The South African Bank of Athens Limited

PILLAR 3 REGULATORY REPORT

SEPTEMBER 2012

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 II requirements under Regulation 43 of the regulations relating to banks.

In terms of Regulation 43(1) (e)(ii) 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 II 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.

2. Capital Management

The Bank is subject to minimum capital requirements as defined in the Banks Act and Regulations pertaining to Banks.

The Bank endeavours to manage its capital base in order to achieve a prudent balance between maintaining capital ratios to support business growth and depositor confidence. The capital management process of the Bank takes place under the auspices of the Risk Management Committee, through the ALCO (Asset and Liability Committee).

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 2012 with a total capital adequacy of 12.20% and a Tier 1 capital adequacy of 9.04%, 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: qualifying subordinated loan capital, collective impairment allowances and unrealised gains arising on the fair valuation of equity instruments held as available for sale.

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

	Sep-12
	R'000
Ordinary Share Capital	16,458
Share Premium	181,227
Retained Earnings/(Loss)	-20,518
Regulatory deductions against primary capital	-8,175
Primary Capital	**168,992**
Debentures	40,000
50% of Revaluation Reserves	7,666
General Provisions (limited to 1,25% of RWA)	11,327
Secondary Capital	**58,992**
Total available resources	**227,985**
Risk Weighted Assets	**1,869,488**
Total Capital adequacy ratio	12.20%
Primary Capital adequacy ratio	9.04%

Composition of required regulatory capital- Table 2.2

	Sep-12
	R'000
Credit Risk *	158,567
Operational Risk **	14,572
Market Risk ***	799
Other Assets	3,662
Equity Risk	1
Total required regulatory capital	**177,601**

Composition of risk weighted assets - Table 2.3

	Sep-12
	R'000
Credit Risk *	1,669,121
Operational Risk **	153,393
Market Risk ***	8,413
Other Assets	38,546
Equity Risk	15
Total risk weighted assets	**1,869,488**

** 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.*

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-12
	R'000
Authorised	
20 000 000 ordinary shares of R1 each (par value)	20,000
Issued	
Ordinary Share Capital	16,458
Share Premium	
Share Premium	**181,227**