CONTENTS

BUSINESS PHILOSOPHY AND PROFILE

The South African Bank of Athens Limited ('the Bank') was established in 1947 with the aim of servicing the financial needs, supporting and backing the commercial activities of the Hellenes residing in South Africa. The Bank has, however, expanded its horizons to the entire local small-to-medium sized entrepreneurial business community, so as to accommodate the multi-lingual and socio-economic changes in South Africa.

The Bank is a 99,67% subsidiary of National Bank of Greece S.A., a major international banking and financial services provider listed on the New York and Athens Stock Exchanges, with total assets in excess of €100 billion. The parent company's commitment and close involvement with the Bank provides a solid foundation and contact to the financial centres of the global market.

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

In order to succeed in the above objective, the Bank maintains a versatile Electronic Banking platform and continues to develop through training the technical and services skills of its employees.

The Bank is committed to endorse and support the Code of Banking Practice and the Financial Sector Charter. The Bank's employees are continuously guided by high ethical standards.

The Bank is an Authorised Financial Services Provider.

FINANCIAL HIGHLIGHTS

	2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000
Statement of financial position					
Capital and reserves	**180 278**	184 998	85 722	65 283	54 074
Secondary capital	**4 200**	8 400	12 600	21 000	21 000
Total assets	**1 258 435**	1 356 118	1 140 276	825 966	651 340
Statement of comprehensive income					
Total income	**80 548**	97 604	80 440	70 195	63 451
Net operating (loss)/profit before taxation	**(4 609)**	24 179	16 767	7 855	3 814
Attributable (loss)/profit to ordinary shareholders	**(4 609)**	24 179	16 767	7 855	3 814

CHAIRPERSON AND CHIEF EXECUTIVE OFFICER ANNUAL REPORT

The Chairperson and Chief Executive officer have the pleasure in presenting their report for the year ended 31 December 2009.

2009 at a glance

2009 was a challenging year for The South African Bank of Athens, which saw earnings drop from a profit of R24 million to a loss of R4,6 million. It was the first time in more than five years that we saw a reversal of the steady earnings growth that has been experienced by the Bank.

Main Challenges, Achievements and Developments

- Customers feeling the pressure of the credit crunch and the ability to repay debt remained under strain resulting in the increase in the non-performing loan book.
- The 5% drop in interest rates saw interest income decline significantly and margins squeezed.
- The Bank went through a Section 6 and 7 audit instituted by the South African Reserve Bank which impacted negatively on management's focus on new business initiatives and resulted in increased operational costs of over R4 million.
- The Bank continued to make good progress with the stabilisation and improvement of the core banking system.
- Implementation of risk management policies and methodologies such as key risk areas, risk and control self assessment, risk register and International Capital Adequacy Assessment Process.
- Changed from a Risk Management to an Enterprise Risk Management Committee ("ERM") during the first quarter of 2009.
- Implementation of a risk rating model to have a better understanding of our clients.
- The implementation of the new Internet Banking Product offering and Compliance system will improve service delivery to our customers and compliance monitoring.
- The Bank opened an additional branch on 1 February 2010.

The improved internet platform will see the Bank offer more products to its clients and the risk rating models will improve the quality of the book. 2010 looks more promising than 2009.

A Leopoulos
Chairman

S Georgopoulos
Chief Executive Officer

Johannesburg
30 April 2010

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 Management approach to address as wide a spectrum of risks as possible. The Bank recognises that effective risk management is core to generating sustainable shareholder value and enhancing stakeholder interests.

Enterprise-wide risk management (ERM)

The Bank's objective in pursuing an ERM 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 central to the Bank's 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; and
- 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 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 Bank has significant concentration risk which resides in a few clients where facilities granted exceed the 10% threshold 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 risk

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, National Bank of Greece (NBG) 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.

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 in 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 Bank's 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 Bank'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 Bank 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 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 approach 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.

RISK MANAGEMENT REVIEW

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.

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 2008, it has remained capitalised well beyond regulatory and internal requirements.

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; and
- Senior Credit Committee.

Management committees

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

ENTERPRISE RISK MANAGEMENT COMMITTEE

Members: Mr M A Oratis (Chairperson), Mr G L Ashmead and Mr H Zarca (resigned 10 March 2010), Mr S Georgopoulos (appointed 19 April 2010).

The head of risk, 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 Enterprise Risk Management Committee operates within the directives of an ERM framework approved by the Board.

An ERM framework has been adopted to ensure appropriate and focused management of all risks. Risk assessment is a dynamic process and is reviewed regularly. Risk dimensions will vary in importance based on the business activities of an organisation. The overall objective of ERM 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, credit management, senior management, business line management, finance, legal/compliance, treasury and operations, with significant support from internal audit and information technology.

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 South African Reserve Bank (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.

The Bank subscribes to the code of transparency, integrity and accountability as advocated by the King II report on corporate governance.

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. The Bank communicates its values and standards to its employees.

The overall responsibility for compliance with regulations and codes of business practices rests with the Board of Directors. The members of the Board believe that to the best of their knowledge all regulations and codes of business practices have been complied with during the year ended 31 December 2009 in all material aspects.

The Bank has procedures in place to ensure that its business is being conducted in accordance with its code of conduct. These procedures also ensure that potential employees are suitable candidates for the Bank.

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 under written terms of reference 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

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. The Board is supported by various sub-committees, which assist to execute and monitor its responsibilities.

All directors have access to the advice and services of the company secretary and are entitled to obtain independent professional advice, at the Bank's expense, should they deem it necessary.

