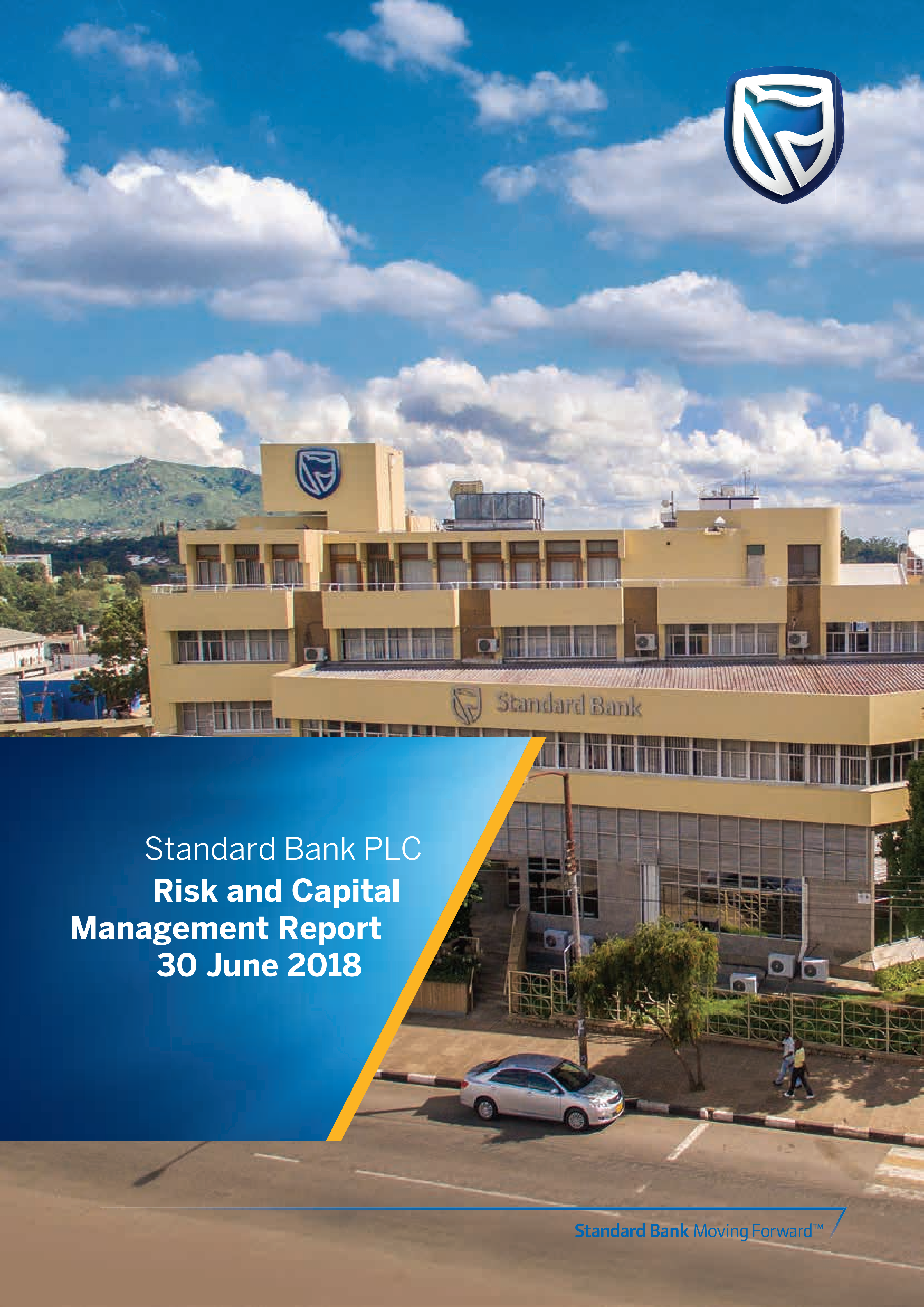

Standard Bank PLC

Risk and Capital Management Report 30 June 2018

Standard Bank Moving Forward™

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Standard Bank PLC

Risk and Capital Management Report

1 Overview

Introduction

Effective risk management is fundamental to the business activities of Standard Bank Limited (Malawi) (SBM or 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 stage 3 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 the 2018. 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 4.91%; Press Trust 2.32%; Standard Bank Pension Fund 1.45%; and Public Investors 11.14%.

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 9.1% 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.

IFRS 9 implementation impacted regulatory capital requirements. The increase in impairment provisions together with the increase in the deferred tax asset reduced Tier 1 capital. The IFRS 9 impact was adjusted against retained earnings at the beginning of the year.

