CONTENT

DIRECTORATE

NON-EXECUTIVE CHAIRPERSON

Mr P Ranchod*

NON-EXECUTIVE DIRECTORS

Mr TJ Fearnhead*

Mr RA Shough°*

Mr W Krüger*

Mr G Bizos (SC)*

Mr A Lizos+

Mr G Grigoropoulos+

EXECUTIVE DIRECTORS

Mr S Georgopoulos (Chief Executive Officer)

Mr DJ Adriaanzen

Mrs C Michaelides

Mr D Haarhoff (Alternate to Mr DJ Adriaanzen)

°British +Greek *Independent

Financial statements prepared under the guidance of Chrisanthi Michaelides, Chief Financial Officer

The South African Bank of Athens Limited ("Bank of Athens") (Registered Bank)
Registration number 1947/025414/06 Registered Credit Provider (NCRCP 6)
Authorised Financial Services Provider (FSB5865)

BUSINESS PHILOSOPHY AND PROFILE

The South African Bank of Athens Limited is focused on delivering world class banking services to the medium-sized business market in South Africa. A truly South African bank, it was established and has been operating in this country since 1947.

The bank's focus is twofold and focuses both on the delivery of a comprehensive business banking offering to its customers, as well as the provision of alliance banking services.

The business banking offering is focused on the cornerstones of business banking – lending, transactional banking, treasury and foreign exchange.

These business banking solutions are delivered through a dedicated team of highly experienced Relationship Managers that support a culture of service excellence and professionalism.

The alliance banking service focuses on the creation of commercial partnerships to enable the provision of a variety of banking services, depending on the needs of the partner's market segment. These banking products range from full function branded bank account offerings through to payments and prepaid card solutions.

These solutions are uniquely branded and include hosting the personal market offerings of MoovaMoney (in partnership with EDCON), Olympus Mobile, WIZZIT and SureCard Financial Enabler (SFE) previously known as Surebank.

The Bank possesses principle clearing bank status, and is a fully authorised dealer in foreign exchange. It fully subscribes to and supports the Code of Banking Practice and the Financial Sector Charter.

The Bank is an Authorised Financial Services Provider.

FINANCIAL HIGHLIGHTS

STATEMENT OF FINANCIAL POSITION	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Capital and reserves	267 193	257 080	286 268	263 153	275 411
Secondary capital	50 000	50 000	-	40 000	40 000
Total assets	2 265 461	2 509 951	2 283 832	2 214 668	2 019 741

STATEMENT OF COMPREHENSIVE INCOME	2016 R'000	2015 R'000	2014 R'000	2013 R'000	2012 R'000
Total income before charge for bad and doubtful advances	139 811	143 707	141 357	133 142	111 520
Net operating profit / (loss) before operational loss and taxation	(29 356)	(26 569)	(44 025)	(2 753)	2 057
Net operating profit / (loss) before taxation	(29 356)	(26 569)	(58 190)	(9 953)	2 057
Attributable profit / (loss) to ordinary shareholders	(29 356)	(26 569)	(58 190)	(9 953)	2 057

CHAIRMAN'S REPORT

When considering the journey that The South African Bank of Athens (SABA) has taken over the past 70 years, I have no doubt that 2016 will be considered to be a particularly important point in the Bank's history. Several key events and changes occurred in the past year which will prove to be central to the Bank returning to a more competitive and forward-looking state.

These changes include the final completion of the long awaited new core banking systems, as well as the start of the journey towards a change in the majority shareholder. The systems journey has been a long and arduous one, and we are most pleased with the launch of a new Internet Banking capability that brings this critical business channel to a more competitive level.

On the shareholding front, we are both optimistic and saddened by the announcement that the National Bank of Greece S.A (NBG) has concluded an agreement to sell its shareholding in the Bank to AFGRI Holdings (Pty) Ltd. NBG has been an active and supportive parent of the Bank for a 70 year period and it is with sadness that we will bid them farewell as they honour their own Restructuring Plan and in line with its commitments towards European Commission's DG Competition. While this sale remains subject to approval by the relevant regulatory authorities as well as the Minister of Finance, we are pleased by the decision of AFGRI to invest in SABA and to support the return to a growth focused strategy.

Operationally, SABA was faced with challenges in the local economy as well as in the constraints it faced internally during 2016. The constraint of limited growth through limited capital remained the most significant block to SABA's performance and the Board has taken note of the effect of this challenge on the financial statements of the Bank. In addition, the imposition of administrative sanctions during the year by the South African Reserve Bank (SARB) was disappointing and every effort is being made to ensure the appropriate enhancement and improvement of SABA's processes in response to this. Despite these challenges, the management team managed to deliver a credible performance in the key operational areas of the Bank and we remain convinced that the Bank has the ability and structures to return solid growth and performance figures with the right level of support.

Looking ahead, 2017 will undoubtedly be a key year for SABA as it enters into its 70th year of existence. The management of a smooth majority shareholder transition is a critical objective, while still maintaining the focus on a return towards profitability. The Board will monitor this process of change closely and will continue to support the management team in their efforts.

In closing, and on behalf of our Board of Directors, I would like to offer my assurances to the business partners, customers and depositors, and the staff of the Bank that the Board will remain vigilant throughout this transition process to ensure that their interests are protected. We are confident that this significant change will in no way diminish but will rather improve the services and benefits they enjoy at SABA.

I would also like to thank my fellow Board members for their contributions during 2016. Their leadership and direction during the past year have been invaluable. I also thank our shareholders for their support and patience during the past year of change.

Once again I offer my thanks to the CEO, his executive management team and the staff of the Bank. The Board continues to have the utmost confidence in their ability to manage the Bank through these momentous changes and their energy and commitment are, in our view, essential to the successful delivery of a good set of results in 2017.

Lastly, and most importantly, we are deeply appreciative of the loyalty and support shown by our customers and business partners. My sincere thanks once again for their continued support during 2016 – we look forward to an even better year ahead.

P. Ranchod
Chairman
Johannesburg
28 April 2017

CHIEF EXECUTIVE OFFICER'S REPORT

2016 was another challenging year for the South African Bank of Athens (SABA) but ultimately a watershed one as well. The year was characterised by difficult economic conditions, challenges in the make-up of the balance sheet, funding constraints and major systems and process changes.

Despite these difficulties, the Bank weathered the storm and managed to end the year in line with forecasted expectations. When this is taken in the context of the extraordinary costs (notably the costs of funding and capital, as well as the additional general provisioning and the regulatory fine imposed) and growth constraints imposed on the Bank, SABA again demonstrated an ability to perform operationally and the potential to provide good returns if a normalised set of conditions can be achieved.

BUSINESS PERFORMANCE

The Business Banking unit had a particularly good year under trying conditions. The unit continued to gather deposits at a healthy rate and also maintained a tight focus on credit quality. We also saw an improvement in the provisioning and bad debt processes. This saw a decline in new provisions in the latter half of the year, and we saw a strong improvement in collecting against bad-debts and reversing provisions held.

The Treasury and GTS unit had a year of two distinct halves with the opening half of 2016 showing excellent performance, while the second half was disappointing. This was largely driven by the lack of volatility in the currency, as well as the worsening economic climate.

Alliance Banking continued to mature in 2016 and the conclusion of two new partnerships (Olympus Mobile and EDCON Group) was particularly pleasing. In 2016 we also saw the closure of the MTN MobileMoney product which, while disappointing, played an important role not only as a revenue stream for the Bank over the past four years, but also as a contributor towards the operational establishment of the Alliance Banking unit. A healthy pipeline of new opportunities remains in place and we expect this business to continue growing.

SYSTEMS AND OPERATIONS

The core and internet banking system was finally completed and went live on 18 February 2017. While this project took more time than initially envisaged, we believe that this implementation is a significant milestone in improving the capabilities and competitiveness of the Bank. As with any new systems implementation, some post go-live settling in issues were experienced and managed by the operational team. We continue to monitor the performance of the new systems closely and to improve wherever necessary.

SHAREHOLDER TRANSITION

Perhaps the most significant of all of the events in 2016 was the initiation of the process by the National Bank of Greece (NBG) to sell its shareholding in SABA.

This transaction which was publicly announced on 7 March 2017 still requires approval from the Competition Commission, the SARB and ultimately the Minister of Finance. If successful, it will see the acquisition of the full shareholding in SABA of the National Bank of Greece by AFGRI Holdings (Pty) Ltd.

While National Bank of Greece has proven to be a valuable and supportive shareholder over nearly 70 years of the Bank's existence, recent difficulties in their own market and economy makes this change a positive one for SABA and the management team is optimistic about this prospective change.

LOOKING AHEAD

In 2017, we hold the view that SABA will continue to face challenges both internally and externally. We also hold the view that the changes in 2017 will see the Bank emerge not only better, but as a much stronger competitor.

Internally, SABA will remain constrained on capital, and consequently on growth, during the transition period. SABA will also be faced with the challenge (albeit a long awaited one) of absorbing the massive change that a new operating system brings. With the pressures to meet pre-closing conditions and manage capital constraints, 2017 will be a true challenge for the team but one which we are ready to face.

Externally, an underperforming economy is a concern and one which is likely to be further affected by the political arena in 2017.

Despite these challenges, the management team is confident that the year will be transformative for the Bank. We are fully prepared to deliver a good turnaround during 2017 and every effort is being spent on achieving the best results possible within the constraints we face.

There is real excitement as we face a change that will bring the opportunity to return to a growth mind-set, to tackle new markets and to begin realising the potential of the Bank.

THANKS

2016 proved to be a year of momentous change and I would like to offer sincere thanks to our staff who have made this possible. Their commitment, and their sustained effort to improve the Bank have made all the difference.

Once again, I would also like to express thanks to our loyal customers for their support during 2016 and we are excited to embark on this new chapter in the Bank's life with you. We are pleased at the public statements from our proposed new majority shareholder regarding the value they place on SABA's customers and assure you of our continued commitment and support to our banking relationship with you.

With such momentous change the ongoing support, involvement and commitment from our Chairman and the Board of Directors as well as our shareholders was most appreciated.

I am excited by the change ahead and look forward to building this new piece of the SABA story in 2017 with each of you.

S. Georgopoulos
Chief Executive Officer
Sandton
28 April 2017

RISK AND CAPITAL MANAGEMENT REVIEW

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.

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

The Bank's Risk Management business unit operates independently from other business units and monitors and reports on risks to ensure adherence to the stated risk appetite as set by the Board of Directors. Business units are ultimately responsible for managing risks that arise.

The Enterprise Risk and Capital Management Committee's objectives are:

- To be the custodian of the Bank's risk management culture
- To ensure the Bank operates within the risk appetite as set by the Board of Directors
- To set, approve and monitor adherence to risk thresholds and limits
- To monitor the Bank's exposure across the agreed risk profile
- To co-ordinate risk management activities across the Bank
- To give the SABA Board of Directors reasonable assurance that risks are identified and, to the best extent possible, managed and controlled

ENTERPRISE-WIDE RISK MANAGEMENT (ERM)

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

An ERM Framework has been developed that highlights the Bank's 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 Bank's 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
- 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
- Effective risk monitoring provided by the Enterprise Risk Management Committee

A number of internal committees are in place to discuss, manage and determine courses of action to be taken to manage, monitor and report on risks as efficiently as possible.

RISK DURING THE YEAR UNDER REVIEW

A strong risk and capital management culture is embedded in the Bank's daily activities. It is our intention to seek an appropriate balance between risk and reward in our business activities and to ensure that these are aligned to the National Bank of Greece's (NBG) requirements.

The Bank has developed a risk appetite policy and follows a conservative philosophy to ensure financial strength and integrity. Our risk management philosophies, practices and frameworks have remained unchanged during the year under review as they were found to be robust enough to handle the stresses placed on the Bank.

RISK MANAGEMENT PROCESS

All of SABA's policies and procedure manuals are subject to annual review and are approved by the Enterprise Risk and Capital Management Committee prior to final approval by the Board of Directors. 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 all risks that may arise from operational requirements or from business activities. Action plans to mitigate any risks that are perceived to have a potentially significant impact on the Bank are implemented.

Risk management

Risk Management focuses on those risks that can inhibit the Bank from achieving its strategic objectives.

A complete risk assessment is carried out at least annually and presented to the members of the Enterprise Risk and Capital Management Committee. A number of Board appointed committees and management committees are in place to monitor risk. They are:

Board committees

- Directors' Affairs Committee
- Audit and Compliance Committee
- Enterprise Risk and Capital Management Committee
- Social, Ethics and Transformation Committee
- Remuneration Committee
- Information Communication Technology Governance Committee

Management committees

- Assets, Liabilities and Capital Committee
- Executive Committee
- Local Credit Committee
- Management Committee
- Risk Committee

RISK MEASUREMENT AND EVALUATION

Once risks have been identified, the potential risk is measured either quantitatively or qualitatively. Quantitative risks are more easily measured than qualitative risks, but it is necessary to ascertain the magnitude of each risk. The Bank has set risk tolerance levels that are monitored.

RISK MONITORING

The monitoring of risks is undertaken by the Risk department, the Compliance and Legal department as well as the Internal Audit department. Risks are reported to the Enterprise Risk and Capital Management Committee as well as the Audit and Compliance Committee, where they are debated and addressed.

BASEL III

Basel III is intended to strengthen the global capital and liquidity rules with the goal of promoting a more resilient banking sector. The revised rules seek to improve the banking sectors' ability to absorb shocks arising from financial and economic stress, whatever the source, thus reducing the risk of spillover from the financial sector to the real economy.

The additional capital requirements, Liquidity Coverage Ratio, Net Stable Funding Ratio and Leverage Ratio come into effect between 2014 and 2019. The three Pillars of Basel II are still utilised as part of the Basel III framework.

These three pillars are:

- 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 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.

To ensure the acceptable level of capital available to the Bank, an internal capital adequacy assessment process has been implemented. Scenarios have been developed, including internal and external factors, to review the Bank's capital adequacy levels in circumstances where stress factors could or are having a potential impact on the Bank.

THE FOLLOWING ARE RISKS THE BANK FACES

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 non-payment of approved loans and advances and from off-balance sheet exposures such as commitments and guarantees.

The Bank actively manages its credit risk at the individual transaction, counterparty and portfolio level using a variety of qualitative and quantitative measures. Customers' credit worthiness is thoroughly assessed before any credit facility is recommended to or granted by the various credit committees. The credit granting philosophy is a conservative one.

The Board of Directors ratifies all 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 customers.

LIQUIDITY 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

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.

Interest rates have been stable for some time in South Africa and as such the risk of significant interest rate movement has been low. SABA has lending and investment rates that are linked to the prime lending rate.

Liquidity and interest rate risk management form an integral part of proactive asset and liability management, which is managed by the Bank's Assets, Liabilities and Capital Committee (ALCCO).

MARKET RISK

SABA does not have a trading desk in its Treasury and as such does not have any significant exposure to market risk.

OPERATIONAL RISK

Operational risk is defined as the risk of loss or earnings volatility arising from inadequate or failed internal processes, people and systems, or from external events.

SABA recognises that operational risk is a significant risk category and therefore strives to manage this within set tolerance levels through the implementation of appropriate and relevant operational risk management practices.

