

Below is a summary of Standard Chartered Bank Ltd Q1'2026 performance:

Balance Sheet Items	Q1'2025	Q1'2026	y/y change
Net loans	137.9	165.4	20.0%
Government Securities	95.7	100.4	5.0%
Total Assets	382.3	413.3	8.1%
Customer Deposits	285.2	321.2	12.6%
Deposits per Branch	11.4	14.6	28.0%
Total Liabilities	306.2	343.4	12.2%
Shareholder's Funds	76.1	69.8	(8.2%)

Balance Sheet Ratios	Q1'2025	Q1'2026	% points change
Loan to deposit ratio	48.3%	51.5%	3.2%
Government securities to deposit ratio	33.6%	31.3%	(2.3%)
Return on Average Equity	26.8%	43.4%	16.6%
Return on Average Assets	5.0%	8.0%	3.0%

Income Statement	Q1'2025	Q1'2026	y/y change
Net Interest Income	8.2	6.3	(23.3%)
Net non-Interest Income	3.4	3.7	10.3%
Total Operating income	11.6	10.0	(13.5%)
Loan Loss provision	0.4	0.3	(20.7%)
Total Operating expenses	5.0	4.9	(0.3%)
Profit before tax	6.6	5.1	(23.3%)
Profit after tax	4.9	3.6	(26.3%)
Core EPS	12.9	9.5	(26.3%)

Income Statement Ratios	Q1'2025	Q1'2026	%points change
Yield from interest-earning assets	11.2%	9.0%	(2.2%)
Cost of funding	1.8%	1.2%	(0.6%)
Net Interest Spread	9.4%	7.8%	(1.6%)
Net Interest Margin	9.6%	7.9%	(1.7%)
Cost of Risk	3.6%	3.3%	(0.3%)
Net Interest Income as % of operating income	70.8%	62.7%	(8.0%)
Non-Funded Income as a % of operating income	29.2%	37.3%	8.0%
Cost to Income Ratio	42.7%	49.3%	6.5%
Cost to Income Ratio without LLP	39.2%	46.0%	6.8%
Cost to Assets	1.2%	1.2%	(0.0%)

Capital Adequacy Ratios	Q1'2025	Q1'2026	% points change
Core Capital/Total Liabilities	19.8%	17.6%	(2.2%)
Minimum Statutory ratio	8.0%	8.0%	0.0%
Excess	11.8%	9.6%	(2.2%)
Core Capital/Total Risk Weighted Assets	20.6%	18.8%	(1.8%)
Minimum Statutory ratio	10.5%	10.5%	0.0%
Excess	10.1%	8.3%	(1.8%)
Total Capital/Total Risk Weighted Assets	20.6%	18.9%	(1.8%)
Minimum Statutory ratio	14.5%	14.5%	0.0%
Excess	6.1%	4.4%	(1.8%)
Liquidity Ratio	73.6%	66.3%	(7.3%)
Minimum Statutory ratio	20.0%	20.0%	0.0%
Excess	53.6%	46.3%	(7.3%)

