



**LET'S  
GET IT  
DONE**

**15|16** BIDVEST BANK LIMITED  
ABRIDGED ANNUAL REPORT

[www.bidvestbank.co.za](http://www.bidvestbank.co.za)

**Bidvest Bank Limited**

(Registration number 2000/006478/06)

Summarised Consolidated and Separate Annual Financial Statements for the year ended 30 June 2016.

The preparation of these Summarised Consolidated and Separate Annual Financial Statements was supervised by: G Oxford CA(SA) Head Financial Control

These Summarised Consolidated and Separate Annual Financial Statements have been audited in compliance with the applicable requirements of the Companies Act, 71 of 2008.

These financial statements represents a summary of the Consolidated and Separate Annual Financial Statements for the year ended 30 June 2016.

A copy of the full set of Consolidated and Separate Financial Statements can be obtained from the Company Secretary, Di Crawley, by sending a request to [di.crawley@bidvestbank.co.za](mailto:di.crawley@bidvestbank.co.za).



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## MANAGING DIRECTORS' REPORT 2016

### HIGH-LEVEL OVERVIEW

The past financial year has been one of the most important in the history of Bidvest Bank as we build and enhance our traditional strategic offerings, and our way of doing business.

Over the last year, we continued to show strong growth in a challenging market, specifically in terms of our fleet management business, where we managed to deliver good growth and increased our fleet size, compared to previous years. Bidvest Bank remains a well-capitalised institution and a major player in full maintenance leasing and foreign exchange.

Although these have all traditionally been our core offerings and strengths, we have maintained our focus on diversifying our income streams, which will result in important and key strategic changes over time.

Our diversification strategy has started to bear fruit and we are already seeing positive operating and results from the strong base that we have established over the last few years.

Moody's Investor Services has acknowledged our efforts to diversify our income, and in May 2016, upgraded Bidvest Bank to A1 (P -1) status. This makes us the highest-rated among South Africa's second-tier banks.

We are maintaining a prudent lending philosophy and will not take-on undue risk in our efforts to grow the Bank.

The unbundling of The Bidvest Group's food service businesses has had little-to-no impact on Bidvest Bank's positioning or performance.



JJ Van Niekerk

## VISION AND INNOVATION

We believe in getting things done. This is a simple philosophy that permeates every corner of our organisation. It drives the way we think and the way we behave. One of the advantages of being a smaller bank is that we are able to move quicker, be more nimble and responsive. Our customers understand this and have rewarded us with their loyalty.

We are an entrepreneurial Bank and our mission is to help individuals and businesses get things done.

We are committed to excellence, partnership and market innovation. We are agile and receptive to change; and we share the impatience, felt by so many of our customers, that red tape bureaucracy brings, as well as the time costs and few practical benefits that traditional banking practices offer.

### WE HAVE SIX UNIQUE VALUES THAT GUIDE OUR BEHAVIOUR IN ACHIEVING THIS VISION:

- ▶ We listen to each other we learn, grow and turn obstacles into opportunities.
- ▶ We respect each other and value the diversity and contribution each person makes.
- ▶ Our energy helps us turn mountains into molehills, 'no' into 'yes' and 'maybe' into 'bring it on'.
- ▶ Being honest inspires us and clients, to get things done.
- ▶ The quality of our work shows that we care, and sets us apart from the rest.
- ▶ We innovate in order to serve our customers and provide them with solutions that will help them get things done smarter and faster.

## SOLID FINANCIAL PERFORMANCE

Bidvest Bank's Operating Income Top Line (OI) grew by 27.5% to R1.1 billion and Profit Before Tax (PBT) grew 24.4% to R440.7 million.

Growth was achieved across the business with Advances, Deposits and Trade Finance all showing growth in excess of 30% year-on-year.

Return of Equity (ROE) increased from 12.3% to 13.8% and Return on Assets (ROA) grew to 4.7% (from 4.2%).

The Bank's Total Capital Adequacy Ratio is 29%.

## KEY FEATURES

Banking alliance growth gathered pace with expansion initiatives (specifically credit and debit card processing) via our partnership with First Data, which is a leader in point-of-sale payments.

Trade finance growth continued and our partnership(s) with Old Mutual made solid gains.

Fleet operations achieved major public-sector contract successes. Fleet Finance and Management's top-line income rose a remarkable 71%.

Advances, including leasing, was R3.1 billion (2015: R3.0 billion), corporate advances rose to R1.7 billion (2015: R1.2 billion), and deposits increased 36,5% to R3.9 billion (2015: R2.8 billion).

Cash on hand was R2.5 billion (2015: R2.4 billion), and credit impairments remained relatively low at R25.9 million.

The growth of our business banking continued and our first corporate hub, in Umhlanga, performed well.

Moody's upgraded Bidvest Bank to A1, with a stable outlook. The new rating is A1.za/P-1.za (up from A3.za/P-2.za).

## INVESTING IN THE FUTURE

Bidvest Bank's operating costs grew 23.9% on the previous year, which was budgeted and is aligned to the Bank's growth and diversification strategy. We will continue to invest in technology and people (our largest expense drivers) to ensure that we are adequately positioned for continued growth. The overall skills base in the business has increased and we will continue to invest in new talent to drive our growth and diversification initiatives.

The Tonbeller anti-money laundering system was successfully implemented this year and significant work was conducted to upgrade our global payments platform. Three years of development to our core banking platform is nearing completion and we anticipate rapid productivity benefits.

## STRONG PLATFORM ESTABLISHED

Whilst our foreign exchange and fleet businesses continued to be key drivers of revenue and earnings, significant investment has been made into strategic initiatives to enhance growth and offer customers alternative products and services, while attracting a new client-base into the Bank.

The **trade finance** business is in its second year of operation and showed satisfactory growth. Our average book grew by 37% year-on-year. Significant synergies were built between trade finance, forex and the business banking businesses, and we expect that these benefits will start materialising in this financial year.

The Bidvest Bank **business account** launched in June 2015 resulted in a pleasing take up of new business and positive client feedback. Clients are particularly happy with their personalised 'one-to-one' relationship with Bidvest Bank.

*Strong Platform Established (continued)*

The business account has led to some positive spin-offs in the business lending space. This includes asset finance, commercial property finance and fleet finance.

We also launched our first **acquiring** product this year and have successfully partnered with First Data, the world's largest acquirer. We believe that this will, in time, become a significant revenue-driver for the Bank.

We continue to achieve growth through strategic partnerships with leaders such as **Old Mutual** and its money market enhanced savings product. This partnership delivered significant gains in 2016.

We launched the **MasterCard Multi-Currency World Currency Card**, a first of its kind in South Africa, offering up to 17 currencies on a single card.

The Bank continues to **make substantial investments** in Information Technology in the form of technical skills, infrastructure and systems. Technology such as our new planned "Evo" point of sale system will be supported by trained personnel and one-on-one contact. "Evo" is planned to roll out to all branches by May 2017.

## TRANSFORMATION

For Bidvest Bank, transformation means the constant development of the business and commitment to Broad-Based Black Economic Empowerment (B-BBEE) principles as a strategic driver for growth.

As a level 2 contributor to B-BBEE, we are committed to ongoing transformation whilst seeking ways to foster greater participation in the economy by black individuals and businesses. One example of our desire to make banking more inclusive, and one which demonstrates our commitment to affordable banking solutions is our offer of one of the lowest-cost transactional banking products in the market.

In addition, our Small, Medium and Micro-sized Enterprises (SMMEs) focus is designed to assist a new generation of entrepreneurs who expect their banking partner to add value without adding unnecessary costs.

Internally, black staff advancement remains a focus area. The Bidvest Bank executive committee is well diversified in terms of gender and race, while B-BBEE professionals lead our fleet and asset finance business and human capital function.

Lastly, priority is given to B-BBEE candidates for entry-level recruitment. Once hired, there is a strong focus on training and development to fast-track careers within the Bank.

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## PRUDENT LENDING

We take pride in the fact that the Bank continues to grow and that impairments have been kept at a reasonably low level. Our appetite for risk continues to be well managed, as further economic headwinds are anticipated in the year ahead.

## GETTING IT DONE

The Bank will continue to seek growth and strategic diversification, while remaining prudent in a fiercely competitive financial products market.

Bidvest Bank is uniquely positioned with a solid base and strong earnings from our core businesses, and we will continue to widen our franchise and product offerings to help our customers **"GET IT DONE"**, and through this, enhance our revenue streams.



JJ Van Niekerk

Managing Director





## FINANCIAL DIRECTORS' REPORT 2016

### STATEMENT OF FINANCIAL POSITION

Total assets grew by 11% predominantly influenced by the growth in corporate advances and cash balances

### TOTAL INCOME

Bidvest Bank's consolidated Operating Income increased by 27,5% year on year from R897.5m to R1.1bn.



MJ Liebenberg

### TRANSACTIONING INCOME

Net Interest Income is up on prior year by R28.4m and continued growth was achieved in Fleet and Asset Finance, and Transactional Banking. Fleet and Asset Finance top line (R572m) has increased on prior year (R324.4m) by 76,3% and Transactional Banking Business Unit top line increased yoy by 11,7%.

Progress was evident with the evolving strategy of securing new partners as a means of accelerating the bank's penetration into new niche markets.

### ADVANCES AND LEASES BOOK

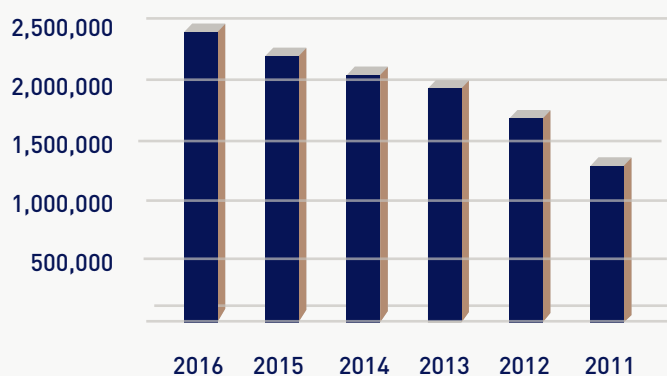
#### *Growing the advances book and leveraging our Fleet stronghold*

Total advances (including leasing) have increased by 1,9% on prior year with leased assets decreasing by 19,5% due to the Telkom Secondary Fleet being de-fleeted. Corporate advances have increased by 33,9% yoy. The 12-month effect of a new full maintenance leasing contract with a major state-owned entity proved beneficial.

