



**Standard  
Chartered Bank  
Kenya Q3'24  
Earnings Note**





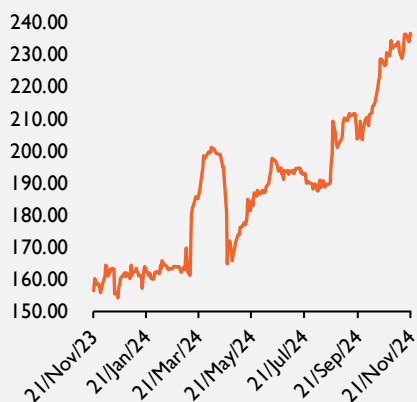
# Standard Chartered Kenya Q3'24 Earnings Note

November 22<sup>nd</sup>, 2024

## Ticker Information

<b>NSE Code:</b>	SCBK
<b>Issued Shares (Mn):</b>	377.85
<b>52-week high:</b>	KES 236.75
<b>52-week low:</b>	KES 154.25

Chart 1: Price Trend (Last 12 Months)



Source: NSE, AIB-AXYS Research

## Historical Share Performance

Last	1M	3M	6M	12M
Change	4.2%	21.2%	28.2%	51.0%

Source: NSE, AIB-AXYS Research

## Analyst

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## Recommendation

**BUY**

## Current Price

**KES 236.25**

## Target Price

**KES 279.39**

## Summary

- **Standard Chartered Bank Kenya exceeded in-house expectations, reporting an impressive 62.7% y/y growth in net earnings to KES 15.85Bn for the first nine months of 2024.** This robust performance was underpinned by a 32.7% y/y increase revenue, reflecting demand growth across the affluent banking and mass retail segments. Net interest margin widened 270bps y/y to 15.2% underscoring efficient interest income generation. Trailing return on equity surged 850bps y/y to 31.2% while trailing return on assets improved by 180bps y/y to 5.4%.

## Key Highlights

- **Core Banking Performance Surge:** Net Interest Income soared 17.0% y/y to KES 24.84Bn, fueled by strong organic demand and improved reinvestment returns. Non-Funded Income recorded an impressive 73.5% y/y growth to KES 14.23Bn underpinned by higher transactional volumes. Consequently, operating income expanded by 32.7% y/y to KES 39.07Bn. The average yield on interest-earning assets rose by 330bps y/y to 16.9%, benefiting from improved reinvestment returns. Despite operating in a high-interest rate environment, the cost of funds increased only marginally by 60 bps y/y, showcasing effective cost management. As a result, the net interest margin expanded 270bps y/y to 15.2%.
- **Resilient Asset Quality:** Gross Non-Performing Loans (NPLs) decreased markedly by 48.4% y/y to KES 12.14Bn – driving a notable 600bps y/y drop in the net NPL ratio to 5.1%. The lender's prudent approach to risk management is further underscored by an 810 bps y/y increase in the NPL coverage ratio to 85.3%, providing a robust buffer against potential credit losses. Management demonstrated a cautious stance on credit risk by increasing credit impairment provisioning by 7.4% y/y to KES 1.96 Bn.

## Balance Sheet Dynamics

Customer deposits contracted by 480bps y/y to KES 284.42Bn, reflecting shifts in funding dynamics. Despite this, the loan book exhibited resilience expanding 540bps y/y to KES 151.28Bn. In a move to optimize returns, management increased its allocation to government securities by 22.0% y/y to KES 67.88Bn, leveraging the opportunity presented by higher yields in the fixed-income market. Furthermore, the lender booked fair value gains of KES 1.50 Bn, bolstered by favorable market movements, reflecting effective portfolio management.

## Enhanced Efficiency

Operational efficiency improved as evidenced by the Cost-to-Income ratio (excluding loan loss provisions) declining by 990bps y/y to 37.5%. This enhanced efficiency was underpinned by a strong double digit growth in operating income by 32.7% y/y, far outpacing the modest 5.1% y/y growth in pre-provision operating expenses.

