

# Standard Bank Limited

## Results announcement

for the year ended 31 December

# 2015



### STATEMENTS OF PROFIT OR LOSS

In millions of Kwacha

	CONSOLIDATED		SEPARATE	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
Interest income	26,627	22,790	26,626	22,790
Interest expense	(3,718)	(5,867)	(3,718)	(5,867)
<b>Net interest income</b>	<b>22,909</b>	<b>16,923</b>	<b>22,908</b>	<b>16,923</b>
Net fee and commission income	6,588	5,590	6,588	5,590
Net trading income	8,191	12,378	7,936	12,347
Other operating income	203	70	216	72
Total operating income	37,891	34,961	37,648	34,932
Impairment losses on loans and advances	673	(1,440)	673	(1,440)
<b>Income after credit impairment losses on loans and advances</b>	<b>38,564</b>	<b>33,521</b>	<b>38,321</b>	<b>33,492</b>
Staff costs	(9,093)	(7,445)	(9,093)	(7,445)
Depreciation and amortisation	(1,522)	(1,166)	(1,522)	(1,166)
Other operating expenses	(8,568)	(6,880)	(8,540)	(6,881)
<b>Total expenditure</b>	<b>(19,183)</b>	<b>(15,491)</b>	<b>(19,155)</b>	<b>(15,492)</b>
<b>Profit before income tax expense</b>	<b>19,381</b>	<b>18,030</b>	<b>19,166</b>	<b>18,000</b>
Income tax expense	(6,028)	(5,741)	(5,963)	(5,732)
<b>Profit for the year</b>	<b>13,353</b>	<b>12,289</b>	<b>13,203</b>	<b>12,268</b>

### STATEMENTS OF OTHER COMPREHENSIVE INCOME

In millions of Kwacha

	CONSOLIDATED		SEPARATE	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
<b>Profit for the year</b>	<b>13,353</b>	<b>12,289</b>	<b>13,203</b>	<b>12,268</b>
<b>Items that will never be reclassified to profit or loss</b>				
Net revaluation gain on property and equipment	-	1,830	-	1,830
<b>Items that are or may be reclassified to profit or loss</b>				
Net change in fair value on available for sale financial assets	(382)	549	(382)	549

Total other comprehensive income for the year net of tax	(382)	2,379	(382)	2,379
<b>Total comprehensive income</b>	<b>12,971</b>	<b>14,668</b>	<b>12,821</b>	<b>14,647</b>
<b>Movement in retained earnings</b>				
Retained earnings brought forward	24,133	20,003	24,070	19,961
Profit for the year	13,353	12,289	13,203	12,268
Dividend paid	(3,006)	(500)	(3,006)	(500)
Transfer from Share ownership scheme	32	-	32	-
Issue of bonus shares	-	(7,659)	-	(7,659)
<b>Total retained earnings carried forward</b>	<b>34,512</b>	<b>24,133</b>	<b>34,299</b>	<b>24,070</b>
Basic earnings per share (MK)	57.06	52.52	56.42	52.43
Dividend per share (tambala)	1,285	213	1,285	213
Number of ordinary shares in issue (million)	234	234	234	234
Market price per share (MK)	440	425	440	425

### STATEMENTS OF FINANCIAL POSITION

In millions of Kwacha

	CONSOLIDATED		SEPARATE	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
<b>Assets</b>				
Cash and cash equivalents	24,708	30,617	24,630	30,448
Derivative assets	438	562	438	562
Trading assets	8,839	11,369	8,839	11,369
Loans and advances to banks and other financial institutions	47,877	55,594	47,877	55,594
Loans and advances to customers	93,058	55,487	93,058	55,487
Financial investments	34,928	20,160	34,928	20,160
Investment in subsidiary	-	-	100	100
Other assets	6,121	4,417	6,125	4,417
Property and equipment	11,675	11,473	11,675	11,473
Intangible assets	9	14	9	14
Deferred tax assets	1,548	1,272	1,548	1,272
<b>Total assets</b>	<b>229,201</b>	<b>190,965</b>	<b>229,227</b>	<b>190,896</b>
<b>Liabilities</b>				
Derivative liabilities	405	810	405	810
Trading liabilities	149	-	149	-

