



INVESTMENT BANK

# Audited summary consolidated and separate financial statements for the year ended 31 December 2017

Summary statements of profit or loss and other comprehensive	Consolidated	Consolidated	Separate	Separate
	31-Dec-17 Audited	31-Dec-16 Audited	31-Dec-17 Audited	31-Dec-16 Audited
	K'000	K'000	K'000	K'000
Interest income	15,887,423	12,878,065	15,887,423	12,878,065
Interest expense	(10,982,165)	(10,283,994)	(10,982,165)	(10,284,060)
Net interest income	4,905,258	2,594,071	4,905,258	2,594,005
Fees from investment banking services	1,208,041	987,774	1,208,041	987,774
Other fees and commission income	393,421	258,963	393,421	253,107
Trading income	222,207	1,116,850	222,207	1,102,402
Other operating income	40,918	15,729	40,918	15,729
Other income	9,735	36,740	9,735	36,740
Operating income before impairment losses on loans and advances to customers	6,779,580	5,010,127	6,779,580	4,989,757
Net impairment losses on loans and advances to customers	(1,808,746)	(410,444)	(1,808,746)	(410,444)
Income after impairment losses on loans and advances to customers	4,970,834	4,599,683	4,970,834	4,579,313
Operating expenses	(4,825,833)	(3,775,689)	(4,825,833)	(3,764,271)
Profit before income tax	145,001	823,994	145,001	815,042
Income tax credit	100,841	159,261	100,841	159,276
Profit and other comprehensive income for the year	245,842	983,255	245,842	974,318

Summary statements of financial position	Consolidated	Consolidated	Consolidated	Separate	Separate	Separate
	31-Dec-17 Audited	31-Dec-16 Restated	1-Jan-16 Restated	31-Dec-17 Audited	31-Dec-16 Restated	1-Jan-16 Restated
	K'000	K'000	K'000	K'000	K'000	K'000
<b>Assets</b>						
Cash and cash equivalents	3,949,815	3,028,854	5,608,210	3,949,815	3,028,854	5,599,738
Financial assets	33,317,667	47,134,552	16,796,810	33,317,667	47,134,552	16,796,810
Loans and advances to related parties	2,437,836	2,880,898	1,313,612	2,437,836	2,880,898	1,313,612
Loans and advances to other banks	7,008,894	-	-	7,008,894	-	-
Loans and advances to customers	12,862,160	10,444,059	11,541,418	12,862,160	10,444,059	11,541,418
Income tax recoverable	82,449	85,449	-	82,449	85,449	-
Amounts due from related parties	127,747	148,820	438,143	127,747	148,820	441,385
Assets held for sale	28,630	57,261	150,729	28,630	57,261	150,729
Other assets	797,337	185,044	311,573	797,337	185,030	307,070
Investments in subsidiary	-	-	-	-	-	49,430
Other investments	30,000	15,000	15,000	30,000	15,000	15,000
Property and equipment	618,086	561,901	240,721	618,086	561,901	207,229
Intangible assets	189,462	248,832	238,849	189,462	248,832	238,849
Deferred tax assets	183,651	6,795	-	183,651	6,795	-
<b>Total assets</b>	<b>61,633,734</b>	<b>64,799,465</b>	<b>36,655,065</b>	<b>61,629,322</b>	<b>64,795,053</b>	<b>36,661,270</b>
<b>Capital, reserves and liabilities</b>						
Share capital and reserves	3,382,804	3,442,616	2,708,280	3,378,392	3,438,204	2,712,805
Balances due to other banks	135,000	5,950,000	2,600,000	135,000	5,950,000	2,600,000
Customer deposits	26,196,479	20,362,691	15,805,550	26,196,479	20,362,691	15,806,992
Investment funds	30,489,716	33,769,619	13,565,793	30,489,716	33,769,619	13,565,793
Amounts due to related parties	-	304	-	-	-	304
Other liabilities and accruals	429,735	274,539	562,530	429,735	274,539	559,566
Income tax payable	-	-	262,142	-	-	265,329
Deferred tax liabilities	-	-	150,466	-	-	150,481
Subordinated liability	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
<b>Total capital, reserves and liabilities</b>	<b>61,633,734</b>	<b>64,799,465</b>	<b>36,655,065</b>	<b>61,629,322</b>	<b>64,795,053</b>	<b>36,661,270</b>

Summary statements of changes in equity	Consolidated	Consolidated	Separate	Separate
	31-Dec-17 Audited	31-Dec-16 Audited	31-Dec-17 Audited	31-Dec-16 Audited
	K'000	K'000	K'000	K'000
As at the beginning of the year	3,442,616	2,708,280	3,438,204	2,712,805
Transfer of deferred tax on revaluation of disposal of revalued assets	-	-	-	-
Total comprehensive income for the year	245,842	983,255	245,842	974,318
Dividend paid	(305,654)	(248,919)	(305,654)	(248,919)
As at the end of the year	<b>3,382,804</b>	<b>3,442,616</b>	<b>3,378,392</b>	<b>3,438,204</b>

