The South African Bank of Athens Limited

PILLAR 3 REGULATORY REPORT

September 2015

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 listed on the New York and Athens Stock Exchanges. 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 almost entirely of Tier 1 capital.

Capital adequacy and the use of regulatory capital are monitored by ALCO, 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 September 2015 with a total capital adequacy of 11.88% and a Tier 1 capital adequacy of 11.13%, 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

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
	Sep-15
Ordinary Share Capital	24 158
Share Premium	339 027
Revaluation Reserves	7 794
Total common equity tier 1 capital and unimpaired reserve funds	370 979
Retained Earnings/(Loss)	(97 870)
Regulatory deductions against primary capital	(48 288)
Total common equity tier 1 capital after regulatory adjustments	224 821
Tier 2 capital	
General Provisions	15 228
Total qualifying capital and reserve funds	240 049
Risk Weighted Assets	2 020 554
Total Capital adequacy ratio	11.88%
Tier 1 Capital adequacy ratio	11.13%

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 *	1 739 104	173 910
Counter party risk****	31 135	3 113
Operational Risk **	200 982	20 098
Market Risk ***	6 278	628
Other Assets	43 039	4 304
Equity Risk	15	2
Total	2 020 554	2 020 55

** 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	**Sep-15**
	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