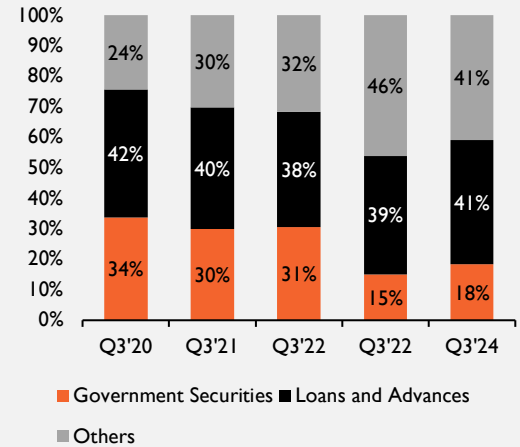
## Outlook

We expect the lender's long-term growth to be driven by a strategic focus on both affluent banking and mass retail segments. We project the bank's loan portfolio to benefit from cost-efficient deposit mobilization, supported by its upgraded and integrated digital banking platforms. We anticipate these enhanced digital solutions will play a key role in boosting customer acquisition and retention. We believe this will strengthen deposit growth and accelerate overall business expansion.

## Recommendation

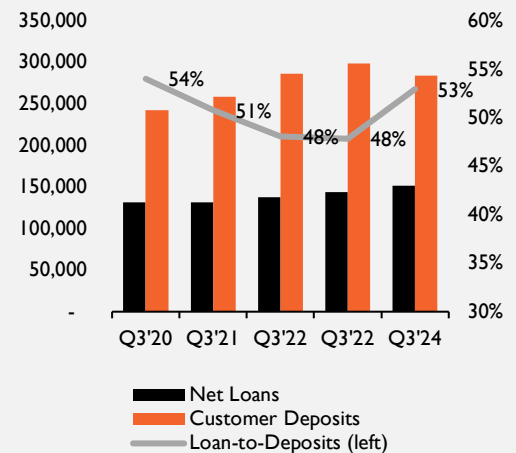
- **We maintain our BUY recommendation for Standard Chartered Bank Kenya on account of an accelerating return on equity momentum supported by ongoing strategic initiatives.** At the current market price, the stock is trading at P/E ratio of 4.5x and a P/B ratio of 1.3x. Our one-year target price for Standard Chartered currently stands at KES 279.39 - representing a c.18.3% upside potential from current levels.

Chart 2: Asset Composition



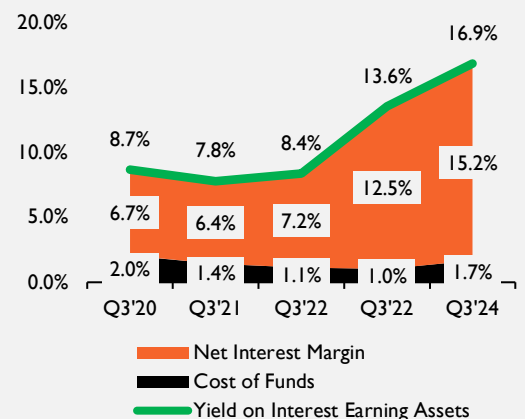
Source: Company filings, AIB-AXYS Research.

Chart 3: Faster Deposit Mobilization



Source: Company filings, AIB-AXYS Research.

Chart 4: Widening Net Interest Margin



Source: Company filings, AIB-AXYS Research.

