

INSIGHTS | STRATEGY | GHANA

BULLS EYE

**Rebanked & Resilient: Ghana's Banking
Sector Poised for a Re-Rating?**





Senior Analyst, Risk Assets
Adebayo Adedeji
+233 30 825 0051
adebayo.adedeji@ic.africa

IN BRIEF

Banking Sector History and Investment Outlook

- The Ghanaian banking sector is rebounding at an exceptional pace following a tumultuous seven-year period marked by the 2018 sector clean-up and recapitalisation, the COVID-19 pandemic (2020–2021), and the 2022–2023 Domestic Debt Exchange Programme (DDEP) — three crises which severely tested the sector's stability and wiped off millions of cedis of market capitalisation.
- Despite these shocks, listed banks have shown remarkable resilience by strengthening balance sheets, rebuilding capital buffers, and restoring profitability. However, for several years share prices have lagged far behind improving fundamentals, as investor sentiment remained massively subdued, which left valuations deeply depressed at the start of 2025. This low base, combined with strong corporate earnings, improving investor sentiment, and a more stable macroeconomic environment, has fueled an extraordinary rally, with Ghanaian banks returning an average of $\approx 134.1\%$ year-to-date.
- From a macroeconomic perspective, 2025 has been Ghana's strongest year in over a decade. The cedi has appreciated by roughly 35.0% against the dollar, inflation has fallen to 8.0%—within the Bank of Ghana's (BoG) target range—and GDP growth is rebounding toward pre-pandemic levels. As monetary conditions ease, credit growth and funding costs are improving, setting the stage for sustained asset and earnings expansion across the sector.
- Despite this year's exceptional rally, we believe the industry's long-term growth potential — supported by solid fundamentals and a strengthening macroeconomic backdrop — makes valuations compelling, particularly over the next 12 months. The sector currently trades at a median P/B of 0.92x, below the 1.1x level recorded in 2017, even as profitability and balance sheet strength have improved significantly. This valuation disconnect presents meaningful upside potential as sentiment and fundamentals continue to normalise.
- However, risks persist. Net interest margin (NIM) compression and external pressures such as FX volatility and fiscal slippage could weigh on performance in the near term. Nonetheless, the sector's ongoing digitalisation, policy reforms, and earnings diversification continue to reinforce a constructive medium-term view.

Our Call: Overweight GCB and EGH. Underweight SCB

- We are particularly bullish on Ghana Commercial Bank (GCB) and Ecobank Ghana (EGH) — the two largest banks by assets and deposits — as they offer the most captivating opportunities in the near to medium term. Both institutions continue to demonstrate robust earnings momentum, sustained loan book expansion, and material undervaluation versus peers and long-term historical multiples. Supported by improving credit conditions, solid capitalisation, and industry-leading returns, we see upside potential of 15–30% for these two stocks over the next 12 months.
- Conversely, we recommend reducing exposure to Standard Chartered Bank Ghana which appears overvalued relative to future earnings, which have taken a substantial hit in recent years due to its contracting loan book.
- In our view, SCB offers limited upside in a normalising rate environment, while GCB and EGH are better positioned to capture the sector's ongoing recovery and have the potential to re-rate accordingly.

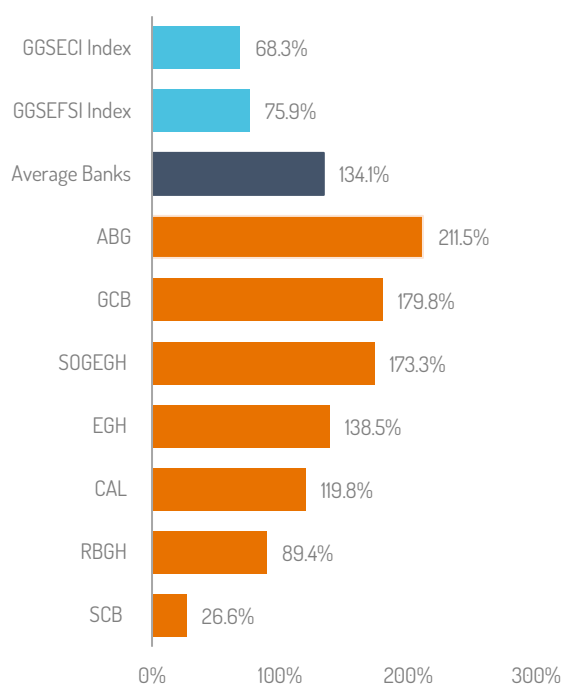
Taking Stock of the Market

Ghanaian banks have delivered an extraordinary rally on the Ghana Stock Exchange (GSE) in 2025. The seven most actively traded listed banks – Ghana Commercial Bank (GCB), Access Bank Ghana (ABG), Ecobank Ghana (EGH), Societe Generale (SOGEGH), CalBank (CAL), Republic Bank (RPB), and Standard Chartered Bank (SCB) – have appreciated by an average of $\approx 134.1\%$ YTD, outpacing both the GSE-CI and GSE-FI, which have risen by $\approx 68\%$ and 76% , respectively. ABG has seen the largest gain this year, rising by $\approx 212\%$, and SCB's $\approx 27\%$ appreciation makes it the worst performing banking stock of the seven. Banking equities performed very well in 2024 as well, with an impressive 31.1% average gain, marking two consecutive years of strong outperformance. Investors are now faced with two critical questions: Is this unprecedented run sustainable and justified? How much further can this go? This report examines that question in depth.

Over the past eight years, Ghana's banking industry has faced several episodes of turbulence—the 2018 banking sector clean-up and recapitalisation, the COVID-19 pandemic (2020–2021), and the 2022–2023 Domestic Debt Exchange Programme (DDEP) shock. Despite these challenges, the sector has shown remarkable resilience, culminating in the impressive equity market performance observed in the past two years.

This report evaluates Ghana's banking sector performance and valuations across three key periods: Pandemic Years (2020–2021), DDEP Years (2022–2023), and the Post-DDEP Recovery Period (2024–Present).

Share Price and Index Performance YTD



Source(s): Bloomberg as of 7 November 2025

Pandemic Years (2020 – 2021)

Macroeconomic and Industry Context

The COVID-19 pandemic years, particularly 2020, were projected to be among the most challenging years for Ghanaian banking, presenting difficulties on multiple fronts. GDP growth slowed to just 0.5% in 2020, as COVID-induced lockdowns and mobility restrictions shut down businesses, stalled economic activity, and impaired borrowers' ability to meet interest and principal obligations. Consequently, it was widely anticipated that banks would see a significant increase in impairment charges, which would weigh on profitability.

