

# Standard Bank PLC

## Results Announcement

For the year ended 31 December 2019

AUDITED SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS



### SUMMARY INCOME STATEMENTS

In millions of Malawi Kwacha

	Consolidated		Separate	
	2019 MKm	2018 MKm	2019 MKm	2018 MKm
Interest income	43,171	38,998	43,163	39,048
Interest expense	(4,294)	(4,258)	(4,294)	(4,263)
<b>Net interest income</b>	<b>38,877</b>	<b>34,740</b>	<b>38,869</b>	<b>34,785</b>
Fee and commission income	13,790	12,976	13,790	12,976
Fee and commission expense	(1,080)	(871)	(1,080)	(871)
<b>Net fee and commission income</b>	<b>12,710</b>	<b>12,105</b>	<b>12,710</b>	<b>12,105</b>
Net trading income	9,117	8,955	7,834	7,362
Other operating income	152	117	216	187
Other gains and losses on financial instruments	-	69	-	69
<b>Total operating income</b>	<b>60,856</b>	<b>55,986</b>	<b>59,629</b>	<b>54,508</b>
Credit impairment charges	(1,872)	(4,902)	(1,872)	(4,902)
<b>Income after credit impairment charges</b>	<b>58,984</b>	<b>51,084</b>	<b>57,757</b>	<b>49,606</b>
Staff costs	(15,034)	(13,769)	(15,034)	(13,769)
Depreciation and amortisation	(4,188)	(3,639)	(4,188)	(3,639)
Other operating expenses	(16,390)	(17,904)	(16,255)	(17,583)
<b>Total expenditure</b>	<b>(35,612)</b>	<b>(35,312)</b>	<b>(35,477)</b>	<b>(34,991)</b>
<b>Profit before income tax expense</b>	<b>23,372</b>	<b>15,772</b>	<b>22,280</b>	<b>14,615</b>
Income tax expense	(7,493)	(5,190)	(7,161)	(4,846)
<b>Profit for the year attributable to ordinary shareholders</b>	<b>15,879</b>	<b>10,582</b>	<b>15,119</b>	<b>9,769</b>
<b>Earnings per share</b>				
Basic and diluted (MK per share)	67.86	45.22	64.61	41.75

### SUMMARY STATEMENTS OF OTHER COMPREHENSIVE INCOME

In millions of Malawi Kwacha

	2019 MKm	2018 MKm	2019 MKm	2018 MKm
<b>Profit for the year attributable to ordinary shareholders</b>	<b>15,879</b>	<b>10,582</b>	<b>15,119</b>	<b>9,769</b>
<b>Items that will not be reclassified to profit or loss</b>				
Net revaluation reversal on property and equipment	(186)	-	(186)	-
<b>Items that may be reclassified subsequently to profit or loss</b>				
Net change in expected credit losses	(12)	19	(12)	19
Net change in debt financial assets measured at fair value through other comprehensive income (OCI)	340	(540)	340	(540)
	328	(521)	328	(521)
<b>Total comprehensive income for the year attributable to ordinary shareholders</b>	<b>16,021</b>	<b>10,061</b>	<b>15,261</b>	<b>9,248</b>

### SUMMARY STATEMENTS OF FINANCIAL POSITION

In millions of Malawi Kwacha

	2019 MKm	2018 MKm	2019 MKm	2018 MKm
<b>ASSETS</b>				
Cash and balances held with the Central Bank	22,870	29,385	22,603	29,260
Derivative assets	601	369	601	369
Trading assets	722	11,993	722	11,993
Loans and advances to banks	59,930	76,448	59,952	76,383
Loans and advances to customers	148,490	112,632	148,772	113,255
Financial investments	100,631	85,376	100,631	85,376
Investment in subsidiaries	-	-	100	100
Other assets	6,789	5,623	6,800	5,653
Property, equipment and right of use assets	16,991	15,845	16,991	15,845
Intangible assets	18,092	19,487	18,092	19,487
<b>Total assets</b>	<b>375,116</b>	<b>357,158</b>	<b>375,264</b>	<b>357,721</b>

### LIABILITIES

	Consolidated		Separate	
	2019 MKm	2018 MKm	2019 MKm	2018 MKm
Derivative liabilities	242	160	242	160
Trading liabilities	454	444	454	444
Deposits and loans from banks	22,932	34,579	22,924	34,583
Deposits from customers	242,082	229,284	244,995	231,859
Other liabilities	11,639	8,267	11,633	8,268
Income tax payable	1,941	408	1,855	264
Provisions	4,331	3,761	4,331	3,761
Deferred tax liabilities	4,256	3,015	4,259	3,050
<b>Total liabilities</b>	<b>287,877</b>	<b>279,918</b>	<b>290,693</b>	<b>282,389</b>

