Standard Chartered Bank Ghana Plc 1H2026 Results

Ghana | 06 August 2026

Current rating: **SELL**

Current Price: **GHS 70.0 | Current Fair Value: GHS 46.29 | Downside: 33.9%**

Bottom-Line Resilience Masks Weak Core Earnings

Standard Chartered Bank Ghana (SCB) reported a 10.3% y/y increase in 1H2026 profit after tax to GHS 320.0mn, despite weaker core operating performance. The divergence between pre-tax and net earnings was largely driven by a significant improvement in impairment gains, alongside a 32.3% y/y decline in income tax expense, which absorbed much of the earnings shock. Consequently, net earnings exceeded our forecast by 2.6%. Top-line performance remained under pressure, with interest income declining 25.0% y/y to GHS 445.3mn as the lower interest rate environment compressed the net interest margin (NIM) by 219bps y/y to 4.6%. Although interest expense declined by 7.7% y/y, resulting in a modest 4bps reduction in funding cost to 0.5%, this was insufficient to offset the decline in asset yields. Non-interest income provided only limited support, rising 1.3% y/y, primarily driven by an 11.4% y/y increase in net trading income. Naturally, total operating income fell 14.8% y/y to GHS 798.4mn, with the contraction in net interest income accounting for most of the decline. Cost performance remained relatively contained, with operating expenses increasing by just 1.1% y/y to GHS 423.0mn, supported by easing inflationary pressures and a more favourable foreign exchange environment. However, the weaker revenue base resulted in an 835bps y/y deterioration in the cost-to-income ratio to 53.0%, reflecting reduced operating efficiency. Credit costs provided a substantial boost to earnings, as the bank recorded a net impairment write-back of GHS 56.7mn, representing a 189.7% y/y swing and effectively driving the cost of risk to negligible levels. Together with the lower tax charge, these one-off factors largely explain the resilience in bottom-line despite weaker operating income. On the balance sheet, net loans and advances expanded by 17.0% y/y to GHS 2.3bn, reflecting a measured shift towards higher-yielding risk assets to support future revenue generation despite elevated non-performing loans. Investment securities declined 16.2% y/y to GHS 3.4bn, suggesting a continued reallocation away from government securities towards higher-yielding assets. Customer deposits grew 7.6% y/y to GHS 11.6bn, maintaining a stable funding base. Although the loan-to-deposit ratio increased marginally to 19.9%, it remained low relative to peer average, highlighting persistent excess liquidity. Total assets increased 15.5% y/y to GHS 16.6bn, while shareholders' funds rose a strong 26.3% y/y to GHS 3.1bn, reinforcing the bank's capital position. Capital adequacy remained robust, with the capital adequacy ratio (CAR) at 32.0%, comfortably above regulatory requirements. Nonetheless, asset quality continued to deteriorate, with the non-performing loan (NPL) ratio rising 528bps y/y to 23.5%, underscoring sustained stress within the loan portfolio and potentially constraining future risk appetite.

Overall, despite beating our bottom-line forecast modestly, we view SCB's 1H2026 performance as unsustainable due to continued pressure on its core earnings base. The sharp decline in interest income remained the principal drag on earnings, while the modest improvement in non-interest income was insufficient to offset the weakness in net interest income. Although expense growth remained well contained, lower revenues drove a deterioration in operating efficiency. Profit growth was therefore supported primarily by impairment recoveries and a lower effective tax charge rather than stronger underlying operating performance.

1H2026 Financial Highlights: Mixed Performance.

Income and Margin Performance

- Net interest income declined by 27.1% y/y to GHS 387.7mn.
- Net interest margin compressed by 2.19pp y/y to 4.6%.
- Non-interest revenue rose by 1.3% y/y to GHS 410.7mn.
- Net fees and commissions decreased by 13.9% y/y to GHS 127.2mn.
- Net trading income surged by 11.4% y/y, to GHS 291.2mn.
- Total operating income fell by 14.8% y/y to GHS 798.4mn.

Cost and Risk Management

- Net impairment recorded a GHS 56.7mn write-back, reversing a GHS 63.2mn loss in 1H2025.
- Operating expenses increased modestly by 1.1% y/y to GHS 423.0mn.
- Cost-to-income ratio worsened to 53.0% from 44.6% in 1H2025.

