

# STANDARD BANK LIMITED

## RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

### STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	Six months to 30 June 2015	Six months to 30 June 2014	Year ended 31 December 2014	Six months to 30 June 2015	Six months to 30 June 2014	Year ended 31 December 2014
Interest income	12,657	12,004	22,790	12,657	12,004	22,790
Interest expense	(1,631)	(4,259)	(5,867)	(1,631)	(4,259)	(5,867)
Net interest income	11,026	7,745	16,923	11,026	7,745	16,923
Non-interest revenue	8,091	9,501	18,038	8,056	9,492	18,009
Total income	19,117	17,246	34,961	19,082	17,237	34,932
Credit impairment charges	(170)	(1,458)	(1,440)	(170)	(1,458)	(1,440)
Income after credit impairment charges	18,947	15,788	33,521	18,912	15,779	33,492
Operating expenses	(9,093)	(6,729)	(15,491)	(9,094)	(6,731)	(15,492)
Profit before taxation	9,854	9,059	18,030	9,818	9,048	18,000
Taxation	(3,120)	(2,932)	(5,741)	(3,109)	(2,929)	(5,732)
Profit after tax	6,734	6,127	12,289	6,709	6,119	12,268
<b>Other Comprehensive Income</b>						
Net revaluation gain on property and equipment	-	-	1,830	-	-	1,830
Net change in fair value on available for sale financial assets	(25)	(556)	549	(25)	(556)	549
<b>Total comprehensive income</b>	<b>6,709</b>	<b>5,571</b>	<b>14,668</b>	<b>6,684</b>	<b>5,563</b>	<b>14,647</b>
<b>Movement in retained earnings</b>						
Retained earnings brought forward	24,133	20,003	20,003	24,070	19,961	19,961
Profit for the period	6,734	6,127	12,289	6,709	6,119	12,268
Dividends paid	(2,506)	-	(500)	(2,506)	-	(500)
Issue of bonus shares	-	(7,658)	(7,659)	-	(7,658)	(7,659)
Retained earnings carried forward	28,361	18,472	24,133	28,273	18,422	24,070
Basic earnings per share (tambala)	2,877	2,618	5,252	2,867	2,615	5,252
Dividend per share (tambala)	1,068	-	213	1,068	-	213
Number of ordinary shares in issue (million)	234	234	234	234	234	234
Market price per share (kwacha)	435	395	425	435	395	425

### CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	Six months to 30 June 2015	Six months to 30 June 2014	Year ended 31 December 2014	Six months to 30 June 2015	Six months to 30 June 2014	Year ended 31 December 2014
<b>ASSETS</b>						
Cash and balances with Reserve Bank	24,079	23,526	30,617	23,881	23,373	30,448
Trading assets	22,983	14,989	11,931	22,983	14,989	11,931
Financial Investments	25,167	8,870	20,160	25,167	8,870	20,160
Loans and advances to banks	24,931	55,963	55,594	24,931	55,963	55,594
Loans and advances to customers	71,255	58,151	55,487	71,255	58,151	55,487
Investment in Subsidiary	-	-	-	100	100	100
Other assets	6,936	5,615	4,417	6,936	5,615	4,417
Intangible assets	11	17	14	11	17	14
Property, plant and equipment	11,511	8,160	11,473	11,511	8,160	11,473
Deferred tax asset	1,552	771	1,272	1,552	771	1,272
<b>Total assets</b>	<b>188,425</b>	<b>176,062</b>	<b>190,965</b>	<b>188,327</b>	<b>176,009</b>	<b>190,896</b>
<b>EQUITY AND LIABILITIES</b>						
<b>Shareholders' equity</b>						
Issued capital	234	234	234	234	234	234
Share premium	8,492	8,492	8,492	8,492	8,492	8,492
Retained earnings	28,361	18,472	24,133	28,273	18,422	24,070
Other reserves	4,226	2,414	4,233	4,226	2,414	4,233
	41,313	29,612	37,092	41,225	29,562	37,029
<b>Liabilities</b>						
Deposits from banks	3,993	8,405	662	3,993	8,405	662
Deposits from customers	130,029	129,739	140,599	130,029	129,739	140,599
Other liabilities	8,249	4,758	7,639	8,249	4,758	7,640
Income tax payable	1,778	2,248	2,689	1,768	2,245	2,682
Deferred tax liability	3,063	1,300	2,284	3,063	1,300	2,284
	147,112	146,450	153,873	147,102	146,447	153,867
<b>Total equity and liabilities</b>	<b>188,425</b>	<b>176,062</b>	<b>190,965</b>	<b>188,327</b>	<b>176,009</b>	<b>190,896</b>
<b>Off balance sheet items</b>						
Contingent Liabilities	16,864	15,871	23,066	16,864	15,871	23,066
Undrawn commitments	12,957	7,220	15,091	12,957	7,220	15,091
Foreign exchange contracts	26,111	28,029	19,281	26,111	28,029	19,281

### CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	Six months to 30 June 2015	Six months to 30 June 2014	Year ended 31 December 2014	Six months to 30 June 2015	Six months to 30 June 2014	Year ended 31 December 2014
<b>Operating activities</b>						
Interest, fees and other income received	21,486	21,774	41,572	21,451	21,765	41,543
Interest paid	(1,631)	(4,259)	(5,867)	(1,631)	(4,259)	(5,867)
Cash paid to suppliers and employees	(9,377)	(6,322)	(15,256)	(9,376)	(6,330)	(15,266)
Cash flows from operating activities before changes in operating assets and liabilities	10,478	11,193	20,449	10,444	11,176	20,410
(Decrease)/Increase in operating activities before income tax	(33,629)	8,441	23,761	(33,630)	8,451	23,773
Income taxes paid	(3,457)	(3,307)	(5,840)	(3,451)	(3,299)	(5,829)
Cash flows from operating activities	(26,608)	16,327	38,370	(26,637)	16,328	38,354
<b>Investing activities</b>						
Purchase of property and equipment	(766)	(873)	(2,371)	(766)	(873)	(2,371)
Sale of property, plant and equipment	23	10	1	23	10	1
Net investing activities	(743)	(863)	(2,370)	(743)	(863)	(2,370)
<b>Financing activities</b>						
Dividends paid	(2,506)	-	(500)	(2,506)	-	(500)
Cash outflows from financing activities	(2,506)	-	(500)	(2,506)	-	(500)
Net Increase in cash and cash equivalents	(29,857)	15,464	35,500	(29,886)	15,465	35,484
Cash and cash equivalents at beginning of period	90,362	54,862	54,862	90,193	54,709	54,709
Cash and cash equivalents at end of period	60,505	70,326	90,362	60,307	70,174	90,193

# STANDARD BANK LIMITED

## RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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

	As at 30 <sup>th</sup> June 2015			As at 30 <sup>th</sup> June 2014		
	Outstanding Amount (MK'm)	Impaired amount (MK'm)	Specific provision (MK'm)	Outstanding Amount (MK'm)	Impaired amount (MK'm)	Specific provision (MK'm)
Agriculture	22,937	1,246	839	15,327	1,010	833
Manufacturing	8,337	-	-	13,432	416	38
Mining	2,300	29	29	1,445	58	43
Construction	466	56	55	1,139	103	62
Energy/Electricity	1,514	-	-	2,003	19	5
Gas/Water	-	-	-		-	-
Transport/communication	6,350	382	382	9,557	1,607	1,065
Financial Services	677	-	-	341	18	9
Wholesale/Retail	1,445	687	471	3,689	2,704	1,560
Individual/Household	29,843	423	337	15,981	1,312	810
Real Estate	-	-	-		-	-
Tourism	394	-	-	395	-	-
Other						
Total	74,263	2,823	2,113	63,309	7,247	4,425

### 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 2015 (MK'm)	% of Core Capital	As at 30 <sup>th</sup> June 2014 (MK'm)	% of Core Capital
Various	-	-	7,966*	33%
Agriculture	12,389	37%	-	-
Manufacturing	9,251	27%	6,528	27%

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

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

	30 <sup>th</sup> June 2015 (MK'm)	30 <sup>th</sup> June 2014 (MK'm)
Directors		
Balance at beginning of year	40	34
Loans granted during the year	-	-
Repayments	(17)	(1)
Balance at end of half year	23	33

	30 <sup>th</sup> June 2015 (MK'm)	30 <sup>th</sup> June 2014 (MK'm)
Other Related Parties		
Balance at beginning of year	-	-
Loans granted during the year	414	-
Repayments	(414)	-
Balance at end of half year	-	-

