



INVESTMENT BANK



Summary of audited results for the year ended 31st December 2020

Statements of profit or loss and other comprehensive income

	Consolidated 31-Dec-20 Audited K'000	Consolidated 31-Dec-19 Audited K'000	Separate 31-Dec-20 Audited K'000	Separate 31-Dec-19 Audited K'000
Interest income	16,273,263	14,916,480	16,273,263	14,916,480
Interest expense	(9,263,587)	(8,648,803)	(9,263,587)	(8,648,803)
Net interest income	7,009,676	6,267,677	7,009,676	6,267,677
Non-interest income	3,947,910	2,269,535	3,947,910	2,269,535
Operating income before impairment losses on loans and advances to customers	10,957,586	8,537,212	10,957,586	8,537,212
Net impairment losses on loans and advances to customers	(771,811)	285,800	(771,811)	285,800
Income after impairment losses on loans and advances to customers	10,185,775	8,823,012	10,185,775	8,823,012
Operating expenses	(5,720,969)	(5,542,445)	(5,716,571)	(5,542,445)
Profit before income tax	4,464,806	3,280,567	4,469,204	3,280,567
Income tax expense	(1,378,322)	(971,918)	(1,379,642)	(971,918)
Profit and comprehensive income for the year	3,086,484	2,308,649	3,089,562	2,308,649

Statements of financial position

	Consolidated 31-Dec-20 Audited K'000	Consolidated 31-Dec-19 Audited K'000	Separate 31-Dec-20 Audited K'000	Separate 31-Dec-19 Audited K'000
Assets				
Cash and cash equivalents	7,206,052	6,708,237	7,206,052	6,708,237
Financial assets at fair value through profit or loss	71,188,220	48,916,015	71,188,220	48,916,015
Investment securities	4,400,106	1,433,596	4,400,106	1,433,596
Loans and advances to related party	-	3,012,329	-	3,012,329
Loans and advances to other banks	1,500,473	2,023,252	1,500,473	2,023,252
Loans and advances to customers	38,273,785	30,540,364	38,273,785	30,540,364
Income tax recoverable	-	4,398	-	-
Other assets	905,481	1,842,114	905,467	1,842,100
Other investments	280,000	280,000	280,000	280,000
Equipment	1,980,888	1,942,627	1,980,888	1,942,627
Intangible assets	31,980	69,034	31,980	69,034
Deferred tax asset	34,880	72,805	34,880	72,805
Total assets	125,801,865	96,844,771	125,801,851	96,840,359

Capital, reserves and liabilities				
Share capital and reserves	13,584,532	10,498,048	13,583,198	10,493,636
Balances due to other banks	500,472	-	500,472	-
Customer deposits	48,083,812	40,322,718	48,083,812	40,322,718
Investment funds	59,406,494	41,636,566	59,406,494	41,636,566
Other liabilities and accruals	2,027,692	2,240,787	2,027,692	2,240,787
Income tax payable	598,863	546,652	600,183	546,652
Subordinated liability	1,600,000	1,600,000	1,600,000	1,600,000
Total capital, reserves and liabilities	125,801,865	96,844,771	125,801,851	96,840,359

Summary statements of changes in equity

	Consolidated 31-Dec-20 Audited K'000	Consolidated 31-Dec-19 Audited K'000	Separate 31-Dec-20 Audited K'000	Separate 31-Dec-19 Audited K'000
At the beginning of the year	10,498,048	4,293,169	10,493,636	4,288,757
Transitional adjustment on IFRS 16 adoption at 1 Jan 2019	-	(5,384)	-	(5,384)
New issue of shares	-	3,901,614	-	3,901,614
Total comprehensive income for the year	3,086,484	2,308,649	3,089,562	2,308,649
As at the end of the year	13,584,532	10,498,048	13,583,198	10,493,636

Summary statements of cash flows

	Consolidated 31-Dec-20 Audited K'000	Consolidated 31-Dec-19 Audited K'000	Separate 31-Dec-20 Audited K'000	Separate 31-Dec-19 Audited K'000
Cash generated from operating activities	3,376,131	2,192,982	3,376,131	2,192,982
Advance payment of income tax	(1,288,186)	(359,523)	(1,288,186)	(359,523)
Net cash from operating activities	2,087,945	1,833,459	2,087,945	1,833,459
Cash flows from investing activities				
Proceeds from sale of equipment and motor vehicles	3,945	473	3,945	473
Acquisition of equipment and intangible assets	(106,892)	(69,404)	(106,892)	(69,404)
Non-cash adjustment on IFRS 16 Leases	(704,045)	(2,328,360)	(704,045)	(2,328,360)
Acquisition of equity investment	-	(250,000)	-	(250,000)
Net cash used in investing activities	(806,992)	(2,647,291)	(806,992)	(2,647,291)
Cash flows from financing activities				
Proceeds from issue of shares	-	3,901,614	-	3,901,614
Repayment of lease liabilities	(984,334)	(827,651)	(984,334)	(827,651)
Net cash (used in)/generated from financing activities	(984,334)	3,073,963	(984,334)	3,073,963
Net increase in cash and cash equivalents	296,619	2,260,131	296,619	2,260,131
Effects of exchange rate fluctuations on cash and cash equivalents	201,196	6,777	201,196	6,777
Cash and cash equivalents at the beginning of the year	6,708,237	4,441,329	6,708,237	4,441,329
Cash and cash equivalents at end of the year	7,206,052	6,708,237	7,206,052	6,708,237

