



Family Bank Q3 2025 Earnings Note

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About Family Bank

Family Bank is a fast-growing Tier II bank with a strong retail and MSME focus, supported by an extensive footprint of 96 branches, 5,000 agents, 148 ATMs, and a customer base exceeding 920,000, with 92% of all transactions now occurring on its digital platforms.

The Bank operates through key subsidiaries, **Family Bank Assurance**, **PesaPap Digital**, and the **Family Group Foundation** which deepen its tech-driven capabilities and strengthen its social impact initiatives. It also offers **Queen Banking**, providing tailored solutions to empower women entrepreneurs and promote broader access to financial services.

The Bank has recently undertaken **significant capital-raising efforts**, including the 2023 **rights issue** that offered 643.5 million new shares, followed by an ongoing **private placement** targeting institutional and high-net-worth investors. As noted by Chair Lazarus Muema during the Q3 financial results briefing, full disclosure on the private placement is expected by the end of the month.

Family Bank is now preparing for a **listing by introduction on the Nairobi Securities Exchange**, which will allow its existing shares to trade publicly without immediate dilution. Regulatory approvals from the CBK and CMA are anticipated by end of year, with internal valuations scheduled for January–March 2026 and the commencement of share trading expected by mid-2026. The listing is designed to support improved share liquidity, strengthen governance visibility, and broaden market participation.

The Bank continues to enhance its capital strength and lending capacity through strategic international partnerships. This includes a EUR 50 million (KES 14.7 billion) facility from the British International Investment (BII) to expand credit access for women, youth, and MSMEs, and a USD 10 million Tier II capital facility from BlueOrchard aimed at deepening SME and trade finance. By leveraging these partnerships, Family Bank enhances its ability to support business growth and increase participation in financial services nationwide.

Family Bank's loan portfolio remains strongly focused on MSMEs, which account for 61% of its book, with corporate clients representing the remaining 39%, reflecting a balanced and diversified lending strategy. The Bank has also developed robust diaspora banking corridors, supporting consistent growth in remittance inflows and expanding engagement with Kenyans abroad. Its commitment to excellence in service delivery is evident in its five consecutive Customer Experience Awards from the Kenya Bankers Association (KBA), highlighting the Bank's customer-centric approach and operational quality.

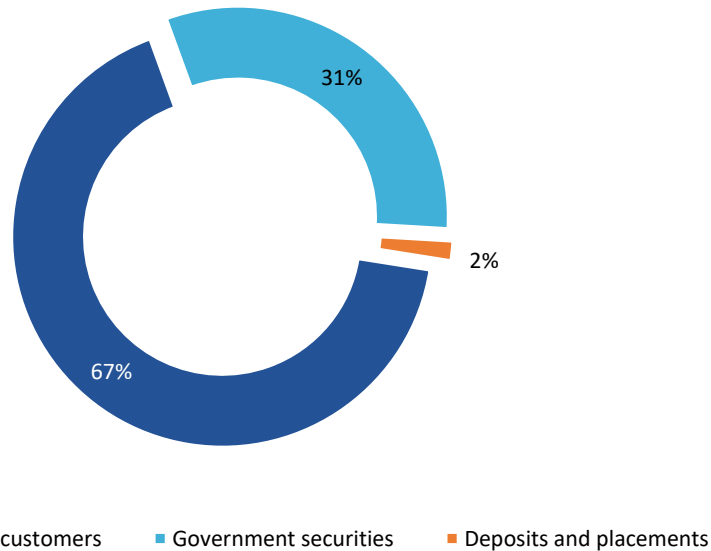
Interest Income

Interest income rose by 21.2% to KES 17.1 billion in Q3 2025 from KES 14.6 billion in Q3 2024. This was primarily driven by a significant 43.2% increase in income from government securities to KES 5.6 billion from KES 3.9 billion, reflecting a rise of KES 1.7 billion.

Loans and advances grew by 12.1% to KES 11.9 billion from KES 10.6 billion in Q3 2024.

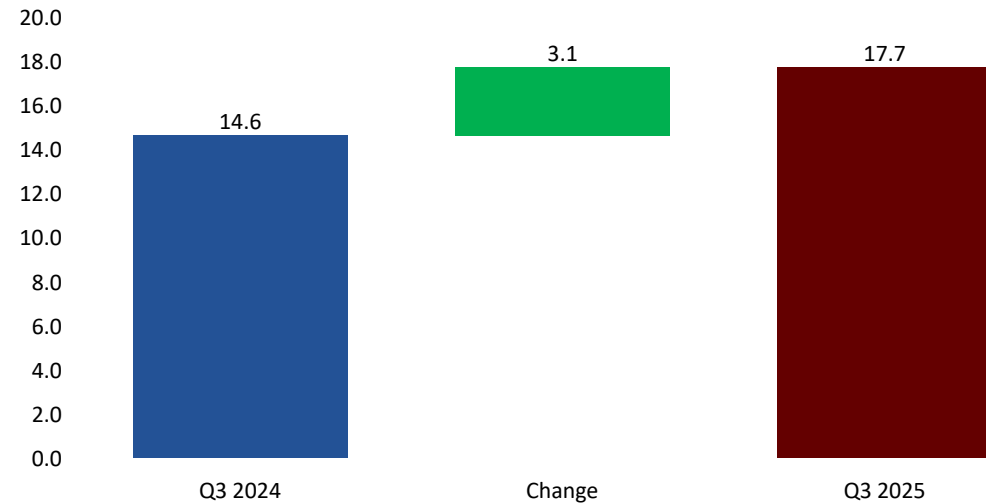
Deposits and placements within banking institutions climbed 87.2% to KES 276.4 million in Q3 2025 from KES 147.6 million in Q3 2024.

Interest income composition in Q3 2025



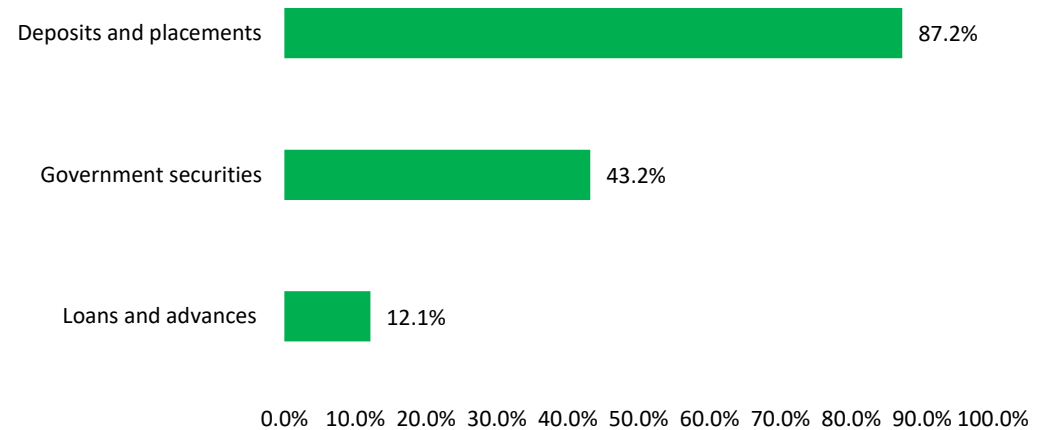
Source: Company Financials

Development in Interest income (KES billions)



