



# Standard Bank PLC

## Results Announcement

For the six months ended 30 June 2018



### CONSOLIDATED AND SEPARATE STATEMENTS OF COMPREHENSIVE INCOME

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited	Audited		Unaudited	Audited	
	Six months to 30 June 2018	Six months to 30 June 2017	Year ended 31 December 2017	Six months to 30 June 2018	Six months to 30 June 2017	Year ended 31 December 2017
Interest income	20,293	23,822	46,729	20,318	23,829	46,771
Interest expense	(4 878)	(4,245)	(8,806)	(4,877)	(4,245)	(8,807)
<b>Net interest income</b>	<b>15,415</b>	<b>19,577</b>	<b>37,923</b>	<b>15,441</b>	<b>19,584</b>	<b>37,964</b>
Non-interest revenue	11,328	9,017	19,331	10,717	8,624	18,428
<b>Total income</b>	<b>26,743</b>	<b>28,594</b>	<b>57,254</b>	<b>26,158</b>	<b>28,208</b>	<b>56,392</b>
Credit impairment charges	(996)	(2,239)	(6,224)	(1,001)	(2,239)	(6,224)
Income after credit impairment charges	25,747	26,355	51,030	25,157	25,969	50,168
Operating expenses	(17,635)	(14,281)	(33,569)	(17,528)	(14,171)	(33,305)
<b>Profit before taxation</b>	<b>8,112</b>	<b>12,074</b>	<b>17,461</b>	<b>7,629</b>	<b>11,798</b>	<b>16,863</b>
Taxation	(2,580)	(3,911)	(5,299)	(2,435)	(3,829)	(5,120)
<b>Profit after tax</b>	<b>5,532</b>	<b>8,163</b>	<b>12,162</b>	<b>5,194</b>	<b>7,969</b>	<b>11,743</b>
<b>Other Comprehensive Income</b>						
Net revaluation gain on property and equipment	-	-	3,322	-	-	3,322
Net change in fair value of financial assets at fair value through other comprehensive income	(615)	(73)	442	(615)	(73)	442
<b>Total comprehensive income</b>	<b>4,917</b>	<b>8,090</b>	<b>15,926</b>	<b>4,579</b>	<b>7,896</b>	<b>15,507</b>

### CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

<b>Opening equity</b>	<b>72,232</b>	62,800	62,800	<b>71,140</b>	62,127	62,127
Profit for the period	5,532	8,163	12,162	5,194	7,969	11,743
Dividends paid	-	(5,001)	(6,500)	-	(5,001)	(6,500)
Net revaluation gain on property and equipment	-	-	3,322	-	-	3,322
IFRS 9 transition adjustment (net of tax)	(2,375)	-	-	(2,367)	-	-
Movement in other reserves	(615)	(65)	448	(615)	(66)	448
<b>Closing equity</b>	<b>74,774</b>	65,897	72,232	<b>73,352</b>	65,029	71,140
Basic earnings per share (tambala)	2,364	3,488	5,197	2,220	3,406	5,019
Dividend per share (tambala)	-	2,137	2,778	-	2,137	2,778
Number of ordinary shares in issue (million)	234	234	234	234	234	234
Market price per share (kwacha)	670	570	610	670	570	610

### CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited	Audited		Unaudited	Audited	
	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
<b>ASSETS</b>						
Cash and balances with Central Bank	31,635	30,600	35,234	30,750	29,596	34,962
Trading assets and derivatives	12,160	19,847	24,063	12,160	19,847	24,063
Financial Investments	59,316	46,736	46,893	59,316	46,736	46,893
Loans and advances to banks	108,509	110,334	174,788	107,808	110,334	173,730
Loans and advances to customers	98,214	100,442	94,219	98,302	100,585	94,604
Investment in Subsidiary	-	-	-	100	100	100
Other assets	7,191	9,257	12,791	7,227	9,271	12,806
Intangible assets	20,215	1,287	20,942	20,215	1,287	20,942
Property and equipment	15,624	12,922	15,208	15,624	12,922	15,208
Deferred tax asset	4,042	2,227	3,860	4,035	2,219	3,850
<b>Total assets</b>	<b>356,906</b>	<b>333,652</b>	<b>427,998</b>	<b>355,537</b>	<b>332,897</b>	<b>427,158</b>

### 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	56,779	53,105	52,768	55,356	52,238	51,676
Other reserves	9,269	4,066	10,738	9,270	4,065	10,738
	74,774	65,897	72,232	73,352	65,029	71,140

