

**STANDARD BANK LIMITED**  
**RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2012**

**STATEMENT OF COMPREHENSIVE INCOME**  
**In millions of Malawi Kwacha**

	<u>Unaudited</u>		<u>Audited</u>		
	<u>Group</u>	<u>Company</u>	<u>Company</u>	<u>Group</u>	<u>Company</u>
	<u>Six months to</u>	<u>Six months to</u>	<u>Six months to</u>	<u>Year ended</u>	<u>Year ended</u>
	<u>30 June 2012</u>	<u>30 June 2012</u>	<u>30 June 2011</u>	<u>31 December</u>	<u>31 December</u>
				<u>2011</u>	<u>2011</u>
Interest income	4,152	4,152	2,690	5,834	5,834
Interest expense	(642)	(642)	(413)	(854)	(854)
Net interest income	3,510	3,510	2,277	4,980	4,980
Non-interest revenue	7,071	7,038	3,048	6,539	6,539
Total income	10,581	10,548	5,325	11,519	11,519
Credit impairment charges	(939)	(939)	(392)	(998)	(998)
Income after credit impairment charges	9,642	9,609	4,933	10,521	10,521
Operating expenses	(3,315)	(3,313)	(2,552)	(4,980)	(4,980)
Profit before taxation	6,327	6,296	2,381	5,541	5,541
Taxation	(2,073)	(2,064)	(831)	(1,995)	(1,995)
Profit after tax	4,254	4,232	1,550	3,546	3,546
Other Comprehensive Income					
Net revaluation gain on property and equipment				952	952
Net change in fair value on available for sale financial assets	(128)	(128)	32	(96)	(96)
<b>Total comprehensive income</b>	<b>4,126</b>	<b>4,104</b>	<b>1,582</b>	<b>4,402</b>	<b>4,402</b>
<b><u>Movement in retained earnings</u></b>					
Retained earnings brought forward	8,805	8,805	6,940	6,940	6,940
Profit for the period	4,254	4,232	1,550	3,546	3,546
Dividends paid	(2,001)	(2,001)	(780)	(1,681)	(1,681)
Retained earnings carried forward	11,058	11,036	7,710	8,805	8,805
Basic earnings per	1,997	1,987	728	1,665	1,665

share (tambala)

Dividend per share (tambala)	937	937	422	1359	1359
Number of ordinary shares in issue (million)	213	213	213	213	213
Market price per share (kwacha)	115	115	100	106	106

**STATEMENT OF FINANCIAL POSITION**  
In millions of Malawi Kwacha

	<b><u>Group</u></b> <b>As at 30 June</b> <b>2012</b>	<b><u>Unaudited</u></b> <b><u>Company</u></b> <b>As at 30 June</b> <b>2012</b>	<b><u>Company</u></b> <b>As at 30</b> <b>June 2011</b>	<b><u>Audited</u></b> <b><u>Group</u></b> <b>As at 31</b> <b>December</b> <b>2011</b>	<b><u>Company</u></b> <b>As at 31</b> <b>December</b> <b>2011</b>
<b>ASSETS</b>					
Cash and balances with Reserve Bank	7,752	7,618	7,711	8,541	8,489
Trading assets	11,311	11,311	6,754	7,683	7,683
Financial Investments	8,550	8,550	936	6,157	6,157
Loans and advances to banks	13,770	13,770	10,339	4,984	4,984
Local loans and advances to customers	39,701	39,701	28,814	35,739	35,739
Foreign loans and advances to customers	4,806	4,806	3,016	3,695	3,695
Investment in Subsidiary		100			52
Other assets	4,527	4,527	2,085	2,159	2,159
Intangible assets	19	19	25	24	24
Property, plant and equipment	6,297	6,297	3,650	6,097	6,097
Deferred tax asset	450	450	653	541	541
<b>Total assets</b>	<b>97,183</b>	<b>97,149</b>	<b>63,983</b>	<b>75,620</b>	<b>75,620</b>
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' equity</b>					
Issued capital	213	213	213	213	213
Share premium	854	854	854	854	854
Retained earnings	11,058	11,036	7,710	8,805	8,805
Revaluation reserves	2,465	2,465	1,585	2,529	2,529
	<b>14,590</b>	<b>14,568</b>	<b>10,362</b>	<b>12,401</b>	<b>12,401</b>

**Liabilities**

Deposits from banks	1,384	1,384	459	361	361
Local deposits from customers	52,665	52,665	42,576	49,883	49,883
Foreign currency deposits	22,420	22,420	7,171	7,819	7,819
Other liabilities	4,144	4,142	2,528	3,649	3,649
Income tax payable	884	874	226	409	409
Deferred tax	<u>1,096</u>	<u>1,096</u>	<u>661</u>	<u>1,098</u>	<u>1,098</u>
	<u>82,593</u>	<u>82,581</u>	<u>53,621</u>	<u>63,219</u>	<u>63,219</u>
<b>Total equity and liabilities</b>	<u>97,183</u>	<u>97,149</u>	<u>63,983</u>	<u>75,620</u>	<u>75,620</u>
<b>Off Balance Sheet Items</b>	<u>3,132</u>	<u>3,132</u>	<u>2,908</u>	<u>2,342</u>	<u>2,342</u>

