

ECOBANK GHANA PLC FY2025 Results

Ghana | 02 April 2026

Current rating: **HOLD**

Current Price: **GHS 49.5** | Current Fair Value: **GHS 49.9** | Upside: **0.8%**

Trading Holds the Line, Margins Yield Ground

Rating Summary:

We amend our rating on Ecobank Ghana (EGH) to “HOLD”, with a higher revised fair value of GHS 49.9 per share, reflecting sustained earnings strength, and improved asset quality. Given the market price of GHS 49.5, this implies an upside of 0.8%. The upward adjustment reflects a lower risk-free rate of 12.8%, down from 15.6% at 9M2025, driven by compressed yields on restructured domestic bonds. We have transitioned from the capital asset pricing model (CAPM) to a Build-Up approach, using the average of 3-year and 5-year bond yields plus a 5.0% risk premium, given the lack of statistical robustness in observed equity betas. We also refined our relative valuation by narrowing the peer group to a more comparable subset, enhancing the integrity of our multi-factor linear regression P/B model and improving market-implied alignment. Despite trailing our earnings forecast by 6.0%, EGH delivered resilient FY2025 performance, with profit growth supported by strong trading income and a sharp decline in impairment charges. However, core performance weakened, as net interest income contracted significantly amid margin compression from lower interest income, rising funding costs, and cedi appreciation, resulting in a modest decline in total operating income. Cost discipline provided some support, while asset quality improved with a reduction in Non-Performing Loans ratio (NPLs). Balance sheet dynamics were mixed, with solid loan growth offset by a decline in deposits, pointing to funding mix pressures, although a balanced LCY/FCY mix and cedi appreciation supported liquidity and improved the loan-to-deposit ratio. Capital buffers strengthened, providing capacity for future growth. Structurally, digital initiatives such as EcobankPay continue to offer scalable, low-cost avenues for income diversification, while the bank’s corporate franchise, backed by the ETI Group, remains well-positioned to capture regional flows and cross-border opportunities. We expect medium-term profitability to remain supported by non-interest income growth, digital adoption, and disciplined cost management, although elevated NPLs and persistent margin pressure remain key constraints.

FY2025 Earnings Update: Non-Interest Strength Offsets Margin Squeeze

Ecobank Ghana PLC (“EGH”) released its audited FY2025 results today, posting a 7.3% y/y rise in profit after tax to GHS 1.8bn, trailing our expectations by 6.0%. The performance was driven by a 58.2% y/y surge in net trading income and a 65.4% y/y decline in impairment charges, which offset the impact of weaker interest margins and a softer topline. Net interest income declined 28.9% y/y to GHS 2.7bn, undershooting our forecasts by 11.3%. The underperformance reflects an 18.5% y/y contraction in interest income alongside a 13.8% increase in interest expense, compressing spreads. Cedi appreciation compounded the pressure on interest income, further weighing on funded income generation. Consequently, total operating income fell 2.7% y/y to GHS 5.2bn. Operating expenses declined 7.1% y/y to GHS 1.8bn, with cost discipline providing a partial offset to the margin pressure. Overall, cost control and robust trading revenues sustained earnings growth despite the deterioration in core funded income. The balance sheet showed solid asset growth but subdued deposit performance. Total assets rose 2.9% y/y to GHS 47.3bn, supported by 45.4% increase in investment securities and a 24.0% expansion in loans, resulting in a loan-to-deposit ratio (LDR) of 41.7%. Customer deposits declined 2.8% y/y, partly reflecting local currency strength. Asset quality improved, with the NPL ratio declining to 17.9% from 21.1% a year earlier. We attribute the improvement to the resumption of payments to government contractors, which began in 3Q2025 and likely strengthened credit portfolio performance, alongside cedi appreciation reducing the nominal size of foreign currency NPLs. The elevated NPLs at 17.9%, however, continued to constrain loan book expansion and weighed on interest income generation. Capitalisation strengthened materially, with the CAR improving to 21.5% from 17.2%, providing a buffer for balance sheet growth. While non-interest income and cost discipline drove solid headline profitability, the persistent contraction in net interest income and residual credit risk underscores the need for a deliberate strategy to rebuild funded income. We view EGH’s FY2025 performance as resilient at the headline level, but sustained profitability will hinge on funded income recovery and continued credit quality improvement, particularly as yields on government securities continue to compress.

FY2025 Performance: Trading Strength and Impairment Relief Carry the Year as Funded Income Contracts

Income and Margin Performance

- Net interest income (NII) declined by 28.9% y/y to GHS 2.7bn, driven by an 18.5% drop in interest income and a 13.8% increase in interest expense, compressing margins.
- Net interest margin (NIM) fell by 781bps y/y to 10.8% due to the compression in NII.
- Net trading income rose by 58.2% y/y to GHS 1.70bn, reflecting strong gains from market activities.
- Net fee and commission income increased by 43.3% y/y to GHS 531.7mn, supported by growth in transactional volumes.
- Other operating income surged by 105.9% y/y to GHS 307.8mn, driven by recoveries and non-core income lines.

- Total operating income declined by 2.7% y/y to GHS 5.2bn, as the strong non-interest revenue was insufficient to fully offset the weaker interest income.

