INITIATION OF COVERAGE

Standard Chartered Bank Gh. Plc

A cut above the rest

7 March 2024

HOLD

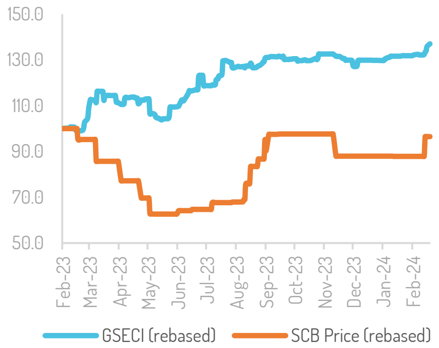
GHS 19.25	GHS 20.90	8.6%
Current price	Fair value	Upside/(downside)

RoaE -20.0%	P/B 1.6x	0%
On FY2022 EPS	On 9M2023 BVPS	Dividend yield FY2022

USD 204.2mn	USD 27.6mn	13.5%
Market cap	Free float market cap	Free Float

USD 0.34mn	GHS 19.48/12.50
6-month value traded	12-month high/low

Performance (9.7% YTD, 1.3% 1y)



Lydia Adzobu;
Associate Analyst, Financial Sector
+233 246 568 669
lydia.adzobu@ic.africa

In the aftermath of the Domestic Debt Exchange Programme (DDEP), our assessment of Standard Chartered Bank Ghana Plc (SCB) reaffirms its status as a high-quality bank. Despite the DDEP-induced losses, SCB's Capital Adequacy Ratio (CAR), excluding regulatory forbearance, remained at comfortable levels. This positions the bank favourably to resume dividend payments post-2025, once the dividend suspension is lifted, in our opinion. Adding to the appeal, SCB has no exposure to Government of Ghana Eurobonds, providing insulation from the potential impairment charges which will arise from the restructuring of these instruments. SCB has also registered some improvement in its asset quality profile and the bank's lean business model continues to positively impact cost outcomes, in our opinion. However, the anticipated decrease in yields, driven by cooling inflation and sluggish credit growth in 2024, limits our bullish outlook in the short-term. SCB has gained GHS 1.7 since we initially issued an "ACCUMULATE" rating in our "2024 IC Big Ideas" publication. **Resultantly, we move to update our recommendation on SCB to "HOLD" with a fair value of GHS 20.90 per share following the recent price action.**

Robust capital position improves prospects of dividend payments

We estimate that SCB's CAR, excluding regulatory reliefs, improved to 18.5% in 9M2023 from 16.0% in 2022 following the steep losses booked on restructured securities under the DDEP. Given SCB's robust capital ratios, we believe the bank is well positioned to take up opportunities in the credit market as economic conditions improve. The bank's strong solvency position also improves the prospect of dividend payment once the suspension on dividend payment is lifted. At the current market price, we project a dividend of GHS 3.6 (Dividend Yield: 18.7%) and GHS 4.0 (Dividend Yield:20.9%) for FY2025 and FY2026, respectively, maintaining the 2021 payout ratio of 57.0%.

Lean banking model positively impacts cost outcomes

Management has been wildly successful at keeping a tight lid on costs by adopting a lean banking model. Evidently, SCB is ranked among the top 5 banks in the industry with the lowest cost-to-income ratio (CIR) since 2016. As part of its cost-cutting initiatives, the bank rationalised its branches, reducing the number to 21 in 2019 from 27 in 2014. More importantly, we believe the continued investment in digitalizing the business reduced the bank's staffing needs. Notably, the average number of staff employed by the bank declined year-on-year to 681 in 2022 from 1,096 in 2014. Resultantly, we project SCB's CIR to average at 31.0% over the next 5 years, supported by easing inflationary pressures.

Asset quality profile improves broadly with CoR likely to soften post-2025

SCB registered some improvement in its asset quality profile, with the bank's NPL ratio falling to 12.0% (-11.6pp y/y) in 2022 amidst strong credit growth from 45.0% in 2016. However, elevated inflationary pressures and slowing growth fuelled a rise in default rates in the banking sector, with SCB's non-performing loan (NPL) ratio increasing to 16.5% in 9M2023. This figure, while below the industry average of 18.0% in 9M2023 and its own 5-year average of 20.2%, compels us to maintain a cautiously optimistic stance on our cost of risk (CoR) outlook. While credit risk will remain elevated in the near-term, we expect the CoR to soften post-2025 on the back of the anticipated recovery in economic growth from 2025. Improvement in Ghana's credit rating could trigger a reversal of the impairment charge of GHS 440mn booked in 2022 on the loan book due to the sovereign downgrade and lower CoR. However, the nature and timing of these write-backs is uncertain. As a result, we take the middle of the road and model the CoR to average 2.1% over the financial periods of 2024, 2025, and 2026.

Hold for now

SCB's strong solvency position and operational efficiency puts the bank in a place of advantage to capitalize on opportunities at the onset of the economic recovery cycle. The market has recognized SCB's potential, evident in its share price recovery leaving limited room for further upside per our valuation.

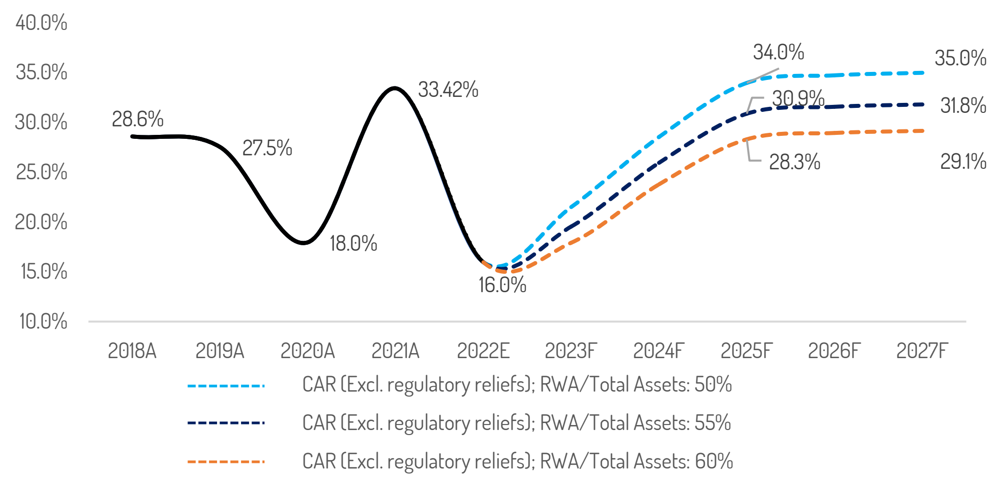
Investment thesis

Resilient capital ratios improve prospect of dividend payments post-BoG suspension

In our opinion, SCB is sitting in the catbird seat on solvency matters with the bank's CAR, excluding regulatory forbearance, remaining at comfortable levels despite the steep loss registered in FY2022. This places the bank in a strong position to resume dividend payment once regulatory restraint is relaxed. The loss of GHS 297.8m incurred in 2022 was mainly attributable to the expected credit loss charge of GHS 1.1bn on investment securities and loans following the completion of the first phase of the DDEP and subsequent downgrade in Government of Ghana's sovereign credit rating. Notably, Standard and Poor's downgraded Ghana's credit rating to selective default following the DDEP announcement in 2022. Per our estimates, SCB's CAR, excluding regulatory forbearance, stood at 16.0% at the end of 2022, whereas that of its closest peers, GCB Bank Plc and Ecobank Ghana Plc, fell below the 13.0% threshold. SCB's CAR, excluding regulatory forbearance, improved further to 18.5% per our estimates following the bank's strong earnings outturn in 9M2023.

