

STANDARD BANK LIMITED

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

In millions of Malawi Kwacha

	CONSOLIDATED Year ended 31 December 2014	CONSOLIDATED Year ended 31 December 2013	SEPARATE Year ended 31 December 2014	SEPARATE Year ended 31 December 2013
Interest income	22,790	21,380	22,790	21,380
Interest expense	(5,867)	(5,621)	(5,867)	(5,621)
Net interest income	16,923	15,759	16,923	15,759
Net fee and commission income	5,590	5,099	5,590	5,099
Net trading income	12,378	11,834	12,347	11,804
Other operating income	70	42	72	44
Total operating income	34,961	32,734	34,932	32,706
Impairment losses on loans and advances	(1,440)	(2,328)	(1,440)	(2,328)
Income after credit impairment losses on loans and advances	33,521	30,406	33,492	30,378
Staff costs	(7,445)	(6,126)	(7,445)	(6,126)
Depreciation and amortisation	(1,166)	(820)	(1,166)	(820)
Other operating expenses	(6,880)	(5,526)	(6,881)	(5,527)
Total expenditure	(15,491)	(12,472)	(15,492)	(12,473)
Profit before income tax expense	18,030	17,934	18,000	17,905
Income tax expense	(5,741)	(5,865)	(5,732)	(5,856)
Profit for the year	12,289	12,069	12,268	12,049
Other comprehensive income				
Items that are or may be reclassified to profit or loss				
Profit for the year	12,289	12,069	12,268	12,049
Net revaluation gain on property and equipment	1,830	-	1,830	-
Net change in fair value on available for sale financial assets	549	(553)	549	(553)
Total other comprehensive income for the year, net of tax	2,379	(553)	2,379	(553)
Total Comprehensive Income	14,668	11,516	14,647	11,496
Movement in retained earnings				
Retained earnings brought forward	20,003	12,770	19,961	12,748
Profit for the year	12,289	12,069	12,268	12,049
Dividend paid	(500)	(4,986)	(500)	(4,986)
Share ownership scheme	-	150	-	150
Bonus issue	(7,659)	-	(7,659)	-
Total retained earnings carried forward	24,133	20,003	24,070	19,961
Basic earnings per share (MK)	52.52	51.58	52.43	51.49
Dividend per share (tambala)	213	937	213	937
Number of ordinary shares in issue (million)	234	234	234	234
Market price per share (MK)	425	400	425	400

STATEMENTS OF FINANCIAL POSITION

In millions of Malawi Kwacha

	CONSOLIDATED As at 31 December 2014	CONSOLIDATED As at 31 December 2013	SEPARATE As at 31 December 2014	SEPARATE As at 31 December 2013
Assets				
Cash and cash equivalents	30,617	27,219	30,448	27,066
Trading assets	11,931	14,096	11,931	14,096
Loans and advances to banks and other financial institutions	55,594	29,618	55,594	29,618
Loans and advances to customers	55,487	53,264	55,487	53,264
Financial investments	20,160	27,280	20,160	27,280
Investment in subsidiary	-	-	100	100
Other assets	4,417	5,602	4,417	5,608
Property and equipment	11,473	8,276	11,473	8,276
Intangible assets	14	10	14	10
Deferred tax assets	1,272	1,336	1,272	1,336
Total assets	190,965	166,701	190,896	166,654
Liabilities				
Deposits and loans from banks	662	4,018	662	4,018
Deposits from customers	140,599	130,139	140,599	130,139
Other liabilities	5,510	3,573	5,511	3,568
Income tax payable	2,689	1,825	2,682	1,825
Provisions	1,986	1,667	1,986	1,667
Employee benefits liabilities	143	113	143	113
Deferred tax liabilities	2,284	2,456	2,284	2,456
Total liabilities	153,873	143,791	153,867	143,786
Equity				
Share capital	234	213	234	213
Share premium	8,492	854	8,492	854
Revaluation reserve	4,211	2,381	4,211	2,381
Available for sale reserve	(47)	(596)	(47)	(596)
Share-based payment reserve	69	55	69	55
Retained earnings	24,133	20,003	24,070	19,961
Total equity	37,092	22,910	37,029	22,868
Total equity and liabilities	190,965	166,701	190,896	166,654

