Absa Bank Kenya Plc
FY 2025 Earnings Note

Analyst:

Malia Opiyo
maliamapenzi@fib.co.ke

Team Email:

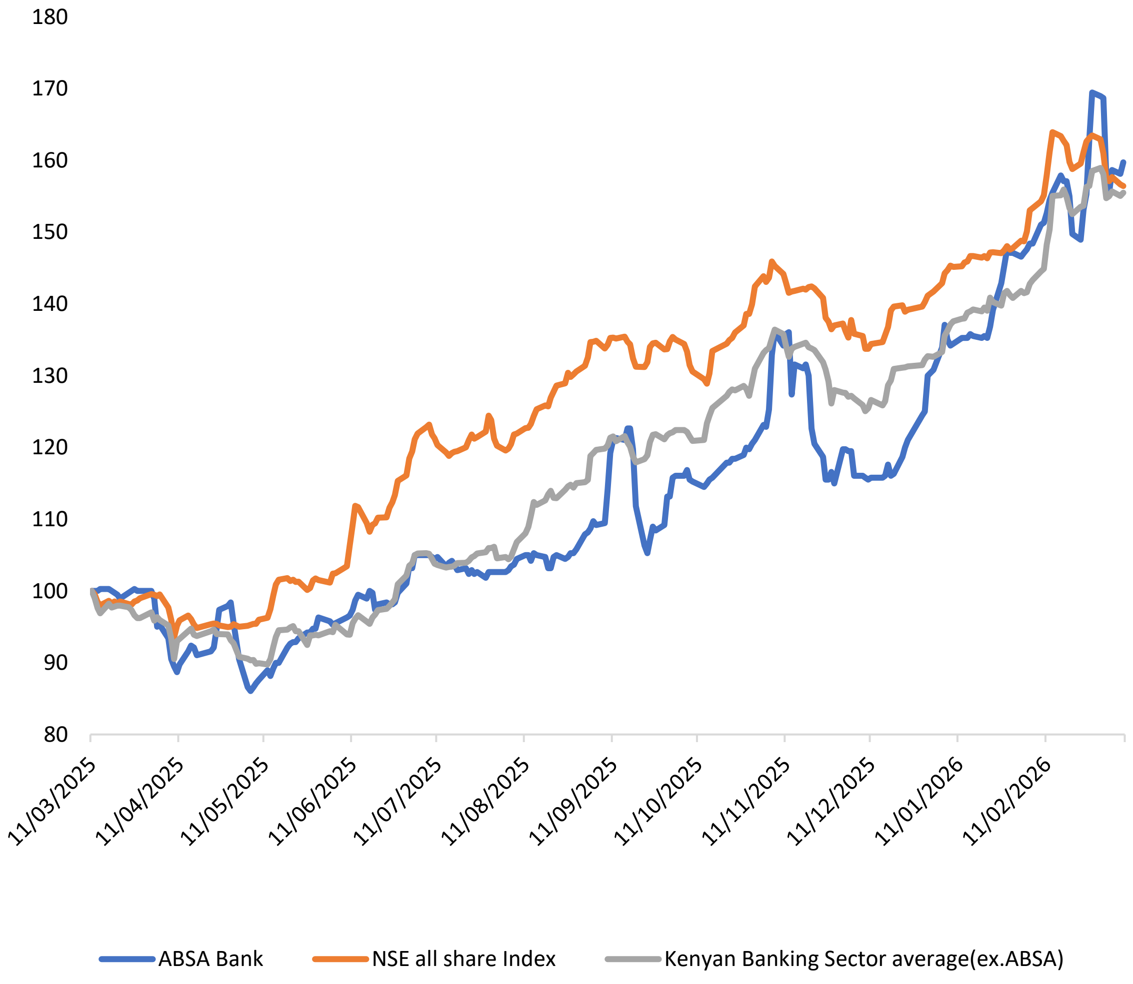
research@fib.co.ke

Crawford Business Park
Ground Floor
State House Road

Tel: 0207606026-37
P.O. Box 45236-00100 Nairobi
Website: www.fib.co.ke

Summary

Normalised share price of ABSA Bank vs the Market and other Banking peers



Source: Bloomberg

Last Price –10th March 2026 in KES	30.35
Valuation Estimate in KES :	34.00
Upside	12.02%
Recommendation	**BUY**
52-Week High	33.00
52-Week Low	15.00
52-Week Price Return	76.1%
Year-to-Date Price Return	23.1%
Price to Earnings Ratio (P/E)	7.19
Price to Book Ratio (P/B)	1.75

Source: Bloomberg and Faida Analysis

We recommend a Buy on ABSA Kenya with a fair value of KES 34.00, representing an **upside of 12.02%** on the 10th March 2025 closing price of KES 30.35.

The Group had a strong FY 2025 results, bolstered by a healthy balance sheet, diversified non-interest income streams, and disciplined cost management. The bank reported a Profit After Tax (PAT) of KES 22.91 billion, a 10% y-o-y increase from KES 22.88 billion in 2024, translating to a sustainable Return on average Equity (ROaE) of 24.7%.Management maintains top-priority on operational efficiency, investing in customer centric products with a focus on raising dividend payout ratio to 55% from 50% for its shareholders.

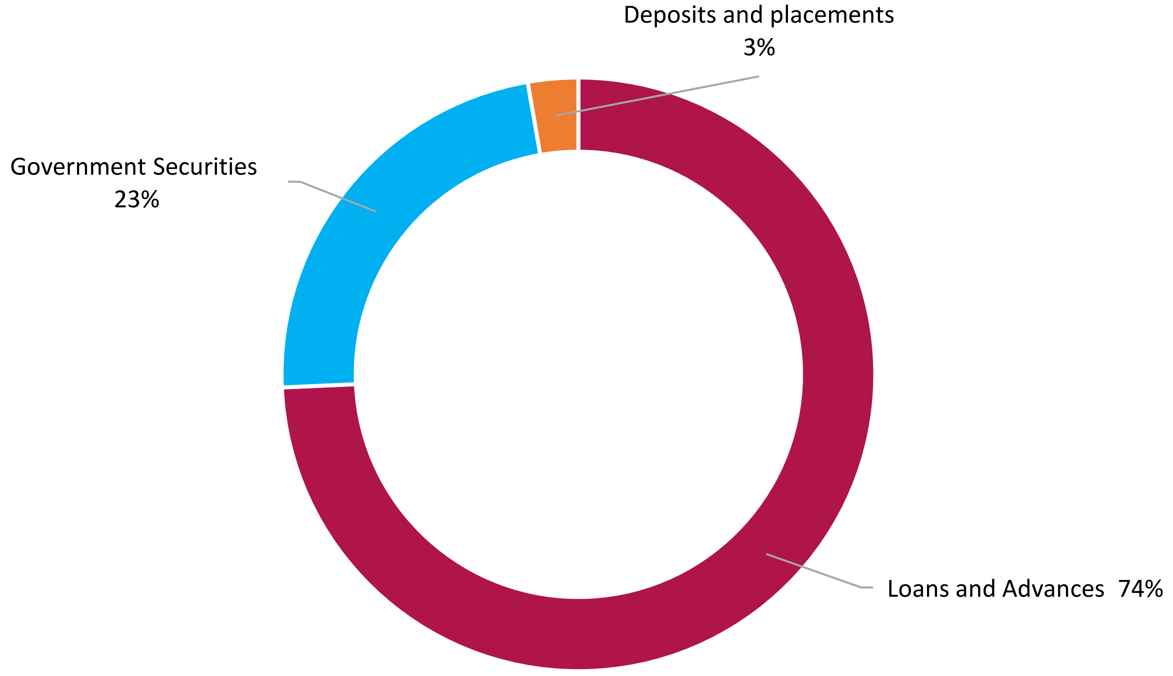
Interest Income

Interest income declined by 10.9% to KES 57.67 billion from KES 64.73 billion in FY 2024.This was primarily driven by a significant drop of 19.7% in loans and advances to KES 42.85 billion in FY 2025 from KES 53.38 billion in FY 2024.