### CAPITAL

#### *Strong capital base maintained*

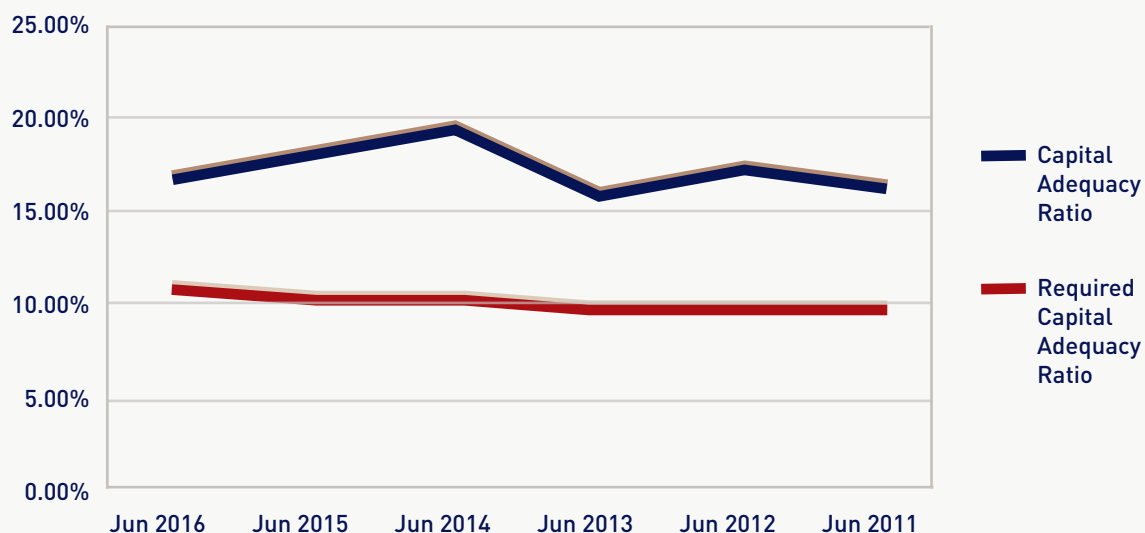
### EQUITY



Total equity increased to R2.3bn (2015: R2.1bn).

The Bank is adequately capitalised and holds sufficient and stable capital against its risk weighted assets. The Bank's Qualifying Capital Adequacy Ratio, qualifying capital and reserve funds as percentage of risk weighted assets, is 16,85%, while the Bank's total Capital Adequacy Ratio, total capital and reserve funds as percentage of risk weighted assets is 29%.

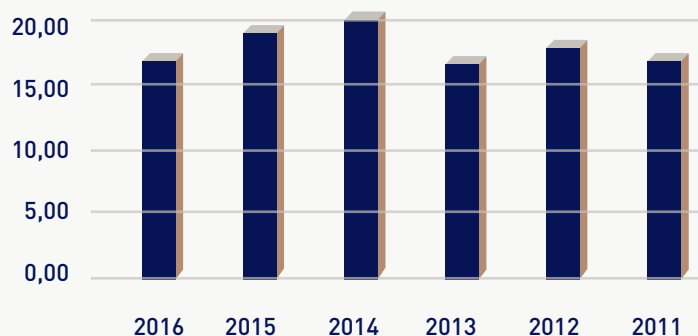
#### REQUIRED CAPITAL ADEQUACY RATIO VS ACTUAL CAPITAL ADEQUACY RATIO



The declining CAR trend is mainly due to the increase in the operational risk capital requirement due to growth in gross income and also growth in the lending and leasing books.

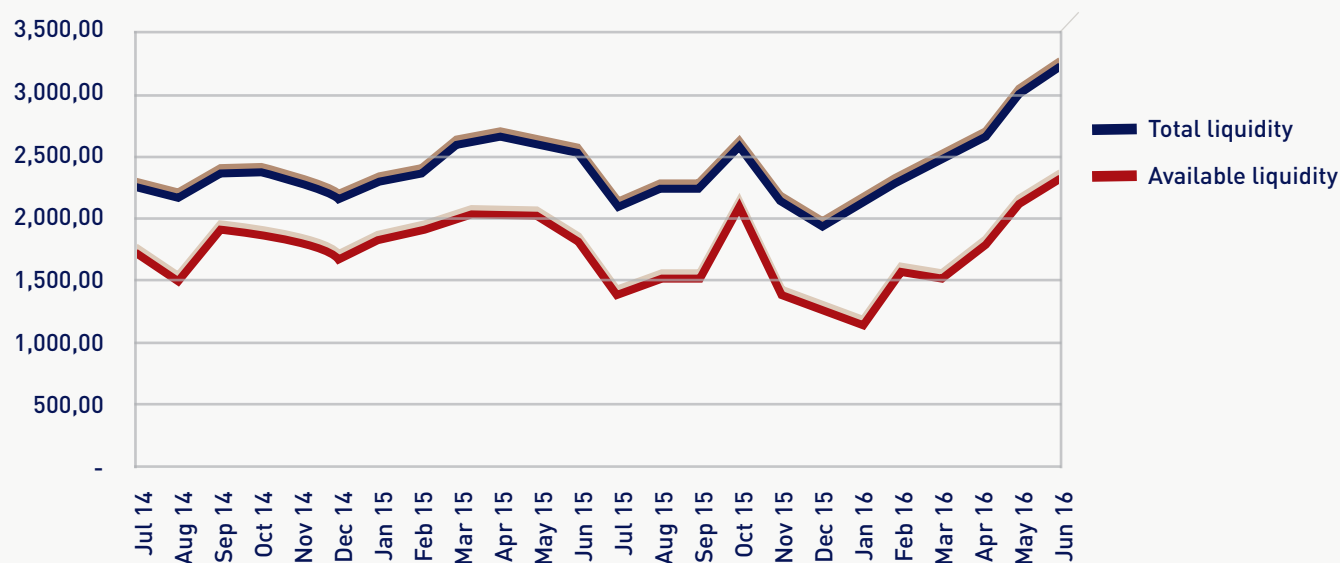
To insure funding for the growth in the Leasing and Lending books, R207m profits were appropriated to qualifying capital during the year. There have been no material changes in the Bank's management of capital during the period.

#### REGULATORY CAPITAL TO RISK-WEIGHTED ASSETS (%)



## LIQUIDITY

*Conservative liquidity policy maintained*

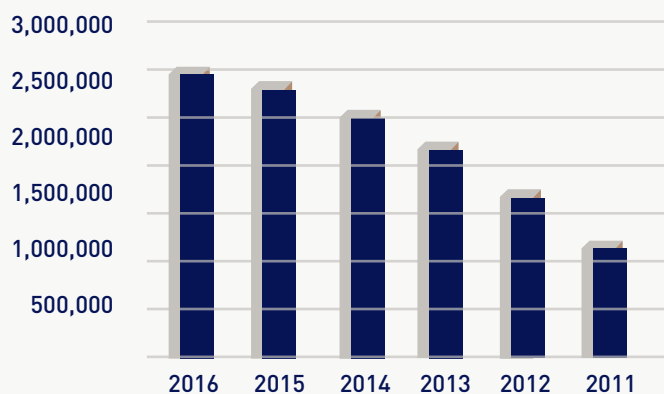


## CASH AND CASH BALANCES

*Continued solid growth in Cash*

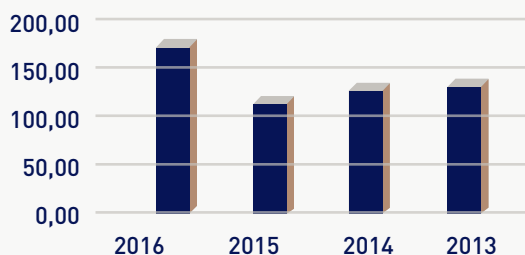
Solid cash generation saw cash and cash equivalents rise 5,7% to R2.5 billion (2015: R2.4 billion)

## CASH AND CASH EQUIVALENTS

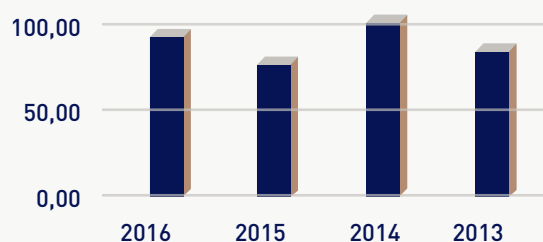


The Bank currently complies with the LCR requirement with a ratio of 163%. The Banks liquidity policy remains conservative. This conservatism resulted in holding of excess cash reserves available for growth and pipeline opportunities.

