FAMILY BANK

INTEGRATED REPORT

& FINANCIAL STATEMENTS

2023

Family Bank
With you, for life

Family Bank is regulated by the Central Bank of Kenya

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Family Bank is regulated by the Central Bank of Kenya

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About This Report

This integrated report illustrates how Family Bank Limited (the "Bank" or the "Company") and its subsidiary, Family Bank Bancassurance Intermediary Limited (together the "Group") create and preserve value for all our stakeholders, and how we deliver on our purpose of improving people's lives by making their financial freedom possible.

Scope and Boundary

The report covers the period from 1 January 2023 to 31 December 2023. It is intended to communicate to our stakeholders the financial and non-financial performance of Family Bank Limited, its subsidiary Family Bank Bancassurance Intermediary Limited, and The Family Group Foundation.

Reporting frameworks

This report has been prepared in accordance with the International Integrated Reporting Framework (the framework) and the Capital Market Authority (CMA) Code of Corporate Governance. The accompanying financial statements conform to the International Financial Reporting Standards (IFRS), the Banking Act, and the Kenya Companies Act, 2015.

Forward-looking statements

This report contains certain forward-looking statements regarding our strategy, performance, and operations. These forward-looking statements involve risk and uncertainty as they relate to future events and circumstances which are difficult to predict and, therefore, beyond our control. This unpredictability could cause our actual results, performance or achievements to be materially different from what is expressed or implied by such forward-looking statements.

Target audience

This integrated report is our primary report to our investors and key stakeholders. It is a critical component of our commitment to transparency to our stakeholders.

Preparation Process and Assurance Approach

We adopted an integrated and collaborative reporting strategy that involves all stakeholders in our value creation and preservation model. Key contributors to the report were engaged at the initial stages to collect their recommendations that informed the determination of materiality and metrics to be reported and in accordance with adopted reporting standards. Metrics were collected from different departments that manage the capital; drafts were also generated by the teams and reviewed internally to provide assurance on the metrics being disclosed. Senior management provided oversight and quality control throughout the process, while the board provided independent assurance.

Directors' approval

The Board acknowledges its responsibility to ensure that reports issued by Family Bank Limited enable stakeholders to make informed assessments of its performance and its short, medium and long-term prospects. It also acknowledges its responsibility to ensure the integrity of Family Bank's external reports.

The Group Overview

About Family Bank Group

Family Bank was established in 1984 as Family Bank Building Society with just one branch. It has since grown and became a fully-fledged commercial bank in May 2007. The Bank is regulated by the Central Bank of Kenya (CBK) and has 95 branches in 32 counties across Kenya. As of December 2023, it was the fourth-largest Bank in Kenya in terms of geographical reach.

Family Bank has a strong retail customer base, focuses on SME banking and has a vision to positively transform people's lives in Africa. It has over 1.2 million customers, 6,000 bank agents and 75,000 merchants across the country. As of 31 December 2023, its total assets were valued at Kshs 142.4 billion, with a deposit base of Kshs 102.6 billion.

The Bank is renowned for its digital innovation, being the first to introduce paperless banking through smart card technology. This allows customers to transact without filling in deposit or withdrawal slips. Family Bank is also a pioneer in mobile banking with its PesaPap mobile app, which is unparalleled in the market. In 2023, Family Bank was recognised for having the the best internal customer experience Kenya in the ICX Service Excellence Awards. It was also awarded as the Top Tier II Bank in customer experience at the KBA Awards.

Family Bank provides retail and consumer products, SME, agribusiness, corporate banking, trade finance, and insurance products. In line with its county banking roadmap, the Bank is leveraging the country's devolved governance system to attract more customers. This strategy aims to utilise the opportunities the devolved governance structure offers, positioning Family Bank as a one-stop-shop for all banking needs.

95
branches in 32 counties across Kenya

Fourth-largest Bank in Kenya
in terms of geographical reach

1.2 million
customers

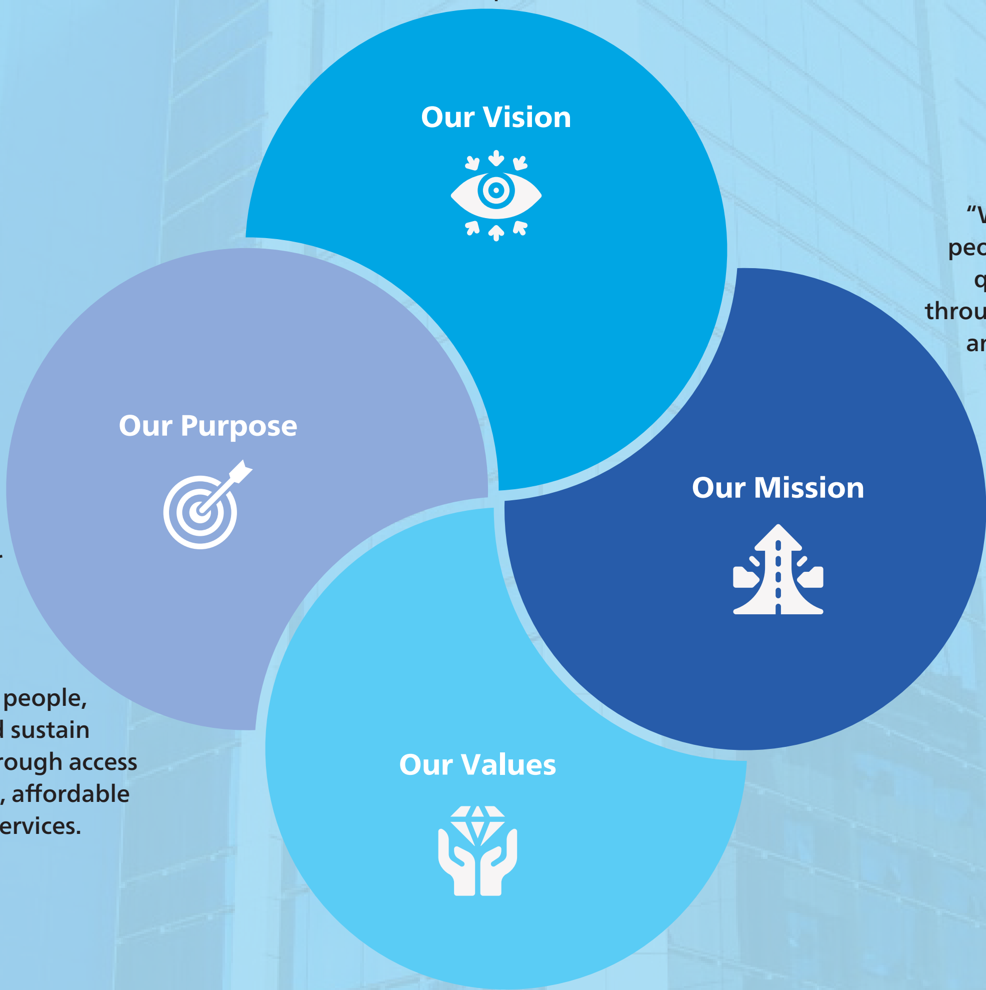
6,000
bank agents

75,000
merchants across the country

Kshs 142.4 billion
total assets

102.6 billion
deposit base

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



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

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

Winning Together - Within ourselves and with our customers, we work together, and we win together.

Self-Belief - In ourselves and our customers’ ability to change the world.

Transparency - Our customers will trust and reward us for it.

Humility - It’s not about us, it’s about our customers.

Our Tagline

Our positioning is best captured in our tagline, “***With you, for life***”, which expresses our promise to our customers in the simplest way.

The Group Overview (continued)

About Family Bank Group

Milestones

1984
Licensing of Family Finance Building Society

1985
Opened First branch in Kiambu; Head Office and branch at Four Ways Towers (now Family Bank Towers)

2007
Conversion to a fully-fledged Commercial Bank, Family Bank Ltd

2012
Onboarding of Key Shareholders (KTDA, Pan Africa Insurance, Laptrust)

2013
Best Company to work for – Think Business Awards;

2015
Fastest Growing Bank in Kenya – Think Business Awards; Secured KES 4.3B to boost SME business lending

2017
Awarded Best SME Bank in Kenya – Bankers Africa Awards

2021
147% subscription of Corporate Bond (KES 4B) Awarded, Overall Best Bank in Digital experience and Customer responsiveness and Best Tier 2 overall in the banking industry, Kenya Bankers Association survey for 2021

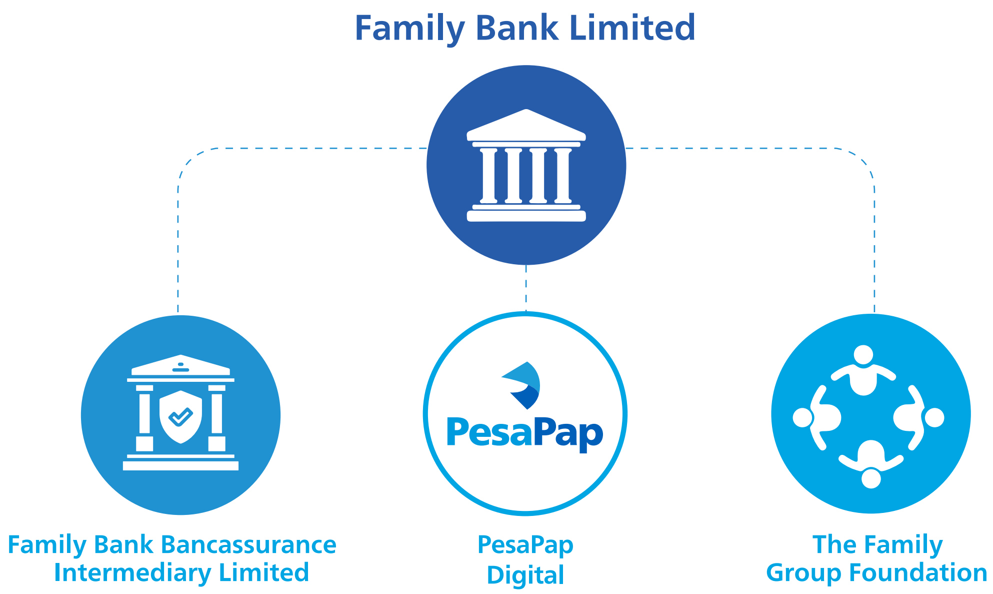
2022
Awarded Best Tier 2 Bank in Customer Experience and 2nd Best Overall Bank in Customer Experience, KBA Customer Satisfaction Survey

2023

1. Family Bank was recognized by the Institute of Customer Experience (ICX) Service as the Best Internal Customer Experience Bank at the 2023 Excellence Awards for having comprehensive initiatives and strategies for improved employee experiences.
2. Family Bank was also voted as the overall second-best bank and best tier-two in customer responsiveness and digital banking experience in a survey conducted by the Kenya Bankers Association in 2023.
3. For the Innovation and Excellence Awards East Africa during the 11th edition of the Connected Banking Summit, we clinched the Excellence Award in Customer Responsiveness.

Our Structure

The Family Bank Group comprises Family Bank Limited and Family Bank Bancassurance Intermediary Limited (FBBI), a fully-fledged subsidiary of Family Bank Limited. The Group has also established The Family Group Foundation, which oversees its environmental and social responsibility initiatives.



Family Bank Bancassurance Intermediary Limited

Family Bank Bancassurance Intermediary Limited (FBBI) was established in 2008; FBBI is licensed and regulated by the Insurance Regulatory Authority (IRA) to conduct bancassurance business. Through its partnerships with various reputable insurance companies, FBBI offers a full bouquet of innovative insurance products and services using the bancassurance referral model.

The bancassurance intermediary also facilitates access to professional insurance advisory services and provides convenient, innovative, and accessible insurance solutions to our customers through wide branch outreach and alternative banking channels. Since its establishment, FBBI has recorded impressive growth in profitability and customer base despite the challenging operating environment. In the past financial year 2023, the wide range of insurance products distributed within its general, life, and medical classes generated a gross written premium of over Kshs 1.3 billion. FBBI also contributed Kshs 181million to the Group's profit before tax in the 2023 financial year.

Family Bank Bancassurance Intermediary Limited is currently among the top 10 bancassurance players in the market. It is on track with its aspiration of becoming one of the top 5 bancassurance intermediaries in the next four years.

PesaPap Digital

PesaPap Digital Ltd (PDL), is a fully owned subsidiary of Family Bank Ltd incorporated in 2015 to among other objectives, carry out the business of software design and development.

PDL which is the latest addition to the Group is strategically placed to offer already developed software products and services for commercial purposes with a long term intent to be a fully fledged fintech, offering software and financial systems services in the local and international markets.

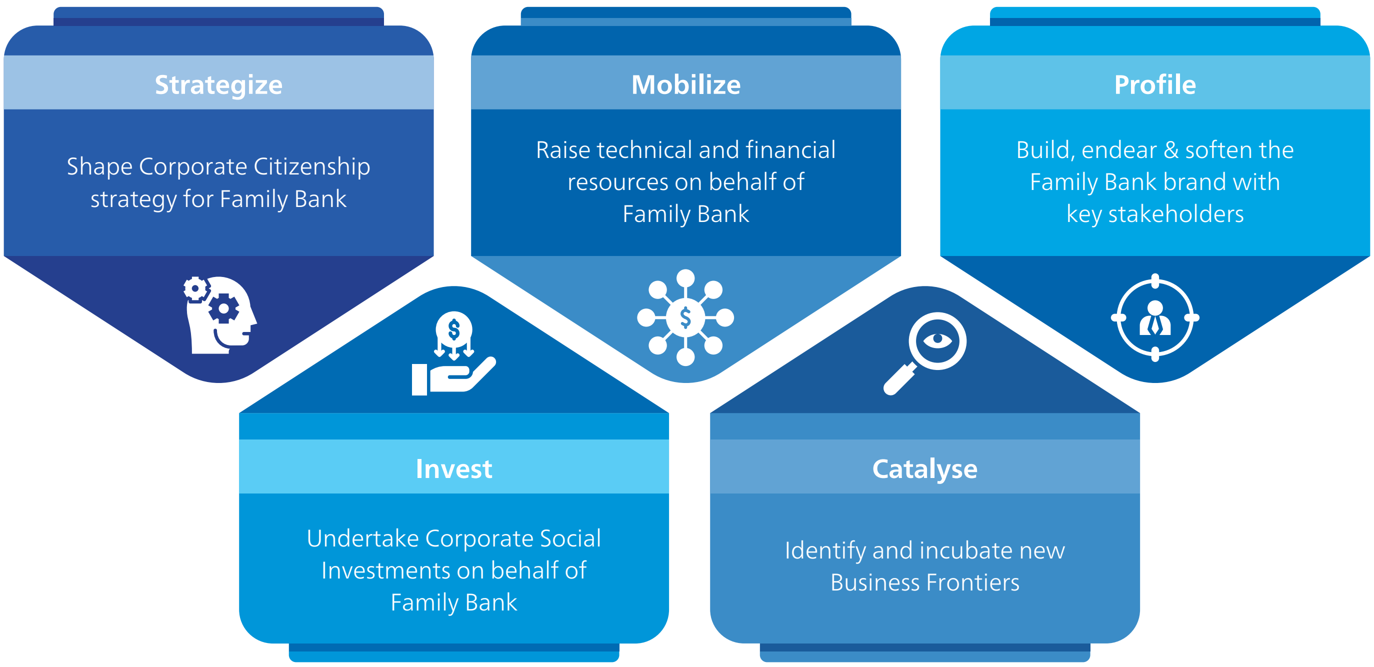
Our Structure (continued)

The Family Group Foundation

The Family Group Foundation is registered under Kenya's Company Act as a company limited by guarantee and does not have a share capital. Established in 2012, The Family Group Foundation plays a crucial role in advancing the social and environmental responsibilities of the Bank. The Foundation's vision is to transform families positively for the African social and economic reawakening. Its mission is to empower families by catalysing transformative change for wealth creation by building inclusive community investments in education, healthcare, agriculture, youth economic empowerment and entrepreneurship development through the Foundation's Shared Value Initiatives, which are focused on youth social and economic empowerment centred on the following pillars:

- Access to quality high school education through scholarships for bright students from vulnerable backgrounds,
- Technical, vocational, and entrepreneurial skills development in construction, ICT, and agribusiness for youth.
- Environmental conservation for climate action.

Key Functions of the Foundation



Our Products

Family Bank provides a variety of financial products designed to cater for the unique needs of our diverse customer base. The Bank's offerings include tailored solutions aimed at creating value for its customers and enhancing the banking experience. From convenient savings and investment options to flexible loans and credit facilities, we have everything that our customers need.

Customer Segments

Segmentation of the Bank's clients enables us to provide tailored products and solutions for our MSME, Retail and corporate clients. We also have uniquely tailored solutions for women, Chinese and our diaspora clientele.

Credit Facilities	Our loan facilities meet our customers' financing needs for business and individual requirements. We provide asset financing, cheque discounting, overdraft loans, personal secured loans and sector-specific loans such as *Maji Plus* loans.
Digital Channels	Easy access and convenient financial and non-financial services through PesaPap mobile banking with over 500k active users, 10k customers on online banking, 6000 agents countrywide and 75k customers on our Lipa Na Family collection channel.
Agri-Business Loans	We equally value supporting agriculture as Kenya's key critical sector. That is why we have a targeted product that enables our clientele in the agri–sector to access financing for their agribusinesses and projects.
Trade Finance	We offer trade affordable and accessible trade finance solutions including letters of credit, guarantees and post import financing.
Personal Loans	Under this segment, we offer check offs and salary loans, as well as salary advances
Micro-Loans	Our value creation extends to serving MSMEs by providing financial solutions that promote growth and capacity building.
Savings Accounts	We offer a range of savings accounts that support customers in planning their finances, including individual, group, and corporate savings accounts for that next big financial goal.
Investments	Our range of product offerings, such as call and fixed deposits, custodial services assist customers in meeting their investment goals.
Mortgages	We offer affordable and flexible mortgage plans for proud home ownership, plot or real estate development.
Insurance	We provide a diversified suite of insurance products, including life assurance, property insurance, livestock insurance, education plans, personal accident, liability insurance and marine insurance.
Internationally Accepted Cards	Our clients access financial services using Visa debit and credit cards through ATMs worldwide and can also make payments conveniently at merchant locations.

Our Products (continued)

Our products are distributed using a segmented approach, which enables us to address the unique financial needs of our diverse customer base and provide tailored solutions that promote their success and growth. There are three broad segments: Micro, Small, and Medium Enterprises (MSMEs), Retail and Corporate.

Micro, Small, and Medium Enterprises (MSME)

The Micro, Small, and Medium Enterprises (MSME) segment serves diverse customers, from small and informal businesses with a turnover of less than Kshs 20 million to medium-scale enterprises with turnovers between Kshs 20 million and Kshs 100 million. Our primary focus is on providing financial solutions to facilitate growth and capacity development of MSMEs. This segment includes approximately 1 million customers, who account for 56% of all deposits and 66% of loans. The MSME segment has several units – General Trade, Agribusiness, Water, Sanitation and Hygiene (WASH), Education, Health care and Chinese Banking.

Agribusiness

The Agribusiness Unit provides tailor-made solutions for critical segments of the economy, such as smallholder farmers and Agri-SMEs along the agricultural value chain. While we have previously focused on supporting formal agribusinesses, the Bank has taken a bold step to extend its support to smallholder farmers, often viewed as risky. A key initiative of the Agribusiness Unit is the partnership with the International Food Policy Research Institute (IFPRI), where the Bank introduced Risk Contingent Credit (RCC), a resilience program whose objective is to embed insurance into loan products, thereby increasing the uptake of credit facilities among smallholder farmers.

Customer Testimonial

Everest Enterprises: Putting Kenya's Horticulture on the Map with Family Bank

Family Bank has been a steadfast supporter of agriculture, as evidenced by its role in the success stories of various enterprises. One such is the story of visionary entrepreneur John Karuga, who founded Everest Enterprise in 1988 and embarked on an ambitious journey deeply rooted in the fertile soils of Kenya's horticulture and cargo sectors. Drawing inspiration from his extensive experience as the Head of Cargo for Africa at British Airways, Karuga sought to navigate the uncharted territories of horticulture exports from Africa, particularly Kenya, to the global stage. His aim was precise: establishing Kenya as a powerhouse in the horticulture export industry, a vision that gave birth to the aptly named 'Everest'.

From its early days, Everest Enterprises focused on a diverse range of horticulture products, including green beans, tender-stem broccoli, and baby corn. Everest's venture into floriculture in 2014 marked a significant expansion, adding premium roses to their export repertoire and reaching markets in Europe and the Middle East. Today, with farms spread across Kiserian, Maragua, and Timau, Everest Enterprises prides itself on the quality and variety of its produce and its substantial growth in export volumes—scaling from one container to a hundred per week.

Everest's business model is intricately designed to foster growth, not just within the enterprise but throughout the community. By partnering with smallholder farmers, Everest provides essential agronomy advice, inputs on credit, and processing support, and connects local produce to international markets. This symbiotic relationship extends to harvest collection, remuneration, and offering state-of-the-art packaging services through their packhouse facilities and cold storage solutions.

Our Products (continued)

The partnership with Family Bank, initiated over six years ago, is a cornerstone of Everest's growth and resilience. Sharon Karuga, a director and the progeny of founder John Karuga, lauds Family Bank for its unparalleled support, understanding, and accessibility, which have been instrumental in navigating the cyclical nature of agriculture. Family Bank's role was particularly pivotal when an exponential increase in demand for Everest's sugar snaps and smoothies in the European market called for rapid upscaling in production—a challenge met with the Bank's financial backing.

This support enhanced production capabilities, including cultivating sugar snaps in controlled environments to mitigate weather-related risks and expanding its network of farmers. Such financial agility was crucial in maintaining cash flow, especially when faced with the extended payment cycles associated with sea freight.

Beyond its business achievements, Everest Enterprises is a beacon of community empowerment and environmental stewardship. Employing over 230 people, with numbers swelling during peak seasons, and working with over 6,000 smallholder farmers since its inception, Everest is deeply woven into the fabric of the local community. Its commitment to quality, environmental conservation, and employee welfare is evident in every aspect of its operations—from sustainable packaging and water harvesting practices to exploring renewable energy sources and ensuring a safe working environment for its team.

As Everest Enterprises continues to grow and evolve, its partnership with Family Bank remains a vital enabler of its expansion and innovation efforts. Sharon's endorsement of Family Bank to other family-owned businesses underscores the value of a banking partner that truly understands and supports the unique challenges and opportunities of the agricultural sector. Everest Enterprises exemplifies the pinnacle of resilience, innovation, and community-focused success in the journey of growth and expansion.

Water, Sanitation and Hygiene (WASH)

Family Bank has partnered with Water.org and Aqua for All to provide affordable financial solutions focusing on increasing access to safe water and sanitation in Kenya. As part of this initiative, the Bank launched a water credit loan product dubbed MajiPlus. The loan product is designed to extend credit facilities to individuals, MSMEs, schools, community-based water projects, women and youth, and water service providers in the Water, Sanitation, and Hygiene (WASH) sector.

Retail

This unit serves the needs of our individual customers, including salaried employees, students, the diaspora, high-net-worth individuals, and middle-income earners. The customers in this category typically are segmented as per their salary or income bands HNI's, Premier Fuzu, Prestige Fuzu and Mass. We provide customised financial solutions that cater to their specific requirements. This segment has over 600,000, customers who contribute 7% of the overall deposits and 16% of the loans. The segment has two units – Personal Banking and Diaspora Banking.

Personal Banking

The personal banking segment serves our individual customers, commonly referred to as FuzuFam. The customers are further segmented into four major categories, the top three being High-Net-Worth Individuals, Fuzu Premier, and Fuzu Prestige. This segmented approach enables us to offer differentiated and personalised services through our relationship managers.

We continue to tailor our solutions and services to meet our customers' needs through improvements in our transaction processes, saving, and lending solutions. We have invested significantly in our digital solutions to offer our customers convenience through our PesaPap, Paybill, Internet Banking and Family Pay solutions. To this end, in 2023, we successfully piloted our digital lending solution for automated salary loans, which we shall continue to scale up and launch fully in 2024.

Our Products (continued)

We enhanced our scheme's offering, especially with counties, government ministries, and state corporations. We have leveraged our wide branch and county network coverage, existing partnerships and events as opportunities to scale up and offer financial literacy to inform, educate, empower, network, and address holistic individual needs.

We also look forward to diversifying our investment solutions for high-net-worth customers through our revamped custodial services and new partnerships, unlocking new revenue streams.

Diaspora Banking

We have a tailor-made diaspora account, *Mkenya Daima*, currently available only to Kenyans living abroad. The account offers unique savings and lending solutions. Our call to action is "l*ive abroad, invest at home*."

In conjunction with our custodial services, we offer diversified investment solutions to our diaspora customers, such as the purchase of Treasury bills and Bonds or the purchase of shares for companies listed in the NSE. Diaspora clients are also eligible to join our Business Club.

Chinese Banking

Over the past few decades, China has emerged as a pivotal political and economic force in Africa, becoming the continent's largest trading partner, foremost bilateral lender, and a significant foreign investor. In response, Family Bank has launched a strategic initiative to cater to the specialised banking needs of our expanding Chinese customer base.

Acknowledging the varied requirements and goals of Chinese businesses and individuals active in the region, we have developed a comprehensive portfolio of financial products and services. This suite includes asset financing, trade finance solutions, and overdraft facilities, all tailored to the specific needs of our clientele. Our commitment to customer-centric approaches allows us to offer specialised solutions that not only facilitate seamless financial operations but also reinforce our dedication to building enduring relationships with Chinese investors and enterprises in Kenya.

Through these initiatives, Family Bank strives to equip its Chinese clients with the essential financial tools and support needed to succeed in the dynamic Kenyan marketplace.

Corporate

The corporate segment is tailored to local institutions across all sectors of the economy, such as Corporations, SACCOs, NGOs, Schools, Churches, Public sector institutions, and MSMEs who have grown and transitioned to corporate clients. These customers have over Kshs 100 million turnovers and financing needs of over Kshs 50 million. Our approach in this segment is focused on providing financing solutions to sustain the profitable growth of their businesses. With around 6,000 customers, the corporate segment contributes 37% of total deposits and 18% of loans.

Insurance

As a Bank, we exist to create value that leads to the growth of the business. Similarly, we recognise the need to protect our customers from the potential risks they may face in their everyday business endeavours. At Family Bank, you can access various insurance solutions specifically tailored to meet all your insurance needs in all our 95 branch locations across the country, offered through our bancassurance subsidiary company, Family Bank Bancassurance Intermediary Limited (FBBI).

Trade Finance

Our Trade Finance solution is client-focused, with end-to-end solutions covering the entire trade cycle, enabling both local and international trade. Moreover, our competitive pricing and flexible collateral requirements enable us to reach a wide range of businesses, from start-ups to multi-nationals.

We take pride in supporting businesses to thrive through our Trade Finance tailor-made solutions to facilitate import and export space, by providing Letters of credit, Post import Finance, Pre shipment Finance and Import Duty. Further, we offer very competitive guarantees at very flexible terms including Bid bonds, Performance Bonds, Advance Payment, Transit Bonds and Custom bonds. Other working capital solutions include unsecured stock finance which assist customers to raise their working capital in a quick, affordable, and convenient way ensuring enhanced consistency in business operations. Our team of Trade Finance experts are always on hand to advise our customers on the best solution for each unique scenario. Breaking Barriers: Evisa Construction's Trailblazing Journey in Construction.

Our Products (continued)

Customer Testimonial

Theme: Women's Economic Empowerment

In the competitive landscape of Kenya's construction industry, Emily Mandala emerges as a pioneering force. As the CEO and Director of Evisa Construction, she stands among Kenya's 15.5% of registered female contractors—a testament to her resilience and tenacity. This statistic, highlighted in a 2022 survey by Dalberg in partnership with the International Development Research Centre and Builder, underscores the challenges and triumphs of Emily's career.

Embarking on her journey in 2009 with the establishment of Evisa Construction, Emily's path was anything but easy. It took a year after registering her company to secure her first contract, marking the beginning of a decade of perseverance. Initially, Emily took on jobs not for profit but to build her portfolio, steadily progressing from a Kshs 600,000 contract to a second one valued at Kshs 2.1 million. This period was characterised by her strategic accumulation of assets, such as a house and vehicles, to serve as loan collateral.

In 2019, a pivotal year, Emily's persistence paid off when she secured a contract a thousandfold larger than her first. It was then that she opened her first account with Family Bank, following a recommendation by a friend. Family Bank's immediate support was critical, manifested through a loan and LPO finance for the project. "I would like to commend Family Bank because, from my experience, not many banks would risk believing in me when I asked for such a big loan just after I started banking with them. Honestly, without them, I would not have been able to handle the contract, which meant termination and loss of my business," Emily reflects on the instrumental role of Family Bank in her journey.

Today, Emily is the founder and owner of five thriving businesses, all banked with Family Bank. Evisa Construction's growth is evident in its expansion from five initial employees to 30 full-time staff, a fleet of 15 vehicles, and over 100 casual workers. Her achievements have not gone unrecognised; in 2018, she was honoured as the best female contractor in Kenya by The National Construction Authority. She specialises in the construction of roads, bridges, and dams and has solidified her position as one of the top contractors in the country.

Reflecting on the last five years, she expressed her appreciation for the unwavering support, efficiency, convenience, and commitment demonstrated by Family Bank. She passionately recommends Family Bank to any individual or organisation seeking a financial partner who listens and supports business growth. According to her, her journey with Family Bank is a compelling narrative of overcoming the odds, underscored by strategic partnerships and unyielding determination. She reiterates, "The last five years have been the best. I have enjoyed the support, efficiency, convenience, and commitment from a reliable financial partner, Family Bank." She mentioned the financial solutions she has received from Family Bank include bid bonds, performance bonds, advance payment bonds, contract financing and certificate discounting for her projects.

Emily Mandala's story is inspiring. It is a tale of overcoming obstacles with perseverance and strategic partnerships. Looking back over the last five years, she reflects on how fortunate she has been to have the support, efficiency, and convenience of a reliable financial partner—Family Bank. "I wholeheartedly recommend Family Bank to any individual or organisation seeking a financial partner willing to listen and support businesses in their growth," she emphasises.

Our Products (continued)

Queen Banking

The Queen Banking proposition was launched on the 22nd of September 2023. Queen Banking is an array of financial and non-financial solutions that Family Bank is offering to address our women customers wholistically. It caters to the needs of the Kenyan woman in Business, Professional Woman, Chama Woman within our borders and in the Diaspora.

At FamilyBank we define Women in Business using the following criteria;

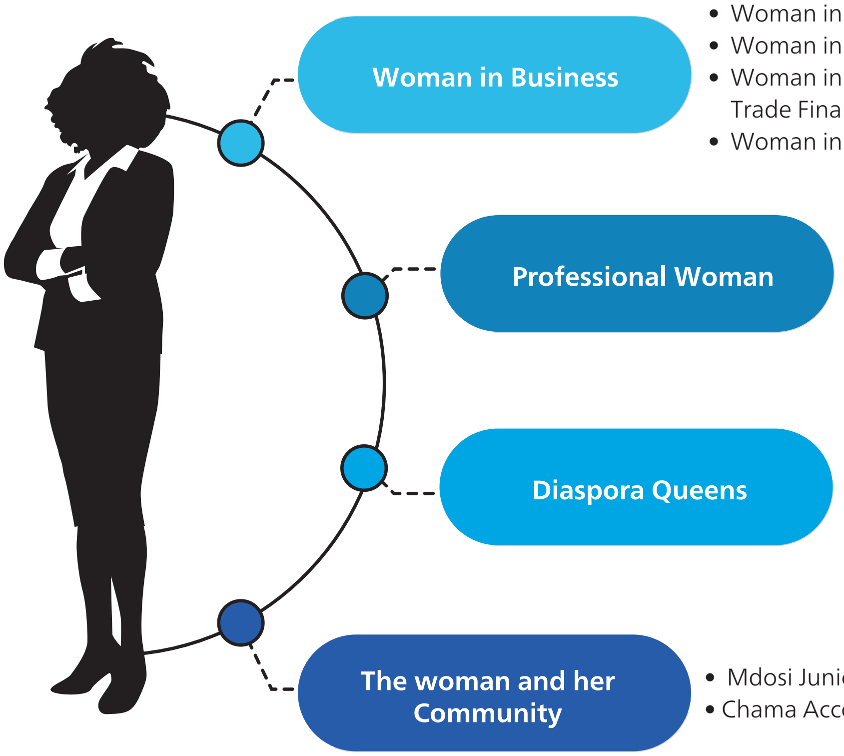
- Women owned Business with at least 51 per cent of the shares controlled by women or 100 per cent owned by women.
- Women Led businesses where women constitute more than 30 per cent of the board or more than 25 per cent of senior management
- A business that has products or services specifically geared to benefit women.

We offer transactional and savings accounts that meet both their personal and business needs. In addition, we offer payment solutions such as PesaPap, Paybill, Internet Banking and Family Pay.

Queen Banking offers women access to credit for their personal and business needs with both secured and unsecured financing solutions lifestyle benefits through strategic partnerships, Chama savings and investment options as well as tailor-made insurance solutions.

Our Products (continued)

Our focus areas



- Woman in Agri
- Woman in WASH
- Woman in General trade / Trade Finance
- Woman in Education

- Mdosi Junior
- Chama Account

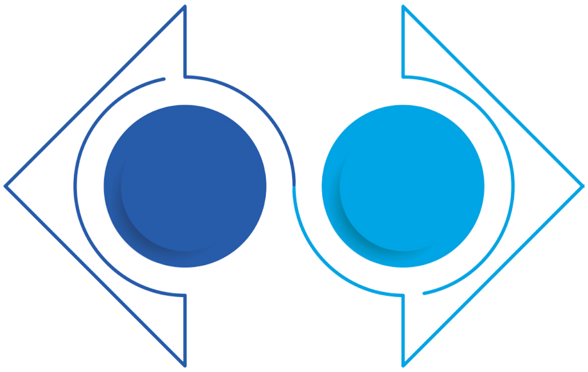
What is the benefit of joining Queen Banking?

We have curated both financial and non-financial solutions for our women customers to better equip them to scale their businesses as well as personal development. When women know better, they do better.

Queen Banking CVP

Financial Offering

- Access to Finance
- Savings and Investments
- Insure and Protect



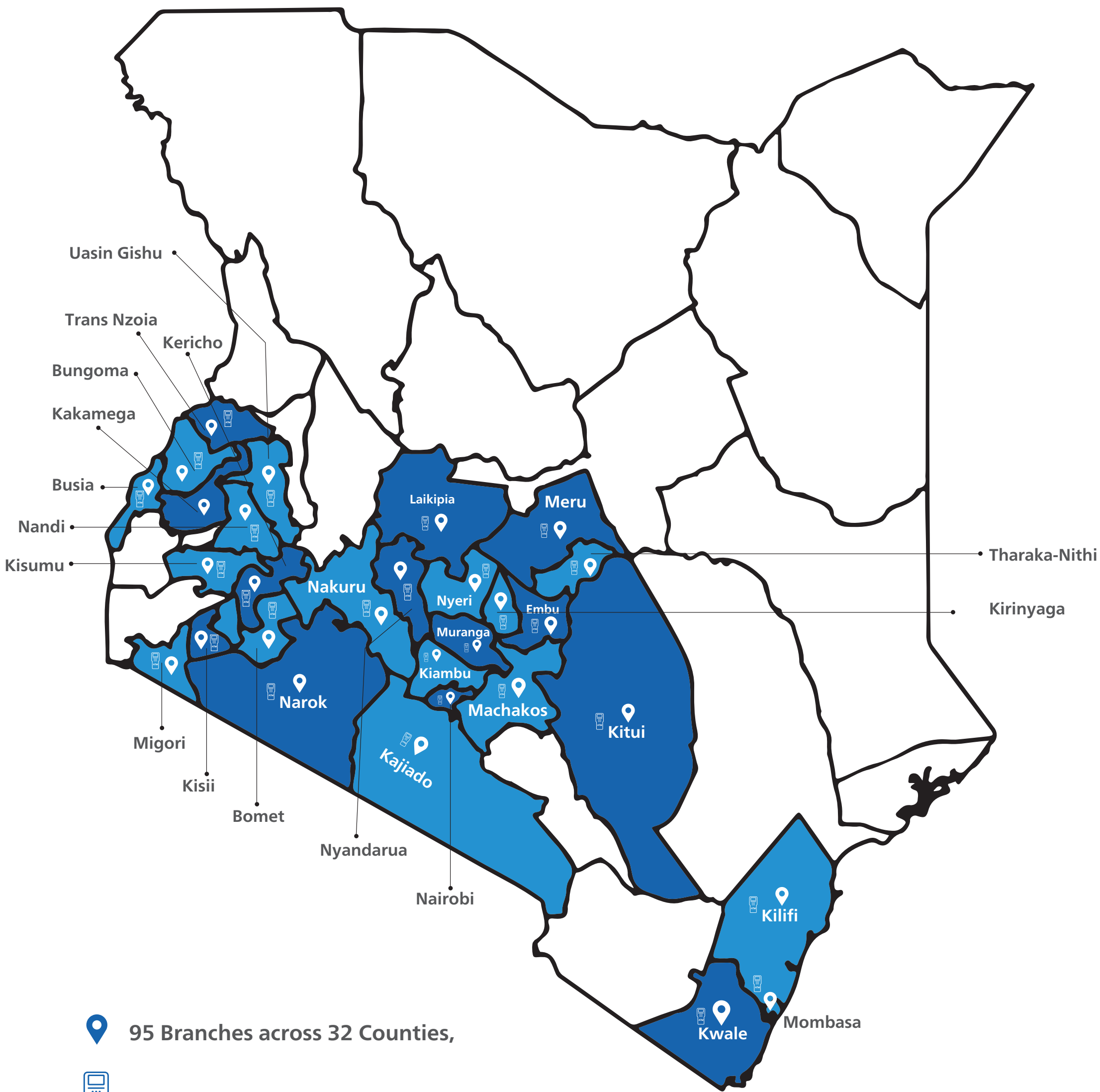
Non-Financial Offering

- Educate & Inform
- Recognition, Reward & Wellness
- Networking

Our Distribution Channels

The Bank has a significant distribution platform that plays a critical role in its customer acquisition and growth strategies. This distribution platform comprises 95 branches in 32 counties across Kenya, 146 ATMs spread across the country, over 6,000 bank agents, a mobile banking platform, and an internet banking platform.

Family Bank is pursuing a strategic approach to repurpose its branch network to serve as self-service digital centres and sales points. By doing so, the Bank aims to provide more convenience to its customers and enhance their overall banking experience. This move towards self-service digital centres also aligns with the Bank's efforts to embrace digital transformation and leverage technological advancements to deliver more efficient and secure banking services to its customers.

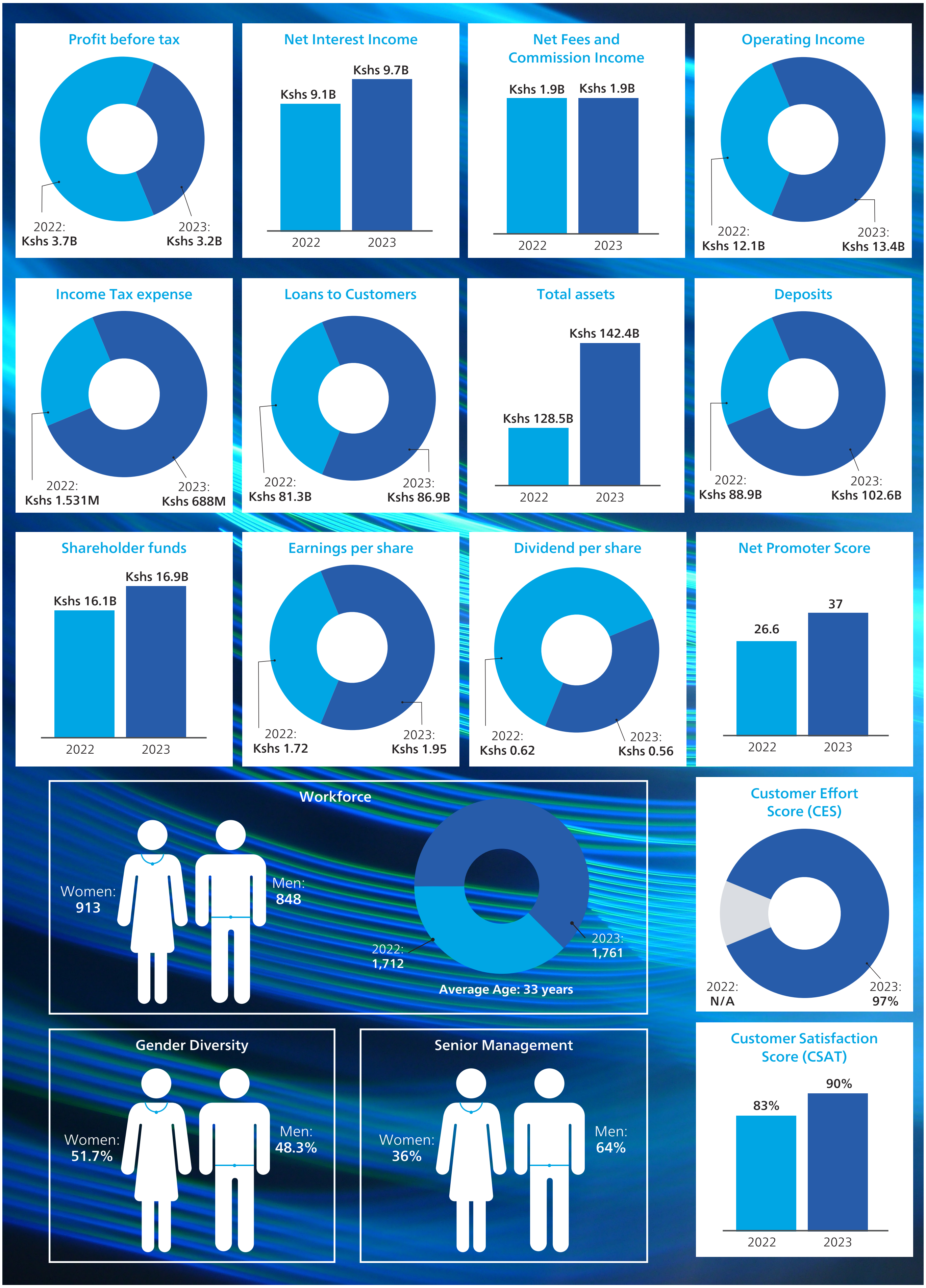


95 Branches across 32 Counties,

146 ATMs

6,000 Independent banking agents (PesaPap Agents)

Performance Highlights



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Chairman's Statement

Dr. Wilfred D. Kiboro
Chairman - Board of Directors

For the full year ended 31 December 2023, the Bank reported a Kshs 2.5 billion Profit After Tax — **13.3 %** growth

Net operating income — **12%** growth

Bank's total assets — **10.8%** increase

Family Bank At 40

Dear Shareholders,

On behalf of the Board of Directors of Family Bank Limited, I am pleased to present to you, the Shareholders, the 2023 Integrated Annual Report and Financial Statements at the Bank's 17th Annual General Meeting.

Operating environment

The 2023 operating and macro-economic environment was once again characterized by extreme uncertainties and Global tensions. The War between Ukraine and Russia continued with the later part of the year presenting yet another conflict between Israel and Hamas. This inevitably disrupted supply and logistics for essential commodities in the Global market. Closer home the economy was characterized by high inflation, high interest rates and a depreciating local currency which adversely affected our customers purchasing power. Amidst all this, the Bank remained resilient, and stable posting growth in several key growth parameters.

Banking Sector

The banking sector experienced significant changes in 2023.

In the last quarter of 2023, the Central Bank of Kenya (CBK) through the Monetary Policy Committee further increased the benchmark lending rate to 12.5%, a rise last seen 11 years ago. This was a move set to curb inflation and support the battered shilling but elevated the risk of loan defaults for individuals and businesses. This increase reflects the general economic difficulties facing borrowers, including higher interest rates and inflation, piling pending bills and reduced demand for goods and services.

Financial Performance

For the full year ended 31 December 2023, the Bank reported a Kshs 2.5 billion Profit After Tax, representing a 13.3 % growth. This growth was driven mainly by revenue growth and prudent operational cost management.

This growth was supported by an increase in revenue and consistent asset quality attributed to tighter credit controls and strategic loan portfolio optimization.

Total assets increased by 10.8% to close at Kshs 142.4 billion. Non-interest income grew strongly by 19% in the year as we continued to pursue an income diversification strategy from interest income. This diversification drove the growth in the net operating income by 12%.

On the investments side and in line with our strategy, we continued to optimally allocate capital which saw a growth in government securities by 35% to close at Kshs 34.8 billion and a growth in the net loan and advances to customers by 6.8% to Kshs 86.9 billion.

This performance is a testament to the Bank's robustness in navigating economic fluctuations and our focus on maintaining prudent financial management and customer-centric services.

Interest income increased by 17.3% with the net interest income increasing by 6.3%. The slower growth in the interest income was because the Bank choose not to pass the full cost of funding to the customers thereby cushioning them from the steep rise from interest rates which was witnessed in the year 2023.

Non-interest income grew strongly by 19% in the year as the bank continued to pursue an income diversification strategy from interest income. This diversification drove the growth in the net operating income by 12%.

Operating expenses growth was kept at a minimum which saw a 14% increase which was mainly driven by the high inflation, continued investments in people and technology, and the Kenya shilling depreciation which saw a steep increase in the dollar denominated technology related expenses.

Loan loss provisions on the other hand increased by 58.6% during the year. The increase was driven by both additional lending and additional downgrades by the Group on customer loans in 2023 in line with the Group's credit risk management practices.

The Bank's total capital and liquidity ratios remained strong, adequately above the regulatory requirement with total capital ratio closing at 16.9% against 14.5% and liquidity ratio closing at 38.7% against 20%.

Proposed Dividends

In line with this performance the Board of Directors has proposed, for Shareholders consideration, a 30% dividend payout of Kshs 723 million. This translates to Kshs 0.56 per share.

Rights Issue

In the year ended 31st December 2023, the Shareholders in a special Annual General Meeting voted for a rights issue to further capitalize the bank. The Shareholders were offered 643.5 million new shares through the rights issue. The proceeds of this capital raise had been earmarked for continued investments in technology and digitalization, further capitalization of the Bank to position for future growth and to fund inorganic growth through local or regional acquisitions. The rights issue closed on 31 January 2024 raising Kshs 252 million thereby missing the initial target.

As resolved during the Special Annual General Meeting, the Board of Directors is currently pursuing the second phase which is a private placement to Institutional investors. We are optimistic that at the back of the continued positive performance the capital raise will be successful.

It is important to note that the bank continues to be adequately capitalised, and this capital raise is geared primarily towards supporting future growth.

Leadership Changes

The financial year 2023 saw changes at the executive leadership in the Bank. Our Chief Executive Officer Rebecca Mbithi transitioned from the Bank to pursue personal interests. The Board of Directors would like to sincerely thank Ms. Rebecca Mbithi for her immense contribution to Family Bank's journey over the last five years. She steered the Bank to steady growth with our key performance indicators (deposits, loan, total assets and profitability) increasing by 100% over the last five years. During her reign, the Bank's brand strengthened, and the bank was also recognised for excellent and responsive customer experience. The Board wishes her well in the next phase of her career.

Following her departure, the Board of Directors appointed Nancy Njau to the role of Managing Director and CEO.

Nancy has served the bank for 21 years in various capacities including being the Head of Retail Banking, Chief Officer Public Sector and as the Ag. Chief Commercial Officer. She holds a Masters Degree in Business Administration specializing in Strategic Management from Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Commerce Degree (Accounting) from Kenyatta University and a Higher Diploma in Human Resource Management. In addition, she is a Certified Public Accountant of Kenya (CPA-K) and a Certified Executive Leadership Coach. She has also attended the prestigious Advanced Management Program (AMP) at Strathmore University. She has attended numerous courses on Performance Management, Credit Management, Transformational Leadership, and Customer Service among others.

The Board is excited and confident that Nancy's leadership and experience will steer the bank to greater heights and will provide continuity be crucial as we continue with our strategic focus.

2024 Outlook

The 2024 World Economic Outlook by IMF projects the global growth to stay at 3.1%. The report further predicts that the risks to global growth are broadly balanced, and a soft landing is a possibility. Looking into Kenya, the prospects are positive and could be strengthened by the continued efforts to sustain macroeconomic stability, strengthen policy frameworks, withstand external shocks, push forward key reforms, and promote more inclusive and green growth.

The Bank's trajectory remains positive with expectations that the banking sector will continue to grow with increased digital banking services uptake and innovative fintech solutions being key growth drivers. As a bank, we remain cautiously optimistic of strong performance in the coming year and beyond.

Chairman’s Statement (continued)

Family Bank at 40

As we mark our 40th anniversary this year, we are focused on accelerating our business to the next level to deliver our critical initiatives as we ensure excellent customer experience both for our external stakeholders as well as our internal stakeholders.

Key to our growth is expanding and optimizing our branch networks in the country. We will continue with our branch network expansion as we work towards getting closer to our customers. Last year we opened were pleased to open our 94th branch in Kongowea .and our focus this year is to catalyse The branch the expansion. This has kickstarted again this year with the newly opened Nyali branch and a few and we are now focused on opening more branches planned to open later this year”.

Appreciation

On behalf of the Board of Directors, I would like to thank and commend our customers and shareholders for their continued support and vote of confidence in the Bank. We exist because of you. I would also like to thank the management and staff of Family Bank for their hard work, dedication and unwavering commitment to provide exceptional service and showing up every day to work to ensure that we delight our customers and other stakeholders. We appreciate your continued efforts.

I would also like to thank our regulators, Government, partners, suppliers and the communities within which we operate for choosing Family Bank as your financial partner of choice. As we celebrate 4 decades of operation, our commitment to continue serving you remains passionately rooted in our mission to transform lives and purpose to offer sustainable value creation for the benefit of all our stakeholders.

Thank you.

Dr. Wilfred D. Kiboro
Chairman- Board of Directors

Hotuba Ya Mwenyekiti

Dkt Wilfred D. Kiboro
Chairman - Board of Directors

Kwa mwaka mzima uliomalizika tarehe 31 Desemba mwaka wa 2023, Benki ilipata Faida ya shilingi za Kenya (Kshs) bilioni 2.5, baada ya kulipa ushuru

13.3 % ukuaji

Mapato halisi kutoka kwa uendeshaji kampuni

12% ukuaji

Jumla ya mali

10.8% iliongezeka

Family Bank Imetimiza Miaka 40

Wapendwa Wamiliki wa hisa,

Kwa niaba ya Bodi ya Wakurugenzi ya Family Bank Limited, nina furaha kuwasilisha kwenu, Wamiliki wa hisa, Ripoti ya Pamoja na Taarifa za Fedha za mwaka wa 2023.

Mazingira ya utendakazi

Mazingira ya mwaka wa 2023 ya utendakazi na ya uchumi kwa ujumla yalishuhudia tena mambo yasiotarajiwa na mizozo ya kimataifa. Vita kati ya Ukraine na Urusi viliendelea kwa sehemu kubwa ya mwaka, huku mzozo mwingine kati ya Israeli na Hamas ukiibuka. Hali hii bila shaka ilitatiza usambazaji na mikakati ya kupata bidhaa muhimu katika soko la kimataifa. Hapa nyumbani, uchumi ulishuhudia mfumuko mkubwa wa bei, viwango vya juu vya riba na kushuka kwa thamani ya sarafu ya nchi, jambo ambalo liliathiri vibaya uwezo wa mteja wetu wa kununua bidhaa. Licha ya haya yote, Benki iliendelea kuwa imara na thabiti, huku ikishuhudia ukuaji katika vigezo kadhaa muhimu vya ukuaji.

Sekta ya Benki

Sekta ya benki ilishuhudia mabadiliko makubwa katika mwaka wa 2023.

Katika robo ya mwisho ya mwaka wa 2023, Benki Kuu ya Kenya (CBK), kupitia Kamati ya Sera ya Fedha, iliongeza tena kiwango cha kutoa mikopo hadi asilimia 12.5, ongezeko lililoshuhudiwa mara ya mwisho miaka 11 iliyopita. Hatua hii ilichukuliwa ili kupunguza mfumuko wa bei na kusaidia shilingi iliyodidimia lakini iliongeza uwezekano wa watu binafsi na mashirika ya biashara kutolipa mikopo yao. Ongezeko hili linaonyesha matatizo ya jumla ya kiuchumi yanayowakabili wakopaji, ikiwa ni pamoja na viwango vya juu vya riba na mfumuko wa bei, na kurundika bili zinazohitaji kulipwa na kupungua kwa mahitaji ya bidhaa na huduma.

Utendakazi wa Kifedha

Kwa mwaka mzima uliomalizika tarehe 31 Desemba mwaka wa 2023, Benki ilipata Faida ya shilingi za Kenya (Kshs) bilioni 2.5, baada ya kulipa ushuru, ikiwakilisha ukuaji wa asilimia 13.3. Utendakazi huu ulichangiwa zaidi na ukuaji wa mapato na usimamizi bora wa gharama za uendeshaji wa kampuni.

Ukuaji huu ulisaidiwa na ongezeko la mapato na ubora thabiti wa mali unaohusishwa na udhibiti mkali wa mikopo na uboreshaji wa mikakati ya mikopo. Jumla ya mali iliongezeka kwa asilimia 10.8 na kufikia Kshs bilioni 142.4. Mapato yasiyo na riba yalikua mno kwa asilimia 19 katika mwaka huu tulipoendelea kufuata mkakati mseto wa mapato kutoka kwa mapato yalio na riba. Mbinu hii ya mseto ilipelekea ukuaji wa mapato halisi kutoka kwa uendeshaji kampuni kwa asilimia 12.

Kwa upande wa uwekezaji na kulingana na mkakati wetu, tuliendelea kutenga mtaji, ambao ulishuhudia ukuaji wa dhamana za serikali kwa asilimia 35 na kufikia Kshs bilioni 34.8 na ukuaji wa mkopo wa jumla na mkopo kwa wateja kwa asilimia 6.8 na kufikia Kshs bilioni 86.9.

