GCB BANK PLC 9M2026 Results

Ghana | 28 October 2026

Current rating: **BUY**

Current Price: **GHS 40.22 | Current Fair Value: GHS 49.82 | Upside: 23.9%**

Cruising Speed, Tailwinds Ahead

Rating Summary

We maintain our BUY rating on GCB Bank PLC ("GCB"), with fair value easing to GHS 49.82 per share (vs GHS 52.85 prior estimate) against a current market price of GHS 40.22, implying a 23.9% upside. GCB's 9M2026 results were broadly in line with our expectations, with profit after tax 2.0% ahead of our forecast. So the lower fair value does not reflect weaker performance. It is driven by an upward re-rating of our risk-free rate to 14.18% from 12.96%, as yields on the newly issued 7-year and 4-year bonds have surged since our 1H2026 update. We add a 5.0% risk premium in place of CAPM as GCB's beta is not statistically valid. The 6.9% decline in the share price over the same period has more than offset the lower fair value, widening the upside from 22.3% (1H2026) to 23.9%.

9M2026 Earnings Update: Momentum Holds, Buffers Thin

GCB Bank Plc published its 9M2026 results on 27 October 2026, sustaining the strong earnings momentum of 1H2026 as non-funded income and rapid loan growth continued to drive the top line. Total operating income rose by 32.1% y/y to GHS 5.7bn. Net interest income increased by 13.8% y/y to GHS 3.6bn, driven mainly by a 31.9% decline in interest expense to GHS 816.0mn as funding costs eased across current and savings accounts, time deposits and borrowings. Interest income was broadly flat, up 1.2% y/y to GHS 4.4bn, as a 40.5% rise in interest on loans and advances was largely offset by a 24.6% decline in interest on investment securities, reflecting depressed yields and the shift of the balance sheet toward lending. Non-interest revenue accelerated further, up 79.9% y/y to GHS 2.2bn. Net fees and commissions surged by 86.6% y/y to GHS 1.1bn, lifted by higher processing and facility fees in step with loan growth, and net trading income rose by 71.6% y/y to GHS 1.0bn. Non-funded income now accounts for 37.7% of operating income, up from 27.7% a year earlier. Operating expenses grew by 21.3% y/y to GHS 2.6bn, slower than revenue growth, which improved the cost-to-income ratio to 45.4% from 49.5%. Net impairment charges rose by 51.0% y/y to GHS 260.1mn as the loan book expanded. Profit before tax increased by 42.0% y/y to GHS 2.9bn, and profit after tax rose by 43.8% y/y to GHS 1.9bn, racing 2.0% ahead of our forecast.

On the balance sheet, customer deposits grew by 34.3% y/y to GHS 50.4bn, with current and savings accounts making up 93.3% of the total. Net loans and advances expanded by 83.2% y/y to GHS 25.2bn, lifting the loan-to-deposit ratio to 50.1% from 36.7%. Investment securities edged up only 2.9% y/y to GHS 19.9bn and now stand at 78.9% of the loan book, down from 140.5% a year earlier, confirming the deliberate rotation from government securities into credit. Asset quality held firm, with the NPL ratio at 4.8% (vs 10.8% in 9M2025), although marginally above the 4.7% reported at 1H2026. Shareholders' funds rose by 38.7% y/y to GHS 7.9bn. The capital adequacy ratio, however, slipped further to 14.6%, down from 15.9% at 1H2026 and 16.2% a year earlier, leaving a thinner 1.6pp buffer above the 13.0% regulatory requirement.

Overall, we believe GCB has kept its foot firmly on the gas, with non-funded income and loan growth now jointly driving earnings. As rates turn higher, the bank's large securities book and low-cost deposit base should once again become earnings tailwinds rather than drags. We note, however, that the pace of balance sheet expansion is starting to test capital headroom. Capital-light fee income, strong internal capital generation and disciplined deployment of risk-weighted assets will be critical to sustaining momentum.

Performance: Cruising, but Watching the Fuel Gauge.

Income and Margin Performance

- Net interest income increased 13.8% y/y to GHS 3.6bn, as a 31.9% decline in interest expense reinforced the impact of a 1.2% rise in interest income.
- Interest on loans and advances rose 40.5% y/y to GHS 2.5bn, offsetting a 24.6% decline in interest on investment securities to GHS 1.7bn.

- Non-interest revenue surged 79.9% y/y to GHS 2.2bn, anchored by an 86.6% jump in net fees and commission to GHS 1.1bn and a 71.6% rise in net trading income to GHS 1.0bn.
- Total operating income expanded 32.1% y/y to GHS 5.7bn, underscoring broad-based revenue strength.

