



Half-Year 2014 Results Call Presentation

August 2014

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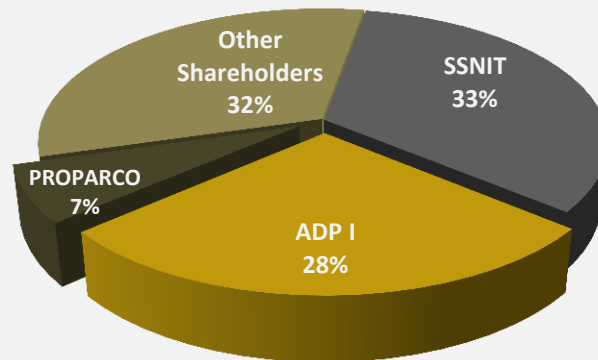
❖ Risk Management Imperatives

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Overview

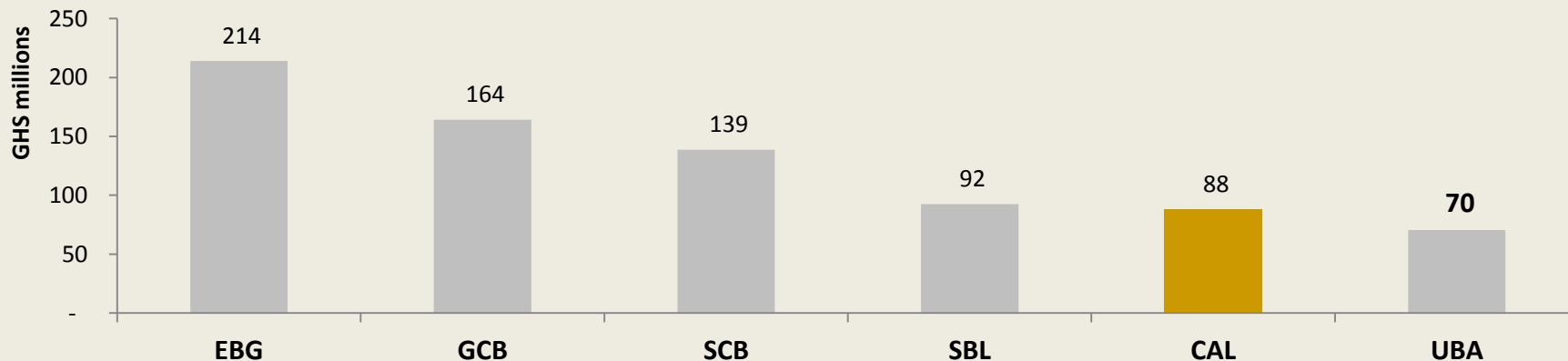
- **Established:** July, 1990
- **Listings:** Ghana Stock Exchange, IPO in 2004
- **Issued Shares:** 548.26 million
- **Market cap:** GHS 466.02 million (USD 155.26 million)¹
- **Focus:** corporate banking, asset-backed retail lending, treasury, corporate finance, asset management, brokerage
- **Network:** 20 branches, 64 ATMs, E-Banking platform
- **Headcount:** 635 employees

Shareholding Structure²



CAL Bank is ranked amongst the top most profitable banks in Ghana

Profit-before-tax - HY 2014



1. Share Price as at 30th June, 2014 – GHS 0.85 | USDGHS as at 30th June, 2014 – GHS 3.3509

2. Shareholding structure as at June, 2014

Vision

To be a leading financial services group creating sustainable value for our shareholders

Strategy

To become a member of the 1st quartile group of banks in Ghana by 2015 through a focused drive to optimize 5 key functional areas of operation :
People, Products, Processes, Presence and Profitability



Mr. Frank B. Adu Jnr - Managing Director

Mr. Frank Adu Jnr. is an Investment Banker and the Managing Director of the Bank. He is the Chairman of the Roman Ridge School and of the Golden Beach Hotels Group of Ghana. He is a member of the Board of Okyeman Environmental Foundation, the University College of Agriculture and Environment and a non-executive member of Metropolitan Life Insurance Company.



Mr. Philip Owiredo - Executive Director

Mr. Owiredo is the Executive Director of CAL Bank. Prior to this, he was the Director of the bank's Financial Control Department, which is responsible for all financial and management accounting support and compliance with legal and regulatory requirements. Mr. Owiredo joined the Bank in December 2004 from KPMG where he was Senior Manager after eight years. He is a fellow of the Association of Chartered Certified Accountants (UK). He is a member of the Ghana Stock Exchange Council.



Mr. Joseph Ofori-Teiko - General Manager

Mr. Ofori-Teiko is currently the General Manager, Risk Management and Compliance. He has a Masters Degree in Banking and Finance, with twenty five (25) years working experience in the Banking Sector. He has a rich experience in Credit and Treasury Management. He is a member of the Board of CAL Asset Management Company Limited, a Fund Management subsidiary of the Bank.



Mr. Charles Amoah - Assistant General Manager

Mr. Amoah has been the Assistant General Manager since 2012. He joined the Bank in 1994 as the Manager of the Credit and Marketing Department, and then rose to the position of Credit Risk Manager and Deputy Head of Department in 2004, with the responsibility for credit risk analysis and credit administration procedures. Mr. Amoah graduated from the University of Ghana with a BSc (Hons.) in Mathematics and Physics and later an MBA in Finance.

2014 - Operating Environment

GLOBAL ECONOMY

HY 2014

- Global economy continues gradual recovery currently growing at 2.8% p.a
- Gold prices bearish, hovering around USD 1,300/ounce from USD 1,235 in June 2013
- Cocoa prices improved to about USD 3,000/tonne from USD 2,284 in June 2013
- Global oil demand remains weak and there is ample crude oil supply to meet demand

OUTLOOK

- IMF projects 2014 global GDP growth at 3.6% p.a , up from 3% in 2013
- Gold prices expected to remain flat
- Cocoa prices projected to remain bullish
- Outlook for crude prices for rest of 2014 bearish

FOREIGN EXCHANGE

HY 2014

- 27.0% Year-to-30th June 2014 Cedi depreciation against US\$ compared to 6.7% deprecation Year-to-30th June 2013

OUTLOOK

- The central bank has reversed its ban on commercial banks importing dollars directly in a bid to increase the supply of foreign currency and support the cedi (29th July, 2014)

POLICY RATE

HY 2014

- Policy rate as at June 2014 was 18% , up from 16.0% in June 2013

OUTLOOK

- Bank of Ghana increases MPR for 2nd time in 2014 by 100bps to 19% to contain inflation pressures and realign interest rates in favour of domestic assets
- MPR is expected to increase in near term

