ECOBANK GHANA PLC 9M2025 Results

Ghana | 31 October 2025

Current rating: **ACCUMULATE**

Current Price: **GHS 14.04 | Current Fair Value: GHS 16.28 | Upside: 16.0%**

Trading Up, Riding Non-Interest Strength

Rating Summary:

We amend our rating on Ecobank Ghana (EGH) from "BUY" to "ACCUMULATE", with a revised fair value of GHS 16.28 per share, implying a 16.0% upside. The upward adjustment in fair value reflects earnings and revenue that exceeded our forecasts by 13.3% and 11.2%, respectively, as well as refinements to our valuation framework including a more statistically robust peer beta and an enhanced multi-factor P/B regression model. However, we believe the near-term upside is limited, prompting the rating revision. EGH's 9M2025 results were supported by strong non-interest income, particularly a 222.2% surge in trading gains, and lower impairments, which offset weaker interest margins. Operating expenses remained broadly flat, sustaining robust operating leverage, while digital initiatives such as EcobankPay continue to provide scalable, low-cost avenues for income diversification in the informal sector. On the balance sheet, total assets grew 19.1% y/y, supported by measured loan growth and stable deposits. The capital adequacy ratio strengthened y/y to 15.18%, providing a comfortable buffer for expansion, despite a q/q softening from 16.9% likely due to dividend payment. Additionally, a balanced LCY/FCY deposit mix and cedi appreciation improved liquidity and the loan-to-deposit ratio (LDR). EGH's corporate banking franchise, backed by the ETI Group, continues to capture regional flows and support cross-border financing. We expect medium-term profitability to remain resilient, driven by non-interest income growth, digital adoption, and disciplined cost management, though elevated NPLs and margin pressures remain key risks.

9M2025 Earnings Update: Riding Non-Interest Gains, Navigating Credit Strains

Ecobank Ghana (EGH) published its 9M2025 results on 30 October 2025, reporting a 45.6% y/y rise in net profit to GHS 1.4bn. The performance was driven by a 222.2% y/y surge in net trading income and a 32.8% y/y decline in impairment charges, which offset the impact of weaker interest margins and subdued fee income. Net interest income declined 13.1% y/y, weighed down by a 49.1% increase in interest expenses. The rise in borrowing, driven by the need to meet CRR requirements tied to LDR adjustments, elevated the interest expense, and compressed both spreads and margins. Operating expenses fell by 9.2% y/y, supporting improved operating leverage. As a result, pre-tax profit rose 40.7% y/y to GHS 2.11bn, reflecting the strength and resilience of non-funded income streams. EGH's performance mirrors an ongoing industry trend in which banks are increasingly relying on trading and fee-based income to counter margin pressure and balance sheet constraints. The balance sheet saw a solid growth in assets but subdued deposit growth. Total assets grew 19.1% y/y to GHS 49.9bn, supported by 18.2% growth in loans which was funded by a 3.6% increase in deposits. Asset quality weakened on a year-on-year basis but improved quarter-on-quarter, with the NPL ratio rising 3.6pp y/y to 20.96% (-3.9pp q/q), signaling year-on-year credit strain despite cautious loan growth. We attribute the q/q decline in the NPL ratio to the resumption of payments to government contractors in 3Q2025, which likely improved performance of the credit portfolio. Capitalisation strengthened y/y, with the CAR improving to 15.18% from 13.03%, providing a buffer for expansion, albeit cautiously as CAR softened by 1.7pp q/q. While non-interest income and cost discipline drove strong headline profitability, the contraction in net interest income and elevated credit risk underscores the need for strategic action to sustain earnings momentum over the medium term. Overall, we view EGH's 9M2025 performance as robust at the top-line, but continued focus on funded income growth and credit quality will be critical for lasting profitability.

9M2025 Performance: Strong momentum sustained as Non-funded Income prevails

Income and Margin Performance

- Net interest income declined by 13.1% y/y to GHS 2.18bn, driven by a 49.1% y/y increase in interest expense.
- Net interest margin (NIM) fell by 190bps y/y to 9.9%.
- Net fee and commission income declined by 8.6% y/y to GHS 446.0mn.
- Non-interest revenue surged by 78.2% y/y to GHS 1.8bn, propelled by a 222.1% y/y surge in net trading income to GHS 1.0bn.
- Pre-impairment income rose by 10.6% y/y to GHS 3.8bn.

Cost and Risk Management

- Operating expenses fell by 9.2% y/y to GHS 1.4bn, supported by disinflation and cedi strength.
- Cost-to-income ratio declined by 829bps y/y to 37.9%.
- Impairment charge on financial assets declined by 32.2% y/y to GHS 221.2mn.

