



EQUITY RESEARCH

FAMILY BANK LIMITED - INITIATION OF COVERAGE REPORT
HARNESSING MOMENTUM TO GROW VALUE: LISTING PLANNED IN 2026

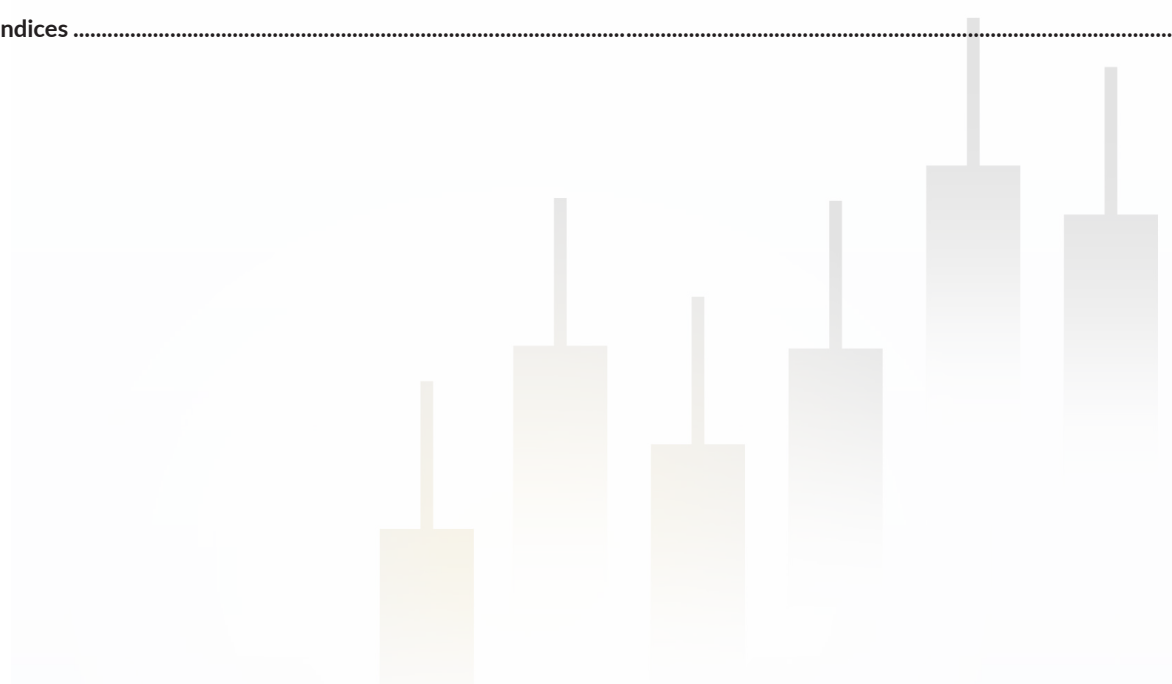
MELODIE GATUGUTA
mgatuguta@sib.co.ke

ERIC MUSAU
emusau@sib.co.ke

RESEARCH
research@sib.co.ke

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Executive Summary

We initiate coverage on Family Bank Group, with the fair value estimate of KES 16.54. In 1Q25, the bank posted a +15.4% y/y PAT increase, supported by a 32.4%y/y jump in operating income, with loans up by 10.1% y/y – a commendable performance compared to peers in 2025. While the cost-to-income ratio is higher than the industry at over 60%, we believe it also provides scope for improvements with new products and an extended branch network, which is increasingly providing the necessary scale. The bank has also started tapping into Development Finance Institutions (DFI) funding; two notable ones in 2025 being €50m from European Investment Bank development arm European Global and \$20m from British International Investment (BII) to finance SME's, women-led firms and agribusinesses. We believe the bank is also at the cusp of moving from a Tier 2 Bank to a Tier 1.

Positioning itself strategically as the preferred bank for business. Established over 40 years ago as Family Bank Building Society by Titus Muya, Family Bank has emerged as a mass market entity across Kenya, positioning itself as the preferred bank for biashara 'business' - the bank to go for every business person, regardless of the size. In 2024, the bank won the best Tier 2 Bank for excellence in banking customer experience by the Kenya Bankers Association.

Planned Listing and Capital Market Access. The Group's plan to list on the Nairobi Securities Exchange in 2026—through either introduction or IPO—aims to unlock share liquidity (having traded in the OTC market since 2006) and potentially raise new capital, considering the robust growth (+31.4 % y/y CAGR from FY20 to FY24). The moderate decline in capital adequacy ratios since FY21 (15.8% in 1Q25) alongside the maturity of its KES 4.0bn medium-term note on 17th December 2026 frames an opportune moment. A recovering capital market is anticipated to provide a conducive environment, with the listing expected to enhance liquidity, capital appreciation potential, and a dilution pathway for investors seeking to comply with the Central Bank of Kenya's maximum shareholding requirements.

Key Risks to Our Thesis. Family Bank has a high cost-to-equity ratio at over 60%, which isn't unusual for Tier 2 Banks, and which we expect shall improve as the bank continues to achieve scale. The market it serves has proved problematic for other banks in the past, including managing NPLs and migration of customers to other banks when the SME's scale, which may prove to be the 'Achilles' heel. Governance remains an important element to consider, but this has improved considerably over the years. As a committed dividend-paying bank, we think the fast growth could limit the payout levels over the years. Management has guided a dividend policy of not less than 30.0%.

Investment Summary & Valuation. We estimate the fair value estimate for Family Bank at KES 16.54. By a terminal price to book (P/B) ratio of 1.26x (based on the average P/B of recent precedent transactions), we estimated the terminal value of the business beyond the 2029 forecasted period at KES 48.3bn. The cost of equity used in discounting the cash flows is derived by building up the value on a theoretical basis to arrive at a rate of 21.9%. On a 75%/25% weighting for debt and equity, respectively, we estimated the Weighted Average Cost of Capital (WACC) at 19.1%, with the cost of debt of 10.6%, derived from the weighted interest on Family Bank's debt. We used the price-to-book value summary table below:

		Terminal P/B				
		1.1x	1.2x	1.3x	1.4x	1.5x
WACC	20.1%	14.35	15.34	16.34	17.33	18.33
	19.6%	14.41	15.42	16.44	17.45	18.47
	19.1%	14.47	15.51	16.54	17.57	18.61
	18.6%	14.54	15.59	16.64	17.70	18.75
	18.1%	14.61	15.68	16.75	17.82	18.89

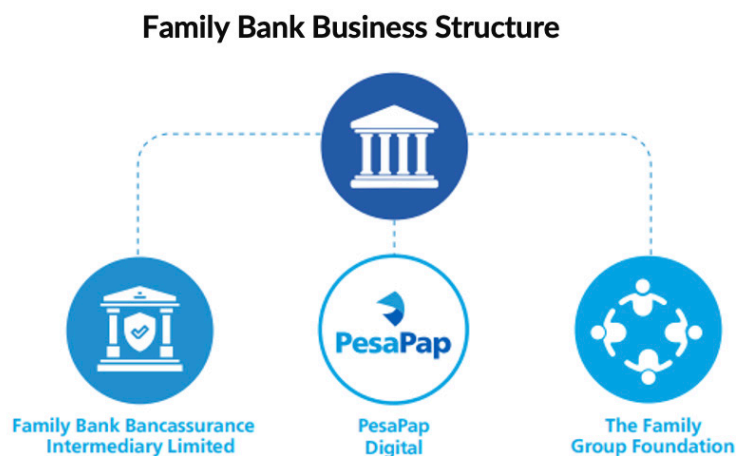
Company Overview

History, Branch Network & Customers.

The group has a total asset base of KES 174.0Bn and a deposit base of KES 132.3Bn as of 31st March 2025. Family Bank is a noteworthy leader in digital banking innovation and was the first bank in Kenya to introduce paperless banking using smart card technology, mobile banking, and PesaPap. Additionally, it became the first bank in Africa to launch the mVisa service, underscoring its commitment to delivering seamless and accessible financial solutions. Established as Family Bank Building Society in 1984, Family Bank has grown from a single branch in Kiambu in 1985 to a network of 95 branches nationwide, spanning 32 counties in Kenya (the 8th largest bank in Kenya, based on its branch network as of 2024). In 2024, Family Bank had over 1.2m customers, 6,000 bank agents, and 75,000 merchants across Kenya. Family Bank Building Society was converted to a fully-fledged commercial bank in 2007; Family Bank Kenya Limited.

Business Structure.

Family Bank has three subsidiaries and operates in Kenya only, as shown in the structure below.



Source: Family Bank 2023 integrated annual report

Family Bank Bancassurance Intermediary Limited (FBBI) was established in 2008 and is licensed and regulated by the Insurance Regulatory Authority (IRA) to conduct bancassurance business. Below is the performance of the subsidiary in recent years.

Family Bank Bancassurance Intermediary	FY20	FY21	FY22	FY23	FY24
Gross Written Premiums (GWP) - In KES Mn	930	c.1,200	c.1,200	c.>1,300	1,640
Profit before Tax (PBT) - In KES Mn				181	248

Source: Various Family Bank integrated annual reports

PesaPap Digital Ltd (PDL) was incorporated in 2015 and is wholly owned. Its mandate includes conducting software design and development business.

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 Bank's social and environmental responsibilities by investing in inclusive community development in education, healthcare, agriculture, youth economic empowerment, and entrepreneurship development.

Formation of a non-operating holding company

In 2024, Family Bank's shareholders approved the establishment of a non-operating holding company, with the shares held in the company by its shareholders and the shares held by the Company in its Subsidiaries to be transferred to the non-operating holding company. We portend this move will allow for capital efficiency, risk management and establishment of separate governance structures for both banking and its non-banking subsidiaries. Management disclosed that it had completed feasibility studies for target countries across various parts of Africa, providing management with a scorecard based on country attractiveness. This was followed by a deep dive into 2 top countries, which consequently affirmed the Group's target to go regional. Management has pointed out that it is considering Rwanda, Uganda, the DRC, and Ethiopia as potential market entry targets.

Customer Segmentation

Family Bank's solutions are distributed using a segmented approach (MSME, Retail and Commercial), which enables the bank to address the unique financial needs of its customers and provide solutions that promote their success and growth.

The Micro, Small and Medium Enterprises (MSME) segment caters to a diverse range of customers, from smaller formal and informal businesses with a turnover of less than KES 20.0m to medium-scale enterprises with turnovers between KES 20.0m and KES 100.0m. The Bank has created tailored solutions for various sectors, including General Trade, Agribusiness, Water, Sanitation, and Hygiene (WASH), Education, and Healthcare. As of 2024, this segment has over c.105.0k customers, who account for c.16.0% of deposits and c.28.0% of loans.

The Retail segment focuses on banking individual customers. The retail segment comprises over c.1.1m clients, who account for c.40.0% of deposits and c.32.0% of loans as of FY24 and is divided into two main areas: Personal Banking and Diaspora Banking. The Group is planning on enhancing its underleveraged customer value propositions, such as its youth and children's propositions, recognising the need to engage digital-native generations from an early age. Its youth-focused strategy includes tailored solutions for young investors and entrepreneurs.

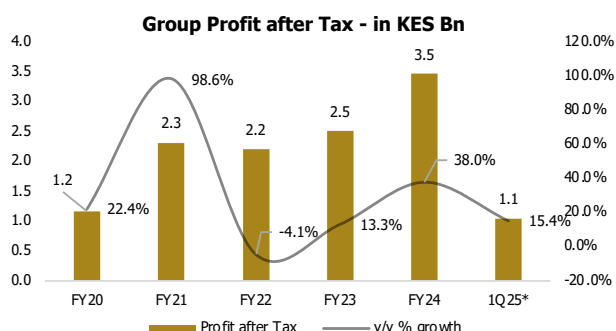
The Commercial segment is designed to serve local institutions across key sectors of the economy, including corporations, savings and credit cooperatives (SACCOs), non-governmental organisations (NGOs), tertiary education institutions, churches, public sector entities, and micro, small, and medium enterprises (MSMEs) that have evolved into corporate clients. These customers have a turnover exceeding KES 100.0 million. The commercial segment comprises over c.1.4k clients, who account for c.45.0% of deposits and c.40.0% of loans as of FY24.

Institutional Shareholders & Capital Raising Since 2012

The bank onboarded key institutional shareholders, including the Kenya Tea Development Agency, Pan Africa Insurance, and the Local Authorities Pension Trust (LAPTRUST), who represent a sizeable portion of Family Bank's target market. In 2021, the bank successfully raised KES 4.4 billion, achieving a subscription rate of 147.3% compared to its target of KES 3.0bn. This was conducted as a corporate bond offer via public placement, which included a green shoe option of KES 1.0Bn. The bond has a tenure of five and a half years (matures on 17th December 2026) and is priced at an annual interest rate of 13.0%. This issuance came after the Bank successfully redeemed its five and a half years Medium Term Note worth KES 2.0bn on 19th April 2021. In 2023, the bank attempted to raise capital of KES 9.3Bn. The rights issue closed on 31 January 2024, in which it raised just KES 252.0m in which we believe was partly due to the pricing of the issuance and market conditions. Consequently, the Board of Directors noted that it would pursue a private placement to institutional investors as outlined in the Group's 2023 integrated annual report.