## LIQUIDITY COVERAGE RATIO (%)



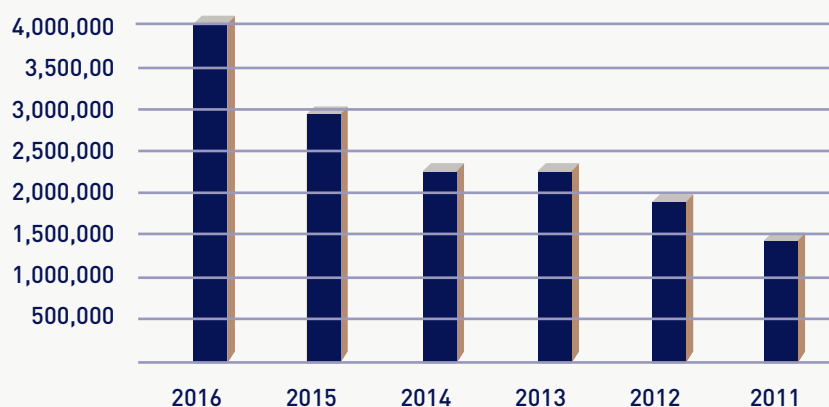
## NET STABLE FUNDING RATIO (%)



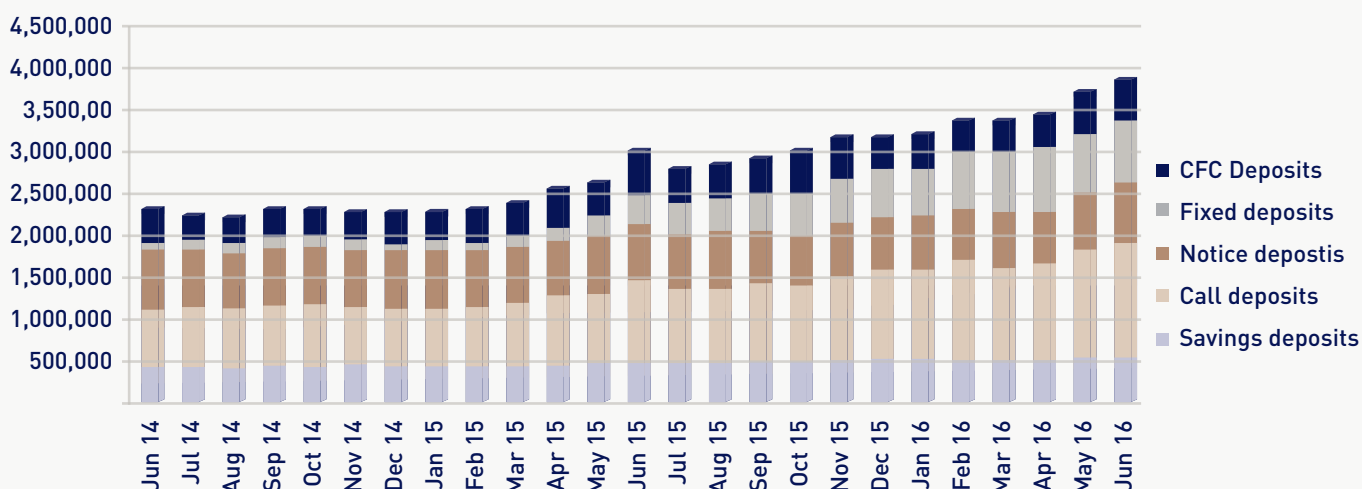
## FUNDING

*Total deposits up by 36.5%*

## DEPOSITS



Deposits continuing to grow and ended 36,5% higher on prior year as a result of a focused fixed deposit campaign in the prior and current year as well as a focus on longer term deposits. The Bank's longer term deposits up to 12 months increased by R 450.6m.



## CREDIT LOSSES

### *Conservative provisioning and increase in impairment provisions*

The increased loan loss ratio of 0.8% vs the prior year ratio of 0,02% is mainly due to increased portfolio impairment provisions.

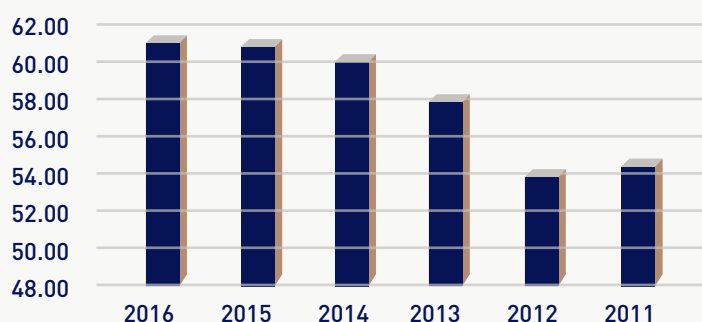
## OPERATING EXPENSES / COST STRUCTURE

### *Operating costs increased by 24%*

Operating costs were 23,9% up on the prior year, largely due to increased employment costs, marketing costs and trading costs, in line with the Bank's growth strategy and investment in the future. Recruitment of quality people was stepped up in 2016 and overall staff numbers rose from 1,109 to 1,154.

The Bank continues to make substantial investments in information technology in the form of technical skills, infrastructure and systems. Technology such as our new planned Branch Front End point-of-sale system will be supported by trained personnel and one-on-one contact which will begin to roll out to all branches during 2017. Positive JAWS of 1,8%.

## COST TO INCOME (%)



The growth in income of 27,5% assisted the Bank to retain the cost to income ratio on 60% whilst still investing for the future and diversified income streams being developed.

## DIVIDENDS

Total dividends of R 117m was paid during the year.

M J Liebenberg

Financial Director



## INTEGRATED OPERATION REVIEW FOR THE YEAR ENDED 30 JUNE 2016

Bidvest Bank Limited, holder of a full banking licence since 2000, is a South African financial institution serving retail and corporate customers via 169 branches nationwide. Foreign exchange and global payment expertise is complemented by deposit-taking, loans and fleet and asset finance. The bank provides the country's widest range of foreign bank notes and the biggest selection of prepaid foreign currency cards. The bank is South Africa's third largest vehicle leasing business.

In a highly competitive market, Bidvest Bank Limited has delivered a solid performance over the last year, achieving profit before tax of R440,7 million (2015: R354,4 million). Operating income was up 27,5% at R1,1 billion (2015: R897,6 million). The division remains strongly capitalised and highly cash generative.


### HIGHLIGHTS

- ▶ Profit before tax up 24,4% to R440,7 million (2015: R354,4 million)
- ▶ Operating income rose 27,5% to R1,1 billion (2015: R897,6 million)
- ▶ ROE of 13,8% increased 1,5 percentage points (2015: 12,3%)
- ▶ Moody's National Scale Issuer rating improved to A1.za (from A3.za) and P-1.za (from P-2.za)
- ▶ Continued growth achieved in fleet & asset finance, and transactional banking
- ▶ Solid cash generation with cash and cash equivalents rising 5,7% to R2,5 billion (2015: R2,4 billion)
- ▶ At R3,9 billion, deposits were 36,5% higher (2015: R2,8 billion)
- ▶ Increased brand and product awareness achieved
- ▶ New and enhanced products launched
- ▶ New partners secured to accelerate the bank's penetration of niche markets





## MATERIAL ISSUES

Material issue	Why it is important and strategic objectives	KPIs and targets	Performance against targets and actions going forward
 <p>Maintain consistent financial performance</p>	<p><b>WHY:</b></p> <p>Financial markets are highly competitive and can be volatile. It is important to create a broad range of robust income streams to secure a strong base of business.</p> <p><b>OBJECTIVE:</b></p> <p>To maintain profitability.</p>	<p>Revenue diversification.</p> <p>Cost-to-income ratio 60,60% (2015: 60,46%).</p>	<p><b>PERFORMANCE:</b></p> <ul style="list-style-type: none"> <li>► Operating income 27,5% higher to R1,1 billion (2015: R897,6 million)</li> <li>► Costs were 23,9% up on the prior year, largely due to increased employment costs, marketing costs and trading costs, in line with the Bank's growth strategy and investment in the future. Recruitment of quality people was stepped up in 2016 and overall staff numbers rose from 1 109 to 1 171 (4,1% up).</li> <li>► As a result, profit before tax was up 24,4% to R440,7 million (2015: R354,4 million)</li> </ul> <p><b>ACTIONS:</b></p> <p>Diversification of revenue streams through enhanced and expanded product offerings and alliances with new and existing partners.</p>





*Material issues (continued)*

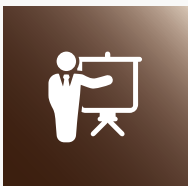
Material issue	Why it is important and strategic objectives	KPIs and targets	Performance against targets and actions going forward
 <p>Exceed corporate citizenship expectations</p>	<p><b>WHY:</b></p> <p>It is important to demonstrate our commitment, as good corporate citizenship credentials are essential in an industry where ethical standards must be unimpeachable. Good corporate citizens attract good customers and good employees. Reputation is a source of competitive advantage.</p> <p><b>OBJECTIVE:</b></p> <p>To keep pace with new regulations.</p> <p>Compliance monitoring and implementation to ensure banking businesses do not contravene regulations.</p>	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>▶ JSE SRI performance standards</li> <li>▶ CDP performance standards</li> <li>▶ Governance standards (King III)</li> </ul>	<p><b>ACTIONS:</b></p> <ul style="list-style-type: none"> <li>▶ Compliance and forensics teams have been strengthened.</li> <li>▶ Anti-money laundering controls also received heightened attention this year.</li> </ul> <p>Among the measures, the Bank:</p> <ul style="list-style-type: none"> <li>▶ Implemented a new automated system for customer profile and transactional monitoring;</li> <li>▶ Enhanced its processes for new customer on-boarding, including enhancements to the Bank's data warehouse, improving its single customer view;</li> <li>▶ Reviewed its processes for compliance with legislation, as well as effectiveness and efficiency;</li> <li>▶ Implemented enhanced controls over sanction screening;</li> <li>▶ Improved identification controls for politically exposed persons and companies;</li> <li>▶ Enhanced processes and controls over alliance partners;</li> <li>▶ Increased resources and accountability in this area, and regulatory compliance is a component of performance management and employee reward.</li> </ul>



*Material issues (continued)*


Material issue	Why it is important and strategic objectives	KPIs and targets	Performance against targets and actions going forward
 <p>Promote employee health and satisfaction</p>	<p><b>WHY:</b></p> <ul style="list-style-type: none"> <li>▶ People have a right to be healthy and happy. A healthy workplace is a productive workplace.</li> <li>▶ To improve talent attraction and retention and to have the required skills in the organization.</li> </ul> <p>Objective:</p>	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>▶ Resignation rates.</li> <li>▶ Absentee rates.</li> </ul>	<p><b>PERFORMANCE:</b></p> <ul style="list-style-type: none"> <li>▶ The resignation rate improved to 8,2% (2015: 14,5%). The Bank is committed to employee development and retention.</li> <li>▶ Absentee rates, after a low of 0,9% in 2012, have increased slightly to 1,5% in 2013, 1,6% in 2014, and 1,5% in 2015. In 2016, the absentee rate was 1,5%, in line with our targeted market benchmark for absenteeism.</li> </ul> <p><b>ACTIONS:</b></p> <ul style="list-style-type: none"> <li>▶ Remuneration of employees is based on regular performance reviews and is informed by industry guidelines and prevailing market conditions, rewarding and retaining superior quality employees, and motivating them to support the Bank to achieve sustained growth. Focus has also been placed on exit interviews to identify clearly stipulated reasons for resignations.</li> <li>▶ The Bank provides a 24-hour confidential support service through ICAS (Independent Counselling and Advisory Services Organisation) to employees and their immediate families to help them deal with personal problems that may impact their personal and work lives.</li> <li>▶ In addition, the Bank subscribes to online health and wellness programmes for employees and their families.</li> <li>▶ During the year, two wellness days were held nationally, at which various health assessments were conducted. Employee response was good in all regions. Altogether 171 employees completed VCT testing during the year, comprising 15% of the staff complement, and of those tested, no new HIV cases were reported.</li> </ul>
 <p>Enhance talent attraction and retention</p>	<p><b>OBJECTIVE:</b></p> <ul style="list-style-type: none"> <li>▶ To use innovative approaches to improving the health and wellbeing of all employees.</li> </ul>		