Summary statements of cash flows	Consolidated	Consolidated	Separate	Separate
	31-Dec-17 Audited	31-Dec-16 Audited	31-Dec-17 Audited	31-Dec-16 Audited
	K'000	K'000	K'000	K'000
<b>Cash generated from operating activities</b>	<b>1,530,791</b>	<b>(1,652,047)</b>	<b>1,530,791</b>	<b>(1,616,905)</b>
Advance payment of income tax	(71,015)	(347,591)	(71,015)	(346,380)
<b>Net cash from (used in) operating activities</b>	<b>1,459,776</b>	<b>(1,999,638)</b>	<b>1,459,776</b>	<b>(1,963,285)</b>
<b>Cash flows from (to) investing activities</b>				
Proceeds from sale of equipment and motor vehicles	33,244	100,708	33,244	72,827
Acquisition of equipment and intangible assets	(281,972)	(555,634)	(281,972)	(555,634)
Acquisition of additional shares in Natswitch	(15,000)	-	(15,000)	-
<b>Net cash used in investing activities</b>	<b>(263,728)</b>	<b>(454,926)</b>	<b>(263,728)</b>	<b>(482,807)</b>
<b>Cash flows from financing activities</b>				
Dividends paid	(305,654)	(248,919)	(305,654)	(248,919)
<b>Net cash from financing activities</b>	<b>(305,654)</b>	<b>(248,919)</b>	<b>(305,654)</b>	<b>(248,919)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>890,394</b>	<b>(2,703,483)</b>	<b>890,394</b>	<b>(2,695,011)</b>
Effects of exchange rate fluctuations on cash and cash equivalents	30,567	124,127	30,567	124,127
Cash and cash equivalents at the beginning of the year	3,028,854	5,608,210	3,028,854	5,599,738
<b>Cash and cash equivalents at end of the year</b>	<b>3,949,815</b>	<b>3,028,854</b>	<b>3,949,815</b>	<b>3,028,854</b>

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

Sector	Consolidated and separate as at 31 Dec-17			Consolidated and separate as at 31 Dec-16		
	Outstanding amount	Impaired loans outstanding balances	Specific provisions excl. interest in suspense	Outstanding amount	Impaired loans outstanding balances	Specific provisions excl. interest in suspense
	K'000	K'000	K'000	K'000	K'000	K'000
Agriculture	718,245	363	347	936,342	-	-
Construction	464,475	14,938	12,676	23,586	18,736	9,482
Manufacturing	5,318,843	1,581,040	851,871	3,348,307	270,919	231,433
Real estate	436,064	34,449	26,022	-	9,507	1,872
Tourism and leisure	2,811	1,184	132	2,876	-	-
Transport/storage	736,961	145,234	98,314	848,296	101,294	95,541
Wholesale and retail	4,439,272	253,086	252,164	2,819,903	249,303	73,119
Other	3,178,606	56,216	53,163	3,092,278	31,255	28,703
	<b>15,295,277</b>	<b>2,086,510</b>	<b>1,294,689</b>	<b>11,071,588</b>	<b>681,014</b>	<b>440,150</b>

## 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	31st Dec-17		31st Dec-16	
	Outstanding	% of core capital	Outstanding	% of core capital
	K'000		K'000	
Manufacturing	5,318,843	193%	-	-
Agriculture	-	-	2,428,665	71%

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

	Consolidated and separate				Consolidated and separate			
	31st Dec-17				31st Dec-16			
	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)	-	-	9,000	(1,746)	7,254
Senior management	139,053	137,428	(96,297)	180,184	132,339	42,284	(35,570)	139,053

## Directors remuneration

	Consolidated and separate 31-Dec-17	Consolidated and separate 31-Dec-16
	K'000	K'000
Directors remuneration	54,380	29,081

## Capital management

	Required - 2017	Dec-17	Dec-16
Tier 1 ratio	10.00%	11.65%	18.52%
Tier 2 ratio	15.00%	16.12%	22.83%

## Investment in subsidiary & associate

	Percentage holding	31-Dec-17 K'000	31-Dec-16 K'000
Associate			
National Switch Ltd	9%	30,000	15,000

## Financial highlights

### Performance

The operating income before impairments on loans and advances grew by 35% from K5,010 million to K6,780million.

### Business prospects

The bank remains committed to continue offering innovative investment banking and treasury products whilst widening its distribution channels.

## Summary of consolidated and separate financial statements for the year ending 31 December 2017

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 2017 together with the independent auditor's report.

### Overall performance

The bank realised consolidated profit after tax of K246 million against prior year performance of K983 million representing a decline of 75%. The operating income before impairments on loans and advances grew by 35% from K5,010 million to K6,780million mainly on account of growth in net interest income by 89% and fees and commissions by 28%. The operating expenses increased by 28% mainly due to increased activity arising from operations of the new branch in Capital City. Loan impairments had gone up significantly due to increased exposure in the manufacturing sector due to spill-over effects of the tight economic conditions experienced in the previous year.

Total assets decreased by 5% from K64,799 million to K61,634 million mainly due to a reduction in investments funds as most customers were consolidating their cash positions.

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

### Business prospects and outlook

The continuous stability of the current economic conditions as evidenced by downward trends in 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 widening its distribution channels.

Investment banking remains the anchor for the bank's business as it targets to do more on project and trade finance transactions.

### 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 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. The Directors therefore believe that the summary statements of financial position, profit or loss and other comprehensive income, changes in equity and cash flows are sufficient to meet the requirements of the users of the summary financial statements.

F. H. Kennedy  
Board Chairman

M.G. Esau  
Managing Director & CEO

B. M. Mosiwa Ndovi  
Chief Finance Officer

10th April 2018

## 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, the summary statements of profit or loss and other comprehensive income, statements of changes in equity 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 2017.

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 basis of preparation note.

### Other matter

We have not audited the credit concentration, deposit and lending rates, overall performance, business prospects and outlook 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 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 23 March 2018. 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 basis of preparation note.

### 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  
13 April, 2018