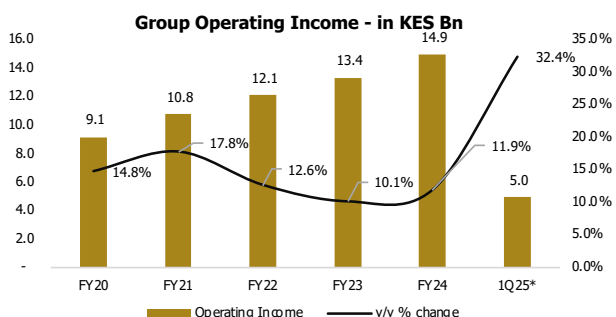
Investment Thesis

Robust 1Q25 Performance: Sustained revenue performance. Family Bank has demonstrated strong financial performance that underpins the Group's positive outlook. In 1Q25, FBL reported a double-digit growth in profits after tax at KES 1.1bn (+15.4%/y/y), buoyed by growth in operating income (+32.4%/y/y). We estimate the FY25 PBT at c. KES 5.2bn, on resilient growth in operating income, as the lender continues to implement its risk-based pricing model (the CBK cleared Family Bank's risk-based lending model in 2024, enabling more personalised lending decisions) on a growing loan book. Indeed, the Bank's net loans and advances rose 10.1%/y/y, having recorded the fastest growth rate compared to both its Tier I and Tier II peers in 1Q25. As such, the Bank's outlook on interest income remains robust, further bolstered by optimized returns from government securities.

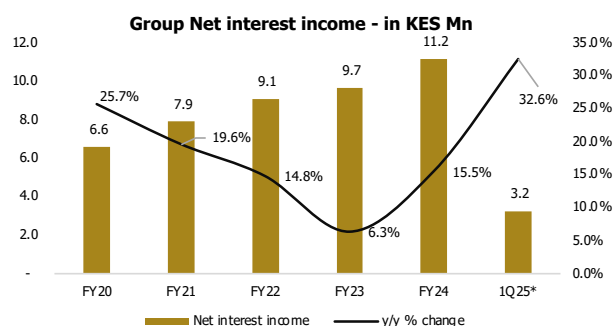


Group net earnings grew an impressive 31.4% between FY20 and FY24, as the Group implemented robust asset and revenue generation strategies. In 1Q25, profits after tax came in at KES 1.1bn (+15.4%/y/y), buoyed by growth in operating income (+32.4%/y/y).

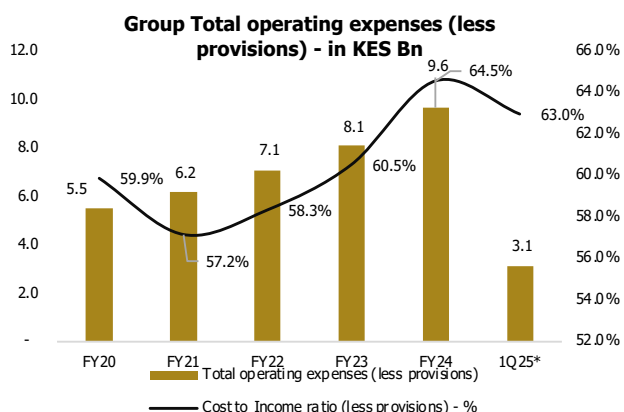
Margin management and lending. We anticipate the strategic focus on expanding lending to target high-volume and stable sectors (e.g., Education, Healthcare, Agriculture, MFIs) to position FBL to capture the upside of sector-specific credit demand. Additionally, we see the growing asset base and easing of interest expenses as likely to stave off Net Interest Margin (NIM) compression due to the expected downward revision of interest rates as the Bank prices in the CBK's CBR rate cuts.



Total operating income witnessed a double-digit growth of 13.1% (5-year CAGR), on steady growth of interest income and non-funded income as outlined above. In particular, the Group's operating income surged by 32.4%/y/y to KES 5.0bn.

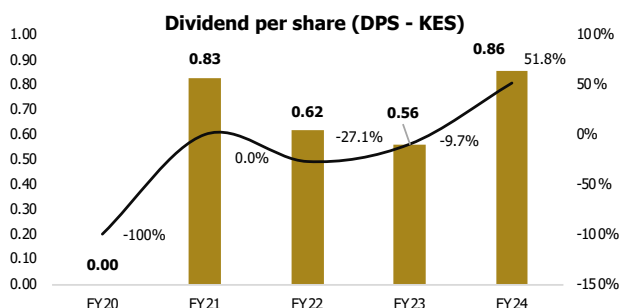


Net interest income (NII) rose by 14.0% (5-year CAGR), partly driven by a growing loan book portfolio, continued implementation of the risk-based pricing model, higher investments in government securities as well as interbank lending. In 1Q25, NII swelled by 23.1%/y/y to KES 3.2bn, as interest income (+23.1%/y/y) outpaced interest expenses (+11.5%/y/y). Markedly, rising cost of funds and pressure on lending spreads prompted the bank to make multiple downward repricing adjustments on the loan book in 2024.



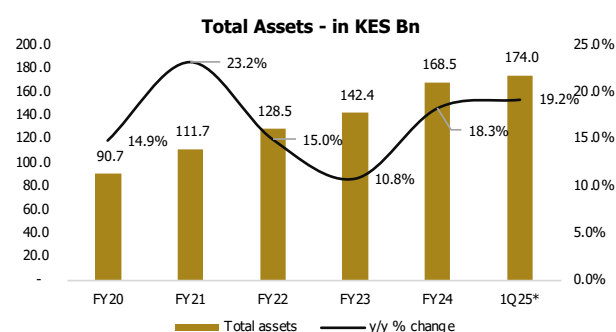
Total operating expenses (less provisions) increased by 15.2% (5-year CAGR), partly linked to digitization and customer acquisition initiatives, organic business growth as well as growing talent base. Notably, the Group's cost-to-income ratio has been notching upwards from 2021, as the lender grows its market reach. Operating costs surged in FY24 (+19.3%y/y) and 1Q25 (+39.7%y/y), mainly due to a one-off strategy review and implementation cost, respectively.

Dividend momentum likely to be maintained. In this regard, we have forecast net interest income to reach c. KES 13.6bn. Overall, we expect a dividend payment of approximately KES 0.9 per share for FY25 – with our estimate at a payout of 30%. The regular payment of dividends, coupled with strong profitability and robust retained earnings, acts as a tailwind to future potential dividend payments for shareholders.

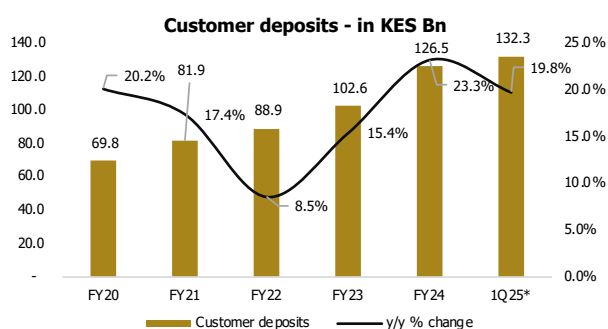


Dividend per share in FY24 grew 51.8%y/y to KES 0.86 on strong performance as well as robust retained earnings. Management noted that the softer PAT performance recorded in FY22 led to the lower dividend payment in the year compared to FY21 (-27.1%y/y).

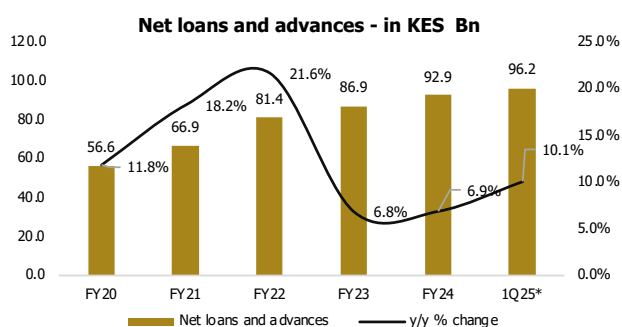
Growing faster than sector on assets. The Kenyan banking sector saw the sector's asset base rise from KES 5,351.3bn in 2020 to KES 7,645.8bn in 2024 (compounded annual growth rate, CAGR of +7.4%), more than reversing the single-digit growth registered between 2016 and 2020. Family Bank grew its asset base by a 5-year compound annual growth rate (CAGR) of 16.7%, largely driven by growth in government securities (CAGR of +31.6%), customer deposit growth as well as a jump in balances due from banking institutions (CAGR of +36.7%). FBL has sustained the strong growth trend in 1Q25, with its balance sheet expanding by 19.2%y/y.



The Group's asset base registered a 5-year compound annual growth rate (CAGR) of 16.7%, largely driven by growth in government securities (CAGR of +31.6%), customer deposit growth as well as a jump in balances due from banking institutions (CAGR of +36.7%). FBL has sustained the strong growth trend in 1Q25, with its balance sheet expanding by 19.2%y/y.

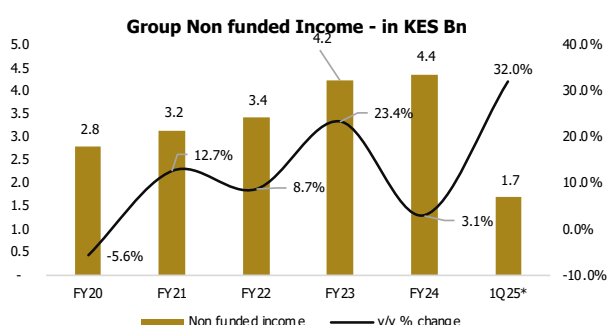


Customer deposits climbed 16.0% over 5 years (CAGR), with management pointing to strong deposit mobilization, focus on customer experience, coupled with strategic branch positioning across high-traffic business zones supported by automation. In 1Q25, the Group reported an impressive c.19.8%y/y jump in customer deposits, on continued customer acquisition and retention initiatives.



Net loans and advances rose by 13.2% between FY20 and FY24 (CAGR), as the Bank grew its product offerings, further supported by a growing customer base. Furthermore, customer loans rose by 10.1%/y/y in 1Q25 – a commendable performance, given that the median growth rate for Tier II banks in 1Q25 stood at c.-4.6%/y/y.

Diversification of income streams and digitization to support Non-Funded Income (NFI). Despite what we see as a momentary dip in FX trading income due to reduced currency volatility (-71.4%/y/y in 1Q25), Family Bank's total non-interest income surged 32.0%/y/y in 1Q25, driven largely by a 182.4%/y/y increase in other income and a 22.2%/y/y jump in fees and commissions on loans and advances. In particular, we see the Group's bancassurance intermediary arm as a key driver of non-funded income.



The Group's non-funded income (NFI) grew by 12.8% (5-year CAGR), on increased digitization, revenue diversification (i.e. income from Family Bank Bancassurance Intermediary) and growing customer numbers. In 1Q25, non-interest revenue expanded by 34.4%/y/y to KES 1.7bn, on a 182.4%/y/y jump in other income. However, FX income contracted by 71.4%/y/y in 1Q25, in line with industry trends on reduced currency volatility.

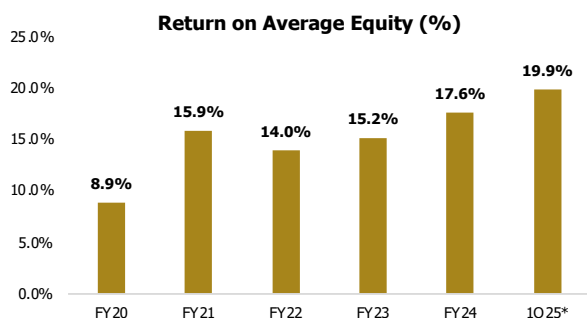
Given its legal mandate, motor insurance is generally the most consumed product; however, management highlighted a rise in uptake of various solutions from MSMEs, rural communities and youth in response to escalating healthcare costs, climate change and its impact from weather-related losses, as well as unpredictable political environment. Family Bank Bancassurance Intermediary is looking to unlock higher insurance uptake through digital innovation. In 2024, it integrated insurance services onto the FBL's mobile platform, enabling clients to sign up for policies, make payments, and submit claims directly from their phones.

We view the aforementioned aspects, coupled with strategic partnerships with insurance partners and credit-linked insurance that is bundled with issued loans, as tailwinds to NFI.

A key pillar of Family Bank's growth thrust is digital innovation, with the Group achieving 90% non-branch transactions, with nearly 80% of low-value loan requests (less than KES 300,000) handled digitally as of FY24. We portend that growing customer numbers will drive fee-based revenue from higher transaction numbers. Overall, we anticipate NFI could hit c. KES 4.8bn (considers net fee and commissions income) in FY25.

Cost management amid strategic investments. Operating expenses are expected to remain elevated in the medium term as the Group implements its digital transformation initiatives as well as branch expansion drive (anticipated to open more branches in various counties) with the Group's Cost to Income Ratio (CTI) estimated to remain above the 60% threshold. In particular, the Group has begun the process of upgrading its core banking system as it looks to transition to a modern, modular, and API-ready core banking platform (estimated investment of KES 1.0bn over 27 months). These initiatives seek to enhance processing efficiency, product agility, and ecosystem integration to advance the Group's digital-first agenda and accelerate time-to-market. Additionally, Family Bank is targeting to expand its API (Application Programming Interface) economy, as well as redesign and enhance its digital platforms for improved customer experience.

