Press release

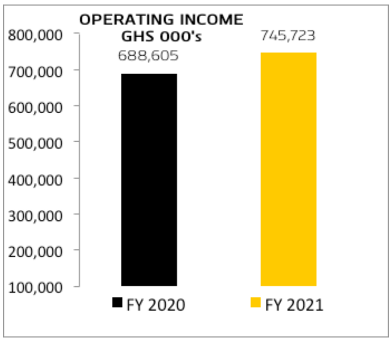
CalBank

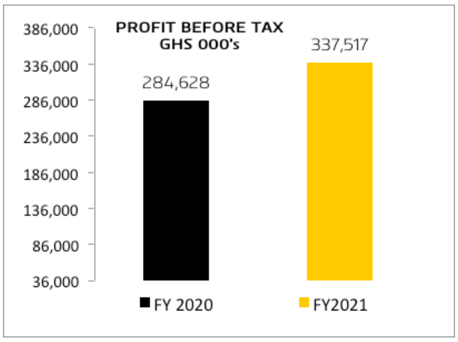
Full Year 2021

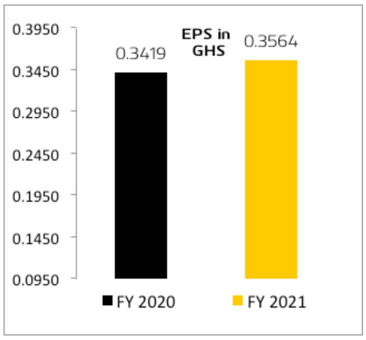
Audited Results & Commentary

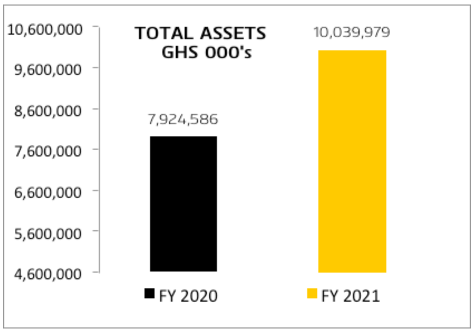
Forward Together

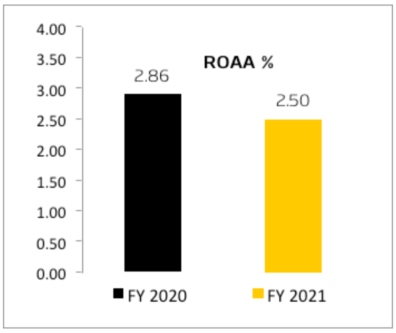
Full Year 2021 Audited Results Highlights

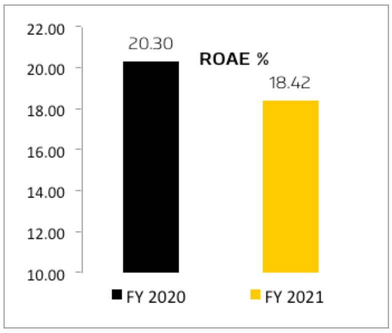












Selected Income Statement Highlights			
Full Year 2021			
For the 12 months to 31 December 2021 *(in millions of Ghana Cedis except per share data and ratios)*	**Audited 2021**	**Audited 2020**	**YoY**
Net interest income	469.5	522.9	(10.20%)
Net fees and commission income	51.9	31.5	64.58%
Net trading and other income	224.3	134.2	67.12%
Operating income (net revenue)	745.7	688.6	8.29%
Operating expenses	(325.8)	(317.1)	(2.74%)
Impairment losses on financial assets	(82.4)	(86.8)	5.14%
Profit before tax	337.5	284.6	18.58%
Taxation	(114.7)	(70.8)	(61.90%)
Profit for the period	222.9	213.8	4.23%
Per share data (GHS)			
Basic EPS	0.36	0.34	4.24%

