

GCB BANK PLC 1Q2026 Results

Ghana | 29 April 2026

Current rating: **BUY**

Current Price: **GHS 42.9** | Current Fair Value: **GHS 51.6** | Upside: **20.3%**

Beyond the Spread: Fees Up, Doubts Down

GCB Bank Plc published its 1Q2026 results on 27 April 2026, extending the strong earnings momentum seen in FY2025, but with a clear shift in the composition of growth. Total operating income rose by 44.2% y/y to GHS 1.8bn, broadly tracking the FY2025 trend of strong top-line expansion, although the drivers are now more aggressively tilting toward non-funded income. Net interest income increased by 20.5% y/y to GHS 1.13bn, beating our forecast by 11.4% on account of better-than-expected topline performance. In contrast, non-interest revenue accelerated sharply, with fees and commissions and trading income both surging by 115.6% y/y to GHS 320.4mn and GHS 336.8mn, respectively, reinforcing the bank's ongoing revenue diversification strategy and confirming that non-funded income is increasingly becoming the core earnings engine. Cost dynamics remain broadly contained, although underlying pressures persist. Operating expenses grew by 25.4% y/y to GHS 813.7mn, albeit slower than revenue growth, resulting in a further improvement in the cost-to-income ratio to 45.1%, from 47.2% in FY2025. This continues the efficiency gains recorded last year. On the risk front, impairment charges increased by 25.5% y/y to GHS 91.7mn, signaling that underlying credit risk has not fully abated. However, cost of risk improved further to negative 0.5%, suggesting that recoveries and writebacks continue to dominate provisioning dynamics. Asset quality improved, with the NPL ratio declining sharply to 4.9%, well below the Bank of Ghana's 10.0% regulatory threshold and well ahead of the regulatory compliance deadline of end-2026. Profitability remained robust, with profit before tax rising by 69.8% y/y to GHS 898.9mn and profit after tax increasing by 72.4% y/y to GHS 580.5mn, supported primarily by strong revenue growth and continued cost discipline. The earnings outturn outpaced our forecast by 8.6%, owing to strong revenue generation and cost containment. Balance sheet dynamics point to a more assertive asset growth strategy. The loan book expanded significantly by 92.6% y/y, indicating a more aggressive deployment of liquidity. Investment securities also increased by 36.1% y/y, while total assets grew by 26.5% y/y, reflecting continued balance sheet expansion. Shareholders' funds rose by 45.3% y/y, supporting capital buffers, although the capital adequacy ratio edged-down slightly by 0.2 percentage points to 17.8%, still comfortably above the 13.0% regulatory requirement. We attribute the slight decline in the capital adequacy ratio to the expansion in risk assets as opposed to erosion in eligible capital, which rather witnessed an improvement from the earnings growth. Overall, we view 1Q2026 as a continuation of GCB's earnings expansion, but with a clear shift in drivers. While funded income remains solid, non-funded income has emerged as a credible and increasingly dominant growth engine. In our view, sustainability is the key issue. As rates moderate and credit costs normalise, earnings momentum will depend on the durability of non-interest income, the quality of loan growth, and the bank's ability to contain structurally rising costs.

Performance: Strong Start, Shifting Gears.

Income and Margin Performance

- Net interest income rose by 20.5% y/y to GHS 1.1bn, supported by a modest 11.8% increase in interest income and the ongoing repricing of interest-bearing liabilities which is restraining interest expense.
- Net interest margin dipped slightly to 3.3% in 1Q2026 from 3.9% a year earlier, reflecting expanding loan portfolio and softer yields.
- Non-interest revenue surged by 115.6% y/y to GHS 672.6mn, anchored by a 115.6% jump in net trading income to GHS 336.8mn and net fees and commission to GHS 320.4mn.
- Pre-impairment income expanded by 44.2% y/y to GHS 1.8bn, underscoring broad-based revenue strength.