Source: Company Financials

Interest income growth rate (%)



Source: Company Financials

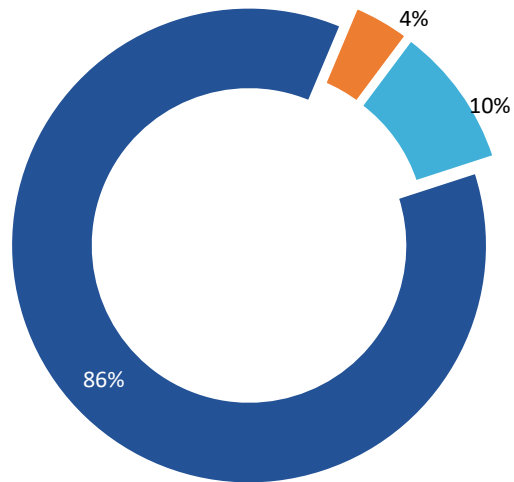
Interest Expense

Total interest expense declined by 2.9% to KES 6.8 billion in Q3 2025 from KES 7.0 billion in Q3 2024, reflecting a decrease of KES 199.1 million. This was largely driven by a significant 24.4% drop in other interest expenses which fell to KES 662.0 million from 875.8 million, a decrease of KES 213.8 million.

Interest on customer deposits grew by 3.3% to KES 5.8 billion in Q3 2025 from KES 5.7 billion in Q3 2024.

Interest on deposits and placements from banking institutions edged down by 39.6% to KES 262.7million from KES 434.7 million in Q3 2024.

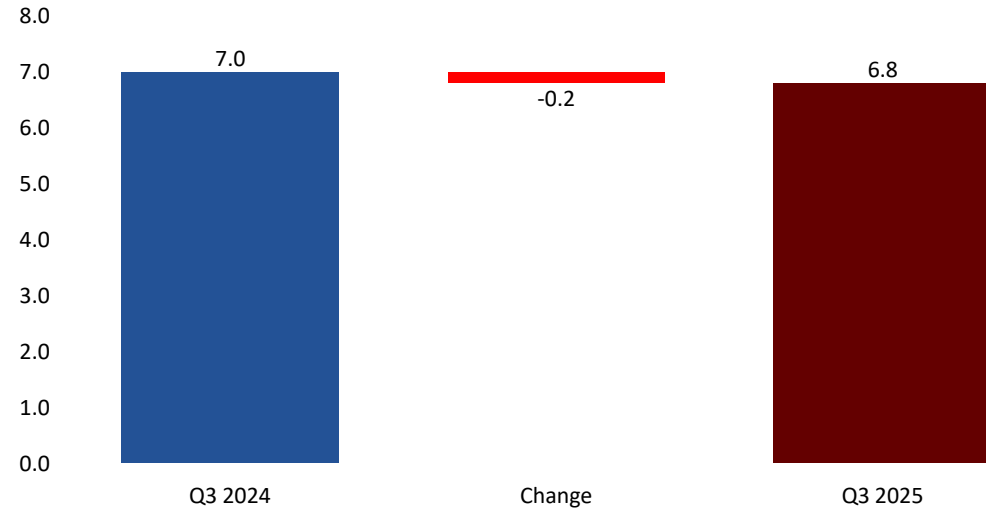
Interest expense composition



■ Customer deposits ■ Deposits and placements ■ Other interest expenses

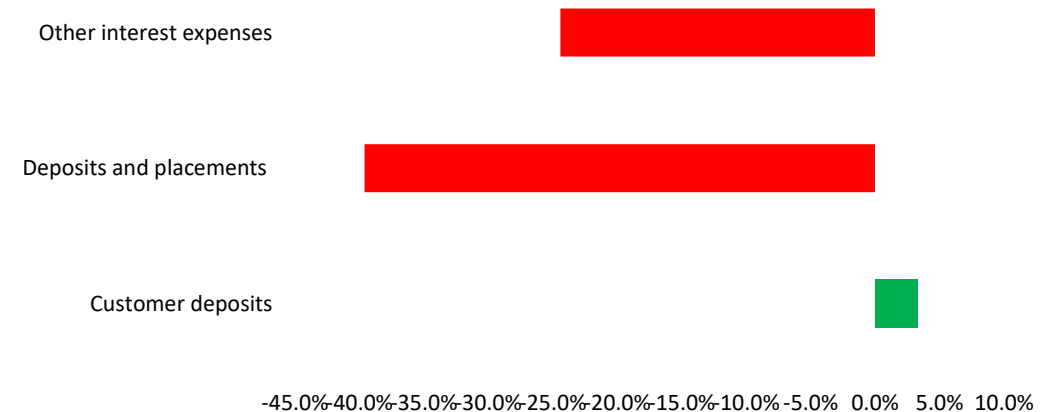
Source: Company Financials

Development in interest expense (KES billions)



Source: Company Financials

Interest expense growth rate (%)



Source: Company Financials

Net Interest Income & Non-funded income

Net interest income (NII) rose 43.0% to KES 10.9 billion in Q3 2025 from KES 7.6 billion in Q3 2024, an increase of KES 3.3 billion.

Non-funded income expanded by 14.4% to KES 3.8 billion in Q3 2025 from KES 3.3 billion, an increase of KES 476.6 million. This was primarily driven by a significant 104.7% surge in other income to KES 1.6 billion from KES 765.1 million, an expansion of KES 800.9 million.

Fees and commissions income on loans and advances edged up 19.7% to KES 107.0 million from KES 89.4 million.

