



Stanbic Bank Q3 2025 Earnings Note

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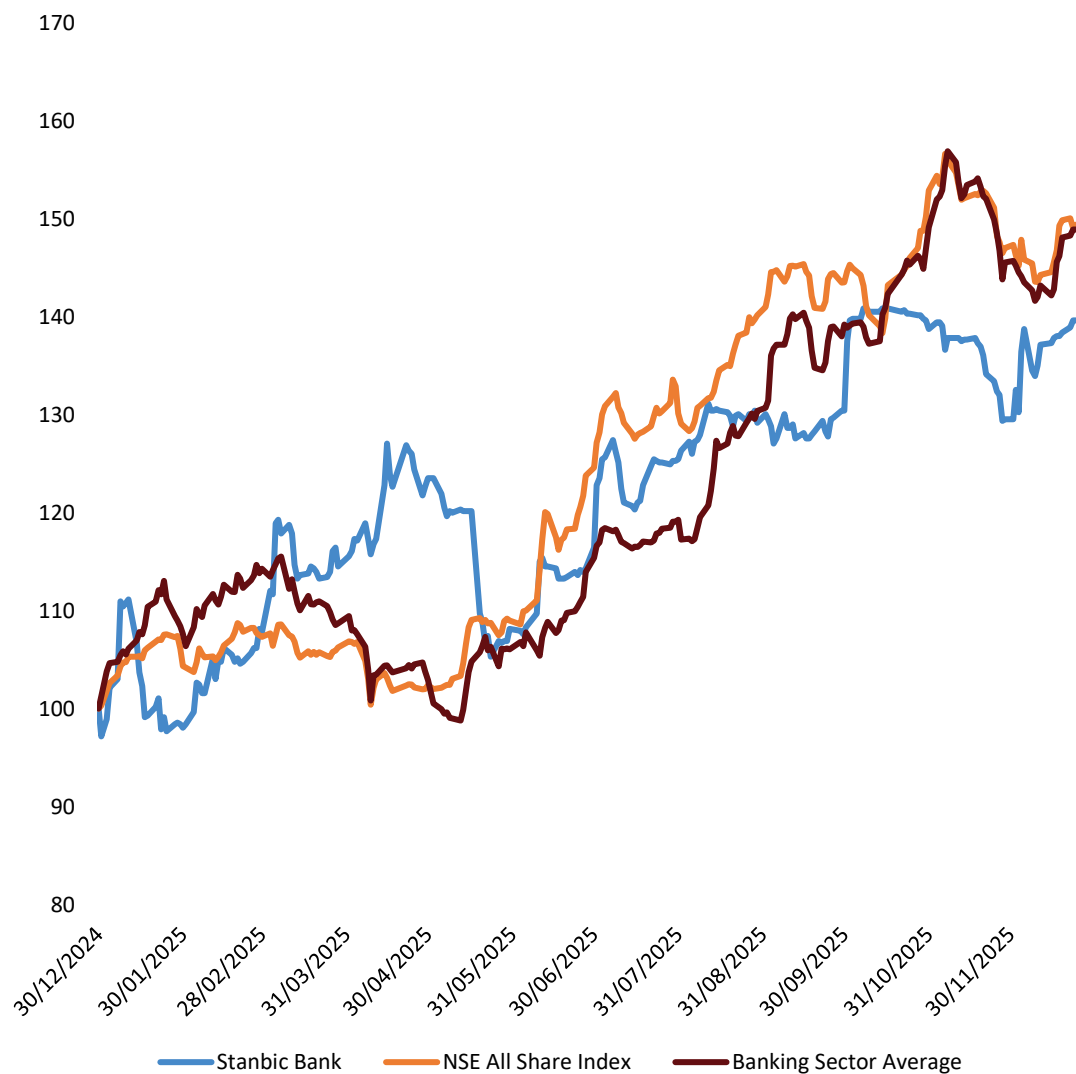
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Summary

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



Source: Bloomberg

Last Price – 24 th December 2025 in KES	197.25
Valuation Estimate in KES :	200.00
Upside	1.4%
Recommendation	HOLD
52-Week High	202.50
52-Week Low	135.00
52-Week Price Return	60.4%
Year-to-Date Price Return	65.0%
Price to Earnings Ratio (P/E)	3.59
Price to Book Ratio (P/B)	1.05

Source: Bloomberg and Faida Analysis

We are recommending a **HOLD** on Stanbic, with a target price of KES 200.00, offering a potential **upside of 1.4%** based on the closing price of KES 197.25 on 24th December 2025.

The recommendation reflects modest upside potential amid softer earnings performance, stable asset quality improvements, and ongoing investments in digital transformation, which are expected to support sustainable growth over the medium term.

Interest Income

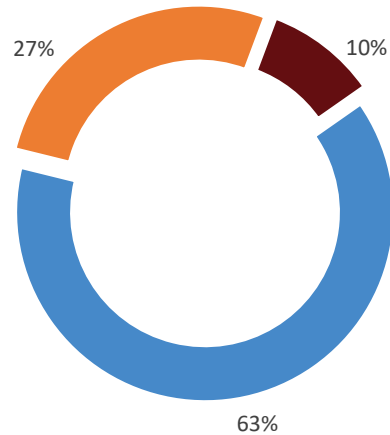
Interest income declined by 17.2% to KES 32.1 billion in Q3 2025 from KES 38.8 billion in Q3 2024.

Loans and advances contracted by 24.5% to KES 20.3 billion from KES 26.9 billion in Q3 2024.

Income from government securities expanded by 29.9% to KES 8.6 billion from KES 6.6, an increase of KES 2.0 billion.

Deposits and placements within banking institutions edged down by 40.2% to KES 3.1 billion in Q3 2025 from KES 5.1 billion in Q3 2024, reflecting a decrease of KES 2.1 billion.

