



Standard Bank PLC

# RESULTS FOR THE SIX MONTHS ENDED 30<sup>TH</sup> JUNE 2022

Unaudited Summary Consolidated And Separate Financial Statements

## SUMMARY INCOME STATEMENTS

	Consolidated			Separate		
	Unaudited	Audited		Unaudited	Audited	
	Six months to 30 June 2022	Six months to 30 June 2021	Year ended 31 December 2021	Six months to 30 June 2022	Six months to 30 June 2021	Year ended 31 December 2021
	MKmn	MKmn	MKmn	MKmn	MKmn	MKmn
Interest income	35,111	27,580	59,264	35,111	27,580	59,264
Interest expense	(3,630)	(3,718)	(7,807)	(3,662)	(3,741)	(7,862)
Net interest income	31,481	23,862	51,457	31,449	23,839	51,402
Non-interest revenue	26,770	18,567	40,191	26,069	17,852	38,981
Total income	58,251	42,429	91,648	57,518	41,691	90,383
Credit impairment charges	(4,055)	(2,419)	(4,185)	(4,055)	(2,419)	(4,185)
Income after credit impairment charges	54,196	40,010	87,463	53,463	39,272	86,198
Operating expenses	(29,039)	(22,713)	(47,339)	(29,022)	(22,637)	(47,202)
Profit before taxation	25,157	17,297	40,124	24,441	16,635	38,996
Taxation	(9,322)	(5,719)	(15,355)	(9,117)	(5,520)	(15,023)
Profit after tax	15,835	11,578	24,769	15,324	11,115	23,973

## SUMMARY STATEMENTS OF OTHER COMPREHENSIVE INCOME

	Consolidated			Separate		
	Unaudited	Audited		Unaudited	Audited	
	Six months to 30 June 2022	Six months to 30 June 2021	Year ended 31 December 2021	Six months to 30 June 2022	Six months to 30 June 2021	Year ended 31 December 2021
	MKmn	MKmn	MKmn	MKmn	MKmn	MKmn
Profit for the year	15,835	11,578	24,769	15,324	11,115	23,973
Items that will not be reclassified to profit or loss						
Net revaluation gain on property and equipment	-	-	1,125	-	-	1,125
Items that may be reclassified subsequently to profit or loss						
Net change in fair value of financial assets at fair value through other comprehensive income	153	27	144	153	27	144
Total comprehensive income	15,988	11,605	26,038	15,477	11,142	25,242

## SUMMARY STATEMENTS OF CHANGES IN EQUITY

	Consolidated			Separate		
	Unaudited	Audited		Unaudited	Audited	
	Six months to 30 June 2022	Six months to 30 June 2021	Year ended 31 December 2021	Six months to 30 June 2022	Six months to 30 June 2021	Year ended 31 December 2021
	MKmn	MKmn	MKmn	MKmn	MKmn	MKmn
Opening equity	117,059	105,721	105,721	112,893	102,351	102,351
Profit for the period	15,835	11,578	24,769	15,324	11,115	23,973
Dividends declared	(7,001)	(8,000)	(14,700)	(7,001)	(8,000)	(14,700)
Net revaluation gain on property and equipment	-	-	1,125	-	-	1,125
Movement in other reserves	205	91	144	206	91	144
Closing equity	126,098	109,390	117,059	121,422	105,557	112,893
Basic earnings per share (MK per share)	67.57	49.48	105.85	65.39	47.50	102.45
Dividend per share (tambala)	2,992	3,419	6,282	2,992	3,419	6,282
Number of ordinary shares in issue (million)	234	234	234	234	234	234
Market price per share (kwacha)	1,600	1,200	1,400	1,600	1,200	1,400

## SUMMARY STATEMENTS OF FINANCIAL POSITION

	Consolidated			Separate		
	Unaudited	Audited		Unaudited	Audited	
	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021	As at 30 June 2022	As at 30 June 2021	As at 31 December 2021
	MKmn	MKmn	MKmn	MKmn	MKmn	MKmn
Assets						
Cash and balances held with the Central Bank	38,762	28,578	41,407	38,703	28,419	41,342
Non-current assets held for sale	612	336	740	612	336	740
Trading assets and derivatives	7,042	8,361	18,608	7,042	8,361	18,608
Pledged assets	-	30,330	40,599	-	30,330	40,599
Financial investments	278,948	146,835	177,613	278,948	146,835	177,613
Loans and advances to banks	111,596	106,918	96,491	111,557	106,920	96,464
Loans and advances to customers	218,821	185,330	206,524	218,821	185,330	206,524
Investment in subsidiaries	-	-	-	100	100	100
Other assets	11,755	9,835	10,716	11,793	9,850	10,733
Property, equipment and right of use assets	18,445	17,392	18,444	18,445	17,392	18,444
Intangible assets	14,736	16,249	15,493	14,736	16,249	15,493
Deferred tax asset	2	-	-	-	-	-
Total assets	700,719	550,164	626,635	700,757	550,122	626,660
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	106,135	90,811	97,301	101,457	86,978	93,135
Other reserves	11,237	9,853	11,032	11,239	9,853	11,032
	126,098	109,390	117,059	121,422	105,557	112,893

