



INVESTMENT BANK

Summary of audited results for the year ended 31st December 2023

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

Summary statement of profit or loss and other comprehensive income

	31-Dec-23 Audited K'000	31-Dec-22 Audited K'000
Interest income	49,771,550	32,859,401
Interest expense	(31,261,121)	(18,875,550)
Net interest income	18,510,429	13,983,851
Non-interest income	11,614,599	6,575,885
Operating income before impairment losses on loans and advances to customers	30,125,028	20,559,736
Net impairment (losses) on loans and advances to customers	(1,373,128)	(11,820)
Income after impairment (losses) on loans and advances to customers	28,751,900	20,547,916
Operating expenses	(11,564,227)	(9,071,285)
Profit before income tax expense	17,187,673	11,476,631
Income tax expense	(6,047,027)	(3,942,755)
Profit and comprehensive income for the year	11,140,646	7,533,876

Summary statement of financial position

	31-Dec-23 Audited K'000	31-Dec-22 Audited K'000
Assets		
Cash and cash equivalents	19,863,871	10,868,255
Financial assets at fair value through profit or loss	135,090,181	96,563,517
Investment securities at amortised cost	28,009,923	20,322,216
Interbank placements	32,649,060	25,088,670
Loans and advances to customers	83,682,438	62,330,779
Other assets	2,005,093	1,432,645
Other investments at cost	838,250	361,000
Property, equipment and right of use assets	8,214,641	2,006,659
Intangible assets	1	12,991
Deferred tax asset	353,059	12,551
Total assets	310,706,517	218,999,283
Capital, reserves and liabilities		
Equity	28,627,289	21,253,579
Interbank takings	20,353,052	13,060,741
Customer deposits	133,464,295	93,880,670
Investment funds	120,257,083	84,688,396
Other liabilities and accruals	4,799,942	2,927,129
Income tax payable	1,604,856	1,588,768
Subordinated liability	1,600,000	1,600,000
Total equity and liabilities	310,706,517	218,999,283

Summary statement of changes in equity

	31-Dec-23 Audited K'000	31-Dec-22 Audited K'000
As at the beginning of the year	21,253,579	16,200,988
Dividends paid	(3,766,936)	(2,481,285)
Total comprehensive income for the year	11,140,646	7,533,876
As at the end of the year	28,627,289	21,253,579

Summary statement of cash flows

	31-Dec-23 Audited K'000	31-Dec-22 Audited K'000
Net cash generated from operating activities	16,806,610	8,444,526
Net cash used in investing activities	(6,633,520)	(164,112)
Net cash used in financing activities	(4,658,375)	(2,920,939)
Net increase in cash and cash equivalents	5,514,715	5,359,475
Cash and cash equivalents at the beginning of the year	10,868,255	5,113,250
Effects of exchange rate fluctuations	3,480,901	395,530
Cash and cash equivalents at the end of the year	19,863,871	10,868,255

Impairment losses, non performing credit facilities and provisions for losses

Sector	As at 31-Dec-23			As at 31-Dec-22		
	Outstanding amount K'000	Impaired loans outstanding balances K'000	Expected credit losses K'000	Outstanding amount K'000	Impaired loans outstanding balances K'000	Expected credit losses K'000
Agriculture	10,639,705	-	13,664	6,406,295	57,454	48,491
Construction	1,505,060	-	10,298	928,958	89	-
Manufacturing	5,068,594	-	105,996	11,752,055	5	-
Real estate	-	-	-	193,421	193,421	-
Tourism and leisure	6,727,916	6,048,551	1,316,786	4,922,370	1,716,077	-
Transport/storage	634,639	-	6,789	433,078	-	-
Wholesale and retail	39,344,913	-	4,776	25,758,993	273	425
Community, social and personal services	18,903,330	-	325,787	10,352,201	63	295,759
Other	2,655,149	-	12,680	1,977,357	1,682	49,274
	85,479,306	6,048,551	1,796,776	62,724,728	1,969,064	393,949

Credit concentration

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

Economic sector

	31-Dec-23		31-Dec-22	
	Outstanding K'000	% of core capital	Outstanding K'000	% of core capital
Agriculture	5,982,221	33%	4,809,718	27%
Wholesale and retail	35,577,196	197%	26,542,163	147%
Manufacturing	9,379,638	52%	7,369,515	41%
Community, social and personal services	-	0%	1,980,584	11%
Tourism and leisure	6,048,551	34%	3,178,376	18%

Loans to directors, senior management and other related parties

	31-Dec-23				31-Dec-22			
	Opening balance K'000	Loans granted during the period K'000	Repayments K'000	Balance at period end K'000	Opening balance K'000	Loans granted during the period K'000	Repayments K'000	Balance at period end K'000
Directors	83,653	-	(83,653)	-	-	121,200	(37,547)	83,653
Other related parties	34,234	20,000	(36,605)	17,629	-	36,000	(1,766)	34,234
Senior Management	463,537	402,347	(83,122)	782,762	345,208	235,024	(116,695)	463,537

Directors remuneration and bonuses	31-Dec-23 K'000	31-Dec-22 K'000
Directors remuneration	133,456	224,499
Total bonuses to staff	1,718,768	1,147,663

Other investments	31-Dec-23 K'000	31-Dec-22 K'000
Associates		
National Switch Limited	111,000	111,000
Malawi Agricultural and Industrial Investment Corporation Plc	727,250	250,000

