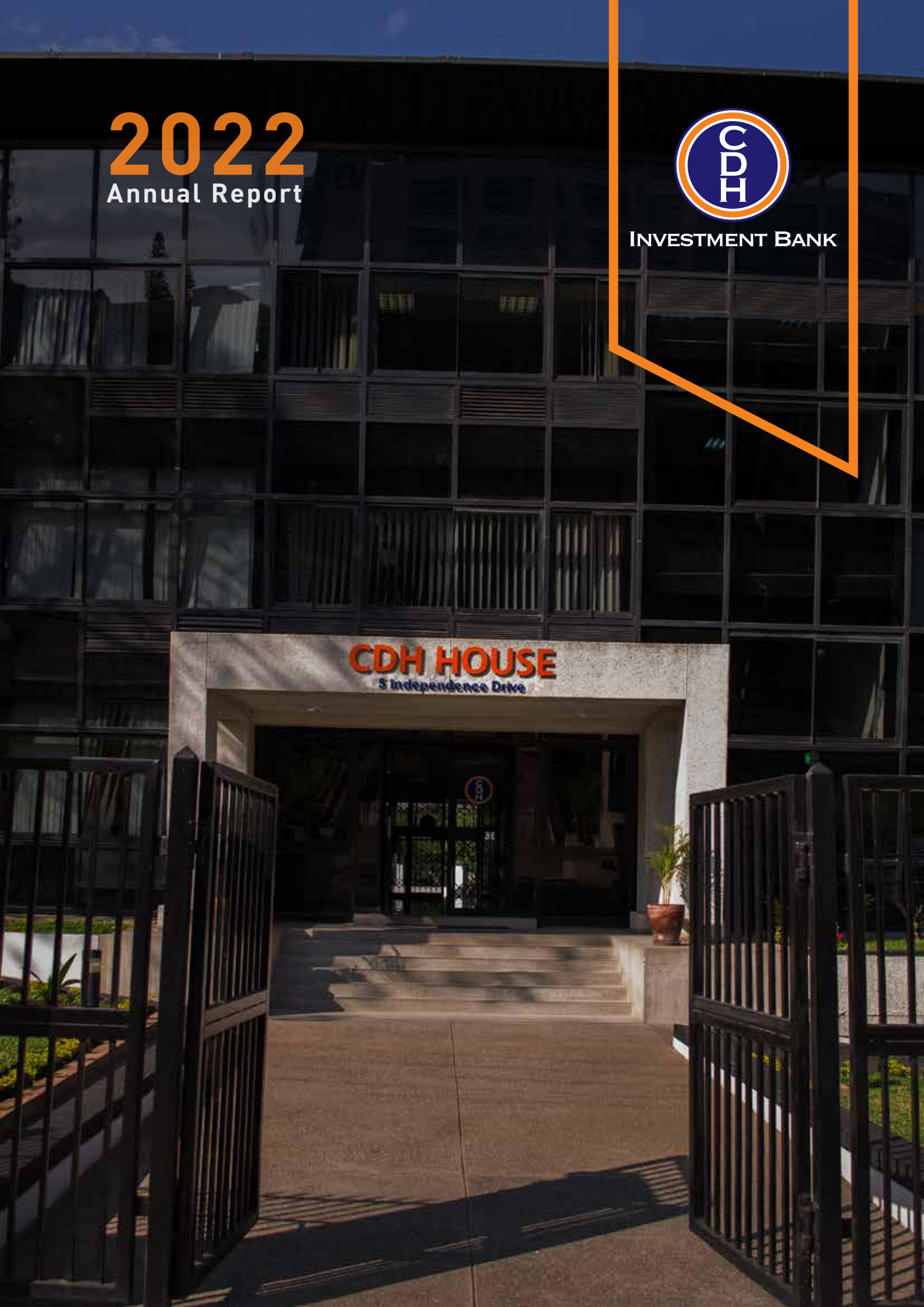
2022
Annual Report



CDH

INVESTMENT BANK

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An overview of who we are

CDH Investment Bank Limited (CDHIB) is a leading investment bank in Malawi. It is licensed as a bank by the Reserve Bank of Malawi and is a member of Continental Holdings Limited, a financial services group registered in Malawi. CDHIB opened for business on 2nd April 2012 following the successful conversion from Continental Discount House Limited (CDH) which had operated in the financial services sector for 14 years since August 1998.

CDHIB offers investment banking and commercial banking services. It is a deposit-taking investment bank out of which it makes loans and advances. The bank's unique value proposition is the provision of bespoke financial services which go beyond general banking services to meet client specific needs. Through off-balance sheet financing capabilities, CDHIB takes a leading role in mobilizing resources from both local and international capital markets for investment in Malawi's groundbreaking projects. The bank is also a significant participant of the financial markets as a market maker in the trading of over-the-counter financial securities, including money market, and foreign exchange instruments.

Our approach is commitment to an "on-going client-advisor relationship" and delivery of tailor-made financial solutions to clients who wish to grow their businesses.

The bank has grown in leaps and bounds and contributed positively to growth of many individuals, organizations and communities and ultimately the nation. The bank celebrated ten years of "creating value" in 2022.

Our vision

To be the leading specialist bank in Malawi.

Our mission

To deliver financial solutions to our clients by effectively utilizing the best human capital and information technology while fostering good corporate governance principles.

Core values

- **Integrity**
  We adhere to principles of honesty, trust and moral judgement.
- **Respect**
  We accord all stakeholders the dignity they deserve.
- **Innovation**
  We convert knowledge into solutions creatively.
- **Trust**
  We will do all it takes to sustain trustworthiness among our stakeholders.
- **Teamwork**
  We value individual contributions and celebrate the diversity of our expertise.
- **Equity**
  Justice and fairness are our pillars for inclusion

Products and services

Commercial banking

1. Current, call and savings accounts
2. Term and investment accounts
3. Foreign currency accounts
4. International trade and remittances
5. Overdrafts, short and medium-term finance, letters of credit
6. Asset finance
7. Value chain financing
8. Digital banking

Investment banking

1. Capital raising (debt and equity)
2. Financial restructuring
3. Company valuation
4. Stock exchange listing, delisting and capital market advisory
5. Leveraged buyouts
6. Mergers, demergers, acquisitions and divestitures
7. Asset-backed securities
8. Balance sheet restructuring

Treasury

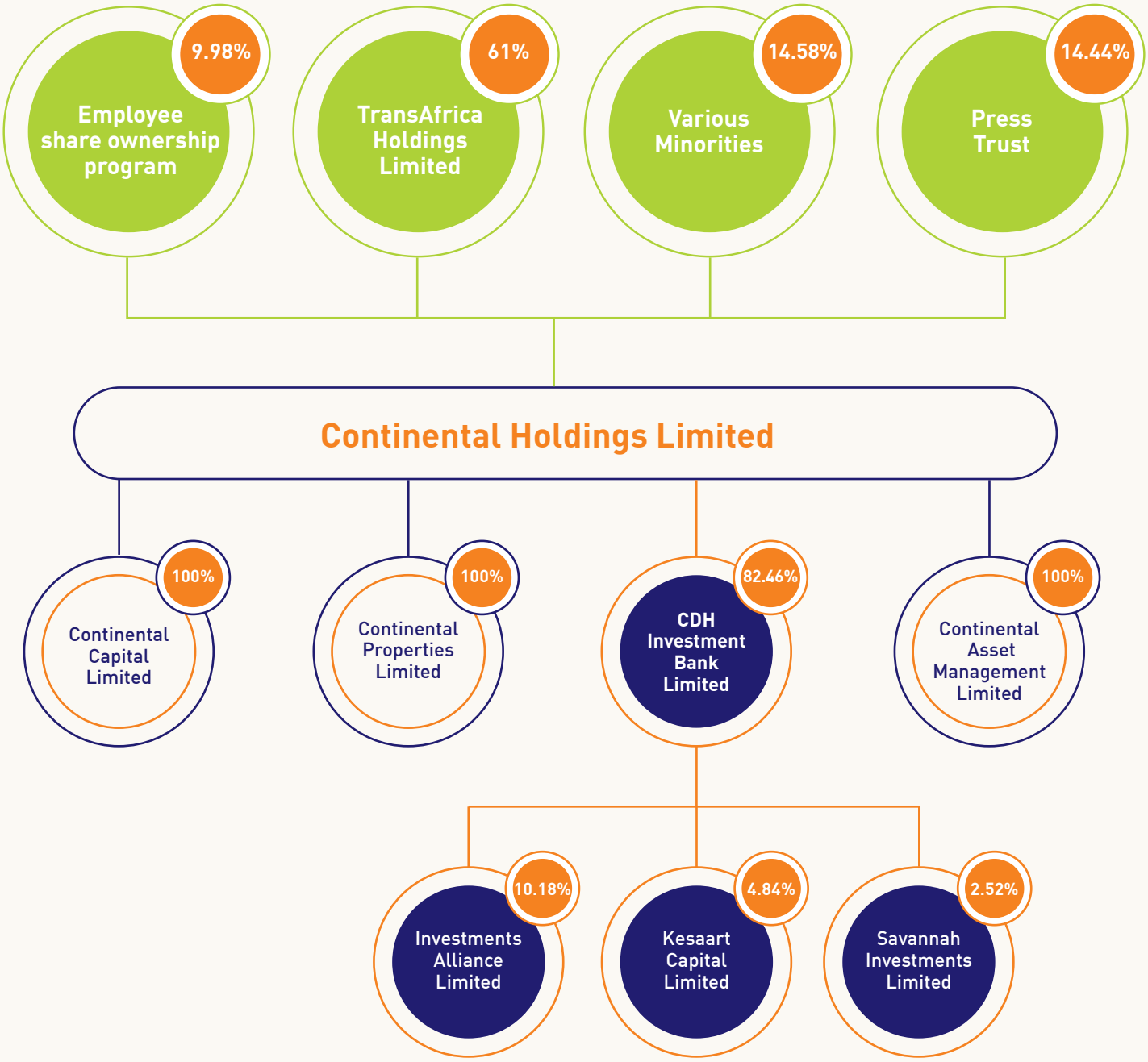
1. Trading of financial securities
2. Spot and forward foreign exchange transactions
3. Fixed income and foreign exchange market specialist advice
4. Investment contracts

Target market

The bank serves a select niche market grouping of:

1. Corporations
2. Government
3. International organizations and agencies
4. High net worth individuals
5. Small and Medium Enterprises (SMEs)
6. State-Owned Enterprises (SOEs)

CDHIB is a subsidiary of Continental Holdings Limited which is itself 61.00% owned by Trans Africa Holdings Limited (TAH), 14.44% by Press Trust, 9.98% by an Employee Share Ownership Programme (ESOP) and 14.58% by various minorities.



Corporate governance

CDHIB recognises that good corporate governance is instrumental in ensuring the attainment of its objectives for the benefit of its shareholders whilst taking cognizance of the interests of all other stakeholders. The bank is committed to the highest level of corporate governance and the implementation of effective structures, policies and practices that improve corporate governance and create sustainable value for our shareholders and other stakeholders.

Our corporate governance practices are periodically reviewed and improved upon by benchmarking against internationally accepted best practices. The board is responsible for setting and reviewing the bank's strategic direction and monitoring the implementation of strategy by management. The Chief Executive Officer is responsible for the strategic leadership of the business.

Board of directors

CDHIB's board has a balance of executive, non-executive and independent directors. The board comprises a majority of independent directors (non-executive directors) who are independent as defined in the King IV report.

The board continues to ensure that governance structures and processes are effective to ensure proper discharge of its oversight role. The board considers effective risk management as one of the key drivers to ensuring that the bank achieves its objectives.

The board recognises its responsibility in creating value by providing ethical leadership, promoting the bank's vision and upholding its values. The board members act in the best interest of the bank and its stakeholders at all times.

The board of CDHIB comprises the following:

Name	Nationality
Franklin Kennedy (Chairman)	Canadian
Kofi Sekyere	Ghanaian
Robert Abbey	Ghanaian
Elias Malion	Malawian
Kingsley Zulu	Malawian
John McGrath	British
Charles Asare	Ghanaian
Sydney Chikoti	Malawian
Joyce Gundani	Malawian
Kwame Ahadzi	Ghanaian
Thoko Mkavea	Malawian
Beatrix Mosiwa	Malawian

Board sub-committees and members

The board has the following standing sub-committees:

Name of sub-committee	Chairperson	Members
Audit	Sydney Chikoti	• Elias Malion • Kingsley Zulu
Risk and Compliance	Joyce Gundani	• John McGrath • Charles Asare
Finance, Business and Information Technology	Kofi Sekyere	• Robert Abbey • Kwame Ahadzi
Human Resources and Remuneration	John McGrath	• Kofi Sekyere • Robert Abbey

Risk management

The CDHIB Board regards risk management as a key discipline within the bank's operations. The day-to-day responsibility of identifying, managing and mitigating emerging risks is the role of management. Management is accountable to the board for designing, implementing and monitoring the system and process of risk management and compliance. The bank has a separate risk and compliance function to ensure that it operates within the law, its policies and standards. Risk management is a standard business discipline and is applied consistently throughout the bank's operations. The risk management process is integrated within the strategic business planning process and is embedded through our management reporting and performance management system.

Executive management

CDHIB's executive management deals with all material matters relating to implementing the bank's strategy, monitoring performance and considering policies and approving significant transactions within its mandate. The management team consists of seasoned bankers and professionals who are driven to make CDHIB a leading financial institution by prudently managing the bank's assets to provide adequate return to stakeholders.

The executive management of CDHIB comprises the following:

Name	Designation
Kwame Ahadzi	Chief Executive Officer/Managing Director
Thoko Mkavea	Deputy Chief Executive Officer/Executive Director
Beatrix Mosiwa	Executive Director, Finance and Operations
Benison Jambo	Chief Business Development Officer
Paul Nyachiwowa	outgoing Chief Treasury Officer
Chris Chirwa	Chief Information Technology Officer
Daniel Mwangwela	Chief Legal Officer and Company Secretary
Christopher Ngwira	Chief Internal Auditor
Zondwayo Mafuleka	Chief Treasury Officer
James Chikoti	Chief Operating Officer
Ivy Kwatiwani	Chief Human Capital Development Officer
Sungani Mkandawire	Chief Credit Officer
Kelvin Mkulichi	Chief Finance Officer
Robert Malipa	Chief Risk and Compliance Officer

Our culture

CDHIB is a dynamic, growing investment bank with a commitment to excellence and innovation. Our approach to business requires investment in intellectual capital and as such, the bank remains committed to on-boarding qualified, talented and culturally fit individuals on our teams. CDHIB is an equal opportunities employer and prides itself in having the most appropriate staff amongst its employ.

We believe that every team member is valuable to the success of the bank and strive to provide team members opportunities to realize their full potential, develop and grow. We encourage team members to constantly seek to improve their knowledge and skills through further education and interaction with local and international industry peers.

The safety of personnel and their health at the workplace remains a priority for the bank as we endeavor to become the employer of choice in Malawi. The bank has over the years enhanced employee engagement and employee recognition. We reward exceptional performance while identifying and improving performance which does not meet the bank's standards. Our open-door policy encourages the sharing of ideas across all levels, within the organization to enhance our service delivery.

As the ultimate judges of our performance, our customers expect exceptional service and value, we focus on developing new and better solutions to deal with various customers' financial challenges. We stress creativity in everything we do and are proud to have pioneered several innovations in the industry. We appreciate the dedication and efforts from our team in upholding our values and standards of excellence.

Corporate social responsibility

Corporate social responsibility is one of our fundamental values at CDHIB. We are committed to creating value not only for investors, but also for our employees, clients, the communities we serve and other stakeholders. As we celebrated ten years of creating value, we dedicated resources to a variety of corporate social responsibility initiatives ranging from projects of national impact, sports, education, health, and professional activities. These initiatives were executed with community involvement and had long lasting recognized efforts of national impact. We are committed to supporting initiatives that will create value for our communities, and the nation.

Investment banking services

We provide specialised, well researched financial advice to organizations confronted with complex financial challenges. Our market leadership in investment banking is defined by a combination of determination and commitment to create value for our clients.

ADMARC

Commercial paper programme

Lead arranger

2021

CDH Investment Bank

Secured loan programme

Lead arranger

2022

CDH Investment Bank

AHL GROUP PLC

Medium term note

Lead arranger

2020

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SALIMA SUGAR CO. LTD

Medium term note

Lead arranger & local agent bank

2020

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MAIIC

Establishment of a national development finance institution In Malawi

Lead arranger

2019

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AFREXIMBANK

Trade finance intermediary Malawi

2019

CDH Investment Bank

Finance

Best Investment Bank in Malawi - 2022
Global Banking & Finance Review

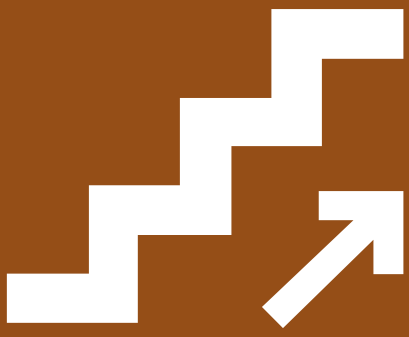
CDH
INVESTMENT BANK

Banking innovations that help your business grow

info@cdh-malawi.com | www.cdh-malawi.com

Customer deposits

49%
increase



Profitability

55%
increase

Return on equity

35%

Assets growth

20%

Grow with the best

We lead in investment banking solutions in Malawi.

Blantyre Banking Centre
Tel: +265 (0) 1 832 269

Capital City Banking Centre
Tel: +265 (0) 1 776 188

Lilongwe Banking Centre
Tel: +265 (0) 1 753 464

CDH @10
Creating value

Banking innovations that help your business **grow**

info@cdh-malawi.com | www.cdh-malawi.com

Banking innovations that help your business grow

Blantyre Banking Centre
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Capital City Banking Centre
Tel: +265 (0) 1 776 188

Lilongwe Banking Centre
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CDH @ 10
Creating value

Banking innovations that help your business grow

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INVESTMENT BANK

Our performance

For the year ended 31 December 2022

Chairman's statement

Franklin Kennedy
Chairman

Operating environment

The 2022 macroeconomic environment provided opportunities for improved performance following the COVID-19 recovery gains registered with the kick start of normalcy worldwide. However, the Russia-Ukraine war was a major risk to economic growth globally with the negative impact on global supply chains, inflation and currencies. Despite the expectation of improved performance worldwide, Malawi's economic growth in 2022 was negatively impacted by a contraction of the agricultural sector and low electricity generation caused by weather-related shocks. Consequently, the Government estimates that Real Gross Domestic Product (GDP) growth rate for Malawi slowed sharply from 4.6% in 2021 to 1.2% in 2022. Additionally, the Kwacha continued to weaken against major trading currencies, even after the Reserve Bank of Malawi (RBM) devalued the Kwacha by 25% against the United States Dollar (USD) on 26 May 2022 following the prevalence of imbalances between supply and demand of forex in the country. Inflationary pressures were persistently high owing to prolonged rise in domestic and global prices of both food and non-food items. The headline inflation rate increased to an average of 21.0% in 2022 from 9.3% in 2021. The Reserve Bank of Malawi had to raise the Policy rate from 12.0% at the beginning of the year to 18.0% at the end of the year, resulting in a general rise in market interest rates and yields.

Bank performance

The bank remained resilient in the turbulent operating environment. The board, management and staff were determined and fully committed to identifying opportunities to deliver on the promise of creating value for our stakeholders. I am pleased to report that the bank registered another strong performance in 2022, recording a profit after tax of K7.5billion which was 55% higher than the prior year and a return on shareholder's equity of 35%. The bank's performance continues to be underpinned by strong governance, highly committed and experienced staff, and supportive and respectful relationships with our clients, regulatory authorities, the Government of Malawi and financial institutions, both local and international. 2022 also marked the Bank's tenth anniversary since it commenced banking operations. The bank celebrated the tenth anniversary under the theme "Ten Years of Creating Value" and engaged in a variety of stakeholder activities. We are proud of the successes we have registered over the past ten years of providing innovative banking solutions to our clients and are committed to providing value that underpins growth in our stakeholders' businesses.

Strategic direction

We anticipate that the economic environment will continue to be challenging in 2023. Nonetheless, CDHIB's long-term growth plans remain steadfast. The bank will continue to focus on executing its long-term strategic priorities underpinned by effective governance, exceptional service, maintaining and growing strategic relationships and alliances, strong internal controls, technology, enhancing internal business processes, and continuous effective learning and growth for our staff.

The bank will also continue to build on its unique proposition of integrating investment banking services with traditional commercial banking services. We will strive to remain the undisputed market leader in providing investment banking services in Malawi and continue to grow our capacity to offer personalized solutions to our clients.

Executive management changes

The Board welcomed Mr Kwame Ahadzi as the new Chief Executive Officer/Managing Director, effective 1st February 2022. Mr Ahadzi is a seasoned banker with broad executive management experience in Africa.

Mr Kelvin Mkulichi was appointed as the Chief Finance Officer effective November 2022. Mr Kelvin Mkulichi is a Fellow of the Association of Chartered Certified Accountants (England) with over 14 years of experience in accounting, finance, administration and risk management. He joined the bank in 2017 and prior to his new role, was the Finance Manager for the bank.

The bank bid farewell to Mr Paul Nyachiwowa who served as Chief Treasury Officer for five years. He was replaced by Mr Zondwayo Mafuleka, a Chartered Accountant who joined CDH Investment Bank in 2018. Prior to this role, Mr Mafuleka was Chief Risk and Compliance Officer, a position he held for 4 years. Zondwayo has over 12 years of experience in risk management and finance and holds the ACI dealing certificate. We are optimistic that the treasury team will continue to perform exceptionally well and positively contribute to the bank's performance.

Mr Robert Malipa was appointed the Chief Risk and Compliance Officer effective November 2022. Mr Malipa, is a Chartered Accountant, Certified Risk Management Assessor, Certified Internal Auditor, and Certified Fraud Examiner. He joined CDH Investment Bank in October 2017 and has over 11 years of experience in risk management, finance, internal and external audit. Despite the loss of one of the executive officers, these staff changes have brought a new level of energy in the executive management team.

Appreciation

The strong performance recorded in 2022, and in the last five years, was possible because of the unwavering commitment of the entire CDHIB team. I am truly grateful to our clients whose loyalty remains one of our strongest assets. To our staff, I say thank you for your relentless drive and commitment to duty and I extend the same appreciation to my fellow members of the Board. To all our shareholders, the Regulator and all other stakeholders, your continuous commitment and support to CDH Investment Bank's mission remains important to us.

Thank you.

Franklin Kennedy
Board Chairman

CEO's statement

Kwame Ahadzi
Chief Executive Officer

Operating environment

2022 was another successful year for CDH Investment Bank as the bank celebrated 10 years of operations. The team delivered an exceptional performance despite the challenging operating environment. The bank realized a profit after tax of K7.5billion against prior year's performance of K4.9billion, representing an increase of 55%. Total assets grew by 20% from K183 billion in 2021 to K219 billion during the same period and return on assets and equity remained strong at 3.4% and 35%, respectively.

Overview of the business units

The three business units of the bank, namely Investment Banking, Commercial Banking, and Treasury Management, continue to drive the impressive performance of the bank. Our culture of commitment to teamwork, exceptional service and research is an essential strength which facilitates effective performance. We remain committed to creating value with innovative and specially crafted commercial and investment banking solutions and services for our clients.

Investment banking

Investment banking remains the bank's unique service proposition, building mainly on its successes over the last 10 years. As the bank celebrated a decade of creating value, the bank continued to position itself as the investment bank of choice in Malawi. The bank continues to play a critical role in providing financial advisory services to its valued customers with a special focus on Government debt and international business, securitizations, listings and corporate balance sheet restructurings to achieve financial efficiency, as well as equity and debt listings on the Stock Exchange.

The bank reinforces its efforts to dominate in consolidating achievement in these core business areas and most importantly channeling financial resources from the capital market to drive economic growth. The bank continues to strengthen its human capital to effectively serve clients better in the future.

Commercial banking

The negative effects of the COVID-19 pandemic and the Russia Ukraine war affected operations in 2022. The operating environment was marred with uncertainty, however, the bank continued with its core strategy of developing and maintaining client relationships and leveraging cross-selling opportunities within its existing customer base. The client centric strategy enabled the bank to not only maintain a quality asset portfolio, but also maintain a stable deposit base to ensure sustainability of the bank. In the corporate business, we continued to take prudent action with respect to asset quality and provisioning. We remained focused on offering tailored solutions in our corporate and Government market segments.

We worked hard to support our clients in their routine business transactions and continued to offer competitive loan products to clients despite stiff market competition.

We will continue to focus on being customer centric, offer tailor made solutions and thus become the transaction bank of choice for our target market. This strategy will cultivate our customer relationships and ensure we capture multiple revenue streams from our corporate, retail and business banking market segments.

Treasury management and international trade

The bank's treasury business grew significantly in 2022. Despite the challenges the country faced with forex shortages in the year, the bank's fixed income turnover volumes increased substantially from the previous year. The bank maintained its leading role in the trading of fixed income securities on the secondary market. We are optimistic that the bank will continue to grow in treasury management and international trade following the new relationships formed in 2022. Despite limited availability of foreign exchange, the bank grew the volume and value of transactions for clients in the year. We are optimistic that the bank will continue to grow in these areas.

Human capital

Our people remain our most valuable resource. Therefore, the bank continues to invest in staff. The enhanced internal employee engagement efforts in the past year culminated in a positive contribution to the growth in our brand affinity and advocacy. Safety and the health of personnel remains a priority.

