ECOBANK GHANA PLC 9M2026 Results

Ghana | 02 November 2026

Current rating: **HOLD**

Current Price: **GHS 39.00 | Current Fair Value: GHS 39.23 | Upside: 0.6%**

Leaner, But Losing Momentum

Ecobank Ghana PLC (EGH), the second-largest bank by asset size and earnings, released its 9M2026 results on 30 October 2026. The bank reported a 4.3% y/y decline in profit after tax to GHS 1.4bn, falling 9.0% below our estimates on topline weakness. This reverses the 13.8% y/y growth recorded in 1H2026. The implied 3Q2026 PAT therefore was GHS 486.1mn, roughly 25.5% lower than in 3Q2025. At the top line, interest income declined by 9.0% y/y to GHS 3.3bn as the declining interest rate environment continued to weigh on asset yields. Interest expense fell by 10.4% y/y to GHS 912.0mn, but this was not enough to offset the pressure on yields, and net interest income declined by 8.5% y/y to GHS 2.3bn, 7.0% below our forecast. Non-interest income eased by 2.0% y/y to GHS 1.2bn, landing 6.0% below our forecast, as stronger net fees were offset by weaker trading and other operating income. Consequently, total income declined by 6.4% y/y to GHS 3.5bn, highlighting continued pressure on the bank's core revenue base. Cost containment remained supportive. Operating expenses declined by 11.6% y/y to GHS 1.3bn, and impairment charges fell by 22.8% y/y to GHS 170.8mn. However, these savings could no longer offset the weaker top line, and profit before tax (PBT) slipped 1.2% y/y to GHS 2.1bn. On the balance sheet, loans and advances expanded by 34.7% y/y to GHS 16.3bn, while investment securities surged by 70.7% y/y to GHS 17.6bn as the bank continued to deploy liquidity into government securities. Customer deposits grew by 10.2% y/y to GHS 38.1bn. The loan-to-deposit ratio rose to 42.9%, still leaving the bank with significant excess liquidity to deploy.

Overall, EGH's 9M2026 results suggest that the cost containment-led earnings growth seen in 1H2026 has run its course, as lower operating expenses and impairments could no longer absorb the pressure on both funded and non-funded income. Looking ahead, a more sustainable recovery will require stronger core revenue growth, driven by deploying excess liquidity into quality loans, stabilisation in margins, further improvement in asset quality and a recovery in non-funded income.

Performance: Margin Squeeze Outpaces Cost Savings

Income and Margin Performance

- Net interest income declined by 8.5% y/y to GHS 2.3bn.
- Net interest margin compressed by 3.34pp y/y to 8.3%.
- Non-interest revenue eased by 2.0% y/y to GHS 1.2bn.
- Net fees and commissions increased by 13.9% y/y to GHS 507.8mn.
- Net trading income declined by 3.6% y/y to GHS 612.7mn.
- Total operating income declined by 6.4% y/y to GHS 3.5bn.

Cost and Risk Management

- Net impairment charges declined by 22.8% y/y to GHS 170.8mn.
- Operating expenses fell by 11.6% y/y to GHS 1.3bn.
- Cost-to-income ratio decreased to 35.8% (from 37.9% in 9M2025).

Profitability and Balance Sheet Dynamics

- Profit before tax slipped by 1.2% y/y to GHS 2.1bn, as cost savings failed to offset the topline decline.
- Profit after tax declined by 4.3% y/y to GHS 1.4bn.
- Total assets expanded by 12.0% y/y to GHS 55.9bn.
- Customer deposits grew by 10.2% y/y to GHS 38.1bn.
- Loans and advances expanded by 34.7% y/y to GHS 16.3bn.
- Loan-to-deposit ratio rose by 7.8pp y/y to 42.9%.

Asset Quality and Capital Solvency

- NPL ratio declined to 14.99% (from 20.96% in 9M2025).
- Capital adequacy ratio grew to 18.19% (from 15.18% in 9M2025).

Investment Thesis

Lean and Liquid, Waiting for Yield

- **Excess Liquidity Remains a Constraint on Earnings Growth:** We believe EGH's earnings outlook remains constrained by weak top-line momentum, despite stronger balance sheet growth and a meaningful y/y improvement in asset quality. The 9M2026 results reinforce our view that profitability has relied more on cost discipline and lower impairment charges than on broad-based revenue expansion. We believe the 34.7% y/y expansion in the loan book is encouraging and should support interest income going forward. However, the 42.9% loan-to-deposit ratio still leaves significant excess liquidity, much of which continues to be deployed into government securities at depressed yields. With inflation at 5.2% and gradually approaching the lower bound of the Bank of Ghana's 8±2% target band, we believe the monetary easing cycle is close to running its course. This should allow yields to stabilise and gradually ease the pressure on asset yields into 2027. However, the benefit to margins is likely to be gradual rather than immediate, particularly if excess liquidity remains elevated.

- **Cost and Credit Tailwinds Are Fading:** We expect the room for further cost savings to narrow as inflation picks up. The 11.1% y/y rise in personnel expenses already signals building cost pressure, and we see the cost-to-income ratio drifting upwards from its current lows. On asset quality, the y/y decline in NPLs to 14.99% should help contain impairment charges. However, the uptick from 14.4% at 1H2026 and the gap to the BoG's 10.0% target are likely to keep management measured in accelerating risk asset growth. Consequently, while credit conditions have improved meaningfully year-on-year, we are cautious about the extent to which lower impairment charges can continue to support earnings.

- **Non-funded Income Recovery Remains Uneven:** We remain cautious on non-funded income, given weaker trading and other operating income. The 13.9% y/y growth in net fees and commissions is encouraging, and we expect further improvement as higher economic activity supports transaction volumes. Nevertheless, we expect the recovery in non-funded income to remain uneven until trading and other operating income show more sustained improvement.

- **Capital Provides Resilience, but Earnings Risks Persist:** Overall, we expect EGH's profitability to remain under pressure in 4Q2026 as the cost and impairment tailwinds that supported earnings begin to normalise. We therefore see downside risk to FY2026 earnings growth. The strong capital position, with CAR of 18.19% and shareholders' funds up 21.5% y/y, provides a degree of earnings resilience and supports dividend capacity. However, a sustained recovery in profitability will depend on the pace at which excess liquidity is redeployed into quality loans, alongside stabilisation in asset yields and improved revenue generation.

Valuation & Recommendation: HOLD

- Our HOLD rating is based on our weighted average fair value of GHS 39.23 per share (vs GHS 41.25 prior estimate), representing an upside of 0.6%, using the weighted average prices from our dividend discount (DDM), residual income (RI) and relative valuation models. The lower fair value reflects the 9M2026 earnings miss on topline weakness.
- EGH trades at a TTM P/E of 7.1x and P/B of 1.54x.

Key Risks to Our Rating

Further margin compression, slower-than-expected deployment of excess liquidity into loans, a renewed deterioration in asset quality, a faster pick-up in inflation eroding cost savings, and unexpected policy or regulatory changes in the banking sector.

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