ANNUAL REPORT 2010

BANK OF ATHENS
Recognising you

THE SOUTH AFRICAN BANK OF ATHENS LIMITED ("BANK OF ATHENS")
(Registered Bank)
Registration number 1947/025414/06
Registered Credit Provider (NCRCP6)
Authorised Financial Services Provider

DIRECTORATE

Non-Executive Chairperson

Mr A Leopoulos
Greek

Non-Executive Directors

Mr GL Ashmead*

Adv G Bizos*

Mr G Lanaras*
Greek

Mr M Oratis
Greek

Mr TJ Fearnhead*

Mr A Thomopoulos
Greek

Mr P Ranchod*

Executive Directors

Mr S Georgopoulos *(Chief Executive Officer)*

Mr DN Koutakis

**Independent*

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BUSINESS PHILOSOPHY AND PROFILE

The South African Bank of Athens Limited ('the Bank') was established in 1947.
The Bank's main focus is on servicing the small and medium business sector by offering a "high touch" premium service.
The Bank also has a mass-market offering through its association with WizzIt and SureBank.

The Bank is a 99,71% 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.

The Bank possesses principle clearing bank status, and is a fully authorised dealer in foreign exchange.
It strives to become the preferred financial services provider to small-to-medium sized businesses by supplying the appropriate financial solutions and nurturing a culture of personal service excellence and innovation through sustained commitment and professionalism thereby exceeding the expectations of its clients.

The Bank fully subscribes to and supports the Code of Banking Practice and the Financial Sector Charter.

The Bank is an Authorised Financial Services Provider.

FINANCIAL HIGHLIGHTS

	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000
Statement of Financial Position					
Capital and reserves	**199 210**	180 278	184 998	85 722	65 283
Secondary capital	**40 000**	4 200	8 400	12 600	21 000
Total assets	**1 245 139**	1 258 435	1 356 118	1 140 276	825 966
Statement of Comprehensive Income					
Operating income	**82 194**	80 548	97 604	80 440	70 195
Net operating (loss)/profit before taxation	**(15 516)**	(4 609)	24 179	16 767	7 855
Attributable (loss)/profit to ordinary shareholders	**(15 516)**	(4 609)	24 179	16 767	7 855

CHIEF EXECUTIVE OFFICER'S REPORT

Despite the massive excitement, pride and success associated with Africa's inaugural hosting of the FIFA World Cup, 2010 was a challenging year for the South African economy and for the South African Bank of Athens.

Due to interest rates declining to near record lows, pressure on interest margins had a negative impact on the Bank's interest income. This was exacerbated by pressure on fee income as a direct result of a reduction in economic activity within the country.

Compounding this situation was the Bank's poor competitive position, inadequate branding, lack of marketing and overall inability to put forward a clear and attractive offering of products and services to its existing and potential customer base.

Consequently, some major action plans and strategies needed to be effected in 2010 to properly position the Bank for renewed growth in a competitive and discerning market place. The alternative would have been further stagnation and loss of relevance.

Key focus areas in 2010 included:

- consolidating back office facilities to be able to more efficiently deal with a wide range of regulatory issues
- reorganising and improving information technology systems
- deploying a new internet banking offering
- bolstering compliance, internal audit, risk and treasury skills, structures and capabilities

Having implemented these key focus points, the Bank is able to approach and tackle 2011 with greater purpose and direction and position itself for a more sustainable future within the South African banking landscape.

From the beginning of 2011, the emphasis has been on continuing to restructure and reorganise the Bank with a clear concentration on improving the suite of product and service offerings to the traditional customer base: small and medium to large business enterprises. This has required changing the channel mix to more appropriately address customer needs. It has also meant a strong focus on further developing and enhancing IT to give the Bank the necessary platform for its growing and changing requirements over the next decade.

Key focus areas for 2011 include:

- re-invigorating marketing activities and making marketing and advertising collateral more attractive and noticeable
- reducing overheads and the overall cost base
- implementing a strategy that will result in greater profitability that is sustainable going forward
- establishing clear mandates for the Bank's mass marketing offerings, Wizzit and SureBank

Against this backdrop, it is pleasing to note that 2011 has started off with a more conducive economic climate that is likely to stimulate increased economic activity. However, the Bank has retained a cautious approach to risk and risk management.

While there is cause to expect a better business environment as 2011 continues to unfold, there is also reason for the Bank to be optimistic about its delivery of a better service to its more focused and clearly identified customer base. Importantly, the Bank now has a much more precise understanding of its niche role in the South African banking space.

Outlook

The first two months of 2011 have seen a welcome increase in demand for the Bank's offerings and a welcome growth in deposits, auguring well for an improved performance throughout the course of the year.

Contributing to the brighter outlook are major restructuring interventions being undertaken to "rightsize" and optimise the Bank's operations. These include, after careful examination and scrutiny, closing some inefficient branches in Gauteng and investing in different or new locations – such as Port Elizabeth, where a branch of the Bank will open in April.

Apart from restructuring the branch network, cost reductions will also come from headcount reduction and much tighter control of head office overheads. While benefits will be felt during 2011, the positive impact will be much greater in 2012 after the costs associated with restructuring have already been expensed.

Thanks

My sincere thanks must go to our shareholder, management, staff and customers for their dedication, commitment and loyalty during 2010. It was a strong team effort that has now provided the Bank with a much more solid foundation from which to tackle the future.

I am confident that the Bank is well positioned to improve its performance in 2011 in the interests of all stakeholders.

A Leopoulos
Chairman
Johannesburg
29 April 2011

S Georgopoulos
Chief Executive Officer
Johannesburg
29 April 2011

The Banks Risk Management Philosophy

The Board of Directors is ultimately responsible for establishing, maintaining and monitoring the effectiveness of the Bank's process of risk management and system of internal control.

Risk management is a core competency that is required within the Bank. The Bank has adopted an Enterprise Risk and Capital Management approach to address as wide a spectrum of risks. The Bank recognises that effective risk management is core to generating sustainable shareholder value and enhancing stakeholder interests.

Risk during the year under review

A strong risk and capital management culture is embedded in the Bank's daily activities. It is our intention to seek an appropriate balance between risk and reward in our Business activities and is aligned to (NBG) requirements.

From a credit granting perspective our stated risk appetite continues to favour the granting of lower risk facilities that are based on proven record of sound financial strength and integrity.

The Bank has experienced a decrease in impairments and defaults as a result of weak economic conditions but the credit loss ratio only decreased marginally to 1.62% (2009: 2.03%) of total advances.

Our overall risk management philosophies, practices and frameworks have remained unchanged during the economic crisis which resulted in increased risk levels. Our credit granting criteria remained focused on good quality and the strict management of risk and liquidity has stood the Bank in good stead.

Enterprise-wide risk management (ERM)

The Banks objective in pursuing an enterprise-wide risk management strategy is to formalise and communicate the Bank's approach to ERM which includes the identification, assessment, management, monitoring and reporting of all risks.

An ERM Framework has been developed that highlights the Banks focus on its philosophy of ensuring that risk management is central to its decision making process. The framework has been established to ensure the efficient management of all risks as identified in the Banks Risk profile.

These objectives can be summarised by the following key principles:

- Risk-taking is a central to the Banks activity and risk management is therefore a required competency;
- Focus on risk versus return;
- An enterprise wide view of risk;
- Allocate business management accountability;
- Align risks with the Bank's strategic and business objectives;
- Create a culture of risk awareness;
- Set clear risk thresholds and loss tolerance levels for the Bank; and
- Effective risk monitoring provided by the ERM Committee.

Risk management involves all areas of the Bank and all Business units are involved in risk management. A number of committees are in place to discuss, manage and decide on courses of action to be taken to manage, monitor and report on risks as efficiently as possible.

The Board's ERM Committee monitors various aspects of the different identified risks, which include:

- Credit Risk
- Interest Rate Risk
- Liquidity Risk
- Capital Risk
- Operational Risk
- Reputation Risk
- Compliance Risk
- IT Risk
- People Risk
- Social and Environmental Risk
- Insurance and Assurance Risk
- Strategic Risk

The Bank has as part of its risk management strategy completed a risk profile of the Bank that has identified the following risks as being the main risks faced by the bank:

- Credit risk which also includes credit concentration risk;
- Liquidity risk and interest rate risk;
- Operational risk;
- Compliance risk, and
- Foreign currency risk.

Within each of these significant level categories the Bank has identified by way of established risk methodologies identified the top risks which are then monitored and reported on.

Credit Risk

Credit risk is defined as the possibility that customers may default on their future cash flow obligations to the Bank. In lending transactions, credit risk arises from the approval of loans and advances, and from off-balance sheet exposures such as commitments and guarantees. The South African Bank of Athens Limited has a significant concentration risk which resides in a few clients where facilities granted exceed the 10% of qualifying capital.

Management Of Credit Risk

The Bank actively manages its credit risk at the individual transaction, counterparty and other portfolio levels using a variety of qualitative and quantitative measures. Customers' credit worthiness is thoroughly assessed before credit is recommended or granted by the Credit Committees. Lending is governed by a credit policy which has been approved by the Board of Directors. The credit policy establishes various levels of authority for local credit risk management approval. Anything exceeding this level is recommended to the Senior Credit Committee for consideration and the Board of Directors ratifies exposures in excess of 10% of the Bank's qualifying capital. The Bank has implemented a risk rating model which calculates the probability of default of clients. All clients where facilities have been granted are reviewed via this model.

Liquidity Risk And Interest Rate Risk

Liquidity risk is defined as the risk of not being able to generate sufficient cash to meet the Bank's commitment to lenders, depositors and other creditors at any point in time. The management of liquidity is primarily designed to ensure that depositors' funding requirements can be met and that the bank has sufficient funding in place to ensure payment of daily transactions.

Interest rate risk is defined as the impact that the repricing of the Bank's assets and liabilities may have on future cash flows and earnings.

Management Of Liquidity Risk And Interest Rate

Liquidity and interest rate risk management are essentially inseparable from the core banking activities of advances growth and profitability management. Liquidity and interest rate risk management form an integral part of proactive asset and liability management, which is managed by the Bank's Asset and Liability Committee (ALCO). Liquidity is managed on a cash flow approach.

Liquidity is ensured through optimal funding strategies taking into account various interest rate scenarios, as well as taking cognisance of available inter-bank lines of credit and the substantial committed lines of credit from the Bank's majority shareholder to cater for unforeseen circumstances.

Stress scenarios and testing have been undertaken thereby allowing the bank to identify and be prepared for such eventualities. These scenarios has ensured that the Bank is well prepared to manage any liquidity or interest rate risks that may occur.

Operational Risk

Operational risk is defined as the potential losses resulting from inadequate systems, management failure, faulty controls or human error.

Operational risk includes, but is not limited to, the following:

- Theft and fraud;
- Improper capturing of transactions;
- Statutory and legislative compliance;
- Money laundering;
- System malfunction, interruption or non availability;
- Legal challenges;
- Loss of key personnel without adequate succession planning; and
- Business continuity.

Management of operational risk

In managing these risks, the following has been implemented:

- Clearly defined policies and methodologies;
- An effective system of internal controls;
- Well documented procedures that are communicated across the Bank;
- Ensuring that awareness is created an all aspects of risk via workshops or via electronic communications;
- Properly functioning and effective internal audit department;
- Properly functioning and effective compliance division that works closely with the Banks Risk Division;
- Adequate professional indemnity insurance cover; and
- Adequate business risk management and Disaster recovery plans and processes.

COMPLIANCE RISK

Compliance Risk is defined as the risk of the current and prospective risk of damage to the organisation's business model or objectives, reputation and financial soundness arising from the non-adherence with Regulatory requirements and expectations of key stakeholders such as customers, employees and society as a whole.

Compliance risk therefore not only exposes the organisation to fines, civil claims, loss of authorisation to operate and an inability to enforce contracts, but also to reputational damage.

Management of Compliance Risk

In managing Compliance Risk, the Bank has a fully independent compliance function that identifies, assesses, advises on, monitors and reports on the Regulatory Compliance Risk within the organisation. The NBG Group Compliance provides oversight of the Bank's compliance function and the Bank adheres to the NBG Group Compliance Policy and culture.

FOREIGN CURRENCY RISK

Foreign currency risk is defined as the risk of loss that the Bank is exposed to as a result of holding unhedged positions in foreign currency assets or liabilities.

Management of foreign currency risk

In order to eliminate the foreign currency risk, it is the Bank's policy to hedge significant foreign currency commitments. The Bank deals in UK Pounds, US Dollars, Euro and Japanese Yen and uses financial instruments, mainly in the form of forward exchange contracts, to hedge against the risk inherent in these types of transactions.

BASEL II

Basel II is built around three pillars. Pillar I describes the regulatory capital calculation related to credit, market and operational risks, aligning minimum capital requirements more closely to a bank's risk of economic loss. Pillar II provides for supervisory review of an institution's risk profile and activities to determine its capital adequacy and internal assessment processes, and to increase regulatory capital and institute remedial action if weaknesses are found. Pillar III addresses improved market discipline and increased transparency. The Bank evaluated the various options available and decided that the most appropriate approaches to follow for the calculation of the minimum capital requirements in terms of the Banks Act would be the Standardised Approach for Credit, Operational and Market risk.

The Bank recognises the significance of Basel II in aligning regulatory capital to risk and further entrenching risk reward principles and practices in bank management and decision making.

The Board of Directors has taken cognisance of all the abovementioned potential risks and has mandated various committees to ensure that the risks are monitored and managed on an ongoing basis.

CAPITAL MANAGEMENT

The Bank is subject to minimum capital requirements as defined in the Banks Act and Regulations. The management of the Bank's capital takes place under the auspices of the Risk Management Committee, through the ALCO. 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.

In terms of regulation, the Bank is able to consider different tiers of capital. The capital of the Bank consists almost entirely of tier 1 capital. Following the recapitalization of the Bank in 2010, it has remained capitalised well beyond regulatory and internal requirements.

Capital adequacy and the use of regulatory capital are monitored daily by the Group's management, employing techniques based on the guidelines developed by the Basel Committee a, 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 regulatory capital requirements are strictly observed when managing economic capital. The Bank's regulatory capital comprises two tiers:

- Tier 1 capital: share capital (net of any book values of the treasury shares), 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.

The risk-weighted assets are measured using the 'standardised approach' (SA) for credit risk. Risk weights are assigned to assets and off balance sheet items according to their asset class and credit assessment. For the determination of credit assessments the Fitch rating agency is nominated. Any eligible collateral and netting agreements are taken into account for calculating risk-weighted assets.

The approach to capital management has been enhanced over the past year in line with Basel II.

The key board and management committees addressing and monitoring the risk issues are as follows:

Board committees

- Audit Committee
- Directors' Affairs Committee
- Remuneration & Transformation Committee
- Enterprise Risk Management Committee
- Senior Credit Committee

Management committees

- Assets and Liabilities Committee
- Executive Committee
- Local Credit Committee
- IT Steering Committee
- Marketing Committee
- Management Committee

ENTERPRISE RISK and CAPITAL MANAGEMENT COMMITTEE

Members: Mr P. Ranchod (Chairperson), M A Oratis, Mr G L Ashmead, Mr T. Fearnhead and Mr S. Georgopoulos.

