

AUDITED FINANCIAL STATEMENTS AND DISCLOSURES AS AT 31ST DECEMBER 2007

BALANCE SHEET

	FAMILY FINANCE BUILDING SOCIETY		FAMILY BANK LIMITED
	31st Dec.06 Audited Shs. '000	30th April 07 Audited Shs. '000	31st Dec 07 Audited Shs. '000
A. ASSETS			
1. Cash	154,689	219,600	345,200
2. Balances due from Central Bank of Kenya	-	-	350,000
3. Kenya government securities	737,658	973,612	1,340,640
4. Foreign currency treasury bills and bonds	-	-	-
5. Deposits and balances due from local banking institutions	1,271,484	1,777,431	1,672,076
6. Deposits and balances due from banking institutions abroad	-	-	-
7. Government and other securities held for dealing purposes	-	-	-
8. Tax recoverable	-	-	-
9. Loans and advances to customers (net)	2,573,878	3,245,673	4,102,130
10. Investment securities	8,066	4,699	929
11. Balances due from group companies	-	-	-
12. Investments in associates	-	-	-
13. Investments in subsidiaries	-	-	-
14. Investment in joint ventures	-	-	-
15. Investment properties	44,593	35,063	24,500
16. Property and equipment	421,035	421,974	558,375
17. Prepaid operating lease rentals	4,848	4,816	3,067
18. Intangible assets	30,553	36,476	25,300
19. Deferred tax asset	12,415	26,387	40,851
20. Retirement benefit asset	-	-	-
21. Other assets	209,292	217,737	106,394
22. TOTAL ASSETS	5,468,511	6,963,469	8,569,462
B. LIABILITIES			
23. Balances due to Central Bank of Kenya	-	-	-
24. Customer deposits	4,160,405	4,786,606	6,023,878
25. Deposits and balances due to local banking institutions	22,720	795,898	28,961
26. Deposits and balances due to foreign banking institutions	-	-	-
27. Other money market deposits	-	-	-
28. Borrowed funds	37,362	52,690	703,550
29. Balances due to group companies	-	-	-
30. Tax payable	26,868	35,287	79,935
31. Dividends payable	147,500	-	-
32. Deferred tax liability	-	-	-
33. Retirement benefit liability	-	-	-
34. Other liabilities	166,107	159,588	455,706
35. TOTAL LIABILITIES	4,560,962	5,830,068	7,292,030
C. SHAREHOLDERS' EQUITY			
36. Paid up / Assigned capital	336,310	347,451	345,846
37. Share premium / (Discount)	473,052	590,308	576,538
38. Revaluation reserves	44,441	44,731	44,731
39. Retained earnings	53,746	150,910	223,855
40. Statutory loan loss reserve	-	-	-
41. Proposed dividends	-	-	86,462
42. Shareholders' loans / capital grants	-	-	-
43. TOTAL SHAREHOLDERS' EQUITY	907,549	1,133,401	1,277,432
44. TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	5,468,511	6,963,469	8,569,462

PROFIT AND LOSS ACCOUNT

1. INTEREST INCOME			
1.1 Loans and advances	480,352	188,823	488,200
1.2 Government securities	20,161	25,643	47,334
1.3 Deposits and placements with banking institutions	54,495	19,362	49,382
1.4 Other interest income	-	-	-
1.5 Total interest income	555,008	233,828	584,916
2. INTEREST EXPENSES			
2.1 Customer deposits	48,083	15,595	36,095
2.2 Deposits and placements from banking institutions	-	-	-
2.3 Other interest expenses	8,789	1,224	25,852
2.4 Total interest expenses	56,873	16,819	61,947
3. NET INTEREST INCOME	498,135	217,009	522,969
4. OTHER OPERATING INCOME			
4.1 Fees and commission income	548,148	245,618	553,048
4.2 Foreign exchange trading income	37	-	4,595
4.3 Dividend income	-	-	-
4.4 Other income	16,159	4,344	24,966
4.5 Total Non-interest income	564,344	249,962	582,609
5. TOTAL OPERATING INCOME	1,062,479	466,970	1,105,578
6. OPERATING EXPENSES			
6.1 Loan loss provision	79,027	34,371	31,461
6.2 Staff costs	284,548	191,855	328,120
6.3 Directors' emoluments	6,898	4,997	9,429
6.4 Operating lease rentals	19,437	49,817	105,643
6.5 Depreciation on property and equipment	65,396	36,459	83,239
6.6 Amortisation charges	13,094	5,102	23,838
6.7 Other operating expenses	229,745	79,690	256,147
6.8 Total operating expenses	798,145	329,621	837,877
7. Profit/ (Loss) before tax and exceptional items	264,335	137,349	267,702
8. Exceptional items	-	-	-
9. Profit/ (Loss) after exceptional items	264,335	137,349	267,702
10. Current tax	81,956	50,287	115,525
11. Deferred tax	(1,149)	6,380	14,464
12. Profit/ (Loss) after tax and exceptional items	183,528	93,442	166,640

