Cytonn INVESTMENTS

Family Bank – H1’2026

21st August, 2026

Below is a summary of Family Bank’s H1’2026 performance:

Balance Sheet Items	H1'2025	H1'2026	y/y change
Government Securities	60.6	94.1	55.3%
Net Loans and Advances	100.9	111.1	10.1%
Total Assets	**192.9**	**238.9**	**23.9%**
Customer Deposits	149.8	180.2	20.3%
Deposits/ Branch	1.5	1.9	20.3%
Total Liabilities	167.7	205.7	22.6%
Shareholders’ Funds	**25.1**	**33.2**	**32.2%**

Balance Sheet Ratios	H1'2025	H1'2026	% Points change
Loan to Deposit Ratio	67.4%	61.6%	(5.7%)
Government Securities to Deposit ratio	40.5%	52.2%	11.8%
Return on average equity	18.6%	23.3%	4.7%
Return on average assets	2.3%	3.1%	0.8%

Income Statement	H1'2025	H1'2026	y/y change
Net Interest Income	7.0	9.8	40.7%
Net non-Interest Income	2.7	2.3	(14.2%)
Total Operating income	**9.6**	**12.1**	**25.4%**
Loan Loss provision	(0.7)	(1.0)	50.4%
Other Operating expenses	(3.9)	(3.3)	(14.9%)
Total Operating expenses	**(6.7)**	**(7.4)**	**10.7%**
Profit before tax	**2.9**	**4.7**	**59.3%**
Profit after tax	**2.3**	**3.7**	**61.8%**
Core EPS	**1.8**	**2.2**	**27.0%**

Income Statement Ratios	H1'2025	H1'2026	% points change
Yield from interest-earning assets	14.5%	14.4%	(0.2%)
Cost of funding	6.6%	5.0%	(1.6%)
Net Interest Spread	7.9%	9.3%	1.4%
Net Interest Income as % of operating income	72.2%	81.0%	8.8%
Non-Funded Income as a % of operating income	27.8%	19.0%	(8.8%)
Cost to Income Ratio (CIR)	69.6%	61.4%	(8.2%)
CIR without provisions	62.7%	53.1%	(9.6%)
Cost to Assets	3.1%	2.7%	(0.4%)
Net Interest Margin	8.2%	9.7%	1.5%

Capital Adequacy Ratios	H1'2025	H1'2026	% Points Change
Core Capital/Total Liabilities	11.0%	14.3%	3.3%
Minimum Statutory ratio	8.0%	8.0%	
Excess	**3.0%**	**6.3%**	**3.3%**
Core Capital/Total Risk Weighted Assets	13.3%	15.7%	2.4%
Minimum Statutory ratio	10.5%	10.5%	
Excess	**2.8%**	**5.2%**	**2.4%**
Total Capital/Total Risk Weighted Assets	15.9%	18.2%	2.3%
Minimum Statutory ratio	14.5%	14.5%	
Excess	**1.4%**	**3.7%**	**2.3%**
Liquidity Ratio	66.7%	60.0%	(6.7%)
Minimum Statutory ratio	20.0%	20.0%	
Excess	**46.7%**	**40.0%**	**(6.7%)**

