National Bank of Malawi

Basel II Pillar III (Market Disclosure) Report

June 2017

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1. OVERVIEW

1.1. Operating Environment

The year started on a fairly positive note with inflation continuing to trend downwards from 18.2% in January 2017 to 11.3% in June, 2017. Agricultural production improved following good weather conditions. The banks' lending rates were reduced following the policy rate reduction. Tobacco prices have been better than the previous year due to relatively low supply and better quality. The Malawi Kwacha foreign exchange rates have been fairly stable.

In spite of the foregoing, demand for lending and related products remained subdued due to the generally high interest rate regime. Consequently loans and advances grew by a mere 2% while other money market deposits grew by 76%. The Bank continued with deliberate efforts to manage the growth of its lending book as the risk of bad debts increased. Customer deposits grew by 7%.

The Bank successfully upgraded its core banking system that went live on 1st July, 2017.

1.2. Report Scope

This report is in compliance with Pillar III Disclosures under Basel II which complements the minimum capital requirements and the supervisory review process. It discloses the scope of application of Basel II, capital, particular risk exposures and risk assessment processes, and hence the capital adequacy of National Bank of Malawi. Disclosures consist of both quantitative and qualitative information and are provided at the consolidated level.

National Bank of Malawi plc hereby presents this report in line with Guidelines on Market Disclosures under Basel II Pillar III issued by the Reserve Bank of Malawi.

1.3. Risk Governance

In line with the corporate governance structure adopted by National Bank of Malawi plc, the Board has the ultimate responsibility of ensuring that risks are adequately identified, measured, monitored and managed.

The Board is committed to good corporate governance which it achieves by following principles of openness, integrity and accountability as set out in the Malawi Corporate Governance Code, The Cadbury Report and the King Reports. The Board monitors compliance with policies and achievement of objectives by holding management accountable for its activities through quarterly Board meetings at which performance is reported.

1.4. Risk Management Oversight

The Bank's approach to risk management is based on a well-established governance process and relies both on individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances stringent corporate oversight with independent risk management structures within the business units. Below is the governance structure of the bank;

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board develops the risk appetite and risk tolerance limits appropriate to the Bank's strategy and requires that management maintains an appropriate system of internal controls to ensure that these risks are managed within the agreed parameters. The Board delegates risk related responsibilities to five Board committees namely; the Risk Committee, the Credit Committee, the Audit Committee, the Appointments, Remuneration and Governance Committee, and the Related Parties Committee. The Board Committees comprise of a non-executive membership only and they report regularly to the Board on their activities.

The Board Risk Committee has responsibility for the risk management in the Bank as delegated by the Board. Its main responsibility is to have the overall oversight in the credit, market, liquidity and operational risks management as well as any other risks that the Bank may be exposed to in its course of business. It is also responsible for reviewing management performance in implementing the Bank's strategic plan and ensures that the Bank's activities are consistent with the policies agreed by the Bank's Board and Directives of the RBM and other regulatory requirements.

The Board Audit Committee is responsible for conducting an independent check to ensure compliance with the Bank's risk management policies, procedures and controls, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank.

The Board Credit Committee is responsible for oversight of the Bank's overall credit risk management issues. The committee is responsible for reviewing and approving the Bank's credit policies including provisioning, large loan exposures, counter-party lending and dealing lines.

The Appointments, Remuneration and Governance Committee is responsible for nominations and vetting of director appointments, good governance practices, ensuring that the Bank has a robust succession plan, that the Bank's human resources are best utilized, and that members of staff are remunerated commensurately with their responsibilities and effectiveness.

The Related Party Committee is responsible for overseeing the implementation of the transactions with related parties by all entities falling under the control of the Bank's Board.

The Enterprise Risk Committee (ERCO) is at management level which provides a holistic oversight of the risks affecting the Bank and the control measures that should be put in place to mitigate the risks and thereby reduce the potential losses.

The Bank ensures that capital is sufficient to cater for set risk appetite limits. Risk assisted in liaison with Finance generates the reports on capital. Capital oversight is provided by the Asset Liability Committee (ALCO) and Enterprise Risk Committee where capital results and capital risk respectively are discussed. The capital risk report is eventually discussed by the Board Risk Committee.

