Standard Bank PLC

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024

Unaudited Summary Consolidated And Separate Financial Statements

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

In millions of Malawi Kwacha	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	Six months to 30 June 2024	Six months to 30 June 2023	Year ended 31 December 2023	Six months to 30 June 2024	Six months to 30 June 2023	Year ended 31 December 2023
Interest income	82,430	59,099	132,384	82,365	59,088	132,373
Interest expense	(4,294)	(5,274)	(9,549)	(4,259)	(5,311)	(9,616)
Net interest income	78,136	53,825	122,835	78,106	53,777	122,757
Non-interest revenue	34,487	36,871	77,586	33,550	35,584	74,885
Total income	112,623	90,696	200,421	111,656	89,361	197,642
Credit impairment charges	(5,077)	(8,143)	(15,108)	(5,077)	(8,145)	(15,108)
Income after credit impairment charges	107,546	82,553	185,313	106,579	81,216	182,534
Operating expenses	(41,782)	(33,526)	(79,614)	(41,269)	(33,482)	(79,474)
Profit before equity accounted earnings and income tax expense	65,764	49,027	105,699	65,310	47,734	103,060
Share of profit from joint venture	107	-	49	107	-	49
Profit before taxation	65,871	49,027	105,748	65,417	47,734	103,109
Taxation	(23,497)	(22,105)	(53,228)	(23,353)	(21,728)	(52,436)
Profit after tax	42,374	26,922	52,520	42,064	26,006	50,673
Other comprehensive income						
Net revaluation movement on property and equipment	-	(838)	5,286	-	(838)	5,286
Net change in fair value of financial assets at fair value through other comprehensive income	(3)	(46)	(41)	(3)	(46)	(41)
Total comprehensive income	42,371	26,038	57,765	42,061	25,122	55,918

SUMMARY STATEMENTS OF CHANGES IN EQUITY

In millions of Malawi Kwacha	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	Six months to 30 June 2024	Six months to 30 June 2023	Year ended 31 December 2023	Six months to 30 June 2024	Six months to 30 June 2023	Year ended 31 December 2023
Opening equity	193,817	148,052	148,052	187,350	143,432	143,432
Profit for the period	42,374	26,922	52,520	42,064	26,006	50,673
Dividends declared and paid	(25,405)	(12,000)	(12,000)	(25,405)	(12,000)	(12,000)
Net revaluation movement on property and equipment	-	(838)	5,286	-	(838)	5,286
Movement in other reserves	(3)	293	(41)	(3)	293	(41)
Closing equity	210,783	162,429	193,817	204,006	156,893	187,350
Basic earnings per share (MK per share)	181.09	115.05	224.44	179.76	111.14	216.55
Dividend per share (tambala)	10,857	5,128	5,128	10,857	5,128	5,128
Number of ordinary shares in issue (million)	234	234	234	234	234	234
Market price per share (kwacha)	4,400	2,350	3,950	4,400	2,350	3,950

Standard Bank PLC is licensed and regulated by the Reserve Bank of Malawi

SUMMARY STATEMENTS OF FINANCIAL POSITION

In millions of Malawi Kwacha	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	Six months to 30 June 2024	Six months to 30 June 2023	Year ended 31 December 2023	Six months to 30 June 2024	Six months to 30 June 2023	Year ended 31 December 2023
Assets						
Cash and balances held with the Central Bank	103,620	51,849	152,232	103,232	51,650	152,118
Non-current assets held-for-sale	-	104	-	-	104	-
Trading assets and derivatives	44,776	42,453	23,442	44,776	42,453	23,442
Financial Investments	316,974	359,409	335,019	316,974	359,409	335,019
Loans and advances to banks and other financial institutions	334,650	169,747	239,739	334,578	169,670	239,546
Loans and advances to customers	350,581	274,695	294,300	350,581	274,695	294,300
Investment in Subsidiaries				100	100	100
Other assets	31,808	20,544	25,989	32,068	20,661	26,030
Property, equipment and right-of-use assets	29,109	24,818	29,102	29,109	24,818	29,102
Intangible assets	11,912	13,223	12,693	11,912	13,223	12,693
Deferred tax asset	4,962	-	-	4,961	-	-
Total assets	1,228,392	956,842	1,112,516	1,228,291	956,783	1,112,350
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	183,992	141,764	167,023	177,215	136,228	160,556
Other reserves	18,065	11,939	18,068	18,065	11,939	18,068
Total equity	210,783	162,429	193,817	204,006	156,893	187,350
Liabilities						
Deposits and loans from banks	22,668	17,498	21,569	22,668	17,498	21,569
Deposits from customers	885,421	692,562	790,639	892,196	698,207	797,124
Derivative liabilities	274	246	1,617	274	246	1,617
Other liabilities and provisions	83,805	56,628	73,211	83,811	56,658	73 212
Income tax payable	25,441	17,317	29,619	25,336	17,119	29,433
Deferred tax liabilities	-	10,162	2,044	-	10,162	2,045
Total liabilities	1,017,609	794,413	918,699	1,024,285	799,890	925,000
Total equity and liabilities	1,228,392	956,842	1,112,516	1,228,291	956,783	1,112,350
Off-balance sheet items						
Letters of credit and guarantees	223,576	130,905	105,650	223,576	130,905	105,650
Undrawn commitments	24,016	76,027	22,783	24,016	76,027	22,783
Foreign exchange contracts	79,795	58,614	20,953	79,795	58,614	20,953