The heads of risk, compliance and internal audit attend all meetings in the capacity of permanent invitees.

The committee met four times during the year under review. The Enterprise Risk and Capital Management Committee operate within the directives of an Enterprise risk management charter as approved by the Board of Directors.

An Enterprise-wide Risk Management Framework has been adopted to ensure appropriate and focused management of all risks. Assessment of risks is a dynamic process and is reviewed regularly. The overall objective of Enterprise-wide Risk Management is to ensure an integrated and effective risk management framework, where all risks are identified, quantified and managed in order to achieve an optimal risk reward profile.

Risk management is performed by the Board and all staff in the Bank and are well supported by internal audit.

RISK MANAGEMENT PROCESS

All of the Bank's policies and procedures manuals are subject to annual review and are signed off by the relevant management committee prior to the Board approving them. These standards form an integral part of the Bank's governance infrastructure and risk management profile.

The process and methodologies used to manage the Bank's risks are:

Risk Identification and comprehension

Risk identification focuses on recognising and understanding existing risks or the noting of risks that may arise from operational requirements or from business activities.

Risk management

Risk Management focuses on the management of the Bank's assets and liabilities and the risks that can inhibit the Bank from achieving its strategic objectives. The relevant committees meet on a regular basis to collaborate on risk controls and risk appetites to establish how the Bank will stay within thresholds set.

Risk measurement and evaluation

Once risks have been identified, they are measured either quantitatively or qualitatively. Certain risks are more easily measurable than others, but it is necessary to ascertain the magnitude of each risk.

Risk monitoring

The monitoring of risks is undertaken by Risk Division, Compliance and Internal Audit Divisions which then report the risks to the relevant committees. The monitoring of risks is undertaken via the Risk Register which is maintained and updated as risks are identified or mitigated.
At the same time Key Issues Control Log are kept for the Enterprise Risk Management Committee. Key risk indicators are also used to track trends.

Open, two-way communication between the Bank and the SARB is fundamental to the entire risk monitoring and supervisory process. To achieve this, the ALCO in its monthly submission of BA reports, communicates with the SARB all the adopted assumptions and procedures.

MANAGEMENT OF RISK

Principal risk categories have been identified, defined and categorised into direct and indirect risks. This set of risk definitions forms the basis of management and control relative to each division within the Bank and also forms a consistent common language for outside examiners and/or regulators to follow. Direct risks are found in most banking transactions. They are quantifiable and can be clearly defined.

These risks are evaluated through examination of our databases, statistics and other records. Indirect risks are considered to ensure that a complete risk assessment is carried out. They are present in almost every decision made by management and the Board and thus impact on the Bank's image and success. These decisions are usually intended to enhance the Bank's long term viability or success and therefore are difficult to quantify at a given point in time.

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Bank is committed to achieve the overarching corporate governance principles of fairness, accountability, responsibility and transparency as advocated by the Code of Corporate Practices and Conduct recommended in the King II Report on Corporate Governance for South Africa 2002 ("King II") as well as the Code of Conduct on Corporate Governance for South Africa (2009) (King III).

King III was released on 1 September 2009 and came into effect on 1 March 2010. King III distinguishes between statutory provisions, voluntary principles and recommended practices.

The King III Report provides best practice recommendations, whereas the King III Code provides the principles that all entities should apply. Recognition is given to the fact that certain new principles in King III are matters of law, as they are contained in the Companies Act 71 of 2008 (the "new Companies Act"). As the new Companies Act has not been implemented to date - certain of these principles required by King III have not yet been adopted or applied.

The Bank is committed to the highest levels of business ethics and organisational integrity in the conduct of its business and in its dealings with customers, therefore each business area and every employee of the group is responsible for acting in accordance with sound corporate governance practices.

The overall responsibility for compliance with regulations and codes of business practices rests with the Board of Directors. In terms of the provisions of the articles of association, a number of Board appointed committees have been established to assist the Board in discharging its responsibilities. Specific responsibilities have been delegated to these committees, which operate according to written charters approved by the Board and which are subject to review on an annual basis. Furthermore, the minutes of these committees' meetings are submitted to the Board for noting.

BOARD OF DIRECTORS AND NON-EXECUTIVE DIRECTORS

Role and function of the board

The role and responsibilities of the Board of Directors are contained in the Board charter, which is reviewed annually.

The Board of Directors is responsible for ensuring that an adequate and effective process of corporate governance exists and is maintained, taking into account the nature, complexity and risks inherent in the Bank's on and off-balance sheet activities and which responds to changes in the Bank's environment and conditions.

The Board of Directors approves the overall strategy and budgets for the Bank on an annual basis. In addition it approves all risk management policies and frameworks.

The Board of Directors met four times during the year under review in order to evaluate the Bank's performance, assess risk and review the strategic direction of the Bank against its overall strategy and long term goals.

All directors have access to the advice and services of the Company Secretary and are entitled to obtain independent professional advice, should they deem it necessary.

Composition of the board

The Board has a strong representation of non-executive directors who bring a wealth of experience from their own fields of business and ensure that debate on matters of strategy, policy, progress and performance is informed and constructive.

The Chairperson, Mr Leopolous, is non executive, but not independent. The board members believe that it is appropriate for Mr Leopolous to chair the Bank's board, notwithstanding the fact that he does not fulfill the strict criteria of "independence" as set out in the Banks's Act, King II and III. It is also the view of the directors that a strong independent element of non executive directors exists on the board and that this provides the necessary objectivity essential for its effective functioning. The roles of chairman and chief executive officer are separate with segregated duties.

The Board of Directors consists of eight non-executive directors, including four representatives from NBG, and two executive directors. Four of the eight non-executive directors are classified as independent.

Five non-executive directors have served in excess of seven years including Mr. G. Lanaras who has served on the board since 2000.

Directors have not formed associations with management, shareholders or other stakeholders that might compromise their decisions to act in the best interest of the company although Messrs.

G.L. Ashmead and D.N. Koutakis hold minority share interests.

Declarations of interests are submitted by all directors at least annually to determine any conflicts of interests. Any potential conflict is disclosed immediately. Where necessary and appropriate, the director will recuse himself from discussions at board or board committee meetings when relevant matter is tabled.

One third of the directors retire by rotation annually. The directors offer themselves for reappointment but their reappointment is, however, not automatic. Directors eligible for re-election at the next AGM are Advocate G.Bizos, Mr. G. Lanaras and Mr. A. Lizos.

Performance assessment

The board of directors evaluated its own performance, processes and procedures at the end of 2010 following a self assessment questionnaire. The outcome of the assessment will be constructively used to improve its effectiveness and to maximize strengths and address weaknesses.

EXECUTIVE DIRECTORS AND EXECUTIVE COMMITTEE

Currently two executive directors serve on the Board of Directors. There are no long term service contracts relating to the position of any executive director.

The Board appoints executive management, taking into account the recommendations of the Chief Executive Officer and the Remuneration and Transformation Committee. The remuneration and benefits of executive directors are determined by the aforementioned committee which consists mainly of non-executive directors.

The Executive Committee meets on a monthly basis. The function of this committee is to develop the Bank's strategy, business plan and policies and procedures for presentation to the Board for approval. The responsibilities of the Bank's Executive Committee include the following:

- implementation of strategies and policies of the Bank;
- managing the business and affairs of the Bank;
- prioritising the allocation of capital, technical and human resources of the Bank; and
- monitoring the performance of the different divisions and departments within the Bank.

BOARD COMMITTEES

Enterprise risk and capital management committee

Members: Mr P Ranchod (Chairperson), Mr TJ Fearnhead S Georgopoulos (appointed 19 April 2010), and Mr MA Oratis.

The risk manager, compliance officer and head of internal audit attend all meetings in the capacity of permanent invitees.

The committee met four times during the year under review. The Risk Management Committee operates within the directives of a risk management framework approved for the Bank.

Remuneration and transformation committee

Members: Mr A Leopoulos (Chairperson), Mr TJ Fearnhead, Mr MA Oratis and Mr P Ranchod. Messrs Leopoulos, Fearnhead and Ranchod were appointed on 22 November 2010.

The Chief Executive Officer attends meetings as an invitee. The committee met once during the year. Its mandate includes direct authority for, or consideration and recommendation to, the Board on matters such as staff policy, remuneration and benefits, profit bonuses, executive remuneration, directors remuneration and fees, service contracts, retirement funding and succession planning.

Audit committee

Members: Mr T J Fearnhead (Chairperson), Adv G Bizos and Mr P Ranchod

The Audit Committee comprising non-executive and independent directors meets regularly with senior management, the external auditors, Risk, Internal Audit, Compliance and the Finance division, to consider the nature and scope of the audit reviews and the effectiveness of the group's risk and control systems.

The Audit Committee met four times during the year. The internal and external auditors and members of the Bank's executive management attend all meetings in order to review accounting, auditing, financial reporting and internal control matters. This committee operates under a Board approved charter.

The responsibilities of the committee include:

- ensuring the integrity, reliability and accuracy of the Bank's accounting and financial reporting systems;

- ensuring that appropriate systems are in place for monitoring risk control and compliance with applicable laws and codes of conduct;
- evaluating the adequacy and effectiveness of internal audit and compliance in relation to their coverage plans.
- maintaining appropriate relations with the external auditors; and
- reviewing the scope, quality, independence and objectivity of the external auditors.

Directors' affairs committee

Members: Mr A Leopoulos (Chairperson), Adv G Bizos, TJ Fearnhead and P Ranchod. Messrs Leopoulos, Fearnhead and Ranchod were appointed on 22 November 2010.

This Committee met twice during the year under review. The Committee assists the Board in its determination and evaluation of the adequacy, efficiency and appropriateness of the corporate governance structure and practices of the Bank. It also strives to establish a board directorship continuity programme. This committee operates under a Board approved charter.

DIRECTORS' ATTENDANCES AT BOARD AND BOARD COMMITTEE MEETINGS 2010

Director/ Meeting	Board				Audit committee				Directors Affairs committee		Enterprise Risk and Capital Management committee				Remuneration and Transformation committee
	30 Apr	25 Jun	29 Sep	01 Dec	21 Apr	25 Jun	26 Sep	29 Nov	22 Jun	01 Dec	20 Apr	25 Jun	26 Sep	29 Nov	01 Dec
A Leopoulos	✔	A	✔	✔	Non member				✔	✔2	Non member				✔2
S Georgopoulos	✔1	✔	✔	✔	#	#	#	#	#	#	✔1	✔	✔	✔	#
GL Ashmead	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	✔	Non member
G Bizos	✔	✔	✔	✔	A	A	A	✔	✔	✔	Non member				Non member
TJ Fearnhead	✔	✔	✔	✔	✔	✔	✔	✔	#	✔2	✔	✔	✔	✔	✔2
DN Koutakis	✔	✔	✔	✔	#	#	Non member		Non member		#	#	Non member		Non member
G Lanaras	A	A	A	A	Non member				Non member		Non member				Non member
MA Oratis	A	✔	✔	✔	Non member				Non member		A	✔	✔	✔	✔
P Ranchod	✔	✔	✔	A	✔	✔	✔	✔	#	A	✔	✔	✔	✔	A2
A Thomopoulos	A	A	A	A	Non member				Non member		Non member				Non member

✔ = Attendance
✘ = Absent
A = Apology
# = By invitation

1 = Appointed 19 April 2010
2 = Appointed 22 November 2010

DIRECTORS REMUNERATION

Directors' fees

DIRECTOR	R
GL Ashmead	114 000
G Bizos	65 700
TJ Fearnhead	210 000
G Lanaras	48 000
P Ranchod	205 000
TOTAL	642 700

Executive director salaries

DIRECTOR	R
S Georgopoulos	2 448 645
Salary	2 283 861
Pension contributions	164 784
DN Koutakis	694 093
Salary	626 529
Pension contributions	67 564
TOTAL	3 142 738

COMPANY SECRETARY

All directors have access to a suitably qualified and experienced Company Secretary. The Company Secretary provides guidance to the board as a whole and to individual directors with regards to the discharge of their responsibilities in the best interests of the Bank.

The Company Secretary assists the Chairman to determine the annual board meeting plan and agendas as well as to formulate governance and board related issues.

LOANS TO STAFF

Staff are given loans at the official interest rate and adherence is made to the NCA regulations.

COMPLIANCE FUNCTION

The overall responsibility for compliance with relevant laws, regulations and codes of business practice rests with the Board of Directors.

The Bank has automated and manual procedures in place, which are enhanced on a continuous basis, in order to ensure that the business of the Bank is conducted in accordance with both regulatory requirements and the Bank's code of conduct.

The compliance function operates independently in order to ensure that the Bank continuously manages its regulatory risk. Regulatory risk is defined as the risk that the Bank does not comply with the applicable laws and regulations or supervisory requirements. The compliance officer reports to the Chief Executive Officer and the Risk Management Committee with direct access to the Board of Directors.

The Bank has a compliance officer of appropriate experience who directs day-to-day compliance activities. The compliance function operates within the framework of relevant regulatory directives.

INTERNAL AUDIT

The internal audit activities have formally defined purposes, authority and responsibility consistent with the Institute of Internal Auditors' definition of internal auditing and includes evaluating the effectiveness of risk management, control and governance processes.

The internal audit activities include reviews of the reliability and integrity of the financial and operating information, the systems of internal control, the adequacy of the controls over the safeguarding of assets and the efficient management of the Bank's resources.

GOING CONCERN

The directors are of the opinion that with the continued support of NBG, the holding company, the Bank will be a going concern in the year ahead and their statement in this regard is also contained in the statement on the responsibility of directors for the annual financial statements on page 18.

EMPLOYMENT EQUITY

The Bank adopts the following principles regarding employment equity:

- all employees have the need and potential to grow and to influence their destinies, and should be given the opportunity and exposure to do so;
- all employees are capable of making their own decisions regarding aspects that influence their lives and development and are encouraged to do so; and
- it is recognised that special efforts are required to assist in the development of employees who, through lack of past opportunity, do not possess the necessary skills.

CODE OF CONDUCT

The Bank's code of conduct requires all employees to conduct themselves with respect, honesty and integrity in their business and personal dealings with customers and fellow employees. It commits the Bank to the highest standards of integrity, behaviour and ethics in dealing with all its stakeholders.

OCCUPATIONAL HEALTH AND SAFETY

The health and safety of employees, customers and other stakeholders is a priority and the Bank aims to identify and reduce the potential for accidents or injuries in all its operations. Training of staff on health and safety awareness is an ongoing endeavour. Standards to support health and safety requirements to a uniform level across all of our operations are being developed.

CODE OF BANKING PRACTICE

The Bank subscribes to the Code of Good Banking Practice and related policies endorsed by member banks of the Banking Association. The Bank conducts its business with uncompromising integrity in order to promote complete trust and confidence.

