

Standard Chartered Bank Ghana Plc 9M2025 Results

Ghana | 04 November 2025

Current rating: **REDUCE**

Current Price: **GHS 29.11** | Current Fair Value: **GHS 24.8** | Downside: **14.7%**

Trading Gains Cushion Weak Core, But Valuation Still Outpaces Fundamentals

Rating Summary:

We maintain our “REDUCE” rating (“Take Profit”) on Standard Chartered Bank Ghana PLC (SCB) despite a slight upward revision of our fair value estimate to GHS 24.80 per share (previously GHS 24.52), implying a 14.7% downside from the current market price. The revision reflects updates to our valuation assumptions and model inputs. Specifically, we have revised the risk-free rate down to 15.56% (from 17.74% at HY2025) to align with current yields on the restructured Government of Ghana bonds, adjusted beta to reflect the version with the strongest statistical validity, and updated our relative valuation model based on the latest 9M2025 financial results. SCB’s 9M2025 earnings lagged our forecast by approximately 2.1%, underscoring continued margin compression and slower-than-expected recovery in core income. Net interest income (NII) declined 27.9% y/y, reflecting lower yields and a 21.5% drop in interest-earning assets, which compressed NIMs by 310bps. Non-funded income rose 75.0% y/y, buoyed by FX-driven trading gains and strong fee growth, but could not offset the weaker NII. Operating expenses rose 22.7% y/y, lifting the cost-to-income ratio to 45.5%, while pre-tax profit slipped 2.6% y/y and net profit fell 11.5% y/y. The balance sheet remains defensive, with investment securities down 24.2% and loans contracting 13.1% y/y, highlighting conservative risk appetite amid tighter liquidity. Asset quality improved, as the NPL ratio declined to 21.8% in September 2025 (from 30.7% a year ago), aided by recoveries and FX translation effects. Capital adequacy remains strong at 23.2%, comfortably above regulatory thresholds. Despite SCB’s solid capital and improving asset quality, we believe the current market price is well ahead of fundamentals. The current price embeds overly optimistic earnings expectations at a time when spreads remain compressed and cost pressures persist. We view our “Reduce” rating as a “take-profit” call, recognizing near-term downside while maintaining confidence in SCB’s long-term resilience. A more constructive stance would depend on a sustained rebound in net interest margins, improved loan growth, and moderation in cost escalation.

9M2025 Earnings Update: Sharp Margin Compression and Weak Asset Growth Drag Profitability

Standard Chartered Bank Ghana (SCB) released its 9M2025 results on 31 October 2025, reporting a modest performance marked by steep margin pressure, rising costs, and sluggish asset growth, resulting in an 11.5% y/y decline in net profit to GHS 508.6mn about 2.1% below our forecast. Net interest income plunged 27.9% y/y to GHS 775.1mn, reflecting a 27.8% contraction in interest income amid lower market yields and a sharp 21.5% fall in interest-earning assets. Though interest expense dropped 27.4% y/y, the fall in income outpaced funding relief, compressing net interest margins by 310bps y/y to 9.1%. The trend underscores persistent pressure on spreads as liquidity constraints from the elevated CRR limit banks’ balance sheet flexibility. Non-funded income was the key stabilizer, rising 75.0% y/y to GHS 614.2mn, driven by a 102.5% surge in trading income and a 35.4% lift in fees and commissions, supported by higher transaction volumes. Trading income benefited mainly from increased FX trading gains, reflecting improved market liquidity and higher client activity. Other operating income also rose sharply by 567.6%, adding modestly to topline resilience. As a result, total operating income dipped only 2.6% y/y to GHS 1.39bn despite the sharp NII drop. Operating expenses climbed 22.7% y/y to GHS 632.5mn, pushing the cost-to-income ratio to 45.5%, up 930bps y/y. Credit costs normalised, with impairment charges reversing from a GHS 91.6mn charge in 9M2024 to a write-back of GHS 36.0mn, reflecting more conservative provisioning after last year’s one-off write offs and improved recoveries. The weaker income and higher costs led to a 2.6% y/y decline in pre-tax profit to GHS 793.1mn, while net profit fell 11.5% y/y following a 18.8% increase in income tax. Return on average equity dropped to 28.9% (from 49.4%), mirroring the profitability squeeze. On the balance sheet, total assets contracted 3.4% y/y to GHS 16.6bn, with investment securities down 24.2% and loans and advances down 13.1% to GHS 2.0bn, reflecting a defensive stance and cedi appreciation effects. Customer deposits also declined 4.8% y/y to GHS 12.7bn, but liquidity buffers remained healthy, supported by strong cash positions. Asset quality improved meaningfully, as the NPL ratio fell to 21.8% from 30.7%, aided by recoveries and cautious lending. Capital adequacy strengthened to 23.2% (from 18.3%), positioning SCB well ahead of regulatory minimums. Overall, SCB’s 9M2025 results reflect a profitability slowdown driven by margin compression and elevated costs, partially cushioned by strong non-funded income and FX-driven trading gains. Looking ahead, sustaining earnings will depend on restoring balance sheet momentum, tight cost management, and stabilising margins in a high-liquidity-absorption environment.

