KINGDOM SECURITIES

Absa Bank Kenya Plc
Earnings Update – Q1 2026

Absa Closes Q1 2026 Earnings Season with a 13.8% Decline in EPS

The Q1'2026 earnings season comes to an end as the month retires, with Absa Bank Kenya emerging as the final listed lender to release its numbers. Predictably, the same themes continue to cut across the sector. In an environment where interest rates have stabilized and the extraordinary gains from elevated yields continue to fade, interest income remains under pressure and margins are tightening across the industry. For Absa, this was no exception.

In Q1'2026, Absa Bank Kenya's profit before tax declined 14.6% y/y to Kes. 7.49Bn from Kes. 8.77Bn, while profit after tax fell 13.8% y/y to Kes. 5.31Bn from Kes. 6.16Bn. Earnings per share similarly declined 13.8% to Kes. 0.98 from Kes. 1.13, reflecting pressure on profitability amid lower asset yields, subdued credit growth, and softer income generation.

At the bourse, however, the counter has remained an outperformer, continuing to deliver strong returns even to investors who entered as recently as the beginning of the year. Despite the earnings slowdown, the stock still presents a compelling speculative buy in the short term, not necessarily because of any underlying fundamental weakness, but largely due to the elevated momentum and valuation expansion currently characterizing the broader equities market.

Recommendation:	HOLD
Bloomberg Ticker:	ABSA KN
Share Stats	
Current Price	29.30
3-Month Av	29.93
6 Month Av	27.89
12 Month Av	24.32
52 Week High - High	32.20
52 Week High - Low	18.00
Issued shares Bn	5.43
Market Cap (KES Bn)	159.10
Market Cap (USD Mn)	1.23
P/E	29.96
PB	1.50
EPS (Annualized)	0.98

Income Statement

Absa Bank Kenya's Q1 2026 earnings with **total operating income** declining 7.0% y/y to Kes. 14.65Bn from Kes. 15.76Bn. Net interest income (NII) declined 7.8% y/y to Kes. 10.37Bn from Kes. 11.25Bn, as the decline in interest income outpaced the reduction in funding costs.

Total interest income fell 10.2% y/y to Kes. 13.52Bn from Kes. 15.05Bn, largely weighed down by a 13.2% contraction in interest income from loans, which declined to Kes. 9.97Bn from Kes. 11.49Bn amid subdued private sector credit uptake and lower lending rates. Income from government securities also eased 6.8% y/y to Kes. 2.98Bn from Kes. 3.20Bn, reflecting the repricing effect from the declining interest rate environment. However, income from placements increased significantly by 54.2% y/y to Kes. 0.57Bn from Kes. 0.37Bn.

On the liabilities side, interest expense declined by a faster rate of 17.1% y/y to Kes. 3.15Bn from Kes. 3.80Bn, supported by lower deposit costs in the easing monetary policy environment. Interest expense on customer deposits fell 19.2% y/y to Kes. 2.73Bn from Kes. 3.38Bn, while expenses on placements remained largely flat at Kes. 0.36Bn.

Non-funded income (NFI) also softened during the quarter, declining 5.1% y/y to Kes. 4.28Bn from Kes. 4.51Bn, highlighting weaker transaction-driven income streams.

Operating expenses increased 2.4% y/y to Kes. 7.16Bn from Kes. 6.99Bn, while operating expenses excluding loan loss provisions rose 3.3% y/y to Kes. 5.70Bn from Kes. 5.52Bn, reflecting continued pressure from staff and administrative costs. Loan loss provisions remained largely flat at Kes. 1.46Bn compared to Kes. 1.47Bn in Q1'2025, indicating a relatively stable credit risk environment despite the muted lending backdrop.

Return Performance		
Periods	Absa Bank Kenya	NASI
3mtd PriceΔ(%ge)	-9.01%	-4.79%
6mtd PriceΔ(%ge)	34.10%	13.63%
YTD Δ(%ge)	18.62%	10.26%
Y/Y Δ(%ge)	62.78%	53.02%

NII	-7.83%
Provisions	-0.75%
Opex	2.42%
Opex Excl. LLPs	3.26%
PBT	-14.58%
PAT	-13.78%
Loans	-1.47%
Govt. Securities	22.68%
Deposits	7.53%
Shareholders' Funds	14.75%

Balance Sheet

Total Assets: Absa Bank Kenya's balance sheet remained resilient, with total assets expanding 9.8% y/y to Kes. 571.30Bn from Kes. 520.20Bn, supported primarily by growth in investment securities and a stable funding base.

The lender continued to tilt its asset allocation toward lower-risk government securities, with **investments** increasing 22.7% y/y to Kes. 176.72Bn from Kes. 144.05Bn, reflecting a defensive positioning amid muted private sector credit demand.

Meanwhile, **loans and advances** declined marginally by 1.5% y/y to Kes. 303.84Bn from Kes. 308.38Bn, underscoring cautious lending and subdued credit uptake during the period.

On the liabilities side, **customer deposits** grew 7.5% y/y to Kes. 399.13Bn from Kes. 371.19Bn, providing a stable liquidity base to support asset growth.

Total liabilities rose 8.8% y/y to Kes. 465.21Bn from Kes. 427.65Bn, broadly in line with overall balance sheet expansion.

Encouragingly, **shareholders' funds** increased 14.8% y/y to Kes. 106.09Bn from Kes. 92.45Bn, supported by retained earnings accumulation and a strong capital position.

