

# Standard Bank Limited

## RESULTS ANNOUNCEMENT

Results for the six months ended 30 June 2017



### STATEMENTS OF COMPREHENSIVE INCOME

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	Six months to 30 June 2017	Six months to 30 June 2016	Year ended 31 December 2016	Six months to 30 June 2017	Six months to 30 June 2016	Year ended 31 December 2016
Interest income	23 822	20,935	44,282	23 829	20,935	44,288
Interest expense	(4 245)	(4,357)	(8,458)	(4 245)	(4,357)	(8,458)
Net interest income	19 577	16,578	35,824	19 584	16,578	35,830
Non-interest revenue	9 017	8,971	18,307	8 624	8,740	17,488
Total income	28 594	25,549	54,131	28 208	25,318	53,318
Credit impairment charges	(2,239)	(181)	(576)	(2 239)	(181)	(576)
Income after credit impairment charges	26 355	25,368	53,555	25 969	25,137	52,742
Operating expenses	(14 281)	(11,672)	(25,388)	(14 171)	(11,612)	(25,232)
Profit before taxation	12 074	13,696	28,167	11 798	13,525	27,510
Taxation	(3 911)	(4,057)	(8,742)	(3 829)	(4,005)	(8,545)
Profit after tax	8 163	9,639	19,425	7 969	9,520	18,965
<b>Other Comprehensive Income</b>						
Net change in fair value on available for sale financial assets	(73)	(153)	345	(73)	(153)	345
<b>Total comprehensive income</b>	<b>8 090</b>	<b>9,486</b>	<b>19,770</b>	<b>7 896</b>	<b>9,367</b>	<b>19,310</b>

### Movement in retained earnings

	2017	2016	2016	2017	2016	2016
Retained earnings brought forward	49,943	34,512	34,512	49,270	34,299	34,299
Profit for the period	8,163	9,639	19,425	7,969	9,520	18,965
Dividends paid	(5,001)	(3,008)	(4,008)	(5,001)	(3,008)	(4,008)
Transfer from share scheme	-	-	14	-	-	14
<b>Retained earnings carried forward</b>	<b>53,105</b>	<b>41,143</b>	<b>49,943</b>	<b>52,238</b>	<b>40,811</b>	<b>49,270</b>
Basic earnings per share (tambala)	3 488	4,199	8,301	3 406	4,051	8,105
Dividend per share (tambala)	2 137	1,282	1,713	2 137	1,282	1,713
Number of ordinary shares in issue (million)	234	234	234	234	234	234
Market price per share (kwacha)	570	440	500	570	440	500

### STATEMENTS OF FINANCIAL POSITION

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
<b>ASSETS</b>						
Cash and balances with Reserve Bank	30 600	22,175	36,866	29 596	21,838	36,715
Trading assets and derivatives	19 847	20,260	18,734	19 847	20,274	18,734
Financial Investments	46 736	43,811	37,623	46 736	43,811	37,623
Loans and advances to banks	110 334	83,533	107,530	110 334	83,372	107,530
Loans and advances to customers	100 442	77,885	91,008	100 585	77,885	91,008
Investment in Subsidiary	-	-	-	100	100	100
Other assets	9 257	7,509	6,722	9 271	7,509	6,741
Intangible assets	1 287	75	591	1 287	75	591
Property and equipment	12 922	12,262	12,613	12 922	12,262	12,613
Deferred tax asset	2 227	1,139	1,828	2 219	1,139	1,822
<b>Total assets</b>	<b>333 652</b>	<b>268,649</b>	<b>313,515</b>	<b>332 897</b>	<b>268,265</b>	<b>313,477</b>

