



Standard Chartered Bank Kenya Q1'2026 Earnings Note

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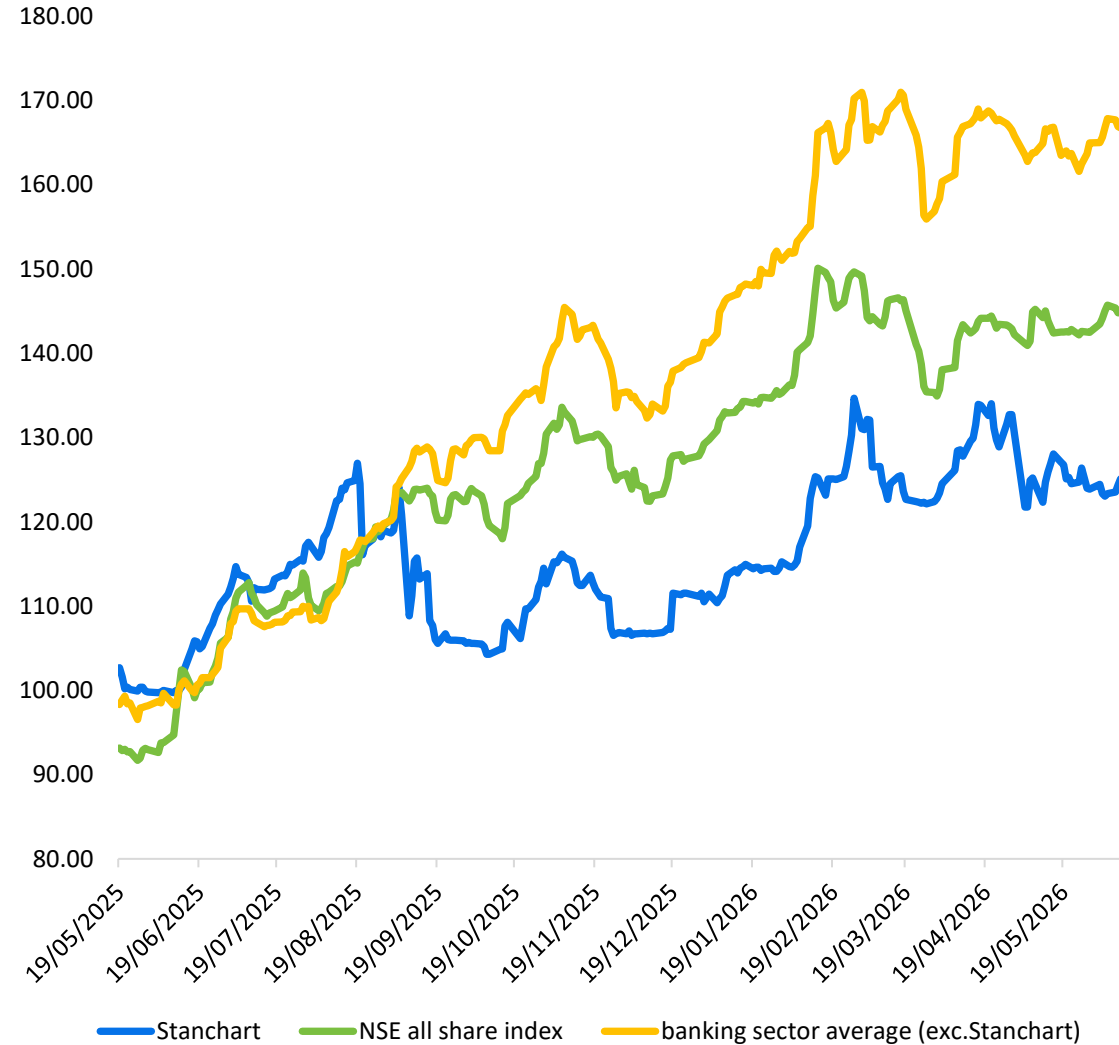
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Summary

Normalized share price movement of Standard Chartered Vs the Market and Other Banking peers



Source: Bloomberg

Last Price –10 th June 2026 in KES	340.00
Valuation Estimate in KES :	343.75
Upside	1.10%
Recommendation	HOLD
52-Week High	370.0
52-Week Low	268.50
52-Week Price Return	38.5%
Year-to-Date Price Return	22.1%
Price to Earnings Ratio (P/E)	10.36
Price to Book Ratio (P/B)	1.84

Source: Bloomberg and Faida Analysis

We recommend a **HOLD** on Standard Chartered Bank Kenya with a fair value of KES 343.75, representing an **upside of 1.1%** based on 10th June 2026 closing price of KES 340.00.

The recommendation is based on the balance between its strong underlying fundamentals and near-term earnings pressures. The bank continues to demonstrate resilience through improved asset quality, with gross NPLs declining significantly to 5.41%, alongside strong balance sheet growth supported by record loan growth and deposits. However, profitability remains constrained by the declining interest rate environment, which has compressed net interest margins and weighed on earnings. With a fair value estimate of KES 343.75, representing a 1.1% upside from the current price, we believe the bank offers moderate value but requires further evidence of margin stabilization, sustainable non-interest income growth, and successful execution under the new management team before a stronger investment view can be justified.

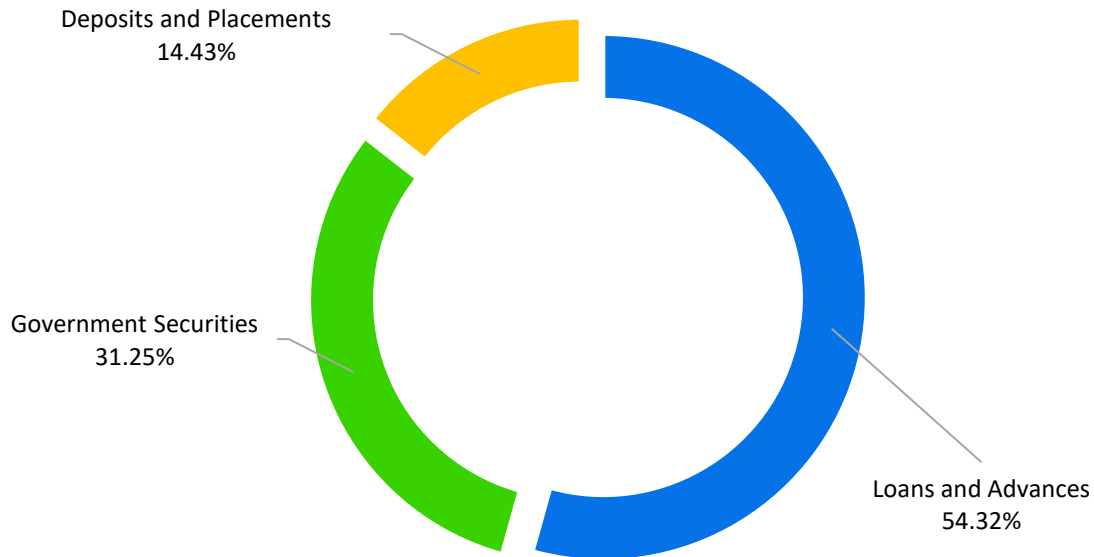
Interest Income

Interest income declined by 22.35% to KES 7.22 billion in Q1'2026 from KES 9.29 billion in Q1'2025. This was primarily driven by a decrease in income from loans and advances to KES 3.92 billion in Q1'2026 from KES 5.01 billion in Q1'2025.

