

Family Bank: The next test is efficiency

Equities Research
Financials
Kenya

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Family Bank is a Tier II bank with c.2.5% of system assets and deposits and 1.3m customers. The bank delivered an 18% asset CAGR over FY20-25, raising its asset base to KES209bn (USD1.6bn), while ROE recovered from 8.9% in FY20 to 19.6% in FY25. We believe the next phase of the bank's investment case will be driven less by balance sheet growth and more by efficiency. As margins normalise, the bank's ability to improve operating leverage will be the key driver of future earnings growth.

Growth at attractive margins

Family Bank's focus on the retail and MSME segment, which accounts for c80% of its loan book, continues to drive above-sector credit growth and profitability. Gross loans grew at 13% CAGR over FY20-25, while NIM averaged 8.5% outperforming our coverage peer average of 7.5%. We expect this momentum to continue, modeling a 14% loan CAGR over FY26-30e driven by growth opportunity within Kenya's MSME sector. Reportedly, there are 7.4m MSMEs in Kenya, yet only 12% have access to commercial bank credit.

The efficiency challenge

We believe Family Bank's next earnings growth phase depends heavily on driving operating efficiency. Although banking income CAGR (17%, FY20-25) outpaced OpEx growth (15%), pulling down its cost-to-income ratio (CIR) from 60% to 56%, efficiency still lags peers (46% average). In our view, ongoing investments in branch network and upgrades to the core banking platform will keep costs elevated through FY26-28e. While mgmt. targets a 50% CIR by 2030, we expect meaningful operating leverage to materialise in the outer years of our forecasts.

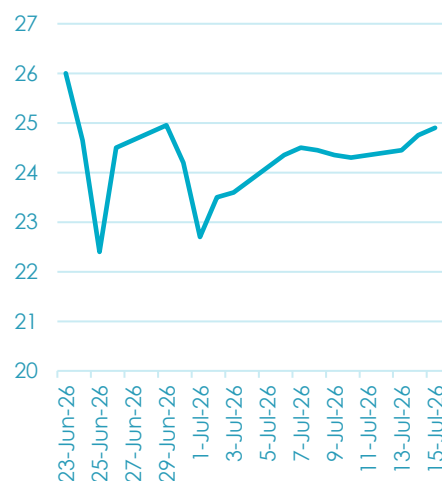
Valuation: Limited upside | Initiate at HOLD

We initiate coverage on Family Bank with a **HOLD** rating and a DDM-derived target price of **KES 22.13**, implying 6.4x FY26e P/E and 1.1x FY26e P/B. While we forecast ROE to average FY26-30e, we believe current trading levels fully price in the bank's medium-term earnings outlook. Our target price implies a 12-month total return of -7.5% (including, FY26e dividend yield of 5.1%).

Stock Data

Bloomberg ticker	FMLY:KN
Recommendation	HOLD
Target Price (KES)	22.13
Current price (KES)	25.30
Upside/downside:	-12.5%
Dividend yield (FY26e)	5.1%
Expected total return	-7.5%
Market cap. (KES bn)	46.9
Market cap. (USD m)	362.4
No. of shares (m)	1,663
Est. free float	34.5%

Share price performance (KES)



Source: Bloomberg

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Investment thesis

Family Bank Limited (FBL) is a Tier II Kenyan bank with system deposit and asset market share of 2.6% and 2.5%, respectively (2025). The bank primarily focuses on the retail and MSME segments with a total customer base of 1.3m through its traditional banking and digital banking platform (Pesapap). Over FY20-25, its assets grew at 18% CAGR to reach KES209bn (USD 1.6bn) while PBT at 34% CAGR and ROE from 8.9% to 19.6%. The bank also completed a private placement offer in Dec-2025, raising KES8bn, to fund growth.

In our view, FBL's investment case is defined by a set of structural trade-offs. Earnings have been driven by net interest income (20% CAGR, FY20-25). The bank's exposure to retail and MSME segment (80% of loan book) gives it a high margin profile, with NIM averaging 8.5% over FY19-25 versus 7.5% for peers in our coverage. These high margins have cushioned the growth in funding costs following a decline in the bank's CASA mix (71% in FY18 vs. 47% in FY25).

However, FBL's revenue diversification is a key lag, in our view. Non-funded income grew at 9% CAGR over FY20-25, with fee income largely flat averaging c. KES2.0bn, implying limited monetization of growing asset base (18% CAGR). Consequently, non-funded income contribution to total income has declined from 28% in FY20 to 19% in FY25, leaving earnings more exposed to interest rate cycles.

While FBL has delivered on balance sheet growth and margins, we believe the next phase of its earnings growth will depend on efficiency. Banking income grew at a 17% CAGR over FY20-25 versus 15% for OpEx, with CIR improving from 60% to 56%. While somewhat encouraging, the ratio remains above its peer average of 46%. We expect efficiency gains to be gradual, as the bank is in an investment cycle, with ongoing core banking system upgrades and branch expansion/reallocation which is likely to keep costs elevated over FY26-28e. As a result, we forecast costs to broadly track income growth in the near term, with more meaningful operating leverage only emerging once these investments begin to scale.

In summary, we forecast FBL's earnings to grow at a 14% CAGR over FY26-30e, moderating from 36% over FY20-25. The slower growth reflects a lower rate cycle, which we expect to weigh on asset yields. Nevertheless, we expect earnings to be driven by loan growth alongside gradual improvements in operating efficiency.

Our forecasts fully model EPS dilution from FBL's 2025 private placement, where the allotment of about 194.6m shares is still awaiting central bank's approval. Following our discussions with mgmt., we assume these shares will be issued by end-2026 - expanding the total share count from 1.7bn to 1.9bn - and have incorporated this dilution into our estimates.

Figure 1: Family Bank – Key financial highlights (Dec. Year-end)

In KES Mn, unless otherwise stated	2020	2021	2022	2023	2024	2025	2026e	2027e	2028e
Net loans	56,580	66,902	81,381	86,921	92,909	105,899	121,837	136,538	161,860
Y-o-Y	11.8%	18.2%	21.6%	6.8%	6.9%	14.0%	15.1%	12.1%	18.5%
Total assets	90,661	111,737	128,513	142,407	168,505	208,689	239,263	265,331	300,838
Y-o-Y	14.9%	23.2%	15.0%	10.8%	18.3%	23.8%	14.7%	10.9%	13.4%
Customer deposits	69,757	81,992	88,904	102,594	126,471	151,879	177,441	199,063	231,124
Y-o-Y	20%	18%	8%	15%	23%	20%	17%	12%	16%
Shareholders' equity	13,456	15,592	16,111	16,871	22,389	32,622	36,682	41,029	46,346
Y-o-Y	6.7%	15.9%	3.3%	4.7%	32.7%	45.7%	12.4%	11.8%	13.0%
Total banking income	9,144	10,769	12,128	13,353	14,941	20,029	22,524	24,941	27,737
Y-o-Y	9.5%	17.8%	12.6%	10.1%	11.9%	34.1%	12.5%	10.7%	11.2%
Operating income	3,671	4,613	5,052	5,271	5,297	8,893	9,685	10,475	12,204
Y-o-Y	35.7%	25.7%	9.5%	4.3%	0.5%	67.9%	8.9%	8.2%	16.5%
Net income	1,164	2,309	2,214	2,508	3,461	5,378	6,444	6,899	8,181
Y-o-Y	12.3%	98.4%	-4.1%	13.3%	38.0%	55.4%	19.8%	7.1%	18.6%
No. of ordinary shares (m)	1,287	1,287	1,287	1,287	1,305	1,663	1,857	1,857	1,857
Y-o-Y	-	-	-	-	1.4%	27.4%	11.7%	-	-
EPS (KES)	0.90	1.79	1.72	1.95	2.65	3.23	3.47	3.71	4.40
Y-o-Y	12.3%	98.4%	-4.1%	13.3%	36.1%	22.0%	7.3%	7.1%	19%
BVPS (KES)	10.45	12.11	12.52	13.11	17.15	19.62	19.75	22.09	24.95
Y-o-Y	6.7%	15.9%	3.3%	4.7%	30.9%	14.4%	0.7%	11.8%	13.0%
DPS (KES)	-	0.83	0.62	0.56	0.85	1.20	1.28	1.37	1.54
P/E (x)	-	-	-	-	-	7.82	7.29	6.81	5.74
P/B (x)	-	-	-	-	-	1.29	1.28	1.15	1.01
Dividend yield	-	-	-	-	-	4.7%	5.1%	5.4%	6.1%
RoAA	1.4%	2.3%	1.8%	1.9%	2.2%	2.9%	2.9%	2.7%	2.9%
RoAE	8.9%	15.9%	14.0%	15.2%	17.6%	19.6%	18.6%	17.8%	18.7%
Net interest margin	8.6%	8.4%	8.4%	8.3%	7.9%	9.0%	8.8%	8.6%	8.4%
Cost-to-income ratio	59.9%	57.2%	58.3%	60.5%	64.5%	55.6%	57.0%	58.0%	56.0%
Capital adequacy ratio	20.0%	21.7%	20.7%	18.9%	17.8%	19.6%	19.1%	18.4%	18.1%
Loan-to-deposit ratio	87.9%	87.8%	96.5%	90.2%	78.5%	75.0%	73.8%	73.7%	74.9%
NPL ratio	15.3%	15.4%	14.5%	15.6%	12.3%	12.6%	12.0%	11.5%	10.5%
Coverage ratio	50.3%	45.9%	35.6%	39.3%	52.0%	55.9%	58.3%	60.4%	62.0%

Source: Company financials, NCBA IB Research estimates

ROE breakdown – Du Pont Analysis

FBL's ROE has improved significantly from 2.1% in FY18 to 19.6% in FY25 driven by a combination of higher margins, lower credit costs and modest improvements in operating efficiency. The primary catalyst was NII expansion, with net interest income as a percentage of average assets rising from 7.0% in FY18 to 8.6% in FY25, while steady improvements in operating leverage and moderating credit costs provided further tailwinds to profitability.

Looking ahead, we forecast ROE to range 17-18% over FY26-28e, with further upside increasingly dependent on operating efficiency gains especially as margins normalise.

