

STANDARD BANK LIMITED
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2012

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
In millions of Malawi Kwacha

	<u>GROUP</u> Year ended 31 December <u>2012</u>	<u>COMPANY</u> Year ended 31 December <u>2012</u>	<u>GROUP</u> Year ended 31 December <u>2011</u>	<u>COMPANY</u> Year ended 31 December <u>2011</u>
Interest income	11,823	11,823	5,834	5,834
Interest expense	<u>(2,693)</u>	<u>(2,693)</u>	<u>(854)</u>	<u>(854)</u>
Net interest income	9,130	9,130	4,980	4,980
Net fee and commission income	3,754	3,754	2,302	2,302
Net trading income	9,300	9,266	4,213	4,213
Other operating income	<u>34</u>	<u>36</u>	<u>24</u>	<u>24</u>
Total operating income	22,218	22,186	11,519	11,519
Impairment losses on loans and advances	<u>(1,592)</u>	<u>(1,592)</u>	<u>(998)</u>	<u>(998)</u>
Income after credit impairment losses on loans and advances	<u>20,626</u>	<u>20,594</u>	<u>10,521</u>	<u>10,521</u>
Staff costs	(4,419)	(4,419)	(2,067)	(2,067)
Depreciation and amortisation	(623)	(623)	(496)	(496)
Other operating expenses	<u>(3,560)</u>	<u>(3,560)</u>	<u>(2,417)</u>	<u>(2,417)</u>
Total expenditure	<u>(8,602)</u>	<u>(8,602)</u>	<u>(4,980)</u>	<u>(4,980)</u>
Profit before income tax expense	12,024	11,992	5,541	5,541
Income tax expense	<u>(4,059)</u>	<u>(4,049)</u>	<u>(1,995)</u>	<u>(1,995)</u>
Profit for the year	<u>7,965</u>	<u>7,943</u>	<u>3,546</u>	<u>3,546</u>

**Other
comprehensive
Income**

Profit after tax	7,965	7,943	3,546	3,546
Net revaluation gain on property and equipment	-	-	952	952
Net change in fair value on available for sale financial assets	<u>(74)</u>	<u>(74)</u>	<u>(96)</u>	<u>(96)</u>

**Total
Comprehensive
Income**

7,891	7,869	4,402	4,402
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**Movement in
retained earnings**

Retained earnings brought forward	8,805	8,805	6,940	6,940
Profit for the year	7,965	7,943	3,546	3,546
Dividend paid	<u>(4,000)</u>	<u>(4,000)</u>	<u>(1,681)</u>	<u>(1,681)</u>

**Total Retained
earnings earnings
forward carried**

12,770	12,748	8,805	8,805
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Basic earnings per share (MK)	<u>37.39</u>	<u>37.29</u>	<u>16.65</u>	<u>16.65</u>
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Dividend per share (tambala)	<u>2,337</u>	<u>2,337</u>	<u>1,359</u>	<u>1,359</u>
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Number of ordinary shares in issue (million)	<u>213</u>	<u>213</u>	<u>213</u>	<u>213</u>
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Market price per share (MK)	<u>128</u>	<u>128</u>	<u>106</u>	<u>106</u>
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION
In millions of Malawi Kwacha

	<u>GROUP</u> As at 31 December 2012	<u>COMPANY</u> As at 31 December 2012	<u>GROUP</u> As at 31 December 2011	<u>COMPANY</u> As at 31 December 2011
Assets				
Cash and cash equivalents	13,500	13,366	8,541	8,489
Trading assets	8,932	8,932	7,683	7,683
Loans and advances to banks and other financial institutions	29,153	29,153	4,984	4,984
Loans and advances to customers	50,933	50,933	39,434	39,434
Financial investments	3,373	3,373	6,157	6,157
Investment in subsidiary	-	100	-	52
Other assets	4,526	4,537	2,159	2,159
Property and equipment	7,066	7,066	6,097	6,097
Intangible assets	15	15	24	24
Deferred tax assets	<u>698</u>	<u>698</u>	<u>541</u>	<u>541</u>
Total assets	<u>118,196</u>	<u>118,173</u>	<u>75,620</u>	<u>75,620</u>
Liabilities				
Deposits and loans from banks	7,858	7,858	361	361
Deposits from customers	84,717	84,717	57,702	57,702
Other liabilities	5,030	5,029	2,955	2,955
Income tax payable	1,416	1,416	409	409
Provisions	1,536	1,536	535	535
Employee benefits liabilities	118	118	159	159
Deferred tax liabilities	<u>1,088</u>	<u>1,088</u>	<u>1,098</u>	<u>1,098</u>