Government securities decreased by 34.45% to KES 2.26 billion in Q1'2026 from KES 3.44 billion in Q1 2025.

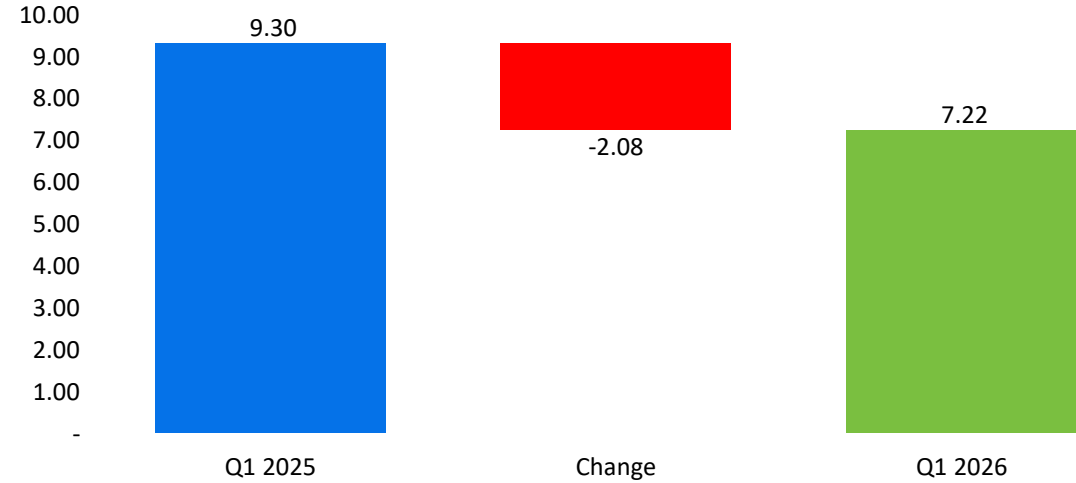
However, deposits and placements increased by 23.08% to KES 1.04 billion in Q1 2026 from KES 0.85 billion in Q1 2025.

Interest Income Composition in Q1 2026 (%)



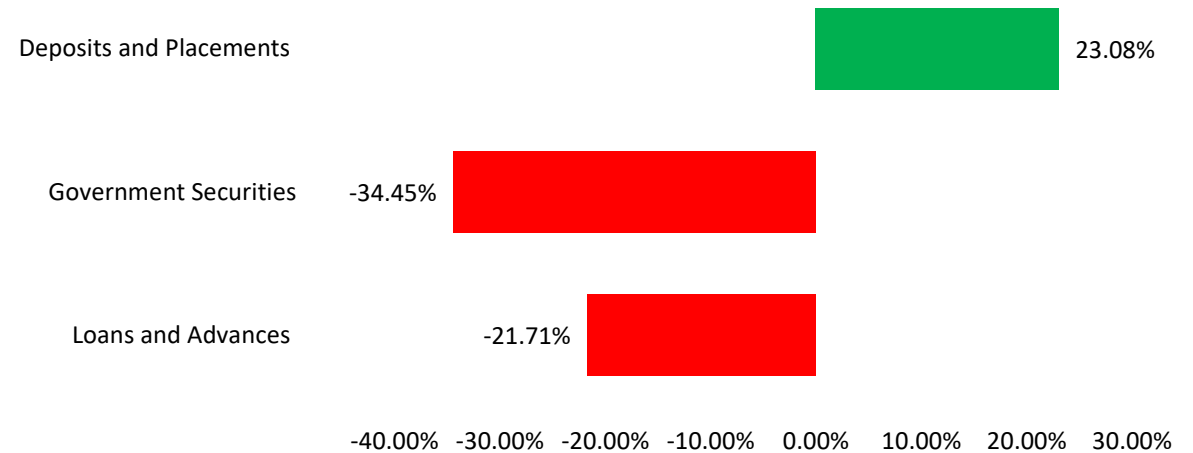
Source: Company Financials

Change in interest income in Q1'2026 (KES Billions)



Source: Company financials

Interest Income growth rate(%)



Source: Company Financials

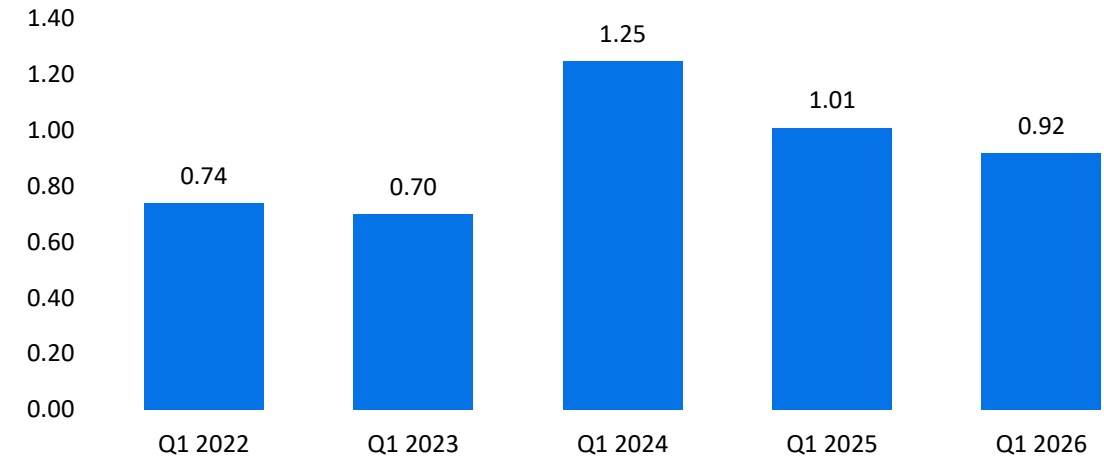
Interest Expense

Total Interest expense fell by 15.13% to KES 0.92 billion in Q1'2026 from KES 1.09 billion in Q1'2025. This decrease was significantly driven by a 20.99% decrease in interest expense on customer deposits to KES 0.81 billion in Q1'2026 from KES 1.02 billion in Q1'2025

However, interest expense on deposits and placements from banking institutions massively increased by 97.85% from KES 48.60 million in Q1'2025 to KES 96.15 million in Q1'2026 .