Income from government securities grew by 40.9% to KES 13.25 billion in FY 2025 from KES 9.40 billion.

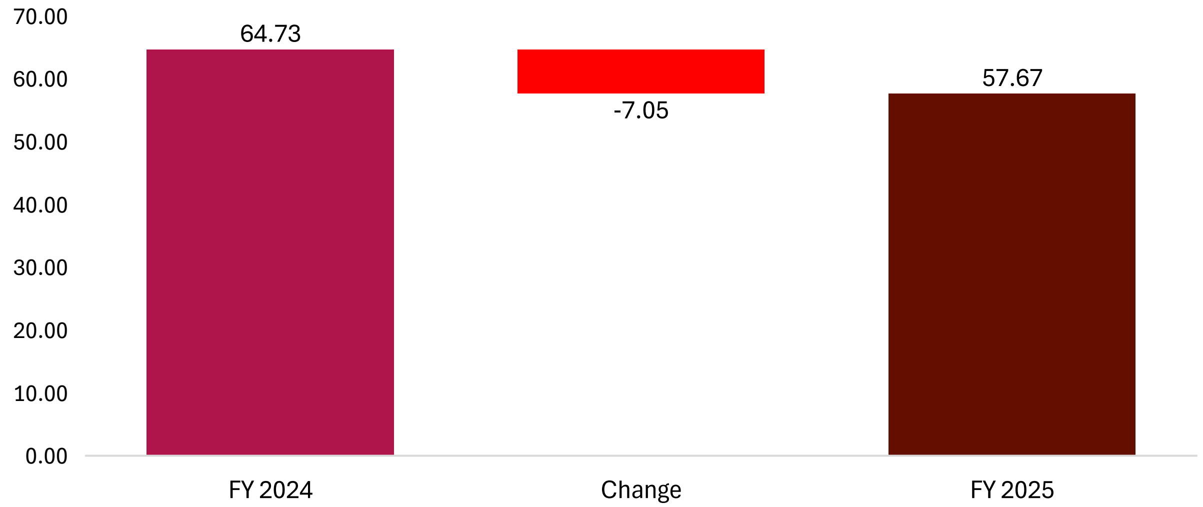
Deposits and placements declined by 19.2% to KES 1.58 billion from KES 1.95 billion in FY 2024.

Interest Income Composition in FY 2025(%)



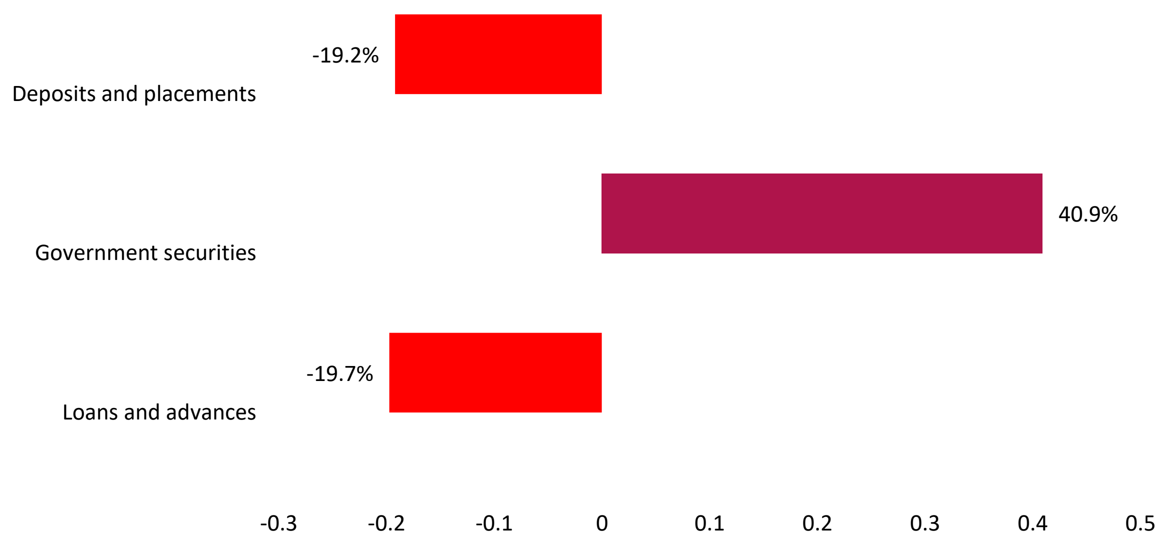
Source: Company Financials

Decline in interest income in FY 2025(KES billions)



Source: Company Financials

Interest income growth rate(%)



Source: Company Financials

Interest Expense

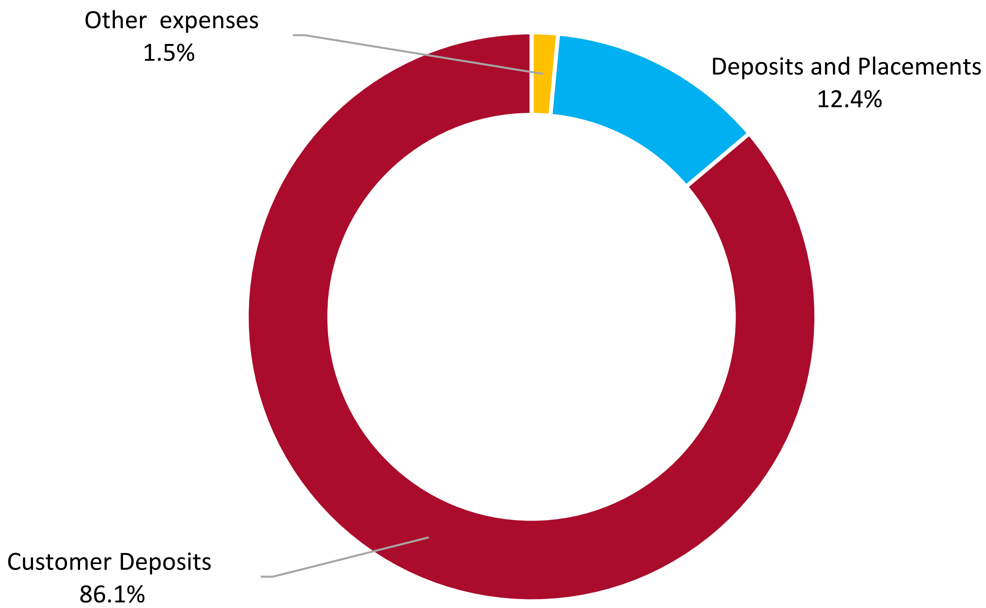
Total interest expense declined by 10.1% to KES 14.38 billion from KES 18.50 billion in FY 2024.

