Standard Bank PLC

RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Unaudited Summary Consolidated And Separate Financial Statements

MALAWI IS OUR HOME
WE DRIVE HER GROWTH

SUMMARY STATEMENTS OF COMPREHENSIVE INCOME

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	Six months to 30 June 2023	Six months to 30 June 2022	Year ended 31 December 2022	**Six months to 30 June 2023**	Six months to 30 June 2022	Year ended 31 December 2022
Interest income	**59,099**	35,111	85,297	**59,088**	35,111	85,321
Interest expense	**(5,274)**	(3,630)	(8,645)	**(5,311)**	(3,662)	(8,719)
Net interest income	**53,825**	31,481	76,652	**53,777**	31,449	76,602
Non-interest revenue	**36,871**	26,770	51,333	**35,584**	26,069	50,251
Total income	**90,696**	58,251	127,985	**89,361**	57,518	126,853
Credit impairment charges	**(8,143)**	(4,055)	(7,122)	**(8,145)**	(4,055)	(7,122)
Income after credit impairment charges	**82,553**	54,196	120,863	**81,216**	53,463	119,731
Operating expenses	**(33,526)**	(29,039)	(60,807)	**(33,482)**	(29,022)	(60,752)
Profit before taxation	**49,027**	25,157	60,056	**47,734**	24,441	58,979
Taxation	**(22,105)**	(9,322)	(20,854)	**(21,728)**	(9,117)	(20,231)
Profit after tax	**26,922**	15,835	39,202	**26,006**	15,324	38,748
Other comprehensive Income						
Net revaluation movement on property and equipment	**(838)**	-	1,719	**(838)**	-	1,719
Net change in fair value of financial assets at fair value through other comprehensive income (OCI)	**(46)**	153	72	**(46)**	153	72
Total comprehensive income	**26,038**	15,988	40,993	**25,122**	15,477	40,539

SUMMARY STATEMENTS OF CHANGES IN EQUITY

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	Six months to 30 June 2023	Six months to 30 June 2022	Year ended 31 December 2022	**Six months to 30 June 2023**	Six months to 30 June 2022	Year ended 31 December 2022
Opening equity	**148,052**	117,059	117,059	**143,432**	112,893	112,893
Profit for the period	**26,922**	15,835	39,202	**26,006**	15,324	38,748
Dividends declared and paid	**(12,000)**	(7,001)	(10,000)	**(12,000)**	(7,001)	(10,000)
Net revaluation movement on property and equipment	**(838)**	-	1,719	**(838)**	-	1,719
Movement in other reserves	**293**	205	72	**293**	206	72
Closing equity	**162,429**	126,098	148,052	**156,893**	121,422	143,432
Basic earnings per share (MK per share)	**115.05**	67.57	167.53	**111.14**	65.39	165.59
Dividend per share (tambala)	**5,128**	2,992	4,273	**5,128**	2,992	4,273
Number of ordinary shares in issue (million)	**234**	234	234	**234**	234	234
Market price per share (MK)	**2,350**	1,600	2,000	**2,350**	1,600	2,000

SUMMARY STATEMENTS OF FINANCIAL POSITION

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	As at 30 June 2023	As at 30 June 2022	As at 31 December 2022	**As at 30 June 2023**	As at 30 June 2022	As at 31 December 2022
ASSETS						
Cash and balances held with the Central Bank	**51,849**	38,762	56,385	**51,650**	38,703	56,199
Non-current assets held for sale	**104**	612	584	**104**	612	584
Trading assets and derivatives	**42,453**	7,042	1,587	**42,453**	7,042	1,587
Financial Investments	**359,409**	278,948	352,645	**359,409**	278,948	352,645
Loans and advances to banks	**169,747**	111,596	131,454	**169,670**	111,557	131,189
Loans and advances to customers	**274,695**	218,821	235,845	**274,695**	218,821	235,845
Investment in Subsidiaries	**-**	-	-	**100**	100	100
Other assets	**20,544**	11,755	14,962	**20,661**	11,793	15,002
Property, equipment and right-of-use assets	**24,818**	18,445	21,907	**24,818**	18,445	21,907
Intangible assets	**13,223**	14,736	13,979	**13,223**	14,736	13,979
Deferred tax asset	**-**	2	-	**-**	-	-
Total assets	**956,842**	700,719	829,348	**956,783**	700,757	829,037