Business prospects and outlook

Although the operating environment 2022 was challenging, the team was committed and able to build on past successes to strengthen the three business units of the bank. While the operating environment in 2023 is expected to remain challenging, we are optimistic and steadfast in our commitment to build on past successes and continue to strengthen the three business units of the bank. To this end, in 2023, we will continue to focus on strengthening the technology framework of the bank by upgrading its existing operating systems and introducing new digital applications. We are positive that these initiatives will enhance our capacity to maintain high-quality services to customers and provide a safe working environment for our staff. The bank remains alert and proactive to overcome unforeseen challenges that may come in 2023, including any turbulent effects from the global and domestic economic environments. We have successfully cultivated a robust ecosystem of local and international strategic alliances, including trusted advisors and investors, to aid our endeavors. As we look ahead to 2023, we remain optimistic about our prospects and are confident in our ability to seize new opportunities and drive growth in the investment banking industry. This positive outlook is a testament to our unwavering commitment to excellence and delivering value to our clients.

Corporate social responsibility

Our belief that the communities we serve are our critical stakeholders and significantly contribute to our success became stronger in 2022. As we celebrated ten years of operations as a bank, we were mindful to give back to our communities and to the nation at large through a variety of activities. Notably, in the field of education, we partnered with University of North Carolina (UNC) Project to support its education project at Dzama Educational Development Program in Lilongwe. In support of youth and early child development, we supported Mary's Meals with the largest contribution they received in the year 2022 to be invested towards the construction of a kitchen and a learners' feeding block at Mbinda Primary School in Blantyre. With regards to health initiatives, the bank donated funds to various organisations to support the procurement of necessary medical equipment for varying health initiatives. In the field of sports, we sponsored the Southern Zone Basketball League (SOZOBAL) tournament to ensure a fit community. We have also sponsored a variety of golf tournaments that sought to raise funds for projects of national interest led by the Malawi Government, scholarship support to needy students and other initiatives.

Appreciation

My most sincere thanks go to our esteemed clients for their continued support that has brought CDHIB to where it is. Gratitude to our staff for their commitment, hard work and dedication to bank performance which has made CDH Investment Bank what it is today. To our directors and shareholders, thank you for the trust placed in the bank's management and the institution. I strongly believe that with our stakeholder's invaluable support, CDH Investment Bank will continue to improve its service delivery to both private and public sector partners and grow from success to significance.

Kwame Ahadzi
Chief Executive Officer

INVESTMENT BANK

Our structure

For the year ended 31 December 2022

CDH

INVESTMENT BANK

Board of directors

Franklin Kennedy
Chairman

Kofi Sekyere
Director

Robert Abbey
Director

Charles Asare
Director

John McGrath
Director

Kingsley Zulu
Director

Sydney Chikoti
Director

Elias Malion
Director

Joyce Gundani
Director

Thoko Mkavea
Executive Director

Beatrix Mosiwa
Executive Director

Kwame Ahadzi
Managing Director

Kwame Ahadzi
Chief Executive Officer

Thoko Mkavea
Deputy Chief Executive Officer

Beatrix Mosiwa
Executive Director Finance and Operations

Benison Jambo
Chief Business Development Officer

Robert Malipa
Chief Risk and Compliance Officer

James Chikoti
Chief Operating Officer

Daniel Mwangwela
Chief Legal Officer and Company Secretary

Christopher Ngwira
Chief Internal Auditor

Ivy Kwatiwani
Chief Human Capital Development Officer

Chris Chirwa
Chief Information Officer

Zondwayo Mafuleka
Chief Treasury Officer

Sungani Mkandawire
Chief Credit Officer

Kelvin Mkulichi
Chief Finance Officer

INVESTMENT BANK

CDHIB Corporate social responsibility

For the year ended 31 December 2022

Sports

CDH Investment Bank shines at 2022 inter-company corporate carnival

CDH Investment Bank took part in the first ever inter-company corporate sports carnival which was held at the Country Club, Limbe and Kamuzu University of Health Science (KUHES) sports complex in Blantyre. CDH Investment Bank's football and basketball teams emerged as champions at the carnival. The bank also received different medals from various sports disciplines including nearest to the pin in golf and runner up in the men's athletics, 100m dash.

CDH Investment Bank team celebrates its victory at the Malawi inter-company Sports Corporate Carnival

Sports

CDH Investment Bank participates in 2022 Kamuzu University of Health Sciences sports day

In the picture: Staff celebrate their win as they receive the football teams first place trophy

CDH Investment Bank participated in the 2022 Kamuzu University of Health Sciences (KUHeS) sports festival on Saturday 5 November 2022 at KUHes Sports Complex where the staff participated in basketball, athletics and football sporting disciplines. The bank emerged football champions, won 1 place in the men's 100m sprint and was third in basketball.

Sports

CDH Investment Bank basketball team conquers the 2022 bankers' sports day

CDH Investment Bank took part in the 2022 bankers' sports day on Saturday 28 May 2022 at KUHES Sports Complex and Blantyre Sports Club in Blantyre. The sporting activities were golf, cycling, football, netball, volleyball, basketball, chess, bawo, egg race, sack race, 100m races and tug of war.

The bankers' sports day allowed all staff to have time to interact with fellow bankers from other institutions.

CDH Investment Bank teams displayed amazing teamwork and vigor. The basketball team emerged basketball champions at the games with the team's Timothy Banda being awarded the Most Valuable player.

CDH Investment Bank also sponsored 6 golfers to participate in the charity golf tournament and we are proud that Gabriel Kambale who represented the Bank emerged the winner for the charity golf. CDH Investment Bank emerged second in the egg and sack race, 3 place in tug-of-war and 4 place in the golf tournament.

Staff of CDH Investment Bank, led by the Chief Executive Officer, celebrate their win at the bankers' sports day

Youth - early child development

CDH Investment Bank invests K16.9m to Mary's Meals towards school feeding initiative

CDHIB team pose with Mary's Meals team, representatives from the Ministry of Education and with some of the beneficiary learners from Mbinda Primary School

CDH Investment Bank on 30 November 2022 donated K16.9million to Mary's Meals towards the construction of a kitchen and a learners feeding block at Mbinda Primary School in Blantyre.

Speaking during the funds handover ceremony, Mr Kwame Ahadzi, Chief Executive Officer of CDH Investment Bank highlighted that the support is one way of giving back to the society and that it is the bank's wish to see to it that the kids are fed each and every day, which will enable them stay in school and become responsible citizens for the benefit of the nation in future.

Mary's Meals country director in Malawi, Angela Chipeta Khonje thanked CDH Investment Bank for the gesture, which she said will change lives of the learners at Mbinda by improving their health, attract more kids into school as well as show good performance in class. "This program is very important because the meals that we provide to the children give them hope since the majority of the kids come from families where they cannot manage to access food. Since we embarked on this feeding program in 2002, we have seen a high enrollment in schools among children which is not a mean achievement."

Blantyre Rural Chief Education Officer Rebecca Misili said the schools feeding services provided by Mary's Meals has brought a number of positive outcomes such as helping learners remain in school, reducing absenteeism, as well as increasing the pass-rate. "Out of 170 schools that we have in Blantyre Rural, Mary's Meals is feeding 143 schools but within these schools we have noticed a number of differences in terms of children enrollment number. We have also recorded good performance in schools where there are feeding programs as well as recorded fewer cases of absenteeism compared to those without schools feeding initiative," Misili said.

Village Headman Mbinda said the CDHIB donation will play a big role in helping the children to have a bright future. Mbinda primary school has standard 1-4 classes with a total of 160 learners.

Stakeholder engagement

CDHIB at10 red-carpet gala dinners

The bank hosted exclusive red carpet gala dinners in Blantyre and Lilongwe as part of the tenth anniversary. In Blantyre the guest of honor was the Reserve Bank Governor, Dr Wilson Banda, whilst Mrs Lyness Nkungula, Chief Executive Officer of Banker's Association of Malawi was the guest of honor in Lilongwe.

Below are the highlights for the Blantyre and Lilongwe gala dinners.

Mr Franklin Kennedy, CDH Investment Bank Board Chairperson, on Saturday 1 October 2022 shared that "CDH Investment Bank pledges to continue creating value for its customers and communities through high impact investment and commercial banking services" on the sidelines of the exclusive gala dinner which the Bank hosted in Blantyre as part of celebrating ten years of operations as a bank in Malawi.

He further said: "Our vision remains to be the leading specialist bank in Malawi, and we are committed to this. We also welcome competition but remain confident that our professional expertise and service quality shall continue to make us the obvious leader in the investment banking space".

CDH Investment Bank board members with Reserve Bank of Malawi Governor
L-R seated: Robert McGrath, Kofi Sekyere, Dr Wilson T Banda, Reserve Bank of Malawi Governor, Chairman Franklin Kennedy, Kwame Ahadzi, Robert Abbey
L-R standing: Kingsley Zulu, Elias Malion, Sydney Chikoti, Beatrix Mosiwa, Thoko Mkavea and Charles Asare.

In his remarks, Reserve Bank of Malawi Governor, Dr Wilson T Banda, the guest of honor, commended CDH Investment Bank for contributing to growth in the investment banking space in a variety of ways. He said as one of the players in the financial sector, CDHIB has continued to support various projects through corporate social investments and partnerships, contributing to economic growth.

"CDH Investment Bank has been a crucial partner and player towards the country's economic development over the years. When we created the Malawi Stock Exchange (MSE), we required an active market to respond and there was a window for trading securities on the MSE that needed an institution such as CDH Investment Bank to facilitate that type of trade and the bank has done so over the years. In these times of deep economic difficulty, many governments and private companies look to the creative minds of investment bankers to provide advice and structure problem solving solutions", said Banda.

He encouraged the bank to continue efforts to grow the capital markets by creating tradeable financial instruments and listings on the MSE.

The images below are a few highlights from the Blantyre gala dinner

Misheck Esau, former Chief Executive Officer (2012 to 2019) of CDH Investment Bank receiving token of appreciation from Franklin Kennedy, CDH Investment Bank, Board Chairperson

Jean Rene Ngando Moukala, former Chief Executive Officer (2019 to 2022) of CDH Investment Bank receiving a token of appreciation from Franklin Kennedy CDH Investment Bank, Board Chairperson

Tiyegze Matandika, Human Resources Manager of CDH Investment Bank, one of the bank's longest serving employees receiving token of appreciation from Charles Asare, Director of CDH Investment Bank

Lilongwe gala dinner
BAM Chief hails CDH Investment Bank at 10 anniversary celebrations in Lilongwe

The Bankers Association of Malawi (BAM) hailed CDHIB for proving itself to be a bank with a difference in the manner it has conducted itself over the past 10 years.

BAM Chief Executive Officer Mrs Lyness Nkungula was speaking on Saturday 8 October 2022 at Bingu International Conference Centre in Lilongwe during celebrations marking CDHIB's 10 anniversary.

Nkungula said since its inception, CDH Investment Bank has stood out as the investment bank of choice in Malawi through the various awards it has received over the decade.

Group photograph of CDH Investment Bank board members, management and staff at the Lilongwe gala dinner. Seated (L-R) Sydney Chikoti, Beatrix Mosiwa, Elias Malion, Mrs Lyness Nkungula, Chief Executive Officer, Bankers Association of Malawi (Guest of Honor), Kwame Ahadzi, Joyce Gundani, Thoko Mkavea, Kingsley Zulu.

"The bank has played a key role in promoting financial literacy programs by participating and coordinating financial literacy awareness drives in collaboration with the Reserve Bank of Malawi."

"Additionally, over the years, the bank has contributed to various corporate social responsibility projects that have helped many communities and individuals ranging from support in education, health and sporting activities", Nkungula said. She further went on to implore, the bank to continue to support the country's development agenda by deploying its skills to mobilize capital and talent from local and international capital markets which is a role CDH Investment Bank has been known for over the years.

CDH Investment Bank Chief Executive Officer, Kwame Ahadzi hailed the hard work and commitment of the bank's staff over the past 10 years, "CDHIB would not exist without our various partners, clients, and stakeholders. I would like to extend special appreciation to all our key partners and clients who have made CDH Investment Bank the leading investment bank it is today. Your trust and support have contributed to our success over the years. The names are too many to mention but we appreciate the confidence and collaboration that has ensured that we excel in our services, we shall continue to raise the game and create value for all," Ahadzi said.

The images below are a few highlights from the Lilongwe gala dinner

Director Elias Malion made the remarks for and on behalf of Franklin Kennedy, the Board Chairperson

Joyce Gundani, hands over long service award to Mr Paul Mazingaliwa, one of the longest serving members of staff of CDH Investment Bank.

(L-R) Mr Jayesh Patel and Mrs Patel, of Nationwide Marketing Limited interact with Thoko Mkavea, Deputy Chief Executive Officer and Benison Jambo, Chief Business Development Officer for CDH Investment Bank at the Lilongwe gala dinner.

Bank accolades

CDH Investment Bank wins the 2022 investment bank of the year award

Mkavea: We are committed to *creating value*

Among the many services that the investment bank has provided to its customers include; supporting the Government of Malawi in managing national food security, advice on the formation of an additional sugar manufacturing company in Malawi and creation of a national development finance institution.

Commenting on the award, CDH Investment Bank Deputy Chief Executive Officer and Executive Director, Thoko Mkavea, said the award is a testimony of the positive contribution which the bank has made to the economy over the 10 years in which it has operated in Malawi.

He said: "We are honored to have been recognized this year, as we celebrate ten years of operations as an investment bank. Our founders' dream when forming the investment bank in 2012 was to create a specialist financial institution that provides a blend of investment banking and, financial advisory services and wholesale commercial banking to selected clients. We are proud of the many milestones we have achieved so far over the years."

Mkavea said "This is the tenth time we have won the award illustrating our commitment and leadership in investment banking in Malawi. We are grateful to our customers for their unwavering support over the years".

The bank has grown through leaps and bounds and contributed positively to growth of many individuals, organizations and communities and ultimately the nation in the past decade. Many individuals and businesses have shared testimonies of the growth that the partnership with CDH Investment Bank has given them in their personal lives, businesses, and communities.

In addition, CDH Investment Bank emerged second runners up for Labour Laws Compliance and third for Quality, Productivity and Innovation award at the 2022 Employer of the Year Awards that were organized by Employers Consultative Association of Malawi (ECAM) on Friday 9 December 2022 at Amaryllis Hotel in Blantyre. The awards, a testimony to the bank's pedigree as a preferred employer in Malawi, was received on behalf of the bank by Mrs Ivy Kwatiwani who is the Chief Human Capital Development Officer. They are a recognition of the bank for being amongst the best employers' in the market.

Best investment bank of the year 2022 award trophy, runner up most labour law compliant award trophy and third highest quality, productivity and innovation award trophy for 2022

Quarterly wellness activities hosted in 2022

CDH Investment Bank organises quarterly staff wellness activities to promote healthy living and networking amongst the staff. CDH Investment Bank treated its staff to the fourth quarter (end of year) staff wellness program in style. The activity took place on Saturday 19 November 2022 in Blantyre and Sunday 20 November 2022 in Lilongwe. Prior to the staff wellness activity, staff completed confidential wellness surveys. The debriefing of survey report happened on the wellness activity day. The debriefing enlightened staff on how to manage stress both from workplace and at home, and appreciate the importance of sleep and mental health. The team was guided on tips aimed at improving general well-being.

The Blantyre team travelled to Makandi Dam in Thyolo where the team participated in a health walk around the tea estate and dam followed by a wellness talk by Mr Maclean Vokhiwa, a psychologist and wellness specialist from Lifeing Institute.

The Lilongwe team travelled to Lynod and Eunice Leisure Farms in Bunda where they participated in a health walk from Bunda Turn-off to the Leisure Centre followed by a wellness talk from Mr Maclean Vokhiwa, the wellness specialist from Lifeing Institute. The team was also provided with feedback from the surveys that were conducted and tips on how to achieve a healthier wellbeing by managing stress, diets and mental health.

Speaking during the Blantyre event, Nqabile Medi, Administration Officer, stated that *"the wellness events are held quarterly to improve staff health and well-being. As CDH Investment Bank celebrates ten years, we felt it was important to also end the year with a relaxing wellness activity that will assist staff members to manage stress and mental health."*

CDH Investment Bank Blantyre staff pose at Makandi Dam after a wellness session in Thyolo

The Lilongwe team ready for a boat ride at Lynod and Eunice Leisure Farms after a wellness session in Lilongwe.

INVESTMENT BANK

Annual economic review 2022

For the year ended 31 December 2022

1. Executive summary

1.1 Malawi's economic environment was dominated by the following during the year 2022:

1.1.1 Relatively higher levels of liquidity on the interbank market compared to the previous year, indicated by an increase in banks' excess reserves held with the Reserve Bank of Malawi (RBM) to an average of K34.20 billion per day in 2022 compared to the average of K15.08 billion per day in 2021.

1.1.2 Persistent shortage of foreign currency which resulted in further weakening of the Kwacha. The Reserve Bank of Malawi (RBM) devalued the Kwacha by 25% on 26th May 2022.

1.1.3 High inflation pressures emanating from persistent rise in prices of food and imports. Headline inflation rate averaged 21.0% in 2022, up from the average of 9.3% in 2021.

1.1.4 A rise in yields of Government securities necessitated by high Government borrowing and persistent inflation pressures. The all-type average Treasury bill yield increased to 14.14% in 2022 from 12.19% in 2021.

1.1.5 The Monetary Policy Committee (MPC) raised the Policy rate from 12.0% to 14.2% in April and to 18.0% in October 2022.

1.1.6 The Malawi Stock Exchange registered a positive return on index of 36.74% (8.76% in US$ terms), an increase in traded volume of 7.82% and an increase in traded value of 37.22% (23.63% in US$ terms) during the year.

1.2 The challenging domestic and global economic environment affected the country's economic growth for 2022, with the RBM estimating a real growth rate of 1.2% for the year, down from the growth rate of 4.6% registered in 2021. An improvement is expected in 2023, with the RBM, projecting a growth rate of 2.7%.

2. Interbank market

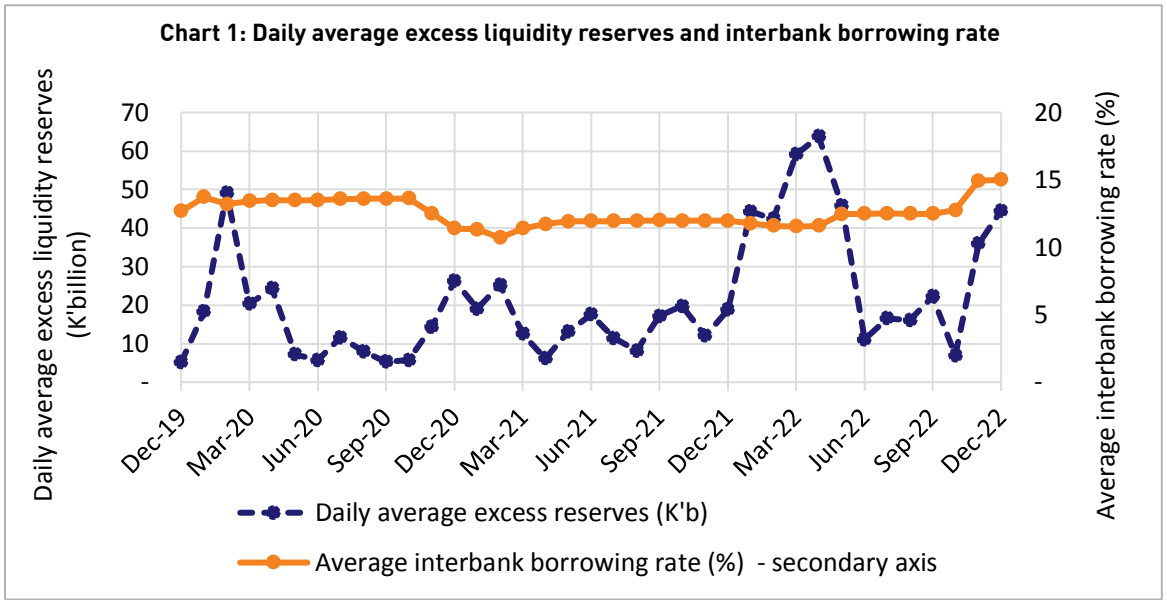
2.1 The level of liquidity on the interbank market, indicated by banks' excess reserves held with the Reserve Bank of Malawi (RBM), was higher in 2022 relative to 2021, increasing by 126.81% to an average of K34.20 billion per day in 2022 compared to the average of K15.08 billion per day in 2021. As in the previous year, liquidity levels in the interbank market were highest in the first quarter of 2022 when excess liquidity reserves averaged K48.60 billion per day and were lowest in the third quarter when excess liquidity reserves averaged K18.29 billion per day.

2.2 In line with high liquidity levels, the volume of borrowing among banks on the interbank market increased by 30.24% in nominal terms to a total of K4.19 trillion in 2022 from K3.22 trillion in 2021. However, the interbank borrowing rate increased to the average of 12.64% during the year from the average of 11.74% in 2021.

2.3 Funds accessed through the Lombard Facility of the RBM decreased to K6.60 trillion in 2022 compared to K13.00 trillion in 2021. The Lombard rate increased to 18.20% as at the end of the year 2022 from 12.20% as at the end of 2021 following upward adjustments of the Policy rate in April and October 2022.

2.4 Further, the RBM injected liquidity in the banking system through issuance of OMO reverse repos which amounted to K241.63 billion (K700.59 billion in 2021); through conducting outright purchase of securities that amounted to K443.86 billion (K72.83 billion in 2021); and through the Rediscounting Standing Facility on which K103.71 billion was accessed. To mop up liquidity, the RBM issued OMO repos that amounted to K46.66 billion and conducted outright sale of securities that amounted to K90.72 billion during the year.

2.5 Chart 1 provides a summary of excess liquidity reserves and interbank rate movements over the immediate past three years. The Chart shows that the interbank borrowing rate increased in 2022 and that liquidity levels were generally high in nominal terms in 2022 compared to 2021.



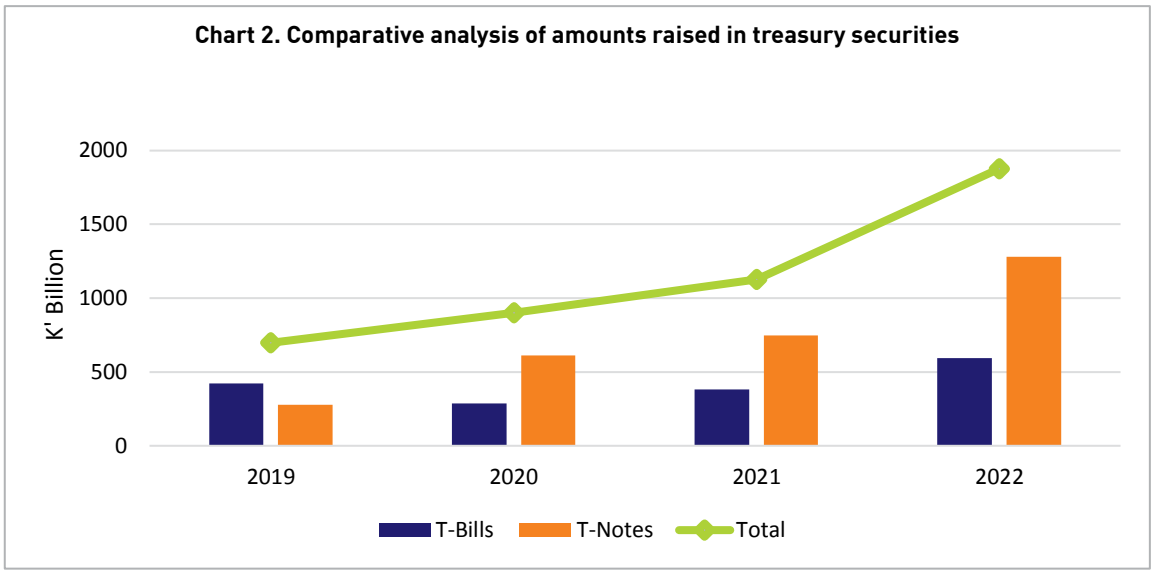
(Data source: Reserve bank of Malawi)

3. Government securities

3.1 The Government raised K595.66 billion in auctions of Treasury Bills (TB) in 2022, representing an increase of 55.99% from K381.86 billion raised in 2021. The rejection rate was at 10.04% in 2022 compared to 4.57% in 2021.

3.2 K1,281.04 billion was raised in auctions of Treasury Notes (TNs) during 2022, compared to K745.86 billion raised in 2021, representing a nominal increase of 71.75%. Rejection rate for TNs was at 9.07% in 2022 compared to 5.16% in 2021.