Family Bank has deployed various automation initiatives to streamline internal processes and improve transaction efficiency, including streamlining digital onboarding and self-service tools. Furthermore, the Group plans to continue leveraging emerging technologies, such as Artificial Intelligence (AI), Machine Learning (ML), and cloud computing, to drive smarter banking operations by automating routine tasks and personalised digital customer journeys. Investments in technology and operational efficiency (including branch optimization) are therefore expected to yield long-term savings and support the bank's growth aspirations.



We estimate that the Group's Return on Average Equity (ROaE) has grown from c.8.9% in FY20 to c.17.6% in FY24, in line with organic growth and profitability.

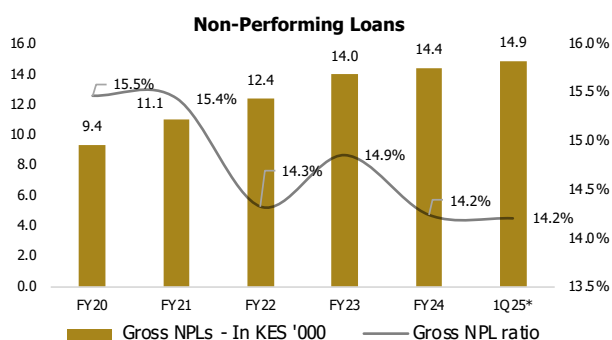
Positioning for continued growth and value creation. The Group's near-term performance is anchored on its 2025–2029 strategy with the tagline “To Be the Preferred Bank for Biashara”, through which the Family Bank aims to become the preferred financial partner for scaling businesses, driven by technology, insight, and a customer-centric approach. The strategic approach of the Group will focus on three key pillars:

- a. **Compelling customer propositions:** Through strong customer value propositions, the Group aims to attract, retain and engage clients by refining/introducing innovative financial products tailored to customer needs. We believe these initiatives, coupled with a refined customer segmentation strategy, will diversify ecosystem revenue streams and increase customer satisfaction & brand loyalty.
- b. **Productivity and efficiency:** The Group will focus on implementing sales force effectiveness, driving account mobilization, optimizing branch networks, automating key processes and strengthening treasury management (e.g. expansion to exotic currency products, management of cost of funds, etc).
- c. **Digitalisation and data utilization:** To achieve this key pillar, Family Bank will utilize technology to drive its operations, automate and centralise data, as well as improve its onboarding, credit services, and customer experiences through its expanded mobile and internet platforms. Moreover, Family Bank aims to use data analytics to identify and target high-growth customer segments.

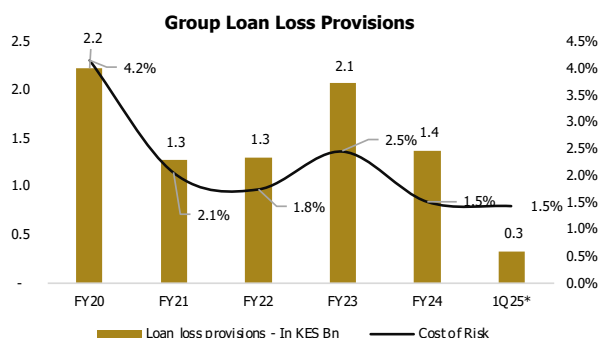
Regarding matters of Environment, Social and Governance (ESG), the Group enhanced its Environmental and Social Risk Management (ESRM) framework in 2024 to ensure robust due diligence across all loan proposals. This allowed the lender to identify, assess, and manage ESG risks throughout the credit lifecycle. Family Bank plans to deepen the integration of the ESG and climate risk framework across its operations, governance, and decision-making processes. This will be supported by the continued implementation of key regulatory and reporting standards, which we believe will enhance compliance and help the lender refine its approach to supporting sustainable businesses and expanding its green finance offerings.

The establishment of a non-operating holding company is a strategic decision that will allow the Group to effectively oversee its regional subsidiaries. This move will improve risk management and governance and enable the Group to deploy capital at scale, especially if it decides to expand into other regional markets.

Prudent Risk Management and improving asset quality. Despite robust growth, Family Bank has maintained prudent risk management practices. The pace of growth in Gross NPLs appears to have moderated, inching upwards by 3.1% y/y in FY24 (+7.0%y/y in 1Q25), compared to the double-digit growth experienced between 2020 and 2023 (+13.9%y/y, +17.7%y/y, +12.4%y/y and +12.7%y/y, respectively). We opine the slowdown coincides with a more cautious lending approach in response to tight market conditions (loan book grew 6.9%y/y in FY24 compared to +18.2%y/y in FY21, +21.6%y/y in FY22 and +6.8% in FY23). Particularly, the Group's Gross NPL ratio is estimated to have come in at 14.2% in 1Q25 (lower than the industry average of 17.4% as of March 2025), with an impressive increase in its loan book (+10.1%y/y; the fastest growth rate amongst Tier I and Tier II banks). In 2024, management mentioned that the Group refined its credit processes, including stricter underwriting criteria, early intervention in loan arrears, and quicker activation of recovery processes for asset finance. These targeted interventions helped contain credit deterioration, leading to an improvement in the Gross NPL ratio from approximately 14.9% in FY23 to c.14.2% in FY24.



Non-performing loans rose by 11.4% (5-year CAGR), which we believe is partly attributable to the growing loan book on broader and faster customer acquisition, coupled with challenging economic conditions and sector-specific vulnerabilities. The pace of increase of Gross NPLs has, however, been on a downward trend (+17.7% in FY21, 12.4% in FY22, 12.7% in FY23 and +3.1%/y in FY24). Furthermore, the Group's estimated Gross NPL ratio has eased from improved from c.15.5% in FY20 to c.14.2% in 1Q25.



Group loan loss provisions declined by c.11.3% (5-year CAGR), which could be due to forward-looking provisions in prior quarters, alongside strong credit risk management practices. Resultantly, the cost of risk eased to c.1.5% from c.4.2% in FY20.

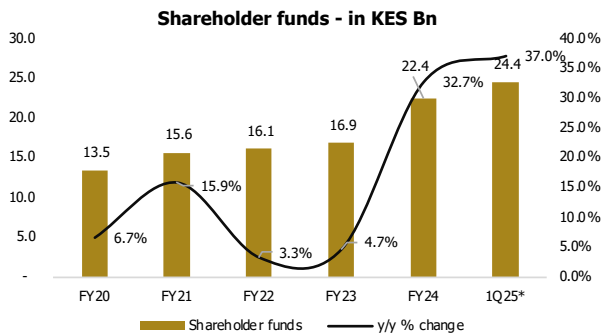
We view the Bank's measured risk approach as providing a foundation for stronger asset quality, robust provisioning, and an improved recovery process, which will underpin stronger asset quality going forward. Additionally, focused growth in resilient sectors and continued portfolio monitoring should support revenue performance.

Planned listing and capital market access.

During the Group's 1Q25 investor briefing, Family Bank's management announced its intention to list on the Nairobi Securities Exchange in 2026. The Group has two options concerning listing:

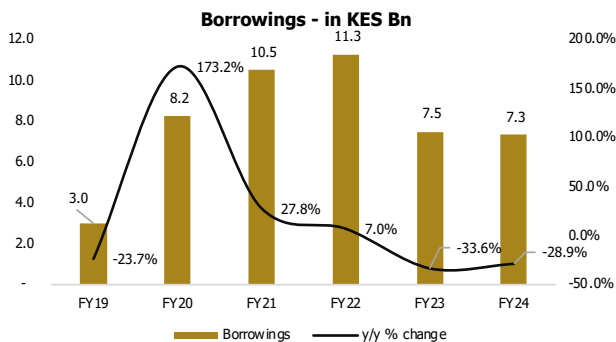
- a. Listing via introduction:** This is where Family Bank would take its existing issued shares and list them on the NSE. Since the firm has sufficient shareholders to list in the main market, the purpose of such a listing by introduction will be to provide liquidity and crowd in other investors who would otherwise not invest in the stock while in the OTC market.
- b. Listing via IPO (initial public offering):** With this option, Family Bank would issue new shares and list them on the Nairobi Securities Exchange, resulting in a new set of shareholders from the public. The new shareholders would, in turn, buy the shares at a specified share price, thereby raising capital from the exercise. The exact size of the offering and the allocation of shares will most likely depend on prevailing market conditions and investor demand (and on whether the firm would have raised alternative equity financing before then).

We note the moderate easing in Family Bank's capital adequacy ratios (total capital/total risk-weighted assets), which declined from 20.9% in FY21 to 15.8% in 1Q25. The jump in this metric from 17.9% in FY20 to 20.9% in FY21 coincided with the successful issuance of its KES 4.0bn medium-term note in 2021. Since this paper is set to mature on 17th December 2026, it provides impetus to the Group's management to raise funds by then, considering the growth experienced. In addition, the capital market appears to be recovering gradually, with the Nairobi all-share index having risen by 34.1% in 2024 and 5.9% in 1Q25 and 17.3% in 2Q25, compared to the contractions experienced in 2022 and 2023 (-23.4%/y and -27.7%/y, respectively). We believe that higher capital levels would also provide the Family Bank with the ability to offer larger ticket prices with regard to single obligor limits (CBK limits this to no more than 25% of core capital).

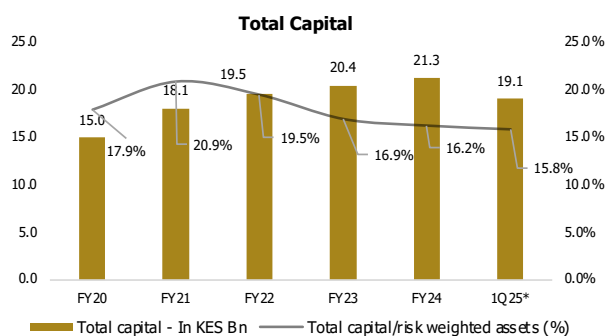


The Group's shareholders' equity rose by 13.6% over 5 years, largely driven by retained earnings increasing in the period (+12.7%). In 1Q25, this quantum leaped 37.0%/y likely due to strong revenue performance.

Strategic partnerships with key fundraising providers/impact investors such as the European Investment Bank (recently provided a credit line of €50.0m in May 2025), Finance in Motion, Incofin and Global Access Fund, provide Family Bank with access to specialized funding designed to support sustainable businesses thereby increasing the bank's capacity to offer competitive loans and credit lines to clients in these sectors (e.g. women led and youth enterprises, MSMEs). This not only enhances long-term sustainability but also aligns with global investor trends that favour responsible banking. The bank has tapped into Development Finance Institutions (DFI) funding; two notable ones in 2025 being €50m from European Investment Bank development arm European Global and \$20m from British International Investment (BII) to finance SME's, women-led firms and agribusinesses.



Borrowings jumped by 25.5% (5-year CAGR), which we associate with the Group raising KES 4.4 billion in 2024 in the capital market, having achieved a subscription rate of 147.3% compared to its target of KES 3.0bn. This offering was conducted as a corporate bond offer via public placement. This quantum has been declining as the Bank repays using cash generated from operations. Indeed, borrowings eased by 28.9%/y in 1Q25 to KES 7.3bn.



Family Bank's Group total capital registered a single-digit jump of 9.1% between FY20 and FY25 as the Group incurred various operating expenses in line with growth initiatives. As such, the total capital/risk-weighted assets ratio eased from 20.9% in FY21 to 15.8% as of 1Q25. This supports the case for capital raising to support the Group's growth trajectory. Particularly, FBL remains sufficiently capitalized and above the minimum CBK requirement of 14.5%.

For existing shareholders, the planned listing creates an opportunity for improved liquidity and better price discovery of the stock, including a dilution pathway (if it involves fundraising), for investors looking to comply with maximum shareholding requirements by the Central Bank of Kenya.

Below are the top 10 shareholders of Family Bank as of FY2024:

Shareholder Name	Number of Shares	% Shareholding
1. Kenya Tea Development Agency Holding Ltd	212,184,905	16.3%
2. Estate of the Late Rachael Njeri	167,143,948	12.8%
3. Daykio Plantations Limited	158,460,364	12.1%
4. Titus Kiondo Muya	73,408,502	5.6%
5. Equity Nominees Limited A/C 00084	46,417,000	3.6%
6. Brian Muyah Kiondo	33,448,788	2.6%
7. Ann Muya	33,448,788	2.6%
8. Mark Keriri	33,448,788	2.6%
9. Sheila Kahaki Muya - Muindi	33,448,788	2.6%
10. Jane Wangui Karumi	33,448,788	2.6%
Top 10 Shareholders	824,858,659	63.2%
Other Shareholders	480,416,550	36.8%
Total Issued Shares	1,305,275,209	100%

Source: Family Bank 2024 integrated annual report

Key Risks to Our Thesis.

