

## Standard Chartered Bank Ghana Plc FY2025 Results

Ghana | 18 March 2026

Current rating: **SELL**

Current Price: **GHS 79.41** | Current Fair Value: **GHS 59.94** | Downside: **24.5%**

### Boosted Earnings, But Fundamentals Still Trail

#### Rating Summary:

We update our rating on Standard Chartered Bank Ghana PLC (SCB) to “SELL”, following an upward revision of our fair value to GHS 59.94 per share. This remains below the current market price of GHS 79.41, implying a downside of 24.5%. The upward adjustment reflects a lower risk-free rate of 11.55%, down from 15.6% at 9M2025, driven by compressed yields on restructured domestic bonds. We have transitioned from CAPM to a Build-Up approach, using the average of 3-year and 5-year bond yields plus a 5.0% risk premium, given the lack of statistical robustness in observed equity betas. We also refined our relative valuation by narrowing the peer group to a more comparable subset, enhancing the integrity of our multi-factor linear regression P/B model and improving market-implied alignment. Despite these methodological refinements and the higher fair value estimate, the stock remains overvalued relative to underlying fundamentals. SCB's FY2025 earnings edged our forecast by 4.6%, but the quality of earnings remains weak, driven largely by trading income, impairment gains and lower taxes rather than core operations. Net interest income declined by 28.5% y/y, while the balance sheet remained defensive, with loan book contraction amid elevated NPLs and a continued tilt toward government securities. That said, we acknowledge SCB's strong underlying franchise, solid capital position, and capacity for earnings recovery as core conditions normalise. However, at current levels, valuation appears stretched, and our SELL recommendation reflects an opportunity to take advantage of the strong technical momentum in the market, rather than a deterioration in long-term fundamentals.

#### FY2025 Earnings Update: Tailwinds Lift Earnings, But the Core Still Lags

Standard Chartered Bank Ghana (SCB) released its FY2025 results on 16 March 2026, reporting a 12.3% y/y increase in profit after tax to GHS 804.2mn, about 4.6% above our forecast. Despite the improvement in bottom-line performance, earnings growth was largely supported by a sharp expansion in non-funded income, which rose 108.1% y/y to GHS 838.9mn, driven primarily by trading income. This helped offset a significant 28.5% y/y decline in net interest income to GHS 1.0bn, reflecting continued pressure on core earnings. Although interest expense declined by 35.6% y/y, the reduction in funding costs was outpaced by the drop in interest income, resulting in a 215bps y/y compression in net interest margins to 16.8%. The trend highlights persistent margin strain, driven by cash drag from elevated CRR requirements, compressed treasury yields, and a shrinking loan book. Trading income was largely underpinned by increased FX trading gains, reflecting improved market liquidity and stronger client activity. Total operating income rose 8.9% y/y to GHS 1.9bn, supported by the strong non-funded income performance. However, operating expenses increased by 20.1% y/y to GHS 872.0mn, reflecting sustained cost pressures and weighing on efficiency. Consequently, the cost-to-income ratio deteriorated by 690bps y/y to 45.9%. Credit costs provided some relief, with the Bank recording a net impairment gain of GHS 37.5mn, reversing from a loss of GHS 80.9mn in FY2024, driven by recoveries and more conservative provisioning in prior periods. On the balance sheet, growth remained selective. Net loans and advances contracted by 18.1% y/y to GHS 1.9bn, reflecting cedi appreciation effects and continued portfolio rationalisation, while investment securities grew by 10.0% y/y, indicating a sustained preference for government instruments over private sector lending. Customer deposits increased by 9.3% y/y to GHS 12.4bn, resulting in a loan-to-deposit ratio of 15.3%, significantly below optimal levels and reinforcing cash drag pressures under the elevated CRR regime. Asset quality weakened marginally, with the NPL ratio rising to 25.8% from 24.8% in FY2024, while capital buffers strengthened, with CAR improving to 27.5% from 24.0%, well above regulatory requirements. Overall, SCB's FY2025 results reflect resilient headline profitability, supported by strong trading income and impairment recoveries. However, the sharp contraction in net interest income, rising cost base, and mild deterioration in asset quality continue to weigh on the strength and sustainability of underlying earnings.

Performance: Non-Funded Income Drives Earnings Amid Core Weakness.

#### Income and Margin Performance

- Net interest income declined 28.5% y/y to GHS 1.0bn.
- Net interest margin compressed 215bps y/y to 16.8%.
- Non-interest revenue rose 108.1% y/y to GHS 6838.9mn.
- Net fees and commissions increased by 6.2% y/y to GHS 269.0mn.
- Net trading income surged 271.5% y/y, totaling GHS 555.1mn for the period.
- Total operating income increased by 2.0% y/y to GHS 1.8bn.

