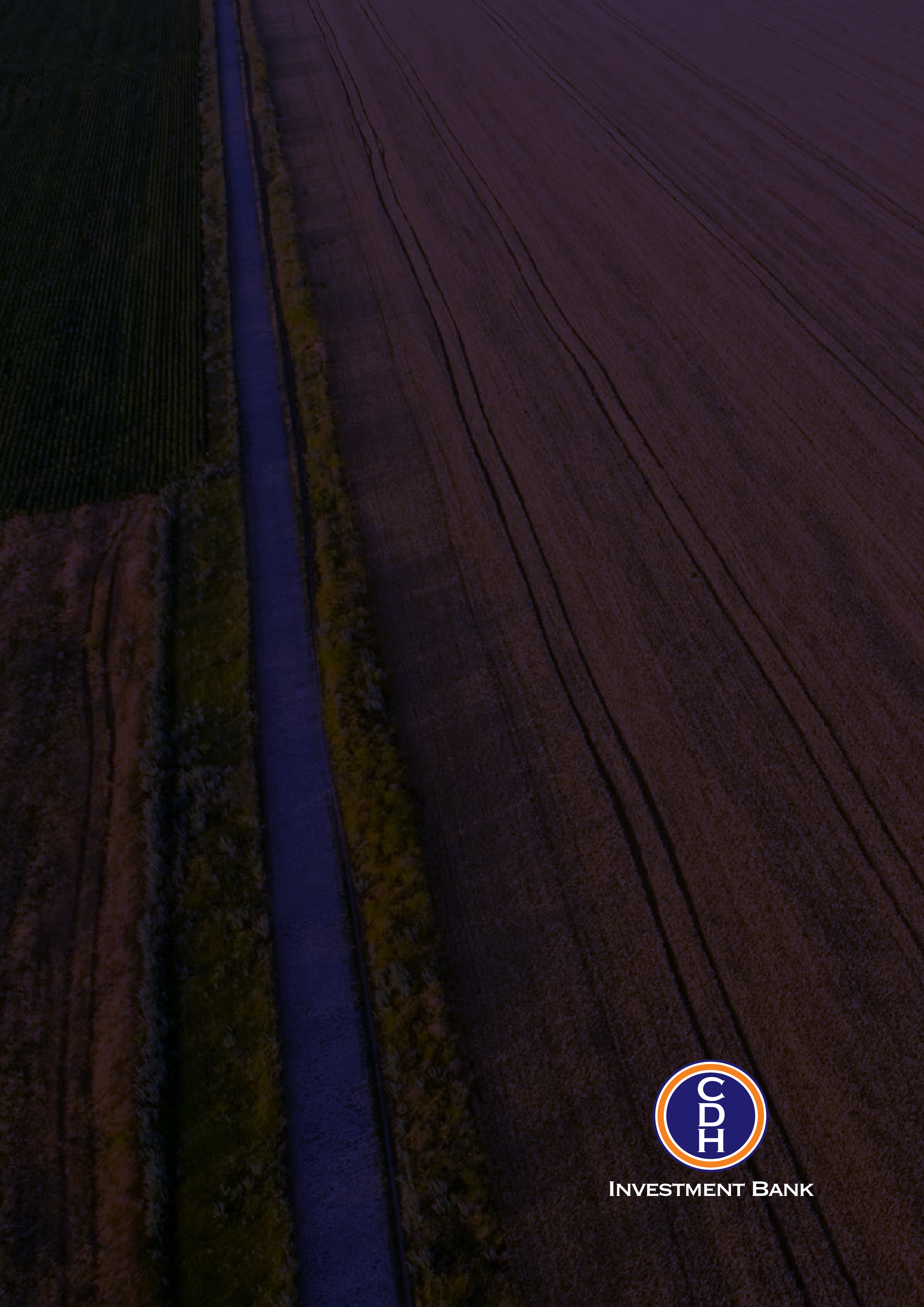
2024 Annual report

CDH

INVESTMENT BANK


CDH
Investment Bank

Contents

CDH Investment Bank profile

Who we are

CDH Investment Bank is a leading investment Bank in Malawi. The Bank is licensed with the Reserve Bank of Malawi and is a member of Continental Holdings Limited, a financial services group registered in Malawi. CDH Investment Bank 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.

CDH Investment Bank 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 and corporate financial advisory. 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.

CDH Investment Bank is poised to continue leading in mobilizing resources from both local and international capital markets for investment in Malawi's groundbreaking projects.

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 technology. We are committed, through good corporate governance, to meeting the requirements of our shareholders and the regulators

Core values

Integrity

Developing within ourselves strong principles, sound judgement, and the resilience needed to do the right thing. We are honest, accountable, consistent, authentic, professional and transparent

Respect

Every person is important. We are respectful, valuing diversity, committed, active listeners, open-minded and cooperative

Trust

The currency of all our relationships. We are trustworthy, transparent, accountable, and authentic

Teamwork

Playing our part to the best of our ability. We are dependable, trustworthy, cooperative, flexible, communicative, collaborative, motivating, celebrating success, supportive and active participants

Equity

Universality of fairness and justice

Innovation

Our relentless pursuit of new possibilities and the courage to embrace and impart change

Our services

Investment banking

1. Capital raising (debt and equity)
2. Financial restructurings
3. Company valuations
4. Stock exchange listings, delisting's
5. Management and leveraged buyouts
6. Mergers, demergers, acquisitions and divestitures
7. Assets backed securities
8. Financial advisory
9. Project finance

Commercial banking

1. Current, call and savings accounts
2. Term and investment accounts
3. Foreign currency denominated accounts
4. Trade finance
5. Overdrafts
6. Term loans
7. Asset finance
8. Invoice discounting
9. Digital banking (internet, mobile and cards)

Treasury

1. Trading of financial securities
2. Foreign exchange
3. Derivatives

Target market

The Bank serves a select niche market grouping of:

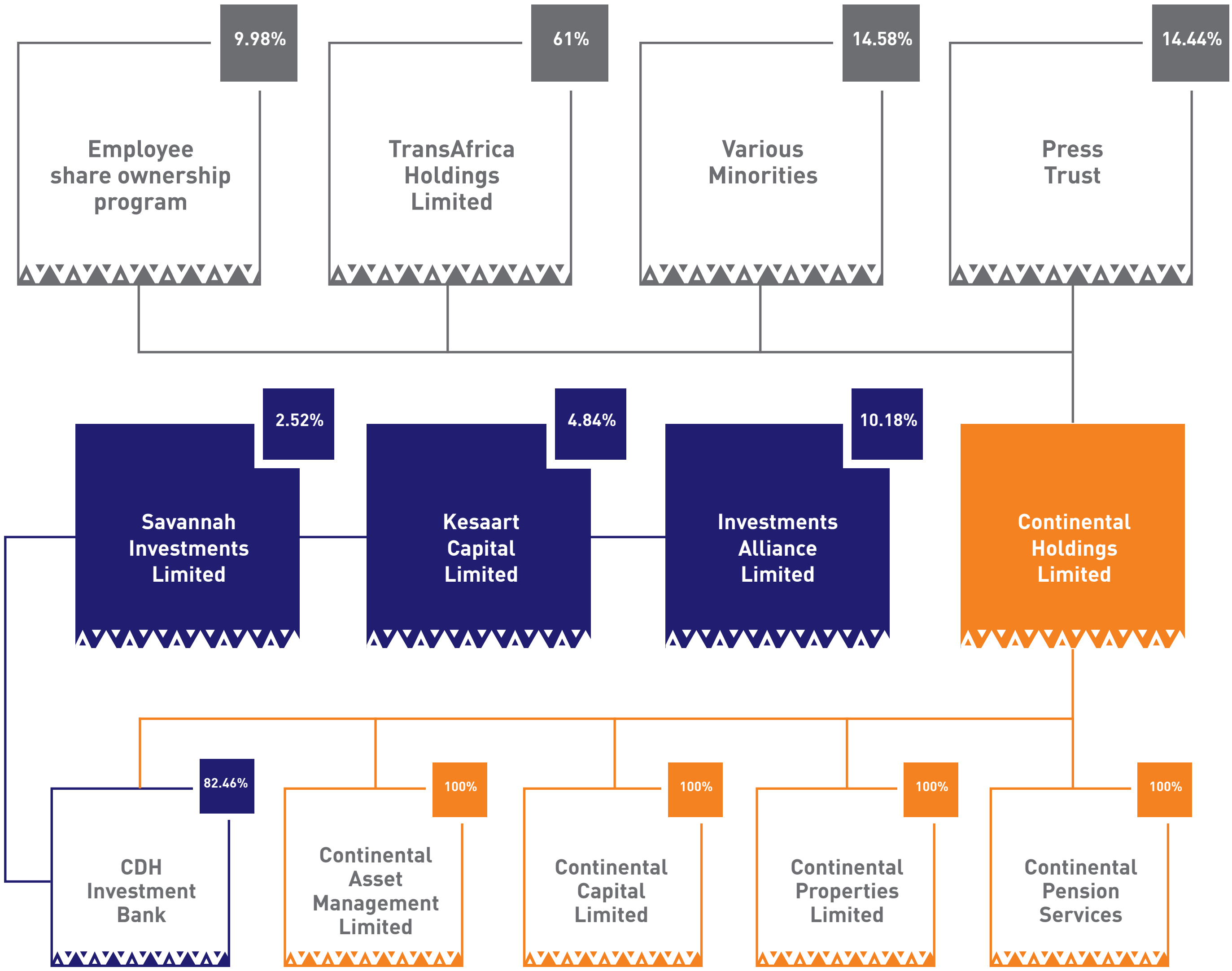
1. Corporates
2. High net worth individuals
3. Government and state owned enterprises
4. International organizations and agencies
5. Medium scale enterprises (MEs)

Overview of the CDH Investment Bank organizational structure

This year marks CDH Investment Bank's 13th anniversary. Through our journey, we have held steadfast to our purpose to deliver financial solutions to our clients by effectively utilizing the best human capital and information technology. CDH Investment Bank is committed, through good corporate governance and compliance to meeting the requirements of its shareholders and regulatory authorities.

CDH Investment Bank has delivered a strong financial performance yet again, in a difficult operating environment, a clear demonstration of our disciplined execution of strategy.

CDH Investment Bank 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. Other companies within the group include Continental Asset Management Limited, Continental Asset Management Nominees Limited, Continental Capital Limited, Continental Properties Limited and Continental Pension Services.



Corporate governance

CDH Investment Bank recognizes 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 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 the shareholders and stakeholders.

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

Board of directors

CDH Investment Bank's board has a balance of executive, non-executive and independent directors.

The board continues to ensure that governance structures and processes are effective, to ensure proper discharge of its oversight role.

The board recognizes 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 CDH Investment Bank comprises the following:

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

Corporate governance

Board sub-committees and members

The board has the following standing sub-committees:

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

Risk management

The board of CDH Investment Bank regards risk management as a key discipline within the Bank's operations. The day-to-day responsibility for identifying, managing, and mitigating emerging risks lies with management. Management is accountable to the board for designing, implementing and monitoring the system and processes of risk management and compliance. The Bank maintains separate risk and compliance functions to ensure adherence to the law, its policies and standards. Our risk management process is aligned with our strategic business planning process and is embedded throughout our management reporting and performance management systems. The Bank ensures periodic review of risk reports and constantly mitigates emerging risks to manage the Banks' exposure.

Executive management

CDH Investment Bank'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 that are driven to make CDH Investment Bank a leading specialist Bank by prudently managing the assets of the Bank to provide adequate return to the investors.

Corporate governance

The executive management of CDH Investment Bank comprises of the following:

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

Our culture

CDH Investment Bank is a dynamic investment Bank with a commitment to excellence and innovation. Our business approach necessitates an investment in intellectual capital and as such, the Bank remains committed to on-boarding qualified, talented and culturally fit individuals on our teams. CDH Investment Bank is an equal opportunities employer and prides in having the crème of the nation amongst its employ. Every team member is important to the Bank's performance and we work to give them the chance to reach their fullest potential. We encourage our teams to strive for personal and professional development to improve their skills both formally through education and informally through interaction with local and international industry peers.

Recognition of our top talent remains a priority for the Bank. The Bank is constantly enhancing its employee engagement and employee recognition programs. We reward exceptional performance while identifying and improving performance which does not meet the Bank's standards. Our open-door policy encourages 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. Consequently, we prioritize the creation of innovative and improved solutions to address their financial needs. We place a strong emphasis on creativity across all our endeavors and take pride in having introduced multiple innovations in the industry. We are grateful for our team's commitment and hard work in maintaining our principles and standards of excellence.

Corporate governance

Corporate social responsibility

Guided by our commitment to our corporate social responsibility policy which states that "in everything that CDH Investment Bank does, we place importance on our obligations as a responsible corporate citizen". We remain committed to creating value not only for investors, but also for our employees, clients and the communities we serve. We are therefore impelled to perform with the highest standards of governance and ethics, provide services that exceed customer expectations. We are committed to provide support in our communities and lessen the environmental impact of our business practices.

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.

Government of Malawi	Government backed term note	Lead arranger	2024
Government of Malawi	Salima Lilongwe Water Project debt issuance and financial advisory	Lead arranger	2024
Pinnacle Financial Services	Equity valuation	Lead advisor	2024
NICO	Financial advisory	Lead advisor	2023
MAIIC Malawi Agricultural & Industrial Investment Corporation plc	Establishment of a national development finance institution in Malawi	Lead arranger	2019
Santam	Acquisition	Lead arranger	2013
NBS Bank Your Caring Bank	Rights issue	Lead arranger	2017
Britam With you every step of the way	Capital restructuring through a court approved scheme of arrangement and delisting	Lead arranger	2016
Nampak packaging excellence	Delisting	Lead arranger	2011

CDH Investment Bank

2024 Financial Highlights

Customer deposits	27% increase
Profitability	111% increase
Return on equity	8% increase
Total assets growth	72% increase

INVESTMENT BANK

Our performance

For the year ended 31 December 2024

Chairman's statement

Global and domestic economic overview

The global economic environment demonstrated resilience in 2024, supported by easing of inflationary pressures and accommodative monetary policies in major economies. This facilitated economic recovery, although at varying paces across different regions due to structural disparities and policy differences. However, risks remain due to geopolitical tensions, evolving trade policies, and energy price volatility linked to OPEC production decisions.

Malawi's domestic economy, on the other hand remained fragile. Persistent foreign exchange shortages constrained the importation of essential goods, including fuel, thereby affecting business operations. Inflationary pressures remained high, exacerbated by the 44% devaluation of the Kwacha in November 2023 and rising food prices following a weak agricultural season. Inflation averaged 32.2% in 2024, up from 28.8% in 2023, driven by supply chain disruptions and increased money supply. In response, the Reserve Bank of Malawi (RBM) tightened monetary policy by raising the policy rate to 26.0% and increasing the Liquidity Reserve Requirement (LRR) ratio to 10.0% by year-end. Despite these measures, GDP growth slowed to 1.8% in 2024, down from 1.9% in 2023.

Despite these challenges, CDH Investment Bank delivered strong financial results, demonstrating resilience and adaptability. This success underscores the Bank's prudent risk management, operational efficiency, and the commitment of our leadership and employees.

Board Subcommittee performance & governance

The Board of Directors remains committed to strong governance, regulatory compliance, and strategic oversight. In 2024, a period where the Bank experienced massive growth in several key areas, our Board subcommittees played a critical role in ensuring effective risk management, operational efficiency, and strict compliance with regulatory requirements. We remain committed to strong governance practices, maintaining transparency, and ensuring that our decision-making processes align with stakeholder interests.

Regulatory developments & market reforms

The Malawian financial sector underwent several regulatory changes in 2024, with the Reserve Bank of Malawi (RBM) introducing measures to enhance financial stability and market efficiency. Some key developments included:

1. Capital adequacy requirements – The RBM reinforced capital adequacy regulations, requiring Banks to maintain stronger capital buffers. CDH Investment Bank remains well-capitalized, with Tier I and Total Capital Ratios at 45%, well above the regulatory thresholds of 10% and 15%, respectively.
2. Foreign exchange market reforms – In response to the persistent shortage of foreign exchange, RBM introduced new guidelines aimed at improving liquidity management and transparency in foreign currency transactions. The Bank is actively engaged in discussions with regulators to support initiatives that enhance forex availability.

Franklin Kennedy
Chairperson

3. Risk and governance requirements – The Reserve Bank of Malawi issued a directive which significantly changes the composition of subcommittees and independence of directors. The Bank and the Bankers Association of Malawi are engaging with the Reserve Bank of Malawi on the potential impact of their recommendations on the banking industry. The necessary changes will be reviewed to ensure compliance with the new directive.

We welcome these regulatory advancements as they reinforce trust in the banking sector, promote financial inclusion, and ensure sustainable economic growth.

Bank performance and strategic direction

CDH Investment Bank recorded a strong financial performance in 2024, with net profit after tax increasing by 111% to K23.53 billion. Operating income grew by 76%, driven by a 100% increase in net interest income and 36% growth in non-interest income. The Bank's strong performance in investment banking and securities trading played a significant role in driving revenue growth.

Looking ahead, the IMF projects global GDP growth at 3.3% in 2025, with Malawi's GDP expected to rebound to 4.0%, supported by improvements in the agriculture, mining, and tourism sectors. As Malawi prepares for elections in 2025, we anticipate lower inflation and interest rates, contributing to a more stable economic environment.

Despite potential headwinds, CDH Investment Bank remains well-positioned for sustainable growth. Our focus will be on:

1. Strengthening investment banking and capital markets development in Malawi.
2. Expanding digital banking and fintech capabilities to enhance customer experience.
3. Deepening client relationships through tailored financial solutions.
4. Investing in staff development to build a future-ready workforce.

We are committed to cementing our position as Malawi's premier investment Bank while delivering long-term value to our shareholders and stakeholders.

Appreciation

On behalf of the Board, I extend my sincere gratitude to:

1. Our employees for their unwavering commitment and outstanding contributions.
2. Our customers for their trust and loyalty to CDH Investment Bank.
3. Our shareholders and financial partners for their continued confidence in our vision.
4. Our regulators and policymakers for their guidance in fostering a stable banking environment.
5. My fellow Board members for their invaluable insights and oversight in steering the Bank forward.

While uncertainties remain, I am confident that with our sound business model, strong governance, and dedicated team, CDH Investment Bank will continue to thrive and create value for all stakeholders.

Franklin Kennedy
Chairperson

Chief Executive Officer's statement

Economic outlook

In 2024, Malawi faced a challenging economic environment characterized by persistent foreign exchange shortages and high inflation, which significantly impacted business performance. The 44% devaluation of the Kwacha in November 2023, coupled with lower-than-expected agricultural output from the 2023/2024 growing season, exacerbated inflationary pressures, resulting in an average inflation rate of approximately 32.2%. In response, the Reserve Bank of Malawi adopted a tighter monetary policy, raising the policy rate to 26.0% and increasing the Liquidity Reserve Requirement ratio from 8.75% to 10.0% by year-end. As a result, GDP growth slowed to an estimated 1.8%, down from 1.9% in the previous year.

Our performance

Despite the economic challenges, I am pleased to report a strong financial performance in 2024. Net profit after tax grew by 111% to K23.53 billion, driven by solid contributions from our commercial and investment banking and trading operations. Total operating income increased by 76%, supported by a 100% rise in net interest income, which benefited from both higher interest margins and the growth of interest-bearing assets.

Non-interest income expanded by 36%, with net trading income surging by 33%, reflecting strong performance in financial securities trading. Additionally, fee income from investment banking activities increased by 64%. These factors contributed to an improved cost-to-income ratio of 39%, positioning the Bank favorably within the market. The Bank remains well capitalized with Tier I and total capital ratios at 45%, well above the regulatory requirements of 10% and 15%, respectively. Our liquidity position stood at 50%, significantly exceeding the minimum regulatory requirement by 2,500 basis points, demonstrating our strong commitment to prudent liquidity management.

Investment banking

Investment banking continues to be a key pillar of our service offering, leveraging our 28-year track record in Malawi's financial services sector. In 2024, we played a crucial role in government debt financing, securitizations for government debt, and corporate financial advisory services. Looking ahead, we remain committed to strengthening our investment banking unit by attracting, developing and retaining top talent to drive growth in Malawi's capital markets.

Trading and treasury management activities

The Bank's trading and treasury activities experienced significant growth in 2024. Fixed-income trading volumes increased substantially, with the Bank taking a leading role in secondary market trading of fixed-income securities. However, foreign exchange trading volumes declined due to foreign currency shortages.

From a risk management perspective, our Asset and Liability Management (ALM) processes and treasury systems supported robust liquidity management and an optimal funding structure.

During the year, we strengthened our international presence by securing an additional correspondent banking relationship with Afreximbank and becoming a member of the Pan-African Payment and Settlement System (PAPPS), enhancing our ability to facilitate seamless international payments. We are optimistic about further growth in trading activities, including the trading of listed securities.

Commercial banking

Our commercial banking strategy remains centered on deepening client relationships and leveraging cross-selling opportunities. This client-centric approach has enabled us to maintain a high-quality asset portfolio and a stable deposit base. In the corporate banking segment, we continued to implement prudent measures to enhance asset quality.

