



Stanbic Bank Q1 2026 Earnings Note

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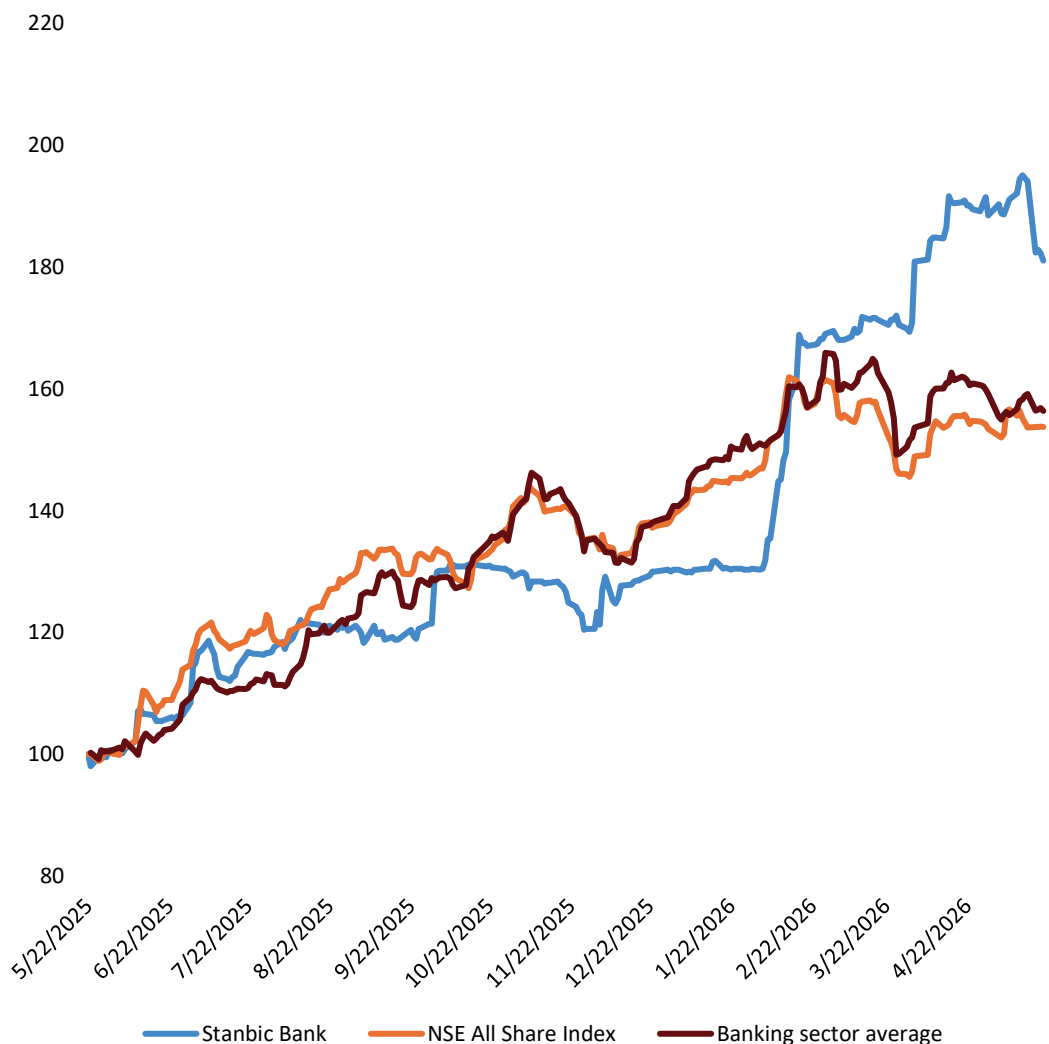
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Summary

Normalised Share Price Movement of Stanbic Bank vs Market and Other Banking peers



Source: Bloomberg

Last Price – 21 st May 2026 in KES	274.75
Valuation Estimate in KES :	300.00
Upside	9.2%
Recommendation	HOLD
52-Week High	300.00
52-Week Low	147.00
52-Week Price Return	97.2%
Year-to-Date Price Return	48.3%
Price to Earnings Ratio (P/E)	8.4
Price to Book Ratio (P/B)	1.55

Source: Bloomberg and Faida Analysis

We are recommending a **HOLD** on Stanbic, with a target price of KES 300.00, offering a potential **upside of 9.2%** based on the closing price of KES 274.75 on 21st May 2026.

The recommendation reflects the bank's resilient earnings growth, improving operational efficiency, strong capital position, and enhanced asset quality, which continue to support stable long-term fundamentals. However, despite the positive financial performance, the current valuation already incorporates a significant portion of the bank's growth prospects, limiting substantial near-term upside potential. Additionally, prevailing global economic uncertainties, geopolitical tensions, foreign exchange volatility, rising inflationary pressures stemming from higher fuel prices, and uncertainty surrounding the future monetary policy path may weigh on earnings momentum in the medium term.

Interest Income

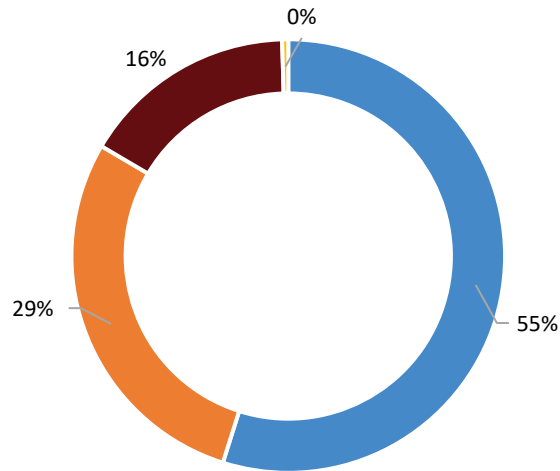
Interest income edged up by 4.7% to KES 11.5 billion in Q1 2026 from KES 11.0 billion in Q1 2025.

Loans and advances contracted by 11.9% to KES 6.3 billion from KES 7.2 billion in Q1 2025.

