

UNAUDITED FINANCIAL STATEMENTS FOR THE PERIOD ENDED 31ST MARCH, 2017

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE PERIOD ENDED 31ST MARCH, 2017

In thousands of GHC

	2017		2016	
	Bank	Group	Bank	Group
Interest income	77,261	79,918	62,012	64,866
Interest expense	(42,669)	(42,669)	(34,543)	(34,543)
Net interest income	34,593	37,249	27,469	30,323
Fee and commission income	5,919	10,247	6,607	10,460
Fee and commission expense	(279)	(279)	(97)	(97)
Net fee and commission income	5,640	9,968	6,511	10,363
Net trading income	2,341	2,341	3,748	3,748
Other operating income	1,239	1,239	44	2,548
Other income	2,329	4,150	1,800	2,665
Operating income	46,141	54,948	39,572	49,647
Net impairment loss on financial asset	-	-	(1,000)	(1,000)
Personnel expenses	(19,197)	(22,635)	(18,845)	(22,164)
Operating lease expenses	(1,683)	-	(735)	-
Depreciation and amortization	(3,147)	(3,408)	(2,647)	(2,893)
Other expenses	(10,778)	(15,532)	(7,442)	(12,208)
Profit before income tax for the period	11,336	13,372	8,902	11,383
National Stabilization Levy	(567)	(658)	(200)	(308)
Tax expense	-	(384)	(1,300)	(1,777)
Profit for the period	10,769	12,330	7,402	9,298
Other comprehensive income, net of income tax	-	-	-	-
Total comprehensive income for the period	10,769	12,330	7,402	9,298
Profit / (loss) attributable to:				
Controlling Equity holders of the bank	10,769	12,049	7,402	9,132
Non-controlling interest	-	281	-	167
Profit for the period	10,769	12,330	7,402	9,298
Total comprehensive income attributable to:				
Controlling Equity holders of the bank	10,769	12,049	7,402	9,132
Non-controlling interest	-	281	-	167
	10,769	12,330	7,402	9,298

CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31ST MARCH, 2017

In thousands of GHC

	2017		2016	
	Bank	Group	Bank	Group
Assets				
Cash and cash equivalents	621,717	626,140	390,706	393,506
Non-Pledged trading assets	105,583	105,583	74,067	74,067
Pledged assets	28,000	28,000	8,000	8,000
Other investments	43,605	27,638	17,309	25,848
Loans and advances to customers	872,846	872,362	921,232	895,998
Investment securities	8,681	26,158	33,969	33,664
Current income tax assets	25,983	26,256	8,530	8,497
Deferred tax assets	15,199	15,282	-	-
Intangible asset	3,931	3,931	3,931	3,931
Other assets	54,635	93,173	35,439	92,076
Property, plant and equipment	72,190	75,101	62,706	65,271
Total assets	1,852,372	1,899,625	1,555,891	1,600,860
Liabilities and equity				
Deposits from customers	1,554,314	1,554,314	1,204,219	1,204,219
Borrowing	43,012	43,012	25,962	25,962
Deferred tax	-	-	3,189	3,143
Other liabilities	103,129	142,373	135,364	162,912
Total liabilities	1,700,455	1,739,699	1,368,735	1,396,236
Equity				
Stated capital	96,191	96,191	96,191	96,191
Income surplus	(36,913)	(31,702)	(6,073)	8,964
Revaluation reserve	32,293	32,309	32,820	32,835
Statutory reserve fund	57,203	57,203	57,203	57,203
Regulatory credit risk reserve	2,400	2,400	6,273	6,273
Housing development assistance reserve	744	744	744	744
Total equity attributable to equity holders of the Bank	151,917	157,144	187,156	202,209
Non-controlling interest	-	2,782	-	2,414
Total equity	151,917	159,926	187,156	204,623
Total liabilities and equity	1,852,372	1,899,625	1,555,891	1,600,860

CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31ST MARCH, 2017

In thousands of GHC

	2017		2016	
	Bank	Group	Bank	Group
Cash flows from Operating activities				
Cash generated from operations	31,549	31,061	112,775	114,940
Interest paid-long term bonds and borrowing	(3,112)	(3,112)	(1,813)	(1,813)
Tax paid	(838)	(1,231)	-	(521)
National stabilization levy paid	(601)	(633)	-	(65)
Net cash generated from operating activities	26,998	26,085	110,962	112,541
Cash flows from investing activities				
Purchase of property, plant and equipment	(9,779)	(10,210)	(1,920)	(2,094)
Proceeds from sale of property, plant and equipment	136	167	54	54
Purchase of government securities	(56,788)	(56,788)	(35,569)	(35,436)
Sale of government securities	19,812	19,812	17,782	17,782
Changes in other investments	(768)	739	(644)	(960)
(Purchase)/sale of investment securities	(69)	67	(1,023)	(982)
Investment in venture capital fund	-	-	758	758
Net cash used in investing activities	(47,456)	(46,214)	(20,562)	(20,878)
Cash flows from financing activities				
Redemption of bonds	-	-	(1,618)	(1,618)
Borrowings repaid	-	-	(2,866)	(2,866)
Net cash generated from financing activities	-	-	(4,484)	(4,484)
Increase in cash and cash equivalents	(20,459)	(20,129)	85,916	87,179
Net foreign exchange difference	3,325	3,325	816	816
At 1 January	638,851	642,944	303,974	305,511
Cash and cash equivalents as at 31 December	621,717	626,140	390,706	393,506