SUMMARY STATEMENTS OF FINANCIAL POSITION (CONTINUED)

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	As at 30 June 2023	As at 30 June 2022	As at 31 December 2022	**As at 30 June 2023**	As at 30 June 2022	As at 31 December 2022
EQUITY AND LIABILITIES						
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	**141,764**	106,135	126,503	**136,228**	101,457	121,883
Other reserves	**11,939**	11,237	12,823	**11,939**	11,239	12,823
Total equity	**162,429**	126,098	148,052	**156,893**	121,422	143,432
Liabilities						
Deposits and loans from banks	**17,498**	28,179	20,962	**17,498**	28,179	20,962
Deposits from customers	**692,562**	492,554	593,006	**698,207**	497,408	597,753
Derivative liabilities	**246**	316	218	**246**	316	218
Other liabilities and provisions	**56,628**	39,882	48,403	**56,658**	39,888	48,398
Income tax payable	**17,317**	8,236	10,565	**17,119**	8,090	10,133
Deferred tax liabilities	**10,162**	5,454	8,142	**10,162**	5,454	8,141
Total liabilities	**794,413**	574,621	681,296	**799,890**	579,335	685,605
Total equity and liabilities	**956,842**	700,719	829,348	**956,783**	700,757	829,037
Off balance sheet items						
Letters of credit and guarantees	**130,905**	170,721	136,482	**130,905**	170,721	136,482
Undrawn commitments	**76,027**	31,650	26,945	**76,027**	31,650	26,945
Foreign exchange contracts	**58,614**	8,823	38,168	**58,614**	8,823	38,168

SUMMARY STATEMENTS OF CASH FLOWS

In millions of Malawi Kwacha

	Consolidated			Separate		
	Unaudited		Audited	Unaudited		Audited
	Six months to 30 June 2023	Six months to 30 June 2022	Year ended 31 December 2022	**Six months to 30 June 2023**	Six months to 30 June 2022	Year ended 31 December 2022
Cash flows from operating activities						
Profit before income tax expense	**49,027**	25,157	60,056	**47,734**	24,441	58,979
Adjustment for non-cash items included within the income statement	**(43,504)**	(25,029)	(66,244)	**(43,456)**	(24,990)	(67,194)
Net increase in operating assets/liabilities	**(36,653)**	(15,944)	(15,335)	**(35,967)**	(15,373)	(14,658)
Interest paid	**(5,371)**	(4,172)	(9,036)	**(5,408)**	(4,204)	(9,110)
Interest received	**54,285**	33,848	73,440	**54,274**	33,848	73,464
Dividends received	**-**	-	-	**-**	-	1,000
Income taxes paid	**(14,062)**	(8,901)	(16,054)	**(13,468)**	(8,757)	(15,775)
Net cash generated from operating activities	**3,722**	4,959	26,827	**3,709**	4,965	26,706
Cash flows from investing activities						
Purchase of property and equipment	**(4,021)**	(1,221)	(3,593)	**(4,021)**	(1,221)	(3,593)
Sale of property and equipment	**15**	196	253	**15**	196	253
Net cash used in investing activities	**(4,006)**	(1,025)	(3,340)	**(4,006)**	(1,025)	(3,340)
Cash flows from financing activities						
Principal lease repayments	**(314)**	(187)	(319)	**(314)**	(187)	(319)
Dividends paid	**(3,938)**	(6,392)	(8,190)	**(3,938)**	(6,392)	(8,190)
Net cash used in financing activities	**(4,252)**	(6,579)	(8,509)	**(4,252)**	(6,579)	(8,509)
Net (decrease)/increase in cash and cash equivalents	**(4,536)**	(2,645)	14,978	**(4,549)**	(2,639)	14,857
Cash and cash equivalents at beginning of period	**56,385**	41,407	41,407	**56,199**	41,342	41,342
Cash and cash equivalents at end of period	**51,849**	38,762	56,385	**51,650**	38,703	56,199

