



# Standard Chartered Bank Kenya Q3 2025 Earnings Note

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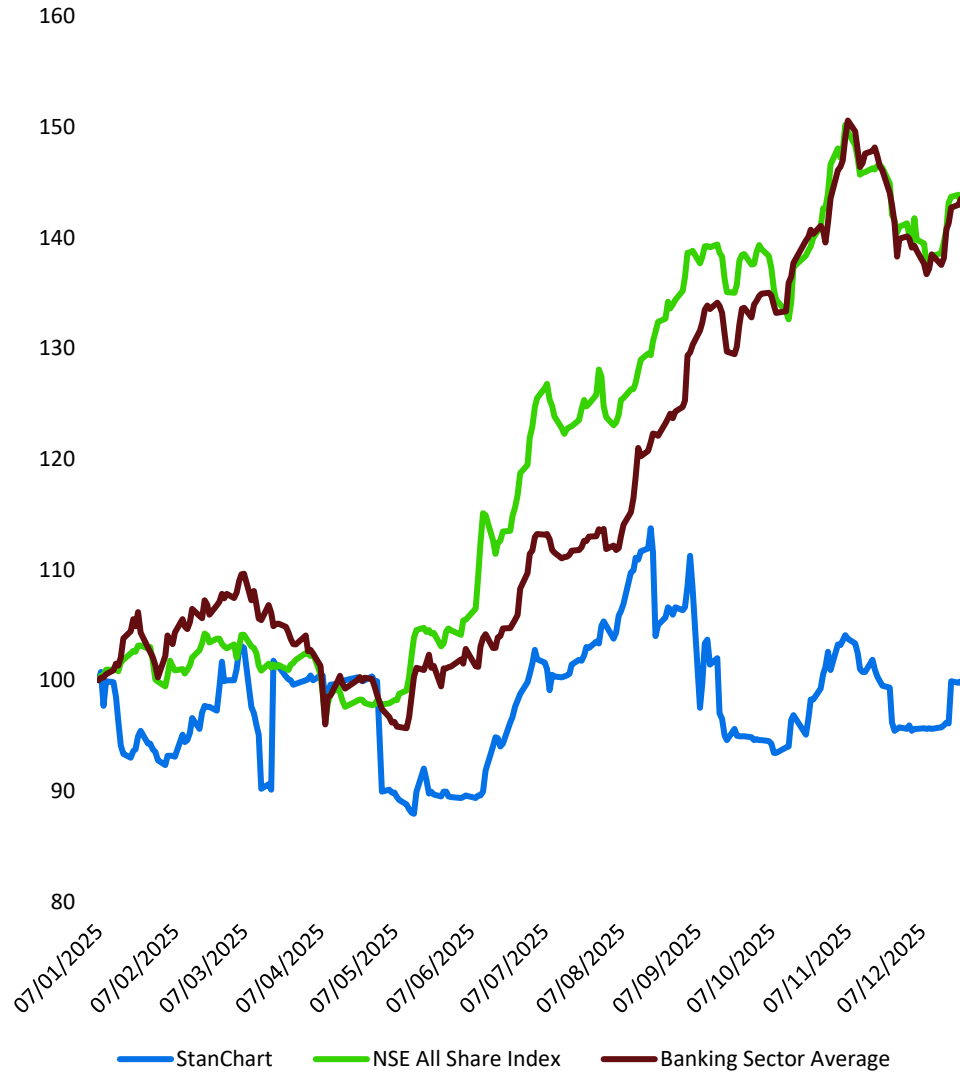
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# Summary

**Normalised Share Price Movement of Standard Chartered Bank Kenya vs Banking Sector Peers and the Market.**



Source: Bloomberg

Last Price – 24 <sup>th</sup> December 2025 in KES	300.00
Valuation Estimate in KES :	315.00
<b>Upside</b>	<b>5.0%</b>
<b>Recommendation</b>	<b>HOLD</b>
52-Week High	347.50
52-Week Low	260.00
52-Week Price Return	16.6%
<b>Year-to-Date Price Return</b>	<b>25.1%</b>
Price to Earnings Ratio (P/E)	11.73
Price to Book Ratio (P/B)	1.78

Source: Bloomberg and Faida Analysis

We recommend a **HOLD** on Standard Chartered Bank Kenya with a fair value of KES 315.00, representing an **upside of 5.0%** on 24<sup>th</sup> December 2025 closing price of KES 300.00.

The recommendation is supported by the bank's improving asset quality, with the gross NPL ratio declining to 5.9% from 7.5% and remaining well below the industry average, which provides comfort on balance sheet resilience and potential moderation in credit costs going forward. However, earnings momentum remains weak, as evidenced by the sharp contraction in profitability, declining interest income, and a significantly higher cost-to-income ratio, which are expected to constrain near-term valuation upside.

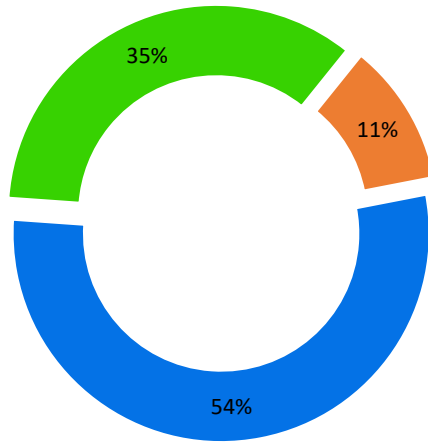
# Interest Income

Total Interest income declined by 13.5% to KES 25.1 billion in Q3 2025 from KES 29.1 billion in Q3 2024. This was largely driven by a significant 21.4% drop in loans and advances which fell to KES 13.6 billion from KES 17.3 billion in Q3 2024, a reduction of KES 3.7 billion.

Income from government securities expanded by 30.5% to KES 8.7 billion from KES 6.7, an increase of KES 2.0 billion.

Deposits and placements within banking institutions contracted by 44.5% to KES 2.8 billion in Q3 2025 from KES 5.1 billion in Q3 2024, reflecting a reduction of KES 2.3 billion.