Cost and Risk Management

- Operating expenses rose 21.3% y/y to GHS 2.6bn, driven by a 22.2% increase in personnel costs and an 18.8% rise in other expenses, but remained well below revenue growth.
- The cost-to-income ratio improved to 45.4% from 49.5%, reflecting continued operating leverage.
- Net impairment charges rose 51.0% y/y to GHS 260.1mn in step with loan growth, partly cushioned by bad debt recoveries of GHS 42.6mn (vs GHS 10.9mn).

Profitability and Balance Sheet Dynamics

- Profit before tax increased 42.0% y/y to GHS 2.9bn, and profit after tax rose 43.8% y/y to GHS 1.9bn.
- Net loans and advances expanded 83.2% y/y to GHS 25.2bn, lifting the loan-to-deposit ratio to 50.1% from 36.7%.
- Investment securities edged up 2.9% y/y to GHS 19.9bn, reflecting the rotation from securities into lending.
- Customer deposits increased 34.3% y/y to GHS 50.4bn, while borrowings rose 43.8% y/y to GHS 7.4bn.
- Total assets grew 35.4% y/y to GHS 68.0bn.

Asset Quality and Capital Solvency

- The NPL ratio improved by 6.0pp y/y to 4.8%, although it edged up 0.1pp from 1H2026, and remains well below the 10.0% regulatory threshold.
- Shareholders' funds rose 38.7% y/y to GHS 7.9bn, supported by strong earnings retention despite the GHS 265.0mn dividend payout.
- The capital adequacy ratio declined 1.6pp y/y to 14.6%, as rapid loan growth inflated risk-weighted assets, narrowing headroom above the 13.0% requirement.

Investment Outlook

Our investment outlook for GCB remains positive. Rising rates are set to support interest income, the low-cost deposit base remains a structural advantage, and a new cedi-to-RMB corridor will add to non-funded income. The capital adequacy ratio, now at 14.6%, is the key watchpoint.

Rising Rates to Revive Funded Income

- Inflation is currently 5.2% and slowly climbing, and we expect it to settle around the 6.0% area by end-2026, at the lower end of the Bank of Ghana's medium-term target band. Elevated government spending in 4Q2026 into FY2027, as signalled by the Bank of Ghana's Monetary Policy Committee and the Ghanaian Treasury, should reinforce this trend. Together with the recent surge in 7-year and 4-year bond yields, we expect this to lift depressed interest rates.
- In our view, GCB's balance sheet will remain its defensive moat. Investment securities of GHS 19.9bn and cash and equivalents of GHS 15.9bn give the bank substantial room to reprice into higher yields. We believe that this would hold up interest income and reverse the 24.6% decline in interest on investment securities recorded in 9M2026.

Low-Cost Deposits: A Structural Edge Under a Uniform CRR

- With the cash reserve requirement now set at 20.0% across the board regardless of loan-to-deposit ratio, funding cost becomes a key differentiator among banks. We believe GCB is uniquely positioned to excel in this regard. The bank's strong deposit mobilisation channels have delivered 34.3% deposit growth, with current and savings accounts making up 93.3% of the total. This helped reduce interest expense by 31.9% y/y.
- A loan-to-deposit ratio of 50.1% leaves ample funding room for further lending. With the CAR at 14.6%, however, we expect loan growth to moderate from the 83.2% y/y pace toward our medium-term forecast of 29.0% per annum.

Non-Funded Income: A New Corridor Opens

- GCB is in the process of facilitating direct cedi-to-Chinese-RMB settlement for merchants and traders doing business between Ghana and China. By removing US dollar intermediation, the product should lower transaction costs for clients while generating fee and FX trading income for the bank. We believe this will significantly boost non-funded income.

- Non-funded income has already emerged as a credible revenue contributor, covering 82.9% of operating expenses in 9M2026 (vs 55.9% in 9M2025) and moving closer to management's goal of full cost coverage. Alongside GCB's leadership in the interbank FX market and PAPSS, we maintain our five-year non-interest revenue CAGR forecast of 36.0%.

Valuation & Recommendation: BUY

- Our BUY rating is based on our weighted average fair value of GHS 49.82 per share, representing an upside of 23.9% from the current market price of GHS 40.22. The fair value is the weighted average of prices from our dividend discount (DDM), residual income (RI) and relative valuation models. The reduction in fair value from GHS 52.85 reflects the upward re-rating of our risk-free rate to 14.18% from 12.96%, which more than offset a 2.0% earnings beat.
- GCB is trading at a TTM P/E of 4.1x and P/B of 1.4x.

Key Risks to Our Rating

Macroeconomic volatility, capital constraints on loan growth, unexpected asset quality deterioration, execution risk on the digital strategy and the RMB corridor, regulatory and policy shifts, sovereign risk and market fragility.

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