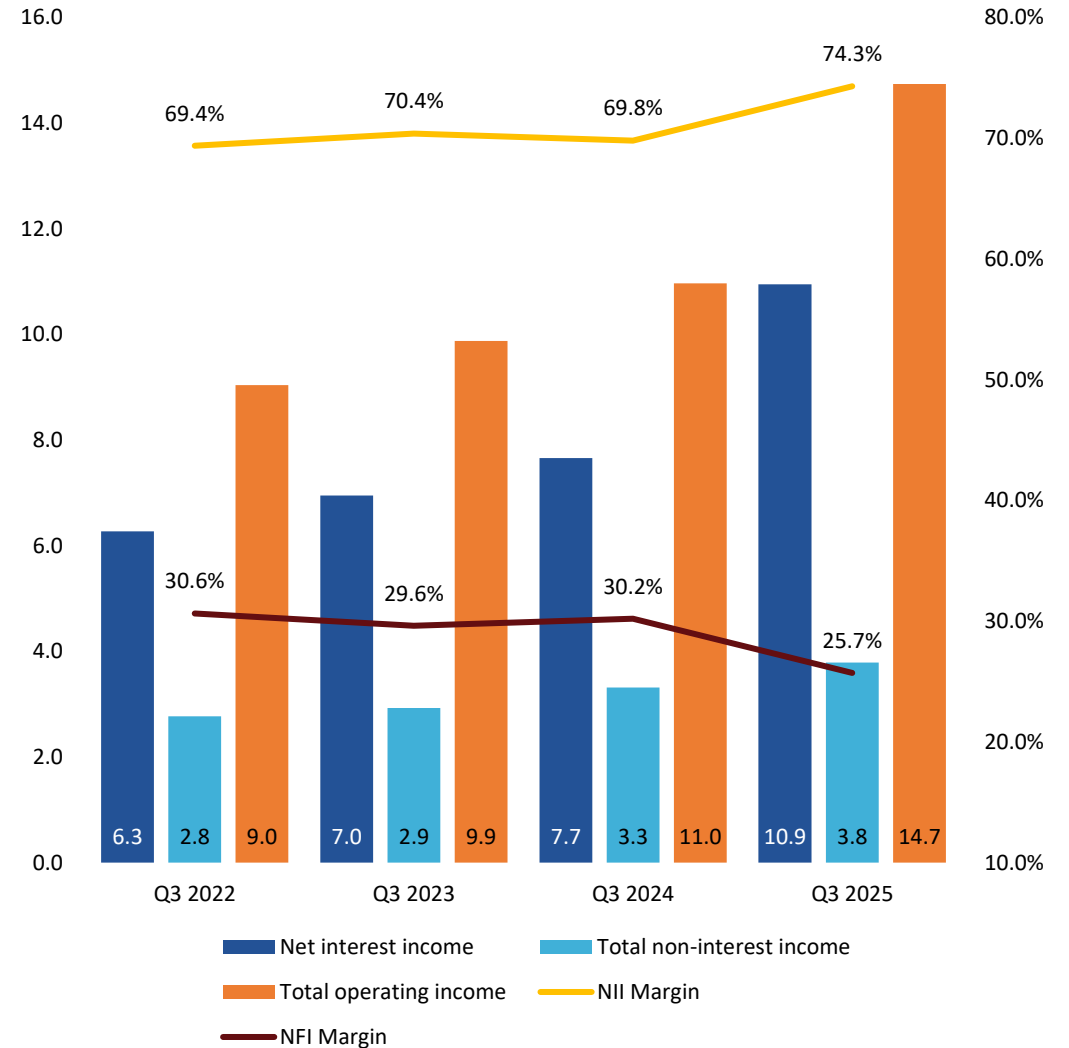
Other fees and commissions income dropped by 3.2% to KES 1.8 billion from KES 1.9 billion.

Foreign exchange trading income saw a significant 51.2% decline to KES 267.6 million from KES 548.1 million, a reduction of KES 280.4 million.

As a result, total operating income climbed 34.4% to KES 14.7 billion from KES 11.0 billion in Q3 2024.

The Net Interest Income (NII) Margin rose by 4.5 percentage points to 74.3% from 69.8%. In contrast, the Non-Funded Income (NFI) Margin eased to 25.7% from 30.2% in Q3 2024.

Net Interest Income, Non-funded Income & Operating Income (KES billions)



Operating expenses

Total operating expenses rose by 33.0% to KES 10.2 billion in Q3 2025 from KES 7.7 billion in Q3 2024. This was largely driven by significant 46.1% surge in other operating expenses which expanded to KES 4.4 billion from KES 3.0 billion in Q3 2024, an increase of KES 1.4 billion.

Loan loss provisions surged by 131.6% to KES 1.4 billion from KES 587.5 million, an increase of KES 773.0 million.

Staff costs climbed 11.0% to KES 3.3 billion from KES 3.0 billion.

Director emoluments edged up by 10.4% to KES 240.1 million from KES 217.5 million.

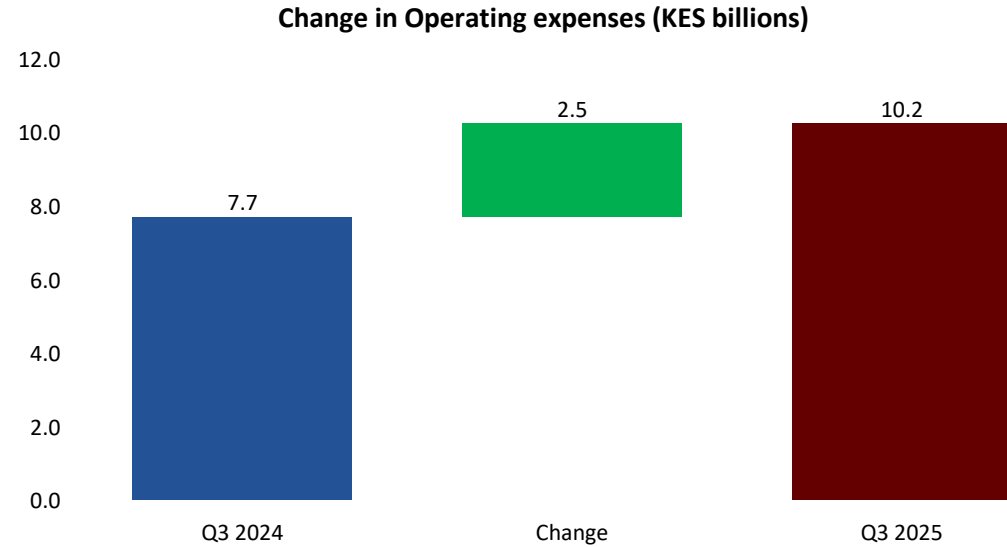
Rental charges recorded an increase of 11.5% to KES 576.0 million from KES 516.7 million.

Depreciation on property and equipment contracted by 12.6% to KES 285.3 million from KES 326.6 million.