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 Board of Directors consists of eight non-executive directors, including four representatives from National Bank of Greece S.A., and two executive directors. Four of the eight non-executive directors are classified as independent. One third of the directors retire by rotation annually. The directors offer themselves for reappointment but their reappointment is, however, not automatic. Directors that are up for re-election at the next AGM are Mr G L Ashmead, Mr T J Fearnhead & Mr P Ranchod.

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.

ENTERPRISE RISK MANAGEMENT COMMITTEE

Members: Mr M A Oratis (Chairperson), Mr G Ashmead, Mr H Zarca (resigned 10 March 2010). Mr S Georgopoulos (appointed 19 April 2010).

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) and Mr M Oratis.

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), Mr G L Ashmead, Adv G Bizos and Mr P Ranchod

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), Mr G L Ashmead and Adv G Bizos.

This Committee met once during the year under review.

This 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.

ATTENDANCE OF DIRECTORS AT BOARD MEETINGS

A review of the Board meetings indicated that two directors, Mr G Lanaras and Mr A Thomopoulos have not attended any of the Board meetings during 2009. Adv. G Bizos attended 3 out of the 4 Board meetings.

Directors' attendances at Board meetings 2009

Director	30 March	26 June	2 Oct	8 Dec
A Leopoulos	✓	✓	✓	✓
H Zarca	✓	✓	✓	✓
GL Ashmead	✓	✓	✓	✓
G Bizos	✓	✗	✓	✓
TJ Fearnhead	Appointed 2 Oct 2009		✓	✓
DN Koutakis	✓	✓	✓	✓
G Lanaras	✗	✗	✗	✗
C Othoneos	✓	Resigned 26 June 2009		
MA Oratis	✓	✓	✓	✓
P Ranchod	Appointed 8 December 2009			✓
A Thomopoulos	✗	✗	✗	✗

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 National Bank of Greece S.A., 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 14.

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 South African Reserve Bank and the Financial Services Board regulate the various activities of the Bank.

SERVICES

Finance

- Commercial loans
- Overdraft facilities
- Home loans
- Leasing
- Instalment credit
- Documentary credit facilities
- Letters of guarantee
- Credit cards

Investments

- Cheque accounts/guaranteed cheques
- Savings accounts
- Deposit accounts (call, notice, fixed)
- NCD's

Foreign

- Foreign currency investment accounts
- Travellers cheques
- Overseas remittance
- Letters of credit (import/export)
- Foreign bills for collection
- CFC accounts
- Cash passport

Other services

- Safe deposit boxes
- Bulk cash collections
- ATM / Debit cards

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

COMPANY SECRETARY
Glenn Luke

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Switchboard
Tel: (+27 11) 634-4300

Chief Executive Officer
Spiro Georgopoulos (appointed 19 April 2010)
(+27 11) 634-4394
Fax: (+27 11) 833-7976

Chief Financial officer
Mkasiri Msebenzi

Head of Marketing
Dimitrios Koutakis

Head of Credit & Risk
David Haarhoff

Head of Internal Audit
Ingrid Ravenscroft (resigned 31 March 2010)

Head of Operations
Sanjay Persad

Head of Electronic Banking & Information Systems
Sandra Basson (resigned 27 January 2010)

Chief Compliance Officer
Hermann Krull

Human Resources Manager
Cessy Frazao (Mrs)

Manager – Treasury
Derek Ferguson

Dealing Room
Tel: (+27 11) 634-4327

DIRECTORS' RESPONSIBILITY 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 controls. The board has ultimate responsibility for the system of internal controls and reviews their effectiveness, primarily through the audit committee. As part of the system 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, 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 52, 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 2009 were approved by the Board of Directors on the 30 April 2010 and are signed on its behalf by

A Leopoulos
Chairperson

S Georgopoulos
Chief Executive Officer

Johannesburg
30 April 2010

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 company 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 2009, and that all such returns are true, correct and up to date.

G G Luke
Company Secretary

Johannesburg
30 April 2010

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 directors' report, the Statement of Financial Position as at 31 December 2009, the Statement of Comprehensive Income, the Statement of changes in shareholder's equity and the Statement of Cash Flows for the year then ended, a summary of significant accounting policies and other explanatory notes, as set out on pages 17 to 52.

Directors' responsibility for the financial statements

The Company's 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. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 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 principles used and the reasonableness of accounting estimates made by directors, 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, these financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2009, and of its financial performance and 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

The supplementary information included on pages 53 to 56 does not form part of the annual financial statements and accordingly, we do not express an opinion thereon.

Deloitte & Touche

Deloitte & Touche
Per L Nunes
Partner

30 April 2010

Address:

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

National Executive:

GG Gelink Chief Executive, AE Swiegers *(Chief Operating Officer)*, GM Pinnock *(Audit),*
DL Kennedy *(Tax & Legal and Financial Advisory)*, L Geeringh (Consulting), L Bam (Corporate Finance),
CR Beukman (Finance), TJ Brown (Clients & Markets), NT Mtoba (Chairman of the Board).

A full list of partners and directors is available on request.

B-BBEE rating: Level 3 B-BBEE contributor/AA (certified by Empowerdex)

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REPORT OF THE DIRECTORS

for the year ended 31 December 2009

The directors have pleasure in submitting their report on the activities of the Bank for the financial year ended 31 December 2009.

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 eleven 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

There has been no change in the structure of authorised share capital for the year under review.

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 (2008: Nil).

HOLDING COMPANY

The holding company is National Bank of Greece S.A. 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 14 respectively.

During the current financial year, the following changes have been made to the Board of Directors:

Mr H Zarca, Chief Executive Officer
– resigned 10 March 2010.

