

United Bank for Africa (Ghana) Limited

Audited Summary Financial Statements for the year ended 31 December 2018



SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts are expressed in Ghana cedis unless otherwise stated)

	2018	2017
Interest income	511,331,773	598,816,871
Interest expense	(167,712,073)	(147,776,137)
Net interest income	343,619,700	451,040,734
Fees and commission income	50,542,086	45,978,504
Fees and commission expense	(6,228,088)	(7,097,215)
Net fee and commission income	44,313,998	38,881,289
Net trading and revaluation income	42,395,939	26,726,294
Other operating income	365,027	20,055
Net trading and other income	42,760,966	26,746,349
Net operating income	430,694,664	516,668,372
Allowance for credit losses on financial assets	(97,673,110)	(34,478,405)
Employee benefit expenses	(49,997,313)	(54,243,108)
Depreciation and amortisation	(3,650,452)	(3,558,339)
Other operating expenses	(65,989,814)	(109,434,599)
Profit before income tax	213,383,975	314,953,921
Income tax expense	(61,473,751)	(94,985,941)
Profit for the year	151,910,224	219,967,980
Other comprehensive income		
Items that will be reclassified to the income statement:		
Fair value changes on financial assets at fair value through other comprehensive income (net of tax)	1,159,529	-
Fair value changes on available-for-sale financial assets (net of tax)	-	(676,234)
Total comprehensive income for the year	153,069,753	219,291,746
Basic and diluted earnings per share	0.04	0.06

SUMMARY STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts are expressed in Ghana cedis unless otherwise stated)

	2018	2017
Cash flows from operating activities		
Profit before income tax	213,383,975	314,953,921
Adjustments for:		
Depreciation and amortisation	3,650,452	3,558,339
Allowance for credit loss on loans to customers	95,394,114	-
Allowance for credit loss on other assets	608,539	-
Allowance for credit loss on contingent liabilities	165,800	-
Allowance for credit loss on investment securities	1,079,442	-
Allowance for credit loss on placements with banks	467,339	-
Impairment charge on loans to customers	-	33,791,238
Impairment charge on accounts receivable	-	739,151
Gain on disposal of property and equipment	(337,444)	(1,210)
Write-off of property and equipment	43,246	150,128
Foreign currency exchange difference on borrowings	9,465,282	-
Net interest income	(343,619,700)	(451,040,734)
	(19,698,955)	(97,849,167)
Change in operating assets and liabilities		
Change in mandatory reserve deposits	(4,104,606)	89,993,994
Change in loans and advances to customers	348,143,335	713,007,923
Change in other assets	(46,256,171)	6,150,084
Change in deposits from banks	325,947,615	(30,460,227)
Change in deposits from customers	41,046,058	(899,939,935)
Change in other liabilities	20,596,264	2,634,759
Interest received	511,331,773	598,816,871
Interest paid	(160,129,696)	(147,776,137)
Income tax paid	(71,727,496)	(86,315,045)
Net cash from operating activities	945,148,121	148,263,120
Cash flows from investing activities		
Purchase of investment securities	(3,099,583,210)	(1,355,294,438)
Proceeds from sale/redemption of investment securities	1,209,453,973	1,233,409,797
Purchase of property and equipment	(2,663,124)	(17,959,411)
Proceeds from sale of property and equipment	337,444	1,210
Purchase of intangible assets	(686,561)	(558,939)
Net cash used in investing activities	(1,893,141,478)	(140,401,781)
Cash flows from financing activities		
Proceeds from borrowings	110,453,750	-
Interest paid on borrowings	(7,582,377)	-
Stamp duty/withholding tax on capitalisation	(29,917,221)	-
Dividend paid	-	(79,556,000)
Net cash from (used in) financing activities	72,954,152	(79,556,000)
Net decrease in cash and cash equivalents	(875,039,205)	(71,694,661)
Cash and cash equivalents at 1 January	1,309,467,868	1,381,162,529
Cash and cash equivalents at 31 December	434,428,663	1,309,467,868
<i>Cash and cash equivalents for purposes of the statements of cash flows</i>		
Cash and balances with Bank of Ghana	267,129,029	248,881,165
Due from other banks	279,140,497	289,585,215
	546,269,526	538,466,380
Mandatory deposit reserve	(211,471,788)	(207,367,182)
	334,797,738	331,099,198
Short term treasury bills	99,630,925	978,368,670
	434,428,663	1,309,467,868

SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2018

(All amounts are expressed in Ghana cedis unless otherwise stated)

	2018	2017
Assets		
Cash and cash equivalents	546,269,526	538,466,380
Investment securities:		
- At amortised cost	1,049,921,734	-
- At fair value through other comprehensive income	1,219,620,955	-
- Held to maturity	-	1,189,337,509
- Available for sale	-	68,347,089
Loans and advances to customers	634,206,101	1,098,846,411
Other assets	80,555,600	36,025,822
Property and equipment	28,350,497	28,850,322
Intangible assets	1,291,388	1,135,576
Income tax asset	2,935,441	-
Deferred tax asset	564,628	2,261,926
Total assets	3,563,715,870	2,963,271,035
Liabilities		
Deposits from customers	2,114,717,879	2,073,671,821
Deposits from banks	581,546,997	255,599,382
Borrowings	120,909,248	-
Other liabilities	104,716,006	76,596,769
Current tax liability	-	8,085,891
Deferred tax liability	-	543,201
Total liabilities	2,921,890,130	2,414,497,064
Equity		
Stated capital	400,000,000	74,659,061
Income surplus	27,078,896	279,798,768
Fair value reserve	765,690	(676,234)
Statutory reserve	213,981,154	194,992,376
Total equity	641,825,740	548,773,971
Total liabilities and equity	3,563,715,870	2,963,271,035

SUMMARY STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2018

(All amounts are expressed in Ghana cedis unless otherwise stated)

For the year ended 31 December 2018

	Stated capital	Income surplus	Statutory reserves	Regulatory credit risk reserve	Fair value reserve	Total
At 31 December 2017 (IAS 39)	74,659,061	279,798,768	194,992,376	-	(676,234)	548,773,971
<i>Changes on initial application of IFRS 9</i>						
Increase in impairment provision due to adoption of IFRS 9	-	(30,383,158)	-	-	-	(30,383,158)
Fair value change in assets classified as FVOCI	-	-	-	-	282,395	282,395
At 1 January 2018 (IFRS 9)	74,659,061	249,415,610	194,992,376	-	(393,839)	518,673,208
Profit for the year	-	151,910,224	-	-	-	151,910,224
Fair value change in financial assets classified as FVOCI	-	-	-	-	1,159,529	1,159,529
Total comprehensive income for the year		151,910,224			1,159,529	153,069,753
Transfer between reserves		(18,988,778)	18,988,778			
Transactions with owners						
Capitalisation of income surplus	325,340,939	(325,340,939)	-	-	-	-
Stamp duty/withholding tax on capitalisation	-	(29,917,221)	-	-	-	(29,917,221)
Total transactions with equity holders	325,340,939	(355,258,160)				(29,917,221)
At 31 December 2018	400,000,000	27,078,896	213,981,154	-	765,690	641,825,740

For the year ended 31 December 2017

	Stated capital	Income surplus	Statutory reserves	Regulatory credit risk reserve	Fair value reserve	Total
At 1 January 2017	74,659,061	34,678,268	167,496,379	52,648,517	-	329,482,225
Profit for the year	-	219,967,980	-	-	-	219,967,980
Fair value change in available-for-sale financial assets	-	-	-	-	(676,234)	(676,234)
Total comprehensive income for the year		219,967,980			(676,234)	219,291,746
Transfer between reserves:						
Transfer to statutory reserve	-	(27,495,997)	27,495,997	-	-	-
Transfer to credit risk reserve	-	52,648,517	-	(52,648,517)	-	-
At 31 December 2017	74,659,061	279,798,768	194,992,376	-	(676,234)	548,773,971

United Bank for Africa (Ghana) Limited

Audited Summary Financial Statements for the year ended 31 December 2018



NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2018

The summary financial information presented in this publication is an extract from the annual report for the year ended 31 December 2018. The annual report is available for inspection at the Bank's Head Office at Heritage Towers, Ambassadorial Enclave, Accra.

