

# STANDARD BANK LIMITED

## RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

### CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

In millions of Malawi Kwacha

	Unaudited		Audited	Unaudited		Audited
	Group	Group	Group	Company	Company	Company
	Six months to 30 June 2014	Six months to 30 June 2013	Year ended 31 December 2013	Six months to 30 June 2014	Six months to 30 June 2013	Year ended 31 December 2013
Interest income	12,004	10,159	21,380	12,004	10,159	21,380
Interest expense	(4,259)	(3,021)	(5,621)	(4,259)	(3,021)	(5,621)
Net interest income	7,745	7,138	15,759	7,745	7,138	15,759
Non-interest revenue	9,501	7,336	16,975	9,492	7,325	16,947
Total income	17,246	14,474	32,734	17,237	14,463	32,706
Credit impairment charges	(1,458)	(963)	(2,328)	(1,458)	(963)	(2,328)
Income after credit impairment charges	15,788	13,511	30,406	15,779	13,500	30,378
Operating expenses	(6,729)	(4,747)	(12,472)	(6,731)	(4,747)	(12,473)
Profit before taxation	9,059	8,764	17,934	9,048	8,753	17,905
Taxation	(2,932)	(3,094)	(5,865)	(2,929)	(3,091)	(5,856)
Profit after tax	6,127	5,670	12,069	6,119	5,662	12,049
<b>Other Comprehensive Income</b>						
Net change in fair value on available for sale financial assets	(556)	(27)	(553)	(556)	(27)	(553)
<b>Total comprehensive income</b>	<b>5,571</b>	<b>5,643</b>	<b>11,516</b>	<b>5,563</b>	<b>5,635</b>	<b>11,496</b>
<b>Movement in retained earnings</b>						
Retained earnings brought forward	20,003	12,770	12,770	19,961	12,748	12,748
Profit for the period	6,127	5,670	12,069	6,119	5,662	12,049
Dividends paid	-	(2,987)	(4,986)	-	(2,987)	(4,986)
Share ownership scheme	-	-	150	-	-	150
Issue of bonus shares	(7,658)	-	-	(7,658)	-	-
Retained earnings carried forward	18,472	15,453	20,003	18,422	15,423	19,961
Basic earnings per share (tambala)	2,607	2,662	5,666	2,604	2,658	5,657
Dividend per share (tambala)	-	937	1,874	-	937	1,874
Number of ordinary shares in issue (million)	235	213	213	235	213	213
Market price per share (kwacha)	395	166	400	395	166	400

### CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

In millions of Malawi Kwacha

	Unaudited		Audited		Unaudited		Audited
	Group	Group	Group	Company	Company	Company	Company
	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013	As at 30 June 2014	As at 30 June 2013	As at 31 December 2013	
<b>ASSETS</b>							
Cash and balances with Reserve Bank	23,526	9,417	27,219	23,373	9,283	27,066	
Trading assets	14,989	18,822	14,096	14,989	18,822	14,096	
Financial Investments	8,870	11,261	27,280	8,870	11,261	27,280	
Loans and advances to banks	55,963	24,197	29,618	55,963	24,197	29,618	
Loans and advances to customers	58,151	51,345	53,264	58,151	51,345	53,264	
Investment in Subsidiary	-	-	-	100	100	100	
Other assets	5,615	5,727	5,602	5,615	5,728	5,608	
Intangible assets	17	12	10	17	12	10	
Property, plant and equipment	8,160	7,608	8,276	8,160	7,608	8,276	
Deferred tax asset	771	608	1,336	771	608	1,336	
<b>Total assets</b>	<b>176,062</b>	<b>128,997</b>	<b>166,701</b>	<b>176,009</b>	<b>128,964</b>	<b>166,654</b>	
<b>EQUITY AND LIABILITIES</b>							
<b>Shareholders' equity</b>							
Issued capital	235	213	213	235	213	213	
Share premium	8,491	854	854	8,491	854	854	
Retained earnings	18,472	15,453	20,003	18,422	15,423	19,961	
Other reserves	2,414	2,572	1,840	2,414	2,572	1,840	
	29,612	19,092	22,910	29,562	19,062	22,868	
<b>Liabilities</b>							
Deposits from banks	8,405	721	4,018	8,405	721	4,018	
Deposits from customers	129,739	99,575	130,139	129,739	99,575	130,139	
Other liabilities	4,758	7,109	5,353	4,758	7,109	5,348	
Income tax payable	2,248	1,368	1,825	2,245	1,365	1,825	
Deferred tax liability	1,300	1,132	2,456	1,300	1,132	2,456	
	146,450	109,905	143,791	146,447	109,902	143,786	
<b>Total equity and liabilities</b>	<b>176,062</b>	<b>128,997</b>	<b>166,701</b>	<b>176,009</b>	<b>128,964</b>	<b>166,654</b>	
<b>Off balance sheet items</b>							
Contingent Liabilities	15,871	14,192	43,293	15,871	14,192	43,293	
Undrawn commitments	7,220	1,125	5,544	7,220	1,125	5,544	
Foreign exchange contracts	28,029	31,318	43,064	28,029	31,318	43,064	

### CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

In millions of Malawi Kwacha

	Unaudited		Audited	Unaudited		Audited
	Group Six months to 30 June 2014	Group Six months to 30 June 2013	Group Year ended 31 December 2013	Company Six months to 30 June 2014	Company Six months to 30 June 2013	Company Year ended 31 December 2013
<b>Operating activities</b>						
Interest, fees and other income received	21,774	15,334	38,757	21,765	15,323	38,729
Interest paid	(4,259)	(2,852)	(5,621)	(4,259)	(2,852)	(5,621)
Cash paid to suppliers and employees	(6,322)	(3,092)	(14,270)	(6,330)	(3,092)	(14,272)
Cash flows from operating activities before changes in operating assets and liabilities	11,193	9,390	18,866	11,176	9,379	18,836
Increase in operating activities before income tax	8,441	2,589	17,532	8,451	2,601	17,534
Income taxes paid	(3,307)	(3,008)	(5,085)	(3,299)	(3,008)	(5,076)
Cash flows from operating activities	16,327	8,971	31,313	16,328	8,972	31,294
<b>Investing activities</b>						
Purchase of property and equipment	(873)	(1,229)	(2,438)	(873)	(1,229)	(2,438)
Sale of property, plant and equipment	10	1	6	10	1	6
Net investing activities	(863)	(1,228)	(2,432)	(863)	(1,228)	(2,432)
<b>Financing activities</b>						
Dividends paid	-	(2,987)	(4,986)	-	(2,987)	(4,986)
Cash outflows from financing activities	-	(2,987)	(4,986)	-	(2,987)	(4,986)
Net Increase in cash and cash equivalents	15,464	4,756	23,895	15,465	4,757	23,876
Cash and cash equivalents at beginning of period	54,862	30,967	30,967	54,709	30,833	30,833
Cash and cash equivalents at end of period	70,326	35,723	54,862	70,174	35,590	54,709



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## RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2014

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

As at 30 <sup>th</sup> June 2014				As at 30 <sup>th</sup> June 2013		
	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	15,327	1,010	833	14,442	157	136
Manufacturing	13,432	416	38	9,802	45	9
Mining	1,445	58	43	100	-	-
Construction	1,139	103	62	938	162	94
Energy/Electricity	2,003	19	5	583	-	-
Gas/Water		-	-	-	-	-
Transport/communication	9,557	1,607	1,065	9,147	674	245
Financial Services	341	18	9	78	-	-
Wholesale/Retail	3,689	2,704	1,560	3,978	1,613	1,020
Individual/Household	15,981	1,312	810	14,633	766	561
Real Estate		-	-	-	-	-
Tourism	395	-	-	527	190	132
Other				560	339	143
Total	63,309	7,247	4,425	54,788	3,946	2,340

### 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 <sup>th</sup> June 2014	% of Core Capital	As at 30 <sup>th</sup> June 2013	% of Core Capital
	(MK'm)		(MK'm)	
Various	7,966*	33%	9,064	64%
Construction	-	-	3,615	26%
Manufacturing	6,528	27%	-	-

\* = Manufacturing 14%, communication 14% and agriculture 5%

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

	30 <sup>th</sup> June 2014 (MK'm)	30 <sup>th</sup> June 2013 (MK'm)
<b>Directors</b>		
Balance at beginning of year	34	53
Loans granted during the year	-	-
Repayments	(1)	(7)
Balance at end of half year	33	46

	30 <sup>th</sup> June 2014 (MK'm)	30 <sup>th</sup> June 2013 (MK'm)
<b>Other Related Parties</b>		
Balance at beginning of year	36	36
Loans granted during the year	-	-
Repayments	(36)	(18)
Balance at end of half year	-	18

	30 <sup>th</sup> June 2014 (MK'm)	30 <sup>th</sup> June 2013 (MK'm)
<b>Senior Management Officials</b>		
Balance at beginning of year	275	303
Loans granted during the year	97	35
Repayments	(39)	(69)
Balance at end of half year	333	269

