

CalBank Plc 9M2026 Results

Ghana | 16 October 2026

Current rating: **ACCUMULATE**

Current Price: **GHS 0.73** | Current Fair Value: **GHS 0.85** | Upside: **16.4%**

From Recovery to Growth

Rating Summary:

We upgrade our rating on CalBank Plc ("CAL") from "HOLD" to "ACCUMULATE", with fair value easing marginally to GHS 0.85 per share (vs GHS 0.86 prior estimate) against a current market price of GHS 0.73, implying a 16.4% upside. A slightly better-than-expected 9M2026 performance largely offset the impact of a higher risk-free rate of 13.79% (the average yield on the newly issued 7-year and 4-year bonds), leaving our fair value broadly unchanged. The upgrade is therefore driven mainly by a 7.6% decline in the market price since our 1H2026 earnings update, which has widened the upside. We maintain the use of this bond yield plus a 5.0% risk premium over the CAPM approach, as observed equity betas no longer hold 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 (CAR), 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 still stand between CAL and genuine value creation:

- Retained earnings remain negative, capping internal capital generation and keeping dividends off the table for now.
- Despite a significant year-on-year jump in the loan book, treasury securities still dominate the balance sheet, and lending needs to pick up meaningfully to unlock further value.

So, although earnings have improved, core lending still trails the bank's treasury securities holdings, and this will weigh on the strength and sustainability of future earnings. We expect Earnings Per Share (EPS) to remain stretched because of the enlarged share base following the 4Q2025 capital raise as 9M2026 EPS fell 61.5% y/y to GHS 0.1062, from GHS 0.2757, despite the 50.6% rise in profit, and a dividend payout is highly unlikely over the next two to three years. Having steadied the ship, management's tone on the bank's near-term performance is positive, and we share management's optimism. The bank has stabilised and is rebounding, but we believe it has yet to hit its stride. A full recovery will require pushing the envelope on the loan portfolio and sustaining growth in non-funded income. Ultimately, our fair value for CAL is largely unchanged, easing marginally to GHS 0.85 from GHS 0.86. The upgrade is driven mainly by the wider gap between our fair value and the market price.

9M2026 Earnings Update: Recovery Sustained, Growth Takes Root

CalBank published a robust set of 9M2026 results on 14 October 2026, cementing the bank's recovery narrative as improved funding conditions and a significantly strengthened capital position continued to translate into a meaningful rebound in earnings. Profit after tax increased by 50.6% y/y to GHS 337.2mn, 4.5% ahead of our estimates, supported by broad-based income growth and improved operating efficiency. We note, however, that the earnings growth was flattered by a low 9M2025 base, when capital constraints weighed heavily on performance. Total income surged by 77.7% y/y to GHS 1.0bn, driven by strength across both funded and non-funded income. Net interest income grew by 66.3% y/y, as interest expense fell by 47.4% to GHS 150.7mn from GHS 286.5mn, 7.0% below our forecast, reflecting lower funding costs and an improved funding mix. This strengthened the support for net interest income despite the modest 11.8% y/y growth in interest income amid a moderation in interest rates. Non-funded income also delivered a robust performance, rising by 91.6% y/y to GHS 486.3mn and accounting for 48.5% of total income, underscoring management's efforts to diversify earnings. Growth was supported by a 67.6% increase in net fee income and almost threefold (+183.2%) surge in trading income, providing an important earnings cushion as treasury yields declined. Revenue growth significantly outpaced cost growth, with operating expenses rising by 27.3% y/y. As a result, the cost-to-income ratio improved to 50.6% from 70.6% the prior year, reflecting 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 GHS 1.9bn, lifting the capital adequacy ratio to 18.4% from -1.6% a year earlier and keeping the bank in full regulatory compliance. While retained earnings remain negative at GHS 492.6mn deficit, 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 8.5% from 26.5% in 9M2025, partly helped by the strong growth in loan book and placing the bank ahead of the regulator's 10.0% NPL target for end-2026. However, impairment gains declined sharply to GHS 3.5mn from GHS 188.1mn (-98.1% y/y), suggesting that the impairment recovery cycle has largely run its course. As a result, earnings growth is increasingly driven by income generation rather than impairment reversals. At the same time, loan growth gathered pace, with loans and advances expanding by 61.0% y/y to GHS 2.1bn, while customer deposits grew by 24.5% y/y. Credit creation nonetheless remains relatively cautious, as reflected in the modest loan-to-deposit ratio of 19.3%. Meanwhile, investment securities grew by 33.7% y/y to GHS 6.9bn and remain more than three times the size of the loan book. This indicates that management continues to favour liquidity preservation and lower-risk assets amid selective risk asset creation.

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 normalising. The next phase of the recovery is growth, and the acceleration in lending during the period suggests management has begun deploying excess capital into credit expansion. In a moderate interest rate environment, we believe the pace and quality of loan growth, the sustainability of trading

income, and continued growth in non-funded income will be critical to sustaining earnings momentum as impairment gains normalise.