While we anticipate the bank's risk appetite to remain subdued in the near term, we believe that SCB is well positioned to selectively take up opportunities in the credit market from 2H2024, thanks to its robust capital ratios. Supported by the bank's strong solvency position, we anticipate a more significant increase in credit supply beginning from 2025, coinciding with further improvement in economic conditions. We project real GDP growth to improve to 5.4% and 5.6% in 2025 and 2026, respectively and modelled SCB's loan book to grow by 15% - 22% annually from 2025 to 2028.

Capital Adequacy Ratio Forecast (2023 – 2027)



Source: SCB Annual Reports, IC Insights

We believe sustained growth in credit over the next four years will stave off a sharp reduction in net interest margins (NIMs) arising from the expected downward repricing of yields on government securities from continued disinflation. Notably, we expect headline inflation to ease to 16.1% at the end of 2024. We also expect a potential agreement on external debt restructuring with bilateral creditors and Eurobond holders to help ease pressure on domestic funding, thereby suppressing domestic yields. We are of the view that yields on government securities will likely fall at a faster pace from 2H2024, albeit with election-related risks and continued dependence on domestic funding making the downward yield correction sticky. Consequently, we modelled SCB's NIMs to drop by 60bps y/y to 12.7% in 2024 amidst the slowdown in credit growth, tapering off to 11.1% by 2027.

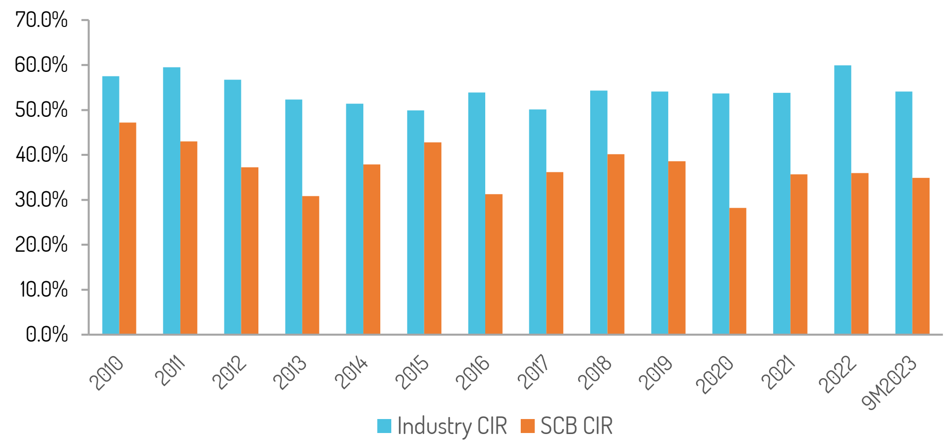
On our outlook for dividends, we believe that the Bank of Ghana will lift the suspension on dividend payment for banks with strong capital positions post 2025. Given the 100% retention of dividends from 2023 to 2025, we project SCB's CAR, excluding regulatory forbearance to reach pre-DDEP levels at

30.9% in 2025[1] with risk-weighted assets (RWA) estimated at 55% of forecasted total assets. According to our simulations, depicted in the graph above, we posit that SCB is in a favourable position to resume dividend payments once the suspension is lifted. At the current market price, we project a dividend of GHS 3.6 (Dividend Yield: 18.7%) and GHS 4.0 (Dividend Yield:20.9%) for FY2025 and FY2026, respectively, maintaining the 2021 payout ratio of 57.0%.

SCB's lean business model anchors positive cost management outcomes

Management's commitment to keeping a tight lid on cost by getting the bank lean and focused translated into the implementation of bank-wide cost-saving initiatives which have contributed to enhancing the overall shareholder return. Evidently, SCB is among the top 5 banks in the industry with the lowest cost-to-income ratio (CIR) since 2016, maintaining a CIR well below the industry average.

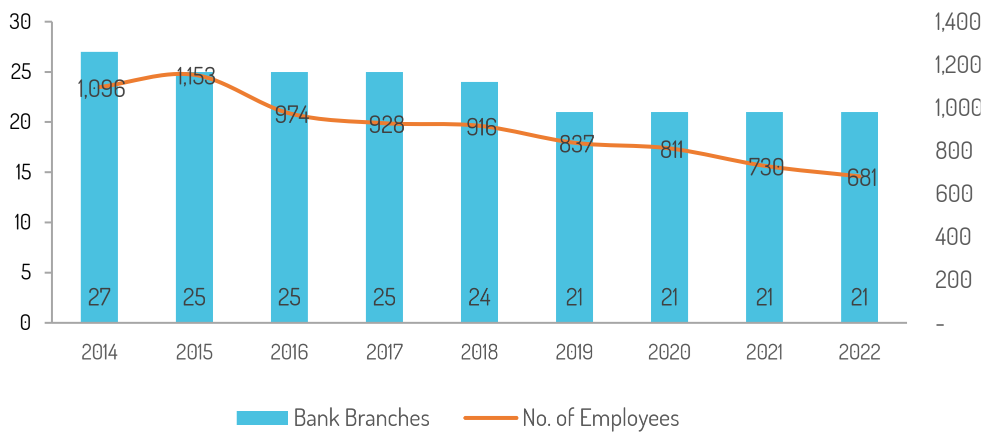
Cost-to-income ratio Vs Industry



Source: SCB Annual Reports, Bank of Ghana, IC Insights

Tangible cost-cutting initiatives undertaken by management over the last few years include the rationalization of its branches, reducing the number to 21 branches in 2019 from 27 branches in 2014. We believe this contributed to containing operating costs. We also believe the continued investment in digitalizing the business including the successful roll out of online and mobile banking platforms and cash deposit-accepting ATMS in addition to cutting down the number of branches reduced the staffing needs of the business. Notably, the average number of staff employed by the bank declined year-on-year to 681 employees in 2022 from 1,096 employees in 2014.

