



# Absa Bank Kenya Q3 2025 Earnings Note

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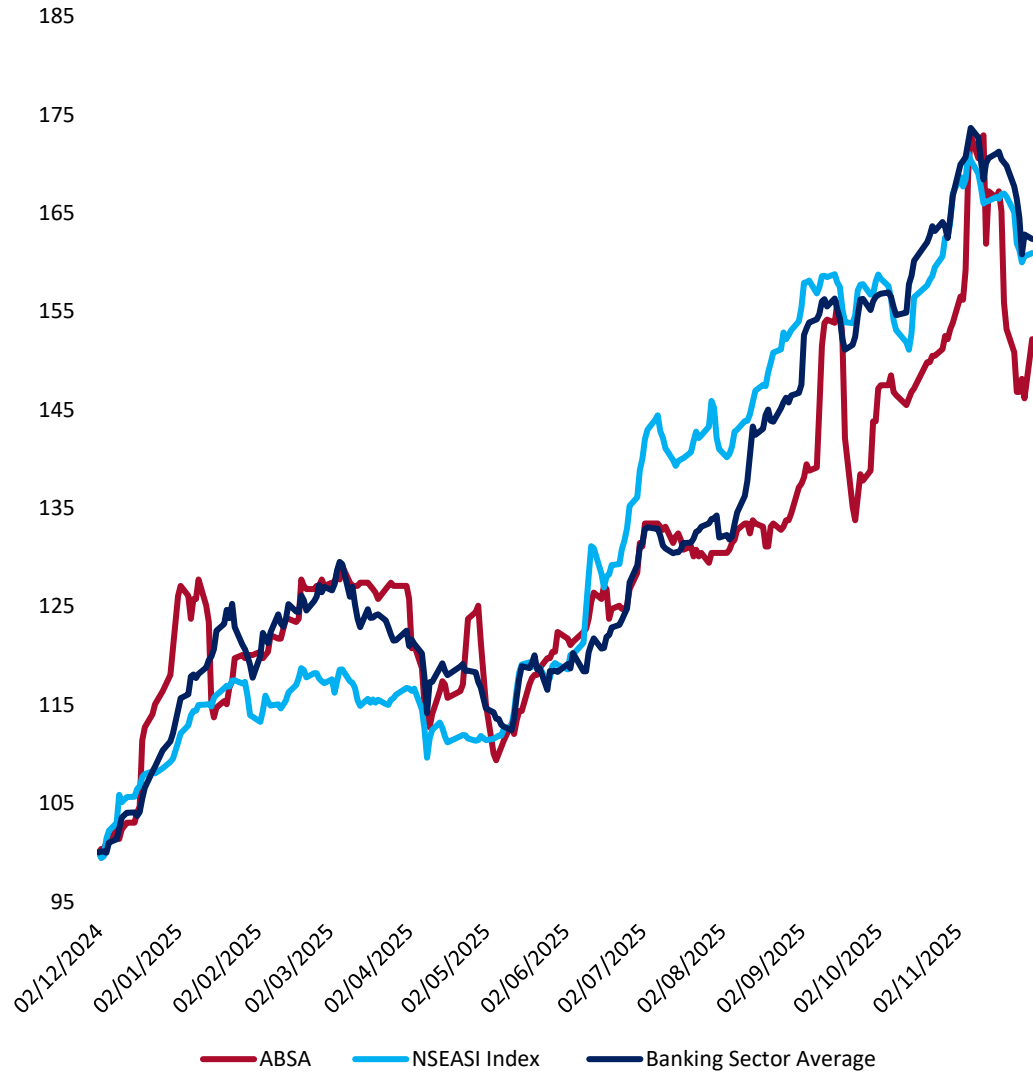
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# Summary

Normalised share price movement of ABSA Bank vs banking sector stocks and the market



Source: Bloomberg

Last Price – 1 <sup>st</sup> December 2025 in KES	22.75
Valuation Estimate in KES :	25.85
<b>Upside</b>	<b>13.6%</b>
<b>Recommendation</b>	<b>BUY</b>
52-Week High	26.25
52-Week Low	14.60
52-Week Price Return	67.5%
<b>Year-to-Date Price Return</b>	<b>38.8%</b>
Price to Earnings Ratio (P/E)	7.32
Price to Book Ratio (P/B)	1.31

Source: Bloomberg and Faida Analysis

We recommend a **BUY** on ABSA Bank Kenya with a fair value of KES 25.85, representing an **upside of 13.6%** on 1<sup>st</sup> December 2025 closing price of KES 22.75.

Abisa Bank Kenya is well-positioned for continued growth, driven by strong earnings momentum, a resilient balance sheet, disciplined cost management, and strategic investments in digital transformation. The Bank's expanding agency network and deepening focus on diversified income streams including green financing and eco-home loan products further enhance its long-term growth prospects.

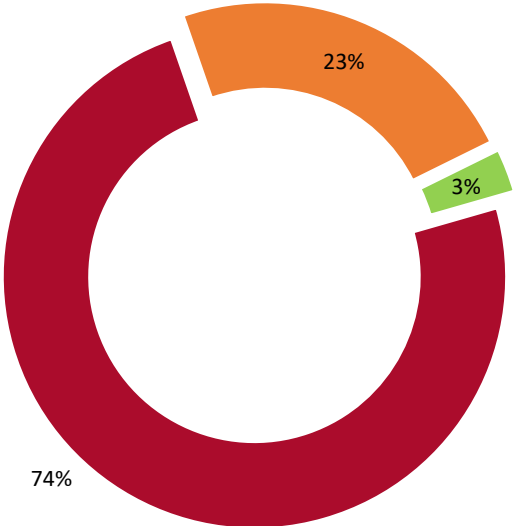
# Interest Income

Interest income declined by 9.6% to KES 44.0 billion in Q3 2025 from KES 48.6 billion in Q3 2024. This was primarily driven by a significant 19.7% drop in loan and advances to KES 32.6 billion from KES 27.4 million, a reduction of KES 8.0 billion.

