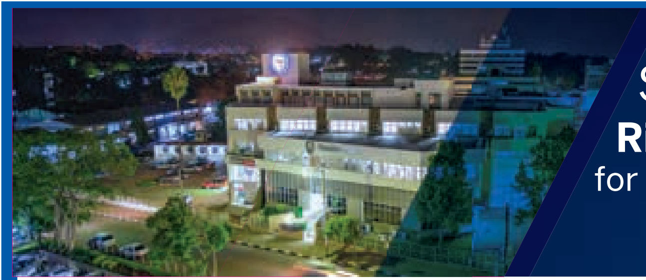


Risk and Capital Management Report
Standard Bank Limited

31 December, 2015

Table of contents

1 Overview

Introduction

Effective risk management is fundamental to the business activities of Standard Bank Limited (the bank). While the bank remains committed to increasing shareholder value by developing and growing the business within the Board-determined risk appetite, the bank is mindful of achieving this objective in line with the interests of all stakeholders.

Effective risk management should provide complete, timely, accurate and relevant information to enhance senior management decision making ability to:

- calculate risk adjusted performance measures;
- manage volatility in earnings;
- minimise financial distress; and
- help appraise new business initiatives on a comparable basis.

Governance standards have been established as key components of good governance and business practice in the bank. The standards form an integral part of the control infrastructure and represents a high-level description of the expectations and requirements of the Board in respect to risk appetite, risk reporting and key areas of control activity within the bank.

Identification of material risks is a process overseen by the Chief Risk Officer, Head of Compliance and the Legal Counsel, with involvement from the business units and enabling functions.

Based on the above mentioned criteria, the following primary risk types are considered by the bank to be material:-

Credit risk (including counterparty credit risk)

Credit risk regulatory capital is determined by The Standardised Approach (TSA) as per the Reserve Bank of Malawi (RBM) regulations.

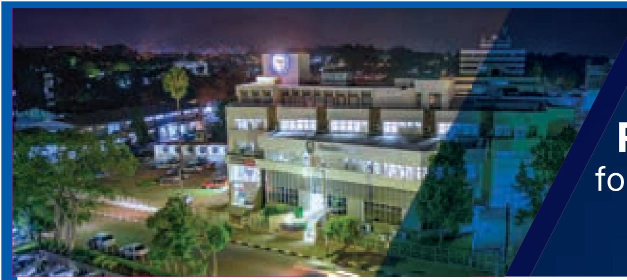
For both regulatory and internal credit risk capital measurement, the calculation of the capital requirement is affected by the level of specific provisions for credit losses (relating to non-performing loans) that the bank has taken. Specific provisions are taken in accordance with regulations and also take into account expected recoveries and the timing of such recoveries.

Market risk

Market risk regulatory capital is determined by TSA as per the RBM regulations. Additionally, market risk is measured and stress-tested within the bank using a number of established risk metrics and techniques, including Value at Risk (VaR).

Interest Rate Risk in the Banking Book (IRRBB)

The bank manages its exposure to changes in interest rates on its banking book assets and liabilities (loans and deposits) by ensuring that an interest rate shock for both the local currency and foreign currency books – as prescribed by the Asset and Liability Committee (ALCO) – does not result in adverse annualised net interest income change.



Liquidity risk

An extensive set of liquidity risk metrics are in place. Due to the robustness of the measurement and monitoring approaches, the level of unencumbered liquid assets, and the necessarily timeous management action required, the bank does not hold capital for liquidity risk.

Operational risk

The bank uses the Basic Indicator Approach (BIA) to calculate operational risk regulatory capital as per the RBM regulations. For internal measurement purposes, since operational risk regulatory capital is less risk sensitive, regulatory capital is further adjusted giving consideration to historical loss experience, the level of management oversight, the status of implementation/use of the operational risk management framework and operational risk events.

Legal risk

The bank has an in-house Legal Function whose main role is to provide legal advisory services to all business/enabling units within the bank on all transactions/activities that are carried out in the bank and implementing and maintaining a comprehensive legal risk management system. Furthermore, the in-house Legal Function ensures that all legal risks pertaining to new products and services developed and/or implemented by the various units within the bank are identified and adequately mitigated and/or managed. Supported by historical data on legal exposures and litigation outcomes, the bank considers its legal risk management risks adequate; therefore the existing capital buffers are enough to accommodate the risk.