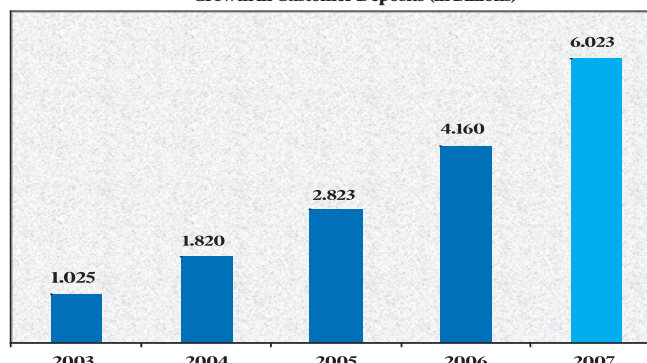
OTHER DISCLOSURES

D) NON-PERFORMING LOANS AND ADVANCES			
a) Gross non-performing loans and advances	435,441	436,777	540,036
b) Less interest in suspense	35,740	35,021	45,393
c) Total non-performing loans and advances (a-b)	399,701	401,756	494,643
d) Less loan loss provisions	382,470	387,471	412,866
e) Net non-performing loans (c-d)	17,231	14,285	81,776
f) Realisable value of securities	17,231	14,285	81,776
g) Net NPLs Exposure (e-f)	-	-	-
2) INSIDER LOANS AND ADVANCES			
a) Directors, Shareholders and associates	13,773	12,873	209,933
b) Employees	101,865	101,865	159,212
c) Total Insider Loans, Advances and other facilities	115,638	114,738	369,145
3) OFF-BALANCE SHEET ITEMS			
a) Letters of credit, guarantees, acceptances	8,308	8,308	16,541
b) Other contingent liabilities	-	-	-
c) Total contingent liabilities	8,308	8,308	16,541
4) CAPITAL STRENGTH			
a) Core capital	832,554	1,001,856	1,146,240
b) Minimum statutory capital	250,000	250,000	250,000
c) Excess / (Deficiency) (a-b)	582,554	751,856	896,240
d) Supplementary capital	11,110	8,996	8,996
e) Total capital (a+d)	843,664	1,010,852	1,155,236
f) Total risk weighted assets	3,425,928	4,211,281	5,197,213
g) Core capital / Total deposit liabilities	20.01%	20.93%	19.03%
h) Minimum statutory ratio	8.00%	8.00%	8.00%
i) Excess / (Deficiency) (g-h)	12.01%	12.93%	11.03%
j) Core capital / Total risk weighted assets	24.25%	23.79%	22.05%
k) Minimum statutory ratio	8.00%	8.00%	8.00%
l) Excess / (Deficiency) (j-k)	16.25%	15.79%	14.05%
m) Total capital / Total risk weighted assets	24.63%	24.00%	22.23%
n) Minimum statutory ratio	12.00%	12.00%	12.00%
o) Excess / (Deficiency) (m-n)	12.63%	12.00%	10.23%
5) LIQUIDITY			
a) Liquidity ratio	47.00%	43.29%	55.74%
b) Minimum statutory ratio	20.00%	20.00%	20.00%
c) Excess / (Deficiency) (a-b)	27.00%	23.29%	35.74%

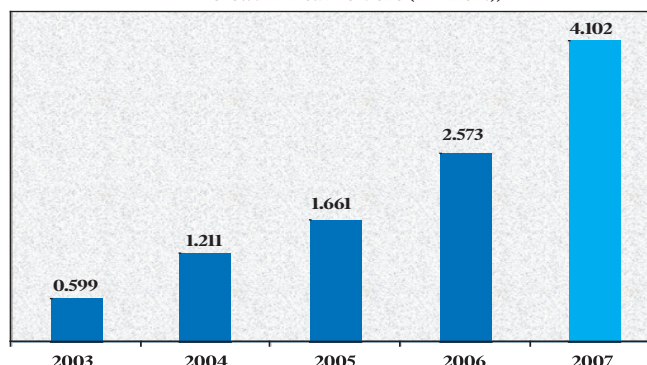
Performance Highlights

- Family Bank, which commenced operations on 1st May 2007, recorded a profit of Ksh 267.7M for the eight months (May-December, 2007). Before conversion, Family Finance Building Society made a profit of Kshs 137.3M (Jan - April, 2007) the net of which was transferred to retained earnings of Family Bank on conversion on 30th April 2007
- Deposits grew by 45% from Kshs 4.16 billion in 2006 to stand at Kshs 6.02 billion in December 2007.
- Loans grew by 59% from Kshs 2.57 billion in 2006 to stand at Kshs 4.10 billion in 2007
- Total assets grew by 57% from Kshs 5.47 billion in 2006 to stand at Kshs 8.67 billion in 2007
- Total Shareholders funds grew by 41% from Kshs 907 million in 2006 to stand at over Kshs 1.28 Billion in 2007
- The institution now has 37 branches spread across the country.
- The Institution has over 500,000 customers.
- The staff compliment is over 700