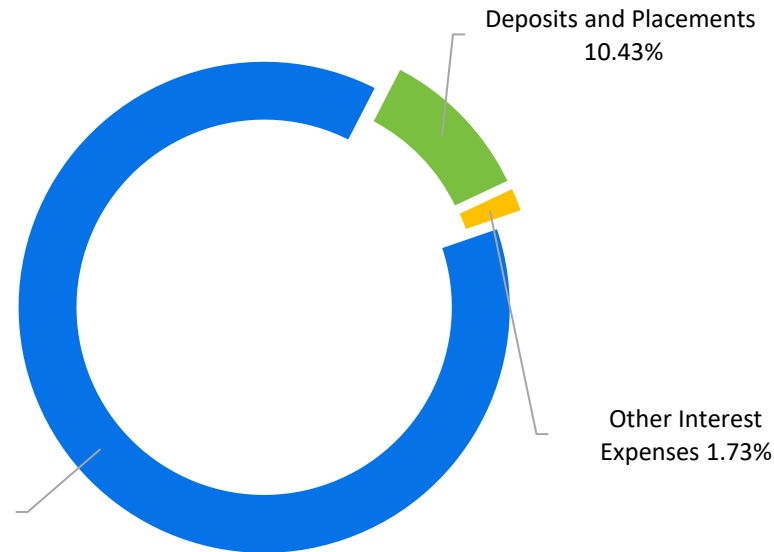
Other interest expenses expanded by 25.71% to KES 15.91 million in Q1'2026 from KES 12.65 million in Q1'2025.

Interest Expense Development (KES Billions)



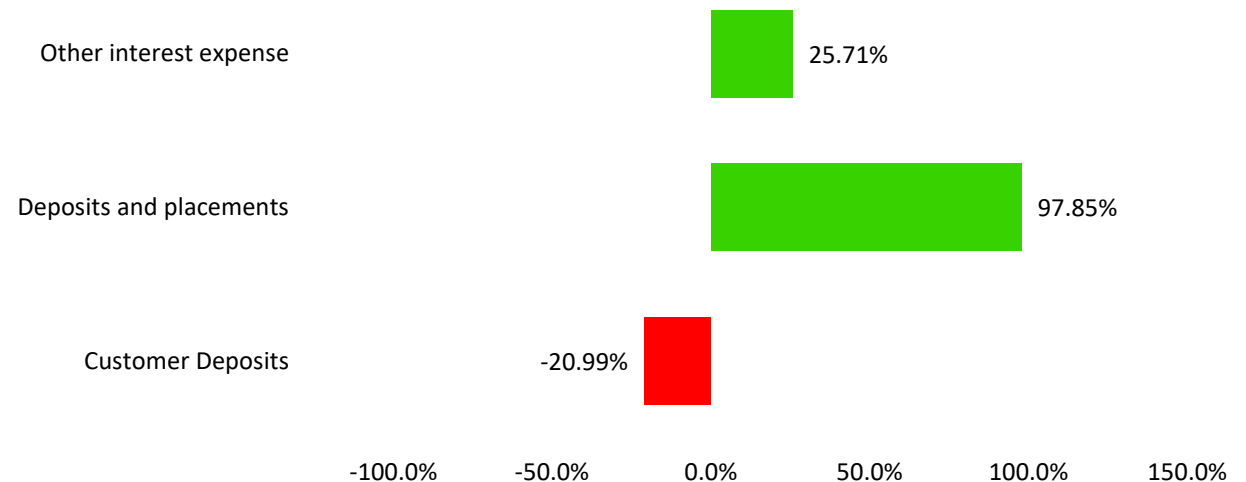
Source: Company financials

Interest expense composition (%)



Source: Company Financials

Interest expense growth rate (%)



Source: Company Financials

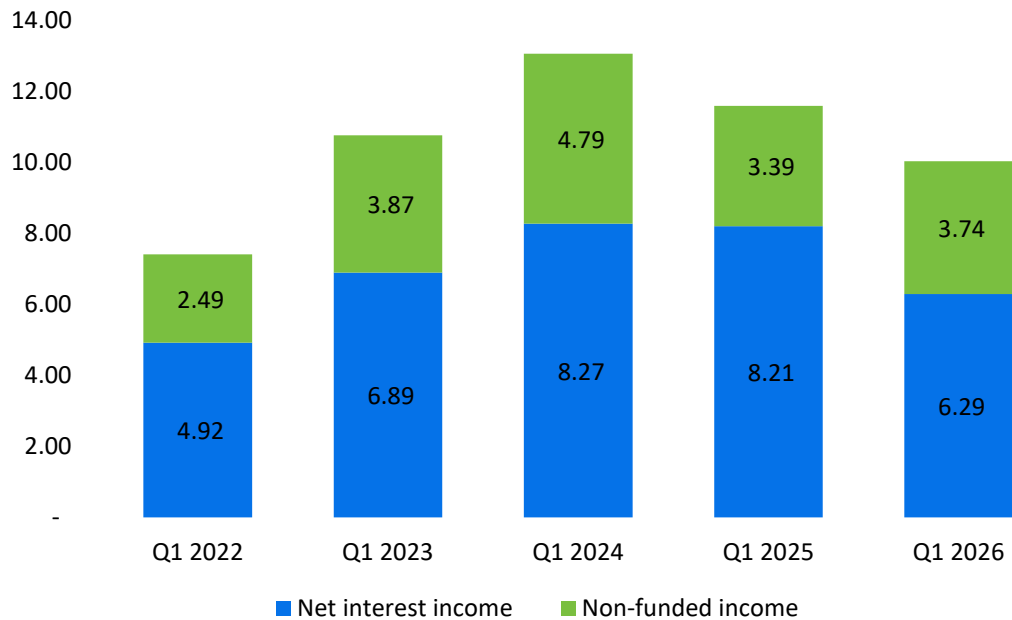
Net Interest Income & Non-funded Income

Net interest income declined by 23.31% to KES 6.29 billion in Q1'2026 from KES 8.21 billion in Q1'2025. Non-funded income however increased by 10.32% to KES 3.74 billion from KES 3.39 billion in Q1'2025. Fees and commissions on loans and advances decreased by 38.49% to KES 39.32 million from KES 63.92 million in Q1'2025.