Income from government securities expanded by 9.2% to KES 3.3 billion from KES 3.0 billion, an increase of KES 278.0 million.

Deposits and placements within banking institutions surged by 138.2% to KES 1.9 billion in Q1 2026 from KES 778.9 million in Q1 2025, reflecting an increase of KES 1.1 billion.

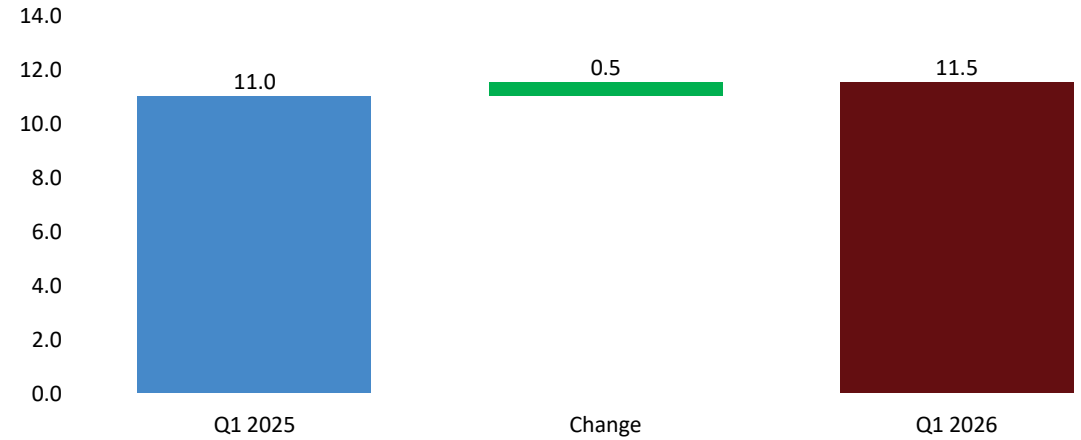
Interest income composition in Q1 2026



■ Loans and advances ■ Government securities ■ Deposits and placements ■ Other interest income

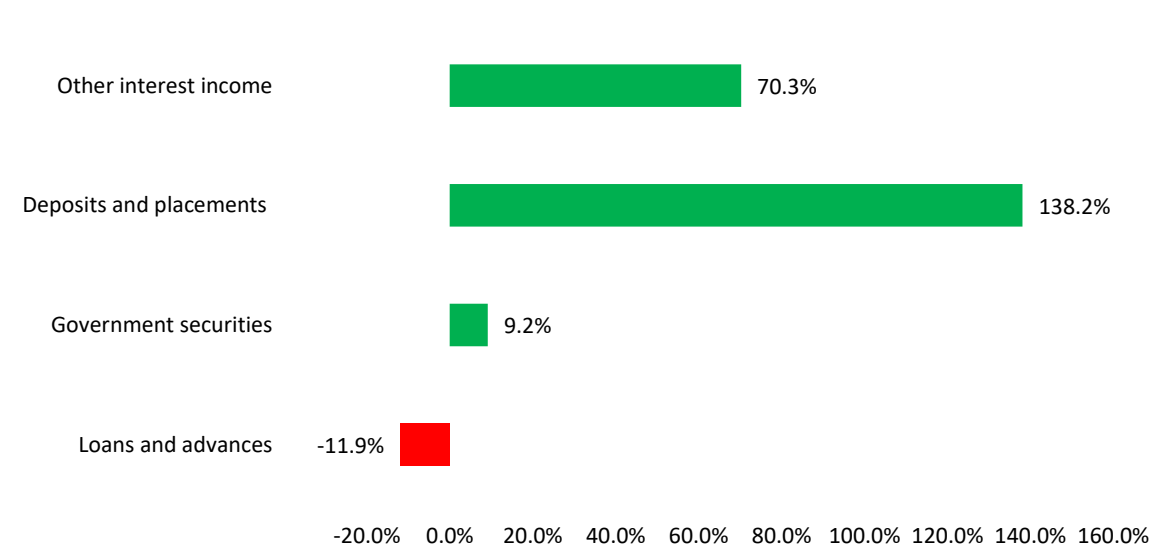
Source: Company Financials

Change in Interest income (KES billions)



Source: Company Financials

Interest income growth rate (%)



Source: Company Financials

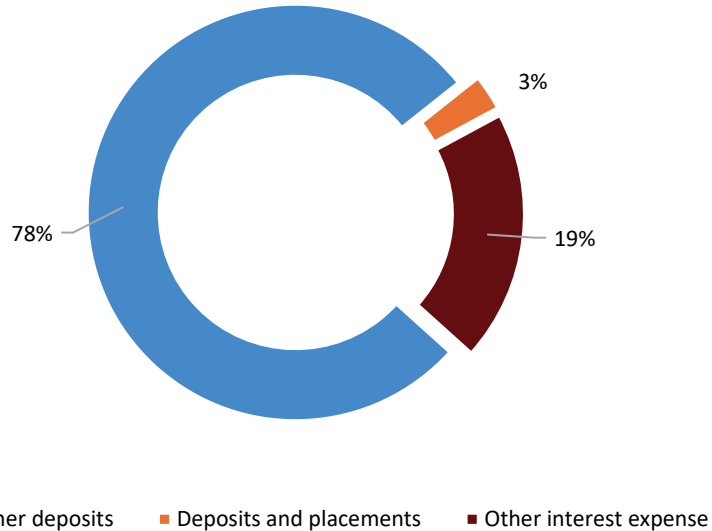
Interest Expense

Total interest expense declined by 6.4% to KES 4.0 billion in Q1 2026 from KES 4.2 billion in Q1 2025, reflecting a decrease of KES 272.0 million. This was largely driven by a significant 67.7% decline in interest on deposits and placements from banking institutions which edged down to KES 110.7 million from KES 342.6 million.

Interest on customer deposits dropped by 3.9% to KES 3.1 billion from KES 3.2 billion in Q1 2025, reflecting a decrease of KES 123.3 million.