Cost and Risk Management

- Operating expenses declined by 7.1% y/y to GHS 1.8bn, indicating firm cost discipline.
- Cost-to-income ratio declined by 166bps y/y to 35.1%.
- Impairment charges fell sharply by 65.4% y/y to GHS 356.7mn, reflecting lower cost of risk.

Profitability and Balance Sheet Dynamics

- Profit before tax increased by 28.3% y/y to GHS 3.03bn, supported by strong non-interest income and lower impairments.
- Profit after tax rose by 7.3% y/y to GHS 1.82bn, reflecting higher tax charges despite strong pre-tax growth.
- Customer deposits declined by 2.8% y/y to GHS 31.6bn, reflecting funding mix pressures.
- Net loans and advances expanded by 24.0% y/y to GHS 13.15bn, indicating measured credit growth.
- Total assets increased by 2.9% y/y to GHS 47.3bn, supported by growth in loans and investment securities.

Asset Quality and Capital Solvency

- NPL ratio declined to 17.9% from 21.1%, reflecting improved asset quality.
- Capital adequacy ratio (CAR) improved by 4.3pp y/y to 21.5%, strengthening capital buffers.

Investment Thesis

Funded Income Under Pressure, but a Credit Upcycle Is Forming

- We believe topline growth will continue to face headwinds as declining interest rates compress asset yields. In our view, treasury yields moving into single digits and policy rate cuts feeding through to lower Ghana Reference Rates will weigh on loan book yields and overall asset pricing in the near term.
- We anticipate that improving macroeconomic conditions will set the stage for a credit upcycle. Inflation has moderated to 3.2% in March 2026, well below the Bank of Ghana's medium-term target band of 6.0% – 10.0%, and we believe strengthening business confidence will translate into rising credit demand from SMEs and large corporates in the coming quarters.
- We foresee EGH's strong liquidity position as a key enabler of loan book expansion, particularly as the bank's breach of the 40.0% LDR threshold triggers a 5.0pp reduction in the applicable CRR to 20.0%, freeing up additional funds for deployment. We forecast loan book growth of 21.0% per annum over the medium term, though we anticipate the bank will need to manage this carefully against an NPL ratio that remains elevated relative to the Bank of Ghana's 10.0% end-2026 target. In our view, this signals a more modest growth outlook for loan book in FY2026 before a gradual pick up in momentum in the outer years.

Non-Funded Income Remains the Earnings Anchor

- We anticipate non-funded income will remain the primary earnings anchor in the near term, with non-interest revenue currently contributing 48.6% of total revenue. In our view, the reopening of the primary bond market will provide a further boost to trading income by expanding the supply of tradeable government securities. We believe the bank's investments in digital channels and trade finance capabilities, reinforced by its strategic position within the ETI network, will deepen fee-generating activities across corporate and transaction banking services.
- We foresee Ecobank Pay and other digital platforms broadening customer engagement and sustaining fee-based income growth over the medium term. In our view, EGH's Pan-African franchise remains a structural advantage, underpinning cross-border financing and trade flows that generate recurring non-funded revenue. We anticipate management will leverage its treasury capabilities to navigate the trade-off between trading income optimisation and credit extension as government debt issuance picks up.

Deposit Mobilisation and Funding Discipline Will Defend Margins

- We believe deposit mobilisation will become an increasingly active strategic priority for EGH, particularly as renewed government bond issuance may compete for institutional liquidity. Customer deposits declined by 2.8% y/y to GHS 31.54bn in FY2025, reflecting translation drag from cedi appreciation on foreign currency balances rather than an underlying erosion of the deposit franchise. We anticipate the bank will prioritise stable, low-cost funding by emphasising current and savings account growth and strengthening its transaction banking proposition.
- In our view, this approach will help defend net interest margins and preserve the flexibility to allocate liquidity efficiently between lending and investment opportunities as the interest rate cycle evolves. We foresee the bank's funding discipline as a key buffer against the margin pressure building from the broader interest rate environment.

Cost Discipline and Operational Efficiency Provide an Earnings Floor

- We anticipate EGH will broadly hold the cost line over the near term, supported by inflation at 3.2% and cedi stability, which have reduced costs across utilities, logistics, and foreign-denominated services. Operating expenses declined by 7.1% y/y to GHS 1.8bn in FY2025, and we believe the conditions that drove this efficiency remain largely intact heading into FY2026. In our view, this creates additional scope for operational efficiency gains that will provide meaningful support to margins.
- We foresee the primary risk to this outlook as external. We believe further escalation in the Middle East tensions could reverse the favorable commodity and inflation environment that has underpinned cost compression. Barring this scenario, we anticipate

continued cost discipline, combined with trading income strength and digital-led fee growth, will provide a credible earnings floor that supports our Hold rating even as funded income faces structural pressure.

Valuation & Recommendation: **HOLD**

- Our HOLD rating is based on our weighted average fair value of GHS 49.9 per share, representing a negligible upside of 0.8%, 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 8.8x and P/B of 2.2x.

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, reversals in core inflation, unanticipated regulatory constraints and the potential crowding-out impact of government bond issuance.

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