

GCB BANK PLC FY2025 Results

Ghana | 27 March 2026

Current rating: **BUY**

Current Price: **GHS 41.2** | Current Fair Value: **GHS 50.8** | Upside: **23.3%**

No Wobbles, GCB Closes FY2025 on Rock-Solid Form

Rating Summary:

We maintain our “BUY” rating on GCB Bank PLC (“GCB”), following an upward revision of our fair value to GHS 50.8 per share, reflecting sustained earnings strength, and improved asset quality. Given the market price of GHS 41.2, this implies an upside of 23.3%. 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 slightly trailing our earnings forecast by 1.7%, GCB’s FY2025 performance was stellar, posting a 71.6% y/y jump in earnings, underpinned by strong topline growth, a 40.9% y/y expansion in total income, margin resilience, and a sharp moderation in credit costs. Efficiency gains were also notable, with the cost-to-income ratio improving to 47.2%, while asset quality strengthened materially as cost of risk declined to 1.2% and the NPL ratio edged closer to the regulatory threshold of 10.0%. We believe the bank remains well-positioned to extend its performance into 2026, supported by strong capital buffers, improving balance sheet utilisation, and capacity to grow risk assets, as it expands into higher-yielding quality assets despite softer Treasury yields.

FY2025 Earnings Update: Steady Hands, Big Numbers

GCB Bank Plc published its FY2025 results on 25th March 2026, delivering strong earnings momentum underpinned by robust revenue growth, improved efficiency, and lower impairment charges. Net interest income increased by 35.4% y/y to GHS 4.6bn, supported by a 38.3% rise in interest income, while net interest margins improved to 15.9% (FY2024: 15.5%), reflecting stronger asset yields in a high-rate environment and supported by a favourable asset mix. The net interest income surpassed our forecast by 2.0%. Non-interest revenue grew by 58.2% y/y to GHS 1.7bn, driven by a 79.0% surge in trading income and a 39.9% increase in fees and commissions. Consequently, total income rose by 40.9% y/y to GHS 6.3bn, 2.0% above our forecast, reinforcing strong top-line expansion. Asset quality improved materially, with total impairment declining by 7.3% y/y to GHS 163.1mn, while cost of risk eased sharply to 1.2% (FY2024: 4.2%) due to a combination of recoveries, write-backs, and a favourable loan mix. The NPL ratio declined to 10.31%, marginally above the Bank of Ghana’s 10.0% regulatory threshold, bringing the bank within close range of the Bank of Ghana’s 10.0% regulatory threshold expected by end-2026. Operating expenses increased by 23.7% y/y to GHS 3.0bn but remained below revenue growth, driving an improvement in the cost-to-income ratio to 47.2% (FY2024: 53.8%). However, the sustainability of these efficiency gains remains under scrutiny as the underlying drivers, specifically personnel expenses and other operating costs, expanded by a robust 39.2% and 47.5% y/y, respectively. Profit after tax rose by 71.6% y/y to GHS 2.1bn, supported by strong revenue growth and lower credit costs. However, earnings came in 1.7% below our forecast as the top-line outperformance was offset by higher-than-expected operating expenses and a heavier tax charge, implying pressure on margins after tax. On the balance sheet, loans and advances expanded by 56.8% y/y to GHS 16.0bn, outpacing deposit growth of 20.8% y/y to GHS 41.0bn but marginally short of the 60.0% guidance we obtained from management. This pushed the loan-to-deposit ratio (LDR) to 43.1%, above the 40% threshold. We expect this development to lead further loan book expansion, reducing the opportunity cost of holding excess liquidity in low-yielding reserves under elevated CRR requirements. Capitalisation remains strong, with Capital Adequacy Ratio (CAR) at 18.0%, comfortably above the regulatory limit of 13.0% and providing sufficient headroom for asset growth. Overall, we note that FY2025’s performance reflects strong earnings quality, improving asset quality, and better balance sheet utilisation, although the sustainability of topline growth amid interest rates compression, credit cost normalisation and the quality of incremental loan growth will be key to maintaining this trajectory into FY2026.

Performance: Strong Close, Stronger Foundation.

Income and Margin Performance

- Net interest income rose by 35.4% y/y to GHS 4.6bn, supported by a 38.3% y/y increase in interest income from higher asset yields.
- Net interest margin improved to 15.9% in FY2025 from 15.5% a year earlier, reflecting stronger pricing on earning assets.
- Non-interest revenue surged by 58.2% y/y to GHS 1.7bn, anchored by a 79.0% jump in net trading income to GHS 824.7mn.
- Pre-impairment income expanded by 40.9% y/y to GHS 6.3bn, underscoring broad-based revenue strength.

Cost and Risk Management

- Operating expenses rose by 23.7% y/y to GHS 3.0bn, largely from higher staff and other expenses, but remained contained as inflation eased.
- Cost-to-income ratio improved to 47.2%, down from 53.8% in the prior year, reflecting strong operating leverage.
- Total impairment charges declined by 7.3% y/y to GHS 163.1mn, while cost of risk eased to 1.2% from 4.2% in the previous period.

