The South African Bank of Athens Limited

PILLAR 3 REGULATORY REPORT

December 2017

BANK OF ATHENS

Business and Commercial Bank

CONTENTS

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 31 December 2017 with a total capital adequacy of 14.26% and a Tier 1 capital adequacy of 10.92%, 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 and share premium, non-distributable reserves, unrealised gains arising on the fair valuation of equity instruments held as available for sale, accumulated losses. The book value of intangible assets is deducted in arriving at Tier 1 capital; and

- Tier 2 capital: collective impairment allowances and debentures

Regulatory Capital and Risk weighted assets – Table 2.1

	R'000
	31-Dec-17
Ordinary Share Capital	31,781
Share Premium	406,404
Revaluation Reserves	4,596
Total common equity tier 1 capital and unimpaired reserve funds	**442,781**
Retained Earnings/(Loss)	(166,344)
Regulatory deductions against primary capital	(83,731)
Total common equity tier 1 capital after regulatory adjustments	**192,706**
Tier 2 capital	
General Provisions	18,768
Long-term debt instrument (Debentures)	40,000
Total qualifying capital and reserve funds	**251,474**
Risk Weighted Assets	**1,763,953**
Total Capital adequacy ratio	14.26%
Tier 1 Capital adequacy ratio	10.92%

Required capital adequacy ratios and amounts - Table 2.2

	31-Dec-17	
	Percentages	**Rand amounts (R'000)**
	Common Equity Tier 1	**Common Equity Tier 1**
Base minimum (2)	4.50%	**79,378**
Add-on: systemic risk add-on (Pillar 2A)	1.50%	**26,459**
Add-on: conservation buffer (6)	1.25%	**22,049**
	8.00%	**141,116**

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

31-Dec-17		
Risk weighted exposure	**Composition of Risk Weighted Assets**	**Base Minimum Required Regulatory Capital**
	R'000	**R'000**
Credit Risk *	1,475,433	140,166
Counter party risk****	31,660	3,008
Operational Risk **	215,497	20,472
Market Risk ***	2,007	191
Other Assets	39,341	3,737
Equity Risk	15	1
Total	**1,763,953**	**167,576**

** 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	**31-Dec-17**
	R'000
Authorised	
100 000 000 ordinary shares of R1 each (par value)	100,000
Issued	
Ordinary Share Capital	31,781
Share Premium	
Share Premium	406,404
Term-debt instruments	
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.

Gross credit exposure per product type - Table 4.1

	31-Dec-17
	R'000
Category analysis	
Overdrafts	133,099
Property, commercial and other loans	644,621
Home loans	710,741
Instalment credit and lease agreements	211,558
Non-Performing Loans	123,694
	1,823,713
Less: Credit Impairment	**(51,160)**
Overdrafts	(7,229)
Property, commercial and other loans	(14,227)
Home loans	(13,930)
Instalment credit and lease agreements	(15,774)
Net Loans and Advances	**1,772,553**

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

	31-Dec-17
	R'000
Category analysis 2	
Corporate exposure	
Corporate	84,110
SME corporate	648,674
Retail exposure	
Residential Mortgages	761,500
Retail Other	42,767
Retail SME	286,662
Gross credit exposure excluding sovereigns and banks	**1,823,713**
Less: Credit Impairment	**(51,160)**
Corporate	(970)
SME Corporate	(12,546)
Residential Mortgages	(18,488)
Retail Other	(2,934)
Retail SME	(16,221)
Net Loans and Advances	**1,772,553**
Sovereign (including central government and central bank)	135,788
Banks	157,654
Total	**2,065,995**

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

Gross credit exposure per Sectorial analysis - Table 4.3

	31-Dec-17
	R'000
Agriculture	77
Financial, Building and property development	802,919
Individuals	542,114
Manufacturing and commerce	128,708
Transport and communication	80,823
Electricity and Water	2,369
Mining	-
Other services	266,703
Gross credit exposure	**1,823,713**