In addition, the other management Committees such as the Asset and Liability Committee (ALCO), Credit Management Committee and IT Policy Committee, are all responsible for developing and monitoring the Bank's risk management policies in their specified areas.

2. BACKGROUND

2.1. Shareholding structure

The authorized share capital of the Bank is K500m divided into 500,000,000 Ordinary Shares of K1 each. The issued capital is K467m divided into 466,931,738 fully paid Ordinary Shares of K1 each.

The shareholding structure as at 30 June, 2017 was as follows:

Press Corporation Limited	51.5%	51.5%
Old Mutual Group	25.1%	25.1%
Members of the public	23%	21.6%
Employees (ESOS)	0.4%	1.8%
Total	100%	100%

2.2. Subsidiaries, associates and Service Centres

National Bank of Malawi provides retail, corporate and investment banking as well as stock broking, insurance and pension administration services in Malawi. It has a network of 31 Service Centres in Malawi.

The subsidiary and associate companies of the Bank are shown below:

Subsidiaries	Percentage of control	Nature of operations
NBM Capital Markets Limited	100%	Investments and fund management
NBM Securities Limited	100%	Dormant
NBM Nominees Limited	100%	Holding of investments as nominee
Stockbrokers Malawi Limited	75%	Registered stockbroker
NBM Bureau de Change Limited	100%	Dormant

NBM Pension Administration Limited	100%	Pension administration
Indebank Limited	100%	Commercial banking(up to 30 April2016)

2.3. Performance and Financial Position

The Bank registered 22% growth in the Group pre-tax profit to K14.4b (2016: K11.8b). A summary of the Bank's financial performance for the first half of 2017 was as follows:-

- Total assets increased by 9.63% from K313.02bn to K343.17bn. This has been attributed to an increase in the following: fixed assets, loans and advances to customers, other assets and interest bearing securities.

- Total capital for NBM increased by 22.53% from K58.34bn as at 30th June 2016 to K65.98bn as at 30th June 2017. This increase in capital was attributed to a 32.80% increase in revaluation reserves from K11.65 billion to K15.48 billion and a 24.85% increase in retained earnings from K35.56 billion to K44.39 billion.

- Total Risk Weighted assets increased by 3.01% from K238.27bn to K245.43bn. This change was attributed to an increase in credit risk component.

- The capital ratios also increased during the period under review. The Tier I ratio increased from 14.04% to 16.78% as at 30th June 2017. The Tier II ratio increased from 18.12% to 22.00%. The capital ratios were within regulatory limits and Bank's risk appetite limits.

- Net profit before tax increased significantly by 21.72% from K11.83bn to K14.40 bn. This was mostly due to an increase in income from lending activities.

- Operating expenses slightly increased by 1.71% from K16.33bn to K16.61bn

3. CAPITAL MANAGEMENT

The Bank's capital management strategy is designed to ensure that regulatory capital requirements are met at all times, and that the Bank and its principal subsidiaries are capitalised in line with the group's risk appetite and target ratios, both of which are approved by the board.

3.1. Approach to Capital Management

The Bank's Capital Management Policy (CMP) provides the processes for defining, measuring, raising and investing all types of capital in the Bank. The policy aims at optimizing the Bank's capital usage and to fulfil the requirements of the business and maintain an efficient capital structure with limited excesses. Capital adequacy is actively managed and forms a key component of the Bank's budget and forecasting process. The capital plan is tested under a range of stress scenarios as part of the Bank's annual internal capital adequacy assessment process (ICAAP) and recovery plan.

3.2. Governance

The Board of Directors is responsible for the ultimate oversight of capital management, including the annual review and approval of the Bank's Capital Plan and ICAAP.

The Board discharges its roles through the Board Risk Committee which is responsible for the governance of capital management, which includes: approval of capital management policies, regular review of the Bank's capital position and management processes, approval of ICAAP, as well as ongoing review of internal controls over capital adequacy, and approval of the Bank's risk appetite/tolerance; and the Bank's optimal capital mix.

At Senior Management level, the Bank has also the Asset and Liability Committee (ALCO) which has the primary management oversight responsibility for capital management and regularly reports in detail on compliance with established limits and guidelines. ALCO oversees the risks associated with capital management whose principal governance documents are the Capital Management Policy, Liquidity and Funding Management Policy and the Market Risk Framework.