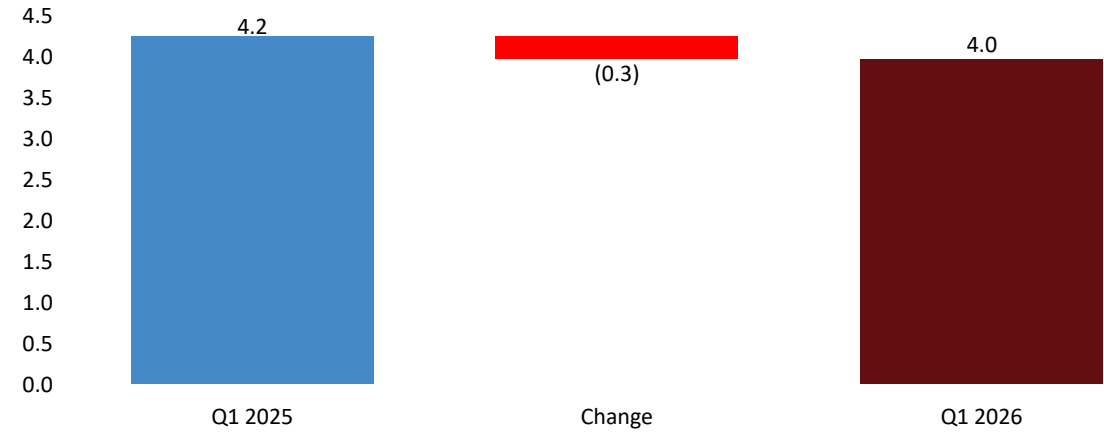
Other interest expenses expanded by 12.1% to KES 773.8 million from KES 690.6 million.

Interest expense composition in Q1 2026



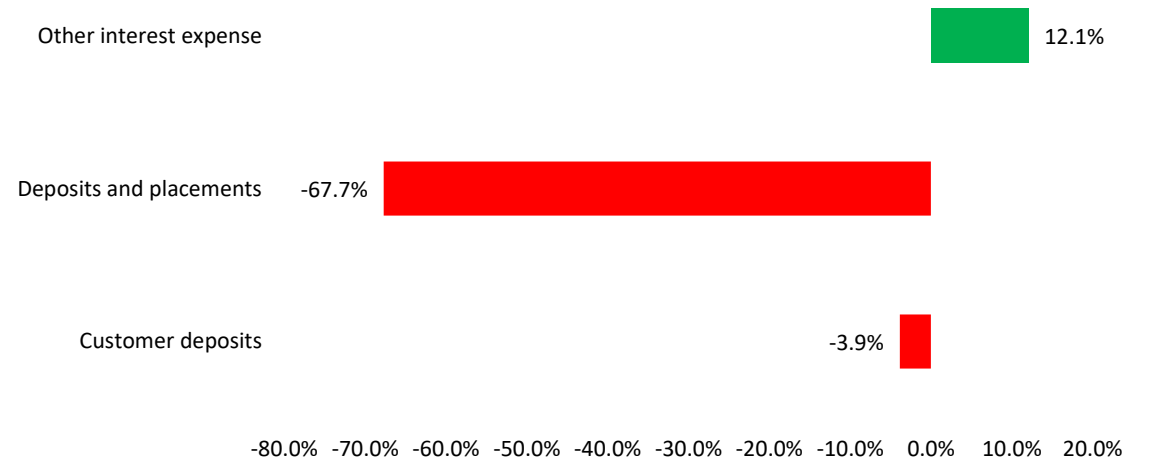
Source: Company Financials

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) rose 11.7% to KES 7.6 billion in Q1 2026 from KES 6.8 billion in Q1 2025.

Non-funded income (NFI) contracted by 13.7% to KES 2.4 billion in Q1 2026 from KES 2.8 billion. This was primarily driven by a significant 28.1% decline in foreign exchange trading income which fell to KES 703.3 million from KES 977.6 million, a reduction of KES 274.2 million.

Fees and commissions income on loans and advances declined by 52.9% to KES 15.9 million from KES 33.9 million.

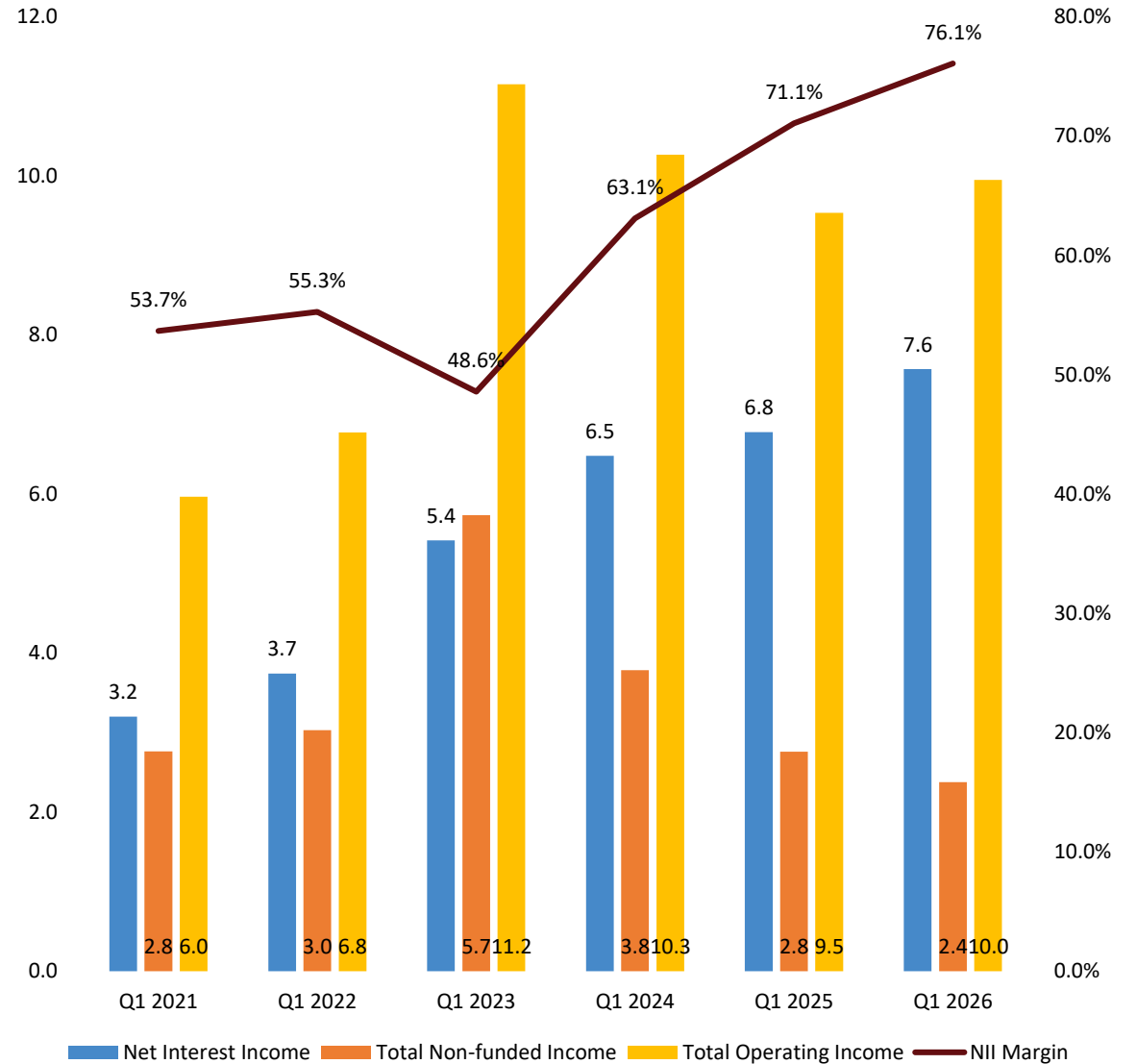
Other fees and commissions climbed 5.6% to KES 1.3 billion from KES 1.2 billion.