Mr C Othoneos (26 June 2009) resigned from the Board.

Mr D Koutakis, Chief Executive Officer Designate
– appointed 15 March 2010.

Mr S Georgopoulos, Chief Executive Officer
– appointed 19 April 2010.

Ms I Ravenscroft, (Head of Internal Audit)
– resigned 31 March 2010.

Ms S Basson, (Head of Electronic Banking and information Systems)
– resigned 27 January 2010.

Appointments

Messrs. TJ Fearnhead (2 October 2009) and P. Ranchod (8 December 2009) were appointed to the Board as Independent Non Executive Directors

In terms of the Articles of Association, three directors retire at the forthcoming Annual General Meeting, namely Messrs. G L Ashmead, TJ Fearnhead and P Ranchod by rotation.

Messrs. G L Ashmead, TJ Fearnhead and P Ranchod being eligible, have offered themselves for re-election.

SPECIAL RESOLUTIONS

No special resolutions were passed during the year under review.

EVENTS SUBSEQUENT TO YEAR END

There are no material facts or circumstances that occurred between 31 December 2009 and the date of this report, that require to be drawn to the attention of the Shareholders.

STATEMENT OF FINANCIAL POSITION

as at 31 December 2009

	Notes	2009 R'000	2008 R'000
ASSETS			
Loans and advances	5,6	1 019 902	1 003 551
Property and equipment	8	28 239	29 144
Intangible assets	9	7 062	8 782
Short-term negotiable securities	3	65 623	80 267
Derivative financial instruments	2	510	1 943
Other investments	4	15	15
Cash and short-term funds	1	124 717	227 129
Other accounts receivable	7	12 367	5 287
TOTAL ASSETS		1 258 435	1 356 118
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	10	13 958	13 958
Share premium	11	153 727	153 727
Revaluation reserves	12	12 784	12 895
Accumulated (loss)/gain	13	(191)	4 418
Total equity		180 278	184 998
Liabilities			
Debentures – long term liability	14	–	4 200
Deposits and current accounts	15	1 057 640	1 148 030
Derivative instruments	2	481	1 881
Provisions	16	1 326	1 103
Other accounts payable	17	14 510	11 706
Current portion of long term interest bearing borrowings	14	4 200	4 200
Total liabilities		1 078 157	1 171 120
TOTAL EQUITY AND LIABILITIES		1 258 435	1 356 118
Contingencies	19	114 373	281 559

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2009

	Notes	2009 R'000	2008 R'000
Interest income	20.1	120 574	154 668
Interest expense	20.2	(68 251)	(90 929)
Net interest income		52 323	63 739
Non interest income	20.3	28 225	33 865
Total income		80 548	97 604
Staff cost	20.4	(40 629)	(35 288)
Depreciation and amortisation	20.4	(7 355)	(4 880)
Operating lease charges	20.4	(5 059)	(4 670)
Other operating expenses	20.4	(27 781)	(24 501)
Impairment charges	6	(4 333)	(4 086)
(Loss)/Profit for the year		(4 609)	24 179
Other comprehensive income			
Net (loss)/gain on available for sale financial asset	12	(111)	97
Other (expenses)/income for the year		(111)	97
Total comprehensive (loss)/income for the year		(4 720)	24 276
Total (loss)/profit attributable to owners of parent		(4 609)	24 179
Total comprehensive (loss)/income attributable to owners of the parent		(4 720)	24 276

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

for the year ended 31 December 2009

	Share capital R'000	Share premium R'000	Accumulated loss R'000	Available for sale financial asset R'000	Revaluation reserves R'000	Total R'000
Balance at 1 January 2008	9 271	83 414	(19 761)	(67)	12 865	**85 722**
Issue of new shares	4 687	70 313				**75 000**
Total comprehensive income for the year			24 179	97		**24 276**
Balance at 31 December 2008	13 958	153 727	4 418	30	12 865	**184 998**
(Loss)/Profits for the year			(4 609)			**(4 609)**
Other (expense)/income for the year				(111)		**(111)**
Balance at 31 December 2009	13 958	153 727	(191)	(81)	12 865	**180 278**

STATEMENT OF CASH FLOW

for the year ended 31 December 2009

	Notes	2009 R'000	2008 R'000
Net cash flows from operating activities	25.6	7 036	32 770
Cash received from customers	25.1	148 646	188 127
Cash paid to customers and employees	25.2	(141 720)	(155 357)
Dividend received		110	365
Net cash flows used in operating funds		(91 876)	55 447
Increase in income earning assets	25.3	(4 513)	(65 319)
(Decrease)/Increase in deposits and other liabilities	25.4	(87 363)	120 766
Net cash flows (used in)/from investing activities		(13 372)	(13 867)
Capital expenditure to maintain operations	25.5	(13 678)	(13 905)
Proceeds on disposal of property and equipment		306	38
Net cash flows from financing activities		(4 200)	70 800
Repayment of Long-Term Liability (Debentures)		(4 200)	(4 200)
Issue of ordinary shares		–	75 000
Net (decrease)/increase in cash and cash equivalents		(102 412)	145 515
Cash and cash equivalents at the beginning of the year		227 129	81 614
Cash and cash equivalents at the end of the year	1	124 717	227 129

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of presentation

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).

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.

Adoption of International Financial Reporting Standards (IFRS).

New standards, amendments and interpretations to existing standards applied from 1 January 2009:

- IAS 23, "Borrowing costs" (Revised) (effective from 1 January 2009). It requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs is removed.