Figure 2: Family Bank – ROE Breakdown

Du Pont Analysis	2018	2019	2020	2021	2022	2023	2024	2025	2026e	2027e	2028e
Net interest income/ average assets	7.0%	7.6%	7.8%	7.8%	7.6%	7.1%	7.2%	8.6%	8.3%	8.2%	8.0%
+ Non-interest income/ average assets	3.7%	3.8%	3.0%	2.8%	2.5%	2.7%	2.4%	2.1%	1.7%	1.7%	1.8%
+ Operating expenses/ assets	-8.3%	-7.7%	-6.5%	-6.1%	-5.9%	-6.0%	-6.2%	-5.9%	-5.7%	-5.7%	-5.5%
+ Provisioning/ average assets	-1.8%	-1.8%	-2.6%	-1.3%	-1.1%	-1.5%	-0.9%	-1.4%	-1.0%	-0.9%	-0.8%
+ Tax / average assets	-0.3%	-0.6%	-0.3%	-1.0%	-1.3%	-0.5%	-0.3%	-0.5%	-0.4%	-0.5%	-0.6%
+ Minority interests/ average assets	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
ROA	0.4%	1.3%	1.4%	2.3%	1.8%	1.9%	2.2%	2.9%	2.9%	2.7%	2.9%
*Leverage (x)	5.83	6.03	6.50	6.97	7.58	8.21	7.92	6.86	6.46	6.49	6.48
ROE	2.1%	7.9%	9.3%	15.9%	14.0%	15.2%	17.6%	19.6%	18.6%	17.8%	18.7%

Source: Company financials, NCBA IB Research estimates

Valuation and risks

Our fair value for Family Bank is **KES22.13/share**, which values the bank at 6.4x FY26e EPS and 1.1x FY26e BVPS. At its current price, FBL is trading at 7.3x FY26e EPS and 1.3x BVPS. We recommend a HOLD on Family Bank shares, with a - 7.5% expected total return (Incl. FY26e, dividend yield of 5.1%).

To derive our fair value, we use a standard five-year dividend discount model (DDM). Our Terminal value is derived from FY30e book value forecast, adjusted by a justified P/B multiple. The justified P/B multiple is calculated by dividing the terminal ROE by our estimated Cost of Equity (COE).

Below, we provide our assumptions used to calculate the Family Bank's fair value.

Figure 4: Dividend discount Model (DDM), FY26-30e

KES m (unless noted)	FY26e	FY27e	FY28e	FY29e	FY30e
Dividends	2,384	2,553	2,863	3,385	3,750
Present value (PV) factor	93.8%	79.8%	67.9%	57.8%	49.2%
PV	2,235	2,037	1,944	1,956	1,845
Total PV of dividends	10,018				
Terminal value					
ROE					19.1%
COE					17.5%
Growth					8.0%
Book value					59,598
Terminal value (TV)					69,607
PV of TV	31,079				
Total PV	41,096				
No. of shares (m)	1,857				
Fair value per share	22.13				
-Implied 2026e P/B	1.12x				
-Implied 2026e P/E	6.39x				
-Implied 2027e P/E	5.96x				

As our fair value is sensitive to our assumptions, the table below provides a sensitivity analysis to changes in our ROE forecasts and COE estimates.

Figure 5: Sensitivity analysis - Family Bank fair value per share (KES)

	Return on Equity							
		14.6%	16.1%	17.6%	19.1%	20.6%	22.1%	23.6%
Cost of Equity	15.5%	19.34	22.47	25.59	28.71	31.83	34.95	38.08
	16.5%	17.10	19.74	22.38	25.02	27.66	30.30	32.94
	17.5%	15.34	17.60	19.87	22.13	24.39	26.65	28.91
	18.5%	13.92	15.88	17.84	19.80	21.76	23.73	25.69
	19.5%	12.74	14.46	16.18	17.89	19.61	21.33	23.05

The table below highlights Family Bank's key valuation metrics relative to its listed Kenyan banking peers.

Figure 6: Family Bank valuation metrics versus Kenya banking peers

Company	BBG code	Market Cap (USD m)	EPS CAGR (FY22-25)	Avg. ROE (FY22-25)	EPS CAGR (FY26-28e)	Avg. ROE (FY26-28e)	FY26e		
							P/E (x)	P/B (x)	Dividend yield
Family Bank	FMLY KN	362	23.4%	16.6%	12.7%	18.4%	7.29	1.28	5.1%
Equity Group	EQTY KN	2,518	17.0%	23.6%	13.0%	21.5%	4.31	0.90	7.8%
KCB Group	KNCB KN	2,005	18.1%	21.3%	7.5%	19.9%	3.68	0.71	7.4%
Co-op Bank	COOP KN	1,597	10.6%	20.2%	12.9%	19.4%	6.20	1.13	7.6%
Stanbic	SBIC KN	895	14.8%	17.6%	5.9%	18.3%	7.45	1.33	8.0%
ABSA	ABSA KN	1,382	16.2%	24.9%	13.7%	21.1%	7.60	1.47	7.0%
StanChart	SCBL KN	986	1.1%	23.1%	6.9%	23.3%	8.50	1.86	10.0%
I&M Group	IMH KN	912	17.4%	16.2%	19.0%	17.9%	5.80	0.92	6.0%
DTB Group	DTKL KN	316	15.8%	9.6%	20.5%	11.8%	3.89	0.42	6.8%
Peer average			13.9%	19.6%	12.4%	19.1%	5.93	1.09	7.6%

Source: NCBA IB Research estimates

Investment risks

- **Margin pressure:** We forecast NIMs to gradually normalise as asset yields decline. A faster-than-expected decline in margins is a downside risk to our earnings forecasts.
- **Operating costs:** We expect operating expenses to remain elevated over FY26-28e as the bank invests in branch network and upgrades to its core banking platform. Higher-than-expected cost growth or delayed operating leverage would weigh on our earnings forecasts.
- **Credit and macro risks:** Our forecasts assume CoR to average 1.8%, FY26-28. A weaker macroeconomic environment, slower recoveries, or a deterioration in asset quality could result in higher credit costs and lower earnings.
- **Effective tax rate:** FBL's effective tax rate averaged 15% between FY24-25, driven by tax rebates relating to prior-year overpayments. Based on our discussions with mgmt., we forecast an effective tax rate of 13-15% over FY26-27e. A higher-than-expected tax rate is therefore a downside risk to our earnings forecasts.

Earnings drivers

Banking on MSME growth

FBL's loan book grew at 13% CAGR between FY20-25, driven by the retail and MSME segments which contribute 80% of its total loan book. According to CBK Survey Reports, loans advanced to the MSME segment, accounted for 18.6% (on average) of total banking sector loans over 2020-24, with loans disbursed reaching KES761bn (12% CAGR).

Despite this growth, the number of active MSME loan accounts declined from 915,000 in 2020 to 890,000 in 2024, largely due to the clean-up of historical NPL accounts, duplicate records and loan closures following repayment. Reportedly, Kenya has 7.4m MSMEs, implying loan a/c penetration rate of only 12%.

Figure 7: Banking sector – MSME loans and active loan a/c

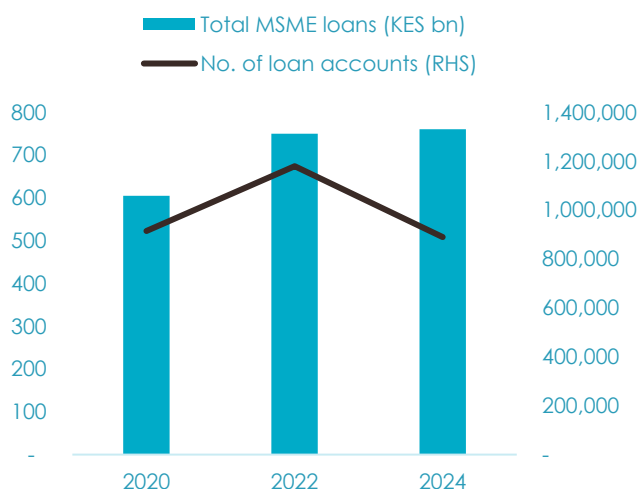
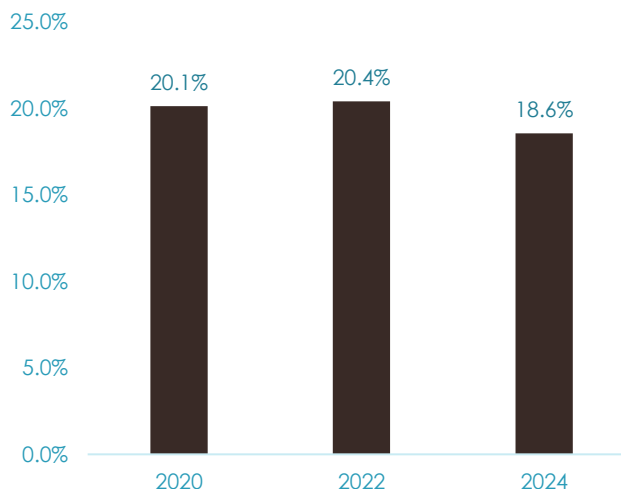


Figure 8: MSME loans as % of total banking sector loans

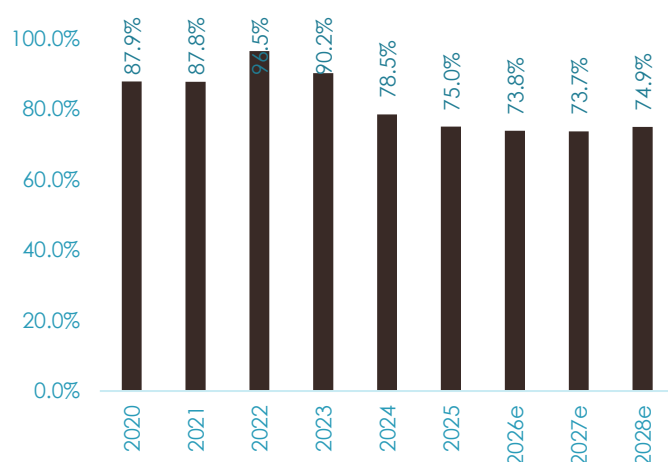


Source: CBK: Survey Reports - MSME Access to Bank credit

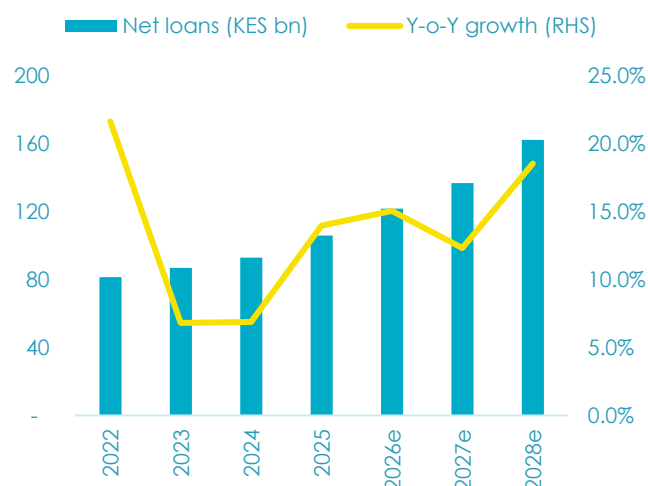
We forecast FBL's net loans to grow at a 14.5% CAGR between FY26-30e. We believe this target is achievable, driven by a combination of balance sheet de-risking and untapped market credit opportunities in the MSME segment. Our key drivers on FBL's loan growth outlook include:

- **Improved liquidity:** FBL has worked down its balance sheet liquidity. Its gross Loan-to-Deposit Ratio (LDR) fell from a peak of 96.5% in FY22 to 75.0% in FY25. This liquidity improvement gives the bank headroom to aggressively deploy credit without straining its funding base.