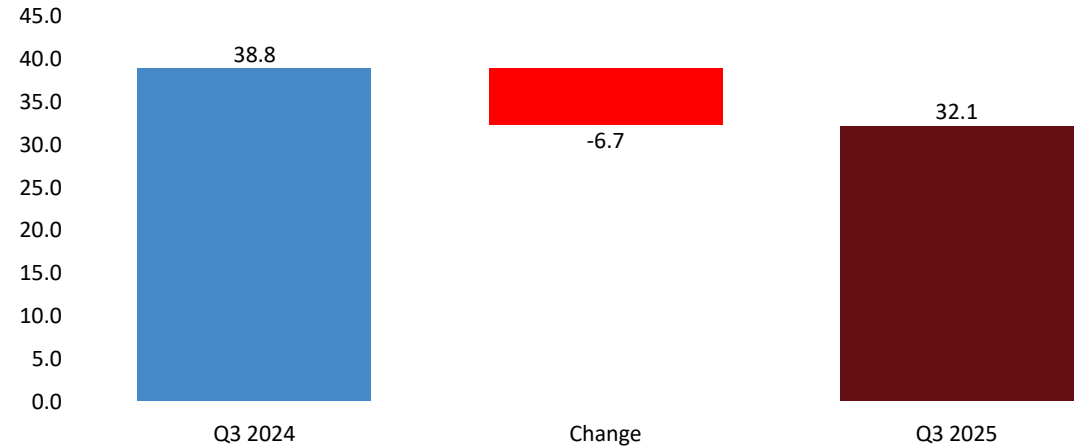
Interest income composition



■ Loans and advances ■ Government securities ■ Deposits and placements

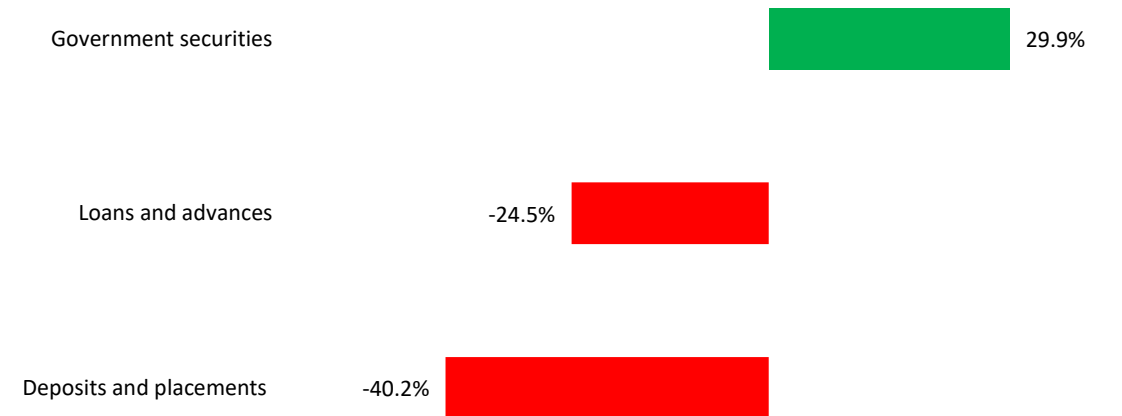
Source: Company Financials

Decline interest income (KES billions)



Source: Company Financials

Interest income growth rate (%)



Source: Company Financials

-50.0% -40.0% -30.0% -20.0% -10.0% 0.0% 10.0% 20.0% 30.0% 40.0%

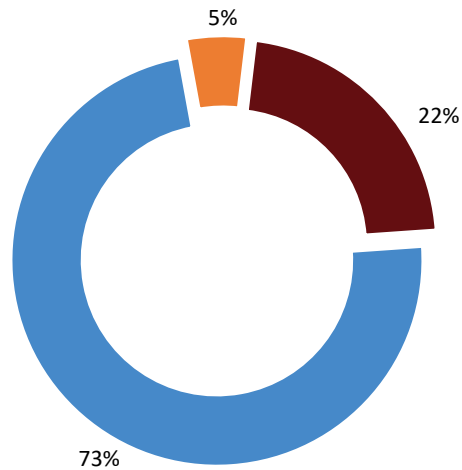
Interest Expense

Total interest expense declined by 41.4% to KES 11.6 billion in Q3 2025 from KES 19.8 billion in Q3 2024, reflecting a decrease of KES 8.2 billion. This was largely driven by a significant 48.8% decline in interest on customer deposits which fell to KES 8.5 billion from KES 16.6 billion in Q3 2024, reflecting a decrease of KES 8.1 billion.

Interest on deposits and placements from banking institutions edged down by 48.9% to KES 555.1 million from KES 1.1 billion.

Other interest expenses expanded by 19.7% to KES 2.6 billion from KES 2.1 billion.

