The South African Bank of Athens Limited

PILLAR 3 REGULATORY REPORT

June 2018

BANK OF ATHENS

Business and Commercial Bank

CONTENTS

Regulatory Capital and Risk weighted assets – Table 2.1

	R'000
	30-Jun-18
Ordinary Share Capital	31,781
Share Premium	406,404
Revaluation Reserves	4,666
Total common equity tier 1 capital and unimpaired reserve funds	**442,851**
Retained Earnings/(Loss)	(177,957)
Regulatory deductions against primary capital	(84,919)
Total common equity tier 1 capital after regulatory adjustments	**179,975**
Tier 2 capital	
General Provisions	13,534
Long-term debt instrument (Debentures)	40,000
Total qualifying capital and reserve funds	**233,508**
Risk Weighted Assets	**1,715,028**
Total Capital adequacy ratio	13.62%
Tier 1 Capital adequacy ratio	10.49%

Required capital adequacy ratios and amounts - Table 2.2

Required capital adequacy ratios and amounts - Table 2.2	30-Jun-18	
	Percentages	Rand amounts (R'000)
	Common Equity Tier 1	Common Equity Tier 1
Base minimum (2)	4.50%	**77,176**
Add-on: systemic risk add-on (Pillar 2A)	1.00%	**17,150**
Add-on: conservation buffer (6)	1.875%	**32,157**
	8.125%	**139,346**

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

30-Jun-18		
Risk weighted exposure	**Composition of Risk Weighted Assets**	**Base Minimum Required Regulatory Capital**
	R'000	**R'000**
Credit Risk *	1,443,915	133,562
Counter party risk****	20,951	1,938
Operational Risk **	215,497	19,933
Market Risk ***	304	28
Other Assets	34,347	3,177
Equity Risk	15	1
Total	**1,715,028**	**158,640**

** 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	**30-Jun-18**
	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

RISK WEIGHTED ASSETS DISCLOSURE TEMPLATE
ANNEXURE A
Name of bank/ controlling company ………………….. The South African Bank of Athens
Period ended ……………………….. 2018-06-30

		a	b	c
		RWA		Minimum capital requirements = 8%
		Jun-18	Mar-18	Jun-18
1	**Credit risk (excluding counterparty credit risk)**	**1,478,277**	**1,508,509**	**118,262**
2	Of which: standardised approach (SA)	1,478,277	1,508,509	118,262
3	Of which: foundation internal ratings-based (F-IRB) approach			
4	Of which: supervisory slotting approach			
5	Of which: advanced internal ratings-based (A-IRB) approach			
6	**Counterparty credit risk (CCR)**	**20,951**	**13,487**	**1,676**
7	Of which: standardised approach for counterparty credit risk	20,951	13,487	1,676
8	Of which: Internal Model Method (IMM)			
9	Of which: other CCR			
10	Credit valuation adjustment (CVA)			
11	Equity positions under the simple risk weight approach			
12	Equity investments in funds – look-through approach			
13	Equity investments in funds – mandate-based approach			
14	Equity investments in funds – fall-back approach			
15	Settlement risk			
16	**Securitisation exposures in banking book**	**0**	**0**	**0**
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)			
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)			
19	Of which: securitisation standardised approach (SEC-SA)			
20	**Market risk**	**304**	**1,185**	**24**
21	Of which: standardised approach (SA)	304	1,185	24
22	Of which: internal model approaches (IMA)			
23	Capital charge for switch between trading book and banking book			
24	**Operational risk**	**215,497**	**215,497**	**17,240**
25	Amounts below the thresholds for deduction (subject to 250% risk weight)			
26	Floor adjustment			
27	**Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 26)**	**1,715,028**	**1,738,678**	**137,202**

