# 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

	CROUR	CDOUD	COMPANY	COMPANY
	GROUP Year ended	GROUP Year ended	COMPANY Year ended	Year ended
	31 Dec 2013	31 Dec 2012	31 Dec 2013	31 Dec 2012
Interest income	21,380	11,823	21,380	11,823
Interest expense	(5,621)	(2,693)	(5,621)	(2,693)
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 Other operating income	11,834 42	9,300 34	11,804 44	9,266 36
Total operating income	32,734	22,218	32,706	22,186
Impairment losses on loans and advances	(2,328)	(1,592)	(2,328)	(1,592)
Income after credit impairment losses on loans and advances	30,406	20,626	30,378	20,594
Staff costs Depreciation and amortisation Other operating expenses	(6,126) (820) (5,526)	(4,419) (623) (3,560)	(6,126) (820) (5,527)	(4,419) (623) (3,560)
Total expenditure Profit before income tax expense	(12,472) 17,934	(8,602) 12,024	(12,473) 17,905	(8,602) 11,992
Income tax expense	(5,865)	(4,059)	(5,856)	(4,049)
Profit for the year	12,069	7,965	12,049	7,943
Other comprehensive income Items that are or may be reclassified to profit or loss Profit for the year Net change in fair value on available for sale financial assets	12,069 (553)	7,965 (74)	12,049 (553)	7,943 (74)
Total comprehensive income	11,516	7,891	11,496	7,869
Movement in retained earnings Retained earnings brought	·	,	,	,
forward Profit for the year	12,770 12,069	8,805 7,965	12,748 12,049	8,805 7,943
	(4,986)	(4,000)	(4,986)	(4,000)
Dividend paid	( -, /			
Dividend paid Share ownership scheme	150	-	150	-
•	• • • •	12,770	150 19,961	12,748
Share ownership scheme  Total retained earnings	150	12,770 37.39		12,748 37.29
Share ownership scheme Total retained earnings carried forward	150 20,003		19,961	
Share ownership scheme Total retained earnings carried forward Basic earnings per share (MK)	20,003 56.66	37.39	19,961 56.57	37.29

#### CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

#### In millions of Malawi Kwacha

in minions of malawi itwacii	u .			
Assets	GROUP As at 31 Dec 2013	GROUP As at 31 Dec 2012	COMPANY As at 31 Dec 2013	COMPANY As at 31 Dec 2012
Cash and cash equivalents Trading assets Loans and advances to banks and other financial	27,219 14,096	13,500 8,932	27,066 14,096	13,366 8,932
institutions Loans and advances to	29,618	29,153	29,618	29,153
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	1,336	698	1,336	698
Total assets	166,701	118,196	166,654	118,173
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 Employee benefits liabilities Deferred tax liabilities Total liabilities	1,667	1,536	1,667	1,536
	113	118	113	118
	2,456	1,088	2,456	1,088
	143,791	101,763	143,786	101,762
Shareholders' equity Share capital Share premium Revaluation reserve Available for sale reserve Share-based payment	213	213	213	213
	854	854	854	854
	2,381	2,381	2,381	2,381
	(596)	(43)	(596)	(43)
reserve Retained earnings Total shareholders' equity	55	258	55	258
	20,003	12,770	19,961	12,748
	22,910	16,433	22,868	16,411
Total liabilities and equity	166,701	118,196	166,654	118,173

#### CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

#### In millions of Malawi Kwacha

in millions of Malawi Kwacha				
Cash flows from operating	GROUP Year ended 31 Dec 2013	GROUP Year ended 31 Dec 2012	COMPANY Year ended 31 Dec 2013	COMPANY Year ended 31 Dec 2012
activities: Interest received Interest paid Fee and commission receipts Trading and other income	21,380 (5,621) 5,099	11,062 (2,448) 3,754	21,380 (5,621) 5,099	11,062 (2,448) 3,754
receipts Recoveries from impairment	11,876	9,333	11,848	9,301
losses	402	160	402	160
Payments to employees and suppliers	(14,270)	(9,366)	(14,272)	(9,366)
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 Liquidity reserve	(2,331)	(11,499)	(2,331)	(11,499)
requirements Treasury bills	(13,781) 7,290	(5,556) (1,979)	(13,781) 7,290	(5,556) (1,979)
Other investments Other assets	(12,868) (1,076)	2,784 (2,368)	(12,868) (1,071)	2,784 (2,379)
Deposits from customers Deposits and loans from	45,422	27,015	45,422	27,015
banks Other liabilities	(3,840) (1,284)	7,497 3,280	(3,840) (1,287)	7,497 3,279
Net cash from operating activities before income tax Income tax paid Net cash from operating	36,398 (5,085)	31,669 (3,219)	36,370 (5,076)	31,625 (3,209)
activities	31,313	28,450	31,294	28,416
Cash flows to investing activities				
Investment in subsidiary purchase of property and	-	-	-	(48)
equipment Proceeds from sale of	(2,438)	(1,613)	(2,438)	(1,613)
property and equipment  Net cash used in investing	6	6	6	6
activities	(2,432)	(1,607)	(2,432)	(1,655)
Cash flows to financing activities				
Dividends paid	(4,986)	(4,000)	(4,986)	(4,000)
Net increase in cash and cash equivalents	23,895	22,843	23,876	22,761
Cash and cash equivalents at 1 January	30,967	8,124	30,833	8,072
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/House- hold	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%

<sup>\*=</sup>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



# STANDARD BANK LIMITED

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2013 (Continued)

#### **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	31 Dec 2012
	(MK'm)	(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 Dec 2013 Rate	As at 31 Dec 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 (FC-DAs)		
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 it's 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.



#### 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	Designation	Signature	Date
A Chitsime	Chairman	Quitsine	21 Feb 2014
R Harawa	Director	- bur	21 Feb 2014
A Mashanda	Chief Executive	Mul	21 Feb 2014
T Simwaka	Chief Financial Officer	Bunch	21 Feb 2014



Moving Forward™