Income Statement

- Core earnings per share decreased by 26.3% to Kshs 3.6 in Q1'2026, from Kshs 4.9 in Q1'2025, mainly driven by the 13.5% decrease in total operating income to Kshs 10.0 bn in Q1'2026, from Kshs 11.6 bn in Q1'2025, which outpaced a 0.3% marginal decrease in Total Operating expense to Kshs 4.9 bn in Q1'2026, from Kshs 5.0 bn in Q1'2025,
- The 13.5% decline in total operating income was mainly driven by a 23.3% decrease in Net Interest Income to Kshs 6.3 bn in Q1'2026, from Kshs 8.2 bn in Q1'2025. However, Non-Funded Income (NFI) increased by 10.3% to Kshs 3.7 bn in Q1'2026 from Kshs 3.4 bn in Q1'2025,
- Interest income declined by 22.3% to Kshs 7.2 bn in Q1'2026 from Ksh 8.2 bn in Q1'2025, mainly driven by a 34.5% decrease in interest income from holdings in Government Securities to Kshs 2.3 bn in Q1'2026, from Kshs 3.4 bn in Q1'2025 coupled with a 21.7% decrease in interest income from Loans and advances to Kshs 3.9 bn in Q1'2026 from Kshs 5.0 bn in Q1'2025. The decline in interest income was however supported by a 23.1% increase in interest income from placements to Kshs 1.0 bn in Q1'2026, from Kshs 0.8 bn in Q1'2025. The Yield on Interest-Earning Assets (YIEA) decreased by 2.2% points to 9.0% in Q1'2026 from 11.2% in FY'2025 mainly attributable to the 20.3% decrease in trailing interest income to Kshs 30.7 bn in Q1'2026, from Kshs 38.6 bn in Q1'2025 coupled with the 1.3% decrease in average interest earning assets to Kshs 340.1 bn in Q1'2026, from Kshs 344.5 bn in Q1'2026,
- Interest expenses fell by 15.1% to Kshs 0.9 bn in Q1'2026, from Kshs 1.1 bn in Q1'2025, mainly driven by 21.0% decrease in interest expense from customer deposits to Kshs 0.8 bn in Q1'2026, from Kshs 1.0 bn in Q1'2025. Additionally, Interest expense from placements increased by 97.8% to Kshs 0.1 bn in Q1'2026 from Kshs 0.05 bn recorded in Q1'2025. Cost of funds (COF) decreased by 0.6 % points to 1.2% in Q1'2026, from 1.8% recorded in Q1'2025, owing to a faster 30.0% decrease in Trailing interest expense to Kshs 3.8 bn in Q1'2026, from Kshs 5.4 bn in Q1'2025, compared to the 2.9% increase in average interest bearing liabilities to Kshs 304.8 bn in Q1'2026 from Kshs 296.3 bn in Q1'2025. Trailing interest expense refers to the performance of the interest expense for the past 12 consecutive months. Net Interest Margin (NIM) decreased by 1.7% points to 7.9% in Q1'2026, from 9.6% in Q1'2025, attributable to the 18.7% decrease in trailing net interest income to Kshs 27.0 bn in Q1'2026 from kshs 33.2 bn in Q1'2025 coupled with 1.3% decrease in average total interest earning assets to Kshs 340.1 bn in Q1'2026 from Kshs 344.5 bn in Q1'2025.
- Non-Funded Income (NFI) increased by 10.3% to Kshs 3.7 bn in Q1'2026 from Kshs 3.4 bn in Q1'2025, mainly driven by a 24.3% increase in the other fees and commissions income to Kshs 2.0 bn in Q1'2026 from Kshs 1.6 bn in Q1'2025 coupled with 34.1% increase in other income to Kshs 0.9 bn in Q1'2026 from Kshs 0.7 bn in Q1'2025. The performance was however weighed down by 38.5% decrease in fees and commissions to Kshs 0.04 bn in Q1'2026 from Kshs 0.06 bn in Q1'2025.
- Total operating expenses decreased by 0.3% to Kshs 4.9 bn in Q1'2026 from Kshs 5.0 bn in Q1'2025, mainly driven by the 20.7% decrease in loan loss provision to Kshs 0.3 bn in Q1'2026 from Kshs 0.4bn in Q1'2025, The decrease in provisioning comes as a result of the 26.7% decrease in gross non-performing loans to Kshs 8.9 bn in Q1'2026, from Kshs 12.2 bn in Q1'2025. Staff costs however increased by 4.9% to Kshs 2.3 bn in Q1'2026 from Kshs 2.2 bn in Q1'2025.
- Cost to Income Ratio (CIR) increased by 6.5% points to 49.3% in Q1'2026 from 42.7% in Q1'2025, driven by 0.3% decrease in total operating expenses, coupled with the 13.5% decrease in total operating income. Similarly, CIR without LLP increased by 6.8% points to 46.0% in Q1'2026 from 39.2% recorded in Q1'2025, and,
- Profit before tax decreased by 23.3% to Kshs 5.1bn in Q1'2026 from Kshs 6.6 bn in Q1'2025. As such, profit after tax decreased by 26.3% to Kshs 3.6 bn in Q1'2026, from kshs 4.9 bn in Q1'2025.

