

Universal Merchant Bank Limited Audited Summary Financial Statements For the year ended 31 December 2019

SUMMARY STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in Ghana cedis unless otherwise stated- GH¢'000)

	2019	2018
Interest income	343,220	441,741
Interest expense	(177,624)	(195,093)
Net interest income	165,596	246,648
Fees and Commission income	43,696	46,909
Fees and Commission expense	(381)	(843)
Net fees and commission income	43,315	46,066
Net trading income	13,676	31,312
Other operating income	30,851	30,902
Net gain arising from derecognition of financial assets measured at amortised cost	-	3,943
Net trading and other income	44,527	66,157
Net operating income	253,438	358,871
Share of Associates profit/ (loss)	(7)	29
Impairment expense	(31,101)	(73,031)
Personnel expenses	(97,543)	(87,406)
Operating expense	(139,472)	(133,306)
Depreciation and amortisation	(26,719)	(21,283)
Profit before income tax	(41,404)	43,874
Income tax expense	(1,171)	(13,871)
Profit for the year	(42,575)	30,003
Other Comprehensive Income		
Items that will never be reclassified to profit or loss		
Banks's share of fair value gain of associate's equity instruments at FVOCI (net of tax)	(11)	11
Fair value gain on unlisted equity investment (net of tax)	2,274	
Revaluation gain on land and buildings (net of tax)	-	12,895
Actuarial gain on defined benefit obligations (net of tax)	259	1,140
Other comprehensive income for the year (net of tax)	2,522	14,046
Total comprehensive income for the year	(40,053)	44,049
Basic earnings per share (in GH¢)	(6.47)	5
Diluted earnings per share (in GH¢)	(6.47)	5

SUMMARY STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

(All amounts are expressed in Ghana cedis unless otherwise stated- GH¢'000)

	2019	2018
ASSETS		
Cash and cash equivalents	456,040	663,979
Investment securities	326,178	323,631
Loans and advances to banks	471,650	261,914
Investment in associates	1,400	1,422
Investment in other securities	5,180	2,150
Loans and advances to customers	887,455	748,099
Other assets	387,544	371,182
Current taxation	24,709	23,324
Investment property	62,374	52,229
Property and equipment	96,281	56,146
Intangible assets	16,057	19,450
Total assets	2,734,868	2,523,526
Liabilities		
Deposits from customers	1,825,443	1,719,276
Borrowings	307,733	343,576
Other liabilities	142,864	208,602
Deferred tax liability	4,050	2,039
Employee benefit obligations	4,610	3,794
Total liabilities	2,284,700	2,277,287
Shareholder's funds		
Stated capital	457,514	208,800
Revaluation reserve	21,610	21,610
Retained earnings	(120,079)	(71,108)
Credit risk reserve	22,237	20,570
Statutory reserve fund	65,247	65,247
Fair value reserve	-	3
Other reserve	3,639	1,117
Total shareholder's funds	450,168	246,239
Total liabilities and shareholder's funds	2,734,868	2,523,526

Universal Merchant Bank Limited Audited Summary Financial Statements For the year ended 31 December 2019

	Stated capital	Revaluation reserves	Retained earnings	Credit risk reserve	Statutory reserve	Fair value reserve	Other reserve	Total
2019								
Balance as at 1 January 2019	208,800	21,610	(71,108)	20,570	65,247	3	1,117	246,239
Adjustment	-	-	(4,729)	-	-	(3)	-	(4,732)
Net profit for the year	-	-	(42,575)	-	-	-	-	(42,575)
Other comprehensive income, net of tax								
Bank's share of associate's net fair value gains (net of tax)	-	-	-	-	-	-	(11)	(11)
Fair Value gain on unlisted equity investment (net of tax).	-	-	-	-	-	-	2,274	2,274
Actuarial gain on employee benefit Obligations (net of tax)	-	-	-	-	-	-	259	259
Total other comprehensive income	-	-	-	-	-	-	2,522	2,522
Total comprehensive income	-	-	(42,575)	-	-	-	2,522	(40,053)
Issue of ordinary shares	165,817	-	-	-	-	-	-	248,714
Issue of preference shares	82,897	-	-	-	-	-	-	-
Statutory transfers	-	-	-	-	-	-	-	-
Transfer to and from retained earnings	-	-	(1,667)	1,667	-	-	-	-
Balance at 31 December 2019	457,514	21,610	(120,079)	22,237	65,247	-	3,639	450,168

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in Ghana cedis unless otherwise stated- GH¢'000)

