

### Stanbic Bank Kenya PAT Slides 7.5% as Non-Funded Income Weakens Despite Solid Lending Momentum

Stanbic Bank Kenya posted a softer performance in Q3 2025, with profit after tax declining 7.5% to Kes. 9.38Bn from Kes. 10.14Bn in Q3 2024, weighed down by a sharp slowdown in non-funded income. The bank's non-interest revenue fell 24.5% to Kes. 7.82Bn, reflecting reduced trading activity and lower fee performance during the period.

Net interest income provided some support, rising 8.0% to Kes. 20.51Bn, on the back of a stronger loan book and improved asset yields, although it was not sufficient to offset the revenue shortfall. Overall operating income eased 3.5% to Kes. 28.33Bn, underscoring the pressure on the bank's top line.

Despite the earnings dip, balance sheet momentum remained firm, with loans expanding 15.7% to Kes. 253.14Bn and customer deposits up 4.9% to Kes. 343.85Bn, signaling continued franchise strength.

We assign a **HOLD recommendation** on Stanbic Bank, reflecting a balanced outlook between earnings pressure and improving asset quality. While profitability softened, with PAT down 7.5% and EPS declining, core lending activity remained robust, supporting an 8.0% uplift in net interest income. The bank also posted meaningful gains in asset quality, with the NPL ratio improving to 8.1%, and loan loss provisions easing by 6.7%, signaling stabilizing credit conditions.

### Income Statement

Stanbic Bank's income performance in Q3 2025 reflected a mixed picture, with net interest income offering some resilience while non-funded income dragged overall earnings. **Net interest income** rose 8.0% y/y to Kes. 20.51Bn, up from Kes. 18.99Bn in Q3 2024, supported by a larger loan book and firmer yields across interest-earning assets. This improvement helped cushion topline pressure in an environment of softer trading and transactional activity.

**Non-interest income**, however, recorded a steep 24.5% decline to Kes. 7.82Bn, from Kes. 10.36Bn, driven by weaker fee-based revenue and a slowdown in trading income, marking the bank's most notable earnings headwind for the quarter. As a result, **total operating income** contracted 3.5% to Kes. 28.33Bn, compared to Kes. 29.35Bn a year earlier.

RECOMMENDATION:	HOLD
Bloomberg Ticker:	SBIC KN
Share Stats	
Current Price	184.25
3-Month Av	189.83
6 Month Av	179.24
12 Month Av	166.13
52 Week High - High	202.5
52 Week High - Low	90
Issued shares Bn	395.32
Market Cap (KES Bn)	72.84
Market Cap (USD Bn)	563.58
P/E	7.77
PB	1.11
EPS (Annualized)	23.73

Return Performance		
Periods	Stanbic Bank	NASI
3mtd PriceΔ(%ge)	3.3%	12.23%
6mtd PriceΔ(%ge)	25.7%	40.47%
YTD Δ(%ge)	35.6%	52.46%
Y/Y Δ(%ge)	49.2%	67.03%

NII	8.0%
Provisions	(6.7%)
Opex	0.9%
Opex Excl. LLPs	2.6%
PBT	(8.3%)
PAT	(7.5%)
Loans	15.7%
Govt. Securities	(6.9%)
Deposits	4.9%
Shareholders' Funds	7.1%

# KINGDOM SECURITIES

Cost discipline remained broadly stable, with **total operating expenses** edging up 0.9% to Kes. 15.43Bn, reflecting continued investment in staff and digital capacity. **Loan loss provisions** declined 6.7% to Kes. 2.51Bn, signaling improving asset quality and healthier recoveries across key credit segments. Despite these efficiencies, **profit before tax** declined 8.3% to Kes. 12.89Bn, down from Kes. 14.06Bn, culminating in a 7.5% contraction in **profit after tax** to Kes. 9.38Bn.

## Balance Sheet

Stanbic Bank's balance sheet remained resilient through Q3 2025, reflecting sustained growth momentum across key asset and funding lines. **Total assets** increased 3.0% to Kes. 476.21Bn, up from Kes. 462.56Bn in Q3 2024, supported by a strong expansion in the loan book and prudent balance sheet optimization. **Loans and advances** grew a robust 15.7% to Kes. 253.14Bn, signaling increased credit uptake across corporate, SME, and retail segments

**Customer deposits** continued to provide a solid funding base, rising 4.9% to Kes. 343.85Bn, from Kes. 327.85Bn, reflecting improved liquidity flows despite the softer income environment. **Shareholders' equity** strengthened by 7.1% to Kes. 65.91Bn, underpinned by retained earnings and the bank's ongoing capital accumulation strategy.

Asset quality showed meaningful improvement, with **gross non-performing loans** declining 8.3% to Kes. 22.76Bn, down from Kes. 24.81Bn, supported by recoveries and more disciplined credit management. This improvement, combined with reduced provisioning requirements, helped stabilize the bank's risk profile heading into the final quarter of the year.