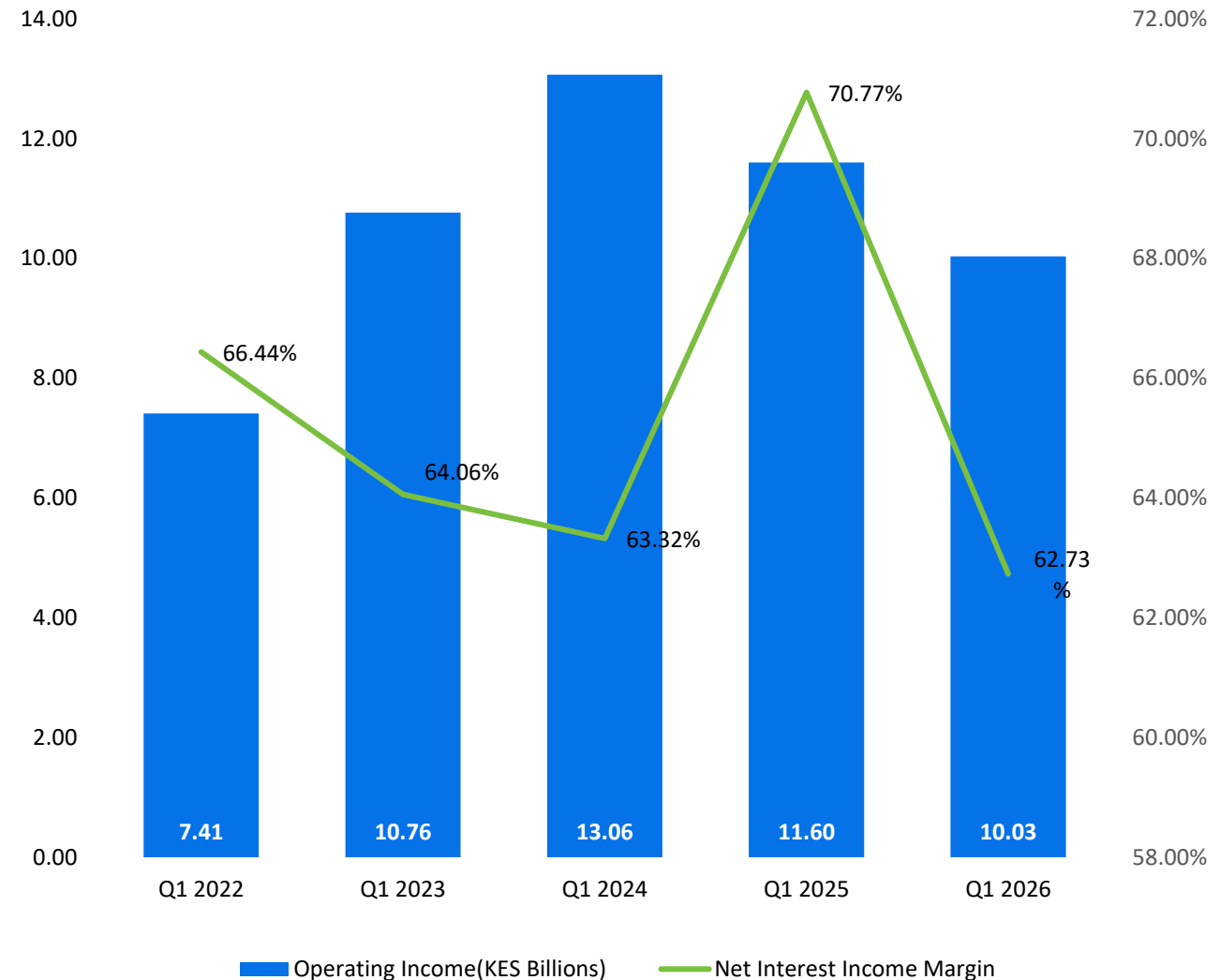
Other fees and commissions recorded a surge of 24.38% to KES 1.99 billion in Q1'2026 from KES 1.6 billion in Q1'2025.

Foreign exchange trading income dipped by 24.4% to KES 0.78 billion in Q1'2026 from KES 1.03 billion in Q1'2025.

Net interest income & Non-funded income (KES Billions)



Total Operating income (KES billions) & Net Interest Income Margin (%)



Operating expenses

Total Operating expenses remained broadly flat decreasing marginally by 40 bps to KES 4.94 billion in Q1'2026 from KES 4.96 billion in Q1'2025.

Loan loss provisions decreased by 20.74% to KES 327.00 million from KES 412.52 million in Q1'2025.

Staff costs rose by 4.87% to KES 2.29 billion in Q1'2026 from KES 2.18 billion in Q1'2025. Similarly, Directors' emoluments increased by 4.43% to KES 71.08 million from KES 68.06 million in Q1'2025.

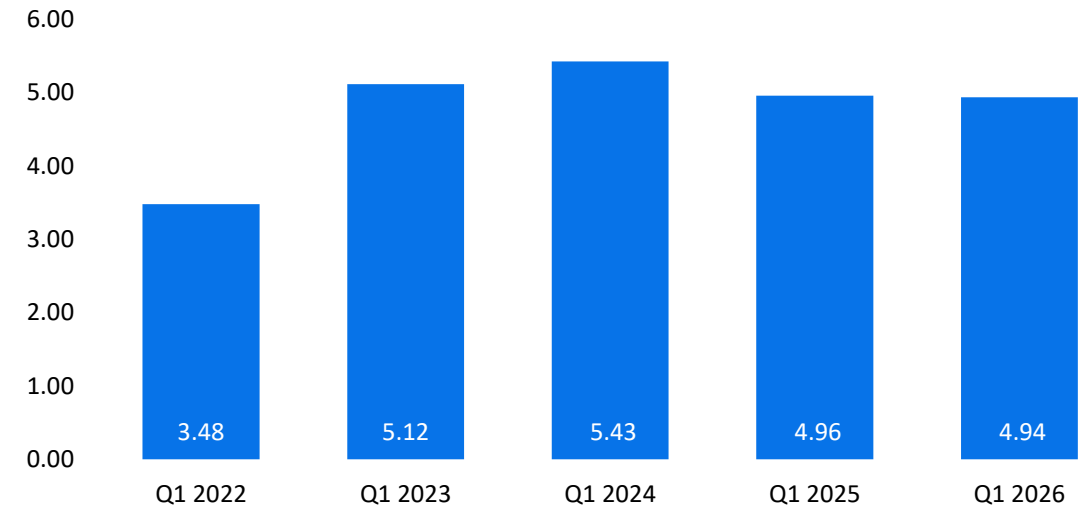
Rental charges declined by 38.08% to KES 36.23 million in Q1'2026 from KES 58.52 million in Q1'2025, while depreciation on property and equipment remained broadly stable, rising slightly by 1.19% to KES 101.64 million from KES 100.44 million in Q1'2025.

Amortization charges increased by 12.45% to KES 288.44 million in Q1'2026 from KES 256.49 million in Q1'2025. Other operating expenses declined by 2.69% to KES 1.83 billion from KES 1.88 billion in Q1'2025.

The Cost-to-income ratio (including loan loss provisions) increased by 6.50 percentage points to 49.25% in Q1'2026 from 42.75% in Q1'2025, reflecting higher operating expenses during the period, while the ratio excluding provisions increased by 6.8% to 46.0 % in Q1'2026 from 39.19% in Q1'2025.

