

Below is a summary of Absa Bank Kenya's Q3'2025 performance:

Balance Sheet	Q3'2024 (Kshs bn)	Q3'2025 (Kshs bn)	y/y change
Government Securities	97.5	166.9	71.1%
Net Loans and Advances	311.5	309.7	(0.6%)
Total Assets	484.4	554.3	14.4%
Customer Deposits	351.8	384.3	9.2%
Deposit per Branch	4.6	4.4	(4.6%)
Total Liabilities	407.0	460.0	13.0%
Shareholder's Funds	77.3	94.4	22.0%

Balance sheet ratios	Q3'2024	Q3'2025	% point y/y change
Loan to Deposit Ratio	88.5%	80.6%	(7.9%)
Govt Securities to Deposit ratio	27.7%	43.4%	15.7%
Return on average equity	26.4%	26.8%	0.5%
Return on average assets	3.8%	4.4%	0.6%

Income Statement	Q3'2024 (Kshs bn)	Q3'2025 (Kshs bn)	y/y change
Net Interest Income	34.5	33.0	(4.6%)
Net non-Interest Income	12.2	13.6	11.2%
Total Operating income	46.8	46.6	(0.4%)
Loan Loss provision	(8.0)	(4.8)	(39.6%)
Total Operating expenses	(25.7)	(22.3)	(13.0%)
Profit before tax	21.1	24.2	14.9%
Profit after tax	14.7	16.9	14.7%
Core EPS	2.7	3.1	14.7%

Income statement ratios	Q3'2024	Q3'2025	% point y/y change
Yield from interest-earning assets	14.8%	12.9%	(1.8%)
Cost of funding	4.9%	3.8%	(1.1%)
Net Interest Spread	3.6%	2.6%	(1.1%)
Net Interest Margin	10.5%	9.6%	(0.8%)
Cost of Risk	17.2%	10.4%	(6.8%)
Net Interest Income as % of operating income	73.8%	70.8%	(3.1%)
Non-Funded Income as a % of operating income	26.2%	29.2%	3.1%
Cost to Income	55.0%	48.0%	(7.0%)
Cost to Income (Without LLPs)	37.8%	37.6%	(0.2%)
Cost to Assets	3.6%	3.2%	(0.5%)

Capital Adequacy Ratios	Q3'2024	Q3'2025	% point y/y change
Core Capital/Total Liabilities	19.1%	20.8%	1.7%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	11.1%	12.8%	1.7%
Core Capital/Total Risk Weighted Assets	15.6%	18.0%	2.4%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	5.1%	7.5%	2.4%

Total Capital/Total Risk Weighted Assets	19.4%	20.9%	1.5%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	4.9%	6.4%	1.5%
Liquidity Ratio	38.1%	49.8%	11.7%
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	18.1%	29.8%	11.7%

Income Statement

- Core earnings per share grew by 14.7% to Kshs 3.1, from Kshs 2.7 in Q3'2024, driven by the 13.0% decrease in total operating expense to Kshs 22.3 bn, from Kshs 25.7 bn in Q3'2024. However the performance was weighed down by a 0.4% decrease in total operating income to Kshs 46.6 bn from Kshs 46.8 bn in Q3' 2024.
- The 13.0% decrease in total operating expense was mainly driven by a 39.6% decline in Loan Loss Provision (LLP) to Kshs 4.8 bn, from Kshs 8.0 bn in Q3'2024. It was however supported by the 0.2% increase in other operating expenses to Kshs 7.88 bn in Q3'2025, from Kshs 7.86 bn in Q3'2024.
- Interest income declined by 9.6% to Kshs 44.0 bn from Kshs 48.6 bn in Q3'2024, mainly driven by a 19.7% decline in interest income from loans and advances to Kshs 32.6 bn, from Kshs 40.6 bn in Q3'2024, coupled with a 16.1% decrease in interest income from deposits and placements with banking institutions to Kshs 1.2 bn, from Kshs 1.5 bn in Q3'2024. As such, the Yield on Interest-Earning Assets (YIEA) decreased by 1.8% points to 12.9% from 14.8% recorded in Q3'2024, attributable to the decline of 5.8% in trailing interest income to Kshs 60.1 bn, from Kshs 63.8 bn in Q3'2024, compared to a 7.4% Increase in average interest earning assets to Kshs 464.0 bn, from Kshs 432.1 bn in Q3'2024,
- Interest expenses declined by 21.9% to Kshs 11.0 bn from Kshs 14.1 bn in Q3'2024, mainly driven by 28.5% decrease in interest expense on customer deposits to Kshs 9.6 bn from Kshs 13.4 bn in Q3'2024. Consequently, Cost of funds (COF) decreased by 1.1% points to 4.9% from 3.8% recorded in Q3'2024, owing to a 16.8% decrease in trailing interest expense to Kshs 15.4 bn from Kshs 18.5 bn recorded in Q3'2024, compared to a slower 7.4% increase in average interest-bearing liabilities to Kshs 409.2 bn from Kshs 380.8 bn in Q3'2024. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) decreased by 0.8% points to 9.6% from 10.5% in Q3'2024, attributable to a 1.3% decrease in trailing net interest income to Kshs 44.7 bn from Kshs 45.2 bn recorded in Q3'2024, which outpaced the 7.4% growth in average interest earning assets,
- Non-Funded Income (NFI) increased by 11.2% to Kshs 13.6 bn from Kshs 12.2 bn in Q3'2024, mainly driven by a 24.6% decrease in other fees to Kshs 5.5 bn, from Kshs 4.4 bn in Q3'2024. Total fees and commissions decreased by 15.8% to Kshs 1.0 bn from Kshs 1.2 bn in Q3'2024. The revenue mix shifted to 74:26, from 71:29 for the funded to Non-funded income owing to the 4.6% decline in Funded Income compared to the 11.2% increase in the Non-Funded Income,
- Total operating expense decreased by 13.0% to Kshs 22.3 bn in Q3'2025, from Kshs 25.7 bn in Q3'2024, mainly attributable to 39.6% decrease in loan loss provision to Kshs 4.8 bn, from Kshs 8.0 bn in Q3'2024, coupled with the 1.9% decrease in staff cost to 9.6 bn from 9.8 in Q3'2024.
- Cost to Income Ratio (CIR) decreased by 7.0% points to 48.0% from 55.0% in Q3'2024, owing to the faster 13.0% decrease in total operating expenses, which outpaced the 0.4% decrease in total operating income. Notably, CIR without LLP decreased by 0.2% points to 37.6%, from 37.8% recorded in Q3'2024,