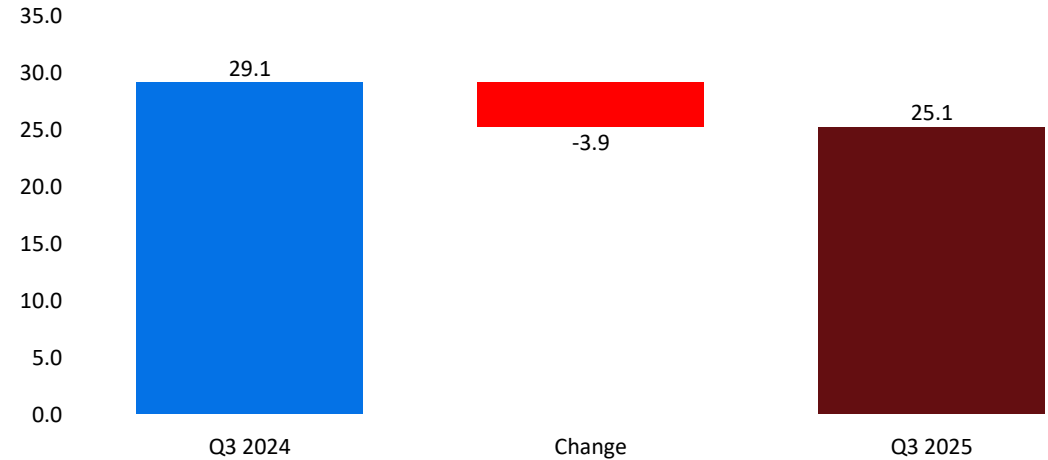
Interest income composition



Loans and advances    Government securities    Deposits and placements

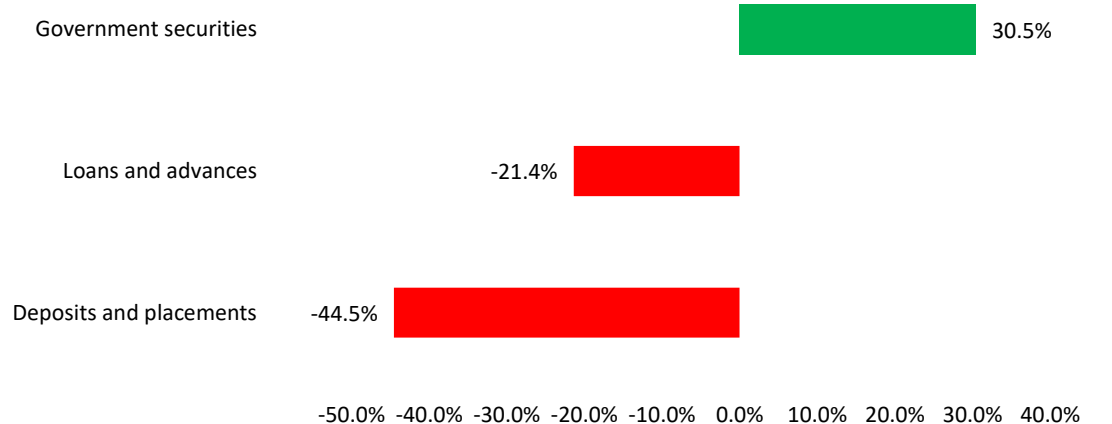
Source: Company Financials

Decline in interest income (KES billions)



Source: Company Financials

Interest income growth rate (%)



Source: Company Financials

# Interest Expense

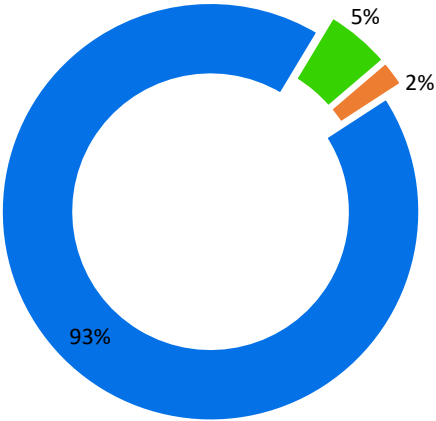
Total interest expense declined by 32.0% to KES 2.9 billion in Q3 2025 from KES 4.2 billion in Q3 2024, reflecting a decrease of KES 1.3 billion.

Interest on customer deposits edged dropped by 18.3% to KES 2.7 billion from KES 3.3 billion.

Interest on deposits and placements with banking institutions edged down by 45.8% to KES 146.7 million from KES 270.8 million.

Other interest expenses contracted by 91.3% to KES 59.9 million from KES 687.7 million.