The Bank's relations with the regulatory authorities, clients, employees and shareholders are of the highest order and are maintained in accordance with the Code.

REGULATORS

The SARB and the Financial Services Board regulate the various activities of the Bank.

CORPORATE GOVERNANCE

(continued)

REPUTATIONAL RISK

As an authorised financial services provider, the Bank's business is fundamentally built on trust and close relationships with its clients. Maintaining its reputation is of critical importance. Although the Bank's major shareholder is Greek, the Bank operates independently in South Africa and has distanced itself from the financial fall-out that has taken place in Greece and other parts of Europe.

The Bank's reputation is built on the way in which it conducts its business and it protects its reputation by managing and controlling risks across its operations.

CORPORATE SOCIAL INVESTMENT

Guided by its principles and ethics, the Bank subscribes to the South African Financial Sector Charter which, amongst its ideals, directs its endorsers to meaningful investment in social advancement. The support of education is undoubtedly an area which merits investment and the Bank has focused on this worthy cause. In this regard, it has committed in excess of R60,000 per annum for the second year running in the form of a bursary for a learner who is from a previously disadvantaged community to cover senior grade school fees at Saheti school, Bedfordview.

INTERNAL AUDIT

INTERNAL CONTROL

The Bank has extensive internal control systems and processes in keeping with an organisation operating in a highly regulated business sector. The controls are designed to provide reasonable assurance as to the integrity of the financial statements, compliance with applicable legislation and regulations, and to adequately safeguard the assets of the bank.

The controls are based on established organizational structures and written policies and procedures and are implemented and monitored by suitably by trained personnel with an appropriate segregation of authority and duties. The effectiveness of the internal control systems is monitored through, inter alia, the internal and external auditing functions, management and supervisory activities, and adherence to performance standards.

INTERNAL AUDIT

The objective of The Internal Audit Department (IAD) is to provide independent, objective assurance to the Bank's stakeholders by adding value to, and improving, the Bank's overall operations, through a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes.

The internal audit function operates under the audit committee mandate and has unrestricted authority to determine the scope and the extent of work to be performed. The mandate as defined in terms of a formal charter approved by the audit committee includes the effective and efficient discharge of operational, financial, compliance, follow-up audits and special assignments and investigations within the framework of the Annual Audit Plan, through constant improvement of quality and efficiency of conducted audits.

PRODUCTS

Financing

- Overdraft facilities
- Property loans
- Home loans
- Commercial loans
- Personal loans
- Instalment sale
- Leasing
- Letters of guarantee

Deposit and Investing

- Current accounts
- Savings accounts
- Call deposit accounts
- Notice deposit accounts
- Fixed deposit accounts

Foreign Exchange

- Documentary letters of credit
- Foreign bills for collection
- Overseas remittance
- Customer foreign currency accounts
- Foreign currency accounts
- Bills/Cheques negotiated
- Foreign bank notes
- Foreign bank drafts
- Travellers cheques
- Cash passport cards

Other services

- Cheque book facilities
- Internal banking solution
- ATM / Debit cards
- Bulk cash collection services
- Safe deposit lockers
- Safe custody deed boxes

ADMINISTRATION

The South African Bank of Athens Limited
Registration number 1947/025414/06

Registered Office

Bank of Athens Building
116 Marshall Street, Johannesburg, 2001
PO Box 7781, Johannesburg, 2000
South Africa

Contact Details

Tel: (+27 11) 634-4300
Fax (+27 11) 838-1001
SWIFT Address BATHZAJJ
Telex 4 86976 SA
Website www.bankofathens.co.za
Customer Care Centre: 0861 102 205

Company Secretary
Glenn Luke

Chief Executive Officer
Spiro Georgopoulos (appointed 19 April 2010)

Chief Financial officer
Mkasiri Msebenzi

Head of Marketing and Public Relations
Dimitrios Koutakis

Head of Retail Banking
Paul de Bruyn

Head of Product and Customer Segment
Helder Marques (appointed 1 September 2010)

Head of Risk
David Haarhoff

Head of Credit
Roy Scott

Head of Information Systems
Nico Vlok (appointed 1 September 2010)

Head of Operations
Sanjay Persad

Head of Compliance and Legal
Hermann Krull (appointed 1 April 2010)

Head of Internal Audit
Andre de Lange (appointed 1 September 2010)

Head of Human Resources
Cessy Frazao

Head of Treasury
Enzo Pietropaolo (appointed 1 August 2010)

DISTRIBUTION CHANNELS

The Bank delivers financial services to its customers through a mix of physical and electronic delivery channels. The physical delivery channel currently consists of a national network of 11 branches while electronic banking is mainly through our internet banking offering and other electronic products.

The branches further support the activities of a centrally located commercial suite in Johannesburg where Relationship Managers deliver a high touch service to large commercial and corporate customers.

The small and medium business customers as well as retail customers are serviced by Business Managers and service staff in the 11 branches.

Subsequent to year end there was a restructuring of the Branch network with the closing down of insufficient branches in Gauteng.

New customer acquisition is driven by a Business Development Suite in each of the major geographical areas (Johannesburg, Pretoria, Durban and Cape Town).

New representative offices are planned for 2011 with Port Elizabeth opening on 1 April 2011. Other major economic growth areas have been identified nationally were representative offices will be opened. These offices will be upgraded to physical service points as the needs arise.

The physical delivery channel will undergo major changes during 2011 to align the delivery of services with the business strategy of the bank.

INFORMATION TECHNOLOGY

2010 can only be described as a year of awakening for both Business and IT. Awakening in the sense of being exposed to the realities of the legacy IT capability and its associated risks. Many temporary changes were implemented in 2010 in order to stabilize the most critical inefficiencies experienced; mostly through governance & security controls, risk management and the introduction of new resources.

The focus for Information technology during 2011 will be on laying a sound foundation for the future through means of innovative thinking to transform the IT capability into a fit-for-purpose unit. The laying of this sustainable foundation will be driven through a focus on delivery, reducing the cost base and constant alignment with the business strategy.

INDEX TO ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY AND APPROVAL FOR THE ANNUAL FINANCIAL STATEMENTS

The directors are responsible for the preparation and integrity of the annual financial statements and related information included in this report.

In order for the Board to discharge its responsibilities, management has developed and continues to maintain systems of internal control. The board has ultimate responsibility for the system of internal control and reviews their effectiveness, primarily through the audit committee. As part of the systems of internal controls, the Bank's internal audit department conducts operational, financial and specific audits, and reports directly to the audit committee. The external auditors are responsible for reporting on the annual financial statements.

The holding company is National Bank of Greece (NBG), which is incorporated in Greece, with its head office in Athens. The holding company has continued to support the Bank and has assured the directors of their continued support in the year ahead.

The directors have no reason to believe that the Bank will not be a going concern in the year ahead and have continued to adopt the going concern basis in preparing the financial statements.

The annual financial statements, set out on pages 17 to 62, have been prepared in accordance with the provisions of the Companies Act and comply with International Financial Reporting Standards. The annual financial statements are based on appropriate accounting policies, consistently applied and supported by reasonable and prudent judgments and estimates.

The annual financial statements for the year ended 31 December 2010 were approved by the Board of Directors on the 29th of April 2011 and are signed on its behalf by

A Leopoulos
Chairperson Officer

S Georgopoulos
Chief Executive

Johannesburg
29 April 2011

COMPANY SECRETARY'S CERTIFICATE

In accordance with the provisions of Section 268G(d) of the Companies Act, 1973, as amended, I certify that, to the best of my knowledge and belief, the South African Bank of Athens Limited has lodged with the Registrar of Companies all such returns as are required of a public company in terms of the Companies Act, for the year ended 31 December 2010, and that all such returns are true, correct and up to date.

N Mukanya
Company Secretary

Johannesburg
29 April 2011

AUDIT COMMITTEE REPORT

The Audit Committee has been constituted in accordance with applicable legislation and regulations. The committee members are all independent non-executive directors of the Bank. Four Audit Committee meetings were held during the year during which the members fulfilled all their functions as prescribed by the Act. The Audit Committee has satisfied itself that the auditors are independent of the Bank and are thereby able to conduct their audit functions without any influence from the Bank.

Mr T Fearnhead
Chairman, audit committee

Johannesburg
29 April 2011

INDEPENDENT AUDITOR'S REPORT

To the members of The South African Bank of Athens Limited

We have audited the annual financial statements of The South African Bank of Athens Limited, which comprise the statement of financial position as at 31 December 2010, and the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information, and the report of the directors' as set out on pages 17 to 62.

Directors' responsibility for the Financial Statements

The directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control.
An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of The South African Bank of Athens Limited as at 31 December 2010, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

Supplementary information

Without qualifying our opinion we draw attention to the fact that the supplementary information set out on pages 63 to 66 does not form part of the annual financial statements and is presented as additional information. We have not audited these schedules and accordingly we do not express an opinion thereon.

Deloitte + Touche

Deloitte & Touche
Registered Auditor
Per: Diana Carreira
Partner

29 April 2011

Address:

Building 8, Deloitte Place, The Woodlands, Woodmead Drive, Sandton, 2196

REPORT OF THE DIRECTORS

for the year ended 31 December 2010

The directors have pleasure in submitting their report on the activities of the Bank for the financial year ended 31 December 2010.

NATURE OF THE BUSINESS

The Bank continued to service its clientele as a long standing registered commercial and clearing bank through its head office and ten branches spread throughout the country. Its focus during the year under review primarily remained with the small to medium sized entrepreneurial businesses and related personal banking requirements.

The Bank has two alliance partners, (M)ycomax (Pty) Ltd and Wizzit Payments (Pty) Ltd, which operate as divisions of the Bank.

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 the notification to and specific approval by the NBG, until the next Annual General Meeting. During the year 2 500 000 shares of R1 each were issued to the shareholders.

FINANCIAL RESULTS

The results of the Bank are set out in the financial statements and supporting notes.

DIVIDENDS

No dividends have been proposed or declared for the year under review (2009: Nil).

HOLDING COMPANY

The holding company is NBG which is incorporated in Greece, with its head office in Athens. The holding company has continued to support the Bank and has assured the directors of their continued support in the year ahead.

DIRECTORATE AND SECRETARY

Details of the directors and the company secretary of the Bank are provided on the inside cover and page 20 respectively.

Between the last annual report and the date thereof, there were the following changes to the board:

DIRECTORATE

	Executive	Non-Executive	Independent
A Leopoulos *(Chairperson)*		✔	
S Georgopoulos *(Chief Executive Officer)* (Appointed 19 April 2010)	✔		
DN Koutakis (Resigned 31 January 2010)	✔		
H Zarca (Chief Executive Officer) (Resigned 10 March 2010)	✔		
GL Ashmead (Resigned 31 December 2010)		✔	✔
G Bizos		✔	✔
TJ Fearnhead		✔	✔
G Lanaras		✔	✔
MA Oratis		✔	
P Ranchod		✔	✔
A Thomopoulos		✔	

EVENTS SUBSEQUENT TO YEAR END

There are no material facts or circumstances that have occurred between 31 December 2010 and the date of this report, that require to be drawn to the attention of the shareholders.

STATEMENT OF FINANCIAL POSITION

at 31 December 2010

	Notes	2010 R'000	2009 R'000
ASSETS			
Cash and cash equivalents	1	**65 712**	124 717
Derivative financial instruments	2	**3 762**	510
Short-term negotiable securities	3	**58 163**	65 623
Other investments	4	**15**	15
Other accounts receivable	5	**12 796**	12 367
Loans and advances	6.7	**1 058 304**	1 019 902
Property and equipment	8	**34 616**	28 239
Intangible assets	9	**11 771**	7 062
TOTAL ASSETS		**1 245 139**	1 258 435
EQUITY AND LIABILITIES			
Capital and reserves			
Share capital	10	**16 458**	13 958
Share premium	11	**181 227**	153 727
Revaluation reserves	12	**17 232**	12 784
Accumulated loss		**(15 707)**	(191)
Total equity		**199 210**	180 278
Liabilities			
Derivative financial instruments	2	**3 455**	481
Deposits and current accounts	13	**986 305**	1 057 640
Other accounts payable	14	**15 139**	14 510
Provisions	15	**1 030**	1 326
Current portion of long term interest bearing borrowings	16	**–**	4 200
Debentures – long term liability	16	**40 000**	–
Total liabilities		**1 045 929**	1 078 157
TOTAL EQUITY AND LIABILITIES		**1 245 139**	1 258 435

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2010

	Notes	2010 R'000	2009 R'000
Interest income	18.1	**105 576**	120 574
Interest expense	18.2	**(54 970)**	(68 251)
Net interest income		**50 606**	52 323
Impairments charge on loans and advances	7	**(3 960)**	(4 333)
Income from lending activities		**46 646**	47 990
Non interest income	18.3	**31 588**	28 225
Operating income		**78 234**	76 215
Staff costs	18.4	**(45 751)**	(40 629)
Depreciation and amortisation	18.4	**(10 064)**	(7 355)
Operating lease expense	18.4	**(6 029)**	(5 059)
Other expense	18.4	**(31 906)**	(27 781)
Loss before tax		**(15 516)**	(4 609)
Income tax expense	19	**–**	–
LOSS FOR THE YEAR		**(15 516)**	(4 609)
Other comprehensive income/(loss), net of taxation			
Net gain/(loss) on available-for-sale financial assets		**48**	(111)
Revaluation of land and buildings		**4 400**	–
Other comprehensive income/(loss) for the year, net of tax		**4 448**	(111)
TOTAL COMPREHENSIVE (LOSS) FOR THE YEAR		**(11 068)**	(4 720)
Loss attributable to:			
Holding Company		**(15 471)**	(4 596)
Other Shareholders		**(45)**	(13)
		(15 516)	(4 609)
Total comprehensive loss attributable to:			
Holding Company		**(11 036)**	(4 707)
Other Shareholders		**(32)**	(13)
		(11 068)	(4 720)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2010

	Share capital R'000	Share premium R'000	Available for sale financial asset R'000	Properties revaluation reserve R'000	Retained earnings/ (Accumulated loss) R'000	Total R'000
Balance at 1 January 2009	13 958	153 727	30	12 865	4 418	**184 998**
Loss for the year	–	–	–	–	(4 609)	**(4 609)**
Other comprehensive Loss for the year net of income tax	–	–	(111)	–	–	**(111)**
Balance at 31 December 2009	13 958	153 727	(81)	12 865	(191)	**180 278**
Loss for the year	–	–	–	–	(15 516)	**(15 516)**
Other comprehensive income for the year net of income tax	–	–	48	4 400	–	**4 448**
Total comprehensive income/(loss) for the year	13 958	153 727	(33)	17 265	(15 707)	**169 210**
Issue of ordinary shares	2 500	27 500	–	–	–	**30 000**
Balance at 31 December 2010	16 458	181 227	(33)	17 265	(15 707)	**199 210**

STATEMENT OF CASH FLOWS

for the year ended 31 December 2010

	Notes	2010 R'000	2009 R'000
Cash flows from operating activities			
Cash receipts from customers	24.1	137 082	148 646
Cash paid to customers and employees	24.2	(138 656)	(141 720)
Cash (utilised in)/generated from operations	24.5	(1 574)	6 926
Dividends received		82	111
Net increase in income earning assets	24.3	(35 561)	(13 198)
Net decrease in deposits and other accounts	24.4	(71 002)	(87 363)
Net cash outflow from operating activities		(108 055)	(93 524)
Cash flows from investing activities			
Purchase of intangible assets		(10 698)	(2 893)
Purchase of property and equipment		(6 062)	(2 576)
Proceeds on sale of property and equipment		10	306
Proceeds on sale of intangible assets		–	475
Net cash outflow from investing activities		(16 750)	(4 688)
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Bank		30 000	–
Proceeds from issue of convertible notes		40 000	–
Repayment of borrowings		(4 200)	(4 200)
Net cash inflow/(outflow) from investing activities		65 800	(4 200)
Net cash outflow for the year		(59 005)	(102 412)
Cash and cash equivalents at the beginning of the year		124 717	227 129
Cash and cash equivalents at the end of the year		65 712	124 717

The presentation of the Statement of Cash Flows has been changed compared to prior years to provide more meaningful information in respect of the Bank's cash flows.