- IAS 1 "Presentation of Financial Statements" (Revised) (effective from 1 January 2009). It requires information in financial statements to be aggregated on the basis of shared characteristics and to introduce a statement of comprehensive income. The Bank had applied early adoption of the Revised IAS1 from 1 January 2008.

- IFRIC 13, "Customer Loyalty Programmes" (effective for annual periods beginning on or after 1 July 2008). IFRIC 13 addresses the accounting treatment by the entity that award credits to its customers as part of a sale transaction(s).

- Improvements to IFRSs (effective for annual periods beginning on or after 1 January 2009, except amendments to IFRS 5 that are effective for periods beginning on or after 1 July 2009). These improvements include amendments considered to be necessary, but non-urgent, and that will not be included as part of another major project.

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.

Derivative financial instruments and hedging

Derivatives financial asset and liabilities are classified as held for trading.

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 are 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 a "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 *Financial Instrument:* recognition and measurement, 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 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 saleincreases 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.

Impairment losses on loans and advances

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. The Bank assesses whether objective evidence of impairment exists for loans that are considered individually significant (Specific Impairment), and collectively for loans that are not considered individually significant (Portfolio Impairment).

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:

(a) significant financial difficulty of the issuer or obligor;

(b) a breach of contract, such as a default or delinquency in interest or principal payments (in arrears for a period over 90 days);

(c) the Bank, for economic or legal reasons relating to the borrower's financial difficulty,

(d) it becoming probable that the borrower will enter bankruptcy or other financial reorganisation;

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

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

(ii) national or local economic conditions that correlate with defaults on the assets in the group.

The impairment for loans and advances 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.

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 and buildings 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 and 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

Intangible 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 reorganising 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.

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.

a. The Bank as the lessee

Finance lease:

Leases where the Group 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.

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, which are subject to an 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 past events, 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.

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. Employer 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.

b. 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 plans. Such plans are all defined as contribution plans 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.

ncome 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 or substantially 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 deducted from equity net of any related income tax benefit.

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 an insignificant amount of risk.

	2009 R'000	2008 R'000

1. CASH AND SHORT-TERM FUNDS

	2009 R'000	2008 R'000
Coin and bank notes	10 567	10 234
Deposits with other banks	–	158 070
Foreign currency balances	48 332	35 021
Balances with the Central Bank	65 818	23 804
	124 717	227 129
The mandatory reserve balance is included in the above figures.	24 694	23 804

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.

		2009 R'000	2008 R'000
Foreign currency balances		48 332	35 021
American Express International NY	USD	–	1 801
Bankers Trust Company NY	USD	8 954	270
Standard Chartered Bank NY	USD	19 382	767
National Bank of Greece (London)	GBP	910	1 583
National Westminister Bank Limited, London	GBP	1 490	1 317
Union Bank of Switzerland	CHF	332	454
Bank of Tokyo, Tokyo	JPY	199	717
Sumitomo Bank Limited, Tokyo	JPY	621	608
Wespac Bank Corp, Sydney	Other	4 137	66
Toronto Dominion Bank, Toronto	Other	181	115
Thomas Cook AUD Travellers cheques	Other	–	5
Banca Commerciale Italiana, Milano	Euro	1 913	253
Standard Chartered Bank Botswana Ltd	Other	127	159
Deutche Frankfurt Euro Account	Euro	439	174
American Express Euro Account	Euro	9 093	7 359
NBG Athens Euro	Euro	554	1 400
Call loans - Interbank (NBG)	Euro	–	5 255
Call loans - Interbank (NBG)	USD	–	12 718

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

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 fair value, is based on market observable information.

	2009 R'000	2008 R'000
ASSETS		
Foreign exchange contracts		
Notional	17 868	26 235
Fair value	510	1 943
LIABILITIES		
Foreign exchange contracts		
Notional	15 041	25 703
Fair value	481	1 881

3. SHORT-TERM NEGOTIABLE SECURITIES

The Short-Term Negotiable Securities consist of Treasury Bills with interest rates ranging from 6.28% to 7.26% and maturing in the period 14 June 2010 to 22 December 2010.
These financial instruments are classified as available for sale. They are carried at fair value and all gains and losses for these financial instruments are recognised in equity.

	2009 R'000	2008 R'000
Available for sale		
At 31 December 2008	80 267	71 138
Purchased Treasury Bills	153 434	100 940
Proceeds from sale of Treasury Bills	(168 078)	(91 811)
Treasury Bills	65 623	80 267

4. OTHER INVESTMENTS

Other investments relate to an investment acquired 11 years ago in an unlisted company, called Dandyshelf 3 (Pty) Ltd. The investment acquired consisted of 100 shares (20% interest) in the Company.
Total dividend received this year amounted to R111 000 (2008: R365 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		
Fair value	15	15

	2009 R'000	2008 R'000

5. LOANS AND ADVANCES

All the advances are variable rate 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.