- **Capital buffers:** FBL's KES8bn capital injection in 2025 strengthened its CAR to 19.6% by 2025. We believe this enhanced capital structure gives the bank sufficient regulatory leeway to absorb asset risk-weighting and drive credit growth over the medium term.
- **Untapped MSME credit market:** On the demand side, credit penetration rate on MSMEs in Kenya remains low at 12%. Given FBL's established historical focus on this segment, we view this a growth driver that will allow the bank to accelerate credit to the segment.

Figure 9: Family Bank – Gross loan-to-deposits ratio (LDR)


Source: Company financials, NCBA IB Research

Figure 10: Family Bank – Net loans, Y-o-Y growth


Source: Company financials, NCBA IB Research

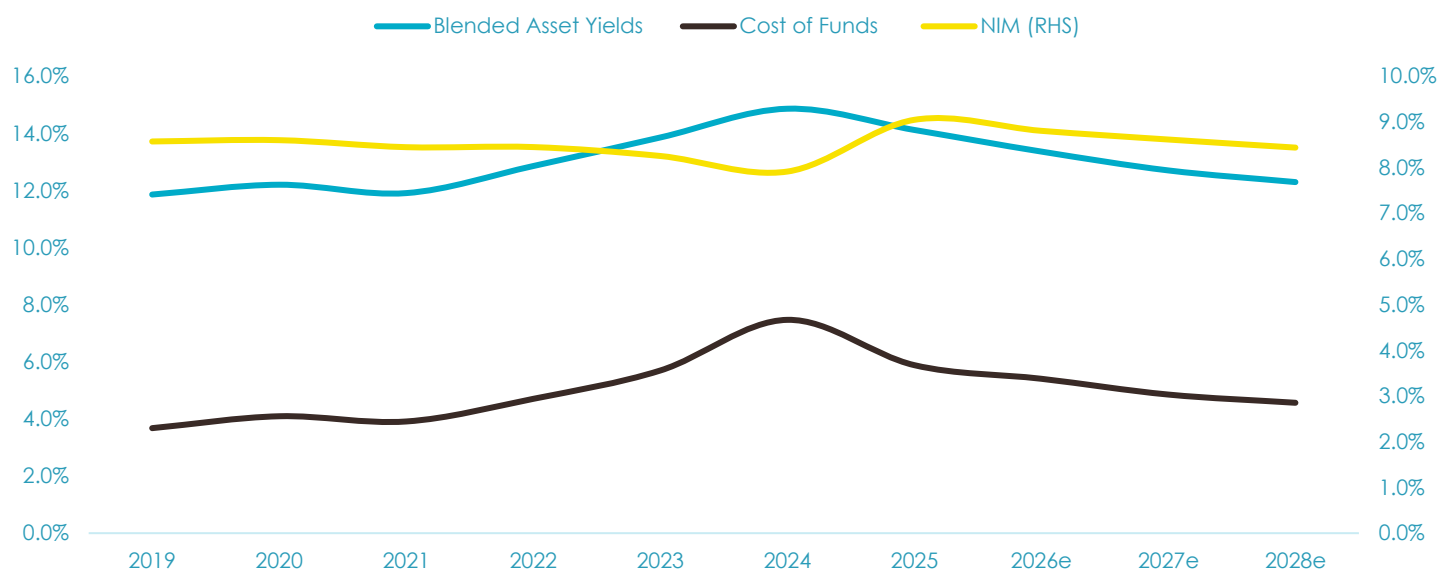
Superior Margins drive NII growth....

FBL has historically maintained a superior margin profile relative to peers, with NIM averaging 8.5% between FY20-25 outperforming our coverage universe average of 7.5%. This yield advantage is driven by the bank's loan mix. By focusing heavily on the retail and MSME lending segments, FBL captures significantly higher asset yields compared to peers that lean more toward lower-yielding, competitive corporate loans.

However, FBL's funding profile has faced pressure, with its CASA mix declining from 71% in FY18 to 47% in FY25. Mgmt. attributes this dilution to a push for corporate deposits, which naturally carry higher funding costs and shorter durations. To address this, the bank is targeting a medium-term return to a 60% CASA mix, aiming to mobilize low-cost retail funding primarily through its ongoing branch expansion strategy.

Looking ahead, we forecast FBL's NIM to decline from its peak of 9.0% in FY25 to 8.8% in FY26e and 8.6% in FY27e. We expect loan repricing to reduce asset yields by 130bps Y-o-Y, only partly offset by a 50bps Y-o-Y decline in funding costs, resulting in margin compression.

Figure 11: Family Bank – Asset yields, CoF and NIM, 2019-2028e



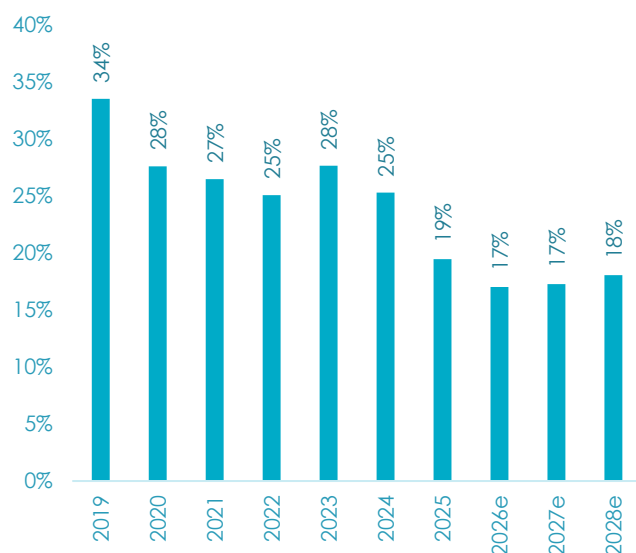
Source: NCBA IB Research, company financials

...However, non-funded income lags

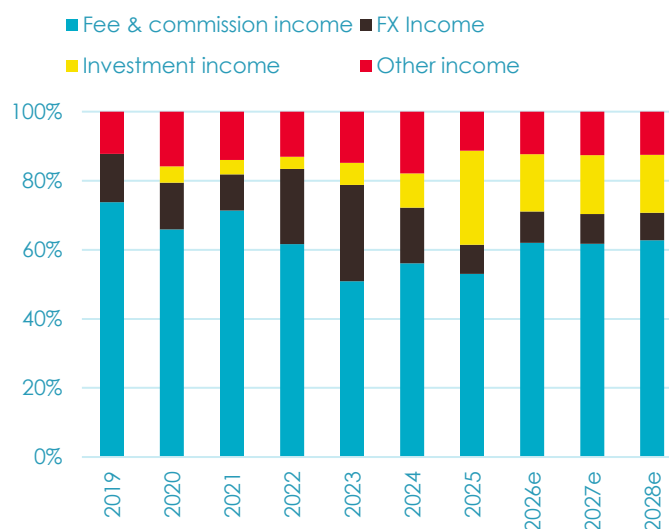
Non-funded income grew at 9% CAGR over FY20-25, with fee income largely flat averaging c. KES2.0bn, implying limited monetization of its asset growth (18% CAGR). Consequently, non-funded income contribution to total income declined from 28% in FY20 to 19% in FY25, leaving earnings more exposed to interest rate cycles.

Following our conversation with mgmt, the flat fee performance is a product of FBL's customer acquisition and retention model. Most of FBL's transaction accounts are zero-rated, with no account maintenance fees. The bank's strategy is to deepen customer engagement by increasing transaction volumes and loan ticket sizes rather than generating fee income from account maintenance. Loan processing fees are broadly in line with peers, although pricing is determined on a case-by-case basis depending on the customer relationship and sector risk. While this strategy retains its customer base, we believe it delays NFI recovery, keeping FBL highly reliant on NII.

We note that NIR growth has also been weighed by lower FX income due to stability of the shilling against the USD. FX income contribution to NIR declined from its highs of 22% in FY22 to 8% by FY25.

Figure 12: Family Bank – NIR contribution to total income


Source: Company financials, NCBA IB Research

Figure 13: Family Bank – NIR contribution mix


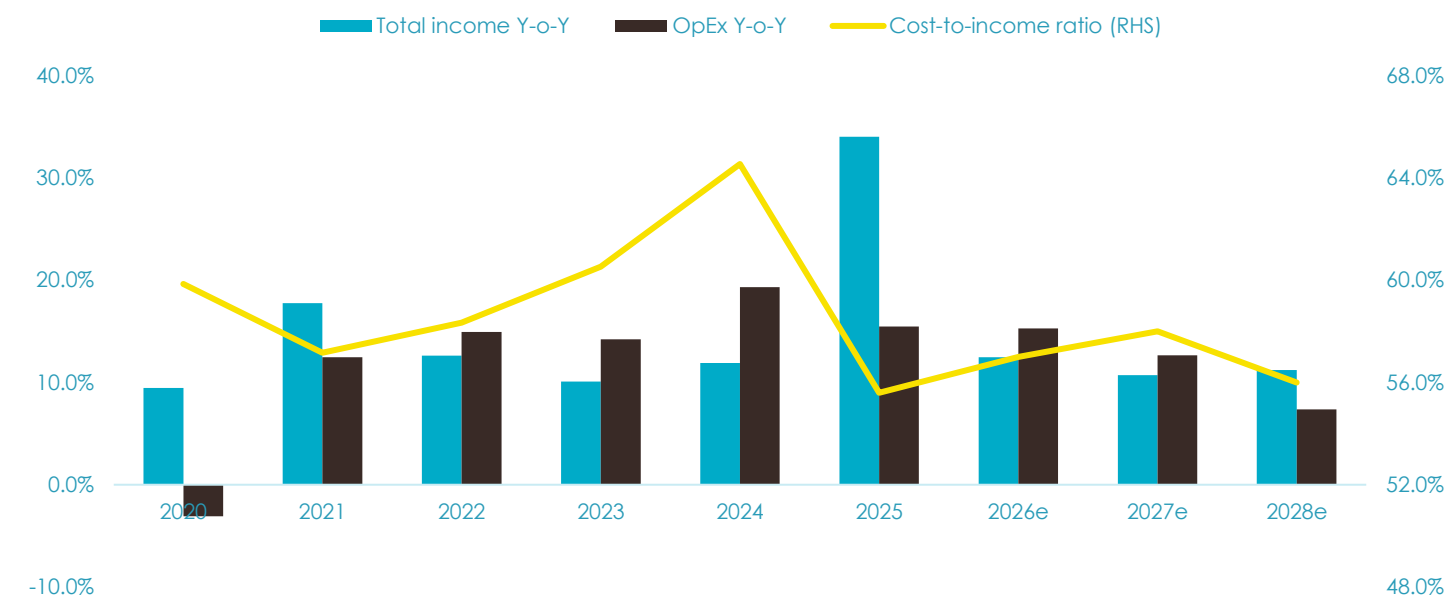
Source: Company financials, NCBA IB Research

Investment cycle to keep costs elevated

Banking income grew at a 17% CAGR over FY20-25 versus 15% for OpEx, with CIR improving modestly from 60% to 57%. While somewhat encouraging, the ratio remains elevated relative to the peer average of 46%.