Hotuba Ya Mwenyekiti

Masharti ya hasara za mkopo, kwa upande mwingine, yaliongezeka kwa asilimia 180 kutoka Kshs milioni 495.1 hadi Kshs bilioni 1.4, hali inayoonyesha mazingira magumu ya biashara yanayowakabili wateja wetu kwa kuzingatia mbinu bora za usimamizi wa vitishio kwa mikopo.

Utendakazi huu ni uthibitisho wa uimara wa Benki katika kukabiliana na mfumko wa uchumi na lengo letu la kudumisha usimamizi bora wa fedha na kutoa huduma zinazomjali mteja.

Mapato ya riba yaliongezeka kwa asilimia 17.3 huku mapato ya jumla ya riba yakiongezeka kwa asilimia 6.3. Ukuaji wa polepole wa mapato ya riba ni kwa sababu Benki ilichagua kutopitisha gharama kamili za fedha kwa wateja na hivyo kuwaepusha na kupanda kwa kasi kwa viwango vya riba ambavyo vilishuhudiwa katika mwaka wa 2023.

Mapato yasiyo na riba yalikua mno kwa asilimia 19 katika mwaka huu tulipoendelea kufuata mkakati mseto wa mapato kutoka kwa mapato yalio na riba. Mbinu hii ya mseto ilipelekea ukuaji wa mapato halisi ya uendeshaji kampuni kwa asilimia 12.

Gharama za uendeshaji wa kampuni ziliongezeka kwa asilimia 14 zaidi kutokana na mfumuko mkubwa wa bei, kuendelea kuwekeza kwa watu na teknolojia na kushuka kwa thamani ya shilingi ya Kenya, ambayo ilisababisha ongezeko kubwa la gharama zinazohusiana na teknolojia ya dola. Masharti ya hasara za mkopo, kwa upande mwingine, yaliongezeka kwa asilimia 180 katika mwaka huo. Ongezeko hili lilichangiwa na mikopo ya ziada na upunguzaji wa viwango vya ziada wa Kundi kwa mikopo ya wateja katika mwaka wa 2023 kulingana na kanuni za usimamizi wa hatari za mikopo za Kundi.

Jumla ya mali ya Benki iliongezeka kwa asilimia 10.8 hadi kufikia Kshs bilioni 142.4 katika mwaka huu kutoka kwa Kshs bilioni 128.5 katika mwaka uliopita. Uwiano kati ya mtaji wa jumla na mali ya Benki inayoweza kuuzwa uliendelea kuimarika, hata zaidi ya mahitaji ya kisheria huku uwiano wa mtaji ukifika asilimia 16.9 dhidi ya asilimia 14.5 na uwiano wa mali ya Benki inayoweza kuuzwa ukifikia asilimia 38.7 dhidi ya asilimia 20.

Mgao wa faida uliopendekezwa

Kutokana na hali hii, Bodi ya Wakurugenzi imependekeza, kwa wamiliki wa hisa kuzingatia, malipo ya mgao wa faida wa asilimia 30 wa Kshs milioni 723. Hiki ni kiwango sawa na Kshs 0.56 kwa kila hisa.

Haki ya kumiliki hisa zaidi kwa bei nafuu

Mwaka wa 2023, wamiliki wa hisa, katika Mkutano Mkuu maalum wa Kila Mwaka, walipigia kura haki ya kumiliki hisa zaidi kwa bei nafuu ili kufadhili benki zaidi. Wamiliki wa hisa walipewa hisa mpya milioni 800 kupitia haki ya kumiliki hisa zaidi kwa bei nafuu. Mapato ya ongezeko hili la mtaji yalikuwa yametengwa kwa ajili ya kuendeleza uwekezaji katika teknolojia na uwekaji wa mifumo ya kidigitali, ili kuongeza ufadhili kwa Benki ili kuwezesha ukuaji wa siku zijazo na kupitia ununuzi na ufunguaji wa matawi mapya ndani na nje ya nchi. Umiliki wa hisa zaidi kwa bei nafuu ulihitimishwa tarehe 31 Januari mwaka wa 2024, na kukusanya Kshs milioni 252, na hivyo kutofikia lengo lililowekwa.

Kama ilivyoamuliwa wakati wa Mkutano Mkuu Maalum wa Kila Mwaka, Bodi ya Wakurugenzi kwa sasa inaendelea na awamu ya pili, ambayo ni nafasi ya kibinafsi kwa wawekezaji wa taasisi. Tuna matumaini kwamba kutokana na utendakazi mzuri unaoendelea, ukusanyaji wa mtaji utafanikiwa.

Ni muhimu kutambua kwamba Benki inaendelea kufadhiliwa vya kutosha, na ukusanyaji wa mtaji unalenga hasa kusaidia ukuaji wa siku zijazo.

Mabadiliko ya viongozi

Mwaka wa fedha wa 2023 ulishuhudia mabadiliko katika uongozi mkuu wa Benki. Afisa Mkuu Mtendaji wetu Rebecca Mbithi aliondoka kwenye Benki ili kufuata masilahi yake binafsi. Bodi ya Wakurugenzi inapenda kumshukuru kwa dhati Bi Rebecca Mbithi kwa mchango wake mkubwa kwa Family Bank katika kipindi cha miaka mitano iliyopita. Aliongoza Benki katika ukuaji thabiti, huku viashiria vyetu muhimu vya utendakazi (amana, mikopo, mali yote na faida) vikiongezeka kwa asilimia 100 katika miaka mitano iliyopita. Wakati alipokuwa ofisini, chapa ya Benki iliimarika, na Benki pia ilitambuliwa kwa mazoea bora na ushughulikiaji bora wa wateja. Bodi inamtakia kila la heri katika awamu inayofuata ya kazi yake.

Kufuatia kuondoka kwake, Bodi ya Wakurugenzi ilimteua Nancy Njau kuwa Mkurugenzi Mkuu na Afisa Mkuu Mtendaji.

Nancy ameitumikia Benki hii kwa kipindi cha miaka 21 katika nyadhifa mbalimbali ikiwa ni pamoja na kuwa Msimamizi wa Wateja wa Rejareja, Afisa Mkuu wa Sekta ya Umma na Kaimu Afisa Mkuu wa Biashara. Ana Shahada ya Uzamili katika Usimamizi wa Biashara aliyebobea katika Usimamizi wa Mikakati kutoka Chuo Kikuu cha Kilimo na Teknolojia cha Jomo Kenyatta, Shahada ya Biashara (Uhasibu) kutoka Chuo Kikuu cha Kenyatta na Stashahada ya Juu ya Usimamizi wa Rasilimali Watu. Kwa kuongezea, yeye ni Mhasibu wa Umma Aliyeidhinishwa wa Kenya (CPA-K) na Mshauri Mkuu wa Masuala ya Uongozi Aliyeidhinishwa. Pia amesomea Mpango wa Juu wa Usimamizi wa ngazi ya Juu (AMP) katika Chuo Kikuu cha Strathmore. Amesomea kozi nyingi za Usimamizi wa Utendakazi, Usimamizi wa Mikopo, Uongozi wa Mabadiliko, Huduma kwa Wateja na kozi zingine.

Bodi ina furaha na ina imani kwamba uongozi na maarifa ya Nancy vitakuwa muhimu tunapoendelea na lengo letu la kimkakati.

Mtazamo wa mwaka wa 2024

Mtazamo wa Uchumi Duniani Mwaka wa 2024 na Shirika la Fedha la Kimataifa (IMF) unakadiria ukuaji wa kimataifa kusalia kwa asilimia 3.1. Ripoti hiyo inatabiri zaidi kwamba vitishio kwa ukuaji wa kimataifa vimesawazishwa mno, na nafuu inawezekana. Tukitazama nchini Kenya, matarajio ni mazuri na yanaweza kuimarishwa na juhudi zinazoendelea za kudumisha uthabiti wa uchumi mkuu, kuimarisha mifumo ya sera, kuhimili vihatarishi kutoka nje, kupelekea mageuzi muhimu, na kukuza ukuaji jumuishi unaojali mazingira.

Mwelekeo wa Benki unasalia kuwa chanya na matarajio kwamba sekta ya benki itaendelea kukua huku huduma za benki za kidijitali zikiongezeka na masuluhisho ya kibunifu ya fintech yakiwa vichocheo muhimu vya ukuaji. Kama Benki, tunasalia na matumaini kwa uangalifu wa kuwepo na utendakazi mzuri katika mwaka ujao na hata baadaye.

Family Bank imetimiza miaka 40

Pia tunapoadhimisha miaka 40 mwaka huu, tunalenga kuimarisha biashara yetu hadi awamu inayofuata ili kufikia mipango yetu muhimu huku tukihakikisha ushughulikiaji bora wa wateja wetu kwa manufaa ya washikadau wetu kutoka nje na pia washikadau wetu wa ndani ya kampuni.

Haya ni muhimu kwa ukuaji na upanua wa mitandao ya matawi yetu nchini. Tutaendelea na upanuzi wa mtandao wa matawi yetu tunapojitahidi kuwa na uhusiano wa karibu na wateja wetu. Mwaka jana, tulifungua tawi letu la 94 katika eneo la Kongowea. Upanuzi wa matawi umeanza tena mwaka huu huku tawi jipya la Nyali likifunguliwa na matawi machache mengine yakipangwa kufunguliwa baadaye mwaka huu.

Shukrani

Kwa niaba ya Bodi ya Wakurugenzi, ningependa kuwashukuru na kuwapongeza wateja wetu na wamiliki wa hisa kwa kuendelea kutuunga mkono na kuiamini Benki yetu. Pia ningependa kuwashukuru wasimamizi na wafanyakazi wa Family Bank kwa bidii yao, kujitolea kwao kwa dhati kutoa huduma za kipekee zinazowafurahisha wateja wetu na washikadau wengine. Tunawashukuru kwa juhudi zenu mnazoendelea nazo.

Ningependa pia kuwashukuru wanaotutungia sheria, serikali, washirika, wasambazaji wa bidhaa na jamii tunamofanyia kazi kwa kuchagua Family Bank kama mshirika wako wa kifedha. Tunapoadhimisha miongo minne ya utendakazi, kujitolea kwetu kuendelea kuwahudumia kunaendelea kukita mizizi katika dhamira yetu ya kubadilisha maisha na kutoa manufaa endelevu kwa washikadau wetu wote.

Asanteni.

Dkt Wilfred D. Kiboro
Mwenyekiti- Halmashauri ya Wakurugenzi

Managing Director's Statement

Ms. Nancy Njau
Managing Director and
Chief Executive Officer

Recognised by the Institute of Customer Experience (ICX) Service as the **Best Internal Customer Experience Bank** at the 2023 Excellence Awards

For the Innovation and Excellence Awards East Africa during the 11th edition of the Connected Banking Summit, we clinched the **Excellence Award in Customer Responsiveness**

Dear Shareholders,

I would like to welcome you to the 17th Annual General Meeting of Family Bank Group.

Over the past five years, the Bank has embarked on a journey of growth, innovation and transformation to meet the evolving needs of our customers and navigate the dynamic landscape of the financial industry. The just-ended year, 2023, was a pivotal year for executing our strategy. Our key focus areas centred on the growth of our balance sheet, market expansion through additional distribution points (Branches and agency banking), product innovation, digital transformation and enhancing the experience for our customers.

The Operating Environment

Global uncertainties and instability continue to abound with geopolitical tensions increasing with an additional conflict between Israel and Hamas. As a result, we continue to experience volatility in international prices and logistics. The developed world economies' growth rates remain muted at less than 3% GDP growth.

Closer home, Kenya's economy strengthened in 2023; GDP growth improved from 4.8% to an estimated 5%, according to the World Bank. This was attributed to a strong rebound in the agriculture sector due to favourable weather conditions and a resilient services sector supported by robust activity in information, communication, transport and logistics, financial services, and accommodation and food services. We are optimistic that the growth in these sectors will have an overall positive impact on the overall GDP growth.

The economy continued to battle the twin problems of inflation and currency depreciation. This saw the Central Bank of Kenya (CBK) monetary policy committee tighten the monetary policy. The Central Bank benchmark rate closed at 12.5% from 8.75% at the beginning of 2023. This was the third hike in the year and the most significant. The effects of this Central bank rate hike on the banking industry were (a) an increase in the cost of funding, (b) a lower than initially expected demand for credit (c) lower customer transactions as disposable income got depleted by inflation and (d) a general increase in the non-performing loans ratio as borrowers struggled to keep pace with the rising cost of doing business.

We remain optimistic that the gains of this monetary policy actions will be realized in the coming months.

Financial Performance

Amid the tough operating environment, Family Bank thrived and withstood the financial shocks. Our balance sheet size grew by 10% from Kshs 128 billion to Kshs 142.4 billion.

Our profit after tax for the year stood at Kshs 2.5 billion, up from Kshs 2.2 billion in 2022, representing a 13.3% growth. The additional performance parameters, all of which had a positive growth are as shown below.

Managing Director's Statement (continued)

	2023 Kshs billion	2022 Kshs billion	Change
Investment in Government securities	34.8	25.8	35.2%
Loan book	86.9	81.4	6.8%
Total assets	142.4	128.5	10.8%
Customer deposits	102.6	88.9	15.4%
Interest income	16.2	13.8	17.3%
Net interest income	9.7	9.1	6.3%

It is important to note that we also achieved several milestones in our performance with our deposits closing the Kshs 100 billion by the end of 2023. This is a great milestone for the Bank and a testament to the continued support and confidence extended to the Bank by you, the shareholders and our customers.

The Bank continued to optimally allocate capital which saw a growth in government securities by 35% to close at Kshs 34.8 billion and a growth in the net loan and advances to customers by 6.8% to Kshs 86.9 billion. These investments were in line with the Group's strategy and were aligned to the operating environment.

The steep increase in the cost of funding in the market saw an increase in interest expense from deposits and long-term debt by 41%, interest income increased by 17.3% with the net interest income increasing by 6.3%. The slower growth in the interest income was because the Group chose not to pass the full cost of funding to the customers thereby cushioning them from the steep rise in interest rates which was witnessed in the year 2023. This action underpins our continued commitment to putting our customers first and supporting them in their point of need.

Key Reasons Behind Our Success

People

Informed by the imperative value of an enthused team and the need to successfully implement our strategy, we are continuously investing in upskilling the skills of our staff to enhance their ability to successfully address emerging market opportunities. In 2023, we invested in training with a particular focus on ESG, customer experience, sales and business development, among other skills, in line with market developments as part of capacity building and human resource development.

Product Innovation and Partnerships

In 2023, we continued to focus on driving product innovation with propositions such as Queen Banking and investing in digital banking as sought to strengthen our balance sheet.

As a Bank, our focus to accelerate businesses to the next level by extending credit in 2023 continued through strategic partnerships. To better achieve this, we were committed to driving value to critical sectors of our economy such as the agribusinesses in different value chains, general trade, institutions and women-led businesses.

Customer Engagements

Customers are central to the success of our brand. We take time to meet our customers and identify their challenges and opportunities in order to provide solutions that drive the positive transformation of people's lives.

A success item for the year was also enhancing customer experience by creating a differentiated customer experience across digital and in-branch services, anchored on repositioning the brand to align with our strategic aspiration. We held customer engagement sessions across the country in various locations such as in Ukunda, Bungoma, Mumias, Downtown Nairobi, Meru and the Mt. Kenya regions of Nkubu and Maua as we sought to understand our customer needs better.

Awards and Recognition

We have borne the fruits of our deliberate effort and investment to enhance our customer experience across our channels. We were recognised by the Institute of Customer Experience (ICX) Service as the Best Internal Customer Experience Bank at the 2023 Excellence Awards for having comprehensive initiatives and strategies for improved employee experiences. Family Bank was also voted as the overall second-best bank and best tier-two in customer responsiveness and digital banking experience in a survey conducted by the Kenya Bankers Association in 2023. For the Innovation and Excellence Awards East Africa during the 11th edition of the Connected Banking Summit, we clinched the Excellence Award in Customer Responsiveness.

Our 40th Anniversary

October 2024 will mark Family Bank's 40th anniversary. Four decades ago, when the Bank started as a building society, our vision was very clear. We, however, never imagined that forty years later, the Bank would be a force to reckon with in our country. The Family Bank story over the last forty years is beyond the 95 branches across the 32 counties, it is beyond the 1,000,000+ customers who we continue to serve across our channels and it is beyond the 1700+ employees who have dedicated themselves to working for Family Bank.

Managing Director’s Statement (continued)

It is a story of success and long-lasting impact for all our stakeholders who have had interactions with the Bank. It is a story we are proud of as an institution.

We are cognisant and appreciative of the fact that this journey has been enabled by every one of our customers, staff, partners, shareholders and the regulator. We have evolved to become a leading bank differentiated by customer experience. Our commitment as we celebrate this milestone and look forward to leapfrogging to the next level is that as a Bank, we will remain customer-centric, and agile and will endeavour to assist each of our stakeholders achieve what matters to them most.

2024 Outlook

Moving forward, we are optimistic about Kenya’s growth momentum due to the measures by the government to boost economic activity in priority sectors. The optimistic 2024 GDP projections at 5% levels are indicative of a positive growth rebound in more economic sectors.

Acknowledgements

I would like to express our appreciation to all Family Bank stakeholders, that is, our shareholders, customers, partners, the Board of Directors and the staff of Family Bank for their unwavering support and commitment. It is through our collective efforts and shared vision that we will continue to unlock new opportunities for growth.

Thank you, and God bless you.

Ms. Nancy Njau
Managing Director and Chief Executive Officer

Hotuba Ya Mkurugenzi Mkuu

Bi Nancy Njau
Mkurugenzi Mtendaji na
Afisa Mtendaji Mkuu

Tulitambuliwa na Taasisi ya Huduma ya Ushughulikiaji wa Wateja (ICX) kama **Benki Bora ya Kushughulikia Wateja** wetu katika matuzo ya Kazi Bora ya mwaka wa 2023

Matuzo ya Ubunifu na Kazi Bora Afrika Mashariki wakati wa toleo la 11 la Mkutano wa Kilele wa Benki kwa pamoja, tulishinda **Tuzo la Kazi Bora kwa Kuwajibikaji Wateja**

Wapendwa Wamiliki wa Hisa,

Ningependa kuwakaribisha kwenye Mkutano Mkuu wa Kila Mwaka wa 17 Benki ya Family Bank Group.

Katika kipindi cha miaka mitano iliyopita, Benki imeanza safari ya ukuaji, uvumbuzi na mabadiliko ili kukidhi mahitaji yanayoendelea kubadilika ya wateja wetu na kukabiliana na mazingira yanayobadilikabadilika ya tasnia ya fedha. Mwaka uliomalizika wa 2023, ulikuwa mwaka muhimu wa kutekeleza mkakati wetu. Maeneo yetu makuu tuliyozingatia yalijikita katika ukuaji wa mizania yetu, upanuzi wa soko kupitia kupanua biashara (Matawi na wakala wa benki), uvumbuzi wa bidhaa, mabadiliko ya kidijitali na kuboresha tunavyoshughulikia wateja wetu.

Mazingira ya Utendakazi

Kutokuwa na uhakika na ukosefu wa utulivu duniani vinaendelea kuongezeka huku mivutano ya kisiasa katika maeneo ya kijiografia ikiongezeka pamoja na mzozo wa ziada kati ya Israel na Hamas. Kwa hivyo, tunaendelea kukumbana na hali tete ya bei na usambazaji wa bidhaa duniani. Viwango vya ukuaji wa uchumi wa nchi zilizoendelea duniani vimesalia kuwa ukuaji wa chini ya asilimia 3.

Tukirudi nyumbani, uchumi wa Kenya uliimarika katika mwaka wa 2023; Ukuaji wa Pato la Taifa uliimarika kutoka asilimia 4.8 hadi wastani wa asilimia 5, kwa mjibu wa Benki ya Dunia. Hii ilichangiwa na kuimarika kwa sekta ya kilimo kutokana na hali nzuri ya hewa na sekta ya huduma thabiti zinazosaidiwa na kuimarika kwa habari, mawasiliano, usafiri na usafirishaji wa bidhaa, huduma za kifedha, huduma za maeneo ya kuishi na huduma za chakula. Tuna matumaini kwamba ukuaji katika sekta hizi utakuwa na athari chanya kwa ukuaji wa jumla wa Pato la Taifa (GDP).

Uchumi uliendelea kukabiliana na matatizo pacha ya mfumuko wa bei na kushuka kwa thamani ya sarafu. Hali hii ilipelekea kamati ya sera ya fedha ya Benki Kuu ya Kenya (CBK) kukaza sera ya fedha. Kiwango kilichowekwa na Benki Kuu kilifikia asilimia 12.5 kutoka kwa asilimia 8.75 mwanzoni mwa mwaka wa 2023. Hili lilikuwa ongezeko la tatu kwa mwaka na ongezeko kuu zaidi. Madhara ya ongezeko hili la viwango vya benki kuu kwenye tasnia ya benki yalikuwa (a) kuongezeka kwa gharama za ufadhili, (b) kupungua kwa mahitaji yaliyotarajiwa ya mkopo (c) kupungua kwa shughuli za wateja kutokana na pesa zinazoweza kutumika kupungua kutokana na mfumuko wa bei na (d) ongezeko la jumla la uwiano wa mikopo isiyolipiwa kwani wakopaji walitatizika kutokana na kupanda kwa gharama ya kufanya biashara.

Tunasalia na matumaini kuwa mafanikio ya hatua hizi za sera ya fedha yatatokea katika miezi ijayo.

Utendakazi wa Kifedha

Katika mazingira magumu ya utendakazi, Family Bank ilistawi na kustahimili misukosuko ya kifedha. Mizania yetu ilikua kwa asilimia 10 kutoka Shilingi za Kenya (Kshs) bilioni 128 hadi Kshs bilioni 142.4. Faida yetu baada ya kulipa ushuru mwaka huo ilifikia Kshs bilioni 2.5, kutoka Kshs bilioni 2.2 mwaka wa 2022, ikiwakilisha ukuaji wa asilimia 13.3. Vigezo vya ziada vya utendakazi, ambavyo vyote vilikuwa na ukuaji mzuri ni kama inavyoonyeshwa hapo chini.

Hotuba Ya Mkurugenzi Mkuu

	Mwaka wa 2023 Kshs bilioni	Mwaka wa 2022 Kshs bilioni	Mabadiliko
Uwekezaji kwa dhamana za serikali	34.8	25.8	Asilimia 35.2
Kitabu cha mikopo	86.9	81.4	Asilimia 6.8
Mali yote	142.4	128.5	Asilimia 10.8
Amana ya wateja	102.6	88.9	Asilimia 15.4
Mapato ya riba	16.2	13.8	Asilimia 17.3
Mapato ya jumla ya riba	9.7	9.1	Asilimia 6.3

Ni muhimu kutambua kwamba pia tulipiga hatua muhimu katika utendakazi wetu huku amana zetu zikifikia Kshs bilioni 100 kufika mwishoni mwa mwaka wa 2023. Hii ni hatua kubwa sana kwa Benki na ushahidi wa kuendelea kuungwa mkono na kuaminiwa kwa Benki na nyinyi, washikadau na wateja wetu.
Benki iliendelea kutenga mtaji ambao ulishuhudia ukuaji wa dhamana za serikali kwa asilimia 35 na kufikia Kshs bilioni 34.8 na ukuaji wa mkopo wa jumla na mkopo kwa wateja kwa asilimia 6.8 na kufikia Kshs bilioni 86.9. Uwekezaji huu uliambatana na mkakati wa Benki na ulilingana na mazingira ya kazi.

Ongezeko kubwa la gharama za ufadhili sokoni lilishuhudia ongezeko la gharama za riba kutoka kwa amana na madeni ya kudumu kwa asilimia 41, mapato ya riba yaliongezeka kwa asilimia 17.3 huku mapato ya jumla ya riba yakiongezeka kwa asilimia 6.3. Ukuaji wa polepole wa mapato ya riba ulitokana na Benki kuchagua kutopitisha gharama kamili za fedha kwa wateja na hivyo kuwaepusha na kupanda kwa kasi kwa viwango vya riba vilivyoshuhudiwa katika mwaka wa 2023. Hatua hii inatilia mkazo juhudi zetu za kuendelea kujitolea kujali maslahi ya wateja wetu kwanza na kuwasaidia wanapohitaji msaada.

Sababu Muhimu Zinazopelekea Mafanikio Yetu

Watu

Kutokana na maarifa ya kikosi tunachokithamini na hitaji la kutekeleza mkakati wetu kwa ufanisi, tunaendelea kuwekeza katika kuboresha ujuzi wa wafanyakazi wetu ili kuimarisha uwezo wao wa kushughulikia kwa ufanisi fursa zinazoibuka sokoni. Katika mwaka wa 2023, tuliwekeza katika mafunzo kwa kuzingatia hasa ESG, uzoefu wa wateja, mauzo na ukuzaji wa biashara, miongoni mwa maarifa mengine, kulingana na maendeleo ya soko kama sehemu ya kujengea uwezo na kukuza rasilimali watu.

Uvumbuzi Wa Bidhaa na Ushirikiano

Katika mwaka wa 2023, tuliendelea kujishughulisha na uvumbuzi wa bidhaa na mapendekezo kama vile Queen Banking na kuwekeza katika benki za kidijitali ili kuimarisha mizania.

Kama Benki, lengo letu la kuimarisha biashara hadi awamu inayofuata kwa kutoa mikopo mwaka wa 2023 liliendelea kupitia ushirikiano wa kimkakati. Ili kufikia lengo hili vyema, tulijitolea kuendeleza mambo ya thamani kwa sekta muhimu za uchumi wetu kama vile biashara za kilimo katika mifumo mbalimbali ya usambazaji, biashara kwa jumla, taasisi na biashara zinazoongozwa na wanawake.

Kushirikisha wateja

Wateja ndio nguzo ya mafanikio ya chapa yetu. Sisi huchukua muda kukutana na wateja wetu na kutambua changamoto na fursa walizo nazo ili kutoa masuluhisho yanayochochea mabadiliko chanya katika maisha ya watu.

Mojawapo ya mafanikio mwaka huo pia ilikuwa kuimarisha ushughulikiaji wa wateja kwa kutoa huduma kutegemea mteja kupitia huduma za kidijitali na za ndani ya tawi, unaozingatia kufanyia mabadiliko chapa ili kuendana na matarajio yetu ya kimkakati. Tulifanya vikao vya kushirikisha wateja kote nchini katika maeneo mbalimbali kama vile Ukunda, Bungoma, Mumias, Jijini Nairobi, Meru na maeneo ya Mlima Kenya ya Nkubu na Maua huku tukijaribu kutafuta kuelewa mahitaji ya wateja wetu vyema.

Matuzo na Kutambuliwa

Juhudi zetu za kimakusudi zimezaa matunda na uwekezaji wa kuboresha tunavyowashughulikia wateja wetu katika mifumo yetu. Tulitambuliwa na Taasisi ya Huduma ya Ushughulikiaji wa Wateja (ICX) kama Benki Bora ya Kushughulikia Wateja wetu katika matuzo ya Kazi Bora ya mwaka wa 2023 kwa kuwa na mipango na mikakati ya kina ya kuboresha tunavyoshughulikia wafanyakazi. Family Bank pia ilichaguliwa kuwa benki ya pili bora kwa ujumla na bora kwa daraja kwa kuwajibikia wateja na matumizi ya benki kidijitali katika utafiti uliofanywa na Chama cha Mabenki cha Kenya katika mwaka wa 2023. Kwa Matuzo ya Ubunifu na Kazi Bora Afrika Mashariki wakati wa toleo la 11 la Mkutano wa Kilele wa Benki kwa pamoja, tulishinda Tuzo la Kazi Bora kwa Kuwajibikaji Wateja.

Maadhimisho Yetu ya Miaka 40

Oktoba mwaka wa 2024 ni maadhimisho ya miaka 40 tangu kuanzishwa kwa Family Bank. Miongo minne iliyopita, wakati Benki ilipoanza kama jumuiya ya ujenzi, maono yetu yalikuwa wazi sana. Sisi, hata hivyo, hatukuwahi kufikiria kwamba miaka arobaini baadaye, Benki hii ingekuwa nguzo muhimu katika nchi yetu. Hadithi ya Family Bank katika kipindi cha miaka

Hotuba Ya Mkurugenzi Mkuu

arobaini iliyopita ni zaidi ya matawi 95 katika kaunti 32, ni zaidi ya wateja 1,000,000 ambao tunaendelea kuwahudumia kwenye vituo vyetu na ni zaidi ya wafanyakazi 1700 ambao wamejitolea kufanya kazi kwa Family Bank. Ni hadithi ya mafanikio na athari ya kudumu kwa washikadau wetu wote ambao wamekuwa na mtagusano na Benki. Ni hadithi tunayojivunia kama taasisi.

Tunafahamu na kuthamini ukweli kwamba safari hii imewezeshwa na kila mmoja wa wateja, wafanyakazi, washirika, wamiliki wa hisa wetu na watunga sheria zetu. Tumebadilika na kuwa benki inayoongoza inayotofautishwa na ushughulikiaji wa wateja. Ahadi yetu tunaposherehekea hatua hii muhimu na kutarajia kusonga mbele kwa hatua inayofuata kama Benki, tutasalia kujali wateja wetu, na kuwa wepesi na tutajitahidi kusaidia kila mshikadau wetu kufikia kile ambacho ni muhimu kwao zaidi.

Mtazamo wa Mwaka wa 2024

Tunaposonga mbele, tuna matumaini kuhusu kasi ya ukuaji nchini Kenya kutokana na hatua za serikali kuimarisha shughuli za kiuchumi katika sekta muhimu. Makadirio yenye matumaini ya Pato la Taifa la mwaka wa 2024 katika viwango vya asilimia 5 ni dalili ya ukuaji chanya katika sekta za kiuchumi.

Shukrani

Ningependa kutoa shukrani zetu kwa washikadau wote wa Family Bank, yaani, wamiliki wetu wa hisa, wateja, washirika wetu, Bodi ya Wakurugenzi na wafanyakazi wa Family Bank kwa usaidizi na kujitolea kwao bila kuyumbayumba. Ni kupitia juhudi zetu za pamoja na maono ya pamoja ndipo tutaendelea kupata fursa mpya za ukuaji.

Asante, na Mungu akubariki.

Bi Nancy Njau
Mkurugenzi Mtendaji na Afisa Mtendaji Mkuu

Corporate Governance

The Family Bank Limited values good corporate governance as crucial to ensuring transparency, fairness, and accountability in its relationships with stakeholders. The Board of Directors and executive management have diverse skills and experiences, and their effective and ethical leadership is at the core of the Bank's success. The Board recognises the importance of sound corporate governance principles as the foundation of stakeholder trust. It is committed to upholding excellent governance standards to deliver sustainable stakeholder value by adopting best practices in corporate governance, internal control, risk management and compliance.

The Bank's board, management, and staff are guided by the Family Bank Limited values and governance principles embedded in the Bank's operational practices. The Bank remains steadfastly committed to continuously improving its corporate governance principles, policies, and practices by staying up-to-date with evolving regulations and best practices. Engagement with regulators, industry bodies, and stakeholders' feedback further enhances good corporate governance practices, ensuring that behaviour is ethical, legal, transparent and beneficial to all stakeholders.

To promote good corporate governance and ensure compliance with laws and regulations, the Board has established policies, systems, and controls to enforce accountability and prevent malpractice and fraud. The Chairman assures stakeholders of the Bank's commitment to best practices and continued compliance with relevant laws and regulations, including the Banking Act, the Central Bank of Kenya Prudential Guidelines, the Capital Markets Authority Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015, and the Bank's internal policies.

Each director has a fiduciary duty to act in the best interests of the Bank, attesting to acting in good faith, avoiding conflicts of interest, and placing the interests of the Bank and its stakeholders above all other interests.

Mr. Lazarus Muema
Non-Executive Director

Mr. Mark Keriri
Non-Executive Director

Ms. Mary Njeri Mburu
Non-Executive Director

Mr. Julius Muya
Alternate to Mr. T.K. Muya

Mr. David Muni Ichoho
Non-Executive Director

Mr. Eric K. Murai
Company Secretary and Chief Legal Officer

Mr. Titus K. Muya
Non-Executive Director

Dr. Wilfred D. Kiboro, EBS
Chairman, Non-Executive Director

Ms. Nancy Njau
Managing Director and Chief Executive Officer

Board of Directors (continued)

Dr. Wilfred D. Kiboro, EBS
Chairman, Non-Executive Director

Dr. Kiboro is the former Chief Executive Officer of the Nation Media Group, where he still serves as Chairman. He is the Chancellor of Riara University and the Chairman of Wilfay Investments Limited, a family-owned enterprise. He is also the Chairman of Green Blue Foundation Africa.

He is a past Chairman of several organisations, including the Media Owners Association, the East African Business Council, the International Press Institute Board, the Federation of Kenyan Employers, and the Standard Chartered Bank, Kenya. He has also served on the Boards of the Kenya Association of Manufacturers, the National Environmental Management Authority (NEMA) and East African Breweries Limited, among others.

Dr. Kiboro was awarded an honorary Doctor of Philosophy degree by Kenyatta University in December 2015. He holds a Bachelor of Science in Civil Engineering from the University of Nairobi.

Arch. Francis Gitau Mungai
Vice Chairman, Non-Executive Director

Arch. Gitau Mungai 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 is a former Chairman of the Board of the National Housing Corporation. He has been a chairman of various bodies, such as the Architectural Association of Kenya (AAK) and Kenya Private Sector Alliance (KEPSA), where he was Director and Chairman of the Building and Infrastructure Board. He is a former lecturer at the University of Nairobi Architecture and Building Sciences Department, where he focused on both Architectural and Urban Design Studios and Professional Practice and Management. Currently, he is serving as a Member of the Governing Council of the Presbyterian University of East Africa.

Arch Gitau Mungai holds a Master's Degree in Architecture from the University of California, Los Angeles (UCLA) and a Bachelor of Architecture degree with First-Class Honours from the University of Nairobi. He is also a Fellow of the Architectural Association of Kenya (FAAK) and registered by the Board of Registration of Architects & Quantity Surveyors (BORAQS) in Kenya.

Board of Directors (continued)

Ms. Nancy Njau
Chief Executive Officer and Managing Director

Nancy Njau is an astute and seasoned banker with over 22 years of extensive experience in strategic leadership, agile business transformation, building high-performance teams, client solutions innovation, growth acceleration, assets and liabilities management, credit management, sales, customer service, coaching, training and mentorship.

Prior to her appointment as Family Bank Chief Executive Officer, Nancy served as the Chief Commercial Officer. Having begun her career at the Bank as a Management Trainee, she has since served in numerous instrumental positions including Chief Officer- Public Sector Banking, Head of Strategic Partnerships, Head of Retail Banking, and Regional Manager- Rift and Western Kenya and Nairobi Central Business District. Given her vast expertise, she has garnered numerous certifications. She is a Certified Public Accountant of Kenya, Certified Executive Leadership Coach through CDI Africa and an alumnus of the Advanced Management Program from Strathmore University Business School, CEIBS Business School in Accra, Ghana, and IESE Business School in Barcelona, Spain. As a transformative leader she also holds various certifications in diverse disciplines such as coaching, customer experience and performance management.

Nancy holds a Masters of Business Administration in Strategic Management from Jomo Kenyatta University of Agriculture and Technology, a Bachelor of Commerce (Accounting Option) from Kenyatta University and a Higher Diploma in Human Resource Management. She is also an active member of the Institute of Certified Public Accountants of Kenya (ICPAK), the Institute of Human Resource Management (IHRM), and the Kenya Institute of Management (KIM).

Her passion, commitment to excellence and team-driven approach has been instrumental in creating a customer-centric culture within the Bank, driving business growth and profitability, and ensuring exceptional customer experience.

Corporate Governance (continued)

Board of Directors (continued)

Mr. Titus K. Muya
Non-Executive Director

Mr Titus Kiondo Muya, popularly known as TK, is one of Kenya's most outstanding and visionary entrepreneurs and the founder of several successful businesses spanning the banking, insurance, real estate and agriculture sectors.

After a successful career in public service in the 1960s, 1970s and early 1980s, TK ventured into entrepreneurship. He founded Family Bank in 1984 and served as the Bank's Chief Executive Officer until June 2006. From 2006 to 2012, he served as a Non-Executive Chairman of the Bank. Family Bank was established as a financial institution to serve the needs of the unbanked population. TK envisioned accessible and affordable financial services as a tool for poverty alleviation and economic empowerment of communities.

He is also associated with other companies, including Daykio Plantations Ltd, Kenya Orient Insurance Ltd, Kenya Orient Life Assurance Limited and Orient Asset Managers, among others on whose boards he sits or is represented in different capacities.

TK has also championed social empowerment through education, health and environmental conservation, especially through The Family Group Foundation, which today offers scholarships and mentorship to over 1000 children in all 47 counties.

In recognition of his entrepreneurship, leadership and contribution to the banking industry, the Marketing Society of Kenya awarded TK the Trailblazer Award. In December 2011, the late former President Mwai Kibaki bestowed the award of the Elder of the Order of the Burning Spear (EBS) on TK in recognition of his distinguished service to the nation through entrepreneurship and his contribution to the banking industry.

Mr. Lazarus Muema
Non-Executive Director

Mr. Lazarus Muema was appointed to the Family Bank Board in 2017. He is a highly respected professional in the Finance/Pensions sector with experience spanning over 30 years, having held senior positions in multinational corporations both in Kenya and Europe. He has been a Finance Manager at Shell Exploration in Kenya and Shell Uganda, a Financial Controller at Kenya Shell and a Finance Advisor at Shell International London, rising through the ranks to the position of the Pensions Investment and Policy Advisor for Africa by the time he left in 2011.

He is a Pension Consultant with Penplan Services Limited, a Pensions Consultancy Firm that he founded in 2011. He is a board member in various companies including Kenya Orient Insurance. He is currently the Board Chair of Riscura Solutions (Kenya) Ltd, an investment consulting firm with its holding company based in South Africa. He is also the Board Chair of NBCI ltd, an investment company wholly owned by the Nairobi Baptist Church. He is a former Chairman of the Association of Retirement Benefits Schemes of Kenya, Bright Technologies Ltd and Nanga Investments Ltd.

Corporate Governance (continued)

Board of Directors (continued)

Ms. Mary Njeri Mburu
Non-Executive Director

Ms. Mary Njeri Mburu was appointed to the Board of Family Bank in October 2020. She has vast experience in project management. Ms Mburu has been a Senior Acquisition and Assistance Specialist (Senior A&A Specialist) at USAID Overseas Missions, designated as a Third Country National (TCN), for six years. Before her overseas assignment, she worked at the USAID Regional Mission in Nairobi, serving South Sudan, DR Congo for 7 Years as an Acquisition and Assistance Specialist (A&A Specialist). Previously, Mary worked for the Kenya Pipeline Company as a Senior Officer in Procurement.

She holds a Master's in Business Administration (MBA) from United States International University (1994) and a Bachelor of Science in Agriculture from the University of Nairobi. She is pursuing a Doctorate in Business Administration (DBA) in Leadership. Professionally, Ms Mburu is a Chartered Certified Accountant, Contracting Officer Representative (COR) in Project Management USAID University and Certified Contracts Specialist from the Federal Acquisition Institute (FAI). Ms Mburu holds a certificate in Financial Technology (FinTech). She is a practising consultant in budget, procurement and project implementation.

Mr. David Muni Ichoho
Non-Executive Director

Mr. Ichoho joined the Board in March 2023. He is also a director at KTDA Holdings Ltd. He has over 20 years of experience and has worked in various capacities in the insurance industry, manufacturing and processing, tax and human resources.

He has held senior management positions at UAP Insurance Co. Ltd, Bank of America—Texas, USA, Texas Instruments—Texas, US, The Ministry of Gender, Sports, Culture and Social Services—Kenya, and Kenya Forest Services/Kenya Forestry College.

Mr Ichoho holds a Master's in Business Administration (MBA) in Human Resource Management from Kenyatta University, a BA in Economics and Geography from the University of Nairobi and a Higher National Diploma in Human Resource Management from the Institute of Human Resource Management.

Corporate Governance (continued)

Board of Directors (continued)

Mr. Mark Keriri
Non-Executive Director

Mr. Mark Keriri has over twenty years of experience in Information Technology both in Kenya and the United States. He previously worked with Family Bank between 2002 and 2015. Before Joining Family Bank, Mr. Keriri worked as a programmer with PNC Bank in Pittsburgh, Pennsylvania, USA.

Mr. Keriri is also a director at Daykio Plantations Ltd, Kenya Orient Insurance Ltd and Kenya Orient Life Assurance Limited.

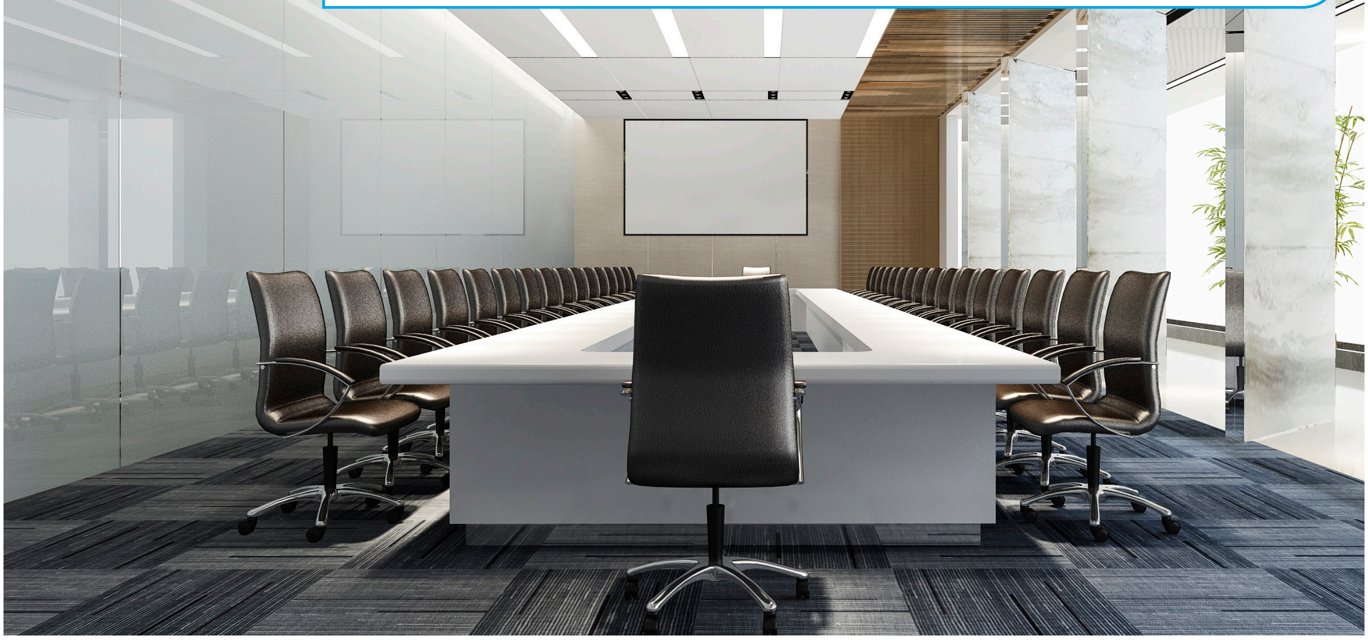
He holds a Bachelor of Science (Information Major) from Duquesne University in Pittsburgh, Pennsylvania.

Mr. Eric K. Murai
Company Secretary and Chief Legal Officer

Eric Murai is an experienced in-house counsel and corporate governance professional, having previously worked as the Assistant Company Secretary at Britam Holdings Plc and as Legal Counsel at Standard Chartered Bank Kenya. He has vast experience in banking and finance law, corporate finance projects, corporate governance, and regulatory compliance.

He is an Advocate of the High Court of Kenya, a member of the Law Society of Kenya and the Institute of Certified Secretaries, and a certified professional mediator. He was appointed Company Secretary and Head of Legal Services in October 2019.

Eric holds a Master of Laws (LL.M) and a Bachelor of Laws (LL. B) from the University of Nairobi and a BSc. in Applied Accounting from Oxford BrooKshs University. He has attended the prestigious Advanced Management Programme (AMP) at Strathmore Business School.



Corporate Governance Statement

The Company's Board of Directors is responsible for overseeing the Company's governance and is dedicated to upholding high standards of corporate governance and ethical conduct. The Board remains committed to recognising the significance of good corporate governance practices in fostering long-term success and building trust with stakeholders.

Compliance Statement

The Company diligently endeavours to comply with the Companies Act 2015, the Banking Act (Cap 488), and the Central Bank of Kenya Prudential Guidelines on Corporate Governance. Additionally, having listed a Medium Term Note in the Fixed Securities Segment of the Nairobi Securities Exchange (NSE), the Company complies with the Capital Markets Act (Cap 485), the Code of Corporate Governance Practices for Issuers of Securities to the Public, 2015 (CMA Governance Code), NSE rules, guidelines, and directives issued by regulatory authorities.

Board Management

The Board convenes quarterly and operates according to a predefined schedule outlined in the Board calendar. The Chairman oversees Board leadership, ensuring that directors receive regular updates on key business activities and have access to relevant information both before and during meetings as the Chief Executive Officer manages business operations. The Company Secretary ensures the effectiveness of board meetings and the implementation of corporate governance procedures.

Board Charter

Guided by a Board Charter that delineates the Board's constitution, roles, and responsibilities, the Company adheres to corporate governance principles. The Charter outlines matters reserved for the Board, delegation of authority, and governance policies and practices.
Among the key provisions of the Board Charter are:

- Board composition
- The role of the Chairman and the Chief Executive Officer are separate.
- Meetings of the Board will be held quarterly, and special meetings are convened whenever necessary.
- The Board may take independent professional advice in furtherance of its duties.
- Appointment, term of office and resignation of Directors.
- A majority of the non-executive directors shall be independent.
- Requirement of directors to avoid conflicts of interest.
- Requirement on directors to maintain confidentiality.

Board Composition

The Articles of Association provide that the Board shall comprise a minimum of five and a maximum of ten directors. The Board Nominations and Governance Committee facilitates Board appointments, ensuring diversity and compliance with regulatory requirements. The Board currently has one executive director and seven non-executive directors with diverse professional backgrounds and skills. Three of the non-executive directors meet the criteria for independence according to the CMA Governance Code, ensuring a balanced and independent composition.

Board Independence and Conflicts of Interest

The Board adheres to CBK Prudential Guideline on Corporate Governance and the CMA Governance Code regulatory requirements of at least one-third independent Board members to ensure that it is properly constituted. The Board maintains standards to uphold directors' independence, ensuring unbiased decision-making. Directors must disclose conflicts of interest and refrain from involvement in conflicted matters.

Chairman and CEO Roles

The Chairman, a Non-Executive Director, leads the Board, ensuring informed decision-making and effective governance.
The Chairman also ensures:

- The smooth functioning of the Board, the governance structure and instils a positive culture in the Board.
- Guidelines and procedures are in place to govern the Board’s operation and conduct.
- All relevant issues are on the agenda for Board meetings, and all Directors are able to participate fully in the Board’s activities.
- The Board debates strategic and critical issues
- The Board receives the necessary information on a timely basis from management.

Corporate Governance (continued)

Corporate Governance Statement (continued)

- The Chief Executive Officer, accountable to the Board, manages day-to-day operations and implements Board directives. The Chief Executive Officer undertaKshs the following key responsibilities.
- Ensures that the policies spelt out by the Board in the corporate strategy of the institution are implemented.
- Identifies and recommends to the Board competent officers to manage the operations of the Company.
- Establishes and maintains efficient and adequate internal control systems.
- Ensures that the Board is frequently and adequately appraised about the operations of the Company.

Board Leadership and Responsibility

The Board prioritises ethical leadership grounded in responsibility, accountability, fairness, and transparency. The responsibilities of the Board include:

1. Providing strategic guidance and overseeing management to maximise the Company's financial performance and shareholder value while conducting appropriate risk assessments.
2. Offering overall direction, governance, and promoting proper standards of conduct and sound banking practices to enhance internal controls and shareholder value.
3. Acknowledging its duty to define suitable governance practices and ensuring their adherence through periodic reviews for enhancement. The Board regularly convenes to:
   a. Agree on the Bank's strategic objectives and establish a roadmap for their achievement.
   b. Review and endorse the Bank's annual budget.
   c. Assess the Bank's performance against the approved budget.
   d. Review the Bank's policies and procedures.
   e. Consider and approve the annual and interim financial statements.
   f. Make recommendations regarding dividends to shareholders.
   g. Evaluate the Chief Executive Officer's performance.
   h. Approve other matters of fundamental significance.

Age Limit Principle

Directors retire at 70 years at the subsequent Annual General Meeting, as per the CMA Governance Code. Shareholder approval is required for any director wishing to continue beyond this age limit.

Risk Management

Significance

Effective risk management holds paramount importance for our Company as a financial services provider. It directly impacts our profitability, competitive positioning in the market, and long-term financial sustainability. Our Risk Management Framework delineates responsibilities and authorities for risk governance and control, ensuring a structured approach towards risk assessment and mitigation. The Board of Directors bears ultimate responsibility for overseeing all risks within the enterprise and taking necessary actions to uphold risk management policies and practices.

Delegated Responsibilities

Certain responsibilities related to risk oversight are delegated to standing Board Committees, these being the Risk Management and Compliance Committee and the Audit Committee. These committees are tasked with overseeing and monitoring various risks associated with our operations.

Corporate Governance (continued)

Corporate Governance Statement (continued)

Approach

Our Risk Management Framework, endorsed by the Board of Directors, outlines a comprehensive set of protocols and programs governing our business activities. Aligned with our corporate strategy and objectives, this framework ensures that risks across our business undertakings are managed effectively over time. Our Risk Appetite Policy, also approved by the Board, sets clear parameters defining the aggregate level of risk the Company is willing to accept. This policy aims to balance stakeholders' needs, expectations, and investment horizons while maximising shareholder value.

Risk management is ingrained in our Company's culture, fostering ownership and accountability for risk management at all levels. We believe that every employee plays a crucial role in managing the Company's risks.

Assurance is provided through various mechanisms, including risk and compliance departments, internal audit and investigations functions, and external audits conducted periodically by PwC, the Central Bank of Kenya, the Capital Markets Authority, and other regulatory bodies. We diligently implement recommendations from these audits to continually enhance our risk management environment.

Stakeholder Relations

Recognising the importance of effective communication with stakeholders, the Board ensures transparent communication through platforms such as the Annual General Meeting (AGM), published annual reports, and the Company's website. Shareholders are provided with a 21-day notice for the AGM as per legal requirements, and avenues for submitting questions and appointing proxies are facilitated. Ad hoc requests for information are addressed continuously and during the AGM. Regular communication with stakeholders is maintained through customer dinners held nationwide and a responsive call centre. We prioritise engagement with regulators through transparent communication and timely responses to information requests. Upholding shareholders' rights, the Board encourages shareholder participation and inquiries during general meetings, ensuring transparency in the Bank's performance.

Board Activities 2023

a. Board Attendance

The Board held twelve board meetings during the year. All the meetings convened had sufficient quorum.

The attendance of the individual directors was as follows:

Name	15.03.23	05.05.23	31.05.23	05.06.23	26.06.23	24.07.23	29.09.23	16.10.23	09.11.23	14.11.23	05.12.23	15.12.23	Attendance
Dr. W. Kiboro (Chairman)	P	P	P	P	P	P	P	P	P	P	P	P	100%
Mr. F. Mungai	P	P	A	P	A	A	A	A	A	A	A	A	25%
Mr. T. K. Muya	P	P	P	P	P	P	P	P	P	P	P	P	100%
Mr. L. Muema	P	P	P	P	P	P	P	P	P	P	P	P	100%
Ms. M. Mburu	P	P	P	P	P	P	P	P	P	P	P	P	100%
Mr. D. Ichoho		P	A	P	P	P	P	P	P	P	P	P	91%
Mr. M. Keriri									P	P	P	P	100%
Mr. R. Mbithi	P	P	P	P	P	P	P	P	P	P	P		100%
Ms. N. Njau												P	100%

P = Present A = Apologies

b. Board Training and Continuous Professional Development
During the year, the Board members attended 3-day training in March 2023 on Corporate Governance as part of Continuous Professional Development and in line with CBK Prudential Guideline on Corporate Governance. There was further training on Anti-Money Laundering Risks, Cyber Security, Data Protection and ESG.

c. Board Evaluation
The annual Board evaluation was conducted in March 2023 in a process led by the Board Chairman and supported by the Company Secretary. The evaluation entailed an evaluation of the Board, a peer evaluation for each director, and an evaluation of the Board Chairman and the Board Committees. It covered overall Board interactions, the conduct of board meetings and the scope of control exercised by the directors. Following the exercise, the directors identified areas that required further consideration by the Board and these issues have been captured in the annual Board Work Plan.

d. Corporate Events
The directors attended several customer dinners, taking the chance to interact with our customers and other stakeholders. Other events attended by directors include tree planting as part of our ESG activities, launches with our partners and corporate social responsibility events.

2. Committees of the Board

The Board comprises seven Committees with distinct delegated authorities, including the Board Audit Committee, the Board Risk Management and Compliance Committee, the Board Credit Committee, the Board Nomination and Governance Committee, the Board Strategy Committee, the Human Resources Committee, and the Projects Committee. Among these, three committees are mandatory according to regulatory requirements, while the remaining four are established to provide focused oversight on key functions of the Bank. Committee members are appointed by the Board, which regularly evaluates the composition of each Committee.

2.1 Board Audit Committee

This Committee evaluates the integrity of the Company's financial statements and those of its subsidiaries, recommending them for Board approval. It assesses the effectiveness of the Company's internal control system and receives reports from internal and external audits, monitoring actions taken in response to audit findings. Additionally, it reviews proposed work plans for the Internal Audit and Compliance functions at the start of each fiscal year.

The Committee held five meetings during the year under review. The Committee held sessions with the external and internal auditors in the absence of the Management as provided for in the Audit Charter. The members were Mr. L. Muema (Chairman), Ms. M. Mburu and Mr. D. Ichoho. The Chief Internal Auditor attended all Committee meetings.

2.2 Board Credit Committee

The Credit Committee holds a pivotal role in formulating and reviewing lending policies, ensuring alignment with regulatory standards. It evaluates the credit quality and risk profile of the Bank’s lending portfolio, analysing it by sector and product. The Committee maKshs recommendations to the Board regarding remedial actions or initiatives that could enhance the quality of the lending portfolio.