SIGNIFICANT ACCOUNTING POLICIES

Statement of compliance

The Financial Statements of the Bank have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and are stated in South African Rands, rounded to the nearest thousand (unless otherwise stated).

Basis of presentation

The financial statements have been prepared on the historical cost basis except for certain properties measured at revalued amounts and financial instruments classified as available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss and derivative contracts, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets. The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Use of available information and application of judgment are inherent in the formation of estimates in the following areas: valuation of OTC derivatives, unlisted securities, impairment of loans and receivables, liabilities from open tax years and contingencies from litigation. Actual results in the future may differ from those reported.

Application of new and revised International Financial Reporting Standards (IFRSs)

New standards, amendments and interpretations to existing standards applied from 1 January 2010

– Amendments to IFRS 5, "Non-current Assets Held for Sale and Discontinued Operations " - The amendments to IFRS 5 clarify that the disclosure requirements in IFRSs other than IFRS 5 do not apply to non-current assets (or disposal Banks) classified as held for sale or discontinued operations unless those IFRSs require (i) specific disclosures in respect of non-current assets (or disposal Banks) classified as held for sale or discontinued operations, or (ii) disclosures about measurement of assets and liabilities within a disposal Bank that are not within the scope of the measurement requirement of IFRS 5 and the disclosures are not already provided in the financial statements.

– Amendments to IAS 1, "Presentation of Financial Statements" - The amendments to IAS 1 clarify that the potential settlement of a liability by the issue of equity is not relevant to its classification as current or non-current. In line with the revised Standard, the Bank has classified the liability component of convertible notes issued in the current year as non-current based on when cash settlement is required to be made. This amendment has had no effect on the amounts reported in prior years because the Bank has not previously issued instruments of this nature.

– Amendments to IFRS 7, "Financial Instruments: Disclosures" (as part of Improvements to IFRSs issued in 2010) - The amendments to IFRS 7 clarify the required level of disclosures about credit risk and collateral held and provide relief from disclosures previously required regarding renegotiated loans. The Bank has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

– Amendments to IAS 1, "Presentation of Financial Statements" (as part of Improvements to IFRSs issued in 2010) - The amendments to IAS 1 clarify that an entity may choose to present the required analysis of items of other comprehensive income either in the statement of changes in equity or in the notes to the financial statements. The Bank has applied the amendments in advance of their effective date (annual periods beginning on or after 1 January 2011). The amendments have been applied retrospectively.

New and revised IFRSs applied with no material effect on the financial statements

- Amendments to IFRS 1 First-time Adoption of International Financial Reporting Standards - Additional Exemptions for First-time Adopters - The amendments provide two exemptions when adopting IFRSs for the first time relating to oil and gas assets, and the determination as to whether an arrangement contains a lease.

- Amendments to IFRS 2 Share-based Payment - Bank Cash-settled Share-based Payment Transactions - The amendments clarify the scope of IFRS 2, as well as the accounting for Bank cash-settled share-based payment transactions in the separate (or individual) financial statements of an entity receiving the goods or services when another Bank entity or shareholder has the obligation to settle the award.

- Amendments to IAS 39 Financial Instruments: Recognition and Measurement – Eligible Hedged Items - The amendments provide clarification on two aspects of hedge accounting: identifying inflation as a hedged risk or portion, and hedging with options.
- IFRIC 17 Distributions of Non-cash Assets to Owners - The Interpretation provides guidance on the appropriate accounting treatment when an entity distributes assets other than cash as dividends to its shareholders.
- IFRIC 18 Transfers of Assets from Customers - The Interpretation addresses the accounting by recipients for transfers of property, plant and equipment from 'customers' and concludes that when the item of property, plant and equipment transferred meets the definition of an asset from the perspective of the recipient, the recipient should recognise the asset at its fair value on the date of the transfer, with the credit being recognised as revenue in accordance with IAS 18 Revenue.
- Improvements to IFRSs issued in 2009 - Except for the amendments to IFRS 5, IAS 1 and IAS 7 described earlier in section 2.1, the application of Improvements to IFRSs issued in 2009 has not had any material effect on amounts reported in the financial statements.

New and revised IFRSs in issue but not yet effective

- Amendments to IFRS 1 Limited Exemption from Comparative IFRS 7 Disclosures for First-time Adopters - Effective for annual periods beginning on or after 1 July 2010.
- Amendments to IFRS 7 Disclosures – Transfers of Financial Assets - Effective for annual periods beginning on or after 1 July 2011.
- IFRS 9 (as amended in 2010) Financial Instruments - Effective for annual periods beginning on or after 1 January 2013.
- IAS 24 (revised in 2009) Related Party Disclosures - Effective for annual periods beginning on or after 1 January 2011.
- Amendments to IAS 32 Classification of Rights Issues - Effective for annual periods beginning on or after 1 February 2010.
- Amendments to IFRIC 14 Prepayments of a Minimum Funding Requirement - Effective for annual periods beginning on or after 1 January 2011.
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments - Effective for annual periods beginning on or after 1 July 2010.
- Improvements to IFRSs issued in 2010 (except for the amendments to IFRS 3(2008), IFRS 7, IAS 1 and IAS 28 described earlier in section 2.1) - Effective for annual periods beginning on or after 1 July 2010 and 1 January 2011, as appropriate.

Foreign currency translation

Items included in the financial statements of the Bank are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to that entity ("the functional currency"). The financial statements of the Bank are presented in thousands of South African Rands (ZAR), which is the functional currency of the Bank.

Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on debt securities and other monetary financial assets re-measured at fair value are included in foreign exchange gains and losses. Translation differences on non-monetary financial assets are a component of the change in their fair value. Depending on the classification of a non-monetary financial asset, translation differences are either recognised in the Statement of Comprehensive Income (applicable for example for equity securities held for trading), or within shareholders' equity, if non-monetary financial assets are classified as available for sale investment securities.

Financial instruments

Financial assets and financial liabilities are recognised when a Bank entity becomes a party to the contractual provisions of the instrument.

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets

Financial assets are classified into the following specified categories: financial assets 'at fair value through profit or loss' (FVTPL), 'held-to-maturity' investments, 'available-for-sale' (AVAILABLE FOR SALE) financial assets and 'loans and receivables'. The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition.

Effective Interest Rate

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the debt instrument, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets at fair value through profit and loss

Financial assets are classified as at FVTPL when the financial asset is either held for trading or it is designated as at fair value through profit and loss.

A financial asset is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or
- the financial asset forms part of a Bank of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial assets at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Available for sale financial assets

Available for sale financial assets are non-derivatives that are either designated as available for sale or are not classified as (a) loans and receivables, (b) held-to-maturity investments or (c) financial assets at fair value through profit or loss.

Listed redeemable notes held by the Bank that are traded in an active market are classified as available for sale and are stated at fair value at the end of each reporting period. The Bank also has investments in unlisted shares that are not traded in an active market but that are also classified as available for sale financial assets and stated at fair value at the end of each reporting period (because the directors consider that fair value can be reliably measured).

Changes in the carrying amount of available for sale monetary financial assets relating to changes in foreign currency rates, interest income calculated using the effective interest method and dividends on available for sale equity investments are recognised in profit or loss. Other changes in the carrying amount of available-for-sale financial assets are recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously accumulated in the investments revaluation reserve is reclassified to profit or loss.

Dividends on available for sale equity instruments are recognised in profit or loss when the Bank's right to receive the dividends is established.

The fair value of available for sale monetary financial assets denominated in a foreign currency is determined in that foreign currency and translated at the spot rate prevailing at the end of the reporting period. The foreign exchange gains and losses that are recognised in profit or loss are determined based on the amortised cost of the monetary asset. Other foreign exchange gains and losses are recognised in other comprehensive income.

Available for sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured are measured at cost less any identified impairment losses at the end of each reporting period.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables including trade and other receivables, bank balances and cash, and others are measured at amortised cost using the effective interest method, less any impairment.

Interest income is recognised by applying the effective interest rate.

Impairment of financial assets

Financial assets, other than those at fair value through profit and loss, are assessed for indicators of impairment at the end of each reporting period. Financial assets are considered to be impaired when there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been affected. For Available for sale equity investments, a significant or prolonged decline in the fair value of the security below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- breach of contract, such as a default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Bank's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period of 60 days, as well as observable changes in national or local economic conditions that correlate with default on receivables.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable is considered uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

When an Available for sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss in the period.

In respect of Available for sale equity securities, impairment losses previously recognised in profit or loss are not reversed through profit or loss. Any increase in fair value subsequent to an impairment loss is recognised in other comprehensive income and accumulated under the heading of investments revaluation reserve. In respect of AFS debt securities, impairment losses are subsequently reversed through profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss.

Derecognition of financial assets

The Bank derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

If the Bank neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Bank recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Bank retains substantially all the risks and rewards of ownership of a transferred financial asset, the Bank continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying amount and the sum of the consideration received and receivable and the cumulative gain or loss that had been recognised in other comprehensive income and accumulated in equity is recognised in profit or loss.

On derecognition of a financial asset other than in its entirety (e.g. when the Bank retains an option to repurchase part of a transferred asset or retains a residual interest that does not result in the retention of substantially all the risks and rewards of ownership and the Bank retains control), the Bank allocates the previous carrying amount of the financial asset between the part it continues to recognise under continuing involvement, and the part it no longer recognises on the basis of the relative fair values of those parts on the date of the transfer. The difference between the carrying amount allocated to the part that is no longer recognised and the sum of the consideration received for the part no longer recognised and any cumulative gain or loss allocated to it that had been recognised in other comprehensive income is recognised in profit or loss. A cumulative gain or loss that had been recognised in other comprehensive income is allocated between the part that continues to be recognised and the part that is no longer recognised on the basis of the relative fair values of those parts.

A financial asset (or, where applicable a part of a financial asset or part of a Bank of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Bank retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Bank has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Bank has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Bank's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Bank could be required to repay.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments issued by a Bank entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Bank are recognised at the proceeds received, net of direct issue costs. Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. Conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date.

The conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to other equity.

Where the conversion option remains unexercised at the maturity date of the convertible note, the balance recognised in equity will be transferred to retained profits. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at FVTPL' or 'other financial liabilities'.

Financial liabilities at fair value through profit and loss

Financial liabilities are classified as at FVTPL when the financial liabilities are either held for trading or it is designated as at fair value through profit and loss. A financial liability is classified as held for trading if:

- it has been acquired principally for the purpose of selling it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Bank manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

A financial asset other than a financial asset held for trading may be designated as at FVTPL upon initial recognition if:

– such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

– the financial asset forms part of a Bank of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Bank's documented risk management or investment strategy, and information about the Banking is provided internally on that basis; or

– it forms part of a contract containing one or more embedded derivatives, and IAS 39 Financial Instruments: Recognition and Measurement permits the entire combined contract (asset or liability) to be designated as at FVTPL

Financial liabilities at FVTPL are stated at fair value, with any gains or losses arising on remeasurement recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability and is included in the 'other gains and losses' line item in the statement of comprehensive income.

Other financial liabilities

Other financial liabilities (including borrowings) are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the net carrying amount on initial recognition.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Loans and receivables (including [trade and other receivables, bank balances and cash, and others are measured at amortised cost using the effective interest method, less any impairment.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument.

Financial guarantee contracts issued by the Bank are initially measured at their fair values and, if not designated as at FVTPL, are subsequently measured at the higher of:

- the amount of the obligation under the contract, as determined in accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

Derecognition of financial liabilities

The Bank derecognises financial liabilities when, and only when, the Bank's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

Derivative financial instruments

Derivative financial instruments including foreign exchange contracts, forward rate agreements, currency and interest rate swaps, interest rate futures, currency and interest rate options (both written and purchased) and other derivative financial instruments are initially recognised in the Statement of Financial position at fair value and subsequently re-measured at their fair value. Derivatives are presented in assets when favourable to the Bank and in liabilities when unfavourable to the Bank. Fair values are obtained from quoted market prices, dealer price quotations, discounted cash flow models, as appropriate. Derivatives are not entered into for trading nor speculative purposes. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income.

A derivative may be embedded in another financial instrument, known as “host contract”. In such cases, the derivative instrument is separated from the host contract and treated as a separate derivative, provided that its risks and economic characteristics are not closely related to those of the host contract, the embedded derivative actually meets the definition of a derivative and the host contract is not carried at fair value with unrealised gains and losses reported in the Statement of Comprehensive Income.

Certain derivative instruments transacted as effective economic hedges under the Bank’s risk management positions, do not qualify for hedge accounting under the specific rules of IAS 39 and are therefore treated in the same way as derivative instruments held for trading purposes, i.e. fair value gains and losses are recognised in the Statement of Comprehensive Income.

Investment Securities

Investment securities are initially recognised at fair value (including transaction costs) and classified as available for sale, Investment securities are recognised on the trade date, which is the date that the Bank commits to purchase or sell the asset. Investments where it is impracticable to determine fair value is carried at cost

Available for sale investment securities are measured subsequent to initial recognition at fair value based on quoted bid prices in active markets, dealer price quotations or discounted expected cash flows. Fair values for unquoted equity investments are determined by applying recognised valuation techniques such as price/earnings or price/cash flow ratios, refined to reflect the specific circumstances of the issuer. Unquoted equity instruments whose fair value cannot be reliably estimated are carried at cost. Unrealised gains and losses arising from changes in the fair value of available for sale investment securities are reported in shareholders’ equity, net of taxes (where applicable), until such investment is sold, collected or otherwise disposed of, or until such investment is determined to be impaired.

Available for sale investment securities may be sold in response to needs for liquidity or changes in interest rates, foreign exchange rates or equity prices. When an available for sale investment security is disposed of or impaired, the accumulated unrealised gain or loss included in shareholders’ equity is transferred to the income statement for the period and reported as gains / losses from investment securities. Gains and losses on disposal are determined using the moving average cost method.

