INVESTMENT BANK

# Summary Audited Consolidated and Separate Financial Statements
# For year ended 31 December 2016

| Summary statements of profit or loss and other comprehensive income for the year ended 31 December 2016 | Consolidated 31-Dec-16 | Consolidated 31-Dec-15 | Separate 31-Dec-16 | Separate 31-Dec-15 |
|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 |
| Interest income | 12,878,065 | 8,733,027 | 12,878,065 | 8,733,027 |
| Interest expense | (10,283,994) | (6,072,892) | (10,284,060) | (6,073,365) |
| Net Interest Income | 2,594,071 | 2,660,135 | 2,594,005 | 2,659,662 |
| Fees and commission income | 1,246,737 | 446,699 | 1,240,881 | 446,699 |
| Trading Income | 1,116,850 | 736,537 | 1,102,402 | 717,057 |
| Other operating income | 15,729 | 6,069 | 15,729 | 5,792 |
| Other income | 36,740 | 46,324 | 36,740 | 46,324 |
| Net impaired losses on loans and advances to customers | (410,444) | (111,222) | (410,444) | (111,222) |
| **Income after impairment losses on loans and advances** | 4,599,683 | 3,784,542 | 4,579,313 | 3,764,312 |
| Operating expenses | (3,775,689) | (2,777,671) | (3,764,271) | (2,776,685) |
| **Profit before income tax** | 823,994 | 1,006,871 | 815,042 | 987,627 |
| Income tax credit/(expense) | 159,261 | (161,224) | 159,276 | (153,582) |
| **Total comprehensive income for the year** | 983,255 | 845,647 | 974,318 | 834,045 |
| **Total comprehensive income attributable to shareholders** | | | | |
| Owners of the company | 732,033 | 629,584 | 725,380 | 620,947 |
| Non-controlling interest | 251,222 | 216,063 | 248,938 | 213,098 |
| | 983,255 | 845,647 | 974,318 | 834,045 |

| Statements of financial position as at 31 December 2016 | Consolidated 31-Dec-16 | Consolidated 31-Dec-15 | Separate 31-Dec-16 | Separate 31-Dec-15 |
|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 |
| **Assets** | | | | |
| Cash and cash equivalents | 3,028,854 | 5,608,210 | 3,028,854 | 5,599,738 |
| Money market investments | 47,134,552 | 16,334,469 | 47,134,552 | 16,334,469 |
| Loans and advances to related party | 2,697,695 | 1,313,612 | 2,697,695 | 1,313,612 |
| Loans and advances to customers | 10,631,438 | 12,091,076 | 10,631,438 | 12,091,076 |
| Income tax recoverable | 85,449 | - | 81,051 | - |
| Amounts due from related parties | 148,820 | 438,143 | 148,820 | 441,385 |
| Other assets | 368,247 | 311,573 | 368,233 | 307,070 |
| Non current assets held for sale | 57,261 | 150,729 | 57,261 | 150,729 |
| Other Investments | 15,000 | 15,000 | 15,000 | 15,000 |
| Investments in subsidiary | - | - | - | 49,430 |
| Property and equipment | 561,901 | 240,721 | 561,901 | 207,229 |
| Intangible assets | 248,832 | 238,849 | 248,832 | 238,849 |
| Deffered tax asset | 8,795 | | 8,795 | |
| **Total assets** | 64,986,844 | 36,742,382 | 64,982,432 | 36,748,587 |
| **Capital, reserves and liabilities** | | | | |
| Share capital and reserves | 3,442,616 | 2,708,280 | 3,438,204 | 2,712,805 |
| Balances due to other banks | 5,950,000 | 2,600,000 | 5,950,000 | 2,600,000 |
| Customer deposits | 20,362,691 | 15,805,550 | 20,362,691 | 15,806,992 |
| Trading Liabilities | 33,769,619 | 13,565,793 | 33,769,619 | 13,565,793 |
| Amounts due to related parties | - | 304 | - | 304 |
| Other liabilities and accruals | 461,918 | 649,847 | 461,918 | 646,883 |
| Income tax payable | - | 262,142 | - | 265,329 |
| Deffered tax liabilities | - | 150,466 | - | 150,481 |
| Subordinated liability | 1,000,000 | 1,000,000 | 1,000,000 | 1,000,000 |
| **Total capital, reserves and liabilities** | 64,986,844 | 36,742,382 | 64,982,432 | 36,748,587 |

| Statements of changes in equity for the year ended 31 December 2016 | Consolidated 31 Dec 16 | Consolidated 31 Dec 15 | Separate 31 Dec 16 | Separate 31 Dec 15 |
|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 |
| As at the beginning of the year | 2,708,280 | 1,856,314 | 2,712,805 | 1,872,477 |
| Transfer of deferred tax on disposal of revalued assets | - | 6,319 | - | 6,283 |
| Total comprehensive income for the year | 983,255 | 845,647 | 974,318 | 834,045 |
| Dividend paid | (248,919) | - | (248,919) | - |
| As at the end of the year | 3,442,616 | 2,708,280 | 3,438,204 | 2,712,805 |

