

Standard Bank Limited

Results Announcement

For the six months ended 30th June 2016



STATEMENTS OF COMPREHENSIVE INCOME

In millions of Malawi Kwacha

	CONSOLIDATED			SEPARATE		
	Unaudited	Audited		Unaudited	Audited	
	Six months to 30 th June 2016	Six months to 30 th June 2015	Year ended 31 st Dec 2015	Six months to 30 th June 2016	Six months to 30 th June 2015	Year ended 31 st Dec 2015
Interest income	20,935	12,657	26,627	20,935	12,657	26,626
Interest expense	(4,357)	(1,631)	(3,718)	(4,357)	(1,631)	(3,718)
Net interest income	16,578	11,026	22,909	16,578	11,026	22,908
Non-interest revenue	8,971	8,091	14,982	8,740	8,056	14,740
Total income	25,549	19,117	37,891	25,318	19,082	37,648
Credit impairment charges	(181)	(170)	673	(181)	(170)	673
Income after credit impairment charges	25,368	18,947	38,564	25,137	18,912	38,321
Operating expenses	(11,672)	(9,093)	(19,183)	(11,612)	(9,094)	(19,155)
Profit before taxation	13,696	9,854	19,381	13,525	9,818	19,166
Taxation	(4,057)	(3,120)	(6,028)	(4,005)	(3,109)	(5,963)
Profit after tax	9,639	6,734	13,353	9,520	6,709	13,203
Other Comprehensive Income						
Net revaluation gain on property and equipment	-	-	-	-	-	-
Net change in fair value on available for sale financial assets	(153)	(25)	(382)	(153)	(25)	(382)
Total comprehensive income	9,486	6,709	12,971	9,367	6,684	12,821
Movement in retained earnings						
Retained earnings brought forward	34,512	24,133	24,133	34,299	24,070	24,070
Profit for the period	9,639	6,734	13,353	9,520	6,709	13,203
Dividends paid	(3,008)	(2,506)	(3,006)	(3,008)	(2,506)	(3,006)
Transfer from share scheme	-	-	32	-	-	32
Retained earnings carried forward	41,143	28,361	34,512	40,810	28,273	34,299
Basic earnings per share (tambala)	4,199	2,877	5,706	4,051	2,877	5,642
Dividend per share (tambala)	1,282	1,068	1,281	1,282	1,068	1,281
Number of ordinary shares in issue (million)	234	234	234	234	234	234
Market price per share (kwacha)	440	435	440	440	435	440

STATEMENTS OF FINANCIAL POSITION

In millions of Malawi Kwacha

	CONSOLIDATED			SEPARATE		
	Unaudited	Audited		Unaudited	Audited	
	As at 30 th June 2016	As at 30 th June 2015	As at 31 st Dec 2015	As at 30 th June 2016	As at 30 th June 2015	As at 31 st Dec 2015
ASSETS						
Cash and balances with Reserve Bank	22,175	24,079	24,708	21,838	23,881	24,630
Trading assets	20,260	22,983	9,277	20,274	22,983	9,277
Financial Investments	43,811	25,167	34,928	43,811	25,167	34,928
Loans and advances to banks	83,533	24,931	47,877	83,372	24,931	47,877
Loans and advances to customers	77,202	71,255	93,058	77,202	71,255	93,058
Investment in Subsidiary	-	-	-	100	100	100
Other assets	7,509	6,936	6,121	7,509	6,936	6,125
Intangible assets	75	11	9	75	11	9
Property, plant and equipment	12,262	11,511	11,675	12,262	11,511	11,675
Deferred tax asset	1,139	1,552	1,548	1,139	1,552	1,548
Total assets	267,966	188,425	229,201	267,582	188,327	229,227
EQUITY AND LIABILITIES						
Shareholders' equity						
Issued capital	234	234	234	234	234	234
Share premium	8,492	8,492	8,492	8,492	8,492	8,492
Retained earnings	41,143	28,361	34,512	40,809	28,273	34,299
Other reserves	3,569	4,226	3,797	3,569	4,226	3,797
	53,438	41,313	47,035	53,104	41,225	46,822