### EQUITY

	2019 MKm	2018 MKm	2019 MKm	2018 MKm
Share capital	234	234	234	234
Share premium	8,492	8,492	8,492	8,492
Revaluation reserve	7,347	7,533	7,347	7,533
Fair value through OCI reserve	177	(151)	177	(151)
Retained earnings	70,989	61,132	68,321	59,224
<b>Total equity</b>	<b>87,239</b>	<b>77,240</b>	<b>84,571</b>	<b>75,332</b>
<b>Total liabilities and equity</b>	<b>375,116</b>	<b>357,158</b>	<b>375,264</b>	<b>357,721</b>

### SUMMARY STATEMENTS OF CHANGES IN EQUITY

In millions of Malawi Kwacha

	2019 MKm	2018 MKm	2019 MKm	2018 MKm
<b>Opening equity</b>	<b>77,240</b>	<b>72,232</b>	<b>75,332</b>	<b>71,140</b>
IFRS 9 transition adjustment	-	(2,352)	-	(2,355)
IFRS 16 transition adjustment	79	-	79	-
<b>Restated opening equity</b>	<b>77,319</b>	<b>69,880</b>	<b>75,411</b>	<b>68,785</b>
Dividends paid	(6,101)	(2,699)	(6,101)	(2,699)
Profit for the year	15,879	10,582	15,119	9,769
Movement in other reserves	142	(523)	142	(523)
<b>Closing equity</b>	<b>87,239</b>	<b>77,240</b>	<b>84,571</b>	<b>75,332</b>
Basic earnings per share (MK)	67.86	45.22	64.61	41.75
Dividend per share (tambala)	2,607	1,153	2,607	1,153
Number of ordinary shares in issue (million)	234	234	234	234
Market price per share (MK)	730	670	730	670

### SUMMARY STATEMENTS OF CASH FLOWS

In millions of Malawi Kwacha

	2019 MKm	2018 MKm	2019 MKm	2018 MKm
<b>Cash flows from operating activities</b>	<b>43,171</b>	<b>38,998</b>	<b>43,163</b>	<b>39,048</b>
Interest income	(4,294)	(4,258)	(4,294)	(4,263)
Interest expense	13,790	12,976	13,790	12,976
Fee and commission income	(1,080)	(871)	(1,080)	(871)
Fee and commission expense	9,130	9,499	7,910	8,008
Trading and other income	360	411	360	411
Recoveries from impairment losses	(31,622)	(32,478)	(31,488)	(32,155)
Payments to employees and suppliers	29,455	24,277	28,361	23,154
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>29,455</b>	<b>24,277</b>	<b>28,361</b>	<b>23,154</b>
<b>Changes in operating assets and liabilities</b>				
Loans and advances to customers	(38,167)	(26,620)	(37,826)	(26,858)
Liquidity reserve requirements	7,150	1,310	7,150	1,310
Trading assets with maturity of over 90 days	11,269	7,872	11,269	7,872
Financial investments with maturity of over 90 days	(15,558)	(38,892)	(15,558)	(38,892)
Balance with banks with maturity of over 90 days	5,643	38,082	5,643	38,082
Other assets	(695)	3,867	(677)	3,851
Deposits from customers	12,176	(29,999)	12,514	(27,757)
Deposits and loans from banks	(11,829)	(24,789)	(11,841)	(24,807)
Other liabilities	3,880	(13,289)	3,876	(13,284)
<b>Net cash generated from / (used in) operating activities before income tax</b>	<b>3,324</b>	<b>(58,181)</b>	<b>2,911</b>	<b>(57,329)</b>

Income tax paid

	2019 MKm	2018 MKm	2019 MKm	2018 MKm
<b>Net cash used in operating activities</b>	<b>(4,653)</b>	<b>(2,506)</b>	<b>(4,296)</b>	<b>(2,219)</b>
<b>Cash flows from investing activities</b>				
Purchase of property and equipment and intangible assets	(3,415)	(2,854)	(3,415)	(2,854)
Proceeds from sale of property and equipment	59	25	59	25
<b>Net cash used in investing activities</b>	<b>(3,356)</b>	<b>(2,829)</b>	<b>(3,356)</b>	<b>(2,829)</b>
<b>Cash flows from financing activities</b>				
Dividends paid	(6,101)	(2,699)	(6,101)	(2,699)
<b>Net cash used in financing activities</b>	<b>(6,101)</b>	<b>(2,699)</b>	<b>(6,101)</b>	<b>(2,699)</b>
<b>Net decrease in cash and cash equivalents</b>	<b>(10,786)</b>	<b>(66,215)</b>	<b>(10,842)</b>	<b>(65,076)</b>
Cash and cash equivalents at 1 January	58,745	127,096	58,556	125,768
Effect of exchange rate fluctuations on cash and cash equivalents held	414	(2,136)	414	(2,136)
<b>Cash and cash equivalents at 31 December</b>	<b>48,373</b>	<b>58,745</b>	<b>48,128</b>	<b>58,556</b>