Table 1: Qualifying regulatory capital – 30 June 2018

Capital Component	**Amount MK'mn**
Tier I	
Issued primary capital	61,749
Ordinary share capital	234
Share premium	8,492
Retained earnings	53,278
General reserves	(255)
Less: Regulatory deductions	4,100
Deferred tax assets	4,035
Investments in subsidiaries/associates	65
Total	57,649
Tier II	
Issued secondary capital and reserves	9,460
Reserve: Statutory credit risk	1,991
Revaluation reserves	7,469
Total eligible capital	67,109
Total capital demand	56,263
Total risk weighted assets	321,505
Credit risk weighted assets	241,793
Operational risk weighted assets	76,096
Market risk weighted assets	3,616
Tier I capital ratio (%)	17.93%
Total capital adequacy ratio (%)	20.87%
Minimum regulatory requirements	
Tier I capital ratio (%)	10.00%
Total 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 – 30 June 2018

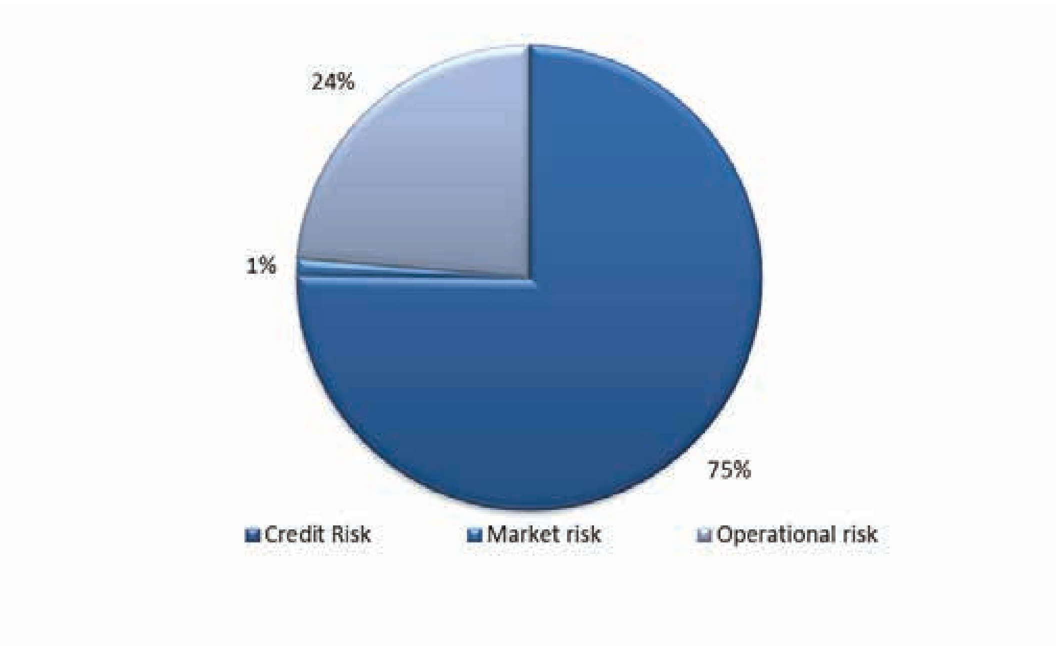
	Exposure amounts	**Loss provisions**	**Credit risk mitigation**	**Risk weighted assets**
	MK'mn	**MK'mn**	**MK'mn**	**MK'mn**
Credit risk	**546,470**	**12,947**	**3,611**	**241,793**
Sovereign or central bank	119,611	213	-	-
Public sector entities	247	-	-	-
Exposure to banks	44,881	-	-	22,084
Corporate	53,145	205	-	52,940
Retail other	59,826	12,000	249	42,568
Retail mortgages	1,485	60	-	526
Other assets	80,654	-	-	49,582
Off balance sheet exposures	186,621	469	3,362	74,093
Market risk	3,616	-	-	3,616
Interest rate risk	1,488	-	-	1,488
Equity position risk	-	-	-	-
Foreign exchange risk	2,128	-	-	2,128
Commodities risk	-	-	-	-
Operational risk	76,096	-	-	76,096
Total risk weighted assets/capital requirement	**626,181**	**-**	**-**	**321,505**

Note: Accrued interest on exposure amounts in the table above has been included in other assets.

Table 3: Summary of capital ratios (%) – 30 June 2018

***Note: Dec 2017 is based on 100% profit after tax**

Figure 1: Risk weighted assets composition – 30 June 2018



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 advances are loans and advances for which the bank has identified objective evidence of default, such as a breach of a material loan covenant or condition as well as those loans for which instalments are due and unpaid for 90 days or more.

Past due but not impaired loans or special mention

Loans and advances where the counterparty has failed to make contractual payments and payments are less than 90 days past due, but it is expected that the full carrying value will be recovered when considering future cash flows, including collateral. Ultimate loss is unlikely but could occur if the adverse conditions persist.