SUMMARY STATEMENTS OF CASH FLOWS

In millions of Malawi Kwacha	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	Six months to 30 June 2024	Six months to 30 June 2023	Year ended 31 December 2023	Six months to 30 June 2024	Six months to 30 June 2023	Year ended 31 December 2023
Cash flows from operating activities						
Profit before income tax expense	65,871	49,027	105,748	65,417	47,734	103,109
Adjustment for non-cash items included within the income statement	(75,698)	(43,504)	(100,056)	(75,668)	(43,456)	(99,978)
Net movement in operating assets/liabilities	(71,567)	(36,653)	33,870	(71,606)	(35,967)	35,567
Interest paid	(4,276)	(5,371)	(9,687)	(4,241)	(5,408)	(9,754)
Interest received	94,841	54,285	119,974	94,776	54,274	119,963
Income taxes paid	(34,626)	(14,062)	(37,573)	(34,407)	(13,468)	(36,559)
Net cash (used in)/generated from operating activities	(25,455)	3,722	112,276	(25,729)	3,709	112,348
Cash flows from investing activities						
Purchase of property and equipment	(2,245)	(4,021)	(7,771)	(2,245)	(4,021)	(7,771)
Sale of property and equipment	135	15	37	135	15	37
Net cash used investing activities	(2,110)	(4,006)	(7,734)	(2,110)	(4,006)	(7,734)
Cash flows from financing activities						
Principal lease repayments	(264)	(314)	(458)	(264)	(314)	(458)
Dividends paid	(20,783)	(3,938)	(8,237)	(20,783)	(3,938)	(8,237)
Net cash used in financing activities	(21,047)	(4,252)	(8,695)	(21,047)	(4,252)	(8,695)
Net (decrease)/increase in cash and cash equivalents	(48,612)	(4,536)	95,847	(48,886)	(4,549)	95,919
Cash and cash equivalents at beginning of period	152,232	56,385	56,385	152,118	56,199	56,199
Cash and cash equivalents at end of period	103,620	51,849	152,232	103,232	51,650	152,118

NOTES TO THE SUMMARY CONSOLIDATED AND SEPERATE FINANCIAL STATEMENTS

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

	As at 30 June 2024			As at 30 June 2023		
	Out-standing Amount	Impaired amount	Stage 3 expected credit losses	Out-standing Amount	Impaired amount	Stage 3 expected credit losses
	MKm	MKm	MKm	MKm	MKm	MKm
Agriculture	105,592	216	170	85,585	65	57
Manufacturing	27,879	900	804	7,198	173	68
Mining	377	-	-	1	-	-
Construction	16,227	1,972	1,476	7,501	389	302
Energy/Electricity	8,975	113	85	5,083	108	73
Transport/communication	41,322	943	648	37,333	288	195
Financial Services	2,798	2	2	482	53	53
Wholesale/Retail	34,656	1,919	1,567	30,550	1,523	979
Individual/Household/community	131,042	6,002	4,812	111,608	6,835	5,541
Real Estate	2,837	-	-	5,234	40	25
Tourism	2,442	3	3	286	1	1
Total	374,147	12,070	9,567	290,861	9,475	7,294

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 2024	% of Core Capital	As at 30 June 2023	% of Core Capital
	MKm		MKm	
Various	-	-	34,253	27.75%

Loans to directors, senior management and other related parties

	30 June 2024 MKm	30 June 2023 MKm
Directors		
Balance at the beginning of the year	144	162
Loans granted during the year	5	7
Repayments	(11)	(9)
Balance at the end of half year	138	160

	30 June 2024 MKm	30 June 2023 MKm
Other related parties		
Balance at the beginning of the year	3,300	76
Loans granted during the year	2,055	3,496
Repayments	(391)	(4)
Balance at the end of half year	4,964	3,568

	30 June 2024 MKm	30 June 2023 MKm
Senior management officials		
Balance at the beginning of the year	1,614	1,497
Loans granted during the year	200	368
Repayments	(104)	(282)
Balance at the end of half year	1,710	1,583
Total loans to directors, senior management and other related parties	6,812	5,311
Total loans to directors, senior management and other related parties as a percentage of core capital	5%	4%

Investment in subsidiaries

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

Base lending rate

	As at 30 June 2024	As at 30 June 2023
Base lending rate (local currency)	25.1%	21.0%
Maximum applicable range (percentage points)	11.0%	11.0%
Lending rates (foreign currency loans)	3.9%-14.3%	3.9%-14.6%
Reserve Bank of Malawi Policy rate	26.0%	22.0%