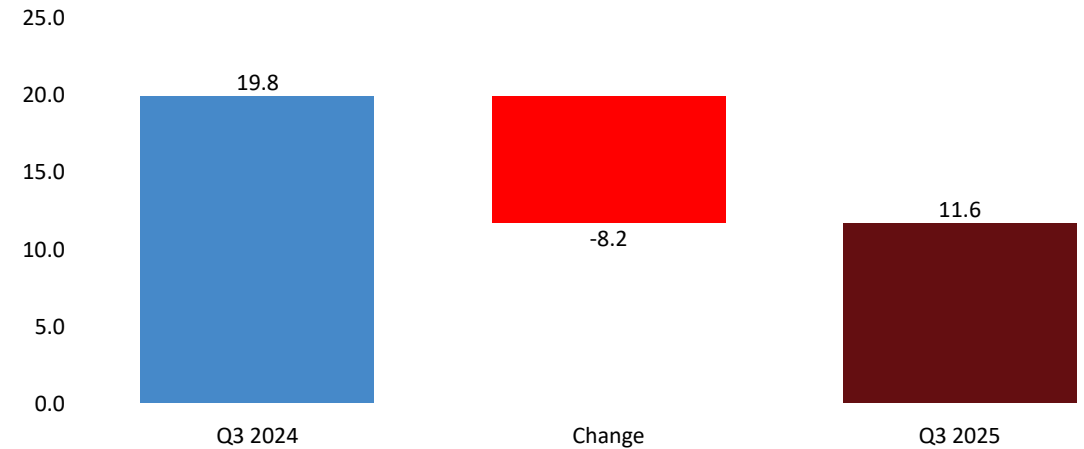
Interest expense composition (%)



■ Customer deposits ■ Deposits and placements ■ Other interest expense

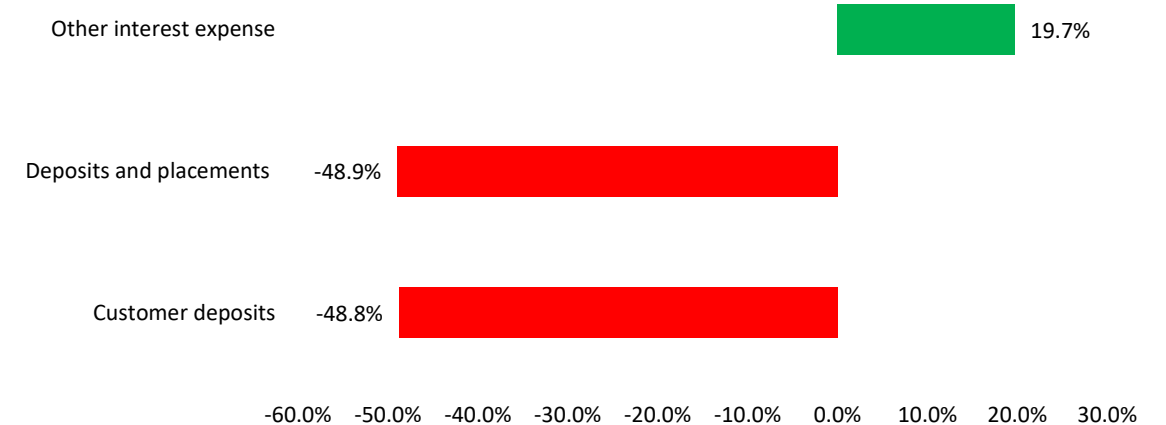
Source: Company Financials

Decline in interest expense (KES billions)



Source: Company Financials

Interest expense growth rate (KES billions)



Source: Company Financials

Net Interest Income & Non-funded income

Net interest income (NII) rose 8.0% to KES 20.5 billion in Q3 2025 from KES 19.0 billion in Q3 2024. This growth was largely attributed to the 41.4% decline in total interest expenses.

Non-funded income (NFI) contracted by 24.5% to KES 7.8 billion in Q3 2025 from KES 10.4 billion. This was primarily driven by a significant 49.2% decline in foreign exchange trading income which fell to KES 3.1 billion from KES 6.2 billion, a reduction of KES 3.0 billion.

Fees and commissions income on loans and advances edged up 28.0% to KES 96.2 million from KES 75.2 million.

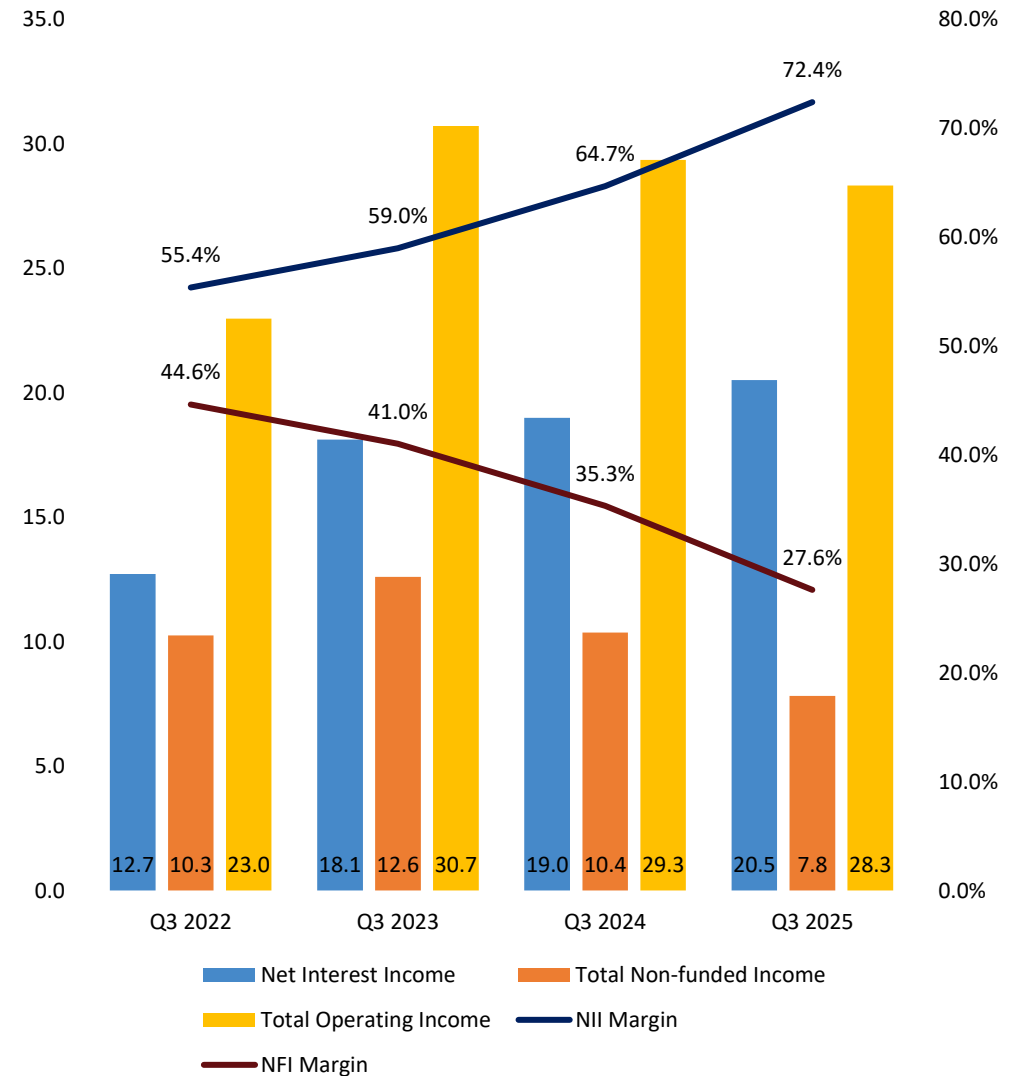
Other fees and commissions climbed 1.4% to KES 3.5 billion from KES 3.4 billion.