Performance: Picking Up Speed, Not Yet Sprinting.

Income and Margin Performance

- Net interest income increased 66.3% y/y to GHS 517.1mn, as a 47.4% decline in interest expense reinforced the impact of an 11.8% rise in interest income.
- Non-interest revenue grew 91.6% y/y to GHS 486.3mn, driven by a 183.2% surge in trading income and 67.6% growth in net fees and commissions, despite a 93.4% decline in other income.
- Total income rose 77.7% y/y to GHS 1.0bn, reflecting broad-based revenue recovery.

Cost and Risk Management

- Impairment gains declined sharply by 98.1% y/y to GHS 3.5mn, indicating that the impaired loan recovery cycle has largely run its course.
- Operating expenses increased 27.3% y/y to GHS 507.4mn, reflecting cost pressures but remaining well absorbed by strong revenue growth.
- The cost-to-income ratio improved to 50.6% from 70.6%, supported by enhanced operating efficiency.

Profitability and Balance Sheet Dynamics

- Profit before tax rose 41.0% y/y to GHS 499.5mn.
- Profit after tax increased 50.6% y/y to GHS 337.2mn.
- Net loans and advances increased 61.0% y/y to GHS 2.1bn, reflecting an acceleration in credit creation.
- Investment securities expanded 33.7% y/y to GHS 6.9bn and remain more than three times the size of the loan book, reinforcing the defensive asset allocation strategy.
- Customer deposits increased 24.5% y/y to GHS 10.6bn, strengthening the funding base.
- Borrowings declined 20.4% y/y to GHS 1.1bn, indicating reduced reliance on external funding following the equity capital injection.
- The loan-to-deposit ratio rose to 19.3% from 14.9%, as loan growth outpaced deposit growth.

Asset Quality and Capital Solvency

- The NPL ratio declined to 8.5%, an 18.0pp y/y decline, placing the bank ahead of the regulator's 10.0% end-2026 target.
- Shareholders' funds surged 286.6% y/y to GHS 1.9bn following recapitalisation.
- The capital adequacy ratio improved materially to 18.4% from -1.6%, sustaining regulatory compliance and strengthening solvency metrics.

Investment Outlook

Our investment outlook for CAL remains mostly unchanged with the upgrade driven by valuation rather than a change in fundamentals, as the bank continues to build on the gains of its recovery.

Stability Restored, but Growth Must Remain Disciplined

- We believe CalBank has largely completed the stabilisation phase of its recovery. Capital has been restored, asset quality has improved materially, loan growth has resumed, and the deposit base continues to strengthen. With a CAR of 18.4% and shareholders' funds of GHS 1.9bn, the bank is better positioned to expand its balance sheet from a stronger capital base.
- Loan growth accelerated to 61.0% y/y in 9M2026. However, we expect management to deploy capital gradually, prioritising credit quality and sustainable earnings over aggressive asset expansion. In our view, the next phase of the recovery will depend on the bank's ability to translate restored financial stability into consistent earnings growth.
- While the bank's financial position has improved, the recovery remains incomplete from a shareholder perspective. Retained earnings remain negative at GHS 492.6mn deficit and will need to be rebuilt before meaningful capital distributions can be considered. We therefore expect growth and balance sheet strengthening to take priority over dividend resumption in the near term.

Revenue Diversification Will Sustain Earnings Growth as Funding Costs Remain Contained

- We expect further loan book expansion and growth in low-cost deposits to support funded income. As inflation trends towards the Bank of Ghana's medium-term target range of 8 ± 2%, a gradual recovery in economic activity should support credit demand, while modest interest rate increases could provide additional support for interest income. With over 80% of deposits held in current and savings accounts (CASA), alongside the reduction in the cash reserve ratio (CRR) requirement from 25% to 20%, we expect funding costs to remain well contained.
- Non-funded income will remain central to the earnings outlook, accounting for 48.5% of total operating income in 9M2026. We expect transaction banking, digital channels, fees and commissions, and trading activity following the reopening of the domestic bond market to support revenue growth and reduce reliance on traditional lending income.
- Overall, we believe CalBank is better positioned to sustain its earnings recovery through a combination of loan growth, lower funding costs and revenue diversification. However, the durability of this growth will depend on disciplined credit expansion and

the bank’s ability to convert higher operating income into sustainable profits and, ultimately, restore its capacity to reward shareholders.

Valuation & Recommendation: **ACCUMULATE**

- We assign an ACCUMULATE rating on CalBank Plc (“CAL”) based on our weighted average fair value estimate of GHS 0.85 per share, representing a 16.4% upside potential from the current market price of GHS 0.73. The valuation is derived from the weighted average of our Residual Income (RI) and Relative Valuation models. The higher upside reflects a 7.6% decline in the market price, while our fair value eased marginally to GHS 0.85 from GHS 0.86. CAL’s better-than-expected 9M2026 performance largely offset the impact of a higher risk-free rate of 13.79%. 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 5.5x and P/B of 1.2x.

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

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 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.