Gross credit exposure per Geographical distribution - Table 4.4

	31-Dec-17
	R'000
South Africa	1,823,713
	1,823,713

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

	Maturing within one day to six months	Maturing within six months to one year	Maturing after one year but within five years	Maturing after five years	Total
	R'000	R'000	R'000	R'000	R'000
Corporate	38,485	4,154	30,976	10,496	**84,110**
SME Corporate	106,961	41,271	305,906	194,536	**648,674**
Residential Mortgage	18,535	16,119	152,529	574,316	**761,500**
Retail	13,768	4,645	21,648	2,705	**42,767**
SME retail	113,280	33,528	121,028	18,825	**286,662**
Gross credit exposure excluding sovereigns and banks	**291,029**	**99,717**	**632,087**	**800,879**	**1,823,713**

Sovereigns and Banks					
Sovereign	135,788	-	-	-	**135,788**
Banks	157,654	-	-	-	**157,654**
Total	**584,472**	**99,717**	**632,087**	**800,879**	**2,117,155**

Non-performing Loans and Advances by category - Table 4.6

	Credit Risk	Securities and other expected recoveries	Specific provision
	R'000	R'000	R'000
Overdraft	7,137	2,471	4,666
Commercial and property loans	55,073	45,178	9,895
Instalment sale	9,910	4,500	5,410
Home loans	51,574	41,381	10,193
Total	**123,694**	**93,530**	**30,164**

Non performing lending by sector - Table 4.7

	Credit Risk	Securities and other expected recoveries	Specific provision
	R'000	R'000	R'000
Individuals	33,071	24,495	8,576
Manufacturing	45,911	36,915	8,996
Transport	454	-	454
Financial and Real Estate	32,937	26,822	6,115
Other services	11,321	5,298	6,023
	123,694	**93,530**	**30,164**

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

	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
	R'000	R'000	R'000	R'000	R'000
Past due up to 30	1,254	12,093	49,592	-	**62,939**
Past due 31 - 60 days	-	3,221	4,326	-	**7,547**
Past due 61 - 90 days	1,146	-	7,204	-	**8,350**
Total	**2,400**	**15,314**	**61,122**	**-**	**78,836**

Ageing analysis of loans individually impaired - Table 4.9

	Consumer	Mortgage	Small Business loans	Corporate loans	Total Loans
	R'000	R'000	R'000	R'000	R'000
Past due 61 - 90 days					
Past due 91 - 180 days	316	8,429	6,909	-	**15,654**
Past due 180 - 365 days	-	2,985	38,195	-	**41,180**
Past due 1 - 2 years	3,110	7,723	10,577	-	**21,410**
Past due over 2 years	1,962	8,546	19,383	15,559	**45,450**
Total	**5,388**	**27,683**	**75,064**	**15,559**	**123,694**

Credit Impairment For Loans And Advances - Table 4.10

Category analysis	**31-Dec-17 R'000**
Balance at 1 January	130,895
Amounts written off against provisions	(91,849)
	39,046
Charge to the income statement	**11,181**
Specific impairment	20,115
Portfolio impairment	-
Recoveries of balances raised in current year	(8,001)
Recoveries of Balance previously written off	(933)
Recoveries of Balance previously written off	933
Balance as at 31 Dec 2017	**51,160**
Analysis	
Specific impairment	30,166
Portfolio impairment	20,994
Balance	**51,160**

IFRS 9 'Financial Instruments'

In July 2014, the IASB issued IFRS 9 'Financial Instruments', which is the comprehensive standard to replace IAS 39 'Financial Instruments: Recognition and Measurement', and includes requirements for classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Impairment

The impairment requirements apply to financial assets measured at amortised cost and FVOCI, lease receivables and certain loan commitments and financial guarantee contracts. At initial recognition, an impairment allowance (or provision in the case of commitments and guarantees) is required for expected credit losses ('ECL') resulting from default events that are possible within the next 12 months ('12-month ECL'). In the event of a significant increase in credit risk, an allowance (or provision) is required for ECL resulting from all possible default events over the expected life of the financial instrument ('lifetime ECL'). Financial assets where 12-month ECL is recognised are considered to be 'stage 1'; financial assets which are considered to have experienced a significant increase in credit risk are in 'stage 2'; and financial assets for which there is objective evidence of impairment so are considered to be in default or otherwise credit impaired are in 'stage 3'.