In response to the deteriorating economic conditions, the Bank of Ghana cut its policy rate by 250 basis points, from 16% to 13.5% , between December 2019 and September 2021 to support liquidity and stabilise the economy. This, however, would come at a cost: net interest spreads (the difference between average lending and deposit rates) and treasury bill yields narrowed, putting pressure on net interest margins. Additionally, the central bank implemented a raft of additional measures specifically geared towards supporting the banking system. For instance, the Capital Conservation Buffer was reduced from 3.0% to 1.5% . Also, microfinance institutions loan repayments which were past due for 30 days were reclassified as current, supporting short-term perception of strong asset quality.

Despite these headwinds, Ghanaian banks exhibited remarkable operational resilience. Prior technological investments and years of digital transformation allowed customers—both individuals and businesses—to continue accessing banking products and services seamlessly through digital channels. Banks adapted swiftly, deploying remote work models that sustained productivity and client engagement. As a result, deposits continued to expand at double-digit rates, supporting both loan growth and investment in government securities, though the latter grew at a faster pace as banks adopted a more conservative posture.

Implications on Share Prices and Valuations

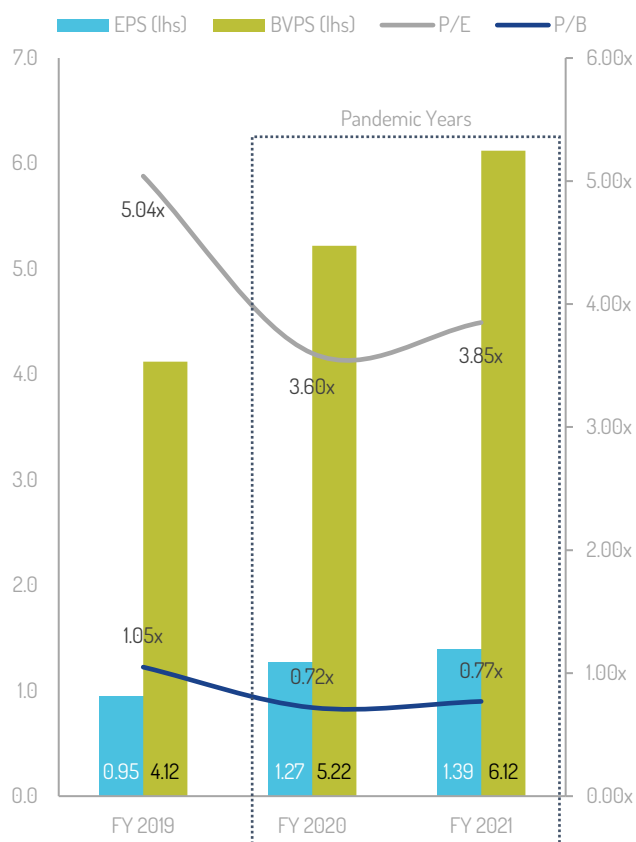
Nevertheless, investor sentiment was understandably very pessimistic during the pandemic, especially as the Bank of Ghana suspended dividend payments to protect banks and customers alike. The GSE's eight listed banks saw their share prices fall by an average of 16.5% in 2020, marking one of the worst performances in years.

Despite the harsh economic environment, earnings and net asset value growth remained surprisingly robust. In 2020, the mean EPS of listed banks rose 33.7% year-on-year, from GHS 0.95 to GHS 1.27 per share, driven by disciplined cost management and resilient revenue streams. Similarly, mean net asset value (NAV) grew 26.8% , from GHS 4.12 to GHS 5.22 per share, underpinned by strong deposit mobilisation and growth in investment securities.

Valuation multiples in 2020 reflected a deep undervaluation and underappreciation of listed banks' solid fundamentals. The median P/E ratio fell from 5.04x in 2019 to 3.60x in 2020, while the median P/B ratio dropped from 1.05x to 0.72x, well below the 3-year historical averages, despite the notable, consistent growth in both earnings and book value. However, the dislocation between strong fundamentals and weak valuations created a clear buying opportunity heading into 2021 – which some investors took.

As lockdowns eased, economic activity began to rebound, and investors started to reprice the improving outlook. In 2021, the eight listed banks recovered impressively, returning +27.3% on average—the third-best annual performance in the period under review. However, this rebound arguably still failed to fully reflect the sector's earnings momentum. Between the end of 2019 and 2021, the mean EPS increased 47% from GHS 0.95 to GHS 1.39, while the cumulative stock return was only $\approx 11.4\%$. Although P/E and P/B multiples modestly rose to 3.9x and 0.8x, respectively, by the end of 2021, banking stocks remained deeply undervalued relative to the pre-pandemic years (2017–2019), when P/E multiples averaged 5.0 – 7.0x and P/B multiples hovered in the 1.0 – 1.4x range, despite lower earnings and book values.

Listed Banks EPS & Book Value Progression (2019–2021)



Source(s): Team Analysis, Bank Annual Reports

DDEP Years (2022 – 2023)

Macroeconomic and Industry Context

The years 2022 and 2023 marked one of the most turbulent economic periods in Ghana's recent history. A combination of post-pandemic fiscal fragility, a rapidly-depreciating cedi, and global inflationary shocks emanating from the Russia-Ukraine war severely strained the West African nation's macroeconomic stability.

To contain surging inflation, which soared to its highest level in over 30 years, the BoG embarked on an aggressive tightening cycle, hiking the Monetary Policy Rate (MPR) by 1,250bps—from 14.5% to 27.0%—the sharpest policy adjustment in decades. Investor confidence collapsed as Ghana's sovereign credit rating was downgraded to junk status, culminating in a sovereign default and a subsequent request for an Extended Credit Facility (ECF) and reforms programme with the International Monetary Fund (IMF). In December 2022, Ghana reached a staff-level agreement with the IMF for a US\$3.0 billion, three-year ECF arrangement. As a prior condition for the IMF programme, the government launched a comprehensive debt restructuring programme which included the Domestic Debt Exchange Programme (DDEP) and external debt restructuring. Under the DDEP, domestic bondholders were required to exchange existing bonds for new ones with lower coupon rates and longer maturities, a move that had a profound impact on the banking sector.

By the end of 2022, investments in Government of Ghana (GoG) securities accounted for $\approx 36\%$ of total banking assets, while net loans represented $\approx 28\%$. Consequently, the DDEP-induced mark-to-market losses and coupon reductions led to significant impairment charges, plunging most banks—except SOGEGH—into losses for the first time in years. The mean impairment charge surged from $\approx 3.3\%$ (2021) to $\approx 6.4\%$ (2022), a nearly doubling of credit losses.