- **Economic challenges** brought about by economic pressures, constrained wallets (i.e. thinning payslips which have reduced eligibility for some clients due to the introduction of the housing levy and Social Housing Authority (SHA) taxes), higher statutory taxes and reduced demand for goods may raise credit risk. The banking sector still has an elevated non-performing loan portfolio. Customers face operational risk due to factors associated with systems, processes and people, e.g. potential disruptions during the ongoing core banking system upgrade, shortage of staff in key departments (such as cybersecurity, ESG compliance), poaching of key talent by competitor banks, etc.
- **Market risks** resulting from interest rate, foreign exchange, credit spread and asset price volatilities. The fluctuations can significantly impact the bank's trading and non-trading portfolios, as well as its interest income and overall financial performance (e.g. interest rate volatility leading to competition for deposits driven by more attractive rates on offer from government securities, FX currency volatility (or lack thereof) may have an impact on trading margins).
- **Compliance and regulatory risks** arising from increasing complexity and pace of compliance requirements including in traditional banking areas as well as ESG that may require steep investments and capacity to comply.
- **Strategic risks** may also arise from competition (especially large Tier 1 banks) that are targeting the FBL's key market segments. In addition, geopolitical tensions, as well as the uncertainty arising from U.S. fiscal and monetary policy shifts (including the impact of tariffs on supply chains), and their potential impact on the bank and customers, should be considered.
- **Cybersecurity risks** are also increasing due to a rise in threats such as cyberattacks, fraud, and data loss as more transactions and processes move online. These threats are becoming more complex, with a growing frequency of incidents like phishing, ransomware, and Distributed Denial-of-Service (DDoS) attacks, among others.
- While management have assured that the listing in 2026 (approval at Board level), the Bank has in the past failed to list despite promising investors, although this may have been attributable to the failed rights issue.

Banking Industry Review

Industry Overview

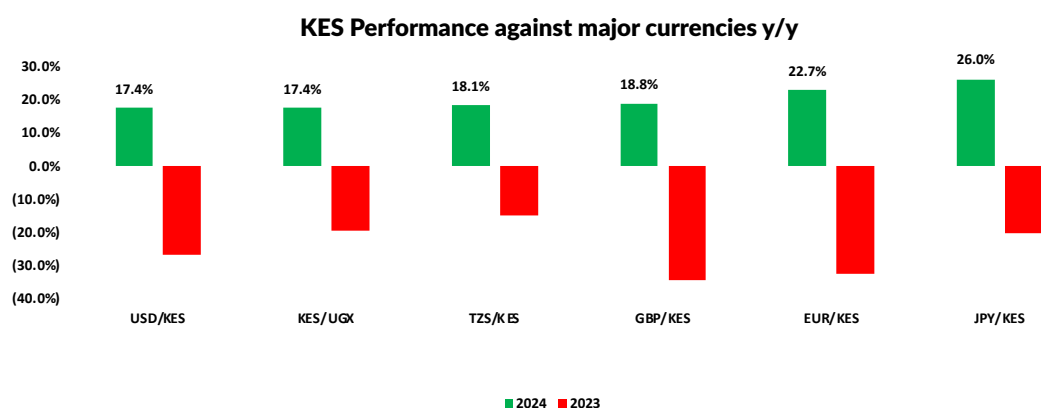
The Kenyan banking sector has demonstrated continued resilience despite various macroeconomic challenges over the years (impact of COVID-19, currency fluctuations, rising interest rates, suppressed credit demand, etc). In particular, the sector's asset base rose from KES 5,351.3bn in 2020 to KES 7645.8bn in 2024 (compounded annual growth rate, CAGR of +7.4%), more than reversing the single-digit growth registered between 2016 and 2020. This growth was partly driven by regional acquisitions, deposit mobilisation activities spurred by the mobilisation of deposits through alternative channels, regional expansion, interest rate incentives driven by a high-interest-rate environment, among other factors. Markedly, sector profitability rose c.19.7%/y to KES 262.3Bn in 2024, braced by high interest rates coupled with interest income from government securities. The double-digit rise was despite shocks such as flooding, economy-related protests, the country's grey listing by the Financial Action Task Force (FATF) due to deficiencies in its anti-money laundering (AML) and counter-terrorism financing (CFT) frameworks, as well as the downgrades of the country's sovereign credit rating by several major rating agencies in response to elevated debt sustainability risk.

Kenya Banking Sector Key Statistics

	2020	2021	2022	2023	1Q24	2Q24	3Q24	4Q24	FY24	Y/Y change	1Q25	Y/Y change
Profits before Tax (PBT) - In KES 'Bn	113.1	197.7	240.3	219.1	73.5	66.1	64.2	58.5	260.3	18.8%	74	0.0%
Total Assets - In KES 'Bn	5,351.3	5,970.0	6,534.7	7,631.5	7,513.1	7,552.0	7,568.4	7,645.8	7,500.4	-1.7%	7,674	2.1%
Total Loans - In KES 'Bn	2,620.5	2,884.8	3,312.5	3,762.9	4,083.6	4,041.3	4,064.2	4,099.3	3,601.6	-4.3%	4,123	1.0%
Total Deposits - In KES 'Bn	3,971.3	4,413.9	4,721.8	5,551.9	5,525.3	5,589.1	5,684.0	5,739.6	5,432.9	-2.1%	5,731	3.7%
NPL ratio (%)	14.3%	14.3%	13.8%	15.5%	15.7%	16.3%	16.5%	16.4%	17%		17.4%	170bps
Capital adequacy (%)	19.1%	19.6%	19.0%	18.7%	18.6%	19.1%	19.1%	19.4%	20%		20.1%	150bps
ROE (%)	14.2%	22.3%	26.5%	22.5%	27.8%	26.0%	24.9%	22.0%	22%		23.1%	(470bps)
Liquidity (%)	54.9%	56.5%	51.1%	51.2%	53.6%	53.5%	54.6%	55.7%	51%		58.4%	480bps

Operating Environment Review

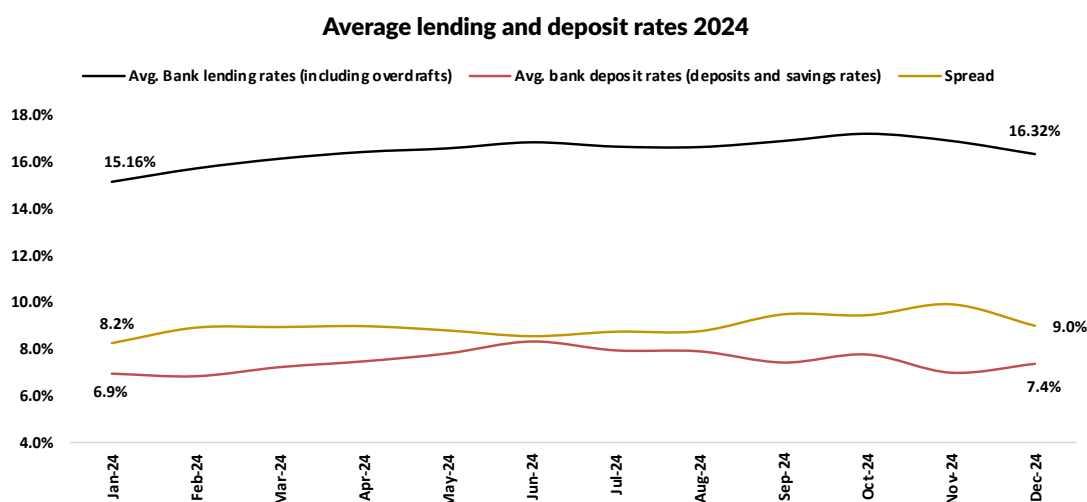
Kenya's business climate faced a mixed bag of opportunities and challenges in 2024. Early in the year, currency and interest rate fluctuations affected economic performance, with the local unit experiencing significant depreciation against the US dollar. In particular, the value of the Kenyan Shilling experienced a significant depreciation of c.22.0% against the US Dollar between March 2022 and January 2024, reaching its lowest rate of KES 160.80 in January 2024. We mainly attribute this to investor sentiments around the maturity of Kenya's Eurobond, which later eased following the 2024 Eurobond buyback, the issuance of a new USD 1.5bn Eurobond, panic selling of dollars on uncertainty of the shilling equilibrium point, as well as a USD 606.0m IMF loan disbursement. Resultantly, the Shilling strengthened by 17.4% against the US Dollar, 18.8% against the Sterling Pound and 22.7% against the Euro in 2024, respectively. For nearly a year, the USD/KES exchange rate has remained anchored around the resistance level of 128-129. This sustained stability is largely attributed to reduced dollar demand and a strong foreign exchange reserves position. 2Q25 saw foreign exchange reserves climb to an all-time high of USD 11.09bn, bolstered by inflows from a private debt placement in the United Arab Emirates, which followed the Eurobond settlement in 1Q25. This boost is viewed as a welcome development, as it provides a buffer ahead of the expected drawdowns in July related to upcoming debt repayments.



Source: CBK data

With regards to interest rates, they rose for a better part of the year as the Central Bank of Kenya (CBK) increased the Central Bank Rate (CBR) to a 22-year high of 13%, which lasted from February 6 to August 5, 2024. The increased CBR led to an increase in funding costs (average lending rate, including overdrafts hit 16.6% in August from 15.7% in January 2024, reduced demand for new credit; private sector credit slowed to 1.3% in August from 13.8% in January 2024, and a persistently high non-performing loan ratio; 15.7% in March 2024 to 16.7% in August 2024, as borrowers struggled to keep pace with the rising costs of doing business. Customer deposit rates also experienced an uptick as banks competed for deposits following attractive rates offered by government securities, with deposit rates reaching 11.1% in August 2024 from 9.8% in February 2024. In a bid to spur private sector credit demand, the CBK began to ease interest rates in the 4Q24, with the central bank rate (CBR) easing by 75 basis points to 11.25% by the end of 2024.

The CBR has since declined to 9.75% as of June 2025, with the average lending rate (including overdrafts) at 14.6% and savings rate (including deposit rates) at 6.0% in May 2025. Private sector credit growth is gradually indicating signs of recovery, coming in at 2.0% in May 2025 due to improved demand in line with the declining lending interest rates, and dissipation of exchange rate valuation effects on foreign currency-denominated loans following the appreciation of the local unit.



Source: CBK data

While moderate, the business environment remained in the contraction zone on average throughout 2024. The private sector struggled, barely staying afloat, with both internal and external shocks such as persistent layoffs and company closures, slow tax revenue growth following the withdrawal of the Finance Bill, increased output costs, supply chain constraints due to heightened geopolitical tensions, and slower growth of imports. The catastrophic floods that occurred between March and May 2024 resulted in loss of life and caused extensive damage to crops, property, and infrastructure, significantly disrupting

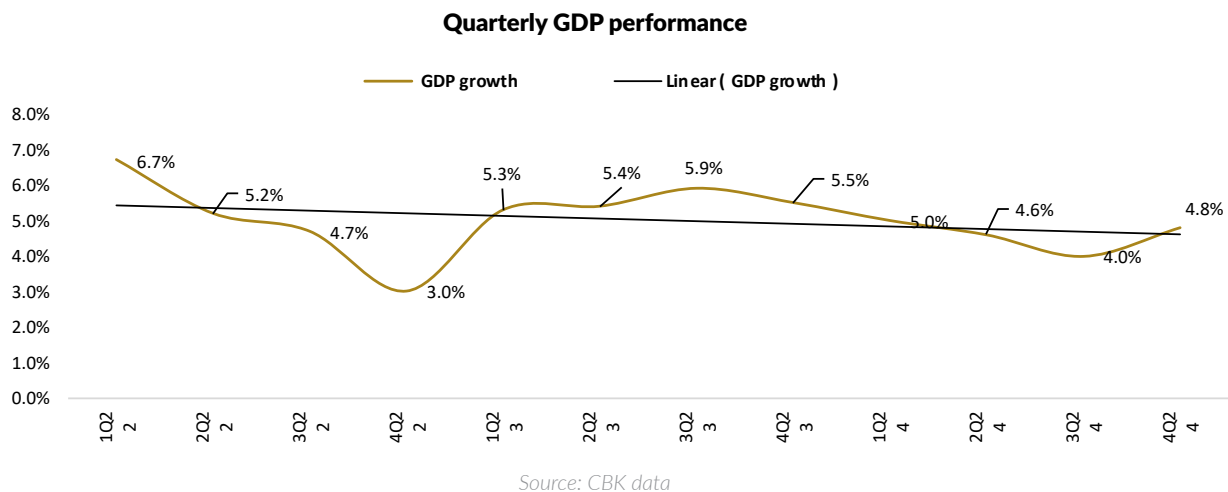
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On the other hand, Kenya's average inflation rate settled at 4.5% in 2024, a notable 315bps drop from the 7.7% recorded in 2023. This marked a 15-year low, a level last seen in 2010 when the average was 4.0%. The improvement was attributed to a higher base effect (especially for food and fuel indices), constrained liquidity that tempered inflation from the demand side, A stable exchange rate, resulting in a reduced import bill, particularly for fuel, declining international fuel prices and favorable weather conditions that improved harvests, though earlier floods had adversely affected short-season crops like vegetables. During the 2Q25, headline inflation averaged 3.89%, with core inflation remaining steady between 2.5% and 3.0%. In contrast, non-core inflation remained volatile, as is typically expected due to its sensitivity to external and seasonal shocks.

