

Below is a summary of Standard Chartered Bank Ltd FY'2025 performance:

Balance Sheet Items	FY'2024	FY'2025	y/y change
Net loans	151.6	154.3	1.8%
Government Securities	93.7	104.7	11.8%
Total Assets	384.6	363.5	(5.5%)
Customer Deposits	295.7	283.5	(4.1%)
Deposits per Branch	11.8	12.9	8.9%
Total Liabilities	312.8	297.2	(5.0%)
Shareholder's Funds	71.8	66.3	(7.6%)

Balance Sheet Ratios	FY'2024	FY'2025	% points change
Loan to deposit ratio	51.3%	54.4%	3.2%
Government securities to deposit ratio	31.7%	36.9%	5.3%
Return on Average Equity	30.1%	18.0%	(12.1%)
Return on Average Assets	4.9%	3.3%	(1.6%)

Income Statement	FY'2024	FY'2025	y/y change
Net Interest Income	33.3	28.9	(13.1%)
Net non-Interest Income	17.4	13.4	(23.0%)
Total Operating income	50.7	42.3	(16.5%)
Loan Loss provision	2.4	2.0	(16.3%)
Total Operating expenses	22.5	25.5	13.3%
Profit before tax	28.2	16.8	(40.3%)
Profit after tax	20.1	12.4	(38.0%)
Core EPS (Kshs)	53.1	32.9	(38.0%)
Dividend Per Share (Kshs)	45.0	31.0	(31.1%)
Dividend Yield	14.7%	9.4%	(5.4%) points
Dividend Payout Ratio	84.8%	94.2%	9.4% points

Income Statement Ratios	FY'2024	FY'2025	% points change
Yield from interest-earning assets	11.1%	9.8%	(1.3%)
Cost of funding	1.7%	1.4%	(0.4%)
Net Interest Spread	9.4%	8.5%	(0.9%)
Net Interest Margin	9.5%	8.7%	(0.8%)
Cost of Risk	4.7%	4.7%	0.0%
Net Interest Income as % of operating income	65.6%	68.3%	2.7%
Non-Funded Income as a % of operating income	34.4%	31.7%	(2.7%)
Cost to Income Ratio	44.3%	60.2%	15.9%
Cost to Income Ratio without LLP	39.6%	55.5%	15.8%
Cost to Assets	4.9%	6.3%	1.3%

Capital Adequacy Ratios	FY'2024	FY'2025	% Change
Core Capital/Total Liabilities	18.3%	19.4%	1.1%
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	10.3%	11.4%	1.1%
Core Capital/Total Risk Weighted Assets	19.5%	20.4%	0.9%
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	9.0%	9.9%	0.9%
Total Capital/Total Risk Weighted Assets	19.6%	20.4%	0.9%
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	5.1%	5.9%	0.9%
Liquidity Ratio	67.6%	0.0%	(67.6%)

Minimum Statutory ratio	20.0%	0.0%	(20.0%)
Excess	47.6%	0.0%	(47.6%)