Balance Sheet

- The balance sheet recorded an expansion as total assets increased by 8.1% to Kshs 413.3 bn, from Kshs 382.3 bn in Q1'2026, driven by a 20.0% increase in net loans to Kshs 165.4 bn in Q1'2026 from Kshs 137.9 bn in Q1'2025, coupled with 5.0% increase in Government securities to Kshs 100.4 bn in Q1'2026 from Kshs 95.7 bn in Q1'2025.
- Total liabilities increased by 12.2% to Kshs 343.4 bn in Q1'2026 from Kshs 306.2 bn in Q1'2025. This increase was driven by a 28.0% increase in customer deposits per branch to Kshs 14.6bn, from Kshs 11.4 bn in Q1'2025, coupled with 12.6% increase in customer deposits to Kshs 321.2 bn from Kshs 285.2 bn in Q1'2025.
- The loan to deposits ratio increased 3.2% points to 51.5% in Q1'2026 from 48.3% in Q1'2025 attributable to the increase in net loans to Kshs 165.4 bn in Q1'2026 from Kshs 137.9 bn in Q1'2025, which outpaced the 12.6% increase in customer deposits to Kshs 321.2 bn from Kshs 285.2 bn in Q1'2025.
- The bank's Asset Quality improved, with Gross NPL ratio decreasing to 5.2% in Q1'2026, from 8.3% in Q1'2025, attributable to the 26.7% decrease in gross non-performing loans to Kshs 8.9 bn, from Kshs 12.2 bn in Q1'2025, which outpaced the 17.3% increase in gross loans to Kshs 173.0 bn, from Kshs 147.5 bn recorded in Q1'2025,
- General Provisions (LLP) decreased by 22.0% to Kshs 4.2 bn in Q1'2026 from Kshs 5.4bn in Q1'2025. The NPL coverage increased to 85.5% in Q1'2026, from 78.7% in Q1'2025, attributable to the 26.7% decline in Gross non-performing loans to Kshs 8.9 bn, from Kshs 12.2 bn in Q1'2025, which outpaced the 18.4% decrease in Interest Suspense to Kshs 3.5 bn from Kshs 4.3 bn recorded in Q1'2025,
- Shareholders' funds decreased by 8.2% to Kshs 69.8 bn in Q1'2026, from Kshs 76.1 bn in FY' Q1'2025, due to the 1.1% decrease in retained earnings to Kshs 48.0 bn, from Kshs 48.5 bn in Q1'2025,
- Standard Chartered Bank Kenya Ltd remained capitalized with a Core Capital to Risk-Weighted Assets ratio of 18.8%, 8.3% points above the statutory requirement of 10.5%. In addition, the total capital to risk-weighted assets ratio came in at 18.9% exceeding the statutory requirement of 14.5% by 4.4% points, and,
- The bank currently has a Return on Average Assets (ROaA) of 8.0%, and a Return on Average Equity (ROaE) of 43.4%.

Key Take-Outs:

1. **Declined earnings growth** – Core earnings per share decreased by 26.3% to Kshs 3.6 in Q1'2026, from Kshs 4.9 in Q1'2025, mainly driven by the 13.5% decrease in total operating income to Kshs 10.0 bn in Q1'2026 , from Kshs 11.6 bn in Q1'2025, which outpaced a 0.3% marginal decrease in Total Operating expense to Kshs 4.9 bn in Q1'2026, from Kshs 5.0 bn in Q1'2025,
2. **Improved asset quality** – The bank's Asset improved, with Gross NPL ratio decreasing to 5.2% in Q1'2026, from 8.3% in Q1'2025, attributable to the 26.7% decrease in gross non-performing loans to Kshs 8.9 bn, from Kshs 12.2 bn in Q1'2025, which outpaced the 17.3% increase in gross loans to Kshs 173.0 bn, from Kshs 147.5 bn recorded in Q1'2025, and,
3. **Non-Declaration of dividends-** The Board of Directors did not recommend an interim dividend for the period consistent with Q1'2025.

Going forward, the factors that would drive the bank's growth would be:

- **Digital transformation** - The lender has leveraged digital innovation to enhance service delivery, enabling customers to invest in various funds such as offshore mutual funds, government securities, and local money market funds, as well as to access digital loans. This digital shift has significantly contributed to the lender's financial performance. The convenience and speed offered by digital banking services have made it easier for customers to manage their finances and access financial products, leading to higher customer satisfaction and loyalty. Consequently, the lender's adoption of digital solutions has positioned it as a competitive player in the financial market, driving growth and expanding its market share.

Valuation Summary

- We are of the view that Standard Chartered Bank is an "Accumulate" with a target price of Kshs 346.8 representing an upside of 4.0%, from the current price of Kshs 333.5 as of 29th March 2026.
- Standard Chartered Bank Kenya is currently trading at a P/TBV of 2.1x and a P/E of 10.1x vs an industry average

of 1.1x and 5.7x respectively.