Impairment losses non performing credit facilities and provisions for losses

Sector	Consolidated and separate as at 31 Dec-20			Consolidated and separate as at 31 Dec-19		
	Outstanding amount K'000	Impaired loans outstanding balances K'000	Specific provisions K'000	Outstanding amount K'000	Impaired loans outstanding balances K'000	Specific provisions K'000
Agriculture	3,905,203	55,824	54,007	1,183,093	675	-
Construction	545,505	136,470	80,226	790,929	93,877	-
Manufacturing	9,828,067	42	-	10,883,542	-	-
Real estate	436,424	2,274	-	181,331	-	-
Tourism and leisure	1,741,805	888,944	-	33,552	-	-
Transport/storage	465,538	-	-	437,568	7,542	7,542
Wholesale and retail	15,072,571	123,134	-	12,159,291	1,762,966	485,207
Community, social and personal services	4,682,967	-	-	5,183,609	-	-
Other	3,152,506	1,382,574	1,119,131	315,563	2,838	2,503
	39,830,586	2,589,262	1,253,364	31,168,478	1,867,898	495,252

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	31-Dec-20		31-Dec-19	
	Outstanding K'000	% of core capital	Outstanding K'000	% of core capital
Agriculture	3,240,850	24%	-	-
Wholesale and retail	13,543,417	101%	11,189,218	109%
Manufacturing	9,119,211	68%	9,327,969	91%

Deposit rates

	Dec-20	Dec-19
Current account	0.25%	0.25%
CDHIB prime investors account	7%	7%
Sweep call account	-	-
7 day call account	5%	5%
14 day call account	5%	5%
21 day call account	5%	5%
30 day call account	5%	5%
1 month fixed deposit	5%	5%
2 months fixed deposit	6%	6%
3 months fixed deposit	7%	7%
6 months fixed deposit	Negotiable	Negotiable
9 months fixed deposit	Negotiable	Negotiable
12 months fixed deposit	Negotiable	Negotiable

Loans to directors, senior management and other related parties

	Consolidated and separate				Consolidated and separate			
	31-Dec-20				31-Dec-19			
	Opening balance K'000	Loans granted during the period K'000	Repayments K'000	Balance at period end K'000	Opening balance K'000	Loans granted during the period K'000	Repayments K'000	Balance at period end K'000
Senior management	223,601	153,423	(211,160)	165,864	244,524	190,080	(211,003)	223,601

Directors remuneration and bonuses

	Consolidated and separate 31-Dec-20 K'000	Consolidated and separate 31-Dec-19 K'000
Directors remuneration	107,361	68,773
Total bonuses paid to staff	446,052	331,280

Capital management

	Required	Dec-20	Dec-19
Tier 1 ratio	10.00%	48.12%	37.49%
Total capital ratio	15.00%	51.54%	42.13%

Other investments

	Percentage holding	31-Dec-20 K'000	31-Dec-19 K'000
Associates			
National Switch Limited	8.33%	30,000	30,000
Malawi Agricultural and Industrial Investment Corporation Plc	2.20%	250,000	250,000

Lending rates

	Dec-20	Dec-19
Base lending rate (local currency)	12.3%	12.0%
Base lending rate (foreign currency)	10%	10%
Maximum applicable range (basis points)	300	300
RBM bank rate	12.0%	13.5%

Summary of consolidated and separate financial statements for the year ended 31 December 2020

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 2020 together with the independent auditor's report.

Overall performance

The bank realised consolidated profit after tax of K3,086 million against the prior year performance of K2,309 million representing an increase of 34%. The performance was backed by a strong growth in operating income. During the same period net interest income grew by 12% from K6,268 million to K7,010 million, and non-interest income grew from K2,270 million to K3,948 million representing an increase of 74%.

Total assets increased by 30% from K96,845 million to K125,802 million mainly due to increases in financial assets at fair value through profit or loss by 46% and increase of 25% in loans and advances respectively. The bank leveraged on its ability to integrate investment banking services with traditional commercial banking activities.

The bank complied with all regulatory bodies' guidelines throughout the year.

Business prospects and outlook

The tough operating environment characterised by negative effects of the COVID-19 pandemic and volatility of interest rates is expected to spill over into 2021. However, the business environment is expected to improve as both domestic and international economies re-open following significant progress on the development and rollout of the COVID-19 vaccinations.

Whilst navigating the effects of the pandemic on the business, and working hard to support customers, clients and our communities, CDHIB's long term growth plans will continue to improve. The board and management will concentrate on maintaining operational resilience and improving financial soundness of the bank. The bank will also increase investments in its digital and technology driven services with the aim of providing customer centric solutions, and to generate increased profitability, flexibility and agility.

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 consolidated and separate 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 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. The summary consolidated and separate financial statements have been derived from the consolidated and separate financial statements which were approved by the Board of Directors on 26 March 2021 and are available at the registered office of the bank.

K Zulu Director	N Ngwira Director	JR Ngando Moukala Chief Executive Officer	B Mosiwa Ndovi Chief Finance Officer
---------------------------	-----------------------------	---	--

26 March 2021

Independent Auditor's report on the summary consolidated and separate financial statements to the shareholders of CDH Investment Bank Limited as at 31 December 2020.

Opinion

The summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2020, the summary statements of profit or loss and other comprehensive income, 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 2020.

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 26 March 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 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
26 March , 2021