The assessment of credit risk and the estimation of ECL are required to be unbiased and probability-weighted, and should incorporate all available information which is relevant to the assessment including information about past events, current conditions and reasonable and supportable forecasts of economic conditions at the reporting date. In addition, the estimation of ECL should take into account the time value of money. As a result, the recognition and measurement of impairment is intended to be more forward-looking than under IAS 39 and the resulting impairment charge will tend to be more volatile. It will also tend to result in an increase in the total level of impairment allowances, since all financial assets will be assessed for at least 12-month ECL and the population of financial assets to which lifetime ECL applies is likely to be larger than the population for which there is objective evidence of impairment in accordance with IAS 39.

Transition

The requirements of IFRS 9 'Financial Instruments' will be adopted from 1 January 2018. The classification and measurement and impairment requirements are applied retrospectively by adjusting the opening balance sheet at the date of initial application, with no requirement to restate comparative periods. The Bank does not intend to restate comparatives.

For the financial statements of the Bank, adoption is expected to increase net assets at 1 January 2018 by approximately R3million due to impairment being reduced by R3 million.

Sectorial Analysis – Non-performing Table 4.11

	R '000
Individuals	14,862
Manufacturing	9,998
Transport and communication	1,447
Financial and real estate	15,525
Mining	-
Electricity and water	29
Other Services	9,299
TOTAL NPL	**51,160**

Outstanding amounts in respect of rated exposures as at the 31 Dec 2017 - Table 4.12

	Gross Exposure			Risk Weighted Exposure		
	On-Balance Sheet Exposure	Off-Balance Sheet Exposure	Total gross exposure	On-Balance Sheet Exposure	Off-Balance Sheet Exposure	Total risk weighted exposure
	R'000	R'000		R'000	R'000	
A	12,675		**12,675**	2,695		**2,695**
A-	58,096		**58,096**	20,287		**20,287**
AA-	17,005		**17,005**	3,601		**3,601**
AAA			**-**			**-**
B			**-**			**-**
BB+	201,222		**201,222**	23,578		**23,578**
BBB+	2,521		**2,521**	619		**619**
CCC	1,923		**1,923**	3,981		**3,981**
Unrated	1,823,713	83,743	**1,907,457**	1,348,597	72,074	**1,420,672**
	2,117,155	**83,743**	**2,200,899**	**1,403,359**	**72,074**	**1,475,433**

Fair Value of derivatives - Table 4.13

	31-Dec-17
	R'000
Gross positive fair value of derivative assets	22,380
Gross positive fair value of derivative liabilities	20,400
Net exposure	**1,980**

Notional value of derivatives - Table 4.14

	31-Dec-17
	R'000
Gross positive fair value of derivative assets	273,810
Gross positive fair value of derivative liabilities	277,249
Net exposure	**(3,439)**

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 are the only fixed rate liabilities
- Debentures are according to variables rates.

Interest Rate Risk as at 31-Dec-2017 – Table 6.1

Assets	Fixed	Floating	Non-interest sensitive	Total
	R'000	R'000	R'000	R'000
Cash and cash equivalents	-	66,898	233,793	**300,691**
Derivative financial assets	-	-	22,380	**22,380**
Short-term negotiable assets	135,788	-	-	**135,788**
Other investments	-	-	15	**15**
Advances	-	1,772,553	-	**1,772,553**
Other accounts receivable	-	-	13,339	**13,339**
Investment property	-	-	9,500	**9,500**
Property and equipment	-	-	16,767	**16,767**
Intangible assets	-	-	83,730	**-**
	135,788	**1,839,451**	**379,524**	**2,354,763**

	Fixed	Floating	Non-interest sensitive	Total
Liabilities	R'000	R'000	R'000	R'000
Long-term debt instruments	-	50,000	-	**50,000**
Deposits, current and other accounts	231,668	1,709,895	-	**1,941,563**
Derivative financial liabilities	-	-	20,400	**20,400**
Other liabilities	-	-	66,365	**66,365**
	231,668	**1,759,895**	**86,765**	**2,078,328**