Lending rates	Dec-23	Dec-22
Base lending rate (local currency)	23.6%	17.3%
Base lending rate (foreign currency)	10%	10%
Maximum applicable range (basis points)	1,090	1,090
RBM bank rate	24.0%	18.0%

Capital management	Required	Dec-23	Dec-22
Tier I ratio	10.00%	27.02%	39.92%
Total capital ratio	15.00%	27.24%	40.65%

Deposit rates	Dec-23	Dec-22
Current account	0.25%	0.25%
CDHIB prime investors account	9.50%	7.50%
Smart savers account	8.00%	6.00%
7 day call account	6.00%	4.50%
30 day call account	7.00%	6.00%
1 month fixed deposit	8.00%	6.00%
2 months fixed deposit	8.50%	5.00%
3 months fixed deposit	9.00%	4.00%
6 months fixed deposit	Negotiable	Negotiable
9 months fixed deposit	Negotiable	Negotiable
12 months fixed deposit	Negotiable	Negotiable

Summary of financial statements for the year ended 31 December 2023

We hereby publish the summary statements of profit or loss and other comprehensive income, financial position, changes in equity and cash flows of CDH Investment Bank as at (for the year ended) 31 December 2023 together with the independent auditor's report.

Performance

The Bank registered a profit after tax of K11.141 billion against the prior year performance of K7.534 billion representing an increase of 48%. The performance was backed by a strong growth in operating income of 47%. During the same period, net interest income grew by 32% from K13.984 billion to K18.510 billion, and non-interest income grew from K6.576 billion to K11.615 billion representing a growth of 77%.

Operating expenses grew by 27% year on year as a result of the high inflation which was also fuelled mainly by the depreciation of the Kwacha and a rise in commodity prices. Notwithstanding the increase in expenses, the cost to income ratio went down to 40% from 45% in the prior year. The Bank continues to run an efficient operation with focus on effective cost management as we continue to bring down the cost to income ratio.

Total assets grew by 42% from K219 billion to K310 billion mainly due to a 40% increase in financial assets at fair value through profit or loss, 34% growth in loans and advances to customers, 38% increase in investments in Government securities, and a 30% increase in interbank placements. This was backed by a 42% growth in customer deposits and 42% growth in investment funds. The Bank continues to leverage on investment banking services to grow its commercial banking activities.

Business review and outlook

Looking ahead, the local economic environment is expected to remain challenging in 2024 mainly fuelled by continued foreign currency shortages from the widening trade deficit and a slow GDP growth. The Government is projecting an increase in the real economic growth rate to 3.2% in 2024 and 4.0% in 2025, supported by an increase in public investment and recovery in various sectors of the economy, mainly to be driven by large-scale mega-farm output and anticipated high growth in construction, manufacturing, information and communication, accommodation and food services. The IMF Extended Credit Facility programme which was approved in November 2023, is anticipated to play a key role in improving foreign exchange inflows, supporting structural reforms, investor confidence and helping to stabilise economic conditions. However, the positive outlook is clouded by the El Niño-induced weather conditions and a highly uncertain global economic and geopolitical environment. Annual inflation is anticipated to average 27.19% this year (2023: 27.75%), with the local currency continuing to depreciate against the major trading currencies as a result of a significant negative trade imbalance. Nevertheless, the Bank remains fully committed to identifying opportunities to help our stakeholders to grow with our continued offering of specialized and innovative financial services.

CDH Investment Bank will continue to implement the strategic objectives running from 2022 to 2024, which focuses on customer centricity, people development and sustainable performance in its core revenue areas, while leveraging on its unique service proposition, corporate financial advisory and investment banking, investments in effective digital platforms and brand equity.

Appreciation

We would like to thank all our stakeholders, including our valued clients, the shareholders, the Government of Malawi, the Reserve Bank of Malawi, the media, banks and other business partners, who supported the Bank, resulting in good performance for the year ended 31 December 2023.

Basis of preparation

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

Franklin Kennedy Chairman of the Board	Elias Malion Director	Thoko Mkavea Chief Executive Officer/Managing Director	Kelvin Mkulichi Chief Finance Officer
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22 March 2024

Independent Auditor's report on the Bank's summary financial statements to the shareholders of CDH Investment Bank Limited as at 31 December 2023

The summary financial statements, which comprise the summary statement of profit or loss and other comprehensive income as at 31 December 2023, summary statement of financial position, summary statement of changes in equity and summary cash flow statement for the year then ended and related notes, are derived from the complete audited financial statements of CDH Investment Bank Limited for the year ended 31 December 2023.

In our opinion, the accompanying summary financial statements are consistent, in all material respects, with the audited financial statements, in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 2013.

Summary financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act 2013. Reading the summary financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

The audited financial statements and our report thereon

We expressed an unmodified audit opinion on the audited financial statements in our report dated 27 March 2024. The summary financial statements and the audited financial statements do not reflect the effects of events that occurred subsequent to the date of our report on the audited financial statements. That report also includes the communication of key audit matters. Key audit matters are those matters that in our professional judgment, were of most significance in our audit of the financial statements of the current year.

Directors' responsibility for the summary financial statements

Directors are responsible for the preparation of the summary financial statements in accordance with International Financial Reporting Standards and in compliance with the Companies Act, 2013; and for such internal control as the directors determine is necessary to enable the preparation of the summary financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's responsibility

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



2023 key performance highlights

