicable Pricing Supplement
Index Linked Note	means a Note in respect of which the amount payable in respect is calculated by reference to a specific price index and upon such other terms as may be specified in the applicable Pricing Supplement.
Index Redemption Note	means a Note in respect of which the amount payable in respect is calculated by reference to an index and/ or a formula as the Issuer and the relevant agent may agree, and upon such other terms as may be specified in the applicable Pricing Supplement
Interest	means the amount of interest payable in respect of each Principal Amount of the Notes as determined in accordance with Condition 6.
Interest Determination Date	e means the date on which the Floating Rate Notes Rate of Interest or the Fixed Rate Notes Rate of Interest is determined by the Calculation Agent in accordance with Condition 6.
Interest Rate	means either the Floating Rate Notes Rate of Interest or the Fixed Rate Notes Rate of Interest or any other rate determined in accordance with Condition 6.2
Issue	means Senior Unsecured/Subordinated Multicurrency Medium Term Notes in an aggregate amount of Kenya Shillings Ten billion (KES 10,000,000,000), or the equivalent in other currencies at the date of issue.

Issue Date	means the date upon which the relevant Tranche of the Notes is issued and as provided in the summary of the Notes.
Issue and Paying Agent	means the person at its Specified Office appointed or acting as Issue and Paying Agent pursuant to the Conditions and the Agency Agreement or, if applicable, any Successor Issue and Paying Agent at its Specified Office.
Issue Price	means the price at which the Notes are issued by the Issuer (being, at the election of the Issuer, at par or at a discount to, or premium over their nominal amount as specified in the relevant Pricing Supplement).
Issuer	means Family Bank Limited or the Company or Family Bank.
Kenya	means the Republic of Kenya and "Kenyan" shall be construed accordingly.
KES or Kshs	means Kenya Shillings.
Last Day to Register	means 1700 hours Nairobi time on the last Business Day before the first day of a Books Closed Period.
Lead Arranger	means NIC Capital Limited and Faida Investment Bank Limited.
Liabilities or Liability	means any loss, damage, cost, charge, claim, demand, expense, judgment, action, proceeding or other liability whatsoever (including, without limitation, in respect of taxes, duties, levies, imposts and other charges) and including any value added tax or similar tax charged or chargeable in respect thereof and legal fees and expenses on a full indemnity basis.
Mixed Rate Note	Means any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Step- up Notes, Index Interest Notes, Index Redemption Notes and Index-linked Notes the precise terms of which shall be specified in the applicable Pricing Supplement.
Note Agent	means the Issue and Paying Agent, the Calculation Agent, the Registrar, the Transfer Agent or any of them and their respective Successors from time to time.
Note Documents	means the Trust Deed and the Agency Agreement.
Noteholder	and (in relation to a Note) "holder" means a person in whose name a Note is registered in the Register as at the relevant date or, in the case of joint holders, the first-named thereof.
Notes	means the notes comprising the KES 10,000,000,000 or the equivalent in other currencies at the date of issue, Fixed Rate Notes, Floating Rate Notes, Index-linked Notes, Index Interest Notes, Index Redemption Notes, Mixed Rate Notes, Zero Coupon Notes, and Step-up Notes issued pursuant to the Agency Agreement and subject to the provisions of the Trust Deed.
NSE	means Nairobi Securities Exchange.
Payment Account	means the account (if any) in the name of the Issuer and held with any Issue and Paying Agent appointed in accordance with the Agency Agreement for the purpose of making payments to the Noteholders in accordance with Clause 6 of the Agency Agreement (Payments to Noteholders).
Placing Agent	means NIC Capital Limited and Faida Investment Bank Limited.
Principal Amount	means the nominal amount of each Note endorsed on the Notes in respect of that Note.

Pricing Supplement	means, in relation to a tranche, a pricing supplement supplemental to the Information Memorandum issued for the purpose of specifying the relevant issue details of such tranche.
Prudential Guidelines	means the Prudential Guidelines for banking institutions licensed under the Banking Act (Chapter 488 of the Laws of Kenya) issued by the Central Bank of Kenya pursuant to the provisions of the said Act
Register	means the register of Noteholders, which the Issuer will maintain or will procure to be maintained by the Registrar at its Specified Office in accordance with the Conditions and the Agency Agreement.
Registrar	means the person at its Specified Office appointed or acting as registrar pursuant to the Conditions and the Agency Agreement or, if applicable, any Successor Registrar at its Specified Office.
Relevant Authorities	means the Central Bank of Kenya, Capital Market Authority and Nairobi Securities Exchange
Senior Creditors	mean all such persons who are;
	a) unsubordinated creditors of the Issuer;
	b) subordinated creditors of the Issuer other than those whose claims are expressed to rank and do rank, pari passu or junior to the claims of the Noteholders under the Notes;
Senior Notes	means the Notes issued with the status and other conditions set out in the Terms and Conditions and "Senior Note" shall be construed accordingly.
Specified Office	means, in relation to any Note Agent, either the office identified with its name in the Conditions or any other office notified to any relevant parties pursuant to the Agency Agreement.
Step-up Note	means a Note that pays an initial coupon rate for a period, and then a higher coupon rate for the following periods upon such other terms as may be specified in the applicable Pricing Supplement.
Subordinated Notes	means the Notes issued with the status and other conditions set out in the Terms and Conditions and "Subordinated Note" shall be construed accordingly.
Successor	means, in relation to the Note Agent, such other or further person, as may from time to time be appointed pursuant to the Conditions and the Agency Agreement as a Note Agent.
Transfer Agent	means the person at its Specified Offices appointed or acting as Transfer Agent pursuant to the Conditions and the Agency Agreement or, if applicable, any Successor Transfer Agent at its Specified Office.
USD	means United States Dollar.
Written Resolution	means a resolution in writing signed by or on behalf of holders of Notes who for the time being are entitled to receive notice of a meeting in accordance with the provisions of this Trust Deed and who together hold not less than three-quarters in value of the principal amount of the Notes then outstanding whether contained in one document or several documents in like form, each signed by or on behalf of one.
Zero Coupon Note	means a Note which will be offered and sold at a discount to their Nominal Amount or at par and will not bear interest, other than in the case of late payment and upon such other terms as may be specified in the applicable Pricing Supplement.

8. Summary of Notes

8.1 SUMMARY OF THE ISSUE

The following overview is qualified in its entirety by the remainder of this Information Memorandum. Capitalised expressions used below in this overview have the definitions ascribed to them in the Terms and Conditions of the Multicurrency Medium Term Notes unless otherwise defined in this Information Memorandum.

Issuer or Company:	Family Bank Limited
Description:	Multicurrency Medium Term Note ("MTN") Programme under which Fixed Rate Notes, Floating Rate Notes, Index-linked Notes, Index Interest Notes, Index Redemption Amount Notes, Mixed Rate Notes, Zero Coupon Notes, Step-up Notes and Senior Unsecured/Subordinated Notes may be issued.
Programme Size:	Up to KES 10,000,000,000 or the equivalent in other currencies at the date of issue, aggregate nominal amount of Notes outstanding at any one time. The Issuer may increase the amount of the Programme in accordance with the terms of the Placing Agreement.
Minimum Subscription Amount:	As specified in the Relevant Pricing Supplement.
Currency:	The Notes will be denominated in Kenya Shillings ("KES") or in other currency as otherwise stated in the relevant pricing supplement.
Mandated Lead Arrangers:	NIC Capital Limited and Faida Investment Bank Limited.
Placement Agents:	NIC Capital Limited and Faida Investment Bank Limited.
	Issue and Paying Agent, Calculation Agent and Registrar: Family Bank Limited
Note Trustee:	MTC Trust and Corporate Services Limited
Legal Counsel:	Mboya Wangong'u & Waiyaki Advocates.
Reporting Accountants/ Auditor:	Deloitte & Touche
Method of Issue/ Distribution:	The methods of distribution include, on a syndicated or non-syndicated basis, reverse inquiries or on a continuous tap issues/auctions. The Notes will be issued in series (each a "Series") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest, issue price, currency denomination and interest rate), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "Tranche") on the same or different issue dates. The specific terms of each Tranche (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, interest rate, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be completed in the pricing supplement (the "Pricing Supplement").
Issue Price:	Notes may be issued on a fully paid basis at their nominal amount or at a

	discount or premium to their nominal amount. Partly paid Notes may be issued, the issue price of which will be payable in instalments.	
Form of the Notes:	The Notes will be issued in book entry form as Dematerialized security.	
Initial Delivery of the Notes:	The Notes will be uploaded into the CDS accounts on the Issue Date.	
Maturities:	Unless otherwise permitted by the then current laws, regulations are directives, Subordinated Notes will have a maturity of not less than five year	
Specified Denomination:	The Notes will be issued as Dematerialized Notes in denominations of KES 100,000 or in Kenya Shilling equivalent and integral multiples of KES 100,000 or in Kenya Shilling equivalent in excess thereof, subject to a minimum subscription amount of KES 100,000 or in Kenya Shilling equivalent.	
Fixed Rate Notes:	Fixed interest will be payable on the date or dates in each year specified in the relevant Pricing Supplement.	
Floating Rate Notes:	Floating Rate Notes will bear interest determined separately for each Series as follows: by reference to 91-day, 182-day or 364-day Treasury Bill (or such other Benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin; or In any other manner as may be specified in the relevant Pricing Supplement.	
Other Notes:	Terms applicable to any other type of Notes that the Issuer and any Placing Agent(s) may agree to issue under the Programme will be set out in the relevant Pricing Supplement. These include Index Linked Notes, Index Interest Notes, Index Redemption Notes, Mixed Rate Notes, Zero Coupon Notes and Step-up Notes.	
Interest Periods and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.	
Redemption:	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable.	
Redemption by Instalments:	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.	
Optional Redemption:	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the	

	option of the Issuer (either in whole or in part) and, if so, the terms applicable to such redemption.	
Status of the Notes:	The Senior Notes will constitute unsubordinated and unsecured obligations of the Issuer and Subordinated Notes will constitute subordinated obligations of the Issuer as further described in the Conditions.	
Use of Proceeds:	General Corporate purposes and to further strengthen the capital base.	
Allotment Policy:	The issuer reserves the right, whether the Issue is oversubscribed or not to reject any application in line with the Allotment policy set in the relevant pricing supplement. Applicants as a result may be allotted less than the amount applied for. Allotment will be done on a pro rata basis on the amount applied.	
	Successful applicants will be notified by the Placing Agent of the amount allotted to them no later than the date and time specified in the relevant Pricing Supplement.	
Events of Default:	The terms and conditions of the Notes will contain events of default provisions as set out in Terms and Conditions.	
Cross Default:	The terms and conditions of the Notes will contain provisions for cross default as set out in Terms and Conditions.	
Taxation:	All payments in respect of the Notes will be made subject to withholding or deduction for or on account of any taxes imposed within the Republic of Kenya, where such taxes are applicable.	
Listing:	The Notes, if denominated in Kenya Shillings, will be listed on the Fixed Income Securities Market Segment of the Nairobi Securities Exchange. As specified in the relevant Pricing Supplement, a series of Notes may be unlisted.	
Rating:	Tranches of Notes may be rated or unrated. Where a Tranche of Notes is rated, such rating will be specified in the relevant Pricing Supplement. Whether or not a rating in relation to any Tranche of Notes will be treated as having been issued by a credit rating agency will be disclosed in the relevant Pricing Supplement. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.	
Governing Law:	The Notes will be governed by, and construed in accordance with, Kenyan law.	

8.2 USE OF PROCEEDS

The proceeds of the Family Bank Limited Multicurrency Medium Term Note Issuance pursuant to this Information Memorandum will be used by Family Bank for general corporate purposes and to further strengthen the capital base.

Avenues in which the proceeds will be utilized include:

8.2.1 Expansion of the Branch Network and Alternate Business Channels

The Bank has deployed a market disruptive business model that has positioned it as the fastest growing bank in Kenya. The model focuses on increasing the bank's presence though horizontal expansion by increasing branch network, and deployment of alternative business channels. Family Bank footprint expansion spans 30 counties with plans to be in at least 90% of the 47 counties in the next few years .The bank will invest in Alternative Business channels to increase presence and access to customers through various channels to deliver services. These combined with customer service will grow the number of active customers, increase services and products offered, achieve better customer service and grow customer numbers from 1.6 million customers to 5 million customers by 2020. We shall also expand the ATM and agency banking channels to enable the bank further compete for business and enhance customer service delivery.

8.2.2 Investment into ICT Software and Infrastructure Upgrade

Family Bank is developing one of the best platforms especially in the mobile banking space to enhance Efficient and high utilisation of the technology for business. This will enhance performance and be a major driver in improving operating efficiency. In order for the Bank to continuously offer excellent customer service and remain competitive, we continue to make more investments in our ICT systems. Some of the key enhancements to our infrastructure include an ambitious project to upgrade our branch network infrastructure and data centre to efficiently process high volume transactions. We have also introduced a modern 24/7 Call Centre with technology that is able to measure turnaround time on issue resolution and require modern software to serve dynamic customer needs.

Other key ongoing high-level ICT projects include New Mobile Platform, Internet Banking Biometric Implementation and Cashlite transport solutions.

8.2.3 Business Growth Including On-Lending Activities

Credit creation remains the core business of the bank. Our customers have grown from micro to SME to high value serious corporates over the years. The universal banking model has increased the need to provide a one stop shop for customers' needs. This will increase the bank's lending capacity and support growth in loan book and income. The bank is keen to optimize on higher value business especially SME, Corporate Banking, Institutional Banking, Treasury, Trade Finance and Diaspora Banking to sustainably increase its market share in the long run.

8.2.4 Strengthening the Total Capital Base

Due to its recent rapid growth and the prospects of the future projections, Family Bank is seeking to increase its capital base through injection of fresh capital. This will fund a well-defined growth and regional expansion strategy and sustained compliance with regulatory ratios and prudential guidelines.

8.2.5 Part of Regional Markets Entry Financing

Family Bank is keen to have a regional presence in the next two to three years. This is based on comprehensive feasibility studies carried on several countries in the greater Eastern Africa Region DRC, Tanzania, South Sudan, Uganda, Ethiopia and Rwanda. The Board and Senior Management have also done field visits to establish potential and viability into Tanzania, DRC, South Sudan and Uganda with key prospects identified. This has identified significant opportunity for regional expansion with most sub-Saharan African countries having similar socio-economic profiles and with applicability of Family Bank's business model in these markets. We are already reviewing specific target opportunities to invest in a bank with an offer received for one of the target countries. The mode of entry will be either brown field or green field depending on quality of assets in the market.

8.3 TIMETABLE

EVENT	DATE
1. Approvals from CMA	[T]
2. Application Lists Open	[T + 4]
3. Application Lists Close	[T + 23]
4. Date of Allocation	[T + 26]
5. Announcement Date	[T + 26]
6. Settlement Date	[T + 28]
7. Issue Date	[T + 28]
9. Crediting of CDS Accounts	[T + 30]
10. Commencement of Trading	[T + 34]

8.4 FREQUENTLY ASKED QUESTIONS

What are "Medium-Term Note Programmes"?

Medium-term note ("MTN") Programmes enable companies to offer debt securities on a regular and/ or continuous basis. As compared to other forms of debt securities, MTNs tend to have their own type of settlement procedures and marketing methods, which are similar in some respects to those of commercial paper. Although Medium-Term Notes typically have maturities of between two to five years, they are not required to have medium terms. In fact, it is common for companies to issue both short-term and long-term securities under an MTN Programme.

Who develops MTN programmes?

The MTN programmes are developed by Investment Banks or such other agency licensed by the Capital Markets Authority.

Why would a company issue a Medium Term Note Programme?

Like a shelf registration statement, an MTN Programme enables a company to sell a wide range of debt securities without having to complete the CMA's registration or review process for each issuance it might want to undertake. In addition, an MTN Programme uses a master set of disclosure documents, agreements with selling agents or dealers, and issuing and paying agency agreements to help minimize the new documentation that is needed for each offering.

What types of issuers establish MTN Programmes?

MTN programmes typically are used by large companies that have an ongoing need for financing. Several financial institutions and industrial companies have an MTN Programme.

What types of securities normally are sold through Medium Term Note Programmes?

Historically, the most common type of security issued under an MTN Programme is a fixed-rate, non-redeemable debt security. However, MTN Programmes typically include other types of debt securities, including floating rate, zero coupon, amortizing, multi-currency, subordinated, or indexed securities. A common reference rate for floating rate securities issued under MTN Programmes is the Treasury Bill Rates.

What are Step-up Notes, Index Interest Notes, Index Redemption Notes, Index Linked Notes and Mixed Rate Notes?

Step-up Notes refers to Notes for which subsequent future coupon payments are received at a higher, predetermined amount than previous or current period's coupon. Index Interest Notes refers to Notes for which the interest rate is calculated by reference to an index while Index Redemption Notes refers to Notes in respect of which the amount payable in respect of principal is calculated by reference to an index. Index Linked Notes are Notes in which payment of coupon or principal is related to a specific price index. Mixed Rate Notes are Notes that bear interest over respective periods at the rate of interest applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Step-up Notes, Index Interest Notes and Index-linked Notes.

What types of offerings are completed using MTN Programmes?

In light of the convenience offered by shelf registration and MTN Programmes, issuers use MTN Programmes: to effect small and medium-sized offerings of debt securities to investors that seek specific terms (known as "reverse inquiry" trades); to effect large syndicated

offerings of debt securities that might, in the absence of an MTN Programme, be offered through a shelftakedown; to offer structured Notes, such as equitylinked, currency-linked, and commodity-linked securities among others.

What offering documents are used in an MTN Programme?

The issuer's registration statement for an MTN Programme typically consists of: a "universal" shelf registration statement for debt and other securities; or a shelf registration statement providing only for debt securities; or an Information Memorandum pertaining to the MTN Programme itself; Preliminary and Final Pricing Supplement, product supplement and press releases.

Are Medium-Term Notes sold on a firm commitment basis or a best efforts basis?

It varies. The arranger's obligation is to sell the MTN securities on a "best efforts" basis. In addition, large syndicated MTN offerings often are effected on a firm commitment basis.

What is the role of the arranger of an MTN Programme?

The arranger of an MTN Programme serves a variety of roles, including: serving as principal selling agent for the MTN securities; advising the issuer as to potential financing opportunities in the MTN market; communicating to the issuer any offers from potential investors to buy MTNs; advising the issuer as to the form and content of the offering documents, including the types of securities to be included; helping the issuer draft the offering documents and related Programme agreements; coordinating settlement of the MTN securities with the issuer, the trustee, and the paying agent; and making a market in the issued and outstanding securities issued under the Programme should there exist such a need.

What types of interest payments are available?

MTNs are issued with a variety of interest payment schedules that range from traditional semi-annual payments to custom-tailored frequencies such as monthly, semi-annually or compounded at maturity.

What is disclosed in a "Pricing Supplement" for a MTN offering?

For a simple debt security, the information required in the Pricing Supplement is nominal. The Pricing Supplement will include the final terms of the offering, such as: the title of the securities, the issue date, the maturity date, the interest rate, and the redemption dates, if any, the underwriter or selling agent and the selling agents' compensation for the offering.

What are the tax implications of investing in MTN's?

As with all fixed income securities, investors are responsible for declaring all interest payments received from an investment in MTN's.

Can I obtain physical certificates for my MTN investment?

No. The MTN will be issued in a dematerialized form as such there will be no physical Note Certificate.

9. Key Investment Considerations

Family Bank Limited wishes to raise up to KES 10.0 billion or the equivalent in other currencies at the date of issue, through the Programme. The company has received approval from the relevant regulatory authorities for the Issue to proceed on terms set out in this Information Memorandum. The investment considerations in the following section do not constitute a guarantee neither are they indicative of future returns. Furthermore, they are not intended to be exhaustive and there may be other considerations, which should be taken into account in relation to an investment in the Notes. Potential investors are advised to consult with their investment, legal and tax advisors to determine the suitability of an investment in the corporate bond, and the appropriate amount, if any, of an investment of this nature.

9.1 TRACK RECORD OF GROWTH

The Bank has recorded tremendous growth in both operating income and profit before tax over the last five financial years, with each growing at compounded annual growth rates of 26.6% and 51.9% respectively from 2010 to 2014. Interest Income continues to be the Bank's main revenue stream having grown by an average annual growth rate of 39.2% during the same period. This stood at KES 7.2 billion in 2014, up from KES 1.9 billion in 2010.

There has also been an impressive increase in non-funded income, which has grown by a compounded annual growth rate of 24.8% over the past five years. Total non-funded income was KES 2.6 billion in 2014, up from KES 1.1 billion in 2010.

On the balance sheet side, the Bank has recorded impressive growth in total assets, customer deposit,

shareholder funds and loans and advances over the last 5 financial years, with each financial indicator growing at compounded annual growth rate of 32.4%, 31.6%, 36.0% and 38.5% respectively during the period 2010 to 2014.

9.2 LIQUIDITY

Each Kenya Shillings denominated tranche of the Notes will be listed and quoted on the Nairobi Securities Exchange. Subsequently, there will be an established secondary market for the sale of each tranche of the Notes.

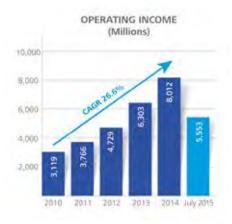
9.3 DIVERSIFICATION OF ASSET CLASSES

The Notes will give investors an opportunity to diversify their portfolio composition as well as overall risk reduction.

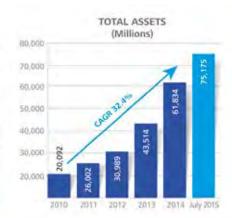
9.4 LONG STANDING HERITAGE

Family Finance Building Society was started in 1984 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 and the main driver for the conversion was the need to offer a wider range of products and services to its customers.

Family Bank's aim has always been to serve the needs of the mass market which had been ignored by the mainstream banks. 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 huge growth momentum.

The Bank's mission over the years has been to liberate the unbanked from financial bondage and the cycle of poverty. Today, the Bank has over 1,600,000 customers which makes Family Bank one of the largest banks serving the mass market in all parts of the country.

9.5 COMPETENT BOARD AND SENIOR MANAGEMENT

Family Bank is led by a management team that represents very experienced professionals in the banking industry having 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 and therefore are very vital in formulating the Bank's strategies for superior growth.

9.6 LOW LEVERAGE LEVELS

Over the last 5 years, the Bank has maintained leverage levels well below the CMA prescribed level of 400% or 4.0x total indebtedness to shareholders equity.

9.7 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 86 branches, 154 automated teller machines (ATM's) and nearly 3,000 agents.



10. Terms and Conditions of the Note

The following are the terms and conditions of the Notes ("the Conditions") which will be deemed to be endorsed upon each Note in the Multicurrency Medium Term Note Programme.

The Notes are issued subject to, a Trust Deed dated 30 September 2015 (the "Trust Deed") between the Issuer and the Note Trustee and an Agency Agreement dated 30 September 2015 ("the Agency Agreement") between the Issue and Paying Agent, the Transfer Agent, the Calculation Agent, the Replacement Agent, the Registrar, the Issuer and the Note Trustee. The holders of the Notes (the "Noteholders") are deemed to have notice of and are entitled to the benefit of all the provisions of the Trust Deed and the Agency Agreement (together, "the Note Documents"), which are binding on them or on the Note Trustee on their behalf. Copies of the Note Documents are available for inspection at the Specified Offices of the Issuer.

Words and expressions defined in the Trust Deed and the rules of interpretation specified therein shall have the same meanings or apply where used in the Conditions and the relevant Pricing Supplement, unless the context otherwise requires or unless otherwise stated.

1. FORM AND DENOMINATION

The Notes are issued in registered book form and are in denominations of KES. 100,000 (or an approximate equivalent in an alternate Specified Currency) as specified in each relevant Pricing Supplement. The obligations of the Issuer in respect of each Note constitute separate and independent obligations which each Noteholder is entitled to enforce subject to these conditions and the Note Documents.

In accordance with the prevailing CDSC Rules, the Noteholder's registered CDS account will be credited with the amount of the Note.

The Notes will be issued as Fixed Rate Notes, Floating Rate Notes, Index-linked Notes, Index Interest Notes, Index Redemption Notes, Mixed Rate Notes, Zero Coupon Notes, and Step-up Notes which shall attract interest as specified in these conditions and in the relevant Pricing Supplement.

2. TITLE

Entries in the Register in relation to a Note constitute conclusive evidence that the person so entered is the registered owner of the Note, subject to rectification for fraud or error. No Note will be registered in the name of more than two persons. A note registered in the name of more than one person is held by those persons as joint owners. Notes will be registered by name only without reference to any trusteeship. The person whose name is entered on the Register as the Noteholder is deemed, except as ordered by a court of competent jurisdiction or as required by statute, to be and may be treated as the absolute owner of the Note in all circumstances, whether or not payment under the Note is overdue and notwithstanding any notice of ownership or writing thereon or notice of any previous loss or theft thereof).

3. TRANSFER OF NOTES

All Notes will be issued as dematerialized securities within the meaning of the Central Depositories Act (Act 4 of 2000) and will therefore be transferable only in accordance with the prevailing CDSC Rules.

No Noteholder may require the transfer of interest on any Note to be registered during a Books Closed Period.

4. STATUS OF THE NOTES

Senior Notes

Unless otherwise specified in the relevant Pricing Supplement, the Senior Notes will constitute direct, unconditional, unsubordinated and, subject to the Negative Pledge contained therein, unsecured obligations of the Issuer and rank pari passu among themselves and (save for certain debts preferred by law) equally with all other unsecured obligations (other than subordinated obligations (if any)) of the Issuer from time to time outstanding;

Subordinated Notes

Unless otherwise specified in the relevant Pricing Supplement, the Subordinated Notes will constitute direct, unconditional, unsecured and subordinated obligations of the Issuer which (a) rank pari passu among themselves and (b) are subordinated to the claims of the Senior Creditors:

- 4.1 "Senior Creditors" means all such persons who are;
 - i. Senior Notes holders:
 - ii. unsubordinated creditors of the Issuer; and
 - iii. subordinated creditors of the Issuer other than those whose claims are expressed to rank and do rank, pari passu or junior to the claims of the Noteholders under the Notes.

4.2 The holder of a Subordinated Note may not exercise a claim or plead any right of set-off, counter claim or retention (whether before or after the winding up of the Issuer), in respect of any amount owed by it to the Issuer against any amount owing by the Issuer to it, arising under or in connection with the Subordinated Notes, and each such holder shall be deemed to have waived all such rights of set-off, counter claim or retention. If any of the rights and claims of such Noteholder are discharged by set-off, such Noteholder will immediately pay an amount equal to the amount of such discharge to the Issuer, or as applicable, the liquidator in winding up of the Issuer as the case may be, and until such time as payment is made, such Noteholder will hold a sum equal to such amount in trust for the Issuer, or if applicable, the liquidator in winding up of the Issuer. Accordingly, such discharge will deem not to have taken place.

5. FINANCIAL COVENANTS OF THE ISSUER

5.1. Security

The notes are unsecured.

5.2. Negative Pledge

The Issuer agrees that, so long as any Senior Notes remain outstanding, it shall not create or permit to subsist any mortgage, charge, lien, pledge or other security interest upon or with respect to any of its undertakings, assets or revenues to secure any future indebtedness evidenced by notes, bonds or other securities which are or which are capable of being, at the request of the Issuer quoted, listed or dealt in for the time being on any stock exchange or any other similar generally recognized market for securities unless the Senior Notes are secured equally and rateably therewith. The terms of the Subordinated Notes will contain no negative pledge.

5.3. Other Financial Covenants

The Issuer covenants to the Note Trustee as follows:

- 5.3.1 Its assets shall be maintained in good condition and where applicable, comprehensively insured for the full market value at all times.
- 5.3.2 It shall, as soon as the same become available, deliver to the Note Trustee a copy of the audited accounts together with a copy of the management letter (if any) addressed by the Auditors to the directors of the Issuer.

6. INTEREST

6.1. Payment of interest

The Notes bear interest on their outstanding Principal Amount from the relevant Issue Date at the Interest Rates and Interest Periods determined below. Interest on each Note will be payable in arrears on the dates indicated in the relevant Pricing Supplement commencing on the Issue Date specified in such Pricing Supplement (each an "Interest Payment Date") until the Principal Amount of each Note is repaid in full.

If any Interest Payment Date falls on a day which is not a Business Day, the next following Business Day shall be substituted for such day, unless such Business Day falls in the next calendar month, in which case the immediately preceding Business Day shall be substituted therefore.

In these Conditions, "Business Day" means any day, other than a Saturday, Sunday or public holiday in Kenya as defined in the Public Holidays Act (Chapter 110 of the Laws of Kenya), and on which commercial banks are open for business and foreign exchange markets settle payments in Nairobi.

The period beginning on and including the "Issue Date", to but excluding, the first Interest Payment Date, and each successive interest period from and including an Interest Payment Date to but excluding the next Interest Payment Date is an "Interest Period".

6.2. Interest Rate

6.2.1 Fixed Rate Notes:

Each Fixed Rate Note will bear interest on its Principal Amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) (the "Fixed Rate Notes Rate of Interest") equal to the Rate of Interest specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement.

Each Fixed Rate Note shall cease to bear interest from the date of its redemption unless, upon due presentation thereof, payment of any Principal Amount due thereunder is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate as specified in the relevant Pricing Supplement.

6.2.2 Floating Rate Notes:

Each Floating Rate Note will bear interest on its Principal Amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) (the "Floating Rate Notes Rate of Interest") equal to the sum of the applicable Floating Rates Note Reference Rate (hereinafter defined) plus the Floating Rate Notes Margin (hereinafter defined) specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Date(s) specified in the relevant Pricing Supplement.

The Calculation Agent will on the first day of the Interest Period for which Floating Rate Notes Rate of Interest will apply (the "Interest Rate Fixing Date") determine the value of the relevant benchmark or index (the "Floating Rate Notes Reference Rate") plus the relevant margin (the "Floating Rate Notes Margin") and aggregate them to form the applicable Interest Rate. The Floating Rate Notes Reference Rate and the Floating Rate Notes Margin will be specified

in the relevant Pricing Supplement. The Floating Rate Notes Rate of Interest payable from time to time for each Interest Period in respect of the Floating Rate Notes will be determined by the Calculation Agent (unless otherwise specified in the relevant Pricing Supplement) two Business Days before each Interest Payment Date and in the case of the first Interest Period, two days prior to the relevant Issue Date.

Each Floating Rate Note shall cease to bear interest from the date of its redemption unless, upon due presentation thereof, payment of any Principal Amount due thereunder is improperly withheld or refused. In such event, interest will continue to accrue at the Default Rate (if any) as specified in the relevant Pricing Supplement.

6.2.3 Index-linked Notes:

Payments (whether in respect of Interest on Index Interest Notes or in respect of Indexed Redemption Amount Notes and whether at maturity or otherwise) will be calculated by reference to such Index and/or formula as the Issuer and the Arranger may agree, as indicated in the relevant Pricing Supplement. In the event of late payment, interest will continue to accrue at the Default Rate (if any) as specified in the relevant Pricing Supplement.

6.2.4 Zero Coupon Notes:

Zero Coupon Notes will be issued at their Nominal Amount or at a discount to it as specified in the relevant Pricing Supplement and will not bear interest (except in the case of late payment as specified). In the event of late payment, interest will continue to accrue at the Default Rate (if any) as specified in the relevant Pricing Supplement.

6.2.5 Mixed Rate Notes:

Mixed Rate Notes will bear Interest over respective periods as the Rate of Interest applicable for any combination of Fixed Rate Notes, Floating Rate Notes, Zero Coupon Notes, Step-up Notes, Index Interest Notes and Index-linked Notes, each as specified in the relevant Pricing Supplement. In the event of late payment, interest will continue to accrue at the Default Rate (if any) as specified in the relevant Pricing Supplement.

6.2.6 Index Interest Notes:

Notes in respect of which the Interest Rate will be calculated by reference to such index and/or formula as the Issuer and the Arranger may agree (as indicated in the relevant Pricing Supplement). In the event of late payment, interest will continue to accrue at the Default Rate (if any) as specified in the relevant Pricing Supplement.

6.2.7 Index Redemption Amount Notes:

Notes in respect of which the amount payable in respect of Principal is calculated by reference to an index and/or formula as the Issuer and the Arranger may agree (as indicated in the relevant Pricing Supplement). In the event of late payment, interest will continue to accrue at the Default Rate (if any) as specified in the relevant Pricing Supplement.

6.2.8 Step-up Notes:

Each Step-up Note will bear interest on its Principal Amount from (and including) the relevant Issue Date at the rate of interest (expressed as a percentage per annum) and this rate of interest shall step up as specified in the relevant Pricing Supplement, payable in arrears on the Interest Payment Dates specified in the relevant Pricing Supplement.

6.2.9 Other Notes:

Terms applicable to any other type of Note that the Issuer and any Arranger may agree to issue under the Programme will be set out in the relevant Pricing Supplement.

6.3. Calculation of Interest

The Interest payable in respect of any Note for any Interest

Period shall be calculated by multiplying the product of the Interest Rate and the outstanding Principal Amount of such Note by the Day Count Fraction, unless Interest (or a different formula for its calculation) is specified in the relevant Pricing Supplement in respect of such Interest Period, in which case the Interest payable in respect of such Note for such Interest Period shall be the amount specified in the relevant Pricing Supplement (or be calculated in accordance with such formula).

"Day Count Fraction" means, in respect of the calculation of an amount of interest in accordance with this Condition:

- i. if "Actual/365" or "Actual/Actual" is specified in the relevant Pricing Supplement, the actual number of days in the Interest Period divided by 365 (or, if any portion of that Interest Period falls in a leap year, the sum of (A) the actual number of days in a portion of the Interest Period falling in a non leap year divided by 365);
- ii. if "Actual/364 (Fixed)" is specified in the relevant Pricing Supplement, the actual number of days in the Interest Period divided by 364;
- iii. if "Actual/360" is specified in the relevant Pricing Supplement, the actual number of days in the Interest Period divided by 360;
- iv. if "30/360", "360/360" or "Bond Basis" is specified in the relevant Pricing Supplement, the number of days in the interest period divided by 360 (the number of days to be calculated on the basis of a year of 360 days with twelve 30 day months (unless (A)the last day of the interest period is the 31st of a month but the first day of the interest period is the day other than the 30th or the 31st of a month, in which case the month that includes that last day shall not be considered to be the shortened to a 30 day month, or (B) the last day of the interest period is the last day of the month of February, in which case the month of February shall not

be considered to be lengthened to a 30-day month)

For the purpose of any calculation of Interest pursuant to these Conditions (unless otherwise specified in the Conditions or the relevant Pricing Supplement), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up). For these purposes "unit" means the lowest amount of the currency.

6.4. Notification of Rate of Interest and Interest
As soon as practicable after an Interest Determination
Date, the Calculating Agent will cause the Interest Rate,
the Interest Payment in respect of each Interest Period
and relevant Interest Payment Dates and, if required
to be calculated, the Final Redemption Amount or
Early Redemption Amount to be notified to the Note
Trustee, the Issuer, the Noteholders, any other Note
Agent appointed in respect of the Notes that is to make
a further calculation upon receipt of such information
and, if the Notes are listed on a stock exchange and
the rules of such exchange so require, such exchange
as soon as possible after their determination but in no
event later than the fourth Business Day after all such
determinations are complete.

Where any Interest Payment Date or Interest Period is subject to adjustment pursuant to these Conditions, the Interest and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) and such amendment will be promptly notified to the Note Trustee and to the Noteholders in accordance with Condition 16 (Notices).

If the Notes become due and payable under an Event of Default, the accrued Interest and the Interest Rate payable in respect of the Notes shall nevertheless continue to be calculated in accordance with this Condition but no publication of the Interest Rate or the Interest so calculated need be made. The Calculation and determination of the Interest Rate or the Interest by the Calculation Agent shall (in the absence of manifest error) be final and binding upon all parties.

6.5. Certificates to be Final

All certificates, communications, opinions, determinations, calculations, quotations and decisions given, expressed, made or obtained for the purposes of the provisions of this Condition 6 (Interest), by the Calculation Agent shall (in the absence of wilful default, bad faith or manifest error) be binding on all parties and (in the absence of the aforesaid) neither the Note Trustee nor the Calculation Agent shall be liable to the Issuer or the Noteholders in connection with the exercise or failure to exercise by the Note Trustee or the Calculation Agent any of their respective powers, duties and discretions pursuant to such provisions.

6.6. Accrual of Interest

Each Note will cease to accrue interest from the date of its redemption unless, upon due presentation thereof, payment of the Principal Amount is improperly withheld or refused. In such event, interest will continue to accrue until whichever is the earlier of:

- (i) the date on which all amounts due in respect of such Note have been paid by the Issuer to the Noteholder (if no Issue and Paying Agent has been appointed under the Agency Agreement); and
- (ii) the date on which all amounts due in respect of such Note have been received by the Issue and Paying Agent and notice to that effect has been given in accordance with Condition 16 (Notices) or individually.

7. PAYMENTS

- 7.1. Method of Payment to Noteholders
 - 7.1.1 Payment of amounts due on the final redemption of the Notes (the "Final Redemption Amount(s)") will be made in accordance with the prevailing CDSC Rules.

- 7.1.2. Payments of amounts due on any prepayment of the Notes (the "Early Redemption Amounts") will be made in accordance with the prevailing CDSC Rules.
- 7.1.3 Interest and Principal Amounts due on redemption shall only be payable to Noteholders registered as such on the Last Date to Register immediately preceding the relevant Interest Payment Date or relevant Redemption Date (as the case may be).
- 7.1.4 Subject to Condition 7.1.1, payment of Interest and Principal Amounts shall be made by the Issue and Paying Agent via electronic funds transfer to the account designated for the purpose by the Noteholder. In the event that for any reason, payment by means of electronic funds transfer is not possible, payment will be made by cheque in the manner set out in the remainder of this Condition 7 (Payments).
- 7.1.5 Cheques in payment of Interest and Principal Amounts shall be drawn on the Issuer or the Issue and Paying Agent and issued by the Issuer or the Issue and Paying Agent as the case may be. Payment of cheques shall be a valid discharge by the Issuer of the obligation upon it to pay Interest or the Redemption Amount on redemption, as the case may be. Cheques shall be dated with the relevant Interest Payment Date or Redemption Date, as the case may be, and shall therefore be payable on that date.
- 7.1.6 Payments made by cheque will be made by a cheque in the Specified Currency cheque and posted by registered post to the address (as recorded in the Register) of the relevant Noteholder on the Business Day not later than the relevant due date for payment unless prior to the relevant Last Day to Register the relevant Noteholder has applied to the Registrar and the Registrar has acknowledged such application for payment to be made to a designated

- Kenya Shillings account maintained by such Noteholder with a bank in Nairobi in which case payment shall be made on the relevant due date for payment by transfer to such account.
- 7.1.7 If a cheque is not collected within two Business Days of the date for collection set forth in these Conditions, the cheque shall be posted by registered post to the Noteholder entitled thereto at the address set out in the Register (or to such other address as may have been duly notified in writing to the Issue and Paying Agent by the Noteholder in accordance with these Conditions not later than the relevant Last Day to Register).
- 7.1.8 Neither the Issuer nor any of the Note Agents (if any Note Agent is different to the Issuer) or the Note Trustee will be responsible for any loss in transmission of any cheque posted by way of registered post and the postal authorities shall be deemed to be the agent of the Noteholders for the purposes of all the cheques so posted.
- 7.1.9 All payments of principal Amounts and Interest in respect of the Notes are subject in all cases to any applicable laws, fiscal or otherwise in the place of payment, but without prejudice to the provisions of Condition 9 (Taxation). No commissions or expenses shall be charged to the Noteholders in respect of such payments.
- 7.1.10 If at any time a partial payment of any Principal Amount and/or Interest is made in respect of any Note, the Registrar shall endorse the Register with a statement indicating the amount and date of such payment.
- 7.2. Payments on Business Days and Late Payments
 - 7.2.1 Where payment is to be made by electronic funds transfer to a Noteholder's account.

payment instructions (for value the due date or, if that is not a Business Day, for value the first following Business Day) will be initiated on the due date for payment.

- 7.2.2 Where payment is to be made by cheque, the cheque will be posted by registered post (i) on the Business Day immediately preceding the due date for payment.
- 7.2.3 If (otherwise than by reason of the application of Conditions 7.2.1 and 7.2.2) (a) payment of a Principal Amount is withheld or refused when due in respect of any Note, or (b) any Interest is not paid when due (the defaulted amounts mentioned in (a) and (b) above being referred to in this Condition as "Defaulted Amounts") then interest shall accrue on each such Defaulted Amount at the Default Rate and shall be paid to the person who is shown as the Noteholder on the relevant Record Date. "Default Rate" means the aggregate of the interest rate specified in the relevant Pricing Supplement for the specified Note plus a Default Rate Margin.

7.3. Interpretation of Principal Amount Any reference in these Conditions to a Principal Amount in respect of the Notes shall be deemed to include as applicable:

- 7.3.1 The Final Redemption Amount(s) of the Notes:
- 7.3.2 The Optional Redemption Amount(s) of Notes; and
- 7.3.3 Any premium and any other amount which may be payable by the Issuer under or in respect of the Notes.

7.4. Currency of Accounts and Payments The currency of account and for any sum due from the Issuer hereunder is the Kenya Shilling, or any successor currency.

8. REDEMPTION AND PURCHASE OF NOTES BY THE ISSUER

8.1. Final Redemption

Unless previously redeemed or purchased and cancelled, each Note shall be redeemed by the Issuer at its Final Redemption Amount specified in, or determined in the manner specified in, the relevant Pricing Supplement (and which, unless otherwise provided in the relevant Pricing Supplement, is its nominal amount) on the Maturity Date specified in the relevant Pricing Supplement.

8.2. Redemption at the option of the Issuer

- 8.2.1 If the Issuer has specified in the relevant Pricing Supplement that he has an option to redeem any Notes, the Issuer may after the expiry of five (5) years from the relevant Issue Date and, in addition, after giving:
- (a) not less than thirty nor more than ninety days' irrevocable notice to the Noteholders in accordance with Condition 16 (Notices); and
- (b) not less than seven Business Days before giving such notice, having given irrevocable notice to the Registrar and Note Trustee; redeem the Principal Amount specified in such notice under the Notes then outstanding on the date specified by the Issuer in such notice (the "Option Redemption Date") at the Optional Redemption Amount specified in, or determined in the manner specified in, the relevant Pricing Supplement together with Interest accrued to (but excluding) the Option Redemption Date.
- 8.2.2 In the case of a partial redemption of Notes, the Notes to be redeemed (the "Redeemed Notes") will be selected individually not more than thirty five days prior to the date fixed for redemption (such date of selection being referred to below as the "Selection Date") by lot drawn in such place and in such manner as the Registrar deems appropriate, subject to compliance with any

- applicable laws and the requirements of any stock exchange on which the Notes are listed, or any other regulatory requirements. In the case of a partial redemption, the notice referred to in Condition 8.2.1(a) shall contain a list of the serial numbers of Notes relative to the Redeemed Notes.
- 8.2.3 All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.
- 8.2.4 Where only a portion of a Note is being redeemed, redemption shall be in accordance with prevailing CDSC rules on partial redemption and the Noteholder's account shall reflect the unredeemed balance upon redemption.
- 8.2.5 So long as the Notes are listed on the NSE and the rules of the NSE and/or CMA so require, the Issuer shall, once in every year in which there has been a partial redemption of the Notes, cause to be published in a leading English language newspaper of general circulation in Kenya and/or as specified by the CMA and/or NSE, a notice specifying the aggregate nominal amount of the outstanding Notes.
- 8.2.6 For the purpose of Condition 8.2 (and unless otherwise stated in these Conditions), the Notes will be redeemed at the Early Redemption Amount calculated as follows:
- (a) in the case of Notes with a Final Redemption Amount equal to the Issue Price, at the Final Redemption Amount thereof; or
- (b) in the case of Notes with either a Final Redemption Amount which is or may be less or greater than the Issue Price, to be determined in the manner specified in the relevant Pricing Supplement or, if no such amount or manner is so specified in the relevant Pricing Supplement, at their nominal amount.

8.2.7 Purchases. The Issuer may at any time purchase Notes at any price in the open market or otherwise. In the event of the Issuer purchasing Notes, such Notes may (subject to any approvals required from the relevant stock exchange and/or the CMA or to any restrictions under any applicable laws) be held, resold or, at the option of the Issuer, cancelled in terms of and in accordance with these Conditions.

