

STANDARD BANK LIMITED
RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2013

STATEMENT OF COMPREHENSIVE INCOME
In millions of Malawi Kwacha

	<u>Unaudited</u>		<u>Audited</u>	<u>Unaudited</u>		<u>Audited</u>
	<u>Group</u>	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
	Six months to 30 June 2013	Six months to 30 June 2012	Year ended 31 December 2012	Six months to 30 June 2013	Six months to 30 June 2012	Year ended 31 December 2012
Interest income	10,159	4,152	11,823	10,159	4,152	11,823
Interest expense	(3,021)	(642)	(2,693)	(3,021)	(642)	(2,693)
Net interest income	7,138	3,510	9,130	7,138	3,510	9,130
Non-interest revenue	7,336	7,071	13,088	7,325	7,038	13,056
Total income	14,474	10,581	22,218	14,463	10,548	22,186
Credit impairment charges	(963)	(939)	(1,592)	(963)	(939)	(1,592)
Income after credit impairment charges	13,511	9,642	20,626	13,500	9,609	20,594
Operating expenses	(4,747)	(3,315)	(8,602)	(4,747)	(3,313)	(8,602)
Profit before taxation	8,764	6,327	12,024	8,753	6,296	11,992
Taxation	(3,094)	(2,073)	(4,059)	(3,091)	(2,064)	(4,049)
Profit after tax	5,670	4,254	7,965	5,662	4,232	7,943
Other Comprehensive Income						
Net change in fair value on available for sale financial assets	(27)	(128)	(74)	(27)	(128)	(74)
Total comprehensive income	5,643	4,126	7,891	5,635	4,104	7,869
Movement in retained earnings						
Retained earnings brought forward	12,770	8,805	8,805	12,748	8,805	8,805
Profit for the period	5,670	4,254	7,965	5,662	4,232	7,943
Dividends paid	(2,987)	(2,001)	(4,000)	(2,987)	(2,001)	(4,000)
Retained earnings carried forward	15,453	11,058	12,770	15,423	11,036	12,748
Basic earnings per share (tambala)	2,662	1,997	3,739	2,658	1,987	3,729
Dividend per share (tambala)	937	937	2,337	937	937	2,337
Number of ordinary shares in issue (million)	213	213	213	213	213	213
Market price per share (kwacha)	166	115	128	166	115	128

STATEMENT OF FINANCIAL POSITION

In millions of Malawi Kwacha

	<u>Group</u>	<u>Unaudited</u> <u>Group</u>	<u>Audited</u> <u>Group</u>	<u>Company</u>	<u>Unaudited</u> <u>Company</u>	<u>Audited</u> <u>Company</u>
	As at 30 June 2013	As at 30 June 2012	As at 31 December 2012	As at 30 June 2013	As at 30 June 2012	As at 31 December 2012
ASSETS						
Cash and balances with Reserve Bank	9,417	7,752	13,500	9,283	7,618	13,366
Trading assets	18,822	11,311	8,932	18,822	11,311	8,932
Financial Investments	11,261	8,550	3,373	11,261	8,550	3,373
Loans and advances to banks	24,197	13,770	29,153	24,197	13,770	29,153
Loans and advances to customers	51,345	44,507	50,933	51,345	44,507	50,933
Investment in Subsidiary				100	100	100
Other assets	5,727	4,527	4,526	5,728	4,527	4,537
Intangible assets	12	19	15	12	19	15
Property, plant and equipment	7,608	6,297	7,066	7,608	6,297	7,066
Deferred tax asset	608	450	698	608	450	698
Total assets	128,997	97,183	118,196	128,964	97,149	118,173
EQUITY AND LIABILITIES						
Shareholders' equity						
Issued capital	213	213	213	213	213	213
Share premium	854	854	854	854	854	854
Retained earnings	15,453	11,058	12,770	15,423	11,036	12,748
Other reserves	2,572	2,465	2,596	2,572	2,465	2,596
	19,092	14,590	16,433	19,062	14,568	16,411
Liabilities						
Deposits from banks	721	1,384	7,858	721	1,384	7,858
Deposits from customers	99,575	75,085	84,717	99,575	75,085	84,717
Other liabilities	7,109	4,144	6,684	7,109	4,142	6,683
Income tax payable	1,368	884	1,416	1,365	874	1,416
Deferred tax	1,132	1,096	1,088	1,132	1,096	1,088
	109,905	82,593	101,763	109,902	82,581	101,762
Total equity and liabilities	128,997	97,183	118,196	128,964	97,149	118,173
Contingent Liabilities	14,192	3,132	7,976	14,192	3,132	7,976