INFLATION

CURRENT

- Headline inflation: 15.0% up from 7.9% in June 2013
- Food inflation: 7.9% up from 7.3% in June 2013
- Non-food inflation: 20.3% up from 15.1% in June 2013

OUTLOOK

- Upward trajectory of inflation is expected to continue throughout the year as prices adjust to reflect pass-through effects of increased petroleum prices, utility tariffs, transportation costs and cedi depreciation

CONSUMER & BUSINESS CONFIDENCE

CURRENT

- Worsened Business and Consumer Confidence alongside heightened inflation

OUTLOOK

- Consumer Confidence may worsen as a result of unemployment, household financial conditions and general economic outlook.
- Business Confidence may continue to fall as businesses anticipate slowdown in industry growth, sales, revenues and capital outlays due to exchange rate depreciation and high costs of operations

Competition and Markets

BANKING SECTOR & MONEY MARKET

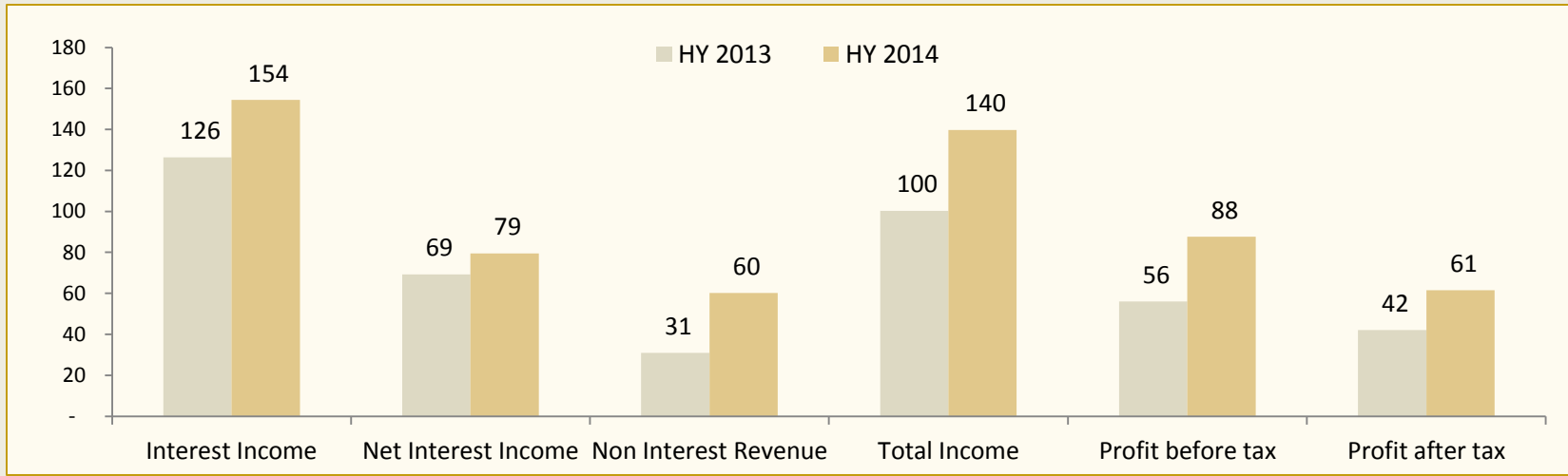
CURRENT

- First Capital Bank introduced in 2014
- Still 27 banks in operation: 14 foreign, 4 government; 9 local private
- Interest rates increase during HY 2014 (January to June 2014):
 - 91-Day Treasury Bill: 19.2% to 24.1%
 - 182-Day Treasury Bill: 18.7% to 21.3%
 - 1-year note: 17.0% to 22.5%
 - 2-year note: 16.8% to 23.0%
 - 3-year bond: 19.2% to 24.4%
 - 5-year bond: 19.0% to 23.0%
- Weighted average interbank rate: 16.3% to 24.0% from January – June 2014
- Average lending rates of banks: 25.6% to 27.9% from January – June 2014

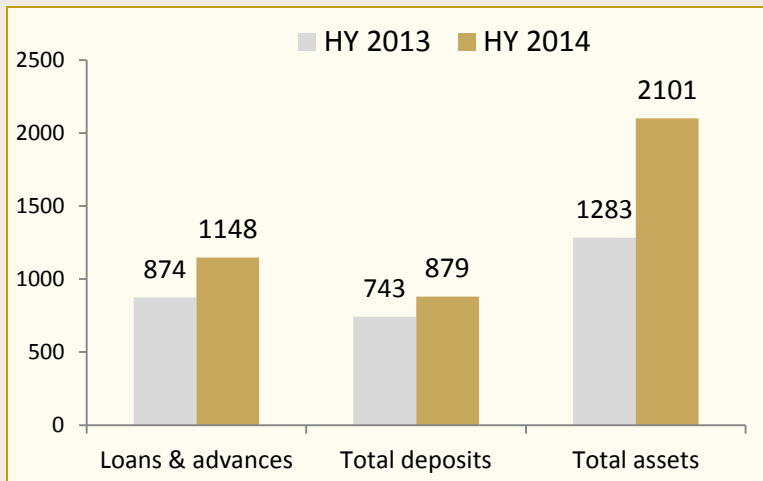
OUTLOOK

- Deposits - Intense competition for deposits with several banks launching promotions to improve liquidity
- High interest rates - expected to dampen Asset growth (Loans & Advances) and increase default risk across banking industry
- Mortgage market - Feb 2014 Central Bank restrictions on USD-denominated loans have negatively impacted mortgage growth
- Forex - Continued Cedi depreciation and rising inflation will continue to drive up bank operating costs
- Proposed New 17.5% VAT on financial services (although currently suspended) will reduce bank deposit growth

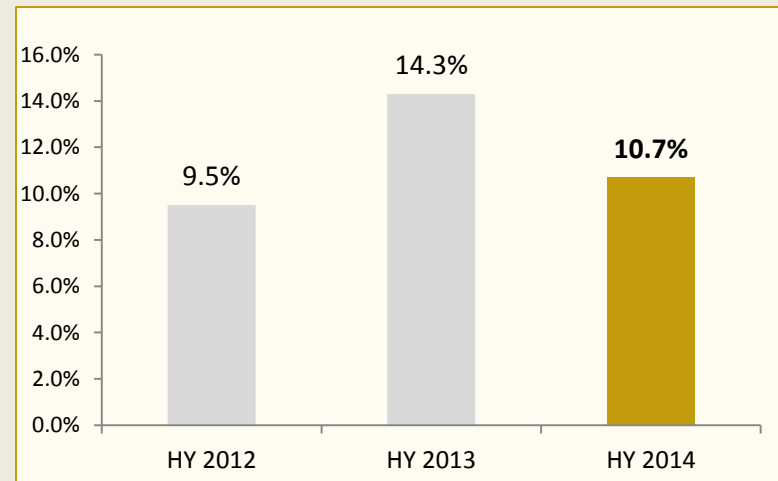
Robust growth in Income and Profitability (GHS millions)