Thoko Mkavea
Chief Executive Officer

While we remain committed to providing competitive financing across key market segments, we have placed greater emphasis on supporting clients in transactional banking services, including current accounts, cash management, tax payments, and bulk payment solutions. Our digital banking platforms have been instrumental in serving clients efficiently, both during and outside banking hours.

With an improved product and service offering, we have made significant strides in expanding our market share across all client segments. Looking forward, we are committed to building a sustainable and profitable commercial banking business by maintaining a customer-centric approach, offering tailor-made solutions, and positioning ourselves as the transactional bank of choice. To support this strategy, we will continue investing in staff development, particularly in private banking and customer relationship management, to enhance service delivery and further strengthen our frontline operations.

Strategic direction

As we look to the future, we remain focused on driving the Bank's transformation by leveraging our talented workforce, strengthening relationships with local and international partners, and refining our business model. Our strong foundation, combined with the dedication of our employees, positions us well to continue delivering exceptional customer service and innovation.

A key priority for the Bank is talent development. Our enhanced employee value proposition will support ongoing upskilling and empowerment initiatives, enabling our workforce to embrace our unique business model and meet the evolving needs of our clients.

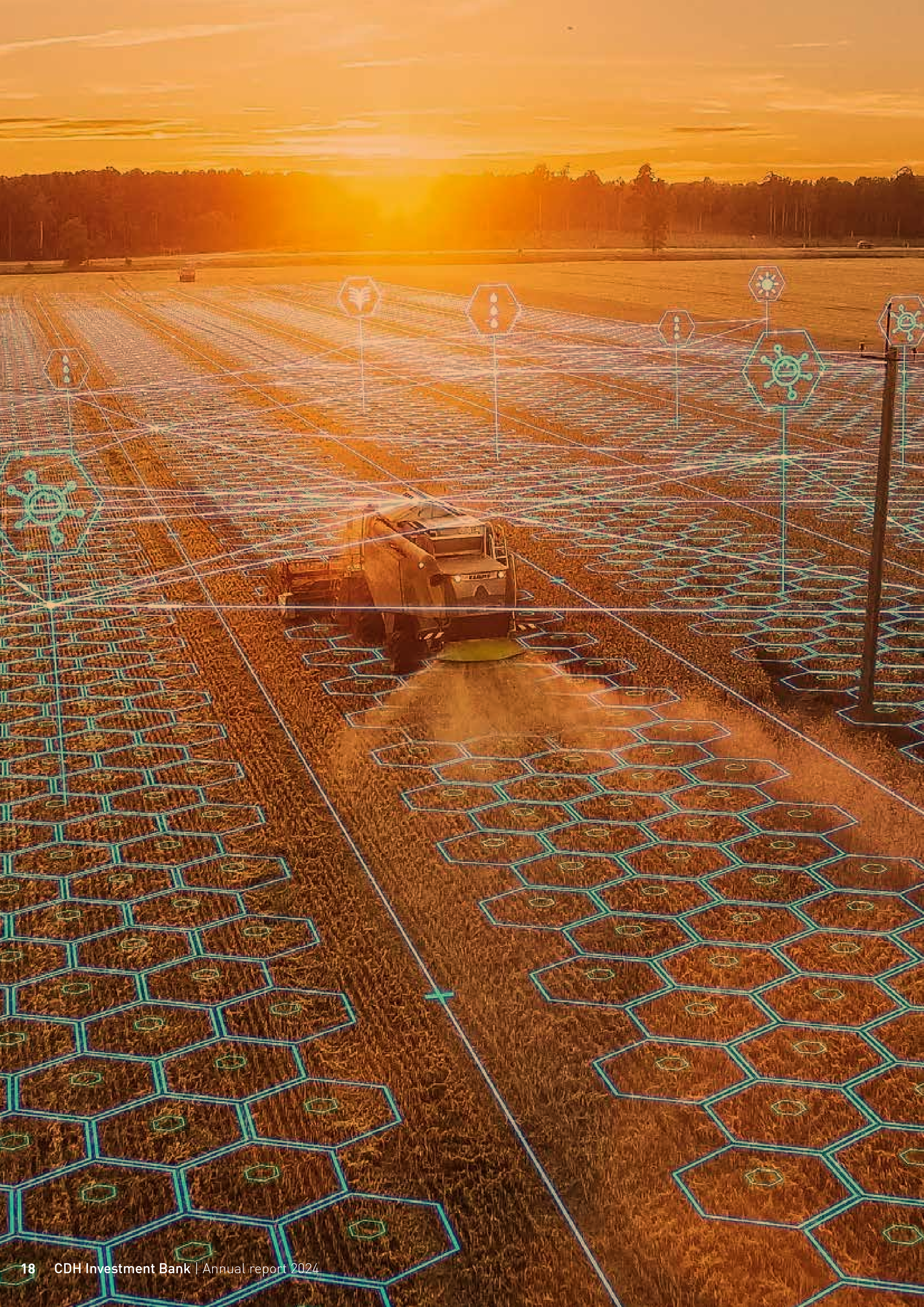
Appreciation

I am immensely proud of the achievements we have made at CDH Investment Bank over the past year. I extend my heartfelt gratitude to our 102 employees, whose dedication and exceptional performance have been instrumental in our success. I also wish to express my sincere appreciation to the board of directors for their invaluable support, guidance, and strategic insight.

To our valued customers, your trust and loyalty remain the cornerstone of our success. We are deeply grateful for your continued confidence in CDH Investment Bank.

While the economic environment presents both challenges and opportunities, CDH Investment Bank has consistently demonstrated resilience and adaptability in the face of economic volatility, natural disasters, and global disruptions. I am confident that with our focused strategy, continued investment in our people, and unwavering commitment to delivering superior value to our customers and the communities we serve, we will continue to strengthen our position as Malawi's leading specialist bank.

Thoko Mkavea
Chief Executive Officer



Our structure

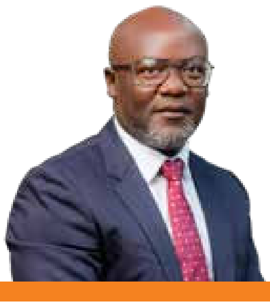
For the year ended 31 December 2024

Board of directors

Franklin Kennedy
Chairperson

Kofi Sekyere
Director

Robert Abbey
Director



Thoko Mkavea
Director

Beatrix Mosiwa
Director

Charles Asare
Director

Kingsley Zulu
Director

John McGrath
Director

Sydney Chikoti
Director

Elias Malion
Director

Joyce Gundani
Director

Executive management

Thoko Mkavea
Chef Executive Officer

Beatrix Mosiwa
Deputy Chief Executive Officer

Zondwayo Mafuleka
Chief Treasury Officer

Kelvin Mkulichi
Chief Finance Officer

James Chikoti
Chief Operating Officer

Ivy Kwatiwani
Chief Human Capital Development Officer

Sungani Mkandawire
Chief Credit Officer

Jamal Kamoto
Chief Business Development Officer

Daniel Mwangwela
Chief Legal Officer and Company Secretary

Christopher Ngwira
Chief Internal Auditor

Chris Chirwa
Chief Information Officer

Robert Malipa
Chief Risk and Compliance Officer

CDH Investment Bank Corporate social responsibility

Corporate social responsibility and stakeholder engagement

CDH Investment Bank continues to support various growth and development initiatives through its corporate social responsibility programs. The Bank supported a variety of activities in health, sports, education, and other activities of national interest in 2024

Highlights of the 2024 corporate social responsibility initiatives include:

1. Bank's stakeholder engagement
2. Health initiatives
3. Education
4. Environment
5. Sports
6. Staff engagement
7. Projects of national interest
8. Banks' corporate sponsorships and partnerships with professional bodies

1. Bank's stakeholder engagement

Mr Kofi Sekyere, Chairperson of the Finance, Business and Information Technology Committee giving his remarks on behalf of the Chairperson of the Board of CDH Investment Bank Mr Franklin Kennedy

CDH Investment Bank hosts stakeholder engagement cocktail

CDH Investment Bank hosted a CEO stakeholder engagement cocktail on Friday 19th January 2024 at Amaryllis Hotel, in Blantyre. The event officially welcomed Mr Thoko Mkavea as the Chief Executive Officer/Managing Director and Ms Beatrix Mosiwa as the Deputy Chief Executive Officer, of CDH Investment Bank who took offices from 1st January 2024.

The event was led by Mr Kofi Sekyere, who was representing the Chairperson of the board of CDH Investment Bank Mr Franklin Kennedy and was graced by various stakeholders among them board members of CDH Investment Bank, representatives from the Reserve Bank of Malawi, former Chief Executive Officers of CDH Investment Bank, distinguished invited clients and stakeholders and management and staff of CDH Investment Bank.

The cocktail was a great opportunity for stakeholders to network and appreciate the vision of the Bank. These are highlights from the cocktail.

Corporate social responsibility and stakeholder engagement

CDH Investment Bank's executive management

Mr Kofi Sekyere presenting a farewell gift to the former Chief Executive Officer/Managing Director of CDH Investment Bank, Mr Kwame Ahadzi

Mr Thoko Mkavea, Chief Executive Officer/Managing Director making his remarks

Corporate social responsibility and stakeholder engagement

2. Health initiatives

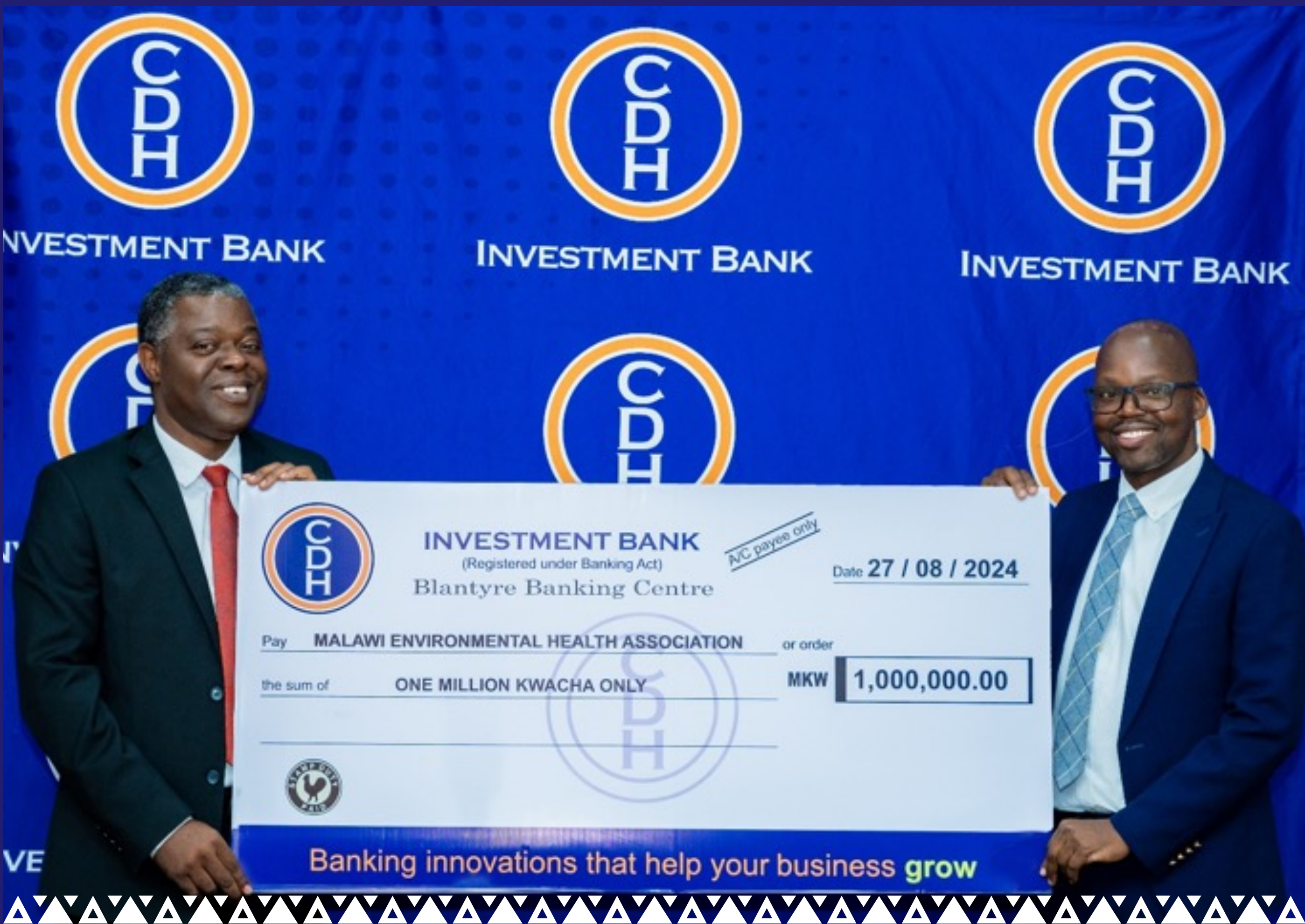
CDH Investment Bank invests in life-changing surgeries through Beit Cure

Mr Zondwayo Mafuleka, Chief Treasury Officer of CDH Investment Bank hands over a symbolic cheque of K5.2m to Mr Davie Simengwa, Director of Programs and Development, Beit Cure International Hospital

CDH Investment Bank donated K5.2 million to Beit Cure International Hospital as part of its efforts to improve health of children. The donation was made to support the hospital in conducting life-changing surgeries to children.

Corporate social responsibility and stakeholder engagement

CDH Investment Bank invests in strengthening environmental health practices



Mr James Chikoti, Chief Operating Officer of CDH Investment Bank presents a donation to Prof Save Kumwenda, President of the Malawi Environmental Health Association

CDH Investment Bank donated K1 million to support the 2024 Malawi Environmental Health Association Conference. The conference took place from 5th to 6th September 2024 at Sunbird Nkopola in Mangochi under the theme "Protecting everyone's health in the new era."

Corporate social responsibility and stakeholder engagement

3. Education

CDH Investment Bank invested in the establishment of a Technology Transfer Office at the Lilongwe University of Agriculture and Natural Resources

Mrs Jennie Madinga, CDH Investment Bank, Account Relationship Manager – Corporate and Public Sector, hands over a cheque to Dr Samson Katengeza, Director of Research and Outreach, at the Lilongwe University of Agriculture and Natural Resources

CDH Investment Bank donated K16.9 million to the Lilongwe University of Agriculture and Natural Resources to assist the university to establish a Technology Transfer Office and support a training workshop to enhance agri-innovations. The university established the technology transfer office to support the commercialization of identified innovations and ensure that the innovations are compliant with the National Commission for Science and Technology (NCST) standards.

Corporate social responsibility and stakeholder engagement

CDH Investment Bank employees took time out to inspire students ate Thyolo Secondary School in Southern Malawi

CDH Investment Bank staff and students of Thyolo Secondary School celebrate the global money week in Thyolo, Malawi

CDH Investment Bank staff took time out to impart financial literacy and the importance of investing to the young minds at Thyolo Secondary School.

Corporate social responsibility and stakeholder engagement

4. Environment

CDH Investment Bank commits to a sustainable green economy through tree-planting

L-R Mr Zondwayo Mafuleka, Chief Tresury Officer of CDH Investment Bank plants a tree together with Ms Maureen Phiri, Forestry Technician, Department of Forestry, Lilongwe University of Agriculture and Natural Resources

CDH Investment Bank in partnership with Lilongwe University of Agriculture and Natural Resources (LUANAR) conducted an annual tree-planting exercise at Kadedwa Primary School in Pundu village, Bunda, Lilongwe. The tree-planting initiative reinforced CDH Investment Bank's commitment to support environmental restoration by contributing to the 2023/2024 national tree planting season.

5. Sports

CDH Investment Bank bankrolled the 2023/2024 BASMAL national basketball tournament with K15 million

CDH Investment Bank sponsored the BASMAL 2023/2024 national basketball tournament which took place on 24th May 2024 and 25th May 2024 at Kamuzu University of Health Sciences (KUHeS) in Blantyre. The sponsorship is one way in which CDH Investment Bank supports the development of sports in Malawi.

Bravehearts of Lilongwe were champions of the tournament

Corporate social responsibility and stakeholder engagement

Braveheart women team were the BASMAL 2023/2024 national basketball tournament women champions

The CDH Investment Bank basketball team which participated in the tournament

Corporate social responsibility and stakeholder engagement

Unilil Ark Angel who became runners up of the CDH Investment Bank BASMAL 2023/2024 national basketball tournament receiving their prize

CDH Investment Bank team captured in action at the indoor basketball court

Corporate social responsibility and stakeholder engagement

6. Staff engagement

CDH Investment Bank held a board and staff engagement event which took place on Friday 28th June 2024 in Blantyre at Ryalls Hotel and on Friday 19th July 2024 in Lilongwe at BICC Hotel. The engagement was an interactive and enjoyable event which provided an opportunity for open communication, and sharing of ideas between the board and staff.

Directors and staff of CDH Investment Bank during the board/staff engagement in Blantyre

Directors and staff of CDH Investment Bank during the board/staff engagement in Lilongwe

CDH Investment Bank staff hold wellness activities to promote wellness

CDH Investment Bank supported staff wellness with quarterly engagement activities in 2024. Activities included health checks, walks, sports day participation, and psychologist sessions, providing team building opportunities for the internal project Zonsetu.

CDH Investment Bank staff captured after a staff engagement session in Blantyre

Corporate social responsibility and stakeholder engagement

CDH Investment Bank women donated to Step Kids Awareness Trust and Mama Berna Foundation as part of their Mother's Day celebrations

The women of CDH Investment Bank took time to donate assorted items amounting to K2.5million to Step Kids Awareness Trust (STEKA) in Nyambadwe, Blantyre and Mama Berna Foundation in Area 23, Lilongwe respectively.

7. Projects of national interest

CDH Investment Bank contributes to Presidential Charity Golf initiative

CDH Investment Bank donated K5 million to the Presidential Charity Golf tournament which was played at Lilongwe Golf Club on 11-12 October 2024. The initiative supports needy students with tertiary education fees and families affected by various natural disasters.

Mr Jamal Kamoto, CDH Investment Bank Chief Business Development Officer presenting a symbolic cheque to Mr Michael Khomani, Presidential Charity Golf organising committee member

8. Corporate sponsorships and partnerships with professional bodies

CDH Investment Bank sponsors the Banker's Association of Malawi lake conference

CDH Investment Bank, on Monday 19th August 2024 donated K1million to the Bankers Association of Malawi in support of the annual bankers lake conference which took place from 22nd to 24th August 2024 at Sunbird Nkopola Lodge in Mangochi under the theme "Bridging the gap: Inclusive banking and sustainable development for all"

Mr Jamal Kamoto, Chief Business Development Officer of CDH Investment Bank presents a cheque to Mrs Lyness Nkungula, Chief Executive Officer of the Bankers Association of Malawi

CDH Investment Bank sponsors Institute of People Management Malawi

CDH Investment Bank donated K1 million to the Institute of People Management Malawi (IPMM) on the 8th of October 2024. The donation was made towards hosting of the 2024 IPMM Lakeshore Conference which took place from 24th – 26th October 2024 at Sunbird Nkopola Lodge in Mangochi. The conference was held under the theme *"Navigating the new world of work: empowering people, embracing change, and fostering resilience in a rapidly evolving and turbulent economic environment."*

Mrs Tiyezge Matandika, Human Capital Development Manager of CDH Investment Bank presents a cheque to Mr Willy Nkhoma, Executive Director of the Institute of People Management Malawi

INVESTMENT BANK

Annual economic review

Annual economic review

For the year ended 31 December 2024

1. Executive summary

1.1. The Reserve Bank of Malawi continued to pursue a tight monetary policy in 2024 in dealing with growing money supply and persistent high inflation pressures. The Monetary Policy Committee raised the Policy rate from 24.0% to 26.0% on 1st February 2024 and raised the Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits from 7.75% to 8.75% on 1st February 2024 and to 10.0% on 29th November 2024.

1.2. Market interest rates and yields on government securities continued to rise in 2024, especially in the first half of the year, following the increase in the Policy rate and the Liquidity Reserve Requirement ratio.

1.3. Liquidity levels on the interbank market increased during the year 2024 compared to 2023, with Banks' excess reserves held with the Reserve Bank of Malawi increasing by 115.67% to an average of K117.01 billion per day in 2024 from an average of K54.26 billion per day in 2023.

1.4. The supply of foreign currency remained critically low, which affected the importation of critical supplies such as fuel during the year. The Kwacha to US Dollar TT rate lost 3.06% to close at K1,749.93 per USD during the year.

1.5. Inflationary pressures were persistently high during 2024, with headline inflation rate increasing to an average of 32.2% in 2024 from an average of 28.8% in 2023. The rate closed the year at 28.1%. The Reserve Bank of Malawi expects the inflation rate to decelerate to 22.0% at the end of the year 2025 owing to favourable base effects.

1.6. The real GDP growth rate slowed down to an estimated 1.8% in 2024 from 1.9% in 2023, largely on account of lower agricultural production and prolonged unfavourable macroeconomic conditions. The government expects a higher growth rate in 2025 at 4.0%, supported by expected improvements in some key sectors such as agriculture, mining and tourism.