Category analysis

	2009 R'000	2008 R'000
Overdrafts	145 425	150 977
Property, commercial and other loans	521 030	543 996
Home loans	196 793	165 807
Instalment credit and lease agreements	154 707	145 627
Non performing loans	21 103	16 944
	1 039 058	1 023 351
Less: Credit impairment – refer note 6	(19 156)	(19 800)
Overdrafts	(8 578)	(7 582)
Property, commercial and other loans	(4 958)	(5 460)
Home loans	(2 922)	(3 201)
Instalment credit and lease agreements	(2 698)	(3 557)
Net loans and advances	1 019 902	1 003 551

Sectoral analysis

	2009 R'000	2008 R'000
Agriculture	51	277
Building and property development	353 542	375 370
Individuals	188 114	147 032
Manufacturing and commerce	170 154	149 376
Transport and communication	28 304	27 790
Electricity and water	17 197	–
Other services	281 696	315 199
Mining	–	8 307
	1 039 058	1 023 351

Maturity analysis

	2009 R'000	2008 R'000
Maturing within one year	249 920	231 586
Maturing after one year but within five years	317 686	238 650
Maturing after five years	471 452	553 115
	1 039 058	1 023 351

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

5. LOANS AND ADVANCES (continued)

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
2008 non-performing loans and advances	1,66%	16 944	7 702	9 242
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
2008 non-performing lendings	1,66%	16 944	7 702	9 242

5. LOANS AND ADVANCES (continued)

	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					
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 past due but not individually impaired					
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**

	2009 R'000	2008 R'000
5. LOANS AND ADVANCES (continued)		
Loans and Advances:		
Overdrafts	145 425	150 977
Property Loans	297 645	264 804
Commercial Loans	223 385	279 189
Total	666 455	694 970
Securities in respect of Loans and Advances:		
- Cash Investments	34 828	34 208
- Guarantees	163 743	214 149
- Mortgage Bonds	427 677	387 272
- Ceded Insurance Policies	2 647	2 312
- Other Securities	945	958
	629 840	638 899
- Secondary Security	18 450	17 327
- Unsecured	18 165	38 744
	666 455	694 970
Securities in respect of Home Loans:		
- Mortgage Bonds (Residential)	195 426	165 047
- Unsecured	1 367	760
	196 793	165 807
Securities in respect of Instalment Credit Agreement:		
- Asset Financed in terms of Agreements	154 707	145 627
Securities in respect of Instalment Credit Agreement:		
Other Loans		
- Mortgage Bonds	12 508	8 123
- Ceded Insurance Policies	13	13
- Assets financed in respect of Instalment Credit Agreement	580	420
- Special & General Notarial Bonds	200	200
- Unsecured	7 802	8 188
	21 103	16 944
Total security held by the bank	1 011 724	975 659
Total unsecured before provisions	27 334	47 692
Total securities held in respect of loans and advances	1 039 058	1 023 351

	2009 R'000	2008 R'000
6. CREDIT IMPAIRMENT FOR LOANS AND ADVANCES		
Balance at 1 January	19 800	14 673
Interest in abeyance	2 092	1 581
Amounts written off against provisions	(7 174)	(976)
	14 718	15 278
Charge to the Income Statement	4 333	4 086
Specific impairment	5 023	2 919
Portfolio impairment	1 199	2 208
Recoveries of balances raised in current year	(1 784)	(605)
Recoveries of balance previously written off	(105)	(436)
Recoveries of balance previously written off	105	436
Balance at 31 December	19 156	19 800
Analysis		
Specific impairment	7 399	9 242
Portfolio impairment	11 757	10 558
	19 156	19 800
7. OTHER ACCOUNTS RECEIVABLE		
Other accounts receivable and prepaid expenses	20 278	5 287
Treasury specific provision	(7 911)	–
	12 367	5 287

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 2008	18 522	573	–	–	9 265	2 635	7 904	38 899
Additions	155	238	4 848	693	122	619	1 271	7 946
Disposals	–	(200)	–	–	(6)	(260)	(9)	(475)
Balance as at 1 January 2009	18 677	611	4 848	693	9 381	2 994	9 166	46 370
Additions	–	249	1 148	–	336	285	558	2 576
Disposal	–	(174)	–	–	(129)	(1)	(2)	(306)
At 31 December 2009	18 677	686	5 996	693	9 588	3 278	9 722	48 640
Accumulated depreciation								
Balance as at 1 January 2008	(603)	(227)	–	–	(7 973)	(1 812)	(4 855)	(15 470)
Depreciation charge for the year	(225)	(62)	(54)	–	(291)	(368)	(1 229)	(2 229)
Eliminated on disposal	–	200	–	–	6	260	6	472
Impairment loss	–	–	–	–	–	—		
Balance as at 1 January 2009	(828)	(89)	(54)	–	(8 258)	(1 920)	(6 078)	(17 227)
Depreciation charge for the year	(208)	(123)	(1 122)	(139)	(263)	(370)	(1 233)	(3 458)
Eliminated on disposal	–	174	–	–	107	1	2	284
At 31 December 2009	(1 036)	(38)	(1 176)	(139)	(8 414)	(2 289)	(7 309)	(20 401)
Carrying amount								
At 31 December 2008	17 850	522	4 794	693	1 123	1 074	3 088	29 144
At 31 December 2009	**17 641**	**648**	**4 820**	**554**	**1 174**	**989**	**2 413**	**28 239**

Land and buildings, comprising of erf 1139, Marshalltown, Johannesburg were revalued at 31 December 2009 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.

As at 31 December 2009, had the land and buildings been carried at historical cost less accumulated depreciation and accumulated impairment losses, their carrying amount would have been approximately R772 000 (2008: R996 000). The building was purchased in 1973.

9. INTANGIBLE ASSETS

	Cost R'000	Amortisation R'000	Carrying amount
At 31 December 2007	9 909	(5 098)	4 811
Additions	6 652	–	6 652
Disposals	(27)	(2)	(29)
Amortisation for the year	–	(2 652)	(2 652)
At 31 December 2008	**16 534**	**(7 752)**	**8 782**
Additions	2 652	–	2 652
Amortisation for the year	–	(3 897)	(3 897)
Disposals	(475)	–	(475)
At 31 December 2009	**18 711**	**(11 650)**	**7 062**

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.