We expect OpEx to remain elevated through FY28e as FBL executes its branch strategy and invests in technology upgrades with a capex plan of KES4-6bn spread over the next three years. The branch strategy includes relocating selected outlets to smaller, lower-cost formats in higher-traffic locations while also growing the branch network from 96 to 100 branches (by end 2026).

FBL is also investing in an internally developed core banking platform, which mgmt. believes will provide greater flexibility to tailor products and processes to its retail and MSME customer base. While these capex costs are likely to weigh on near-term efficiency ratios, they should enhance operating leverage over time, reducing the FBLs CIR which we forecast to average 57% between FY26-28e, before declining to an average of 52%, (FY29-30e).

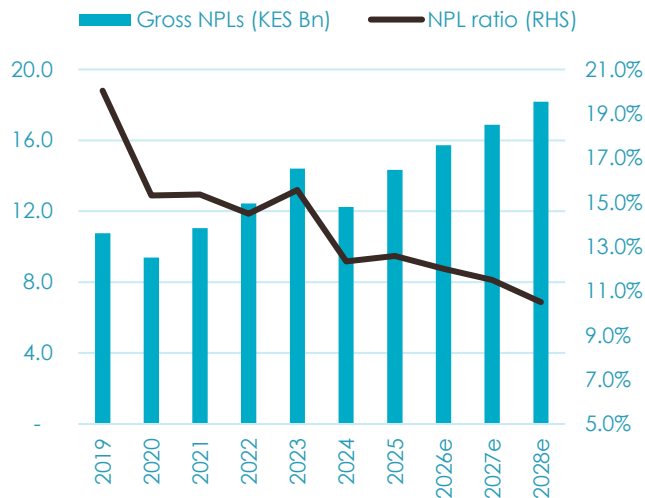
Figure 14: Family Bank – Total income (Y-o-Y), OpEx (Y-o-Y) vs Cost-to-income ratio


Source: NCBA IB Research, company financials

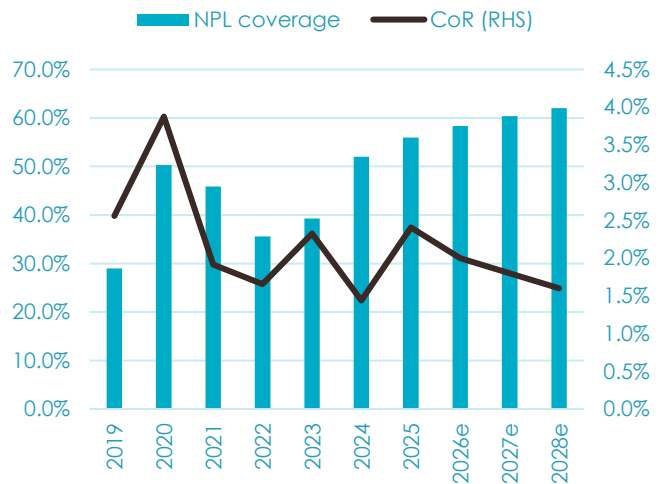
Asset quality improving, but provisioning to remain elevated

FBL's asset quality has improved, with the NPL ratio declining from a peak of 20.0% in FY19 to 12.6% in FY25. We expect further improvement, as we forecast NPL ratio to average of 11.3% over FY26-28e. Mgmt. indicated that a portion of the NPL book is linked to delayed government payments to contractors. With the FY26/27 budget providing KES68bn for the settlement of verified pending bills below KES100m, we see room for recoveries and a gradual improvement in asset quality, although the timing and pace of collections remain factors to monitor.

Provisioning, however, is likely to remain conservative. NPL coverage has improved from 29% in FY19 to 55% in FY25, and mgmt. is targeting coverage of 66% over the medium term. As a result, we expect CoR to remain elevated, averaging 1.8% over FY26-28e before moderating to 1.5% thereafter.

Figure 15: Family Bank – Gross NPLs and NPL ratio


Source: Company financials, NCBA IB Research

Figure 16: Family Bank – NPL coverage and CoR


Source: Company financials, NCBA IB Research

Family Bank – Financial summary and forecasts

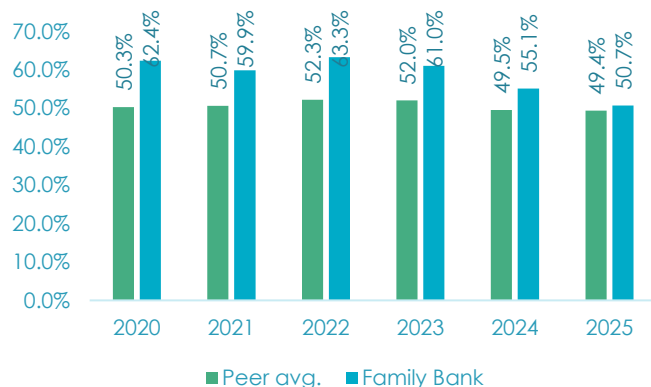
	2024	2025	%chg	2026e	%chg	2027e	%chg	2028e	%chg
Balance sheet									
Assets									
Cash & cash equivalents	12,153	9,801	-19.3%	11,451	16.8%	12,847	12.2%	14,916	16.1%
Interbank	2,858	7,874	175.5%	8,425	7.0%	9,015	7.0%	9,646	7.0%
Total securities	50,999	74,035	45.2%	85,140	15.0%	93,654	10.0%	100,210	7.0%
Gross loans	99,281	113,920	14.7%	131,008	15.0%	146,729	12.0%	173,140	18.0%
Provisions	(6,373)	(8,021)	25.9%	(9,171)	14.3%	(10,190)	11.1%	(11,280)	10.7%
Net customer loans	92,909	105,899	14.0%	121,837	15.1%	136,538	12.1%	161,860	18.5%
Loans/Deposits	78.5%	75.0%		73.8%		73.7%		74.9%	
Total interest earning assets	158,919	197,610	24.3%	226,854	14.8%	252,055	11.1%	286,632	13.7%
Other assets	9,586	11,079	15.6%	12,408	12.0%	13,277	7.0%	14,206	7.0%
Total assets	168,505	208,689	23.8%	239,263	14.7%	265,331	10.9%	300,838	13.4%
Liabilities & shareholders' equity									
Interbank	7,126	562	-92%	1,404	150%	1,545	10%	1,699	10%
Total deposits	126,471	151,879	20%	177,441	17%	199,063	12%	231,124	16%
Total Securities/ borrowings	7,491	13,912	86%	12,520	-10%	11,268	-10%	10,141	-10%
Total interest- bearing liabilities	141,088	166,352	18%	191,365	15%	211,876	11%	242,965	15%
Shareholders' funds	22,389	32,622	46%	36,682	12%	41,029	12%	46,346	13%
Average shareholders' funds	19,630	27,506	40%	34,652	26%	38,856	12%	43,688	12%
Other Liabilities	5,027	9,714	93%	11,215	15%	12,426	11%	11,527	-7%
Income Statement									
Net interest income	11,160	16,126	44.5%	18,688	15.9%	20,628	10.4%	22,727	10.2%
Net fees and commissions	2,120	2,069	-2.4%	2,379	15.0%	2,664	12.0%	3,144	18.0%
Trading income	611	331	-45.8%	347	5.0%	372	7.0%	398	7.0%
Other Income	1,050	1,503	43.1%	1,110	-26.2%	1,276	15.0%	1,468	15.0%
Total income	14,941	20,029	34.1%	22,524	12.5%	24,941	10.7%	27,737	11.2%
Total operating costs	(9,644)	(11,136)	15.5%	(12,839)	15.3%	(14,466)	12.7%	(15,533)	7.4%
Net operating income	5,297	8,893	67.9%	9,685	8.9%	10,475	8.2%	12,204	16.5%
Total loan loss provisions	(1,380)	(2,563)	85.7%	(2,278)	-11.1%	(2,358)	3.5%	(2,348)	-0.4%
Pretax profit	3,916	6,330	61.6%	7,407	17.0%	8,117	9.6%	9,857	21.4%
Tax	(456)	(952)	108.9%	(963)	1.1%	(1,218)	26.4%	(1,676)	37.6%
Net attributable profits	3,461	5,378	55.4%	6,444	19.8%	6,899	7.1%	8,181	18.6%
Per share figures									
BVPS	17.15	19.62	14.4%	19.75	0.7%	22.09	11.8%	24.95	13.0%
EPS	2.65	3.23	22.0%	3.47	7.3%	3.71	7.1%	4.40	18.6%
DPS	0.85	1.20	41.2%	1.28	7.0%	1.37	7.1%	1.54	12.2%
Key ratios									
Gross loans/deposits	78.5%	75.0%		73.8%		73.7%		74.9%	
Net loans/Total assets	55.1%	50.7%		50.9%		51.5%		53.8%	
Asset yields	14.9%	14.1%		13.4%		12.7%		12.3%	
Cost of funds	7.5%	5.9%		5.4%		4.9%		4.6%	
Net interest Margin (NIM)	7.9%	9.0%		8.8%		8.6%		8.4%	
NFI/Total income	25.3%	19.5%		17.0%		17.3%		18.1%	
Cost/income ratio	64.5%	55.6%		57.0%		58.0%		56.0%	
Provision charge (CoR)	1.4%	2.4%		2.0%		1.8%		1.6%	
NPL coverage	52.0%	55.9%		58.3%		60.4%		62.0%	
NPL ratio	12.3%	12.6%		12.0%		11.5%		10.5%	
ROAA	2.2%	2.9%		2.9%		2.7%		2.9%	
ROAE	17.6%	19.6%		18.6%		17.8%		18.7%	
Dividend payout ratio	32.1%	37.1%		37.0%		37.0%		35.0%	
Total CAR	17.8%	19.6%		19.1%		18.4%		18.1%	
Valuation data									
P/EPS (x)	9.54	7.82		7.29		6.81		5.74	
P/BVPS (x)	1.47	1.29		1.28		1.15		1.01	
Dividend yield	3.4%	4.7%		5.1%		5.4%		6.1%	