Other income surged 57.8% to KES 1.1 billion in Q3 2025 from KES 720.3 million in Q3 2024.

As a result, total operating income declined by 3.5% to KES 28.3 billion from KES 29.3 billion in Q3 2024.

The Net Interest Income (NII) Margin rose by 7.7 percentage points to 72.4% from 64.7%, reflecting higher interest earnings. In contrast, the Non-Funded Income (NFI) Margin eased to 27.6% from 35.3% in Q3 2024.

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



Operating expenses

Total operating expenses rose by 1.0% to KES 15.4 billion in Q3 2025 from KES 15.3 billion in Q3 2024, reflecting an increase of KES 2.0 billion. This was largely driven by significant 11.5% in staff costs to KES 7.7 billion from KES 6.9 billion.

Loan loss provisions climbed 7.6% to KES 5.7 billion in Q3 2025 from KES 5.3 billion in Q3 2024.

Director emoluments expanded by 83.1% to KES 381.6 million from KES 208.4 million.

Rental charges edged up by 17.9% to KES 462.5 million from KES 392.4 million.

Depreciation on property and equipment contracted by 8.5% to KES 1.3 billion from KES 1.4 billion.

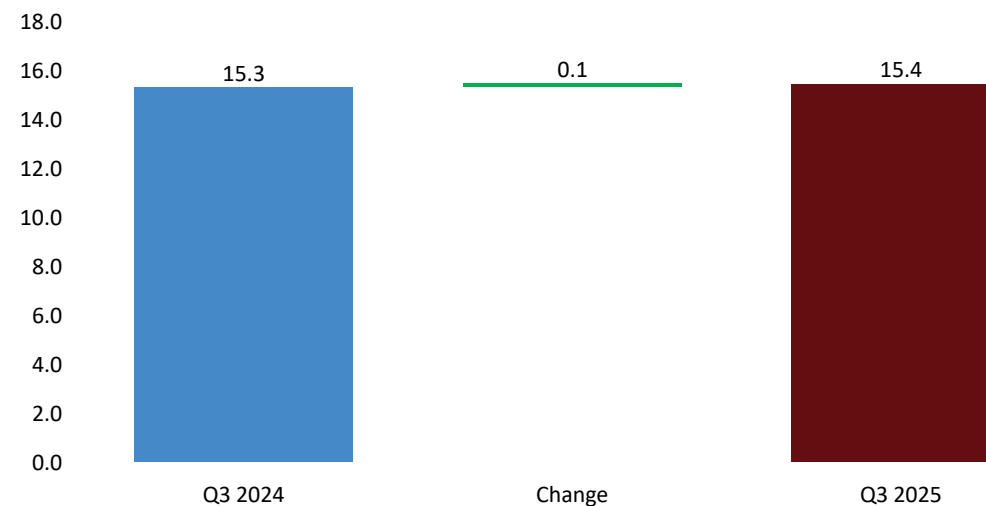
Amortization charges grew by 20.5% reaching KES 471.0 million from KES 390.9 million.

Other operating expenses increased by 9.1% to KES 7.0 billion from KES 6.4 billion.

The cost-to-income ratio (including loan loss provisions) edged up to 54.5% in Q3 2025 from 52.1% in Q3 2024. Excluding provisions, the ratio climbed to 45.6% from 42.9%.

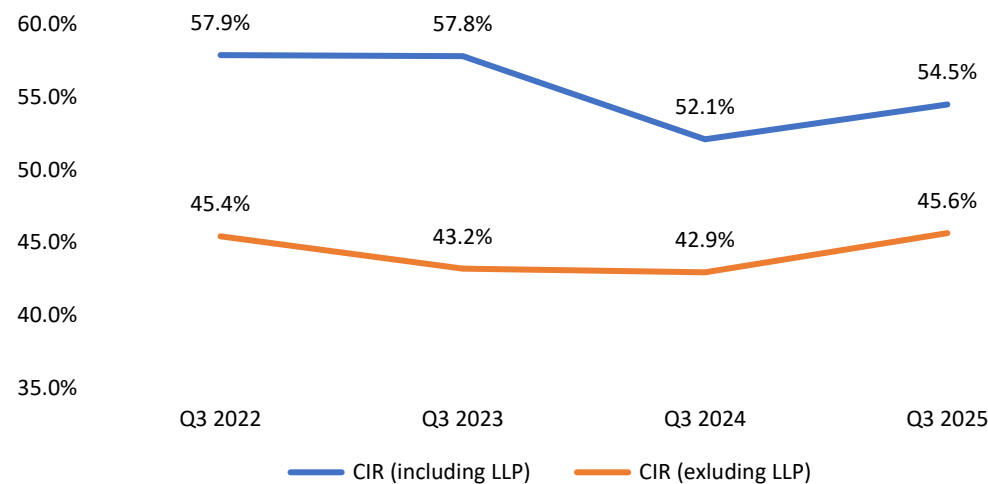
**The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs.*