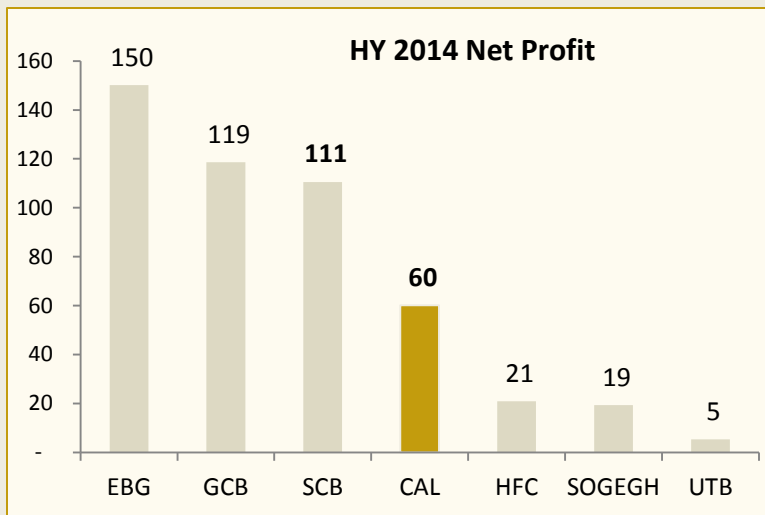
Measured growth in Assets & Deposits (GHS millions)



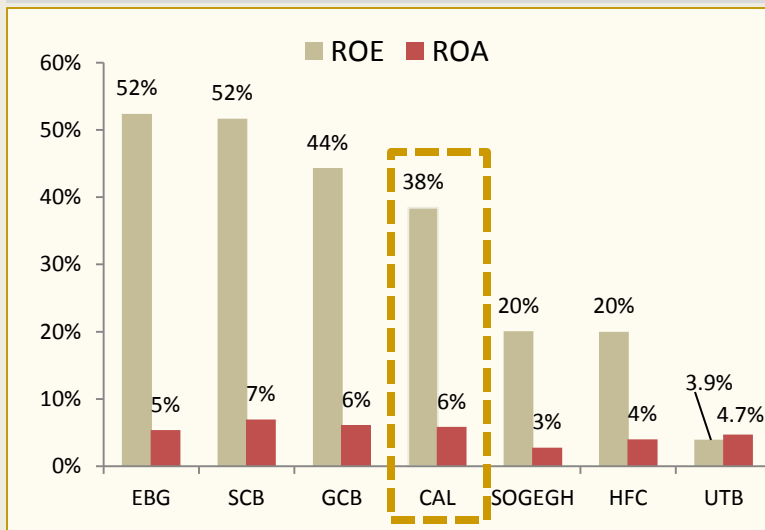
Net Interest Margin



Good Profitability among listed peers (GHS millions)



Performing at par with listed peers in ROE and ROA



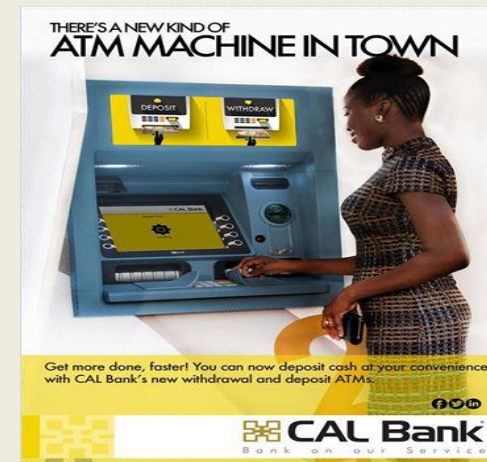
CAL Secures USD 28.5 million New Tier 2 Capital

CAL Bank has secured a \$ 28.5 million capital credit from French government development finance institution, Societe De Promotion Et De Participation Pour La Cooperation Economique S. A.(PROPARCO)

The facility, which is an unsecured loan, will be used as Tier 2 capital in supporting CAL's on-lending activities. The facility provides CAL Bank with competitive interest rates under flexible terms and conditions and enhances the bank's single obligor limit.

Proparco is CAL's 3rd largest shareholder with 6.86% shareholding.

CAL Launches 1st Deposit-Taking ATMs in Ghana



CAL Bank HY 2014 - Group Income Statement

| Key Items (GHS '000) | HY 2014 | HY 2013 | Y/Y Change |
|--------------------------|----------|----------|------------|
| Net Interest Income | 79,422 | 69,298 | 14.6% |
| Net Fees & Commissions | 26,473 | 14,731 | 79.7% |
| Net Trading Income | 26,878 | 8,540 | 214.7% |
| Other Income | 6,906 | 7,644 | (9.7)% |
| Total Income | 139,678 | 100,213 | 39.4% |
| Credit Loss Expenses | (6,789) | (8,763) | 22.5% |
| Total Operating Expenses | (45,177) | (35,385) | (27.7)% |
| Profit before tax | 87,712 | 56,065 | 56.4% |
| Profit after tax | 61,483 | 42,140 | 45.9% |

| Key Ratio | HY 2014 | HY 2013 | Change |
|-------------------------------------|---------|---------|---------|
| Cost to income ratio | 32.3% | 35.3% | 8.4% |
| Interest expense to Interest income | 48.6% | 45.2% | (7.5)% |
| Net Interest Margin | 10.7% | 14.3% | (26.7)% |

Key Highlights

- Net Interest Income growth of 14.6% y/y attributable to a 90% growth in interest-bearing assets

- Significant contribution from Net Trading Income, up 214.7% y/y, driven largely by increased customer and proprietary trade volumes and international trade volumes