Source: NCBA IB Research forecasts, Company financials

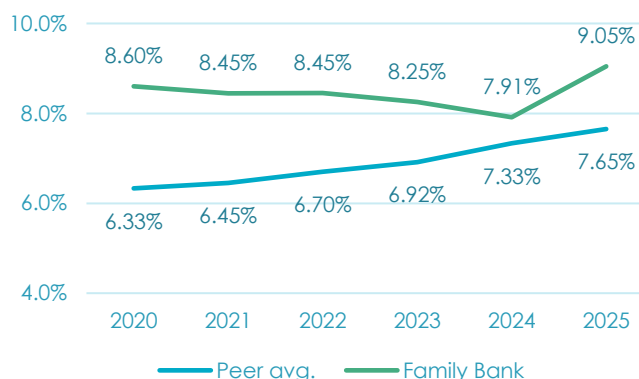
Focus charts: Family Bank vs. Peer avg. – Key metrics

Figure 18: Family Bank key ratios vs peer average, 2020-2025

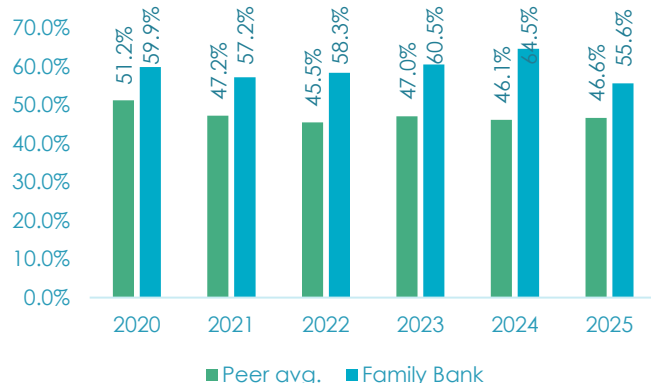
Net loans-to-total Assets



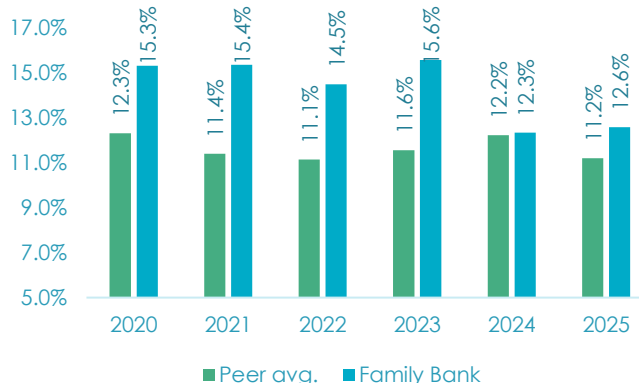
Net interest Margin (NIM)



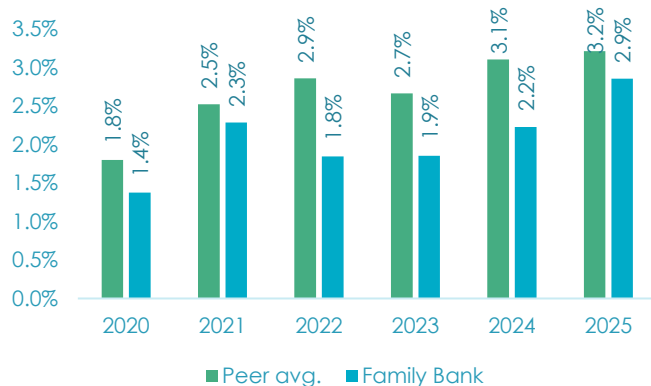
Cost-to-income ratio (CIR)



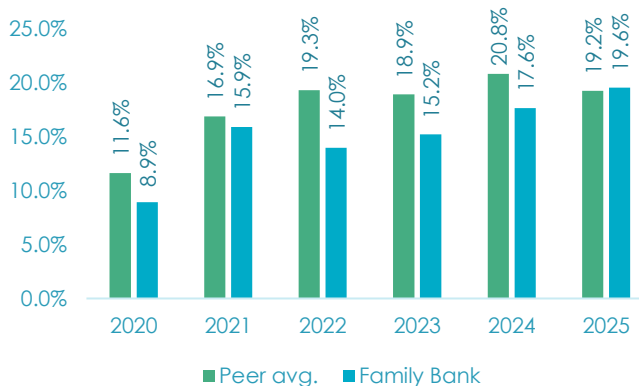
Non-Performing Loans (NPL ratio)



Return on Average Assets (RoAA)



Return on Average Equity (RoAE)



Source: Company Financials, NCBA IB Research

Family Bank - Business description

Family Bank was established in 1984 as Family Finance Building Society and later converted to a commercial bank in 2007. The bank has three wholly owned subsidiaries: Family Bank Bancassurance Intermediary Limited (FBBI), Pesapap Digital Ltd (PDL), and Family Group Foundation. Pesapap Digital serves as the bank's fintech arm, providing digital banking and payment solutions through its mobile platform (Pesapap). In terms of its distribution network, Family Bank has 96 branches spread across 32 counties, an agency network of 5,000 bank agents and 103,000 merchants on its Pesapap platform.

Shareholding structure

Below we highlight Family Bank's shareholding structure.

Figure 19: Family Bank – Shareholding structure

	2023		2025	
	No. of shares (m)	% of total	No. of shares (m)	% of total
KTDA Holdings	212	16.5%	316	19.0%
Estate of Rachael Njeri Muya	167	13.0%	167	10.1%
Daykio Plantations Limited	158	12.3%	158	9.5%
Nominee Accounts	-	-	117	7.0%
Investments & Mortgages Limited	-	-	81	4.9%
Titus Kiondo Muya	73	5.7%	73	4.4%
Others	676	52.5%	750	45.1%
Total	1,287	100%	1,663	100%

Source: Family Bank, Information Memorandum

T.K. Muya, the founding shareholder and holds a 4.42% direct stake in Family Bank. However, through his 91% ownership of Daykio Plantations Limited, he has an additional indirect economic interest equivalent to 8.67% of the bank, bringing his total effective shareholding to 13.1%. It is also worth noting that the founding family remains a significant shareholder, with a combined economic interest of 35.67%, including holdings through nominee accounts.

Prior to its listing, Family Bank undertook two equity raises, to drive balance sheet growth rather than address any capital constraints, with its capital adequacy ratio averaging 21% in 2021-22 ahead of the transactions.

Figure 20: Family Bank – Equity raises
Year
2023

Rights issue of 643mn shares at an offer price of KES 14.50 per share on a 1-for-2 basis. The offer was undersubscribed, with only 18mn shares taken up, implying a subscription rate of 2.8%.

2025

Private placement of 420mn shares at KES 14.50/share (with greenshoe option). The offer attracted applications for 552mn shares (1.3x oversubscribed), with 357m shares allocated and 194.6mn shares pending allocation (CBK approval pending). The bank raised KES8bn above its initial target of KES6Bn

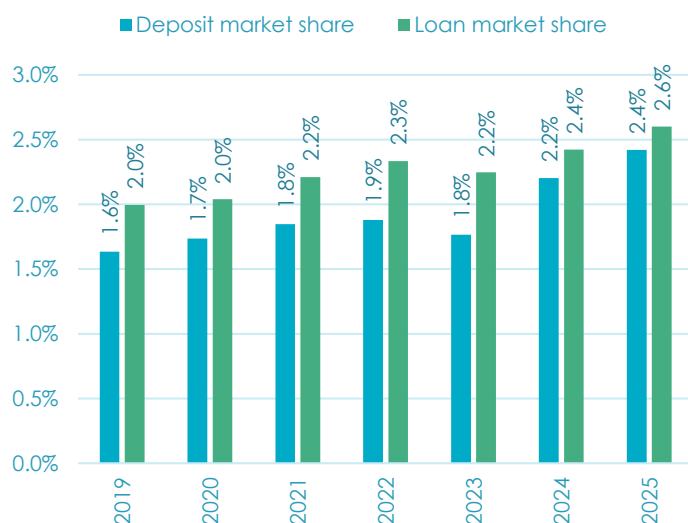
Source: Company financials

Financial performance review

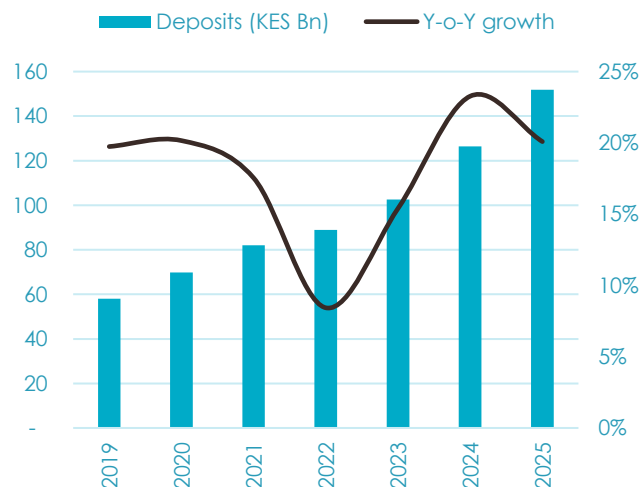
Below, we provide a breakdown of Family Bank's historical performance.

FBL has gradually increased its market position over FY19-25, with deposit market share rising from 1.6% to 2.4% and loan share from 2.0% to 2.6%.

Customer deposits grew at 17% CAGR over the period, ahead of gross loans at 13% CAGR.