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 as per IFRS 7 – 30 June 2018

Credit quality(Gross)	Performing Loans		Non-Performing loans			Total	Security against impaired amount	Net impaired amount
	Standard	Special mention/past due but not impaired	Sub-standard	Doubtful	Loss			
	MK'mn	MK'mn	MK'mn	MK'mn	MK'mn	MK'mn	MK'mn	MK'mn
Cash and balances held with Central Bank	30,750	-	-	-	-	30,750	-	-
Derivative assets	903	-	-	-	-	903	-	-
Trading assets	11,256	-	-	-	-	11,256	-	-
Loans and advances to banks and other financial institutions	107,892	-	-	-	-	107,892	-	-
Loans and advances to customers								
Personal and Business Banking								
- Mortgage lending	1,415	12	67	-	-	1,494	52	15
- Instalment sales and finance leases	5,519	61	238	12	-	5,830	102	148
- Other loans and advances	30,172	7,267	631	16,041	161	54,272	3,862	12,971
Corporate and Investment Banking								
- Corporate lending	53,685	-	-	-	-	53,685	-	-
Financial investments	59,316	-	-	-	-	59,316	-	-
Other assets	6,579	-	-	-	-	6,579	-	-
Total recognised financial instruments	**307,487**	**7,340**	**936**	**16,053**	**161**	**331,977**	**4,016**	**13,134**

Table 5: Geographical distribution of loans and advances to customers – 30 June 2018

	Amount in MK'mn	Percentage Concentration
North and central	51,710	45%
South	63,571	55%
	115,281	100%

Table 6: Distribution of exposures to customers by industry – 30 June 2018

	Amount in MK'mn	Percentage
Agriculture, forestry, fishing and hunting	45,665	39.5%
Construction	1,089	0.9%
Electricity, gas, water and energy	4,823	4.2%
Financial services	147	0.1%
Individuals and households	25,657	22.3%
Manufacturing	20,790	18.1%
Mining and quarrying	408	0.4%
Transport, storage and communication	2,531	2.2%
Wholesale and retail trade	12,589	10.9%
Community, social and personal services	1,317	1.1%
Real estate	-	-
Restaurant and others	265	0.2%
	115,281	**100.0%**

The table below sets out an analysis of credit risk by maturity as at 30 June 2018. Residual maturity of credit exposures is based on contractual dates.

Table 7: Residual contractual maturity of credit exposures – 30 June 2018

	Up to 1 month MK'mn	<1-3months MK'mn	>3-12months MK'mn	Over 1 Year MK'mn	Undated MK'mn	Total MK'mn
Sovereign or central bank	39,503	43,841	12,666	23,601	-	119,611
Public sector entities	247	-	-	-	-	247
Exposure to banks	44,881	-	-	-	-	44,881
Corporate	34,993	5,443	11,340	1,369	-	53,145
Retail other	15,052	1,323	7,210	35,241	-	59,626
Retail mortgages	-	1	33	1,451	-	1,485
Other assets	80,654	-	-	-	-	80,654
Off balance sheet exposures	36,988	37,925	36,769	74,939	-	186,621
Total credit risk exposures	262,318	88,533	68,018	137,601	-	548,470

Note: Accrued interest on exposure amounts in the table above has been included in other assets.

Table 8: Aging of loans and advances past due but not specifically impaired – 30 June 2018

	Total MK'mn	Less than 30 days MK'mn	31 to 60 days MK'mn	61 to 90 days MK'mn	91 to 180 days MK'mn	More than 180 days MK'mn
Personal and Business Banking	**7,340**	**6,203**	**917**	**220**		
Mortgage loans	12	6	5	1	-	-
Instalment sales and finance leases	61	44	14	3	-	-
Card debtors	-	-	-	-	-	-
Other loans and advances	**7,267**	**6,153**	**898**	**216**	**-**	**-**
Personal unsecured lending	3,142	2,813	234	95	-	-
Business lending and other	4,125	3,340	664	121	-	-
Corporate and Investment Banking	**-**					
Corporate loans	-	-	-	-	-	-
Commercial property finance	-	-	-	-	-	-

Table 9: Overdue and nonaccrual loans, leases and other assets by sector – 30 June 2018

	Stage 1 MK'mn	Stage 2 MK'mn	Stage 3 MK'mn	Total MK'mn
Sector				
Agriculture, fishing, forestry and hunting	32,979	-	12,467	45,446
Mining and quarrying	407	1	-	408
Manufacturing	18,883	56	1,756	20,695
Electricity, gas, water and energy	4,818	-	5	4,823
Construction	1,024	46	13	1,083
Wholesale and retail trade	7,527	2,734	2,287	12,548
Restaurant and hotels	265	-	-	265
Transport, storage and communication	2,387	56	87	2,530
Financial services	146	1	-	147
Community, social and personal services	24,356	1,868	535	26,760
Real estate	-	-	-	-
Other sectors	-	-	-	-
Total	**92,792**	**4,762**	**17,150**	**114,704**

Note: The amounts in the table above do not include accrued interest.