**STATEMENT OF CASH FLOWS**  
**In millions of Malawi Kwacha**

	<u>Group</u> Year ended 30 June 2012	<u>Unaudited</u> <u>Company</u> Year ended 30 June 2012	<u>Company</u> Year ended 30 June 2011	<u>Audited</u> <u>Group</u> Year ended 31 December 2011	<u>Company</u> Year ended 31 December 2011
<b>Operating activities</b>					
Interest and fees received	11,103	11,069	6,128	12,646	12,646
Interest paid	(441)	(441)	(430)	(825)	(825)
Cash paid to customers, suppliers and employees	<u>(4,276)</u>	<u>(4,276)</u>	<u>(2,149)</u>	<u>(5,431)</u>	<u>(5,431)</u>
	6,386	6,352	3,549	6,390	6,390
Decrease/(increase) in net customer balances	4,299	4,296	481	(4,759)	(4,759)
Income taxes paid	<u>(1,511)</u>	<u>(1,511)</u>	<u>(908)</u>	<u>(1,340)</u>	<u>(1,340)</u>
Cash flows from operating activities	9,174	9,137	3,122	291	291
<b>Investing activities</b>					
Investment in subsidiary		(48)			(52)
Purchase of property and equipment	(518)	(518)	(876)	(2,415)	(2,415)

Sale of property, plant and equipment	-	-	2	315	315
Net investing activities	(518)	(566)	(874)	(2,100)	(2,152)

#### Financing activities

Dividends paid	(2,001)	(2,001)	(781)	(1,681)	(1,681)
Cash outflows from financing activities	(2,001)	(2,001)	(781)	(1,681)	(1,681)

Net (decrease)/increase in cash and cash equivalents	6,655	6,570	1,467	(3,490)	(3,542)
Cash and cash equivalents at beginning of period	8,124	8,072	11,614	11,614	11,614
Cash and cash equivalents at end of period	14,779	14,642	13,081	8,124	8,072

#### Impairment Losses/Non-Performing Credit Facilities and Provisions for Losses by Industry Sector

<u>January to June 2012</u>	<u>January to June 2011</u>
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	Outstanding Amount (MK'm)	Impairment Specific Loss (MK'm)	Outstanding Provision (MK'm)	Outstanding Amount (MK'm)	Impairment Specific Loss (MK'm)	Outstanding Provision (MK'm)
Agriculture	184	152	32	59	48	11
Manufacturing	189	68	121	217	106	111
Mining	-	-	-	-	-	-
Construction	168	91	77	225	94	131
Energy/Electricity	-	-	-	5	-	5
Gas/Water	-	-	-	-	-	-
Transport	484	160	324	173	70	103
Communication	-	-	-	-	-	-
Financial Services	-	-	-	-	-	-
Wholesale/Retail	1,031	696	335	129	51	78
Individual/Household	345	207	138	160	102	58
Real Estate	-	-	-	-	-	-
Tourism	137	16	121	26	2	24
Other	104	66	38	27	15	12
<b>Total</b>	<b>2,642</b>	<b>1,456</b>	<b>1,186</b>	<b>1,021</b>	<b>488</b>	<b>533</b>

## Credit Concentrations

Total credit facilities including guarantees, acceptances and other similar commitments extended to any one customer or group of related customers where amounts exceed 25% of our core capital.

<b>Sector of Borrower</b>	Jan. to June 2012 (MK'm)	% of Core Capital	Jan. to June 2011 (MK'm)	% of Core Capital
Communication	12,576	27%	2,833	34%

## Loans to Directors, Senior Management and Other Related Parties

	Jan. to June 2012 (MK'm)	Jan. to June 2011 (MK'm)
<b>Directors</b>		
Balance at beginning of year	10	5
Loans granted during the year	21	8
Repayments	(3)	(1)
<b>Balance at end of half year</b>	<b>28</b>	<b>12</b>

	Jan. to June 2012 (MK'm)	Jan. to June 2011 (MK'm)
<b>Other Related Parties</b>		
Balance at beginning of year	273	284
Loans granted during the year	1	4
Repayments	(63)	(38)
<b>Balance at end of half year</b>	<b>211</b>	<b>250</b>

	Jan. to June 2012 (MK'm)	Jan. to June 2011 (MK'm)
<b>Senior Management Officials</b>		
Balance at beginning of year	215	183
Loans granted during the year	55	47
Repayments	(13)	(4)
<b>Balance at end of half year</b>	<b>257</b>	<b>226</b>

## Investments in Subsidiaries

<b>Name of Subsidiary</b>	Number of shares	Percentage holding	Current year (MK'm)	Previous year (MK'm)
Standard Bank Bureau De Change Limited	100,000,000	100%	100	52