KEY METRICS DISCLOSURE TEMPLATE

ANNEXURE A - KM1

Name of bank/ controlling company …………………. The South African Bank of Athens

Period ended ………………………. 2018-06-30

		a	b	c
		T	T-1	T-2
	Available capital (amounts)	**Jun-18**	**Mar-18**	**Dec-17**
1	**Common Equity Tier 1 (CET1)**	179,975	187,741	192,706
1a	Fully loaded ECL accounting model	179,975	187,741	192,706
2	**Tier 1**	179,975	187,741	192,706
2a	Fully loaded ECL accounting model Tier 1	179,975	187,741	192,706
3	**Total capital**	**233,509**	**244,766**	**251,474**
3a	Fully loaded ECL accounting model total capital	233,509	244,766	251,474
	Risk-weighted assets (amounts)			
4	Total risk-weighted assets (RWA)	1,715,028	1,738,678	1,763,953
	Risk-based capital ratios as a percentage of RWA		0	
5	Common Equity Tier 1 ratio (%)	10.49%	10.80%	10.92%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	10.49%	10.80%	10.92%
6	Tier 1 ratio (%)	10.49%	10.80%	10.92%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	10.49%	10.80%	10.92%
7	**Total capital ratio (%)**	13.62%	14.08%	14.26%
7a	Fully loaded ECL accounting model total capital ratio (%)	13.62%	14.08%	14.26%
	Additional CET1 buffer requirements as a percentage of RWA			
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.875%	1.875%	1.250%
9	Countercyclical buffer requirement (%)			
10	Bank G-SIB and/or D-SIB additional requirements (%)			
11	**Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)**	**1.875%**	**1.875%**	**1.250%**
12	CET1 available after meeting the bank's minimum capital requirements (%)	4.24%	4.55%	4.17%
	Basel III leverage ratio			
13	Total Basel III leverage ratio exposure measure	2,473,770	2,506,310	2,417,242
14	**Basel III leverage ratio (%) (row 2 / row 13)**	**7.28%**	**7.49%**	**7.97%**
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)			
	Liquidity Coverage Ratio			
15	Total HQLA	325,207	270,575	279,090
16	Total net cash outflow	97,959	139,783	55,776
17	**LCR ratio (%)**	**331.98%**	**193.57%**	**500.38%**
	Net Stable Funding Ratio			
18	Total available stable funding	1,621,270	1,596,666	1,681,277
19	Total required stable funding	1,551,176	1,542,736	1,512,636
20	**NSFR ratio**	**104.52%**	**103.50%**	**111.15%**

1. 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

	Jun-18
	R'000
Category analysis	
Overdrafts	169,444
Property, commercial and other loans	622,481
Home loans	741,520
Instalment credit and lease agreements	189,363
Non-Performing Loans	122,196
	1,845,004
Less: Credit Impairment	**(43,821)**
Overdrafts	(7,062)
Property, commercial and other loans	(13,892)
Home loans	(14,292)
Instalment credit and lease agreements	(8,575)
Net Loans and Advances	**1,801,183**

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

	Jun-18
	R'000
Category analysis 2	
Corporate exposure	
Corporate	74,978
SME corporate	629,235
Retail exposure	
Residential Mortgages	788,508
Retail Other	45,330
Retail SME	306,953
Gross credit exposure excluding sovereigns and banks	**1,845,004**
Less: Credit Impairment	**(43,821)**
Corporate	(550)
SME Corporate	(11,521)
Residential Mortgages	(15,521)
Retail Other	(3,048)
Retail SME	(13,180)
Net Loans and Advances	**1,801,183**
Sovereign (including central government and central bank)	122,450
Banks	159,415
Total	**2,083,048**

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

Gross credit exposure per Sectorial analysis - Table 4.3

	Jun-18
	R'000
Agriculture	397
Financial intermediation and insurance and real estate	897,329
Individuals	586,777
Manufacturing	73,974
Transport and communication	102,634
Electricity and water	-
Mining and construction	20,113
Other Service	163,780
Gross credit exposure	**1,845,004**
Sovereign and Banks	
Sovereign (including central government and central bank)	122,450
Banks	159,415
TOTAL GROSS CREDIT EXPOSURE	**2,126,869**