Impairment: The Bank assesses at each balance sheet date whether there is objective evidence that an investment security is impaired.

Particularly for equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered, among other factors, in determining whether the assets are impaired.

If any objective evidence of impairment exists for available-for-sale financial assets, the cumulative loss (measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss) is removed from equity and recognised in the Statement of Comprehensive Income. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement. If, in a subsequent period, the fair value of a debt instrument classified as available for sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through the Statement of Comprehensive Income.

Interest earned while holding investment securities is reported as interest income.

Dividend income is recognised when the right to receive payment is established (Declaration date) for equity securities and is separately reported and included in Net other income.

Recognition of deferred Day 1 Profit or loss

When the fair value is determined using valuation models for which not all inputs are market observable prices or rates, the Bank initially recognises a financial instrument at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. Such a difference between the transaction price and the model value is commonly referred to as "Day 1 profit or loss". The Bank does not recognise that initial difference, immediately in profit or loss.

Deferred Day 1 profit or loss is amortised over the life of the instrument, deferred until fair value can be determined using market observable inputs, or realised through settlement. In all instances any unrecognised Day 1 profit or loss is immediately released to income if fair value of the financial instrument in question can be determined either by using market observable model inputs or by reference to a quoted price for the same product in an active market or upon settlement.

After entering into a transaction, the Bank measures the financial instrument at fair value, adjusted for the deferred Day 1 profit or loss. Subsequent changes in fair value are recognised immediately in the income without reversal of deferred Day 1 profits and losses.

Loans and advances

Loans and advances originated by the Bank, where money is provided directly to the borrower, other than those that are originated with the intent to be sold (If any), in which case they are recorded as available for sale investments securities.

Loans originated by the Bank are recognised when cash is advanced to borrowers. Loans and advances to customers are initially recorded at fair value including any transaction costs, and are subsequently valued at amortised cost using the effective interest rate method.

Interest on loans and advances is included in interest income and is recognised on an accrual basis. Fees and direct costs relating to a loan origination, financing or restructuring and to loan commitments are treated as part of the cost of the transaction and are deferred and amortised to interest income over the life of the loan using the effective interest rate method, unless they are designated as at "fair value through profit or loss"

Impairment losses on loans and advances

The Bank assesses at each reporting date whether there is objective evidence that a loan (or group of loans) is impaired. The Bank asses whether objective evidence of impairment exists for loans that are considered individually significant (Specific Provision), and collectively for loans that are not considered individually significant (General Provision).

A loan (or group of loans) is impaired and impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the loan ("loss event") and that loss event (or events) has an impact on the estimated future cash flows of the loan (or group of loans) that can be reliably estimated.

A credit risk provision for loan impairment is established if there is objective evidence that the Bank will be unable to collect all amounts due on a claim according to the original contractual terms

Objective evidence that a claim is impaired includes observable data that comes to the attention of the Bank about the following loss events, but not restricted to:

- significant financial difficulty of the issuer or obligor;
- a breach of contract, such as a default or delinquency in interest or principal payments (in arrears for a period over 90 days);
- the Bank, for economic or legal reasons relating to the borrower's financial difficulty,
- it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a Bank of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank, including:

  a.1. adverse changes in the payment status of borrowers in the Bank (e.g. an increased number of delayed payments); or

  a.2. national or local economic conditions that correlate with defaults on the assets in the Bank.

A provision for loan impairment is reported as a reduction of the carrying amount of a claim on the Statement of Financial Position. Any identified impairment losses are recognised in the Statement of Comprehensive Income.

If there is objective evidence that an impairment loss on loans and receivables carried at amortised cost has incurred, the amount of the loss is measured as the difference between the loans' carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at a) the loan's original effective interest rate, if the loan bears a fixed interest rate, or b) current effective interest rate, if the loan bears a variable interest rate.

In determining impairment losses the bank applies judgement whether there is any information indicating that there maybe a measurable decrease in the expected cash flow from a certain portfolio of loans, prior to the identification of a possible single impaired loan contained in a specific portfolio.

Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects and conditions in the historical period that do not currently exist.

Management utilises estimates based on historical loss experience for assets with similar credit attributes any other evidence collected during normal course of business in the calculation of the different credit portfolios expected future cash flows.

Impairment losses on loans and advances

Management regularly review the methodologies and assumptions applied in the calculation of the estimated future cash flows, the timing thereof and the amount.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in the income statement as part of impairment losses on loans and advances to customers.

Renegotiated loans

Once the terms of a loan have been renegotiated, and the minimum number of payments have been paid and all other conditions required under the new arrangement have been fulfilled, the loan is no longer considered past due. The Bank continuously reviews renegotiated loans to ensure that all criteria are met and that future payments are likely to occur. The loans continue to be subject to individual or collective impairment assessment, calculated using the loan's original effective interest rate.

Regular way purchases and sales

"Regular way" purchases and sales of financial assets and liabilities (that is, those that require delivery within the time frame established by regulation or market convention) are recognised on the settlement date apart from trading and investment securities and derivative financial instruments, which are recognised on the trade date, which is the date that the Bank commits to purchase or sell the asset. Other purchases and sales of trading securities are treated as derivatives until settlement occurs.

Offsetting

Financial assets and liabilities are offset and the net amount is reported in the Statement of Financial Position when, and only when there is a legally enforceable right to offset the recognised amounts and there is an intention to realize the asset and settle the liability simultaneously or on a net basis.

Interest income and expense

Interest income and expense are recognised in the Statement of Comprehensive Income for all interest bearing financial instruments using the effective interest rate method. Interest income includes interest on loans and advances to customers, coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other instruments.

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums or discounts. Fees and direct costs relating to a loan origination or acquiring a security, financing or restructuring and to loan commitments are deferred and amortised to interest income over the life of the instrument using the effective interest rate method Once a financial asset or a group of similar financial assets has been written down as a result of an impairment loss, interest income is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss.

Fee and commission income

Fees and commissions are generally recognised on an accrual basis over the period the service is provided. Commissions and fees arising from negotiating, or participating in the negotiation of a transaction for a third party, such as acquisition of loans, equity shares or other securities or the purchase or sale of businesses, are recognised upon completion of the underlying transaction.

Property and equipment

Property and equipment include land and buildings, leasehold improvements and transportation and other equipment, held by the Bank for use in the supply of services or for administrative purposes. Property and equipment are initially recorded at cost, which includes all costs that are required to bring an asset into operating condition.

Subsequent to initial recognition, property and equipment excluding Land are measured at cost less accumulated depreciation and accumulated impairment losses. Costs incurred subsequent to the acquisition of an asset, which is classified as property and equipment are capitalised, only when it is probable that they will result in future economic benefits to the Bank beyond those originally anticipated for the asset, otherwise they are expensed as incurred. Land & Buildings is subsequently measured, using the revaluation model, at its fair value less accumulated deprecation and impairment losses. Land and Buildings are re valued annually by an independent valuator using market observable data and sufficiently recent similar market transactions.

Depreciation of an item of property and equipment begins when it is available for use and ceases only when the asset is derecognised. Therefore, the depreciation of an item of property and equipment that is retired from active use does not cease unless it is fully depreciated, but its useful life is reassessed. Property and equipment are depreciated on a straight-line basis over their estimated useful lives as follows:

Land	No depreciation
Buildings used in operation	not exceeding 25 years
Leasehold improvements	Residual lease term, not exceeding 5 years
Furniture and related equipment	not exceeding 10 years
Motor vehicles	not exceeding 5 years
Hardware and other equipment	not exceeding 5 years

At each reporting date the Bank assesses whether there is any indication that an item of property and equipment may be impaired. If any such indication exists, the Bank estimates the recoverable amount of the asset. Where the carrying amount of an asset is greater than its estimated recoverable amount, it is written down immediately to its recoverable amount. Gains and losses on disposal of property and equipment are determined by reference to their carrying amount and are taken into account in determining operating profit, where property is re valued the write down is first applied to the revaluation reserve to the extent that the reserve relates to the asset being written down.

Foreclosed assets, which consist of properties acquired through foreclosure in full or partial satisfaction of a related loan, are initially measured at cost, which includes transaction costs, and reported under other assets. After initial recognition foreclosed assets are re-measured at the lower of their carrying amount and fair value less estimated costs to sell. Any gains or losses on liquidation of foreclosed assets are included in other operating income.

Intangible assets

Intangibles assets include computer software and other intangible assets that are separately identifiable.

Computer software and implementation costs includes costs that are directly associated with identifiable and unique software products controlled by the Bank that are anticipated to generate future economic benefits exceeding costs beyond one year. Expenditure, which enhances or extends the performance of computer software programs beyond their original specifications is recognised as a capital improvement and added to the original cost of the software. Computer software development costs recognised as assets, are amortised using the straight-line method over their useful lives, not exceeding a period of 10 years.

Expenditure on starting up an operation or branch, training personnel, advertising and promotion and relocating or reorganizing part or the entire Bank is recognised as an expense when it is incurred.

At each Statement of Financial Position date, management reviews intangible assets and assesses whether there is any indication of impairment. If such indications exist an analysis is performed to assess whether the carrying amount of intangible assets is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

Impairment of intangible assets

At the end of each reporting period, the Bank reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any).

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually, and whenever there is an indication that the asset may be impaired.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement. It requires an assessment of whether: (a) fulfilment of the arrangement is dependent on the use of a specific asset or assets (the asset); and (b) the arrangement conveys a right to use the asset.

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

The Bank is the lessee

Finance lease:

Leases where the Bank has substantially all the risks and rewards of ownership of the asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The outstanding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period. All assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

Operating lease:

Leases where a significant portion of the risks and rewards of ownership of the asset are retained by the lessor, are classified as operating leases. The total payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Comprehensive Income on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

The Bank is the lessor

Finance lease:

When assets are leased out under a finance lease, the present value of the minimum lease payments is recognised as a receivable. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return. Finance lease receivables are included in loans and advances to customers.

Operating lease:

Fixed assets leased out under operating leases are included in the statement of financial position based on the nature of the asset. They are depreciated over their useful lives on a basis consistent with similar owned property. Rental income (net of any incentives given to lessees) is recognised on a straight-line basis over the lease term.

Cash and cash equivalents

For the purposes of the cash flow statement, cash and cash equivalents include cash on hand, unrestricted balances held with central banks, amounts due from other banks, and highly liquid financial assets with original maturities of less than three months from the date of acquisition such as treasury bills and other eligible bills, investment and trading securities which are subject to insignificant risk of changes to fair value and are used by the Bank in the management of its short-term commitments.

Provisions

Provisions are recognised when the Bank has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

Employee benefits

The Bank has a defined contribution retirement benefit plan in accordance with Section 12(4) of the Pension Funds second Amendment Act No. 39 of 2001. Such plans are classified as pension plans or other post retirement benefit plans. Company contributions to the retirement fund are based on a percentage of employees' remuneration. The minimum percentage contribution is recommended by the independent actuaries. Retirement benefits are provided for all permanent staff.

Defined contribution plans

A defined contribution plan is a pension plan under which the Bank pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees' benefits relating to employee service in the current and prior periods. The Bank's contributions to defined contribution plans are charged to the Statement of Comprehensive Income in the year to which they relate and are included in staff costs.

Other post-retirement benefit plans

Bank's employees participate in plans, which provide for various health benefits including post-retirement healthcare benefits. Such plans are all defined contribution and the Bank's contributions are charged to the Statement of Comprehensive Income in the year to which they relate and are included in staff costs.

Income taxes

Income tax payable on profits, based on the applicable tax laws in each jurisdiction, is recognised as an expense in the period in which profits arise.

Deferred income tax is fully provided, using the liability method, on all temporary differences arising between the carrying amounts of assets and liabilities in the Statement of Financial Position and their amounts as measured for tax purposes.

The principal temporary differences arise from revaluation of certain assets. Deferred tax assets relating to the unused tax losses carried forward are recognised to the extent that it is probable that sufficient taxable profits will be available against which these losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on laws that have been enacted at the Statement of Financial Position date.

Borrowings

Borrowings are initially recognised at fair value net of transaction costs incurred. Subsequent measurement is at amortised cost and any difference between net proceeds and the redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method.

Share capital

Share issue costs:

Incremental external costs directly attributable to the issue of shares and other equity items, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds.

Related party transactions

Related parties include entities, which the Bank has the ability to exercise significant influence in making financial and operating decisions. Related parties include, directors, their close relatives, companies owned or controlled by them and companies over which they can influence the financial and operating policies. All banking transactions entered into with related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk.

	2010 R'000	2009 R'000
1. CASH AND CASH EQUIVALENTS		
Coin and bank notes	11 432	10 567
Deposits with other banks	20 244	–
Foreign currency balances	8 010	48 332
Balances with the Central Bank	26 026	65 818
	65 712	124 717
The mandatory reserve balance is included in the above figures.	26 026	24 694

Banks are required to keep a mandatory average balance with the Central Bank. These deposits bear no interest. According to the Bank's Act 2.5% of the Bank's liabilities as adjusted should be maintained therefore no withdrawal below the agreed level should be allowed to this account.

		2010 R'000	2009 R'000
Foreign currency balances		8 010	48 332
Bankers Trust Company NY	USD	1 053	8 954
Standard Chartered Bank NY	USD	614	19 382
National Bank of Greece (London)	GBP	501	910
National Westminster Bank Limited, London	GBP	896	1 490
Thomas Cook USD Travellers Cheques	USD	56	–
Union Bank of Switzerland	CHF	42	332
Bank of Tokyo, Tokyo	JPY	18	199
Sumitomo Bank Limited, Tokyo	JPY	23	621
Westpac Bank Corp, Sydney	Other	120	4 137
Toronto Dominion Bank, Toronto	Other	18	181
Banca Commerciale Italiana, Milano	Euro	359	1 913
Standard Chartered Bank Botswana Ltd	Other	20	127
Deutche Frankfurt Euro Account	Euro	1 169	439
American Express Euro Account	Euro	2 726	9 093
NBG Athens Euro	Euro	395	554

The foreign currency balances are unhedged at the Statement of Financial Position date.

The balances on the nostro accounts are managed on a daily basis and kept to a minimum, hence these balances are not hedged.

2. DERIVATIVE FINANCIAL INSTRUMENTS

A forward exchange contract is a contract between the Bank and its customer whereby a rate of exchange is fixed immediately for the purchase or sale of one currency for another for a transaction that will be completed at some future date.

The notional amount of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments. The notional amounts of these instruments indicate the nominal value of transactions outstanding at the Statement of Financial Position date. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in the market. The Derivative instruments are carried at fair value with movements going through the Statement of Comprehensive Income. The valuation method used to get the fair value, is market observable inputs.

	2010 R'000	2009 R'000
ASSETS		
Foreign exchange contracts		
Notional	150 902	17 868
Fair value	3 762	510
LIABILITIES		
Foreign exchange contracts		
Notional	74 560	15 041
Fair value	3 455	481

3. SHORT-TERM NEGOTIABLE SECURITIES

The Short-Term Negotiable Securities consist of Treasury Bills with interest rates ranging from 5.11% to 6.05% and maturing in the period 5 January 2011 to 21 December 2011. These Financial Investments are classified as available for sale.