Income Statement

- Core earnings per share decreased by 38.0% to Kshs 32.9 in FY'2025, from Kshs 53.1 in FY' 2024, mainly driven by the 16.5% decrease in total operating income to Kshs 42.3 bn in FY'2025 , from Kshs 50.7 bn in FY'2024, coupled with a 13.3% increase in total operating expenses to Kshs 25.5 bn in FY'2025, from Kshs 22.5 bn in FY'2024,
- The 16.5% decline in total operating income was mainly driven by a 23.0% decrease in Non Interest Income to Kshs 13.4 bn in FY'2025, from Kshs 17.4 bn in FY'2024, coupled with a 13.1% decrease in Net Interest Income (NII) to Kshs 28.9 bn in FY'2025, from Kshs 33.3 bn in FY'2024,
- Interest income declined by 15.4% to Kshs 32.8 bn in FY'2025 from Kshs 38.8 bn in FY'2024, mainly driven by a 25.9% decrease in interest income from loans and advances to Kshs 16.9 bn in FY'2025, from Kshs 22.8 bn in FY'2024 coupled with a 23.6% decrease in interest income from placements to Kshs 4.8 bn in FY'2025 from Kshs 6.2 bn in FY'2024. The decline in interest income was however supported by a 14.3% increase in interest income from holdings in government securities to Kshs 11.1 bn in FY'2025, from Kshs 9.8 bn in FY'2024. The Yield on Interest-Earning Assets (YIEA) decreased by 1.3% points to 9.8% in FY'2025 from 11.1% in FY'2024 mainly attributable to the 15.4% decrease in trailing interest income to Kshs 32.8 bn in FY'2025, from Kshs 38.8 bn in FY'2024 coupled with the 4.6% decrease in average interest earning assets to Kshs 333.9 bn in FY'2025, from Kshs 350.2 bn in FY'2024,
- Interest expenses fell by 29.1% to Kshs 3.9 bn in FY'2025, from Kshs 5.6 bn in FY'2024, mainly driven by 26.4% decrease in interest expense from placements to Kshs 0.2 bn in FY'2025, from Kshs 0.3 bn in FY'2024 coupled with 19.7% decrease in interest expenses from customer deposits to Kshs 3.6 bn in FY'2025 from Kshs 4.5 bn in FY'2024 . Cost of funds (COF) decreased by 0.4% points to 1.4% in FY'2025, from 1.7% recorded in FY'2024, owing to a faster 29.1% decrease in Trailing interest expense to Kshs 3.9 bn in FY'2025, from Kshs 5.6 bn in FY' 2024, compared to the 9.7% decrease in average interest bearing liabilities to Kshs 290.4 bn in FY'2025 from Kshs 321.6 bn in FY'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 8.7% in FY'2025, from 9.5% in FY'2024, attributable to the 13.1% decrease in trailing net interest income to Kshs 28.9 bn in FY' 2025 from kshs 33.3 bn in FY'2024 coupled with 4.6% decrease in average total interest earning assets to Kshs 333.9 bn in FY'2025 from Kshs 350.2 bn in FY'2024.
- Non-Funded Income (NFI) decreased by 23.0% to Kshs 13.4 bn in FY'2025 from Kshs 17.4 bn in FY'2024, mainly driven by a 58.6% decrease in the foreign exchange trading income to Kshs 3.4 bn in FY'2025 from Kshs 8.3 bn in FY'2024, highlighting the bank's declined foreign exchange margins. The performance was however supported by 31.2% increase in other income to Kshs 3.3 bn in FY'2025 from Kshs 2.5 bn in FY'2024.
- Total operating expenses increased by 13.3% to Kshs 25.5 bn in FY'2025 from Kshs 22.5 bn in FY'2024, mainly driven by the 23.7% increase in staff costs to Kshs 11.2 bn in FY' 2025 from Kshs 9.1 bn in FY' 2024, however the increase was slowed down by a 16.3% decrease in loan loss provision to Kshs 2.0 bn in FY' 2025 from Kshs 2.4 bn in FY'2024. The decrease in provisioning comes as a result of the 26.5% decrease in gross non-performing loans to Kshs 8.8 bn in FY'2025, from Kshs 12.0 bn in FY'2024,
- Cost to Income Ratio (CIR) increased by 15.9% points to 60.2% in FY'2025 from 44.3% in FY'2024, owing to the 13.3% increase in total operating expenses, coupled with the 16.5% decrease in total operating income. Similarly, CIR without LLP increased by 15.8% points to 55.5% in FY'2025 from 39.6% recorded in FY'2024, and,
- Profit before tax decreased by 40.3% to Kshs 16.8 bn in FY'2025 from Kshs 28.2 bn in FY'2024. As such, profit after tax decreased by 38.0% to Kshs 12.4 bn in FY'2025, from kshs 20.1 bn in FY'2024.