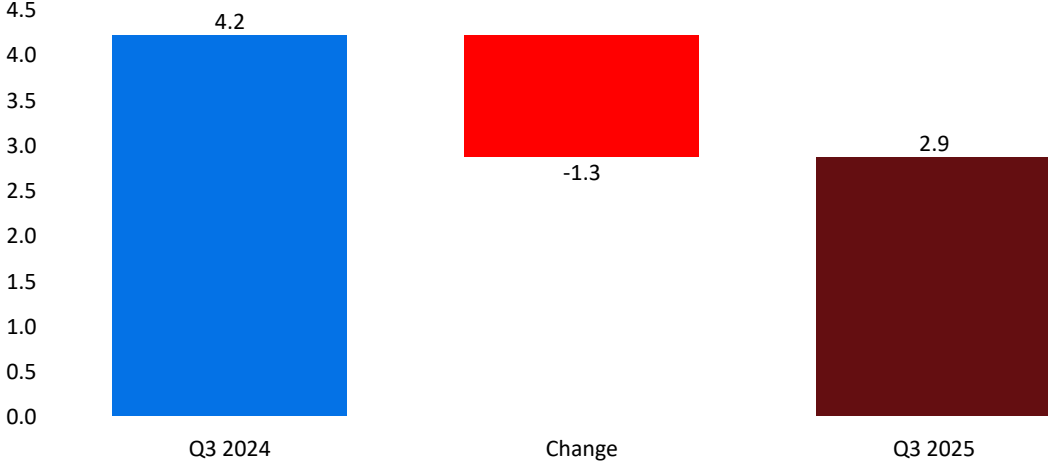
Interest expense composition



■ Customer deposits ■ Deposits and placements ■ Other interest expense

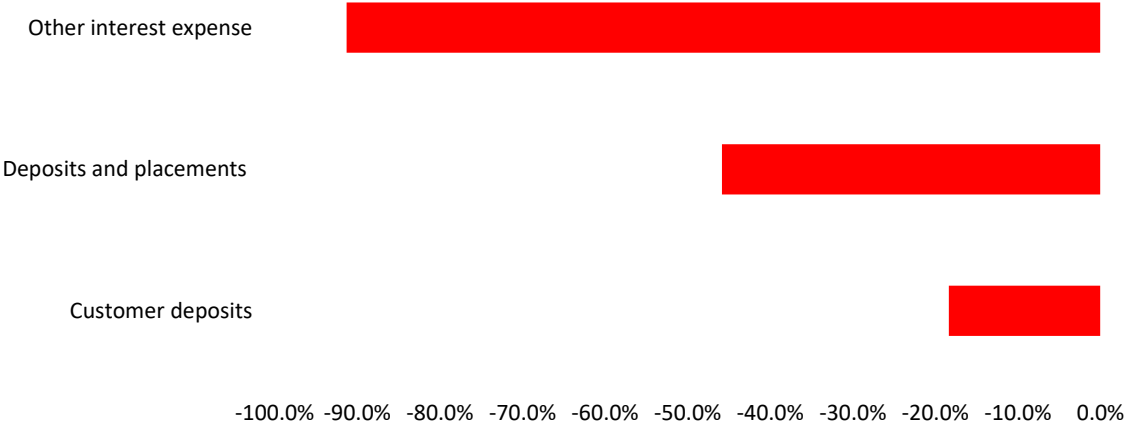
Source: Company Financials

Decline in interest expense (KES billions)



Source: Company Financials

Interest expense growth rate (%)



Source: Company Financials

# Net Interest Income & Non-funded income

Net interest income (NII) declined by 10.3% to KES 22.3 billion in Q3 2025 from KES 24.8 billion in Q3 2024. This growth was largely attributed to the 13.5% decline in total interest income.

Non-funded income (NFI) contracted by 28.6% to KES 10.2 billion in Q3 2025 from KES 14.2 billion. This was primarily driven by a significant 58.9% decline in foreign exchange trading income which fell to KES 2.7 billion from KES 6.6 billion, a reduction of KES 4.0 billion.

Fees and commissions income on loans and advances edged up 7.5% to KES 194.8 million from KES 181.1 million.

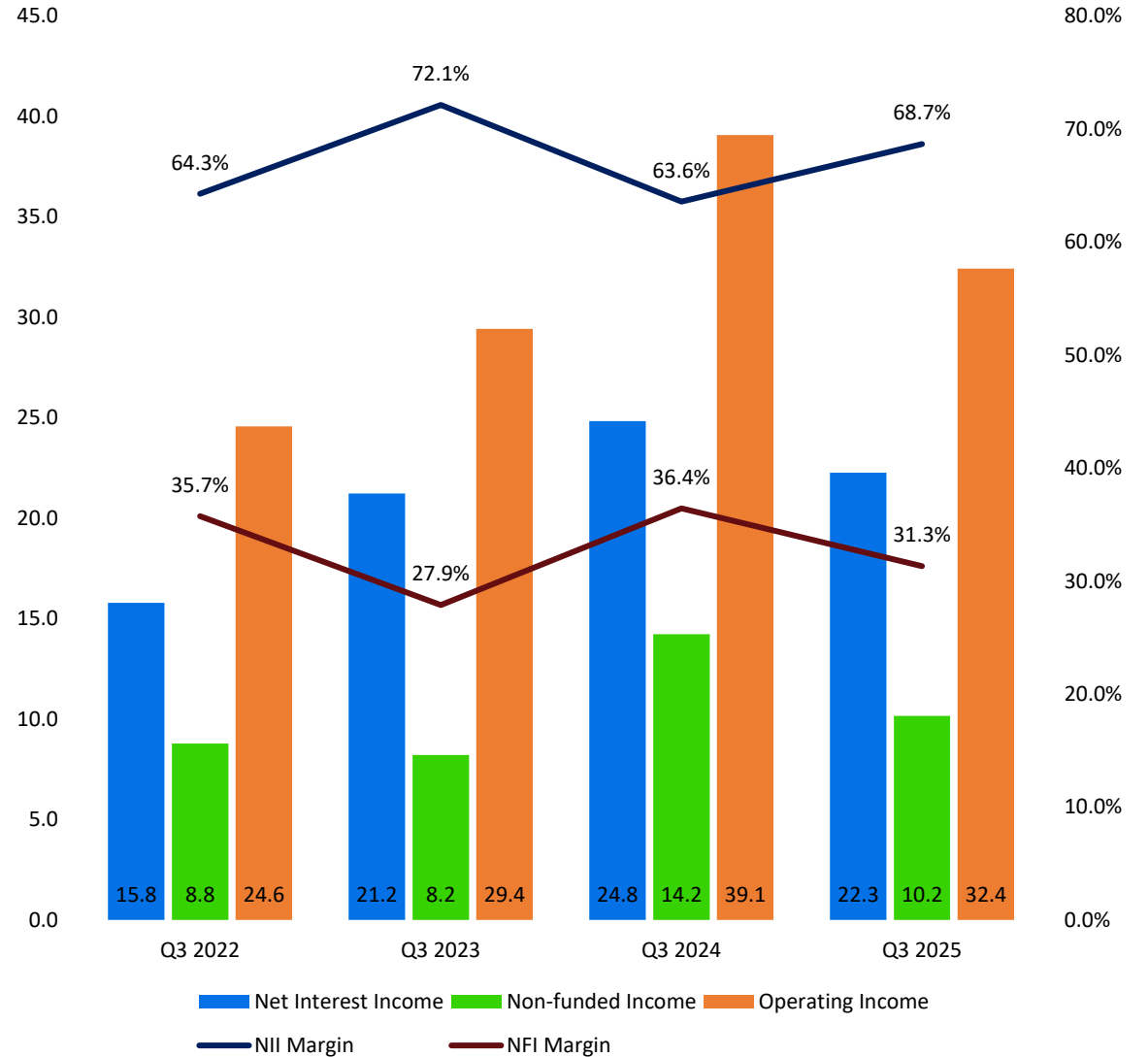
Other fees and commissions fell 7.4% to KES 4.9 billion from KES 5.3 billion.