#### Cost and Risk Management

- Net impairment recorded a GHS 37.5mn write-back, reversing an GHS 80.9mn loss in FY2024.
- Operating expenses rose 20.1% y/y to GHS 872.0mn.
- Cost-to-income ratio increased to 45.9% (from 39.0% in FY2024).

## Profitability and Balance Sheet Dynamics

- Profit before tax increased modestly, supported by non-funded income and impairment gains.
- Profit after tax rose 12.3% y/y to GHS 804.2mn.
- Total assets showed limited growth, reflecting a cautious balance sheet stance.
- Customer deposits grew 9.3% y/y to GHS 12.4bn.
- Loans and advances declined 18.1% y/y to GHS 1.9bn.
- Loan-to-deposit ratio fell to 15.3%, reflecting weak credit expansion and elevated liquidity buffers.

## Asset Quality and Capital Solvency

- NPL ratio increased to 25.8% (from 24.8% at FY2024).
- Capital adequacy ratio strengthened to 27.5% (from 24.0% at FY2024).

## Investment Thesis

**Near-term Outlook:** Execution-Driven Recovery in a Lower Yield Environment.

### Balance Sheet Clean-Up to Unlock Lending Capacity

- We expect SCB to accelerate loan write-offs in 2026 to align with the Bank of Ghana's directive to reduce NPLs to 10% by end-2026. While we do not expect these actions to materially impair the net loan position, barring any under-provisioning, we view the write-offs as a necessary step to reset the balance sheet. More importantly, the clean-up will create room for renewed loan growth, particularly as declining interest rates begin to stimulate credit demand. With macro stability improving and risk conditions easing, we expect asset quality to strengthen, supported by recoveries and more disciplined underwriting.

### Loan Growth Becomes Non-Negotiable as Yield Support Fades

- The shift to a lower interest rate environment removes the high-yield cushion previously provided by treasury and open market operation (OMO) instruments. As securities reprice downward, asset yields will compress further, placing pressure on margins. In this context, we believe balance sheet conservatism becomes a constraint. We thus expect SCB to gradually expand its loan book, with medium-term growth of  $\approx 20\%$ , as a rebuild in funded income becomes essential to revive topline momentum. We believe that limited success in deploying assets into higher-yielding loans will result in continued earnings drag, as excess liquidity remains parked in low-yield government securities.

### Earnings Mix to Shift Toward Core and Transactional Income

- While we expect non-funded income, particularly trading revenue, to remain supportive, especially with a potential government return to the bond market, such gains are typically volatile and non-recurring. We do not view them as a reliable earnings base. Instead, sustainable profitability will require rebalancing toward recurring funded income, complemented by steady growth in fees and transaction-based revenues. In our opinion, transaction banking, digital channels, and SME flows will benefit from improving economic activity, providing a more stable support layer to medium-term earnings.

### Execution Risks Persist Despite a Supportive Macro Backdrop

- Although easing inflation should, in theory, moderate cost pressures, external risks such as energy-driven inflation stemming from geopolitical tensions, could limit operating leverage gains. At the same time, the lower Ghana reference rate (currently 11.74%) should support a pickup in enterprise lending but are likely to compress margins as loan yields reprice downward faster than funding costs, requiring disciplined pricing and asset allocation. Ultimately, we believe SCB's strong capital and liquidity position provides a solid foundation, but performance in FY2026 will remain vulnerable to execution risk specifically, the ability to expand the loan book, maintain pricing discipline, and efficiently deploy liquidity.

We perceive a credible but execution-dependent path to earnings recovery in 2026. The bank must actively sweat its balance sheet harder, by deploying idle capital more efficiently and rebuild core income streams. Until this transition is evident, we believe earnings upside remains constrained despite a fundamentally sound franchise.

## Valuation & Recommendation: **SELL**

- We assign a SELL rating on SCB based on our weighted average fair value estimate of GHS 59.94 per share, representing a 24.5% downside potential from the current market price of GHS 79.41. The valuation is derived from the weighted averages of our Residual Income (RI), and Relative Valuation models. We perceive heightened downside risk in the near term, given the bank's own balance sheet limitations, interest rate declines, and execution uncertainty, and therefore maintain a cautious stance.
- SCB trades at a TTM P/E of 13.3x and P/B of 3.8x.

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