Other income dropped by 29.1% to KES 377.0 million in Q1 2026 from KES 532.0 million in Q1 2025.

As a result, total operating income rose by 4.3% to KES 10.0 billion from KES 9.5 billion in Q1 2025.

The Net Interest Income (NII) Margin rose by 5.0 percentage points to 76.1% from 71.1%, reflecting higher interest earnings. In contrast, the Non-Funded Income (NFI) Margin eased to 23.9% from 28.9% in Q1 2025.

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



Operating expenses

Total operating expenses declined by 7.8% to KES 5.0 billion in Q1 2026 from KES 5.5 billion in Q1 2025, reflecting a decrease of KES 423.7 million. This was largely driven by significant 59.1% drop in loan loss provisions to KES 350.1 million from KES 855.5 million.

Staff costs rose by 18.3% to KES 2.5 billion from KES 2.1 billion, an increase of KES 385.1 million.

Director emoluments edged down by 3.4% to KES 45.1 million from KES 46.7 million.

Rental charges contracted by 17.7% to KES 21.3 million from KES 25.8 million.

Depreciation on property and equipment edged up by 1.4% to KES 194.5 million from KES 191.8 million.

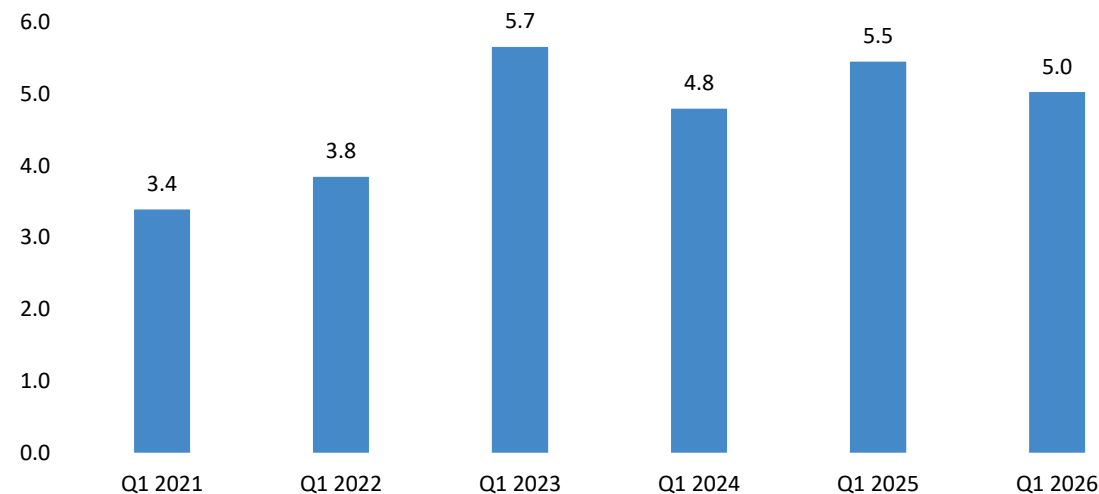
Amortization charges fell by 6.8% reaching KES 71.8 million from KES 77.1 million.

Other operating expenses declined by 13.7% to KES 1.9 billion from KES 2.1 billion.

The cost-to-income ratio (including loan loss provisions) edged down to 50.5% in Q1 2026 from 57.2% in Q1 2025. Excluding provisions, the ratio dropped to 47.0% from 48.2%.