1.7. The stock market registered a positive return on the Malawi All Share Index (MASI) of 55.06% in 2024, lower than the return of 78.85% in 2023.

2. Interbank

2.1. Liquidity conditions in the banking system were higher in 2024 compared to the level registered in 2023. Banks' excess reserves held with the Reserve Bank of Malawi (RBM) averaged K117.01 billion per day in 2024, compared to the average of K54.26 billion per day in 2023, representing an increase of 115.67%. Liquidity conditions were highest in the first quarter of 2024 when Banks' excess reserves averaged K188.15 billion per day and were lowest in the third quarter when excess reserves averaged K49.19 billion per day.

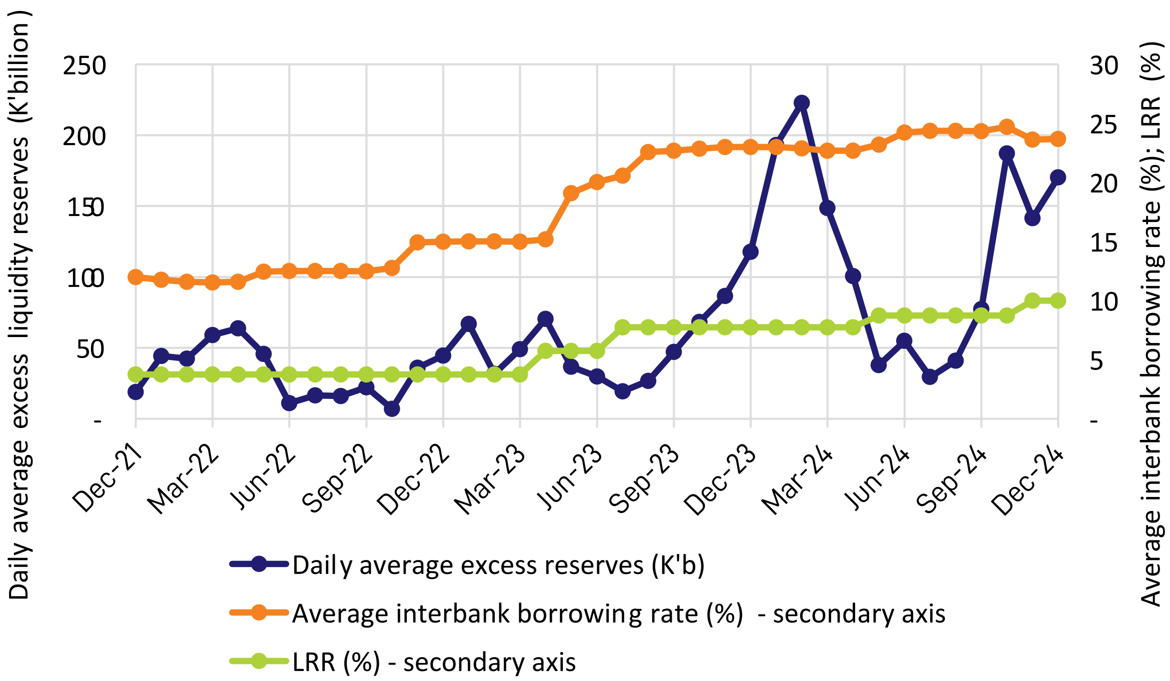
2.2. The volume of borrowing among Banks on the interbank market increased by 104.25% in nominal terms to a total of K13.86 trillion in 2024 from K6.78 trillion in 2023. Funds accessed through the Lombard Facility of the RBM decreased by 59.99% in nominal terms to K8.57 trillion in 2024 compared to K21.42 trillion in 2023.

2.3. The interbank borrowing rate increased to an average of 23.65% during the year from an average of 19.50% in 2023. The Lombard rate increased to an average of 25.87% in 2024 from an average of 21.72% in 2023. The increase in interbank rates followed an upward adjustment of the Policy rate in February 2024 from 24.0% to 26.0%.

2.4. To manage liquidity in the banking system, the RBM injected funds through issuance of OMO reverse repos which amounted to K180.00 billion in 2024 (K11.00 billion in 2023) and through the Rediscounting Standing Facility on which K189.01 billion was accessed (K38.25 billion in 2023). To mop up liquidity, the RBM issued OMO repos that amounted to K164.60 billion during the year (K120.50 billion in 2023).

2.5. Chart 1 provides a summary of excess liquidity reserves and interbank rate movements over the immediate past three years. The Chart shows the increase in liquidity levels and interbank borrowing rates in 2024 relative to 2023.

Chart 1: Daily average excess liquidity reserves and interbank borrowing rate



(Data source: Reserve Bank of Malawi)

3. Government securities

3.1. The government raised K1,230.95 billion in auctions of Treasury Bills (TB) in 2024, representing an increase of 92.67% from K638.91 billion raised in 2023. The rejection rate was at 0.44% in 2024 compared to 11.28% in 2023.

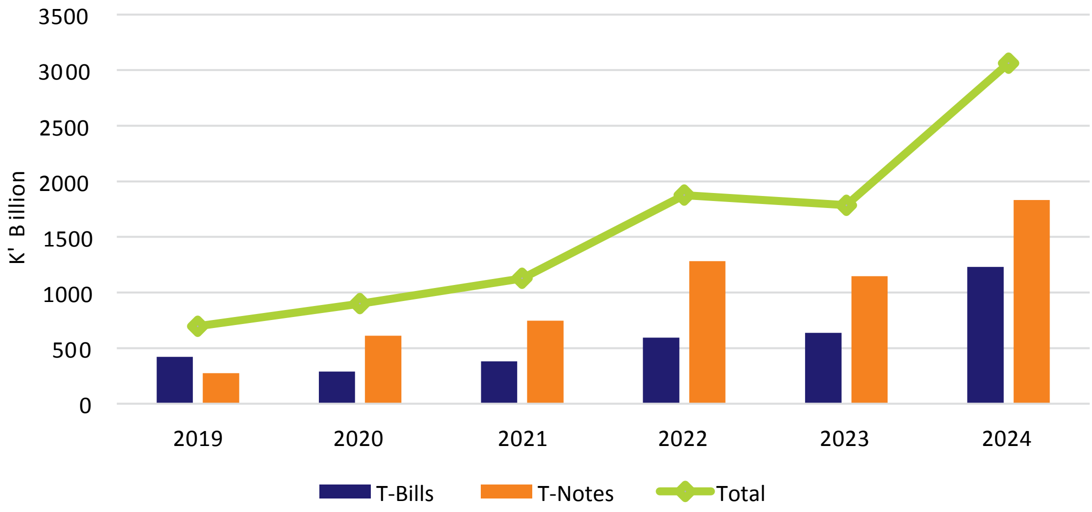
3.2. K1,832.17 billion was raised in auctions of Treasury Notes (TNs) during 2024, compared to K1,147.19 billion raised in 2023, representing a nominal increase of 59.71%. Rejection rate for TNs was at 0.10% in 2024 compared to 5.80% in 2023.

3.3. Overall, the total amount raised by government in the domestic market through issuance of Treasury securities (TBs and TNs combined) increased by 71.50% in nominal terms in 2024 (K3,063.12 billion) relative to 2023 (K1,786.09 billion) as shown in Chart 2:

Annual economic review

For the year ended 31 December 2024

Chart 2. Comparative analysis of amounts raised in Treasury securities



(Data source: Reserve Bank of Malawi)

3.4. Yields on government securities increased in 2024, reflecting an increase in the Policy rate. The 91-day, 182-day and 364-day TB yields averaged 15.84%, 19.83% and 25.83%, respectively, increasing from 13.70%, 17.80% and 22.11% in 2023. The average all-type TB yield, consequently, increased to 20.50% in 2024 from 17.87% in 2023. Average yields for TNs also increased across all tenors as shown in Table 1 below:

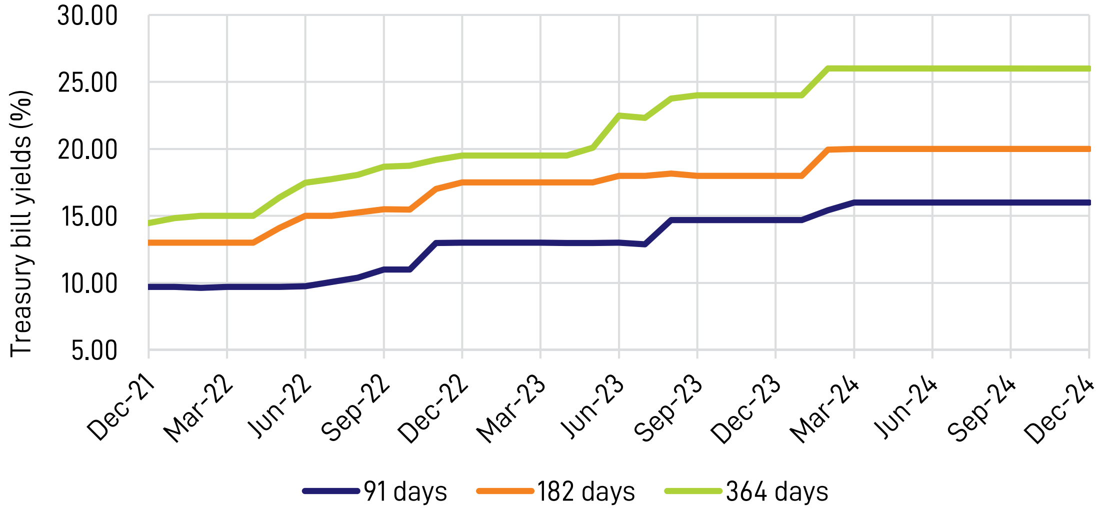
Table 1: Annual average and year-end yields of Treasury Bills and Notes

	Annual average yields			Year-end yields		
Tenor	**2024 average**	**% points change**	**2023 average**	**As at 31 Dec 2024**	**% points change**	**As at 31 Dec 2023**
91-days	15.84%	↑ 2.15	13.70%	16.00%	↑ 1.30	14.70%
182-days	19.83%	↑ 2.02	17.80%	20.00%	↑ 2.00	18.00%
364-days	25.83%	↑ 3.73	22.11%	26.00%	↑ 2.00	24.00%
2-years	28.58%	↑ 3.68	24.90%	28.75%	↑ 2.00	26.75%
3-years	29.83%	↑ 3.67	26.17%	30.00%	↑ 2.00	28.00%
5-years	31.83%	↑ 3.60	28.23%	32.00%	↑ 2.00	30.00%
7-years	33.83%	↑ 4.12	29.72%	34.00%	↑ 2.00	32.00%
10-years	34.75%	↑ 3.71	31.04%	35.00%	↑ 2.00	33.00%

(Data source: Reserve Bank of Malawi)

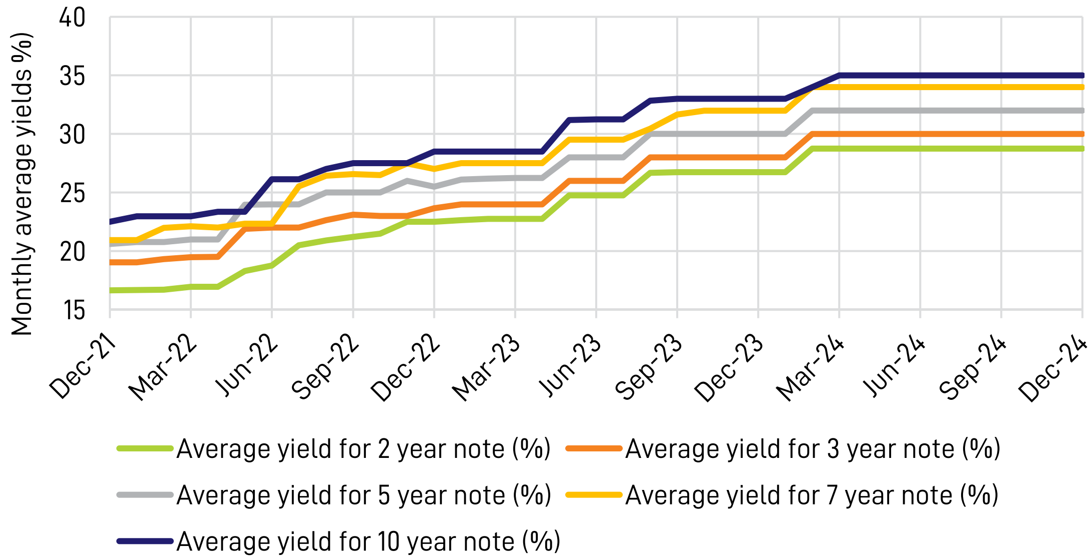
3.5. Chart 3a and 3b below indicate that the yields on Government securities increased in the first quarter of the year 2024 and were stable for the rest of the year.

Chart 3a: Monthly average Treasury bill yields



(Data source: Reserve Bank of Malawi)

Chart 3b: Monthly average Treasury Note yields



(Data source: Reserve Bank of Malawi)

Annual economic review

For the year ended 31 December 2024

4. Foreign exchange market

4.1. In the year 2024, the Malawi Kwacha continued to weaken against major trading currencies as the imbalance between supply and demand of foreign currencies remained high.

4.2. The Malawi Kwacha to USD TT middle exchange rate averaged K1,738.34 per USD in 2024, up by 49.72% from an average of K1,161.09 per USD in 2023. The Malawi Kwacha to GBP TT average middle exchange rate increased by 53.78% to K2,285.61 per GBP from K1,486.27 per GBP; the Malawi Kwacha to EUR TT average middle exchange rate increased by 49.88% to K1,935.22 per EUR from K1,291.17 per EUR; and the Malawi Kwacha to ZAR TT average middle exchange rate increased by 50.46% to K96.68 per ZAR from K64.26 per ZAR.

4.3. The significant increase in average exchange rates in 2024 compared to 2023 is a result of the 44% devaluation of the Kwacha on 8th November 2023.

4.4. A comparison of end-of-year TT exchange rates indicates that the Kwacha depreciated against the USD, GBP and ZAR by 3.06%, 1.17% and 1.82% respectively, and appreciated against EUR by 2.49%. The USD/MWK TT middle exchange rate closed the year at K1,749.93 per USD while the bureaux USD cash exchange rate stood at K1,934.26 per USD.

4.5. RBM continued to conduct monthly, sometimes fortnightly, foreign exchange auctions with Authorised Dealer Banks (ADBs) in 2024 which were aimed at facilitating the discovery of prevailing market clearing exchange rates for the Kwacha against major currencies.

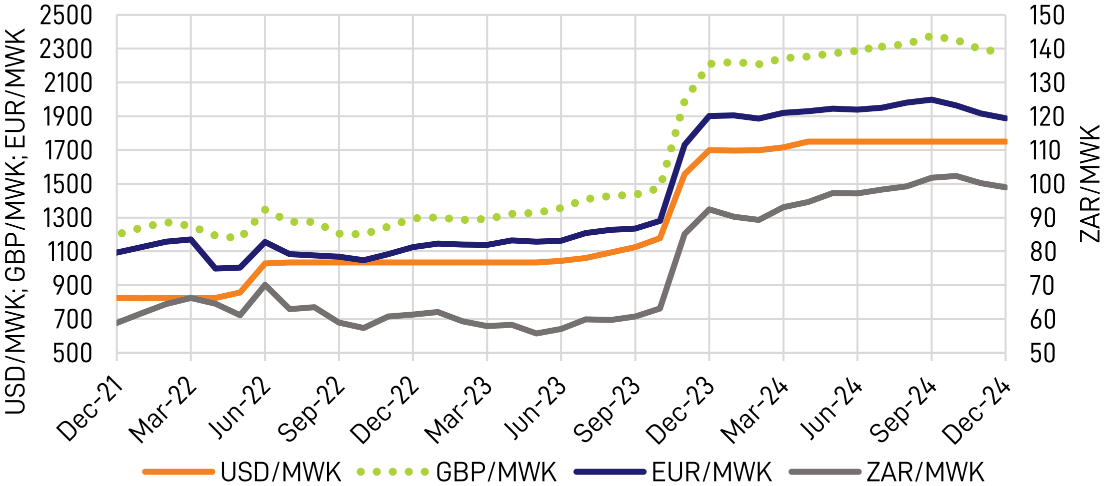
4.6. Table 2a and Chart 4a depict the depreciation of the Kwacha in 2024 compared to 2023. (**Note:** downward arrows represent depreciation of the Kwacha).

Table 2a: TT middle exchange rates

	Annual Average			End year		
Currency	**2024**	**Change**	**2023**	**31 Dec 2024**	**Change**	**31 Dec 2023**
USD/MWK	1738.34 ↓	49.72%	1161.09	1749.93 ↓	3.06%	1697.98
GBP/MWK	2285.61 ↓	53.78%	1486.27	2250.25 ↓	1.17%	2224.30
EUR/MWK	1935.22 ↓	49.88%	1291.17	1869.77 ↑	-2.49%	1917.45
ZAR/MWK	96.68 ↓	50.46%	64.26	95.89 ↓	1.82%	94.17

(Data source: Reserve Bank of Malawi)

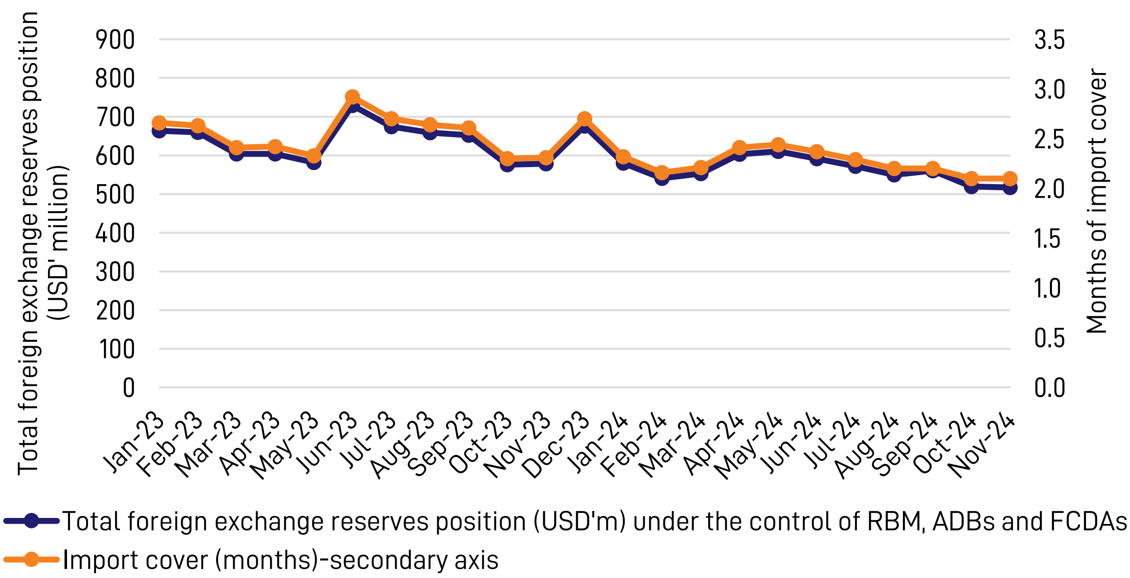
Chart 4a: Monthly average middle exchange rates



(Data source: Reserve Bank of Malawi)

4.7. Month-end balances of total foreign exchange reserves averaged USD563.28 million (2.25 months import cover) in 2024, down from an average of USD638.10 million (2.55 months of import cover) in 2023. As of 30th November 2024, the total reserves were at USD516.19 million (2.10 months of import cover), decreasing from USD675.59 million (2.70 months of import cover) as of 31st December 2023 and USD578.40 million (2.31 months import cover) as of 30th November 2023.

Chart 4b: Total foreign exchange reserves position



(Data source: Reserve Bank of Malawi)

4.8 Looking ahead, generally exchange rate depreciation pressures are expected to remain high for the rest of the year as the imbalance between demand and supply of forex remains high and as demand for forex increases as the country imports agricultural inputs. The EIU expects a steady depreciation in 2024 to annual average of MK1,776.40 : USD1.

Table 2b: End season tobacco sales

	2024	% Change (2024 - 2023)	2023	% Change (2023 - 2022)	2022	% Change (2022 - 2021)	2021	% Change (2021 - 2020)	2020
Volume (kg)	133.12	10.45% ↑	120.53	41.67% ↑	85.07	-31,20% ↓	123.65	8.45% ↑	114.02
Average price (USD/kg)	2.98	26.81% ↑	2.35	9.81% ↑	2.14	34,59% ↑	1.59	3.92% ↑	1.53
Value (USD 'million)	396.28	39.65% ↑	283.76	55.88% ↑	182.04	-7,62% ↓	197.05	12.62% ↑	174.97

(Data source: Tobacco Commission (TC))

4.9. Looking forward, in 2025 depreciation pressures on the Kwacha are expected to remain high as the imbalance between demand and supply of forex remains high due to exports remaining weak relative to imports, and as support from development partners remains unstable. However, 2025 being an election year, the authorities are expected to intensify efforts of ensuring that the magnitude of depreciation is only moderate.

4.10. EIU projects a gradual depreciation of the Kwacha to an annual average of K1,818 per USD and an end of year exchange rate of K1,866 per USD in 2025.

