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Standard Chartered Bank Kenya – 9M 2026 Earnings

StanChart's PBT Rises 12.5% as Non-Funded Income Cushions Margin Pressure

Standard Chartered Bank Kenya's earnings returned to growth in 9M26, supported by stronger non-funded income and accelerated balance-sheet expansion despite continued pressure from the softer interest rate environment. We are encouraged by the lender's 22.7% y/y growth in net loans and advances to Kes. 179.65Bn, while customer deposits expanded by 18.2% to Kes. 335.14Bn. However, the softer interest-rate environment and higher funding costs continued to weigh on net interest income, leaving the bank increasingly reliant on non-funded income to cushion the pressure.

Profitability recovered in 9M26, with profit before tax rising 12.5% y/y to Kes. 14.85Bn, while profit after tax increased 7.4% to Kes. 10.51Bn. The recovery marks an improvement from H1 2026, when PBT and PAT declined by 12.1% and 16.8%, respectively, reflecting stronger earnings momentum during the third quarter.

We are encouraged by the recovery in earnings, stronger loan growth and the counter's attractive dividend proposition, particularly following the recent correction in the share price. While continued pressure on net interest income and margins remains a key downside risk, the improved earnings trajectory and attractive shareholder returns strengthen the investment case. We therefore upgrade our recommendation to ***ACCUMULATE*** *from HOLD*

Recommendation:	ACCUMULATE
Bloomberg Ticker:	SCBL KN
Share Stats	
Current Price	305.00
3-Month Av	322.63
6 Month Av	329.57
12 Month Av	326.02
52 Week High	370.00
52 Week Low	260.00
Issued shares (Bn)	0.38
Market Cap (KES Bn)	115.25
Market Cap (USD Bn)	0.89
9M 2026 P/E	8.32x
PB	1.79x
Reported 9M EPS	27.48

Income Statement

Total Income: Standard Chartered Bank Kenya reported a modest decline in total income in 9M26, easing 5.8% y/y to Kes. 30.56Bn from Kes. 32.43Bn in 9M25. The decline was primarily driven by continued pressure on funded income in the softer interest rate environment, although stronger non-funded income helped cushion the impact.

Net Interest Income (NII): NII declined 18.4% y/y to Kes. 18.17Bn from Kes. 22.27Bn, as the softer interest-rate environment and higher funding costs continued to weigh on funded income. Interest income fell 15.1% to Kes. 21.35Bn from Kes. 25.14Bn, while interest expense increased 11.1% to Kes. 3.18Bn from Kes. 2.86Bn, further compressing the bank's net interest income.

Non-Funded Income (NFI): NFI remained a key earnings support, growing 22.0% y/y to Kes. 12.39Bn from Kes. 10.16Bn. Consequently, NFI's contribution to total income increased to 40.5% from 31.3%, highlighting the growing importance of diversified revenue streams in cushioning the continued pressure on funded income.

Operating Expenses: Cost management improved during the period, with total operating expenses declining 18.3% to Kes. 15.70Bn from Kes. 19.23Bn. Excluding loan loss provisions, operating expenses declined 14.0% to Kes. 15.03Bn, while loan loss provisions fell sharply by 61.6% to Kes. 0.67Bn from Kes. 1.74Bn, providing additional support to profitability. Consequently, the cost-to-income ratio improved to 51.4% from 59.3%, while the CIR excluding provisions improved to 49.2% from 53.9%, reflecting improved cost efficiency despite the decline in total income.

Periods	SCBK	NASI
3mtd PriceΔ	-11.47%	-1.47%
6mtd PriceΔ	-10.56%	16.49%
YTD Δ	2.61%	28.46%
Y/Y Δ	1.24%	27.37%

NII	-18.42%
Provisions	-61.57%
Opex	-18.32%
Opex Excl. LLPs	-14.00%
PBT	12.50%
PAT	7.39%
Loans	22.71%
Govt. Securities	-15.54%
Deposits	18.24%
Shareholders' Funds	0.69%

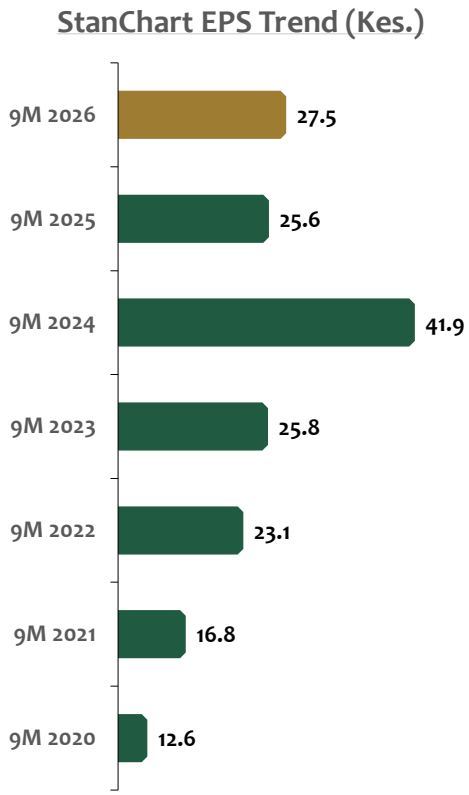
Balance Sheet

Total Assets: The bank's balance sheet expanded strongly, with total assets increasing 11.5% y/y to Kes. 428.47Bn from Kes. 384.44Bn. Growth was primarily supported by a strong expansion in the loan book, despite a significant reduction in government securities.

