Standard Chartered Bank Kenya Ltd– FY'2024

21st March, 2025

Below is a summary of Standard Chartered Bank Ltd FY'2024 performance:

Balance Sheet Items	FY'2023	FY'2024	y/y change
Net loans	163.2	151.6	(7.1%)
Government Securities	69.6	93.7	34.7%
Total Assets	**429.0**	**384.6**	**(10.3%)**
Customer Deposits	342.9	295.7	(13.8%)
Deposits per Branch	9.5	9.2	(3.0%)
Total Liabilities	**367.4**	**312.8**	**(14.9%)**
Shareholder's Funds	**61.5**	**71.8**	**16.6%**

Balance Sheet Ratios	FY'2023	FY'2024	% points change
Loan to deposit ratio	47.6%	51.3%	3.7%
Government securities to deposit ratio	20.3%	31.7%	11.4%
Return on Average Equity	23.5%	30.1%	6.6%
Return on Average Assets	3.4%	4.9%	1.5%

Income Statement	FY'2023	FY'2024	y/y change
Net Interest Income	29.3	33.3	13.4%
Net non-Interest Income	12.4	17.4	40.4%
Total Operating income	**41.7**	**50.7**	**21.4%**
Loan Loss provision	3.4	2.4	(29.6%)
Total Operating expenses	**22.1**	**22.5**	**1.9%**
Profit before tax	19.7	28.2	43.4%
Profit after tax	**13.8**	**20.1**	**45.0%**
Core EPS (Kshs)	**36.6**	**53.1**	**45.0%**
Dividend Per Share (Kshs)	**29.0**	**45.0**	**55.2%**
Dividend Yield	**15.6%**	**14.8%**	**(5.2%)**
Dividend Payout Ratio	**79.2%**	**84.8%**	**7.0%**

Income Statement Ratios	FY'2023	FY'2024	% points change
Yield from interest-earning assets	9.1%	11.2%	2.0%
Cost of funding	1.0%	1.7%	0.7%
Net Interest Spread	8.2%	9.5%	1.3%
Net Interest Margin	8.3%	9.6%	1.3%
Cost of Risk	8.1%	4.7%	(3.4%)
Net Interest Income as % of operating income	70.3%	65.6%	(4.6%)
Non-Funded Income as a % of operating income	29.7%	34.4%	4.6%
Cost to Income Ratio	52.9%	44.3%	(8.5%)
Cost to Income Ratio without LLP	44.8%	39.6%	(5.1%)

Capital Adequacy Ratios	FY'2023	FY'2024	% points change
Core Capital/Total Liabilities	14.9%	18.3%	3.4%
Minimum Statutory ratio	8.0%	8.0%	
Excess	**6.9%**	**10.3%**	**3.4%**
Core Capital/Total Risk Weighted Assets	17.8%	19.5%	1.7%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	**7.3%**	**9.0%**	**1.7%**
Total Capital/Total Risk Weighted Assets	17.8%	19.6%	1.7%
Minimum Statutory ratio	14.5%	14.5%	
Excess	**3.3%**	**5.1%**	**1.7%**
Liquidity Ratio	66.3%	67.6%	1.3%
Minimum Statutory ratio	20.0%	20.0%	
Excess	**46.3%**	**47.6%**	**1.3%**