Income from government securities grew by 53.6% to KES 10.1 billion from KES 6.6 billion in Q3 2024.

Deposits and placements declined by 14.1% to KES 1.2 billion from KES 1.5 billion.

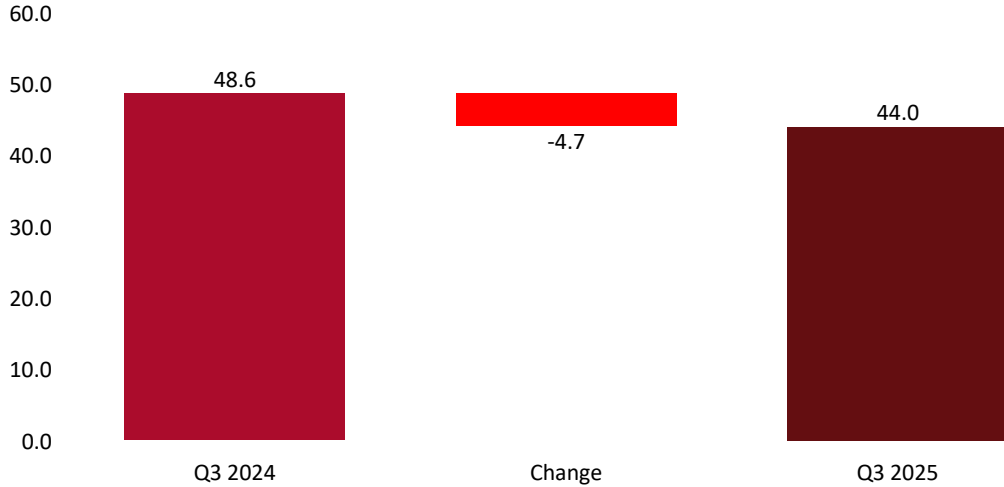
Interest income composition in Q3 2025



■ Loans and advances to customers ■ Government securities ■ Deposits and placements

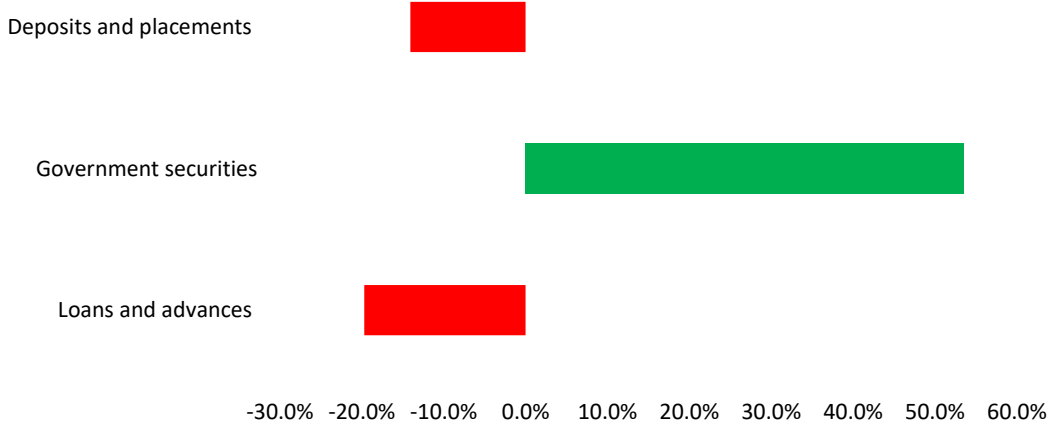
Source: Company Financials

Decline in interest income (KES billions)



Source: Company Financials

Interest income growth rate (%)



Source: Company Financials

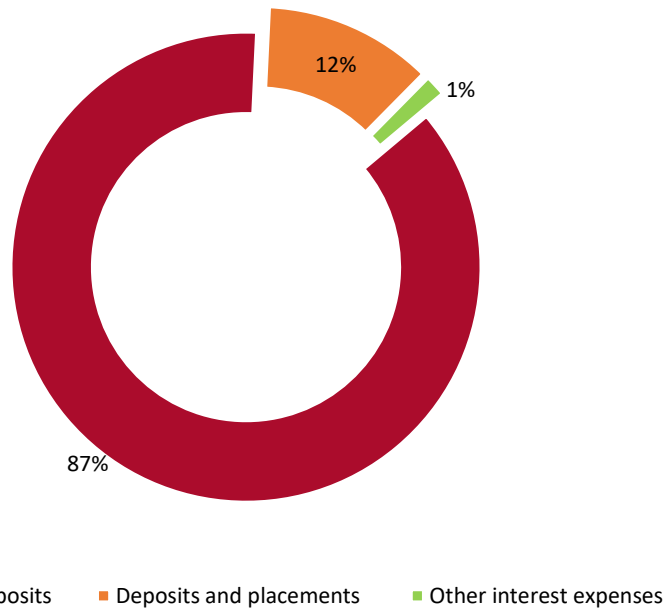
# Interest Expense

Total interest expense declined by 21.9% to KES 11.0 billion in Q3 2025 from KES 14.1 billion in Q3 2024, a reduction of KES 3.1 billion. This was largely driven by a sharp decline in interest on customer deposits which dropped by 28.5% to KES 9.6 billion from KES 13.4 billion in Q3 2024.

Interest on deposits and placements with banking institutions surged 141.3% to KES 1.3 billion from 531.7 million, an increase of KES 751.3 million.

