CalBank Ghana Plc 1H2026 Results

Ghana | 15 July 2026

Current rating: **HOLD**

Current Price: **GHS 0.79 | Current Fair Value: GHS 0.86 | Upside: 8.7%**

Recovery Gathers Pace

Rating Summary:

We update our rating on CalBank Plc ("CAL") to "HOLD", with fair value nudging down to GHS 0.86 per share against a current market price of GHS 0.79, and an 8.7% upside. The revision stems from a higher risk-free rate of 13.01%, tracking the yield on the recently issued long-term bond. We also moved away from CAPM in favour of a steadier framework, the 7-year bond yield plus a 5.0% risk premium as observed equity betas no longer held up statistically. On the relative valuation side, a tighter peer group has sharpened our multi-factor P/B regression and brought it closer to market-implied pricing. CAL's improved Capital Adequacy Ratio, following the recent capital injection, puts the bank on a firmer footing and points toward sustainable year-on-year profitability. Although the numbers support the positive earnings outlook, our optimism comes with caveats.

Two constraints stand between CAL and genuine value creation:

- **Retained earnings remain negative, capping internal capital generation and keeping dividends off the table for now.**
- **Loan growth is still subdued and needs to pick up meaningfully to unlock further value.**

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.

1H2026 Earnings Update: Recovery Restored, Growth Beckons

CalBank published a strong set of 1H2026 results on 13 July 2026, reinforcing the bank's recovery narrative as improved funding conditions and a significantly strengthened capital position translated into a meaningful rebound in earnings. Profit after tax increased by 37.7% y/y to GHS 240.8mn, in line with our expectations, supported by broad-based income growth and improved operating efficiency. We note, however, that the earnings growth was flattered by a low 1H2025 base when capital constraints weighed heavily on performance. Total income surged by 81.1% y/y, driven by strength across both funded and non-funded income. Net interest income grew by 76.4% y/y as interest expense declined by 48.6% despite a moderation in interest rates, reflecting lower funding costs and an improved funding mix. Non-funded income also delivered a robust performance, rising by 86.5% y/y and accounting for 49.5% of total income, underscoring management's efforts to diversify earnings. Growth was supported by a 52.3% increase in fee income and a 191.2% surge in trading income, providing an important earnings cushion as treasury yields declined. Revenue growth significantly outpaced cost growth, with operating expenses rising by 28.7% y/y, resulting in the cost-to-income ratio improving to 48.1% from 67.8% the prior year. This reflects stronger operating leverage and improved cost absorption. The bank's balance sheet also continues to strengthen following the 4Q2025 capital injection. Shareholders' funds increased to GHS1.8bn, restoring the capital adequacy ratio to 18.2% from -7.6% a year earlier and bringing the bank back into full regulatory compliance. While retained earnings remain negative, the capital overhang that constrained growth over the past two years has largely been resolved. Asset quality also improved materially, with the non-performing loan (NPL) ratio declining to 10.1% from 51.6% in 1H2025, largely supported by recoveries. However, impairment gains declined sharply to GHS 7.4mn from GHS 154.3mn (-95.2% y/y), suggesting that the impairment recovery cycle is nearing its end. At the same time, loan growth resumed, expanding by 25.6% y/y, although credit creation remains relatively cautious as reflected by the still-low loan-to-deposit ratio of 16.1%. Meanwhile, investment securities grew by 51.6% y/y, indicating that management continues to favour liquidity preservation and lower-risk assets.

Overall, we believe CalBank has moved beyond the stabilisation phase of its turnaround journey. Capital has been restored, earnings have rebounded, revenue diversification continues to strengthen, and asset quality is gradually normalising. The next phase of the recovery is growth, with management now well positioned to deploy excess capital into prudent credit expansion. In a lower-rate environment where treasury yields are expected to remain subdued, the pace and quality of loan growth, alongside continued growth in non-funded income, will be critical to sustaining earnings momentum.

Performance: Stabilised, Not Yet Sprinting.

Income and Margin Performance

- Net interest income increased 76.2% y/y to GHS 351.1mn, as a 48.6% decline in interest expense reinforced the impact of a 13.5% rise in interest income.
- Non-interest revenue grew 86.5% y/y to GHS 344.3mn, driven by a 191.2% surge in trading income and 52.3% growth in fees and commissions, despite a decline in other operating income.
- Total income rose 81.1% y/y to GHS 695.5mn, reflecting broad-based revenue recovery.