Overall, Kenya's GDP grew at a slower rate of 4.7% in 2024, marking a deceleration of 100 bps from the 5.7% growth recorded in 2023. Most economic sectors registered positive growth, except Construction and Mining & Quarrying, which contracted by 0.7% and 9.2%, respectively. The Financial and Insurance sector also experienced a slower growth rate of 7.6% in 2024, down from 10.1% in 2023. Despite the moderation, this growth was underpinned by increased earnings from government securities and a rise in net premiums within the insurance subsector. Agriculture, Forestry, and Fishing remained the primary driver of GDP growth, contributing 16.8%, though this marked a decline from its 19.5% contribution in 2023. Likewise, the contributions of the Real Estate, Transport & Storage, and Financial Services sectors to overall growth decreased during the review period. In contrast, the Manufacturing sector's contribution to GDP increased by 1.7% to 4.9%, up from 3.2% in 2023. The Wholesale and Retail Trade sector also registered a higher contribution to GDP.

Coming into 2025, Kenya's economy grew 4.9% y/y in 1Q25, a similar pace to the same period a year ago, with all sectors of the economy recording positive growth during the quarter under review (albeit in varying magnitudes). During the quarter, Agriculture, Forestry, and Fishing activities grew by 6.0% compared to 5.6% in 1Q24, largely due to favourable weather conditions experienced in most parts of the country involved in crop and animal production. The GDP performance growth was also supported by notable expansions in Information and Communication (5.8%), Wholesale and Retail Trade (5.4%), Real estate (5.3%), Financial and Insurance (5.1%), and Public Administration (6.5%), according to data provided by the Kenya National Bureau of Statistics. Other sectors that had a significant contribution to the growth of the economy were Professional, Administrative and Support services, and Transport and Storage by 4.6% and 3.8%, respectively.

During the quarter, there was a rebound in Mining and Quarrying (10.0%) while Construction activities grew by 3.0%. The Gross Value Added for Accommodation and Food Service activities decelerated to 4.1% compared to 38.1% in 1Q24, partly attributable to a slowed growth in visitor arrivals into the country. The Central Bank anticipates Kenya's GDP to hit 5.0% in 2025, supported by the resilience of key service sectors and agriculture, expected recovery in growth of credit to the private sector, and improved exports (supported by trade initiatives and bilateral agreements, including Kenya-EU Economic Partnership Agreement). The growth outlook is, however, subject to external and domestic risks, including higher tariffs, and persistent geopolitical conflicts with potential impact on the supply chain.



Banking Sector Context & Developments

The banking sector has witnessed a flurry of activity with regard to regulatory and operational developments in 2024 and the first half of 2025. These include:

- i. **Migration of the Kenya Electronic Payment and Settlement System to the ISO 20022 Global Messaging Standard:** Starting from October 14, 2025, the Central Bank of Kenya (CBK) announced the successful adoption of the ISO 2022 Global Messaging Standard. This new standard is expected to result in faster settlement times, more efficient processing, and improved liquidity management for financial institutions. Additionally, the rich data formats provided by the messaging standard are expected to aid in monitoring fraud and enhance the detection and prevention of illicit transactions. The transition forms part of the country's efforts in modernising Kenya's National Payments System (NPS).
- ii. **The enactment of the Business Laws (Amendment) Act, 2024:** The Business Laws (Amendment) Act, 2024, which became law on December 11, 2024, and took effect on December 27, 2024, has introduced significant changes to the financial services sector. A key provision of this Act is that commercial banks are to raise their core capital from KES 1.0bn to KES 10.0bn by 2029 (KES 3.0bn by end of 2025, KES 5.0bn by end of 2026, KES 6.0 by end of 2027, KES 8.0bn by end of 2028 and KES 10.0bn by end of 2029). This move is expected to strengthen the banking sector, making it more stable and resilient. We anticipate that increased competition in the market will lead to mergers and acquisition opportunities, as smaller banks consolidate and/or race to raise capital.
- iii. In January 2025, the National Treasury published for public comment the **Draft National Policy on Virtual Assets and Virtual Assets Service Providers alongside the Virtual Assets Service Providers Bill, 2024**. This comes on the back of a risk assessment conducted in 2023 that sought to understand the controls required to mitigate money laundering (ML) and terrorism financing (TF) risks emerging from the use of virtual assets (VA) and operations of virtual assets service providers (VASPs). We portend that these legislations will likely accelerate digital finance innovation but also intensify competitive and compliance pressures for banks as cryptocurrencies and digital assets grow in popularity.
- iv. **Proposed review of licensing fees for commercial banks:** In March 2025, the CBK published a consultative paper that proposed the shift from fixed branch-based fees to a model pegged to gross annual revenues (GAR), gradually increasing to up to 1% by 2027 as well as the adoption of a single consolidated banking license fee framework based on the GAR methodology. The apex bank noted that the change will align Kenya's regime with global peers and is intended to enhance regulatory funding and overall sector oversight. Markedly, larger and more profitable banks are likely to face higher annual licensing costs, potentially affecting margins; however, a phased introduction aims to cushion the transition (0.6% in the first year, 0.8% in the second year and 1.0% in the third year).
- v. **Issuance of the Kenya Green Finance Taxonomy and Climate Risk Disclosure Framework:** On April 4, 2025, the Central Bank of Kenya (CBK) issued the Kenya Green Finance Taxonomy (KGFT) and the Climate Risk Disclosure Framework (CRDF) for implementation within the banking sector. The KGFT and CRDF are designed to help market

participants classify their economic activities as either 'green' or environmentally sustainable. We anticipate growth in innovative financial products, such as sustainability-linked loans, as well as capital market securities activity, such as green bonds and, establishment of green asset management funds as lenders tap into diversified revenue streams, new markets and clients, enhanced brand reputation, and potential preferential lending rates and incentives given that green financing often come with preferential interest rates and longer repayment terms to encourage investment in green technologies and practices.

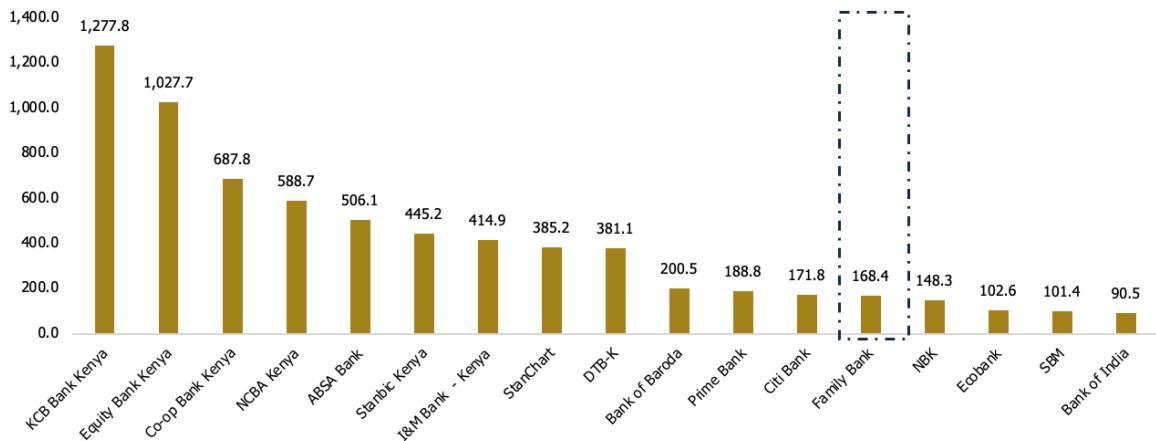
- vi. **Lifting of the commercial banking license moratorium:** On 16th April 2025, the Central Bank of Kenya announced it lifted the moratorium on licensing of new commercial banks, with effect from July 1, 2025. The moratorium had been in place since November 17, 2015. The lifting of the moratorium allows new commercial banks to enter the Kenyan market, provided they meet the new capital threshold of KES 10.0bn. Increased competition may inspire innovation, product development, and customer-focused strategies, but it could reduce market share, particularly for smaller banks.
- vi. **Risk-based pricing model review engagements:** On 23rd April 2025, the CBK issued a consultative paper on the Review of the Risk-Based Credit Pricing Model for public comments. It proposed the use of the policy rate (Central Bank Rate CBR) as the common reference rate for determining lending rates, reflecting the cost of funding to banks. In addition, the lending rates are proposed to be determined by adding a premium ("K") to the CBR. Commercial banks, however, proposed the adoption of the interbank rate as the base reference rate, that is, market-driven and allowing the premium 'K' to be fully flexible.
- vi. **Extension of operating hours for the Kenya Electronic Payment and Settlement System (KEPPS):** On 18th June 2025, the apex bank announced the extension of operating hours for the KEPSS system, the national Real Time Gross Settlement (RTGS) system, effective July 1, 2025. In particular, the new schedule is 7:00 a.m. – 7:00 p.m., Monday through Friday, excluding public holidays and weekends. It is anticipated that banks and businesses will benefit from faster, more flexible settlement, reduced end-of-day transaction risks, and alignment with global standards.
- vi. **Changes to the CRR, interest rate corridor and CBK discount (overnight lending) window:** In a bid to unlock liquidity, lower the cost of funds and lending rates, and spur growth of credit to the private sector, the central bank's monetary policy committee reduced the Cash Reserve Ratio (CRR) by 100 basis points to 3.25% from 4.25% in its February 2025 MPC meeting. Furthermore, it approved the narrowing of the width of the interest rate corridor around the CBR from ± 150 basis points to ± 75 basis points in its April 2025 meeting. Moreover, it adjusted the applicable interest rate on the Discount Window from 300 basis points above CBR to 75 basis points, which would be the upper bound of the interest rate corridor.
- vi. **Revised consultative paper on the review of the risk-based pricing model (RBPM):** In July 2025, the CBK shared a revised proposal for the RBPM following consultations with a variety of stakeholders, in which it proposes the use of the interbank rate as the common reference rate and the total lending rate as "The interbank rate + premium ("K"). According to the CBK, the use of the interbank rate was recommended as it tends to be market-based and aligns closely with the CBR under the current monetary policy implementation framework. Banks will have 3 months to develop and approve their risk-based pricing models at the Board level and another 3 months to implement them fully.

Family Bank vs Peers

The Group's primary subsidiary, Family Bank Limited, has consistently ranked 14th out of all Kenyan commercial banks by market share (net assets) between 2019 and 2023, except in 2020, when it ranked 15th. In 2024, Family Bank notched one position higher, coming in at 13th. Among Tier 2 banks, Family Bank has consistently ranked fifth, except in 2020, when it ranked sixth. In 2024, Family Bank rose to fourth position. The charts below highlight the performance of Family Bank Limited, compared to the large and medium peer Kenyan bank groups¹ (i.e. Tier I and Tier II banks) as of FY24:

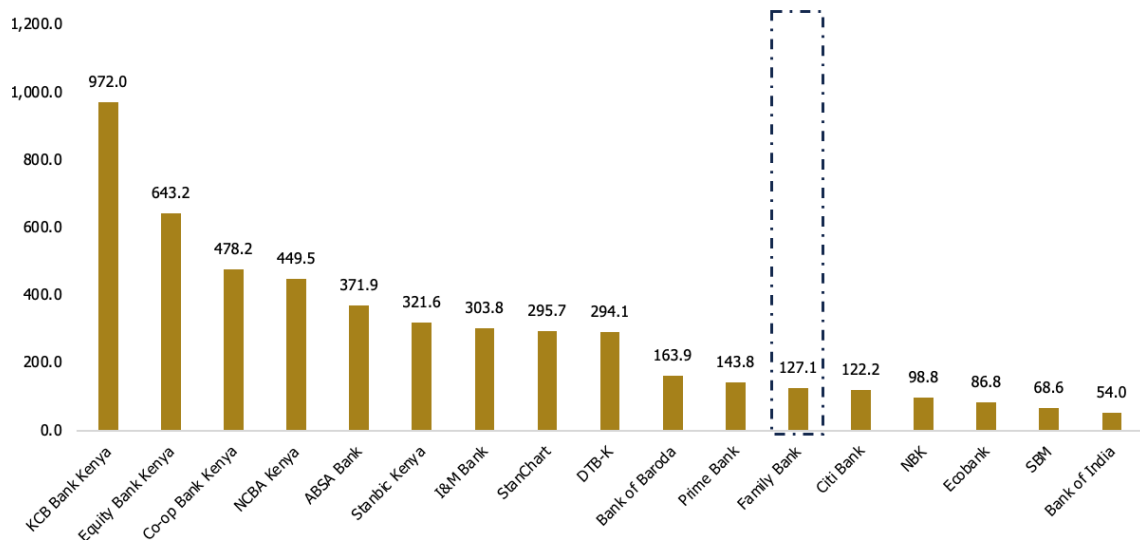
¹ Tier I banks (large peer group) include KCB Kenya, Equity Bank Kenya, Co-op Bank Kenya, NCBA Kenya, Absa Bank, I&M Bank Kenya, Standard Chartered, and DTB-Kenya. Tier II banks (medium peer group) include Family Bank, Prime Bank, Bank of Baroda, Citi Bank, NBK, Ecobank, SBM and Bank of India – Source: CBK Bank Supervision Report 2023

Balance Sheet (in KES Bn) - FY24



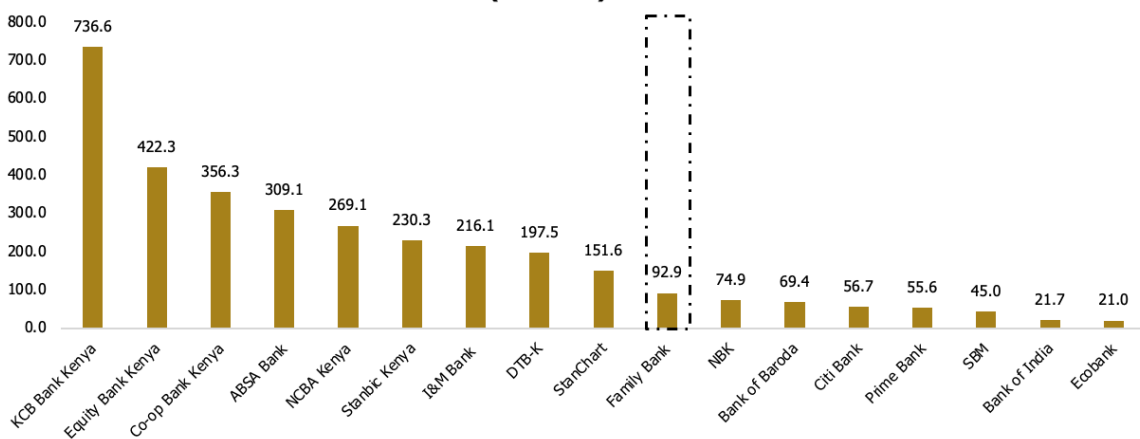
As of FY24, Family Bank's asset base stood at KES 168.4bn (+18.3%/y/y), exceeding the Tier II median of KES 158.3 Bn. It was ranked 13th overall amongst 17 banks.