The Notes so purchased, while held by or on behalf of the Issuer, shall not entitle the holder to vote at any meeting of the Noteholders and shall not be deemed to be outstanding for the purposes of calculating quorum at meetings of the Noteholders or for the purposes of Condition 17 (Meetings of Noteholders Modification and Waiver).

8.3. General: Cancellation

All Notes purchased by or on behalf of the Issuer may be cancelled by the Issuer after five (5) years from the date of purchase by informing the Registrar of the intention to have such Notes cancelled. Notes cancelled as aforesaid may not be reissued or resold and the obligations of the Issuer in respect of such Notes shall be wholly discharged.

9. TAXATION

- 9.1. All payments in respect of the Notes will be made with deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature ("Taxes") imposed or levied by, or on behalf of, Kenya, or any political sub-division of, or any authority in, or of, Kenya having power to tax, where such withholding or deduction of Taxes is required by law.
- 9.2. The Issuer (or the Issue and Paying Agent, as the case may be) will deduct withholding tax at the prescribed rate on all interest payments to Noteholders other than any Noteholder who (a) is exempt from such deduction under the provisions of the Income Tax Act (Chapter 470 of the Laws of Kenya) and (b) has provided evidence of such exemption to the reasonable satisfaction of the Issuer.

9.3. With effect from 1st January 2015, any gains which accrue on the disposal of the Notes will constitute a chargeable gain under the Income Tax Act.

10. PRESCRIPTION

The Notes will become void unless presented for payment of Principal Amount within a period of six years and for payment of Interest within a period of six years after the Relevant Date (hereinafter defined) thereof. "Relevant Date" means the date on which such payment first becomes due, except that if the full amount of the moneys payable has not been duly paid by or on account of the Issuer on or prior to such date, it means the date on which notice to that effect is duly given to Noteholders in accordance with Condition 16 (Notices). The amounts due under such void Notes will be dealt with in accordance with the provisions of the Unclaimed Financial Assets Act, No. 40 of 2011.

11. EVENTS OF DEFAULT

An Event of Default shall have occurred in the case of Notes, if:

- 11.1. Non Payment: the issuer fails to pay Principal Amount which is due in respect of the Notes or the Issuer is in default with respect to the payment of interest on any such Notes and such defaults continues for a period of seven (7) business Days (provided that the Issuer shall not be in default if, during such a period, it satisfies the Note Trustee that the amounts not paid were not paid (i) in order to comply with any applicable laws or order of any court or competent jurisdiction or (ii) in case of doubt as to the validity or applicability of any such law, regulation or order, in accordance with advice as to such validity or acceptability given at any time during such period by independent advisors acceptable to the Note Trustee); or
- 11.2. Breach of Other Obligations: the Issuer is in default in the performance, or is otherwise in breach, of any warranty, covenant, obligation, undertaking or other agreement under the Notes (other than non-payment under the Notes) and such default or breach (if capable of remedy) is not remedied within (30) Business Days (or such longer period as the Note Trustee may in its sole discretion

- determine) after notice thereof has been given to the Issuer and, if applicable, by the Note Trustee; or
- 11.3. Cross-Default (i) any indebtedness of the Issuer, (a) becomes due and payable prior to the due date for payment thereof by reason of any default by the Issuer or (b) is not repaid at maturity as extended by the period of grace, if any, applicable thereto or (ii) any guarantee given by the Issuer in respect of any indebtedness of any other person is not honoured when due and called, provided that the aggregate principal amount of such financial indebtedness referred to in (i) or (ii) exceeds KES 1,000,000,000; or
- 11.4. Bankruptcy: the Issuer shall institute proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be placed into liquidation or winding up or shall consent to the filing of a bankruptcy, insolvency or similar proceeding against it or shall file a petition or answer or consent seeking reorganization under any such law or shall consent to the filing of any such petition, or shall consent to the appointment of a receiver, manager, liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or in respect of its property, or shall make an assignment for the benefit of its creditors or shall otherwise be unable or admit its inability to pay its debts generally as they become due or the Issuer commences proceedings with a view to the general adjustment of its indebtedness, which event in any such case is (in sole opinion of the Note Trustee), materially prejudicial to the interest of the Noteholders; or
- 11.5. Substantial Change in Business: the Issuer makes or threatens to make any substantial change in the principal nature of its business as presently conducted which (in the sole opinion of the Note Trustee) materially prejudicial to the interests of the Noteholders; or
- 11.6. Maintenance of Business: the Issuer fails to take any action as is required of it under the applicable laws or otherwise to maintain in effect its corporate existence or fails to take any action to maintain

any material rights, privileges, titles to property, franchises and the like necessary or desirable in the normal conduct of its business, activities or operations which is (in the sole opinion of the Note Trustee) materially prejudicial to the interests of the Noteholders and such failure (if capable of remedy) is not remedied within thirty (30) Business Days (or such longer period as the Note Trustee may in its sole discretion determine) after notice thereof has been given to the Issuer; or

- 11.7. Material compliance with applicable laws: the Issuer fails to comply in any material respect with any applicable laws to enable it lawfully to exercise its rights or perform or comply with its obligations under the Note Documents; or
- 11.8. Invalidity or Unenforceability: (i) the validity of the Notes or Note Documents is contested by the Issuer or the Issuer shall deny any of its obligations under the Notes or the Note Documents (whether by a general suspension of payments or a moratorium on the payment of debt or otherwise) or (ii) it is or becomes unlawful for the Issuer to perform or comply with all or any of its obligations set out in the Notes or the Note Documents and the Note Trustee is of the opinion (determined on its sole discretion) that such occurrence is materially prejudicial to the interest of the Noteholders; or
- 11.9. Government Intervention: (i) all or any substantial part of the undertaking, assets and revenues of the Issuer is condemned, seized or otherwise appropriated by any person acting under the authority of any national, regional or local government, or (ii) the Issuer is prevented by any such person from exercising normal control over all or any substantial part of its undertaking, assets or revenues; and, following the occurrence of any of the events specified in condition 11.9 (i), the Note Trustee is of the opinion (determined on its sole discretion)that such occurrence is materially prejudicial to the interests of the Noteholders; in which event the holders of the Notes may, by Extraordinary Resolution of such holders, direct the Note Trustee to give written notice to the Issuer at the Specified Office of the Issue and Paying Agent,

effective upon the date of receipt, declaring the Notes to be forthwith due and payable whereupon the same shall become forthwith due and payable at the Early Redemption Amount, together with accrued Interest (if any) to the date of repayment, without presentment, demand, protest or other notice of any kind.

12. REGULATORY CONSENT

The Note Trustee and the Noteholders will not without the prior written consent of the Relevant Authorities:

- 12.1. purport to retain or set off at any time any amount payable in respect of the Notes against any amount otherwise payable by any of them to the Issuer except to the extent that payment of such amount in respect of the Notes would be permitted at such time under the Conditions;
- 12.2. amend or waive or concur in amending or waiving the terms of the Note Documents whereby the subordination of the Notes or any part thereof might be terminated, impaired or adversely affected; or
- 12.3. attempt to obtain repayment of the whole or any part of the amounts payable in respect of the Notes otherwise than in accordance with the terms of the Note Documents.

13. TRUST

Any amounts paid by or for the account of the Issuer or received or recovered by the Note Trustee or any Noteholder and any distributions of any kind or character in respect of the Notes received or recovered by the Note Trustee or any Noteholder otherwise than in accordance with the provisions of the Note Documents shall be held in trust by the Note Trustee, or any Noteholder to return the same to the Issuer, or where applicable, the liquidator or other similar such officer.

14. LOCATION OF REGISTER

14.1. The Register shall be kept at the offices of the Registrar. The Register shall contain the name, address and bank account details of the registered Noteholder, the Principal Amount of the Note issued to such Noteholder, the date of such issue and the serial number of Note issued. The Registrar

shall not be bound to enter any trust into the Register or to take notice of any or to accede to any trust executed, whether expressly or implied, to which any Note may be subject.

14.2. The Register shall be open for inspection during the normal business hours of the Registrar to any Noteholder or any person authorized in writing by any Noteholder, the CMA and the NSE on which the Notes will be listed.

15. AGENTS AND SPECIFIED OFFICES

15.1. The names of the Issuer and the initial Issue Agent, Paying Agent, Transfer Agent, Replacement Agent, Registrar and Note Trustee and their initial Specified Offices are set out below:

Issuer: Family Bank Limited

Family Bank Towers, Muindi Mbingu Street, P. O. Box 74145-00200

Nairobi, Kenya

Paying Agent, Family Bank Limited

Calculating 8th Floor,

Agent and Family Bank Towers,
Registrar: Muindi Mbingu Street,
P. O. Box 74145-00200

Nairobi, Kenya

Note Trustee: MTC Trust and Corporate Services

Limited

Delta Riverside, Block 4,

Riverside Drive

P.O Box 1071 – 00200

Nairobi, Kenya

- 15.2. The Issuer is entitled to appoint additional or other Note Agents or note trustees and/or approve any change in the Specified Office through which any Note Agent or the Note Trustee acts in accordance with the provisions of the Note Documents.
- 15.3. Any variations to the Note Agents or the Note Trustee shall only take effect (other than in the case of insolvency, when it shall be of immediate effect)

after not less than thirty and not more than fortyfive days' prior notice thereof shall have been given to the Noteholders in accordance with Condition 16 (Notices). A copy of the notice shall be sent to the CMA and the NSE on which the Notes are listed

16. NOTICES

Notices to the Noteholders will be deemed to be validly given if made by fax, short messaging service, electronic mail, delivered to them, or sent by registered post to them, and:

- 16.1. In the case of notices that are posted to holders of Notes, the notices will be valid if mailed to their registered addresses appearing on the Register. Any such notice shall be deemed to have been given on the seventh Business Day after the day on which it was posted;
- 16.2. In the case of any communication made by fax, the notice will be deemed to have been validly given when on the date following transmission (provided that the sender produces, if requested to do so, a fax transmission report showing that the entire communication was received by the intended recipient); or
- 16.3. In the case of delivery, the notice will be deemed to have been validly given when such communication or document is left with or delivered to the intended Noteholder at its address as recorded on the Register.
- 16.4.In case of short messaging service (SMS), the notice will be deemed to have been validly given when such SMS is sent to the intended Noteholder provided that an SMS which is received after 5:00 p.m. on a Business Day, or on a day which is not a full Business Day, in the place of receipt shall be deemed to be delivered on the next full Business Day in that place.
- 16.5. In case of electronic email, the notice will be deemed to have been validly given when such electronic communication is sent to the intended Noteholder provided that a communication or document which is received after 5:00 p.m. on a

Business Day, or on a day which is not a full Business Day, in the place of receipt shall be deemed to be delivered on the next full Business Day in that place.

- 16.6.All notices regarding the Notes shall be published in a leading English newspaper expected to be of national circulation in the Republic of Kenya. Any such notice will be deemed to have been given on the date of the first publication in the newspaper.
- 16.7. Notices to be given by any holder of the Notes shall be in writing and given by lodging the same, together with the relative Note or Notes, with the Note Agents.

17. MEETING OF NOTE HOLDERS, MODIFICATION AND WAIVER

The Trust Deed contains provisions for convening meetings of the Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution of modification of the Notes or certain provision of the Trust Deed.

18. GOVERNING LAW AND JURISDICTION

- 18.1. The Trust Deed and the Notes are governed by, and shall be construed in accordance with, the laws of the Republic of Kenya.
- 18.2. The Issuer agrees for the benefit of the Note Trustee and the Noteholders that the courts of Kenya shall have exclusive jurisdiction to hear and determine any suit, action or proceedings, and to settle any disputes, which may arise out of or in connection with this Trust Deed or the Notes (respectively, "Proceedings" and "Disputes").
- 18.3. Service of any summons or any other notice of legal process shall be received by the Issuer at its Specified Office.

11. Economic Outlook & Overview of the Banking Sector

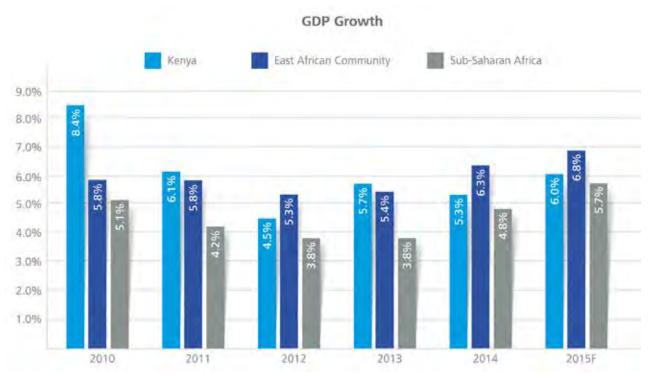
11.1 KENYA ECONOMY OUTLOOK

According to the World Bank Kenya's economy is expected to grow at a rate of 6.0% in the year 2015 and to maintain the growth rate at the same level over the medium term - 6.6% in 2016 and 7.0% in 2017. This growth is expected to be supported by lower global oil prices, higher public and private investment, increased consumer confidence as well as higher total factor productivity.

11.1.1 Kenya Economic Performance

According to data from the Kenya National Bureau of Statistics (KNBS), Kenya's economy expanded by 5.3%

in 2014 compared to 5.7% recorded in 2013. The economy expanded by 4.9% in the first quarter of 2015 and this is projected to grow to 6.0% in 2015. This growth was underpinned by improved performance in the agricultural, construction, manufacturing, retail and financial and insurance industries. The tourism industry however contracted by 7.5% in Q1 2015 compared to 14.1% in the same quarter in 2014 due to upsurge of insecurity and terrorism attacks in the country. However, the industry is expected to recover gradually due to the lift on travel ban by European countries.



Source: World Bank, Kenya National Bureau of Statistics

11.1.1 Agriculture

The agriculture, forestry and fishing sector expanded by 4.4% in Q1 of 2015 compared to a growth of 2.2% in the same quarter of 2014. This growth was attributed to increased use of agricultural inputs. The most notable input was fertilizer, a key input for the agricultural sector whose demand increased and import for fertilizer grew by 18.4% during the first quarter of 2015. In the horticulture subsector, cut flower exports increased by 11.7% while vegetable exports declined by 3.3% in the same period. Despite the decline in tea production due

to reduced rainfall and frost in the tea growing areas, the export increased by 7.2% in Q1 of 2015. The high tea prices that prevailed led to high export earnings during the first quarter of 2015 driven by increased demand and low global production of the crop.

The country experienced depressed rainfall during first quarter of 2015 while weather forecast points to a possibility of insufficient long rains in parts of the country.

11.1.2 Financial Intermediation

The sector grew by 9.1% in the first guarter of 2015 compared to 8.3% in the same quarter of 2014. Credit from commercial banks to the domestic market rose by 19.1% during the first guarter of 2015 compared to a growth of 20.0% over the same period of 2014. Credit to the private sector increased by 20.6% while credit to the government increased by 13.3%. The increased demand for domestic borrowing was supported by the downward pressure by the Central Bank of Kenya on lending rates and the transparency of interest rates through the introduction of the KBRR which sets the minimum base for onward lending for banks. This has facilitated a transparent credit pricing framework as well as increased domestic borrowing. Broad money supply grew by 3.0% to KES 2,398.8 bn in the first guarter of 2015 compared to a growth of 3.2% recorded in a similar period in 2014.

11.1.3 Manufacturing

The sector recorded a slow growth of 3.5% in the first quarter of 2015 compared to a growth of 6.4% in the first quarter of 2014. The decelerated growth was attributed to decline in manufacture of tobacco, processing of canned fruits, maize meal and sugar. On the other hand, growth in the sector was supported by; assembly of motor vehicles, production of beer, manufacture of galvanized sheet, production of soft drinks and cement.

11.1.4 Hotels and Restaurants

The activities of hotels and restaurants recorded a negative growth for the first quarter of 2015. The sector is estimated to have contracted by 7.5% during the first quarter of 2015 compared to 14.1% in the same quarter 2014. The continued underperformance in the sector has been due to increased insecurity across the country. The number of international visitors arrivals decreased by 11.1% during the same period leading to some hotel and travel businesses closing down due to low operating capacities. The introduction of taxes on tourism products as well as poaching have also negatively affected the industry.

11.1.5 Transport and Communication

The sector grew by 6.0% in the first quarter of 2015 compared to 3.8% growth recorded in the same quarter of 2014. The accelerated growth was attributed

to increased demand for freight transport and a fall in oil prices. Consequently, the consumption of light diesel increased from 400.5 thousand tonnes in the first quarter of 2014 to 451.7 thousand tonnes during the review period. The air transport subsector suffered setbacks because of Ebola epidemic in West Africa which resulted in travel advisories against affected countries. Kenya airways suspended flights to Sierra Leone, Guinea, and Liberia. The continued efforts by the government to improve road, rail and airports will help boost the transport industry as a whole. The communication sector growth was supported by the continued expansion of mobile telephone subscribers, internet subscriptions and money transfer services.

11.1.6 Construction

Construction grew by 11.3% in the first quarter of 2015 compared to a growth of 7.6% in a similar period in 2014. The growth was mirrored in cement consumption which expanded by 15.5% during the review period. This growth was attributed to the steady growth in property development and ongoing infrastructure developments such as the Standard Gauge Railway, expansion of major airports and the port of Mombasa. The sector is expected to sustain the growth momentum as the government continues to roll out several billion dollar projects, construction of the Lamu port as well as construction of low income housing and upgrading of informal settlement.

11.1.7 Macro-Economic Overview 11.1.7.1 Inflation

The Overall inflation has been on an upward trend in the first 7 months of the year 2015 averaging 6.47% and remaining below the CBK medium term upper range target. This is mostly from the positive trickle down effects of the relatively lower international crude oil prices despite the weaker shilling. In the month of January 2015, inflation stood at 5.53% and spiked to 7.08% in the month of April as a result of increased food price attributed to the dry weather conditions experienced in the first quarter of the year. It closed the first half of the year at 7.03%. The month of July saw a modest downward performance settling at 6.6% in line with the reduced food prices. We expect a spike in the month of August following the implementation of KES 3 road maintenance levy as it is expected that

Source: Central Bank of Kenya

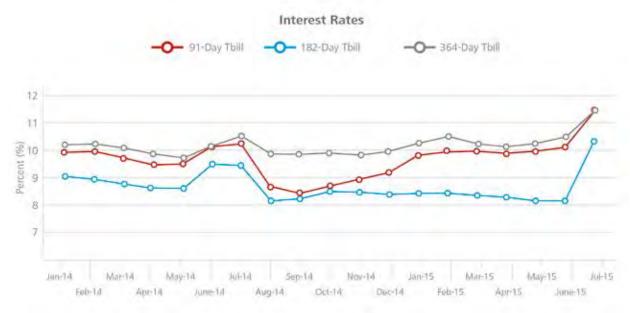
the August 2015 pump price will see a KES 6 increase jump to recoup the revenues missed since the beginning in the month of July. This will however revert to KES 3 per litre in mid-September. The relatively weaker KES is also expected to negatively affect the demand driven inflationary pressures in line with the overall trade deficit in Kenya.

11.1.7.2 Interest Rates

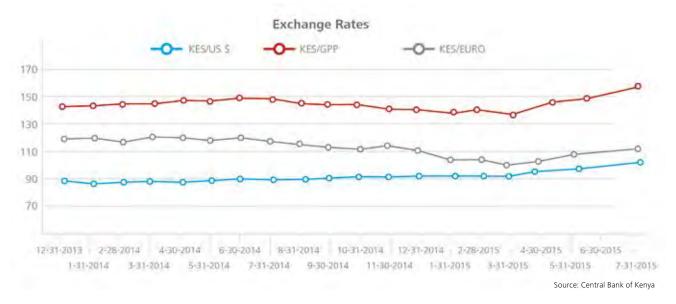
The monetary policy stance during the first half of 2015 was mostly restrictive. The MPC raised the CBR by 150 bps in June 2015 to 10.0% and a further 150bps in July to 11.50% breaking the stable 8.5% level witnessed from May 2013. This was largely necessitated by the need to anchor inflationary expectations in light of the increasing

aggregate demand pressures and the persistent volatility in the global foreign exchange markets coupled with the projected recovery in the international crude oil prices. We expect that CBK will continue to closely monitor and rein any adverse volatility in the currency and inflationary expectations in light of the relative strengthening of the dollar against the other major international currencies.

The risks currently remain in the uncertainty around the timing of the rate hike in the US interest rates, the fall in the equity prices in China and the Greek debt crisis which have resulted in increased instability in the global financial markets translating to increased volatility of most of the international currencies against the dollar.



Source: Central Bank of Kenya



11.1.7.3 Exchange Rates

The shilling has exhibited increased weakness during the first 7 months of the year 2015 touching a low of 102.55 on 21st July 2015 against the USD. In total, the shilling has weakened by 12% in the first 7 months of 2015 to settle at 102.52 as at 31st July 2015 compared to the 90.60 level witnessed as at 31st December 2014. This is mostly from a stronger dollar on the back of America's strong economy as the other parts of the world struggle as evidenced by Europe's and Japan's stimulus programs to try and stimulate the overall growth in their economies. Other local factors that have exacerbated these effects include increased dollar requirements from large corporate deals, temporary liquidity in the banking system and widening external deficit from increased import levels especially of the capital goods and reduced dollar inflows from the agricultural and tourism sectors.

The current level of usable foreign exchange reserves which settled at 4.07 months of import cover as at 31st July 2015 which is above the CBK target of 4 months of import cover together with the precautionary facility with the International Monetary Fund (IMF) provides a cushion to the foreign exchange markets temporary shocks.

11.1.8 Kenya Debt Analysis

Overall debt

According to the Central Bank of Kenya, Kenya's public and publicly guaranteed debt increased by 22.0% to KES 2,742 bn in April from a comparable period in 2014.

The total debt stock by the end of April 2015 was about 51.2% of GDP compared to 41.9% of GDP in April 2014.

Domestic debt

The total domestic debt grew by 9.2% to KES 1,415 bn in April 2015 compared to KES 1,297 bn in April 2014. This was about 26.4% of GDP, up from 24.2% of GDP in April 2014. Domestic debt accounted for 51.6% of total stock of Kenya's debt in April 2015, down from 57.7% in April 2014. The average length of maturity of existing domestic debt rose to 5 years and 2 months in April 2015 compared to 4 years and 10 months in April 2014 due to CBK issuing and re-opening longer dated securities.

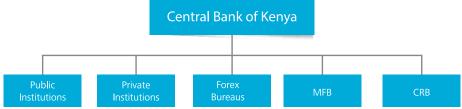
External debt

The total public and publicly guaranteed external debt grew by 39.5% to KES 1,327 bn from KES 951 bn in April 2014. The Government stake accounted for 97% and the balance comprised of government guarantee to parastatals. The official debt to multilateral and bilateral lenders accounted for 78.8% of total public and publicly guaranteed debt. In terms of currency exposure, the proportion of debt denominated in US dollar rose from 40.0% in June 2014 to 56.3% in April 2015. The rise in the US dollar denominated debt was attributed to the proceeds from the Tap sale of the Sovereign bond issued in June 2014. The proportion of debt denominated in Japanese Yen and Euro declined from 12.1% and 29.9%, respectively, to 9.6% and 23.6% respectively, during the same period.

11.2 KENYA BANKING SECTOR OVERVIEW

11.2.1 Industry Structure

As at the period ended 30th June 2015, Kenya's Banking industry comprised of 43 licensed commercial banks, 1 mortgage finance company, 12 microfinance banks, 8 representative offices of foreign banks, 86 foreign exchange bureaus, 14 money remittance providers and 3 credit reference bureaus. 31 out of the 44 institutions are locally owned while the other 13 are foreign owned. The local owned financial institutions include 3 banks with significant shareholding by the Government and State Corporations. A diagrammatic representation of the banking industry structure is as shown in the figure below.



11.2.1.1 Asset base

The sector's balance sheet grew by 21.21% to KES 3.6 trillion from 2.97 trillion in June 2014. The gross loans and advances grew by 21.9% to KES 2.17 trillion from KES 1.78 billion in June 2014. This growth was attributed to increased lending to all sectors apart from Financial Services and Mining and Quarrying.

In terms of asset quality, the net non-performing loans (NNPLs) grew by 21.8% from KES 101.7 billion in April 2014 to KES 123.9 billion in June 2015. The ratio of NNPLs/gross loans stood at 2.7% an increase from 2.1% in June 2014.

11.2.1.2 Branch network

101 new branches were opened by banks during the year 2014, increasing the total number of branches from 1,343 in 2013 to 1,443 in 2014. 28 out of 47 counties saw an increase in the number of bank branches due to increased demand for financial services. Nairobi and Mombasa counties had the highest numbers of new branches at 40 branches and 9 branches respectively. The table below shows counties that had an increase in the number of banks branches in the year 2014

Counties that had new bank branch openings in 2014

County	Branches in 2013	Branches in 2014	Change
Nairobi City	530	570	40
Mombasa	118	127	9
Kiambu	70	75	5
Kajiado	38	42	4
Kilifi	31	35	4
Machakos	18	22	4
Trans Nzoia	12	16	4
Uasin Gishu	39	43	4
Bungoma	18	20	2
Kericho	14	16	2
Nakuru	58	60	2
Narok	10	12	2
Nyandarua	8	10	2
Nyeri	26	28	2

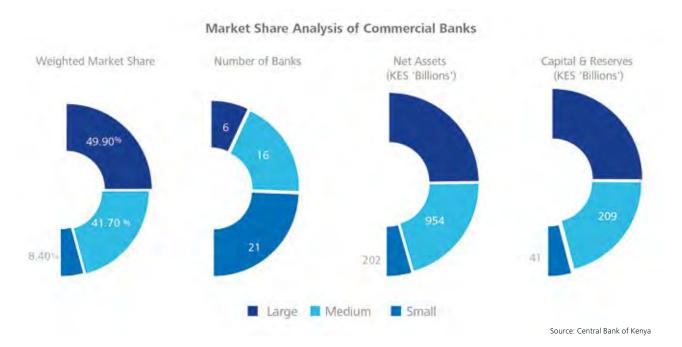
Source: Central Bank of Kenya

County	Branches in 2013	Branches in 2014	Change
Turkana	3	5	2
Bomet	8	9	1
Busia	11	12	1
Elgeyo-Marakwet	3	4	1
Embu	10	11	1
Kirinyaga	14	15	1
Kisumu	40	41	1
Kwale	12	13	1
Laikipia	13	14	1
Makueni	11	12	1
Marsabit	5	6	1
Migori	10	11	1
Nandi	11	12	1
Nyamira	4	5	1

11.2.1.3 Market share

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

bank has a weighted composite index of less than 1 per cent. For the period ended 31st December 2014, there were 6 large banks with a market share of 49.9 per cent down from 52.4 per cent, 16 medium banks with a market share of 41.7 per cent up from 39.1 per cent and 21 small banks with a market share of 8.4 per cent, marginally higher from 8.5 per cent in December 2013. This is shown in table below.



11.2.2 Industry Performance

During the first six months of 2015, the banking sector recorded a profit before tax growth of 8.3% (KES 76.91 billion). Total income increased by 13.7% from KES 199.05 billion in June 2014 to KES 226.32 billion in June 2015. Interest on loans and advances, fees and commissions, and interest on government securities were the major revenue sources accounting for 60.4%, 16.4% and 15.5%, respectively of total revenue.

Interest expense on customer deposits, staff costs and other expenses accounted for 35.6% 26.6% and 22.4%, respectively, of total operating costs in the second quarter of 2015.

Deposits

Deposits made up the largest portion of the sector's

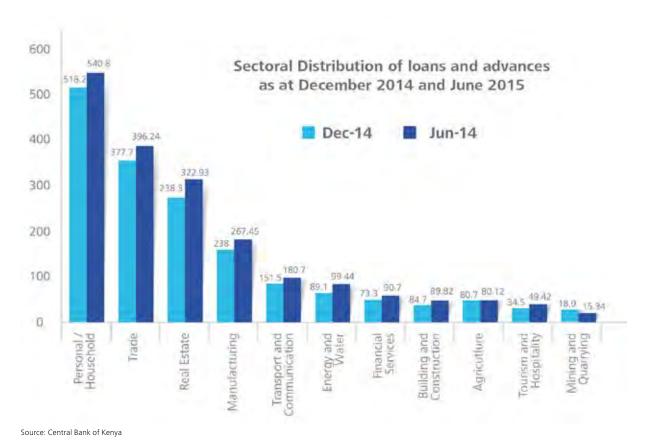
liabilities, accounting for 71.4% of total liabilities in June 2015. Deposits have been on a steady increase due to aggressive mobilization of deposits through alternate delivery channels branch expansion as well as remittances from exports. The deposit base grew from KES 1.94 trillion in December 2013 to KES 2.33 trillion in December 2014, an increase of 20.1 per cent. They further grew to KES 2.57 trillion in June 2015, an increase of 10.3%.

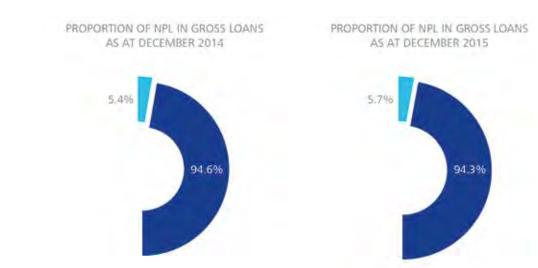
The trend in the growth of deposit accounts is increasing. There were 28.4 million accounts as at December 2014 an increase of 30.28 per cent from the 21.8 per cent as December 2013. June 2015 saw a further increase of 11.26 % to 31.6 million accounts, from the year ending December 2014.

Asset Quality

The non-performing loans in March 2015 amounted to KES 123.9 billion an increase of 15.7% from KES 107.1 billion in December 2014. Year on year, non-performing loans increased by 30.8 per cent from KES 81.9 billion in 2013 to KES 107.1 billion in 2014. The ratio of net non-performing loans to gross loans increased marginally from 2.6 percent in December 2014 to 2.7% in June 2015.

This was a further increase from 1.5 per cent recorded in December 2013. The increase in non-performing loans in Q2 of 2015 is attributed to high lending rates and challenges in the business environment. The sectors that experience the highest NPLs were the Trade and Transport and Communication sectors. The sector with the highest decrease in NPLs in the same period was Personal/Household sector which recorded a decrease of 6.6%.





Source: Central Bank of Kenya

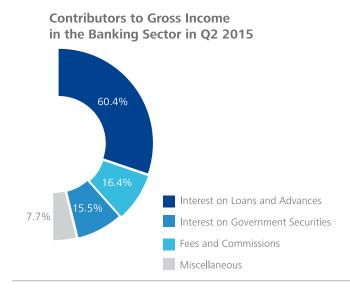
Profitability

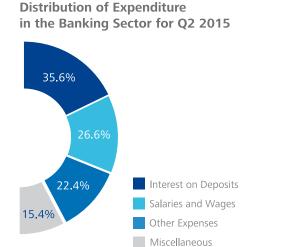
The banking sector registered improved performance in 2014 with profit before tax increasing by 12.2% from KES. 125.8 billion in December 2013 to KES. 141.1 billion in December 2014. The growth in profitability was largely supported by the growth in the credit portfolio, investment in government securities, commissions and earnings from foreign exchange trading. Quarter on quarter, profitability grew by 5.3% from KES 37.61 billion in the quarter ending March 2015 to KES 39.61 billion in the second quarter of 2015.

Total income grew by 15.6% from KES 362.2 billion in the year ending 31st December 2013 to KES 418.7 billion in the year ending 31st December 2014. However, total income between the first guarter of 2015 to the second

quarter of 2015 rose by 5.7% from KES 110.03 billion to KES 116.29 billion. Interest on loans and advances, fees and commissions and interest on government securities were the major sources of income accounting for 60.4%, 16.4% and 15.5% of total income respectively in the second guarter of 2015.

The trend in expenses followed that of total income. In the period between 31st December 2013 to 31st December 2014 expenses grew by 17.4% from KES 236.4 billion to KES 277.6 billion. The industry's expenses increased by 5.4% in the second quarter of 2015 to KES 76.68 billion from KES 72.73 billion. Interest on deposits, salaries and wages and other expenses were the main components of expenses, accounting for 35.6%, 26.6% and 22.4% respectively.





Source: Central Bank of Kenya

Liquidity

As at 30th June 2015, banks' total liquid assets stood at KES 970.1 billion while liquid liabilities stood at KES 2507.3 billion. This yielded to a liquidity ratio of 38.7% compared to a ratio of 39.9% as at March 2015 which is above the regulatory limit of 20%.

11.2.3 Challenges

The following factors pose a challenge to the banking sector in Kenya

Increased Competition

Competition within the banking sector is becoming aggressive as players seek to grow their top and bottom lines. In addition, non-traditional competition from non-

conventional banking entities such as mobile service providers whose products e.g. money transfer service and mobile lending are substitute products for banking services. These developments are likely to revolutionize the way that banking industry players provide their services. This has manifested itself in various partnership with these competitors. For example, Commercial Bank of Africa partnered with the Safaricom to offer loans to customers via their mobile phones.

Regulatory Capital Requirements

The Government of Kenya, in the current year fiscal budget proposed that banks increase their minimum core capital from KES 1 billion to KES 5 billion by 31st December 2018. As at 31st December 2014, 21 banks

had core capital of less than KES 5 billion and this could trigger capital raising efforts and industry consolidation in a bid to meet the new core capital requirement.

Accessibility of Banking Services

To get services closer to their customers, banks have been forced to invest in various delivery channels such as branches, information technology equipment for electronic delivery channels such as internet and mobile banking.

11.2.4 Opportunities

Many opportunities remain in the banking sector:

Regional Expansion

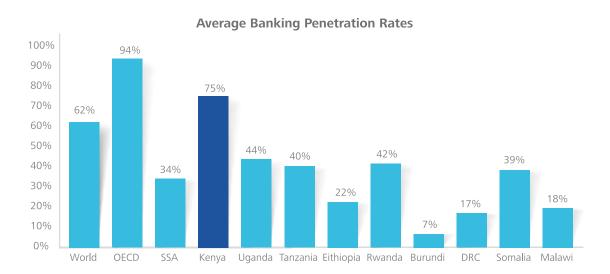
Highly unbanked emerging markets within and without the region provide an opportunity for banks to expand. These markets include South Sudan, and Democratic Republic of Congo which had about 15% and 17% banking penetration rates as at 2014 (World bank, 2014).

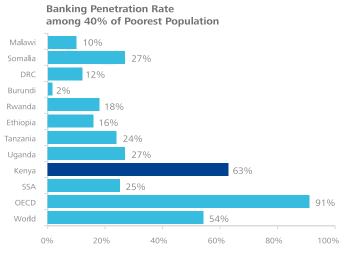
Mobile Phone Banking

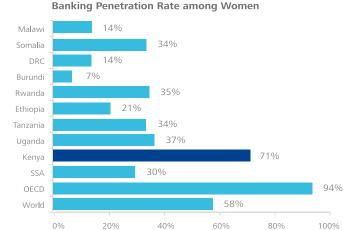
Mobile phone banking is an increasingly growing phenomenon and banks have the opportunity of expanding their services to suit this distribution channels. Loan dissemination via mobile phones has been well received by the market. It also offers an alternative to reach the unbanked population.

Unbanked Population

Although over recent years the number of unbanked people has been reducing, there still exists a large pool of people who have no access to financial services especially the poor, women and the youth. As seen in the table below many African countries' penetration rates remain below the world average.







Source: World Bank

A growing SME Market

Small and medium size enterprises have developed considerably over the last ten years both in number and economic scale. Research has indicated that SMEs contribute about 45% of the Kenyan GDP. The growth provides the banks with a perfect opportunity as a number of SMEs continually demand financial services.

Agency Banking

Agency banking, a concept introduced to the banking sector by Central Bank of Kenya in 2010, allows banks to offer limited services through retail business outlets that are not banks and do not offer financial services e.g. supermarkets, chemists etc. This enables banks extend financial services to a wider population in areas where having a physical bank branch is not viable.

Emerging Needs such as Insurance Premium Financing

In January 2008, a change in the law compelled insurance companies to issue insurance certificates and effect policy covers upon receipt of full premium payment for the duration that the cover/policy is in effect. This provided an opportunity for banks to offer credit facilities.

Technology

Technological advancement and stiff competition in the banking industry has led to major implementation of technology such as internet and mobile banking applications. This has impacted positively on the industry i.e. through reduced transaction time, and better customer experience. Banks are using social media to advertise but also receive customer feedback.

11.2.5 Recent developments

Kenya Bank's Reference Rate (KBRR)

Kenya Bank's Reference Rate, introduced in July 2014, was aimed at forming a uniform base lending rate across the banking sector to enable consumers compare the pricing of loan products. The objective of this is to increase transparency, competition, enhance credit access and lower the overall cost of credit to borrowers.

Credit Reference Bureaus

The credit information sharing mechanism has continued to expand since its launch in July 2010.

The cumulative number of credit reports requested by institutions stood at 7,545,757 in June 2015 up from 6,098,916 reports in March 2015. Over the same period, the number of reports requested by customers increased from 101,288 to 111,633.

The number of credit reports requested by banks increased from 826,921 in the quarter ending March 2015 to 1,446,841 reports requested in the quarter ending June 2015. Credit reports requested by customers decreased from 12,752 to 10,345 over the same period.

Agency Banking

Since the rollout of the agency banking model in May 2010, commercial banks have continued to contract varied retail entities to offer basic banking services in compliance with the laid down guidelines. As at 30th June 2015, there were 17 commercial banks that had contracted 36,080 active agents which had facilitated over 175.4 million transactions valued at KES 930.1 billion. The number of banking transactions undertaken through agents increased from 13.4 million registered in the quarter ending March 2015 to 25.9 million transactions registered in the quarter ending June 2015. The number of transactions increased from KES 57.9 million in the year 2014 from KES 42.05 million in 2013 an increase of 37.9%. The value of banking transactions undertaken through agents increased from KES 74.7 billion to KES 112.7 billion in the second guarter of 2015. There was a marked improvement in the cumulative number transactions in the year 2014 from KES 236.2 billion in 2013 to KES 752.47 billion.

Microfinance Banks

As at 30th June 2015, there were 12 Microfinance Banks (MFBs) in operation up from 10 as at March 2015. The 2 new Microfinance institutions in this quarter are Choice Microfinance Bank Ltd and Daraja Microfinance Bank Ltd. MFBs had granted loans and advances worth KES 43.3 billion compared to KES 41.1 billion registered in March 2015 translating to a growth of 5.4%. At the end of 2013, there were 9 micro finance banks with gross loans and advances of 27.5 billion.

The MFBs deposit base stood at KES 39.7 billion as at June 2015 representing a rise of 0.8% from KES 39.4

billion in December 2014. As at December 2013, this stood at KES 24.7 billion. The long-term borrowings by the MFBs decreased from KES 9 billion in 2013 to KES 6.9 billion in December 2014 and further to KES 8.1 billion in March 2015 signalling increased reliance on deposits as a source of funding customers' loans. The number of MFBs deposit accounts and loan accounts stood at 2,366,799 and 434,752 respectively in June 2015 compared to 2,254,591 deposit accounts and 457,631 loan accounts registered at end of December 2014 and 1,946,859 deposit accounts and 456,470 loan accounts in December 2013. The increase in MFBs deposit accounts was as a result of enhanced deposit mobilisation efforts while the reduction in loan accounts was due to introduction of 5 new products that necessitated merging of some existing loan accounts.

Capital Buffers

Based on the Basel pronouncements on capital buffers, the CBK introduced in 2013 a capital conservation buffer of 2.5% above the minimum regulatory core and total capital ratios of 8% and 12% respectively, which became effective on 1st January 2015. This brought the core and total capital ratios to 10.5% and 14.5% respectively, which every bank must maintain at all times. Kenyan banks have been building these buffers over the last 24 months. The buffers have enabled the banks to absorb additional loan loss provisions required for the slight increase in Non-Performing Loans (NPLs)

registered in 2014. For those with no increases in NPLs, the buffers have enhanced their resilience. The capital buffers have therefore contributed to the stability of the Kenyan banking sector. In view of the current levels of NPLs, the enhanced capitalization will not only provide an additional cushion but will also boost the capacity of Kenya banking sector to grow in the future, thus giving the banking sector a strong rating.

11.2.6 Future Outlook

The Kenyan banking sector is expected to remain stable and resilient in the remainder of 2015. The capital buffer requirement that took effect from January 2015 will enhance the resilience of the banking sector as banks explore new opportunities in Kenya and beyond.

12. Family Bank Business Overview

12.1 BACKGROUND

Family Bank Limited is a fully fledged commercial bank, licensed and operating 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 Deposit Protection Fund (DPF) and a full member of the Kenya Bankers Association (KBA).

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 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.

From only one branch in 1985, the Bank has grown over time and currently enjoys a network of 86 branches countrywide, the 5th largest branch network in the country according to data from Central Bank of Kenya. 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.

For the first time ever, the Bank hit the one billion shilling mark in net profits in 2013. At the same time, the Bank more than doubled its pre-tax profit – recording an impressive 108% growth to KES 1.8 billion. At the time, this was the best ever performance since conversion to a bank in 2007.

The Bank now has over 1.6 million customers with a balance sheet exceeding KES 72 billion and a deposit base in excess of KES 55 billion. Furthermore, the Bank is leveraging on the successful adoption of the universal banking model which aims at gradually positioning the Bank as a one stop-shop providing retail & consumer products, SME, agribusiness, corporate banking and Trade Finance and insurance products.

Family Bank is also leveraging the devolved system to further drive growth in customers. The expansion is in line with the county banking roadmap aimed at optimizing the devolved governance structure.

The Bank has received numerous awards including the Fastest Growing Bank based on Financials, Best Bank in Micro-Finance, 1st Runner-up in the Think Business Magazine Awards in 2013 & 2014 and recognized as the Best Farmers Bank in Kiambu and Laikipia counties. The Bank emerged the 2nd best financial services provider in Kitui County during the Kitui Agricultural Trade Fair. The Bank was also recognized by VISA International for having the 'Best VISA Marketing/VISA Brand Awareness' Campaign with the catchy tagline – "The way to pay everyday" – for its EMV Visa Card.

12.2 SUBSIDIARIES/RELATED COMPANIES12.2.1 Dhamana Insurance Agency Limited

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.

12.2.2 Family Insurance Brokers Limited

Family Insurance Brokers Limited will be wholly owned

by Dhamana 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 on insurance brokerage business by the Insurance Regulatory Authority.

12.2.3 Family Group Foundation

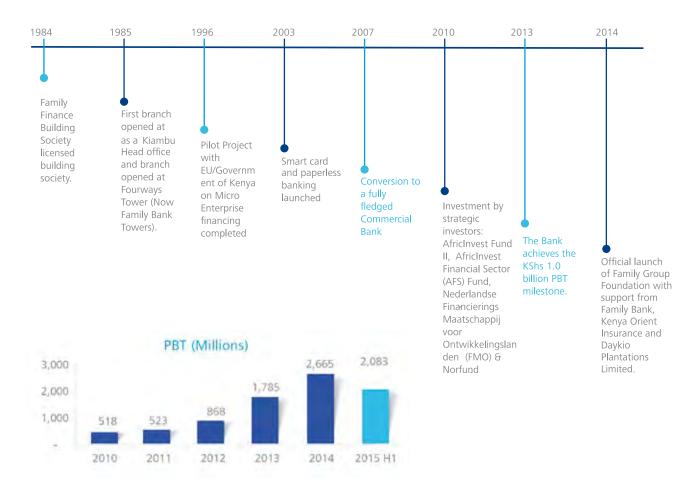
Family Bank Foundation Limited was incorporated on 1st October 2012 as Family Bank Foundation Limited and later changed its name to Family Group Foundation on 11th October 2013. The Foundation is a related party. The key objects for which Family Group Foundation was incorporated are as follows:

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;
- 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.

12.3 KEY MILESTONES



12.4 EMPLOYEES

As at 31th July 2015, the Group had a total workforce of 1,884 employees comprising 1,701 permanent staff and 183 temporary staff. The breakdown by entity is shown below:

Organization	Permanent	Temporary
Family Bank Limited	1,669	171
Dhamana Insurance Agency Limited	30	12
Family Group Foundation	2	-
Total	1,701	183

12.5 PRODUCTS AND SERVICES

Family Bank 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 corporate, SME and Micro sectors as well as consumers.