*Material issues (continued)*

Material issue	Why it is important and strategic objectives	KPIs and targets	Performance against targets and actions going forward
 <p>Promote skills development</p>	<p><b>WHY:</b></p> <ul style="list-style-type: none"> <li>► Skills enable service excellence and innovation – key drivers of sustained growth.</li> <li>► Personal development opportunities assist in talent retention.</li> </ul>	<p><b>KPIS:</b></p> <ul style="list-style-type: none"> <li>► Training spend per employee</li> <li>► Training hours per employee</li> </ul>	<p><b>PERFORMANCE:</b></p> <ul style="list-style-type: none"> <li>► Average annual training spend per employee decreased slightly from R13 388 in 2015 to R8 940 in 2016.</li> <li>► Average annual training hours per employee decreased from 45 hours in 2015 to 4 hours in 2016, though all staff were trained during the year.</li> </ul>
 <p>Invest in socio- economic development</p>	<p><b>WHY:</b></p> <ul style="list-style-type: none"> <li>► This is important at national and regional level</li> <li>► Sustained growth can only be achieved in well-resourced communities.</li> </ul>	<p><b>KPIS:</b></p> <ul style="list-style-type: none"> <li>► CSI spend</li> <li>► CSI spend as % of net profit after tax</li> </ul> <p><b>TARGETS:</b></p> <p>1% of net profit after tax</p>	<p><b>PERFORMANCE:</b></p> <ul style="list-style-type: none"> <li>► CSI spend was unchanged at R4,7 million</li> <li>► CSI spend as % of net profit after tax decreased slightly from 1,8% in 2015 to 1,5% in 2016.</li> <li>► Our contributions continue to exceed our annual targeted 1% of net profit after tax, and the business continues to focus on its sustainable involvement and interaction with disadvantaged communities.</li> </ul> <p><b>OUR FOCUS AREAS ARE:</b></p> <p><b>Education</b></p> <p>By assisting in the education of disadvantaged communities we believe we can contribute to the development of our future clients and employees.</p> <p><b>Conservation</b></p> <p>By investing in the preservation of our environment and wildlife we can help to establish South Africa as a superior and global eco-tourism destination. Growth in the tourism industry will play a major role in reducing unemployment and stimulating economic recovery.</p>

*Material issues (continued)*

			<p><b>Crime Prevention</b></p> <p>Our country suffers from alarming rates of crime, undermining efforts to attract foreign investment. This inability to attract foreign investment impedes the national effort to curb exceedingly high unemployment.</p> <p><b>Children</b></p> <p>Children are our future employees. We contribute towards their development in order to increase the potential of our future workforce.</p> <p><b>Charity organisations</b></p> <p>Charity collections include:</p> <p>On Spring Day, casual wear is worn for a donation which is then given to the Association for the Physically Disabled.</p> <p>On World AIDS Awareness Day, there is a sale of Red Ribbons in support of Friends for Life.</p>
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Material issue	Why it is important and strategic objectives	KPIs and targets	Performance against targets and actions going forward
 <p>Reduce environmental impacts</p>	<p><b>WHY:</b></p> <ul style="list-style-type: none"> <li>▶ Reducing environmental impacts and waste is not only good for society but for business efficiency.</li> <li>▶ Society's response to climate change may have a significant impact on the vehicle rental industry.</li> </ul> <p><b>OBJECTIVE:</b></p> <p>To contribute by reducing our impact, educating employees, and working with suppliers and offering customer solutions to help them reduce theirs.</p>	<p><b>KPIs:</b></p> <ul style="list-style-type: none"> <li>▶ Paper purchased</li> <li>▶ Electricity used</li> <li>▶ Gasoline (petrol) used</li> </ul>	<p><b>PERFORMANCE:</b></p> <ul style="list-style-type: none"> <li>▶ Paper purchased increased from 39 686kg in 2015 to 247 500kg in 2016.</li> <li>▶ Electricity usage decreased from 5 275 508 kilowatt hours to 4,794,656 kilowatt hours.</li> <li>▶ Gasoline usage fell from 149 729 litres to 66 637 litres.</li> </ul>



## STAKEHOLDER ENGAGEMENT

Stakeholders	Objective and engagement method (and frequency)	Key issues identified	Key actions taken and planned
 Employees (full time and contract)	<p><b>OBJECTIVE:</b> Improve employee relationship and satisfaction.</p> <p><b>METHODS:</b></p> <ul style="list-style-type: none"> <li>▶ Employee surveys (annual)</li> <li>▶ Anonymous feedback forms (ongoing)</li> <li>▶ Newsletters</li> </ul>	<p><b>KEY ISSUES:</b> Remuneration and benefits, being informed about corporate strategy, employee skills development, employee wellness, local economic development, specific employer/ employee relationship issues.</p> <p><b>ISSUES CONSIDERED MATERIAL:</b> Employee wellness, skills development and retention.</p>	<p><b>PERFORMANCE:</b> Salary structures have been benchmarked against the market, and adjusted where necessary;</p> <p>Focus has been placed on engaging our employees.</p> <p>Employees have been informed on the corporate strategy.</p> <p>Focus has been placed on robust employee exit interviews, with clearly stipulated reasons for resignations.</p>
 Financial regulators (SARB and the Financial Services Board)	<p><b>OBJECTIVE:</b></p> <ul style="list-style-type: none"> <li>▶ Enhance reputation for probity and fair dealing</li> <li>▶ Compliance with all regulations and responsible banking practices.</li> </ul> <p><b>METHODS:</b> Robust governance structures</p>	<p><b>KEY ISSUE:</b> Compliance with regulatory requirements</p>	<p><b>CORPORATE GOVERNANCE</b> The Board of Directors (the Board) recognises the importance of the principles of good corporate governance, and conducts itself in accordance with the its statutes, the Banks Act, the Companies Act, the King Report and Code on Corporate Governance for South Africa (King III) and its own code of conduct.</p> <p>The compliance and forensics teams have been strengthened.</p> <p>Internal audit acts as an independent appraisal function.</p>


*Stakeholder engagement (continued)*

Stakeholders	Objective and engagement method (and frequency)	Key issues identified	Key actions taken and planned
 <p>Industry representative organisations</p>	<p><b>OBJECTIVE:</b></p> <p>Stay abreast of industry developments and any planned changes to the policy environment.</p>	<p><b>KEY ISSUES:</b></p> <p>Regulatory change and heightened regulatory scrutiny may affect the manner in which our products and services will be produced or delivered.</p>	<p>Continued interaction with financial services representative organisations.</p>
 <p>Suppliers</p>	<p><b>OBJECTIVE:</b></p> <p>Maintain good relationships and explore efficiencies</p> <p><b>METHODS:</b></p> <p>Know Your Supplier</p>	<p><b>KEY ISSUE:</b></p> <ul style="list-style-type: none"> <li>► Good governance over procurement processes and functions.</li> <li>► Good governance over related-party transactions and potential conflicts of interest.</li> <li>► A robust “Know Your Supplier” process in place.</li> </ul>	<p>The procurement process and control environment is well designed and adequate to address risks.</p> <p>Related-party transactions and potential conflicts of interest are disclosed by management, members of the Audit, Risk and Executive Committees, and key stakeholders within the procurement function. A register is maintained, which includes Directors Declarations, and is circulated and monitored regularly by management. On a quarterly basis, disclosures are tabled and reviewed formally by the Bank’s Audit Committee and the Procurement Committee.</p> <p>A robust “Know Your Supplier” process ensures that procurement meets the Bank’s objectives.</p>

*Stakeholder engagement (continued)*

Stakeholders	Objective and engagement method (and frequency)	Key issues identified	Key actions taken and planned
 <p>Customers</p>	<p><b>OBJECTIVE:</b></p> <p>Bidvest Bank aspires to be a specialist financial services partner that provides efficient solutions to business and consumers internationally.</p> <p><b>METHODS:</b></p> <ul style="list-style-type: none"> <li>► Maintain good relations.</li> <li>► Understand issues, resolve them together and examine opportunities for needs-driven product innovation.</li> </ul>	<p><b>KEY ISSUES:</b></p> <p>Developing a common understanding of customers/ offerings and defining points of customer interaction.</p>	<p>New external alliances have been established, including for complex formal emigration applications, with a range of account options, payment methods and safe custody services.</p> <p>New travel solutions have been implemented by integrating with travel partners' processes and developing a common understanding of customers/ offerings and defining points of customer interaction. Competitive payment solutions have been developed, including foreign exchange on-line ordering with delivery to our customers' doors.</p> <p>Trade solutions have been further developed during the period, including structured trade finance.</p> <p>Continued focus on the information technology strategies of the Bank to harness competitive advances in technology.</p>
 <p>Partners and potential partners</p>	<p><b>OBJECTIVE:</b></p> <p>Diversify the business base and accelerate the penetration of new niche markets.</p>	<p><b>KEY ISSUE:</b></p> <p>Early identification of areas of future growth and development of new solutions that complement current products and services.</p>	<p>Several external alliances have been established and new travel solutions implemented.</p>

*Stakeholder engagement (continued)*

Stakeholders	Objective and engagement method (and frequency)	Key issues identified	Key actions taken and planned
 <p><b>Communities</b></p> <p>Local communities Previously disadvantaged communities</p>	<p><b>OBJECTIVE:</b></p> <p>Better understand and collaborate with the communities in which we operate.</p>	<p><b>KEY ISSUE:</b></p> <p>Local economic development and employment opportunities, education (schools), skills development, health, environment.</p> <p><b>MATERIAL ISSUES:</b></p> <p>Socio-economic development and community involvement.</p>	<p><b>SOCIAL ECONOMIC DEVELOPMENT</b></p> <p>The Bank acknowledges its place in the community and every year donates funds to worthy causes. The Bank spent R4,7 million (2015: R4,7 million) on social economic development. In addition, employees perform charity work in their own time.</p> <p><b>LEARNERSHIPS</b></p> <p>A total of 31 (2015: 32) learners from previously disadvantaged communities participated in the Bank's learnership programme during the year. Total spend on learnerships was R1,2 million (2015: R2,0 million).</p> <p><b>BURSARIES</b></p> <p>A total of 64 (2015: 86) bursaries totaling R1,2 million (2015: R1,1 million) were granted to permanent employees.</p>

## RISK MANAGEMENT

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The Board of Directors recognizes the importance of on-going identification and management of risk in order to maintain a sound financial and reputational condition. The Board adopts a risk management policy to affirm its awareness of the need to establish a program for enterprise risk management (ERM). The Board further commits to providing sufficient personnel and other resources to ensure full implementation of an enterprise risk management program. The Board also acknowledges that each of the Bank's activities has an element of risk. Due to the diverse nature of the Bank's business units, products and services, and the fact that not all risk can be transferred to third parties through insurance policies, contracts or waivers, the management of residual risk at all levels of the Bank is imperative. The Board has delegated responsibility for Risk Management Policy matters to the Risk and Capital Management Committee which is a sub-committee of the Board.

