

Standard Chartered Bank (K)

Q12025 Earnings Update

21st May 2025

Stan-Chart Posts 13.0% Drop in Q1-2025 Profits

Standard Chartered Bank Kenya Plc reported KES 6.64Bn profits before tax (PBT) for the first quarter of 2025 (Q1-2025), representing a 13.0% decline compared to KES 7.64Bn announced same period in 2024. The performance was mainly impacted by low interest income from loans and advances occasioned by foreign currency loan book revaluation and reduced local loan disbursements on account of elevated interest rates albeit declining. The strengthening of the Keya shilling hit both the counter's foreign interest income and the forex trading incomes to recorded faster declines.

Profits after tax (PAT) also thinned by 13.5% from KES 5.62Bn in Q1-2024 to KES 4.86Bn in Q1-2025 on a slightly higher effective tax rate. This saw the Bank's earnings per share (EPS) drop 11.6% year on year (y-y) from KES 14.42 to KES 12.75, annualized to KES 51.00 per share from an actual EPS of KES 52.65 in full year 2024 (FY-2024).

We retain a BUY recommendation on the Stan-Chart's current share price of KES 269.50 per share as of 21st May 2025, with target price of KES 300.00 as earlier advised in our May 2025 stock recommendations. We further retain a dividend forecast of above KES 30.00 per share for FY-2025, representing an above 11.5% forecasted dividend yield for an above 58.9% projected dividend payout ratio in comparison to an annualized EPS of KES 51.00. We expect the returns to be even higher considering the Bank's dividend payout policy of above 80% of earnings.

Income Statement

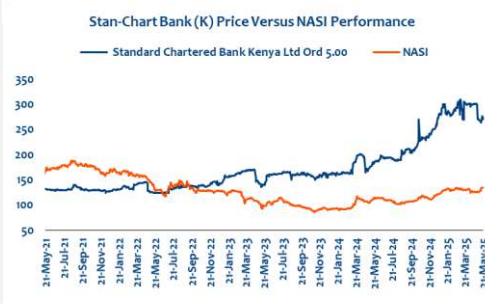
Net interest income (NII) declined marginally at 0.8% to KES 8.21Bn in Q1-2025 from KES 8.27Bn reported in Q1-2024 driven down by low interest income from a shrinking loan book and higher expenses of financing the same loan book. NII contribution to total income enlarged from 63.3% in Q1-2024 and from 65.6% in Q4-2024 to close Q1-2025 at 70.8% on higher returns from its core business.

Total interest income shed 2.4% from KES 9.52Bn in Q1-2024 to KES 9.29Bn slowed down largely a 12.6% decline in interest income from loans and advances from KES 5.73Bn to KES 5.01Bn, largely impacted by a 10.2% drop in the bank's loan book. The drop in loan book appear to be intentional as the Bank went aggressive in investing in government securities in a move seen to contain the high industry non-performing loans (NPLs) ratio that hit a high of 17.2% in February 2025 from 16.4% in Dec. 2024 and 15.7% in March 2024.

As a result, the yield on loans and advanced thinned from 14.5% in Q1-2024 to 13.8% in Q1-2025.

Interest income from government securities however, jumped 69.4% on the above aggressive investing, which saw the securities book nearly double from KES 50.34Bn in Q1-2024 to KES 97.67Bn in Q1-2025. In return, return on government securities remained relatively stable from 14.2% in Q1-2024 to 14.1% in Q1-2025 to defy the faster decline in rates in the bonds market as informed by the Central Bank rate (CBR).

Recommendation:	BUY
Bloomberg Ticker:	SCBL KN
Share Statistics	
Target Price	300.00
Current Price	269.50
Upside/Downside	11.5%
3-Month Av	291.09
6 Month Av	282.19
52 Week Av	242.12
52 Week High - Low	309.50 - 183.00
Issued shares Mn	377.86
Market Cap (KES Mn)	103,250.69
Market Cap (USD Mn)	798.95
P/E (annualized)	5.36
BVPS	201.37
PB	1.36
EPS	12.75
EPS (Annualized)	51.00



Return Performance		
Periods	Stan-Chart	NASI
M-M %Δ	-10.2%	7.1%
3-Months %Δ	-8.0%	1.1%
6-Months %Δ	14.1%	19.1%
Y-T-D %Δ	-5.5%	7.1%
Y-Y %Δ	46.3%	18.2%

NNI – 0.8% Y-Y

Provisions – 24.7% Y-Y

Opex. – 8.7% Y-Y

Opex. Excl Provisions – 6.9% Y-Y

PBT – 13.0% Y-Y

PAT – 13.5% Y-Y

Govt. Securities + 94.0% Y-Y

Loans – 10.2% Y-Y

Deposits - 6.8% Y-Y

Shareholder's Funds + 12.0% Y-Y

Total Assets -2.3% Y-Y

In the reporting period, official base lending rate dropped 50.0bps from 11.25% in Dec. 2024 to 10.75 in Mar-2025, lower in relation to a CBR of 13.00% of Q1-2024. This saw overall yield on assets decline from 17.2% in Q1-2024 and from 16.1% in Q4-2024 to 14.9% in Q1-2025.