Other income surged 11.8% to KES 2.3 billion in Q3 2025 from KES 2.1 billion in Q3 2024.

As a result, total operating income declined by 17.0% to KES 32.4 billion from KES 39.1 billion in Q3 2024.

The Net Interest Income (NII) Margin rose by 5.1 percentage points to 68.7% from 63.6%, reflecting higher interest earnings. In contrast, the Non-Funded Income (NFI) Margin eased to 31.3% from 36.4% in Q3 2024.

**Net Interest Income, Non-funded Income & Operating Income (KES billions)**



# Operating expenses

Total operating expenses rose by 15.8% to KES 19.2 billion in Q3 2025 from KES 16.6 billion in Q3 2024, reflecting an increase of KES 2.6 billion. This was largely driven by a significant 32.1% surge in staff costs to KES 9.1 billion from KES 6.9 billion.

Loan loss provisions contracted by 10.9% to KES 1.7 billion in Q3 2025 from KES 2.0 billion in Q3 2024.

Director emoluments edged up by 2.3% to KES 208.2 million from KES 203.5 million.

Rental charges edged down by 3.2% to KES 228.2 million from KES 235.8 million.

Depreciation on property and equipment expanded by 19.0% to KES 325.8 million from KES 273.7 million.

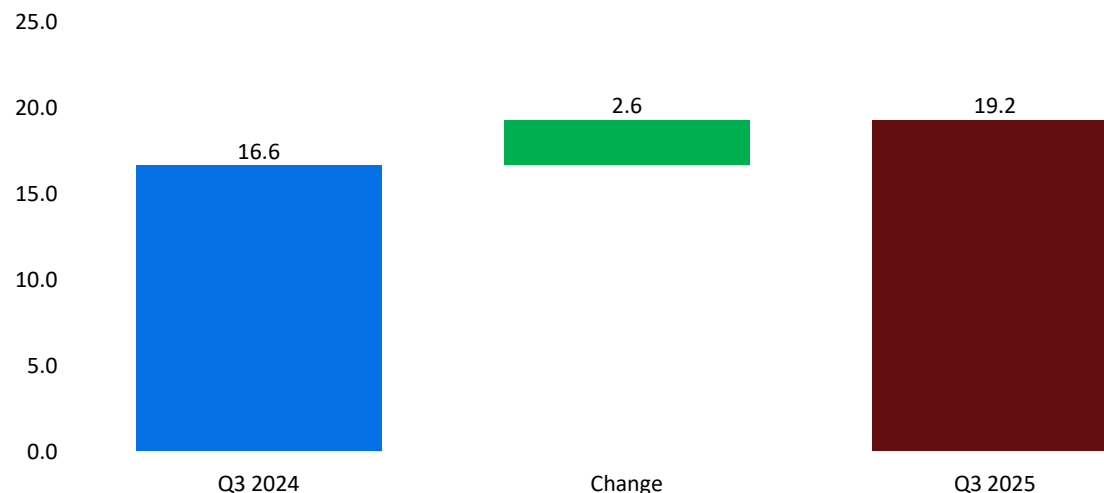
Amortization charges dropped by 3.3% reaching KES 757.6 million from KES 783.3 million.

Other operating expenses increased by 9.6% to KES 6.8 billion from KES 6.2 billion.

The cost-to-income ratio (including loan loss provisions) edged up to 59.3% in Q3 2025 from 42.5% in Q3 2024. Excluding provisions, the ratio recorded an increase to 53.9% from 37.5%.

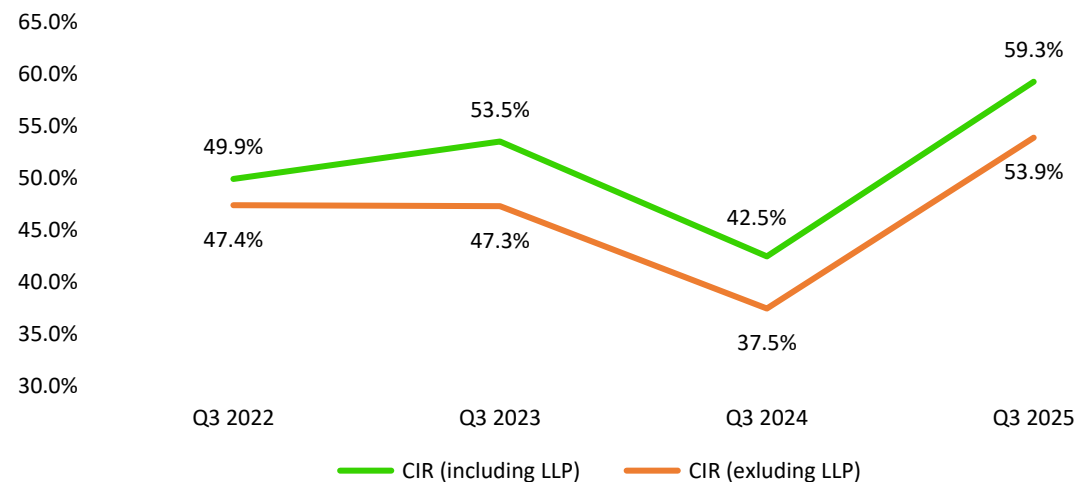
*\*The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs.*

Development in operating expenses (KES billions)



