Family Bank – Q3'2026

20th November, 2026

Below is a summary of Family Bank's Q3'2026 performance:

Balance Sheet Items	Q3'2025 (Kshs bn)	Q3'2026 (Kshs bn)	y/y change
Government Securities	70.7	93.7	32.6%
Net Loans and Advances	103.7	118.2	13.9%
Total Assets	**202.6**	**247.5**	**22.2%**
Customer Deposits	146.8	182.3	24.2%
Deposits per branch	1.5	1.9	24.2%
Total Liabilities	174.3	211.1	21.1%
Shareholders' Funds	**28.3**	**36.4**	**28.9%**

Balance Sheet Ratios	Q3'2025	Q3'2026	% Points change
Loan to Deposit Ratio	70.7%	64.8%	(5.8%)
Government Securities to Deposit ratio	48.1%	51.4%	3.2%
Return on average equity	20.1%	24.3%	4.2%
Return on average assets	2.6%	3.5%	0.9%

Income Statement	Q3'2025	Q3'2026	y/y change
Net Interest Income	10.9	15.0	37.2%
Net non-Interest Income	3.8	3.6	(4.5%)
Total Operating income	**14.7**	**18.6**	**26.5%**
Loan Loss provision	(1.4)	(1.7)	26.8%
Staff Costs	(3.3)	(4.7)	44.0%
Other Operating expenses	(5.6)	(4.9)	(11.8%)
Total Operating expenses	**(10.2)**	**(11.4)**	**11.2%**
Profit before tax	4.5	7.3	61.5%
Profit after tax	**3.6**	**6.1**	**68.7%**
Core EPS	**2.5**	**3.6**	**46.6%**

Income Statement Ratios	Q3'2025	Q3'2026	% Points change
Yield from interest-earning assets	14.4%	14.5%	0.1%
Cost of funding	6.2%	5.0%	(1.2%)
Net Interest Spread	8.3%	9.5%	1.3%
Net Interest Income as % of operating income	74.3%	80.6%	6.3%
Non-Funded Income as a % of operating income	25.7%	19.4%	(6.3%)
Cost to Income Ratio (CIR)	69.5%	61.1%	(8.4%)
CIR without provisions	60.3%	51.8%	(8.5%)
Cost to Assets	4.4%	3.9%	(0.5%)

Net Interest Margin	8.6%	9.9%	1.3%

Capital Adequacy Ratios	Q3'2025	Q3'2026	% Points Change
Core Capital/Total Liabilities	13.3%	14.9%	1.6%
Minimum Statutory ratio	8.0%	8.0%	
Excess	**5.3%**	**6.9%**	**1.6%**
Core Capital/Total Risk Weighted Assets	13.9%	15.5%	1.6%
Minimum Statutory ratio	10.5%	10.5%	
Excess	**3.4%**	**5.0%**	**1.6%**
Total Capital/Total Risk Weighted Assets	17.2%	18.0%	0.8%
Minimum Statutory ratio	14.5%	14.5%	
Excess	**2.7%**	**3.5%**	**0.8%**
Liquidity Ratio	61.0%	61.6%	0.6%
Minimum Statutory ratio	20.0%	20.0%	
Excess	**41.0%**	**41.6%**	**0.6%**

Income Statement

- Core earnings per share (EPS) increased by 46.6% to Kshs 3.6 in Q3'2026 from Kshs 2.5 in Q3'2025, driven by the 26.5% growth in total operating income to Kshs 18.6 bn from Kshs 14.7 bn in Q3'2025. The performance was however weighed down by the 11.2% increase in total operating expenses to Kshs 11.4 bn from Kshs 10.2 bn.
- The 26.5% increase in Total Operating Income was driven by a 37.2% increase in Net-Interest Income to Kshs 15.0 bn in Q3'2026, from Kshs 10.9 bn in Q3'2025, which was weighed down by a 4.5% decrease in Non-Interest Income to Kshs 3.6 bn in Q3'2026 from Kshs 3.8 bn in Q3'2025,
- Interest income increased by 24.3% to Kshs 22.0 bn in Q3'2026 from Kshs 17.7 bn in Q3'2025, mainly driven by a 52.0% increase in interest income from government securities to Kshs 8.5 bn in Q3'2026 from Kshs 5.6 bn in Q3'2025, coupled with a 10.8% increase in income from loans and advances to Kshs 13.1 bn in Q3'2026 from Kshs 11.9 bn in Q3'2025. The yield from interest-earning assets increased marginally by 0.1% points to 14.5% in Q3'2026 from 14.4% in Q3'2025, attributable to the 23.0% increase in trailing interest income to Kshs 28.8 bn in Q3'2026 from Kshs 23.4 bn in Q3'2025 that outpaced the 22.5% increase in average interest-earning assets to Kshs 198.4 bn in Q3'2026 from Kshs 161.9 bn in Q3'2025,
- Interest expenses increased by 3.4% to Kshs 7.0 bn in Q3'2026 from Kshs 6.8 bn in Q3'2025, mainly on the back of a 39.2% increase in other interest expense to Kshs 0.9 bn in Q3'2026 from Kshs 0.7 bn in Q3'2025 coupled with a 0.9% increase in interest expense on customer deposits to Kshs 5.9 bn in Q3'2026 from Kshs 5.8 bn in Q3'2025. This was however partly offset by a 29.5% decline in interest expense on placements to Kshs 0.2 bn in Q3'2026 from Kshs 0.3 bn in Q3'2025. However, the cost of funds decreased by 1.2% points to 5.0% in Q3'2026 from 6.2% in Q3'2025, owing to a 3.4% decline in trailing interest expense to Kshs 9.1 bn in Q3'2026 from Kshs 9.4 bn in Q3'2025, compared to the 20.2% increase in average interest-bearing liabilities to Kshs 182.6 bn in Q3'2026 from Kshs 151.9 bn in Q3'2025,
- Net Interest Margin (NIM) increased by 1.3% points to 9.9% in Q3'2026 from 8.6% in Q3'2025, attributable to the 40.8% growth in trailing net interest income to Kshs 19.7 bn in Q3'2026 from Kshs 14.0 bn in Q3'2025, that outpaced the 22.5% increase in average interest-earning assets to Kshs 198.4 bn in Q3'2026 from Kshs 161.9 bn in Q3'2025,