1. Reporting Entity

United Bank for Africa (Ghana) Limited ("the Bank") is a limited liability company and is incorporated and domiciled in Ghana. The registered office is Heritage Towers, Ambassadorial Enclave, Accra. The Bank operates under the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

The Bank is a subsidiary of United Bank for Africa Plc of Nigeria and provides retail, corporate banking and investment banking services.

The financial statements for the year ended 31 December 2018 were approved and authorised for issue by the Board of Directors on 8 March 2019.

2. Summary of Significant Accounting Policies

The detailed accounting policies are part of the annual report which are available for inspection at the Bank's Head Office at Heritage Towers, Ambassadorial Enclave, Accra. These policies have been consistently applied to all the years presented, unless otherwise stated.

3. Basis of Preparation

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and adopted by the Institute of Chartered Accountants, Ghana (ICAG). Additional information required under the Companies Act, 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930) have been included, where appropriate. Except as indicated below, the financial statements have been prepared using the same accounting policies and methods used in preparation of our annual financial statements for 2018. The significant accounting policies and future changes in accounting policies and disclosures that are not yet effective are disclosed in Note 3 of the annual financial statements for 2018.

These financial statements are presented in Ghana Cedi which is the Bank's functional currency.

Changes in accounting policies

On 1 January 2018, the Bank adopted IFRS 9 Financial Instruments (IFRS 9) and as a result, we changed our accounting policies with regards to the classification and measurement of financial assets, and allowance for impairment loss on financial assets. These new policies were applicable from 1 January 2018. As permitted by the transition provisions on IFRS 9, we elected not to restate comparative period results; accordingly, all comparative period information are presented in accordance with our previous accounting policies, as described in our annual financial statements for 2017. Adjustments to carrying amounts of financial assets and liabilities at the date of initial application (1 January 2018) were recognized in opening retained earnings. The total impact of the adoption of IFRS 9 on the opening balance of the Bank's equity on 1 January 2018 was GHS 30,383,158.

4. Quantitative Disclosures

	2018	2017
Capital adequacy ratio	28.1%	28.0%
Liquid ratio	85.4%	74.4%
Gross Non-performing loans ratio	72.0%	43.7%

5. Qualitative Disclosure

The Bank's activities expose it to a variety of risks such as credit risk, liquidity risk, operational risks and market risks. The Board of Directors has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established a Risk Management Committee in support of their risk oversight objectives and responsibilities. There is also a Risk Management Department which has responsibility for the implementation of the Bank's risk control principles, frameworks and processes across the entire risk spectrum.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions, products and services offered. The Bank, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment, in which all employees understand their roles and obligations.

6. Default in prudential requirements and accompanying sanctions

	2018	2017
Default in statutory liquidity	Nil	Nil
Sanctions (GHS)	-	-
Defaults in other requirements (times)	2	1
Sanctions (GHS)	36,000	3,000

7. Value Added Statement

	2018	2017
Interest and other operating income	561,873,859	644,795,375
Direct cost of services	(238,605,272)	(263,100,576)
Value added by banking services	323,268,587	381,694,799
Non-banking income	42,760,966	26,746,349
Impairments	(97,673,110)	(34,478,405)
Value added	268,356,443	373,962,743
Distributed as follows:		
To employees:		
Directors (excluding executives)	1,324,703	1,207,375
Executive directors	1,525,226	1,506,241
Other employees	48,472,087	52,736,867
To government:		
Income taxes	61,473,751	94,985,941
To providers of capital:		
Dividend to shareholders	-	-
To expansion and growth		
Depreciation	3,119,703	2,953,868
Amortisation	530,749	604,471
Retained earnings	151,910,224	219,967,980

SUMMARY REPORT OF THE DIRECTORS

In accordance with the requirements of Section 132 of the Companies Act 1963 (Act 179), we the Board of United Bank for Africa (Ghana) Limited submit herewith the annual report on the state of affairs of the Bank for the year ended 31 December 2018.