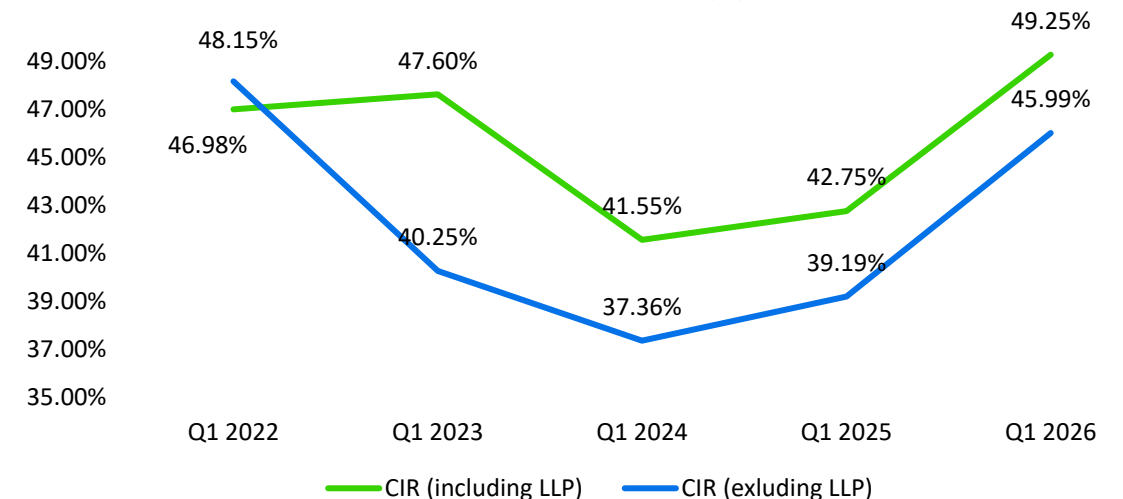
**The cost-to-income ratio measures operational efficiency, indicating the proportion of operating income consumed by operating expenses. A lower ratio reflects improved efficiency, with the bank generating higher income relative to its costs.*

Total Operating Expenses (KES billions)



Source: Company financials

Cost-to-income-ratio (%)



Source: Company Financials

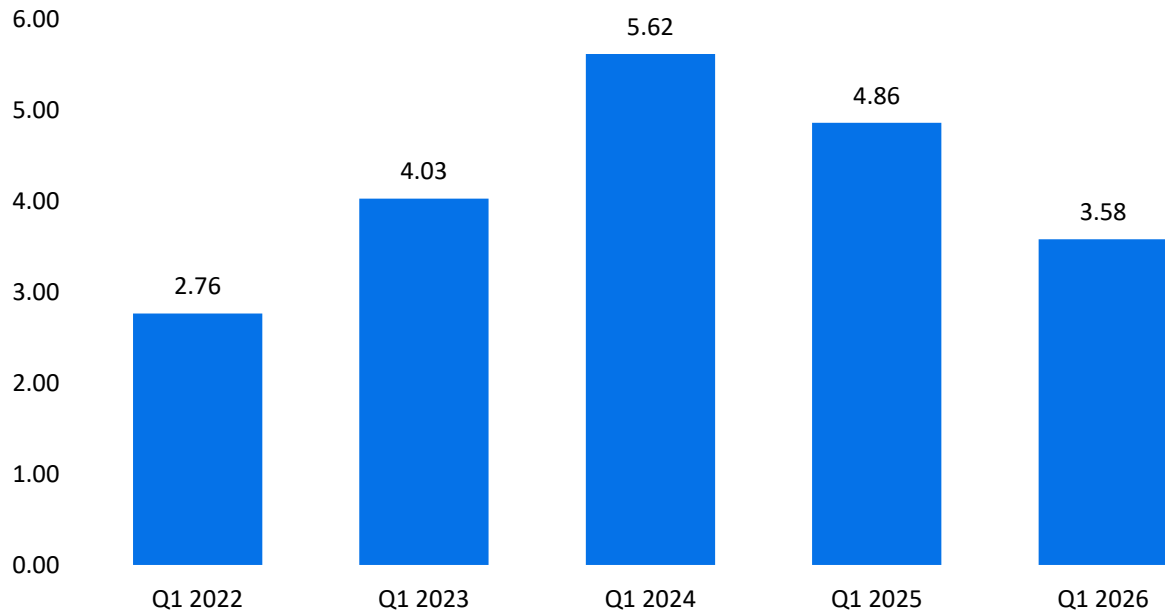
Profitability

Profit before tax declined by 23.31% to KES 5.09 billion in Q1'2026 from KES 6.64 billion in Q1'2025, while profit after tax dropped by 26.32% to KES 3.58 billion from KES 4.86 billion in Q1'2025 .

Total Comprehensive income for the period stood at KES 3.62 billion in Q1'2026 recording a 32.29% drop from KES 5.34 billion in Q1'2025.

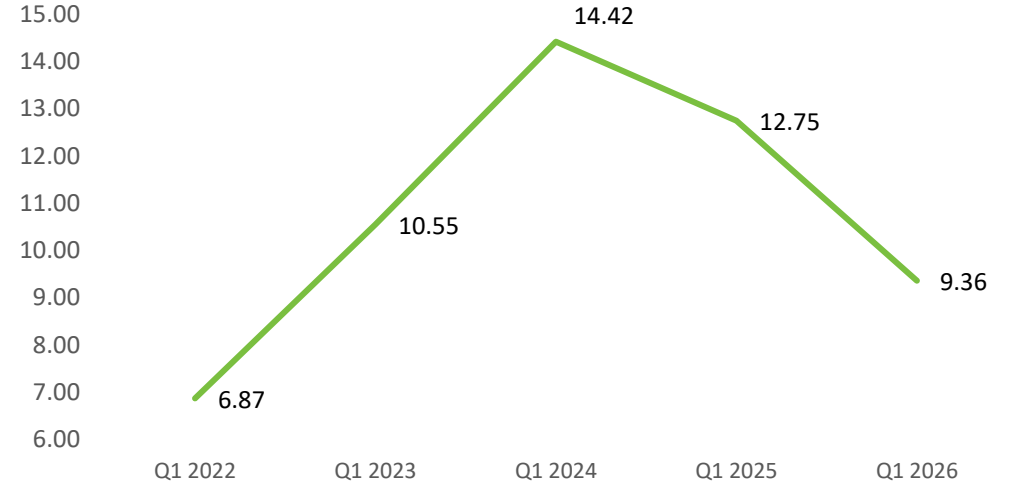
Consequently, earnings per share dropped by 26.59% to KES 9.36 in Q1'2026 from KES 12.75 in Q1'2025, reflecting reduced value accretion for shareholders relative to Q1'2025.

