

# **The South African Bank of Athens Limited**

PILLAR 3 REGULATORY REPORT

**June 2017**



**BANK OF ATHENS**

*Business and Commercial Bank*

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## **1. Introduction**

The purpose of this document is to disclose both qualitative and quantitative information regarding the Bank's capital adequacy position, risk profile and risk management practices in terms of the Basel III requirements under Regulation 43 of the regulations relating to banks. In terms of Regulation 43(1) (e) (iii) of regulations relating to banks, minimum disclosure on capital adequacy of the bank is required on a quarterly basis. This announcement meets the on-going report requirement for quarterly disclosure in terms of Pillar 3 of the Basel III capital accord.

The Pillar 3 report is produced and published quarterly. This report is verified and approved internally in line with the Bank's disclosure policy.

The Pillar 3 report has not been audited by the Bank's external auditors.

### **Business Profile**

The South African Bank of Athens Limited ('the Bank') was established in 1947 and is a 99,81% subsidiary of National Bank of Greece S.A. (NBG), a major international banking and financial services provider. The parent company's commitment to and close involvement with the Bank provides a solid foundation and contact with the financial centres of the world.

### **Restrictions on transfer of funds or regulatory capital**

There are currently no restrictions or other major impediments on the transfer of funds or capital within the Bank.

## 2. Capital Management

The Bank is subject to minimum capital requirements as defined in the Banks Act and Regulations pertaining to Banks.

The Risk Management Committee considers the various risks faced by the Bank and analyses the need to hold capital against these risks whilst taking account of the regulatory requirements. In addition, the level of capital required to support the Bank's targeted business growth is taken into consideration.

The objective of the Bank's capital management approach is to ensure the maintenance of sound capital ratios, taking all the above requirements into account, whilst producing appropriate returns to shareholders. The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the statement of financial position, are:

- To comply with the capital requirements set by the regulators of the banking industry in which the Bank operates;
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders; and
- To maintain a strong capital base to support the development of its business.

The capital of the Bank consists tier 1 capital and tier 2 capital.

Capital adequacy and the use of regulatory capital are monitored by ALCCO, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the South African Reserve Bank (SARB), for supervisory purposes. The required information is filed with the SARB on a monthly basis.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the SARB which takes into account the risk profile of the Bank. The South African Bank of Athens remained above the minimum required capital adequacy ratio as at the 30 June 2017 with a total capital adequacy of 14.91% and a Tier 1 capital adequacy of 11.11%, exceeding minimum regulatory requirements.

The regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital comprises two tiers:

- Tier 1 capital: share capital, general bank reserve, , unrealised gains arising on the fair valuation of equity instruments held as available for sale, retained earnings and reserves created by appropriations of retained earnings. The book value of intangible assets is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: collective impairment allowances and debentures

Shortfalls of value adjustments and provisions as compared to expected losses are deducted from Tier 1 and Tier 2 capital to calculate regulatory capital.

**Regulatory Capital and Risk weighted assets – Table 2.1**

	<b>30-Jun-17</b>
	<b>R'000</b>
Ordinary Share Capital	30,092
Share Premium	393,093
Revaluation Reserves	4,707
<b>Total common equity tier 1 capital and unimpaired reserve funds</b>	<b>427,892</b>
Retained Earnings/(Loss)	-146,432
Regulatory deductions against primary capital	-78,483
<b>Total common equity tier 1 capital after regulatory adjustments</b>	<b>202,976</b>
<b>Tier 2 capital</b>	
General Provisions	19,511
Long-term debt instrument (Debentures)	50,000
<b>Total qualifying capital and reserve funds</b>	<b>272,487</b>
<b>Risk Weighted Assets</b>	<b>1,826,973</b>
Total Capital adequacy ratio	14.9147%
Tier 1 Capital adequacy ratio	11.1100%

## Required capital adequacy ratios and amounts - Table 2.2

	30-Jun-17	
	Percentages	R'000
	Common Equity Tier 1	Common Equity Tier 1
Base minimum (2)	4.50%	82,214
Add-on: systemic risk add-on (Pillar 2A)	1.50%	27,405
Add-on: conservation buffer (6)	1.25%	22,837
	<b>8.00%</b>	<b>146,158</b>

## Composition of risk weighted assets and required regulatory capital- Table 2.3

Risk weighted exposure	30-Jun-17	
	Composition of Risk Weighted Assets	Base Minimum Required Regulatory Capital
	R'000	R'000
Credit Risk *	1,551,832	147,424
Counter party risk****	9,687	920
Operational Risk **	208,524	19,810
Market Risk ***	2,385	227
Other Assets	54,529	5,180
Equity Risk	15	1
<b>Total</b>	<b>1,826,973</b>	<b>173,562</b>

\* RWA and required regulatory capital in terms of credit risk are measured using the standardised approach.

