PRUDENTIAL BANK LIMITED

UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH SEPTEMBER, 2018

(UNAUDITED) CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 30TH SEPTEMBER, 2018

	Sept. 2018		Sept. 2017	
	BANK	GROUP	BANK	GROUP
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Interest Income	241,833	241,833	214,132	214,132
Interest Expense	(128,262)	(128,234)	(112,781)	(112,781)
Net Interest Income	**113,571**	**113,599**	**101,351**	**101,351**
Fee and Commission Income	37,076	37,075	27,492	27,491
Fee and Commission Expense	(1,355)	(1,355)	(1,297)	(1,297)
Net Fee and Commission Income	**35,721**	**35,720**	**26,196**	**26,195**
Net Trading Income	20,744	20,744	11,662	13,418
Other income	2,142	4,028	96	111
	22,885	**24,772**	**11,758**	**13,529**
Operating Income	**172,177**	**174,091**	**139,305**	**141,075**
Net Impairment Loss on Financial Asset	(24,391)	(24,391)	71,127	71,127
Bad Debts written off	36,877	36,877	-	-
Personnel Expenses	70,371	70,824	53,250	53,569
Depreciation and Amortisation	11,767	11,797	10,294	10,314
Other Expenses	50,213	50,379	52,413	52,545
	144,838	**145,485**	**187,085**	**187,556**
Profit Before Income Tax	**27,339**	**28,605**	**(47,780)**	**(46,481)**
Income Tax Expense	(8,202)	(8,522)	-	-
Profit/(loss) for the Period	**19,137**	**20,084**	**(47,780)**	**(46,481)**
Other comprehensive income for the period (net of income tax)	**-**	**-**	**-**	**-**
Total comprehensive income for the period	**19,137**	**20,084**	**(47,780)**	**(46,481)**

(UNAUDITED) CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30TH SEPTEMBER 2018

	Sept. 2018		Sept. 2017	
	BANK	GROUP	BANK	GROUP
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Cash Flows from Operating Activities Profit/Loss for the period	27,339	28,605	(47,780)	(46,481)
Adjustments for:				
Depreciation and Amortisation	11,767	11,797	10,385	10,405
Profit on Sale of Fixed Assets	(1,651)	(1,651)	137	137.27
Impairment on Financial Assets	(24,391)	(24,391)	71,127	71,127
	13,064	**14,360**	**33,870**	**35,188**
Change in Investments	(6,679)	(7,456)	(10,259)	(10,259)
Change in Loans and Advances to Customers	(97,614)	(97,614)	(71,073)	(71,073)
Change in Other Assets	(5,249)	(5,222)	(17,351)	(17,351)
Change in Deposits from Banks	(2,461)	(2,461)	264,128	264,128
Change in Deposits from Customers	150,422	151,950	53,405	53,405
Change in Other Liabilities and Borrowings	51,204	49,051	63,155	63,155
	89,623	**88,249**	**282,005**	**282,005**
Income Tax paid	(6,947)	(6,947)	(2,551)	(2,222)
	(6,947)	**(6,947)**	**(2,551)**	**(2,222)**
Net cash used in operating activities	**95,741**	**95,663**	**313,324**	**314,971**
Cash flows from investing activities				
Purchase of investment securities	-	-	-	(1,585)
Investment in Subsidiaries/Other Companies	-	-	10,265	4,665
Purchase of property, plant and equipment	(7,009)	(6,994)	(23,409)	(23,416)
Proceeds from the sale of property, plant and equipment	2,836	2,836	1	1
Purchase of intangible assets	(1,927)	(1,863)	(275)	(275)
Net cash used in investing activities	**(6,099)**	**(6,021)**	**(13,418)**	**(20,609)**
Cash flows from financing activities				
Issue of Shares	-	-	54,831	54,831
Decrease in debt securities issued	(9,618)	(9,618)	-	-
Net cash from financing activities	**(9,618)**	**(9,618)**	**54,831**	**54,831**
Net increase / (decrease) in cash and cash equivalents	**80,024**	**80,024**	**354,738**	**349,193**
Cash and cash equivalents at 1 January	859,326	859,326	583,958	597,475
Cash and cash equivalents at 30 September	**939,350**	**939,350**	**938,696**	**946,669**