Liabilities						
Deposits and loans from banks	28,179	37,048	59,396	28,179	37,048	59,396
Deposits from customers	492,554	364,903	402,016	497,408	368,792	406,305
Derivative liabilities	316	62	62	316	62	62
Other liabilities and provisions	39,882	29,869	34,761	39,888	29,869	34,755
Income tax payable	8,236	3,644	7,151	8,090	3,545	7,058
Deferred tax liability	5,454	5,248	6,190	5,454	5,249	6,191
	574,621	440,774	509,576	579,335	444,565	513,767
Total equity and liabilities	700,719	550,164	626,635	700,757	550,122	626,660

Off balance sheet items						
Letters of credit and guarantees	170,721	156,063	103,572	170,721	156,063	103,572
Undrawn commitments	31,650	32,707	46,204	31,650	32,707	46,204
Foreign exchange contracts	8,823	32,329	7,406	8,823	32,329	7,406

## SUMMARY STATEMENTS OF CASH FLOWS

	Consolidated			Separate		
	Unaudited	Audited		Unaudited	Audited	
	Six months to 30 June 2022	Six months to 30 June 2021	Year ended 31 December 2021	Six months to 30 June 2022	Six months to 30 June 2021	Year ended 31 December 2021
	MKmn	MKmn	MKmn	MKmn	MKmn	MKmn
Cash flows from operating activities						
Profit before income tax expense	25,157	17,297	40,124	24,441	16,635	38,996
Adjustment for non-cash items included within the income statement	(25,029)	(18,940)	(42,101)	(24,990)	(18,916)	(42,046)
Net increase in operating assets/liabilities	(15,944)	(10,708)	(3,666)	(15,373)	(10,338)	(2,866)
Interest paid	(4,172)	(3,263)	(7,258)	(4,204)	(3,287)	(7,313)
Interest received	33,848	22,071	49,148	33,848	22,071	49,148
Income taxes paid	(8,901)	(5,256)	(10,935)	(8,757)	(5,011)	(10,560)
Net cash generated from operating activities	4,959	1,201	25,312	4,965	1,154	25,359
Cash flows from investing activities						
Purchase of property and equipment	(1,221)	(596)	(1,951)	(1,221)	(596)	(1,951)
Sale of property and equipment	196	109	163	196	109	163
Net cash used in investing activities	(1,025)	(487)	(1,788)	(1,025)	(487)	(1,788)
Cash flows from financing activities						
Principal lease payments	(187)	(155)	(310)	(187)	(155)	(310)
Dividends paid	(6,392)	(1,179)	(11,005)	(6,392)	(1,179)	(11,005)
Net cash used in financing activities	(6,579)	(1,334)	(11,315)	(6,579)	(1,334)	(11,315)
Net (decrease)/increase in cash and cash equivalents	(2,645)	(620)	12,209	(2,639)	(667)	12,256
Cash and cash equivalents at beginning of period	41,407	29,198	29,198	41,342	29,086	29,086
Cash and cash equivalents at end of period	38,762	28,578	41,407	38,703	28,419	41,342

## NOTES TO THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

### Impairment losses/Non-Performing credit facilities and expected credit losses by Industry sector

Sector of borrowers	As at 30 June 2022			As at 30 June 2021		
	Out-standing Amount	Impaired amount	Stage 3 expected credit losses	Out-standing Amount	Impaired amount	Stage 3 expected credit losses
	MKmn	MKmn	MKmn	MKmn	MKmn	MKmn
Agriculture	57,397	149	136	39,878	471	214
Manufacturing	10,820	-	-	20,570	25	23
Mining	-	-	-	-	-	-
Construction	4,744	183	142	3,559	50	44
Energy/Electricity	6,046	-	-	3,263	-	-
Gas/Water	-	-	-	-	-	-
Transport/communication	24,346	123	92	19,428	35	35
Financial Services	770	-	-	381	26	17
Wholesale/Retail	30,856	442	383	15,557	359	284
Individual/Household/community	90,418	4,787	4,206	86,095	2,932	2,603
Real estate	3,917	-	-	4,388	-	-
Tourism	2,363	-	-	834	11	9
Other	-	-	-	-	-	-
Total	231,677	5,684	4,959	193,953	3,909	3,229