Areas of Operation and staffing Needs



Source: SCB Annual Reports, IC Insights

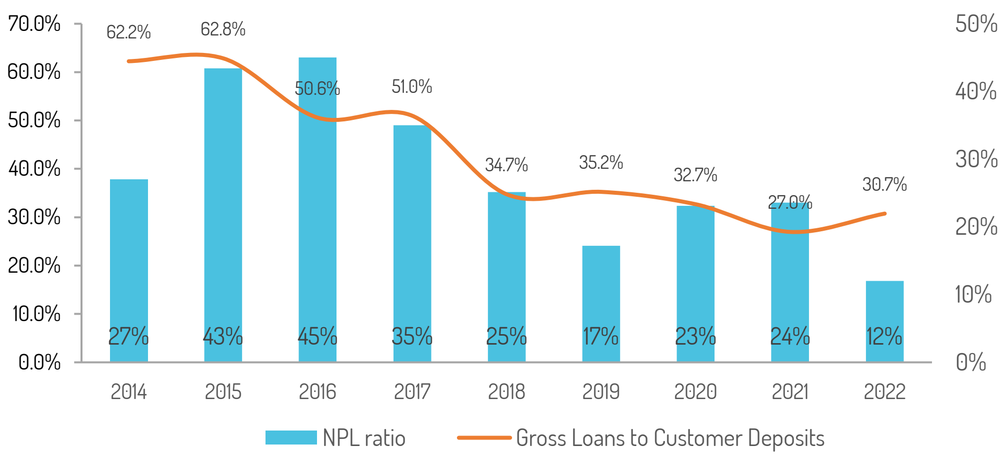
[1] Historically SCB's RWA to total assets ratio has averaged at 50% over the last 5 years.

The implementation of these initiatives allowed the bank to contain its costs relative to growth in operating revenue, which contributed immensely to a broad decline in its CIR from 40.2% in 2019 to 36.0% in FY2022. SCB's operating expense increased at a CAGR of 12.3%, 120bps lower than that of the industry over the last 5 years. Meanwhile the bank's operating income increased by a CAGR of 12.4%, 560bps lower than that of the industry over the same period, reflecting the bank's conservative banking stance which we shed light on in the next section. Looking ahead, we modelled the bank's average CIR at 31.0% over the next 5years as the bank continues to maintain its lean business model amidst easing inflationary pressures.

Asset quality profile improves overall, with CoR likely to soften post-2025

Plagued by unusually high NPL ratios relative to peers over the last decade, SCB achieved a significant reduction in the asset quality metric in FY2022. The bank's NPL ratio rose steadily from 27% in 2013, peaking at 45.0% in 2016 on account of an increase in problem loans related to the energy sector. The bank turned conservative on lending as management worked to de-risk the loan portfolio. This was marked by a significant decline in the gross loan to deposit ratio from 66% in 2013 to 31% in 2022. The resolution of energy sector debts, mainly the payment of debt owed to bulk distributing companies (BDCs) by the government and the receipt of proceeds from the ESLA bonds in addition to loan write-offs over the period culminated in the gradual reduction in SCB's NPL ratio to 12.0% in FY2022.

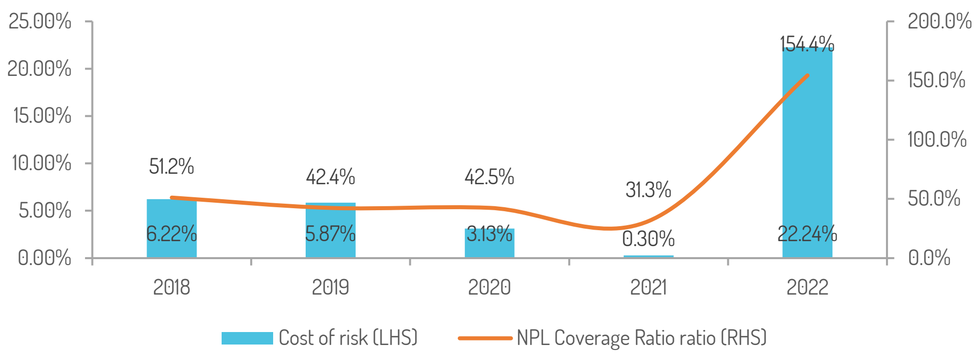
Asset Quality Trend



Source: SCB Annual Reports, IC Insights

While the improvement in the bank's asset quality profile places the bank in a better position to extend credit, we expect SCB to maintain its long-standing conservativeness on lending as appetite for risk has been diminished by the challenging macroeconomic situation. Resultantly, we modelled the gross loans to customer deposit ratio to plummet to 22.2% in 2023, improving to 27.9% in 2027 as economic conditions improve sufficiently to support credit growth. The elevated inflationary pressures and slowing economic growth in 2023 have increased default rates in the banking sector, with SCB's NPL ratio rising to 16.5% in 9M2023 from 12.0% at the end of 2022. This figure, while below the industry average of 18.0% in 9M2023 and its own 5-year average of 20.2%, compels us to maintain a cautiously optimistic stance on the outlook for the cost of risk (CoR). We also take note of the quarter-on-quarter increase in impairment charges on financial assets in 2Q2023 and 3Q2023 which partly reflects the increase in the stock of NPLs.

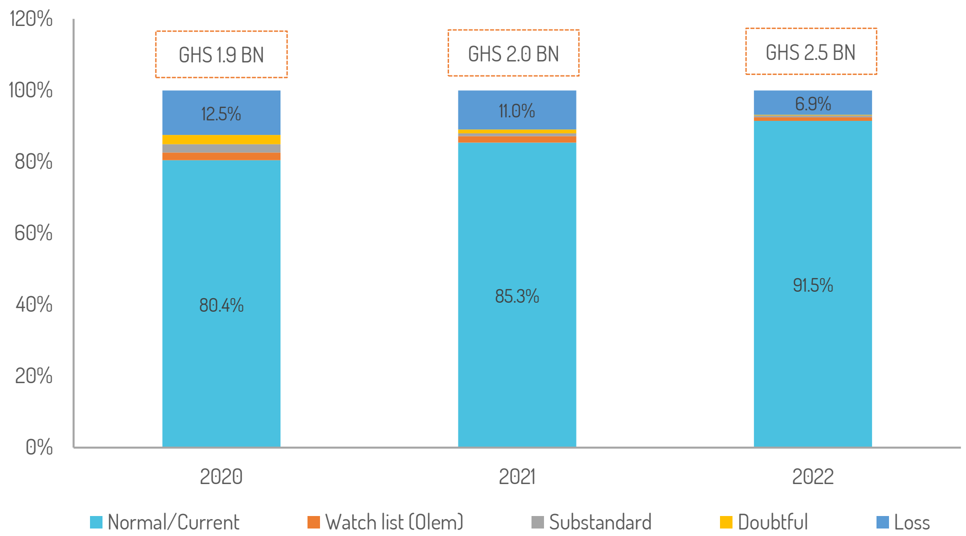
Evolution of Cost of Risk and NPL Coverage Ratio



Source: SCB Bank Annual Reports, IC Insights

While credit risks will remain elevated in the near-term, we expect the default rate on loans to gradually improve on the back of the expected recovery in economic growth from 2025. More importantly, we are of the view that the subsequent upgrade in Ghana's credit rating will lead to impairment releases which will impact the size of impairment charges on financial assets. Notably, an impairment charge of GHS 440mn equivalent to 17.0% of the gross loan book was booked in 2022 on account of sovereign downgrade alone. Fitch upgraded Ghana's Long-Term Local-Currency IDR to 'CCC' from RD in November 2023 and we believe that further upgrades will trigger some write-backs. However, the timing and nature of these writebacks are uncertain. As a result, we take the middle of the road and model the CoR to average at 2.0% over our 5-year forecast period. This is well below the 5-year average (excluding 2022) of 3.1% in our base case scenario with economic recovery and write-backs serving as tailwinds for softening CoR. We also take consolation in the fact that SCB has no exposure to Eurobonds and is therefore immune to the impending restructuring of Ghana's external debt.

