



PRUDENTIAL BANK LIMITED

UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MARCH, 2019

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

	2019		2018	
	BANK GH¢'000	GROUP GH¢'000	BANK GH¢'000	GROUP GH¢'000
Interest Income	77,606	77,606	80,322	80,322
Interest Expense	(39,919)	(39,919)	(40,919)	(40,919)
Net Interest Income	37,687	37,687	39,403	39,403
Fee and Commission Income	13,076	13,076	10,298	10,298
Fee and Commission Expense	(696)	(696)	(515)	(515)
Net Fee and Commission Income	12,380	12,380	9,783	9,783
Net Trading Income	10,452	10,452	4,181	4,811
Other income	276	1,105	56	98
Operating Income	60,795	61,624	53,422	54,095
Net Impairment on Financial Asset	(4,523)	(4,523)	(2,887)	(2,887)
Personnel Expenses	(25,410)	(25,580)	(23,439)	(23,588)
Depreciation and Amortisation	(3,861)	(3,868)	(3,828)	(3,836)
Other Expenses	(17,083)	(17,119)	(17,062)	(17,116)
Profit Before Income Tax	9,918	10,533	6,206	6,668
Income Tax Expense	(2,975)	(3,037)	(1,862)	(1,969)
Profit for the Period	6,942	7,496	4,344	4,699
Other comprehensive income for the period (net of income tax)	-	-	-	-
Total comprehensive income for the period	6,942	7,496	4,344	4,699

(UNAUDITED) CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	2019		2018	
	BANK GH¢'000	GROUP GH¢'000	BANK GH¢'000	GROUP GH¢'000
Assets				
Cash and Cash Equivalents	476,718	476,718	1,023,024	1,024,010
Investment securities	515,906	522,924	178,136	178,136
Loans and Advances to Customers	1,280,826	1,278,437	959,698	959,698
Property and Equipment	219,574	219,600	171,568	171,547
Intangible Assets	5,693	5,739	3,750	3,824
Investment in Subsidiaries	1,766	265	1,766	6,882
Current Tax Assets	9,795	9,795	11,358	11,358
Other Assets	49,313	49,346	48,604	48,592
Total Assets	2,559,591	2,562,824	2,397,905	2,404,046
Liabilities				
Deposits from Banks	3,572	3,572	4,443	4,443
Deposits from Customers	1,793,341	1,790,843	1,476,395	1,476,215
Deferred Tax Liabilities	14,239	14,239	2,494	2,566
Current Tax Liabilities	-	48	-	-
Other Liabilities	104,009	106,062	163,002	165,589
Borrowings	286,629	286,629	506,437	506,437
Total Liabilities	2,201,789	2,201,392	2,152,770	2,155,249
Equity				
Stated Capital***	151,667	151,667	127,667	127,667
Income Surplus	(16,602)	(12,972)	(29,424)	(25,762)
Revaluation Reserve	120,914	120,914	84,988	84,988
Statutory Reserve	42,540	42,540	36,744	36,744
Credit Risk Reserve	59,284	59,284	15,542	15,542
Deposit for Shares	-	-	9,618	9,618
Total Equity	357,802	361,433	245,135	248,797
Total Liabilities and Equity	2,559,591	2,562,824	2,397,905	2,404,046

***The Bank has by the end of 31st December 2018 secured firm commitment from Ghana Amalgamated Trust (GAT) for equity injection of GH¢ 250 million to meet the new minimum capital of GH¢ 400 million as directed by Bank of Ghana

(UNAUDITED) CONSOLIDATED STATEMENT OF CASH FLOWS

	2019		2018	
	BANK GH¢'000	GROUP GH¢'000	BANK GH¢'000	GROUP GH¢'000
Cash Flows from Operating Activities				
Profit for the period	9,918	10,533	6,206	6,668
Adjustments for:				
Depreciation and Amortisation	3,861	3,868	3,828	3,836
Profit on Sale of Fixed Assets	(85)	(85)	584	584
Impairment on Financial Assets	4,523	4,523	2,887	2,887
	18,217	18,840	13,505	13,975
Change in Investments	(65,441)	(66,591)	(6,784)	(6,784)
Change in Loans and Advances to Customers	(174,611)	(186,486)	(36,890)	(36,890)
Change in Other Assets	(6,435)	6,546	(5,996)	(5,996)
Change in Deposits from Banks	-	-	102,913	102,913
Change in Deposits from Customers	49,540	49,595	9,378	9,378
Change in Other Liabilities and Borrowings	115,833	115,199	94,955	96,357
	(81,115)	(81,738)	157,576	158,978
Income Tax paid	-	-	(4,378)	(4,271)
Net cash used in operating activities	(62,898)	(62,898)	166,704	168,683
Cash flows from investing activities				
Investment in Subsidiaries/Other Companies	-	-	-	(973)
Purchase of property, plant and equipment	(8,043)	(8,043)	(1,425)	(1,440)
Proceeds from the sale of property, plant and equipment	180	180	15	15
Purchase of intangible assets	(49)	(49)	(1,597)	(1,602)
Net cash used in investing activities	(7,913)	(7,913)	(3,007)	(4,000)
Cash flows from financing activities				
Net (decrease)/increase in cash and cash equivalents	(70,810)	(70,810)	163,697	164,683
Cash and cash equivalents at 1st January	547,529	547,529	859,327	859,327
Cash and cash equivalents at 31st March	476,718	476,718	1,023,024	1,024,010