Profit after Tax (KES Billions)



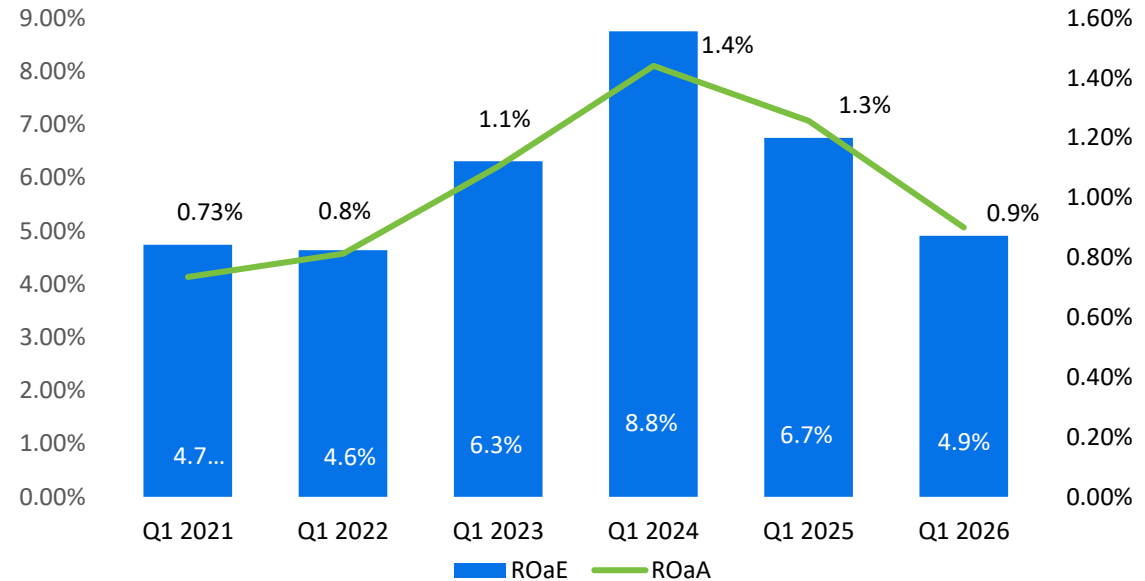
Source: Company Financials

Earnings per share (KES)



Source: Company financials

Profitability Ratios (%)



Source: Company Financials

Balance Sheet Rundown

Total Assets expanded by 8.11% to KES 413.27 billion in Q1'2026 from KES 382.26 billion in Q1'2025 reflecting an increase of KES 31.01 billion. Kenyan government securities held for dealing purposes massively increased by 300.6% to KES 12.63 billion in Q1'2026 from KES 3.15 billion in Q1'2025 reflecting heightened short-term trading strategies and efforts to secure highly liquid assets.

Balances due from the central bank increased by 30.32% to KES 32.52 billion in Q'2026 from KES 24.95 billion in Q1'2025. However, balances due from foreign banking institutions declined by 80.14% to KES 0.72 billion from KES 3.61 billion in Q1'2025, while deposits and balances from local banking institutions also decreased 35.34% to KES 6.8 billion in Q1'2026 from KES 10.52 billion in Q1'2025.

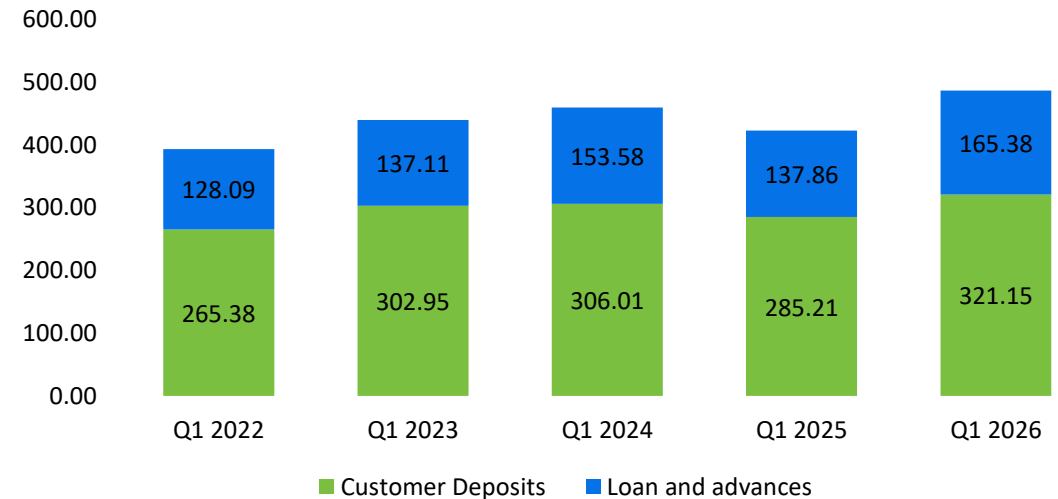
Net loans and advances to customers recorded an increase of 19.92% to KES 165.38 billion in Q1'2026 from KES 137.86 billion in Q1'2025 driven by momentum in wealth lending and mortgages which were offset by reduction in unsecured lending.

Total liabilities increased by 12.17% to KES 343.44 billion in Q1'2026 from KES 306.17 billion in Q1'2025. Furthermore, customer deposits increased by 12.6% to KES 321.15 billion from KES 285.21 billion in Q1'2025, representing an increase of KES 35.94 billion.

Loan-to-deposit ratio increased to 51.5% from 48.34% in Q1'2025, while Loan-to-asset ratio rose by 3.96% to 40.02% from 36.06%, reflecting higher loan mobilisation.

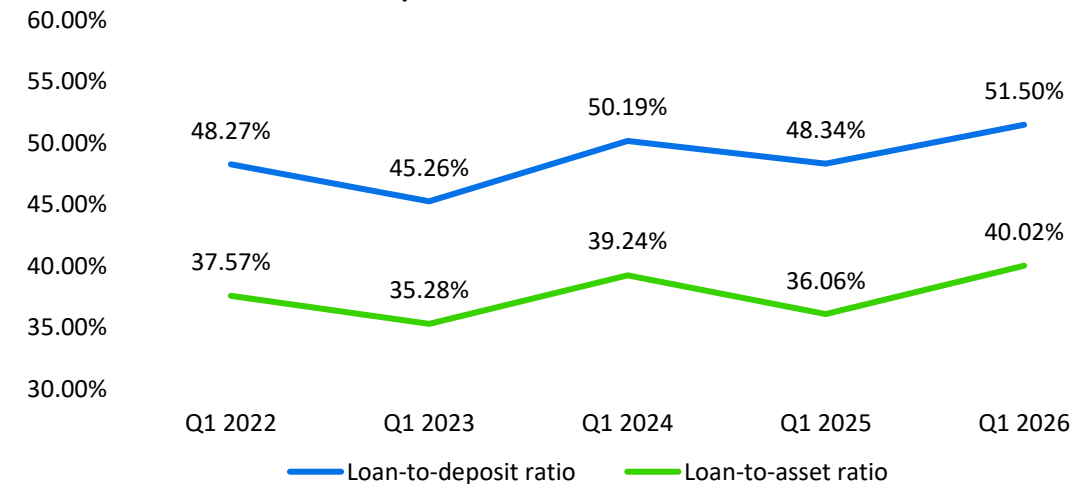
Total shareholders' funds dropped by 8.23% to KES 69.82 billion from KES 76.709 billion in Q1'2025.