(UNAUDITED) CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30TH SEPTEMBER 2018

	Sept. 2018		Sept. 2017	
	BANK	GROUP	BANK	GROUP
	GH¢'000	GH¢'000	GH¢'000	GH¢'000
Assets				
Cash and Cash Equivalents	934,352	934,352	502,670	502,825
Investment securities	183,030	188,777	452,246	460,065
Loans and Advances to Customers	1,047,538	1,047,538	913,906	913,906
Property and Equipment	170,273	170,299	167,059	167,077
Intangible Assets	2,434	2,495	-	23
Investment in Subsidiaries	1,766	281	1,766	1,816
Current Tax Assets	7,587	7,603	11,970	11,970
Other Assets	47,857	47,736	28,119	28,171
Total Assets	**2,394,837**	**2,399,083**	**2,077,736**	**2,085,852**
Liabilities				
Deposits from Banks	3,336	3,336	3,757	3,757
Deposits from Customers	1,616,084	1,613,615	1,377,556	1,377,305
Deferred Tax Liabilities	2,493	2,493	2,231	2,344
Current Tax Liabilities	-	176	-	-
Other Liabilities	170,219	172,576	94,705	98,584
Borrowings	352,393	352,393	381,402	381,402
Total Liabilities	**2,144,526**	**2,144,589**	**1,859,651**	**1,863,392**
Equity				
Stated Capital	127,667	127,667	117,284	117,284
Income Surplus	(14,328)	(10,145)	(29,454)	(25,079)
Revaluation Reserve	84,988	84,988	84,988	84,988
Statutory Reserve	36,744	36,744	36,744	36,744
Credit Risk Reserve	15,240	15,240	8,522	8,522
Total Equity	**250,311**	**254,494**	**218,084**	**222,460**
Total Liabilities and Equity	**2,394,837**	**2,399,083**	**2,077,736**	**2,085,852**

(UNAUDITED) STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30TH SEPTEMBER, 2018

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
Balance 1st January, 2018	127,667	(31,790)	36,744	84,988	13,564	9,618	240,791
Total Comprehensive Income, net of Tax	-	19,137	-	-	-	-	19,137
Total Comprehensive Income for the period	**127,667**	**(12,653)**	**36,744**	**84,988**	**13,564**	**9,618**	**259,928**
Transfers from Income Surplus to Reserves and Transaction with Owners:							
Payment to debt security holder	-	-	-	-	-	(9,618)	(9,618)
Transfer to Credit Risk Reserve	-	(1,676)	-	-	1,676	-	-
Balance at 30th September, 2018	**127,667**	**(14,328)**	**36,744**	**84,988**	**15,240**	**-**	**250,311**

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
Balance 1st January 2018	127,667	(28,553)	36,744	84,988	13,564	9,618	244,028
Total Comprehensive income	-	20,084	-	-	-	-	20,084
	127,667	(8,469)	36,744	84,988	13,564	9,618	264,112
Transfers from Income Surplus to Reserves and Transaction with Owners							
Payment to debt security holder	-	-	-	-	-	(9,618)	(9,618)
Transfer to Credit Risk Reserve	-	(1,676)	-	-	1,676	-	-
Balance at 30th September 2018	**127,667**	**(10,145)**	**36,744**	**84,988**	**15,240**	**-**	**254,494**

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NOTES TO THE UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30TH SEPTEMBER, 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**

		Sep - 2018		Sep - 2017	
		BANK	**GROUP**	**BANK**	**GROUP**
(a)	Capital Adequacy Ratio (CAR) %	10.45	10.66	10.51	10.77
(b)	Non-Performing Loan (NPL) Ratio %	15.22	15.22	16.66	16.66
(c)	Amount Spent in fulfilling Social Responsibility (GH¢'000)	448	448	624	624

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)**

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