The Committee met four times during the year under review. The members were Mr. F. Mungai (Chairman), Dr. W.D. Kiboro, Mr. T.K. Muya and Ms. N. Njau. The Chief Credit Officer attended all Committee meetings.

2.3 Board Risk Management and Compliance Committee

The overall responsibility of the Committee is to provide oversight over quality, integrity and reliability of the Group’s Enterprise Risk Management framework. It assists the board of directors in the discharge of its duties relating to corporate accountability and associated risks in terms of management assurance and reporting. The Committee oversees the Group’s preparedness and mitigation for the major risks faced by the Group across the business, including Operation Risk, Reputation Risk, Credit Risk, Liquidity Risk, Market Risk, Compliance and Regulatory Risk, IT and Cybersecurity Risk, ESG and Climate Risk as well as other emerging risks within the Group's operating environment. The Committee is responsible for ensuring that there are written policies, procedures and processes for identifying and managing the risks.

The Committee reviewed Enterprise Risk and Compliance report, approved various policies as well as recomending Internal Capital Adequacy Plan (ICAP) report to Central Bank of Kenya. The Committee met five times during the year and recorded a quorum during all its meetings. The members of the Committee in the year under review were Ms. M. Mburu (Chairman), Mr. L. Muema and Mr. D. Ichoho. The Chief Risk Officer attended all Committee meetings.

2.4 Board Human Resource Committee

The Committee acts as the link between the Board and management and is responsible for reviewing human resources policies and practices. It also assists the Managing Director in Human Resources Management, acts as a medium for recruiting key management staff and new Board members, and ensures that the organisational structure supports the business strategy and growth.

The Committee met four times during the year under review. The members of the Committee, which is Chaired by Mr. F. Mungai, are Mr T.K. Muya, Ms. M. Mburu, Dr. W.D Kiboro, and Ms. N. Njau. The Chief Human Resources Officer attended all the Committee meetings.

2.5 Board Strategy Committee

The Committee analyses the strategy of the Company and provides oversight over the implementation of the strategy approved by the Board by reviewing progress on a regular basis. They review the budget and strategic plan of the Company prior to submission to the Board.

The Strategy Committee held two worKshsops during the year to review the implementation of the Bank's five-year (2020 – 2024) Strategic Plan. During the three-day worKshsop held in November 2023, the Committee reviewed and approved the 2024 Budget and Operating Plan.

The Committee achieved a quorum in all its meetings. The members are Mr. L. Muema (Chairman), Dr. W.D Kiboro, Mr. T. K Muya, Mr. D. Ichoho and Ms. N. Njau.

2.6 Board Nomination and Governance Committee

The Committees regularly reviews the structure, size and composition of the board and make 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 Committee members are Dr. W.D Kiboro (Chairman), Mr. F. Mungai and Mr T.K Muya. This committee held two meetings in 2023.

4.3 Board Performance

The Board had full access to corporate information and sufficient detail to enable a productive and open discussion. There is diversity in the Board which ensures that the level of debate is both detailed and of a high technical standard. Overall, the Board's performance was efficient and effective, leading to the remarkable performance of the Company in all parameters during the year.

Shareholding Information

a) Share Capital

The authorised and issued share capital of Family Bank Limited consists of only ordinary shares, as disclosed on note 29 to the financial statements.

Corporate Governance (continued)

Corporate Governance Statement (continued)

b) Top Ten Shareholders as at 31st December 2023

Shareholder Name	No. of Shares
Kenya Tea Development Agency Holding Ltd	212,184,905
Estate of the Late Rachael Njeri	167,143,948
Daykio Plantations Limited	158,460,364
Titus Kiondo Muya	73,408,502
Equity Nominees Limited A/C 00084	46,417,000
Sanlam Securities	44,444,445
Brian Muyah Kiondo	33,448,788
Ann Muya	33,428,788
Mark Keriri	33,428,788
Sheila Kahaki Muya – Muindi	33,428,788
Top 10 Shareholders	**835,794,316**
Others	451,313,226
Total Issued Shares	**1,287,107,542**

c) Distribution of Shareholders

	No. of Shareholders	No. of shares	Percentage
100,000,001 - Above	3	537,789,217	41.783%
10,000,001 - 100,000,000	12	435,049,997	33.801%
1,000,001 - 10,000,000	49	138,085,423	10.728%
100,001 - 1,000,000	316	102,919,530	7.996%
10,001 - 100,000	1877	51,567,673	4.006%
5,001 - 10,000	1662	13,190,766	1.025%
501 - 5,000	2087	8,474,526	0.658%
500 - Below	99	30,410	0.002%
Total	**6,105**	**1,287,107,542**	**100%**

d) Directors Holdings

Director Name	No. of shares	Percentage
Dr. Wilfred D. Kiboro	9,983,962	0.78%
Mr. Titus K. Muya	73,408,502	5.70%
Mr. Francis Mungai	1,620,404	0.13%
Mr. Lazarus Muema	325,000	0.03%
Ms. Mary Mburu	71,000	0.01%
Mr. Keriri Muya	33,428,788	2.60%
Total	**118,837,656**	**9.23%**

Control Environment and Risk Management

Internal Control Environment

The Bank is exposed to various risks from internal and external sources that must be navigated as part of executing its strategy. The Bank recognises that the primary role of risk management is to protect our customers, businesses, shareholders, and the communities we serve by ensuring that the Bank's strategy is achieved sustainably. The Bank achieves this by implementing a robust Enterprise Risk Management Framework, which provides a blueprint for embedding proactive risk management practices across all the Bank functions.

The Bank aims to use a comprehensive risk management approach across the organisation and all risk types, underpinned by rich culture and values. The risk management framework fosters continuous risk monitoring, promotes risk awareness, and encourages risk-intelligent operational and strategic processes. It also supports a consistent approach to identifying, assessing, managing, and reporting the risks that the Bank encounters with clear accountabilities.

The Bank actively reviews and enhances its risk management framework and approach by continuously improving people and capabilities, governance, systems effectiveness, and stakeholder engagement.

Risk Appetite

The Bank has put in place a risk appetite framework, which sums up the Bank's tolerance limit for financial and non-financial risks. The risk appetite is expressed in quantitative and qualitative terms and applies across the Bank's operations. The risk appetite is reviewed and approved by the Board regularly to make sure it remains fit for purpose through alignment to strategy, customer needs, operating environment, capital strength, and regulatory requirements, among others.

The risk appetite framework is applied to developing business strategies, ensuring that current and future pursuits are aligned with the approved risk tolerance. Performance against the risk appetite is reported to Management and the Board alongside key risk indicators to support targeted insight and discussion on breaches of risk appetite and any associated mitigating actions. The Bank can promptly and proactively identify and mitigate known and emerging risks by ensuring proper reporting of the risk appetite and related metrics.

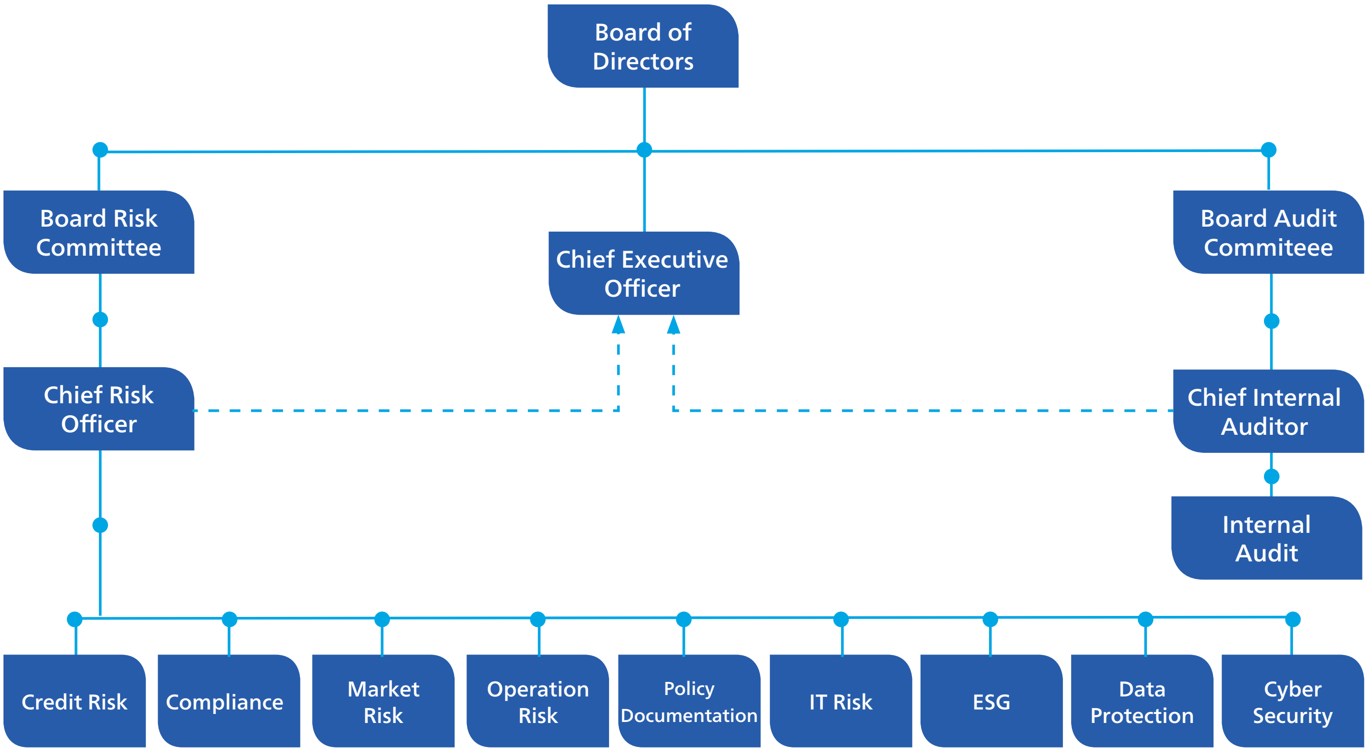
Risk Governance

The Board has ultimate responsibility for the effective management of risk and approves our risk appetite. The Board, through specialised risk management committees, oversights the Bank's risk management and provides guidance through quarterly reviews. The Chief Risk Officer, through various management committees, provides oversight of the continuous monitoring, assessment, and management of the risk environment.

Effective risk governance is achieved by delegating authority from the board to specialised committees, management committees, and individuals. Consistent with the three lines of defence model, line managers are accountable for identifying and managing risks in their respective business operations by ensuring that business decisions are within the risk tolerance limits approved by the board.

Corporate Governance (continued)
Corporate Governance Statement (continued)

The diagram below depicts the Bank's Risk management structure.



Risk Governance Committees

At the apex of Risk Governance is the Board of Directors. We have various committees within the Board tasked with specific governance areas. These committees include:

1. Board Audit Committee
2. Board Risk and Compliance Committee
3. Board Credit Committee
5. Board Projects Committee
6. Board Human Resources Committee
7. Board Nominations Committee.

The three lines of defence

Accountability and transparency are critical in promoting sustainable risk governance. The Bank's risk and control structure is premised on the three-line defines model, where each layer has specific responsibilities structured to achieve a common objective. This model delineates management accountabilities and responsibilities for risk management and the control environment.

The model underpins our approach to risk management by clarifying responsibility, encouraging collaboration, and enabling efficient coordination of risk and control activities. The three lines of defence work in close coordination to adequately identify, assess, and respond to known and emerging risks.

The key to effective risk management is a strong and pervasive risk culture where all Bank employees understand their role in identifying and managing risks. The Bank seeks to grow a risk culture that promotes transparency and accountability within the day-to-day operations.

1st line
It consists of the day-to-day management and operation of the business.
These are responsible for ensuring that a risk and control environment is established as part of day-to-day operations.
Optimise business performance and manage risk by operating risk management systems and internal control.

2nd line
It consists of functions and committees that provide a framework for governance, risk oversight, and oversight monitoring through the Enterprise Risk Department.
It also provides the first line of defence with the necessary tools and techniques to manage risk and establish internal controls.

3rd line
This entails the independent assurance provided through the Internal Audit function, external auditors and regulatory supervision.
It assesses the extent to which risk management and governance practices are effective and that systems of control are functioning as intended.

Top and emerging risks

1. Credit Risk Management

This is the risk of financial loss to the Group if a customer or counter-party to a financial instrument fails to meet its contractual obligations. The Credit Risk arises principally from the Group's loans and advances to customers and other financial institutions as well as Investment Securities, Financial Guarantees and Letters of Credit. The Bank utilises a comprehensive approach to identify, measure, monitor, and control credit risk exposures as a part of credit risk management. The comprehensive techniques employed by the Bank for managing credit risk are aligned with best practices in credit risk management as follows:

a. Lending Limits: Setting lending limits for different levels of management helps ensure that credit exposures are managed within approved thresholds and in line with the Bank's risk appetite.
b. Lending Policy and Procedures: A well-defined lending policy and documented procedures provide guidelines for assessing creditworthiness, setting credit terms, and managing credit risk consistently and systematically.
c. Credit Concentration Risk Policy: A documented policy on credit concentration risk helps the Bank manage exposure to specific borrowers, industries, or geographic regions, reducing the risk of significant losses from concentrated exposures.
d. Regular Training: Providing ongoing training to staff on credit risk management practices and procedures helps enhance their understanding of credit risk and ensures compliance with established policies.
e. Credit Risk Appetite and Key Indicators: Establishing a clear credit risk appetite and monitoring key credit risk indicators helps the Bank assess its risk tolerance and proactively manage credit risk exposures.
f. Board Oversight: Board oversight through regular Audit and Risk Committee meetings ensures that senior management and the board are informed about credit risk exposures and can provide strategic guidance on risk management practices.
g. Credit Risk Reporting: Regular reporting on credit risk exposures, metrics, and trends enables senior management and the board to make informed decisions and monitor the effectiveness of credit risk management practices.
h. Collateralisation and Credit Insurance: Collateralising loans and using credit insurance are risk mitigation techniques that help reduce the impact of credit risk on the Bank's financial performance by providing additional security against potential defaults.
i. Stress Testing and Scenario Analysis: Conducting stress tests and scenario analysis helps the Bank assess the potential impact of adverse economic conditions on the credit portfolio and develop contingency plans to manage credit risk effectively.

The combination of these techniques demonstrates a robust credit risk management framework that enables the Bank to identify, measure, monitor, and control credit risk exposures effectively, ultimately safeguarding the Bank's financial stability and ensuring sound risk management practices.

2. Market Risk

Market risk is the risk of an adverse financial impact on trading activities arising from changes in market parameters such as interest rates, foreign exchange rates, asset prices, volatilities, correlations, and credit spreads. It arises from both trading and non-trading portfolios.

Management of Market Risk

Component	Description
Developments in 2023	There were no material changes to our policies and practices for managing market risk in 2023.
Market risk in 2023	In 2023, global financial markets were mainly driven by the inflation outlook, high interest rate expectations, banking failures in March, and rising geopolitical tensions in various parts of the world. Major Central Banks maintained restrictive monetary policies, and bond markets experienced extreme volatility. Locally, inflation remained sticky above the government target range, prompting successive monetary tightening actions by the regulator. Interest rates remained elevated, driving up the cost of funding and revaluation of fixed-income securities. In foreign exchange markets, the Kenya shilling recorded significant depreciation against the USD and other major currencies due to structural deficiencies, including, but not limited to, current account deficit, high external debt service, and investors' flight from foreign and emerging markets. Throughout the volatilities observed in 2023, the banks continued to manage market risk prudently. Elevated market risk was managed using a complementary set of risk measures and limits, including stress testing, scenario analysis, and proper governance.
Governance and structure	Market risk is managed and controlled through limits approved by the Board. These limits are allocated across business lines. The Bank has a Market Risk Department which is responsible for measuring, monitoring, and reporting market risk exposures against limits regularly through the Assets and Liabilities Management Committee (ALCO). TheBoard of Directors provides oversights for risk management through the Board Risk Committee, which oversights the Bank's market risk exposure.
Key risk management processes	The Bank's objective is to manage and control market risk exposures while maintaining a market profile consistent with its risk appetite. The Bank uses a range of tools to monitor and limit market risk exposures, including sensitivity analysis, VaR, and stress testing. **Stress testing** is integrated into the Bank's market risk management framework to evaluate the potential impact on portfolio values of more extreme, although plausible, events or movements in a set of financial variables. In such scenarios, losses can be much greater than those predicted by VaR models. Stress testing and reverse stress testing provide senior management with insights regarding the 'tail risk' beyond VaR. **Back-testing:** The Bank routinely validates the accuracy of our VaR models by back-testing the VaR metric against both actual and hypothetical profit and loss.
Trading portfolios	The Bank had minimal exposure in the trading book. Trading exposures were largely driven by foreign exchange activities. The Bank had no exposure to fixed-income trading during the year.

3. Liquidity Risk
This refers to the risk of the Bank being unable to meet its short-term obligations when they become due. This includes the repayment of customer deposits when they wish to withdraw.

The Bank's primary source of funding comes from customer current and savings deposits, which are payable on demand. To supplement this funding, the Bank has issued a local currency bond and borrows from development financial institutions on a long-term basis.

Management of Liquidity Risk

Component	Description
Position end of 2023	As of 31 December 2023, the Bank was operating well above the required regulatory minimum liquidity and funding levels. In addition to regulatory metrics, the Bank uses a wide set of measures to manage liquidity and funding profile. Throughout the year, these metrics were well within the approved appetites and informed management decisions on optimising returns while balancing liquidity.
Governance	The Assets and Liabilities Committee (ALCO) meets monthly to review the Bank's liquidity position and make appropriate decisions to ensure the Bank remains on a sustainable liquidity path. The Board, through the Board Risk Committee, oversights the management of liquidity risk through regular updates and guidance.
Limits and Appetite	The Bank has a set range limit approved by the Board, which guides the responsible management of liquidity. These limits and metrics are formulated based on regulatory requirements and subsequently extended into internal metrics and targets. The statutory liquidity ratio, the Liquidity coverage ratio, and the net stable funding ratio, among others, are included in these metrics. The market risk function within the enterprise risk department collaborates closely with the treasury department to ensure that the limits and appetite set by the board are strictly adhered to. Any breaches are escalated to the ALCO and board for guidance on remediation.

4. Strategic Risk
Strategic risk is the risk of loss or negative impact on the Bank's objectives, reputation, or financial condition arising from unsuccessful or inappropriate business decisions, improper implementation of those decisions, or inadequate or failed internal controls and corporate governance. It is the risk of loss arising from adverse business decisions, improper implementation of those decisions, or a failure to adapt to changes in the business environment. Strategic risk can arise from a wide range of sources, including changes in the competitive environment, technological developments, mergers and acquisitions, and regulatory changes.

Management of Strategic Risk

Component	Description
Governance	Board oversight of the strategy through the Board Strategy Committee. Quarterly Board strategy meetings on strategic implementation.
Metrics and appetite	Strategic risk appetite is set and monitored every month. Monthly monitoring of the strategic implementation by senior management.

5. Operational Risk
Operational Risk pertains to adverse consequences arising from insufficient or malfunctioning internal processes, personnel, and systems, as well as external events or legal factors, excluding strategic and reputational risks.

Operational Risk within the Bank stems from inadequately controlling various aspects of its activities, such as transaction documentation, settlement, accounting, and exposure to external hazards. These risks commonly result from both internal and external occurrences, including fraud, theft, professional liability, contractual obligations, legal liabilities, business disruptions, and deliberate attacks and assaults.

The primary objectives of Operational risk management at Family Bank Limited are as follows:
- Ensure efficient oversight and management of operational risks across all Bank units, including new products and initiatives, while emphasising risk ownership and decision-making.
- Identify and communicate operational risks within significant business operations to establish an operational risk appetite consistent with approved strategic objectives for each Bank unit.
- Establish an internal control structure that fosters values of awareness, transparency, and efficiency regarding operational risks within the Bank.
- Optimise the management and allocation of regulatory capital for operational risks

To achieve this, the Bank:
- Has established operational risk procedures aligned with industry standards, providing toolkits for identifying, assessing, controlling, managing, and reporting key operational risks.
- Ensures roles and responsibilities are agreed upon and clearly understood at all governance levels.
- Ensures all staff in business units and support functions are aware of their responsibilities for operational risk management.
- Utilises a structured Risk and Control Self-Assessment process to evaluate the effectiveness of the control environment.
- Evaluates potential operational risk implications of Bank activities and products from the outset.
- Has implemented a structured process for reporting control failures to designated individuals and escalating significant issues to the Bank's Executive Committee (EXCO) and Board Risk Committee.
- Provides staff with operational risk training tailored to their roles.
- Has developed effective business continuity plans, including disaster recovery and crisis management procedures.

Operational Risk Management activity is supervised and directed by three management committees.
- The Board Risk Management Committee.
- The Executive Committee
- Management Audit and Risk Committee (MARCO)

6. Information, Technology, and Cyber Risks
This is the risk of failure of IT systems to support the Bank's strategy and operations. It includes internal and external cybersecurity threats. The Bank relies heavily on Information Technology (IT) solutions, which means that Information, Technology, and Cyber Risks are among the most significant risks the Bank faces. The Bank also acknowledges that IT and cyber risks can originate from different sources, such as vulnerabilities, threats, and uncertainties related to technology usage within the organisation. The Bank has made significant efforts in managing these risks to ensure the security, dependability, and resilience of information systems.

Governance Framework
The Bank has implemented and maintains a strong framework that encompasses board supervision and skilled personnel. The board exercises oversight over risk management and endorses strategies and policies.

Commitment to Security and a Resilient IT Environment
The Bank is dedicated to guaranteeing a safe and robust IT environment and places great importance on aligning strategic objectives, effectively managing risks, and maintaining compliance. Additionally, there is a strong emphasis on the necessity of ongoing monitoring and frequent updates to safeguard the confidentiality, integrity, and accessibility of its information assets.

Compliance

the Bank is dedicated to following industry guidelines, regulations, internal policies, and best practices to prioritise safeguarding sensitive data and implementing strong cybersecurity measures. There are also regular reviews and updates of systems to ensure compliance and fortify defences against evolving cyber threats.

The Bank manages ICT and cyber risks through:

7. ESG and Climate Risk and opportunities

Environmental, social, and climate risks are inherent in the banking sector. Environmental risks may be as a result of the Bank's exposure to activities that erode natural resources, such as waste generation, air pollution, and biodiversity loss, leading to reputational or liability risks. Additionally, if such businesses are shut down by authorities, their ability to repay is impacted, thus leading to credit and liquidity risks. External factors can also affect the Bank's performance, such as counterparties businesses impacted negatively by climate change. This affects the ability of clients to meet their obligations in relation to repayment of Bank facilities and, in some cases, lowers the value of collateral held by the Bank.

The Bank has an ESG and Climate function within the Risk and Compliance Department, staffed with trained Environmentalists. The Board is updated on ESG/Climate matters through the Board Risk Committee.

In 2023, the Bank developed and operationalised the Environmental Social Management System (ESMS). In accordance with the Policy, the Bank applies two levels of Environmental and Social due diligence;

- All borrowing clients are screened against the internal exclusion list and compliance with relevant laws and regulations.
- Enhanced Environmental and Social Due Diligence for all new borrowing corporate clients using criteria developed by the Bank incorporating the IFC Performance standards and other best practices.

In 2023, more than 10 Corporate clients were assessed in relation to environmental and social risks and opportunities. Environmental, Social, and Climate risks identified form the basis for developing green products. Within the same period, several trainings were conducted to raise staff awareness on ESG and Climate risks and opportunities. The training sessions were organised in such a way that the participants were brought to speed with the ESG and Climate aspects related to their specific roles. Internal and external trainers facilitated the training sessions. The Board was also trained on ESG and Climate aspects highlighting their oversight role in relation to this agenda.

Climate-related risks and opportunities management

The Bank has drafted a Climate Strategy and risk appetite statement to guide on how the Bank will manage climate risks, both physical and transitional risks and related opportunities.
The Bank has been continuously reporting to CBK on a quarterly basis on the status of the implementation of the CBK Guidance on Climate-related Risk Management.

The key areas reported include;

Greening Internal operations

The Bank is in the process of setting metrics and targets which will help in monitoring our performance in relation to scope 1 and 2 emissions. These targets will focus on our key operational areas, including:

We have started engaging our suppliers on sustainable practices, and we shall continue walking with them to green their operations in 2024.

Board oversight

The board of directors provides oversight for ESG and climate risks through the Board of Risk Committee (BRC), which meets quarterly.

8. Compliance and Regulatory Risk

Compliance risk is the risk of failing to comply with laws, rules, regulations, or codes of conduct and standards of self-regulatory organisations.

Compliance risks include those associated with anti-money laundering compliance, trading activities, market conduct, and complying with the laws, rules, and regulations related to the offering of products and services across jurisdictional borders.

Financial institutions remain under considerable regulatory scrutiny regarding their ability to detect and prevent financial crime. In 2023, these risks were exacerbated by rising geopolitical tensions and ongoing macroeconomic factors. These challenging developments require managing conflicting laws and approaches to legal and regulatory regimes and implementing increasingly complex and less predictable sanctions and trade restrictions.

The digitisation of financial services continues to have an impact on the payment ecosystem, with an increasing number of new market entrants and payment mechanisms, not all of which are subject to the same level of regulatory scrutiny or regulations as banks. Developments around digital assets and currencies have continued at pace, with an increasing regulatory and enforcement focus on the financial crimes linked to these types of assets.

Expectations continue to increase with respect to the intersection of ESG issues and financial crime, as our organisation, customers, and suppliers transition to net zero. These are particularly focused on potential 'greenwashing', human rights issues, and environmental crimes. We also continue to face increasing challenges presented by national data privacy requirements, which may affect our ability to manage financial crime risks across markets.

Mitigating actions

- Managing sanctions and trade restrictions through the use of reasonably designed policies, procedures, and controls.
- Assessing the impact of a rapidly changing payments ecosystem, as well as risks associated with direct and indirect exposure to digital assets and currencies, in an effort to maintain appropriate financial crime controls.
- Comprehensive enterprise compliance risk assessment.
- Board oversight through quarterly Board Audit and Risk Committees
- Policies and standards designed to govern, identify, measure, monitor and test, manage, and report on compliance risk.
- Close monitoring of regulatory developments to ensure new regulatory requirements, laws, or regulations are implemented in a timely manner.
- Driving a strong culture of compliance and desired behaviours through training and awareness to both internal and external stakeholders as appropriate
- Regular compliance programs with remedial actions where any gaps are noted.

9. Reputation Risk

The current or potential loss to earnings and capital arising from negative image as a result of the Bank's business practices that may have adverse impact to customers and other stakeholders. Family Bank aspires to enhance its reputation through regular monitoring of reputation risks and their drivers, as well as continuous media monitoring. In addition the Bank has a robust Public Relations and Communication Policy as well as reputation risk appetite that is monitored on a regular basis. All staff and other parties working for or on behalf of the Bank and its affiliates are expected to uphold ethical business conduct in all their business dealings.

10. Fraud Risk

The risk of loss whether financial or reputational due to theft, embezzlement or other types of financial crime. At Family Bank, our fraud management structures are designed to address both internal and external fraud events. These structures are in line with our core values of humility, transparency, and self-belief.

The Bank has a Zero-Tolerance stance towards fraud and corruption, both within the organisation and externally, and always strives to uphold high ethical standards across all levels.

Our commitment to combating fraud involves continually enhancing our capabilities for effective fraud management, which includes bolstering our systems and controls. These measures aim to facilitate proactive fraud detection and mitigation efforts. Through our Fraud Management System, we have implemented automated mechanisms to identify suspicious activities across all banking operations, enhancing our ability to combat fraud effectively.

In addition to technological enhancements, we prioritise ongoing fraud risk training and awareness initiatives as part of our zero-tolerance culture towards fraud. Furthermore, the Bank has established a robust whistleblowing framework accessible to both internal and external stakeholders. This framework encourages individuals to report any suspicions of fraud, bribery, or corruption confidently and securely, ensuring swift and appropriate action can be taken to address such concerns.

11. Data Protection and Privacy Risk

The risk that arises from the handling of data in possession of the Bank relating to its customers, staff, suppliers and other stakeholders. The risk has been heightened following the enactment of the Data Protection Act in 2019 and related General Regulations of 2021. The Act requires the Bank to process personal information within prescribed principles and to have legal justifications for the collection and processing of this information.

The Bank has put the following measures to manage Data Protection & Privacy Risks:

i. The Bank has registered with the Data Protection Commissioner as per the Act.
ii. Appointing a well-experienced and qualified Data Protection Officer
iii. The Data Protection Policy has been developed.
iv. Staff training at all levels has been done to sensitise staff on this risk·
v. The Bank conducted a Gap Assessment in relation to its processing activities, and progress is being made to close the gaps.
vi. A data loss prevention tool is under implementation.
vii. Various compliance instruments have been developed and are being implemented. They include:
    a. Consent forms,
    b. Update to account opening forms to include data protection,
    c. Privacy statement uploaded on the Bank's website,
    d. Data sharing agreement amongst others.

12. Country Risk

This refers to the economic, social, and political conditions and events in a foreign country that may adversely affect a financial institution's operations. In the financial year 2023, the Bank did not have any foreign operations or syndications and, therefore, had no exposure to country and transfer risk. However, as the Bank continues to execute its strategic plan, which includes regional expansion, necessary country risk controls shall be put in place, including but not limited to the following;

i. Country and Transfer risk policies approved by the Board.
ii. Set clear lines of authority (including approval of cross-border lending and exceptions), responsibility and accountability for country risk management.
iii. Capital adequacy buffers to cater for foreign investment and country risk.
iv. Daily monitoring by risk department.
v. Set country and transfer risk appetite.
vi. Oversight by Main Board, Audit, Risk & Compliance Committees.

Role of Internal Audit

The Bank has a well-resourced Internal Audit function. Being the third line of defence, internal audits independently assess the adequacy and effectiveness of controls, risk management, and governance processes adopted by the first and second lines to achieve business objectives and goals. The function is established and overseen by the Board Audit Committee.

Key responsibilities include:

- Provide independent assurance to the Board and Senior Management on whether risks are identified, assessed and mitigating controls put in place. (current and emerging risks).
- Review the adequacy of controls design and effectiveness of application.
- Independently assess if the risks and controls are monitored and reported in line with the Enterprise risk management framework.

3rd Floor, Westpark Suites, Ojijo Road, Parklands
P.O. Box 3085 - 00100, GPO Nairobi, Kenya
Tel: +254 20 2249100/11 • +254(0)720021253
Email: info@scriberegistrars.com
www.scriberegistrars.com

SCRIBE Services

GOVERNANCE AUDITOR'S REPORT

STATEMENT OF THE RESPONSIBILITY OF DIRECTORS

The Board is responsible for putting in place governance structures and systems that support the practice of good governance in the organization. The responsibility includes planning, designing, and maintaining governance structures through policy formulation, which is necessary for efficient and effective governance of the organization. The Board is also responsible for ethical leadership, risk governance and internal control, transparency and disclosure, equitable protection and exercising of members' rights and obligations, compliance with laws and regulations, sustainability, performance management and strategy formulation and oversight.

The Board of Directors of Family Bank Limited ("the Company") is committed to the highest standards of Corporate Governance and strives for continuous improvement by identifying any loopholes and gaps in the Company's governance structures and processes. It is on this premise that the Board commissioned a governance audit, with the aim of ensuring that all processes necessary for directing and controlling the Company are in place.

The Directors have therefore ensured that the Company has undergone a governance audit for the year ended 31 December 2023, and obtain a report, which discloses the state of governance within the Company.

GOVERNANCE AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on the existence and effectiveness of governance instruments, policies, structures, systems and practices in the organization, in accordance with the best governance practices as envisaged within the legal and regulatory framework. We conducted our audit in accordance with ICS Governance Audit Standards and Guidelines, which conform to global standards. These standards require that we plan and perform the governance audit to obtain reasonable assurance on the adequacy and effectiveness of the organization's policies, systems, practices and processes. The audit involved obtaining audit evidence on a sample basis. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a reasonable basis for our opinion.

Being part of a continuous audit process, the auditor has assessed the continual application of recommendations from previous audits and has ensured that the current recommendations are in line with the Company's vision and mission in order to ensure that the Board's goals, structure and operations are consistent with the latest developments in in Corporate Governance. The structure of the report, findings and recommendations will therefore focus on providing a progressive approach following the seven steps of governance auditing.

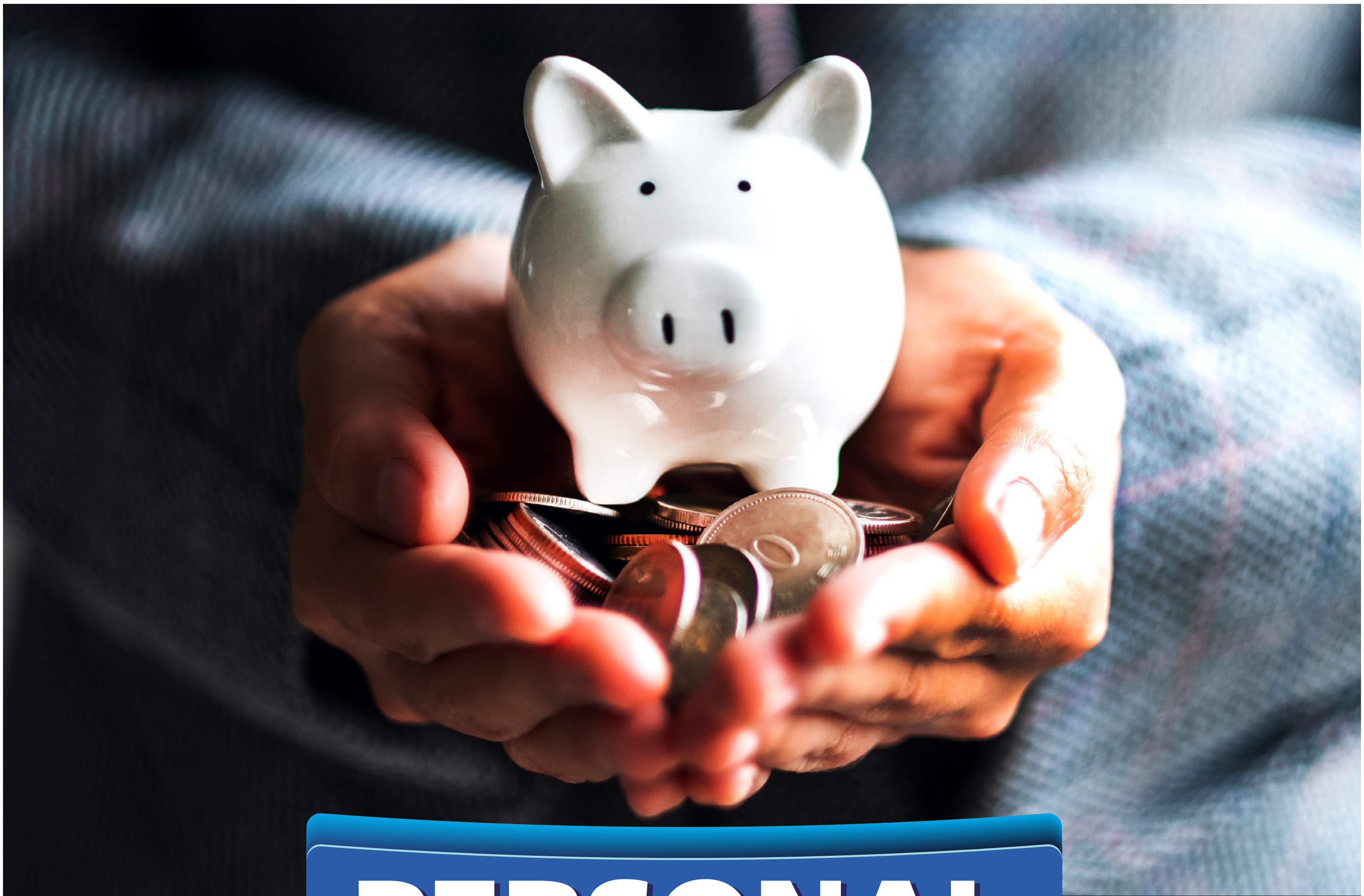
OPINION

In our opinion, the Board has put in place a sound governance framework, which is in compliance with the legal and regulatory framework and in line with global best governance practices for the interest of stakeholders. In this regard, we issue an **Unqualified Opinion**.

CS. Bernard Kiragu, ICS GA. No 159
For: Scribe Services Registrars Limited

Date: 31st May 2024

S.IKINGI | B. KIRAGU | L.KAYIKA | S. NGIGI



PERSONAL BANKING

Family Bank - Your Trusted Partner for Personal Banking

Welcome to Family Bank, where we are committed to helping you achieve your financial goals. Our Personal Banking services are designed with you in mind, providing you with convenient and secure access to your funds, as well as a range of products and services to meet your unique needs.

Our Personal Banking Services

1. Transactional Services
2. Savings & Investment
3. Digital Financial Services

Family Bank
With you, for life

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+254 (020) 3252 445/ +254 703 095 445
customerservice@familybank.co.ke
www.familybank.co.ke
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Family Bank is regulated by the Central Bank of Kenya

Our Value Creation

Family Bank creates and preserves value for its stakeholders by utilising the pool of resources available in the form of different capitals (financial, human, social and relationship, manufactured, intellectual and natural). The Group's ability to create sustainable value for its stakeholders is reflected in increases, decreases and transformations of the capitals through the business activities that are part of our business model. The outputs and outcomes resulting from the business activities represent the value created for the Group, its stakeholders, society and the natural environment.

Our Strategy

Growth in Revenue and Assets

Family Bank's primary objective is to significantly increase its revenue and asset size. This will enable the Bank to expand its range of services and products to a broader customer segment. To achieve this goal, the Bank will require additional capital and long-term debt, which will allow it to sustain its growth and invest in new ventures. Digital banking is crucial to Family Bank's strategic approach to keeping up with technology. It will enable customers to manage their finances conveniently and securely from any location. The launch and rollout of agricultural banking demonstrate the Bank's commitment to one of Kenya's key sectors.

Customer-centric approach

At Family Bank, we understand that our customers are at the heart of our business. We are committed to providing a unique and differentiated customer experience. We aim to reposition our brand to align with our strategic goals and demonstrate our focus on innovation, reliability, and customer satisfaction. To achieve this, we are adopting a customer-centric strategy, acquiring new customers through centres of excellence and tailoring our services to meet each customer's unique needs and aspirations.

Optimal resource utilisation and product simplification

Family Bank is committed to achieving operational excellence by revamping its branch and agency banking to make financial services more accessible and convenient for its customers. To achieve this goal, the Bank strongly emphasises system reliability, service speed, and cross-departmental accountability to ensure that every interaction with the Bank is seamless and satisfactory. This focus is underlined by the simplification of products and processes, which maKshs banking understandable and accessible to everyone.

Enhanced staff productivity with exceptional employee experience

Family Bank recognises that its employees play a crucial role in the Bank's success. The Bank is committed to fostering a customer-oriented culture by implementing an improved performance management system. It also aims to establish agile and rationalised structures supported by skilled and capable employees. By enhancing staff productivity and ensuring a positive employee experience, Family Bank aims to attract and retain top talent, which is crucial to driving the Bank's strategy.

Family Bank is on a strategic journey towards growth and innovation. Its relentless focus on customer satisfaction, operational excellence, and an empowered workforce aims to become a leading financial institution that positively transforms people's lives across the continent.

Our Value Creation (continued)

10.8% increase

Total assets to Kshs 142.4 billion

10.1% increase

Operating income to Kshs 13.4 billion

15.4% increase

Customer deposits, exceeding the Kshs 100 billion threshold

35% increase

Government securities to Kshs 34.8 billion

Performance on our Strategic Pillars

The year 2023 marked the penultimate year of our five-year "Take Off" strategy. The Group performed exceptionally well across all its strategic pillars. The Bank saw a 10.8% increase in total assets to Kshs 142.4 billion, primarily driven by customer loans, fixed assets, and government securities investments. Operating income rose 10.1% to Kshs 13.4 billion due to a 6% hike in total interest income. This performance reflects effective asset and revenue generation strategies, setting the stage for future growth and stability.

Customer experiences improved significantly, demonstrated by a 15.4% increase in customer deposits, exceeding the Kshs 100 billion threshold. Achieving a Net Promoter Score (NPS) score of 37 surpassed the Bank's target, underscoring its successful customer engagement strategies. This has bolstered the Bank's market standing and customer base growth.

Resource optimisation was evident in a 35% increase in government securities, for improved liquidity management and yields. The Bank streamlined its offerings, notably by digitising 80% of low-value loan transactions, enhancing operational efficiency and promoting environmental sustainability.

Family Bank also prioritised staff productivity and satisfaction through robust employee development programs and over 149 engagement webinars. This focus on continuous learning and workplace wellness has increased productivity and established the Bank as an employer of choice in the banking sector.

Opportunities

Family Bank continues to capitalise on opportunities in its operating environment, strategically positioning itself for significant growth. The Bank is focusing on automation and digitisation, transforming branches into high-tech self-service centres equipped with advanced technologies. Additionally, it is enhancing its physical presence by relocating branches to high-traffic areas and equipping them with digital tools to boost customer interactions and sales. This transition redefines branches from basic transaction points to hubs for comprehensive service offerings.

On the revenue and engagement fronts, Family Bank is diversifying income streams and reducing operational costs to build a robust financial future while maintaining a solid focus on customer-centricity. By tailoring services through technology, the Bank enhances customer experiences and profitable growth. The Bank is also investing in its workforce through effective succession planning and revamping its performance management system to encourage high performance and greater departmental accountability, ensuring competitiveness in the banking industry.

Our strategic plan envisaged growth outside Kenya, and we have made strides to make that a reality. We completed feasibility studies of target countries across Africa, providing us with a scorecard based on country attractiveness. This was followed by country deep dives of the two top countries. Our findings indicated potential in those countries, satisfying the Group's desire to go regional.

Our Value Creation (continued)

Our Stakeholders

Our business strategy and model are premised on positive relationships with our stakeholders, which include customers, suppliers, staff, shareholders, regulators, the community, like-minded partners and investors. We value our stakeholders as they are critical to the long-term success of our business.

Stakeholder Engagements

We deliberately and regularly engage with our stakeholders to sustain and build relationships, understand their needs and respond appropriately to ensure their expectations are met in a timely manner.

Stakeholder	How we engage	Frequency
Customers	We connect with our customers through various channels, such as phone calls, SMS, USSD, emails, in-app communication and online platforms such as WhatsApp, Facebook, Twitter, LinkedIn, and Instagram. Additionally, we engage in face-to-face meetings, market activations, customer webinars, and customer events. We use customer surveys to gather customer feedback. We also have a dedicated contact centre that operates 24/7	• Open lines 24/7 • On need basis
Employees	We engage with our employees through in-person interactions, staff meetings, staff events, and workplace forums. We also interact online through regular email updates, social collaboration tools, anonymous feedback platforms, and employee surveys.	Daily/Monthly
Society/Communities	We engage through social investment initiatives, either directly by the Bank or through our social investment arm, and we engage communities. Other interactions include meetings, events, worKshsops, training, industry forums, and various sponsorships.	Monthly
Shareholders/Investors	We connect with our shareholders and investors through in-person meetings, email communications, the Annual General Meetings, and individual shareholder/investor calls and meetings. The Shares Department at the Head Office manages communication with shareholders and other investors through emails, calls, and formal statutory communications.	Quarterly
Suppliers	We reach out to suppliers through calls, emails, conference calls, and face-to-face meetings.	• On need basis
Government/Regulators	We engage with the government through participation in consultations and public forums, industry associations, and consultative forums. We connect with regulators through one-to-one meetings, established channels of communication, and periodic reporting.	• Quarterly • On-need basis

As we engage with our stakeholders, we intentionally seek to understand their needs and concerns, which enables us to develop solutions that address their needs. Below are our key stakeholders, their concerns and expectations, how we respond to their concerns and how we measure our impact on value creation.

Our Value Creation (continued)

Customers	
Who they are:	Our customers are who we are and why we exist as a bank. They are our key pillar to transforming lives. They help us achieve impact in society by ensuring the Bank is funded, and in return, we fund projects that change lives in communities for sustainable development.
Their concerns and expectations	• Products and services that meet their financial needs. • Secure, stable and convenient transactional platforms. • Value for money on charges and interest earned/charged. • Service excellence and personalised financial solutions • Fair and transparent treatment at every interaction.
How we respond	• Stable digital systems and platforms for convenient access to products and services • Use of technology to deter fraud and safeguard customer accounts • Ongoing communication with customers on products, services, and charges • Engaging, educating and training customers through webinars and other channels • Customer service standards ensuring we treat all customers equally and with dignity while factoring in the unique needs of each customer
Metrics we measure	• Customer satisfaction score (CSAT) • Net Promoter Score (NPS) • Customer Effort Score(CES) • Customer Experience Awards • Customer's issues resolution turn-around time (IRR)
Related Material matters	• Cyber Security & Data Privacy • Product Development & Digital Innovation • Ethics and Integrity
Capitals Impacted	• Financial capital • Intellectual Capital • Manufactured capital • Social capital

Employees	
Who they are:	Our employees are the first point of contact with our customers. They are key to implementing the Bank's strategy. They execute our strategy and are the first brand ambassadors in delivering our brand promise. Their engagement, expertise, and dedication to our business and customers drive our ability to realise our purpose and create value for our stakeholders.
Their concerns and expectations	• Career growth • Employment stability • Conducive working environment • Progressive culture • Open communication • Training, coaching and mentoring • Competitive remuneration
How we respond	• Continued training to build capacity to execute our mandate and foster career growth • Established competitive remuneration benchmarked with industry • Open communication and frequent feedback mechanisms, such as during performance evaluations and in meetings
Metrics we measure	• Disaggregated number of employees • Internal net promoter score • No. of promotions • Training conducted for employees • Gender and diversity
Related Material matters	• Talent Management and Diversity • Ethics and Integrity
Capitals Impacted	• Financial capital • Intellectual capital • Natural capital • Social capital

Our Value Creation (continued)

Suppliers	
Who they are:	Suppliers are critical partners to our operations. They provide services, technologies, and a wealth of other technical and business support, which impacts our ability to offer quality and cost-effective products and services to our customers.
Their concerns and expectations	• Increased business volume • Timely communication of outcomes from various activities, including tender processes • Fair and transparent procurement processes.
How we respond	• Increased procurement from local suppliers while maintaining gender lens and support for youths. • Transparent communication with vendors on bidding opportunities and progress reports for the tender process. • Timely execution of contractual documentation.
Metric we use	• Number of suppliers engaged • Diversity of supplier • Value spent on the supply of goods and services
Related Material matters	• Environmental, social and climate change matters • Ethics and Integrity
Capitals Impacted	• Financial capital • Natural capital • Manufactured Capital • Intellectual capital

Shareholders and Investors	
Who they are:	They are the owners of our business. They provide financial capital to the Bank and expect a return on their investment. They keep staff and customers engaged to deliver on both revenue growth and shareholders' equity while preserving the value of other capitals.
Their concerns and expectations	• Competitive returns on equity and other investments. • Sound investment to ensure sustainable growth and risk management uptake of opportunities that arise. • Efficient allocation of capital and sustainable investment • Sound corporate governance practices
How we respond	• Maintained high returns on share capital • Prudent investment practices and sound risk management to protect shareholders' and investors' capital • Regular communication with shareholders through annual reporting, AGMs, impact reporting, and quarterly reporting • Adequate provisions and high coverage to cater for NPLs • Enhanced sustainability agenda through the development of an environmental and social governance management plan
Metrics we measure	• Dividends Paid • Return on Equity • Investor feedback • Interest payments • AGM participation • Regulatory filings
Related Material matters	• Macroeconomic Environment • Regulatory Environment • Talent Management and Diversity • Environmental, Social and Climate change matters • Ethics and Integrity
Capitals Impacted	• Financial capital • Social and relationship capital

Our Value Creation (continued)

Government/Regulators	
Who they are:	The Government provides the necessary legal and institutional frameworks for conducting business. Through regulators, the government ensures a conducive environment for a stable banking industry and the economy.
Their concerns and expectations	• Protecting consumer interests • Ensuring regulatory compliance and Management of emerging risks • Collaboration to enhance levels of financial inclusion • Collaboration to accelerate the performance to contribute to sustainability policies.
How we respond	• Developed a risk management framework and a risk governance team that oversees compliance with regulatory requirements and obligations. • Regular and consistent engagement with regulators on issues of interest to them, such as financial inclusion • Providing thought leadership to the regulator to enhance broader sector performance
Metrics we measure	• Compliance of business operations and reports • Audits conducted • Regulatory filings • Taxes paid
Related Material matters	• Cyber Security & Data Privacy • Macroeconomic Environment • Regulatory Environment • Environmental, social and climate change matters • Ethics and Integrity
Capitals Impacted	• Financial capital • Intellectual capital • Manufactured capital • Natural Capital

Society	
Who they are:	Our focus goes beyond business priorities; therefore, we strive to make a lasting impact on the environment and the communities in which we operate. Our interaction with communities goes beyond the value provided by our products and services to transform their lives.
Their concerns and expectations	• Responsibility for the environment and society.
How we respond	• Social and environmental due diligence on financed activities/ projects and community initiatives • Clear mechanism for identifying participants in our projects • Use of customer testimonials to showcase our contribution to society
Metrics we measure	• Number of partnerships developed within the communities • Number of beneficiaries of our products, services and CSR initiatives • Value spent on CSR activities
Related Material matters	• Environmental, social and climate change matters
Capitals Impacted	• Financial capital • Natural capital • Social and relationship capital

Our Value Creation (continued)

Our Material Matters

The Group's material matters are those that could substantively affect its ability to achieve, create, and preserve value for all stakeholders in the short, medium, and long term. The Bank actively manages its material matters to ensure our ability to create value for our stakeholders.

The determination and assessment of material matters is an ongoing process that stems from our engagements with our internal and external stakeholders, as well as consideration of the Bank's strategy and operating environment. The process involves identifying relevant matters based on their ability to affect value creation.

Material matters value creation process

Identifying	Evaluating	Prioritising	Determining
the importance of the relevant matters in terms of their known or potential effect on value creation	the importance of the relevant matters in terms of their known or potential effect on value creation	the matters based on their relative importance	the information to disclose about material matters

The following were identified as the material matters, their impact on the business and the Bank's strategic response to the matters.

Material Matter	Impact, Risks, Opportunities	Our Response
Macroeconomic Environment	The macroeconomic environment influences the Bank's ability to deliver value. A stable environment enables sustainable planning and positive returns to shareholders, stakeholders, and communities. A turbulent environment impairs the Bank's ability to generate value.	The Bank adapts its strategies based on the macroeconomic environment and regularly reviews its decisions to ensure value generation for stakeholders.
Regulatory Environment	The Bank is accountable to several government bodies, including the Central Bank and the Capital Markets Authority. The regulatory framework poses risks for non-compliance, which may result in sanctions. However, compliance with regulations also benefits the business, such as a good reputation as a transparent, trustworthy, and law-abiding financial services provider.	The Bank strictly adheres to various laws governing its operations. It has policies, procedures, and standards in place to ensure alignment with the laws and regulations. The Bank also engages with regulators and policymakers directly and through industry associations/forums to deliberate on important matters.
Environmental, social and climate change agenda	The environment and society impact our clients and present risks to our business. Climate change affects our operations, and without adaptation measures, our operations are at risk. However, these risks present opportunities for business development and growth. Our stakeholders demand that we address environmental and social challenges.	We are incorporating ESG and climate considerations into credit analysis and product development. We are also reducing our carbon footprint and building capacity for clients on ESG and climate-related risks, partnering with stakeholders to address environmental challenges, and supporting conservation initiatives through The Family Group Foundation.

Our Value Creation (continued)

Material Matter	Impact, Risks, Opportunities	Our Response
Ethics and Integrity	The Bank is at risk of financial loss and damage to its reputation due to unethical conduct by its staff, customers, and other external parties over which it has no control. This unethical conduct often taKshs the form of fraud and financial crimes such as money laundering, terrorist financing, bribery, and corruption.	The Bank has implemented several measures to ensure the safety and compliance of our customers and employees, including strict policies and structures for good corporate governance, a code of conduct and ethics, a robust anti-money laundering system, regular AML training, and a whistleblowing portal. We also promote customer awareness through the *Kaa Chonjo* campaign on card, mobile, and online safety.
Product Development & Digital Innovation	The Bank's ability to continue providing value to its stakeholders relies on its capability to constantly innovate in product offerings, financing, partnerships, and engagement solutions. Family Bank's efforts to integrate digital transformation into banking services provision are crucial strategic concerns that affect customer experience and satisfaction, competitiveness, data security, operational effectiveness, and efficiency.	We are improving our services by streamlining operations and enhancing the customer experience. Initiatives include process re-engineering, customer journey mapping, expanding payment capabilities, a holistic CRM system, end-to-end digitisation of small ticket loans, increased loan limits and tenure, and self-onboarding via the mobile platform PesaPap.
Talent Management and Diversity	Effective talent management and diversity lead to a more engaged and productive workforce, attracting and retaining top talent. On the other hand, ineffective practices lead to lower productivity and reduced morale. A diverse workforce brings a range of perspectives and ideas, leading to increased innovation and success in the marketplace.	Family Bank values diversity and actively engages with employees through various communication channels. The Bank provides a secure work environment, offers training opportunities, encourages diversity of thought and provides equal opportunities to all employees
Cyber Security & Data Privacy	Cyberattacks are on the rise as technology advances, taking advantage of the internet's speed, convenience, and anonymity. It's crucial to manage cybersecurity risks to mitigate the threat of cyberattacks, which can disrupt, compromise data privacy, and cause financial instability. Protecting personal data is critical due to the high volume of processed data and recent regulatory fines. Failure to do so can result in data breaches, financial losses, and reputational damage.	Family Bank has robust cybersecurity measures in place, including a security operations centre, an internal incident response team, and regular cybersecurity control audits. They also conduct awareness programs on data protection and implement data minimisation efforts. A Data Protection Policy is in place to ensure compliance with privacy laws and protect personal data.