	2017		2016	
	Bank	Group	Bank	Group
Cash flows from Operating activities				
Profit for the period	11,336	13,372	8,902	11,383
Depreciation and amortization	3,147	3,408	2,647	2,893
Loss / (profit) on disposal of property and equipment	(136)	(167)	98	73
Increase in impairment for credit losses	-	-	1,000	1,000
Interest expense on long term bonds and borrowings	3,356	3,356	4,183	4,183
Inflation adjustment on borrowing	852	852	669	669
Net foreign exchange difference	(3,325)	(3,325)	(816)	(816)
Cash generated from operations before changes in operating assets and liabilities	15,230	17,496	16,683	19,384
Decrease in loans and advances to customers	47,118	47,074	2,504	(6,108)
Decrease/(increase) in interest receivable and other assets	(9,435)	(16,453)	69,535	68,449
Increase/(decrease) in deposits from customers	(3,897)	(3,897)	31,304	31,304
Changes in pledged assets	(5,700)	(5,700)	-	-
Increase/(decrease) in other liabilities	(11,768)	(7,460)	(7,251)	1,912
Cash generated from operations	31,549	31,061	112,775	114,940

1. Significant Accounting Policies

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) and are consistent with those applied in the preparation of the annual consolidated financial statements.

2. Quantitative Disclosures

	March 2017	March 2016
• Capital Adequacy Ratio (%)	12.25	13.36
• Non-Performing Loan (NPL) Ratio (%)	22.00	20.73

3. Qualitative Disclosures

Dominant Risks

The Bank is exposed to the following risks:

- Credit Risk
- Operational and Compliance Risk
- Liquidity Risk
- Market Risk

The Bank's strict risk management policies have ensured that these risks indicated are kept at an acceptable level over the period.

Risk Management policies

The Bank's risk management policies are designed to identify and analyse these risks, to set appropriate risk limits to monitor the risks and ensure adherence to limits by means of reliable and up-to-date information systems. The Risk Management and Compliance Department regularly reviews the risks management policies and systems to reflect changes in markets and products.

The objective of the Risk Management and Compliance Department is to ensure that the Bank's operations are carried out in a manner to ensure that risks are balanced with rewards. The Risk Management and Compliance Department also ensures that the Bank complies with all prudential and regulatory guidelines in the pursuit of profitable banking opportunities while avoiding excessive, unnecessary and uncontrollable risk exposures.

Measurement of Risk

All risks are qualitatively evaluated on a recurring basis and, where appropriate, evaluation including quantitative analysis is made. Management understands the degree and nature of risk exposures on decisions regarding allocation of resources. Risk assessment is validated by the risk department which also tests the effectiveness of risk management activities and makes recommendations for remedial action. The Bank also identifies risk by evaluating the potential impact of internal and external factors, business transactions and positions. Once the risks are identified various mitigating measures are put in place to regulate the degree of risks involved.

4. Defaults in statutory liquidity and accompanying sanctions

During the quarter, the Bank did not default in statutory liquidity.

"The financial statements do not contain untrue statements, misleading facts, or omit material facts, to the best of our knowledge"

Sgd.
Director

Sgd.
Managing Director

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**UNAUDITED FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 31ST MARCH, 2017**

BOARD OF DIRECTORS' STATEMENT

For the first quarter of 2017, the Group recorded a profit after tax of GH¢12.33 million, representing a 32.61% increase over the corresponding period.

The Group's interest income for the period increased by 23.20% to GH¢79.92 million and net interest income increased by 22.84% to close at GH¢37.25 million.

The non-performing coverage ratio as at 31st March 2017 stood at 63.02% which represents an improvement over the December figure of 60.7%. As a result of this increased coverage and management's confidence in having adequately identified and provided for all non-performing loans within their portfolio, no additional impairment provision was made for the quarter.

The total asset base of HFC Bank (Ghana) Limited and its Subsidiaries grew by 18.66% from GH¢1.60 billion to GH¢1.89 billion when compared to the similar period last year.

The total deposit portfolio grew year on year by 29.07% from GH¢1.20 billion to GH¢1.55 billion. The impetus for this growth was driven largely by the wide acceptance of our new suite of deposit products in the market.

The retooling and restructuring of the Bank undertaken over the past 12 months have begun to bear positive fruits and we expect that with the support of the improved economic climate, the Bank's return to profitability would be sustained for the rest of the year.

A handwritten signature in black ink, appearing to read 'R. Le Hunte'.

**MR. ROBERT LE HUNTE
MANAGING DIRECTOR**