Credit Quality Analysis - Customer Loans and Advances (2020 – 2022)



Source: SCB Bank Annual Reports, IC Insights

Valuation panel

In valuing SCB, we used a multi-factor regression-based valuation in which we estimated SCB's price-to-book (P/B) ratio using bank-specific and market factors given the wide disparity in trading multiples. We also used the residual valuation method to determine SCB's intrinsic price. Finally, we determined the fair value of SCB based on an equal weighted average of prices generated using both methods. The use of the dividend discount model is insupportable, due to the Bank of Ghana's directive for banks to suspend the payment of dividends.

We opted to utilize a weighted average of the intrinsic prices from both models, considering the inherent strengths and weaknesses of each model, which we believe balance each other out. While the residual income valuation method incorporates the use of future cashflows, SCB has consistently generated a negative residual income, requiring us to use an exit p/b in the determination of the terminal value for valuation purposes. We determined the exit p/b by drawing on the p/b of precedent transactions, SCB's historical p/b, and the Gordon growth model. Our relative valuation model which uses a selection of explanatory variables against peer group p/b ratios, does not fully capture future cash flows and is significantly biased to current market conditions.

Valuation inputs – Cost of Capital

Parameter	Value	Note
Risk-free rate	21.0%	The restructured government bonds which were listed in 2023 are fairly illiquid and are inappropriate as a benchmark for the risk-free rate in our opinion. Consequently, we chose to rely on the range of discount rates of 16.5% -21.0% provided by the Institute of Chartered Accountants Ghana for determining the NPV losses under the DDEP as a benchmark for the risk-free rate. Given that the coupon rate on the last 5-year government bonds minted before the DDEP was 22.3%, we chose to use a risk-free rate of 21.0%.
Market risk premium	4%-6%	Historical evidence suggests a long-term average risk premium of around 5.0%, in developed markets. However, there is very little historical evidence from frontier markets due to their short, volatile and transitional histories. In our view, arguments can be made for a higher or lower risk premium. Nevertheless, to the extent that the risk premium is a relative measure, and accepting that local risk-free rates are not entirely risk-free, we choose to use a narrow range of 4.0% - 6.0% across all our models for the sake of consistency.
Beta	1.2	We calculate betas using daily, weekly, monthly and quarterly data over a one to three-year period. We employed betas that are statistically significant with the highest coefficient of determination.
Cost of Equity	27.9%	We employ the capital asset pricing model to determine the CoE.

Valuation summary (GHS/share)

RI	PB[1]	Weighted Average
22.49	19.31	20.90

[1]Intrinsic value determined using the estimated P/B based on the regression model. Date of valuation is 4/03/2024

Residual Income and fair value calculation

Fiscal year-end 31 Dec (GHS mn)		2024F	2025F	2026F	2027F	2028F
Beginning book value		2,005.1	2,755.8	3,608.2	4,075.8	4,588.8
Equity cost/charge		560.3	770.0	1,008.2	1,138.9	1,282.2
Net income		750.7	855.3	956.5	1,059.7	1,184.6
Excess equity/residual income		190.4	85.3	(51.7)	(79.1)	(97.6)
Discount factor		0.8	0.6	0.5	0.4	0.3
Present value of residual income		155.4	54.4	(25.8)	(30.8)	(29.7)
Terminal Value at exit P/B of 1.7x[1]						7,800.9
Terminal value in excess of equity						3,212.1
PV of terminal value in excess of equity						978.3
Equity invested	2,005.1					
Sum of Present value of residual income	47.3					
PV of Terminal Value in excess of equity	978.3					
Equity value (GHS)	**3,030.7**					
Shares in issue (m)	**134.8**					
Fair value (GHS/share)	**22.5**					
Upside/(Downside)	**16.8%**					

[1] P/B exit ratio for recent precedent transactions of similar banks averaged at 1.7x. SCB's 10-year historical P/B averaged at 2.8x

Sensitivity Analysis: Impact of cost of equity and exit P/B on fair value

Cost of Equity	Exit P/B Ratio: 1.5	1.6	1.7	1.8	1.9
29.9%	17.9	18.9	20.0	21.0	22.0
28.9%	19.2	20.2	21.2	22.3	23.3
27.9%	20.4	21.5	**22.5**	23.5	24.6
26.9%	21.7	22.7	23.8	24.8	25.8
25.9%	22.9	24.0	25.0	26.1	27.1

Green > current market price; Red < current market price

Multi Factor Linear Regression

	ROE (TTM)	CoR	SIZE	DVT	TE/TA	P/Ba	P/Br
CAL	-131.35%	-0.50%	16.08	11.24	0.07	0.44	0.44
EGH	-2.60%	2.00%	17.22	9.90	0.11	0.57	0.56
GCB	-24.99%	5.80%	16.99	12.99	0.10	0.36	0.36
SCB	-8.34%	-3.80%	16.40	10.41	0.11	1.59	1.60
SOGEGH	12.48%	0.20%	15.95	10.68	0.15	0.82	0.81

Source: IC Insights

Notes:

ROE – Return on equity TTM (9M2023 - (%), CoR – Cost of Risk (%), Size – Natural log of total assets, DVT= Average daily value traded in the last 6 months (GHS k), TE/TA – Total equity to Total asset ratio. A negative CoR represents impairment gain.

