

Announcement, 28/9/2016

Following a letter by the Hellenic Capital Market Commission and a related announcement of the Bank issued on 27/7/2016, Attica Bank informs investors of the following:

- The onsite audit that was performed by a team consisting of members of staff of the ECB and Bank of Greece (BoG) lasted from 16.03.2016 to 27.05.2016. The main objective of the audit was to review the internal processes of the Bank that were in place at the time of the audit. The data that were requested cover mainly a period from 2015 and up to the date of the completion of the audit.
- The final version of the audit report was sent by the Banking Supervision Department of the BoG and was received by the then management of the Bank on 7.9.2016. The report covers the following areas:

1. **Internal Governance.** The findings of the audit relate mainly to the composition of the Board of Directors, and the knowledge, experience and skills that its members should have so that the effective operation of the BoD can be assured.

In response to the findings regarding this specific area, the Bank on 20.9.2016 proceeded to changes in its Management that according to the BoG «*constitute a particularly significant step for the modernization of the corporate governance framework of Attica Bank*»¹. The BoD of the Bank now consists of people with extensive experience in the financial sector, a fact which contributes considerably to the improvement of its operation.

2. **Business model.** The main findings of the audit relate to the hypotheses on which the business plan of the Bank that was drafted in 2015 was based, which are considered optimistic, to the way the budget is monitored, as well as to the content of several internal reports which need qualitative improvements. The Bank is going to draft a new business plan that will reflect the present situation as well as the results of some actions, such as the voluntary exit scheme, that will be implemented soon.
3. **Share capital increase.** According to the report, an amount of 55.7 million euros related to the recent share capital increase of the Bank is deemed to have been either directly or indirectly financed by the Bank. If the above mentioned amount is deducted from the own equity of the Bank, the capital adequacy ratio of the Bank on a consolidated basis would be reduced from 18.66% (Dec. 2015) to 17%, which is still much higher than the minimum required ratio. Up to now the Bank has not been requested to proceed to such deduction.
4. **Credit risk management processes.** The report records the need to improve the credit granting process, placing emphasis on the pricing process, the specification of credit lending criteria, and the need for improved monitoring of collateral values. More specifically the audit identified cases where the pricing

¹ See announcement issued by the BoG 20.9.2016 (in Greek):
http://www.bankofgreece.gr/Pages/el/Bank/News/PressReleases/DisplItem.aspx?Item_ID=5449&List_ID=1af869f3-57fb-4de6-b9ae-bdfd83c66c95&Filter_by=DT

of loans should have been higher so as the cost of the Bank to be covered and the pricing to correspond fully to the credit rating of the customer. Also, the report contains findings regarding the need to improve provisioning processes.

Aiming at improving the processes related to credit risk management, the Bank has already decided to reduce its exposure to certain economic sectors, has introduced changes in the credit process and has created a unit that is focused on managing accounts with special risk characteristics. The Bank is also going to upgrade its loan provisioning and pricing processes.

- 5. Information Technology.** The findings of the audit focus mainly on the need for the full alignment of IT projects with the wider strategy of the Bank, the need for the centralization of IT project management as well as on the need to improve several internal processes, so as to enhance operational risk management (disaster recovery processes).

Finally, once more, it should be stressed that the Bank's Management is prepared to take all necessary measures and to proceed to the improvement of internal policies and procedures with the aim of complying fully with the findings of the audit for all areas covered, in cooperation with and on the basis of the recommendations of the Supervisory Authority.

ATTICA BANK S.A.