Development in Operating expenses (KES billions)



Source: Company Financials

Cost-to-income ratio



Source: Company Financials

Profitability

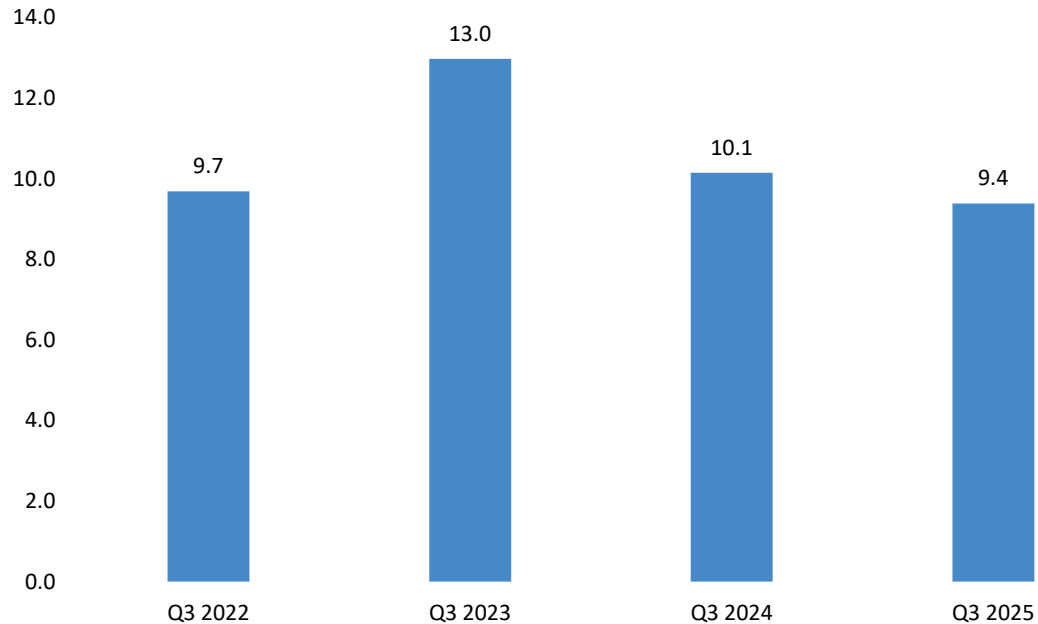
Profit before tax declined by 8.3% to KES 12.9 billion from KES 14.1 billion in Q3 2024.

After taxation, net profit decreased by 7.5% to KES 9.4 billion from KES 10.1 billion.

Total comprehensive income saw a marginal increase of 0.2% to KES 9.30 billion from KES 9.29 billion.

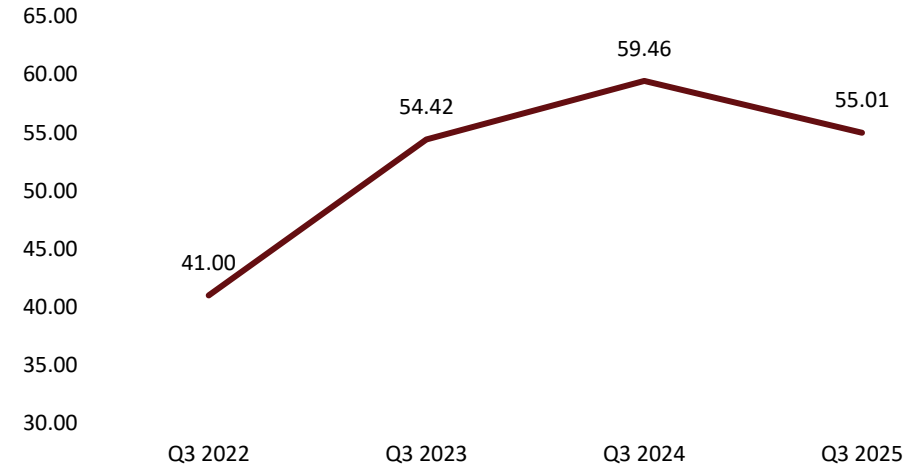
Earnings per share (EPS) dropped by 7.5% to KES 55.01 from KES 59.46 billion in Q3 2024.

Profit after Tax (KES billions)



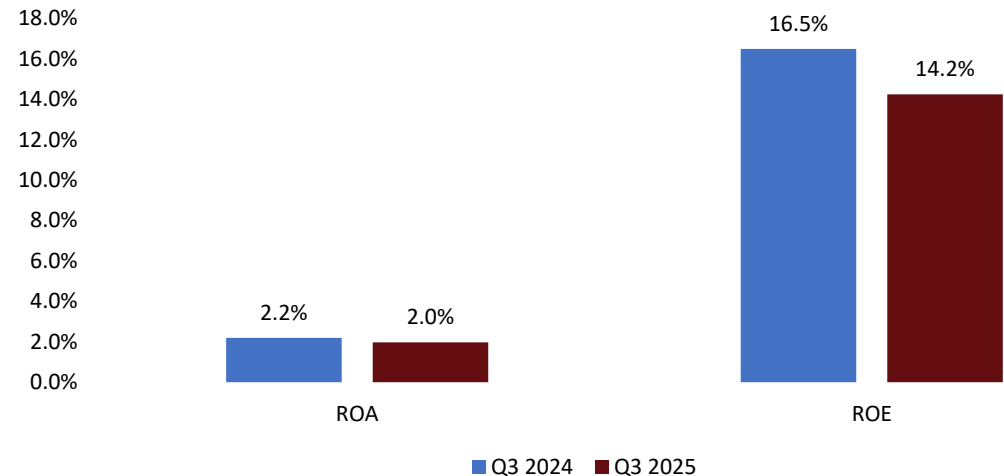
Source: Company Financials

Earnings Per Share (KES)



