KINGDOM SECURITIES

Standard Chartered Bank Kenya – FY2025 Earnings

Standard Chartered Bank PAT Drops 38% as Rate Cuts and Pension Charge Weigh on Earnings

Standard Chartered Bank Kenya issued a profit warning in 2025, noting that a long-standing pension case dating back to 1997 had been ruled against them, implying at least a 25% y/y decline in profits. Fast forward, profit before tax came in down 40.3%, with EPS declining 38.0%.

Beyond the one-off hit, earnings were weighed down by declining interest rates and a stabilizing currency that compressed both interest income and foreign exchange revenues. The normalization of forex markets and softer transactional activity further dampened income, although this was partly offset by increased allocation to government securities and growth in wealth management.

Despite these pressures, the bank maintained strong capital and liquidity buffers and stayed consistent on dividends, proposing a final dividend of Kes 23 per share. Together with the Kes 8 interim, this brings total dividends to Kes 31 per share (94.2% payout ratio)—well above our projection of Kes 15 final, and ultimately a pleasant surprise.

*Given the consistent dividend track record, we maintain our **HOLD** recommendation, as the profitability decline was largely driven by a one-off expense. However, we remain wary of the bank's strategic positioning and growth prospects in a declining interest rate environment.*

Recommendation:	HOLD
Bloomberg Ticker:	SCBK KN
Share Stats	
Current Price	337.50
3-Month Av	320.22
6 Month Av	306.47
12 Month Av	302.06
52 Week High	362.25
52 Week Low	264.00
Issued shares (Bn)	0.38
Market Cap (KES Bn)	128.25
Market Cap (USD Mn)	0.99
P/E	9.03
PB	0.64
EPS	32.91

Income Statement

Total Income: Standard Chartered Bank Kenya's earnings performance in FY2025 came under notable pressure, with total income contracting 16.5% to Kes. 42.30Bn from Kes. 50.68Bn in FY2024, highlighting broad-based revenue pressures across both funded and non-funded lines. environment.

Net interest income (NII) fell 13.2% to Kes. 28.89Bn, despite a significant 29.1% reduction in interest expense, which helped partially cushion margin compression. Interest income declined by 15.4% y/y to Kes. 32.83Bn from Kes. 38.82Bn in FY2024, slower than the 29.1% decline in interest expense to Kes 3.94Bn, from Kes 5.55Bn.

Interest from loans and advances fell by 25.9% to Kes 16.92Bn, from Kes 22.83Bn in 2024 while that from government securities rose by 14.3% to Kes 11.15Bn, from Kes 9.76Bn, partly offsetting the declines. On the other hand, interest paid on deposits dropped by 19.7% to Kes 3.64Bn, from Kes 4.53Bn, in 2024, in line with lower government securities rates.

Non-funded income (NFI) also weakened considerably, declining 23.0% to Kes. 13.41Bn, from Kes 17.41Bn, reflecting reduced trading activity and softer fee-based income.

Operating Expenses: Cost pressures further weighed on profitability, with operating expenses rising 13.3% to Kes. 25.47Bn, largely driven by the one-off pension charge. Despite a 16.3% decline in loan loss provisions, profit before tax dropped 40.3% to Kes. 16.84Bn, while profit after tax declined 38.0% to Kes. 12.44Bn, reflecting the combined impact of lower income and elevated costs.

Periods	SCBK
3mtd PriceΔ(%ge)	16.98%
6mtd PriceΔ(%ge)	18.29%
YTD Δ(%ge)	13.54%
Y/Y Δ(%ge)	24.77%

NII	-13.1%
Provisions	-16.3%
Opex	13.3%
Opex Excl. LLPs	16.8%
PBT	-40.3%
PAT	-38.0%
Loans	1.8%
Govt. Securities	11.8%
Shareholders' Funds	-7.6%

