



PRUDENTIAL BANK LIMITED

CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH JUNE, 2019

(UNAUDITED) 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	157,980	157,313	165,142	165,142
Interest Expense	(83,191)	(83,102)	(87,412)	(87,412)
Net Interest Income	74,789	74,211	77,730	77,730
Fee and Commission Income	26,733	26,727	21,450	21,449
Fee and Commission Expense	(1,211)	(1,877)	(873)	(873)
Net Fee and Commission Income	25,522	24,850	20,577	20,576
Net Trading Income	19,620	19,627	11,488	11,488
Other income	3,876	4,969	1,923	3,301
	23,496	24,596	13,412	14,790
Operating Income	123,807	123,657	111,719	113,096
Net Impairment on Financial Asset	(9,528)	(9,528)	(5,958)	(5,958)
Personnel Expenses	(50,996)	(51,337)	(46,677)	(46,981)
Depreciation and Amortisation	(7,768)	(7,782)	(7,742)	(7,761)
Other Expenses	(34,323)	(33,757)	(34,328)	(34,447)
	(102,615)	(102,403)	(94,705)	(95,148)
Profit Before Income Tax	21,193	21,254	17,013	17,948
Income Tax Expense	(6,358)	(6,377)	(5,104)	(5,341)
Profit for the Period	14,835	14,876	11,909	12,606
Other comprehensive income for the period (net of income tax)	-	-	-	-
Total comprehensive income for the period	14,835	14,876	11,909	12,606

(UNAUDITED) STATEMENT OF FINANCIAL POSITION

	2019		2018	
	BANK GH¢'000	GROUP GH¢'000	BANK GH¢'000	GROUP GH¢'000
Assets				
Cash and Cash Equivalents	432,789	439,773	997,678	998,933
Investment securities	582,744	588,164	171,843	178,075
Loans and Advances to Customers	1,345,259	1,336,474	1,054,943	1,054,943
Property and Equipment	220,279	220,303	170,721	170,824
Intangible Assets	5,710	5,753	2,951	2,951
Investment in Subsidiaries	1,766	261	1,766	214
Current Tax Assets	11,112	11,266	9,121	9,121
Other Assets	54,670	54,572	44,555	44,558
Total Assets	2,654,330	2,656,566	2,453,579	2,459,619
Liabilities				
Deposits from Banks	3,350	3,350	5,786	5,786
Deposits from Customers	1,777,175	1,774,828	1,501,258	1,501,195
Deferred Tax Liabilities	14,239	14,239	2,493	2,493
Current Tax Liabilities	-	-	-	101
Other Liabilities	121,311	122,775	179,044	181,113
Borrowings	372,562	372,562	512,298	512,298
Total Liabilities	2,288,636	2,287,753	2,200,879	2,202,986
Equity				
Stated Capital***	151,667	151,667	127,667	127,667
Income Surplus	(15,140)	(12,022)	(21,433)	(17,500)
Capital Surplus/Revaluation Reserve	120,914	120,914	84,988	84,988
Statutory Reserve	49,957	49,957	36,744	36,744
Credit Risk Reserve	58,297	58,297	15,116	15,116
Deposit for Shares	-	-	9,618	9,618
Total Equity	365,695	368,813	252,700	256,633
Total Liabilities and Equity	2,654,330	2,656,566	2,453,579	2,459,619

***Bank of Ghana has approved a Ghana Amalgamated Trust (GAT) investment of GH¢ 250 million in Prudential Bank Limited to meet the minimum capital of GH¢ 400 million. The transaction agreements have been duly executed and the funds are expected to be received by 31st July 2019.