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customerservice@familybank.co.ke
www.familybank.co.ke
www.facebook.com/familybankkenya
www.twitter.com/familybankkenya

Family Bank is regulated by the Central Bank of Kenya

Our Value Creation (continued)

Our Business Model for Value Creation

Input

Financial Capital

Total assets
Ksh 128.5 b

Customer deposits
Ksh 88.9 b

Total Equity
Ksh 128.5 b

Human Capital

1,712 Engaged employees

Ksh 183.3 M spent on employee training

Manufactured Capital

95 Branches

146 ATMs

Digital Infrastructure

Leading mobile app

Social and Relationship Capital

1 million + retail customers

400 K+ corporate customers

6K + Agents

Strategic partnerships

Corporate Social Investment programs through The Family Group Foundation

Intellectual Capital

Reputable and leading brand

Innovative and new products

Investments in data and analytics

PesaPap Pesa Pap mobile application

Natural capital

Initiatives and partnerships on environmental conservation

Environment management policies

Partnerships through The Family Group Foundation on Forest Ecosystem Restoration

Business Activities

Our focus is on providing a customer-centric experience through a fully integrated set of services. We leverage digital solutions, our branch network, and partners to provide financial products and services that deliver exceptional value to our customers.

Payment services, Safe, secure investment services
We support all of our customers' financial needs. We handle deposits, payments, cash management, savings and investment opportunities, and facilitation solutions.

Providing Loans
We provide credit solutions to fuel growth and offer loans tailored towards specific financial situations and goals. We also support businesses with trade finance and working capital solutions.

Managing Risk
We equip individuals and businesses with personalised and strategic guidance to manage various risks, including hedging tools to help customers navigate interest rates and currency risks and insurance advisory services.

Outputs

Our business activities result in a range of outputs. These include the wide range of benefits from our banking and insurance products for individuals, small and medium-sized businesses, corporates, governments and related institutions, non-governmental organisations and social benefit institutions. From these interactions, we generate financial resources that impacts the financial and other capitals. The interactions in our business activities further enhance our social and relationship, as well as our intellectual, human, and natural capital.

Funding and deposits

- Secure deposit options for saving
- A variety of investment products and services
- Access to funding for loans and investments

Output: Innovation of new products/ Meeting the ever-evolving needs with innovative products

Empowering growth through responsible lending:

- Business loans
- Personal loans
- Asset Finance
- Cards
- Mortgages

Output: Net Interest Income

Bancassurance:

Insurance solutions such as:

- Motor insurance
- Home Insurance
- Personal Accident
- Medical Insurance
- Life Insurance
- Education Plan
- Livestock Insurance
- Marine Insurance

Output: Revenue from insurance services

Our Value Creation (continued)

Outcomes	Stakeholders impacted
Financial Capital **15.4%** growth in customer deposits to Ksh 102.6 B **6.8%** growth in loan Book to Ksh 86.9 B **10.8%** growth in total assets to Ksh 142.4 B **13.3%** growth in profit for the year to Ksh 2.5 B **Ksh 723 million** in dividends	Customers Shareholders/ Investors Suppliers Government Society Employees
Human Capital Growth in staff numbers to **1,761** Retained **85%** of staff **Ksh 3.9 B** paid in employee benefits	Employees
Manufactured Capital • Geographical footprint: Head office and branches • Enhanced Digital channels: PesaPap, Internet banking & PesaPap agents • Efficient ICT infrastructure	Customers Suppliers
Social and Relationship Capital • Growth in customers • Empowered customers • **Ksh 2.4 B paid to 512 suppliers** • **Over 1,200 scholarships offered** for youth economic empowerment • **314 students offered Form 1 Scholarships** • New strategic partnerships for Business Growth	Customers Suppliers Society Government
Intellectual Capital • Improved brand image and loyalty • **1st Runner Up in Customer Satisfaction:** KBA award: • **Best Tier-Two Bank in customer satisfaction:** KBA award • **Best in Customer Experience:** ICX Service Excellence Awards	Customers Shareholders/ Investors
Natural capital • **Over 15,000 trees planted** at Ngong Hills Forest • Partnerships in environmental conservation • Lending to green initiatives • Strategic Partnerships with GOK Agencies, Conservation organisations, private sector and civil society	Society Government

The Capitals

Financial capital

Family Bank Group's financial capital consists of the pool of funds and assets that we maintain. It includes our shareholders' equity, funding from debt investors, and customers. Financial capital enables the Bank to support its business operations and lending activities.

Family Bank Group's financial capital comprises the funds and assets, including shareholders' equity, funding from debt investors, and customers, that enable the bank to support its business operations and lending activities.

Despite the challenging economic environment in 2023, characterised by rising interest rates, high inflation, muted demand for goods and services, and currency depreciation, the bank maintained its focus on prudent financial management, showcasing adaptability and resilience in the face of market uncertainties. This resulted in a commendable 11% growth trajectory in total assets, which demonstrated the bank's robustness in managing its financial capital.

The bank reported a robust operating income of Kshs 13.4B, primarily driven by interest income. Net interest income, which constituted 73.2% of the total operating income, was generated mainly from loans, investments in government securities, and placements. Net interest income increased by 6.3%, propelled by an exponential growth in interest on loans and advances. Interest expenses increased by 38.3% to Kshs 6.5B, while non-interest income grew by 21.3% to Kshs3.7B. This growth was mainly attributable to a surge in the forex exchange income that rose to Kshs 1.0 B from Kshs 665 M in 2022.

The bank posted a profit after tax of Kshs 2.5B, representing a 13.3% increase over 2022. Total operating income increased to Kshs 13.4B, a 10.1% increment from the prior year. Total operating expenses also increased by 14.2% year-on-year to Kshs 8.1B. This was mainly due to aggressive provisions on the loan book, which saw a 28% increment in loan loss provisions.

Customer deposits grew by 15.4%, crossing the Kshs 100B mark and closing at Kshs 102.6 B as of 31 December 2023. This growth was recorded across all business segments, reflecting customers' enduring trust and confidence in the bank's services. The bank reported a 35.2% growth in government securities to close at Kshs 34.8B. The high-interest rate saw the bank optimally allocate excess liquidity to leverage the high returns from government securities.

Net loans grew by 6.8% to close at Kshs 86.9B, with growth observed in most business segments across all sectors. The bank has focused on sectors like financial services, manufacturing, tourism & hospitality, and personal sectors due to their effective management of non-performing loans. The trade and personal sectors dominated the loan book, reflecting the bank's retail focus. Moreover, the top 50 borrowers represent 30% of the loan book, showcasing effective exposure management to default risks.

Total assets increased by 11% to Kshs 142.3B in 2023. The growth was mainly due to customer loans, advances, fixed assets, and government securities. Total capital increased by 4.7% to Kshs 16.9B. The total capital adequacy ratio closed at 16.9% and the liquidity position at 38.7%, against the regulatory limits of 14.5% and 20%, respectively.

6.3% increase — Interest income propelled by a growth in interest on loans and advances

13.3% increase — Profit after tax

15.4% growth — Customer deposits crossing the Kshs 100B mark

6.8% growth — Net loans observed in most business segments across all sectors

11% increase — Total assets mainly due to customer loans, advances, fixed assets, and government securities

The Capitals (continued)

Human Capital

Our human capital consists of our employees, their skills, competencies, collective knowledge and experience, and innovative capabilities. At Family Bank Ltd, we recognise the importance of human capital as a critical component in our ability to create and preserve value for our stakeholders and drive organisational success. We are committed to creating a workplace culture that focuses on providing our employees with a fulfilling and rewarding experience.

Our approach is centred around creating value for our employees, which we believe, in turn, creates value for the Bank and other stakeholders. We understand that by prioritising the well-being, growth, and satisfaction of our employees, we can enable them to achieve their full potential in both their personal and professional lives. Our comprehensive Employee Value Proposition (EVP) encompasses several facets of the employee experience that enable us to create value for our employees, including:

Fair and Competitive Compensation
We believe in fairly compensating our employees for their hard work and contributions. Our salaries are benchmarked against industry standards, and we target paying salaries at the 75th percentile. By doing so, we attract and retain top talent, demonstrating our appreciation for our employees' dedication and commitment.

Continuous Learning and Development
At Family Bank, we are committed to investing in the professional growth and aspirations of our employees through tailor-made development programs. These include the Program for Management Development (PMD), the Advance Management Program (AMP), the New Managers Leadership Program (MDP), and the Certified Executive Leadership Coach (CELC) certification.

In addition to these structured programs, we provide a comprehensive range of learning opportunities designed to enhance our employees' skills and knowledge. This strategic focus on development not only drives engagement and retention but also fosters sustainability within our workforce. Over the past year, we hosted more than 149 staff engagement webinars, featuring key sessions such as The Captain's Address—periodic communications from our Group CEO on current issues; Women in Leadership Network sessions that empower and connect female leaders; and our Global Money Week event, a key part of our financial literacy initiative.

We organised worKshsops on change management and offered sessions aimed at boosting mental health awareness to support our employees' well-being. We also shared results from our Group Organisational Health Index (OHI), conducted cybersecurity awareness training, and emphasised the importance of embedding customer obsession into daily operations. Our mental health and awareness initiatives are regularly updated to incorporate the latest best practices and insights, ensuring a supportive and informed workplace environment.

Family Bank also benchmarks its staff capacity through participation in industry contests such as the "Battle of the Banks" organised by ICAP Training Solutions. We are proud to report that our team, "Risk Masters," excelled in this competition, securing accolades including 1st Place Overall Winner, Best Risk Managed Bank, and Best Team Presentation. Additionally, our "Money Team" was recognised as the Most Aggressive Bank, showcasing our competitive edge and commitment to excellence in the banking sector.

2023 CX Awards

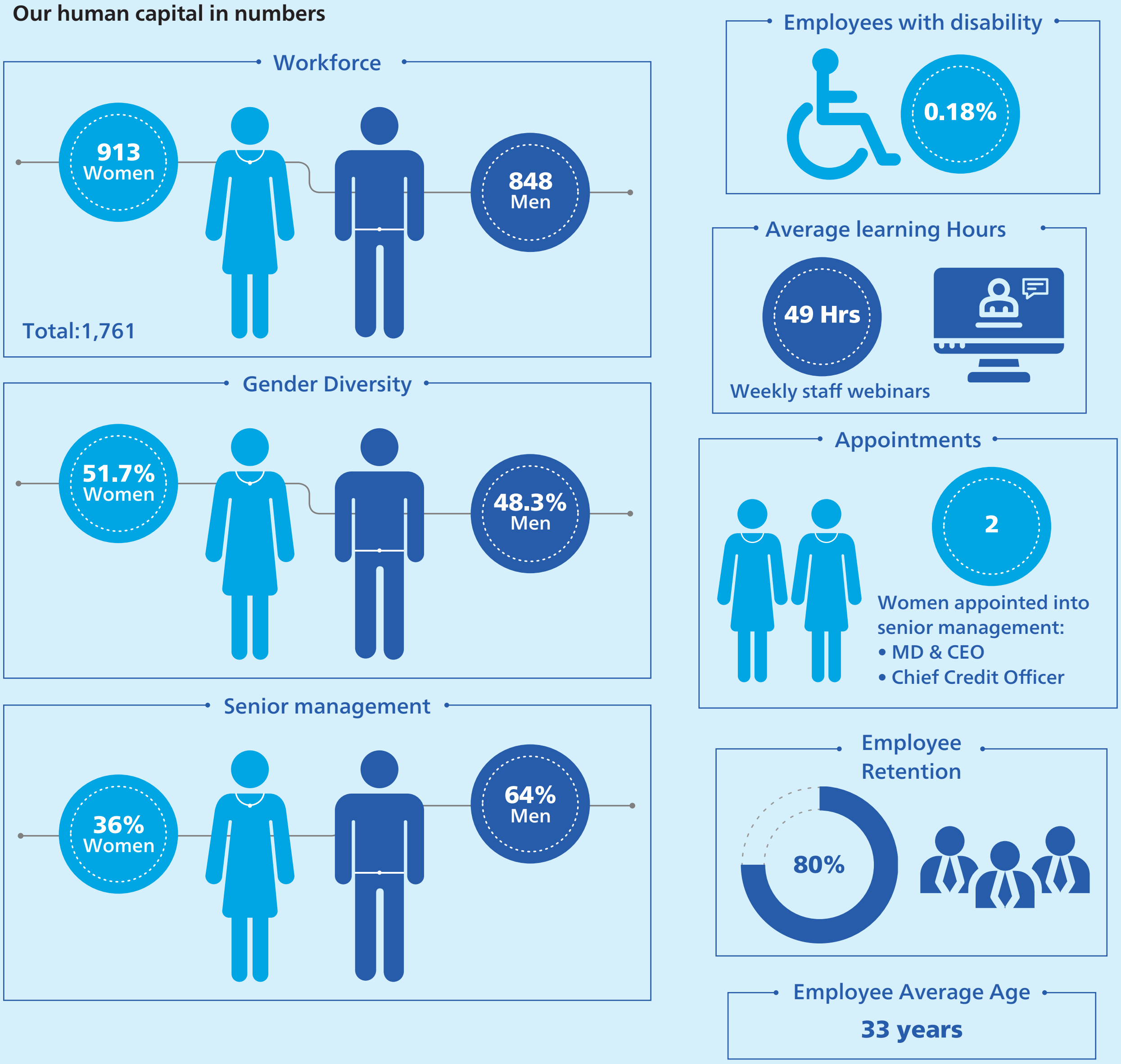
Holistic Wellness

We understand that employee well-being extends beyond the workplace. Therefore, we have implemented wellness programs that address physical health, mental health, personal financial assistance, and the Employee Assistance Program (EAP). Our initiatives include access to counselling services, stress management, and financial planning resources. We also provide outpatient benefits enhanced three-fold from the previous benefit and tailored webinars for men on self-awareness and supporting female colleagues to support women colleagues. By prioritising our employees' holistic wellness, we create a supportive environment where individuals can thrive personally and professionally.

Employee Recognition and Team Building

We believe in recognising and appreciating our employees' achievements and contributions. We invest in employee recognition programs to celebrate our team members, promoting a culture of positivity and camaraderie. Additionally, we organise regular team-building activities and events to strengthen relationships, enhance collaboration, and improve performance across departments. Through these programs, we create a sense of belonging and pride in our employees, enabling them to bring their best selves to work.

Our human capital in numbers



Employee's Value Proposition at a Glance

Career development • **Training:** Specialised training for PDPs in partnership with Strathmore University and Kenya School of Credit Management • **Internal mobility:** Filled key positions with internal candidates, e.g. two senior management and six branch managers	**Wellness** • Employee assistance program: This program is designed to assist employees experiencing challenges. Debriefing staff for loss of colleagues through a panel of counsellors • Wellness programs: We conduct bank-wide personal financial wellness & nutrition
Compensation • Salaries are reviewed to match the industry benchmark across the board • Employee Bonus was paid in March 2023 • Token of appreciation: Paid in December 2023	**Work Environment** • Performance and productivity: We continuously improve the measures and performance rhythms • Staff Recognition: We reward good performance • Team building: sessions are organised for employees to foster cohesion and teamwork and as a motivation towards achieving or exceeding targets.
Employee Grievance Management	

We are committed to fostering an exceptional workplace culture that creates value for our employees. We believe that by creating value for our employees through our comprehensive Employee Value Proposition, we drive organisational success and ensure the fulfilment and satisfaction of our most valuable asset-our people.

Intellectual Capital

Our intellectual capital includes our IT systems, trademarks, policies, procedures, knowledge, brand value, research and development, reputation, strategic partnerships, and unique product offerings. It provides us with unique capabilities that set us apart and help us remain competitive in the marketplace. Our intellectual capital impacts value creation through the following:

- Extensive industry experience with professional certifications in various fields, including accounting, banking, IT, law, leadership, and customer relationship management.
- Our innovation-focused approach includes investments in IT infrastructure to create world-class, customer-focused digital banking product offerings and attract new customers. We have introduced and fast-tracked the usage of our POS, internet banking, and QR code digital products to users.
- Our automation and digitisation efforts have resulted in 90% non-branch transactions, increasing customer convenience and driving financial inclusion. Upgrades in our core banking systems have led to a 40% increase in processing speed and a reduction in downtime.
- Our brand value is recognised in impact banking with several initiatives for women's banking and agricultural lending.

Manufactured Capital

Our manufactured capital consists of our physical properties, assets, equipment, systems and digital infrastructure, which support our operations and value creation.

Our manufactured capital in numbers

95 Branches	**146** ATMs	**6K** Agents	**4** Digital channels	**75K** Merchants
6.0% of transaction	**6.0%** of transaction	**3.3%** of transaction	**84.4%** of transaction	**0.30%** of transaction

The Capitals (continued)

Digital Channels driving transformation and innovation.

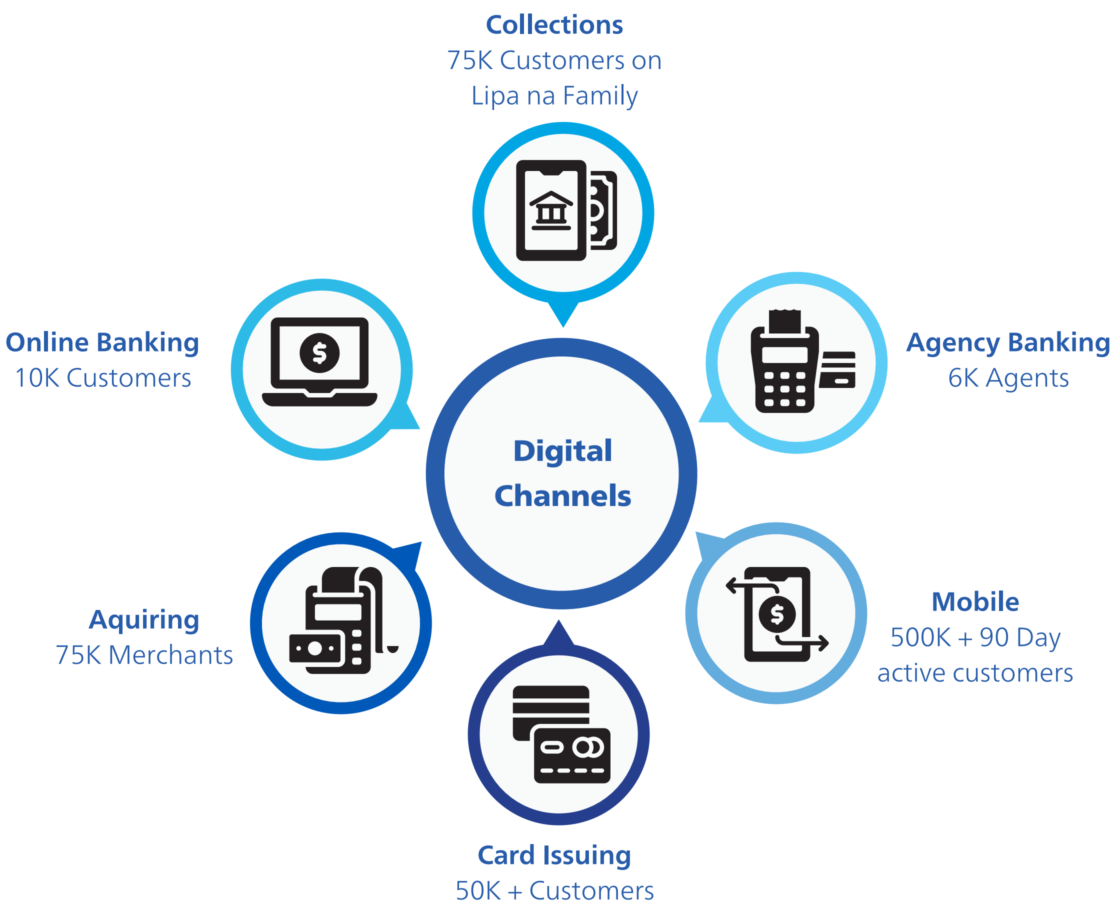
Our business model is based on embracing the digitalisation of our products and services. We are committed to digital transformation and innovation to provide innovative digital banking products and expand digital channels for our customers. Re-engineering business processes through digitisation is core to our promise of excellent customer service. Our competitive digital offering is built on the following foundations:

1. **Investment in digital capabilities that offer stable systems and customer-centricity**. This includes upgrades to our core banking system, Mastercard acquisition and issuance, and mobile banking biometric authentication.
2. **Innovative solutions:** We develop channels that enable customer self-onboarding, virtual card management, bulk payments, and online check clearance.
3. **Enhancing efficiency and convenience:** We deliver offerings through digital channels and provide digital loans, virtual card management, and account opening.
4. **Democratisation of products and services:** We develop subchannels for retail customers and MSMEs to meet the exact needs of each customer. For instance, MSMEs are provided with a dedicated digital platform for loan applications, financial management tools, and market linkages.
5. **Industry leader:** We continue to lead digital innovation and are always evolving to relentlessly pursue improvement.

Digital Financial Services

Family Bank's strategic initiatives towards digital transformation and sustainability have demonstrated remarkable achievements in enhancing service delivery, customer engagement, operational efficiency, and contributing to sustainable development goals. The bank's commitment to digital innovation, combined with its efforts to promote financial inclusion and sustainability, positions it as a leader in the evolving banking landscape.

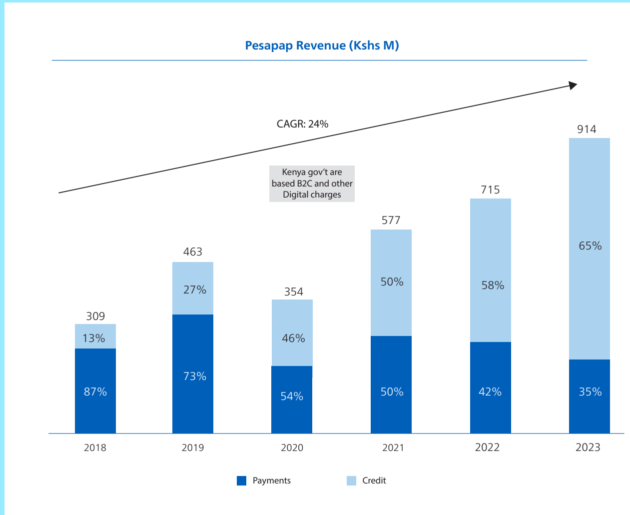
Distribution Channels 2023



The Capitals (continued)

Mobile Leading Digital Transformation and Customer Adoption

The bank has achieved substantial customer adoption of its digital channels in 2023, with mobile banking leading at 540,000 customers and internet banking engaging 3,295 customers. This shift underscores the bank's success in promoting digital banking solutions and indicates a strong customer preference for digital over traditional banking methods.



No. of App Downloads
>1M
Total number of Pesapap downloads

No. of Active Users
~541K
90-day users on PesaPap as of 2024

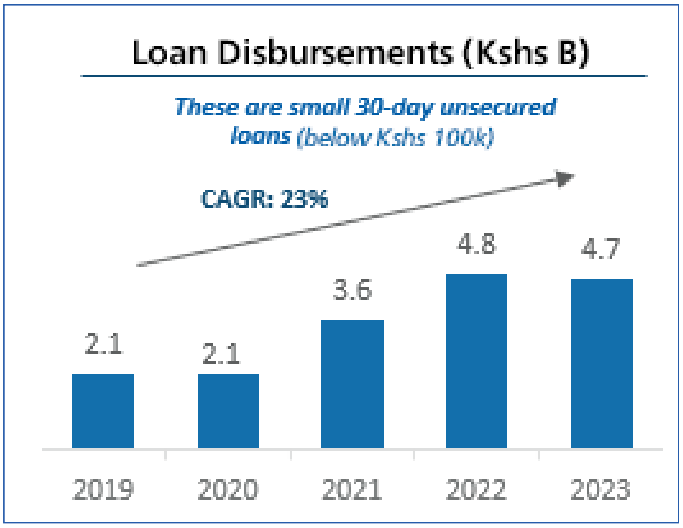
New Customer Acquisition
+138K
No. of non-Family Bank customers aquired

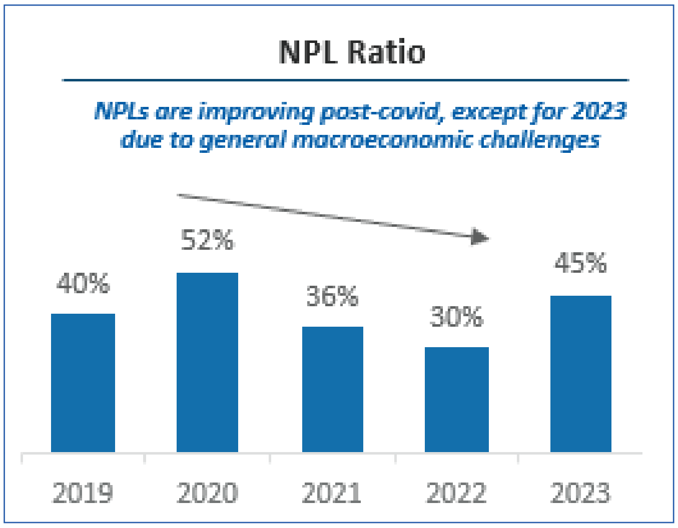
Value of Transactions
+Kshs 530B
Total value of transactions processed in 2023

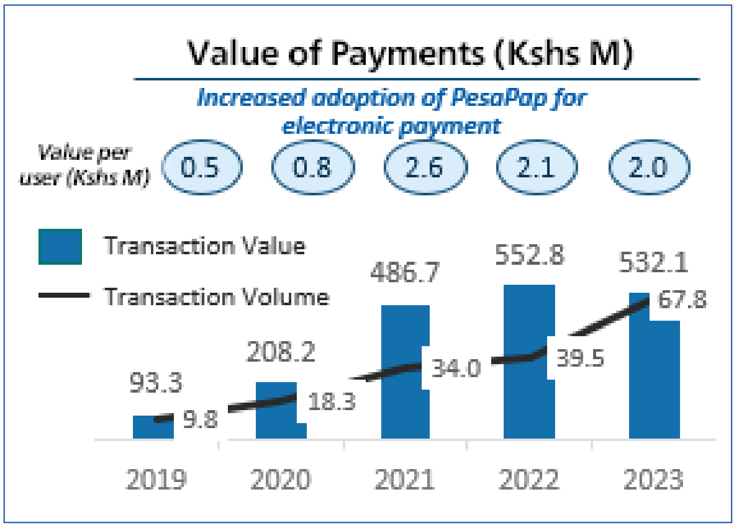
Size of Mobie Loan Book
~Kshs 4.7B
Total value of mobile loans disbursed in 2023

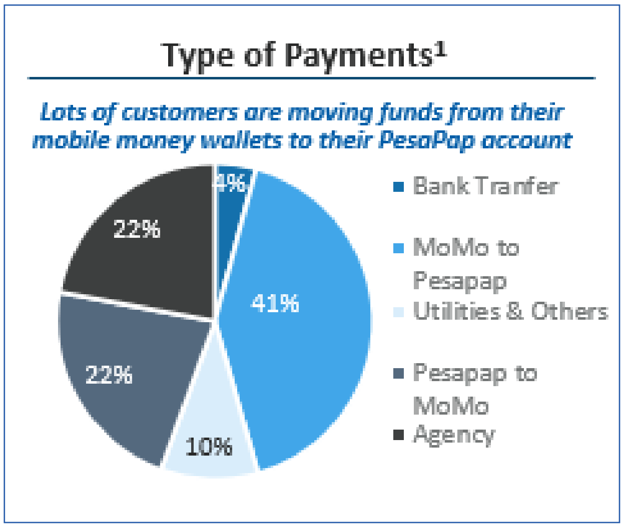
Size of Savings / Deposits
~Kshs 264M
Total Mobile savings and deposits as of Dec 2023

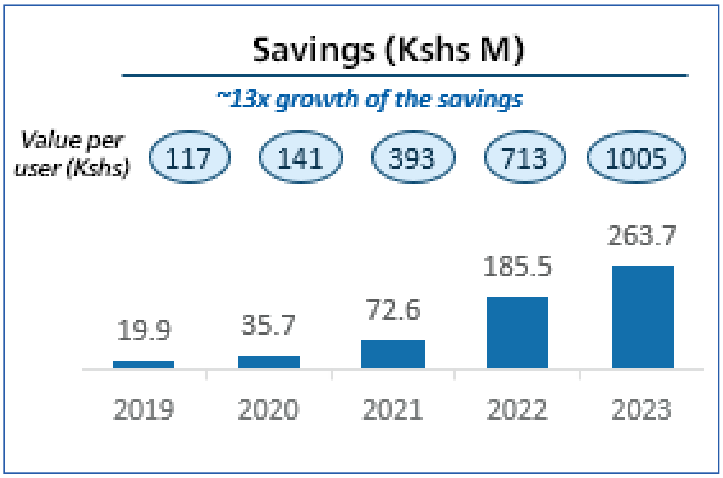
The Capitals (continued)

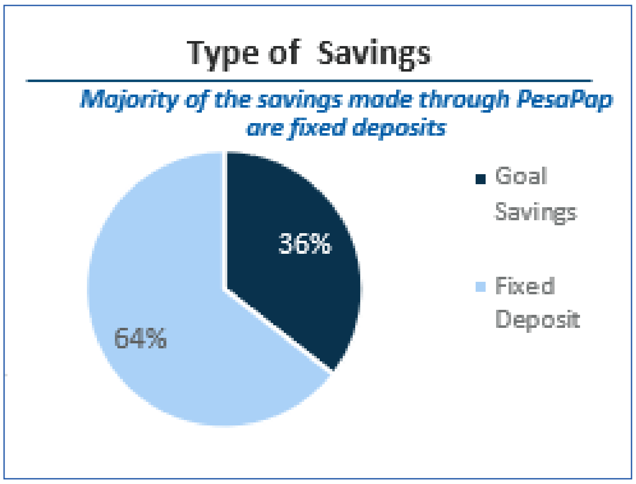












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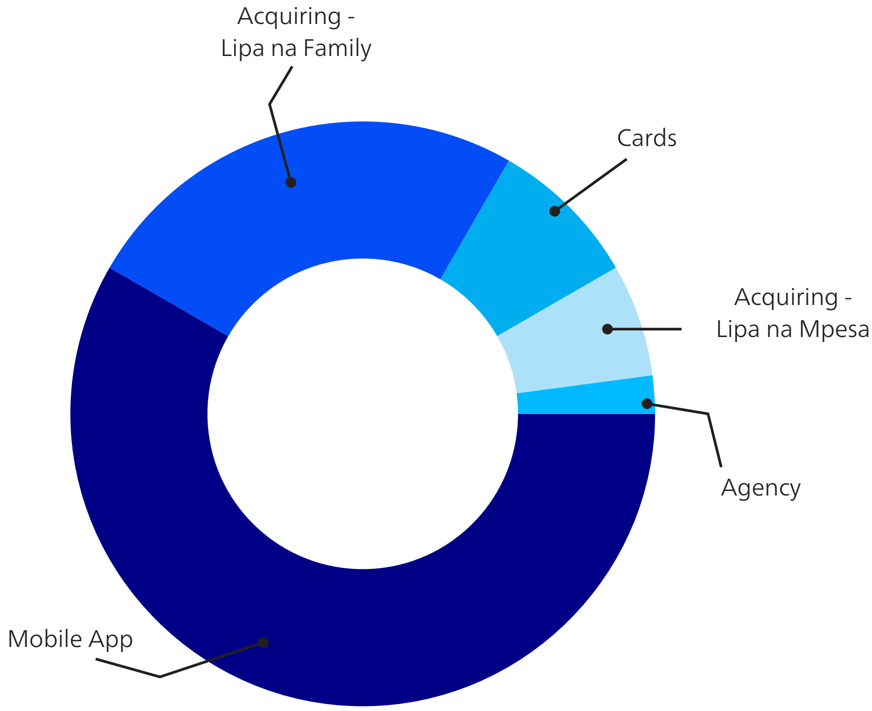
Family Bank is regulated by the Central Bank of Kenya

The Capitals (continued)

Efficiency in Digital Transactions

Mobile banking stands as the leading choice for our customers, with 57% of transactions being carried out on PesaPap. We have dedicated significant resources to the technological advancement of our systems, focusing on both hardware updates and software enhancements. This strategic investment is aimed at boosting our system's capability and guaranteeing consistent, reliable service.

Digital Transactions Breakdown:



This shift has notably expedited loan processing times, moving from days to minutes for the majority of loans, thereby enhancing customer convenience and satisfaction.

Key Milestone Projects

Mastercard Acquiring: This project enables Family Bank to process payments made with Mastercard, broadening the bank's payment network and providing customers with more versatile payment options.

Credit Cards on Mobile (PesaPap): The integration of credit card functionalities within the PesaPap mobile app marks a significant milestone, offering customers the convenience of managing their credit cards directly from their mobile devices.

3DS Service Addition on Visa Cards: To enhance security for e-commerce transactions, Family Bank has implemented 3D Secure (3DS) services on Visa cards, providing an additional layer of authentication that protects customers against unauthorized online transactions.

Domestic Switching for Merchants: The bank has initiated domestic switching services for merchants, facilitating more efficient processing of transactions and enabling merchants to accept payments from a wider range of cards and payment methods.

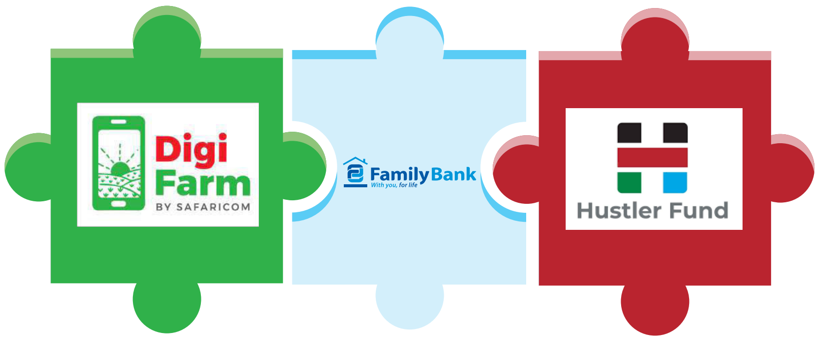
The Capitals (continued)

Impact on Branch Operations and Sustainability

The adoption of digital financial services has drastically reduced physical visits to banking halls by shifting low-value loan transactions to mobile platforms. With nearly 80% of branch-processed loan requests now being handled digitally for amounts below Kshs 300,000, the bank has seen a decrease in branch transaction proportions from 31% in 2019 to 9% in 2023, aiming to reduce it further to 5%. This transition not only supports efficiency but also aligns with the bank's commitment to reducing its carbon footprint.

Strategic Partnerships for Inclusion and Sustainability

The adoption of digital financial services has drastically reduced physical visits to banking halls by shifting low-value loan transactions to mobile platforms. With nearly 80% of branch-processed loan requests now being handled digitally for amounts below Kshs 300,000, the bank has seen a decrease in branch transaction proportions from 31% in 2019 to 9% in 2023, aiming to reduce it further to 5%. This transition not only supports efficiency but also aligns with the bank's commitment to reducing its carbon footprint.



- **DigiFarm Partnership:** Family Bank's collaboration with DigiFarm aims to empower approximately 1,000 farmers in Embu County with digital credit for inputs and insurance, showcasing the bank's dedication to leveraging technology for agricultural development and financial inclusion.

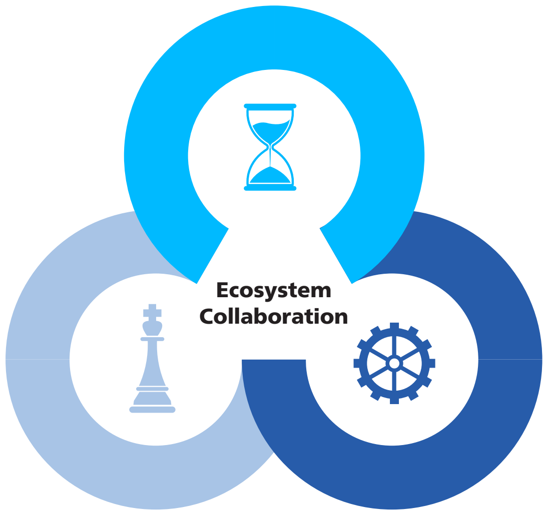
- **Hustler Fund Collaboration:** Partnering with the Government of Kenya, Family Bank has played a pivotal role in the Hustler Fund's success, with over 20 million Kenyans opting in and more than Kshs 1.5 billion disbursed, alongside savings accumulation of over Kshs 175 million. This initiative reflects the bank's significant contribution to national financial inclusion efforts.

The Capitals (continued)

Integration and Collaboration through Ecosystems

We kicked off our Ecosystem Banking journey in mid-2023. Our approach was to identify Ecosystem opportunities within our existing customer base and collaborate to ring fence our customer's value chain and their stakeholders. We have identified large opportunities to grow our deposits, assets and revenue.

Branch Ecosystem
Identified Opportunities
Assets - Kshs 100M
Liabilities - Kshs 300M
Accounts - 2,500



Corporate Ecosystem
Identified Opportunities
Assets - Kshs 100M
- Funded - Kshs 2.49B
- Non funded - Kshs 1B

Liabilities - Kshs 2.46B
Income - Kshs 778M

Tech Led Ecosystem
- Agricultural Value Chains
- Collections - Schools ecosystem, Rentals
- Fintech partnerships
- Data Analytics (PayCol, Salaries)

Family Bank's digital transformation initiatives in 2023 have significantly elevated its service delivery, operational efficiency, and commitment to sustainability. Through innovative digital solutions, strategic partnerships, and a focus on financial inclusion, Family Bank is not only enhancing customer experiences but also contributing to economic empowerment and sustainable development. The Bank's efforts to reduce its environmental impact, alongside its contributions to agricultural development and national financial schemes, underscore its role as a forward-thinking and responsible financial institution. With the introduction of milestone projects like Mastercard acquiring, credit cards on mobile through PesaPap, 3DS service addition on Visa cards, and domestic switching for merchants, Family Bank continues to lead in providing secure, convenient, and comprehensive digital banking solutions.

Branch Network

To maintain customer relationships and provide personalised and in-person solutions, we have 95 branches and continue to expand our branch network to other strategic areas to live up to our ambition of being a regional bank.

Agency Banking

We have democratised banking by partnering with agents across the region. This model promotes the efficiency and accessibility of banking services to our customers who are not in the digital space or those who require personalised support.

Merchants and Cards

Merchants provide point-of-sale (POS) services, and we have a widely recognised range of card-based payment products, including debit cards, credit cards, and prepaid cards. Our debit and credit cards are also enabled for online e-commerce transactions.

No. of branches
95

Volume of transactions Processed:

No. of agents
>6K

Volume of transactions Processed:
3,979,511

No. of merchants
75K

Volume of transactions Processed:
7,095,975

Natural capital

Our natural capital consists of the natural resources we have available. It also includes initiatives and collaborations to preserve and enhance the natural environment and ensure that these resources remain available and productive for future generations.

We create and preserve value through responsible banking practices and initiatives within and outside the environment aimed at resource efficiency, waste management and climate mitigation. We also partner with organisations to support sustainable agriculture and access to water.

Responsible Banking

Banks play a critical role in advancing the preservation of natural capital through the incorporation of environmental, social, and governance (ESG) criteria in their financial financing decision-making processes. Recognising the potential environmental impacts that arise from financing socio-economic activities undertaken by clients, the Bank has developed and operationalised an Environmental Social Management System (ESMS). This comprehensive framework allows the Bank to conduct thorough social and environmental due diligence on projects before and after financing to ensure projects' environmental effects are managed comprehensively.

An essential component of the Environmental and Social Management System (ESMS), the ESG policies and procedures were implemented on 01 July 2023. These guidelines align with global best practices and regulatory requirements, enhancing our lending practices to support environmental sustainability. The ESG Policy helps decision-makers at the Bank assess investment projects across various sustainability issues such as energy efficiency, waste management, pollution control, and biodiversity conservation. It also requires regular environmental risk assessments and follow-up actions on projects to ensure compliance and promptly address any arising environmental concerns.

In accordance with the ESG Policy, the Bank applies two levels of Environmental and Social due diligence.

- All borrowing clients are screened against the internal exclusion list and compliance with relevant laws and regulations.
- Enhanced environmental and social due diligence for all new corporate clients who borrow using criteria developed by the Bank and other best practices such as the IFC Performance standards.

We similarly ensure that relevant regulatory and industry permits have been acquired. Any environmental concerns identified are discussed with the client, and mitigation measures are proposed to limit any adverse effect on our natural resources. Measures such as waste management through reuse, repurposing and recycling are encouraged. Similarly, clients are supported in implementing resource (electricity, water, paper, and fuel) efficiency and conservation measures, such as using energy-efficient machinery and equipment, which is an opportunity for the Bank to finance and grow its green finance portfolio.

In 2023, more than ten corporate clients were assessed in relation to environmental risks and opportunities. The identified environmental, social, and climate risks form the basis for developing green products. Several training sessions were conducted within the same period to raise staff awareness of ESG and climate risks and opportunities. The training sessions were organised so the participants were brought to speed with the ESG and Climate aspects of their roles. Internal and external trainers facilitated the training sessions. The Board was also trained on ESG and climate aspects, including their role as overseers of this agenda.

By integrating these robust ESG criteria into our operational frameworks, the Bank mitigates risks and protects natural capital, thereby enhancing trust among clients, investors, and regulatory bodies. This ultimately contributes to a more sustainable and equitable future for all stakeholders.

Initiatives to Preserve Natural Capital

Throughout 2023, the Bank has remained committed to sustainable operations, focusing on minimising our environmental impact and reducing the strain on natural resources. This commitment has translated into a series of resource efficiency initiatives to promote energy conservation and reduce overall environmental impact across all our operations.

One key initiative is upgrading the lighting across our branches by replacing filament bulbs with energy-efficient Light-Emitting Diode (LED) accessories. This move not only underscores our commitment to energy efficiency but also marks a significant step towards reducing our carbon footprint. In addition, we have procured eco-friendly equipment, including energy-efficient power backup systems such as UPS and generator units, further exemplifying our resolve to embrace sustainability in our operations.

Recognising the environmental cost of travel, we are also exploring digital working solutions to streamline business operations and manage staff travel more efficiently. This approach not only promotes sustainability but also enhances operational efficiency and productivity.

The Capitals (continued)

We conducted six training sessions focused on resource conservation for our internal staff, empowering them with the knowledge and skills to contribute actively to our sustainability goals. To reinforce these practices, reminders in the form of stickers are placed strategically to prompt staff to switch off lights and turn off idle equipment, turn off taps fostering a culture of energy and water conservation.

Waste management has been another focal area, with the introduction of waste segregation initiatives at our head office. Staff have been trained on the importance of effective waste management, starting from the source of generation and highlighting our commitment to environmental stewardship. Additionally, we have incorporated indoor plants across our branches and head office to enhance the aesthetics and improve indoor air quality. Each branch and head office unit has appointed an ESG champion responsible for overseeing conservation efforts within their respective domains.

Customer Testimonial

Green Revolution: The Story of New Dawn Non-Woven Company

Family Bank contributes to the preservation of natural capital through initiatives that advance sustainable consumption and production. In 2017, the Kenyan government's ban on single-use plastic bags marked a pivotal shift toward environmental conservation. Capitalising on this transformative moment, Ngare Njogu launched a venture to align with the new eco-friendly directive. By 2018, he had established New Dawn Non-Woven Company Limited, focusing on the production of biodegradable non-woven bags. Reflecting on the company's origins, Njogu remarked, "The plastic bag ban inspired me to start a non-woven bags manufacturing business to make biodegradable non-woven bags that are environmentally friendly, and we started small with only one machine."

The demand for Njogu's products surged in 2019, prompting him to seek additional resources to scale up his operation. He turned to Family Bank and following the advice of the branch manager in Limuru, he secured a loan not just for one but two machines, especially as Tanzania's similar ban on plastic bags presented a golden opportunity for expansion. From an initial production of 45,000 bags daily in 2018, the Company's output doubled to 90,000 bags per day, necessitating a 24-hour operation schedule by 2024. This growth enabled Njogu to increase his workforce from three to 42 employees, all residing within the local community, thereby fostering socioeconomic growth.

Beyond production, Njogu is deeply committed to environmental sustainability and the well-being of his employees. The Company recycles manufacturing waste, uses recycled water to cool machinery, and powers factory lighting with solar energy. To ensure employee safety, he has implemented comprehensive measures, including insurance policies, fire safety first aid training, and mandatory earmuff use during work. Njogu's partnership with Family Bank has been instrumental in navigating challenges, such as the COVID-19 pandemic, during which the Bank provided a six-month moratorium on loan repayments, aiding the company in remaining operational. Additionally, the Bank's support facilitated the company's venture into COVID-19 mask production and enabled the acquisition of lorries for product distribution through asset finance facilities.

Reflecting on his banking relationship, Njogu acknowledges the pivotal role of Family Bank in his entrepreneurial journey, which began with a personal account in 2013 and expanded with a business account for New Dawn Non-Woven Company Limited. "I believe that without the support of Family Bank, I would not have been able to start this manufacturing business and make a positive impact on the society. I did not have the resources to start my business. Family Bank believed in me, approached me for other business opportunities, and expanded my business from having just one machine in 2018 to eight," Njogu emphasised.

February 2023 marked another milestone for Njogu's environmental conservation efforts by introducing locally made cable clip ties produced by an injection machine, a venture made possible through a loan from Family Bank. Njogu's commitment to environmental conservation and community development continues to inspire, illustrating the power of innovative entrepreneurship supported by strategic financial partnerships.

Partnerships for Resilience in Agriculture

Agriculture plays a vital role in Kenya's economy, contributing significantly to the nation's Gross Domestic Product (GDP) and playing a central role in ensuring food security. However, the sector is increasingly threatened by the adverse effects of climate change. Kenya faces significant challenges from erratic and extreme weather patterns, including prolonged droughts, which not only compromise crop yields and livestock health but also exacerbate food insecurity and economic vulnerability across the nation. Farmers, especially in the arid and semi-arid regions, often experience crop failure due to drought.

To sustain Kenya's development and ensure the well-being of its population, it is crucial to assist the agricultural sector in adapting to the impacts of climate change on agriculture. Innovative insurance products such as weather index-based cover embedded in loans are used to ensure farmers receive compensation in case of crop failure due to drought.

Family Bank, through its Agribusiness unit, has been supporting smart agriculture and financial solutions in partnership with various institutions aimed at enhancing the agricultural sector's resilience. One of these partnerships is with the International Food Policy Research Institute (IFPRI), where the Bank introduced Risk Contingent Credit (RCC), a resilience program. The purpose of the program is to embed insurance into loan products, thereby increasing the uptake of credit facilities among smallholder farmers.

In 2023, the Bank facilitated access to finance for smallholder farmers in the maize value chain in Mbeere North and Mbeere South sub-counties in Embu County. Under the program, farmers received training on financial literacy, agronomy, and capital for purchasing seeds, fertilizer, and crop protection chemicals. The program also leveraged technology to reach the farmers, bridging the geographical divide between them and formal banking institutions, thereby increasing efficiency and effectiveness. Digital lending was made possible through a partnership with Digifarm.

The Bank has also established various partnerships to enhance its lending capacity and support sustainable agri-businesses, trade, and SMEs. Some of the partnerships include:

Eco.business Fund: The Bank has partnered with Eco.business Fund to strengthen agricultural lending capacity in Kenya through specialised agrifinance training to Family Bank staff to optimise the Bank's capacity to reach sustainable agri-businesses and better identify eligible sub-borrowers.

Africa Development Bank: The Bank acquired a USD $30 million lending facility for trade and SMES from the African Development Bank Group (AFDB) to promote onward lending to SMEs in health, renewable energy and agriculture and reduce the SME finance gap, especially for women-led businesses.

Financial Sector Deepening (FSD) Partnership: The Bank acquired a Kshs 20 million loan portfolio guarantee facility from FSD Kenya to increase the loan book and extend affordable credit to more dairy farmers, cooperatives, dairy companies, and input suppliers.

2023 Agri-Africa Expo and Conference – The Bank sponsored the first annual Agri-Africa Expo and Conference by Nation Media Group and Agri-Africa Exhibition Ltd, held in May, which aims to promote sustainable agriculture, smart farming technologies and economic growth.

Partnerships in Water, Sanitation and Hygiene (WASH)

Access to clean water and improved sanitation facilities remains a critical challenge for many households in Kenya. According to WASHdata.org, approximately 35% of the Sub-Saharan population does not have access to safely managed or basic water sources, while 66% of the population lacks access to adequate sanitation facilities. The United Nations SDGs Report 2023 Special Edition states that billions of people still lack access to safe drinking water, sanitation and hygiene.

Strategies to attain access to WASH solutions require increased investments and capacity building, promoting innovation and evidence-based action. Family Bank has supported a number of water and sanitation initiatives and partnerships. Family Bank has partnered with Water.org and Aqua for All to provide affordable financial solutions that focus on increasing access to safe water and sanitation in Kenya. As part of this initiative, the Bank has launched a water credit loan product called '*MajiPlus.*' The loan product is designed to extend credit facilities to individuals, MSMEs, schools, community-based water projects, women and youth, and Water Service Providers (WSPs) in the Water, Sanitation, and Hygiene (WASH) sector.

The Bank has worked closely with key sector stakeholders such as the Water Sector Trust Fund and the Water and Sanitation Providers Association (WASPA) to address challenges related to inadequate and inequitable access to water services, operational inefficiency by Water Service Providers, non-revenue water management, and underinvestment by Water Service Providers (WSPs) in sustainable water services.

The *MajiPlus* program has significantly impacted the lives of people in Kenya. Over 350,000 people have benefited from increased household connections to clean water and sanitation, job creation, improved health, and overall well-being through the capital mobilised in the sector.

Other partnerships include:

Global Access Fund IV LP: The Bank secured a USD 10 million debt from Global Access Fund IV LP. This substantial debt was earmarked for disbursing loans specifically targeted at financing improvements in water and sanitation facilities, either at the community or household level.

Aqua For All: Family Bank and Aqua for All launched the Challenge Fund to boost financing for small-scale water service providers. The Challenge Fund adopts a revenue-based loan financing solution that allows small-scale water service providers to repay loans based on the revenue generated from their water services.

Kenya Water and Sanitation International Conference & Exhibition: Family Bank sponsored the 2023 Kenya Water and Sanitation International Conference and Exhibition, which was organised by the Water and Sanitation Providers Association. The Chief Retail Officer participated in the panel discussion on Innovative Financing & Market Opportunities.

Customer Testimonial

Milka Njeri Watahi: Quenching Thirst and Empowering Communities

In the heart of Utawala Estate, Arizona Court, stands a pillar of hope and sustenance—Milka Njeri Watahi's venture, which underscores Family Bank's commitment to conserving natural capital through its support of the Water, Sanitation, and Hygiene (WASH) sector. Milka, a businesswoman and single mother with a diploma in Business Administration and Management from the Nairobi Institute of Business Studies, embarked on a transformative journey driven by a quest for clean water.

Upon settling in Utawala in 2008, Milka was confronted with the community's dire need for clean water, a necessity scarcely met by the unreliable and often contaminated supplies from local bowsers. Determined to make a difference, she initially invested in drilling a borehole within her compound to cater to her household's needs. This initiative, funded by her savings and a bank loan, became a community lifeline.

To her astonishment, neighbours began requesting water connections. She proposed a system where groups of at least ten households would collaborate financially to lay down their water infrastructure, thereby earning a connection to her borehole. This strategy democratised access to clean water and enabled Milka to recover the drilling costs within six months.

Today, Milka's borehole serves as the core of a thriving enterprise, with 40 operational water meters benefiting over 400 households in the Githunguri area. Additionally, her water kiosk extends the reach to un-piped homes, with distribution facilitated by donkey carts and water bowsers. The ripple effects of Milka's initiative are profound, sparking a car wash business catering to various cleaning needs.

Recognising the escalating demand for water due to the booming population in Githunguri, Milka sought to enhance her service. "Through previous interaction with the Bank and knowing the *Maji Plus* product, I requested a WASH loan facility," she explains. This financial support enabled the acquisition of two 16,000-liter storage tanks and the necessary infrastructure, optimising her operation's efficiency and sustainability.

Milka's vision is far-reaching. She aims to expand water connectivity across the community, thereby nurturing Githunguri's welfare and economic vitality. With Family Bank as her financial ally, Milka Njeri Watahi's journey is a testament to the transformative power of entrepreneurial spirit blended with social responsibility.

The Capitals (continued)

Social and Relationship Capital

Our Social and relationship capital is evident in the relationships, partnerships, and collaborations we maintain with all our stakeholders, including shareholders, investors, employees, suppliers, and the communities in which we operate. Through these relationships, the Bank has created goodwill among critical stakeholders that gives it a social licence to operate.

Our customers

Our customers are at the heart of everything we do. We believe that creating value for our customers is the key to our success as an organisation. Therefore, our strategy is built around understanding and meeting the needs of our customers through superior products and services. This enables us to build strong customer relationships, increase revenue, and drive organisational success.

Our customer management is anchored on the following principles and practices which reflect our belief that our customers are central to everything we do and that creating value for them is essential to our success.