### NOTES TO THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

	As at 31 December 2019			As at 31 December 2018		
	Out-standing Amount MKm	Impaired amount MKm	Stage 3 provision MKm	Out-standing Amount MKm	Impaired amount MKm	Stage 3 provision MKm
Agriculture	65,455	1,235	880	49,801	1,443	422
Manufacturing	8,209	35	1	6,526	2,058	1,398
Mining	11	-	-	1	-	-
Construction	2,795	186	173	1,291	53	16
Energy/Electricity	893	-	-	650	-	-
Gas/Water	-	-	-	-	-	-
Transport	2,972	123	72	2,288	-	-
Communication	9,789	-	-	9,882	-	-
Financial Services	501	19	18	757	-	-
Wholesale/Retail	13,794	2,091	1,356	15,894	3,896	2,351
Individual/Household	46,564	975	806	29,841	705	557
Real Estate	4,584	2	1	4,757	-	-
Tourism	250	-	-	383	-	-
<b>Total</b>	<b>155,817</b>	<b>4,666</b>	<b>3,307</b>	<b>122,071</b>	<b>8,155</b>	<b>4,744</b>

#### 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 2019		As at 31 Dec 2018	
	MKm	% of Core Capital	MKm	% of Core Capital
Agriculture	23,770	32%	21,207	33%
Transport	45,914	62%	52,182	81%

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

	31 Dec 2019 MKm	31 Dec 2018 MKm
<b>Directors</b>		
Balance at beginning of year	55	34
Loans granted during the year	15	43
Repayments	(28)	(22)
<b>Balance at end of the year</b>	<b>42</b>	<b>55</b>

#### Other related parties

	31 Dec 2019 MKm	31 Dec 2018 MKm
Balance at beginning of year	670	425
Loans granted during the year	10	491
Repayments	(353)	(246)
<b>Balance at end of the year</b>	<b>327</b>	<b>670</b>

#### Senior management officials

	31 Dec 2019 MKm	31 Dec 2018 MKm
Balance at beginning of year	419	335
Loans granted during the year	386	204
Repayments	(57)	(120)
<b>Balance at end of the year</b>	<b>748</b>	<b>419</b>

#### Investment in subsidiaries

Name of Subsidiary	Number of shares	Percentage holding	Current year MKm	Previous year MKm
Standard Bank Bureau De Change Limited	99,999,999	100%	100	100
Standard Bank Nominees Limited	19,999	100%	-	-

#### Base Lending Rate

	As at 31 Dec 2019	As at 31 Dec 2018
Base Lending Rate (local currency)	12.5%	23%
Maximum Applicable Range (percentage points)	11	10
Base Lending Rate (foreign currency loans)	8.5%	8.5%
Reserve Bank of Malawi Bank Rate	13.5%	16%

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

	31 Dec 2019 MKm	31 Dec 2018 MKm
Director's Remuneration		
- Director's fees	39	39
- Executive directors remuneration	376	330
Total bonuses paid to all staff	1,826	1,874
Franchise fees to holding company	1,718	1,647

#### Deposit rates

Type of deposit	As at 31 Dec 2019 Rate	As at 31 Dec 2018 Rate
<b>Malawi Kwacha</b>		
Current account	0.0%	0.10%
Call	4.0%	4.0%
7 day notice	4.5%	4.5%
30 day notice	4.5%	4.5%
Transact plus	0.0%	0.1%
Savings	3%	3%
Pure save	4%	5%
Contract save	8%	11%
1 month fixed	4%	5%
2 month fixed	5%	6%
3 month fixed	6%	7%
More than 3 months fixed	Negotiable	Negotiable

#### Foreign Currency

# Standard Bank PLC

## Results Announcement

For the year ended 31 December 2019

AUDITED SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS



### FINANCIAL REVIEW

We are pleased to present the audited financial results of the Group for the year ended 31 December 2019.

#### Economic highlights

Headline inflation averaged 9.4% in 2019 which was higher than 9.2% registered in the previous year. Food inflation remained in double-digits and closed in December 2019 at 19.3%, significantly higher than 12% recorded in the same month in 2018. The Malawi Kwacha continued to lose ground against the United States Dollar during 2019 on the back of excess local demand for foreign currency. The policy rate remained relatively stable in the year and closed at 13.5%.