Selected Balance Sheet Information			
As of Full Year 2021			
(in millions of Ghana Cedis except per share data and ratios)	**Audited 2021**	**Audited 2020**	**YoY**
Gross loans and advances to customers	2,453	2,641	(7.11%)
Less: allowance for impairments	(213)	(240)	10.96%
Net loans and advances to customers	2,240	2,401	(6.72%)
Total deposits	6,308	4,426	42.53%
Borrowings	2,214	2,098	5.53%
Total assets	10,040	7,925	26.69%
Total shareholders' equity	1,287	1,133	13.59%
Gross loans-to-total deposit ratio	38.88%	59.66%	(34.83%)
Total capital adequacy ratio (CAR)	25.15%	22.30%	12.76%
Tier 1 capital adequacy ratio	23.15%	18.80%	23.12%
End-of-period ordinary shares outstanding (millions of shares)	627	627	0.00%
Per share data (in GHS)			
Book value per ordinary share, BVPS (GHS)	2.01	1.77	13.29%
Tangible book value per ordinary share, TBVPS (GHS)	1.60	1.45	10.01%
Share price – end of period (GHS)	0.87	0.69	26.09%

Key Ratios FY 2021	**2021**	**2020**
Return on average assets (ROAA)	2.5%	2.9%
Return on average equity (ROAE)	18.4%	20.3%
Cost of funds	6.0%	6.2%
Net interest margin (NIM)	7.0%	8.3%
Cost-to-income ratio (CIR)	43.7%	46.1%
Cost-of-risk (CoR)	3.4%	3.3%
Effective tax rate (ETR)	34.0%	24.9%
Liquidity ratio	81.6%	72.7%
NPL ratio	11.2%	13.5%
NPL coverage ratio	77.6%	67.2%

COMMENTARY

OPERATING ENVIRONMENT

The ramifications of the Covid-19 pandemic on the global economy cannot be overemphasized as nations are still struggling to contain the impact of the virus on their economies. Developed nations are facing record negative macroeconomic indicators such as hikes in inflation arising out of surges in commodity prices, supply side constraints and pandemic related supply chain disruptions. The availability of vaccines and booster shots makes us optimistic of an adaptable normal world in the not-sodistant future even though rapid mutation of the virus into variants such as Delta and Omicron threaten to stall progress being made. Ghana and many developing nations have not been left unscathed from the rampaging corrosion of economic activities caused by the Covid-19 pandemic.

GDP: Erratic movements in the commodity prices such as fuel has impacted almost every facet of the economy. In 2021, the economy however rallied from the contraction in 2020 and it's expected to end 2021 with a 4.4% growth in Gross Domestic Product (GDP). This was largely supported by a revamp in economic activity as well as government's rollout of Covid-19 stimulus packages. The country saw a 1.8% growth in exports mainly as a result of the 36% increase in oil exports arising from the 48.9% increase in oil prices from USD50.2 per barrel in 2020 to USD74.8 per barrel in 2021. Prices of the other major commodities declined over the period. While gold prices declined by 3.6% to close at US$1,790.9 per fine ounce at the end of 2021, cocoa prices fell by 3.8% to close at $2,482.0 per tonne. The 9.7% rise in total imports propelled by a moderate rise in household consumption and business activity compared with the 1.8% growth in export narrowed the balance of trade to 1.5% of GDP compared to 3% at the end of 2020. Government revenue failed to keep track with expenditure, ballooning the fiscal deficit to a projected 9.7% of GDP, exceeding the target of 9.4% of GDP.

Inflation & Interest rates: Supply side price pressures characterised by high food prices, increasing commodity prices and supply chain disruptions elevated inflation rate to end 2021 at 12.6%, missing the inflation target range of 8.0% +/- 2%. The Monetary Policy Committee (MPC) of the Bank of Ghana increased the policy rate by 100 basis point to 14.5% in a bid to halt the rising inflation rate in 2021.