P/Ba – Actual P/B ratio, P/Br – regression estimates of P/B ratio

Dependent variable is P/B, independent variables are ROE, CoR, SIZE, TE/TA and DVT. Regression results indicate strong relationship between variables with R^2=0.94

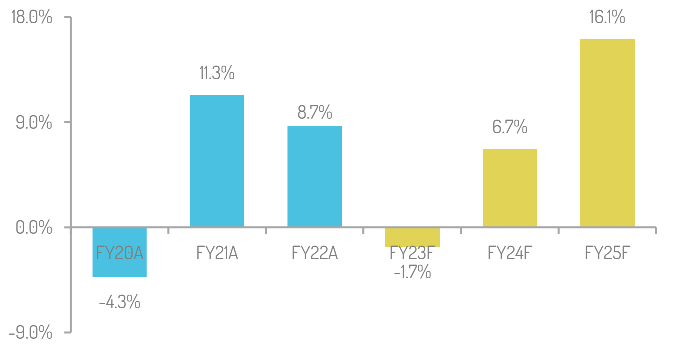
Assumptions and value drivers

	FY2022A	FY2023E	FY2024F	FY2025F	FY2026F	FY2027F
Loans and advances (net) (GHS mn)	2,050.3	2,015.6	2,150.2	2,495.9	2,992.2	3,734.7
Loan growth (%)	8.7%	-1.7%	6.7%	16.1%	19.9%	24.8%
Customer deposits (GHS mn)	8,183.9	11,212.3	11,885.0	13,073.5	14,380.9	15,962.8
Deposit growth (%)	8.3%	37.0%	6.0%	10.0%	10.0%	11.0%
Net interest margin (%)	13.5%	13.3%	12.7%	12.1%	11.6%	11.1%
NIR growth (%)	-4.0%	-1.1%	9.0%	8.5%	8.3%	8.0%
NIR contribution (%)	34.0%	24.9%	24.1%	23.6%	23.6%	23.4%
Cost-to-income ratio (%)	36.0%	35.0%	33.0%	32.0%	30.0%	29.0%
Cost of risk (%)	22.2%	0.4%	2.5%	2.0%	1.8%	1.5%

Loan growth

- We expect loan growth to remain subdued in the near-term given the heightened credit risk environment.
- We expect risk asset creation to increase significantly from 2025, supported by stronger economic growth amidst a potential return to single digit inflation and lower interest rates.

Net loan book growth

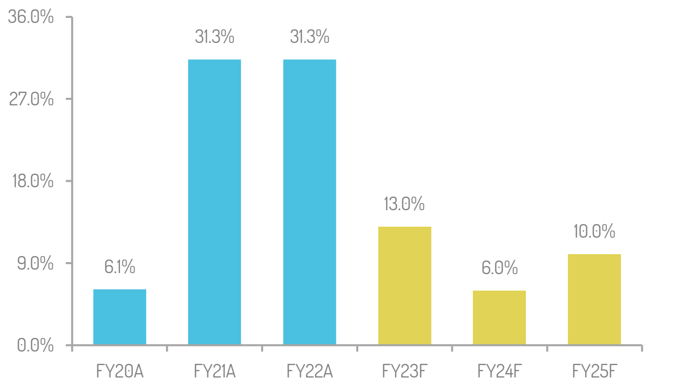


Source: IC Insights

Customer Deposit growth

- We modelled customer deposit growth to follow credit expansion, slowing down in 2024 as loan growth remained subdued.
- We expect deposit growth rates to revert to double-digits in line with the anticipated increase in credit supply from 2025, riding on the wings of economic recovery

Deposit growth

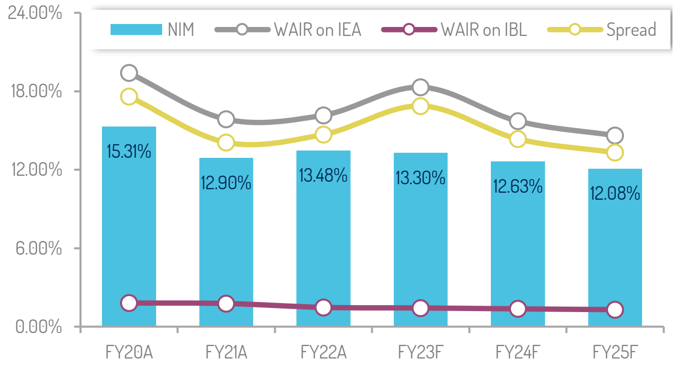


Source: IC Insights

Pricing

- We project NIM to come in at 13.3% in 2023 supported by the high yields on government securities over the period.
- However, we expect NIMs to thin marginally from 2H2024 on the back of anticipated repricing of government securities amidst cooling inflation.
- We believe recovery in credit growth post 2024 will serve as a bulwark to further thinning in NIMs.

Pricing

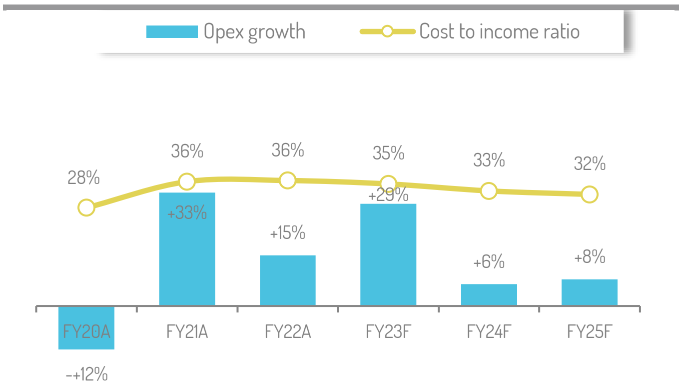


Source: IC Insights

OPEX growth and cost-to-income ratio

- We expect easing inflationary pressures to positively impact SCB's operational efficiency.
- Consequently, we modelled the bank's cost to income ratio to subside from 2024.

Operational efficiency

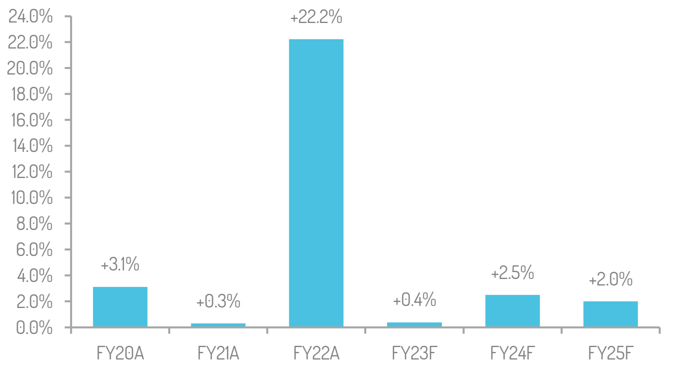


Source: IC Insights

Cost of risk

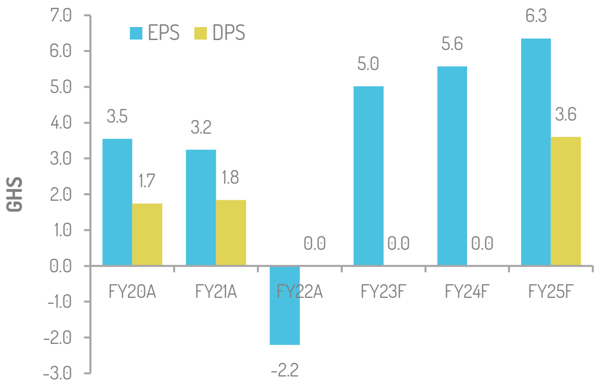
- We took a conservative stance on the cost of risk and modelled the metric to average at 2.0% over the forecast period with economic recovery and write-backs serving as tailwinds for softening CoR