Interest on customer deposits dipped by 30.0% to KES 12.39 billion in FY 2025 from KES 17.96 billion in FY 2024.

Interest on deposits and placements with banking institutions surged by 524.2% from KES 284.86 million in FY 2024 to KES 1.78 billion in FY 2025.

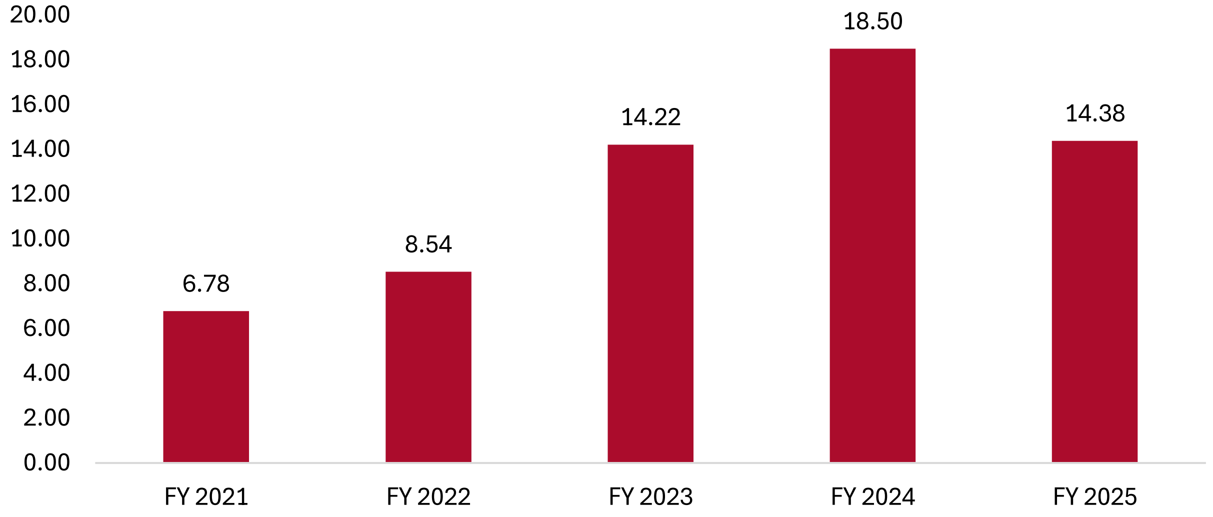
Other interest expenses contracted by 16.3% to KES 214.42 million in FY 2025 from KES 256.13 million in FY 2024.

Interest expense composition(%)



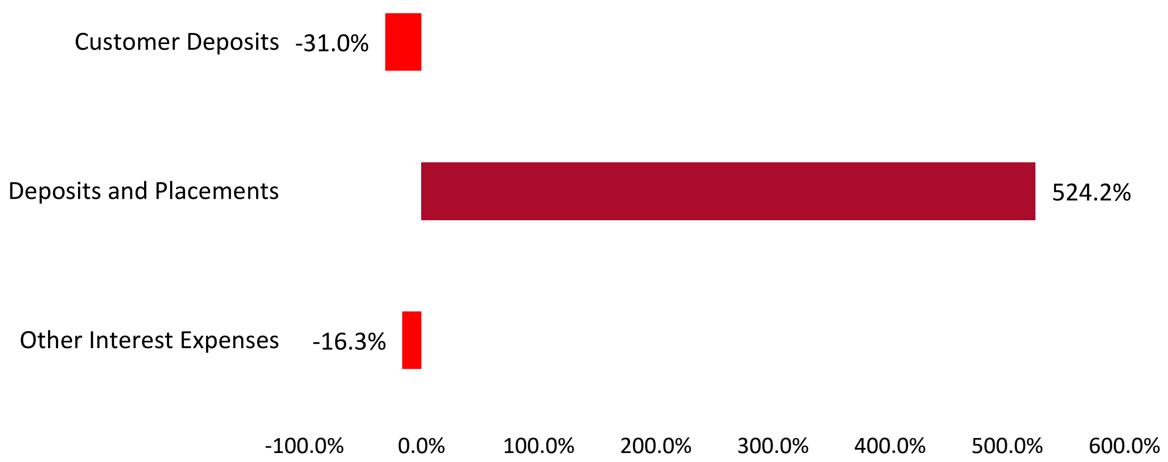
Source: Company Financials

Total interest expense(KES billions)



Source:Company financials

Interest Expense growth rate (%)

