

CalBank Ghana Plc FY2025 Results

Ghana | 24 February 2026

Current rating: **SELL**

Current Price: **GHS 0.94** | Current Fair Value: **GHS 0.76** | Downside: **-19.5%**

Momentum Outpacing Delivery, Amid the Capital Injection

Rating Summary:

We update our rating on CalBank Plc ("CAL") to "SELL" following an upward revision of our fair value to GHS 0.76 per share, which keeps the valuation below the current market price of GHS 0.94, implying a downside of 19.5%. The upward adjustment in fair value reflects a lower risk-free rate of 11.55%, down from 15.6% at 9M2025, driven by declining yields on restructured domestic bonds. We transitioned from CAPM to a Build-Up approach, averaging 3-year and 5-year bond yields plus a 5.0% risk premium, as observed equity betas lacked statistical robustness. We also refined our relative valuation by narrowing the peer group to a more comparable subset. This enhanced the integrity of our multi-factor linear regression P/B model and improved market-implied alignment. Despite these methodological refinements and the higher fair value estimate, the stock remains overvalued relative to underlying fundamentals. CalBank completed its long-anticipated capital raise in 4Q2025 to restore capital and meet the Bank of Ghana's CAR deadline. While this was a necessary milestone, the path to a higher valuation remains significantly challenged by structural overhangs as we enumerate below:

- Retained earnings remain negative, dimming near-term prospects for dividend payment
- NPLs are still elevated despite the sharp decline, constraining loan book growth in a low-yield environment
- Loan growth will likely remain muted as capital preservation takes immediate priority

We expect EPS to remain stretched, given the enlarged share base following the 4Q2025 capital raise with dividend distribution highly unlikely over the next two to three years. Management is optimistic that the successful capital raise, improved earnings stability, tighter cost control, and stronger stakeholder engagement positions the bank to deliver a better FY2026 performance. However, we hold a more measured view, particularly on topline momentum. The capital injection stabilizes the balance sheet, but for value creation to resume, earnings capacity and capital buffers must be sufficiently rebuilt, especially considering the current compressed yield curve. At GHS 0.94, the market appears to be pricing recovery ahead of delivery. In essence, we believe the stock is running ahead of fundamentals and we are of the opinion that the stock is overpriced.

FY2025 Earnings Update: Capital Restored, Execution Risk Shifts to Growth in a Lower-Rate Environment

CalBank's FY2025 results mark a clearer earnings recovery following the stabilisation seen at 9M2025, with profitability strengthening alongside a fully restored capital position, albeit against continued loan book contraction and a lower interest rate environment. Profit after tax rose 14.0% y/y to GHS 304.9mn, supported by a 10.4% increase in total income and continued impairment reversals. The earnings expansion reflects stronger core income generation, lower funding costs and a contribution from trading income. Net interest income improved as funding costs were repriced downward, with interest rates compressing sharply in 2025. Although asset yields moderated in tandem with falling rates, the decline in funding costs provided net support to margins. Operating expenses increased modestly by 2.9% y/y, underscoring continued cost discipline. As a result, operating efficiency improved further, reinforcing the stabilisation trend observed earlier in 2025 and signalling better cost containment relative to revenue growth. The balance sheet reset is more structural. Shareholders' funds surged from GHS 272.6mn to GHS 1.6bn by FY2025 following the successful capital raise and earnings retention. Consequently, the capital adequacy ratio rebounded sharply to 19.8% from -6.4% in FY2024, restoring full regulatory compliance and materially strengthening solvency. The capital overhang that defined prior periods has now been removed. Asset quality also improved decisively, albeit requiring further improvements. The NPL ratio declined to 17.0% from 47.5% in FY2024, reflecting recoveries, regulatory approved write-offs of fully provisioned loans and a cleaner loan book. Impairment charges remained broadly contained, indicating reduced credit stress and improved portfolio quality. However, we observed that risk appetite remains expectedly cautious. Net loans and advances fell 49.1% y/y, underscoring management's conservative underwriting stance due to elevated NPL's and prior to the capital injection. We do not expect immediate recovery in loan growth as balance sheet preservation still appears to take precedence over expansion. Overall, FY2025 represents a structural reset year for CAL. Capital has been restored, asset quality is improving materially and earnings have stabilised. We believe the next phase will hinge on disciplined redeployment of liquidity into quality risk assets in a lower rate environment, where compressed yields could temper income momentum if asset growth does not recover.