Deposits and loans from banks	2,203	662	2,203	662
Deposits from customers	167,388	140,599	167,657	140,599
Other liabilities	4,909	4,700	4,908	4,701
Income tax payable	1,720	2,689	1,691	2,682
Provisions	2,264	1,986	2,264	1,986
Employee benefits liabilities	140	143	140	143
Deferred tax liabilities	2,988	2,284	2,988	2,284
<b>Total liabilities</b>	<b>182,166</b>	<b>153,873</b>	<b>182,405</b>	<b>153,867</b>
<b>Equity</b>				
Share capital	234	234	234	234
Share premium	8,492	8,492	8,492	8,492
Revaluation reserve	4,211	4,211	4,211	4,211
Available for sale reserve	(429)	(47)	(429)	(47)
Share-based payment reserve	15	69	15	69
Retained earnings	34,512	24,133	34,299	24,070
<b>Total equity</b>	<b>47,035</b>	<b>37,092</b>	<b>46,822</b>	<b>37,029</b>
<b>Total equity and liabilities</b>	<b>229,201</b>	<b>190,965</b>	<b>229,227</b>	<b>190,896</b>

### STATEMENTS OF CASH FLOWS

In millions of Kwacha

	CONSOLIDATED		SEPARATE	
	Year ended 31 December 2015	Year ended 31 December 2014	Year ended 31 December 2015	Year ended 31 December 2014
<b>Cash flows from operating activities:</b>				
Interest received	26,627	22,790	26,626	22,790
Interest paid	(3,718)	(5,867)	(3,718)	(5,867)
Fee and commission receipts	6,588	5,590	6,588	5,590
Trading and other income receipts	8,403	12,448	8,151	12,419
Recoveries from impairment losses	1,747	744	1,747	744
Payments to employees and suppliers	(19,725)	(15,256)	(19,689)	(15,266)
<b>Cash flows from operating activities before changes in operating assets and liabilities</b>	<b>19,922</b>	<b>20,449</b>	<b>19,705</b>	<b>20,410</b>
<b>Changes in operating assets and liabilities:</b>				
Loans and advances	(37,572)	(2,223)	(37,572)	(2,223)
Liquidity reserve requirements	8,416	5,934	8,416	5,934
Trading assets maturing over 90days	(5,266)	(3,411)	(5,266)	(3,411)
Financial investments maturing over 90days	(24,434)	13,448	(24,434)	13,448

Derivative assets	124	(562)	124	(562)
Other assets	(1,705)	1,185	(1,709)	1,191
Deposits from customers	26,789	10,460	27,058	10,460
Deposits and loans from banks	1,540	(3,356)	1,540	(3,356)
Derivative liabilities	(405)	-	(405)	-
Trading liabilities	149	(1,047)	149	(1,047)
Other liabilities	484	3,333	484	3,339
<b>Net cash (used in)/generated from operating activities before income tax</b>	<b>(11,958)</b>	<b>44,210</b>	<b>(11,910)</b>	<b>44,183</b>
Income tax paid	(5,962)	(5,840)	(5,920)	(5,829)
<b>Net cash (used in)/ generated from operating activities</b>	<b>(17,920)</b>	<b>38,370</b>	<b>(17,830)</b>	<b>38,354</b>
<b>Cash flows from investing activities</b>				
Purchase of property and equipment	(1,786)	(2,371)	(1,786)	(2,371)
Proceeds from sale of property and equipment	40	1	40	1
<b>Net cash used in investing activities</b>	<b>(1,746)</b>	<b>(2,370)</b>	<b>(1,746)</b>	<b>(2,370)</b>
<b>Cash flows to financing activities</b>				
Dividends paid	(3,006)	(500)	(3,006)	(500)
<b>Net (decrease) / increase in cash and cash equivalents</b>	<b>(22,672)</b>	<b>35,500</b>	<b>(22,582)</b>	<b>35,484</b>
Cash and cash equivalents at 1 January	90,362	54,862	90,193	54,709
Cash and cash equivalents at 31 December	67,690	90,362	67,611	90,193