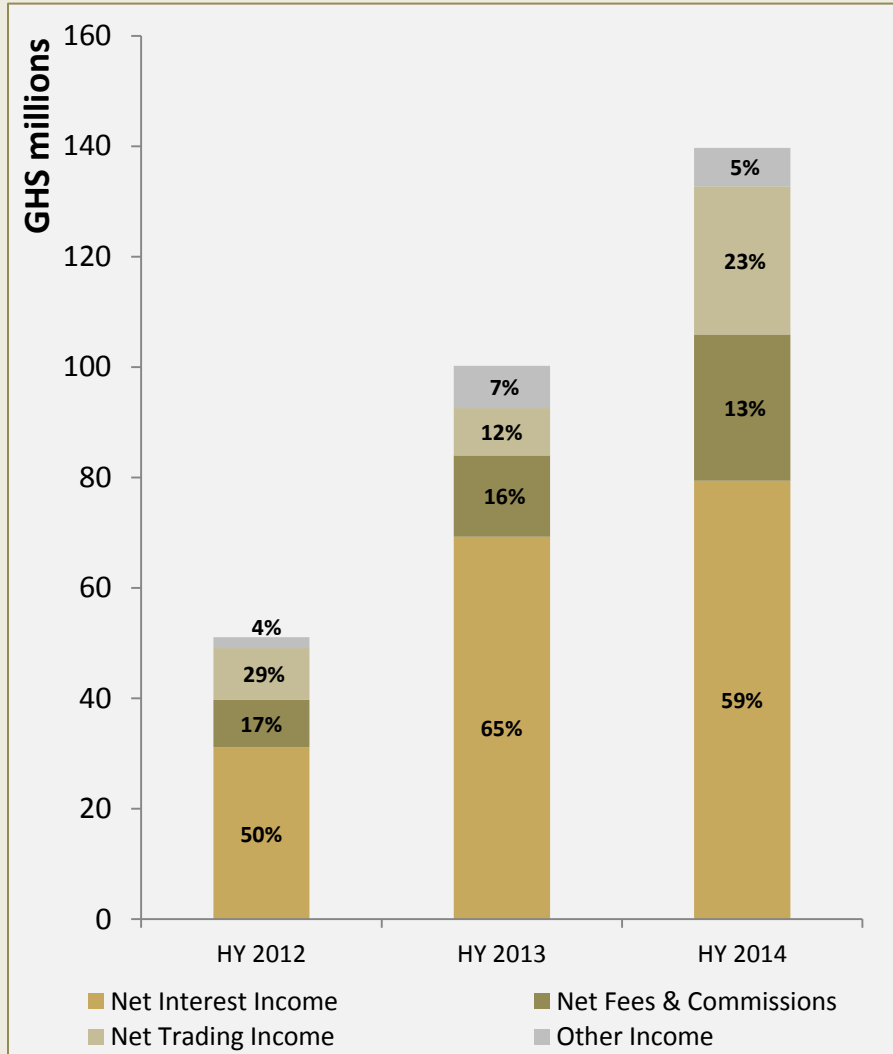
- Total Operating Expenses growth of 27.7% y/y compares favorably to 39.4% growth in Total Income

- Staff costs formed 61.2% of Total Operating Expenses in H1 2014, in line with previous year H1 2013 (61.3%)

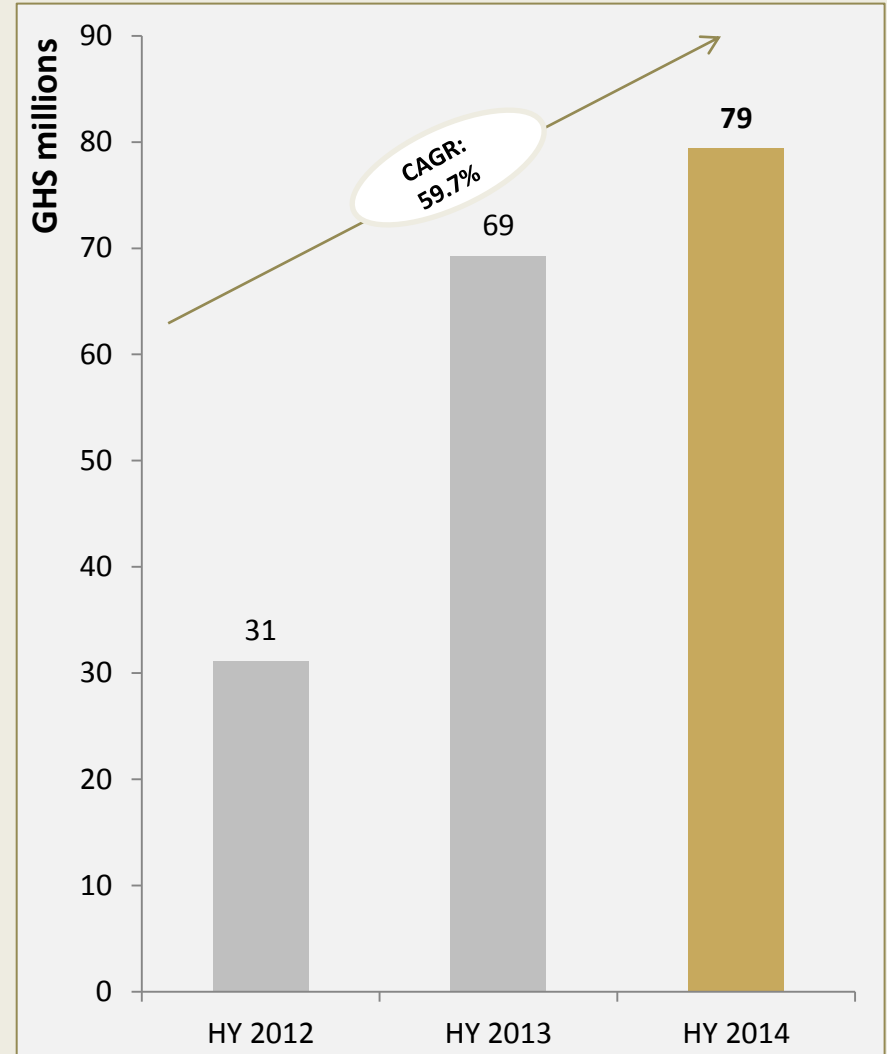
- Credit Loss Expense decreased by 22.5%