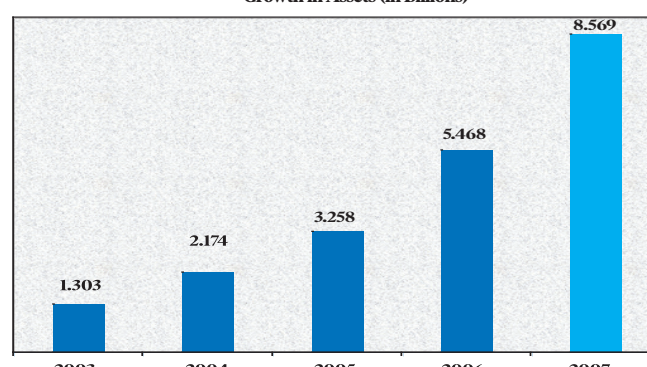
Growth in Customer Deposits (in Billions)



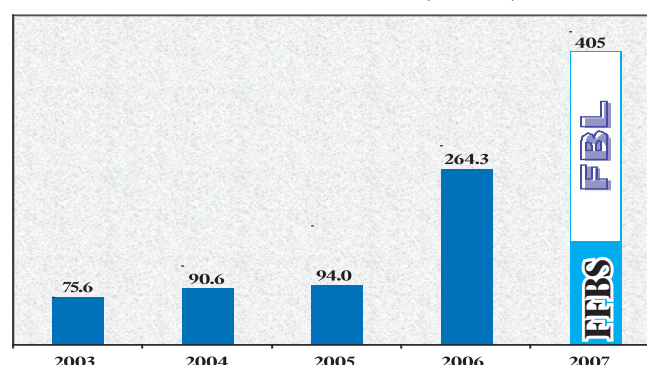
Growth in Loan Portfolio (in Billions)



Growth in Assets (in Billions)



Growth in Profits before Tax (in Millions)



- Profit for Family Finance Building Society Represents Kshs 137.4 m while profit for Family Bank Limited represents Kshs 267.3m. Total profit for the year 2007 amounts to Kshs 405M

DIVIDEND

The directors have resolved to recommend to the shareholders at the forthcoming Annual General Meeting a first and final dividend for the year 2007 of Kshs 1.25 per share to be paid to shareholders registered at the close of business on 31st December 2007.

ANNUAL GENERAL MEETING

Notice is hereby given that the Annual General Meeting of the shareholders of Family Bank Limited will be held at the KICC Amphth Hall on Friday 16th May 2008 at 10.00 am.

MESSAGE FROM THE DIRECTORS

The above Balance Sheet and Profit and Loss account are extracts from the Bank's Financial statements approved by the Board of Directors on 6th March 2008. The financial statements were audited by Wachira Irungu & Associates and have received an Unqualified Opinion. Family Bank Limited commenced operations on 1st May 2007 after Family Finance Building Society transferred all its assets, liabilities, capital, staff, undertakings and the entire business to Family Bank. The results therefore are for a period of 8 months of operations as a bank.

Signed: **T. K. Muya**
Chairman

Ng'ang'a Muchai
Director

Peter Kinyanjui
Chief Executive Officer

BRANCH NETWORK

- Nairobi Branches**
- Sonalux Hse
 - Fourways Towers
 - Fourways Tower - Corporate
 - KTDA - Plaza Retail
 - KTDA - Corporate Wing
 - Kenyatta Avenue
 - Cargen Hse
 - Gikomba
 - Githurai 45

Branches Outside Nairobi

- Kiambu
- Githunguri
- Gatundu
- Thika
- Muranga
- Kangari
- Kiria ini
- Kangema
- Othaya
- Nakuru - Njoro Hse
- Nakuru - Finance Hse
- Eldoret
- Kitale
- Kisumu
- Kisii
- Limuru
- Kerugoya
- Machakos
- Embu
- Bungoma
- Molo
- Mombasa - Nkurumah Road
- Kapsabet
- Nyahururu
- Busia
- Ruiru
- Mombasa - Kenyatta Avenue

FAMILY CASHPOINTS

(All our ATMs are Kentswitch enabled)

- Kiambu
- Cargen Hse
- KTDA
- Kenyatta Avenue
- Gikomba
- Kisii
- Limuru
- Muranga
- Kerugoya
- Embu
- Nakuru
- Eldoret
- Kitale
- Mombasa - Nkurumah Road
- Thika
- Bungoma
- Githurai
- Othaya
- Kangema
- Kiria ini
- Gatundu
- Githunguri
- Machakos
- Kangari
- Molo
- Kapsabet
- Nyahururu
- Ruiru
- Mombasa - Kenyatta Avenue

More Family Cashpoints
Opening soon

- Access also to other Kentswitch Branded ATMS countrywide