Table 2c: EIU exchange rate projections

Year	2023	2024	2025	2026	2027	2028	2029
USD/MWK annual average	1149	1730	1816	1993	2204	2414	2629
USD/MWK end-period	1698	1757	1866	2105	2290	2522	2722

(Source: EIU Malawi Country report - January 2025)

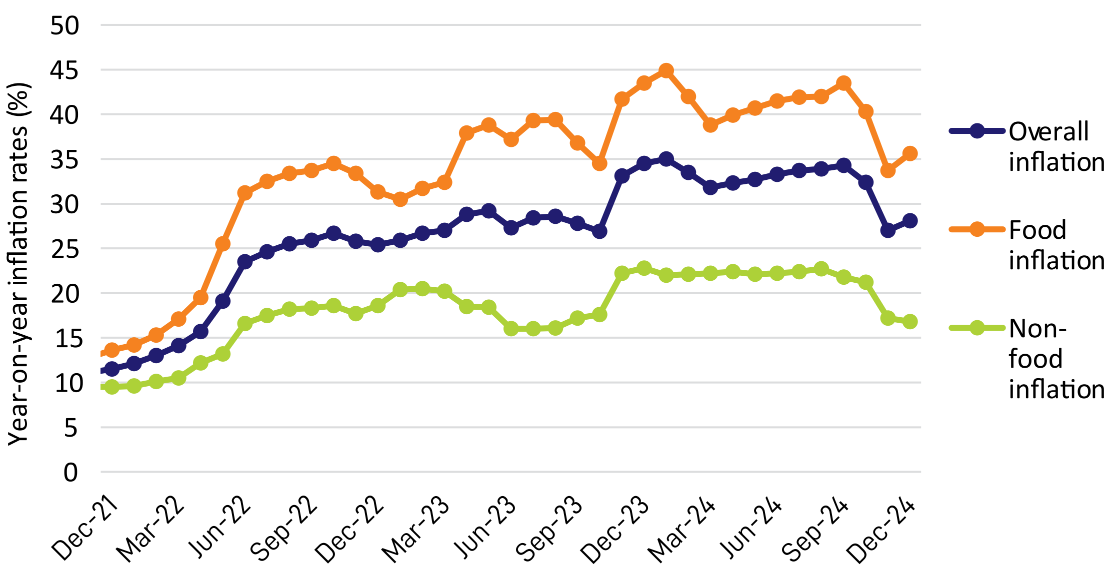
5. Inflation

5.1. The rate of inflation increased in 2024 compared to 2023. Year-on-year headline inflation rate averaged 32.2% in 2024, up from an average of 28.8% in 2023. The rate closed the year at 28.1% compared to a rate of 34.5% at the end of 2023.

5.2. Inflationary pressures during the year largely emanated from the effects of the 44% devaluation of the Kwacha in November 2023 and rising food prices due to prolonged shortage of food because of lower production during the 2023/2024 agricultural season. Food inflation rate increased to an average of 40.4% in 2024 from 37.0% in 2023 while non-food inflation rate increased to an average of 21.2% in 2024 compared to 18.9% in 2023.

5.3. Chart 5 depicts the trend of inflation rate in the past three years.

Chart 5: Year-on-year inflation rates



(Data source: National Statistical Office)

5.4. Looking ahead, the RBM expects inflation to slow down in 2025 and reach 22.0% by the end of the year due to favourable base effects and a supportive monetary policy stance. This is expected to create policy space for a possible reduction in interest rates. However, rising food prices, external sector imbalances and fiscal pressures present upside risks to the expected disinflation in 2025.

5.5. The World Bank and the EIU project an annual average inflation rate of 27.3% and 28.3%, respectively, for 2025.

Table 3: Projected annual average inflation rates for Malawi

	2023	2024	2025*f*	2026*f*	2027*f*	2028*f*	2029*f*
Government	28.%	32.2%	-	-	-	-	-
Economist Intelligence Unit	-	-	28.3%	23.9%	17.4%	13.9%	11.1%
World Bank	28.7%	33.6%	27.3%	-	-	-	-

Sources:
Government: National Statistical Office
EIU: Malawi Country Report, January 2025
World Bank: Malawi Economic Monitor, January 2025

6. Monetary policy

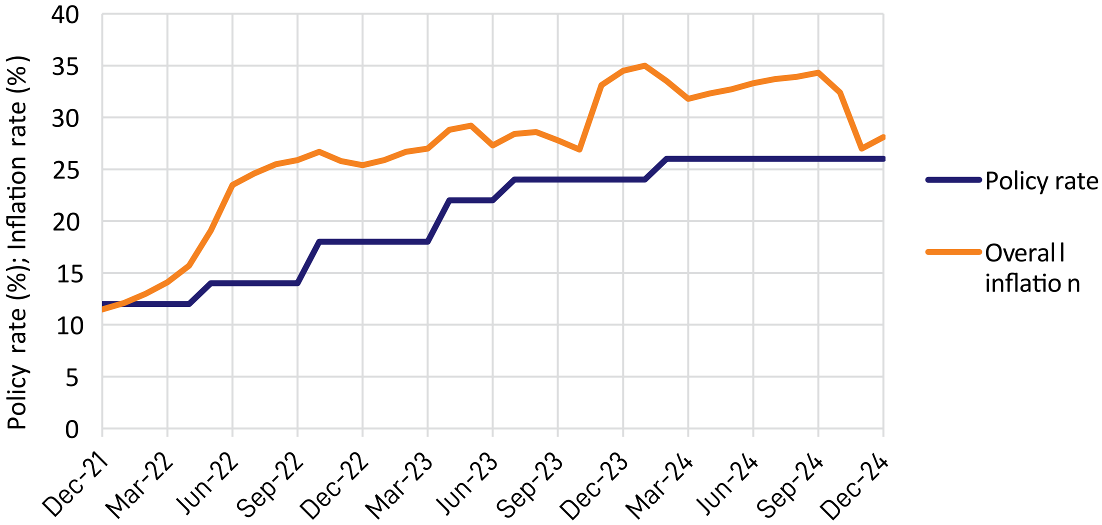
6.1. The RBM continued to pursue a tight monetary policy in 2024, focusing mainly on containing inflation and money supply growth pressures. The Monetary Policy Committee (MPC) raised the Policy rate from 24.0% to 26.0% during their first meeting of 2024 on 1st February 2024. During the second, third and fourth quarter meetings, the MPC maintained the Policy rate at 26.0%.

6.2. The Lombard rate was maintained at 0.2 percentage points above the Policy rate; effectively it was increased from 24.2% to 26.2% in February 2024 and was maintained at 26.2% for the rest of the year.

6.3. The Liquidity Reserve Requirement (LRR) ratio on domestic currency deposits was increased from 7.75% to 8.75% during the second MPC meeting on 3rd May 2024 and to 10.0% during the fourth meeting on 29th November 2024. The decision to raise the LRR on domestic currency deposits was aimed at slowing down money supply growth pressures. The LRR on foreign currency deposits was maintained at 3.75% throughout the year.

6.4. 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 increased in 2024 and that the Policy rate was consistently below inflation rate throughout the year, signaling prevalence of negative real interest rates in the market. However, the chart indicates that the gap between inflation rate and the Policy rate narrowed in the fourth quarter of the year as inflation declined in October and November 2024.

Chart 6: Policy rate versus Inflation rate



6.5. Following the upward adjustment of the Policy rate and the LRR on domestic currency deposits, market interest rates increased during the year. The Market Reference Rate (MRR) for commercial Banks increased from an average of 20.7% in 2023 to an average of 25.1% in 2024 and closed the year at 25.3%.

6.6. Looking ahead, market interest rates are expected to be largely stable in the short to medium term in line with a stable Policy rate as inflationary pressures subside. The EIU expects the Policy rate to be maintained at 26% throughout 2025 and to start declining gradually from 2026. However, the expected decline in inflation in 2025 could give room for Monetary Authorities to consider beginning gradual interest rate cuts in 2025.

7. Economic growth

7.1. According to the International Monetary Fund (IMF)'s January 2025 World Economic Outlook, the global economy is expected to grow by 3.3% in 2025 from 3.2% in 2024. Risks to the growth prospect include a potential intensification of protectionist policies, in the form of a new wave of tariffs, which could worsen trade tensions, lower investment, and reduce market efficiency.

7.2 Growth in advanced economies is projected at 1.9%, higher than a growth of 1.7% for 2024, reflecting positive outlook for the Euro area and the United Kingdom. Emerging and developing economies and Sub-Saharan Africa are both expected to grow by 4.2% in 2025 from a growth of 4.2% and 3.8% in 2024, respectively.

7.3. Global oil prices in 2025 were projected to fall to an average of USD73.00 per barrel while Urea prices were expected to increase to an average of USD362.17 per metric ton.

7.4. For Malawi, the Government estimates a real GDP growth rate of 1.8% for 2024 from 1.9% in 2023. The slowdown in growth rate in 2024 is largely due to lower performance of the agricultural sector and spillovers to other sectors on account of El Nino weather conditions, as well as protracted limited supply of foreign exchange which affected performance of several sectors.

7.5. Prospects for 2025 are positive for Malawi with the Government projecting an annual growth rate of 4.0%. The recovery is largely hinged on expected improvements across key sectors, including the agriculture, mining and tourism sectors. The World Bank, IMF and EIU project real GDP growth rates of 4.2%, 4.0% and 1.6%, respectively.

Table 4a: World Bank projections

	2022	**2023**	**2024*e***	**2025*f***
GDP at constant market prices (% change)	**0.9**	**1.6**	**1.8**	**4.2**
Agriculture	-1.0	0.6	-2.0	5.0
Industry	0.9	1.6	2.1	3.3
Services	1.8	2.1	3.3	4.2

Source: Malawi Economic Monitor - January 2025

Table 4b: IMF projections

	2023	2024*e*	2025*f*	2026*f*	2027*f*
Real GDP growth	1.5	1.8	4.0	4.3	4.5

Source: IMF Economic Outlook - October 2024

Table 4c: Projections by the economist Intelligence Unit

	2023	2024*e*	2025*f*	2026*f*	2027*f*	2028*f*	2029*f*
Real GDP growth	**1.6**	**1.3**	**1.6**	**2.3**	**2.5**	**2.8**	**3.0**
Agriculture	1.0	-1.0	1.3	1.6	1.6	2.3	2.0
Industry	1.4	2.2	2.0	2.2	2.7	2.9	2.9
Services	2.0	2.2	1.6	2.6	2.9	3.0	3.5

Source: Malawi Country Report - January 2025

8. Stock market performance

8.1. In 2024, the Malawi Stock Exchange (MSE) registered a positive year-on-year return on the Malawi All Share Index of 55.06% (50.53% in USD terms). This is compared to an annual return of 78.85% (9.05% in USD terms) registered in 2023. The Domestic Share Index (DSI) registered a return of 52.11% (47.67% in USD terms) in 2024 compared to 69.99% (3.65% in USD terms) in 2023. The Foreign Share Index (FSI) registered a return of 75.65% (70.52% in USD terms) in 2024 compared to 181.28% (71.50% in USD terms) in 2023.

8.2. 15 companies registered price gains during the year, while 1 registered a decline. The top gainers were NICO (178.60%), FDHB (111.76%), FMBCH (76.19%), NBM (64.77%) and STANDARD (64.15%). The loss was registered by PCL (-0.29%).

8.3. The market registered an increase of 61.47% (7.73% in USD terms) in traded value of shares during the year to K124.67 billion (USD72.01 million) in 2024 from K77.21 billion (USD66.85 million) in 2023. The market also registered an increase of 104.14% in total traded volume to 1,249,740,199 in 2024 from 612,184,956 in 2023.

8.4. On the debt market, there were no trades on the 9 Development Bonds and 101 Treasury Notes listed on the market.

8.5. There was a Rights Issue by Blantyre Hotels Plc (BHL) which was fully subscribed and raised a record K62.4 billion in December 2024.

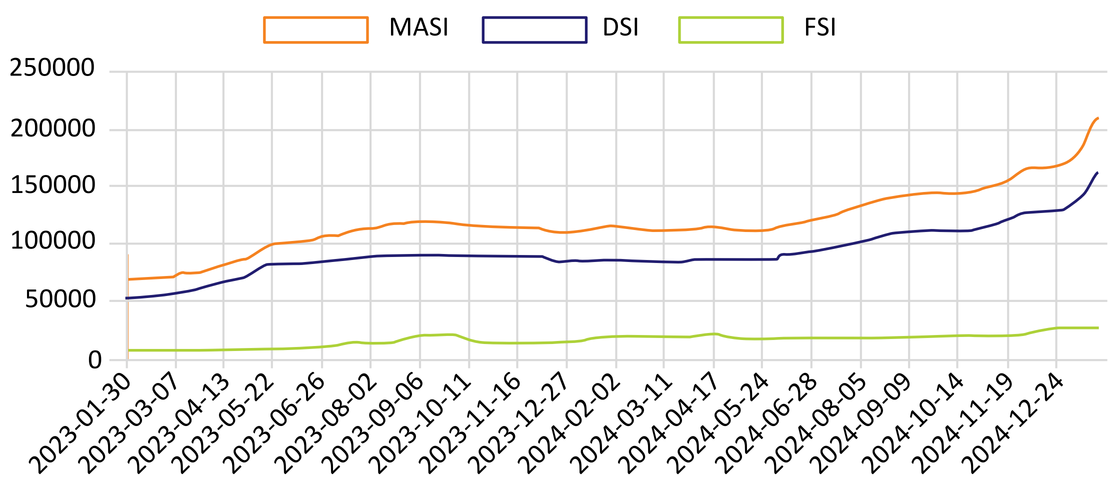
8.6. Table 5 shows the performance of individual companies in 2024 relative to 2023 and Chart 7 shows a graphical analysis of the MASI, DSI and FSI over the past three years.

Table 5: Share trading summary

Company	31-Dec-24	31-Dec-23	Price Change (%)
Market indices			
MASI	**172,039.93**	110,951.21	55.06%
DSI	**131,362.56**	86,359.68	52.11%
FSI	**27,738.47**	15,792.06	75.65%
Gainers			
NICO	**419.02**	150.40	178.60%
FDHB	**148.23**	70.00	111.76%
FMBCH	**555.00**	315.00	76.19%
NBM	**3,462.17**	2,101.25	64.77%
STANDARD	**6,483.95**	3,950.00	64.15%
NBS	**174.07**	114.90	51.50%
AIRTEL	**90.00**	60.00	50.00%
TNM	**24.99**	18.70	33.64%
OMU	**1,950.01**	1,500.00	30.00%
SUNBIRD	**240.08**	191.07	25.65%
MPICO	**18.53**	15.00	23.53%
BHL	**14.55**	13.00	11.92%
ILLOVO	**1,355.08**	1,260.03	7.54%
NITL	**440.00**	409.99	7.32%
ICON	**18.05**	17.85	1.12%
Losers			
PCL	**2,499.79**	2,506.99	-0.29%

(Data source: Malawi Stock Exchange)

Chart 7: Malawi Stock Exchange share price indices



(Data source: Malawi Stock Exchange)

Annual economic review

For the year ended 31 December 2024

9. Conclusions

9.1. Malawi's economic environment remained challenging in 2024.

9.2. Foreign exchange supply remained critically low despite the devaluation in November 2023.

9.3. Inflation pressures were high in 2024 owing to a prolonged rise in food prices due to lower agricultural production in the 2023/2024 agricultural season, coupled with effects of the 44% devaluation effected on 8th November 2023. Disinflation is expected in 2025 due to favourable base effects and supportive monetary policy.

9.4. The Reserve Bank of Malawi tightened monetary policy to deal with growing money supply and inflation. The Policy rate was raised from 24% to 26% in the first quarter and the Liquidity Reserve Requirement ratio on domestic currency deposits was raised from 7.75% to 8.75% in the first quarter and to 10.0% in the fourth quarter of the year. This led to a rise in market interest rates especially in the first half of the year.

9.5. The stock market was bullish in 2024, registering a positive return of 55.06% on the Malawi All Share Index.

9.6. Economic growth slowed down to an estimated 1.8% in 2024 from 1.9% in 2023 Malawi, largely reflecting the impact of lower agricultural production during the year caused by weather shocks, in addition to continued low supply of forex and persistent high inflation pressures which affected production. Higher growth of 4.0% is expected in 2025 supported by improvements in some key sectors such as mining, agriculture and tourism.

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64%
22%

Financial statements

For the year ended 31 December 2024

Directors' report

For the year ended 31 December 2024

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 2024.

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. It is licensed as a Bank under the Financial Services Act, 2010. Its business is to provide private, corporate and investment banking services.

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 Company are set out in the accompanying statement of financial position, statement of profit or loss and other comprehensive income, statement of changes in equity, and statement of cash flows and accompanying accounting policies and notes.

Dividends

The Company declared and paid a final dividend of **K4,820 million** in respect of the 2023 financial year (in 2023, the Company declared and paid a final dividend of K3,017 million for the 2022 financial year). The Company also declared and paid the first interim dividend of **K1,296 million** for the financial year ended 31 December 2024 (2023: K750 million). In December 2024, the Company declared a second interim dividend of **K5,500** million for the financial year ended 31 December 2024 (2023: Nil million) which will be paid on 27 January 2025.

Directorate and Secretary

In accordance with the Company's Articles of Association, at least three directors offer themselves for retirement at the forthcoming Annual General Meeting, in rotation, beginning with Directors that have served on the Board for the longest period.

Directors' report

For the year ended 31 December 2024

The following Directors and Secretary served during the year:

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

Percentage shareholding analysis	2024	2023
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 re-appoint Messrs Ernst and Young (EY), Chartered Accountants and Business Advisors as auditors in respect of the Company's financial statements for the year ending 31 December 2025.

....

Franklin Kennedy
Chairperson

....

Sydney Chikoti
Director

Corporate governance report

For the year ended 31 December 2024

The Board

The Company has a unitary Board of Directors comprising of a chairperson, eight non-executive directors and two 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 at least 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	22 Mar 2024	28 Jun 2024	2 Oct 2024	13 Dec 2024
Mr Franklin Kennedy	Chairperson	✓	✓	✓	✓
Mr Kofi Sekyere	Director	✓	✓	✓	✓
Mr Robert Abbey	Director	✓	✓	✓	✓
Mr Charles Asare	Director	✓	✓	✓	✓
Mr Elias Malion	Director	✓	✓	✓	✓
Mr Sydney Chikoti	Director	✕	✓	✓	✓
Mr Kingsley Zulu	Director	✓	✓	✓	✓
Mr John McGrath	Director	✓	✓	✓	✓
Mrs Joyce Gundani	Director	✓	✓	✓	✓
Mr Thoko Mkavea	Director	✓	✓	✓	✓
Ms Beatrix Mosiwa	Director	✓	✓	✓	✓
In attendance					
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓

Key: ✓ = Attendance ✕ = 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 a 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 a year. The members of the Committee and their meeting attendance during the year were as follows:

Meeting attendance

Members	Position	23 Feb 2024	13 Mar 2024	20 Jun 2024	17 Sep 2024	21 Nov 2024
Mr Sydney Chikoti	Chairperson	×	×	×	✓	✓
Mr Elias Malion	Director	✓	✓	✓	✓	✓
Mr Kingsley Zulu	Director	✓	✓	✓	✓	✓
In attendance						
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓	✓

Key: ✓ = Attendance × = Apology

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 risk management, compliance, internal control systems and management reporting framework, because 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 always protected from adverse risk management events.

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

Meeting attendance

Members	Position	14 Mar 2024	20 Jun 2024	19 Sep 2024	21 Nov 2024
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 a year and on an ad hoc basis when necessary.

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

Meeting attendance

Members	Position	19 Mar 2024	25 Jun 2024	20 Sep 2024	6 Dec 2024
Mr Kofi Sekyere	Chairperson	✓	✓	✓	✓
Mr Robert Abbey	Director	✓	✓	✓	✓
Mr Thoko Mkavea	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 Resources and Remuneration policies and strategies. The Human Resources and Remuneration Committee meets quarterly and on an ad hoc basis when necessary.

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

Meeting attendance

Members	Position	13 Mar 2024	21 Jun 2024	20 Sep 2024	6 Dec 2024
Mr John McGrath	Chairperson	✓	✓	✓	✓
Mr Kofi Sekyere	Director	✓	✓	✓	✓
Mr Robert Abbey	Director	✓	✓	✓	✓
In attendance					
Mr Daniel Mwangwela	Company Secretary	✓	✓	✓	✓

Key: ✓ = Attendance

Director's responsibility statement

For the year ended 31 December 2024

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 2024, and the statement of profit or loss and other comprehensive income, statement 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 the requirement of 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 what 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) 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 **21 March 2025** and signed on its behalf by:

Franklin Kennedy
Board Chairperson

Sydney Chikoti
Director

Independent auditor's report to the shareholders of CDH investment Bank Limited

For the year ended 31 December 2024

Opinion

We have audited the financial statements of CDH Investment Bank Limited ('the Bank') set out on pages 67 to 138 which comprise the statement of financial position as at 31 December 2024, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements present fairly, in all material respects, the financial position of CDH Investment Bank Limited as at 31 December 2024, and its financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act, 2013.

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 Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* and other independence requirements applicable to performing audits of financial statements in Malawi. We have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that 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 year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. The key audit matters noted below relate to the Bank's financial statements.