The major services and products currently on offer are:

12.5.1 Accounts

- Mwananchi Account: The Mwananchi account is open to individuals of all walks of life and occupations. It's a no ledger fees account that is designed to make your banking life cheaper and convenient. It's a hassle free (paperless) banking service and convenient banking, money through Pesa Pap mobile banking. It also provides access to various loan 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 provides access to salary based loans and advances.
- 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 secure various bank loans and facilities. No minimum balance is required for the account and personal accident insurance is also provided with this account.
- Mdosi Junior Visionary 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.

- 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.
- Call & Fixed Deposit account: From time to time, customers might have unutilized funds in the current accounts. At intervals suitable to the customer, and upon their instructions, the Bank invests these surplus funds in term deposit accounts. These funds are invested for appropriate tenures structured to suit their specific needs while providing competitive interest rates.
- Scholar Visionary 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 low opening balance, no account maintenance fee and personal accident benefit is also available for this account.
- Maestro Visionary Account: This account is tailored for young professionals aged between 18 and 26. It's an account for people with big plans and who need a serious account that offers cool benefits to match their lifestyle. It's an affordable account with low opening and minimum balances and no maintenance fees.
- Extra Cool Visionary Account: This account is specifically tailored for young people between the ages of 12 and 18 and offers the benefit of a VISA card. It has features such as low opening and minimum balance and no account maintenance fees. It's an account for creative, intelligent and responsible people matched to their personality and looking for their own financial space to a

great future and the account provides youth financial literacy seminars to account holders. The account can be opened by a parent or guardian at any Family Bank branch countrywide.

- 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 Account: Jenga Bizna is an account specifically tailored for micro businesses, startups and for Jua Kali artisans and other low scale businesses. It has features as no opening balances, no ledger fees, no limitation on withdrawals and no minimum operating balances. It also provides access to micro credit loans.
- Chuo Account: This is a current account that enables schools to manage their day to day transactions and also provides access to development loans. The Chuo account can be used for channelling; CDF Funds, School Collection Account, Government Support Programme Funds and School Transport Accounts.
- The 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.
- Fortune Investment Account: This account is designed for formal and informal groups such as chamas, self-help groups, welfare groups, partnerships; investment groups to have a savings account for wealth creation and welfare activities of its members.

12.5.2 Corporate Banking

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.

12.5.3 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.

12.5.3.1 Treasury products

- **Spot Deals:** At Family Bank, clients can buy and sell foreign exchange at competitive rates.
- Forward Contracts: this is a hedging instrument which can be used by clients for purchases or sale of foreign currencies for delivery / receipt at a future date normally between 1 to 6 months.
- **Currency Swap:** This product can assist enhance liquidity in a particular currency using surplus funds in a different currency.
- Treasury Bills and Bonds Investment: Family Bank invests in T-Bills and Bonds on behalf of the client at a small commission.
- Market Information: Family Bank will keep clients updated on market information on currency trends free of charge.

12.5.4 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.
- Owner Occupier: Customer identifies the house they want to live in and Family Bank finances it.
- Construction Loans: Customers with land can get financing to construct.
- **Plot Loans:** Family Bank will help the customer buy land for future developments.
- **Diaspora Mortgages:** Kenyans in the Diaspora can simply and securely purchase property.

- Estate Development: Developers who intend to put up houses for sale can get financing.
- Equity Release
- Company Schemes: Employers can access subsidized mortgage plans for their employees.

12.5.5 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.

12.5.6 Loans

Family Bank offers a wide range of loans to both individuals and corporates. These loans are outlined below:

12.5.6.1 Consumer Loans

- Salary loans: This loan is ideal for those who earn a regular salary income through their employment. The loan can be used for schools fees, medical bills, purchase of household items, spare parts etc.
- Check –off Loans: These loans are available to all employees whose employers have signed an agreement to process and remit the monthly instalments directly to the Bank.

12.5.6.2 Micro credit loans

 Biashara Boost: This is a micro credit loan facility targeted towards small to medium enterprises that require loans for working capital. It has features such as flexible security requirements, insurance cover against death and disability and competitive interest rate is charged on the loans.

- Jenga Bizna Loans: The Jenga Bizna loan is designed to cater for financing requirements of the micro business men and women with little or no security. It targets all entrepreneurs (men and women) of 18 65 years who have been in business continuously for a minimum period of 6 months and are in groups of 5 to 20 members. It has features such as flexible security requirements and competitive interest rates are charged.
- Maridadi Boost Loans: Family Bank recognizes
 the role and potential of women in shaping and
 realizing a better future for our country. That's
 why the Bank has partnered with The Women
 Enterprise Development Fund to provide this loan
 to customers. It is accessible to both individuals
 and women groups.
- Vijana Boost Loans: To qualify for the Family Bank Vijana Boost, one must be Kenyan, aged 18 35 years and an account holder with Family Bank. The Loan is available to both male and female whether as individuals or in groups. Interest rates are as low as 8% with flexible security requirements. The payments are insured in case of death or permanent disability.

12.5.6.3 SME Loans & Services

- **Business Loans:** Family Bank will provide financing for its customers with loans for working capital, to acquire capital assets, property, for buying plots and construction. The loan is available to all business customers maintaining active accounts. It has features such as competitive interest rates, flexible loan amounts to meet the customers' requirements, flexible security requirements and flexible loan repayments.
- Chama Loan: The purpose of this loan is to enable formal and informal groups such as chamas, selfhelp groups, welfare groups, partnerships and investment groups to acquire loans for wealth creation and welfare activities for its members.

This loan product is ideal for organized groups of 5-35 members who have opened an account in Family Bank and registered their group formally or informally

12.5.6.4 Agribusiness loans

This product is available to farmers to boost their agricultural production. They include: Majani plus loans, Biogas Financing, Dairy Financing Loan etc.

12.5.7 Asset Financing

This product is available to account holders to assist them acquire moveable assets mainly motor vehicles like private cars, pickups, buses and lorries. Others assets include: tractors, heavy earth moving equipment, machinery, motor cycles etc.

12.5.8 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:

- Letters of credit
- LPO financing
- Guarantees
- Collections
- Avalized Bills and trade loans.

12.6 Branch Network

Family Bank has the 5th largest branch network in Kenya cutting across major urban and rural centres in the country. These are represented below:

County	No. of Branches	Location	
Nairobi	28	Cargen Branch	Moi Avenue
		Dagoretti Branch	Dagoretti Corner
		Donholm Branch	Outering Road
		Family Bank Towers Corp	Muindi Mbingu Street
		Family Bank Towers Retail	Muindi Mbingu Street
		Gateway Mall Nbi Branch	Mombasa Road
		Gikomba Area 42 Branch	Area 42, Gikomba
		Gikomba Branch	Jogoo Road
		Githurai Branch	Githurai Roundabout
		Industrial Area Branch	Opp Gk Prisons
		Kagwe Branch	Muindi Mbingu Street
		Kariobangi Branch	Kariobangi Light Industries
		Kasarani Branch	Kasarani
		Kayole Branch	Njuricheke Road
		Kenyatta Avenue Branch	Pan Africa Hse-Kenyatta Avenue
		Kilimani Branch	Agwings Kodhek Rd, Yaya Kobil Petrol Station
		Ktda Corporate Branch	Ktda Plaza 5th Floor, Moi Ave/Ronald Ngara
		Ktda Retail Branch	Ktda Plaza Ground Floor, Moi Ave
		Laptrust Nbi Branch	Haile Selassie Avenue
		Nbi City Hall Branch	City Hall
		Ngara Branch	Park Road
		Ongata Rongai Branch	Ongata Rongai
		River Road Branch	River Road Nairobi
		Ruaka Branch	Ruaka
		Sonalux Branch	Sonalux House Moi Avenue
		Tom Mboya Branch	Tom Mboya St., Nipuil Shah Building
		Utawala Branch	Utawala
		Westlands Branch	Woodvale Groove
Kiambu	10	Banana Branch	Banana, Limuru Rd
		Gatundu Branch	Gatundu-Mangu Road
		Githunguri Branch	Family Finance Bldg., Kagwe Road
		Kangari Branch	Family Finance BldgKangari Town
		Kiambu Branch	Bishop Magua Hse-Biashara Street
		Kikuyu Branch	Kikuyu Town
		Limuru Branch	Family Finance Building, Tigoni Road
		Ruiru Branch	Ruiru Town, Wamikey Building
		Thika Branch	Bonie Kiumu Towers, Uhuru Street
		Thika Makongeni Branch	Thika
Mombasa	5	Bamburi Branch	Bamburi
		Mombasa Digo Branch	Digo Road, Mombasa
		Mombasa Kenyatta Avenue	Kenyatta Avenue

County	No. of Branches	Location	
Mombasa		Nkrumah	Kenyatta Avenue
		Ukunda Branch	Ukunda
Nakuru	4	Molo Branch	Family Finance Building, Mau Summit Road
		Naivasha Branch	Biashara Road.
		Nakuru Finance Branch	Finance Hse, Kenyatta Avenue
		Nakuru Market Branch	Njoro Hse, Bodeni Road
Muranga	3	Kangema Branch	Boyo Hse, Kangema-Kiria-Ini Road
		Kiria-Ini Branch	Kiria-Ini-Kangema Road
		Muranga Branch	Uhuru Street Muranga'a Town
Nyeri	3	Karatina Branch	Karatina
		Nyeri Branch	Kimathi Street
		Othaya Branch	Family Finance Building, Othaya-Nyeri Rd
Kajiado	2	Kajiado Branch	Kajiado Town
		Kitengela Branch	Kitengela Kajiado Road
Kericho	2	Kericho Branch	Temple Road, Kericho Town
		Litein Branch	Litein
Kirinyaga	2	Kerugoya Branch	Family Finance Building-Karatina Road
		Mwea Branch	
Kisumu	2	Kisumu Express Branch	Al Imran Building, Oginga Odinga Rd
		Kisumu Reliance Branch	Reliance Building, Oginga Odinga Rd
Meru	2	Meru Branch	Njuricheke Road
		Nkubu Branch	Meru, Nairobi Road
Nyandarua	2	Nyahururu Branch	Kenyatta Avenue, Nyahururu
		Ol Kalou Branch	Ol Kalou
Uasin Gishu	2	Eldoret Branch	Aziz Akibar Building, Kenyatta Street
		Eldoret West Branch	Eldoret
Bomet	1	Bomet Branch	Bomet Town
Bungoma	1	Bungoma Branch	Ushirika House, Moi Street
Busia	1	Busia Branch	Busia Kisumu Highway
Embu	1	Embu Branch	Shah Villa Building-Kenyatta Highway, Embu Town
Kakamega	1	Kitengela Branch	Kakamega Town
Kisii	1	Kisii Branch	Umoja Complex, Opp. Magsons Plaza
Kitale	1	Kitale Branch	Tanna Hse, Oginga Odinga Rd
Kitui	1	Kitui Branch	Muindi Mbingu Street
Laikipia	1	Nanyuki Branch	Nanyuki
Machakos	1	Family Plaza	Ngei Road, Next To Mobil
Malindi	1	Malindi Branch	Malindi
Migori	1	Migori Branch	Migori
Mtwapa	1	Mtwapa Branch	Mtwapa
Mumias	1	Mumias Branch	Nabaleka House, Mumias Road
Nandi	1	Kapsabet Branch	Former Teachers Sacco
Narok	1	Narok Branch	Narok Town
Nyamira	1	Nyamira Branch	Gesarate Complex Building
Tharaka Nithi	1	Chuka Branch	Chuka
Total	86		

12.7 ACCOLADES

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

2015

- 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

2014

- 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.

2013

- 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)

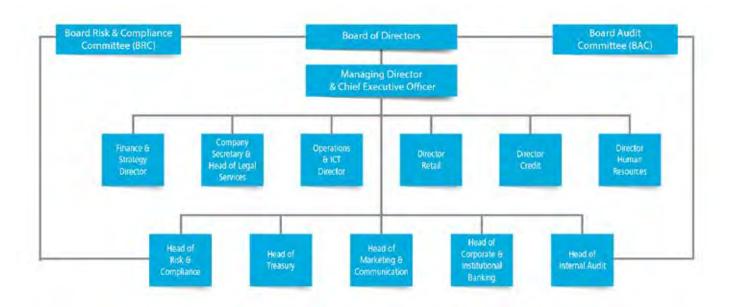
2011

- 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

2010

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

12.8 ORGANIZATION STRUCTURE



12.9 DIRECTORS

The summary profiles of the directors of the main Board of the company are as follows:

Family Bank Board of Directors

Wilfred D. Kiboro

Age: 71 *Chairman*

(Non-Executive, Independent)

Mr. Kiboro holds a Bachelor of Science (Civil Engineering) from the University of Nairobi and he began his engineering career with Shell and Esso where he rose through the ranks to head the Sales and Marketing functions. He was later appointed as Managing Director of Rank Xerox, and he is the immediate former Chief Executive Officer of the Nation Media Group where still serves as Chairman.

Mr. Kiboro is also a member of the Board of Air Uganda Limited, and is the Chancellor of Riara University and a Trustee of the Rhino Ark, a charitable trust founded in 1988 to support conservation in Kenya.

Mr. Kiboro has received various accolades including being a Member of 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, and the National Environmental Management Authority (NEMA).

Titus K. Muya

Age: 72 *Director*

(Non-Executive, Independent)

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 Bank 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.

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.

Prof. David Kimutai arap Some

Age: 59 *Director*

(Non-Executive, Independent)

Prof. Some is the Chief Executive Officer of the Commission on University Education, and is a former Vice Chancellor of Moi University, Eldoret. He holds a PhD from University of Newcastle – upon Tyne, U.K., M.Sc from Cranfield University and B.Sc. (Hons) University of Newcastle-upon Tyne, UK. A former Vice chancellor of Moi University, Prof Some is a member of a number of boards including the Higher Education Loans Board, Kenya Polytechnic Board of Governor among others. He has also served as a member and founder chairman Board of Kenya Medical Training Colleges as well as ApproTEC, (Makers of Water pump) (Moneymaker) and oil presses. He is also the Collaborating Editor of the Journal of Agricultural Mechanization in Asia, Africa and Latin America.

David Kimani

Age: 61 *Director*

(Non-Executive, Independent)

Mr. Kimani holds a B.Sc. Degree in International Business from USIU-Africa and an MBA in Finance from Maastricht School of Management. He is also a Certified Public Accountant (CPA-K), a Certified Public Secretary (CPS) and holds a Higher Diploma in HR from the Institute of Human Resource Management.

He has a wealth of experience in auditing, financial management, treasury and general management, and he held various senior management positions for over 20 years. He served as the Finance Director of Kenya Tea Development Agency (KTDA) for 5 years and thereafter as Managing Director of Chai Trading Company Ltd for almost three years, and as a consulting Director of KTDA. He is currently a lead consultant / Director with Superior Concepts Management Consultants. He is also a director of Kenya Orient Insurance Limited.

Dr. Ruth Waweru

Age: 50 *Director*

(Non-Executive, Independent)

Dr. Waweru holds a Bachelor of Education from Kenyatta University, an MBA from University of Nairobi and a Doctorate Degree in Business Administration from Nelson Mandela Metropolitan University in South Africa.

She is a professional consultant in various facets such as: strategy formulation, organizational development, human resource management and research. Ruth has provided consultancy services to corporations, private sector, national governments and bilateral organizations including the World Bank and the European Union. She has provided services in many African countries such as South Africa, Ethiopia, Uganda, Tanzania and the Republic of South Sudan. Ruth's experience has seen her transition from managerial roles at the Kenya Institute of Management to heading Liaison Consulting Limited where she is the Chief Executive Officer. She serves in the boards of: OIKOCREDIT, Partners Worldwide, Kenya Orient Life Insurance Limited and All Africa Conference of Churches and is Founder Director of Brookhurst International school.

Lerionka S. Tiampati

Age: 52 *Director*

(Non-Executive, Independent)

Mr. Tiampati holds a postgraduate degree (MSc.) in Marketing and Product Management from the Cranfield Institute of Technology (Cranfield University) in the United Kingdom, a diploma of the Chartered Institute of Marketing (DIPM) from the United Kingdom and undergraduate degree in Business Administration (B.Com) from the University of Nairobi.

He is the Managing Director & Chief Executive Officer of Kenya Tea Development Agency Holdings Limited. Prior to taking up his current role, he was the Chief Executive Officer of the Kenya Tea Packers Limited (KETEPA), and he previously worked as the Head of Marketing at the Standard Chartered Bank, Marketing Development Manager at Magadi Soda Company and Head of Marketing at the Agricultural Development Corporation. Mr. Tiampati sits on the board of the East Africa Tea Trade Association, The Standard Newspapers Group and a number of KTDA subsidiary companies. He also holds the national distinction, Moran of the Order of the Burning Spear.

Julius Brian Kiondo Muyah

Alternate to Titus K. Muya Age: 43

Director

(Non-Executive, Independent)

Mr. Muyah holds a Bachelor's Degree in Economics from Syracuse University, New York, and is a seasoned marketer with over 15 years' experience in both the Unites States and Kenya. He has extensive knowledge in business development, service delivery management, product development, strategy implementation and staff training, development and motivation. Julius headed the sales and marketing department during the conversion of Family Finance Building Society into a commercial bank during which time he spearheaded the development of new products and services.

He is also Chairman of Kenya Orient Insurance Limited and Daykio Plantations Group, a real estate company, and is the founder Director of Ingenious Concepts - an outdoor advertising and marketing firm in Kenya.

Francis Gitau Mungai

Age: 58 *Director*

(Non-Executive, Independent)

Francis Gitau Mungai holds a Masters 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.

He has vast experience spanning over 30 years and 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 member of the Board of Directors of NHC where he serves as the Chairman of the Technical Committee. He is also a lecturer at the University of Nairobi, Architecture and Building Sciences Department where he focus on both Architectural and Urban Design Studios, as well as Professional Practice and Management.

Peter Munyiri

Age: 50

Managing Director and CEO (Executive, Non-Independent)

Mr. Munyiri holds a BA Honors degree in Economics from the University of Nairobi and an EMBA from Jomo Kenyatta University of Agriculture and Technology. Mr. Munyiri is an Associate member of the Chartered Institute of Bankers UK (ACIB), a Fellow of the Kenya Institute of Bankers (FKIB) and Alumni of Oxford University (Said Business School), INSEAD (France) and Strathmore Business Schools. He has also trained in the World Bank headquarters (Washington DC).

He has wealth of experience in banking and strategy execution spanning over many years having previously worked at Executive levels with Kenya Commercial Bank (KCB), Co-operative Bank of Kenya, Standard Charted Bank and Barclays Bank of Kenya. His experiences cuts across several Pan African markets including market entry strategies. Among key highlights in his career path is leading a major transformational project for a big bank in several markets in East Africa together with McKinsey and Company, the global management consultancy firm.

His last appointment was the Deputy Group Chief Executive Officer with the Kenya

Commercial Bank where he was a member of the Boards of the several group companies. He is a member of Governing Council Kenya Bankers Association.

He has also served as council Member of the Kenya Institute of Bankers and Pan African Christian University. He holds a Head of State Commendation (HSC) for his contribution to the growth of the Kenyan Banking Industry and transformation of small businesses in East Africa through financial intermediation.

Mark Keriri

Age: 41

(Executive, Non-Independent)

Mr. Keriri has over 17 years' experience working in the Information Technology field in both Kenya and the USA. He has emerged as a key influence and policy maker Operations & Technology Director in the development of ICT banking systems in Kenya and successfully managed the complete implementation of the Flexcube System at Family Bank, giving Family Bank a major competitive edge. Prior to joining Family Bank, Keriri worked as a system programmer and specialist for PNC Bank in Pittsburgh, Pennsylvania, USA, beginning his now long-standing relationship with ICT banking systems. In recognition of his achievements in enterprise IT deployment, Keriri recently became a CIO100 honoree and steered Family Bank's win of ICTAK's 'Best Use of ICT' in Banking 2013 and 2014. In addition, Keriri introduced and oversees mobile banking and quick and secure money transfer services.

Njung'e Kamau

Age: 46

Finance and Strategy Director (Executive, Non-Independent)

Njung'e Kamau is the Finance & Strategy Director of the Bank. He joined the Bank as a Finance Manager. He has 24 years extensive local and international professional working experience in Advanced Global Finance, Strategy, Banking, Treasury, Company Secretarial, Procurement & Logistics, Audit and Business Risk Assurance & Compliance in Banking and other global diverse business environments. He commenced his career with Ernst & Young and also worked with Lonrho Africa Plc as a Senior Auditor covering 14 countries and UK.

He has also worked with East African Breweries Limited as Manager, Audit & Business Risk Assurance. Prior to joining Family Bank, Njung'e was the Head of Finance at Equity Bank. He holds an MBA in Finance and a B.Com Degree (Accounting Option) from The University of Nairobi. He is also a Certified Public Accountant (CPA-K), Certified Public Secretary (CPS-K) from Strathmore University and a member of ICPAK and ICPSK. He is also a Certified Financial Modeller (CFM) from The International Academy of Financial Management from (Dubai, UAE & Hongkong). He also studied a course on Macroeconomics of Competitiveness of Nations and Creating & Sustaining Superior Performance from Havard University Business School's Institute for Strategy & Competitiveness led by Prof. Michael Porter and The World Bank / CGAP training in the USA. He further studied at The International Banking Summer School (IBSS) in Australia and also did an Effective Director (ED) & Advanced Management Programme (AMP) from Strathmore University, Lagos University and IESE – Barcelona, Spain University. His experience of studying and working in many diverse international markets equipped him with invaluable knowledge in global corporate governance standards and best practices as well as establishing vital global business networks / contacts. In addition, he possess strong leadership, interpersonal, communication, negotiating, numerical, financial and analytical skills.

Rebecca Mbithi

Age: 40

Company Secretary and Head of Legal

(Executive, Non-Independent)

Miss Mbithi was appointed Company Secretary & Head of Legal in January 2015. She holds a Bachelor of Laws (LLB) Degree from the University of Nairobi and a Masters in Business Administration from United States International University. She is a Certified Public Secretary and a Certified Public Accountant.

Rebecca has over fourteen years' experience in legal and Company Secretarial practice both as an advocate and also at top management level in two large organizations. She served as Head of Legal and Regulatory Affairs in Kenya Tea Development Agency Ltd for four years before joining Rift Valley Railways as the Company Secretary and Legal Counsel for five years. She has vast experience in corporate governance and has served in the Corporate Governance and Standards Committee of the Institute of Certified Public Secretaries Kenya.

12.10 SENIOR MANAGEMENT

Family Bank Senior Management

Family Bank Senior Management

Peter Munyiri

Age: 50

Managing Director and CEO

Mr. Munyiri holds a BA Honors degree in Economics from the University of Nairobi and an EMBA from Jomo Kenyatta University of Agriculture and Technology. Mr. Munyiri is an Associate member of the Chartered Institute of Bankers UK (ACIB), a Fellow of the Kenya Institute of Bankers (FKIB) and Alumni of Oxford University (Said Business School), INSEAD (France) and Strathmore Business Schools. He has also trained in the World Bank headquarters (Washington DC).

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Mark Keriri

Age: 41

Operations and Technology Director Keriri has over 17 years' experience working in the Information Technology field in both Kenya and the USA. He has emerged as a key influence and policy maker in the development of ICT banking systems in Kenya and successfully managed the complete implementation of the Flexcube System at Family Bank, giving Family Bank a major competitive edge. Prior to joining Family Bank, Keriri worked as a system programmer and specialist for PNC Bank in Pittsburgh, Pennsylvania, USA, beginning his now longstanding relationship with ICT banking systems. In recognition of his achievements in enterprise IT deployment, Keriri recently became a CIO100 honoree and steered Family Bank's win of ICTAK's 'Best Use of ICT' in Banking 2013 and 2014. In addition, Keriri introduced and oversees mobile banking and quick and secure money transfer services.

Njung'e Kamau

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> He has also worked with East African Breweries Limited as Manager, Audit & Business Risk Assurance. Prior to joining Family Bank, Njung'e was the Head of Finance at Equity

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David Thuku

Age: 49

Director Retail Banking

David was appointed Director of Retail Banking in January 2013

David is a career Retail Banker with over 25 years' experience mainly from Barclays Bank and Standard Chartered Bank. David started off as a Management Trainee at Standard Chartered in 1990 and navigated through senior management roles in Marketing, Investment Management, Project Management, Product and Sales Innovation, Risk Management, Branch Management, Training & Competency Development and business re-engineering. His last roles at Barclays Bank before joining Family Bank included serving as the Head of Secured Lending, Head of Business Banking and Retail Director at Barclays Bank Seychelles. An Associate of the Marketing Institute of Singapore (AMIS), David holds a bachelor's degree in

Education from Kenyatta University, MBA in Finance from University of Nairobi, Post-Graduate Diploma in Marketing of Financial Services from the Marketing Institute of Singapore, An Intermediate Diploma in Executive Coaching from the Academy of Executive Coaching, UK and is currently pursuing a Doctorate in Business Administration (DBA) from the University of Liverpool, UK.

John Wamwati

Age: 47

Human Resources Director

John joined Family Bank in May 2014. Prior to that John worked at Equity Bank Ltd. He has over 20 years general management experience as a Human Resource specialist. He has also worked at UAP Insurance Company and APA Insurance Company amongst other blue chips. He holds an MBA in Strategic Management and Bachelor of Arts degrees both from the University of Nairobi.

He also holds a Higher Diploma in Human Resource Management from the Institute of Human Resource Management and a Higher Diploma in Business Management from Kenya Institute of Management. Mr. Wamwati has also completed an Executive Diploma in Industrial Relations from United States International University.

Raphael Ndunda

Age: 43

Head of Risk & Compliance

Raphael Joined Family Bank in March, 2013 as the Head of Risk Management and Compliance. Prior to Family Bank he worked for Central Bank of Kenya where he rose through the ranks to become a Team Leader in the Bank Supervision Department. He has over 15 years' experience in Banking, Risk Management and Finance most of which was served at Central Bank.

Raphael holds a Masters of Business Administration (MBA) degree and a Bachelor's degree in Commerce both from Kenyatta University. He is a Certified Public Accountant - CPA (K) and is a member of the Institute of Certified Public Accountants of Kenya (ICPAK), International Association of Risk & Compliance Professionals (IARCP) and Kenya Institute of Management (KIM). He has attended various courses both locally and abroad in the field of banking, Risk Management and Compliance.

Roseanne Wanjiru Ndungu

Age: 34

Head of Treasury

Roseanne was appointed as the Head of Treasury in December 2013.

She oversees the Asset and Liability Management function of the bank and also ensures that all related risks are managed adequately in all the trading activities so as to achieve the set revenues.

She has over 10 years' experience in financial and asset liability management, having served as the ALM head at Ecobank (K) Ltd and as Head of Treasury at Equatorial Commercial Bank.

She holds a Bachelor of Science degree in Mathematics from the University of Nairobi and is a Certified Public Accountant (K).

Ruth Murage

Age: 42

Head of Institutional Banking and Cash Management

Ruth was appointed Head of Institutional Banking & Cash Management in August 2011.

Ruth is a seasoned banker with over 12 years working experience in Liability management. She started her career at Co-operative Bank of Kenya as a graduate trainee then moved up the ladder to Operations, Customer Service, Marketing, Brand Analysis and Institutional Banking and Liability Management.

Her last assignment prior to joining Family Bank was at the KCB Group where she was a Senior Corporate Relationship Manager in Institutional Banking.

Ruth holds a Master of International Business Administration (Strategic Management) USIU-A, BA (Economics & Government) UoN. She is also a member of the Kenya Institute of Bankers.

She has attended several courses in Leadership, Client Relationship Management, Marketing of Financial Services and Financial Negotiations.

Caroline Gichuru

Age: 40

Head of Marketing & Corporate Communications Caroline was appointed Head of Marketing and Corporate Communications at Family Bank in August 2015. She has 15 years' marketing experience mainly in the telecommunications sector.

Carol mastered advertising at TBWA\Creative Nairobi then moved to Uganda to set up of Redsky Uganda another advertising agency handling Uganda Telecom as Group Account Director. In January 2009 she moved to Warid Telecom as Brand Manager and in July 2010 moved to Safaricom Ltd where she contributed to the growth of the brand for 5 years under various capacities including Senior Manager – Advertising and Senior Manager – Brand Specialist.

In 2004 while at TBWA\creative she team-led conceptualization of MOVE at NIC which was a game-changer in banking. At Redsky Uganda, she pioneered in launching the new corporate ID for Uganda Telecom and at Safaricom Ltd, she pioneered documentation of the Safaricom brand guidelines. Carole has an executive MBA from USIU and a BA degree from the University of Nairobi.

Francis Mutua

Age: 40

Head of Strategy

Francis was appointed Head of Strategy in November 2013.

Francis is an astute corporate planning and strategy Manager with over 15 years' banking experience in strategic planning, investor relations, capital and funding programmes, market intelligence, business advisory, business restructuring/reengineering and financial analysis. Prior to joining Family Bank, he worked with The Cooperative Bank of Kenya for 13 years attaining the position of Corporate Planning & Strategy Manager in charge of Planning & Strategy implementation.

He holds an MBA (Finance) and a Bachelor of Commerce (B.COM) Hons. from the University of Nairobi.

A CPA (K), Francis has been an active member of the Institute of Certified Public Accountants of Kenya (ICPAK) for the last 11 years. He is also a Certified Public Secretary of Kenya (CPSK) and a member of The Institute of Certified Public Secretaries of Kenya (ICPSK). He is currently finalizing a PHD Degree in Strategic Management at the Jomo Kenyatta University of Agriculture and Technology (JKUAT) and The Advanced Management Program (AMP) at Strathmore Business School. Francis has undergone valuable training in leadership, Project Management, strategic management & Environmental and Social sustainability.

Dipesh Shah

Age: 39

General Manager, Bancassurance Dipesh joined Family Bank Ltd in October 2009 as the Bancassurance Manager.

Dipesh has a wealth of experience in the Insurance Business. Prior to joining Family Bank, he was the Head of Bancassurance Jubilee Insurance Company of Kenya, Offshore Manager, and Personal Financial Advisor at Old Mutual Kenya.

He is a holder of an MBA from Strathmore University, Nairobi and a Bachelor of Engineering degree

Wilson Nguyo

Age: 43

Head Corporate Banking

Wilson was appointed Head of Corporate Banking and Mortgages in December 2014.

He has 17 years of well-rounded banking experience in management and operations. Previously he served as the Regional Manager for Nairobi with an overall mandate for growth covering 21 branches.

He is a member of the Harvard Business Review Advisory Council, an opt-in research community of business professionals and an Associate Member of the Chartered Institute of Marketing, UK. He is a leadership Alumni for Strathmore University and Daystar University.

Wilson is currently pursuing a Master's degree in Knowledge Management at Stellenbosch University, South Africa and holds a BSc. Honours degree in Natural Resource Management from Egerton University.

He hold Postgraduate qualifications in Marketing from the Chartered Institute of Marketing (C.I.M.) and also in Information Systems Engineering from Sunderland University, UK.

Patrick Gachugu

Age: 38

Head of Audit

Patrick was appointed as the Head of Audit in September 2014 and previously served as the Finance Manager for three years.

He joined the Bank in December 2003 as a management trainee. He also served as the secretary & a member of the Board of Trustees for the Family Bank Staff retirement Benefits Scheme for over 7 years.

He holds a Bachelor of Education degree in Mathematics & Economics from Moi University and is currently pursuing a Master of Business Management (MBA) degree from Jomo Kenyatta University of Agriculture and Technology. Patrick is a Certified Public Accountant of Kenya (CPA-K) and a member of ICPAK. He has also attended valuable training on leadership and internal Auditing.

12.11 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.
- 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.

12.12 STRATEGY AND PROSPECTS / FUTURE OUTLOOK 12.12.1 The Family Bank Strategy

Family Bank Strategy encompasses a universal banking model. The Bank has a compelling and proven business model with significant and sustainable competitive advantages over its peers targeting both large and small mass-market retail customers and businesses. The Bank enjoys an attractive high profile brand, widespread public good will and strong customer allegiance. Over the years the bank has built a track record of strong operating performance backed by an ambitious growth strategy. The growth strategy hinges on strong potential for continued organic growth within Kenyan market supported by acute shortage of banking services and loan facilities among the target market and significant opportunity for regional expansion with most sub-Saharan African countries having similar socio-economic profiles and applicability of Family Bank's business model in these markets. The model focuses on the following key areas:

- i. Small & Medium Enterprises (SMEs)
- ii. Micro Enterprises
- iii. Consumer and
- iv. Corporates

Further, Family Bank has had a profitable growth supported by a well-defined strategy that hinges on the following critical success factors:

- Business Model: Compelling and proven business model with significant and sustainable competitive advantages over its peers targeting mass-market retail customers and businesses both small and large.
- Brand: Attractive high profile brand, widespread public good will and strong customer allegiance and loyal employees. Family Bank was voted by Think Business Awards the fastest growing bank in Kenya in 2015.
- Infrastructure: Family Bank enjoys a robust IT platform and broadly distributed network of branches, ATMs and mobile banking units and agents.
- Performance: Track record of strong operating performance backed by a well-defined and ambitious growth strategy. In 2014 Family Bank delivered 11.8% net interest margin on a market average of 8.4% generating the highest Net Interest Margin among peers at the back of a well-balanced non-interest income ratio.
- Expertise: Technically strong and cohesive management team with demonstrated ability to drive growth supported by a strong experienced board and supportive shareholders
- Growth Prospects: Strong potential for continued organic growth within Kenyan market supported by strong demand for banking services and loan facilities among target market.
- Regional opportunity: Significant opportunity for regional expansion with most sub-Saharan African countries having similar socio-economic profiles and with applicability of Family Bank's business model in these markets. According to World Bank, the East Africa region will enjoy a GDP growth in excess of 6% per annum from 2015 to 2016.

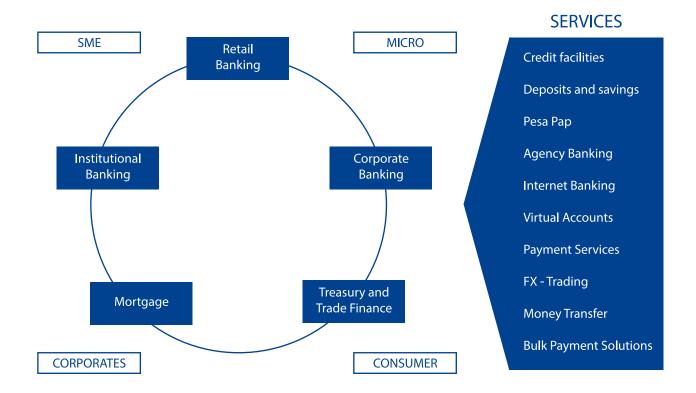
To better serve the target market, the Bank boasts of a robust IT platform and broadly distributed network of branches, ATMs and mobile banking units and agents. To meet the needs of all these focus areas, the Bank offers the following products and services:

- Credit facilities
- Deposit and savings
- Pesa pap
- Agency banking
- · Internet banking
- Virtual accounts
- Payment services
- · Forex trading
- Money transfer
- Bulk payment solutions

12.12.2 Future Outlook

Leveraging its compelling and proven business model combined with a technically strong and cohesive management team with demonstrated ability to drive growth supported by a strong experienced board and supportive shareholders, the Bank seeks to achieve step growth in the following avenues:

- Grow Products: These include agribusiness-based products, internet banking, and visa (debit and credit cards).
- Introducing a prestige (platinum)/ Corporate banking concepts
- Banking Co-operatives
- Growing the business value chains and optimisation of the cross selling concepts
- Optimising on alternative banking channels
- Geographic expansion
- Establish a sustainable funding strategy and
- Sustainable cheap deposits mobilisation



13. Shareholding & Corporate Governance

13.1 SHAREHOLDERS

Family Bank's issued and fully paid up share capital consists of 1,245,187,194 ordinary shares with a par value KES 1.00 each. As at 31 July 2015, the top 10 shareholders led by Kenya Tea Development Agency Holding Ltd controlled 64.73% of the Bank

13.1.1 Major Shareholders

No	Full Names	No. of Shares	Percentage
1	KTDA Holdings Ltd	192,418,298	15.45%
2	Rachael Njeri (Deceased)	167,143,948	13.42%
3	Daykio Plantations Limited	153,208,121	12.30%
4	Titus Kiondo Muya	66,485,268	5.34%
5	Standard Chartered Kenya Nominees A/C 9660B	46,417,000	3.73%
6	P A Securities	44,444,445	3.57%
7	Kenya Orient Insurance Ltd	35,600,936	2.86%
8	Julius Brian Kiondo Muyah	33,448,788	2.69%
9	Ann Njeri	33,428,788	2.68%
10	Mark Keriri	33,428,788	2.68%
	TOTAL	806,024,380	64.73%

13.1.2 Change in Major Shareholders

The change in major shareholders for the last 3 years is as follows:

No	Full Names	31/07/2015	31/12/2014	31/12/2013	31/12/2012
1	KTDA Holdings Ltd	15.45%	15.45%	15.54%	15.00%
2	Rachael Njeri (Deceased)	13.42%	13.42%	15.00%	17.09%
3	Daykio Plantations Limited	12.30%	5.28%	5.19%	5.87%
4	Titus Kiondo Muya	5.34%	5.24%	5.85%	6.59%
5	Standard Chartered Kenya Nominees A/C 9660B	3.73%	4.18%	4.20%	4.09%
6	P A Securities	3.57%	3.57%	3.59%	0.00%

13.2 CORPORATE GOVERNANCE PRACTICES

The Bank's Board of Directors, duly cognisant of its role in safeguarding shareholders' assets and ensuring a decent return on investment, reaffirms its commitment to upholding policies and strategies that enhance transparency and accountability.

The Board recognises the pivotal role of corporate governance in enhancing the Bank's culture and business practices, as well as its positioning in the community and the economy at large. Accordingly, the Board of Directors promotes the best practice of corporate governance as encoded in various standards and regulations including the prudential guidelines developed by Central Bank of Kenya (CBK) for the banking industry.

The Bank has adequate policies and procedures in place that are reviewed regularly, including:

- a) Clearly defined responsibilities and authority of Directors, the Managing Director and Management
- b) Established corporate strategies and objectives;
- c) Recognition of the interests of various stakeholders:
- d) Alignment of corporate activities to applicable laws and regulations; and
- e) Protection of the interests of depositors, other creditors and consumers at large.

13.2.1 Responsibilities of the Board

The Board provides strategic guidance and assumes primary responsibility for fostering the sustainability of the Bank's business and growth. The Board is responsible for providing the overall direction, governance and

promoting proper standards of conduct and sound banking practices which enhance internal controls and shareholder value.

The directors are also responsible for the formulation and implementation of sound policies and procedures which enhance effective controls to safeguard the Bank against fraud and wastage, compliance with regulatory requirements, as well as ensuring that systems are in place to facilitate the effective management of all risks that may affect the Bank.

In addition to the Executive Directors, members of senior management of the Company attend Board Meetings by invitation to ensure informed and efficient decision-making by the Board of Directors. Further, the Board invites third party professionals to attend Meetings and provide opinions and advice when necessary to enable the Board discharge its fiduciary mandate.

Cognisant of its responsibility for defining appropriate governance practices for its own work and to have in place the means to ensure that such practices are followed and periodically reviewed for improvement, the Board meets at regular intervals to, amongst others things:

- a) Agree on the Company's strategic objectives, and its roadmap to achieving the agreed objectives
- b) Review and approve the Company's annual budget
- c) Review the Company's performance against agreed goals and strategies
- d) Review the Company's policies and procedures
- e) Consider and approve the annual and interim financial statements
- f) Recommend dividends to the shareholders;
- g) Evaluate the performance of the Managing Director; and
- h) Approve other matters of fundamental significance

The Bank is compliant with the CMA Guidelines on Corporate Governance practices by public listed companies in Kenya, as provided by CMA Act.

13.2.2 Board Committees

The Board retains the overall accountability and has established various committees to increase efficiency

and allow deeper focus in specific areas. The Managing Director holds the delegated authority to implement Board decisions and provide a clear flow of information between management and the Board. The Board committees, their composition and responsibilities are as follows:

13.2.2.1 Board Audit Committee

The committee is comprised of three non-executive directors, and the Head of Internal Audit attends all Committee meetings. The committee meets quarterly and is charged with the responsibility of reviewing the financial condition of the Bank, its internal controls, and to recommend appropriate remedial action where necessary. The committee also ensures that appropriate action has been taken on the recommendations of the internal auditors and that the same are implemented The Committee may invite the Managing Director or any other Director to attend the meetings occasionally for consultation as and when necessary. However, the committee meets at least twice in a year with the external and internal auditors without management being present, either in separate meetings or meetings held before or after a scheduled audit committee meeting. The Bank's external auditors are invited to attend the Meetings from time to time, but are required to attend once a year when the audited financial statements are being reviewed by the Committee and the Board.

13.2.2.2 Board Credit Committee

This committee is made up of four non-executive directors, the Managing Director and the Operations and Technology Director and meets at least once quarterly to review the Bank's overall lending policy. It also meets at least once a month to consider and approve loan applications beyond the credit management committee approval limits, to review and consider all issues that may materially impact on the present and future quality of the institution's risk management and to ensure that the credit policy and risk lending limits of the institution are reviewed where appropriate. It also regularly reviews the credit policy of the Bank. The Director Credit attends all Committee meetings, whilst other members of management attend Committee meetings on a needs basis.

13.2.2.3 Board Risk Management Committee

The Board Risk Management Committee comprises of

two non-executive directors and the Operations and Technology Director. The Head of Risk and Compliance attends all Committee meetings. The committee meets quarterly and is responsible for ensuring quality, integrity and reliability of the institution's risk management. The committee assists the board in the discharge of its duties relating to the corporate accountability and associated risks, namely strategic risk, liquidity risk, foreign exchange risk, interest rate risk, price risk, operational risk, credit risk, regulatory risk, and reputational risk; in terms of identification, mitigation and overall management of risks.

13.2.2.4 Board Human Resource Committee

The Board Human Resource Committee is comprised of four non-executive directors and the Managing Director. The Director of Human Resources attends all the Committee meetings. The committee acts as the link between the Board and management and is responsible for the review of the human resources policies and practices, particularly in relation to the operations of the various business units. The Committee also assists the Managing Director to guide and control the overall direction of the business of the institution and act as a medium of key management staff and new Board members' recruitment, communication and co-ordination between the business units and the board.

13.2.2.5 Board Strategy Committee

The Board Strategy Committee is comprised of four non-executive directors, together with the Managing Director, the Finance and Strategy Director, and the Operations and Technology Director. The Strategy Committee's roles and responsibilities include an analysis of the Bank's strategy and specifically the following:

- a) Oversight of the implementation of the strategy approved by the Board and review of progress on a regular basis.
- b) Review of the budget and strategic plan of the Bank prior to submission to the Board.
- c) Design of action plans per business unit to ensure that objectives are met while factoring in organizational, human, technical and financial aspects.
- d) Consider the analysis of any investment/

- CAPEX programme prior to its submission to the Board.
- e) Design and submission to the Board of the main strategic orientations of the Bank.
- f) Review any updated policy and environmental changes (e.g. Basel, CBK guidelines, IFRS/IAS, IRA) and weigh the impact on the Bank and make recommendations for implementation.
- g) Design and implementation of an environmental and social policy
- h) Review Branch expansion plans

13.2.2.6 Board Nomination Committee

The Board Nomination Committee regularly reviews the structure, size and composition of the board and makes recommendations on any adjustments deemed necessary. It identifies, nominates and recommends for the approval of the board, candidates to fill board vacancies as and when they arise. The Nominations committee comprises of three members of who all are non-executive and two are independent.