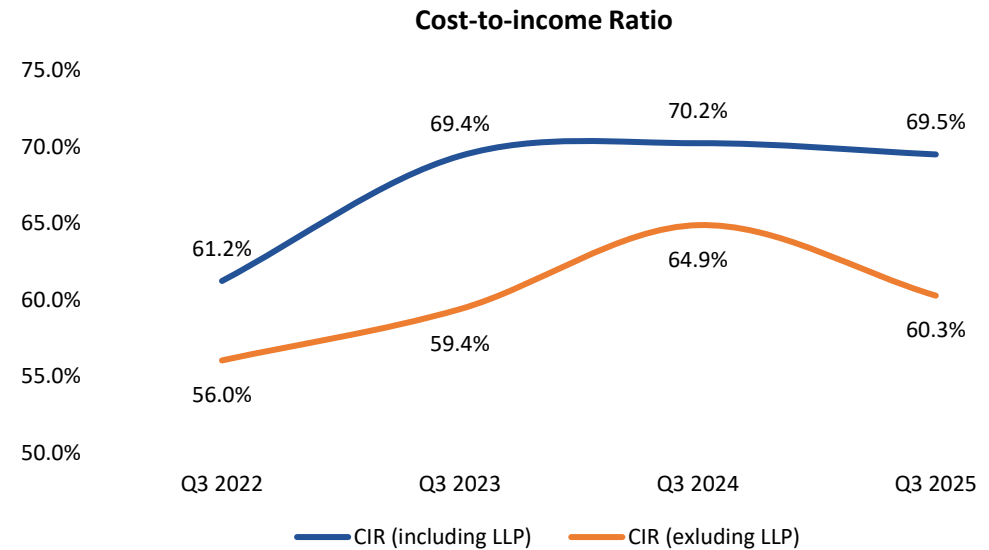
Amortization charges climbed by 20.4% reaching KES 142.4 million from KES 118.3 million.

The cost-to-income ratio (including loan loss provisions) edged down to 69.5% in Q3 2025 from 70.2% in Q3 2024, reflecting improved cost management, while the ratio excluding provisions declined to 60.3% from 64.9%, pointing to stronger underlying operational efficiency.

**The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs.*



Source: Company Financials



Source: Company Financials

Profitability

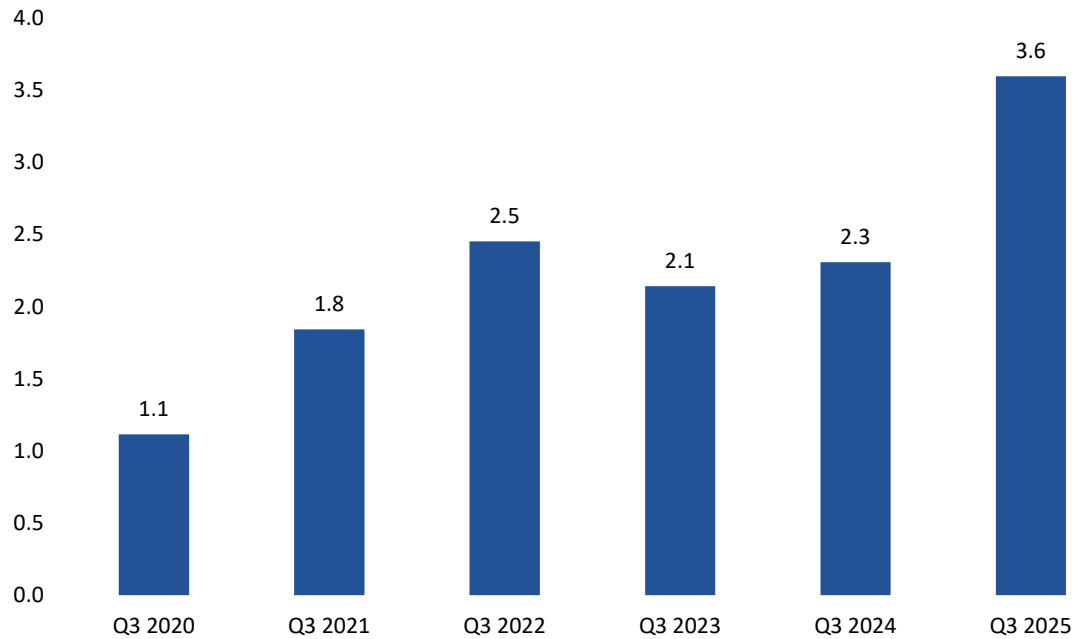
Profit before tax rose by 37.7% to KES 4.5 billion in Q3 2025 from KES 3.3 billion in Q3 2024.

Profit after tax grew by 55.8% to KES 3.6 billion from KES 2.3 billion, reflecting a rise of KES 1.3 billion.

Total comprehensive income expanded by 83.8% to KES 4.9 billion from KES 2.7 billion.

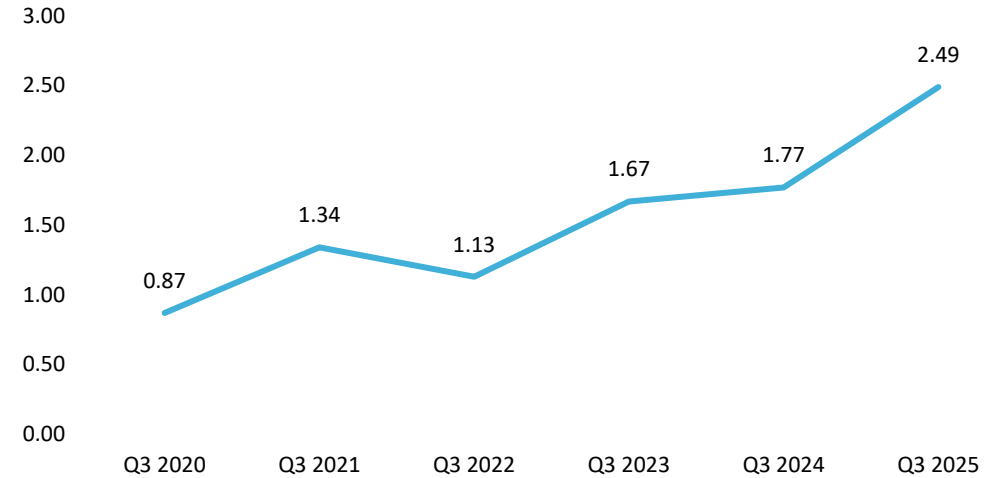
Basic earnings per share improved by 40.7% to KES 2.49 from KES 1.77, reflecting enhanced shareholder returns.

PAT (KES billions)



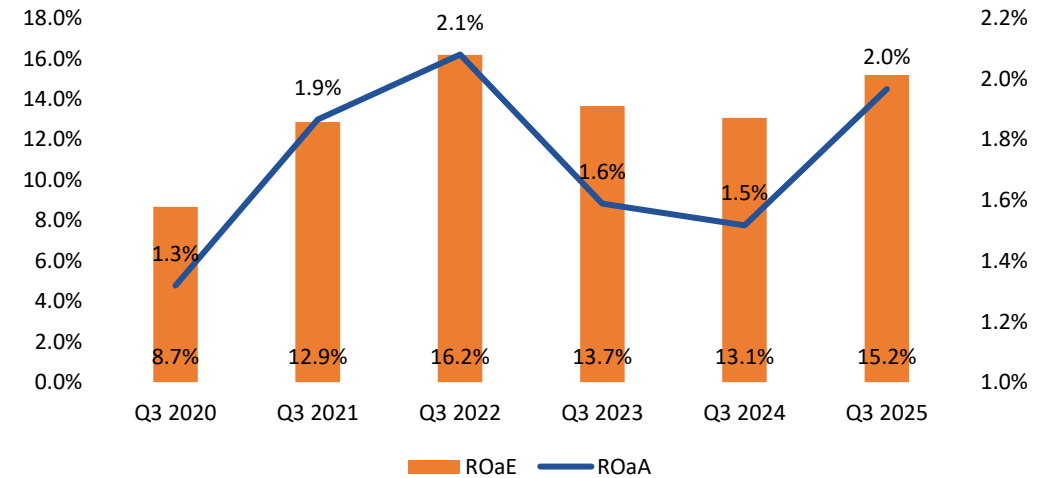
Source: Company Financials

Earnings per share (KES)



Source: Company Financials

Profitability Ratios



Source: Company Financials

Balance Sheet Rundown

Total assets grew 24.1% to KES 203.6 billion in Q3 2025 from KES 163.2 billion in Q3 2024, reflecting an increase of KES 39.4 billion. Other assets expanded by 29.6% to KES 3.5 from KES 2.7 billion.