Cost and Risk Management

- Operating expenses rose by 25.4% y/y to GHS 813.7mn, largely from higher staff and other expenses, but remained contained as inflation eased.
- Cost-to-income ratio improved to 45.1%, down from 51.8% in the prior year, reflecting strong operating leverage.
- Total impairment charges rose by 25.5% y/y to GHS 91.7mn, while cost of risk eased to 0.5% from 0.8% in the previous period.

Profitability and Balance Sheet Dynamics

- Profit after tax jumped by 72.4% y/y to GHS 580.5mn, driven by solid revenue growth.
- Net loans and advances expanded by 92.6% y/y to GHS 18.2bn, pushing the loan-to-deposit ratio to 41.3% from 25.1% in 2025.
- Investment securities rose by 36.1% y/y to GHS 21.45bn as management enhanced yields across earning assets.
- Customer deposits increased by 17.1% y/y to GHS 44.1bn, reinforcing balance sheet stability and liquidity strength.
- Total assets increased significantly, up 26.5% y/y to GHS 60.4bn, reinforcing the asset-driven income growth.

Asset Quality and Capital Solvency

- NPL ratio improved by 10.0pp y/y to 4.9%, reflecting loan book optimisation even as credit writing expands.
- Capital adequacy ratio edged down by 0.27pp y/y to 17.8%, maintaining comfortable regulatory buffers.

Investment Thesis

From Positioning to Execution, The Pivot Takes Shape

Funded Income Under Pressure, But the Loan Book Has Room to Run

- Treasury yields have compressed into single digits, with the 364-day T-bill only recently rebounding into low double digits at the end of April 2026. We observe that policy rate cuts are feeding through to lower Ghana Reference Rates, and in our view, this will continue to weigh on loan book yields and overall asset pricing. We expect funded income growth to moderate as a result, and GCB will need to work its balance sheet harder to compensate.
- We believe the loan book is a credible growth lever. With a loan-to-deposit ratio of 41.3%, strong capital cushion, and a low NPL ratio of 4.9%, GCB has meaningful headroom to expand risk assets, further supported by the 5.0 percentage point reduction in the cash reserve requirement to 20.0%, which frees up additional liquidity for deployment. Management has been clear that it intends to grow the personal loan book from GHS 1.0bn toward GHS 2.0bn, using the digital platform to originate credit faster and meet customers at their point of need. We project loan growth of 29.0% per annum over the medium term, driven by deliberate balance sheet optimisation rather than passive yield chasing.
- Lending discipline remains a priority. Management has reiterated its focus on sectors with strong GDP linkages and resilient risk profiles, and we believe this will keep credit quality broadly intact even as the book scales.

Macro Backdrop Supports a Credit Upcycle

- The macroeconomic environment has shifted materially in GCB's favour. Inflation moderated to 3.2% in March 2026, well below the Bank of Ghana's medium-term target band of 6.0% – 10.0%, and business confidence continues to strengthen. In our view, these conditions are setting the stage for a broad credit upcycle, with demand from SMEs and large corporates likely to pick up meaningfully in the coming quarters.
- GCB is well-positioned to intermediate this recovery. The bank's strong liquidity base means it can extend credit without funding constraints, and as the LDR surpasses the 40.0% threshold, further CRR releases provide additional room for asset deployment. We believe the economy is expanding and that GCB, with its nationwide footprint and balance sheet capacity, is one of the better-placed banks to capture this opportunity. Specifically, we expect GCB to explore project finance opportunities within the construction-led expansion strategy of Ghana's fiscal framework for 2026 as the bank seeks to align its credit strategy to sectors with high linkage to Ghana's economic expansion.
- We also expect import activity to recover on the back of low inflation and currency stability, which should support overdraft utilisation and trade-related fee income, a point management echoed when discussing the strategic importance of trade finance as a growth driver.

