

## GCB BANK PLC 1H2025 Results

Ghana | 30 July 2025

Current rating: **BUY**

Current Price: **GHS 9.52** | Current Fair Value: **GHS 13.16** | Upside: **38.3%**

### The Giant in Full Flow on a Climb to the Summit

#### Rating Summary:

We assign a “BUY” rating on GCB Bank PLC (“GCB”), reflecting the bank’s strengthening earnings profile, improved asset quality, and clear signs of strategic acceleration. GCB is demonstrating renewed competitive intent, with momentum building across its core revenue lines, anchored by disciplined balance sheet growth and a favourable operating environment. We believe the bank’s recent performance underscores a maturing earnings engine, driven by robust interest income and reinforced by strong trading gains. Importantly, GCB has improved credit risk outcomes, signalling a more proactive approach to asset quality management after years of elevated impairment charges. Capital buffers remain sound, offering room for continued expansion while maintaining regulatory comfort. The bank’s cautious lending stance and increasing exposure to high-yield instruments suggest a carefully managed risk-reward strategy that is bearing fruit, although that would be challenging in the coming quarters as treasury rates and OMO bills continue to fall. GCB’s narrative is shifting, from that of a sleeping giant to a bank actively repositioning for leadership. Its scale, liquidity strength, and improving credit metrics provide a solid foundation for further growth. With increased clarity on strategic direction and a management team executing with more consistency, we believe GCB is well-positioned to deepen its market relevance and investor attraction. Our weighted average fair value of GHS 13.16 per share supports a BUY recommendation, underpinned by attractive upside potential. We see scope for a further re-rating as the bank continues to deliver on earnings, consolidate market share, and signal a credible return to dominance in Ghana’s banking sector.

#### 1H2025 Earnings Update: Earnings momentum and asset quality gains reinforce growth narrative

GCB Plc has extended its strong start to the year, according to its unaudited 1H2025 results published on 29 July 2025. Net interest income rose by 39.9% y/y to GHS 2.0bn, underpinned by a 46.3% y/y surge in interest income on the back of a 36.8% y/y expansion in total assets which led to a 0.6pp y/y rise in net interest margin (NIM) to 8.2%. This was despite a 65.4% y/y increase in interest expense to GHS 794.1mn, as the bank drew on borrowed funds to comply with CRR directives. Non-interest income jumped by 62.3% y/y to GHS 759.4mn, driven by robust growth in net trading income, which rose by 87.5% y/y to GHS 397.0mn, amid elevated trading activity. Net fees and commission also surged by 35.3% y/y to GHS 337.3mn, driven by increased adoption of the bank’s digital solutions by customers, including the mobile banking app and G-Money, its fintech subsidiary. Consequently, pre-impairment income grew by 45.4% y/y to GHS 2.8bn. Impairment charges declined by 21.3% y/y to GHS 82.5mn. Despite operating expenses rising by 25.0% y/y to GHS 1.4bn, we note that the cost-to-income ratio improved by 8.1 pp year-on-year to 49.8% due to the strong growth recorded in revenue lines. Profit before tax stood at GHS 1.3bn, with after-tax profit increasing to GHS 838.7mn (+ 101.1 % y/y). On the balance sheet, Loans and advances rose by 37.1% y/y to GHS 10.5bn yielding a loan-to-deposit ratio of 30.4%, while investment securities grew by 47.3% y/y to GHS 17.5bn, reflecting management’s increased allocation to high-yield OMO instruments amidst elevated rates. Customer deposits increased by 31.4% y/y to GHS 34.4bn, driven by a realignment of retail banking to focus on sales and grow deposits. The capital adequacy ratio strengthened by 1.5pp y/y to 20.0% (with relief), while the NPL ratio improved by 6.4pp y/y to 13.8%. In the near term, GCB’s outlook remains positive although the sharp decline in domestic yields across Treasury securities and Bank of Ghana OMO bills presents a downside risk to topline, which will be a catalyst for the bank to stretch its loan book for top-line growth. Overall, we view GCB’s performance as solid, with strong earnings delivery and improved asset quality, positioning the bank to sustain momentum through the rest of 2025.

Performance: Strong momentum sustained in 1H2025.

#### Income and Margin Performance

- Net interest income increased by 39.9% y/y to GHS 2.0bn, propelled by a 46.3% y/y rise in interest income.
- Net interest margin (NIM) rose by 0.6pp y/y to 8.2%, reflecting improved asset yield performance.
- Non-interest revenue surged by 62.3% y/y to GHS 759.4mn, supported by an 87.5% y/y growth in net trading income to GHS 397.0mn.
- Pre-impairment income reached GHS 2.8bn, up 45.4% y/y, driven by strong topline growth.

