GCB BANK PLC 1H2026 Results

Ghana | 30 July 2026

Current rating: **BUY**

Current Price: **GHS 43.2 | Current Fair Value: GHS 52.85 | Upside: 22.3%**

Non-Funded Income Takes the Driver's Seat

GCB Bank Plc published its 1Q2026 results on 27 July 2026, extending the strong earnings momentum seen at the start of the year while revealing a clear shift in the composition of growth. Total operating income rose by 35.6% y/y to GHS 3.7bn, maintaining the trend of strong top-line expansion in 1Q2026, although the drivers are now tilting more aggressively toward non-funded income. Net interest income increased by 17.1% y/y to GHS 2.3bn, beating our forecast by 2.2%. In contrast, non-interest revenue accelerated sharply, with fees and commissions surging by 97.2% y/y to GHS 665.2mn and trading income rising by 76.8% to GHS 701.7mn, reinforcing the bank's 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 20.2% y/y to GHS 1.7bn, slower than revenue growth, resulting in a further improvement in the cost-to-income ratio to 44.2% from 49.8% in the same period last year. This extends the efficiency gains recorded over the past year. On the risk front, impairment charges increased by 139.5% y/y to GHS 197.5mn, signaling that underlying credit risk has not fully abated as credit expansion continues. Consequently, the cost of risk edged up by 0.13pp to 0.9%. Asset quality improved, with the NPL ratio declining sharply to 4.7%, well below the Bank of Ghana's 10.0% regulatory threshold and comfortably ahead of the end-2026 compliance deadline. Profitability remained robust, with profit before tax rising by 45.2% y/y to GHS 1.9bn and profit after tax increasing by 45.9% y/y to GHS 1.2bn, supported primarily by strong revenue growth and continued cost discipline. The earnings outturn exceeded our forecast by 1.4%, driven by stronger revenue generation and disciplined cost management. Balance sheet dynamics point to a more assertive asset growth strategy, underpinned by strong customer deposit growth of 48.8% y/y to GHS 51.2bn. The loan book expanded by 105.3% y/y, reflecting a more aggressive deployment of liquidity in line with management's commitment to grow the loan portfolio. Investment securities also increased by 23.4% y/y, while total assets grew by 47.8% y/y, reflecting continued balance sheet expansion. Shareholders' funds rose by 39.0% y/y, strengthening capital buffers, although the capital adequacy ratio edged down by 4.1 percentage points to 15.9% amid rapid credit expansion. Nonetheless, it remains comfortably above the 13.0% regulatory requirement.

Overall, we view 1H2026 as a continuation of GCB's earnings expansion, albeit with a clear shift in the underlying drivers. While funded income remains solid, non-funded income has emerged as a credible and increasingly dominant growth engine. However, the sharp increase in impairments remains a key watchpoint, suggesting that underlying credit risk has not fully abated as the loan portfolio expands. In our view, sustainability remains the key issue. As rates moderate and credit costs normalise, earnings momentum will increasingly depend on the durability of non-interest income, the quality of loan growth, and the bank's ability to contain structurally rising costs.

Performance: Foot Firmly on the Gas.

Income and Margin Performance

- Net interest income rose by 17.1 y/y to GHS 2.3bn, supported by a 29.0% decline in interest expense as the ongoing repricing of interest-bearing liabilities continued to reduce funding costs.
- Net interest margin dipped slightly to 6.5% in 1H2026 from 8.2% a year earlier, reflecting rapid loan growth and softer asset yields.
- Non-interest revenue surged by 84.3% y/y to GHS 1.4bn, anchored by a 97.2% jump in net fees and commission to GHS 665.2mn and a 76.8% surge net trading income to GHS 701.7mn.
- Total operating income expanded by 35.6% y/y to GHS 3.7bn, underscoring broad-based revenue strength.

Cost and Risk Management

- Operating expenses rose by 20.2% y/y to GHS 1.7bn, largely from higher staff and other expenses, but remained well below revenue growth.
- Cost-to-income ratio improved to 44.2%, down from 49.8% in the prior year, reflecting strong operating leverage.
- Total impairment charges rose by 139.5% y/y to GHS 197.5mn, while the cost of risk edged up by 0.13pp to 0.9%.

Profitability and Balance Sheet Dynamics

- Profit after tax jumped by 45.9% y/y to GHS 1.2bn, driven by solid revenue growth and sustained cost discipline.
- Net loans and advances expanded by 105.3% y/y to GHS 21.5bn, pushing the loan-to-deposit ratio to 41.9% from 30.4% in 2025.
- Investment securities rose by 23.4% y/y to GHS 21.6bn, reflecting continued deployment into earning assets.
- Customer deposits increased by 48.8% y/y to GHS 51.2bn, reinforcing balance sheet stability and liquidity strength.
- Total assets increased significantly, up 47.8% y/y to GHS 67.8bn, reflecting continued balance sheet growth.