Level	Key audit matter
CDH investment Bank Limited	**Expected credit losses.** The disclosures associated with Credit Risk are set out in the financial statements in the following notes: • Note 4 (b)(I) - *Financial assets.* • Note 5.1.1 - *Credit Risk.* • Note 10 - *Loans and advances to customers.*

Valuation of expected credit losses on loans and advances	How the matter was addressed in the audit
We identified the audit of expected credit losses (ECL) as a key audit matter considering the following: • CDH Investment Bank's loan and advances to customers at K113.3 billion represent 21% of total assets and the associated impairment provisions for expected credit losses of K6.25 billion are material to the financial statements. • The high degree of estimation uncertainty, significant judgements and assumptions applied in estimating the ECL on loans and advances to customers. • The Significant portion of ECL is calculated on a modelled basis. The development and execution of the model requires significant management judgement, including estimation of the probability of default (PD); exposure at default (EAD) and loss given default (LGD) model parameters. Significant increases in credit risk (SICR) are assessed based on the current risk of default of an account relative to its risk of default at origination. This assessment incorporates judgement and estimation by management, including impact of external factors. In particular we have focussed on the following areas of significant judgement and estimation which required the use of specialists, additional audit effort and increased discussions with management during the course of the audit: Determination of expected credit losses require consideration of multiple forward-looking macro-economic factors, including consideration of observable relationships between these factors and Non-Performing Loans (NPL) in the past projected into the future. The key factors considered by the Bank include inflation, GDP, interest rates, fuel prices, and historical correlations between these inputs against the NPL rate. Calculation of expected losses utilizes models that utilize collateral reports from valuers, legal experts, and credit specialists.	**Our response to the key audit matter included performing the following audit procedures:** • We obtained an understanding of the Bank's policies and procedures, including controls in place around determination of expected credit losses. We confirmed our understanding of the design and the operating effectiveness of the key controls over the processes of credit assessment, loan classification and loan impairment assessment including the oversight role of those charged with governance in the determination, accounting and reporting of expected credit losses. • We carried out procedures to ensure the data being used in the models is complete, accurate, and that assumptions used are reasonable and supportable. • Our internal specialists reviewed the models used to process data and the alignment of these models to the 'methodology' and recalibrations approved for use by the Bank. We have assessed the appropriateness of the macro-economic forecasts and scenario weightings by benchmarking these against external evidence and economic data. Our internal specialists reviewed the correlation between probabilities of default and external macro-economic factors using historical data and results thereof, including reviewing the appropriateness of the statistical methodologies used to project these relationships in the future. For collateral held, we inspected legal agreements and supporting documentation to confirm the existence and legal right to collateral. The collateral valuation techniques applied by management were benchmarked to the market practice and values compared to market achievable disposal values on the market.

Independent auditor's report to the shareholders of CDH investment Bank Limited

For the year ended 31 December 2024

Valuation of expected credit losses on loans and advances	How the matter was addressed in the audit
Extensive disclosures in accordance with IFRS 7 Financial Instruments: Disclosures. Extensive disclosures are required in the financial statements in order to allow users of the financial statements to understand the additional level of judgement applied by management, this included additional disclosure with regards to management adjustments and sensitivity analyses. Due to the extensive nature of these disclosures which are non- routine and very specific to the environmental conditions, this required significant audit effort to assess the reasonability and compliance with International Financial Reporting Standards (IFRS).	Our financial reporting specialists reviewed the additional disclosures related to adequacy and appropriateness in accordance with the requirements of IFRS 7 - *Financial Instruments: Disclosures.* Specifically, we assessed the reasonability of the disclosures in light of the audit work performed and disclosures made elsewhere in the financial statements.

Other information

The Directors are responsible for the other information. The other information comprises the Directors' Report, Statement of Corporate Governance and Statement of Directors' Responsibilities as required by the Malawi Companies Act, 2013 and which we obtained prior to the date of this auditor's report. The 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 conclusion thereon.

In connection with our audit of the 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 in 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.

Independent auditor's report to the shareholders of CDH investment Bank Limited

For the year ended 31 December 2024

Responsibilities of the Directors for the financial statements

The directors are responsible for the preparation and fair presentation of the financial statements in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board, IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi (ICAM) and the requirements of the Companies Act,2013; 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.

Auditors 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 scepticism throughout the audit. We also:

- 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.

- 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.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- 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.

- 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.

- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities of the Bank to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Ernst & Young

Chartered Accountants (Malawi)
Monica Lungu
Registered Practicing Accountant

28 March 2025

Chartered Accountants (Malawi)
Apex House
Kidney Crescent
PO Box 530
Blantyre, Malawi
Tel: +265 999 888 684 / 991 971 035

Statement of Financial Position

as at 31 December 2024

In thousands of Malawi Kwacha

	Note	2024	2023
ASSETS			
Cash and cash equivalents	7	**11,135,180**	19,863,871
Financial assets at fair value through profit or loss	8.1	**350,666,373**	135,090,181
Investment securities at amortised cost	8.2	**40,368,931**	28,009,923
Interbank placements	9	**11,624,477**	32,649,060
Loans and advances to customers	10	**107,065,124**	83,682,438
Other assets	11	**4,190,869**	2,005,093
Current tax asset	20	**559,772**	-
Other investments at cost	12	**838,250**	838,250
Property, equipment and right of use assets	13	**9,317,381**	8,214,641
Intangible assets	14	**1**	1
Deferred tax asset	20	**-**	353,059
Total assets		**535,766,358**	310,706,517
LIABILITIES AND EQUITY			
Interbank takings	18	**-**	20,353,052
Customer deposits	15	**169,542,228**	133,464,295
Investment funds	16	**314,344,540**	120,257,083
Other liabilities and accruals	19	**5,566,293**	4,799,942
Deferred tax liability	20	**268,207**	-
Current tax liability	20	**-**	1,604,856
Subordinated liability	17	**-**	1,600,000
Total liabilities		**489,721,268**	282,079,228
EQUITY			
Share capital	21.1	**327,715**	327,715
Share premium	21.2	**4,493,101**	4,493,101
Retained earnings		**41,224,274**	23,806,473
Total equity		**46,045,090**	28,627,289
Total equity and liabilities		**535,766,358**	310,706,517

The financial statements were approved by the Board of Directors on **21 March 2025** and were signed on its behalf by:

Franklin Kennedy
Board Chairperson

Sydney Chikoti
Director

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2024

In thousands of Malawi Kwacha

	Note	2024	2023
Interest income	22	**112,113,240**	49,771,550
Interest expense	22	**(75,036,247)**	(31,261,121)
Net interest income		**37,076,993**	18,510,429
Net gains on financial assets at fair value through profit or loss	22	**1, 056, 648**	-
Fees and commissions income	23	**4,439,397**	3,850,641
Net trading income	24	**10,279,955**	7,729,696
Other operating income	24.1	**50,737**	34,262
Total operating income		**52,903,730**	30,125,028
Credit loss expense on loans and advances	10	**(4,442,710)**	(1,373,128)
Net operating income		**48,461,020**	28,751,900
Salaries and human resources costs	25	**(8,520,270)**	(5,773,213)
Depreciation and amortisation expense	13-14	**(1,665,169)**	(1,460,613)
Other expenses – (loss)/profit on disposal of fixed assets	24.2	**(908)**	3,721
Administration expenses	26	**(6,007,098)**	(4,334,122)
Total operating expenses		**(16,193,445)**	(11,564,227)
Profit before income tax		**32,267,575**	17,187,673
Income tax expense	27	**(8,733,451)**	(6,047,027)
Profit and other comprehensive income for the year		**23,534,124**	11,140,646
Earnings per share	28	**71.81**	33.99

Statement of Changes in Equity

For the year ended 31 December 2024

In thousands of Malawi Kwacha

2024	Share capital	Share premium	Retained earnings	**Total equity**
Balance at 1 January 2024	**327,715**	**4,493,101**	**23,806,473**	**28,627,289**
Profit for the year	**-**	**-**	23,534,124	23,534,124
Total comprehensive income for the year	**-**	**-**	**23,534,124**	**23,534,124**
Transactions with owners of the Bank				
Dividends paid	-	-	(6,116,323)	(6,116,323)
Total transactions with owners of the Bank	**-**	**-**	(6,116,323)	(6,116,323)
Balance as 31 December 2024	**327,715**	**4,493,101**	**41,224,274**	**46,045,090**

2023	Share capital	Share premium	Retained earnings	**Total equity**
Balance at 1 January 2023	327,715	4,493,101	16,432,763	21,253,579
Profit for the year	-	-	11,140,646	11,140,646
Total comprehensive income for the year	-	-	11,140,646	11,140,646
Transactions with owners of the Bank				
Dividends paid	-	-	(3,766,936)	(3,766,936)
Total transactions with owners of the Bank	-	-	(3,766,936)	(3,766,936)
Balance as 31 December 2023	327,715	4,493,101	23,806,473	28,627,289

Statement of Cash Flows

For the year ended 31 December 2024

In thousands of Malawi Kwacha

	Note	2024	2023
Cash flows from operating activities			
Profit for the year		**23,534,124**	11,140,646
Adjusted for:			
▪ Depreciation and amortisation	13-14	**1,665,169**	1,460,613
▪ Loss/ (gain) on disposal of assets	24.2	**908**	(3,721)
▪ Interest charge leases	13	**870,818**	893,988
▪ Net impairment on loans and advances	10	**4,442,710**	1,373,128
▪ Fair value adjustment on Financial Assets at FVTPL	22	**(1,056,648)**	114,059
▪ Effects of exchange rate fluctuations on cash	24	**(223,595)**	(3,480,901)
▪ Tax expense	27	**8,733,451**	6,047,027
Changes in:			
Financial asset investments		**(215,576,192)**	(38,640,723)
Investment securities		**(12,359,008)**	(7,687,707)
Interbank placements		**21,024,583**	(7,560,391)
Loans and advances to customers		**(27,825,396)**	(22,724,787)
Other assets		**(2,185,778)**	(572,448)
Investment funds		**194,087,457**	35,568,687
Deposits from Banks		**(20,353,052)**	7,292,311
Deposits from customers		**36,077,933**	39,583,625
Other liabilities	19	**766,351**	1,268,638
		11,623,835	24,072,044
Interest paid on leases	13	**(870,818)**	(893,988)
Income tax paid	20	**(10,276,812)**	(6,371,447)
Net cash generated from operating activities		**476,205**	16,806,609
Cash flows from investing activities			
Proceeds from the sale of equipment		**8,791**	6,055
Acquisition of equity investment		**-**	(477,250)
Purchase of equipment and intangible assets	13	**(2,289,737)**	(6,162,325)
Net cash used in investing activities		**(2,280,946)**	(6,633,520)
Cash flows from financing activities			
Dividends paid	34	**(6,116,323)**	(3,766,936)
Repayment of principal portion of lease liabilities	19	**(1,031,222)**	(891,438)
Net cash used in financing activities		**(7,147,545)**	(4,658,374)
Net increase in cash and cash equivalents		**(8,952,286)**	5,514,715
Cash and cash equivalents at the beginning of the year		**19,863,871**	10,868,255
Effects of exchange rate fluctuations		**223,595**	3,480,901
Cash and cash equivalents at the end of the year	7	**11,135,180**	19,863,871
Additional information on operational interest income			
Interest received		**80, 541, 945**	36, 500, 758
Interest paid		**63, 293, 795**	27, 412, 352

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. The Company is owned 82.46% by Continental Holdings Limited, a company incorporated and domiciled in Malawi. Other shareholders are Investments Alliance Limited, Kesaart Capital Limited and Savannah Investments Limited.

2. Basis of preparation

(i) Statement of compliance
The financial statements have been prepared in accordance with IFRS accounting standards as issued by the International Accounting Standards Board (IASB), IAS 29 Directive as issued by the Institute of Chartered Accountants in Malawi and in the manner required by the Companies Act, 2013.

(ii) Basis of measurement
The financial statements are prepared on the historical cost basis except for the financial instruments at fair value through profit or loss.

(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 IFRS requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses, the accompanying disclosures as well as the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that require material adjustment to the carrying amount of assets or liabilities affected in future periods. 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 10 - 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.

2. Basis of preparation (continued)

(iv) Use of estimates and judgements (continued)

- Note 6 - 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 input 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.

(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 Company'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 on 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. Adoption of new and revised International Financial Reporting Standards

3.1 Standards and Interpretations affecting amounts reported and/or disclosed in the financial statements.

In the current year, the Company has adopted those new and revised Standards and Interpretations issued by the International Accounting Standards Board and the International Financial Reporting Interpretations Committee of the International Accounting Standards Board that are relevant to its operations and are effective for annual reporting periods beginning on 1 January 2024.

The adoption of these new and revised Standards and Interpretations did not have a significant impact on the financial statements of the Bank. The following are the standards that became effective during annual reporting period beginning on 1 January 2024:

Effective date	Standard, amendment, or interpretation
Annual reporting periods beginning on or after 1 January 2024	Amendments to IFRS 16: Lease Liability in a Sale and Leaseback In September 2022, the IASB issued amendments to IFRS 16 to specify the requirements that a seller-lessee uses in measuring the lease liability arising in a sale and leaseback transaction, to ensure the seller-lessee does not recognise any amount of the gain or loss that relates to the right of use it retains.

Effective date	Standard, amendment, or interpretation
Annual reporting periods beginning on or after 1 January 2024	Amendments to IAS I: Classification of Liabilities as Current or Non-current In January 2020 and October 2022, the IASB issued amendments to paragraphs 69 to 76 of IAS 1 to specify the requirements for classifying liabilities as current or non-current. The amendments clarify: • What is meant by a right to defer settlement • That a right to defer must exist at the end of the reporting period • That classification is unaffected by the likelihood that an entity will exercise its deferral right • That only if an embedded derivative in a convertible liability is itself an equity instrument would the terms of a liability not impact its classification. In addition, a requirement has been introduced to require disclosure when a liability arising from a loan agreement is classified as non-current and the entity's right to defer settlement is contingent on compliance with future covenants within twelve months.
Annual reporting periods beginning on or after 1 January 2024	Supplier Finance Arrangements - Amendments to IAS 7 and IFRS 7 In May 2023, the IASB issued amendments to IAS 7 Statement of Cash Flows and IFRS 7 Financial Instruments: Disclosures to clarify the characteristics of supplier finance arrangements and require additional disclosure of such arrangements. The disclosure requirements in the amendments are intended to assist users of financial statements in understanding the effects of supplier finance arrangements on an entity's liabilities, cash flows and exposure to liquidity risk.

3.2. Standards and interpretations in issue, not yet effective

Several new standards, amendments to standards and interpretations are in issue but not effective for the year ended 31 December 2024 and have not been applied in preparing these financial statements. Those which may be relevant to the Bank are set out below. The Company does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated:

3. Adoption of new and revised International Financial Reporting Standards (continued)

3.2. Standards and interpretations in issue, not yet effective (continued)

Effective date	Standard, amendment, or interpretation
Annual reporting periods beginning on or after I January 2025	**Amendments to IAS 21: Lack of exchangeability** In August 2023, the IASB issued amendments to IAS *21 The Effects of Changes in Foreign Exchange Rates* to specify how an entity should assess whether a currency is exchangeable and how it should determine a spot exchange rate when exchangeability is lacking. The amendments also require disclosure of information that enables users of its financial statements to understand how the currency not being exchangeable into the other currency affects, or is expected to affect, the entity's financial performance, financial position and cash flows. The Bank is currently working to identify all impacts the standard will have on the primary financial statements and notes to the financial statements.
Annual reporting periods beginning on or after 1 January 2026	**Amendments to the Classification and Measurement of Financial Instruments Amendments to IFRS 9 and IFRS 7** On 30 May 2024, the IASB issued Amendments to IFRS 9 and IFRS 7, Amendments to the Classification and Measurement of Financial Instruments (the Amendments). The Amendments include: • A clarification that financial liability is derecognised on the 'settlement date' and introduce an accounting policy choice (if specific conditions are met) to derecognise financial liabilities settled using an electronic payment system before the settlement date • Additional guidance on how the contractual cash flows for financial assets with environmental, social and corporate governance (ESG) and similar features should be assessed • Clarifications on what constitute 'non-recourse features' and what are the characteristics of contractually linked instruments • The introduction of disclosures for financial instruments with contingent features and additional disclosure requirements for equity instruments classified at fair value through other comprehensive income (OCI) The Amendments are effective for annual periods starting on or after 1 January 2026. Early adoption is permitted, with an option to early adopt the amendments for classification of financial assets and related disclosures only. The financial liabilities are currently being derecognised on the settlement date. The Bank is currently working to identify all impacts the standard will have on the primary financial statements and notes to the financial statements.

Effective date	Standard, amendment, or interpretation
Annual reporting periods beginning on or after 1 January 2027	**IFRS 18 Presentation and Disclosure in Financial Statements** In April 2024, the IASB issued IFRS 18 Presentation and *Disclosure in Financial Statements*, which replaces IAS 1 *Presentation of Financial Statements*. IFRS 18 introduces new requirements for presentation within the statement of profit or loss, including specified totals and subtotals. Furthermore, entities are required to classify all income and expenses within the statement of profit or loss into one of five categories: operating, investing, financing, income taxes and discontinued operations, whereof the first three are new. There are specific presentation requirements and options for entities, such as CDH Investment Bank, that have specified main business activities (either providing finance to customers or investing in specific types of assets, or both). It also requires disclosure of newly defined management-defined performance measures, which are subtotals of income and expenses, and includes new requirements for aggregation and disaggregation of financial information based on the identified 'roles' of the primary financial statements and the notes. Narrow-scope amendments have been made to IAS 7 *Statement of Cash Flows,* which include changing the starting point for determining cash flows from operations under the indirect method, from 'profit or loss' to 'operating profit or loss' and removing the optionality around classification of cash flows from dividends and interest. In addition, there are consequential amendments to several other standards. IFRS 18, and the amendments to the other standards, are effective for reporting periods beginning on or after 1 January 2027, but earlier application is permitted and must be disclosed. IFRS 18 will apply retrospectively. The Bank is currently working to identify all impacts the standard will have on the primary financial statements and notes to the financial statements.
Annual reporting periods beginning on or after 1 January 2027	**IFRS 19 Subsidiaries without Public Accountability: Disclosures** In May 2024, the IASB issued IFRS 19, which allows eligible entities to elect to apply its reduced disclosure requirements while still applying the recognition, measurement and presentation requirements in other IFRS accounting standards. To be eligible, at the end of the reporting period, an entity must be a subsidiary as defined in IFRS 10, cannot have public accountability and must have a parent (ultimate or intermediate) that prepares consolidated financial statements, available for public use, which comply with IFRS accounting standards. The standard is not expected to have a material impact on the Bank's financial statements.

4. Material accounting policies

(a) Foreign currency

Foreign currency transactions

Transactions in foreign currencies during the year are initially recorded in the functional currency which is Malawi Kwacha at rates ruling at spot exchange rates at the date of the transaction. 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 translated into Malawi Kwacha using the exchange rate ruling at the date of recognition.

(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 consider 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.

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

- The Company 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 Company 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 Company 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 Company 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. 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 Company'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 their 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 Company's stated objective for managing the financial assets is achieved and how cash flows are realised.

4. Material accounting policies (continued)

(b) Financial assets and liabilities (continued)

i) Financial assets (continued)

Business model assessment (continued)

At initial recognition of a financial asset, the Company 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 Company reassesses its business models at the end of each reporting period to determine whether the business models have changed since the preceding period. For the current and prior reporting period the Company 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 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 Company 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 flow such that it would not meet this condition.

In making the assessment, the Company considers:

- contingent events that would change the amount and timing of cash flows.
- leverage features.
- prepayment and extension terms.
- terms that limit the Company'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).

Reclassifications
If the business model under which the Company holds financial assets changes, the financial assets affected are reclassified. The classification and measurement requirements related to the new category applicable from the first day of the first reporting period following the change in business model that results in reclassifying the Company's financial assets. During the current financial year and previous accounting periods there was no change in the business model under which the Company holds financial assets and therefore no reclassifications were made. Changes in contractual cash flow 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 investment 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 amortised cost
- For equity instruments measured at FVTOCI, exchange differences are recognised in OCI in the investment's 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 Company recognises loss allowances for Expected Credit Loss (ECLs) on the following financial instruments that are not measured at FVTPL:

- Loans and advances to customers;
- Loans and advances to related parties; and
- Interbank placements.
- Other receivables

4. Material accounting policies (continued)

(b) Financial assets and liabilities (continued)

i) Financial assets (continued)

Impairment (continued)

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 I); 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 Company under the contract and the cash flows that the Company expects to receive arising from the weighing of multiple future economic scenarios, discounted at the asset's Effective Interest Rate (EIR).

The Company 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 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 Company 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 because 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 the unlikeliness to pay indicators and a backstop if amounts are overdue for 90 days or more.

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 5):

The Company 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 Company; or
- The borrower is unlikely to pay its credit obligations to the Company in full.

When assessing if the borrower is unlikely to pay its credit obligation, the Company considers 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 Company 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 Company 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 Company will measure the loss allowance based on lifetime rather than 12-month ECL.

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 Company 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 Company 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 Company 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.