Loan book and Customer deposits (KES Billions)



Source: Company financials

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



Source: Company Financials

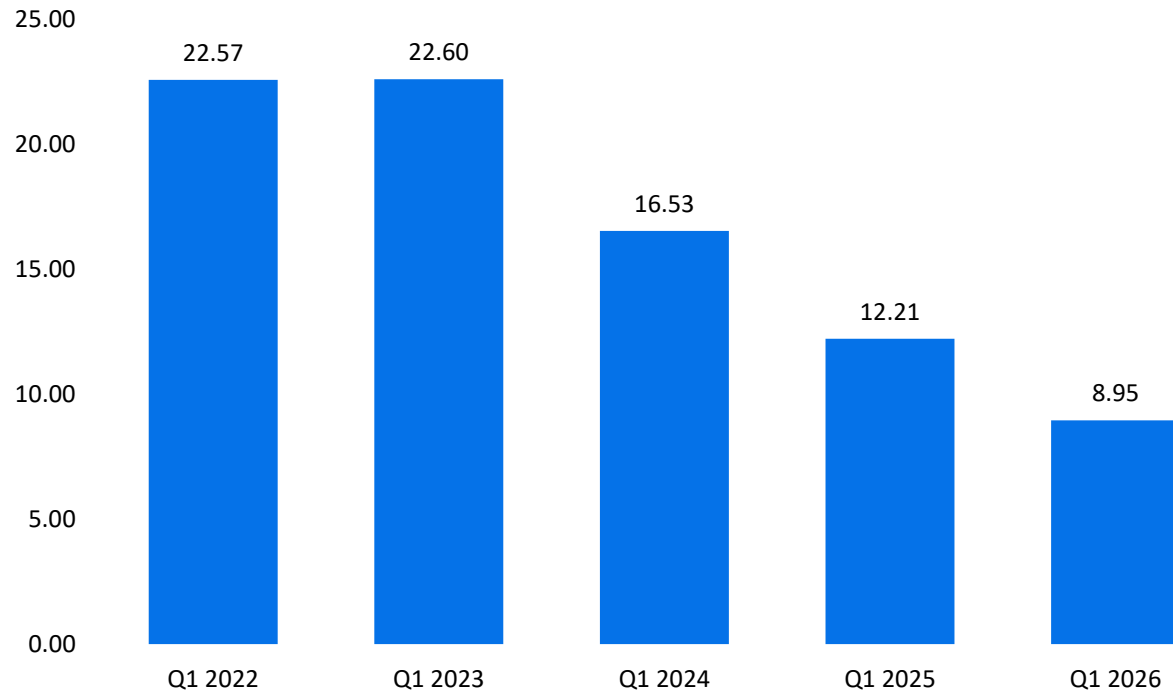
Asset Quality

Asset quality improved, with Gross non-performing loans (NPLs) decreasing by 26.74% to KES 8.95 billion in Q1'2026 from KES 12.21 billion in Q1'2025, reflecting a drop of KES 3.27 billion.

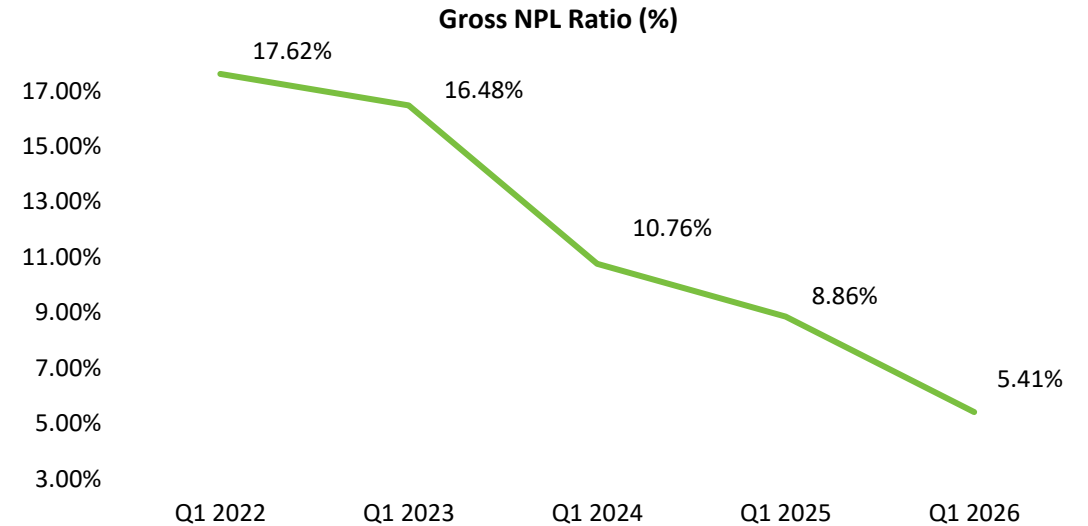
Gross NPL ratio dropped from 8.86% in Q1'2025 to 5.41% in Q1'2026 reflecting an improvement of 345 bps.

The Non-Performing Loan (NPL) coverage ratio increased by 2.82% to 46.7% in Q1'2026 from 43.88% in Q1'2025, indicating a marginal increase in the bank's provisioning buffer against impaired loans.

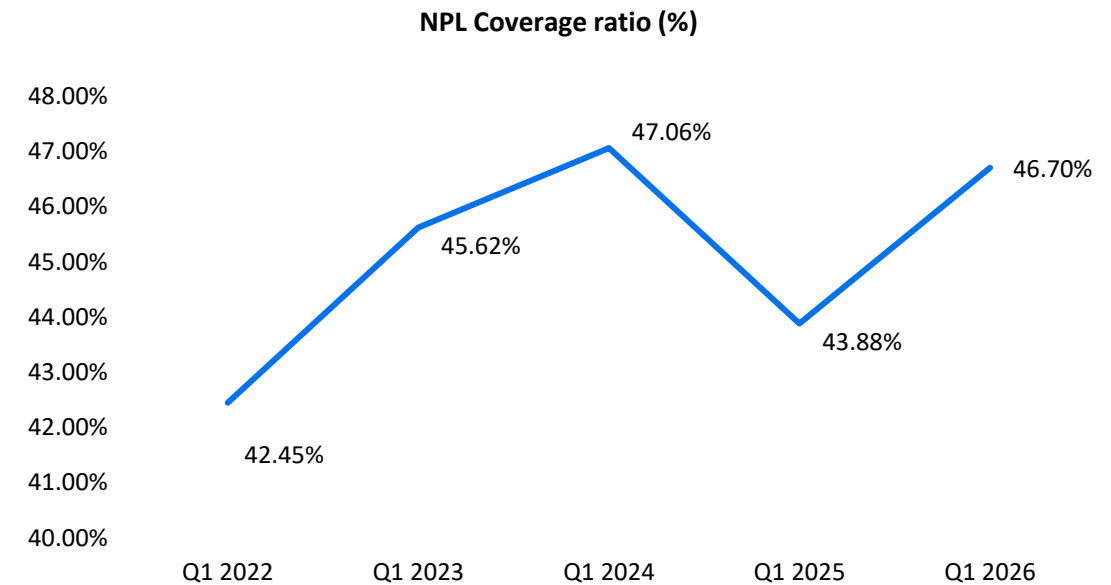
Gross Non-performing Loans (KES Billions)