Bidvest Bank maintains an Enterprise Risk Management policy and framework to coordinate the many aspects of risk. The Bank's risk management policy articulates the content of the Bank's Enterprise Risk Management and Risk Appetite.

The Board expects executive management of the Bank to be committed to building a risk culture and increased awareness and a shared responsibility for risk management at all levels of the Bank. A clearly defined Risk Management Policy including a Risk Appetite Statement supports this.

Risk is an inherent component of the Bank's activities. The ability to effectively identify, assess, measure, respond, monitor and report on risk in activities is critical to the achievement of the Bank's mission and strategic objectives. This risk management approach reflects the Bank's values, influences the Bank's culture and guides the Bank's operations. It is captured in policy statements, Board and management directives, operating procedures, training programs, and is demonstrated in daily activities by management and staff.

Enterprise Risk Management is a group of structured and consistent risk management processes that are applied across the Bank. The ERM program identifies, assesses, prioritizes, and provides a formal structure for the internal and external risks that impact the organization. These activities are categorized under commonly accepted categories of risk.

The ERM program is driven by a formal approach that is aligned with the Bank's profile and strategic objectives. It is enhanced by formalizing roles within the Bank, active committees, policies and procedures, reporting, communication, and technology. The ERM program produces various risk mitigation activities within the business units. The resulting strategic, financial, and operational risk mitigation activities implemented strengthen the Bank, reduce the potential for unexpected losses, and manage the volatility experienced by the Bank.



## INTERRELATIONSHIP OF RISK MANAGEMENT FUNCTIONS – THREE LINES OF DEFENCE

### THE BANK ADOPTS THE THREE LINES OF DEFENSE MODEL.

#### 1

#### FIRST LINE OF DEFENSE

Business units are the first line of defense. They take risks and are responsible and accountable for the ongoing management of such risks. This includes identifying, assessing and reporting such exposures, taking into account the Bank's risk appetite and its policies, procedures and controls. The manner in which the business line executes its responsibilities reflects the Bank's existing risk culture.

#### 2

#### SECOND LINE OF DEFENSE

The second line of defense includes an independent risk management function. The risk management function complements the business line's risk activities through its monitoring and reporting responsibilities. Among other things, it is responsible for overseeing the Bank's risk-taking activities and assessing risks and issues independently from the business line. The function promotes the importance of senior management and business line managers in identifying and assessing risks critically rather than relying only on surveillance conducted by the risk management function. Among other things, the finance function plays a critical role in ensuring that business performance and profit and loss results are accurately captured and reported to the board, management and business lines that will use such information as a key input to risk and business decisions.

The second line of defense also includes an independent and effective compliance function. The compliance function, among other things, routinely monitor compliance with laws, corporate governance rules, regulations, codes and policies to which the Bank is subject. The board approves compliance policies that are communicated to all staff. The compliance function assesses the extent to which policies are observed and report to senior management and, as appropriate, to the board on how the Bank is managing its compliance risk. The function also has sufficient authority, stature, independence, resources and access to the board.

#### 3

#### THIRD LINE OF DEFENSE

The third line of defense consists of an independent and effective internal audit function. Among other things, it provides independent review and objective assurance on the quality and effectiveness of the Bank's internal control system, the first and second lines of defense and the risk governance framework including links to organisational culture, as well as strategic and business planning, compensation and decision-making processes. Internal audit is not involved in developing, implementing or operating the risk management function or other first or second line of defense functions.



## CAPITAL MANAGEMENT

The table below provides a breakdown of the Bank's Risk Weighted Assets and required capital as at 30 June 2016.

## COMPONENTS OF THE BANK'S RISK WEIGHTED EXPOSURE

	RWA		Minimum capital requirements
	Jun 2016	Jun 2015	Jun 2016
<b>Credit risk (excluding counterparty Credit Risk (CCR) Credit Valuation Adjustment (CVA)</b>			
Adjustment (CVA)	2,628,286	1,904,216	279,255
Of which standardised approach (SA)	2,628,286	1,904,216	279,255
Of which internal rating-based (IRB) approach	-	-	-
<b>Counterparty Credit Risk Credit Valuation Adjustment (CVA)</b>	59,114	19,401	6,281
Of which standardised approach for counterparty credit risk (SA - CCR)	59,114	19,401	6,281
Of which internal model method (IMM)	-	-	-
<b>Equity positions in banking book</b>	7,768	6,480	825
<b>Market Risk</b>	15,259	12,312	1,621
Of which standardised approach (SA)	15,259	12,312	1,621
Of which internal model method approaches (IMM)	-	-	-
<b>Operational Risk</b>	2,548 870	1,671 868	270,817
Of which Basic Indicator Approach	-	-	-
Of which Standardised approach	2,548,870	1,671,868	270,817
Of which Advanced Measurement Approach	-	-	-
<b>Other risks</b>	1,978,854	2,091,881	210,253
<b>TOTAL</b>	<b>7,238,151</b>	<b>5,706,166</b>	<b>769,054</b>

The percentage minimum capital requirement used for calculating the capital requirement reflected in column c is constructed as follows: 8% minimum capital requirement plus 1.75% add-on plus 0.25% idiosyncratic add-on plus 0.625% capital conservation buffer. Total: 10.63%.

Other risks reflected in the table above relate to property and equipment and other assets as contained in the Bank's statement of financial position.

As at 30 June 2016 the Bank was adequately capitalised and the below capital related items are highlighted.

Please refer to <https://www.bidvestbank.co.za/financial-results.aspx> for the full Pillar III Disclosure Report.



## OUR PEOPLE

Our people are fundamental to the Bank's growth and long-term value creation. We seek to offer a workplace where people are inspired to be the best that they can be.

### KEY HIGHLIGHTS

- ▶ GRADUATE DEVELOPMENT PROGRAM LAUNCHED
- ▶ INNOVATIVE INDUCTION 'APP' INTRODUCED
- ▶ SUCCESSFUL LEARNERSHIP PROGRAMME
- ▶ VALUES RENEWED
- ▶ PERFORMANCE MANAGEMENT APPROACH ENHANCED
- ▶ ONLINE LEARNING PLATFORM ADVANCED
- ▶ TALENT MANAGEMENT PROCESS IMPLEMENTED

### KEY AREAS SUPPORTING GROWTH

- ▶ FOSTERING A HIGH-PERFORMANCE CULTURE
- ▶ ENSURING ENGAGED TALENT
- ▶ STRENGTHENING CAPABILITIES
- ▶ LEADERSHIP DEVELOPMENT

Every leader at our Bank is accountable for attracting, developing, retaining and engaging talented people and also enabling them to understand and execute our strategy. By achieving this, we are then able to connect with customers, provide excellent customer service and provide suitable financial product solutions to our customers.

### The four key areas that contribute the most to our growth are:

- ▶ Ensuring engaged talent. The Bank is committed to employee development and retention. The Bank has a Talent Review session, which allows for proactive measures to be taken in managing the talent across the Bank. The Bank ensures that critical talent is rewarded, developed and retained.
- ▶ Strengthening capabilities. We continue to strive to build capabilities in our business by appointing talented individuals with the right skills and competencies. We also develop our teams to execute our strategy, we seek to build our internal capabilities in the crucial areas of revenue growth management, key account management, strategic alliances and front line execution.
- ▶ Fostering a high-performance culture. We believe our Bank will thrive if we all strive for best-in-class performance. To achieve this, we focus on winning together, enjoying ownership of our work and removing organisational barriers to success.
- ▶ Leadership Development will be our focus for the coming year as we firmly believe that developing our leaders internally is an important competitive advantage. We therefore seek to build a strong bench of inspirational leaders across all leadership levels to ensure continuity and long-term growth for our business. We will continue to create opportunities for development, whilst embedding our values.

## INVESTMENT IN HUMAN CAPITAL

The Learning and Development of our employees is based on individual development plans and the required competencies, skills and knowledge needed for the business to succeed. The Learning and Development team provide various training initiatives ranging from the technical, system, product, regulatory and compliance aspects of our business. Learning and development is ongoing at all levels from senior managers to junior consultants. Amongst other accredited courses the Certificate in Banking (NQF Levels 4 and 5) and the Certificate in Management Development (for employees with the potential to advance to junior and middle management roles) are offered.

The Bank has implemented an online learning platform, which has a variety of on-line courses for all staff.

The Learning and Development team provide learning programmes geared at building capacity in the business for it to achieve its strategic objectives.

The Bank has a Graduate Development and Learnership Programme, which forms part of the capacity building for the business. The Bank also provides bursaries to a number of its employees for study assistance.

The Bank has invested in building an Academy which has a branch stimulation room, enabling experiential learning to take place before our frontline employee engage with our customers.

The Bank has been accredited as a service provider for Assessment and Delivery by the Bank Seta for the National Certificate: Banking (NQF Level 5 and 4). A total of 31 (2015: 32) learners from previously disadvantaged communities participated in the Bank's learnership programme during the year.