\*\* RWA and required regulatory capital in terms of operational risk are measured using the standardised approach.

\*\*\* RWA and required regulatory capital in terms of market risk are measured using the standardised approach.

\*\*\*\* RWA and required regulatory capital in terms of counterparty risk are measured using the current exposure method under the standardised approach.

## Capital Structure

The Bank has one class of ordinary shares which carry no right to fixed income. The unissued shares are under the control of the directors subject to notification to and specific approval by National Bank of Greece S.A., until the next Annual General Meeting.

Capital Structure – Table 2.4	Jun-17
	R'000
<b>Authorised</b>	
100 000 000 ordinary shares of R1 each (par value)	100 000
<b>Issued</b>	
Ordinary Share Capital	30,092
<b>Share Premium</b>	
Share Premium	393,093
<b>Term-debt instruments</b>	
Debentures	50,000

### 3. Credit Risk

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period.

Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected.

Objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account.

Changes in the carrying amount of the allowance account are recognised in profit or loss. When an Available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of Available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

The Bank defines a loan as past due but not impaired when the loan is more than 31 days in arrears but no specific provision has been raised on the loan. Advances that are not subject to repayments e.g. overdrafts are considered to be in default when limit arrangements have been breached.

Loans and advances in default are impaired when, following an individual assessment, the Bank has raised a specific provision for loss after taking account of the collateral held.



## **Credit Risk mitigation**

The Bank's does not apply netting of on- and off balance sheet exposures when determining its exposure to credit risk. There are no netting arrangements in place.

The Bank makes wide use of collateral to mitigate credit risk. Fair value of collateral is determined with reference to the realisable value of security under forced sale conditions.

The main types of collateral and the value placed thereon are as follows:

- Cession of debtors at 30% of book falling within the current to 90 day categories depended on debtor quality and spread. Increased reliance of 50% is considered where the book is insured and the insurance policy is ceded to the Bank.
- Value is placed on quoted shares normally at 50% of Market value but this is also dependent on the quality of the shares being pledged
- Cession of life and endowment policies at 70% of surrender value
- Pledge of call and savings accounts, fixed and notice deposits at 100%
- Bonds over vacant land at 50% of professional valuation
- Bonds over residential properties at 80% of professional valuation
- Bonds over commercial properties at 70% of professional valuation
- Bonds over industrial properties at 60% of professional valuation
- Values on motor vehicles and trucks are obtained from the TransUnion Dealer Guides. Values on other equipment is dependent on the asset type and depreciated value.
- Collateral is valued daily, monthly and at the very least annually dependant on its volatility.

Guarantees are generally requested from business owners given the market the Bank operates in. Guarantees are also generally secured from asset owning entities within a group. Credit worthiness of guarantors is established at the time of granting the facilities and reviewed at least annually.

Due to a high concentration to large borrowers the Bank is exposed in terms of some of the collateral provided by these borrowers.

The Bank operates within counterparty limits that have been approved by its parent company National Bank of Greece and exposures are reported to the parent on a quarterly basis.

**Gross credit exposure per product type - Table 4.1**

	<b>Jun-17</b>
	<b>R'000</b>
<b>Category analysis</b>	
Overdrafts	195,207
Property, commercial and other loans	675,372
Home loans	655,328
Instalment credit and lease agreements	216,300
Non-Performing Loans	139,081
	<b>1,881,287</b>
<b>Less: Credit Impairment</b>	<b>-46,971</b>
Overdrafts	-3,061
Property, commercial and other loans	-8,142
Home loans	-8,286
Instalment credit and lease agreements	-27,482
<b>Net Loans and Advances</b>	<b>1,834,316</b>