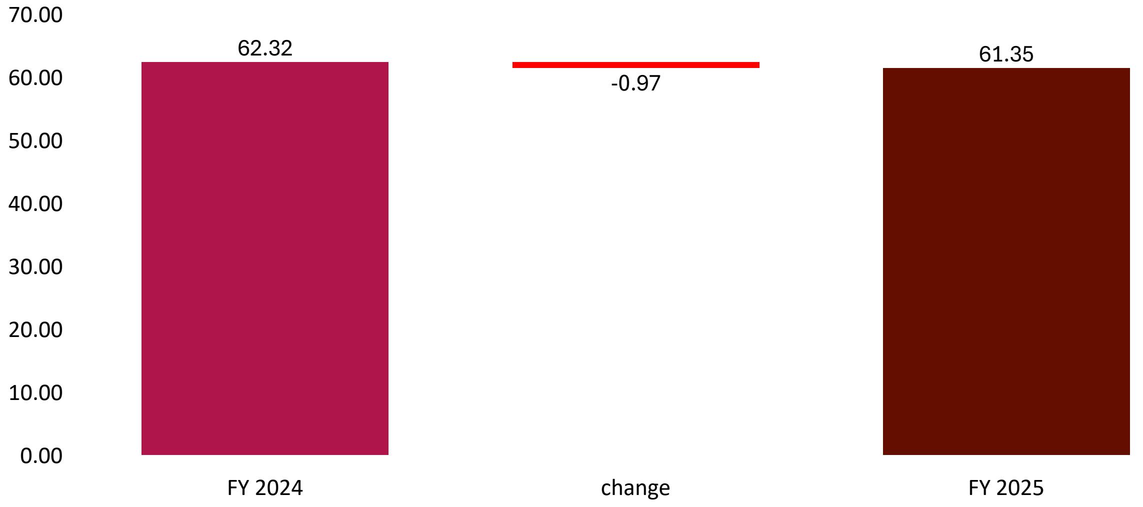


Source: Company Financials

Net Interest Income & Non-funded Income

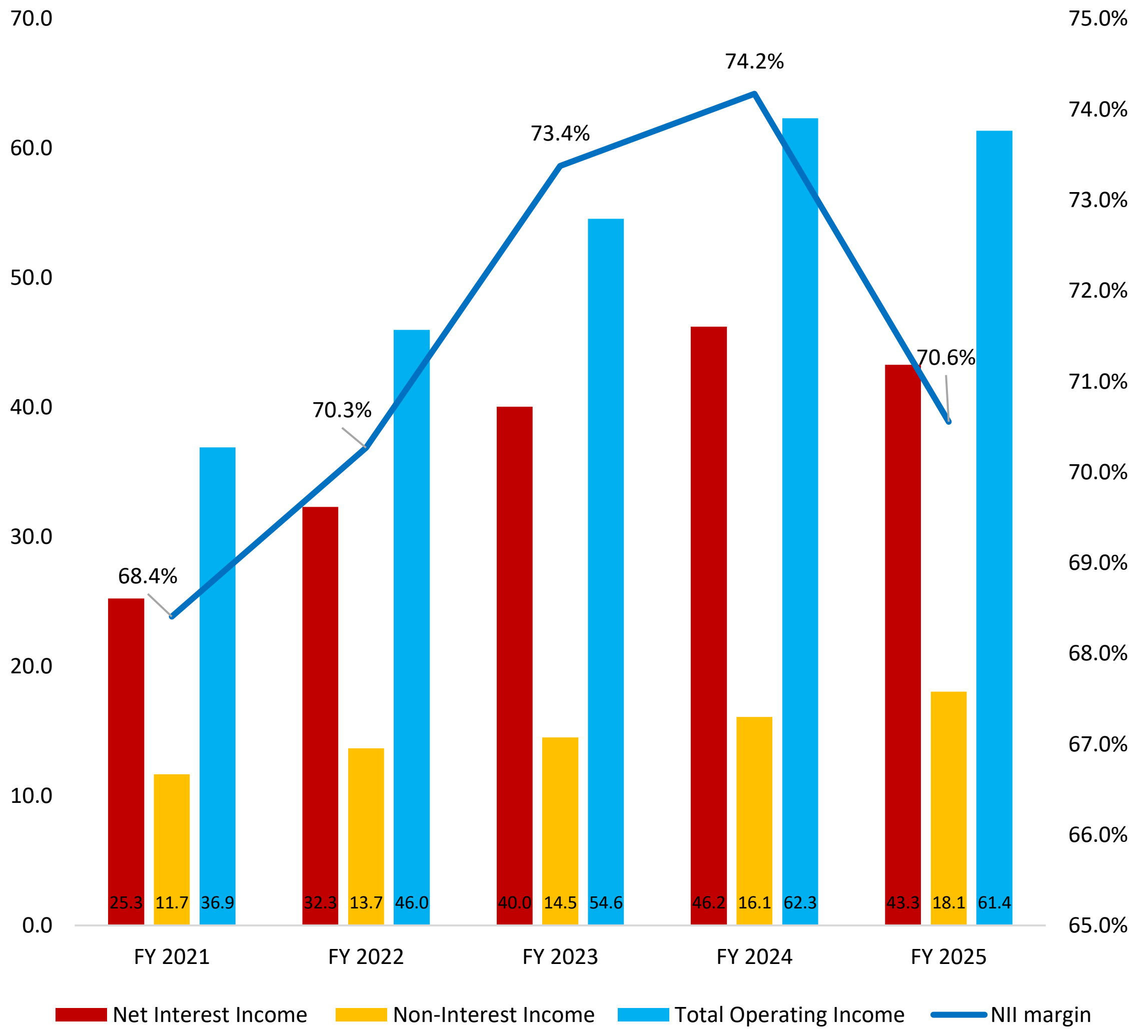
Net interest income declined by 6.36% to KES 43.29 billion in FY 2025 from KES 46.29 billion in FY 2024.
Non-funded income rose by 12.23% to KES 18.06 billion from KES 16.10 billion. This was primarily driven by a significant 22.77% increase in other fees and commissions on loans and advances which rose to KES 7.41 billion from KES 6.04 billion in FY 2024.
Fees and commissions income on loans and advances had a slight increase of 1.99% to KES 1.43 billion in FY 2025 from KES 1.41 billion in FY 2024.
Other income surged by 25.67% to KES 3.27 billion in FY 2025 from KES 2.61 billion in FY 2024.
Foreign exchange trading income dipped by 170 bps to KES 5.94 billion from KES 6.04 billion in FY 2024.
Despite the slight increase in other fees and commissions and other income, the overall impact led to a contraction in total operating income by 1.56% to KES 61.35 billion in FY 2025 from KES 62.32 billion.

Change in operating income(KES billions)



Source: Company Financials

Net interest income, Non-funded income (KES billions) & NII Margin(%)



Source: Company Financials

Operating expenses

Total Operating expenses declined by 12.2% to KES 28.62 billion in FY 2025 from KES 32.60 billion in FY 2024,reflecting a reduction of KES 3.92 billion. The drop was primarily driven by a sharp drop of 31.8% in loan loss provision which fell to KES 6.20 billion from KES 9.10 billion in FY 2024.

Director emoluments surged by 4.99% to KES 268.30 million from KES 255.54 million in FY 2024.

Rental charges rose by 57.32% to KES 108.14 million from KES 68.74 million in FY 2024.

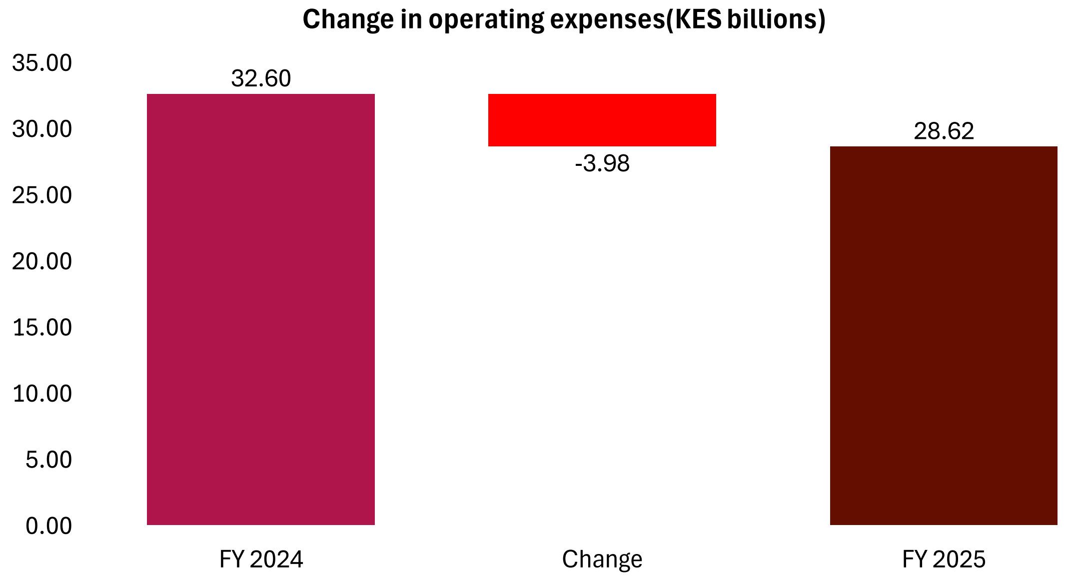
Depreciation on property and equipment stood at KES 847.96 million showing an 8.39% decrease from KES 925.61 million in FY 2024.

Amortization charges saw a surge of 40.46% to KES 312.17 million in FY 2025 from KES 222.25 million in FY 2024.

