

STANDARD BANK LIMITED
RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013

CONSOLIDATED AND SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME

In millions of Malawi Kwacha

	<u>GROUP</u> Year ended 31 December <u>2013</u>	<u>GROUP</u> Year ended 31 December <u>2012</u>	<u>COMPANY</u> Year ended 31 December <u>2013</u>	<u>COMPANY</u> Year ended 31 December <u>2012</u>
Interest income	21,380	11,823	21,380	11,823
Interest expense	<u>(5,621)</u>	<u>(2,693)</u>	<u>(5,621)</u>	<u>(2,693)</u>
Net interest income	15,759	9,130	15,759	9,130
Net fee and commission income	5,099	3,754	5,099	3,754
Net trading income	11,834	9,300	11,804	9,266
Other operating income	<u>42</u>	<u>34</u>	<u>44</u>	<u>36</u>
Total operating income	32,734	22,218	32,706	22,186
Impairment losses on loans and advances	<u>(2,328)</u>	<u>(1,592)</u>	<u>(2,328)</u>	<u>(1,592)</u>
Income after credit impairment losses on loans and advances	<u>30,406</u>	<u>20,626</u>	<u>30,378</u>	<u>20,594</u>
Staff costs	(6,126)	(4,419)	(6,126)	(4,419)
Depreciation and amortisation	(820)	(623)	(820)	(623)
Other operating expenses	<u>(5,526)</u>	<u>(3,560)</u>	<u>(5,527)</u>	<u>(3,560)</u>
Total expenditure	<u>(12,472)</u>	<u>(8,602)</u>	<u>(12,473)</u>	<u>(8,602)</u>
Profit before income tax expense	17,934	12,024	17,905	11,992
Income tax expense	<u>(5,865)</u>	<u>(4,059)</u>	<u>(5,856)</u>	<u>(4,049)</u>
Profit for the year	<u>12,069</u>	<u>7,965</u>	<u>12,049</u>	<u>7,943</u>

**Other
comprehensive
Income**

**Items that are or
may be
reclassified to
profit or loss**

Profit for the year	12,069	7,965	12,049	7,943
Net change in fair value on available for sale financial assets	<u>(553)</u>	<u>(74)</u>	<u>(553)</u>	<u>(74)</u>

**Total
Comprehensive
Income**

<u>11,516</u>	<u>7,891</u>	<u>11,496</u>	<u>7,869</u>
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**Movement in
retained earnings**

Retained earnings brought forward	12,770	8,805	12,748	8,805
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Profit for the year	12,069	7,965	12,049	7,943
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Dividend paid	(4,986)	(4,000)	(4,986)	(4,000)
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Share ownership scheme	<u>150</u>	-	<u>150</u>	-
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**Total Retained
earnings carried
forward**

<u>20,003</u>	<u>12,770</u>	<u>19,961</u>	<u>12,748</u>
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Basic earnings per share (MK)	<u>56.66</u>	<u>37.39</u>	<u>56.57</u>	<u>37.29</u>
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Dividend per share (tambala)	<u>937</u>	<u>2,337</u>	<u>937</u>	<u>2,337</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>400</u>	<u>128</u>	<u>400</u>	<u>128</u>
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CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION
In millions of Malawi Kwacha