Cost of risk

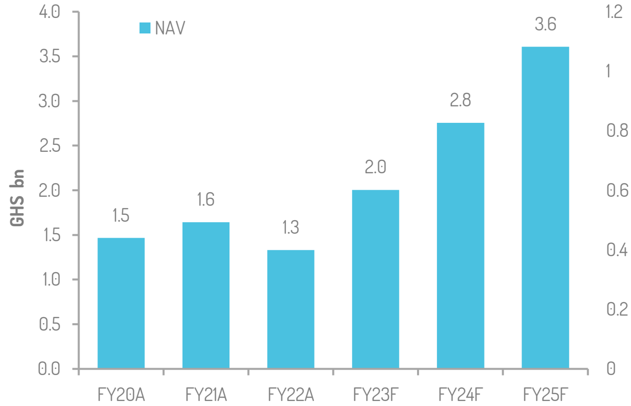


Source: IC Insights

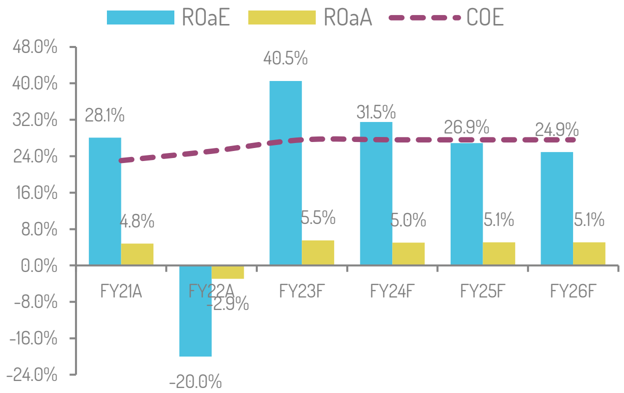
Gallery



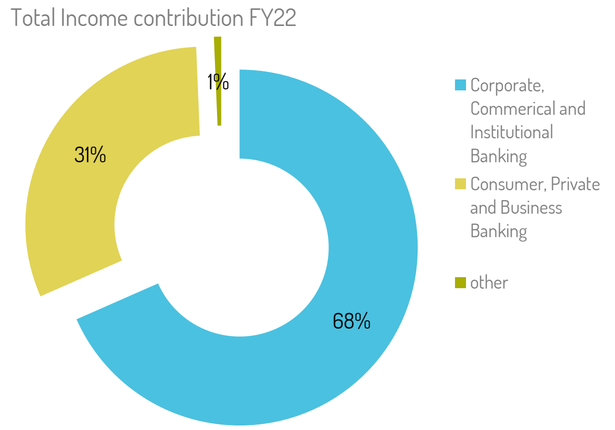
Source: SCB Annual Report, IC Insights



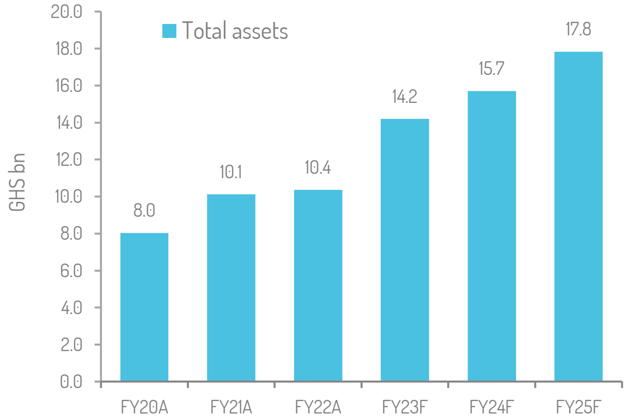
Source: SCB Report, IC Insights



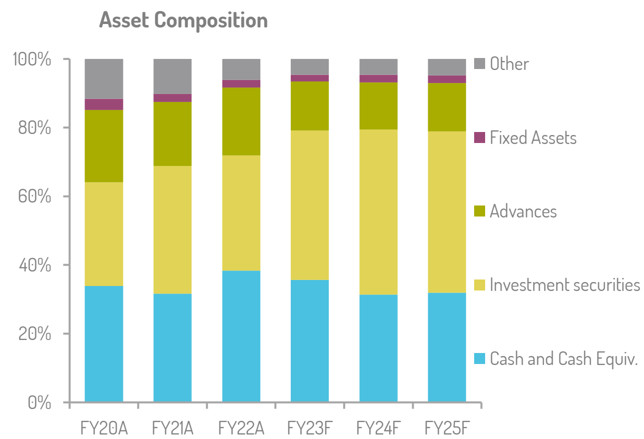
Source: SCB Annual Report, IC Insights



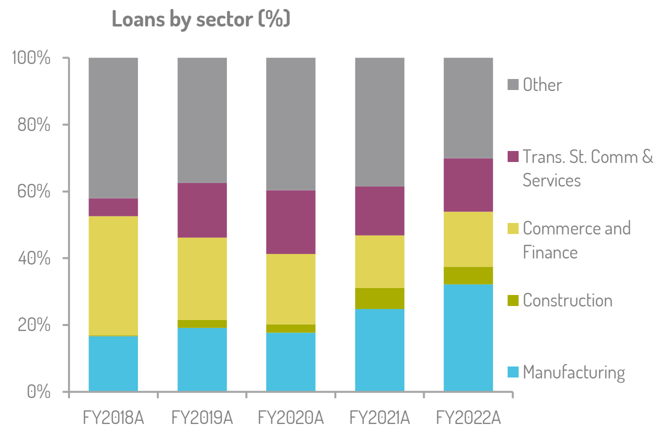
Source: SCB Annual Report, IC Insights



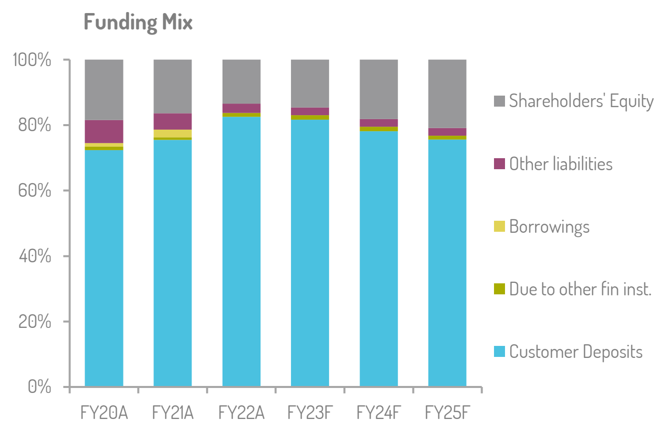
Source: SCB Annual Report, IC Insights



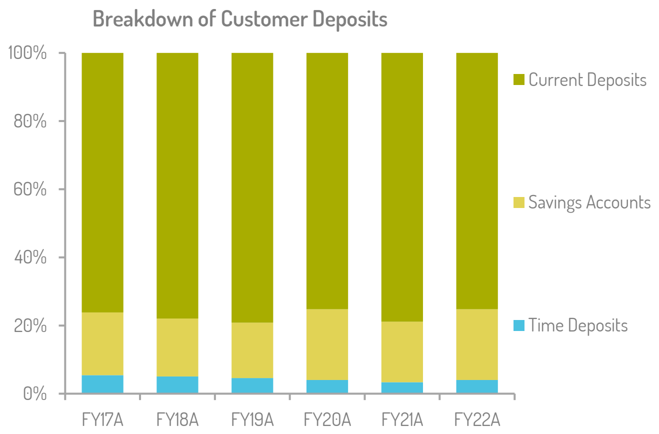
Source: SCB Annual Report, IC Insights



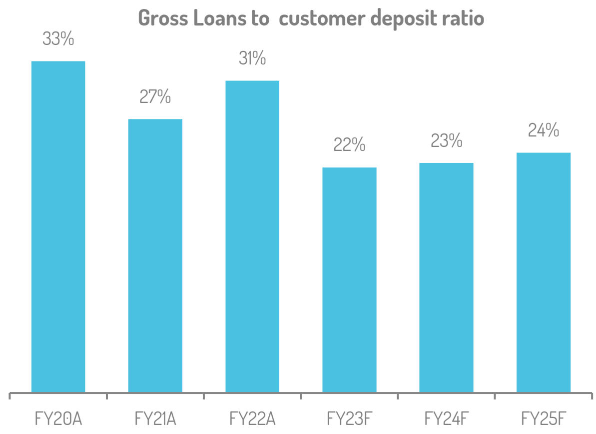
Source: SCB Annual Report; IC Insights



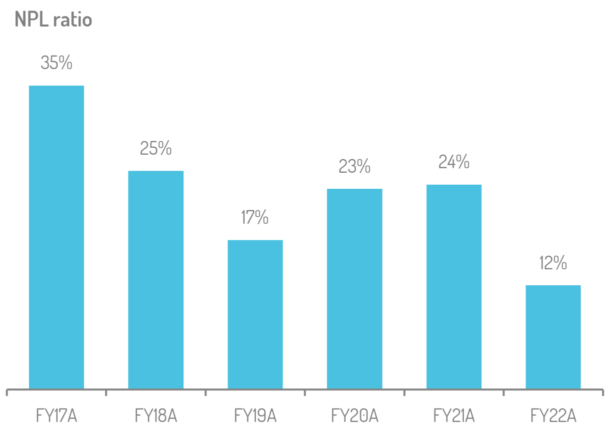
Source: SCB Annual Report; IC Insights



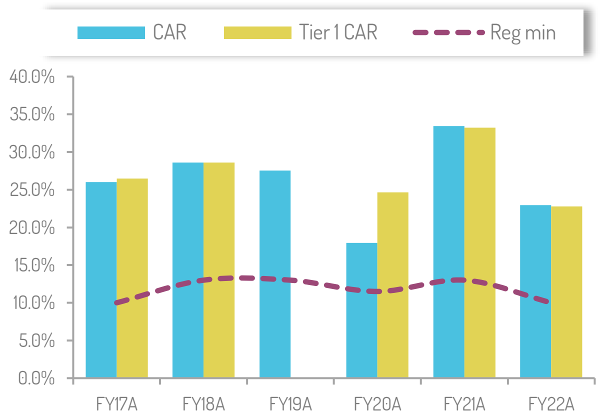
Source: SCB Annual Report; IC Insights



Source: SCB Annual Report; IC Insights



Source: SCB Annual Report; IC Insights



Source: SCB Annual Report; IC Insights

Financials

Income statement

12 months to December GHSmn	2020A	2021A	2022A	2023E	2024F	2025F	2026F	2027F
Interest income	795.4	819.9	1,008.9	1,399.9	1,586.6	1,762.2	1,911.2	2,087.7
Interest expense	(154.9)	(173.6)	(201.1)	(188.0)	(204.8)	(218.0)	(237.9)	(262.6)
Net interest income	**640.5**	**646.4**	**807.8**	**1,211.9**	**1,381.8**	**1,544.2**	**1,673.3**	**1,825.1**
Non-interest income	382.2	424.0	407.2	402.5	438.6	476.1	515.7	556.8
Total operating income	1,022.7	1,070.3	1,215.0	1,614.4	1,820.3	2,020.2	2,189.0	2,381.9
Impairment loss and bad debts	(59.3)	5.9	(1,158.8)	(9.5)	(64.8)	(57.8)	(60.7)	(60.8)
Operating expenses	(288.1)	(381.7)	(437.1)	(565.0)	(600.7)	(646.5)	(656.7)	(690.8)
Profit before tax	**675.4**	**694.5**	**(380.9)**	**1,039.8**	**1,154.9**	**1,315.9**	**1,471.6**	**1,630.4**
Taxation	(197.1)	(257.6)	83.1	(363.9)	(404.2)	(460.6)	(515.0)	(570.6)
