

## CalBank Ghana Plc 1Q2026 Results

Ghana | 16 April 2026

Current rating: **ACCUMULATE**

Current Price: **GHS 0.75** | Current Fair Value: **GHS 0.88** | Upside: **17.3%**

### The Base Effect's Gift: Strong Numbers, Measured Optimism

#### Rating Summary:

We update our rating on CalBank Plc ("CAL") to "ACCUMULATE" following an increase in our fair value to GHS 0.88 per share, above the current market price of GHS 0.75, implying a 17.3% upside. The upward adjustment in fair value is due to a stronger-than-expected 1Q2026 performance, and a risk-free rate of 12.49% reflecting the yield on the recently issued long-term bond. We transitioned from Capital Asset Pricing Model (CAPM) to a more stable framework, using the 7-year bond yield plus a 5.0% risk premium, as observed equity betas lacked statistical robustness. We also refined our relative valuation by refining the peer group to a more suitable subset. This enhanced the integrity of our multi-factor linear regression P/B model and improved market-implied alignment. Taken together, these adjustments suggest the stock has been overcorrected by the market. Following the improvement in Capital Adequacy Ratio (CAR) on the back of the capital injection, we believe CAL is now back on track and moving towards sustainable year-on-year profitability. The numbers support this view. However, our optimism remains measured.

There are still key constraints that need to be addressed before real value creation can begin:

- Retained earnings remain negative, limiting internal capital generation and keeping dividend prospects muted.
- Non-Performing Loans (NPLs), while significantly reduced, remain elevated at 15.1% and above the regulatory glide path, necessitating continued caution
- Loan growth will likely remain muted as capital preservation takes immediate priority

These factors suggest that while earnings have improved, core lending activity remains subdued, and this will weigh on the strength and sustainability of future earnings. We expect Earnings Per Share (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. Having steadied the ship, management's tone on the banks near-term performance is positive, but we hold a more cautious view. The bank has stabilised, but it is not yet operating at the level of its peers. A full recovery will require a rebuild of earnings capacity and a return to positive retained earnings.

#### 1Q2026 Earnings Update: Off the Canvas, Not Yet in the Ring

CalBank published its 1Q2026 results on 14 April 2026, marking strong earnings rebound, supported by improved funding conditions and a significantly strengthened capital position, albeit alongside continued y/y loan book contraction and a still-cautious risk stance. Profit after tax rose 200.1% y/y to GHS 106.8mn, driven by a sharp 93.7% increase in total income and a steep decline in impairment charges. The earnings expansion reflects broad-based income growth. Net interest income nearly doubled (+98.4% y/y) as funding costs declined materially, with interest expense falling 41.4% y/y amid a 19.7% increase in interest income. This supported margin expansion in a moderating rate environment and a shift towards low-cost funds. Non-interest revenue also surged (+88.8% y/y), underpinned by strong growth in fees (+52.4% y/y) and trading income (+256.8% y/y), providing important diversification to revenue even as interest rates ease. Operating expenses increased by 28.7% y/y, but was more than offset by the strong revenue growth, resulting in a sharp improvement in the cost-to-income ratio to 50.7% from 76.3%. This points to improved operating efficiency and better cost absorption. The balance sheet position remains fairly robust following the 4Q2025 capital injection. Shareholders' funds increased significantly to GHS 1.69bn, lifting the capital adequacy ratio to 17.2% from -7.1% in the prior period and restoring full regulatory compliance. The capital overhang that constrained performance in prior periods has now largely been resolved although retained earnings remain in the red. Asset quality improved materially, with the NPL ratio declining to 15.1% from 45.5%, supported by recoveries and balance sheet clean-up via write-offs (an event that explains the 260bps quarter-on-quarter ease in CAR). Impairment gain fell sharply (-86.4% y/y), indicating reduced recoveries. Nevertheless, NPLs remain elevated and above the regulatory glide path, suggesting that risk appetite will remain contained in the near term. The Bank of Ghana has directed all banks to reduce their NPL's to 10.0% by close of 2026 and we believe compliance with this regulatory directive will take priority over risk asset creation. Loan growth remains subdued and likely continues on the restrained path in the short-term. Net loans and advances inched up by 0.07% q/q but declined by 48.3% y/y, reflecting continued deleveraging and a cautious approach to lending. In contrast, investment securities expanded by 52.6% y/y, indicating a strategic tilt towards lower-risk assets and liquidity preservation. Overall, CalBank's 1Q2026 performance reinforces the recovery narrative. Earnings have rebounded strongly, capital has been restored, and asset quality is improving. However, the next phase will depend on the bank's ability to rebuild its loan book prudently. With treasury yields remaining depressed, the pace and quality of credit expansion and the extent of diversification into non-interest income will be key to sustaining earnings momentum in a lower rate environment.

Performance: Strong Rebound, but Low Base Flatters Growth.

#### Income and Margin Performance

- Net interest income increased 98.4% y/y to GHS 171.1mn, as a 41.4% decline in interest expense reinforced the impact of a 19.7% rise in interest income.
- Non-interest revenue grew 88.8% y/y to GHS 154.5mn, driven by a 256.8% surge in trading income and 52.4% growth in fees and commissions, despite a decline in other operating income.