Loans and advances to customers saw a significant surge of 10.1% to KES 103.7 billion in 2025 from KES 94.2 billion, reflecting an increase of KES 9.5 billion.

Government securities held to maturity rose by 39.8% to KES 39.0 billion from KES 27.9 billion, an increase of KES 11.1 billion.

Government securities available for sale increased by 56.9% to KES 31.6 billion from KES 20.2 billion, a significant rise of KES 11.5 billion.

Deposits and balances due from local banking institutions recorded a sharp growth of 76.3% to KES 2.6 billion from KES 1.5 billion while balances due from foreign banking institutions declined by 34.6% to KES 1.2 billion from KES 1.8 billion.

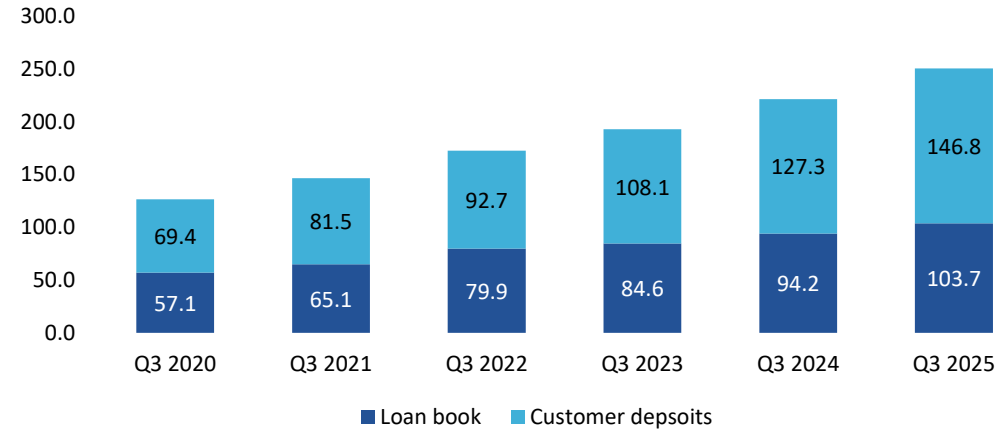
Total liabilities edged up by 20.9% to KES 174.3 billion while other liabilities surged by 129.8% to KES 9.5 billion from KES 4.1 billion.

Customer deposits grew by 15.3% to KES 146.8 billion from KES 127.3 billion representing a significant growth of KES 19.5 billion.

As a result, the loan –to–deposit ratio dropped from 74.0% in Q3 2024 to 70.7% in Q3 2025, indicating that customer deposits have been growing at a faster pace than loan disbursements.

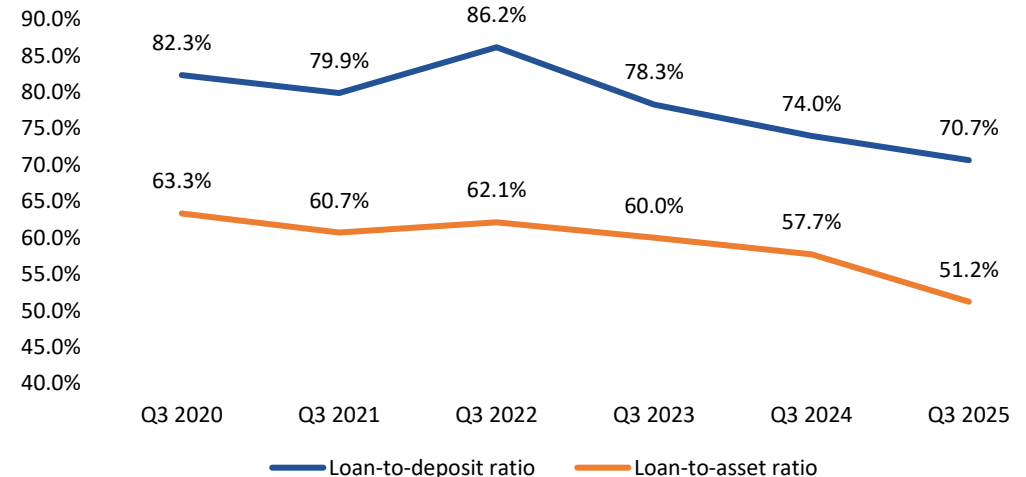
Total shareholders’ funds advanced by 48.0% to KES 28.3 billion from KES 19.1 billion. This was driven by a significant 41.4% increase in retained earnings to KES 13.8 billion from KES 9.8 billion.

Loan book and customer deposits (KES billions)