The Bank has a Talent Review session, where key talent is identified across the business. Development plans are put in place to ensure that talent is engaged and performance is enhanced on a continuous basis. Key people and the relevant positions across all the business have been identified that have a disproportionately high impact on the Bank's performance, and a succession plan is in place.

The Bank is committed to developing employees for their and the Bank's benefit.

The Bank has implemented an induction app 'MY BB' which is the first of its kind in the banking industry, it allows us to engage with talent long before they start with us. It gives them a good sense of our business and strategies that we have planned, thereby making them as new joiners up and running sooner and adding value in a short space of time.



**The Remuneration Committee** is composed of two non-executive directors, Mr Payne and Dr Mokate, who is the chairman. The Committee oversees the development of remuneration guidelines, reviews incentive schemes and bonus allocations for senior management, approves employee salary increases and the remuneration of non-executive directors.

Remuneration of employees is based on performance reviews that occur twice a year and is informed by industry guidelines and prevailing market conditions. We reward and retain superior quality employees, and motivate them to equip the Bank to achieve sustained growth. Director and senior management remuneration is approved by the Remuneration Committee. The Bank does not offer a share incentive scheme, while executives participate in the share incentive scheme of The Bidvest Group Limited.

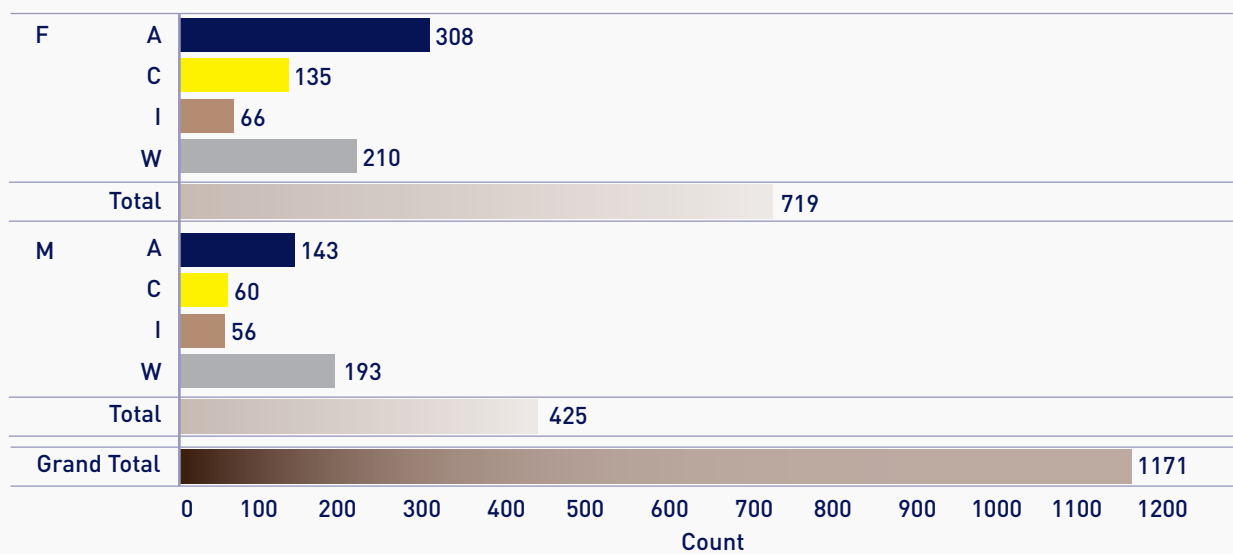
### Employee wellbeing

The Bank provides a 24-hour confidential support service through ICAS (Independent Counselling and Advisory Services Organisation) to employees and their immediate families to assist them to deal with personal problems impacting on their personal and work lives. In addition, the Bank subscribes to online health and wellness programmes for employees and their families.

### Embracing diversity

We believe in fostering a workforce that reflects that diversity is essential to remaining the strategic partner of choice for all of our customers. Diversity and inclusion helps stimulate different ways of thinking, which supports innovation and leads to new opportunities.

## EMPLOYEE PROFILE





## CORPORATE SOCIAL INVESTMENT OVERVIEW

### Our Corporate Social Investment mission

At Bidvest Bank, our Corporate Social Investment (CSI) strategy highlights our commitment to the development and well-being of the communities that we serve. Our socio-economic investments go back to inception and have long focused on community-based initiatives, youth and education.

We continue to focus on education, business development, and job creation in the Small to Medium Enterprise (SME) space. In addition, and as a member of the JSE-listed Bidvest Group, the bank also contributes to Group-level CSI initiatives.

We believe in building robust relationships and working in partnership with organisations that make a measurable difference to peoples' lives. In addition to providing financial support, we also encourage our people to play an active part in community affairs and programmes – whether this is by way of business development advice, marketing or promotion.

During the last year, Bidvest Bank participated in a number of key interventions, some of which will continue into the next financial year.

### ON-GOING PROJECTS:

#### Columba Leadership

Columba Leadership describes itself as a values-based youth leadership organisation. The organisation works closely with the Department of Education to run programmes at schools located in economically disadvantaged areas in six provinces.

Their mission to activate a national movement of engaged young leaders with the objective of improving school performance and youth employment prospects. Bidvest Bank provided funding for the programme which involves 500 hours of 'touch time' with schools, and three months of community engagement. Interventions include a six-day residential leadership academy followed by ongoing support and action learning for two years.

Columbia Leadership works with 12 learners from Grade 10 and three seniors who become catalysts for large-scale mobilisation of youth in targeted schools, thereby creating or reinforcing a positive learning culture. Through action learning, they develop 21st century skills. This enables learners to improve their prospects of success with their studies and prepares them for the world of work. In addition, school performance is bolstered.





### Bathebile

Since 2009, Bathebile has been helping to initiate and develop community-based skills-building projects. Once the projects are self-sustaining they are handed back to the community, thereby contributing to a culture of self-reliance. Numerous successes have been achieved to date, including a winter feeding scheme in Diepsloot, a kids haven in Benoni that supplies 192 children with tracksuits and sneakers, and working with income-generating projects focused on knitting, sewing and woodwork.

Bathebile is currently working with Oliver House, a Benoni-based non-profit organisation, to help create Oliver's Village, a community-based resource for under-privileged groups.

Bidvest Bank provides funding to the initiative to aid with a number of planned facilities. These include an HIV/AIDS clinic, a children's care centre, a pre-school, a soup kitchen, a learning centre and a food security programme that will enable participants to start their own vegetable gardens.





### Simamisa Orphans Care

Simamisa, a registered orphan care centre, provides a place of refuge for AIDS orphans, abused children and those under the care of social welfare departments.

The mission of the Simamisa regeneration project is to support vulnerable children, provide food and accommodate them in a safe environment. Simamisa also provides basic early learning support for smaller children, helps older children attend school and meets basic needs.

From a single-room RDP house and two metal shacks, the Simamisa centre has grown into an expanded house with a main bedroom, a storeroom, office, a kitchen, three bedrooms that together sleep 18 children, proper bathroom facilities, a small classroom and lounge area.

Bidvest Bank continues to support the centre with teacher-funding and monthly groceries.



### The Roedean Academy

Spearheaded by Roedean School (SA), The Roedean Academy provides a world-class teaching environment in English, mathematics, physical science and accounting to schoolgirls from under-privileged communities in Berea (Johannesburg) and Orange Farm. Roedean School partners with Berea's Barnato High School and Masibambane College, Orange Farm. Roedean staff members provide tuition at Roedean School to girls from these schools on various afternoons each week. In addition, transport and a hot meal are provided to each learner. Learners also have access to Roedean facilities, including the school library and computer centre. During their matric year, the academy assists with applications to institutions providing tertiary education and learnership programmes. Bidvest Bank continues to sponsor a bursary for the top student in each year's class.



#### COMPLETED PROJECTS:

*Alongside ongoing projects, Bidvest Bank completed its involvement in a number of other initiatives during the financial year:*

##### Union of Jewish Women

The Union of Jewish Women (UJW) is a national non-profit women's organisation that operates in major centres throughout South Africa, serving both Jewish and outreach communities. Projects include initiatives which care for, support and empower the elderly, women and children. Bidvest Bank's support for UJW outreach programmes included the sponsorship of an aftercare centre and feeding scheme in Alexandra and a sewing school in Johannesburg's inner city.



### Rotary Club of Riverside

The Rotary Club of Riverside supports a range of interventions in local communities, including conflict prevention, disease prevention, access to water and sanitation, maternal and child health, basic education and literacy support and economic and community development. During the last year, Bidvest Bank provided bursaries for disadvantaged children, sponsored a community art competition, supported teacher training programmes, assisted day care centres in underprivileged communities in Zamdela in the Free State, supported blanket and poncho programmes and supported a cycle race that raised funds for the club's community centres.