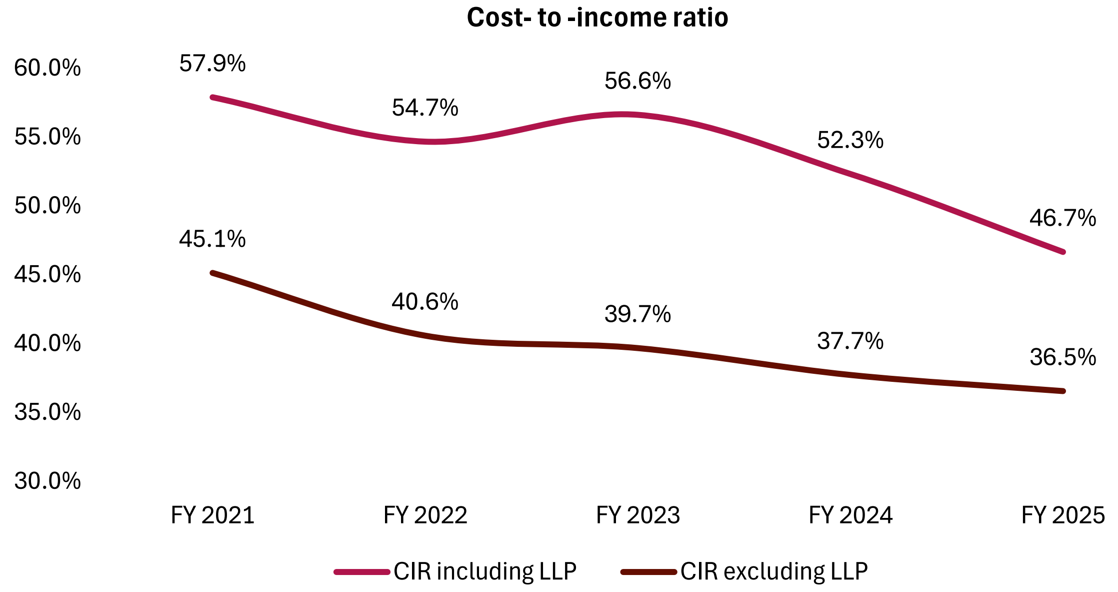
Other operating expenses saw a dip of 18.49% falling at KES 7.35 billion in FY 2025 from KES 9.02 billion.

The cost-to-income ratio (including loan loss provisions) declined by 5.6% to 46.7% in FY 2025 from 52.3% in FY 2024,reflecting improved cost management by the group, while the ratio excluding provisions declined by 1.2% to 36.5% in FY 2025 from 37.7% in FY 2024.

**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

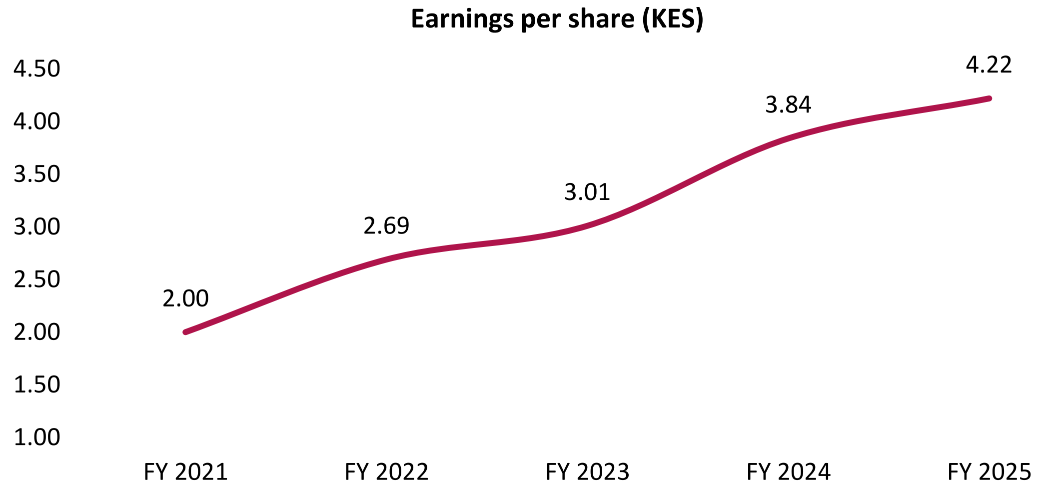
Profitability

Profit before tax rose by 10.3% to KES 32.73 billion in FY 2025 from KES 29.72 billion in FY 2024.

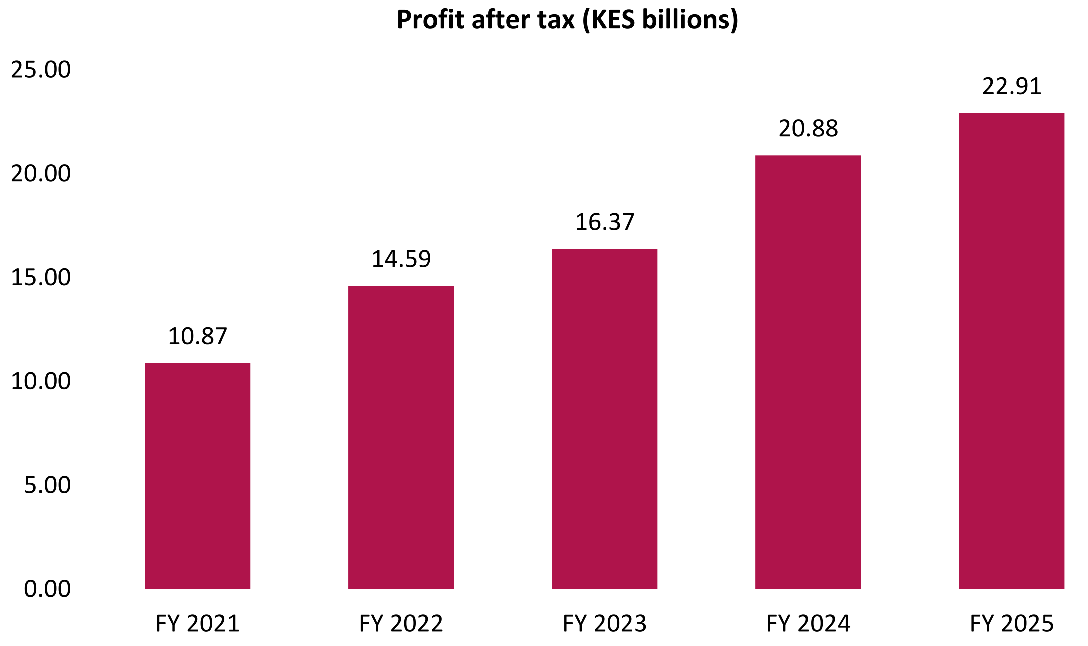
Profit after tax grew by 9.72% to KES 20.91 billion in FY 2025 from KES 20.88 billion .

Total Comprehensive income stood at KES 24.70 billion in FY 2025 recording a 0.95% increase from KES 24.46 billion in FY 2024.