#### Liabilities

Deposits from banks	14,534	18,909	60,659	14,534	18,654	60,681
Deposits from customers	239,796	231,524	259,488	239,966	231,971	259,820
Other liabilities	20,625	11,104	26,371	20,612	11,075	26,334
Income tax payable	1,788	1,366	65	1,684	1,316	-
Deferred tax liability	5,389	4,852	9,183	5,389	4,852	9,183
	282,132	267,755	355,766	282,185	267,868	356,018
<b>Total equity and liabilities</b>	<b>356,906</b>	<b>333,652</b>	<b>427,998</b>	<b>355,537</b>	<b>332,897</b>	<b>427,158</b>

### OFF BALANCE SHEET ITEMS

Letters of credit and guarantees	96,929	38,366	39,794	96,929	38,366	39,794
Undrawn commitments	29,950	23,337	33,213	29,950	23,337	33,213
Foreign exchange contracts	59,742	58,100	43,838	59,742	58,100	43,838

### CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited	Audited		Unaudited	Audited	
	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017	As at 30 June 2018	As at 30 June 2017	As at 31 December 2017
<b>OPERATING ACTIVITIES</b>						
Interest, fees and other income received	31,796	33,093	66,607	31,210	32,707	65,746
Interest paid	(4,878)	(4,245)	(8,806)	(4 877)	(4,245)	(8,807)
Cash paid to suppliers and employees	(19,107)	(15,593)	(33,717)	(18,992)	(15,482)	(33,450)
Cash flows from operating activities before changes in operating assets and liabilities	7,811	13,255	24,084	7,341	12,980	23,489
Decrease in operating activities before income tax	(6,791)	(63,586)	(8,216)	(6,676)	(64,284)	(9,001)
Income taxes paid	(595)	(4,580)	(6,347)	(496)	(4,459)	(6,143)
<b>Cash flows from operating activities</b>	<b>425</b>	<b>(54,911)</b>	<b>9,521</b>	<b>169</b>	<b>(55,763)</b>	<b>8,345</b>
<b>INVESTING ACTIVITIES</b>						
Purchase of property and equipment	(1,479)	(1,872)	(23,643)	(1,479)	(1,872)	(23,643)
Sale of property, plant and equipment	4	-	-	4	-	-
<b>Net investing activities</b>	<b>(1,475)</b>	<b>(1,872)</b>	<b>(23,643)</b>	<b>(1,475)</b>	<b>(1,872)</b>	<b>(23,643)</b>
<b>FINANCING ACTIVITIES</b>						
Dividends paid	-	(5,001)	(6,500)	-	(5,001)	(6,500)
<b>Cash outflows from financing activities</b>	<b>-</b>	<b>(5,001)</b>	<b>(6,500)</b>	<b>-</b>	<b>(5,001)</b>	<b>(6,500)</b>
<b>Decrease in cash and cash equivalents</b>	<b>(1,050)</b>	<b>(61,784)</b>	<b>(20,622)</b>	<b>(1,306)</b>	<b>(62,636)</b>	<b>(21,798)</b>
Cash and cash equivalents at beginning of period	127,096	147,718	147,718	125,768	147,566	147,566
<b>Cash and cash equivalents at end of period</b>	<b>126,046</b>	<b>85,934</b>	<b>127,096</b>	<b>124,462</b>	<b>84,930</b>	<b>125,768</b>

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

	As at 30 <sup>th</sup> June 2018			As at 30 <sup>th</sup> June 2017		
	Out-standing Amount (MK'm)	Impaired amount (MK'm)	Specific provision (MK'm)	Out-standing Amount (MK'm)	Impaired amount (MK'm)	Specific provision (MK'm)
Agriculture	45,665	12,467	6,643	40,739	8,882	2,791
Manufacturing	20,790	1,756	407	18,291	-	-

Mining	408	-	-	80	-	-
Construction	1,089	13	11	469	19	2
Energy/Electricity	4,823	5	4	4,293	-	-
Gas/Water	-	-	-	-	-	-
Transport/communication	2,531	87	41	2,973	40	6
Financial Services	147	-	-	1,593	-	-
Wholesale/Retail	12,589	2,287	906	14,593	255	113
Individual/Household	26,974	535	439	22,186	384	332
Real Estate	-	-	-	14	-	-
Tourism	265	-	-	191	-	-
Other	-	-	-	-	-	-
<b>Total</b>	<b>115,281</b>	<b>17,150</b>	<b>8,451</b>	<b>105,422</b>	<b>9,580</b>	<b>3,244</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 30 June 2018 (MK'm)	% of Core Capital	As at 30 June 2017 (MK'm)	% of Core Capital
Transport/communication/storage	52,395	90.89%	-	-
Construction and engineering	15,929	27.63%	-	-