Source: Company Financials

Profitability Ratios



Source: Company Financials

Balance sheet highlights

Total assets grew by 3.0% to KES 476.2 billion in Q3 2025 from KES 462.6 billion in Q3 2024, reflecting an increase of KES 13.7 billion. This was largely driven by a significant 15.7% increase in loans and advances which rose to KES 253.1 billion from KES 218.8 billion, reflecting an increase of KES 34.4 billion.

Deposits and balances due from local banking institutions surged by 402.7% to KES 8.5 billion from KES 1.7 billion.

In contrast, deposits and balances due from foreign banking institutions edged down by 29.8% to KES 8.9 billion from KES 12.7 billion, a decrease of KES 3.8 billion.

Other assets contracted by 30.7% to KES 12.4 billion from KES 17.9 billion.

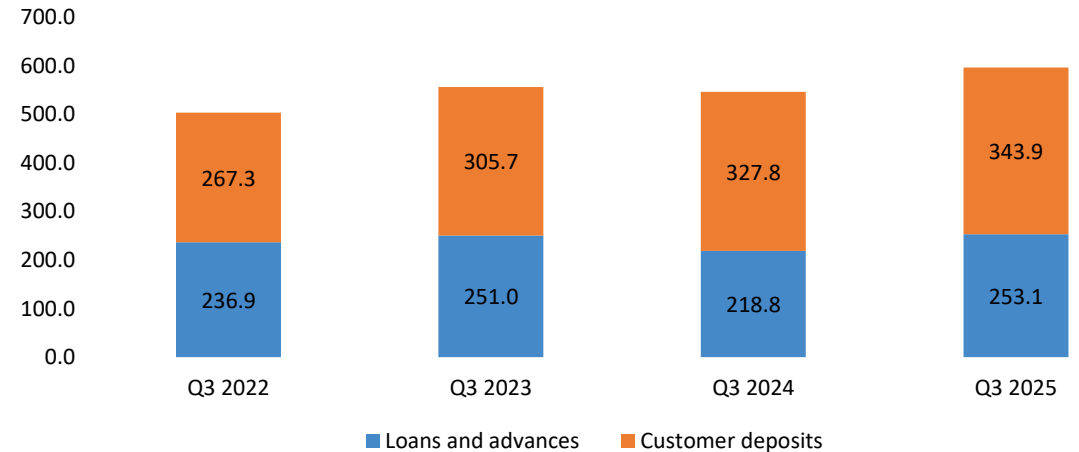
Total liabilities expanded by 2.3% to KES 410.3 billion from KES 401.2 billion while other liabilities recorded 63.4% increase to KES 23.3 billion from KES 14.3 billion.

Customer deposits grew by 4.9% to KES 343.9 billion in Q3 2025 from KES 327.8 billion in Q3 2024, representing a significant growth of KES 16.0 billion.

As a result, the loan –to-deposit ratio rose from 66.7% in Q3 2024 to 73.6% in Q3 2025, showing that a higher proportion of deposits is now deployed in loans.

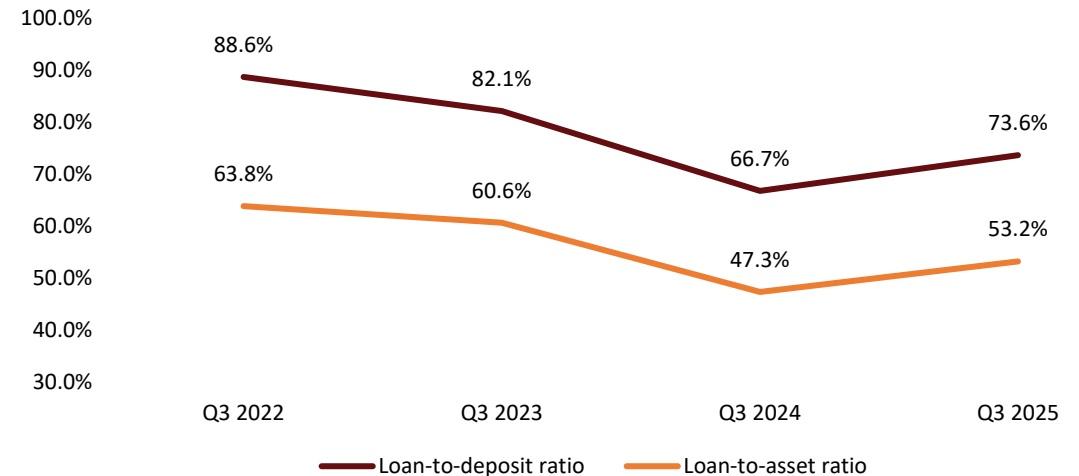
Total shareholders’ funds advanced by 7.1% to KES 65.9 billion from KES 61.5 billion in Q3 2024. This was driven by a significant 7.2% increase in retained earnings to KES 60.2 billion from KES 56.2 billion.