NOTES TO THE SUMMARY CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Impairment losses/Non-performing credit facilities and provisions for losses by Industry sector

	As at 30 June 2023			As at 30 June 2022		
	Outstanding Amount	**Impaired amount**	**Stage 3 expected credit losses**	Outstanding Amount	Impaired amount	Stage 3 expected credit losses
	MKm	**MKm**	**MKm**	MKm	MKm	MKm
Agriculture	**85,585**	**65**	**57**	57,397	149	136
Manufacturing	**7,198**	**173**	**68**	10,820	-	-
Mining	**1**	**-**	**-**	-	-	-
Construction	**7,501**	**389**	**302**	4,744	183	142
Energy/Electricity	**5,083**	**108**	**73**	6,046	-	-
Gas/Water	**-**	**-**	**-**	-	-	-
Transport/Communication	**37,333**	**288**	**195**	24,346	123	92
Financial Services	**482**	**53**	**53**	770	-	-
Wholesale/Retail	**30,550**	**1,523**	**979**	30,856	442	383
Individual/Household/Community	**111,608**	**6,835**	**5,541**	90,418	4,787	4,206
Real Estate	**5,234**	**40**	**25**	3,917	-	-
Tourism	**286**	**1**	**1**	2,363	-	-
Total	**290,861**	**9,475**	**7,294**	231,677	5,684	4,959

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 2023**	**% of Core Capital**	As at 30 June 2022	% of Core Capital
	MKm		MKm	
Transport/Communication/Storage	-	-	34,931	34.60%
Various	**34,253**	**27.75%**	-	-

Loans to directors, senior management and other related parties

	30 June 2023 MKm	30 June 2022 MKm
Directors		
Balance at the beginning of the year	**162**	182
Loans granted during the year	**7**	1
Repayments	**(9)**	(9)
Balance at the end of half year	**160**	174

	30 June 2023 MKm	30 June 2022 MKm
Other related parties		
Balance at the beginning of the year	**76**	27
Loans granted during the year	**3,496**	64
Repayments	**(4)**	(11)
Balance at the end of half year	**3,568**	80

	30 June 2023 MKm	30 June 2022 MKm
Senior management officials		
Balance at the beginning of the year	**1,497**	1,203
Loans granted during the year	**368**	331
Repayments	**(282)**	(158)
Balance at the end of half year	**1,583**	1,376

Total loans to directors, senior management and other related parties	**5,311**	1,630
Total loans to directors, senior management and other related parties as a percentage of core capital	**4%**	1%

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%	-	-

Lending rates

	As at 30 June 2023	As at 30 June 2022
Base lending rate (local currency)	**21.0%**	13.8%
Maximum applicable range (percentage points)	**11**	11
Lending rates (foreign currency loans)	**3.9% - 14.6%**	3.8% - 12.9%
Reserve Bank of Malawi Policy rate	**22.0%**	14.0%

Director's remuneration, bonuses and franchise fees

	30 June 2023 MKm	30 June 2022 MKm
Director's remuneration		
- Directors' fees and expenses	**139**	72
- Executive directors' remuneration	**272**	225
Total bonuses paid to all staff (relating to prior year provision)	**3,178**	2,303
Franchise fees to holding company	**2,671**	1,732

Deposit rates

Type of deposit	**30 June 2023 Rate**	30 June 2022 Rate
Malawi Kwacha		
Current account	**0%**	0%
Call	**2%**	3%
Notice	**3.5%**	3.5%
Savings	**3%**	4%
Pure save	**4%**	6.5%
Contract save	**5% - 8%**	6%-8%
1 month Fixed	**4%**	4.5%
2 months fixed	**4.5%**	5.5%
3 months fixed	**5%**	6.5%
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 2023

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 2023.