In managing this risk, the following has been implemented and is reviewed on an annual basis:

- Clearly defined policies and methodologies
- An effective system of internal controls
- Well documented procedures that are communicated across the Bank
- Properly functioning and effective internal audit department
- Properly functioning and effective compliance department
- Adequate professional indemnity insurance cover
- Adequate disaster recovery plans and processes

COMPLIANCE RISK

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

In managing compliance risk, the Bank has a fully independent compliance function that identifies, assesses, advises, monitors and reports on the regulatory compliance risk within the organisation.

The NBG Group Compliance division provides oversight of the Bank's compliance function and the Bank adheres to the NBG Group Compliance policy and culture.

FOREIGN EXCHANGE RISK

Foreign exchange 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.

In order to eliminate the foreign currency risk, it is the Bank's policy to hedge significant foreign currency commitments.

COUNTRY RISK

Country risk has been split into two separate assessments i.e. country risk for South Africa and country risk for Greece. As the Bank's main shareholder is situated in Greece, the Bank has experienced some challenges as a result of this association during the financial disruptions in that market over the past.

CONCENTRATION RISK

SABA has concentration risk in the deposit book and in the instalment credit book. Concentration risk for customers with large exposures has reduced to acceptable levels in SABA with the Bank intentionally reducing its large exposures.

TRANSFORMATION RISK

Transformation of the Bank to be representative of South African demographics is an essential component of the Bank's strategy. Despite limited opportunities available in a small operation, SABA has made progress in the hiring of high potential previously disadvantaged individuals into both clerical and managerial roles.

An employment equity committee is in place, with members selected by the employee base to assist in developing and monitoring the Bank's efforts in this regard.

STRATEGIC RISK

The Bank's strategic direction has been well communicated and is well embedded in the Bank. Adherence to the strategic direction is actively monitored and managed at committee levels and all decisions are taken within the strategic framework that has been established.

HUMAN CAPITAL RISK

The management and development of people within SABA has always had a high priority. As a small organisation, the risk associated with a dependence on key individuals is always a factor and this is actively monitored and managed. Staff turnover remains a focus and the on-going effort to improve and enhance the Bank's reward, remuneration and retention policies are aimed at ensuring that key staff members are retained and recognised for their contribution towards the Bank's success.

The training of staff is a continuous focus, with much of the training spend for 2016 allocated to previously disadvantaged individuals.

INFORMATION TECHNOLOGY RISK

IT risk has always been seen as a significant contributor to the Bank's success, as technology is core to the Bank's ability to effectively service its customer base.

Information Technology risk is being addressed and reduced via the establishment of various improvement projects and the appointment of additional permanent and contracted capacity.

A prioritisation plan has been developed and is reviewed by the Project Committee on a regular basis. Controls over systems, licences and upgrades are well controlled and planned for. In 2017, the Board has constituted an Information Communication Technology Governance Committee (ITGC) to add further support and direction on this critical element of the business.

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 Enterprise Risk and Capital Management Committee.

The objective of the Bank's capital management approach is to ensure the maintenance of sound capital ratios, whilst producing appropriate returns to shareholders.

The Bank's objectives when managing capital are:

- To comply with the capital requirements set by the regulators of the banking industry in which the Bank operates
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders
- To maintain a strong capital base to support the development of its business

Capital adequacy and the use of regulatory capital are monitored daily by the Bank, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the South African Reserve Bank (SARB), for supervisory purposes.

The required information is filed with the SARB on a monthly basis.

Regulatory capital requirements are strictly adhered to.
The Bank's regulatory capital comprises two tiers:

- Tier 1 capital:

  Share capital (net of any book values of the treasury shares), general bank reserve, statutory reserve, and non-controlling interests arising on consolidation from interests in permanent shareholders' equity, retained earnings and reserves created by appropriations of retained earnings.

  The book value of goodwill is deducted in arriving at Tier 1 capital

- Tier 2 capital:

  Qualifying subordinated loan capital and collective impairment allowances.

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

CORPORATE GOVERNANCE

ETHICAL LEADERSHIP AND CORPORATE CITIZENSHIP

The Bank is committed to the principles of fairness, accountability, responsibility and transparency as advocated by the King Report and Code on Corporate Governance for South Africa (2009) (King III). The Board will, in the future, review the principles of King IV and decide on the appropriate application thereof.

The overall responsibility for compliance with regulations and codes rests with the Board of Directors. In terms of the provisions of the memorandum of incorporation, a number of Board committees have been established to assist the Board of Directors in discharging its responsibilities.

Specific responsibilities have been delegated to these committees, which operate according to charters approved by the Board and which are subject to review on an annual basis.

INTERNAL CONTROL

Risks and controls are reviewed and monitored regularly for relevance and effectiveness. Sound risk management practices are promoted by the risk management function which is independent of operational management. The Board of Directors recognises its responsibility for the overall risk and control framework and for reviewing its effectiveness.

An independent Internal Audit department reports any control recommendations to senior management, risk management and the Audit and Compliance Committee. Appropriate processes ensure that timely corrective action is taken on matters raised by Internal Audit.

Material incidents, losses and signficant breaches of systems and controls are reported to the Board, Enterprise Risk and Capital Management Committee and to the Audit and Compliance Committee.

INTERNAL FINANCIAL CONTROLS

Internal financial controls are based on established policies and procedures. Management is responsible for implementing internal financial controls, ensuring that appropriate segregation exists between duties and that there is suitable independent review. These areas are monitored by the Board through the Audit and Compliance Committee and are independently assessed by the Internal Audit department.

Processes are in place to monitor internal control effectiveness, identify and report material breakdowns, and ensure that timely and appropriate corrective action is taken.

KING III

The majority of the principles of King III are being applied and this is evidenced in the various sections of this report.

BOARD OF DIRECTORS AND NON-EXECUTIVE DIRECTORS

Role and function of the Board

The role of the Board of Directors is regulated in a formal Board Charter and a formal delegation of authority is in place which defines the powers and authority of management. The Board of Directors is responsible for ensuring that an adequate and effective process of corporate governance exists and is maintained. This is adhered to by reviewing the nature, complexity and risks inherent in the Bank's activities.

The roles of the Board Chairperson and the Chief Executive Officer are separate with a clear division of responsibilities at Board level. This ensures a balance of power and authority and prevents any single individual from holding unfettered powers of decision-making. The Board of Directors approves the overall strategy for the Bank on an annual basis. In addition it approves all management policies and frameworks.

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

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

Composition of the Board of Directors

The Board is headed by an independent Chairperson (Mr P Ranchod) and has a strong representation of independent Non-Executive Directors, as this provides the necessary objectivity that is required to ensure its effective functioning.

During the year 2016, five of the seven Non-Executive Directors were classified as independent. Adv. G Bizos was replaced by Mr P Ranchod as the Chairman of the Social Ethics and Transformation Committee, Adv. Bizos remains a member of the Committee.

Declarations of interests are submitted by all Directors on an annual basis to determine any conflicts of interests and any potential conflict is disclosed immediately.

Performance Assessment

The Board of Directors evaluate their own performance by way of a self-assessment questionnaire. The outcome of the assessment is constructively used to improve the functioning and effectiveness of the Board.

COMPANY SECRETARY

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

SUSTAINABILITY REPORT

SOCIAL, ETHICS AND TRANSFORMATION COMMITTEE

The Bank's social and ethics approach is guided by its principles and values, as well as a desire to actively participate in the continued growth of our country. This critical component of the organisation is guided by the Social, Ethics and Transformation Committee (SET Committee) which holds responsibility for the Bank's transformation strategy and actions. This committee, chaired by an independent non-executive director, provides guidance not only to the Bank's principles and values but also to the specific programmes on transformation and corporate social responsibility.

TRANSFORMATION

Transformation and the creation of sustainable broad-based black empowerment is an essential component of SABA's strategy. This is founded in the principle that transformation is not only a moral and ethical imperative but is in fact a practical business imperative and one that makes sense for the wellbeing of the business as a whole.

The SET Committee identifies those key areas of the Bank where transformation should be effected, monitors the transformation strategies and measures their impact on the business. The Bank's aim is to deliver against the principles established in the Financial Sector Charter. In meeting these objectives, the Bank has not only developed a strategy for the critical element of employment equity but has also investigated and implemented innovative approaches to financial inclusion and access to finance.

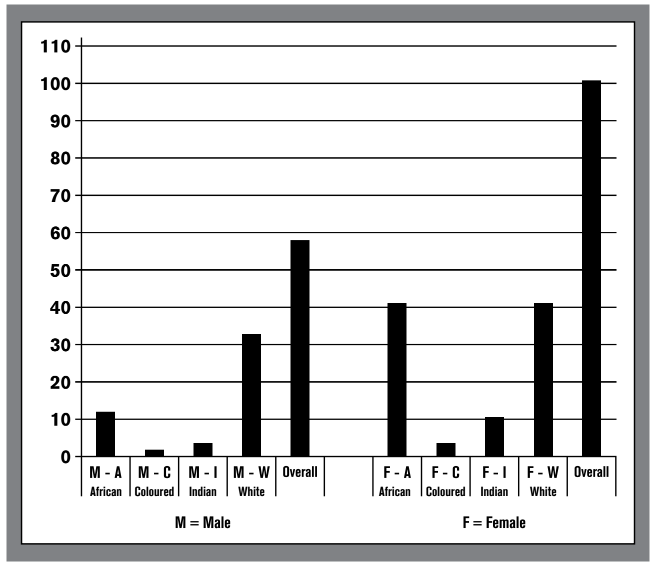
EMPLOYMENT EQUITY AND HUMAN RESOURCE DEVELOPMENT

The Bank is committed to continuously strive towards a workforce that is representative of the demographics of the markets and customers we serve and of the country as a whole. This objective is not only seen as critical, but also one which we acknowledge needs to be accelerated as the small, stable nature of the workforce may require additional impetus to be inserted.

In support of this commitment, an employment equity committee has been established, operating under the auspices of the SET Committee. This committee, made up of seven employees elected by their peers (and two company representatives) is responsible for providing employee input into the development of the Bank's employment equity and transformation policies.

SABA focuses on attracting, motivating and retaining the best people for our organisation. That focus is further structured to ensure that the employment equity imperative remains a central focus and priority for the organisation.

The current composition of the organisation (as at December 2016) is as follows:



		Total
African:	55	
Coloured:	7	79
Indian:	17	
White		75
Total:		154

Recruitment of a diverse range of talented individuals is not enough to ensure employment equity. The Bank also continually focuses on the development of people and the transfer of skills to ensure sustainability.

During 2016, training interventions for 154 members of staff were undertaken including training on financial skills, legislation changes and compliance, information technology including training on the new core banking system, management and leadership skills and induction training.

The tertiary studies undertaken by members of staff were also supported, with 15 individuals receiving study loans during the year. 67% of these study loans were granted to previously disadvantaged individuals.

SABA also hosted four Bankseta learners on a learnership programme in 2016 and three of the learners were offered permanent employment (one African male and two African females).

REMUNERATION POLICY AND STRUCTURE

The South African Bank of Athens (SABA) follows a strict process regarding remuneration of employees and directors. Section 43 of the Banks Act (94 of 1990) requires that the following seven matters are reported on with regards to remuneration:

1. Relevant governance and/or committee structures:

The Bank has a Board appointed Remuneration Committee (Remco), whose members are all independent non-executive directors of the Board.

The Chairman of the Committee is the Lead, Independent non-Executive Director of the Board, Mr. Tim Fearnhead. Remco approves all remuneration related items which are then ratified at Board level. Remco meets at least twice a year, but can convene more often on special requirements.

2. Design and operation of the Bank's remuneration structure and the frequency of review:

The bank awards increases annually, effective in April of each year. The remuneration process involves a series of events as follows:

- Performance reviews of all employees by their relevant managers.
- For non-managerial and junior/middle management, a scorecard approach is used to assess performance, competency and behavior. The scores and comments are brought to Exco for moderation.
- Salary negotiations are also held on an annual basis with the Union for all non-managerial employees.
- For senior management, the CEO together with relevant independent non-executive directors carries out the reviews and these are moderated by Remco. The final results are taken to Remco for approval.
- The remuneration policy is reviewed annually by Remco.

3. The independence of remuneration for risk and compliance staff:

The performance and remuneration appraisals of Chief Risk Officer, Head: Compliance and Legal and the Head: Internal Audit are carried out jointly by the Chair of the Enterprise Risk and Capital Management Committee or the Chair Audit and Compliance Committee and the CEO. These results are sent to Remco for approval.

4. Risk adjustment methodologies:

The Bank uses a balanced scorecard system to adjust for risk. Key metrics areas include performance based on the job description, competency improvement over the period and behavioural assessment.

5. Link between remuneration and performance:

There is a direct link at both company wide and individual performance and remuneration. Employees are assessed twice yearly on performance with a formal remuneration/performance moderation process in April of each year.

6. Relevant long-term performance measures:

The Bank does not have any bonus or incentive measures in place.

7. The relevant types of remuneration:

The Bank only offers cash remuneration at present with no bonus or share schemes in place.

CODE OF ETHICS AND CONDUCT

SABA encourages a culture of high performance, integrity and responsibility. Members of staff are expected to conduct their business with professionalism, diligence and the utmost honesty at all times and a clear code of ethics and set of values reflect this culture.

The board monitors the culture and adherence to the code of conduct and ensures that the set of values is reflected at all levels of the organisation.

New members of staff are inducted into the organisation and are required to read, acknowledge and agree to the code of ethics and values as a part of this process.

The Bank's values are:

- Accountability - requiring each person to be prepared to make commitments and be judged against their commitments, to deliver on those commitments and to be responsible for their actions.
- Integrity - requiring each person to be honest, trustworthy, truthful and consistent in their conduct and decisions.
- Pushing beyond boundaries - requiring each person to recognise their obligation to the entire organisation to push beyond the limits and strive to break new ground, fuelled by passion and commitment.
- Respect - requiring each person to recognise the inherent worth of every human being and to treat all people accordingly.
- People-centred - We invest in our people and create empowering environments through development, support, mentoring, coaching, and valuing diversity, recognition, and reward.

CORPORATE SOCIAL INVESTMENT

SABA recognises its responsibility to be an active corporate citizen towards its stakeholders and in the communities within which it operates.

Accordingly, the Bank is committed to playing a role in the development of these communities in a way that is characterised by sustainable development.

CSI is a major cornerstone for good corporate citizenship, and forms an integral part of the Bank's transformation, corporate accountability and governance programme.

The key principles for SABA's CSI policy are:

- To focus the majority of the Bank's CSI funding on and involvement in those communities within which it operates.
- To manage the impact of the Bank's relations with the community and environment according to ethical principles.
- To be committed to measure the effectiveness and sustainability of the CSI projects and partnerships against the Bank's goals and objectives.
- To approach all CSI projects in a consultative manner and where possible to facilitate sustainable wealth creation and self-sufficiency in the communities within which we operate.
- To become involved in CSI in a responsible, principled and innovative way that benefits both beneficiary and donor.

With these principles in mind, the Bank focuses its CSI efforts on two key areas namely education as the primary focus, and community development / support as an additional focus area.

Education and training includes secondary and tertiary education that will ultimately benefit the financial services sector (e.g. maths, science and commercial studies) as well as school building and equipping, outreach programmes and Adult Basic Education and Training (ABET).