Loan book and customer deposits (KES billions)



Source: Company Financials

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



Source: Company Financials

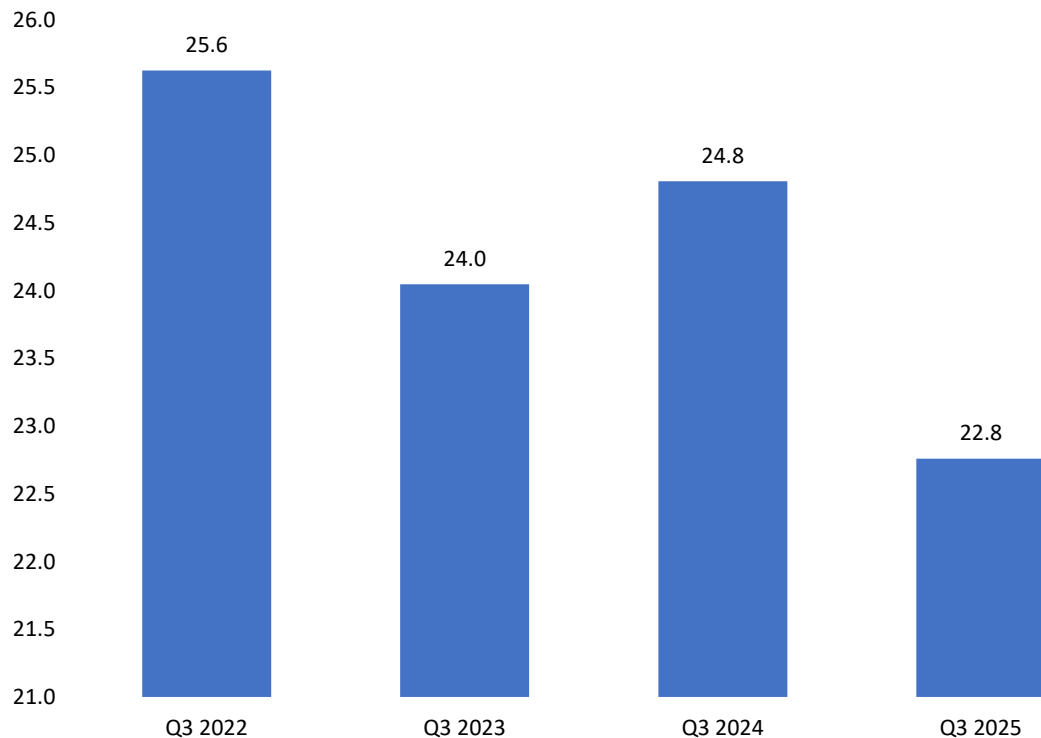
Asset Quality

The lender's gross non-performing loans declined by 8.3% to KES 22.8 billion in Q3 2025 from KES 24.8 billion in Q3 2024.

The NPL ratio declined from 10.4% in Q3 2024 to 8.4% in Q3 2025, indicating improved asset quality and remaining below the industry's sector average of 16.5%.

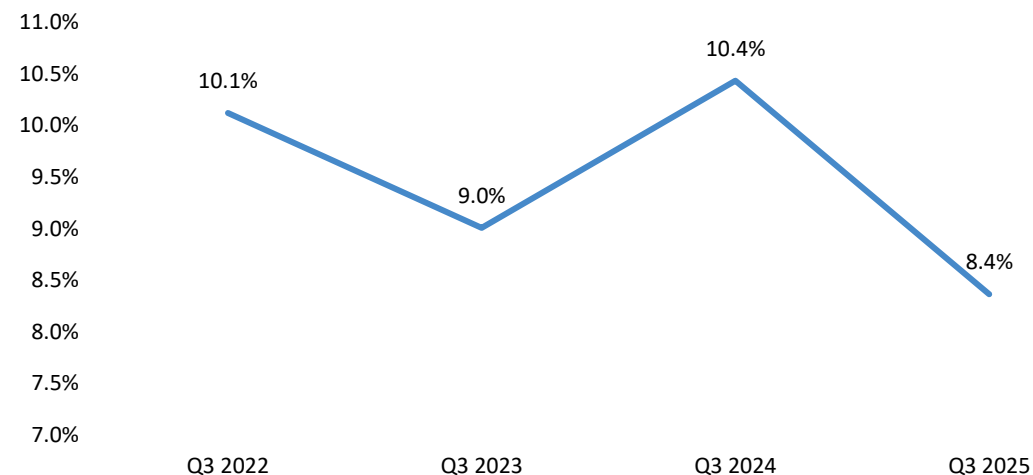
The NPL coverage ratio rose from 76.5% to 83.2%, indicating stronger provisioning against non-performing loans.

Gross NPLs (KES billions)



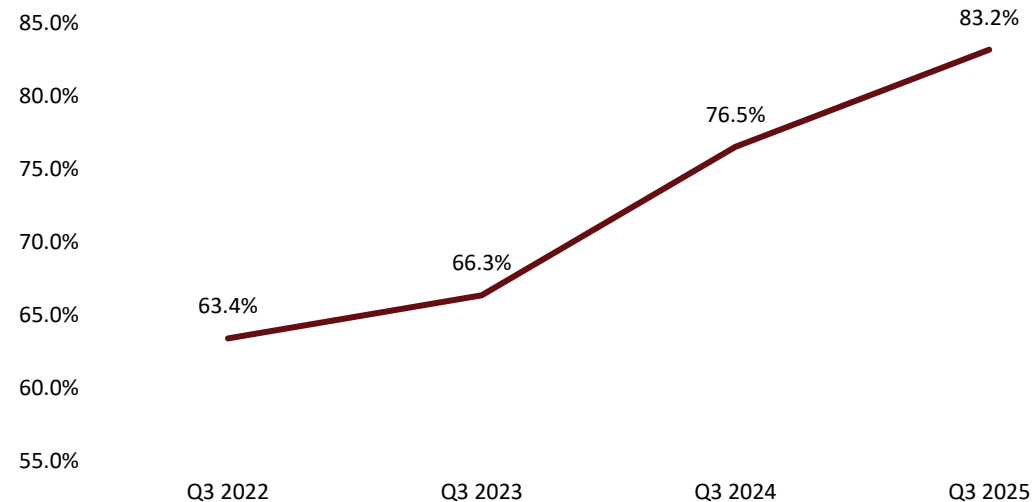
Source: Company Financials

Gross NPL Ratio (%)



