



Societe Generale Ghana PLC FY2025 Results

Ghana | 09 March 2026

Current rating: **SELL**

Current Price: **GHS 11.4** | Current Fair Value: **GHS 7.96** | Downside: **30.2%**

Defensive Realignment: Strengthening the Core Amidst Volatile Earnings

Rating Summary:

We update our rating on SOGEGH to “SELL” despite an upward revision of our fair value to GHS 7.96 per share, which keeps the valuation below the current market price of GHS 11.4, implying a downside of 30.2%. The upward adjustment in fair value reflects a lower risk-free rate of 11.55%, down from 15.6% at 9M2025, driven by declining yields on restructured domestic bonds. We transitioned from CAPM to a Build-Up approach, averaging 3-year and 5-year bond yields plus a 5.0% risk premium, as observed equity betas lacked statistical robustness. We also refined our relative valuation, narrowing the peer group to enhance the integrity of our multi-factor P/B model. Despite these methodological improvements, the stock remains fundamentally overvalued, particularly following a disappointing FY2025 performance. While SOGEGH remains a sound franchise, supported by strong capital buffers, improving asset quality, and a resilient funding base, we believe the current market price aggressively front-runs the projected recovery. The bank's earnings trajectory does not justify this premium, given lingering uncertainty regarding cost normalisation, yield compression, and non-interest income volatility. While we view SOGEGH as a stable long-term income play, the near-term risk-reward balance appears unfavorable and suggests a downside risk to the current share price. We expect a correction and advise awaiting a more compelling entry point as the earnings recovery becomes more firmly established.

FY2025 Earnings Review: Profit Contraction Amid Cost Surge and Weak Non-Interest Income

Societe Generale Ghana PLC (SOGEGH) released its FY2025 results on 27 February 2026, reporting a 28.0% y/y decline in profit after tax to GHS 397.0mn, which trailed our expectations and pushed EPS down by 28.0% to GHS 0.56. The earnings contraction was driven primarily by weaker non-interest income and a sharp escalation in operating costs, which more than offset modest growth in core interest income. Net interest income increased 5.7% y/y to GHS 1.2bn, though this fell 8.0% short of our forecast as yields on interest-earning assets compressed during the year. Despite this pressure, net interest margin (NIM) expanded by 75bps to 20.1%, supported by improved funding cost management and balance sheet repricing. Credit costs provided some support to the bottom line, as the bank recorded an impairment reversal of GHS 33.6mn, compared with a GHS 103.3mn charge in FY2024, reflecting improved recoveries and better loan performance. However, non-interest income declined sharply by 49.3% y/y to GHS 168.6mn, largely due to a reversal in other operating income, which swung 120.8% y/y to a loss of GHS 40.9mn. This result reflects a GHS 60.6mn FX loss, a stark contrast to the GHS 49.1mn gain recorded in the prior year, highlighting the impact the regulators October 2025 directive which tightened the USD Net Open Position (NOP) limit from $\pm 5\%$ to a restrictive 0% to -10%. This forced the bank to unwind long USD positions during a period of Cedi appreciation, crystallizing FX losses and curbing trading income, a clear trade-off between regulatory compliance and short-term earnings momentum. Operating pressures intensified as total operating expenses rose 50.8% y/y to GHS 774.9mn, driven mainly by a surge in other operating expenses, particularly IT support services, which increased significantly from GHS 58.7mn to GHS 217.7mn (+271.2% y/y). Consequently, pre-impairment income declined by 6.8% y/y to GHS 1.4bn, while the cost-to-income ratio increased by 21.8pp to 57.1%, indicating a notable deterioration in operating efficiency. As a result, profit before tax fell 26.7% y/y to GHS 614.8mn, coming 43.4% below our forecast. On the balance sheet, net loans and advances declined 10.4% y/y to GHS 4.5bn, partly reflecting the impact of Cedi appreciation as well as deliberate portfolio clean-up. Despite the contraction in the loan book, SOGEGH maintained a relatively high loan-to-deposit ratio (LDR) of 76.9%, underscoring continued loan deployment and a sustained focus on maintaining a productive asset base. At the same time, the bank reallocated capital toward lower-risk assets, with investment securities increasing by 92.7% y/y to GHS 1.5bn, reflecting a more defensive balance sheet stance and diversification of income-generating assets. Customer deposits declined by 6.1% y/y to GHS 5.8bn, largely reflecting currency valuation effects rather than a structural weakening in funding. Balance sheet quality improved during the period, with the NPL ratio declining by 3.5pp to 13.1%, while the capital adequacy ratio (CAR) strengthened by 4.1pp to 23.9%, demonstrating strong capital resilience and improved risk absorption capacity.