This may include contributions to communities that endeavour to build schools and classrooms in rural areas as well as outreach and special programmes in suburban and township schools.

Support may also be provided to Skills Development Programmes that are aimed at improving skills levels in communities that will ultimately provide the ability to earn a living and become self-sustainable.

Community development and support includes health and social welfare, medical primary healthcare and welfare projects (e.g. food schemes) within the communities in which the Bank operates.

These contributions may also be non-monetary, such as organisational, administrative support and time spent by staff to help to organise an event or project for a beneficiary. Contributions can also be made to community Aids awareness programmes aligned to government programmes and support for security and public safety programmes.

PRODUCT PORTFOLIO AND MANAGEMENT

PRODUCTS

Financing
- Overdraft facilities
- Asset Finance
- Property loans
- Commercial loans
- Home loans
- Leasing
- Letters of guarantee

Deposit and Investing
- Current accounts
- Savings accounts
- Call deposit accounts
- Notice deposit accounts
- Fixed deposit accounts

Foreign Exchange
- Documentary letters of credit
- Foreign bills for collection
- Overseas remittance
- Customer foreign currency accounts
- Foreign currency accounts
- Bills / cheques negotiated

Other Services
- Cash handling solutions
- Electronic banking solutions
- ATM / Debit cards
- Cheque book facilities
- Bulk Payment Services

Alliance Banking Services
- White-labelled and co-branded banking products, including account hosting
- Pre-paid card
- Payments aggregation
- Value-added services

REGISTERED OFFICE

Building 3, Inanda
Greens Business Park
54 Wierda Road West
Wierda Valley
Sandton, 2196
P.O. Box 784921
Sandton, 2146
South Africa

ADMINISTRATION

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

CONTACT DETAILS

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

COMPANY SECRETARY
Maureen Dolo

CHIEF EXECUTIVE OFFICER
Spiro Georgopoulos

CHIEF FINANCIAL OFFICER
Chrisanthi Michaelides

CHIEF RISK OFFICER
David Haarhoff

CHIEF OPERATING OFFICER
Darryl Adriaanzen

HEAD: BUSINESS AND COMMERCIAL BANKING
Paul de Bruyn

HEAD: CREDIT
Roy Scott

HEAD: OPERATIONS
Michael Schwark

HEAD: COMPLIANCE AND LEGAL
Hermann Krull

HEAD: INTERNAL AUDIT
Karin Klein

HEAD: HUMAN RESOURCES
Cessy Frazao

HEAD: TREASURY
Enzo Pietropaolo

HEAD: ALLIANCE BANKING
Helder Marques

HEAD: INFORMATION TECHNOLOGY
Peter Oeschger

BUSINESS AND COMMERCIAL BANKING

The business banking offering is focused on the cornerstones of business banking (transactional banking, lending and deposit taking) and is aimed at the small and medium sized business customer. The range of products and solutions on offer ensure that we can serve and grow with our customers in this target market. A full integration with our treasury and global transactional service business unit ensures that we can handle customers international business transactions as well. Athens wealth delivers risk and investment solutions provided by leading providers in the industry and covers short and long term insurance, as well as investment management to build and preserve business and personal wealth.

These solutions are delivered through seven business suites situated in the key business nodes around the country. Each business customer is allocated to an experienced and skilled relationship manager with a dedicated support team in the business suite. The relationship manager is the single point of entry for their customers and their smaller-than-industry average portfolio size ensures that they are available to their customers. They strive to deliver service excellence in a professional environment and build strong relationships with their customers. With a very low turnover of relationship managers in general, it ensures stability and continuity for business customers.

TREASURY AND GLOBAL TRANSACTION SERVICES (GTS)

Treasury and GTS focuses on providing professional and personalised foreign exchange (import and export) service to the small and medium sized business customer.

Our range of products include:

Spot; forward contracts (FEC); CFC and FCA accounts; letters of credit; foreign bills for collection; cross border payments (SWIFT) and exchange control applications. We also facilitate foreign investments and travel allowances. The above products are delivered in all major currencies by a dedicated and experienced team of professionals.

Our highly skilled team of Treasury dealers provide our customers with competitive pricing for both foreign exchange and investment rates. These dealers also provide relevant market news and advise customers on the best time to buy/sell their foreign currency, whilst our GTS team will ensure that foreign currency payments are executed timeously, accurately and in terms with Exchange Control Regulations.

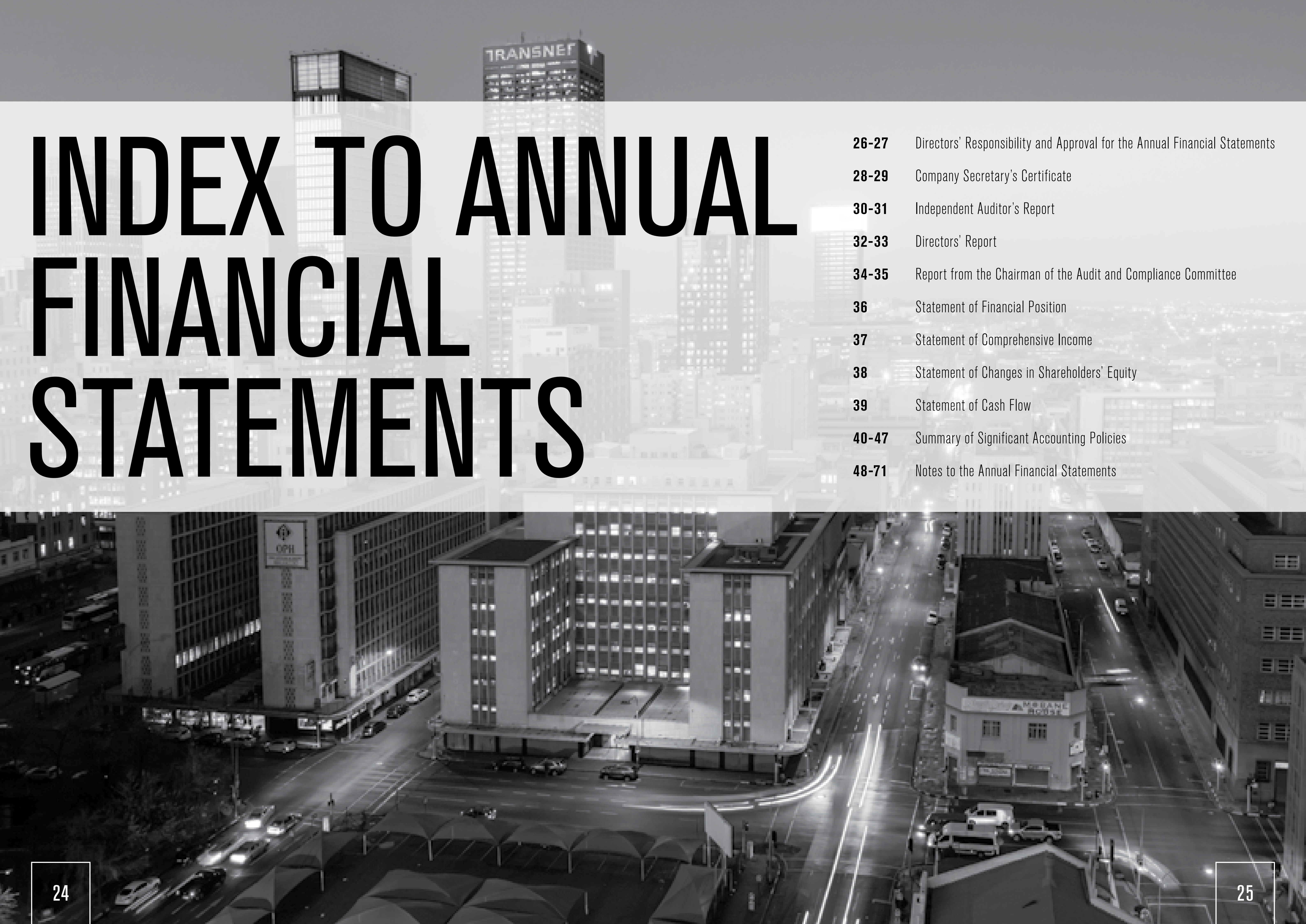
The above products and services are not only available through our Sandton Head office but are facilitated through seven business suites situated in the key business nodes around the country. Each business customer is not only allocated to an experienced and skilled relationship manager but also to a Foreign Exchange Professional within our GTS team.

ALLIANCE BANKING

The Bank continues to grow its Alliance Banking offering by strategically partnering with established Retailers and innovative FinTech companies. The alliance banking business model focuses on banking products developed and offered to identified market segments or groups through a leveraged partner eco-system. Consumers know their money is safe, held with a Bank, yet they enjoy financial technology and the convenience of banking services being rearranged around them.

This unique offering has been built on years of experience in successfully building and running these partnerships, bringing value to consumers at a rate that they are comfortable paying for. We provide an agile approach to Banking by providing traditional banking channels, a broad range of certified payment streams and banking card associations. This is supported by a mix of value added service providers, retail distribution partners, core banking systems providers, third party processors and service operators. We pride ourselves on running an efficient, interoperable banking back office focused on regulatory, compliance, settlement and operational standards across all our products and partners.

In 2016, we were pleased to launch our latest offering – MoovaMoney. This product was launched in partnership with industry leaders Edcon Group (largest retailer of clothing, footwear and textile in South Africa, including top stationary, general merchandise and homeware brands) and Blue Label Telecoms (providers of pre-paid products, distribution mechanisms and a mobile banking platform.)



INDEX TO ANNUAL FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY AND APPROVAL FOR THE ANNUAL FINANCIAL STATEMENTS

The Directors are responsible for the preparation and integrity of the Annual Financial Statements and related information included in this report. In order for the Board to discharge its responsibilities, management has developed and continues to maintain systems of internal control. The Board has ultimate responsibility for the systems of internal control and reviews their effectiveness, primarily through the Audit and Compliance Committee. As part of the systems of internal controls, the Bank's Internal Audit department conducts operational, financial and specific audits, and reports directly to the Audit and Compliance Committee. The external auditors are responsible for reporting on the Annual Financial Statements. The holding company is the National Bank of Greece (NBG), which is incorporated in Greece, with its head office in Athens. 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 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 2016 were approved by the Board of Directors on the 20 of April 2017 and are signed on its behalf by:

P. Ranchod
Chairman
Johannesburg
28 April 2017

S. Georgopoulos
Chief Executive Officer
Johannesburg
28 April 2017

COMPANY SECRETARY'S CERTIFICATE

In terms of section 88(2)(e) of the Companies Act, as amended, I certify that The South African Bank of Athens Limited has lodged with the Commissioner all returns as required by a public company, and that all such returns are, to the best of my knowledge and belief, true, correct and up to date.

Maureen Dolo
Company Secretary
28 April 2017

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF THE SOUTH AFRICAN BANK OF ATHENS LIMITED

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of The South African Bank of Athens Limited, set out on pages 36 to 70, which comprise the statement of financial position as at 31 December 2016, the statements of profit or loss and other comprehensive income, the statement of changes in equity, the statement of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2016 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards (IFRSs) and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Company in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa.

We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

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

Emphasis of Matter

We draw attention to the disclosures made in Note 27 and Note 25.1 of the annual financial statements, which refer to circumstances the National Bank of Greece, a major shareholder of the South African Bank of Athens, currently operates under as well as the considerations applied in the assessment of going concern.

Other Information

The directors are responsible for the other information. The other information comprises the Directors' Report, as required by the Companies Act of South Africa. The other information does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the Financial Statements

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

In preparing the financial statements, the directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control.

- Obtain an understanding of internal control relevant to the audit 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 Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

In terms of the Independent Regulatory Board for Auditors (IRBA) Rule published in Government Gazette Number 39475 dated 04 December 2015, we report that Deloitte & Touche has been the auditor of The South African Bank of Athens for 70 years. We are independent of The South African Bank of Athens in accordance with the IRBA Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B).

Deloitte & Touche

Registered Auditor
Per: J Dziruni
Partner
28 April 2017

DIRECTORS' REPORT

FOR THE YEAR ENDED
31 DECEMBER 2016

The Directors have pleasure in submitting their report on the activities of the Bank for the financial year ended 31 December 2016.

NATURE OF THE BUSINESS

The Bank continued to service its customer base as a long standing commercial and clearing bank through its head office and seven business suites spread throughout the country. Its focus during the year under review remained on medium-sized entrepreneurial businesses and small corporates as well as the related personal banking requirements of these businesses. Additional focus was placed on enhancing the Bank's alliance banking offering (previously referred to as sponsored banking).

The bank has three alliance banking relationships in operation, namely Edcon - MoovaMoney, Olympus Mobile and SFE. The alliance banking partners operate as an authorised distribution channel of the bank.

CAPITAL STRUCTURE

There has been no change in the structure of authorised share capital for the year under review. The unissued shares are under the control of the Directors subject to the notification to and specific approval by the National Bank of Greece S.A. (NBG), until the next Annual General Meeting. During the year R39,999,991 share capital was raised by issuing 3 861 003 ordinary shares at a premium of R9.36 per share. (See notes 11 and 12). The results of the Bank are set financial statements and supporting notes.

DIVIDENDS

No dividends have been proposed or declared for the year under review (2015: Nil).

HOLDING COMPANY

The holding company is the National Bank of Greece S.A. (NBG) which is incorporated in Greece, with its head office in Athens.

The holding company has continued to support the Bank and the Directors have no reason to believe that this support will not continue.

GOING CONCERN

After making due enquiries and having carefully considered the factors impacting the Bank's going concern, including the following; the potential sale by the National Bank of Greece S.A. as mentioned below and the fact that this transaction will require the approval of the Board, the irrevocable undertaking by NBG to continue to provide financial support as per note 25.1, the Bank's capital adequacy and liquidity for the next 12 months, the fiscal and economic uncertainty currently prevailing in Greece and this uncertainty's potential impact on NBG and the Bank, the Directors consider that the Bank has adequate resources to continue operating for the foreseeable future.

The financial statements have therefore been prepared on the going concern basis.

SYSTEMS OF INTERNAL CONTROL

The Board's assessment of the Bank's systems of internal control is that they are satisfactory.

POST BALANCE SHEET EVENTS

On 7 March 2017, The National Bank of Greece S.A. announced that it had entered into a definitive agreement to sell its entire stake (99.81%) in SABA to AFGRI Holdings (Pty) Ltd ("AFGRI").

The transaction remains subject to the Board and all regulatory approvals and is expected to close in the latter part of 2017.

DIRECTORATE AND SECRETARY

Details of the Directors and the company secretary of the Bank are provided on the inside cover and page 22 respectively.

The Directors of the Bank as at 28 April 2017 are:

Non-executive:

G. Grigoropoulos

A. Lizos

Independent, Non-executive:

P. Ranchod

G. Bizos

T.J. Fearnhead

R.A. Shough

W. Krüger (appointed 7 January 2016)

Executive:

S. Georgopoulos (Chief Executive Officer)

D.J. Adriaanzen

C. Michaelides

D. Haarhoff

Registered address:

Block 3, Inanda Greens Business Park
54 Wierda Road West
Wierda Valley
Sandton

REPORT FROM THE CHAIRMAN OF THE AUDIT AND COMPLIANCE COMMITTEE

The report provides an overview of the SABA Audit and Compliance Committee (ACC) and its activities and how it has discharged its responsibilities for the financial year ended 31 December 2016.