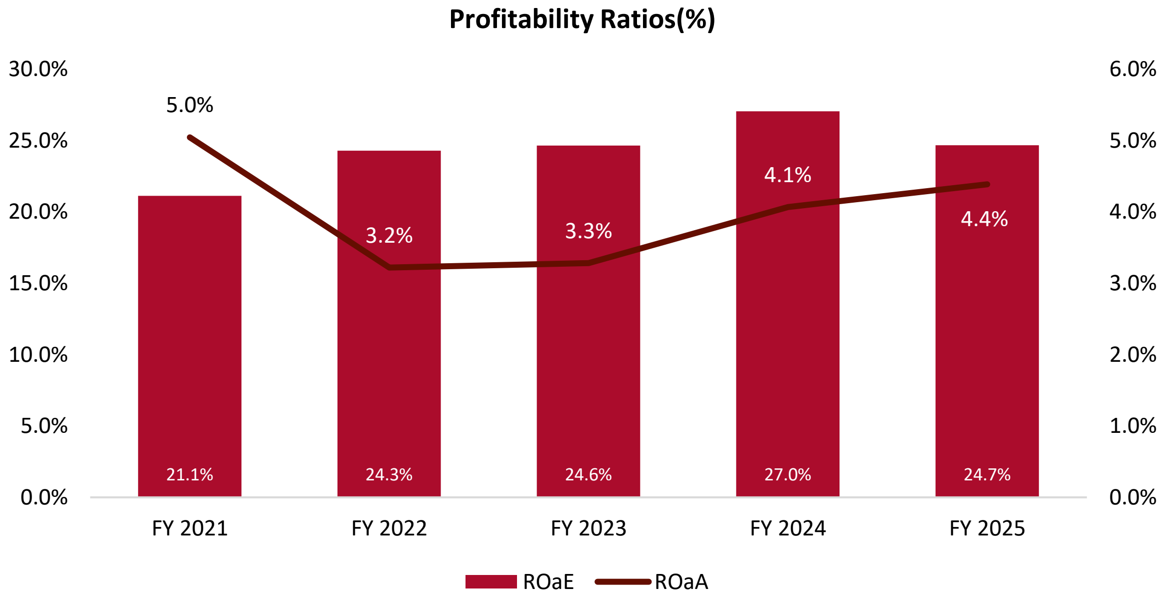
Consequently, earnings per share improved by 9.90% to KES 4.42 in FY 2025 from KES 3.84 in FY 2024.



Source: Company Financials



Source: Company Financials



Source: Company Financials

Balance Sheet Rundown

Total Assets grew by 6.15% to KES 537.65 billion in FY 2025 from KES 506.48 billion in FY 2024 reflecting an increase of KES 31.17 billion.

Kenyan government and other securities held for dealing purposes increased by 27.02% to KES 42.51 billion from KES 33.47 billion in FY 2024,while Kenyan government securities held for maturity surged by 481.6% to KES 6.10 billion in FY 2025 from KES 1.05 billion in FY 2024.

Deposits and balances due from local banking institutions recorded a decline of 86.07% dropping to KES 369.08 million in FY 2025 from KES 2.65 billion in FY 2024.

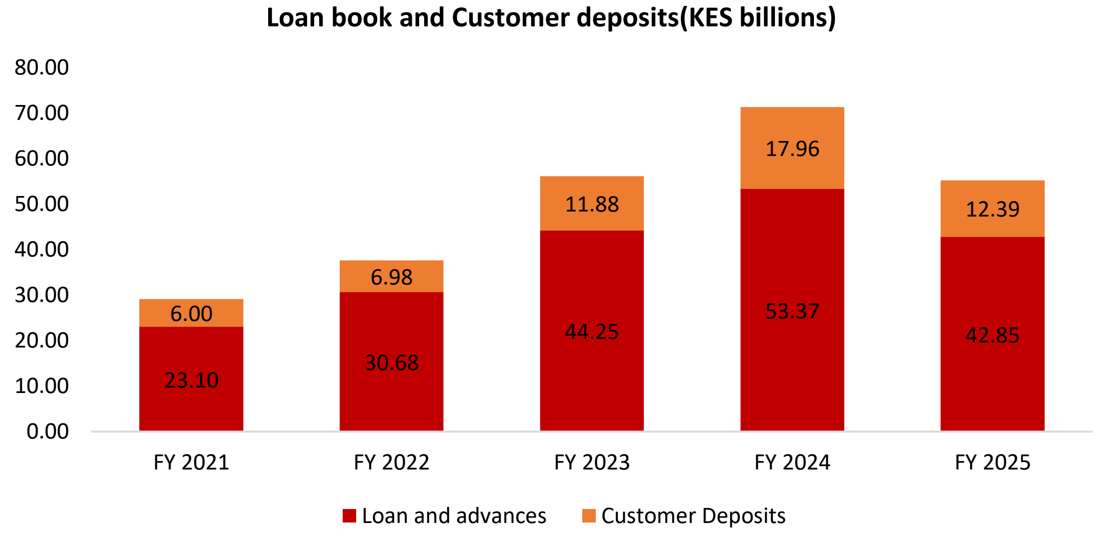
Balances due from foreign banking institutions dropped by 3.48% to KES 5.23 billion from KES 5.42 billion in FY 2024.

Loans and advances to customers recorded a modest increase of 0.99% to KES 312.17 billion in FY 2025 from KES 309.01 billion.

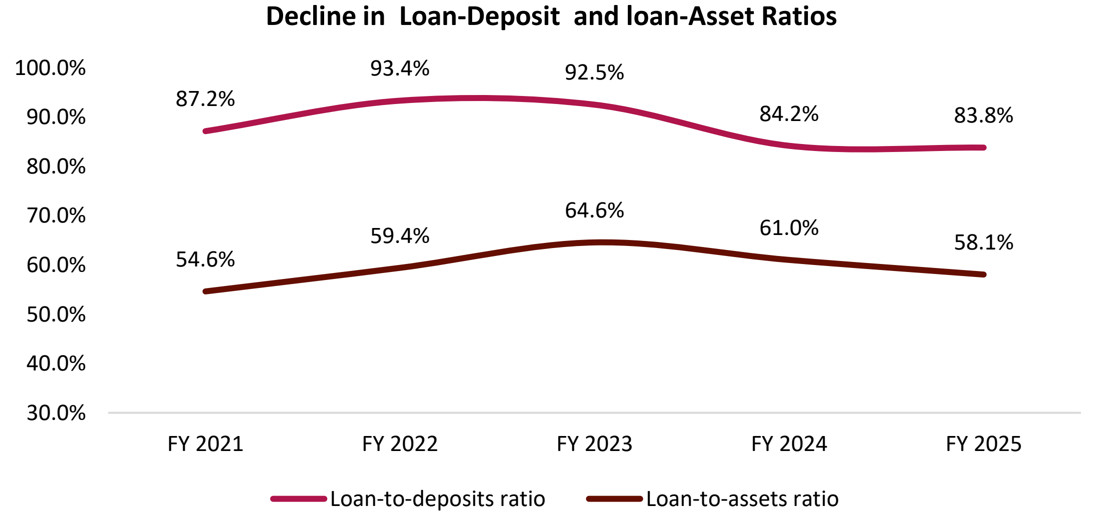
Customer deposits grew by 1.44% to KES 372.38 billion from KES 367.11 billion, representing an increase of KES 5.27 billion.