Performance: Stable earnings amid shrinking loan book.

Income and Margin Performance

- Net interest income increased 12.8% y/y to GHS 513.6mn, as a 24.7% decline in interest expense more than offset a 6.4% drop in interest income.
- Non-interest revenue grew 7.3% y/y to GHS 372.4mn, driven by a 65.7% surge in trading income and 17.9% growth in fees and commissions, despite an 86.0% decline in other operating income.
- Total income rose 10.4% y/y to GHS 886.0mn, reflecting stronger core revenue momentum.
- Pre-impairment income inched up 10.4% y/y to GHS 886.0mn, reflecting resilient earnings amid pressure on core income.

Cost and Risk Management

- Impairment reversals continued with GHS 193.7m recovered in FY2025 (+0.3% y/y), indicating easing cost of risk.
- Operating expenses increased 2.9% y/y to GHS 598.4mn reflecting ongoing implementation of efficiency measures amplified by easing inflation and FX stability
- The cost-to-income ratio improved to 67.5% from 72.5% on stronger revenue growth.

Profitability and Balance Sheet Dynamics

- Profit before tax rose 16.2% y/y to GHS 481.4mn.
- Profit after tax increased 14.0% y/y to GHS 304.9mn.
- Net loans and advances declined 49.1% y/y to GHS 1.1bn, consistent with continued deleveraging and cautious underwriting.
- Investment securities expanded 44.2% y/y to GHS 7.1bn, reinforcing the defensive asset allocation strategy.
- Customer deposits fell 8.2% y/y to GHS 8.7bn, partly due to currency appreciation, while borrowings declined 33.4% y/y
- Loans-to-deposits ratio fell further to 12.4% from 22.3%, reflecting a deliberate pullback in credit expansion as management continues to de-risk the balance sheet.

Asset Quality and Capital Solvency

- The NPL ratio improved significantly to 17.0%, a 30.5pp y/y decline, reflecting recoveries, regulatory approved write-offs of fully-provisioned loans and loan book clean-up.
- Shareholders' funds surged 480.5% y/y to GHS 1.6bn following recapitalisation and retained earnings growth.
- Capital adequacy ratio improved materially to 19.8% from -6.4%, restoring regulatory compliance and strengthening solvency metrics.

Investment Outlook

Capital Restored, but Dilution Resets the Earnings Base

- We acknowledge that CAL has decisively rebuilt capital, with CAR rebounding to 19.8% and shareholders' funds rising to GHS 1.6bn. The balance sheet is no longer distressed, and regulatory compliance has been restored. However, recapitalisation came at a cost. Shares outstanding increased from 1.08bn to 4.23bn, representing a 3.9x dilution. This materially resets the earnings base. We expect EPS to remain stretched until absolute earnings expand meaningfully. Profit recovery alone will not be sufficient. We believe earnings must compound at a stronger pace to offset the enlarged share count.
- Additionally, the negative retained earnings of GHS 804.6m must be cleared before dividend resumption. We do not expect dividend payments over the next two to three years as capital consolidation remains the priority. Although capital restoration is complete, we believe shareholder value restoration has a longer runway to go.

Lower Rates Remove Treasury Tailwinds

- Treasury bill rates have declined into single digits in early 2026 as inflation eased and macro stability improved. While this environment supports operating conditions and should help contain funding and cost pressures, it also removes the high-yield cushion that previously supported earnings. The low-hanging income from elevated treasury and OMO yields is no longer available, and we expect asset yields to compress further as securities reprice.
- We do not anticipate renewed aggressive positioning in government securities at materially lower yields. We expect CAL to remain selective in new issuances, consistent with its risk containment stance. While the government's return to the bond market may create trading opportunities, such gains are typically short-term and unpredictable. They are unlikely to provide a stable foundation for long-term profitability. In our view, the earnings mix must shift toward recurring funded income supported by non-funded income. Sustainable margin expansion will require a gradual rebuild of the loan book rather than continued reliance on investment securities. Consequently, we forecast an increase in NIM to 7.4% in FY2026 (vs 6.8% FY2025).