3.3. Regulatory update

The Reserve Bank of Malawi introduced Basel II on 1 January 2014 to all Malawian Banks. The intention was to align bank's business risk as reflected in both the banking book and the trading book to its required minimum capitalisation. This was as a result of notable shortfalls in granularity in Basel I hence the need to ensure that banks are adequately capitalised.

The Bank was fully compliant to Basel II as at 1 January 2014.The Bank is computing the individual risks under each category using the following approaches:

- Operational Risk – Basic Indicator Approach (BIA)
- Credit Risk – Standardized Approach (SA)
- Market Risk – Standardized Approach (SA)

The Bank is fully committed to develop its operational risk measurement tools through enhancement of Loss Data Collection which will be vital in graduating to Advanced Measurement Approaches by 2018.

The Bank continues to assess the Basel II approaches and their impact on its capital position to arrive at an appropriately calibrated total level of risk-weighted assets, qualifying capital and leverage ratio, and factor them into its strategic business plans. In the year under review, the Group capital ratios were all above the prescribed minimum requirements under Basel II for the Reserve Bank of Malawi of 10% and 15% for tier I and tier II ratios, respectively.

3.4. Regulatory capital

The Bank manages its capital levels to support business growth, maintain depositor and creditor confidence, create value for shareholders and ensure regulatory compliance. The main regulatory requirements to be complied with are those specified in the Financial Services Act 26 of 2010, The Reserve Bank of Malawi Directive on Capital Adequacy and related regulations, which are aligned with Basel II.

Regulatory capital adequacy is measured through the following two risk-based ratios:

- **Tier 1 (core capital) ratio**: the sum of share capital, paid-up, share premium, retained profits (prior years), 60% of after tax profit (current year-to-date) and in case of a loss, 100% and Other eligible core capital (Tier 1) capital elements as prescribed by the Registrar, less: investment in unconsolidated financial institutions.

- **Tier II (supplementary capital) ratio**: the sum of revaluation reserves, subordinated debt; and the general provisions, which have received prior approval of the Registrar.

Capital adequacy	Jun-17	Jun-16
Core Capital	41,187,068	33,448,038
Total Capital	71,480,194	58,337,276
Credit Risk Weighted Assets	203,607,871	191,698,279
Operational Risk Weighted Assets	37,906,619	41,331,838
Market Risk Weighted Assets	3,919,375	5,523,121
Total Risk Weighted Assets	245,433,865	238,268,238
Risk Based capital ratio I (Basel II approach)	16.78%	14.04%
Risk Based capital ratio II (Basel II approach)	22.00%	18.12%

Total Risk Weighted assets increased by 3.01% from K238.27bn to K245.43bn. This change was attributed to an increase in the following credit risk weighted assets:-

i. A 36.71% increase in retail loans from K11.59bn to K15.84bn

ii. A 10.49% rise in residential mortgages from K4.88bn to K5.39bn.

iii. A 10.56% increase in contingent liabilities from K17.38bn to K19.21bn.

The capital ratios also increased during the period under review. The Tier I ratio increased from 14.04% to 16.78% as at 30th June 2017. The Tier II ratio increased from 18.12% to 22.00%. The capital ratios were within regulatory limits and Bank's risk appetite limits.

4. RISK APPETITE

Risk appetite is the amount and type of risk that the Bank is able and willing to accept in pursuit of its business objectives. The risk appetite must not exceed the Bank's risk capacity (i.e. the maximum amount of risk that the Bank can take). The risk appetite therefore reflects the tolerance and willingness to accept risk. The subsequent implementation of the risk appetite into the Bank's risk limit sets some bonds to our business strategy and our ability to exploit business opportunities.

The Bank's risk appetite includes qualitative statements as well as quantitative measures expressed relative to earnings, capital, risk measures, liquidity and other relevant measures. Qualitatively, the Bank expresses risk appetite in terms of policies, processes, procedures, statements and controls meant to limit risks that may or may not be quantified.

4.1. Governance

The Board of Directors shall have the overall responsibility for the establishment and oversight of the Bank's risk appetite. The Board has developed risk appetite and risk tolerance limits appropriate to the Bank's strategy and require that Senior Management maintains an appropriate system of internal controls to ensure that these risks are managed within the agreed parameters.