Interest Income	Q1 2025	Q1 2026
Loans	11.49	9.97
Government Securities	3.20	2.98
Placement	0.37	0.57
Total	**15.05**	**13.52**

Interest Expense	Q1 2025	Q1 2026
Deposits	3.38	2.73
Placements	0.36	0.36
Other Expenses	0.06	0.06
Total	**3.80**	**3.15**

Key Ratios

- Absa's net interest margin (NIM) compressed to 8.92% in Q1'2026 from 10.47% a year earlier, reflecting pressure on net interest income amid lower asset yields.
- The yield on interest-earning assets declined to 11.81% from 14.43% in Q1'2025 as lending rates repriced downward following the easing monetary policy environment.
- Encouragingly, the cost of funds improved to 3.46% from 4.68%, supported by lower deposit pricing and reduced funding costs.
- The income mix showed improved diversification, with net interest income accounting for 70.39% of operating income, down from 74.80% in Q1'2025, while non-funded income contribution increased to 29.61% from 25.20%.
- Operational efficiency weakened during the quarter, with the cost-to-income ratio (CIR) increasing to 48.87% from 44.35%. Similarly, CIR excluding loan loss provisions rose to 38.91% from 35.03%, reflecting slower income growth relative to operating expenses.
- Asset quality trends improved, with the NPL ratio easing to 11.58% from 12.94%, supported by a moderation in gross non-performing loans.
- The loan-to-deposit ratio declined to 76.13% from 83.08%, reflecting slower credit growth relative to deposit mobilization.
- In terms of profitability metrics, return on average equity (ROaE) declined to 22.22% from 25.17%, while return on average assets (ROaA) eased marginally to 4.04% from 4.14%, highlighting softer profitability during the quarter.

KINGDOM SECURITIES

Tables and Charts

Balance Sheet	Q1 2025	Q1 2026	%Δ Y-Y
Investments	144.05	176.72	22.68%
Loans and Advances	308.38	303.84	-1.47%
Total Assets	**520.20**	**571.30**	9.82%
Customer Deposits	371.19	399.13	7.53%
Total Liabilities	427.65	465.21	8.78%
Shareholder's Funds	**92.45**	**106.09**	14.75%

Income Statement	Q1 2025	Q1 2026	%Δ Y-Y
Interest Income	15.05	13.52	-10.18%
Interest Expense	(3.80)	(3.15)	-17.13%
NII	11.25	10.37	-7.83%
NFI	4.51	4.28	-5.08%
Total Income	**15.76**	**14.65**	**-7.04%**
Loan Loss provision	(1.47)	(1.46)	-0.75%
Total Operating expenses	(6.99)	(7.16)	2.42%
Opex excl Provision	(5.52)	(5.70)	3.26%
PBT	**8.77**	**7.49**	**-14.58%**
PAT	**6.16**	**5.31**	**-13.78%**
EPS	**1.13**	**0.98**	**-13.78%**

Ratios	Q1 2025	Q1 2026	pp. Δ Y-Y
Yield from interest-earning assets	14.43%	11.81%	-2.62%
Cost of funds	4.68%	3.46%	-1.22%
Cost of risk	9.33%	9.96%	0.63%
Net Interest Margin	10.47%	8.92%	-1.55%
Net Interest Income as % of operating income	74.80%	70.39%	-4.40%
Non-Funded Income as a % of operating income	25.20%	29.61%	4.40%
Cost to Income Ratio	44.35%	48.87%	4.51%
CIR without LLP	35.03%	38.91%	3.88%
Cost to Assets	-1.06%	-1.00%	0.06%
NPL Ratio	**12.94%**	**11.58%**	**-1.37%**
Loan to Deposit Ratio	83.08%	76.13%	-6.95%
Return on average equity	25.17%	22.22%	-2.96%
Return on average assets	4.14%	4.04%	-0.10%

KINGDOM SECURITIES

Research analyst certification:

The research analyst(s) primarily responsible for the preparation and content of all or any identified portion of this research report hereby certifies that all the views expressed herein accurately reflect their personal views. Each research analyst(s) also certify that no part of their compensation was, is, or will be, directly or indirectly, related to the view(s) expressed by that research analyst in this research report.

Terms of use – Disclaimer:

This research report has been prepared by Kingdom Securities Limited and is for information purposes only. This research report should not be construed as an offer or solicitation to sell or buy any investment or product. Any opinions expressed herein reflect the analyst's judgment at the date of publication and neither Kingdom Securities Limited, nor any of its affiliates or employees accepts any responsibility in respect of the information or recommendations contained herein. Unless otherwise stated, the opinions contained in this material are as of the date indicated and are subject to change at any time without prior notice. Past performance is not a guarantee or indication of future results.

The information and opinions contained in this Material have been derived from sources believed to be reliable and in good faith or constitute Kingdom Securities' judgement as at the date of this research but no warranty is made as to their accuracy and any opinions are subject to change and may be superseded without notice. In no circumstances will Kingdom Securities or its employees be liable to you for any errors or omissions in this report or for any losses you may incur in following any recommendations in the report. Kingdom Securities is a Subsidiary of Co-operative Bank of Kenya.

Recommendation Guide:

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.

Kingdom Securities Ltd – A subsidiary of Co-operative Bank Limited. Co-operative Bank House- 5th Floor, P.O Box 48231 - 00100 Nairobi, Kenya

Office: 0711049039

Email: kingdomresearch@co-opbank.co.ke

Research Department		Equities Trading	
Stellah Swakei	sswakei@co-opbank.co.ke		
Chrisanthus Lunani	clunani@co-opbank.co.ke	**Asena Moffat**	amoffat@co-opbank.co.ke