**\*Gross credit exposure per asset class - Table 4.2**

	<b>Jun-17</b>
	<b>R'000</b>
<b>Category analysis 2</b>	
<b>Corporate exposure</b>	
Corporate	84,589
SME corporate	715,591
<b>Retail exposure</b>	
Residential Mortgages	696,865
Retail Other	40,317
Retail SME	343,924
<b>Gross credit exposure excluding sovereigns and banks</b>	<b>1,881,287</b>
<b>Less: Credit Impairment</b>	<b>-46,971</b>
Corporate	-
SME Corporate	-22,735
Residential Mortgages	-8,286
Retail Other	-1,889
Retail SME	-14,061
<b>Net Loans and Advances</b>	<b>1,834,316</b>
Sovereign (including central government and central bank)	105,344
Banks	185,542
<b>Total</b>	<b>2,125,202</b>

**\*Asset classification as per BA 200 Regulation**

**Gross credit exposure per Sectorial analysis - Table 4.3**

	<b>Jun-17</b>
	<b>R'000</b>
Agriculture	139
Building and property development	518,638
Individuals	554,523
Manufacturing and commerce	611,477
Transport and communication	164,615
Electricity and water	-
Mining	625
Other Service	186,985
Wholesale and retail trade	135,171
<b>Gross credit exposure</b>	<b>2,172,173</b>

**Gross credit exposure per Geographical distribution - Table 4.4**

	<b>Jun-17</b>
	<b>R'000</b>
South Africa	1,881,287
	<b>1,881,287</b>

**Maturity Analysis of gross credit exposure as at 30 June 2017 – Table 4.5**

	<b>Maturing within one day to six months</b>	<b>Maturing within six months to one year</b>	<b>Maturing after one year but within five years</b>	<b>Maturing after five years</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Corporate	34,007	4,069	29,829	16,684	<b>84,589</b>
SME Corporate	87,470	40,242	369,202	218,678	<b>715,591</b>
Residential Mortgage	15,052	12,546	158,457	510,810	<b>696,865</b>
Retail	11,126	4,081	24,324	787	<b>40,317</b>
SME retail	163,097	34,401	146,358	67	<b>343,924</b>
<b>Gross credit exposure excluding sovereigns and banks</b>	<b>310,752</b>	<b>95,339</b>	<b>728,170</b>	<b>747,026</b>	<b>1,881,287</b>

<b>Sovereigns and Banks</b>					
Sovereign	105,344	-	-	-	<b>105,344</b>
Banks	185,542	-	-	-	<b>185,542</b>
<b>Total</b>	<b>601,638</b>	<b>95,339</b>	<b>728,170</b>	<b>747,026</b>	<b>2,172,173</b>

**Non-performing Loans and Advances by category - Table 4.6**

	<b>Credit Risk</b>	<b>Securities and other expected recoveries</b>	<b>Specific provision</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Overdraft	7,213	4,779	3,061
Commercial and property loans	51,674	34,239	8,142
Instalment sale	38,657	25,615	27,482
Home loans	41,537	27,523	8,286
<b>Total</b>	<b>139,081</b>	<b>92,156</b>	<b>46,971</b>

**Non performing lending by sector - Table 4.7**

	<b>Credit Risk</b>	<b>Securities and other expected recoveries</b>	<b>Specific provision</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Individuals	4,494	2,978	2,222
Business services	62,655	41,516	29,266
Transport	1,269	841	389
Financial and Real Estate	65,508	43,406	13,119
Other services	3,714	2,461	1,228
Wholesale and retail trade	1,439	954	747
	<b>139,081</b>	<b>92,156</b>	<b>46,971</b>

**Ageing analysis of Loans and Advances past due but not individually impaired - Table 4.8**

	<b>Consumer</b>	<b>Mortgage</b>	<b>Small Business loans</b>	<b>Corporate loans</b>	<b>Total Loans</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Past due up to 30	88	20,082	9,257	1,512	<b>30,939</b>
Past due 31 - 60 days	-	2,614	3,594	-	<b>6,208</b>
Past due 61 - 90 days	-	549	4,007	-	<b>4,556</b>
<b>Total</b>	<b>88</b>	<b>23,245</b>	<b>16,858</b>	<b>1,512</b>	<b>41,703</b>