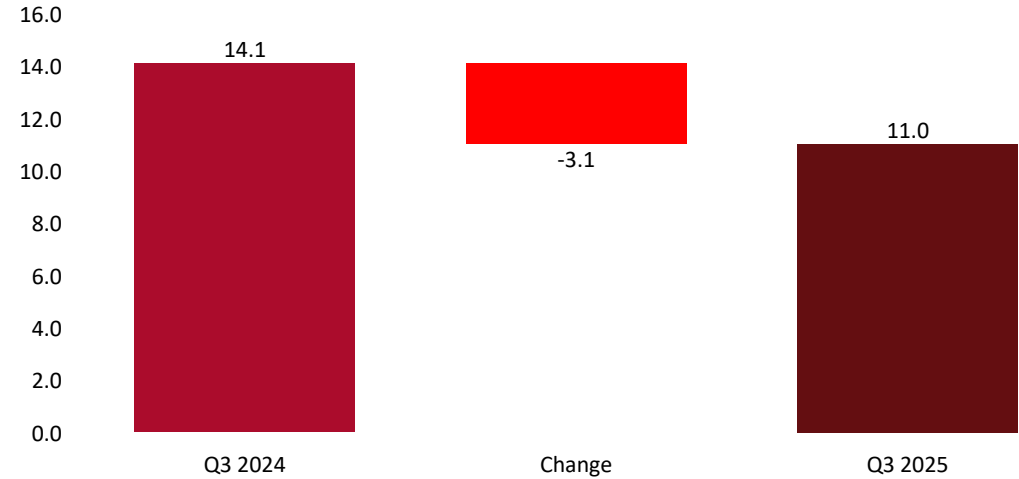
Other interest expenses contracted by 15.4% to KES 164.4 million from KES 194.4 million.

Interest expense composition



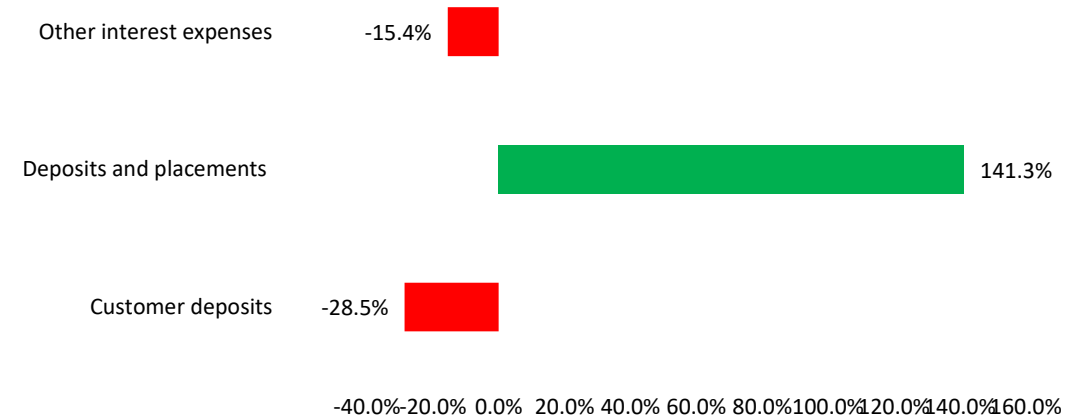
Source: Company Financials

Decline in interest expense (KES billions)



Source: Company Financials

Interest expense growth rate (%)



Source: Company Financials

# Net Interest Income & Non-funded income

Net interest income (NII) declined by 4.6% to KES 33.0 billion in Q3 2025 from KES 34.5 billion in Q3 2024.

Non-funded income (NFI) expanded by 11.2% to KES 13.6 billion from KES 12.2 billion. This was primarily driven by a significant 24.6% increase in other fees and commissions on loans and advances which rose to KES 5.5 billion from KES 4.4 billion.

Fees and commissions income on loans and advances dropped by 15.8% to KES 967.6 million from KES 1.1 billion.

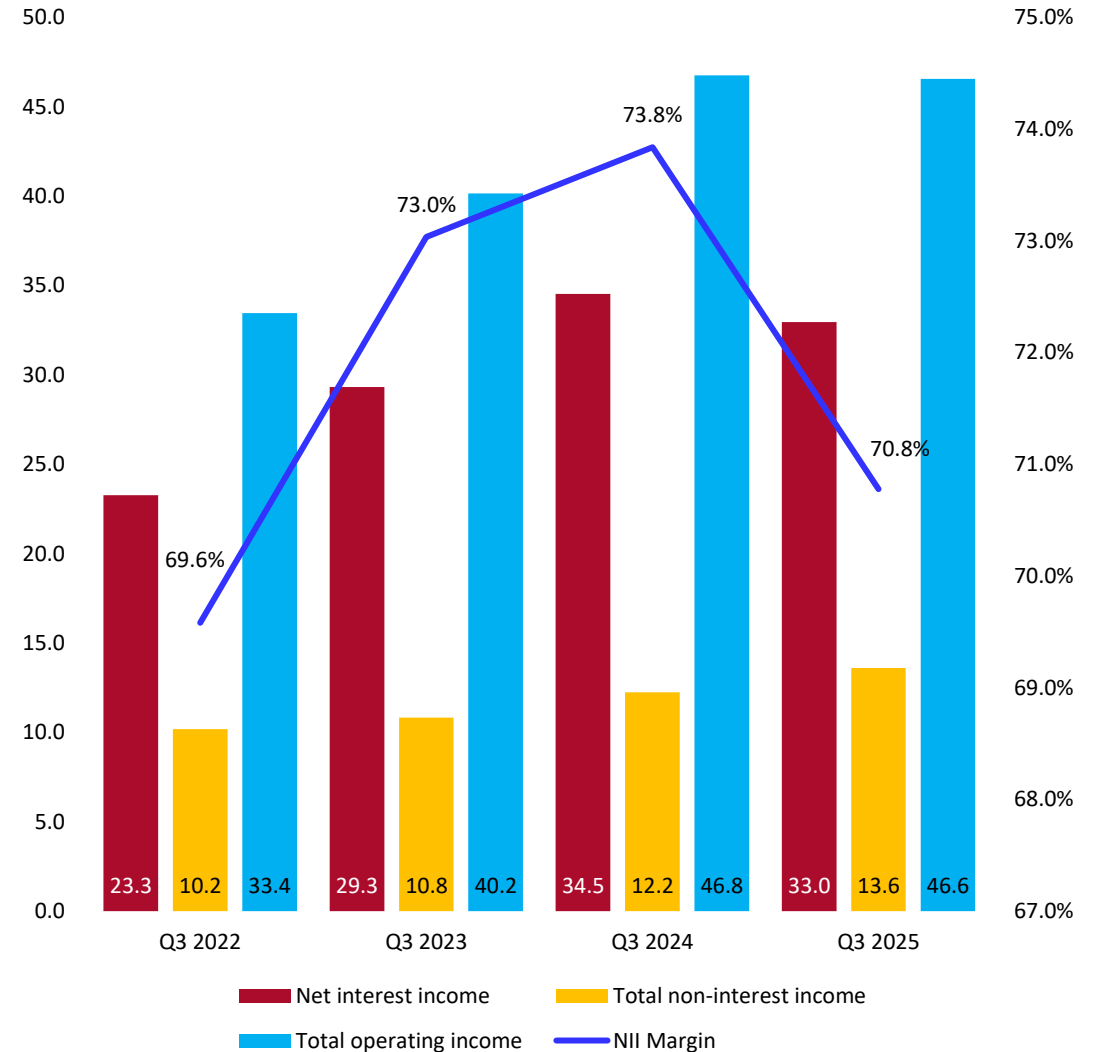
Other income surged by 36.5% to KES 2.6 billion from KES 1.9 billion in Q3 2024.

