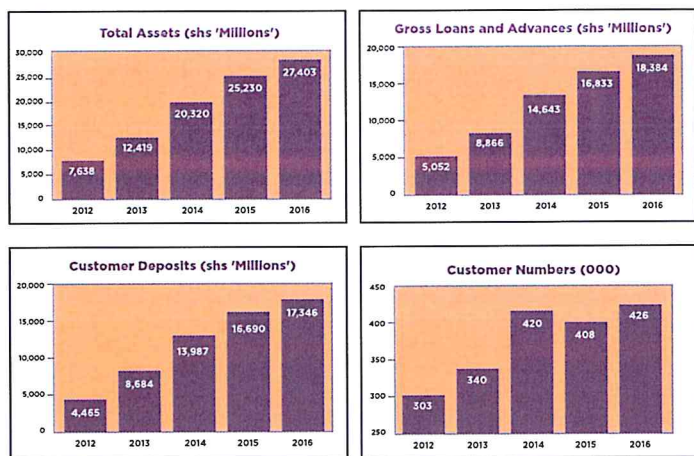


Faulu Microfinance Bank Limited

Audited Financial Statements as at 31st December 2016

	BANK		GROUP	
	AUDITED 31st Dec. 2016 KSh. '000'	AUDITED 31st Dec. 2015 KSh. '000'	AUDITED 31st Dec. 2016 KSh. '000'	AUDITED 31st Dec. 2015 KSh. '000'
A) STATEMENT OF COMPREHENSIVE INCOME				
1.0 INCOME				
1.1 Interest on Loan Portfolio	3,753,040	3,226,543	3,753,040	3,226,542
1.2 Fees and Commission on Loan Portfolio	479,570	405,353	479,570	405,353
1.3 Government Securities	173,103	85,263	173,103	85,263
1.4 Deposit and Balances with Banks and Financial Inst.	294,667	535,767	294,667	535,767
1.5 Other Investments	-	-	-	-
1.6 Other Operating Income	114,240	101,255	137,999	117,807
1.7 Non-Operating Income	3,653	1,136	3,653	1,136
1.8 Total Income	4,818,273	4,355,316	4,842,033	4,371,868
2.0 Expenses				
2.1 Interest and Fee Expense on Deposits	1,760,198	1,387,376	1,760,198	1,387,376
2.2 Other Fees and Commissions expense	172,333	200,145	178,209	200,145
2.3 Provision for Loan Impairment	188,362	165,146	188,362	165,146
2.4 Staff Costs	1,037,992	1,060,240	1,037,992	1,060,240
2.5 Director's Emoluments	18,427	12,275	18,427	12,275
2.6 Rental Charges	249,827	165,358	249,827	262,568
2.7 Depreciation Charges	170,027	125,353	170,027	125,353
2.8 Amortization Charges	37,157	25,473	37,157	25,473
2.9 Other Administrative Expense	679,084	747,020	687,116	658,744
2.10 Non-Operating Expense	-	-	-	-
Total Expenses	4,313,407	3,888,387	4,327,315	3,897,320
3.0 Operating Profit	504,866	466,929	514,718	474,548
4.0 Interest and Fee Expense on Borrowings (Finance Costs)	407,302	284,240	407,311	284,247
5.0 Profit/(Loss) before tax	97,564	182,689	107,407	190,301
6.0 Current Tax	54,905	67,356	58,264	69,640
6.1 Deferred Tax	-	-	-	-
7.0 Net Profit (After Taxes and Before Donations)	42,659	115,333	49,143	120,661
8.0 Donations for Operating Expense	-	-	-	-
9.0 Net Profit After Taxes	42,659	115,333	49,143	120,661
Other Comprehensive Income	-	-	-	-
Surplus on revaluation of building	-	-	-	-
Deferred tax on revaluation surplus	-	-	-	-
10.0 Total comprehensive Income	42,659	115,333	49,143	120,661
B) STATEMENT OF FINANCIAL POSITION				
1.0 ASSETS				
1.1 Cash and bank balances	297,541	275,799	310,839	285,289
1.2 Short term deposits with banks	3,622,012	4,756,282	3,622,012	4,756,281
1.3 Government securities	1,750,000	721,328	1,750,000	721,328
1.4 Advances to customers	17,954,979	16,583,682	17,954,979	16,583,682
1.5 Due from related organisations	-	-	-	-
1.6 Other receivables	1,329,201	871,899	1,356,669	880,338
1.7 Tax recoverable	197,777	171,200	171,200	168,917
1.8 Other investment	-	-	-	-
1.9 Investment in associate companies	46,439	42,881	45,439	42,881
1.10 Intangible assets	328,873	268,642	328,873	266,642
1.11 Property and equipment	1,842,087	1,524,194	1,842,087	1,524,194
1.12 Total Assets	27,368,909	25,214,906	27,403,032	25,229,552
2.0 LIABILITIES				
2.1 Cash collaterals held	980,802	1,224,587	980,802	1,224,587
2.2 Customer deposits	16,390,424	15,465,559	16,365,424	15,465,559
2.3 Borrowings	4,386,811	2,670,526	4,386,811	2,670,527
2.4 Deferred income	-	-	-	-
2.5 Deferred tax liability	72,647	58,119	72,647	58,119
2.6 Due to related organisations	-	-	-	-
2.7 Other liabilities	1,196,150	1,496,699	1,242,109	1,506,017
2.8 Tax payable	-	-	-	-
3.0 Total Liabilities	23,026,834	20,915,490	23,047,792	20,924,809
4.0 SHARE CAPITAL & RESERVES				
4.1 Share capital	480,000	480,000	480,000	480,000
4.2 Share premium	2,899,759	2,899,759	2,899,759	2,899,759
4.3 Retained earnings	247,781	236,882	260,152	242,209
