Absa Bank Kenya – H1’2026

21st August, 2026

Below is a summary of Absa Bank Kenya’s H1’2026 performance:

Balance Sheet	H1'2025 (Kshs bn)	H1'2026 (Kshs bn)	y/y change
Government Securities	162.4	157.2	(3.2%)
Net Loans and Advances	304.9	329.9	8.2%
Total Assets	**531.6**	**558.1**	**5.0%**
Customer Deposits	356.3	380.7	6.8%
Deposit per Branch	4.7	4.3	(8.8%)
Total Liabilities	442.6	460.1	4.0%
Shareholder's Funds	**89.0**	**98.0**	**10.1%**

Balance sheet ratios	H1'2025	H1'2026	% points change
Loan to Deposit Ratio	85.6%	86.7%	1.1%
Govt Securities to Deposit ratio	45.6%	41.3%	(4.3%)
Return on average equity	27.0%	23.3%	(3.7%)
Return on average assets	4.3%	4.0%	(0.3%)

Income Statement	H1'2025 (Kshs bn)	H1'2026 (Kshs bn)	y/y change
Net Interest Income	22.3	21.1	(5.4%)
Net non-Interest Income	9.1	8.2	(10.2%)
Total Operating income	**31.5**	**29.3**	**(6.8%)**
Loan Loss provision	(3.2)	(3.1)	(4.1%)
Total Operating expenses	**(14.7)**	**(15.2)**	**3.5%**
Profit before tax	**16.8**	**14.2**	(15.8%)
Profit after tax	**11.7**	**10.5**	(9.8%)
Core EPS	**2.2**	**1.9**	**(9.8%)**
Dividend per share	**0.2**	**0.5**	**150.0%**
Annualized Dividend Yield	**7.8%**	**6.1%**	**(1.7%)**
Dividend Payout Ratio	**9.3%**	**25.8%**	**16.5%**

Income statement ratios	H1'2025	H1'2026	% points change
Yield from interest-earning assets	13.4%	11.0%	(2.4%)
Cost of funding	4.1%	3.1%	(1.0%)
Net Interest Spread	1.9%	1.4%	(0.4%)
Net Interest Margin	9.8%	8.4%	(1.4%)
Cost of Risk	10.2%	10.5%	0.3%
Net Interest Income as % of operating income	71.0%	72.1%	1.1%
Non-Funded Income as a % of operating income	29.0%	27.9%	(1.1%)
Cost to Income	46.6%	51.7%	5.2%
Cost to Income (Without LLPs)	36.4%	41.2%	4.9%
Cost to Assets	2.2%	2.2%	0.0%

Capital Adequacy Ratios	H1'2025	H1'2026	% points change
Core Capital/Total Liabilities	21.4%	22.3%	0.9%
Minimum Statutory ratio	8.0%	8.0%	0.0%

Excess	**13.4%**	**14.3%**	**0.9%**
Core Capital/Total Risk Weighted Assets	17.6%	17.4%	(0.2%)
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	**7.1%**	**6.9%**	**(0.2%)**
Total Capital/Total Risk Weighted Assets	20.5%	19.4%	(1.1%)
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	**6.0%**	**4.9%**	**(1.1%)**
Liquidity Ratio	45.5%	42.7%	(2.8%)
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	**25.5%**	**22.7%**	**(2.8%)**