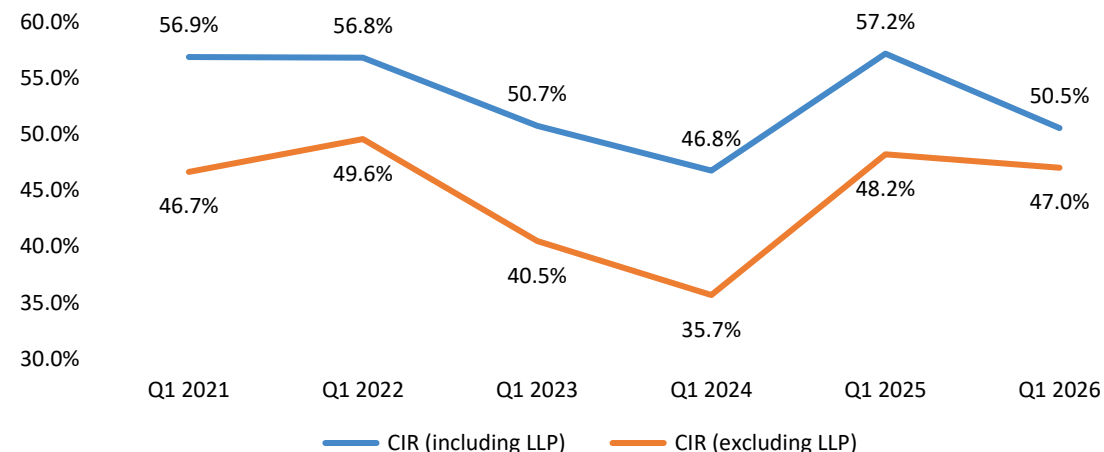
**The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs.*

Trend in Operating expenses (KES billions)



Source: Company Financials

Cost-to-Income Ratio



Source: Company Financials

Profitability

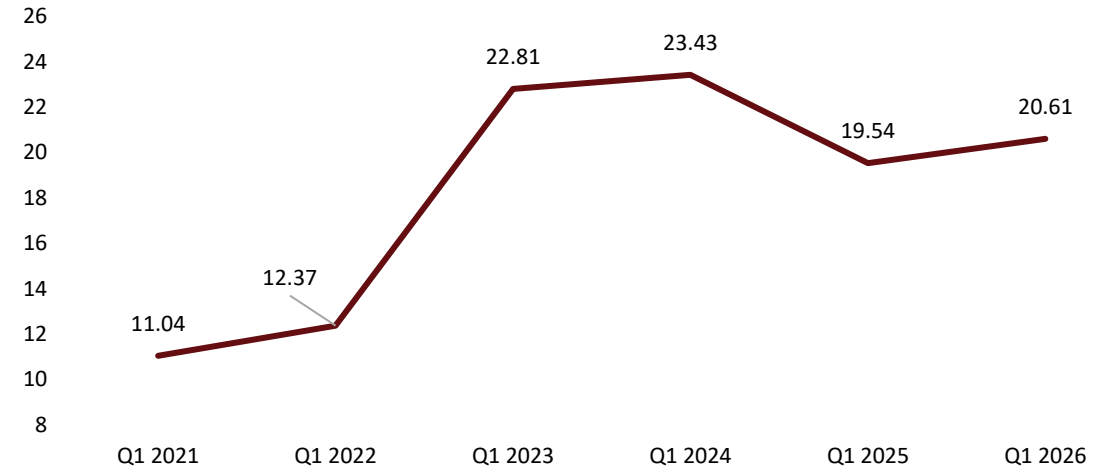
Profit before tax rose by 20.5% to KES 4.9 billion from KES 4.1 billion in Q1 2025.

After taxation, net profit increased by 5.5% to KES 3.5 billion in Q1 2026 from KES 3.3 billion in Q1 2025. Net profit margin rose to 35.3% from 34.9%.

Total comprehensive income climbed 10.3% to KES 3.6 billion from KES 3.2 billion.

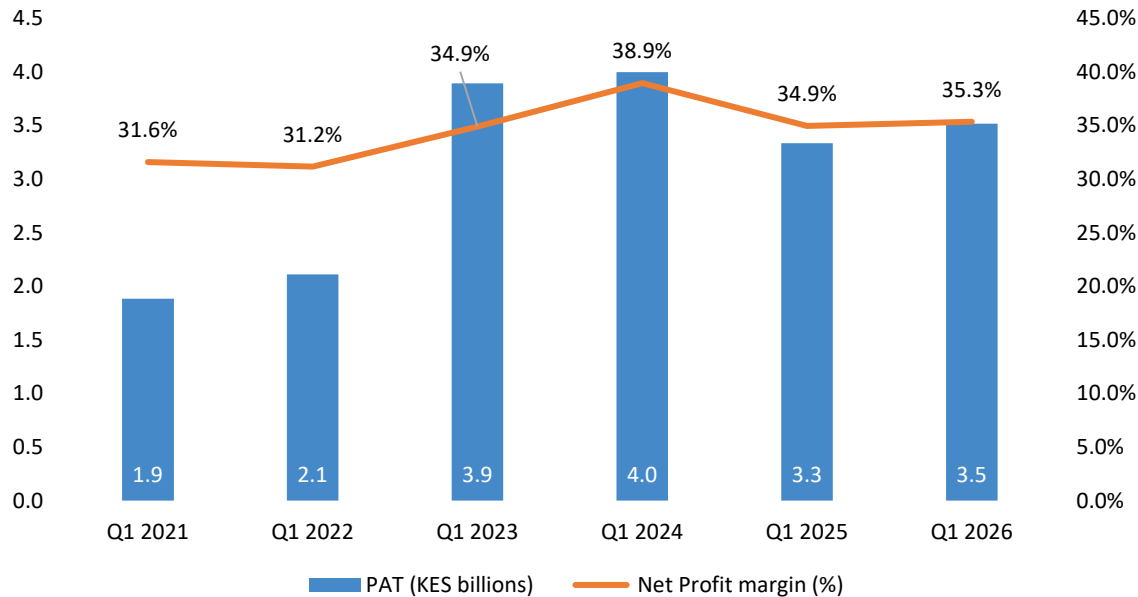
Earnings per share (EPS) improved by 5.5% to KES 20.61 in Q1 2026 from KES 19.54 in Q1 2025.

