CDH INVESTMENT BANK

Summary of audited results for the year ended 31st December 2018

Statements of profit or loss and other comprehensive income	Consolidated 31-Dec-18 Audited K'000	Consolidated 31-Dec-17 Audited K'000	Separate 31-Dec-18 Audited K'000	Separate 31-Dec-17 Audited K'000
Interest income	11,558,758	15,887,423	11,558,758	15,887,423
Interest expense	(7,623,828)	(10,982,165)	(7,623,828)	(10,982,165)
Net interest income	**3,934,930**	**4,905,258**	**3,934,930**	**4,905,258**
Non-interest income	**3,343,005**	**1,874,322**	**3,343,005**	**1,874,322**
Operating income before impairment losses on loans and advances to customers	**7,277,935**	**6,779,580**	**7,277,935**	**6,779,580**
Net impairment losses on loans and advances to customers	(1,197,018)	(1,808,746)	(1,197,018)	(1,808,746)
Income after impairment losses on loans and advances to customers	**6,080,917**	**4,970,834**	**6,080,917**	**4,970,834**
Operating expenses	(4,945,053)	(4,825,833)	(4,945,053)	(4,825,833)
Profit before income tax	**1,135,864**	**145,001**	**1,135,864**	**145,001**
Income tax (expense)/credit	(170,499)	100,841	(170,499)	100,841
Profit and comprehensive income for the year	**965,365**	**245,842**	**965,365**	**245,842**

Statements of financial position	Consolidated 31-Dec-18 Audited K'000	Consolidated 31-Dec-17 Restated K'000	Separate 31-Dec-18 Audited K'000	Separate 31-Dec-17 Restated K'000
Assets				
Cash and cash equivalents	4,441,329	3,949,815	4,441,329	3,949,815
Financial assets	52,351,352	33,317,667	52,351,352	33,317,667
Loans and advances to related party	1,994,779	2,437,836	1,994,779	2,437,836
Loans and advances to other banks	4,418,858	7,008,894	4,418,858	7,008,894
Loans and advances to customers	20,386,372	12,862,160	20,386,372	12,862,160
Income tax recoverable	112,016	82,449	107,618	78,051
Amounts due from related parties	279,402	127,747	279,402	127,747
Assets held for sale	6,199	28,630	6,199	28,630
Other assets	1,809,756	797,337	1,809,743	797,323
Other investment	30,000	30,000	30,000	30,000
Equipment	568,646	618,086	568,646	618,086
Intangible assets	103,413	189,462	103,413	189,462
Deferred tax asset	30,928	183,651	30,928	183,651
Total assets	**86,533,050**	**61,633,734**	**86,528,638**	**61,629,322**
Capital, reserves and liabilities				
Share capital and reserves	4,293,169	3,382,804	4,288,757	3,378,392
Balances due to other banks	4,232,881	135,000	4,232,881	135,000
Customer deposits	35,168,813	26,196,479	35,168,813	26,196,479
Investment funds	40,670,032	30,489,716	40,670,032	30,489,716
Other liabilities and accruals	568,155	429,735	568,155	429,735
Subordinated liability	1,600,000	1,000,000	1,600,000	1,000,000
Total capital, reserves and liabilities	**86,533,050**	**61,633,734**	**86,528,638**	**61,629,322**

Summary statements of changes in equity	Consolidated 31-Dec-18 Audited K'000	Consolidated 31-Dec-17 Audited K'000	Separate 31-Dec-18 Audited K'000	Separate 31-Dec-17 Audited K'000
As at the beginning of the year	3,382,804	3,442,616	3,378,392	3,438,204
Transitional adjustment on IFRS 9 adoption at 1 Jan 2018	(55,000)	-	(55,000)	-
Total comprehensive income for the year	965,365	245,842	965,365	245,842
Dividend paid	-	(305,654)	-	(305,654)
As at the end of the year	**4,293,169**	**3,382,804**	**4,288,757**	**3,378,392**

Summary statements of cash flows	Consolidated 31-Dec-18 Audited K'000	Consolidated 31-Dec-17 Audited K'000	Separate 31-Dec-18 Audited K'000	Separate 31-Dec-17 Audited K'000
Cash generated from operating activities	**19,734**	**1,530,791**	**19,734**	**1,530,791**
Advance payment of income tax	(47,344)	(71,015)	(47,344)	(71,015)
Net cash from /(used in) operating activities	**(27,610)**	**1,459,776**	**(27,610)**	**1,459,776**
Cash flows (to)/from investing activities				
Proceeds from sale of equipment and motor vehicles	22,735	33,244	22,735	33,244
Acquisition of equipment and intangible assets	(115,662)	(281,972)	(115,662)	(281,972)
Acquisition of additional shares in Natswitch	-	(15,000)	-	(15,000)
Net cash used in investing activities	**(92,927)**	**(263,728)**	**(92,927)**	**(263,728)**
Cash flows from financing activities				
Proceeds from issue of subordinated debt	600,000		600,000	
Dividends paid	-	(305,654)	-	(305,654)
Net cash from financing activities	**600,000**	**(305,654)**	**600,000**	**(305,654)**
Net increase in cash and cash equivalents	**479,463**	**890,394**	**479,463**	**890,394**
Effects of exchange rate fluctuations on cash and cash equivalents	12,051	30,567	12,051	30,567
Cash and cash equivalents at the beginning of the year	3,949,815	3,028,854	3,949,815	3,028,854
Cash and cash equivalents at end of the year	**4,441,329**	**3,949,815**	**4,441,329**	**3,949,815**