Profitability and Balance Sheet Dynamics

- Profit after tax (PAT) rose by 45.6% y/y to GHS 1.42bn.
- Net loans and advances expanded by 18.2% y/y to GHS 12.12bn.
- Customer deposits grew modestly by 3.6% y/y to GHS 34.5bn, mainly due to the drag from cedi appreciation on foreign currency balances.

- Loan-to-deposit ratio (LDR) stood at 35.1%, reflecting conservative credit deployment and the contraction of foreign balances.
- Investment securities (non-trading) declined by 8.4% y/y to GHS 10.2bn.

Asset Quality and Capital Solvency

- NPL ratio deteriorated by 3.6pp y/y to 21.0%, reflecting elevated credit stress but improved by 3.9pp q/q.
- Capital adequacy ratio (CAR) improved by 2.15pp y/y to 15.2%, above regulatory requirements.

Investment Thesis

Non-Funded Income and Strategic Credit Deployment to Drive Growth

- We expect EGH to continue relying on non-funded income to drive revenue. This follows a 222.2% y/y surge in net trading income (likely FX transactions) and a 38.6% rise in other operating income in 9M2025. These gains offset weaker net interest margins and subdued fee income, underscoring the resilience of the bank's diversified revenue base. We anticipate ongoing economic activity and rising digital volumes will further boost transaction banking and FX-related services, providing a stable buffer against margin pressure.
- At the same time, we expect tactical credit expansion to complement non-funded income growth. With total assets of GHS 49.9bn and a robust liquidity buffer, the bank is well-positioned to pursue measured lending in high-yield, lower-risk segments such as small business lending and trade finance. We anticipate that the favorable policy environment, including a cedi appreciation that improves the loan-to-deposit ratio and the ability to optimise CRR obligations, will create capacity for strategic loan deployment, supporting a recovery in funded income while maintaining prudent risk management.

Funding Stability and Cost Efficiency

- EGH's customer deposits grew modestly by 3.6% y/y to GHS 34.54bn, supported by expansion in local currency balances, while currency translation limited overall growth. We expect deposit mobilisation to remain a key focus, particularly as renewed government bond issuance in 4Q2025 may compete for institutional liquidity. The bank is likely to prioritise stable, low-cost funding, emphasising current and savings accounts, and strengthen transaction banking capabilities. This approach will help defend interest margins and provide flexibility to allocate liquidity efficiently between lending and investment opportunities.
- We anticipate continued cost discipline to support earnings resilience. Operating expenses declined 9.2% y/y to GHS 1.4bn in 9M2025, while easing inflation and cedi appreciation further reduced costs across utilities, logistics, and foreign-denominated services. This creates additional scope for operational efficiency gains and margin support.

Diversified Growth Drivers: Trading, Digital Solutions, and Corporate Banking

- We expect EGH to sustain growth through trading gains, digital innovation, and its Pan-African corporate banking franchise. Anticipated government bond issuance and active FX markets in 4Q2025 should lift trading income, while Ecobank Pay and other digital platforms deepen customer engagement and drive fee-based growth. EGH's regional network continues to underpin corporate banking leadership, supporting cross-border financing and trade flows.

Funding Allocation and Income Diversification

- We expect renewed government debt issuance in 4Q2025 to present both opportunities and trade-offs. Higher-yielding securities could attract part of the bank's liquidity, enhancing trading income but constraining credit expansion. We anticipate EGH will manage this balance strategically, leveraging strong non-funded income and treasury capabilities to optimise returns while maintaining prudent loan growth.

Asset Quality Likely to Improve

- We expect further improvement in asset quality following a 32.2% y/y decline in impairment charges in 9M2025. EGH continues to tighten credit underwriting, while a more stable macro environment, easing inflation, and cedi strength help reduce borrower stress. We anticipate these factors will support sustained improvement in asset quality through 4Q2025.

Valuation & Recommendation: ACCUMULATE

- Our ACCUMULATE rating is based on our weighted average fair value of GHS 16.28 per share, representing a upside of 16.0%, using the weighted average prices from our dividend discount (DDM), residual income (RI) and relative valuation models. While EGH's fundamentals remain solid and medium-term prospects attractive, the limited near-term upside justifies our revised rating.
- EGH is trading at a TTM P/E of 0.9x and P/B of 0.3x.

Key Risks to Our Rating

In our opinion, EGH's earnings resilience and strong balance sheet liquidity underpin a defensible valuation. However, topline momentum remains constrained by interest margin compression and balance sheet contraction. We believe key risks include continued deposit attrition, weak loan growth, and the potential crowding-out impact of government bond issuance.

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