	<u>GROUP</u> As at 31 December 2013	<u>GROUP</u> As at 31 December 2012	<u>COMPANY</u> As at 31 December 2013	<u>COMPANY</u> As at 31 December 2012
Assets				
Cash and cash equivalents	27,219	13,500	27,066	13,366
Trading assets	14,096	8,932	14,096	8,932
Loans and advances to banks and other financial institutions	29,618	29,153	29,618	29,153
Loans and advances to customers	53,264	50,933	53,264	50,933
Financial investments	27,280	3,373	27,280	3,373
Investment in subsidiary	-	-	100	100
Other assets	5,602	4,526	5,608	4,537
Property and equipment	8,276	7,066	8,276	7,066
Intangible assets	10	15	10	15
Deferred tax assets	<u>1,336</u>	<u>698</u>	<u>1,336</u>	<u>698</u>
Total assets	<u>166,701</u>	<u>118,196</u>	<u>166,654</u>	<u>118,173</u>
Liabilities				
Deposits and loans from banks	4,018	7,858	4,018	7,858
Deposits from customers	130,139	84,717	130,139	84,717
Other liabilities	3,573	5,030	3,568	5,029
Income tax payable	1,825	1,416	1,825	1,416
Provisions	1,667	1,536	1,667	1,536
Employee benefits liabilities	113	118	113	118
Deferred tax liabilities	<u>2,456</u>	<u>1,088</u>	<u>2,456</u>	<u>1,088</u>
Total liabilities	<u>143,791</u>	<u>101,763</u>	<u>143,786</u>	<u>101,762</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	(596)	(43)	(596)	(43)
Share-based payment reserve	55	258	55	258
Retained earnings	<u>20,003</u>	<u>12,770</u>	<u>19,961</u>	<u>12,748</u>
Total shareholders' equity	<u>22,910</u>	<u>16,433</u>	<u>22,868</u>	<u>16,411</u>
Total equity and liabilities	<u>166,701</u>	<u>118,196</u>	<u>166,654</u>	<u>118,173</u>

CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS
In millions of Malawi Kwacha

	GROUP Year ended 31 December 2013	GROUP Year ended 31 December 2012	COMPANY Year ended 31 December 2013	COMPANY Year ended 31 December 2012
Cash flows from operating activities:				
Interest received	21,380	11,062	21,380	11,062
Interest paid	(5,621)	(2,448)	(5,621)	(2,448)
Fee and commission receipts	5,099	3,754	5,099	3,754
Trading and other income receipts	11,876	9,333	11,848	9,301
Recoveries from impairment losses	402	160	402	160
Payments to employees and suppliers	<u>(14,270)</u>	<u>(9,366)</u>	<u>(14,272)</u>	<u>(9,366)</u>
Cash flows from operating activities before changes in operating assets and liabilities	18,866	12,495	18,836	12,463

**Changes in
operating assets
and liabilities:**

Loans and advances	(2,331)	(11,499)	(2,331)	(11,499)
Liquidity reserve requirements	(13,781)	(5,556)	(13,781)	(5,556)
Treasury bills	7,290	(1,979)	7,290	(1,979)
Other investments	(12,868)	2,784	(12,868)	2,784
Other assets	(1,076)	(2,368)	(1,071)	(2,379)
Deposits from customers	45,422	27,015	45,422	27,015
Deposits and loans from banks	(3,840)	7,497	(3,840)	7,497
Other liabilities	<u>(1,284)</u>	<u>3,280</u>	<u>(1,287)</u>	<u>3,279</u>

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

	36,398	31,669	36,370	31,625
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Income tax paid	<u>(5,085)</u>	<u>(3,219)</u>	<u>(5,076)</u>	<u>(3,209)</u>
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Net cash from operating activities	<u>31,313</u>	<u>28,450</u>	<u>31,294</u>	<u>28,416</u>
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**Cash flows to
investing activities**

Investment In subsidiary	-	-	-	(48)
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Purchase of property and equipment	(2,438)	(1,613)	(2,438)	(1,613)
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Proceeds from sale of property and equipment	<u>6</u>	<u>6</u>	<u>6</u>	<u>6</u>
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Net cash used in investing activities	<u>(2,432)</u>	<u>(1,607)</u>	<u>(2,432)</u>	<u>(1,655)</u>
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**Cash flows to
financing activities**

Dividends paid	<u>(4,986)</u>	<u>(4,000)</u>	<u>(4,986)</u>	<u>(4,000)</u>
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**Net increase in cash
and cash
equivalents**