Cost and Risk Management

- Impairment gains declined sharply by 95.2% y/y to GHS 7.4mn, indicating significantly lower recoveries.

- Operating expenses increased 28.7% y/y to GHS 334.8mn, reflecting cost pressures but remaining well absorbed by strong revenue growth.
- The cost-to-income ratio improved to 48.1% from 67.8%, supported by enhanced operating efficiency.

Profitability and Balance Sheet Dynamics

- Profit before tax rose 32.2% y/y to GHS 368.0mn.
- Profit after tax increased 37.7% y/y to GHS 240.8mn.
- Net loans and advances increased 25.6% y/y to GHS 1.7bn, reflecting a resumption cautious underwriting.
- Investment securities expanded 51.7% y/y to GHS 7.7bn, reinforcing the defensive asset allocation strategy.
- Customer deposits increased 30.9% y/y to GHS 10.7bn, strengthening the funding base.
- Borrowings declined 42.5% y/y to GHS 866.4mn, indicating reduced reliance on external funding especially after equity capital injection.
- Loans-to-deposits ratio fell slightly to 16.1% from 16.8%, despite loan book growth reflecting expansion of deposit base.

Asset Quality and Capital Solvency

- The NPL ratio declined to 10.1%, a 41.5pp y/y decline, reflecting loan portfolio cleanup.
- Shareholders' funds surged 307.4% y/y to GHS 1.8bn following recapitalisation.
- Capital adequacy ratio improved materially to 18.2% from -7.6%, restoring regulatory compliance and strengthening solvency metrics.

Investment Outlook

Stability Restored. The Next Phase Is Disciplined Growth

- We believe CalBank has largely completed the stabilisation phase of its recovery journey. Capital has been restored, asset quality has improved materially, the loan book has returned to growth, and the deposit franchise continues to strengthen.
- With a CAR of 18.2% and shareholders' funds rising to GHS1.8bn, we believe the bank is well positioned to support balance sheet expansion from a position of strength.
- However, we do not expect management to pursue aggressive loan growth. In our view, excess capital will likely be deployed gradually as management prioritises credit quality and sustainable earnings over rapid asset expansion.

Revenue Diversification Will Drive the Next Leg of Earnings Growth

- We expect the lower interest rate environment to gradually stimulate economic activity and improve credit demand. However, we also believe funded income will come under pressure as asset yields continue to reprice downward.
- Consequently, we expect non-funded income to play an increasingly important role in supporting revenue and profitability. Non-funded income already accounts for 49.5% of total operating income and, in our view, will remain the key earnings driver over the medium term.
- We anticipate transaction banking, digital channels, fees and commissions, together with stronger trading activity following the reopening of the domestic bond market, to underpin revenue growth as the economy expands.
- We also expect funding costs to remain well contained given that over 80% of deposits constitute current account-savings account (CASA) mix. Together with the reduction in the cash reserve ratio (CRR) requirement from 25% to 20%, this should help support net interest margins despite the lower interest rate environment.

Growth Will Be Priority, Rewards Will Follow

- While we believe CalBank has restored financial stability, we view the earnings recovery as still incomplete from a shareholder perspective. Retained earnings remain negative and must first be rebuilt before capital can be returned to shareholders.
- In our view, management's priority would be deploying the restored capital base to expand the loan book prudently and strengthening long-term earnings capacity rather than distributing capital.
- Overall, we believe the bank has restored stability. The next phase of the recovery is sustainable growth, with dividend resumption becoming a realistic consideration only after the earnings base has been fully rebuilt.

Valuation & Recommendation: HOLD

- We assign a HOLD rating on CalBank Plc ("CAL") based on our weighted average fair value estimate of GHS 0.86 per share, representing an 8.7% upside potential from the current market price of GHS 0.79. The valuation is derived from the weighted averages of our Residual Income (RI), and Relative Valuation models. We remain constructive on CalBank's outlook but would like to see a sustained return to normal financial intermediation, characterised by prudent loan growth, stronger earnings generation, and improved long-term shareholder value.
- CAL is trading at a TTM P/E of 9.0x and P/B of 1.8x.

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.

Analyst:
Kwabena A. Obeng: +233 30 825 0051

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