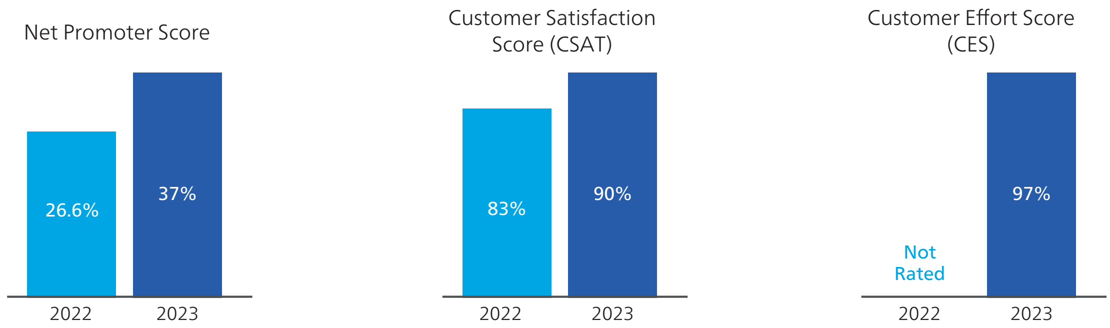
Customer support framework	At Family Bank, we pride ourselves on delivering unparalleled customer support through a diverse range of channels, including phone, email, social media, and in-person at our branches. Our Contact Centre is operational 24/7/365 days, ensuring assistance is always available. Furthermore, we have integrated in-app support capabilities across our digital platforms, including PesaPap, our website, and Internet banking, allowing customers to raise service requests seamlessly.
Enhanced customer interaction and issue resolution	We prioritise feedback by employing an automated system for real-time insights, which aids in the continuous enhancement of our service quality. Our issue resolution process is streamlined with clear escalation protocols, ensuring swift handling. Complex or systemic issues are reviewed by our cross-functional Service Council for expert guidance. Adherence to stringent Service Level Agreements (SLAs) ensures efficiency and timely service delivery, while our proactive communication strategy keeps customers informed about important updates and alerts.
Customer-centricity at the core	At Family Bank, our strategic goal is to become the leading Customer-Centric Bank. This is evidenced by our ambitious objective to achieve an NPS score of 35 by the end of 2024 — a milestone we surpassed in 2023 with an NPS score of 37. This success is driven by our commitment to understanding customer behaviours and preferences through data analytics, which informs our product development and enhancement strategies.
Technological advancement and human element	We leverage advanced technologies like Customer Relationship Management (CRM) systems, Enterprise Feedback Systems, and automation to enhance customer interactions and offer personalised services. Our dedicated staff embody our motto, "Family Gets It Done!" through our vibrant customer service champions program, Fuzu Sparkers, which embeds customer centricity in every department and branch.
Innovative Feedback Collection	We have implemented innovative feedback collection methods and customer appreciation practices to enhance our customer service. Our internal Enterprise Feedback Management System provides real-time, automated surveys across various digital channels, offering immediate insights into customer satisfaction. Additionally, we use the Six Sigma methodology to continuously improve our processes and adapt to evolving customer needs and market trends. We collect, analyse and respond to customer feedback through a service recovery program to ensure prompt resolution of any issues.

The Capitals (continued)

Celebrating Customer Service Excellence

During the Customer Service Week of October 2023, we celebrated our commitment to outstanding service and customer-centricity with webinars focused on financial awareness, emphasizing savings and investments. This event was a testament to our dedication to fostering a culture of excellence in customer service throughout Family Bank.

Customer Experience performance



Recognition and Awards

Our commitment to customer service excellence has not gone unnoticed. In 2023, Family Bank received the award for Best in Internal Customer Experience at ICX Kenya's Service Excellence Awards. This award recognises our dedication towards creating a work environment that fosters engagement and satisfaction, which ultimately translates into exceptional customer experience.

The Kenya Bankers Association (KBA) has consistently acknowledged our achievements in customer experience, with awards in customer responsiveness and digital experience. In 2022, Family Bank was awarded two first-place awards: Best Overall Bank and Best Tier Two Bank in Customer Responsiveness and Digital Experience. In 2021, the Bank was also recognised as the Best Tier Two Bank and the second-best bank overall in Customer Responsiveness and Digital Experience in the Kenya Bankers Association's Customer Satisfaction Survey.

Awards/Accolades

Customer Exellence Awards
Family Bank was voted as the overall second-best bank and best tier-two in customer responsiveness and digital banking experience in a survey conducted by the Kenya Bankers Association in 2023.

Awarded by the ICX Kenya as the bank with the Best Internal Customer Experience in 2023.

ESG Award
The Family Group Foundation won in the inaugural 2023 Kenya ESG Awards in the Community Empowerment Leader Category. ESG Awards recognize outstanding achievements towards positive social impact and sustainable development.

Battle Of The Banks Award
Family Bank was crowned winners of the 2023 Battle of the Banks Africa for the best-performing young bankers on the continent.

The Capitals (continued)

Customer Engagement

Throughout the year, the Bank engaged in various events such as dinners, business roadshows, sports participation, exhibitions, and conferences locally and internationally. These activities were essential for engagement with existing and potential customers, listening to their feedback, and addressing their concerns and expectations. By doing so, we were able to strengthen our relationship with customers and onboard new ones. Some of the events include:

Customer Dinners: We held customer dinners across the country in Ukunda, Bungoma, Mumias, Downtown Nairobi, Meru, and the Mt. Kenya region of Nkubu and Maua to engage with customers and express gratitude for their continued trust and support to the Bank.

USA Diaspora Roadshow: The Bank attended the Kenyans in the Park conference at Harrisburg, PA, Kenya Christian Fellowship Association Virginia, and Kenyans in the Park in Baltimore with an attendance of 200, 100, and 400, respectively. Additionally, we visited several Churches and group events. Family Bank was the only bank in attendance at two major events and enjoyed goodwill from the organisers of these events.

Annual Diaspora Extravaganza: In December 2023, Family Bank hosted a networking event for their diaspora customers as a show of value and gratitude for their continued support throughout the year.

Aviation Community Golf Day: The Bank in January 2023, sponsored Aviation Community Golf Day, organised by the Kenya Airports Authority, which brought together aviation sector stakeholders to network and celebrate the industry's resilient efforts in fighting COVID-19 aftereffects.

Tetu MSME WorKshsop: Family Bank, in May 2023, was invited to speak on the journey of SMEs and showcase the products and services that the Bank offers to SMEs during the Tetu MSME WorKshsop.

Juja Preparatory School Prize Giving Day: The Former CEO was invited as a chief guest and speaker during the Juja Preparatory and Senior Schools prize-giving day held in May,2023, with the intention of updating the media, a key stakeholder, on the Bank's initiatives and strategy while also providing them with an opportunity for engagement.

Kenya Teachers Sacco Association Conference: In June, the Bank had the pleasure of sponsoring the 12th Annual Conference of the Kenya Teachers Sacco Association, which was purposed to foster the growth and development of the cooperative sector and, more specifically, the teachers' SACCOS. The Bank had an opportunity to discuss the role of innovative leadership in Saccos.

The Capitals (continued)

Ladies Coast Open: In July 2023, Family Bank sponsored the 2023 Ladies Coast Open, which was keen on promoting golf among the younger generation, especially young female players.

Supa Mamas Event: In July, Family Bank sponsored and participated in a Women's property and Investments event that sought to build women's confidence in these key areas.

Captains of Industry Signature Breakfast: Family Bank sponsored Strathmore University's Captains of the Industry Signature Breakfast in September 2023. The Bank took the opportunity to share insights on the role of banks in the succession planning process, financial literacy and wealth management.

Karen Country Club Chairman's Prize: Family Bank sponsored the 2023 Chairman's Prize at the Karen Country Club in October 2023. The Chief Legal Officer and Company Secretary was invited to play and speak at the golf tournament.

Customer Engagement

Nairobi area customer dinner at Safari Park Hotel. The event brought all customers within Nairobi to come and celebrate together.

During the customer service week, some of the Area managers and Exco members visited some of our most loyal customers to say thank you for banking with us and to continue banking with us.

Diaspora Banking Team hosted their customers to a day of appreciation and connection. Customers from the UK, Yemen and different States in the USA who were in the country graced the occasion.

The Capitals (continued)

Sponsorships

Afriwomen Connect
The Queen Banking team sponsored the AfriWomen Connect Breakfast in which they had a slot to present the women banking CVP as well give a talk on financial fitness.

Sponsorship of Law Society of Kenya Annual Conference
Family Bank sponsored the Annual Law Society of Kenya Conference in August 2023 that brought together various stakeholders in the Legal Fraternity.

Family Bank signed an MOU of Partnership with Wylde International that seeks to empower SMEs through capacity building trainings.

FBL sponsor and participated in the Cooperatives and MSME's Expo which took place in Embu at University of Embu.

Our First NGO Week!
Family Bank sponsored the annual Kenya NGOs week that brought together diverse NGOs to engage with other stakeholders & the public as they (NGOs) showcase their initiatives, innovative solutions and best practices through exhibition.

Digo Branch Team participated in the annual Kirima Golf Day Tournament at Nyali Golf Club. The team was able to mingle with some of the golfers.

Family bank sponsored KUSCO annual conference in Mombasa.

Family Bank was a proud sponsor of the Eid kids extravaganza which took place at MOW sports Ground in Nairobi.

The Capitals (continued)

Corporate Social Responsibility

Family Bank team paid a visit to the Good Shepherds Children's Home in Nairobi.

Family Bank Sounalax Branch Staff supported Wonders Of The Lord Ministry, by contributing food items, clothing and toiletries to the destitute home for the elderly.

Tupande Miti
In line with the president's vision of planting 15 Billion trees, The Family Group Foundation team joined by Family Bank and TFGF Beneficiaries, volunteered to come together to plant trees at Ngong Forest Corner Baridi during the National Tree Planting Holiday.

Mama Doing Good!
Family bank Ltd donated 1M shillings towards the Mama Doing Good initiative driven by the First Lady Mrs. Rachael Ruto.

Gatundu Branch
Family Bank Gatundu Branch provides essential supplies to children at Muthaiga Hope Centre on 7th December 2023.

Business Club
Recognising the importance of supporting our customers in their entrepreneurial journeys, we have established a dynamic community through our Business Club. This club is dedicated to fostering professional growth and networking opportunities in a collaborative environment where entrepreneurs, innovators, and industry experts can thrive. With a focus on knowledge sharing and skill development, the Business Club offers formal training and worKshsops, networking forums, and international business exposure trips.

In 2023, the club's agenda was packed with invaluable learning opportunities. We offered webinars on a variety of critical topics, including investment options, bookkeeping, digital marketing, business operations, a digitisation forum for MSMEs, and financial management essentials for SMEs. Personal savings and investment plans, as well as mental wellness and work-life balance, were also covered to ensure holistic development for our members.

Additionally, in November 2023, we organised a successful business exposure trip that took members to the Netherlands, Belgium, France, and Italy, providing them with firsthand international market insights and networking opportunities.

Customer Testimonial

Nurturing Growth: The Rise of Tet Tea Factory with Family Bank's Support

We take great pride in celebrating the achievements of our customers, particularly when their stories exemplify significant growth and success. A prime example of this is the Tet Tea Factory, nestled in the lush landscapes of Bomet County at Kapkilaibei Market – Kimulot. Operating under the Kipchimchim Group of Companies for four years, the factory has flourished with the guidance of factory manager Hillary Too and factory accountant Zeddy Chepkemoi. Throughout its journey, Tet Tea Factory has closely mirrored the growth trajectory of Family Bank, its dedicated financial partner.

The Foundation of Tet Tea Factory traces back to 2014 when the late Samuel Chepsetyon, the former chairman of Kipchimchim Group, inaugurated the Kuresoi Tea Factory. This pivotal move set the stage for establishing seven more factories, with the Tet Tea Factory being the fourth. Starting with a single production line and 90 workers, the factory has doubled its workforce to 180 employees, primarily drawn from the local community, and expanded to a second production line.

Zeddy Chepkemoi attributes the factory's success and expansion significantly to Family Bank. "Our fleet of 26 trucks, vital in collecting the green leaf, was financed through Family Bank's asset finance product. Family Bank has been our backbone throughout our journey. The Bank's products have helped grow our business to new heights, and without the Bank's help, we would not have been in business," Zeddy recounted. Beyond asset financing, the factory has also benefited from mortgage loans and bank assurance, which are critical elements in its growth story.

"Family Bank's flexibility, favourable loan terms, personalised customer experience, and business support are some of the important features that have kept us loyal to our financial partner," Zeddy concluded.

In alignment with Kipchimchim Group's sustainable business practices, Tet Tea Factory is rainforest certified, ensuring its tea is sustainably produced. The factory has adopted a waste management plan and an environmental policy that is audited annually. With an eye towards further sustainability, plans are underway to harness solar power for lighting, and with Family Bank's support, the factory has secured land with mature trees (17 years old) to cater for its firewood needs.

Community engagement and positive societal impact are woven into Tea Tea supply chain and operations. Local employment, support for schools and churches, assistance to the vulnerable during the festive season, and local roads maintenance underscore the factory's commitment to societal well-being.

Hillary and Zeddy advocate for Family Bank, recommending it to businesses seeking a supportive and flexible financial partner. The journey of Tet Tea Factory, underpinned by Family Bank's partnership, stands as a testament to shared growth, sustainable practices, and community engagement.

Customer Testimonial

From Humble Beginnings to Beacon of Education: The Thorn Grove Story

We delight in walking alongside our customers on their journeys, sharing in their challenges and triumphs. A shining example of this shared journey is Thorn Grove Schools, nestled in the heart of Kenya, where the dreams and determination of its founder, Lilian King'ori, have blossomed into a beacon of educational excellence. Lilian, a passionate educator, launched her mission over a quarter-century ago with a vision to redefine educational standards and nurture future leaders. From humble beginnings in a converted car garage in 1998 with just three students, Lilian's journey epitomises resilience, growth, and unwavering commitment.

The school's origin story is as unique as its mission. It began in an unlikely setting: an abandoned garage partitioned into two classrooms and a kitchen. The inaugural class consisted of Lilian's daughter, the landlord's daughter, and a neighbour's son. This modest beginning was the foundation of what would become a thriving educational community. "We saw a need for a school in the area and took a leap of faith," Lilian recalls, reflecting on those early days in a rented garage space.

Thorn Grove's journey wasn't without its challenges. In 2014, faced with the daunting task of rebranding

and revising school fees to support growth, the school teetered on the brink of closure. From 300 students, enrolment plummeted to just 43. Yet, Lilian's grit and dedication to her vision saw the school through its most challenging times. Today, Thorn Grove sits on a five-acre expanse, home to 428 students and 54 employees, a vibrant hub of learning and boundless opportunities.

Central to Thorn Grove's success story is the partnership with Family Bank, which has provided the school with the financial support needed to navigate and thrive. Lilian credits the Bank for believing in her vision when others hesitated. Family Bank's financial backing enabled Thorn Grove to make pivotal advancements, including purchasing school buses and constructing new facilities, which in turn bolstered parents' confidence and student enrolment.

Located in Kitengela, Thorn Grove faced infrastructural challenges, notably in providing fresh drinking water. Again, Family Bank stepped in, facilitating the installation of a purification plant. The Bank's support extends beyond infrastructure, enhancing operational efficiency through streamlined salary payment processes and financial flexibility for parents and the school.

Family Bank's role in Thorn Grove's narrative goes beyond mere financial assistance; it has been a partnership that fosters community engagement, environmental conservation, and safety. The school's other initiatives include supplying water to local communities, supporting vulnerable children, and prioritising waste management and environmental conservation. Thorn Grove embodies a holistic educational model, preparing students not just academically but as responsible and compassionate members of society.

Lilian's story with Thorn Grove is one of triumph over adversity, driven by a partnership that has stood the test of time. "Family Bank has been more than a financial institution; they have been a lifeline," Lilian asserts. The Bank's motto, "With you for life," echoes the depth of this relationship, highlighting a shared commitment to growth, community support, and the transformative power of education. Thorn Grove's journey is a reminder of what vision, resilience, and partnership can achieve from its inception in a converted garage to its current status as a beacon of holistic education.

Our Suppliers

Suppliers play a crucial role in our operations as they are our valued strategic partners who support the Bank in value creation and preservation. They provide us with goods and services that are necessary for us to deliver high-quality services to our customers. We recognise the importance of building strong relationships with our suppliers and strive to maintain fair and ethical business practices in our dealings with them. We believe that by working together in partnership with our suppliers, we can achieve mutual success and create long-term value for our customers, shareholders, and the communities we serve.

Sustainable Supply Chain

We prioritise diversity and inclusion in our supply chains. We consider the diversity of our suppliers when vetting them, and we have incorporated affirmative action for businesses owned by youth, women, or persons with disabilities that are registered under the Access to Government Procurement Opportunities (AGPO). We are committed to protecting and conserving the environment and ensuring resource efficiency along our supply chain.

To ensure compliance with sustainable sourcing practices during the procurement of goods and services, we are considering several initiatives, including:

- Integration of ESG criteria into the 2024/2025 vendor selection process to align with environmental protection, social responsibility, and ethical best practices.
- Establishing sustainable procurement policies to guide vendor management, ensuring adherence to environmental stewardship, ethical labour standards, fair wages, safe working conditions, and compliance with regulations such as the Occupational Safety and Health Administration (OSHA) Act.

The Capitals (continued)

The Family Group Foundation

The Family Group Foundation ("the Foundation") is a social investment arm established in 2012 by an associated group of companies, namely Family Bank, Kenya Orient Insurance, and Daykio Plantations. It seeks to empower families by catalysing transformative change for wealth creation and building a more inclusive society through sustainable community investment programmes in education, environmental conservation, mentorship, enterprise development, ICT skilling, and agribusiness.

Education

Family Bank has consistently allocated funds to support education and shared value initiatives through the Family Group Foundation. These initiatives aim to empower bright but vulnerable children. The Foundation's programs are designed to provide high-quality education opportunities to these individuals through scholarships.

In 2023, the Foundation expanded its support to drive transformation in the communities where the Bank operates. Additionally, the Foundation continued to manage its flagship program, which is currently benefiting 715 scholarship recipients from 32 counties for their secondary education between 2023 and 2026. Kshs 45 million was allocated in 2023, which is an increment from the Kshs 34 million in 2022 and which benefited 699 students. The key focus areas of the Foundation's initiatives were:

- Recruitment of new Form 1 High School scholarship beneficiaries;
- Academic performance tracking for all the active scholarship beneficiaries;
- The annual mentorship worKshsop;
- The academic boot camp for Kenya Certificate of Secondary Education (KCSE) candidates;
- Co-parenting support for guardians of scholarship beneficiaries;
- Deepening high-value relationships with partner high schools through Principals Forums;
- Post-high school pathways for high school scholarship alumni.

The Foundation has so far offered full scholarships to more than 1,200 students for their high school and tertiary education. Additionally, worKshsops have been conducted to provide mentorship and counselling services for the holistic growth of our scholars. Throughout the year, various activities were undertaken to support these education initiatives.

Scholars Commissioning

The Foundation organised a joint commissioning and send-off event in Nairobi on January 29, 2023, for all 314 Scholarship Beneficiaries. The event was graced by the Education Cabinet Secretary, Hon Ezekiel Machogu, flanked by the members of the Family Group Foundation and Family Bank boards.

The Annual Mentorship Program

The Foundation rolled out a module-based mentorship curriculum to help continuing students. The mentorship program aims to provide students with the necessary knowledge, skills, and values to effectively navigate the challenges and demands of school life using an experiential learning approach. The Foundation organised a Mentorship worKshsop at Moi Forces Academy Lanet, attended by all Form 2, 3 and 4 classes. The worKshsop's theme was '***Growing the best self***', facilitated by experts from the Kenya Institute of Curriculum Development.

Academic Boot Camp

The Academic Boot Camp for 2023 took place at Moi Forces Academy in Nairobi in August 2023. It was organised to help the Foundation's Kenya Certificate of Secondary Education (KCSE) candidates revise intensively and consolidate their knowledge in various subjects. The program aimed to increase their confidence levels in preparing for national exams and provide them with invaluable study skills and techniques tailored to each subject. The facilitators of the Academic Boot camp were teachers with extensive experience in their subject areas.

Co-Parenting Support

In its efforts to enhance its relationship with the parents and guardians of the scholarship beneficiaries, the Foundation initiated meetings with parents and guardians in the target counties. The Foundation mobilised parents and guardians in 15 counties to strengthen the co-parenting relationship and mobilise savings as a baby step towards empowering households. Keys areas of emphasis during the meetings included academic performance, co-parenting, school visits and mentorship.

Enhanced relationships with Partner High Schools

The Foundation continued building strong working relationships with the Ministry of Education and the Teachers Service Commission at the regional level. As a result, 135 High school principals from Eastern Region (44), Rift Valley Region (82), and Coast Region (9) were sensitised about the Foundation's High School Scholarship Program. The Family Bank team also marketed various banking products, including check-off and salary loans and prepaid cards for teaching and non-teaching staff. The Digital Financial Services team and branch managers made meaningful connections with individual chief principals, laying the groundwork for future follow-ups. This effort is a step towards extending financial services to more individuals and promoting financial inclusion in the community.

Sustained Relationship between the Foundation and Alumni

The Foundation organised its inaugural Alumni Forum in September 2023 at Daykio Plaza. The forum brought together Alumni members from different high schools to deliberate on post-high school pathways and ways to contribute to the Foundation's vision and mission. During the forum, the Alumni formed an interim office, established a desk at the Foundation and developed an operational framework.

The Family Group Foundation Beneficiaries

TFGF and KDF student beneficiaries who recently graduated last year had a chance to officially commence their internship at Ruiru. The students were very excited to start this new part of their lives.

SDG 8 - Decent Work and Economic Growth

1. Vocational Skills Development

The Family Group Foundation is committed to developing technical and vocational skills in various construction trades to empower youth. The Foundation has conducted training programs in plumbing, electrical installation, painting and other trades to provide the necessary skills to the beneficiaries. To further support the trained beneficiaries, the Foundation has also issued construction starter toolkits and provided linkages to the construction sector labour market for self-employment, income generation, and wealth creation. The Foundation focuses on green building technologies to create sustainable and eco-friendly structures.

In today's economy, Information and Communications Technology (ICT) plays a crucial role in driving economic growth across different sectors. Recognising this, the Foundation provides capacity building, technical training, and skills development in Animation, Software development, and artificial intelligence. These skills are being developed to generate technology-based solutions with a positive social impact. The foundation also supports ICT start-ups through business incubators, coaching, and investor readiness for growth. By empowering young people with ICT skills, the Foundation contributes to developing a more innovative and technology-driven economy.

Environmental Conservation

SDG 13 - Climate Action: Environmental conservation for climate change adaptation

The Family Group Foundation has partnered with various organisations such as Green Blue Foundation, Kenya Forest Services, and Kenya Water Towers Agency to support Environmental Conservation for Climate Action. This initiative aligns with the Government's aim to increase Kenya's forest cover by planting 15 billion trees by 2032. As part of this mission, the Foundation has planted over 15,000 seedlings within Ngong Hills Forest Reserve in Kiserian, Kajiado County.

Ngong Hills Forest Reserve Restoration

The Family Group Foundation collaborated with the Green Blue Foundation Africa's (GBFA) "Adopt A Forest" Ecosystem Restoration Model to restore the Ngong Hills Forest Reserve. The Kenya Forest Service also joined hands to restore ten out of 240 acres at Ngong Hills Forest Reserve, Corner Baridi, Kiserian, Kajiado County. The Foundation donated an initial Kshs 5 million towards Ngong Hills Forest Ecosystem Restoration in partnership with the Environment & Forestry Ministry and the County Government of Kajiado.

The project has marked numerous significant achievements, starting with its recognition as a "Model Site for Ecosystem Restoration in Kenya" by the Cabinet Secretary of Environment and Forestry in 2021. This milestone was complemented by the support and endorsement from the local Maasai elders, emphasising the project's community and cultural integration. In addition, it has successfully forged strategic partnerships across a broad spectrum of stakeholders, including government agencies, conservation organisations, the private sector, and civil society, all aimed at bolstering the project's implementation.

A notable impact of the project has been creating employment opportunities, benefitting over 100 youths from the local community. This economic boost is complemented by significant environmental efforts, including the rehabilitation of three water pans within the area, which are crucial for sustaining the local ecosystem. Additionally, the initiative has taken substantial steps toward ecosystem restoration by planting over 15,000 indigenous seedlings across the 10-acre site, further underscoring its commitment to environmental conservation.

National Tree Growing Day

Family Bank, the Foundation, GBFA, and Nation Media Group gathered around 200 staff members and volunteers in November 2023 to facilitate the planting of 2,000 tree seedlings. The initiative was in support of the Presidential National Tree Growing Day, which aims to plant 15 billion trees by 2032.

2. Partnerships

SDG 17 - Partnerships for the Goals

Partnerships are at the heart of the Family Group Foundation's efforts to empower families and create positive change. The Foundation is dedicated to establishing strategic alliances through meaningful and mutually beneficial stakeholder relationships to amplify their collective impact. By collaborating with various entities, including the corporate sector and civil society, the National and County Governments and other Foundations, the Family Group Foundation can enhance its societal impact, ensuring increased efficiency and productivity in achieving its mission.

Military Wives Association of Kenya (MWAK) Partnership

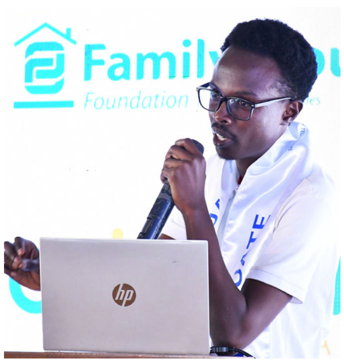
The Family Group Foundation and the Military Wives Association of Kenya (MWAK) established a strategic collaboration under the Kenya Defence Forces (KDF) to provide scholarships to 51 dependents of KDF servicemen through the Tufuzu Youth Entrepreneurship Development Project. The project was inaugurated by the then Kenya Defence Forces (KDF) Chief of Defence Forces, General Robert Kibochi, in March 2023. In June 2023, his successor, the late General Francis Ogolla, presided over the graduation ceremony at the KDF Ulinzi Sports Grounds in Langata, Nairobi. The partnership has had several significant accomplishments, which include:

- Equipping 51 young individuals with technical skills in construction-related trades, specifically plumbing and electrical installation.
- Successfully graduating 50 youths from the technical training program as of June 21st, 2023.
- Distributing 50 trade-specific toolkits to the recipients, empowering them with the essential tools for their trade.
- Achieving full accreditation for 47 graduates as skilled artisans by the National Construction Authority (NCA).
- Securing internship placements for 27 beneficiaries at affordable housing construction sites in Ruiru and Westlands, offering them practical experience and further skill application and development opportunities.

USAID World Vision Tumikia Mtoto Project

The USAID World Vision *Tumikia Mtoto* Project is aimed at empowering young women in their HIV/AIDS prevention program and ensuring their socio-economic self-reliance. The project provides technical and vocational training to young women in construction. The training occurs in safe spaces where World Vision provides HIV/AIDS education. The young women undergo screening and sensitisation on the construction courses and can choose a specific trade. Under the partnership, World Vision covers the cost of buying the Construction Starter toolkits, while the Foundation covers the tuition for the girls' training.

In Cohort 5 Training, 90 young women were mobilised and screened in Baba Dogo, Lucky Summer, Njiru, and Kamenu. 78 out of the 90 were successfully enrolled and completed their Plumbing and Electrical installation training. These 78 young women are currently waiting for the issuance of toolkits, internship placement, and graduation, which is set to take place in the first quarter of 2024. In October 2023, the Foundation collaborated with Family Bank Kasarani and Makongeni branches to provide financial literacy and account opening sessions in Baba Dogo, Njiru, and Kamenu to empower women financially and promote financial inclusion in their journey towards economic self-reliance.



ICT - Animation, Software Engineering & Artificial Intelligence Skills Development

In October 2021, The Foundation and Adanian Labs collaborated to initiate a program that aims to develop ICT skills. The first cohort, consisting of 100 individuals, received training in specialised areas such as Animation, Coding, and Artificial Intelligence. A subsequent cohort of 250 participants focused on Software Engineering. This group included alumni of The Foundation and young individuals identified in collaboration with the County Governments of Machakos and Nyamira.

The training program strongly emphasises practical digital skills. Students are encouraged to engage in project work following their area of specialisation. This approach equips students with hands-on skills and enhances their learning experience, as creating while learning presents an unrivalled form of engagement and motivation. Of the 250 students who started their journey, 238 have continued their studies. On November 29th, 2023, 211 dedicated ICT learners completed their training and graduated.

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

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Corporate Information

NON-EXECUTIVE

Dr. Wilfred D. Kiboro	- Chairperson
Mr. Francis Gitau Mungai	- Vice chairperson
Mr. Titus K. Muya	
Mr. Lazarus Muema	
Ms. Mary Njeri Mburu	
Mr. David Ichoho	- Appointed in March 2023
Mr. Mark Keriri	- Appointed in November 2023

EXECUTIVE

Rebecca Mbithi	- Resigned in November 2023
Ms. Nancy Njau	- Appointed Managing Director and CEO in November 2023

COMPANY SECRETARY

Mr. Eric K. Murai
Certified secretary
8th Floor, Family Bank Towers,
Muindi Mbingu Street
P.O. Box 74145 - 00200, Nairobi
Tel: 254-2-318173/318940/2/7/0720 098 300
Fax: 254-2-318174
Email: info@familybank.co.ke
Website: www.familybank.co.ke

REGISTERED OFFICE

Family Bank Limited
8th Floor, Family Bank Towers, Muindi Mbingu Street
P.O. Box 74145- 00200, Nairobi
Tel: 254-2-318173/318940/2/7/0720 098 300
Fax: 254-2-318174
Email: info@familybank.co.ke
Website: www.familybank.co.ke

AUDITOR

PricewaterhouseCoopers LLP
Certified Public Accountants
PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P.O. Box 43963-00100
Nairobi, Kenya

LEGAL ADVISER

Mboya Wangong'u & Waiyaki Advocates
Lex Chamber, Maji Mazuri Road
Off James Gichuru Road
Nairobi

CORRESPONDENT BANKS

Deutsche Bank AG London
6 Bishopsgate
London
EC2P 2AT
United Kingdom

DZ Bank AG
60265 Frankfurt am Main

Deutsche Bank Trust Company Americas
P O Box 318, Church Street Station
New York, New York 10008 – 0318

BOARD COMMITTEES

Credit Committee

Mr. Francis Mungai	- Chairperson
Mr. Titus K. Muya	
Dr. Wilfred D. Kiboro	
Ms. Nancy Njau	

Audit Committee

Mr. Lazarus Muema	- Chairperson
Ms. Mary Mburu	
Mr. David Ichoho	

Risk Management and Compliance Committee

Ms. Mary Mburu	- Chairperson
Mr. Lazarus Muema	
Mr. David Ichoho	
Mr. Mark Keriri	

Human Resource Committee

Mr. Francis Mungai	- Chairperson
Ms. Mary Mburu	
Mr. Titus K. Muya	
Dr. Wilfred D. Kiboro	
Mr. Francis Mungai	
Ms. Nancy Njau	

Strategy Committee

Mr. Lazarus Muema	- Chairperson
Mr. Titus K. Muya	
Dr. Wilfred D. Kiboro	
Ms. Nancy Njau	

Nomination Committee

Dr. Wilfred D Kiboro	- Chairperson
Mr. Titus K. Muya	
Mr. Francis Mungai	

Directors' Report

The directors submit their report together with the audited financial statements for the year ended 31 December 2023, which disclose the state of affairs of Family Bank Limited (the "Bank" or the "Company") and its subsidiary, Family Bank Bancassurance Intermediary Limited (together the "Group").

Principal activities

The Group provides an extensive range of banking, financial and related services and is licensed under the Banking Act. The principal activity of the subsidiary is to provide bancassurance services through insurance agency services and licensed by Insurance regulatory authority.

Results and recommended dividend

The group profit for the year of Kshs 2,507,921,000 (2022 Kshs 2,213,712,000) has been added to the retained earnings. The directors recommend payment of a dividend in respect to the year ended 31 December 2023 of Kshs 723 million (2022: Kshs 795 million).

Business review

The year ended 31 December 2023 has been turbulent for most of the economies globally; as inflation, rising interest rates, tight labor markets and geopolitical shocks hit forecasts and caused uncertainty. The Global economy's growth is expected to slow down due to the persistent inflationary pressures attributable to the high global fuel and energy prices experienced throughout the year. In line with this, most economies have continued to tighten their monetary policies to curb the effects. Kenya's economic performance strengthened in 2023 despite continued challenges, with real GDP growth accelerating from 4.8% in 2022 to an estimated 5% in 2023. The improved growth performance is attributed to a strong rebound in agriculture sector in 2023 as well as a moderate growth in the services sector.

The group has navigated through a challenging economic landscape with resilience and adaptability. Despite the persistent uncertainties in the local financial markets, we maintained our commitment to sound financial management and customer-centric services.

The group profit before income tax declined by 14% to Shs 3,195 million down from Shs 3,744 million while interest income grew by 17.3% to Shs 16,211 million from Shs 13,819 million and net foreign exchange income grew by 55.3% to Shs 1,031 million from Shs 664 million, fees and commissions income increased by 6.9% to Shs 2,419 million from Shs 2,263 million. The challenging operating environment resulted in increased credit impairment losses by 58.7% to Shs 2,074 million from Shs 1,307 million.

Total assets experienced a commendable 11% growth trajectory, rising from Kshs 128.5 billion in 2022 to Kshs 142.4 billion in 2023. The group's loan book exhibited a notable 7% expansion, primarily driven by growth within the Micro and Small Enterprises sector. Moreover, the group surpassed the significant milestone of Kshs 100 billion in deposits, with customer deposits surging by an impressive 15% from Kshs 88.9 billion to Kshs 102.6 billion. This growth underscores the unwavering confidence demonstrated by our valued customers in our services and offerings.

The following is the summary of the results for the year ended 31 December 2023:

	Group		Bank	
	2023 Kshs 000	2022 Kshs 000	2023 Kshs 000	2022 Kshs 000
Total assets	142,406,925	128,513,113	142,315,712	128,465,438
Loans and advances to customers	86,921,359	81,380,510	86,921,359	81,380,510
Customer deposits	102,594,430	88,903,786	103,137,731	89,343,232
Profit before taxation	3,195,813	3,744,992	3,057,703	3,741,970

Directors' Report (continued)

Directors

The Directors who held office at the date of this report are set out on page 35.

Events subsequent to the end of the reporting period

There were no material subsequent events after the reporting date requiring disclosure in these financial statements as at the date of the financial statement approval.

Statement as to disclosure to the group's auditor

With respect to each director at the time this report was approved:

(i) there is, so far as the director is aware, no relevant audit information of which the Group's auditor is unaware; and

(ii) the director has taken all steps that the director ought to have taken as a director so as to be aware of any relevant audit information and to establish that the Group's auditor is aware of that information.

Terms of appointment of the auditor

PricewaterhouseCoopers LLP continues in office in accordance with the Group's Articles of Association and Section 719 of the Companies Act, 2015.

The directors monitor the effectiveness, objectivity, and independence of the auditor. This responsibility includes the approval of the audit engagement contract and the associated fees on behalf of the shareholders.

By order of the Board

Eric K. Murai
Company secretary
Nairobi

8 March 2024

Ripoti Ya Wakurugenzi

Wakurugenzi wanawasilisha ripoti yao pamoja na taarifa za fedha zilizokaguliwa za mwaka uliomalizika tarehe 31 Desemba mwaka wa 2023, ambayo inafichua hali ya mambo kwa Benki ya Family Bank Limited (“Benki” au “Kampuni”) na kampuni zake tanzu, Family Bank Bancassurance Intermediary Limited (pamoja kama "Kundi").

Shughuli kuu

Kundi hili linatoa huduma mbalimbali za benki, za kifedha na zile zinazohusiana nazo na limepewa leseni chini ya Sheria ya Benki. Shughuli kuu ya kampuni tanzu ni kutoa huduma za bima kupitia huduma za wakala wa bima na kupewa leseni na mamlaka ya udhibiti wa Bima.

Matokeo na mgao wa faida ilivyopendekezwa

Faida ya kundi kwa mwaka ya shilingi za Kenya (Kshs) 2,507,921,000 (mwaka wa 2022 Kshs 2,213,712,000) imeongezwa kwenye mapato yaliyosalia. Wakurugenzi wanapendekeza kulipwa mgao wa faida kwa mwaka uliomalizika tarehe 31 Desemba mwaka wa 2023 ya Kshs milioni 723 (mwaka wa 2022: Kshs milioni 795).

Tathmini ya biashara

Mwaka uliomalizika tarehe 31 Desemba mwaka wa 2023 umeshuhudia changamoto kwa uchumi wa mataifa mengi duniani; kwani mfumuko wa bei, kupanda kwa viwango vya riba, soko dogo na majanga ya kijiografia vilichukua usukani na kusababisha mambo ambayo hayakutarajiwa. Ukuaji wa Uchumi Duniani unatarajiwa kupungua kutokana na shinikizo linaloendelea la mfumuko wa bei unaotokana na bei ya juu ya mafuta na nishati kote duniani ilivyoshuhudiwa mwaka mzima. Kutokana na hali hii, mataifa mengi ya kiuchumi yameendelea kukaza sera zao za fedha ili kupunguza athari. Utendakazi wa uchumi wa Kenya uliimarika mwaka wa 2023 licha ya changamoto zinazoendelea kushuhudiwa, huku ukuaji halisi wa Pato la Taifa ukiimarika kutoka asilimia 4.8 mwaka wa 2022 hadi wastani wa asilimia 5 mwaka wa 2023. Kuimarika kwa ukuaji wa uchumi kunachangiwa na kuimarika kwa sekta ya kilimo mwaka wa 2023 pamoja na ukuaji mdogo katika sekta ya huduma.

Kundi limepitia mazingira magumu ya kiuchumi kwa uthabiti na kukabiliana na hali. Licha ya kutokuwa na uhakika wa kitakachojiri katika masoko ya fedha ya ndani ya nchi, tulidumisha kujitolea kwetu kusimamia vyema fedha na huduma zinazowajali wateja.

Faida ya kundi kabla ya kodi ya mapato ilipungua kwa asilimia 14 hadi shilingi milioni 3,195 kutoka shilingi milioni 3,744 huku mapato ya riba yakiongezeka kwa asilimia 17.3 hadi shilingi milioni 16,211 kutoka shilingi milioni 13,819 na mapato ya jumla ya fedha za kigeni yalikua kwa asilimia 55.3 hadi shilingi milioni 1,031 kutoka shilingi milioni 664, mapato ya ada na kutoa huduma yaliongezeka kwa asilimia 6.9 hadi shilingi milioni 2,419 kutoka shilingi milioni 2,263. Mazingira yalio na changamoto za utendakazi yalisababisha kuongezeka kwa hasara kutokana na mikopo kwa asilimia 58.7 hadi shilingi milioni 2,074 kutoka shilingi milioni 1,307.

Jumla ya mali ilishuhudia ukuaji wa asilimia 11, na kuongezeka kutoka Kshs bilioni 128.5 mwaka wa 2022 hadi Kshs bilioni 142.4 mwaka wa 2023. Kitabu cha mkopo cha kikundi kilionyesha ongezeko kuu la asilimia 7, lililochochewa na ukuaji ndani ya sekta ya Biashara na Mashirika Madogo. Zaidi ya hayo, kundi lilipiga hatua muhimu za amana za Kshs bilioni 100, huku amana za wateja ziliongezeka kwa asilimia 15 kutoka Kshs bilioni 88.9 hadi Kshs bilioni 102.6. Ukuaji huu unaonyesha imani thabiti inayoonyeshwa na wateja wetu tunaowathamini katika utoaji wetu wa huduma na kujitolea kwetu..

Ufuatao ni muhtasari wa matokeo ya mwaka ulioishia tarehe 31 Desemba mwaka wa 2023:

	Kundi		Benki	
	Mwaka wa 2023 Kshs 000	Mwaka wa 2022 Kshs 000	Mwaka wa 2023 Kshs 000	Mwaka wa 2022 Kshs 000
Mali yote	142,406,925	128,513,113	142,315,712	128,465,438
Mikopo na malipo ya mapema kwa wateja	86,921,359	81,380,510	86,921,359	81,380,510
Amana ya wateja	102,594,430	88,903,786	103,137,731	89,343,232
Faida kabla ya kulipa ushuru	3,195,813	3,744,992	3,057,703	3,741,970

Wakurugenzi

Wakurugenzi walioshikilia nyadhifa mbalimbali wakati wa kutolewa kwa ripoti hii wanapatikana katika ukurasa wa thelathini na tano.

Ripoti Ya Wakurugenzi

Yaliyotokea baada ya ripoti kukamilika

Hakukuwa na hafla iliyohitaji kuripotiwa katika taarifa hizi za fedha baada ya ripoti kutolewa kufikia siku ambayo taarifa hizi ziliidhinishwa.

Taarifa zilizotolewa kwa mkaguzi wa hesabu wa kundi

Kwa kuzingatia kila mkurugenzi wakati ripoti hii ilipoidhinishwa:

(i) kufikia sasa, kama anavyofahamu mkurugenzi, hakuna taarifa za ukaguzi asizofahamu mkaguzi wa hesabu wa kundi; na

(ii) mkurugenzi amechukua hatua zote ambazo mkurugenzi anapaswa kuchukua ili kufahamu kuhusu taarifa zozote muhimu za ukaguzi na kubainisha kuwa mkaguzi wa hesabu wa Kundi anafahamu taarifa hizo.

Vigezo vya kumteua mkaguzi wa hesabu

PricewaterhouseCoopers LLP inaendelea na kazi yake kwa kuzingatia Kanuni za Utendakazi wa Shirika na kifungu cha 719 cha Sheria ya Makampuni ya mwaka wa 2015.

Wakurugenzi wanafuatilia ufaafu, kutokuwa na upendeleo, na kujitegemea kwa mkaguzi wa hesabu. Wajibu huu unajumuisha uidhinishaji wa kandarasi ya mkaguzi wa hesabu na gharama husika kwa niaba ya wamiliki wa hisa.

Kwa agizo la Bodi

Eric K. Murai
Katibu wa Kampuni
Nairobi

8 Machi 2024

Statement of the Directors' Responsibilities

The Companies Act 2015 requires the directors to prepare financial statements for each financial year which give a true and fair view of the financial position of the Group and Company at the end of the financial year and its financial performance for the year then ended. The directors are responsible for ensuring that the Group and Company keeps proper accounting records that are sufficient to show and explain the transactions of the Group and Company; disclose with reasonable accuracy at any time the financial position of the Group and Company; and that enables them to prepare financial statements of the Group and Company that comply with prescribed financial reporting standards and the requirements of the Companies Act 2015. They are also responsible for safeguarding the assets of the Group and Company and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors accept responsibility for the preparation and presentation of these financial statements in accordance with IFRS Accounting Standards and in the manner required by the Companies Act 2015. They also accept responsibility for:

i. designing, implementing and maintaining internal control as they determine necessary to enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error;
ii. selecting suitable accounting policies and then apply them consistently; and
iii. making judgments and accounting estimates that are reasonable in the circumstances.

Having assessed the Group's and Company's ability to continue as a going concern, the directors are not aware of any material uncertainties related to events or conditions that may cast doubt upon the Group's and Company's ability to continue as a going concern.

The directors acknowledge that the independent audit of the financial statements does not relieve them of their responsibility.

Approved by the board of directors on 8 March 2024 and signed on its behalf by:

Dr. Wilfred D. Kiboro	**Nancy Njau**
Director	**Managing Director & CEO**

Independent Auditor's Report to the Shareholders of Family Bank Limited

Report on the audit of the financial statements

Our opinion

We have audited the accompanying financial statements of Family Bank Limited (the 'Bank' or 'Company') and its subsidiary (together, the Group) set out on pages 115 to 196, which comprise the consolidated and Bank statement of financial position at 31 December 2023 and the consolidated and Bank statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, Bank statement of changes in equity and consolidated and Bank statement of cash flows for the year then ended, and the notes to the financial statements, comprising material accounting policies and other explanatory information.

In our opinion the financial statements of Family Bank Limited give a true and fair view of the financial position of the Group and the Bank as at 31 December 2023 and of their financial performance and cashflows for the year then ended in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the company in accordance with the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code) together with the ethical requirements that are relevant to our audit of the financial statements in Kenya. We have fulfilled our other ethical responsibilities in accordance with the IESBA Code.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

PricewaterhouseCoopers LLP. PwC Tower, Waiyaki Way/Chiromo Road, Westlands
P O Box 43963 – 00100 Nairobi, Kenya
T: +254 (20)285 5000 F: +254 (20)285 5001 www.pwc.com/ke

Partners: E Kerich B Kimacia M Mugasa A Murage F Muriu P Ngahu B Ngunjiri R Njoroge S O Norbert's B Okundi K Saiti

Independent Auditor's Report to the Shareholders of Family Bank Limited (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances at amortised cost Loans and advances to customers comprise a significant portion of the Group's total assets. The estimation of expected credit losses (ECL) on loans and advances requires management judgment in the assumptions that are applied in the models used to calculate ECL. The policies for estimating ECL are explained in notes 3 (a) and 4.1 of the financial statements. The key areas where significant judgement has been exercised and therefore, an increased level of audit focus applied, include: • the assumptions applied in deriving the probabilities of default (PDs), loss given default (LGD) and exposures at default (EAD) for the various segments; • the judgments made to determine the staging of facilities in line with IFRS 9. In particular, the identification of *Significant Increase in Credit Risk ("SICR")* and *Default* requires consideration of quantitative and qualitative criteria. This is a key area of judgement as this determines whether a 12-month or lifetime PD is used. Specific assumptions have been applied by management in determining the staging, PD and LGD for certain segments of the loan book; and • the relevance of forward-looking information used in the models; Due to the significant impact of management judgments applied in calculating the ECL, we designated this as a key audit matter in our audit.	Our audit procedures focused on the significant areas of judgement and estimations that could result in material misstatements in the financial statements. These procedures included: • We reviewed the Group's methodology for determining ECL, including enhancements in the year, and evaluated this against the requirements of IFRS 9; • We tested how the Group extracts 'days past due (DPD)' applied in classifying the loan book into the three stages required by IFRS 9. For a sample of loans, we recalculated the DPD applied in the model ; • We reviewed judgements applied in the staging of loans and advances; • We obtained an understanding of the basis used to determine the probabilities of default. We tested the completeness and accuracy of the historical data used in derivation of PDs and LGDs, and re-calculated the same on a sample basis; • For LGD, we tested the assumptions on the timing of the recovery cash flows based on empirical evidence. In addition, for secured facilities, we agreed the collateral values used in the ECL model to external valuer reports; • We tested, on a sample basis, the reasonableness of EAD for both on and off-balance sheet exposures; • For forward-looking assumptions used in the ECL calculations, we corroborated the assumptions using publicly available information; and assessed the reasonableness of the weightings applied to different scenarios ; and • We reviewed and assessed whether the disclosures in the financial statements on the key judgements and assumptions were adequate.

Independent Auditor's Report to the Shareholders of Family Bank Limited (continued)

Our opinion

The other information comprises Corporate information, Directors' report and Statement of directors' responsibilities which we obtained prior to the date of this auditor's report, and the rest of the other information in the Integrated Report which is expected to be made available to us after that date but does not include the financial statements and our auditor's report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not and will not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information we have received prior to the date of this auditor's report we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

When we read the rest of the other information in the Integrated Report and we conclude that there is a material misstatement therein, we are required to communicate the matter to those charged with governance.

Responsibilities of the directors for the financial statements

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards and the requirements of the Companies Act, 2015, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or Company, or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group and Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group or Company to cease to continue as a going concern.

Independent Auditor's Report to the Shareholders of Family Bank Limited (continued)

Auditor's responsibilities for the audit of the financial statements (continued)

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the Group financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence applicable and where applicable actions taken to eliminate threats or safeguards applied.
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the Group and Company's financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other matters prescribed by the Companies Act, 2015

In our opinion the information given in the directors' report on pages106 and 107 is consistent with the financial statements.

FCPA Richard Njoroge, Practicing Certificate Number 1244
Engagement partner responsible for the audit

For and on behalf of PricewaterhouseCoopers LLP
Certified Public Accountants
Nairobi

27 March 2024

Consolidated and Bank Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	Consolidated 2023 Kshs'000	Consolidated 2022 Kshs'000	Bank 2023 Kshs'000	Bank 2022 Kshs'000
Interest income	6(a)	16,211,094	13,819,961	16,211,094	13,819,961
Interest expense	7	(6,552,847)	(4,736,677)	(6,599,892)	(4,778,214)
Net interest income		9,658,247	9,083,284	9,611,202	9,041,747
Fee and commission income	8(a)	2,419,433	2,263,453	2,419,433	2,263,453
Fee and commission expense	8(b)	(540,541)	(386,962)	(540,541)	(386,962)
Net fees and commission income		1,878,892	1,876,491	1,878,892	1,876,491
Investment income	6(b)	235,354	105,385	235,354	105,385
Net trading income		1,031,483	664,659	1,031,483	664,659
Other income	8(c)	548,578	398,345	360,454	360,908
Operating income		13,352,554	12,128,164	13,117,385	12,049,190
Operating expenses	9	(8,081,859)	(7,076,041)	(7,984,800)	(7,000,089)
Credit impairment losses	16 (b)	(2,074,882)	(1,307,131)	(2,074,882)	(1,307,131)
Profit before income tax		3,195,813	3,744,992	3,057,703	3,741,970
Income tax expense	11	(687,892)	(1,531,280)	(647,810)	(1,470,788)
Profit for the year		**2,507,921**	**2,213,712**	**2,409,893**	**2,271,182**
Other comprehensive income					
Items that may be reclassified to profit or loss					
Fair value loss on debt financial assets at fair value through other comprehensive income (net of tax)		(953,253)	(626,729)	(953,253)	(626,729)
Total other comprehensive income		(953,253)	(626,729)	(953,253)	(626,729)
Total comprehensive income for the year		**1,554,668**	**1,586,983**	**1,456,640**	**1,644,453**
Earnings per share (basic and diluted) (Kshs)	12	1.95	1.72	1.87	1.69

Consolidated and Bank Statement of Financial Position

As at 31 December 2023

	Notes	Consolidated 2023 Kshs'000	Consolidated 2022 Kshs'000	Bank 2023 Kshs'000	Bank 2022 Kshs'000
Assets					
Cash and balances with CBK	13	9,250,646	8,992,039	9,250,646	8,992,039
Balances due from banking institutions	14(a)	2,646,725	5,589,075	2,646,725	5,589,075
Government securities:					
-at amortised cost	15	24,296,347	14,074,248	24,276,235	14,063,735
-at fair value through profit or loss	15	-	853,628	-	853,628
-at fair value through other comprehensive income	15	10,529,403	10,826,810	10,529,403	10,826,810
Current income tax		48,484	8,702	37,361	-
Other assets	18	2,496,276	1,794,011	2,429,729	1,763,001
Loans and advances to customers	16	86,921,359	81,380,510	86,921,359	81,380,510
Investment in subsidiary	20	-	-	10,000	10,000
Investment properties	21	28,600	28,600	28,600	28,600
Property and equipment	22	2,487,557	2,132,510	2,487,309	2,132,105
Intangible assets	23	543,317	298,282	540,864	291,625
Right of use of assets	33	760,152	635,330	760,152	635,330
Prepaid operating leases	24	123,280	127,916	123,280	127,916
Deferred income tax	28	2,274,779	1,771,452	2,274,049	1,771,064
Total assets		**142,406,925**	**128,513,113**	**142,315,712**	**128,465,438**
Liabilities and shareholders' funds					
Liabilities					
Customer deposits	25	102,594,430	88,903,786	103,137,731	89,343,232
Short term borrowings from CBK		3,000,000	2,997,544	3,000,000	2,997,544
Balances due to banking institutions	14(b)	4,384,574	6,419,589	4,384,574	6,419,589
Accruals and other provisions	27(a)	41,702	370,179	41,702	370,179
Other liabilities	27(b)	3,284,747	2,310,002	3,118,856	2,193,476
Current income tax		-	25,324	-	25,324
Borrowings	26	11,274,119	10,532,651	11,274,119	10,532,651
Lease liabilities	33	956,570	843,009	956,570	843,009
Total liabilities		125,536,142	112,402,084	125,913,552	112,725,004
Shareholders' funds					
Share capital	29	1,287,108	1,287,108	1,287,108	1,287,108
Share premium		5,874,662	5,874,662	5,874,662	5,874,662
Revaluation surplus		278,424	278,424	278,424	278,424
Fair value reserve		(1,766,320)	(813,067)	(1,766,320)	(813,067)
Retained earnings		7,879,305	6,911,705	7,410,682	6,541,110
Statutory reserve		2,594,636	1,777,283	2,594,636	1,777,283
Proposed dividends		722,968	794,914	722,968	794,914
Total shareholders' funds		16,870,783	16,111,029	16,402,160	15,740,434
Total liabilities and shareholders' funds		**142,406,925**	**128,513,113**	**142,315,712**	**128,465,438**

The financial statements on pages 115 to 196 were approved for issue by the board of directors on 08 March 2024 and were signed on its behalf by:

Dr. Wilfred D. Kiboro
Director Managing

Nancy Njau
Director & CEO

Consolidated Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital Kshs 000	Share premium Kshs 000	Revaluation surplus Kshs 000	Fair value reserve Kshs 000	Retained earnings Kshs 000	Proposed Dividend Kshs 000	Statutory reserve Kshs 000	Total Kshs 000
Year ended 31 December 2022								
At start of year	1,287,108	5,874,662	278,424	(186,338)	6,881,691	1,087,638	369,161	15,592,346
Comprehensive income								
Profit for the year	-	-	-	-	2,213,712	-	-	2,213,712
Other comprehensive income								
Fair value loss on financial assets at fair value through other comprehensive income (net of tax)	-	-	-	(626,729)	-	-	-	(626,729)
Transfer to statutory reserves	-	-	-	-	(1,408,122)	-	(1,408,122)	-
Transaction with owners in their capacity as owners								
Proposed dividend	-	-	-	-	(794,914)	794,914	-	-
Prior period dividend adjustment	-	-	-	-	19,338	(19,338)	-	-
Dividend paid	-	-	-	-	-	(1,068,300)	-	(1,068,300)
At 31 December 2022	**1,287,108**	**5,874,662**	**278,424**	**(813,067)**	**6,911,705**	**794,914**	**1,777,283**	**16,111,029**
Year ended 31 December 2023								
At start of year	1,287,108	5,874,662	278,424	(813,067)	6,911,705	794,914	1,777,283	16,111,029
Comprehensive income								
Profit for the year	-	-	-	-	2,507,921	-	-	2,507,921
Other comprehensive income								
Fair value loss on financial assets at fair value through other comprehensive income (net of tax)	-	-	-	(953,253)	-	-	-	(953,253)
Transfer to statutory reserves	-	-	-	-	(817,353)	-	817,353	-
Transaction with owners in their capacity as owners								
Proposed dividend	-	-	-	-	(722,968)	722,968	-	-
Dividend paid	-	-	-	-	-	(794,914)	-	(794,914)
At 31 December 2023	**1,287,108**	**5,874,662**	**278,424**	**(1,766,320)**	**7,879,305**	**722,968**	**2,594,636**	**16,870,783**

Bank Statement of Changes in Equity
For the year ended 31 December 2023

	Share capital Kshs 000	Share premium Kshs 000	Revaluation surplus Kshs 000	Fair value reserve Kshs 000	Retained earnings Kshs 000	Proposed Dividend Kshs 000	Statutory reserve Kshs 000	Total Kshs 000
Year ended 31 December 2022								
At start of year	1,287,108	5,874,662	278,424	(186,338)	6,453,626	1,087,638	369,161	15,164,281
Comprehensive income								
Profit for the year	-	-	-	-	2,271,182	-	-	2,271,182
Other comprehensive income								
Fair value loss on financial assets at fair value through other comprehensive income (net of tax)	-	-	-	(626,729)	-	-	-	(626,729)
Transfer to statutory reserves	-	-	-	-	(1,408,122)	-	1,408,122	-
Transaction with owners in their capacity as owners								
Proposed dividend	-	-	-	-	(794,914)	794,914	-	-
Prior period dividend adjustment	-	-	-	-	19,338	(19,338)	-	-
Dividend paid	-	-	-	-	-	(1,068,300)	-	(1,068,300)
At 31 December 2022	**1,287,108**	**5,874,662**	**278,424**	**(813,067)**	**6,541,110**	**794,914**	**1,777,283**	**15,740,434**
Year ended 31 December 2023								
At start of year	1,287,108	5,874,662	278,424	(813,067)	6,541,110	794,914	1,777,283	15,740,434
Comprehensive income								
Profit for the year	-	-	-	-	2,409,893	-	-	2,409,893
Other comprehensive income								
Fair value loss on financial assets at fair value through other comprehensive income (net of tax)	-	-	-	(953,253)	-	-	-	(953,253)
Transfer to statutory reserves	-	-	-	-	(817,353)	-	817,353	-
Transaction with owners in their capacity as owners								
Proposed dividend	-	-	-	-	(722,968)	722,968	-	-
Dividend paid	-	-	-	-	-	(794,914)	-	(794,914)
At 31 December 2023	**1,287,108**	**5,874,662**	**278,424**	**(1,766,320)**	**7,410,682**	**722,968**	**2,594,636**	**16,402,160**

Consolidated and Bank Statement of Cash Flows
For the year ended 31 December 2023

		Consolidated		Bank	
	Notes	2023 Kshs'000	2022 Kshs'000	2023 Kshs'000	2022 Kshs'000
Cash flows from operating activities					
Cash used in operations	31(a)	(6,631,543)	(12,690,358)	(6,627,343)	(12,716,822)
Interest received		12,655,419	12,419,686	12,655,419	12,419,686
Interest paid		(6,538,520)	(3,891,585)	(6,586,002)	(3,932,493)
Interest paid on lease liabilities		(105,174)	(108,606)	(105,174)	(108,606)
Tax paid		(1,256,763)	(1,740,942)	(1,213,481)	(1,674,465)
Net cashflows from operating activities		(1,876,581)	(6,011,805)	(1,876,581)	(6,012,700)
Cash flows from investing activities					
Purchase of property and equipment	22	(758,049)	(480,149)	(758,049)	(479,254)
Purchase of intangible assets	23	(366,249)	(100,430)	(366,249)	(100,430)
Net cash flows from investing activities		(1,124,298)	(580,579)	(1,124,298)	(579,684)
Cash flows from financing activities					
Proceeds from borrowings	26	7,561,155	6,763,878	7,561,155	6,763,878
Repayment of borrowing	26	(3,819,687)	(1,475,476)	(3,819,687)	(1,475,476)
Payment of principal portion of lease liabilities	33	(460,744)	(440,126)	(460,744)	(440,126)
Dividends paid		(794,914)	(1,068,300)	(794,914)	(1,068,300)
Net cash flows from financing activities		2,485,810	3,779,976	2,485,810	3,779,976
Decrease in cash and cash equivalents		(515,069)	(2,812,408)	(515,069)	(2,812,408)
Cash and cash equivalents at start of the year		3,154,188	5,966,596	3,154,188	5,966,596
Cash and cash equivalents at end year	31(b)	**2,639,119**	**3,154,188**	**2,639,119**	**3,154,188**

1 General information

Family Bank Limited and its subsidiary Family Bancassurance Intermediary Limited are both incorporated in Kenya under the Companies Act and is domiciled in Kenya.