STATEMENT OF CASH FLOWS
In millions of Malawi Kwacha

	<u>Unaudited</u>		<u>Audited</u>	<u>Unaudited</u>		<u>Audited</u>
	<u>Group</u>	<u>Group</u>	<u>Group</u>	<u>Company</u>	<u>Company</u>	<u>Company</u>
	<u>Six months</u>	<u>Six months</u>	<u>Year ended 31</u>	<u>Six months</u>	<u>Six months</u>	<u>Year ended 31</u>
	<u>to 30 June</u>	<u>to 30 June</u>	<u>December</u>	<u>to 30 June</u>	<u>to 30 June</u>	<u>December</u>
	<u>2013</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
Operating activities						
Interest and fees received	15,334	11,103	24,309	15,323	11,069	24,277
Interest paid	(2,852)	(441)	(2,448)	(2,852)	(441)	(2,448)
Cash paid to suppliers and employees	(3,092)	(4,276)	(9,366)	(3,092)	(4,276)	(9,366)
	9,390	6,386	12,495	9,379	6,352	12,463
Increase/(Decrease) in operating activities before income tax	2,589	4,299	19,174	2,601	4,296	19,162
Income taxes paid	(3,008)	(1,511)	(3,219)	(3,008)	(1,511)	(3,209)
Cash flows from operating activities	8,971	9,174	28,450	8,972	9,137	28,416
Investing activities						
Investment in subsidiary					(48)	(48)
Purchase of property and equipment	(1,229)	(518)	(1,613)	(1,229)	(518)	(1,613)
Sale of property, plant and equipment	1	-	6	1	-	6
Net investing activities	(1,228)	(518)	(1,607)	(1,228)	(566)	(1,655)
Financing activities						
Dividends paid	(2,987)	(2,001)	(4,000)	(2,987)	(2,001)	(4,000)
Cash outflows from financing activities	(2,987)	(2,001)	(4,000)	(2,987)	(2,001)	(4,000)
Net Increase/(decrease) in cash and cash equivalents	4,756	6,655	22,843	4,756	6,570	22,761
Cash and cash equivalents at beginning of period	30,967	8,124	8,124	30,833	8,072	8,072
Cash and cash equivalents at end of period	35,723	14,779	30,967	35,589	14,642	30,833

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

30 th June 2013				30 th June 2012		
	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	14,442	157	136	3,825	184	152
Manufacturing	9,802	45	9	6,365	189	68
Mining	100	-	-	75	-	-
Construction	938	162	94	1,359	168	91
Energy/Electricity	583	-	-	525	-	-
Gas/Water	-	-	-	-	-	-
Transport/communication	9,147	674	245	9,038	484	160
Financial Services	78	-	-	586	-	-
Wholesale/Retail	3,978	1,613	1,020	3,376	1,031	696
Individual/Household	14,633	766	561	20,801	345	207
Real Estate	-	-	-	-	-	-
Tourism	527	190	132	432	137	16
Other	560	339	143	258	104	66
Total	54,788	3,946	2,340	46,640	2,642	1,456

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 30 th June 2013	% of Core Capital	As at 30 th June 2012	% of Core Capital
	(MK'm)		(MK'm)	
Various	9,064*	64%	5,550	54%
Construction	3,615	26%		

* = Manufacturing 26%, communication 30% and agriculture 8%

Loans to Directors, Senior Management and Other Related Parties

	30 th June 2013 (MK'm)	30 th June 2012 (MK'm)
Directors		
Balance at beginning of year	53	10
Loans granted during the year	-	21
Repayments	(7)	(3)
Balance at end of half year	46	28