Liabilities

Deposits from banks	2,318	3,993	2,203	2,318	3,993	2,203
Deposits from customers	196,370	130,029	167,388	196,370	130,029	167,657
Other liabilities	9,941	8,249	7,867	9,933	8,249	7,866
Income tax payable	2,267	1,778	1,720	2,225	1,768	1,691
Deferred tax liability	3,632	3,063	2,988	3,632	3,063	2,988
	214,528	147,112	182,166	214,478	147,102	182,405

Total equity and liabilities

	267,966	188,425	229,201	267,582	188,327	229,227
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Off balance sheet items

Contingent Liabilities	33,933	16,864	37,077	33,933	16,864	37,077
Undrawn commitments	24,655	12,957	11,495	24,655	12,957	11,495
Foreign exchange contracts	23,597	26,111	42,868	23,597	26,111	42,868

STATEMENTS OF CASH FLOWS

In millions of Malawi Kwacha

	CONSOLIDATED			SEPARATE		
	Unaudited	Audited		Unaudited	Audited	
	Six months to 30 th June 2016	Six months to 30 th June 2015	Year ended 31 st Dec 2015	Six months to 30 th June 2016	Six months to 30 th June 2015	Year ended 31 st Dec 2015
Operating activities						
Interest, fees and other income received	30,432	21,486	43,365	30,200	21,451	43,113
Interest paid	(4,356)	(1,631)	(3,718)	(4,356)	(1,631)	(3,718)
Cash paid to suppliers and employees	(11,239)	(9,377)	(19,725)	(11,192)	(9,376)	(19,689)
Cash flows from operating activities before changes in operating assets and liabilities	14,837	10,478	19,922	14,652	10,444	19,705
Increase/ (decrease) in operating activities before income tax	48,609	(33,629)	(31,880)	48,336	(33,630)	(31,615)
Income taxes paid	(2,879)	(3,457)	(5,962)	(2,841)	(3,451)	(5,920)
Cash flows from operating activities	60,567	(26,608)	(17,920)	60,147	(26,637)	(17,830)
Investing activities						
Purchase of property and equipment	(1,517)	(766)	(1,786)	(1,517)	(766)	(1,786)
Sale of property, plant and equipment	5	23	40	5	23	40
Net investing activities	(1,512)	(743)	(1,746)	(1,512)	(743)	(1,746)
Financing activities						
Dividends paid	(3,008)	(2,506)	(3,006)	(3,008)	(2,506)	(3,006)
Cash outflows from financing activities	(3,008)	(2,506)	(3,006)	(3,008)	(2,506)	(3,006)
Net Increase/ (decrease) in cash and cash equivalents	56,047	(29,857)	(22,672)	55,627	(29,886)	(22,582)
Cash and cash equivalents at beginning of period	67,690	90,362	90,362	67,611	90,193	90,193
Cash and cash equivalents at end of period	123,736	60,505	67,690	123,238	60,307	67,611

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

	As at 30 th June 2016			As at 30 th June 2015		
	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	14,668	-	-	22,937	1,246	839
Manufacturing	17,898	-	-	8,337	-	-
Mining	238	-	-	2,300	29	29
Construction	197	101	61	466	56	55
Energy/Electricity	13	-	-	1,514	-	-
Gas/Water	-	-	-	-	-	-
Transport/communication	4,074	1,043	805	6,350	382	382
Financial Services	1,702	-	-	677	-	-
Wholesale/Retail	4,478	105	72	1,445	687	471
Individual/Household	36,054	199	187	29,843	423	337
Real Estate	-	-	-	-	-	-
Tourism	263	-	-	394	-	-
Other	-	-	-	-	-	-
Total	79,585	1,448	1,125	74,263	2,823	2,113