13.2.3 Board Meeting Attendance

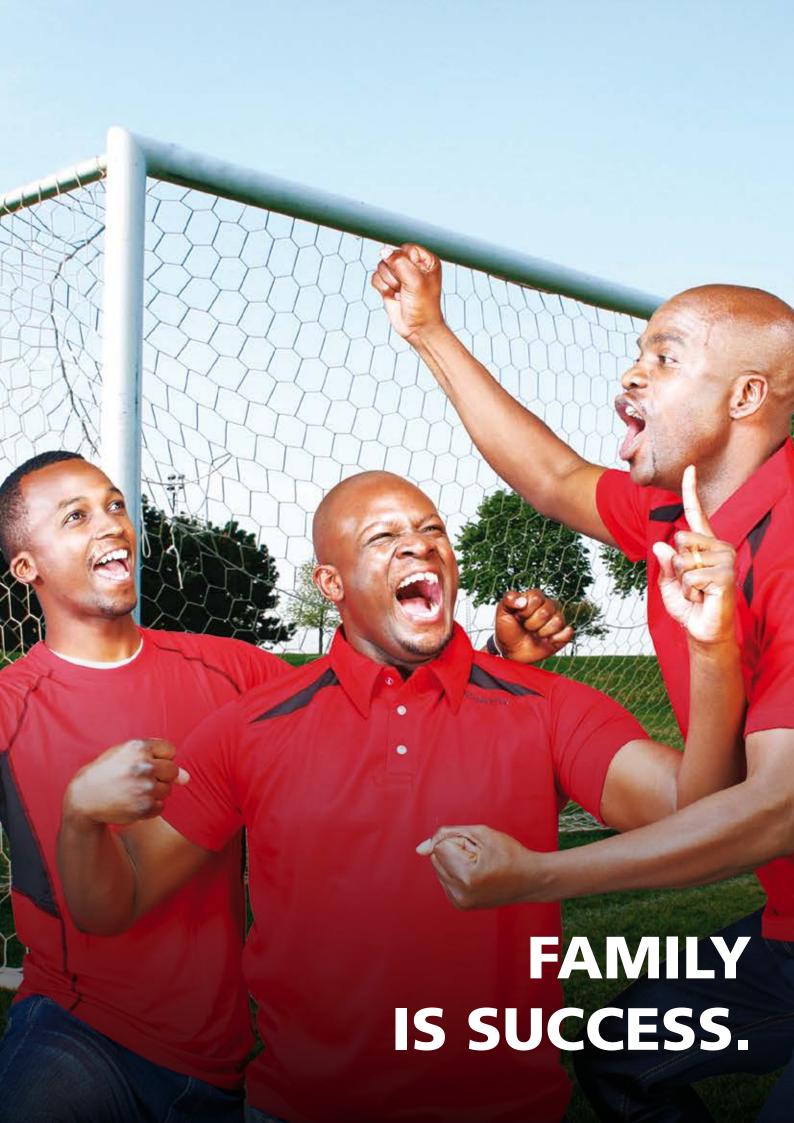
The Board meeting attendance has always met the threshold of the Central Bank of Kenya. In FY2014, attendance was at 93.0% on average as outlined below.

Name	Number of Meetings Attended
Wilfred D Kiboro (Chairman)	6/7
Kabiru Kinyanjui (Vice Chairma	n) 7/7
TK Muya	7/7
David Kimani	6/7
David Some	6/7
Ruth Waweru	7/7
Lerionka Tiampati	7/7
Peter Munyiri	6/7
Njung'e Kamau	6/7
Mark Keriri	7/7

13.2.4 Directors' Remuneration

The table below shows directors' emoluments over the last 5 years

Amounts in KES '000'	July 2015	2014	2013	2012	2011	2010
Salary & benefits	53,125	80,002	73,358	60,511	25,108	22,075
Directors emoluments	112,986	191,490	374,664	88,750	80,717	75,764
Source: Company						



14. Summary of Financial Information and Selected Data

14.1 CONSOLIDATED STATEMENTS OF PROFIT OR LOSS

(Kshs '000)	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Jul 2015
Interest Income	1,896,114	2,844,462	4,775,721	5,354,441	7,121,576	5,261,822
Interest Expense	(225,726)	(490,080)	(1,484,762)	(903,593)	(1,748,220)	(1,465,039)
Net Interest Income	1,670,388	2,354,382	3,290,959	4,450,848	5,373,356	3,796,783
Fee and commission income	1,439,586	1,331,918	1,309,072	1,703,167	2,359,721	1,397,675
Foreign exchange income	-	30,623	51,147	66,500	111,444	246,764
Other operating income	8,852	49,118	78,024	82,510	167,950	112,270
Operating Income	3,118,826	3,766,041	4,729,202	6,303,025	8,012,471	5,553,492
Impairment on loans and advances	(325,574)	(337,173)	(645,272)	(321,848)	(389,944)	(76,384)
Employee expenses	(888,612)	(1,112,935)	(1,357,854)	(1,761,713)	(2,303,713)	(1,419,623)
Other operating expenses	(1,386,682)	(1,793,368)	(1,857,802)	(2,434,427)	(2,653,754)	(1,974,873)
Operating Expenses	(2,600,868)	(3,243,476)	(3,860,928)	(4,517,988)	(5,347,411)	(3,470,880)
Profit Before Tax	517,958	522,565	868,274	1,785,037	2,665,060	2,082,612
Income Tax Expense	(163,269)	(167,961)	(306,815)	(539,651)	(855,275)	(664,223)
Profit for the Year	354,689	354,604	561,459	1,245,386	1,809,785	1,418,389
Earnings Per Share - Basic and Diluted	0.68	0.79	1.01	2.24	2.91	2.28

14.2 CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

(Kshs '000)	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Jul 2015
ASSETS						
Cash and balances with Central Bank of Kenya	1,749,153	1,835,028	4,320,688	4,356,675	5,532,611	6,943,221
Items in the course of collection						
Deposits & balances due from banking institution	236,932	88,008	666,980	3,037,433	7,378,051	6,167,566
Government securities	5,211,146	4,485,023	4,343,973	4,796,459	6,051,181	7,799,348
Corporate Bonds	499,325	705,990	681,452	588,412	554,830	931,055
Quoted Investment	569	283	295	-	-	-
Loans and advances to customers	10,298,791	16,332,359	17,868,745	27,943,360	37,925,476	47,998,843
Other assets	854,241	436,316	928,621	484,540	1,001,555	999,441
Commercial Paper	-	-	-	-	700,000	1,067,043
Deferred tax asset	-	-	-	-	-	-
Other investments	27,670	71,400	94,000	106,000	127,400	127,400
Property and equipment	1,034,525	1,516,039	1,566,887	1,705,621	2,083,099	2,627,960
Intangible assets	173,584	354,897	345,896	328,213	317,620	308,054
Operating lease prepayments	6,184	176,410	171,800	167,190	162,580	159,902
Deferred tax asset		-	-	-	-	44,782
TOTAL ASSETS	20,092,120	26,001,753	30,989,337	43,513,903	61,834,403	75,174,615
LIABILITIES						
Customer deposits	15,731,247	21,443,927	24,613,302	34,582,587	47,136,480	59,356,571
Deposits and balances due to banking institutions	-	150,000	-	436,310	209,291	878,506
Derivative liabilities held for risk management						
Line of credit	472,972	527,264	892,145	1,343,811	2,900,335	2,467,791
Current income tax payable	17,916	16,851	93,943	221,023	222,608	237,030
Other liabilities	836,820	513,135	483,687	913,555	658,113	715,603
Deferred tax liability	21,393	25,875	24,115	2,082	5,427	-
Unclaimed Dividends	2,134	983	1,475	6,514	12,587	31,538
TOTAL LIABILITIES	17,082,482	22,678,035	26,108,667	37,505,882	51,144,841	63,687,039
SHAREHOLDERS' FUNDS						
Share Capital	484,185	484,185	556,995	1,114,046	1,245,186	1,245,186
Share premium	1,644,429	1,644,429	2,663,938	2,100,251	5,063,676	5,062,519
Revaluation surplus on property	30,304	85,314	83,222	81,089	78,956	82,332
Investments revaluation reserve	30,304	03,314	63,222	01,009	78,930	02,332
Foreign currency translation reserve	00.655	144.050	157 550	256.145	257502	456.005
Statutory reserves	90,655	144,659	157,553	256,145	357,503	456,095
Revenue reserves Proposed dividends						
•	760 005	005 131	1 410 0.03	2 450 400	2044244	161111
Retained Earnings	760,065	965,131	1,418,962	2,456,490	3,944,241	4,641,444
TOTAL SHAREHOLDERS' FUNDS	3,009,638	3,323,718	4,880,670	6,008,021	10,689,562	11,487,576
TOTAL LIABILITIES AND SHAREHOLDERS' FUNDS	20,092,120	26,001,753	30,989,337	43,513,903	61,834,403	75,174,615

14.3 CONSOLIDATED STATEMENTS OF CASHFLOWS

(Kshs '000)	31 Dec 2010	31 Dec 2011	31 Dec 2012	31 Dec 2013	31 Dec 2014	31 Jul 2015
CASH FLOWS FROM OPERATING ACTIVITIES						
Net cash generated from/(used in) operations	(111,847)	1,001,898	1,950,237	2,120,369	2,379,422	(1,633,186)
Taxation paid	(113,452)	(188,801)	(231,483)	(434,604)	(848,298)	(700,010)
Net cashflows generated from/(used in)						
operating activities	(225,299)	813,097	1,718,754	1,685,765	1,531,124	(933,176)
CASH FLOWS FROM INVESTING ACTIVITIES						
Purchase of property and equipment	(258,039)	(713,731)	(348,162)	(468,147)	(770,439)	(901,247)
Proceeds from disposal of equipment	2,069	1,578	12,216	-	954	3,762
Purchase of intangible assets	(58,457)	(272,062)	(95,907)	(76,427)	(86,030)	(44,318)
Proceeds from disposal of quoted shares	-	-	-	295	-	-
Acquisition of leasehold land	-	(138,515)	-	-	-	-
Net cashflows used in investing activities	(314,427)	(1,122,730)	(431,853)	(544,279)	(855,515)	(941,803)
CASH FLOWS FROM FINANCING ACTIVITIES						
Borrowings received	32,000	198,944	645,748	637,500	2,331,920	-
Borrowings repaid	(244,215)	(144,652)	(280,867)	(185,834)	(853,114)	(447,747)
Dividends paid	(89,925)	(97,988)	(96,766)	(106,360)	(216,736)	(603,643)
Proceeds from issue of shares	977,648	-	1,092,319	-	3,122,546	-
Rights issue costs	-	-	-	(6,636)	(27,981)	(1,157)
Cash (used in)/generated from						
financing activities	675,508	(43,696)	1,360,434	338,670	4,356,635	(1,052,547)
(DECREASE) /INCREASE IN CASH						
AND CASH EQUIVALENTS	135,782	(353,329)	2,647,335	1,480,156	5,032,244	(1,061,174)
CASH AND CASH EQUIVALENTS						
AT BEGINNING OF THE PERIOD	1,264,791	1,400,573	1,047,244	3,694,579	5,174,735	10,206,979
CASH AND CASH EQUIVALENTS						
AT END OF THE PERIOD	1,400,573	1,047,244	3,694,579	5,174,735	10,206,979	9,145,805

15. Regulatory Capital and Other Ratios

The Central Bank of Kenya (CBK) sets and monitors capital requirements for banks and other non-bank financial institutions. In implementing the current capital requirements, CBK requires all banks to maintain a prescribed ratio of core capital to total risk weighted assets and total capital to total risk weighted assets alongside other prudential ratios set out by the CBK.

The regulatory capital is analysed in two tiers:

Tier 1 capital includes ordinary share capital, share premium, perpetual bonds, retained earnings, translation reserve and minority interest (after deduction of goodwill and intangible assets and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy

purposes).

Tier 2 capital includes qualifying subordinated liabilities, collective impairment allowances and the element of the fair value reserves relating to unrealized gains on equity instruments classified as available for sale.

Family Bank's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders return is also recognized and the Bank appreciates 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 Bank and its individually regulated operations have complied with all externally imposed capital requirements throughout the period.

15.1 PRUDENTIAL RATIOS

Year	2010	2011	2012	2013	2014	Jul-15
Core capital/ Total Deposit Liabilities	18.4%	14.4%	18.9%	16.4%	21.8%	18.4%
Minimum Statutory Ratio	8.0%	8.0%	8.0%	8.0%	8.0%	8.0%
Core Capital/ Total Risk Weighted Assets	22.6%	16.6%	21.8%	18.2%	19.7%	16.5%
Minimum Statutory Ratio	8.0%	8.0%	8.0%	8.0%	10.5%	10.5%
Total Capital/ Total Risk Weighted Assets	23.4%	17.5%	22.6%	19.1%	20.4%	17.3%
Minimum Statutory Ratio	12.0%	12.0%	12.0%	12.0%	14.5%	14.5%
Liquidity Ratio	45.0%	28.0%	39.0%	36.5%	40.8%	34.0%
Minimum Statutory Ratio	20.0%	20.0%	20.0%	20.0%	20.0%	20.0%

15.2 ASSET QUALITY RATIOS

Year	2010	2011	2012	2013	2014	Jul-15
NPL/ Loan & Advances	3%	4%	5%	4%	3%	6%
Provisions/NPL	240%	154%	213%	93%	122%	49%
NPL/ Total Assets	2%	3%	3%	2%	2%	4%
Provision/ Loans & Advances	7%	7%	10%	4%	4%	3%

15.3 EARNINGS RATIOS

Year	2010	2011	2012	2013	2014	Jul-15
Cost/ Income	73%	77%	68%	67%	62%	62%
Net Profit Margin	11%	9%	9.0%	17.3%	18.5%	20.2%
Return on Equity	12%	11%	12%	21%	17%	12%
Return on Assets	2%	1%	2%	3%	3%	2%

15.4 LIQUIDITY RATIOS

Year	2010	2011	2012	2013	2014	Jul-15
Loans & Advances/ Deposits	65.5%	76.2%	72.6%	80.8%	80.5%	80.9%
Loans/ Total Assets	51.3%	62.8%	57.7%	64.2%	61.3%	63.8%
Liquidity Ratio	45.0%	28.0%	39.0%	36.5%	40.8%	34.0%
Liquid assets/ Total assets	35.8%	24.6%	30.1%	28.0%	30.7%	27.8%

16. 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.

16.1 RISKS RELATING TO THE BANK 16.1.1 Credit Risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the group's loans and advances to customers and other banks and investment securities but can also arise from credit enhancement provided such as financial guarantees, letters of credit and acceptances. The group is also exposed to other credit risks arising from its trading activities including derivatives.

Credit risk is the single largest risk for the group's business 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 component of market risk exposure. The board of directors has delegated responsibility for the oversight of credit risk to its credit committee comprising of 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 credit committee comprising of executive management.

The committee 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 authorisation structure for the approval and renewal of credit facilities.
 Authorisation 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 in order to categorise 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 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 the credit quality of local portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to branches to promote best practice throughout the group in the management of credit risk.

16.1.2 Liquidity Risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations from its financial liabilities when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments or other cash outflows.

The group's liquidity risk management is carried out within the group and monitored by the Asset Liability committee (ALCO).

The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation

Liquidity risk is addressed through the following measures:

- The treasury department monitors liquidity ratios on a daily basis 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 into lending contracts subject to availability of funds.
- The group has an aggressive strategy aimed at increasing the customer deposit base.
- The group borrows from the market through interbank transactions with other banks and The Central Bank of Kenya for short term liquidity requirements.
- Investments in property and equipment are properly budgeted for and done when the group has sufficient cash flows.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more 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 Asset and Liability Committee.

16.1.3 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. The impact of 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 as well as 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 is able to 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 in a timely manner.
- 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, as well as security and change management practices.
- Business Continuity Management: Business
 Continuity Management supports the ability
 of Senior Management 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 are able to
 respond to a broad range of potentially disruptive
 scenarios.

16.1.4 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 standards of compliance 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 & 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 for adherence to certain regulatory and legal requirements, as well as the effectiveness of associated key 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.

16.1.5 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 therefore 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 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 in a positive way 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 maintain a log of all incidences emanating from negative media publicity and customer complaints touching on the reputation of the bank.

16.1.6 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.

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

- Macro-economic changes.
- Competition from the financial industry and organisations providing similar services.
- Technological changes.
- Key legislative and regulatory changes.
- Major political events.

 Human capital or social/demographic trends and changes.

The Managing Director supported by the Head of Strategy and other Senior Management executes the approved strategic objectives on a day to day basis and actively monitors business performance against these objectives through periodic reviews.

The business carries out business performance reviews on a monthly basis against pre-determined milestones and key performance indicators. The reviews which cover branch and head office departments are supported by the Board of Directors through the board chairman.

The Managing Director co-ordinates an annual strategic planning process for Senior Management 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 ensure such strategies are aligned to the overall strategy of the Bank. They are also responsible for monitoring, managing and reporting on the effectiveness and risks of their business' strategic objectives, and the progress they have made towards achieving these. They oversee the direction and trends of significant current and emerging risks related to their business units and that mitigating actions are taken where appropriate.

16.1.7 Political Risk

The democratic environment prevailing in the country, underpinned by the implementation of what is widely believed to be a progressive Constitution, coupled with the support from the international community reduces the risk of any significant political unrest. It is underlined however that no matter what systems, controls and procedures businesses may design to mitigate political risk; there can be no assurance that any adverse political events will not have an adverse impact on Family Bank's business.

16.2 RISKS RELATING TO THE NOTES GENERALLY

The Notes have features which entail particular risks for potential investors. Set out below is a brief description of certain risks relating to the Notes generally:

16.2.1 Modification, Waivers and Substitution

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

The Terms and Conditions of the Notes also provide that the Note Trustee may, without the consent of Noteholders, agree to (i) any modification of, or to the waiver or authorisation of any breach or proposed breach of, any of the provisions of Notes or (ii) determine without the consent of the Noteholders that any Event of Default or Potential Event of Default shall not be treated as such or (iii) the substitution of another company as principal debtor under any Notes in place of the Issuer, in the circumstances described in Condition 17 of the Terms and Conditions of the Notes.

Mitigating factors: the Issuer has recruited an experienced Trustee for the Noteholders. As a result the Trustee is likely to give good guidance to the investors thereby minimizing the risk of sub-optimal decision making by a body of investors.

16.2.2 Change of Law

The Terms and Conditions of the Notes are based on Kenyan law in effect as at the date of issue of the relevant Notes. No assurance can be given as to the impact of any possible judicial decision or change to Kenyan law or administrative practice after the date of issue of the relevant Notes.

Mitigating factors: The government's proposals seek to improve the attractiveness of the country as an investment destination. Accordingly, it is expected that any changes to the existing laws will seek to improve the overall business and investment environment.

16.2.3 Legal Investment Considerations May Restrict Certain Investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (1) Notes are legal investments for it, (2) Notes can be used as collateral for various types of borrowing and (3) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Mitigating factors: the Issuer's information memorandum has recommended that investors should seek professional advice where clarity is required.

17. Taxation

17.1 TAX CONSIDERATIONS

The comments below are of a general nature based on taxation law and practice in Kenya as at the date of this Information Memorandum and are subject to any changes thereafter. They relate only to the position of persons who are the absolute beneficial owners of the Notes. The comments do not purport to be a complete analysis of all tax considerations relating to the Notes and so should be treated with appropriate caution.

17.1.1 Interest Payments

Payment of interest on the Bonds will be made by the Issue and Paying Agent and Registrar in Kenya. Withholding tax at the rate of 15% will be deducted from interest payments made to both resident and nonresident Noteholders in terms of prevailing legislation as set out in the Income Tax Act (Chapter 470 of the Laws of Kenya) which is subject to revision through changes in Government policy. The Issuer will not deduct withholding tax at the prescribed rate on interest payments to any Noteholder who (a) is exempt from such deduction under the provisions of the Income Tax Act and (b) has provided evidence of such exemption to the reasonable satisfaction of the Issuer and the Issue and Paying Agent. Non-residents may be entitled to a tax credit in their country of residence, either under domestic law or under the tax treaties referred to below.

17.1.2 Capital Gains

With effect from 1st January 2015, any gains which accrue on the disposal of the Notes will constitute a chargeable gain under the Income Tax Act.

17.1.3 Tax Treaties

As of the date of this Information Memorandum, Kenya has entered into double taxation treaties with Zambia, Norway, Denmark, Sweden, United Kingdom, Germany, Canada, France, India, Mauritius and Iran.

18. Subsciption and sale

18.1 APPLICATION PROCEDURE

Application forms for issues of Notes may be obtained from the Lead Arrangers. Applications must be submitted directly to the Placing Agent by the date and time specified in this Information Memorandum. Successful applicants will be notified either by the Placing Agent on behalf of the Issuer and the Lead Arrangers, or by the Lead Arrangers on behalf of the Issuer, of the amount of Notes allotted to them immediately after the date of allotment.

18.2 PAYMENT FOR NOTES AND DELIVERY

Payment for Notes is to be made in full to Family Bank Limited, the designated Receiving Bank, in immediately available funds by the date and time specified in this Information Memorandum. The payments will be made via the Real Time Gross Settlement ("RTGS") system to the account and in the manner detailed in the relevant Pricing Supplement.

The Notes will be delivered to investors not later than by the date specified in the relevant Pricing Supplement.

18.3 SECONDARY MARKET TRADING OF THE NOTES

Placing Agents, acting as principal or agent of the Issuer, may facilitate secondary market trading of the Notes through purchases and/ or sales of such Notes on a best effort basis. The transfer of a Note from a seller to a purchaser will be carried out in accordance with the transfer regulations set out in the Agency Agreement and subject to the rules of the NSE.

19. Legal information & Contracts

19.1 PRINCIPAL OBJECTS (AS CONTAINED IN THE MEMORANDUM OF ASSOCIATION)

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

- To carry on in Kenya and in 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 exchange, promissory notes, deposit receipts, coupons, drafts, 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 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 surety bonds, credit quarantees 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 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 of utilizing the same to account in any manner thought fit, 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 and importers of goods and merchandise of all kinds and merchants generally.
- To advance and borrow money, negotiate loans and lend money for any purpose or object, with or without security including the lending of money to finance hire purchase agreements in respect of any property or assets.

The Issuer is also empowered to borrow and issue debt securities in clause 3 (34) of its Memorandum of Association as follows:

3 (34) To borrow or raise or secure the payment of money in such manner and upon such terms as the Company shall think fit and to secure the same or the repayment or performance of any debt liability contract guarantee or other engagement incurred or to be entered into by the Company in any way and in particular by any legal or equitable mortgage or charge upon any of the Company's property or by the issue of debentures charged upon any of the Company's property both present and future (including its uncalled capital) or by the issue of any other security whether registrable or not; and to purchase, redeem and payoff any such securities.

19.2 PROVISIONS OF THE ARTICLES

The Board is empowered to exercise all the borrowing powers of the Issuer in Article 104 of its Articles of Association as follows:

104. The Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures, debenture stock, legal and equitable mortgages and charges and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third party.

Below are other key provisions of its Articles of Association:

- 3. The share capital of the Company is Kenya Shillings One Billion Five Hundred Million (Kshs 1,500,000,000/-) divided into One Billion Five Hundred Million (1,500,000,000) shares of Kenya Shillings One Shillings (Kshs 1/-) each.
- 57. The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meetings 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 of one annual 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.
- 58. All general meetings other than annual general meetings shall be called extraordinary general meetings.
- 59. 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 the Act.

An annual general meeting and a meeting called for the passing of a special resolution shall be called by Twenty-one days' notice in writing at the least, and a meeting of the Company other than an annual general meeting or a meeting for the passing of a special resolution shall also be called by Twenty-one days' notice in writing at the least. The notice shall be exclusive of the day of which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and the hour of meeting and, in case of special business, the general nature of that business, and shall be given, in manner hereinafter mentioned or in such other manner, if any, as may be prescribed by the Company in general meeting, to such persons as are, under the regulations of the Company, entitled to receive such notices from

the Company, Provided that a meeting of the Company shall notwithstanding that it is called by shorter notice than that specified in this Article be deemed to have been duly called if it is so agreed:

- (a) in the case of a meeting called as the annual general meeting, by all Members entitled to attend and vote thereat; and
- (b) in the case of any other meeting, by a majority in number of the Members having a right to attend and vote at the meeting, being a majority together holding not less than Ninety-five per cent (95%) in nominal value of the shares giving that right.
- 62. Notices of General Meetings of the Company may be given by post, by advertisement in the print media, by display on the Company's website or otherwise on the internet, by electronic mail or by such other means as in the opinion of the Directors it would be reasonable to expect the notice will come to the attention of the members entitled to attend the meeting.
- 63. All business shall be deemed special that is transacted at an extraordinary general meeting, and also all business that is transacted at an annual general meeting, with the exception of declaring a dividend, the consideration of the accounts, balance sheets and the reports of the Directors and Auditors, the election of Directors in the place of those retiring (if any), and the appointment and the fixing of the remuneration of the Auditors and the remuneration of Directors.
- 64. No business shall be transacted at any general meeting unless a quorum of Members is present at the time when the meeting proceeds to business; save as herein otherwise provided, Ten Members representing in aggregate not less than 60 per cent of the shares in issue at that time shall be a quorum.
- 76. 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 of which he is the holder

87. Any Corporation which is a Member of the Company may, by resolution of its Directors or other governing body, appoint such persons as it thinks fit to act as its representative at any meeting of the Company or of any class of Members of the Company. The production at a meeting of a copy resolution certified by a Director (other than the appointee if he himself shall be a Director) and the Secretary, if any, of such Corporation to be a true copy of the resolution, shall be accepted by the Company as sufficient evidence of the validity of his appointment. The person so appointed shall be entitled to exercise the same powers on behalf of such Corporation as it could exercise if it were an individual Member of the Company.

88. Unless and until otherwise from time to time determined by an ordinary resolution of the Company, the Board shall consist of not less than seven Directors of whom one shall be an independent director (the "Independent Director"). The Independent Director shall be a person experienced in the banking and financial services industry. The Board shall cause to be kept a register of the Directors' holdings of shares and debentures of the Company and of its subsidiaries or holding Company (if any) as required by the Act, and shall cause the same to be available for inspection during the period and by the persons prescribed, and shall produce the same at every annual general meeting as required by the Act.

89. The Directors (other than those Directors whose remuneration is determined by agreement between the Company and such Directors) shall be paid out of the funds of the Company by way of remuneration for their services such sums as the Board may from time to time determine and such remuneration shall be divided among them in such proportion and manner as the Directors may determine. Subject as aforesaid, a Director holding office for part only of a year shall be entitled to a proportionate part of a full year's remuneration. The Directors shall also be entitled to be repaid by the Company all such reasonable travelling (including hotel and incidental) expenses as they may incur in attending meetings of the Board, or of committees of the Board, or general meetings, or which they may otherwise properly incur in or about the business of the Company.

99. A quorum for a meeting of the Board shall be four Directors who shall be present at all times in person or by their respective alternates provided that a fifteen Business Days' notice of the meeting of the Board shall have been given by registered mail to every Director and the Company shall receive confirmation of receipt of notice from each Director no less than five Business Days prior to the Board meeting.

103. The Business of the Company shall be managed by the Directors who may pay all expenses incurred in promoting and registering the Company, and may exercise all such powers of the Company as are not, by the Act or by these Articles, required to be exercised by the Company in general meetings and the exercise of the said powers shall be subject also to the control and regulation of any general meeting of the Company, but no resolution of the Company in general meeting shall invalidate any prior act of the Directors which would have been valid if such resolution had not been passed.

104. The Directors may exercise all the powers of the Company to borrow or raise money and to mortgage or charge its undertaking, property and uncalled capital and to issue debentures, debenture stock, legal and equitable mortgages and charges and other securities whether outright or as security (principal or collateral) for any debt, liability or obligation of the Company or any third party.

108 (1) The Directors may appoint a Managing Director who shall be the Chief Executive of the Company for such period and on such terms and at such remuneration (whether by way of salary, or commission, or participation in profits, or partly in one way, and partly in another), as they may think fit and, subject to the terms of any agreement entered into in any particular case, may revoke any such appointment.

(2) Any person appointed to be the Managing Director as aforesaid shall not, while he holds such office, be subject to retirement by rotation nor shall he be taken into account in determining the rotation in which the Directors retire. The Managing Director shall not be taken into account in reckoning the total number of directors for purposes of Article 88. His appointment as Director shall immediately determine if he ceases for any reason to be the Managing Director.

(3) The Directors shall entrust to and confer upon any such Managing Director as aforesaid, any of the powers exercisable by them as Directors (other than the powers of making calls and issuing shares) including in particular all executive powers and the day-to-day management and operation of the Company.

(4) The Managing Director shall be entitled to attend and speak at all meetings of the Board and of Committees of the Board but shall not be entitled to a vote at any such meeting and shall not be taken into account in reckoning the number of directors for guorum purposes.

109 (1) The Directors may from time to time appoint a person (or persons) of such qualification as the directors may from time to time determine to the office of the Executive Director, and reporting to the Board of Directors, for such period and on such terms and with such powers as they may think fit and subject to the terms of any agreement entered into any particular case, may revoke any such appointment.

120. The Company may by ordinary resolution, of which special notice has been given in accordance with the Act remove any Director before the expiration of his period of office, and, without prejudice to the powers of the Directors under Article 115 hereof, may by an ordinary resolution appoint another person in his stead; the person so appointed shall be subject to retirement at the same time as if he had become a Director on the day on which the Director in whose place he is appointed was last elected a Director. Such power of removal may be exercised notwithstanding anything in these Articles or in any agreement between the Company and such Director but without prejudice to any claim such Director may have for damages for breach of contract of service between him and the Company.

121. The Directors may meet together for the despatch of business, adjourn, and otherwise regulate their meetings, as they think fit. Questions arising at any meeting shall be decided by a majority of votes. In case of an equality of votes, the Chairman shall have a second or casting vote. The Managing Director may, and if directed by the Chairman or on the requisition in writing of a majority of the directors shall, at any time summon a meeting of the Directors. All meetings would however

only be valid if the minimum notice period mentioned in 99 is provided to all Directors

19.3 AUTHORISED AND ISSUED SHARE CAPITAL

The authorised share capital of the Company is Kenya Shillings One Billion Five Hundred Million (KES 1,500,000,000) divided into One Billion Five Hundred Million (1,500,000,000) ordinary shares of Kenya Shillings One (KES 1.00) each.

The issued share capital of the Company is Kenya Shillings One Billion Two Hundred and Forty Five Million One Hundred and Eight Seven Thousand One Hundred and Ninety Four (KES 1,245,187,194.00) made up of One Billion Two Hundred and Forty Five Million One Hundred and Eight Seven Thousand One Hundred and Ninety Four (1,245,187,194) ordinary shares of Kenya Shillings One (KES 1.00) each.

19.4 MATERIAL AGREEMENTS (MATERIAL CONTRACTS TO WHICH FAMILY BANK IS A PARTY)

Note Trust Deed

The Notes are issued subject to a Trust Deed made between the Issuer and MTC Trust and Corporate Services Limited as Note Trustee. The Issuer covenants with the Note Trustee to pay to the Note Trustee or to the order of the Note Trustee in accordance with the Conditions of the Notes all sums falling due for payment as and when they fall due.

The Issuer also covenants with the Trustee to comply with the provisions of the Trust Deed and other Note Documents to which it is a party.

On occurrence of an Event of Default the Note Trustee and only the Note Trustee may upon request or being directed by an extraordinary resolution of the Noteholders, issue an Enforcement Notice declaring all amounts payable under the Note immediately due and payable, and demanding that the Issuer immediately repay the outstanding principal amount of the Notes together with all accrued interest thereon.

The Issuer may replace the Note Trustee or appoint an additional Note Trustee subject to such person being approved by an extraordinary resolution of the Noteholders. The Issuer is required to notify the Noteholders and other Note Agents of such appointment as soon as practicable.

The Noteholders may by extraordinary resolution remove any Note Trustee. However such removal shall not become effective unless there is a Note Trustee in office at the time of such removal. A Note Trustee may retire upon giving not less than 3 calendar months' notice in writing to the Issuer without assigning any reason therefore and without being responsible for any loss occasioned by such retirement.

The Note Trustee may be replaced under the following conditions:

- By the Noteholders exercising such power by Extraordinary Resolution;
- By the Issuer with the consent of the Noteholders if the Trustee is in breach of any of its obligations under the Trust Deed;
- By the Issuer if the Trustee institutes proceedings under any applicable bankruptcy, insolvency or other similar law now or hereafter in effect to be placed into liquidation or winding up or consents to the filing of a bankruptcy, insolvency or similar proceeding against it or files a petition or answer or consent seeking reorganisation under any such law or consents to the filing of any such petition, or consents to the appointment of a receiver, manager, liquidator or trustee or assignee in bankruptcy or liquidation of the Issuer or in respect of its property, or makes an assignment for the benefit of its creditors or is otherwise unable or admit its inability to pay its debts generally as they become due or the Trustee commences proceedings with a view to the general adjustment of its indebtedness; or
- By the Issuer if the Trustee gives notice of its intention to retire as provided under the Trust Deed.

Other Material Contracts

Save for the documents in relation to the creation of the Notes, the Issuer has not entered into any other material contracts not disclosed in this Information Memorandum other than contracts entered into in the ordinary course of business.

Financing Agreements

The Bank has issued guarantees and letters of credit in the ordinary course of business as listed below and more particularly disclosed in the Reporting Accountants Report:

Letter of Credit	KES	865,990,278.64
Performance Bonds	KES	1,612,331,854.45
Bid Bonds	KES	974,937,702.45
Import Bills	KES	79,927,977.42

1.1. Onerous Covenants and Default

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

19.5 RELATED PARTY AGREEMENTS (LOAN AGREEMENTS WITH SUBSIDIARIES, ETC. WITH DETAILS ON AMOUNTS, PURPOSE, INTEREST RATES, ETC.)

The Issuer 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 on terms which would be available to third parties and have been disclosed in the financial statements of the Issuer.

The Issuer has also made advances to its employees and are these made subject to the applicable prohibitions on insider lending in the Banking Act.

19.6 LOAN/FINANCE AGREEMENTS

EAC II Microfinance Loan (Cotonou Investment Facility Resources) Finance Contract dated 26th September 2013 with European Investment Bank

The Issuer is party to EAC II Microfinance Loan (Cotnou Investment Facility Resoirces) Finance Contract dated 26th September 2013 with European Investment Bank for Euro 10,000,000. This facility is to be used by the Bank for the financing of microcredits and extended to micro

and small enterprises, self-employed entrepreneurs, sole proprietorship and micro entrepreneur groups in agro industry, fishing, construction, food processing, manufacturing, construction industry, transport, trade, retail and services related to this sector. The facility is to be disbursed in up to 7 tranches the amount of each tranche being a minimum amount of Euro 1,000,000. The final availability date is twenty four months following the signature of this contract.

It is condition of this agreement that so long as any part of the loan remains outstanding, the Issuer shall not without the prior written consent of European Investment Bank create or permit to subsist any security on or with respect to any of the Bank's present or future business, undertaking, assets or revenues (including any capital not paid in).

The Issuer is also to ensure that its payment obligations under this contract rank, and will rank, no less than pari passu in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law applying to companies generally.

It is governed by the Laws of England and Wales and the parties hereto submit to the jurisdiction of the courts of England and Wales and all disputes concerning this Contract shall be submitted to such courts, without prejudice to the rights of the Bank to take legal action against the Borrower before any other court of competent jurisdiction. A decision of such courts given shall be conclusive and binding on the parties without restriction or reservation.

The Issuer has represented that it has not created or permitted to subsist any security on, or with respect to, any of its present or future business, undertaking, assets or revenues (including any capital not paid-in).

East and Central Africa PEFF (Cotonou Investment Facility Resources) Finance Contract dated 26th September 2013 with European Investment Bank

The Issuer is party to East and Central Africa PEFF (Cotnou Investment Facility Resources) Finance Contract dated 26th September 2013 with European Investment Bank

for Euro 10,000,000. This facility is to be used by the Bank for the financing of Private and public sector companies incorporated in Kenya operating in the agro-industry, fishing, food processing, manufacturing, construction industry, transport, tourism, private education and healthcare and services related to these sectors. The amount of each tranche shall be in a maximum of EUR 200,000 or its equivalent and in a minimum amount equal to EUR 150,000 for a tranche disbursed in EURO and USD 500,000 for a tranche disbursed in USD. The final availability is the date falling on the second anniversary of the signature of this Contract.

The following are some of the conditions imposed on the Issuer for the currency of this facility:

- So long as any part of the Loan remains outstanding, the Borrower shall not, without the prior written consent of the Bank create or permit to subsist any Security on, or with respect to, any of its present or future business, undertaking, assets or revenues (including any capital not paid-in).
- The Borrower shall ensure that its payment obligations under this Contract rank, and will rank, not less than pari passu in right of payment with all other present and future unsecured and unsubordinated obligations under any of its debt instruments except for obligations mandatorily preferred by law applying to companies generally.

It is governed by the Laws of England and Wales and the parties hereto submit to the jurisdiction of the courts of England and Wales and all disputes concerning this Contract shall be submitted to such courts, without prejudice to the rights of the Bank to take legal action against the Borrower before any other court of competent jurisdiction. A decision of such courts given shall be conclusive and binding on the parties without restriction or reservation.

The Issuer has represented that it has not created or permitted to subsist any security on, or with respect to, any of its present or future business, undertaking, assets or revenues (including any capital not paid-in).

Loan Agreement with Oiko Credit Ecumenical Development Co-Operative Society, U.A dated 25th June 2015

The Issuer has entered into a loan agreement with Loan Agreement with Oiko Credit Ecumenical Development Co-Operative Society, U.A dated 25th June 2015 where Oiko Credit agrees to grant the Bank a loan of Kshs. 1,000,000,000.00 for duration of 6 years. Loan will be paid back in annual instalments with the first instalment of Ksh.166, 666,667.00 payable after 12months after disbursal. The subsequent 4 instalments of Ksh.166, 666,667.00 are due every 12 months thereafter. The final instalment of Ksh.166, 666,667.00 is made 72months after disbursal.

The security for the advance is promissory notes for Capital and Negative pledge on the Banks portfolio. The Issuer has executed six promissory notes in respect of the six instalments in which the loan will be disbursed.

For so long as the loan or any part thereof remains outstanding, the Borrower covenants with Oikocredit that it will not pledge assign or transfer the Borrowers loan portfolio or any part thereof to any institution or person whatsoever by way of security or otherwise without the prior written consent of Oikocredit. The prohibition for the Borrower to pledge or assign its loan portfolio shall be deemed to be absolute and in the event of the Borrower attempting to make such assignment or pledge in contravention of this clause such pledge or assignment shall be null and void ab initio. Negative pledge on the Loan portfolio of the Borrower is to be applied on a pari passu basis with the lenders who also have negative pledge on the Borrower's loan portfolio. The Issuer has represented that there are no debt obligations that it has assumed which assigns the loan portfolio to any lender as security for performance of the Issuer's obligation in its contracts with any lender.

19.7 OTHER CONTRACTS Software Licence and Support Agreements

The Issuer is party to two Software Licence and Service Agreements with Oracle Systems Limited dated 21st November 2009 and 22nd September 2010 respectively. The agreements are executed by the authorized representatives of the parties on. Under these agreements, the Issuer is granted the non-exclusive, non –assignable, royalty free, perpetual, limited right to use various programs for the banking business (core banking system and incidental programmes) and receive the services stated in the agreement. The terms of the

agreements are perpetual until terminated in accordance with the provisions of the agreement. Governing law is the law of England and dispute resolution is under the exclusive jurisdiction of the courts of England.

The Issuer is also a party to Oracle Ordering Documents agreements entered into with Oracle System Limited dated 21st November 2009, 30th September 2010, 1st September 2011 and 11th March 2011. These agreements are for software program licenses and technical support.

Kenya ICT Board- Digital Villages Revolving Fund

The Issuer has entered into a contract for implementation of the digital villages revolving fun with the Kenya Information Technology Board dated 3rd November 2010. The digital villages revolving fund is to be made available to the Issuer in tranches based on the requirement for approved loans and regular accounting of the balance required taking into account loan repayments and new loans approved.

Service Level Agreements with Various County Governments

The Issuer has entered into fund management agreements with various county governments and county service boards for on-lending to honourable members of the county assemblies and county executives. Under these agreements, the county government places a deposit with the Bank for on-lending to honourable members of the relevant county assembly and the county executives (who have been vetted and recommended). The deposits are held in lien and withdrawing of the total fund is only possible after all members loans are cleared in full.

The said county governments and county service boards are as follows: Kilifi County Assembly Public Service Board, Kericho County Assembly Public Service Board, Kitui County Assembly Service Board County Government of Kiambu, County Government of Nyeri, Nakuru County Assembly Service Board, Uasin Gishu County Assembly Service Board and West Pokot County Assembly Service Board.

19.8 LICENSES AND PERMITS

The Issuer has been issued with License No. CBK/BSD/03/11/2015 to conduct banking business in Kenya. The license covers the Head Office and branches for the

period from 1st January 2015 to 31st December 2015. There are no conditions attached to the license.

There are no ongoing litigation disputes with any regulatory authorities. The Central Bank of Kenya carried out its periodic inspection of the Issuer as at 31st May 2014 and issued the Issuer with a satisfactory CAMEL rating.

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

19.9 MATERIAL LITIGATION AND DISPUTES

The Issuer is party to various disputes which are debt recovery, security enforcement and related matters in the ordinary course of business. None of these disputes are material in the context of the Issue or the Issuer's business.

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

Material Litigation

Parties: VIP portal vs Family Bank Limited

Year: 2014

Case number: HCCC No 181 of 2014

Nature: Customer suspected of operating a pyramid scheme. CBK banking fraud investigation

Unit froze the account

Status: Hearing of a criminal Application pending at the High court to be heard first. Dates to be on

notice. Account under investigation held **Claim amount:** KES 182,000,000/-

Parties: Okoa Development Company Limited V

Family Bank Year: 2012

Case number: Machakos HCCC No. 402 of

2012

Nature: Injunctive orders sought against Bank undertaking security enforcement/debt

recovery

Status: The Bank is seeking to recover amounts owed to it. Applicants have never put matter down for hearing since getting the Interim Orders pending hearing of the Application. Our Advocate put down the matter for hearing on the 05.05.2015 but on the material day the file went missing. Statutory Notice to be reissued through our Advocate.

Claim amount: KES 32,980,980.25

Parties: Otieno Ragot V Nairobi City County and

Family Bank (Garnishee)

Year: 2015

Case number: Nairobi Misc. Cause No. 148 of

2013

Nature: Bank cited as Garnishee in Garnishee Proceedings filed in respect to debt owed by

NCC

Status: Garnishee was made absolute but the Bank has sought for a review since the judgement debtor is a different entity from the Bank's

customer

Claim amount: KES 50,000,000/-

Parties: Yusuf Abdi Ali Company Limited Vs Family

Bank

Year: 2014

Case number: Nairobi Milimani HCCC No. 405 of

2014

Nature: Injunctive orders sought against Bank undertaking security enforcement/debt

recovery

Status: Parties filed submissions in respect to the Plaintiff's application for injunction. Awaiting ruling

by the Court.

Claim amount: KES 27,586,986.77

19.10 PROPERTY AND INFORMATION ON VENDORS ON MATERIALS ASSETS ACQUIRED IN THE LAST FIVE YEARS

The Issuer has acquired the following immovable properties in the last five years:

Name of Building/Branch	Land Reference Number	
Family Bank Towers/Head Office	L.R. No. 209/4383	
Yaya 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 Municapality Block 7/23	
Kitengela Plots	Kajiado/Kitengela/34352- Kajiado/Kitengela/34403	

19.11 EXPENSES OF THE OFFER

The expenses of the offer and the listing which will be for the account of the Issuer are estimated at KES 133,300,000

Professional fees and related costs	KES	
Arrangement fees and Placement Commission	80,000,000	
Registrar and Fiscal Agent Fees	800,000	
Legal Fees	25,000,000	
Reporting Accountant & Auditor's Fees	4,100,000	
Note Trustee Fees	400,000	
Marketing Expenses	10,000,000	
CMA	10,000,000	
NSE	1,000,000	
Miscellaneous Expenses	2,000,000	
Total	133,300,000	
Total Issue Costs as a % of Total Issue	1.3%	

19.12 DIRECTORS DECLARATION

The Directors of Family Bank Limited whose names appear on page 10 of this Information Memorandum 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.

19.13 DIRECTORS STATEMENT AS TO FUNDING FOR PAYMENT OBLIGATIONS

The funding obligations will be met by cash flows and profitability from the operations of the Issuer's business.

19.14 DIRECTORS STATEMENT AS TO LIQUIDITY REQUIREMENT

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

19.15 GENERAL INFORMATION19.15.1 Documents Available for Inspection

As long as any Note remains outstanding, copies of the following documents will, when published, be available for inspection at the Specified Offices of the Issuer:

- i. the Memorandum and Articles of Association of the Issuer;
- ii. the audited financial statements of the Bank in respect of the last five financial years;
- iii. extract from the minutes of the Board meeting held on 3rd July 2015 approving the Issue:
- iv. the Reporting Accountants' report as reproduced in this Information Memorandum and their written consent to the issue of this Information Memorandum with their report included herein in the form and context in which it is so included:
- v. the legal opinion of Legal Counsel to the Note Trustee as reproduced in this Information Memorandum and their written consent to the issue of this Information Memorandum with their opinion included herein in the form and context in which it is so included;
- vi. a copy of the Trust Deed between the Note Trustee and the Issuer;
- vii. a copy of the Agency Agreement between the Issue and Paying Agent, the Calculation Agent, the Transfer Agent, the Replacement Agent, the Registrar and the Issuer;
- viii. a copy of the Issue Agreement between the Placing Agents and the Issuer;
- ix. a copy of this Information Memorandum;
- x. a copy of the approval of the Capital Markets Authority in respect of this issue;
- xi. a copy of a letter of no objection from the Nairobi Securities Exchange; and
- xii. A copy of a letter of "no objection" from the Central Bank of Kenya, in respect of this Issue.