Currency: The Ghana Cedi was stable for most of the first half of 2021 but weakened thereafter, owing mostly to an increased demand for foreign currency spurred on by increase in imports by the 2nd half of the year. The Ghana Cedi's value depreciated by 4.1% against the United States Dollar, 3.1% against the British Pound, however it appreciated by 3.5% against the Euro.

Prospects: The year 2021 was characterised by slow economic growth globally with concomitant impact on our local economy largely arising from the continuous ravaging effect of the pandemic on individuals and businesses. Management and staff demonstrated remarkable resilience and resourcefulness as we embraced new ways of working. Scientific breakthroughs in the availability of vaccines give us an optimistic outlook that the worse impact of the pandemic is almost behind us. We therefore expect the pace of growth to improve supported by the fiscal and budgetary hurdles that have to be surmounted by government. We enter 2022 in excellent shape and with strong growth momentum. We will remain resilient and forge ahead to expand and grow our capacity to cater for the needs of our customers and stakeholders. The bank is well poised to attain the various objectives outlined in its strategy to enhance stakeholder value and build on its digital agenda and continue to innovate

KEY EARNINGS DRIVERS

The Group's profit before tax of GHS 337.5 million was 18.6% above prior year and consequently the Group's profit after tax increased by 4.2% above prior year from GHS 213.8 million to GHS222.9 million. The muted growth in profit after tax is as a result of the imposition of the 5% financial sector clean up levy and impact of deferred tax resulting in an effective tax rate of 34% compared to 25% in 2020.

NET OPERATING INCOME & OPERATING COSTS

An increase in operating income of 8.3% arising out of an increase in interest income, trading income, and prudent cost management accounted for the growth in the Group's profit

LOANS & ADVANCES

We have not reneged on our desire to support our customers by adhering to the provisions of the temporary debt-service relief and interest rate reductions of those whose cash flows have been adversely affected by the Covid-19 pandemic. Even though we disbursed new facilities during the year, loan retirements by some clients and some sell-downs were significant enough to cause our net loans and advances to decrease by 6.7% to GHS2.2billion from the 2020 value of GHS2.4billion. Our provision for credit losses also decreased by 11.0% from GHS239.6million in 2020 to GHS213.4 million in 2021.

DEPOSITS

The Group's balance sheet increased by 26.7% from GHS7.9 billion to GHS10.0 billion. The growth in balance sheet is mainly attributed to our intensified efforts to grow our deposits which resulted in a 42.5% increase in total deposits from GHS4.4 billion in 2020 to GHS6.3 billion at the end of 2021. The 42.5% growth in total deposit has effectively increased the deposits proportion of our funding mix from 67.8% to 74.0% to place the bank on an opportune pedestal for significant growth.

BORROWINGS

During the year under review, we continued to deepen our partnerships to secure additional funding of USD53 million to finance our lending activities. This reflects our continued attraction to partners who are willing to make available funding to meet our customer needs

CAPITAL AND LIQUIDITY

The bank is committed to maintaining a strong capital base to protect shareholder interest, enhance our capacity to serve our customers, foster investor confidence and to allow us absorb current and future risks attendant with the business of banking. This is evident in the attainment of a capital adequacy ratio of 25.1%, above the regulatory minimum of 13% as at the end of 2021.

ASSET QUALITY

There are still companies in sectors such as real estates and hospitability that are yet to fully recover from the pandemic. We continue to work with these companies by providing the necessary financing and business support to sustain their businesses. We remain resolute to working assiduously to improve the asset quality of the bank, which is reflected in the decline of our non-performing loans ratio from 13.5% in 2020 to 11.2% in 2021.

DIVIDEND

In line with regulations of the bank, the Board will recommend a dividend per share of GHS0.14 subject to approval by the Bank of Ghana, amounting to a total pay out of GHS86.09 million with a pay-out ratio of 40% as compared to the previous average pay-out ratio of 33%. This underscores our resolve to generate superior value for shareholders.

FOR FURTHER INFORMATION:

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More information about CalBank PLC ("Cal") available at www.calbank.net / www.calbank.investoreports.com