Foreign exchange trading income edged down by 4.8% to KES 4.5 billion from KES 4.8 billion.

Despite the uptick in other fees and commissions and other income, the overall impact led to a contraction in total operating income by a modest 0.4% to KES 46.6 billion in Q3 2025 from KES 46.8 billion in Q3 2024.

The bank's Net Interest Income margin declined to 70.8% from 73.8%, reflecting pressure on interest earnings, while the Non-Funded Income margin rose to 29.2% from 26.2%, highlighting growth in fee-based and alternative income streams.

Net Interest Income, Non-funded Income & Operating Income (KES billions)



# Operating expenses

Total operating expenses declined by 13.0% to KES 22.3 billion in Q3 2025, from KES 25.7 billion in Q3 2024, reflecting a reduction of KES 3.4 billion. This drop was primarily driven by a sharp drop of 39.6% in loan loss provision which fell to 4.8 billion from 8.0 billion.

Staff costs declined by 1.9% to KES 9.6 billion from KES 9.8 billion.

Director emoluments surged by 16.5% to KES 202.6 million from KES 174.0 million.

Rental charges rose by 23.3% to KES 64.2 million from KES 52.1 million.

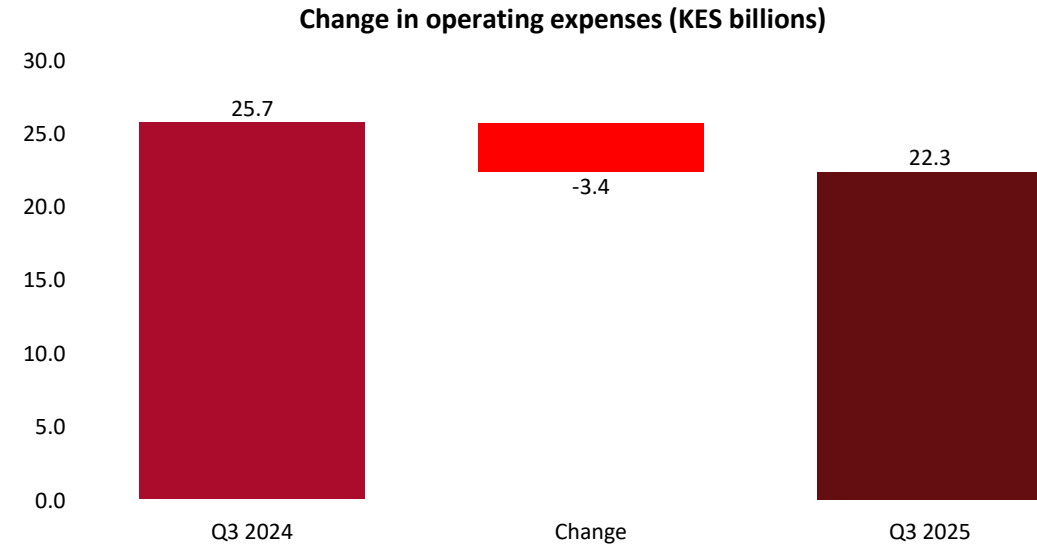
Depreciation on property and equipment declined by 6.2% to KES 648.1million from KES 690.9 million.

Amortization charges rose significantly by 49.3% reaching KES 230.5 million from KES 154.4 million.

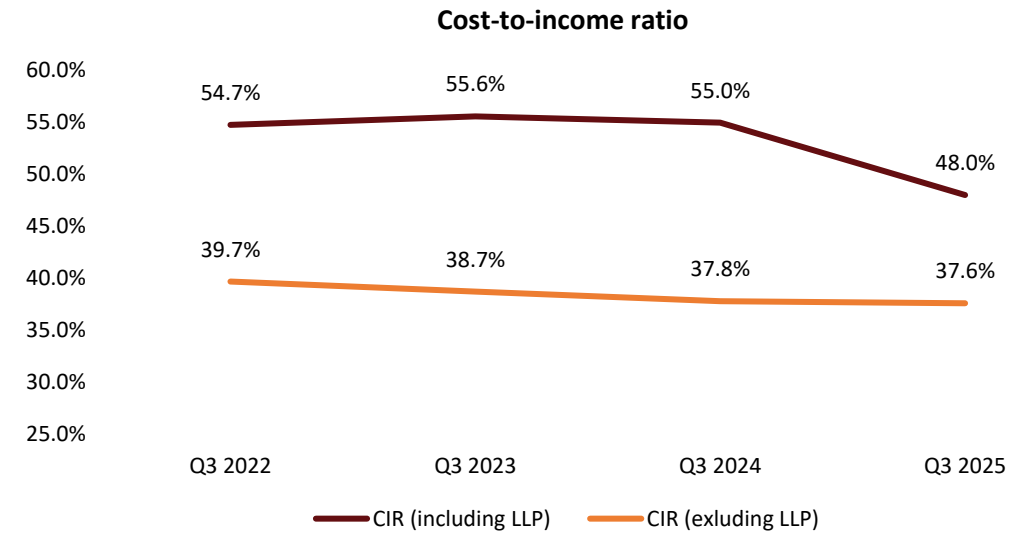
Other operating expenses dipped by 0.8% to KES 6.7 billion compared to KES 6.8 billion in Q3 2024.