Income Statement

- Core earnings per share declined by 9.8% to Kshs 1.9, from Kshs 2.2 in H1’2026, driven by the 6.8% decrease in total operating income to Kshs 29.3 bn, from Kshs 31.5 bn in H1’2025, coupled with 3.5% increase in total operating expense to Kshs 15.2 bn from Kshs 14.7 bn in H1’2025.
- The 6.8% decrease in total operating income was mainly driven by a 10.2% decline in net non-interest income to Kshs 8.2 bn, from Kshs 9.1 bn in H1’2025, coupled with 5.4% decrease in net interest income to Kshs 21.3 bn in H1’2026, from Kshs 22.3 bn in H1’2025.
- Interest income declined by 8.5% to Kshs 27.4 bn from Kshs 29.9 bn in H1’2026, mainly driven by a 9.2% decline in interest income from Government Securities to Kshs 6.0 bn, from Kshs 6.6 bn in H1’2025. The performance was however cushioned by a 13.4% increase in interest income from deposits and placements with banking institutions to Kshs 1.0 bn, from Kshs 0.9 bn in H1’2025. As such, the Yield on Interest-Earning Assets (YIEA) decreased by 2.4% points to 11.0% from 13.4% recorded in H1’2026, attributable to the decline of 11.1% in trailing interest income to Kshs 55.1 bn, from Kshs 62.0 bn in H1’2025, that outpaced the 8.0% increase in average interest earning assets to Kshs 501.0 bn, from Kshs 463.8 bn in H1’2025,
- Interest expenses declined by 17.7% to Kshs 6.2 bn from Kshs 7.6 bn in H1’2025, mainly driven by 19.8% decrease in interest expense on customer deposits to Kshs 5.3 bn from Kshs 6.7 bn in H1’2025. Consequently, Cost of funds (COF) decreased by 1.0% points to 3.1% from 4.1% recorded in H1’2025, owing to a 20.7% decrease in trailing interest expense to Kshs 13.0 bn from Kshs 16.4 bn recorded in H1’2025, compared to a 6.0% increase in average interest-bearing liabilities to Kshs 424.8 bn from Kshs 400.8 bn in H1’2025. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) decreased by 1.4% points to 8.4% from 9.8% in H1’2025, attributable to a 7.6% decrease in trailing net interest income to Kshs 42.1 bn from Kshs 45.6 bn recorded in H1’2025, which outpaced` the 8.0% growth in average interest earning assets,
- Non-Funded Income (NFI) decreased by 10.2% to Kshs 8.2 bn from Kshs 9.1 bn in H1’2025, mainly driven by a 17.9% decrease in FX trading income to Kshs 2.3 bn, from Kshs 3.1 bn in H1’2025. The revenue for the funded to Non-funded income changed to 72:28, from 71:29 recorded in H1’2025,
- Total operating expense increased by 3.5% to Kshs 15.2 bn, from Kshs 14.7 bn in H1’2025, mainly attributable to 19.5% increase in staff cost to Kshs 7.5 bn, from Kshs 6.3 bn in H1’2025. This performance outweighed the 4.1% decrease in loan loss provisions to Kshs 3.1 bn in H1’2026 from Kshs 3.2 bn in H1’2025.

- Cost to Income Ratio (CIR) increased by 5.2% points to 51.7% from 46.6% in H1’2025, supported by 3.5% increase in total operating expenses. The performance was however weighed down by 6.8% decrease in total operating income, Notably, CIR without LLP increased by 4.9% points to 41.2%, from 36.4% recorded in H1’2025,
- Profit before tax decreased by 15.8% to Kshs 14.2 bn, from Kshs 16.8 bn recorded in H1’2025, with effective tax rate decreasing to 25.6%, from 30.5% in H1’2025, leading to a 9.8% decrease in profit after tax to Kshs 10.5 bn in H1’2026, from Kshs 11.7 bn in H1’2025.
- The Board of Directors recommended an interim dividend of Kshs 0.5 per share translating to an annualized dividend yield of 6.1% and a dividend payout ratio of 25.8% compared to an annualized dividend yield of 7.8% and dividend payout ratio of 9.3% recorded in H1’2025.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 5.0% to Kshs 558.1 bn, from Kshs 531.6 bn in H1’2026, mainly driven by 8.2% increase Net loans and advances to Kshs 329.9 bn, from 304.9 bn in H1’2025. Government Securities decreased by 3.2% to Kshs 157.2 bn, from Kshs 162.4 bn in H1’2025.
- Total liabilities increased by 4.0% to Kshs 460.1 bn from Kshs 442.6 bn in H1’2025, mainly driven by a 6.8% increase in customer deposits to Kshs 380.7 bn, from Kshs 356.3 bn in H1’2025, compared with the 1.8% decrease in placements to Kshs 5.3 bn, from Kshs 4.3 bn in H1’2025. With 89 branches, compared to 76 branches in H1’2025, deposits per branch decreased 8.8% to Kshs 4.3 bn, from Kshs 4.7 bn in H1’2025,
- The 6.8% increase in customer deposits, coupled with the 8.2% increase in net loans led to an increase in the loan to deposits ratio to 86.7%, from 85.6% in H1’2025,
- The bank’s Asset Quality improved, with Gross NPL ratio decreasing to 10.2% in H1’2026, from 13.2% in H1’2025, attributable to a 17.8% decrease in Gross non-performing loans to Kshs 36.4 bn, from Kshs 44.2 bn in H1’2025, compared to the 6.2% increase in gross loans to Kshs 355.0 bn, from Kshs 334.4 bn recorded in H1’2025,
- General Provisions (LLP) decreased by 22.8% to Kshs 16.4 bn in H1’2026 from Kshs 21.2 bn in H1’2025. The NPL coverage increased to 69.1% in H1’2026, from 66.6% in H1’2025, attributable to the 22.8% decrease in general provisions, and the 17.8% decrease in Gross Non-performing Loans to Kshs 36.4 bn, from Kshs 44.2 bn in H1’2025 which outpaced the 6.1% increase in interest in suspense to Kshs 8.7 bn from 8.2 bn in H1’2025.
- Shareholders’ funds increased by 10.1% to Kshs 98.0 bn in H1’2025, from Kshs 89.0 bn in H1’2025, supported by a 10.4% increase in retained earnings to Kshs 94.4 bn, from Kshs 85.5 bn in H1’2025,
- Absa Bank Group remains capitalized with a core capital to risk-weighted assets ratio of 17.4%, 6.9% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 19.4%, exceeding the statutory requirement of 14.5% by 4.9% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 4.0%, and a Return on Average Equity (ROaE) of 23.3%.