Deposits (in KES Bn) - FY24

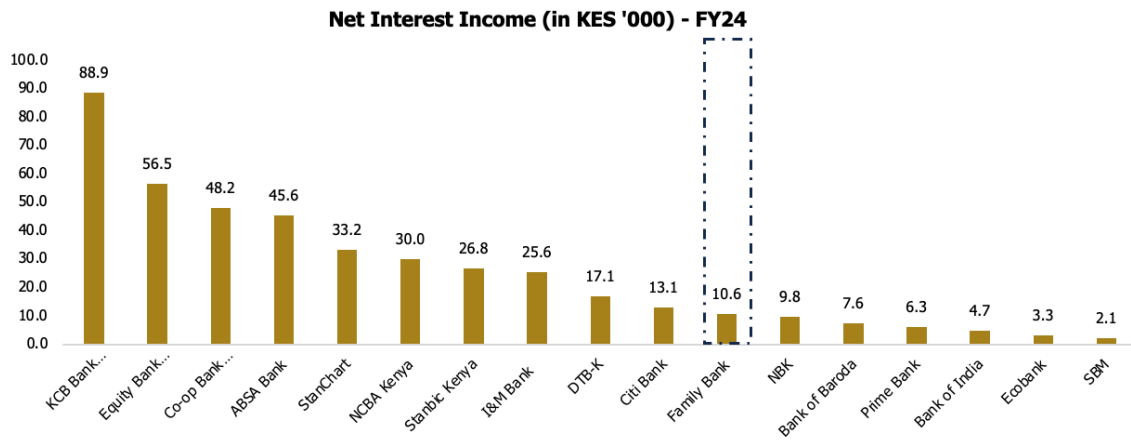


Family Bank's deposits surged to KES 127.1bn (+23.3%/y/y) in FY24, surpassing the Tier II median of KES 110.5bn, driven by deposit mobilisation initiatives.

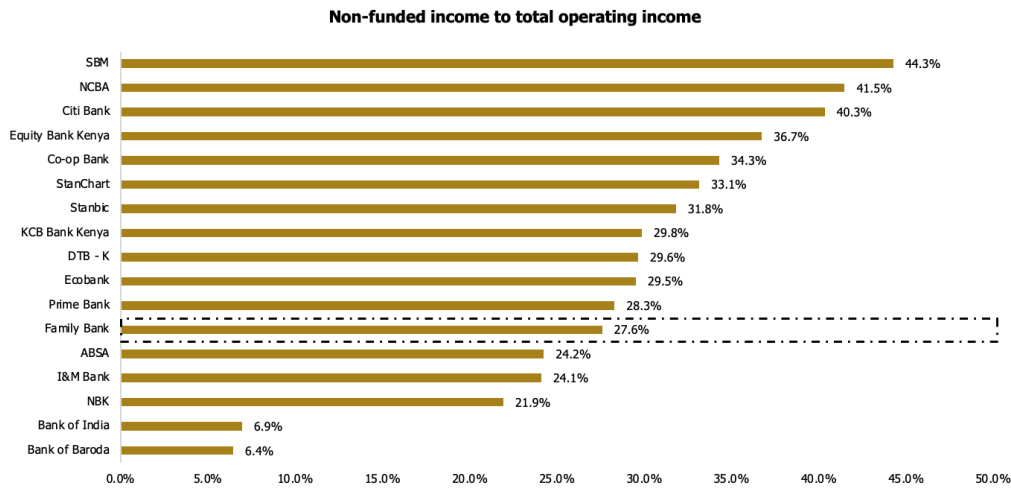
Net Loans (in KES Bn) - FY24



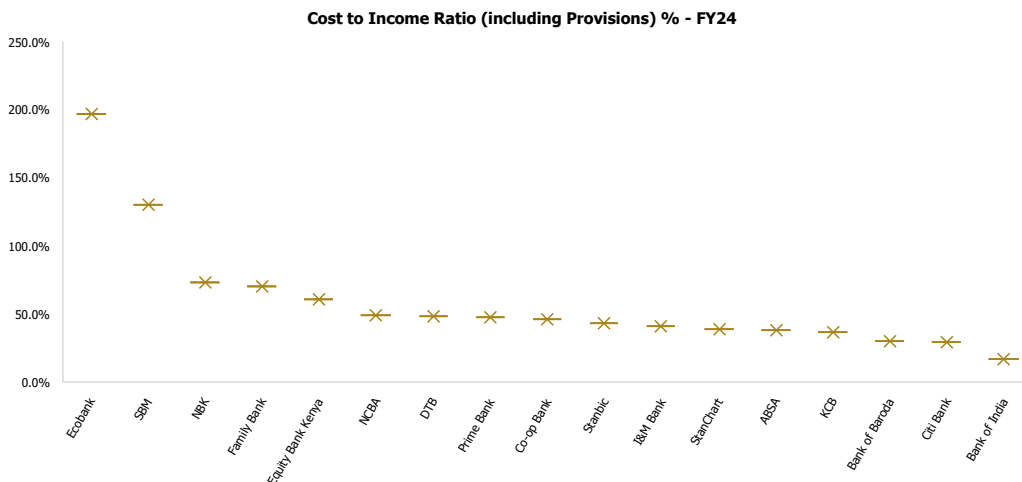
Family Bank's loans rose to KES 92.9bn (+6.9%/y/y) in FY24, emerging as the top Tier II bank, having exceeded the median of KES 56.1bn.



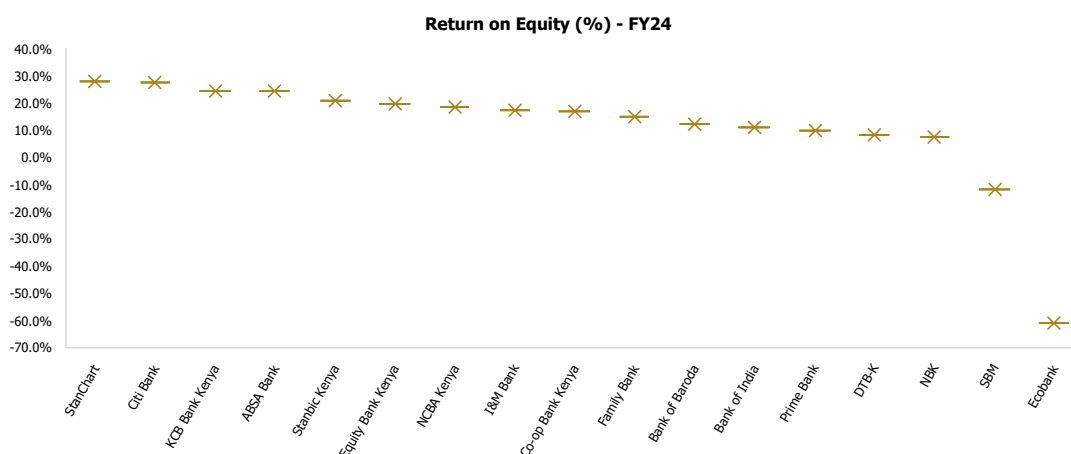
The Bank's net interest income increased to KES 10.6bn (+13.8%/y/y) in FY24, slightly higher than the Tier II median of KES 6.3bn. Notably, NII performance was largely driven by a 28.7%/y/y surge in total interest income to KES 20.2bn (+20.5%/y/y increase in earnings from loans and advances, 62.1%/y/y rise in income from government securities).



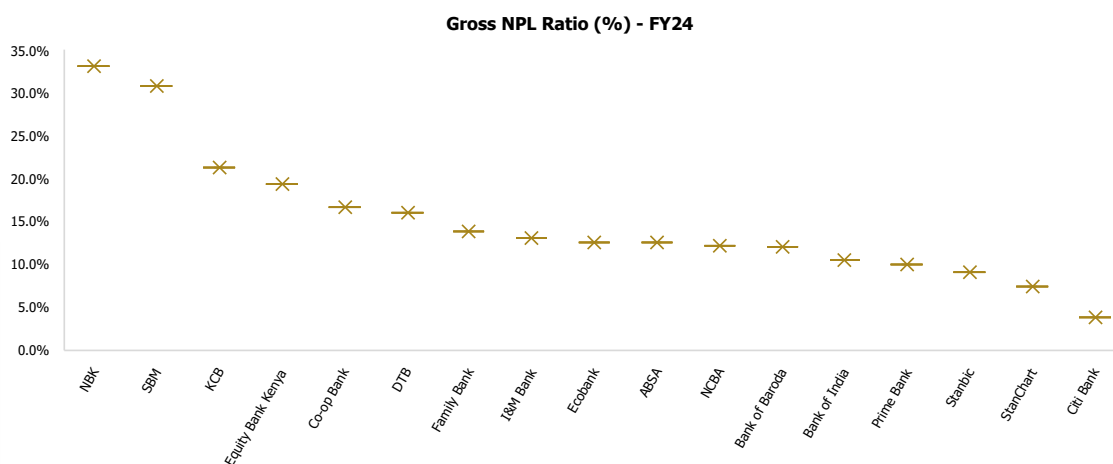
Markedly, Family Bank's NFI to total income came in at 27.6%, slightly above the Tier II median of 24.2%. This was lower than 29.0% in FY23, largely driven by a 40.8% decline in FX trading income and the absence of dividend income (KES 42.7m). SBM Bank was the market leader, with the metric coming in at an impressive 44.3%.



Family Bank's cost to income (CTI excluding provisions) was reported at c.70.1% in FY24, much higher than the Tier II median of 59.7%. We point out that a potential driver is a significant one-off expenditure related to the development of its 2025 – 2029 strategic plan.



Looking at Return on Equity (ROE), the Banking arm's metric came in at c.15.0% in FY24, higher than the Tier II median of 11.7% (excludes SBM and Ecobank, which reported negative ROEs). Moreover, Family Bank's shareholder equity jumped 32.4%/y to KES 21.7bn.



Family Bank's estimated NPL ratio was printed at c.13.9%, slightly higher than the Tier II median of 12.4%. This metric was, however, lower than the industry average of 16.4% as of December 2024.



Valuation panel

We estimate the fair value estimate for Family Bank at **KES 16.54**. We have utilised both intrinsic and relative valuation methods to compute the Group's fair value estimate. These include:

1) Intrinsic Valuation

- a. **Residual Income Valuation (RIV)**, we looked into the impact of the present value of Family Bank's forecasted residual income (by definition, residual income is the net earnings of a business on account of the cost of equity) on its current book value of equity.
- b. **Dividend Discount Model (DDM)**, we assessed Family Bank's ability to pay dividends to perpetuity, given its effective historical dividend payout ratio and obtained the present value of future dividends using a rate of return that reflects the relative risk of the investment as well as the time value of money.

2) Relative Valuation

- a. Under the relative valuation approach, we used the median P/B and P/E from the banking sector in the Nairobi Securities Exchange as of the close of trading on Friday, 25th April 2025. The P/E and P/B multiples were 4.69x and 0.88x, respectively.

Discounting Assumptions

For the market risk premium, we used NYU Stern's country default spreads and risk premium estimates. We assumed a beta of 1 and used the US 5-year bond as the implied risk-free rate. To account for the additional risk on the sovereign above the risk-free rate, we computed a sovereign risk spread between the US and Kenya from the differentials of their bonds (in US Dollars). By a terminal price to book (P/B) ratio of 1.26x (based on the average P/B of recent precedent transactions), we estimated the terminal value of the business beyond the 2029 forecasted period at KES 48.3bn. We then estimated the cost of equity from a rational investor's point of view and calculated the present value of cumulative future free cash flows and the present value of the above terminal value.