**Ageing analysis of loans individually impaired - Table 4.9**

	<b>Consumer</b>	<b>Mortgage</b>	<b>Small Business loans</b>	<b>Corporate loans</b>	<b>Total Loans</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Past due 61 - 90 days					
Past due 91 - 180 days	2,939	3,054	39,048	1,915	<b>46,956</b>
Past due 180 - 365 days	-	10,499	6,534	-	<b>17,033</b>
Past due 1 - 2 years	18	8,347	13,706	-	<b>22,071</b>
Past due over 2 years	1,629	872	16,052	34,468	<b>53,021</b>
<b>Total</b>	<b>4,586</b>	<b>22,772</b>	<b>75,340</b>	<b>36,383</b>	<b>139,081</b>

### Credit Impairment For Loans and Advances - Table 4.10

	<b>Jun-17</b>
	<b>R'000</b>
<b>Category analysis</b>	
Balance at 1 January	130,895
Amounts written off against provisions	-87,763
	<b>43,132</b>
Charge to the income statement	<b>3,219</b>
Specific impairment	8,832
Portfolio impairment	-
Recoveries of balances raised in current year	-4,993
Recoveries of Balance previously written off	-620
Recoveries of Balance previously written off	620
<b>Balance as at 30 June 2017</b>	<b>46,971</b>
<b>Analysis</b>	
Specific impairment	25,978
Portfolio impairment	20,993
<b>Balance</b>	<b>46,971</b>

### Sectorial Analysis – Non-performing Table 4.11

	<b>R '000</b>
Individuals	4,494
Business services	62,655
Transport and Communication	1,269
Financial / Real Estate	65,508
Other	3,714
Wholesale & retail trade	1,439
<b>Total</b>	<b>139,081</b>

### Outstanding amounts in respect of rated exposures as at the 30 June 2017 - Table 4.12

	<b>Gross Exposure</b>	<b>Risk Weighted Exposure</b>
	<b>R'000</b>	<b>R'000</b>
A	13,111	2,096
A-	14	3
AA	-	-
AA+	19,568	9,699
AAA	111,124	24,735
BBB-	2,022,537	1,166,360
BBB+	988	246
CCC	4,833	3,114
Unrated	-	-
	<b>2,172,173</b>	<b>1,206,253</b>

**Fair Value of derivatives - Table 4.13**

	<b>Jun-17</b>
	<b>R'000</b>
Gross positive fair value of derivative assets	4,583
Gross positive fair value of derivative liabilities	4,173
<b>Net exposure</b>	<b>410</b>

**Notional value of derivatives - Table 4.14**

	<b>Jun-17</b>
	<b>R'000</b>
Gross positive fair value of derivative assets	198,952
Gross positive fair value of derivative liabilities	177,801
<b>Net exposure</b>	<b>21,152</b>



#### 4. Market risk

Market risk is defined as the risk that Bank's earnings or capital, or its ability to meet business objectives, will be adversely affected by changes in the level or volatility of market rates or prices such as interest rates, foreign exchange rates, equity prices, commodity prices and credit spreads. The South African Bank of Athens is exposed to market risk in terms of foreign exchange contracts.

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held to- maturity investments or (c) financial assets at fair value through profit or loss.

The Bank has investments in unlisted shares that are not traded in an active market but that are also classified as available for sale financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured).

The foreign exchange contracts as well as the unlisted shares are classified as available for sale financial assets.

Changes in the carrying amount of available for sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available for sale equity investments are recognised in profit or loss.

Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve.

Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss. Dividends on available for sale equity instruments are recognised in profit or loss when the Bank's right to receive the dividends is established.

The fair value of available for sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period.

The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

The Capital requirements in terms of market risk and equity instruments are shown in Table:

- Composition of required regulatory capital is shown in Table 2.1.
- Composition of risk weighted assets are shown in Table 2.2.

The fair value of the unlisted investment equates to R15,000

## 5. Interest rate risk

The risk is managed by the Bank by maintaining an appropriate mix between fixed and floating rate borrowings. Liquidity and interest rate risk management are essentially inseparable from the core banking activities of advances growth and profitability management.

Liquidity and interest rate risk management form an integral part of proactive asset and liability management, which is managed by the Bank's Asset, Liability and Capital Committee (ALCCO). Liquidity is managed on a cash flow approach.

