



# PRUDENTIAL BANK LIMITED

## UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE 2018

### UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH JUNE 2018

	Jun-18		Jun-17	
	BANK GH¢'000	GROUP GH¢'000	BANK GH¢'000	GROUP GH¢'000
Interest Income	165,142	165,142	133,785	133,785
Interest Expense	(87,412)	(87,412)	(69,422)	(69,422)
<b>Net Interest Income</b>	<b>77,730</b>	<b>77,730</b>	<b>64,364</b>	<b>64,364</b>
Fee and Commission Income	21,450	21,449	17,776	17,776
Fee and Commission Expense	(873)	(873)	(880)	(880)
<b>Net Fee and Commission Income</b>	<b>20,577</b>	<b>20,576</b>	<b>16,896</b>	<b>16,896</b>
Net Trading Income	11,488	11,488	8,502	9,505
Other income	2,067	3,445	47	51
	<b>13,556</b>	<b>14,934</b>	<b>8,549</b>	<b>9,556</b>
<b>Operating Income</b>	<b>111,862</b>	<b>113,240</b>	<b>89,809</b>	<b>90,816</b>
Net Impairment Loss on Financial Assets	6,391	6,391	90,187	90,187
Personnel Expenses	46,677	46,981	34,110	38,149
Depreciation and Amortisation	7,742	7,761	6,769	6,782
Other Expenses	34,039	34,158	35,675	31,964
	<b>94,849</b>	<b>95,292</b>	<b>166,741</b>	<b>167,083</b>
<b>Profit Before Income Tax</b>	<b>17,013</b>	<b>17,948</b>	<b>(76,931)</b>	<b>(76,266)</b>
Income Tax Expense	(5,104)	(5,341)	-	(155)
<b>Profit/(loss) for the Period</b>	<b>11,909</b>	<b>12,606</b>	<b>(76,931)</b>	<b>(76,421)</b>
<b>Other comprehensive income, net of income tax</b>				
Other comprehensive income for the period (net of income tax)	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>11,909</b>	<b>12,606</b>	<b>(76,931)</b>	<b>(76,421)</b>

### UNAUDITED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30TH JUNE 2018

	Jun-18		Jun-17	
	BANK GH¢'000	GROUP GH¢	BANK GH¢'000	GROUP GH¢'000
<b>Cash Flows from Operating Activities</b>				
Profit/Loss for the period	17,013	17,948	(76,931)	(76,266)
Adjustments for:				
Depreciation and Amortisation	7,742	7,761	6,769	6,782
Profit/Loss on Sale of Fixed Assets	(1,607)	(1,612)	-	-
Impairment on Financial Assets	6,391	6,391	90,187	90,187
	<b>29,539</b>	<b>30,488</b>	<b>20,025</b>	<b>20,704</b>
Change in Investments	(491)	(491)	(10,852)	(10,650)
Change in Loans and Advances to Customers	(129,128)	(129,128)	(26,897)	(26,889)
Change in Other Assets	(1,946)	(2,027)	(6,280)	(6,965)
Change in Deposits from Banks	(11)	(11)	1,279	1,279
Change in Deposits from Customers	35,593	39,517	23,875	25,145
Change in Other Liabilities and Borrowings	213,269	209,961	299,202	300,337
	<b>117,285</b>	<b>117,820</b>	<b>280,327</b>	<b>282,257</b>
Income Tax paid	(5,382)	(5,544)	(2,551)	(2,690)
	<b>(5,382)</b>	<b>(5,544)</b>	<b>(2,551)</b>	<b>(2,690)</b>
<b>Net cash used in operating activities</b>	<b>141,442</b>	<b>142,764</b>	<b>297,801</b>	<b>300,271</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(4,239)	(4,254)	(12,078)	(12,085)
Proceeds from the sale of property, plant and equipment	2,775	2,781	-	-
Purchase of intangible assets	(1,620)	(1,684)	(203)	(203)
	<b>(3,084)</b>	<b>(3,158)</b>	<b>(12,281)</b>	<b>(12,288)</b>
<b>Cash flows from financing activities</b>				
Increase in debt securities issued	-	-	12,216	12,216
<b>Net cash from financing activities</b>	<b>-</b>	<b>-</b>	<b>12,216</b>	<b>12,216</b>
<b>Net increase / (decrease) in cash and cash equivalents</b>	<b>138,358</b>	<b>139,606</b>	<b>297,736</b>	<b>300,199</b>
Cash and cash equivalents at 1 Jan.	859,320	859,327	583,959	589,096
<b>Cash and cash equivalents at 30 June</b>	<b>997,678</b>	<b>998,933</b>	<b>881,695</b>	<b>889,295</b>

### UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30TH JUNE 2018

	Jun-18		Jun-17	
	BANK GH¢'000	GROUP GH¢'000	BANK GH¢'000	GROUP GH¢'000
<b>Assets</b>				
Cash and Cash Equivalents	861,557	862,811	321,110	323,893
Investment	307,964	314,197	577,398	582,477
Loans and Advances to Customers	1,054,943	1,054,943	850,281	850,281
Property and Equipment	170,721	170,824	99,706	164,550
Intangible Assets	2,951	2,951	4,276	4,313
Investment in Subsidiaries	1,766	214	7,366	225
Current Tax Assets	9,121	9,121	11,970	11,970
Other Assets	44,555	44,558	17,047	17,992
<b>Total Assets</b>	<b>2,453,579</b>	<b>2,459,619</b>	<b>1,889,153</b>	<b>1,955,701</b>
<b>Liabilities</b>				
Deposits from Banks	5,786	5,786	4,179	4,179
Deposits from Customers	1,501,258	1,501,195	1,348,882	1,348,826
Deferred Tax Liabilities	2,493	2,493	2,231	2,233
Current Tax Liabilities	-	101	-	14
Other Liabilities	179,044	181,113	55,122	58,029
Borrowings	512,298	512,298	384,318	384,318
<b>Total Liabilities</b>	<b>2,200,879</b>	<b>2,202,986</b>	<b>1,794,733</b>	<b>1,797,600</b>
<b>Equity</b>				
Stated Capital	127,667	127,667	74,670	74,670
Income Surplus	(21,433)	(17,500)	(54,748)	(46,496)
Revaluation Reserve	84,988	84,988	29,559	84,988
Statutory Reserve	36,744	36,744	36,743	36,743
Credit Risk Reserve	15,116	15,116	-	-
Deposit for Shares	9,618	9,618	8,196	8,196
<b>Total Equity</b>	<b>252,700</b>	<b>256,632</b>	<b>94,419</b>	<b>158,101</b>
<b>Total Liabilities and Equity</b>	<b>2,453,579</b>	<b>2,459,619</b>	<b>1,889,153</b>	<b>1,955,701</b>

### UNAUDITED STATEMENT OF CHANGES IN EQUITY

The Bank	Stated Capital	Income Surplus	Statutory Reserve	Capital Surplus	Credit Risk Reserve	Deposit for Shares	Total Equity
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
<b>Balance at 1st Jan. 2018</b>	127,667	(31,790)	36,744	84,988	13,564	9,618	240,791
<b>Total Comprehensive Income</b>	-	11,909	-	-	-	-	11,909
<b>Other Comprehensive Income, net of Tax</b>	-	-	-	-	-	-	-
<b>Total Comprehensive Income for the period</b>	127,667	(19,881)	36,744	84,988	13,564	9,618	252,700
<b>Transfers from Income Surplus to Reserves and Transaction with Owners,</b>							
<b>Transfer to Credit Risk reserve</b>	-	(1,552)	-	-	1,552	-	-
<b>Balance at 30th June 2018</b>	127,667	(21,433)	36,744	84,988	15,116	9,618	252,700
The Group	Stated Capital	Income Surplus	Statutory Reserve	Capital Surplus	Credit Risk Reserve	Deposit for Shares	Total Equity
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
<b>Balance at 1st Jan. 2018</b>	127,667	(28,554)	36,744	84,988	13,564	9,618	244,027
<b>Total Comprehensive Income</b>	-	12,606	-	-	-	-	12,606
<b>Other Comprehensive Income, net of Tax</b>	-	-	-	-	-	-	-
<b>Total Comprehensive Income for the period</b>	127,667	(15,948)	36,744	84,988	13,564	9,618	256,633
<b>Transfers from Income Surplus to Reserves and Transaction with Owners,</b>							
<b>Transfer to Credit Risk reserve</b>	-	(1,552)	-	-	1,552	-	-
<b>Balance at 30th June 2018</b>	127,667	(17,500)	36,744	84,988	15,116	9,618	256,633

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**NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30<sup>TH</sup> JUNE 2018**

**1. Significant Accounting Policies**

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and adopted by the Institute of Chartered Accountants, Ghana (ICAG) and are consistent with those applied in the preparation of the annual consolidated financial statements.