Source: Company Financials

Cost-to-income ratio



Source: Company Financials

# Profitability

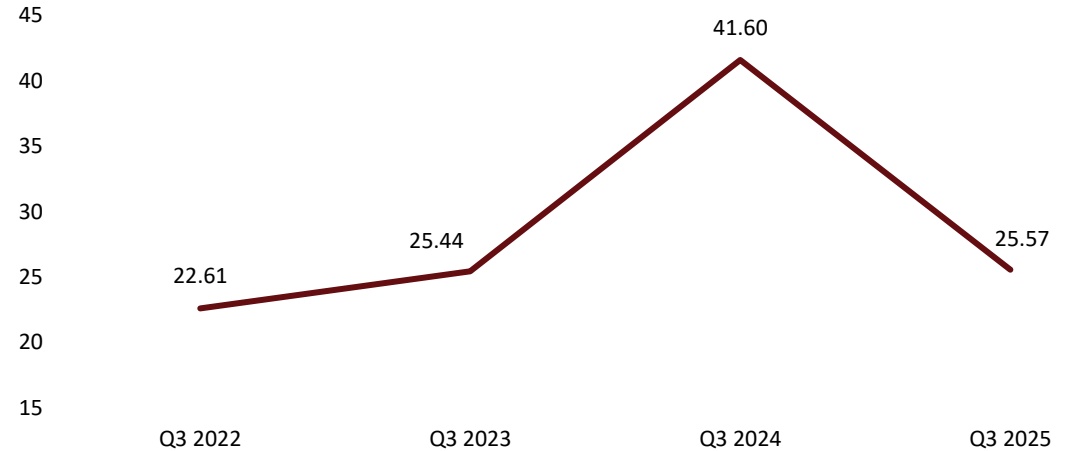
Profit before tax declined by 41.2% to KES 13.2 billion in Q3 2025 from KES 22.5 billion in Q3 2024.

Net profit contracted by 38.2% to KES 9.8 billion from KES 15.8 billion, representing a reduction of KES 6.1 billion.

Total comprehensive income dropped by 45.7% to KES 9.2 billion from KES 16.9 billion in Q3 2024.

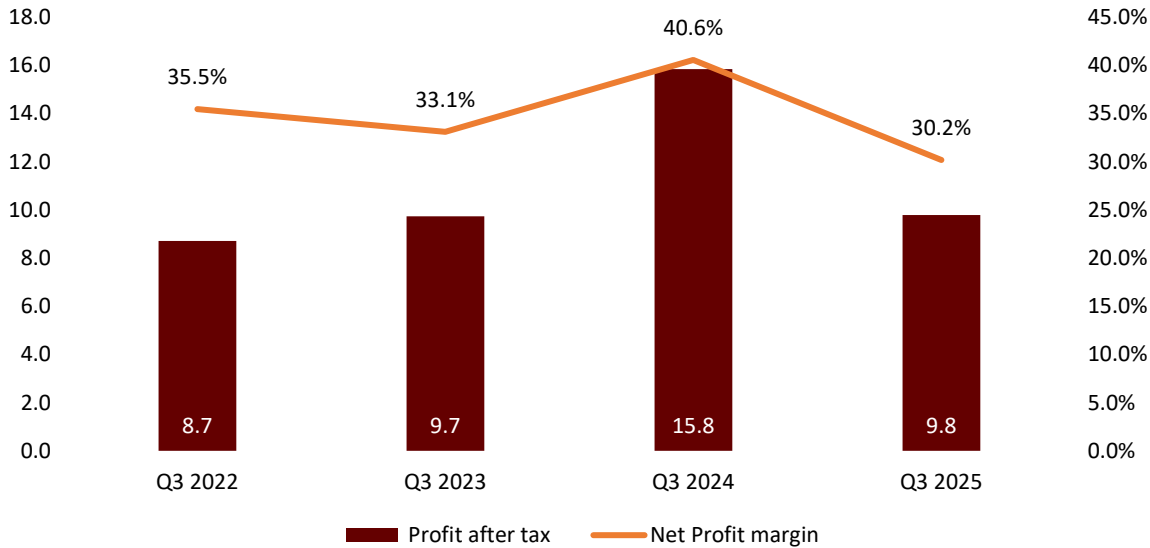
Earnings per share fell by 38.5% to KES 25.57 from KES 41.60, in line with the drop in profitability.

Earnings per share (KES)



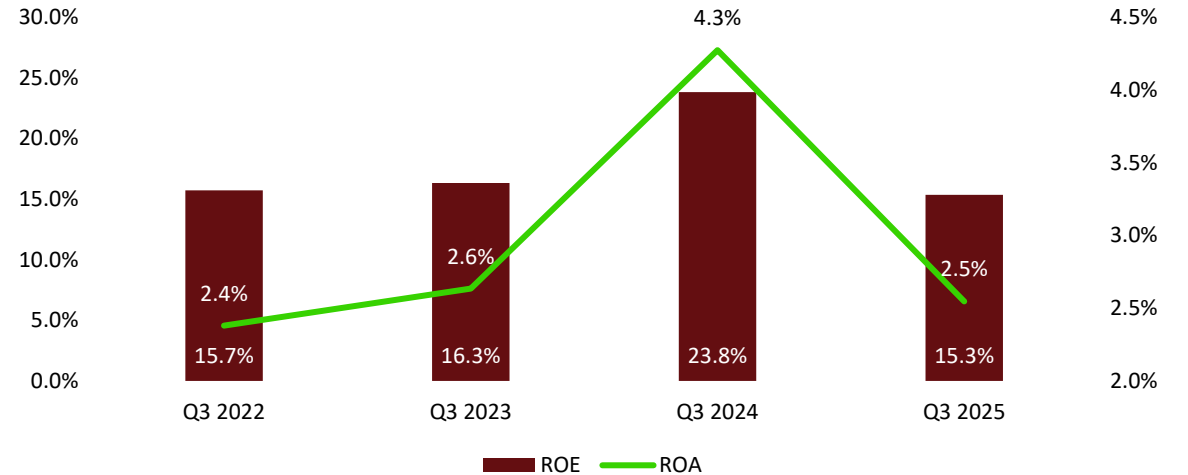
Source: Company Financials

Profit after Tax (KES billions) and Net Profit margin (%)



Source: Company Financials

Profitability Ratios



Source: Company Financials

# Balance Sheet Rundown

Total assets grew by 3.6% to KES 384.4 billion in Q3 2025 from KES 370.9 billion in Q3 2024, reflecting an increase of KES 13.5 billion.

