

Societe Generale Ghana Plc 1Q2023 Results

Current rating **UNDER REVIEW**

Ghana | 1 May 2023

Achieving growth on all fronts

Societe Generale Ghana Plc (SOGEGH) published its unaudited 1Q2023 results last week on Friday, reporting a 2-fold increase in profit after tax to GHS 73.5mn on the back of strong growth in funded and non-funded income. Asset quality issues lingered in 1Q2023 with the bank's NPLs ratio inching up to 14.9% from 13.5% in FY2022 amidst a GHS 149.6mn increase in the stock of net loans and advances.

Performance: Earnings skyrocket on strong revenue outturn

- Profit after tax grew by 132.2% y/y to GHS 73.5mn on account of a solid growth in interest and non-interest income
- Net interest income increased by 75.9% y/y to GHS 187.7mn, driven by 78.9% y/y rise in interest income notwithstanding the 90.6% y/y increase in interest expense
- Non-funded income grew by 124.6% y/y to GHS 122.7mn, propelled by robust growth in net fees and commission income and trading income
- The bank's operating expenses grew by 45.4% y/y to GHS 134.7mn. SOGEGH's cost-to-income ratio improved to 43.5% (-14.1pp y/y) as growth in operating income overshoot the rise in costs.
- Asset quality issues persisted, with the bank's NPL ratio rising to 14.9% in 1Q2023 from 13.5% in FY2022. SOGEGH's CAR improved marginally to 14.2% from FY2022 13.95%.

Outlook: It is mostly smooth sailing for SOGEGH here and out.

- SOGEGH's recent results have somewhat put our concerns about the impact of the Domestic Debt Exchange on the bank's solvency to rest as the bank's CAR saw some improvement in 1Q2023 with regulatory reliefs in full effect.
- The bank moved to shore up its portfolio of investment securities by GHS 1.4bn in 1Q2023, which explains the strong increase in interest income and the improvement in net interest margin.
- In our previous update on SOGEGH, we anticipated margin compression amidst the sharp decline in yields for Treasury bill in March 2023. However, we revise this position as the downturn in yields was short-lived in April 2023. Consequently, we anticipate further improvement in the bank's topline performance in the near-term, hinged on the strong growth in investment securities.
- In line with our expectations, SOGEGH's inflows from forex trading in addition to inflows from transactional banking remained strong in 1Q2023 and we expect this to persist in the subsequent quarters.
- The uptick in the NPL ratio in 1Q2023 coupled with the rise in the cost of risk point to lingering asset quality issues. Overall, we expect pre-impairment income to remain robust to absorb further increases in the cost of risk.

Valuation: Under Review

- SOGEGH is trading at a P/BV of 0.4x and we intend to release our rating on the stock soon.

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