Income Statement (KES Mn)	Q3'20	Q3'21	Q3'22	Q3'22	Q3'24	y/y % Change
Net Interest Income	14,307.27	14,712.00	15,784.06	21,230.21	24,838.66	▲ 17.0%
Net non-Interest Income	6,346.71	7,560.36	8,778.30	8,202.13	14,230.72	▲ 73.5%
<b>Total Operating income</b>	20,653.98	22,272.37	24,562.37	29,432.34	39,069.38	▲ 32.7%
Provision for Impairment	(2,725.19)	(2,681.25)	(621.02)	(1,821.90)	(1,957.62)	▲ 7.4%
Total Operating expenses	(14,090.16)	(13,376.12)	(12,267.73)	(15,753.58)	(16,599.63)	▲ 5.4%
<b>Profit before tax</b>	6,563.82	8,896.24	12,294.63	13,678.76	22,469.75	▲ 64.3%
<b>Profit after tax</b>	4,332.71	6,354.71	8,712.87	9,738.24	15,846.05	▲ 62.7%
Annualized EPS	15.32	22.48	30.82	34.44	56.05	▲ 62.7%

Balance Sheet (KES Mn)	Q3'20	Q3'21	Q3'22	Q3'22	Q3'24	y/y % Change
Government Securities	106,223.49	98,959.81	111,988.51	55,631.96	67,875.92	▲ 22.0%
Loans and Advances	131,651.72	131,744.12	138,071.60	143,570.81	151,282.20	▲ 5.4%
<b>Total Assets</b>	<b>314,381.88</b>	<b>330,696.79</b>	<b>366,116.42</b>	<b>369,716.59</b>	<b>370,942.53</b>	▲ 0.3%
Customer Deposits	242,789.25	258,379.72	286,074.22	298,833.99	284,416.73	▼ (4.8%)
Total Liabilities	264,210.45	277,631.03	310,645.00	310,002.11	304,407.11	▼ (1.8%)
<b>Shareholder's Funds</b>	<b>50,171.42</b>	<b>53,065.77</b>	<b>55,471.43</b>	<b>59,714.48</b>	<b>66,535.42</b>	▲ 11.4%

Ratio Analysis	Q3'20	Q3'21	Q3'22	Q3'22	Q3'24	y/y change
<b>Spreads Analysis</b>						
Yield on Interest Earning Assets	8.7%	7.8%	8.4%	13.6%	16.9%	▲ 3.3%
Cost of Funds	2.0%	1.4%	1.1%	1.0%	1.7%	▲ 0.6%
Net Interest Margin	6.7%	6.4%	7.2%	12.5%	15.2%	▲ 2.7%
ROaE	12.8%	14.4%	20.8%	22.6%	31.2%	▲ 8.5%
ROaA	2.1%	2.3%	3.3%	3.6%	5.4%	▲ 1.8%
Profit Margin	21.0%	28.5%	35.5%	33.1%	40.6%	▲ 7.5%

Operating Efficiency	Q3'20	Q3'21	Q3'22	Q3'22	Q3'24	y/y change
Cost to Income Ratio (Less LLP)	55.0%	48.0%	47.4%	47.3%	37.5%	▼ (9.9%)
Cost to Assets (Less LLP)	3.8%	3.3%	3.3%	3.8%	4.0%	▲ 0.2%
Loan to Deposit Ratio	54.2%	51.0%	48.3%	48.0%	53.2%	▲ 5.1%

Asset Quality	Q3'20	Q3'21	Q3'22	Q3'22	Q3'24	y/y change
Net NPL Ratio	10.0%	10.5%	10.5%	11.1%	5.1%	▼ (6.0%)
NPL Coverage	78.2%	82.8%	82.4%	77.1%	85.3%	▲ 8.1%
Cost of Risk	2.1%	2.0%	0.4%	1.3%	1.3%	▲ 0.0%

Capital Adequacy	Q3'20	Q3'21	Q3'22	Q3'22	Q3'24	y/y change
Core Capital/TRWA	15.8%	15.5%	15.4%	17.1%	20.9%	▲ 3.9%
Total Capital /TRWA	18.4%	17.8%	17.7%	17.8%	21.0%	▲ 3.2%
Liquidity	66.8%	67.4%	71.9%	66.7%	65.4%	▼ (1.3%)



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