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Absa Bank Kenya Plc Earnings Update – H1 2026

Absa Group More Than Doubles Interim DPS as Earnings Contract: EPS Drops 9.8%y/y

Absa Group reported a 15.8%y/y decline in profit before tax to Kes. 14.15Bn from Kes. 16.80Bn, while profit after tax fell 9.8% to Kes. 10.53Bn from Kes. 11.67Bn. EPS similarly declined 9.8% to Kes. 1.94 from Kes. 2.15. Despite the weaker earnings performance, the Bank maintained its commitment to shareholder returns, declaring an interim dividend of Kes. 0.50 per share, up 150.0% from Kes. 0.20 in H1 2025. The dividend is payable on or about 15 October 2026 to shareholders on the register as at 18 September 2026.

The bigger story, however, is the 150.0% jump in the interim dividend, marking a notable shift from the usual Kes. 0.20 payout and reinforcing management's indication that it intends to raise the payout ratio in 2026. The results also come against the backdrop of Absa Group's decision to increase its stake in Absa Kenya, which we view as a vote of confidence in both the Kenyan economy and the Bank's long-term prospects. The transaction is progressing, with the company awaiting specific regulatory approvals before publishing the buyout results and outlining the subsequent steps. That said, we maintain a wait-and-see stance on the counter as the transaction progresses and the Bank's earnings trajectory becomes clearer.

Recommendation:	**HOLD**
Bloomberg Ticker:	**ABSA KN**
Share Stats	
Current Price	34.15
3-Month Av	31.63
6 Month Av	30.86
12 Month Av	27.18
52 Week High - High	34.15
52 Week High - Low	19.60
Issued shares Bn	5.43
Market Cap (KES Bn)	185.43
Market Cap (USD Mn)	1.43
P/E	17.61
PB	1.50
EPS	1.94

Income Statement

Total Income: Absa Bank Kenya's H1 2026 performance remained under pressure from the easing interest rate environment, with total income declining 6.8% y/y to Kes. 29.33Bn from Kes. 31.46Bn in H1 2025. Net interest income (NII) declined 5.4% to Kes. 21.14Bn from Kes. 22.34Bn, while non-funded income (NFI) fell 10.2% to Kes. 8.19Bn from Kes. 9.12Bn.

Interest Income: Total interest income declined 8.5% y/y to Kes. 27.37Bn from Kes. 29.91Bn. Interest income from loans fell 9.1% to Kes. 20.33Bn from Kes. 22.38Bn, reflecting lower lending yields as interest rates continued to reprice downwards. Income from government securities also declined 9.2% to Kes. 6.01Bn from Kes. 6.62Bn.

Interest Expense: Interest expense declined at a faster pace, falling 17.7% y/y to Kes. 6.23Bn from Kes. 7.57Bn. The improvement was largely driven by a 19.8% decline in interest expense on customer deposits to Kes. 5.34Bn from Kes. 6.66Bn. The reduction in funding costs provided an important cushion against the pressure on asset yields even as management highlighted a stronger transactional deposit mix, with CASA accounting for 75% of the deposit book.

Non-funded income: NFI declined 10.2% to Kes. 8.19Bn from Kes. 9.12Bn. However, the headline decline masks some resilience in the underlying business, with management noting that NFI excluding FX and trading increased by 9%, while income from new businesses grew by 24% y/y.

Operating expenses: Total operating expenses increased 3.5% y/y to Kes. 15.17Bn from Kes. 14.66Bn, while operating expenses excluding loan loss provisions rose 5.6% to Kes. 12.10Bn. The increase reflects continued investment in talent, technology and the operating model, with management noting investments of Kes. 720Mn in operating model redesign and Kes. 749Mn in digital capabilities.

Return Performance		
Periods	**Absa Bank Kenya**	**NASI**
3mtd PriceΔ(%ge)	21.53%	17.21%
6mtd PriceΔ(%ge)	14.41%	12.15%
YTD Δ(%ge)	38.26%	29.26%
Y/Y Δ(%ge)	71.61%	44.99%

NII	-5.38%
Provisions	-4.11%
Opex	3.51%
Opex Excl. LLPs	5.64%
PBT	-15.77%
PAT	-9.75%
Loans	8.18%
Govt. Securities	-1.89%
Deposits	5.35%
Shareholders' Funds	10.08%