3.3 Overall, Government domestic borrowing (TBs and TNs combined) increased in nominal terms in 2022 (K1,876.70 billion) relative to 2021 (K1,127.72 billion) as shown in Chart 2:



(Data source: Reserve bank of Malawi)

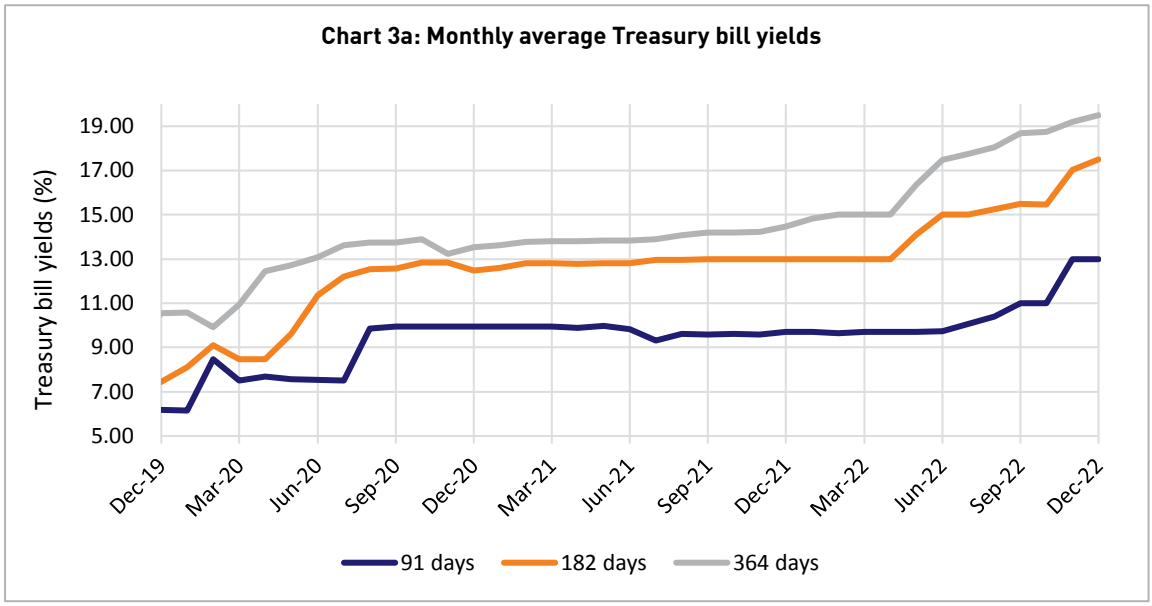
3.4 Yields on Government securities increased in 2022, reflecting an increase in the Policy rate. The 91-day, 182-day and 364-day TB yields averaged 10.56%, 14.73% and 17.13%, respectively, increasing from 9.73%, 12.87% and 13.98% in 2021. The all-type average TB yield, consequently, increased to 14.14% in 2022 from 12.19% in 2021. Average yields for TNs also increased across all tenors as shown in the Table 1 below:

Table 1: Annual average yields of Treasury Bills and Notes

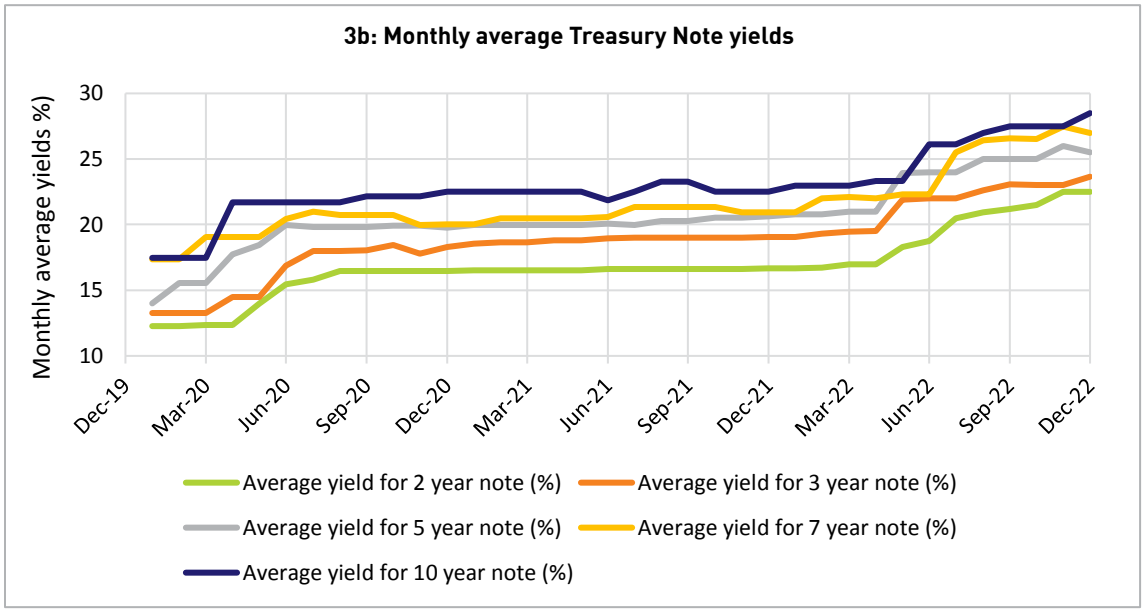
Tenor	2022 average yields	% points change	2021 average yields
91-days	10,56%	↑ 0,81	9,74%
182-days	14,73%	↑ 1,87	12,87%
364-days	17,13%	↑ 3,16	13,98%
2-years	19,60%	↑ 3,02	16,58%
3-years	21,65%	↑ 2,78	18,87%
5-years	23,80%	↑ 3,63	20,17%
7-years	24,39%	↑ 3,62	20,77%
10-years	25,69%	↑ 3,12	22,57%

(Data source: Reserve bank of Malawi)

3.5 Chart 3a and 3b below depict the above trend.



(Data source: Reserve bank of Malawi)



(Data source: Reserve bank of Malawi)

4. Foreign exchange market

4.1 In the year 2022, the Kwacha weakened against major trading currencies, especially after the RBM devalued the Kwacha by 25% against the United States Dollar (USD) on 26 May 2022, in a bid to realign the exchange rate with economic fundamentals. The devaluation followed prevalence of imbalances between supply and demand of forex in the country, evidenced by low foreign exchange supply, declining official foreign reserves, and widening spreads of exchange rates on the market.

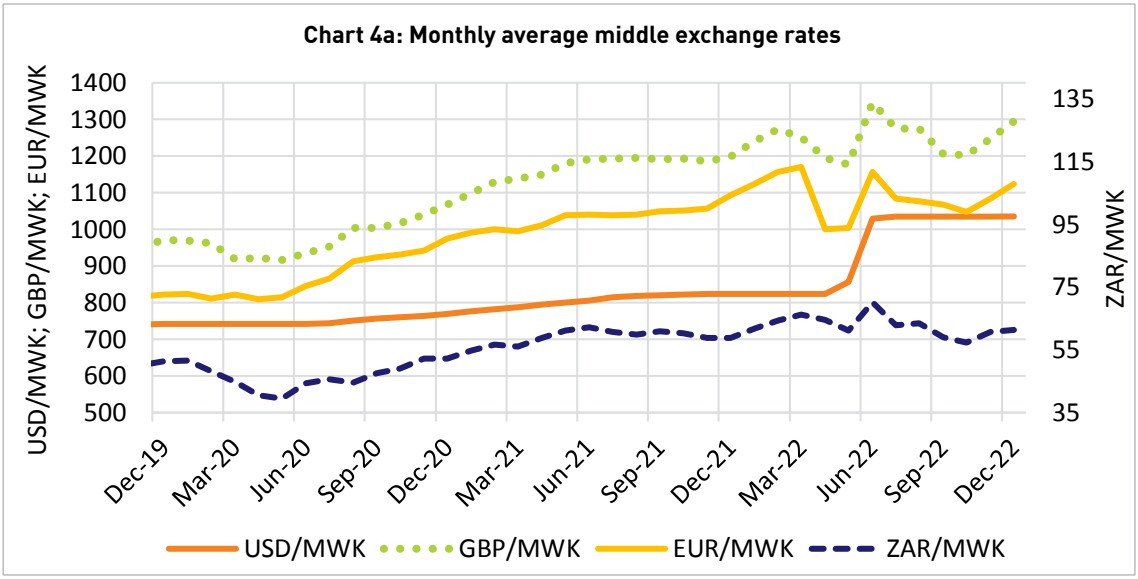
4.2 The Malawi Kwacha to USD TT middle exchange rate averaged K949.04 per USD in 2022, up by 17.76% from the average of K805.90 per USD in 2021. The Malawi Kwacha to GBP TT average middle exchange rate increased by 6.68% to K1,248.47 per GBP from K1,170.28 per GBP; the Malawi Kwacha to EUR TT average middle exchange rate increased by 5.55% to K1,091.31 per EUR from K1,033.92 per EUR; and the Malawi Kwacha to ZAR TT average middle exchange rate increased by 6.23% to K62.71 per ZAR from K59.03 per ZAR.

4.3 Table 2a and Chart 4a show that the Kwacha has significantly depreciated against USD, GBP, EUR and ZAR since the second half of the year 2020. (**Note:** Downward arrows represents depreciation of the Kwacha).

Table 2a: TT exchange rates

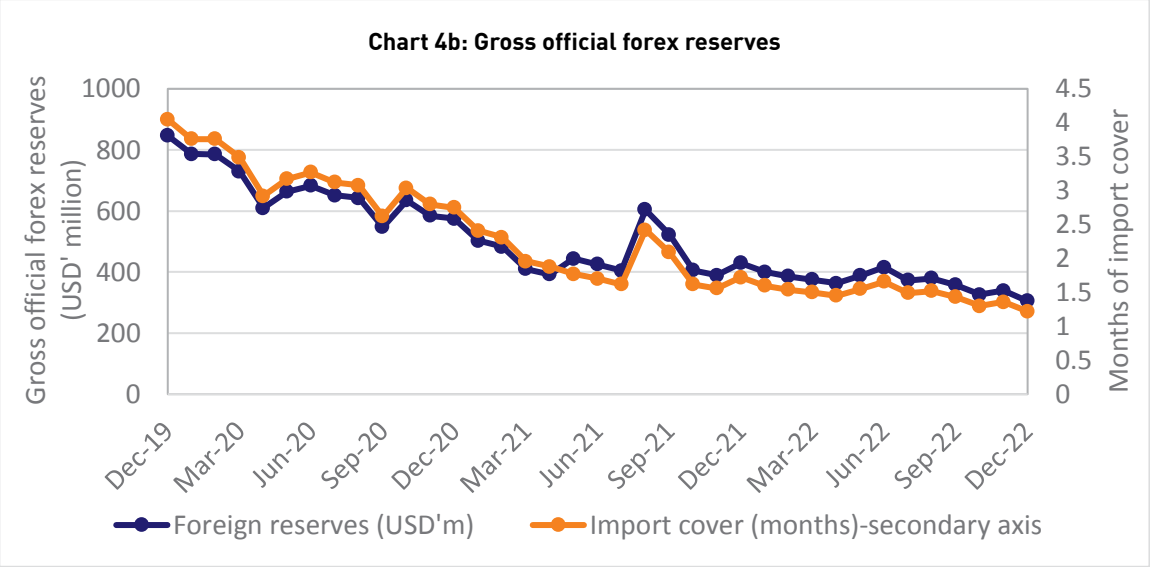
Currency	Annual Average			End year		
	2022	2021	change	31 Dec 2022	31 Dec 2021	change
USD/MWK	949,04	805,90	17,76% ↓	1034,67	819,44	26,27% ↓
GBP/MWK	1248,47	1170,28	6,68% ↓	1282,60	1208,01	6,18% ↓
EUR/MWK	1091,31	1033,92	5,55% ↓	1130,92	1138,41	-0,66% ↑
ZAR/MWK	62,71	59,03	6,23% ↓	62,69	57,68	8,68% ↓

(Data source: Reserve Bank of Malawi)



(Data source: Reserve bank of Malawi)

4.4 Month end balances of gross official forex reserves averaged USD367.14 million (1.47 months import cover) during 2022, down from the average of USD450.95 million (1.92 month of import cover) in 2021. As at 31 December 2022, the reserves were at USD304.65 million (1.22 months of import cover), decreasing from USD429.17 million (1.72 months of import cover) as at 31 December 2021. The reserves have been below the recommended 3 months of import cover since November 2020.



(Data source: Reserve bank of Malawi)

4.5 Looking forward, in the short to medium term depreciation pressures on the Kwacha could remain prevalent as market supply and the economy's forex reserves remain low relative to demand. The external payments position remains weak due to weak exports.

4.6 The country's earnings from tobacco sales, the country's largest forex earner, declined by 7.62% in 2022 compared to 2021 on account of a decrease of 31.20% in sales volume as shown in the Table 2b below:

Table 2b: Cumulative tobacco sales – end of season

	2022	Change	2021
Volume (kg)	85.07 million	-31,20% ↓	123.65 million
Average price (USD/kg)	2.14	34,59% ↑	1.59
364-days	182.04 million	-7,62% ↓	197.05 million

(Data source: Tobacco Commission (TC))

4.7 The Government was unable to secure an Extended Credit Facility (ECF) from the IMF during the year as discussions were halted to allow the Malawi Government sort out debt issues which has reached unsustainable levels. However, in the last quarter of the year, the country received up to about US$88.3 million in emergency financing through the IMF's new Food Shock Window under the Rapid Credit Facility (RCF) to help address the country's urgent balance of payments needs. The Malawi Government also signed a five-year grant agreement worth US$350 million with the US Government's Millennium Challenge Corporation (MCC). These are expected to provide some relief in the short term but may not be enough to completely solve the forex situation. The RCF will, however, provide a chance for Malawi to gain credibility and eventually an ECF, which the Economist Intelligence Unit (EIU) expects to be agreed by late 2023 at the earliest.

4.8 The Kwacha is also likely to depreciate further as RBM introduces Foreign Exchange Auctions during 2023 which are aimed at facilitating the discovery of prevailing market clearing exchange rates for the Kwacha against major currencies. In these auctions, Authorised Dealer Banks (ADBs) will be submitting bids to sell foreign currencies to RBM at prices freely determined by each participating ADB.

4.9 The EIU projects the following annual Malawi Kwacha to USD TT exchange rate averages:

Table 2c: Economist Intelligence Unit forecasts

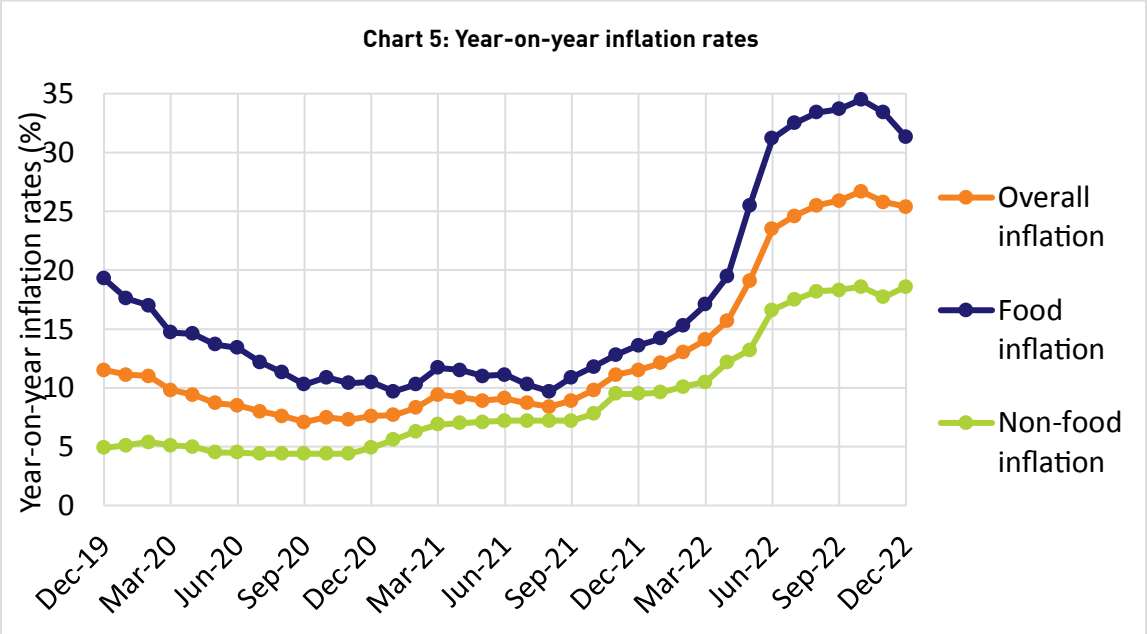
Year	2022	2023	2024	2025	2026	2027
Annual average USD/ MWK TT middle exchange rate	949,04	1027,0	1053,8	1107,1	1159,1	1195,1

5. Inflation

5.1 The rate of inflation significantly increased in 2022, relative to 2021. Year-on-year headline inflation rate stood at 25.4% as at the end of the year from 11.5% as at the end of 2021. The rate averaged 21.0% in 2022, up from the average of 9.3% in 2021.

5.2 Inflationary pressures during the year emanated from both food and non-food factors. Food inflation rate increased to the average of 26.8% in 2022 from 11.2% in 2021, while non-food inflation rate increased to the average of 15.1% in 2022 from 7.4% in 2021. Contributing factors include the Russia-Ukraine invasion which exacerbated the impact COVID-19 on global supply chains and prices of imported goods, including commodities. The 25% devaluation of the Kwacha that was effected in May 2022 and prolonged forex shortages added pressure on prices of imports. Weather-related shocks reduced agricultural production and electricity generation, leading to high domestic food prices and prices of other non-food items.

5.3 Chart 6 depicts the trend of inflation rate in the past three years.



(Data source: National Statistical Office)

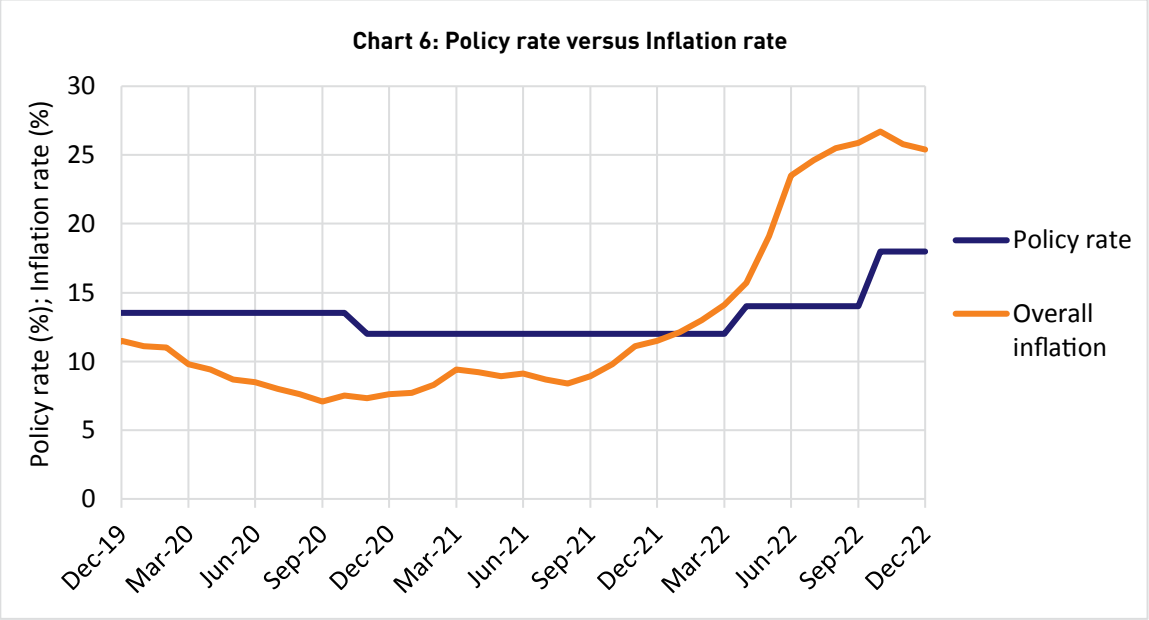
5.4 In 2023 inflation pressures could remain high, emanating from high food prices as the implementation of the Affordable Inputs Program (AIP) for the 2022/2023 agricultural season faced some challenges, expected increase in electricity tariffs, further depreciation of the Kwacha, and prolonged forex shortages, among other factors. However, the rate of inflation could slightly slowdown in 2023 as global prices fall.

5.5 The RBM projects a decrease in annual average inflation rate from 21.0% in 2022 to 18.2% in 2023 and the Economist Intelligence Unit (EIU) forecasts a rate of 17.3% for 2023 owing to the expected fall in imported inflation. On the other hand, the International Monetary Fund (IMF) and the World Bank both project a rise in domestic annual average inflation rate to 22.7% and expect the slowdown from 2024.

6. Monetary policy

6.1 The RBM pursued a tight monetary policy in 2022, focusing mainly on containing inflation. The Monetary Policy Committee (MPC) raised the Policy rate from 12.0% to 14.0% in April 2022 and to 18.0% in October 2022. The Lombard rate was maintained at 0.2 percentage points above the Policy rate; effectively it was increased from 12.2% to 14.2% in April 2022 and to 18.2% in October 2022. The Liquidity Reserve Requirement (LRR) ratio was maintained at 3.75% throughout the year.

6.2 Chart 7 depicts the trend of the Policy rate relative to inflation rate over the past three years. The chart shows that both the inflation rate and the Policy rate significantly increased in 2022 and that the Policy rate was consistently below inflation rate throughout the year, signaling prevalence of negative real interest rates in the market.



(Data source: Reserve bank of Malawi, National Statistical Office)

6.3 Following the upward adjustment of the Policy rate, the Market Reference Rate (MRR) for commercial bank increased from the average of 12.1% in 2021 to the average of 13.8% in 2022 and closed the year at 17.3%.

7. Economic growth

7.1 The Russia-Ukraine invasion was a major risk to economic growth across the world in 2022. Its negative effects on global supply chains of commodities, inflation and financial conditions, reversed some of the COVID-19 recovery gains that economies registered in 2021. The IMF estimates that global growth slowed down from 6.2% in 2021 to 3.4% in 2022 and that the Emerging Market and Developing Economies growth slowed down from 6.7% in 2021 to 3.9% in 2022, while the Sub-Saharan Africa region growth slowed down from 4.7% in 2021 to 3.8% in 2022 (World Economic Outlook Update, January 2023).

7.2 For Malawi, the RBM estimates that economic growth slowed sharply from 4.6% in 2021 to 1.2% in 2022. In addition to the impact of the Russia-Ukraine invasion, Malawi's economic growth in 2022 was negatively impacted by a contraction of the agricultural sector and low electricity generation caused by weather-related shocks.

7.3 In 2023, the IMF projects a further slowdown in global real GDP growth to 2.9%, reflecting the rise in central bank rates to fight inflation, especially in advanced economies, as well as the war in Ukraine.

7.4 The emerging market and developing economies are projected to register a modest increase in real growth to 4.0% in 2023, largely due to easing of COVID-19 restrictions in China. However, about half of the countries in this grouping are expected to experience slower growth in 2023 than in 2022.

7.5 As for the Malawi economy, the RBM projects that in 2023 growth will pick up to 2.7%, conditional on a recovery in the agricultural sector and improved policy environment.

Table 3b: Real GDP growth projections

Institution	Region	2020	2021	2022*e*	2023*f*	2024*f*
Government	**Malawi**	**0,8%**	**4,6%**	**1,2%**	**2,7%**	**-**
IMF	World	-3,0%	6,2%	3,4%	2,9%	3,1%
	Malawi	**0,9%**	**2,2%**	**0,8%**	**2,4%**	**3,2%**
	Sub-Saharan Africa	-1,6%	4,7%	3,8%	3,8%	4,1%
World bank	World	-3,2%	5,9%	2,9%	1,7%	2,7%
	Malawi	**0,8%**	**2,8%**	**1,5%**	**3,0%**	**3,4%**
	Sub-Saharan Africa	-2,0%	4,3%	3,4%	3,6%	3,9%
EIU	**Malawi**	**0,8%**	**5,8%**	**1,8%**	**1,6%**	**3,0%**

e Estimate; f Forecast

RBM: Monetary Policy Statement, January 2023

IMF: Malawi Country Report, November 2022; World Economic Outlook, January 2023

World Bank: Global Economic Prospects – January 2023

EIU: Fourth Quarter Malawi Country Report, December 2022

8. Stock market performance

8.1 In 2022, the Malawi Stock Exchange (MSE) registered a year-on-year return on index of 36.74% (8.76% in US$ terms). This is compared to an annual return of 40.05% (33.92% in US$ terms) registered in 2021. The Domestic Share Index (DSI) registered a return of 37.08% (9.03% in US$ terms) in 2022 compared to 33.53% (28.56% in US$ terms) in 2021. The Foreign Share Index (FSI) registered a return of 32.94% (5.74% in US$ terms) in 2022 compared to 209.64% (151.46% in US$ terms) in 2021.

8.2 11 companies registered price gains during the year, while 5 registered declines. Top gainers were NBM (90.35%), ILLOVO (80.00%), NBS (48.47%), STANDARD (42.87%) and AIRTEL (41.60%). Top losers were OMU (-53.10%), TNM (-38.92%), ICON (-7.29%), BHL (-0.36%) and MPICO (-0.29%).

8.3 The market registered an increase of 7.82% in total traded volume to 1,402,901,021 in 2022 from 1,301,122,424 in 2021. It also registered an increase of 37.22% (23.63% in US$ terms) in traded value of shares during the year to K51.72 billion ($43.75 million) in 2022 from K37.69 billion ($43.75 million) in 2021.

8.4 On the Debt market, the MSE registered the first trade on one of the debt securities issued by the Malawi Government and also listed 21 Government of Malawi Treasury Notes, bringing the total number of listed debt securities to 62.