STATEMENTS OF CASH FLOWS

In millions of Malawi Kwacha

	CONSOLIDATED Year ended 31 December 2014	CONSOLIDATED Year ended 31 December 2013	SEPARATE Year ended 31 December 2014	SEPARATE Year ended 31 December 2013
Cash flows from operating activities:				
Interest received	22,790	21,380	22,790	21,380
Interest paid	(5,867)	(5,621)	(5,867)	(5,621)
Fee and commission receipts	5,590	5,099	5,590	5,099
Trading and other income receipts	12,448	11,876	12,419	11,848
Recoveries from impairment losses	744	402	744	402
Payments to employees and suppliers	(15,256)	(14,270)	(15,266)	(14,272)
Cash flows from operating activities before changes in operating assets and liabilities	20,449	18,866	20,410	18,836
Changes in operating assets and liabilities:				
Loans and advances	(2,223)	(2,331)	(2,223)	(2,331)
Liquidity reserve requirements	5,934	(13,781)	5,934	(13,781)
Trading assets	(3,973)	7,290	(3,973)	7,290
Financial investments	13,448	(12,868)	13,448	(12,868)
Other assets	1,185	(1,076)	1,191	(1,071)
Deposits from customers	10,460	45,422	10,460	45,422
Deposits and loans from banks	(3,356)	(3,840)	(3,356)	(3,840)
Other liabilities	2,286	(1,284)	2,292	(1,287)
Net cash from operating activities before income tax	44,210	36,398	44,183	36,370
Income tax paid	(5,840)	(5,085)	(5,829)	(5,076)
Net cash generated from operating activities	38,370	31,313	38,354	31,294
Cash flows to investing activities				
Purchase of property and equipment	(2,371)	(2,438)	(2,371)	(2,438)
Proceeds from sale of property and equipment	1	6	1	6
Net cash used in investing activities	(2,370)	(2,432)	(2,370)	(2,432)
Cash flows to financing activities				
Dividends paid	(500)	(4,986)	(500)	(4,986)
Net increase in cash and cash equivalents	35,500	23,895	35,484	23,876
Cash and cash equivalents at 1 January	54,862	30,967	54,709	30,833
Cash and cash equivalents at 31 December	90,362	54,862	90,193	54,709

STANDARD BANK LIMITED

RESULTS FOR THE YEAR ENDED 31 DECEMBER 2014

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

	As at 31 December 2014			As at 31 December 2013		
	Outstanding Amount (MK'm)	Impaired amount (MK'm)	Specific provision (MK'm)	Outstanding Amount (MK'm)	Impaired amount (MK'm)	Specific provision (MK'm)
Agriculture	12,541	1,314	927	17,086	668	305
Manufacturing	6,723	97	55	7,266	543	74
Mining	1,976	29	4	172	33	30
Construction	765	55	45	997	117	28
Energy/Electricity	1,515	5	1	392	9	7
Gas/Water	-	-	-	-	-	-
Transport	6,227	946	732	6,264	1,170	742
Communication	2,292	-	-	3,613	-	-
Financial Services	294	9	5	284	45	8
Wholesale/Retail	3,023	799	469	4,443	1,442	1,109
Individual/Household	23,269	593	442	15,711	1,219	578
Real Estate	-	-	-	-	-	-
Tourism	193	-	-	394	14	6
Other	-	-	-	234	42	33
Total	58,818	3,847	2,680	56,856	5,302	2,920

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 2014 (MK'm)	% of Core Capital	As at 31 Dec 2013 (MK'm)	% of Core Capital
Agriculture	-	-	10,941	52%
Construction	-	-	5,723	27%
Energy/Electricity	-	-	6,511	31%
Various*	8,190	26%	8,354	40%

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

Loans to Directors, Senior Management and Other Related Parties

	31 Dec 2014 (MK'm)	31 Dec 2013 (MK'm)
Directors		
Balance at beginning of year	34	53
Loans granted during the year	7	-
Repayments	(1)	(19)
Balance at end of the year	40	34

	31 Dec 2014 (MK'm)	31 Dec 2013 (MK'm)
Other Related Parties		
Balance at beginning of year	-	36
Loans granted during the year	-	-
Repayments	-	(36)
Balance at end of the year	-	-

	31 Dec 2014 (MK'm)	31 Dec 2013 (MK'm)
Senior Management Officials		
Balance at beginning of year	275	303
Loans granted during the year	108	48
Repayments	(51)	(76)
Balance at end of the year	332	275

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	100million	100%	100	100

Base Lending Rate

	As at 31 Dec 2014	As at 31 Dec 2013
Base Lending Rate (local currency)	38%	36.5%
Maximum Applicable Range (percentage points)	10	10
Base Lending Rate (foreign currency loans)	8.0%	8.5%
Reserve Bank of Malawi Bank Rate	25%	25%