Loan-to-deposit ratio dropped to 83.8% from 84.2% in FY 2024 while Loan-to asset ratio edged down to 58.1% from 61.0%

Total shareholders' funds advanced by 18.0% to KES 100.52 billion from KES 85.20 billion in FY 2024. This was driven by a significant 15.7% increase in retained earnings to KES 86.7 billion from KES 74.9 billion.



Source: Company financials



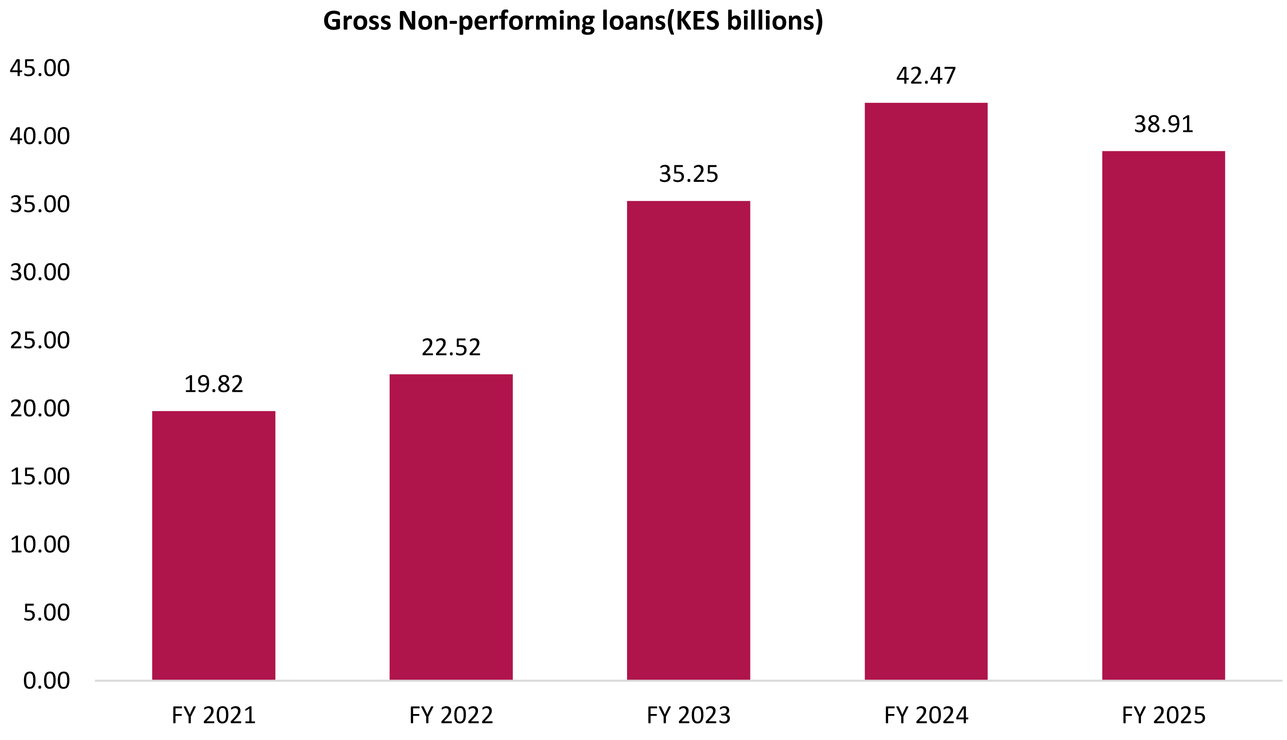
Source: Company Financials

Asset Quality

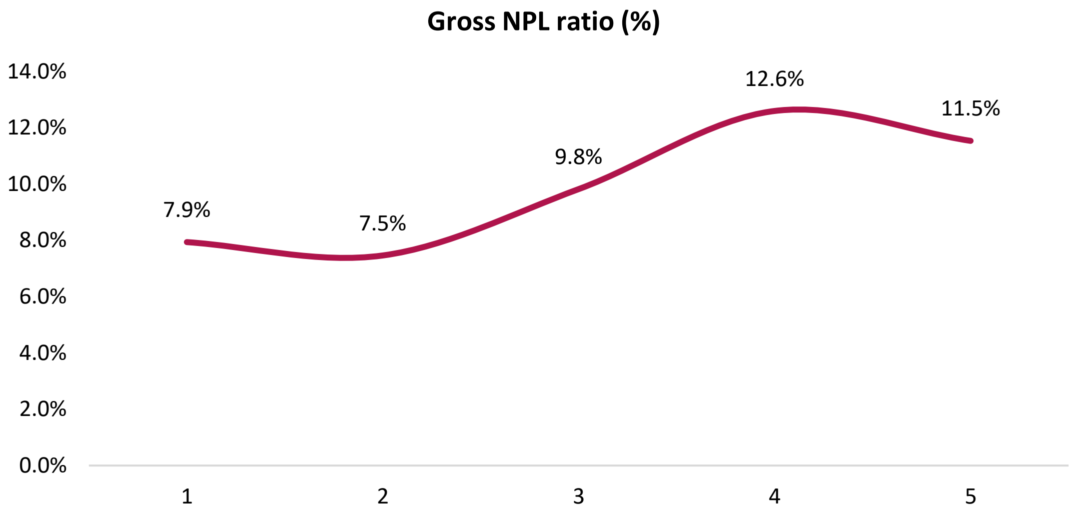
Gross non-performing loans (NPLs) decreased by 370 bps to KES 38.91 billion in FY 2025 from KES 42.47 billion in FY 2024, reflecting a drop of KES 3.5 billion.

Consequently ,the NPL recorded a decline of 110 bps to 11.5% in FY 2025 from 12.6% in FY 2024.

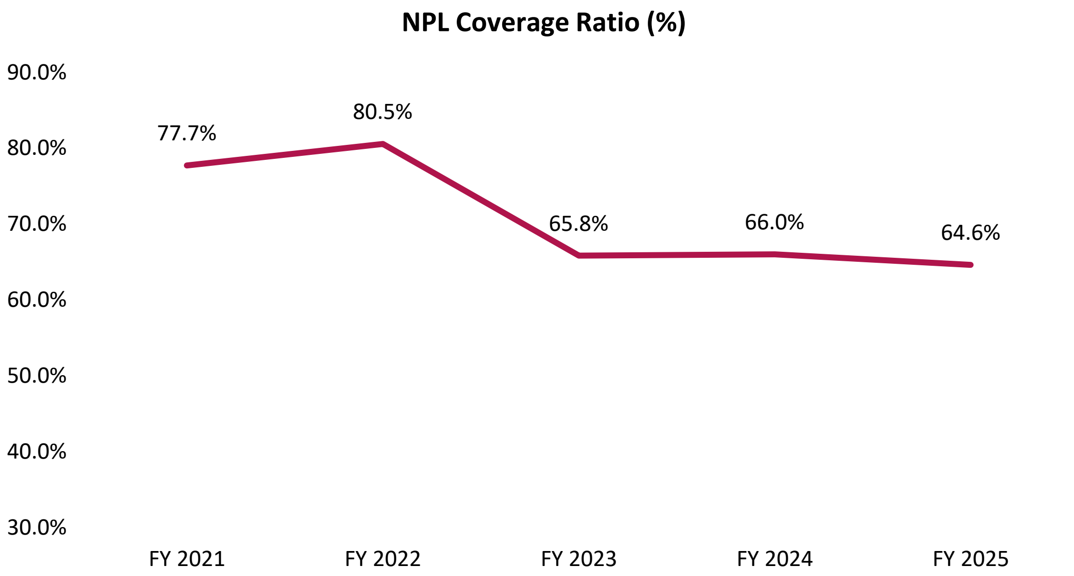
The Non-Performing Loan (NPL) coverage ratio decreased slightly by 140 bps to 64.6% in FY 2025 from 66.0% in FY 2024, indicating a marginal decline in the bank's provisioning buffer against impaired loans.