- 45.9% y/y growth in Profit after tax

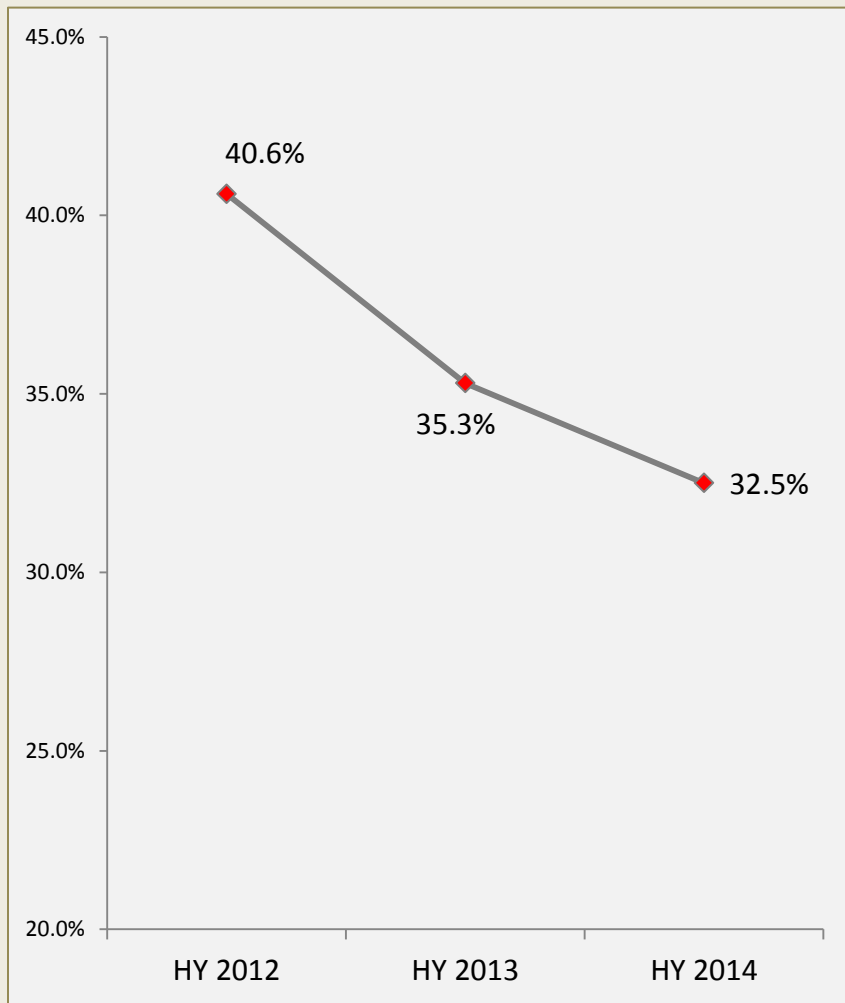
Total Operating Income Evolution



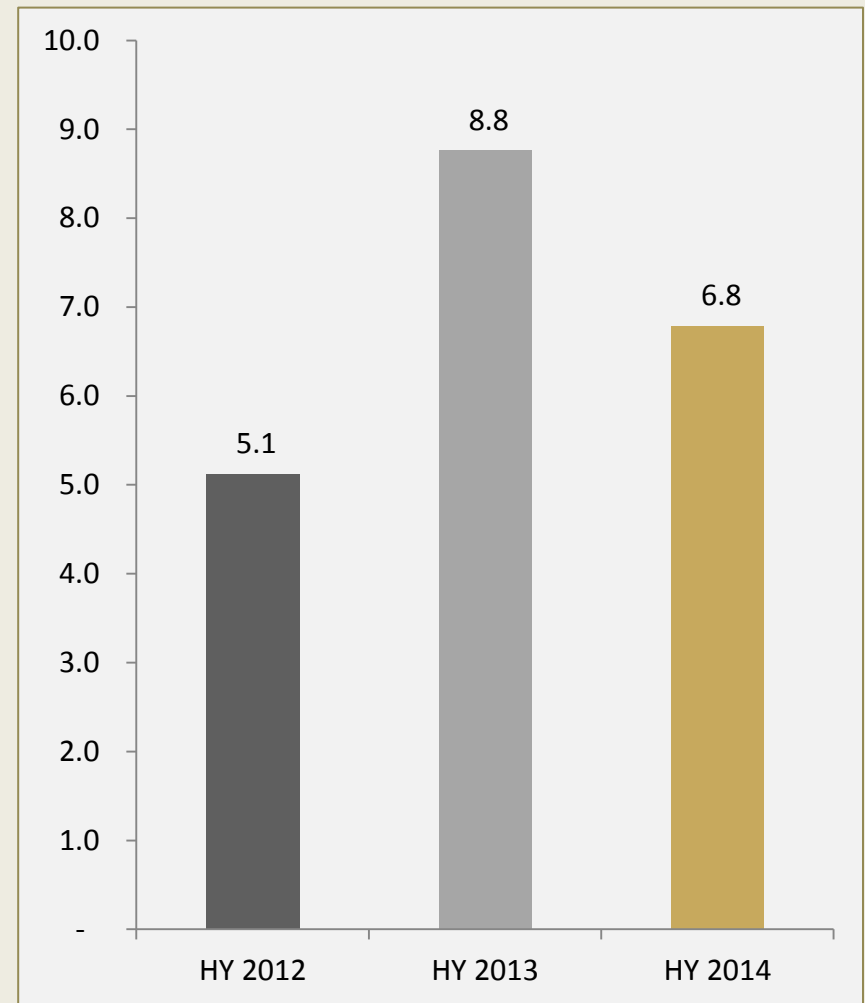
Net Interest Income Evolution



Improving Cost-to-income Ratio



Credit Loss Expense (GHS millions)



CAL Bank HY 2014 - Group Balance Sheet

| Key Items (GHS '000) | HY 2014 | HY 2013 | Change |
|--|-----------|-----------|---------|
| Loans and Advances | 1,148,211 | 873,549 | 31.4% |
| Investments | 476,232 | 192,349 | 147.6% |
| Other Assets | 26,941 | 14,873 | 81.1% |
| Fixed Assets | 54,859 | 38,061 | 44.1% |
| Total Assets | 2,100,922 | 1,282,760 | 63.8% |
| Customer Deposits | 879,499 | 742,526 | 18.4% |
| Borrowings | 803,806 | 206,519 | 289.2% |
| Accruals and Other Liabilities | 52,206 | 73,847 | (28.9)% |
| Shareholders' Funds | 319,785 | 230,962 | 38.5% |
| Total Liabilities and Shareholders' Fund | 2,100,922 | 1,282,760 | 63.8% |

| Key Items | HY 2014 | HY 2013 | Change |
|----------------------|---------|---------|---------|
| Net Interest Margin | 10.7% | 14.3% | (25.3)% |
| Non Performing Loans | 86,575 | 55,166 | 56.9% |

Key Highlights

- Total Assets grew by 63.8% y/y largely supported by a 147.6% growth in Investments and a 31.4% growth in Loans & Advances, mainly to the corporate sector .