They are carried at fair value and all unrealisede gains and losses for these financial instruments are recognised in equity.

Available for sale investments carried at fair value

	2010	2009
At 31 December 2009	65 623	80 267
Purchased Treasury Bills	136 365	153 434
Proceeds from sale of Treasury Bills	(143 825)	(168 078)
At 31 December 2010	58 163	65 623

4. OTHER INVESTMENTS

Other Investments relate to an investment acquired 12 years ago in an unlisted company, called Dandyshelf 3 (Pty)Ltd. The investment acquired consisted of 100 shares (20% interest) in Dandyshelf 3 (Pty) Ltd. Total dividend received this year amounted to R82 000 (2009: R111 000).

The shares are unlisted, and the directors' valuation of the unlisted investment equates to the fair value which approximates cost.

Financial Asset carried at cost

Unlisted

	2010	2009
Fair valuation	15	15

	2010 R'000	2009 R'000
5. OTHER ACCOUNTS RECEIVABLE		
Other accounts receivable and prepaid expenses	12 796	20 278
Treasury specific provision	–	(7 911)
	12 796	12 367

6. LOANS AND ADVANCES

All the advances are variable and the amortised cost carrying value approximates the fair value due to the fact that as interest rates change, the Bank changes the rate to maintain its margin. The Bank has however noted that due to the global credit crisis, the credit risk has increased slightly and the fair value of the advances is slightly less than the amortised cost.

	2010 R'000	2009 R'000
Category analysis		
Overdrafts	173 479	145 425
Property, commercial and other loans	471 924	521 030
Home loans	230 324	196 793
Instalment credit and lease agreements	183 381	154 707
Non performing loans	16 903	21 103
	1 076 011	1 039 058
Less: Impairments of loans and advances	(17 707)	(19 156)
Overdrafts	(4 936)	(8 578)
Property, commercial and other loans	(7 885)	(4 958)
Home loans	(1 450)	(2 922)
Instalment credit and lease agreements	(3 436)	(2 698)
Net loans and advances	1 058 304	1 019 902
Sectoral analysis		
Agriculture	5 667	51
Building and property development	325 546	353 542
Individuals	227 197	188 114
Manufacturing and commerce	210 037	170 154
Transport and communication	33 782	28 304
Electricity and water	12 511	17 197
Other services	261 271	281 696
	1 076 011	1 039 058
Maturity analysis		
Maturing within one year	346 433	249 920
Maturing after one year but within five years	448 578	317 686
Maturing after five years	281 000	471 452
	1 076 011	1 039 058

All loans and advances are granted within the Republic of South Africa.

6. LOANS AND ADVANCES (continued)

2010 Non-performing loans and advances by category	As a % of Advances	Credit Risk R'000	Securities and other expected recoveries R'000	Specific provision R'000
Overdrafts	0,06%	630	–	630
Commercial and property loans	0,80%	8 289	8 112	177
Instalment sale	0,23%	2 417	725	1 692
Home loans	0,53%	5 567	3 036	2 531
Total 2010	1,62%	16 903	11 873	5 030
Non-performing lendings by sector				
Individuals	0,64%	6 715	4 717	1 998
Manufacturing	0,20%	2 066	1 451	615
Trade and accommodation	0,26%	2 692	1 891	801
Transport	0,02%	192	135	57
Financial / Real Estate	0,45%	4 708	3 307	1 401
Other	0,05%	530	372	158
Total 2010	1,62%	16 903	11 873	5 030

2009 Non-performing loans and advances by category	As a % of Advances	Credit Risk R'000	Securities and other expected recoveries R'000	Specific provision R'000
Overdrafts	0,62%	6 477	1 033	5 444
Commercial and property loans	0,45%	4 724	3 658	1 066
Instalment sale	0,15%	1 469	580	889
Home loans	0,81%	8 433	8 433	0
Total 2009	2,03%	21 103	13 704	7 399
Non-performing lendings by sector				
Individuals	0,21%	2 195	1 022	1 173
Manufacturing	0,73%	7 544	1 436	6 108
Trade and accommodation	0,08%	841	841	0
Financial / Real Estate	0,98%	10 120	10 002	118
Other Services	0,02%	293	293	0
Other	0,01%	110	110	0
Total 2009	2,03%	21 103	13 704	7 399

6. LOANS AND ADVANCES (continued)

2010 loans and advances credit analysis

	Consumer R'000	Mortgage R'000	Small Business Loan R'000	Corporate Loan R'000	Total Loan R'000
Neither past due nor impaired	43 602	169 877	267 808	561 135	1 042 422
Past due but not impaired	90	6 230	9 938	428	16 686
Individually impaired	161	7 239	9 503	–	16 903
Gross loans and advances	43 853	**183 346**	**287 249**	**561 563**	**1 076 011**
Total credit impairment	(700)	(2 751)	(7 314)	(6 942)	(17 707)
Less: Specific impairment	(177)	(1 205)	(3 648)	–	(5 030)
Less: Portfolio impairment	(523)	(1 546)	(3 666)	(6 942)	(12 677)
Total net loans and advances	**43 153**	**180 595**	**279 935**	**554 621**	**1 058 304**

Loans and advances neither past due nor individually impaired credit analysis

	Consumer R'000	Mortgage R'000	Small Business Loan R'000	Corporate Loan R'000	Total Loan R'000
Satisfactory risk	42 260	161 745	250 629	541 117	995 751
Watch list	18	–	3 509	15 008	18 535
Substandard list	1 324	8 132	13 670	5 010	28 136
Total	**43 602**	**169 877**	**267 808**	**561 135**	**1 042 422**

Ageing analysis of loans and advances past due but not individually impaired

	Consumer R'000	Mortgage R'000	Small Business Loan R'000	Corporate Loan R'000	Total Loan R'000
Past due up to 30	9	3 589	198	–	3 796
Past due 31 - 60 days	–	1 505	38	–	1 543
Past due 61 - 90 days	81	278	7 338	–	7 697
Past due 91 - 180 days	–	–	506	428	934
Past due 180 - 365 days	–	627	–	–	627
Past due 1 - 2 years	`–	–	372	–	372
Past due over 2 years	–	231	1 486	–	1 717
Total	**90**	**6 230**	**9 938**	**428**	**16 686**

Ageing analysis of loans and advances individually impaired

	Consumer R'000	Mortgage R'000	Small Business Loan R'000	Corporate Loan R'000	Total Loan R'000
Past due up to 30	–	–	–	–	–
Past due 31 - 60 days	–	–	–	–	–
Past due 61 - 90 days	4	1	24	–	29
Past due 91 - 180 days	–	1 531	1 476	–	3 007
Past due 180 - 365 days	119	2 269	380	–	2 768
Past due 1 - 2 years	27	2 881	1 897	–	4 805
Past due over 2 years	10	558	5 726	–	6 294
Total	**160**	**7 240**	**9 503**	**–**	**16 903**

6. LOANS AND ADVANCES (continued)

2009 loans and advances credit analysis

	Consumer R'000	Mortgage R'000	Small Business Loan R'000	Corporate Loan R'000	Total Loan R'000
Neither past due nor impaired	33 849	143 826	469 454	306 301	953 430
Past due but not impaired	828	7 386	55 540	771	64 525
Individually impaired	169	2 056	18 878	–	21 103
Gross loans and advances	34 846	**153 268**	**543 872**	**307 072**	**1 039 058**
Total credit impairment	(748)	(2 951)	(12 520)	(2 937)	(19 156)
Less: Specific impairment	(54)	(778)	(6 567)	–	(7 399)
Less: Portfolio impairment	(694)	(2 173)	(5 953)	(2 937)	(11 757)
Total net loans and advances	**34 098**	**150 317**	**531 352**	**304 135**	**1 019 902**

Loans and advances neither past due nor individually impaired credit analysis

	Consumer R'000	Mortgage R'000	Small Business Loan R'000	Corporate Loan R'000	Total Loan R'000
Satisfactory risk	32 862	137 849	459 185	301 986	931 882
Watch list	–	–	4 141	–	4 141
Substandard list	987	5 977	6 128	4 315	17 407
Total	**33 849**	**143 826**	**469 454**	**306 301**	**953 430**

Ageing analysis of loans and advances past due but not individually impaired

	Consumer R'000	Mortgage R'000	Small Business Loan R'000	Corporate Loan R'000	Total Loan R'000
Past due up to 30	9	2 412	15 498	–	17 919
Past due 31 - 60 days	145	1 289	9 071	–	10 505
Past due 61 - 90 days	28	–	5 710	–	5 738
Past due 91 - 180 days	7	546	2 954	771	4 278
Past due 180 - 365 days	44	2 925	–	–	2 969
Past due 1 - 2 years	`595	–	20 517	–	21 112
Past due over 2 years	–	214	1 790	–	2 004
Total	**828**	**7 386**	**55 540**	**771**	**64 525**

Ageing analysis of loans and advances individually impaired

	Consumer R'000	Mortgage R'000	Small Business Loan R'000	Corporate Loan R'000	Total Loan R'000
Past due up to 30	–	–	–	–	–
Past due 31 - 60 days	–	–	–	–	–
Past due 61 - 90 days	–	–	–	–	–
Past due 91 - 180 days	–	589	–	–	589
Past due 180 - 365 days	76	1 024	6 746	–	7 846
Past due 1 - 2 years	25	6 285	253	–	6 563
Past due over 2 years	68	535	5 502	–	6 105
Total	**169**	**8 433**	**12 501**	**–**	**21 103**

	2010 R'000	2009 R'000
6. SECURITIES HELD IN RESPECT OF ADVANCES		
Loans and Advances:		
Overdrafts	173 479	145 425
Property Loans	311 470	297 645
Commercial Loans	160 454	223 385
Total	645 403	666 455
Securities in respect of Loans and Advances:		
- Cash Investments	40 429	34 828
- Guarantees	99 801	163 743
- Mortgage Bonds	474 159	427 677
- Ceded Insurance Policies	1 830	2 647
- Other Securities	1 981	945
	618 200	629 840
- Secondary Security	9 397	18 450
- Unsecured	17 806	18 165
	645 403	666 455
Securities in respect of Home Loans:		
- Mortgage Bonds (Residential)	228 462	195 426
- Unsecured	1 862	1 367
	230 324	196 793
Securities in respect of Instalment Credit Agreement:		
- Asset Finance in terms of Agreements	183 381	154 707
Securities in respect of Instalment Credit Agreement:		
Other Loans		
- Mortgage Bonds	11 148	12 508
- Ceded Insurance Policies	–	13
- Assets financed in respect of Instalment Credit Agreement	725	580
- Special & General Notarial Bonds	–	200
- Unsecured	5 030	7 802
	16 903	21 103
Total security held by the bank	1 051 313	1 011 724
Total unsecured before provisions	24 698	27 334
Total secured and unsecured	1 076 011	1 039 058

	2010 R'000	2009 R'000
7. IMPAIRMENT CHARGE ON LOANS AND ADVANCES		
Balance at 1 January	**19 156**	19 800
Interest in abeyance	**957**	2 092
Amounts written off against impairments	**(6 415)**	(7 174)
	13 698	14 718
Charge to the Statement of Comprehensive Income	**3 960**	4 333
Specific impairment	**3 094**	5 023
Portfolio impairment	**921**	1 199
Recoveries of balances raised in current year	**(6)**	(1 784)
Recoveries of balance previously written off	**(49)**	(105)
Recoveries of balance previously written off	**49**	105
Balance at 31 December	**17 707**	19 156
Analysis		
Specific impairment	**5 030**	7 399
Portfolio impairment	**12 677**	11 757
	17 707	19 156
Sectoral Analysis		
Individuals	**6 498**	2 396
Manufacturing	**2 164**	10 355
Trade and accomodation	**2 820**	469
Transport	**202**	–
Financial/Real Estate	**5 467**	5 756
Other services	**–**	131
Other	**556**	49
	17 707	19 156

8. PROPERTY AND EQUIPMENT

	Land and buildings R'000	Motor vehicles R'000	Leasehold improvements R'000	Properties brought in R'000	Furniture and fittings R'000	Office equipment R'000	Computer equipment R'000	Total R'000
Cost or valuation								
Balance as at 1 January 2009	13 600	611	9 925	693	9 381	2 994	9 166	46 370
Additions	–	249	1 148	–	336	285	558	2 576
Disposals	–	(174)	–	–	(129)	(1)	(2)	(306)
Balance as at 1 January 2010	13 600	686	11 073	693	9 588	3 278	9 722	48 640
Additions	–	724	1 413	–	1 184	741	2 000	6 062
Disposal	–	–	–	–	(10)	–	–	(10)
revaluation	4 400	–	–	–	–	–	–	4 400
At 31 December 2010	18 000	1 410	12 486	693	10 762	4 019	11 722	59 092
Accumulated depreciation								
Balance as at 1 January 2009	–	(89)	(882)	–	(8 258)	(1 920)	(6 078)	(17 227)
Depreciation charge for the year	–	(123)	(1 330)	(139)	(263)	(370)	(1 233)	(3 458)
Eliminated on disposal	–	174	–	–	107	1	2	284
Impairment loss	–	–	–	–	–	–	–	–
Balance as at 1 January 2010	–	(38)	(2 212)	(139)	(8 414)	(2 289)	(7 309)	(20 401)
Depreciation charge for the year	–	(162)	(1 528)	(139)	(372)	(417)	(1 457)	(4 075)
Eliminated on disposal	–	–	–	–	–	–	–	–
At 31 December 2010	–	(200)	(3 740)	(278)	(8 786)	(2 706)	(8 766)	(24 476)
Carrying amount								
At 31 December 2009	13 600	648	8 861	554	1 174	989	2 413	28 239
At 31 December 2010	**18 000**	**1 210**	**8 746**	**415**	**1 976**	**1 313**	**2 956**	**34 616**

Land and buildings, comprising of erf 1139, Marshalltown, Johannesburg were revalued at 31 December 2010 by CG Frazer and Associates, independent valuers, by reference to market data of recent transactions for similar properties. The valuation conforms to International Valuation Standards. The revalued amount is R18 million at 31 December 2010.

As at 31 December 2010 had the land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately R548 000 (2009: R772 000). The building was purchased in 1973.

9. INTANGIBLE ASSETS

	Cost R'000	Amortisation R'000	Carrying amount
At 31 December 2008	**16 534**	**(7 752)**	**8 782**
Additions	2 652	–	2 652
Disposals	(475)	–	(475)
Amortisation for the year	–	(3 897)	(3 897)
At 31 December 2009	**18 711**	**(11 649)**	**7 062**
Additions	10 698	–	10 698
Amortisation for the year	–	(5 989)	(5 989)
At 31 December 2010	**29 409**	**(17 638)**	**(11 771)**

Intangible assets consist of computer software, licenses and implementation costs. These assets are amortised over the expected useful life of the equipment they are associated with.