4. Material accounting policies (continued)

(b) Financial assets and liabilities (continued)

i) Financial assets (continued)

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 flow 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 Company assesses whether this modification results in derecognition. In accordance with the Company'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 Company considers the following:

- Qualitative factors, such as contractual cash flows after modification are no longer SPPI, change in currency of 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 flow under the original terms with the contractual cash flow under the revised terms, both amounts discounted at the original effective interest. If the difference in present value is greater than 10% the Company 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 on the rare occasions where the new loan is 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 paramount because there remains a high risk of default which has not been reduced by the modification. The Company 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 Company determines if the financial assets' 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 Company calculates the modification gain/loss comparing the gross carrying amount before and after the modification (excluding the ECL allowance). Then the Company 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.

The Company derecognises a financial asset only when the contractual rights to the asset's cash flow 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 Company neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Company recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Company retains substantially all the risks and rewards of ownership of a transferred financial asset, the Company continues to recognise the financial asset and 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 Company retains an option to repurchase part of a transferred asset), the Company 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 based on 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 Company has no reasonable expectations of recovering the financial asset (either in its entirety or a portion of it). This is the case when the Company 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 Company may apply enforcement activities to financial assets written off. Recoveries resulting from the Company'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.

4. Material accounting policies (continued)

(b) Financial assets and liabilities (continued)

i) Financial assets (continued)

Other investments
These are recognised at cost.

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 Company or a contract that will or may be settled in the Company's own equity instruments and is a non-derivative contract for which the Company 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 Company'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 financial liability and of allocating interest expense over the relevant period. The EIR is the rate that 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 Company derecognises financial liabilities when, and only when, the Company's obligations are discharged, cancelled, or have expired. The difference between the carrying amount of financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the Company 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 liability and the recognition of a new financial liability. Similarly, the Company 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 Company'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 Company designates liabilities at fair value through profit or loss.

When the Company 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 Company's financial statements. Securities under repurchase agreements that cannot be derecognised are reclassified separately from other assets in the Company's statement of financial position.

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

iii) Other payables
Other payables 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 is incurred to replace a component of an item of equipment that is accounted for separately, including major inspection and overhaul expenditure is capitalised. Another 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 is 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.

4. Material accounting policies (continued)

c. Equipment (continued)

(iii) Depreciation (continued)
The Company 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 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 represents the gross amount spent to date on 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 on the relevant items of plant and equipment. Capital work in progress is not depreciated.

(d) Intangible assets

Software
Software acquired by the Company 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 expenditure 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 Company 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 Company entered 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 (underlying asset) for a period in exchange for consideration. The Company 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 Company.
- The Company 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 Company has the right to direct the use of the identified asset throughout the period of use.

Measurement and recognition of leases

The Company, as Lessee recognizes the right-of-use asset and lease liability on the balance sheet at lease commencement date. The right-of-use assets are measured at cost, being made up of the initial measurement of lease liability, any indirect costs incurred by the Company, 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 Company. 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 results in 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 Company 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 Company has elected to account for short-term leases and leases of low-value assets using 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.

4. Material accounting policies (continued)

(e) Leases (continued)

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 Company 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 Company 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 Company has a present legal or constructive obligation to pay this amount because 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 Company estimates future cash flows considering all contractual terms of the financial instrument but not future credit losses.

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 Company'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. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

4. Material accounting policies (continued)

(j) Income tax (continued)

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 Company 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 differences in relation to the 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 Company has disclosed the amount of deferred tax in respect of leases.

(k) Earnings per share

The Company 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 Company 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

Acceptance guarantees and letters of credit are accounted for as off-balance sheet transactions and disclosed as contingent liabilities, unless it is probable that the Company 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 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 Company has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Company 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 Company 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 consider in pricing a transaction.

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 Company 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 Company 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 Company based on the net exposure to either market or credit risk are measured based on 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 based on 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 Company recognises transfers between levels of fair value hierarchy as of the end of the reporting year during which the change occurred.

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

n. Prepayments

A prepayment is a payment made in advance for goods or services that will be received in a future accounting period. The payment represents an asset to the company until the goods or services are received.

Prepayments are recognized as an asset at the time of payment. The assets are measured at the amount of cash or cash equivalent paid. The prepayment is amortized evenly over the period the goods or services are received. This method is used when the consumption pattern is relatively consistent.

Included in prepayments are advance payments for Software licenses, Insurance, and Subscriptions.

4. Material accounting policies (continued)

o. Land and buildings

Land and buildings are recognized by the Company as assets when:
- It is probable that future economic benefits associated with the asset will flow to the Company.
- The cost of the asset can be measured reliably.

Land and buildings are initially measured at cost which include purchase price, estimated dismantling and demolition costs and directly attributable costs such as professional and legal fees.

Subsequently, the asset is carried at its cost less any accumulated depreciation and any accumulated impairment losses.

Buildings 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 estimated useful life for the current year and prior year is 20 years.

p. Dividends

Dividends payable to shareholders are recognized in other liabilities and deducted from equity when they have been approved in a general meeting prior to the reporting date.

Dividends for the year that are approved after the reporting date are disclosed as an event after the reporting date.

5. Risk management

The Board of Directors of the Company has ultimate responsibility for the level of risk taken by the Company and accordingly they have approved the overall business strategies and significant policies of the Company, including those related to managing and taking risks. Senior management in the Company is responsible for implementing strategies in a manner that limits risks associated with each strategy and that ensure compliance with applicable rules and regulations, both on a long term and day-to-day basis. The Company has a risk management department, which is independent of those who accept risks in the Company. 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 Company 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 Company if a counterparty to a financial instrument fails to meet their contractual obligations and arises principally from the Company's loans and advances to customers and intercompany placements. For risk management reporting purposes, the Company considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

Management of credit risk
The Boards of Directors of the Company have delegated responsibility for the management of credit risk to their Credit Committees to which separate Credit Department's report. The Credit Committees 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 Company 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 Company also applies experienced credit judgement.

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.1 Credit risk (continued)

Exposure to credit risk (continued)
The Company 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 security because of financial difficulties; or

The Company'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**		**Interbank placemements**	
	2024	2023	**2024**	2023	**2024**	2023
Stage 1 (12-month ECL)	**40,368,931**	28,009,923	**96,416,365**	79,430,755	**11,624,477**	32,649,060
Stage 2 (Lifetime ECL)	**-**	-	**11,065,785**	-	**-**	-
Stage 3 (Lifetime ECL)	**-**	-	**5,834,251**	6,048,551	**-**	-
Gross exposure to credit risk	**40,368,931**	28,009,923	**113,316,401**	85,479,306	**11,624,477**	32,649,060
Less: Allowance for impairment (note 10)	**-**	-	**(6,251,277)**	(1,796,868)	**-**	-
	40,368,931	28,009,923	**107,065,124**	83,682,438	**11,624,477**	32,649,060
Balance	**40,368,931**	28,009,923	**107,065,124**	83,682,438	**11,624,477**	32,649,060

Loans and advances in stage 2 and 3 comprise:	**2024**	2023
30-60 days	**-**	-
>90 days	**16,900,036**	6,048,551
	16,900,036	6,048,551

The table below shows movements in loss allowance for ECL:

2024	**Stage 1 12-month ECL**	**Stage 2 Lifetime ECL**	**Stage 3 Lifetime ECL**
Opening balance as at 1 January 2024	**480,689**	**-**	**1,316,179**
Movement due to increase in portfolio	**-**	**-**	**-**
Movement due to increase in credit risk	**-**	**9,582**	**4,512,778**
Movement due to write offs	**-**	**-**	**-**
Movement due to recoveries	**(67,951)**	**-**	**-**
Closing balance as at 31 December 2024	**412,738**	**9,582**	**5,828,957**

2023	Stage 1 12-month ECL	Stage 2 Lifetime ECL	Stage 3 Lifetime ECL
Opening balance as at 1 January 2023	335,215	8,830	49,904
Movement due to increase in portfolio	145,474	-	1,316,179
Movement due to increase in credit risk	-	-	(49,904)
Movement due to write offs	-	-	-
Movement due to recoveries	-	(8,830)	-
Closing balance as at 31 December 2023	480,689	-	1,316,179

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

Against loans and advances (Stage 1, 2 and 3)	**2024**	2023
Property	**8,195,170**	13,542,613
Motor vehicles	**759,734**	2,529,176
Guarantees	**83,249,454**	51,155,719
Cash	**4,276,503**	4,205,804
Stocks	**12,755,263**	5,080,347
	109,236,124	76,513,659

The Company's policy is to pursue the timely realisation of the collateral in an orderly manner. The Company generally does not use non-cash collateral for its own operations. The Company 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 a significant increase in credit risk and default has occurred. The Company 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.

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.1 Credit risk (continued)

Exposure to credit risk (continued)

Stage 2 - Past due but not impaired loans
These are loans and securities where there has been a significant increase in credit risk collecting contractual interest or principal payments, but the Company believes that impairment is not appropriate either because there is adequate collateral, or the risk of default is remote.

Allowances for impairment
The Company 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 Company 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 Company 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 %	2024	2023	2024	2023
Agriculture	**20%**	**15%**	12%	**16,478,205**	10,639,705
Construction	**5%**	**2%**	2%	**1,882,909**	1,505,060
Manufacturing	**30%**	**13%**	6%	**14,691,177**	5,068,594
Wholesale and retail	**55%**	**34%**	46%	**38,514,398**	39,344,913
Tourism and leisure	**10%**	**5%**	8%	**5,793,604**	6,727,916
Transport	**10%**	**0%**	1%	**164,092**	634,639
Community, social and personal services	**30%**	**9%**	22%	**9,752,157**	18,903,330
Electricity, Gas, Water and Energy	**35%**	**17%**	-	**19,947,973**	-
Others	**10%**	**5%**	3%	**6,091,886**	2,655,149
		100%	100%	**113,316,401**	85,479,306

Exposure to credit risk (continued)

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 securities with a positive fair value and the volatility of the fair value of trading instruments.

To manage the level of credit risk, the Company 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:

2024	Stage 1	Stage 2	Stage 3
Agriculture	16,478,205	-	-
Construction	1,882,739	170	-
Manufacturing	3,635,672	11,055,505	-
Wholesale and retail	38,513,697	701	-
Tourism and leisure	-	270	5,793,364
Transport	164,043	49	-
Community, social and personal services	9,707,751	3,519	40,887
Electricity, Gas, Water and Energy	19,947,973	-	-
Others	6,086,285	5,571	-
Less: Allowance for impairment	(412,738)	(9,582)	(5,828,957)
	96,003,627	11,056,203	5,294

2023	Stage 1	Stage 2	Stage 3
Agriculture	10,639,705	-	-
Construction	1,505,060	-	-
Manufacturing	5,068,594	-	-
Wholesale and retail	39,344,913	-	-
Tourism and leisure	679,365	-	6,048,551
Transport	634,639	-	-
Community, social and personal services	18,903,330	-	-
Others	2,655,149	-	-
Less: Allowance for impairment	(480,689)	-	(1,316,179)
	78,950,066	-	4,732,372

The geographic distribution of credit exposures was as follows:

Concentration by region	2024	2023
South	49,486,063	40,823,889
Centre	63,830,338	44,655,417
Total	113,316,401	85,479,306

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.1 Credit risk (continued)

Concentration by counterparty type	2024	2023
Corporate	**95,557,614**	65,463,495
Retail	**17,758,787**	20,015,811
Total	**113,316,401**	85,479,306

Credit quality per class of financial assets

The credit quality of financial assets at amortised cost is managed by the Company. The table below shows the credit quality by class of financial assets for credit risk related items.

2024	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	**40,368,931**	**-**	**-**	**40,368,931**	**-**	**-**
Interbank placements	9	**11,624,477**	**-**	**-**	**11,624,477**	**-**	**-**
Loans and advances to customers	10	**96,416,365**	**11,065,785**	**5,834,251**	**113,316,401**	**9,224,731**	**6,251,277**
Total recognised financial instruments		**148,409,773**	**11,065,785**	**5,834,251**	**165,309,809**	**9,224,731**	**6,251,277**

2023	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	28,009,923	-	-	28,009,923	-	-
Interbank placements	9	32,649,060	-	-	32,649,060	-	-
Loans and advances to customers	10	79,430,755	-	6,048,551	85,479,306	7,963,675	1,796,868
Total recognised financial instruments		140,089,738	-	6,048,551	146,138,289	7,963,675	1,796,868

Financial assets at fair value through profit and loss include assets designated to be measured at fair value through profit or loss amounting to **K351 billion** (2023: K135 billion).

The total expected credit losses for loans and advances as at 31 December 2024 and 31 December 2023 were as follows:

	2024	2023
Expected credit loss rate	**5.5%**	2.0%
Gross carrying amount	**113,316,401**	85,479,306
Lifetime expected credit loss	**6,251,277**	1,796,868

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 using master netting and collateral agreements.

Gross maximum exposure	Note	**2024**	2023
Cash held with the Reserve Bank of Malawi	7	**7,165,583**	10,352,486
Cash held with local Banks	7	**2,665**	49,453
Cash held with foreign Banks	7	**3,210,637**	8,805,263
Cash balances	7	**756,295**	656,669
Financial assets at fair value through profit or loss	8.1	**350,666,373**	135,090,181
Investment securities	8.2	**40,368,931**	28,009,923
Interbank placements	9	**11,624,477**	32,649,060
Personal and business loans			
▪ Other loans and advances	10	**18,460,708**	19,081,211
Corporate and Investment banking:			
▪ Corporate and investment loans	10	**94,855,693**	66,398,095
Total recognised financial instruments		**527,111,362**	301,092,341
Financial guarantees	31	**14,087,982**	749,428
Total unrecognised financial instruments		**14,087,982**	749,428
Total credit risk exposure		**536,327,376**	299,650,049

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

In respect of certain financial assets, the Company has legally enforceable rights to offset them with financial liabilities. However, in normal circumstances, there would be no intention of settling the 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:

Notes to the financial statements

For the year ended 31 December 2024

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.1 Credit risk (continued)

2024	Note	At 31 December 2024 Carrying amount	 Net exposure to credit risk
Cash and balances with Banks	7	**11,135,180**	**11,135,180**
Interbank placements	9	**11,624,477**	**11,624,477**
Loans and advances to customers	10	**107,065,124**	**107,065,124**
Financial assets	8.1	**350,666,373**	**350,666,373**
Investment securities	8.2	**40,368,931**	**40,368,931**
Other accounts receivables	11	**2,004,204**	**2,004,204**
		522,864,289	**522,864,289**

2023	Note	At 31 December 2023 Carrying amount	 Net exposure to credit risk
Cash and balances with Banks	7	19,863,871	19,863,871
Interbank placements	9	32,649,060	32,649,060
Loans and advances to customers	10	83,682,438	83,682,438
Financial assets	8.1	135,090,181	135,090,181
Investment securities	8.2	28,009,923	28,009,923
Other accounts receivables	11	358,113	358,113
		299,653,586	**299,653,586**

Collateral held and other credit enhancements and their financial effect

The Company holds 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	2024	2023	Principle type of collateral held
Loans and advances to Banks	%	%	
▪ Interbank placement	**100**	**100**	Marketable securities
Loans and advances to retail customers	**2**	**2**	Cash and property
Loan advances to corporate customers	**85**	**88**	Property and equipment 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 the credit quality of a loan extended to it. However, collateral provides additional security, and the Company generally requests that corporate borrowers provide it. The Company may take collateral in the form of a first charge over real estate, floating charges over all corporate assets and other liens and guarantees.

Because of the Company's focus on corporate customers' creditworthiness, the Company 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 Company obtains appraisals of collateral measurement. At 31 December 2024, the net carrying amount of impaired loans and advances to corporate customers amounted to **MK5.8 billion** (2023: MK6.0 million) and the value of identifiable collateral held against those loans and advances amounted to **MK9.2 billion** (2023:MK7.9 billion).

In addition to the collateral included in the table above, the Company 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 Company will encounter difficulty in meeting obligations arising from its financial liabilities.

Management of liquidity risk
The Company'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 Company'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 to minimize the volatility of net interest income and protect the long-term economic value of the Company. The committee also monitors the capital adequacy of the Company.

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.1 Credit 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 Company'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 Company 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 Company 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:

2024	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	**11,135,180**	**11,135,180**	**11,135,180**	**-**	**-**	**-**	**-**
Loans and advances to customers	10	**107,065,124**	**113,055,362**	**27,911,145**	**480,163**	**4,431,381**	**15,238,883**	**64,993,790**
Interbank placements	9	**11,624,477**	**11,624,477**	**11,624,477**	**-**	**-**	**-**	**-**
Financial assets at fair value through profit or loss	8.1	**350,666,373**	**359,088,690**	**29,862,384**	**15,146,936**	**32,895,250**	**27,601,457**	**253,582,663**
Investment securities	8.2	**40,368,931**	**42,387,377**	**9,483,293**	**1,782,568**	**193,151**	**2,428,162**	**28,500,203**
Other assets (accounts receivable)	11	**2,004,204**	**2,004,204**	**2,004,204**	**-**	**-**	**-**	**-**
Total assets		**522,864,289**	**539,295,290**	**92,020,683**	**17,409,667**	**37,519,782**	**45,268,502**	**347,076,656**

2024	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	**(46,665,187)**	**(46,665,187)**	**(46,665,187)**	**-**	**-**	**-**	**-**
Foreign currency accounts	15	**(31,222,032)**	**(31,222,032)**	**(31,222,032)**	**-**	**-**	**-**	**-**
Term deposit accounts	15	**(91,655,009)**	**(92,846,522)**	**(5,065,410)**	**(20,772,475)**	**(38,385,529)**	**(23,527,008)**	**(3,904,587)**
Investment funds	16	**(314,344,540)**	**(318,116,674)**	**(10,993,095)**	**(102,650,980)**	**(113,560,139)**	**(71,171,979)**	**(19,740,481)**
Interbank takings	18	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Bankers' cheques issued but not cleared	18	**(84,631)**	**(85,901)**	**(84,631)**	**-**	**-**	**-**	**-**
Trade payables	18	**(3,557,843)**	**(3,790,214)**	**(3,557,843)**	**-**	**-**	**-**	**-**
Subordinated debt	17	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Total liabilities		**(487,529,242)**	**(492,726,530)**	**(97,588,198)**	**(123,423,455)**	**(151,945,668)**	**(94,698,987)**	**(23,645,068)**
Net liquidity gap		**35,335,047**	**46,568,760**	**(5,567,515)**	**(106,013,788)**	**(114,425,886)**	**(49,430,485)**	**323,431,588**
Cumulative liquidity gap		**-**	**-**	**(5,567,515)**	**(111,581,303)**	**(226,007,189)**	**(27,543,7674)**	**47,993,914**

2023	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	19,863,871	19,863,871	19,863,871	-	-	-	-
Loans and advances to customers	10	83,682,438	88,364,427	21,815,439	375,297	3,463,581	11,910,759	50,799,351
Interbank placements	9	32,649,060	32,649,060	32,649,060	-	-	-	-
Financial assets at fair value through profit or loss	8.1	135,090,181	138,753,795	21,983,832	5,794,734	21,729,240	5,453,611	83,792,378
Investment securities	8.2	28,009,923	29,410,419	6,579,969	1,236,832	134,018	8,923,025	12,536,575
Other assets (accounts receivable)	11	358,113	358,113	358,113	-	-	-	-
Total assets		299,653,586	309,399,685	103,250,284	7,406,863	25,326,839	26,287,395	147,128,304

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.2 Liquidity risk (continued)

	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	(32,081,871)	(32,081,871)	(32,081,871)	-	-	-	-
Foreign currency accounts	15	(29,087,861)	(29,087,861)	(29,087,861)	-	-	-	-
Term deposit accounts	15	(72,294,563)	(73,234,391)	(3,995,435)	(16,384,669)	(30,277,287)	(18,557,358)	(3,079,814)
Investment funds	16	(120,257,083)	(121,700,168)	(4,205,569)	(30,838,427)	(51,876,286)	(27,227,877)	(7,552,009)
Interbank takings	18	(20,353,052)	(20,353,052)	(20,353,052)	-	-	-	-
Bankers' cheques issued but not cleared	18	(634,004)	(643,807)	(634,004)	-	-	-	-
Trade payables	17	(1,486,358)	(1,670,132)	(1,486,358)	-	-	-	-
Subordinated debt	17	(1,600,000)	(1,600,000)	-	-	-	-	(1,600,000)
Total liabilities		(277,794,792)	(280,371,282)	(91,844,150)	(47,223,096)	(82,153,573)	(45,785,235)	(12,231,823)
Net liquidity gap		21,858,794	29,028,403	11,406,134	(39,816,233)	(56,826,734)	(19,497,840)	134,896,481
Cumulative liquidity gap		-	-	11,406,134	(28,410,099)	(85,236,833)	(104,734,673)	30,161,808

The previous table shows the undiscounted cash flows on the Company's financial assets and liabilities based on their earliest possible contractual maturity. Out of these, 16% 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 Company's expected cash flows on these instruments varies significantly from their contractual maturity profile.

The Company'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 an indication that there is a shift in one or more variables such as changes in maturity dates and expected residual balances to maturity.