Source: Company Financials

Loan-to-deposit & Loan-to-asset ratio



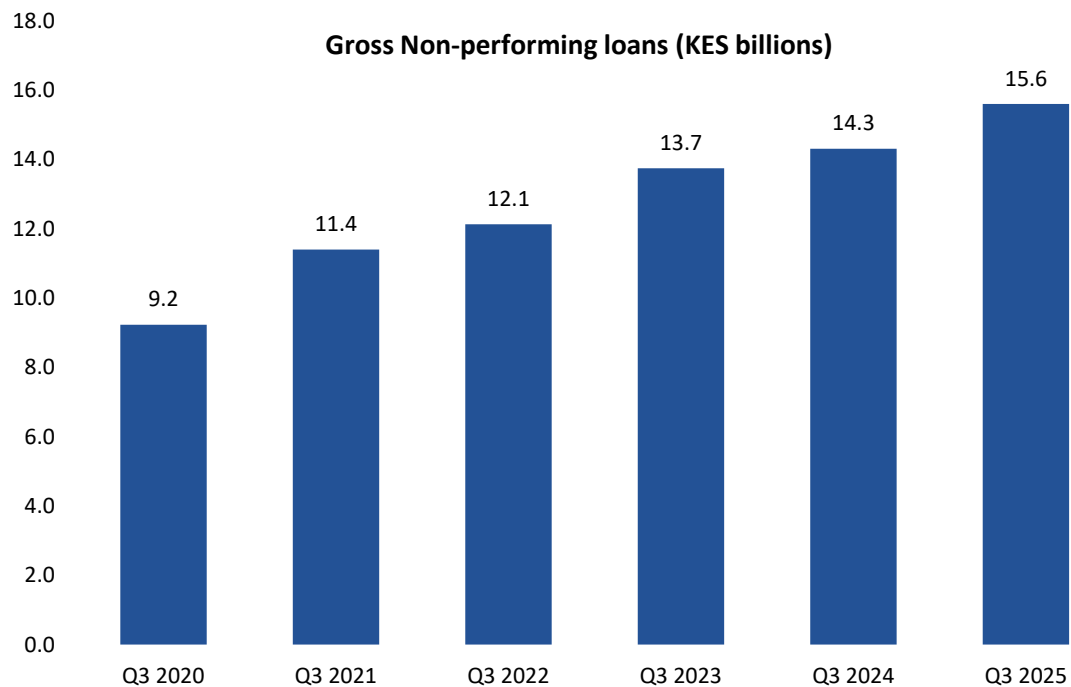
Source: Company Financials

Asset Quality

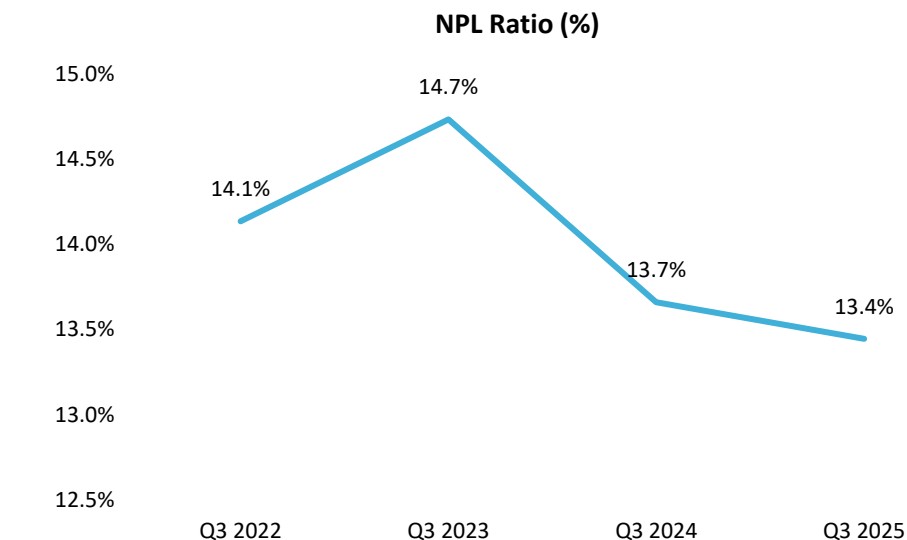
Gross non-performing loans (NPLs) increased by 9.1% to KES 15.6 billion in Q3 2025 from KES 14.3 billion in Q3 2024, representing an uptick of KES 1.3 billion.

Despite the uptick in non-performing loans, asset quality improved with NPL ratio edging down to 13.4% from 13.7%, remaining well below the industry average of **17.6%**

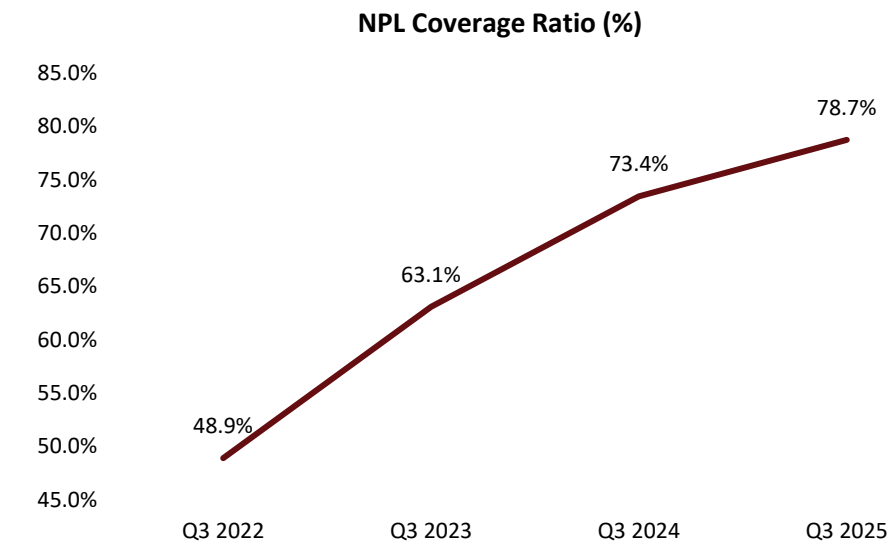
The NPL coverage ratio increased to 78.7% from 73.4%, showing that the bank is strengthening its buffer against potential loan losses.