Source: Company Financials

NPL Coverage Ratio (%)



Source: Company Financials

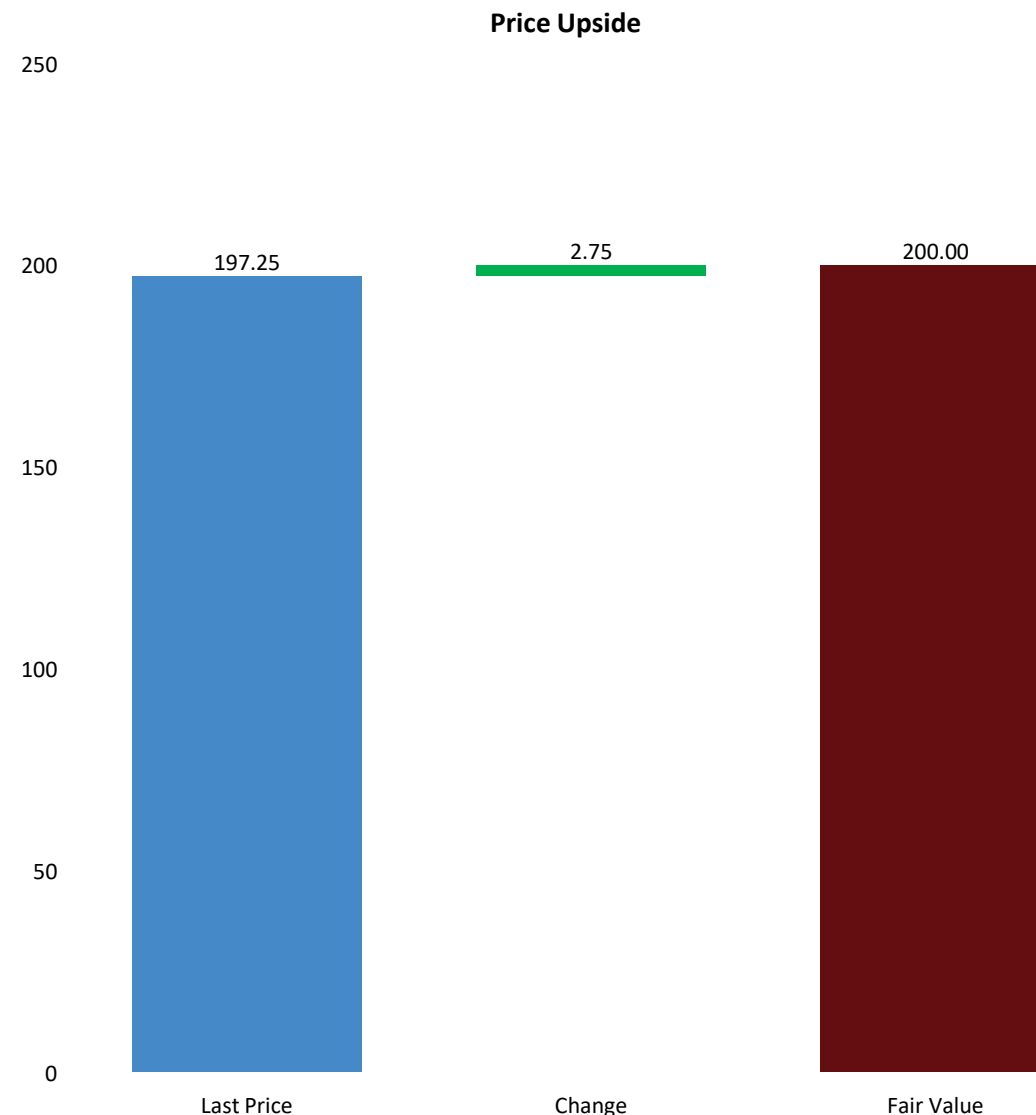
Outlook

Stanbic Bank's Q3 2025 performance reflected moderate earnings pressure amid a favorable shift in asset quality and balance sheet expansion. Interest income declined 17.2% to KES 32.1 billion, partly offset by a 41.4% reduction in interest expenses, while total operating income edged down 3.5% to KES 28.3 billion. Earnings per share (EPS) fell 7.5% to KES 55.01, reflecting the combined impact of lower income and moderate growth in net loans and advances.

Despite earnings pressure, asset quality improved significantly, with the gross non-performing loan ratio declining to 8.4% from 10.4%, supported by an 8.3% reduction in gross NPLs to KES 22.8 billion against a 17.5% increase in gross loans to KES 279.4 billion. The balance sheet expanded 3.0% to KES 476.2 billion, driven by a 32.8% rise in government securities holdings and 15.7% growth in net loans and advances.

Looking ahead, growth is expected to be supported by ongoing digital transformation initiatives, including the upgrade of the T24 core banking system, integration of Artificial Intelligence across operations, and deployment of 17 Intelligent Automation bots across multiple business functions. These measures are expected to enhance operational efficiency and long-term financial performance. In addition, the recent CBR rate cut to 9.00% is anticipated to boost loan demand, ease debt-servicing pressures, and further support asset quality, though it may exert short-term pressure on net interest margins.

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 $\text{Total Interest Expense} / \text{Average Interest Earning Liabilities}$.

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