Compliance risk

The bank has adopted the Compliance Risk Management Framework based on compliance risk management plans in which all statutory and regulatory requirements that impact on the bank’s business; the existing control mechanisms that exists to ensure that the bank complies with the requirements, the responsible department and personnel responsible for ensuring that the bank complies with each specific statutory or regulatory requirement and the compliance targets and deadlines are identified and documented. Although the Board has the ultimate responsibility for the management of compliance risks, this approach ensures that officers at each and every level of the bank are aware of their responsibilities in managing compliance risks and take responsibility and accountability of all compliance risks that fall within their functional areas. The bank has adopted zero tolerance for statutory and regulatory breaches and proactively manages compliance, therefore no capital is held for compliance risk. The history of fines and penalties for the bank lends support to this statement.

Business risk

The bank's management have a clear understanding of the value drivers that impact on profitability. The bank does not specifically provide capital for business risk because it is contained within the capital buffer determined by the bank's comprehensive stress testing. It is also minimal as loss history is negligible.

The risk management processes have continued to prove effective throughout 2015. The various management risk committees have remained closely involved in important risk management initiatives, which have focused particularly on preserving appropriate levels of liquidity and capital, and effectively managing the risk portfolios. Responsibility and accountability for risk management resides at all levels within the bank.

2 Corporate structure

The bank is a publically listed universal bank licensed in Malawi. It is majority owned (60.18%) by Standard Bank Group Limited. Other shareholders are: NICO Holdings Ltd 20%; Old Mutual Life Assurance Co 4.81%; Press Trust 2.3%; Standard Bank Pension Fund 1.74%; and Public Investors 10.97%.

Standard Bank Bureau de Change Limited is a 100% owned subsidiary of the bank whose line of business is retail foreign exchange trading. The bank has a 9% investment in the National Switch Company.

2.1 Media and location

This document should be read in conjunction with the published Annual Report for the bank which is available on the bank's website: http://www.standardbank.co.mw

3 Regulatory capital structure and capital adequacy

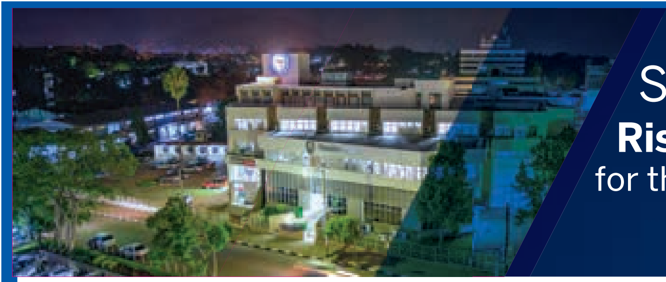
The internal capital adequacy assessment process (ICAAP) ensures that the bank maintains sufficient capital levels for the purposes of regulatory compliance and adherence to the Board's risk appetite. Regulatory capital adequacy is measured by a Tier I and Tier II Capital Adequacy Ratio (CAR).

Tier 1 (primary capital) represents permanent forms of capital such as share capital, share premium and retained earnings less fifty percent of investment in subsidiary and deferred tax asset.

Tier II (secondary capital) includes revaluation reserves, general debt provisions and less fifty percent of investment in subsidiary.

Table 1: Qualifying regulatory capital – 31 December 2015

	MKm
Tier I	
Issued primary capital	42,611
Ordinary share capital	234
Share premium	8,492
Retained earnings	34,297
General reserves	(412)
Less: regulatory deductions	1 605
Deferred tax assets	1 547
Investment in subsidiaries	58
	41 006
Tier II	
Issued secondary capital and reserves	5 306
General allowance for credit impairments	1 152
Revaluation reserves	4 154
	5 306
Total eligible capital	46 312
Total capital requirement	
Total risk-weighted assets	228 621
Tier 1 (%)	17.94%
Capital adequacy ratio (%)	20.26%
Minimum regulatory limits	
Tier 1 (%)	10.00%
Capital adequacy ratio (%)	15.00%