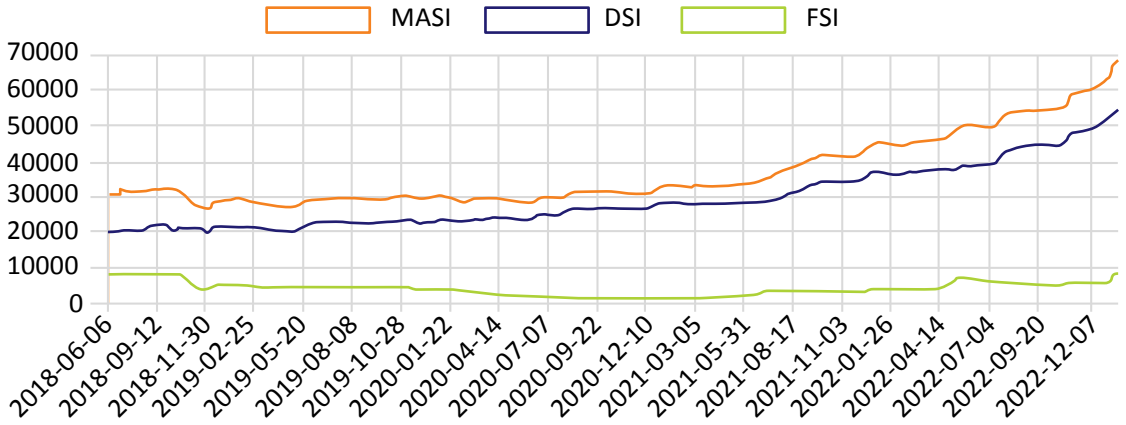
8.5 Table 4 shows performance of individual companies in 2022 relative to 2021. Chart 8 shows a graphical analysis of the MASI, DSI and FSI over the past three years.

Table 4: Share trading summary

	31-Dec-22	31-Dec-21	Price Change (%)
Market indices			
MASI	**62 036,05**	45 367,68	36,74% ↑
DSI	**50 804,03**	37 061,70	37,08% ↑
FSI	**5 614,30**	4 223,15	32,94% ↑
Gainers			
NBM	**1542,05**	810,12	90,35% ↑
ILLOVO	**540,00**	300,00	80,00% ↑
NBS	**34,00**	22,90	48,47% ↑
STANDARD	**2000,16**	1400,00	42,87% ↑
AIRTEL	**56,64**	40,00	41,60% ↑
FMBCH	**110,86**	80,00	38,58% ↑
NITL	**124,99**	94,98	31,60% ↑
PCL	**2181,37**	1900,00	14,81% ↑
FDHB	**17,37**	15,81	9,87% ↑
NICO	**60,00**	55,00	9,09% ↑
SUNBIRB	**92,06**	90,01	2,28% ↑
Losers			
MPICO	**20,64**	20,70	-0,29% ↓
BHL	**10,97**	11,01	-0,36% ↓
ICON	**11,95**	12,89	-7,29% ↓
TNM	**14,00**	22,92	-38,92% ↓
OMU	**985,00**	2 099,99	-53,10% ↓

(Data source: Malawi Stock Exchange)

Chart 7: Malawi Stock Exchange share price indices



(Data source: Malawi Stock Exchange)

9.Conclusions

9.1 2022 was challenging in terms of economic management for Malawi.

9.2 Foreign exchange reserves remained critically low, with gross official reserves at 1.22 months of import cover as at the end of the year. The RBM devalued the Kwacha by 25% on 26th May 2022.

9.3 Inflation pressures were persistently high owing to prolonged rise in domestic and global prices of both food and non-food items.

9.4 The RBM raised the Policy rate from 12.0% as at the beginning of the year to 18.0% as at the end of the year, resulting in a general rise in market interest rates and yields.

9.5 The Stock market remained vibrant, registering positive return and an increase in trading activity, despite the challenging economic environment.

9.6 Malawi's economic growth slowed down to 1.2% in 2022 from 4.6% in 2021 on account of the challenging economic environment. An improvement is expected in 2023 (2.7%) as the domestic and external economic environment improves. However, the above risks are expected to remain high.

INVESTMENT BANK

Financial Statements

For the year ended 31 December 2022

Introduction

The Directors have pleasure in submitting their report together with the financial statements of CDH Investment Bank Limited for the year ended 31 December 2022.

Nature of business, incorporation and registered office

CDH Investment Bank Limited is a private limited liability company incorporated in Malawi under the Companies Act, 2013 of Malawi. It is licensed as a bank under the Financial Services Act, 2010. Its business is to provide private, corporate and investment banking services. Continental Holdings Limited owns 82.46% (2021:82.46%) of the shares of CDH Investment Bank Limited.

The physical address of its registered office is:

CDH House
5 Independence Drive
PO Box 1444
Blantyre, Malawi

Financial performance

The results and state of affairs of the Bank are set out in the accompanying statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity, and statements of cash flows and accompanying accounting policies and notes.

Dividends

The Bank paid dividends for the year ended 31 December 2022 amounting to K750 million (interim), 2021: K1,731 million (final dividend).

Directorate

a. Appointment of Managing Director and Executive Directors

Mr Kwame Ahadzi was appointed as the Company's Managing Director pursuant to Article 23 of the Company's Memorandum and Articles of Association replacing Mr. Jene Rene Ngando Moukala who retired from the position. Mr. Thoko Mkavea and Mrs Beatrix Mosiwa-Ndovi were appointed as Executive Directors to fill causal vacancies in terms of Article 17 of the Company's Memorandum and Articles of Association.

b. Appointment of Mrs Joyce Gundani ad Non-Executive Director

Mrs Joyce Gundani was appointed as a new Non-Executive Director to the Compnay's Board pursuant to Article 78 of the Company's Memorandum and Articles of Association.

c. Election of Directors

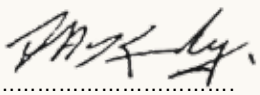
Mr Charles Asare, Mr John McGrath and Mr Kingsley Zulu who retired by rotation in terms of Article 18 of the Company's Articles of Association but being eligible and offered themselves for re-election were re-elected to the Board.

The following Directors and secretary served during the year:

Mr Franklin Kennedy	Director, Chairman
Mr Kofi Sekyere	Director
Mr Robert Abbey	Director
Mr Elias Malion	Director
Mr Sydney Chikoti	Director
Mr Kingsley Zulu	Director
Mr John McGrath	Director
Mrs Joyce Gundani	Director
Mr Charles Asare	Director
Mr Kwame Ahadzi	Managing Director
Mr Thoko Mkavea	Executive Director
Mrs Beatrix Mosiwa	Executive Director
Mr Daniel Mwangwela	Company Secretary

Percentage Shareholding Analysis	2022	2021
Continental Holdings Limited	**82.46**	82.46
Investments Alliance Limited	**10.18**	10.18
Kesaart Capital Limited	**4.84**	4.84
Savannah Investments Limited	**2.52**	2.52
	100.00	100.00

A resolution will be proposed at the forthcoming Annual General Meeting to appoint Messrs. Ernst and Young, (EY) Chartered Accountants and Business Advisors as auditors in respect of the Bank's **31 December 2022** financial statements.



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Franklin Kennedy
Board Chairman

.....

Sydney Chikoti
Chairperson Audit Committee

17 March 2023

The board

The Bank has a unitary Board of Directors comprising of a Chairman, eight Non-executive directors and three Executive directors. The Board has adopted without modification, the major principles of modern corporate governance as contained in the reports of Cadbury and King II, and the Basel Committee on Banking Supervision.

The Board meets four times a year. There are adequate and efficient communication and monitoring systems in place to ensure that the Directors receive all relevant, accurate information to guide them in making necessary strategic decisions, and providing effective leadership, control, and strategic direction over the Bank's operations, and in ensuring that the Bank fully complies with relevant legal, ethical and regulatory requirements.

Board meetings - meeting attendance

Members	Position	10 Mar 2022	24 Jun 2022	30 Sep 2022	16 Dec 2022
Mr Franklin Kennedy	Chairman	✓	✓	✓	✓
Mr Kofi Sekyere	Director	✓	✓	✓	✓
Mr Robert Abbey	Director	✓	✓	✓	✓
Mr Elias Malion	Director	✓	✓	✓	✓
Mr Sydney Chikoti	Director	✓	✓	✓	✓
Mr Kingsley Zulu	Director	✓	✓	✓	✓
Mr John McGrath	Director	✓	✓	✓	✓
Mrs Joyce Gundani	Director	✓	✓	X	✓
Mr Charles Asare	Director	✓	✓	✓	✓
Mr Kwame Ahadzi	Managing Director	✓	✓	✓	✓
Mr Thoko Mkavea	Executive Director	✓	✓	✓	✓
Mrs Beatrix Mosiwa	Executive Director	✓	✓	✓	✓
In attendance					
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓

Key: ✓ = Attendance
X = Apology

Board committees

Board audit committee

The Committee assists the Board in discharging its duties in relation to financial reporting, asset management, risk management, internal control systems, processes and procedures and monitors the quality of both the external and internal audit functions. The Bank's external auditors and internal auditors report to the Committee in their independent, private meetings to discuss risk exposure areas. Where the Committee's monitoring and review activities reveal causes for concern or scope for improvement, it makes recommendations to the Board on required remedial actions.

The Board Audit Committee comprises three Non-Executive Directors, one of whom acts as Chairperson. The Committee meets five times in a year. The members of the Committee and their meeting attendance during the year were as follows:

Boart committees (continued)

Meeting attendance

Members	Position	18 Feb 2022	2 Mar 2022	16 Jun 2022	23 Sep 2022	8 Dec 2022
Mr Sydney Chikoti	Chairperson	✓	✓	✓	✓	✓
Mr Elias Malion	Director	✓	✓	✓	✓	✓
Mr Kingsley Zulu	Director	✓	✓	✓	✓	✓
In attendance						
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓	✓

Key: ✓ = Attendance

Risk and compliance committee

The Risk and compliance committee assists the Board in discharging its duties in relation to the Bank's risk management and compliance. The Committee has the following responsibilities:

1. To ensure the on-going appropriateness of the risk management, compliance, internal control systems and management reporting framework, as a result of which the Board makes decisions affecting the activities of the Bank;
2. To oversee and evaluate the quality of performance of the Risk Management and Compliance functions;
3. To ensure that systems are in place, that the affairs of the Bank are being conducted by management in conformity with policy, regulatory and legal requirements and that the reputation of the Bank is protected at all times from adverse risk events.

The Committee comprises three Non-executive directors, one of whom acts as Chairperson. The Committee meets four times in a year. The members of the Committee and their meeting attendance during the year were as follows:

Meeting attendance

Members	Position	2 Mar 2022	16 Jun 2022	15 Sep 2022	8 Dec 2022
Mrs Joyce Gundani	Chairperson	✓	✓	✓	✓
Mr Charles Asare	Director	✓	✓	✓	✓
Mr John McGrath	Director	✓	✓	✓	✓
In attendance					
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓

Key: ✓ = Attendance

Finance, business and information technology committee

The Committee comprises three Directors with a good knowledge of the Malawi economy and business environment. Its overall responsibility is to ensure the soundness of the CDH Investment Bank's credit portfolio (including advances, guarantees and other facilities). Specific responsibilities include:

1. Assessing the annual plans, budgets and strategy and schedule of activities of the Bank;
2. Review of management reports on business operations and making recommendations to the Board;
3. Ratification of terms and conditions of all credit facilities granted by management under its discretionary powers;
4. Approval of all credit facilities above the discretionary limits set for management save for those facilities requiring full board approval in accordance with Reserve Bank of Malawi directives; and
5. Review of non-performing assets and recovery procedures initiated in respect thereof and establishment of appropriate levels of provisioning where required.

The Committee meets four times in a year and on ad hoc basis when necessary.

The members of the Committee and their meeting attendance during the year were as follows:

Meeting attendance

Members	Position	04 Mar 2022	17 Jun 2022	16 Sep 2022	9 Dec 2022
Mr Kofi Sekyere	Chairman	✓	✓	✓	✓
Mr Robert Abbey	Director	✓	✓	✓	✓
Mr Kwame Ahadzi	Managing Director	✓	✓	✓	✓
In attendance					
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓

Key: ✓ = Attendance

Human resources and remuneration Committee

Human resources and remuneration committee nominates persons to be appointed as Directors (subject to shareholders' approval) and recommends to the Board, executive and non-executive directors and senior management remuneration.

The Committee also approves overall human resource and remuneration policies and strategies. The Human resources and remuneration committee meets quarterly and on ad hoc basis when necessary.

The members of the Committee and their meeting attendance during the year were as follows:

Meeting attendance

Members	Position	4 Mar 2022	17 Jun 2022	16 Sep 2022	9 Dec 2022
Mr John McGrath	Chairman	✓	✓	✓	✓
Mr Kofi Sekyere	Director	✓	✓	✓	✓
Mr Robert Abbey	Director	✓	✓	✓	✓
In attendance					
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓

Key: ✓ = Attendance

Directors' responsibility statement

For the year ended 31 December 2022

The Directors are responsible for the preparation and fair presentation of the financial statements of CDH Investment Bank Limited, comprising the statement of financial position as at 31 December 2022, and the statement of profit or loss and other comprehensive income, statements of changes in equity and statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act, 2013 of Malawi. In addition, the Directors are responsible for preparing the Director's report.

The Act also requires the Directors to ensure that the Bank keeps proper accounting records which disclose with reasonable accuracy at any time the financial position of the Bank and ensure the financial statements comply with the Companies Act, 2013 of Malawi.

In preparing the financial statements, the Directors accept responsibility for the following:

1. Maintenance of proper accounting records;
2. Selection of suitable accounting policies and applying them consistently;
3. Making judgements and estimates that are reasonable and prudent;
4. Compliance with applicable accounting standards, when preparing financial statements, subject to any material departures being disclosed and explained in the financial statements; and
5. Preparation of financial statements on a going concern basis unless it is inappropriate to presume the Bank will continue in business.

The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error and for maintaining adequate accounting records and an effective system of risk management.

The Directors have made an assessment of the ability of the Bank to continue as going concern. The Directors have no reason to believe that the operations of CDH Investment Bank Limited will not continue as a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act 2013, of Malawi.

Approval of financial statements

The financial statements of CDH Investment Bank Limited, as identified in the first paragraph, were approved by the board of Directors on 17 March 2023 and signed on its behalf by:

Franklin Kennedy
Board Chairman

Sydney Chikoti
Director

Opinion

We have audited the financial statements of CDH Investment Bank Limited (the Company) set out on pages 65 to 131 , which comprise the statement of financial position as at 31 December 2022, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of CDH Investment Bank Limited as at 31 December 2022, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRS) and in the manner required by the Companies Act, 2013 of Malawi.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our ethical responsibilities in accordance with the IESBA code. We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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 of the current period. These matters were addressed in the context of our audit of the Bank's financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Impairment of loans and advances to customers *Refer to notes 4(b)(i), 5.1.1, and 10 to the financial statements.* A significant proportion of the Bank's business involves making loans and advances to customers. When considering whether these loans and advances may be impaired, the Bank makes estimations of expected credit losses which are measured using present values of projected cashflows. The impairment assessments of loans and advances to customers was a key audit matter due to the following: • The significance of loans and advances to customers in the statements of financial position at year end.	Our procedures included: We inspected the Bank's credit policy that sets out the provisioning processes and evaluated these processes by considering whether the impairment calculation is in compliance with the relevant accounting standards. We also evaluated whether the impairment process is in compliance with the provisions prescribed by the Reserve Bank of Malawi. We tested the controls in place over credit risk management, particularly the key controls relating to the granting of loans, monitoring, and recovery of loans.

Key audit matter	How our audit addressed the key audit matter
• The subjective nature of the impairment calculations, including the high level of judgement and complexity involved in determining the amounts to be impaired.	In respect of allowances for impairment: • We challenged the Bank's assumptions in assessing whether the credit risk of a facility has increased significantly since initial recognition by selecting a sample of loans and evaluating whether the loans were graded in line with the ageing of the loans as well as well as our knowledge of the industry. • We evaluated the inputs into the assessment of whether a financial instrument is in default for reasonableness. • Where impairment had been identified by the Bank, we inspected the forecasts of future cash flows prepared by management and challenged their calculations by selecting loan exposures on a sample basis and testing the appropriateness of the loan loss provision as at the year-end by ensuring the cash flows are reasonable based on the customers' repayment history. We also challenged assumptions around future cash flow projections and the valuation of collateral held by evaluating the expected periods to realise the collateral and expected cost to sell. • We evaluated a sample of loans and advances which had not been identified by the Bank as potentially impaired and formed our own judgement, based on our knowledge of the client and experience of the industry in which it operates, as to whether the Bank's assessment was appropriate. We evaluated the adequacy of the Bank's transfer from retained earnings to the loan loss reserve by recalculating the regulatory reserve requirements based on the Reserve Bank of Malawi's directive and comparing this recalculated amount to the impairment required in terms of the relevant accounting standards.

Key audit matter	How our audit addressed the key audit matter
Valuation of medium and short-term notes and other assets *See Notes 4(b)(i), and 8 of the Bank's financial statements.* The Bank holds medium and short-term notes and other assets for trading as part of their business. These investments are measured at fair value. Since the fair value of these investments is not readily available in the economy as there is no active market, these instruments are classified as Level 3 instruments in accordance with the financial reporting standard. We considered the valuation of these investments to be a key audit matter in our audit of the Bank's financial statements due to: • the significance of the carrying amounts of these investments in the financial statements; and • the level of judgement involved in determining their fair values due to an inactive market for these instruments.	We tested the fair value of the medium and short-term notes (particularly on Treasury Bills and Notes) by considering whether the assumptions and calculation methods used are appropriate and consistent with market conditions. We recalculated the fair values of medium and short-term notes and other assets, which included performing the following procedures: • we obtained confirmations from counterparts and matched the maturity dates, the original yield rates and nominal values of the notes to those confirmations. • we challenged management's assumptions used in determining the valuation of these notes by comparing the yield rates used by management in their fair value calculation to the latest Reserve Bank of Malawi auction results for similar Treasury Bills and Notes.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Corporate Governance Report and the Directors' Responsibility Statement, other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance or conclusion thereon.

In connection with our audit of the Bank's financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained during the audit, or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Bank's financial statements
The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards and in the manner required by the Companies Act, 2013 of Malawi, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements
Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

a. Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
b. Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
c. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
d. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern.

e. Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Grant Thornton
Chartered Accountants and Business Advisors

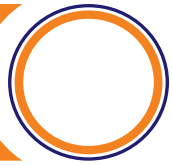
Gordon Tembo
Chartered Accountant (Malawi)
Partner
Blantyre, Malawi

29 March 2023

Statement of financial position

For the year ended 31 December 2022

In thousands of Malawi Kwacha



	Note	2022	2021
ASSETS			
Cash and cash equivalents	11	**10,868,255**	5,113,250
Financial assets at fair value through profit or loss	8.1	**96,563,517**	104,743,581
Investment securities at amortised cost	8.2	**20,322,216**	8,539,620
Interbank placements	9	**25,088,670**	5,767,051
Loans and advances to customers	10	**62,330,779**	54,974,846
Other assets	11	**1,432,645**	1,844,790
Other investments at fair value through other comprehensive income	12	**361,000**	361,000
Equipment	13	**2,006,659**	1,304,983
Intangible assets	14	**12,991**	15,099
Deferred tax asset	20	**12,551**	103,638
Total assets		**218,999,283**	182,767,858
LIABILITIES AND EQUITY			
LIABILITIES			
Interbank taking	18	**13,060,741**	6,348,768
Customer deposits	15	**93,880,670**	62,918,327
Investment funds	16	**84,688,396**	93,641,303
Other liabilities and accruals	19	**2,927,129**	1,674,692
Income tax payable	20	**1,588,768**	383,780
Subordinated liability	17	**1,600,000**	1,600,000
Total liabilities		**197,745,704**	166,566,870
EQUITY			
Share capital	21.1	**327,715**	308,326
Share premium	21.2	**4,493,101**	4,025,247
Irredeemable non-cumulative preference shares	21.3	**-**	487,243
Retained earnings		**16,432,763**	11,380,172
Total equity		**21,253,579**	16,200,988
Total equity and liabilities		**218,999,283**	182,767,858

The financial statements were approved for issue by the Board of Directors on 17 March 2023 and were signed on its behalf by:

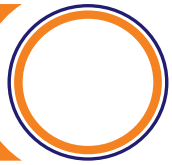
Franklin Kennedy
Board Chairman

Sydney Chikoti
Director

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2022

In thousands of Malawi Kwacha

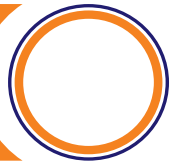


	Note	2022	2021
Interest income	22	**32,859,401**	22,472,458
Interest expense – customer deposits and interbank taking	22	**(7,300,274)**	(5,653,366)
Interest expense – investment funds	22	**(11,575,276)**	(8,933,073)
Net interest income		**13,983,851**	7,886,019
Fees and commissions income	23	**2,570,353**	2,121,855
Trading income	24	**3,966,112**	2,146,984
Other operating income	25.1	**39,420**	41,422
Total operating income		**20,559,736**	12,196,280
Impairment (losses) / recoveries on loans and advances	10	**(11,820)**	891,696
Income after impairment losses on loans and advances		**20,547,916**	13,087,976
Personnel expenses	26	**(4,104,823)**	(2,986,819)
Depreciation and amortisation expense	13-14	**(861,840)**	(808,765)
Other expenses-Loss on disposal of fixed assets	25.2	**(2,740)**	-
Administration expenses	27	**(4,101,882)**	(2,384,083)
Total operating expenses		**(9,071,285)**	(6,179,667)
Profit before income tax expense		**11,476,631**	6,908,309
Income tax expense	28	**(3,942,755)**	(2,045,737)
Profit and other comprehensive income for the year		**7,533,876**	4,862,571
Earnings per share	29	**22.99**	15.77

Statement of changes in equity

For the year ended 31 December 2022

In thousands of Malawi Kwacha



2022	Share capital	Share premium	Irredeemable Preference shares	Retained earnings	**Total equity**
Balance at 1 January 2022	**308,326**	**4,025,247**	**487,243**	**11,380,172**	**16,200,988**
Profit for the year	**-**	**-**	**-**	**7,533,876**	**7,533,876**
Total comprehensive income for the year	**-**	**-**	**-**	**7,533,876**	**7,533,876**
Transactions with owners of the Bank					
New issue of shares	19,389	-	(19,389)	-	-
Share premium transfers	-	467,854	(467,854)	-	-
Dividends paid	-	-	-	(2,481,285)	(2,481,285)
Total transactions with owners of the bank	**19,389**	**467,854**	**(487,243)**	**(2,481,285)**	**(2,481,285)**
Balance as 31 December 2022	**327,715**	**4,493,101**	**-**	**16,432,763**	**21,253,579**

2021	Share capital	Share premium	Irredeemable Preference shares	Retained earnings	**Total equity**
Balance at 1 January 2021	275,984	3,244,832	1,300,000	8,762,382	13,583,198
Profit for the year	-	-	-	4,862,571	4,862,571
Total comprehensive income for the year	-	-	-	4,862,571	4,862,571
Transactions with owners of the Bank					
New issue of shares	32,342	(32,342)	-	-	-
Share premium transfers	-	812,757	(812,757)	-	-
Dividends paid	-	-	-	(2,244,781)	(2,244,781)
Total transactions with owners of the bank	32,342	780,415	(812,757)	(2,244,781)	(2,244,781)
Balance as 31 December 2021	308,326	4,025,247	487,243	11,380,172	16,200,988

Statement of cash flows

For the year ended 31 December 2022

In thousands of Malawi Kwacha

	Note	2022	2021
Cash flows from operating activities			
Profit for the year		**7,533,876**	4,862,571
Adjusted for:			
▪ Depreciation and amortisation	13	**861,840**	808,765
▪ Loss on disposal assets		**2,740**	-
▪ Net impairment on loans and advances	10	**11,820**	(891,696)
▪ Fair value adjustment on Financial Assets at FVTPL	22	**(407,193)**	-
▪ Effects of exchange rate fluctuations on cash		**(395,530)**	(697,815)
▪ Net interest income	22	**(13,576,657)**	(7,886,019)
▪ Tax expense	28	**3,942,755**	2,045,737
		(2,026,349)	(1,758, 457)
Changes in:			
Financial asset investments		**8,587,257**	(33,555,361)
Investment securities		**(11,782,596)**	(4,139,514)
Loans and advances to other banks		**(19,321,619)**	(4,266,578)
Loans and advances to customers		**(7,367,753)**	(15,809,365)
Other assets		**412,146**	(939,323)
Investment funds		**(8,952,907)**	34,234,809
Deposits from banks		**6,711,973**	5,848,296
Deposits from customers		**30,962,343**	14,834,515
Other liabilities and provisions		**2,655,495**	778,999
		(122,010)	(4,771,979)
Net interest income	22	**13,576,657**	7,886,019
Income tax paid	20	**(2,646,680)**	(2,330,898)
Net cash generated from operating activities		**10,807,967**	783,143
Cash flows from investing activities			
Proceeds from the sale of equipment		**905**	-
Acquisition of equity investment		**-**	(81,000)
Acquisition of equipment and intangible assets	13	**(165,017)**	(230,980)
Net cash used in investing activities		**(164,112)**	(311,980)
Cash flows from financing activities			
Dividends paid	34	**(2,481,285)**	(2,244,781)
Lease adjustment on IFRS 16	13	**(1,400,037)**	115,001
Repayment of lease liabilities - motor vehicles	19	**(984,710)**	(821,574)
Repayment of lease liabilities - property	19	**(418,348)**	(310,426)
Net cash from financing activities		**(5,284,380)**	(3,261,780)
Net increase/(decrease) in cash and cash equivalents		**5,359,475**	(2,790,617)
Cash and cash equivalents at the beginning of the year		**5,113,250**	7,206,052
Effect of exchange rate fluctuations on cash and cash equivalents held		**395,530**	697,815
Net increase / (decreases) in cash and cash equivalents	7	**10,868,255**	5,113,250

1. Reporting entity

CDH Investment Bank Limited is a private limited liability company incorporated in Malawi. The company provides private, corporate and investment banking services.

