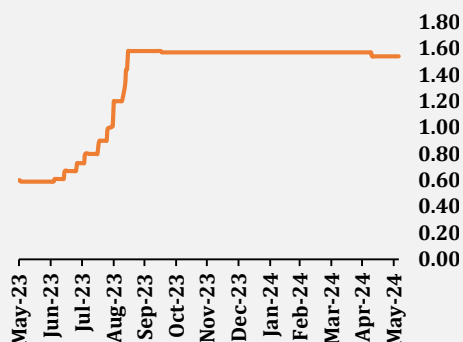




Ticker Information

GSE Code:	SOGEGH
Issued Shares:	709.14Mn
52-week high:	GHS 1.58
52-week low:	GHS 0.59

Price Trend (Last 12 Months)



Last	1M	3M	6M	12M
Change	1.91%	1.91%	1.91%	156.6%

Analysts

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Recommendation	Current Price	Target Price
BUY	GHS 1.54	GHS 1.93

Summary

- **Societe Generale Ghana met investor expectations to record profitability across its income lines in 2023.** An impressive 290.0% y/y growth in net profit to GHS 424.80Mn throughout 2023 was observed. The expansion in revenue was propelled by elevated interest rates and well controlled cost of risk. On the balance sheet, an increase in both loans and deposits was observed. Net Interest Margins widened to 11.0% on account of higher yields on interest earning assets.
- **The bank's SME business witnessed a double-digit growth of 54% compared to a growth of 44% in 2022.** This is a testament to the Banks commitment to the Ghanaian economy, especially the SME sector and women led businesses.

Key Highlights

- **Resilient Core Banking Performance:** Net Interest Income surged 67.0% y/y to GHS 873.41Mn propelled by organic loan demand growth accentuated by a loan campaign which saw the significant reduction of loan rates while non-funded income grew 32% y/y to GHS 364.4Mn. The income mix tilted in favor of net interest income in the proportion 71:24:5 relative to other income and commission and fees income. The average yield on interest earning assets paced up 2.5bps y/y to 13.0% - reflecting higher investment returns whereas the cost of funds increased 100bps y/y to 4.0% owing to the rising interest-rate environment. Consequently, net interest margin widened remarkably by 200bps y/y to 11.0%. The bank posted an ROE and ROA of 28.0% and 5.0% respectively.
- **Pressurized Asset Quality:** Gross Non-Performing Loans (NPLs) increased significantly by 86.0% y/y to GHS 911.74Bn driving a 607bps y/y jump in the NPL ratio to 19.55%. 3 due to general repayment challenges from borrowers, reflecting the impact of macroeconomic challenges in 2022. In response, management raised credit impairment provisions by 42.7% y/y, demonstrating its cautious approach amidst considerable macroeconomic uncertainty. This invariably raised the cost of risk by 50bps y/y to 2.8%.



Balance Sheet Dynamics

Customer deposits grew 20.0% y/y to GHS 5.09Bn supporting the 29.0% y/y loan book expansion to GHS 3.99Bn. Total assets grew to GHS 8.53Bn with loans to customers making up 47% of total assets. Furthermore, it's noteworthy that two-thirds of these loans were to corporate loans, while one-third were retail loans. In response to the attractive yields on government bills in 2023, the bank increased its allocation in government securities by 126.0% y/y to GHS 1.80Bn.

Enhanced Efficiency

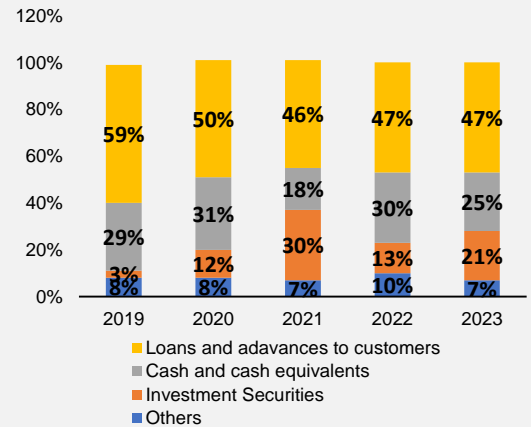
The Cost-to-Income ratio declined 500bps y/y to 39.0% attributable to the stronger double-digit growth of operating income by 54.0% y/y to GHS 1.23Bn. The bank's efficiency ratio also reduced to 42% y/y placing the bank at ideal efficiency levels.

Outlook: We anticipate the lender's long-term growth will be propelled by growth in wholesale and retail propositions as well as the introduction of mortgage to its product offerings cushioned by innovative digital banking solutions. We expect treasury to continue to grow trading income by increased trading volumes and market share. The lender will also continue on the trajectory of growing its business with SMEs with the view to increasing its fees and commission income with less capital, however, we remain concerned about looming asset quality pressures which may emerge from the turbulent economic environment.