Liquidity is ensured through optimal funding strategies taking into account various interest rate scenarios, as well as taking cognizance of available inter-bank lines of credit and the substantial committed lines of credit from the Bank's majority shareholder to cater for unforeseen circumstances.

Stress scenarios and testing have been undertaken thereby allowing the Bank to identify and be prepared for such eventualities. These scenarios have ensured that the Bank is well prepared to manage any liquidity or interest rate risks that may occur.

The Bank's exposures to interest rates on financial assets and financial liabilities are measured and reviewed on a monthly basis through the ALCCO.

Exposure to interest rate risk is measured on a monthly basis using the regulatory sensitivity analysis of a 200 basis point shift in expected rates.

Assumptions relating to behaviour of assets and liabilities:

- Loans and Advances are variable rate items
- Treasury Bills are the only fixed rate assets on our book
- Fixed deposits and Negotiable Certificates of Deposit are the only fixed rate liabilities
- Debentures are according to variables rates.

**Interest Rate Risk as at 30 June 2017 – Table 6.1**

<b>Assets</b>	<b>Fixed</b>	<b>Floating</b>	<b>Non-interest sensitive</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Cash and cash equivalents		38,917	226,604	<b>265,521</b>
Derivative financial assets			4,583	<b>4,583</b>
Short-term negotiable assets	105,344			<b>105,344</b>
Other investments			15	<b>15</b>
Advances		1,875,398	-62,074	<b>1,813,324</b>
Other accounts receivable			27,266	<b>27,266</b>
Investment property			10,400	<b>10,400</b>
Property and equipment			17,135	<b>17,135</b>
Intangible assets			78,483	<b>78,483</b>
	<b>105,344</b>	<b>1,914,315</b>	<b>302,413</b>	<b>2,322,072</b>

<b>Liabilities</b>	<b>Fixed</b>	<b>Floating</b>	<b>Non-interest sensitive</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Equity			281,459	<b>281,459</b>
Long-term debt instruments		50,000		<b>50,000</b>
Deposits, current and other accounts	1,111,030	836,712	876	<b>1,948,618</b>
Derivative financial liabilities			4,173	<b>4,173</b>
Other liabilities			37,821	<b>37,821</b>
	<b>1,111,030</b>	<b>886,712</b>	<b>324,329</b>	<b>2,322,072</b>

**Interest rate Sensitivity Analysis – Table 6.2**

<b>Assets</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5+ years</b>	<b>Non-interest sensitive</b>	<b>Total</b>
Cash and cash equivalents	38,917					226,604	<b>265,521</b>
Derivative financial assets						4,583	<b>4,583</b>
Short-term negotiable assets		105,344					<b>105,344</b>
Other investments						15	<b>15</b>
Advances	348,298	37,005	146,768	181,290	1,162,038	-62,074	<b>1,813,324</b>
Other accounts receivable						27,266	<b>27,266</b>
Investment property						10,400	<b>10,400</b>
Property and equipment						17,135	<b>17,135</b>
Intangible assets						78,483	<b>78,483</b>
	<b>387,214</b>	<b>142,349</b>	<b>146,768</b>	<b>181,290</b>	<b>1,162,038</b>	<b>302,413</b>	<b>2,322,072</b>

<b>Equity &amp; Liabilities</b>	<b>Up to 1 month</b>	<b>1 to 3 months</b>	<b>3 to 12 months</b>	<b>1 to 2 years</b>	<b>2 to 5+ years</b>	<b>Non-interest sensitive</b>	<b>Total</b>
Equity						281,459	<b>281,459</b>
Due to other Banks	148,448	552,000				876	<b>701,324</b>
Due to customers	869,926	292,024	85,345				<b>1,247,294</b>
Long-term debt instruments			50,000				<b>50,000</b>
Derivative financial liabilities						4,173	<b>4,173</b>
Other liabilities						37,821	<b>37,821</b>
	<b>1,018,374</b>	<b>844,024</b>	<b>135,345</b>	<b>-</b>	<b>-</b>	<b>324,329</b>	<b>2,322,072</b>

Below are the resultant effects on Net Interest Income (NII) of a 200 basis points shift in expected rates