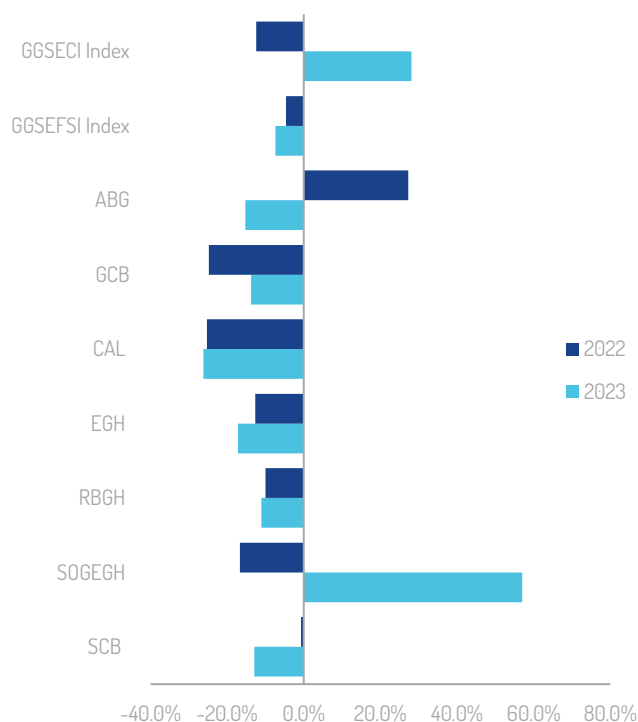
After a tumultuous 2022, the Ghanaian economy showed signs of stabilisation in 2023, though several headwinds persisted. Inflation fell sharply to 23.2% at the end of 2023 from 54.1%, primarily driven by tighter monetary policy, as the BoG hiked its monetary policy rate to 30.0%. Both food and non-food inflation also moderated sharply, supported by favourable harvests and softer energy costs. The cedi depreciated $\approx 28\%$ vs the US dollar – substantial, but a marginal improvement from the 30% depreciation recorded in 2022. Despite the challenging operating environment, 2023 proved to be a year of recovery for the Ghanaian banking industry after an unprofitable 2022. Industry profitability surged, with average industry ROE and ROA rising to 34.1% and 5.4%, respectively – the highest level in over five years. This recovery was bolstered by an incredible 30% growth in assets and elevated yields on interest earning assets. For instance,

the 91-day treasury bill rate and the lending-deposit rate spread stood at 29.4% and 23.3%, respectively – nearly double their levels in 2021.

Implications on Share Prices and Valuations

Banking stocks declined by an average of $\approx 9.0\%$ in 2022, marking the third annual drop in five years as investors fled to safety. Meanwhile, median BPS, which had previously grown at a $\approx 22\%$ CAGR—rising from GHS 3.54 to GHS 7.83 between 2017 and 2021—fell $\approx 25.6\%$ to GHS 4.98 per share as losses eroded retained earnings.

Share Price and Index Performance (2022 – 2023)



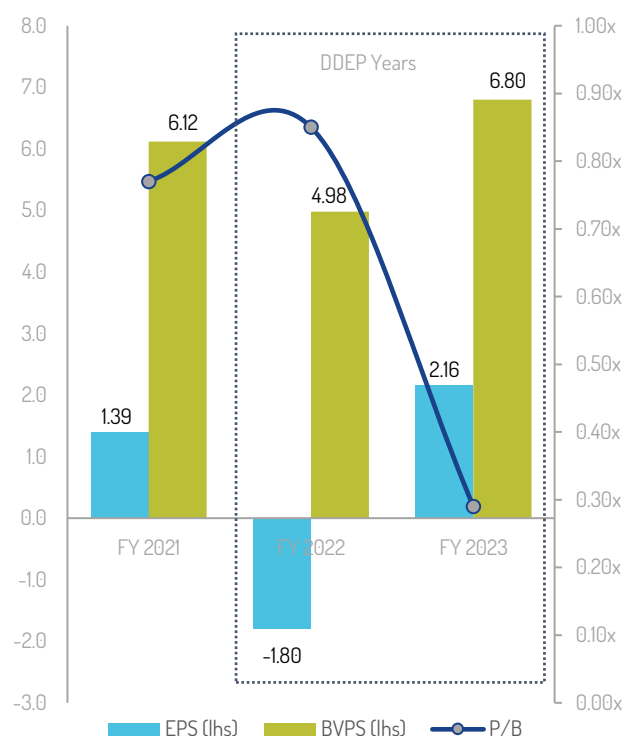
Source(s): Bloomberg

The combination of impaired earnings, reduced asset values, and weak investor confidence pushed valuations to multi-year lows – the median P/B multiple fell to 0.65x, a 21% drop from 2019 levels and P/E plummeted into negative territory as banks recorded net losses. Although the DDEP crises rocked the banking industry, for fundamentally sound banks with robust balance sheets, the price compression of 2022 presented a strategic buying opportunity for diligent investors, especially as fiscal reforms inspired a gradual, turnaround in the macroeconomic picture heading into 2023.

The year 2023 proved to be the beginning of a long-awaited recovery in banking sector share price performance. The median return of the 7 listed banks under review was $\approx 31\%$ – an optically good return. However, from a valuation standpoint, the rally did not fully reflect the substantial improvement in earnings and balance sheet strength between 2022 and 2023. In the period,

mean BPS increased by 36.7% from GHS 4.98 to GHS 6.80, yet the average P/B multiple plummeted to 0.29x. This implies that the market was valuing the average bank at a staggering 71% discount to its book value, highlighting a significant disconnect between fundamentals and market sentiment. In our view, it was precisely this valuation gap, coupled with the sector's improving profitability and capital position, that laid the foundation for the sustained banking sector rally observed over the past two years.