	2009 R'000	2008 R'000
10. SHARE CAPITAL		
Authorised		
20 000 000 ordinary shares of R1 each (par value)	**20 000**	20 000
Issued and fully paid		
At the beginning and end of the year – 13 958 000 shares of R1 each	**13 958**	13 958

The Bank has one class of ordinary shares which carry no right to fixed income. The unissued shares are under 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

	2009 R'000	2008 R'000
Balance at beginning and end of the year	**153 727**	153 727

12. REVALUATION RESERVES

	Available for sale reserve (R'000)	Property revaluation reserve (R'000)	Total (R'000)
Balance at 1 January 2008	(67)	12 865	12 798
Increase in fair value of available-for-sale investments	97	–	97
Balance at 1 January 2009	30	12 865	12 895
Decrease in fair value of available for sale investments	(111)	–	(111)
Balance at 31 December 2009	**(81)**	**12 865**	**12 784**

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.

	R'000
13. ACCUMULATED (LOSS)/GAIN	
Balance at 1 January 2008	(19 761)
Profit for the year attributable to equity holders of the parent	24 179
Balance at 31 December 2008	4 418
Loss for the year attributable to equity holders of the parent	(4 609)
Balance at 31 December 2009	**(191)**

	2009 R'000	2008 R'000
14. DEBENTURES – LONG-TERM LIABILITY		
Comprise unsecured debentures issued in 2001 in favour of the National Bank of Greece S.A. bearing interest at 6% per annum with a maturity of 10 years. The capital amount is repayable in five annual instalments, equal to 20% of the capital, commencing during 2006. During the year a payment of R4 200 000 was made.		
National Bank of Greece S.A. 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.		
The short-term portion is included under the current portion of interest-bearing borrowings:		
Balance as at 31 December	4 200	8 400
Short-term portion	(4 200)	(4 200)
Long-term portion	–	4 200
15. DEPOSITS AND CURRENT ACCOUNTS		
Demand deposits	483 436	458 120
Customer foreign currency deposits	42 241	22 941
Term deposits	402 782	443 262
Negotiable certificates of deposit	1 830	1 827
	930 289	926 150
Deposits from banks	127 351	221 880
	1 057 640	1 148 030
Included in deposits from banks are:		
Amounts due to holding company	127 062	199 269
Amounts due to fellow subsidiaries	–	60
Amounts due to other banks	289	22 551
	127 351	221 880
Maturity analysis		
On demand	653 027	702 941
Maturing within one month	21 703	26 980
Maturing after one but within six months	353 103	383 685
Maturing after six months but within twelve months	29 807	34 424
	1 057 640	1 148 030

	2009 R'000	2008 R'000
16. PROVISIONS		
Audit fees		
Opening balance	1 103	1 005
Charge to Income Statement	1 588	1 484
Utilised	(1 365)	(1 386)
Closing balance	1 326	1 103
Total provisions	1 326	1 103
17. ACCOUNTS PAYABLE		
Accruals	3 823	9 313
Sundry creditors	10 687	2 393
	14 510	11 706

18. 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
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	–	–	–	–
Accounts payable	14 510	8 118	855	1 492	4 116	–
Provisions	1 326	1 326	–	–	–	–
	1 078 157	687 556	292 179	106 024	4 116	–
2008						
Debentures	8 400	–	–	4 704	4 452	–
Derivative financial instrument	1 881	219	1 254	408	–	–
Due to customers	926 150	512 142	314 524	111 250	–	–
Due to banks	221 880	223 860	–	–	–	–
Accounts payable	11 706	11 706	–	–	–	–
Provisions	1 103	1 103	–	–	–	–
	1 177 120	749 030	315 778	116 362	4 452	–

	2009 R'000	2008 R'000
19. CONTINGENCIES AND COMMITMENTS		
19.1 Contingencies		
Letters of credit	10 293	3 806
Liabilities under guarantees	45 443	65 882
Irrevocable unutilised facilities	48 553	193 466
Net open foreign currency position	9 952	15 406
Legal claim instituted by borrowers	132	2 999
	114 373	281 559
19.2 Commitments under operating lease		
Within one year	4 435	3 355
Two to five years	12 907	11 460
After five years	1 174	3 483
	18 516	18 298

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

	2009 R'000	2008 R'000
20. PROFIT/(LOSS) FROM OPERATIONS		
20.1 Interest income		
Balances with banks and short-term funds	3 985	10 192
Short-term negotiable securities	5 690	8 590
Loans and advances	110 899	135 886
	120 574	154 668
20.2 Interest expense		
Deposits from banks	5 530	6 998
Current and deposit accounts	20 036	30 786
Savings accounts	4 938	6 667
Other term deposits	37 243	45 787
Interest bearing long-term debt	504	691
	68 251	90 929
20.3 Non-interest income		
Commission earnings	30 803	29 272
Foreign exchange (loss)/profit	(2 928)	2 951
Dividend income	111	365
Profit on sale of equipment	42	41
Other income	197	1 236
	28 225	33 865

	2009 R'000	2008 R'000
20.4 Operating expenses		
Staff costs	**40 629**	35 288
Salaries, wages and allowances	**29 462**	24 661
Contributions to provident fund and other staff funds	**6 582**	6 147
Managerial services	**3 101**	3 605
Other	**1 484**	875
Depreciation and amortisation	**7 355**	4 880
Land and buildings	**208**	224
Motor vehicles	**123**	62
Furniture and fittings	**263**	291
Office equipment	**370**	368
Computer equipment	**1 233**	1 229
Depreciation leasehold improvements	**1 122**	54
Depreciation properties brought in	**139**	–
Computer software	**3 566**	2 404
Computer implementation	**331**	248
Operating lease charges		
Premises	**5 059**	4 670
Other operating expenses	**27 781**	24 501
	80 824	69 339

21. TAXATION

The Bank is in an assessed loss position as at 31 December 2009.