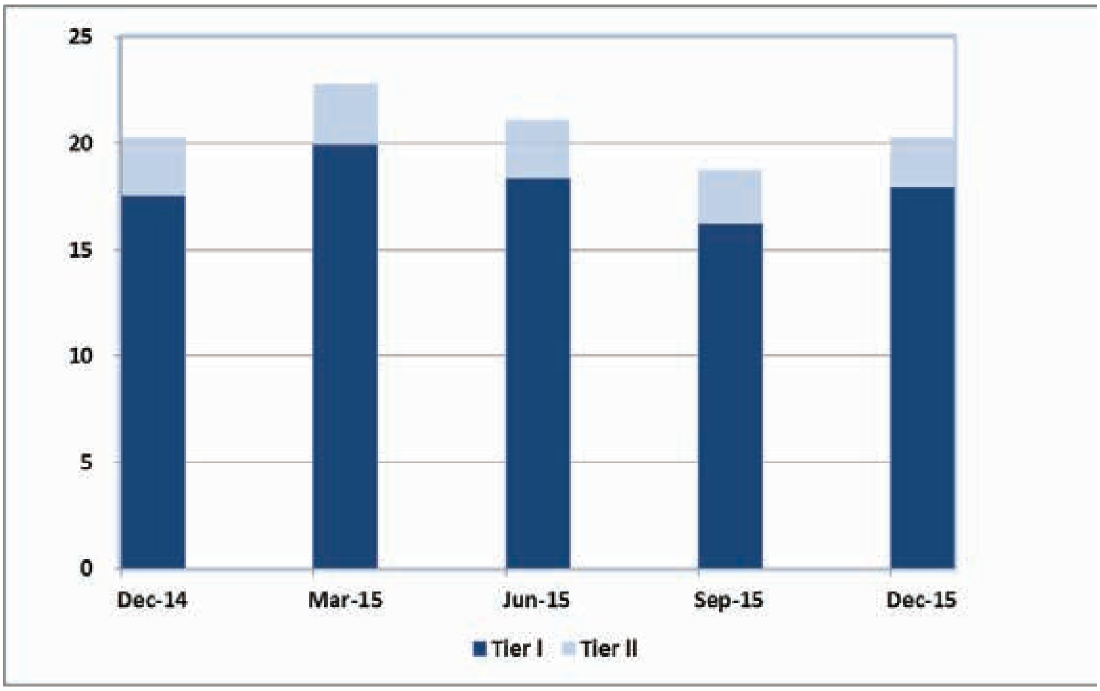


During the period under review, the bank complied with all externally-imposed capital requirements to which its banking activities are subject. These include, but are not limited to, the relevant requirements of the Banking and Financial Services Act (BFSA) and regulations relating to banks; these are consistent with the Basel II guidelines issued by the Bank for International Settlements as adopted by RBM.

