Ecobank Ghana Plc FY2024 Results

Current rating **UNDER REVIEW**

Ghana | 2 April 2025

Current Price: **GHS 6.61**

Rock Solid: EGH Thrives Amid Constraints

Ecobank Ghana Plc (EGH) published its FY2024 audited results on 28th March 2025, delivering a robust performance marked by significant improvements in interest income and profitability. The bank's interest income surged by 37.1% y/y to GHS 4.9bn, driven by solid growth in both loans and advances (+11.4%) and investment securities (+6.8%). Although non-interest income experienced notable declines, the overall earnings were bolstered by a substantial reduction in net impairment charges and the absence of a major modification loss that had impacted FY2023 (GHS 937.8mn), ultimately enhancing the bank's profit margins. Operating expenses increased by 24.7% y/y to GHS 1.9bn, outpacing the 2024 monthly inflation average of 22.9%. This increase pushed the cost-to-income ratio up by 7.9pp y/y to 36.8%, highlighting the importance of continued cost management. Despite this, profit-before-tax soared by 139.3% y/y to GHS 2.4bn, translating into a profit-after-tax of GHS 1.7bn, reflecting a 168.6% increase. The bank's asset quality showed some pressure with the NPL ratio edging up by 1.5pp to 21.1%, though it remained marginally below the industry average of 21.8%. Additionally, the Capital Adequacy Ratio (CAR) improved by 3.5 percentage points y/y to reach 17.2%, highlighting the strength of EGH's capital base. Overall, Ecobank Ghana's performance in FY2024 was solid, driven by strong funded income growth and lower impairment levels. However, the slight increase in the NPL ratio and rising operating expenses suggest that ongoing focus on asset quality and cost efficiency will be essential for sustaining the bank's performance in 2025.

FY2024 Performance: Resilient growth amid revenue shifts while impairments fall

- Profit after tax surged by 168.6% y/y to GHS 1.7bn, beyond our expectations, on the back of strong growth in topline and significant decreases in impairments on financial assets.
- Non-interest revenue declined by 33.7% y/y to GHS 1.6bn owing to a decrease in net trading income to GHS 1.1bn (-43.5% y/y) and 17.0% y/y fall in net fees and commission to GHS 371.0mn.
- Impairment charge on financial assets declined by 43.5% y/y to GHS 1.0bn.
- Operating costs surged above average inflation in FY2024, increasing by 24.7% y/y to GHS 1.9bn to push the cost-to-income ratio up by 7.9pp y/y to 36.8%.
- EGH grew its net loans and advances by 11.4% y/y to GHS 10.6bn, boosting its loan-to-deposit ratio to 32.7% despite exposure to the highest CRR of 25.0%. Meanwhile, investment securities modestly expanded to GHS 11.2bn (+6.8% y/y) as the bank shifts focus from government securities to improve its loan-to-deposit ratio towards a 40.0% target for a lower Cash Reserve Ratio (CRR) requirement and greater asset diversification.
- Asset quality experienced a modest decline, with the NPL ratio rising by 1.5pp y/y to 21.1%, partly due to an elevated credit risk environment in the private sector.
- EGH's CAR increased by 3.5pp y/y to 17.2%, comfortably exceeding the regulatory minimum without relief and positioning the bank to potentially consider dividend distribution.

Outlook: Soaring - Capital strength meets cautious growth in a challenging macro climate

- We expect EGH to intensify efforts to boost non-funded income following the 33.7% y/y decline in FY2024. As falling treasury rates pressure funded income, we expect the bank will prioritize expanding fee-based services such as transaction banking and capitalize on expanding economic activity to offset reliance on interest income.
- EGH's loan-to-deposit ratio remains below 40%, exposing it to a high CRR of 25%. The bank maintains strong liquidity, with 45% of total assets held in cash and cash equivalents. We expect EGH to leverage this liquidity to expand its loan portfolio in 2025. Although we anticipated declining interest rates to boost loan demand, the recent policy rate hike to 28% from 27% and the introduction of a 273-day OMO bill will likely tighten money supply and keep rates elevated, discouraging loan demand. Given the heightened credit risk environment, we remain cautious about the extent of EGH's loan portfolio expansion.
- While FY2024 impairments declined, reflecting robust controls and successful Eurobond impairment resolution, EGH's loan expansion introduces new risks. We anticipate strict underwriting standards and proactive monitoring of capital adequacy to safeguard asset quality.
- Management delivered a healthy CAR of 17.2% in FY2024 via capital retention and full absorption of DDEP losses ahead of the scheduled expiry of regulatory forbearance by end-2025. We expect EGH to pursue growth without constraints, though we anticipate prudence in balancing expansion with capital preservation.

Key risks

- Credit risk, macroeconomic risk, regulatory changes and asset quality risk.

Valuation: Under Review

EGH is trading at a P/B of 0.4x and we intend to re-initiate coverage soon.

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