

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

Balance Sheet	Q3'2024 (Kshs bn)	Q3'2025 (Kshs bn)	y/y change
Net Loans and Advances to Customers	218.8	253.1	15.7%
Kenya Government Securities	74.2	98.6	32.8%
Total Assets	462.6	476.2	3.0%
Customer Deposits	327.8	343.9	4.9%
Deposits Per Branch	10.9	11.5	4.9%
Total Liabilities	401.0	410.3	2.3%
Shareholders' Funds	61.5	65.9	7.1%

Income Statement Ratios	Q3'2024	Q3'2025	% points y/y change
Yield from interest-earning assets	12.9%	11.1%	(1.8%)
Cost of funding	6.7%	4.5%	(2.2%)
Net Interest Margin	6.8%	6.3%	(0.5%)
Net Interest Income as % of operating income	64.7%	72.4%	7.7%
Non-Funded Income as a % of operating income	35.3%	27.6%	(7.7%)
Cost to Income Ratio	52.1%	54.5%	2.4%
CIR without LLP	42.9%	45.6%	2.7%
Cost to Assets	2.7%	2.7%	(0.0%)

Income Statement	Q3'2024 (Kshs bn)	Q3'2025 (Kshs bn)	y/y change
Net interest Income	19.0	20.5	8.0%
Non-interest income	10.4	7.8	(24.5%)
Total Operating income	29.3	28.3	(3.5%)
Loan loss provision	(2.7)	(2.5)	(6.6%)
Total Operating expenses	(15.3)	(15.4)	1.0%
Profit before tax	14.1	12.9	(8.3%)
Profit after tax	10.1	9.4	(7.7%)
Core EPS	25.7	23.7	(7.7%)

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Capital Adequacy Ratios	Q3'2024	Q3'2025	% points change
Core Capital/Total Liabilities	16.5%	17.3%	0.8%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	8.5%	9.3%	0.8%
Core Capital/Total Risk Weighted Assets	14.7%	14.3%	(0.4%)
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	4.2%	3.8%	(0.4%)
Total Capital/Total Risk Weighted Assets	17.8%	17.9%	0.1%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	3.3%	3.4%	0.1%
Liquidity Ratio	50.0%	49.0%	(1.0%)
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	30.0%	29.0%	(1.0%)

Income Statement

- Core earnings per share declined by 7.7% to Kshs 23.7, from Kshs 25.7 in Q3'2024, driven by the 3.5% decrease in total operating income to Kshs 28.3 bn, from Kshs 29.3 bn in Q3'2024 coupled with the 1.0% increase in total operating expense to Kshs 15.4 bn from Kshs 15.3 bn in Q3' 2024.
- The 3.5% decrease in total operating income was mainly driven by a 6.6% decline in non interest income to Kshs 7.8 bn, from Kshs 10.4 bn in Q3'2024. It was however supported by a 8.0% increase in net interest income to Kshs 20.5 bn in Q3'2025, from Kshs 19.0 bn in Q3'2024.
- Interest income increased by 17.2% to Kshs 32.1 bn from Kshs 38.8 bn in Q3'2024, mainly driven by a 24.5% decline in interest income from loans and advances to Kshs 20.2 bn, from Kshs 26.9 bn in Q3'2024, coupled with a 41.3% decrease in interest income from deposits and placements with banking institutions to Kshs 3.0 bn, from Kshs 5.1 bn in Q3'2024. As such, the Yield on Interest-Earning Assets (YIEA) decreased by 1.8% points to 11.1% from 12.9% recorded in Q3'2024, attributable to the decline of 9.9% in trailing interest income to Kshs 45.6 bn, from Kshs 50.6 bn in Q3'2024, compared to a 5.0% Increase in average interest earning assets to Kshs 412.1 bn, from Kshs 392.6 bn in Q3'2024,
- Interest expenses declined by 41.4% to Kshs 11.6 bn from Kshs 19.8 bn in Q3'2024, mainly driven by 48.8% decrease in interest expense on customer deposits to Kshs 8.5 bn from Kshs 16.6 bn in Q3'2024. Consequently, Cost of funds (COF) decreased by 2.3% points to 4.5% from 6.7% recorded in Q3'2024, owing to a 28.8% decrease in trailing interest expense to Kshs 17.2 bn from Kshs 24.2 bn recorded in Q3'2024, compared to a 7.1% increase in average interest-bearing liabilities to Kshs 383.9 bn from Kshs 358.4 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 0.5% points to 6.3% from 6.8% in Q3'2024, attributable to a 2.5% decrease in trailing net interest income to Kshs 25.9 bn from Kshs 26.5 bn recorded in Q3'2024, coupled with ` the 7.1% growth in average interest earning assets,