Source: Company Financials



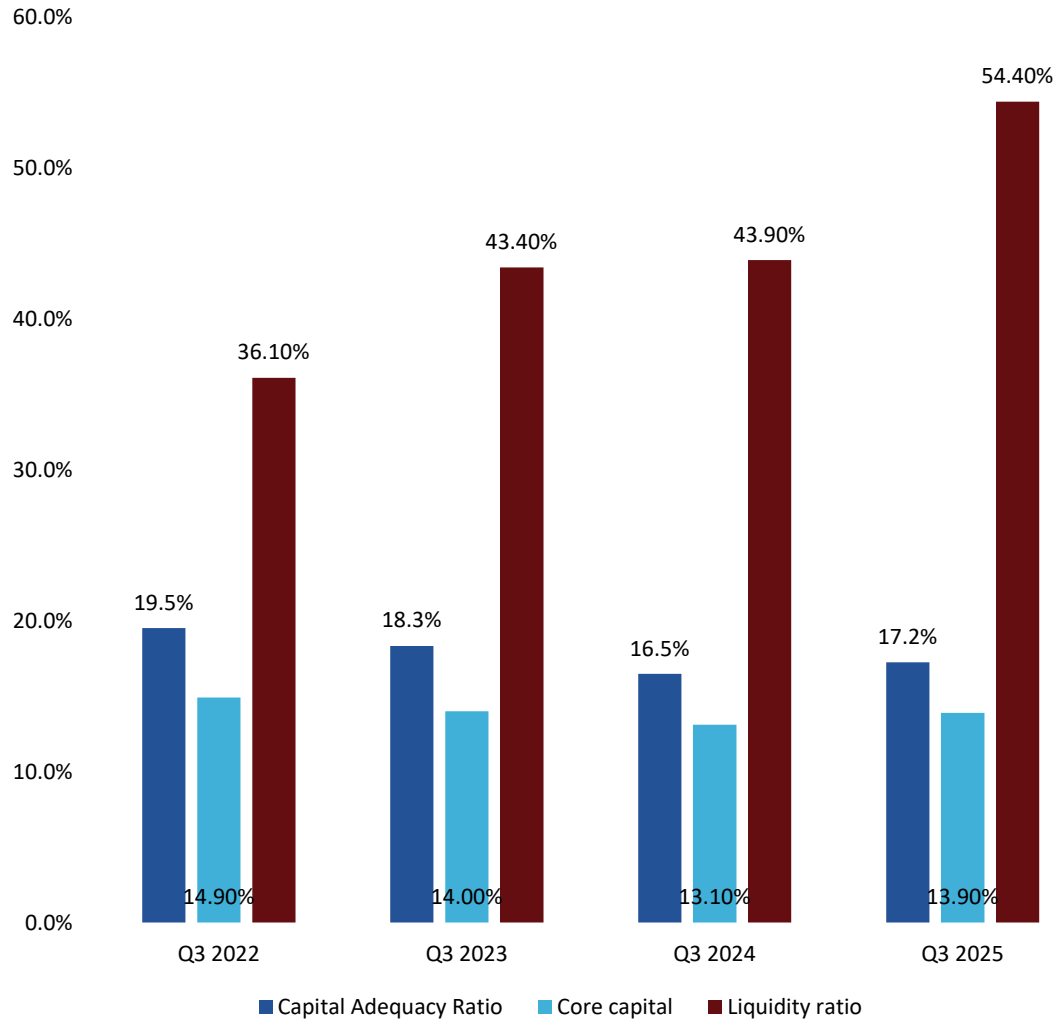
Source: Company Financials



Source: Company Financials

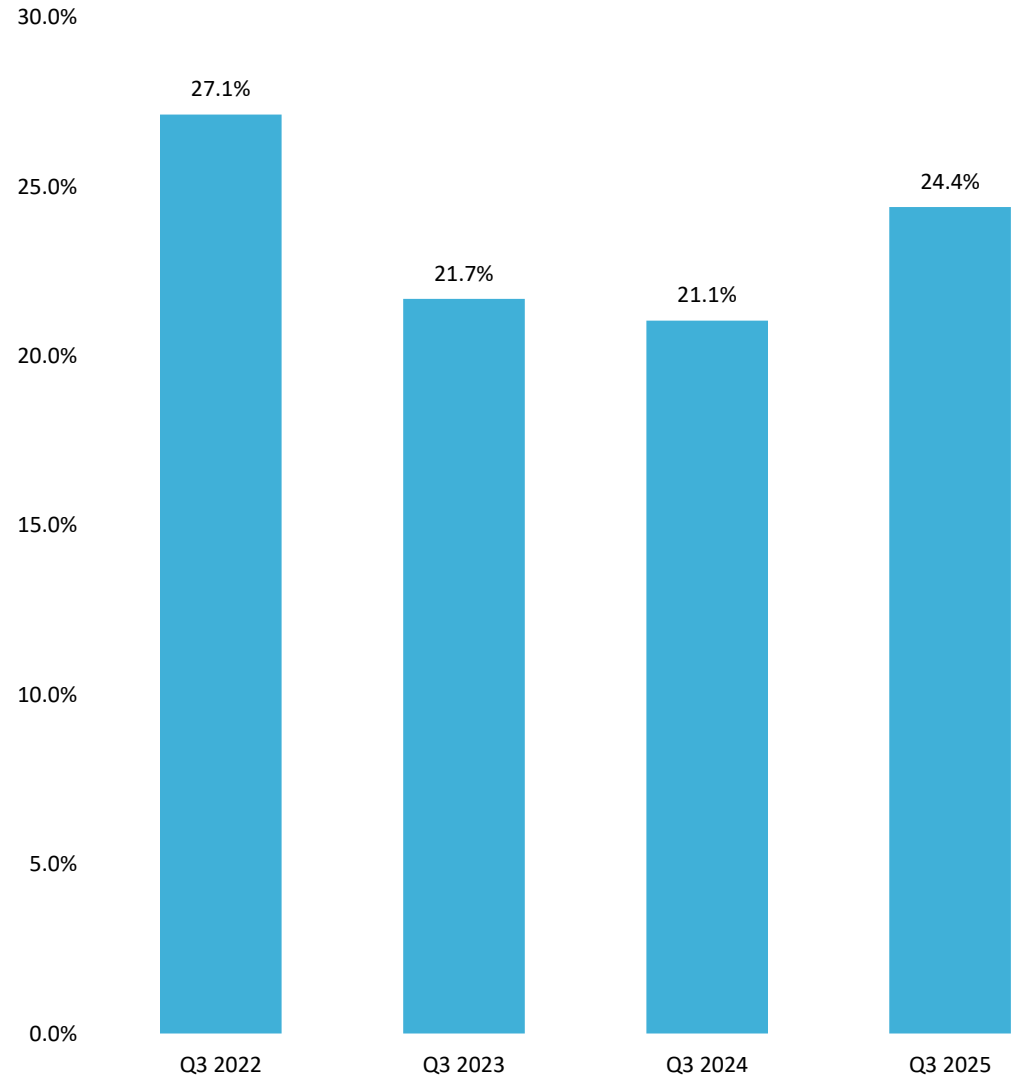
Other Key Metrics

Capital and Liquidity position



Source: Company Financials

Net Profit margin



Source: Company Financials

Financial Position Overview

Family Bank delivered strong financial performance in Q3 2025, **with a significant 55.8% growth in PAT of KES 3.6 billion** from KES 2.3 billion in Q3 2024.

The **NII Margin improved** to 74.3% from 69.8%, reflecting stronger profitability from core lending operations. In contrast, the NFI Margin eased to 25.7% from 30.2%, indicating a slight reduction in fee-based and other non-interest income.

Family Bank demonstrates robust profitability, efficiently using shareholders' equity and total assets to generate earnings. ROaA improved to 1.8% from 1.4%, while ROaE increased to 12.7% from 12.1%, reflecting the Bank's effective balance of risk and return and its ability to deliver healthy returns to shareholders.

Asset quality improved NPL ratio eased to 13.4% from 13.7% remaining below the industry average of 17.6%, reflecting sound credit management. The NPL coverage ratio increased to 78.7% from 73.4%, showing that the bank is strengthening its buffer against potential loan losses.

The bank maintained operational efficiency, with a cost-to-income ratio including loan loss provisions declining to 69.5% from 70.2%, reflecting improved cost management. Excluding provisions, the ratio fell to 60.3% from 64.9%, highlighting enhanced underlying efficiency and disciplined expense control.

The bank maintains a strong Capital Adequacy Ratio of 17.2% and Core Capital of 13.9%, providing solid buffers to absorb shocks and support growth. Its Liquidity Ratio of 54.4% reflects ample liquid assets to meet short-term obligations.