The ACC is an independent statutory committee appointed by the shareholders. Further duties are delegated to the ACC by the board of directors of the Bank. This report includes both these sets of duties and responsibilities.

1. AUDIT AND COMPLIANCE COMMITTEE TERMS OF REFERENCE

The ACC has adopted a formal terms of reference that has been approved by the Board of Directors.

The Committee has conducted its affairs in compliance with its terms of reference and has discharged its responsibilities contained therein. The terms of reference are available on request from the Company Secretary.

2. AUDIT COMMITTEE MEMBERS, MEETING ATTENDANCE AND ASSESSMENT

The ACC is independent and consists of independent, non-executive directors. During the year under review the ACC comprised three members and four meetings were held.

The Chief Executive Officer, Chief Financial Officer, Chief Operating Officer, Chief Risk Officer, Head of Internal Audit, Head of Compliance and Legal Services, External Auditor and other risk and related assurance providers attend meetings by invitation only.

The Chairman of the Board attends ACC meetings at his discretion. The effectiveness of the ACC and its individual members is assessed on an annual basis.

3. ROLE AND RESPONSIBILITIES

Statutory duties

The ACC's role and responsibilities include statutory duties per the Companies Act, 2008, and further responsibilities assigned to it by the board. The ACC executed its duties in terms of the requirements of King III.

External auditor appointment and independence

The appointment of the Bank's external auditors is determined by the NBG Group Audit Committee.

In accordance with section 94(8) of the Companies Act, 2008, which includes consideration of previous appointments of the auditor, the extent of other work undertaken by the auditor for the Bank and compliance with criteria relating to independence or conflicts of interest as prescribed by the Independent Regulatory Board for Auditors, the ACC has satisfied itself that the auditors are independent of the Bank and are thereby able to conduct their audit functions without any influence from the Bank.

Requisite assurance was sought and provided by the auditor that internal governance processes within the audit firm support and demonstrate its claim to independence. The committee agreed to the engagement terms, audit plan and budgeted audit fees, in consultation with executive management, for the 2016 year.

There is a procedure that governs the process whereby the auditor is considered for non-audit services. There were no non-audit engagements for 2016.

Financial statements and accounting practices

The ACC has reviewed the accounting policies and the financial statements of the Bank and is satisfied that they are appropriate and comply with International Financial Reporting Standards. There were no matters of concern or complaint as envisaged by section 94(7) (g) of the Companies Act, 2008, received from within or outside the company which came to the attention of the ACC in the past financial year.

Internal financial controls

The Bank's Internal Audit unit performed an assessment of the effectiveness of the Bank's system of internal control and risk management, including internal financial controls.

This assessment by the Internal Audit department as well as other sources of assurance formed the basis for the ACC's recommendation in this regard to the Board, in order for the board to report thereon. The ACC has assessed the internal financial controls as satisfactory.

Internal audit

The ACC is responsible for ensuring that the Bank's Internal Audit function is independent and has the necessary resources, standing and authority within the Bank to enable it to discharge its duties.

Furthermore, the committee oversees cooperation between the internal and external auditors, and serves as a link between the Board of Directors and these functions.

The ACC considered and recommended the internal audit charter for approval by the Board. The Internal Audit function's annual audit plan was approved by the ACC.

The Internal Audit function has responsibility for reviewing and providing assurance on the adequacy of the internal control environment across all of the Bank's operations.

The Head of Internal Audit is responsible for reporting the findings of the internal audit work against the agreed internal audit plan to the ACC and the NBG Chief Audit Executive on a regular basis.

The Head of Internal Audit reports directly to the ACC, primarily through its chairman. During the year, the committee met with the external auditors and with the Head of Internal Audit without management being present.

Compliance

The Bank's compliance plan for the year is reviewed and approved by the ACC to ensure adequate coverage of all the key areas. Findings are reported regularly to the ACC to ensure that the compliance function effectively discharges its responsibility. The Head of Compliance and Legal Services reports directly to the ACC, primarily through its chairman.

Governance of risk

The Board has assigned oversight of the Bank's risk management function to the Enterprise Risk and Capital Management Committee (ERCM).

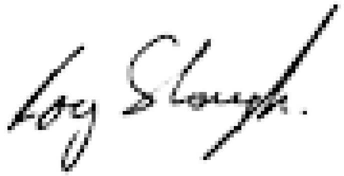
The chairman of the ACC is a member of the ERCM committee, and conversely the chairman of the ERCM committee is a member of the ACC, ensuring that information relevant to these committees is transferred regularly.

The ACC fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.

Evaluation of the expertise and experience of financial director and finance function

The ACC has considered, and has satisfied itself of, the appropriateness of the expertise and adequacy of resources of the finance function and experience of the Chief Financial Officer and senior members of management responsible for the financial function.

The ACC is satisfied that it fulfilled its legal, regulatory and other responsibilities.



RA Shough
28 April 2017
Chairman: Audit and Compliance Committee

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Notes	2016 R'000	2015 R'000
ASSETS			
Cash and cash equivalents	1	**256 561**	**411 010**
Derivative financial instruments	2	**4 245**	**71 798**
Short-term negotiable securities	3	**153 026**	**139 602**
Other investments	4	**15**	**15**
Accounts receivable	5	**14 967**	**11 940**
Loans and Advances	6, 7	**1 734 771**	**1 791 733**
Investment property	8	**10 400**	**-**
Property and equipment	9	**15 541**	**28 360**
Intangible assets	10	**75 935**	**55 493**
TOTAL ASSETS		**2 265 461**	**2 509 951**
EQUITY AND LIABILITIES			
EQUITY			
Share capital	11	**28 019**	**24 158**
Share premium	12	**375 166**	**339 027**
Revaluation reserves	13	**4 635**	**5 166**
Accumulated loss		**(140 627)**	**(111 271)**
TOTAL EQUITY		**267 193**	**257 080**
Long term debt instruments	14	**50 000**	**50 000**
Derivative financial instruments	2	**15 190**	**6 649**
Deposits and current accounts	15	**1 893 567**	**2 166 969**
Accounts payable	16	**39 511**	**29 253**
TOTAL LIABILITIES		**1 998 268**	**2 252 871**
TOTAL EQUITY AND LIABILITIES		**2 265 461**	**2 509 951**

STATEMENT OF COMPREHENSIVE INCOME

AS AT 31 DECEMBER 2016

	Notes	2016 R'000	2015 R'000
Interest income	18,1	212 827	194 567
Interest expense	18,2	(126 405)	(104 979)
Net interest income		**86 422**	**89 588**
Net charge for bad and doubtful advances	7	(18 325)	(32 639)
Non-interest income	18,3	53 389	54 119
Operating income		**121 486**	**111 068**
Staff cost	18,4	(65 245)	(62 660)
Depreciation and amortisation	18,4	(7 776)	(7 587)
Operating lease expenses	18,4	(10 815)	(10 269)
Other operating expenses	18,4	(67 006)	(57 121)
Loss before taxation		**(29 356)**	**(26 569)**
Income tax expense	19	-	-
Loss for the year		**(29 356)**	**(26 569)**
OTHER COMPREHENSIVE LOSS, NET OF TAXATION			
Net profit (loss) on available for sale financial assets	3	269	(319)
Revaluation of land and buildings		(800)	(2 300)
Total comprehensive loss for the year		**(29 887)**	**(29 188)**
LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Holding company		(29 300)	(26 513)
Minority shareholders		(56)	(56)
		(29 356)	(26 569)
TOTAL COMPREHENSIVE LOSS FOR THE YEAR ATTRIBUTABLE TO:			
Holding company		(29 830)	(29 127)
Minority shareholders		(57)	(61)
		(29 887)	(29 188)

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

	Share capital R'000	Share premium R'000	Available for sale financial asset R'000	Properties revaluation reserve R'000	Accumulated loss R'000	Total R'000
Balance at 1 January 2015	**24 158**	**339 027**	**(49)**	**7 834**	**(84 702)**	**286 268**
Loss for the year	-	-	-	-	(26 569)	(26 569)
Other comprehensive income (loss) for the year	-	-	(319)	(2 300)	-	(2 619)
Balance at 31 December 2015	**24 158**	**339 027**	**(368)**	**5 534**	**(111 271)**	**257 080**
Issue of ordinary shares	3 861	36 139				40 000
Loss for the year	-	-	-	-	(29 356)	(29 356)
Other comprehensive income (loss) for the year	-	-	269	(800)	-	(531)
Balance at 31 December 2016	**28 019**	**375 166**	**(99)**	**4 734**	**(140 627)**	**267 193**

STATEMENT OF CASH FLOW

	Note	2016 R'000	2015 R'000
Cash flows from operating activities			
Cash receipts from customers	24,1	266 443	248 886
Cash paid to customers, suppliers and employees	24,2	(269 471)	(235 029)
Cash (utilised) generated from operations	**24,5**	**(3 028)**	**13 857**
Net (increase) decrease in income earning assets	24,3	98 475	(96 358)
Net (decrease) increase in deposits and other accounts	24,4	(263 144)	201 969
Net cash inflow / (outflow) from operating activities		**(167 697)**	**119 468**
Cash flows from investing activities			
Purchase of intangible assets	10	(23 805)	(23 122)
Purchase of property and equipment	9	(2 988)	(1 237)
Proceeds on sale of property and equipment		41	32
Net cash outflow from investing activities		**(26 752)**	**(24 327)**
Cash flows from financing activities			
Proceeds from issue of equity instruments of the Bank		40 000	-
Proceeds from long-term borrowings		-	50 000
Net cash inflow from financing activities		**40 000**	**50 000**
Net cash inflow / (outflow) for the year		**(154 449)**	**145 141**
Cash and cash equivalents at the beginning of the year		411 010	265 869
Cash and cash equivalents at the end of the year		**256 561**	**411 010**

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

AS AT 31 DECEMBER 2016

1. STATEMENT OF COMPLIANCE

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

2. BASIS OF PREPARATION

The financial statements have been prepared on the historical cost basis, except for the property measured at the revalued amount and financial instruments classified as available-for-sale financial assets, financial assets and financial liabilities held at fair value through profit or loss and derivative contracts, which have been measured at fair value. Historical cost is generally based on the fair value of the consideration given in exchange for assets.

The preparation of financial statements in conformity with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

3. ADOPTION OF NEW AND REVISED INTERNATIONAL FINANCIAL REPORTING STANDARDS (IFRS)

3.1. New standards, amendments and interpretations to existing standards effective after 2016.

- **IFRS 7: Financial Instruments: Disclosures**
  Defferral of mandatory effective date of IFRS 9 and amendments to transitions disclosures. Effective date annual periods beginning on or after 1 January 2018.

- **IFRS 9: Financial Instruments**
  Reissue of a complete standard with all the chapters incorporated. Effective date annual periods beginning on or after 1 January 2018.

- **IFRS 13: Fair Value Measurement**
  Amendments resulting from Annual Improvements 2011-2013 Cycle (scope of the portfolio exception in paragraph 52). Effective date annual periods beginning on or after 1 July 2018.

- **IFRS 15: Revenue from contracts with customers**
  The principles that an entity shall apply to report useful information to users about the nature, amount, timing and uncertainty of revenue and cashflows arising from a contract with a customer. Amendments to defer the effective date to 1 January 2018.

- **IFRS 16: Leases**
  Standard issue in January 2016. Effective date annual periods beginning on or after 1 January 2019.

- **IAS 7: Statement of Cash Flows**
  Amendments as a result of the disclosure initiative. Effective date annual periods beginning on or after 1 January 2017.

- **IAS 12: Income Taxes**
  Amendments regarding the recognition of deferred tax assets for unrealised losses. Effective date annual periods beginning on or after 1 January 2017.

- **IAS 40: Investment Property**
  Amendments clarifying the requirements regarding transfers to, or from, investment property. Effective date annual periods beginning on or after 1 January 2018.

4. 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 the entity ("the functional currency"). The financial statements of the Bank are presented in thousands of South African Rands (ZAR), which is the functional currency of the Bank. Foreign currency transactions are translated into the functional currency at the exchange rates prevailing at the dates of the transactions.

Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. Translation differences on debt securities and other monetary financial assets re-measured at fair value are included in foreign exchange gains and losses.

Translation differences on non-monetary financial assets are a component of the change in their fair value and are recognised in profit and loss for equity securities held for trading, or in other comprehensive income for equity securities classified as available for sale investment securities. Non-monetary items that are measured in terms of historical cost in a foreign currency shall be translated using the exchange rate at the date of the transaction.

Depending on the classification of a non-monetary financial asset, translation differences are either recognised in the Statement of Comprehensive Income (applicable for example for equity securities held for trading), or within shareholders' equity, if non-monetary financial assets are classified as available for sale investment securities.

5. FINANCIAL INSTRUMENTS

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

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

5.1. FINANCIAL ASSETS AND LIABILITIES AT FAIR VALUE THROUGH PROFIT AND LOSS

The Bank designates at initial recognition certain financial assets or liabilities as at fair value through profit or loss when:

- Doing so eliminates or significantly reduces a measurement or recognition inconsistency (sometimes referred to as "an accounting mismatch") that would otherwise arise if the related derivatives were treated as held for trading and the underlying financial instruments were carried at amortised cost such as loans and advances to customers or banks and debt securities in issue;

- A book of financial assets, financial liabilities or both is managed and its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy, and information about the Bank is provided internally on that basis to key management personnel, for example the Board of Directors and the Chief Executive Officer;

- The financial instruments contain one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments and would have to be separated if not in this category.

The fair value designation, once made, is irrevocable.

5.2. MEASUREMENT

Financial assets and liabilities at fair value through profit or loss are initially recognised at fair value and subsequently measured at fair value. Gains and losses on disposal or redemption and unrealised gains and losses from changes in the fair value are included in fair value gains and losses.

Dividend income is recognised in the income statement when the right to receive payment is established. This is the ex-dividend for equity securities and is separately reported and included in "Net other income / (expense)".

The amount of change during the period, and cumulatively, in the fair values of designated financial liabilities and loans and advances to customers that is attributable to changes in their credit risk is determined as the amount of change in the fair value that is not attributable to changes in market conditions that give rise to market risk.

6. DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments including foreign exchange contracts, forward rate agreements, currency and interest rate swaps, interest rate futures, currency and interest rate options (both written and purchased) and other derivative financial instruments are initially recognised in the Statement of Financial position at fair value and subsequently remeasured 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, or discounted cash flow models, as appropriate. Derivatives are not entered into for trading nor speculative purposes. Changes in the fair value of derivatives are recognised in the Statement of Comprehensive Income.

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

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

7. INVESTMENT SECURITIES

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

Held-to-maturity investment securities consist of non-derivative, securities that are quoted in an active market, with fixed or determinable payments and fixed maturities, which the management has the positive intent and ability to hold to maturity. Loan and receivable investment securities consist of non-derivative investment securities with fixed or determinable payments that are not quoted in an active market.