Directors' remuneration, bonuses and group directional fees (formerly Franchise fees)

	30 June 2024 MKm	30 June 2023 MKm
Directors' remuneration		
- Directors' fees and expenses	146	139
- Executive director's remuneration	375	272
Total bonuses paid to all staff (relating to prior year provision)	4,299	3,178
Group directional fees (formerly Franchise fees) to holding company	986	2,671

Deposit rates

	30 June 2024 Rate	30 June 2023 Rate
Malawi Kwacha		
Current account	0%	0%
Call	2%	2%
Notice	3.5%	3.5%
Savings	3%	3%
Pure save	4%	4%
Contract save	5%-8%	5%-8%
1 month Fixed	4%	4%
2 month fixed	4.5%	4.5%
3 month fixed	5%	5%
More than 3 months	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.

Standard Bank PLC
RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2024
Unaudited Summary Consolidated And Separate Financial Statements

FINANCIAL REVIEW

We present the unaudited financial results of the Group for the six months ended 30 June 2024.

Economic highlights

Foreign exchange demand and supply imbalances persisted in the first half of the year, leading to a 3% depreciation of the Kwacha in March 2024. This, combined with the 44% devaluation in November 2023, led to the first half closing exchange rate position of MK1,749.5 against the United States dollar compared to MK1,058.8 at the end of June 2023. High food prices and foreign exchange shortages exerted significant pressure on headline inflation. Headline inflation closed the first half at 33.3%, much higher than 27.3% in June 2023. The policy rate was hiked by a cumulative 4% to settle at 26%, and the reference rate, which is also the base lending rate, followed the same trend, as it increased to close the first half at 25.10% from 21.00% in June 2023. In addition, the liquidity reserve requirement (LRR) for local currency was adjusted upwards from 5.75% to 8.75% between June 2023 and June 2024.

Performance

The Group showcased remarkable resilience, achieving growth in a challenging economic landscape characterized by foreign currency fluctuations, high inflation and supply-demand imbalances. Despite these obstacles, the Group's revenue increased, cost growth was effectively controlled below inflation, and the balance sheet strengthened through robust funding, leading to enhanced profitability.

Profit after tax reached MK42.4 billion, marking a significant 57% increase from the previous year. Total revenue grew by 24% year-on-year, primarily driven by a 45% growth in net interest income. This surge in net interest income was fueled by a 28% increase in loans and advances to customers, which was supported by a similar rise in customer deposits. Net interest income also benefited from reference rate hikes, rising from 21.0% in June 2023 to 25.1% in June 2024 and increased yields across all tenors of government securities, offsetting a 12% reduction in the financial investments portfolio.

Non-interest revenue declined by 6% when compared to the previous year. While net fees and commissions increased by 10%, driven by higher transaction volumes, this growth was partially offset by regulatory constraints that led to the removal of fees on certain services. Trading revenue also decreased by 14% due to lower trading volumes resulting from a scarcity of foreign currency.

Credit impairments reduced by 38% compared to prior year, owing to the release of forward-looking impairments related to a reduced financial investments portfolio. The Group remains committed to recovering previously written-off loans and maintaining prudent risk management and responsible lending practices.

Operating costs increased by 25% year-on-year, primarily driven by persistent inflationary pressures on goods and services. An additional factor contributing to the rise was a one-time exchange loss on foreign currency denominated liabilities due to a 3% currency depreciation in March 2024. Furthermore, the Group made strategic one-off technology investments in its core banking system to enhance operational efficiency and elevate customer experience. These cost increases were partially offset by revised billing for outsourced services, contributing to a controlled overall cost growth. Importantly, the cost-to-income ratio remained stable at 37%, reflecting the Group's effective cost management and strong revenue growth.

Earnings per share for the half year increased from MK115.05 in 2023 to MK181.09 in 2024.

Outlook

The operating environment is expected to remain challenging in the second half of the year given the inflationary pressures from high food prices due to the low crop yield following the El Nino weather conditions and exchange rate pressures due to weakened foreign exchange supply. The International Monetary Fund staff mission to Malawi was completed, and the first performance review of the Extended Credit Facility (ECF) program commenced. Reform efforts will focus on returning to a sustainable fiscal path, rebuilding external buffers and restoring debt sustainability and external viability while mitigating the El Nino-induced disaster.

Dividend

In light of the uncertain economic environment, the Board of Directors resolved not to pay an interim dividend for the half-year ended 30 June 2024. The Board will continue to monitor the economic situation and declare a dividend when macroeconomic conditions improve. No interim dividend was paid for the half-year ended 30 June 2023.

By order of the Board.

NAME	DESIGNATION	SIGNATURE	DATE
1. C Kapanga	Chairperson		01 August 2024
2. A Mkandawire	Director		01 August 2024
3. P Madinga	Chief Executive		01 August 2024
4. J Mhone	Chief Financial and Value Management Officer		01 August 2024