# ADJUSTED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED JUNE

	2016	2015	2014	2013	2012	2011
	R '000	R '000	R '000	R '000	R '000	R '000
Interest income	231 845	222 354	188 806	154 528	100 514	93 523
Imputed interest from rental income*	125 939	51 719	61 974	75 733	99 014	101 222
Interest expense	(146 456)	(91 198)	(79 714)	(71 717)	(59 838)	(74 401)
<b>Net interest income</b>	<b>211 328</b>	<b>182 875</b>	<b>171 066</b>	<b>158 544</b>	<b>139 690</b>	<b>120 344</b>
Fee and commission income	289 108	264 142	248 489	228 517	216 435	199 582
Fee and commission expense	(130 863)	(80 201)	(74 781)	(68 897)	(62 893)	(54 641)
<b>Net fee and commission income</b>	<b>158 245</b>	<b>183 941</b>	<b>173 708</b>	<b>159 620</b>	<b>153 542</b>	<b>144 941</b>
Leasing income	572 060	324 459	312 239	369 477	497 406	419 016
Imputed interest reflected under net interest income*	(125 939)	(51 719)	(61 974)	(75 733)	(99 014)	(101 222)
<b>Net income from leasing</b>	<b>446 121</b>	<b>272 740</b>	<b>250 265</b>	<b>293 744</b>	<b>398 392</b>	<b>317 794</b>
Net trading income	327 357	267 734	263 557	238 758	237 819	262 172
Other income/ (loss)	1 530	(9 737)	4 007	10 136	902	2 819
<b>Operating income</b>	<b>1 144 581</b>	<b>897 553</b>	<b>862 603</b>	<b>860 802</b>	<b>930 345</b>	<b>848 070</b>
Net credit impairment charges	(25 984)	(562)	(4 111)	(6 737)	(1 456)	(2 239)
Operating income after credit impairment charges	1 118 597	896 991	858 492	854 065	928 889	845 831
Employment costs	(361 031)	(295 541)	(271 500)	(244 935)	(246 637)	(210 794)
Operating leases	(87 154)	(76 453)	(73 818)	(70 916)	(67 186)	(66 915)
Risk control	(21 865)	(23 646)	(23 656)	(23 751)	(24 552)	(27 041)
Information technology costs	(32 457)	(24 716)	(21 310)	(20 582)	(21 464)	(23 746)
Depreciation and amortisation	(39 454)	(30 151)	(30 000)	(29 592)	(29 925)	(31 309)
<b>Other operating expenditure</b>	<b>(116 156)</b>	<b>(80 655)</b>	<b>(73 335)</b>	<b>(85 857)</b>	<b>(93 648)</b>	<b>(85 953)</b>
<b>Operating expenditure</b>	<b>(658 117)</b>	<b>(531 162)</b>	<b>(493 619)</b>	<b>(475 633)</b>	<b>(483 412)</b>	<b>(445 758)</b>
<b>Profit before indirect taxation</b>	<b>460 480</b>	<b>365 829</b>	<b>364 873</b>	<b>378 432</b>	<b>445 477</b>	<b>400 073</b>
Indirect taxation	(19 816)	(11 472)	(18 324)	(15 570)	(12 558)	(11 247)
<b>Profit before direct taxation</b>	<b>440 664</b>	<b>354 357</b>	<b>346 549</b>	<b>362 862</b>	<b>432 919</b>	<b>388 826</b>
Direct taxation	(117 179)	(91 345)	(95 751)	(102 483)	(115 881)	(105 309)
<b>Profit for the year</b>	<b>323 485</b>	<b>263 012</b>	<b>250 798</b>	<b>260 379</b>	<b>317 038</b>	<b>283 517</b>

\* Imputed interest is the portion of interest that is included in leasing rental income from operating rental assets. It is calculated on the monthly outstanding capital balance for each asset.

## ADJUSTED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE AT JUNE 30

	2016	2015	2014	2013	2012	2011
	R '000	R '000	R '000	R '000	R '000	R '000
<b>ASSETS</b>						
Equipment	109 448	74 545	62 713	65 151	70 817	81 582
Intangible assets	112 726	84 914	46 977	36 910	34 969	31 535
Leased assets	1 489 961	1 851 857	995 188	1 223 601	1 399 660	1 702 077
Loans and advances	1 660 359	1 240 171	1 163 780	1 212 147	1 002 466	680 246
Negotiable securities	327 442	239 067	-	-	-	-
Derivative financial assets	46 047	9 844	8 796	21 563	27 550	17 831
Investment securities	255 061	116 184	95 286	98 522	101 599	82 714
Intergroup loans	445	476	-	-	-	-
Current tax receivable	-	30 885	29 099	33 108	9 321	-
Other assets	378 830	165 488	112 559	98 767	122 215	95 373
Cash and cash equivalents	2 522 371	2 387 550	2 128 203	1 825 049	1 385 083	927 336
	<b>6 902 690</b>	<b>6 200 981</b>	<b>4 642 601</b>	<b>4 614 818</b>	<b>4 153 680</b>	<b>3 618 694</b>
<b>EQUITY AND LIABILITIES</b>						
<b>EQUITY</b>						
Share capital	2 070	2 070	2 070	2 070	2 070	1 980
Share premium	525 709	525 709	525 709	525 709	525 709	435 799
Share based payment reserve	14 436	16 126	12 310	4 286	6 207	-
Retained income	1 800 351	1 592 936	1 442 556	1 356 797	1 102 419	797 472
	<b>2 342 566</b>	<b>2 136 841</b>	<b>1 982 645</b>	<b>1 888 862</b>	<b>1 636 405</b>	<b>1 235 251</b>
<b>LIABILITIES</b>						
Intergroup loans	150 032	150 026	122 504	292 706	419 612	619 548
Derivative financial liabilities	47 405	6 996	8 361	32 062	18 560	13 376
Deposits	3 862 609	2 830 773	2 141 298	2 123 953	1 780 330	1 360 381
Trade and other payables	334 258	893 413	190 429	149 032	186 440	235 105
Deferred tax	151 087	182 450	196 882	127 762	112 133	112 461
Current tax payable	14 282	-	-	-	-	42 372
Defined benefit liability	451	482	482	441	200	200
	<b>4 560 124</b>	<b>4 064 140</b>	<b>2 659 956</b>	<b>2 725 956</b>	<b>2 517 275</b>	<b>2 383 443</b>
<b>Total Equity and Liabilities</b>	<b>6 902 690</b>	<b>6 200 981</b>	<b>4 642 601</b>	<b>4 614 818</b>	<b>4 153 680</b>	<b>3 618 694</b>

## STATISTICS, RETURNS AND CAPITAL ADEQUACY

STATISTICAL REVIEW	2016	2015	2014	2013	2012	2011
<b>STATEMENT OF FINANCIAL PERFORMANCE</b>						
Net interest income to assets (%)	3,06	3,61	3,70	3,40	3,40	3,30
Non-interest income to assets (%)	13,52	12,46	14,90	15,20	19,00	20,10
Operating expenses to assets (%)	9,53	8,63	10,60	10,30	11,60	12,30
Interest income to interest earning assets (%)	5,54	6,13	5,70	5,30	5,10	5,70
Interest expense to funding liabilities (%)	3,65	3,06	3,50	3,00	2,70	4,10
Cost to income (%)	60,60	60,46	59,60	57,50	53,40	54,00
Non-interest income to total income (%)	83,43	85,44	80,20	81,60	85,00	85,80
Credit loss ratio (%)*	0,82	0,02	0,40	0,60	0,10	0,30
Effective tax excluding indirect tax (%)	25,45	24,97	27,60	28,20	26,80	27,10
Effective tax including indirect tax (%)	29,75	28,83	31,30	31,30	28,80	29,10
<b>STATEMENT OF FINANCIAL POSITION</b>						
Return on assets (%)	4,69	4,27	5,40	5,60	7,60	5,90
Return on equity (%)	13,82	12,31	12,60	13,80	19,40	23,00
Loans & leased assets to deposits (%)	81,56	109,23	100,80	114,70	134,90	120,30
Regulatory capital to risk-weighted assets (%)	16,85	18,18	19,40	15,90	17,10	16,20
Financial leverage (times)	2,95	2,90	2,30	2,40	2,50	2,90
Net stable funding ratio (%) #	87,00	70,75	94,00	79,00	-	-
Liquidity coverage ratio (%) #	163,00	104,00	117,00	123,00	-	-
<b>STATISTICAL INFORMATION</b>						
Number of employees	1 171	1 109	1 022	1 049	1 113	1 058
Number of branches	85	85	95	92	94	90
Income per employee (R'000)	977	814	1 061	855	836	814
Expense per employee (R'000)	562	484	627	488	434	434
Profit before taxation per employee (R'000)	376	330	428	361	400	378
<b>EXCHANGE RATES AT JUNE 30</b>						
USD	14,70	12,17	10,63	10,00	8,19	6,79
GBP	19,71	19,09	18,18	15,23	12,86	10,87
EUR	16,32	13,54	14,55	13,06	10,39	9,82
<b>AVERAGE EXCHANGE RATES</b>						
USD	15,07	11,45	10,38	8,86	7,74	7,01
GBP	21,40	18,01	16,90	13,88	12,27	11,14
EUR	16,92	13,72	14,09	11,47	10,38	9,55
Average prime overdraft rate (%)	10,25	9,25	8,70	8,52	9,00	9,30

\* Reflected as a percentage of loans and advances only

# Calculated based on the requirements of the regulations relating to banks as published and implemented with effect from 01 January 2013

## GOVERNANCE REPORT

## OUR FOCUS AREAS:

- ▶ Ensuring compliance with regulations and responsible banking practices in the Bank
- ▶ Focus on the information technology strategies of the Bank to harness competitive advancements in technology
- ▶ Diversification of revenue streams and broadening of the customer base
- ▶ Mobilising liquidity and capital to enhance return on assets
- ▶ Continued focus to reduce crime losses
- ▶ Attracting and retaining senior historically disadvantaged individuals
- ▶ Improved efficiency, productivity and the elimination of expense waste
- ▶ Succession planning
- ▶ Challenging trading conditions and the impact of the worldwide recession on the South African economy

	Group		Company	
Statistical information	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Operating income (R'000)	1 144 581	897 553	1 143 351	896 031
Profit before direct taxation (R'000)	440 664	354 357	439 434	352 835
BEE procurement (R'000)	3 054 734	1 062 461	3 054 734	1 062 461
Training spend (R'000)	10 468	14 487	10 468	14 487
Training spend per employee (Rand)	8 939	13 388	8 939	13 388
Number of employees trained	1 171	1 109	1 171	1 109

## 1. CORPORATE GOVERNANCE

## 1.1 INTRODUCTION

The Bank is indirectly a wholly owned subsidiary of The Bidvest Group Limited. The Bank is committed to:

- ▶ the diversification of revenue streams without losing focus on its core product offerings, being fleet and asset finance and foreign exchange;
- ▶ the retention and growth of its customer base;
- ▶ the management of the risks associated with banking;
- ▶ the fulfilment of its environmental, health, safety and socio-economic obligations; and
- ▶ the development of employee skills to meet financial services industry standards.

## 1.2. CORPORATE GOVERNANCE, KING III, VALUES AND ETHICS CORPORATE GOVERNANCE

The Board of Directors (the Board) recognises the importance of the principles of good corporate governance, and conducts itself in accordance with the Bank's statutes, the Banks Act, the Companies Act, the King Report and Code on Corporate Governance for South Africa (King III) and its own code of conduct.

*Corporate governance (continued)*

The Board endorses the Bank's Code of Ethics, and its commitment to integrity, confidentiality, compliance with all applicable legislation, and employment equity.