(UNAUDITED) 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	21,193	21,254	17,013	17,948
Adjustments for:				
Depreciation and Amortisation	7,768	7,782	7,742	7,761
Profit/Loss on Sale of Fixed Assets	(166)	(166)	(1,842)	(1,842)
Impairment on Financial Assets	9,528	9,528	5,958	5,958
Bad Debt written off	(2,342)	(2,342)	-	-
	35,979	36,055	28,872	29,826
Change in Investments	(132,279)	(131,828)	(491)	(491)
Change in Loans and Advances to Customers	(241,620)	(247,098)	(129,128)	(129,128)
Change in Other Assets	(11,793)	1,320	(1,946)	(2,027)
Change in Deposits from Banks	443	443	(11)	(11)
Change in Deposits from Customers	32,709	32,915	35,592	39,517
Change in Other Liabilities and Borrowings	218,980	217,599	213,701	210,394
	(133,559)	(126,650)	117,718	118,254
Income Tax paid	(4,700)	(4,700)	(5,382)	(5,544)
Net cash used in operating activities	(102,279)	(95,295)	141,208	142,536
Cash flows from investing activities				
Purchase of property, plant and equipment	(12,204)	(12,205)	(4,240)	(4,254)
Proceeds from the sale of property, plant and equipment	298	298	3,010	3,010
Purchase of intangible assets	(554)	(554)	(1,620)	(1,684)
Net cash used in investing activities	(12,460)	(12,461)	(2,850)	(2,928)
Cash flows from financing activities				
Net (decrease)/increase in cash and cash equivalents	(114,740)	(107,756)	138,358	139,608
Cash and cash equivalents at 1 January	547,529	547,529	859,320	859,326
Cash and cash equivalents at 30th June	432,789	439,773	997,678	998,933

(UNAUDITED) STATEMENT OF CHANGES IN EQUITY - 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
Balance 1st January, 2019	127,667	(23,852)	42,540	120,914	59,591	24,000	350,860
Total Comprehensive Income, net of Tax	-	14,835	-	-	-	-	14,835
	127,667	(9,018)	42,540	120,914	59,591	24,000	365,695
Transfers from Income Surplus to Reserves and Transaction with Owners:							
Transfer from Credit Risk Reserve	-	1,295	-	-	(1,295)	-	-
Transfer to Statutory Reserve	-	(7,417)	7,417	-	-	-	-
Transfer to Stated Capital	24,000	-	-	-	-	(24,000)	-
Balance at 30th June, 2019	151,667	(15,140)	49,957	120,914	58,297	-	365,695
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	-	11,909	-	-	-	-	11,909
	127,667	(19,881)	36,744	84,988	13,564	9,618	252,700
Transfers from Income Surplus to Reserves and Transaction with Owners:							
Transfer to Credit Risk Reserve	-	(1,552)	-	-	1,552	-	-
Total Transfers	-	(1,552)	-	-	1,552	-	-
Balance 30th June, 2018	127,667	(21,433)	36,744	84,988	15,116	9,618	252,700

(UNAUDITED) STATEMENT OF CHANGES IN EQUITY - 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
Balance 1st January, 2019	127,667	(20,500)	42,540	120,914	59,591	24,000	354,212
Total Comprehensive income net of Tax	-	14,876	-	-	-	-	14,876
Prior Year adjustment	-	(276)	-	-	-	-	(276)
	127,667	(5,900)	42,540	120,914	59,591	24,000	368,813
Transfers from Income Surplus to Reserves and Transaction with Owners:							
Transfer from Credit Risk Reserve	-	1,295	-	-	(1,295)	-	-
Transfer to Statutory Reserve	-	(7,417)	7,417	-	-	-	-
Transfer to Stated Capital	24,000	-	-	-	-	(24,000)	-
Balance at 30th June, 2019	151,667	(12,022)	49,957	120,914	58,297	-	368,813
Comparative Figures - 2018							
Balance 1st January, 2018	127,667	(28,554)	36,744	84,988	13,564	9,618	244,027
Total Comprehensive Income net of Tax	-	12,606	-	-	-	-	12,606
	127,667	(15,948)	36,744	84,988	13,564	9,618	256,633
Transfers from Income Surplus to Reserves and Transaction with Owners:							
Transfer to Credit Risk Reserve	-	(1,552)	-	-	1,552	-	-
Balance 30th June, 2018	127,667	(17,500)	36,744	84,988	15,116	9,618	256,633

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

	June - 2019		June - 2018	
	BANK	GROUP	BANK	GROUP
(a) Capital Adequacy Ratio (CAR) %	11.69	11.86	10.86	11.06
(b) Non-Performing Loan (NPL) Ratio %	17.13	17.13	16.53	16.53
(c) Liquid Ratio %	122.58	124.30	165.86	166.94

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

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