Profitability and Balance Sheet Dynamics

- Profit after tax jumped by 71.6% y/y to GHS 2.1bn, driven by solid revenue growth and lower impairment costs.
- Net loans and advances expanded by 56.8% y/y to GHS 16.0bn, pushing the loan-to-deposit ratio to 43.1% from 35.0% in 2024.
- Investment securities rose by 22.3% y/y to GHS 16.5bn as management optimised yields across earning assets.
- Customer deposits increased by 20.8% y/y to GHS 41.0bn, reinforcing balance sheet stability and liquidity strength.
- Total assets increased significantly, up 23.0% y/y to GHS 52.6bn, reinforcing the asset-driven income growth.

Asset Quality and Capital Solvency

- NPL ratio improved by 4.75pp y/y to 10.3%, reflecting high base effect from loan book growth, stronger credit risk controls and recoveries.
- Capital adequacy ratio edged up by 0.55pp y/y to 18.0%, maintaining comfortable regulatory buffers.

Investment Thesis

Positioned for Sustained Growth Amid Strengthening Macro Tailwinds

Balance Sheet Repricing to Offset Yield Compression

- We believe topline growth will face pressure from declining interest rates, as treasury yields have compressed into single digits and policy rate cuts feed through to lower Ghana Reference Rates. In our opinion, this will weigh on loan book yields and overall asset pricing.
- Against this backdrop, we anticipate that GCB will need to sweat its balance sheet more aggressively, deploying capital selectively into high-yielding and low-risk segments. Management has reiterated its commitment to disciplined lending, focusing on sectors with strong GDP linkages and resilient risk profiles.
- With a loan-to-deposit ratio just over 40.0%, we believe that GCB has significant headroom to expand risk assets and unlock value. We project loan growth of 29.0% per annum over the medium term, driven by deliberate balance sheet optimisation rather than passive yield expansion.

Macro Recovery to Drive Credit Expansion

- In our view, improving macroeconomic conditions are setting the stage for a credit upcycle. Inflation has moderated to 3.3% in February 2026, well below the Bank of Ghana's medium-term target band of 6.0% – 10.0%, while business confidence continues to strengthen.
- We expect this environment to support increased credit demand from Small and Medium-scale Enterprises (SMEs) and large corporates in the coming quarters. GCB's strong liquidity positions the bank to extend credit without funding constraints, especially as the bank surpasses the 40.0% LDR threshold, freeing up more funds from cash reserve requirement (CRR) for use as the applicable CRR drops by 5.0pp to 20.0%.
- Overall, we believe the economy is primed for expansion, and GCB is well-positioned to intermediate this growth through increased lending activity.

Funding Advantage and Non-Funded Income Expansion

- We believe GCB will continue to leverage its strong brand and nationwide footprint to sustain a low-cost funding base, with Current Account Savings Account (CASA) deposits accounting for 93.0% of total deposits. This provides a structural advantage in managing funding costs, particularly in a declining rate environment.
- In addition, we anticipate continued growth in non-funded income, which currently contributes 27.3% of total revenue. We believe the bank's investments in trade flows, digital channels, and strategic partnerships will deepen fee-generating activities.
- We believe that GCB's participation in [bilateral trade engagements between Ghana and China](#) positions the bank to benefit from rising trade finance demand, FX transactions, and cross-border payment flows. We also expect import activity to recover on the back of low inflation and currency stability, supporting overdraft growth and fee income.
- Furthermore, we anticipate that the potential re-entry of the Ghanaian sovereign into the domestic debt market following the expiration of Domestic Debt Exchange Programme restrictions will support trading income momentum.
- In our opinion, strategic partnerships with institutions such as Electricity Company of Ghana and TextGenesys Ltd will continue to sustain fee-based revenue streams. Overall, we project a five-year CAGR of 36.0% in non-interest revenue.

Efficiency Gains, Capital Strength, and Shareholder Returns

- We expect ongoing investments in automation and process optimisation to improve cost efficiency and support margin stability. As the bank shifts away from branch-led expansion toward digital delivery, we anticipate stronger operating leverage over the medium term.
- Capitalisation remains robust, with a CAR of 18.0%, providing sufficient headroom for asset growth and strategic flexibility.
- Given the bank's strong profitability outlook into 2026, we believe management will seriously consider a dividend payout, subject to regulatory approval. The addition of GHS 2.1bn to retained earnings and the GHS 1.0 per share dividend consideration in the prior year reinforces this view. In our opinion, GCB's combination of strong capital buffers, improving earnings capacity, and disciplined growth strategy support an attractive shareholder return profile over the medium term.

We believe GCB is transitioning from a high-yield environment to a balance sheet efficiency story, where disciplined asset deployment, funding advantages, and non-funded income expansion will be the key drivers of sustainable earnings growth.

Regulatory Tailwinds

GCB's Deferred 2024 Dividend Payment

- Despite strong FY2024 results, GCB was prevented from paying its declared dividend in May 2025 due to a temporary regulatory breach. The Bank of Ghana objected to the payment after the reclassification of DDEP-induced restructured cocoa bills as long-term bonds caused GCB's exposure to COCOBOD to exceed the single obligor limit. In our opinion, GCB's FY2025 performance positions the bank to satisfy regulatory requirements for dividend distribution.

Valuation & Recommendation: **BUY**

- Our BUY rating is based on our weighted average fair value of GHS 50.8 per share, representing an upside of 23.3%, 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 assign a BUY rating.
- GCB is trading at a TTM P/E of 5.3x and P/B of 1.75x.

Key Risks to Our Rating

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

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