

The South African Bank of Athens Limited

PILLAR 3 REGULATORY REPORT

March 2018



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 99,81% 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 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 met the minimum required capital adequacy ratio requirement as at the 31 March 2018 with a total capital adequacy of 14.08% and a Tier 1 capital adequacy of 10.80%, 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 value of equity instruments held as available for sale and less 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-Mar-18
Ordinary Share Capital	31,781
Share Premium	406,404
Revaluation Reserves	4,717
Total common equity tier 1 capital and unimpaired reserve funds	442,902
Retained Earnings/(Accumulated Loss)	(170,797)
Regulatory deductions against primary capital	(84,363)
Total common equity tier 1 capital after regulatory adjustments	187,741
Tier 2 capital	
General Provisions	17,024
Long-term debt instrument (Debentures)	40,000
Total qualifying capital and reserve funds	244,766
Risk Weighted Assets	1,738,678
Total Capital adequacy ratio	14.0776%
Tier 1 Capital adequacy ratio	10.7979%

Required capital adequacy ratios and amounts - Table 2.2

	31-Mar-18	
	Percentages	Rand amounts (R'000)
	Common Equity Tier 1	Common Equity Tier 1
Base minimum (2)	4.50%	78,240
Add-on: systemic risk add-on (Pillar 2A)	1.00%	17,387
Add-on: conservation buffer (6)	1.875%	32,600
	8.125%	141,268

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

31-Mar-18		
Risk weighted exposure	Composition of Risk Weighted Assets	Base Minimum Required Regulatory Capital = 9.25%
	R'000	R'000
Credit Risk *	1,464,228	135,441
Counter party risk****	13,487	1,248
Operational Risk **	215,497	19,933
Market Risk ***	1,185	110
Other Assets	44,266	4,095
Equity Risk	15	1
Total	1,738,678	160,828

* 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	Mar-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 2018-03-31

		a	b	c
		RWA		Minimum capital requirements = 8%
		Mar-18	Dec-17	Mar-18
1	Credit risk (excluding counterparty credit risk)	1,508,509	1,514,789	120,681
2	Of which: standardised approach (SA)	1,508,509	1,514,789	120,681
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)	13,487	31,660	1,079
7	Of which: standardised approach for counterparty credit risk	13,487	31,660	1,079
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	1,185	2,007	95
21	Of which: standardised approach (SA)	1,185	2,007	95
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)	1,738,678	1,763,953	139,094

KEY METRICS DISCLOSURE TEMPLATE

ANNEXURE A - KM1

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

Period ended 2018-03-31

		a
		Mar-18
	Available capital (amounts)	
1	Common Equity Tier 1 (CET1)	187,741
1a	Fully loaded ECL accounting model	187,741
2	Tier 1	187,741
2a	Fully loaded ECL accounting model Tier 1	187,741
3	Total capital	244,766
3a	Fully loaded ECL accounting model total capital	244,766
	Risk-weighted assets (amounts)	
4	Total risk-weighted assets (RWA)	1,738,678
	Risk-based capital ratios as a percentage of RWA	
5	Common Equity Tier 1 ratio (%)	10.80%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	10.80%
6	Tier 1 ratio (%)	10.80%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	10.80%
7	Total capital ratio (%)	14.08%
7a	Fully loaded ECL accounting model total capital ratio (%)	14.08%
	Additional CET1 buffer requirements as a percentage of RWA	
8	Capital conservation buffer requirement (2.5% from 2019) (%)	1.875%
9	Countercyclical buffer requirement (%)	0
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%
12	CET1 available after meeting the bank's minimum capital requirements (%)	4.55%
	Basel III leverage ratio	
13	Total Basel III leverage ratio exposure measure	2,506,310
14	Basel III leverage ratio (%) (row 2 / row 13)	7.49%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	
	Liquidity Coverage Ratio	
15	Total HQLA	270,575
16	Total net cash outflow	139,783
17	LCR ratio (%)	193.57%
	Net Stable Funding Ratio	
18	Total available stable funding	1,596,666
19	Total required stable funding	1,542,736
20	NSFR ratio	103.50%