Recommendation

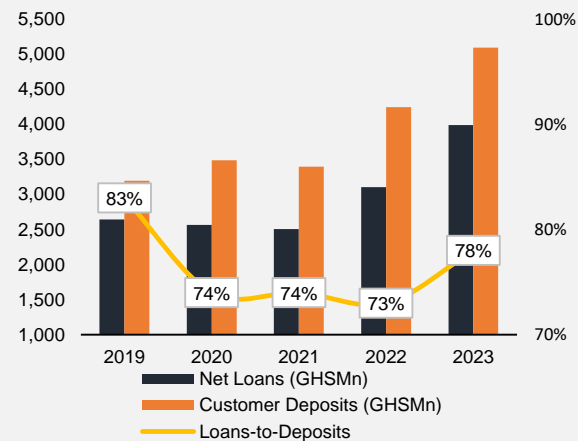
We recommend a BUY on Societe Generale Ghana on account of its resilient return on equity momentum and promising revenue growth prospects. At the current market price, the stock is trading at P/E ratio of 2.9x and a P/B ratio of 0.7x. Our one-year target price for SOGEGH currently stands at GHS 1.93 per share representing a 25% upside potential from current levels.

Loans & Advances dominates financial assets



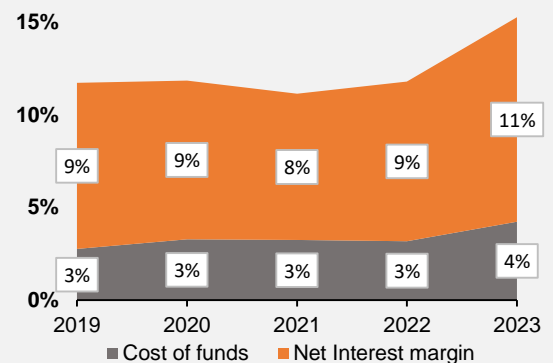
Source: SBL Research, SGGH Annual Report 2023

Growing Customer Deposits



Source: SBL Research, SGGH Annual Report 2023

Improved Net Interest Margin



Source: SBL Research, SGGH Annual Report 2023



Income Statement (GHS)	FY'19	FY'20	FY'21	FY'22	FY'23
Net Interest Income	365,813,700	405,211,968	401,002,512	524,566,553	873,408,665
Net non-interest Income	143,242,556	143,733,685	235,291,541	277,015,430	364,420,678
Total Operating Income	509,056,256	548,945,653	636,294,053	801,581,983	1,237,829,343
Provision for Impairment	(54,922,666)	(33,349,574)	(33,407,581)	(284,737,040)	(99,213,609)
Total Operating Expenses	(277,442,240)	(293,966,044)	(320,919,773)	(348,460,626)	(477,026,494)
Profit before Tax	176,691,350	221,630,035	281,966,699	168,348,317	661,589,240
Profit after Tax	128,542,186	154,208,915	184,329,633	108,839,926	424,802,981
EPS (Annual)	0.180	0.217	0.260	0.153	0.599
DPS	0.09	0.114	0.068	0.000	0.000

Balance Sheet (GHS)	FY'19	FY'20	FY'21	FY'22	FY'23
Government Securities	83,104,992	427,587,822	1,383,955,004	796,556,383	1,800,220,862
Loans and Advances	2,643,394,001	2,562,706,675	2,504,366,677	3,102,993,067	3,987,842,023
Total Assets	4,443,909,209	5,115,206,352	5,437,022,119	6,595,836,103	8,529,826,553
Customer Deposits	3,169,705,971	3,481,343,321	3,391,140,683	4,239,568,200	5,087,136,276
Total Liabilities	3,641,947,778	4,189,611,463	4,408,456,782	5,507,198,278	7,016,823,673
Shareholder's Funds	801,961,431	925,594,889	1,028,565,337	1,088,637,825	1,513,002,880

Ratio Analysis	FY'19	FY'20	FY'21	FY'22	FY'23
Spreads Analysis					
Cost of Funds	3%	3%	3%	3%	4%
Net Interest Margin	9%	9%	8%	9%	11%
ROE	16%	17%	18%	10%	28%
ROA	3%	3%	3%	2%	5%

Operating Efficiency	FY'19	FY'20	FY'21	FY'22	FY'23
Cost to Income Less	55%	54%	50%	43%	39%
Loan to Deposit Ratio	83%	74%	74%	73%	78%

Asset Quality	FY'19	FY'20	FY'21	FY'22	FY'23
NPL Ratio	8.8%	6.7%	7.6%	13.5%	19.6%
Cost of Risk	9.6%	8.2%	9.3%	14.0%	13.6%

Capital Adequacy	FY'19	FY'20	FY'21	FY'22	FY'23
Capital Adequacy ratio	15.1%	20.8%	22.4%	16.0%	18.7%
Liquidity ratio	64.6%	88.3%	108.8%	88.4%	105.5%

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