



INVESTMENT BANK

# Summary of audited results for the year ended 31st December 2022

(Published pursuant to the Financial Services Act and Banking Act of the Laws of Malawi)

Summary statement of profit or loss and other comprehensive income	31-Dec-22 Audited	31-Dec-21 Audited
	K'000	K'000
Interest income	32,859,401	22,472,458
Interest expense - customer deposits and interbank taking	(7,300,274)	(5,653,366)
Interest expense - investment funds	(11,575,276)	(8,933,073)
Net interest income	<b>13,983,851</b>	<b>7,886,019</b>
Non-interest income	6,575,885	4,310,261
<b>Operating income before impairment losses on loans and advances to customers</b>	<b>20,559,736</b>	<b>12,196,280</b>
Net impairment (losses)/recoveries on loans and advances to customers	(11,820)	891,696
<b>Income after impairment (losses)/recoveries on loans and advances to customers</b>	<b>20,547,916</b>	<b>13,087,976</b>
Operating expenses	(9,071,285)	(6,179,667)
<b>Profit before income tax expense</b>	<b>11,476,631</b>	<b>6,908,309</b>
Income tax expense	(3,942,755)	(2,045,738)
<b>Profit and comprehensive income for the year</b>	<b>7,533,876</b>	<b>4,862,571</b>

Summary statement of financial position	31-Dec-22 Audited	31-Dec-21 Audited
	K'000	K'000
<b>Assets</b>		
Cash and cash equivalents	10,868,255	5,113,250
Financial assets at fair value through profit or loss	96,563,517	104,743,581
Investment securities at amortised cost	20,322,216	8,539,620
Interbank placements	25,088,670	5,767,051
Loans and advances to customers	62,330,779	54,974,846
Other assets	1,432,645	1,844,790
Other investments at fair value through other comprehensive income	361,000	361,000
Equipment	2,006,659	1,304,983
Intangible assets	12,991	15,099
Deferred tax asset	12,551	103,638
<b>Total assets</b>	<b>218,999,283</b>	<b>182,767,858</b>
<b>Capital, reserves and liabilities</b>		
Share capital and reserves	21,253,579	16,200,988
Interbank takings	13,060,741	6,348,768
Customer deposits	93,880,670	62,918,327
Investment funds	84,688,396	93,641,303
Other liabilities and accruals	2,927,129	1,674,692
Income tax payable	1,588,768	383,780
Subordinated liability	1,600,000	1,600,000
<b>Total capital, reserves and liabilities</b>	<b>218,999,283</b>	<b>182,767,858</b>

Summary statement of changes in equity	31-Dec-22 Audited	31-Dec-21 Audited
	K'000	K'000
As at the beginning of the year	16,200,988	13,583,198
Dividends paid	(2,481,285)	(2,244,781)
Total comprehensive income for the year	7,533,876	4,862,571
As at the end of the year	<b>21,253,579</b>	<b>16,200,988</b>

Summary statement of cash flows	31-Dec-22 Audited	31-Dec-21 Audited
	K'000	K'000
<b>Cash generated from operating activities</b>	<b>13,454,647</b>	<b>3,114,041</b>
Advance payment of income tax	(2,646,680)	(2,330,898)
<b>Net cash generated from operating activities</b>	<b>10,807,967</b>	<b>783,143</b>
<b>Cash flows from investing activities</b>		
Proceeds from sale of equipment	905	-
Acquisition of equipment and intangible assets	(165,017)	(230,980)
Acquisition of equity investment	-	(81,000)
<b>Net cash used in investing activities</b>	<b>(164,112)</b>	<b>(311,980)</b>
<b>Cash flows from financing activities</b>		
Dividends paid	(2,481,285)	(2,244,781)
Non-cash adjustment on IFRS 16 Leases	(1,400,037)	115,001
Repayment of lease liabilities	(1,403,058)	(1,132,000)
<b>Net cash from financing activities</b>	<b>(5,284,380)</b>	<b>(3,261,780)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>5,359,475</b>	<b>(2,790,617)</b>
Effects of exchange rate fluctuations on cash and cash equivalents	395,530	697,815
Cash and cash equivalents at the beginning of the year	5,113,250	7,206,052
<b>Cash and cash equivalents at the end of the year</b>	<b>10,868,255</b>	<b>5,113,250</b>

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

Sector	As at 31 Dec-22			As at 31 Dec-21		
	Outstanding amount	Impaired loans outstanding balances	Specific provisions	Outstanding amount	Impaired loans outstanding balances	Specific provisions
	K'000	K'000	K'000	K'000	K'000	K'000
Agriculture	6,406,295	57,454	48,223	4,770,319	49,716	48,223
Construction	928,958	89	-	771,087	4	-
Manufacturing	11,752,055	5	-	6,871,571	3,404	-
Real estate	193,421	193,421	-	356,846	-	-
Tourism and leisure	4,922,370	1,716,077	-	4,469,145	850,734	-
Transport/storage	433,078	0	-	500,023	86	-
Wholesale and retail	25,758,993	273	-	28,587,975	61,288	55,374
Community, social and personal services	10,352,201	63	1,681	8,901,915	2,830	-
Other	1,977,357	1,682	-	409,703	-	-
	<b>62,724,728</b>	<b>1,969,064</b>	<b>49,904</b>	<b>55,638,584</b>	<b>968,062</b>	<b>103,597</b>

## Credit concentration

Total credit facilities including guarantees, acceptances and other similar commitments extended by the bank to any one or group of related customers where amounts exceeded 25% of core capital.