Held-to-maturity and loan and receivable investment securities are carried at amortised cost using the effective interest rate method, less any provision for impairment. Amortised cost is calculated by taking into account any fees, points paid or received, transaction costs and any discount or premium on acquisition.

Impairment: The Bank assesses at each reporting date whether there is objective evidence that an investment security or a Bank is impaired of such securities. Particularly for equity investments classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered, among other factors, in determining whether the assets are impaired.

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

The amount of the impairment loss for held to maturity and loans and receivable investment securities, which are carried at amortised cost is calculated as the difference between the asset's carrying amount and the present value of expected future cash flows discounted at the financial instrument's original effective interest rate.

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.

8. RECLASSIFICATION OF FINANCIAL INSTRUMENTS

The Bank reclassifies non-derivative debt instruments out of the trading and available-for-sale categories and into the loans and receivables category if the instruments meet the definition of this category at the date of reclassification and the Bank has the intention and ability to hold the instruments for the foreseeable future or until maturity.

When rare circumstances cause significant deterioration in the trading activity or substantially affect the observable prices of non-derivative financial assets classified in the trading category, the Bank reclassifies such financial assets out of the trading category and into the held-to-maturity or available-for-sale categories, provided the assets meet definition of the respective category at the date of reclassification and the Bank does not have the intention to sell them in the near term.

If there is a change in intention or ability to hold a debt financial instrument to maturity, the Bank reclassifies such instruments out of the available-for-sale category and into the held-to-maturity category, provided the instruments meet the definition of the latter at the date of reclassification.

For financial assets reclassified as described above, the fair value at the date of reclassification becomes the new amortised cost at that date.

When the instruments reclassified out of the trading category include embedded derivatives, the Bank reassesses at the reclassification date whether the embedded derivatives need to be separated from the host contract, on the basis of the circumstances that existed when the Bank became a party to the contract.

The Bank transfers debt instruments that have been reclassified as loans and receivables from the trading or available-for-sale categories, into the available-for-sale category if the instruments subsequently become quoted in an active market and the Bank does not intend to hold them for the foreseeable future or until maturity. The fair value of the instruments at the date of reclassification becomes the new amortised cost at that date. The difference between the amortised cost immediately prior to reclassification and the fair value at the date of reclassification is recognised in the available-for-sale securities reserve through other comprehensive income and is amortised in the Statement of Comprehensive Income.

9. FAIR VALUE OF FINANCIAL INSTRUMENTS

The Bank measures the fair value of its financial instruments based on a framework for measuring fair value that categorises financial instruments based on a three-level hierarchy of the inputs to the valuation technique, as discussed below.

Level 1: Quoted prices in active markets for identical assets or liabilities. Level 1 assets and liabilities include debt and equity securities and derivative contracts that are traded in an active exchange market.

Level 2: Observable inputs other than Level 1 quoted prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data (for example derived from prices) for substantially the full term of the assets or liabilities. Level 2 assets and liabilities include debt securities with quoted prices that are traded less frequently than exchange-traded instruments, as well as debt securities without quoted prices and certain derivative contracts whose values are determined using pricing models, discounted cash flow methodologies, or similar techniques with inputs that are observable in the market or can be derived principally from or corroborated by observable market data. This category generally includes government and corporate debt securities with prices in markets that are not active and certain over-the-counter (OTC) derivative contracts.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is a Level 3 measurement. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety, is determined on the basis of the lowest level input that is significant to the fair value measurement in its entirety. For this purpose, the significance of an input is assessed against the fair value measurement in its entirety.

10. 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.

11. 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 effective interest rate method. Fees and direct costs relating to a loan origination, financing or restructuring and to loan commitments are treated as part of the cost of the transaction and are deferred and amortised to interest income over the life of the loan using the effective interest rate method, unless they are designated as at "fair value through profit or loss".

11.1. IMPAIRMENT LOSSES ON LOANS AND ADVANCES

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

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

A credit risk provision for loan impairment is established if there is objective evidence that the Bank will be unable to collect all amounts due on a claim according to the original contractual terms. Objective evidence that a claim is impaired includes observable data that comes to the Bank's attention 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 bank of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the Bank, including:

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

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

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

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

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

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

Management utilises estimates based on historical loss experience for assets with similar credit attributes and any other evidence collected during normal course of business in the calculation of the different credit portfolios expected future cash flows. Management regularly reviews the methodologies and assumptions applied in the calculation of the estimated future cash flows, the timing thereof and the amount.

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

The amount of the reversal is recognised in the statement of comprehensive income as part of impairment losses on loans and advances to customers.

12. RENEGOTIATED LOANS

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

13. DERECOGNITION

13.1. FINANCIAL ASSETS

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

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

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

As part of its activities, the Bank securitises certain financial assets, generally through the sale of these assets to special purposes entities, which issue securities collateralised with these assets.

To the extent that the Bank sells these securities to third party investors, the transferred assets may qualify for derecognition in full or in part. Gains or losses on securitisations are based on the carrying amount of the financial assets derecognised and the retained interest, based on their relative fair values at the date of the transfer.

13.2. FINANCIAL LIABILITIES

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expired.

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

14. REGULAR WAY PURCHASES AND SALES

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

15. OFFSETTING

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

16. INTEREST INCOME AND EXPENSE

Interest income and expense are recognised in the Statement of Comprehensive Income for all interest bearing financial instruments using the effective interest rate method. Interest income includes interest on loans and advances to customers, coupons earned on fixed income investment and trading securities and accrued discount and premium on treasury bills and other instruments. The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Bank estimates cash flows, considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

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

17. FEE AND COMMISSION INCOME

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

18. PROPERTY AND EQUIPMENT

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

Subsequent to initial recognition, property and equipment excluding Land are measured at cost less accumulated depreciation and accumulated impairment losses. Costs incurred subsequent to the acquisition of an asset, which is classified as property and equipment are capitalised, only when it is probable that they will result in future economic benefits to the Bank beyond those originally anticipated for the asset, otherwise they are expensed as incurred. Land and Buildings are subsequently measured, using the revaluation model, at its fair value less accumulated depreciation and impairment losses. Land and Buildings are revalued 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 20 years
Leasehold improvements	Residual lease term, not exceeding 10 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 revalued, 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 remeasured 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.

19. INTANGIBLE ASSETS

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

Computer software and implementation costs include 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 rolling, based on annual management assessment. 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.

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

19.1. IMPAIRMENT OF INTANGIBLE ASSETS

At the end of each reporting period, the Bank reviews the carrying amounts of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment at least annually and whenever there is an indication that the asset may be impaired.

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

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

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

20. INVESTMENT PROPERTY

Property is initially recognised at cost and subsequently measured using the fair value model. The investment is held by the Bank for investment appreciation purposes. A valuation is performed annually by an independent valuer. The fair value gains or loses are accounted through profit and loss.

21. LEASES

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

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

21.1. THE BANK IS THE LESSEE

21.1.1. FINANCE LEASE:

Leases where the Bank has substantially all the risks and rewards of ownership of the asset are classified as finance leases. Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding.

The outstanding rental obligations, net of finance charges, are included in other liabilities. The interest element of the finance cost is charged to the Statement of Comprehensive Income over the lease period. All assets acquired under finance leases are depreciated over the shorter of the useful life of the asset or the lease term.

21.1.2. 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.

21.2. THE BANK IS THE LESSOR

21.2.1. FINANCE LEASE:

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

Finance lease receivables are included in loans and advances to customers.

21.2.2. OPERATING LEASE:

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

22. CASH AND CASH EQUIVALENTS

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

23. PROVISIONS

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

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

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

24. EMPLOYEE BENEFITS

The Bank has a defined contribution retirement benefit plan in accordance with Section 12(4) of the Pension Funds second Amendment Act No. 39 of 2001. Such plans are classified as pension plans or other post-retirement benefit plans. Company contributions to the retirement fund are based on a percentage of employees' remuneration.

The minimum percentage contribution is recommended by the independent actuaries. Retirement benefits are provided for all permanent staff.

24.1. 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.

24.2. OTHER POST-RETIREMENT BENEFIT PLANS

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

25. INCOME TAXES

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

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

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

It has not been applied at SABA due to the continuous losses incurred to date and will be applied once sufficient taxable profits are generated to utilise the losses.

26. 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. The redemption value is recognised in the Statement of Comprehensive Income over the period of the borrowings using the effective interest rate method.

27. SHARE CAPITAL

27.1. SHARE ISSUE COSTS:

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

28. RELATED PARTY TRANSACTIONS

Related parties include entities, which the Bank has the ability to exercise significant influence in making financial and operating decisions.

Related parties include, directors, their close relatives, companies owned or controlled by them and companies over which they can influence the financial and operating policies.

All banking transactions entered into with related parties are made on substantially the same terms, including interest rates and collateral, as those prevailing at the same time for comparable transactions with unrelated parties and do not involve more than a normal amount of risk.

29. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Introduction

In preparing the annual financial statements, management makes estimates and assumptions that affect the reported amounts of assets and liabilities. Estimates, assumptions and judgements are continually evaluated and are based on historical experience, use of independent experts and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Unless stated otherwise the judgements applied by management in applying the accounting policies are consistent with the prior year. Included below are all the critical accounting estimates, assumptions and judgements made by the Bank. The assumptions and estimates applied for fair value measurement is included in note 21.

Estimated useful lives

The useful life of each asset is assessed individually. The benchmarks used when assessing the useful life of the individual assets are set out in accounting policy note 18 and 19.

Impairment of loans and advances

The Bank continuously assesses its credit portfolios for impairment. Significant advances are monitored by the credit committee and impaired according to the Bank's impairment policy when an indication of impairment is observed.

The objective of the measurement of an impairment loss is to produce a quantitative measure of the Bank's credit risk exposure. As referred to in accounting policy note 11.1, the Bank assesses objective evidence to determine whether the loan needs to be individually impaired. Expert valuations are used in assessing the collateral values applied in the credit impairment calculation and future cash flows.

Investment property

Fair values are determined using an independent expert valuator.

1. Cash and Cash Equivalents

	2016 R'000	2015 R'000
Coin and bank notes	**6**	**6**
Deposits with other banks	**38 573**	**70 718**
Foreign currency balances	**152 737**	**269 213**
Balances with the Central Bank	**65 245**	**71 073**
	256 561	**411 010**
The mandatory South African Reserve Bank reserve requirement is included in the above figures.	**43 420**	**47 843**

Banks are required to keep a mandatory average balance with the Central Bank. According to the Bank 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. The balance earns interest at 0%.

		2016 R'000	2015 R'000
FOREIGN CURRENCY BALANCES		152 737	269 213
Wespac Bank Corp, Sydney	AUD	248	291
Deutsche Bank, Frankfurt	CAD	474	-
Standard Chartered Bank Botswana, Botswana	BWP	14	13
Inteso Saint Paolo (previously Banca Commerciale Italiana), Milano	EUR	2 612	935
Deutsche Bank, Frankfurt	EUR	23 771	18 855
National Bank of Greece, Athens	EUR	403	2 619
Standard Chartered Bank, Frankfurt	EUR	-	90
National Bank of Greece, London	GBP	1 513	1 265
National Westminster Bank Limited, London	GBP	2 872	4 042
Bank of Tokyo, Tokyo	JPY	105	119
Sumitomo Bank Limited, Tokyo	JPY	-	110
Barclays Bank, New York (Collateral)	USD	16 663	49 855
Deutsche Bankers Trust, New York	USD	62 506	168 771
Standard Bank of South Africa, Johannesburg (Collateral)	USD	41 556	22 248

The balances on the Nostro and Collateral accounts are managed on a daily basis and kept to a minimum, hence these balances are not hedged. The conversion rates used are as per note 26.

2. Derivative Financial Instruments

The notional amount of the derivative instruments do not necessarily indicate the amounts of future cash flows involved or the current fair value of the instruments. The notional amounts of these instruments indicate the nominal value of transactions outstanding at the statement of financial position date. Derivative instruments become favourable (assets) or unfavourable (liabilities) based on changes in the market. The derivative instruments are carried at fair value with movements going through the Statement of Comprehensive Income. The valuation method used to get the fair value is market observable inputs as obtained from Reuters as defined in IFRS 13 fair value measurement, these fall within level 2 classification.

	2016 R'000	2015 R'000
ASSETS		
FOREIGN EXCHANGE CONTRACTS		
Notional	112 365	715 570
Fair value	**4 245**	71 798
LIABILITIES		
FOREIGN EXCHANGE CONTRACTS		
Notional	414 021	119 529
Fair value	**15 190**	6 649

3. Short-Term Negotiable Securities

The Short-Term Negotiable Securities consist of Treasury Bills with interest rates ranging from 5.9964% to 8.3202% and maturing during the period 8 February 2017 to 22 March 2017. These financial investments are classified as available for sale. They are carried at fair value and all the gains and losses for these financial instruments are recognised in equity, as defined in IFRS 13 fair value measurement, these fall within level 2 classification.

	2016 R'000	2015 R'000
AVAILABLE-FOR-SALE INVESTMENTS CARRIED AT FAIR VALUE		
At 1 January	**139 602**	**128 751**
Purchased Treasury Bills	365 633	465 610
Proceeds from sale of Treasury Bills	(361 950)	(463 308)
Interest earned	9 472	8 868
Revaluation reserve	269	(319)
At 31 December	**153 026**	139 602

4. Other Investments

Other Investments relate to an investment acquired 16 years ago in an unlisted company, called Dandyshelf 3 (Pty) Ltd. The investment acquired consists of 100 shares in the Dandyshelf 3 (Pty) Ltd. No dividend was received during 2016 or 2015. The shares are unlisted, and the Directors' valuation of the unlisted investment equates to the fair value which approximates cost as defined in IFRS 13 fair value measurement, these fall within level 3 classification.

4. Other Investments Continued

	2016 R'000	2015 R'000
FINANCIAL ASSET CARRIED AT FAIR VALUE		
Unlisted - Dandyshelf 3 (Pty) Ltd		
Fair value	**15**	**15**

5. Accounts Receivable

	2016 R'000	2015 R'000
Other accounts receivable and prepaid expenses	**14 967**	**11 940**

6. Loans and Advances

All the advances are at variable interest rates. The fair value of the loans and advances balance carried at amortised cost is approximately R 1, 740, 910, 041.

	2016 R'000	2015 R'000
CATEGORY ANALYSIS		
Overdrafts	167 052	153 577
Commercial and property loans	668 005	709 653
Home loans	608 435	542 244
Instalment sale	232 737	318 861
Non-performing loans*	189 437	204 050
	1 865 666	1 928 385

*Included in Non-performing loans is suspended interest amounting to R 17,490,244 (2015: R 18,644,167)

	2016	2015
Less: Credit impairment - Refer Note 7	(130 895)	(136 652)
Overdrafts	(27 222)	(25 197)
Commercial and property loans	(14 099)	(12 275)
Home loans	(10 148)	(9 138)
Instalment sale	(79 426)	(90 042)
NET LOANS AND ADVANCES	**1 734 771**	**1 791 733**

	2016	2015
SECTORIAL ANALYSIS		
Agriculture	197	302
Financial and real estate	755 461	753 556
Individuals	519 688	480 762
Manufacturing	111 890	116 701
Transport	110 628	173 350
Electricity and water	6 827	5 977
Mining	2 510	6 379
Other services	358 465	391 358
	1 865 666	**1 928 385**

	2016	2015
MATURITY ANALYSIS		
Maturing within one year	405 142	415 808
Maturing after one year but within five years	755 157	817 822
Maturing after five years	705 367	694 755
	1 865 666	**1 928 385**

All loans and advances are granted within the Republic of South Africa and can be denominated in different currencies.