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

	30 <sup>th</sup> June 2018 (MK'm)	30 <sup>th</sup> June 2017 (MK'm)
<b>Directors</b>		
Balance at beginning of the period	34	31
Loans granted during the period	-	5
Repayments	(2)	(1)
<b>Balance at end of the period</b>	<b>32</b>	<b>35</b>

	30 <sup>th</sup> June 2018 (MK'm)	30 <sup>th</sup> June 2017 (MK'm)
<b>Other Related Parties</b>		
Balance at beginning of the period	425	47
Loans granted during the period	96	192
Repayments	(387)	(53)
<b>Balance at end of the period</b>	<b>134</b>	<b>186</b>

		30 <sup>th</sup> June 2018 (MK'm)	30 <sup>th</sup> June 2017 (MK'm)	
Senior Management Officials				
Balance at beginning of the period		335	288	
Loans granted during the period		103	7	
Repayments		(50)	(51)	
Balance at end of the period		388	244	
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	99,999,999	100%	100	100

### Base Lending Rate

	As at 30 <sup>th</sup> June 2018	As at 30 <sup>th</sup> June 2017
Base Lending Rate (local currency)	23%	30%
Maximum Applicable Range (percentage points)	10	10
Base Lending Rate (foreign currency loans USD)	8.5%	8.5%
RBM Bank Rate	16%	22%

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

	30 <sup>th</sup> June 2018 (MK'm)	30 <sup>th</sup> June 2017 (MK'm)
Director's Remuneration		
- Non executive directors fees and expenses	36	29
- Executive directors remuneration	249	242
Total bonuses paid to all staff (relating to prior year provision)	1,870	2,122
Franchise Fees to Holding Company	790	831

### Deposit Rates

Type of Deposit	As at 30 <sup>th</sup> June 2018	As at 30 <sup>th</sup> June 2017
<b>Malawi Kwacha</b>		
Current account	0.10%	0.10%
Call	4%	5%
7 day Notice	4.5%	4%
30 day Notice	4.5%	4%
Transact plus	0.10%	0.10%
Saver plus	-	-
Savings	3%	6%
Pure save	5%	9%
Contract save	11%	9%
1 month Fixed	5%	8%
2 month fixed	6%	7%
3 month fixed	7%	6%
More than 3 months	negotiable	negotiable
<b>Foreign Currency Denominated Accounts (FCDAs)</b>		
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: [www.standardbank.co.mw](http://www.standardbank.co.mw).

### FINANCIAL REVIEW

We present the unaudited financial results of the Group for the six months ended 30 June 2018.

#### Economic highlights

The stability of the Kwacha against the US dollar and declining food inflation helped to keep headline inflation in the single-digit range of 7.8-9.9% during the first half of the year. The policy rate was maintained at 16% having taken into account inflation risk posed by increases in global oil price and food inflation in the short- to medium-term. The foreign exchange market benefited from tobacco sales, thus the official reserves grew to 3.3 months of import cover as at end June from 3.1 months at the close of March. Although the key macroeconomic indicators have been on a positive trajectory during the past year, supply response is still weak owing to among other things, infrastructural challenges in the power sector.

#### Performance

The first half of 2018 was challenging for the Group as it registered minimal balance sheet growth year on year. Total assets grew by only 7% when compared with same period in prior year. The asset growth mainly arose from financial investments which grew by 27%. Deposits from customers also grew by 4% year on year due to the bank's focus on growing transactional accounts.

Due to the slow asset growth and decline in the base lending rate, total income for the first half was 6% lower compared to the same period last year. Credit impairments were contained in the first half and were 56% below prior year. This was attributable to the Bank's focus on writing quality assets as well as recovery of previously written off loans.

Operating costs grew 23% year on year due to higher amortisation of software and exchange loss arising from the outstanding liability on purchase of the software. The slow income growth and higher cost growth resulted in the cost to income ratio increasing to 66% from 50% in prior year. Consequently, profit after tax for the first half of the year was down 32% year on year.

#### Outlook

Inflationary risks will remain in the second half but we expect monetary policy and fiscal operations to adjust accordingly to minimise impact on the economy.

#### Dividend

The Board of directors has resolved to pay an interim dividend of MK7.24 (2017: MK6.39) per ordinary share representing MK1.7 billion (2017: MK1.5 billion). The interim dividend will be paid on 25th September 2018 to shareholders whose names will appear on the Register of Members as at close of business on 7th September 2018. The Register of Members will be closed from 7th to 10th September 2018 both days inclusive. During this period, no share transactions will be conducted.

By order of the Board

Date: 26 July 2018

Name	Designation	Signature	Date
1. R. Harawa	Chairman		26 July 2018
2. A. Chioko	Director		26 July 2018
3. W. le Roux	Chief Executive		26 July 2018
4. T. Simwaka	Chief Financial Officer		26 July 2018