2. Basis of preparation

(i) Statement of compliance
The financial statements have been prepared in accordance with International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in the manner required by the Companies Act, 2013 of Malawi.

(ii) Basis of measurement
The financial statements are prepared on the historical cost basis except for the following:
- financial instruments at fair value through profit or loss.
- other investments at fair value through other comprehensive income.

(iii) Functional and presentation currency
These financial statements are presented in Malawi Kwacha, which is the Bank's functional and presentation currency. Except as indicated, financial information presented in Malawi Kwacha, has been rounded to the nearest thousand.

(iv) Use of estimates and judgements
The preparation of financial statements in conformity with IFRSs require management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

Information about significant areas of estimation, uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in the following notes.

- Note 4b(i) - Loans and advances to customers – impairment. The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral.

- Note 4(m) - Fair value measurement. A number of the Bank's accounting policies and disclosures require the measurement of fair values, both of financial and non-financial assets and liabilities. The Bank has an established control framework with respect to the measurement of fair values. This includes the Finance Manager who gets inputs from the Chief Treasury Officer who oversees all significant fair value measurements, including Level 3 financial instruments, and reports directly to the Chief Financial Officer.

2. Basis of preparation (continued)

(v) Going concern basis of accounting

An evaluation of whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Bank's ability to continue as a going concern within one year after the date that the financial statements are issued (or within one year after the date that the financial statements are available to be issued when applicable) is made. Management's evaluation is based on relevant conditions and events that are known and reasonably knowable at the date that the financial statements are issued (or at the date that the financial statements are available to be issued when applicable). When management identifies conditions or events that raise substantial doubt about the Bank's ability to continue as a going concern, management reviews the business plans that are intended to mitigate those relevant conditions or events to alleviate the substantial doubt. Appropriate disclosures on the going concern status of the business are made.

3. New or revised standards and interpretations

Some accounting pronouncements became effective from 1 January 2022 and have therefore been adopted with no significant impact on the Bank's financial results or position.

Standards, amendments and Interpretations to existing Standards that are not yet effective and have not been adopted early by the Bank.

New standards, amendments to standards and interpretations issued and effective for annual periods beginning on or after 1 January 2022 and have not been applied in preparing these financial statements, since they do not have an impact on the Bank are included in the following table:

Effective date	Standard, amendment, or interpretation
Period beginning or after 1 January 2022	Amendments to IFRS 1, IFRS 3, IAS 8, IAS 16, IAS 37, IAS 41

The Bank has implemented changes to IAS 12 regarding deferred tax effects of leases. Temporary differences in relation to a right of use asset and lease liability for a specific lease are regarded as a net package for the purpose of recognizing deferred tax.

At the date of authorisation of these Bank financial statements several new, but not yet effective, Standards and amendments to existing Standards, and Interpretations have also been published by the IASB. None of these Standards or amendments to existing Standards have been adopted early by the Bank.

Management anticipates that all relevant pronouncements will be adopted for the first period beginning on or after the effective date of the pronouncement. New Standards, amendments and Interpretations not adopted in the current year have not been disclosed as they are not expected to have a material impact on the Bank's financial statements.

Except for changes in note 3, the accounting policies have been consistently applied by the Bank during the year.

4. Significant accounting policies

(a) Foreign currency

Foreign currency transactions
Transactions in foreign currencies during the year are translated into Malawi Kwacha at rates ruling at spot exchange rates at the date of the transactions. Monetary assets and liabilities at the reporting date, which are expressed in foreign currencies, are translated into Malawi Kwacha at rates ruling at that date. The resulting differences from translation are recognised in the profit or loss in the year in which they arise.

Non- monetary assets and liabilities are measured at historical cost and re-translated into Malawi Kwacha using the exchange rate ruling at the reporting date.

(b) Financial assets and liabilities

Financial instruments
Financial assets and financial liabilities are recognised in the Bank's statement of financial position when the Bank becomes a party to the contractual provisions of the instrument.

Recognised financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at FVTPL(Fair Value Through Profit or Loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

If the transaction price differs from fair value at initial recognition, the Bank will account for such difference as follows:

- If fair value is evidenced by a quoted price in an active market for an identical asset or liability or based on a valuation technique that uses only data from observable markets, then the difference is recognised in profit or loss on initial recognition (i.e. day 1 profit or loss);
- In all other cases, the fair value will be adjusted to bring it in line with the transaction price (i.e. day 1 profit or loss will be deferred by including it in the initial carrying amount of the asset or liability).

After initial recognition, the deferred gain or loss will be released to profit or loss on a rational basis, only to the extent that it arises from a change in a factor (including time) that market participants would take into account when pricing the asset or liability.

i) Financial assets
All recognised financial assets that are within the scope of IFRS 9 are required to be subsequently measured at amortised cost or fair value based on the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets.

Specifically:
- Instruments that are held within a business model whose objective is to collect the contractual cash flows, and that have contractual cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are subsequently measured at amortised cost.

4. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

Financial instruments (continued)

i) Financial assets (continued)

- Debt instruments that are held within a business model whose objective is both to collect the contractual cash flows and to sell the instruments, and that have contractual cash flows that are SPPI, are subsequently measured at FVTOCI (Fair Value Through Other Comprehensive Income).
- All other instruments (e.g. instruments managed on a fair value basis or held for sale) and equity investments are subsequently measured at FVTPL.

However, the Bank may make the following irrevocable election / designation at initial recognition of a financial asset on an asset-by-asset basis:

- The Bank may irrevocably elect to present subsequent changes in fair value of an equity investment that is not held for trading in OCI (Other Comprehensive Income); and
- The Bank may irrevocably designate a debt instrument that meets the amortised cost or FVTOCI criteria as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch (referred to as the fair value option).

Business model assessment
The Bank assesses the classification and measurement of a financial asset based on the contractual cash flow characteristics of the asset and the Bank's business model for managing the asset.

For an asset to be classified and measured at amortised cost or at FVTOCI, its contractual terms should give rise to cash flows that are solely payments of principal and interest on the principal outstanding (SPPI).

The Bank considers all relevant information available when making the business model assessment such as:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realizing cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management; the risks that affect the performance of the business model (and the financial assets held within that business model) and its strategy for how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

At initial recognition of a financial asset, the Bank determines whether newly recognised financial assets are part of an existing business model or whether they reflect the commencement of a new business model. The Bank reassesses its business models each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Bank has not identified a change in its business models.

When an instrument measured at FVTOCI is derecognised, the cumulative gain/loss previously recognised in OCI is reclassified from equity to profit or loss. In contrast, for an equity investment designated as measured at FVTOCI, the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss but transferred within equity.

Debt instruments that are subsequently measured at amortised cost or at FVTOCI are subject to impairment.

Financial assets that are held for trading or managed and whose performance is evaluated on a fair value basis are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets

Financial assets at FVTPL
Financial assets at FVTPL are:

- assets with contractual cash flows that are not SPPI; or/and
- assets that are held in a business model other than held to collect contractual cash flows or held to collect and sell; or
- assets designated at FVTPL using the fair value option.

These assets are measured at fair value, with any gains/losses arising on remeasurement recognised in profit or loss.

Assessment of whether contractual cash flows are solely payments of principal and interest
For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. Interest is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin.

In assessing whether the contractual cash flows are SPPI, the Bank considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse loans); and
- features that modify consideration of the time value of money (e.g. periodical reset of
- interest rates).

4. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

Financial instruments (continued)

i) Financial assets (continued)

Reclassifications
If the business model under which the Bank holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category apply prospectively from the first day of the first reporting period following the change in business model that results in reclassifying the Bank's financial assets. During the current financial year and previous accounting periods there was no change in the business model under which the Bank holds financial assets and therefore no reclassifications were made. Changes in contractual cash flows are considered under the accounting policy on modification and derecognition of financial assets described below.

Foreign exchange gains and losses
The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically:

- for financial assets measured at amortised cost exchange differences are recognised in profit or loss in the 'other income' line item;
- For debt instruments measured at FVTOCI exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'other income' line item. Other exchange differences are recognised in OCI in the investments revaluation reserve;
- For financial assets measured at FVTPL exchange differences are recognised in profit or loss either in 'net trading income,' if the asset is held for trading, or in 'net income from other financial instruments at FVTPL' if otherwise held at FVTPL;
- For equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investments revaluation reserve; and
- The change is recognized in the statement of comprehensive income to comply with the requirement of IAS 21 Effects of Changes in Foreign Exchange Rates.

Impairment
The Bank recognises loss allowances for ECLs (Expected Credit Loss) on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers;
- Loans and advances to related party; and
- Interbank placements.

ECLs are required to be measured through a loss allowance at an amount equal to:

- 12-month ECL, i.e., lifetime ECL that result from those default events on the financial instrument that are possible within 12 months after the reporting date and interest revenue is recognized on gross carrying amount of the asset, (referred to as Stage 1); or
- Full lifetime ECL, i.e. lifetime ECL that result from all possible default events over the life of the financial instrument and interest revenue is recognized on gross carrying amount of the asset, (referred to as Stage 2 and Stage 3).

A loss allowance for full lifetime ECL is required for a financial instrument if the credit risk on that financial instrument has increased significantly since initial recognition. For all other financial instruments, ECLs are measured at an amount equal to the 12-month ECL.

ECLs are a probability-weighted estimate of the present value of credit losses. These are measured as the present value of the difference between the cash flows due to the Bank under the contract and the cash flows that the Bank expects to receive arising from the weighting of multiple future economic scenarios, discounted at the asset's EIR (Effective Interest Rate).

The Bank measures ECL on an individual basis, or on a collective basis for portfolios of loans that share similar economic risk characteristics. The measurement of the loss allowance is based on the present value of the asset's expected cash flows using the asset's original EIR, regardless of whether it is measured on an individual basis or a collective basis.

Credit-impaired financial assets

A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the disappearance of an active market for a security because of financial difficulties; or

It may not be possible to identify a single discrete event—instead, the combined effect of several events may have caused financial assets to become credit-impaired. The Bank assesses whether debt instruments that are financial assets measured at amortised cost or FVTOCI are credit-impaired at each reporting date.

A loan is considered credit-impaired when a concession is granted to the borrower due to a deterioration in the borrower's financial condition, unless there is evidence that as a result of granting the concession the risk of not receiving the contractual cash flows has reduced significantly and there are no other indicators of impairment. For financial assets where concessions are contemplated but not granted the asset is deemed credit impaired when there is observable evidence of credit-impairment including meeting the definition of default. The definition of default includes unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

4. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

Financial instruments (continued)

i) Financial assets (continued)

Definition of default
Critical to the determination of ECL is the definition of default. The definition of default is used in measuring the amount of ECL and in the determination of whether the loss allowance is based on 12-month or lifetime ECL, as default is a component of the probability of default (PD) which affects both the measurement of ECLs and the identification of a significant increase in credit risk (see note 6).

The Bank considers the following as constituting an event of default:

- The borrower is past due more than 90 days on any material credit obligation to the Bank; or
- The borrower is unlikely to pay its credit obligations to the Bank in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Bank takes into account both qualitative and quantitative indicators. Quantitative indicators, such as overdue status and non-payment on another obligation of the same counterparty are key inputs in this analysis. The Bank uses a variety of sources of information to assess default which are either developed internally or obtained from external sources.

Significant increase in credit risk
The Bank monitors all financial assets to assess whether there has been a significant increase in credit risk since initial recognition. If there has been a significant increase in credit risk the Bank will measure the loss allowance based on lifetime rather than 12-month ECL.

The quantitative information is a primary indicator of significant increase in credit risk and is based on the change in lifetime PD (Probability of Default) by comparing:

- the remaining lifetime PD at the reporting date; with
- the remaining lifetime PD for this point in time that was estimated based on facts and circumstances at the time of initial recognition of the exposure.

The PDs used are forward looking and the Bank uses the same methodologies and data used to measure the loss allowance for ECL. The internal and external information including future forecasts of economic variables are also used in measuring the loss allowance.

The qualitative factors that indicate significant increase in credit risk are reflected in PD models on a timely basis. However, the Bank still considers separately some qualitative factors to assess if credit risk has increased significantly.

As a backstop when an asset becomes 30 days past due, the Bank considers that a significant increase in credit risk has occurred and the asset is in stage 2 of the impairment model, i.e. the loss allowance is measured as the lifetime ECL.

Modification and derecognition of financial assets

A modification of a financial asset occurs when the contractual terms governing the cash flows of a financial asset are renegotiated or otherwise modified between initial recognition and maturity of the financial asset. A modification affects the amount and/or timing of the contractual cash flows either immediately or at a future date. In addition, the introduction or adjustment of existing covenants of an existing loan would constitute a modification even if these new or adjusted covenants do not yet affect the cash flows immediately but may affect the cash flows depending on whether the covenant is or is not met (e.g. a change to the increase in the interest rate that arises when covenants are breached).

When a financial asset is modified the Bank assesses whether this modification results in derecognition. In accordance with the Bank's policy a modification results in derecognition when it gives rise to substantially different terms. To determine if the modified terms are substantially different from the original contractual terms the Bank considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency or change of counterparty, the extent of change in interest rates, maturity, covenants. If these do not clearly indicate a substantial modification, then;
- A quantitative assessment is performed to compare the present value of the remaining contractual cash flows under the original terms with the contractual cash flows under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Bank deems the arrangement is substantially different leading to derecognition.

In the case where the financial asset is derecognised the loss allowance for ECL is remeasured at the date of derecognition to determine the net carrying amount of the asset at that date. The difference between this revised carrying amount and the fair value of the new financial asset with the new terms will lead to a gain or loss on derecognition. The new financial asset will have a loss allowance measured based on 12-month ECL except in the rare occasions where the new loan is considered to be originated-credit impaired. This applies only in the case where the fair value of the new loan is recognised at a significant discount to its revised par amount because there remains a high risk of default which has not been reduced by the modification. The Bank monitors credit risk of modified financial assets by evaluating qualitative and quantitative information, such as if the borrower is in past due status under the new terms.

When the contractual terms of a financial asset are modified and the modification does not result in derecognition, the Bank determines if the financial asset's credit risk has increased significantly since initial recognition by comparing:

- the remaining lifetime PD estimated based on data at initial recognition and the original contractual terms; with

Where a modification does not lead to derecognition the Bank calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Bank measures ECL for the modified asset, where the expected cash flows arising from the modified financial asset are included in calculating the expected cash shortfalls from the original asset.

4. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

Financial instruments (continued)

i) Financial assets (continued)

Modification and derecognition of financial assets (continued)
The Bank derecognises a financial asset only when the contractual rights to the asset's cash flows expire (including expiry arising from a modification with substantially different terms), or when the financial asset and substantially all the risks and rewards of ownership of the asset are transferred to another entity. If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain/loss that had been recognised in OCI and accumulated in equity is recognised in profit or loss, with the exception of equity investment designated as measured at FVTOCI, where the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain/loss allocated to it that had been recognised in OCI is recognised in profit or loss. A cumulative gain/loss that had been recognised in OCI is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts. This does not apply for equity investments designated as measured at FVTOCI, as the cumulative gain/loss previously recognised in OCI is not subsequently reclassified to profit or loss.

Write-off
Loans and debt securities are written off when the Bank has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Bank determines that the borrower does not have assets or sources of income that could generate sufficient cash flows to repay the amounts subject to the write-off. A write-off constitutes a derecognition event. The Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Bank's enforcement activities will result in impairment gains.

Cash and cash equivalents
Cash and cash equivalents comprise cash on hand, balances with the Central Bank and placements with foreign and local banks. Cash and cash equivalents are measured at amortised cost in the statements of financial position.

Other investments
These are recognised at fair value through other comprehensive income.

i) Financial liabilities and equity
Debt and equity instruments that are issued are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangement.

A financial liability is a contractual obligation to deliver cash or another financial asset or to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the Bank or a contract that will or may be settled in the Bank's own equity instruments and is a non-derivative contract for which the Bank is or may be obliged to deliver a variable number of its own equity instruments, or a derivative contract over own equity that will or may be settled other than by the exchange of a fixed amount of cash (or another financial asset) for a fixed number of the Bank's own equity instruments.

ii) Financial liabilities
Financial liabilities, including deposits and borrowings, are initially measured at fair value, net of transaction costs. Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The EIR is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition. For details on EIR see the "net interest income section" above.

Derecognition of financial liabilities
The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Bank exchanges with the existing lender one debt instrument into another one with substantially different terms, such exchange is accounted for as an extinguishment of the original financial liquidity and the recognition of a new financial liability. Similarly, the Bank accounts for substantial modification of terms of an existing liability or part of it as an extinguishment of the original financial liability and the recognition of a new liability. It is assumed that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective rate is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability.

Subordinated liabilities
Subordinated liabilities are the Bank's sources of debt funding. These liabilities are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method, except where the Bank designates liabilities at fair value through profit or loss.

4. Significant accounting policies (continued)

(b) Financial assets and liabilities (continued)

iii) Liabilities to customers and interbank placements
When the Bank sells a financial asset and simultaneously enters a "repo" or "stock lending" agreement to repurchase the asset (or a similar asset) at a fixed price on a future date, the arrangement is accounted for as a deposit, and the underlying asset continues to be recognised in the Bank's financial statements. Securities under repurchase agreements that cannot be derecognised are reclassified separately from other assets in the Bank's statement of financial position.

Deposits are initially measured at fair value plus directly attributable transaction costs. Subsequently deposits are measured at their amortised cost using the effective interest method, except where the Bank chooses to account for the financial liabilities at fair value through profit or loss.

iv) Other liabilities and accruals
Other liabilities and accruals are initially measured at fair value less any directly attributable transaction costs, and are subsequently measured at amortised cost, using the effective interest method.

(c) Equipment

(i) Recognition and measurement
Items of equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

Where an item of equipment comprises, major components having different useful lives, they are accounted for as separate items of equipment.

Gains and losses on disposal of an item of equipment are determined by comparing the proceeds from disposal with the carrying amount of equipment and are recognised net within other operating income in profit or loss.

(ii) Subsequent expenditure
Expenditure incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalised. Other subsequent expenditure is capitalised only when it is probable that the future economic benefits embodied within the part will flow to the entity and its costs can be measured reliably. All other expenditure is recognised in the profit and loss as an expense as incurred.

(iii) Depreciation
Equipment are depreciated on a straight-line basis at rates that would reduce carrying amounts to their estimated residual values, over the estimated useful lives of the assets. The Bank re-assesses the useful lives, the depreciation method and the residual values of the assets at each reporting date and adjusted if appropriate. Any changes in the useful lives, depreciation method or estimated residual values are accounted for prospectively as a change in accounting estimate in accordance with IAS 8: *Accounting policies changes in accounting estimates and errors.*

Depreciation is recognised in profit or loss.

The estimated useful lives for the current year and prior year are as follows:

• right of use - motor vehicles	4 years
• right of use - property	10 years
• equipment, fixtures, fittings and computers	5 years

(iv) Capital work in progress
Capital work in progress represent gross amount spent to date in carrying out work of a capital nature. It is measured at cost recognised to date.

Capital work in progress is presented as part of equipment in the statements of financial position. If the project is completed the expenditure is capitalised to the relevant items of plant and equipment. Capital work in progress is not depreciated.

(d) Intangible assets

Software
Software acquired by the Bank is measured at cost less accumulated amortisation and any accumulated impairment losses.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates. All other expenditure is expensed as incurred.

Software is amortised on a straight-line basis in profit or loss over its estimated useful life, from the date on which it is available for use. The estimated useful life of software for the current and comparative years is three to eight years.

Upon derecognition of software, the Bank recognises the resultant profit or loss in the statements of profit or loss and other comprehensive income.

Amortisation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

(e) Leases
The Bank entered into lease contracts as a Lessee on motor vehicles, office buildings and other residential premises. A lease is defined as a contract, or part of a contract, that conveys the right to use an asset

4. Significant accounting policies (continued)

(e) Leases (continued)

(underlying asset) for a period in exchange of consideration. The Bank assesses the following three evaluations to determine whether the contracts above meet the definition of a lease contract:

- The contract should contain an identifiable asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to the Bank.
- The Bank obtains substantially all the economic benefits from the use of the asset throughout the period of use and within the scope of the agreed contracts.
- The Bank has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of leases
The Bank as Lessee recognises the right-of-use asset and lease liability on the balance sheet at lease commencement date. The right-of-use asset is measured at cost, being made up of the initial measurement of lease liability, any indirect costs incurred by the Bank, an estimate of any costs to dismantle and remove the asset at the end of lease, and any lease payments made in advance of the lease commencement date.

The right-of-use asset is depreciated on a straight- line basis from the lease commencement date to earlier of the end of the useful life of the asset or at the end of lease term. It also assesses the asset for impairment if the indicators arise.

Lease liability at the lease commencement date, is measured at present value of the lease payments unpaid at that date, discounted using the incremental borrowing rate of the Bank. The lease payments include the fixed payments, variable payments based on an index or rate, amounts expected to be payable under a residual value guarantee and payments.

Subsequent measurement
Lease liability is reduced by lease payments and increased by interest charges. It is also remeasured to reflect changes in fixed payments or any reassessment or modification. Such remeasurement of the lease liability result into corresponding adjustments in the right-of-use asset or in profit or loss if the asset is already at nil balance.

For all contracts of low value and less than 12 months, the Bank elects to recognize the payments in relation to these as an expense in profit or loss on straight line basis over the lease term.

On the statement of financial position, the right-of-use asset and lease liability is disclosed separately from equipment; and other liabilities respectively.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

The Bank has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

On the statement of financial position, right-of-use assets have been included in property, plant and equipment and lease liabilities have been included in trade and other payables.

(f) Equity

Share issue costs.
Incremental costs directly attributable to the issue of an equity instrument are deducted from the initial measurement of the equity instruments.

Irredeemable non-cumulative preference shares
The Bank where necessary issues perpetual irredeemable non-cumulative preference shares to fast-track capital accumulation in the year that there is a perceived gap to achieve minimum core capital as specified by the regulator.

The preferred stock pays dividends based on a coupon agreed by shareholders and is based on an interest rate that is set at the beginning of each year. The Bank pays dividends subject to its financial performance, regulatory restrictions as imposed by the Registrar of Financial Institutions and other factors considered by the Directors.

The preferred stock is perpetual and irredeemable and receives preference over the common stock as regards dividends and distributions upon liquidation.

(g) Employee benefits

(i) Defined contribution plans
Obligations for contributions to defined contribution pension plans are recognised as an expense in profit or loss when they are due.

(ii) Short-term benefits
Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

(h) Net interest income
Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter year) to the carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Bank estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

4. Significant accounting policies (continued)

(h) Net interest income (continued)

The calculation of the effective interest rate includes all fees and points paid or received transaction costs and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Interest income and expense presented in the profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost on an effective interest basis.
- Interest on available-for-sale investment securities on an effective interest basis.
- Interest income is accrued and included in impairment losses when collection of the loans becomes doubtful.

Fees and commissions
Fees and commission income and expenses are recognized in the profit or loss when parties to the contract have approved the contract (in writing or orally or in accordance with the Bank's practice and it is probable that the entity will collect consideration to which it is entitled in exchange for the goods and services that are transferred to the customer.

Other fees and commission income, account service fees, sales commissions, placement fees and syndicated fees are recognized in profit or loss when goods or services are transferred.

Other operating income which includes gains and losses arising from translation of foreign exchange transactions and net gains on sale of assets are recognized in the statement of comprehensive income.

(i) Trading and other income
Other operating income includes gains or losses arising on translation of foreign exchange transactions and net gains on the sale of assets and is recognised on accruals basis.

Other income includes profit from disposal of assets and rental income from sublease of assets.

(j) Income tax
Income tax expense comprises current and deferred tax. Income tax expense is recognised in profit or loss except to the extent that it relates to items recognised directly in equity other comprehensive income, in which case it is recognised in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current assets, and they relate to income taxes levied in the same tax authority on the same taxable entity, or on different entities but they intend to settle current liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously. A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

The Bank accounts for deferred tax on leases by applying the integrally linked approach such that the lease asset and liability are assessed together on a net basis. Temporary difference in relation to a right of use asset and lease liability for a specific lease are regarded as a net package for the purpose of recognizing deferred tax. The Bank has disclosed the amount of deferred tax in respect of leases.

(k) Earnings per share

The Bank presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Bank by the weighted average number of ordinary shares outstanding during the year. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding after adjusting for the effects of all dilutive potential ordinary shares.

(l) Acceptances, guarantees and letters of credit.

Acceptances guarantees and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities, unless it is probable that the Bank will be required to make payments under these instruments, in which case they are recognised as provisions.

(m) Determination of fair values

Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the Bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all the factors that market participants would take into account in pricing a transaction.

4. Significant accounting policies (continued)

(m) Determination of fair values (continued)

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the Bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognized in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data, or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the Bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio-level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount could be required to be paid.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the change has occurred.

The fair values of investments in the listed equities are derived from price ruling at reporting date.

5. Risk management

The Board of Directors of the Bank has ultimate responsibility for the level of risk taken by the Bank and accordingly they have approved the overall business strategies and significant policies of the Bank, including those related to managing and taking risk. Senior management in the Bank is responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensures compliance with applicable rules and regulation, both on a long term and day to day basis. The Bank has a risk management department, which is independent of those who accept risks in the Bank. The risk management department is tasked to:

- identify current and emerging risks
- develop risk assessment and measurement systems
- establish policies, practices and other control mechanisms to manage risks
- develop risk tolerance limits for senior management and board approval
- monitor positions against approved risk tolerance limits
- report results of risk monitoring to senior management and the board.