#### Performance

The Group delivered a good set of results in 2019. The Group's profit for the year of MK15.9billion was 50% above prior year due to a year on year increase of 12% in net interest income, emanating from growth of the customer loan book despite a general decline in the level of interest rates during the year. Growth in customer loans and advances was 32% year on year while financial investments grew by 18%. Customer deposits grew by 6% which contributed to the growth of interest earning assets.

Growth in net interest income was subdued due to the declining net interest margins as a result of a decrease of the base lending rate in 2019 to 12.5% from 23% in 2018. Non interest revenue was 3% above prior year due to growth in transaction volumes.

Credit impairments were 62% below prior year due to a decline in the size of the non-performing loan book. The decline in credit impairments was due to the Group's focus on robust credit risk management practices. The Group continues to place emphasis on recoveries of loans previously written off.

Operating costs growth was kept to 1% year on year despite inflationary increases of goods and services. As a result of the higher revenue base and lower growth in operating costs, the cost to income ratio was reduced to 58% compared to 63% in the prior year. The Group will continue to focus on diversifying its revenue base and will continue to focus on cost management.

Earnings per share for the year increased from MK45 in 2018 to MK68 in 2019.

#### Outlook

The Group expects macroeconomic stability to continue in 2020 on the back of a normal agricultural season that would lend support to the local currency and sustain low and stable inflation and interest rates.

We remain committed to ensuring customer satisfaction in all we do. The Group continues to focus and drive digitisation in order to improve customer experience. Cost rationalisation while we continue investing for the future, prudent management of risk and liquidity, diversifying balance sheet and maintaining a healthy capital position remains at the core of what we do.

#### Basis of preparation

The summary consolidated and separate financial statements are prepared in order to meet the requirements of the Financial Services Act, 2010 of Malawi for summarised financial statements and the Malawi Stock Exchange Listing Requirements. The summarised financial statements have been prepared in accordance with the framework concepts and the measurement and recognition requirements of International Financial Reporting Standards ("IFRS"). The accounting policies applied in the preparation of the consolidated and separate financial statements from which the summary consolidated and separate financial statements were derived, are in terms of International Financial Reporting Standards and are consistent with the accounting policies applied in the preparation of the previous consolidated and separate financial statements.

### INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS To the shareholders of Standard Bank PLC

#### Opinion

The summary consolidated and separate financial statements (the "summary financial statements") of Standard Bank PLC, which comprise the summary consolidated and separate statements of financial position as at 31 December 2019, the summary consolidated and separate income statements, the summary consolidated and separate statements of other comprehensive income, summary consolidated and separate statements of changes in equity and summary consolidated and separate cash flows for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements (the "audited financial statements") of Standard Bank PLC for the year ended 31 December 2019.

In our opinion, the accompanying summary financial statements of Standard Bank PLC (the "Company") and its subsidiaries (together the "Group"), are consistent, in all material respects, with the audited financial statements on the basis described in the Basis of preparation note.

#### Summary consolidated and separate financial statements

The summary financial statements do not contain all the disclosures required by International Financial Reporting Standards and the requirements of the Companies Act, 2013 of Malawi. Reading the summary consolidated and separate financial statements and the auditor's report thereon, therefore, is not a substitute for reading the audited financial statements and the auditor's report thereon.

#### The audited consolidated and separate financial statements and our report thereon

We expressed an unmodified audit opinion on the audited consolidated and separate financial statements in our report dated 5 March 2020. That report also includes the communication of key audit matters. Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period.

#### Directors' responsibility for the summary consolidated and separate financial statements

The directors are responsible for the preparation of the summary financial statements in accordance with the basis described in the Basis of preparation note.

#### Auditor's responsibility

Our responsibility is to express an opinion on whether the summary financial statements are consistent, in all material respects, with the audited financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810 (Revised), 'Engagements to Report on Summary Financial Statements'.



PricewaterhouseCoopers  
Chartered Accountants (Malawi)  
Lilongwe

Andrew Vere  
5 March 2020

#### Dividends

An interim dividend of **MK2.1 billion** (2018: MK1.7 billion) was paid in September 2019 representing **MK8.95** (2018: MK7.24) per ordinary share. The directors recommend a final dividend of **MK5 billion** (2018: MK4 billion) representing **MK21.31** (2018: MK17.05) per ordinary share to be tabled at the forthcoming Annual General Meeting.

By order of the Board

Name	Designation	Signature	Date
1. R. Harawa	Chairman		27 February, 2020
2. A. Chioko	Director		27 February, 2020
3. W. le Roux	Chief Executive		27 February, 2020
4. T. Simwaka	Chief Financial Officer		27 February, 2020