Total liabilities	<u>101,763</u>	<u>101,762</u>	<u>63,219</u>	<u>63,219</u>
Shareholders' equity				
Share capital	213	213	213	213
Share premium	854	854	854	854
Revaluation reserve	2,381	2,381	2,381	2,381
Available for sale reserve	(43)	(43)	31	31
Share-based payment reserve	258	258	117	117
Retained earnings	<u>12,770</u>	<u>12,748</u>	<u>8,805</u>	<u>8,805</u>
Total shareholders' equity	<u>16,433</u>	<u>16,411</u>	<u>12,401</u>	<u>12,401</u>
Total equity and liabilities	<u>118,196</u>	<u>118,173</u>	<u>75,620</u>	<u>75,620</u>

CONSOLIDATED STATEMENT OF CASH FLOWS
In millions of Malawi Kwacha

	GROUP Year ended 31 December 2012	COMPANY Year ended 31 December 2012	GROUP Year ended 31 December 2011	COMPANY Year ended 31 December 2011
Cash flows from operating activities:				
Interest received	11,062	11,062	6,005	6,005
Interest paid	(2,448)	(2,448)	(825)	(825)
Fee and commission receipts	3,754	3,754	2,302	2,302
Trading income receipts	9,333	9,301	4,237	4,237
Recoveries from impairment losses	160	160	102	102
Payments to employees and suppliers	<u>(9,366)</u>	<u>(9,366)</u>	<u>(5,431)</u>	<u>(5,431)</u>
Cash flows from operating activities before changes in operating assets and liabilities	12,495	12,463	6,390	6,390

**Changes in
operating assets
and liabilities:**

Loans and advances	(11,499)	(11,499)	(14,209)	(14,209)
Liquidity reserve requirements	(5,556)	(5,556)	(2,010)	(2,010)
Treasury bills	(1,979)	(1,979)	(2,550)	(2,550)
Other investments	2,784	2,784	(1,924)	(1,924)
Other assets	(2,368)	(2,379)	(1,239)	(1,239)
Deposits from customers	27,015	27,015	15,341	15,341
Deposits and loans from banks	7,497	7,497	(61)	(61)
Other liabilities	<u>3,280</u>	<u>3,279</u>	<u>1,893</u>	<u>1,893</u>

**Net cash from
operating activities
before income tax**

	31,669	31,625	1,631	1,631
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Income tax paid	<u>(3,219)</u>	<u>(3,209)</u>	<u>(1,340)</u>	<u>(1,340)</u>
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**Net cash from
operating activities**

	<u>28,450</u>	<u>28,416</u>	<u>291</u>	<u>291</u>
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**Cash flows to
investing activities**

Investment In subsidiary	-	(48)	-	(52)
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Purchase of property and equipment	(1,613)	(1,613)	(2,415)	(2,415)
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Proceeds from sale of property and equipment	<u>6</u>	<u>6</u>	<u>315</u>	<u>315</u>
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**Net cash used in
investing activities**

	<u>(1,607)</u>	<u>(1,655)</u>	<u>(2,100)</u>	<u>(2,152)</u>
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**Cash flows to
financing activities**

Dividends paid	<u>(4,000)</u>	<u>(4,000)</u>	<u>(1,681)</u>	<u>(1,681)</u>
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**Net
increase/(decrease)
in cash and cash
equivalents**

Cash and cash equivalents at 1 January	<u>8,124</u>	<u>8,072</u>	<u>11,614</u>	<u>11,614</u>
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Cash and cash
equivalents at 31
December