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

	As at 31 December 2015			As at 31 December 2014		
	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	39,269	26	24	12,541	1,314	927
Manufacturing	19,331	-	-	6,723	97	55
Mining	330	2	2	1,976	29	4
Construction	381	1	1	765	55	45
Energy/ Electricity	147	-	-	1,515	5	1
Gas/Water	-	-	-	-	-	-
Transport	3,045	718	488	6,227	946	732
Communication	2,055	-	-	2,292	-	-
Financial Services	1,326	-	-	294	9	5
Wholesale/Retail	2,087	173	154	3,023	799	469

Individual/Household	26,950	256	235	23,269	593	442
Real Estate	-	-	-	-	-	-
Tourism	193	-	-	193	-	-
Other	-	-	-	-	-	-
<b>Total</b>	<b>95,114</b>	<b>1,176</b>	<b>904</b>	<b>58,818</b>	<b>3,847</b>	<b>2,680</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 2015 (MK'm)	% of Core Capital	As at 31 Dec 2014 (MK'm)	% of Core Capital
Agriculture	18,472	45%	-	-
Various*	-	-	8,190	26%

\*=Manufacturing 12%, Communication 12% and Agriculture 2%

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

	31 Dec 2015 (MK'm)	31 Dec 2014 (MK'm)
<b>Directors</b>		
Balance at beginning of year	40	34
Loans granted during the year	-	7
Repayments	(19)	(1)
<b>Balance at end of the year</b>	<b>21</b>	<b>40</b>

	31 Dec 2015 (MK'm)	31 Dec 2014 (MK'm)
<b>Other Related Parties</b>		
Balance at beginning of year	-	-
Loans granted during the year	876	-
Repayments	(615)	-
<b>Balance at end of the year</b>	<b>261</b>	<b>-</b>

	31 Dec 2015 (MK'm)	31 Dec 2014 (MK'm)
<b>Senior Management Officials</b>		
Balance at beginning of year	332	275
Loans granted during the year	113	108
Repayments	(98)	(51)
<b>Balance at end of the year</b>	<b>347</b>	<b>332</b>

# Standard Bank Limited

## Results announcement

for the year ended 31 December 2015 (Continued)



### Investment in Subsidiary

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 31 Dec 2015	As at 31 Dec 2014
Base Lending Rate (local currency)	35%	38%
Maximum Applicable Range (percentage points)	10	10
Base Lending Rate (foreign currency loans)	8.0%	8.0%
Reserve Bank of Malawi Bank Rate	27%	25%

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

	31 Dec 2015 (MK'm)	31 Dec 2014 (MK'm)
Director's Remuneration - Director's fees - Executive directors remuneration	18	15
Total bonuses paid to all staff	275	125
Franchise Fees to Holding Company	1,474	1,348
	1,192	860

### Deposit Rates

Type of Deposit	As at 31 December 2015 Rate	As at 31 December 2014 Rate
<b>Kwacha</b>		
Current account	0.20%	0.20%
Call	7.0%	7.0%
7 day Notice	6.0%	6.0%
30 day Notice	7.0%	7.0%
Transact plus	2.0%	2.0%
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	0.5%	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 2015.

### Economic Highlights

During 2015, the Kwacha weakened against major currencies while interest rates and consumer prices went up following a dismal 2014/15 agriculture season. Major donors continued to withhold direct budgetary support. The economy could not generate enough tax revenues to support the fiscal plan while demand for foreign currency remained high. As at end December, headline inflation had reached 25%, the bank rate stood at 27%, and the local currency had depreciated by 43% against the US dollar. As a result, the GDP growth estimate had to be moderated to 3% while the threat of food insecurity became more real and a national concern.