6. Loans and Advances Continued

NON-PERFORMING LOANS AND ADVANCES BY CATEGORY 2016	As a % of Advances	Credit Risk R'000	Securities and Other Expected Recoveries R'000	Specific Provision R'000
Overdrafts	1,52%	28 405	3 928	24 477
Commercial and property loans	2,37%	44 138	35 759	8 379
Instalment sale	4,11%	76 640	8 446	68 194
Home loans	2,16%	40 254	31 403	8 851
TOTAL 2016	**10,16%**	**189 437**	**79 536**	**109 901**

NON PERFORMING LOANS AND ADVANCES BY SECTOR				
Individuals	2,48%	46 142	19 373	26 769
Manufacturing	1,29%	24 117	10 126	13 991
Transport	0,14%	2 558	1 074	1 484
Financial and real estate	1,95%	36 406	15 285	21 121
Other services	4,30%	80 214	33 678	46 536
TOTAL 2016	**10,16%**	**189 437**	**79 536**	**109 901**

NON-PERFORMING LOANS AND ADVANCES BY CATEGORY 2015	As a % of Advances	Credit Risk R'000	Securities and Other Expected Recoveries R'000	Specific Provision R'000
Overdraft	1,49%	28 806	4 649	24 157
Commercial and property loans	1,72%	33 201	25 978	7 223
Instalment sale	4,94%	95 269	11 179	84 090
Home loans	2,44%	46 774	41 109	5 665
TOTAL 2015	**10,59%**	**204 050**	**82 915**	**121 135**

NON PERFORMING LOANS AND ADVANCES BY SECTOR	As a % of Advances	Credit Risk	Securities and Other Expected Recoveries R'000	Specific Provision R'000
Individuals	2,00%	38 499	15 644	22 855
Manufacturing	1,40%	27 070	11 000	16 070
Transport	0,37%	7 061	2 869	4 192
Financial and real estate	1,76%	33 935	13 790	20 145
Other services	5,06%	97 485	39 612	57 873
TOTAL 2015	**10,59%**	**204 050**	**82 915**	**121 135**

2016 LOANS AND ADVANCES CREDIT ANALYSIS	Consumer R'000	Mortgage R'000	Small Business Loans R'000	Corporate Loans R'000	Total Loan R'000
Neither past due nor individually impaired	57 692	402 084	920 876	244 256	1 624 908
Past due but not individually impaired	3 056	10 714	34 034	3 517	51 321
Individually impaired	23 022	23 120	57 257	86 038	189 437
GROSS LOANS AND ADVANCES	**83 770**	**435 918**	**1 012 167**	**333 811**	**1 865 666**
Total Credit Impairment	(22 751)	(4 109)	(32 311)	(71 724)	(130 895)
Less: Specific Impairment	(22 680)	(3 919)	(15 849)	(67 453)	(109 901)
Less: Portfolio Impairment	(71)	(190)	(16 462)	(4 271)	(20 994)
TOTAL NET LOANS AND ADVANCES	**61 019**	**431 809**	**979 856**	**262 087**	**1 734 771**

LOANS AND ADVANCES NEITHER PAST DUE NOR INDIVIDUALLY IMPAIRED CREDIT ANALYSIS	Consumer	Mortgage	Small Business Loans	Corporate Loans	Total Loan
Satisfactory risk	55 750	387 660	890 102	244 256	1 577 768
Watch list	1 942	12 048	30 378	-	44 368
Substandard list	-	2 376	396	-	2 772
TOTAL 2016	**57 692**	**402 084**	**920 876**	**244 256**	**1 624 908**

AGEING ANALYSIS OF LOANS AND ADVANCES PAST DUE BUT NOT INDIVIDUALLY IMPAIRED					
Past due up to 30 days	2 793	9 022	22 425	1 548	35 788
Past due 31 - 60 days	-	1 692	8 704	1 470	11 866
Past due 61 - 90 days	263	-	2 905	499	3 667
Past due 91 - 180 days	-	-	-	-	-
Past due 181 - 365 days	-	-	-	-	-
Past due 1 - 2 years	-	-	-	-	-
Past due over 2 years	-	-	-	-	-
TOTAL 2016	**3 056**	**10 714**	**34 034**	**3 517**	**51 321**

AGEING ANALYSIS OF LOANS AND ADVANCES PAST DUE INDIVIDUALLY IMPAIRED					
Past due up to 30 days	-	-	-	-	-
Past due 31 - 60 days	-	-	-	-	-
Past due 61 - 90 days	-	705	-	-	705
Past due 91 - 180 days	-	3 475	14 449	-	17 924
Past due 181 - 365 days	-	8 281	6 975	3 412	18 668
Past due 1 - 2 years	36	10 612	23 841	9 340	43 829
Past due over 2 years	22 986	47	11 992	73 286	108 311
TOTAL 2016	**23 022**	**23 120**	**57 257**	**86 038**	**189 437**

2015 LOANS AND ADVANCES CREDIT ANALYSIS	Consumer R'000	Mortgage R'000	Small Business Loans R'000	Corporate Loans R'000	Total Loan R'000
Neither past due nor individually impaired	61 316	366 947	853 129	399 428	1 680 820
Past due but not individually impaired	5 095	8 905	25 461	4 054	43 515
Individually impaired	22 898	15 601	67 415	98 136	204 050
GROSS LOANS AND ADVANCES	**89 309**	**391 453**	**946 005**	**501 618**	**1 928 385**
Total Credit Impairment	(21 878)	(9 525)	(33 872)	(71 377)	(136 652)
Less: Specific Impairment	(21 825)	(2 565)	(25 720)	(71 025)	(121 135)
Less: Portfolio Impairment	(53)	(6 960)	(8 152)	(352)	(15 517)
TOTAL NET LOANS AND ADVANCES	**67 431**	**381 928**	**912 133**	**430 241**	**1 791 733**

LOANS AND ADVANCES NEITHER PAST DUE NOR INDIVIDUALLY IMPAIRED CREDIT ANALYSIS	Consumer	Mortgage	Small Business Loans	Corporate Loans	Total Loan
Satisfactory risk	61 316	363 091	844 646	399 428	1 668 481
Watch list	-	-	6	-	6
Substandard list	-	3 856	8 477	-	12 333
TOTAL 2015	**61 316**	**366 947**	**853 129**	**399 428**	**1 680 820**

AGEING ANALYSIS OF LOANS AND ADVANCES PAST DUE BUT NOT INDIVIDUALLY IMPAIRED					
Past due up to 30	5 095	7 485	21 630	1 029	35 239
Past due 31 - 60 days	-	1 420	3 390	3 025	7 835
Past due 61 - 90 days	-	-	441	-	441
Past due 91 - 180 days	-	-	-	-	-
Past due 181 - 365 days	-	-	-	-	-
Past due 1 - 2 years	-	-	-	-	-
Past due over 2 years	-	-	-	-	-
TOTAL 2015	**5 095**	**8 905**	**25 461**	**4 054**	**43 515**

AGEING ANALYSIS OF LOANS AND ADVANCES INDIVIDUALLY IMPAIRED					
Past due up to 30	-	-	-	-	-
Past due 31 - 60 days	-	-	-	-	-
Past due 61 - 90 days	-	-	-	-	-
Past due 91 - 180 days	-	550	913	-	1 463
Past due 181 - 365 days	415	10 797	31 371	6 133	48 716
Past due 1 - 2 years	22 430	2 565	19 349	42 217	86 561
Past due over 2 years	53	1 689	15 782	49 786	67 310
TOTAL 2015	**22 898**	**15 601**	**67 415**	**98 136**	**204 050**

SECURITIES IN RESPECT OF LOANS AND ADVANCES		
Overdrafts, property and commercial loans		
- Cash Investments	25 866	30 665
- Guarantees	7 846	2 098
- Mortgage bonds	765 960	805 778
- Ceded insurance policies	7 256	2 516
- Other securities	70	5
- Secondary security	15 274	17 598
	822 272	**858 660**
Home Loans		
- Mortgage bonds (residential)	**604 969**	**535 915**
Instalment credit and lease agreements	**232 737**	**318 862**

6. Loans and Advances Continued

	2016 R'000	2015 R'000
Non-performing loans:		
- Mortgage bonds	71 090	72 039
- Assets financed in respect of instalment credit agreement	8 446	10 876
	79 536	**82 915**
Total secured loans and advances	1 739 514	1 796 352
Total unsecured loans and advances	126 152	132 033
TOTAL LOANS AND ADVANCES	**1 865 666**	**1 928 385**

7. Credit Impairment for Loans and Advances

	2016 R'000	2015 R'000
Balance at 1 January	**136 652**	**113 211**
Amounts written off against provisions	**(24 155)**	**(9 430)**
	112 497	**103 781**
Charge to the Statement of Comprehensive Income	**18 325**	**32 639**
Specific impairment	**24 400**	**38 432**
Portfolio impairment	**5 477**	**290**
Recoveries of Balances raised in current year	**(11 479)**	**(5 851)**
Recoveries of Balance previously written off	**(73)**	**(232)**
Recoveries of Balance previously written off	**73**	**232**
BALANCE AT 31 DECEMBER	**130 895**	**136 652**
ANALYSIS		
Specific impairment*	**109 901**	**121 135**
Portfolio impairment	**20 994**	**15 517**
	130 895	**136 652**
SECTORIAL ANALYSIS		
Individuals	31 882	31 403
Manufacturing	16 664	8 485
Transport	1 767	12 603
Financial and real estate	25 156	54 787
Mining	-	464
Electricity and water	-	435
Other services	55 426	28 475
	130 895	**136 652**

*Refer to note 6

8. Investment Property

	2016 R'000	2015 R'000
VALUATION		
Transfer from Property and equipment (note 9)	10 400	-
CARRYING AMOUNT	10 400	-

Investment Properties, comprising of erf 1139, Marshalltown, Johannesburg were revalued at 31 December 2016 by CG Frazer and Associates, independent valuators, by reference to market data of recent transactions for similar properties. The valuation conforms to International Valuation Standards. The revalued amount is R10,4 million at 31 December 2016.

9. Property and Equipment

COST OR VALUATION	Land and Builings (R'000)	Motor Vehicles (R'000)	Properties Brought in (R'000)	Funiture and Fittings (R'000)	Office Equipment (R'000)	Computer Equipment (R'000)	Total (R'000)
Balance as at 1 January 2015	13 500	1 307	111	27 582	4 587	11 287	58 374
Additions	-	-	-	184	468	585	1 237
Disposals	-	-	(32)	-	-	-	(32)
Revaluation	(2 300)	-	-	-	-	-	(2 300)
Balance as at 1 January 2016	11 200	1 307	79	27 766	5 055	11 872	57 279
Additions	-	-	-	2 030	141	817	2 988
Disposals	-	-	-	(2 725)	(55)	(184)	(2 964)
Revaluation	(800)	-	-	-	-	-	(800)
Transfer to Investment Property	(10 400)	-	-	-	-	-	(10 400)
At 31 December 2016	**-**	**1 307**	**79**	**27 071**	**5 141**	**12 505**	**46 103**
ACCUMULATED DEPRECIATION							
Balance as at 1 January 2015	-	(1 123)	(111)	(10 604)	(3 565)	(9 088)	(24 491)
Depreciation charge for the year	-	(163)	-	(3 015)	(438)	(845)	(4 461)
Eliminated on disposal	-	-	32	-	-	-	32
Balance as at 1 January 2016	-	(1 286)	(79)	(13 619)	(4 003)	(9 933)	(28 920)
Depreciation charge for the year	-	(21)	-	(3 104)	(401)	(960)	(4 486)
Eliminated on disposal	-	-	-	2 622	55	167	2 844
At 31 December 2016	**-**	**(1 307)**	**(79)**	**(14 101)**	**(4 349)**	**(10 726)**	**(30 562)**
CARRYING AMOUNT							
At 31 December 2015	**11 200**	**21**	**-**	**14 147**	**1 052**	**1 939**	**28 360**
At 31 December 2016	**-**	**-**	**-**	**12 970**	**792**	**1 779**	**15 541**

10. Intangible Assets

	Cost R'000	Amortisation R'000	Carrying Amount R'000
At 31 December 2014	**69 062**	**(33 565)**	**35 497**
Additions	23 122	-	23 122
Disposals	-	-	-
Amortisation for the year	-	(3 126)	(3 126)
At 31 December 2015	**92 184**	**(36 691)**	**55 493**
Additions	23 805	-	23 805
Disposals	(80)	7	(73)
Amortisation for the year	-	(3 290)	(3 290)
At 31 December 2016	**115 909**	**(39 974)**	**75 935**

Intangible assets consist of computer software, licenses and internal and external software development and implementation costs.

11. Share Capital

	2016 R'000	2015 R'000
AUTHORISED		
100 000 000 ordinary shares of R1 each (par value)	100 000	100 000
ISSUED AND FULLY PAID		
At the beginning of the year 24 158 300 shares of R1 each	24 158	24 158
Shares issued at R1 each during the year	3 861	-
At the end of the year 28 019 303 shares of R1 each	**28 019**	**24 158**

The Bank has one class of ordinary shares which carry no right to fixed income. The unissued shares are under the control of the Directors subject to the notification to and specific approval by the National Bank of Greece S.A., until the next AGM.

12. Share Premium

	2016 R'000	2015 R'000
Balance at beginning and end of the year	339 027	339 027
Shares issued during the year	36 139	-
Balance at end of the year	**375 166**	**339 027**

13. Revaluation Reserves

	Available for Sale Reserve (R'000)	Property Revaluation Reserve (R'000)	Total (R'000)
Balance at 1 January 2015	(49)	7 834	7 785
Decrease in fair value of fixed property	-	(2 300)	(2 300)
Decrease in fair value of available for sale investment	(319)	-	(319)
Balance at 1 January 2016	**(368)**	**5 534**	**5 166**
Decrease in fair value of fixed property	-	(800)	(800)
Increase in fair value of available for sale investment	269	-	269
Balance as at 31 December 2016	**(99)**	**4 734**	**4 635**

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

14. Long Term Debt Instruments

	2016	2015
7 year Debentures - Issued 30 November 2015	20 000	20 000
7 year Debentures - Issued 30 December 2015	30 000	30 000
	50 000	50 000

Comprises of 2 unsecured debentures issued in 2015 in favour of NBG. The debentures issued on 30 November 2015 bears interest at the aggregate of the applicable 6 month JIBAR plus a margin of 10.39 percent per annum with a maturity of 7 years. The debentures issued on 30 December 2015 bear interest at the aggregate of the applicable 6 month JIBAR plus a margin of 10.87 percent per annum with a maturity of 7 years.

The capital amount is repayable on maturity. The debentures at the sole discretion of the Reserve Bank can be converted into ordinary shares on the occurrence of an event. The debentures qualified as Tier 2 capital in terms of the Bank Regulations. The future undiscounted cashflows are disclosed in note 20.