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

22. CATEGORIES AND FAIR VALUES OF FINANCIAL INSTRUMENTS

	2009		2008	
Assets	Fair Value	Carrying Value	Fair Value	Carrying Value
Available-for-sale	65 623	65 623	80 267	80 267
Short term negotiable securities	65 623	65 623	80 267	80 267
Loans and Receivables	1 156 986	1 156 986	1 235 967	1 235 967
Cash and short term funds	124 717	124 717	227 129	227 129
Advances	1 019 902	1 019 902	1 003 551	1 003 551
Other accounts Receivables	12 367	12 367	5 287	5 287
Held for trading	510	510	1 943	1 943
Derivative Financial Instruments	510	510	1 943	1 943
Held at Cost	15	15	15	15
Other investments	15	15	15	15
Liabilities				
Held for trading	481	481	1 881	1 881
Derivative Financial Instruments	481	481	1 881	1 881
Other financial liabilities	1 076 350	1 076 350	1 168 136	1 168 136
Deposits	1 057 640	1 057 640	1 148 030	1 148 030
Other accounts payable	14 510	14 510	11 706	11 706
Debenture	4 200	4 200	8 400	8 400

Fair value levels 2009	Level 1	Level 2	Level 3	Total
Asset				
Short term negotiable securities	65 623			65 623
Derivative financial instruments	510			510
Liabilities				
Derivative financial instruments	481			481

23. RISK MANAGEMENT

General

The comprehensive risk management review of the Bank is contained on pages 5 to 9. This report sets out the various risks the Bank is exposed to, as well as the strategy, methodology and instruments used to mitigate these risks.

Risk control policies and exposure limits for the key risk areas of the Bank are approved by the Board, while operational policies and control procedures are approved by the relevant risk committees. Details of the committees are found on page 11 of the annual report.

Strategy in using financial instruments

The Bank accepts deposits from customers at both fixed and floating rates and for various periods to seek to earn above average interest margins by investing these funds in high quality assets. The Bank seeks to increase these margins by consolidating short-term funds and lendings for longer periods at higher rates while maintaining sufficient liquidity to meet all claims that might fall due.

The Board of the Bank places trading limits on the level of exposure that can be taken in relation to both overnight and intra-day positions. With the exception of specific hedging arrangements, foreign exchange and interest rate exposure associated with derivates are normally offset by entering into counter-balancing positions, thereby controlling the variability in the net cash amounts required to liquidate market positions.

CREDIT RISK MANAGEMENT

Credit Risk

Credit risk is the risk that a counterparty will be unable to repay amounts when they fall due. In general, the Bank manages its credit risk exposure by placing limits on the acceptable exposure to individual borrowers or groups of borrowers, and within geographical and industry segments. Credit Risk is monitored on an ongoing basis. Further details on credit risk management is contained on page 5 and 6 of the annual report.

Market Risk

The Bank takes on exposure to market risk. Market risk arises from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The primary risk control mechanism used for risk control purposes are stress loss tests and limits.

23. LIQUIDITY RISK

23.1 Liquidity Risk

	Up to 1 month R'000	1 – 2 months R'000	3 – 6 months R'000	7 – 12 months R'000	1 – 5 years R'000	Over 5 years R'000	Total R'000
Assets							
Cash and short-term funds	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
2008 Assets	401 052	23 910	66 263	54 987	238 650	571 256	1 356 118
Liabilities							
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	157 685	38 123	–	–	1 078 157
2008 Liabilities	737 451	280 599	105 899	42 971	4 200	–	1 171 120

23.2 Interest rate risk

	Fixed R'000	Floating R'000	Non-interest sensitive R'000	Total R'000
Assets				
Cash and short-term funds	–	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
2008 Assets	–	1 276 909	79 209	1 356 118
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
	134 184	927 656	14 991	1 078 157
2008 Liabilities	145 641	1 010 789	14 690	1 171 120

23. LIQUIDITY RISK (continued)

23.3 INTEREST RATE SENSITIVITY ANALYSIS

	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 short-term funds	–	–	–	–	–	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	–	–	–	–	–	7 061	7 061
	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

23.4 CURRENCY RISK

	ZAR R'000	USD R'000	Euro R'000	Other R'000	Total R'000
Assets					
Cash and short-term funds	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
2008 Assets	1 308 325	27 210	15 057	5 526	1 356 118
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
2008 Liabilities	1 145 777	19 968	4 954	421	1 171 120

24. 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.