Copies of this Information Memorandum and copies of the Trust Deed, Agency Agreement and the Issue Agreement have been submitted to the Capital Markets Authority and the Nairobi Securities Exchange.

19.15.2 Changes in Senior Management

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

19.15.3 Voting Rights and Control

All shareholders have equal voting rights and no preferential voting rights attach to any shares. The Issuer has a diverse shareholder base and is not directly or indirectly owned or controlled by any shareholder. As at the date of this Information Memorandum, there are no arrangements known to the Issuer the operation of which may result in change of control of the Issuer.

19.15.4 Directors' Interest

The following director holds in excess of 3% (directly or indirectly) of the share capital of the Issuer as at the date of this Information Memorandum:

i. Titus Kiondo Muya

19.15.5 Minimum Subscription Level

The Issuer seeks to raise a maximum of KES 10.0 billion or the equivalent in other currencies at the date of issue, under this Programme. The minimum subscription level shall be set out in the relevant Pricing Supplement.

19.15.6 Application Procedure

Application forms for issues of Notes may be obtained from the Issuer and the Arranger. Applications must be submitted directly to the Fiscal Agent. Successful applicants will be notified either by the Fiscal Agent on behalf of the Issuer and the Arranger, or by the Arranger on behalf of the Issuer, of the amount of Notes allotted to them immediately after the date of allotment.

19.15.7 Secondary Market Trading of the Notes

Fiscal Agents, acting as principal or agent of the Issuer, may facilitate market trading of the Notes through purchases and/or sales of such Notes on a best effort basis.

The transfer of a Note from a seller to a purchaser will be carried out in accordance with the transfer regulations set out in the Agency Agreement and subject to the Terms and Conditions.

19.15.8 Material Changes in the Business

There have been no interruptions in the Issuer's business or its subsidiary, 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 Group's financial position.

19.15.9 Material Change in the Financial Information

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

19.15.10 Principal Investments

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

19.15.11 Dealing with Shareholders

As at the date of this Information Memorandum and during the past five years, the Issuer has entered into arrangements under which funds are due to it from some of its significant shareholders. These arrangements are at arm's length on terms which would be available to third parties and have been disclosed in the financial statements of the Issuer.

19.15.12 Other Issues

The Issuer confirms that it has not made an issue in the preceding three months from the date of this Information Memorandum and does not propose to make another issue of similar debt securities simultaneously with the current Issue.

19.15.13 Interest

Payment of interest on the Notes will be made by the Issue and Paying Agent in Kenya. Public Notes are not tax exempt. Non-residents will be entitled to the same treatment.

19.15.14 Capital Gains

With effect from 1st January 2015, any gains which accrue on the disposal of the Notes will constitute a chargeable gain under the Income Tax Act.

19.15.15 Stamp Duty

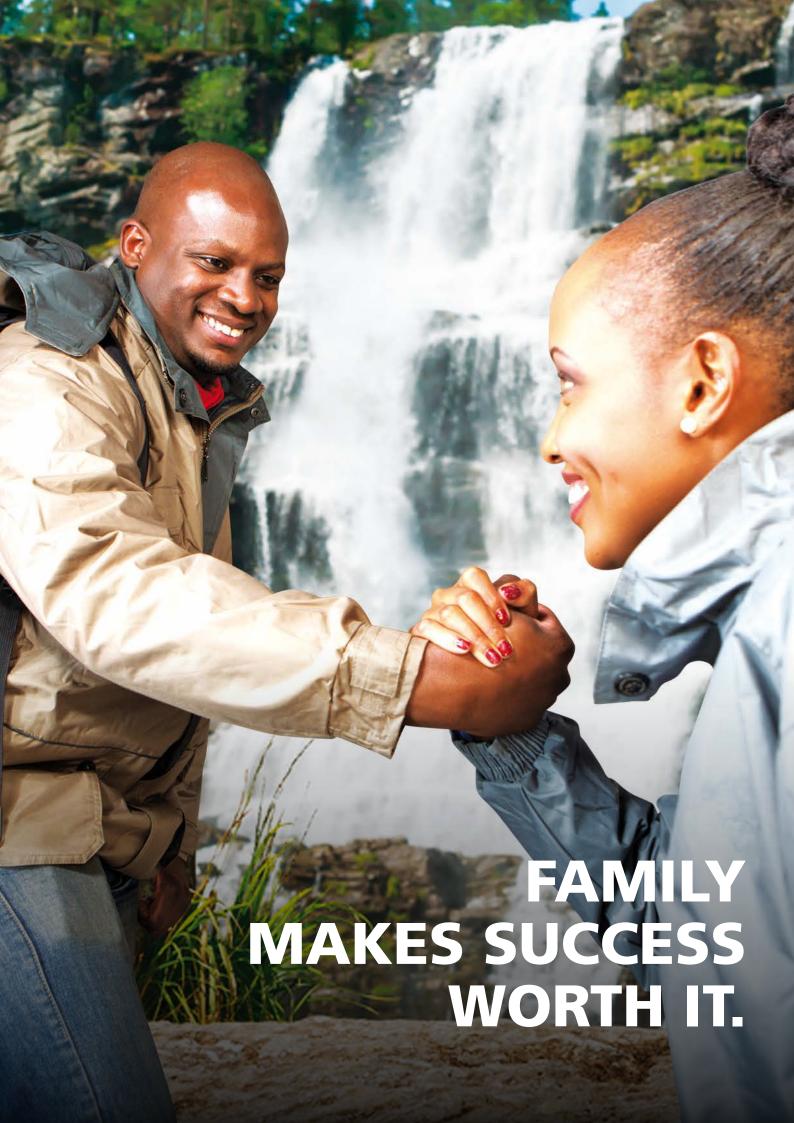
So long as the Notes are quoted on the Nairobi Securities Exchange, no stamp duty is payable in Kenya on the issue, transfer or redemption of the Notes.

19.15.16 Tax Treaties

Kenya has entered into double taxation treaties with Denmark, Germany, Sweden, the United Kingdom, Norway, Canada, India, Zambia, France, Mauritius and Iran.

19.15.17 Off-Balance Sheet Financing

Save for what is contained in the Reporting Accountant's Report, there are no other off-balance sheet financing items by the Issuer or any of its subsidiaries.



Appendix

- A. Reporting Accountants Report
- B. Legal Opinion
- C. Form of Pricing Supplement
- D. Note Application Form
- E. Letter of Payment Guarantee for requested Allocation

Deloitte.

The Directors
Family Bank Limited
Family Bank Towers
Muindi Mbingu Street
P O Box 74145 - 00200
Nairobi

Dear Sirs,

REPORTING ACCOUNTANTS' REPORT ON FAMILY BANK LIMITED

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A. INTRODUCTION

We have examined the financial statements of Family Bank Limited ("the group") for the period covered in this report.

The financial information in respect of the report was prepared in accordance with International Standard on Related Services 4410 – Engagements to compile Financial Statements ("ISRS 4410") and is based on the audited financial statements of the group for the 5 years ended 31 December 2014 and the un audited financial statements for the 7 months period ended 31 July 2015.

To enable us prepare an Accountant's Report, we carried out procedures to satisfy ourselves that the information presented in the financial statements was in accordance with Section 19 of the Third Schedule of the Companies Act 486, and Part C of the Third Schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002 on Fixed Income Securities Market Segment disclosure requirements. To this end we carried out the following procedures:

- reviewed the consolidated financial statements of the bank for each of the five years ended 31 December 2010, 2011, 2012, 2013, 2014 and the 7 months period ended 31 July 2015 for compliance with International Financial Reporting Standards (IFRS) and consistency of application of accounting policies;
- made enquiries from the bank's management with respect to significant matters relevant to the financial information;
- reviewed other evidence relevant to the bank's financial statements.

Deloitte & Touche were auditors for the year ended 31 December 2011, 2012, 2013 and 2014 while Wachira Irungu & Associates were auditors for the year ended 31 December 2010. All of the financial statements from which the financial information in the Accountant's Report was compiled received an unqualified audit opinion.

We are not aware of any material items not mentioned in the Information Memorandum regarding the bond issue, which could influence the evaluation by the shareholders of the assets, liabilities, Information Memorandum, results and financial position of the Group

The financial information set out in this report is compiled by reference to the audited financial statements of Family Bank Limited and its subsidiary for the five years ended 31 December 2010, 2011, 2012, 2013 and 2014 and the unaudited financial statements for the seven months period ended 31 July 2015. The Bank's subsidiary is Dhamana Insurance Agency Limited a company incorporated in Kenya. The Bank owns 100% of this subsidiary.

B. SUMMARY OF ADJUSTMENTS

The following adjustments were made to the audited financial statements for the year ended 31 December 2010 so as to conform to International Financial Reporting Standards:

- Introduction of International Accounting Standard No. 1 (IAS 1) (revised) disclosures which include capital risk disclosures, changes to the titles of financial statements, presentation of owner and non-owner changes in equity in two statements, a statement of comprehensive income and a statement of changes in equity respectively, with no impact on earnings per share.
- Proposed dividends of Sh 96,837,000 as at 31 December 2010 which were previously presented on the statement
 of financial position have been reversed to enhance compliance with International Accounting Standard (IAS) No.
 10 Events after the Reporting Period which states that dividends declared after the reporting period but before
 the financial statements are authorised for issue, shall not be recognised as a liability at the end of the reporting
 period because no obligation exists at that time.
- An adjustment to introduce a statutory reserve in the statement of changes in equity and to restate the statement of comprehensive income has been made for the year ended 31 December 2010.
- Deferred taxation asset and liability has been restated for the year ended 31 December 2010 were made to reflect the reversal of general provision to statutory reserve and to eliminate effect of deferred tax previously computed on specific reserves on impaired loans.
- Revaluation reserve has been restated to reflect charge of deferred tax on revaluation surplus and transfer of excess depreciation and related deferred tax from retained earnings.

C. DIRECTOR'S RESPONSIBILITY

The directors of the group are responsible for the preparation of the financial statements and financial information to which this Accountants' report relates and from which it has been prepared. Our responsibility is to compile the financial information set out in this report based on these financial statements and financial information.

D. COUNTRY OF INCORPORATION AND PRINCIPAL ACTIVITIES

Family Bank Limited is a financial institution licensed under the Kenya Banking Act (Chapter 488) and regulated by the Central Bank of Kenya. The bank is incorporated and domiciled in Kenya under the Companies Act.

The principal activities of the group are the provision of banking, financial and related services.

E. CURRENCY

The financial statements are expressed in Kenya Shillings thousands (Sh'000).

F. PRINCIPAL ACCOUNTING POLICIES Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS).

The principal accounting policies applied in the preparation of the financial statements are set out below. These policies have been applied consistently.

Adoption of new and revised International Financial Reporting Standards (IFRSs)

(i) New standards and amendments to published standards effective for the period ended 31 July 2015

The following new and revised IFRSs were effective in the current year and had no material impact on the amounts reported in these financial statements.

Amendments to IFRS 10, IFRS 12 and IAS 27 Investment Entities

The amendments to IFRS 10 define an investment entity and require a reporting entity that meets the definition of an investment entity not to consolidate its subsidiaries but instead to measure its subsidiaries at fair value through profit or loss in its consolidated and separate financial statements.

To qualify as an investment entity, a reporting entity is required to:

- obtain funds from one or more investors for the purpose of providing them with investment management services;
- commit to its investor(s) that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both; and
- measure and evaluate performance of substantially all of its investments on a fair value basis.

Consequential amendments have been made to IFRS 12 and IAS 27 to introduce new disclosure requirements for investment entities.

Application of these standards has not had any impact on the disclosures or the amounts recognised in these financial statements as the bank is not an investment entity.

Amendments to IAS 32 Offsetting Financial Assets and Financial Liabilities

The amendments to IAS 32 clarify the requirements relating to the offset of financial assets and financial liabilities. Specifically, the amendments clarify the meaning of 'currently has a legally enforceable right of set-off' and 'simultaneous realisation and settlement'. The amendments have been applied retrospectively.

The application of the amendments had no effect on the group's financial statements.

Amendments to IAS 39 Novation of Derivatives and Continuation of Hedge Accounting

The amendments to IAS 39 provide relief from the requirement to discontinue hedge accounting when a derivative designated as a hedging instrument is novated under certain circumstances. The amendments also clarify that any change to the fair value of the derivative designated as a hedging instrument arising from the novation should be included in the assessment and measurement of hedge effectiveness.

As the group does not have any derivatives that are subject to novation, the application of these amendments has had no impact on the disclosures or on the amounts recognised in the bank's financial statements.

Amendments to IAS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to IAS 36 remove the requirement to disclose the recoverable amount of a cash-

generating unit (CGU) to which goodwill or other intangible assets with indefinite useful lives had been allocated when there has been no impairment or reversal of impairment of the related CGU. Furthermore, the amendments introduce additional disclosure requirements applicable to when the recoverable amount of an asset or a CGU is measured at fair value less costs of disposal. These new disclosures include the fair value hierarchy, key assumptions and valuation techniques used which are in line with the disclosure required by IFRS 13 Fair Value Measurements.

The amendments require retrospective application.

The application of the amendments had no effect on the group's financial statements.

IFRIC 21 Levies

This addresses the issue of when to recognise a liability to pay a levy. The Interpretation defines a levy, and specifies that the obligating event that gives rise to the liability is the activity that triggers the payment of the levy, as identified by legislation. The Interpretation provides guidance on how different levy arrangements should be accounted for, in particular, it clarifies that neither economic compulsion nor the going concern basis of financial statements preparation implies that an entity has a present obligation to pay a levy that will be triggered by operating in a future period. IFRIC 21 requires retrospective application.

The application of the amendments had no effect on the group's financial statements.

(ii) Relevant new and amended standards and interpretations in issue but not yet effective in the period ended 31 July 2015

New and Amendments to the standards Effective for annual periods beginning on or after:

IFRS 9 Financial Instruments (as revised in 2014)	1 January 2018
IFRS 14 Regulatory Deferral Accounts	1 January 2016
IFRS 15 Revenue from Contracts with Customers	1 January 2018
Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods	
of Depreciation and Amortization	1 January 2016
of Depreciation and Amortization • Amendments to IAS 19 Defined Benefit Plans: Employee Contributions	
	1 July 2014

iii) Impact of new and amended standards and interpretations on the financial statements for the period ended 31 July 2015 and future annual periods

IFRS 9 Financial Instruments

IFRS 9, issued in November 2009, introduced new requirements for the classification and measurement of financial assets. IFRS 9 was amended in October 2010 to include requirements for the classification and measurement of financial liabilities and for derecognition.

Key requirements of IFRS 9:

• All recognised financial assets that are within the scope of IAS 39 Financial Instruments: Recognition and Measurement are required to be subsequently measured at amortised cost or fair value. Specifically, debt investments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. All other debt investments and equity investments are measured at their fair value at the end of subsequent accounting periods. In addition, under IFRS 9, entities may make an irrevocable election to present

subsequent changes in the fair value of an equity investment (that is not held for trading) in other comprehensive income, with only dividend income generally recognised in profit or loss.

- With regard to the measurement of financial liabilities designated as at fair value through profit or loss, IFRS 9 requires that the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss. Under IAS 39, the entire amount of the change in the fair value of the financial liability designated as fair value through profit or loss is presented in profit or loss.
- The directors of the group anticipate that the application of IFRS 9 in the future may have a significant impact on amounts reported in respect of the group's financial assets and financial liabilities. However, it is not practicable to provide a reasonable estimate of the effect of IFRS 9 until a detailed review has been completed by the group.

IFRS 15 Revenue from Contracts with Customers

In May 2014, IFRS 15 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. IFRS 15 will supersede the current revenue recognition guidance including IAS 18 Revenue, IAS 11 Construction Contracts and the related Interpretations when it becomes effective.

The core principle of IFRS 15 is that an entity should recognise revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. Specifically, the

Standard introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contract(s) with a customer
- Step 2: Identify the performance obligations in the contract
- Step 3: Determine the transaction price
- Step 4: Allocate the transaction price to the performance obligations in the contract
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation

Under IFRS 15, an entity recognises revenue when (or as) a performance obligation is satisfied, i.e. when 'control' of the goods or services underlying the particular performance obligation is transferred to the customer. Far more prescriptive guidance has been added in IFRS 15 to deal with specific scenarios. Furthermore, extensive disclosures are required by IFRS 15. The directors of the group anticipate that the application of IFRS 15 in the future will not have a significant impact on amounts reported in respect of the group's financial statements.

Amendments to IAS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation

The amendments to IAS 16 prohibit entities from using a revenue-based depreciation method for items of property, plant and equipment. The amendments to IAS 38 introduce a rebuttable presumption that revenue is not an appropriate basis for amortisation of an intangible asset. This presumption can only be rebutted in the following two limited circumstances:

- a) when the intangible asset is expressed as a measure of revenue; or
- b) when it can be demonstrated that revenue and consumption of the economic benefits of the intangible asset are highly correlated.

The amendments apply prospectively for annual periods beginning on or after 1 January 2016.

Currently, the group uses the straight-line method for depreciation and amortisation for its property, and equipment, and intangible assets respectively. The amendments are not likely to have a significant impact on the amounts reported in these financial statements.

Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations

The amendments to IFRS 11 provide guidance on how to account for the acquisition of an interest in a joint operation in which the activities constitute a business as defined in IFRS 3 Business Combinations. Specifically, the amendments state that the relevant principles on accounting for business combinations in IFRS 3 and other standards (e.g. IAS 36 Impairment of Assets regarding impairment testing of a cash generating unit to which goodwill on acquisition of a joint operation has been allocated) should be applied. The same requirements should be applied to the formation of a joint operation if and only if an existing business is contributed to the joint operation by one of the parties that participate in the joint operation.

A joint operator is also required to disclose the relevant information required by IFRS 3 and other standards for business combinations.

The amendments to IFRS 11 apply prospectively for annual periods beginning on or after 1 January 2016.

The directors of the group do not anticipate that the application of these amendments to IFRS 11 will have a material impact on the group's financial statements.

Amendments to IAS 19 Defined Benefit Plans: Employee Contributions

The amendments to IAS 19 clarify how an entity should account for contributions made by employees or third parties to defined benefit plans, based on whether those contributions are dependent on the number of years of service provided by the employee.

For contributions that are independent of the number of years of service, the entity may either recognise the contributions as a reduction in the service cost in the period in which the related service is rendered, or to attribute them to the employees' periods of service using the projected unit credit method; whereas for contributions that are dependent on the number of years of service, the entity is required to attribute them to the employees' periods of service.

The application of these amendments to IAS 19 will not have a significant impact on the group's financial statements because the group does not have a defined benefit scheme.

Annual Improvements to IFRSs 2010-2012 Cycle

The Annual Improvements to IFRSs 2010-2012 Cycle include a number of amendments to various IFRSs, which are summarised below

- The amendments to IFRS 2 (i) change the definitions of 'vesting condition' and 'market condition'; and (ii) add definitions for 'performance condition' and 'service condition' which were previously included within the definition of 'vesting condition'. The amendments to IFRS 2 are effective for share-based payment transactions for which the grant date is on or after 1 July 2014.
- The amendments to IFRS 3 clarify that contingent consideration that is classified as an asset or a liability should be measured at fair value at each reporting date, irrespective of whether the contingent consideration is a financial instrument within the scope of IFRS 9 or IAS 39 or a non-financial asset or liability. Changes in fair value (other than measurement period adjustments) should be recognised in profit and loss. The amendments to IFRS 3 are effective for business combinations for which the acquisition date is on or after 1 July 2014.
- The amendments to IFRS 8 (i) require an entity to disclose the judgements made by management in applying the aggregation criteria to operating segments, including a description

of the operating segments aggregated and the economic indicators assessed in determining whether the operating segments have 'similar economic characteristics'; and (ii) clarify that a reconciliation of the total of the reportable segments' assets to the entity's assets should only be provided if the segment assets are regularly provided to the chief operating decision-maker.

- The amendments to the basis for conclusions of IFRS 13 clarify that the issue of IFRS 13 and consequential amendments to IAS 39 and IFRS 9 did not remove the ability to measure short-term receivables and payables with no stated interest rate at their invoice amounts without discounting, if the effect of discounting is immaterial. As the amendments do not contain any effective date, they are considered to be immediately effective.
- The amendments to IAS 16 and IAS 38 remove perceived inconsistencies in the accounting for accumulated depreciation/amortisation when an item of property, plant and equipment or an intangible asset is revalued. The amended standards clarify that the gross carrying amount is adjusted in a manner consistent with the revaluation of the carrying amount of the asset and that accumulated depreciation/amortisation is the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses.
- The amendments to IAS 24 clarify that a
 management entity providing key management
 personnel services to a reporting entity
 is a related party of the reporting entity.
 Consequently, the reporting entity should
 disclose as related party transactions the
 amounts incurred for the service paid or payable
 to the management entity for the provision
 of key management personnel services.
 However, disclosure of the components of such
 compensation is not required.

The directors do not anticipate that the application of these amendments will have a significant impact on the group's financial statements.

Annual Improvements to IFRSs 2011-2013 Cycle

The Annual Improvements to IFRSs 2011-2013 Cycle include a number of amendments to various IFRSs, which are summarised below:

The amendments to IFRS 3 clarify that the standard does not apply to the accounting for the formation of all types of joint arrangement in the financial statements of the joint arrangement itself.

The amendments to IFRS 13 clarify that the scope of the portfolio exception for measuring the fair value of a group of financial assets and financial liabilities on a net basis includes all contracts that are within the scope of, and accounted for in accordance with, IAS 39 or IFRS 9, even if those contracts do not meet the definitions of financial assets or financial liabilities within IAS 32.

The amendments to IAS 40 clarify that IAS 40 and IFRS 3 are not mutually exclusive and application of both standards may be required..

Consequently, an entity acquiring investment property must determine whether:

- (a) the property meets the definition of investment property in terms of IAS 40; and
- (b) the transaction meets the definition of a business combination under IFRS 3

The directors do not anticipate that the application of these amendments will have a significant impact on the group's financial statements.

iv) Early adoption of standards

The group did not early-adopt any new or amended standards in 2015.

Basis of preparation

The financial statements have been prepared on the historical cost basis of accounting as modified to include the valuation of property and certain financial assets.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the bank and its subsidiary for the 5 years to 31 December 2014 and the 7 months period ended 31 July 2015. The results of the bank and the subsidiary have been consolidated from 2011 when the bank acquired control of the subsidiary. The bank's subsidiary is shown in note 16.

Subsidiaries are those entities in which the group has power to exercise control over their operations. The group controls an entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are included in the consolidated financial statements from the date the group gains effective control.

The acquisition method of accounting is used when subsidiaries are acquired by the group. The cost of an acquisition in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the consideration transferred by the group, liabilities incurred by the group to the former owners of the acquiree and the equity interests issued by the group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Entities controlled by the group are consolidated until the date that control ceases.

The accounting policies of the subsidiary have been changed when necessary to align them with the policies adopted by the group.

Intra-group balances and any unrealised income and expenses arising from intra-group transactions are eliminated in preparing the consolidated financial statements.

Interest income and expense

Interest income and expense for all interest bearing financial instruments, except for those classified as

held for trading or designated at fair value through profit or loss are recognised in the profit or loss using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant year. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability or when appropriate, a shorter period to the net carrying amount of the financial asset or liability.

The calculation of the effective interest rate includes all fees and commissions paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Once a financial asset or group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest that was used to discount the future cash flows for the purpose of measuring the impairment loss.

Fees and commission income

In the normal course of business, the group earns fees and commission income from a diverse range of services to its customers. Fees and commission income and expenses that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Fees and commission income, include account servicing fees, investment management fees, placement fees and syndication fees, insurance commission fees and business promotion income from insurance companies. These amounts are recognised as the related services are performed. When a loan commitment is not expected to result

in the draw-down of a loan, loan commitment fees are recognised on a straight-line basis over the commitment period.

Fees and commission expense relates mainly to transaction and service fees, which are expensed as the services are received.

Property and equipment

Property and equipment are stated at cost or as professionally revalued from time to time less accumulated depreciation and any accumulated impairment losses.

Any surplus arising on the revaluation is recognised in other comprehensive income and accumulated in the revaluation surplus. Decreases that offset previous increases of the same asset are recognised in other comprehensive income and charged against the revaluation surplus; all other decreases are charged to profit or loss.

Property and equipment

The group's policy is to professionally revalue property at least once every five years. The last valuation was done on 31 December 2011. The basis of valuation is as follows:

a)Freehold land and buildings – open market value b)Other assets – depreciated replacement cost

Depreciation

Depreciation is calculated on a straight-line basis at annual rates estimated to write off the cost or valuation of each asset to its residual values over its estimated useful life as follows:

Buildings	2.5%
Fixtures, fittings and equipment	12.5%
ATM Machines	16.7%
Motor vehicles	20%
Computers	20%

Freehold land is not depreciated as it is deemed to have an indefinite life.

The depreciation charge to profit and loss is based on the carrying amounts of the property and equipment. The excess of this charge over that based on the historical cost of the property and equipment is released each year from the revaluation surplus to retained earnings.

Leasehold land

Payments to acquire interests in leasehold land are treated as prepaid operating rentals. They are stated at historical cost and are amortised over the term of the related lease. When a lease includes land and buildings elements, the group assesses the classification of each element as either a finance lease or an operating lease. In determining classification of the land element, an important consideration is that land normally has an indefinite economic life. Therefore the finance lease or operating lease classification of the land is considered a critical area of judgment. See note 3 to these financial statements.

Intangible assets - computer software costs

Generally, costs associated with developing computer software programmes are recognised as an expense incurred. However, costs that are clearly associated with an identifiable and unique product which will be controlled by the group and has a probable benefit exceeding the cost beyond one year, are recognised as an intangible asset.

Expenditure which enhances and extends computer software programmes beyond their original specifications and lives is recognised as a capital improvement and added to the original costs of the software.

Computer software development costs recognised as assets are stated at cost less amortisation. Amortisation is calculated on a straight line basis over the estimated useful lives not exceeding a period of 3 years.

Impairment of non-financial assets

At the end of each reporting period, the group reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated and an impairment loss is recognized in profit or loss whenever the carrying amount of the asset exceeds its recoverable amount. Previously recognised impairment losses may be reversed to the extent of the assets carrying amount

Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/ or for capital appreciation. They are carried at fair value, determined annually by external independent valuers. Fair value is based on active market prices as adjusted, if necessary, for any difference in the nature, condition or location of the specific asset.

Investment properties are not subject to depreciation. Gains and losses arising from changes in the fair value of investment property are included in profit or loss in the year in which they arise.

On disposal of an investment property, the difference between the net disposal proceeds and the carrying amount is charged or credited to the profit or loss for the year.

Foreign currencies

i) Functional and presentation currency

The financial statements of the group are measured using the currency of the primary economic environment in which the group operates ('the functional currency'). The financial statements are presented in Kenya Shillings, which is the group's functional and presentational currency. Except as indicated, financial information presented in Kenya Shillings has been rounded to the nearest thousand.

ii) Transactions and balances

Foreign currency transactions that are transactions denominated, or that require settlement, in a foreign currency are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised through profit or loss.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current tax

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The company's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences.

Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences are utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from good will or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax liabilities and assets are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates that have been enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the company expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred tax for the year

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income.

Financial instruments

A financial asset or liability is recognised when the group becomes party to the contractual provisions of the instrument.

Financial assets

Classification and measurement

The group classifies its financial assets into the following IAS 39 categories: Financial assets at fair value through profit or loss; loans and receivables; held- to- maturity investments; and available-forsale financial assets. Management determines the appropriate classification of its financial instruments at initial recognition, depending on the purpose and intention for which the financial instrument was acquired and their characteristics.

i) Held-to-maturity financial assets

Held-to-maturity financial assets are nonderivative financial assets with fixed or determinable payments and fixed maturities that the group has the positive intention and ability to hold to maturity.

Held to maturity financial assets are initially recognised at fair value including direct and incremental transaction costs and measured subsequently at amortised cost using the effective interest method less any impairment, with revenue recognised on an effective yield basis. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees that are an integral part of the effective interest rate and recognised in the profit or loss.

Where a sale occurs other than an insignificant amount of held-to-maturity assets, the entire category would be tainted and classified as available for sale. Furthermore, the group would be prohibited from classifying any financial asset as held to maturity during the following two years.

ii) Available-for-sale financial assets

Available for sale investments are those that are intended to be held for an indefinite period of time, which may be sold in

response to needs for liquidity or changes in interest rates or equity prices or that are not classified as loans and receivables, held-to-maturity investments or financial assets at fair value through profit or loss.

Available-for-sale investments are initially recognised at fair value, which is the cash consideration including any transaction costs, and measured subsequently at fair value. Gains and losses arising from changes in fair value are recognised in other comprehensive income and accumulated in the investments revaluation reserve with the exception of impairment losses, interest calculated using the effective interest method, and foreign exchange gains and losses on monetary assets which are recognised in profit or loss.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available for sale equity instruments are recognised in profit and loss when the group's right to receive the dividends is established.

iii) Due from banks and loans and advances to

Due from banks and loans, advances and receivables include non—derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and advances are recognised when cash is advanced to borrowers.

After initial recognition, amounts 'Due from banks' and 'Loans to customers' are subsequently measured at amortised cost using the effective interest rates, less allowance for impairment Amortised cost is calculated by taking into account any discount or premium on

acquisition and fees and costs that are an integral part of the effective interest rate. The amortisation is included in 'Interest and similar income' in profit or loss. The losses arising from impairment are recognised in profit or loss.

iv) Sale and repurchase agreements

Securities sold to the Central Bank of Kenya subject to repurchase agreements ('repos') are retained in the financial statements under government securities and the counterparty liability is included in advances from Central bank of Kenya. The difference between the sale and repurchase price is treated as interest and accrued over the life of the agreements using the effective interest method

Derecognition of financial assets

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired.
- the group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- the group has transferred substantially all the risks and rewards of the asset, or
- the group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the group has transferred its rights to receive cash flows from an asset or has entered into a pass—through arrangement, and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the group's continuing involvement in the asset. In

that case, the group also recognises an associated liability.

The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the group has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset an equired to repay.

Impairment and uncollectability of financial assets

The group assesses at each reporting date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the asset (a 'loss' event) and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. The criteria that the group uses to determine that there is objective evidence of an impairment loss include:

- Delinquency in contractual payments of principal and interest:
- Cash flow difficulties experienced by the borrower (for example, equity ratio, net income percentage of sales);
- Breach of loan covenants or conditions;
- Initiation of bankruptcy proceedings;
- Deterioration of the borrower's competitive position;
- Deterioration in the value of collateral; and
- Downgrading below investment grade level.

If it is probable that the group will not be able to collect all amounts due (principal and interest) according to the contractual terms of loans, receivables, or held-to-maturity investments carried at amortised cost, an impairment or bad debt loss has occurred. The amount of the loss is the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate (recoverable amount). The carrying amount of the asset is reduced to its estimated recoverable amount through use of the provision for bad and doubtful debts account. The amount of the loss incurred is included in profit or loss for the year.

i) Assets carried at amortised cost

The group assesses whether objective evidence of impairment exist individually for assets that are individually significant and individually or collectively for assets that are not individually significant. If the group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial instruments effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics that is, on the basis of the group's grading

process that considers asset type, industry, geographical location, collateral types, past due status and other relevant factors. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the group and historical loss experience for assets with credit risk characteristics similar to those in the group. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a loan is uncollectible it is written off against the related provisions for loan impairment. Such loans are written off after all the necessary recovery procedures have been completed and the amount of loan has been determined. Subsequent recoveries of amounts previously written off are recognised as gains in the profit and loss.

ii) Renegotiated loans

Where possible, the group seeks to restructure loans rather than to take possession of collateral. This may involve extending the payment arrangements and the agreement of new loan conditions. Once the terms have been renegotiated any impairment is measured using the original effective interest rate as calculated before the modification of terms and the loan is no longer considered past due. Management continually reviews renegotiated loans to ensure that all criteria are met and that

future payments are likely to occur. The loans continue to be subject to an individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Classification and measurement financial liabilities

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the group are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

i) Financial liabilities at fair value through profit or loss

Financial liabilities are classified as at fair value through profit or loss when the financial liability is either held for trading or it is designated as at fair value through profit or loss.

Financial liabilities at fair value through profit or loss are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

ii) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis. The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

iii) Financial guarantee contracts

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantees are initially recognised in the financial statements at fair value on the date the guarantee was given. The fair value of a financial guarantee at the time of signature is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premiums is recognised. Subsequent to initial recognition, the group's liabilities under such guarantees are measured at the higher of the initial amount, less amortisation of fees recognised in accordance with IAS 18, and the best estimate of the amount required to settle the guarantee. These estimates are determined based on experience of similar transactions and history of past losses, supplemented by the judgement of management. The fee

income earned is recognised on a straight line basis over the life of the guarantee.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference between the carrying value of the original financial liability and the consideration paid is recognised in profit or loss. The group derecognises financial liabilities when, and only when, the group's obligations are discharged, cancelled or they expire.

Offsetting

Financial assets and liabilities are offset and stated at net amount in the statement of financial position when there is a legally enforceable right to set off, and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Provisions

A provision is recognised if, as a result of a past event, the group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

Statutory reserve

IAS 39 requires the group to recognise an impairment loss when there is objective evidence that loans and advances are impaired. However, Central Bank of Kenya prudential guidelines require the bank to set aside amounts for impairment

losses on loans and advances in addition to those losses that have been recognised under IAS 39. Any such amounts set aside represent appropriations of retained earnings and not expenses in determining profit or loss. These amounts are dealt with in the statutory reserve.

Leasing

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

The group as lessee

Rentals payable under operating leases are charged to income on a straight-line basis over the term of the relevant lease

Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted balances held with the Central Bank of Kenya and highly liquid financial assets with original maturities of less than three months, which are subject to insignificant risk of changes in their fair value, and are used by the group in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Contingent liabilities

Letters of credit, acceptances, guarantees and performance bonds are generally written by the group to support performance by a customer to third parties. The group will only be required to meet these obligations in the event of the customer's default. These obligations are accounted

for as off balance sheet transactions and disclosed as contingent liabilities.

Fiduciary activities

Assets and income arising thereon together with related undertakings to return such assets to customers are excluded from these financial statements where the group acts in a fiduciary capacity such as nominee, trustee or agent.

Employee benefit costs

The group operates a defined contribution retirement benefit scheme for all its employees. The scheme is administered by an independent investment management company and is funded by contributions from both the group and employees.

The group also contributes to the statutory National Social Security Fund (NSSF). This is a defined contribution scheme registered under the National Social Security Fund Act. The obligations under the scheme are limited to specific contributions legislated from time to time.

The group's contributions in respect of retirement benefit costs are charged to the profit and loss in the period to which they relate.

Employee entitlement to leave not taken is charged to profit or loss as it accrues.

Fair value hierarchy

The bank specifies a hierarchy of valuation techniques based on whether the inputs to those valuation techniques are observable or unobservable. Observable inputs reflect market data obtained from independent sources; unobservable inputs reflect the bank's market assumptions. These two types of inputs have created the following fair value hierarchy:

 Level 1 – Quoted prices in active markets for identical assets or liabilities. This level includes equity securities and debt instruments listed on the Nairobi Securities Exchange.

- Level 2 Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.
- Level 3 inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). This level includes equity investments and debt instruments with significant unobservable components.

This hierarchy requires the use of observable market data when available. The bank considers relevant and observable market prices in its valuations where possible.

Comparatives

Where necessary, comparative figures have been adjusted to conform with changes in presentation in the current year.

CRITICAL JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the group's accounting policies, which are described above, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant including expectations of future events that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(i)Critical judgements in applying the group's accounting policies

The following are the critical judgements, apart from those involving estimations (see (ii) overleaf), that management have made in the process of applying the group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

Impairment losses on loans and receivables

The group reviews its loan portfolios to assess impairment regularly. In determining whether an impairment loss should be recorded in the profit and loss, the group makes judgements as to whether there is any observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of loans, before a decrease can be identified with an individual loan in that portfolio.

This evidence may include observable data indicating that there has been an adverse change in the payment status of borrowers in a group, or national or local economic conditions that correlate with defaults on assets in the group. Management uses estimates based on historical loss experience for assets with credit risk characteristics and objective evidence of impairment similar to those in the portfolio when scheduling its future cash flows. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience.

Classification of leases of land and buildings as finance or operating leases

At the inception of each lease of land or building, the group considers the substance rather than the form of the lease contract. Examples of situations that individually or in combination would normally lead to a lease being classified as a finance lease are:

- The lease transfers ownership of the asset to the lessee by the end of the lease term;
- The lessee has the option to purchase the asset at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable for it to be reasonably certain, at the inception of the lease, that the option will be exercised;
- The lease term is for the major part of the economic life of the asset even if title is not transferred;
- At the inception of the lease the present value of the minimum lease payments amounts to at least substantially all of the fair value of the leased asset; and
- The leased assets are of such a specialised nature that only the lessee can use them without major modifications.

The group also considers indicators of situations that individually or in combination could also lead to a lease being classified as a finance lease. Examples of such indicators include:

- If the lessee can cancel the lease, the lessor's losses associated with the cancellation are borne by the lessee;
- gains or losses from the fluctuation in the fair value of the residual accrue to the lessee (for example, in the form of a rent rebate equalling most of the sales proceeds at the end of the lease); and the lessee has the ability to continue the lease for a secondary period at a rent that is substantially lower than market rent.

Held -to-maturity investments

The group follows the guidance of IAS 39 on classifying non-derivative financial assets with fixed or determinable payments and fixed maturity as held-to-maturity. This classification requires significant judgement. In making this judgement,

the group evaluates its intention and ability to hold such investments to maturity. If the group fails to keep these investments to maturity other than for the specific circumstances – for example, selling an insignificant amount close to maturity – it will be required to reclassify the entire class as available-for-sale. The investments would therefore be measured at fair value not amortised cost.

Impairment of available-for-sale investments

The group reviews its debt securities classified as available—for—sale investments at each reporting date to assess whether they are impaired. This requires similar judgment as applied to the individual assessment of loans and advances.

The group also records impairment charges on available—for—sale equity investments when there has been a significant or prolonged decline in the fair value below their cost. The determination of what is 'significant' or 'prolonged' requires judgment. In making this judgment, the group evaluates, among other factors, historical share price movements and duration and extent to which the fair value of an investment is less than its cost.

(ii)Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

Property, equipment and intangible assets

Critical estimates are made by management in determining depreciation rates for property, equipment and intangible assets.

G. CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

	Note	31 July 2015 Unaudited 7 Months Shs'000	31 Dec 2014 Audited 12 Months Shs'000	31 Dec 2013 Audited 12 Months Shs'000	31 Dec 2012 Audited 12 Months Shs'000	31 Dec 2011 Audited 12 Months Shs'000	31 Dec 2010 Audited 12 Months Shs'000
INTEREST INCOME	1	5,261,822	7,121,576	5,354,441	4,775,721	2,844,462	1,896,114
INTEREST EXPENSE	2	(1,465,039)	(1,748,220)	(903,593)	(1,484,762)	(490,080)	(225,726)
NET INTEREST INCOME		3,796,783	5,373,356	4,450,848	3,290,959	2,354,382	1,670,388
Fees and commission income	3	1,397,675	2,359,721	1,703,167	1,309,072	1,331,918	1,439,586
Other operating income		112,270	167,950	82,510	78,024	49,118	8,852
Foreign exchange gain	6	246,764	111,444	66,500	51,147	30,623	-
OPERATING INCOME		5,553,492	8,012,471	6,303,025	4,729,202	3,766,041	3,118,826
Operating expenses Impairment losses on loans	4	(3,394,496)	(4,957,467)	(4,196,140)	(3,215,656)	(2,906,303)	(2,275,294)
and advances	12(c)	(76,384)	(389,944)	(321,848)	(645,272)	(337,173)	(325,574)
PROFIT BEFORE TAXATION		2,082,612	2,665,060	1,785,037	868,274	522,565	517,958
TAXATION	7	(664,223)	(855,275)	(539,651)	(306,815)	(167,961)	(163,269)
PROFIT FOR THE YEAR		1,418,389	1,809,785	1,245,386	561,459	354,604	354,689
OTHER COMPREHENSIVE INCOME	į						
Items that may be reclassified							
subsequently to profit or loss:							
Revaluation surplus on equipment		-	-	-	-	80,856	-
Deferred tax on revaluation surplu Reversal of revaluation on	IS	-	-	-	-	(24,257)	-
disposal of Equipment		_	_	_	-	_	
Fair value (loss)/gain on available							
for sale financial assets		-	-	-	12	(286)	(150)
OTHER COMPREHENSIVE INCOME	E/(LOSS)	-	-	-	12	56,313	(150)
TOTAL COMPREHENSIVE							
INCOME FOR THE YEAR		1,418,389	1,809,785	1,245,386	561,471	410,917	354,539
EARNINGS PER SHARE (EPS)		Sh	Sh	Sh	Sh	Sh	Sh
Basic and diluted	8	2.28	2.91	2.24	1.01	0.79	0.68

H. CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

	Note	31 July 2015 Unaudited 7 Months Shs'000	31 Dec 2014 Audited 12 Months Shs'000	31 Dec 2013 Audited 12 Months Shs'000	31 Dec 2012 Audited 12 Months Shs'000	31 Dec 2011 Audited 12 Months Shs'000	31 Dec 2010 Audited 12 Months Shs'000
ASSETS							
Cash and balances with							
Central Bank of Kenya	9	6,943,221	5,532,611	4,356,675	4,320,688	1,835,028	1,749,153
Deposits and balances due							
from banking institutions	10(a)	6,167,566	7,378,051	3,037,433	666,980	88,008	236,932
Government securities	11	7,799,348	6,051,181	4,796,459	4,343,973	4,485,023	5,211,146
Loans and advances to customers	12(a)	47,998,843	37,925,476	27,943,360	17,868,745	16,332,359	10,298,791
Corporate bonds	13(a)	931,055	554,830	588,412	681,452	705,990	499,325
Commercial paper	13(b)	1,067,043	700,000	-	-	-	-
Other investments	14	-	-	-	295	283	569
Other assets	15	999,441	1,001,555	484,540	928,621	436,316	854,241
Investment properties	17	127,400	127,400	106,000	94,000	71,400	27,670
Property and equipment	18	2,627,960	2,083,099	1,705,621	1,566,887	1,516,039	1,034,525
Intangible assets	19	308,054	317,620	328,213	345,896	354,897	173,584
Prepaid operating lease rentals	20	159,902	162,580	167,190	171,800	176,410	6,184
Deferred tax asset	25	44,782	-	-	-	-	-
TOTAL ASSETS		75,174,615	61,834,403	43,513,903	30,989,337	26,001,753	20,092,120
LIABILITIES AND SHAREHOLDERS' EQUITY							
LIABILITIES							
Balances due to other banks	10(b)	878,506	209,291	436,310	-	150,000	-
Customer deposits	21	59,356,571	47,136,480	34,582,587	24,613,302	21,443,927	15,731,247
Taxation payable	7(c)	237,030	222,608	221,023	93,943	16,851	17,916
Borrowings	22	2,467,791	2,900,335	1,343,811	892,145	527,264	472,972
Other liabilities	23	715,603	658,113	913,555	483,687	513,135	836,820
Unclaimed dividends	24	31,538	12,587	6,514	1,475	983	2,134
Deferred tax liability	25	-	5,427	2,082	24,115	25,875	21,393
TOTAL LIABILITIES		63,687,039	51,144,841	37,505,882	26,108,667	22,678,035	17,082,482
SHAREHOLDERS' FUNDS							
Share capital	26	1,245,186	1,245,186	1,114,046	556,995	484,185	484,185
Share premium	26	5,062,519	5,063,676	2,100,251	2,663,938	1,644,429	1,644,429
Revaluation surplus		82,332	78,956	81,089	83,222	85,314	30,304
Retained earnings		4,641,444	3,944,241	2,456,490	1,418,962	965,131	760,065
Statutory reserve		456,095	357,503	256,145	157,553	144,659	90,655
TOTAL SHAREHOLDERS' FUNDS TOTAL LIABILITIES AND		11,487,576	10,689,562	6,008,021	4,880,670	3,323,718	3,009,638
SHAREHOLDERS' FUNDS		75,174,615	61,834,403	43,513,903	30,989,337	26,001,753	20,092,120

I. CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Share capital Sh'000	Share premium Sh'000	Revaluation reserve Sh'000	Retained earnings Sh'000	Statutory reserve Sh'000	Total Sh'000
At 1 January 2010	368,219	782,748	31,084	517,977	69,479	1,769,507
Total comprehensive income	-	-	(150)	354,689	-	354,539
Rights issue proceed (Note 26)	115,966	861,681	-	-	-	977,647
Dividend paid – 2009	-	-	-	(92,055)	-	(92,055)
Transfer to statutory reserve	-	-	-	(21,176)	21,176	-
Transfer of excess depreciation	-	-	(900)	900	-	-
Deferred tax on excess depreciation	-	-	270	(270)	-	-
At 31 December 2010	484,185	1,644,429	30,304	760,065	90,655	3,009,638
At 1 January 2011	484,185	1,644,429	30,304	760,065	90,655	3,009,638
Total comprehensive income	-	-	56,313	354,604	-	410,917
Transfer to statutory reserve	-	-	-	(54,004)	54,004	-
Dividend paid – 2010	-	-	-	(96,837)	-	(96,837)
Transfer of excess depreciation	-	-	(1,861)	1,861	-	-
Deferred tax on excess depreciation	-	-	558	(558)	-	-
At 31 December 2011	484,185	1,644,429	85,314	965,131	144,659	3,323,718
At 1 January 2012	484,185	1,644,429	85,314	965,131	144,659	3,323,718
Total comprehensive income	-	-	12	561,459	-	561,471
Rights issue proceeds (Note 26)	72,810	1,019,509	-	-	-	1,092,319
Dividend paid – 2011	-	-	-	(96,838)	-	(96,838)
Transfer to statutory reserve	-	-	-	(12,894)	12,894	-
Transfer of excess depreciation	-	-	(3,005)	3,005	-	-
Deferred tax on excess depreciation	-	-	901	(901)	-	-
At 31 December 2012	556,995	2,663,938	83,222	1,418,962	157,553	4,880,670
At 1 January 2013	556,995	2,663,938	83,222	1,418,962	157,553	4,880,670
Total comprehensive income	-	-	-	1,245,386	-	1,245,386
Bonus issue of shares (Note 26)	557,023	(557,023)	-	-	-	-
Rights issue proceeds (Note 26)	28	407	-	-	-	435
Rights issue costs (Note 26)	-	(7,071)	-	-	-	(7,071)
Dividend paid – 2012	-	-	-	(111,399)	-	(111,399)
Transfer to statutory reserve	-	-	-	(98,592)	98,592	-
Transfer of excess depreciation	-	-	(3,047)	3,047	-	-
Deferred tax on excess depreciation	-	-	914	(914)	-	-
At 31 December 2013	1,114,046	2,100,251	81,089	2,456,490	256,145	6,008,021

I CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (Cont)

	Share capital Sh'000	Share premium Sh'000	Revaluation reserve Sh'000	Retained earnings Sh'000	Statutory reserve Sh'000	Total Sh'000
At 1 January 2014	1,114,046	2,100,251	81,089	2,456,490	256,145	6,008,021
Total comprehensive income for the year		-	-	-	1,809,785	-
1,809,785						
Shares issued (Note 26)	11,140	111,406				122,546
Rights issue proceeds (Note 26)	120,000	2,880,000	-	-	-	3,000,000
Rights issue costs		(27,981)	-	-	-	(27,981)
Dividend paid - 2014	-	-	-	(222,809)	-	(222,809)
Transfer to statutory reserve	-	-	-	(101,358)	101,358	-
Transfer of excess depreciation			(3,047)	3,047	-	-
Deferred tax on excess depreciation	-	-	914	(914)	-	-
At 31 December 2014	1,245,186	5,063,676	78,956	3,944,241	357,503	10,689,562
At 1 January 2015	1,245,186	5,063,676	78,956	3,944,241	357,503	10,689,562
Total comprehensive income for the year		-	-	-	1,418,389	-
1,418,389						
Rights issue costs	-	(1,157)	-	-	-	(1,157)
Transfer to statutory reserves	-	-	3,376	(98,592)	98,592	3,376
Dividend paid - 2014	-	-	-	(622,594)	-	(622,594)
At 31 July 2015	1,245,186	5,062,519	82,332	4,641,444	456,095	11,487,576

J CONSOLIDATED STATEMENTS OF CASH FLOWS

	Note	31 July 2015 Unaudited 7 Months Shs'000	31 Dec 2014 Audited 12 Months Shs'000	31 Dec 2013 Audited 12 Months Shs'000	31 Dec 2012 Audited 12 Months Shs'000	31 Dec 2011 Audited 12 Months Shs'000	31 Dec 2010 Audited 12 Months Shs'000
CASH FLOWS FROM OPERATING ACTIVITIES							
Net cash generated from operations	27(a)	1,633,186	2,379,422	2,120,369	1,950,237	1,001,898	(111,847)
Taxation paid	7(c)	(700,010)	(848,298)	(434,604)	(231,483)	(188,801)	(113,452)
Net cash flows generated							
from / (used in) operating activities		933,176	1,531,124	1,685,765	1,718,754	813,097	(225,299)
CASH FLOWS FROM INVESTING ACTIVITIES							
Purchase of property and equipment	18	(901,247)	(770,439)	(468,147)	(348,162)	(713,731)	(258,039)
Purchase of intangible assets	19	(44,318)	(86,030)	(76,427)	(95,907)	(272,062)	(58,457)
Proceeds from disposal of equipment		3,762	954	-	12,216	1,578	2,069
Acquisition of lease land	20	-	-	-	-	(138,515)	-
Proceeds from disposal of quoted shares		-	-	295	-	-	-
Net cash used in investing activities		(941,803)	(855,515)	(544,279)	(431,853)	(1,122,730)	(314,427)
CASH FLOWS FROM FINANCING ACTIVITIES							
Borrowings received	22	-	2,331,920	637,500	645,748	198,944	32,000
Borrowings repaid	22	(447,747)	(853,114)	(185,834)	(280,867)	(144,652)	(244,215)
Dividends paid	24	(603,643)	(216,736)	(106,360)	(96,766)	(97,988)	(89,925)
Rights issue costs		(1,157)	(27,981)	(6,636)	-	-	-
Proceeds from issue of shares		-	3,122,546	-	1,092,319	-	977,648
Cash (used in)/generated							
from financing activities		(1,052,547)	4,356,635	338,670	1,360,434	(43,696)	675,508
(DECREASE)/INCREASE IN CASH							
AND CASH EQUIVALENTS		(1,061,174)	5,032,244	1,480,156	2,647,335	(353,329)	135,782
CASH AND CASH EQUIVALENTS							
AT BEGINNING OF PERIOD		10,206,979	5,174,735	3,694,579	1,047,244	1,400,573	1,264,791
CASH AND CASH EQUIVALENTS							
AT END OF PERIOD	27(b)	9,145,805	10,206,979	5,174,735	3,694,579	1,047,244	1,400,573

		31 July 2015 7 Months Shs'000	31 Dec 2014 12 Months Shs'000	31 Dec 2013 12 Months Shs'000	31 Dec 2012 12 Months Shs'000	31 Dec 2011 12 Months Shs'000	31 Dec 2010 12 Months Shs'000
1	INTEREST INCOME						
	Loans and advances	4,299,187	6,216,205	4,686,232	4,213,735	2,366,232	1,588,280
	Bank placements	394,219	243,377	166,319	65,473	6,181	13,075
	Held to maturity						
	- Government securities	447,826	527,148	426,501	413,885	391,846	235,047
	- Corporate bonds	120,590	134,846	75,389	82,628	80,203	59,712
		5,261,822	7,121,576	5,354,441	4,775,721	2,844,462	1,896,114
2	INTEREST EXPENSE						
	Customer deposits	1,300,328	1,544,940	837,202	1,336,647	377,907	193,585
	Balances due to banks	25,775	11,213	6,490	77,691	80,411	2,530
	Borrowings	138,936	192,067	59,901	70,424	31,762	29,611
	·	1,465,039	1,748,220	903,593	1,484,762	490,080	225,726
3	FEES AND COMMISSION INCOM	ИΕ					
	Transaction related fees	864,072	1,572,996	961,958	893,322	791,730	1,031,697
	Credit related fees and commissions	481,283	703,886	671,894	342,125	484,445	360,538
	Ledger related fees and commissions	52,320	82,839	69,315	73,625	55,743	47,351
		1,397,675	2,359,721	1,703,167	1,309,072	1,331,918	1,439,586
4	OPERATING EXPENSES						
	Occupancy expenses	552,528	743,113	548,930	496,312	462,651	340,175
	Contribution to Deposit Protection Fund	32,078	44,954	34,799	27,531	19,181	13,493
	Auditors' remuneration Directors emoluments	2,949	3,957	3,561	2,790	2,500	1,714
	- fees	37,757	56,690	46,860	22,250	21,198	16,638
	- other	76,029	134,800	328,800	66,500	59,519	11,539
	Depreciation - property plant and						
	Equipment (Note 18)	300,157	371,932	324,747	284,339	282,453	246,118
	Staff costs (note 5)	1,419,623	2,303,713	1,761,713	1,357,854	1,112,935	936,199
	Amortisation - operating lease Rentals (Not	e 20) 2,678	4,610	4,610	4,610	1,509	163
	Other operating expenses	824,568	1,059,124	858,027	742,909	722,736	523,422
	Amortisation of intangible assets (Note 19)	53,383	90,277	94,110	104,908	74,793	34,004
	Marketing expense	92,746	144,297	189,983	105,653	146,828	151,829
		3,394,496	4,957,467	4,196,140	3,215,656	2,906,303	2,275,294

		31 July 2015 7 Months Shs'000	31 Dec 2014 12 Months Shs'000	31 Dec 2013 12 Months Shs'000	31 Dec 2012 12 Months Shs'000	31 Dec 2011 12 Months Shs'000	31 Dec 2010 12 Months Shs'000
5	STAFF COSTS						
	Salaries & allowances	1,170,131	1,967,639	1,516,262	1,172,003	955,895	828,703
	Contributions to defined						
	contribution plans	73,714	81,901	54,660	47,340	40,638	31,525
	NSSF contribution	2,395	13,081	3,036	2,815	2,616	2,170
	Medical expenses	89,787	122,345	97,125	80,104	61,847	51,156
	Training and development	46,048	115,832	77,001	59,167	51,939	13,230
	Other staff costs	37,548	2,915	13,629	(3,575)	-	9,415
		1,419,623	2,303,713	1,761,713	1,357,854	1,112,935	936,199

6 FOREIGN EXCHANGE GAIN

Foreign exchange net income includes gains and losses from spot and forward contracts and translated foreign currency assets and liabilities.

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TAXATION	31 July 2015 7 Months Shs'000	31 Dec 2014 12 Months Shs'000	31 Dec 2013 12 Months Shs'000	31 Dec 2012 12 Months Shs'000	31 Dec 2011 12 Months Shs'000	31 Dec 2010 12 Months Shs'000
(a) Taxation charge						
Current taxation expense based on the						
adjusted profit for the year at 30%	714,432	849,883	561,684	308,575	187,736	152,360
Deferred tax charge/(credit) (Note 25)	(50,209)	3,345	(22,033)	(1,760)	(19,775)	10,909
Prior year under provision	-	2,047	-	-	-	-
Tax charge for the period	664,223	855,275	539,651	306,815	167,961	163,269
(b) Reconciliation of expected tax based						
on accounting profit to tax charge:						
Accounting profit before tax	2,082,612	2,665,060	1,785,037	868,274	522,565	517,958
Tax at the 30% applicable rate	624,784	799,518	535,511	260,482	156,770	155,387
Tax effect of expenses not						
deductible for tax purposes	49,639	98,489	70,540	101,429	64,196	42,059
Tax effect of income not						
subject to tax	(10,200)	(44,779)	(66,400)	(55,096)	(53,005)	(34,177)
Prior year under provision	-	2,047	-	-	-	-
Tax charge for the period	664,223	855,275	539,651	306,815	167,961	163,269
(c) Taxation payable:						
Balance brought forward	222,608	221,023	93,943	16,851	17,916	(20,992)
Charge for the year	714,432	849,883	561,684	308,575	187,736	152,360
Payments during the year	(700,010)	(848,298)	(434,604)	(231,483)	(188,801)	(113,452)
At end of the year	237,030	222,608	221,023	93,943	16,851	17,916

8 EARNINGS PER SHARE

Earnings per share is calculated by dividing the net profit attributable to shareholders by the number of ordinary shares in issue during the

year.	31 July 2015 7 Months Shs'000	31 Dec 2014 12 Months Shs'000	31 Dec 2013 12 Months Shs'000	31 Dec 2012 12 Months Shs'000	31 Dec 2011 12 Months Shs'000	31 Dec 2010 12 Months Shs'000
Net profit attributable to shareholders	1,418,389	1,809,785	1,245,386	561,471	410,917	354,539
Weighted average no. of shares	622,593	622,593	557,023	557,009	520,618	520,618
Basic & diluted earnings per share (Sh)	2.28	2.91	2.24	1.01	0.79	0.68

There were no potential dilutive shares outstanding at 31 July 2015, 31 December 2014, 31 December 2013, 31 December 2012, 31 December 2011 and 31 December 2010.

9 CASH AND BALANCES WITH CENTRAL BANK OF KENYA

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Cash on hand	2,583,738	2,297,220	2,178,975	1,765,122	1,109,236	834,292
Balances with Central Bank of Kenya - Cash ratio requirement	3,086,478	2,494,392	1,783,063	1,293,089	725,792	692,246
- Other balances (available for use by the bank)	1,273,005	740,999	394,637	1,262,477	-	222,615
	6,943,221	5,532,611	4,356,675	4,320,688	1,835,028	1,749,153

The cash ratio reserve is based on the value of customer deposits as adjusted by the Central Bank of Kenya requirements. As at 31 July 2015, the cash ratio reserve requirement was 5.25 % (2014 – 5.25%, 2013 – 5.25%, 2012 - 5.25% 2011 - 5.25% and 2010 - 4.5%) of all customer deposits held by the group. These funds are not available to finance the group's day to day operations.

10 DEPOSITS AND BALANCES DUE FROM BANKING INSTITUTIONS

a) Balances due from banking institutions maturing within 90 days:

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Overnight lending and placements with other banks	6,024,976	7,240,426	2,201,121	27,660	1,768	91,750
Balances due from banks	142,590	137,625	836,312	639,320	86,240	99,302
Balances due from banks abroad		-	-	-	-	45,880
	6,167,566	7,378,051	3,037,433	666,980	88,008	236,932

K NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)10 DEPOSITS AND BALANCES DUE FROM/TO BANKING INSTITUTIONS (continued)

b) Balances due to banking institutions maturing within 90 days:

	3					
	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Balances with local banks	878,506	209,291	436,310	-	150,000	-
The effective interest rate on deposits du	e from local banki	ng institutions ar	nd balances due to	o banking institut	ions are as summa	arized below:
	31 July 2015 %	31 Dec 2014 %	31 Dec 2013 %	31 Dec 2012 %	31 Dec 2011 %	31 Dec 2010 %
Balances due from banking						
institutions maturing within 90 days Balances due to banking	8.97	8.56	7.21	4.75	5.25	4.5
Institutions maturing within 90 days:	7.59	6.68	9.04	-	26.00	-
11 GOVERNMENT SECURITIES						
	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Treasury bonds- at amortised cost	4,569,420	4,348,080	4,313,613	4,343,973	4,485,023	5,104,411
Treasury bills – at amortised cost	3,229,928	1,703,101	482,846	-	-	106,735
	7,799,348	6,051,181	4,796,459	4,343,973	4,485,023	5,211,146
The maturity profile of government securities is as follows:						
Maturing within 1 year	3,757,519	1,923,380	626,365	68,159	65,063	209,027
Maturing between 2 and 5 years	254,517	438,034	438,034	189,739	177,826	711,696
Maturing after 5 years	3,787,312	3,689,767	3,732,060	4,086,075	4,242,134	4,290,423
	7,799,348	6,051,181	4,796,459	4,343,973	4,485,023	5,211,146
The weighted average effective interest i	ate for Governme	nt securities are a	ıs summarized bel	ow:		
	31 July 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
	%	%	%	%	%	%
Treasury bills	8.66%	10.61	12.3	-	-	6.15
Treasury bonds	11.06%	11.09	11.09	11.09	10.06	10.48

As of 31 July 2015, treasury bonds with a carrying amount of Sh 760, 000 (2014 – Sh 760,000, 2013 – Sh 760,000, 2012 – Sh 760,000, 2011 – Sh 760,000 and 2010 – Sh 450,000) were pledged as collateral under repurchase agreements with the Central Bank of Kenya.

12 LOANS AND ADVANCES TO CUSTOMERS

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
(a) Commercial loans	39,293,730	31,722,243	23,807,522	15,806,080	14,189,109	8,784,058
Asset finance loans	1,751,057	1,600,885	2,198,190	1,266,918	1,165,843	957,580
Overdrafts	6,678,270	4,235,077	1,499,002	1,318,542	1,512,774	974,395
Staff loans	1,684,117	1,699,218	1,427,425	1,252,351	595,318	308,728
Gross loans and advances to						
customers	49,407,174	39,257,423	28,932,139	19,643,891	17,463,044	11,024,761
Less: Impairment losses on loans						
and advances (note 12(c))	(1,408,331)	(1,331,947)	(988,779)	(1,775,146)	(1,130,685)	(725,970)
Net loans and advances to						
customers	47,998,843	37,925,476	27,943,360	17,868,745	16,332,359	10,298,791
(b) Analysis of gross loans						
and advances by maturity						
Maturing:						
Within 1 year	10,020,131	7,432,187	4,435,506	5,720,879	2,895,173	3,121,886
Between 1 and 3 years	11,688,668	10,578,659	6,092,933	5,804,395	6,528,276	2,972,644
After 3 years	27,698,375	21,246,577	18,403,700	8,118,617	8,039,595	4,930,231
Loans and advances to customers	49,407,174	39,257,423	28,932,139	19,643,891	17,463,044	11,024,761

The related party transactions and balances are covered under note 29 and concentration of advances to customers is covered under note 31(a).

(c) Impairment losses on loans and

advances:	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
At start of year	1,331,947	988,779	1,775,146	1,130,685	725,970	370,742
Increase in impairment allowance	76,384	389,944	321,848	645,272	337,173	325,574
Written off	-	(46,776)	(1,108,215)	(811)	(42)	(12,469)
Increase in interest suspense		-	-	-	67,584	42,123
At end of period	1,408,331	1,331,947	988,779	1,775,146	1,130,685	725,970
The average effective interest rate of the loans	% 15	% 16	% 17	% 21	% 25	% 17

13 CORPORATE BONDS & COMMERCIAL PAPERS

Held to maturity – at amortised cost:

/- \							
(a)	Corporate bonds:	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
	Safaricom Limited	-	-	306,058	305,940	305,957	308,967
	KenGen Limited	107,248	117,935	141,522	164,989	188,632	190,358
	Shelter Afrique	-	-	140,832	210,523	211,401	-
	British American Investments Limited	412,159	436,895	-	-	-	
	Centum Investments Limited	411,648	-	-	-	-	-
		931,055	554,830	588,412	681,452	705,990	499,325
	The maturities of the corporate						
	bonds are as follows;						
	Within 1 year	107,248	436,895	446,890	-	-	-
	Maturing within 1 to 5 years	823,807	-	-	519,840	517,358	308,967
	Maturing after 5 years	-	117,935	141,522	161,612	188,632	190,358
		931,055	554,830	588,412	681,452	705,990	499,325
	The average effective interest rate	% 12	% 12	% 12	% 12	% 12	% 12
	The average effective interest rate		12	12	12	12	12
b)	Commercial paper:						
	Nakumatt Limited	560,102	500,000	-	-	-	-
	ASL Credit Limted	102,030	200,000	-	-	-	-
	ARM Cement	404,911	-	-	-	-	-
		1,067,043	700,000	-	-	-	-
	The maturities of the commercial paper						
	are as follows:						
	Within 1 year	1,067,043	700,000	-	-	-	-
		 %	%	%	%	%	%
			14.7%				

profit or loss:

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	2013	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
At I January	-	-	295	283	569	387
Disposals during the year	-	-	(295)	-	-	-
Fair value gain/(loss)	-	-	-	12	(286)	182
At 31 December	-	-	-	295	283	569

15 OTHER ASSETS

IS OTHER ASSETS	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Uncleared items in the course						
of collection	267,003	148,271	121,440	280,253	293,310	456,074
Prepayments	393,611	202,799	227,816	111,677	61,878	64,021
Rent and other deposits	118,598	97,610	73,911	58,027	43,904	38,674
Other receivables	220,229	552,875	61,373	478,664	37,224	295,472
	999,441	1,001,555	484,540	928,621	436,316	854,241

16 INVESTMENT IN SUBSIDIARY

	No of Shares	Holding	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000
Dhamana Insurance							
Agency Limited	1,000	100%	1,000	1,000	1,000	1,000	1,000

The subsidiary is a wholly owned Limited Liability Company incorporated and domiciled in Kenya. The principal activity of the company is to provide insurance brokerage services. The subsidiary started operations in 2011.

Set out below is the summarised financial information for the subsidiary:

Summarised statement of profit and loss and other comprehensive income

	31 July 2015 7 Months Shs'000	31 Dec 2014 12 Months Shs'000	31 Dec 2013 12 Months Shs'000	31 Dec 2012 12 Months Shs'000	31 Dec 2011 12 Months Shs'000
Brokerage Commission	85,024	73,848	48,206	26,984	24,722
Profit before income tax	48,308	36,218	27,215	14,370	14,662
Taxation	(22,245)	(14,988)	(10,244)	(4,292)	(1,654)
Profit for the period	26,063	21,230	16,971	10,078	13,008

Summarised statement of financial position

	31 July	31 Dec	31 Dec	31 Dec	31 Dec
	2015	2014	2013	2012	2011
	7 Months	12 Months	12 Months	12 Months	12 Months
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Total assets Total liabilities	103,672	71,957	43,296	22,242	22,645
	8,450	12,014	4,583	501	11,981
Net assets	95,222	59,943	38,713	21,741	10,664

K NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) 16 INVESTMENT IN SUBSIDIARY (Continued)

Summarised statement of cash flows	31 July 2015 7 Months Shs'000	31 Dec 2014 12 Months Shs'000	31 Dec 2013 12 Months Shs'000	31 Dec 2012 12 Months Shs'000	31 Dec 2011 12 Months Shs'000
Net cash generated from/(used in) operating activities	18,554	19,737	16,709	(732)	14,198
Net cash used in from investing activities	(4,091)	(2,696)	(780)	(318)	(387)
Net cash generated from financing activities	-	-	-	1,000	-
Net decrease in cash and cash equivalents	14,463	17,041	15,929	(50)	13,811
Cash and cash equivalents at beginning of period	49,945	32,904	16,975	17,025	3,214
Cash and cash equivalents at end of period	64,408	49,945	32,904	16,975	17,025

17 INVESTMENT PROPERTIES

	31 July 2015 Shs'000	31 July 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
COST						
At start of year	127,400	106,000	94,000	71,400	27,670	27,670
Transferred (to)/from						
property and equipment	-	(3,000)	-	-	43,730	-
Gain on revaluation	-	24,400	12,000	22,600	-	-
At end of period	127,400	127,400	106,000	94,000	71,400	27,670

Investment property relate to Leasehold land acquired at a cost of Shs 24,500,000 as part of the Group's expansion plans and Lease hold land acquired at a cost of Shs 3,170,000 for national customer promotion raffle in 2014 part of the land at value of shs.3,000,000 was given out in Kunacha Mili na Acre promotion to the various winners. The properties were re-valued as at 31 December 2014 by Ebony Estate Valuers Limited, Registered valuers. Valuations for the properties were made on the basis of the open market value and the concept of highest and best use was used. The book values of the re-valued items were adjusted to the re-valued amounts and the resultant surplus was credited to profit and loss.

The properties were re-valued as at 31 December 2010, 2011, 2012 and 2013 by Ebony Estate Valuers Limited, Registered valuers. Valuations for the properties were made on the basis of the open market value. A directors' valuation as at 31 July 2015 has determined that there is no change in the values reported as at 31 December 2014. The book values of the re-valued items were adjusted to the re-valued amounts and the resultant surplus was credited to profit and loss.

In accordance with IFRS 13, the fair value ranking of the Investment Property is at Level 2 as the fair value measurement is derived from inputs other than market prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.

K NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) 18 PROPERTY AND EQUIPMENT

	Freehold Land Shs'000	Buildings Shs'000	Leasehold Improvements Shs'000	Computers Shs'000	Motor Vehicles Shs'000	Furniture & Fittings Shs'000	Total Shs'000
COST/VALUATION							
At 1 January 2010	2,400	106,465	730,680	511,530	42,754	277,838	1,671,667
Additions	-	39,693	121,573	42,940	4,769	49,064	258,039
Disposal	-	-	-	-	(11,368)	-	(11,368)
At 31 December 2010	2,400	146,158	852,253	554,470	36,155	326,902	1,918,338
At 1 January 2011	2,400	146,158	852,253	554,470	36,155	326,902	1,918,338
Additions	-	156,982	192,468	271,377	32,664	60,240	713,731
Disposals	-	-	-	-	(3,330)	-	(3,330)
Gain on revaluation	2,600	55,080	-	-	-	-	57,680
Transfer to operating lease	rentals -	(33,220)	-	-	-	-	(33,220)
At 31 December 2011	5,000	325,000	1,044,721	825,847	65,489	387,142	2,653,199
At 1 January 2012	5,000	325,000	1,044,721	825,847	65,489	387,142	2,653,199
Additions	-	-	223,462	76,543	-	48,157	348,162
Disposal	-	-	-	-	(1,608)	-	(1,608)
Write offs	-	-	(8,906)	(774)	-	(3,268)	(12,948)
At 31 December 2012	5,000	325,000	1,259,277	901,616	63,881	432,031	2,986,805
At 1 January 2013	5,000	325,000	1,259,277	901,616	63,881	432,031	2,986,805
Additions	117,412	32,288	161,827	43,517	37,086	76,017	468,147
Disposal	-	-	(2,271)	-	-	(2,395)	(4,666)
At 31 December 2013	122,412	357,288	1,418,833	945,133	100,967	505,653	3,450,286
At 1 January 2014	122,412	357,288	1,418,833	945,133	100,967	505,653	3,450,286
Additions	-	-	394,318	129,582	8,440	238,099	770,439
Write offs	-	_	(6,373)	(24,827)	-	(27,763)	(58,963)
Disposal	-	_	-	-	(3,530)		(3,530)
At 31 December 2014	122,412	357,288	1,806,778	1,049,888	105,877	715,989	4,158,232
At 1 January 2015	122 /12	257 200	1 006 770	1 0/0 999	105 977	715 000	A 1EO 222
At 1 January 2015 Additions	122,412	357,288	1,806,778	1,049,888	105,877	715,989	4,158,232
	-	-	216,521	420,461	44,985	219,280	901,247
Write offs	-	-	(3,689)	(40)	- /1F CF1\	(51,694)	(55,383)
Disposal	122 412	257 200	2.010.010	(49)	(15,651)	002 575	(15,700)
At 31 July 2015	122,412	357,288	2,019,610	1,470,300	135,211	883,575	4,988,396
Comprising:							
At cost	117,412	32,288	2,019,610	1,470,300	135,212	883,575	4,658,396
At valuation	5,000	325,000	-	-	-	-	330,000
At 31 July 2015	122,412	357,288	2,019,610	1,470,300	135,212	883,575	

K NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) 18 PROPERTY AND EQUIPMENT (continued)

	Freehold Land	Buildings	Leasehold Improvements	Computers	Motor Vehicles	Furniture & Fittings	Total
		Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
COST/VALUATION							
DEPRECIATION							
At 1 January 2010	-	23,114	212,165	303,574	25,223	80,674	644,750
Eliminated on disposal	-	-	-	-	(7,055)	-	(7,055)
Charge for the year		2,662	98,399	99,692	7,618	37,747	246,118
At 31 December 2010		25,776	310,564	403,266	25,786	118,421	883,813
At 1 January 2011	-	25,776	310,564	403,266	25,786	118,421	883,813
Write-back on revaluation	-	(25,776)	-	-	-	-	(25,776)
Eliminated on disposal	-	-	-	-	(3,330)	-	(3,330)
Charge for the year	-	-	121,323	109,641	7,032	44,457	282,453
At 31 December 2011	-	-	431,887	512,907	29,488	162,878	1,137,160
At 1 January 2012	-	-	431,887	512,907	29,488	162,878	1,137,160
Charge for the year	-	8,125	125,359	96,408	9,421	45,026	284,339
Eliminated on disposal	-	-	-	-	(1,581)	-	(1,581)
31 December 2012	-	8,125	557,246	609,315	37,328	207,904	1,419,918
At 1 January 2013	-	8,125	557,246	609,315	37,328	207,904	1,419,918
Charge for the year	-	8,192	152,915	100,096	12,540	51,004	324,747
At 31 December 2013		16,317	710,161	709,411	49,868	258,908	1,744,665
At 1 January 2014	-	16,317	710,161	709,411	49,868	258,908	1,744,665
Charge for the year	-	8,932	171,909	107,613	16,924	66,554	371,932
Eliminated on disposal	-	-	-	-	(3,530)	-	(3,530)
Write off		-	-	(21,254)	-	(16,680)	(37,934)
At 31 December 2014		25,249	882,070	795,770	63,262	308,782	2,075,133
At 1 January 2015	_	25,249	882,070	795,770	63,262	308,782	2,075,133
Charge for the year	-	5,210	115,777	112,738	13,579	52,853	300,157
Eliminated on disposal	-	-	-	-	(14,854)	, -	(14,854)
At 31 July 2015		30,459	997,847	908,508	61,987	361,635	2,360,436
NET BOOK VALUE – VALUA	TION BASIS						
At 31 July 2015	122,412	326,829	1,021,763	561,792	73,224	521,940	2,627,960
At 31 December 2014	122,412	332,039	924,708	254,118	42,615	407,207	2,083,099
At 31 December 2013	122,412	340,971	708,672	235,722	51,099	246,745	1,705,621
At 31 December 2012	5,000	316,875	702,031	292,301	26,553	224,127	1,566,887
At 31 December 2011	5,000	325,000	612,834	312,940	36,001	224,264	1,516,039
At 31 December 2010	2,400	120,382	541,689	151,204	10,369	208,481	1,034,525

18 PROPERTY AND EQUIPMENT (continued)

Net Book Value – Cost Basis

	Freehold Land	Buildings Shs'000	Leasehold Improvements Shs'000	Computers Shs'000	Motor Vehicles Shs'000	Furniture & Fittings Shs'000	Total Shs'000
At 31 July 2015	122,412	326,828	1,021,761	239,339	70,738	841,765	2,622,843
At 31 December 2014	122,412	220,875	801,368	256,156	48,297	323,571	1,772,679
At 31 December 2013	119,812	226,830	708,672	235,722	51,099	246,745	1,588,880
At 31 December 2012	2,400	199,687	702,031	292,301	26,553	224,127	1,447,099
At 31 December 2011	2,400	204,807	612,834	312,940	36,001	224,264	1,393,246
At 31 December 2010	2,400	76,307	541,689	151,689	10,369	208,481	990,450

The properties were re-valued as at 31 December 2011 by Ebony Estate Valuers Limited, Registered valuers. Valuations for the properties were made on the basis of the open market value.

In accordance with IFRS 13, the fair value ranking of the Investment Property is at Level 3 as the fair value measurement is derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly as prices or indirectly as derived from prices.

19 INTANGIBLE ASSETS

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Cost						
At start of period	735,203	655,518	579,091	483,184	227,078	168,621
Additions	44,318	86,030	76,427	95,907	272,062	58,457
Write offs	(502)	(6,346)	-	-	(15,956)	-
At end of the period	779,019	735,202	655,518	579,091	483,184	227,078
Amortisation						
At the start of period	417,582	327,305	233,195	128,287	53,494	19,490
Charge for the period	53,383	90,277	94,110	104,908	74,793	34,004
At end of the period	470,965	417,582	327,305	233,195	128,287	53,494
Net book value						
At end of period	308,054	317,620	328,213	345,896	354,897	173,584

20 PREPAID OPERATING LEASE RENTALS

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Cost						
At start of the period	180,335	180,335	180,335	180,335	8,600	8,600
Additions	-	-	-	-	138,515	-
Transfer from property and equipment	-	-	-	-	33,220	-
At end of the period	180,335	180,335	180,335	180,335	180,335	8,600
Amortisation						
At start of the period	17,755	13,145	8,535	3,925	2,416	2,253
Charge for the period	2,678	4,610	4,610	4,610	1,509	163
At end of the period	20,433	17,755	13,145	8,535	3,925	2,416
Net Book Value						
At end of period	159,902	162,580	167,190	171,800	176,410	6,184
21 CUSTOMER DEPOSITS						
Demand accounts	31,047,318	27,017,203	21,623,201	16,783,388	13,528,329	12,688,042
Savings accounts	2,645,401	2,113,262	1,685,864	1,154,502	529,576	526,500
Call & fixed deposits	25,663,852	18,006,015	11,273,522	6,675,412	7,386,022	2,516,705
	59,356,571	47,136,480	34,582,587	24,613,302	21,443,927	15,731,247
MATURITY ANALYSIS OF CUSTOMER DEPC	SITS					
Repayable:						
On demand	31,047,318	27,017,203	21,623,201	16,783,388	13,528,329	12,688,042
Within one year	28,309,253	20,119,277	12,959,386	7,829,914	7,915,598	3,043,205
	59,356,571	47,136,480	34,582,587	24,613,302	21,443,927	15,731,247
	%	%	%	%	%	%
Average effective interest rate	7.89	7.63	6.53	17.00	1.06	1.48

22 BORROWINGS

2 BONNOWINGS	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Youth Fund	-	-	30,000	60,000	120,317	90,284
PTA Loan 1	-	-	-	64,902	176,161	287,422
PTA Loan 2 (USD)	-	381,976	485,350	590,588	-	-
PTA Loan 2 (Sh)	-	-	650,781	-	-	-
Women Fund	-	-	60,000	62,000	116,131	89,107
Practical Action Fund	10,916	11,300	=	6,159	6,159	6,159
KICT - Pasha loan	123,008	121,050	117,680	108,496	108,496	-
European Investment Bank (EIB)	2,333,867	2,386,009	-	-	-	-
	2,467,791	2,900,335	1,343,811	892,145	527,264	472,972
The movement in borrowings is						
as follows:						
At beginning of the period	2,900,335	1,343,811	892,145	527,264	472,972	685,187
Received in the period	-	2,331,920	637,500	645,748	198,944	32,000
Accrued interest	15,203	77,718	=	-	-	-
Repaid in the period	(447,747)	(853,114)	(185,834)	(280,867)	(144,652)	(244,215)
At end of the period	2,467,791	2,900,335	1,343,811	892,145	527,264	472,972

Facilities:

The Youth fund was a Government granted facility for onward lending to the youth. The fund is a revolving fund disbursed in tranches. The principal was repayable after three years and interest of 1% was charged and repayable on quarterly basis.

PTA Loan 1 was a long term facility, repayable within 5 years inclusive of 1 year grace period. The interest rate charged is the prevailing Treasury bill rate plus 3.5% margin repayable on monthly basis. The loan was received in August 2007 and matured in July 2013. The loan was unsecured.

PTA Loan 2 (Sh) loan was a long term facility, repayable within 5 years. The interest rate charged is 12.5% p.a. The loan was received in November 2013 and matures in 2018. The loan was unsecured.

PTA Loan 2 (Usd) was a long term facility, repayable within 5 years. The interest rate charged is based on margin of 5% plus market risk premium plus 6 month libor repayable on half yearly basis. The loan was received in March 2013 and matures in September 2017. The loan was unsecured.

EIB Loan (Eur) is a long term facility, repayable as a 1 bullet payment after 3 years from the date of disbursement. The interest rate charged is 9.78% p.a. The loan was received in 23 April 2014. The loan is unsecured.

The Women Fund was a Government granted facility for onward lending to women. The fund is a revolving fund disbursed in tranches. The principal was repayable after three years and interest of 1% was charged and repayable on quarterly basis.

The Practical Action Fund is a revolving fund to onward lending to customers who are undertaking waste management initiatives. The loan is interest free and all the customers are referred directly by Practical Action Fund.

The Kenya ICT Board - Pasha loan is a credit from the International Development Authority advanced to the Kenya Information and Communication Technology for the purposes of developing the digital villages program. Family Bank is charged with managing the disbursements of the loans.

22 BORROWINGS (Continued)

The effective interest rate for the various loans is as follows:

	31 July 2015 %	31 Dec 2014 %	31 Dec 2013 %	31 Dec 2012 %	31 Dec 2011 %	31 Dec 2010 %
Youth Fund	-	-	2.0	2.0	3.0	2.0
PTA Loan 1	-	-	-	17	11.0	8.0
PTA Loan 2(USD)	-	8	7.7	7.7	-	-
PTA Loan 2	-	-	12.5	-	-	-
Women Fund	-	-	1.0	1.0	1.0	1.0
KICT - Pasha loan	4	4	4.0	4.0	1.0	-
European Investment Bank (EIB)	9	9	-	-	=	-

23 OTHER LIABILITIES

S OTTEN EIN BIETTES	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Provisions and accruals	96,025	15,138	135,307	160,520	23,510	49,126
Leave pay provisions	68,312	30,765	27,851	14,223	17,796	28,537
Cheques for collection	176,583	150,715	189,022	139,622	253,728	163,925
Other payables	374,683	461,495	561,375	169,322	218,101	595,232
	715,603	658,113	913,555	483,687	513,135	836,820

24 DIVIDENDS

a) Unclaimed dividends

At start of the period	12,587	6,514	1,475	983	2,134	92,059
Declared during the period	622,594	222,809	111,399	97,258	96,837	-
Paid during the period	(603,643)	(216,736)	(106,360)	(96,766)	(97,988)	(89,925)
At the end of the period	31,538	12,587	6,514	1,475	983	2,134

Unclaimed dividends relates to dividends declared in past years by the group but not collected by the shareholders or their representatives.

b) Proposed dividends

Proposed dividends are not accounted for until they have been ratified at the Annual General Meeting.

K NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) 25 DEFERRED TAX ASSET

The net deferred tax asset is attributable to the following items:

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Deferred tax assets;						
General provision for doubtful debts	(10,396)	(11,077)	(12,755)	(12,393)	(11,786)	(8,275)
Accelerated capital allowances	(47,957)	(8,135)	(16,726)	(58)	-	-
Leave pay provision	(20,320)	(9,230)	(4,089)	-	-	-
	(78,673)	(28,442)	(33,570)	(12,451)	(11,786)	(8,275)
Deferred tax liabilities:						
Accelerated capital allowances	-	-	-	-	182	16,445
Revaluation surplus	33,891	33,869	35,652	36,566	37,479	13,223
Net deferred tax (asset)/liability	33,891	33,869	35,652	36,566	37,661	29,668
	(44,782)	5,427	2,082	24,115	25,875	21,393
The movements in the deferred						
tax account during the period were as follow	WS:					
At 1 January	5,427	2,082	24,115	25,875	21,393	10,484
(Credit)/charge to profit or loss (note 7(a))	(50,209)	3,345	(22,033)	(1,760)	(19,775)	10,909
Charge to revaluation reserve -	-	-	-	24,257	-	
At the end of the period	(44,782)	5,427	2,082	24,115	25,875	21,393
5 SHARE CAPITAL						
, STIVING CATTIVE	31 July 2015	31 Dec 2014	31 Dec 2013	31 Dec 2012	31 Dec 2011	31 Dec 2010
Authorised:						
Number of ordinary shares ('000)	1,500,000	1,500,000	750,000	500,000	500,000	500,000
Value per ordinary share (Sh)	1	1	2	2	2	2
Authorised share capital (Sh'000)	1,500,000	1,500,000	1,500,000	1,000,000	1,000,000	1,000,000
Issued & fully paid:						
Number of shares ('000)	1,245,186	1,245,186	557,023	278,497.5	242,092.5	242,092.5
Value per ordinary share (Sh)	1	1	2	2	2	2
Issued share capital (Sh'000)	1,245,186	1,245,186	1,114,046	556,995	484,185	484,185

26 SHARE CAPITAL (Continued)

Movement in shares and share capital:									
	Number of Shares Shs'000	Share Capital Shs'000	Share Premium Shs'000	Total Shs'000					
At 1 January 2010	184,110	368,219	782,747	1,150,966					
Rights issue in the year	57,983	115,966	861,682	977,648					
At 31 December 2010 and 31 December 2011	242,093	484,185	1,644,429	2,128,614					
At 1 January 2012	242,093	484,185	1,644,429	2,128,614					
Rights issue in the year	36,405	72,810	1,019,509	1,092,319					
At 31 December 2012	278,498	556,995	2,663,938	3,220,933					
At 1 January 2013	278,498	556,995	2,663,938	3,220,933					
Bonus shares	278,511	557,023	(557,023)	-					
Rights issue	14	28	407	435					
Rights issue costs*	-	-	(7,071)	(7,071)					
At 31 December 2013	557,023	1,114,046	2,100,251	3,214,297					
At 1 January 2014	557,023	1,114,046	2,100,251	3,214,297					
New shares	5,570	11,140	111,406	122,546					
	562,593	1,125,186	2,211,657	3,336,843					
Shares split	1,125,186	1,125,186	2,211,657	3,336,843					
Rights Issue	120,000	120,000	2,880,000	3,000,000					
Rights issue costs	-	-	(27,981)	(27,981)					
At 31 December 2014	1,245,186	1,245,186	5,063,676	6,308,862					
At 1 January 2015	1,245,186	1,245,186	5,063,676	6,308,862					
Rights issue costs**	-	-	(1,157)	(1,157)					
At 31 July 2015	1,245,186	1,245,186	5,062,519	6,307,705					

In 2012, the group increased its capital by Sh 1,092,319 through the issue of 36,405,192 ordinary shares of Sh 2 each at a premium of Sh 28.16 per share. The amounts received from the rights issue were capitalised after deducting the rights issue costs of Sh 14,453,442. The total capital raised was Sh. 1,092,319,000.

In 2013, the group increased its capital by Sh 557,051,461 through the issue 278,511,682 ordinary shares of Sh 2 each by issuing one bonus share for every one share held from the share premium.

In 2014, the group increased its capital by 3,094,563,000 through the rights issue of 120,000,000 shares @ sh 25 and issue of 5,570,234 new shares to the chairman.

^{*} Rights issue costs relate to the costs incurred to issue rights in 2012 that have been paid in 2013.

^{**}Rights issue costs relate to the costs incurred to issue rights in 2014 that have been paid in 2015.