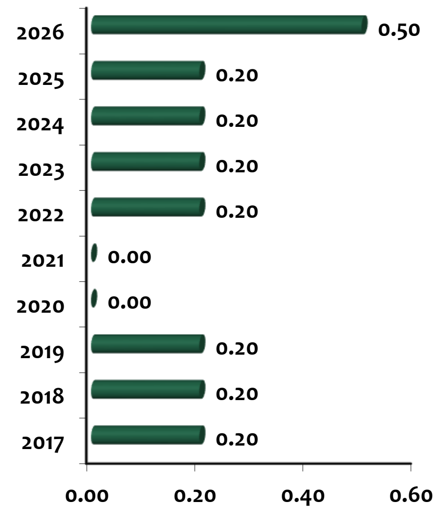
Balance Sheet

Total Assets: Absa Bank Group's balance sheet expanded by 5.0% y/y to Kes. 558.12Bn from Kes. 531.58Bn, supported by renewed momentum in customer assets. **Loans and Advances** grew 8.2% y/y to Kes. 329.87Bn from Kes. 304.94Bn, marking a notable recovery from the contraction seen in the earlier period. Management attributed the growth to increased customer demand and highlighted continued focus on accelerating asset growth across strategic sectors.

Investments declined marginally by 1.9% to Kes. 159.28Bn from Kes. 162.35Bn. However, government securities increased to Kes. 120.5Bn from Kes. 118.7Bn, indicating that the Bank continued to maintain a diversified balance sheet while directing greater resources toward customer lending.

Customer Deposits increased 5.4% y/y to Kes. 380.68Bn from Kes. 361.34Bn, providing a stable funding base for the renewed loan growth. Importantly, transactional balances increased by 18%, while the Bank continued to optimize its deposit structure to lower funding costs.

Absa Group Interim DPS History (Kes)



Key Ratios

- Net interest margin (NIM) declined to 8.64% from 10.22%, reflecting the continued pressure on asset yields as interest rates repriced downward.
- Yield on interest-earning assets fell to 11.32% from 13.91%, consistent with the easing rate environment.
- Cost of funds improved significantly to 3.28% from 4.40%, providing an important offset to the decline in asset yields.
- NFI contribution increased to 28.93% of operating income from 26.46%, reflecting the Bank's continued efforts to diversify revenue sources.
- Cost-to-income ratio increased to 51.74% from 46.60%, while CIR excluding loan loss provisions rose to 41.25% from 36.40%, largely reflecting investments in talent, technology and operating-model transformation. Management, however, highlighted continued efficiency gains and a medium-term target of bringing CIR into the 40s.
- Cost of risk increased marginally to 10.50% from 10.20% based on the supplied ratio table, although the Bank's loan loss rate improved to 1.9% from 2.1%, reflecting better collection outcomes.
- NPL ratio improved significantly to 10.24% from 13.23%, reinforcing the improvement in portfolio quality. Coverage also strengthened to 69% from 67%, highlighting a more prudent approach to credit risk management.
- Loan-to-deposit ratio increased to 86.65% from 84.39%, reflecting the faster growth in loans relative to deposits.
- Return on average equity (ROaE) declined to 23.28% from 26.97%, while ROaA eased to 4.00% from 4.31%, consistent with the softer earnings environment.

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Tables and Charts

Balance Sheet	H1'25	H1 2026	%Δ Y-Y
Investments	162.35	159.28	-1.89%
Loans and Advances	304.94	329.87	8.18%
Total Assets	**531.58**	**558.12**	4.99%
Customer Deposits	361.34	380.68	5.35%
Total Liabilities	4.27	5.30	24.12%
Shareholder's Funds	442.58	460.14	3.97%

Income Statement	H1'25	H1 2026	%Δ Y-Y
Interest Income	29.91	27.37	-8.49%
Interest Expense	(7.57)	(6.23)	-17.69%
NII	22.34	21.14	-5.38%
NFI	9.12	8.19	-10.23%
Total Income	**31.46**	**29.33**	**-6.78%**
Loan Loss provision	(3.21)	(3.08)	-4.11%
Total Operating expenses	(14.66)	(15.17)	3.51%
Opex excl Provision	(11.45)	(12.10)	5.64%
PBT	**16.80**	**14.15**	-15.77%
PAT	**11.67**	**10.53**	-9.75%
EPS	**2.15**	**1.94**	-9.75%
DPS	**0.20**	**0.50**	150.00%

Ratios	H1'25	H1 2026	pp. Δ Y-Y
Yield from interest-earning assets	13.91%	11.32%	-2.58%
Cost of funds	4.40%	3.28%	-1.12%
Cost of risk	10.20%	10.50%	0.29%
Net Interest Margin	10.22%	8.64%	-1.57%
Net Interest Income as % of operating income	73.54%	71.07%	-2.46%
Non-Funded Income as a % of operating income	26.46%	28.93%	2.46%
Cost to Income Ratio	46.60%	51.74%	5.15%
CIR without LLP	36.40%	41.25%	4.85%
Cost to Assets	-2.15%	-2.17%	-0.01%
NPL Ratio	**13.23%**	**10.24%**	**-2.99%**
Loan to Deposit Ratio	84.39%	86.65%	2.26%
Return on average equity	26.97%	23.28%	-3.69%
Return on average assets	4.31%	4.00%	-0.32%

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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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