#### Cost and Risk Management

- Cost-to-income ratio improved by 8.1pp y/y to 49.8%, reflecting enhanced operating efficiency.
- Operating expenses rose by 25.0% y/y to GHS 1.4bn, outpacing inflation.
- Impairment charge on financial assets declined by 21.3% y/y to GHS 82.5mn.

#### Profitability and Balance Sheet Dynamics

- Profit-after-tax expanded by 101.1% y/y to GHS 838.7mn, underpinned by robust revenue growth.
- Customer deposits rose by 31.4% y/y to GHS 34.4bn.

- Net loans and advances grew by 37.1% y/y to GHS 10.5bn, resulting in a loan-to-deposit ratio of 30.4%.
- Investment securities (non-trading) climbed by 47.3% y/y to GHS 17.5bn.
- Total assets increased significantly, up 36.8% y/y to GHS 47.8bn, reinforcing the asset-driven income growth.

#### **Asset Quality and Capital Solvency**

- NPL ratio declined by 6.4pp y/y to 13.8%, indicating improved credit quality.
- Capital adequacy ratio (CAR) rose by 1.5pp y/y to 20.0% (inclusive of regulatory relief).

## **Investment Thesis & Outlook**

### **Near-term Outlook: GCB Positioned to Ride Economic Tailwinds into 2H2025**

#### **Loan Book Expansion to Drive Earnings Growth**

- We expect GCB to sustain its strong earnings momentum in the second half of 2025, supported by an expanding loan portfolio and renewed growth in non-funded income. As inflation continues to trend downward and macroeconomic conditions improve, we anticipate a further pick-up in loan demand, which should support topline expansion. GCB is well-positioned to meet this demand, given its healthy liquidity position further enhanced by the Bank of Ghana's revised CRR directive that aligns reserve requirements with the currency of mobilized deposits.
- On the funding side, we believe GCB will continue to scale up low-cost deposits through its extensive retail presence, helping reduce reliance on expensive funding sources. This should enhance net interest margins while creating headroom for further loan book expansion.

#### **Non-Funded Income to Gain Traction**

- We anticipate stronger non-interest revenue in 2H2025 as economic activity rebounds. GCB's digital ecosystem, anchored by its mobile banking app and G-Money platform is beginning to show results. These platforms not only strengthen customer engagement but also provide scalable transaction-based income streams.
- In our view, GCB is well-positioned to sustain its net trading income momentum, particularly with the potential return of the Ghanaian sovereign to the domestic debt market in the latter half of the year. We also expect GCB's strategic partnerships such as those with the Electricity Company of Ghana (ECG) and TextGenesys Ltd to enhance fee-based income over time.

#### **Disciplined Growth Strategy Anchored in Selective Lending**

- We believe GCB will maintain a cautious yet strategic approach to loan book expansion. In our engagement with management, we observed that the bank remains focused on selective consumer lending and targeted exposures in priority sectors with strong GDP linkages and high return potential. Despite the liquidity constraints posed by the 25% CRR, the bank is not aggressively pursuing a 40% loan-to-deposit ratio. Instead, we expect management to prioritise asset quality, which aligns with its broader risk management posture.
- Regarding asset quality, we do not expect the Bank of Ghana's directive to reduce NPLs to 10.0% by FY2026 to materially affect GCB in the near term. As of 1H2025, total NPLs stood at GHS 1.7bn, of which GHS 1.3bn has been fully provisioned. Only GHS 157.7mn falls under the "less loss" category, and the bank awaits regulatory clearance to write off the already-provided portion.

#### **Cost Efficiency to Improve as Digitisation Deepens**

- We expect cost containment to remain a key focus for management. We anticipate GCB will intensify the digitisation of internal processes, replacing manual and branch-based functions with more cost-efficient digital alternatives. The bank's strategy is to shift away from physical expansion and instead grow market share via digital platforms.
- Falling inflation will also provide tailwinds in managing operating expenses more tightly. As inflation eases, potentially to single digits in the near-term, we foresee moderation in cost escalation, supporting margin preservation.