Interest rate Sensitivity Analysis – Table 6.2

Assets	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5+ years	Non-interest sensitive	Total
Cash and cash equivalents	66,898	-	-	-	-	233,793	**300,691**
Derivative financial assets	-	-	-	-	-	22,380	**22,380**
Short-term negotiable assets	4,995	87,361	43,432	-	-	-	**135,788**
Other investments	-	-	-	-	-	15	**15**
Advances	1,772,553	-	-	-	-	-	**1,772,553**
Other accounts receivable	-	-	-	-	-	13,339	**13,339**
Investment property	-	-	-	-	-	9,500	**9,500**
Property and equipment	-	-	-	-	-	16,767	**16,767**
Intangible assets	-	-	-	-	-	83,730	**83,730**
	1,844,446	**87,361**	**43,432**	**-**	**-**	**379,524**	**2,354,763**

Liabilities	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5+ years	Non-interest sensitive	Total
Due to other Banks	14,727	-	701,000	-	-	-	**715,727**
Due to customers	1,103,254	57,102	65,480	-	-	-	**1,225,836**
Long-term debt instruments	-	-	50,000	-	-	-	**50,000**
Derivative financial liabilities	-	-	-	-	-	20,400	**20,400**
Other liabilities	-	-	-	-	-	66,365	**66,365**
	1,117,981	**57,102**	**816,480**	**-**	**-**	**86,765**	**2,078,328**

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

Percentage impact of a parallel rate shock - Table 6.3	**31-Dec-17**
	R'000
	Cumulative change in NII over 12 months
Interest Rate Increase	7,834
Interest Rate Decrease	-8,792

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 31-Dec-2017 – Table 6.4

Assets	**ZAR**	**USD**	**EURO**	**Other**	**Total**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**
Cash and cash equivalents	200,318	50,770	28,767	20,836	**300,691**
Derivative financial assets	-	16,840	3,633	1,907	**22,380**
Short-term negotiable assets	135,788	-	-	-	**135,788**
Other investments	15	-	-	-	**15**
Advances	1,772,553	-	-	-	**1,772,553**
Other accounts receivable	13,339	-	-	-	**13,339**
Investment property	9,500	-	-	-	**9,500**
Property and equipment	16,767	-	-	-	**16,767**
Intangible assets	83,730	-	-	-	**83,730**
	2,232,010	**67,610**	**32,400**	**22,743**	**2,354,763**
Liabilities					
Deposits, current and other accounts	1,828,676	77,901	27,389	7,597	**1,941,563**
Long-term debt instruments	50,000	-	-	-	**50,000**
Derivative financial liabilities	-	16,822	3,482	96	**20,400**
Other liabilities	66,364	-	-	-	**66,364**
	1,945,040	**94,723**	**30,871**	**7,693**	**2,078,327**

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 31-Dec-2017 – Table 7.1

ASSETS	Up to 1 month R'000	1 - 3 months R'000	3 - 6 months R'000	7 - 12 months R'000	1- 5 years R'000	Over 5 years R'000	Total R'000
Cash and cash equivalents	300,691	-	-	-	-	-	**300,691**
Derivative financial assets	5,727	13,471	2,980	203	-	-	**22,380**
Short-term negotiable securities	4,995	87,361	43,432	-	-	-	**135,788**
Other investments	15	-	-	-	-	-	**15**
Advances	190,438	47,031	53,561	99,717	632,087	800,879	**1,823,713**
Other accounts receivable	11,015	755	179	316	1,075	-	**13,3400**
Property and equipment	-	-	-	-	-	16,767	**16,767**
Investment property	-	-	-	-	9,500	-	**9,500**
Intangible assets	-	-	-	-	-	83,730	**83,730**
	512,880	**148,618**	**100,152**	**100,235**	**642,662**	**901,376**	**2,405,924**

LIABILITIES	Up to 1 month R'000	1 - 3 months R'000	3 - 6 months R'000	7 - 12 months R'000	1- 5 years R'000	Over 5 years R'000	Total R'000
Long term debt instruments	-	-	-	-	50,000		**50,000**
Deposits, current and other accounts	841,158	333,925	33,114	733,366	-	-	**1,941,563**
Derivative financial liabilities	3,936	13,392	2,870	202	-	-	**20,400**
Other liabilities	29,385	953	2,670	9,001	2,434	21,923	**66,365**
	874,479	**348,270**	**38,654**	**742,568**	**52,434**	**21,923**	**2,078,328**

Contractual mismatch	(361,598)	(199,651)	61,498	(642,333)	590,228	879,453	327,597
Cumulative mismatch	-	(561,249)	(499,751)	(1,142,084)	(551,856)	327,597	-