Impairment losses/ non performing credit facilities and provisions for losses

	Consolidated and separate as at 31 Dec-18			Consolidated and separate as at 31 Dec-17		
Sector	Outstanding amount	Impaired loans outstanding balances	Specific provisions	Outstanding amount	Impaired loans outstanding balances	Specific provisions
	K'000	K'000	K'000	K'000	K'000	K'000
Agriculture	603,169	437	-	718,245	363	347
Construction	957,689	12,917	10,403	464,475	14,938	12,676
Manufacturing	8,059,452	47	-	5,318,843	1,581,040	851,871
Real estate	355,410	-	-	436,064	34,449	26,022
Tourism and leisure	1,000,966	-	-	2,811	1,184	132
Transport/storage	448,359	7,542	1,163	736,961	145,234	98,314
Wholesale and retail	8,353,058	1,788,887	-	4,439,272	253,086	252,164
Other	681,846	18,053	62,011	3,178,606	56,216	53,163
	20,459,949	**1,827,883**	**73,577**	**15,295,277**	**2,086,510**	**1,294,689**

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	Outstanding	31-Dec-18 % of core capital	Outstanding	31-Dec-17 % of core capital
	K'000		K'000	
Wholesale and retail	5,553,386	131%	-	0%
Manufacturing	5,891,479	138%	3,531,825	129%

Loans to directors, senior management and other related parties

	Consolidated and separate			31-Dec-18	Consolidated and separate			31-Dec-17
	Opening balance	Loans granted during the period	Repayments	Balance at period end	Opening balance	Loans granted during the period	Repayments	Balance at period end
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Directors	-	-	-	-	7,254	-	(7,254)	0
Senior management	180,184	98,747	(34,407)	244,524	139,053	137,428	(96,297)	180,184

Directors remuneration	Consolidated and separate 31-Dec-18	Consolidated and separate 31-Dec-17
	K'000	K'000
Directors remuneration	59,014	54,380

Capital management	Required - 2017	Dec-18	Dec-17
Tier 1 ratio	10.00%	15.40%	11.65%
Tier 2 ratio	15.00%	21.14%	16.12%

Other investment

	Percentage holding	31-Dec-18 K'000	31-Dec-17 K'000
Associate National Switch Ltd	8%	30,000	30,000

Deposit rates	Dec-18	Dec-17
Current account	0.25%	0.25%
CDHIB prime investors account	11%	12%
Sweep call account	5%	6%
7 day call account	6%	7%
14 day call account	7%	8%
21 day call account	8%	9%
30 day call account	9%	9%
1 month fixed deposit	9%	12%
2 months fixed deposit	10%	13%
3 months fixed deposit	11%	13%
6 months fixed deposit	12%	14%
9 months fixed deposit	Negotiable	Negotiable
12 months fixed deposit	Negotiable	Negotiable

Lending rates	Dec-18	Dec-17
Base lending rate (local currency)	24.5%	26.0%
Base lending rate (foreign currency)	10%	10%
Maximum applicable range (basis points)	300	300
RBM Bank rate	16%	16%

Summary of consolidated and separate financial statements for the year ending 31 December 2018

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 2018 together with the independent auditor's report.

Overall performance

The bank realised consolidated profit after tax of K965 million against prior year performance of K246 million representing an increase of 293%. The operating income before impairments on loans and advances grew by 7% from K6,780 million to K7,278million mainly on account of growth in investment banking fees by 59% and increases in other fees and commissions by 126%.

The operating expenses increased by 2% and loan impairments had gone down by 34% mainly due to enhanced cost control mechanisms and effective risk management strategies that were deployed by the bank.

Total assets increased by 40% from K61,634 million to K86,533 million mainly due to an increase in investments funds as most customers were attracted by innovative treasury products offered by the bank.
We are pleased to report that despite the challenges faced, the bank complied with all regulatory bodies' guidelines at the end of the year.

Business prospects and outlook

The continuous stability of the current economic conditions as evidenced by low interest rates and inflation rates offer hope for increased economic activity going forward. The Bank remains committed to continue offering innovative investment banking and treasury products whilst deepening its banking operations.

Advisory, tailor-made and structured transactions remain the anchor for the bank's business and it is expected that the positive trend of projects and trade finance will provide opportunities for the bank's growth.

Basis of preparation

The Directors have prepared the summary consolidated and separate financial statements to meet the requirements of the Financial Services Act, 2010 of Malawi. The Directors have considered the Financial Services Act, 2010 requirements and believe that the summary statements of financial position and summary statements of profit or loss and other comprehensive income are sufficient to meet the requirements of the users of the summary consolidated and separate financial statements. The amounts in the summary consolidated and separate financial statements are prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards.

F. H. Kennedy	**K. Zulu**	**B. M. Mosiwa Ndovi**
Board Chairman	**Director**	**Chief Finance Officer**

10 April 2019

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 2018, the summary statements of profit or loss and other comprehensive income and cash flow for the year then ended, and the basis of preparation, loans to directors, senior management and other related parties, Directors' remuneration, management fees, capital management and investments are derived from audited consolidated and separate financial statements of CDH Investment Bank Limited for the year ended 31 December 2018.

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

Other matter

We have not audited the overall performance, business prospects and outlook included in the 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 the 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 reports dated 28 March 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 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, Engagements to Report on Summary Financial Statements.

Gordon Tembo
Chartered Accountant (Malawi)
Partner
Blantyre, Malawi

Grant Thornton
An instinct for growth™

12 April , 2019