(UNAUDITED) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - BANK

	Stated Capital	Income Surplus	Statutory Reserve	Revaluation Reserve	Credit Risk Reserve	Deposit for Shares	Total Equity
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Balance 1st January, 2019	127,667	(23,852)	42,540	120,914	59,591	24,000	350,860
Total Comprehensive Income, net of Tax	-	6,942	-	-	-	-	6,942
	127,667	(16,910)	42,540	120,914	59,591	24,000	357,802
Transfers from Income Surplus to Reserves and Transaction with Owners:							
Transfer to Credit Risk Reserve	-	307	-	-	(307)	-	-
Transfer to Stated Capital	24,000	-	-	-	-	(24,000)	-
Balance at 31st March, 2019	151,667	(16,602)	42,540	120,914	59,284	-	357,802
Comparative Figures - 2018							
Balance 1st January, 2018	127,667	(31,790)	36,744	84,988	13,564	9,618	240,791
Total Comprehensive Income net of Tax	-	4,344	-	-	-	-	4,344
	127,667	(27,446)	36,744	84,988	13,564	9,618	245,135
Transfers from Income Surplus to Reserves and Transaction with Owners:							
Transfer to Credit Risk Reserve	-	(1,978)	-	-	1,978	-	-
Total Transfers	-	(1,978)	-	-	1,978	-	-
Balance 31st March, 2018	127,667	(29,424)	36,744	84,988	15,542	9,618	245,135

(UNAUDITED) CONSOLIDATED STATEMENT OF CHANGES IN EQUITY - GROUP

	Stated Capital	Income Surplus	Statutory Reserve	Revaluation Reserve	Credit Risk Reserve	Deposit for Shares	Total Equity
	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Balance 1st January, 2019	127,667	(20,500)	42,540	120,914	59,591	24,000	354,212
Total Comprehensive income net of Tax	-	7,496	-	-	-	-	7,496
Prior Year adjustment	-	(276)	-	-	-	-	(276)
	127,667	(13,280)	42,540	120,914	59,591	24,000	361,433
Transfers from Income Surplus to Reserves and Transaction with Owners:							
Transfer to Credit Risk Reserve	-	307	-	-	(307)	-	-
Transfer to Stated Capital	24,000	-	-	-	-	(24,000)	-
Balance at 31st March, 2019	151,667	(12,972)	42,540	120,914	59,284	-	361,433
Comparative Figures - 2018							
Balance 1st January, 2018	127,667	(28,483)	36,744	84,988	13,564	9,618	244,098
Total Comprehensive Income net of Tax	-	4,699	-	-	-	-	4,699
	127,667	(23,784)	36,744	84,988	13,564	9,618	248,797
Transfers from Income Surplus to Reserves and Transaction with Owners:							
Transfer to Credit Risk Reserve	-	(1,978)	-	-	1,978	-	-
Balance 31st March, 2018	127,667	(25,762)	36,744	84,988	15,542	9,618	248,797

Notes to the Unaudited Financial Statements

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

	Mar - 2019		Mar - 2018	
	BANK	GROUP	BANK	GROUP
(a) Capital Adequacy Ratio (CAR) %	11.76	11.96	10.63	10.82
(b) Non-Performing Loan (NPL) Ratio %	17.85	17.85	18.06	18.06
(c) Liquid Ratio %	113.29	114.42	191.55	191.76

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

	Mar-2019		Mar-2018	
	BANK	GROUP	BANK	GROUP
a) Default in statutory liquidity(Times)	NIL	NIL	NIL	NIL
b) Sanctions (GH¢)	NIL	NIL	NIL	NIL