The Company developed a model that assesses the liquidity gaps based on the actual customer placement patterns which are different from the contractual patterns. The ALCO reviews the liquidity gaps based on the customers' placement patterns monthly.

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** (2023:25 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	**2024**	2023
Liquidity Ratio I	**49.50%**	56.03%
Liquidity Ratio II	**49.50%**	56.03%

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 Company income or the value of its holding of financial instruments. The objective of the Company'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 the 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 foreign exchange risk. This involves the risks of the Company 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.
- Reviewing the policies, procedures and currency limits regularly in line with changes in the economic environment.

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.2 Liquidity risk (continued)

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

2024	**Assets**	**Liabilities**	**Net**	**Exchange Rate movement**	**Impact on profit and equity (net of tax)**
USD	**22,727**	**22,958**	**(231)**	**(3%)**	**4.85**
GBP	**711**	**39**	**672**	**(1%)**	**(4.70)**
EUR	**545**	**45**	**500**	**2%**	**7.00**
ZAR	**1,055**	**21**	**1034**	**(2%)**	**(14.48)**
				Net effect	**(7.33)**

2023	Assets	Liabilities	Net	Exchange Rate movement	Impact on profit and equity (net of tax)
USD	23,356	23,684	(328)	(64%)	(147.94)
GBP	554	343	191	(72%)	96.26
EUR	274	185	89	(69%)	42.99
ZAR	507	318	189	(51%)	67.47
				Net effect	

At 31 December 2024, 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 **K7.33 million** (2023: K58.78 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 Company's financial condition to adverse movements in interest rates. It arises from timing differences in the maturity of re-pricing of the Company's assets and liabilities. Changes in interest rates can have adverse effects on the Company's earnings and its economic value. ALCO monitors interest rate risk in the Company.

The Company uses two techniques to manage the interest rate gap. The first technique employed by the Company 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 repricing of the assets. The second approach is to ensure that there is a proper match between asset and liability maturity tenors. The Company 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 Company's interest rate gap position.

				Fixed Rate Instruments					
2024	**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	**11,135,180**	-	-	-	-	-	-	**11,135,180**
Loans and advances to customers	10	-	**107,065,124**	-	-	-	-	-	**107,065,124**
Interbank placements	9	-	-	**11,624,477**	-	-	-	-	**11,624,477**
Financial assets at fair value through profit or loss	8.1	-	**55,305,537**	**20,576,665**	**21,201,508**	-	-	**253,582,663**	**350,666,373**
Investment securities	8.2	-	-	**447,445**	**4,576,445**	**374,429**	**7,960,905**	**27,009,707**	**40,368,931**
Total assets		**11,135,180**	**162,370,661**	**32,648,587**	**25,777,953**	**374,429**	**7,960,905**	**280,592,370**	**520,860,084**
Liabilities									
Interbank takings	18	-	-	-	-	-	-	-	-
Current and savings accounts	15	-	-	**46,665,187**	-	-	-	-	**46,665,187**
Foreign currency accounts	15	-	-	**31,222,032**	-	-	-	-	**31,222,032**
Term deposit accounts	15	-	-	**16,324,406**	**73,293,303**	**1,239,582**	**673,436**	**124,282**	**91,655,009**
Investment funds	16	-	-	**314,344,540**	-	-	-	-	**314,344,540**
Subordinated liabilities	17	-	-	-	-	-	-	-	-
Total liabilities		-	-	**408,556,165**	**73,293,303**	**1,239,582**	**673,436**	**124,282**	**483,886,768**
Interest gap		**11,135,180**	**162,370,661**	**(375,907,578)**	**(47,515,350)**	**(865,153)**	**7,287,469**	**280,468,088**	**36,973,317**
Impact on post tax profit or equity of an increase in the interest rate by 5%		-	**5,682,973**	**(13,156,765)**	**(1,663,037)**	**(30,280)**	**255,061**	**9,816,383**	**1,294,066**
Impact on post tax profit or equity of a decrease in the interest rate by 5%		-	**(5,682,973)**	**13,156,765**	**1,663,037**	**30,280**	**(255,061)**	**(9,816,383)**	**(1,294,066)**

Notes to the financial statements

For the year ended 31 December 2024

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.3 Market risk (continued)

5.1.3.2 Interest rate risk (continued)

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

				Fixed Rate Instruments					
2023	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	19,863,871	-	-	-	-	-	-	19,863,871
Loans and advances to customers	10	-	83,682,438	-	-	-	-	-	83,682,438
Interbank placements	9	-	-	32,649,060	-	-	-	-	32,649,060
Financial assets at fair value through profit or loss	8.1	-	27,773,327	4,213,696	5,896,669	2,591,348	10,822,763	83,792,378	135,090,181
Investment securities	8.2	-	-	317,216	3,315,246	2,885,423	18,485,899	3,006,139	28,009,923
Total assets		19,863,871	111,455,765	37,179,972	9,211,915	5,476,771	29,308,662	86,798,517	299,295,473
Liabilities									
Interbank takings	18	-	-	20,353,052	-	-	-	-	20,353,052
Current and savings accounts	15	-	-	32,081,871	-	-	-	-	32,081,871
Foreign currency accounts	15	-	-	29,087,861	-	-	-	-	29,087,861
Term deposit accounts	15	-	-	56,952,416	7,311,394	5,248,754	2,781,999	-	72,294,563
Investment funds	16	-	-	120,257,083	-	-	-	-	120,257,083
Subordinated liabilities	17	-	-	-	-	-	-	1,600,000	1,600,000
Total liabilities		-	-	258,732,283	7,311,394	5,248,754	2,781,999	1,600,000	275,674,430
Interest gap		19,863,871	111,455,765	(221,552,311)	1,900,521	228,017	26,526,663	85,198,517	23,621,043
Impact on post tax profit or equity of an increase in the interest rate by 5%		-	3,900,952	(7,754,331)	66,518	7,981	928,433	2,981,948	826,736
Impact on post tax profit or equity of a decrease in the interest rate by 5%		-	(3,900,952)	7,754,331	(66,518)	(7,981)	(928,433)	(2,981,948)	(826,736)

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

Effective interest rates of financial assets and liabilities
The effective interest rates for the principal financial assets and liabilities at 31 December 2024 were in the following ranges:

	2024	2023
Assets	**%**	%
Government securities	**23.0-35.0**	22.5-33.0
Interbank takings	**6.0-23.2**	5.0-23.0
Loans and advances to customers	**13.1-36.3**	13.1-34.5
Liabilities		
Customer deposits	**0.1-26.0**	0.25-23.5

5.2 Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company'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 the Company's operations.

The objective of the Company is to manage operational risks to balance the avoidance of financial losses and damages to the Company'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 Company 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.

5. Risk management (continued)

5.1 Financial risks (continued)

5.1.3 Market risk (continued)

5.1.3.2 Interest rate risk (continued)

- 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.

Compliance with the Company's standards is supported by a programme of yearly reviews undertaken by the Company'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 Company and requires the Company to maintain a minimum of **10 percent** and **15 percent** (2023: 10 percent and 15 percent) for core (tier 1) and total 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	2024	2023
Tier 1 capital			
Share capital	21.1	**327,715**	327,715
Share premium	21.2	**4,493,101**	4,493,101
Retained earnings		**41,224,274**	23,806,473
Less: Investments in banking & financial subsidiary companies		**(838,250)**	(838,250)
Deferred tax liability/asset		**-**	(353,059)
		45,206,840	27,435,980
Tier 2 capital			
Subordinated debt (limited to 50% of tier 1 capital)		**-**	186,667
		-	186,667
Total regulatory capital		**45,206,840**	27,622,647
Risk weighted assets		**100,256,025**	85,034,765
Capital ratios			
Tier 1 capital expressed as a percentage of total risk-weighted assets		**45.09%**	32.26%
Total capital expressed as a percentage of total risk weighted assets		**45.09%**	32.48%

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 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.

5. Risk management (continued)

5.3 Capital management (continued)

In its capital planning, the Company 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 Company's interest rate view.

If 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 Company 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 Chairperson of Board, Audit, Risk and Compliance Committees. The Company 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 Company 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 Company's overall risk management framework. Ultimate responsibility for this risk lies with the Board of Directors. A combination of key activities is 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 Company. The Company 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 2024	Note	Fair value through profit and loss	Amortised cost	Carrying amount
Financial assets				
Cash and cash equivalents	7	**-**	**11,135,180**	**11,135,180**
Financial asset investments	8.1	**350,666,373**	**-**	**350,666,373**
Investment securities	8.2	**-**	**40,368,931**	**40,368,931**
Loans and advances to customers	10	**-**	**107,065,124**	**107,065,124**
Interbank placements	9	**-**	**11,624,477**	**11,624,477**
Other investments	12	**-**	**838,250**	**838,250**
Other assets (accounts receivable)	11	**-**	**2,004,204**	**2,004,204**
		350,666,373	**173,036,166**	**523,702,539**
Financial liabilities				
Deposits from customers	15	**-**	**169,542,228**	**169,542,228**
Interbank takings	18	**-**	**-**	**-**
Investment funds	16	**314,344,540**	**-**	**314,344,540**
Other payables	19	**-**	**5,566,293**	**5,566,293**
Subordinated debt	17	**-**	**-**	**-**
		314,344,540	**175,108,521**	**489,453,061**
31 December 2023				
Financial assets				
Cash and cash equivalents	7	-	19,863,871	19,863,871
Financial asset investments	8.1	135,090,181	-	135,090,181
Investment securities	8.2	-	28,009,923	28,009,923
Loans and advances to customers	10	-	83,682,438	83,682,438
Interbank placements	9	-	32,649,060	32,649,060
Other investments	12	-	838,250	838,250
Other assets (accounts receivable)	11	-	358,113	358,113
		135,090,181	165,401,655	300,491,836
Financial liabilities				
Deposits from customers	15	-	133,464,295	133,464,295
Interbank takings	18	-	20,353,052	20,353,052
Investment funds	16	120,257,083	-	120,257,083
Other payables	19	-	4,799,942	4,799,942
Subordinated debt	17	-	1,600,000	1,600,000
		120,257,083	160,217,289	280,474,372

6. Classification of financial assets and liabilities (continued)

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 Company 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 Company 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 Company 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 input reduces the need for management judgement and estimation and 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.

Fair value estimates obtained from models are adjusted for any other factors, such as liquidity risk or model uncertainties, to the extent that the Company 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 Company 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 consider 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 Company 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 Company's valuation methodology for valuing these asset-backed securities uses a discounted cash flow methodology that considers 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 Company enters 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 Company measures portfolios of financial assets and financial liabilities based on 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 Company measures portfolios of financial assets and financial liabilities based on net exposure to the credit risk of a particular counterparty, then it considers any existing arrangements that mitigate the credit risk exposure (e.g. master netting agreements with the counterparty).

6. Classification of financial assets and liabilities (continued)

(b) Valuation framework

The Company 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 Financial 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 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 unobservable inputs.

31 December 2024	**Note**	**Level 1**	**Level 2**	**Total**
Medium- and short-term notes	8.1	**219,100,306**	**131,566,067**	**350,666,373**
Total		**219,100,306**	**131,566,067**	**350,666,373**

31 December 2023	Note	Level 1	Level 2	Total
Medium- and short-term notes	8.1	82,940,452	52,149,729	135,090,181
Total		82,940,452	52,149,729	135,090,431

The following valuation techniques are used for instruments under level 1 and 2

- **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 such as corporate papers, 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.

Sensitivity analysis

For the fair values of the treasury notes and equity securities, 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 2024	Increase	Decrease
Yield curve movement by 200 basis points	(7,387)	7,387

(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 2024	**Note**	**At amortised cost**	**Total carrying amount**
Assets			
Cash and cash equivalents	7	**11,135,180**	**11,135,180**
Loans and advances to customers	10	**107,065,124**	**107,065,124**
Investment in securities	8.2	**40,368,931**	**40,368,931**
Interbank placements	9	**11,624,477**	**11,624,477**
Other receivables	11	**2,004,204**	**2,004,204**
Liabilities			
Deposits from customers	15	**169,542,228**	**169,542,228**
Interbank takings	18	**-**	**-**
Subordinated debt	17	**-**	**-**
Other payables	19	**5,566,293**	**5,566,293**

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For the year ended 31 December 2024

6. Classification of financial assets and liabilities (continued)

(d) Financial instruments not measured at fair value (continued)

31 December 2023	Note	At amortised cost	Total carrying amount
Assets			
Cash and cash equivalents	7	19,863,871	19,863,871
Loans and advances to customers	10	83,682,438	83,682,438
Investment in securities	8.2	28,009,923	28,009,923
Interbank placements	9	32,649,060	32,649,060
Other assets	11	358,113	358,113
Liabilities			
Deposits from customers	15	133,464,295	133,464,295
Interbank takings	18	20,353,052	20,353,052
Subordinated debt	17	1,600,000	1,600,000
Other payables	19	4,799,942	4,799,942

7. Cash and cash equivalents

	2024	2023
See accounting policy note 4 (b)		
Liquidity Reserve Deposits		
• Reserve Bank of Malawi	**7,165,583**	10,352,486
Placements with other Banks		
• Balances with foreign Banks	**3,210,637**	8,805,263
• Balances with local Banks	**2,665**	49,453
Cash balances	**756,295**	656,669
	11,135,180	19,863,871

Deposits with Reserve Bank of Malawi include funds held to meet the minimum Liquidity Reserve Requirement (LRR) of 10% (2023: 7.75%) of deposits. These funds are available for operations, but they are monitored on a weekly basis to ensure that the balances do not fall below the LRR. Balances with foreign Banks earn interest at negotiated rates between **+4% to +6%** (2023: negotiated rates between +4% to +5%) whilst balances with local Banks earn interest at Bank rate of **+6% to +23%** (2023: +6% to +23%).

Information on financial risk management is included in note 5.

8. Financial assets

8.1 Financial assets at fair value through profit or loss	2024	2023
See accounting policy note 4 (b)		
Commercial papers	**63,889,904**	23,382,374
Medium-and short-term notes	**286,776,469**	111,707,807
Total investments	**350,666,373**	135,090,181
Analysed as:		
External funding	**312,162,696**	120,257,083
Internal funding	**38,503,677**	14,833,098
	350,666,373	135,090,181
Investments are classified as follows:		
Maturing within 12 months	**97,083,710**	51,297,803
Maturing after 1 year	**253,582,663**	83,792,378
	350,666,373	135,090,181

Financial assets designated to be measured at fair value through profit or loss were **K350.67 billion** (2023: K135.09 billion). Interest income of **K72.53 billion** was generated from these assets (2023: K25.60 billion).

8.2 Investment in securities at amortised cost	2024	2023
See accounting policy note 4 (b)		
Treasury Bills and Notes	**40,368,931**	28,009,923
	40,368,931	28,009,923
Investment in securities at amortised cost are classified as follows:		
Maturing within 12 months	**13,359,225**	25,003,784
Maturing after 1 year	**27,009,706**	3,006,139
	40,368,931	28,009,923

The Company holds the above Government of Malawi financial securities at amortized cost. The interest rates averaged between 22.5% - 35.0% per annum (2023: **22.5% - 33.0%** per annum). A total of K10.85 Bn in interest income was generated from these assets (2023: K4.21 Bn)

Information on financial risk management is included in note 5.

Notes to the financial statements

For the year ended 31 December 2024

9. Interbank placements

	2024	2023
See accounting policy note 4 (b)		
Interbank placements (Foreign)	**11,624,477**	32,649,060
	11,624,477	32,649,060

Interbank placements include contracts with foreign and local Banks and earn **+5% to +7%** (2023: +5% to +7%) in foreign currency and **+6% to +23%** (2023: +6% to +23%) in local currency. The Directors consider that the carrying amount of interbank placements approximates their fair value. The balance of **K10.744 billion** is due from the Reserve Bank of Malawi. **K0.880 billion** is due from Afrexim Bank.

Information on financial risk management is included in note 5.

10. Loans and advances to customers

See accounting policy note 4 (b)	**2024**	2023
(i) Loans and advances		
Personal and business loans	**13,588,740**	16,889,491
Corporate and investment loans	**94,855,693**	66,398,095
Total gross loans and advances	**108,444,433**	83,287,586
Interest receivable	**4,871,968**	2,191,720
	113,316,401	85,479,306
Allowance for impairment	**(6,251,277)**	(1,796,868)
Net loans and advances	**107,065,124**	83,682,438
(ii)Loans and advances are receivable as follows:		
Maturing within 3 months	**24,489,544**	7,590,007
Maturing between 3 and 12 months	**22,793,153**	29,218,780
Maturing after 12 months	**59,782,427**	46,873,651
Total Net loans and advances	**107,065,124**	83,682,438

See accounting policy note 4 (b)	**2024**	2023
(iii) Allowances for impairment		
Specific allowances for impairment:		
Balance at the beginning of the year	**(1,316,786)**	(49,904)
Charge for the year	**(4,512,171)**	(1,316,786)
Bad debts written off	**-**	49,904
Balance as at 31 December	**(5,828,957)**	(1,316,786)
Collective allowances for impairment:		
Balance at the beginning of the year	**(480,082)**	(344,045)
Charge for the year	**57,762**	(136,342)
Restored to accrual	**-**	305
Balance as at 31 December	**(422,320)**	(480,082)
Total allowances for impairment	**(6,251,277)**	(1,796,868)
(iv) Impairment (charge)/credit		
Charge for the year – specific	**(4,512,171)**	(1,316,786)
Reversed charge for the year – collective	**57,762**	(136,342)
Recovery on impaired loans	**11,699**	-
Recoveries on non-loan receivables	**-**	80,000
Total impairment credit/(charge)	**(4,442,710)**	(1,373,128)

Loans and advances to customers earn interest at a range of the Malawi Reference Rate **+0.9% to +10.9%.** (2023 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 3rd May 2019 requiring all Banks in Malawi to use it as the lending rate. The Malawi Reference Rate is calculated based on the weighted average rates of Lombard, 91-day Treasury Bill, interbank and savings accounts rates, and is published by all Banks monthly.

Information on financial risk management is included in note 5.

Notes to the financial statements

For the year ended 31 December 2024

11. Other assets

See accounting policy note 4 (b and n)	**2024**	2023
Prepayments	**2,186,665**	1,646,980
Other accounts receivables	**2,004,204**	358,113
	4,190,869	2,005,093

Other accounts receivables are subjected to expected credit loss assessments. During the year, the related expected credit loss assessment results were immaterial.

12. Other investments

See accounting policy note 4 (b)	**2024**	2023
Other investment		
Malawi Agricultural and Industrial Investment Corporation Plc	**727,250**	727,250
National Switch Limited	**111,000**	111,000
	838,250	838,250

The Company as co-sponsor of the Government of Malawi initiated project to establish a national Development Financial Institution (DFI) in Malawi, subscribed K727 million in the ordinary shares of Malawi Agricultural and Industrial Corporation Plc (MAIIC) in line with the Memorandum of Agreement signed between the Company and the Government of the Republic of Malawi. The shareholding is held on behalf of private investors who are being sought during the ongoing capital raising exercise by Malawi Agricultural and Industrial Corporation Plc.

The Company invested in National Switch Limited as part of its obligation to contribute to the establishment of the company which is an enabler of real-time electronic money transfers between Banks and other financial institutions. The Company owns shares in the company which is owned by all the Banks in Malawi.

These assets are equity investments in unlisted companies with no sufficient, more recent information available to measure fair value. The other investments have been initially recognised and subsequently carried at amortised cost.

Information on financial risk management is included in note 5.

13. Property, equipment and right of use assets

See accounting policy note 4 (c) and policy note 4 (e) and note 4 (o).	Computers	Right of use Property	Right of use Motor vehicles	Equipment fixture & fittings	Work in progress	Land and buildings	Total
2024							
Cost							
Balance at 1 January 2024	**290,271**	**400,666**	**2,370,824**	**1,328,045**	**763,275**	**5,088,310**	**10,241,391**
Lease additions and adjustments for the year	**-**	**186,730**	**301,141**	**-**	**-**	**-**	**487,871**
Additions during the year	**863,359**	**-**	**-**	**162,121**	**1,264,257**	**-**	**2,289,737**
Disposals during the year	**(38,848)**	**(56,163)**	**(6,820)**	**(189,935)**	**-**	**-**	**(291,766)**
Balance at 31 December 2024	**1,114,782**	**531,233**	**2,665,145**	**1,300,231**	**2,027,532**	**5,088,310**	**12,727,233**
2023							
Cost							
Balance at 1 January 2023	183,214	961,410	1,567,406	1,131,726	109,520	-	3,953,276
Non-cash adjustment for the year	-	329,820	923,532	-	-	-	1,253,352
Additions during the year	175,956	-	-	244,304	653,755	5,088,310	6,162,325
Disposals during the year	(68,899)	(890,564)	(120,114)	(47,985)	-	-	(1,127,562)
Balance at 31 December 2023	290,271	400,666	2,370,824	1,328,045	763,275	5,088,310	10,241,391
2024							
Accumulated depreciation and impairment losses							
Balance at 1 January 2024	**105,400**	**132,660**	**842,404**	**925,085**	**-**	**21,201**	**2,026,750**
Lease additions and adjustments for the year	**-**	**-**	**-**	**-**	**-**	**-**	**0**
Depreciation charge for the year	**187,623**	**179,306**	**944,472**	**163,865**	**-**	**189,903**	**1,665,169**
Eliminated on disposal	**(37,601)**	**(56,163)**	**(6,820)**	**(181,483)**	**-**	**-**	**(282,067)**
Balance at 31 December 2024	**255,422**	**255,803**	**1,780,056**	**907,467**	**-**	**211,104**	**3,409,852**
2023							
Accumulated depreciation and impairment losses							
Balance at 1 January 2023	95,789	576,763	440,012	834,054	-	-	1,946,618
Lease additions and adjustments for the year	-	197,745	(440,008)	-	-	-	(242,266)
Depreciation charge for the year	66,844	320,686	900,557	138,335	-	21,201	1,447,623
Eliminated on disposal	(57,233)	(962,534)	(58,157)	(47,304)	-	-	(1,125,225)
Balance at 31 December 2023	105,400	132,660	842,404	925,085	-	21,201	2,026,750
Carrying amount							
At 31 December 2024	**859,360**	**275,430**	**885,089**	**392,764**	**2,027,532**	**4,877,206**	**9,317,381**
At 31 December 2023	184,871	268,006	1,528,420	402,960	763,275	5,067,109	8,214,641

Included in work in progress is **K1.9 billion** for a new core banking system, Temenos Transact, which will be implemented in 2025 and **K117 million** relating to internet and mobile banking project.