Kenya government and other securities held for dealing purposes surged by 333.2% to KES 11.8 billion from KES 2.7 billion.

Deposits and balances due from local banking institutions rose by 34.3% to KES 7.0 billion from KES 5.2 billion in Q3 2024.

Balances due from foreign banking institutions recorded a sharp decline of 74.8% to KES 354.1 million from KES 1.4 billion.

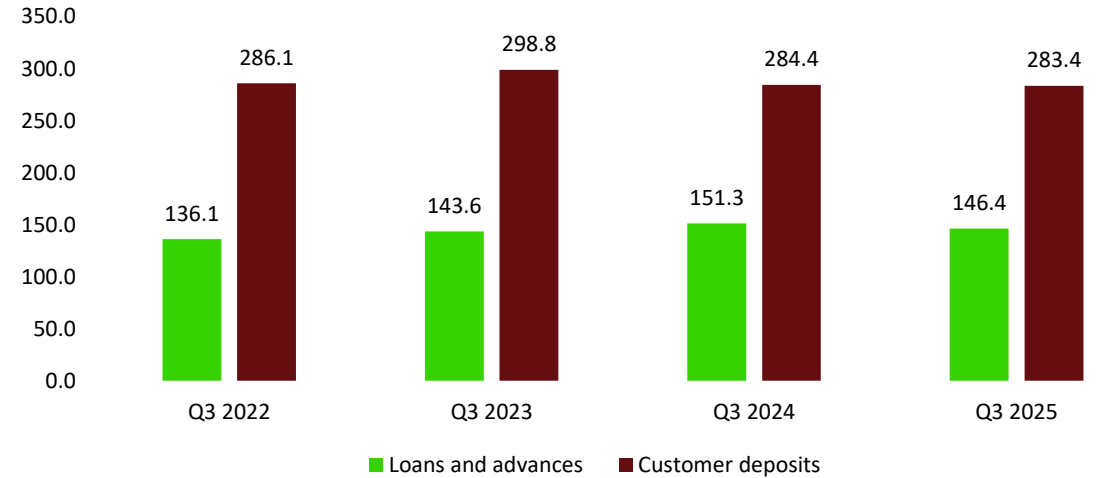
Loans and advances to customers contracted by 3.2% to KES 146.4 billion in Q3 2025 from KES 151.3 billion in Q3 2024, reflecting subdued credit growth.

Customer deposits edged down by 0.3% to KES 283.4 billion from KES 284.4 billion

Loan-to-deposit ratio dropped to 51.7% from 53.2% in Q3 2024 while Loan-to-asset ratio edged down to 38.1% from 40.8%.

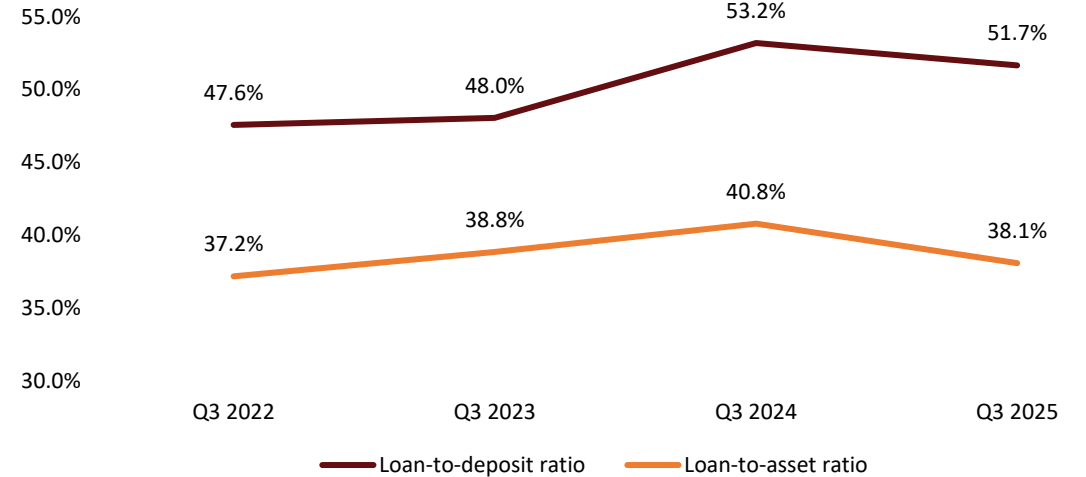
Total shareholders' funds declined by 4.1% to KES 63.8 billion from KES 66.5 billion in Q3 2024. This was driven by a significant 5.7% decrease in retained earnings to KES 50.5 billion from KES 53.6 billion.

Loan book and customer deposits (KES billions)