- Non-Funded Income (NFI) decreased by 4.5% to Kshs 3.6 bn in Q3'2026 from Kshs 3.8 bn in Q3'2025, mainly driven by a 23.9% decline in other income to Kshs 1.2 bn from Kshs 1.6 bn coupled with a 2.6% decline in fees and commissions on loans to Kshs 0.10 bn in Q3'2026 from Kshs 0.11 bn in Q3'2025. The performance was, however, supported by a 21.7% increase in foreign exchange trading income to Kshs 0.33 bn from Kshs 0.27 bn in Q3'2025 coupled with an 8.1% increase in other fees and commissions to Kshs 2.0 bn in Q3'2026 from Kshs 1.8 bn in Q3'2025. The revenue mix shifted to 81:19, from 74:26 for the Funded to Non-funded income owing to the faster 37.2% growth in Funded Income compared to a 4.5% decrease in the Non-Funded Income,
- Total operating expense increased by 11.2% to Kshs 11.4 bn in Q3'2026, from Kshs 10.2 bn in Q3'2025, mainly attributable to the 44.0% increase in staff costs to Kshs 4.7 bn from Kshs 3.3 bn in Q3'2025 coupled with a 26.8% increase in loan loss provisions to Kshs 1.7 bn, from 1.4 bn in Q3'2025,
- The cost-to-income ratio (CIR) decreased by 8.4% points to 61.1% from 69.5%, owing to the 26.5% increase in total operating income, which outpaced the 11.2% growth in total operating expenses. Notably, CIR without LLP decreased by 8.5% points to 51.8%, from 60.3% recorded in Q3'2025,
- Profit before tax increased by 61.5% to Kshs 7.3 bn in Q3'2026 from Kshs 4.5 bn in Q3'2025, with effective tax rate decreasing to 16.4% in Q3'2026, from 20.0% in Q3'2025, leading to a 68.7% increase in profit after tax to Kshs 6.1 bn in Q3'2026, from Kshs 3.6 bn in Q3'2025,

