



# PRUDENTIAL BANK LIMITED

## (UNAUDITED) CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH SEPTEMBER, 2020

### (UNAUDITED) CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	2020		2019	
	BANK GH¢'000	GROUP GH¢'000	BANK GH¢'000	GROUP GH¢'000
Interest Income	362,001	360,808	255,086	254,189
Interest Expense	(159,959)	(159,933)	(128,772)	(128,613)
<b>Net Interest Income</b>	<b>202,042</b>	<b>200,875</b>	<b>126,314</b>	<b>125,576</b>
Fee and Commission Income	47,445	47,444	41,430	41,425
Fee and Commission Expense	(2,236)	(2,236)	(1,782)	(2,678)
<b>Net Fee and Commission Income</b>	<b>45,209</b>	<b>45,208</b>	<b>39,649</b>	<b>38,747</b>
Net Trading Income	24,385	24,385	26,704	26,712
Other income	3,181	4,873	4,740	6,061
	<b>27,566</b>	<b>29,258</b>	<b>31,444</b>	<b>32,773</b>
<b>Operating Income</b>	<b>274,817</b>	<b>275,340</b>	<b>197,407</b>	<b>197,096</b>
Net Impairment on Financial Asset	(40,937)	(40,937)	(20,350)	(20,350)
Personnel Expenses	(96,629)	(97,253)	(78,172)	(78,690)
Depreciation and Amortisation	(11,750)	(11,774)	(11,710)	(11,732)
Other Expenses	(68,807)	(68,946)	(54,331)	(53,600)
	<b>(218,123)</b>	<b>(218,910)</b>	<b>(164,564)</b>	<b>(164,372)</b>
<b>Profit Before Income Tax</b>	<b>56,693</b>	<b>56,430</b>	<b>32,843</b>	<b>32,724</b>
Income Tax Expense	(22,110)	(22,110)	(9,853)	(9,859)
<b>Profit for the Period</b>	<b>34,583</b>	<b>34,320</b>	<b>22,990</b>	<b>22,865</b>
Other comprehensive income (net of income tax)	-	-	-	-
<b>Total comprehensive income for the period</b>	<b>34,583</b>	<b>34,320</b>	<b>22,990</b>	<b>22,865</b>

### (UNAUDITED) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2020		2019	
	BANK GH¢'000	GROUP GH¢'000	BANK GH¢'000	GROUP GH¢'000
<b>Assets</b>				
Cash and Cash Equivalents	883,266	883,266	437,231	437,231
Investment securities	941,901	950,633	848,130	853,772
Loans and Advances to Customers	1,862,371	1,848,722	1,389,620	1,382,495
Property and Equipment	244,727	244,740	222,921	222,942
Intangible Assets	6,183	6,228	7,047	7,107
Investment in Subsidiaries	1,766	260	1,766	259
Current Tax Assets	-	-	4,246	4,415
Other Assets	52,800	58,393	67,198	67,057
<b>Total Assets</b>	<b>3,993,014</b>	<b>3,992,242</b>	<b>2,978,160</b>	<b>2,975,277</b>
<b>Liabilities</b>				
Deposits from Banks	30,716	30,716	3,572	3,572
Deposits from Customers	2,553,448	2,538,638	1,888,957	1,879,902
Deferred Tax Liabilities	10,498	10,497	14,239	14,237
Current Tax Liabilities	950	771	-	-
Other Liabilities	118,554	131,105	56,761	59,982
Borrowings	615,996	615,996	390,017	390,017
<b>Total Liabilities</b>	<b>3,330,164</b>	<b>3,327,724</b>	<b>2,353,546</b>	<b>2,347,711</b>
<b>Equity</b>				
Stated Capital	402,431	402,431	402,431	402,431
Income Surplus	38,140	39,808	(9,737)	(6,785)
Capital Surplus/Revaluation Reserve	120,914	120,914	120,914	120,914
Statutory Reserve	55,862	55,862	54,035	54,035
Credit Risk Reserve	45,504	45,504	56,971	56,971
Deposit for Shares	-	-	-	-
<b>Total Equity</b>	<b>662,850</b>	<b>664,518</b>	<b>624,614</b>	<b>627,566</b>
<b>Total Liabilities and Equity</b>	<b>3,993,014</b>	<b>3,992,242</b>	<b>2,978,160</b>	<b>2,975,277</b>