Income Statement

- Core earnings per share increased by 45.0% to Kshs 53.1, from Kshs 36.6 in FY'2023, mainly driven by the 21.4% increase in total operating income to Kshs 50.7 bn, from Kshs 41.7 bn in FY'2023 which outpaced the 1.9% increase in total operating expenses to Kshs 22.5 bn, from Kshs 22.1 bn in FY'2023,
- The 21.4% growth in total operating income was mainly driven by a 40.4% growth in Non Interest Income to Kshs 17.4 bn, from Kshs 12.4 bn in FY'2023, coupled with a 13.4% growth in Net Interest Income (NII) to Kshs 33.3 bn, from Kshs 29.3 bn in FY'2023,
- Interest income grew by 20.0% to Kshs 38.8 bn from Kshs 32.4 bn in FY'2023, mainly driven by a 25.9% growth in interest income from loans and advances to Kshs 22.8 bn, from Kshs 18.1 bn in FY'2023 coupled with a 18.0% increase in in interest income from holdings in government securities interest income from deposits and placements to Kshs 9.8 bn from Kshs 8.3 bn in FY'2023. The growth in interest income was driven further by an 4.6% increase in interest income from placements to Kshs 6.2 bn, from Kshs 6.0 bn in FY'2023. Similarly, the Yield on Interest-Earning Assets (YIEA) increase by 2.0% points to 11.2% from 9.1% recorded in FY'2023, mainly attributable to the faster 20.0% growth in trailing interest income to Kshs 38.8 bn, from Kshs 32.4 bn in FY'2023 compared to the 1.9% decrease in average interest earning assets to Kshs 347.6 bn, from Kshs 354.5 bn in FY'2023,
- Interest expenses rose by 83.4% to Kshs 5.6 bn, from Kshs 3.0 bn in FY'2023, driven by 73.4% increase in interest expense from customer deposits to Kshs 4.5 bn, from Kshs 2.6 bn in FY'2023, coupled with a 94.7% increase in interest expense from placements to Kshs 0.3 bn in FY'2024, from Kshs 0.2 bn recorded in FY'2023. Consequently, Cost of funds (COF) increased by 0.8% points to 1.7%, from 1.0% recorded in FY'2023, owing to a faster 83.4% increase in Trailing interest expense to Kshs 5.6 bn, from Kshs 3.0 bn in FY'2023, compared to the 2.9% increase in average interest bearing liabilities to Kshs 330.5 bn from Kshs 321.2 bn in FY'2023. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) increased by 1.3% points to 9.6% from 8.3% in FY'2023, attributable to the 13.4 growth in trailing net interest income to Kshs 33.3 bn, from Kshs 29.3 bn recorded in FY'2023, which outpaced the 1.9% decrease in average interest earning assets to Kshs 347.6 bn, from Kshs 354.5 bn in FY'2023,
- Non-Funded Income (NFI) increased by 40.4% to Kshs 17.4 bn from Kshs 12.4 bn in FY'2023, mainly driven by a 13.8% increase in income from other fees and commissions to Kshs 6.4 bn from Kshs 5.7 bn in FY'2023. The growth in NFI was however weighed down by the 22.7% decrease in the income from fees and commissions to 0.2 bn from 0.3 bn in FY'2023, coupled with 2.1% decrease in the foreign exchange trading income to 8.3 bn from 8.4 bn in FY'2023, highlighting the bank's declined foreign exchange margins. The revenue mix shifted to 66:34 from 70:30 in FY'2023 for the funded to Non-funded income owing to the 40.0% growth in Non Funded Income faster than the 13.4% growth in the Funded Income,
- Total operating expenses increased by 1.9% to Kshs 22.5 bn from Kshs 22.1 bn in FY'2023, driven by the 14.9% increase in staff costs to Kshs 9.1 bn from Kshs 7.9 bn in FY'2023, coupled with a 2.1% increase in other operating expenses to Kshs 11.0 bn from Kshs 10.8 bn in FY'2023. The growth in total operating expenses was however weighed down by the 29.6% decrease in loan loss provisions to Kshs 2.4 bn, from Kshs 3.4 bn in FY'2023. The decrease in provisioning comes as a result of the 30.2% decrease in gross non-performing loans to Kshs 12.0 bn, from Kshs 17.2 bn in FY'2023,
- Cost to Income Ratio (CIR) decreased by 8.5% points to 44.3% from 52.9% in FY'2023, owing to the 21.4% increase in total operating income, which outpaced the 1.9% increase in total operating expenses. Similarly, CIR without LLP decreased by 5.1% points to 39.6% from 44.8% recorded in FY'2023, and,

- Profit before tax increased by 43.4% to Kshs 28.2 bn from Kshs 19.7 bn in FY'2023, with effective tax rate decreasing to 28.9% in FY'2024 from 29.7% in FY'2023. As such, profit after tax increased by 45.0% to Kshs 20.1 bn, from kshs 13.8 bn in FY'2023.