4.4 Revaluation reserve	21,962	212,756	212,756	212,756
4.5 Statutory reserve	502,573	470,019	502,573	470,019
4.6 Total Shareholders' funds	4,342,074	4,299,416	4,355,239	4,304,743
5.0 TOTAL LIABILITIES AND EQUITY	27,368,909	25,214,906	27,403,032	25,229,552
C) OTHER DISCLOSURES				
1 NON-PERFORMING LOANS AND ADVANCES				
(a) Gross Non-Performing Loans and Advances	1,657,385	611,680	1,657,385	611,680
Less:				
(b) Interest in Suspense	203,043	106,760	203,043	106,760
(c) Total Non-Performing Loans and Advances (a-b)	1,454,342	504,920	1,454,342	504,920
(d) Impairment Loss Allowance	429,064	249,034	429,064	249,034
(e) Net Non-Performing Loans (c-d)	1,025,278	255,887	1,025,278	255,887
(f) Realizable Value of Securities	1,025,278	255,887	1,025,278	255,887
(g) Net NPLs Exposure (e-f)	-	-	-	-
2 INSIDER LOANS AND ADVANCES				
(a) Directors, Shareholders and Associates	44,232	39,716	44,232	39,716
(b) Employees	436,649	381,246	436,649	381,246
(c) Total Insider Loans, Advances and Other Facilities	480,881	420,962	480,881	420,962
3 OFF-BALANCE SHEET ITEMS				
(a) Guarantees and Commitments	467,000	333,000	467,000	333,000
(b) Other Contingent Liabilities	500,000	556,000	500,000	556,000
(c) Total Contingent Liabilities	967,000	889,000	967,000	889,000
4 CAPITAL STRENGTH				
(a) Core Capital	3,659,300	3,616,641	3,659,300	3,616,641
(b) Minimum Statutory Capital	60,000	60,000	60,000	60,000
(c) Excess/(Deficiency) (a-b)	3,599,300	3,556,641	3,599,300	3,556,641
(d) Supplementary Capital	299,767	261,049	299,767	261,049
(e) Total Capital (a+b)	3,959,067	3,877,690	3,959,067	3,877,690
(f) Total Risk Weighted Assets	19,742,082	18,452,900	19,742,082	18,452,900
(g) Core Capital/ Total Deposit Liabilities	21%	22%	21%	22%
(h) Minimum Statutory Ratio	8%	8%	8%	8%
(i) Excess/(Deficiency) (g-h)	13%	14%	13%	14%
(j) Core Capital/ Total Risk Weighted Assets	19%	20%	19%	20%
(k) Minimum Statutory Ratio	10%	10%	10%	10%
(l) Excess/(Deficiency) (j-k)	9%	10%	9%	10%
(m) Total Capital/ Total Risk Weighted Assets	20%	21%	20%	21%
(n) Minimum Statutory Ratio	12%	12%	12%	12%
(o) Excess/(Deficiency) (m-n)	8%	9%	8%	9%
5 LIQUIDITY				
(a) Liquidity Ratio	30%	31%	30%	31%
(b) Minimum Statutory Ratio	20%	20%	20%	20%
(c) Excess/(Deficiency) (a-b)	10%	11%	10%	11%



Key Highlights

Total assets grew by 9% to Ksh27.4bn in 2016 from Ksh25.2bn in 2015 driven by the growth in outstanding loan balances

Loans & advances increased by 9% to Ksh18.3bn in 2016 up from Ksh16.8bn in 2015, this was driven by enhanced sales force

Customer deposits increased by 4% to Ksh17.3bn in 2016 from Ksh16.6bn in 2015 due superior products offered and strong brand

Customer numbers: Growth in customer base is attributed to the Bank's revamped customer experience, innovations and a product portfolio that addresses customer needs

Message from the Directors

The above statement of comprehensive income, statement of financial position and other disclosures are extracts from the books of the institution at 31st December 2016 as audited by Deloitte & Touche and received an unqualified opinion. The financial statements were approved by the board of directors on 1st March 2017 and were signed on its behalf by:

Dr. Peter W. Muthoka EBS MBS FKIM FKIB - Chairman

Joshua S. Mulru - Chairman Audit Committee

Apollo N. Njoroge - Managing Director

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Handwritten signatures and dates:
 [Signature] 30/3/17
 [Signature] 30/3/17
 [Signature] 30/3/17

Faulu

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