Listed Banks P/E & P/B Progression (2021-2023)



Source(s): Team Analysis, Bank Annual Reports

Post-DDEP Years (2024 – Present)

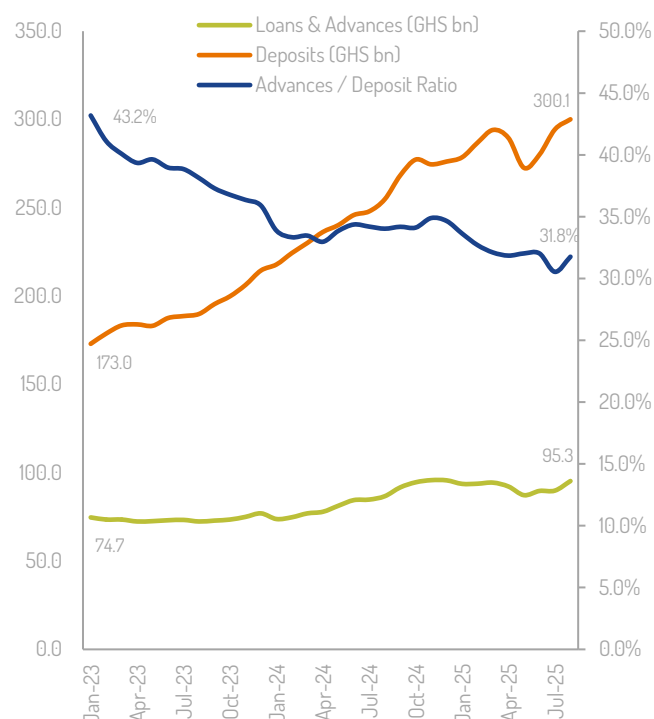
Macroeconomic and Industry Context

In 2024, we witnessed a gradual but notable improvement in key aspects of the Ghanaian macroeconomy, creating a more supportive environment for both the broader economy and the banking sector. Banks increased credit to the private sector, with lending activity edging closer to pre-2022 macroeconomic crisis levels, signaling a cautious but steady return of confidence.

Inflation remained stubbornly sticky, prompting the Bank of Ghana to maintain restrictive monetary policy conditions throughout most of the year. Although the BoG cut the policy rate twice during 2024, its overall stance remained tight. The interbank weighted average rate declined slightly from 30.2% in December 2023 to 27.0% in December 2024, while the average lending rate eased modestly from 33.8% to 30.3% over the same period. These rates remained well above their 10-year averages, reflecting a still-tight financing environment—one that supported higher bank profitability through wider spreads.

The combination of high lending spreads and strong deposit mobilisation fueled loan book expansion, driving profitability and returns higher. Listed banks grew deposits by an average of $\approx 29\%$ between 2023 and 2024, in line with the overall industry trend, while loans and advances expanded by an equally strong 26.2%. Despite this, loan-to-deposit ratios (LDRs) remain relatively low by historical standards, suggesting ample room for future credit expansion.

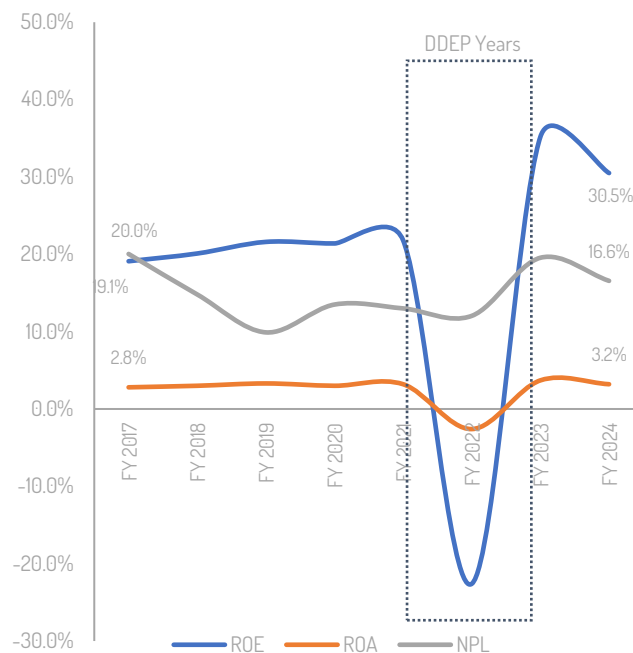
Industry Balance Sheet (Jan 2023 – Aug 2025)



Source(s): Bank of Ghana, Bank Annual Reports

As a result, the median ROE and ROA for listed banks reached 30.5% and 3.2%, respectively—marking the second-best performance in the review period, behind only 2023's exceptional results. Furthermore, listed banks continued to outperform the industry in asset quality, ending the year with a median NPL ratio of 16.6%, notably lower than the broader sector average.

Listed Banks Profitability and Returns (2017 – 2024)



Source(s): Team Analysis, Bank Annual Reports

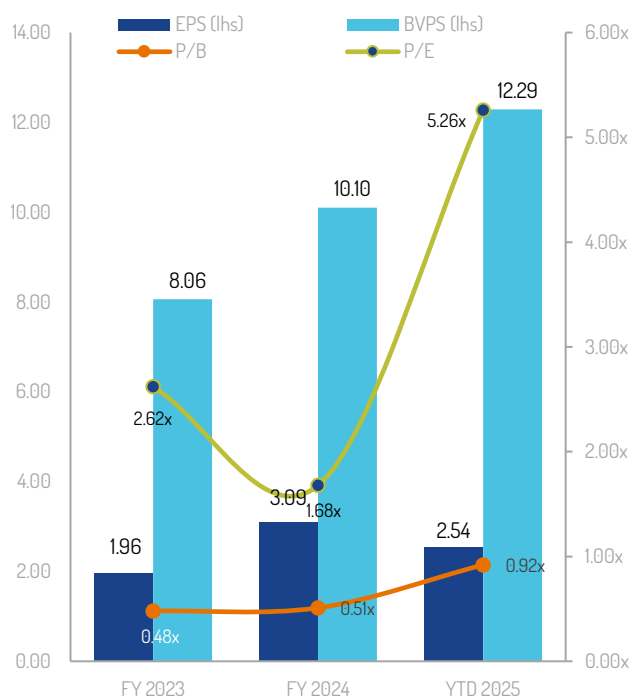
The positive momentum continued into 2025, with the year starting off strongly for most banking stocks. The 1H2025 EPS for several listed banks have surpassed their 1H2024 figures, driven by continued growth in loans to the private sector, lower impairment charges, and robust deposit mobilisation. The resumption of dividend payments for the 2024 financial year (after the DDEP-induced suspension) has also provided an additional tailwind to investor sentiment.

Notably, GCB and Ecobank Ghana—the two largest banks by assets and deposits—have both delivered impressive earnings growth. GCB reported a 9M2025 EPS of GHS 6.53, nearly double its 9M2024 EPS of GHS 3.15, while Ecobank Ghana posted an EPS of GHS 5.85, up $\approx 45\%$ year-on-year.

Implications on Share Price and Valuation

The strong earnings performance and net asset value growth achieved in 2024 left many banking stocks trading at deep discounts to their historical medians at the start of 2025. Between 2023 and 2024, the median EPS surged by $\approx 58\%$, rising from GHS 1.96 per share to GHS 3.09 per share, yet the median P/E multiple fell to 1.68x, compared to 2.62x in 2023—representing a 35% year-on-year valuation discount.

