

Standard Chartered Bank Ghana Plc 1Q2026 Results

Ghana | 07 May 2026

Current rating: **SELL**

Current Price: **GHS 71.38** | Current Fair Value: **GHS 47.95** | Downside: **32.8%**

The Bottom Line Saved by the Cost Line

Standard Chartered Bank Ghana (SCB) released its 1Q2026 results on 30 April 2026, reporting a marginal 0.4% y/y decline in profit after tax to GHS 175.4mn, despite a strong 36.1% y/y increase in profit before tax to GHS 263.2mn. The deviation between pre-tax and bottom-line performance was driven by a sharp 408.6% y/y surge in income tax, which absorbed much of the earnings uplift. This net earnings outturn trailed our forecasts by 12.5%, owing to lower-than-expected net interest income performance.

At the top line, interest income fell by 10.1% y/y to GHS 217.6mn, as compressed interest rates drove a 40bps y/y contraction in net interest margin to 2.5%, despite a 32bps reduction in cost of funds to 0.3%. Non-interest income provided meaningful support, growing 20.6% y/y, largely on the back of a 97.4% y/y surge in net trading income. Total operating income consequently rose modestly by 2.6% y/y to GHS 424.5mn, with non-interest income the primary driver of that growth. As it relates to costs, operating expenses declined 2.8% y/y to GHS 210.3mn, supported by a more favourable FX environment and contained cost growth. This drove a 278bps improvement in the cost-to-income ratio to 49.5%, reflecting tighter cost discipline and improved operating efficiency. Credit costs provided a significant boost to earnings, with the bank recording a net impairment write-back of GHS 48.9mn, representing a 1,373.6% y/y swing and driving the cost of risk to zero. On the balance sheet, net loans and advances declined sharply by 21.8% y/y to GHS 1.8bn, reinforcing the bank's cautious stance amid elevated credit risk. Investment securities expanded by 22.5% y/y to GHS 4.3bn, indicating a continued shift toward lower-risk government instruments. Customer deposits grew 13.6% y/y to GHS 12.7bn, further suppressing the loan-to-deposit ratio to 14.3% and highlighting persistent liquidity drag. Total assets increased 10.9% y/y to GHS 17.3bn, while shareholders' funds rose strongly by 31.7% y/y to GHS 3.0bn, supporting capital adequacy. Asset quality remains a key point of stress, with the NPL ratio climbing 286bps y/y to 27.0%, underscoring ongoing pressure in the loan portfolio and constraining risk appetite. Capital buffers nonetheless remain solid, with CAR at 25.2%, albeit marginally lower by 32bps y/y.

Overall, SCB's 1Q2026 results reinforce the structural theme of constrained core earnings. While non-funded income growth, cost discipline, and impairment write-backs supported headline profitability, the continued contraction in the loan book, margin compression, and elevated NPL levels limit earnings quality and sustainability. A meaningful recovery in profitability will depend on sustained NPL resolution and a tilt toward risk asset growth, without which earnings will remain reliant on volatile non-funded income streams and episodic credit reversals.

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

Income and Margin Performance

- Net interest income declined by 10.1% y/y to GHS 217.6mn.
- Net interest margin compressed by 0.4pp y/y to 2.5%.
- Non-interest revenue rose by 20.6% y/y to GHS 206.9mn.
- Net fees and commissions decreased by 27.6% y/y to GHS 58.5mn.
- Net trading income surged by 97.4% y/y, totaling GHS 153.6 million for the period.
- Total operating income increased by 2.6% y/y to GHS 424.5mn.

Cost and Risk Management

- Net impairment recorded a GHS 48.9mn write-back, reversing a GHS 3.8mn loss in 1Q2025.
- Operating expenses fell 2.8% y/y to GHS 210.3mn.
- Cost-to-income ratio decreased to 49.5% (from 52.3% in 1Q2025).

Profitability and Balance Sheet Dynamics

- Profit before tax increased to GHS 263.2mn, supported by non-funded income and strong impairment gains.
- Profit after tax declined marginally by 0.4% y/y to GHS 175.4mn.
- Total assets expanded by 10.9% to GHS 17.3bn supported by expansion in investment securities.
- Customer deposits grew by 13.6% y/y to GHS 12.7bn.
- Loans and advances contracted by 21.8% y/y to GHS 1.8bn.
- Loan-to-deposit ratio fell to 14.3%, reflecting weak credit expansion.