Figure 21: Family Bank – Deposit and loan market share


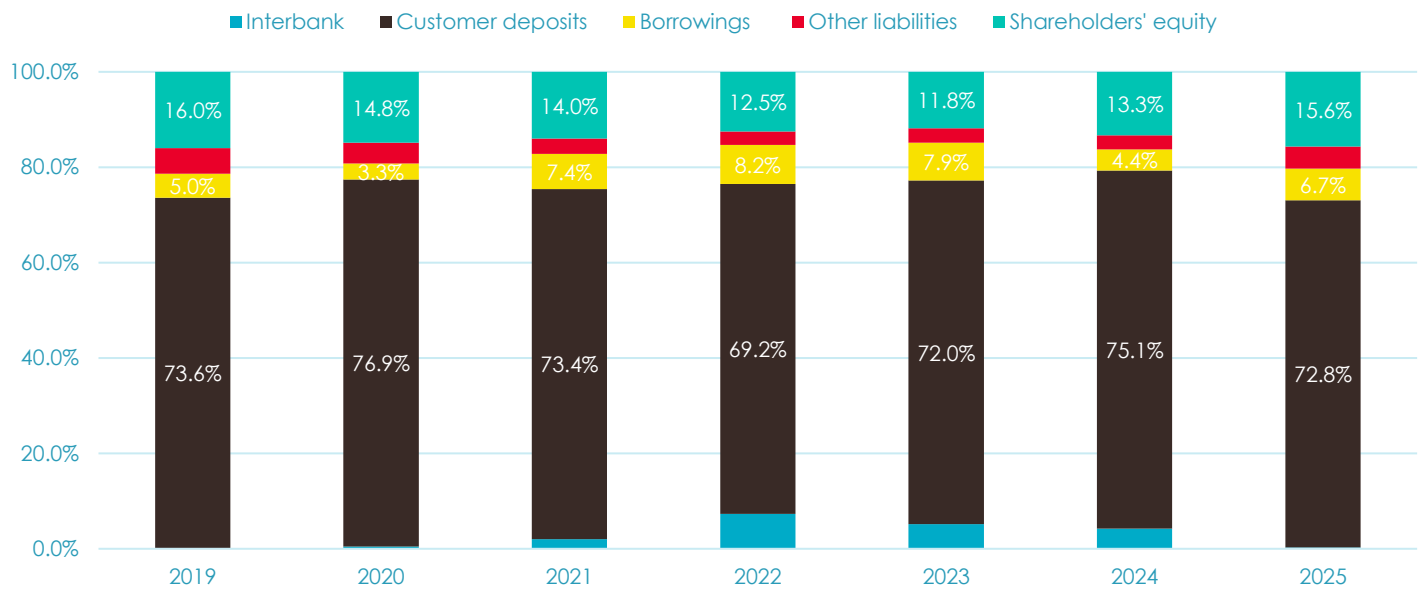
Source: Company financials, NCBA IB Research

Figure 22: Family Bank – Customer Deposits (KES bn)


Source: Company financials, NCBA IB Research

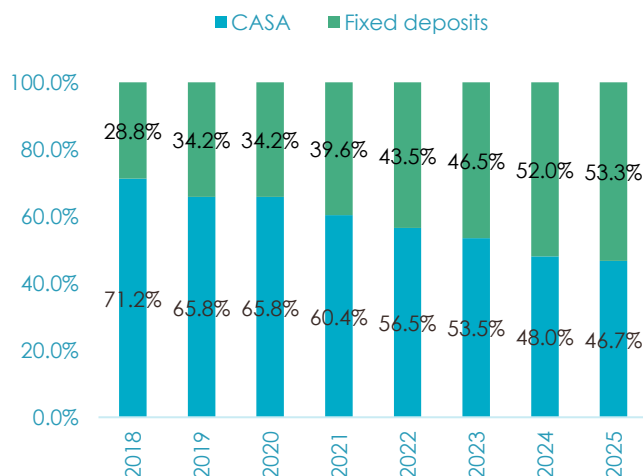
In line with its peers, FBL's funding structure is deposit driven with customer deposits accounting for 72.8% of its total funding base as of FY25.

Shareholders' equity contributed 15.6% while borrowings made up 6.7%.

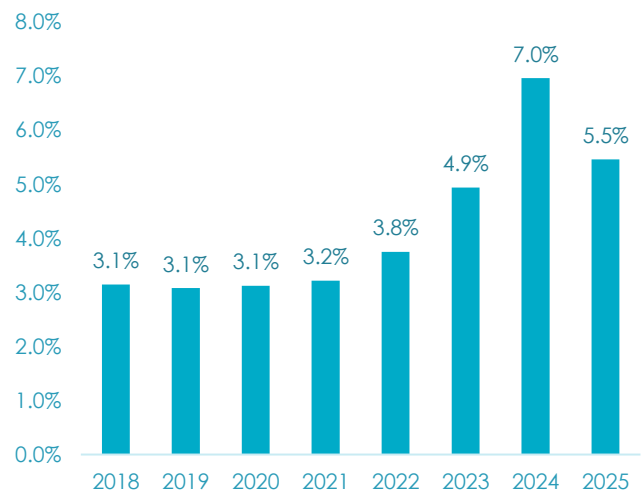
Figure 22: Family Bank – Funding Mix, 2019-2025


Source: NCBA IB Research, company financials

On customer deposits, FBL's CASA ratio contracted from 71% in FY18 to 47% in FY25, driving its cost of deposits up from 3.1% to 5.5% over the same period. This margin compression reflects shifting deposit dynamics as CASA deposits grew at a 12% CAGR, underperforming the 26% CAGR recorded in higher-cost fixed deposits.

Figure 23: Family Bank – CASA Mix, 2018-25


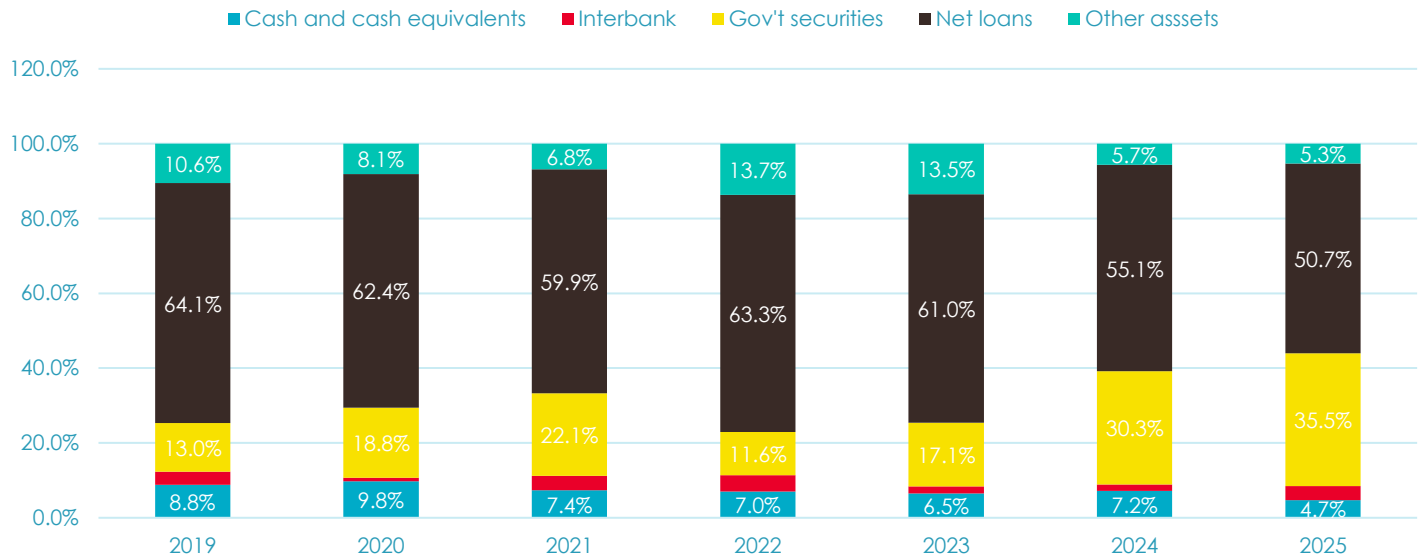
Source: Company financials, NCBA IB Research

Figure 24: Family Bank – Avg. deposit costs, 2018-25


Source: Company financials, NCBA IB Research

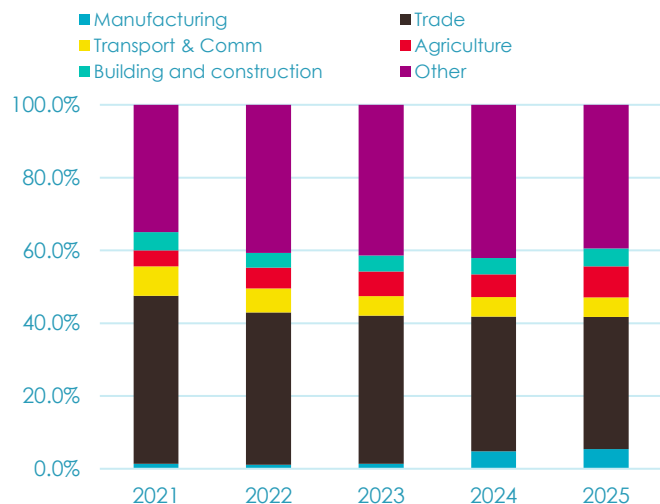
FBL's asset allocation underwent a notable de-risking over the period. Net loans as a share of total assets contracted from 64% in FY19 to 51% in FY25, while the government securities portfolio increased from 13% to 35%. We think this portfolio reallocation was driven by an opportunistic pivot to capture high risk-free sovereign yields during central bank's tightening cycle.

Figure 24: Family Bank – Asset mix, 2019-2025

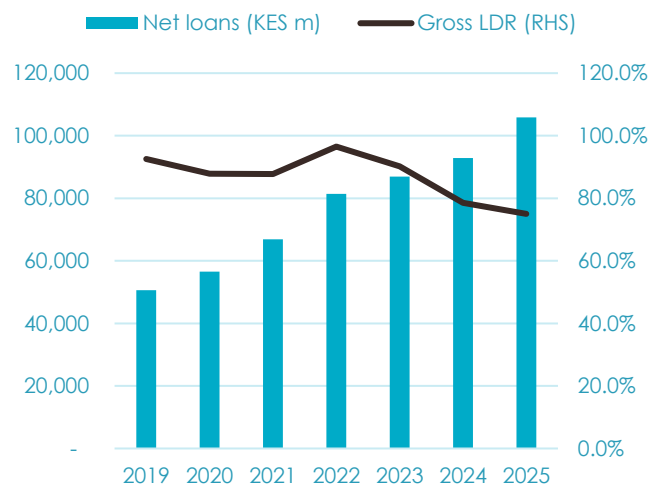


Source: NCBA IB Research, company financials

FBL's loans grew at a 13% CAGR over FY19-25. After reaching a peak LDR of 97% in FY22, the bank mobilized deposits to restore liquidity. However, this recovery was primarily driven by higher-cost term deposits which diluted the bank's funding mix and drove up overall cost of funds.

