



# Opportunity Bank

MALAWI

## DISCLOSURES POLICY

AUGUST 2016

## Contents

1.0	Purpose of the policy .....	3
2.0	Frequency of Disclosures .....	3
3.0	Scope of Disclosures .....	3
3.1	Risk Management .....	3
3.2	Corporate Structure .....	4
3.3	Capital Adequacy .....	4
3.4	Credit Risk .....	5
3.5	Market Risk .....	6
3.6	Operational Risk.....	6
3.7	Equities.....	7
3.8	Interest Rate Risk in the Banking Book .....	8
4.0	Location and form of disclosures .....	8
5.0	Omissions .....	8
6.0	Approval of disclosed information.....	9
7.0	Document History .....	10

## **1.0 Purpose of the policy**

This disclosure policy is intended to:

- Guide Opportunity Bank Malawi in its market disclosures as required by the Reserve Bank of Malawi's Basel II Pillar 3 requirements on market disclosures.
- Reflect our commitment to meeting our stakeholders' expectations for equal, timely, balanced and meaningful disclosure
- prevent the selective or inadvertent disclosure of material, price sensitive information; and
- Conduct OBM's disclosures in a way that allows all interested parties equal opportunity to access that information

## **2.0 Frequency of Disclosures**

Opportunity Bank shall make market disclosures on a semiannual basis in line with required regulation on market disclosures. The following exceptions that shall be made on an annual basis except in cases where there has been significant changes, which would warrant a semiannual disclosure:

- All qualitative disclosures
- The banks risk management frameworks

## **3.0 Scope of Disclosures**

### **3.1 Risk Management**

On an annual basis, the bank shall disclose the key risks facing the bank, and the methodology for measuring and managing them. The bank shall further disclose the risk management objectives and policies for each risk area identified including:

- its strategies and processes;
- the structure and organisation of the relevant risk management function;
- the scope and nature of risk reporting and measurement systems; and
- policies for hedging and mitigating risk, and processes for monitoring the continuing effectiveness of such policies

## **3.2 Corporate Structure**

The bank shall make the following disclosures with respect to its corporate structure:

- The name of the bank or financial holding company incorporated in Malawi.
- A description of differences in the basis of consolidation for regulatory purposes compared to that required in accordance with Accounting Standards
- Any restrictions or impediments on transfer of funds or regulatory capital within the bank

### **3.2.1 Qualitative Disclosures**

A description of the terms and conditions of the main features of all capital instruments included within Eligible Total Capital, particularly in relation to Tier 1 Capital, and other complex or hybrid capital instruments.

### **3.2.2 Quantitative Disclosures**

Elements of Eligible Tier 1 Capital as follows:

- paid-up ordinary share capital;
- disclosed reserves;
- paid-up non-cumulative preference shares;
- minority interests;
- Tier 1 capital instruments;
- any other instruments;
- deductions of goodwill, intangible assets and deferred tax assets;
- any other regulatory deductions from Tier 1 Capital.

## **3.3 Capital Adequacy**

The bank shall make the following disclosures with respect to its capital adequacy;

### **3.3.1 Qualitative Disclosures**

A description of the approach to assessing the adequacy of its capital to support current and future activities.

### **3.3.2 Quantitative Disclosures**

- Credit Risk Weighted Assets for each asset sub-class subject to standardised Approach and all securitization exposures.
- Equity Risk Weighted Assets
- Market RWAs calculated under the Standardised Approach
- Operational RWAs calculated under the Basic Indicator approach.
- Total RWAs and minimum capital requirements for the bank.

## **3.4 Credit Risk**

The bank shall make the following disclosures with respect to its Credit Risk:

### **3.4.1 Qualitative Disclosures**

A description of the bank's policies in relation to:

- Past due and impaired loans in accordance with applicable Accounting Standards;
- Assessment of the level of individual and collective impairment provisions in accordance with applicable Accounting Standards;
- Credit risk management;

### **3.4.2 Quantitative Disclosures**

- Total gross credit exposures, and average gross credit exposures over the reporting period broken down by major types of credit exposure.
- Geographical (regional) distribution of credit exposures, broken down in significant areas by major types of credit exposure.
- Industry or counterparty-type distribution of credit exposures, broken down by major types of credit exposure.
- Residual contractual maturity breakdown by major types of credit exposure.
- By major industry or counterparty-type:
  - Amount of classified loans and past due loans, provided separately;

- Individual and collective impairment provisions; and Charges for individual impairment provisions and charge-offs during the period.
- Amount of classified loans and past due loans, provided separately, broken down by significant geographic areas including, if practical, the amounts of individual and collective impairment provisions related to each geographical area.
- Reconciliation of changes in the provisions for loan impairment.
- For each asset sub-class, the amount of credit exposures subject to the Standardised Approach.