Asset Quality and Capital Solvency

- NPL ratio increased to 27.0% (from 24.2% in 1Q2025).
- Capital adequacy ratio declined marginally to 25.2% (from 25.5% in 1Q2025).

Investment Thesis

Cushioned, Not Recovered: Earnings on Life Support

We believe SCB's 1Q2026 performance reinforces a fragile earnings structure, where profitability is being cushioned by impairment write-backs and cost containment rather than core revenue strength. Non-funded income remains the primary support. However, the quality of that support is narrowing. Fees and commissions declined during the quarter, leaving trading income as the sole driver of non-interest revenue growth. In our view, this is not sufficient to sustain earnings momentum. For profitability to stabilise, fees and commissions must re-emerge as a meaningful contributor, particularly as we anticipate improving macro conditions and economic activity would translate into higher transaction volumes. On funded income, we do not expect a near-term recovery. Interest income is unlikely to lead earnings in 2026, given the combined effect of compressed interest rates and a deliberate contraction in the loan book. When this is viewed alongside the elevated NPL ratio of 27.0%, we believe management will remain cautious on credit expansion. This means that balance sheet defensiveness will persist until asset quality improves materially. At current levels, the bank would need a significant clean-up of its loan book to align with the Bank of Ghana's 10.0% NPL benchmark, which further delays any meaningful re-risking of the balance sheet. Liquidity dynamics also remain a structural constraint. A loan-to-deposit ratio of 14.3% implies excess liquidity, which, under the current cash reserve ratio (CRR) regime, continues to drive cash drag and suppress asset yields. This reinforces the margin compression story and limits the bank's ability to generate funded income even as funding costs decline. We expect trading income to remain supportive in the near term, particularly with improved activity in the bond market. However, this income line is inherently volatile and cannot anchor a sustainable earnings recovery. On costs, we expect discipline to hold, supported by a stable currency and a low inflation environment, which should help preserve operating efficiency gains.

Overall, we believe earnings will remain under pressure in the near term. A durable recovery is contingent on a gradual shift back toward higher-yielding assets, which in turn depends on meaningful progress in NPL resolution. Until the bank can stabilise asset quality and re-accelerate lending, we expect profitability to remain limited, despite continued support from non-interest income.

Valuation & Recommendation: **SELL**

- Our SELL rating is based on our weighted average fair value of GHS 47.95 per share, representing a downside of 32.8%, 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 12.0x and P/B of 3.2x.

Analyst:

Kwabena A. Obeng: +233 30 825 0051

For further information, please contact our Insights Team. T: 233 308-250051 | Email: insights@ic.africa

Disclaimer:

This report is designed to be utilized by qualified institutional and professional investors only. Private investors must consult their investment adviser or broker for professional advice before seeking to act on the contents of this report. This advice has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. IC Securities' investment research reports are provided for informational purposes only. All information provided in this report is the intellectual property of IC Securities, is for the use of intended recipients only, and may not be reproduced in any form whatsoever without the express written consent of IC Securities. Descriptions are not intended to be complete and cannot be guaranteed to be accurate; therefore, IC Securities does not assume any legal liability or responsibility for any inaccuracies or misrepresentations contained in this report. Neither IC Securities nor its management, officers or employees accept responsibility or liability for, or make any representation, statement or expression of opinion or warranty, express or implied, with respect to the accuracy or completeness of the information or any oral communication in connection therewith. There may be regulatory or confidentiality obligations which prevent IC Securities from disclosing information, material or otherwise, which would normally be expected to be included in this report. The price of any securities stated in this report is the reported market price as of the date indicated, taken from sources IC Securities believes to be reliable. IC Securities does not represent that this price may be achieved in any transaction. Due to the inherently illiquid and relatively opaque nature of most of the Firm's coverage markets, any price stated in this report may not reflect the true trading price of the security referenced. This document does not constitute an offer by, or on behalf of IC Securities to enter into any transaction with you and will not form the basis of a contract for any such transactions. This report does not constitute an offer to sell or solicitation of a purchase order in respect of any securities, derivative or other instrument by the Firm.