30,967

30,833

8,124

8,072

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

	31 st December 2012			31 st December 2011		
	Outstanding Amount	Impaired amount	Specific provision	Outstanding Amount	Impaired amount	Specific provision
	(MK'm)	(MK'm)	(MK'm)	(MK'm)	(MK'm)	(MK'm)
Agriculture	8,116	204	145	4,763	165	153
Manufacturing	10,312	176	69	3,785	0	0
Mining	51	0	0	908	0	0
Construction	1,315	414	214	1,493	248	134
Energy/Electricity	586	0	0	145	0	0
Gas/Water	0	0	0	0	0	0
Transport	5,550	598	265	6,439	312	164
Communication	2,883	0	0	3,660	0	0
Financial Services	0	0	0	2,694	71	44
Wholesale/Retail	6,927	1,222	690	2,979	338	159
Individual/Household	12,008	336	183	10,655	196	126
Real Estate	0	0	0	0	0	0
Tourism	407	197	55	413	137	16
Other	5,144	71	46	2,837	48	17
Total	53,299	3,218	1,667	40,771	1,515	813

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.

Sector of Borrower	As at 31 st Dec 2012	% of Core Capital	As at 31 st Dec 2011	% of Core Capital
	(MK'm)		(MK'm)	
Communication	-	-	2,922	31%
Agriculture	3,695	27%	-	-

Manufacturing	3,757	27%	-	-
Various*	7,383	54%	-	-

*=Manufacturing 26%, Communication 22% & Agriculture 6%

Loans to Directors, Senior Management and Other Related Parties

	31st Dec 2012 (MK'm)	31st Dec 2011 (MK'm)
Directors		
Balance at beginning of year	10	5
Loans granted during the year	51	8
Repayments	(8)	(3)
Balance at end of the year	53	10

	31st Dec 2012 (MK'm)	31st Dec 2011 (MK'm)
Other Related Parties		
Balance at beginning of year	273	307
Loans granted during the year	30	5
Repayments	(267)	(39)
Balance at end of the year	36	273

	31st Dec 2012 (MK'm)	31st Dec 2011 (MK'm)
Senior Management Officials		
Balance at beginning of year	215	183
Loans granted during the year	117	62
Repayments	(29)	(30)
Balance at end of the year	303	215

Investments in Subsidiaries

Name of Subsidiary	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

	As at 31st Dec 2012	As at 31st Dec 2011
Base Lending Rate (local currency)	35.00%	17.75%
Maximum Applicable Range (percentage points)	10	10
Base Lending Rate (foreign currency loans)	6% to 8%	6 to 8%
RBM Bank Rate	25%	13%

Director's Remuneration, Bonuses and Franchise Fees

	31st Dec 2012 (MK'm)	31st Dec 2011 (MK'm)
Director's Remuneration	83	65
Total bonuses paid to all staff	516	330
Franchise Fees to Holding Company	665	347

Deposit Rates

Type of Deposit	As at 31st December 2012 Rate	As at 31st December 2011 Rate
Malawi Kwacha		
Current account	1.0%	0.25%
Call	9.5%	1.5%
7 day Notice	9.5%	2.5%
30 day Notice	12%	3.5%
Transact plus	3.0%	1.5%
Saver plus	5%	1%
Savings	7%	2.5%
Pure save	12%	3.5%
Contract save	18%	7%
1 month fixed	12%	3.5%
2 month fixed	15%	3%
3 month fixed	18%	2%
6 month fixed	23%	negotiable
9 month fixed	negotiable	negotiable
12 month fixed	negotiable	negotiable
Foreign Currency Denominated Accounts (FCDAs)		
USD	0.5%	0.5%
GBP	1.5%	1.5%
EUR	0.5%	0.5%
ZAR	4%	4%

FINANCIAL REVIEW

We are pleased to present the audited financial results of the Group for the year ended 31 December 2012.

Economic highlights

The economy in 2012 was burdened by acute foreign exchange and fuel shortages as well as intermittent power supplies. This position was further worsened by negative growth in agriculture which resulted in lower-than-expected foreign exchange earnings from the country's key export crop tobacco, to US\$177m from the previous year's earnings of US\$293m.