Source: Company Financials

Loan-to-asset & Loan-to-deposit ratios



Source: Company Financials

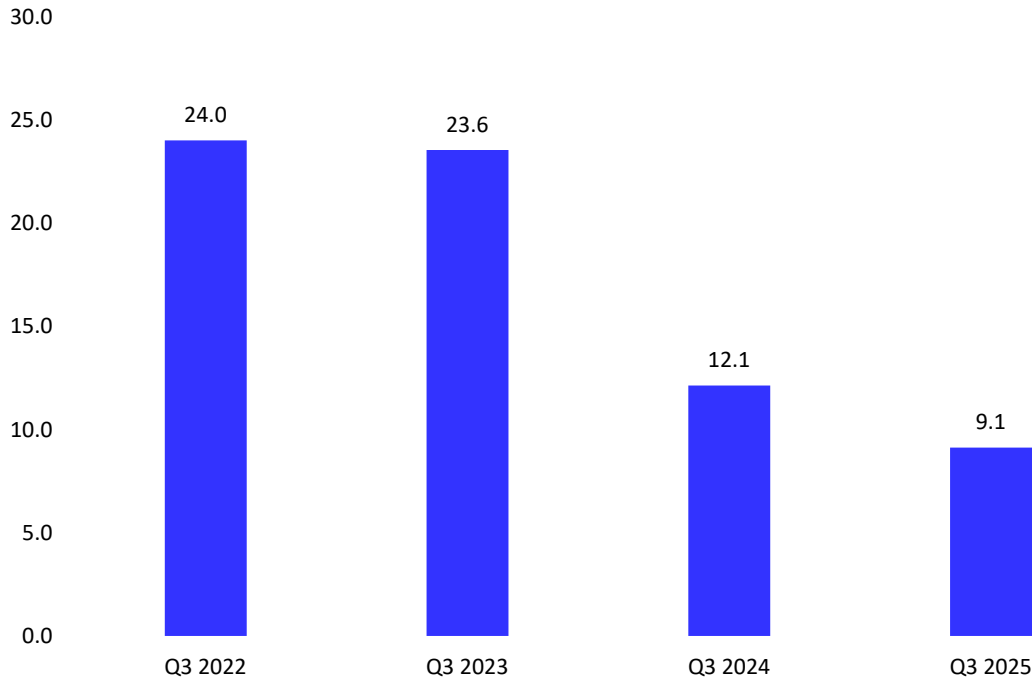
# Asset Quality

The bank's asset quality strengthened in Q3 2025, with gross non-performing loans falling by 24.8% to KES 9.1 billion from KES 12.1 billion in Q3 2024, a reduction of KES 3.0 billion.

Consequently, the gross NPL ratio improved to 5.9% from 7.5%, reflecting the decline in non-performing loans and remaining well below the industry average of 16.5%.

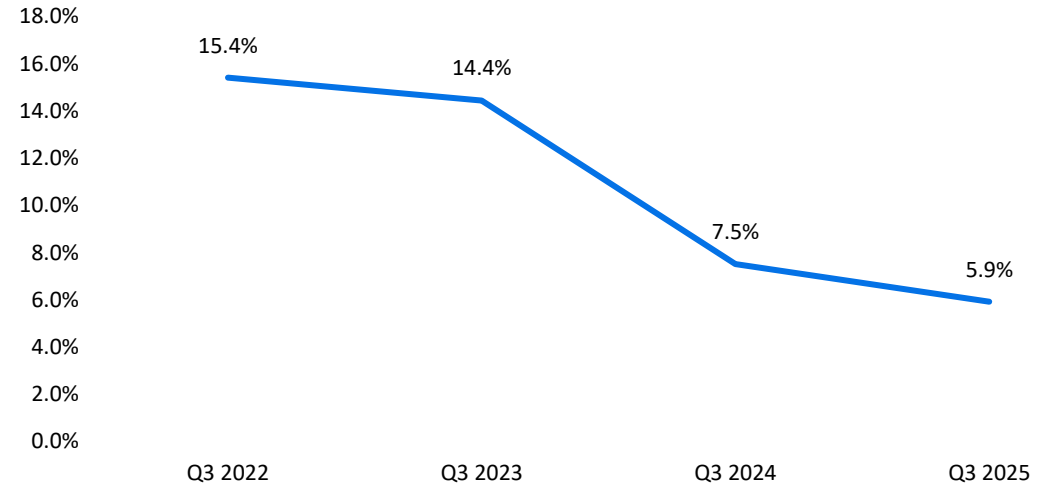
The NPL coverage ratio saw a modest decline to 85.1% from 85.3% in Q3 2024.