To ensure that risk management is properly explained to and understood by all business lines the board has established the following risk management policies:

- Credit Risk Management Policy
- Liquidity Risk Management Policy
- Operational Risk Management Policy
- Capital Risk Management Policy
- Market Risk Policy

5.1 Financial risks

The Bank is exposed to the following financial risks from financial instruments:

a) Credit risk;
b) Liquidity risk;
c) Market risk.

5.1.1 Credit risk

Credit risk is the risk of financial loss to the Bank if a counterparty to a financial instrument fails to meet their contractual obligations and arises principally from the Bank's loans and advances to customers and other banks. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk

The Board of Directors of the Bank have delegated responsibility for the management for credit risk to the Finance, Business, and Information Technology Committee (FBIT). The FBIT are responsible for oversight of credit risk; including:

- *Formulating credit policies,* covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- *Establishing the authorisation structure* for the approval and renewal of credit facilities. All credit facilities are authorized by Head Office management. Larger facilities require approval by The Credit Committee or the Board of Directors as appropriate.
- *Reviewing and assessing credit risk.* The Credit Department assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the branches concerned. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure to counterparties,* geographies and industries (for loans and advances), and by issuer, credit rating band, market liquidity and country (for investment securities).
- *Reviewing compliance* of business units with agreed exposure limits.

Exposure to credit risk

The bank measures credit risk using data that is predictive of the credit loss. Such data includes available Gross Domestic product projections, industry outlook data, press information, client audited financial statements, cashflow projections and external credit ratings among other variables. The Bank also applies experienced credit judgement.

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.1 Credit risk (continued)

The bank assesses evidence of credit-impairment including observable data about the following events:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or past due event;
- the disappearance of an active market for a security because of financial difficulties; or

The Bank's exposure to credit risk principally comprises loans and advances to customers analysed as follows:

Classification of assets	Investment securities		Loans and advances to customers		Loans and advances to related party		Interbank placemements	
	2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
Stage 1 (12-month ECL)	**20,322,216**	8,539,620	**60,755,664**	54,670,522	**-**	-	**25,088,670**	5,767,051
Stage 2 (Lifetime ECL)	**-**	-	**1,716,507**	864,003	**-**	-	**-**	-
Stage 3 (Lifetime ECL)	**-**	-	**252,557**	104,059	**-**	-	**-**	-
Gross exposure to credit risk	**20,322,216**	8,539,620	**62,724,728**	55,638,584	**-**	-	**25,088,670**	5,767,051
Less: Allowance for impairment (note 10)	**-**	-	**(393,949)**	(663,738)	**-**	-	**-**	-
	20,322,216	8,539,620	**62,330,779**	54,974,846	**-**	-	**25,088,670**	5,767,051
Balance	**20,322,216**	8,539,620	**62,330,779**	54,974,846	**-**	-	**25,088,670**	5,767,051

Loans and advances in stage 2 and 3 comprise:	**2022**	2021
30-60 days	**1,716,507**	864,003
>90 days	**252,557**	104,059
	1,969,064	968,062

The table below shows movements in loss allowance for ECL:

2022	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
Opening balance as at 1 January 2022	**316,538**	**243,603**	**103,597**
Movement due to increase in portfolio	**18,677**	**-**	**-**
Movement due to decrease in credit risk	**-**	**(69,863)**	**-**
Movement due to write offs	**-**	**(164,910)**	**(37,838)**
Movement due to recoveries	**-**	**-**	**(15,855)**
Closing balance as at 31 December 2022	**335,215**	**8,830**	**49,904**

2021	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
Opening balance as at 1 January 2021	13,699	28,443	1,514,659
Movement due to increase in portfolio	424,984	-	-
Movement due to increase/(decrease) in credit risk	(122,145)	215,160	(93,015)
Movement due to write offs	-	-	61,012
Movement due to recoveries	-	-	(1,379,059)
Closing balance as at 31 December 2021	316,538	243,603	103,597

An estimate of the fair value of collateral held against loans and advances to customers is shown below:

Against loans and advances (Stage 1 and 2)	2022	2021
Property	**3,273,347**	3,115,751
Motor vehicles	**126,248**	163,206
Guarantees	**46,511,961**	49,175,476
Cash	**1,565,062**	928,939
Stocks	**4,883,658**	971,997
Shares	**334,358**	-
Debentures	**2,990,920**	1,283,215
	59,685,554	55,638,584

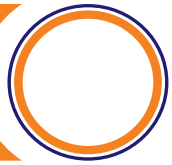
The Bank's policy is to pursue the timely realisation of the collateral in an orderly manner. The Bank generally does not use the non-cash collateral for its own operations. The Bank has not taken possession of any of the collateral.

Stage 3 - Impaired loans and securities

Impaired loans and securities are those in which there has been significant increase in credit risk and default has occurred. The Bank determines that it is probable that it will be unable to collect all principal and/or interest due according to the contractual terms of the loan / securities agreements.

Stage 2 - Past due but not impaired loans

These are loans and securities where there has been a significant increase in credit risk to collect contractual interest or principal payments, but the Bank believes that impairment is not appropriate either because there is adequate collateral, or the risk of default is remote.



5. Risk management (continued)

5.1 Financial risks (continued)

5.1.1 Credit risk (continued)

Allowances for impairment
The Bank establishes an allowance for impairment losses that represents its estimate of expected credit losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures.

Impairment policy
The Bank writes off a loan/security balance (and any related allowances for impairment losses) when the Credit committee determines that the loans/securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower/issuer's financial position such that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

The Bank monitors concentrations of credit risk by sector. An analysis of concentrations of credit risk at the reporting date is shown below:

Economic sector risk concentrations within the customer loan portfolio were as follows:

	Maximum Limit %	2022	2021	2022	2021
Agriculture	**35%**	**10%**	9%	**6,406,295**	4,770,319
Construction	**5%**	**1%**	1%	**928,958**	771,087
Manufacturing	**35%**	**19%**	12%	**11,752,055**	6,871,571
Wholesale and retail	**40%**	**41%**	52%	**25,758,993**	28,587,975
Tourism and leisure	**5%**	**8%**	8%	**4,922,370**	4,469,145
Transport	**15%**	**1%**	1%	**433,078**	500,023
Community, social and personal services	**11%**	**17%**	16%	**10,352,201**	8,901,915
Others	**46%**	**3%**	1%	**2,170,778**	766,549
		100%	100%	**62,724,728**	55,638,584

The risk that counterparties to trading instruments might default on their obligations is monitored on an on-going basis. When monitoring credit risk exposure, consideration is given to trading instruments with a positive fair value and the volatility of the fair value of trading instruments.

To manage the level of credit risk, the Bank deals with counterparties of good credit standing, enters into master netting agreements whenever possible, and when appropriate, obtains collateral. Master netting agreements provide for the net settlement of contracts with the same counterparty in the event of default.

The Economical sector classifications were as follows:

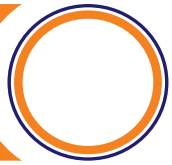
2022	Stage 1	Stage 2	Stage 3
Agriculture	**6,348,841**	**-**	**57,454**
Construction	**928,869**	**89**	**-**
Manufacturing	**11,752,050**	**5**	**-**
Wholesale and retail	**25,758,720**	**273**	**-**
Tourism and leisure	**3,206,293**	**1,716,077**	**-**
Transport	**433,078**	**-**	**-**
Community, social and personal services	**10,350,459**	**63**	**1,682**
Others	**1,977,354**	**-**	**193,421**
Less: Allowance for impairment	**(335,215)**	**(8,830)**	**(49,904)**
	60,420,449	**1,707,677**	**202,653**

2021	Stage 1	Stage 2	Stage 3
Agriculture	4,720,603	1,164	48,552
Construction	771,083	4	-
Manufacturing	6,868,167	3,404	-
Wholesale and retail	28,526,687	5,781	55,507
Tourism and leisure	3,618,411	850,734	-
Transport	499,937	86	-
Community, social and personal services	8,899,085	2,830	-
Others	766,549	-	-
Less: Allowance for impairment	(316,538)	(243,603)	(103,597)
	54,353,984	620,400	462

Credit exposures distribution

The geographic distribution of credit exposures was as follows

Concentration by region	**2022**	2021
South	**28,563,142**	25,119,410
Centre	**34,161,586**	30,519,174
Total	**62,724,728**	55,638,584



5. Risk management (continued)

5.1 Financial risks (continued)

5.1.1 Credit risk (continued)

Concentration by counterparty type	2022	2021
Corporate	**52,331,544**	47,687,820
Retail	**10,393,184**	7,950,764
Total	**62,724,728**	55,638,584

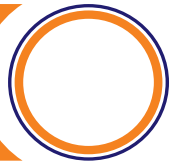
Credit quality per class of financial assets

The credit quality of financial assets is managed by the Bank. The table below shows the credit quality by class of financial asset for credit risk related items.

2022	Note	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Security against impaired loans	Net impairment
Credit quality							
Investment securities	8.2	**20,322,216**	**-**	**-**	**20,322,216**	**-**	**-**
Interbank placements	9	**25,088,670**	**-**	**-**	**25,088,670**	**-**	**-**
Loans and advances to customers	10	**60,755,664**	**1,716,507**	**252,557**	**62,724,728**	**3,506,070**	**393,949**
Total recognised financial instruments		**106,166,550**	**1,716,507**	**252,557**	**108,135,614**	**3,506,070**	**393,949**

2021	Note	Stage 1 12-Month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL	Total	Security against impaired loans	Net impairment
Credit quality							
Investment securities	8.2	8,539,620	-	-	8,539,620	-	-
Interbank placements	9	5,767,051	-	-	5,767,051	-	-
Loans and advances to customers	10	54,670,522	864,003	104,059	55,638,584	-	663,738
Total recognised financial instruments		68,977,193	864,003	104,059	69,945,225	-	663,738

Financial assets at fair value through profit and loss include assets designated to be measured at fair value through profit or loss amounting to **K42billion** (2021: K47.6billion), and those required to be measured at fair value through profit or loss due to the business model of the financial instruments were at **K53.8billion** (2021: K57.1billion).



The total expected credit losses for loans and advances as at 31 December 2022 and 31 December 2021 were as follows:

	2022	2021
Expected credit loss rate	**0.4%**	0.2%
Gross carrying amount	**62,724,728**	55,638,584
Lifetime expected credit loss	**252,557**	104,059

Maximum exposure to credit risk without taking into account any collateral.
The table below shows the maximum exposure to credit risk by class of financial instrument. Financial instruments include financial instruments defined and recognised under IFRS 9 Financial Instruments as well as other financial instruments not recognised. The maximum exposure is presented gross, before the effect of mitigation through the use of master netting and collateral agreements.

Gross maximum exposure	Note	**2022**	2021
Cash held with the Reserve Bank of Malawi	7	**4,855,507**	2,363,420
Cash held with local banks	7	**5,329**	7,845
Cash held with foreign banks	7	**5,378,971**	2,359,682
Cash balances	7	**628,448**	382,303
Financial assets at fair value through profit or loss	8.1	**96,563,517**	104,743,581
Investment securities	8.2	**20,322,216**	8,539,620
Interbank placements	9	**25,088,670**	5,767,051
Personal and business loans			
▪ Other loans and advances	10	**8,967,301**	7,950,764
Corporate and Investment banking			
▪ Corporate and investment loans	10	**53,757,426**	47,687,820
Total recognised financial instruments		**215,567,385**	179,802,086
Financial guarantees	31	**725,864**	1,232,360
Total unrecognised financial instruments		**725,864**	1,232,360
Total credit risk exposure		**216,293,249**	181,034,446

Net exposure to credit risk without taking into account any collateral or other credit enhancements

In respect of certain financial assets, the Bank has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling net, or of realising the financial assets and settling the financial liabilities simultaneously. Consequently, the financial assets are not offset against the respective financial liabilities for financial reporting purposes. However, the exposure to credit risk relating to the respective financial assets is as follows:

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.1 Credit risk (continued)

		At 31 December 2022	
2022	**Note**	**Carrying amount**	**Net exposure to credit risk**
Cash and balances with banks	7	**10,868,255**	**10,868,255**
Interbank placements	9	**25,088,670**	**25,088,670**
Loans and advances to customers	10	**62,330,779**	**62,330,779**
Financial assets	8.1	**96,563,517**	**96,563,517**
Investment securities	8.2	**20,322,216**	**20,322,216**
Other accounts receivables	11	**209,692**	**209,692**
		215,383,129	**215,383,129**

		At 31 December 2021	
2021	Note	Carrying amount	Net exposure to credit risk
Cash and balances with banks	7	5,113,250	5,113,250
Interbank placements	9	5,767,051	5,767,051
Loans and advances to customers	10	54,974,846	54,974,846
Financial assets	8.1	104,743,581	104,743,581
Investment securities	8.2	8,539,620	8,539,620
Other accounts receivables	11	205,453	205,453
		179,343,801	179,343,801

Collateral held and other credit enhancements and their financial effect

The Bank hold collateral and other credit enhancements against certain of its credit exposures. The table below sets out the principal types of collateral held against the distinct types of financial assets.

Type of credit exposure	2022	2021	Principle type of collateral held
Loans and advances to banks	%	%	
▪ Interbank placement	**100**	**100**	**Marketable securities**
Loans and advances to retail customers			
▪ Personal loans	**14**	**14**	**Cash and property**
Loan advances to corporate customers			
▪ Asset Finance	**5.7**	**0.3**	**Property and equipment**
▪ Other	**94**	**79**	**Commercial property floating charges over corporate assets**

Loan and advances to corporate customers
The general credit worthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended to it. However, collateral provides additional security and the Bank generally requests that corporate borrowers provide it. The Bank may take collateral in the form of a first change over real estate, floating charges over all corporate assets and other liens and guarantees.

Because the Bank's focus on corporate customers' creditworthiness, the Bank does not routinely update the valuation of collateral held against all loans to corporate customers. Valuation of collateral is updated when the credit risk of a loan deteriorates significantly and the loan is monitored more closely for impaired loans, the Bank obtains appraisals of collateral measurement. At 31 December 2022, the net carrying amount of impaired loans and advances to corporate customers amounted to **MK253million** (2021: MK104million) and the value of identifiable collateral held against those loans and advances amounted to **MK8million** (2021:MK55million).

In addition to the collateral included in the table above, the Bank also holds other types of collateral and credit enhancements such as second charges for which specific values are not generally available.

5.1.2 Liquidity risk

Liquidity risk is the risk that the Bank will encounter difficulty in meeting obligations arising from its financial liabilities.

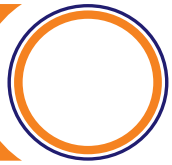
Management of liquidity risk
The Bank's approach to managing liquidity is to ensure as far as possible that it will always have sufficient liquidity to meet its liabilities when due, both under stressed and normal conditions, without causing damage to the Bank's reputation.

The daily liquidity position is monitored. It is assumed that under normal circumstances customer demand deposits will remain stable or increase in value and unrecognised loan/ overdraft commitments are not expected to be immediately drawn down in their entirety. Regular stress testing is done under normal and severe; market conditions and the results are discussed with the Asset and Liability Committee (ALCO) and the Board Risk and Compliance Committee (BRC).

All liquidity policies and procedures are subject to review and approval by ALCO. These are management committees which meet once a month or more often if necessary. The daily monitoring of liquidity is the responsibility of an integrated treasury department which monitors the level of mismatches in the maturity positions of assets and liabilities.

Asset and Liability Management Committee (ALCO)

The primary objective of ALCO is to ensure a proper balance in terms of maturity profile, cost and yield, risk exposure etc. between funds mobilized and funds deployed. ALCO seeks to manage risks in order to minimize the volatility of net interest income and protect the long-term economic value of the Bank. The committee also monitors the capital adequacy of the Bank.



5. Risk management (continued)

5.1 Financial risks (continued)

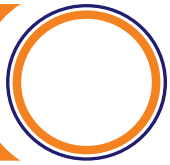
5.1.2 Liquidity risk (continued)

Key functions of ALCO include setting pricing guidelines for assets and liabilities, setting limits and managing liquidity risk and interest rate risk and ensuring that contingency funding plans are in place to avert funding crises.

The Bank's customer placement patterns are different from the contractual maturities resulting in different liquidity gaps with those that are arrived at using the contractual terms, and those based on the actual customer placement patterns. The Bank therefore developed a customer placement patterns model to monitor the actual liquidity risk. The model was developed by establishing past customer placement patterns and adding an element of concentration risk under each category of deposits. The Bank monitors the customer placement patterns gaps through its monthly ALCO committee meetings. The customer placement patterns model shows that the actual liquidity risk, based on the customer placement patterns, is lower than the liquidity risk based on contractual maturities.

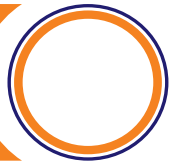
The table below analyses financial assets and financial liabilities into relevant maturity rankings based on the remaining contractual maturities:

2022	Note	Carrying amount	Cash inflow /(outflow)	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years
ASSETS								
Cash and cash equivalents	7	**10,868,255**	**10,868,255**	**10,868,255**	**-**	**-**	**-**	**-**
Loans and advances to customers	10	**62,330,779**	**64,791,876**	**14,090,659**	**286,991**	**2,648,611**	**9,108,194**	**36,846,421**
Interbank placements	9	**25,088,670**	**26,564,330**	**26,564,330**	**-**	**-**	**-**	**-**
Financial assets at fair value through profit or loss	8.1	**96,563,517**	**97,950,124**	**1,914,300**	**4,119,216**	**15,446,339**	**22,518,686**	**54,635,291**
Investment securities	8.2	**20,322,216**	**22,906,146**	**5,124,773**	**963,300**	**104,379**	**6,949,650**	**9,764,044**
Other assets	11	**209,692**	**209,692**	**209,692**	**-**	**-**	**-**	**-**
Total assets		**215,383,129**	**223,290,423**	**58,772,009**	**5,369,507**	**18,199,329**	**38,576,530**	**101,245,756**



2022	Note	Carrying amount	Cash inflow /(outflow)	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years
LIABILITIES								
Current and savings account	15	**(24,346,996)**	**(25,394,432)**	**(25,394,432)**	**-**	**-**	**-**	**-**
Foreign currency accounts	15	**(14,289,981)**	**(15,049,612)**	**(15,049,612)**	**-**	**-**	**-**	**-**
Term deposit accounts	15	**(55,243,693)**	**(55,941,201)**	**(3,051,974)**	**(12,515,678)**	**(23,845,667)**	**(14,175,319)**	**(2,352,563)**
Investment funds	16	**(84,688,396)**	**(86,043,001)**	**(2,973,371)**	**(21,803,017)**	**(36,676,953)**	**(19,250,329)**	**(5,339,331)**
Interbank takings	18	**(13,060,741)**	**(13,807,693)**	**(477,150)**	**(3,498,825)**	**(5,885,708)**	**(3,089,184)**	**(856,826)**
Subordinated debt	17	**(1,600,000)**	**(1,600,000)**	**-**	**-**	**-**	**-**	**(1,600,000)**
Total liabilities		**(193,229,807)**	**(197,835,939)**	**(46,946,539)**	**(37,817,520)**	**(66,408,328)**	**(36,514,832)**	**(10,148,720)**
Net liquidity gap		**22,153,322**	**25,454,484**	**11,825,470**	**(32,448,013)**	**(48,208,999)**	**2,061,698**	**91,097,036**
Cumulative liquidity gap		**-**	**-**	**11,825,470**	**(20,622,543)**	**(68,831,542)**	**(66,769,844)**	**24,327,192**

2021	Note	Carrying amount	Cash inflow /(outflow)	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years
ASSETS								
Cash and cash equivalents	7	5,113,250	5,113,250	5,113,250	-	-	-	-
Loans and advances to customers	10	54,974,846	55,638,584	12,447,974	253,534	2,339,837	16,880,566	23,716,673
Interbank placements	9	5,767,051	6,813,958	2,846,721	-	3,967,237	-	-
Financial assets at fair value through profit or loss	8.1	104,743,581	107,080,690	396,399	1,198,835	14,858,633	8,261,494	82,365,329
Investment securities	8.2	8,539,620	9,179,976	167,074	125,497	3,326,757	260,758	5,299,890
Other assets	11	205,453	205,453	-	205,453	-	-	-
Total assets		179,343,801	184,031,911	20,971,418	1,783,319	24,492,464	25,402,818	111,381,892



5. Risk management (continued)

5.1 Financial risks (continued)

5.1.2 Liquidity risk (continued)

LIABILITIES	Note	Carrying amount	Cash inflow /(outflow)	Up to 1 month	1-3 months	3-6 months	6-12 months	1-3 years
Current and savings account	15	(17,958,531)	(19,352,113)	(19,352,113)	-	-	-	-
Foreign currency accounts	15	(8,731,554)	(9,971,221)	(9,971,221)	-	-	-	-
Term deposit accounts	15	(36,228,243)	(37,628,921)	(4,192,708)	(14,907,918)	(9,256,058)	(9,272,237)	-
Investment funds	16	(93,641,303)	(96,290,886)	(39,755,864)	(39,905,011)	(10,643,551)	(5,986,460)	-
Interbank takings	18	(6,348,768)	(6,348,768)	(600,788)	(2,482,688)	(3,265,292)	-	-
Subordinated debt	17	(1,600,000)	(1,600,000)	-	-	-	-	(1,600,000)
Total liabilities		(164,508,399)	(171,191,909)	(73,872,694)	(57,295,617)	(23,164,901)	(15,258,697)	(1,600,000)
Net liquidity gap		14,835,404	12,840,004	(52,901,276)	(55,512,296)	1,327,563	10,144,121	109,781,892
Cumulative liquidity gap		-	-	(52,901,276)	(108,413,572)	(107,086,009)	(96,941,888)	12,840,004

The previous table shows the undiscounted cash flows on the Bank's financial assets and liabilities on the basis of their earliest possible contractual maturity. Out of these, 20% are demand deposits and overdrafts, and are classified in the up to one-month category with the balance in the 1-3 years category as the Bank's expected cash flows on these instruments varies significantly from their contractual maturity profile.

The Bank's asset liability committee manages liquidity gaps by setting guidelines and limits for anticipated liquidity gaps and monitors these gaps daily. The committee reviews product and customer behavioral assumptions when there is indication that there is a shift in one or more variables such as changes in maturity dates and expected residual balances to maturity.

The Bank developed a model that assess the liquidity gaps based on the actual customer placement patterns which are different from the contractual patterns. The Asset and Liability Committee reviews the liquidity gaps based on the customers placement patterns on a monthly basis.

The Reserve Bank of Malawi has issued the following guidelines on the management of liquidity:

- Liquidity Ratio 1: Net liquidity (total liquid assets less suspense accounts in foreign currency) divided by total deposits must be at least **25 percent** (2021:25 percent).
- Liquidity Ratio 2: Net liquidity (total liquid assets less suspense account in foreign currency and cheques in the course of collection) divided by total deposits must be at least 20 percent.

Liquidity Ratios 1 and 2 were as specified below:

CDH Investment Bank Limited	**2022**	2021
Liquidity Ratio I	**60.74%**	41.23%
Liquidity Ratio II	**60.74%**	41.23%

5.1.3 Market risk

Market risk management policy
Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Bank income or the value of its holding of financial instruments. The objective of the Bank's market risk management policy is to manage and control market risk exposures within acceptable parameters while optimizing the return on risk.

5.1.3.1 Foreign exchange risk
Foreign exchange rate risk is the potential impact of adverse currency rates movements on earnings and economic value. It arises from change in value of local currency against foreign currencies.

Foreign currency transactions and positions are monitored by Treasury department and ALCO whose responsibilities are described below.

Foreign exchange rate risk management
The responsibilities of the Treasury Department include monitoring of foreign exchange risk. This involves the risks of the Bank incurring financial loss on settlement of foreign exchange positions taken in both the trading and banking books. The foreign exchange positions arise from the following activities:

- Trading in foreign currencies through spot, forward and option transactions as a market maker or position taker, including the unhedged position arising from customer driven foreign exchange transactions.
- Holding foreign currency position in the bank books (e.g. in the form of loans, deposits, cross border investments, etc.).

The treasury department is responsible for:

- Setting the foreign exchange risk management strategy and tolerance levels.
- Ensuring that effective risk management systems and internal controls are in place.
- Monitoring significant foreign exchange exposure.
- Ensuring that foreign exchange operations are supported by adequate management information systems which complement the risk management strategy

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.3.1 Foreign exchange risk (continued)

- Reviewing the policies, procedures and currency limits regularly in line with changes in the economic environment.

The ALCO regularly monitors the controls put in place by the treasury department, which are approved and reviewed by the board from time to time.

The Bank's foreign exchange exposures at the reporting date were as follows:

2022	Assets	Liabilities	Net	Exchange Rate movement	Impact on profit and equity (net of tax)
USD	18,544	18,250	295	(25%)	(55.625)
GBP	227	227	0.05	(5%)	(0.002)
EUR	222	220	1.99	1%	0.014
ZAR	1,504	122	1,382	(7%)	(67.718)
					(123.331)

At 31 December 2022, if the Malawi Kwacha had weakened/strengthened by the above exchange rate movements against the US dollar, Great British Pound, Euro and the South African Rand with all other variables held constant, post-tax loss for the year would have been **MK123.3million** (2021: MK 0.156 million) higher/lower, mainly as a result of foreign exchange gains/losses on translation of foreign currency-denominated financial instruments.