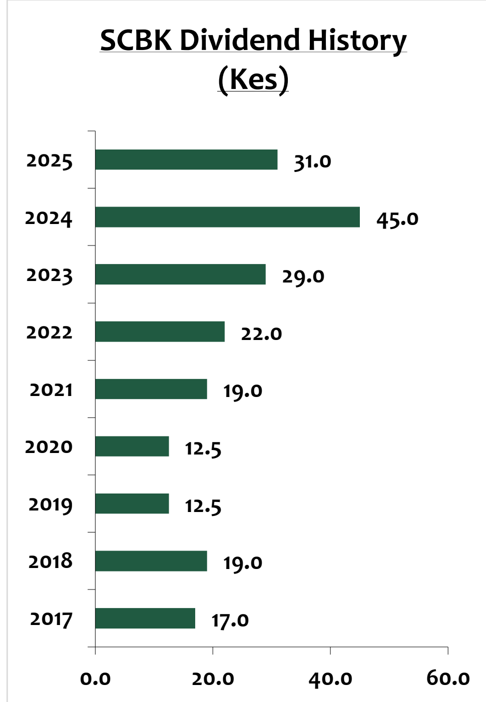
Balance Sheet

Total Assets: bank's balance sheet moderated in FY2025, with total assets declining 5.5% to Kes. 363.49Bn from Kes. 384.57Bn in FY2024, reflecting a cautious balance sheet stance. Despite this, loans and advances recorded modest growth of 1.8% to Kes. 154.31Bn, indicating selective lending across key segments.

Investment in government securities increased 11.8% to Kes. 104.72Bn, suggesting a strategic shift towards lower-risk assets amid a challenging credit environment. On the liabilities side, customer deposits declined 4.1% to Kes. 283.45Bn, signaling softer deposit mobilization during the period.

Shareholders' funds decreased 7.6% to Kes. 66.32Bn, reflecting reduced retained earnings following the decline in profitability. Overall, the balance sheet reflects a more defensive positioning, with a tilt towards liquidity and capital preservation.

Asset quality: Standard Chartered Bank reported a marked improvement in asset quality, with the gross NPL ratio declining to 5.5% from 7.4%, driven by robust loan book management and recovery efforts. Gross loans reduced by 26.5% to Kes 8.83Bn, from Kes 12.02Bn in 2024, reflecting continued improvement of the portfolio quality.



Key Ratios

- Profitability ratios weakened in line with the earnings decline, with return on average equity (ROaE) falling to 18.01% from 30.10% in FY2024.
- Return on average assets (ROaA) declined to 3.32% from 4.93%. This reflects the significant contraction in bottom-line performance during the year.
- Margins also came under pressure, with net interest margin (NIM) narrowing to 8.75% from 9.57%, driven by declining yields on interest-earning assets.
- Meanwhile, the cost-to-income ratio deteriorated sharply to 60.20% from 44.34%, reflecting elevated operating costs and weaker income generation.
- On a positive note, asset quality improved, while the loan-to-deposit ratio rose to 54.44% from 51.29%, indicating slightly improved asset utilization despite softer deposit growth.

KINGDOM SECURITIES

Balance Sheet	FY'2024	FY'2025	%Δ Y-Y
Investments	93.69	104.72	11.78%
Loans and Advances	151.65	154.31	1.75%
Total Assets	**384.57**	**363.49**	**-5.48%**
Customer Deposits	295.69	283.45	-4.14%
Total Liabilities	312.80	297.17	-5.00%
Shareholder's Funds	**71.78**	**66.32**	**-7.60%**

Income Statement	FY'2024	FY'2025	%Δ Y-Y
Interest Income	38.82	32.83	-15.4%
Interest Expense	-5.55	-3.94	-29.1%
NII	33.27	28.89	-13.1%
NFI	17.41	13.41	-23.0%
Total Income	**50.68**	**42.30**	**-16.5%**
Loan Loss provision	-2.38	-1.99	-16.3%
Total Operating expenses	-22.47	-25.47	13.3%
Opex excl Provision	-20.09	-23.47	16.8%
PBT	**28.21**	**16.84**	**-40.3%**
PAT	**20.06**	**12.44**	**-38.0%**
EPS	**53.09**	**32.91**	**-38.0%**

Ratios	FY'2024	FY'2025	pp. Δ Y-Y
Yield from interest-earning assets	11.17%	9.95%	-1.2%
Cost of funds	1.73%	1.36%	-0.4%
Cost of risk	4.70%	4.71%	0.0%
Net Interest Margin	9.57%	8.75%	-0.8%
Net Interest Income as % of operating income	65.64%	68.30%	2.7%
Non-Funded Income as a % of operating income	19.34%	-1.45%	-20.8%
Cost to Income Ratio	44.34%	60.20%	15.9%
CIR without LLP	39.64%	55.49%	15.8%
Cost to Assets	4.94%	6.28%	1.3%
NPL Ratio	7.44%	5.45%	-2.0%
Loan to Deposit Ratio	51.29%	54.44%	3.2%
Return on average equity	30.10%	18.01%	-12.1%
Return on average assets	4.93%	3.32%	-1.6%

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Recommendation Guide:

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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