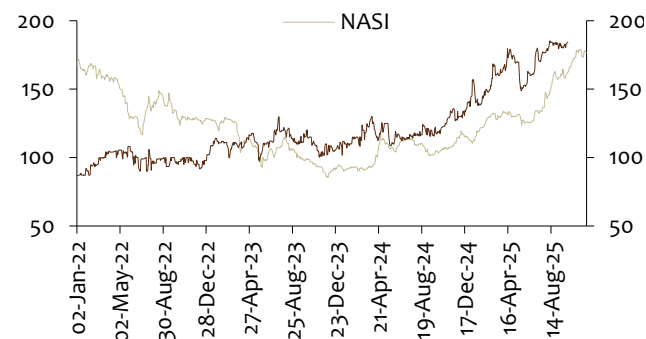
## Key Ratios

Stanbic's profitability and efficiency ratios reflect the pressure experienced during the quarter, although pockets of strength remain visible. **Return on average equity (ROaE)** softened as earnings dipped, with the ratio easing to 20.2%, down from 21.7% in Q3 2024, mirroring the contraction in profit after tax. Similarly, **return on average assets (ROaA)** slipped to 2.7%, from 3.0%, reflecting lower bottom-line performance against a growing asset base.

**Net interest margin (NIM)** remained relatively stable at 8.8%, supported by expanding earning assets and improved loan yields, underpinning the 8.0% growth in net interest income during the period. The **cost-to-income ratio** worsened slightly to 54.4%, compared to 52.1% a year earlier, as operating income declined while cost growth, though modest at 0.9%, outpaced revenue momentum.

On asset quality, Stanbic recorded a notable improvement, with the **gross non-performing loan (NPL)** ratio dropping to 8.1%, from 10.2% in Q3 2024, supported by recoveries and targeted clean-up efforts across key lending segments. The **cost of risk** eased to 8.8% from 9.1% in Q3 2024, following a 6.7% reduction in loan loss provisions, underscoring improving credit conditions within the portfolio.

Stanbic Bank Share Price Vs. NASI Movement



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Income Statement (Kes. Mn)	Q3'2024	H1'2025	Q3'2025	%Δ Q/Q	%Δ Y/Y
Interest Income	38.82	21.92	32.13	46.6%	(17.2%)
Interest Expense	(19.84)	(7.93)	(11.63)	46.7%	(41.4%)
NII	18.98	13.99	20.50	46.5%	8.0%
NFI	10.36	5.07	7.82	54.2%	(24.5%)
Total Income	29.34	19.06	28.32	48.6%	(3.5%)
Loan Loss Provisions	(2.68)	(1.61)	(2.51)	55.3%	(6.7%)
Operating Expense	(15.28)	(10.66)	(15.43)	44.7%	0.9%
Opex excl Provision	(12.60)	(9.05)	(12.93)	42.9%	2.6%
PBT	14.06	8.40	12.89	53.5%	(8.3%)
PAT	10.14	6.39	9.38	46.8%	(7.5%)
EPS	59.46	37.51	55.01	46.7%	(7.5%)

Balance Sheet (Kes. Mn)	Q3'2024	H1'2025	Q3'2025	%Δ Q/Q	%Δ Y/Y
Investments	56.59	53.27	52.66	(1.1%)	(6.9%)
Loans and Advances	218.76	233.00	253.14	8.6%	15.7%
Total Asset	462.55	464.81	476.21	2.5%	3.0%
Customer Deposit	327.85	346.85	343.85	(0.9%)	4.9%
Borrowing	13.09	18.96	18.86	(0.5%)	44.1%
Total Liabilities	401.02	400.51	410.30	2.4%	2.3%
Shareholders' Fund	61.53	64.30	65.91	2.5%	7.1%

Ratios	Q3 2024	H1 2025	Q3 2025	y/y change
Yield from interest-earning assets	13.0%	7.1%	9.9%	(3.0%)
Cost of funds	7.0%	(14.9%)	(14.9%)	(21.9%)
Cost of risk	9.1%	8.4%	8.8%	(0.3%)
Net Interest Margin	8.8%	9.3%	8.8%	(0.1%)
Net Interest Income as % of operating income	65.7%	74.0%	75.4%	9.7%
Non-Funded Income as a % of operating income	34.3%	26.0%	26.0%	(8.3%)
Cost to Income Ratio	52.1%	55.9%	54.5%	2.4%
CIR without LLP	42.9%	47.5%	45.7%	2.7%
Cost to Assets	2.7%	1.9%	2.7%	0.0%
NPL Ratio	10.2%	9.2%	8.1%	(2.1%)
Loan to Deposit Ratio	66.7%	67.2%	73.6%	6.9%
Return on average equity	21.7%	21.1%	20.2%	(1.5%)
Return on average assets	3.0%	2.8%	2.7%	(0.3%)

# KINGDOM SECURITIES

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Analysts' stock ratings are defined as follows:

- **Buy** – A buy rating reflects 1) An analyst has a bullish conviction on a stock 2) A 30% or greater expected return.
- **Accumulate** – An accumulate rating reflects 1) An analyst has a lesser bullish conviction on a stock 2) Expected return falls between 10% and 30%.
- **Hold** – A hold rating reflects 1) An analyst has a neutral conviction (lack of bullish or bearish conviction) on a stock 2) Expected return falls within the range of 5% to 10%.
- **Speculative Buy** – A speculative buy rating reflects 1) An analyst has a bullish conviction accompanied by a substantially higher than normal risk 2) Expected return falls above 10%.
- **Sell** – A sell rating reflects 1) An analyst has a bearish conviction on a stock 2) Expected return falls below 5%.

\*Expected Return (ER) represents the sum total of both capital appreciation and the dividend yield.

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