The cost-to-income ratio (including loan loss provisions) declined to 48.0% in Q3 2025 from 55.0% in Q3 2024, reflecting improved cost management, while the ratio excluding provisions declined to 37.6% from 37.8%.

*\*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

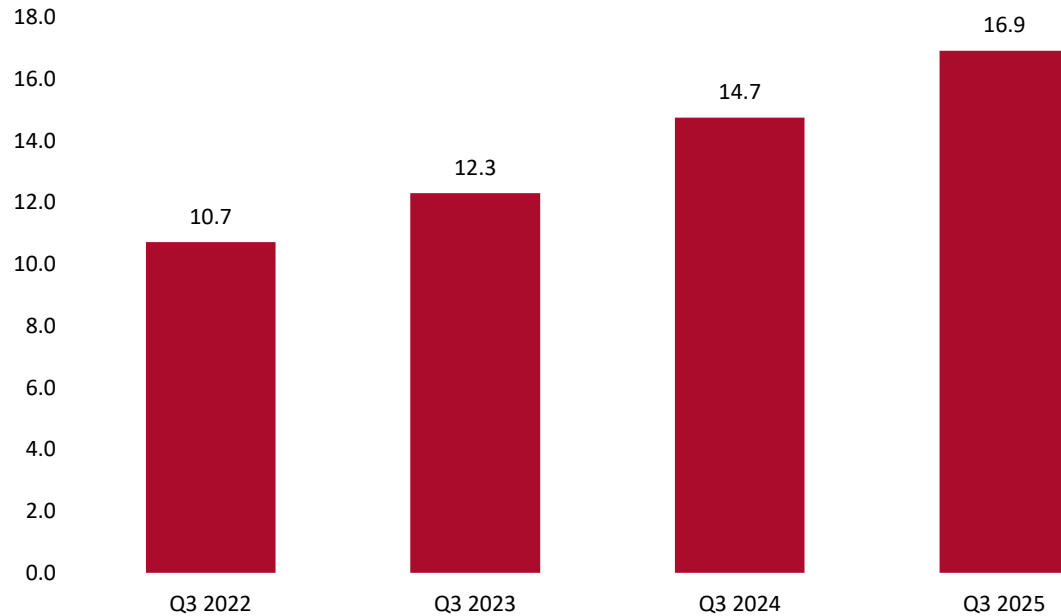
Profit before tax rose by 14.9% to KES 24.2 billion in Q3 2025 from KES 21.1 billion in Q3 2024.

Profit after tax grew by 14.7% to KES 16.9 billion from KES 14.7 billion, an increase of KES 2.2 billion.

Total comprehensive income climbed by 18.0% to KES 18.6 billion in Q3 2025 from KES 15.8 billion in Q3 2024.

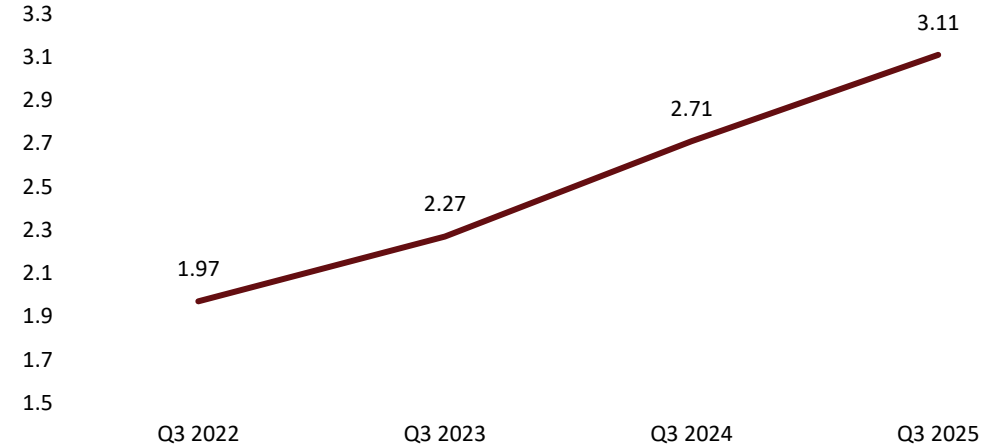
Consequently, earnings per share improved by 14.8% to KES 3.11 from KES 2.71 in Q3 2024.

Profit after tax (KES billions)