Balance Sheet

- The balance sheet recorded a contraction as total assets declined by 10.3% to Kshs 384.6 bn, from Kshs 429.0 bn in FY'2023, driven by a 7.1% decrease in net loans and advances to Kshs 151.6 bn from Kshs 163.2 bn in FY'2023, but was supported by a 34.7% increase in investments in government securities to Kshs 93.7 bn, from Kshs 69.6 bn in FY'2023,
- Total liabilities declined by 14.9% to Kshs 312.8 bn from Kshs 367.4 bn in FY'2023. This decline was by driven by a 13.8% decrease in customer deposits to Kshs 295.7 bn, from Kshs 342.9 bn in FY'2023, coupled with the 40.4% decrease in placements to Kshs 8.4 bn, from Kshs 14.1 bn in FY'2023.
- The loan to deposits ratio increased to 51.3%, from 47.6% in FY'2023 attributable to the 13.8% decline in customer deposits as compared to the slower 7.1% growth in net loans,
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 7.4% in FY'2024, from 9.7% in FY'2023, attributable to the 30.2% decrease in gross non-performing loans to Kshs 12.0 bn, from Kshs 17.2 bn in FY'2023, relative to the slower 8.9% decrease in gross loans to Kshs 161.5 bn, from Kshs 177.2 bn recorded in FY'2023,
- General Provisions (LLP) decreased by 30.1% to Kshs 5.4 bn in FY'2024 from Kshs 7.7 bn in FY'2023. The NPL coverage increased to 81.8% in FY'2024, from 81.6% in FY'2023, attributable to the slower 30.1% decline in general provisions to Kshs 5.4 bn, from Kshs 7.7 bn in FY'2023, compared to the 30.1% decrease in gross non-performing loans to Kshs 12.0 bn from Kshs 17.2 bn recorded in FY'2023,
- Shareholders' funds increased by 16.6% to Kshs 71.8 bn in FY'2024, from Kshs 61.5 bn in FY'2023, supported by a 7.0% increase in retained earnings to Kshs 43.7 bn, from Kshs 40.8 bn in FY'2023,
- Standard Charteted Bank Kenya Ltd remained capitalized with a core capital to risk-weighted assets ratio of 19.5%, 9.0% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 19.6% exceeding the statutory requirement of 14.5% by 5.1% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 4.9%, and a Return on Average Equity (ROaE) of 30.1%.

Key Take-Outs:

1. **Strong earnings growth -** Core earnings per share increased by 45.0% to Kshs 53.1, from Kshs 36.6 in FY'2023, mainly driven by the 21.4% increase in total operating income to Kshs 50.7 bn, from Kshs 41.7 bn in FY'2023 which outpaced the 1.9% increase in total operating expenses to Kshs 22.5 bn, from Kshs 22.1 bn in FY'2023,
2. **Improved asset quality –** The bank's Asset Quality improved, with Gross NPL ratio decreasing to 7.4% in FY'2024, from 9.7% in FY'2023, attributable to the 30.3% decrease in gross non-performing loans to Kshs 12.0 bn, from Kshs 17.2 bn in FY'2023, relative to the slower 8.9% decrease in gross loans to Kshs 161.5 bn, from Kshs 177.2 bn recorded in FY'2023
3. **Decreased Lending –** The bank's loan book decreased by 7.1% to kshs 151.6 bn, from Kshs 163.2 bn in FY'2023, and,
4. **Declaration of dividends –** The Board of Directors recommended a final dividend of Kshs 29.0 per share for FY'2024, in addition to the interim dividend of Kshs 16.0 during the year, bringing the total dividend to Kshs 45.0 per share compared to Kshs 29.0 per share FY'2023. This translates to a dividend payout ratio of 84.8% and a dividend yield of 14.8% as of 21st March 2025, compared to to a dividend payout ratio of 79.2% and a dividend yield of 15.6% in a similar period for FY'2023.

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

- **Digital transformation -** The lender has leveraged digital innovation to enhance service delivery, enabling customers to invest in various funds such as offshore mutual funds, government securities, and local money market funds, as well as to access digital loans. This digital shift has significantly contributed to the lender's financial performance. The convenience and speed offered by digital banking services have made it easier for customers to manage their finances and access financial products, leading to higher customer satisfaction and loyalty. Consequently, the lender's adoption of digital solutions has positioned it as a competitive player in the financial market, driving growth and expanding its market share.

Valuation Summary

- We are of the view that Standard Chartered Bank is a “Buy” with a target price of Kshs 328.6 representing an upside of 22.9%, from the current price of Kshs 304.0 as of 21st March 2025, inclusive of a dividend yield of 14.8%
- Standard Chartered Bank Kenya is currently trading at a P/TBV of 1.8x and a P/E of 8.3x vs an industry average of 1.2x and 5.5x respectively.