Earnings per share (KES)



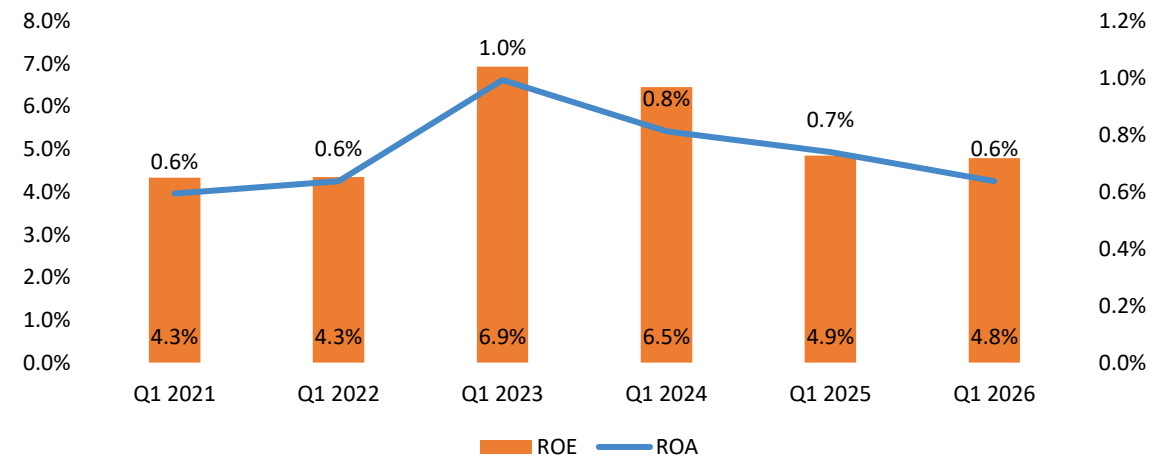
Source: Company Financials

PAT and Net profit margin



Source: Company Financials

Profitability ratios (%)



Source: Company Financials

Balance sheet highlights

Total assets grew by 22.6% to KES 551.7 billion in Q1 2026 from KES 450.1 billion in Q1 2025, reflecting an increase of KES 101.6 billion. This was largely driven by a significant 88.6% increase in Kenya government securities held for dealing purposes which rose to KES 60.1 billion from KES 31.9 billion, reflecting an increase of KES 28.2 billion.

Deposits and balances due from local banking institutions surged by 737.0% to KES 21.6 billion from KES 2.6 billion, an uptick of KES 19.0 billion.

In contrast, deposits and balances due from foreign banking institutions edged down by 3.7% to KES 10.2 billion from KES 10.6 billion, a decrease of KES 396.7 million.

Other assets increased by 28.3% to KES 13.4 billion from KES 10.5 billion.

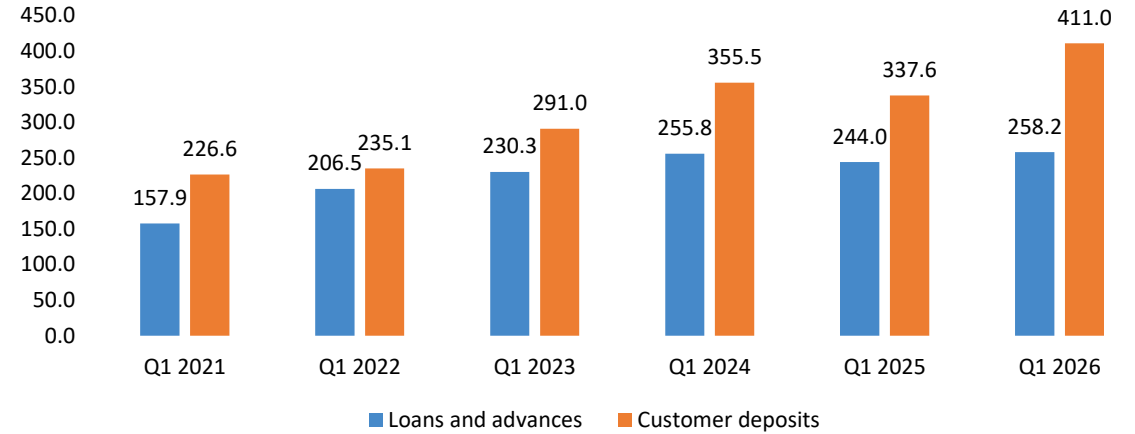
Total liabilities expanded by 25.4% to KES 478.3 billion from KES 381.5 billion while other liabilities recorded 204.2% surge to KES 35.4 billion from KES 11.6 billion.

Customer deposits grew by 21.7% to KES 411.0 billion in Q1 2026 from KES 337.6 billion in Q1 2025, representing a significant growth of KES 73.4 billion.

Loan-to-deposit ratio declined from 72.3% in Q1 2025 to 62.8% in Q1 2026, showing that deposit growth outpaced loan growth.

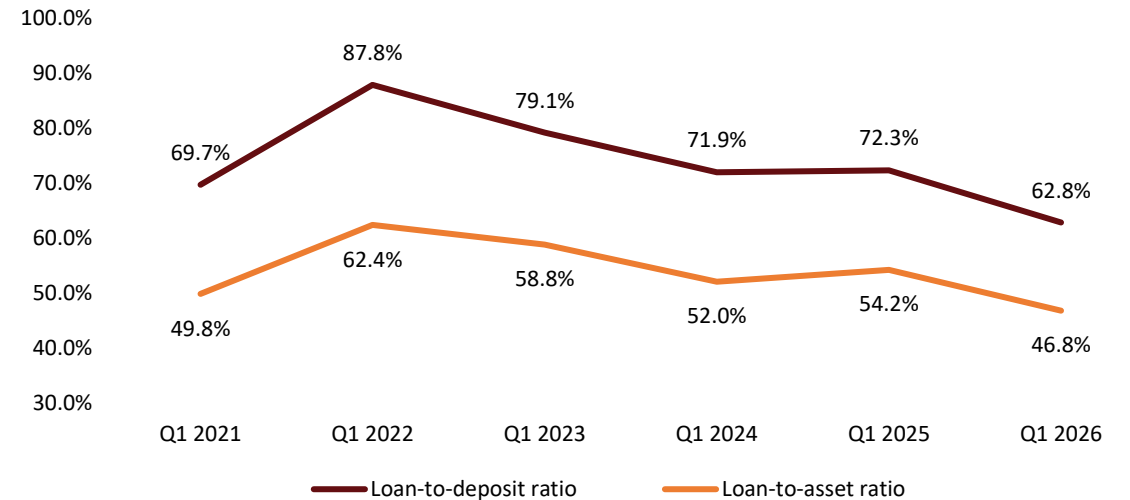
Total shareholders' funds advanced by 6.9% to KES 73.4 billion from KES 68.7 billion in Q1 2025. This was driven by a significant 9.0% increase in retained earnings to KES 60.1 billion from KES 55.2 billion.