Economic sector	31-Dec-22		31-Dec-21	
	Outstanding K'000	% of core capital	Outstanding K'000	% of core capital
Agriculture	4,809,718	27%	4,311,371	27%
Wholesale and retail	26,542,163	147%	23,128,511	145%
Manufacturing	7,369,515	41%	5,548,458	35%
Community, social and personal services	1,980,584	11%	-	0%
Tourism and leisure	3,178,376	18%	-	0%

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

	31-Dec-22				31-Dec-21			
	Opening balance	Loans granted during the period	Repayments	Balance at period end	Opening balance	Loans granted during the period	Repayments	Balance at period end
	K'000	K'000	K'000	K'000	K'000	K'000	K'000	K'000
Directors	-	121,200	(37,547)	83,653	-	-	-	-
Other related parties	-	36,000	(1,766)	34,234	-	-	-	-
Senior Management	345,208	235,024	(116,695)	463,537	165,864	365,702	(186,358)	345,208

Directors remuneration and bonuses	31-Dec-22	31-Dec-21
	K'000	K'000
Directors remuneration	224,499	93,649
Total bonuses paid to staff	1,147,663	690,831

Capital management	Required	Dec-22	Dec-21
Tier I ratio	10.00%	45.76%	45.51%
Total capital ratio	15.00%	47.31%	47.20%

Other investments	31-Dec-22	31-Dec-21
	K'000	K'000
Associates		
National Switch Limited	111,000	111,000
Malawi Agricultural and Industrial Investment Corporation Plc	250,000	250,000

Deposit rates	Dec-22	Dec-21
Current account	0.25%	0.25%
CDHIB prime investors account	7.5%	6%
Smart savers account	6%	4%
7 day call account	5%	5%
30 day call account	6%	6%
1 month fixed deposit	6%	6%
2 months fixed deposit	5%	5%
3 months fixed deposit	4%	4%
6 months fixed deposit	Negotiable	Negotiable
9 months fixed deposit	Negotiable	Negotiable
12 months fixed deposit	Negotiable	Negotiable

Lending rates	Dec-22	Dec-21
Base lending rate (local currency)	17.3%	12.2%
Base lending rate (foreign currency)	10%	10%
Maximum applicable range (basis points)	1090	1090
RBM bank rate	18.0%	12.0%

## Summary of financial statements for the year ended 31 December 2022

We hereby publish the summary statements of profit or loss and other comprehensive income, financial position, changes in equity and cash flows of CDH Investment Bank Limited (CDHIB) as at 31 December 2022 together with the independent auditor's report.

## Overall performance

The bank realised a profit after tax of K7,534 million against the prior year performance of K4,863 million representing an increase of 55%. The performance was backed by a strong growth in operating income of 69%. During the same period, net interest income grew by 77% from K7,886 million to K13,984 million, and non-interest income grew from K4,310 million to K6,576 million representing an increase of 53%.

Total assets increased by 20% from K182,768 million to K218,999 million mainly due to increases in interbank placements by 335% and increase in investment in Government Securities by 138%. This was backed by a 49% increase in Customer Deposits. The bank leveraged on its ability to integrate investment banking services with traditional commercial banking activities.

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

## Business prospects and outlook

The year 2022 registered a slow down in growth of the domestic economy compared to 2021. The domestic economic growth was expected to grow at a slower rate of 1.7% in 2022 (2021:4.2%) mainly due to the effects of cyclone related weather shocks, Covid-19 after effects, and supply chain disruptions caused by the Russia-Ukraine war. Interest rates increased following the Reserve Bank of Malawi's implementation of a tight monetary policy aimed at containing inflation. Inflation rates and exchange rates faced significant pressures from rising global prices, weather related shocks, devaluation of the Malawi Kwacha and the persistent shortage of foreign exchange.

The economic challenges are anticipated to continue in 2023 due to the recent weather shocks from Cyclone Freddy, whose impact is yet to be established, foreign currency shortages and the persisting effects of the Russia-Ukraine war. However, the bank will continue to focus on executing its long term strategic priorities underpinned by exceptional service delivery to its customers and increased investments in its digital and technology driven services. The Bank will strive to remain the undisputed market leader in providing investment banking services in Malawi.

## Basis of preparation

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

F. Kennedy  
Chairman of the Board

S. Chikoti  
Chairperson, Audit Committee

K. Ahadzi  
Chief Executive Officer/Managing Director

B. Mosiwa Ndovi  
Executive Director- Finance & Operations

24 March 2023

## Independent Auditor's report on the bank's summary financial statements to the shareholders of CDH Investment Bank Limited as at 31st December 2022

### Opinion

The summary financial statements, which comprise the summary statement of financial position as at 31 December 2022, the summary statements of profit or loss and other comprehensive income and cash flow for the year then ended, and the basis of preparation, loans to directors, senior management and other related parties, Directors' remuneration, management fees, capital management and investments are derived from audited financial statements of CDH Investment Bank Limited for the year ended 31 December 2022.

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

### Other matter

We have not audited the overall performance, business prospects and outlook included in the summary financial statements and accordingly do not express any opinion thereon.

### Summary Financial Statements

The bank's summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards. Reading the bank's summary financial statements, and our report thereon, therefore, is not a substitute for reading the audited financial statements and our report thereon.

### The Audited Financial Statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our reports dated 29 March 2022. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgement, were of most significance in our audit of the financial statements for the current period.

### Directors' responsibility for the Summary Financial Statements

Directors are responsible for the preparation of the summary financial statements in accordance with the requirements of the Financial Services Act, 2010 of Malawi.

### Auditor's responsibility

Our responsibility is to express an opinion on whether the bank's summary financial statements are consistent, in all material respects, with the bank's audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

Gordon Tembo  
Chartered Accountant (Malawi)  
Partner  
Blantyre, Malawi  
29 March 2023

Grant Thornton  
Partner  
An instinct for growth™