Asset Quality and Capital Solvency

- NPL ratio improved by 9.1pp y/y to 4.7%, reflecting improved credit quality and a high base effect amid the rapid loan growth.
- Capital adequacy ratio edged down by 4.1pp y/y to 15.9%, as dividend distribution (GHS 265.0mn) reduced retained earnings while loan growth increased risk-weight assets, nonetheless capital buffers remained comfortably above regulatory requirements.

Investment Thesis

Foot Still on the Gas, But the Engine Has Changed

Funded Income to Moderate, but Credit Growth Should Sustain Earnings

- Treasury yields posted a steep climb in 2Q2026, with the 364-day bill recently reaching 12.96% after dropping to a low of 9.35% in early March 2026, while the Bank of Ghana maintained the policy rate at 14.0% at its latest MPC meeting. We expect the policy stance to continue feeding through to lower Ghana Reference Rates, weighing on loan book yields and overall asset pricing. Consequently, we forecast funded income growth to moderate to 14.7%.
- In our view, balance sheet expansion will increasingly become the key offset. GCB remains well positioned to grow risk assets, supported by a loan-to-deposit ratio of 41.9%, a strong capital buffer, and an NPL ratio of just 4.7%. The recent 5.0 percentage point reduction in the cash reserve requirement to 20.0% further strengthens this position by releasing additional liquidity for deployment.
- Management continues to prioritise loan growth, targeting an expansion of its personal loan portfolio from GHS 1.0bn to GHS 2.0bn through its digital lending platform. Supporting this strategy, the bank recently introduced a pension-backed loan product, allowing customers to borrow against their pension benefits. In our view, this broadens GCB's retail lending opportunity while providing an additional layer of credit protection. We therefore maintain our medium-term loan growth forecast of 29.0% per annum, driven by deliberate balance sheet optimisation rather than passive yield chasing. Although impairment charges have risen, management's continued focus on sectors with strong GDP linkages and resilient credit characteristics, alongside secured retail lending initiatives, should help preserve asset quality as the loan book expands.
- The macroeconomic backdrop also remains supportive. Inflation remains in single digits and below the Bank of Ghana's medium-term target band despite the recent monthly uptick, while business confidence is improving. We believe these conditions are laying the foundation for a broad credit upcycle, creating opportunities across SMEs, corporates and infrastructure financing. In particular, we expect GCB to participate in project finance opportunities arising from the Government's Big Push infrastructure programme, leveraging its nationwide franchise and balance sheet strength.

Revenue Diversification is Becoming Structural

- Management's long-term objective is for non-funded income to cover the bank's entire operating cost base, creating a structural buffer against interest-rate volatility. We believe 1H2026 results indicate meaningful progress toward that objective. Non-funded income accounted for 37.3% of total revenue, up from 27.5% a year earlier, reaching GHS 1.3bn and covering 84.5% of operating expenses.
- In our view, this momentum has credible legs. GCB continues to benefit from its leadership in the interbank foreign exchange market and PAPSS, while management plans to broaden its product offering through additional derivative products. Fee income should also remain well supported by strategic partnerships with institutions such as ECG, TextGenesys Ltd and Viamericas, alongside continued growth in remittance and transaction banking services.
- We maintain our projected five-year non-interest revenue CAGR of 36.0%, supporting sustained earnings diversification.

Low-Cost Funding and Digital Banking Strengthen Competitive Position

- GCB's funding structure remains one of its strongest competitive advantages. CASA deposits account for 93.6% of total deposits, providing a structurally low cost of funding that becomes increasingly valuable as interest rates decline. Management continues to deepen this advantage through third-party deposit partnerships and a fully digital account opening process.
- Digital banking is also becoming an increasingly important growth channel. The bank is migrating customers from salary advances to formal digital loan applications, leveraging a base of approximately one million salary accounts to deepen wallet share. Retail NPLs remain below 4.0%, giving us confidence that digital lending can continue expanding without materially compromising asset quality.

Building a Broader Financial Ecosystem

- Beyond traditional banking, management continues to strengthen GCB's ecosystem strategy. G-Money has been rebranded, migrated onto a new platform and now serves approximately one million customers. The platform is increasingly being used as an acquisition channel into the broader GCB franchise.
- Looking ahead, management intends to expand G-Money beyond Ghana following its recapitalisation into a special purpose vehicle with a pan-African mandate. At the same time, GCB has adopted a collaborative approach toward MTN MoMo rather than direct competition, which we believe reduces execution risk while expanding opportunities for ecosystem-driven growth. Complementing this strategy, the bank continues to develop specialised treasury solutions, including security swap facilities that generate additional fee income while meeting clients' short-term liquidity needs.

Valuation & Recommendation: BUY

- Our BUY rating is based on our weighted average fair value of GHS 52.85 per share, representing an upside of 22.3%, 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 4.7x and P/B of 1.6x.

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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