

Absa Bank Kenya plc Posts 14.94% PBT Growth Despite 24.61% Fall in Loan Interest Income

For the first time since 2017, Absa Bank Kenya has reported a contraction in net interest income quarter on quarter, even as the lender delivered a resilient earnings performance in Q3 2025. Profit after tax rose 14.96% to Kes. 16.92Bn, supported by stronger non-interest income and disciplined funding-cost management. Despite the dip in loan interest, reflecting a second year of muted lending, Absa held operating income steady at Kes. 46.65Bn, buoyed by an 11% rise in fees and commissions from its payments and transactional business.

The bank continued shifting toward lower-risk assets, with investment in government securities surging to Kes. 166.89Bn from Kes. 97.54Bn, helping offset softer loan yields. Total assets expanded 14.45% to Kes. 554.32Bn, while customer deposits grew 9.25% to Kes. 384.32Bn, underscoring a solid liquidity position. Although gross NPLs ticked up 3.84% to Kes. 44.31Bn, enhanced recoveries and fewer new defaults kept asset-quality pressures contained. With a strong 26.85% return on equity and a stable top-line, Absa enters the final quarter with steady momentum despite margin compression.

Income Statement

Absa Bank Kenya posted a mixed earnings performance for Q3 2025, with **net interest income (NII) declining** for the first time since 2017. NII slipped 4.58% y/y to Kes. 32.95Bn from Kes. 34.53Bn, reflecting reduced interest income and a strategic shift toward lower-risk assets. **Total interest income** fell 9.60% to Kes. 43.97Bn from Kes. 48.64Bn, mainly due to a 24.61% drop in interest from loans and advances, which declined to Kes. 32.60Bn from Kes. 40.59Bn as the lender maintained a cautious lending stance. In contrast, **returns from government securities** increased 53.50% y/y to Kes. 10.12Bn, highlighting the bank's reallocation toward stable, lower-risk Treasury assets.

Similarly, **Interest expense** eased considerably, recording a 21.90% y/y drop to Kes. 11.02Bn from Kes. 14.11Bn, supported by lower funding costs and improved deposit mix. However, the decline in yields on interest-earning assets saw the contribution of NII to total operating income soften relative to previous periods. **Non-funded income (NFI)** partly cushioned the pressure on NII, rising 11.15% y/y to Kes. 13.61Bn, supported by growth in the payments and transaction banking segments, an area that continues to strengthen Absa's revenue diversification efforts.

Total operating income closed the quarter at Kes. 46.56Bn, marking a marginal 0.46% y/y contraction from Kes. 46.69Bn. Operating expenses rose 13.04% y/y to Kes. 22.70Bn from Kes. 21.65Bn, reflecting higher staff and administrative costs. **Loan loss provisions** fell sharply by 39.73% y/y to Kes. 3.28Bn from Kes. 5.39Bn, owing to improved collections and moderation in new NPL formation. As a result, **profit before tax** climbed 14.96% y/y to Kes. 24.21Bn, while profit after tax increased 14.68% to Kes. 16.90Bn, delivering a strong return on equity of 26.85%, despite pressure on the lending book.

Recommendation:	HOLD
Bloomberg Ticker:	ABSA KN
Share Stats	
Current Price	24.90
3-Month Av	22.05
6 Month Av	20.56
12 Month Av	19.10
52 Week High - High	26.00
52 Week High - Low	10.00
Issued shares Bn	5.43
Market Cap (KES Bn)	135.21
Market Cap (USD Mn)	1.05
P/E	8.00
PB	1.43
EPS (Annualized)	3.11

Return Performance		
Periods	Absa Bank Kenya	NASI
3mtd PriceΔ(%ge)	25.13%	12.94%
6mtd PriceΔ(%ge)	42.29%	39.66%
YTD Δ(%ge)	32.10%	49.88%
Y/Y Δ(%ge)	61.17%	64.56%

NII	-4.6%
Provisions	-39.7%
Opex	-13.0%
Opex Excl. LLPs	0.9%
PBT	14.7%
PAT	14.7%
Loans	-0.5%
Govt. Securities	71.1%
Deposits	9.3%
Shareholders' Funds	22.4%

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Balance Sheet

Absa Bank Kenya registered solid balance-sheet growth in Q3 2025, with **total assets** rising 14.45% y/y to Kes. 554.32Bn from Kes. 484.35Bn, supported by an expanded investment portfolio and steady deposit accumulation.

The bank continued its strategic rotation toward **investments in government securities**, with holdings increasing 71.10% y/y to Kes. 166.89Bn from Kes. 97.44Bn, as the lender prioritized lower-risk, yield-stable assets in a soft lending environment.

This repositioning helped sustain balance-sheet strength even as **loans and advances** contracted marginally by 0.56% to Kes. 309.72Bn from Kes. 311.46Bn, reflecting subdued private-sector lending over the review period.

Customer deposits grew 9.25% y/y to Kes. 384.00Bn from Kes. 347.70Bn, underpinning the bank's liquidity position and providing a stable funding base for asset growth.