Performance: Margin Compression and Slower Growth Weigh on Profitability.

Income and Margin Performance

- Net interest income declined 27.9% y/y to GHS 775.1mn.
- Net interest margin compressed 310bps y/y to 9.1%.
- Non-interest revenue rose 75.0% y/y to GHS 614.2mn.
- Net fees and commissions increased 35.4% y/y to GHS 229.3mn.
- Net trading income more than doubled (+102.5% y/y) to GHS 360.2mn.
- Total operating income declined 2.6% y/y to GHS 1.39bn.

Cost and Risk Management

- Impairment charge reversed to a GHS 36.0mn write-back, compared to a GHS 91.6mn loss in 9M2024.
- Operating expenses surged 22.7% y/y to GHS 632.5mn.
- Cost-to-income ratio rose to 45.5% (from 36.2% in 9M2024).

Profitability and Balance Sheet Dynamics

- Profit before tax declined 2.6% y/y to GHS 793.1mn.
- Profit after tax fell 11.5% y/y to GHS 508.6mn.
- Total assets contracted 3.4% y/y to GHS 16.5bn.
- Customer deposits decreased 4.8% y/y to GHS 12.7bn.
- Loans and advances fell 13.1% y/y to GHS 2.0bn.
- Loan-to-deposit ratio dipped to 16.1% (from 17.6%).

Asset Quality and Capital Solvency

- NPL ratio improved to 21.8% (from 30.7%).
- Capital adequacy ratio rose to 23.2% (from 18.3%).

Investment Thesis

Near-term Outlook: SCB's fundamentals remain solid, underpinned by strong capital buffers, disciplined risk management, and a resilient corporate franchise. Yet, with regulatory tightening on FX positions, modest loan growth prospects, and margin compression, earnings growth is likely to remain subdued in the near term. The case for "taking profit" persists until a clearer recovery in core income and lending momentum materializes.

Policy Easing to Support Margins and Loan Growth, But Recovery Will Be Gradual

- We expect further monetary easing as inflation moderates toward the midpoint of Bank of Ghana's target of 6.0% – 10.0% (9.4% in September 2025) and the policy rate declines from 21.5% by end-2025. A lower real policy rate (currently 12.1%) should reduce funding costs and stimulate credit demand. For SCB, this environment may stabilise net interest margins after the steep 27.9% y/y drop in NII recorded in 9M2025. However, given the continued contraction in loans (-13.1% y/y) and cautious risk appetite, the rebound in core income is likely to be gradual rather than sharp. The recovery path will hinge on disciplined loan deployment and measured balance sheet expansion as macro conditions improve.

Non-Funded Income to Remain the Key Earnings Driver Despite Regulatory Friction

- With treasury yields expected to moderate and government debt issuance resuming in 4Q2025, we expect SCB's strong trading desk to continue to benefit from fixed income market activity. Nonetheless, the Bank of Ghana's new net open position (NOP) directive could temper FX trading gains, which were a major contributor to the 102.5% y/y surge in trading income in 9M2025. Even so, the BoG's continued FX market interventions will sustain liquidity and provide trading opportunities. Transaction-led income, supported by SCB's deep corporate relationships and global network, will remain the key topline driver through 2026, even as margin-based income normalises.

Asset Quality to Strengthen Further Amid Macroeconomic Stability

- The improving inflation and interest rate outlook, combined with stable currency conditions, supports continued NPL improvement. SCB's NPL ratio fell from 30.7% to 21.8% in 9M2025, aided by recoveries and FX revaluation effects. With macro stability improving and key sectors such as manufacturing and commerce gradually regaining traction, we foresee further asset quality gains. We expect SCB to sustain a conservative credit stance in view of the BoG's 10.0% NPL target by end-2026, balancing loan clean-up with selective new lending. This focus on credit quality should reinforce capital strength (CAR: 23.2%) and reduce volatility in earnings.

Capital and Liquidity Strength Provide Cushion, But Limit Earnings Upside

- SCB's robust capital base and ample liquidity position it well to benefit from declining yields and potential re-entry into government securities at lower risk. However, much of this liquidity is likely to be deployed into low-yield treasuries rather than aggressive lending, which limits short-term profitability. While easing inflation should cap cost growth, operating leverage gains will remain limited as topline momentum stays soft. Overall, we believe SCB's capital base supports stability, but earnings upside remains capped. The bank's fundamentals are sound, yet the market valuation still looks high relative to its near-term earnings potential.

Valuation & Recommendation: **REDUCE**

- Our REDUCE rating is based on our weighted average fair value of GHS 24.8 per share, representing a downside of 14.7%, using the weighted average prices from our dividend discount (DDM), residual income (RI) and relative valuation models.
- SCB trades at a TTM P/E of 6.0x and P/B of 1.6x.

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