### (UNAUDITED) CONSOLIDATED STATEMENT OF CASHFLOW

	2020		2019	
	BANK GH¢'000	GROUP GH¢'000	BANK GH¢'000	GROUP GH¢'000
<b>Cash Flows from Operating Activities</b>				
Profit for the period	56,693	56,430	32,843	32,724
<b>Adjustments for:</b>				
Depreciation and Amortisation	11,750	11,774	11,710	11,732
Profit /Loss on Sale of Fixed Assets	56	56	(167)	(167)
Impairment on Financial Assets	40,937	40,937	20,350	20,350
Bad Debt written off	(6,098)	(6,098)	(2,342)	(2,342)
	<b>103,338</b>	<b>103,099</b>	<b>62,395</b>	<b>62,297</b>
Change in Investments	(109,464)	(110,269)	(397,666)	(397,435)
Change in Loans and Advances to Customers	(239,865)	(240,341)	(290,697)	(297,836)
Change in Other Assets	11,110	15,363	(24,320)	(11,165)
Change in Deposits from Banks	26,165	26,165	665	665
Change in Deposits from Customers	459,662	446,256	144,492	137,989
Change in Other Liabilities and Borrowings	275,687	286,375	171,780	172,150
	<b>423,296</b>	<b>423,549</b>	<b>(395,746)</b>	<b>(395,631)</b>
Income Tax paid	(13,257)	(13,259)	(9,894)	(9,890)
Income Tax refund	-	-	8,565	8,565
	<b>(13,257)</b>	<b>(13,259)</b>	<b>(1,328)</b>	<b>(1,324)</b>
<b>Net cash used in operating activities</b>	<b>513,377</b>	<b>513,388</b>	<b>(334,680)</b>	<b>(334,658)</b>
<b>Cash flows from investing activities</b>				
Purchase of property, plant and equipment	(31,175)	(31,185)	(18,265)	(18,265)
Proceeds from the sale of property, plant and equipment	105	105	349	349
Purchase of intangible assets	(1,497)	(1,497)	(2,466)	(2,487)
<b>Net cash used in investing activities</b>	<b>(32,566)</b>	<b>(32,577)</b>	<b>(20,382)</b>	<b>(20,403)</b>
<b>Cash flows from financing activities</b>				
Proceeds from Shares issued	-	-	250,764	250,764
	-	-	250,764	250,764
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>480,811</b>	<b>480,812</b>	<b>(104,298)</b>	<b>(104,298)</b>
Cash and cash equivalents at 1 January	402,455	402,455	547,529	547,529
<b>Cash and cash equivalents at 30th September</b>	<b>883,266</b>	<b>883,266</b>	<b>443,231</b>	<b>443,231</b>

### UNAUDITED) STATEMENT OF CHANGES IN EQUITY- BANK

	Stated Capital GH¢'000	Income Surplus GH¢'000	Statutory Reserve GH¢'000	Capital Surplus GH¢'000	Credit Risk Reserve GH¢'000	Deposit for Shares GH¢'000	Total Equity GH¢'000
<b>Balance 1st January, 2020</b>	402,431	(1,740)	55,862	120,914	50,800	-	628,267
Total Comprehensive Income, net of Tax	-	34,583	-	-	-	-	34,583
	<b>402,431</b>	<b>32,843</b>	<b>55,862</b>	<b>120,914</b>	<b>50,800</b>	<b>-</b>	<b>662,850</b>
<b>Transfers from Income Surplus to Reserves and Transaction with Owners:</b>							
Transfer from Credit Risk Reserve	-	5,297	-	-	(5,297)	-	-
<b>Balance at 30th September, 2020</b>	<b>402,431</b>	<b>38,140</b>	<b>55,862</b>	<b>120,914</b>	<b>45,504</b>	<b>-</b>	<b>662,850</b>
<b>Comparative Figures - 2019</b>							
<b>Balance 1st January, 2019</b>	127,667	(23,852)	42,540	120,914	59,591	24,000	350,860
Total Comprehensive Income, net of Tax	-	22,990	-	-	-	-	22,990
	<b>127,667</b>	<b>(862)</b>	<b>42,540</b>	<b>120,914</b>	<b>59,591</b>	<b>24,000</b>	<b>373,850</b>
<b>Transfers from Income Surplus to Reserves and Transaction with Owners:</b>							
Issue of Shares	250,764	-	-	-	-	-	250,764
Transfer from Credit Risk Reserve	-	2,620	-	-	(2,620)	-	-
Transfer to Statutory Reserve	-	(11,495)	11,495	-	-	-	-
Transfer to Stated Capital	24,000	-	-	-	-	(24,000)	-
<b>Balance at 30th September, 2019</b>	<b>402,431</b>	<b>(9,737)</b>	<b>54,035</b>	<b>120,914</b>	<b>56,971</b>	<b>-</b>	<b>624,614</b>