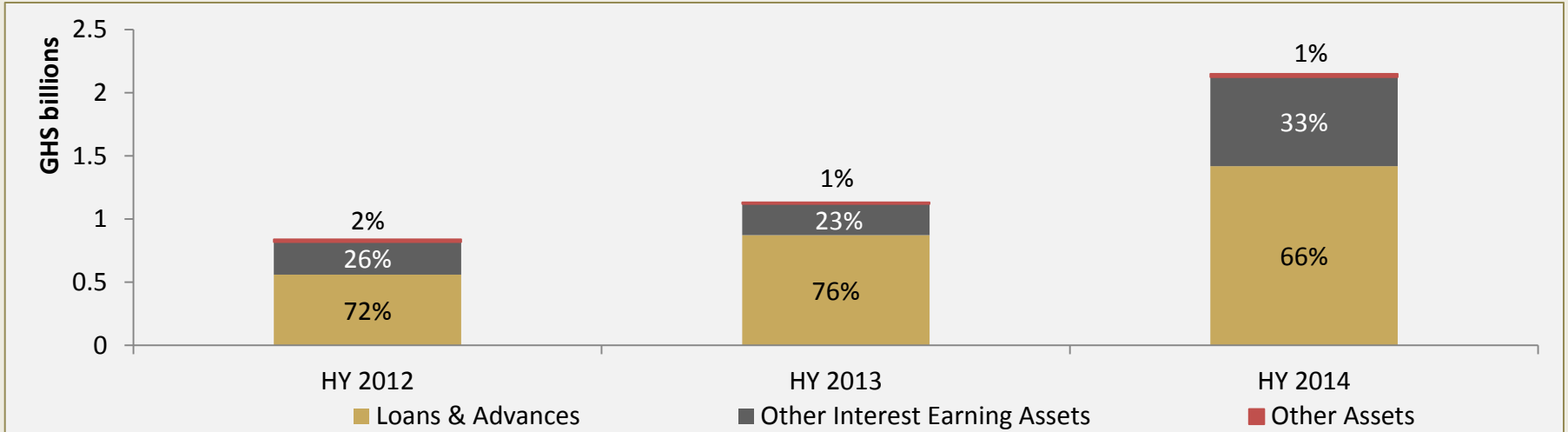
- Increase in total assets of 63.8% also attributable to a 147.6% increase in investments in short-term government instruments.

- Fixed Assets growth of 44.1% mainly from purchase of capital assets in relation to the branch expansion program and revaluation.

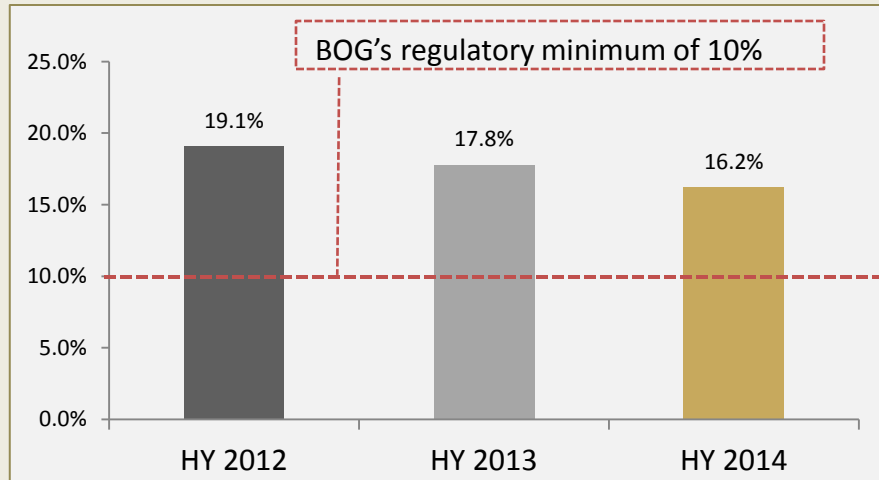
- Customer deposits increased by 18.4% y/y primarily from increased wholesale deposits and increase in branch network

- Borrowings increased 289.2% y/y through securing additional facilities to support asset growth and increased volume of trade/ financing activities for on-lending.