Loan book and Customer deposits (KES billions)



Source: Company Financials

Loan-to-deposit & Loan-to-asset ratio



Source: Company Financials

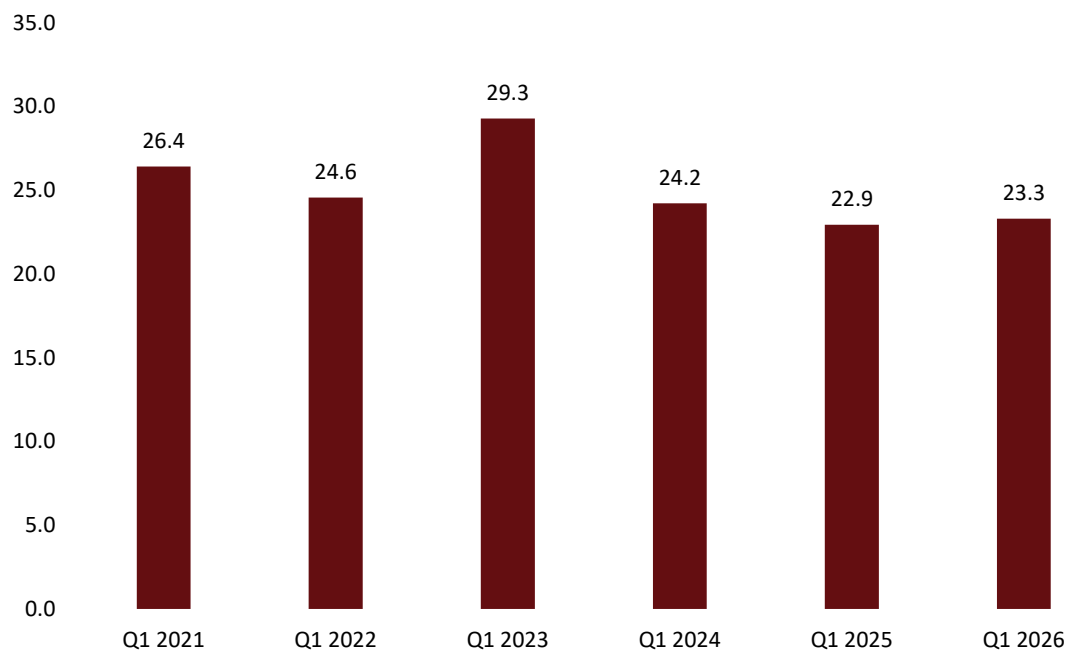
Asset Quality

The lender's gross non-performing loans edged up by 1.6% to KES 23.3 billion in Q1 2026 from KES 22.9 billion in Q1 2025.

The NPL ratio declined from 8.7% in Q1 2025 to 8.4% in Q1 2026, indicating improved asset quality and remaining below the industry's sector average of 15.5%.

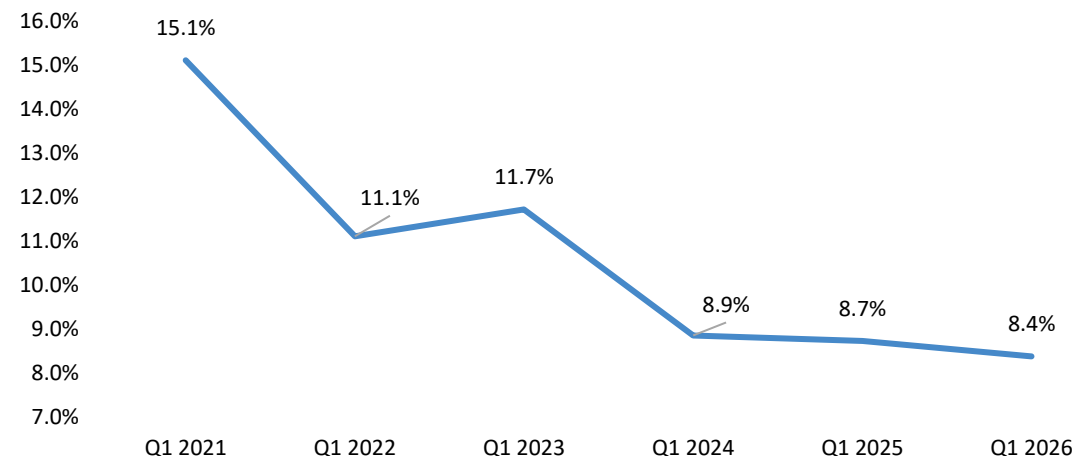
The NPL coverage ratio rose from 80.8% to 85.4%, indicating stronger provisioning against non-performing loans.