Source: Company Financials



Source: Company Financials



Source: Company Financials

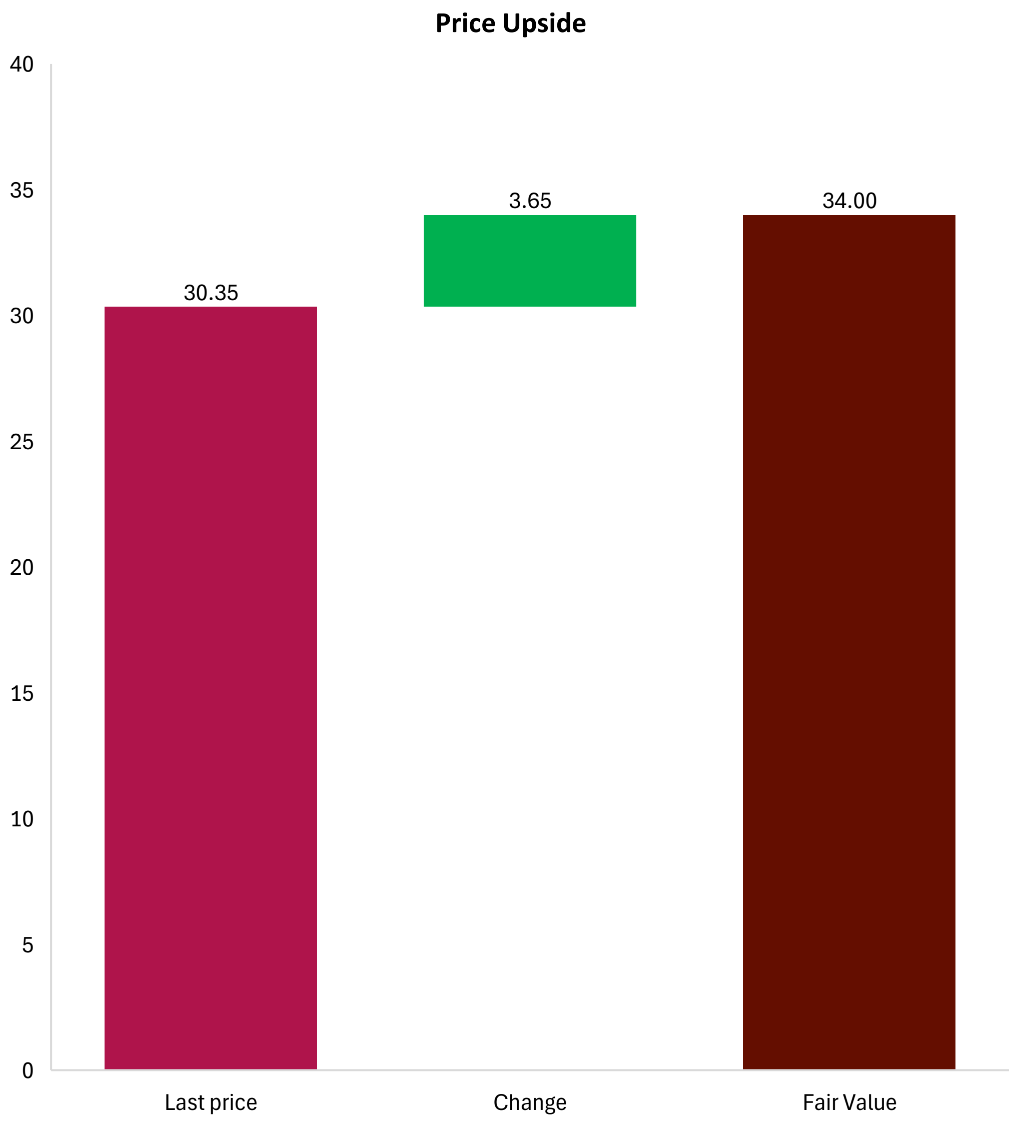
Outlook and Recommendation

Absa Kenya is fundamentally well poised for a stable earnings growth. The bank reported a Profit After Tax (PAT) of KES 22.91 billion, a 10% y-o-y increase from KES 22.88 billion in 2024, translating to a sustainable Return on Equity (RoE) of 22.8%. This resilience is rooted in a healthy balance sheet, diversified income streams, and disciplined cost management. The result was achieved despite a 2% decline in total operating income to KES 61.35 billion, driven by a compressed interest rate environment in 2025. As the Central Bank Rate declined, asset yields were compressed, leading to a 6% drop in Net Interest Income (NII) to KES 43.29 billion. Management proactively mitigated this by optimizing the funding mix through reduction of expensive deposits to lower the cost of funds.

Non-Funded Income (NFI), which contributes to 30% of the Group's revenue, provided a critical buffer, posting double digit growth. This was fuelled by diversification into subsidiaries, with bancassurance growing 37% and asset management doubling revenue, further supported by the launch of Absa Wealth. Simultaneously, a focus on digital efficiency with 94% of transactions now outside branches drove to a 5% reduction in operating costs. Asset quality improved notably. Loan impairment charges fell 32% y-o-y, with the loan loss ratio improving to 2.0% from 2.9% in the prior year. The balance sheet reflected modest 1% growth in assets, loans, and deposits. The funding mix strengthened as transactional deposits rose to 66% of total deposits, aiding cost control. Lending growth was primarily corporate led, with retail and SME segments remaining subdued, though a recovery is anticipated in 2026.Management targets further optimization, aiming to grow transactional deposits to 70% through enhanced customer value propositions and cross selling, beginning with asset management. Operational efficiency remains a top priority, with the cost-to-income ratio at 37%, targeted to stay below 40%. Gross Non-Performing Loans declined 8% to KES 38.91 billion, positively impacting the NPL ratio.

Absa retains a strong appetite for large scale transactions, recently executing a notable US$156 million solar securitization for Sunking. Looking forward, South Africa's Absa Bank is reportedly eyeing for potential buyout opportunities within Kenya's retail banking space in an aim to scale its lending capacity and deepen penetration in the retail segment, a move that comes amid the recent directive by the Central Bank of Kenya to raise the minimum core capital requirement for commercial banks to KES 10 billion.

For shareholders, management intends to raise the dividend payout ratio from 50% to 55%. Supported by its diversified earnings base, including the recently expanded Shariah compliant offerings. Absa Kenya is well placed to deliver this enhanced shareholder return while funding for its future growth.



Source: Company Financials and Faida Forecasts

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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 Total Interest Expense/Average Interest Earning Liabilities.
Loan Yield - This is the effective average interest rate received on average loans and advances. It is calculated as Interest on Loans and Advances/Average Loans and Advances.
Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as Net Impairment Provisions/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 Gross NPLs/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