15. Deposits and Current Accounts

	2016 R'000	2015 R'000
Demand deposits	696 333	787 635
Customer foreign currency deposits (demand deposits)	138 155	118 178
Term deposits	605 724	381 368
	1 440 212	1 287 181
Deposits from banks	453 355	879 788
	1 893 567	2 166 969
INCLUDED IN DEPOSITS FROM BANKS ARE:		
Amounts due to holding company	383 900	801 998
Amounts due to fellow subsidiaries	69 455	77 790
	453 355	879 788
MATURITY ANALYSIS		
On demand	843 369	905 813
Maturing within one month	283 853	378 253
Maturing after one but within six months	740 632	857 866
Maturing after six months but within twelve months	25 713	25 037
	1 893 567	2 166 969

16. Accounts Payable

	2016 R'000	2015 R'000
Accruals	16 474	11 112
Sundry creditors	23 037	18 141
	39 511	29 253

17. Contingencies and Commitments

	2016 R'000	2015 R'000
17.1. CONTINGENCIES		
Letters of credit	2 727	1 674
Liabilities under guarantees	151 620	87 173
Revocable unutilised facilities	101 237	113 841
Irrevocable unutilised facilities	71 987	62 390
EFT Debit services	1 000	1 000
Legal claim instituted by borrowers	2 500	2 976
Committed capital expenditure	613	761
	331 684	269 815

	2016 R'000	2015 R'000
17.2. COMMITMENTS UNDER OPERATING LEASES		
Within 1 year	9 174	8 596
2 to 5 years	25 025	28 282
	34 199	36 878

Commitments under operating leases relate to the leasing of the various business suites and the head office.

18. Profit / (Loss) from Operations

	2016 R'000	2015 R'000
18.1. INTEREST INCOME		
Balances with banks and short-term funds	8 716	6 734
Short-term negotiable securities	9 472	8 868
Loans and advances	184 588	171 214
Loans and advances - interest in abeyance	10 051	7 751
	212 827	**194 567**
18.2. INTEREST EXPENSE		
Deposits from banks	51 074	45 899
Current and deposit accounts	22 804	27 838
Savings accounts	10 482	8 460
Other term deposits	32 855	22 447
Interest bearing long-term debt	9 190	335
	126 405	**104 979**
18.3. NON-INTEREST INCOME		
Fee Income	37 364	35 840
Foreign exchange profit	11 511	11 599
Profit (Loss) on scrapping/sale of equipment and intangibles	(155)	32
Other income	4 669	6 648
	53 389	54 119

	2016 R'000	2015 R'000
18.4. OPERATING EXPENSES		
Staff costs	65 245	62 660
Salaries, wages and allowances	40 189	41 177
Contributions to provident fund and other staff funds	10 613	9 524
Directors' emoluments	11 124	10 397
Other	3 319	1 562
Depreciation and amortisation	7 776	7 587
Motor vehicles	21	163
Furniture and fittings	3 104	3 015
Office equipment	401	438
Computer equipment	960	845
Computer software	3 290	3 126
Operating lease charges		
Premises	10 815	10 269
Other operating expenses	67 006	57 121
	150 842	**137 637**

19. Taxation

The Bank is in a tax assessed loss position of R127,7 million as at 31 December 2016. A deferred tax asset has not been recognised. The raising of a deferred tax asset will be considered based on future profitability.

	2016 %	2015 %
Standard rate of income tax	28.00	28.00
Disallowed expenditure	8.87	0.59
Unused portion of assessed tax losses not recognised	(36.7)	(28.59)
Effective tax rate	0%	0%

20. Undiscounted Cash Flows of Financial Liabilities

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

	Carrying Amount R'000	Subject to notice	Up to 1 month R'000	1 - 3 months R'000	3 - 12 months R'000	1 - 2 years R'000	2 - 5 years R'000	5+ years R'000
2016								
Derivative financial instrument	15 190	-	10 398	3 854	938	-	-	-
Due to customers	1 455 661	374 056	860 269	53 345	167 991	-	-	-
Due to banks	473 993	-	81 531	101 766	290 696	-	-	-
Long term debt instru-ment	106 005	-	-	-	9 676	9 323	27 995	59 011
Accounts payable	35 080	-	17 419	1 379	5 275	2 114	4 278	4 615
	2 085 929	**374 056**	**969 617**	**160 344**	**474 576**	**11 437**	**32 273**	**63 626**
2015	R'000		R'000	R'000	R'000	R'000	R'000	R'000
Derivative financial instrument	6 649	-	2 418	2 763	1 468	-	-	-
Due to customers	1 297 982	280 110	927 735	29 138	59 109	1 891	-	-
Due to banks	890 425	-	362 115	298 309	230 001	-	-	-
Long term debt instrument	113 298	-	-	-	9 369	8 984	26 977	67 968
Accounts payable	27 077	-	11 561	1 303	3 391	2 266	4 320	4 236
	2 335 432	**280 110**	**1 303 829**	**331 513**	**303 338**	**13 141**	**31 297**	**72 204**

21. Categories and Fair Values of Financial Instruments

	2016 R'000	2015 R'000
Assets	**Carrying Value**	**Carrying Value**
Available for sale	**153 026**	**139 602**
Short term negotiable securities	153 026	139 602
Loans and receivables	**2 006 299**	**2 214 703**
Cash and cash equivalents	256 561	411 030
Loans and advances	1 734 771	1 791 733
Other accounts receivables	14 967	11 940
Held for trading	**4 245**	**71 798**
Derivative financial instrument	4 245	71 798
Held at fair value	**15**	**15**
Other investments	15	15

21. Categories and Fair Values of Financial Instruments Continued

Items not mentioned below, their fair value approximates their carrying value.

Liabilities		
Held for trading	**15 190**	**6 649**
Derivative financial instruments	15 190	6 649
Other financial liabilities	**1 983 078**	**2 246 222**
Deposits	1 893 567	2 166 969
Long term debt instruments	50 000	50 000
Accounts payable and provisions	39 511	29 253

	2016			2015		
Fair Value Levels	**Level 1**	**Level 2**	**Level 3**	**Level 1**	**Level 2**	**Level 3**
Assets						
Short term negotiable securities		153 026			139 602	
Derivative financial instrument		4 245			71 798	
Other investments			15			15
Liabilities						
Derivative financial instrument		15 190			6 649	

21.1. Fair Value Measurements

This note provides information about how the Bank determines fair value of various financial assets and financial liabilities. The fair values are measured on a recurring basis. The following table gives information about how the fair values of these financial assets and financial liabilities are determined.

Financial assets / financial assets	Fair value hierarchy	Valuation techniques and key inputs
1. Foreign currency forward contracts (note 2)	Level 2	Discounted cash flow. Future cash is determined based on the forward exchange rates from observable forward exchange rate at the end of the reporting period and contract forward rates, discounted at a rate that reflects the credit risk of the various counterparties.
2. Other investments (note 4)	Level 3	Other Investments relate to an investment acquired 16 years ago in an unlisted company, called Dandyshelf 3 (Pty) Ltd. No dividend was received during 2016 or 2015. The shares are unlisted and the Directors' valuation of the unlisted investment equates to the fair value, which approximates cost as defined in IFRS 13 fair value measurement, these fall within level 3 classification. If one had to participate in Dandyshelf as a new shareholder a similar amount would be paid for said participation.

22. Financial Risk Management

The Bank's Treasury function provides services to the business, and co-ordinates access to domestic and international financial markets and manages the various financial risks. The Risk department of the Bank monitors the financial risks relating to the operations of the Bank through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk, credit risk and liquidity risk.

22.1. Market Risk

The Bank seeks to minimise market risk by using derivatives to economically hedge market risk/currency risk. The use of financial derivatives is governed by the Bank's policy approved by the board of directors, which provides written principles on foreign exchange risk, interest rate and credit risk. The Bank does not enter into or trade financial instruments, including derivative instruments for speculative risk purposes.

The Bank's activities expose it primarily to the financial risks of change in foreign currency exchange rate (see note 22.6) and interest rate risk (note 22.4). The Bank manages its foreign exchange risk by entering into forward exchange contracts. This exchange rate risk arises from the intragroup loans which are denominated in foreign currency.

22.2. Capital Management

The Bank's objectives when managing capital, which is a broader concept than the 'equity' on the face of the Statement of Financial Position, are:

- To comply with the capital requirements set by the regulators of the banking industry in which the Bank operates
- To safeguard the Bank's ability to continue as a going concern so that it can continue to provide returns for shareholders and benefits for other stakeholders
- To maintain a strong capital base to support the development of its business.

Capital adequacy and the use of regulatory capital are monitored daily by the Bank's management, employing techniques based on the guidelines developed by the Basel Committee, as implemented by the South African Reserve Bank, for supervisory purposes.

The required information is filed with the South African Reserve Bank on a monthly basis.

The Bank maintains a ratio of total regulatory capital to its risk-weighted assets above a minimum level agreed with the South African Reserve Bank which takes into account the risk profile of the Bank.

The regulatory capital requirements are strictly observed when managing capital. The Bank's regulatory capital comprises two tiers:

- Tier 1 capital: share capital, general bank reserve, statutory reserve, unrealised gains arising on the fair valuation of equity instruments held as available for sale and retained earnings and reserves created by appropriations of retained earnings. The book value of intangibles is deducted in arriving at Tier 1 capital; and
- Tier 2 capital: 7 year debentures and collective impairment allowances.

Shortfalls of value adjustments and provisions as compared to expected losses are deducted from Tier 1 and Tier 2 capital to calculate regulatory capital.

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

22.2. Capital Management Continued

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

	2016 R'000	2015 R'000
TIER 1 CAPITAL		
Share capital	28 019	24 158
Share premium	375 166	339 027
Revaluation reserves	4 635	4 885
Deductions against capital and reserve funds	(140 627)	(111 271)
Less: intangible assets	(75 935)	(55 493)
TOTAL QUALIFYING TIER 1 CAPITAL	**191 258**	**201 306**
TIER 2 CAPITAL		
Debt instruments	50 000	50 000
Collective impairment allowance	20 993	15 517
TOTAL QUALIFYING TIER 2 CAPITAL	**70 993**	**65 517**
TOTAL REGULATORY CAPITAL	**262 251**	**266 823**
RISK-WEIGHTED ASSETS:		
Credit risk	1 654 213	1 685 050
Counter party risk	8 078	45 793
Market risk	4 063	11 890
Equity risk	15	15
Operational risk	208 558	211 938
Other risk	39 692	40 499
TOTAL RISK-WEIGHTED ASSETS	**1 914 619**	**1 995 185**
CAPITAL ADEQUACY RATIO	**13,70%**	**13,37%**

22.3. Liquidity 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.

Ultimate responsibility for liquidity risk management rests with the Board of Directors, which has established an appropriate liquidity risk management framework for the management of the Bank's short-, medium- and long-term funding and liquidity management requirements.
The Bank manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities. 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 Liability and Capital Committee (ALCCO). Liquidity is ensured through optimal funding strategies taking into account various interest rate scenarios, as well as taking cognisance of available inter-bank lines of credit and the substantial committed lines of credit from the Bank's majority shareholder to cater for unforeseen circumstances.

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

22.3. Liquidity Risk Continued

2016	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 cash equivalents	256 561	-	-	-	-	-	256 561
Derivative financial assets	1 443	1 768	1 034	-	-	-	4 245
Short-term negotiable securities	14 984	138 042	-	-	-	-	153 026
Other investments	15	-	-	-			15
Advances*	214 286	18 622	70 761	101 473	755 157	705 367	1 865 666
Other accounts receivable	12 641	192	268	475	1 183	208	14 967
Property and equipment	-	-	-	-	-	15 541	15 541
Investment property	-	-	-	-	10 400	-	10 400
Intangible assets	-	-	-	-	-	75 935	75 935
	499 930	**158 624**	**72 063**	**101 948**	**766 740**	**797 051**	**2 396 356**
LIABILITIES							
Long term debt instruments						50 000	50 000
Deposits, current and other accounts	1 127 222	427 389	313 243	25 713	-	-	1 893 567
Derivative financial liabilities	10 398	3 854	938		-	-	15 190
Other liabilities	21 850	1 378	3 517	1 758	6 392	4 616	39 511
	1 159 470	**432 621**	**317 698**	**27 471**	**6 392**	**54 616**	**1 998 268**

2015	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 cash equivalents	411 010	-	-	-	-	-	411 010
Derivative financial assets	25 602	40 987	5 209	-	-	-	71 798
Short-term negotiable securities	-	24 762	49 250	65 590	-	-	139 602
Other investments	-	-	-	-	15	-	15
Advances	153 703	888	13 136	14 207	636 421	1 110 030	1 928 385
Other accounts receivable	8 269	123	243	1 286	2 018	-	11 940
Property and equipment	-	-	-	-	-	28 360	28 360
Intangible assets	-	-	-	-	-	55 493	55 493
	598 584	**66 760**	**67 838**	**81 083**	**638 454**	**1 193 883**	**2 646 602**
LIABILITIES							
Long term debt instruments	-	-	-	-	-	50 000	50 000
Deposits, current and other accounts	1 284 066	457 906	399 960	25 037	-	-	2 166 969
Derivative financial liabilities	2 418	1 873	2 358	-	-	-	6 649
Other liabilities	12 131	877	3 559	1 864	6 586	4 236	29 253
	1 298 615	**460 656**	**405 877**	**26 901**	**6 586**	**54 236**	**2 252 871**

*The exposures relating to advances are bucketed based on last instalment due.

22.4. Interest Rate Risk

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

The risk is managed by the Bank by maintaining an appropriate mix between fixed and floating rate borrowings. Liquidity and interest rate risk management are essentially inseparable from the core banking activities of advances growth and profitability management. Liquidity and interest rate risk management form an integral part of proactive asset and liability management, which is managed by the Bank's Asset, Liability and Capital Committee (ALCCO).

Stress scenarios and testing have been undertaken thereby allowing the bank to identify and be prepared for such eventualities. These scenarios have ensured that the Bank is well prepared to manage any liquidity or interest rate risks that may occur. The Bank's exposures to interest rates on assets and liabilities are detailed in the liquidity risk management section of this note.

2016	Fixed R'000	Floating R'000	Non-Interest sensitive R'000	Total R'000
ASSETS				
Cash and cash equivalents	-	80 129	176 432	256 561
Derivative financial assets	-	-	4 245	4 245
Short-term negotiable assets	153 026	-	-	153 026
Other investments	-	-	15	15
Advances	-	1 734 771	-	1 734 771
Other accounts receivable	-	-	14 967	14 967
Investment property			10 400	10 400
Property and equipment	-	-	15 541	15 541
Intangible assets	-	-	75 935	75 935
	153 026	**1 814 900**	**297 535**	**2 265 461**
LIABILITIES				
Long term debt instruments		50 000	-	50 000
Deposits, current and other accounts	231 667	1 661 900	-	1 893 567
Derivative financial liabilities	-	-	15 190	15 190
Other liabilities	-	-	39 511	39 511
	231 667	**1 711 900**	**54 701**	**1 998 268**

2015	Fixed R'000	Floating R'000	Non-interest Sensitive R'000	Total R'000
ASSETS				
Cash and cash equivalents	-	117 207	293 803	411 010
Derivative financial assets	-	-	71 798	71 798
Short-term negotiable assets	139 602	-	-	139 602
Other investments	-	-	15	15
Advances	-	1 791 733	-	1 791 733
Other accounts receivable	-	-	11 940	11 940
Property and equipment	-	-	28 360	28 360
Intangible assets	-	-	55 493	55 493
	139 602	**1 908 940**	**461 409**	**2 509 951**
LIABILITIES				
Long term debt instruments	-	50 000	-	50 000
Deposits, current and other accounts	102 656	2 064 313	-	2 166 969
Derivative financial liabilities	-	-	6 649	6 649
Other liabilities	-	-	29 253	29 253
	102 656	**2 114 313**	**35 902**	**2 252 871**

22.5. Interest Rate Sensitivity Analysis

The tables below summarise the Bank's exposure to interest rate risk. Assets and liabilities are included at the carrying amounts, categorised by the earlier of contractual repricing or maturity dates.