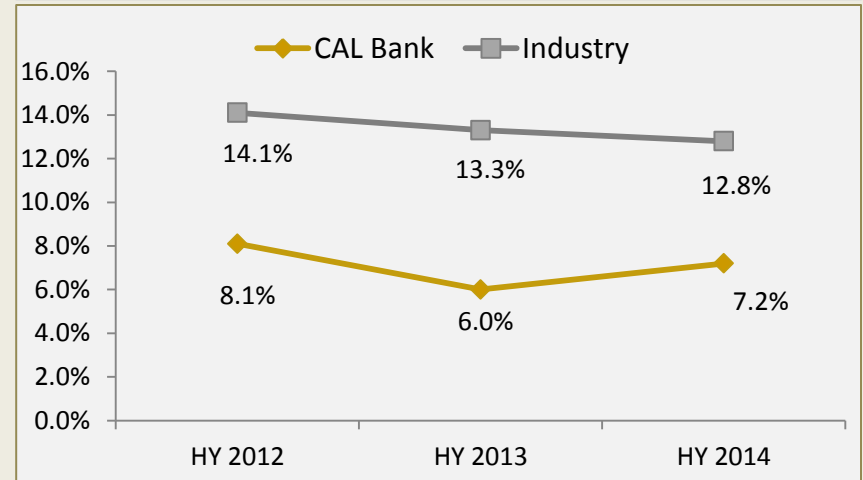
Interest earning assets still dominate



Capital Adequacy Ratio - Trending down

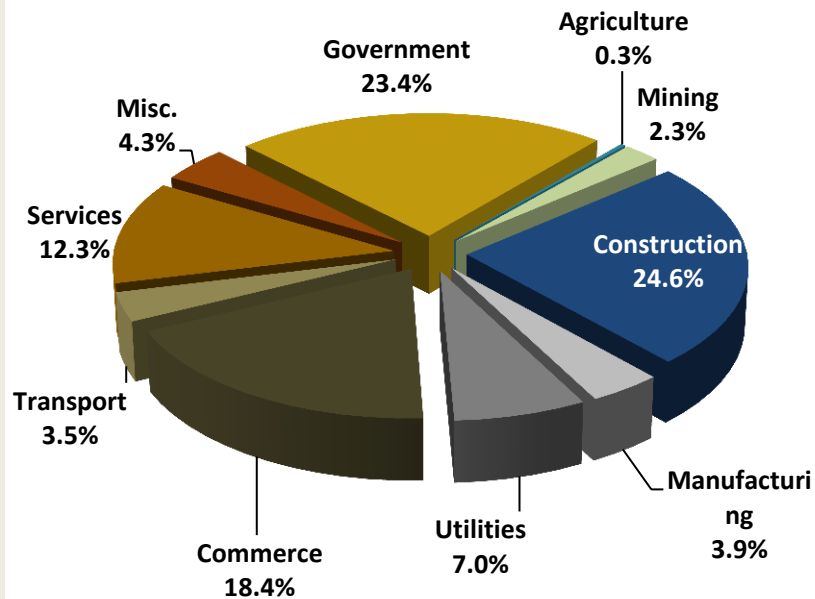


NPL ratio trend: CAL Bank vs. Industry

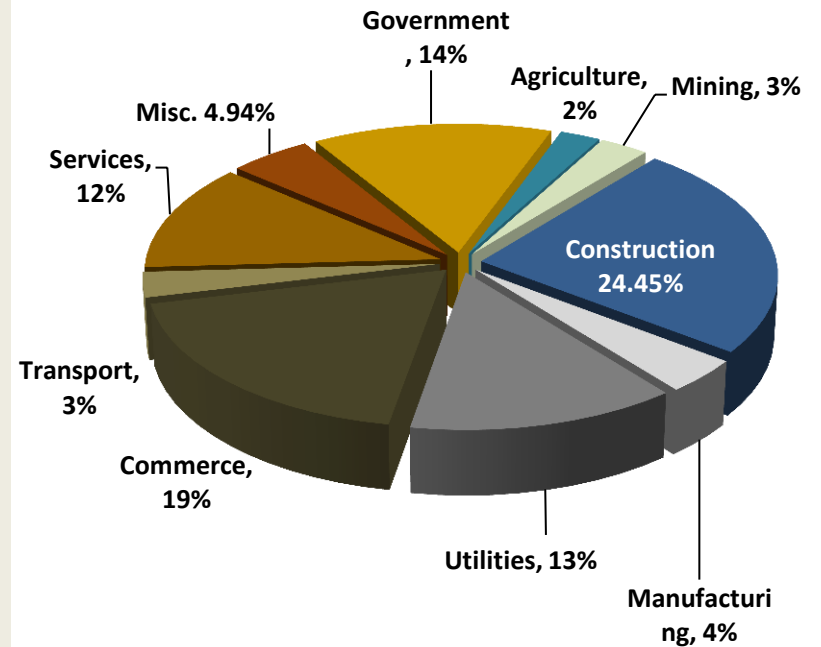


Asset Profile - Reducing Government exposure

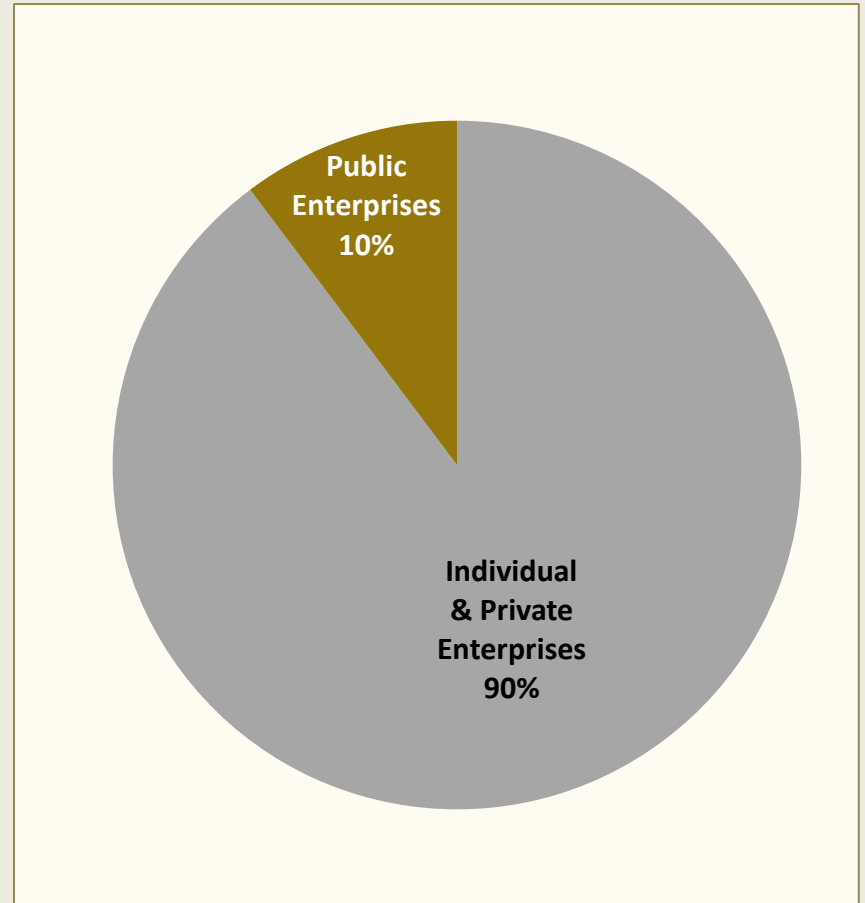
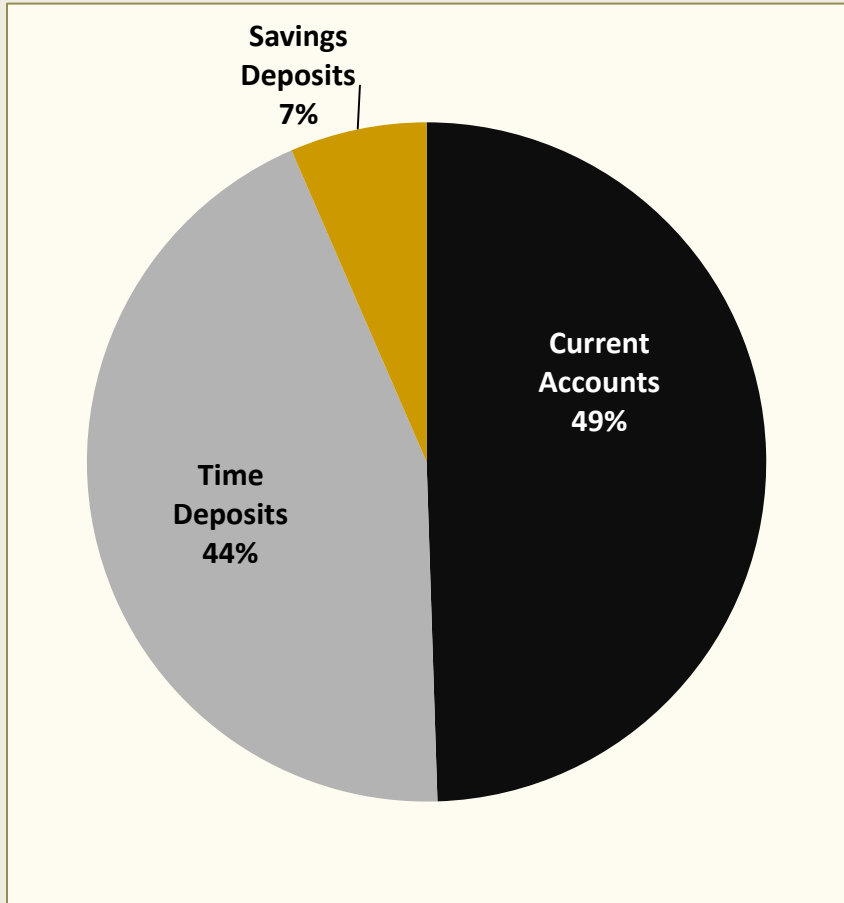
HY 2013