The primary management level governance committee overseeing risk appetite the Enterprise Risk Committee which is chaired by the Chief Executive Officer. The principal governance documents are the Risk Management Framework and Risk Appetite Statement.

4.2. Risk Appetite Statement

The Chief Risk Officer is responsible for recommending the Bank's Risk Appetite Statement, to the Enterprise Risk Committee which is then approved by the Board Risk Committee (BRC) on behalf of the Board. In developing the Risk Appetite Statement, the Bank considers the group's strategy and the desired balance between risk and return. The BRC reviews the group's current risk profile on a quarterly basis and forward risk profile, both stressed and unstressed on annual basis.

4.3. Compliance with Risk Appetite Limits

Overall the Bank was within the set targets for 2017.The Agriculture, Mining, Manufacturing, Electricity, Financial, Community and Personal sectors managed to grow within the risk appetite.

5. STRESS TESTING

The Bank has a comprehensive Stress and Scenario Testing Framework which is used, inter alia, to stress the base case projections and so assess the adequacy of the Bank's capital buffers and target ratios. The Bank conducts stress tests on a quarterly basis by applying various scenarios on its market risk exposures to ensure that the bank is capable of withstanding any stressed conditions. Results of the stress tests are submitted to the ALCO, ERCO and BRC to ensure that appropriate strategies are formulated to address the market risk needs revealed by the stress testing.

The Bank's stress and scenario testing recognizes and estimates the potential volatility of its capital requirements and the base-case (expected) three-year business plan projections, including the key assumptions and sensitivities contained therein, which themselves are subject to fluctuation, and ultimately the adequacy of the Bank's capital buffers and target capital ratios. The Stress Testing results showed satisfactory results and the scenarios showed that the minimum requirement would be met.

6. CREDIT RISK

The Bank defines Credit Risk as the likelihood that a debtor or financial instrument issuer is unwilling or unable to pay interest or repay the principal according to the terms specified in a credit agreement resulting in economic loss to the Bank.

6.1. Approach to Managing Credit Risk

The group's credit risk arises mainly from wholesale and retail loans and advances. The Board of Directors has the responsibility for approving and periodically reviewing the credit risk strategy and significant credit risk policies or departures there from of the Bank as well as sanctioning facilities beyond Management's delegated limits. The Board of Directors delegates this responsibility to its Board Credit Committee.

Additionally, there is a Management Credit Committee which is comprised of some members of senior management. The Management Credit Committee has the responsibility of implementing the credit risk strategy approved by the Board and for formulating and developing policies and procedures for identifying, measuring, monitoring and controlling credit risk in existing as well as new products, activities and procedures in order to ascertain quality of the Bank's credit portfolio.

The Committee oversees development, maintenance and review of the Group's risk grades in order to categorize exposures according to the degree of risk of potential financial loss and focus management on the attendant risk. The risk grading system helps in determining where impairment provisions may be required against specific credit exposures. The current risk grading framework consists of ten grades reflecting varying degrees of risk of default and the availability of collateral or other credit risk mitigation. Risk grades are subject to regular reviews.

The committee reviews credit concentrations vis-à-vis the Bank's capital in the form of single borrowers or counter parties, group of connected counter parties, sectors and products to ensure aggregate credit commitments to arrest widespread losses that can arise out of close linkages and correlated factors.

A separate Credit Management Division reporting to the Chief Executive and the Board Credit Committee is responsible for oversight of the Group's overall credit risk management issues.

Each Business Unit (BU) is required to implement the Bank's credit policies and procedures, within delegated credit approval authorities. Each business unit has a Head or Manager who is accountable for all credit related matters and reports as appropriate to Credit Management Division or the Credit Committee through Credit Management Division. Regular audits of business units and Credit processes are undertaken by the Internal Audit Division.

6.2. Credit Risk Measurement

The Bank measures the credit risk capital requirements by applying appropriate risk weights to both on-balance sheet and off-balance sheet exposures in line with Basel II and the Guidelines on Standardized Approach to Credit Risk issued by the Reserve Bank of Malawi (RBM). The capital adequacy and return on capital levels for the individual risk categories of the Bank's portfolio are regularly monitored against the overall risk-bearing capacity of the Bank, in order to ensure that the Bank is, at all times, maintaining adequate capital to provide for its growth and to support a reasonable measure of unexpected losses.