Listed Banks P/E & P/B Progression (2023 – Present)



Source(s): Team Analysis, Bank Annual Reports, Bloomberg

We believe the impressive share price gains of listed banks YTD reflect the market's recognition of how undervalued many banking stocks had become, as well as growing confidence in the sector's recovery and earnings visibility amid improving macroeconomic fundamentals. Currently, listed banks are trading at an average TTM P/E multiple of 4.64x, as the sector has re-rated. However, if banks continue to surpass last year's earnings in 2H2025—as current trends suggest—multiples could once again compress, leaving banking stocks undervalued relative to their growth trajectory and therefore presenting attractive buying opportunities for investors with a medium-term horizon.

The Case for Banking Stocks

Our analysis indicates that the outlook for a majority of the listed banking stocks over the next year is attractive and could see some further re-rating for a few major reasons. In our view, the market has arguably not strongly considered the strength and massive growth of Ghanaian banking in the last decade, as well as its promising future growth potential. Despite its undeniable vulnerabilities, as evidenced by the banking sector crises and the DDEP, we have strong conviction on the industry's trajectory.

1. Strong and Consistent Balance Sheet Growth Will Underpin Higher Earnings

The Ghanaian banking industry has recorded immense growth over the past decade, supported by a rapidly expanding economy, a substantial increase in the "banked" population, and significant

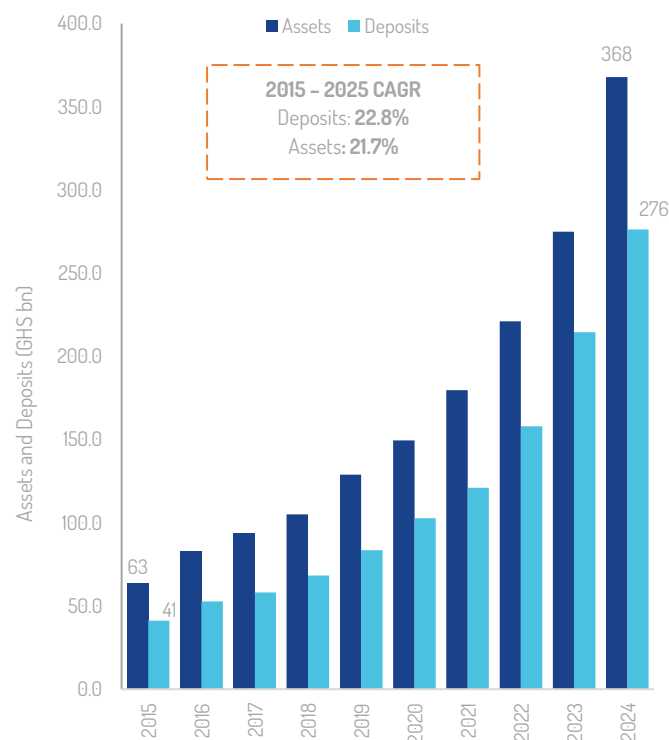
advances in financial technology and digital inclusion. Banks have capitalised on this trend by expanding branch networks, deploying ATMs, running aggressive marketing campaigns, and integrating mobile money operability, allowing customers to seamlessly transfer funds between bank and mobile accounts.

Since 2015, deposits have grown at a 22.8% CAGR, soaring from GHS 41 billion to GHS 300 billion, driven by exceptional deposit mobilisation. Total banking assets also expanded at a robust CAGR of 21.7%, rising from GHS 148 billion to GHS 415 billion. This growth has occurred despite multiple shocks—including the 2018 banking sector cleanup, the COVID-19 pandemic, and the 2022 economic and DDEP crisis—underscoring the sector's structural resilience.

Importantly, we believe banks continue to operate below their full potential. At the end of August 2025, the loan-to-deposit ratio stood at only 31.8%, well below the 10-year average of 50.8%, suggesting substantial room for lending expansion. We estimate that if banks increase their LDRs to even 40% by 2030, while maintaining current deposit growth trends, deposits could reach GHS 980 billion, and loans could climb to GHS 390 billion. Assuming ROA remains at its current 5% level, sector profitability could rise to $\approx$ GHS 19.5 billion by 2030—about 70% higher than 2024 levels.

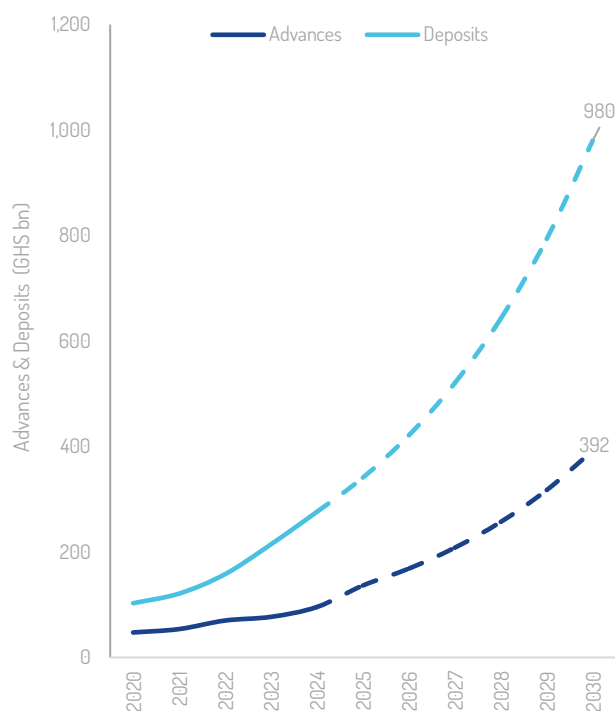
Stronger earnings would not only enhance financial stability but could also provide firepower for significant dividend payouts and capital appreciation for investors

Industry Assets and Deposits (2017 – 2024)



Source(s): Bank of Ghana

Industry Advances and Deposits (2020A – 2030E)

