ECOBANK GHANA PLC 1Q2026 Results

Ghana | 08 May 2026

Current rating: **REDUCE**

Current Price: **GHS 48.85 | Current Fair Value: GHS 42.47 | Downside: 13.1%**

Earnings Flatter, Revenue Lags Behind

Ecobank Ghana PLC (EGH) released its 1Q2026 results on 30 April 2026, reporting a 33.3% y/y increase in profit after tax to GHS 439.3mn but trailed our forecast by 9.3%. The earnings outturn was supported by a 39.0% y/y rise in profit before tax to GHS 703.9mn. At the top line, net interest income grew a modest 2.4% y/y to GHS 825.7mn, as a declining interest rate environment weighed on margins, compressing net interest margin by 69bps y/y to 3.2%, despite a 19bps reduction in cost of funds to 0.7%. Non-interest revenue provided no relief, declining 20.0% y/y to GHS 309.0mn, likely reflecting reduced transaction volumes and unfavourable foreign exchange dynamics in the quarter, with trading revenue and other operating income both pulling back. As a result, total operating income fell 4.8% y/y to GHS 1.1bn, with neither funded nor non-funded income offering meaningful top-line support. Cost performance was the standout feature of the quarter and the primary driver of earnings growth. Operating expenses declined sharply by 32.9% y/y to GHS 386.4mn likely aided by a more favourable FX environment which compressed FX-denominated operating cost and resulted in a 1,427bps improvement in the cost-to-income ratio to 34.0%. Impairment charges provided a further boost, declining 59.5% y/y to GHS 44.4mn, bringing the cost of risk down by 72bps y/y to 0.34%, and likely reflecting improved portfolio performance on the back of write-offs and loan book restructuring. On the balance sheet, loans and advances expanded 27.3% y/y to GHS 13.2bn, signalling a degree of risk appetite recovery. However, the loan-to-deposit ratio rose only modestly to 35.8% and exposes the bank to cash drag due to the cash reserve ratio rules. Customer deposits grew 10.9% y/y to GHS 36.9bn, maintaining a commanding lead over the loan book and sustaining ample excess liquidity despite the 27.3% y/y expansion in loan book. Investment securities surged 74.2% y/y to GHS 18.2bn, indicating a deliberate reallocation toward lower-risk government instruments and away from private sector credit considering the elevated NPL environment (18.7% industry average). Total assets grew 12.4% y/y to GHS 52.0bn, while shareholders' funds rose 33.3% y/y to GHS 7.6bn, reinforcing the bank's capital position. Asset quality concerns persist as the NPL ratio appears downwardly sticky. The NPL ratio, while improving by 351bps y/y, still stands at an elevated 20.5%, constraining the bank's capacity to meaningfully grow the loan book or rebuild core earnings through fundamental lending activity. On the capital side, the capital adequacy ratio improved by 370bps y/y to 20.5%, and the equity-to-assets ratio rose 230bps y/y to 14.7%, pointing to a strong solvency buffer.

Overall, EGH's 1Q2026 results reinforce a familiar theme - profitability supported more by cost reduction than revenue growth. Lower operating expenses, reduced impairments, and a larger government securities portfolio cushioned earnings, but both funded and non-funded income remained under pressure. A durable earnings recovery will depend on sustained NPL reduction, margin stabilisation, and a recovery in non-funded income growth.

Performance: Cost Containment Holds the Line as Top Line Lags

Income and Margin Performance

- Net interest income increased by 2.4% y/y to GHS 825.7mn.
- Net interest margin compressed by 0.69pp y/y to 3.2%.
- Non-interest revenue fell by 20.0% y/y to GHS 309.0mn.
- Net fees and commissions increased by 18.0% y/y to GHS 156.2mn.
- Net trading income declined by 14.6% y/y, totaling GHS 145.3mn for the period.
- Total operating income declined marginally by 4.8% y/y to GHS 1.1bn.

Cost and Risk Management

- Net impairment pulled back, declining by 59.5% y/y to GHS 44.4mn.
- Operating expenses plunged by 32.9% y/y to GHS 386.4mn.
- Cost-to-income ratio decreased to 34.0% (from 48.3% in 1Q2025).

Profitability and Balance Sheet Dynamics

- Profit before tax increased to GHS 703.9mn (+39.0 y/y), supported by cost containment and reduced impairments.
- Profit after tax surged by 33.3% y/y to GHS 439.3mn.
- Total assets expanded by 12.4% to GHS 52.0bn supported by expansion in investment securities and advances.
- Customer deposits grew by 10.9% y/y to GHS 36.9bn.
- Loans and advances expanded by 27.3% y/y to GHS 13.2bn.
- Loan-to-deposit ratio rose by 4.6pp y/y to 35.8%,

Asset Quality and Capital Solvency

- NPL ratio increased to 20.5% (from 24.0% in 1Q2025).
- Capital adequacy ratio grew marginally to 20.5% (from 16.8% in 1Q2025).

Investment Thesis

Holding the Fort, Not Storming the Hill

We believe EGH's earnings profile remains heavily dependent on cost discipline and lower impairments rather than broad-based revenue expansion. While operating efficiency gains and reduced credit charges supported 1Q2026 profitability, the core revenue engine remains constrained. Interest income was largely flat during the quarter, with only modest growth in net interest income despite the bank's sizeable balance sheet. In our view, the current interest rate environment limits the bank's capacity to materially expand funded income unless management accelerates loan growth. However, the elevated NPL ratio is likely to keep management cautious on risk asset expansion, reinforcing our expectation of continued pressure on interest income. Liquidity dynamics also remain a structural constraint. The bank's low loan-to-deposit ratio implies excess liquidity, which under the current cash reserve regime continues to create cash drag and suppress asset yields. Although EGH's strong deposit mobilisation capacity should help lower funding costs and defend margins, we do not believe this alone will be sufficient to drive meaningful earnings acceleration in the near term. Non-funded income, which should ordinarily provide a stronger earnings buffer, also remains soft, particularly with trading income declining during the quarter. That said, we expect improving macroeconomic conditions and renewed activity in the bond market to support a gradual recovery in non-funded revenue, particularly through trading opportunities and higher transaction volumes as economic activity strengthens. On costs, we expect the efficiency gains seen in recent quarters to remain intact, supported by moderating inflation and a more stable FX environment. We also anticipate impairment write-backs to improve further as macroeconomic conditions strengthen and repayment capacity among private sector borrowers gradually recovers.

Overall, we believe EGH's near-term earnings outlook remains constrained by weak top-line momentum. As a result, profitability is likely to remain reliant on cost containment, impairment improvements, and periodic trading gains, which in our view are not sufficiently durable to anchor a sustained earnings recovery.

Valuation & Recommendation: REDUCE

- Our REDUCE rating is based on our weighted average fair value of GHS 42.47 per share, representing a downside of 13.1%, using the weighted average prices from our dividend discount (DDM), residual income (RI) and relative valuation models.
- EGH trades at a TTM P/E of 8.2x and P/B of 2.1x.

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