- Non-Funded Income (NFI) decreased by 24.8% to Kshs 7.8 bn from Kshs 10.4 bn in Q3'2024, mainly driven by a 49.2% decrease in Foreign exchange income to Kshs 3.1 bn, from Kshs 6.2 bn in Q3'2024. Total fees and commissions increased by 2.0% to Kshs 3.6 bn from Kshs 3.5 bn in Q3'2024. The revenue mix shifted to 72:28, from 65:35 for the funded to Non-funded income owing to the 8.0% increase in Funded Income coupled with the 24.5% decrease in the Non-Funded Income,
- Total operating expense increased by 1.0% to Kshs 15.4 bn in Q3'2025, from Kshs 15.3 bn in Q3'2024, mainly attributable to 7.6% increase in staff costs to Kshs 6.7 bn, from Kshs 6.2 bn in Q3'2024
- Cost to Income Ratio (CIR) increased by 2.4% points to 54.5% from 52.1% in Q3'2024, owing to the 1.0% increase in total operating expenses coupled with the 3.5% decrease in total operating income. Notably, CIR without LLP increased by 2.7% points to 45.6%, from 42.9% recorded in Q3'2024,
- Profit before tax decreased by 8.3% to Kshs 12.9 bn, from Kshs 14.1 bn recorded in Q3'2024, with effective tax rate decreasing to 27.4% in Q3'2025, from 27.9% in Q3'2024, leading to a 7.7% decrease in profit after tax to Kshs 9.4 bn in Q3'2025, from Kshs 10.1 bn in Q3'2024.
- The Board of Directors recommended did not recommend any dividend for Q3'2025.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 3.0% to Kshs 476.2 bn, from Kshs 462.6 bn in Q3'2024, mainly driven by a 32.8% increase in governments securities holdings to Kshs 98.6 bn, from 74.2 bn in Q3'2024. Net loans and advances increased by 15.7% to Kshs 253.1 bn, from Kshs 218.8 bn in Q3'2024. Total liabilities increased by 2.3% to Kshs 410.3 bn from Kshs 401.0 bn in Q3'2024, mainly driven by a 4.9% increase in customer deposits to Kshs 343.9 bn, from Kshs 327.8 bn in Q3'2024, coupled with the 44.3% increase in borrowings to Kshs 18.9 bn, from Kshs 13.1 bn in Q3'2024. With 30 branches similar to Q3'2024, deposits per branch increased 4.9% to Kshs 11.5 bn, from Kshs 10.9 bn in Q3'2024,
- The 4.9% increase in customer deposits, compared to the 15.7% increase in net loans led to an increase in the loan to deposits ratio to 73.6%, from 66.7% in Q3'2024,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 8.2% in Q3'2025, from 10.4% in Q3'2024, attributable to an 8.3% decrease in Gross non-performing loans to Kshs 22.8 bn, from Kshs 24.8 bn in Q3'2024, relative to the 17.5% increase in gross loans to Kshs 279.4 bn, from Kshs 237.7 bn recorded in Q3'2024,
- General Provisions (LLP) increased by 52.0% to Kshs 19.7 bn in Q3'2025 from Kshs 13.0 bn in Q3'2024. The NPL coverage increased to 83.2% in Q3'2025, from 76.5% in Q3'2024, attributable to the 52.0% increase in general provisions coupled with the 9.3% increase in interest in suspense to Kshs 6.6 bn from 6.0 bn in Q3'2024 coupled with the 8.3% decrease in Gross Non-performing Loans to Kshs 22.8 bn, from Kshs 24.8 bn in Q3'2024.
- Shareholders' funds increased by 7.1% to Kshs 65.9 bn in Q3'2025, from Kshs 61.5 bn in Q3'2024, despite the 7.7% decrease in retained earnings to Kshs 9.4 bn, from Kshs 10.1 bn in Q3'2024,
- Stanbic Bank remains capitalized with a core capital to risk-weighted assets ratio of 14.3%, 3.8% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 17.9%, exceeding the statutory requirement of 14.5% by 3.4% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 2.7%, and a Return on Average Equity (ROaE) of 13.4%.

Key Take-Outs:

1. **Decreased earnings** - Core earnings per share declined by 7.7% to Kshs 23.7, from Kshs 25.7 in Q3'2024, driven by the 1.0% increase in total operating expense to Kshs 15.4 bn, from Kshs 15.3 bn in Q3'2024 coupled with a 3.5% decrease in total operating income to Kshs 28.3 bn from Kshs 29.3 bn in Q3' 2024,
2. **Improved asset quality** – The bank's Asset Quality improved, with Gross NPL ratio decreasing to 8.2% in Q3'2025, from 10.4% in Q3'2024, attributable to a 8.3% decrease in Gross non-performing loans to Kshs 22.8 bn, from Kshs 24.8 bn in Q3'2024, relative to the 17.5% increase in gross loans to Kshs 279.4 bn, from Kshs 237.7 bn recorded in Q3'2024,
3. **Expanded Balanced sheet** - The balance sheet recorded an expansion as total assets increased by 3.0% to Kshs 476.2 bn, from Kshs 462.6 bn in Q3'2024, mainly driven by a 32.8% increase in governments securities holdings to Kshs 98.6 bn, from 74.2 bn in Q3'2024. Net loans and advances increased by 15.7% to Kshs 253.1 bn, from Kshs 218.8 bn in Q3'2024.
4. **Increased lending**- Customer loans increased by 15.7% to Kshs 253.1 bn, from Kshs 218.8 bn in Q3'2024 as the lender increased lending despite the high industry NPLs, a move possibly supported by the gradual easing of the Central Bank Rate to 9.25% in October from 9.50% in June 2025.

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

- **Digital transformation.** The lender has capitalized on digital innovation for service delivery to improve its operational efficiency, which has been a key factor in its financial performance. The lender upgraded their T24 core banking system to improve client's experiences. Additionally, the lender is adopting use of Artificial Intelligence in its operations and it rolled out Intelligence Automation framework with 17 bots successfully deployed across multiple business function

Valuation Summary

- We are of the view that Stanbic Bank is a "accumulate" with a target price of Kshs 194.8 representing an upside of 13.7%, from the current price of 189.5 as of 21st November 2025.
- Stanbic Bank is currently trading at a P/TBV of 1.0x and a P/E of 5.7x vs an industry average of 1.0x and 4.9x respectively.