Total liabilities rose 13.00% y/y to Kes. 459.96Bn, driven largely by higher deposit volumes and funding balances.

Shareholders' funds expanded 22.04% y/y to Kes. 94.36Bn from Kes. 77.32Bn, reflecting stronger retained earnings and disciplined capital management that continues to reinforce the bank's solvency profile.

Overall, Absa's balance sheet remains robust, characterized by accelerated asset growth, healthy liquidity buffers, and strengthened capital footing, even as the bank navigates muted credit demand and evolving macroeconomic conditions.

Financial Contribution

	Absa Bank	Others
NII	98.4%	1.6%
PBT	91.1%	8.9%
PAT	91.0%	9.0%
Loans	100.0%	0.0%
Assets	99.9%	0.1%

Key Ratios

Absa's **net interest margin** (NIM) eased to 9.90% in Q3 2025 from 10.59% a year earlier, reflecting the contraction in net interest income and a softer yield environment as interest rates continue to fall. Yield on interest-earning assets also moderated to 13.31% from 14.91% in Q3 2024 as lending yields remained compressed and overall loan book performance stayed subdued. The **cost of funds** improved to 4.06% from 5.06%, signalling more efficient funding supported by lower interest expenses and a shift toward cheaper, stable customer deposits.

The income mix remained balanced, with **net interest income** contributing 71.88% of operating income compared to 73.95% last year, while non-funded income strengthened to 28.12% from 26.05%, supported by payments and trading income. Operational efficiency improved moderately, with the **cost-to-income ratio (CIR)** dropping to 48.01% from 54.95%, while the CIR excluding loan loss provisions declined to 37.60% from 37.80%, maintaining the bank's strong cost discipline.

Asset quality indicators showed marginal improvement. The **NPL ratio** increased to 12.89% from 12.52%, reflecting better recoveries and slower formation of new defaults, even though credit risk remains elevated across the sector. **Return on average equity (ROaE)** declined to 26.85% from 27.41%, sustaining strong shareholder returns, while **return on average assets (ROaA)** improved to 4.44% from 3.95%, underscoring enhanced asset productivity.

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Income Statement	Q3'24	H1'25	Q3'25	%Δ Q-Q	%Δ Y-Y
Interest Income	48.6	29.9	44.0	47.0%	(9.6%)
Interest Expense	(14.1)	(7.6)	(11.0)	45.6%	(21.9%)
NII	34.5	22.3	33.0	47.5%	(4.6%)
NFI	12.2	9.1	13.6	49.2%	11.2%
Total Income	46.8	31.5	46.6	48.0%	(0.5%)
Loan Loss provision	(8.0)	(3.2)	(4.8)	50.8%	39.7%
Total Operating expenses	(25.7)	(14.7)	(22.4)	52.5%	13.0%
Opex excl Provision	(17.7)	(11.5)	(17.5)	52.9%	0.9%
PBT	21.1	16.8	24.2	44.1%	14.9%
PAT	14.8	22.7	16.9	(25.6%)	14.7%
EPS	2.7	4.2	3.1	(25.6%)	14.7%

Balance Sheet	Q3'24	H1'25	Q3'25	%Δ Q-Q	%Δ Y-Y
Investments	97.54	162.35	166.89	2.80%	71.10%
Loans and Advances	311.46	304.94	309.72	1.57%	-0.56%
Total Assets	484.35	531.58	554.32	4.28%	14.45%
Customer Deposits	351.79	361.34	384.32	6.36%	9.25%
Total Liabilities	407.03	442.58	459.96	3.93%	13.00%
Shareholder's Funds	77.32	89.00	94.36	6.02%	22.04%

Ratios	Q3'24	H1'25	Q3'25	pp. Δ Q-Q	pp. Δ Y-Y
Yield from interest-earning assets	14.9%	13.9%	13.3%	(0.6%)	(1.6%)
Cost of funds	5.1%	4.4%	4.1%	(0.4%)	(1.0%)
Cost of risk	-17.2%	-10.2%	-10.4%	(0.2%)	6.8%
Net Interest Margin	10.6%	10.2%	9.9%	(0.3%)	(0.7%)
Net Interest Income as % of operating income	73.9%	73.5%	71.9%	(1.7%)	(2.1%)
Non-Funded Income as a % of operating income	26.1%	26.5%	28.1%	1.7%	2.1%
Cost to Income Ratio	54.9%	46.6%	48.0%	1.4%	(6.9%)
CIR without LLP	-37.8%	-36.4%	-37.6%	(1.2%)	0.2%
Cost to Assets	-3.6%	-2.2%	-3.2%	(1.0%)	0.5%
NPL Ratio	12.5%	13.1%	12.9%	(0.2%)	0.4%
Loan to Deposit Ratio	88.5%	84.4%	80.6%	(3.8%)	(7.9%)
Return on average equity	27.4%	40.6%	26.8%	(13.8%)	(0.6%)
Return on average assets	4.0%	6.5%	4.4%	(2.1%)	0.5%

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Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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