### (UNAUDITED) STATEMENT OF CHANGES IN EQUITY - GROUP

	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
<b>Balance 1st January, 2020</b>	402,431	199	55,862	120,914	50,800	-	630,206
Prior Year adjustment	-	(7)	-	-	-	-	(7)
<b>Balance 1st January, 2020 (Restated)</b>	<b>402,431</b>	<b>192</b>	<b>55,862</b>	<b>120,914</b>	<b>50,800</b>	<b>-</b>	<b>630,199</b>
Total Comprehensive income net of Tax	-	34,320	-	-	-	-	34,320
	<b>402,431</b>	<b>34,511</b>	<b>55,862</b>	<b>120,914</b>	<b>50,800</b>	<b>-</b>	<b>664,518</b>
<b>Transfers from Income Surplus to Reserves and Transaction with Owners</b>							
Transfer from Credit Risk Reserve	-	5,297	-	-	(5,297)	-	-
<b>Balance at 30th September, 2020</b>	<b>402,431</b>	<b>39,808</b>	<b>55,862</b>	<b>120,914</b>	<b>45,504</b>	<b>-</b>	<b>664,518</b>
<b>Comparative Figures - 2019</b>							
<b>Balance 1st January, 2019</b>	127,667	(20,499)	42,540	120,914	59,591	24,000	354,213
Prior period adjustment	-	(276)	-	-	-	-	(276)
<b>Balance 1st January, 2019 (Restated)</b>	<b>127,667</b>	<b>(20,775)</b>	<b>42,540</b>	<b>120,914</b>	<b>59,591</b>	<b>24,000</b>	<b>353,937</b>
Total Comprehensive income net of Tax	-	22,865	-	-	-	-	22,865
	<b>127,667</b>	<b>2,090</b>	<b>42,540</b>	<b>120,914</b>	<b>59,591</b>	<b>24,000</b>	<b>376,802</b>
<b>Transfers from Income Surplus to Reserves and Transaction with Owners</b>							
Issue of Shares	250,764	-	-	-	-	-	250,764
Transfer from Credit Risk Reserve	-	2,620	-	-	(2,620)	-	-
Transfer to Statutory Reserve	-	(11,495)	11,495	-	-	-	-
Transfer to Stated Capital	24,000	-	-	-	-	(24,000)	-
<b>Balance at 30th September, 2019</b>	<b>402,431</b>	<b>(6,785)</b>	<b>54,035</b>	<b>120,914</b>	<b>56,971</b>	<b>-</b>	<b>627,566</b>

### Notes to the unaudited Financial Statements for the period ended 30th September, 2020

#### 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

	Sep - 2020		Sep - 2019	
	BANK	GROUP	BANK	GROUP
(a) Capital Adequacy Ratio (CRD) %	17.78	17.93	20.34	20.57
(b) Non-Performing Loan (NPL) Ratio %	12.92	12.92	16.58	16.58
(c) Liquid Ratio	139.24	141.49	121.90	123.35
(d) Amount Spent in fulfilling Social Responsibility (GH¢'000)	1,073	1,073	444	444

#### 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



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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)

	Sep-2020		Sep-2019	
	BANK	GROUP	BANK	GROUP
a) Default in statutory liquidity(Times)	NIL	NIL	NIL	NIL
b) Sanctions (GH¢)	NIL	NIL	NIL	NIL