	23,895	22,843	23,876	22,761
Cash and cash equivalents at 1 January	<u>30,967</u>	<u>8,124</u>	<u>30,833</u>	<u>8,072</u>

Cash and cash
equivalents at 31
December

54,862

30,967

54,709

30,833

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

	31 December 2013			31 December 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	17,086	668	305	8,116	204	145
Manufacturing	7,266	543	74	10,312	176	69
Mining	172	33	30	51	0	0
Construction	997	117	28	1,315	414	214
Energy/Electricity	392	9	7	586	0	0
Gas/Water	-	-	-	-	-	-
Transport	6,264	1,170	742	5,550	598	265
Communication	3,613	0	0	2,883	0	0
Financial Services	284	45	8	0	0	0
Wholesale/Retail	4,443	1,442	1,109	6,927	1,222	690
Individual/Household	15,711	1,219	578	12,008	336	183
Real Estate	-	-	-	-	-	-
Tourism	394	14	6	407	197	55
Other	234	42	33	5,144	71	46
Total	56,856	5,302	2,920	53,299	3,218	1,667

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 Dec 2013	% of Core Capital	As at 31 Dec 2012	% of Core Capital
	(MK'm)		(MK'm)	
Agriculture	10,941	52%	3,695	27%
Manufacturing	-	-	3,757	27%
Construction	5,723	27%	-	-

Energy/Electricity	6,511	31%	-	-
Various*	8,354	40%	7,383	54%

*=Manufacturing 15%, Communication 19% and Agriculture 6%

Loans to Directors, Senior Management and Other Related Parties

	31 Dec 2013 (MK'm)	31Dec 2012 (MK'm)
Directors		
Balance at beginning of year	53	10
Loans granted during the year	0	51
Repayments	(19)	(8)
Balance at end of the year	34	53

	31 Dec 2013 (MK'm)	31 Dec 2012 (MK'm)
Other Related Parties		
Balance at beginning of year	36	273
Loans granted during the year	0	30
Repayments	(36)	(267)
Balance at end of the year	0	36

	31 Dec 2013 (MK'm)	31 Dec 2012 (MK'm)
Senior Management Officials		
Balance at beginning of year	303	215
Loans granted during the year	48	117
Repayments	(76)	(29)
Balance at end of the year	275	303

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 31 Dec 2013	As at 31 Dec 2012
Base Lending Rate (local currency)	36.5%	35.00%
Maximum Applicable Range (percentage points)	10	10
Base Lending Rate (foreign currency loans)	8.5%	6% to 8%
RBM Bank Rate	25%	25%

Director's Remuneration, Bonuses and Franchise Fees

	31 Dec 2013 (MK'm)	31 Dec 2012 (MK'm)
Director's Remuneration		
- Director's fees	14	9
- Executive directors remuneration	102	74
Total bonuses paid to all staff	1,186	516
Franchise Fees to Holding Company	903	665

Deposit Rates

Type of Deposit	As at 31 December 2013 Rate	As at 31 December 2012 Rate
Malawi Kwacha		
Current account	0.50%	1.0%
Call	7.0%	9.5%
7 day Notice	7.0%	9.5%
30 day Notice	8.0%	12%
Transact plus	2.0%	3.0%
Saver plus	5%	5%
Savings	7%	7%
Pure save	10%	12%
Contract save	13%	18%
1 month fixed	13%	12%
2 month fixed	11%	15%
3 month fixed	10%	18%
6 month fixed	Negotiable	23%
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 2013.

Economic highlights

The economy in 2013 was burdened by high interest rates as the monetary policy stance remained tight for most of the year. The intense monetary policy operations pushed up Treasury Bill yields to the highest levels since the change of government in May 2012. The blended Treasury Bill yield hit a peak of 40.19% in April 2013 and averaged 31.54% during the year. High Treasury Bill yields raised the cost of funds and consequently lending rates remained high throughout the year which negatively affected the demand for loans which resulted in a slow-down in the growth of the loan portfolio.