Key Take-Outs:

1. **Decreased earnings -** Core earnings per share declined by 9.8% to Kshs 1.9, from Kshs 2.2 in H1’2026, driven by the 6.8% decrease in total operating income to Kshs 29.3 bn, from Kshs 31.5 bn in H1’2025, coupled with 3.5% increase in total operating expense to Kshs 15.2 bn from Kshs 14.7 bn in H1’2025,
2. **Improved asset quality –** The bank’s Asset Quality improved, with Gross NPL ratio decreasing to 10.2% in H1’2026, from 13.2% in H1’2025, attributable to a 17.8% decrease in Gross non-performing loans to Kshs 36.4 bn, from Kshs 44.2 bn in H1’2025, compared to the 6.2% increase in gross loans to Kshs 355.0 bn, from Kshs 334.4 bn recorded in H1’2025.

3. **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 5.0% to Kshs 558.1 bn, from Kshs 531.6 bn in H1’2026, mainly driven by 8.2% increase Net loans and advances to Kshs 329.9 bn, from 304.9 bn in H1’2025.
4. **Decreased Government Holdings** – Government Securities decreased by 3.2% to Kshs 157.2 bn, from Kshs 162.4 bn in H1’2025, owing to a 9.2% decrease in government securities interest income to Kshs 6.0 bn from Kshs 6.6 bn recorded in H1’2025.

Going forward, the factors that would drive the bank’s growth would be:

- **Strong Customer Base** – Absa Bank still retains a loyal yet diverse customer base that includes cooperatives, SMEs, retail customers, and government institutions. We anticipate that the bank will keep leveraging on this base to improve its loan book which this year increased by 8.2% to Kshs 329.9 bn from Kshs 304.9 bn in H1’2025.

- **Diversified products** – The bank has continued to leverage digital transformation as a strategy to enhance financial services and customer experience. This expansion in digital distribution has led to an increase in digital loan disbursements and growth in consumer business through the Timiza digital platform, significantly contributing to its financial performance. Additionally, the lender's subsidiary divisions, particularly asset management and insurance, not only diversifys the bank's revenue streams but also provide additional value-added services to customers, enhancing overall client retention and satisfaction.

Valuation Summary

- We are of the view that Absa Bank is an “accumulate” with a target price of Kshs 36.8 representing an upside of 10.3%, from the current price of 35.25 as of 21st August 2026.

- Absa Bank is currently trading at a P/TBV of 2.0x and a P/E of 8.8x vs an industry average of 1.3x and 6.5x respectively.