### **3.5 Market Risk**

The bank shall make the following disclosures with respect to its market risk:

#### **3.5.1 Qualitative Disclosures**

A description of risk management objectives and policies for market risk including the portfolios covered by the standardised approach.

#### **3.5.2 Quantitative Disclosures**

The capital requirements for the following risks computed under the standardized approach:

- interest rate risk;
- equity position risk;
- foreign exchange risk; and
- commodity risk

### **3.6 Operational Risk**

The bank shall make the following disclosures with respect to its operational risk:

A description of the regulatory approach or approaches to the calculation of operational risk capital requirements, in addition to the general disclosures set out in section 3.1 in relation to the management of operational risk

## **3.7 Equities**

The bank shall make the following disclosures with respect to equities.

### **3.7.1 Qualitative Disclosures**

A description of the following items in addition to the general disclosures set out section 3.1 with respect to equity risk:

- Differentiation between holdings on which capital gains are expected and those taken under other objectives including for relationship and strategic reasons; and
- Its policies in relation to the valuation and accounting treatment of equity holdings in the banking book. This shall cover the accounting techniques and valuation methodologies used, including key assumptions and practices affecting valuation as well as significant changes in these practices.
- The value of equities held in the balance sheet of the Bank, and the fair value of those investments if different.
- The types and nature of equities, including the amount that can be classified as:
  - Publicly traded; and
  - Privately held.
- The realised gains (losses) arising from sales and liquidations of equities in the reporting period.
- Total unrealized gains (losses) that have not been reflected in the income statement of the Bank, and the extent to which these have been included in Tier 1 capital or Tier 2 capital.

### **3.7.2 Quantitative Disclosures**

The bank shall disclose an analysis of equity investments analysed in terms of appropriate equity groupings and exposure-weighted average risk weights, consistent with the methodology employed by the Bank. Equity investments that are deducted shall also be disclosed in an accompanying note. An explanation of any material difference between the value of equities calculated in accordance

with the relevant Accounting Standards and the regulatory definition of equity investments.

### **3.8 Interest Rate Risk in the Banking Book**

The bank shall disclose the following as regards to interest rate risk in the banking book.

#### **3.8.1 Qualitative Disclosures**

A description of the key assumptions made by the Bank, including assumptions regarding loan prepayments and behaviour of non-maturity deposits, and frequency of interest Rate Risk in the Banking Book measurement in addition to the general disclosures set out in paragraph 10.1 on the same.

#### **3.8.2 Quantitative Disclosures**

The changes in earnings or economic value (or relevant measure used by the bank) for upward and downward rate shocks according to management's method for measuring IRRBB, broken down by currency if appropriate.

### **3.9 Pricing of Products and Services**

The bank shall display the pricing, terms and conditions of all its products and services in its banking halls at all times and shall publish the same in the local media at least once every year and also as soon as any significant changes are made to the bank's pricing structure.

### **4.0 Location and form of disclosures**

The bank shall disclose the information outlined under section 3.1 and all other items in its Annual Report and periodic financial statements.

The bank shall further disclose all the items described above on its website and other applicable media.

### **5.0 Omissions**



The bank may omit certain disclosures required by regulation if

- (a) The omitted item is not material, in accordance with the concept of materiality under the Accounting Standards,
- (b) The omitted item is proprietary or confidential in nature and would seriously prejudice the position of the Bank.

For all omitted items, the bank shall disclose general qualitative information about the subject matter of the requirement, together with the reason for the omission.

## **6.0 Approval of disclosed information**

All information disclosures shall be presented to the Assets and Liabilities Committee (ALCO) for approval before the disclosure is done.

## 7.0 Document History

DATE	NAME	ACTIVITY
August 2013	George Phuza	Initial Creation
August 2016	Bernard Mkandawire	Editing