Basel II under credit risk does provide three approaches in calculating required capital. These are; the Standardized Approach and the Internal Ratings Based (IRB) approaches. The IRB approach is further divided into two, the Foundation IRB approach and the Advanced IBR approach. The approaches are more aligned or biased towards the robustness of the internal risk management systems of the banks. RBM has prescribed that all banks be on the Standardized Approach on the initial adoption of Basel II. For risk management reporting purposes, the Bank considers and consolidates all elements of credit risk exposure (such as individual obligor default risk, country and sector risk).

The Bank's Credit Division in collaboration with the Business Units regularly analyses default trends, these enable identification of the underlying root causes and subsequently channels recommendations to Senior Management allowing the fine-tuning of the appropriate credit scoring parameters. Similarly, risk grades of major corporate customers are used to set tolerance limits to enhance the management of excesses.

6.3. Credit Risk Mitigation

As a fundamental credit principle, the Group generally does not grant credit facilities solely on the basis of the collateral provided. All credit facilities are granted based on the credit standing, source of repayment and debt servicing ability of the borrower. Collateral is taken whenever possible to mitigate the credit risk assumed. The value of the collateral is monitored periodically, with the frequency of valuation depending on the type, liquidity and volatility of the collateral value. On the whole, the main credit risk mitigation techniques applied by the Bank include security/collateral, netting and guarantees, all of which contribute to a reduction in the Bank's credit risk exposures.

6.4. Credit Risk Exposures

Overall credit risk was rated moderate.

Indicators	Jun-17	Jun-16
	K'000	K'000
Net Loans and Advances MWK'(000)	139,006,086	134,125,908
Non Performing loans MWK'(000)	8,090,260	3,651,172
Specific Provisions MWK'(000)	3,164,466	1,386,630
Non Performing loans to total loans and advances	5.82%	2.72%
Specific Provisions to Non-Performing Loans	39.11%	37.98%

Total loans increased by 3.64% from K134.12bn as at 30th June 2016 to K139.01bn as at 30th June 2017. This increase was attributed to an increase in loans to the following sectors:-

i. Construction sector by 11.68% from K959.73m to K1.07bn.
ii. Restaurant and hotels sector by 11.05% from K8.01bn to K11.05 bn.
iii. Financial sector by 203.48% from K1.05bn to K3.19bn.

Total non-performing loans increased by 121.58% from K3.65bn to K8.09bn. This increase was largely attributed to the non-performing facility for Carbon Dioxide and Allied Products amounting to K2.08 bn. The ratio of NPLs therefore increased from 2.72% to 5.82%. This was however within the Bank's risk appetite of 3%-7%.

The amount of specific provisions made increased by 128.19% from K1.39bn as at 30th June 2016 to K3.16bn as at 30th June 2017. The Bank had made provisions for 39.11% of the NPL portfolio.

7. LIQUIDITY RISK

The Bank defines Liquidity Risk as the potential for loss to the Bank arising from either its inability to meet obligations as they fall due or to fund increases in assets without incurring unacceptable cost or losses (funding or market liquidity risk).

7.1. Approach to Managing Liquidity Risk

The Board of Directors shall have responsibility for the management of liquidity risk. Risk Division shall be monitoring the key risk indicators and reports will be submitted to the Board Risk Committee and Asset and Liability Committee (ALCO). Generally, the responsibilities of the Board shall include the following:

- Providing guidance on the level of tolerance for liquidity risk
- Establishing an appropriate structure and lines of authority for managing risk
- Continuously monitoring the Bank's performance and the overall liquidity risk profile
- Ensure the Bank takes the necessary steps to identify, measure, monitor and control liquidity risk; and
- Reviewing the adequacy of the Bank's contingency plans

ALCO's responsibilities shall include the following:

- Assessing current balance sheet position
- Projecting exogenous factors like the economic changes, performance of counterparties, competition, etc.
- Developing the assets and liability strategy
- Simulating strategies
- Determining the most appropriate strategies
- Setting targets
- Communicating targets to the appropriate managers and staff; and
- Monitoring and reviewing performance.

Regular audits of business units and liquidity processes shall be undertaken by the Internal Audit Department and the findings should be submitted to the Board Audit Committee.