	<b>Jun-17</b>
	<b>R'000</b>
<b>Percentage impact of a parallel rate shock - Table 6.3</b>	<b>Cumulative change in NII over 12 months</b>
Interest Rate Increase	8,093
Interest Rate Decrease	(7,024)

The Bank undertakes transactions denominated in foreign currencies; consequently the Bank is exposed to fluctuations in exchange rates. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

#### Foreign Currency exposure as at 30 June 2017 – Table 6.4

<b>Assets</b>	<b>ZAR</b>	<b>USD</b>	<b>EURO</b>	<b>Other</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Cash and cash equivalents	119,167	95,634	32,270	18,450	265,521
Derivative financial assets		3,609	938	37	4,583
Short-term negotiable assets	105,344				105,344
Other investments	15				15
Advances	1,807,434	5,890			1,813,324
Other accounts receivable	27,266				27,266
Investment property	10,400				10,400
Property and equipment	17,135				17,135
Intangible assets	78,483				78,483
	<b>2,165,244</b>	<b>105,132</b>	<b>33,208</b>	<b>18,487</b>	<b>2,322,072</b>

<b>Liabilities</b>	<b>ZAR</b>	<b>USD</b>	<b>EURO</b>	<b>Other</b>	<b>Total</b>
	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Equity	281,459				281,459
Deposits, current and other accounts	1,756,371	156,368	31,293	4,587	1,948,618
Long-term debt instruments	50,000				50,000
Derivative financial liabilities		3,164	856	152	4,173
Other liabilities	37,821				37,821
	<b>2,125,651</b>	<b>159,532</b>	<b>32,149</b>	<b>4,739</b>	<b>2,322,072</b>

## **6. Liquidity risk**

Ultimate responsibility for liquidity risk management rests with the Board of directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short-, medium- and long-term funding and liquidity management requirements. The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. Liquidity and interest rate risk management are essentially inseparable from the core banking activities of advances growth and profitability management. Liquidity and interest rate risk management form an integral part of proactive asset and liability management, which is managed by the Bank's Asset, Liability and Capital Committee (ALCCO).

Liquidity is ensured through optimal funding strategies taking into account various interest rate scenarios, as well as taking cognisance of available inter-bank lines of credit and the substantial committed lines of credit from the Bank's majority shareholder to cater for unforeseen circumstances. Stress scenarios and testing have been undertaken thereby allowing the Bank to identify and be prepared for such eventualities. These scenarios have ensured that the Bank is well prepared to manage any liquidity or interest rate risks that may occur.

**Liquidity risk as at 30 June 2017 – Table 7.1**

	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 6 months</b>	<b>7 - 12 months</b>	<b>1- 5 years</b>	<b>Over 5 years</b>	<b>Non-contractual</b>	<b>Total</b>
<b>ASSETS</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Cash and cash equivalents	265,793							265,793
Derivative financial assets	1,891	1,349	1,344					4,583
Short-term negotiable securities		105,344						105,344
Other investments							15	15
Advances	203,834	1,619	12,993	9,304	369,698	1,283,840	-67,964	1,813,324
Other accounts receivable	3,629	176	254	421	923	-	21,592	26,994
Property and equipment							10,400	10,400
Investment property							17,135	17,135
Intangible assets							78,483	78,483
	<b>475,146</b>	<b>108,488</b>	<b>14,591</b>	<b>9,725</b>	<b>370,621</b>	<b>1,283,840</b>	<b>59,660</b>	<b>2,322,072</b>

	<b>Up to 1 month</b>	<b>1 - 3 months</b>	<b>3 - 6 months</b>	<b>7 - 12 months</b>	<b>1- 5 years</b>	<b>Over 5 years</b>	<b>Non-contractual</b>	<b>Total</b>
<b>LIABILITIES</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>	<b>R'000</b>
Long term debt instruments						50,000		50,000
Deposits, current and other accounts	1,020,066	848,225	21,679	64,905				1,954,875
Derivative financial liabilities	1,691	1,244	1,238					4,173
Other liabilities	5,889	515	424	138	729	15,938	7,931	31,564
	<b>1,027,646</b>	<b>849,984</b>	<b>23,341</b>	<b>65,043</b>	<b>729</b>	<b>65,938</b>	<b>7,931</b>	<b>2,040,612</b>