10. SHARE CAPITAL

	2010 R'000	2009 R'000
Authorised		
20 000 000 ordinary shares of R1 each (par value)	**20 000**	20 000
Issued and fully paid		
At the beginning of the year – 13 958 000 shares of R1 each	**13 958**	13 958
Shares issued during the year	**2 500**	–
At the end of the year - 16 458 000 shares of R1 each	**16 458**	13 958

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.

11. SHARE PREMIUM

Balance at beginning of the year	**153 727**	153 727
Premium on issue of shares	**27 500**	–
Balance at end of year	**181 227**	153 727

12. REVALUATION RESERVES

	Available for sale reserve (R'000)	Property revaluation reserve (R'000)	Total (R'000)
Balance at 1 January 2009	30	12 865	12 895
Decrease in fair value of available-for-sale investments	(111)	–	(111)
Balance at 1 January 2010	(81)	12 865	12 784
Increase in fair value of available-for-sale investments	48	4 400	4 448
Balance at 31 December 2010	**(33)**	**17 265**	**17 232**

The available for sale reserve comprises the mark to market valuation of available for sale investments. The revaluation reserves are not available for distribution to the Bank's shareholders.

	2010 R'000	2009 R'000
13. DEPOSITS AND CURRENT ACCOUNTS		
Demand deposits	**423 217**	483 436
Customer foreign currency deposits	**48 511**	42 241
Term deposits	**471 800**	402 782
Negotiable certificates of deposit	**1 740**	1 830
	945 268	930 289
Deposits from banks	**41 037**	127 351
	986 305	1 057 640
Included in deposits from banks are:		
Amounts due to holding company	**35 526**	127 062
Amounts due to other banks	**5 511**	289
	41 037	127 351
Maturity analysis		
On demand	**512 765**	653 027
Maturing within one month	**20 720**	21 703
Maturing after one but within six months	**409 942**	353 103
Maturing after six months but within twelve months	**42 878**	29 807
	986 305	1 057 640

Included in the amounts due to holding company is the overnight loan from NBG for R33m at an average daily interest rate of 7,5%.

	2010 R'000	2009 R'000
14. ACCOUNTS PAYABLE		
Accruals	**7 187**	3 823
Sundry creditors	**7 952**	10 687
	15 139	14 510
15. PROVISIONS		
Audit fees		
Opening balance	**1 326**	1 103
Charge to Statement of Comprehensive Income	**1 305**	1 588
Utilised	**(1 305)**	(1 365)
Additional provisions made in the period, including increases to existing provisions:	**(296)**	
Closing balance	**1 030**	1 326
Total provisions	**1 030**	1 326

16. DEBENTURES – LONG-TERM LIABILITY

Comprise unsecured debentures issued in 2010 in favour of NBG bearing interest at the aggregate of the applicable 6 month JIBAR plus a margin of 1.6 percent per annum with a maturity of 10 years. The capital amount is repayable in five annual installments, equal to 20% of the capital, commencing during 2016.

NBG has the option to take up ordinary shares of R1.00 each, either in full or in part, in lieu of any or all repayments. These debentures qualify as secondary capital in terms of the Regulations relating to Banks.

	2010 R'000	2009 R'000
Balance as at 31 December	**40 000**	4 200
Short-term portion	**–**	(4 200)
Long-term portion	**40 000**	–

	2010 R'000	2009 R'000

17. CONTINGENCIES AND COMMITMENTS

17.1 Contingencies

	2010 R'000	2009 R'000
Letters of credit	11 446	10 293
Liabilities under guarantees	71 422	45 443
Irrevocable unutilised facilities	124 018	48 553
Net open foreign currency position	2 726	9 952
Legal claim instituted by borrowers	132	132
	209 744	114 373

17.2 Commitments under operating lease

	2010 R'000	2009 R'000
Within one year	4 842	4 435
Two to five years	10 777	12 907
After five years	453	1 174
	16 072	18 516

Commitments under operating lease relates to the leasing of the various branch premises.

	2010 R'000	2009 R'000
18. PROFIT/(LOSS) FROM OPERATIONS		
18.1 Interest income		
Balances with banks and short-term funds	1 971	3 985
Short-term negotiable securities	4 520	5 690
Loans and advances	99 085	110 899
	105 576	120 574
18.2 Interest expense		
Deposits from banks	10 947	5 530
Current and deposit accounts	13 314	20 037
Savings accounts	4 090	4 938
Other term deposits	26 390	37 242
Interest bearing long-term debt	229	504
	54 970	68 251
18.3 Non-interest income		
Commission earnings	29 359	30 803
Foreign exchange profit/(loss)	1 019	(2 928)
Dividend income	82	111
Profit on sale of equipment	–	42
Other income	1 128	197
	31 588	28 225
18.4 Operating expenses		
Staff costs	45 751	40 629
Salaries, wages and allowances	35 880	29 462
Contributions to provident fund and other staff funds	4 269	6 582
Director's emoluments	3 785	3 101
Other	1 817	1 484
Depreciation and amortisation	10 064	7 355
Land and buildings	199	208
Motor vehicles	162	123
Furniture and fittings	372	263
Office equipment	417	370
Computer equipment	1 457	1 233
Depreciation leasehold improvements	1 329	1 122
Depreciation properties brought in	139	139
Computer software	5 650	3 566
Computer implementation	339	331
Operating lease charges	6 029	5 059
Other operating expenses	31 906	27 781
	93 750	80 824

19. TAXATION

The Bank is in an assessed loss position of R41 million as at 31 December 2010.

A deferred tax asset has not been recognised as the probability of future profits to offset against the assessed loss are unlikely.

20. UNDISCOUNTED CASH FLOWS OF FINANCIAL LIABILITIES

	Carrying amount R'000	Up to 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	1 - 2 years R'000	2 - 5 years R'000	5+ years R'000
2010							
Debentures	40 000	–	–	2 410	2 555	8 625	53 062
Derivative financial instrument	3 455	1 184	2 078	193	–	–	–
Due to customers	945 268	492 819	362 371	92 412	–	–	–
Due to banks	41 037	41 300	–	–	–	–	–
Other accounts payable	15 139	8 885	578	2 808	1 245	1 400	223
Provisions	1 030	–	–	1 030	–	–	–
	1 045 929	544 188	365 027	98 853	3 800	10 025	53 285
2009							
Debentures	4 200	–	–	4 452	–	–	–
Derivative financial instrument	481	352	124	5	–	–	–
Due to customers	930 289	549 600	291 200	100 075	–	–	–
Due to banks	127 351	128 160	–	–	–	–	–
Other accounts payable	14 510	8 119	855	1 421	4 116	–	–
Provisions	1 326	–	–	1 326	–	–	–
	1 078 157	686 231	292 179	107 279	4 116	–	–

21. CATEGORIES AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	2010		2009	
Assets	**Fair Value**	**Carrying Value**	Fair Value	Carrying Value
Available-for-sale	58 163	58 163	65 623	65 623
Short term negotiable securities	58 163	58 163	65 623	65 623
Loans and Receivables	1 136 812	1 136 812	1 156 986	1 156 986
Cash and cash equivalents	65 712	65 712	124 717	124 717
Advances	1 058 304	1 058 304	1 019 902	1 019 902
Other accounts Receivables	12 796	12 796	12 367	12 367
Held for trading	3 762	3 762	510	510
Derivative Financial Instruments	3 762	3 762	510	510
Held at Cost	15	15	15	15
Other investments	15	15	15	15
Liabilities				
Held for trading	3 455	3 455	481	481
Derivative Financial Instruments	3 455	3 455	481	481
Other Financial Liabilities	1 041 444	1 041 444	1 076 350	1 076 350
Deposits	986 305	986 305	1 057 640	1 057 640
Other accounts payable	15 139	15 139	14 510	14 510
Debenture	40 000	40 000	4 200	4 200

Fair value levels 2010	**Level 1**	Level 1
Asset		
Short term negotiable securities	58 163	65 623
Derivative financial instruments	3 762	510
Liabilities		
Derivative financial instruments	3 455	481

22. FINANCIAL RISK MANAGEMENT

22.1 Capital management

The table below summarises the composition of regulatory capital and the ratios of the Bank for the years ended 31 December.

	31 Dec 2010	31 Dec 2009
Tier 1 capital		
Share capital	16 458	13 958
Share premium	181 227	153 727
General banking reserves		
Deductions against capital and reserve funds	(15 954)	4 420
Less: intangible assets	(11 771)	(7 062)
Total qualifying Tier 1 capital	169 960	165 045
Tier 2 capital		
Term debt instruments	40 000	4 200
Revaluation reserve – available-for-sale investments	8 633	6 433
Collective impairment allowance	10 015	10 111
Total qualifying Tier 2 capital	58 648	20 744
Total regulatory capital	228 608	185 789
Risk-weighted assets:		
Risk weighted assets	1 259 038	1 372 459
Total risk-weighted assets	1 259 038	1 372 459
Capital Adequacy ratio	18,16%	13,54%

22. FINANCIAL RISK MANAGEMENT (continued)

22.2 Liquidity risk tables

The following tables detail the Bank's remaining contractual maturity for its financial assets and liabilities with agreed repayment periods. The tables have been drawn up based on the undiscounted cash flows of financial assets and liabilities based on the earliest date on which the Bank can be required to pay. The tables include both interest and principal cash flows. The contractual maturity is based on the earliest date on which the Bank may be required to pay.

Liquidity Risk 2010

Assets - R'000	Up to 1 month	1 – 2 months	3 – 6 months	7 – 12 months	1 – 5 years	Over 5 years	Total
Cash and cash equivalents	65 712	–	–	–	–	–	65 712
Derivative financial assets	1 722	1 838	202	–	–	–	3 762
Short-term negotiable securities	9 976	–	4 932	43 255	–	–	58 163
Other investments	–	–	–	–	15	–	15
Advances	187 892	14 412	57 628	86 454	430 918	281 000	1 058 304
Other accounts receivable	10 750	253	179	818	796	–	12 796
Property and equipment	–	–	–	–	–	34 616	34 616
Intangible assets	–	–	–	–	–	11 771	11 771
	276 052	16 503	62 941	130 527	431 729	327 387	1 245 139

Liabilities - R'000	Up to 1 month	1 – 2 months	3 – 6 months	7 – 12 months	1 – 5 years	Over 5 years	Total
Long-term interest bearing borrowings	–	–	–	–	–	40 000	40 000
Deposits, current and other accounts	533 485	276 925	133 017	42 878	–	–	986 305
Derivative financial liabilities	1 184	1 318	953	–	–	–	3 455
Other liabilities	8 885	326	1 405	1 656	2 644	223	15 139
Provision	–	–	1 030	–	–	–	1 030
	543 554	278 569	136 405	44 534	2 644	40 223	1 045 929

Liquidity Risk 2009

Assets	Up to 1 month	1 – 2 months	3 – 6 months	7 – 12 months	1 – 5 years	Over 5 years	Total
Cash and cash equivalents	124 717	–	–	–	–	–	124 717
Derivative financial assets	338	161	11	–	–	–	510
Short-term negotiable securities	4 825	32 811	27 987	–	–	–	65 623
Other investments	–	–	–	–	15	–	15
Advances	154 133	17 416	78 371	–	298 530	471 452	1 019 902
Other accounts receivable	12 367	–	–	–	–	–	12 367
Property and equipment	–	–	–	–	–	28 239	28 239
Intangible assets	–	–	–	–	–	7 062	7 062
	296 380	50 388	106 369	–	298 545	506 753	1 258 435

Liabilities	Up to 1 month	1 – 2 months	3 – 6 months	7 – 12 months	1 – 5 years	Over 5 years	Total
Current portion of long-term interest bearing borrowings	–	–	–	4 200	–	–	4 200
Deposits, current and other accounts	674 731	198 454	154 649	29 806	–	–	1 057 640
Derivative financial liabilities	291	124	66	–	–	–	481
Other liabilities	6 568	855	2 970	4 117	–	–	14 510
Provision	–	–	1 326	–	–	–	1 326
	681 590	199 433	159 011	38 123	–	–	1 078 157

22. FINANCIAL RISK MANAGEMENT (continued)

22.3 Interest rate risk

The risk is managed by the Bank by maintaining an appropriate mix between fixed and floating rate borrowings. Liquidity and interest rate risk management are essentially inseparable from the core banking activities of advances growth and profitability management. Liquidity and interest rate risk management form an integral part of proactive asset and liability management, which is managed by the Bank's Asset and Liability Committee (ALCO). Liquidity is managed on a cash flow approach. Liquidity is ensured through optimal funding strategies taking into account various interest rate scenarios, as well as taking cognizance of available inter-bank lines of credit and the substantial committed lines of credit from the Bank's majority shareholder to cater for unforeseen circumstances.

Stress scenarios and testing have been undertaken thereby allowing the bank to identify and be prepared for such eventualities. These scenarios have ensured that the Bank is well prepared to manage any liquidity or interest rate risks that may occur.

The Bank's exposures to interest rates on financial assets and financial liabilities are detailed in the liquidity risk management section of this note.