Table 2: Risk exposure amounts and risk weighted assets – 31 December 2015

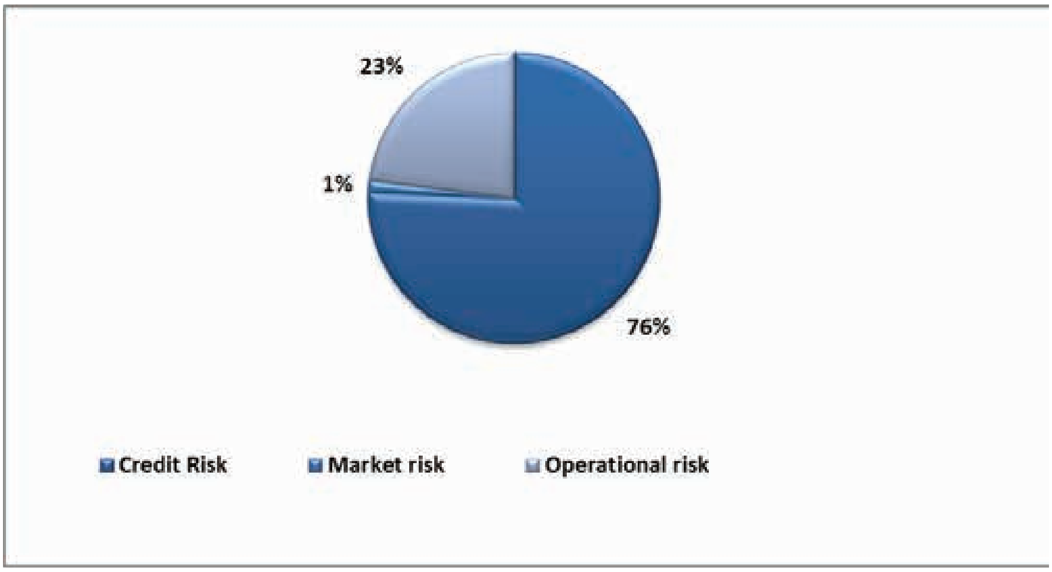
	Exposure amounts MKm	Specific provisions MKm	Credit risk mitigation MKm	Risk weighted assets MKm
Credit risk	**314 108**	**904**	**1 863**	**173 035**
Sovereign or Central Bank	53 115			
Public sector entities	54			54
Exposure to banks	27 893			13 812
Corporate	52 397		1	52 396
Retail other	40 168	893	91	38 904
Retail mortgages	1 649	11		584
Other assets	48 030			21 637
Off balance sheet exposures	90 802		1 771	45 648
Market risk	**2 999**			**2 999**
Interest rate risk	2 802			2 802
Equity position risk				
Foreign exchange risk	197			197
Commodities risk				
Operational Risk	**52 587**			**52 587**
Total risk-weighted assets/capital requirement	**369 694**		**1 863**	**228 621**

Table 3: Summary of capital ratios (%) – 31 December 2015



**Note: Dec 2014 and 2015 is based on 100% profit after tax*

Figure 1: Risk weighted assets composition – 31 December 2015



4 Credit risk

Credit risk is the bank's most material risk, and is managed in accordance with the bank's comprehensive risk management control framework. The Credit Standard sets out the principles under which the bank is prepared to assume credit risk. Responsibility for credit risk resides with the bank's business units, supported by the bank's Risk Function and with oversight, as with other risks, by the bank's risk committees and ultimately the Board.

The principal executive management committee responsible for overseeing credit risk is the Credit Risk Management Committee (CRMC). The credit committees for both Personal and Business Banking (PBB) and Corporate and Investment Banking (CIB) report directly to CRMC and indirectly to the Board Credit Committee (BCC).

CRMC is responsible for making decisions on credit risk. It was approved by the Board as the designated committee for approving key aspects of the credit rating systems for PBB and CIB as required by the BFSA, and other regulations relating to banks. The CRMC recommends the approval of all counterparty large exposures and insider lending transactions to the extent required by RBM regulations. All such approvals are approved by the bank's Board.

The BCC is the principal board committee responsible for the oversight of credit risk, with CRMC having oversight responsibility for reviewing credit impairment adequacy.

Impairment policy

The bank writes off a loan/security balance when the credit risk unit determines that the loans/securities are uncollectable. This is determined after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance standardised loans, charge-off decisions generally are based on product specific past due status.

Impaired loans and securities

Impaired loans and securities are loans and securities for which the bank determines that it is probable that it will not be able to collect all principal and interest due according to the contractual terms of the loan agreement.

Past due but not impaired loans

Loans and securities where contractual interest or principal payments are past due but the bank believes that impairment is not appropriate on the basis of the level of security/collateral available and/or the stage of collection of amounts owed to the bank.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the bank has made concessions that it would not otherwise consider. Once the loan is restructured it remains in this category regardless of satisfactory performance after restructuring.