The address of its registered office is set out on page105.

2 Material accounting policies

The accounting policies set out below have been applied consistently to all periods presented on these financial statements, unless otherwise stated.

(a) Basis of preparation

The financial statements of the Bank and Group have been prepared in accordance with IFRS Accounting standards and interpretations issued by the IFRS Interpretations Committee (IFRS IC) applicable to companies reporting under IFRS Accounting Standards and the Companies Act, 2015. The financial statements comply with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB).

(i) Basis of measurement

The measurement basis used is the historical cost basis except where otherwise stated in the accounting policies below. For those assets and liabilities measured at fair value, fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. When measuring the fair value of an asset or a liability, the Group uses market observable data as far as possible. If the fair value of an asset or a liability is not directly observable, it is estimated by the Group using valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs (e.g. by use of the market comparable approach that reflects recent transaction prices for similar items or discounted cash flow analysis). Inputs used are consistent with the characteristics of the asset / liability that market participants would take into account.

Fair values are categorised into three levels of fair value hierarchy based on the degree to which the inputs to the measurements are observable and the significance of the inputs to the fair value measurement in its entirety:

- Level 1 fair value measurements are derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 fair value measurements are derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Transfers between levels of the fair value hierarchy are recognised by the Group at the end of the reporting period during which the change occurred.

(ii) Use of estimates

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates and assumptions. It also requires the directors to exercise judgment in the process of applying the Group's accounting policies. The areas involving a higher degree of judgment or complexity, or where assumptions and estimates are significant to the financial statements, are disclosed in note 3.

2 Material accounting policies (continued)
(a) Basis of preparation (continued)

Changes in accounting policy and disclosures

(i) New and amended standards effective and adopted by the Group

The following standards and interpretations apply for the first time to financial reporting periods commencing on or after 1 January 2023.These standards and amendments did not have a material impact on the financial statements.

Title	Effective date	Key requirements
Narrow scope amendments to IAS 1 'Presentation of Financial Statements', Practice statement 2 and IAS 8 'Accounting Policies, Changes in Accounting Estimates and Errors'	Annual periods beginning on or after 1 January 2023. (Published February 2021)	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish changes in accounting policies from changes in accounting estimates.
Amendments to IAS 12, Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	Annual periods beginning on or after 1 January 2023. (Published May 2021)	The amendments require companies to recognise deferred tax on transactions that, on initial recognition, give rise to equal amounts of taxable and deductible temporary differences.
Amendments to IAS 12 International Tax Reform—Pillar Two Model Rules	The deferred tax exemption and disclosure of the fact that the exception has been applied, is effective immediately. The other disclosure requirements are effective annual periods beginning on or after 1 January 2023. (Published May 2023)	These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development's (OECD) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

2 Material accounting policies (continued)
(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards effective and adopted by the Group (continued)

Title	Effective date	Key requirements
IFRS 17, 'Insurance contracts'	Annual periods beginning on or after 1 January 2023 (Published May 2017)	The IASB issued IFRS 17, 'Insurance contracts', and thereby started a new epoch of accounting for insurers. Whereas the current standard, IFRS 4, allows insurers to use their local GAAP, IFRS 17 defines clear and consistent rules that will significantly increase the comparability of financial statements. For insurers, the transition to IFRS 17 will have an impact on financial statements and on key performance indicators. Under IFRS 17, the general model requires entities to measure an insurance contract at initial recognition at the total of the fulfilment cash flows (comprising the estimated future cash flows, an adjustment to reflect the time value of money and an explicit risk adjustment for non-financial risk) and the contractual service margin. The fulfilment cash flows are remeasured on a current basis each reporting period. The unearned profit (contractual service margin) is recognised over the coverage period. Aside from this general model, the standard provides, as a simplification, the premium allocation approach. This simplified approach is applicable for certain types of contract, including those with a coverage period of one year or less. For insurance contracts with direct participation features, the variable fee approach applies. The variable fee approach is a variation on the general model. When applying the variable fee approach, the entity's share of the fair value changes of the underlying items is included in the contractual service margin. As a consequence, the fair value changes are not recognised in profit or loss in the period in which they occur but over the remaining life of the contract.

None of these amendments have had a significant impact on the financial statement.

2 Material accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(i) New and amended standards effective and adopted by the Group (continued)

Title	Effective date	Key requirements
Amendments to IAS 1 - Non-current liabilities with covenants	Annual periods beginning on or after 1 January 2024 (Published January 2020 and November 2022)	These amendments clarify how conditions with which an entity must comply within twelve months after the reporting period affect the classification of a liability. The amendments also aim to improve information an entity provides related to liabilities subject to these conditions.

(ii) Standards, amendments and interpretations issued but not yet effective

Title	Effective date	Key requirements
Amendment to IFRS 16 – Leases on sale and leaseback	Annual periods beginning on or after 1 January 2024 (Published September 2022)	These amendments include requirements for sale and leaseback transactions in IFRS 16 to explain how an entity accounts for a sale and leaseback after the date of the transaction. Sale and leaseback transactions where some or all the lease payments are variable lease payments that do not depend on an index or rate are most likely to be impacted.
Amendments to Supplier Finance Arrangements (IAS 7 and IFRS 7)	Annual periods beginning on or after 1 January 2024 (Published May 2023)	These amendments require disclosures to enhance the transparency of supplier finance arrangements and their effects on a company's liabilities, cash flows and exposure to liquidity risk. The disclosure requirements are the IASB's response to investors' concerns that some companies' supplier finance arrangements are not sufficiently visible, hindering investors' analysis.
Amendments to IAS 21 Lack of Exchangeability (Amendments to IAS 21)	Annual periods beginning on or after 1 January 2025 (Published August 2023)	An entity is impacted by the amendments when it has a transaction or an operation in a foreign currency that is not exchangeable into another currency at a measurement date for a specified purpose. A currency is exchangeable when there is an ability to obtain the other currency (with a normal administrative delay), and the transaction would take place through a market or exchange mechanism that creates enforceable rights and obligations.
IFRS S1 General Requirements for Disclosure of Sustainability-related Financial Information	Annual periods beginning on or after 1 January 2024 (Published June 2023)	IFRS S1 provides guidance on identifying sustainability-related risks and opportunities, and the relevant disclosures to be made in respect of those sustainability-related risks and opportunities.
IFRS S2 Amendments to Climate-related Disclosures	Annual periods beginning on or after 1 January 2024	IFRS S2 requires an entity to identify and disclose climate-related risks and opportunities that could affect the entity's prospects over the short, medium and long term. It also requires entities to consider specified industry metrics when disclosing qualitative and quantitative components on how the entity uses metrics and targets to measure, monitor and manage the identified material climate-related risks and opportunities.

2 Material accounting policies (continued)

(a) Basis of preparation (continued)

Changes in accounting policy and disclosures (continued)

(ii) Standards, amendments and interpretations issued but not yet effective (continued)

The Directors do not plan to apply the above standards until they become effective. Based on their assessment of the potential impact of application of the above, they don't expect a material impact on the Group's financial statements.

There are no other standards that are not yet effective that would be expected to have a material impact on the entity in the current or future reporting periods and on near future transactions.

(b) Consolidation

The consolidated financial statements incorporate the financial statements of the Bank and an entity controlled by the Bank. Control is achieved when the Bank:

- has power over the investee
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns

The Bank reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Bank has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally.

The Bank considers all relevant facts and circumstances in assessing whether or not the company's voting rights in an investee are sufficient to give it power over the investee, including:

- the size of the Bank's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Bank, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Bank has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholder's meetings.

Consolidation of a subsidiary begins when the company obtains control over the subsidiary and ceases when the company loses control of the subsidiary.

Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the statement of comprehensive income from the date the company gains control until the date when the company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the company and to the non-controlling interest even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements for subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to the transactions between the members of the Group are eliminated in full on consolidation.

2 Material accounting policies (continued)

(b) Consolidation (continued)

(i) Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interest and the non- controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interest. All amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable IFRS Accounting Standards). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under IFRS 9: Financial Instruments: Recognition and Measurement, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

(c) Investment in subsidiary

Investment in subsidiary companies are stated at cost less impairment loss where applicable in the separate accounts of the Bank.

(d) Interest income and expense recognition

Interest income and interest expense on interest bearing financial instruments is calculated by applying the effective interest rate to the gross carrying amount, except for:

i. Purchased or originated credit impaired (POCI) financial assets, for which the original credit-adjusted effective interest rate is applied to the amortised cost of the financial asset; and

ii. Financial assets that are not "POCI" but have subsequently become credit-impaired, for which interest revenue is calculated by applying the effective interest rate to their amortised cost (i.e.net of the expected credit loss provision) in subsequent reporting periods.

The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial asset or financial liability to the gross carrying amount of a financial asset (i.e. its amortised cost before any impairment allowance) or to the amortised cost of a financial liability. The calculation does not consider expected credit losses and includes transaction costs, premiums or discounts and fees paid or received that are integral to the effective interest rate, such as origination fees.

(e) Fees and commission income

Fee and commission revenue, including transactional fees, account servicing fees, investment management fees and sales commissions are recognised as the performance obligations under the related services' contracts are met. Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan. Loan appraisal fees are recognised as revenue when the appraisal has been completed and the Bank has retained no part of the loan package for itself or has retained a part at the same effective interest rate as the other participants.

Commission and fees arising from negotiating, or participating in the negotiation of, a transaction for a third party – such as the arrangement of the acquisition of shares or other securities, or the purchase or sale of businesses – are recognised on completion of the underlying transaction. Portfolio and other management advisory and service fees are recognised based on the applicable service contracts, usually on a time-apportionate basis. Performance-linked fees or fee components are recognised when the performance criteria are fulfilled.

2 Material accounting policies (continued)

(f) Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised fair value changes, interest and foreign exchange differences

(g) Foreign currency translation

(i) Functional and presentation currency

The Group's consolidated financial statements are presented in Kenya Shillings, which is also the Functional and Presentation currency of the subsidiary . For each entity in the Group, the Group determines the functional currency and items included in the financial statements of each entity are measured using that Functional currency.

(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. The Group does not have a foreign operation.

(h) Financial instruments

The Group accounts for its financial instruments in line with IFRS 9 which establishes principles that would present relevant and useful information to users of financial statements in relation to:

i) Classification of financial instruments;
ii) Initial and subsequent measurement of financial instruments;
iii) Modification and derecognition of financial instruments; and
iv) Impairment of financial assets.

The Group determines the appropriate classification of its financial assets at initial recognition. It recognises a financial asset in its statement of financial position when it becomes party to the contractual provisions of the instrument.

The Group classifies its financial assets into the following categories:

- financial assets at fair value through profit or loss ("FVTPL");
- financial assets measured at amortised cost; and
- financial assets at fair value through other comprehensive income ("FVTOCI");

Financial assets (except those carried at fair value through profit or loss) are initially recognised in the financial statements at fair value plus transaction costs. Loans and receivables and investments held at amortised cost are carried at amortised cost using the effective interest rate ("EIR") method.

Financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss are carried at fair value. Gains and losses arising from changes in the fair value of 'financial assets at fair value through profit or loss' are included in profit and loss in the period in which they arise. Gains and losses arising from changes in the fair value of assets at fair value through other comprehensive income are recognised in other comprehensive income and cumulated in a separate reserve in equity until the financial asset is derecognised or impaired, at which time the cumulative gain or loss previously recognised in equity is recycled through profit and loss for debt instruments.

2 Material accounting policies (continued)

(h) Financial instruments (continued)

(i) Financial assets

Recognition and Subsequent measurement

(a) Debt instruments

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Except for the Group's financial assets that are designated at initial recognition as at fair value through profit or loss, the Group's financial asset is classified on the basis of both;

- the Group's business model for managing the financial assets; and
- the contractual cash flow characteristics of the financial asset

Based on these factors, the Group classifies its debt instruments into one of the following three measurement categories:

- Amortised cost: assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest (SPPI), and that are not designated at FVPL, are measured at amortised cost. The carrying amounts of these assets are adjusted by any expected credit loss allowances. Interest income from financial assets is included in "interest income" using the effective interest rate method.

- Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling, where the assets' cash flows represent SPPI and that are not designated at FVPL, are measured through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses and interest revenue and foreign exchange gains and losses on the instrument's amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Net gains on disposal of financial instruments". Interest income from the instruments is included in "interest income" using the effective interest rate.

- Financial assets at fair value through profit or loss (FVTPL): Financial assets with contractual cash flows that are not SPPI; or/and held in a business model other than held to collect contractual cash flows or held to collect and sell; or designated at FVTPL using the fair value option are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss. Fair value is determined in the manner described in note 4.4- Fair value of financial instruments.

Group's business model: The business model reflects how the Group manages the assets in order to generate cash flows. That is, whether the Group's objective is solely to collect the contractual cash flows from the assets or is to collect both the contractual cash flows and cash flows arising from sale of assets. If neither of these is applicable (e.g. financial assets are held for trading purposes), then the financial assets are classified as part of "other" business model and measured at FVPL. Factors considered by the Group in determining the business model for a group of assets include past experience on how cash flows for these assets were collected, how the asset's performance is evaluated and reported by key management personnel, how risks are assessed and managed and how managers are compensated. For example, the liquidity portfolio of assets is held by the Group as part of liquidity management and is generally classified with the hold to collect and sell business model. Securities held for trading are held principally for the purpose of selling in the near term or are part of a portfolio of financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. These securities are classified in the "other" business model and measured at FVPL.

Contractual characteristics of a financial asset / SPPI: Where the business model is to hold assets to collect contractual cash flows or to collect contractual cash flows and sell, the Group assesses whether the financial instruments' cash flows represents solely payments of principal and interest (the "SPPI test"). In making this assessment, the Group considers whether the contractual cash flows are consistent with a basic lending arrangement i.e. interest includes only consideration for the time value of money, credit risk and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

2 Material accounting policies (continued)

(h) Financial instruments (continued)

(i) Financial assets (continued)

Recognition and Subsequent measurement (continued)

(a) Debt instruments (continued)

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

The Group reclassifies debt investments when and only when its business model for managing those assets changes. The reclassification taKshs place from the start of the first reporting period following the change. The changes are expected to be very infrequent and none occurred during the year.

Impairment: The Group assesses on a forward-looking basis the expected credit loss ("ECL") associated with its debt instrument assets carried at amortised cost and FVOCI and with the exposure arising from loan commitments and financial guarantee contracts. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Modification of loans

The Group may sometimes renegotiate or otherwise modify the contractual cash flows of loans to customers. When this happens, the Group assesses whether or not the new terms are substantially different to the original terms. The Group does this by considering, among others, the following factors:

- If the borrower is in financial difficulty, whether the modification merely reduces the contractual cash flows to amounts the borrower is expected to be able to pay.
- Whether any substantial new terms are introduced, such as a profit share/equity-based return that substantially affects the risk profile of the loan.
- Significant extension of the loan term when the borrower is not in financial difficulty.
- Significant change is interest rate
- Change in the currency of the loan - Insertion of collateral, other security or credit enhancement that significantly affect the credit risk associated with the loan.

If the terms are substantially different, the Group derecognises the original financial asset and recognises a "new" asset at fair value and recalculates a new effective interest rate for the asset. The date of renegotiation is consequently considered to be the date of initial recognition for impairment calculation purposes, including for the purpose of determining whether a significant increase in credit risk has occurred. Accordingly, the date of the modification is treated as the date of initial recognition of that financial asset when applying the impairment requirements to the modified financial asset. This typically means measuring the loss allowance at an amount equal to 12-month expected credit losses until the criteria for the recognition of lifetime expected credit losses is met.

However, in some unusual circumstances following a modification that results in derecognition of the original financial asset, there may be evidence that the modified financial asset is credit-impaired at initial recognition, and thus, the financial asset is recognised as an originated credit-impaired financial asset. This might occur, for example, in a situation in which there was a substantial modification of a distressed asset that resulted in the derecognition of the original financial asset. In such a case, it may be possible for the modification to result in a new financial asset which is credit- impaired at initial recognition. Differences in the carrying amount are recognised in profit or loss as a gain or loss on derecognition.

If the terms are not substantially different, the renegotiation or modification does not result in derecognition, the Group recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognises a modification gain or loss in profit or loss. The new gross carrying amount is recalculated by discounting the modified cash flows at the original effective interest rate of credit-adjusted effective interest rate for POCI financial assets.

2 Material accounting policies (continued)
(h) Financial instruments (continued)
(i) Financial assets (continued)
Modification of loans (continued)

Derecognition other than on a modification

Financial assets, or a portion thereof, are derecognised when the contractual rights to receive the cash flows from the assets have expired, or when they have been transferred and either (i) the Group transfers substantially all the risks and rewards of ownership, or (ii) the Group neither transfers nor retains substantially all the risks and rewards of ownership and the Group has not retained control.

The Group enters into transactions where it retains the contractual rights to receive cash flows from assets but assumes a contractual obligation to pay those cash flows to other entities and transfers substantially all of the risks and rewards.

These transactions are accounted for as "pass through" transfers that result in derecognition if the Group:

i) Has no obligation to make payments unless it collects equivalent amounts from the assets;
ii) Is prohibited from selling or pledging the assets; and
iii) Has an obligation to remit any cash it collects from assets without material delays.

Collateral (shares and bonds) furnished by the Group under standard repurchase agreements and securities lending and borrowings transactions are not derecognised because the Group retains substantially all the risks and rewards on the basis of predetermined repurchase price, and the criteria for derecognition are therefore not met. This also applies to certain securitisation transactions in which the Group retains a subordinated residual interest

Repossessed collateral

The Group maKshs arrangement to dispose repossessed collateral to the market quickly and at the best price. Disposal processes commences immediately when the asset becomes ready for sale. While assets are not being disposed of, the Group endeavors to keep costs relative to the upkeep and maintenance of the assets to a minimum. Possessed moveable assets are stored at reputable storage yards approved by the Group or within Group premises.

The Group is not in asset and property trading/management, and thus does not take positions on the market trends.

(ii) Financial liabilities

Classification and subsequent measurement

Financial liabilities are classified as subsequently measured at amortised cost, except for:

- Financial liabilities at fair value through profit or loss such as derivatives, financial liabilities held for trading (e.g. short positions in the trading booking) and other financial liabilities designated as such at initial recognition. Gains or losses on financial liabilities designated at fair value through profit or loss are presented partially in other comprehensive income (the amount of change in the fair values of the financial liability that is attributable to changes in the credit risk of that liability) and partially profit or loss (the remaining amount of change in the fair value of the liability);

- Financial liabilities arising from the transfer of financial assets which did not qualify for derecognition, whereby a financial liability is recognised for the consideration received for the transfer. In subsequent periods, the Group recognises any expense incurred on the financial liability; and

- Financial guarantee contracts and loan commitments

Derecognition of financial liabilities

Financial liabilities are derecognised when they are extinguished (i.e. when the obligation specified in the contract is discharged, cancelled or expires).

2 Material accounting policies (continued)
(h) Financial instruments (continued)
(ii) Financial liabilities (continued)

Financial guarantee contracts and loan commitments

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 the debt instrument. Such financial guarantees are given to banks, financial institutions and others on behalf of customers to secure loans, overdrafts and other banking facilities. Financial guarantee contracts are initially measured at fair value and subsequently measured at the higher of:

- The amount of the loss allowance; and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15

Loan commitments provided by the Group are measured as the amount of the loss allowance. The Group has not provided any commitment to provide loans at a below-market interest rate, or that can be settled net in cash or by delivering or issuing another financial instrument, other than for staff facilities. For loan commitments and financial guarantee contracts, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Group cannot separately identify the expected credit losses on the undrawn commitment component from those on the loan component, the expected credit losses on the undrawn commitment are recognised together with the loss allowance for the loan to the extent that the combined expected credit losses exceed the gross carrying amount of the loan, the expected credit losses are recognised as provision.

(iii) Offsetting financial instruments

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

Income and expenses are presented on a net basis only when permitted by the accounting standards, or for gains and losses arising from a group of similar transactions.

(j) Borrowings

Borrowings are recognised initially at fair value, generally being their issue proceeds, net of directly attributable transaction costs incurred. Borrowings are subsequently measured at amortised cost and interest is recognised using the effective interest method.

Borrowing costs that relate to qualifying assets, that is, assets that necessarily take a substantial period of time to get ready for their intended use or sale and which are not measured at fair value, are capitalised. All other borrowing costs are recognised in profit or loss. Borrowing costs consist of interest and other costs that an entity incurred in connection with the borrowing of funds

(k) Property and equipment

Property and equipment are stated at cost (or as professionally revalued from time to time as in the case of Freehold land and buildings) less accumulated depreciation and any accumulated impairment losses. Any surplus arising on revaluation is recognised in other comprehensive income and accumulated in the revaluation reserve account. 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. The Group's policy is to professionally revalue freehold land and buildings at least once every five years. The last valuation was done on 31 December 2019. The valuation considered the highest and best use of the property. The basis of valuation for freehold land and buildings is open market value.

Notes (continued)
For the year ended 31 December 2023

2 Material accounting policies (continued)
(k) Property and equipment (continued)

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

Buildings	2.50%
Fixtures, fittings and equipment	12.50%
ATM Machines	16.70%
Motor vehicles	20%
Computers	20%

Freehold land is not depreciated.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period with the effect of any changes in estimate accounted for on a prospective basis.

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.

(l) Intangible assets

Intangible assets comprise acquired computer software license costs which are recognised on the basis of expenditure incurred to acquire and bring the specific software to use. These costs are amortised over estimated useful lives of three to ten years.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Group, and that will probably generate economic benefits exceeding costs beyond one year, are recognised as intangible assets. During development of these software products, direct costs such as the software development employee costs and an appropriate portion of relevant overheads are recorded as work in progress and amortised from the point at which the asset is ready for use.

Computer software development costs recognised as assets are amortised over an estimated useful life of three to eight years. Costs associated with the maintenance of computer software are expensed as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

Impairment of tangible and intangible assets

At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible 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 in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted. If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. Where an impairment loss subsequently reverses, the carrying amount of the asset (or a cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

2 Material accounting policies (continued)

(m) Investment properties

Investment properties comprise land and buildings and parts of buildings held to earn rentals and/or for capital appreciation. Investment properties are measured initially at cost including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. The 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.

Investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

(n) Income tax

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

(i) Current income tax

The income 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 Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred income tax

Deferred income 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 income 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. 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 income 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 Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Current and deferred income tax for the year

Current and deferred income 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.

(o) 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.

2 Material accounting policies (continued)

(o) Provisions (continued)

Contingent liabilities

Provisions for legal claims are recognised when the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses. Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. Contingent liabilities are possible obligations arising from past events, whose existence will be confirmed only by uncertain future events, or present obligations arising from past events that are not recognised because either an outflow of economic benefits is not probable, or the amount of the obligation cannot be reliably measured. Contingent liabilities are not recognised but information about them is disclosed unless the possibility of any outflow of economic benefits in settlement is remote.

(p) Statutory reserve

Further to the credit loss allowances computed in line with international financial reporting standards, the Central Banks have, in their prudential guidelines, specified certain minimum loan loss provisions to be held against various categories of loans and advances. Where credit loss allowances computed in line with the Central Bank regulations exceed those computed on the same loan balances under International financial reporting standards, the excess is recognised as a regulatory loss reserve and is accounted for as an appropriation of retained earnings. The statutory loan loss reserve is non-distributable.

(q) Leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease.

At commencement or on modification of a contract that contains a lease component, the Group allocates consideration in the contract to each lease component on the basis of its relative stand-alone price. However, for leases of branches and office premises the Group has elected not to separate non-lease components and accounts for the lease and non-lease components as a single lease component.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove any improvements made to branches or office premises.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the end of the lease term. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

The Group determines its incremental borrowing rate by analysing its borrowings from various external sources and maKshs certain adjustments to reflect the terms of the lease and type of asset leased.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and the exercise price under a purchase option that the Bank is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

2 Material accounting policies (continued)

(r) 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.

(s) Employee benefit costs

The Group operates a defined contribution 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 and its employees also contribute 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.

(t) 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.

(u) Operating segments

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker (Managing Director and CEO). Management then allocates resources to and assesses the performance of the operating segments of the Group.

- Segment result is segment revenue less segment expenses.
- Segment revenue is the revenue that is directly attributable to a segment plus the relevant portion of the Group's revenue that can be allocated to the segment on a reasonable basis.
- Segment expenses are expenses resulting from the operating activities of a segment plus the relevant portion of an expense that can be allocated to the segment on a reasonable basis. Segment assets and liabilities comprise those operating assets and liabilities that are directly attributable to the segment or can be allocated to the segment on a reasonable basis.

Capital expenditure represents the total cost incurred during the year to acquire segment assets (property, plant and equipment) that are expected to be used during more than one year.

(v) Comparatives

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

3 Critical accounting estimates and judgements

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. The directors also need to exercise judgment in applying the Group's accounting policies.All estimates and assumptions required in conformity with IFRS Accounting standards are best estimates undertaken in accordance with the applicable standard. Estimates and judgements are evaluated on a continuous basis, and are based on past experience and other factors, including expectations with regard to future events.

This note provides an overview of the areas that involve a higher degree of judgment or complexity, and major sources of estimation uncertainty that have a significant risk of resulting in a material adjustment within the next financial year. Detailed information about each of these estimates and judgements is included in the related notes together with information about the basis of calculation for each affected line item in the financial statements.

Critical judgements in applying the Group's accounting policies

(a) Judgements

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

Business model assessment: Classification and measurement of financial assets depends on the results of the SPPI and the business model test. The Bank determines the business model at a level that reflects how Groups's of financial assets are managed together to achieve a particular business objective. This assessment includes judgement reflecting all relevant evidence including how the performance of the assets is evaluated and their performance is measured, the risks that affect the performance of the assets and how these are managed and how the managers of the assets are compensated. The Group monitors financial assets measured at amortised cost or fair value through other comprehensive income that are derecognised prior to their maturity to understand the reason for their disposal and whether the reasons are consistent with the objective of the business for which the asset was held. Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate whether there has been a change in business model and so a prospective change to the classification of those assets.

Significant increase of credit risk: ECL is measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. IFRS 9 does not define what constitutes a significant increase in credit risk. In assessing whether the credit risk of an asset has significantly increased, the Group taKshs into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to note 4.1 for more details.

Establishing groups of assets with similar credit risk characteristics: When ECLs are measured on a collective basis, the financial instruments are Banked on the basis of shared risk characteristics. Refer to note 4.1.1 for details of the characteristics considered in this judgment. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Re-segmentation of portfolios and movement between portfolios is more common when there is a significant increase in credit risk (or when that significant increase reverses) and so assets move from 12-month to lifetime ECLs, or vice versa, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used: The Bank uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of asset, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. See note 4.1.1 for more details on ECL and note 4.4 for more details on fair value measurement

3 Critical accounting estimates and judgements (continued)

(b) Assumptions and estimation uncertainties

The information relating to assumptions and estimation uncertainties that have a significant risk of resulting in material adjustment in the financial statements are set out below.

(i) Impairment losses on loans and advances

The estimation of potential credit losses is inherently uncertain and depends upon many factors, including general economic conditions, changes in individual customers' circumstances, structural changes within industries that alter competitive positions and other external factors such as legal and regulatory requirements.

Impairment is measured for all accounts that are identified as non-performing. All relevant considerations that have a bearing on the expected future cash flows are taken into account which include but not limited to future business prospects for the customer, realizable value of securities, the Group's position relative to other claimants and the existence of any court injunctions placed by the borrower. Subjective judgments are made in this process of cash flow determination both in value and timing and may vary from one person to another and team to team. Judgement may also change with time as new information becomes available.

The Group reviews its loans and advances at each reporting date to assess whether an allowance for impairment should be recognized in profit or loss. In particular, judgement by the Directors is required in the estimation of the amount and timing of future cash flows when determining the level of allowance required. Such estimates are based on the assumptions about a number of factors and actual results may differ, resulting in future changes in the allowance.

The Group also maKshs a collective impairment measurement for exposures which, although not specifically identified as non-performing, have an inherent risk of default. The portfolio constitutes a large number of loan and advances account cutting across various industries. Assets with similar risk characteristics are Banked together for the purpose of determining the collective impairment in the Bank.

The following are key estimations that the directors have used in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements:

a) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and determining the forward-looking information relevant to each scenario: When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to note 4 for more details, including analysis of the sensitivity of the reported ECL to changes in estimated forward-looking information.

b) Probability of default: PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions, and expectations of future conditions. See note 4 for more details, including analysis of the sensitivity of the reported ECL

c) Loss Given Default: LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the Bank would expect to receive, taking into account cash flows from collateral and integral credit enhancements. See note 4 for more details, including analysis of the sensitivity of the reported ECL to changes in LGD resulting from changes in economic drivers.

d) Fair value measurement and valuation process: In estimating the fair value of a financial asset or a liability, the Group uses market-observable data to the extent it is available. Where such Level 1 inputs are not available the Bank uses valuation models to determine the fair value of its financial instruments. Refer to note 5 for more details on fair value measurement.

(ii) Fair value of financial instruments

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

3 Critical accounting estimates and judgements (continued)

(b) Assumptions and estimation uncertainties (continued)

(ii) Fair value of financial instruments (continued)

All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgments. If the market for a financial instrument does not exist or is not active including for unlisted securities, the Bank establishes fair value by using valuation techniques.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

All financial instruments are initially recognized at fair value, which is normally the transaction price. Subsequent to initial recognition, some of the Group's financial instruments are carried at fair value. The fair values of quoted financial instruments in active markets are based on current prices with no subjective judgments. If the market for a financial instrument does not exist or is not active including for unlisted securities, the Group establishes fair value by using valuation techniques.

These include the use of recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques commonly used by market participants. Where representative prices are unreliable because of illiquid markets, the determination of fair value may require estimation of certain parameters, which are calibrated against industry standards and observable market data, or the use of valuation models that are based on observable market data.

The fair value for the majority of the Group's financial instruments is based on observable market prices or derived from observable market parameters. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

(iii) Property and equipment

Property and equipment is depreciated over its useful life taking into account residual values, where appropriate. The actual lives of the assets and residual values are assessed annually and may vary depending on a number of factors. In reassessing asset lives, factors such as technological innovation, product life cycles and maintenance programs are taken into account which involves extensive subjective judgment. Residual value assessments consider issues such as future market conditions, the remaining life of the asset and projected disposal values. The rates used are set out on accounting policy 2(k)

(iv) Income taxes

Significant estimates are required in determining the provision for income taxes. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome is different from the amounts that were initially recorded, such differences will impact the income tax balances and deferred tax provisions in the period in which such determination is made.

(v) Leases

The right of use asset is depreciated over the lease term considering the renewal option. The Group will renew the lease when it is reasonably certain that the lease location is still economically viable to conduct business. The Bank will bear restoration costs upon relocation or end of lease where such is stipulated in the lease agreement.

4 Financial Risk Management disclosures

Risk management framework

The Group defines risk as the possibility of losses being incurred 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.

The Bank's subsidiary does not have significant operations. The financial assets and liabilities of the Bank's subsidiary mainly consist of loans from related parties that are eliminated on consolidation and other assets and liabilities that are not material to the Group. Consequently, the financial risk management information presented below relates only to the Bank.

4 Financial Risk Management disclosures (continued)

The most important type of risks to which the Group are exposed to are financial risks which include:
a) Credit risk
b) Liquidity risk
c) Market risk

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 Committee (ALCO), Credit Committee and Risk and Compliance Committee, 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.

4.1 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.

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 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.
- 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.

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)

Providing advice, guidance and specialist skills to branches to promote best practice throughout the group in the management of credit risk.

Credit risk measurement

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

- The probability of default: this is the possibility of the customer failure to pay
- 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 taKshs 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 IFRS 9.

4.1.1 Loans and advances

The Group align the classification criteria for assets that are past due or impaired in line with regulatory guidelines. In the determination of the classification of accounts, performance is the primary consideration. The classification of an account reflects a judgment about risks of default and loss associated with the credit facility. The classification process establishes a consistent approach to problem recognition, problem labeling, remedial action and the initiation of credit write-offs.

The key judgments and assumptions adopted by the Group in addressing the requirements of the standard are discussed below:

(i) Significant Increase in credit risk (SICR)

The Group's decision on whether to recognize 12-month or lifetime expected credit losses depends on whether there has been a significant increase in credit risk since initial recognition. An assessment of whether credit risk has increased significantly is performed at each reporting date.This forms the basis of stage 1, 2 and 3 classification and subsequent migration.

The Group applies qualitative and quantitative criteria for stage classification and for its forward and backward credit risk migration.

Quantitative criteria

The quantitative criteria is based on relative and not absolute changes in credit quality driven by counterparty ratings and days past due.

The Group considers that financial instruments for which default patterns are not concentrated at a specific point during the expected life of the financial instrument, changes in the risk of a default occurring over the next 12 months may be a reasonable approximation of the changes in the lifetime risk of a default occurring.

The appropriateness of using changes in the risk of a default occurring over the next 12 months to determine whether lifetime expected credit losses should be recognised depends on the specific facts and circumstances. Risk of default occurring over the next 12 months is not a suitable basis for determining whether credit risk has increased on a financial instrument with a maturity of more than 12 months when:

1. the financial instruments only have significant payment obligations beyond the next 12 months;
2. changes in relevant macroeconomic or other credit-related factors occur that are not adequately reflected in the risk of a default occurring in the next 12 months; or

4 Financial Risk Management disclosures (continued)

4.1 Credit risk (continued)

4.1.1 Loans and advances (continued)

(i) Significant Increase in credit risk (SICR) (continued)

3. changes in credit-related factors only have an impact on the credit risk of the financial instrument (or have a more pronounced effect) beyond 12 months.

The Group's quantitative credit grading is similar to CBK's prudential guidelines credit grading and is as per the table below:

IFRS 9 credit staging / grading	CBK PG/04 Guidelines	Days past due
1	Normal	Up to date and in line with contractual agreements or within 30 days' arrears
2	Watch	31 to 90 days overdue
3	Substandard	91 to 180 days overdue
	Doubtful	181 – 365 days overdue
	Loss	Over 365 overdue

<u>Qualitative criteria</u>

In addition to the above, the Group considers other qualitative factors in determining the classification above and may accelerate the classification of credit facilities where deemed appropriate. They include but not limited to:

1. Significant changes in the terms of the same instrument if it were issued at the reporting date that indicate a change in credit risk since initial recognition, e.g.: increase in credit spread; more stringent covenants; increased amounts of collateral or guarantees; or higher income coverage.
2. Significant changes in external market indicators of credit risk for the same financial instrument (or similar instrument of the borrower), e.g.: credit spread; credit default swap prices; length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments; or external credit rating (actual or expected).
3. Changes in the Group's credit management approach in relation to the financial instrument (e.g. based on emerging indicators of changes in the credit risk of the financial instrument, the Group's credit risk management practice is expected to become more active or focused on managing the instrument, including the instrument becoming more closely monitored or controlled, or the bank specifically intervening with the borrower).
4. Actual or expected adverse changes in business, financial or economic conditions significantly affecting borrower's ability to meet its debt obligations (e.g. increase in interest rates or unemployment rates); operating results of the borrower e.g. declining revenues or margins, increasing operating risks, working capital deficiencies, decreasing asset quality, increased balance sheet leverage, liquidity, management problems or changes in the scope of business or organisational structure (such as the discontinuance of a segment of the business) that results in a significant change in the borrower's ability to meet its debt obligations; or regulatory, economic, or technological environment of the borrower that results in a significant change in the borrower's ability to meet its debt obligations (e.g. a decline in the demand for the borrower's sales product because of a shift in technology).
5. Significant changes in the value of collateral or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to pay or otherwise affect the probability of default; or quality of a guarantee provided by a shareholder (or an individual's parents) if the shareholder (or parents) have an incentive and financial ability to prevent default by capital or cash infusion.
6. Expected changes in the loan documentation (e.g. breach of contract leading to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees).
7. Significant changes in the expected performance and behavior of the borrower, including changes in the payment status of borrowers in the Group (e.g. increase in delayed contractual payments or number of credit card borrowers expected to approach or exceed their credit limit or who are expected to be paying the minimum monthly amount).

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)
4.1.1 Loans and advances (continued)

(ii) Definition of default and credit-impaired assets

The Group defines a financial instrument as in default, which is fully aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

The borrower meets unlikeliness to pay criteria, which indicates the borrower is in significant financial difficulty. These are instances where:

- The borrower is in long-term forbearance
- The borrower is deceased
- The borrower is insolvent or becoming probable that the borrower will enter bankruptcy
- The borrower is in breach of financial covenants
- An active market for that financial asset has disappeared because of financial difficulties
- Concessions have been made by the lender relating to the borrower's financial difficulty
- Financial assets are purchased or originated at a deep discount that reflects the incurred credit losses

The above criteria have been applied to all financial instruments held by the Group and are consistent with the definition of default used for internal credit risk management purposes. The default definition has been applied consistently to model the Probability of Default (PD), Exposure at Default (EAD) and Loss Given Default (LGD) throughout the Group's expected loss calculations.

An instrument is considered to no longer be in default (i.e. to have cured) when it no longer meets any of the default criteria for a consecutive period of six months. This period of six months has been determined based on an analysis which considers the likelihood of a financial instrument returning to default status after cure using different possible cure definitions.

<u>90-day rebuttable presumption</u>

The Group assumes a rebuttable presumption that a default does not occur later than when a financial asset is 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate

(iii) Measuring expected credit loss – inputs, assumptions and estimation techniques

"ECL" is defined as the amount on a probability-weighted basis as the difference between the cash flows that are due to the Group in accordance with the contractual terms of a financial instrument and the cash flows that the bank expects to receive. ECL is formula driven, i.e. ECL= PD x LGD x EAD (discounted using the EIR).ECLs are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation, either over the next 12 months (12-month PD) or over the remaining lifetime (Lifetime PD) of the obligation.
- EAD is based on the amounts the Group expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD).
- LGD represents the Group's expectations of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type of seniority of claim and availability of collateral or other credit support.
- LGD is calculated on a 12-month or lifetime basis, where 12 month LGD is the percentage of loss expected to be made if the default occurs over the next 12 months and lifetime LGD is the percentage of loss expected to be made if the default occurs over the remaining expected lifetime of the loan. The ECL is determined by projecting the PD, LGD and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

The lifetime PD is developed by applying a maturity profile to the current 12M PD. The maturity profile looks at how defaults develop on a portfolio from the point of initial recognition throughout the lifetime of the loans.

4 Financial Risk Management disclosures (continued)

4.1 Credit risk (continued)

4.1.1 Loans and advances (continued)

(iii) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

The maturity profile is based on historical observed data and is assumed to be the same across all assets within a portfolio and a credit grade. This is supported by a historical analysis.

The 12-month and lifetime EADs are determined based on the expected payment profile, which varies by product type:

- For amortizing products or bullet repayment loans, this is based on the contractual repayments owed by the borrower over a 12-month or lifetime basis. This will also be adjusted for any expected overpayments made by the borrower. Early repayments/refinance assumptions are also incorporated.
- For revolving products, the exposure at default is predicted by taking the current drawn-down balance and adding a "credit conversion factor" which allows for the expected drawdown of the remaining limit by the time of default. These assumptions vary by product type and current limit utilisation band, based on analysis of the Group's recent default data.
- LGDs are determined based on the factors which impact the recoverable amount post default. These vary by product type:
- For secured products, this is primarily based on collateral type and projected collateral values, historical discounts to market/book values due to forced sales, time to repossession and recovery costs observed.
- For unsecured products, LGDs are typically set at product level due to the limited differentiation in recoveries achieved across different borrowers. These LGDs are influenced by collection strategies, including contracted debt sales and prices.

Forward-looking economic information is also included in determining the 12-month and lifetime PD, EAD and LGD. These assumptions vary by the industry segmentation.

The assumptions underlying the ECL calculation – such as how the maturity profile of the PDs and how collateral values change etc. – are monitored and reviewed on an annual basis.

Forward-looking information incorporated in the ECL models

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Group has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio. These economic variables and their associated impact on PD, EAD and LGD vary by industry/portfolio segmentation.

Forecasts of the base economic scenario and the possible bearing and bullish scenarios along with scenario weightings are prepared by an expert economic team. The impact of these economic variables on the PD, EAD and LGD is determined by performing statistical regression analysis to understand the impact changes in these variables have had historically on default rates and on the components of LGD and EAD.

As with any economic forecasts, the projections and likelihoods of occurrence are subject to an inherent uncertainty and therefore the actual outcomes may be significantly different to those projected. The Group considers these forecasts to represent its best estimate of the possible outcomes and has analysed the non-linearities and asymmetries within the Group's different portfolios to establish that the chosen scenarios are appropriately representative of the range of possible outcomes.

The key macro-economic factors that were evaluated by the Group and deemed to be most correlated to the historical and forecasted default statistics include interest and foreign exchange rates, Inflation, GDP growth and population statistics.

Other forward-looking considerations not otherwise incorporated within the above scenarios, such as the impact of any regulatory, legislative or political changes, have been considered, but are not deemed to have a material impact on therefore no adjustment has been made to the ECL for such factors. This is reviewed and monitored for appropriateness annually.

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)
4.1.1 Loans and advances (continued)
(iii) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

Grouping of instruments for losses measured on a collective basis

For expected credit loss provisions modelled on a collective basis, a grouping of exposures is performed on the basis of shared risk characteristics, such that risk exposures within a group are homogenous. In performing this grouping, there must be sufficient information for the group to be statistically credible. In concluding on how to group its exposures, the Group considered its approach to credit risk management and how aspects such as regulatory compliance and internal concentration limits are managed. As such, the Group grouped its loans and advances at amortised cost based on industries such as Manufacturing, Individuals, Finance and Insurance, Building and construction among others.

There were no exposures deemed to be individually significant to merit individual assessment, other than those in Stage 3. The appropriateness of groupings is monitored and reviewed on a periodic basis.

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 statement of 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.

Loans and advances at amortised cost less than 30 days past due date are not considered to have experienced SICR, unless other information is available to indicate the contrary.

The Group structures the level of credit risk it undertaKshs 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 taKshs 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.

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)
4.1.1 Loans and advances (continued)
(iii) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

Risk limit control and mitigation policies

Portfolio management is an integral part of the credit risk management process that enables the Group and Company to limit concentrations, reduce volatility, increase liquidity and achieve optimum earnings. The responsibility for portfolio management lies primarily with business units, with oversight and review by credit risk management while the Board Credit Committee is responsible for credit approvals. The Group's portfolio management plan entails:

- The setting up of portfolio targets and concentrations.
- Establishing target market risk acceptance criteria and key success factors. These are subject to regular review to ensure their continued appropriateness.
- Monitoring the portfolio risk profile, risk-adjusted returns, risk concentrations, economic market and competitive data.
- Identifying and analysing trends and concentrations that could affect the risk and performance of the portfolio.
- Stress testing of the portfolio for the purpose of measuring potential losses.

	Exposure 2023 Kshs'000	Exposure 2022 Kshs'000
On – balance sheet items		
Balances with Central Bank of Kenya	4,873,678	5,007,337
Balances due from other banking institutions	2,646,725	5,589,075
Government securities at amortised cost	24,296,347	14,074,248
Government securities at fair value through profit or loss	-	853,628
Government securities FVOCI	10,529,403	10,826,810
Loans and advances to customers	86,921,359	81,380,510
Other assets	2,107,307	1,436,023
	131,374,819	**119,167,631**
Off-balance sheet items		
Guarantees and letters of credit	16,960,346	9,868,372
	148,335,165	**129,036,003**

The table above represents the worst-case scenarios of credit exposure for 31 December 2023 and 31 December 2022, 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 60% (2022 - 62 %) 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.

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)
4.1.1 Loans and advances (continued)
(iii) Measuring expected credit loss – inputs, assumptions and estimation techniques (continued)

The table below shows the total gross loans and allowances including interest accrued on fully impaired loans and advances:

	2023 Kshs'000	2022 Kshs'000
Loans and advances to customers		
Gross loans and advances to customers	**92,578,477**	**85,807,273**
Of which stage 1 and 2	78,169,370	73,376,033
Of which stage 3	14,409,107	12,431,240
Expected credit loss provisions	**5,657,118**	**4,426,763**
Of which stage 1 and 2	1,283,790	1,335,799
Of which stage 3	4,373,328	3,090,964
Net loans and advances to customers	**86,921,359**	**81,380,510**
Of which stage 1 and 2	76,885,580	72,040,234
Of which stage 3	10,035,779	9,340,276

The subsequent tables within this note include the movement in gross loans and allowances excluding interest accrued on fully impaired loans and advances of Kshs 1.73 billion (2022: Kshs 1.38 billion).

Notes (continued)
For the year ended 31 December 2023

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)
4.1.1 Loans and advances (continued)

The following table shows a reconciliation from the opening to the closing balance of the total gross loans.

2023	Term loans Kshs 000	Mortgage Kshs 000	Overdraft and credit cards Kshs 000	Total Kshs 000	Off Balance Sheet Kshs 000
Loans and advances to customers					
Gross loans and advances to customers	**75,944,595**	**13,046,227**	**3,587,655**	**92,578,477**	**3,718,240**
Of which stage 1	61,346,247	10,183,039	2,053,586	73,582,872	3,718,240
Of which stage 2	3,467,725	706,859	411,914	4,586,498	-
Of which stage 3	11,130,623	2,156,329	1,122,155	14,409,107	-
Expected credit loss provisions	**5,001,358**	**165,384**	**490,376**	**5,657,118**	**11,561**
Of which stage 1	856,406	14,645	17,823	888,874	11,561
Of which stage 2	337,131	30,865	26,920	394,916	-
Of which stage 3	3,807,821	119,874	445,633	4,373,328	-
Net loans and advances to customers	**70,943,237**	**12,880,843**	**3,097,279**	**86,921,359**	**3,706,679**
Of which stage 1	60,489,841	10,168,394	2,035,763	72,693,998	-
Of which stage 2	3,130,594	675,994	384,994	4,191,582	-
Of which stage 3	7,322,802	2,036,455	676,522	10,035,779	-

2022	Term loans Kshs 000	Mortgage Kshs 000	Overdraft and credit cards Kshs 000	Total Kshs 000	Off Balance Sheet Kshs 000
Loans and advances to customers					
Gross loans and advances to customers	**69,764,759**	**12,139,725**	**3,902,789**	**85,807,273**	**3,253,832**
Of which stage 1	56,519,485	9,699,146	2,535,486	68,754,117	3,253,832
Of which stage 2	3,783,432	649,655	188,829	4,621,916	-
Of which stage 3	9,461,842	1,790,924	1,178,474	12,431,240	-
Expected credit loss provisions	**4,014,561**	**45,629**	**366,573**	**4,426,763**	**32,987**
Of which stage 1	853,060	9,269	28,543	890,872	32,987
Of which stage 2	394,382	8,363	42,182	444,927	-
Of which stage 3	2,767,119	27,997	295,848	3,090,964	-
Net loans and advances to customers	**65,750,198**	**12,094,096**	**3,536,216**	**81,380,510**	**3,490,845**
Of which stage 1	55,666,425	9,689,877	2,506,943	67,863,245	-
Of which stage 2	3,389,050	641,292	146,647	4,176,989	-
Of which stage 3	6,694,723	1,762,927	882,626	9,340,276	-

4 Financial Risk Management disclosures (continued)

4.1 Credit risk (continued)

The following table shows a reconciliation from the opening to the closing balance of the loss allowance.