Table 10: Distribution of non-performing loans, provisions and interest in suspense – 30 June 2018

	Non-performing Loans MK'mn	Loss provisions MK'mn	Interest in suspense MK'mn
Sector			
Agriculture, fishing, forestry and hunting	12,467	6,643	3,797
Mining and quarrying	-	-	-
Manufacturing	1,756	407	441
Electricity, gas, water and energy	5	4	2
Construction	13	11	2
Wholesale and retail trade	2,287	906	427
Restaurant and hotels	-	-	-
Transport, storage and communication	87	41	10
Financial services	-	-	-
Community, social and personal services	535	439	43
Real estate	-	-	-
Other sectors	-	-	-
Total	**17,150**	**8,451**	**4,722**

Table 11: Reconciliation of changes for impaired loans and advances and charge-offs during the period

	MK'mn
Impaired loans and advances to customers as at 01 January 2018	13,821
Classified as impaired during the year	3,647
Transferred to not impaired during the year	(39)
Amount written-off	(279)
Impaired loans and advances to customers as at 30 June 2018	**17,150**

Table 12: Reconciliation of changes in loss provisions for loan impairment – 30 June 2018

	MK'mn
Loss provisions	
Opening balance as at 01 January 2018	8,772
IFRS 9 transition adjustment	3,382
Charge for the year	1,176
Write-offs	(208)
Reversals of allowances on impairments	(175)
Total	12,947

Table 13: Off balance sheet items – 30 June 2018

	MK'mn
Guarantees	85,029
Letters of credit	11,900
Foreign exchange and interest rated contracts	59,742
Unutilised commitments	29,950
Total	186,621

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 consist 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 – 30 June 2018

Normal VaR	USD		
	High	Mean	Low
Foreign exchange trading	29,568	14,715	1,326
Money market trading	19,725	13,442	6,428
Fixed income trading	-	-	-
Money market banking	-	-	-
Bank-wide	34,659	23,464	8,539

Stress VaR	USD		
	High	Mean	Low
Foreign exchange trading	695,183	346,940	16,291
Money market trading	800,040	566,022	293,149
Fixed income trading	-	-	-
Money market banking	-	-	-
Bank-wide	858,562	609,987	365,256

Table 15: Financial instruments – 30 June 2018

	Nominal value MK'mn	Carry value MK'mn	Mark to market MK'mn	Fair value gain/(loss) MK'mn
Fair value through other comprehensive income	10,734	10,231	9,863	(368)
Amortised cost instruments	52,894	48,197	49,453	1,256
Trading securities	11,866	11,310	11,257	(53)
Total	75,464	69,738	70,573	835

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 /different repricing characteristics between the bank's assets and liabilities. Accepting this risk 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) and fair value banking book profit.

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

Table 16: Impact of parallel rate shock on NII (FCY) – 30 June 2018

Rate Change	BPS Change	NII	NII Change	NII Change
%		USD'000	USD'000	%
-100bps	-100	3,085	(849)	-21.59%
100bps	100	4,388	454	11.55%

Table 17: Impact of parallel rate shock on NII (LCY) – 30 June 2018

Rate Change	BPS Change	NII	NII Change	NII Change
%		MK'mn	MK'mn	%
-350bps	-350	19,584	(2,142)	-9.86%
500bps	500	24,407	2,682	12.34%

8 Conclusion

This disclosure document has been prepared in accordance with the requirements prescribed in the guidelines on market disclosures under the Basel II Framework and is intended to provide background information on the bank's approach to risk management as related to maintaining and preserving the capital position of the bank. It also provides detailed information about asset and capital calculations under Pillar 1.

In the event that a user of this disclosure document requires further explanation regarding the disclosures, application should be made in writing to the Chief Risk Officer at Kondwani.Mlilima@standardbank.co.mw or the Chief Finance Officer at Temwani.Simwaka@standardbank.co.mw .

9 List of abbreviations

ALCO	Asset and liability committee
BCC	Board Credit Committee
BFSA	Banking and Financial Services Act
BIA	Basic Indicator Approach
CAR	Capital adequacy ratio
CIB	Corporate and Investment Banking
CRMC	Credit Risk Management Committee
EAD	Exposure at default
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IRRBB	Interest rate risk in the banking book
MTM	Mark-to-market
NII	Net interest income
PBB	Personal and Business Banking
RBM	Reserve Bank of Malawi
TSA	The Standardised Approach
USD	United States dollar
VaR	Value-at-risk

10 List of figures and tables

Figure

Tables