### **Medium-term Investment Thesis: Structural Upside Backed by Capital Strength and Digital Scale**

#### **Digital Transformation as a Growth Catalyst**

- We believe GCB's digital transformation strategy is a core pillar of its long-term competitiveness. The mobile banking platform and G-Money, its fintech subsidiary, are not only enhancing customer engagement but also establishing scalable, low-cost infrastructure that supports future growth. These platforms are beginning to underpin a structural shift toward recurring, non-funded income streams. Strategic partnerships with ECG and TextGenesys further strengthen this foundation, creating monetisable transaction flows that improve operating leverage and position GCB to compete effectively in a digitalising financial services landscape. The recent appointment of [Patrick George Quantson as Chief Digital Officer](#) reinforces this trajectory. His mandate to lead the bank's digital agenda, streamline internal operations, and elevate customer-facing platforms reflects a deepened commitment to accessible, secure, and high-impact financial solutions. We expect more strategic partnerships and platform enhancements in the near-to-medium term to sustain the strong momentum in non-funded income growth at a projected 5-Year compounded annual growth rate of 28.1%.

Ample Room for Lending Growth into the Medium-Term

- We view GCB’s conservative balance sheet as a structural strength that supports long-term, quality-driven loan growth. With only one-third of its deposit base currently deployed into loans, the bank has ample headroom to scale credit selectively as macro conditions improve. Its extensive retail footprint offers a durable funding advantage, enabling access to low-cost deposits across a wide customer base. Management’s measured approach of prioritising asset quality over aggressive expansion underscores a disciplined growth framework that aligns with sustainable profitability. Against this backdrop, we forecast loan book to expand at a compounded annual grow rate of 22.8%

Capital Resilience Enables Dividend Visibility

- We believe GCB’s restored capital adequacy, achieved ahead of regulatory timelines and without reliance new capital injection, underscores the bank’s financial resilience and disciplined balance sheet management. This solid capital foundation not only supports future growth but also enables consistent dividend distributions, as demonstrated by the resumption of payouts for FY2024. We see dividends as a sustainable feature of GCB’s value proposition, offering income visibility backed by robust earnings, strong provisioning, and prudent risk-taking. Our medium-term earnings outlook suggests a compounded annual growth rate in net earnings by 29.7%, supported by a robust capital buffer that enhances the bank’s dividend payment potential. In our view, this positions GCB as a fundamentally sound and yield-attractive investment within Ghana’s evolving banking landscape.

Efficiency-Driven Margin Support

- We believe the appointment of [Mr. Farihan Alhassan](#) as Managing Director earlier this year has reinforced GCB’s strategic focus on efficiency and scalability. Under his leadership, the bank is accelerating its transition toward digital operations while gradually reducing reliance on physical expansion. These efforts, combined with a more stable inflationary environment, are expected to support tighter cost control and preserve operating margins. We see this disciplined approach as integral to sustaining long-term profitability and enabling scalable growth across a more efficient operating base.

Overall, with capital buffers already restored to pre-DDEP levels and dividend payments resumed, GCB stands ahead of peers in meeting regulatory thresholds. While macroeconomic volatility and tight liquidity conditions remain watchpoints, we believe GCB’s strong provisioning, conservative lending posture, and growing digital income streams provide a solid platform for earnings durability. Should management sustain cost discipline, deepen digital adoption, and gradually scale its loan book, we see a credible path to long-term value creation, underpinned by balance sheet strength, improved profitability, and renewed investor confidence.

Valuation & Recommendation: **BUY**

- Our BUY rating is based on our weighted average fair value of GHS 13.16 per share, representing a upside of 38.3%, using the weighted average prices from our dividend discount (DDM), residual income (RI) and relative valuation models. We see strong near-term upside for GCB given its robust fundamentals and promising outlook, and therefore recommend a BUY rating.
- GCB is trading at a TTM P/E of 1.6x and P/B of 0.49x.

Valuation panel

In valuing GCB, we used three techniques, namely the dividend discount model and residual income valuation models to determine the intrinsic value as well as a relative valuation model, which uses price-to-book (P/B) multiples. We opted to utilize a weighted average of the intrinsic prices from both models, considering the inherent strengths and weaknesses of each model. The relative valuation model using the P/B ratio provides a balanced assessment of GCB’s value, reflecting its current equity base and capital position. We assigned a 30.0% weighting to P/B and a 70.0% weighting to DDM & RI model. We assigned a higher weight to the DDM & RI model as it focuses on the intrinsic value of a company based on its future cash flows, adjusted for the time value of money, whereas the other models do not.