### Base Lending Rate

	Jan. to June 2012 (MK'm)	Jan. to June 2011 (MK'm)
Base Lending Rate (local currency)	23.75%	17.75%
Maximum Applicable Range (basis points)	10	10
Base Lending Rate (foreign currency loans)	USD 0.25%	USD 0.25%
RBM Bank Rate	16%	13%

### Director's Remuneration, Bonuses and Management Fees

	Jan. to June 2012 (MK'm)	Jan. to June 2011 (MK'm)
Director's Remuneration	32	28
Total Bonuses Paid to all staff	516	239
Franchise Fees to Holding Company	311	174

### Deposit Rates

Type of Deposit	30 <sup>th</sup> June 2012 Rate	30 <sup>th</sup> June 2011 Rate
<b>Malawi Kwacha</b>		
Current account	0.5%	0.25%
Call	4%	1.5%
7 day Notice	4.5%	2.5%
30 day Notice	5%	3.5%
Transact plus	1.5%	1.5%
Saver plus	3%	1%
Savings	3%	2.5%
Pure save	5%	3.5%
Contract save	12%	7%
1 month Fixed	5%	3.5%
2 month fixed	10%	3%
3 month fixed	12%	2%
6 month fixed	negotiable	negotiable
9 month fixed	negotiable	negotiable
12 month fixed	negotiable	negotiable
<b>Foreign Currency Denominated Accounts (FCDAs)</b>		
USD	0.5%	0.5%
GBP	1.5%	1.5%
EUR	0.5%	0.5%
ZAR	4%	4%

## **FINANCIAL REVIEW**

We present the unaudited financial results of the Group for the six months ended 30 June 2012.

### **Economic highlights**

Year-on-year headline inflation rate rose to 17.3% due to price adjustments of fuel, electricity tariffs and high cost of household items. The Malawi Kwacha was devalued by 50% to trade at around MK250.00 from MK167.00 against one United states Dollar.

As a result, Government has reduced the country's economic growth forecast for 2012 to 4.9% from 6.6% due to foreign exchange shortage and intermittent energy supplies.

The monetary authorities have raised the bank rate from 13% to 21% as one way of countering the inflationary pressure following the weakening of the Malawi Kwacha. This has led to a tight monetary policy as one way of controlling the soaring inflation rate which has in turn resulted in liquidity challenges in the market.

Treasury bill yields continued to rise in response to the liquidity squeeze with 91-day 182-day and 364-day treasury bill yielding 15.57%, 16.26% and 18.50% respectively post devaluation.

### **Performance**

The Group's results in the first half of 2012 reflect the resilience of our brand and realization of our strategic goals notwithstanding the challenging environment in 2012.

Profits after tax for the first half is MK4.2 billion compared to MK1.550 billion during the same period in 2011. Net interest income is 54% above the same period last year while non-interest revenue has grown by 132%.

Expenses have grown by 30% when compared to same period in 2011 due to general escalation of prices amidst soaring inflation rates.

Efficient and effective cost control management remains an important strategic objective of the Bank to ensure sustainability of returns.

### **Outlook**

Whilst the second quarter of the year has seen some promising developments in terms of various decisions made by the new government relating to the operating environment, the economy and business overall remains in a somewhat uncertain stage. Whilst the resumption of the IMF's Extended Credit Facility program has improved donor confidence, the environment still remains uncertain.

Liquidity will continue to be tight while the cost of doing business will soar as inflation continues to rise, notwithstanding the measures taken by RBM to manage inflation.

As a Group, we will position ourselves to exploit opportunities key to the growth and turnaround of the economy whilst ensuring prudent capital management, superior customer service and competitive pricing whilst containing costs.

The Group's performance in the second half is expected to be slower than the first half due to the impact of the devalued kwacha resulting in higher operating costs, and tight liquidity which will slow down lending.

### **Dividend**

The Board of directors has resolved to pay an interim dividend of MK9.37 (2011: MK4.21) per ordinary share representing MK2billion (2011: MK900m). The interim dividend will be paid on 28<sup>th</sup> September 2012 to shareholders whose names will appear on the Register of Members as at close of business on 7<sup>th</sup> September 2012. The Register of Members will be closed from 7<sup>th</sup> to 10<sup>th</sup> September 2012 both days inclusive. During this period, no share transactions will be conducted.

By order of the Board

Date 1<sup>th</sup> August 2012

	<b>Name</b>	<b><u>Designation</u></b>	<b><u>Signature</u></b>	<b><u>Date</u></b>
1.	A Chitsime	Chairman	.....	1 <sup>st</sup> August 2012
2.	R Harawa	Director	.....	1 <sup>st</sup> August 2012
3.	C Mudiwa	Managing Director	.....	1 <sup>st</sup> August 2012
4.	T Simwaka	Head of Finance	.....	1 <sup>st</sup> August 2012