### EQUITY AND LIABILITIES

	2017			2016		
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
<b>Shareholders' equity</b>						
Issued capital	234	234	234	234	234	234
Share premium	8,492	8,492	8,492	8,492	8,492	8,492
Retained earnings	53 105	41,143	49,943	52 238	40,811	49,270
Other reserves	4 066	3,569	4,131	4 065	3,567	4,131
<b>Liabilities</b>						
Deposits from banks	18 909	3,001	19,234	18 654	3,001	19,234
Deposits from customers	231 524	196,370	204,410	231 971	196,370	205,138
Other liabilities	11 104	9,941	20,557	11 075	9,933	20,549
Income tax payable	1 366	2,267	3,217	1 316	2,225	3,132
Deferred tax liability	4 852	3,632	3,297	4 852	3,632	3,297
<b>Total equity and liabilities</b>	<b>267 755</b>	<b>215,211</b>	<b>250,715</b>	<b>267 868</b>	<b>215,161</b>	<b>251,350</b>
<b>OFF BALANCE SHEET ITEMS</b>						
Contingent Liabilities	38,366	33,250	34,223	38,366	33,250	34,223
Undrawn commitments	23,337	24,655	19,501	23,337	24,655	19,501
Foreign exchange contracts	58,100	23,597	28,011	58,100	23,597	28,011

### STATEMENTS OF CASH FLOWS

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited	Audited	Unaudited	Audited	Unaudited	Audited
	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016	As at 30 June 2017	As at 30 June 2016	As at 31 December 2016
<b>OPERATING ACTIVITIES</b>						
Interest, fees and other income received	33,093	30,432	63,706	32,707	30,200	62,893
Interest paid	(4,245)	(4,356)	(8,458)	(4 245)	(4,356)	(8,458)
Cash paid to suppliers and employees	(15,593)	(11,239)	(24,986)	(15 482)	(11,192)	(24,830)
Cash flows from operating activities before changes in operating assets and liabilities	13,255	14,837	30,262	12 980	14,652	29,605
(Decrease)/Increase in operating activities before income tax	(63,586)	48,609	64,666	(64,284)	48,336	65,104
Income taxes paid	(4,580)	(2,879)	(7,702)	(4 459)	(2,841)	(7,556)
<b>Cash flows from operating activities</b>	<b>(54 911)</b>	<b>60,567</b>	<b>87,226</b>	<b>(55 763)</b>	<b>60,147</b>	<b>87,153</b>
<b>INVESTING ACTIVITIES</b>						
Purchase of property and equipment	(1 872)	(1,517)	(3,191)	(1 872)	(1,517)	(3,191)
Sale of property, plant and equipment	-	5	1	-	5	1
<b>Net investing activities</b>	<b>(1,872)</b>	<b>(1,512)</b>	<b>(3,190)</b>	<b>(1,872)</b>	<b>(1,512)</b>	<b>(3,190)</b>
<b>FINANCING ACTIVITIES</b>						
Dividends paid	(5 001)	(3,008)	(4,008)	(5 001)	(3,008)	(4,008)
<b>Cash outflows from financing activities</b>	<b>(5 001)</b>	<b>(3,008)</b>	<b>(4,008)</b>	<b>(5,001)</b>	<b>(3,008)</b>	<b>(4,008)</b>
<b>Net Increase/(decrease) in cash and cash equivalents</b>	<b>(61 784)</b>	<b>56,047</b>	<b>80,028</b>	<b>(62 636)</b>	<b>55,627</b>	<b>79,955</b>
Cash and cash equivalents at beginning of period	147 718	67,690	67,690	147 566	67,611	67,611
<b>Cash and cash equivalents at end of period</b>	<b>85 934</b>	<b>123,737</b>	<b>147,718</b>	<b>84 930</b>	<b>123,238</b>	<b>147,566</b>

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

	As at 30 <sup>th</sup> June 2017			As at 30 <sup>th</sup> June 2016		
	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	40,739	8,882	2,791	14,668	-	-
Manufacturing	18,291	-	-	17,898	-	-
Mining	80	-	-	238	-	-
Construction	469	19	2	197	101	61
Energy/Electricity	4,293	-	-	671	-	-

	2017	2016	2016	2017	2016	2016
Gas/Water	-	-	-	-	-	-
Transport/communication	2,973	40	6	4,099	1,043	805
Financial Services	1,593	-	-	1,702	-	-
Wholesale/Retail	14,593	255	113	4,478	105	72
Individual/Household	22,186	384	332	36,054	199	187
Real Estate	14	-	-	-	-	-
Tourism	191	-	-	263	-	-
Other	-	-	-	-	-	-
<b>Total</b>	<b>105,422</b>	<b>9,580</b>	<b>3,244</b>	<b>80,268</b>	<b>1,448</b>	<b>1,125</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.