Balance Sheet

- The balance sheet registered an expansion as total assets increased by 22.2% to Kshs 247.5 bn in Q3'2026, from Kshs 202.6 bn in Q3'2025, mainly attributable to the 32.6% increase in government securities to Kshs 93.7 bn from Kshs 70.7 bn in Q3'2025 coupled with the 13.9% increase in net loans to Kshs 118.2 bn, from Kshs 103.7 bn in Q3'2025,
- Total liabilities increased by 21.1% to Kshs 211.1 bn in Q3'2026 from Kshs 174.3 bn in Q3'2025, attributable to a 24.2% increase in customer deposits to Kshs 182.3 bn in Q3'2026 from Kshs 146.8 bn in Q3'2025. With 98 branches, deposits per branch increased by 25.5% to Kshs 1.9 bn, from Kshs 1.5 bn in Q3'2025,
- The 24.2% growth in customer deposits, which outpaced the 13.9% increase in net loans, led to a 5.8% points decrease in the loan-to-deposit ratio to 64.8% in Q3'2026 from 70.7% in Q3'2025,
- Asset quality declined, with the gross NPL ratio increasing by 1.0% points to 14.4% in Q3'2026 from 13.4% in Q3'2025, as gross non-performing loans increased by 21.4% to Kshs 18.9 bn in Q3'2026 from Kshs 15.6 bn in Q3'2025, which outpaced the 13.1% increase in gross loans to Kshs 131.2 bn in Q3'2026 from Kshs 116.0 bn in Q3'2025,
- General Provisions (LLP) increased by 5.4% to Kshs 9.7 bn in Q3'2026 from Kshs 9.2 bn in Q3'2025. The NPL coverage ratio decreased by 10.1% points to 68.7% in Q3'2026 from 78.7% in Q3'2025, attributable to the 21.4% increase in gross non-performing loans to Kshs 18.9 bn from Kshs 15.6 bn in Q3'2025, which outpaced the 7.1% rise in interest in suspense to Kshs 3.3 bn in Q3'2026 from Kshs 3.1 bn in Q3'2025 and the 5.4% increase in general provisions (LLP),
- Shareholders' funds increased by 28.9% to Kshs 36.4 bn in Q3'2026 from Kshs 28.3 bn in Q3'2025, supported by a 39.9% growth in retained earnings to Kshs 19.3 bn in Q3'2026 from Kshs 13.8 bn in Q3'2025.
- Family Bank remains well-capitalized, with the core capital to total risk-weighted assets ratio standing at 15.5% in Q3'2026, which is 5.0% points above the statutory minimum of 10.5%. Additionally, the total capital to total risk-weighted assets ratio came in at 18.0% in Q3'2026, exceeding the statutory requirement of 14.5% by 3.5% points
- The bank currently has a Return on Average Assets (ROaA) of 3.5% in Q3'2026 from 2.6% in Q3'2025 and a Return on Average Equity (ROaE) of 24.3% in Q3'2026 from 20.1% in Q3'2025

Key Take-Outs:

1. **Increased earnings -** Core earnings per share (EPS) increased by 46.6% to Kshs 3.6 in Q3'2026 from Kshs 2.5 in Q3'2025, driven by the 26.5% growth in total operating income to Kshs 18.6 bn from Kshs 14.7 bn in Q3'2025, but was however weighed down by the 11.2% increase in total operating expenses to Kshs 11.4 bn from Kshs 10.2 bn.

2. **Decline in asset quality –** The bank's asset quality declined, with the gross NPL ratio increasing by 1.0% points to 14.4% in Q3'2026 from 13.4% in Q3'2025, as gross non-performing loans increased by 21.4% to Kshs 18.9 bn in Q3'2026 from Kshs 15.6 bn in Q3'2025, which outpaced the 13.1% increase in gross loans to Kshs 131.2 bn in Q3'2026 from Kshs 116.0 bn in Q3'2025.

3. **Expanded Balance sheet** - The balance sheet registered an expansion as total assets increased by 22.2% to Kshs 247.5 bn in Q3'2026, from Kshs 202.6 bn in Q3'2025, mainly attributable to the 32.6% increase in government securities to Kshs 93.7 bn from Kshs 70.7 bn in Q3'2025 coupled with the 13.9% increase in net loans to Kshs 118.2 bn, from Kshs 103.7 bn in Q3'2025.

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

- **Post-listing market profile and capital strength**: Following its NSE listing on 23rd June 2026 at Kshs 18.0 per share, Family Bank has moved from a privately held mid-tier lender to a publicly traded one, and management is already pointing to the commercial benefit. The listing has raised the bank's profile and expanded its capacity to fund large corporate deals alongside retail clients, with a single customer needing around Kshs 6.7 bn now able to be accommodated. This opens up a commercial and corporate segment that was previously hard for a bank of its size to serve, which should lift average ticket sizes and diversify the loan book beyond MSMEs. The balance sheet is well placed to support this, with total capital to risk-weighted assets at 18.0% against the regulatory minimum of 14.5%. Because the listing was by introduction, no new capital was raised and existing shareholders were not diluted, while the earlier Kshs 8.0 bn private placement has already funded the 2025–2029 strategy. Being listed also brings greater transparency and 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 remains anchored on being "The Preferred Bank for Biashara" under its 2025–2029 strategic plan. In the nine months to September 2026, over Kshs 91.0 bn was disbursed to the private sector, with more than 70.0% going to MSMEs and consumer banking, lifting the loan book 13.9% to Kshs 118.2 bn. This is reinforced by dedicated funding lines: a USD 20.0 mn facility from British International Investment, a EUR 50.0 mn facility from the European Investment Bank and a new USD 10.0 mn facility from the African Development Bank, all targeting MSMEs. Given MSME loans are short-tenor and high-velocity, this segment should keep generating strong disbursement volumes and interest income going forward.

Valuation Summary

- We are of the view that Family Bank is a "accumulate" with a target price of Kshs 31.0 representing an upside of 14.2%, from the current price of Kshs 26.4 as of 20th November 2026.

- Family Bank is currently trading at a P/TBV of 1.4x and a P/E of 8.2x vs an industry average of 1.2x and 6.4x respectively.