Allowances for impairment

The bank establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loan loss allowance established for banks of homogenous assets in respect to losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Table 4: Total credit exposures – 31 December 2015

Sub-Classification of Performing and Non-Performing Loans and Advances		Performing loans				Non-performing loans									
		Neither past due nor specifically impaired				Specifically impaired loans									
Personal and Business Banking	Gross Loans and Advances MKm	Nomal monitoring MKm	Close monitoring MKm	Early arrears MKm	Non-performing MKm	Sub-standard MKm	Doubtful MKm	Loss MKm	Total MKm	Securities against impaired loans MKm	Net impaired loans MKm	Impairments for non-performing impaired loans MKm	Gross specific impairment coverage %	Total non-performing loans MKm	Non-performing loans %
Mortgage Loans	1,680	1,480	-	173	-	9	18	-	27	16	11	11	41%	27	2%
Instalment Sales and Finance Leases	4,473	3,154	-	589	-	670	29	31	730	228	502	502	69%	730	16%
Card Debtors	-	-	-	-	-	-	-	-	-	-	-	-	0%	-	0%
Other Loans and Advances	35,817									28	391	391	0%	419	1%
Personal Unsecured Lending	35,817	34,215	-	1,183	-	8	33	378	419	28	391	391	93%	419	1%
Personal overdrafts	-	-	-	-	-	-	-	-	-	-	-	-	0%	-	0%
Personal term loans	35,817	34,215	-	1,183	-	8	33	378	419	28	391	391	93%	419	1%
Revolving credit plan	-	-	-	-	-	-	-	-	-	-	-	-	0%	-	0%
Business lending and other	-									-	-	-	0%	-	0%
Corporate and Investment Banking															
Corporate Loans	53,144	52,879	-	265	-	-	-	-	-	-	-	-	0%	-	0%
Commercial Property Finance	-	-	-	-	-	-	-	-	-	-	-	-	0%	-	0%

Table 5: Geographical distribution of credit exposures – 31 December 2015

	MKm	Percentage Concentration
North and Central	46,080	48%
South	49,034	52%
	95,114	100%

Table 6: Distribution of exposures by industry – 31 December 2015

	MKm	Percentage
Agriculture, forestry, fishing and hunting	39 269	41.3%
Construction	381	0.4%
Electricity, gas, water and energy	147	0.2%
Finance,real estate and other business services	3 574	3.8%
Individuals	18 607	19.6%
Manufacturing	19 331	20.2%
Mining and quarying	330	0.3%
Transport, storage and communications	3 045	3.2%
Wholesale and retail trade	2 087	2.2%
Community,social and personal services	8 343	8.8%
	95 114	100%

The table below sets out an analysis of credit risk by maturity as at 31 December 2015. Residual maturity of credit exposures is based on contractual dates.

Table 7: Residual contractual maturity of credit exposures – 31 December 2015

Maturity	Up to 1month MKm	>1-3months MKm	>3-12 months MKm	Over 1 Year MKm	Total MKm
Sovereign or Central Bank	19 862	13 264	12 755	7 234	53 115
Public sector entities	54				54
Exposure to banks	23 219	4,674			27 893
Corporate	43,377	3,538	3,219	2,263	52 397
Retail other	20 393	718	2 395	16 662	40 168
Retail mortgages	27	2	2	1 618	1 649
Other assets	48 030				48 030
Off balance sheet exposures	44 561	23 610	22 420	211	90 802
Total Credit risk exposures	199 523	45 806	40 791	27 988	314 108

Table 8: Aging of loans and advances past due but not specifically impaired – 31 December 2015

	Total MKm	Less than 31 days MKm	31 to 60 days MKm	61 to 90 days MKm	91 to 180 days MKm	More than 180 days MKm
Personal and Business Banking	1,945					
Mortgage Loans	173	136	26	11	-	-
Instalment Sales and Finance Leases	589	412	111	66	-	-
Card Debtors	-	-	-	-	-	-
Other Loans and Advances	1,183	562	379	242	-	-
Personal Unsecured Lending	1,183	562	379	242	-	-
Business lending and other	-	-	-	-	-	-
Corporate and Investment Banking	265					
Corporate Loans	265	265	-	-	-	-
Commercial Property Finance	-	-	-	-	-	-

Table 9: Overdue and nonaccrual loans, leases and other assets by sector – 31 December 2015