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

13. Property, equipment and right of use assets (continued)

The Company entered a 10-year lease agreement with Churches of Christ in Malawi for Capital City's Gowa House in Lilongwe from 1st September 2015 to 31st August 2025 and has been extended for a further 10 years from 1st September 2025 to 31st August 2035. Lease payments on properties are determined by a Kwacha rate per square metre payable on a quarterly basis in advance.

A 4-year motor vehicle operating lease agreement was made between Continental Properties Limited and the Company from 1st January 2022 to 31st December 2025. Lease payments on motor vehicles are determined by the rate implicit in the lease agreement which incorporates an average rate of 182 days Treasury Bill plus 350 basis points, and a margin comprising operating and funding costs, payable on a half-yearly basis. Details of the payments during the period were as follows:

Description	Interest paid	Principle paid	Total paid
Lease payments 2024	**870,818**	**1,031,221**	**1,902,039**
Lease payments 2023	893,988	891,439	1,785,427

Except for short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset under equipment and right of use assets and a lease liability included in other liabilities.

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

14. Intangible assets – computer software

See accounting policy note 4 (d)	**2024**	2023
Cost		
Balance at 1 January	**512,497**	512,497
	512,497	512,497
Amortisation		
Balance at 1 January	**512,496**	499,506
Amortisation charge for the year	**-**	12,990
Balance at 31 December	**-**	512,496
Carrying amount		
At 31 December	**1**	1

15. Customer deposits

See accounting policy note 4 (b)	**2024**	2023
Current and savings accounts	**46,665,187**	32,081,871
Foreign currency accounts	**31,222,032**	29,087,861
Term deposit accounts	**91,655,009**	72,294,563
	169,542,228	133,464,295
Payable as follows:		
Maturing within 3 months	**94,211,625**	80,135,303
Maturing after 3 months	**75,330,603**	53,328,992
	169,542,228	133,464,295

Interest on customer deposit balances ranged from **+0.1% to +26%** (2023: +0.25 to +23.5%).

Information on financial risk management is included in note 5.

16. Investment funds

See accounting policy note 4 (b)	**2024**	2023
Investment funds	**314,344,540**	120,257,083
This represents a memorandum record of customer balances who have bought financial securities (note 8). The balances earn interest in the range between **+1% to +24%** (2023: +1.0% to +24%).		
Maturing within 12 months	**314,344,540**	120,257,083
	314,344,540	120,257,083

Information on financial risk management is included in note 5.

17. Subordinated liability

See accounting policy note 4 (b)	**2024**	2023
Corporate bond	**-**	1,600,000

The debt which represented a corporate bond issued by the Company at a rate of 365-day Treasury Bill rate plus 300 basis points. This debt was subordinated to the claims of depositors and all other secured creditors of the Company. The debt matured on 30 April 2024 and was paid back.

Information on financial risk management is included in note 5.

Notes to the financial statements

For the year ended 31 December 2024

18. Interbank takings

See accounting policy note 4 (b)	**2024**	2023
Corporate bond	**-**	20,353,052

Interest rates on interbank takings ranged from **6% to 23%** (2023: 6% to 23%), and maturity dates ranged from **1 to 181 days** (2022: 1 to 182 days).

Information on financial risk management is included in note 6.

19. Other liabilities and accruals

See accounting policy note 4 (b)	**2024**	2023
Unclaimed customer balances	**9,725**	8,565
Bankers' cheques issued but not cleared	**84,631**	634,004
Accruals	**384,300**	395,675
Trade payables	**3,557,843**	1,486,358
Other	**19,698**	407,546
	4,056,197	2,932,148
Lease liabilities	**1,510,096**	1,867,794
Total other liabilities and accruals	**5,566,293**	4,799,942

Description	**Opening balance**	**Interest charge**	**Additions and adjustments**	**Repayments**	**Closing balance**
2024					
Leases liabilities	**1,867,794**	**870,818**	**673,523**	**(1,902,039)**	**1,510,096**
2023					
Leases liabilities	1,263,619	893,988	1,495,614	(1,785,427)	1,867,794

Lease adjustments and additions include adjustments of **K658 million** due to extension of lease period by 1 year.

Other liabilities and accruals include lease liabilities, which comprise liabilities on motor vehicles and property. The lease liabilities are discounted at **55.8%** (2023: 50.9%) covering up to 5 years lease period for motor vehicles and **14.9%** (2023: 14.9%) for 10 years lease period for property. The Company 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 **K1,464 million** and **K436 million** on the property (2023: K1,261 million and K407 million).

Information on financial risk management is included in note 5

20. Income tax and deferred tax liabilities

See accounting policy notes 4 (j)	**2024**	2023
Income tax payable		
Balance at 1 January	**(1,604,856)**	(1,588,768)
Current year's charge (Note 27)	**(8,112,184)**	(6,387,535)
Tax paid	**10,276,812**	6,371,447
Balance at 31 December	**559,772**	(1,604,856)

			2024
Deferred tax (liabilities) /assets	**Assets**	**Liabilities**	**Net**
Equipment	-	(191,192)	(191,192)
General provisions	162,414	-	162,414
Unrealised income on fair value adjustments	-	(422,659)	(422,659)
Legal costs provision	17,960	-	17,960
Tevet levy provision	13,114	-	13,114
Leave provisions	6,887	-	6,887
Leases	145,269	-	145,269
	345,644	(613,851)	(268,207)

Movements in temporary differences in 2024	**Opening balance**	**Recognised in profit or loss**	**Closing balance**
Equipment	(49,191)	(142,001)	(191,192)
General provisions	144,025	18,389	162,414
Legal costs provision	-	17,960	17,960
Tevet leavy provision	-	13,114	13,114
Unrealised loss/(income) on fair value adjustments	34,218	(456,877)	(422,659)
Leave provisions	4,324	2,562	6,886
Leases	219,683	(74,414)	145,269
	353,059	(621,267)	(268,208)

Notes to the financial statements

For the year ended 31 December 2024

20. Income tax and deferred tax liabilities (continued)

			2023
	Assets	Liabilities	Net
Equipment	-	(49,191)	(49,191)
General provisions	144,025	-	144,025
Unrealised Income/(loss) on fair value adjustments	34,218	-	34,218
Leave provisions	4,324	-	4,324
Leases	219,683	-	219,683
	402,250	(49,191)	353,059

Movements in temporary differences in 2023	Opening balance	Recognised in profit or loss	Closing balance
Equipment	(52,521)	3,330	(49,191)
General provisions	103,213	40,811	144,025
Unrealised Income/(loss) on fair value adjustments	(122,158)	156,376	34,218
Leave provisions	(1,112)	5,437	4,325
Leases	85,129	134,554	219,683
	12,551	340,508	353,059

21. Equity and reserves

See accounting policy note 4 (f)	**2024**	2023
21.1 Share capital		
327,715,474 shares at K1.00 per share (2023: 327,715,474)	**327,715**	327,715
	327,715	327,715
21.2 Share premium		
172,458,155 shares at K4.33 each	**746,744**	746,744
135,868,319 shares at K24.13 each	**3,278,503**	3,278,503
19,388,905 shares at K24.13 each	**467,854**	467,854
	4,493,101	4,493,101

22. Interest income

See accounting policy note 4 (h)	**2024**	2023
Interest income at effective interest rate on:		
Interbank placements	**12,238,399**	5,804,089
Loans and advances to customers and other investment securities	**27,346,903**	18,480,674
Financial asset investments	**72,527,938**	25,600,845
Net gains on financial assets at fair value through profit or loss*	**-**	(114,059)
Total interest income after changes in fair value of financial assets	**112,113,240**	49,771,550
Interest expense at effective interest rate on:		
Deposits from customers and interbank takings	**(21,160,857)**	(14,570,524)
Investment funds	**(53,004,572)**	(16,690,597)
Interest on lease liability**	**(870,818)**	-
Total interest expense	**(75,036,247)**	(31,261,121)
Net interest income after changes in fair value of financial assets	**39,004,459**	18,510,429
Net gains on financial assets at fair value through profit or loss	**1,056,648**	-

*The Net gains on financial assets at fair value through profit or loss has been represented separately on the statement of profit or loss in current year to align to the requirements of IFRS 7 Financial Instruments: Disclosures.

**The interest on lease liability has been represented under interest expense in current year to align to the requirements of IFRS 7 Financial Instruments: Disclosures.

23. Fees and commissions income

See accounting policy note 4 (h)	**2024**	2023
Income from Investment Banking services	**3,291,194**	2,002,232
Other fees and commissions income	**1,148,203**	1,848,409
	4,439,397	3,850,641

The fees and commissions above arise from financial assets and liabilities measured at amortized cost and at fair value through profit and loss.

Notes to the financial statements

For the year ended 31 December 2024

24. Trading and other income

See accounting policy note 4 (i)	**2024**	2023
Net income from financial securities trading	**7,561,278**	2,181,265
Foreign exchange gains – forex trading and other	**2,495,082**	2,067,530
Foreign exchange gains – revaluation of nostro account	**223,595**	3,480,901
	10,279,955	7,729,696

Income from financial instruments represents trading gains on outright sales of Notes and Bills.

24.1 Other operating income

See accounting policy note 4 (i)	**2024**	2023
Other operating income	**50,737**	34,262

The Bank realized rental income from subletting its premises at Capital City Business Centre in Lilongwe.

24.2 Other expenses

See accounting policy note 4 (i)	**2024**	2023
(Loss)/gain from disposal of assets	**(908)**	3,721

25. Salaries and human resources costs

	2024	2023
Salaries and wages	**3,932,386**	3,128,335
Staff benefits	**662,097**	516,262
Contributions to defined contribution plan	**423,065**	292,475
Life insurance premiums	**138,174**	68,225
Recruitment	**12,953**	12,307
Incentive pay	**3,226,758**	1,718,768
Staff allowances :		
▪ Transport allowances	**38,835**	22,906
▪ Other allowances	**86,002**	13,935
	8,520,270	5,773,213

26. Administration costs and expenses

	2024	2023
Auditors' remuneration		
- Audit fees	**75,469**	60,375
- VAT and other expenses	**14,913**	9,962
Bank charges	**243,756**	190,020
Business travel expenses	**339,261**	166,031
Communication expenses	**59,831**	44,430
Annual software licenses and other computer expenses	**2,231,541**	1,190,463
Directors' fees and expenses	**353,410**	199,183
Finance costs on leases**	**-**	893,988
Legal costs	**51,866**	57,223
Marketing expenses	**454,663**	314,498
Motor vehicle running costs	**202,465**	151,415
Office expenses	**498,688**	282,749
Office occupancy costs	**413,255**	333,059
Other expenses	**716,625**	266,872
Professional fees	**50,940**	25,232
Supervisory fees	**88,820**	24,518
Training costs	**211,595**	124,104
	6,007,098	4,334,122

The finance costs on leases are calculated on lease payments made for leased property using the borrowing rate of **14.9%** (2023: 14.9%) and motor vehicles using implicit lease rate of **55.20**% (2023: 50.9%).

**The interest on lease liability has been represented under interest expense in current year to align to the requirements of IFRS *7 Financial Instruments: Disclosures.*

27. Income tax expense

See accounting policy note 4 (j)	**2024**	2023
Recognised in profit or loss		
Income tax charge	**8,112,184**	6,387,535
Deferred tax credit		
Reversal of temporary differences (note 20)	**621,267**	(340,508)
Income tax expense	**8,733,451**	6,047,027
Reconciliation of effective tax rate		
Profit before income tax	**32,267,575**	17,187,673
Income tax using the income tax rate of 30% for the first **K10 billion and 40% on excess above K10 billion** (2023: **K10 billion and 40% on excess above K10 billion)**	**11,907,030**	5,875,069
Income not subject to tax	**(6,128,224)**	118
Non-deductible expenses	**2,758,088**	-
Separate source	**196,557**	171,840
Income tax expense	**8,733,451**	6,047,027
Effective tax rate	**27%**	35%

28. Basic and diluted earnings per share

See accounting policy note 4 (k)	**2024**	2023
Profit attributable to ordinary shareholders	**23,534,124**	11,140,646
Weighted average number of ordinary shares in issue (thousands)	**327,715**	327,715
Basic and diluted earnings per share (MK)	**71.81**	33.99

29. Related party transactions

The Company 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 Company are set out below:

2024	Directors and their related parties	Executive Management	Other Continental Holdings Subsidiaries	Total
Advances	**-**	**921,408**	**930,961**	**1,852,369**
Deposits	**(62,168)**	**(120,224)**	**(2,237,215)**	**(2,419,608)**
Net balances	**(62,168)**	**801,184**	**(1,306,254)**	**(567,239)**
Interest received	**-**	**464**	**128,629**	**129,093**
Interest paid	**(23)**	**(1,553)**	**(515,735)**	**(517,311)**
	(23)	**(1,089)**	**(387,106)**	**(388,218)**
2023				
Advances	-	790,391	10,000	800,391
Deposits	(51,412)	(50,555)	(1,438,823)	(1,540,789)
Net balances	(51,412)	739,836	(1,428,823)	(740,398)
Interest received	13,429	52,957	6,157	72,543
Interest paid	(488)	(1,425)	(819,292)	(821,205)
	12,941	51,532	(813,135)	(748,662)

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 **K921.4 million** (2023: K790.4 million) in advances which carry interest at about **50%** (2023: 50%) of the prevailing prime lending rate of the Bank and therefore is assessable to Fringe Benefits Tax. All other transactions with related parties are carried out on an arm's length basis.

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

Notes to the financial statements

For the year ended 31 December 2024

29. Related party transactions (continued)

Key management personnel compensation:

	Executive Management		Non-Executive Directors	
	2024	2023	**2024**	2023
Short-term employee benefits salaries	**1,663,962**	1,585,895	**-**	-
Post-employment benefits	**166,396**	158,390	**-**	-
Directors' fees	**-**	-	**220,685**	133,456
	1,830,358	1,744,285	**220,685**	133,456

In addition to their salaries, the Company also provides non-cash benefits to Executive Directors. The estimated value of total non-cash benefits to the non-executive directors amount to **K133 million** (2023: K66 million).

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

Other companies which are related to CDH Investment Bank Limited through common shareholdings are shown below and in the normal course of business, several 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	**2024**	2023
Subordinated liability			
Continental Asset Management Nominees Limited	Common ownership	**-**	1,600,000
Bank loan			
Continental Capital Limited	Common ownership	**930,961**	10,000

The balance due to Continental Asset Management Nominees Limited includes **K Nil** (2023: K1.6 billion) relating to subordinated debt presented in Note 17. The debt had tenure of 6 years with maturity date of 30 April 2024 and secured by all current and future assets of the Company but ranking subordinate or behind all existing debentures, secured creditors and depositors. The debt was repaid on 30 April 2024.

Name of related party	Relationship	Type of transaction	Value of transactions 2024	Balance at year end 2024	Value of transactions 2023	Balance at year end 2023
Continental Asset Management Nominees Limited	Related company	Deposits	**252,359,747**	**1,197,585**	261,179,523	1,231,845
		Loan	**-**	**-**	-	-
		Subordinated debt	**-**	**-**	-	1,600,000
		Subordinated debt interest paid	**-**	**-**	-	245,589
		Interest received	**2,256**	**-**	-	-
		Interest paid	**426,104**	**-**	-	734,491
Continental Capital Limited	Related company	Deposits	**96,920,349**	**821,150**	58,619,250	129,974
		Loan	**998,472**	**930,961**	12,528	10,000
		Interest received	**126,335**	**-**	41	-
		Interest paid	**15,420**	**-**	10,650	-
Continental Properties Limited	Related company	Deposits	**2,244,460**	**23,653**	2,987,219	-
		Operating lease payments	**1,464,614**	**-**	1,549,411	1,248
		Interest received	**-**	**-**	13	4
		Interest paid	**157**	**-**	127	94
Continental Pension Services Ltd	Related company	Deposits	**2,804,785**	**100,160**	1,410,538	26,449
		Shared expenses	**-**	**-**	-	-
		Interest received	**-**	**-**	-	-
		Interest paid	**172**	**-**	146	146
Continental Holdings Limited	Parent company	Deposits	**12,213,734**	**94,667**	17,415,584	10,913
		Shared expenses	**-**	**-**	-	-
		Fees payable	**-**	**-**	-	-
		Interest received	**37**	**-**	-	-
		Interest paid	**73,881**	**-**	-	-
Executive Management	Management	Deposits	**3,216,661**	**120,224**	2,552,060	50,555
		Advances	**921,408**	**921,408**	790,391	790,391
		Salaries	**1,663,962**	**-**	1,583,895	-
		Long-term benefits (Pension)	**166,396**	**-**	158,390	-
		Interest received	**464**	**-**	52,957	-
		Interest paid	**1,553**	**-**	1,425	-
Directors and their related parties	Directors	Fees	**220,686**	**220,686**	133,456	133,456
		Deposits	**62,168**	**597,566**	891,478	51,412
		Advances	**-**	**-**	13,429	-
		Interest received	**-**	**-**	(488)	-
		Interest paid	**23**	**-**	-	-

30. Capital commitments and contingent liabilities

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

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

	2024	2023
Contingent liabilities		
Financial guarantees	**14,087,982**	749,428
	14,087,982	749,428

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 labour matters will crystallize into a liability only in the unlikely event of an unfavourable judgement in which case it is estimated that claims and litigation costs could amount to **K135 million** (2023: K185 million).

Capital commitments
The Company is committed to incurring K1.1 billion capital expenditure as it entered two capital commitment contracts which existed during the year (2023: K3.1 billion).

31. 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 Company is required to maintain a liquidity reserve as defined by the Reserve Bank of Malawi, calculated on a fortnight average basis, of not less than **7.75%** of the preceding two weeks total deposit liabilities. This was moved to 8.75% during the year. In the last week of December 2024, the liquidity requirement was **10%** (2023: 7.75%) of total customer deposits.

(ii) Capital Adequacy Requirement

The Company's available capital is required to be a minimum of 10% of its risk bearing assets and contingent liabilities. At 31 December 2024, the Company's total available capital was **45.09%** (2023: 32.48%) and the core capital was **45.09%** (2023:32.26%) of its risk bearing assets and contingent liabilities.

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.

(iii) 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.

32. 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 Company are stated below, together with the decrease in the closing National Consumer Price Index, which represents an official measure of inflation.

Exchange rates	2024	2023
GBP/MWK	**2,286.30**	2,214.51
ZAR/MWK	**96.68**	93.64
USD/MWK	**1,737.28**	1,683.34
EUR/MWK	**1,939.55**	1,919.25
CAD/MWK	**1,261.61**	1,274.81
Average Inflation rate	**32.2%**	31.1%

At the time of signing these financial statements the exchange rates and inflation rate were as follows:

Exchange rates	2024	2023
GBP/MWK	**2,310.44**	2,214.51
ZAR/MWK	**98.13**	93.64
USD/MWK	**1,733.83**	1,683.34
EUR/MWK	**1,934.75**	1,919.25
CAD/MWK	**1,211.69**	1 ,274.81
Average Inflation rate	**30.7%**	28.7%

33. Dividend

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

	2024	2023
Interim dividend	**1,296,000**	750,000
Final dividend	**4,820,323**	3,016,936
Total	**6,116,323**	3,766,936

The final dividend for 2023 paid in 2024 of **K4,820 million** was equivalent to K14.71 tambala per share (final dividend for 2022 paid in 2023: K3,017 million at K9.21 tambala per share).

The interim dividend for 2024 paid in 2024 of **K1,296 million** was equivalent to **K3.95 tambala** per share (2023: K750 million at K2.29 tambala per share).

The second interim dividend declared for 2024 to be paid in 2025 of **K5,500 million** was issued equivalent to **K16.78 tambala** per share (2023: Nil million).

34. Events after the reporting date

There are no events that require adjustment or disclosure in the financial statements.

Notes

For the year ended 31 December 2024

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