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 2016 (MK'm)	% of Core Capital	As at 30 th June 2015 (MK'm)	% of Core Capital
Agriculture	-	-	12,389	37%
Manufacturing	-	-	9,251	27%

Loans to Directors, Senior Management and Other Related Parties

	30 th June 2016 (MK'm)	30 th June 2015 (MK'm)
Directors		
Balance at beginning of the period	21	40
Loans granted during the period	10	-
Repayments	-	(17)
Balance at end of the period	31	23

	30 th June 2016 (MK'm)	30 th June 2015 (MK'm)
Other Related Parties		
Balance at beginning of the period	261	-
Loans granted during the period	707	414
Repayments	(779)	(414)
Balance at end of the period	189	-

	30 th June 2016 (MK'm)	30 th June 2015 (MK'm)
Senior Management Officials		
Balance at beginning of the period	347	332
Loans granted during the period	36	22
Repayments	(99)	(91)
Balance at end of the period	284	263

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 million	100%	100	100

Base Lending Rate

	As at 30 th June 2016	As at 30 th June 2015
Base Lending Rate (local currency)	35%	38%
Maximum Applicable Range (percentage points)	10	10
Base Lending Rate (foreign currency loans USD)	8.5%	8.5%
RBM Bank Rate	27%	25%

Director's Remuneration, Bonuses and Franchise Fees

	30 th June 2016 (MK'm)	30 th June 2015 (MK'm)
Director's Remuneration		
- Non executive directors fees and expenses	28	21
- Executive directors remuneration	193	157
Total bonuses paid to all staff (relating to prior year provision)	1,791	1,402
Franchise Fees to Holding Company	792	572

Deposit Rates

Type of Deposit	30 th June 2016 Rate	30 th June 2015 Rate
Malawi Kwacha		
Current account	0.20%	0.20%
Call	7%	7%
7 day Notice	6%	6%
30 day Notice	7%	7%
Transact plus	0.20%	2%
Saver plus	5%	5%
Savings	8%	8%
Pure save	11%	11%
Contract save	12%	12%
1 month Fixed	11%	11%
2 month fixed	10%	10%
3 month fixed	9%	9%
6 month fixed	negotiable	negotiable
9 month fixed	negotiable	negotiable
12 month fixed	negotiable	negotiable
Foreign Currency Denominated Accounts (FCDAs)		
USD	0.37%	0.5%
GBP	0.48%	1.5%
EUR	0%	0.5%
ZAR	0%	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 2016.

Economic Highlights

High lending rates prevailed in the first half and continued to negatively affect credit extension to the private sector. Treasury bill yields soared in the first half in response to a tight monetary policy stance pursued by the authorities. Headline inflation maintained a steady descent in the first four months on the back of declining food inflation and stable core inflation; however due to a lower maize harvest, food prices started to rise in May which adversely impacted the inflation rate. The Kwacha appreciated in March and April but has generally been less-responsive to increased dollar inflows from tobacco sales.

Performance

The Group leveraged its diversified product mix to deliver growth for the half year despite the challenging business environment. Total assets grew by 42% year-on-year, mainly emanating from a growth in financial investments and loans & advances to banks. The growth in loans and advances to customers of 8% was subdued given the tough economic conditions which primarily drove the increase seen in financial investments.

Total income for the half year grew by 34% year-on-year, owing to strong performance in net interest income and fees and commission earned. The bank's continued robust credit risk management ensured a healthy portfolio, where credit impairments increased marginally compared to last year, amidst current economic conditions. The income growth partly mitigated the impact of the general rise in operating costs on the back of a continued depreciation of the Kwacha which resulted in a cost to income ratio of 46% against 47% recorded in the same period last year. Profit after tax for the first half of the year at MK9.6billion, was 43% up year-on-year.

Outlook

Maize shortages will continue to exert pressure on inflation therefore we expect monetary policy to remain tight thereby keeping interest rates high.

Dividend

The Board of directors has resolved