31 December 2023	Stage 1 12-month ECL Kshs 000	Stage 2 Lifetime ECL Kshs 000	Stage 3 Lifetime ECL Kshs 000	Total Kshs 000
Loss allowance as at 1 January 2023	**876,267**	**459,532**	**3,090,964**	**4,426,763**
Changes in the loss allowance				
Transfer to stage 1	200,528	(160,075)	(38,888)	1,565
Transfer to stage 2	(20,090)	56,972	(36,882)	-
Transfer to stage 3	(25,891)	(141,638)	167,529	-
Write-offs	-	-	(156,820)	(156,820)
New financial assets originated or purchased	446,217	153,274	439,865	1,039,356
Financial assets that have been derecognized	(263,210)	(106,436)	(238,962)	(608,608)
Changes in models/risk parameters	(202,772)	(103,602)	1,309,902	1,003,528
Foreign exchange and other movements	(122,174)	236,888	(163,380)	(48,666)
Loss allowance as at 31 December 2023	**888,875**	**394,915**	**4,373,328**	**5,657,118**

31 December 2022	Stage 1 12-month ECL Kshs 000	Stage 2 Lifetime ECL Kshs 000	Stage 3 Lifetime ECL Kshs 000	Total Kshs 000
Loss allowance as at 1 January 2022	**565,641**	**773,547**	**3,733,196**	**5,072,384**
Changes in the loss allowance				
Transfer to stage 1	268,552	(188,407)	(80,145)	-
Transfer to stage 2	(13,094)	104,358	(91,264)	-
Transfer to stage 3	(14,001)	(223,777)	237,778	-
New financial assets originated or purchased	572,311	232,444	605,093	1,409,848
Financial assets that have been derecognized	(222,152)	(311,604)	(174,972)	(708,728)
Changes in models/risk parameters	(39,534)	(234,855)	20,565	(253,824)
Foreign exchange and other movements	(241,456)	307,826	(66,370)	-
Write-offs	-	-	(1,092,917)	(1,092,917)
Loss allowance as at 31 December 2022	**876,267**	**459,532**	**3,090,964**	**4,426,763**

4 Financial Risk Management disclosures (continued)

4.1 Credit risk (continued)

The following table shows a reconciliation from the opening to the closing balance of the total gross loans balance by class of financial instruments

Term loans	Stage 1 Kshs 000	Stage 2 Kshs 000	Stage 3 Kshs 000	Total Kshs 000
Loans and advances as at 1 January 2023	**56,519,485**	**3,783,432**	**9,461,842**	**69,764,759**
Changes in the gross loans				
– Transfer to stage 1	638,334	(496,531)	(141,803)	-
– Transfer to stage 2	(1,922,445)	2,421,153	(498,708)	-
– Transfer to stage 3	(1,172,803)	(786,167)	1,958,970	-
Changes in models/risk parameters	(10,709,068)	(1,111,770)	(40,377)	(11,861,215)
New financial assets originated or purchased	36,387,151	1,077,271	1,328,693	38,793,115
Financial assets that have been derecognised	(18,394,407)	(1,419,663)	(937,994)	(20,752,064)
Loans and advances as at 31 December 2023	**61,346,247**	**3,467,725**	**11,130,623**	**75,944,595**

Mortgage loans	Stage 1 Kshs 000	Stage 2 Kshs 000	Stage 3 Kshs 000	Total Kshs 000
Loans and advances as at 1 January 2023	**9,699,146**	**649,655**	**1,790,924**	**12,139,725**
Changes in the gross loans				
– Transfer to stage 1	21,214	(13,952)	(7,262)	-
– Transfer to stage 2	(238,262)	243,078	(4,816)	-
– Transfer to stage 3	(53,986)	(377,209)	431,195	-
Changes in models/risk parameters	(1,403,596)	18,263	(31,472)	(1,416,805)
New financial assets originated or purchased	3,290,714	311,686	-	3,602,400
Financial assets that have been derecognised	(1,132,191)	(124,662)	(22,240)	(1,279,093)
Loans and Advances as at 31 December 2023	**10,183,039**	**706,859**	**2,156,329**	**13,046,227**

4 Financial Risk Management disclosures (continued)

4.1 Credit risk (continued)

Overdrafts and credit cards	Stage 1 Kshs 000	Stage 2 Kshs 000	Stage 3 Kshs 000	Total Kshs 000
Loans and advances as at 1 January 2023	**2,535,486**	**188,829**	**1,178,474**	**3,902,789**
Changes in the gross loans				
– Transfer to stage 1	144,244	(142,444)	(1,800)	-
– Transfer to stage 2	(269,333)	269,961	(628)	-
– Transfer to stage 3	(28,960)	(10,643)	39,603	-
Changes in models/risk parameters	(813,036)	46,806	(78,969)	(845,199)
New financial assets originated or purchased	604,324	70,484	67,300	742,108
Financial assets that have been derecognised	(119,139)	(11,079)	(81,825)	(212,043)
Loans and Advances as at 31 December 2023	**2,053,586**	**411,914**	**1,122,155**	**3,587,655**

Off Balance Sheet Facilities	Stage 1 Kshs 000	Stage 2 Kshs 000	Stage 3 Kshs 000	Total Kshs 000
Loans and advances as at 1 January 2023	**3,253,832**	**-**	**-**	**3,253,832**
Changes in the gross loans				
– Transfer to stage 1	-	-	-	-
– Transfer to stage 2	-	-	-	-
– Transfer to stage 3	-	-	-	-
Changes in models/risk parameters	(128,883)	-	-	(128,883)
New financial assets originated or purchased	2,660,659	-	-	2,660,659
Financial assets that have been derecognised	(2,067,368)	-	-	(2,067,368)
Loans and Advances as at 31 December 2023	**3,718,240**	**-**	**-**	**3,718,240**

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)

The following tables provide details of the changes in the loss allowance in the year for per class of financial instrument:

Term loans

2023	Stage 1 12-month ECL Kshs 000	Stage 2 Lifetime ECL Kshs 000	Stage 3 Lifetime ECL Kshs 000	Total Kshs 000
Loss allowance – Loans and advances to customers at amortised cost				
Loss allowance as at 1 January 2023	**853,060**	**394,382**	**2,767,119**	**4,014,561**
Changes in the loss allowance				
– Transfer to stage 1	165,597	(127,039)	(38,558)	-
– Transfer to stage 2	(18,450)	55,193	(36,743)	-
– Transfer to stage 3	(23,886)	(129,699)	153,585	-
– Write-offs	-	-	(156,820)	(156,820)
New financial assets originated or purchased	426,592	124,249	388,279	939,120
Financial assets that have been derecognised	(227,090)	(100,622)	(206,945)	(534,657)
Changes in models/risk parameters	(196,156)	(80,878)	1,064,519	787,485
Foreign exchange and other movements	(123,261)	201,545	(126,615)	(48,331)
Loss allowance as at 31 December 2023	**856,406**	**337,131**	**3,807,821**	**5,001,358**
2022				
Loss allowance as at 1 January 2022	**546,554**	**678,982**	**3,353,554**	**4,579,090**
Changes in the loss allowance				
– Transfer to stage 1	252,996	(174,633)	(78,363)	-
– Transfer to stage 2	(12,649)	87,336	(74,687)	-
– Transfer to stage 3	(12,792)	(193,477)	206,269	-
– Write-offs	-	-	(1,042,959)	(1,042,959)
New financial assets originated or purchased	527,017	218,819	501,604	1,247,440
Financial assets that have been derecognised	(184,263)	(276,985)	(186,796)	(648,044)
Changes in models/risk parameters	(36,247)	(226,434)	141,715	(120,966)
Foreign exchange and other movements	(227,556)	280,774	(53,218)	-
Loss allowance as at 31 December 2022	**853,060**	**394,382**	**2,767,119**	**4,014,561**

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)

Mortgage loans 2023	Stage 1 12-month ECL Kshs 000	Stage 2 Lifetime ECL Kshs 000	Stage 3 Lifetime ECL Kshs 000	Total Kshs 000
Loss allowance – Loans and advances to customers at amortised cost				
Loss allowance as at 1 January 2023	**9,269**	**8,363**	**27,997**	**45,629**
Changes in the loss allowance				
– Transfer to stage 1	500	(500)	-	-
– Transfer to stage 2	(550)	550	-	-
– Transfer to stage 3	(175)	(5,981)	6,156	-
– Write-offs	-	-	-	-
New financial assets originated or purchased	11,450	17,557	-	29,007
Financial assets that have been derecognised	(1,567)	(109)	(108)	(1,784)
Changes in models/risk parameters	(4,507)	5,054	91,985	92,532
Foreign exchange and other movements	225	5,931	(6,156)	-
Loss allowance as at 31 December 2023	**14,645**	**30,865**	**119,874**	**165,384**
2022				
Loss allowance as at 1 January 2022	**2,752**	**54,096**	**157,174**	**214,022**
Changes in the loss allowance				
– Transfer to stage 1	1,656	(1,500)	(156)	-
– Transfer to stage 2	(22)	16,048	(16,026)	-
– Transfer to stage 3	(10)	(1,343)	1,353	-
– Write-offs	-	-	(774)	(774)
New financial assets originated or purchased	7,505	3,232	-	10,737
Financial assets that have been derecognised	(703)	(50,389)	-	(51,092)
Changes in models/risk parameters	(285)	1,424	(128,403)	(127,264)
Foreign exchange and other movements	(1,624)	(13,205)	14,829	-
Loss allowance as at 31 December 2022	**9,269**	**8,363**	**27,997**	**45,629**

Notes (continued)
For the year ended 31 December 2023

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)

Overdraft and credit cards 2023	Stage 1 12-month ECL Kshs 000	Stage 2 Lifetime ECL Kshs 000	Stage 3 Lifetime ECL Kshs 000	Total Kshs 000
Loss allowance – Loans and advances to customers at amortised cost				
Loss allowance as at 1 January 2023	**28,543**	**42,182**	**295,848**	**366,573**
Changes in the loss allowance				
– Transfer to stage 1	32,756	(32,509)	(247)	-
– Transfer to stage 2	(1,069)	1,180	(111)	-
– Transfer to stage 3	(673)	(3,249)	3,922	-
– Write-offs	-	-	-	-
New financial assets originated or purchased	8,175	11,469	51,586	71,230
Financial assets that have been derecognised	(29,158)	(4,852)	(51,995)	(86,005)
Changes in models/risk parameters	10,262	(21,879)	150,195	138,578
Foreign exchange and other movements	(31,013)	34,578	(3,565)	-
Loss allowance as at 31 December 2023	**17,823**	**26,920**	**445,633**	**490,376**
Loss allowance as at 1 January 2022	**16,336**	**40,468**	**222,468**	**279,272**
Changes in the loss allowance				
– Transfer to stage 1	13,899	(12,273)	(1,626)	-
– Transfer to stage 2	(423)	974	(551)	-
– Transfer to stage 3	(913)	(24,926)	25,839	-
– Write-offs	-	-	(49,185)	(49,185)
New financial assets originated or purchased	22,085	10,393	127,413	159,891
Financial assets that have been derecognised	(1,545)	(2,864)	(1,228)	(5,637)
Changes in models/risk parameters	(8,333)	(5,815)	(3,620)	(17,768)
Foreign exchange and other movements	(12,563)	36,225	(23,662)	-
Loss allowance as at 31 December 2022	**28,543**	**42,182**	**295,848**	**366,573**

4 Financial Risk Management disclosures (continued)

4.1 Credit risk (continued)

The following table shows a reconciliation from the opening to the closing balance of the gross carrying amount by class of financial instruments.

Other financial assets

	Cash & Bank Balances Kshs'000	Loans to Banks Kshs'000	Financial assets FVTOCI Kshs'000	Financial assets FVTPL Kshs'000	Financial assets Amortized cost Kshs'000	Total Kshs'000
Other financial assets						
Gross carrying amount as at 1 January 2023	**8,992,039**	**5,589,075**	**10,826,810**	**853,628**	**14,074,248**	**40,335,800**
Changes in the loss allowance						
– Transfer to stage 1	-	-	-	-	-	-
– Transfer to stage 2	-	-	-	-	-	-
– Transfer to stage 3	-	-	-	-	-	-
– Write-offs	-	-	-	-	-	-
New financial assets originated or purchased	258,607	(2,942,350)	(297,407)	-	10,201,987	7,220,837
Financial assets that have been derecognised	-	-	-	(853,628)	-	(853,628)
Gross carrying amount as at 31 December 2023	**9,250,646**	**2,646,725**	**10,529,403**	**-**	**24,276,235**	**46,703,009**

	Cash & Bank Balances Kshs'000	Loans to Banks Kshs'000	Financial assets FVTOCI Kshs'000	Financial assets FVTPL Kshs'000	Financial assets Amortized cost Kshs'000	Total Kshs'000
Other financial assets						
Gross carrying amount as at 1 January 2022	**8,212,917**	**4,287,227**	**9,546,922**	**1,568,955**	**13,584,768**	**37,200,789**
Changes in the loss allowance						
– Transfer to stage 1	-	-	-	-	-	-
– Transfer to stage 2	-	-	-	-	-	-
– Transfer to stage 3	-	-	-	-	-	-
– Write-offs	-	-	-	-	-	-
New financial assets originated or purchased	779,122	1,301,848	1,279,888	-	489,480	3,850,338
Financial assets that have been derecognised	-	-	-	(715,327)	-	(715,327)
Gross carrying amount as at 31 December 2022	**8,992,039**	**5,589,075**	**10,826,810**	**853,628**	**14,074,248**	**40,335,800**

The loss allowance computed for debt instruments is not material to the financial statements and has therefore been recognized.

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)
4.1.1 Loans and advances (continued)

Modified financial assets

As a result of the Group's forbearance activities financial assets might be modified. The following tables refer to modified financial assets where modification does not result in derecognition.

Financial assets (with loss allowance based on lifetime ECL) modified during the period	Year ended 2023 Kshs 000	Year ended 2022 Kshs 000
Gross carrying amount before modification	1,832,122	2,699,602
Loss allowance before modification	(158,059)	(292,993)
Net carrying amount before modification	1,674,063	2,406,609
Net modification gain	5,772	2,727

Collateral management

The Bank uses a range of policies and practices to mitigate credit risk. The most traditional of these is the taking of security for funds advanced, which is common practice. The acceptability of collateral for credit risk mitigation is guided by the Bank's procedures and policies. The main types of collateral taken are:

Type of lending	Collateral
Mortgage lending	First ranking legal charge over the property financed.
Personal loans	Check offs and cash backed
Asset finance	Secured by motor vehicles and chattel registrations
Other loans and advances	Debentures over the Company's assets, cash cover in cash margin account, first ranking legal charge over both commercial and residential properties, directors' personal guarantees and Company guarantees.

There has been no change in collateral management in the year

Valuation of collateral

The Bank has a panel of valuers who undertake valuation of property and other assets to be used as Collateral. The valuers in the panel are qualified professional valuers with adequate experience in the field of property and machinery valuation. Valuation reports on properties are valid for 5 years after which the collateral is revalued.

Fair value of collateral held

The Bank holds collateral against loans and advances to customers in the form of cash, residential, commercial, and industrial property; fixed assets such as plant and machinery; marketable securities; bank guarantees and letters of credit.

The Bank also enters into collateralised reverse purchase agreements. Risk mitigation policies control the approval of collateral types. Collateral is valued in accordance with the Bank's risk mitigation policy, which prescribes the frequency of valuation for different collateral types. The valuation frequency is driven by the level of price volatility of each type of collateral.

Collateral held against impaired loans is maintained at fair value. The valuation of collateral is monitored regularly and is back tested at least annually. At 31 December 2023 the net carrying amount of loans and advances was Kshs 86,921,359 (2022 – Kshs 81,380,510) and the value of the respective collateral was Kshs 172,298,996,679 (2022 – Kshs 183,161,384,000).

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)
4.1.1 Loans and advances (continued)

Collateral generally is not held over loans and advances to banks, except when securities are held as part of reverse purchase and securities borrowing activity. Collateral usually is not held against investment securities, and no such collateral was held as at 31 December 2022 and 2023.

Financial instruments subject to offsetting, enforceable master netting arrangements or similar agreements

The Bank holds financial instruments, financial collateral and cash collateral against its loans and advances measured at amortised cost. The Bank is entitled to offset these through enforceable master netting arrangements or similar agreements, in case of default. As at 31 December 2023 Nil (2022:Nil), no financial assets or financial liabilities had been offset and presented net on the statement of financial position. No collateral had been pledged for deposits held.

4.1.2 Other non-loan financial assets

ECL on non-loan financial assets such as government securities, other investments at amortised cost and at FVOCI and other financial assets are measured as follows:

- Use of external credit ratings as proxies to infer approximate PDs;
- Assumption of 100% LGDs
- Group assigns equal 'loss' and 'no loss' scenarios based on expert judgment;
- EADs are estimated based on the expected maturities of the instruments, most of which are less than 12 months.

4.1.3 Concentration of risk

Details of significant concentrations of the Group's assets (before impairment), liabilities and off-balance sheet items by industry groups are as detailed below:

	2023 Kshs 000	%	2022 Kshs 000	%
(i) Advances to customers- Group and Bank				
Manufacturing	1,164,055	1.3	924,168	1
Wholesale and retail	35,411,499	41	34,045,231	42
Transport and communication	4,623,765	5	5,365,195	7
Agriculture	5,949,684	7	4,610,284	6
Business services	3,305,282	4	2,895,405	4
Building and construction	3,777,774	4	3,351,216	4
Other	32,689,300	38	30,189,011	36
	86,921,359	**100**	**81,380,510**	**100**
(ii) Customer deposits				
Central and local Government	97,681	0	82,262	-
Co-operative societies	608,305	1	538,485	1
Insurance companies	475,005	0	416,646	-
Private enterprises & individuals	101,228,502	99	87,693,876	99
Non-profit institutions	184,937	0	172,517	-
	102,594,430	**100**	**88,903,786**	**100**
(iii) Off balance sheet items				
Letters of credit and guarantees	16,960,346	100	9,868,372	100
	16,960,346	**100**	**9,868,372**	**100**

4 Financial Risk Management disclosures (continued)
4.1 Credit risk (continued)
4.1.3 Concentration of risk (continued)

Incorporation of forward looking information

The Group uses forward-looking information that is available without undue cost or effort in its assessment of significant increase of credit risk as well as in its measurement of ECL. The Group employs experts who use external and internal information to generate a 'base case' scenario of future forecast of relevant economic variables along with a representative range of other possible forecast scenarios. The external information used includes economic data and forecasts published by governmental bodies and monetary authorities.

The Group applies probabilities to the forecast scenarios identified. The base case scenario is the single most-likely outcome and consists of information used by the Group for strategic planning and budgeting. The Group has identified and documented key drivers of credit risk and credit losses for each portfolio of financial instruments and, using a statistical analysis of historical data, has estimated relationships between macro-economic variables and credit risk and credit losses. The Group has not made changes in the estimation techniques or significant assumptions made during the reporting period. The impact of forward-looking information is not material to the expected credit losses and hence not disclosed in the financial statements.

The table below summarises the principal macroeconomic indicators included in the economic scenarios used at 31 December 2023 for the years 2023 to 2026

	2022	2023	2024	2025	2026
Inflation,Exchange rates,Benchmark interest rates & Reserves					
- Base scenario	0.5	0.5	0.5	0.5	0.5
- Range of upside scenarios	0.2	0.2	0.2	0.2	0.2
- Range of downside scenarios	0.3	0.3	0.3	0.3	0.3

Sensitivity analysis

The most significant assumption affecting the ECL allowance is interest rates given its impact on borrowers' ability to meet their contractual repayments. Other forward looking consideration not otherwise incorporated within the calculation of ECL, such as inflation, GDP and exchange rates, have been considered but do not have a material impact therefore no adjustment has been to ECL for such factors.

Set out below are the changes to the ECL as at 31 December 2023 that would result from reasonably possible changes in this parameter from actual assumptions used in the Group's economic variable assumptions; base rate moved from 13% to 13.89% as at Dec 2023. The new base rate of 16.15% cannot be applied as it came into effect in Jan 2024.

	Impact on expected credit losses	
Interest rates	**-5% Kshs000'**	**5% Kshs000'**
Term facilities	5,772	2,734
Off balance sheet facilities	13	6
Mortgage facilities	191	90
ODs & credit cards	557	264

4 Financial Risk Management disclosures (continued)

4.2 Liquidity risk

4.2.1 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 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 ALCO.

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 from customers at the reporting date and during the reporting period were as follows:

	2023	2022
At 31 December	38.7%	34.6%
Average for the year	38.1%	38.5%
Maximum for the year	43.4%	45.2%
Minimum for the year	31.93%	32.9%

To address any liquidity risk negative gaps, the group has an Assets & Liabilities Committee that directs mobilization of deposits and where needed supports big tickets through aggressive pricing, halts or significantly curtails asset growth. The Group uses the interbank borrowing or disposes government securities to address short -term negative gaps.

4 Financial Risk Management disclosures (continued)
4.2 Liquidity risk (continued)

4.2.2 (a) Liquidity risk based on undiscounted cash flows - Group

The table below analyses the cash flows payable by the group 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.

At 31 December 2023	Upto 1 month Kshs 000	1 - 3 months Kshs 000	3 - 12 months Kshs 000	1 - 5 years Kshs 000	Over 5 years Kshs 000	Total Kshs 000
Balances due to banks	4,384,574	-	-	-	-	4,384,574
Short term borrowing from CBK	3,000,000	-	-	-	-	3,000,000
Customer deposits	50,273,980	28,430,424	26,627,403	197,698	-	105,529,505
Borrowings	-	-	-	8,830,325	3,972,340	12,802,665
Provisions and other liabilities	3,284,747	-	-.	-	-	3,284,747
Lease liabilities	-	-	439,034	619,883	-	1,058,917
Capital commitments	-	-	646,899	-	-	646,899
Total financial liabilities	**60,943,301**	**28,430,424**	**27,713,336**	**9,647,906**	**3,972,340**	**130,707,307**
Cash-in hand	4,376,968	-	-	-	-	4,376,968
Balances with CBK	4,873,678	-	-	-	-	4,873,678
Balances due from banks	2,646,725	-	-	-	-	2,646,725
Government securities	303,513	626,979	3,475,246	6,828,319	31,541,600	35,947,338
Loans and advances	7,353,181	7,893,572	11,597,910	39,544,151	32,021,400	98,410,214
Other assets	2,496,276	-	-	-	-	2,496,276
Total financial assets	**22,050,341**	**8,520,551**	**15,073,156**	**46,372,470**	**63,563,000**	**148,751,199**
(Gap)/surplus	**(38,892,960)**	**(19,909,873)**	**(12,640,180)**	**36,724,564**	**59,590,660**	**18,043,892**

4 Financial Risk Management disclosures (continued)
4.2 Liquidity risk (continued)

4.2.2 (b) Liquidity risk based on undiscounted cash flows - Group

At 31 December 2022	Upto 1 month Kshs 000	1 - 3 months Kshs 000	3 - 12 months Kshs 000	1 - 5 years Kshs 000	Over 5 years Kshs 000	Total Kshs 000
Balances due to banks	6,419,589	-	-	-	-	6,419,589
Short term borrowing from CBK	2,997,544	-	-	-	-	2,997,544
Customer deposits	46,093,163	10,282,994	34,549,915	163,490	-	91,089,562
Borrowings	-	-	-	9,195,722	3,957,695	13,153,417
Provisions and other liabilities	2,680,180	-	-	-	-	2,680,180
Lease liabilities	-	-	508,178	731,281	-	1,239,459
Capital commitments	-	-	564,700	-	-	564,700
Total financial liabilities	**58,190,476**	**10,282,994**	**35,622,793**	**10,090,493**	**3,957,695**	**118,144,451**
Cash-in hand	3,984,702	-	-	-	-	3,984,702
Balances with CBK	5,007,337	-	-	-	-	5,007,337
Balances due from banks	5,589,075	-	-	-	-	5,589,075
Government securities	311,215	497,714	621,745	3,728,007	21,790,287	26,948,968
Loans and advances	6,883,724	6,125,488	5,699,926	44,462,825	41,376,298	104,548,261
Other assets	1,794,011	-	-	-	-	1,794,011
Total financial assets	**23,570,064**	**6,623,202**	**6,321,671**	**48,190,832**	**63,166,585**	**147,872,354**
(Gap)/surplus	**(34,620,412)**	**(3,659,792)**	**(29,301,122)**	**38,100,339**	**59,208,890**	**29,727,903**

Notes (continued)
For the year ended 31 December 2023

4 Financial Risk Management disclosures (continued)
4.2 Liquidity risk (continued)

4.2.2 (c) Liquidity risk based on undiscounted cash flows - Bank

As at 31 December 2023	Upto 1 month Kshs 000	1 - 3 months Kshs 000	3 - 12 months Kshs 000	1 - 5 years Kshs 000	Over 5 years Kshs 000	Total Kshs 000
Balances due to banks	4,384,574	-	-	-	-	4,384,574
Short term borrowing from CBK	3,000,000	-	-	-	-	3,000,000
Customer deposits	49,730,679	28,430,424	26,627,403	197,698	-	104,986,204
Borrowings	-	-	-	8,830,325	3,972,340	12,802,665
Provisions and other liabilities	3,160,558	-	-	-	-	3,160,558
Lease liabilities	-	-	439,034	619,883	-	1,058,917
Capital commitments	-	-	646,899	-	-	646,899
Total financial liabilities	**60,275,811**	**28,430,424**	**27,713,336**	**9,647,906**	**3,972,340**	**130,039,817**
Cash-in hand	4,376,968	-	-	-	-	4,376,968
Balances with CBK	4,873,678	-	-	-	-	4,873,678
Balances due from banks	2,646,725	-	-	-	-	2,646,725
Government securities	303,513	626,979	3,475,246	6,828,319	24,713,281	35,947,338
Loans and advances	7,353,181	7,893,572	11,597,910	39,544,150	32,021,400	98,410,213
Other assets	2,429,730	-	-	-	-	2,429,730
Total financial assets	**21,983,795**	**8,520,551**	**15,073,156**	**46,372,469**	**56,734,681**	**148,684,652**
(Gap)/surplus	**(38,292,016)**	**(19,909,873)**	**(12,640,180)**	**36,724,563**	**52,762,341**	**18,644,835**

4 Financial Risk Management disclosures (continued)
4.2 Liquidity risk (continued)

4.2.2 (d) Liquidity risk based on undiscounted cash flows- Bank

As at 31 December 2022	Upto 1 month Kshs 000	1 - 3 months Kshs 000	3 - 12 months Kshs 000	1 - 5 years Kshs 000	Over 5 years Kshs 000	Total Kshs 000
Balances due to banks	6,419,589	-	-	-	-	6,419,589
Short term borrowing CBK	2,997,544	-	-	-	-	2,997,544
Customer deposits	45,655,011	10,282,994	34,549,915	163,490	-	90,651,410
Borrowings	-	-	-	9,195,722	3,957,695	13,153,417
Provisions and other liabilities	2,563,555	-	.	-	-	2,563,555
Lease liabilities	-	-	508,178	731,281	-	1,239,459
Capital commitments	-	-	564,700	-	-	564,700
Total financial liabilities	**57,635,699**	**10,282,994**	**35,622,793**	**10,090,493**	**3,957,695**	**117,589,674**
Cash-in hand	3,984,702	-	-	-	-	3,984,702
Balances with CBK	5,007,337	-	-	-	-	5,007,337
Balances due from banks	5,589,075	-	-	-	-	5,589,075
Government securities	311,215	497,714	621,745	3,728,007	21,779,775	26,938,456
Loans and advances	6,883,725	6,125,488	5,699,926	44,462,825	41,376,298	104,548,262
Other assets	1,763,001	-	-	-	-	1,763,001
Total financial assets	**23,539,055**	**6,623,202**	**6,321,671**	**48,190,832**	**63,156,073**	**147,830,833**
(Gap)/surplus	**(34,096,644)**	**(3,659,792)**	**(29,301,122)**	**38,100,339**	**59,198,378**	**30,241,159**

4 Financial Risk Management disclosures (continued)

4.2 Liquidity risk (continued)

4.2.2 (e) Liquidity risk based on undiscounted cash flows - Group and Bank

The following table shows commitments and guarantees that may have cash outflows in future from the Group as at 31 December.

	2023 Kshs 000	2022 Kshs 000
(a) Letters of credit, guarantees, acceptances	16,960,346	9,868,372
(b) Committed and undrawn facilities	3,911,526	3,691,461
	20,871,872	**13,559,833**

4.3 Market risk

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 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.

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.

4 Financial Risk Management disclosures (continued)
4.3 Market risk (continued)

(i) Interest rate risk - Group

31 December 2023	Non-interest bearing Kshs 000	0 – 3 months Kshs 000	4 – 12 months Kshs 000	1-5 years Kshs 000	Over 5 years Kshs 000	Total Kshs 000
Financial liabilities						
Balances due to banks	-	4,384,574	-	-	-	4,384,574
Customer deposits	49,187,198	28,430,424	24,779,110	197,698	-	102,594,430
Borrowings	-	-	-	7,301,779	3,972,340	11,274,119
Provisions and other liabilities	3,160,558	-	165,891	-	-	3,326,449
Lease liabilities	-	-	396,600	559,970	-	956,570
Total financial liabilities	**52,347,756**	**32,814,998**	**25,341,601**	**8,059,447**	**3,972,340**	**122,536,142**
Financial assets						
Cash-in hand	4,376,968	-	-	-	-	4,376,968
Balances with CBK	4,873,678	-	-	-	-	4,873,678
Balances due from banks	1,266,375	1,380,350	-	-	-	2,646,725
Government securities	-	2,088,473	7,020,828	9,466,936	16,249,513	34,825,750
Loans and advances	-	86,921,359	-	-	-	86,921,359
Other assets	2,496,277	-	-	-	-	2,496,277
Total financial assets	**13,013,298**	**90,390,182**	**7,020,828**	**9,466,936**	**16,249,513**	**136,140,757**
(Gap)/surplus	**(39,334,458)**	**57,575,184**	**(18,320,773)**	**1,407,489**	**12,277,173**	**13,604,615**

31 December 2022	Non-interest bearing Kshs 000	0 – 3 months Kshs 000	4 – 12 months Kshs 000	1-5 years Kshs 000	Over 5 years Kshs 000	Total Kshs 000
Financial liabilities						
Balances due to banks	-	9,417,133	-	-	-	9,417,133
Customer deposits	55,935,239	-	32,805,057	163,490	-	88,903,786
Borrowings	-	-	-	6,574,956	3,957,695	10,532,651
Provisions and other liabilities	2,680,181	-	116,526	-	-	2,680,181
Lease liabilities	-	-	252,724	590,285	-	843,009
Total financial liabilities	**58,615,420**	**9,417,133**	**33,174,307**	**7,328,731**	**3,957,695**	**112,376,760**
Financial assets						
Cash-in hand	3,984,702	-	-	-	-	3,984,702
Balances with CBK	5,007,337	-	-	-	-	5,007,337
Balances due from banks	485,424	-	5,103,651	-	-	5,589,075
Government securities	-	1,530,524	497,714	621,745	23,104,702	25,754,685
Loans and advances	-	81,380,510	-	-	-	81,380,510
Other assets	1,794,011	-	-	-	-	1,794,011
Total financial assets	**11,271,474**	**82,911,034**	**5,601,365**	**621,745**	**23,104,702**	**123,510,320**
(Gap)/surplus	**(47,343,946)**	**73,493,901**	**(27,572,942)**	**(6,706,986)**	**19,147,007**	**11,133,560**

4 Financial Risk Management disclosures (continued)
4.3 Market risk (continued)

(i) Interest rate risk - Bank

As at 31 December 2023	Upto 1 month Kshs 000	1 - 3 months Kshs 000	3 - 12 months Kshs 000	1 - 5 years Kshs 000	Over 5 years Kshs 000	Total Kshs 000
Balances due to banks	-	4,384,574	-	-	-	4,384,574
Customer deposits	49,730,499	28,430,424	24,779,110	197,698	-	103,137,731
Borrowings	-	-	-	7,301,779	3,972,340	11,274,119
Provisions and other liabilities	3,160,558	-	-	-	-	3,160,558
Lease liabilities	-	-	396,600	559,970	-	956,570
Total financial liabilities	**52,891,057**	**32,814,998**	**25,175,710**	**8,059,447**	**3,972,340**	**122,913,552**
Cash-in hand	4,376,968	-	-	-	-	4,376,968
Balances with CBK	4,873,678	-	-	-	-	4,873,678
Balances due from banks	1,266,375	1,380,350	-	-	-	2,646,725
Government securities	-	2,088,473	7,020,828	9,466,936	16,229,401	34,805,638
Loans and advances	-	86,921,359	-	-	-	86,921,359
Other assets	2,429,730	-	-	-	-	2,429,730
Total financial assets	**12,946,751**	**90,390,182**	**7,020,828**	**9,466,936**	**16,229,401**	**136,054,098**
(Gap)/surplus	**(39,944,306)**	**57,575,184**	**(18,154,882)**	**1,407,489**	**12,257,061**	**13,140,546**

As at 31 December 2022						
Balances due to banks	-	6,419,589	-	-	-	6,419,589
Customer deposits	56,374,685	-	32,805,057	163,490	-	89,343,232
Borrowings	-	-	-	6,574,956	3,957,695	10,532,651
Provisions and other liabilities	2,563,555	-	-	-	-	2,563,555
Lease liabilities	-	-	252,724	590,285	-	843,009
Total financial liabilities	**58,938,240**	**6,419,589**	**33,057,781**	**7,328,731**	**3,957,695**	**109,702,036**
Cash-in hand	3,984,702	-	-	-	-	3,984,702
Balances with CBK	5,007,337	-	-	-	-	5,007,337
Balances due from banks	485,424	-	4,796,563	-	-	5,281,987
Government securities	-	1,530,524	497,714	621,745	23,094,189	25,744,172
Loans and advances	-	81,380,510	-	-	-	81,380,510
Other assets	1,763,001	-	-	-	-	1,763,001
Total financial assets	**11,240,464**	**82,911,034**	**5,294,277**	**621,745**	**23,094,189**	**123,161,709**
(Gap)/surplus	**(47,697,776)**	**76,491,445**	**(27,763,504)**	**(6,706,986)**	**19,136,494**	**13,459,673**

4 Financial Risk Management disclosures (continued)
4.3 Market risk (continued)

(i) Interest rate risk (continued)

Sensitivity analysis

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 variable and constant rates.
- The projections make other assumptions including that all positions run to maturity

Assuming no management actions, a 10% appreciation in interest rates would increase net interest income by Shs 867 million (2022 – 908 million), while a 10% depreciation in interest rated would decrease net interest income by Shs 867 million (2022 – Shs 908 million).

ii) Currency risk

The Group taKshs on exposure to the effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows. The board sets limits on the level of exposure by currency and in total for both overnight and intra-day positions which are monitored daily. The table below summarizes the foreign currency exposure as at 31 December 2023 and 31 December 2022:

	USD Kshs 000	GBP Kshs 000	EURO Kshs 000	Total Kshs 000
As at 31 December 2023				
Financial assets				
Deposits and balances due from banking institutions	1,228,467	78,741	223,501	1,530,709
Loans advanced	4,892,647	43,124	8,443	4,944,214
Financial liabilities				
Borrowings	(4,969,115)	-	-	(4,969,115)
Net currency exposure	**1,151,999**	**121,865**	**231,944**	**1,505,808**
As at 31 December 2022				
Financial assets				
Deposits and balances due from banking institutions	529,435	127,543	201,727	858,706
Loans advanced	3,328,637	32,720	25,460	3,386,817
Financial liabilities				
Borrowings	(5,594,877)	-	-	(5,594,877)
Net currency exposure	**(1,736,805)**	**160,263**	**227,187**	**(1,349,354)**

4 Financial Risk Management disclosures (continued)
4.3 Market risk (continued)

ii) Currency risk (continued)

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

Sensitivity analysis

The following table demonstrates the sensitivity to a reasonable possible change in the below mentioned exchange rates which all other variables held constant, of the groups profit before income tax(due to changes in fair value of monetary assets and liabilities).

	31-Dec-23			31-Dec-22		
	Currency Carrying Amount	10% Depreciation	10% Appreciation	Currency Carrying Amount	10% Depreciation	10% Appreciation
Kshs'000'						
Assets						
USD	6,121,114	612,111	(612,111)	3,858,072	385,807	(385,807)
GBP	121,865	12,187	(12,187)	160,263	16,026	(16,026)
Euro	231,944	23,194	(23,194)	227,187	22,719	(22,719)
		647,492	(647,492)		424,552	(424,552)
Liabilities						
USD	4,969,115	(496,912)	496,912	5,594,877	559,488	(559,488)
Increase/(decrease)		150,580	(150,580)		134,936	(134,936)
Tax charge at 30%		45,174	(45,174)		40,481	(40,481)
Effect on net profit		105,406	(105,406)		94,455	(94,455)

At 31 December 2023 if the shilling had depreciated / appreciated by 10% against the major trading currencies, with all other variables held constant, pre-tax profit would have been Kshs 151 million (31 December 2022: Kshs 135 million) higher/lower.

4 Financial Risk Management disclosures (continued)

4.4 Fair value of financial assets and liabilities

IFRS 7 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:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The tables below show the carrying amounts and fair values of financial assets and financial liabilities measured and carried at fair value, including their levels in the fair value hierarchy.

2023- Group	Level 1 Kshs 000	Level 2 Kshs 000	Level 3 Kshs 000	Total Kshs 000
Financial assets				
Government securities at FVOCI	10,529,403	-	-	10,529,403
2022 – Group				
Government securities at FVOCI	10,826,810	-	-	10,826,810
Government securities at FVTPL	853,628	-	-	853,628
2023 - Bank				
Financial assets				
Government securities at FVOCI	10,529,403	-	-	10,529,403
2022 - Bank				
Financial assets				
Government securities at FVOCI	10,826,810	-	-	10,826,810
Government securities at FVTPL	853,628	-	-	853,628

The Group does not have any financial liabilities carried at fair value

Notes (continued)
For the year ended 31 December 2023

4 Financial Risk Management disclosures (continued)
4.4 Fair value of financial assets and liabilities (continued)

The tables below show the carrying amounts and fair values of financial assets and financial liabilities not carried at fair value, including their levels in the fair value hierarchy. The carrying amount is a reasonable approximation of fair value.

Group	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Fair value Shs'000	Carrying value Shs'000
At 31 December 2023					
Assets					
Cash and balances with CBK	-	9,250,646	-	9,250,646	9,250,646
Balances due from banking institutions	-	2,646,725	-	2,646,725	2,646,725
Loans and advances to customers	-	-	86,921,359	86,921,359	86,921,359
Government securities at amortised cost	-	24,296,347	-	24,296,347	24,296,347
Other financial assets	-	-	360,910	360,910	360,910
Liabilities					
Deposits from customers	-	-	102,594,430	102,594,430	102,594,430
Borrowings	-	-	11,274,119	11,274,119	11,274,119
At 31 December 2022					
Assets					
Cash and balances with CBK	-	8,992,039	-	8,992,039	8,992,039
Balances due from banking institutions	-	5,589,075	-	5,589,075	5,589,075
Loans and advances to customers	-	-	81,380,510	81,380,510	81,380,510
Government securities at amortised cost	-	14,074,248	-	14,074,248	14,074,248
Other investment	-	139,256	-	139,256	139,256
Liabilities					
Deposits from customers	-	-	88,903,786	88,903,786	88,903,786
Borrowings	-	10,532,651	-	10,532,651	10,532,651

4 Financial Risk Management disclosures (continued)

4.4 Fair value of financial assets and liabilities (continued)

The tables below show the carrying amounts and fair values of financial assets and financial liabilities not carried at fair value, including their levels in the fair value hierarchy. The carrying amount is a reasonable approximation of fair value.

Bank	Level 1 Shs'000	Level 2 Shs'000	Level 3 Shs'000	Fair value Shs'000	Carrying value Shs'000
At 31 December 2023					
Assets					
Cash and balances with CBK	-	9,250,646	-	9,250,646	9,250,646
Balances due from banking institutions	-	2,646,725	-	2,646,725	2,646,725
Loans and advances to customers	-	-	86,921,359	86,921,359	86,921,359
Government securities at amortised cost	-	24,276,235	-	24,276,235	24,276,235
Other financial assets	-	-	360,910	360,910	360,910
Liabilities					
Deposits from customers	-	-	103,137,731	103,137,731	103,137,731
Borrowings	-	10,532,651	-	10,532,651	10,532,651
At 31 December 2022					
Assets					
Cash and balances with CBK	-	8,992,039	-	8,992,039	8,992,039
Balances due from banking institutions	-	5,589,075	-	5,589,075	5,589,075
Loans and advances to customers	-	-	81,380,510	81,380,510	81,380,510
Government securities at amortised cost	-	14,063,735	-	14,063,735	14,063,735
Other financial assets	-	139,256	-	139,256	139,256
Liabilities					
Deposits from customers	-	-	89,343,232	89,343,232	89,343,232
Borrowings	-	10,532,651	-	10,532,651	10,532,651

5 Capital Management

(a) Regulatory capital

The Group's objectives when managing capital are:

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

Capital adequacy and use of regulatory capital are monitored by management employing techniques based on the 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 10.5%;
c) Maintain a core capital of not less than 8 % of total deposit liabilities
d) Maintain total capital of not less than 14.5% of risk weighted assets plus risk weighted off balance sheet items.

The Insurance Regulatory Authority requires Family Bancassurance Intermediary Limited to maintain a minimum level of regulatory capital of Shs 10,000,000. The agency has complied with the capital requirement.

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 Bank's regulatory capital is analyzed into two tiers:

- Tier 1 capital, which includes ordinary share capital, non-cumulative irredeemable non-convertible preference shares, disclosed reserves such as share premiums, retained earnings, and 50% un-audited after tax profit less investment in subsidiaries conducting banking business, investments in equity of other institutions, intangible assets (excluding computer software) and goodwill.

- Tier 2 capital, which includes 25% revaluation surplus which have received prior CBK approval, subordinated debt, hybrid capital instruments or any other capital instruments approved by CBK

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

5 Capital Management (continued)

The Bank's regulatory capital position at 31 December 2023 was as follows:

	2023 Kshs 000	2022 Kshs 000
Tier 1 capital		
Share capital	1,287,108	1,287,108
Share premium	5,874,662	5,874,662
Retained earnings	7,410,682	6,541,111
Total Tier 1 capital	**14,572,452**	**13,702,881**
Tier 2 capital		
Revaluation reserves (25%)	69,606	69,606
Term subordinated debt	3,200,000	4,000,000
Statutory reserve	2,594,636	1,777,283
Total Tier 2 capital	**5,864,242**	**5,846,889**
Total regulatory capital	**20,436,694**	**19,549,770**
Risk-weighted assets	**108,176,948**	**94,588,542**
Capital ratios		
Total regulatory capital expressed as a percentage of total risk-weighted assets (CBK minimum 14.5%)	18.89%	20.67%
Total tier 1 capital expressed as a percentage of risk-weighted assets (CBK minimum 10.5%)	13.47%	14.49%

6

(a) Interest income	Group		Bank	
	2023 Kshs 000	2022 Kshs 000	2023 Kshs 000	2022 Kshs 000
Interest on loans and advances	12,814,772	10,829,701	12,814,772	10,829,701
Interest on bank placements	242,758	60,377	242,758	60,377
Interest income on -government securities at amortised cost and FVOCI	3,153,564	2,929,883	3,153,564	2,929,883
	16,211,094	**13,819,961**	**16,211,094**	**13,819,961**
(b) investment income				
Interest on financial instruments at FVTPL	**235,354**	**105,385**	**235,354**	**105,385**

7 Interest expense

	Group 2023 Kshs 000	Group 2022 Kshs 000	Bank 2023 Kshs 000	Bank 2022 Kshs 000
Interest on customer deposits	4,727,606	3,205,440	4,774,651	3,246,977
Interest on balances due to banks	434,116	372,122	434,116	372,122
Interest on borrowings	1,212,486	946,072	1,212,486	946,072
Interest expense on bonds	73,465	104,437	73,465	104,437
Interest on lease liabilities (Note 33)	105,174	108,606	105,174	108,606
	6,552,847	**4,736,677**	**6,599,892**	**4,778,214**

8 Fees and commission income

	Group 2023 Kshs 000	Group 2022 Kshs 000	Bank 2023 Kshs 000	Bank 2022 Kshs 000
(a) Fee and commission income				
Transaction related fees	2,115,824	1,963,222	2,115,824	1,963,222
Loan service fees	113,521	109,500	113,521	109,500
Ledger related fees and commissions	190,088	190,731	190,088	190,731
	2,419,433	**2,263,453**	**2,419,433**	**2,263,453**
(b) Fees and commission expense	(540,541)	(386,962)	(540,541)	(386,962)

Fees and commission expense relate to bank charges swift expenses and cheque printing expenses.

	Group 2023 Kshs 000	Group 2022 Kshs 000	Bank 2023 Kshs 000	Bank 2022 Kshs 000
(c) Other income				
Brokerage commissions	230,824	237,437	-	-
Dividend income	-	-	42,700	200,000
Other incomes	317,754	160,908	317,754	160,908
	548,578	**398,345**	**360,454**	**360,908**

Included in the Bank's other income for the year is dividend received from the subsidiary amounting to Kshs 42.7 million (2022: Kshs 200 million).

9 Operating expenses

	Group		Bank	
	2023 Kshs 000	2022 Kshs 000	2023 Kshs 000	2022 Kshs 000
Staff costs (Note 10)	3,979,015	3,430,205	3,908,957	3,375,300
Directors' emoluments – Fees	147,820	142,246	136,663	134,607
Depreciation – property, plant and equipment (Note 22)	403,002	409,616	402,846	408,535
Amortisation of intangible assets (Note 23)	121,215	128,259	117,010	124,056
Contribution to Deposit Protection Fund	155,378	116,535	155,378	116,535
Auditors' remuneration - current period	19,725	19,292	18,432	17,999
Amortisation of operating lease (Note 24)	4,637	4,637	4,637	4,637
Marketing expenses	488,852	421,320	488,511	421,194
Occupancy expenses	1,102,035	1,051,207	1,101,286	1,050,458
Other operating expenses	1,660,180	1,352,724	1,651,080	1,346,768
	8,081,859	**7,076,041**	**7,984,800**	**7,000,089**

10 Staff costs

	Group		Bank	
	2023 Kshs 000	2022 Kshs 000	2023 Kshs 000	2022 Kshs 000
Salaries and wages	3,285,190	2,791,797	3,226,970	2,747,764
Training, recruitment and staff welfare costs	183,377	285,297	183,375	281,035
Contributions to defined contribution pension scheme	207,540	155,811	205,083	153,930
Medical expenses	280,707	206,392	272,986	202,170
Leave pay provision movement	37	(13,187)	(639)	(13,597)
NSSF contributions	22,164	4,095	21,182	3,998
	3,979,015	**3,430,205**	**3,908,957**	**3,375,300**

The total number of permanent employees in the Group and Bank as at the end of the year was 1,761 and 1,707 (2022: 1,712 and 1,706 respectively)

11 Income tax expense

	Group		Bank	
	2023 Kshs 000	2022 Kshs 000	2023 Kshs 000	2022 Kshs 000
(a) Taxation charge				
Current tax based on the taxable profit at 30% (2022:30%)	1,233,405	1,498,382	1,178,166	1,437,002
Deferred income tax (Note 28)	(503,586)	90,080	(503,244)	90,286
Over provision of current tax in prior years	(42,186)	-	(27,371)	-
Over provision of deferred income tax in prior years	259	(57,182)	259	(56,500)
Total charge	**687,892**	**1,531,280**	**647,810**	**1,470,788**
(b) Reconciliation of accounting profit to tax charge				
Profit before taxation	3,195,813	3,744,992	3,057,703	3,741,970
Tax calculated at a tax rate of 30% (2022: 30%)	958,744	1,123,498	917,311	1,122,591
Tax effect of expenses not deductible for tax purposes	(497,817)	661,972	(498,084)	601,705
Tax effect of income not taxable	265,514	(200,376)	252,317	(200,376)
Under provision of current tax in prior years	(42,186)	-	(27,371)	-
Overprovision of deferred tax in prior years	259	(57,182)	259	(56,500)
Deferred tax on investment property valuation	-	(260)	-	(260)
Deferred tax on lease liabilities	3,378	3,628	3,378	3,628
	687,892	**1,531,280**	**647,810**	**1,470,788**

12 Earnings per share – Group & Bank

Earnings per share is calculated by dividing the total comprehensive income attributable to shareholders by the number of ordinary shares in issue during the year.

	Group		Bank	
	2023	2022	2023	2022
Profit (Kshs 000)	2,507,921	2,213,712	2,409,893	2,271,182
Weighted average number of shares during the year (000)	1,287,108	1,287,108	1,287,108	1,287,108
Earnings per share:				
Basic and diluted (Sh)	1.95	1.72	1.87	1.76

There were no potential dilutive shares outstanding at 31 December 2023.

13 Cash and balances with CBK-Group and Bank

	2023 Kshs 000	2022 Kshs 000
Cash in hand	4,376,968	3,984,702
Balances with Central Bank of Kenya - cash ratio & other balances	4,873,678	5,007,337
	9,250,646	**8,992,039**

The cash ratio reserve is based on the value of customer deposits as adjusted by the Central Bank of Kenya requirements. As at 31 December 2023, the cash ratio reserve requirement was 4.25% (2022 – 4.25%) of all customer deposits held by the Bank. These funds are available for use by the company in its day-to-day operations in a limited way provided that on any given day, this balance does not fall below the 3% requirement and provided that the overall average in the month is at least 4.25%.

14 Balances due from banking institutions – Group and Bank

	2023 Kshs 000	2022 Kshs 000
(a) Balances due from banking institutions maturing within 90 days:		
Overnight lending and placement with other banks	1,380,350	4,796,563
Balances due from local banking institutions	1,319	1,319
Balances due from foreign banking institutions	1,265,056	791,193
	2,646,725	**5,589,075**
(b) Balances due to banking institutions maturing within 90 days:		
Balances with local banking institutions	**4,384,574**	**6,419,589**

Deposits with/from local banks as at 31st December 2023 represent overnight lending. The effective interest rate on deposits due from local banking institutions at 31 December 2023 was 4.56 % (2022 –1.41 %).
The effective interest rate on deposits due to local banking institutions at 31 December 2023 was 8.33 % (2022 – 7.21 %).

15 Government securities

	Group		Bank	
	2023 Kshs 000	2022 Kshs 000	2023 Kshs 000	2022 Kshs 000
Treasury bills and bonds – at amortised cost	24,296,347	14,074,248	24,276,235	14,063,735
Treasury bonds at fair value through other comprehensive income	10,529,403	10,826,810	10,529,403	10,826,810
Treasury bonds at fair value through profit and loss	-	853,628	-	853,628
	34,825,750	**25,754,686**	**34,805,638**	**25,744,173**
The maturity profile of government securities is as follows:				
Maturing within one year	9,109,024	311,215	9,109,024	311,215
Maturing between 2 to 5 years	9,466,936	12,426,522	9,466,936	12,426,522
Maturing after 5 years	16,249,790	13,016,949	16,229,678	13,006,436
	34,825,750	**25,754,686**	**34,805,638**	**25,744,173**

The weighted average effective interest rate on treasury bonds at 31 December 2023 was 12.73%, (2022 -12.30%) The weighted average effective interest rate on treasury bills was 12.79% (2022- nil).As at 31 December 2023, treasury bonds of Kshs 4.3 billion were pledged as collateral under repurchase agreements with the Central Bank of Kenya ,(2022:Nil)

The movement schedule for the government securities is as shown below:

31-Dec-22	Amortized at cost Kshs'000'	FVOCI Kshs'000'	FVTPL Kshs'000'
Opening nominal value	13,010,300	9,200,000	1,500,000
Purchases	2,097,800	1,881,000	-
Sales/maturities	(1,350,300)	-	(650,000)
Total nominal value	**13,757,800**	**11,081,000**	**850,000**
Interest receivable	335,690	384,428	42,036
Premium/discount	(29,755)	174,449	(7,178)
Bond revaluation	-	(813,067)	(31,230)
Closing balance	**14,063,735**	**10,826,810**	**853,628**
31-Dec-23			
Opening nominal value	13,757,800	11,081,000	850,000
Purchases	9,635,000	850,000	-
Sales/maturities	(300,000)	-	(850,000)
Total nominal value	**23,092,800**	**11,931,000**	**-**
Interest receivable	691,845	430,556	-
Premium/discount	(75,359)	(65,833)	-
Bond revaluation	-	(1,766,320)	-
Foreign exchange differences	566,950	-	
Closing balance	**24,276,236**	**10,529,403**	**-**

16 Loans and advances to customers- Group & Bank

(a) Loans and advances at amortised cost

Gross total	2023 Kshs 000	2022 Kshs 000
Term loans	75,944,595	69,764,759
Mortgage	13,046,227	12,139,725
Overdraft and credit cards	3,587,655	3,902,789
Total gross loans	**92,578,477**	**85,807,273**
Provisions		
Term loans	(5,001,358)	(4,014,561)
Mortgage	(165,384)	(45,629)
Overdraft and credit cards	(490,376)	(366,573)
Total provisions	**(5,657,118)**	**(4,426,763)**
Net loans and advances	**86,921,359**	**81,380,510**

Significant changes in the gross carrying amounts of loans and advances to customers that contributed to movements in loans and advances were new loans advanced in the year and loan repayments.
The movement in the loans and advances are disclosed under Note 4.

The weighted average effective interest rate on advances to customers at 31 December 2023 was 15.79%(2022 – 12.96%
The related party transactions and balances are covered under Note 35 and concentration of advances to customers is covered under Note 4.

(b) The provision for credit loss allowance on loans and advances at amortised cost is as follows:

31 December 2023	Stage 1 and 2 Kshs 000	Stage 3 Kshs 000	Total Kshs 000
Impairment charge	**(119,751)**	**(1,955,131)**	**(2,074,882)**
31 December 2022	**Kshs 000**	**Kshs 000**	**Kshs 000**
Impairment charge	**(3,390)**	**(1,303,741)**	**(1,307,131)**

17 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.

	2023 Kshs 000	2022 Kshs 000
Guarantees	16,504,299	9,813,401
Letters of credit	456,046	54,971
	16,960,345	**9,868,372**
Litigations against the Group	**295,903**	**283,480**

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 4.

Litigations against the Group

In the ordinary course of business, the bank is defendant in various litigation and claims. Although there can be no assurances, the directors believe, based on the information currently available and legal advice, that the claims can be successfully defended and therefore no provision has been made in the financial statements.

There are no material events after the reporting date which require to be disclosed.

(b) Commitments to extend credit

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.

	2023 Kshs 000	2022 Kshs 000
Undrawn formal stand-by facilities, credit lines and other commitments to lend	3,911,526	3,691,461

(c) Capital commitments

	2023 Kshs 000	2022 Kshs 000
Authorised and contracted for	154,127	143,160
Authorised but not contracted for	147,609	116,651

18 Other assets

	Group		Bank	
	2023 Kshs 000	2022 Kshs 000	2023 Kshs 000	2022 Kshs 000
Un-cleared items in the course of collection	228,333	11,670	228,333	11,670
Prepayments	388,970	357,988	388,970	357,988
Deposits for services	132,578	127,586	132,578	127,586
Others	1,746,395	1,296,767	1,679,848	1,265,757
	2,496,276	**1,794,011**	**2,429,729**	**1,763,001**

*Other assets relates to suspense accounts and settlement accounts. All the balances are non-interest bearing.

19 Other investments

	Bank and Group	
	2023 Kshs 000	2022 Kshs 000
Principal balance at start of year	-	1,355,980
Additions/(maturities) in the year	-	(1,355,980)
Provision for expected loss	-	-
	-	-

20 Investment in subsidiary

	No of shares	Holding	2023 Kshs 000	2022 Kshs 000
Family Bank Bancassurance intermediary Limited	10,000	100%	10,000	10,000

The subsidiary is a wholly owned Limited Liability Company incorporated and domiciled in Kenya. The principal activity of the company is that of risk management and insurance brokerage. Investment in subsidiary is non-current.

21 Investment properties - Group & Bank

For the year ended 31 December

	2023 Kshs '000	2022 Kshs '000
At start and end of year	28,600	23,400
Fair value gain	-	5,200
At end of year	**28,600**	**28,600**

Investment property relates to Leasehold land valued at Shs 28,600,000 (acquired at a cost Shs 3,170,000).

Amounts recognised in statement of profit or loss:

	2023 Kshs '000	2022 Kshs '000
Fair value gains	-	5,200

The fair valuation basis taKshs into account the normal lease structure for similar pieces of land.

The table below analyses the non-financial assets carried at fair value, by valuation method. The different levels have been defined as follows:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1)
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or immediately (that is, derived from prices) (Level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs)
- (Level 3).

	Level 1 Kshs. '000	Level 2 Kshs '000	Level 3 Kshs. '000	Total Kshs. '000
At 31 December 2023				
Investment properties	-	-	28,600	28,600
At 31 December 2022				
Investment properties	-	-	28,600	28,600

Valuation technique used to derive level 3 fair values

Level 3 fair value of land has been derived using the sales comparison approach. Sales prices of comparable land in close proximity are adjusted for differences in key attributes such as property size and location.The valuation report done by Regent Valuers Limited dated 27 February 2024. Each plot had a value of Shs 550,000 totaling to Shs 28,600,000 as per the valuation report.