	Substandard MKm	Doubtful MKm	Loss MKm	Total MKm
Sector				
Agriculture, forestry, fishing and hunting			26	26
Mining and quarying			2	2
Manufacturing				
Electricity, gas, water and energy				
Construction			1	1
Wholesale and retail trade	8	33	131	173
Restaurants and hotels				
Transport, storage and communications	668	25	25	718
Financial services				
Community, social and personal services	11	22	223	256
Real estate				
Other sectors				
Total	688	80	408	1,176

Table 10: Distribution of non-performing loans, provisions and interest in suspense – 31 December 2015

	Non performing MKm	Specific Provisions MKm	Interest in suspense MKm
Sector			
Agriculture, forestry, fishing and hunting	26	24	4
Mining and quarying	2	2	0
Manufacturing			
Electricity, gas, water and energy			
Construction	1	1	0
Wholesale and retail trade	173	154	52
Restaurants and hotels			
Transport, storage and communications	718	488	2
Financial services			
Community, social and personal services	256	235	68
Real estate			
Other sectors			
Total	1,176	904	126

Table 11: Charges for individual impairment provisions and charge-offs during the period

	MKm
Impaired loans and advances to customers at 1 January 2015	3,847
Classified as impaired during the year	2,372
Transferred to not impaired during the year	(101)
Amount written off	(2,772)
Recoveries of amounts previously written off	(2,170)
Impaired loans and advances to customers	**1,176**

Table 12: Reconciliation of changes in provisions for loan impairment – 31 December 2015

	MKm
Specific provisions	
Opening balance at 1 January 2015	2,680
Provisions during the year	2,286
Write offs	(602)
Recoveries	(3,460)
	904
General Provisions	
Opening balance at 1 January 2015	651
Provisions during the year	501
	1,152
Total	**2,056**

Table 13: Off balance sheet items – 31 December 2015

	MKm
Gurantees	20,835
Letters of Credit	16,242
Foreign exchange and interest related contracts	42,868
Unused commitments	10,857
Total	**90,802**

Valuation of collateral

The bank uses the following minimum requirements to value collateral:

- All items proposed as collateral are valued using agreed valuation methodologies and/or evaluators with appropriate expertise, prior to accepting items as collateral.
- The assessors/evaluators of collateral must be independent of the business originators and providers of collateral.
- All collateral is marked to market and revalued at a frequency appropriate to that collateral, taking into account the value and nature of collateral, the ease and cost of valuation and the volatility of the collateral's value.

Monitoring of collateral

The bank uses the following minimum requirements on monitoring of collateral;

- Controls are put in place to monitor the collateral and ensure appropriate action is taken whenever there are developments that may impact negatively on the value of collateral.
- Annual reviews of the performance of the collateral are carried out to ensure that collateral types are still relevant and terms for acceptance are still appropriate.
- Updates to changes in market and economic conditions are performed at pre-determined intervals.
- Updates to reflect new legislation and updated to existing legislations are performed on a regular basis.
- Collateral is realised as per the delegated authority after all efforts have been made to rehabilitate the customer.
- Collateral management unit maintains a systematically-driven, shared diary to ensure that collateral credit events are timeously actioned.

Financial collateral

Where the collateral is not denominated in the same currency as the exposure, an adequate margin for currency fluctuations is set appropriate to the potential currency volatility. The maturity of any collateral is set equal to or greater than the repayment period of the underlying exposure, unless documentation and operational procedures are such that adequate rights and controls are in place to ensure the value of collateral remains in place throughout the tenure of the approved facility.

Physical collateral

The bank ensures that physical collateral possess the following qualities:

- Must be capable of identification and must be documented.

- The location of any such assets must be known or, for movable assets such as vehicles, traceable within a reasonable period.
- Rights of access must be preserved.
- Any third-party used to control assets must be able to identify assets which provide collateral.
- Insurance must be in place at all times, covering all appropriate risks.