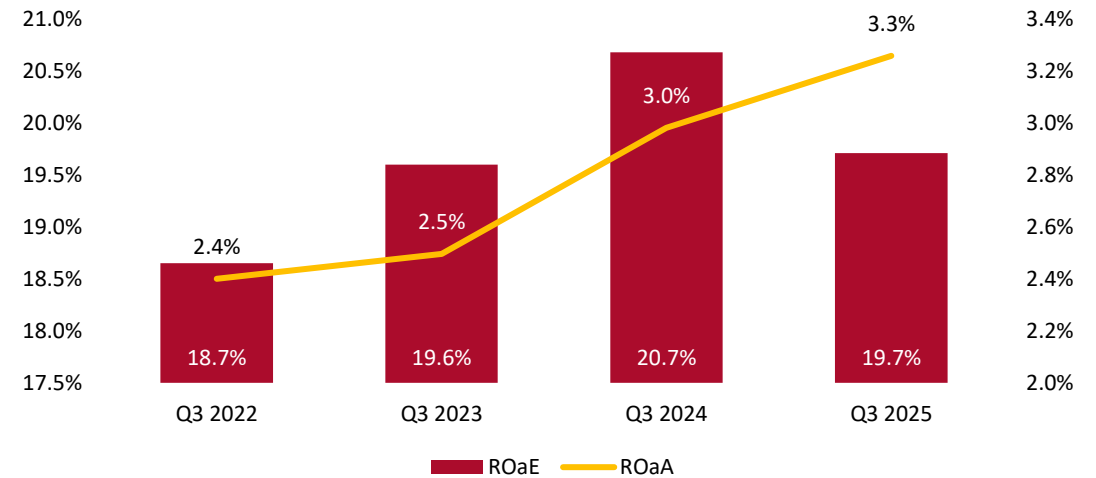
Source: Company Financials

Earnings per share (KES)



Source: Company Financials

Profitability Ratios (%)



Source: Company Financials

# Balance Sheet Rundown

Total assets grew by 14.4% to KES 554.3 billion in Q3 2025 from KES 484.4 billion in Q3 2024, reflecting an increase of KES 70.0 billion.

Kenya government and other securities held for dealing purposes increased by 75.8% to KES 44.1 billion from KES 25.1 billion, while Kenya government securities held to maturity surged by 254.9% to KES 3.6 billion from KES 1.0 billion.

Deposits and balances due from local banking institutions recorded a sharp decline of 84.4%, dropping to KES 1.4 billion from KES 9.2 billion in Q3 2024.

Balances due from foreign banking institutions rose by 23.5% to KES 9.2 billion from KES 7.5 billion.

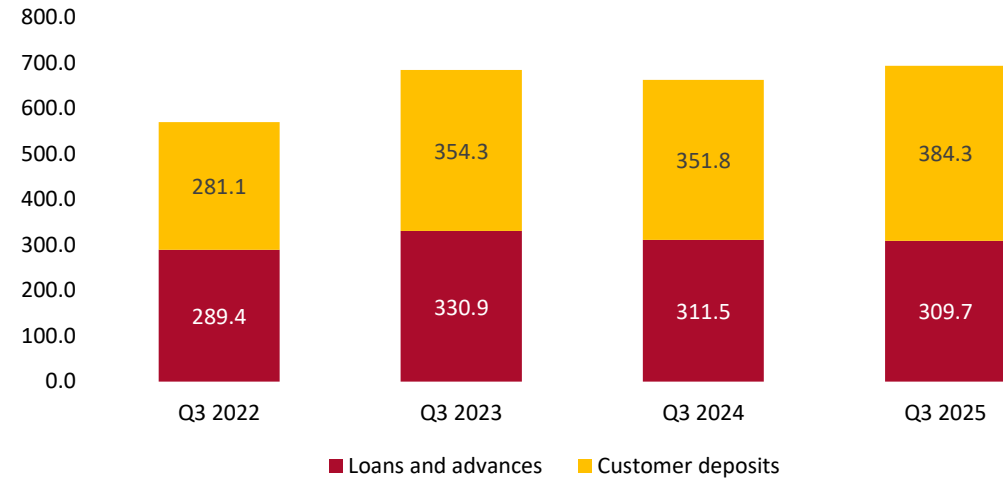
Loans and advances to customers saw a modest contraction of 0.6%, declining to KES 309.7 billion in Q3 2025 from KES 311.5 billion in Q3 2024, reflecting subdued credit growth.

Customer deposits grew by 9.2% to KES 384.3 billion from KES 351.8 billion, representing an increase of KES 32.5 billion.

Loan-to-deposit ratio dropped to 84.4% from 89.5% in H1 2024 while Loan-to-asset ratio edged down to 57.4% from 65.7%.

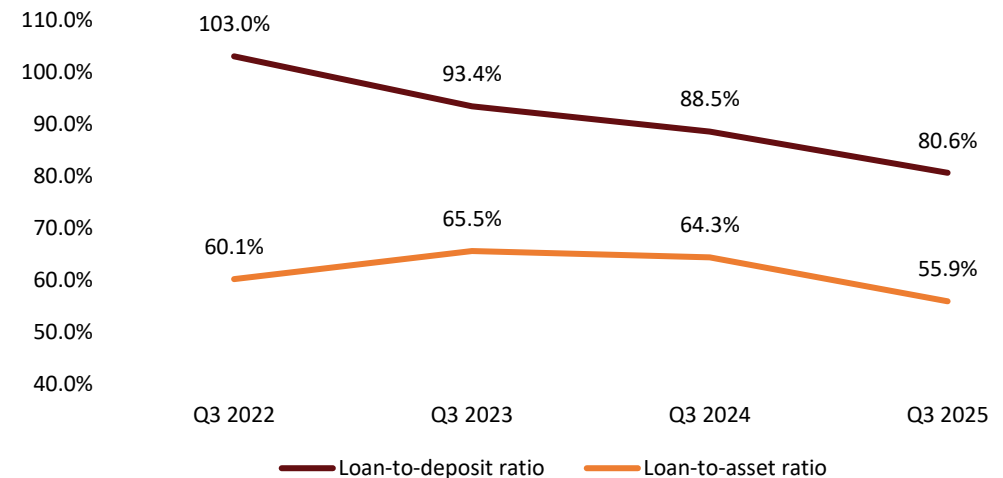
Total shareholders' funds advanced by 22.0% to KES 94.4 billion from KES 77.3 billion in Q3 2024. This was driven by a significant 17.5% increase in retained earnings to KES 90.8 billion from KES 77.3 billion.

