



INVESTMENT BANK

Summary of Audited Financial Statements

For the year ended 31 December 2015

	Consolidated 31-Dec-15	Consolidated 31-Dec-14	Separate 31-Dec-15	Separate 31-Dec-14
Summary statements of profit or loss and other comprehensive income for the year ended 31 December 2015	K'000	K'000	K'000	K'000
Interest income	8,733,027	4,087,377	8,733,027	4,087,377
Interest expense	(6,072,892)	(2,951,382)	(6,073,365)	(2,956,177)
Fees from investment banking services	278,320	296,519	278,320	296,519
Other fees and commission income	168,379	150,143	168,379	150,143
Trading Income	736,537	764,874	717,057	750,920
Other operating income	52,393	229,309	52,116	229,309
Net impaired losses on loans and advances to customers	(111,222)	(126)	(111,222)	(126)
Net operating income	3,784,542	2,576,714	3,764,312	2,557,965
Operating expenses	(2,777,671)	(2,370,201)	(2,776,685)	(2,342,315)
Profit and other comprehensive income before income tax expense	1,006,871	206,513	987,627	215,650
Income tax expense	(161,224)	(91,655)	(153,582)	(94,843)
Profit and other comprehensive income after tax	845,647	114,858	834,045	120,807
Profit and other comprehensive income attributable to shareholders				
Equity holders of the bank	629,584	85,512	620,947	89,941
Non-controlling interest	216,063	29,346	213,098	30,866

	Consolidated 31-Dec-15	Consolidated 31-Dec-14	Separate 31-Dec-15	Separate 31-Dec-14
Statements of financial position as at 31 December 2015	K'000	K'000	K'000	K'000
Assets				
Cash and cash equivalents	5,608,210	5,554,533	5,599,738	5,533,910
Money market investments	16,334,469	12,751,552	16,334,469	12,751,552
Loans and advances to other banks	1,313,612	-	1,313,612	-
Loans and advances to customers	12,091,076	8,626,165	12,091,076	8,626,165
Income tax recoverable	-	13,349	-	10,162
Amounts due from related parties	438,143	152,414	441,385	152,844
Other assets	311,535	476,661	307,068	474,111
Assets held for sale	150,729	-	150,729	-
Investments in subsidiary	-	-	49,430	58,500
Other Investments	15,000	15,000	15,000	15,000
Property and equipment	240,721	623,423	207,229	623,423
Intangible assets	238,849	94,684	238,849	94,684
Total assets	36,742,344	28,307,781	36,748,585	28,340,351
Capital, reserves and liabilities				
Share capital and reserves	2,708,242	1,856,314	2,712,803	1,872,477
Balances due to other banks	2,600,000	-	2,600,000	-
Customer deposits	15,805,550	15,460,618	15,806,992	15,472,259
Trading liabilities	13,565,793	9,157,136	13,565,793	9,157,136
Amounts due to related parties	304	178	304	178
Subordinated liability	1,000,000	1,000,000	1,000,000	1,000,000
Income tax payable	262,142	-	265,329	-
Other liabilities and accruals	800,313	833,535	797,364	838,301
Total capital, reserves and liabilities	36,742,344	28,307,781	36,748,585	28,340,351

	Consolidated 31-Dec-15	Consolidated 31-Dec-14	Separate 31-Dec-15	Separate 31-Dec-14
Statements of changes in equity for the year ended 31 December 2015	K'000	K'000	K'000	K'000
As at the beginning of the year	1,856,314	1,741,456	1,872,477	1,751,670
Transfer of deferred tax on revaluation on disposal of assets	6,281	-	6,281	-
Issue of shares	-	-	-	-
Total profit and loss and other comprehensive income for the year	845,647	114,858	834,045	120,807
As at the end of the year	2,708,242	1,856,314	2,712,803	1,872,477

	Consolidated 31-Dec-15	Consolidated 31-Dec-14	Separate 31-Dec-15	Separate 31-Dec-14
Statements of cash flows for the year ended 31 December 2015	K'000	K'000	K'000	K'000
Interest and fees received	9,143,120	5,322,013	8,807,914	5,028,919
Interest paid	(6,537,057)	(2,961,176)	(6,537,528)	(2,965,971)
Cash paid to suppliers and employees	(881,466)	(597,172)	(526,017)	(299,524)
Increase in loans and advances	(4,778,523)	(3,852,421)	(4,778,523)	(3,852,421)
Increase in customer balances	2,944,933	1,066,392	2,934,733	1,055,748
Cash (outflow) to operating activities	(108,993)	(1,022,364)	(99,421)	(1,033,249)
Income tax paid	(54,830)	(18,270)	(54,830)	(15,806)
Net cash used in operating activities	(163,823)	(1,040,634)	(154,251)	(1,049,055)
Net cash (outflows to) / inflows from investing activities	(96,746)	4,060,349	(94,167)	4,060,349
Movement in cash and cash equivalents	(260,569)	3,019,715	(248,418)	3,011,294
Effect of exchange rate fluctuations on cash and cash equivalents held	314,246	(293)	314,246	(161)
Cash and cash equivalents at beginning of the year	5,554,533	2,535,111	5,533,910	2,522,777
Closing cash and cash equivalents at end of the year	5,608,210	5,554,533	5,599,738	5,533,910