Types of guarantees and indemnities involved in banks credit risk mitigation

The bank ensures that guarantees and indemnities should have the following qualities:

- Explicit:– must be a documented obligation, explicitly referenced to specific exposures or a pool of exposures, so that the extent of the cover is clearly defined and incontrovertible.
- Direct:– the obligation must represent a direct claim on the protection provider.
- Irrevocable:– there are no determinants that the protection provider is able to amend.
- Unconditional:– obligation of the protection provider to pay immediately when conditions as set in the commitment regarding the third-party obligation are met.
- Complete:– such commitments must cover the full principal of the guaranteed credit facility plus interest, fees and all other costs and must include all types of payments the underlying obligor is expected to make under the documentation governing the transaction.

Counterparty credit risk

Counterparty risk is the risk of loss to the bank as a result of failure by the counterparty to meet its financial and/or contractual obligations to the bank. It has three components:

- Primary credit risk which is the exposure at default (EAD) arising from lending and relating banking product activities, including the underwriting of such products;
- Pre-settlement credit risk which is the EAD arising from unsettled derivative transactions, arising from the default of the counterparty to the transaction and measured as the cost of replacing the transaction at the current market rates; and
- Issuer risk which is the EAD arising from traded credit and equity products, and including the underwriting of such products.

5 Market risk

The bank defines market risk as the risk of a change in market value, actual or effective earnings or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse moves in market variables such as equity, bond and commodity prices, currency exchange rates and interest rates, credit spreads, recovery rates, correlations and implied volatilities in all of these variables.

The market risk management framework applied in the bank is according to the Market Risk Standard and Policy approved by the Board.

The market risk management unit is independent of trading operations and accountable to ALCO to monitor market risk exposures due to trading and banking activities.

The market risk portfolios that the bank manages consists of:-

Trading book market risk

These risks arise in trading activities where the bank acts as a principal for clients in the market. The bank's policy is that all trading activities are contained in the bank's trading operations. Asset classes included in this category are instruments with tenors not exceeding one year for money market trading and those exceeding one year for the fixed income trading whose intent is purely for trading.

Foreign exchange risk

The bank's primary exposures to foreign currency risk arise as a result of the currency price translation effect on the bank's net open positions held. The bank is mandated to trade twelve currencies.

Interest rate risk

These risks arise from the structural interest rate risk caused by mark-to-market (MTM) in line with IAS-39 treatment around revaluation of assets and liabilities on the banking book. The bank constantly remarks the banking book positions to reflect current market prices. Intent in this categorization is holding to maturity though paper can be sold in exceptional circumstances such as liquidity stress and a bearish interest rate environment.

Table 14:Trading portfolio values – 31 December 2015

Normal VaR	USD'000		
	High	Mean	Low
Foreign Exchange Trading	87	29	1
Money Markets Trading	119	57	7
Fixed Income Trading			
Money Markets Banking	156	75	35
Bankwide	182	78	10
Stress VaR	**USD'000**		
	High	Mean	Low
Foreign Exchange Trading	6,757	2,093	502
Money Markets Trading	1,701	918	538
Fixed Income Trading			
Money Markets Banking	1,855	1,197	529
Bankwide	7,370	2,681	502

Table 15: Financial instruments – 31 December 2015

	Nominal value MKm	Carry value MKm	Mark to market MKm	Fair value gain/(loss) MKm
Available for sale financial instruments	37,696	35,526	34,928	(598)
Trading securities	9,810	9,013	8,839	(174)
Total	47,506	44 539	43,767	(772)

6 Operational risk

The bank defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. This includes but is not limited to information risk, legal risk, compliance risk, and financial crime risk. Strategic, reputational, and business risks are excluded from the definition. The reputational effects of operational risk events are, however, considered for management information. Operational risk is thus categorised as follows:

- Process risk:– the risk of loss suffered as a result of failed or inadequate processes.
- People risk:– the risk of loss arising from issues related to the personnel within the bank.
- Systems risk:– the risk of loss suffered as a result of failed or inadequate systems, security breaches, inadequate systems investment, development, implementation, support and capacity.
- External event risk:– the risk of loss suffered as a result of external events.

Operational risk arises in all parts of the bank; all senior management are thus responsible for consistently implementing and maintaining policies, processes and systems for managing operational risk in all of material products, services, activities, processes and systems. The ultimate responsibility for establishing, approving and periodically reviewing the operational risk framework lies with the Board. The Board oversees senior management to ensure that the framework is implemented effectively at all decision levels.