### 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 June 2022		As at 30 June 2021	
	MKmn	% of Core Capital	MKmn	% of Core Capital
Transport/communication/storage	34,931	34.60%	70,664	80.95%
Construction and engineering	-	-	22,331	25.58%

### Loans to directors, senior management and other related parties

	30 June 2022	30 June 2021
	MKmn	MKmn
Directors		
Balance at the beginning of the year	182	26
Loans granted during the period	1	226
Repayments	(9)	(24)
Balance at the end of half year	174	228
	30 June 2022	30 June 2021
	MKmn	MKmn
Other related parties		
Balance at the beginning of the year	27	37
Loans granted during the period	64	16
Repayments	(11)	(23)
Balance at the end of half year	80	30

	30 June 2022	30 June 2021
	MKmn	MKmn
Senior management officials		
Balance at the beginning of the year	1,203	969
Loans granted during the period	331	658
Repayments	(158)	(368)
Balance at the end of half year	1,376	1,259
Total loans to directors, senior management and other related parties	1,630	1,517
Proportion of loans to directors, senior management and other related parties to core capital	1%	1%

### Investment in subsidiary

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

### Lending rates

	As at 30 June 2022	As at 30 June 2021
Base lending rate (local currency)	13.8%	12.2%
Maximum applicable range (percentage points)	11%	11%
Foreign currency loans	3.8% - 12.9%	3.5% - 10.0%
Reserve Bank of Malawi Bank rate	14.0%	12.0%

### Director's remuneration, bonuses and franchise fees

	30 June 2022	30 June 2021
	MKmn	MKmn
Director's remuneration		
- Non executive directors' fees and expenses	72	47
- Executive directors' remuneration	225	265
Total bonuses paid to all staff (relating to prior year provision)	2,303	1,712
Franchise fees to holding company	1,732	1,249

### Deposit rates

Type of deposit	30 June 2022	30 June 2021
	Rate	Rate
Malawi Kwacha		
Current account	0%	0%
Call	3%	3%
Notice	3.5%	3.5%
Savings	4%	2%
Pure save	6.5%	3%
Contract save	6%-8%	3%-7%
1 month fixed	4.5%	5%
2 months fixed	5.5%	4%
3 months fixed	6.5%	3%
More than 3 months fixed	negotiable	negotiable
Foreign currency denominated accounts (FCDAs)		
USD	0.37%	0.37%
GBP	0.10%	0.10%
EUR	0%	0%
ZAR	0%	0%

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 2022.

### Economic highlights

Weak foreign exchange supply and unrelenting demand continued to weigh heavily on the Kwacha, resulting in its devaluation by 25% in May 2022. Therefore, the Kwacha closed the first half at MK1,033.4 against the United States dollar compared to MK811.9 at the end of June 2021. Disruptions to global supply of key commodities such as fuel, edible oils, agricultural fertilizers, and food following the onset of the Russia-Ukraine war and the devaluation of the local currency exerted significant pressure on headline inflation. Headline inflation closed the period at 23.5%, much higher than 9.1% in June 2021 which triggered policy rate hike to 14% in May 2022. The reference rate, which is also the base lending rate followed suit, as it increased to close the first half at 13.80% from 12.20% in June 2021.

### Performance

The Group's results demonstrated its resilience as it operated in a challenging environment characterized by foreign currency demand and supply imbalances, inflationary pressures, and currency depreciation. Despite the challenges, the Group grew its earnings and balance sheet supported by a strong funding base.

Total income grew by 37% year on year, buoyed by strong growth in both net interest income and non-interest revenue. Net interest income grew by 32% year on year driven by growth in interest earning assets. Loans and advances to customers grew by 18% year on year while financial investments grew by 90% year on year. The growth in interest earning assets was due to growth in customer deposits which also grew by 35% year on year. The growth in customer deposits was as a result of the Group's focus on growing its funding base and partly due to the impact of the depreciation of the Kwacha on foreign currency deposits.

Non-interest revenue grew by 44% year on year due to the increase in transactional volumes on fees and commissions as well as strong performance on trading revenue.

Credit impairments were 68% above prior year mainly attributable to growth in the performing customer loan book as well as downgrades of non-performing exposures due to lagged effects of the COVID-19 pandemic. The Group continues to focus on prudent credit risk management to avert future losses from non-performing loans.

Operating costs were 28% above prior year as a result of elevated inflation levels, fuel price hike and impact of the 25% depreciation of the Kwacha on foreign currency denominated costs. The Group will continue to focus on cost optimisation initiatives in order to drive operational efficiency and maximize business value.

Consequently, profit after tax for the first half of the year at MK15.8bn, was 37% above same period in prior year.

### Outlook