Figure 25: Family Bank – Loan sector exposure


Source: Company financials, NCBA IB Research

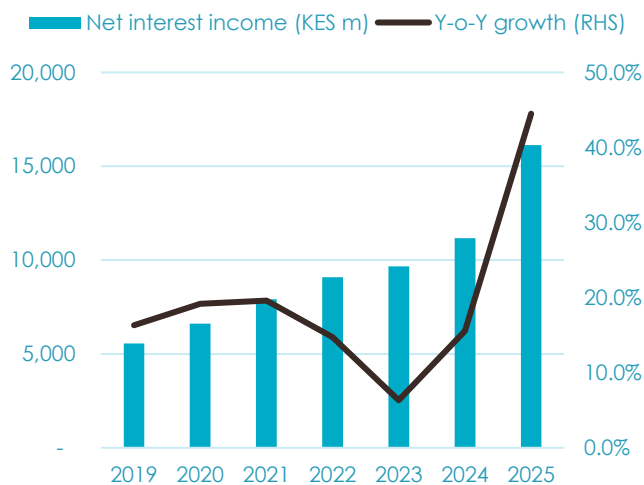
Figure 26: Family Bank – Net loans (KES m) and Gross LDR


Source: Company financials, NCBA IB Research

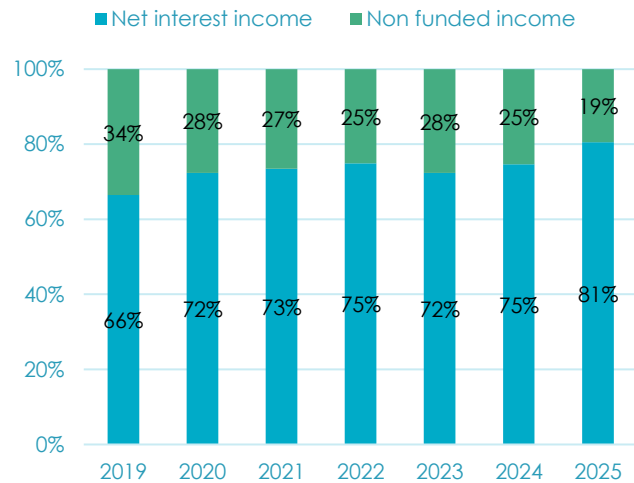
FBL's loan book is tilted toward higher-yielding retail and SME segments, which account for 80% of the loan book. This has supported its loan yields and helped offset the impact of higher funding costs, allowing the bank to preserve margins despite the deterioration in its CASA mix. Its NIM widened from 8.6% in FY19 to 9% by FY25.

Net interest income grew at a 19% CAGR over FY19-25, with FY25 accelerating to 44% Y-o-Y. This was driven by lower funding costs which declined by 160bps Y-o-Y due to deposit repricing, more than offsetting the 80bps Y-o-Y decline in blended asset yields.

In contrast, non-funded income grew at a slower 5.6% CAGR over the same period. Despite loans growing a 13% CAGR, fee and commission income has remained broadly flat at c. KES2.0bn, suggesting limited revenue capture from balance sheet growth. As a result, NIR contribution to total income declined from 34% in FY19 to 19% in FY25, increasing the bank's reliance on spread income.

Figure 27: Family Bank – Net interest income


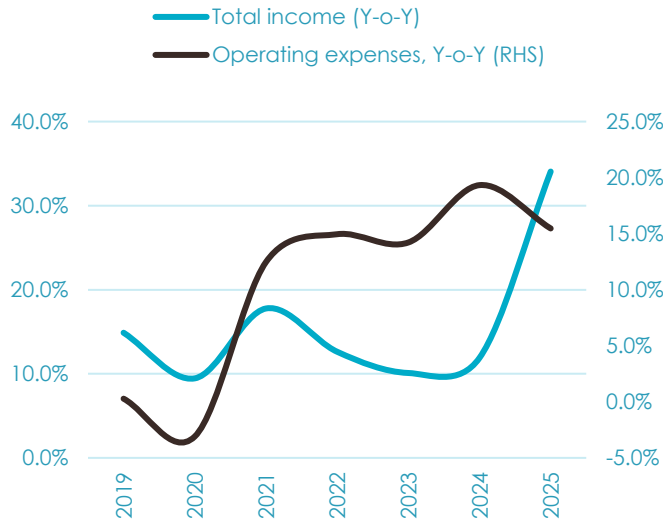
Source: Company financials, NCBA IB Research

Figure 28: Family Bank – Non-funded income mix


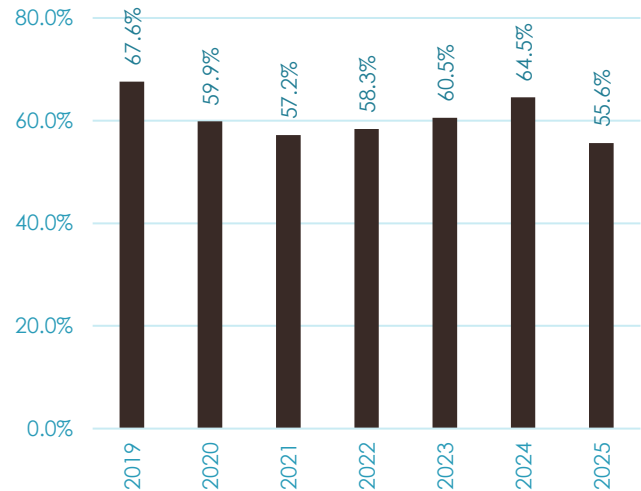
Source: Company financials, NCBA IB Research

Total income grew at a 15% CAGR over FY19-25, slightly ahead of operating expenses at 12%. Staff costs grew at 17% CAGR, despite headcount expanding at a more moderate 6.8% CAGR to 1,626 employees, suggesting some inflationary pressure in the cost base.

FBL's efficiency has moderately improved over the period, with the cost-to-income ratio declining from 68% to 56% in FY25. However, this improvement was largely driven by income growth (+34% Y-o-Y) outpacing operating expenses (+16% Y-o-Y), rather than structural cost containment.

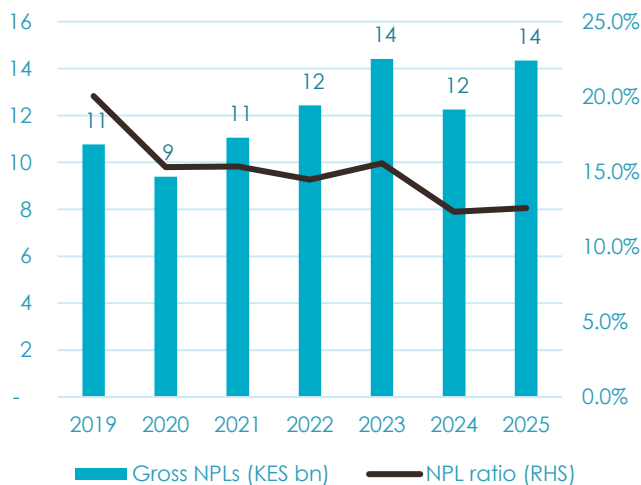
Figure 29: Family Bank – Total income vs OpEx (Y-o-Y)


Source: Company financials, NCBA IB Research

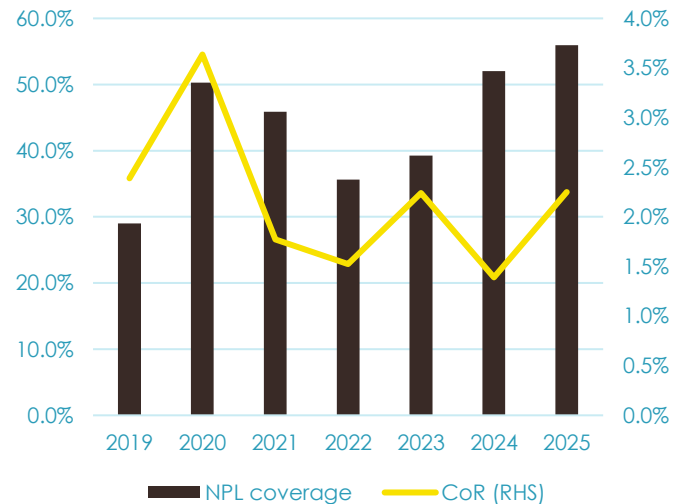
Figure 30: Family Bank – Cost-to-income ratio (CIR)


Source: Company financials, NCBA IB Research

On asset quality, FBL's NPL ratio declined to 12.6% in FY25 from 20% in FY19, as gross NPLs grew at a 4% CAGR versus 13% for loans. NPL coverage has also improved, rising to 56% from a low of 29% in FY19. In our view, the combination of subdued NPL formation and higher coverage reflects an improvement in the bank's underlying credit quality.