Income Statement

- Core earnings per share (EPS) increased by 27.0% to Kshs 2.2 in H1’2026 from Kshs 1.8 in H1’2025, driven by the 25.4% growth in total operating income to Kshs 12.1 bn from Kshs 9.6 bn in H1’2025, but was however weighed down by the 10.7% increase in total operating expenses to Kshs 7.4 bn from Kshs 6.7 bn,
- The 25.4% increase in total operating income was mainly driven by a 40.7% growth in Net Interest Income (NII) to Kshs 9.8 bn, from Kshs 7.0 bn in H1’2025. However, this was weighed down by a 14.2% decline in Non-Funded Income (NFI) to Kshs 2.3 bn, from Kshs 2.7 bn in H1’2025,
- Interest income increased by 25.9% to Kshs 14.3 bn in H1’2026 from Kshs 11.4 bn in H1’2025, supported by higher income from government securities that grew by 61.8% to Kshs 5.5 bn in H1’2026 from Kshs 3.4 bn in H1’2025, coupled with a 40.8% increase in income from deposits and placements to Kshs 0.3 bn in H1’2026 from Kshs 0.2 bn in H1’2025, and a 9.8% increase in income from loans and advances to Kshs 8.6 bn in H1’2026 from Kshs 7.8 bn in H1’2025. The yield from interest-earning assets decreased by 0.2% points to 14.4% in H1’2026 from 14.5% in H1’2025, attributable to the 21.8% increase in trailing interest income to Kshs 27.4 bn in H1’2026 from Kshs 22.5 bn in H1’2025 relative to a 23.2% increase in average interest-earning assets to Kshs 191.0 bn in H1’2026 from Kshs 155.0 bn in H1’2025,
- Interest expenses increased by 2.6% to Kshs 4.6 bn in H1’2026 from Kshs 4.4 bn in H1’2025, mainly supported by a 54.7% increase in other interest expense to Kshs 0.6 bn in H1’2026 from Kshs 0.4 bn in H1’2025. This was however weighed down by a 23.9% decline in placements to Kshs 0.1 bn in H1’2026 from Kshs 0.2 bn in H1’2025 coupled with a 1.9% decrease in interest expense on customer deposits to Kshs 3.8 bn in H1’2026 from Kshs 3.9 bn in H1’2025. Consequently, the cost of funds decreased by 1.6%points to 5.0% in H1’2026 from 6.6% in H1’2025, owing to an 8.8% decline in trailing interest expense to Kshs 9.0 bn in H1’2026 from Kshs 9.8 bn in H1’2025, compared to the 20.3% increase in average interest-bearing liabilities to Kshs 178.2 bn in H1’2026 from Kshs 148.1 bn in H1’2025,
- Net Interest Margin (NIM) increased by 1.5% points to 9.7% in H1’2026 from 8.2% in H1’2025, attributable to the 45.5% growth in trailing net interest income to Kshs 18.5 bn in H1’2026 from Kshs 12.7 bn in H1’2025, coupled with the 23.2% increase in average interest-earning assets to Kshs 191.0 bn in H1’2026 from Kshs 155.0 bn in H1’2025,
- Non-Funded Income (NFI) decreased by 14.2% to Kshs 2.3 bn in H1’2026 from Kshs 2.7 bn in H1’2025, mainly driven by a 33.4% decline in other income to Kshs 0.8 bn from Kshs 1.2 bn coupled with a 6.9% decline in fees and

commissions on loans to 0.068bn in H1’ 2026 from 0.073 bn in H1’2025. This was, however, supported by a 1.2% increase in fx trading income to Kshs 0.209 bn from Kshs 0.207 bn in H1’2026 coupled with a 0.9% increase in other fees and commissions to Kshs 1.25 bn in H1’2026 from Kshs 1.24 bn in H1’2025. The revenue mix shifted to 81:19, from 72:28 for the funded to Non-funded income owing to the faster 40.7% growth in Funded Income compared to a 14.2% decrease in the Non-Funded Income,

- Total operating expenses increased by 10.7% to Kshs 7.4 bn in H1’2026 from Kshs 6.7 bn, driven by a 50.4% increase in loan loss provisions to Kshs 1.0 bn from Kshs 0.7 bn and a 43.7% increase in staff costs to Kshs 3.1 bn from Kshs 2.2 bn in H1’2026,
- The cost-to-income ratio (CIR) decreased by 8.2%points to 61.4% from 69.6%, owing to the 25.4% increase in total operating income, which outpaced the 10.7% growth in total operating expenses. Notably, CIR without LLP decreased by 9.6% points to 53.1%, from 62.7% recorded in H1’2025,
- Profit before tax increased by 59.3% to Kshs 4.7 bn in H1’2026 from Kshs 2.9 bn in H1’2025, with effective tax rate decreasing to 30.0% in H1’2026, from 30.5% in H1’2025, leading to a 61.8% increase in profit after tax to Kshs 3.7 bn in H1’2026, from Kshs 2.3 bn in H1’2025,

