

# **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**

	<b>R'000</b>	<b>R'000</b>
	<b>30-Sep-18</b>	<b>30-Jun-18</b>
Ordinary Share Capital	33,003	31,781
Share Premium	415,181	406,404
Revaluation Reserves	4,659	4,666
<b>Total common equity tier 1 capital and unimpaired reserve funds</b>	<b>452,843</b>	<b>442,851</b>
Retained Earnings/(Loss)	(187,454)	(177,957)
Regulatory deductions against primary capital	(84,915)	(84,919)
<b>Total common equity tier 1 capital after regulatory adjustments</b>	<b>180,473</b>	<b>179,975</b>
<b>Tier 2 capital</b>		
General Provisions	13,308	13,534
Long-term debt instrument (Debentures)	40,000	40,000
<b>Total qualifying capital and reserve funds</b>	<b>233,780</b>	<b>233,509</b>
<b>Risk Weighted Assets</b>	<b>1,752,142</b>	<b>1,715,028</b>
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
	<b>8.125%</b>	<b>142,362</b>	<b>8.125%</b>	<b>139,346</b>

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
<b>Total</b>	<b>1,752,142</b>	<b>162,073</b>	<b>1,715,028</b>	<b>158,640</b>

\* 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
<b>Authorised</b>	
100 000 000 ordinary shares of R1 each (par value)	100,000
<b>Issued</b>	
Ordinary Share Capital	33,003
<b>Share Premium</b>	
Share Premium	415,181
<b>Term-debt instruments</b>	
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	
<b>1</b>	<b>Credit risk (excluding counterparty credit risk)</b>	<b>1,520,161</b>	<b>1,478,277</b>	<b>1,508,509</b>	<b>121,613</b>
<b>2</b>	Of which: standardised approach (SA)	1,520,161	1,478,277	1,508,509	121,613
<b>3</b>	Of which: foundation internal ratings-based (F-IRB) approach				
<b>4</b>	Of which: supervisory slotting approach				
<b>5</b>	Of which: advanced internal ratings-based (A-IRB) approach				
<b>6</b>	<b>Counterparty credit risk (CCR)</b>	<b>13,449</b>	<b>20,951</b>	<b>13,487</b>	<b>1,076</b>
<b>7</b>	Of which: standardised approach for counterparty credit risk	13,449	20,951	13,487	1,076
<b>8</b>	Of which: Internal Model Method (IMM)				
<b>9</b>	Of which: other CCR				
<b>10</b>	Credit valuation adjustment (CVA)				
<b>11</b>	Equity positions under the simple risk weight approach				
<b>12</b>	Equity investments in funds – look-through approach				
<b>13</b>	Equity investments in funds – mandate-based approach				
<b>14</b>	Equity investments in funds – fall-back approach				
<b>15</b>	Settlement risk				
<b>16</b>	<b>Securitisation exposures in banking book</b>				
<b>17</b>	Of which: securitisation internal ratings-based approach (SEC-IRBA)				
<b>18</b>	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach (IAA)				
<b>19</b>	Of which: securitisation standardised approach (SEC-SA)				
<b>20</b>	<b>Market risk</b>	<b>3,035</b>	<b>304</b>	<b>1,185</b>	<b>243</b>
<b>21</b>	Of which: standardised approach (SA)	3,035	304	1,185	243
<b>22</b>	Of which: internal model approaches (IMA)				
<b>23</b>	Capital charge for switch between trading book and banking book				
<b>24</b>	<b>Operational risk</b>	<b>215,497</b>	<b>215,497</b>	<b>215,497</b>	<b>17,240</b>
<b>25</b>	Amounts below the thresholds for deduction (subject to 250% risk weight)				
<b>26</b>	Floor adjustment				
<b>27</b>	<b>Total (1 + 6 + 10 + 11 + 12 + 13 + 14 + 15 + 16 + 20 + 23 + 24 + 25 + 26)</b>	<b>1,752,142</b>	<b>1,715,028</b>	<b>1,738,678</b>	<b>140,171</b>

**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
	<b>Available capital (amounts)</b>				
1	<b>Common Equity Tier 1 (CET1)</b>	180,473	179,975	187,741	192,706
1a	Fully loaded ECL accounting model	180,473	179,975	187,741	192,706
2	<b>Tier 1</b>	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	<b>Total capital</b>	<b>233,781</b>	<b>233,509</b>	<b>244,766</b>	<b>251,474</b>
3a	Fully loaded ECL accounting model total capital	233,781	233,509	244,766	251,474
	<b>Risk-weighted assets (amounts)</b>				
4	Total risk-weighted assets (RWA)	1,752,142	1,715,028	1,738,678	1,763,953
	<b>Risk-based capital ratios as a percentage of RWA</b>				
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	<b>Total capital ratio (%)</b>	<b>13.34%</b>	<b>13.62%</b>	<b>14.08%</b>	<b>14.26%</b>
7a	Fully loaded ECL accounting model total capital ratio (%)	13.34%	13.62%	14.08%	14.26%
	<b>Additional CET1 buffer requirements as a percentage of RWA</b>				
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	<b>Total of bank CET1 specific buffer requirements (%) (row 8 + row 9 + row 10)</b>	<b>1.875%</b>	<b>1.875%</b>	<b>1.875%</b>	<b>1.250%</b>
12	CET1 available after meeting the bank's minimum capital requirements (%)	4.05%	4.24%	4.55%	4.17%
	<b>Basel III leverage ratio</b>				
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%
	<b>Liquidity Coverage Ratio</b>				
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%
	<b>Net Stable Funding Ratio</b>				
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%