Source: Company Financials



Source: Company financials



Source: Company Financials

Outlook and Recommendation

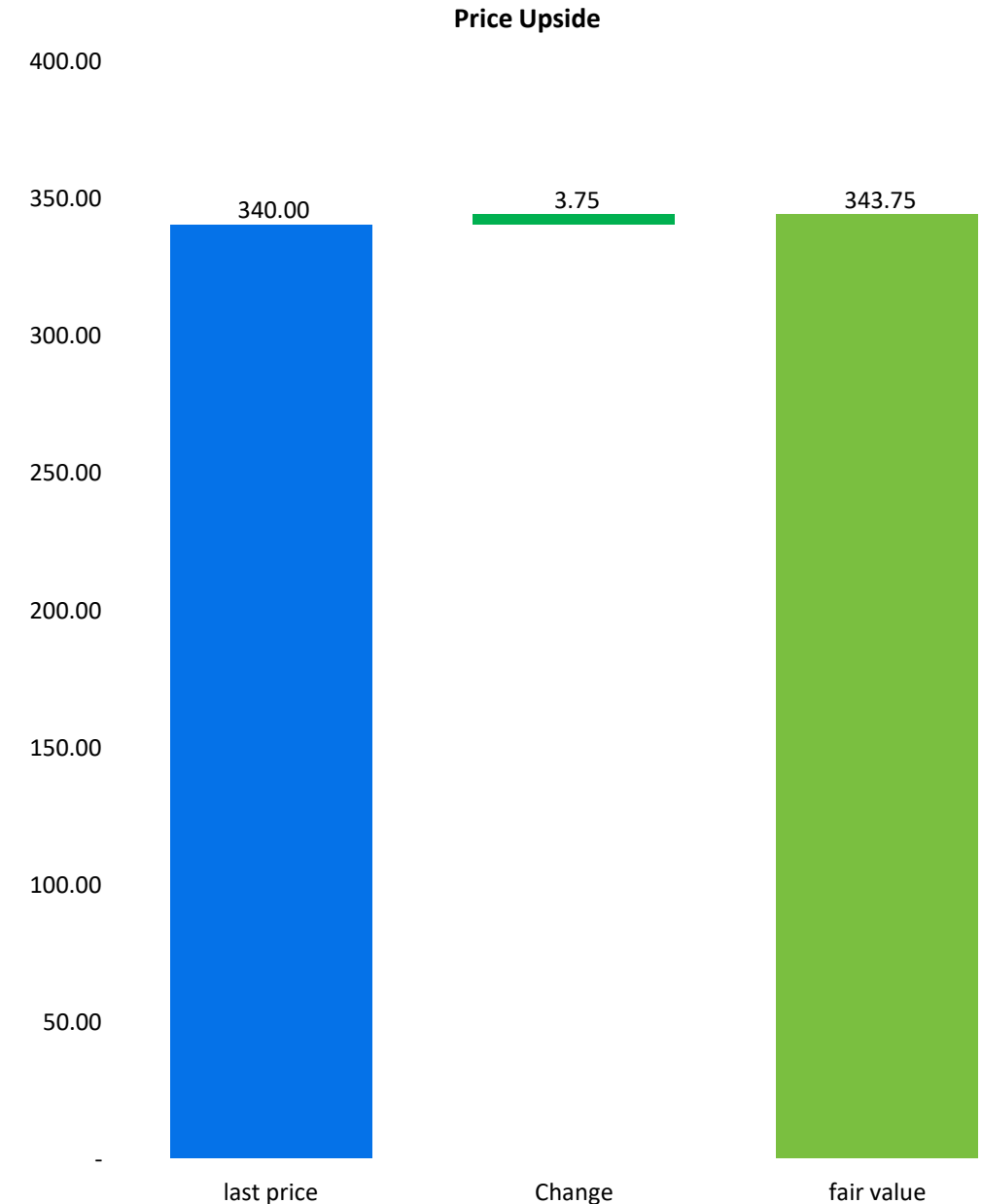
Standard Chartered Kenya reported a weak Q1'2026 performance, with profit after tax falling 26.3% y-o-y to KES 3.58 billion. The decline was mainly driven by a 23.3% drop in Net Interest Income (NII) to KES 6.29 billion as CBK rate cuts compressed asset yields faster than funding costs adjusted, causing a significant squeeze in margins.

Despite earnings pressure, the bank recorded several balance sheet strengths. Net loans grew 20% to KES 165.4 billion, total assets crossed the KES 400 billion mark for the first time to KES 413.3 billion in Q1'2026 with Customer deposits increasing by 12.6% to KES 321.2 billion. Asset quality improved significantly, with gross NPLs declining 26.7% to KES 8.95 billion. Non-interest income rose 10.3% to KES 3.7 billion, while operating costs remained controlled.

However, the bank remains vulnerable due to its heavy reliance on interest income which took a massive hit. This was evident through CBK implementing interest rate cuts which ultimately proved to be detrimental in the banks interest income in Q1'2026. Operating income declined to KES 10 billion, Foreign Exchange (FX) trading income fell 24.4%, and loan-related fees dropped 38.5%, showing pressure from lower market activity and lending pricing changes. Earnings per share also declined 26.3% to KES 9.36, reducing its attractiveness to income-focused investors.

The share price has underperformed peers and the NSE, reflecting investor concerns over margin compression. Furthermore, leadership changes also create uncertainty with the retirement of CEO Kariuki Ngari and CFO Chemutai Murgor requiring a transition period. However, capital remains adequate, liquidity is strong, and the bank has growth capacity due to its expanding balance sheet and relatively low loan-to-asset ratio.

We recommend a **HOLD** position on Standard Chartered Bank Kenya, reflecting a balance between its strong underlying fundamentals and near-term earnings pressures. The bank continues to demonstrate resilience through improved asset quality, with the NPL ratio declining significantly to 5.41%, alongside strong balance sheet growth supported by record loan growth and deposits. However, profitability remains constrained by the declining interest rate environment, which has compressed net interest margins and weighed on earnings. With a fair value estimate of KES 343.75, representing a 1.10% upside from the current price, we believe the bank offers moderate value but requires further evidence of margin stabilization, sustainable non-interest income growth, and successful execution under the new management team before a stronger investment view can be justified.



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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.

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