27 NOTES TO THE STATEMENT OF CASHFLOWS

a) Reconciliation of profit before tax to cash

rofit before taxation djustments:	2,082,612	2.665.062				
djustments:		2,665,060	1,785,037	868,274	522,565	517,958
epreciation	300,157	371,932	324,747	284,339	282,453	246,118
mortization of intangible asset	53,383	90,277	94,110	104,908	74,793	34,004
mortization of operating lease rentals	2,678	4,610	4,610	4,610	1,509	163
oss/(gain) disposal of equipment	461	27,365	4,666	(850)	1,922	2,244
oss on write off	55,885	-	-	-	-	-
urplus on revaluation of Investment prop	erties -	(24,400)	(12,000)	(22,600)	(43,730)	
accrued interest on borrowings	15,203	77,718	-	-	-	
Vorking capital changes;						
hanges in working capital items:						
ash ratio balance	(592,086)	(711,319)	(489,974)	(567,297)	(33,546)	(239,562)
oans and advances to customers	(10,073,367)	(9,982,116)	(10,074,615)	(1,536,386)	(6,033,568)	(2,553,506
ther assets	2,114	(517,016)	444,081	(492,305)	414,425	(509,740)
ustomers deposits	12,220,091	12,553,893	9,969,285	3,169,375	5,712,680	5,240,954
Other liabilities	57,490	(255,442)	429,868	(29,448)	(323,685)	415,613
overnment securities	(1,748,167)	(1,254,722)	(452,486)	143,079	632,745	(3,256,358)
orporate bonds and commercial paper	(743,268)	(666,418)	93,040	24,538	(206,665)	(9,735)
ash (used in)/generated from operations	1,633,186	2,379,422	2,120,369	1,950,237	1,001,898	(111,847)

b) the statement of financial position

Cash in hand (Note 9)	2,583,738	2,297,220	2,178,975	1,765,122	1,109,236	834,291
Cash and balances with						
Central Bank of Kenya (Note 9)	1,273,005	740,999	394,637	1,262,477	-	222,615
Balances due from banking institutions						
(Note 10(a))	6,167,568	7,378,051	3,037,433	666,980	88,008	236,932
Balances due to banking institutions						
(Note 10(b))	(878,506)	(209,291)	(436,310)	-	(150,000)	-
Treasury bills (maturing within 90 days						
(Note 11)	-	-	-	-	-	106,735
	-					
	9,145,805	10,206,976	5,174,735	3,694,579	1,047,244	1,400,573

For the purpose of the statement of cashflows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, deposits held at call with banks and other short term highly liquid investments with original maturities of three months or below, less advances from banks repayable within three months from the dates of the advances.

K NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) 28 CONTINGENCIES AND COMMITMENTS INCLUDING OFF BALANCE SHEET ITEMS

a) Contingent liabilities

In common with other financial institutions, the group conducts business involving acceptances, letters of credit, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Acceptances and letters of credit						
and guarantees	3,014,878	2,237,077	980,470	648,659	419,719	391,445
Litigations against the group	212,292	212,292	274,823	280,542	299,065	59,692

Nature of contingent liabilities:

An acceptance is an undertaking by a bank to pay a bill of exchange drawn on a customer. The group expects most acceptances to be presented, but reimbursement by the customer is normally immediate.

Letters of credit commit the group to make payments to third parties on production of documents, which are subsequently reimbursed by customers.

Guarantees are generally written by a bank to support performance by customers to third parties. The group will only be required to meet these obligations in the event of the customer's default.

Concentrations of contingent liabilities are covered under note 31(a).

Litigations against the bank relate to civil suits lodged against the group by customers and employees in the normal course of business.

The likely outcome of these suits cannot be determined as at the date of signing these financial statements. The directors, however, do not anticipate that any liability will accrue from the pending suits.

b) Commitments to extend credit

	31 July	31 Dec	31 Dec	31 Dec	31 Dec	31 Dec
	2015	2014	2013	2012	2011	2010
	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000	Shs'000
Undrawn formal stand-by, facilities, credit						
lines and other commitments to lend	4,491,414	2,932,581	2,511,339	1,100,691	1,739,392	580,046

Commitments to extend credit are agreements to lend to a customer in future subject to certain conditions. Such commitments are normally made for a fixed period. The group may withdraw from its contractual obligation to extend credit by giving reasonable notice to the customer.

c) Capital commitments

,	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Authorised and contracted for	471,386	168,472	112,656	111,827	108,921	176,738
Authorised but not contracted for	507,000	655,000	202,500	39,750	176,000	16,379

K NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) 29 RELATED PARTY TRANSACTIONS

Parties are considered to be related if one party has the ability to control the other party or exercise significant influence over the other party in making financial or operational decisions.

Placings are made in the group by directors, their associates and companies associated to directors. Advances to customers at the period ends include advances and loans to companies associated with the directors. Contingent liabilities at the period ends include guarantees and letters of credit for companies associated with the directors.

Movement in related party balances was as follows:

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Loans and advances:						
Balance as at 1 January	2,306,912	1,775,987	1,498,686	570,597	479,025	479,142
Loans advanced during the year	953,337	782,455	707,556	1,073,686	547,858	390,883
Accrued interest on loans	187,054	224,482	166,507	55,332	23,007	20,463
Loans repayments received	(491,339)	(476,012)	(596,762)	(200,929)	(479,293)	(411,463)
Balance as at period end	2,955,964	2,306,912	1,775,987	1,498,686	570,597	479,025

As at 31 July 2015, loans and advances to staff amounted to Sh 1,731,143,915 (2014 - Sh 1,643,961,793, 2013 - Sh 1,393,093,822, 2012 - Sh 1,258,764,000 and 2011 - Sh 526,650,000). The loans and advances to related parties are performing and adequately secured.

30 KEY MANAGEMENT COMPENSATION

The remuneration of directors and other members of key management during the year were as follows:

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Salary & benefits	53,125	80,002	73,358	60,511	25,108	49,662
Directors emoluments	112,986	191,490	374,664	88,750	80,717	28,177
	166,111	271,492	448,022	149,261	105,825	77,839

31 RISK MANAGEMENT OBJECTIVES AND POLICIES

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 minimise the potential adverse effects of the group's financial performance.

A. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The most important type of risks to which the group is exposed to are financial risks which include:

- a) Credit risk
- b) Liquidity risk
- c) Market risks

Risk management framework

The board of directors has overall responsibility for the establishment and oversight of the group's risk management framework. The board has established a risk management committee comprising of two non-executive directors to assist in the discharge of this responsibility. The board has also established the group Asset and Liability (ALCO), Credit Committee and Risk and Compliance Committees, which are responsible for developing and monitoring risk management policies in their specified areas. With the exception of the ALCO which is a Management Committee, these committees comprise of both non-executive and executive members and report regularly to the board of directors on their activities.

The board provides written principles for overall risk management as well as written policies covering specific risk areas. The group's risk management policies are established to identify and analyse the risks faced by the group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and best market practices. The group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

Financial Risk Management disclosures

The Risk and Compliance Committee is responsible for monitoring compliance with the group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the group. This committee is assisted in these functions by the Assurance Function. The Assurance Function undertakes reviews of risk management controls and procedures, the results of which are reported to the committee.

(a) Credit risk

Credit risk is the risk of financial loss to the group if a customer or counterparty to a financial instrument fails to meet its contractual obligations. Credit risk arises principally from the group's loans and advances to customers and other banks and investment securities but can also arise from credit enhancement provided such as financial guarantees, letters of credit and acceptances. The group is also exposed to other credit risks arising from its trading activities including derivatives.

Credit risk is the single largest risk for the group's business 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 component of market risk exposure.

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

The board of directors has delegated responsibility for the oversight of credit risk to its credit committee comprising of 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 credit committee comprising of executive management.

Management of credit risk

The board of directors has delegated responsibility for the oversight of credit risk to its credit committee comprising of 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 credit committee comprising of executive management.

The committee 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 authorisation structure for the approval and renewal of credit facilities. Authorisation 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 gradings in order to categorise 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. The current risk grading framework consists of eight

Varying degrees of risk of default and the availability of collateral or other credit risk mitigation. Risk grades are subject to regular reviews by 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 the credit quality of local portfolios and appropriate corrective action is taken.

Providing advice, guidance and specialist skills to branches to promote best practice throughout the group in the management of credit risk.

Credit risk measurement

grades reflecting

In measuring credit risk of loans and advances to customers, the group takes into account the following factors:

The probability of default: this is the possibility of the customer failure to pay over the stipulated period in the contract. Current 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 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 takes into account the customers financial position, past experience 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. The impairment allowances on loans and advances computed through the group's internal measures and the Central Bank of Kenya prudential guidelines are contrasted with the measurement of impairment under the IAS 39.

(a) Credit risk (continued)

Risk limit control and mitigation policies

The group structures the level of credit risk it undertakes by placing limits on amounts of risk accepted in relation to one borrower or a group of borrowers. Such risks are monitored on a revolving basis and are subject to annual or more frequent review.

Exposure to credit risk is managed through regular analysis of the ability of borrowers and potential borrowers to meet interest and capital repayment obligations and by changing limits where appropriate.

The group takes security for funds advances and implements guidelines on the acceptability of specific classes of collateral. To minimise credit loss the group will seek additional collateral from the counterparty as soon as impairment indicators are identified for the relevant individual loans and advances. Collateral held for other financial assets other than loans and advances depends on the nature of the instrument.

The primary purpose of acceptances, letters of credit and guarantees is to ensure funds are available to a customer as required. Guarantees and standby letters of credit carry the same risk as loans. Documentary and commercial letters of credit which are written undertakings by the group on behalf of a customer authorising a third party to draw drafts on the group up to a stipulated amount under specific terms and conditions are collateralised by the underlying goods to which they relate and therefore carry less risk than a direct loan

Commitments to extend credit represent unused portions of authorisation to extend credit in the form of loans, guarantees or letters of credit. With respect to credit risk on commitments to extend credit, the group is potentially exposed to loss in an amount equal to the total unused commitments. However, the likely amount of loss is less than the total unused commitments as most commitments to extend credit are contingent upon customers maintaining specific credit standards.

The group has no significant concentration of credit risk, with exposure spread over a diversity of personal and commercial customers.

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Maximum exposure to credit risk before collateral held

Credit	Exposures

Credit Exposures	%	31 July 2015 Shs'000	%	31 Dec 2014 Shs'000	%	31 Dec 2013 Shs'000	%	31 Dec 2012 Shs'000	%	31 Dec 2011 Shs'000	%	31 Dec 2010 Shs'000
On-balance												
sheet items												
Balances with												
Central Bank of Kenya	a 6	4,359,483	6	3,235,391	4	2,177,700	6	2,555,566	10	725,792	-	914,861
Balances due from												
banking institutions	9	6,167,568	13	7,378,051	4	3,037,433	8	666,980	2	88,008	3	236,933
Government securitie	s 11	7,799,348	10	6,051,181	14	4,796,459	12	4,343,973	16	4,485,023	20	5,211,146
Loans and advances												
to customers	67	48,030,654	65	37,925,476	70	28,932,139	71	19,643,891	67	17,463,044	73	1
Corporate bonds	1	931,055	1	554,830	3	588,412	1	681,452	3	705,990	3	499,325
Commercial paper	1	1,067,043	1	700,000	-	-	-	-	-	-	-	-
	96	68,355,151	96	55,844,929	95	39,532,143	98	27,891,862	98	23,467,857	99	6,862,266
Off-balance												
sheet items												
Guarantees to third												
parties and bid bonds	4	3,014,878	4	2,737,651	5	980,470	2	648,659	2	419,719	1	391,445
At period end	100	71,370,029	100	58,582,580		40,512,613	100	28,540,521	100	23,887,576	100	7,253,711

The table represents the worst case scenario of credit exposure for all periods without taking into account any collateral held or other credit enhancements attached. For on-balance sheet assets, the exposures, set out above are based on net carrying amount as reported on the statement of financial position.

Loans and advances to customers comprise of 67% (2014 – 65%, 2013 - 71%, 2012 - 67% and 2011 - 73%) of the total maximum exposure.

While collateral is an important mitigant to credit risk, the group's policy is to establish that loans are within the capacity of the customer to repay, as the primary way out. The group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

The group is confident that its policies and procedures provide sufficient safeguards against exposure on credit risk as shown on the table below.

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Credit risk (continued)

Classification of loans and advances to customers

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Individually impaired						
Grade 6: Impaired (substandard)	400,759	553,755	416,908	570,573	610,566	250,117
Grade 7: Impaired (doubtful)	937,586	961,407	976,768	848,017	353,361	273,460
Grade 8: Impaired (loss)	929,023	874,512	620,030	1,027,301	860,665	476,602
Gross amount	2,267,368	2,389,674	2,013,706	2,445,891	1,824,592	1,000,179
Allowance for impairment	(1,343,678)	(1,298,423)	(949,661)	(1,737,234)	(1,095,508)	(697,197)
Carrying amount	923,690	1,091,251	1,064,045	708,657	729,084	302,982
Collectively impaired (past due but not impaired)						
Grade 4-5: Watch list	1,137,007	1,117,466	1,303,934	1,263,733	1,172,558	959,077
Allowance for impairment	(34,653)	(33,524)	(39,118)	(37,912)	(35,177)	(28,772)
Carrying amount Neither past due nor impaired	1,102,354	1,083,942	1,264,816	1,225,821	1,137,381	930,305
Grade 1-3: Normal	45,972,799	35,750,283	25,614,499	15,934,267	14,465,894	9,065,504
Total carrying amount	47,998,843	37,925,476	27,943,360	17,868,745	16,332,359	10,298,791

Loans and advances neither past due nor impaired

Apart from the loans and advances to customers all other credit exposures are neither past due nor impaired. The group classifies loans and advances under this category for those exposures that are up to date and in line with contractual agreements. These exposures will normally be maintained within approved product programs and with no signs of impairment or distress. These exposures are categorised internally as grade 1-3, that is, normal accounts in line with CBK prudential guidelines and a provision of 1 % is made and appropriated from revenue reserves to statutory reserves.

Loans and advances past due but not impaired loans

Loans where the contractual interest or principal payments are past due but the group believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the group are classified as past due but not impaired. These exposures are graded internally as category 4-5 that is watch accounts in the group's internal credit risk grading system, in line with CBK guidelines.

(a) Credit risk (continued)

Allowances for impairment

The group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

The internal credit risk grading system which is in line with CBK prudential guidelines focus on expected credit losses – that is taking into account the risk of future events giving rise to losses. In contrast, impairment allowances are recognised for financial reporting purposes only for losses that have been incurred at the date of the statement of financial position based on objective evidence of impairment. Due to the different methodologies applied, the amount of incurred credit losses provided for in the statement of comprehensive income is usually lower than the amount determined from the expected loss model that is used for internal operational management and banking regulation purposes

Write-off policy

When a loan is uncollectible it is written off against the related provisions for loan impairment. Such loans are written off after all the necessary recovery procedures have been completed and the amount of loan has been determined. Subsequent recoveries of amounts previously written off are recognised as gains in the profit or loss.

The group holds collateral against loans and advances to customers in the form of mortgage interests over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse repurchase and securities borrowing activity.

Settlement risk

The group's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a bank to honour its obligations to deliver cash, securities or other assets as contractually agreed.

Settlement limits form part of the credit approval/limit monitoring process described earlier. Acceptance of settlement risk on free settlement trades requires transaction specific or counterparty specific approvals from bank Risk.

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (Continued)

(a) Credit risk (continued)

Concentration of risk

Details of significant concentrations of the bank's assets, liabilities and off balance sheet items by industry groups are as detailed below:

(i) Advances to customers

	%	31 July 2015 Shs'000	%	31 Dec 2014 Shs'000	%	31 Dec 2013 Shs'000	%	31 Dec 2012 Shs'000	%	31 Dec 2011 Shs'000	%	31 Dec 2010 Shs'000
Manufacturing	<1	124,992	<1	102,838	<1	171,205	≤1	161,755	1	309,106	2	12,561
Wholesale and retail	28	13,948,806	26	10,133,102	25	7,794,401	27	5,959,926	30	5,549,327	53	5,780,328
Transport and												
communication	14	6,786,521	11	4,338,913	8	1,828,991	6	1,045,503	5	925,540	5	910,851
Agriculture	5	2,241,704	4	1,758,171	5	1,196,655	4	527,379	3	397,079	2	305,029
Business services	1	409,163	1	350,973	1	457,196	2	739,206	4	254,650	1	330,009
Building												
and construction	14	6,927,525	12	4,869,590	12	3,516,269	12	2,005,646	10		-	-
Other	38	18,970,274	45	17,733,836	48	13,967,422	48	9,204,476	47	10,027,302	33	3,685,984
	100	49,408,985	100	39,287,423	100	28,932,139	100	19,643,891	100	17,463,004	100	11,024,762

(ii)	Customer	deposits
(,,,	Customici	acposits

31 July 2015		31 Dec 2014		31 Dec 2013		31 Dec 2012		31 Dec 2011		31 Dec 2010
Shs'000	%	Shs'000	%	Shs'000	%	Shs'000	%	Shs'000	%	Shs'000
254,263	<1	207,337	<1	159,845	≤1	119,252	≤1	99,486	1	81,154
396,017	1	317,472	<1	246,355	≤1	181,122	1	142,066	1	88,229
257,685	<1	202,089	<1	143,947	≤1	95,720	≤1	76,514	-	37,701
58,334,391	98	46,309,841	98	33,952,643	98	24,155,956	98	21,079,528	98	15,496,550
114,215	-	99,741	<1	79,797	≤1	61,252	≤1	46,333	-	27,613
59,356,571	100	47,136,480	100	34,582,587	100	24,613,302	100	21,443,927	100	15,731,247
	2015 Shs'000 254,263 396,017 257,685 58,334,391 114,215	2015 Shs'000 % 254,263 <1 396,017 1 257,685 <1 58,334,391 98 114,215 -	2015 2014 Shs'000 % Shs'000 254,263 <1 207,337 396,017 1 317,472 257,685 <1 202,089 58,334,391 98 46,309,841 114,215 - 99,741	2015 2014 Shs'000 % Shs'000 % 254,263 <1 207,337 <1 396,017 1 317,472 <1 257,685 <1 202,089 <1 58,334,391 98 46,309,841 98 114,215 - 99,741 <1	2015 2014 2013 Shs'000 % Shs'000 % 254,263 <1	2015 2014 2013 Shs'000 % Shs'000 % 254,263 <1	2015 2014 2013 2012 Shs'000 % Shs'000 % Shs'000 % 254,263 <1	2015 2014 2013 2012 Shs'000 % Shs'000 % Shs'000 % 254,263 <1	2015 2014 2013 2012 2011 Shs'000 % Shs'000 % Shs'000 % Shs'000 % 254,263 <1	2015 2014 2013 2012 2011 Shs'000 % Shs'000 % Shs'000 % 254,263 <1

(iii) Off balance sheet items (Guarantees)

		31 July 2015		31 Dec 2014		31 Dec 2013		31 Dec 2012		31 Dec 2011		31 Dec 2010
		Shs'000	%	Shs'000	%	Shs'000	%	Shs'000	%	Shs'000	%	Shs'000
Trading	100	3,014,878	100	2,737,651	100	980,470	100	648,659	100	419,719	100	391,445

(b) Liqudity risk

Liquidity risk is the risk that the group will encounter difficulty in meeting obligations from its financial liabilities when they fall due as a result of customer deposits being withdrawn, cash requirements from contractual commitments or other cash outflows.

Management of liquidity risk

The group's liquidity risk management is carried out within the group and monitored by the Asset Liability committee (ALCO).

The group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the group's reputation

Liquidity risk is addressed through the following measures:

- The treasury department monitors liquidity ratios on a daily basis 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 into lending contracts subject to availability of funds.
- The group has an aggressive strategy aimed at increasing the customer deposit base.
- The group borrows from the market through inter bank transactions with other banks and The Central Bank of Kenya for short term liquidity requirements.
- Investments in property and equipment are properly budgeted for and done when the group has sufficient cash flows.

The daily liquidity position is monitored and regular liquidity stress testing is conducted under a variety of scenarios covering both normal and more 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 Asset and Liability Committee.

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 Central Bank of Kenya minimum liquidity ratio is 20%. Details of the reported group ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

(b) Liqudity risk (continued)

Details of the reported bank ratio of net liquid assets to deposits and customers at the reporting date and during the reporting period were as follows:

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
At period end	34%	41%	37%	39%	28%	45%
Average for the period	38%	33%	37%	34%	34%	38%
Maximum for the period	42%	41%	41%	40%	43%	47%
Minimum for the period	34%	29%	31%	28%	26%	30%

Liquidity risk based on undiscounted cash flows

The table below analyses the cash flows payable by the bank under non-derivative financial liabilities by remaining contractual maturities and non-derivative financial assets by expected maturity dates as at the date of the statement of financial position.

	Up to 1 Month Shs'000	1 - 3 Months Shs'000	4 - 12 Months Shs'000	1 - 5 Years Shs'000	Over 5 Years Shs'000	Total Shs'000
31 July 2015						
Financial assets						
Cash in hand	2,583,738	-	-	-	-	2,583,738
Balances with Central Bank of Kenya	4,359,483	-	-	-		4,359,483
Balances due from banks	6,167,566	-	-	-	-	6,167,566
Government securities	464,421	3,260,764	32,334	254,517	3,787,312	7,799,348
Loans and advances to customers	2,548,235	890,291	5,205,085	25,449,248	13,905,984	47,998,843
Corporate bonds	-	-	107,428	823,627	-	931,055
Commercial paper	-	-	1,067,043	-	-	1,067,043
Other assets	267,003	-	-	-	-	267,003
Total financial assets	16,390,446	4,151,055	6,411,890	26,527,392	17,693,296	71,174,079
Financial liabilities						
Balances due to banks	878,506	-	-	-	-	878,506
Customer deposits	36,187,333	5,912,606	12,929,835	4,326,797	-	59,356,571
Borrowings	-	-	133,924	2,333,867	-	2,467,791
Cheques for collection	176,583	-	-	-	-	176,583
Total financial liabilities	37,242,422	5,912,606	13,063,759	6,660,664	-	62,879,451
Net liquidity gap	(20,851,976)	(1,761,551)	(6,651,869)	19,866,728	17,693,296	8,294,628

(b) Liqudity risk (continued)

Liquidity risk based on undiscounted cash flows (Continued)

	Up to 1 Month Shs'000	1 - 3 Months Shs'000	4 - 12 Months Shs'000	1 - 5 Years Shs'000	Over 5 Years Shs'000	Total Shs'000
31 December 2014						
Financial assets						
Cash in hand	2,297,220	-	-	-	-	2,297,220
Balances with Central Bank of Kenya	1,851,024	220,206	935,620	228,541	-	3,235,391
Balances due from banks	7,378,051	-	-	-	-	7,378,051
Government securities	159,746	1,721,413	43,015	438,034	3,688,973	6,051,181
Loans and advances to customers	2,335,484	453,577	3,311,178	20,950,235	10,875,002	37,925,476
Corporate bonds	-	-	1,136,895	-	117,935	1,254,830
Other assets	148,271	-	-	-	-	148,271
Total financial assets	14,169,796	2,395,196	5,426,708	21,616,810	14,681,910	58,290,420
Financial liabilities						
Balances due to banks	209,291	-	-	-	-	209,291
Customer deposits	26,967,613	3,208,179	13,631,065	3,329,623	-	47,136,480
Borrowings	-	-	121,050	2,779,284	-	2,900,334
Cheques for collection	150,715	-	-	-	-	150,715
Total financial liabilities	27,327,619	3,208,179	13,752,115	6,108,907	-	50,396,820
Net liquidity gap	(13,157,823)	(812,983)	(8,325,407)	15,507,903	14,681,910	7,893,600
31 December 2013						
Financial assets						
Cash in hand	2,178,975	-	-	-	-	2,178,975
Balances with						
Central Bank of Kenya – cash ratio	1,239,388	131,583	287,750	124,341	-	1,783,063
Other balances with CBK	394,637	-	-	-	-	394,637
Balances due from banks	3,452,690	-	-	-	-	3,452,690
Government securities	482,846	62,296	37,263	438,034	3,766,552	4,786,991
Loans and advances to customers	1,479,789	314,506	2,687,657	13,249,882	11,503,269	29,235,102
Corporate bonds	-	-	451,359		142,937	594,296
Other assets	121,440	-	-	-	-	121,440
Total financial assets	9,349,765	508,385	3,464,029	13,812,257	15,412,758	42,547,194

(b) Liqudity risk (continued)

Liquidity risk based on undiscounted cash flows (Continued)

	Up to 1 Month Shs'000	1 - 3 Months Shs'000	4 - 12 Months Shs'000	1 - 5 Years Shs'000	Over 5 Years Shs'000	Total Shs'000
Financial liabilities						
Balances due to banks	440,547	-	-	-	-	440,547
Customer deposits	24,181,671	2,565,784	5,610,920	2,424,570	-	34,782,946
Borrowings	86,864	90,578	585,590		580,779	1,343,811
Other payables	-	-	189,022	-	-	189,022
Total financial liabilities	24,622,218	2,652,648	5,890,520	3,010,160	580,779	36,756,326
Net liquidity gap	(15,272,453)	(2,144,263)	(2,426,491)	10,802,097	14,831,979	5,790,868
31 December 2012						
Financial assets						
Cash in hand	1,765,122	-	-	-	-	1,765,122
Balances with Central Bank						
of Kenya – cash ratio	2,144,401	167,128	162,583	81,454	-	2,555,566
Other balances with CBK	666,980	-	-	-	-	666,980
Balances due from banks	2,744,476	559,023	3,091,000	9,565,188	5,676,214	21,635,901
Government securities	-	30,667	45,050	486,612	4,305,432	4,867, 761
Loans and advances to customers	2,268,162	462,003	2,554,546	7,905,114	4,691,086	17,880,911
Corporate bonds	-	-	22,221	560,000	181,006	763,227
Other assets	280,253	-	-	-	-	280,253
Total financial assets	9,869,394	1,218,821	5,875,400	18,598,368	14,853,738	50,415,721
Financial liabilities						
Customer deposits	17,968,337	3,406,238	3,313,601	1,666,221	-	26,354,397
Borrowings	-	28,928	161,412	614,648	122,842	927,831
Other payables	-	-	139,622	-	-	139,622
Total financial liabilities	17,968,337	3,435,166	3,614,635	2,280,869	122,842	27,421,850
Net liquidity gap	(8,098,943)	(2,216,345)	2,260,765	16,317,499	14,730,896	22,993,871

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liqudity risk (continued)

Liquidity risk based on undiscounted cash flows (Continued)

	Up to 1 Month Shs'000	1 - 3 Months Shs'000	4 - 12 Months Shs'000	1 - 5 Years Shs'000	Over 5 Years Shs'000	Total Shs'000
31 December 2011						
Financial assets						
Cash in hand	1,109,236	-	-	-	-	1,109,236
Balances with CBK	725,792	-	=	-	-	725,792
Balances due from						
banking institutions	88,223	-	=	-	1,809	90,032
Government securities	-	71,608	=	195,715	4,668,893	4,936,216
Loans and advances to customers	760,029	494,736	2,127,177	14,675,774	2,341,400	20,399,116
Corporate bonds	-	-	=	581,614	212,060	793,674
Other assets	293,310	-	-	-	-	293,310
Total financial assets	2,976,590	566,344	2,127,177	15,453,103	7,224,162	28,347,376
Financial liabilities						
Balances due to banking institutions	168,900	-	-	-	-	168,900
Customer deposits	15,609,013	1,589,151	3,510,180	962,888	-	21,671,232
Borrowings	469	60,515	122,930	247,965	120,008	551,887
Other payables	-	-	253,728	-	-	253,728
Total financial liabilities	15,778,382	1,649,666	3,886,838	1,210,853	120,008	22,645,747
Net liquidity gap	(12,801,792)	(1,083,322)	(1,759,661)	14,242,250	7,104,154	5,701,629
31 December 2010						
Total financial assets	3,191,735	431,741	1,512,831	6,070,169	6,698,786	17,905,262
Total financial liabilities	4,889,334	2,181,210	2,585,098	6,030,021	665,938	16,351,601
Net liquidity gap	(1,697,599)	(1,749,469)	(1,072,267)	40,148	6,032,848	1,553,661

(c) Market risks

Market risk is the risk that fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk arise from open positions in interest rates, currency and equity products, all of which are exposed to general and specific market movements and changes in the level of volatility of market rates or prices such as interest rates, equity prices, foreign exchange rates and credit spreads. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

The group separates exposures to market risk into either trading or non-trading 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.

Management of market risks

Overall responsibility of managing market risk rests with the Asset and Liability Committee (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.

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risks (continued)

i) Interest rate risk

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the 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 Treasury Department in its day-to-day monitoring activities.

The table below summarises the group's exposures to interest rate risks. Included in the table are the group's assets and liabilities at carrying amounts, categorised by the earlier of the contractual repricing or maturity dates. The group does not bear an interest rate risk on off balance sheet items

	Up to 1 Month Shs'000	1 - 3 Months Shs'000	4 - 12 Months Shs'000	1 - 5 Years Shs'000	Over 5 Years Shs'000	Non-interest Bearing Shs'000	Total Shs'000
31 July 2015							
Financial assets							
Cash in hand	-	-	-	-	-	2,583,738	2,583,738
Balances with CBK	-	=	-	-	-	4,359,483	4,359,483
Balances due from banks	-	6,024,978	-	-	-	142,590	6,167,568
Government securities	464,422	3,260,764	32,334	254,517	3,787,312	-	7,799,348
Loans and advances							
to customers	48,030,654	-	-	-	-	-	48,030,654
Corporate bonds	-	-	1,174,291	823,807	-	-	1,998,098
	48,495,076	9,285,742	1,206,625	1,078,324	3,787,312	7,085,811	70,938,889
Financial liabilities							
Balances due to banks	878,506	=	-	-	-	-	878,506
Customer deposits	5,912,606	5,679,522	7,250,313	4,326,797	-	36,187,333	59,356,571
Borrowings	-	-	_	133,924	2,333,867		2,467,791
	6,791,112	5,679,522	7,384,237	6,660,664	-	36,187,333	62,702,868
Interest sensitivity gap	41,703,964	3,606,220	(6,177,612)	(5,582,340)	3,787,312	(29,101,522)	8,236,021
31 December 2014							
Financial assets							
Cash in hand	-	-	-	-	-	2,297,220	2,297,220
Balances with CBK	-	-	-	-	-	3,235,391	3,235,391
Balances due from banks	-	7,240,426	-	-	-	137,625	7,378,051
Government securities	159,746	1,721,413	43,015	437,240	3,689,767		6,051,181
Loans and advances							
to customers	37,925,476	-	-	-	-	-	37,925,476
Corporate bonds	-	-	1,136,895	-	117,935	-	1,254,830
	38,085,222	8,961,839	1,179,910	437,240	3,807,702	5,670,236	58,142,149
Financial liabilities							
Balances due to banks	209,291	-	-	-	-	-	209,291
Customer deposits	3,208,179	4,277,319	9,353,746	3,329,623	-	26,967,613	47,136,480
Borrowings	-	-	121,050	2,779,284	-	-	2,900,334
	3,417,470	4,277,319	9,474,796	6,108,907	-	26,967,613	50,246,105
Interest sensitivity gap	34,667,752	4,684,520	(8,294,886)	(5,671,667)	3,807,702	(21,297,377)	7,896,044

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risks (continued)

	Up to 1 Month Shs'000	1 - 3 Months Shs'000	4 - 12 Months Shs'000	1 - 5 Years Shs'000	Over 5 Years Shs'000	Non-interest Bearing Shs'000	Total Shs'000
31 December 2013							
Financial assets							
Cash in hand	-	-	-	-	-	2,178,975	2,178,975
Balances with CBK	-	-	-	-	-	2,177,700	2,177,700
Balances due from banks	-	1,933,858	-	-	-	1,103,575	3,037,433
Government securities	482,846	-	-	438,034	3,732,060	-	4,652,940
Loans and advances							
to customers	27,943,360	-	-	-	-	-	27,943,360
Corporate bonds	-	-	433,400	-	160,836	-	594,236
	28,426,206	1,933,858	433,400	438,034	3,892,896	5,460,250	40,584,644
Financial liabilities							
Balances due to banks	440,547	-	-	-	-	-	440,547
Customer deposits	-	2,565,784	5,610,920	2,224,212	-	24,181,671	34,582,587
Borrowings	33,955	86,864	90,578	1,131,914	-	-	1,343,311
	474,502	2,652,648	5,701,498	3,356,126	-	24,181,671	36,366,445
Interest sensitivity gap	27,951,704	(718,790)	(5,268,098)	(2,918,092)	3,892,896	(18,721,421)	4,218,199
31 December 2012							
Financial assets							
Cash in hand						1,765,122	1,765,122
Balances with CBK		_				2,555,566	2,555,566
Balances due from banks		_	27,660	_		639,320	666,980
Government securities		_	27,000	468,348	3,875,625	039,320	4,343,973
Loans and advances				400,346	3,073,023		4,545,975
to customers	17,868,745	_	_	_		_	17,868,745
Corporate bonds	-	-	-	-	-	-	-
Total financial assets	17,868,745	-	27,660	468,348	3,875,625	4,960,008	27,200,386
Financial liabilities							
Financial liabilities Customer deposits		2 102 400	2 006 924	1 557 210		16 775 062	24 612 202
Customer deposits	-	3,183,400	3,096,824	1,557,216 591,008	110 110	16,775,862	24,613,302
Borrowings	_	27,815	155,204	800,186	118,118		892,145
Total financial liabilities	-	3,211,215	3,252,028	2,148,224	118,118	16,775,862	25,505,447
Interest sensitivity gap	17,868,745	(3,211,215)	(3,224,368)	(1,679,876)	3,757,507	(11,815,854)	1,694,939

(c) Market risks (continued)

	Up to 1 Month Shs'000	1 - 3 Months Shs'000	4 - 12 Months Shs'000	1 - 5 Years Shs'000	Over 5 Years Shs'000	Non-interest Bearing Shs'000	Total Shs'000
31 December 2011							
Financial assets							
Cash in hand						1,109,236	1,109,236
Balances with Central							
Bank of Kenya	-	-		-	-	725,792	725,792
Balances due from							
banking institutions	-	-	-	-	1,768	86,240	88,008
Government securities	-	65,063	-	177,826	4,242,134	-	4,485,023
Loans and advances							
to customers	16,332,359	-	-	-	-	-	16,332,359
Corporate bonds	-	-	-	517,358	188,632	-	705,990
	16,332,359	65,063	-	695,184	4,432,534	1,921,268	23,446,408
Financial liabilities							
Balance due to							
banking institutions	150,000	-	-	-	-	-	150,000
Customer deposits	-	-	7,386,022	529,576	-	13,528,329	21,443,927
Borrowings	448	57,815	117,445	236,902	114,655	-	527,265
	150,448	57,815	7,503,467	766,478	114,655	13,528,329	22,121,192
Interest sensitivity gap	16,181,911	7,248	(7,503,467)	(71,294)	4,317,879	(11,607,061)	1,325,216
31 December 2010							
Financial assets							
Balances with Central							
Bank of Kenya	-	-	-	-	-	1,865,738	1,865,738
Balances due from							
banking institutions	71,750	20,000	-	-	-	145,182	236,932
Government securities	2,940	-	107,060	-	5,158,342	-	5,268,342
Loans and advances							
to customers	10,289,802	-	-	-	-	-	10,289,802
Corporate bonds	-	-	-	-	499,326	-	499,326
	10,364,492	20,000	107,060	-	5,657,668	2,010,920	18,160,140
Financial liabilities							
Customer deposits	4,888,943	2,153,395	2,438,653	5,590,475	659,784	-	15,731,250
Borrowings	391	27,815	146,445	292,162	6,159	-	472,972
	4,889,334	2,181,210	2,585,098	5,882,637	665,943	-	16,204,222
Interest sensitivity gap	5,475,158	2,161,210)	(2,478,038)	(5,882,637)	4,991,725	2,010,920	1,955,918

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risks (continued)

(ii) 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 intraday positions which are monitored daily.

aay positions milan are momented daily.	USD Sh'000	GBP Sh'000	EURO Sh'000	TOTAL Sh'000
As at 31 July 2015				
Financial assets				
Deposits and balances due from banking institutions	165,790	66,406	47,570	279,766
Financial liabilities				
Borrowings -	-	-	-	
Sensitivity gap	165,790	66,406	47,570	279,766
As at 31 December 2014				
Financial assets				
Deposits and balances due from banking institutions	14,840	92,071	49,512	156,423
Financial liabilities				
Borrowings	(381,976)	-	-	(381,976)
Sensitivity gap	(367,136)	92,071	49,512	(225,553)
As at 31 December 2013				
Financial assets				
Deposits and balances due from banking institutions	861,863	(5,352)	5,551	862,062
Loans and advances	38,426	-	-	38,426
	900,289	(5,352)	5,551	900,488
Financial liabilities				
Borrowings	(485,932)	-	-	(485,932)
Customer deposits	(486,572)	(13,582)	(18,315)	(518,469)
	(972,504)	(13,582)	(18,315)	(1,004,401)
Sensitivity gap	(72,215)	(18,934)	(12,764)	(103,913)

(c) Market risks (continued)

Market risks (continued)				
	USD Sh'000	GBP Sh'000	EURO Sh'000	TOTAL Sh'000
As at 31 December 2012				
Financial assets				
Deposits and balances due from banking institutions	21,893	38,952	25,977	86,822
Loans and advances	58,583	-	-	58,583
	80,476	38,952	25,977	145,405
Financial liabilities				
Borrowings	(590,588)	-	-	(590,588)
Customer deposits	(164,474)	(12,439)	(2,290)	(179,203)
	(755,062)	(12,439)	(2,290)	(769,791)
Sensitivity gap	(674,586)	26,513	23,687	(624,386)
As at 31 December 2011 Financial assets				
Deposits and balances due from banking institutions	555	5,698	29,417	35,670
Financial liabilities	-	-	-	-
Sensitivity gap	555	5,698	29,417	35,670
As at 31 December 2010				
Financial assets				
Deposits and balances due from banking institutions	28,743	-	73,500	102,243
Financial liabilities				
Deposits and balances due to banking institutions	(26,119)	-	-	(26,119)
Sensitivity gap	2,624	-	73,500	76,124

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risks (continued)

Market Risks - Sensitivity Analysis

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 aims, through its management of market risk, to mitigate the impact of prospective interest rate movements and foreign exchange fluctuations which could reduce future earnings and capital.

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.

Interest rate risks – Increase/decrease of 10% in net interest margin

The Interest Rate Risks sensitivity analysis is based on the following assumptions.

Changes in the market interest rates affect the interest income or expenses of variable interest financial instruments.

Changes in Market interest rates only affect interest income or expenses in relation to financial instruments with fixed interest rates if these are recognized at their fair value.

The interest rate changes will have a significant effect on interest sensitive assets and liabilities and hence simulation modelling is applied to Net interest margins.

The interest rates of all maturities move by the same amount and, therefore, do not reflect the potential impact on net interest income of some rates changing while others remain unchanged.

The projections make other assumptions including that all positions run to maturity.

The table below sets out the impact on future net interest income of an incremental 10% parallel fall or rise in all yield curves at the beginning of each quarter during the 7 months from 1 January 2015.

	Amount 31 July 2015 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	2,082,612	2,301,836	1,883,320
Adjusted Core Capital	10,103,795	11,114,175	9,093,416
Adjusted Total Capital	10,572,673	11,629,940	9,515,406
Risk Weighted Assets (RWA)	66,202,938	66,202,938	66,202,938
Adjusted Core Capital to RWA	15.26%	16.79%	13.74%
Adjusted total Capital to RWA	15.97%	17.57%	14.37%

Assuming no management actions, a series of such appreciation would increase net interest income by Sh 379,678,220 while a series of such falls would decrease net interest income by Sh 379,678,220.

(c) Market risks (continued)

The table below sets out the impact on future net interest income of an incremental 10% parallel fall or rise in all yield curves at the beginning of each quarter during the 12 months from 1 January 2014.

	Amount 31 December 2014 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	2,665,060	2,931,566	2,398,554
Adjusted Core Capital	10,184,192	11,202,611	9,165,772
Adjusted Total Capital	10,550,527	11,605,579	9,495,474
Risk Weighted Assets (RWA)	52,067,367	52,067,367	52,067,367
Adjusted Core Capital to RWA	19.6%	21.5%	17.6%
Adjusted total Capital to RWA	20.3%	22.3%	18.2%

Assuming no management actions, a series of such appreciation would increase net interest income by Sh 537,335,571 while a series of such falls would decrease net interest income by Sh 537,335,571.

The table below sets out the impact on future net interest income of an incremental 10% parallel fall or rise in all yield curves at the beginning of each quarter during the 12 months from 1 January 2013.

	Amount 31 December 2013 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	1,785,037	1,791,687	1,778,387
Adjusted Core Capital	5,606,700	5,613,350	5,600,050
Adjusted Total Capital	5,871,677	5,878,327	5,865,027
Risk Weighted Assets (RWA)	31,126,625	31,126,625	31,126,625
Adjusted Core Capital to RWA	18.01%	18.03%	17.99%
Adjusted total Capital to RWA	18.86%	18.89%	18.84%

Assuming no management actions, a series of such appreciation would increase net interest income by Sh 445,084,814, while a series of such falls would decrease net interest income by Sh 445,084,814

The table below sets out the impact on future net interest income of an incremental 10% parallel fall or rise in all yield curves at the beginning of each quarter during the 12 months from 1 January 2012

	Amount 31 December 2012 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	868,274	955,101	781,447
Adjusted Core Capital	4,860,657	5,346,723	4,374,592
Adjusted Total Capital	5,871,677	5,878,327	5,865,027
Risk Weighted Assets (RWA)	21,363,243	21,363,243	21,363,243
Adjusted Core Capital to RWA	22.75%	25.03%	20.48%
Adjusted total Capital to RWA	27.48%	27.52%	27.45%

Assuming no management actions, a series of such appreciation would increase net interest income by Sh 329,096,000 while a series of such falls would decrease net interest income by Sh 329,096,000.

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risks (continued)

The table below sets out the impact on future net interest income of an incremental 10% parallel fall or rise in all yield curves at the beginning of each quarter during the 12 months from 1 January 2011

	Amount 31 December 2011 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	522,565	574,822	470,309
Adjusted Core Capital	3,161,738	3,477,912	2,845,564
Adjusted Total Capital	3,170,570	3,487,627	2,853,513
Risk Weighted Assets (RWA)	18,596,505	20,456,156	16,736,855
Adjusted Core Capital to RWA	17.00%	17.00%	17.00%
Adjusted total Capital to RWA	17.05%	17.05%	17.05%

Assuming no management actions, a series of such appreciation would increase net interest income by Sh 235,438,000 while a series of such falls would decrease net interest income by Sh 235,438,000.

The table below sets out the impact on future net interest income of an incremental 10% parallel fall or rise in all yield curves at the beginning of each quarter during the 12 months from 1 January 2010

	Amount 31 December 2010 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	517,958	569,754	466,162
Adjusted Core Capital	2,986,376	3,285,014	2,687,738
Adjusted Total Capital	2,995,208	3,294,729	1,695,687
Risk Weighted Assets (RWA)	12,757,599	14,033,359	11,481,839
Adjusted Core Capital to RWA	23.41%	23.41%	23.41%
Adjusted total Capital to RWA	23.48%	23.48%	14.77%

Foreign Exchange Risks – Appreciation/Depreciation of Kshs against other currencies by 10%

The Foreign Exchange Risks sensitivity analysis is based on the following assumptions;

- Foreign exchange exposures represent net currency positions of all currencies other than Kenya Shillings.
- The Currency Risk sensitivity analysis is based on the assumption that all net currency positions are highly effective.
- The Base currency in which the group's business is transacted is Kenya Shillings.

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign currencies at the beginning of each quarter during the 7 months from 1 January 2015.

(c) Market risks (continued)

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below;

	Amount 31 July 2015 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	2,082,612	2,301,836	1,883,320
Adjusted Core Capital	10,103,795	11,114,175	9,093,416
Adjusted Total Capital	10,572,673	11,629,940	9,515,406
Risk Weighted Assets (RWA)	66,202,938	66,202,938	66,202,938
Adjusted Core Capital to RWA	15.26%	16.79%	13.74%
Adjusted total Capital to RWA	15.97%	17.57%	14.37%

Assuming no management actions, a series of such appreciation would increase earnings by Sh 24,676,355 while a series of such falls would decrease net interest income by Sh 24,676,355.

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign currencies at the beginning of each quarter during the 12 months from 1 January 2014.

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below;

	Amount 31 December 2014 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	2,665,060	2,931,566	2,398,554
Adjusted Core Capital	10,184,192	11,202,611	9,165,772
Adjusted Total Capital	10,550,527	11,605,579	9,495,474
Risk Weighted Assets (RWA)	52,067,367	52,067,367	52,067,367
Adjusted Core Capital to RWA	19.56%	21.52%	17.60%
Adjusted total Capital to RWA	20.26%	22.29%	18.24%

Assuming no management actions, a series of such appreciation would increase earnings by Sh 11,144,389 while a series of such falls would decrease net interest income by Sh 11,144,389.

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign currencies at the beginning of each quarter during the 12 months from 1 January 2013.

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below;

	Amount 31 December 2013 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	1,785,037	1,791,687	1,778,387
Adjusted Core Capital	5,606,700	5,613,350	5,600,050
Adjusted Total Capital	5,871,677	5,878,327	5,865,027
Risk Weighted Assets (RWA)	31,126,625	31,126,625	31,126,625
Adjusted Core Capital to RWA	18.01%	18.03%	17.99%
Adjusted total Capital to RWA	18.86%	18.89%	18.84%

31 RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Market risks (continued)

Assuming no management actions, a series of such appreciation would increase earnings by

Sh 6,649,978 while a series of such falls would decrease net interest income by Sh 6,649,978.

