PILLAR 3 REGULATORY REPORT

MARCH 2016

BANK OF ATHENS

Business and Commercial Bank

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 99,79% 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 of 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 March 2016 with a total capital adequacy of 13.36% and a Tier 1 capital adequacy of 9.99%, 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, statutory reserve, non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings. The book value of goodwill 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

	R'000
	Mar-16
Ordinary Share Capital	24 158
Share Premium	339 027
Revaluation Reserves	5 390
Total common equity tier 1 capital and unimpaired reserve funds	**368 575**
Retained Earnings/(Loss)	(115 768)
Regulatory deductions against primary capital	(58 920)
Total common equity tier 1 capital after regulatory adjustments	**193 887**
Tier 2 capital	
General Provisions	15 517
Long-term debt instrument(debentures)	50 000
Total qualifying capital and reserve funds	**259 405**
Risk Weighted Assets	**1 941 546**
Total Capital adequacy ratio	13.36%
Tier 1 Capital adequacy ratio	9.99%

Composition of risk weighted assets and required regulatory capital- Table 2.2		
	Composition of Risk Weighted Assets	**Base Minimum Required Regulatory Capital**
	R'000	**R'000**
Credit Risk *	1 647 255	164 725
Counter party risk****	26 640	2 664
Operational Risk **	211 938	21 198
Market Risk ***	13 589	1 358
Other Assets	42 287	4 228
Equity Risk	15	0
Total	**1 941 546**	**194 154**

** 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 basic 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.*

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 2.3	**Mar-16**
	R'000
Authorised	
100 000 000 ordinary shares of R1 each (par value)	100,000
Issued	
24 158 000 Ordinary Shares at R1 each	24,158
Share Premium	
Share Premium	339,027
Term-debt instruments	
Debentures	50 000