Statement of directors' responsibilities

The Companies Act 1963 (Act 179) requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the Bank as at the end of the financial year and of the operating results of the Bank for that year.

It also requires the directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank. They are also responsible for safeguarding the assets of the Bank.

The directors are responsible for the preparation of financial statements that give a true and fair view in accordance with International Financial Reporting Standards and the requirements of the Companies Act 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). This responsibility includes: designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error, selecting and applying appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The directors accept responsibility for the annual financial statements, which have been prepared using appropriate accounting policies supported by reasonable and prudent judgements and estimates, in conformity with International Financial Reporting Standards and the requirements of the Companies Act 1963 (Act 179) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). The directors are of the opinion that the financial statements give a true and fair view of the state of the financial affairs of the Bank and of its operating results. The directors further accept responsibility for the maintenance of accounting records which may be relied upon in the preparation of financial statements, as well as adequate systems of internal financial control.

Nothing has come to the attention of the directors to indicate that the Bank will not remain a going concern for at least the next twelve months from the date of this financial statements.

Holding Company

The Bank is a subsidiary of United Bank for Africa Plc, a company incorporated in the Federal Republic of Nigeria and licensed to undertake all banking and related services.

Nature of business

The Bank is licensed to carry out universal banking business in Ghana. There was no change in the nature of the bank's business during the year.

Directors and their interests

None of the Bank's directors has any direct or indirect interest in the issued share capital of the Bank.

No director had a material interest, at any time during the year, in any contract, other than a service contract with the Bank. All contracts with related parties during the year were conducted at arm's length. Information concerning related party transactions are disclosed in Note 33 to the financial statements.

Dividend

In line with plans to capitalise the Bank's income surplus in order to comply with the new minimum capital requirements for Banks in Ghana, the directors recommended no dividend payment for the year ended 31 December 2018 (2017: nil).

Paid up Capital

During the year, the Bank increased its stated capital from GHS 74.66 million to GHS 400.00 million in line with the new minimum capital requirements stipulated by the Bank of Ghana. The increase was effected by the transfer of GHS 325.34 million from income surplus to stated capital by way of a bonus issue of 3,700,250,000 new shares of no par value at approximately GHS 0.08 per share, on the basis of one bonus share for every existing share. The capitalization received shareholders' approval at the Emergency General Meeting held on 4 December 2018.

Auditors

Messrs Deloitte & Touche were appointed auditors of the Bank at the last Annual General Meeting and will continue in office as auditors in accordance with Section 134 (2) of the Companies Act, 1963 (Act 179) and in line with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930).

On behalf of the Board

Honourable Kwamena Bartels
Director
08 March 2019

Isong Udom
MD/CEO
08 March 2019

INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF UNITED BANK FOR AFRICA (GHANA) LIMITED

Opinion

The summary financial statements of United Bank for Africa (Ghana) Limited, which comprise:

- the summary statement of financial position as at 31 December 2018;
- the summary statement of profit or loss and other comprehensive income;
- summary statement of changes in equity;
- summary cash flows for the year then ended; and
- related notes to the summary financial statements for the year ended 31 December 2018.

In our opinion, the accompanying summary financial statements of United Bank for Africa (Ghana) Limited ("Bank") are consistent, in all material respects, with the audited financial statements of the Bank.

Summary Financial Statements

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards, the requirements of the Companies Act, 1963 (Act 179), and the Banks and Specialized Deposit-Taking Institutions Act 2016, (Act 930) as applicable to financial statements. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The Audited Financial Statements and our Report Thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 4 April 2019. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the summarized consolidated and separate financial statements for the current period.

Directors' Responsibility for the Summary Financial Statements

The directors are responsible for the preparation of the summary financial statements in accordance with International Financial Reporting Standards, the requirements of the Companies Act, 1963 (Act 179), and the Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930).

Auditor's Responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), Engagements to Report on Summary Financial Statements.

The engagement partner on the audit resulting in this independent auditor's report is **Kwame Ampim - Darko (ICAG/P/1453)**

For and on behalf Deloitte & Touche (ICAG/F/2019/129)
Chartered Accountants
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Accra Ghana
4 April 2019