### Performance

The Group posted a good set of results against this tough economic environment, with a total assets growth of 20% over the same period in prior year. Loans and advances to customers grew by 68% due to the Group's continued focus on growing the asset book in spite of the high interest rate environment which prevailed during the course of the year.

The Group registered profit after tax of MK13.4b which represented a 9% growth year on year. Operating income grew by 8% over same period in prior year owing to 35% growth in net interest income while non-interest income declined by 17% over same period last year. The Group's continued focus on a robust credit risk management and emphasis on recoveries on written off loans resulted in a net recovery of MK673million against a credit impairment charge of MK1.4 billion during same period last year.

Operating costs grew by 24% over prior year. Cost to income ratio for the year was 51% compared to 44% in the prior year largely due to slower income growth from pressure on margins on the trading revenue.

Earnings per share for the year increased from MK53 in 2014 to MK57 in 2015.

### Outlook

For the foreseeable future, the economy's overreliance on the largely rain-fed agriculture system will become a regular risk issue. Therefore in 2016, agricultural production is more likely to be compromised by very irregular weather patterns. The outcome could be more pressure for inflation rate and interest rates to remain high, the Kwacha to remain vulnerable and national incomes to be subdued. However, the country rests on significant diversification and growth opportunities which should be exploited.

As a Group, we endeavour to deliver superior customer-experience and focus our resources on the segments and sectors that drive the growth of the economy. Our legitimacy derives from our very strong international brand, and our 46 year heritage in Malawi, with deep client relationships and strong market knowledge and expertise. We will continue to focus on robust cost containment, prudent management of risk and liquidity, continue to diversify balance sheet and maintain a healthy capital position. In 2016, the Group will continue to focus on delivering a superior customer-experience through improved service and the introduction of new products and services, with the aim of attracting new and retaining existing customers.

### Audit Opinion

Pursuant to the requirements of the Banking Act 2010, we publish the consolidated and separate statements of profit or loss, other comprehensive income, financial position and cash flows of Standard Bank Limited as at 31 December 2015 together with the independent auditor's report thereon.

### Report of the Independent Auditor to The Members of Standard Bank Limited on the Summary Consolidated and Separate Financial Statements

The accompanying summary consolidated and separate financial statements, which comprise the summary statements of financial position as at 31 December 2015, the summary statements of profit or loss, other comprehensive income, changes in equity and cash flow for the year then ended, and related notes, are derived from the audited consolidated and separate financial statements of Standard Bank Limited for the year ended 31 December 2015.

We expressed an unmodified audit opinion on those financial statements in our report dated 4 March 2016. Those financial statements, and the summary financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those financial statements.

The summary financial statements do not contain all the disclosures required by the International Financial Reporting Standards. Reading the summary financial statements, therefore, is not a substitute for reading the audited consolidated and separate financial statements of Standard Bank Limited.

### Management's Responsibility for the Summary Consolidated and Separate Financial Statements

Management is responsible for the preparation of a summary of the audited consolidated and separate financial statements in accordance with the International Financial Reporting Standards and the Companies Act, 1984, of Malawi.

### Auditors' Responsibility

Our responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

### Opinion

In our opinion, the summary financial statements derived from the audited consolidated and separate financial statements of Standard Bank Limited for the year ended 31 December 2015 are consistent, in all material respects, with those financial statements, in accordance with the International Financial Reporting Standards and the Companies Act, 1984, of Malawi.



**Certified Public Accountants and Business Advisors**

Lilongwe  
4 March 2016

### Dividend

An interim dividend of **MK500million** (2014: MK500million) was paid in September 2015 representing **MK213** (2014: MK213) per ordinary share. The directors recommend a final dividend of **MK3billion** (2014: MK2.5billion) representing **MK12.82** (2014: MK10.68) per ordinary share to be tabled at the forthcoming Annual General Meeting.

### By order of the Board

Name	Designation	Signature	Date
R Harawa	Chairman		26 Feb 2016
A A Chioko	Director		26 Feb 2016
A Mashanda	Chief Executive		26 Feb 2016
T Simwaka	Chief Financial Officer		26 Feb 2016