Profit after tax	**478.3**	**436.9**	**(297.8)**	**675.9**	**750.7**	**855.3**	**956.5**	**1,059.7**
Proposed dividend	234.5	248.0	-	-	-	485.7	543.2	601.8
Weighted shares in issue (m)	134.8	134.8	134.8	134.8	134.8	134.8	134.8	134.8
Earnings per share (GHS)	3.5	3.2	-2.2	5.0	5.6	6.3	7.1	7.9
Dividends per share (GHS)	1.7	1.8	0.0	0.0	0.0	3.6	4.0	4.5
Payout ratio (%)	49.0%	56.7%	0.0%	0.0%	0.0%	56.7%	56.7%	56.7%

Balance sheet

12 months to December GHSmn	2020A	2021A	2022A	2023E	2024F	2025F	2026F	2027F
Cash with BoG	2,724.7	3,203.1	3,980.3	5,059.9	4,923.3	5,693.9	6,016.9	6,301.5
Investment securities	2,419.5	3,761.4	3,473.2	6,182.2	7,542.3	8,372.0	9,209.1	10,130.1
Net loans & advances to customers	1,695.2	1,886.8	2,050.3	2,015.6	2,150.2	2,495.9	2,992.2	3,734.7
Intangible Assets	-	-	-	-	-	-	-	-
Fixed assets	258.4	242.1	231.3	288.5	349.4	412.6	475.4	538.4
Other assets	933.8	1,027.2	633.8	647.2	728.6	846.1	992.6	1,175.3
Total assets	**8,031.7**	**10,120.6**	**10,368.9**	**14,193.6**	**15,693.8**	**17,820.5**	**19,686.3**	**21,879.9**
Customer deposits	5,751.6	7,554.5	8,183.9	11,212.3	11,885.0	13,073.5	14,380.9	15,962.8
Due to other banks	85.0	79.7	114.4	194.5	204.3	214.5	225.2	236.5
Borrowings	86.4	240.2	-	-	-	-	-	-
Other liabilities	641.9	602.9	741.4	781.6	848.8	924.3	1,004.4	1,091.9
Total liabilities	**6,564.9**	**8,477.3**	**9,039.7**	**12,188.4**	**12,938.1**	**14,212.3**	**15,610.5**	**17,291.1**
Stated capital	400.0	400.0	400.0	400.0	400.0	400.0	400.0	400.0
Retained earnings	440.0	553.4	150.2	676.4	1,317.3	2,027.8	2,327.0	2,634.7
Statutory reserve fund	513.6	568.2	568.2	652.7	746.5	853.5	973.0	1,105.5
Other reserves	113.2	121.6	210.8	276.0	291.9	326.9	375.7	448.6
Total shareholder's equity	**1,466.8**	**1,643.3**	**1,329.2**	**2,005.1**	**2,755.8**	**3,608.2**	**4,075.8**	**4,588.8**
Total liabilities and shareholders' equity	**8,031.7**	**10,120.6**	**10,368.9**	**14,193.6**	**15,693.8**	**17,820.5**	**19,686.3**	**21,879.9**