Loans and Advances increased 22.7% to Kes. 179.65Bn from Kes. 146.40Bn, indicating accelerated credit expansion despite the softer interest rate environment. The loan-to-deposit ratio increased to 53.60% from 51.65%, suggesting that loan growth outpaced deposit growth, although the ratio remains relatively conservative. **Government securities** declined 15.5% to Kes. 89.68Bn from Kes. 106.18Bn, indicating a continued shift in balance-sheet allocation away from investment securities and towards lending.

On the **liabilities** side, customer deposits grew strongly by 18.2% to Kes. 335.14Bn from Kes. 283.43Bn, reflecting continued deposit mobilization alongside the expansion in lending. Total liabilities increased 13.6% to Kes. 364.25Bn, while shareholders' funds remained broadly stable, increasing marginally by 0.7% to Kes. 64.22Bn.

Asset quality improved further, with the **NPL ratio** declining to 4.7% in 9M26 from 5.9% in 9M25, as gross NPLs declined 2.8% y/y to Kes. 8.88Bn from Kes. 9.13Bn despite strong loan-book growth. Loan loss provisions similarly declined 61.6% y/y to Kes. 0.67Bn, reflecting improved credit conditions during the period.



Key Ratios

- **Profitability** metrics strengthened, with return on average equity increasing to 27.9% from 21.5%, while return on average assets improved to 4.6% from 3.7%, reflecting stronger earnings generation during the period.
- **Margins** improved, with net interest margin widening to 12.3% from 9.2%, supported by a 3.7ppt increase in the yield on interest-earning assets to 14.1%, despite the cost of funds rising by 0.4ppts to 1.9%.
- **Efficiency** improved, with the cost-to-income ratio declining to 51.4% from 59.3%, while the ratio excluding loan loss provisions improved to 49.2% from 53.9%, reflecting stronger cost absorption and lower provisioning requirements.
- **The income mix** continued to diversify, with net interest income as a share of operating income declining to 59.5% from 68.7%, while non-funded income contribution increased to 40.5% from 31.3%, highlighting the growing importance of non-funded revenue in cushioning pressure on funded income.

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Balance Sheet	Q3'2025	H1 2026	Q3 2026	%Δ Y-Y
Government Securities	106.18	82.58	89.68	-15.5%
Loans and Advances	146.40	169.17	179.65	22.7%
Total Assets	**384.44**	**418.13**	**428.47**	**11.5%**
Customer Deposits	283.43	309.11	335.14	18.2%
Total Liabilities	320.66	354.33	364.25	13.6%
Shareholder's Funds	**63.78**	**63.80**	**64.22**	**0.7%**

Income Statement	Q3'2025	H1 2026	Q3 2026	%Δ Y-Y
Interest Income	25.14	14.20	21.35	-15.1%
Interest Expense	-2.86	-1.93	-3.18	11.1%
NII	22.27	12.27	18.17	-18.4%
NFI	10.16	7.86	12.39	22.0%
Total Income	**32.43**	**20.14**	**30.56**	**-5.8%**
Loan Loss provision	-1.74	-0.51	-0.67	-61.6%
Total Operating expenses	-19.23	-10.55	-15.70	-18.3%
Opex excl Provision	-17.48	-10.05	-15.03	-14.0%
PBT	**13.20**	**9.58**	**14.85**	**12.5%**
PAT	**9.79**	**6.73**	**10.51**	**7.4%**
EPS	**25.57**	**17.80**	**27.48**	**7.5%**

Ratios	Q3'2025	H1 2026	Q3 2026	pp. Δ Y-Y
Yield from interest-earning assets	10.4%	9.0%	14.1%	3.7%
Cost of funds	1.5%	1.3%	1.9%	0.4%
Cost of risk	4.9%	3.3%	3.7%	-1.2%
Net Interest Margin	9.2%	7.8%	12.3%	3.1%
Net Interest Income as % of operating income	68.7%	60.9%	59.5%	-9.2%
Non-Funded Income as a % of operating income	31.3%	39.1%	40.5%	9.2%
Cost to Income Ratio	59.3%	52.4%	51.4%	-7.9%
CIR without LLP	53.9%	49.9%	49.2%	-4.7%
Cost to Assets	4.6%	2.5%	3.6%	-1.1%
NPL Ratio	5.9%	5.1%	4.7%	-1.1%
Loan to Deposit Ratio	51.7%	54.7%	53.6%	2.0%
Return on average equity	21.5%	17.1%	27.9%	6.4%
Return on average assets	3.7%	2.8%	4.6%	0.9%

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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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