Director's Remuneration, Bonuses and Franchise Fees

	31 Dec 2014 (MK'm)	31 Dec 2013 (MK'm)
Director's Remuneration - Director's fees	15	14
- Executive directors remuneration	125	102
Total bonuses paid to all staff	1,348	1,186
Franchise Fees to Holding Company	860	903

Deposit Rates

Type of Deposit	As at 31 December 2014 Rate	As at 31 December 2013 Rate
Malawi Kwacha		
Current account	0.20%	0.50%
Call	7.0%	7.0%
7 day Notice	6.0%	7.0%
30 day Notice	7.0%	8.0%
Transact plus	2.0%	2.0%
Saver plus	5%	5%
Savings	8%	7%
Pure save	11%	10%
Contract save	12%	13%
1 month fixed	11%	13%
2 month fixed	10%	11%
3 month fixed	9%	10%
6 month fixed	Negotiable	Negotiable
9 month fixed	Negotiable	Negotiable
12 month fixed	Negotiable	Negotiable

Foreign Currency Denominated Accounts (FCDA's)

	31 Dec 2014	31 Dec 2013
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 2014.

Economic Highlights

The Malawi economy sustained high interest rates, volatile exchange rates and double-digit inflation in 2014. Headline inflation rate slowed down in the year to average 23.7%, benefiting from a generally resilient Kwacha and softer food inflation. On the local money market, the all-type Treasury bill yield averaged 21.7% from 30.8% in 2013. However, there was a general improvement in market liquidity largely from the introduction of a daily minimum liquidity reserving ratio (LRR) of 12% in January. During the month of November, the Reserve Bank of Malawi introduced a policy change on foreign currency LRR which changed the holding currency from foreign to local currency which negatively affected market liquidity and forced an increase in lending rates, as a response to the resultant increase in the cost of funding. On the foreign exchange market, the Kwacha volatility in the period after the end of the tobacco season continued with further Kwacha depreciation experienced in October with the Kwacha losing 14% against the US dollar. Worthy of noting was the fact that the 2014/15 lean season was shorter compared to 2013.

Performance

The Group registered a strong year on year balance sheet growth. Total assets grew 15% over the same period in prior year emanating from an 8% growth in customer deposits. Tough economic conditions and concerns on the high interest rates continue to impact the Groups appetite to lending; this has in turn negatively impacted the overall growth of the loan book. Loan and advances to customers have therefore grown by 4% over same period last year.

The Group delivered profit after tax of MK12.3b in 2014 despite the challenging operating environment; this represents a 2% growth on 2013, which was at MK12.1b. Operating income grew by 7% over same period last year on the back of growth in net interest income; non-interest income also grew by 7% over same period last year. As mentioned above, a more prudent approach to lending has led to a 38% decrease in credit impairments year on year.

Costs remain well controlled and have grown by 24% over prior year; this trend is in line with inflation. Cost to income ratio for the year was 44% compared to 38% in prior year.

Earnings per share have increased slightly from MK52 in 2013 to MK53 in 2014.

Outlook

We expect monetary policy authorities to embark on an expansionary policy framework in 2015 on the back of healthy foreign exchange reserves position. In spite of the adverse weather on agricultural production, a higher growth rate is expected in 2015.

As a Group, we endeavour to deliver superior customer-experience and we remain committed to ensuring customer satisfaction. Our legitimacy derives from our very strong brand, and our 45 year heritage in Malawi, with deep client relationships, strong market knowledge and expertise. We will continue to focus on cost containment, prudent management of risk and liquidity, continue to diversify balance sheet and maintain a healthy capital position. In 2015, the Group will focus on delivering a competitive value proposition across all the segments that we serve, 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 and other comprehensive income, consolidated and separate statement of financial position and consolidated and separate statement of cash flows of Standard Bank Limited as at 31 December 2014 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 consolidated and separate statements of financial position as at 31 December 2014, the summary consolidated and separate statements of profit or loss and 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 2014.

We expressed an unmodified audit opinion on those financial statements in our report dated 27 February 2015. 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.

Auditor's 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 2014 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

27 February 2015

Dividend

An interim dividend of MK2.13 (2013: MK9.37) per ordinary share was paid in September 2014 representing MK500million (2013: MK2billion). The directors recommend a final dividend of MK10.68 (2013: Nil) per ordinary share representing MK2.5billion (2013: Nil) to be tabled at the forthcoming Annual General Meeting.

By order of the Board

Name	Designation	Signature	Date
R Harawa	Chairman		27 Feb 2015
A. A Chioko	Director		27 Feb 2015
A Mashanda	Chief Executive		27 Feb 2015
T Simwaka	Chief Financial Officer		27 Feb 2015