	30 <sup>th</sup> June 2015 (MK'm)	30 <sup>th</sup> June 2014 (MK'm)
Senior Management Officials		
Balance at beginning of year	332	275
Loans granted during the year	22	97
Repayments	(91)	(39)
Balance at end of half year	263	333

### 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	100million	100%	100	100

### Base Lending Rate

	As at 30 <sup>th</sup> June 2015	As at 30 <sup>th</sup> June 2014
Base Lending Rate (local currency)	38%	35%
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 2015 (MK'm)	30 <sup>th</sup> June 2014 (MK'm)
Director's Remuneration		
• Non executive directors fees and expenses	21	22
• Executive directors remuneration	157	91
Total bonuses paid to all staff (relating to prior year provision)	1,402	1,348
Franchise Fees to Holding Company	572	524

### Deposit Rates

Type of Deposit	30 <sup>th</sup> June 2015 Rate	30 <sup>th</sup> June 2014 Rate
Current account	0.20%	0.25%
Call	7%	8%
7 day Notice	6%	7%
30 day Notice	7%	8%
Transact plus	2%	2%
Saver plus	5%	5%
Savings	8%	8%
Pure save	11%	15%
Contract save	12%	15%
1 month Fixed	11%	13%
2 month fixed	10%	11%
3 month fixed	9%	10%
6 month fixed	negotiable	negotiable
9 month fixed	negotiable	negotiable
12 month fixed	negotiable	negotiable
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 2015.

### Economic highlights

In the first half of the year, the macroeconomic environment continued to be characterised by high lending rates, which constrained credit expansion. Treasury bill yields generally abated, partly due to high market liquidity that characterised the most part of the period. Headline inflation hit a two-year low of 18.2% in March, supported by lower food prices and a decline in global oil prices.

The Kwacha remained relatively stable in the first half with minimal volatility. The anticipated exchange appreciation in the first half of the tobacco season was subdued as demand for foreign exchange soared in the period.

### Performance

The Group leveraged on its diversified product mix to deliver positive half year results despite the challenging business environment. Total assets grew by 7% year-on-year, mainly emanating from a 23% growth in loans and advances to customers. The growth in loans and advances to customers was as a result of the Group's initiatives of selectively growing its lending portfolio.

Total income for the half year grew by 11% year-on-year, owing to strong performance on net interest income notwithstanding the decrease of 15% on prior year performance in noninterest revenue. The bank's robust credit risk management ensured a healthy portfolio and has since resulted in significant recoveries during the period under review. Credit impairments, therefore, closed the first half of the year at 88% below prior year. Operating costs grew 35% over same period last year due to general price increase of goods and services. The income growth partly mitigated the impact of rising operating costs and in turn resulted in a cost to income ratio of 48% against 39% recorded in the same period last year. Consequently, profit after tax for the first half of the year at MK6.7billion was 10% above same period last year.

### Outlook

We expect inflationary pressures emanating from rising cost of food to persist in the second half which may restrict an expansionary monetary policy. Furthermore, the continued heavy reliance on domestic borrowing to finance the fiscal deficit will continue to pose a challenge in achieving a low interest rate environment

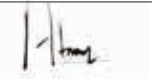



The Group's long term strategy is to sustain and enhance return on equity by investing in capabilities that drive growth, reduce cost to income ratio, enhance engagement of our people and continuously improve risk, capital and compliance management.

### Dividend

The Board of directors has resolved to pay an interim dividend of MK 2.13 (2014: MK2.13) per ordinary share representing MK500 million (2014: MK500 million). The interim dividend will be paid on 18 September 2015 to shareholders whose names will appear on the Register of Members as at close of business on 4 September 2015.The Register of Members will be closed from 4<sup>th</sup> to 7<sup>th</sup> September 2015 both days inclusive. During this period, no share transactions will be conducted.

By order of the Board

Date 30<sup>th</sup> July 2015

	Name	Designation	Signature	Date
1.	R Harawa	Chairman		30 <sup>th</sup> July 2015
2.	A Chioko	Director		30 <sup>th</sup> July 2015
3.	A Mashanda	Chief Executive		30 <sup>th</sup> July 2015
4.	T Simwaka	Chief Financial Officer		30 <sup>th</sup> July 2015