Gross credit exposure per Geographical distribution - Table 4.4

	Jun-18
	R'000
South Africa	2,126,869
	2,126,869

Maturity Analysis of gross credit exposure as at 30 Jun 2018 – 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	38,265	4,026	25,267	7,419	**74,978**
SME Corporate	73,863	42,878	309,483	203,011	**629,235**
Residential Mortgage	19,104	16,768	160,048	592,589	**788,508**
Retail	13,388	4,701	21,829	5,412	**45,330**
SME retail	146,923	29,164	111,419	19,447	**306,953**
Gross credit exposure excluding sovereigns and banks	**291,543**	**97,536**	**628,046**	**827,879**	**1,845,004**
Sovereigns and Banks					
Sovereign	122,450	-	-	-	**122,450**
Banks	159,415	-	-	-	**159,415**
Total	**573,408**	**97,536**	**628,046**	**827,879**	**2,126,869**

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	7,636	5,743	4,472
Commercial and property loans	58,559	44,044	10,115
Instalment sale	9,014	6,780	5,963
Home loans	46,988	35,342	9,737
Total	**122,196**	**91,909**	**30,287**

Non performing lending by sector - Table 4.7

	Credit Risk	Securities and other expected recoveries	Specific provision
	R'000	R'000	R'000
Individuals	2,588	1,946	2,288
Business services	6,382	4,800	4,132
Transport	964	725	564
Financial and Real Estate	76,371	57,442	13,617
Other services	33,916	25,510	8,073
Wholesale and retail trade	1,975	1,485	1,612
	122,196	**91,909**	**30,287**

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	938	9,880	12,691	-	**23,509**
Past due 31 - 60 days	-	1,428	364	-	**1,792**
Past due 61 - 90 days	-	3,956	-	-	**3,956**
Total	**938**	**15,264**	**13,055**	**-**	**29,257**

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	4,073	4,770	11,201	-	**20,044**
Past due 180 - 365 days	324	8,715	11,019	-	**20,058**
Past due 1 - 2 years	3,309	4,258	40,116	-	**47,683**
Past due over 2 years	1,962	5,502	10,880	16,066	**34,410**
Total	**9,668**	**23,245**	**73,216**	**16,066**	**122,196**

Credit Impairment For Loans And Advances - Table 4.10

Category analysis	**Jun-18** **R'000**
Balance at 1 January	51,158
Adjustment IFRS9 portfolio impairment 01/01/2018	(2,778)
	48,380
Charge to the income statement	**(3,217)**
Specific impairment	4,297
Portfolio impairment	(4,681)
Recoveries of balances raised in current year	(2,319)
Recoveries of Balance previously written off	(514)
Recoveries of Balance previously written off	514
Interest in abeyance recovery	(1,856)
Balance as at 30 Jun 2018	**43,821**
Analysis	
Specific impairment	30,287
Portfolio impairment	13,534
Balance	**43,821**

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	2,588
Business services	6,382
Transport and Communication	1,419
Financial / Real Estate	109,725
Other	108
Wholesale & retail trade	1,975
Total	**122,196**

Outstanding amounts in respect of rated exposures as at the 30 Jun 2018 - Table 4.12

	Gross Exposure	Risk Weighted Exposure
	R'000	**R'000**
A	14,279	2,768
A-	83,514	26,574
AA-	3,118	547
BB+	89,418	21,331
BBB+	1,797	185
CCC	1,714	843
Unrated	1,933,030	1,031,553
	2,126,869	**1,083,802**

Fair Value of derivatives - Table 4.13

	Jun-18
	R'000
Gross positive fair value of derivative assets	15,130
Gross positive fair value of derivative liabilities	16,103
Net exposure	**(973)**

Notional value of derivatives - Table 4.14

	Jun-18
	R'000
Gross positive fair value of derivative assets	162,448
Gross positive fair value of derivative liabilities	171,070
Net exposure	**(8,622)**

2. 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

3. 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 30 Jun 2018 – Table 6.1

Assets	Fixed	Floating	Non-interest sensitive	Total
	R'000	R'000	R'000	R'000
Cash and cash equivalents		54,683	307,179	**361,862**
Derivative financial assets			15,130	**15,130**
Short-term negotiable assets	122,450			**122,450**
Other investments			15	**15**
Advances		1,801,184		**1,801,184**
Other accounts receivable			10,484	**10,484**
Investment property			9,500	**9,500**
Property and equipment			14,647	**14,647**
Intangible assets			84,919	**84,919**
	122,450	**1,855,867**	**441,874**	**2,420,192**