Operational risk is managed to acceptable levels by continuously monitoring and enforcing compliance with relevant policies and control procedures. The bank also uses the new and amended business, products or services process in order to address the identification and assessment of risks associated with new and/or amended products or services. Other major frameworks that have been introduced are business continuity management framework, and information security management.

The practice of operational risk in the bank is overseen by an independent operational risk unit. Importantly, the operational risk function performs incident recording, management and analysis, the risk self-assessment process, and the key risk indicators process. Independent assurance on the management of operational risk is further provided by Internal Audit function.

7 Interest rate risk in the banking book (IRRBB)

IRRBB is the exposure of the bank's financial condition to adverse movements in interest rates. This arises mainly due to a maturity mismatch between the bank's assets and liabilities. Accepting this risk (maturity transformation) is a normal part of banking and it can be an important source of profitability and shareholder value for the bank. However, excessive interest rate risk can pose a serious threat to a bank's earnings and capital base. Changes in interest rates affect the bank's earnings by changing its Net Interest Income (NII), fair value banking book profit or loss and the level of other sensitive income and operating expenses.

The most important sources of interest rate risk are re-pricing risk, yield curve risk, basis risk, and optionality risk.

Generally, the largest contributor to IRRBB is endowment risk (an instance of re-pricing risk) referring to the interest rate risk exposure arising from interest rate insensitive assets (such as non-earning assets) and/or interest rate insensitive liabilities (such as non-paying liabilities) and capital. This includes partially sensitive assets and liabilities, where the asset or liability can be modelled by a fully rate sensitive portion and a fully rate insensitive portion (such as deposits with so called "lazy rate" yields). These sources of risks can influence the bank from both an earnings perspective as well as an economic value perspective.

Table 16: Impact of parallel rate shock on NII (LCY) – 31 December 2015

Rate Change	Bps Change	NII	NII Change	NII Change
		MKm	MKm	%
-7.50%	-750	19,890	(3,200)	-13.43%
0.00%	0	23,816	-	0.00%
6.50%	650	26,747	2,301	9.66%

Table 17: Impact of parallel rate shock on NII (FCY) – 31 December 2015

Rate Change	Bps Change	NII	NII Change	NII Change
		USD'000	USD'000	%
-1.00%	-100	2,983	(327)	-9.88%
0.00%	0	3,310	-	0.00%
1.00%	100	3,622	312	9.43%

8 Conclusion

Regarding the Malawi economy, an expected erratic rainfall pattern in the 2015/16 agriculture season threatens agricultural output and general economic performance in 2016; which will be compounded by elusive donor support. The stressed economy becomes a fertile ground for internal and external fraud to flourish. Also, increased demand for liquidity to meet regulatory and internal liquidity risk appetite requirements is envisaged. The bank's continued commitment to sound risk management is expected to remain effective; for the purpose of maintaining a strong capital and liquidity position. The bank recognises that maintaining and continually enhancing risk management capabilities will be critical to ensure that the bank's financial and strategic objectives are achieved within approved levels of risk appetite.

9 List of abbreviations

ALCO	Asset and liability committee
BCM	Business continuity management
CAR	Capital adequacy ratio
CE	Chief Executive
CFO	Chief Financial Officer
CIB	Corporate and Investment Banking
CLR	Credit loss ratio
CRO	Chief Risk Officer
CRMC	Credit Risk Management Committee
FCY	Foreign currency
ICAAP	Internal Capital Adequacy Assessment Process
IRRBB	Interest rate risk in the banking book
KRI	Key risk indicator
LCR	Liquidity coverage ratio
LCY	Local currency
LGD	Loss given default
NII	Net interest income
PBB	Personal and Business Banking
PD	Probability of default
RBM	Reserve Bank of Malawi
RCSA	Risk and control self-assessment
RWA	Risk weighted assets
SBG	Standard Bank Group
VaR	Value-at-risk

10 List of figures and tables

Figure

Tables