Balance Sheet

- The balance sheet recorded an expansion, with total assets increasing by 23.9% to Kshs 238.9 bn in H1’2026 from Kshs 192.9 bn in H1’2025, driven by a 10.1% increase in net loans and advances to Kshs 111.1 bn in H1’2026 from Kshs 100.9 bn in H1’2025, coupled with a 55.3% growth in government securities holdings to Kshs 94.1 bn in H1’2026 from Kshs 60.6 bn in H1’2025.
- Total liabilities increased by 22.6% to Kshs 205.7 bn in H1’2026 from Kshs 167.7 bn in H1’2025, attributable to a 20.3% increase in customer deposits to Kshs 180.2 bn in H1’2026 from Kshs 149.8 bn in H1’2025. With 97 branches, deposits per branch increased by 20.3% to Kshs 1.9 bn, from Kshs 1.5 bn in H1’2025.
- The 20.3% growth in customer deposits, which was outpaced by the 10.1% increase in net loans, led to a 5.7% points decrease in the loan-to-deposit ratio to 61.6% in H1’2026 from 67.4% in H1’2025,
- Asset quality declined, with the gross NPL ratio increasing by 1.2% points to 14.7% in H1’2026 from 13.5% in H1’2025, as gross loans increased by 9.2% to Kshs 123.1 bn in H1’2026 from Kshs 112.7 bn in H1’2025, which was outpaced by the 19.2% increase in gross non-performing loans to Kshs 18.1 bn in H1’2026 from Kshs 15.2 bn in H1’2025.
- General Provisions (LLP) decreased by 0.6% to Kshs 8.8 bn in H1’2026 from Kshs 8.9 bn in H1’2025. The NPL coverage ratio decreased by 14.6% points to 66.2% in H1’2026 from 77.4% in H1’2025, attributable to the 0.6% decrease in general provisions as compared to the 9.6% rise in interest in suspense to Kshs 3.2 bn in H1’2026 from Kshs 2.9 bn in H1’2025, which was outpaced by the 19.2% increase in gross non-performing loans to Kshs 18.1 bn from Kshs 15.2 bn,
- Shareholders’ funds increased by 32.2% to Kshs 33.2 bn in H1’2026 from Kshs 25.1 bn in H1’2025, supported by a 11.9% growth in retained earnings to Kshs 152.3 bn in H1’2026 from Kshs 136.1 bn in H1’2025.
- Family Bank remains well-capitalized, with the core capital to total risk-weighted assets ratio standing at 15.7% in H1’2026, which is 5.2 % points above the statutory minimum of 10.5%. Additionally, the total capital to total risk-weighted assets ratio came in at 18.2% in H1’2026, exceeding the statutory requirement of 14.5% by 3.7 % points
- The bank currently has a Return on Average Assets (ROaA) of 3.1% in H1’2026 from 2.3% in H1’2025 and a Return on Average Equity (ROaE) of 23.3% in H1’2026 from 18.6% in H1’2025

Key Take-Outs:

1. **Increased earnings -** Core earnings per share (EPS) increased by 27.0% to Kshs 2.2 in H1’2026 from Kshs 1.8 in H1’2025, driven by the 25.4% growth in total operating income to Kshs 12.1 bn from Kshs 9.6 bn in H1’2025,

but was however weighed down by the 10.7% increase in total operating expenses to Kshs 7.4 bn from Kshs 6.7 bn.

2. **Decline in asset quality –** The bank’s asset quality declined, with the gross NPL ratio increasing by 1.2% points to 14.7% in H1’2026 from 13.5% in H1’2025, as gross loans increased by 9.2% to Kshs 123.1 bn in H1’2026 from Kshs 112.7 bn in H1’2025, outpaced by the 19.2% increase in gross non-performing loans to Kshs 18.1 bn in H1’2026 from Kshs 15.2 bn in H1’2025.

3. **Expanded Balanced sheet** - The balance sheet recorded an expansion, with total assets increasing by 23.9% to Kshs 238.9 bn in H1’2026 from Kshs 192.9 bn in H1’2025, driven by a 10.1% increase in net loans and advances to Kshs 111.1 bn in H1’2026 from Kshs 100.9 bn in H1’2025, coupled with a 55.3% growth in government securities holdings to Kshs 94.1 bn in H1’2026 from Kshs 60.6 bn in H1’2025.

4. **Increased lending**- Customer net loans and advances increased by 10.1% to Kshs 111.1 bn in H1’2026 from Kshs 100.9 bn in H1’2025, reflecting the bank’s continued appetite to expand customer lending.

Going forward, the factors that would drive the bank’s growth would be:

- **NSE listing momentum and capital markets access**: Family Bank began trading on the NSE from 23rd June 2026 through a listing by introduction, ending a five-year push to go public. While no new capital was raised in the listing itself, the earlier Kshs 8.0 bn private placement in 2025, which surpassed its initial Kshs 6.1 bn target by 31.0%, has strengthened the bank's balance sheet and funded its 2025–2029 strategic plan. Being listed also improves share liquidity and gives the bank a market-priced currency for future capital raises, supporting continued balance sheet expansion,
- **Continued MSME and retail lending focus**: Management has been explicit that the bank is anchored on being "The Preferred Bank for Biashara" under its 2025–2029 strategic plan. This is reinforced by dedicated funding lines: a USD 20.0 mn facility from British International Investment and a EUR 50.0 mn facility from the European Investment Bank, specifically targeting MSMEs, women-led enterprises, and youth. Given MSME loans are short-tenor and high-velocity (as the CFO noted, most repay within three months), this segment should keep generating strong disbursement volumes and fee/interest turnover even if it doesn't show up fully in period-end loan book growth.

Valuation Summary

- We are of the view that Family Bank is a “hold” with a target price of Kshs 34.0 representing an upside of 5.6%, from the current price of Kshs 32.30 as of 21st August 2026.
- Family Bank is currently trading at a P/TBV of 1.7x and a P/E of 7.9x vs an industry average of 1.3x and 5.7x respectively.