	30 th June 2013 (MK'm)	30 th June 2012 (MK'm)
Other Related Parties		
Balance at beginning of year	36	273
Loans granted during the year	-	1
Repayments	(18)	(63)
Balance at end of half year	18	211

	30 th June 2013 (MK'm)	30 th June 2012 (MK'm)
Senior Management Officials		
Balance at beginning of year	303	215
Loans granted during the year	35	55
Repayments	(69)	(13)
Balance at end of half year	269	257

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	100

Base Lending Rate

	As at 30 th June 2013	As at 30 th June 2012
Base Lending Rate (local currency)	40%	23.75%
Maximum Applicable Range (percentage points)	10	10
Base Lending Rate (foreign currency loans USD)	8.5%	8.5%
RBM Bank Rate	25%	16%

Director's Remuneration, Bonuses and Franchise Fees

	30 th June 2013 (MK'm)	30 th June 2012 (MK'm)
Director's Remuneration		
- Directors fees and expenses	16	8
- Executive directors remuneration	50	32
Total bonuses paid to all staff (relating to prior year)	1,186	516
Franchise Fees to Holding Company	398	311

Deposit Rates

Type of Deposit	30 th June 2013 Rate	30 th June 2012 Rate
Malawi Kwacha		
Current account	1.0%	0.5%
Call	9.5%	4%
7 day Notice	9.5%	4.5%
30 day Notice	13%	5%
Transact plus	3%	1.5%
Saver plus	5%	3%
Savings	8%	3%
Pure save	13%	5%
Contract save	19%	12%
1 month Fixed	14%	5%
2 month fixed	17%	10%
3 month fixed	20%	12%
6 month fixed	26%	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 present the unaudited financial results of the Group for the six months ended 30 June 2013.

Economic highlights

During the first quarter of 2013, the economy continued to feel the effects of major economic reforms introduced in 2012 as evidenced by continued Kwacha depreciation and high inflation and interest rates. Robust monetary policy which triggered a spike in Treasury bill yields negatively affected liquidity in the banking sector.

However, the onset of the tobacco selling season and further tightening of monetary policy coupled with increased food availability in the second quarter created a more stable economic environment.

By the second quarter, the Kwacha appreciated by over 20% from a peak of MK420 against the US Dollar in April to close at MK337/US\$ in June while inflation rate eased to 27.9% in June from a peak of 37.9% in February.

Treasury bill yields have also responded to the stability in the key macroeconomic variables and have since shaded off almost 10 percentage points from a peak of 42% reached in April this year to close at 32%.

Performance

The Group delivered a strong set of results and has realised its objectives despite the challenging operating environment in the first six months of the year.

Profit after tax for the first half of the year was MK5.7 billion compared to MK4.3 billion during the same period in 2012. Total Income grew by 37% over same period last year due to growth in net interest income and strong trading income performance. The balance sheet also grew by 33% mainly due to a similar increase in deposits from customers.

Operating costs grew by 43% over same period in 2012 triggered by general increase of prices of commodities due to the continuing depreciation of the kwacha and high inflationary pressures concentrated mainly in the first quarter of the year. Cost to income ratio for the period was 33%.

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

Outlook

The economy is expected to continue recovering in the second half of 2013 as inflation rate is expected to continue its downward trend. The exchange rate is expected to remain generally stable but a gradual depreciation is expected given the onset of the lean season late in the third quarter. Monetary policy is also expected to remain tight to support the exchange rate which may potentially affect liquidity in the financial sector.

We will continue to exercise prudential liquidity management in order to ensure that the business is liquid and soundly capitalised. Provision of superior customer service and competitive pricing will remain our priority in order to remain competitive.

Dividend

The Board of directors has resolved to pay an interim dividend of MK9.37 (2012: MK9.37) per ordinary share representing MK2billion (2012: MK2 billion). The interim dividend will be paid on 20th September 2013 to shareholders whose names will appear on the Register of Members as at close of business on 6th September 2013. The Register of Members will be closed from 6th to 9th September 2013 both days inclusive. During this period, no share transactions will be conducted.

By order of the Board

Date 2nd August 2013

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