Figure 32: Family Bank – Gross NPLs and NPL ratio


Source: Company financials, NCBA IB Research

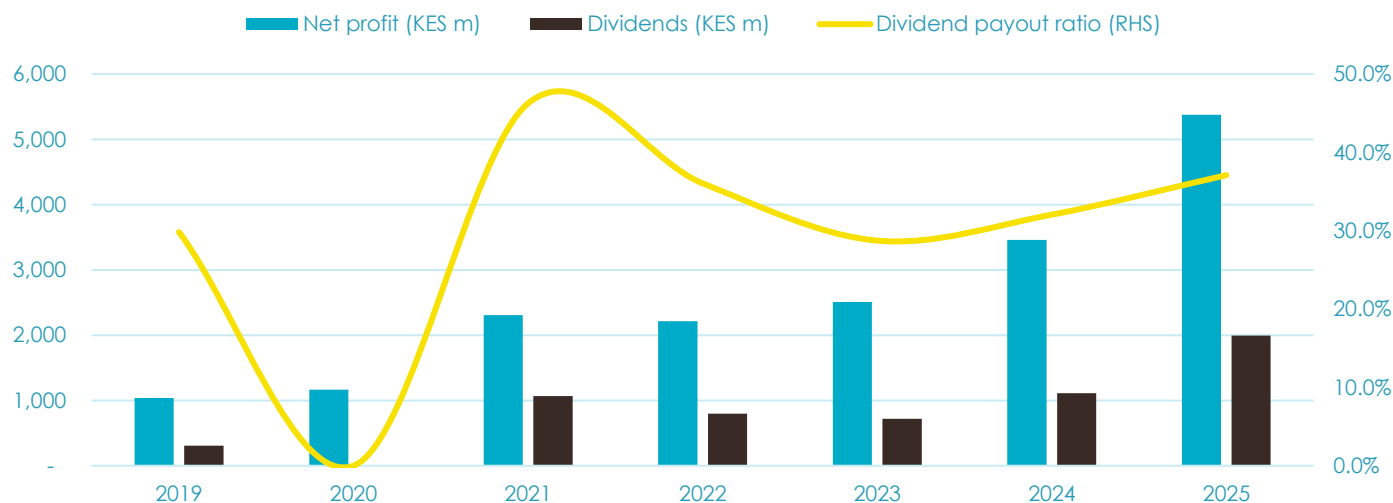
Figure 33: Family Bank – NPL coverage and CoR


Source: Company financials, NCBA IB Research

Net profit grew at a 31% CAGR over FY19-25, although we note that bulk of this growth was realized in FY25 (+55% Y-o-Y), driven by a combination of higher NIMs, which drove net interest income, and a lower effective tax rate of 15%.

On shareholder returns, FBL declared a total dividend of KES 1.9bn in FY25, representing a 37% payout ratio. This payout lands slightly above the bank's formal 30-35% policy target range and sits above its historical run-rate (averaging 30%), though it's aligned with peer-group sector norms.

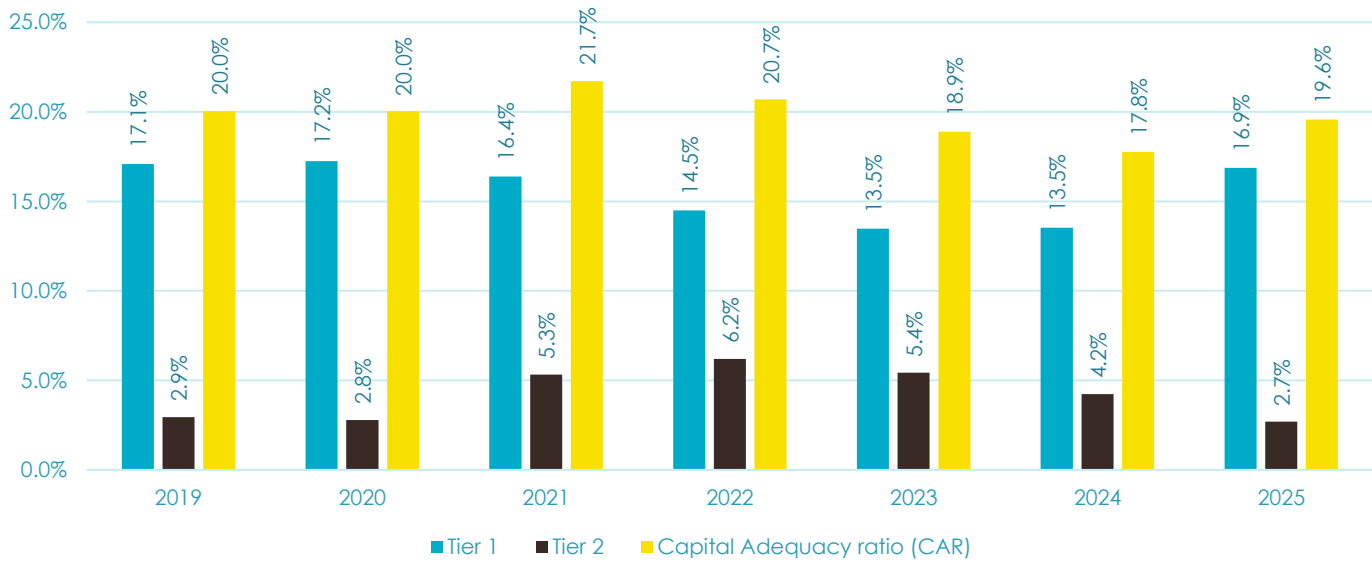
Figure 34: Family Bank – Net profit, Dividends and Dividend payout ratio, 2019-2025



Source: NCBA IB Research, company financials

FBL is well capitalized, with its CAR averaging 19.8% over FY19-25, comfortably exceeding the 14.5% regulatory minimum. Its capital position improved further as Tier 1 capital grew from 13.5% to 16.9%. This capital accretion was driven by the 2025 private placement, which optimized the bank's capital structure through a substantial increase in share capital and share premium.

Figure 35: Family Bank – Capital Adequacy Ratio (CAR)



Source: NCBA IB Research, company financials

Corporate governance

Board composition

In the tables below, we profile Family Bank's Board of Directors and selected members of senior management.

The Board comprises nine directors, including four Independent Non-Executive Directors (44% of total), four Non-Executive Directors, and the Board Chair. In our view, the composition provides an appropriate balance between independence and shareholder representation, while remaining compliant with CBK guidelines requiring at least one-third of directors to be Independent Non-Executive Directors.

The board members collectively hold 6.6% direct stake in the bank, with the founding shareholder, T.K. Muya holding 4.42%. However, TK Muya has indirect interest through Daykio Plantations Limited, in which he holds 91%, increasing his exposure in FBL by a further 8.67% stake. This brings his total economic interest to 13.1%.

Figure 36: Family Bank Board composition

Name	Role	Date Appointed	Skills/Experience	No. of shares '000 (% ownership)
Lazarus Muema	Board Chair & NED	2017	Finance professional with over 30 years of experience across Kenya and Europe, including senior leadership roles within the Shell Group. He is the founder of Penplan Services Limited and currently chairs Riscura Solutions (Kenya) Ltd and NBCI Ltd.	2,150(0.13%)
Mark Keriri	Board Vice Chair & NED	2023	Over 20 years of experience in information technology. Previously worked at Family Bank and currently serves on the boards of several companies, including Kenya Orient Insurance. He holds a Bachelor of Science degree from Duquesne University, Pittsburgh.	33,428 (2.01%)
Nancy Njau	MD &CEO	2023	Over 22 years of experience and holding several senior roles at Family Bank, including Chief Commercial Officer and Head of Retail Banking. She holds an MBA in Strategic Management, a Bachelor of Commerce (Accounting), and is a Certified Public Accountant (Kenya).	Nil
Titus K. Muya	NED	Founder	He is the founder of Family Bank, having led the institution as CEO until 2006 and later served as Non-Executive Chairman until 2012. He also holds board positions across several companies, including Kenya Orient Insurance, Kenya Orient Life Assurance, and Orient Asset Managers.	73,409 (4.42%)
Mary Mburu	INED	2020	She has experience in finance, management, and risk oversight. She holds an MBA from United States International University and is an ACCA-qualified accountant.	Nil
Peninah Kariuki	INED	2024	Over 35 years of experience in banking, finance, and economic policy, including senior roles at the African Development Bank, CBK, and IMF. She holds a PhD from the University of Sussex, an M. Phil from the University of Cambridge, and a BA in Economics from the University of Nairobi.	Nil
Hannah Mbugua	INED	2024	Over 30 years of banking experience and spent most of her career at Family Bank, rising from Teller to Senior Corporate Branch Manager. She holds a Bachelor of Arts degree from the Catholic University of Eastern Africa.	Nil
Winnie Nyamute	INED	2024	Over 30 years of experience and currently serves as a Professor of Finance and Accounting at the University of Nairobi. Her career spans academia and finance.	Nil
Baptista Kanyaru	NED	2025	He is a legal professional with over a decade of experience. He serves on the boards of KTDA Holdings, Kiegoi Tea Factory, and Igembe Tea Factory, and holds a Bachelor of Laws degree from Moi University.	Nil

NED: Non-Executive Director, INED: Independent Non-Executive Director

Source: Information Memorandum, 2025 Annual Report

Figure 37: Family Bank- Senior Management Team

Name	Role	Skills/Experience
Nancy Njau	MD & CEO	Over 22 years' experience in strategy, business transformation, and leadership, having held senior roles at Family Bank including Chief Commercial Officer and Head of Retail Banking. She holds an MBA in Strategic Management and a bachelor's degree in commerce (Accounting) and is a Certified Public Accountant of Kenya.
Paul Ngaragari	CFO	Over 18 years of experience and previously served as Chief Internal Auditor. He is a Certified Public Accountant of Kenya and holds professional certifications including CISA and CISM, alongside a Master of Science in Finance and a Bachelor of Commerce (Accounting) from the University of Nairobi.
Belinda Maghanga	COO	Over 19 years' experience in financial service and has progressed through senior roles at Family Bank, including Head of Operations and Regional Manager. She holds an MBA in International Business Management and a bachelor's degree from the University of Nairobi.
John Wachiuri	Chief Risk Officer	Over 20 years' experience in internal audit, compliance, and risk management, having held senior roles across institutions including Equity Bank and Bank of Africa. He is a Certified Public Accountant and CISA holder with an MBA in Finance from USIU and a bachelor's degree from Kenyatta University.
Veronica Muthara	Chief Credit Officer	Over 14 years of experience in credit risk, SME banking, and operations, having held roles at National Bank and Family Bank. She holds an MBA in Strategic Management from JKUAT and a bachelor's degree from Kenyatta University.
Elijah Kariuki	Chief Transformation Officer	Over 17 years of experience in banking, and human capital management. He has served in his current role since March 2025 and holds a bachelor's degree in human resource management, alongside CHRP-K, CELC and Certified Trustee qualifications.
Phyllis Kimani	Chief Retail Banking Officer	Over 18 years of experience in banking operations and business. She holds a bachelor's degree in education (Mathematics and Economics) and has completed advanced management programmes at Strathmore University, CEIBS and IESE Business School
Carlpeter Ngunuh	Chief ICT Special Projects Officer	Over 25 years of experience in IT, with expertise spanning core banking systems, cybersecurity and fintech. He holds an MBA from the University of Nairobi.
Bildard Fwanba	Chief Internal Auditor	Over 25 years of experience in internal audit, financial management and regulatory oversight, including six years at the CBK and senior leadership roles at Equity Group. He is a CPA(K) and holds a Bachelor of Commerce in Accounting from Kenyatta University.

Source: Information Memorandum

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