WACC Calculation

The cost of equity used in discounting the cash flows is derived by building up the value on a theoretical basis to arrive at a rate of 21.9%. This cost of equity is a measure of the return investors would require in return for the risk of investing in a Kenyan company. For the market risk premium and the risk-free rate, NYU Stern's country default spreads and risk premium assumptions were applied. We further treated the cost of equity to sovereign risk spread (3.56%), derived from the yield spreads between the US 10-year Treasury and the extrapolated yield of the Kenyan 10-year Eurobond yield. On a 75%/25% weighting for debt and equity, respectively, we estimated the Weighted Average Cost of Capital (WACC) at 19.1%, with the cost of debt of 10.6%, derived from the weighted interest on Family Bank's debt.

* For investors who do not share the same level of assumptions on the discounting factor and the terminal growth rate, we have provided a sensitivity analysis that captures fair value estimates at different levels of assumptions. Laws of congruence should apply to data points not captured.

I. Residual Income Approach

Residual Income Valuation	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29
Book Value of Common Equity	24,670,161	27,734,383	31,058,632	34,557,643	38,332,698
Cost of Equity	21.9%	21.9%	21.9%	21.9%	21.9%
Net Income	3,778,441	3,903,930	4,234,779	4,549,079	4,931,397
Equity Charge	5,396,104	6,066,342	6,793,455	7,558,793	8,384,511
Residual Income	-1,617,663	-2,162,412	-2,558,675	-3,009,715	-3,453,114
Terminal Value @ 1.3x					48,299,199
Terminal Value in excess of equity					9,966,501
PV of terminal value in excess of equity					4,672,851
Time	0.34	1.34	2.34	3.34	4.34
Discount Factor	0.94	0.79	0.66	0.56	0.47
Present Value	-1,524,588	-1,711,781	-1,701,260	-1,680,037	3,053,839

2024 Book Value	22,389,414
Sum of PV of residual income	-3,563,828
PV of terminal value in excess of equity	4,672,851
Value of the firm	23,498,438
Number of Shares	1,305,275
Fair Value per share - KES	18.00

		Terminal P/B				
		1.1x	1.2x	1.3x	1.4x	1.5x
WACC	20.1%	12.56	15.21	17.87	20.53	23.18
	19.6%	12.53	15.23	17.94	20.64	23.34
	19.1%	12.50	15.25	18.00	20.76	23.51
	18.6%	12.46	15.27	18.07	20.88	23.68
	18.1%	12.43	15.29	18.14	21.00	23.86

II. Dividend Discount Approach

Dividend Discount Model	Dec-25	Dec-26	Dec-27	Dec-28	Dec-29
Dividends	1,133,532	1,171,179	1,270,434	1,364,724	1,479,419
Terminal Value					48,299,199
Time	0.34	1.34	2.34	3.34	4.34
Discount Factor	0.94	0.79	0.66	0.56	0.47
Present value	1,068,312	927,114	844,710	761,795	23,338,991

Value of the firm	26,940,922
Number of shares	1,305,275
Fair Value per share - KES	20.64

		Terminal P/B				
		1.1x	1.2x	1.3x	1.4x	1.5x
WACC	20.1%	17.31	18.64	19.96	21.29	22.62
	19.6%	17.59	18.95	20.30	21.65	23.00
	19.1%	17.89	19.26	20.64	22.02	23.39
	18.6%	18.19	19.59	20.99	22.39	23.79
	18.1%	18.49	19.92	21.35	22.78	24.20

III. Relative Valuation Approach

P/E	
Banking Sector Median P/E	4.69x
2024 Net Income (Actual)	3,460,513
Number of Shares	1,287,108
EPS	2.65
Implied Fair Value Per Share	12.43

P/B	
Banking Sector Median P/B	0.88x
2024 Shareholders' Equity (Actual)	22,389,414
Number of Shares	1,287,108
NAV	17.15
Implied Fair Value Per Share	15.09

Sector average P/B and P/E as of 31st July 2025

Summary Valuation and Other Considerations

Intrinsic Valuation	Fair Value Est.
Residual Income	18.00
DDM	20.64
Relative Valuation	Fair Value Est.
P/E	12.43
P/B	15.09

Intrinsic Valuation	Fair Value Est.	Weighting	Implied Value
Residual Income	18.00	50.0%	9.00
DDM	20.64	50.0%	10.32
Implied Value est.			19.32

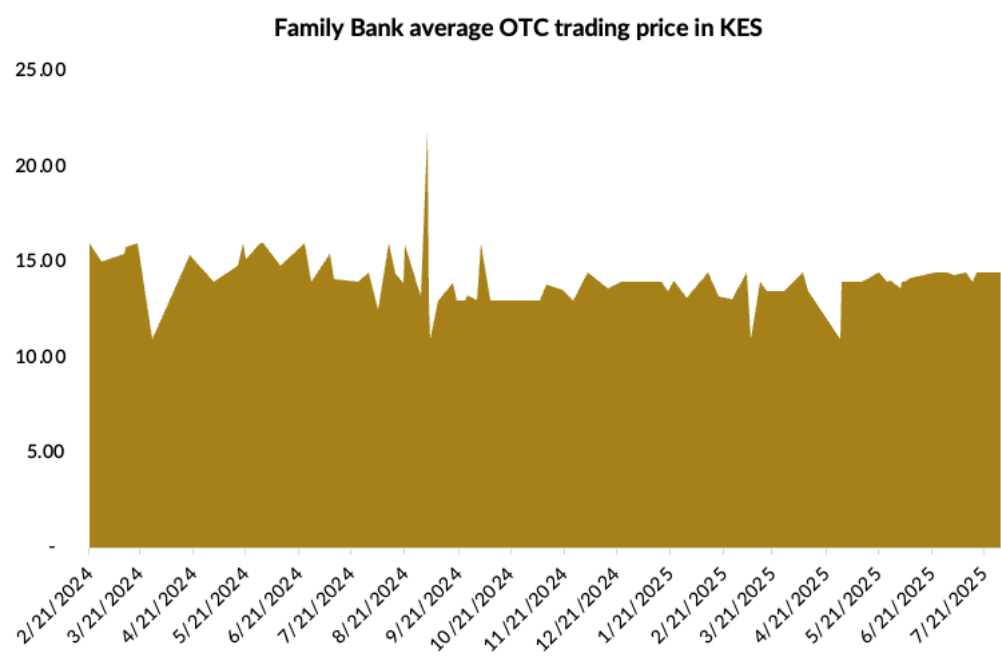
Relative Valuation	Fair Value Est.	Weighting	Implied Value
P/E	12.43	50.0%	6.22
P/B	15.09	50.0%	7.54
Implied Value est.			13.76

Blended Valuation	Fair Value Est.	Weighting	Implied Value
Intrinsic Valuation	19.32	50.0%	9.66
Relative Valuation	13.76	50.0%	6.88
Implied Value est.			16.54

		Terminal P/B				
		1.1x	1.2x	1.3x	1.4x	1.5x
WACC	20.1%	14.35	15.34	16.34	17.33	18.33
	19.6%	14.41	15.42	16.44	17.45	18.47
	19.1%	14.47	15.51	16.54	17.57	18.61
	18.6%	14.54	15.59	16.64	17.70	18.75
	18.1%	14.61	15.68	16.75	17.82	18.89

OTC Price Performance

Family Bank has been trading on OTC (Over the Counter) since 2006. The OTC is a decentralised market in which market participants trade stocks, commodities, currencies, or other instruments either directly between private parties or via broker-dealer networks, rather than on formal exchanges. The performance of the bank's shares on the OTC platform between 21st February 2024 and 31st July 2025 is as illustrated below:



Source: Family Bank, Standard Investment Bank estimates

Appendices

Group Historical Financials

INCOME STATEMENT	FY20	FY21	FY22	FY23	FY24
Interest income	9,386,726	11,156,351	13,819,961	16,211,094	20,958,744
Interest expense	2,770,700	3,241,600	4,736,677	6,552,847	9,798,983
Net Interest Income	6,616,026	7,914,751	9,083,284	9,658,247	11,159,761
Net* Fee and commission income	1,666,113	2,038,121	1,876,491	1,878,892	2,119,863
Foreign exchange income	341,361	297,421	664,659	1,031,483	610,654
Other operating income	519,560	518,352	503,730	783,932	1,050,438
Total Operating Income	9,143,060	10,768,645	12,128,164	13,352,554	14,940,716
Staff costs	2,388,354	2,579,703	3,430,205	3,979,015	4,586,357
D & A	630,916	566,630	537,875	524,217	583,598
Other operating costs	2,454,154	3,009,327	3,107,961	3,578,627	4,474,116
Operating costs (before impairments)	5,473,424	6,155,660	7,076,041	8,081,859	9,644,071
Profit before impairments	3,669,636	4,612,985	5,052,123	5,270,695	5,296,645
Loan loss provision	-2,228,983	-1,276,138	-1,307,131	-2,074,882	-1,380,308
Profit before Tax	1,440,653	3,336,847	3,744,992	3,195,813	3,916,337
Income tax expense	-278,133	-1,028,201	-1,531,280	-687,892	-455,824
Attributable income	1,162,520	2,308,646	2,213,712	2,507,921	3,460,513
EPS (KES)	0.90	1.79	1.72	1.95	2.65
DPS (KES)	-	0.83	0.62	0.56	0.86

Source: Family Bank Annual Reports, Standard Investment Bank estimates

BALANCE SHEET	FY20	FY21	FY22	FY23	FY24
Cash and Central bank balances	8,879,521	8,212,917	8,992,039	9,250,646	12,153,066
Dues from other banks	819,406	4,287,227	5,589,075	2,646,725	2,858,176
Total government securities	8,901,395	13,584,768	14,074,248	24,296,347	22,192,287
Net Loans & Advances	56,579,797	66,901,824	81,380,510	86,921,359	92,908,565
Fixed assets - less depreciation	2,211,001	2,061,977	2,132,510	2,487,557	2,366,038
Net Intangible Assets	399,355	326,111	298,282	543,317	469,744
Other Assets	12,870,321	16,362,172	16,046,449	16,260,974	35,556,685
Total assets	90,660,796	111,736,996	128,513,113	142,406,925	168,504,561
Customer deposits	69,756,770	81,911,523	88,903,786	102,594,430	126,471,079
Due to other banks	451,741	2,281,200	6,419,589	4,384,574	7,125,532
Other liabilities	6,996,025	11,951,926	17,078,709	18,557,138	12,518,537
Total shareholders' equity	13,456,261	15,592,346	16,111,029	16,870,783	22,389,414
Total liabilities and equity	90,660,797	111,736,995	128,513,113	142,406,925	168,504,562

Source: Family Bank Annual Reports, Standard Investment Bank estimates

Group Historical Financials cont...

Capital Adequacy	FY20	FY21	FY22	FY23	FY24
Core Capital					
Share capital	1,287,108	1,287,108	1,287,108	1,287,108	1,305,195
Share premium	5,874,662	5,874,662	5,874,662	5,874,662	6,118,846
Retained earnings (Bank)	5,735,148	6,453,624	6,541,111	7,410,682	9,066,319
% of Bank retained earnings to group	95%	94%	95%	94%	93%
Core Capital (KES, 'ooo)	12,896,918	13,615,394	13,702,881	14,572,452	16,490,360
Supplementary capital					
25% of asset revaluation reserves	66,162	69,606	69,606	69,606	69,606
Statutory reserve	0	369,161	1,777,283	2,594,636	3,092,496
Subordinated debt	2,018,800	4,000,000	4,000,000	3,200,000	1,600,000
Tier 2 - Capital	2,084,962	4,438,767	5,846,889	5,864,242	4,762,102
Total Capital (KES, '000)	14,981,880	18,054,161	19,549,770	20,436,694	21,252,462
Total Customer deposits	69,756,770	81,911,523	88,903,786	102,594,430	126,471,079
Risk-weighted assets					
Off-balance sheet items					
Letters of credit and guarantees	8,168,692	8,656,566	9,868,372	16,960,346	3,800,103
Total Off-Balance Sheet Items	10,243,072	9,744,448	10,679,003	17,221,301	3,946,874
Total Risk-weighted assets	74,824,096	83,080,132	94,588,542	108,176,948	112,558,659
Core Capital/Total deposits Liabilities	16.2%	15.9%	14.8%	13.3%	12.0%
Minimum statutory Ratio	8.0%	8.0%	8.0%	8.0%	8.0%
Excess	8.2%	7.9%	6.8%	5.3%	4.0%
Core Capital / Total risk-weighted assets	15.2%	15.6%	14.0%	12.7%	13.5%
Minimum Statutory Ratio	10.5%	10.5%	10.5%	10.5%	10.5%
Excess	4.7%	5.1%	3.5%	2.2%	3.0%
Total Capital/Total risk-weighted assets	17.9%	20.9%	19.5%	16.9%	16.2%
(n) Minimum statutory Ratio	14.5%	14.5%	14.5%	14.5%	14.5%
Excess	3.4%	6.4%	5.0%	2.4%	1.7%

Source: Family Bank Annual Reports, Standard Investment Bank estimates

Asset Quality	FY20	FY21	FY22	FY23	FY24
NON-PERFORMING LOANS AND ADVANCES					
(a) Gross non-performing loans and advances	9,390,878	11,056,249	12,431,239	14,006,799	14,445,467
(b) Less Interest in Suspense	1,257,077	1,555,254	1,388,899	1,731,436	2,451,965
c) Total Non-Performing Loans and Advances (a-b)	8,133,801	9,500,995	11,042,340	12,275,363	11,993,502
d) Less Loan Loss Provision	4,137,787	4,707,934	5,367,803	7,347,536	8,485,228
(e) Net Non-Performing Loans and Advances(c-d)	3,996,014	4,793,061	5,674,537	4,927,827	3,508,274
NPL to Gross loans	15.3%	15.4%	14.5%	15.1%	14.6%
NPL to Total Equity	69.8%	70.9%	77.2%	83.0%	64.5%
Coverage ratio	57.4%	56.6%	54.4%	64.8%	75.7%
Cost of Risk	4.2%	2.1%	1.8%	2.5%	1.5%
NPL growth rate (%)	13.9%	17.7%	12.4%	12.7%	3.1%
Gross NPL ratio (%)	15.5%	15.4%	14.3%	14.9%	14.2%
interest suspense as a % of NPLs	13.4%	14.1%	11.2%	12.4%	17.0%
provisions as a % of gross loans (%)	6.7%	6.5%	6.3%	7.9%	8.5%

Source: Family Bank Annual Reports, Standard Investment Bank estimates

Group Historical Financials cont...