At the reporting date, a 200 basis point change in prevailing interest rates was applied as a sensitivity analysis to determine the impact on earnings as a result of a change in the interest rates.

If interest rates increased/decreased by 200 basis points and all other variables remained constant, the Bank's net profit and equity at year-end would increase by R6,3 million and decrease by R6,3 million (2015: increase/decrease by R1,7 million).

2016	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5+ years	Non-Interest Bearing	Total
ASSETS							
Cash and cash equivalents	80 129	-	-	-	-	176 432	256 561
Derivative financial assets	-	-	-	-	-	4 245	4 245
Short-term negotiable assets	14 984	138 042	-	-	-	-	153 026
Other investments	-	-	-	-	-	15	15
Advances	1 734 771	-	-	-	-	-	1 734 771
Other accounts receivable	-	-	-	-	-	14 967	14 967
Investment property	-	-	-	-	-	10 400	10 400
Property and equipment	-	-	-	-	-	15 541	15 541
Intangible assets	-	-	-	-	-	75 935	75 935
	1 829 884	**138 042**	**-**	**-**	**-**	**297 535**	**2 265 461**
LIABILITIES							
Due to other Banks	77 457	98 748	277 150	-	-	-	453 355
Due to customers	901 868	374 282	164 062	-	-	-	1 440 212
Long term debt instruments	-	-	50 000	-	-	-	50 000
Derivative financial liabilities	-	-	-	-	-	15 190	15 190
Other liabilities	-	-	-	-	-	39 511	39 511
	979 325	**473 030**	**491 212**	**-**	**-**	**54 701**	**1 998 268**

22.5. Interest Rate Sensitivity Analysis Continued

2015	Up to 1 month	1 to 3 months	3 to 12 months	1 to 2 years	2 to 5+ years	Non-Interest Bearing	Total
ASSETS							
Cash and cash equivalents	117 221	-	-	-	-	293 789	411 010
Derivative financial assets	-	-	-	-	-	71 798	71 798
Short-term negotiable assets	-	74 012	65 590	-	-	-	139 602
Other investments	-	-	-	-	-	15	15
Advances	1 791 733	-	-	-	-	0	1 791 733
Other accounts receivable	-	-	-	-	-	11 940	11 940
Property and equipment	-	-	-	-	-	28 360	28 360
Intangible assets	-	-	-	-	-	55 493	55 493
	1 908 954	**74 012**	**65 590**	**-**	**-**	**461 395**	**2 509 951**
LIABILITIES							
Due to other banks	360 659	295 602	224 250	0	-	-	880 511
Due to customers	923 631	306 036	55 624	1 167			1 286 458
Long-term debt incurred	-	-	50 000	-	-	-	50 000
Derivative financial liabilities	-	-	-	-	-	6 649	6 649
Other liabilities	-	-	-	-	-	29 253	29 253
	1 284 290	**601 638**	**329 874**	**1 167**	**-**	**35 902**	**2 252 871**

22.6. Foreign Currency Risk Management

The Bank undertakes transactions denominated in foreign currencies; consequently, exposures to exchange rate fluctuations arise. Exchange rate exposures are managed within approved policy parameters utilising forward foreign exchange contracts.

The carrying amounts of the Bank's foreign currency denominated monetary assets and monetary liabilities at the end of the reporting period are as follows:

Foreign Currency exposure	ZAR R'000	USD R'000	EURO R'000	Other R'000	Total R'000
2016 ASSETS					
Cash and cash equivalents	103 824	120 725	26 786	5 226	256 561
Derivative financial assets	-	1 954	2 284	7	4 245
Short-term negotiable assets	153 026	-	-	-	153 026
Other investments	15	-	-	-	15
Loans and advances	1 733 529	1 242	-	-	1 734 771
Other accounts receivable	14 967	-	-	-	14 967
Investment Property	10 400	-	-	-	10 400
Property and equipment	15 541	-	-	-	15 541
Intangible assets	75 935	-	-	-	75 935
	2 107 237	**123 921**	**29 070**	**5 233**	**2 265 461**

22.6. Foreign Currency Risk Management Continued

	ZAR R'000	USD R'000	EURO R'000	Other R'000	Total R'000
2016 LIABILITIES					
Deposits, current and other accounts	1 452 462	410 198	25 896	5 011	1 893 567
Long term debt instruments	50 000				50 000
Derivative financial liabilities	-	13 123	2 061	6	15 190
Other liabilities	39 511	-	-	-	39 511
	1 541 973	**423 321**	**27 957**	**5 017**	**1 998 268**
2015 ASSETS					
Cash and cash equivalents	141 797	240 874	22 499	5 840	411 010
Derivative financial assets	-	68 923	2 769	106	71 798
Short-term negotiable assets	139 602	-	-	-	139 602
Other investments	15	-	-	-	15
Loans and advances	1 761 352	15 268	15 113	-	1 791 733
Other accounts receivable	11 940	-	-	-	11 940
Property and equipment	28 360	-	-	-	28 360
Intangible assets	55 493	-	-	-	55 493
	2 138 559	**325 065**	**40 381**	**5 946**	**2 509 951**
2015 LIABILITIES					
Deposits, current and other accounts	1 218 884	910 598	37 487	-	2 166 969
Long term debt instruments	50 000	-	-	-	50 000
Derivative financial liabilities	-	3 779	2 735	135	6 649
Other liabilities	29 253	-	-	-	29 253
	1 298 137	**914 377**	**40 222**	**135**	**2 252 871**

23. Retirement Fund

All permanent employees of the Bank are members of The South African Bank of Athens Provident Fund, a defined contribution fund administered by 10x Investments.

24. Cash Flow from Operating Activities

	2016 R'000	2015 R'000
24.1. CASH RECEIVED FROM CUSTOMERS		
Interest income	212 827	194 567
Non-interest income	53 461	54 351
	266 288	**248 918**
(Profit) Loss on sale of assets	155	(32)
	266 443	248 886
24.2. CASH PAID TO CUSTOMERS AND EMPLOYEES		
Interest expenditure	(126 405)	(104 979)
Operating expenditure	(150 842)	(137 637)
	(277 247)	**(242 616)**
Adjusted for:		
Depreciation	4 486	4 461
Amortisation	3 290	3 126
	(269 471)	**(235 029)**

24. Cash Flow from Operating Activities Continued

24.3. (INCREASE) DECREASE IN INCOME-EARNING ASSETS		
Negotiable securities and other assets	(13 155)	(11 170)
Loans and advances	38 564	(30 498)
Net derivative instruments	76 094	(55 390)
Other accounts receivable	(3 028)	700
	98 475	**(96 358)**

24.4. (DECREASE) INCREASE IN DEPOSITS AND OTHER LIABILITIES		
Deposits and current accounts	(273 402)	194 540
Other accounts payable and provisions	10 258	7 429
	(263 144)	**201 969**

24.5 RECONCILIATION OF (LOSS) / PROFIT TO NET CASH FLOW FROM OPERATING ACTIVITIES		
Loss from operations	(29 356)	(26 569)
Adjusted for non-cash items:		
- Depreciation	4 486	4 461
- Amortisation of intangible assets	3 290	3 126
- Impairment charges	18 325	32 639
- Bad debts recovered previously written off	72	232
- Loss (Profit) on disposal of asset	155	(32)
- Operational loss provision	-	-
	(3 028)	**13 857**

25. Related-Party Transactions

25.1. Identification of Related Parties

The holding company is the 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 these entities listed below and the Directors have been classified as related parties.

The recent change in government in Greece and their subsequent interactions with the European Central Bank has created fiscal and economic uncertainty in Greece. This uncertainty has the potential to impact NBG and the Bank. At the date of signing of these financial statements, the Bank's facility of EUR 75m, which is irrevocable, has been extended until 30 April 2018.

25.2. Related-Party Transactions with Holding Company and its Associated Companies

BALANCES WITH RELATED PARTIES	Amounts owed by related parties at 31 December 2016 R'000	Amounts owed to related parties at 31 December 2016 R'000
HOLDING COMPANY		
NBG, Athens	403	433 900
SUBSIDIARIES OF NBG		
NBG London	1 513	-
NBG Malta	-	880
NBG Cairo	-	68 575

	Amounts owed by related parties at 31 December 2015	Amounts owed to related parties at 31 December 2015
HOLDING COMPANY		
NBG Athens	2 619	851 998
SUBSIDIARIES OF NBG		
NBG London	1 265	-
NBG Cairo	-	77 790

TRANSACTIONS WITH RELATED PARTIES	2016	2015
Interest Paid		
NBG Athens	25 414	12 203
NBG Cairo	963	713
NBG Malta	-	30
	26 377	**12 946**

25.3. Compensation of Key Management Personnel

The remuneration of Directors during the year was as follows:

	2016 R'000	2015 R'000
DIRECTORS' EMOLUMENTS	11 124	10 397
Independent Non-executives	1 480	1 358
G Bizos	108	143
TJ Fearnhead	362	347
P Ranchod	521	493
RA Shough	279	275
C Andropoulos	-	100
W Kruger	210	-
Executive Directors	9 644	9 039
S Georgopoulos	5 130	5 105
DJ Adriaanzen	1 640	1 274
C Michaelides	1 650	1 501
D Haarhoff	1 224	1 160

The remuneration of directors is determined by the Remuneration Committee having regard to the performance of individuals and market trends. NBG appointed non-executive directors are not remunerated for services rendered to the Bank.

2016 EXECUTIVE DIRECTORS SALARY COMPOSITION	Cash Salary	Travel allowance and use of company vehicle	Cellphone and data allowances	Medical aid contributions	Provident fund contributions	Total
	8 119	**352**	**53**	**289**	**831**	**9 644**
S Georgopoulos	4 322	304	20	112	372	5 130
DJ Adriaanzen	1 354	48	13	76	149	1 640
C Michaelides	1 443	-	10	-	197	1 650
D Haarhoff	1 000	-	10	101	113	1 224

2015 EXECUTIVE DIRECTORS SALARY COMPOSITION	Cash Salary	Travel allowance and use of company vehicle	Cellphone and data allowances	Medical aid contributions	Provident fund contributions	Total
	7 621	**352**	**60**	**249**	**758**	**9 040**
S Georgopoulos	4 297	304	30	102	372	5 105
DJ Adriaanzen	1 028	48	10	70	118	1 274
C Michaelides	1 331	-	10	-	160	1 501
D Haarhoff	965	-	10	77	108	1 160

25.4. Transactions with Directors and their associated companies are at arm's length

Amounts owed by/to related parties as at December 2016

There were no amounts owed by/to the independent non-executive Directors and their associated companies for the year ending 31 December 2016.

	Amounts owed by related parties at 31 December 2016	Amounts owed to related parties at 31 December 2016
S Georgopoulos	4 948	1
D Haarhoff	2 026	-
C Michaelides	-	645

	Amounts owed by related parties at 31 December 2015	Amounts owed to related parties at 31 December 2015
S Georgopoulos	5 108	1 141
D Haarhoff	1 727	175
C Michaelides	-	463

26. Principal Foreign Currency Conversion Rates

	2016 R	2015 R
Pound Sterling	16,902	23,0593
United States Dollar	13,715	15,5580
Euro	14,454	16,9318
Australian Dollar	9,911	11,3659
Botswana Pula	1,284	1,3831
Japanese Yen	0,117	0,1292

27. Going Concern

The financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

After making due enquiries and having carefully considered the factors impacting the Bank's going concern, including the following: the potential sale by the National Bank of Greece S.A. as mentioned below and the fact that this transaction will require the approval of the Board, the irrevocable undertaking by NBG to continue to provide financial support as per note 25.1, the Bank's capital adequacy and liquidity for the next 12 months, the fiscal and economic uncertainty currently prevailing in Greece and this uncertainty's potential impact on NBG and the Bank, management consider that the Bank has adequate resources to continue operating for the foreseeable future and enabling it to pay its debts as and when they fall due.

28. Subsequent Events

On 7 March 2017, the National Bank of Greece S.A. announced that it had entered into a definitive agreement to sell its entire stake (99.81%) in SABA to AFGRI Holdings (Pty) Ltd ("AFGRI"). The transaction remains subject to Board approval and all regulatory approvals and is expected to close in the latter part of 2017.

NOTICE OF ANNUAL GENERAL MEETING

Notice is hereby given that the sixty-ninth Annual General Meeting of the South African Bank of Athens Limited ("SABA") will be held in the Boardroom of The South African Bank of Athens Limited, Block 3 Inanda Greens Business Park, 54 Wierda Road West, Wierda Valley, Sandton, on Wednesday, 21 June 2017, at 10h00 (South African Time) to transact the following business including and, if deemed fit, the passing of the following resolutions with or without modification.

The record date in terms of Section 59 of the Companies Act 71 of 2008, for purposes of determining which shareholders of the company are entitled to receive notice and to vote at the meeting, is 9 June 2017.

ORDINARY RESOLUTIONS

1. Ordinary resolution number 1:
To receive and adopt the annual financial statements of the company for the year ended 31 December 2016, including the Directors' report, the report of the Auditors and the report of the Audit and Compliance Committee.

2. Ordinary resolution number 2:
Election of directors retiring by rotation:

- P Ranchod
- TJ Fearnhead
- RA Shough
- G Bizos

3. Ordinary resolution number 3:
Appointment of an Audit and Compliance Committee in terms of the Banks Act, Section 94 of the Companies Act 71 of 2008 (as amended) and the King III Report on corporate governance.

Ordinary resolution number 3.1:
To elect the following suitably qualified and experienced Independent Non-Executive Directors as members of the Audit and Compliance Committee until the conclusion of the next Annual General Meeting:

- RA Shough as Chairman
- TJ Fearnhead
- WJ Krüger

4. Ordinary resolution number 4:
Upon recommendation of the current Audit and Compliance Committee, to appoint PwC as the Independent Auditor of the Company for the ensuing year.

SPECIAL RESOLUTIONS

1. Special resolution number 1:
Approval of an increase in remuneration payable to independent non-executive directors from 30 June 2017 until the next AGM.

2. Special resolution number 2:
Authority for directors to allot and issue the unissued shares of the company on such terms and conditions as they deem fit until the end of the next Annual General Meeting, but subject to the prior notification to and specific approval by the National Bank of Greece S.A.