CAMEL Analysis

12 months to December	2020A	2021A	2022A	2023E	2024F	2025F	2026F	2027F
Capital Adequacy								
Total CAR	18.0%	33.4%	23.0%					
Equity to total assets	18.3%	16.2%	12.8%	14.1%	17.6%	20.2%	20.7%	21.0%
Equity to gross loans	78.0%	80.7%	52.8%	80.5%	102.4%	116.6%	111.6%	103.0%
Asset Quality								
NPL to gross loans	23.1%	23.6%	12.0%					
NPL to total equity	29.6%	29.2%	22.7%					
Coverage ratios	42.5%	31.3%	154.4%					
Cost of risk	3.1%	0.3%	22.2%	0.4%	2.5%	2.0%	1.8%	1.5%
Management Efficiency								
Cost to income	28.2%	35.7%	36.0%	35.0%	33.0%	32.0%	30.0%	29.0%
Cost to average assets	3.6%	3.8%	4.2%	4.0%	3.8%	3.6%	3.3%	3.2%
Staff expenses to operating expenses	72.7%	64.3%	68.5%	66.6%	67.3%	68.0%	69.2%	69.2%
Earnings and Profitability								
ROaE	36.3%	28.1%	-20.0%	40.5%	31.5%	26.9%	24.9%	24.5%
ROaA	6.1%	4.8%	-2.9%	5.5%	5.0%	5.1%	5.1%	5.1%
Interest Spread	17.6%	14.1%	14.7%	16.9%	14.4%	13.4%	12.7%	12.3%
Net Interest Margin	15.3%	12.9%	13.5%	13.3%	12.7%	12.1%	11.6%	11.1%
Average cost of funds	1.8%	1.8%	1.5%	1.4%	1.4%	1.3%	1.3%	1.3%
Liquidity								
Cash and Cash Equivalents to total deposits	46.7%	42.0%	48.0%	44.4%	40.7%	42.8%	41.2%	38.9%
Gross loans to customer deposits	32.7%	27.0%	30.7%	22.2%	22.6%	23.7%	25.4%	27.9%

Abbreviations

General

A	actual / reported
bn	billions
BPS	book value per share, equivalent to NAV
COE	cost of equity
DPS	dividends per share
DY	dividend yield
E	expected
EPS	earnings per share
F	forecast
FY	financial year
FCY	Foreign currency
FY0n	financial year 200n
k	thousands
LCY	local currency
mn	millions
mth, mths	month, months
NAV	net asset value per share
ntm	next twelve months
PAT	profit after tax
PBT	profit before tax
ROaA	return on average assets
ROaE	return on average equity

Currencies

BWP	Botswana pula
EGP	Egyptian pound
GBP	British pound
GHS	Ghanaian cedi
KES	Kenyan shilling
LSL	Lesotho loti
MAD	Moroccan dirham
MUR	Mauritian rupee
MWK	Malawian kwacha
NAD	Namibia dollar
NGN	Nigerian naira
RWF	Rwandan franc
SZL	Swazi lilangeni
TND	Tunisian dinar
TZS	Tanzanian shilling
UGX	Ugandan shilling
USD	United States dollar
XOF	West African CFA franc
ZAR	South African rand
ZMK	Zambian kwacha
WACC	weighted average cost of capital
ttm	trailing twelve months

Disclosure

	Yes	No
1. The analyst or members of his/her immediate family have a financial interest in any financial instrument that might reasonably be expected to benefit from the recommendation.		•
2. The analyst or a member of the analyst's immediate family is a director, officer, or advisory board member of the subject company.		•
3. IC Group or any of its subsidiaries holds more than 1% of the total issued share capital of the subject company.		•
4. IC Group or any of its subsidiaries is a market maker or liquidity provider in the securities or any related derivatives of the subject company.		•
5. IC Group or any of its subsidiaries has been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of securities of the subject company or in any related derivatives.		•
6. IC Group or any of its subsidiaries has received investment banking fees from the subject company over the previous 12 months.		•
7. IC Group or any of its subsidiaries expects to receive investment banking fees from the subject company in the next 3 months.		•

For more information contact your IC representative

Business Development & Client Relations

Derrick Mensah
Head, Business Development
+233 24 415 5765
derrick.mensah@ic.africa

Kelvin Quartey
Senior Analyst, Business Development
+233 57 6042802
Kelvin.quartey@ic.africa

Dora Youri
Head, Wealth Management
+233 23 355 5366
dora.youri@ic.africa

Corporate Access

Joanita Hotor
Corporate Access
+233 50 137 6100
joanita.hotor@ic.africa

Insights

Courage Kingsley Martey
Head, Insights
+233 240 970 832
courage.martey@ic.africa

Churchill Ogutu
Economist
+254 711 796 739
churchill.ogutu@ic.africa

Lydia Adzobu
Associate Analyst, Financial Sector
+233 24 656 8669
Lydia.adzobu@ic.africa

Emmanuel Dadzoe
Analyst, Consumer, Technology, Media & Telecom.
+233 55 362 4177
Emmanuel.dadzoe@ic.africa

Investing

Isaac Adomako Boamah
Chief Investment Officer
030 225 2623
isaac.boamah@ic.africa

Obed Odenteh
Portfolio Manager, Fixed Income
+233 54 707 3464
obed.odenteh@ic.africa

Timothy Schandorf
Portfolio Manager, Risk Assets
+233 24 292 2154
timothy.schandorf@ic.africa

Herbert Dankyi
Portfolio Manager
+233 55 710 6971
herbert.dankyi@ic.africa

Clevert Boateng
Analyst, Risk Assets
+233 24 789 0452
Clevert.boateng@ic.africa

Operations

Nana Amoa Ofori
Chief Operating Officer
+233 24 220 6265
nanaamoa.ofori@ic.africa

Emmanuel Amoah
Fund Administrator
+233 20 847 2245
emmanuel.amoah@ic.africa

Kelly Addai
Fund Accountant
+233 20 812 0994
kelly.addai@ic.africa

Trading

Randy Ackah-Mensah
Head, Global Markets
+233 24 220 6265
randy.mensah@ic.africa

Allen Anang
Trader, Equities
+233 54 084 8441
allen.anang@ic.africa

Daniel Asante
Trader, Fixed Income
+233 55 285 7164
daniel.asante@ic.africa