7.2. Regulatory Liquidity Limits

The Bank has adequate liquidity reserves as the overall liquidity ratios remained almost stable in the 1st half of 2017. The Liquidity ratio I increased from 50.08% in June 2016 to 57.64% in Jun 2017. The Liquidity ratio I increased from 48.62% in June 2016 to 57.72% in Jun 2017.

The Table below shows that the Liquidity ratios were within regulatory limit and risk appetite;

	Jun-17	Jun-16
Liquidity Ratio I	57.64%	50.08%
RBM Limit	30.00%	30.00%
NBM Limit	40.00%	40.00%
Liquidity Ratio II	57.72%	48.62%
RBM Limit	20.00%	20.00%
NBM Limit	30.00%	30.00%

7.3. Deposit Concentration

Total deposits increased by 12% from K204.1bn in Jun 2016 to K227.7bn in Jun 2017. The increase in total deposits was due to 12% increase in Savings Deposits from K44.7bn in Jun 2016 to K49.9bn in Jun 2017. Further, the Demand deposits increased by 15% thus from K70bn in Jun 2016 to K80.5bn in Jun 2017.

The ratio of top 10 depositors to total deposits increased from 14.54% in Jun 2016 to 16.23% in June 2017. The ratio was within the 25% threshold limit.

8. MARKET RISK

The Bank defines Market Risk as Market risk is the risk of a change in the market value, actual earnings, or future cash flows of a portfolio of financial instruments, including commodities, caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates and implied volatilities in all of these variables.

8.1. Approach to Managing Market Risk

The Management of Market Risk is conducted on a daily basis using the mark to market method by Treasury and Investment Banking and will be verified by Risk Division. The valuation of securities shall be done as stipulated in the Trading Book Policy.

After the calculations the amounts ascertained will be checked against the limits in effect and if any limit has been exceeded the violation will be registered and reported to Treasury and Investment Banking Division and Senior Management.

The Bank uses the standardized approach to measure market risk. The standardized approach calculates market risk charges for Fixed Interest Instruments, Equities, Foreign Exchange and Commodities. These are then added up to come up with the total market risk charge.

The total capital set aside for market risk under the Standardized Approach was as follows;

Capital Charge	Jun 2017 (K'm)	Jun 2016 (K'm)
Interest Rate Risk		
Foreign Exchange Risk	13	17
Equity Risk	3,906	3,489
Total	**3,919,**	**5,238**

The Bank has a comprehensive framework of limits that is used to control market risk exposures for different levels of reporting. The limits are reviewed at least annually or more frequently and adjusted when conditions of risk tolerances change. A summary of all breaches is reported to ALCO, ERCO and BRC.

8.2. Governance

The Board shall has the overall responsibility for the management of market risks. The Bank's Risk Division which operates independently from the business areas has the main responsibility of monitoring and analyzing market risk arising from the positions assumed by the Bank versus the risk appetite determined by the ERCO/BRC and approved by the Board.

9. OPERATIONAL RISK

The Bank defines Operational Risk as the risk of loss resulting from inadequate or failed internal processes, people, and systems and from external events. In accordance to Basel II risk categories, operational risk comprises of strategic risk, operational risk, compliance risk; and reputation risk.

Total Operational Risk Losses as at June 2017 stood at K24.3 million which is 0.05% of the Core Capital and within the Operational Risk Appetite Limit of less than 0.1% of Core Capital. The operational risk losses represent an increase from K0.0 as at June 2016.

9.1. Governance

The Board is responsible for approving broad business strategies and policies that govern or influence operational risks. The ERCO is responsible for implementing the operational risk strategy approved by the Board and for formulating and developing policies and procedures for identifying, measuring, monitoring and controlling operational risk.

The Bank's objectives is to manage operational risk so as to balance the avoidance of financial losses and damage to the Bank's reputation with overall cost effectiveness and avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of control to address operational risk is therefore assigned to senior management within each business unit.

9.2. Regulatory Capital Approach

The Bank measures operational risk using the Basic Indicator Approach. In using this approach the Bank determines the gross income for 3 years and then multiplies it by a capital charge factor of 15% to determine the total operational risk capital charge

The total capital set aside for operational risk under the Basic Indicator Approach was as follows;

Capital Charge	June 2017 (K'm)	June 2016 (K'm)
Operational Risk	37,906	41,331