5.1.3.2 Interest rate risk

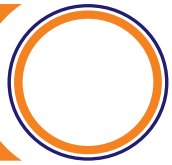
Interest rate risk is the exposure of Bank's financial condition to adverse movements in interest rates. It arises from timing differences in the maturity of re-pricing of the Bank's assets and liabilities. Changes in interest rates can have adverse effects on the Bank's earnings and its economic value. ALCO monitors interest rate risk in the Bank.

The Bank uses two techniques to manage interest rate gap. The first technique employed by the Bank is by migrating more assets into the floating rate category and more liabilities into the fixed rate category in times of increasing interest rates. This brings more flexibility on the re-pricing of the assets. The second approach is to ensure that there is a proper match between asset and liability maturity tenors. The Bank also determines an appropriate asset and liability mix to manage its margins.

Stress testing on the three elements of interest rate risk is done by an independent risk function. The results are discussed with ALCO and the Risk Committee and appropriate risk mitigation measures and contingency plans are implemented. Below is a summary of the Bank's interest rate gap position.

				Fixed Rate Instruments					
2022	**Note**	**Zero rate**	**Floating rate**	**0-3 months**	**3-6 months**	**6-9 months**	**9-12 months**	**Over 12 months**	**Total carrying amount**
Assets									
Cash and cash equivalents	7	**10,868,255**	**-**	**-**	**-**	**-**	**-**	**-**	**10,868,255**
Loans and advances to customers	10	**-**	**62,330,779**	**-**	**-**	**-**	**-**	**-**	**62,330,779**
Interbank placements	9	**-**	**-**	**25,088,670**	**-**	**-**	**-**	**-**	**25,088,670**
Financial assets at fair value through profit or loss	8.1	**-**	**-**	**2,622,760**	**21,201,001**	**7,053,178**	**11,051,287**	**54,635,291**	**96,563,517**
Investment securities	8.2	**-**	**-**	**366,142**	**354,808**	**333,657**	**7,613,649**	**11,653,960**	**20,322,216**
Total assets		**10,868,255**	**62,330,779**	**28,077,572**	**21,555,809**	**7,386,835**	**18,664,936**	**66,289,251**	**215,173,437**
Liabilities									
Interbank placements	18	**-**	**-**	**13,060,741**	**-**	**-**	**-**	**-**	**13,060,741**
Current and savings accounts	15	**-**	**-**	**24,346,996**	**-**	**-**	**-**	**-**	**24,346,996**
Foreign currency accounts	15	**-**	**-**	**14,289,981**	**-**	**-**	**-**	**-**	**14,289,980**
Term deposit accounts	15	**-**	**-**	**52,631,136**	**2,489,334**	**123,223**	**-**	**-**	**55,243,693**
Investment funds	16	**-**	**-**	**73,273,514**	**3,977,424**	**-**	**7,437,458**	**-**	**84,688,396**
Subordinated liabilities	17	**-**	**-**	**-**	**-**	**-**	**-**	**1,600,000**	**1,600,000**
Total liabilities		**-**	**-**	**177,602,367**	**6,466,758**	**123,223**	**7,437,458**	**1,600,000**	**193,229,806**
Interest gap		**10,868,255**	**62,330,779**	**(149,524,795)**	**15,089,051**	**7,263,612**	**11,227,478**	**64,689,251**	**21,943,631**
Impact on post tax profit or equity of an increase in the interest rate 5%		**-**	**2,181,577**	**(5,233,368)**	**528,117**	**254,226**	**392,692**	**2,264,124**	**768,027**
Impact on post tax profit or equity of a decrease in the interest rate 5%		**-**	**(2,181,577)**	**5,233,368**	**(528,117)**	**(254,226)**	**(392,692)**	**(2,264,124)**	**(768,027)**

Variable rate instruments expose the Bank to interest rate risk whereas fixed rate instruments expose the Bank to fair value interest rate risk. The sensitivity impact is calculated at 70% of 5% of the interest rate gap. The 70% is applied to take into account tax effects.



5. Risk management (continued)

5.1 Financial risks (continued)

5.1.3.2 Interest rate risk (continued)

				Fixed Rate Instruments					
2021	Note	Zero rate	Floating rate	0-3 months	3-6 months	6-9 months	9-12 months	Over 12 months	Total carrying amount
Assets									
Cash and cash equivalents	7	5,113,250	-	-	-	-	-	-	5,113,250
Loans and advances to customers	10	-	54,974,846	-	-	-	-	-	54,974,846
Interbank placements	9	-	5,767,051	-	-	-	-	-	5,767,051
Financial assets at fair value through profit or loss	8.1	-	-	1,596,192	14,858,633	-	8,261,494	80,027,262	104,743,581
Investment securities	8.2	-	-	224,672	2,760,979	-	254,079	5,299,890	8,539,620
Total assets		5,113,250	60,741,897	1,820,864	17,619,612	-	8,515,573	85,327,152	179,138,348
Liabilities									
Interbank takings	18	-	-	6,348,768	-	-	-	-	6,348,768
Current and savings accounts	15	-	-	17,958,532	-	-	-	-	17,958,531
Foreign currency accounts	15	-	-	8,731,554	-	-	-	-	8,731,554
Term deposit accounts	15	-	-	22,934,030	9,256,058	4,038,155	-	-	36,228,243
Investment funds	16	-	-	80,656,055	8,392,682	4,592,566	-	-	93,641,303
Subordinated liabilities	17	-	-	-	-	-	-	1,600,000	1,600,000
Total liabilities		-	-	136,628,938	17,648,740	8,630,721	-	1,600,000	164,508,399
Interest gap		5,113,250	60,741,897	(134,808,074)	(29,128)	(8,630,721)	8,515,573	83,727,152	14,629,949
Impact on post tax profit or equity of an increase in the interest rate 5%		-	2,125,966	(4,718,283)	(1,019)	(302,075)	298,045	2,930,450	568,048
Impact on post tax profit or equity of a decrease in the interest rate 5%		-	2,125,966)	4,718,283	1,019	302,075	(298,045)	(2,930,450)	(568,048)

Variable rate instruments expose the Bank to interest rate risk whereas fixed rate instruments expose the Bank to fair value interest rate risk. The sensitivity impact is calculated at 70% of 5% of the interest rate gap. The 70% is applied to take into account tax effects.

Effective interest rates of financial assets and liabilities

The effective interest rates for the principal financial assets and liabilities at 31 December were in the following ranges:

	2022	2021
Assets	**%**	%
Government securities	**18.75-26.0**	13.00-20.50
Interbank placements	**5.0-15.0**	5.0 -13.90
Loans and advances to customers	**6.1-28.2**	8.0- 23.1
Liabilities:		
Customer deposits	**0.25-16**	0.25 – 15.50

5.2 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure and from external factors other than credit, liquidity, interest rate and market risks such as those arising from legal and regulatory requirements and the requirement to observe generally accepted standards of corporate behavior. Operational risks arise from all of the Bank's operations.

The objective of the Bank is to manage operational risks so as to balance the avoidance of financial losses and damages to the Bank's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned by the Risk and Compliance Committee of the board to senior management within all operating units. The responsibility is supported by the development of overall standards in the Bank for the management of operational risks in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the yearly assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action.
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where it is cost effective
- implementation of anonymous hotline for reporting fraud and other inappropriate conduct as per fraud risk policy.

5. Risk management (continued)

5.2 Operational risks (continued)

Compliance with Bank's standards is supported by a programme of yearly reviews undertaken by the Bank's Internal Audit. The results of Internal Audit reviews are discussed with the management of the business unit to which they relate, with summaries submitted to the Board Audit Committee.

Risk management function also assesses operational risks and discusses the results with senior management and the risk committee.

5.3 Capital management

Reserve Bank of Malawi sets and monitors the capital requirements for the Bank and requires the Bank to maintain a minimum of **10 percent** and **15 percent** (2021: 10 percent and 15 percent) for core (tier 1) and total (tier 2) capital respectively. The Company's regulatory capital is analysed in two parts:

- Tier I capital, which includes paid-up share capital, share premium, retained earnings, and other reserves less investment in subsidiaries
- Tier II capital, which includes investment revaluation reserve, property revaluation reserve, loan loss reserve and subordinated debt capital limited to 50% of the Tier I capital and net of an annual haircut of 20%.

The calculation of both the above ratios is given below:

	Note	**2022**	2021
Tier 1 capital			
Share capital	21.1	**327,715**	308,326
Share premium	21.2	**4,493,101**	4,025,247
Irredeemable preference shares	21.3	**-**	487,243
Retained earnings		**16,432,763**	11,380,172
Less: Investments in banking & financial subsidiary companies		**(180,500)**	(180,500)
Deferred tax asset		**(12,552)**	(103,638)
		21,060,527	15,916,850
Tier 2 capital			
Subordinated debt (limited to 50% of tier 1 capital)		**506,667**	773,333
Investments in banking & financial subsidiary companies		**(180,500)**	(180,500)
		326,167	592,833
Total regulatory capital		**21,386,694**	16,509,683
Risk weighted assets		**45,203,420**	34,974,700
Capital ratios			
Tier 1 capital expressed as a percentage of total risk-weighted assets		**46.59%**	45.51%
Total capital expressed as a percentage of total risk weighted assets		**47.31%**	47.20%

Total risk-weighted assets are determined by multiplying the capital requirements for market risk and operational risk by the reciprocal of the minimum capital ratio of 10% and adding the resulting figures to the sum of risk weighted assets for credit risk. A scaling factor is applied in order to broadly maintain the aggregate level of minimum capital requirements, while also providing incentives to adopt the more advanced risk-sensitive approaches to the framework. The scaling factor is applied to the risk-weighted asset amounts for credit risk assessment under the IRB approach. The total risk-weighted assets comprise capital requirements for market, operational and credit risks.

In its capital planning, the Bank considers the impact of economic downturns/recession and the impact this would have on its capital and earnings. This is covered under the budgeting process where the statement of financial position and statement of profit or loss and other comprehensive income are projected in line with the Bank's interest rate view.

In the event that actual performance is deviating from projected performance, the budget is revised to reflect the current economic situation and submitted to the board for approval with details of the measures to be taken and the revised targets.

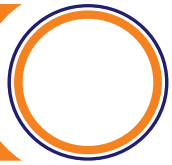
The Bank and its individually regulated operations have complied with all externally imposed capital requirements for tier 1 and tier 2 capital as stipulated above.

5.4 Compliance risk

The office of the Chief Risk and Compliance Officer is an independent risk management unit, which also has unrestricted access to the Managing Director and the Chairman of Board, Audit, Risk and Compliance Committees. The Bank is subject to extensive supervisory and regulatory regimes, and the executive management remains responsible for overseeing the management of the bank's compliance risk.

Money laundering controls are managed within the compliance function. The Bank has adopted anti-money laundering policies including Know-Your-Customer policies and procedures and adheres to the country's anti-money laundering legislation and Reserve Bank of Malawi regulations.

The management of compliance risk has become a distinct discipline within the Bank's overall risk management framework. Ultimate responsibility for this risk lies with the Board of Directors. A combination of key activities are undertaken to manage the risk such as developing compliance management plans, training staff and other stakeholders on relevant regulatory requirements, and monitoring compliance. Compliance with the Know-Your-Customer and anti-money laundering procedures and legislation became an area of major focus for the Bank. The Bank has a Chief Legal and Compliance Officer who consults the country's Financial Intelligence Authority on money laundering and anti-terrorist financing matters.



6. Classification of financial assets and liabilities

Accounting classifications and fair values

31 December 2022	Note	Fair value through profit and loss	Fair value through other comprehensive income	Amortised cost	Carrying amount
Financial assets					
Cash and cash equivalents	7	**-**	**-**	**10,868,255**	**10,868,255**
Financial asset investments	8.1	**96,563,517**	**-**	**-**	**96,563,517**
Investment securities	8.2	**-**	**-**	**20,322,216**	**20,322,216**
Loans and advances to customers	10	**-**	**-**	**62,330,779**	**62,330,779**
Interbank placements	9	**-**	**-**	**25,088,670**	**25,088,670**
Other investments	12	**-**	**361,000**	**-**	**361,000**
Other assets	11	**-**	**-**	**209,692**	**209,692**
		96,563,517	**361,000**	**118,819,612**	**215,744,129**
Financial liabilities					
Deposits from customers	15	**-**	**-**	**93,880,670**	**93,880,670**
Interbank takings	18	**-**	**-**	**13,060,741**	**13,060,741**
Investment funds	16	**84,688,396**	**-**	**-**	**84,688,396**
Other payables	19	**-**	**-**	**3,019,888**	**3,019,888**
Subordinated debt	17	**-**	**-**	**1,600,000**	**1,600,000**
		84,688,396	**-**	**111,561,299**	**196,249,695**
31 December 2021					
Financial assets					
Cash and cash equivalents	7	-	-	5,113,250	5,113,250
Financial asset investments	8.1	104,743,581	-	-	104,743,581
Investment securities	8.2	-	-	8,539,620	8,539,620
Loans and advances to customers	10	-	-	54,974,846	54,974,846
Interbank placements	9	-	-	5,767,051	5,767,051
Other investments	12	-	361,000	-	361,000
Other assets	11	-	-	205,453	205,453
		104,743,581	361,000	74,600,220	179,704,803
Financial liabilities					
Deposits from customers	15	-	-	62,918,327	62,918,327
Interbank takings	18	-	-	6,348,768	6,348,768
Investment funds	16	93,641,303	-	-	93,641,303
Other payables	19	-	-	1,674,690	1,674,690
Subordinated debt	17	-	-	1,600,000	1,600,000
		93,641,303	-	72,541,785	166,183,088

Fair values of financial instruments

The fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Bank determines fair values using other valuation techniques. A fair value disclosure is not required for financial instruments whose carrying amounts approximate its fair value.

For financial instruments that trade infrequently and have little price transparency, fair value is less objective, and requires varying degrees of judgement depending on liquidity and concentration.

(a) Valuation models

The Bank measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements.

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Valuation techniques include net present value and discounted cash flow models, comparison with similar instruments for which market observable prices exist. Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premia used in estimating discount rates, bond and equity prices and foreign currency exchange rates.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Bank uses widely recognised valuation models for determining the fair value of common and more simple financial instruments that use only observable market data and require little management judgement and estimation. Observable prices or model inputs are usually available in the market for listed debt and equity securities. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and also reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

6. Classification of financial assets and liabilities (continued)

(a) Valuation models (continued)

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Bank believes that a third-party market participant would take them into account in pricing a transaction. Fair values reflect the credit risk of the instrument and include adjustments to take account of the credit risk of the Bank entity and the counterparty where appropriate. For measuring derivatives that might change classification from being an asset to a liability or vice versa such as interest rate swaps, fair values take into account both credit valuation adjustment (CVA) and debit valuation adjustment (DVA) when market participants take this into consideration in pricing the derivatives.

Model inputs and values are calibrated against historical data and published forecasts and, where possible, against current or recent observed transactions in different instruments and against broker quotes. This calibration process is inherently subjective, and it yields ranges of possible inputs and estimates of fair value, and management judgement is required to select the most appropriate point in the range.

During the current year, low trading volumes continued and there has not been sufficient trading volume to establish an active market for certain asset-backed securities and so the Bank has determined the fair value for these asset-backed securities using other valuation techniques.

These securities are backed primarily by static pools of residential mortgages and enjoy a senior claim on cash flows.

The Bank's valuation methodology for valuing these asset-backed securities uses a discounted cash flow methodology that takes into account original underwriting criteria, borrower attributes (such as age and credit scores), LTV (Loan to Value) ratios, expected house price movements and expected prepayment rates. These features are used to estimate expected cash flows, which are then allocated using the 'waterfall' applicable to the security and discounted at a risk-adjusted rate.

The discounted cash flow technique is often used by market participants to price asset-backed securities. However, this technique is subject to inherent limitations, such as estimation of the appropriate risk-adjusted discount rate, and different assumptions and inputs would yield different results.

As part of its trading activities, the Bank enters into over the counter (OTC) structured derivatives – primarily options indexed to credit spreads, equity prices, foreign exchange rates and interest rates – with customers and other banks. Some of these instruments are valued using models with significant unobservable inputs, principally expected long-term volatilities and expected correlations between different underlying factors.

If the Bank measures portfolios of financial assets and financial liabilities on the basis of net exposures to market risks, then it applies judgement in determining appropriate portfolio-level adjustments such as bid-ask spreads. Such adjustments are derived from observable bid-ask spreads for similar instruments and adjusted for factors specific to the portfolio. Similarly, when the Bank measures portfolios of financial assets and financial liabilities on the basis of net exposure to the credit risk of a particular counterparty, then it takes into account any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty).

(b) Valuation framework

The Bank has an established control framework with respect to the measurement of fair values. This framework includes a Product Control function, which is independent of front office management and reports to the Chief Finance Officer, and which has overall responsibility for independently verifying the results of investment operations and all significant fair value measurements. Specific controls include:

- verification of observable pricing;
- re-performance of model valuations;
- analysis and investigation of significant daily valuation movements; and
- review of significant unobservable inputs, valuation adjustments and significant changes to the fair value measurement of Level 3 instruments compared with the previous month, by senior personnel in the Finance and Treasury departments.

Significant valuation issues are reported to the Board Audit and Risk and Compliance Committees.

(c) Financial instruments measured at fair value – fair value hierarchy

The following table analyses financial instruments measured at fair value at the reporting date, by the level in the fair value hierarchy into which the fair value measurement is categorised. The amounts are based on the values recognised in the statements of financial position. The fair values include any deferred differences between the transaction price and the fair value on initial recognition when the fair value is based on a valuation technique that uses un-observable inputs.

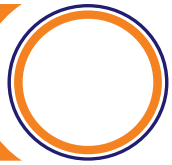
31 December 2022	**Note**	**Level 1**	**Level 2**	**Level 3**	**Total**
Other investments	12	**-**	**-**	**361,000**	**361,000**
Medium- and short-term notes	8.1	**41,014,739**	**55,548,778**	**-**	**96,563,517**
Total		**41,014,739**	**55,548,778**	**361,000**	**96,924,517**

31 December 2021	Note	Level 1	Level 2	Level 3	Total
Other investments	12	-	-	361,000	361,000
Medium- and short-term notes	8.1	46,274,191	58,469,390	-	104,743,581
Total		46,274,191	58,469,390	361,000	105,104,581

The following valuation techniques are used for instruments under level 2 and 3:

• Medium and short-term notes (Level 1 and 2)

The medium- and short-term notes under Level 1 are treasury notes and their fair valuation is estimated by use of yield curves available on the active market, interpolated over the tenor of the instruments. For level 2 medium- and short-term notes, the fair valuation is estimated by use of observable yield curves for either treasury notes or treasury bills, and the reference rates as provided by the Reserve Bank of Malawi.



6. Classification of financial assets and liabilities (continued)

(c) Financial instruments measured at fair value – fair value hierarchy (continued)

Sensitivity analysis

For the fair values of the treasury notes, reasonable possible changes at the reporting date to one of the inputs, holding other inputs constant would have the following effects.

Effects in millions of Malawi Kwacha

	Profit or loss	
31 December 2022	Increase	Decrease
Yield curve movement by 200 basis points	(229)	229

• Other investments (Level 3)

These are equity instruments the Bank is holding in National Switch Company Limited and Malawi Agricultural and Industrial Investments Corporation (MAIIC) Plc and are not listed companies. The valuation model is determined using the net asset value method that takes into consideration illiquidity discount as well as the country risk adjustment.

(d) Financial instruments not measured at fair value

The following table sets out financial instruments and at their amortised cost where the Directors believe that the carrying amounts approximate their amortised cost.

31 December 2022	Note	At amortised cost	Total carrying amount
Assets			
Cash and cash equivalents	7	**10,868,255**	**10,868,255**
Loans and advances to customers	10	**62,330,779**	**62,330,779**
Interbank placements	9	**25,088,670**	**25,088,670**
Other receivables	11	**209,692**	**209,692**
Liabilities			
Deposits from customers	15	**93,880,670**	**93,880,670**
Interbank takings	18	**13,060,741**	**13,060,741**
Subordinated debt	17	**1,600,000**	**1,600,000**
Other payables	19	**2,927,129**	**2,927,129**

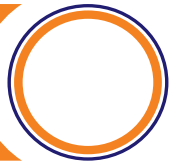
31 December 2021	Note	At amortised cost	Total carrying amount
Assets			
Cash and cash equivalents	7	5,113,250	5,113,250
Loans and advances to customers	10	54,974,846	54,974,846
Interbank placements	9	5,676,051	5,676,051
Other assets	11	205,453	205,453
Liabilities			
Deposits from customers	15	62,918,327	62,918,327
Interbank takings	18	6,348,768	6,348,768
Subordinated debt	17	1,600,000	1,600,000
Other payables	19	1,674,692	1,674,692

7. Cash and cash equivalents

	2022	2021
See accounting policy note 4 (b)		
Liquidity Reserve Deposits - Reserve bank of Malawi	**4,855,507**	2,363,420
Placements with other banks		
• Balances with foreign banks	**5,378,971**	2,359,682
• Balances with local banks	**5,329**	7,845
Cash balances	**628,448**	382,303
	10,868,255	5,113,250

Included in the deposit with the Reserve Bank of Malawi is **MK4,856million** (2021: MK2,363million) which is not available for use by the Bank. Balances with foreign banks earn interest at Libor **3% to 5%** (2021: Libor 0.29% to 0.59%) whilst balances with local banks earn interest at bank rate **3% to 15%** (2021: 5% to 13.8%).

Information on financial risk management is included in note 5.



8. Financial assets

8.1 Financial assets at fair value through profit or loss	2022	2021
See accounting policy note 4 (b)		
Commercial papers	**42,041,889**	47,632,621
Medium-and short-term notes	**54,521,628**	57,110,960
Total investments	**96,563,517**	104,743,581
Analysed as:		
External funding	**84,688,395**	93,641,303
Internal funding	**11,875,122**	11,102,278
	96,563,517	104,743,581
Investments are classified as follows:		
Maturing within 12 months	**41,743,625**	24,710,443
Maturing after 1 year	**54,819,892**	80,033,138
	96,563,517	104,743,581

Financial assets designated to be measured at fair value through profit or loss were **MK96.6billion** (2021: MK105 billion).

8.2 Investment securities at amortized costs	2022	2021
See accounting policy note 4 (b)		
Treasury Notes	**20,322,216**	7,665,417
Promissory Notes	**-**	874,203
	20,322,216	8,539,620
Investment in securities at armotised cost are classified as follows:		
Maturing within 12 months	**8,668,256**	3,239,730
Maturing after 1 year	**11,653,960**	5,299,890
	20,322,216	8,539,620

The Bank holds the above Reserve Bank of Malawi instruments at amortized cost. The interest rates averaged between **18.75% - 26.03%** per annum (2021: 13.00% - 20.50% per annum).

Information on financial risk management is included in note 5.

9. Interbank placements

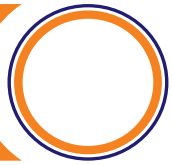
	2022	2021
See accounting policy note 4 (b)		
Interbank placements (Foreign)	**13,088,670**	5,767,051
Interbank placements (Local)	**12,000,000**	-
	25,088,670	5,767,051

Interbank placements include contracts with foreign and local banks and earn 5%-6% (2021: **5%-6%%)** in foreign currency and **12% to 19%** (2021: 12% to 13.8%) in local currency. The Directors consider that the carrying amount of loans and advances to other banks approximates their fair value. The balance of **MK13billion** is due from Crown Agents, a foreign bank. The balance for local interbank placements of **K12billion** is due from The Reserve Bank of Malawi **(MK7billion)**, National Bank of Malawi **(MK3billion)** and CMA Nominees Limited **(MK2billion).**

Information on financial risk management is included in note 5.

10. Loans and advances to customers

See accounting policy note 4 (b)	2022	2021
(i) Loans and advances		
Personal and business loans	**8,703,172**	7,562,918
Corporate and investment loans	**52,174,018**	45,361,559
Total gross loans and advances	**60,877,190**	52,924,477
Interest receivable	**1,847,538**	2,714,107
	62,724,728	55,638,584
Allowance for impairment	**(393,949)**	(663,738)
Net loans and advances	**62,330,779**	54,974,846
(ii)Loans and advances are receivable as follows:		
Maturing within 3 months	**5,300,082**	12,701,509
Maturing between 3 and 12 months	**25,934,298**	19,220,402
Maturing after 12 months	**31,096,399**	23,052,935
Total net loans and advances	**62,330,779**	54,974,846



10. Loans and advances to customers (continued)

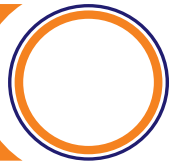
See accounting policy note 4 (b)	**2022**	2021
(iii) Allowances for impairment		
Specific allowances for impairment:		
Balance at the beginning of the year	**(139,841)**	(1,253,364)
Charge for the year	**(1,682)**	(204,524)
Recoveries on impaired loans	**15,855**	1,379,059
Bad debts written off	**(202,748)**	(61,012)
Restored to accrual	**278,512**	-
Balance as at 31 December	**(49,904)**	(139,841)
Collective allowances for impairment:		
Balance at the beginning of the year	**(523,897)**	(303,437)
Charge for the year	**(205,101)**	(221,827)
Restored to accrual	**384,953**	1,367
Balance as at 31 December	**(344,045)**	(523,897)
Total allowances for impairment	**(393,949)**	(663,738)
(iv) Impairment (charge)/credit		
Charge for the year – specific	**1,682**	(204,524)
Charge for the year – collective	**205,101**	(221,827)
Recoveries on impaired loans	**(15,855)**	1,379,059
Bad debts written off	**(202,748)**	(61,012)
Total impairment credit/(charge)	**(11,820)**	891,696

Included in loans and advances to customers is a balance of **K1.71billion** which was part of a facility with a balance off **K5.24billion**. The other portion of the facility was designated as held for trading and was traded out.