**2. Quantitative Disclosures**

	Jun-2018		Jun- 2017	
	BANK	GROUP	BANK	GROUP
(a) Capital Adequacy Ratio (CAR) %	10.86	11.06	6.21	10.04
(b) Non-Performing Loan (NPL) Ratio %	16.53	16.53	25.26	25.26
(c) Amount Spent in fulfilling Social Responsibility (GH¢'000)	361	361	433	433

**3. Qualitative Disclosures**

**Dominant Risks and Methods of Measurement**

The nature of the Bank's operations as a financial intermediary exposes it to credit, market, liquidity, operational, compliance and reputational risks.

**Liquidity risk** is the potential loss to the Bank arising from either its inability to meet its maturing short term obligations as they fall due or to fund increases in assets without incurring unacceptable costs. The Bank's liquidity risk management framework is designed to maintain sufficient liquidity to ensure safe and sound operations. Liquidity risk is measured using liquidity gap analysis.

**Credit Risk** arises where a borrower defaults in repaying a credit facility in full or counter-party is unwilling to perform an obligation or its ability to perform such obligation is impaired resulting in financial loss to the Bank. The Bank manages credit risk through well structured systems and controls geared to uncover early warning signals of non-performance.

**Market risk** is the potential for losses arising from movements in interest rates, exchange rates, equity prices and commodity prices. The Bank is currently exposed to interest rate and foreign exchange rate risks.

**Interest rate risk** arises when there is a mismatch between asset and liability positions which are subject to interest rate adjustment within a specified period. The Bank employs a variety of tools such as interest rate sensitivity model to measure and monitor interest rate sensitive assets and liabilities. It also uses variable (floating) interest rate pricing policy in managing its interest rate risk.

**Exchange rate risk** is the potential loss of income and capital arising from movements in exchange rates of currencies in which the Bank has positions or commitments. The Bank manages foreign exchange risk inherent in its operations by:

- Matching assets and liabilities denominated in the same currency to ensure that the impact of exchange rate movement on the Bank is largely positive.

- Keeping foreign currency holdings in more stable currencies.

**Operational risk** is the potential for loss arising from inadequate or failed processes, people and systems, staff misconduct or from uncontrolled external events. Operational risks are identified, monitored and controlled in the Bank through well designed operating procedures and controls, insurance policies, business continuity planning, internal audit and timely and reliable management reporting.

**Compliance risk** is the risk of legal or regulatory sanctions, material financial loss or damage to PBL's reputation as a result of failure to comply with relevant laws, regulations, rules, internal management directives and other codes of conduct applicable to the banking industry.

The Bank has embedded clear and accessible policies and procedures in its operations to forestall possible compliance failures.

**Reputational risk** refers to the potential reputational damage that PBL could suffer from any adverse or negative publicity about the Bank. Reputational risk may result from internal operational issues (system failures, employee errors, and employee fraud), unnecessary litigation and dealing with customers who engage in illegal business activities.

The Bank's reputational risk management revolves around effective communication between the Bank and its stakeholders (customers, employees, regulators, shareholders etc).

**Risk Management objectives, policies and processes**

The Bank has established a comprehensive risk management framework for managing the risks inherent in its operations. The risk management framework ensures the identification, measurement and control of the risks at all levels in the Bank with a view to safeguarding its integrity, reputation and financial strength. The Bank uses the 'Three Lines of Defence Model' to manage risks inherent in its operations. The model provides a clear allocation of responsibilities for the ownership and management of risks at all levels of the Bank's operations.

The risk management framework also contains details of the Bank's risk governance system which is multi-faceted, involving the Board of Directors, Management Committees and Risk Management Department. The Board determines the risk strategy, policy, limits and appetite for the Bank. The Risk Management Department assists Management in the formulation of the overall policies and strategies regarding risk management and control. The Risk Management Department coordinates risk management in the Bank and is primarily responsible for ensuring that the Bank's risk profile is consistent with its financial resources and the risk appetite set by the Board.

**4. Defaults in Statutory Liquidity and accompanying sanctions (if any)**

	Jun-2018		Jun- 2017	
	BANK	GROUP	BANK	GROUP
a) Default in statutory liquidity(Times)	NIL	NIL	NIL	NIL
b) Sanctions (GH¢)	NIL	NIL	NIL	NIL