Loan book and customer deposits (KES billions)



Source: Company Financials

Loan-to-deposit & Loan-to-asset ratio



Source: Company Financials

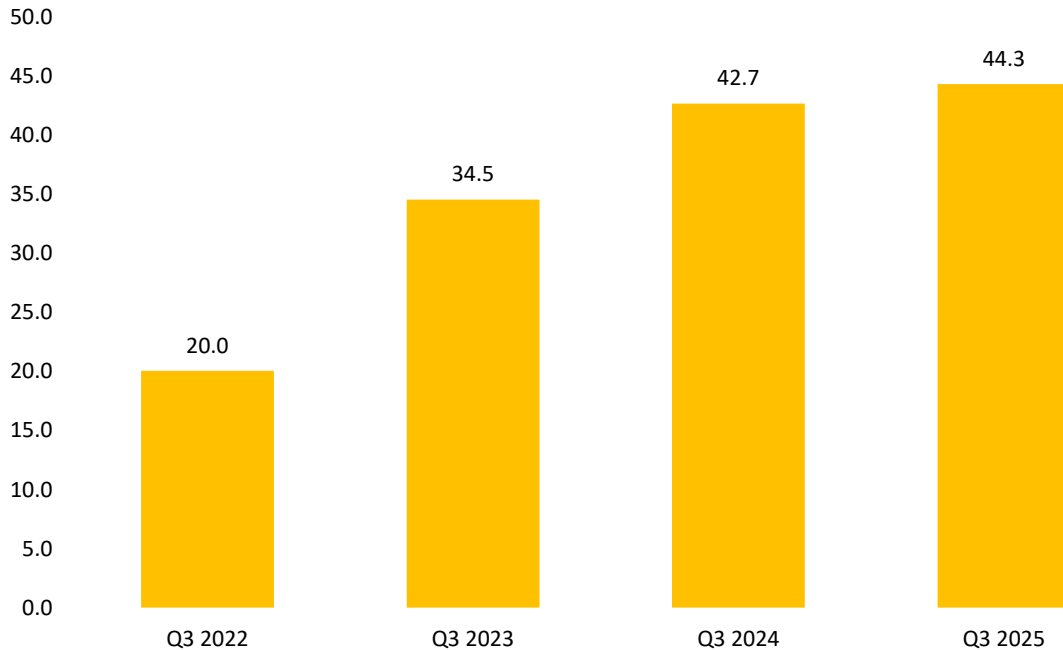
# Asset Quality

Gross non-performing loans (NPLs) increased by 3.7% to KES 44.3 billion in Q3 2025 from KES 42.7 billion in Q3 2024, reflecting a rise of KES 1.6 billion.

Consequently, the NPL ratio climbed from 12.6% in Q3 2024 to 13.1% in Q3 2025, remaining well below the industry average of 17.6%.

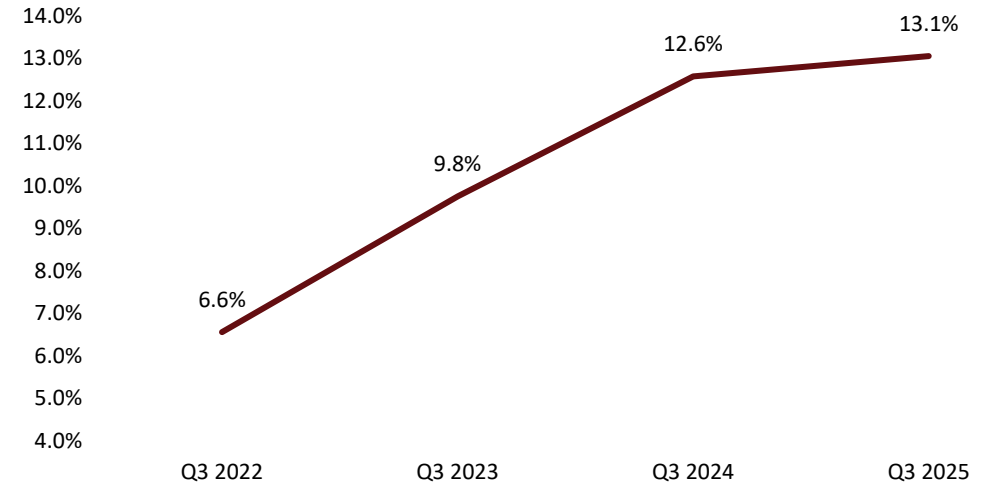
The NPL coverage ratio increased slightly to 66.9% from 65.3% in Q3 2025, showing that the bank is strengthening its buffer against potential loan losses.

