Standard Chartered Bank Ghana Plc FY2024 Results

Ghana | 02 April 2025

Current rating **UNDER REVIEW**

Current Price: **GHS 26.0**

Silver Lining Amidst Turmoil

Standard Chartered Bank (SCB) released its audited FY2024 results on 28th March 2025, reporting a 12.6% y/y decline in profit-after-tax to GHS 716.1mn despite growth in both interest and non-interest income. The drop was primarily driven by a 21.0% surge in operating expenses and a transition from impairment gains to a loss of GHS 138.9mn, a 154.7% y/y reversal which contributed to a 20.3% decline in profit-before-tax to GHS 1.0bn. Although net interest income increased by 10.9% y/y to GHS 1.4bn, it fell short of the remarkable 56% y/y growth recorded in 2023. This was largely due to a significant contraction in investment securities to GHS 3.7bn (-45% y/y) as the bank sought to minimize exposure to sovereign securities. Furthermore, despite a 17.3% y/y expansion in its loan portfolio, SCB has been strategically trimming its loan book throughout 2024 to mitigate non-performing loans, resulting in a 2.0% q/q decline and ultimately yielding a 20.4% loan-to-deposit ratio. The NPL ratio improved significantly from 30.7% in 9M2024 to 24.8% in FY2024, reflecting better asset quality management. CAR (with regulatory forbearance) also climbed from 18.3% in 9M2024 to 24.0% in FY2024, representing a 5.8pp q/q increase. Overall, SCB made progress in asset quality improvement and capital strengthening but faced profitability pressures due to rising costs and impairment losses.

Performance: Rising costs and impairments curb profitability, but asset quality improves.

- After-tax-profit fell by 12.6% y/y to GHS 716.1mn, driven by higher operating costs and impairment pressures.
- Net interest income rose by 10.9% y/y to GHS 1.4bn, limited by a 27.8% y/y surge in interest expense versus a 12.7% y/y rise in interest income. The sluggish rise in interest income was occasioned by a sharp contraction in investment securities (-45% y/y) and a modest loan book expansion (+17.3% y/y).
- Non-interest revenue increased modestly by 6.9% y/y to GHS 403.2mn, held back by a steep 78.7% y/y decline in other operating income and a mild 5.9% y/y growth in net trading income. Persistent FX supply constraints and reduced trading activities dampened transaction volumes, adding pressure to pre-impairment income.
- Impairments worsened by 154.7% y/y from a gain of GHS 253.9mn in 2023 to a loss of GHS 138.9mn, owing difficulties faced by the private sector.
- SCB's operating expenses shot up by 21.0% y/y to GHS 704.1mn on account of high inflation, leading to a cost-to-income ratio of 39.0% as growth in cost outpaced growth in operating income.
- Net loans and advances rose modestly by 17.3% y/y to GHS 2.3bn, while investment securities contracted sharply by 45.0% y/y, reflecting SCB's strategic shift from lower-risk investments to reducing exposure to sovereign securities.
- The bank's NPL ratio decreased by 6.0pp q/q to 24.8%, down from 30.7% as of 9M2024, indicating an improvement in the bank's asset quality.
- Additionally, SCB's CAR increased by 5.8pp q/q to 24.0%, positioning the bank to continue dividend distribution in 2025, as it did in 2024.

Outlook: Prudent management and capital strength to support cautious outlook

- We are concerned about SCB's FY2024 earnings performance. The 12.6% y/y decline in earnings is worrying, but our primary concern lies with rising costs, particularly interest expense, operating expenses, and impairments eroding revenue and curtailing profitability. However, we anticipate our projected disinflation in 2025 to mitigate the impact of these cost pressures.
- Net fees and commissions grew by 34.2% y/y in 2024, and we expect this momentum to continue in 2025 as economic activity picks up with disinflation. However, the MPC's 100bp rate hike to 28.0% and introduction of a longer-dated instrument for tighter liquidity control (the 273-day OMO Bill) could hinder economic expansion as liquidity constraints and tighter credit stance discourage borrowing and weigh on transaction volumes.
- Given the bank's high NPL ratio, we do not anticipate aggressive loan book expansion. We expect SCB to adopt a cautious approach, focusing on asset quality improvement, capital preservation, and prudent loan portfolio management amid a complex economic environment characterized by high policy rates, elevated credit risks and declining treasury rates.
- Also, we do not expect an aggressive push for low-cost deposits as a counter to the Cash Reserve Ratio (CRR) requirements, given the bank's strong liquidity. This notwithstanding, the Bank of Ghana has indicated ongoing review of the current structure of the CRR to assess the broader impact on liquidity conditions and financial intermediation in the Ghanaian economy. A favourable review will ease the stress on cost of funds and operation for banks.
- Despite the decline in FY2024 earnings, SCB's CAR improved, supported by writebacks on investment securities. We are confident that SCB will continue distributing dividend without compromising its capital position.

Key risks

Rising costs, macroeconomic risk, high NPL's, and regulatory changes.

Valuation: Under Review

- SCB is trading at a P/B of 1.3x and we intend to release our rating on the stock soon.

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