**Gross non-performing loans (KES billions)**



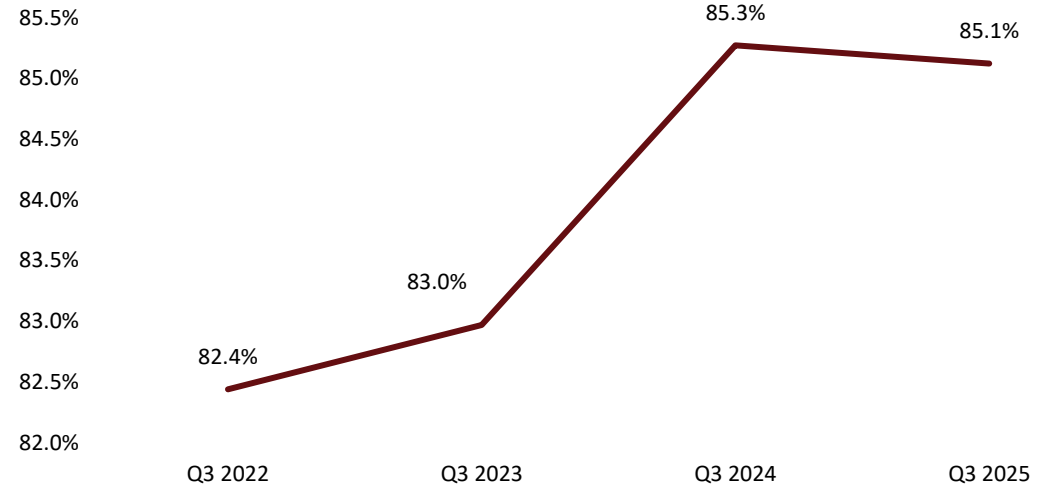
Source: Company Financials

**Gross NPL ratio**



Source: Company Financials

**NPL Coverage**



Source: Company Financials

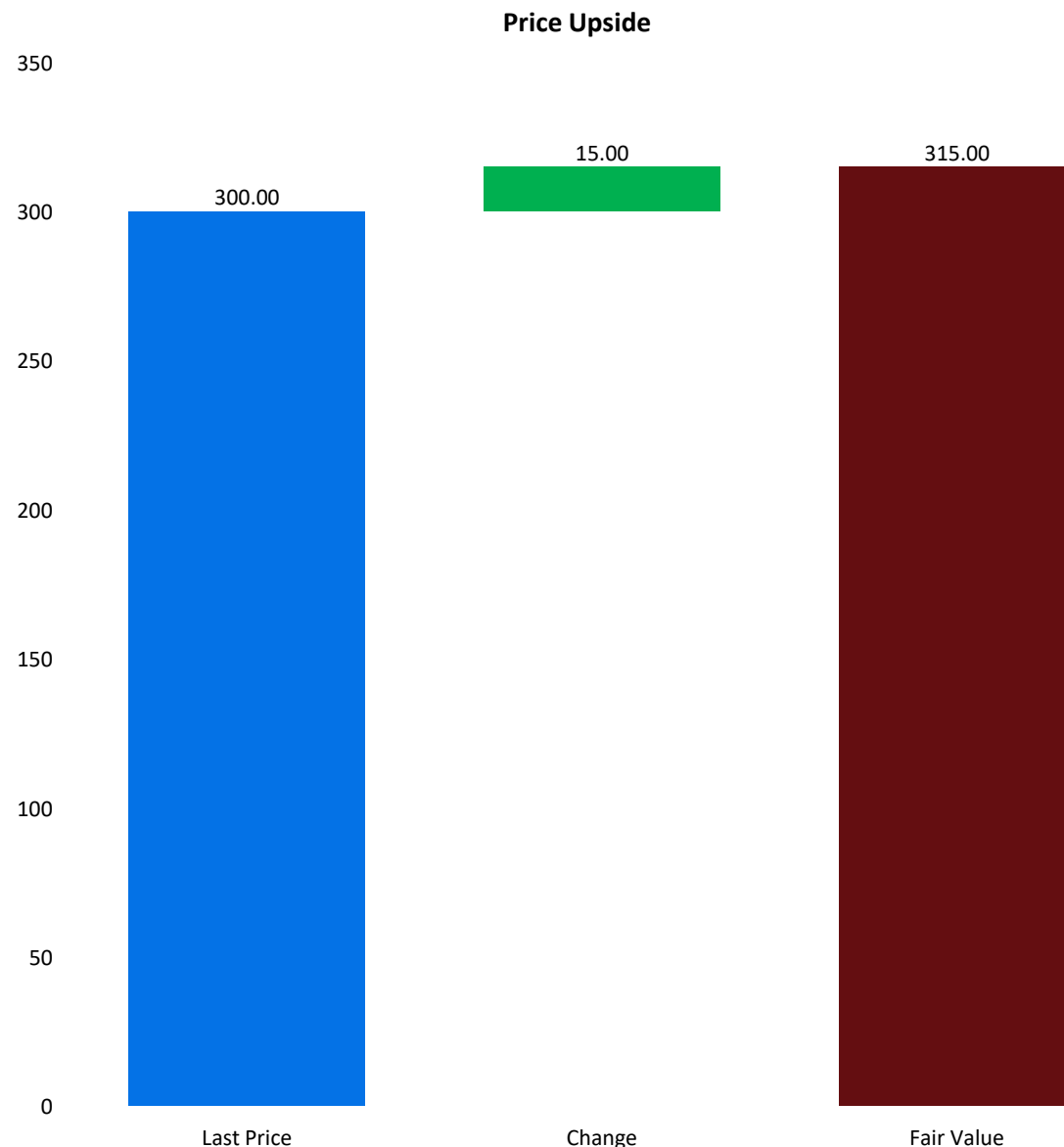
# Outlook and Recommendation

Profit before tax fell by 41.2%, largely reflecting subdued interest income, a contracted loan book, and a significantly higher cost base, particularly from elevated credit provisions. As such, earnings momentum is expected to remain soft in the short term.

Asset quality improved with gross NPL ratio declining to 5.9% from 7.5%, well below the industry average of 16.5%, signalling a strengthening credit profile. This positions the bank favourably for a potential moderation in impairment charges going forward, which could provide some relief to profitability if credit conditions stabilise.

In addition, progress on the long-running pension liability case offers improved balance sheet clarity. Following the Retirement Benefits Appeal Tribunal (RBAT) orders, recalculated lump-sum benefits with interest amounted to KES 2.5 billion as at 30 September 2025. By 21 November 2025, the Scheme had settled 79% of the benefits and interest, totalling KES 1.9 billion for 499 appellants, with verification ongoing for the remaining 130 appellants. The bank has also withdrawn a refund surplus of KES 1.0 billion plus interest at court rates from February 2000 and has funded actuarial deficits and pension increases amounting to KES 2.0 billion. Notably, an additional employer contribution of KES 2.7 billion was made in September 2025, bringing total contributions plus interest at court rates to **KES 4.7 billion**. Management indicates substantive compliance with the RBAT order, reducing uncertainty around future pension-related cash outflows.

Overall, while near-term performance is likely to remain under pressure, improving asset quality, a reduced pension overhang, and potential stabilisation in credit costs provide a foundation for gradual recovery. In addition, a more supportive interest rate environment, following the Central Bank of Kenya's cut of the CBR to 9.00%, could gradually stimulate loan growth, particularly within corporate, trade finance, and multinational client segments where Standard Chartered maintains a competitive advantage.



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### Glossary of Terms

Target Price – Analyst estimate of the fair value or intrinsic value of the company.

Cost of Funds - This is the effective average interest rate paid on interest-earning liabilities. It is calculated as  $\text{Total Interest Expense} / \text{Average Interest Earning Liabilities}$ .

Loan Yield - This is the effective average interest rate received on average loans and advances. It is calculated as  $\text{Interest on Loans and Advances} / \text{Average Loans and Advances}$ .

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as  $\text{Net Impairment Provisions} / \text{Average Gross Loans}$  in the period.

Non-Performing Loans -These are loans that have been classified as impaired. The CBK classifies loans into five categories i.e. Normal, Watch, Substandard, Doubtful, and Loss depending on the performance of the loan. The last three i.e. sub-standard, doubtful, and loss are referred to as non-performing loans. Under IFRS, these are classified as stage 3 loans.

Non-Performing Loans (NPL) Ratio - This is the proportion of NPLs in the loan book. It is calculated as  $\text{Gross NPLs} / \text{Gross Loans}$ .

Non-Funded/Non-Interest Income– This represents income that is not classified as interest income.

### Recommendation

BUY – Minimal risks to catalysts.

SELL- Risks outweigh the catalysts.

NEUTRAL – This is where the positives and negatives in a company almost balance out. You can accumulate for the long term