**Gross Non-performing loans (KES billions)**



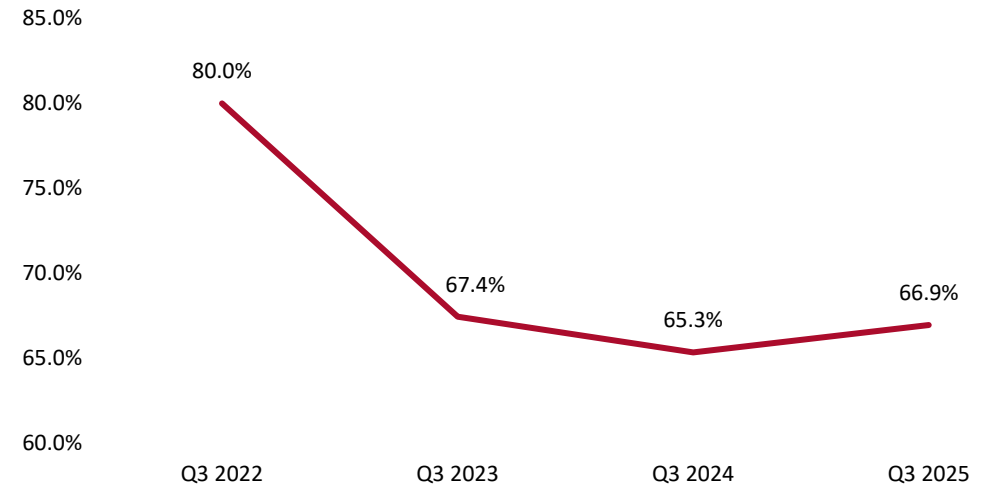
Source: Company Financials

**Gross NPL Ratio (%)**



Source: Company Financials

**NPL Coverage Ratio (%)**



Source: Company Financials

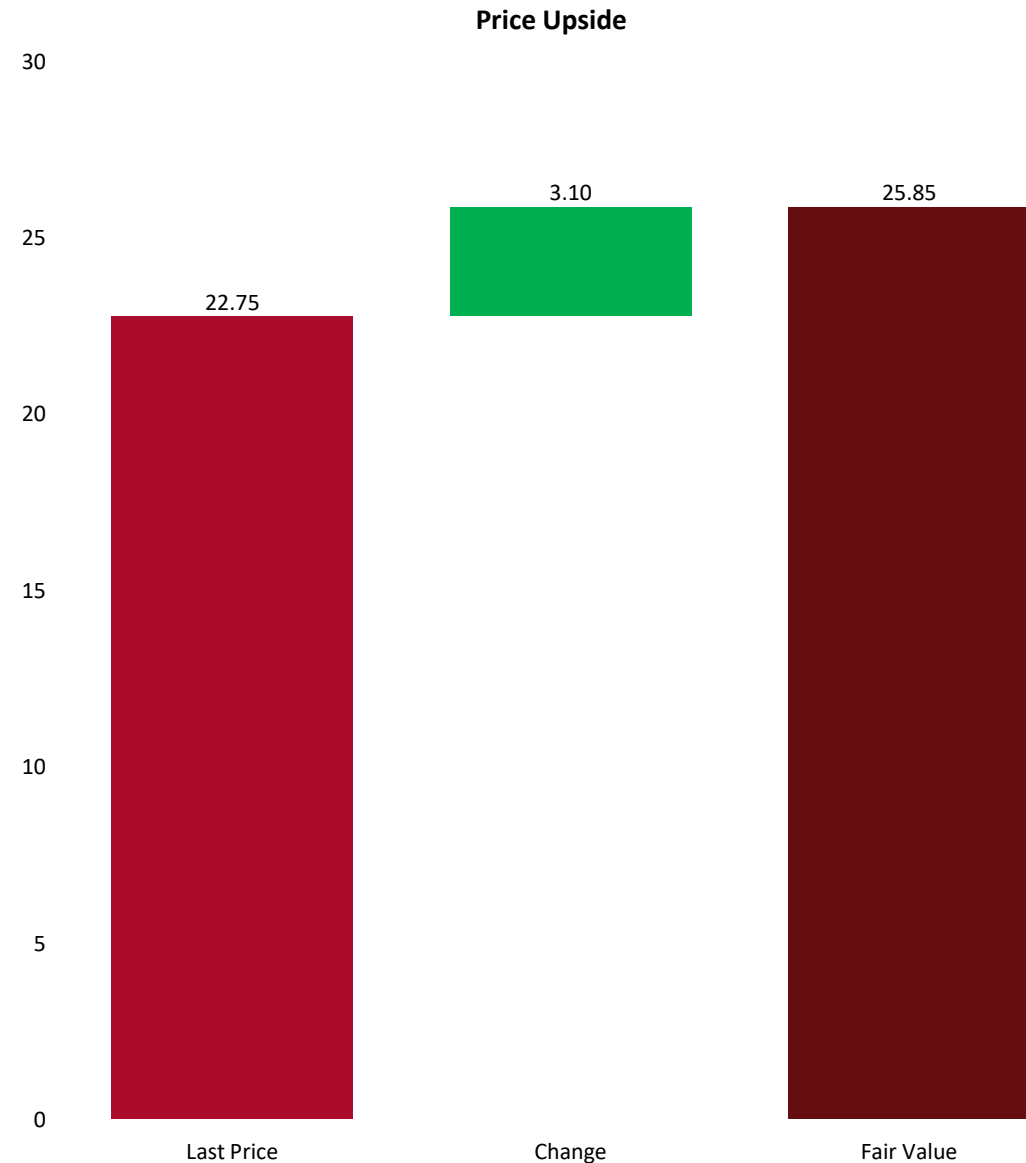
# Outlook and Recommendation

Absa Bank enters the final quarter of 2025 with solid operational momentum, anchored by sustained profitability and strong balance-sheet resilience. Returns remain robust, with Return on assets improving consistently from 2.4% in Q3 2022 to 3.3% in Q3 2025, reflecting enhanced asset efficiency. Return on equity though moderating slightly to 19.7%, continues to signal healthy shareholder value creation. Earnings performance has been supported by resilient non-interest income growth, stable funding, and disciplined cost management, which have collectively strengthened operational efficiency.

However, asset quality remains a key area to monitor, as the gross NPL ratio rose to 13.1% from 12.6%, highlighting emerging loan-book pressures amid a subdued credit appetite. Despite these challenges, Absa’s healthy capital buffers, improved asset utilisation, and diversified revenue mix ensure the Bank remains resilient and well positioned for growth.

Absa’s strategic investments in digital banking and the planned expansion to 17,000 agency outlets position the bank to deepen financial inclusion and reach underserved areas enhancing deposit mobilization and customer acquisition. Meanwhile, a diversified income base from non-interest banking and potential growth in product lines such as eco-home loans and green financing could reduce reliance on traditional interest income, while risk-management frameworks and capital buffers are essential in containing rising NPLs amid a softening credit demand environment.

Looking ahead, the outlook will be shaped by the recovery in loan demand, the trajectory of funding costs, and the Bank’s ability to manage credit risks while maintaining earnings momentum through its diversified business model.



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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  $\text{Total Interest Expense} / \text{Average Interest Earning Liabilities}$ .

Loan Yield - This is the effective average interest rate received on average loans and advances. It is calculated as  $\text{Interest on Loans and Advances} / \text{Average Loans and Advances}$ .

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as  $\text{Net Impairment Provisions} / \text{Average Gross Loans}$  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  $\text{Gross NPLs} / \text{Gross Loans}$ .

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