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Standard Chartered Bank Kenya – H1 2026 Earnings

StanChart's EPS drops 16.8% to Kes 17.80 as Repricing Pressure Outpaces Loan Growth

Standard Chartered Bank Kenya's earnings have remained under pressure from a softer interest rate environment and a more stable exchange rate backdrop. This has created a more challenging operating environment, requiring stronger loan growth and greater revenue diversification to sustain earnings momentum. We are encouraged by the lender's 11.1% growth in loans and advances, although this was not sufficient to offset the impact of lower interest rates on asset yields and funded income. Meanwhile, the more stable exchange rate environment has also limited the contribution from foreign exchange-related revenues, leaving the bank increasingly reliant on growth in non-funded income to cushion the pressure on its core earnings.

Profitability dropped in H1 2026, with profit before tax declining 12.1% y/y to Kes. 9.58Bn, while profit after tax fell 16.8% to Kes. 6.73Bn. EPS similarly declined 16.8% to Kes. 17.80, reflecting continued pressure on funded income and margins in the lower interest rate environment.

*Despite the softer earnings performance, the bank declared an interim dividend of Kes. 8.50 per share, up 6.3% y/y from Kes. 8.00, reinforcing its position as an attractive dividend play at the bourse. The payout provides some support to the investment case and we therefore maintain our **HOLD** recommendation.*

Recommendation:	HOLD
Bloomberg Ticker:	SCBL KN
Share Stats	
Current Price	344.50
3-Month Av	336.84
6 Month Av	339.24
12 Month Av	320.76
52 Week High	362.25
52 Week Low	280.50
Issued shares (Bn)	0.38
Market Cap (KES Bn)	130.17
Market Cap (USD Mn)	1.01
P/E	19.35
PB	0.77
EPS (Annualized)	17.80

Income Statement

Total Income: Standard Chartered Bank Kenya reported a softer earnings performance in H1 2026, with total income declining 8.8% y/y to Kes. 20.14Bn from Kes. 22.09Bn in H1 2025. The decline was primarily driven by weaker funded income amid the lower interest rate environment.

Net Interest Income (NII) declined by 19.8% y/y to Kes. 12.27Bn from Kes. 15.30Bn, as interest income fell faster than funding costs. Interest income declined 17.5% to Kes. 14.20Bn, while interest expense increased marginally by 0.7% to Kes. 1.93Bn. Interest income from loans declined 14.1% to Kes. 8.07Bn, while income from government securities fell sharply by 34.9% to Kes. 3.95Bn.

Non-Funded Income (NFI) remained a key earnings support, growing 15.9% y/y to Kes. 7.86Bn from Kes. 6.79Bn. Consequently, NFI's contribution to operating income increased to 27.85% from 24.55%, highlighting the bank's growing reliance on diversified revenue streams as funded income comes under pressure.

Operating Expenses: Cost management remained relatively strong, with total operating expenses declining 5.6% to Kes. 10.55Bn from Kes. 11.19Bn. Excluding loan loss provisions, operating expenses were broadly stable, increasing only 0.4% to Kes. 10.05Bn. Loan loss provisions, however, declined significantly by 56.9% to Kes. 0.51Bn, reflecting lower provisioning requirements and improved credit conditions. Despite the reduction in costs, the cost-to-income ratio deteriorated to 52.41% from 50.64%, while the CIR excluding provisions increased to 49.88% from 45.31%, largely due to the sharper contraction in income.

Periods	SCBK	NASI
3mtd PriceΔ	1.03%	18.23%
6mtd PriceΔ	2.38%	15.19%
YTD Δ	15.90%	30.38%
Y/Y Δ	0.88%	46.38%

NII	-19.79%
Provisions	-56.87%
Opex	-5.65%
Opex Excl. LLPs	0.38%
PBT	-12.08%
PAT	-16.83%
Loans	11.14%
Govt. Securities	-19.89%
Deposits	6.37%
Shareholders' Funds	-2.75%

Balance Sheet

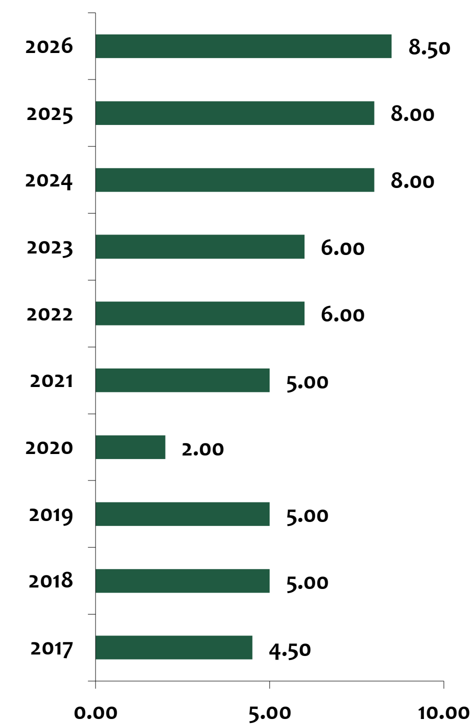
Total Assets: The bank's balance sheet expanded strongly, with total assets increasing 12.4% y/y to Kes. 418.13Bn from Kes. 372.09Bn. Growth was primarily supported by the loan book, despite a significant reduction in investments.