- Total income rose 93.7% y/y to GHS 325.6mn, reflecting broad-based revenue recovery.
- Pre-impairment income increased 93.7% y/y to GHS 325.6mn, tracking strong top-line growth.

### Cost and Risk Management

- Impairment gains declined sharply by 86.4% y/y to GHS 3.4mn, indicating significantly lower recoveries.
- Operating expenses increased 28.7% y/y to GHS 165.2mn, reflecting cost pressures but remaining well absorbed by strong revenue growth.
- The cost-to-income ratio improved to 50.7% from 76.3%, supported by enhanced operating efficiency.

### Profitability and Balance Sheet Dynamics

- Profit before tax rose 152.7% y/y to GHS 163.8mn.
- Profit after tax increased 200.1% y/y to GHS 106.8mn.
- Net loans and advances declined 48.3% y/y to GHS 1.15bn, reflecting continued deleveraging and cautious underwriting.
- Investment securities expanded 52.6% y/y to GHS 8.1bn, reinforcing the defensive asset allocation strategy.
- Customer deposits increased 14.2% y/y to GHS 10.3bn, strengthening the funding base.
- Borrowings declined 50.0% y/y to GHS 933.1mn, indicating reduced reliance on external funding.
- Loans-to-deposits ratio fell further to 11.1% from 24.5%, reflecting a deliberate pullback in credit expansion.

### Asset Quality and Capital Solvency

- The NPL ratio improved significantly to 15.1%, a 30.4pp y/y decline, reflecting recoveries and continued loan book clean-up.
- Shareholders' funds surged 448.1% y/y to GHS 1.69bn following recapitalisation.
- Capital adequacy ratio improved materially to 17.2% from -7.1%, restoring regulatory compliance and strengthening solvency metrics.

## Investment Outlook

### Capital Restored, but Earnings Still Catching Up

- We believe CAL has now firmly restored its capital position, with CAR improving to 17.2% and shareholders' funds rising to GHS 1.69bn. In our view, this removes the key overhang that constrained performance in prior periods and places the bank back within regulatory compliance. That said, we view the earnings base as still rebuilding. Retained earnings remain negative, which, in our opinion, will delay dividend resumption and limit the bank's ability to grow capital internally.
- While profitability has rebounded strongly, we believe per-share value creation will take longer to materialise, as earnings must expand consistently to support the enlarged capital base.

### Lower Rate Environment Reshapes Earnings Mix

- In our view, the macro backdrop has turned supportive, with inflation easing to 3.2% and treasury yields declining into the 4.0% -10.0% range. This should support economic activity and gradually lift credit demand. However, we believe this same environment will weigh on interest income as asset yields reprice downward. Given the relatively small size of CAL's loan book, we do not expect volume growth to fully offset this pressure in the near term.
- As a result, we expect a clear shift in the earnings mix. Non-funded income, which already accounts for 47.4% of total revenue, should remain a key driver of profitability. In our view, transaction banking, digital flows, and increased trading activity, supported by the reopening of the bond market will underpin revenue in 2026, with additional support from higher SME and digital transaction volumes as the economy expands in a lower interest rate environment. At the same time, 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 cushion margin pressure, although we still expect net interest margin (NIM) to moderate as asset yields compress faster than funding costs adjust.

### Growth to Remain Cautious and Selective

- Despite improving macro conditions, we do not expect CAL to pursue aggressive loan growth. In our opinion, management will prioritise capital preservation and balance sheet stability over rapid expansion. While lower rates should, in theory, support credit demand, we believe the bank will adopt a selective lending approach, focusing on quality rather than volume.
- We also note that regulatory directives and ongoing clean-up efforts could keep the balance sheet contained in the near term. In this context, we expect management to lean more on fee-based income, transaction volumes, and funding mix optimisation to support earnings, while maintaining tight cost control to protect margins in a lower-yield environment.

### Asset Quality Improving, but Clean-Up Constraints Persist.

- We acknowledge the strong improvement in asset quality, with the NPL ratio declining to 15.1%. However, in our view, this remains elevated and above the regulatory target for end-2026. As such, we expect management to remain cautious in extending credit, with a continued focus on recoveries and portfolio clean-up. In our opinion, this creates a natural constraint on loan growth, as the bank balances expansion with the need to avoid a reversal in asset quality gains.
- Following the extensive loan book clean-up that brought the NPL ratio to 15.1%, the NPL stock now stands at GHS 204.0mn—considerably more manageable and positioning the bank to comply with regulatory directives. We believe the foundation is credible, however, sustained earnings expansion and meaningful per-share value accretion will take time. Execution will ultimately determine the next phase of the bank's growth story.

## Valuation & Recommendation: ACCUMULATE

- We assign an ACCUMULATE rating on CalBank Plc (“CAL”) based on our weighted average fair value estimate of GHS 0.88 per share, representing a 17.3% upside potential from the current market price of GHS 0.75. The valuation is derived from the weighted averages of our Residual Income (RI), and Relative Valuation models. We perceive some friction to the bank’s near-term profitability due its own limitations and as such maintain a cautiously optimistic stance until the bank can expand credit portfolio without restrictions.
- CAL is trading at a TTM P/E of 6.3x and P/B of 1.9x.

### Key Risks to Our Rating

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

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