	Stated capital	Revaluation reserves	Retained earnings	Credit risk reserve	Statutory reserve	Fair value reserve	Other reserve	Total
2018								
Balance as at 1 January 2018	208,800	17,771	(109,090)	44,623	50,245	(8)	(23)	212,318
Adjustment on initial application of IFRS 9 (net of tax)	-	-	(10,128)	-	-	-	-	(10,128)
Transfer to credit risk reserve on initial application of IFRS 9	-	-	(2,422)	2,422	-	-	-	-
Balance as at 1 January 2018	208,800	17,771	(121,640)	47,045	50,245	(8)	(23)	202,190
Total comprehensive income								
Net profit for the year	-	-	30,003	-	-	-	-	30,003
Other comprehensive income, net of tax								
Bank's share of associate's net fair value gains (net of tax)	-	-	-	-	-	11	-	11
Revaluation gain on land & buildings (net of tax).	-	12,895	-	-	-	-	-	12,895
Release of revaluation gain on disposed assets	-	(9,056)	9,056	-	-	-	-	-
Actuarial gain on employee benefit Obligations (net of tax)	-	-	-	-	-	-	1,140	1,140
Total other comprehensive income	-	3,839	9,056	-	-	11	1,140	14,046
Total comprehensive income	-	3,839	39,059	-	-	11	1,140	44,049
Statutory transfers								
Transfer to and from retained earnings	-	-	11,473	(26,475)	15,002	-	-	-
Balance at 31 December 2018	208,800	21,610	(71,108)	20,570	65,247	3	1,117	246,239

Universal Merchant Bank Limited Audited Summary Financial Statements For the year ended 31 December 2019

SUMMARY STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in Ghana cedis unless otherwise stated- GH¢'000)

	2019	2018
Cash flow from operating activities		
Profit after taxation	(42,575)	30,003
Adjustments for:		
Depreciation and amortization	26,719	21,283
Net impairment loss on financial assets	31,101	73,031
Net interest income	(165,596)	(246,648)
Gain on disposal of property and equipment	(31)	(180)
Net gain arising from derecognition of financial assets measured at amortised cost	-	(3,943)
Fair value gain on investment property	(10,145)	(28,658)
Unrealised exchange loss	24,033	14,083
Income tax expense	1,171	13,871
Share of Associates profit/ (loss)	(7)	(29)
Allowance for employee benefit	1,705	1,547
Tax adjustment	(32,167)	-
Property and equipment adjustment	(16)	-
	(165,808)	(125,640)
Changes in		
Loans and advances to banks	(209,736)	5,978
Loans and advances to customers	(139,356)	1,612
Other assets accounts	(16,362)	(254,397)
Deposit from customers	106,167	(210,778)
Other liabilities	(65,738)	(34,923)
Employee benefit paid	(544)	(169)
Cash (used in)/ generated from operations	(491,377)	(618,317)
Interest received	365,373	413,817
Interest paid	(184,630)	(166,865)
Corporate tax paid	(33,552)	(32,166)
Net cash (used in) / from operating activities	(344,186)	(403,531)
Investing activities		
Purchase of property and equipment	(60,558)	(2,533)
Purchase of intangible assets	(3,096)	(11,525)
Purchase of investment securities	(707,949)	(257,482)
Proceeds from sale of investment securities	711,638	804,751
Purchase of investment property	-	(22,601)
Proceeds from sale of assets	240	353
Net cash from / (used in) investing activities	(59,725)	510,963
Financing activities		
Issue of Capital	248,714	-
Repayment of borrowings	(35,843)	(241,124)
Net cash generated / (Used in) from financing activities	212,871	(241,124)
Net decrease in cash and cash equivalents	(191,040)	(133,692)
Cash and cash equivalents at 1 January	663,979	816,784
Effect of exchange rate fluctuations	(16,899)	(19,113)
Cash and cash equivalents at 31 December	456,040	663,979

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2019

1. REPORTING ENTITY

Universal Merchant Bank Limited is a Bank incorporated in Ghana. The Bank operates with a Universal Banking license and undertakes all banking services. The financial statements comprise the individual financial statements of the Bank as at and for the year ended 31 December 2019

2. BASIS OF PREPARATION

a. Statement of compliance

The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and in a manner required by the Companies Act 2019, (Act 992) and the Banks and Specialised Deposit Taking Institutions Act, 2016 (Act 930).

b. Basis of measurement

The financial statements have been prepared under the historical cost convention, except for the following material items:

- Financial assets as Fair value through other comprehensive income (FVOCI);
- Defined benefit obligations measured at the present value of the defined benefit obligation; and
- Investment property measured at fair value

c. Functional and Presentation Currency

The financial statements are presented in Ghana cedis, which is the Bank's functional currency. All financial information presented in Ghana cedis have been rounded to the nearest thousand, except where otherwise indicated.

3. ADOPTION OF NEW AND REVISED STANDARDS

New and amended IFRS Standards that are effective for the current year

Impact of initial application of IFRS 16 Leases

In the current year, the Bank has applied IFRS 16 (as issued by the IASB in January 2016) that is effective for annual periods that begin on or after 1 January 2019.