Interest expense was contained at KES 1.09Bn, a 13.1% y-y drop from that of KES 1.25Bn for Q1-2024 as the Bank cut on its customer deposits and placements from other related banks.

Non-funded income surged dwindled 29.3% from KES 4.79BN in Q1-2024 to KES 3.39Bn, lessened by low forex trading income which sunk 59.1% from KES 2.53BN to KES 1.03Bn as the shilling remained stable.

Operating expenses were contained at KES 4.96Bn in Q1-2025, an 8.7% drop from KES 5.43Bn supported by employee redundancies that happened in the quarter. This was as the bank restructured its costs by via digitization and branch rationalization to contain the by then escalated costs.

The Lender's loan loss provisions came down 24.7% from KES 0.55Bn to KES 0.41BN to realign with the loan book drop and already provided for.

Balance Sheet

Stan-Chart Kenya's total assets contracted 2.3% from KES 391.34Bn to KES 382.26Bn held down by the thinning shrinking balances from its parent company and subsidiaries which shrunk by 31.0% or KES 36.29Bn from KES 117.22Bn in Q1-2024 to KES 80.93Bn in Q1-2025.

The asset boo decline was also impacted by a 10.2% y-y decline in total loan book from KES 153.58Bn to KES 137.86Bn in Q1-2025.

Total government securities book however nearly double at 94.0% from KES 50.34Bn in Q1-2024 to KES 97.66Bn in Q1-2025 on increased attention in the space to manage bad NPLs.

Shareholders' funds improved 12.0% y-y from KES 67.96Bn to KES 76.09Bn mainly to benefit the rising bank reserves and retained earnings. The bank's other reserves climbed 689.9% to KES 823.86Bn as the retained earnings gathered 4.5% to KES 48.55Bn.

Key Ratios

Net interest margins (NIMs) declined from 15.6% in Q1-2024 to 13.4% in Q1-2025 pulled down by the declining lending rates and a slightly higher cost funds. The Bank's cost of funds moved up 20.0bps from 1.5% to 1.7%. The Bank however remained among the few with high NIMs.

The Bank's overall cost of cost edged down to 1.1% in Q1-2025 from 1.5% same time 2024, benefitting from a general drops in both loan book its loan loss provisions.

Both the return on average assets (ROaA) and return on average equity edged down as the overall decline in net revenues and the assets. ROaE dropped faster from 34.7% in Q1-2024 to 26.3% in Q1-2025 on a faster drop in net revenues compared to the rise on the shareholders' funds. This was as ROaA shed 4.9bps from 5.5% in Q1-2024 to 5.1% by end of Q1-2025 slowed by drops in both net revenues and assets.

Below are the key statistics from the financials:

Profit/loss Statement (KES Mn)				
Item	Q1-2025	FY-2024	Q1-2025	Y-Y %Δ
Interest Income	9,522	38,816	9,294	-2.4%
Interest Expense	1,249	5,550	1,086	-13.1%
NII	8,273	33,265	8,208	-0.8%
NFI	4,792	17,412	3,390	-29.3%
Total Income	13,065	50,677	11,598	-11.2%
Loan Loss Provisions	548	2,381	413	-24.7%
Operating Expense	5,429	22,469	4,958	-8.7%
Opex excl Provision	4,881	20,088	4,545	-6.9%
PBT	7,636	28,208	6,640	-13.0%
PAT	5,616	20,061	4,858	-13.5%
Earnings Per Share	14.42	52.65	12.75	-11.6%

Balance Sheet (KES Mn)				
	Q1-2025	FY-2024	Q1-2025	Y-Y %Δ
Investments	50,341	98,003	97,656	94.0%
Loans and Advances	153,576	151,647	137,859	-10.2%
Total Asset	391,341	384,574	382,256	-2.3%
Customer Deposit	306,008	295,690	285,214	-6.8%
Shareholders' Fund	67,964	71,776	76,090	12.0%

Ratios	FY2022	FY2023	FY2024
NII % of Total Income	63.3%	65.6%	70.8%
NFI % of Total Income	36.7%	34.4%	29.2%
CTI	41.6%	44.3%	42.7%
CTI excluding Provisions	37.4%	39.6%	39.2%
Advances to Deposits Ratio	50.2%	51.3%	48.3%
Investment Securities to Assets	12.9%	25.5%	25.5%
Advances to Assets	39.2%	39.4%	36.1%
Asset Yield	17.2%	16.1%	14.9%
Cost of Funds	1.5%	1.7%	1.5%
Net Interest Margins	15.6%	14.4%	13.4%
Yield on Advances	14.5%	14.5%	13.8%
Yield on Govt Securities	14.2%	12.1%	14.1%
ROaA	5.5%	4.9%	5.1%
ROaE	34.7%	30.1%	26.3%
Cost of Risk	1.4%	1.5%	1.1%

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