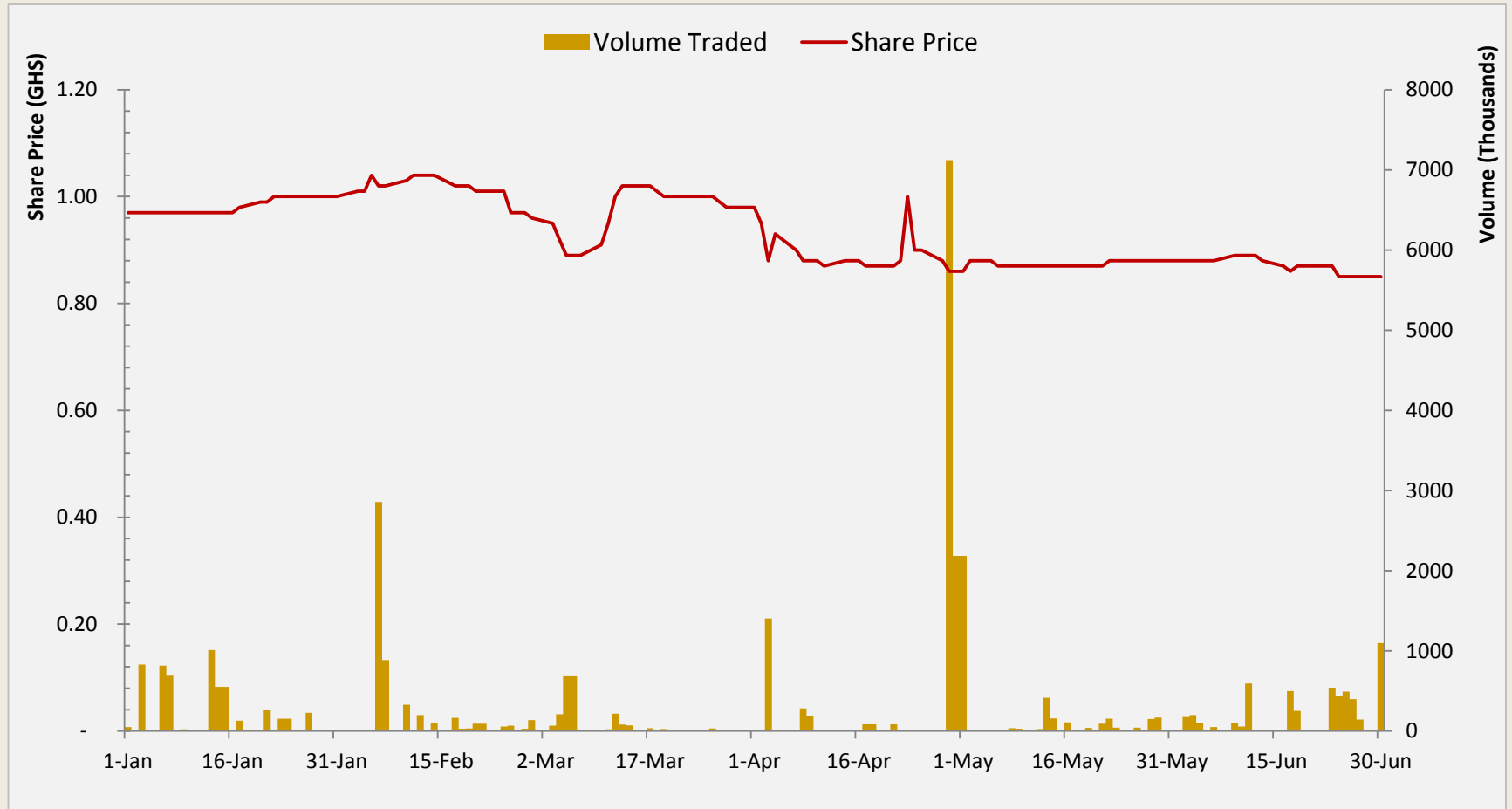
HY 2014



HY 2014



CAL Bank Share Price and Volume Traded: January - June 2014



1. Share Price at 30th June, 2014: GHS 0.85

| <p>Preserving our Balance sheet in challenging times</p> | <ul style="list-style-type: none"> • CAL has identified key challenges in the business operating environment for the remainder of 2014 • Imperative to manage emerging and existing risk issues in 2014 and beyond to preserve healthy Balance Sheet • Continue strict adherence to Board-mandated Credit, Liquidity & Operational risk-appetite. • Risk Managers and Business Units have enhanced monitoring and reporting on identified risks for emerging challenges to be addressed on-time |
|---|---|
| | |
| RISK | MITIGATION MEASURES |
| <p>Foreign Exchange Risk</p> | <ul style="list-style-type: none"> • Effectively manage FOREX assets and liabilities to reduce exchange risk. |
| <p>Interest Rate & Credit Risk</p> | <ul style="list-style-type: none"> • Increase Advisory/Non-funded income to mitigate risk of reduced net Interest income from loans as interest rates rise • Rebalance Earning Asset mix to manage credit risk and interest rate risk. • Closely monitor exposure to at-risk sectors (government, construction, mortgage, real estate, down-stream oil & gas) due to emerging economic challenges. |
| <p>Inflation</p> | <ul style="list-style-type: none"> • Minimize exposure to foreign currency denominated expenses • Rigorous Cost control to ensure value for money in procurement and capital expenditure |

Corporate Banking

- Increase in non-funded income
- Prudent asset growth to safeguard healthy balance sheet
- Measured scaling -up of syndicated transactions and loans
- Focus on key growth sectors of energy , telecoms, mining and services
- Maximise opportunity to secure Advisory mandates

Retail Banking

- Increase branch network to 25 to improve brand visibility
- Extension of our private banking service
- Grow retail deposits through promotional activities.
- Target growing middle class clientele for retail assets and deposits.

People

- Deepen cross training to foster job rotation
- Reward staff productivity and performance to attract and retain high quality personnel
- Continue to develop and train for capacity in key growth sectors - oil & gas, power, syndications
- Provide a conducive environment to attain a high staff retention rate.

Technology

- Increase installed ATMs to 100 by year end 2014
- Enhance process and storage infrastructure
- Enhance IT products including :
 - EMV cards Issuance and electronic statements
 - Enhanced Internet Banking
 - VISA/ MasterCard POS Merchant Terminals
 - MasterCard /China Union Products

THANK YOU

Q&A