	2009 R'000	2008 R'000
25. CASH FLOW FROM OPERATING ACTIVITIES		
25.1 Cash received from customers		
Interest income	120 574	154 668
Non-interest income	28 072	33 459
	148 646	188 427
25.2 Cash paid to customers and employees		
Interest expenditure	(68 251)	(90 929)
Operating expenditure	(73 469)	(64 428)
	(141 720)	(155 357)
25.3 Decrease/(Increase) in income earning assets		
Short term negotiable securities	14 644	4 133
Loans and advances	(15 707)	(56 237)
Net derivative instruments	33	–
Other assets	(5 157)	593
Credit loss expense	–	(4 679)
	(6 187)	(56 190)
25.4 (Decrease)/Increase in deposits and other liabilities		
Deposits and current accounts	(90 390)	125 798
Other accounts payable and provisions	3 027	(5 032)
	(87 363)	120 766
25.5 Capital Expenditure to maintain operations	(13 678)	(13 905)
Capital Expenditure Capitalised	(4 753)	(10 569)
Capital Expenditure yet to be capitalised	(8 925)	(3 336)
Comp.Development Costs-Tvling Cos	34	–
Comp.Development Costs-Accommodation	316	–
Establishment Costs - New Branches	1 293	(912)
Comp.Dev.Costs-Syst.S/Ware Licence	1 647	(2 424)
Comp.Dev.Costs-Software Maintenance	5 634	–

	2009 R'000	2008 R'000

25. CASH FLOW FROM OPERATING ACTIVITIES (continued)

25.6 Net cash flow from operating activities

	2009 R'000	2008 R'000
Net (loss)/income from operations	(4 609)	24 179
Adjusted for:		
– Depreciation	3 458	2 228
– Amortisation of intangible assets	3 897	2 652
– Mark to market adjustment on trading instruments		251
– Impairment charges	4 333	4 679
– Profit on disposal of property and equipment	(43)	(41)
– Provision for audit fees		98
– Provision for leave pay		(660)
– Foreign exchange loss		(251)
– Dividend received	(111)	(365)
Cash generated from operation	6 925	32 770
– Dividend received	111	365
Net cash generated from operation	7 036	33 135

26. RELATED-PARTY TRANSACTIONS

26.1 Identification of related parties

The holding company is National Bank of Greece S.A. (incorporated in Greece), ('NBG').

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 the entities listed below and the directors have been classified as related parties.

	2009 R'000	2008 R'000

26. RELATED-PARTY TRANSACTIONS (continued)

26.2 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 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	–

	Amounts owed by related parties at 31 December 2008 R'000	Amounts owed to related parties at 31 December 2008 R'000
Holding company		
NBG	19 373	207 669
Holding company		
NBG London	1 582	60

26.3 Compensation of key management personnel

The remuneration of directors during the year was as follows:

	2009 R'000	2008 R'000
Directors emoluments	3 101	3 015
Post-employment benefits	0	590

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

Included in the amounts of interest paid are the following amounts paid to NBG and its subsidiaries.

National Bank of Greece SA – HO	4 010	6 509

26. RELATED-PARTY TRANSACTIONS (continued)

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

	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
	At 31 December 2008 R'000	At 31 December 2008 R'000
Mr GL Ashmead	–	34 089
Mr P Stathoulis	5 501	8 961
Adv G Bizos	–	61
Mr H Zarca	–	921

	2009 R'000	2008 R'000
Included in the amounts of interest received are the following amounts received from transactions with Directors and their associated companies.		
Mr GL Ashmead	–	2
Mr P Stathoulis	–	190
Included in the amounts of interest paid are the following amounts paid to Directors and their associated companies.		
Mr GL Ashmead	–	3 234
Mr P Stathoulis	–	25
Adv G Bizos	–	79
Mr DN Koutakis	–	4
Mr H Zarca	–	2

26.5 Other related-party transactions with directors

Letters of guarantees

Mr P Stathoulis	–	257
Mr DN Koutakis	15	15

27. PRINCIPAL FOREIGN CURRENCY CONVERSION RATES

	2009	2008
Pound Sterling	11.8970	13.4751
United States Dollar	7.4000	9.3510
Euro	10.6335	13.1390

CAPITAL ADEQUACY STATEMENT

for the year ended 31 December 2009

	Risk weighted %	Exposure equivalent	Risk weighted Assets 2009	Risk weighted Assets 2008
1. RISK WEIGHTED EXPOSURE EQUIVALENT AMOUNT				
CREDIT RISK EXPOSURE		1 163 880	817 065	781 111
– Exposures to the Central bank	0	65 622	0	0
– Short term exposures to rated banks (direct and through guarantees) and Unutilised facilities less than 1 year.	20	71 666	14 333	89 666
– Residential mortgage exposures with an LTV of less than 80%	35	122 445	42 856	46 019
– Past due residential mortgage exposures with provisions greater than 20% of exposure, performance related guarantees and unutilised facilities greater than 1 year.	50	158 400	79 200	48
– Retail exposures	75	320 788	249 592	49 723
– All other exposures and off balance sheet items	100	412 712	412 713	594 833
– Other past due exposure with provisions less than 20%	150	12 247	18 371	822
Credit concentration risk			343 517	0
Operational risk exposure			155 753	139 657
Market risk exposure			14 127	15 214
Equity risk exposure			15	15
Other risk exposure			50 037	34 431
TOTAL			1 380 514	970 428
Minimum required capital and reserve funds at 9.5%			130 384	92 191
Additional bank-specific capital requirement at 0,25%			3 431	2 426
2. TOTAL NET QUALIFYING CAPITAL				
Primary Capital and reserve funds			165 043	135 887
Secondary Capital and reserve funds			20 745	24 610
			13.54%	16.54%
Tier 1 Capital adequacy ratio			12.03%	14.00%
Tier 2 Capital adequacy ratio			1.51%	2.54%

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 25 June 2010, at 10h00 to transact the following business:

1. To consider the annual financial statements for the year ended 31 December 2009.
2. (a) To confirm the remuneration paid to directors for the past year.

   (b) To re-elect Messrs. GL Ashmead, TJ Fearnhead and P Ranchod 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

G G Luke
Company Secretary

116 Marshall Street
Johannesburg 2001
30 April 2010

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 Friday, 25 June 2010 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. GL Ashmead, TJ Fearnhead and P Ranchod 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 2010

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.