| Statements of cash flows for the year ended 31 December 2016 | Consolidated 31-Dec-16 | Consolidated 31-Dec-15 | Separate 31-Dec-16 | Separate 31-Dec-15 |
|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 |
| Cash outflow to operating activities | (1,652,047) | (113,461) | (1,616,905) | (134,974) |
| Income tax paid | (347,591) | (54,829) | (346,380) | (54,829) |
| **Net cash used in operating activities** | (1,999,638) | (168,290) | (1,963,285) | (189,803) |
| **Cash flows from /( to) investing activities** | | | | |
| Proceeds from the sale of equipment and motor vehicles | 100,708 | 321,190 | 72,827 | 321,190 |
| Acquisition of equipment and intangible assets | (555,634) | (413,469) | (555,634) | (379,805) |
| **Net cash used in investing activities** | (454,926) | (92,279) | (482,807) | (58,615) |
| **Cash flows from financing activities** | | | | |
| Dividends paid | (248,919) | | (248,919) | |
| **Net cash used in financing activities** | (248,919) | - | (248,919) | - |
| **Movement in cash and cash equivalents** | (2,703,483) | (260,569) | (2,695,011) | (248,418) |
| Effect of exchange rate fluctuations on cash and cash equivalents held | 124,127 | 314,246 | 124,127 | 314,246 |
| Cash and cash equivalents at begining of the year | 5,608,210 | 5,554,533 | 5,599,738 | 5,533,910 |
| **Cash and cash equivalents at end of the year** | 3,028,854 | 5,608,210 | 3,028,854 | 5,599,738 |

## Impairment losses/ non performing credit facilities and provisions for losses

| Sector | Consolidated and separate December 2016 Outstanding amount | Impaired loans | Specific provision | Consolidated and separate December 2015 Outstanding amount | Impaired loans | Specific provision |
|---|---|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| Agriculture | 936,342 | - | - | 2,257,561 | 89 | 868 |
| Construction | 23,586 | 18,736 | 9,482 | 240,917 | - | 5,601 |
| Financial services | - | - | - | - | - | - |
| Manufacturing | 3,348,307 | 270,919 | 186,041 | 5,256,186 | - | 1,044 |
| Real estate | - | 9,507 | 1,872 | - | - | - |
| Social work/health | - | - | - | - | - | 23,919 |
| Tourism and leisure | 2,876 | - | - | 787,711 | - | 1,184 |
| Transport/storage | 848,296 | 101,294 | 95,541 | 560,914 | 25,353 | 47,919 |
| Wholesale and retail | 2,192,374 | 249,303 | 118,511 | 1,102,084 | 29,308 | 29,308 |
| Other | 3,719,807 | 31,255 | 28,703 | 2,016,795 | - | 21,249 |
| | 11,071,588 | 681,014 | 440,150 | 12,222,168 | 54,750 | 131,092 |

## Credit concentration

Total credit facilities including guarantees, acceptances and other similar commitments extended by the Bank to any one or group of related customers where amounts exceeded 25% of core capital.

| Economic sector | 2016 Outstanding | % of core capital | 2015 Outstanding | % of core capital |
|---|---|---|---|---|
| | K'000 | | K'000 | |
| Agriculture | 2,428,665 | 71% | - | 0% |

## Loans to directors, senior management and other related parties

| | Separate 2016 Opening balance | Loans granted during the year | Repayments | Balance at year end | Separate 2015 Opening balance | Loans granted during the year | Repayments | Balance at year end |
|---|---|---|---|---|---|---|---|---|
| | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 | K'000 |
| Directors | - | 9,000 | (1,746) | 7,254 | - | - | - | - |
| Senior management | 132,339 | 42,284 | (35,570) | 139,053 | 147,760 | 39,962 | (55,383) | 132,339 |

| Directors remuneration and management fees | Separate 2016 | Separate 2015 |
|---|---|---|
| | K'000 | K'000 |
| Directors remuneration | 29,081 | 22,501 |
| Management fees | 122,978 | 78,088 |

| Capital Management | Require-2016 | Dec 2016 | Dec 2015 |
|---|---|---|---|
| Tier 1 ratio | 10% | 18.57% | 14.35% |
| Total capital ratio | 15% | 22.92% | 20.48% |

| Deposit rates | Dec-16 | Dec-15 |
|---|---|---|
| Current account | 0.50% | 0.50% |
| CDHIB prime investors account | 15% | 17% |
| Sweep call account | 8% | 9% |
| 7 day call account | 8% | 9% |
| 14 day call account | 8.50% | 9.50% |
| 21 day call account | 9% | 10% |
| 30 day call account | 9.5% | 11% |
| 1 month fixed deposit | 12% | 13% |
| 2 months fixed deposit | 12.50% | 14% |
| 3 months fixed deposit | 13% | 15% |
| 6 months fixed deposit | 14% | 16% |
| 9 months fixed deposit | 15% | Negotiable |
| 12 months fixed deposit | 16% | Negotiable |