Loan-to-Deposit Ratio declined to 70.7% in Q3 2025 from 74.0% in Q3 2024, indicating that customer deposits have been growing faster than loan disbursements, strengthening liquidity. Similarly, the Loan-to-Asset Ratio fell to 51.2% from 57.7%, reflecting a slightly more conservative deployment of assets while maintaining a well-diversified loan portfolio focused on MSMEs (61%) and corporate clients (39%). The Bank's expanding deposit base continues to provide a stable funding source to support lending and operations.

EPS improved to KES 2.49 From KES 1.77 while the Book value per share grew to KES 19.60, up from KES 14.20 in Q3 2024, demonstrating value creation for shareholders and a solid foundation ahead of the upcoming NSE listing.

Funding and Capital Structure

Complementing equity funding, the Bank operates a **Medium-Term Note (MTN) Programme**, under which Tranche 1 in June 2021 raised KES 4.42 billion, oversubscribed at 147.3%, supporting branch expansion, technology upgrades, and MSME lending. The MTN notes, listed on the Fixed Income Securities Market Segment of the NSE, comprise both fixed-rate and floating-rate instruments under a multicurrency programme capped at KES 8.0 billion, with the next interest payment scheduled for 19 December 2025 and book closure on 4 December 2025.

Additionally, Family Bank has secured strategic international funding, including a EUR 50 million facility from British International Investment (BII) to expand credit access for women, youth, and MSMEs, and a USD 10 million Tier II capital facility from BlueOrchard, aimed at deepening SME and trade finance. Together, these initiatives reinforce the Bank's financial resilience, lending capacity, and strategic growth ambitions ahead of its planned NSE listing.

Outlook

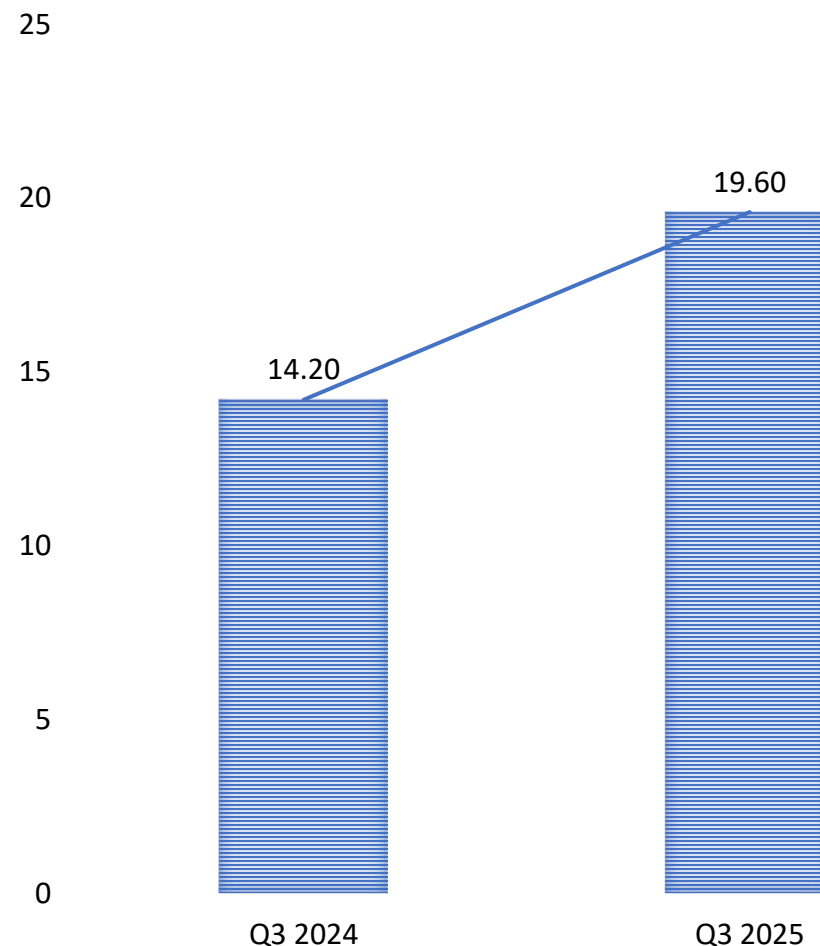
Looking ahead, Family Bank is well-positioned to sustain its growth momentum, supported by its strong digital footprint, with 92% of all transactions now conducted through online and mobile channels, which continues to enhance efficiency, scalability, and customer experience. The Bank's expanding deposit base and resilient loan portfolio, anchored by MSME and corporate clients, provide a solid platform for continued balance sheet growth.

Ongoing investments in technology, stronger risk management frameworks, and customer-centric platforms are expected to reinforce operational efficiency and support revenue diversification. Additionally, the Bank's optimized funding strategy, leveraging customer deposits, long-term development partner facilities, and proceeds from its established Medium-Term Note (MTN) Programme, offers greater flexibility to finance future expansion and strategic initiatives.

With improving asset quality, stable liquidity buffers, and rising contributions from digital channels, Family Bank enters the next financial year with solid momentum. Sustaining this trajectory will depend on disciplined credit risk management and navigating a still-evolving macroeconomic environment. Nonetheless, the Bank remains focused on expanding its MSME franchise, scaling digital solutions, and executing its strategy with prudence to enhance shareholder value.

The **upcoming NSE listing** is expected to significantly improve share liquidity, strengthen governance, and elevate the Bank's visibility among both local and international investors. Coupled with capital-raising efforts, international partnerships, and innovation-led solutions such as Queen Banking, Family Bank is poised to strengthen operational capacity, diversify funding sources, and reinforce balance sheet resilience.

BOOK VALUE PER SHARE (KES)



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Glossary of Terms

Target Price – Analyst estimate of the fair value or intrinsic value of the company.

Cost of Funds - This is the effective average interest rate paid on interest-earning liabilities. It is calculated as $\text{Total Interest Expense} / \text{Average Interest Earning Liabilities}$.

Loan Yield - This is the effective average interest rate received on average loans and advances. It is calculated as $\text{Interest on Loans and Advances} / \text{Average Loans and Advances}$.

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as $\text{Net Impairment Provisions} / \text{Average Gross Loans}$ in the period.

Non-Performing Loans -These are loans that have been classified as impaired. The CBK classifies loans into five categories i.e. Normal, Watch, Substandard, Doubtful, and Loss depending on the performance of the loan. The last three i.e. sub-standard, doubtful, and loss are referred to as non-performing loans. Under IFRS, these are classified as stage 3 loans.

Non-Performing Loans (NPL) Ratio - This is the proportion of NPLs in the loan book. It is calculated as $\text{Gross NPLs} / \text{Gross Loans}$.

Non-Funded/Non-Interest Income– This represents income that is not classified as interest income.

Recommendation

BUY – Minimal risks to catalysts.

SELL- Risks outweigh the catalysts.

NEUTRAL – This is where the positives and negatives in a company almost balance out. You can accumulate for the long term