	Fixed	Floating	Non-interest sensitive	Total
Liabilities	R'000	R'000	R'000	R'000
Equity			264,894	**264,894**
Long-term debt instruments		50,000		**50,000**
Deposits, current and other accounts	842,254	1,173,573		**2,015,827**
Derivative financial liabilities			16,103	**16,103**
Other liabilities			73,368	**73,368**
	842,254	**1,223,573**	**354,365**	**2,420,192**

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	54,683					307,179	**361,862**
Derivative financial assets						15,130	**15,130**
Short-term negotiable assets	4,995	68,994	48,461				**122,450**
Other investments						15	**15**
Advances	1,801,184						**1,801,184**
Other accounts receivable						10,484	**10,484**
Investment property						9,500	**9,500**
Property and equipment						14,647	**14,647**
Intangible assets						84,919	**84,919**
	1,860,862	**68,994**	**48,461**	**-**	**-**	**441,874**	**2,420,192**

Equity & 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
Equity						264,894	**264,894**
Due to other Banks	151,208	-	601,000				**752,208**
Due to customers	919,947	246,593	95,266	1,812			**1,263,618**
Long-term debt instruments			50,000				**50,000**
Derivative financial liabilities						16,103	**16,103**
Other liabilities						73,369	**73,369**
	1,070,812	**246,593**	**746,266**	**1,812**	**-**	**354,708**	**2,420,191**

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	30-Jun-18
	R'000
	Cumulative change in NII over 12 months
Interest Rate Increase	4,917
Interest Rate Decrease	-4,649

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 2018 – Table 6.4

Assets	ZAR	USD	EURO	Other	Total
	R'000	R'000	R'000	R'000	R'000
Cash and cash equivalents	241,094	76,977	28,323	15,468	**361,862**
Derivative financial assets		12,686	2,148	297	**15,130**
Short-term negotiable assets	122,450				**122,450**
Other investments	15				**15**
Advances	1,789,883	11,301			**1,801,184**
Other accounts receivable	10,484				**10,484**
Investment property	9,500				**9,500**
Property and equipment	14,647				**14,647**
Intangible assets	84,919				**84,919**
	2,272,992	**100,964**	**30,471**	**15,765**	**2,420,192**

Liabilities	ZAR	USD	EURO	Other	Total
	R'000	R'000	R'000	R'000	R'000
Deposits, current and other accounts	2,015,827	-	-	-	**2,015,827**
Long-term debt instruments	50,000				**50,000**
Derivative financial liabilities		12,546	2,265	1,290	**16,101**
Other liabilities	73,368				**73,368**
	2,139,195	**12,546**	**2,265**	**1,290**	**2,155,296**

4. 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 Jun 2018 – 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	Non-contractual R'000	Total R'000
Cash and cash equivalents	362,172							**362,172**
Derivative financial assets	1,938	11,662	1,531	-				**15,130**
Short-term negotiable securities	4,995	68,994	48,461					**122,450**
Other investments							15	**15**
Advances	199,031	42,621	49,866	97,536	628,046	827,879	(43,821)	**1,801,159**
Other accounts receivable	4,431	3,927	623	319	197	123	581	**10,200**
Property and equipment							9,500	**9,500**
Investment property							14,647	**14,647**
Intangible assets							84,919	**84,919**
	572,567	**127,204**	**100,480**	**97,855**	**628,243**	**828,002**	**65,841**	**2,420,191**

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	Non-contractual R'000	Total R'000
Long term debt instruments					50,000			**50,000**
Deposits, current and other accounts	1,071,348	247,233	32,254	670,103				**2,020,937**
Derivative financial liabilities	3,054	11,562	1,487	-				**16,103**
Other liabilities	43,484	873	1,182	2,920	7,658	7,084	5,058	**68,257**
	1,117,886	**259,667**	**34,923**	**673,022**	**57,658**	**7,084**	**5,058**	**2,155,298**