Overall, we are disappointed with SOGEGH's FY2025 performance, as the sharp contraction in non-interest income and the significant escalation in operating costs weighed heavily on earnings and drove results well below our expectations. Nonetheless, we continue to view SOGEGH as a stable income and capital preservation play, supported by improving asset quality, robust capital buffers, and prudent balance sheet management. While the current cost pressures and weaker non-core income streams may restrain near-term earnings momentum, the bank's strong capital position and disciplined asset allocation should support a gradual normalisation in profitability and a measured rebuild of risk assets over the medium term.

FY2025 Performance: Cost Surge and FX Losses Drive Profit Decline.

Income and Margin Performance

- Net interest income increased 5.7% y/y to GHS 1.2bn but fell 8.0% short of our forecast due to compression in asset yields.
- Net interest margin (NIM) expanded by 75bps to 20.1%, supported by improved funding cost management and balance sheet repricing.
- Non-interest income declined sharply by 49.3% y/y to GHS 168.6mn, significantly weakening overall revenue growth.
- Other operating income reversed to a loss of GHS 40.9mn, from gains in the prior year.

- The deterioration was largely driven by FX losses of GHS 60.6mn, compared with a GHS 49.1mn gain in FY2024.

Cost and Risk Management

- Total operating expenses surged 50.8% y/y to GHS 774.9mn, significantly outpacing income growth.
- The increase was driven primarily by other operating expenses, particularly IT support services, which rose 271.2% y/y from GHS 58.7mn to GHS 217.7mn.
- Cost-to-income ratio increased sharply by 21.8pp to 57.1%, reflecting a notable deterioration in operating efficiency.
- Credit costs improved materially, with impairment reversals of GHS 33.6mn, compared with a GHS 103.3mn impairment charge in FY2024.

Profitability and Balance Sheet Dynamics

- Profit after tax declined 28.0% y/y to GHS 397.0mn, pushing EPS down 28.0% to GHS 0.56 and falling short of our expectations.
- Pre-impairment income declined 6.8% y/y to GHS 1.4bn, reflecting weaker non-interest income and higher costs.
- Net loans and advances declined 10.4% y/y to GHS 4.5bn, driven by Cedi appreciation and deliberate portfolio clean-up.
- Loan-to-deposit ratio remained relatively high at 76.9%, indicating continued loan deployment.
- Investment securities increased 92.7% y/y to GHS 1.5bn, reflecting a shift toward lower-risk assets and balance sheet diversification.
- Customer deposits declined 6.1% y/y to GHS 5.8bn, largely due to currency valuation effects.

Asset Quality and Capital Solvency

- Asset quality improved, with the NPL ratio declining by 3.5pp to 13.1%.
- Capital adequacy ratio (CAR) strengthened by 4.1pp to 23.9%, reflecting strong capital buffers.
- The improvement highlights enhanced risk absorption capacity and strengthened balance sheet resilience.

Investment Thesis

Improving Macro Backdrop Supports Credit Demand

- We believe Ghana's macro environment has improved materially, creating a more supportive operating backdrop for banks. Inflation has declined significantly to 3.3% in February 2026, the Cedi has stabilised, and economic activity continues to expand. In our view, these conditions should support stronger credit demand as borrowing costs decline and business confidence gradually improves.
- At the same time, we observe that treasury yields across all tenors have declined to below 10.0%, which in our opinion reduces the attractiveness of risk-free assets and will likely encourage banks to reallocate liquidity toward loan creation. We therefore anticipate that credit demand will gradually strengthen as the Ghana Reference Rate (GRR) declines (-16.2 pp y/y to 11.71% in March 2026), improving credit affordability for borrowers.
- For SOGEGH specifically, we believe this environment creates an opportunity to cautiously rebuild its loan book following the portfolio clean-up phase that characterised 2024-2025. However, we also note that the absence of treasury tailwinds means revenue expansion will depend increasingly on core banking activity rather than investment income, which in our view raises execution risk if credit growth does not materialise as expected.

