

The South African Bank of Athens Limited

PILLAR 3 REGULATORY REPORT

September 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 30 September 2018 with a total capital adequacy of 13.34% and a Tier 1 capital adequacy of 10.30%, 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 to maturity 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	R'000
	30-Sep-18	30-Jun-18
Ordinary Share Capital	33,003	31,781
Share Premium	415,181	406,404
Revaluation Reserves	4,659	4,666
Total common equity tier 1 capital and unimpaired reserve funds	452,843	442,851
Retained Earnings/(Loss)	(187,454)	(177,957)
Regulatory deductions against primary capital	(84,915)	(84,919)
Total common equity tier 1 capital after regulatory adjustments	180,473	179,975
Tier 2 capital		
General Provisions	13,308	13,534
Long-term debt instrument (Debentures)	40,000	40,000
Total qualifying capital and reserve funds	233,780	233,509
Risk Weighted Assets	1,752,142	1,715,028
Total Capital adequacy ratio	13.3425%	13.6154%
Tier 1 Capital adequacy ratio	10.3002%	10.4940%

Required capital adequacy ratios and amounts - Table 2.2

	30-Sep-18		30-Jun-18	
	Percentages	Rand amounts (R'000)	Percentages	Rand amounts (R'000)
	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1	Common Equity Tier 1
Base minimum (2)	4.50%	78,846	4.50%	77,176
Add-on: systemic risk add-on (Pillar 2A)	1.00%	17,521	1.00%	17,150
Add-on: conservation buffer (6)	1.875%	32,853	1.875%	32,157
	8.125%	142,362	8.125%	139,346

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

Risk weighted exposure	30-Sep-18		Jun-18	
	Composition of Risk Weighted Assets	Base Minimum Required Regulatory Capital	Composition of Risk Weighted Assets	Base Minimum Required Regulatory Capital
	R'000	R'000	R'000	R'000
Credit Risk *	1,481,862	137,072	1,443,915	133,562
Counter party risk****	13,449	1,244	20,951	1,938
Operational Risk **	215,497	19,933	215,497	19,933
Market Risk ***	3,035	281	304	28
Other Assets	38,284	3,541	34,347	3,177
Equity Risk	15	1	15	1
Total	1,752,142	162,073	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	Sep-18
	R'000
Authorised	
100 000 000 ordinary shares of R1 each (par value)	100,000
Issued	
Ordinary Share Capital	33,003
Share Premium	
Share Premium	415,181
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 2018-09-30

		T	T - 90	T - 180	Minimum capital requirements = 8%
		a	b	c	
		RWA			
		Sep-18	Jun-18	Mar-18	
1	Credit risk (excluding counterparty credit risk)	1,520,161	1,478,277	1,508,509	121,613
2	Of which: standardised approach (SA)	1,520,161	1,478,277	1,508,509	121,613
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)	13,449	20,951	13,487	1,076
7	Of which: standardised approach for counterparty credit risk	13,449	20,951	13,487	1,076
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				
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	3,035	304	1,185	243
21	Of which: standardised approach (SA)	3,035	304	1,185	243
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	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)	1,752,142	1,715,028	1,738,678	140,171

KEY METRICS DISCLOSURE TEMPLATE
ANNEXURE A - KM1

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

Period ended 2018-09-30

		a	b	c	d
		T	T-1	T-2	T-3
		Sep-18	Jun-18	Mar-18	Dec-17
	Available capital (amounts)				
1	Common Equity Tier 1 (CET1)	180,473	179,975	187,741	192,706
1a	Fully loaded ECL accounting model	180,473	179,975	187,741	192,706
2	Tier 1	180,473	179,975	187,741	192,706
2a	Fully loaded ECL accounting model Tier 1	180,473	179,975	187,741	192,706
3	Total capital	233,781	233,509	244,766	251,474
3a	Fully loaded ECL accounting model total capital	233,781	233,509	244,766	251,474
	Risk-weighted assets (amounts)				
4	Total risk-weighted assets (RWA)	1,752,142	1,715,028	1,738,678	1,763,953
	Risk-based capital ratios as a percentage of RWA				
5	Common Equity Tier 1 ratio (%)	10.30%	10.49%	10.80%	10.92%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	10.30%	10.49%	10.80%	10.92%
6	Tier 1 ratio (%)	10.30%	10.49%	10.80%	10.92%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	10.30%	10.49%	10.80%	10.92%
7	Total capital ratio (%)	13.34%	13.62%	14.08%	14.26%
7a	Fully loaded ECL accounting model total capital ratio (%)	13.34%	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%	1.875%	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%	1.875%	1.250%
12	CET1 available after meeting the bank's minimum capital requirements (%)	4.05%	4.24%	4.55%	4.17%
	Basel III leverage ratio				
13	Total Basel III leverage ratio exposure measure	2,937,593	2,473,770	2,506,310	2,417,242
14	Basel III leverage ratio (%) (row 2 / row 13)	6.14%	7.28%	7.49%	7.97%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2a / row13)	6.14%	7.28%	7.49%	7.97%
	Liquidity Coverage Ratio				
15	Total HQLA	737,164	325,207	270,575	279,090
16	Total net cash outflow	193,275	97,959	139,783	55,776
17	LCR ratio (%)	381.41%	331.98%	193.57%	500.38%
	Net Stable Funding Ratio				
18	Total available stable funding	1,869,316	1,621,270	1,596,666	1,681,277
19	Total required stable funding	1,561,172	1,551,176	1,542,736	1,512,636
20	NSFR ratio	119.74%	104.52%	103.50%	111.15%