IFRS 16 introduces new or amended requirements with respect to lease accounting. It introduces significant changes to lessee accounting by removing the distinction between operating and finance lease and requiring the recognition of a right-of-use asset and a lease liability at commencement for all leases, except for short-term leases and leases of low value assets. In contrast to lessee accounting, the requirements for lessor accounting have remained largely unchanged.

The date of initial application of IFRS 16 for the Company is 1 January 2019.

4. QUALITATIVE DISCLOSURES

Risk Management

The Bank's activities expose it to a variety of operational and financial risks and those activities involve the analysis, evaluation, acceptance and management of some degree of risk or combination of risks. Taking risk is core to the Bank's business, and the operational risks are an inevitable consequence of being in business. The Bank's aim is therefore to achieve an appropriate balance between risk and return and minimize potential adverse effects on its financial performance. The most important types of risk include:

- Credit Risk
- Liquidity Risk
- Market Risk (includes currency, interest rate and other price risk)
- Operational Risk

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 Oversight Committee and a Risk Department to assist in the discharge of this responsibility.

Universal Merchant Bank Limited Audited Summary Financial Statements For the year ended 31 December 2019

VALUE ADDED STATEMENT FOR THE YEAR ENDED 31 DECEMBER 2019

(All amounts are expressed in Ghana cedis unless otherwise stated- GH¢'000)

	2019	2018
Interest earned and other operating income	417,224	525,969
Direct cost of services and other costs	(317,617)	(329,242)
Value added by banking services	99,607	196,727
Non-banking income	13,838	28,867
Impairments	(31,101)	(73,031)
Value added	82,344	152,563
Distributed as follows:		
Directors (without executive)	2,077	1,217
Executive director	-	-
Other employees	94,951	86,189
	97,028	87,406
To Government		
Income Tax	1,171	13,871
To Expansion and Growth		
Depreciation and amortisation	26,719	21,283
Retained earnings	(42,575)	30,003

REGULATORY DISCLOSURES

Quantitative Disclosures

	2019	2018
Capital Adequacy Ratio (CAR)	20.03%	11.03%
Liquidity ratio	58%	67.00%
Non-performing loans ratio	13.84%	15.10%
Primary reserve ratio	10.15%	11%
Regulatory breaches		
Single Obligor	10 times	12 times
Liquidity	16 times	4 times

SUMMARY REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31 DECEMBER 2019

The Directors present their report and the financial statements of Universal Merchant Bank Limited ("the Bank") for the year ended 31 December 2019.

DIRECTORS' RESPONSIBILITY STATEMENT

The Directors are responsible for the preparation of financial statements that give a true and fair view of Universal Merchant Bank Limited, comprising the statement of financial position at 31 December 2019, and the statements of comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2019 (Act 992) and the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). In addition, the Directors are responsible for the preparation of the Report of the Directors.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Bank to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

Directors and their interest

None of the Directors had any interest in the shares of the Bank at the reporting date. None of the Directors had a material interest in any contract of significance except a contract of service in the normal course of Business with the Executive Directors.

Dividend

The Directors cannot declare dividend while there remains a deficit on the retained earnings account.

The Directors confirm that to the best of their knowledge, the financial statements have been prepared in accordance with applicable laws and the Bank's financial reporting framework, give a true and fair view of the Bank's financial position, performance and cashflows and the state of the Bank's affairs is satisfactory.

Auditors


Messrs. Deloitte & Touche have indicated their willingness to continue in office as auditors in accordance with the Companies Act 2019, (Act 992) and in line with the provisions of the Banks and Specialised Deposit-Taking Institutions Act, 2016 (Act 930). Details of the audit fees for the current and comparative periods are disclosed in note 13 of the financial statements.



Benjamin Amenumey
Chief Executive Officer

Signature:

30 April, 2020



Ras Boateng
Board Chairperson

Signature:

30 April, 2020

Universal Merchant Bank Limited Audited Summary Financial Statements For the year ended 31 December 2019



INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS TO THE MEMBERS OF UNIVERSAL MERCHANT BANK LIMITED

Our opinion

The summary financial statements of Universal Merchant Bank Limited, which comprise:

- the summary statements of profit or loss and other comprehensive income;
- the summary statement of financial position as at 31 December 2019;
- the summary changes in equity;
- the summary cash flows for the year then ended; and
- the related notes to the summary financial statements 2019.

In our opinion, the accompanying summary financial statements of Universal Merchant Bank Limited ("Bank") is 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, 2019 (Act 992), and the Banks and Specialised Deposit-Taking Institutions Act 2016, (Act 930). 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 30 April, 2020. 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 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, 2019 (Act 992), 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 the independent auditors report is **Charlotte Forson (ICAG/P/1509)**

For and on behalf of Deloitte & Touche (ICAG/F/2020/129)

Chartered Accountants

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30 April, 2020