As at 30 June 2017, there were Nil total credit facilities (30 June 2016: Nil) where amounts exceed 25% of our core capital.

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

	30 <sup>th</sup> June 2017 (MK'm)	30 <sup>th</sup> June 2016 (MK'm)
Directors		
Balance at beginning of the period	31	21
Loans granted during the period	5	10
Repayments	(1)	-
Balance at end of the period	35	31

	30 <sup>th</sup> June 2017 (MK'm)	30 <sup>th</sup> June 2016 (MK'm)
Other Related Parties		
Balance at beginning of the period	47	261
Loans granted during the period	192	707
Repayments	(53)	(779)
Balance at end of the period	186	189

	30 <sup>th</sup> June 2017 (MK'm)	30 <sup>th</sup> June 2016 (MK'm)
Senior Management Officials		
Balance at beginning of the period	288	347
Loans granted during the period	7	36
Repayments	(51)	(99)
Balance at end of the period	244	284

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

### Investments in Subsidiaries

	As at 30 <sup>th</sup> June 2017	As at 30 <sup>th</sup> June 2016
Base Lending Rate (local currency)	30%	35%
Maximum Applicable Range (percentage points)	10	10
Base Lending Rate (foreign currency loans USD)	8.5%	8.5%
RBM Bank Rate	22%	27%

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

	As at 30 <sup>th</sup> June 2017	As at 30 <sup>th</sup> June 2016
Director's Remuneration		
- Non executive directors fees and expenses	29	28
- Executive directors remuneration	242	193
Total bonuses paid to all staff (relating to prior year provision)	2,122	1,791
Franchise Fees to Holding Company	831	792

### Deposit Rates

Type of Deposit	As at 30 <sup>th</sup> June 2017	As at 30 <sup>th</sup> June 2016
<b>Malawi Kwacha</b>		
Current account	0.10%	0.20%
Call	5%	7%
7 day Notice	4%	6%

30 day Notice	4%	7%
Transact plus	0.10%	0.20%
Saver plus	-	5%
Savings	6%	8%
Pure save	9%	11%
Contract save	9%	12%
1 month Fixed	8%	11%
2 month fixed	7%	10%
3 month fixed	6%	9%
More than 3 months	negotiable	negotiable

### Foreign Currency Denominated Accounts (FCDAs)

USD	0.37%	0.37%
GBP	0.10%	0.48%
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 2017.

#### Economic highlights

Headline inflation declined in the first half of the year, hitting a five-year low of 11.3% in June from 22.6% a year ago. This is on the back of falling food prices following a bumper maize harvest. Food inflation is in single digits at 9.3% in June from 27.7% a year ago. As a result, authorities have been able to ease monetary policy further through policy rate cuts of two percentage points in the first half, which created room for Treasury bill yields and commercial bank's base lending rates to abate. On the foreign exchange market, the Kwacha was quite stable with support mainly from tobacco dollar flows.

#### Performance

The Group registered strong performance in the first half emanating from a strong asset base and effective balance sheet management. Total assets grew 25% year on year largely driven by growth in loans and advances to customers and banks. Deposits from customers also grew 18% year on year, which afforded the Group a good funding base from which to grow interest earning assets.

Due to the growth in the asset book, total income for the first half of the year was up 12% on the same period last year. However, due to a challenging operating environment characterized by high interest rates, credit impairments were significantly higher than the same period last year. The Group continues to focus on robust credit risk management to avert future non-performing loans and places emphasis on recoveries of written off loans.

Operating costs grew 22% year on year due to general increase in prices of goods and services which resulted in a cost to income ratio of 50%, up from 46% in prior year. The Group continues to focus on effective cost management initiatives to manage cost growth.

Consequently, profit after tax for the first half of the year was down 15% year on year.

#### Outlook

For the remainder of 2017, we expect the improved inflation position to continue; interest