## Investment in subsidiary & other investments

| Name of subsidiary | Percentage holding | Separate 2016 | Separate 2015 |
|---|---|---|---|
| | | K'000 | K'000 |
| CDH Forex Bureau Limited | 100% | 0 | 49,430 |

| Investment company | Percentage holding | Consolidated and Separate 2016 | Consolidated and Separate 2015 |
|---|---|---|---|
| | | K'000 | K'000 |
| National Switch Ltd | 9% | 15,000 | 15,000 |

| Lending rates | 2016 | 2015 |
|---|---|---|
| Base lending rate (local currency) | 35.00% | 37.00% |
| Base lending rate (foreign currency) | 7% | 7% |
| Maximum applicable range (basis points) | 300 | 300 |
| RBM Bank rate | 24% | 27% |

## Summary of consolidated and separate financial statements for the year ended 31 December 2016

We hereby publish the summary consolidated and separate statements of profit or loss and other comprehensive income, financial position, changes in equity and cash flows of CDH Investment Bank limited (CDHIB) as at 31 December 2016 together with the independent auditor's report.

## Overall performance

The bank realised consolidated profit after tax of K983 million against prior year performance of K846 million representing a 16% increase in profitability. Total operating income grew by 29% from K3,849 million to K4,973 million mainly on account of growth on fees and commission income and trading income by 179% and 52% respectively on last year owing to growth of fees from advisory services and increased trades in foreign exchange.

Operating expenses increased partly due to inflationary pressures and impairments on loans and advances which grew by 269% in anticipation of high credit risk exposures following the economic slow down.

These results were after the bank's absorption of losses of K40 million that were incurred by its subsidiary company CDH Forex Bureau Limited. The operations of CDH Forex Bureau were discontinued in July 2016 following a strategic review of the business.

Total assets grew by 77% from K36,742 million to K64,986 million mainly due to increased money market trading activity during the period.

We are pleased to report that the bank complied with all Reserve Bank capital and liquidity guidelines at year end.

## Business prospects and outlook

Improved fiscal pressures on the economy and reduction in inflation rate offer hope for increased economic activity going forward. With the increased foot print at Lilongwe City Centre, the bank remains optimistic of improved performance in the next year and is committed to offering superior customer service experience.

Investment banking will remain the anchor for the bank's business as we target to do more project and trade finance transactions. The mobilisation of foreign capital will continue to be the hallmark of the bank's contribution to Malawi's economic transformation.

**F.H. Kennedy**
**Board Chairman**

**M.G. Esau**
**Managing Director & CEO**

**B.M. Mosiwa**
**Chief Finance Officer**

**23 March 2016**

## Independent Auditor's Report on the Summary Consolidated and Separate Financial Statements to the shareholders of CDH Investment Bank Limited

***Opinion***

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2016, and the summary statements of profit or loss and other comprehensive income, summary statements of changes in equity and summary statements of cash flows for the year then ended, and related notes comprising the Basis of preparation, Loans to directors, senior management and other related parties, Directors remuneration and management fees, Capital management and Investments in subsidiary and other investments are derived from the audited consolidated and separate financial statements of CDH Investment Bank Limited for the year ended 31 December 2016.

In our opinion, the accompanying summary consolidated and separate financial statements are consistent, in all material respects, with the audited consolidated and separate financial statements, in accordance with the requirements of the Financial Services Act, 2010 of Malawi.

***Other matter***

We have not audited the Overall performance, Business prospects and outlook, Credit concentrations, Lending rates, Deposit rates and Impairment losses/non performing credit facilities and provisions for losses included in the accompanying summary consolidated and separate financial statements and accordingly do not express any opinion thereon.

***Summary Consolidated and Separate Financial Statements***

The summary consolidated and separate financial statements do not contain all the disclosures required by International Financial Reporting Standards. Reading the summary consolidated and separate financial statements and our report thereon, therefore, is not a substitute for reading the audited consolidated and separate financial statements and our report thereon. The summary consolidated and separate financial statements and the audited consolidated and separate financial statements do not reflect the effects of events that occurred subsequent to that date of our report on the audited consolidated and separate financial statements.

***The Audited Consolidated and Separate Financial Statements and Our Report Thereon***

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 31 March 2017. 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 financial statements for the current period.

***Directors' Responsibility for the Summary Financial Statements***

Directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the requirements of the Financial Services Act, 2010 of Malawi.

**Auditor's Responsibility**

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

**Certified Public Accountants and Business Advisors**
**Blantyre, Malawi**
**7 April, 2017**



Email: info@cdh-malawi.com | Website: www.cdh-malawi.com