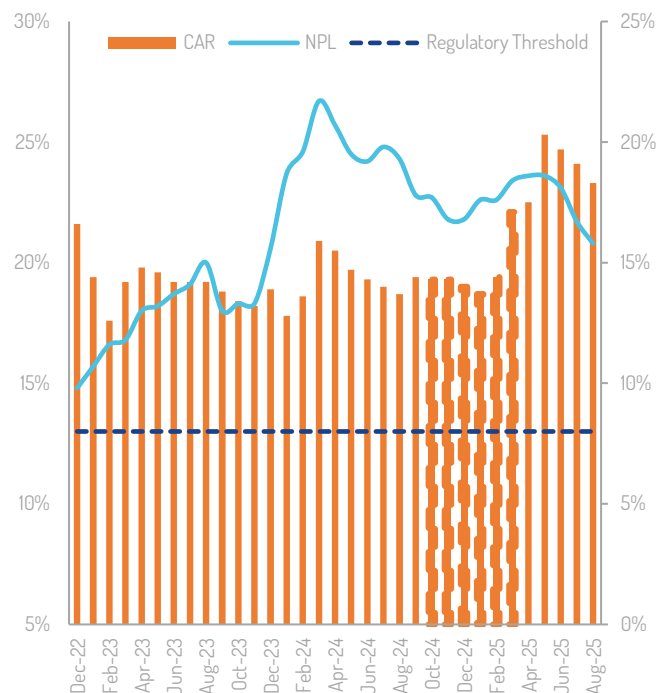


Source(s): Bank of Ghana

2. Strengthening Financial Soundness Indicators

Since the DDEP—and even before it—the Ghanaian banking sector has demonstrated remarkable financial soundness across key indicators. As of August 2025, the capital adequacy ratio stood at 18.3%, comfortably above the BoG's minimum requirement of 13.0%, indicating that banks are well-positioned to absorb unexpected losses, protect depositors' fund, and remain solvent. Profitability metrics have improved sharply. At the end of 2024, ROE stood at 30.8%, and ROA at 5.0%, representing increases of 44.1% and 15.6%, respectively, compared to 2020 levels. The only year of negative returns was 2022, due to heavy impairment charges following the DDEP.

CAR and NPL Ratios (2022 – Present)



Source(s): Bank of Ghana

While NPLs remain relatively high at 20.8% (August 2025), we note a steady decline from 26.7% in March 2024. Moreover, a large proportion of these loans are fully provisioned, and the NPL ratio excluding fully provisioned loans is a much healthier 6.8%. As profitability strengthens and credit risk moderates, we expect these ratios to continue improving, further reinforcing investor confidence.

3. Prudent and supportive BoG initiatives

In the past year, the Bank of Ghana has implemented several initiatives that, in our view, will be highly supportive of the Ghanaian banking sector and the broader economy. The first of these is the introduction of a unified Cash Reserve Requirement (CRR) framework tied to the Loan-to-Deposit ratio. Under this dynamic CRR system, banks' cash reserves with the central bank are directly linked to their LDRs. The CRRs are now set at 25% for banks with LDRs below 40%, 20% for those between 40% and 55%, and 15% for LDRs above 55%. Furthermore, banks are required to hold cash reserves in the same currency as their deposits, effectively removing asset-liability mismatch.

In our view, this initiative has two major benefits. Firstly, although some banks may initially be cautious about expanding their loan books, we believe this policy will ultimately achieve its objective of discouraging overinvestment in government securities and promoting greater private-sector lending. We also expect that banks with particularly low NPLs and strong capital buffers will be more willing to increase credit growth under this new regime.

For instance, Access Bank, which currently maintains an NPL ratio of $\approx 3\%$ and is led by a management team that has previously expressed a commitment to expand its loan book by $\approx 40\%$ over the next few years, stands out as a likely major beneficiary of this

policy. Although, we imagine more banks will follow suit to defend their market share. Moreover, history supports this outlook. During periods of favorable macroeconomic conditions and relatively lower interest rates—such as those preceding the COVID-19 pandemic—average LDRs in Ghana hovered around 60%, while the private sector credit-to-GDP ratio reached as high as 16–17%.

Consequently, we believe that, provided the macroeconomic environment remains healthy, Ghanaian banks will gradually make the necessary adjustments to increase private-sector lending while maintaining robust credit underwriting and risk management practices. Additionally, the BoG's insistence on currency-matched reserves, combined with its new net open position limit on US Dollar balances (ranging between 0% and -10%), should help curb speculation, reduce FX volatility, and support the stability of the cedi. A relatively more stable cedi will support loan repayment, lower credit risk, and improve earnings, despite downside risk to FX trading incomes.

Secondly, we view the BoG's move to cap the NPL ratio at 10% by the end of 2026 as another prudent measure. Although this requirement will likely lead to some restructuring and temporary credit tightening—particularly among more conservative banks—it ultimately has the potential to enhance asset quality, strengthen banking sector profitability and solvency, and attract greater investor interest over time.

Lastly, we note that the banking sector is now in a much stronger position regarding corporate governance standards and oversight compared to the years preceding the sector crisis. The BoG's 2018 Corporate Governance Directive and 2019 Fit and Proper Persons Directive have improved internal controls, accountability, and supervisory discipline across the sector. As a result, we foresee low risk of corporate governance failures, weak credit practices, or management lapses, and believe that these reforms are delivering tangible, positive outcomes.

4. Strengthening Ghanaian economy and improving investor confidence

Following the DDEP, the Ghanaian economy has strengthened across almost every key macroeconomic indicator and is arguably in its best shape in decades. Inflation has declined for ten consecutive months, reaching 8.0% in October 2025, which places it within the Bank of Ghana's target band of 8.0% ± 2.0%. This impressive disinflation has been driven by the BoG's relatively restrictive monetary stance, tighter fiscal policy, a stronger cedi supported by robust fundamentals, and an improved crops supply which numbed food inflation.

Our estimates indicate that the BoG currently holds GHS 96.6bn of excess cedi liquidity mopped up from the interbank market (as of 10 November 2025). This represents excess liquidity equivalent to 6.9% of GDP mopped up in 2025 (vs 1.7% in 2024) and underscores the BoG's tighter monetary stance which we expect

to continue in 2026. This policy tightening has effectively anchored inflation expectations and stabilised the currency.

Looking ahead, the International Monetary Fund projects Ghana's inflation to average 9.9% (IC Insights: 9.1%) in 2026, substantially below the five-year average of 24.5% and 10M2025 average of 16.3%. We believe the disinflation will create room for further monetary policy normalisation in the near-to-medium term and provide a foundation for stronger economic activity. The IMF also forecasts real GDP growth of 4.8% (IC Insights: 6.0%) in 2026, supported by improved fiscal discipline, growing export receipts, and a recovery in domestic demand.

We believe this favourable macroeconomic outlook has several positive implications for banking stocks. We anticipate a lower and more stable inflation environment will enable banks to control operating costs more effectively, while sustained economic expansion and gradual policy easing should stimulate credit demand, allowing banks to expand their loan books. Together, we expect these dynamics to drive stronger profitability and improved returns across the sector.