Loans and advances to customers earn interest at a range of the Malawi reference rate **+0.9% to +10.9%.** (2021 Malawi reference rate: **+0.9% to +10.9%**). The net carrying value of loans and advances is considered a reasonable approximation of fair value. Note 5.1.1 includes disclosures relating to the allowances for expected credit losses.

The Malawi Reference Rate was introduced by the Reserve Bank of Malawi on 3 May 2019 requiring all banks in Malawi to use it as the base lending rate. The Rate is calculated based on the weighted average rates of Lombard, 91-day Treasury Bill, interbank and savings accounts rates.

Information on financial risk management is included in note 5.



11. Other assets

See accounting policy note 4 (b)	**2022**	2021
Prepayments	**1, 225,953**	1,639,337
Other accounts receivable	**209,692**	205,453
	1, 432,645	1,844,790

12. Other investments (Fair value through other comprehensive income)

See accounting policy note 4 (b)	**2022**	2021
At fair value through other comprehensive income		
Other investment		
Malawi Agricultural and Industrial Investment Corporation Plc	**250,000**	250,000
National Switch Limited	**111,000**	111,000
	361,000	361,000

The Bank as co-sponsors with the Government of Malawi and initiated a project to establish a national Development Financial Institution (DFI) in Malawi invested MK250 million into the Malawi Agricultural and Industrial Corporation Plc being part of its committed USD1million capital injection into the ordinary share capital of the company. The Bank did not carry out fair valuation of its equity in Malawi Agricultural and Industrial Corporation Plc as it awaits its full capitalization.

Information on financial risk management is included in note 5.

13. Equipment

See accounting policy note 4 (c)	Computers	Right of use Property	Right of use Motor vehicles	Equipment fixture & fittings	Work in progress	Total
2022						
Cost						
Balance at 1 January 2022	**156,988**	**1,201,966**	**1,369,169**	**1,239,154**	**94,468**	**4,061,745**
Lease adjustments for the year	**-**	**200,479**	**1,199,558**	**-**	**-**	**1,400,037**
Additions during the year	**84,426**	**-**	**-**	**65,539**	**15,052**	**165,017**
Disposals during the year	**(58,200)**	**(441,035)**	**(1,001,321)**	**(172,967)**	**-**	**(1,673,523)**
Balance at 31 December 2022	**183,214**	**961,410**	**1,567,406**	**1,131,726**	**109,520**	**3,953,276**
2021						
Cost						
Balance at 1 January 2021	135,597	1,447,413	1,314,302	1,124,033	-	4,021,345
Non-cash adjustment for the year	-	(245,447)	130,446	-	-	(115,001)
Additions during the year	21,391	-	-	115,121	94,468	230,980
Disposals during the year	-	-	(75,579)	-	-	(75,579)
Balance at 31 December 2021	156,988	1,201,966	1,369,169	1,239,154	94,468	4,061,745
2022						
Accumulated depreciation and impairment losses						
Balance at 1 January 2022	**119,126**	**708,869**	**1,026,671**	**902,096**	**-**	**2,756,762**
Depreciation charge for the year	**31,093**	**308,929**	**414,662**	**105,048**	**-**	**859,732**
Eliminated on disposal	**(54,431)**	**(441,035)**	**(1,001,321)**	**(173,090)**	**-**	**(1,669,877)**
Balance at 31 December 2022	**95,789**	**576,763**	**440,012**	**834,054**	**-**	**1,946,617**
2021						
Accumulated depreciation and impairment losses						
Balance at 1 January 2021	96,962	490,543	650,834	802,118	-	2,040,457
Depreciation charge for the year	22,164	218,326	451,416	99,978	-	791,884
Eliminated on disposal	-	-	(75,579)	-	-	(75,579)
Balance at 31 December 2021	119,126	708,869	1,026,671	902,096	-	2,756,762
Carrying amount						
At 31 December 2022	**87,426**	**384,647**	**1,127,394**	**297,672**	**109,520**	**2,006,659**
At 31 December 2021	37,862	493,097	342,498	337,058	94,468	1,304,983

The Bank has lease arrangements for all motor vehicles and its business premises.

The Bank leased CDH House under a lease agreement for 10 years with Continental Asset Management Nominees Limited from 1 January 2019 to 31 December 2023, entered a 10-year lease agreement with Churches of Christ in Malawi on Capitial City Gowa House from 1 September 2015 to 31 August 2025. Lease payments on properties are determined by Malawi Kwacha rate per square metre payable on a quarterly basis.

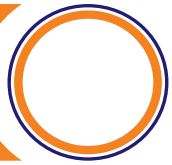
A 3-year motor vehicle operating lease agreement was made between Continental Properties Limited and the Bank from 1 January 2019 to 31 December 2022. The new lease will be for 4 years to align with the depreciation for motor vehicles. Lease payments on motor vehicles are determined by the rate implicit in the lease agreement which incorporates average rate of 182 days Treasury Bill plus 350 basis points, and a margin comprising operating and funding costs, payable on half yearly basis.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

There were no encumbrances on the equipment as at year end.

14. Intangible assets – computer software

See accounting policy note 4 (d)	**2022**	2021
Cost		
Balance at 1 January	**512,497**	512,497
	512,497	512,497
Amortisation		
Balance at 1 January	**497,398**	480,517
Amortisation charge for the year	**2,108**	16,881
Balance at 31 December	**499,506**	497,398
Carrying amount		
At 31 December	**12,991**	15,099



15. Customer deposits

See accounting policy note 4 (b)	**2022**	2021
Current and savings accounts	**24,346,996**	17,958,530
Foreign currency accounts	**14,289,981**	8,731,554
Term deposit accounts	**55,243,693**	36,228,243
	93,880,670	62,918,327
Payable as follows:		
Maturing within 3 months	**85,660,875**	49,624,115
Maturing after 3 months	**8,219,795**	13,294,212
	93,880,670	62,918,327

Interest on customer deposit balances ranged from 0.25% to 16% (2021: 0.25 to 15.5%).

Information on financial risk management is included in note 5.

16. Investment funds

See accounting policy note 4 (b)	**2022**	2021
Investment funds	**84,688,396**	93,641,303
This represents customer investments for funding of financial asset investments (note 8).		
Interest on these funds range from **4% to 20.9%** (2021:9.0% to 16.8%).		
Maturing within 12 months	**79,349,065**	87,654,843
Maturing after 12 months	**5,339,331**	5,986,460
	84,688,396	93,641,303

Information on financial risk management is included in note 5.

17. Subordinated liability

See accounting policy note 4 (b)	**2022**	2021
Corporate bond	**1,600,000**	1,600,000

This debt represents a corporate bond issued by the Bank at a rate of the 365-day Treasury Bill rate plus 300 basis points. This loan is subordinated to the claims of depositors and all other secured creditors of the Bank. The debt matures on 30 April 2024. At 31 December 2022, the carrying amount of the bond approximates the fair value. There were no breaches of agreement or defaults during the year. Accrued interest on the bond as at 31 December 2022 was **MK197million.**

Information on financial risk management is included in note 5.

18. Interbank takings

See accounting policy note 4 (b)	**2022**	2021
Interbank takings	**13,060,741**	6,348,768

The balance of **MK13billion** was due to the Reserve Bank of Malawi **(MK3.16billion)** and Ecobank **(MK9.90billion)** with maturity dates of 3 January 2023 and 21 February 2023 respectively.

Interest rates on interbank takings were within a range of **6% to 15%** (2021: 5% to 13.8%) with maturity dates ranging from **1 to 181 days** (2021: 1 to 182 days).

Information on financial risk management is included in note 6.

19. Other liabilities and accruals

See accounting policy notes 4 (b)	**2022**	2021
Unclaimed customer balances	**8,307**	10,019
Bankers' cheques issued but not cleared	**18,797**	29,976
Accruals	**221,969**	209,503
Trade payables	**1,410,648**	920,708
Lease liabilities	**1,263,619**	503,235
Other	**3,789**	1,251
	2,927,129	1,674,692

Included in other liabilities and accruals are lease liabilities which comprise liabilities on motor vehicles and property. The lease liabilities are discounted at **62.7%** (2021: 58.8%) covering up to 3 years lease period for motor vehicles and **14.9%** (2021: 14.9%) for 10 years lease period for property. The Bank does not recognize lease liabilities for short term leases or those of low valued assets, and there were no such leases at the reporting date. The lease rentals paid for motor vehicles were **MK985million** and **MK418million** on property (2021: MK822 Million and MK310 Mn).

Information on financial risk management is included in note 5

20. Income tax and deferred tax liabilities

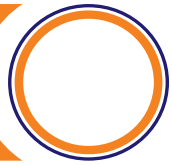
See accounting policy note 4 (j)	**2022**	2021
Income tax payable		
Balance at 1 January	**(383,780)**	(600,183)
Current year's charge (Note 28)	**(3,851,668)**	(2,114,495)
Tax paid	**2,646,680**	2,330,898
Balance at 31 December	**(1,588,768)**	(383,780)

20. Income tax and deferred tax liabilities (continued)

			2022
Deferred tax (liabilities) /assets	**Assets**	**Liabilities**	**Net**
Equipment	-	(52,521)	(52,521)
General provisions	103,213	-	103,213
Unrealized exchange loss	-	-	-
Unrealised Income/(Loss) on Fair Value Adjustments	(122,158)	-	(122,158)
Leave provision	-	(1,112)	(1,112)
Leases	85,129	-	85,129
	66,184	(53,633)	12,551

Movements in temporary differences in 2022	**Opening balance**	**Recognised in profit or loss**	**Closing balance**
Equipment	33,168	(85,689)	(52,521)
General provisions	7,628	95,585	103,213
Unrealized exchange loss	1,535	(1,535)	-
Unrealised Income/(Loss) on Fair Value Adjustments	-	(122,158)	(122,158)
Leave provision	61,307	(62,419)	(1,112)
Leases	-	85,129	85,129
	103,638	(91,087)	12,551

			2021
	Assets	Liabilities	Net
Equipment	33,168	-	33,168
General provisions	7,628	-	7,628
Unrealized exchange loss	1,535	-	1,535
Leave provision	61,307	-	61,307
	103,638	-	103,638



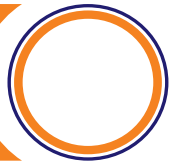
Movements in temporary differences in 2021	Opening balance	Recognised in profit or loss	Closing balance
Equipment	41,077	(7,909)	33,168
General provisions	(8,416)	16,044	7,628
Unrealized exchange loss	-	1,535	1,535
Leave provision	2,219	59,088	61,307
	34,880	68,758	103,638

21. Equity and reserves

See accounting policy note 4 (f)	**2022**	2021
21.1 Share capital		
308,326,474 shares at MK1.00 per share	**308,326**	308,326
19,388,905 converted during the year at MK1.00 per share	**19,389**	-
	327,715	308,326
21.2 Share premium		
172,458,155 shares at MK4.33 each	**4,025,247**	746,744
135,868,319 shares at MK24.13 each	**-**	3,278,503
19,388,905 shares at MK24.13 each	**467,854**	-
	4,493,101	4,025,247

	2022	2021
21.3 Irredeemable non-cumulative preference shares		
51,730,999 shares at MK25.13 per share	**487,243**	1,300,000
Conversion of 32,342,094 Irredeemable non-cumulative preference shares into ordinary shares at MK25.13 per share	**-**	(812,757)
Conversion of 19,388,905 Irredeemable non-cumulative preference shares into ordinary shares at MK25.13 per share	**(487,243)**	-
	-	487,243

The Bank issued 51,730,999 perpetual, irredeemable non-cumulative preference shares at MK25.13 per share. Dividends on the preference shares are payable based on the Government of Malawi 365-Treasury Bill rate plus 3% set at the beginning of the year. The Bank pays non-cumulative dividends subject to the financial performance of the Bank, regulatory restrictions of the Registrar of Financial Institutions and other factors that may come to the attention of Directors from time to time. The shares carry no voting rights, however the preference share issue allowed for conversion of these shares into ordinary shares.



22. Interest income

See accounting policy note 4 (h)	**2022**	2021
Interest income on:		
▪ Loans and advances to other banks	**1,051,101**	525,613
▪ Loans and advances to customers and other investment securities	**13,218,023**	9,133,434
▪ Financial asset investments	**18,183,084**	12,813,411
▪ Fair value adjustments on financial assets at FVTPL	**407, 193**	-
Total interest income before changes in fair value of financial assets	**32, 859,401**	22,472,458
Interest expense on:		
▪ Deposits from customers and other banks	**(7,300,274)**	(5,653,366)
▪ Investment funds	**(11,575,276)**	(8,933,073)
Total interest expense	**(18,875,550)**	14,586,439)
Net interest income after changes in fair value of financial assets	**13,983,851**	7,886,019

23. Fees and commissions income

See accounting policy note 4 (h)	**2022**	2021
Fees from Investment Banking Services	**1,871,755**	1,726,503
Other fees and commissions income	**698,598**	395,352
	2,570,353	2,121,855

24. Trading and other income

See accounting policy note 4 (i)	**2022**	2021
Income from financial instruments	**2,562,171**	969,795
Foreign exchange gains	**1,403,941**	1,177,189
	3,966,112	2,146,984

Income from financial instruments represents trading gains on outright sales of Promissory Notes, Treasury Notes and Bills, medium term and short-term notes.

25.1 Other operating income

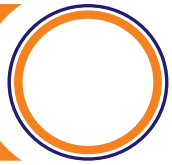
See accounting policy note 4 (i)	**2022**	2021
Other operating income	**39,420**	41,422
The Bank realized rental income from subletting its premises at Capital City Business Centre in Lilongwe.		

25.2 Other expenses

See accounting policy note 4 (i)	**2022**	2021
Loss on disposal of assets	**(2,740)**	-

26. Personnel expenses

	2022	2021
Salaries and wages	**2,286,138**	1,725,775
Staff benefits	**310,605**	267,925
Contributions to defined contribution plan	**211,916**	178,637
Bank life insurance premiums	**98,839**	76,374
Recruitment	**12,952**	17,447
Incentive bonus	**1,147,663**	690,831
Staff allowances :		
▪ Transport allowances	**17,806**	6,670
▪ Other allowances	**18,904**	23,160
	4,104,823	2,986,819



27. Administration expenses

	2022	2021
Auditors' remuneration		
- Audit fees	**40,000**	32,185
- VAT and other expenses	**8,732**	5,822
Bank charges	**146,698**	152,427
Business travel expenses	**150,427**	112,127
Communication expenses	**45,933**	39,992
Computer expenses	**624,312**	526,770
Director's fees and expenses	**296,087**	107,769
Finance costs on leases	**963,404**	375,367
Legal costs	**298,260**	(7,123)
Management technical support fees	**144,651**	142,449
Marketing expenses	**269,295**	105,889
Motor vehicle running costs	**119,997**	71,228
Office expenses	**258,440**	200,563
Office occupancy costs	**230,806**	214,492
Other expenses	**274,164**	160,488
Professional fees	**14,824**	73,185
Supervisory fees	**71,959**	26,888
Training costs	**143,893**	43,565
	4,101,882	2,384,083

The finance costs on leases are calculated on lease payments made for leased property using borrowing rate of **14.9%** (2021: 14.9%) and motor vehicles using implicit lease rate of **62.7%** (2021: 58.8 %).

28. Income tax expense

See accounting policy note 4 (j)	**2022**	2021
Recognised in the profit or loss		
Income tax charge	**3,851,668**	2,114,495
Deferred tax charge/(credit)		
Reversal of temporary differences (note 20)	**91,087**	(68,758)
Income tax expense	**3,942,755**	2,045,737
Reconciliation of effective tax rate		
Profit before income tax	**11,476,631**	6,908,309
Income tax using the enacted income tax rate of **30%** (2021: 30%)	**3,442,989**	2,072,493
Income not subject to tax	**(689,626)**	(524,839)
Accelerated capital allowance	**91,086**	(68,758)
Expenses not deductible for tax purposes (Fringe Benefit tax, penalties, depreciation, provisions)	**1,098,306**	566,841
Income tax expense	**3,942,755**	2,045,737
Effective tax rate	**34%**	30%

29. Basic and diluted earnings per share

See accounting policy note 4 (k)	**2022**	2021
Profit attributable to ordinary shareholders	**7,533,876**	4,862,571
Weighted average number of ordinary shares in issue (thousands)	**327,715**	308,326
Basic and diluted earnings per share (MK)	**22.99**	15.77

30. Related party transactions

The Bank transacts part of its business with related parties including Directors and parties related to or under the control of the Directors. Details of related party transactions of the Bank are set out below:

2022	Directors and their related parties	Executive Management	Other Continental Holdings Subsidiaries	Total
Advances	**93,281**	**488,143**	**-**	**665,453**
Deposits	**(12,805)**	**(59,349)**	**(608,126)**	**(680,280)**
Net balances	**80,476**	**428,794**	**(608,126)**	**14, 827**
Interest received	**14,410**	**11,384**	**538,593**	**564,387**
Interest paid	**(670)**	**(1,829)**	**(2,453,814)**	**(2,456,313)**
	13,740	**9,555**	**(1,915,222)**	**(1,891,926)**
2021				
Advances	-	345,208	604	345,812
Deposits	(5,768)	(78,865)	(16,394,232)	(16,478,865)
Net balances	(5,768)	266,343	(16,393,628)	(16,133,053)
Interest received	-	21,355	15	21,370
Interest paid	-	(1,229)	(1,430,053)	(1,431,282)
	-	20,126	(1,430,038)	(1,409,912)

Advances to Directors and parties related thereto are in the normal course of business and considered to be adequately secured.

Advances to executive management include **MK NIL million** (2021: MK1.7million) of interest free short-term salary advances and **MK581.4million** (2021: MK343.5million) of advances which carry interest at about 50% (2021: 50%) of the prevailing prime lending rate of the bank and therefore is assessable to Fringe Benefit Tax. All other transactions with related parties are carried out on an arm's length basis on normal commercial terms.

Other Continental Holdings Limited subsidiaries comprise Continental Asset Management Limited, Continental Capital Limited, Continental Properties Limited, Continental Pension Services Limited and CDH Commodities Limited.

Key management personnel compensation:	Executive Management		Non-Executive Directors	
	2022	2021	**2022**	2021
Short-term employee benefits salaries	**1,136,752**	962,631	**-**	-
Post-employment benefits	**113,675**	96,263	**-**	-
Directors' fees	**-**	-	**146, 017**	93,649
	1,250,427	1,058,894	**146, 017**	93,649

In addition to their salaries, the Bank also provides non-cash benefits to Executive Directors. The estimated value of total non-cash benefits to the non-executive directors amounts to **MK8million** (2021: MK16million).

The Bank is controlled by Continental Holdings Limited, a Group incorporated in Malawi which holds 82.46% of the total shareholding of the Bank.

Other companies which are related to CDH Investment Bank Limited through common shareholdings are shown below and in the normal course of business, a number of transactions are entered into with related parties at arm's length and these include loans, deposits, foreign currency transactions, provision of professional and technical consultancy services charged at market rates.

The outstanding balances due to/from related parties as separately disclosed at year end are as follows:

Loans and advances to related party

Related party	Relationship	**2022**	2021
Loans advances to other financial institutions			
Continental Asset Management Nominees Limited	Common ownership	**2, 000,000**	603,711
Subordinated liability			
Continental Asset Management Nominees Limited	Common ownership	**1,600,000**	1,600,000

The balance due to Continental Asset Management Nominees Limited includes **MK1.6 billion** (2021: MK1.6billion) relating to subordinated debt presented in Note 17. The debt has tenure of 6 years with maturity date of 30 April 2024 and secured by all current and future assets of the bank but ranking subordinate or behind all existing debentures, secured creditors and depositors.

The outstanding balances due from/to related parties at year end disclosed as part of loans and deposits and the value of transactions during the year are as follows:

	Relationship	Type of transaction	Value of transactions 2022	Balance at year end 2022	Value of transactions 2021	Balance at year end 2021
Continental Asset Management Nominees Limited	Related company	Deposits	**202,953,215**	**2,277,789**	126,353,986	15,600,474
		Loan	**-**	**-**	-	604
		Subordinated debt	**-**	**1,600,000**	-	1,600,000
		Subordinated debt interest paid	**-**	**197,260**	185,505	185,505
		Interest received	**-**	**-**	-	-
		Interest paid	**-**	**470,022,900**	1,388,968	-
		Shared expenses	**-**	**-**	-	-
Continental Capital Limited	Related company	Deposits	**26,086,270**	**137,506**	40,892,014	45,398
		Shared expenses	**-**	**-**	-	-
		Interest received	**535,860**	**-**	45	-
		Interest paid	**2,449,131**	**-**	9,378	-
Continental Properties Limited	Related company	Deposits	**2,274,049**	**-**	1,597,252	-
		Operating lease payments	**1,248**	**1,248**	1,062	1,062
		Interest received	**4**	**4**	3	-
		Interest paid	**94**	**94**	84	-
Continental Pension Services Ltd	Related company	Deposits	**1,490,160**	**22,352**	11,207,594	8,410
		Shared expenses	**-**	**-**	-	-
		Interest received	**524**	**524**	-	-
		Interest paid	**7**	**7**	88	-
Continental Holdings Limited	Parent company	Deposits	**19,408,765**	**435,732**	1,260,362	78,856
		Shared expenses	**-**	**-**	-	-
		Fees payable	**-**	**-**	-	104,233
		Interest received	**2,115**	**-**	7	-
		Interest paid	**-**	**-**	31,531	-
Executive Management	Management	Deposits	**1,593,050**	**59,349**	224,470	5,768
		Advances	**581,424**	**581,424**	345,208	345,208
		Salaries	**1,136,752**	**-**	962,631	962,631
		Long-term benefits (Pension)	**113,675**	**-**	96,263	96,263
		Interest received	**11,384**	**-**	21,355	-
		Interest paid	**1,829**	**-**	1,229	-
Directors and their related parties	Directors	Fees	**146,017**	**146,017**	93,649	93,649

31. Capital commitments and contingent liabilities

The Bank conducts business involving acceptances, guarantees, performance bonds and indemnities. The majority of these facilities are offset by corresponding obligations of third parties.

The contractual amounts of the Bank's off-balance sheet financial instruments that commit it to extend credit to customers are as follows:

	2022	2021
Contingent liabilities		
Financial guarantees	**725,864**	1,232,360
	725,864	1,232,360

Contingencies in respect of guarantees and performance bonds issued will only crystalize into an asset and a liability in the event of default by the relevant counterparty.

Contingencies in respect of civil litigation and labor matters will crystalize into a liability only in the unlikely event of an unfavorable judgement in which case it is estimated that claims and litigation costs could amount to **MK148million** (2021: MK100million).

Capital commitments
The Bank is not committed to incur any capital expenditure nor has it entered into any capital commitment contracts during the year (2021: Nil).

32. Statutory requirements

In accordance with Section 27 of the Banking Act 2010, the Reserve Bank of Malawi has established the following requirements as at the financial reporting date:

(i) Liquidity Reserve Requirement
The Bank is required to maintain a liquidity reserve as defined by the Reserve Bank of Malawi, calculated on a weekly average basis, of not less than **3.75%** of the preceding weeks total deposit liabilities. In the last week of December 2022, the liquidity requirement was **3.75%** (2021: 3.75%) of total customer deposits.

(ii) Capital Adequacy Requirement
The Bank's available capital is required to be a minimum of 10% of its risk bearing assets and contingent liabilities. At 31 December 2022, the Bank's total available capital was **47.31%** (2021: 47.20%) and the core capital was **46.59%** (2021:45.51%) of its risk bearing assets and contingent liabilities.

32. Statutory requirements (continued)

In accordance with Section 16(1) of the Financial Assets Classification Directive (2018), the Reserve Bank Malawi established the following requirement on the accounting treatment for provisioning of loan losses:

Loan loss reserve
If impairment charges computed under International Financial Reporting Standards (IFRS) are lower than provisions required under the Directive, the shortfall in provisions shall be treated as an appropriation of retained earnings to loan loss reserve.

33. Exchange rates and inflation

The average of the year-end buying and selling rates of the major foreign currencies most affecting the performance of the Bank are stated below, together with the increase in the closing National Consumer Price Index, which represent an official measure of inflation.

Exchange rates	**2022**	2021
GBP/MWK	**1,274.25**	1,184.91
ZAR/MWK	**62.38**	60.40
USD/MWK	**1,026.41**	805.05
EUR/MWK	**1,125.60**	1,055.31
CAD/MWK	**758.48**	643.79
Inflation rate %	**25.4%**	9.3%

At the time of signing these financial statements the exchange rates and inflation rate had moved to:

GBP/MWK	**1,285.23**	1,276.6
ZAR/MWK	**58.32**	68.3
USD/MWK	**1,026.41**	816.9
EUR/MWK	**1,134.58**	1,239.7
Inflation rate %	**25.9%**	13%

34. Dividend

The following dividends were declared and paid by the company during the year:

In millions of Malawi Kwacha	**2022**	2021
Interim dividend	**1,731**	1,544
Final dividend	**750**	700
Total	**2,481**	2,244

Final dividend paid in 2022 of 1,731million was issued at 5.62 tambala per share (2021: MK1,544million at 5.01 tambala per share).

Interim dividend paid in 2022 of 750million was issued at 2.29 tambala per share (2021: MK700million at 2.27 tambala per share).

35. Events after the reporting date

Subsequent to the reporting date, no events have occurred necessitating adjustments or disclosures to these financial statements.

Notes

For the year ended 31 December 2022

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