	Fixed R'000	Floating R'000	Non-interest sensitive R'000	Total R'000
Interest rate risk 2010				
Assets				
Cash and cash equivalents	–	28 254	37 458	65 712
Derivative financial assets	–	–	3 762	3 762
Short-term negotiable assets	58 163	–	–	58 163
Other investments	–	–	15	15
Advances	–	1 058 304	–	1 058 304
Other accounts receivable	–	–	12 796	12 796
Property and equipment	–	–	34 616	34 616
Intangible assets	–	–	11 771	11 771
	58 163	1 086 558	100 418	1 245 139
Liabilities				
Long term interest bearing borrowings	–	40 000	–	40 000
Deposits, current and other accounts	132 935	853 370	–	986 305
Derivative financial liabilities	–	–	3 455	3 455
Other liabilities	–	–	15 139	15 139
Provision	–	–	1 030	1 030
	132 935	893 370	19 624	1 045 929
Interest rate risk 2009				
Assets				
Cash and cash equivalents	–	48 333	76 384	124 717
Derivative financial assets	–	–	510	510
Short-term negotiable assets	65 623	–	–	65 623
Other investments	–	–	15	15
Advances	–	1 019 902	–	1 019 902
Other accounts receivable	–	–	12 367	12 367
Property and equipment	–	–	28 239	28 239
Intangible assets	–	–	7 062	7 062
	65 623	1 068 235	124 577	1 258 435
Liabilities				
Current portion of long term interest bearing borrowings	4 200	–	–	4 200
Deposits, current and other accounts	129 984	927 656	–	1 057 640
Derivative financial liabilities	–	–	481	481
Other liabilities	–	–	14 510	14 510
Provision	–	–	1 326	1 326
	134 184	927 656	16 317	1 078 157

22. FINANCIAL RISK MANAGEMENT (continued)

22.4 Interest rate Sensitivity Analysis 2010

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	Non interest bearing	Total
Assets							
Cash and cash equivalents	–	–	–	–	–	37 458	37 458
Due from other banks	28 254	–	–	–	–	–	28 254
Derivative financial assets	–	–	–	–	–	3 762	3 762
Short-term negotiable assets	9 976	4 932	43 255	–	–	–	58 163
Other investments	–	–	–	–	–	15	15
Advances	1 058 304	–	–	–	–	–	1 058 304
Other accounts receivable	–	–	–	–	–	12 796	12 796
Property and equipment	–	–	–	–	–	34 616	34 616
Intangible assets	–	–	–	–	–	11 771	11 771
	1 096 534	4 932	43 255	–	–	100 418	1 245 139
Liabilities							
Due to other banks	41 037	–	–	–	–	–	41 037
Due to customers	492 448	276 925	133 017	42 878	–	–	945 268
Derivative financial assets	–	–	–	–	–	3 455	3 455
Debentures	–	–	40 000	–	–	–	40 000
Other liabilities	–	–	–	–	–	15 139	15 139
Provision	–	–	–	–	–	1 030	1 030
	533 485	276 925	173 017	42 878	–	19 624	1 045 929

Interest rate Sensitivity Analysis 2009

	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 3 years	Non interest bearing	Total
Assets							
Cash and cash equivalents	–	–	–	–	–	76 384	76 384
Due from other banks	48 333	–	–	–	–	–	48 333
Derivative financial assets	–	–	–	–	–	510	510
Short-term negotiable assets	4 825	32 811	27 987	–	–	–	65 623
Other investments	–	–	–	–	–	15	15
Advances	1 019 902	–	–	–	–	–	1 019 902
Other accounts receivable	–	–	–	–	–	12 367	12 367
Property and equipment	–	–	–	–	–	28 239	28 239
Intangible assets	–	–	–	–	–	7 062	7 062
	1 073 060	32 811	27 987	–	–	124 577	1 258 435
Liabilities							
Due to other banks	127 351	–	–	–	–	–	127 351
Due to customers	547 380	288 060	94 849	–	–	–	930 289
Derivative financial assets	–	–	–	–	–	481	481
Debentures	–	–	4 200	–	–	–	4 200
Other liabilities	–	–	–	–	–	14 510	14 510
Provision	–	–	–	–	–	1 326	1 326
	674 731	288 060	99 049	–	–	16 317	1 078 157

22. FINANCIAL RISK MANAGEMENT (continued)

22.5 Foreign currency risk exposure 2010

The Group undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts. The carrying amounts of the Group's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows.

Assets	ZAR R'000	USD R'000	Euro R'000	Other R'000	Total R'000
Cash and cash equivalents	57 800	1 755	4 668	1 489	65 712
Derivative financial assets	–	2 899	244	619	3 762
Short-term negotiable assets	58 163	–	–	–	58 163
Other investments	15	–	–	–	15
Advances	1 058 288	16	–	–	1 058 304
Other accounts receivable	12 796	–	–	–	12 796
Property and equipment	34 616	–	–	–	34 616
Intangible assets	11 771	–	–	–	11 771
	1 233 449	4 670	4 912	2 108	1 245 139
Liabilities					
Deposits, current and other accounts	904 524	75 755	4 719	1 307	986 305
Derivative financial liabilities	–	2 638	233	584	3 455
Other liabilities	15 139	–	–	–	15 139
Provision	1 030	–	–	–	1 030
Long term liabilities	40 000	–	–	–	40 000
	960 693	78 393	4 952	1 891	1 045 929

Foreign currency risk exposure 2009

Assets	ZAR R'000	USD R'000	Euro R'000	Other R'000	Total R'000
Cash and cash equivalents	80 713	28 424	12 328	3 252	124 717
Derivative financial assets	–	262	248	–	510
Short-term negotiable assets	65 623	–	–	–	65 623
Other investments	15	–	–	–	15
Advances	1 016 310	3 592	–	–	1 019 902
Other accounts receivable	12 367	–	–	–	12 367
Property and equipment	28 239	–	–	–	28 239
Intangible assets	7 062	–	–	–	7 062
	1 210 329	32 278	12 576	3 252	1 258 435
Liabilities					
Deposits, current and other accounts	889 367	161 515	6 325	433	1 057 640
Derivative financial liabilities	–	213	268	–	481
Other liabilities	18 710	–	–	–	18 710
Provision	1 326	–	–	–	1 326
	909 403	161 728	6 593	433	1 078 157

23. RETIREMENT FUND

All permanent employees of the Bank are members of The South African Bank of Athens Provident Fund, which is administered by Liberty Life.

The Fund is a defined contribution fund and is subject to the Pension Fund Act, 1956. This Fund was converted from a defined benefit fund on 1 April 2002.

	2010 R'000	2009 R'000

24. CASH FLOW FROM OPERATING ACTIVITIES

24.1 Cash received from customers

	2010 R'000	2009 R'000
Interest income	105 576	120 574
Non-interest income	31 588	28 225
	137 164	148 799
Adjusted for:		
Dividends received	(82)	(111)
Profit on sale of assets	–	(42)
	137 082	148 646

24.2 Cash paid to customers and employees

	2010 R'000	2009 R'000
Interest expenditure	(54 970)	(68 251)
Operating expenditure	(93 750)	(80 824)
	(148 720)	(149 075)
Adjusted for:		
Depreciation	4 075	3 458
Amortisation	5 989	3 897
	(138 656)	(141 720)

24.3 (Increase)/decrease in income-earning assets

	2010 R'000	2009 R'000
Negotiable securities and other assets	7 460	14 644
Loans and advances	(42 362)	(20 684)
Net derivative instruments	(230)	(78)
Other accounts receivable	(429)	(7 080)
	(35 561)	(13 198)

24.4 (Increase)/decrease in deposits and other liabilities

	2010 R'000	2009 R'000
Deposits and current accounts	(71 335)	(90 390)
Other accounts payable and provisions	333	3 027
	(71 002)	(87 363)

24.5 Reconciliation of loss to net cash flow from operating activities

	2010 R'000	2009 R'000
Net Income/(Loss) from operations	(15 516)	(4 609)
Adjusted for:		
Depreciation	4 075	3 458
Amortisation	5 989	3 897
Impairment charges	3 960	4 333
Dividends received	(82)	(111)
Cash (utilised in)/generated from operations	(1 574)	6 968

25. RELATED-PARTY TRANSACTIONS

25.1 Identification of related parties

The holding company is NBG (incorporated in Greece). During the year the Bank, in the ordinary course of business, entered into various transactions with NBG, its associated companies and Directors of the Bank. These transactions occurred under terms that were no more or less favourable than those arranged with third parties. All of these entities listed below and the directors have been classified as related parties.

25.2 Related-party transactions with holding company and its associated companies

NBG issued a guarantee of R250m in respect of the loan of R226m granted by the Bank to Intralot (SA)(Pty)Ltd in 2007.

	Amounts owed by related parties at 31 December 2010 R'000	Amounts owed to related parties at 31 December 2010 R'000
Holding company		
NBG	395	75 525
Holding company		
NBG London	501	–

	Amounts owed by related parties at 31 December 2009 R'000	Amounts owed to related parties at 31 December 2009 R'000
Holding company		
NBG	554	131 262
Holding company		
NBG London	911	–

25. RELATED-PARTY TRANSACTIONS (continued)

25.3 Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2010 R'000	2009 R'000
Directors emoluments	**3 785**	3 101
Non-executive directors	**642**	256
GL Ashmead	**114**	78
G Bizos	**65**	55
TJ Fearnhead	**210**	70
G Lanaras	**48**	36
P Ranchod	**205**	17
Executive directors	**3 143**	2 845
S Georgopoulos	**2 449**	0
DN Koutakis	**694**	654
H Zarca	**–**	2 191

The remuneration of directors is determined by the Remuneration & Transformation Committee having regard to the performance of individuals and market trends.

25. RELATED-PARTY TRANSACTIONS (continued)

25.4 Transactions with directors and their associated companies are at arms length.

	Amounts owed by related parties at 31 December 2010 R'000	**Amounts owed to related parties at 31 December 2010 R'000**
Mr GL Ashmead	**–**	**28 311**
Mr DN Koutakis	**–**	**24**

	Amounts owed by related parties at 31 December 2009 R'000	Amounts owed to related parties at 31 December 2009 R'000
Mr GL Ashmead	–	38
Mr DN Koutakis	–	10

	2010 R'000	2009 R'000
25.5 Other related-party transactions with directors		
Letters of guarantees		
Mr DN Koutakis	**15**	15

26. PRINCIPAL FOREIGN CURRENCY CONVERSION RATES

	2010	2009
Pound Sterling	**10.2685**	11.8970
United States Dollar	**6.6320**	7.4000
Euro	**8.8693**	10.6335

27. GOING CONCERN

We draw attention to the fact that at 31 December 2010, the Bank incurred a loss of R15,5m (2009: R4,6m). The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. The ability of the Bank to continue as a going concern is dependent on a number of factors, the most significant of these is that the directors continue to procure funding for the ongoing operations for the Bank from the holding company. NBG has confirmed its continued financial support for the forthcoming year, ending 31 December 2011 and confirmed its continued undertaking and ability to provide further financial support to the Bank for the foreseeable future, should this be required, enabling it to pay its debts as and when they fall due.

CAPITAL ADEQUACY STATEMENT

for the year ended 31 December 2010

	Risk weighted %	Exposure equivalent	Risk weighted Assets 2010	Risk weighted Assets 2009
1. RISK WEIGHTED EXPOSURE EQUIVALENT AMOUNT				
CREDIT RISK EXPOSURE		1 171 473	864 379	809 010
– Exposures to the Central bank	0	58 163	0	0
– Short term exposures to rated banks (direct and through guarantees) and Unutilised facilities less than 1 year.	20	17 297	3 458	14 621
– Residential mortgage exposures with an LTV of less than 80%	35	142 529	49 885	42 856
– Past due residential mortgage exposures with provisions greater than 20% of exposure, performance related guarantees and unutilised facilities greater than 1 year.	50	91 277	45 639	79 200
– Retail exposures	75	397 389	298 042	240 591
– All other exposures and off balance sheet items	100	459 744	459 744	413 371
– Other past due exposure with provisions less than 20%	150	5 074	7 611	18 371
Credit concentration risk			185 785	343 517
Operational risk exposure			156 699	155 753
Market risk exposure			2 806	14 127
Equity risk exposure			15	15
Other risk exposure			49 354	50 037
TOTAL			1 259 038	1 372 459
Minimum required capital and reserve funds at 9.5%			119 609	130 384
Additional bank-specific capital requirement at 0,25%			3 148	3 431
2. TOTAL NET QUALIFYING CAPITAL				
Primary Capital and reserve funds			169 960	165 045
Secondary Capital and reserve funds			58 648	20 744
			18.16%	13.54%
Tier 1 Capital adequacy ratio			13.50%	12.03%
Tier 2 Capital adequacy ratio			4.66%	1.51%

NOTICE OF ANNUAL GENERAL MEETING

The South African Bank of Athens Limited

(Registered Bank)
(Registration number 1947/025414/06)

Notice is hereby given that the sixty second Annual General Meeting of Members will be held on the 4th Floor of The Bank of Athens building, 116 Marshall Street, Johannesburg on 15 June 2011, at 10h00 to transact the following business:

1. To consider the annual financial statements for the year ended 31 December 2010.

2. (a) To confirm the remuneration paid to directors for the past year.

   (b) To re-elect Messrs. G Bizos, G Lanaras and A Lizos as directors in terms of the Articles of Association of the Company.

3. (a) To approve the remuneration of the auditors for the past year.

   (b) To re-elect Deloitte & Touche as auditors until the conclusion of the next Annual General Meeting.

4. To consider and, if deemed fit, to pass with or without modification, the following resolution:

   That the directors be, and they are hereby authorised to allot and issue the unissued shares of the Company on such terms and conditions as they deem fit, but subject to prior notification to and specific approval by National Bank of Greece S.A., such authority to have effect until the next Annual General Meeting, provided it shall not extend beyond 15 (fifteen) months from the date of this Annual General Meeting.

By order of the Board

N Mukanya
Company Secretary

116 Marshall Street
Johannesburg 2001
29 April 2011

A member entitled to attend and vote at the meeting is entitled to appoint a proxy to attend, speak and vote in his/her stead.

A proxy need not be a member of the company. Proxy forms must reach the registered office of the company not less than 48 hours before the time for holding the meeting.

FORM OF PROXY

The South African Bank of Athens Limited

(Registered Bank)
(Registration number 1947/025414/06)

I/We --

(Block letters)

of --

(Block letters)

being a member/members of the above mentioned company, as entitled to vote, hereby appoint

----

of --

or failing him, the Chairman of the meeting as my/our proxy to vote for me/us and on my/our behalf at the Annual General Meeting of the company to be held at 10h00 on Wednesday, 15 June 2011 or at any adjournment thereof.

(Please indicate with an "X" in the appropriate spaces below how you wish your vote to be cast. Unless this is done, the proxy will be deemed to have been authorised to vote as he thinks fit).

	For	Against	Abstain
1. Resolution to adopt the financial statements.			
2. (a) Resolution to confirm the remuneration paid to directors for the past year. **(b)** Resolution to re-elect retiring directors: To re-elect Messrs. G Bizos, G Lanaras and A Lizos as directors in terms of the articles of Association of the company **3. (a)** Resolution to approve the remuneration of the auditors for the past audit. **(b)** Resolution to re-elect auditors Deloitte & Touche until the conclusion of the next Annual General Meeting.			
4. Resolution to renew, until the next Annual General Meeting, the authority of the directors to allot, at their discretion, the unissued shares of the company, but subject to the prior notification to and the specific approval by National Bank of Greece S.A.			

Signed at -- on this day -------------------- of -------------------- 2011

Signature of member --

FORM OF PROXY

(continued)

NOTES

1. This proxy form must be signed and dated. The proxy form must reach the office of the Company Secretary not less than 48 hours before the Annual General Meeting.
2. If this proxy is signed under power of attorney, such power of attorney, unless previously registered with the company, must accompany it, failing which the proxy cannot be used at the Annual General Meeting.
3. Each member entitled to vote at this Annual General Meeting may appoint a proxy (who need not be a member) to attend, speak, and on a poll, vote in his/her stead.

NETWORK DETAILS

BRANCHES

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Bedfordview, 2094
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Private Bag X19, Gardenview, 2047
Tel: (+27 11) 622-8106/7
Fax: (+27 11) 622-7623
Manager: C Weeks

Benoni
15 Tom Jones Street, Benoni, 1501
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Ms. A du Plessis

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Icon Centre
cnr. Loop & Hans Strydom
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Foreshore
Cape Town, 8001
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Telegrams BANKATEN Cape Town
Tel: (+27 21) 461-0355
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Manager: Ms A Parlas

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Manager: R Dorasamy

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Christiaan De Wet Roads,
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Manager: E Buysse

Glen Marais
Shop 14
Glen Balad Shopping Centre
Cnr Loam & Fried Street
Glen Marais Extension 17
Kempton Park, 1619
Tel: (+27 11) 396-2840/1
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