Loans and Advances increased 11.1% to Kes. 169.17Bn from Kes. 152.21Bn, indicating continued credit expansion despite the softer interest rate environment. The loan-to-deposit ratio increased to 54.73% from 52.38%, suggesting that loan growth outpaced deposit growth, although the ratio remains relatively conservative. Government securities declined by 19.9% to Kes. 82.58Bn from Kes. 103.07Bn, indicating a shift in balance-sheet allocation away from investment securities and towards lending. This is consistent with the stronger loan growth recorded during the period.

On the **liabilities** side, customer deposits grew 6.4% to Kes. 309.11Bn, reflecting continued deposit mobilization, although growth was slower than that of loans. Total liabilities increased 15.6% to Kes. 354.33Bn, while shareholders' funds declined 2.8% to Kes. 63.80Bn.

Asset quality: Asset quality continued to improve, with the NPL ratio declining to 5.08% from 5.40%, while the cost of risk improved by 1.0pp to 3.28%. Gross NPLs dropped by 6.5%, faster than the 0.6% decline recorded in gross loans.

SCBK Interim DPS History (Kes)



Key Ratios

- Profitability metrics weakened, with return on average equity (ROaE) declining to 17.12% from 27.55%, while return on average assets (ROaA) fell to 2.80% from 4.77%, reflecting lower earnings generation despite continued balance-sheet growth.
- Margins came under pressure, with net interest margin (NIM) narrowing to 7.79% from 9.50%, largely due to lower yields on interest-earning assets, which declined by 1.9pp to 8.98%, despite a 0.4pp improvement in the cost of funds.
- Efficiency deteriorated, with the cost-to-income ratio rising to 52.41% from 50.64%, while the cost-to-income ratio excluding provisions increased to 49.88% from 45.31%, reflecting weaker income absorption despite relatively stable operating expenses.
- The income mix continued to diversify, with net interest income as a share of operating income declining to 64.09% from 68.64%, while non-funded income contribution increased to 27.85% from 24.55%, highlighting the growing importance of fee-based and other non-funded revenue streams.

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Balance Sheet	H1 2025	H1 2026	%Δ Y-Y
Investments	103.07	82.58	-19.89%
Loans and Advances	152.21	169.17	11.14%
Total Assets	**372.09**	**418.13**	**12.37%**
Customer Deposits	290.59	309.11	6.37%
Total Liabilities	306.49	354.33	15.61%
Shareholder's Funds	**65.60**	**63.80**	**-2.75%**

Income Statement	H1 2025	H1 2026	%Δ Y-Y
Interest Income	17.22	14.20	-17.5%
Interest Expense	-1.91	-1.93	0.7%
NII	15.30	12.27	-19.8%
NFI	6.79	7.86	15.9%
Total Income	**22.09**	**20.14**	**-8.8%**
Loan Loss provision	-1.18	-0.51	-56.9%
Total Operating expenses	-11.19	-10.55	-5.6%
Opex excl Provision	-10.01	-10.05	0.4%
PBT	**10.90**	**9.58**	**-12.1%**
PAT	**8.09**	**6.73**	**-16.8%**
EPS	**21.40**	**17.80**	**-16.8%**
DPS	**8.00**	**8.50**	**6.3%**

Ratios	H1 2025	H1 2026	pp. Δ Y-Y
Yield from interest-earning assets	10.91%	8.98%	-1.9%
Cost of funds	1.67%	1.31%	-0.4%
Cost of risk	4.28%	3.28%	-1.0%
Net Interest Margin	9.50%	7.79%	-1.7%
Net Interest Income as % of operating income	68.64%	64.09%	-4.5%
Non-Funded Income as a % of operating income	24.55%	27.85%	3.3%
Cost to Income Ratio	50.64%	52.41%	1.8%
CIR without LLP	45.31%	49.88%	4.6%
Cost to Assets	2.67%	2.54%	-0.1%
NPL Ratio	5.40%	5.08%	-0.3%
Loan to Deposit Ratio	52.38%	54.73%	2.3%
Return on average equity	27.55%	17.12%	-10.4%
Return on average assets	4.77%	2.80%	-2.0%

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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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