Profitability and Balance Sheet Dynamics

- Profit before tax decreased to GHS 432.1mn, reflecting weaker operating income.
- Profit after tax grew by 10.3% y/y to GHS 320.0mn.
- Total assets expanded by 15.5% to GHS 16.6bn.
- Customer deposits grew by 7.6% y/y to GHS 11.6bn.
- Loans and advances expanded by 17.0% y/y to GHS 2.3bn.
- Loan-to-deposit ratio increased marginally by 1.6pp to 19.9%.

Asset Quality and Capital Solvency

- NPL ratio increased to 23.5% (from 18.2% in 1H2025).
- Capital adequacy ratio increased marginally to 32.0% (from 30.0% in 1H2025).

Investment Thesis

A Gradual Recovery Path, But Core Earnings Remain Constrained

Revenue Outlook

- We believe SCB's earnings outlook remains challenging, with sustained pressure on core operating income likely to persist through the remainder of 2026. We do not anticipate a meaningful recovery in funded income in the near term, as we expect the prevailing lower interest rate environment, coupled with a relatively small loan book and a cautious lending stance, to keep net interest income under pressure. However, we acknowledge that the improvement in Ghana's sovereign credit outlook provides a more supportive operating environment for SCB Ghana. Following the sovereign default, the bank's parent had classified the subsidiary within a lower credit risk category, which constrained its ability to originate new business. With Ghana's credit profile improving, management indicated that there is now greater capacity to pursue growth opportunities, particularly for clients with appropriate risk mitigation structures.
- We expect non-funded income to play a more prominent role in supporting revenue growth. Management highlighted plans to strengthen fee and commission income through increased digital adoption, fintech partnerships, and enhanced customer propositions. We anticipate that improving macroeconomic conditions and stronger economic activity should translate into higher transaction volumes, supporting a gradual recovery in fees and commissions. While trading income should remain supportive, we believe a broader recovery in transaction-based revenues will be necessary to deliver a more durable improvement in total operating income.

Balance Sheet & Asset Quality

- We expect management to prioritise loan book quality over aggressive balance sheet expansion, given the continued deterioration in asset quality and the need to align the NPL ratio with the Bank of Ghana's 10.0% regulatory threshold by end-2026. This is likely to delay a more aggressive re-risking of the balance sheet despite SCB's strong capital position and liquidity buffers.
- Nonetheless, management indicated that risk appetite is gradually returning, although lending decisions will remain highly selective and assessed on a case-by-case basis. We expect the bank to focus on higher-quality borrowers and selectively incentivise clients with stronger credit profiles to increase borrowing, supporting measured loan growth. The current lower interest rate environment is also encouraging demand for capital expenditure financing, which could provide opportunities for targeted loan expansion. However, we expect management to remain disciplined given the elevated NPL levels and the need to preserve balance sheet quality.

Cost & Capital Outlook

- We expect management to maintain disciplined cost control, supported by a stable exchange rate environment and easing inflationary pressures, which should help contain operating expense growth. However, we believe meaningful improvements in operating efficiency will ultimately depend on stronger revenue generation rather than further cost compression.
- We expect the lower 20.0% cash reserve requirement (CRR) - relative to the pre-June 2026 requirement of 25% - to have a limited impact on SCB's risk appetite given its modest loan-to-deposit ratio amid selective lending opportunities. That said, we believe the regulatory requirement to keep cash reserves in local currency even for foreign currency deposits will continue to require additional cedi reserves and offset the perceived cash release from the CRR adjustment. In our opinion, the bank's continued focus on digital migration, with a target of maintaining 70-80% of customer operations through its mobile platform, would also support efficiency gains over time.
- Overall, we believe SCB's strong capital and liquidity profile will remain a key source of resilience, although a sustained improvement in earnings will depend on stronger non-funded income generation, stabilisation in interest income, and measurable progress in improving asset quality.

Valuation & Recommendation: SELL

- Our SELL rating is based on our weighted average fair value of GHS 46.29 per share, representing a downside of 33.9%, 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 11.3x and P/B of 3.0x. In our view the stock is currently trading ahead of its fair value.

Key Risk

We are closely monitoring Standard Chartered Bank Ghana's proposed sale of its Wealth and Retail Banking business, as the announcement provides limited details and key aspects of the potential transaction remain uncertain. Until further information is disclosed, we anticipate that investors will exercise caution when trading the company's shares, as the transaction's impact on the company's valuation, earnings, and prospects cannot yet be reliably assessed.

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