Additionally, S&P's recent credit rating upgrade for Ghana to B-, in addition to Fitch's B- rating announced in June, reinforces the country's improved macroeconomic fundamentals and fiscal management, signaling renewed investor confidence and potentially attracting greater capital inflows into Ghanaian assets, including banking equities.

5. Resumption of dividends and lower-interest rate environment makes banking sector stocks more appealing

Over the past three years, we observed that dividend payments by listed banks have been somewhat inconsistent, reflecting the uncertain macroeconomic conditions during the period. For the 2019 and 2020 financial years, the Bank of Ghana suspended dividend payments by banks unless it was fully satisfied that the institutions were in a strong enough position to support customers through the COVID-19 pandemic and to absorb potential operational losses. Despite these restrictions, a few banks were granted permission to distribute dividends.

Similarly, dividend payments were also restricted following the DDEP debacle, where most banks recorded significant losses. However, the landscape has improved markedly. For the 2024 financial year, EGH, SCB, SOGEGH, and ABG all resumed dividend payments, signaling a recovery in profitability and balance sheet strength. Looking ahead to the next fiscal year and the near term, we believe that most listed banks, except CalBank and ADB, are well-positioned to pay dividends as profitability and macroeconomic conditions continue to strengthen.

We also expect that a lower interest rate environment, characterised by declining treasury yields, will support attractive

valuation of equities, making them more appealing to investors due to their higher potential returns. The market's response so far supports this view: banking stocks have returned $\approx 134\%$ YTD on average, following an already impressive $\approx 31\%$ appreciation in FY 2024.

Furthermore, we expect the resumption of dividends in a low-yield environment to be well-received by investors, especially given the strong local preference for stable, fixed-income-like returns. Ghanaian investors have traditionally valued the safety and predictability of dividend payments, and this renewed consistency should further strengthen confidence in the sector.

A new BoG directive, effective January 2027, stipulates that banks with NPL ratios above 10% will be prohibited from paying dividends to shareholders and issuing staff bonuses. As this rule takes effect in just over a year, many banks will likely take proactive measures to ensure compliance. Admittedly, we may still see even some of the stronger banks occasionally breach this limit in the future; however, we believe that the majority of listed banks are sufficiently strong, well-managed, and disciplined to consistently meet this threshold and sustain dividend distributions.

Potential downside risks to our thesis

Our investment thesis could be influenced by several potential downside risks. While we remain optimistic about the sector's medium-term trajectory, the following factors may pose challenges that could moderate our outlook.

1. Pressure on Net Interest Margins Impacting Profitability and Returns

We expect net interest margins to come under some pressure as interest rates narrow in the wake of monetary easing. The banking sector's NIM fell notably to 11.4% in August 2025 from 14.8% in January 2025, and future rate cuts will put further pressure on interest margins. However, we believe that lower interest rates are likely to stimulate credit demand, helping offset the potential compression in spreads. Second, as treasury bills and GOG bond yields—which currently form the largest share of banks' asset bases—soften in a more accommodative environment, we expect banks to reallocate capital toward higher-margin loans and advances, thereby enhancing overall returns. We also believe that lower rates will support better credit performance, as more affordable borrowing costs are likely to reduce default rates among businesses and households.

Additionally, non-funded income streams—such as fees, commissions, and trading income—are expected to remain robust. The ongoing digitalisation of banking services has driven a structural rise in transaction volumes. In the past year alone, internet banking transaction values nearly doubled, from GHS 15.3 billion (August 2024) to GHS 30.0 billion (August 2025). Likewise,

trading activity on the Ghana Fixed Income Market surged, with total value traded rising by over 50%, from GHS 14.2 billion to GHS 21.3 billion.

We believe these developments will continue to underpin fee-based and trading income growth, aligning with the broader trend over the last five years in which high-performing banks have successfully diversified and strengthened their non-interest revenue streams.

2. BOG 10% NPL Limit and New FX Rules

While the sector's outlook remains broadly positive, some regulatory measures may present short-term headwinds. We anticipate that the BoG's new 10% NPL cap on gross loans, which takes effect in 2026, will encourage banks to write-off fully-provisioned bad loans, restructure substandard and doubtful credit, enhance credit underwriting, and selectively grow loan books to lower gross NPLs. However, in the long run, this measure should improve overall asset quality, strengthen the balance sheets of banks, and support sustainable profitability.

Similarly, the BoG's newly introduced net open position limit, which restricts US Dollar currency exposure to between 0% and -10% of net owned funds (from prior limit of $\pm 5.0\%$), is likely to negatively impact FX trading revenues. Nevertheless, this may encourage banks to expand their loan books and focus more on core lending activities, partially offsetting any loss in trading income.

Overall, while these regulatory changes may have transitional costs, we view them as structurally positive reforms that will improve transparency, credit discipline, and long-term sector resilience.

3. An Unexpected Worsening in Macroeconomic Conditions

A deterioration in Ghana's macroeconomic environment remains a notable risk to our thesis. The two indicators most vulnerable to adverse shocks are the exchange rate and inflation. Although the Ghanaian cedi's 35.0% rally year-to-date has been impressive and largely supported by strong fundamentals, including record-high gold and cocoa receipts, these gains are inherently susceptible to external shocks given the economy's high commodity dependence.

Cocoa prices, in particular, appear artificially elevated, on account of acute supply-side constraints which undermined harvests. This creates a risk that prices could normalise sharply once production recovers. Additionally, there's a possibility that gold prices may correct slightly in 2026, after surging to record highs this year. As such, we believe the Ghanaian economy remains susceptible to sudden external shocks, including declines in commodity prices or global risk appetite, that could weaken the cedi, rekindle inflationary pressures, and ultimately tighten financial conditions.

In our opinion, any material shift in these macro variables could impact credit demand, asset quality, and weaken banks' profits. This could dampen investor sentiment and weigh on banking sector valuations.

Conclusion

In our view, a majority of listed banks appear to be largely undervalued relative to their historical levels, despite strong earnings momentum, improving balance sheets, and robust long-term growth potential. The sector still trades at a decent discount relative to historical periods of robust macroeconomic stability, even after the recent rally, suggesting persistent room for further re-rating, particularly as some of the sharp share price declines in prior years now appear overdone.

That said, we do not view all listed banks as immediate buying opportunities. Based on our analysis, the names that currently offer the most attractive upside potential over the next 12 months are Ghana Commercial Bank and Ecobank Ghana. We are particularly cautious about Standard Chartered Bank due to its contracting loan book.