Impairment losses/ non performing credit facilities and provisions for losses

Sector	Consolidated and separate December 2015			Consolidated and separate December 2014		
	Outstanding amount	Impaired loans	Specific provision	Outstanding amount	Impaired loans	Specific provision
	K'000	K'000	K'000	K'000	K'000	K'000
Agriculture	2,257,561	89	868	1,098,783	-	-
Construction	240,917	-	5,601	491,245	-	-
Financial services	-	-	-	-	-	-
Manufacturing	5,256,186	-	1,044	2,269,967	36,554	36,554
Real estate	-	-	-	-	-	-
Social work/health	-	-	23,919	-	46,999	42,234
Tourism and leisure	787,711	-	1,184	643,366	643	122
Transport/storage	560,914	25,353	47,919	258,498	46,251	41,803
Wholesale and retail	1,102,084	29,308	29,308	2,557,990	53,068	51,057
Other	2,016,795	-	21,249	1,478,086	-	-
	12,222,168	54,750	131,092	8,797,935	183,515	171,770

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	2015		2014	
	Outstanding	% of core capital	Outstanding	% of core capital
	K'000		K'000	
All sectors	-	-	-	-

Loans to directors, senior management and other related parties

	Separate 2015				Separate 2014			
	Opening balance	Loans granted during the year	Repayments	Balance at year end	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	-	-	-	-	31,983	-	(31,983)	-
Senior management	147,760	39,962	(55,383)	132,339	158,372	33,645	(44,257)	147,760

Directors remuneration and management fees	Separate 2015	Separate 2014
	K'000	K'000
Directors remuneration	22,501	17,182
Management fees	78,088	74,339

Capital Management	Required	Dec 2015	Dec 2014
Minimum capital	1,640,000	2,590,958	1,815,332
Tier I ratio	10.00%	14.35%	13.88%
Total capital ratio	15.00%	20.48%	21.26%

Investment in subsidiary & other investments

Name of subsidiary	Percentage holding	2015	2014
		K'000	K'000
CDH Forex Bureau Limited	100%	49,430	58,500
National Switch Ltd	9%	15,000	15,000

Deposit rates	Dec-15	Dec-14
Current account	0.50%	0.50%
CDHIB prime investors account	17%	18%
Sweep call account	9%	8%
7 day call account	9%	11%
14 day call account	9.50%	10%
21 day call account	10%	11%
30 day call account	11%	12%
1 month fixed deposit	13%	12%
2 months fixed deposit	14%	14%
3 months fixed deposit	15%	15%
6 months fixed deposit	16%	16%
9 to 12 months	Negotiable	Negotiable

Lending rates	2015	2014
Base lending rate (local currency)	37.00%	39.50%
Base lending rate (foreign currency)	7.00%	7.00%
Maximum applicable range (basis points)	300	300
RBM Bank rate	27.00%	25.00%

Summary of consolidated and separate financial statements for the year ended 31 December 2015

We hereby publish the 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 2015 together with the independent auditors' report.

Overall performance

The bank realized a consolidated profit before tax of K1,007 million against prior year performance of K207 million representing an increase of 386% over 2014's performance. Total operating income grew by 47% from K2,577 million to K3,785 million primarily on account of an increase in net interest income resulting from incremental loans and advances to customers of K3,465 million as well as growth in money market investments by K3, 582 million. Operational expenditures rose by 17% from K 2,370 million to K 2,778 million in response to effective cost management strategies that the bank undertook during the year despite the high levels of inflation.

Total assets grew by 29.8% from K28,308 million to K36,742 million following the bank's initiative to offer innovative financial products through its investment banking division as well as general growth in customer deposits in line with the bank's deposit mobilization strategy. It is pleasing to note that our clients continue to appreciate the role that our investment banking services play in differentiating our bank from the competition. During the year, the bank made a high impact on projects undertaken by both local and international investors with whom it interacted.

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

Business prospects and outlook

The volatility of the Malawi Kwacha, high inflation rates and the withholding of direct budgetary support by donors will again provide major challenges for the financial services sector as a whole and continue to threaten prospects for significant economic recovery in 2016. The bank remains committed to finding innovative distribution channels in its mission to offer a superior service experience to our valued customers.

F. H. Kennedy

Board Chairman
16 March 2016

M. G. Esau

Managing Director & CEO

B. M. Mosiwa

Chief Finance Officer

Report of the independent auditor on the summary consolidated and separate financial statements to the shareholders of CDH Investment Bank limited

The accompanying summary consolidated and separate financial statements, which comprise the summary consolidated and separate statements of financial position as at December 31, 2015, the summary consolidated and separate statements of profit or loss and other comprehensive income, changes in equity and cash flow for the year then ended, are derived from the audited consolidated and separate financial statements of CDH Investment Bank Limited for the year ended December 31, 2015. We expressed an unmodified audit opinion on those consolidated and separate financial statements in our report dated 16 March 2016.

Those consolidated and separate financial statements, and the summary consolidated and separate financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those consolidated and separate financial statements.

The summary consolidated and separate financial statements do not contain all the disclosures required by the International Financial Reporting Standards and in the manner required by the Malawi Companies Act, 1984. Reading the summary consolidated and separate financial statements, therefore, is not a substitute for reading the audited consolidated and separate financial statements of **CDH Investment Bank Limited**.

Directors' Responsibility for the Summary Consolidated and Separate Financial Statements

Directors are responsible for the preparation of a summary of the audited consolidated and separate financial statements in a manner required by the Financial Services Act,2010 and the Malawi Companies Act,1984.

Auditors' Responsibility

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

Opinion

In our opinion, the summary consolidated and separate financial statements derived from the audited consolidated and separate financial statements of CDH Investment Bank Limited for the year ended December 31, 2015 are consistent, in all material respects, with those consolidated and separate financial statements, in a manner required by the Financial Services Act, 2010 and the Malawi Companies ACT,1984.



Chartered Accountants (Malawi), Blantyre
31 March 2016