RATIO ANALYSIS	FY20	FY21	FY22	FY23	FY24
Capital Adequacy					
Equity to total assets ratio (%)	14.8%	14.0%	12.5%	11.8%	13.3%
Equity to gross loans ratio (%)	22.0%	21.7%	18.8%	18.2%	22.6%
Core Capital/Total deposit liabilities (%)	16.2%	15.9%	14.8%	13.3%	12.0%
Core Capital/Total risk weighted assets (%)	15.2%	15.6%	14.0%	12.7%	13.5%
Total Capital/Total risk weighted assets (%)	17.9%	20.9%	19.5%	16.9%	16.2%

Asset Quality	FY20	FY21	FY22	FY23	FY24
NPLs to gross loans (%)	15.3%	15.4%	14.5%	15.1%	14.6%
NPLS to total equity (%)	69.8%	70.9%	77.2%	83.0%	64.5%
Coverage ratio (%)	57.4%	56.6%	54.4%	64.8%	75.7%
Cost of Risk (%)	4.2%	2.1%	1.8%	2.5%	1.5%
Gross NPL ratio (%)	15.5%	15.4%	14.3%	14.9%	14.2%

Management Efficiency	FY20	FY21	FY22	FY23	FY24
Cost to Income - excluding provisions (%)	59.9%	57.2%	58.3%	60.5%	64.5%
Staff expenses to operating expenses - excluding provisions (%)	43.6%	41.9%	48.5%	49.2%	47.6%
Cost to average assets (%)	1.6%	6.1%	5.9%	6.0%	6.2%

Earnings Performance	FY20	FY21	FY22	FY23	FY24
Return on average Equity (%)	8.9%	15.9%	14.0%	15.2%	17.6%
Return on Average Assets (%)	1.4%	2.3%	1.8%	1.9%	2.2%
Net Interest Margin (%)	9.6%	9.3%	8.7%	8.1%	8.2%
Weighted average yield on interest-bearing assets (%)	13.6%	13.1%	13.2%	13.7%	15.5%
Weighted average cost of funds (%)	1.0%	1.0%	1.2%	1.4%	1.9%
Weighted average yield on loans (%)	13.8%	14.4%	14.6%	15.2%	17.0%
Weighted average cost of deposits (%)	2.9%	3.2%	3.8%	4.9%	7.0%
Non interest revenue/total income (%)	27.6%	26.5%	25.1%	27.7%	25.3%
Earnings per Share (EPS) - KES	0.90	1.79	1.72	1.95	2.65
EPS growth rate (%)	12.9%	98.6%	-4.1%	13.3%	36.1%
Dividend per share (DPS)	-	0.83	0.62	0.56	0.86
Book Value (BVPS)	10.45	12.11	12.52	13.11	17.15

Liquidity	FY20	FY21	FY22	FY23	FY24
Loan to Deposits Ratio (LDR) - (%)	81.1%	81.7%	91.5%	84.7%	73.5%
Liquid assets/total assets (%)	29.5%	33.3%	31.4%	32.8%	39.2%
Liquid assets/total deposits (%)	38.3%	45.4%	45.4%	45.5%	52.2%
Net loans/interest earning assets (%)	76.0%	69.8%	72.2%	69.9%	63.3%
Liquidity ratio - reported*	37.1%	43.4%	34.6%	38.7%	43.9%
Debt/Equity	0.22x	0.53x	0.65x	0.67x	0.33x

Source: Family Bank Annual Reports, Standard Investment Bank estimates

Advances to Customers - Group and Bank	FY20	%	FY21	%	FY22	%	FY23	%	FY24	%
Manufacturing	586,594	1%	910,539	1%	924,168	1%	1,164,055	1%	4,489,945	5%
Wholesale and Retail	25,502,362	42%	30,873,749	46%	34,045,231	42%	35,411,499	41%	34,338,087	37%
Transport and Communication	4,499,691	7%	5,446,464	8%	5,365,195	7%	4,623,765	5%	5,024,269	5%
Agriculture	2,867,256	5%	2,941,432	4%	4,610,284	6%	5,949,684	7%	5,796,310	6%
Business Services	756,845	1%	2,189,765	3%	2,895,405	4%	3,305,282	4%	3,321,014	4%
Building and Construction	3,632,394	6%	3,353,511	5%	3,351,216	4%	3,777,774	4%	4,145,574	4%
Other	23,455,584	38%	21,186,364	32%	30,189,011	37%	32,689,300	38%	35,793,366	39%
Total	61,300,726	100%	66,901,824	100%	81,380,510	100%	86,921,359	100%	92,908,565	100%
Customer Deposits	FY20	%	FY21	%	FY22	%	FY23	%	FY24	%
Central and Local Government	50,582	0.1%	70,872	0.1%	82,262	0.1%	97,681	0.1%	4,959,083	3.9%
Co-operative Societies	455,283	0.7%	495,360	0.6%	538,484	0.6%	608,305	0.6%	722,485	0.6%
Insurance Companies	311,358	0.4%	371,815	0.5%	416,646	0.5%	475,005	0.5%	564,911	0.4%
Private enterprises and individuals	68,781,894	98.6%	80,805,507	98.6%	87,693,876	98.6%	101,228,502	98.7%	120,040,842	94.9%
Non-profit organizations	157,653	0.2%	167,969	0.2%	172,517	0.2%	184,937	0.2%	213,758	0.2%
Total	69,756,770	100.0%	81,911,523	100.0%	88,903,785	100.0%	102,594,430	100.0%	126,501,079	100.0%

Source: Family Bank Annual Reports, Standard Investment Bank estimates

Listed Banks comparison

BANKING	Price in KES	Market Cap - \$mn	YTD %	52 week high	52 week low	1m %	3m %	P/B	Dividend yield (%)	EPS	P/E	Average Daily 3- month, USD*
Absa Bank Kenya	19.5	819.8	8.0	20.2	13.8	-0.8	7.4	1.2	9.0	3.8	5.1	95,404
Diamond Trust	76.5	165.6	10.9	85.0	43.1	-4.7	3.0	0.3	9.2	27.3	2.8	34,663
Equity Bank	50.5	1,475.0	4.6	52.5	38.4	1.1	10.5	0.8	8.4	12.3	4.1	473,193
KCB Bank	47.3	1,176.4	13.7	48.3	29.1	2.2	23.0	0.6	6.3	18.7	2.5	711,464
HF Group	7.5	109.7	66.7	9.7	3.3	-0.5	24.1	0.9	0.0	0.9	8.4	10,773
I&M Holdings	36.9	496.3	1.7	39.0	19.5	1.7	22.4	0.7	8.1	9.3	4.0	49,505
NCBA Bank	62.8	800.2	30.2	67.0	38.0	2.4	16.2	0.9	8.8	13.3	4.7	36,331
Stanbic Holdings	178.5	546.2	30.1	182.0	112.0	2.9	2.3	1.1	11.6	34.7	5.1	139,198
StanChart	315.0	921.3	12.6	320.0	185.5	4.3	5.0	1.7	14.3	52.7	6.0	140,407
Co-op Bank	16.7	758.4	1.5	18.4	12.3	-4.8	16.0	0.7	9.0	4.3	3.9	126,578
	7,268.8							0.9			4.7	

Source: Bloomberg, NSE, Company financials, Standard Investment Bank estimates
Data as of 1st August 2025

Group Forecast Estimates

INCOME STATEMENT	FY25e	FY26e	FY27e	FY28e	FY29e
Interest income	23,269,730	24,047,072	26,095,671	27,860,860	29,530,049
Interest expense	8,759,611	8,935,344	9,526,420	10,078,277	10,601,874
Net Interest Income	14,510,119	15,111,728	16,569,251	17,782,583	18,928,175
Net* Fee and commission income	2,337,451	2,579,801	2,849,675	3,150,141	3,484,608
Foreign exchange income	654,595	793,100	960,911	1,164,229	1,410,567
Other operating income	1,233,669	1,343,015	1,468,724	1,613,575	1,780,836
Total Operating Income	18,735,833	19,827,643	21,848,560	23,710,528	25,604,186
Staff costs	5,197,020	5,564,238	6,318,264	6,885,688	7,396,005
D & A	681,277	721,518	802,915	878,184	950,425
Other operating costs	4,873,999	5,161,890	5,744,226	6,282,716	6,799,540
Operating costs (before impairments)	10,752,296	11,447,646	12,865,405	14,046,588	15,145,969
Profit before impairments	7,983,537	8,379,997	8,983,155	9,663,940	10,458,217
Loan loss provision	-2,356,615	-2,613,362	-2,840,761	-3,032,919	-3,214,627
Profit before Tax	5,626,922	5,766,635	6,142,394	6,631,021	7,243,590
EPS (KES)	2.89	2.99	3.24	3.49	3.78
DPS (KES)	0.88	0.91	0.99	1.06	1.15

BALANCE SHEET	FY25e	FY26e	FY27e	FY28e	FY29e
Cash and Central bank balances	24,070,119	21,615,482	23,263,069	26,140,263	29,272,610
Dues from other banks	5,584,619	5,941,395	6,406,231	6,839,480	7,249,165
Total government securities	26,170,684	27,843,010	30,021,842	32,052,613	33,972,940
Net Loans & Advances	119,492,356	132,480,106	144,001,415	153,742,120	162,953,074
Fixed assets - less depreciation	2,730,017	2,849,633	2,976,792	3,112,062	3,256,055
Net Intangible Assets	500,439	533,079	567,784	604,682	643,908
Other Assets	24,217,379	25,514,913	27,178,275	28,769,722	30,316,024
Total assets	202,765,612	216,777,618	234,415,408	251,260,940	267,663,775
Customer deposits	151,303,608	167,384,144	182,230,679	196,133,433	209,316,263
Due to other banks	8,223,348	9,067,984	9,688,911	10,131,207	10,439,532
Other liabilities	18,568,496	12,591,107	11,437,186	10,438,657	9,575,282
Total shareholders' equity	24,670,161	27,734,383	31,058,632	34,557,643	38,332,698
Total liabilities and equity	202,765,612	216,777,618	234,415,408	251,260,940	267,663,775

Source: Family Bank Annual Reports, Standard Investment Bank estimates

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CONTACTS

Research

Eric Musau
emusau@sib.co.ke

Stellah Swakei
sswakei@sib.co.ke

Wesley Manambo
wmanambo@sib.co.ke

Melodie Gatuguta
mgatuguta@sib.co.ke

Equity Trading

Tony Waweru
awaweru@sib.co.ke

Foreign Equity Sales

John Mucheru
jmucheru@sib.co.ke

Fixed Income Trading

Brian Mutunga
bmutunga@sib.co.ke

Barry Omotto
bomotto@sib.co.ke

Global Markets

Nahashon Mungai
nmungai@sib.co.ke

Nickay Wangunyu
nwangunyu@sib.co.ke

Corporate Finance

Job Kihumba
jkihumba@sib.co.ke

Lorna Wambui
wndungi@sib.co.ke

Marketing & Communications

Victor Ooko
communications@sib.co.ke

Client Services
clientservice@sib.co.ke

Investment Solutions

Robin Mathenge
rmathenge@sib.co.ke

Private Client Services

Boniface Kiundi
bkiundi@sib.co.ke

Frankline Kirigia
fkirigia@sib.co.ke

Laban Githuki
lgithuki@sib.co.ke



Headquarters

JKUAT Towers (Formerly ICEA Building), 16th Floor, Kenyatta Avenue, Nairobi, Kenya.

Telephone: +254 777 333 000,
+254 20 227 7000, +254 20 227 7100

Email: communications@sib.co.ke