### 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 <sup>th</sup> June 2014	As at 30 <sup>th</sup> June 2013
Base Lending Rate (local currency)	35%	40%
Maximum Applicable Range (percentage points)	10	10
Base Lending Rate (foreign currency loans USD)	8.5%	8.5%
RBM Bank Rate	25%	25%

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

	30 <sup>th</sup> June 2014 (MK'm)	30 <sup>th</sup> June 2013 (MK'm)
Director's Remuneration		
- Non executive directors fees and expenses	22	16
- Executive directors remuneration	91	50
Total bonuses paid to all staff (relating to prior year provision)	1,348	1,186
Franchise Fees to Holding Company	524	398

### Deposit Rates

Type of Deposit	30 <sup>th</sup> June 2014 Rate	30 <sup>th</sup> June 2013 Rate
<b>Malawi Kwacha</b>		
Current account	0.25%	1.0%
Call	8%	9.5%
7 day Notice	7%	9.5%
30 day Notice	8%	13%
Transact plus	2%	3%
Saver plus	5%	5%
Savings	8%	8%
Pure save	15%	13%
Contract save	15%	19%
1 month Fixed	13%	14%
2 month fixed	11%	17%
3 month fixed	10%	20%
6 month fixed	negotiable	26%
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%

\* Additional disclosures on Risk and Capital Management can be accessed on the Bank's website <http://www.standardbank.co.mw>.

## FINANCIAL REVIEW

We present the unaudited financial results of the Group for the six months ended 30 June 2014.

### Economic highlights

There was a general economic slowdown during the first half on account of increased uncertainties in the run up to the May tripartite general elections. High lending rates continued to characterise the macroeconomic environment and negatively affected credit expansion. Notwithstanding a tight monetary policy stance that the authorities pursued in the first half, the interbank rate and Treasury bill yields generally abated but soared briefly in May. Both the interbank rate and the Treasury bill yield were lower than same period last year. The lower Treasury bill yields helped to ease liquidity management challenges in the banking industry.

On the foreign exchange market, the Kwacha remained relatively stable in the first half; partly supported by the tight monetary policy stance. The currency started to appreciate earlier (in February, well before the onset of tobacco season) than normal; gaining nearly 10% against the US dollar between January and June.

### Performance

The Group's continued investment in the business has seen a strong set of half year results. Total assets grew 36% over same period last year due to a 30% growth in customer deposits. Despite a high deposit growth, loans and advances to customers grew 13% over same period last year due to high interest rates which impacted customer's appetite for borrowing. The high interest rates also negatively impacted customer's ability to repay facilities which in turn has led to a 51% growth in credit impairment charges.

Profit after tax at MK6.1billion was 8% above same period last year. Total income grew 19% year on year on account of higher trading revenue and income on loans and advances to customers. Operating costs grew by 42% over same period last year triggered by general increases of prices of commodities.

As a result, cost to income ratio at 39% was 6% above same period last year.

### Outlook

We expect a lower interest rate environment to support economic growth in the second half although the risk of rising inflation and interest rates remains. Pressure on inflation is expected to emanate from largely a weaker local currency as the lean season sets in early with tobacco revenues projected to be lower in the current season. As for the direction of interest rates in the medium term, the resumption of budgetary support holds the key – which also has direct impact on exchange rate stability.

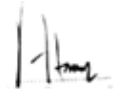



The Group's long term strategy is to sustain and enhance return on equity by investing in capabilities that drive growth, reduce cost to income ratio, engagement of our people and improve risk and compliance management framework.

### Dividend

The Board of directors has resolved to pay an interim dividend of MK2.13 (2013: MK9.37) per ordinary share representing MK500 million (2013: MK2 billion). The interim dividend will be paid on 19 September 2014 to shareholders whose names will appear on the Register of Members as at close of business on 5 September 2014. The Register of Members will be closed from 5<sup>th</sup> to 8<sup>th</sup> September 2014 both days inclusive. During this period, no share transactions will be conducted.

### By order of the Board

Date 13<sup>th</sup> August 2014

	Name	Designation	Signature	Date
1.	R Harawa	Chairman		13 <sup>th</sup> August 2014
2.	A Chioko	Director		13 <sup>th</sup> August 2014
3.	A Mashanda	Chief Executive		13 <sup>th</sup> August 2014
4.	T Simwaka	Chief Financial Officer		13 <sup>th</sup> August 2014



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