Balance Sheet

- The balance sheet recorded a contraction as total assets decreased by 5.5% to Kshs 363.5 bn, from Kshs 384.6 bn in FY'2024, driven by a 64.2% decrease in cash and Central Bank balance to Kshs 11.6 bn in FY'2025 from Kshs 32.3 bn in FY'2024. The performance was however supported by 11.8% increase in Government Securities to Kshs 104.7 bn in FY'2025 from Kshs 93.7 bn in FY'2024,
- Total liabilities decreased by 5.5% to Kshs 297.2 bn in FY'2025 from Kshs 312.8 bn in FY'2024. This increase was driven by a 4.1% decrease in customer to Kshs 283.5 bn, from Kshs 295.7 bn in FY'2024,
- The loan to deposits ratio increased 3.2% points to 54.4% in FY'2025 from 51.3% in FY'2024 attributable to the increase in Net loans by 1.8% to Kshs 154.3 bn in FY'2025 from Kshs 151.6 bn compared to the 4.1% decrease in Customer Deposits to Kshs 283.5 bn in FY'2025 from Kshs 295.7 bn in FY'2024.
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 5.5% in FY'2025, from 7.4% in FY'2024, attributable to the 26.5% decrease in gross non-performing loans to Kshs 8.8 bn, from Kshs 12.0 bn in FY'2024, which outpaced the 0.3% increase in gross loans to Kshs 162.0 bn, from Kshs 161.5 bn recorded in FY'2024,
- General Provisions (LLP) decreased by 21.2% to Kshs 4.2 bn in FY'2025 from Kshs 5.4 bn in FY'2024. The NPL coverage increased to 87.0% in FY'2025, from 81.8% in FY'2024, attributable to the 26.5% decline in Gross non-performing loans to Kshs 8.8 bn, from Kshs 12.0 bn in FY'2024, which outpaced the 22.6% decrease in Interest Suspense to Kshs 3.5 bn from Kshs 4.5 bn recorded in FY' 2024,
- Shareholders' funds decreased by 7.6% to Kshs 66.3 bn in FY' 2025, from Kshs 71.8 bn in FY' 2024, despite the 1.8% increase in retained earnings to Kshs 44.5 bn, from Kshs 43.7 bn in FY'2024,
- Standard Chartered Bank Kenya Ltd remained capitalized with a Core Capital to Risk-Weighted Assets ratio of 20.4%, 9.9% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 20.4% exceeding the statutory requirement of 14.5% by 5.9% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 3.3%, and a Return on Average Equity (ROaE) of 18.0%.

Key Take-Outs:

1. **Declined earnings growth** - Core earnings per share decreased by 38.0% to Kshs 32.9 in FY'2025, from Kshs 53.1 in FY'2024, mainly driven by the 16.5% decrease in total operating income to Kshs 42.3 bn in FY'2025, from Kshs 50.7bn in FY'2024, coupled with the 13.3% increase in total operating expenses to Kshs 25.5 bn in FY'2025, from Kshs 22.5 bn in FY'2024,
2. **Improved asset quality** – The bank's Asset Quality improved, with Gross NPL ratio decreasing to 5.5% in FY'2025, from 7.4% in FY'2024, attributable to the 26.5% decrease in gross non-performing loans to Kshs 8.8 bn, from Kshs 12.0 bn in FY'2024, coupled with 22.6% decrease in Interest Suspense to Kshs 3.5 bn in FY'2025 from Kshs 4.5 bn recorded in FY'2024, and,
3. **Declaration of dividends-** The Board of Directors declared a final dividend of Kshs 23.0 per share in addition to an interim dividend of Kshs 8.0 per share, bringing the total dividend for FY'2025 to Kshs 31.0 per share translating to a dividend yield of 9.4% a and a dividend-payout ratio of 94.2%

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 an "Accumulate" with a target price of Kshs 324.3 representing an upside of 7.7%, inclusive of a dividend yield of 9.4% from the current price of Kshs 330.0 as of

19th March 2026.

- Standard Chartered Bank Kenya is currently trading at a P/TBV of 2.1x and a P/E of 7.0x vs an industry average of 1.2x and 6.2x respectively.