Non-Funded Income Is Becoming the Core Earnings Engine

- Management's stated ambition is for non-funded income to be large enough to cover the bank's full operating cost base, effectively building a structural buffer against interest rate sensitivity. We believe this is the right strategic direction, and 1Q2026 results suggest meaningful progress. Fees and commissions and trading income each surged by 115.6% y/y, lifting non-funded income's share of total revenue to 37.3% (vs 27.3% at FY2025).
- In our view, this momentum has credible legs. Trading income has been driven by GCB's dominance in the interbank market and PAPSS, and management intends to deepen this through the introduction of additional derivative products. A dedicated AfCFTA desk has been established to capture trade flows across Africa and Asia, and the bank is forging partnerships with remittance and mining companies to generate FX volumes. We believe these initiatives will sustain trading income beyond the current period.
- 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.
- Additionally, the re-opening of the domestic debt market following the expiration of DDEP restrictions will provide further support to trading income.
- Strategic partnerships with institutions such as the Electricity Company of Ghana and TextGenesys Ltd continue to provide fee-based revenue streams. On balance, we project a five-year non-interest revenue CAGR of 36.0%, supporting both topline momentum and revenue diversification.

Deposits, Digital, and the G-Money Pipeline

- GCB's funding structure remains a core competitive advantage. CASA deposits account for 93.0% of total deposits, providing a structurally low cost of funds that becomes increasingly valuable as rates moderate. Management is not taking this for granted. All available tools are being deployed to grow CASA further, including third-party deposit partnerships and a fully digital account opening process that removes the need for any in-person interaction.
- We believe the digital strategy is well-constructed. The bank is migrating customers from salary advance products toward formal loan applications via the app, and this shift, combined with one million salary accounts on the books gives GCB a captive base from

which to deepen wallet share. Retail NPLs are running below 4.0%, and management sees no signs of stress on newly originated credit, which gives us confidence that digital loan growth can be pursued without a material deterioration in asset quality.

- G-Money adds another dimension. Rebranded, re-platformed, and now serving one million customers, it is being used as a deliberate pipeline to migrate users into the broader GCB ecosystem. More ambitiously, G-Money has been recapitalised as an SPV with a pan-African mandate, with strategic partnerships being brought in to support continental expansion. GCB has also adopted a collaborative stance toward MTN MoMo rather than competing aggressively, a pragmatic posture that we believe reduces execution risk and opens room for ecosystem-level growth.

Efficiency Gains and a Cleaner Balance Sheet Support the Investment Case

- Cost discipline has been a consistent feature of GCB's recent results. The cost-to-income ratio improved further to 45.1% in 1Q2026, from 47.2% in FY2025, and we expect this trajectory to continue as the bank shifts from branch-led expansion toward digital delivery. Automation and process optimisation should reinforce operating leverage over the medium term, particularly as non-funded income scales and revenue diversification reduces the bank's dependence on any single income line.
- On the balance sheet, the cocoa bond overhang, currently at GHS 846.0mn and above the single obligor limit remains the key near-term risk. However, part payment is expected in September 2026 as the bond continues to amortise, and the over-exposure is expected to be fully resolved by December 2026 at the latest. Interested buyers have already emerged, raising the prospect of an earlier exit. Management has received regulatory approval for dividend distribution on the back of this news. We view dividend resumption as an important signal of balance sheet normalisation and expect it to be well-received by the market.
- Capital adequacy remains comfortable at 17.8%, well above the 13.0% regulatory minimum, providing sufficient headroom for continued asset growth. In our view, GCB is transitioning from a high-yield, rate-driven earnings story toward a balance sheet efficiency and revenue diversification story, and the building blocks for that transition are clearly in place.

Valuation & Recommendation: **BUY**

- Our BUY rating is based on our weighted average fair value of GHS 51.6 per share, representing an upside of 20.3%, 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 5.0x and P/B of 1.7x.

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.

Analyst:

Kwabena A. Obeng: +233 30 825 0051

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

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