Societe Generale Ghana Plc FY2024 Results

Current rating **UNDER REVIEW**

Current Price: **GHS 1.5**

Ghana | 07 March 2025

Earnings Surge: Cost Efficiency and Asset Quality Drive Growth

Societe Generale Ghana Plc (SOGEGH) published its audited FY2024 financial results on 03 March 2025, delivering a strong performance with a 29.8% y/y increase in earnings to GHS 551.3mn. The FY2024 profit outturn effectively doubled its nine-month earnings of GHS 276.9mn and underscored a strong fourth-quarter performance. The bank's earnings momentum was fueled by a 28.6% y/y growth in net interest income to GHS 1.1bn and a 17.0% y/y rise in pre-impairment income to GHS 1.5bn. Cost efficiency played a critical role in this performance, with operating expenses rising modestly by 7.7% y/y to GHS 513.9mn, driving the cost-to-income ratio down to 35.0% from 39.0% in FY2023. Despite the resilient revenue growth, non-interest income declined by 8.8% y/y to GHS 332.5mn, weighed down by a 42.1% y/y slump in net trading income due to lower transaction volumes amidst the limited FX supply in 9M2024. Asset quality improved as the NPL ratio declined to 16.6% from 19.6% in FY2023, substantially below the industry average of 21.8%, supported by enhanced credit risk management. Meanwhile, the Capital Adequacy Ratio (CAR) strengthened to 19.8% (+1.1pp y/y), well above the regulatory requirement and the industry average of 14.0%. SOGEGH also expanded its loan book by 25.7% y/y to GHS 5.0bn, bringing its loan-to-deposit ratio to 80.6%. Customer deposits rose by 22.3% y/y to GHS 6.2bn, reflecting intensified deposit mobilization efforts. Corporate lending remained the largest segment, with 57.0% of total loans allocated to transport, storage, and communication sectors. The bank faced a regulatory fine of GHS 330,000 due to Anti-Money Laundering (AML) breaches. Overall, SOGEGH's FY2024 performance reflects a solid growth trajectory, underpinned by strong revenue generation, disciplined cost management, and improving asset quality. With a strategic focus on digital transformation, longstanding focus on expanding credit portfolio, and prudent risk management, the bank is well-positioned to sustain earnings growth and enhance shareholder value in the coming years.

FY2024 Performance: Revenue Growth and Cost Efficiency Drive Earnings

- Net interest income rose by 28.6% y/y to GHS 1.1bn, driving overall earnings growth.
- Non-interest income declined by 8.8% y/y to GHS 332.5mn, mainly due to a 42.1% drop in net trading income.
- Pre-impairment income increased by 17.6% y/y to GHS 1.5bn, supported by strong growth in net interest income.
- Impairment charge on financial assets rose 4.1% y/y to GHS 103.3mn, highlighting persistent credit risks. This also reflects the banks high loan-to-deposit ratio (LDR) which stood at 80.6% as of FY2024.
- Cost of funds declined by 0.3pp to 3.7%, benefiting from a 42.1% y/y reduction in borrowings.
- Operating expenses grew modestly by 7.7% y/y to GHS 513.9mn, improving cost efficiency.
- Profit-after-tax expanded 29.8% y/y to GHS 551.3mn, aided by revenue growth and cost control.
- Net loans and advances increased 25.7% y/y to GHS 5.0bn, reflecting strong loan book expansion.
- Investment securities (non-trading assets), however, fell sharply by 56.6% y/y to GHS 780.9mn, reflecting management's effort to reduce SOGEGH's exposure to treasury securities.
- Customer deposits surged 22.3% y/y to GHS 6.2bn, bolstered by intensified deposit mobilization.
- NPL ratio declined by 2.9pp y/y to 16.6%, indicating improving asset quality.
- CAR improved by 1.1pp y/y to 19.8%, strengthening the bank's capacity to take advantage of emerging opportunities in the real sector.

Outlook: Strengthening Capital, Managing Risk, and Driving Digital Growth

- We expect SOGEGH to continue to expand its loan portfolio cautiously, balancing growth with credit risk management amid persistent NPL challenges in the banking sector. As the bank remains committed to reducing exposure to treasury securities, we expect corporate lending to remain the primary driver of loan book expansion.

- With our projected moderation in inflationary pressures, we expect SOGEGH to maintain disciplined cost management to sustain earnings growth. Consequently, we expect the bank's cost-to-income ratio to improve further, enhancing profitability.

- Although CAR remains well above regulatory limits, we expect the bank to strengthen its capital reserves to sustain long-term growth, boost investor confidence, and position the bank to resume dividend distribution in the near future.

- We anticipate SOGEGH will harness its digital transformation agenda to diversify revenue streams and enhance operational efficiency. With rising smartphone penetration and a shift toward digital banking, we view these trends as catalysts for enhancing non-funded income—particularly through net fees and commissions—as transaction volumes grow. Moreover, we are confident that the ongoing economic recovery and disinflation will drive mobile payments and fuel transaction growth, ultimately reversing the non-funded income decline recorded in FY2024.
- We anticipate the bank prioritize managing asset quality despite the improved NPL ratio as loan growth accelerates. Furthermore, we are of the view that it will fortify its credit risk framework to proactively mitigate potential downside risks, particularly given its relatively high LDR compared to its peers.

Key risks

- Credit risk, macroeconomic risk, changes in regulatory and tax policy environment, and strategic decision of shareholders.

Valuation: Under Review

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

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