The change of government in April 2012 following the death of the sitting president came with a number of key reforms which aimed at reviving the ailing economy. The Kwacha was devalued by close to 50% and the exchange rate regime shifted from a managed float to a flexible one. Consequently, GDP growth rate forecast for 2012 was slashed to 1.6% from 6%. Following the adjustment to the exchange rate regime, the Kwacha lost an additional 35% between May and December 2012 to close the year at MK336.7080/1 US\$.

The inflation rate in 2012 was generally in double digit closing the year at 34.6%. Besides the currency depreciation, inflationary pressures have also been fuelled further by soaring food prices caused by a lower-than-expected maize harvest in the 2011/12 growing season.

Treasury bill yields also responded to the movements in the bank rate and to liquidity developments in the banking system. For the 91-day tenor, its average yield moved from an opening level of 6.38% to a close of 20.11%. The average yield for the 182-day tenor bill closed at 24.78% from the year's opening level of 7.25% and the average yield for the 365-day Treasury bill closed at 26.40% from the year's opening level of 9.14%.

Monetary policy remained tight for the most part of 2012 such that the bank rate increased three times to close the year at 25% from an opening of 13%. This has resulted in liquidity challenges with money markets going short, albeit, despite an improvement during the last quarter of 2012.

Performance

The Group delivered a strong set of results despite the challenging operating environment in 2012. Year on year; total assets grew by 56% due to 47% increase in customer deposits and 29% increase in loans and advances to customers.

Profit after tax at MK7.9 billion was 125% above prior year. Operating income was 93% above prior year due to higher trading income as well as higher income on loans and advances from customers as a result of the positive endowment impact.

Operating costs were 73% above prior year due to general price increases of commodities amidst high inflation rates. However, the cost to income ratio has reduced from 43% in 2011 to 39% due to a cost containment drive by management.

Earnings per share has therefore grown from MK16.65 in 2011 to MK37.39 in 2012.

Outlook

Meaningful economic growth is expected to rebound in 2013 on the expectation that the agriculture sector will register positive and significant growth which should improve the country's foreign exchange reserves and consequently bring in stability in the Kwacha and encourage production. The inflation rate is therefore expected to stabilise and drop in 2013 due to a better maize harvest and a stable currency.

As a Group, we expect to maintain our market share. We will introduce new products in the coming year while keeping our focus on our customer service. We will ensure

continued profitability by having an efficient Balance Sheet and prudent cost control measures.

Audit Opinion

Pursuant to the requirements of the Banking Act 2010, we publish below the Consolidated Statement of Comprehensive Income, Consolidated Statement of Financial Position and Consolidated Statement of Cash flows of Standard Bank Limited as at 31 December 2012 together with the independent auditors' report thereon.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE STANDARD BANK LIMITED

We have audited the consolidated financial statements of the Standard Bank Limited for the year ended 31 December 2012 from which the summarised financial statements were derived, in accordance with International Standards on Auditing. In our report dated 28 February 2013, we expressed an unqualified opinion on the financial statements from which the summarised financial statements were derived.

In our opinion, the accompanying summarized financial statements are consistent, in all material respects, with the financial statements from which they were derived.

For a better understanding of the Group's financial position and the results of its operations for the year and of the scope of our audit, the summarised financial statements should be read in conjunction with the consolidated financial statements from which the summarised financial statements were derived and our audit report thereon.

KPMG
Certified Public Accountants and Business Advisors
Lilongwe

28th February 2013

Dividend

An interim dividend of **MK9.37** (2011: MK4.21) per ordinary share was paid in September 2012 representing **MK2 billion** (2011: MK900m). The directors recommend a final dividend of **MK14.00** (2011: MK9.37) per ordinary share representing **MK3billion** (2011: MK2 billion) to be tabled at the forthcoming Annual General Meeting.

By order of the Board

	Name	<u>Designation</u>	<u>Signature</u>	<u>Date</u>
1.	A Chitsime	Chairman	28 th Feb 2013
2.	R Harawa	Director	28 th Feb 2013
3.	C Mudiwa	Chief Executive Officer	28 th Feb 2013
4.	T Simwaka	Chief Financial Officer	28 th Feb 2013