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign currencies at the beginning of each quarter during the 12 months from 1 January 2012.

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below;

	Amount 31 December 2012 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	868,274	955,101	781,447
Adjusted Core Capital	4,860,657	5,346,723	4,374,592
Adjusted Total Capital	5,871,677	5,878,327	5,865,027
Risk Weighted Assets (RWA)	21,363,243	21,363,243	21,363,243
Adjusted Core Capital to RWA	22.75%	25.03%	20.48%
Adjusted total Capital to RWA	27.48%	27.52%	27.45%

Assuming no management actions, a series of such appreciation would increase earnings by Sh 5,114,700, while a series of such falls would decrease net interest income by Sh 5,114,700.

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign currencies at the beginning of each quarter during the 12 months from 1 January 2011.

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table below;

	Amount 31 December 2011 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	522,565	574,822	470,309
Adjusted Core Capital	3,161,738	3,477,912	2,845,564
Adjusted Total Capital	3,170,570	3,487,627	2,853,513
Risk Weighted Assets (RWA)	18,596,505	20,456,156	16,736,855
Adjusted Core Capital to RWA	17.00%	17.00%	17.00%
Adjusted total Capital to RWA	17.05%	17.05%	17.05%

Assuming no management actions, a series of such appreciation would increase earnings by Sh 16,456,000 (2010 - Sh 20,248,000), while a series of such falls would decrease net interest income by Sh 16,456,000 (2010 - Sh 20,248,000).

The table below sets out the impact on future earnings of an incremental 10% parallel fall or rise in all foreign currencies at the beginning of each quarter during the 12 months from 1 January 2010.

Assuming no management actions, a series of such rise and fall would impact the future earnings and capital as illustrated in the table

(c) Market risks (continued)

below:

	Amount 31 December 2010 Sh'000	Scenario 1 10% appreciation Sh'000	Scenario 2 10% Depreciation Sh'000
Profit Before Tax	517,958	569,754	466,162
Adjusted Core Capital	2,986,376	3,285,014	2,687,738
Adjusted Total Capital	2,995,208	3,294,729	1,695,687
Risk Weighted Assets (RWA)	12,757,599	14,033,359	11,481,839
Adjusted Core Capital to RWA	23.41%	23.41%	23.41%
Adjusted total Capital to RWA	23.48%	23.48%	14.77%

Assuming no management actions, a series of such appreciation would increase earnings by Sh 16,456,000 (2010 - Sh 20,248,000), while a series of such falls would decrease net interest income by Sh 16,456,000 (2010 - Sh 20,248,000).

(d) Other risks

i) 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.

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

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

Who manages strategic risk?

The Board of Directors is responsible for the overall generation and implementation of the Bank's strategy for purposes of enhancing shareholders' value. It has however delegated the implementation aspects to the Managing Director and the Senior Management team who execute strategy.

The bank has a strategy office reporting directly to the Managing Director with a mandate of co-ordinating strategy development, monitoring implementation of the strategic objectives and performing evaluation and control.

(d) Other risks (continued)

How we manage strategic risk

The Managing Director supported by the Head of Strategy and other Senior Management executes the approved strategic objectives on a day to day basis and actively monitors business performance against these objectives through periodic reviews.

The business carries out business performance reviews on a monthly basis against pre-determined milestones and key performance indicators. The reviews which cover branch and head office departments are supported by the Board of Directors through the board chairman.

The Managing Director co-ordinates an annual strategic planning process for Senior Management 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 ensure such strategies are aligned to the overall strategy of the Bank. They are also responsible for monitoring, managing and reporting on the effectiveness and risks of their business' strategic objectives, and the progress they have made towards achieving these. They oversee the direction and trends of significant current and emerging risks related to their business units and that mitigating actions are taken where appropriate.

ii) 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. The impact of 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.

Who manages operational risk

The Risk & Compliance department is tasked with the responsibility designing and maintaining an operational risk framework that emphasises a strong risk management and internal control culture throughout the Bank.

The department continuously assesses the continued applicability of policies and procedures in place to identify assess report, monitor, and control or mitigate operational risks.

The Head of Risk & Compliance reports to the Board Risk Management Committee (BRMC) in line with good governance practices and on quarterly basis presents a risk assessment report to the committee covering all the risks including operational risk.

(d) Other risks (continued)

How we manage operational risk

Our 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 as well as 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 is able to 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 in a timely manner.
- 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, as well as security and change management practices.
- Business Continuity Management: Business Continuity Management supports the ability of Senior Management
 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 are able to respond to a broad range
 of potentially disruptive scenarios.

i) 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 standards of compliance 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.

(d) Other risks (continued)

Who manages regulatory and legal risk

The various departments have the responsibility and accountability of managing regulatory and legal risks relating to their units on a day to day basis with assistance and oversight from Legal and Risk & Compliance Departments.

Risk & Compliance Department identifies and monitors the key risks and is responsible for ensuring that the day to day business controls comply with applicable legislation and are in line with best practice. Internal and

How we manage regulatory and legal risks

External legal counsel work closely with business units to identify areas of existing and potential regulatory/legal risks and actively manage them to reduce the Bank's exposures.

Senior Management and the Board Risk Management Committee receive the Risk & Compliance Department's reports on the status of the Bank's Compliance

Senior Management and the Board Risk Management Committee receive the Risk & Compliance Department's reports on the status of the Bank's Compliance Risk Framework to enable them to determine whether it is under control and where not, tracks significant corrective actions to finality. Additionally, significant exposures under "for or against" litigation are reviewed periodically.

The Board of Directors and Senior Management sets the "tone at the top" for a compliance culture beginning with concern for what is right (including compliance to policy and the law) in all our business considerations, decisions and actions.

How we manage regulatory and legal risks

Business unit heads manage day-to-day regulatory and legal risk primarily by implementing appropriate policies, procedures and controls already in place. The Legal & 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 for adherence to certain regulatory and legal requirements, as well as the effectiveness of associated key 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.

We have 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.

(d) Other risks (continued)

ii) 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 therefore cannot be managed in isolation. Therefore, when all the other risks are managed well, this risk is substantially minimised.

The 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 Risk & Compliance Department on the assessment of the Bank's reputational risk exposures that arise from its business activities.

How we manage reputational risk

Every employee and representative of the Bank has a responsibility to contribute in a positive way 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 maintain a log of all incidences emanating from negative media publicity and customer complaints touching on the reputation of the bank.

32 CAPITAL MANAGEMENT

Regulatory capital

The group's objectives when managing capital are:

To safeguard the groups 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 development needs of the business.

To comply with the capital requirements set by the Central Bank of Kenya.

32 CAPITAL MANAGEMENT (Continued)

Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the guidelines developed by the Central Bank of Kenya for supervisory purposes. The required information is filed with the Central Bank of Kenya on a monthly basis.

The Central Bank of Kenya requires each bank to:

- a) Hold the minimum level of regulatory capital of Shs 1 billion.
- b) Maintain a ratio of total regulatory capital; to risk weighted assets plus risk weighted off balance assets at above the required minimum of 8%, this ratio increases to 10.5%.
- c) Maintain a core capital of not less than 8% of total deposit liabilities and
- d) Maintain total capital of not less than 12% of risk weighted assets plus risk weighted off balance sheet items, this ratio increases to 14.5%.

It is expected that with the introduction additional capital requirements which require the bank to have higher ratios of total capital to risk weighted assets the capital requirements are going to be more stringent with expectation of adoption of the additional capital requirements for market and operational risks. The bank has until December 2014 to comply with the new capital requirements

The Insurance regulatory Authority requires Dhamana Insurance Agency to maintain a minimum level of regulatory capital of Shs 1.000.000

The group's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to 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 group and its individually regulated operations have complied with all externally imposed capital requirements throughout the year.

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.

K NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Continued) 32 CAPITAL MANAGEMENT (Continued)

The bank's regulatory capital position at 31 July 2015 was as follows:

	31 July 2015 Shs'000	31 Dec 2014 Shs'000	31 Dec 2013 Shs'000	31 Dec 2012 Shs'000	31 Dec 2011 Shs'000	31 Dec 2010 Shs'000
Tier 1 capital						
Share capital	1,245,186	1,245,186	1,114,046	566,995	484,185	484,185
Share premium	5,062,519	5,063,767	2,100,251	2,663,938	1,644,429	1,644,429
Retained earnings	4,641,444	3,944,241	2,456,490	1,418,962	965,131	760,065
Total	10,949,149	10,253,194	5,670,787	4,649,895	3,093,745	2,888,679
Tier 2 capital						
Revaluation reserves (25%)	20,583	19,677	20,272	21,332	21,329	7,576
General loan loss provision						
(statutory reserve)	456,095	357,503	256,145	157,553	144,659	90,655
Total	476,678	377,180	276,417	178,885	165,988	98,231
Total regulatory capital	11,425,827	10,630,374	5,947,204	4,828,780	3,259,733	2,986,910
Risk-weighted assets	66,202,938	52,067,367	31,126,625	21,363,243	18,596,505	12,757,599
Capital ratios						
Total regulatory capital						
expressed as a percentage of total						
risk-weighted assets						
(CBK minimum 2015 and 2014	17.26%	20.42%	19.11%	22.60%	17.53%	23.41%
4.5%, 2013-2011: 12%)						
Total tier 1 capital expressed as a						
percentage of risk-weighted assets						
(CBK minimum 2015 and 2014;10.5%						
2013-2011; 8%)	16.54%	19.69%	18.22%	21.77%	16.64%	22.64%

L CONSENT

We consent to the inclusion of this report in the information memorandum in the form and context in which it appears.

M CONCLUSION

The financial information set out in this Accountants' Report has been extracted from the audited financial statements of the company for 5 years to 31 December 2014 and the unaudited financial statements for the 7 months period ended 31 July 2015. For each of the audited periods, unqualified audit reports were issued. Based on our review, nothing has come to our attention that causes us to believe that the financial information is not prepared in all material respects in accordance with International Financial Reporting Standards.

Yours faithfully

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Certified Public Accountants (Kenya) Nairobi, Kenya

30 September 2015

Deloitte.

30 September 2015

The Directors

Family Bank Limited

6th Floor, Family Bank Towers,

Muindi Mbingu Street,

Nairobi

Dear Sirs,

Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Piace Waiyaki Way, Muthangari P.O. Box 40092 - GPO 00100 Nairobi Kenya

Tel: +254 (20) 423 0000 Cell: +254 (0) 719 039 000 Fax: +254 (20) 444 8966 Dropping Zone No.92 Email: admin@deloitte.co.ke www.deloitte.com

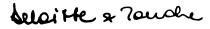
FINANCIAL RATIOS OF FAMILY BANK LIMITED FOR THE THREE YEARS ENDED 31 DECEMBER 2014 AND SEVEN MONTHS TO 31 JULY 2015

In accordance with the third schedule of the Capital Markets (Securities) (Public Offers, Listing and Disclosures) Regulations, 2002, we set out below the financial ratios of Family Bank Limited for the three years ended 31 December 2012, 2013 and 2014 and seven months period to 31 July 2015 and confirm that they are calculated in accordance with the requirements of the Capital Markets Authorities Act.

The financial ratios are based on the audited financial statements of the group for the years 31 December 2012, 31 December 2013 and 31 December 2014 and on the un audited financial statements for the group for the 7 months period ended 31 July 2015. The financial statements were audited by Deloitte & Touche for the three financial periods from 1 January 2012 to 31 December 2014. For each of the relevant years, unqualified audit reports were issued on the annual financial statements.

Unaudited 31 July 2015	Audited 31 December 2014	Audited 31 December 2013	Audited 31 December 2012
2.4	2.5	3.0	1.6
98.7%	108.8%	164.4%	140.9%
(0.3)%	23.3%	84.9%	144.2%
0%	3.3%	8.4%	16.2%
20.2%	18.5%	17.3%	9.0%
20.1%	26.2%	29.2%	35.4%
17.8%	21.3%	18.3%	15.5%
21.7%	27.1%	22.4%	18.3%
	31 July 2015 2.4 98.7% (0.3)% 0% 20.2% 20.1%	31 July 2015 2.4 2.4 2.5 98.7% 108.8% (0.3)% 23.3% 0% 3.3% 20.2% 18.5% 20.1% 26.2% 17.8% 21.3%	31 July 2015 31 December 2014 31 December 2013 2.4 2.5 3.0 98.7% 108.8% 164.4% (0.3)% 23.3% 84.9% 0% 3.3% 8.4% 20.2% 18.5% 17.3% 20.1% 26.2% 29.2% 17.8% 21.3% 18.3%

Yours faithfully



Certified Public Accountants (Kenya) Nairobi, Kenya

Deloitte.

30 September 2015

The Directors
Family Bank Limited
6th Floor, Family Bank Towers,
Muindi Mbingu Street,
Nairobi

Dear Sirs,

REPORT ON FAMILY BANK LIMITED FORECASTS

We have reviewed the accompanying forecasts of Family Bank Limited for the year ending 31 December 2016 and 31 December 2015 in accordance with the International Standard on Assurance Engagements applicable to the examination of prospective financial information.

Management is responsible for the preparation and fair presentation of the forecasts including the accuracy of the assumptions on which they are based. Our responsibility is to issue a report on the forecasts based on our review.

Based on our review, nothing has come to our attention that causes us to believe that the assumptions used to prepare the forecasts do not provide a reasonable basis for the forecasts. Further, in our opinion, the accompanying forecasts are properly prepared and presented in accordance with the accounting policies normally used by Family Bank Limited.

Actual results are likely to be different from the forecasts since anticipated events frequently do not occur as expected and the variation may be material.

Yours faithfully

beloite & Touche

Certified Public Accountants (Kenya) Nairobi Deloitte & Touche Certified Public Accountants (Kenya) Deloitte Piace Waiyaki Way, Muthangari P.O. Box 40092 - GPO 00100 Nairobi Kenya

Tel: +254 (20) 423 0000 Cell: +254 (0) 719 039 000 Fax: +254 (20) 444 8966 Dropping Zone No.92 Email: admin@deloitte.co.ke

FAMILY BANK LIMITED PROFORMA CONSOLIDATED STATEMENT OF PROFIT AND LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2016

	2016 Shs'000	2015 Shs'000
INTEREST INCOME	14,801,733	9,771,748
INTEREST EXPENSE	(4,439,497)	(2,938,870)
NET INTEREST INCOME	10,362,236	6,832,878
Fees and commission income	3,517,110	2,551,373
Gains on foreign exchange dealings	227,890	264,390
Other income	712,539	570,031
OPERATING INCOME	4,457,539	3,385,794
Operating expenses	(7,092,654)	(6,453,304)
Impairment charge on loans and advances	(422,999)	(175,650)
PROFIT BEFORE TAXATION	7,304,122	3,589,718
TAXATION CHARGE	(2,191,237)	(1,076,915)
PROFIT FOR THE YEAR	5,112,885	2,512,803

FAMILY BANK LIMITED PROFORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2015 AND 31 DECEMBER 2016

	2016 Shs'000	2015 Shs'000
ASSETS		
Cash and balances with Central Bank of Kenya	12,983,065	10,103,466
Deposits and balances due from banking institutions	12,598,342	10,498,618
Government securities	24,480,480	10,122,043
Corporate bonds and commercial paper	3,099,427	1,631,277
Loans and advances to customers	90,929,471	58,244,838
Other assets	1,469,895	1,172,241
Property, Plant and Equipment	3,285,389	2,071,887
Intangible assets	1,197,543	1,124,690
Prepaid lease rentals	159,165	159,328
TOTAL ASSETS	150,202,777	95,128,388
LIABILITIES		
Customer deposits	109,219,222	70,494,682
Borrowings	12,850,252	10,970,334
Other liabilities	1,423,180	1,083,604
TOTAL LIABILITIES	123,492,654	82,548,620
EQUITY		
Share capital	1,578,521	1,245,187
Share premium	14,730,359	5,063,673
Statutory reserve	449,159	401,149
Revaluation surplus	78,956	78,956
Retained earnings	9,873,128	5,790,803
TOTAL EQUITY	26,710,123	12,579,768
TOTAL EQUITY AND LIABILITIES	150,202,777	95,128,388

FAMILY BANK LIMITED PROFORMA CONSOLIDATED STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2015 AND 31 DECEMBER 2016

	2016 Shs'000	2015 Shs'000
Operating activities		
Net cash (used in)/generated from operations	(3,715,789)	1,757,684
Taxation paid	(1,300,569)	(1,167,218)
Net cash (used in)/generated from operating activities	(5,016,358)	590,466
Investing activities		
Purchase of property and equipment	(1,665,961)	(863,584)
Purchase of intangible assets	(276,931)	(923,102)
Proceeds from disposal of property and equipment		127,400
Net cash used in investing activities	(1,942,892)	(1,659,286)
Financing activities		
Proceeds from Issue of Shares	10,000,020	-
Borrowings Received	2,000,000	8,070,000
Borrowings Repaid	(120,082)	-
Dividends paid	(975,053)	(623,211)
Net cash generated from financing activities	10,904,885	7,446,789
Increase in cash and cash equivalents	3,945,635	6,377,969
Cash and cash equivalents as at 1 January	16,584,948	10,206,979
Cash and cash equivalents at 31 December	20,530,583	16,584,948

KEY ASSUMPTIONS UNDERLYING THE FORECASTS FOR THE YEAR ENDING 31 DECEMBER 2015 AND 31 DECEMBER 2016

Key assumptions

The forecasts of the Group for the year ending 31 December 2016 and 31 December 2015 have been based on management's assumptions and are prepared on the basis of the accounting policies used in the previous years as set out in the reporting accountants' report in the information memorandum.

The forecasts have been made after due and careful enquiry by the management and directors of the group.

The key assumptions for the 31 December 2016 and 31 December 2015 year ends include:

1 Interest rates

•	Interest rates	2016 % per annum	2015 % per annum	2014 % per annum
	Interest rates on loans and advances	17%	17%	16%
	Interest rates on borrowings	13%	13%	13%
	Interest rate on deposits	4.5%	4.5%	7.63%
2 [New branches			
		2016	2015	2014
		16	12	15
		2016	2015	2014
		Sh'000	Sh'000	Sh'000
3 /	Average Deposits	109,219	70,495	47,136
4 /	Average Loans and advances	90,172	57,844	37,925
5 9	Staff Costs			
		2016	2015	2014
		% per annum	% per annum	% per annum
	Average percentage growth in staff costs			
	for 2015 and 2016 are expected to be as follows:	15%	22%	31%

6 Share Capital

Equity funding of Sh 10 billion is assumed to be received in April 2016 through injection of additional shareholder capital.

7 Borrowings

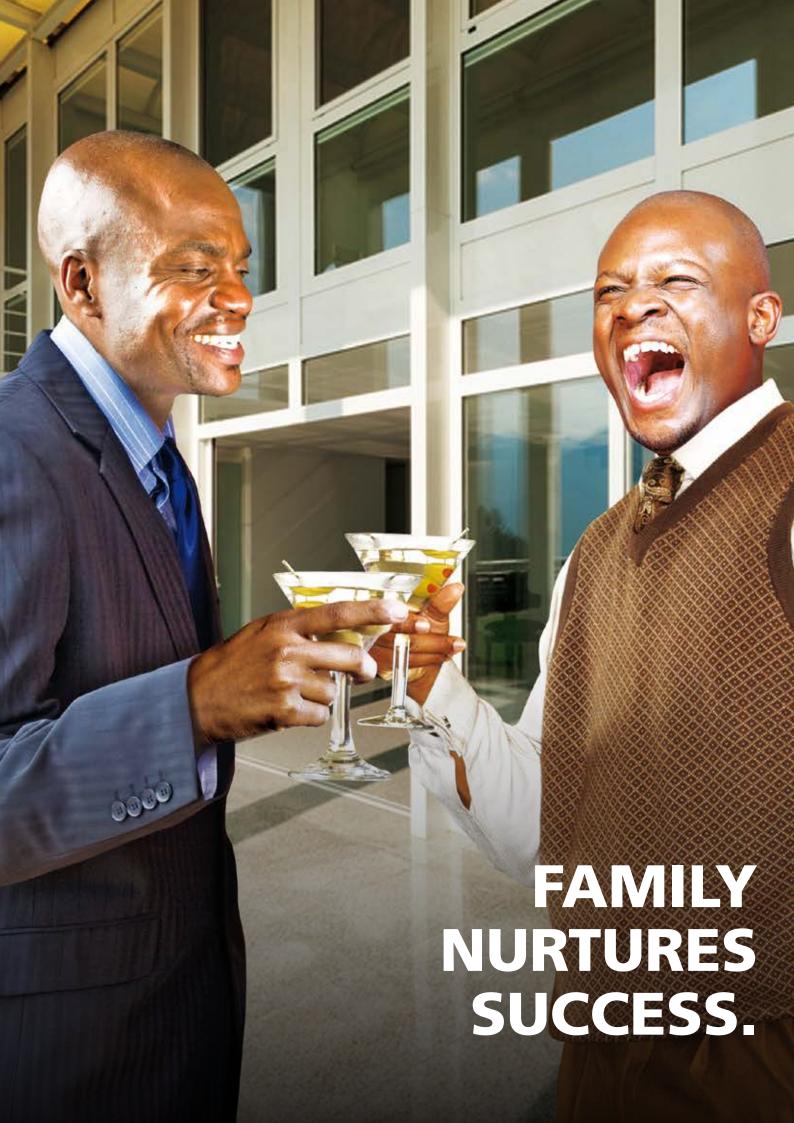
Bond funding of Sh 4 billion is expected in Quarter 4 of 2015 (October 2015). The remaining Sh 2 billion is expected in Quarter 2 of 2016. In addition, an amount of Sh 4 Billion is expected from various lenders by December 2015.

8 Property and equipment

Significant investments will be made towards branch expansion and acquisition of head office premises spreading between 2015 and 2016.

9 Investment property

Investment properties held as at 31 July 2015 are expected to be disposed of by end of 2015.



Appendix B

Legal Opinion

September 30, 2015

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

MTC Trust and Corporate Services Limited Delta Riverside, Block 4 Riverside Drive P. O. Box 1071 – 00200 Nairobi, Kenya

Dear Sirs,

RE: LEGAL OPINION IN RESPECT OF KENYA SHILLINGS TEN BILLION SENIOR UNSECURED AND SUBORDINATED MULTICURRENCY MEDIUM TERM NOTE PROGRAMME

We act as legal advisers to Family Bank Limited ("the Company") in relation to the proposed public issue and listing of Kenya Shillings Ten Billion Senior Unsecured and Subordinated Multicurrency Medium Term Note Programme ("the Issue").

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 Issue.

We have acted as the Legal Advisors in the Issue and have issued this Opinion for inclusion in the Information Memorandum.

1. PRELIMINARY MATTERS

- 1.1. Unless (a) otherwise stated; or (b) the context otherwise requires, words and terms defined in 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 immoveable property in the name of the Company;
 - 2.2.6. Details of material contracts and disputes to which the Company is a party;
 - 2.2.7. Audited accounts of the Company for the last three years;
 - 2.2.8. Licenses from and correspondence with relevant regulatory authorities;
 - 2.2.9. 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) and bearing Registration Number 34/2007.
- 3.1.2. The disclosure made in the Information Memorandum listing the 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 the power and authority to issue and list the Kenya Shillings Ten Billion Senior Unsecured and Subordinated Multicurrency Medium Term Fixed and Floating Note Programme having obtained the consent of the Board of Directors, the Capital Markets Authority and the Nairobi Securities Exchange.
- 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
- Prof. David Kimutai Some
- Ruth Waweru
- David Kimani
- Lerionka S. Tiampati
- Njung'e Kamau
- Peter Munyiri Maina
- Mark Keriri Muya
- Francis Mungai
- Julius Brian Kiondo Muyah (Alternate to Titus Kiondo Muya)

3.1.6. The Company Secretary is Rebecca Mbithi of P. O. Box 666 – 00200, Nairobi who is a registered Certified Public Secretary.

3.2. LICENSES AND CONSENTS

All authorizations, approvals, consents, licenses, exemptions, filings or registrations of or with any governmental or public bodies or authorities of or 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 authorised share capital of the Company is Kenya Shillings One Billion Five Hundred Million (KES 1,500,000,000) divided into One Billion Five Hundred Million (1,500,000,000) ordinary shares of Kenya Shillings One (KES 1.00) each.
- 3.3.2. The issued share capital of the Company is Kenya Shillings One Billion Two Hundred and Forty Five Million One Hundred and Eight Seven Thousand One Hundred and Ninety Four (KES 1,245,187,194.00) made up of One Billion Two Hundred and Forty Five Million One Hundred and Eight Seven Thousand One Hundred and Ninety Four (1,245,187,194) ordinary shares of Kenya Shillings 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 Building/Branch Land Reference Number

Family Bank Towers/Head Office L.R. No. 209/4383

Yaya 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

Industrial Area L.R. No: 209/8218

Othaya Branch Title Number Loc.2/Kangari/1940

Kitengela Plots (52) Kajiado/Kitengela/34352- Kajiado/Kitengela/34403

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

3.5.1. The following companies are subsidiaries of the Company:

Subsidiary Shareholding

Dhamana Insurance Agency Limited; Wholly owned by Family Bank Limited

3.6.MATERIAL LITIGATION

The Company is not a 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 in to 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. Excepting for contracts with advisers engaged by the Company for the Issue, there are no other contracts in respect to the 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. EAC II Microfinance Loan (Cotonou Investment Facility Resources) Finance Contract dated 26th September 2013 with European Investment Bank;
 - 3.8.1.2. East and Central Africa PEFF (Cotonou Investment Facility Resources) Finance Contract dated 26th September 2013 with European Investment Bank;
 - 3.8.1.3. Loan Agreement with Oiko Credit Ecumenical Development Co-operative Society, U.A dated 25th June 2015:
- 3.8.1.4. A revolving fund agreement with Kenya Information Technology Board dated 3rd November 2010.

Details of these borrowings are disclosed in the Information Memorandum.

3.8.2. The borrowing powers of the Company and its subsidiaries have not been exceeded.

4. CONSENT

We consent to the inclusion of our legal opinion in the Information Memorandum to be issued for the Issue 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

GODWIN WANGONG'U

gwang on gu@lex group a frica.com

GW/cg/kn

The form of Pricing Supplement that will be issued in respect of each Tranche, subject only to the deletion of non-applicable provisions, is set out below:

Pricing Supplement dated [•] Family Bank Limited Issue of [Aggregate Nominal Amount of Tranche] [Title of Notes] under the KShs 10,000,000,000

Senior Unsecured/Subordinated Multicurrency Medium Term Note Programme

PART A - CONTRACTUAL TERMS

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Information Memorandum dated [•] 2015. This document constitutes the Pricing Supplement relating to the issue of Notes described herein and must be read in conjunction with the Information Memorandum. Full information on the Issuer and the offer of Notes is only available on the basis of the combination of this Pricing Supplement and the Information Memorandum. The Information Memorandum is available for viewing at [address] [and] [website] and copies may be obtained from [address].

[Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.]

1. Issuer:		Family Bank Limited
	(i) [Series Number:]	[·]
	(ii) [Tranche Number:]	[·]
	(If fungible with an existing Series, details of that	
	Series, including the date on which the Notes	
	become fungible).]	
3. Aggregate Nominal Amount:		KShs [·]
	[Series:]	KShs [·]
	[Tranche:]	KShs [·]
4. Issue Price:		[·] per cent. of the Aggregate
		Nominal Amount [plus accrued
		interest from [insert date] (in the
		case of fungible issues only, if
		applicable)]
5.	(i) Specified Denomination:	KShs [•]
	(ii) Calculation Amount	KShs [•]
6.	(iii) Issue Date:	[·]
	(iv) Interest Commencement Date:	[Specify/Issue Date/Not Applicable]
7. Maturity Date:		[specify date or (for Floating Rate
		Notes) Interest Payment Date falling
		in or nearest to the relevant month
		and year]

8. Interest Basis:		[[·] per cent. Fixed Rate]
		[[specify reference rate] +/- [·] per cent
		Floating Rate]
		[Zero Coupon]
		[Other (specify)]
9. Redemption/Payment Basis:		(further particulars specified below)
		[Redemption at par]
		[Partly Paid]
		[Instalment]
		[Other (specify)]
10. Change of Interest or Redemption	/	[Specify details of any provision for
Payment Basis:		convertibility of Notes into another
,		interest or redemption/payment basis]
11. Call Options:		[Issuer Call]
,		[(further particulars specified below)]
12. Status of the Notes:		[•]
13. Method of distribution:		[Syndicated/Non-syndicated]
14. Minimum Subscription Levels		[•]
15. Fixed Rate Note Provisions		[Applicable/Not Applicable]
		(If not applicable, delete the remaining
		sub-paragraphs of this paragraph)
	Rate[(s)] of Interest:	[•] per cent. per annum payable semi
		annually in arrear
	(v) Interest Payment Dates(s):	[•] in each year [adjusted in
	(,,	accordance with [specify Business Day
		Convention]/not adjusted]
	(vi) Fixed Coupon Amount[(s)]:	[•] per Calculation Amount
	(vii) Broken Amount(s):	[•] per Calculation Amount, payable
	(VII) BIORCITY IIII Od II (O).	on the Interest Payment Date falling
		[in/on] [•]
	(viii) Day Count Fraction:	[30/360/Actual/Actual/other]
	(ix) [Determination Dates:	[•] in each year (insert regular interes
	(ix) [Determination Dates.	payment dates, ignoring issue date or
		maturity date in the case of a long or
		short first or last coupon. N.B. only
		relevant where Day Count Fraction is
	(v) Other terms relative to the most of	Actual/Actual (I364))]
	(x) Other terms relating to the method of	[Not Applicable/give details]
1C Floring Data N. C. D	calculating interest for Fixed Rate Notes:	[Amalian Ind. (Nine) A. P. Li. 1
16. Floating Rate Note Provisions		[Applicable/Not Applicable]
		(if not applicable, delete the remaining
	(2) 1	sub-paragraphs of this paragraph)
	(i) Interest Period(s):	[•]

	(ii) Specified Interest Payment Dates:	[•]
	(iii) First Interest Payment Date:	[•]
	(iv) Interest Period Date:	[•]
		(Not applicable unless different from
		Interest payment Date)
	(v) Business Day Convention:	[Floating Rate Convention/Following
		Business Day Convention/Modified
		Following Business Day Convention/
		Preceding Business Day Convention/
		Preceding Business Day Convention/
		other (give details)]
	(vi) Manner in which the Rate(s) of Interest is/are to	[Specify relevant Benchmark/other (give
	be determined:	details)]
	(vii) Party responsible for calculating the Rate(s)	[•]
	of Interest and Interest Amount(s) (if not the	
	Calculation Agent):	
	(viii) Margin(s):	[+/-][•] per cent. per annum
	(ix) Minimum Rate of Interest:	[•] per cent. per annum
	(x) Maximum Rate of Interest:	[•] per cent. per annum
	(xi) Day Count Fraction:	[•]
	(xii) Fall back provisions, rounding provisions,	[•]
	denominator and any other terms relating to	
	the method of calculating interest on Floating	
	Rate Notes, if different from those set out in the	
	Conditions:	
17. Zero Coupon Note Provisions		[Applicable/Not Applicable]
		(If not applicable, delete the remaining
		sub-paragraphs of this paragraph)
	(i) Amortisation Yield:	[•] per cent. per annum
	(ii) Any other formula/basis of determining amount	[•]
	payable:	
18. Call Option		[Applicable/Not Applicable]
		(If not applicable, delete the remaining
		sub-paragraphs of this paragraph)
	(i) Optional Redemption Date(s):	[•]
	(ii) Optional Redemption Amount(s) of each Note	[•] per Calculation Amount
	and specified denomination method, if any, of	
	calculation of such amount(s):	
	(iii) If redeemable in part:	
	(a) Minimum Redemption Amount:	[•] per Calculation Amount
	(b) Maximum Redemption Amount:	[•] per Calculation Amount
	(iv) Notice period:	[•]

19. Final Redemption Amount of each		[•] per Calculation Amount
Note		
20. Early Redemption Amount	Early Redemption Amount(s) per Calculation	[•]
	Amount payable on redemption for taxation	
	reasons or upon event of default and/or the	
	method of calculating the same (if required or if	
	different from that set out in the Conditions):	
21. Form of Notes:		[•]
22. Financial Centre(s) or other special		[Kenya][give details]
provisions relating to Payment		
Dates:		
23. Details relating to Partly Paid		[Yes/No. If yes, give details]
Notes: amount of each payment		
comprising the Issue Price and date		
on which each payment is to be		
made and consequences (if any) of		
failure to pay, including any right of	:	
the Issuer to forfeit the Notes and		
interest due on late payment:		
24. Details relating to Instalment Notes,		[Not Applicable/give details]
amount of each instalment, date		
on which each payment is to be		
made:		
25. Other terms or special conditions:		[Not Applicable/give details]
26. If syndicated, names and addresses		[Not Applicable/give details]
of Placing Agents:		
27. If non-syndicated, name and		[Not Applicable/give details]
address of Placing Agent:		
28. Selling restrictions:		[Not Applicable/give details]

INDICATIVE TIMETABLE

The indicative dates for the offer will be as outlined below:

EVENT	DATE
1. Approvals from CMA	T
2. Application Lists Open	T+14
3. Application Lists Close	T+24
4. Date of Allocation	T+29
5. Announcement Date	T+31
6. Settlement Date	T+34
7. Issue Date	T+37
8. Crediting of CDS Accounts	T+40
10. Commencement of Trading	T+46

PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement contains the details required for the issue and listing and admission to trading of the Notes described herein on the Fixed Income Securities Market Segment of the NSE (as defined below) pursuant to the KShs 10,000,000,000 Senior Unsecured/Subordinated Multicurrency Medium Term Note Programme of Family Bank Limited.

MATERIAL ADVERSE CHANGE STATEMENT

[Except as disclosed in this document] there has been no material adverse change in the financial and trading position of the Issuer since [insert date of last audited accounts or interim accounts (if later)]. [If any change is disclosed in the Pricing Supplement, it will require approval by the Nairobi Stock Securities and the Capital Markets Authority. Consideration should be given as to whether or not such disclosure should be made by means of a supplemental Information Memorandum rather than in a Pricing Supplement.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement, which, when read together with the Information Memorandum referred to above, contains all information that is material in the context of the issue of the Notes.

Signed on behalf of Family Bank Limited:

Ву:	 	
Duly authorised		

PART B - OTHER INFORMATION

LISTING		
	Listing:	Nairobi Securities Exchange ("NSE")
	Admission to trading:	Application has been made for the
		notes to be admitted to trading on the
		NSE with effect from [•]
RATINGS	Ratings:	[Not Applicable / The Notes to be
		issued have been rated:
		[GCR: [•]]
		[[Other]: [•]]
		[Need to include a brief explanation of
		the meaning of the ratings if this has
		previously been published by the rating
		provider.]
		(The above disclosure should reflect the
		rating allocated to Notes of the type
		being issued under the Programme
		generally or where the issue has been
		specifically rated, that rating)]
REASONS FOR THE OFFER AND	(i) Use of Proceeds:	f . 1
ESTIMATED NET PROCEEDS	(ii) Net Proceeds:	[•]
ESTIMATED NET PROCEEDS	(II) Net Proceeds.	(If proceeds are intended for more
		than one use will need to split out and present in order of priority. If proceeds
		insufficient to fund all proposed uses state amount and sources of other
	(iii) Estimated total expenses:	funding.)
	(III) Estimated total expenses.	[Include breakdown of expenses]
		[include breakdowit of expenses]
OPERATIONAL INFORMATION	Clearing system(s):	[•]
	Settlement Procedures and Settlement Instructions	[•]
	including relevant identification numbers:	
	NSE ISIN:	[•]
	Stock Code:	[•]
	Delivery:	[•]
	Receiving Bank:	[•]
	Names and addresses of additional Paying Agent(s)	[•]
	(if any):	



Family Bank Limited

Incorporated in Kenya under the Companies Act (Cap 486) Reg. No. [●]

OFFER APPLICATION FORM

In respect of an issue of Kenya Shillings 10,000,000,000 Senior Unsecured/Subordinated Multicurrency Medium Term Note Programme due to mature in XXXX (the "Notes") at premium, par, or discount and listing of the Notes on the Fixed Income Securities Market Segment of the Nairobi Securities Exchange.

Offer opens at 9.00 am on the [●] Offer Closes at 5.00 pm on the [●]

The Board of Directors shall reject any application in whole or in part if the instructions as set out in the Information Memorandum and the Application Form are not complied with.

APPLICANT'S STATEMENT

By signing the Application Form overleaf, I/We the applicant(s) herein state that:-

- 1. I/We have full legal capacity and having read the Information Memorandum and this Application Form including the notes at the back I/we hereby irrevocably apply for and request you to accept my/our application for the under mentioned value of Notes in Family Bank Limited, or any lesser value of Notes that may, in your sole and absolute discretion, be allotted to me/us subject to the Terms and Conditions as contained in the Pricing Supplement as well as the allocation policy under the Information Memorandum.
- 2. I/We authorize Family Bank Limited to enter my/our name in the register of Noteholders of Family Bank Limited as holder(s) of Notes to me/us and to issue any refunds due to me/us via Electronic Funds Transfer in accordance with the terms and conditions in the Information Memorandum.
- 3. I/We agree that this application shall be irrevocable and shall constitute a contract which shall become binding upon receipt by Family Bank Limited, and shall be governed by the terms and conditions of the notes
- 4. I/We acknowledge that Family Bank Limited reserves the right to reject any application found to be in contravention of above declarations
- 5. I/We confirm that all information provided by me/us on the Application Form is true.

GENERAL INSTRUCTIONS ON COMPLETING THE APPLICATION FORM

- 6. Applications can only be made through NIC Capital Limited and Faida Investment Bank Limited.
- 7. NIC Capital Limited and Faida Investment Bank Limited will be pleased to assist in understanding the application process and subsequently filling in the Application Form.
- 8. Where necessary, applicants are requested to consult their financial advisor. The offer closes on. [•]
- 9. Use original Application Form only. Photocopies will not be accepted.
- 10. Use capital letters with only black/blue biro/ink, within the grid spaces provided. Alterations (other than deletion of alternatives) must be authenticated by the full signature of the applicant or preferably a new form used.
- 11. No individual or organization can make any promises contrary to the allocation criteria specified in the Information Memorandum.
- 12. Receiving Bank details: [●]



OFFER APPLICATION FORM

PRINT ONLY WITHIN BOXES						
GOOD BAD						
S	Т	F		3	Т	F

Serial No:		PLEASE COMPL	LETE IN CAPITAL LETTERS USING BL	LUE/ BLACK INK
A: APPLICANT POOL: (Tick as applicable) Applicant type: Retail/ In		Tax status: Taxable	Exempt	
Residence: Resident		Citizenship: Kenyan	East African	Foreigner
B: (i) PRIMARY APPLICANT DETAILS: (Nan Surname (Last Name)	nes as per National ID / Passport)	CDS A/C No.		
First Name and Other Names				
Passport Number / ID Number / Alien ID	Number	Country of Issu	e l	
(ii) JOINT APPLICANT 1 DETAILS: (Name Surname (Last Name)	nes as per National ID / Passport)	CDS A/C No.		
For New and Other News				
First Name and Other Names				
Passport Number / ID Number / Alien ID	Number	Country of Issu	e	
(iii) JOINT APPLICANT 2 DETAILS: (Nam	mes as per National ID / Passport)			
Surname (Last Name)		CDS A/C No.		
First Name and Other Names				
Passport Number / ID Number / Alien ID	Number	Country of Issu		
assport number / in number / number / number is	Name of the second seco	Country of issu		
(iv) CORPORATE / INSTITUTIONS: (Nam Name	ne as per Certificate of Registration / Incorpora	ation)		
Name				
Registration / Incorporation No.		CDS A/C No.		
County of Registration / Incorporation				
For Nominee Applicants Only:				
Account Name / Number				
C: VALUE OF NOTES APPLIED FOR:				
	dditional Amount in Multiples of KShs. 100,000 FIXED INTEREST RA			
	FLOATING INTERES	ST RATE NOTES		
D: FULL MAILING ADDRESS AND CONTAC	CT DETAILS FOR ALL APPLICANTS: Postal Code	Street		
City/ Town		Country		
Telephone Number		Mobile Number		
Email Address				
Fax Number				



REFUND & INTEREST DISPOSAL DETAILS

Serial No:											
	TEREST PAYMENT ANI	d principal r	EPAYMENT:								
Name of Ban	und Transfer Only nk						Bank Code				
Name of Bra	nch (e.g. MOI AVENUE))									
Account Nun	nber										
F: SIGNATURES	5			Signature 2				Company Seal			
Date (DD / M	IM / YYYY)										
	/ / 2	0 1 5									
G: FOR OFFICIA	AL USE ONLY:										
Authorised P	lacement Agent Stamp)									
٩											
8											
	HE FAMILY BANK LIM				stitutional. Tick	appropriate	residence and ci	tizenship status.			
в Fill in the	value of Notes be	eing applied	for								
c Fill in you	r current contact	details; you	r mailing ac	ddress including	the postal cod	e, telephon	e number, mobil	e telephone num	ber and email add	dress	
	ds (if any), interest codes) and the co								code(the five-dig	git code indicati	ng ba
	nal applications m thumbprint witne										nust
	on is reserved for								J		
Please no	te that the applica	ation forms	received by	y NIC Capital Lir	mited and Faida	Investment	t Bank Limited af	ter the closing da	ate will be automa	atically rejected	

ON LETTERHEAD OF BANK/CUSTODIAN/QUALIFIED INSTITUTIONAL INVESTOR (QII)

The Managing Director					
Family Bank Limited					
P O Box 74145 – 00200					
Nairobi, Kenya.					

Date:

Dear Sirs

UNDERTAKING IN RESPECT OF PAYMENT ON ALLOCATION OF NOTES TO [name of QII]

WHEREAS [name of investor] ("the Investor") have applied for [***] Notes [delete as appropriate] worth KES [***] in Family Bank Limited (the "Family Bank") being offered by you for subscription as set out in the Information Memorandum dated [***] and Tranche I Pricing Supplement dated [***]. (Capitalised terms used in this letter of undertaking shall have the meaning and interpretation given to such terms in the Family Bank Information Memorandum and Tranche I Pricing Supplement).

NOW at the request of the Investor and in consideration of Family Bank allotting to the Investor on the terms set forth in the Tranche I Pricing Supplement AND in consideration of Family Bank allotting to the Investor Notes worth KES [***] that we have applied for or such lesser amount as you shall in your absolute discretion determine, we hereby undertake to pay you without delay or argument and without the need to prove, forthwith upon your first written notice specifying how much has been provisionally allotted to the Investor, such sum requested not exceeding KES [***].

Should such payment not be made within two business days following the deemed service of such notice then Family Bank shall be entitled without further notice to either: treat the Investor's application as having been repudiated and cancel the provisional allotment to it and re-allocate the provisionally allotted Notes on such terms and conditions as it shall think fit without prejudice to any rights to damages for such repudiation or; to allow us further time for payment on such terms and conditions as it shall think fit in which event we shall pay default interest on all sums outstanding at the rate of 15% per annum calculated on daily balances and compounded monthly.

Any notice to be served on us shall be in writing and shall be deemed to have been properly served on us if delivered by hand or sent by fax or email to us at address specified in our Note Application Form.

Any notice shall be deemed to have been received, if delivered by hand, at the time of delivery or, if sent by fax, on the completion of transmission or if by email receipt of a confirmed delivery notice.

This undertaking shall be governed and construed in accordance with the laws of Kenya and we irrevocably submit to the non exclusive jurisdiction of the Courts of Kenya. If we are not a Kenyan Company and in addition to any other permitted means of service, we hereby irrevocably appoint the Authorised Selling Agent submitting our Application for the Offered Notes as our agent for the receipt of any legal process.

IN WITNESS WHEREOF THIS LETTER OF UNDERTAKING HAS	BEEN EXECUTED BY US THIS	DAY OF	2015.
Signed By:			
1) Name	Signature		
Title			
2) Name	Signature		
Title			

Note: Qualified Institutional Investors are Fund Managers, Authorized Depositories and Investment Banks licensed under the Capital Markets Act and Insurance Companies who manage life funds and licensed by the Insurance Regulatory Authority.

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