22 Property and Equipment- Group

	Freehold Land Kshs 000	Buildings Kshs 000	Leasehold improvements Kshs 000	Computer Kshs 000	Motor vehicles Kshs 000	Fixtures, fittings and equipment Kshs 000	Total Kshs 000
Year ended 31 December 2022							
Cost/ valuation							
At 1 January 2022	590,000	460,000	2,917,903	2,447,085	121,054	1,471,989	8,008,031
Additions	76,500	-	130,370	165,426	73,146	34,707	480,149
At 31 December 2022	666,500	460,000	3,048,273	2,612,511	194,200	1,506,696	8,488,180
Depreciation							
At 1 January 2022	-	(22,198)	(2,429,316)	(2,225,228)	(117,605)	(1,151,707)	(5,946,054)
Charge for the year	-	(11,099)	(188,799)	(89,703)	(7,948)	(112,067)	(409,616)
At 31 December 2022	-	(33,297)	(2,618,115)	(2,314,931)	(125,553)	(1,263,774)	(6,355,670)
Net book value at 31 December 2022	**666,500**	**426,703**	**430,158**	**297,580**	**68,647**	**242,922**	**2,132,510**
Year ended 31 December 2023							
Cost/valuation							
At 1 January 2023	666,500	460,000	3,048,273	2,612,511	194,200	1,506,696	8,488,180
Additions	-	-	147,954	501,838	45,700	62,557	758,049
At 31 December 2023	666,500	460,000	3,196,227	3,114,349	239,900	1,569,253	9,246,229
Depreciation							
At 1 January 2023	-	(33,297)	(2,618,115)	(2,314,931)	(125,553)	(1,263,774)	(6,355,670)
Charge for the year	-	(11,099)	(160,130)	(115,202)	(19,108)	(97,463)	(403,002)
At 31 December 2023	-	(44,396)	(2,778,245)	(2,430,133)	(144,661)	(1,361,237)	(6,758,672)
Net book value at 31 December 2023	**666,500**	**415,604**	**417,982**	**684,216**	**95,239**	**208,016**	**2,487,557**

The net book value of the building had revaluation not taken place would have been Kshs 302,005,000 (2022: Kshs 302,005,000).

There are no properties or equipment charged as securities as at end of year (2022: None). Fully depreciated assets still in use as at end of year had an initial cost of Kshs 2.51b (2022: Kshs 2.54b)

Notes (continued)
For the year ended 31 December 2023

22 Property and Equipment- Bank

	Freehold Land Kshs 000	Buildings Kshs 000	Leasehold improvements Kshs 000	Computer Kshs 000	Motor vehicles Kshs 000	Fixtures, fittings and equipment Kshs 000	Total Kshs 000
Year ended 31 December 2022							
Cost/ valuation							
At 1 January 2022	590,000	460,000	2,917,903	2,442,580	117,041	1,475,885	8,003,409
Additions	76,500	-	130,370	165,264	73,147	33,973	479,254
At 31 December 2022	666,500	460,000	3,048,273	2,607,844	190,188	1,509,858	8,482,663
Depreciation							
At 1 January 2022	-	(22,198)	(2,428,163)	(2,225,110)	(117,041)	(1,149,511)	(5,942,023)
Charge for the year	-	(11,099)	(187,725)	(89,703)	(7,945)	(112,063)	(408,535)
At 31 December 2022	-	(33,297)	(2,615,888)	(2,314,813)	(124,986)	(1,261,574)	(6,350,558)
Net book value at 31 December 2022	**666,500**	**426,703**	**432,385**	**293,031**	**65,202**	**248,284**	**2,132,105**
Year ended 31 December 2023							
Cost/valuation							
At 1 January 2023	666,500	460,000	3,048,273	2,607,844	190,188	1,509,858	8,482,663
Additions	-	-	147,954	501,838	45,700	62,557	758,049
At 31 December 2023	666,500	460,000	3,196,227	3,109,682	235,888	1,572,415	9,240,712
Depreciation							
At 1 January 2023	-	(33,297)	(2,615,888)	(2,314,813)	(124,986)	(1,261,574)	(6,350,558)
Charge for the year	-	(11,099)	(160,129)	(115,170)	(19,108)	(97,339)	(402,845)
At 31 December 2023	-	(44,396)	(2,776,017)	(2,429,983)	(144,094)	(1,358,913)	(6,753,403)
Net book value at 31 December 2023	**666,500**	**415,604**	**420,210**	**679,699**	**91,794**	**213,502**	**2,487,309**

In accordance with IFRS 13, the fair value ranking of the freehold land and buildings is at Level 3. The net book value of the building had revaluation not taken place would have been Kshs Kshs 302,005,000 (2022: Kshs 302,005,000)

23 Intangible assets – Computer software

	Group 2023 Kshs 000	Group 2022 Kshs 000	Bank 2023 Kshs 000	Bank 2022 Kshs 000
Cost				
At 1 January	1,707,173	1,606,743	1,679,518	1,579,088
Additions	329,846	85,446	329,846	85,446
WIP	36,403	14,984	36,403	14,984
At 31 December	**2,073,422**	**1,707,173**	**2,045,767**	**1,679,518**
Amortisation				
At 1 January	(1,408,891)	(1,280,632)	(1,387,893)	(1,263,837)
Charge for the year	(121,214)	(128,259)	(117,010)	(124,056)
At 31 December	**(1,530,105)**	**(1,408,891)**	**(1,504,903)**	**(1,387,893)**
Net book value at 31 December	**543,317**	**298,282**	**540,864**	**291,625**

The intangible assets are in respect of computer software purchase costs.

24 Prepaid operating lease rentals- Group and Bank

	2023 Kshs 000	2022 Kshs 000
Leasehold land:		
Cost		
At 1 January and 31 December	**180,335**	**180,335**
Amortisation		
At 1 January	52,419	47,782
Charge for the year	4,637	4,637
At 31 December	**57,055**	**52,419**
Net book value		
At 31 December	**123,279**	**127,916**

25 Customer deposits

	Group 2023 Kshs 000	Group 2022 Kshs 000	Bank 2023 Kshs 000	Bank 2022 Kshs 000
Customer deposits				
Current and demand accounts	49,728,897	45,652,246	49,730,498	45,653,540
Savings accounts	5,179,584	4,603,205	5,179,584	4,603,205
Fixed deposit accounts	47,685,949	38,648,335	48,227,649	39,086,487
	102,594,430	**88,903,786**	**103,137,731**	**89,343,232**

25 Customer deposits (continued)

	Group		Bank	
	2023 Kshs 000	2022 Kshs 000	2023 Kshs 000	2022 Kshs 000
Maturity analysis of customer deposits				
Repayable:				
On demand	47,472,006	45,652,423	47,473,607	45,653,717
Within one year	54,957,593	43,111,437	55,499,293	43,549,589
1-5 years	164,831	139,926	164,831	139,926
	102,594,430	**88,903,786**	**103,137,731**	**103,137,731**

The weighted average effective interest rate on interest bearing customer deposits at 31 December 2023 was 9.97% (2022–8.63%). The related party transactions and balances are covered under note 34 and concentration of customers' deposits is covered under note 4.

26 Borrowings – Group & Bank

	2023 Kshs 000	2022 Kshs 000
(a) Analysis		
Development Financial Institutions		
European Investment Bank (EIB)	-	101,447
Waste Finish Ink	10,864	10,864
Water Credit Alternative Channels	12,603	5,480
ResponsAbility	1,935,015	2,411,001
Blue Orchard	1,345,471	2,118,318
Incofin	732,553	864,779
Finance in motion	1,686,065	1,063,067
IFPRI cash guarantee	11,707	-
Global Access	1,567,501	-
	7,301,779	**6,574,956**
Subordinated bond		
Subordinated bond	4,012,939	4,011,827
Unamortized origination fees	(40,599)	(54,132)
	3,972,340	**3,957,695**
Total borrowings	**11,274,119**	**10,532,651**
(b) Movement:		
At beginning of the year	10,532,651	8,241,794
Proceeds from borrowings	4,561,155	3,766,333
Repayments in the year	(3,819,687)	(1,475,476)
At end of the year	**11,274,119**	**10,532,651**

Included in cash and cash equivalents is proceeds from CBK Short term borrowings Kshs 3 billion (2022 Kshs 2.9 billion).

26 Borrowings – Group & Bank (continued)

	2023 Kshs 000	2022 Kshs 000
Current	3,398,676	2,552,176
Non-current portion	7,875,443	7,980,475
	11,274,119	**10,532,651**

The table below summarises the terms for the borrowings:

Lender	Outstanding amount Kshs'000'	Currency of the borrowed funds	Repayment period	Maturity date	Interest rate
Subordinated Debt-Corporate Bond	4,012,939	Kshs	5.5 years	2026	Various
Wash & Sanitation - Finish Ink	10,864	Euro	4 years	n.a	n.a
Water Credit Alternative Channels	12,603	USD	5 years	n.a	n.a
Blue Orchard Micro Finance Fund	1,345,471	USD	3 years	2024	6 Months USD SOFR Term rate plus four hundred seventy five basis points (475 bps)
Incofin Fund	732,553	USD	4 years	2025	4.75% net per annum
ResponsAbility Micro and SME Fund	1,935,015	USD	4 years	2024	6 Months USD SOFR Term rate plus four hundred sixty basis points (460 bps)
Finance In Motion	1,686,065	USD	3 years	2025	6 Months USD SOFR Term rate plus four hundred seventy five basis points (475 bps)
Global Access Fund IV LP	1,567,501	USD	4years	2027	7.73% net per annum
IFPRI cash guarantee	11,707	USD	n.a	n.a	n.a

Notes (continued)
For the year ended 31 December 2023

26 Borrowings – Group & Bank (continued)

This section sets out an analysis of net debt and the movements in net debt for each of the periods presented.

	Group		Bank	
	2023 Kshs'000	2022 Kshs'000	2023 Kshs'000	2022 Kshs'000
Cash and cash equivalents (Note 31(b))	2,639,119	3,154,188	2,639,119	3,154,188
FVOCI investment securities	10,529,403	10,826,810	10,529,403	10,826,810
Borrowed funds - repayable within one year (Note 26)	(3,398,676)	(2,552,176)	(3,398,676)	(2,552,176)
Borrowed funds - repayable after one year (Note 26)	(7,875,443)	(7,980,475)	(7,875,443)	(7,980,475)
Lease liabilities(Note 33)	(956,570)	(843,009)	(956,570)	(843,009)
Net debt	**937,833**	**2,605,338**	**937,833**	**2,605,338**

	Liquid assets		Borrowed funds		Leases	
Group	Cash and cash equivalents Kshs '000	FVOCI Kshs '000	Due within 1 year Kshs '000	Due after 1 year Kshs '000	Kshs '000	Total Kshs '000
31 December 2023						
Net debt as at start of year	3,154,188	10,826,810	(2,552,176)	(7,980,475)	(843,009)	(548,850)
Cash flows	(515,069)	(297,407)	(846,500)	105,032	(113,561)	1,486,683
Net debt at end of year	**2,639,119**	**10,529,403**	**(3,398,676)**	**(7,875,443)**	**(956,570)**	**937,833**
31 December 2022						
Net debt as at start of year	5,966,596	9,546,922	(1,997,076)	(6,244,718)	(1,139,178)	165,950
Cash flows	(3,327,477)	982,481	(1,401,600)	(1,630,725)	182,608	(5,194,713)
Net debt at end of year	**2,639,119**	**10,529,403**	**(3,398,676)**	**(7,875,443)**	**(956,570)**	**937,833**
Bank						
31 December 2023						
Net debt as at start of year	3,154,188	10,826,810	(2,552,176)	(7,980,475)	(843,009)	2,605,338
Cash flows	(515,069)	(297,407)	(846,500)	105,032	(113,561)	(1,667,505)
Net debt at end of year	**2,639,119**	**10,529,403**	**(3,398,676)**	**(7,875,443)**	**(956,570)**	**937,833**
31 December 2022						
Net debt as at start of year	5,966,596	9,546,922	(1,997,076)	(6,244,718)	(1,139,178)	165,950
Cash flows	(2,812,408)	1,279,888	(555,100)	(1,735,757)	296,169	2,439,388
Net debt at end of year	**3,154,188**	**10,826,810**	**(2,552,176)**	**(7,980,475)**	**(843,009)**	**2,605,338**

27 Group and Bank provisions and other liabilities

	2023 Kshs 000	2022 Kshs 000
Provisions		
(a) Provisions and accruals		
Opening balance	370,179	494,631
Released provision	(369,107)	(165,722)
Closing balance	1,072	328,909
Leave pay accrual	40,630	41,270
	41,702	**370,179**

*Provisions and accruals relate to held for suspense accounts. All the balances are non-interest bearing.

	Group		Bank	
	2023 Kshs 000	2022 Kshs 000	2023 Kshs 000	2022 Kshs 000
(b) Other liabilities				
Cheques for collection	71,263	46,666	71,263	46,666
Accounts payable	51,772	54,148	51,772	54,148
Revenue collected on behalf of revenue authorities	273,837	227,699	273,837	227,699
Other payables	2,887,875	1,981,489	2,721,984	1,864,963
	3,284,747	**2,310,002**	**3,118,856**	**2,193,476**

Other liabilities are current.

Notes (continued)
For the year ended 31 December 2023

28 Deferred income tax

Deferred income tax is calculated using the enacted income tax rate of 30% (2022 - 30%). The movements in the deferred income tax account were as follows:

	Group		Bank	
	2023 Kshs'000	2022 Kshs'000	2023 Kshs'000	2022 Kshs'000
Deferred income tax asset end of year				
At start of year	1,771,452	1,804,610	1,771,064	1,805,110
Credit/ charge to profit or loss	503,586	(90,080)	503,244	(90,286)
Credit/charge to other comprehensive income	-	(260)	-	(260)
Overprovision in prior year	(259)	57,182	(259)	56,500
Deferred income tax asset end of year	**2,274,779**	**1,771,452**	**2,274,049**	**1,771,064**

Deferred income tax asset **Group**	Balance at 1 January Kshs 000	Prior year over/(under) provision Kshs 000	Recognised in profit or loss Kshs 000	Recognised in Other comprehensive income Kshs 000	Balance at 31 December Kshs 000
2023					
Property and equipment	547,467	-	(33,992)	-	513,475
Deferred income tax asset(Family Bank Bancassurance limited)	383	-	349	-	732
Other deductible differences	1,223,602	(259)	537,229	-	1,760,572
	1,771,452	**(259)**	**503,586**	**-**	**2,274,779**
2022					
Deferred tax asset					
Property and equipment	373,712	56,500	117,255	-	547,467
Deferred income tax asset(Family Bank Bancassurance limited)	(761)	682	462	-	383
Other deductible differences					
	1,804,610	**57,182**	**(90,080)**	**(260)**	**1,771,452**

Other deductible differences relate to general provisions and lease liability.

28 Deferred income tax (continued)

Deferred income tax asset Bank	Balance at 1 January Kshs 000	Prior year over/(under) provision Kshs 000	Recognised in profit or loss Kshs 000	Recognised in Other comprehensive income Kshs 000	Balance at 31 December Kshs 000
2023					
Property and equipment	547,211	-	(33,604)	-	513,607
Other deductible differences	1,223,853	(259)	536,848	-	1,760,442
	1,770,064	**(259)**	**503,244**	**-**	**2,274,049**
2022					
Deferred tax asset					
Property and equipment	373,456	56,500	117,255	-	547,211
Other deductible differences	1,431,654	-	(207,541)	(260)	1,223,853
	1,805,110	**56,500**	**(90,286)**	**(260)**	**1,771,064**

29 Share Capital

	2023 Kshs 000	2022 Kshs 000
Authorised:		
1,500,000,000 ordinary shares of Sh 1 each	1,500,000	1,500,000
Issued:		
1,287,107,542 ordinary shares of Sh 1 each	1,287,108	1,287,108

Movement in issued and fully paid shares

	Number of shares	Share capital Kshs '000	Share premium Kshs '000	Total Kshs 000
At 1 January 2022	1,287,107,542	1,287,108	5,874,662	7,161,770
At 31 December 2022	**1,287,107,542**	**1,287,108**	**5,874,662**	**7,161,770**
At 1 January 2023	1,287,107,542	1,287,108	5,874,662	7,161,770
At 31 December 2023	**1,287,107,542**	**1,287,108**	**5,874,662**	**7,161,770**

There was no change in the share capital for the year ended 31 December 2023.

30 Other reserves

30.1 Revaluation surplus

This represents solely the revaluation of building and freehold land net of deferred income tax and is non-distributable.

30.2 Statutory reserve

The reserve represents an amount set aside to cover additional provision for loan losses required to comply with the requirements of Central Banks Prudential guidelines where impairment losses required by legislation or regulations exceed those calculated under International Financial Reporting Standards (IFRS).

30.3 Fair value reserve

The fair value reserve comprises of the cumulative net change in the fair value of FVOCI financial assets until the investment is derecognised or impaired. The reserve is non-distributable.

31 Notes to the statement of cash flows

(a) Reconciliation of profit before taxation to cash flow from operations

	Group		Bank	
	2023 Kshs '000	2022 Kshs '000	2023 Kshs '000	2022 Kshs '000
Profit before taxation	3,195,813	3,744,992	3,057,703	3,741,970
Adjustments for:				
Depreciation of property and equipment	403,002	409,616	402,845	408,535
Amortization of prepaid operating lease rentals	4,637	4,637	4,637	4,637
Interest income earned	(16,211,094)	(13,819,961)	(16,211,094)	(13,819,961)
Interest expense incurred	6,552,847	4,736,677	6,599,892	4,778,214
Amortization of intangible assets	121,214	128,259	117,010	124,056
Depreciation of right of use asset	412,963	428,033	412,963	428,033
Fair value losses	-	31,230	-	31,230
Changes in working capital items:				
Cash reserve ratio	(133,659)	(754,989)	(133,659)	(754,989)
Financial assets at FVOCI	297,407	(991,092)	297,407	(991,092)
Financial assets at amortised cost	(10,222,099)	(778,276)	(10,212,500)	(778,769)
Financial assets at FVPL	853,628	715,327	853,628	715,327
Loans and advances	(5,540,849)	(14,478,686)	(5,540,849)	(14,478,686)
Other investments	-	1,355,980	-	1,355,980
Other assets	(702,265)	(787,503)	(666,728)	(794,630)
Customer deposits	13,690,644	6,992,264	13,794,499	6,912,695
Accrual and other provisions	646,268	373,134	596,903	400,628
Cash generated from operations	**(6,631,543)**	**(12,690,358)**	**(6,627,343)**	**(12,716,822)**

31 Notes to the statement of cash flows (continued)

(b) Analysis of the balances of cash and cash equivalents as shown in the statement of financial position and notes

	Group		Bank	
	2023 Kshs '000	2022 Kshs '000	2023 Kshs '000	2022 Kshs '000
Cash at hand	4,376,968	3,984,702	4,376,968	3,984,702
Balances with other banking institutions	2,646,725	5,589,075	2,646,725	5,589,075
Balances due to other banking institutions	(4,384,574)	(6,419,589)	(4,384,574)	(6,419,589)
	2,639,119	**3,154,188**	**2,639,119**	**3,154,188**

For the purpose of the statement of cash flows, 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.

32 Operating segments

For management purposes, the Bank is organised into two main operating segments based on products and services as follows:

i) Retail Banking: Includes loans deposits and other transactions and balances with retail customers;
ii) Wholesale Banking: Includes loans deposits and other transactions and balances with corporate and institutional customers.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Income taxes are managed on a Group basis and are not allocated to operating segments.
The Group's management identify the specific segments based on the internal reporting periodically to the executive committee which is the chief operating decision maker(CODM).

The Group's segment operations are all financial with a majority of revenues deriving from interest. The management relies primarily on net interest revenue to assess the performance of the segment. Interest income is reported net as management primarily relies on net interest revenue as a performance measure, not gross income and expenses. No revenue from transactions with a single external customer or counterparty amounted to 10% or more of the Bank's total revenue in 2023 or 2022.

The following table presents income and profit and certain asset and liability information regarding the Group's operating segments,

32 Operating segments (continued)

Profit or loss for the year ended 31 December 2023

	Wholesale banking Kshs '000	Retail banking Kshs '000	Other Kshs '000	Total Kshs '000
Interest income	6,484,438	9,726,656	-	16,211,094
Interest expense	(2,639,957)	(3,959,935)	47,045	(6,552,847)
Net interest income	**3,844,481**	**5,766,721**	**47,045**	**9,658,247**
Fee and commission income	967,773	1,451,660	-	2,419,433
Fee and commission expense	(216,216)	(324,325)	-	(540,541)
Net fees and commission income	**751,557**	**1,127,335**	**-**	**1,878,892**
Investment income	94,142	141,212	-	235,354
Net trading income	412,593	618,890	-	1,031,483
Other income	144,181	216,272	188,125	548,578
Operating income	**5,246,954**	**7,870,431**	**235,169**	**13,352,554**
Operating expenses	(3,193,920)	(4,790,880)	(97,059)	(8,081,859)
Credit impairment losses	(829,953)	(1,244,929)	-	(2,074,882)
Profit before taxation	**1,223,081**	**1,834,622**	**138,111**	**3,195,813**
Income tax expense	(259,124)	(388,686)	(40,082)	(687,892)
Other comprehensive income	(953,253)	-	-	(953,253)
Profit for the year	**10,704**	**1,445,936**	**98,029**	**1,554,668**

Profit or loss for the year ended 31 December 2022

	Wholesale banking Kshs '000	Retail banking Kshs '000	Other Kshs '000	Total Kshs '000
Interest income	5,527,984	8,291,977	-	13,819,961
Interest expense	(1,911,286)	(2,866,929)	41,537	(4,736,678)
Net interest income	**3,616,698**	**5,425,048**	**41,537**	**9,083,283**
Fee and commission income	905,382	1,158,072	-	2,063,454
Fee and commission expense	(154,785)	(232,178)	-	(386,963)
Net fees and commission income	**750,597**	**925,894**	**-**	**1,676,491**
Investment income	42,154	63,231	-	105,385
Net trading income	265,864	398,796	-	664,659
Other income	144,363	216,545	237,438	598,346
Operating income	**4,819,676**	**7,029,514**	**278,974**	**12,128,164**
Operating expenses	(2,800,036)	(4,200,054)	(75,952)	(7,076,042)
Credit impairment losses	(522,852)	(784,278)	-	(1,307,130)
Profit before taxation	**1,496,788**	**2,045,182**	**203,022**	**3,744,992**
Income tax expense	(588,315)	(881,765)	(61,200)	(1,531,280)
Other comprehensive income	(626,729)	-	-	(626,729)
Profit for the year	**281,744**	**1,163,417**	**141,822**	**1,586,983**

32 Operating segments (continued)

Statement of financial position as at 31 December 2023

	Wholesale banking Kshs '000	Retail banking Kshs '000	Other Kshs '000	Total Kshs '000
Assets	56,704,963	85,057,445	644,517	142,406,925
Liabilities and equity:	57,029,126	85,543,690	(165,891)	142,406,925
Inter-segment lending	(187,451)	(281,175)	468,626	-
Total liabilities and equity	**56,841,675**	**85,262,515**	**302,735)**	**142,406,925**
Other disclosures				
Capital expenditure	**258,760**	**388,139**	**(634,517)**	**646,999**

Statement of financial position as at 31 December 2022

	Wholesale banking Kshs '000	Retail banking Kshs '000	Other Kshs '000	Total Kshs '000
Assets	51,205,227	76,810,764	497,122	128,513,113
Liabilities and equity:	51,451,856	77,177,783	(116,526)	128,513,113
Inter-segment lending	(131,135)	(196,702)	327,837	-
Total liabilities and equity	**51,320,721**	**76,981,081**	**211,311**	**128,513,113**
Other disclosures				
Capital expenditure	**225,880**	**338,820**	**-**	**564,700**

33 Leases

The Bank as a lessee

(a) Right of use asset

The Bank leases a number of branch and office premises as well as ATM lobby spaces. The leases typically run for a period between 3 and 6 years, with an option to renew the lease after that date. For some leases, payments are renegotiated every five years to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

Movements in right of use assets in the year is shown below:

	2023 Kshs 000	2022 Kshs 000
Cost		
At start of year	2,467,934	2,323,978
Additions	114,616	143,956
Disposals	(43,936)	-
At end of year	**2,538,614**	**2,467,934**
Accumulated depreciation		
At start of year	(1,832,604)	(1,404,571)
Charge for the year	(412,963)	(428,033)
Remeasurement	467,105	-
At end of year	**(1,778,462)**	**(1,832,604)**
Net carrying amount at end of year	**760,152**	**635,330**

(i) Amounts recognised in the statement of profit or loss

The statement of profit or loss shows the following amounts relating to leases:

Amortisation of right of use asset	412,963	453,105
Interest expense (included in interest expense)	105,174	174,804

33 Leases (continued)

The Bank as a lessee

(b) Lease liabilities

	2023 Kshs 000	2022 Kshs 000
Current	396,600	252,724
Non-current	559,970	590,285
	956,570	**843,009**

The movement in the lease liabilities for group and Bank was as follows:

	2023 Kshs 000	2022 Kshs 000
At start of year	843,009	1,139,178
Additions/disposal during the year	114,616	143,957
Disposals	(43,936)	-
Interest expense on leases	105,174	108,606
Repayment of interest	(105,174)	(108,606)
Repayment of principal	(460,744)	(440,126)
Remeasurement	503,625	-
At end of year	**956,570**	**843,009**

34 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.

A number of transactions are entered into with related parties in the normal course of business. These include loans, deposits and foreign currency transactions. The volumes of related party transactions, outstanding balances at the end of the year and the related expenses and income for the year are as follows:

	Group		Bank	
	2023 Kshs '000	2022 Kshs '000	2023 Kshs '000	2022 Kshs '000
(a) Loans and advances				
At 1 January	4,190,805	2,879,543	4,190,805	2,879,543
Additions	2,777,491	3,954,900	2,777,491	3,954,900
Interest charged	730,404	739,212	730,404	739,212
Repayments	(2,819,236)	(3,382,850)	(2,819,236)	(3,382,850)
At 31 December 2023	**4,879,464**	**4,190,805**	**4,879,464**	**4,190,805**

34 Related party transactions (continued)

As at 31 December 2022 loans and advances to staff amounted to 1,505,980 ,000 (2022 – Sh 1,313,394,000). The loans and advances to related parties are performing and adequately secured.

	Directors Kshs '000	Companies associated to directors Kshs '000	Total Kshs '000
(b) Deposits – Group and bank			
At 1 January 2022	417,225	1,437,350	1,854,575
Deposits	310,145	831,183	1,141,328
Withdrawals	(246,462)	(869,693)	(1,116,155)
At 31 December 2022	**480,908**	**1,398,840**	**1,879,749**
At 1 January 2023	480,908	1,398,840	1,879,749
Deposits	42,502	693,450	735,952
Withdrawals	(148,721)	(223,081)	(371,802)
At 31 December 2023	**374,689**	**1,869,209**	**2,243,899**

Key management compensation

The remuneration of directors and other members of key management during the year were as follows:

	Group		Bank	
Short term benefits	2023 Kshs 000	2022 Kshs 000	2023 Kshs 000	2022 Kshs 000
Executive directors				
Salaries and other benefits	284,213	211,583	284,213	211,583
Non-executive directors				
Directors' fees	66,440	62,440	66,440	62,440
Other emoluments	81,380	79,806	70,223	72,167
Total	**432,033**	**353,829**	**420,876**	**346,190**

AGM Notice

NOTICE IS HEREBY GIVEN THAT the 17th Annual General Meeting ('AGM') of Family Bank Limited will be held via electronic communication on Friday 14th June 2024, at 9:00 a.m. to conduct the following business:

Ordinary Business:

1. To table the proxies and note the presence of a quorum.

2. To read the notice convening the meeting.

3. To receive, consider and if thought fit, adopt the Integrated Report, the Audited Financial Statements for the year ended 31st December 2023, together with the Chairman's, Directors' and Auditors' reports thereon.

4. To approve the payment of a first and final dividend of Kshs. 0.56 per share, subject to withholding tax where applicable, on the issued and paid up capital of the Company and payable to shareholders registered as at 31st May 2024. To facilitate the payment of the dividend, the register of members will be closed on 31st May 2024.

5. Rotation and Election of Directors in accordance with Article 112 of the Articles of Association:
   - 5.1. Dr. Wilfred D. Kiboro retires by rotation and does not offer himself for re-election as a director of the Company.
   - 5.2. Mr. T. K. Muya retires by rotation and being eligible, offers himself for re-election as a director of the Company.
   - 5.3. Mr. Mark Keriri, having been appointed to fill a casual vacancy, retires by rotation and being eligible, offers himself for re-election as a director of the Company.

6. To receive, consider and if thought fit approve the Directors' remuneration for the year ended 31st December 2023.

7. To re-appoint PricewaterhouseCoopers (PwC) as auditors of the Company in accordance with Sections 721 and 724 of the Companies Act 2015, and to authorise the directors to fix their remuneration.

Special Business:

8. To pass the following resolutions as special resolutions:
   - 8.1 THAT subject to the approval of the Central Bank of Kenya and all other relevant approvals, and conditional on the execution and delivery of share transfer forms by Members holding at least 90% of the Company's issued shares, the shareholding of the Company and its Subsidiaries be reorganised in the manner set out in resolutions [8.2 to 8.4] below;
   - 8.2 THAT in accordance with the Central Bank of Kenya's Prudential Guideline on Non-Operating Holding Companies (PG 24), and subject to the approval of the Central Bank of Kenya, a Non-Operating Holding Company be established for the purpose contemplated in resolution [8.1] above;
   - 8.3 THAT the shares held in the Company by its shareholders and the shares held by the Company in its Subsidiaries be transferred to the Non-Operating Holding Company so established in consideration for the issues of shares in the Non-Operating Holding Company to the shareholders of the Company;
   - 8.4 THAT the Board of Directors of the Company be and is hereby authorised to execute a reorganisation agreement prepared for purposes of implementing resolutions [8.1 to 8.3] above, and any other document, instrument, agreement, certificate or otherwise and to undertake all such acts and do such things as may be necessary to give effect to the above Resolutions.

9. To consider any other business for which due notice has been received.

By Order of the Board

Eric K. Murai
Company Secretary
23 May 2024

AGM Notice (continued)

NOTES

1. The Company has convened and will be conducting the AGM by electronic means as provided for under Article 57A of the Company's Articles of Association.

2. Shareholders wishing to participate in the meeting should register for the AGM by doing the following:
   a) Dialling the USSD code *483*905# for Safaricom, Airtel and Telkom mobile telephone networks and following the various prompts regarding the registration; or
   b) Send an email request to be registered to familybankAGM@image.co.ke
   c) Shareholders with email addresses will receive a registration link via email through which they can use to register.

   In order to complete the registration process, shareholders will need to have their ID/Passport Numbers which were used to purchase their shares and/or their Share Account Number at hand. For assistance shareholders should dial the following helpline number: (+254) 709 170 000 from 9:00 a.m. to 5:00 p.m. from Monday to Friday.

3. Registration for the AGM opens on Tuesday 11th June 2024 at 9.00a.m. and will close on Thursday 13th June 2024 at 12.00p.m. Shareholders will not be able to register after 13th June 2024 at 12.00p.m.

4. In accordance with Section 283 (2) of the Companies Act, the following documents may be viewed on the Company's website: www. familybank.co.ke (i) a copy of this Notice and the proxy form; (ii.) the Company's audited financial statements for the year ended 31st December 2023. The reports may also be accessed upon request by dialling the USSD code above and selecting the Reports option. The reports and agenda can also be accessed on the livestream link.

5. Shareholders wishing to raise any questions or clarifications regarding the AGM may do so by:
   (i) sending their written questions by email to familybankAGM@image.co.ke; or
   ii) submitting questions by dialling the USSD Code above and following the prompts: or
   (iii) to the extent possible, physically delivering their written questions with a return physical address or email address to the registered office of the Company at 8th Floor, Family Bank Towers, Muindi Mbingu Street, or to Image Registrars Limited offices at 5th floor, Absa Towers (formerly Barclays Plaza), Loita Street; or sending their written questions with a return physical address or email address by registered post to the Company's address at P.O. Box 74145-00200 Nairobi. Shareholders must provide their full details (full names, ID/Passport Number/Share Account Number) when submitting their questions and clarifications.

   All questions and clarification must reach the Company on or before Thursday 13th June 2024 at 12:00p.m. Following receipt of the questions and clarifications, the directors of the Company shall provide written responses to the questions received to the return physical, postal or email address provided by the Shareholder no later than 12 hours before the start of the general meeting. A full list of all questions received, and the answers thereto will be published on the Company's website not later than 12 hours before the start of the general meeting.

6. In accordance with Section 298(1) of the Companies Act, shareholders entitled to attend and vote at the AGM are entitled to appoint a proxy to vote on their behalf. A proxy need not be a member of the Company but if not the Chairman of the AGM, the appointed proxy will need access to a mobile telephone. A proxy form is attached to this Notice and is available on the Company's website via this link: www. familybank.co.ke/company-profile/investor-relations. Physical copies of the proxy form are also available at the following address: Image Registrars Limited offices, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street. A proxy must be signed by the appointor or his attorney duly authorized in writing. If the appointer is a body corporate, the instrument appointing the proxy shall be given under its common seal or under the hand of an officer or duly authorized attorney of such body corporate. A completed form of proxy should be emailed to info@ image.co.ke or delivered to Image Registrars Limited, 5th Floor Absa Towers (formerly Barclays Plaza), Loita Street, P.O. Box 9287 – 00100 GPO, Nairobi, so as to be received not later than 13th June 2024 at 11.00a.m. Any person appointed as a proxy should submit his/her mobile telephone number to the Company no later than 13th June 2024 at 11.00a.m. Any proxy registration that is rejected will be communicated to the shareholder concerned no later than 13th June 2024 at 11.00a.m. to allow time to address any issues.

AGM Notice (continued)

7. The AGM will be streamed live via a link which shall be provided to all shareholders who will have registered to participate in the general meeting. Duly registered shareholders and proxies will receive a short message service (SMS/USSD) prompt on their registered mobile numbers, 24 hours prior to the AGM acting as a reminder of the AGM. A second SMS/USSD prompt shall be sent one hour ahead of the AGM, reminding duly registered shareholders and proxies that the AGM will begin in an hours' time and providing a link to the live stream.

8. Duly registered shareholders and proxies may follow the proceedings of the AGM using the live stream platform and may access the agenda. Duly registered shareholders and proxies may vote (when prompted by the Chairman) via the USSD prompts.

9. Results of the AGM shall be published on the Company website within 24 hours following conclusion of the AGM.

Ilani ya Mkutano Mkuu wa Kila Mwaka

ILANI INATOLEWA HAPA KWAMBA Mkutano Mkuu wa 17 wa Kila Mwaka ('AGM') wa Family Bank Limited utafanyika kwa njia ya mawasiliano ya kielektroniki siku ya Ijumaa tarehe 14 Juni mwaka wa 2024, saa 3:00 asubuhi ili kushughulikia yafuatayo:

Shughuli ya Kawaida:

1. Kutambulisha wawakilishi wa wapiga kura na kubainisha iwapo kuna idadi ya kutosha ya watu ili kuwezesha mkutano kuendelea.

2. Kusoma tangazo lililotumiwa kuitisha mkutano.

3. Kupokea, kuzingatia na ikionekana inafaa, kupitisha Ripoti ya Pamoja inayojumuisha Taarifa za Fedha Zilizokaguliwa za mwaka uliomalizika tarehe 31 Desemba mwaka wa 2023, pamoja na ripoti za Mwenyekiti, Wakurugenzi na Wakaguzi wa Hesabu.

4. Kuidhinisha malipo ya mgao wa kwanza na wa mwisho wa shilingi za Kenya (Kshs) 0.56 kwa kila hisa, baada ya kuondoa ushuru inapohitajika, kwa mtaji uliotolewa na kulipiwa wa Kampuni ili kulipa wamiliki wa hisa waliosajiliwa kufikia tarehe 31 Mei mwaka wa 2024. Ili kuwezesha kulipa mgao wa faida, kusajili wanachama kutasitishwa tarehe 31 Mei, mwaka wa 2024.

5. Kubadilishana zamu na Uchaguzi wa Wakurugenzi kwa kuzingatia Kifungu cha 112 cha Kanuni za Utendakazi wa Shirika:
   5.1. Dkt Wilfred D. Kiboro anastaafu kwa kuzingatia zamu na hajitolei kuchaguliwa tena kama mkurugenzi wa Kampuni.
   5.2. Bw T. K. Muya anastaafu kwa kuzingatia zamu na kwa kuwa ametimiza vigezo, anajitolea kuchaguliwa tena kama mkurugenzi wa Kampuni.
   5.3. Bw Mark Keriri, baada ya kuteuliwa kujaza nafasi iliyoachwa wazi, anastaafu kwa kuzingatia zamu na kwa kuwa ametimiza vigezo, anajitolea kuchaguliwa tena kama mkurugenzi wa Kampuni.

6. Kupokea, kuzingatia na ikionekana inafaa, kuidhinisha malipo ya Wakurugenzi kwa mwaka uliomalizika tarehe 31 Desemba mwaka wa 2023.

7. Kuteua tena PricewaterhouseCoopers (PwC) kama wakaguzi wa hesabu wa Kampuni kulingana na Vifungu vya 721 na 724 vya Sheria ya Makampuni ya mwaka wa 2015, na kutoa idhini kwa wakurugenzi kuweka malipo yao.

Shughuli Maalum:

8. Kupitisha maazimio yafuatayo kama maazimio maalum:
   8.1. KWAMBA kutegemea kuidhinishwa na Benki Kuu ya Kenya na idhini zingine zote zinazohitajika, na kwa kutegemea utekelezaji na uwasilishaji wa fomu za uhamisho wa hisa na Wanachama walio na angalau asilimia 90 ya hisa zilizotolewa na Kampuni, umiliki wa hisa za Kampuni na Mashirika yake Tanzu ufanyiwe marekebisho kwa kuzingatia utaratibu uliowekwa katika maazimio [8.2 hadi 8.4] hapo chini;
   8.2. KWAMBA kwa mujibu wa Mwongozo wa Benki Kuu ya Kenya kuhusu Kampuni Zisizojihusisha na Uendeshaji wa Kampuni Kuu (UK 24), na kwa kutegemea idhini ya Benki Kuu ya Kenya, Kampuni Zisizojihusisha na Uendeshaji wa Kampuni Kuu ianzishwe kwa madhumuni yaliyopendekezwa katika azimio [8.1] hapo juu;
   8.3. KWAMBA hisa zinazomilikiwa na Kampuni na wamiliki wa hisa zake na hisa zinazomilikiwa na Kampuni katika Kampuni yake Tanzu zihamishwe kwa Kampuni isiojihusisha na Uendeshaji wa Kampuni Kuu iliyoanzishwa ili kuzingatia masuala ya hisa katika Kampuni isiojihusisha na Uendeshaji wa Kampuni Kuu kwa wamiliki wa hisa za Kampuni.
   8.4. KWAMBA Halmashauri ya Wakurugenzi ya Kampuni iwe na sasa inaidhinishwa kutekeleza makubaliano ya kupanga upya yaliyotayarishwa kwa madhumuni ya kutekeleza maazimio [8.1 hadi 8.3] yaliyopo hapo juu, na stakabadhi, chombo, makubaliano, cheti au vinginevyo, na kutekeleza sheria ya aina hii na kufanya mambo ambayo yanaweza kuhitajika ili kutekeleza Maazimio yaliyopo hapo juu.

9. Kuzingatia mambo mengine yoyote ambayo ilani yake imeshapokelewa.

Kwa Agizo la Bodi

Eric K. Murai
Katibu wa Kampuni
Mei 23, 2024

Ilani ya Mkutano Mkuu wa Kila Mwaka

MAELEZO

1. Kampuni imeitisha mkutano na itaendesha AGM yake kwa njia za kielektroniki kama ilivyoainishwa chini ya Kifungu cha 57A cha Kanuni za Utendakazi wa Shirika.

2. Wamiliki wa hisa wanaotaka kushiriki katika mkutano wanapaswa kujiandikisha kushiriki AGM kwa kufanya yafuatayo:
   a) Kupiga simu kwa kutumia msimbo wa USSD *483*905# kutumia mitandao ya simu za mkononi za Safaricom, Airtel na Telkom na kufuata maelekezo mbalimbali kuhusu usajili; au
   b) Kutuma ombi la kusajiliwa kupitia barua pepe kwa familybankAGM@image.co.ke
   c) Wamiliki wa hisa walio na anwani za barua pepe watapokea linki ya kujisajili kupitia barua pepe ambayo wanaweza kutumia kujisajili.

   Ili kukamilisha mchakato wa usajili, wamiliki wa hisa watahitaji kuwa na Nambari zao za Vitambulisho/Pasipoti ambazo zilitumiwa kununua hisa zao na/au Nambari ya Akaunti yao ya Hisa karibu. Ili kupata usaidizi wamiliki wa hisa wanapaswa kupiga simu kwa nambari ya usaidizi ifuatayo: (+254) 709 170 000 kuanzia saa 3:00 asubuhi hadi 11:00 jioni kuanzia Jumatatu hadi Ijumaa.

3. Kujisajili ili kushiriki AGM kutaanza Jumanne tarehe 11 Juni mwaka wa 2024 saa 3:00 asubuhi na kufungwa Alhamisi tarehe 14 Juni mwaka wa 2024 saa 6:00 za mchana. Wamiliki wa hisa hawataweza kujisajili baada ya tarehe 14 Juni mwaka 2024 saa 6:00 za mchana.

4. Kwa mujibu wa Kifungu cha 283 (2) cha Sheria ya Makampuni, stakabadhi zifuatazo zinaweza kupitiwa kwenye tovuti ya Kampuni: www.familybank.co.ke (i) nakala ya ilani hii na fomu ya uwakilishi; (ii.) taarifa za Kampuni za kifedha zilizokaguliwa za mwaka uliomalizika tarehe 31 Desemba mwaka wa 2023.

   Ripoti hizo pia zinaweza kufikiwa baada ya kuziitisha kwa kupiga simu kwa msimbo wa USSD uliopo hapo juu na kuchagua Ripoti. Ripoti na ajenda pia zinaweza kufikiwa kwenye linki ya moja kwa moja.

5. Wamiliki wa hisa wanaotaka kuuliza maswali yoyote au kupata ufafanuzi wowote kuhusu AGM wanaweza kufanya hivyo kwa:
   (i) kutuma maswali yao yaliyoandikwa kwa barua pepe kwa familybankAGM@image.co.ke; au
   (ii) kuwasilisha maswali kwa kupiga simu kwa Msimbo wa USSD uliopo hapo juu na kufuata maelekezo: au
   (iii) kwa kadiri inavyowezekana, wawasilishe maswali yao yalioandikwa pamoja na barua pepe au anwani halisi itakayotumiwa kutuma majibu kwa ofisi iliyosajiliwa ya Kampuni katika Ghorofa ya 8, Jumba la Family Bank, Barabara yaa Muindi Mbingu, au kwa ofisi za Image Registrars Limited katika ghorofa ya 5, Jumba la Absa (lililojulikana zamani kama Barclays Plaza), Barabara ya Loita; au kutuma maswali yao yaliyoandikwa pamoja na barua pepe au anwani halisi itakayotumiwa kutuma majibu kwa anwani iliyosajiliwa ya Sanduku la Posta 74145-00200 Nairobi. Wamiliki wa hisa ni sharti watoe maelezo kamili kuwahusu (majina kamili, Nambari ya Kitambulisho/Pasipoti/Nambari ya Akaunti ya Hisa) wanapowasilisha maswali yao au masuala yanayohitaji ufafanuzi.

   Maswali na masuala yanayohitaji ufafanuzi lazima yafikie Kampuni tarehe au kabla ya Alhamisi tarehe 13 Juni mwaka wa 2024 saa 6:00 za mchana. Kufuatia kupokelewa kwa maswali na masuala yanayohitaji ufafanuzi, wakurugenzi wa Kampuni watatoa majibu kupitia maandishi kwa maswali yaliyopokelewa kwa anwani ya mahali, ya posta au barua pepe iliyotolewa na mmiliki wa hisa kabla ya masaa 12 kabla ya kuanza kwa mkutano mkuu. Orodha kamili ya maswali yote yaliyopokelewa, na majibu yake yatachapishwa kwenye tovuti ya Kampuni kabla ya masaa 12 kabla ya kuanza kwa mkutano mkuu.

6. Kwa kuzingatia Kifungu cha 298(1) cha Sheria ya Makampuni, wamiliki wa hisa walio na haki ya kuhudhuria na kupiga kura katika AGM wana haki ya kuteua mwakilishi kupiga kura kwa niaba yao. Mwakilishi si lazima awe mwanachama wa Kampuni lakini asipokuwa Mwenyekiti wa AGM, mwakilishi aliyeteuliwa atahitaji simu ya mkononi. Fomu ya uwakilishi imeambatishwa kwenye Ilani hii na inapatikana kwenye tovuti ya Kampuni kupitia linki hii: www.familybank.co.ke/company-profile/investor-relations. Nakala halisi za fomu ya uwakilishi pia zinapatikana katika anwani ifuatayo: Ofisi za Image Registrars Limited, Ghorofa ya 5, Jumba la Absa (lililojulikana zamani kama Barclays Plaza), Barabara ya Loita. Fomu ya mwakilishi ni sharti itiwe sahihi na mteuzi au wakili wake aliyeidhinishwa ipasavyo kupitia maandishi. Ikiwa mteuzi ni shirika, chombo kinachomteua mwakilishi kitatolewa chini ya muhuri wake wa kawaida au kupitia kwa afisa au wakili aliyeidhinishwa ipasavyo wa shirika hilo. Fomu ya uwakilishi iliyojazwa inapaswa kutumwa kwa barua pepe kwa info@image.co.ke au iwasilishwe kwa Image Registrars Limited, Ghorofa ya 5 ya Jumba la Absa (lililojulikana zamani kama Barclays Plaza), Barabara ya Loita, Sanduku la Posta 9287 – 00100 GPO, Nairobi, ili ipokelewe kabla ya saa 5.00 asubuhi tarehe 13 Juni mwaka wa 2024. Mtu yeyote aliyeteuliwa kama mwakilishi anapaswa kuwasilisha nambari yake ya simu

Ilani ya Mkutano Mkuu wa Kila Mwaka

kwa Kampuni kabla ya saa 5.00 asubuhi tarehe 13 Juni mwaka wa 2024. Usajili wowote wa mwakilishi ambao utakataliwa utawasilishwa kwa mmiliki wa hisa anayehusika kabla ya saa 5.00 asubuhi tarehe 13 Juni mwaka wa 2024 ili kuwa na muda wa kushughulikia masuala yoyote.

7. AGM itapeperushwa moja kwa moja kupitia linki itakayotolewa kwa wamiliki wote wa hisa watakaokuwa wamejisajili kushiriki katika mkutano mkuu. Wamiliki wa hisa na wawakilishi wao waliosajiliwa ipasavyo watapokea huduma ya ujumbe mfupi (SMS/USSD) kwenye nambari zao za simu zilizosajiliwa, masaa 24 kabla ya AGM kuwakumbusha kuhusu AGM. Ujumbe wa pili wa SMS/USSD utatumwa saa moja kabla ya AGM, ili kuwakumbusha wamiliki wa hisa na wawakilishi wao waliosajiliwa ipasavyo kwamba AGM itaanza kwa kipindi cha saa moja na kutoa linki ya upeperushaji wa moja kwa moja.

8. Wamiliki wa hisa na wawakilishi wao waliosajiliwa ipasavyo wanaweza kufuata mkutano wa AGM kwa kutumia jukwaa la upeperushaji wa moja kwa moja na wanaweza kufikia ajenda. Wamiliki wa hisa na wawakilishi wao waliosajiliwa ipasavyo wanaweza kupiga kura (watakapoombwa kufanya hivyo na Mwenyekiti) kupitia USSD.

9. Matokeo ya AGM yatachapishwa kwenye tovuti ya Kampuni ndani ya kipindi cha masaa 24 baada ya kukamilika kwa AGM.

Proxy Form

Shareholder's Name: ………………………………………………………........………... ID /Reg. No. …………………………............…

Share Account No. …………………...……...............…...
The Company Secretary Family Bank Limited
8th Floor, Family Bank Towers. P. O. Box 74145-00200,
Nairobi.

PROXY FORM

I/We ………………………………………………………………………………….. of P. O. Box …………………………… being a shareholder(s) of Family Bank Limited, appoint

Name: …………………………………………………………………….
Postal Address: …………………………………………………………………….
ID No.: …………………………………………………………………….
Mobile Number: …………………………………………………………………….
Email Address: …………………………………………………………………….

and failing him / her, the chairman of the meeting to be my/our proxy, to vote on my/our behalf at the Annual General Meeting of the Bank to be held on Friday, 14th June 2024 at 9:00 am via electronic communication and at any adjournment thereof. This form is to be used in favor or against the resolution and unless otherwise instructed the proxy will vote as he/she deems fit.
As witnessed by my/our hand(s) this …………….................…day of……………………………………….…................... 2024
Signed…………………………………………….........…....…… Signed …………..…………..........................…………….………..
ID No ……………………………………..……..........… ID No………......................... …..…………………………..........……….

NOTES

1. A member who is unable to attend the virtual meeting is entitled to appoint a proxy to access and vote on his or her behalf.

2. In the case of a corporate body, the proxy must be under its common seal or under the hand of an officer or attorney duly authorized in writing.

3. Joint account holders must state their joint names and sign according to their signing mandates.

4. A completed form of proxy should be emailed to info@image.co.ke with copy to shares@familybank.co.ke or delivered to Image Registrars Services Ltd, at Absa Towers 5th Floor, or Shares Registry Office at Family Bank Towers, 8th Floor, so as to be received not later than Thursday 13th June 2024 at 11:00AM. When nominating a proxy the ID/Passport No, email and/or mobile number details of the proxy must be submitted to facilitate registration.

5. Any proxy registration that is rejected will be communicated to the Shareholders concerned within 12 hours to allow time to address any issues.

6. Shareholders wishing to raise any questions for the AGM may do so prior to the AGM by sending an email to familybankagm@image.co.ke or shares@familybank.co.ke (during the registration open period)

7. A proxy need not be a member.

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Fomu Ya Uwakilishi

Jina la mmiliki wa hisa: …………………………………………………..………... Nambari ya kitambulisho (ID) /Nambari ya usajili. ……………....................................…………...……

Nambari ya akaunti ya hisa …………………...…..…..
Katibu wa Kampuni ya Family Bank Limited
Ghorofa ya 8, Jumba la Family Bank. Sanduku la Posta 74145-00200, 00100
Nairobi.

FOMU YA UWAKILISHI

Mimi/Sisi ………………………………………………………………......... wa Sanduk la Posta …………………………… kwa kuwa mmiliki/wamiliki wa hisa za Family Bank Limited, ninamteua/tunamteua

Jina: ………………………………………………………………….......................……
Sanduku la Posta: ……………………………………………………........……………….............….
Nambari ya kitambulisho: ………………………...……
Nambari ya simu ya mkononi: ………………………………………………………………......................….
Barua pepe: ……………………………………………………..........................…………….

na akishindwa, mwenyekiti wa mkutano kuwa mwakilishi wangu/wetu, kupiga kura kwa niaba yangu/yetu katika Mkutano Mkuu wa Kila Mwaka wa Benki utakaofanyika Ijumaa, tarehe 14 Juni mwaka wa 2024 saa 3:00 asubuhi kupitia mawasiliano ya kielektroniki na katika kuahirishwa kwake kokote kukitokea. Fomu hii itatumika kuunga mkono au kupinga azimio na isipokuwa kama ataelekezwa vinginevyo mwakilishi atapiga kura atakavyoona inafaa.
Kama inavyoshuhudiwa na mkono/mikono yangu/yetu hii ……………......… siku ya ……………………………....... 2024
Imetiwa sahihi…………………………………………….........………Imetiwa sahihi………….………….........……………..…….
Nambari ya kitambulisho: ……………....………………. Nambari ya kitambulisho: ……………….............…………..............….

MAELEZO

1. Mwanachama ambaye hawezi kuhudhuria mkutano wa mtandaoni ana haki ya kuteua mwakilishi kuhudhuria na kupiga kura kwa niaba yake.

2. Ikiwa ni shirika, mwakilishi ni sharti awe chini ya muhuri wake wa kawaida au chini ya afisa au wakili aliyeidhinishwa kupitia maandishi.

3. Wamiliki wa pamoja wa akaunti lazima waandike majina yao ya pamoja na watie sahihi kulingana na mamlaka yao ya kutia sahihi.

4. Fomu ya uwakilishi iliyojazwa inapaswa kutumwa kwa barua pepe kwa info@image.co.ke na nakala ingine itumwe kwa shares@familybank.co.ke au iwasilishwe kwa Image Registrars Services Ltd, Ghorofa ya 5 ya Jumba la Absa au au Ofisi ya Msajili wa Hisa katika Jumba la Family Bank, Ghorofa ya 8 ili ipokelewe kabla ya saa 5:00 (tano) asubuhi tarehe 13 Juni mwaka wa 2024. Wakati wa kuteua mwakilishi Kitambulisho/Nambari ya Pasipoti, barua pepe na/au maelezo ya nambari ya simu ya mwakilishi lazima yawasilishwe ili kuwezesha usajili.

5. Usajili wowote wa mwakilishi ukikataliwa, taarifa zitatolewa kwa mmiliki wa hisa kwa kipindi cha masaa 12 ili kuwa na muda wa kushughulikia masuala yoyote.

6. Wamiliki wa hisa wanaotaka kuuliza maswali yoyote kuhusu AGM wanaweza kufanya hivyo kabla ya AGM kwa kutuma barua pepe kwa familybankagm@image.co.ke au shares@familybank.co.ke (wakati wa kipindi cha usajili)

7. Mwakilishi si lazima awe mwanachama.

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Notes

Notes

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Email: info@familybank.co.ke | Website: www.familybank.co.ke