There was however good performance in the agricultural sector following an outstanding tobacco crop. The proceeds of the tobacco auction brought stability to the exchange rate for a few months before it tumbled again in the last quarter of the year. The Kwacha appreciated steeply by 21% between May and June 2013 but reversed all these gains and had depreciated by 32% by the end of December 2013.

The weaker currency assisted in sustaining the high double digit inflation levels in the economy given the high import dependency level. The average annual inflation rate as at December was 23.5% although a peak of 37.9% was hit in February.

Performance

2013 was a good year for the Group where it again achieved a very good financial performance. Total assets grew 41% year on year mainly as a result of a 54% growth in customer deposits. The Group maintained strong discipline in lending due to liquidity challenges in the market and concerns about the high interest rate environment and as a result there was a modest 5% growth of the loan book.

Profit after tax at MK12. 1 billion was 52% above same period last year. Operating income grew by 47% year on year due to higher trading income as well as higher income on loans and advances.

Operating costs grew 45% year on year due to a general increase in the prices of goods and services amidst a high inflation rate. The Group will continue to ensure costs are kept under control by focusing on cost management measures and operational efficiency. The cost to income ratio for the year stood at 38%.

Due to the strong performance for the year, earnings per share have increased from MK37 achieved in 2012 to MK57 in 2013.

Outlook

Economic prospects for 2014 are more of a mixed bag largely due to the pending general elections and the weaker economic environment prevailing at the end of 2013 following the withholding of budgetary support by donors in the last quarter of 2013.

Pre-elections fiscal lapses could trigger more inflationary pressures in the first half of 2014 but consolidation is expected in the post election period.

The Kwacha is expected to continue depreciating in 2014 as the country is expected to continue relying on the same traditional sources of foreign exchange. The restructuring of the Liquidity Reserve Requirement (LRR) by the monetary policy authorities will raise the funding requirements for the Group in 2014 and consequently lending rates are expected to remain high which may hamper the demand for loans.

The Group will strive to deliver the best possible service and is committed to ensuring customer satisfaction. The Group's core philosophy is to maintain a conservative and well-capitalized balance sheet (financial position) for the security of its depositors coupled with strong capital ratios and ample liquidity. In 2014, it will focus on retaining its customers in the Corporate and Investment Banking (CIB) space. Personal and Business Banking (PBB) will focus on building customer relationships whilst ensuring compliance matters are under control.

Audit Opinion

Pursuant to the requirements of the Banking Act 2010, we publish the Consolidated and Separate Statement of Profit or Loss and other Comprehensive Income, Consolidated and Separate Statement of Financial Position and Consolidated and Separate Statement of Cash flows of Standard Bank Limited as at 31 December 2013 together with the independent auditor's report thereon.

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

We have audited the consolidated and separate financial statements of the Standard Bank Limited for the year ended 31 December 2013 from which the summarised consolidated and separate financial statements were derived, in accordance with International Standards on Auditing. In our report dated 21 February 2014, we expressed an unqualified opinion on the consolidated and separate financial statements from which the summarised consolidated and separate financial statements were derived.

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

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

KPMG
Certified Public Accountants and Business Advisors
Lilongwe

21 February 2014

Dividend

An interim dividend of **MK9.37** (2012: MK9.37) per ordinary share was paid in September 2013 representing **MK2 billion** (2012: MK2billion). The directors recommend that no final dividend be paid as the Bank needs the current capital base to meet regulatory capital requirements under Basel II and also for its growth prospects.

By order of the Board

	Name	<u>Designation</u>	<u>Signature</u>	<u>Date</u>
1.	A Chitsime	Chairman	21 Feb 2014
2.	R Harawa	Director	21 Feb 2014
3.	A Mashanda	Chief Executive	21 Feb 2014
4.	T Simwaka	Chief Financial Officer	21 Feb 2014