Valuation inputs

Parameter	value	Note
Risk-free rate	17.74%	This rate reflects the average yield on restructured bonds listed on the Ghana Fixed Income Market (GFIM) as of the valuation date in mid-July 2025. The recent improvement in bond trading amidst the downturn in yields has enhanced price discovery for the DDEP bonds, restoring the bond yields in our model as the risk-free rate.
Market risk premium	6.0%	This aligns with the upper band of our preferred range from 4.0% to 6.0% and reflects our view of the elevated risk premiums in developing markets
Beta	0.77	Beta was computed using weekly data for CAL, EGH, SCB, and SOGEGH over a one- to ten-year period from Bloomberg, using the GSE Composite Index as the market benchmark. We applied an industry average derived from the subset with the strongest statistical validity.
Cost of Equity	21.8%	The expected return on equity is computed using the risk-free rate, market risk premium and beta within the Capital Asset Pricing Model.

Peer mean ratio (P/B)	0.73x	The peer mean P/B is computed using the p/b of listed banks including CAL, EGH, SCB, ACCESS, SOGEGH and RBGH.
-----------------------	-------	---------------------------------------------------------------------------------------------------------------

### Valuation summary (GHS/share)

DDM	RESIDUAL INCOME (RI)	P/B	WEIGHTED AVG
9.87	33.95	0.78	13.16

### Key Risks to Our Rating

Macroeconomic volatility, asset quality deterioration, execution risk on digital strategy, regulatory and policy shift, sovereign risk and market fragility.

### Income statement

GHS'000	FY2023AA	FY2024A	FY2025E	FY2026E	FY2027E
Interest Income	3,756,247	4,454,651	6,355,631	8,324,107	10,558,840
Interest expense	-860,515	-1,065,965	-1,637,768	-2,108,810	-2,717,213
Net Interest income	2,895,732	3,388,686	4,717,863	6,215,297	7,841,627
Net fees and Commission	438,179	613,446	786,252	1,006,778	1,287,830
Net trading income	425,065	460,832	608,018	796,135	1,026,530
Other operating income	25,199	13,765	13,765	13,765	13,765
Operating income	3,784,175	4,476,729	6,125,898	8,031,975	10,169,752
Operating expense	-1,814,667	-2,111,430	-2,979,216	-3,864,919	-4,860,390
Impairment loss/gain	-432,954	-473,281	-639,860	-794,672	-986,940
Operating profit	1,536,554	1,892,018	2,506,822	3,372,384	4,322,422
Share of profit of associates, net of tax	10,828	14,740	14,740	14,740	14,740
Profit before tax	1,547,382	1,906,758	2,521,562	3,387,124	4,337,162
Income tax expense	-537,660	-705,886	-782,941	-1,051,696	-1,346,681
Net Profit	1,009,722	1,200,872	1,738,621	2,335,428	2,990,481

Analyst:

Kwabena A. Obeng: +233 30 825 0051

For further information, please contact our Insights Team. T: 233 308-250051 | Email: [insights@ic.africa](mailto:insights@ic.africa)

**Disclaimer:**

This report is designed to be utilized by qualified institutional and professional investors only. Private investors must consult their investment adviser or broker for professional advice before seeking to act on the contents of this report. This advice has been prepared without taking account of the objectives, financial situation or needs of any particular investor. Accordingly, investors should, before acting on the advice, consider the appropriateness of the advice, having regard to their objectives, financial situation and needs. IC Securities' investment research reports are provided for informational purposes only. All information provided in this report is the intellectual property of IC Securities, is for the use of intended recipients only, and may not be reproduced in any form whatsoever without the express written consent of IC Securities. Descriptions are not intended to be complete and cannot be guaranteed to be accurate; therefore, IC Securities does not assume any legal liability or responsibility for any inaccuracies or misrepresentations contained in this report. Neither IC Securities nor its management, officers or employees accept responsibility or liability for, or make any representation, statement or expression of opinion or warranty, express or implied, with respect to the accuracy or completeness of the information or any oral communication in connection therewith. There may be regulatory or confidentiality obligations which prevent IC Securities from disclosing information, material or otherwise, which would normally be expected to be included in this report. The price of any securities stated in this report is the reported market price as of the date indicated, taken from sources IC Securities believes to be reliable. IC Securities does not represent that this price may be achieved in any transaction. Due to the inherently illiquid and relatively opaque nature of most of the Firm's coverage markets, any price stated in this report may not reflect the true trading price of the security referenced. This document does not constitute an offer by, or on behalf IC Securities to enter into any transaction with you and will not form the basis of a contract for any such transactions. This report does not constitute an offer to sell or solicitation of a purchase order in respect of any securities, derivative or other instrument by the Firm.