Gross NPLs (KES billions)



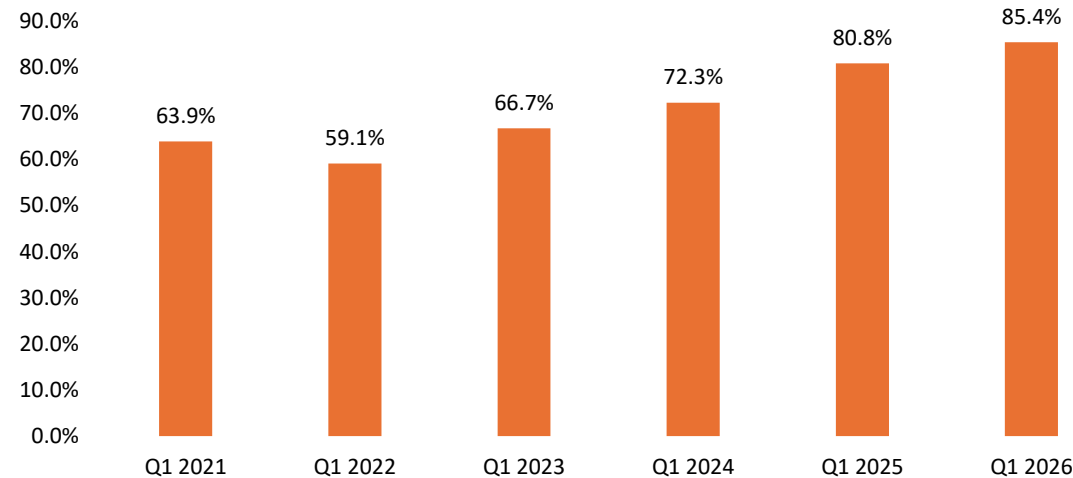
Source: Company Financials

Gross NPL Ratio (%)



Source: Company Financials

NPL Coverage Ratio (%)



Source: Company Financials

Outlook

Stanbic Kenya delivered a resilient Q1 2026 performance, supported by strong growth in core earnings, improved operational efficiency, and enhanced asset quality. The bank's outlook remains positive, underpinned by disciplined risk management, stable profitability, and continued balance sheet strength.

Profit after tax rose by 5.5% to KES 3.52 billion, driven largely by an 11.7% increase in net interest income, reflecting stronger earnings from lending activities and improved asset yields. The improvement in net profit margin to 35.3% indicates that the bank continues to convert revenue into earnings efficiently despite a still-elevated operating environment.

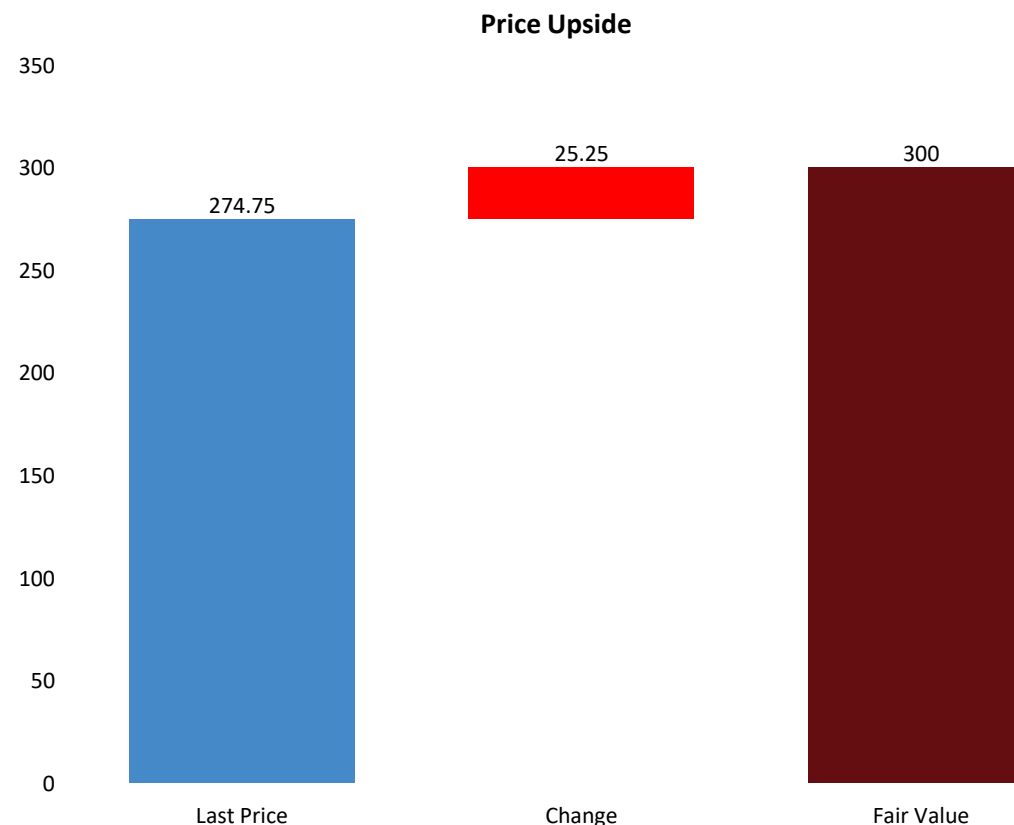
The decline in the cost-to-income ratio to 50.5% from 57.2% reflects notable operational efficiency gains. Excluding loan loss provisions, the ratio improved further to 47.0%, suggesting stronger cost discipline and improved revenue absorption capacity.

The reduction in the NPL ratio to 8.4% from 8.7%, while remaining significantly below the industry average of 15.5%, demonstrates prudent credit underwriting and effective recovery strategies. Additionally, the increase in the NPL coverage ratio to 85.4% indicates stronger provisioning buffers, enhancing the bank's resilience against potential credit deterioration.

Going forward, Stanbic Holdings Plc is expected to benefit from a gradual recovery in private sector credit demand, stable interest income generation, expansion in digital and transactional banking, and increased corporate and SME lending opportunities supported by improving macroeconomic conditions in Kenya. The maintenance of the CBK rate at 8.75% is also likely to support interest income stability and sustain lending activity in the near term. However, the outlook remains tempered by persistent global economic uncertainties and geopolitical tensions, which may heighten foreign exchange volatility, weaken investor confidence, and disrupt trade flows.

Additionally, downside risks may arise from pressure on interest margins in the event of future rate cuts, slower loan uptake amid cautious borrowing behavior, as well as elevated taxation and regulatory costs that could weigh on profitability and overall growth momentum.

Overall, Stanbic is well positioned to sustain earnings momentum, supported by improving credit quality, a growing balance sheet, and technology-driven operational enhancements.



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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 Total Interest Expense/Average Interest Earning Liabilities.

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

Cost of Risk – This ratio measures the amount of risk involved in lending. It is calculated as Net Impairment Provisions/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 Gross NPLs/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