Strategic Shift Toward Commercial Expansion

- We believe SOGEGH is gradually transitioning away from the defensive balance sheet posture adopted in recent years toward a more commercially oriented strategy. In our opinion, the bank's prior portfolio clean-ups appear largely complete, and management now seems focused on pursuing more ambitious commercial and financial objectives.
- We expect this strategic shift to be supported by several internal priorities, including system optimisation, which we anticipate will enhance operational efficiency, customer-centric product development, particularly through digital channels, and a measured expansion in commercial lending, which we believe will serve as the primary engine of balance sheet growth.
- While we recognise the strategic logic behind this transition, we remain cautious. In our view, the bank's loan-to-deposit ratio of 76.9% remains relatively elevated, which limits the scope for aggressive credit expansion without increasing balance sheet risk. Consequently, we expect any shift toward loan growth to remain measured and carefully calibrated. We therefore forecast loan growth at 16.0% in the medium term.

Strong Funding Base and Capital Position Provide Stability

- Despite weaker earnings in FY2025, we believe SOGEGH retains a structurally strong balance sheet, which continues to underpin our medium-term view of the franchise. We note that the bank benefits from a high CASA composition of 85.6%, which in our opinion supports low funding costs and provides resilience in a declining interest rate environment. Corporate deposits also account for 37.6% of the deposit mix, which we believe reinforces funding stability and liquidity depth.
- From a capital perspective, we believe the bank remains well positioned. With a capital adequacy ratio of 23.9%, SOGEGH maintains a significant cushion above regulatory thresholds. In addition, we observe that the declining NPL ratio of 13.1% places the bank on a credible trajectory toward meeting the Bank of Ghana's 10% NPL directive by FY2026.
- However, while these buffers provide comfort, we remain cautious of high vulnerability to asset quality shocks with implications for provisioning and capital buffers. In our view, the combination of a relatively high LDR and a cyclical lending environment means that any deterioration in credit quality could quickly reverse recent asset quality gains.

Diversified Income Channels Offer Long-Term Support

- Although FY2025 earnings were disappointing, we believe the underlying weakness was largely driven by cost escalation and FX-related income volatility, rather than a structural deterioration in the bank's core franchise.
- Looking ahead, we anticipate several revenue channels supporting a gradual earnings recovery. We expect transaction banking and SME flows to benefit from stronger economic activity and higher transaction volumes. In our view, the bank's digital banking ecosystem will continue to scale, providing a structural hedge against interest income cyclicalities. We also anticipate loan processing and related fees to rise as lending activity gradually resumes.
- We note that net trading income recorded strong momentum in FY2025, growing 104.0% y/y, which in our view suggests that treasury and trading operations may remain a supplementary revenue source even in a more stable FX environment.
- Overall, we believe SOGEGH's digital ecosystem and transaction banking platform provide a scalable foundation for long-term growth. However, we expect these strengths to take time to translate into meaningful earnings momentum, particularly as the bank continues to navigate cost pressures.

Regulatory Tailwinds & Ownership Uncertainty Remains a Watchpoint

Potential Parent Divestiture Poses Strategic Uncertainty

- The potential parent divestiture remains a significant market overhang, with the lack of fresh updates clouding the bank's strategic outlook and our near-to-medium-term view. A change in ownership could pivot SOGEGH away from its core lending model toward a more conservative, investment-heavy balance sheet. We are monitoring this closely, as any shift in strategic pillars will pose clear risks to our expected future earnings trajectory for the bank and shareholder value.

Valuation & Recommendation: **SELL**

- We assign a SELL rating on SOGEGH based on our weighted average fair value estimate of GHS 7.96 per share, representing a 30.2% downside potential from the current market price of GHS 11.4. The valuation is derived from the weighted averages of our Dividend Discount, Residual Income (RI), and Relative Valuation models. We perceive a near-term downside for SOGEGH, despite robust fundamentals and a constructive medium-term outlook, and therefore assign a SELL rating.
- SOGEGH is trading at a TTM P/E of 20.4x and P/B of 3.1x.

Key Risks to Our Rating

While the stock offers earnings visibility and capital strength, it is tempered in the near term by ongoing weakness in non-funded income and uncertainty surrounding the Group's potential exit decision. The lack of clarity on this strategic overhang could constrain valuation re-rating despite improving fundamentals.

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