Growth Will Be Measured, Not Aggressive

- CalBank's loan-to-deposit ratio stands at 12.4% at FY2025, indicating ample headroom for asset expansion. However, we do not expect management to pursue rapid balance sheet growth in the near term. Post-recapitalisation strategy remains anchored on preserving portfolio quality rather than accelerating risk asset creation. Elevated credit risk and still-high NPL levels justify this measured stance. As a result, we anticipate gradual loan growth rather than aggressive re-leveraging. We forecast loan book to grow cautiously at 15.0% per annum in the medium term, reflecting disciplined credit risk management.
- Against this cautious loan growth backdrop, we expect management to lean more deliberately on funding mix optimisation and fee-based income to support earnings. Continued emphasis on low-cost deposit mobilisation remains central. With 87.3% of deposits in CASA, CAL operates with a stable and relatively inexpensive funding base, which should help preserve margins even as asset yields compress.
- In parallel, we expect non-funded income to play a larger role in 2026. Transaction banking, digital channels and SME-related flows should benefit from higher transaction volumes as the economy expands in a lower interest rate environment. Ghana's improving macro backdrop, marked by single-digit inflation, a stabilised cedi and firmer GDP growth, creates a supportive demand environment. However, balance sheet capacity alone will not drive earnings. The outcome will depend on disciplined execution, pricing discipline and risk selection.

Asset Quality Has Improved, but Regulatory Deadline for Clean-Up Imposes Further Constraint.

- Asset quality improved materially in FY2025, with the NPL ratio declining to 17.0% from 26.5% at 9M2025 and now below the industry average of 18.9%. This reflects recoveries, regulatory-approved write-offs of fully provisioned loans and tighter risk controls. We expect management to prioritise a further reduction toward the FY2026 regulatory cap of 10%, and in our view, the risk of fresh credit shocks has moderated given the heavy provisioning already undertaken.
- In our view, despite the strong improvement in asset quality, management will remain constrained in the drive for risk asset creation as the regulatory clock ticks toward end-2026 for reducing NPL further to 10.0%.
- During the 2025 financial, CalBank wrote off GHS 1.0b in bad loans, of which GHS 997.0m is still subject to enforcement activities. We note that this write-off includes long-outstanding exposures that have already been fully provided in accordance with the BOG provisioning rules and ECL frameworks. Following this exercise, the current NPL stock stands at GHS 219.4mn, materially lower than prior periods and more manageable.
- Consequently, topline growth now becomes the real test. We believe the clean-up phase is nearing complete but sustainable profitability will depend on how effectively the bank redeploys capital into quality risk assets without eroding recent gains. We expect continued prudence in underwriting which reflects the constraints from still high, albeit declining NPL ratio.
- CAL has exited stabilisation with stronger capital, better profitability and a cleaner loan book. We believe the foundation is credible. However, sustained earnings expansion and meaningful per-share value accretion will take time. Execution will determine the next phase of the bank's growth story.

Valuation & Recommendation: **SELL**

- We assign a SELL rating on CalBank Plc ("CAL") based on our weighted average fair value estimate of GHS 0.76 per share, representing a 19.5% downside potential from the current market price of GHS 0.94. The valuation is derived from the weighted averages of our Residual Income (RI), and Relative Valuation models. We perceive heightened downside risk in the near term, given the bank's own fundamental limitations, interest rate declines, and execution uncertainty around capital deployment, and therefore maintain a cautious stance until there is clearer visibility on capital deployment and earnings sustainability.
- CAL is trading at a TTM P/E of 9.17x and P/B of 2.52x.

Key Risks to Our Rating

An overly cautious credit expansion stance, persistent regulatory non-compliance with associated penalties, tightening foreign exchange regulations affecting non-funded income, macroeconomic volatility (medium term), and unexpected policy or supervisory reforms in the banking sector.

Analyst:

Kwabena A. Obeng: +233 30 825 0051

For further information, please contact our Insights Team. T: 233 308-250051 | Email: 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 of 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.