Economic highlights

Foreign exchange demand and supply imbalances persisted in the first half of the year, resulting into a 2.36% cumulative depreciation of the Kwacha by the close of June. As a result, the Kwacha closed the first half at MK1,058.8 against the United States dollar compared to MK1,033.4 at the end of June 2022. Cost pressures on food, utilities tariffs and the weak local currency weighed significantly on headline inflation which closed the period at 27.3% from 23.5% in June 2022. Consequently, the Policy rate was raised from 18% to 22% in April 2023, which triggered increases in the Reference rate and commercial banks Base lending rates. In addition, the liquidity reserve requirement (LRR) for local currency deposits was adjusted upwards from 3.75% to 5.75%.

Performance

The Group's results demonstrated its resilience as it continued to operate in a challenging environment characterized by foreign currency demand and supply imbalances and inflationary pressures. Despite the underlying challenges, the Group grew its revenues, managed costs growth below inflationary levels and grew its balance sheet supported by a strong funding base which in turn resulted in higher profitability.

The Group's profit after tax of MK26.9 billion was 70% above prior year. Total revenue grew by 56% year on year driven by growth in both net interest income and non-interest revenue. Net interest income grew by 71% year on year driven by growth in loans and advances to customers and financial investments which both grew by 26% and 29% year on year respectively. The growth in interest earning assets was as a result of growth in deposits from customers which also grew by 41% year on year.

Non-interest revenue grew by 38% year on year. Net fees and commissions grew by 20% year on year driven by increase in transaction volumes despite reduction in pricing of selected fees and commissions. Trading revenue grew by 51% year on year anchored by an increase in trading volumes.

Credit impairments were significantly up on prior year due to growth in the performing customer loan book as well as financial investments which resulted in increase of performing related credit impairments. In addition, credit impairments also grew as a result of deteriorating macroeconomic factors which led to increase in forward looking credit impairment charges as well as downgrades on some non-performing customer loan balances. The Group will continue its efforts to recover previously written off loans as well as focus on prudent risk taking and management.

Operating costs were 15% up on prior year impacted by increase in prices of goods and services as well as increase in staff costs emanating from annual remuneration adjustment. The Group's continued focus on cost and process optimisation initiatives led to a lower than inflation cost growth. As a result of higher revenue base and lower cost growth, the cost to income ratio reduced from 50% in prior year to 37% in the current year.

Earnings per share for the half year increased from MK67.57 in 2022 to MK115.05 in 2023.

Outlook

The operating environment is expected to remain challenging in the second half of the year given the persistent inflationary pressures emanating from high food prices, utility tariff increases and tight foreign exchange supply conditions. A new Extended Credit Facility programme with the International Monetary Fund before the end of the year could bring about currency stability and foster business confidence.

Dividend

The directors resolved not to pay an interim dividend for the half year ended 30 June 2023. In arriving at this decision, the directors have considered the expected continued currency depreciation emanating from the foreign exchange auctions and the deteriorating macroeconomic factors which will trigger further forward looking credit impairment charges. The directors will continue to review the prevailing and expected market conditions and declare a dividend once macroeconomic conditions improve. A first interim dividend of MK21.31 per ordinary share representing MK5 billion was paid in prior year.

By order of the Board.

NAME	DESIGNATION	SIGNATURE	DATE
1. C Kapanga	Chairperson		04 August 2023
2. A Mkandawire	Director		04 August 2023
3. P Madinga	Chief Executive		04 August 2023
4. J Mhone	Chief Financial and Value Management Officer		04 August 2023