- Profit before tax increased by 14.9% to Kshs 24.2 bn, from Kshs 21.1 bn recorded in Q3'2024, with effective tax rate decreasing to 30.1% in Q3'2025, from 30.0% in Q3'2024, leading to a 14.7% increase in profit after tax to Kshs 16.9 bn in Q3'2025, from Kshs 14.7 bn in Q3'2024.
- The Board of Directors did not recommend any dividend for Q3'2025.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 14.4% to Kshs 554.3 bn, from Kshs 484.4 bn in Q3'2024, mainly driven by a 71.1% increase in governments securities holdings to Kshs 166.9 bn, from 97.5 bn in Q3'2024. Net loans and advances decreased by 0.6% to Kshs 309.7 bn, from Kshs 311.5 bn in Q3'2024. Total liabilities increased by 13.0% to Kshs 460.0 bn from Kshs 407.0 bn in Q3'2024, mainly driven by a 9.2% increase in customer deposits to Kshs 384.3 bn, from Kshs 351.8 bn in Q3'2024, coupled with the 13.6% increase in borrowings to Kshs 4.1 bn, from Kshs 3.6 bn in Q3'2024. With 87 branches, compared to 76 branches in Q3'2024, deposits per branch decreased 4.6% to Kshs 4.4 bn, from Kshs 4.6 bn in Q3'2024,
- The 9.2% increase in customer deposits, compared to the 0.6% decrease in net loans led to a decrease in the loan to deposits ratio to 80.6% from 88.5% in Q3'2024,
- The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 13.0% in Q3'2025, from 12.6% in Q3'2024, attributable to a 3.6% increase in Gross non-performing loans to Kshs 44.2 bn, from Kshs 42.7 bn in Q3'2024, relative to the 0.01% increase in gross loans to Kshs 339.4 bn, from Kshs 339.3 bn recorded in Q3'2024,
- General Provisions (LLP) increased by 4.6% to Kshs 21.7 bn in Q3'2025 from Kshs 20.8 bn in Q3'2024. The NPL coverage increased to 67.1% in Q3'2025, from 65.3% in Q3'2024, attributable to the 4.6% increase in general provisions coupled with the 11.6% increase in interest in suspense to Kshs 8.0 bn from 7.1 bn in Q3'2024 which outpaced the 3.6% increase in Gross Non-performing Loans to Kshs 44.2 bn, from Kshs 42.7 bn in Q3'2024.
- Shareholders' funds increased by 22.0% to Kshs 94.4 bn in Q3'2025, from Kshs 77.3 bn in Q3'2024, supported by a 17.5% increase in retained earnings to Kshs 77.3 bn, from Kshs 90.8 bn in Q3'2024,
- Absa Bank Group remains capitalized with a core capital to risk-weighted assets ratio of 18.0%, 7.5% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 20.9%, exceeding the statutory requirement of 14.5% by 6.4% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 4.4%, and a Return on Average Equity (ROaE) of 26.8%.

Key Take-Outs:

- 1. Increased earnings** - Core earnings per share grew by 14.7% to Kshs 3.1, from Kshs 2.7 in Q3'2024, driven by the 13.9% decrease in total operating expense to Kshs 22.3 bn, from Kshs 25.7 bn in Q3'2024. However, the performance was weighed down by a 0.4% decrease in total operating income to Kshs 46.8 bn from Kshs 46.6 bn in Q3'2024,
- 2. Deteriorated asset quality** – The bank's Asset Quality deteriorated, with Gross NPL ratio increasing to 13.0% in Q3'2025, from 12.6% in Q3'2024, attributable to a 3.6% increase in Gross non-performing loans to Kshs 44.2 bn, from Kshs 42.7 bn in Q3'2024, relative to the 0.01% increase in gross loans to Kshs 339.4 bn, from Kshs 339.3 bn recorded in Q3'2024,
- 3. Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 14.4% to Kshs 554.3 bn, from Kshs 484.4 bn in Q3'2024, mainly driven by a 71.1% increase in governments

securities holdings to Kshs 166.9 bn, from 97.5 bn in Q3'2024. Net loans and advances decreased by 0.6% to Kshs 309.7 bn, from Kshs 311.5 bn in Q3'2024.

4. **Decreased lending**- Customer net loans and advances decreased by 0.6% to Kshs 309.7 bn in Q3'2025, down from Kshs 311.5 bn in Q3'2024, as the lender decreased lending due the high industry NPLs, and despite the gradual easing of the Central Bank Rate to 9.25% in August from 9.50% in October 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 declined by 0.6% to Kshs 309.7 bn from Kshs 311.5 bn in Q3'2024.
- **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 diversify 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 a “accumulate” with a target price of Kshs 24.1 representing an upside of 12.8%, from the current price of 23.3 as of 21st November 2025.
- Absa Bank is currently trading at a P/TBV of 1.4x and a P/E of 5.7x vs an industry average of 1.0x and 4.9x respectively.