Our Call

EGH – OVERWEIGHT | Est. Upside: +25.6%

In our view, EGH appears to be significantly undervalued relative to its historical multiples. Over the past 10 months, EGH's share price rallied sharply, yet the stock currently trades at 0.74x P/B, remaining below its long-term median. Furthermore, at these levels, EGH trades at an attractive 30% discount to peers.

Ecobank continues to post robust earnings growth and a rising book value per share, driven by deposit mobilisation and loan book growth. Like GCB, Ecobank's strong profitability, extensive footprint, and dominant market position provide a solid foundation for further value appreciation. We believe EGH has the potential to re-rate to book value (1.0x P/B), which would represent a 25.6% upside from current levels. At these valuations, we believe Ecobank offers an appealing entry point for investors seeking exposure to Ghana's ongoing banking sector resurgence.

GCB – OVERWEIGHT | Est. Upside: +16.7%

As of 7 November 2025, GCB traded at a P/B of 0.83x – a 24.4% discount to its peak P/B multiple of 1.1x in 2017, yet above its eight-year median of 0.52x. This re-rating suggests that the market is gradually recognising the extent of GCB's undervaluation and improving fundamentals.

This disconnect between fundamentals and valuation has begun to correct, as reflected in the nearly doubling of its share price year-to-date. We believe GCB remains well-positioned to deliver continued upside as earnings momentum persists, supported by

its expanding balance sheet, disciplined cost management, and improving asset quality.

GCB is now the largest bank in Ghana, with ≈GHS 34 billion in deposits, providing access to low-cost funding that has supported expansion of its asset base to an industry-leading GHS 50 billion. Given its scale, conservative risk management, and strong earnings potential, we believe GCB should conservatively trade at least 1.0x P/B. Based on its current BPS of GHS 21.4, this implies a fair value of GHS 21.38, representing a 16.7% upside from current levels.

SCB – UNDERWEIGHT | Est. Downside: -15.0%

We are cautious on SCB, as the bank has slowed its loan book expansion in recent years to focus on improving asset quality. While this is a prudent move from a risk management perspective, the strategy has resulted in subdued earnings growth relative to peers. Over the past eight years, SCB's EPS has grown at a modest CAGR of 7.7%, one of the lowest among the listed banks, compared to 26.9% for EGH and 28.3% for GCB. Despite this slower growth profile, SCB trades at a P/E multiple of 7.72x, well above the industry average of 4.64x. In our view, this premium valuation is not justified by its prevailing fundamentals, making the stock appear overvalued at current levels.

Final Word: Investor Call-to-Action

Position for macro and regulatory tailwinds: Ghana's improving macroeconomic backdrop, including lower inflation, a stable cedi, as well as supportive Bank of Ghana initiatives like the dynamic Cash Reserve Ratio framework will stimulate credit growth and drive the sector's expansion. In our view, these measures, combined with fiscal consolidation and structural reforms, create a conducive environment for continued earnings momentum and valuation recovery across the sector.

Reinforce core positions: Continue to prioritise exposure to high-quality, undervalued banks that demonstrate strong fundamentals, robust balance sheets, and sustainable profitability.

Rebalance selectively: Gradually trim exposure to overvalued or weaker-performing names while reallocating capital toward banks with higher return potential and stronger asset quality.

Disclosure

	Yes	No
1. The analyst or members of his/her immediate family have a financial interest in any financial instrument that might reasonably be expected to benefit from the recommendation.		•
2. The analyst or a member of the analyst's immediate family is a director, officer, or advisory board member of the subject company.		•
3. IC Group or any of its subsidiaries holds more than 1% of the total issued share capital of the subject company.		•
4. IC Group or any of its subsidiaries is a market maker or liquidity provider in the securities or any related derivatives of the subject company.	•	
5. IC Group or any of its subsidiaries has been lead manager or co-lead manager over the previous 12 months of any publicly disclosed offer of securities of the subject company or in any related derivatives.		•



For more information contact your IC representative

Business Development & Client Relations

Dora Youri

Head, Wealth Management
0308250051
dora.youri@ic.africa

Timothy Schandorf, CAIA

Head, Client Coverage
0308250051
timothy.schandorf@ic.africa

Isaac Buah

Analyst, Client Coverage
0308250051
isaac.buah@ic.africa

Corporate Access

Benedicta Boateng

Corporate Access
0308250051
benedicta.boateng@ic.africa

Insights

Courage Kingsley Martey

Economist and Head, Insights
0308250051
courage.martey@ic.africa

Kwabena Obeng

Associate, Equity Research
0308250051
kwabena.obeng@ic.africa

Churchill Ogutu

Economist
churchill.ogutu@ic.africa

Investing

Obed Odenteh

Chief Investment Officer
0308250051
obed.odenteh@ic.africa

Herbert Dankyi

Portfolio Manager, Rates
0308250051
herbert.dankyi@ic.africa

Hannah Mate

Analyst, Risk Assets
0308250051
hannah.mate@ic.africa

Andre Adomakoh

Senior Analyst, Risk Assets
0308250051
andre.adomakoh@ic.africa

Bruce Senanu Foreman

Senior Analyst, Rates
0308250051
bruce.foreman@ic.africa

Adebayo Adedeji

Senior Analyst, Risk Assets
0308250051
adebayo.adedeji@ic.africa

Operations

Nana Amoa Ofori

Chief Operating Officer
0308250051
nanaamoa.ofori@ic.africa

Abigail Adu-Darkwa

Head, Business Operations
+233 53 281 9953
abigail.adu-darkwa@ic.africa

Kelly Addai

Fund Accountant
+233 53 281 9953
kelly.addai@ic.africa

Global Markets

Allen Anang

Head of Global Markets
0308250051
allen.anang@ic.africa

Johnson Asiamah

Trader, Equities
0308250051
johnson.asiamah@ic.africa

Samuel Kwame Ofori

Trader, Fixed Income
0308250051
samuel.ofori@ic.africa

Terms of use - disclaimer - disclosure

This communication is from the Insights desk of IC Asset Managers (Ghana) LTD, a member of IC Group (IC). The message is for information purposes only and it is subject to change as it is only indicative and not binding. It is not a recommendation, advice, offer or solicitation to buy or sell a product or service nor an official confirmation of any transaction. It is directed at both professionals and retail clients. This message is subject to the terms and conditions of IC Group. IC is not responsible for the use made of this communication other than the purpose for which it is intended, except to the extent this would be prohibited by law or regulation. All opinions and estimates are given as of the date hereof and are subject to change. IC is not obliged to inform investors of any change to such opinions or estimates. The views are not a personal recommendation and do not consider whether any product or transaction is suitable for any particular type of investor.