The Board's objectives are the development and sustainable growth of the Bank's business in accordance with applicable regulatory requirements, for the benefit of all stakeholders. The achievement of these objectives is dependent on the adherence to good corporate governance throughout the organisation.

The requirements of the Companies Act for assessment of the Bank's adherence to legislation and codes of good practice in the areas of good corporate citizenship, social and economic development, and the environment, labour and consumer relations are the responsibility of the Corporate Governance Committee, which functions as the Bank's Social and Ethics committee.

**KING III**

The guidelines set out in King III, embodying international best practice, are endorsed by the Board.

**VALUE AND ETHICS**

The Bank is committed to the conduct of its business in accordance with the highest ethical standards, as expressed in its Code of Ethics, and to responsibility, accountability, fairness and transparency. Bank employees are required to acknowledge and accept the Code of Ethics, at induction, and also on an annual basis. The Bank participates in an anonymous, independently operated hotline for the reporting of illegal, fraudulent and unethical conduct: all reports are investigated, and action is taken where necessary.

Directors and employees are required to declare their personal interests in accordance with the Companies Act and Code of Ethics.

**2. THE BOARD OF DIRECTORS**

The Board approves the Bank's strategy as proposed by management, and management is responsible for the alignment of the strategy with the approved risk appetite, its implementation and the assessment of its effectiveness.

**2.1 BOARD COMPOSITION**

At 30 June 2016, the Board was composed of two executive and five non-executive directors, the majority of who are independent non-executives. The chairman is an independent non-executive, and the roles of the chairman and chief executive are separate. Board composition aims to ensure unfettered decision-making without domination by any group or individual.



The varied experience and expertise of the directors contributes to the Board's effectiveness and its achievement of its responsibilities. The Board met four times during the year.

## 2.2. BOARD COMMITTEES

The following Bidvest Bank Holdings Limited committees continue to review the activities of the Bank in accordance with such committees' terms of reference.

The committees are:



## 2.3. MEETING ATTENDANCE

Details of the attendance by directors at Board and Board sub-committee meetings are set out in the schedule below:

	Board	Audit	Risk and Capital Management	Corporate Governance incl Social & Ethics	Credit	ALCO	Remuneration	SARB trilateral and directors' meeting
<b>Number of meetings</b>	4	4	4	2	12	11	2	1
<b>PC Baloyi @*</b> (resigned 8 August 2016)	4	4	-	-	-	-	-	1
					(Chairman)	(Chairman)		
<b>AD Cunningham@*</b>	4	4	4	-	12	9	-	1
		(Chairman)	(Chairman)					
<b>EK Diack@*</b>	4	3	3	-	-	-	-	1
<b>B Joffe*</b> (retired 1 November 2015)	1	-	-	-	-	-	-	-
<b>MJ Liebenberg#</b>	4	4i	4i	2i	10	8	2i	1
						(Chairman)		
<b>RD Mokate@*</b>	3	-	-	2	-	-	2	1
<b>P Nyman*</b> (retired 1 August 2015)	1	1	1	1	-	-	1	-
	(Chairman)			(Chairman)				
<b>NG Payne @*</b>	4	4i	4	2	-	-	2	1
<b>JJ Van Niekerk#</b>	4	4i	4i	2i	12	10	2i	1

\* Non-executive director

@ Independent

# Executive director

i Attendance by invitation

*The Board of Directors (continued)***2.4. BIDVEST BANK COMMITTEE COMPOSITION AND TERMS OF REFERENCE**

The following committees continue to review the activities of the Bank in accordance with such committees' terms of reference:

The Audit Committee is composed of three non-executive directors, Messrs Diack (chairman), Baloyi and Cunningham. The function of the Committee is, inter alia, to monitor the financial, operational and management reporting processes, and to evaluate the adequacy and effectiveness of internal controls, accounting practices and processes, and information systems. The Committee reviews the work of Internal Audit, and the head: Internal Audit has unrestricted access to the Committee. Representatives of the external auditors, Deloitte, attend all Committee meetings. The Board is satisfied that the Committee has met its responsibilities under its terms of reference. The Committee has one sub-committee:

- The Senior Credit Committee is chaired by a non-executive director, Mr Cunningham, and is composed of the executive directors and the heads: Transactional Banking, Fleet and Asset Finance, Credit and Risk. Meetings of the Committee were held monthly and chaired by the non-executive director. Weekly operational management meetings were held. The weekly meetings focus on credit approvals and are chaired by an executive director. The Committee's role is the effective management of credit risk within the mandate set out in the credit risk management policy.

The Risk and Capital Management Committee is composed of three non-executive directors, Messrs Diack (chairman), Cunningham and Payne. The Committee's function is principally to review and monitor the risk management strategy and policy, and to co-ordinate risk and capital management assurance activities. The Committee reviews the work of Compliance, and the Compliance Officer and Head: Risk have unrestricted access to the Committee, its chairman and the Bank chairman. A representative of Bidvest Group internal audit attends meetings by invitation. The Committee has one subcommittee:

- The Asset and Liability Committee (ALCO) is chaired by a non-executive director, Mr Cunningham, and is composed of the executive directors, and the Heads: Transactional Banking, Risk and the Chief Dealer. The Committee's function is the optimum management of the Bank's assets, liabilities and commitments in accordance with Board mandates and limits: this includes liquidity and cash flow management, and maintaining a strong and sound balance sheet. Meetings have a strong focus on strategic matters as well as operational asset and liability management matters, and are held monthly.

The Corporate Governance, Social and Ethics and Nominations Committee is composed of two non-executive directors, Mr Payne and Dr Mokate, and chaired by the Board chairman. The vacancy on the Committee will be filled as soon as an appropriate non-executive director is appointed. The Committee's purpose is to assist the Board to maintain and enhance the process of corporate governance in the Bank, including the delegation of authority to committees and senior management. The Committee considers for implementation in the Bank appropriate Bidvest Group corporate governance policies and processes. The Committee also undertakes the functions of the Nominations Committees, including the appointment, induction and training of directors, and succession planning of the Board and senior management. The nominations policy guides the Committee in its identification and nomination of candidates to the Board and to senior management positions. In addition

### *The Board of Directors (continued)*

the Committee undertakes the responsibilities of a Social and Ethics Committee, as prescribed by the Companies Act, 2008. The Remuneration Committee is composed of two non-executive directors, Mr Payne and Dr Mokate, who is the chairman. The vacancy on the Committee will be filled as soon as an appropriate non-executive director is appointed. The Committee oversees the development of remuneration guidelines, reviews incentive schemes and bonus allocations for senior management, approves employee salary increases and the remuneration of non-executive directors.

The Executive Committee is chaired by the Managing Director and is composed of the Financial Director, and the heads of the Bank's major divisions, namely Fleet and Asset Finance, Transactional Banking, and Customer Solutions and Strategic Alliances, and the heads of Information Technology, Human Capital and Marketing, and the Company Secretary. The Committee meets monthly, and its focus is strategic. The Committee has one sub-committee, the Risk and Governance Executive Committee. This Committee meets quarterly and is composed of the Executive Committee, and the Heads: Risk, Compliance, Internal Audit and Forensic investigations and security. The Committee ensures that any risk, internal audit and compliance matters of significance are brought to the attention of the Executive Committees.

#### **2.5. BOARD APPOINTMENTS AND SUCCESSION PLANNING**

Mr B Joffe retired as a director of the Bank and of Bank Holdings during October 2015, as a result of the restructuring of The Bidvest Group. His significant contribution to the establishment, development and growth of the Bank is very much appreciated, and his advice and involvement with the Bank will be sorely missed.

Mr Nyman retired on 31 August 2015 as a director of the Bank and of Bank Holdings. His contribution included service on board subcommittees - Audit, Risk and Capital Management, Corporate Governance and Remco, and also as chairman of the ALCO and Credit Committee. His contribution to the Bank is greatly appreciated.

#### **2.6. DIRECTOR INDUCTION, TRAINING AND DEVELOPMENT PROGRAMMES**

New directors receive an induction pack, an introduction to the business through branch and department visits and interviews with senior management. Ongoing director training workshops are provided by external subject experts on, for example, IRFS 9 and cyber security, and information materials are provided on legislative and regulatory changes applicable to the Bank's operations, and on topical banking and financial matters.

#### **2.7. DIRECTORS' INDEPENDENCE AND PERFORMANCE**

The King III definition of director independence is adhered to.

The directors regularly assess the effectiveness of the Board, Board sub-committees, their chairmen and the Managing Director. The results of the assessments are presented to the Corporate Governance and Social and Ethics Committee.

*The Board of Directors (continued)*

Individual director appraisal is the responsibility of the Board Chairman.

The directors are aware of the standard of directors' conduct required in terms of the Companies Act 2008 and the Banks Act.

**Interests of directors and officers**

Directors and officers are required to comply with the Code of Ethics and section 75 of the Companies Act, 2008, in respect of the avoidance of any conflict of interest between their personal interest and those of the Bank. Declarations of interest are made at every Board meeting, and any transactions with a director is required to be entered into in the normal course of business, under terms that are no more favourable than those with third parties.

**2.8. RELATED PARTIES**

The Bank is conscious of the importance of identifying, managing and disclosing dealings with related parties, and of the need for transparency. The Bank's conflicts of interest policy regulates the manner in which dealings with related parties should be conducted, to ensure that potential conflicts of interest are avoided, and all related party transactions are fully disclosed.

**3. RISK MANAGEMENT**

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board sub-committees are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board subcommittees report regularly to the Board on their activities.

The Bank's risk management policies are established to identify and analyse the risks faced by the Bank, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies are reviewed regularly to reflect changes in strategy, products and services offered. The Bank, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board is satisfied that the risk management system and process for identifying, evaluating and managing significant risks is effective, and operated throughout the period of this report, providing reasonable assurance. The Board is further satisfied that the processes will identify and enable it to take adequate action against any material undue, unexpected or unusual risks. In the period under review, no such risks were identified.

A documented and regularly tested business continuity plan exists to ensure continuity of business-critical activities.

**4. COMPLIANCE**

Compliance functions independently of operations and enjoys the support and co-operation of the Board and executive management.

*Compliance (continued)*

Processes supporting Generally Accepted Compliance Practice (GACP) are mature and risk management methodology is used to prioritise the meeting of high-risk regulatory requirements.

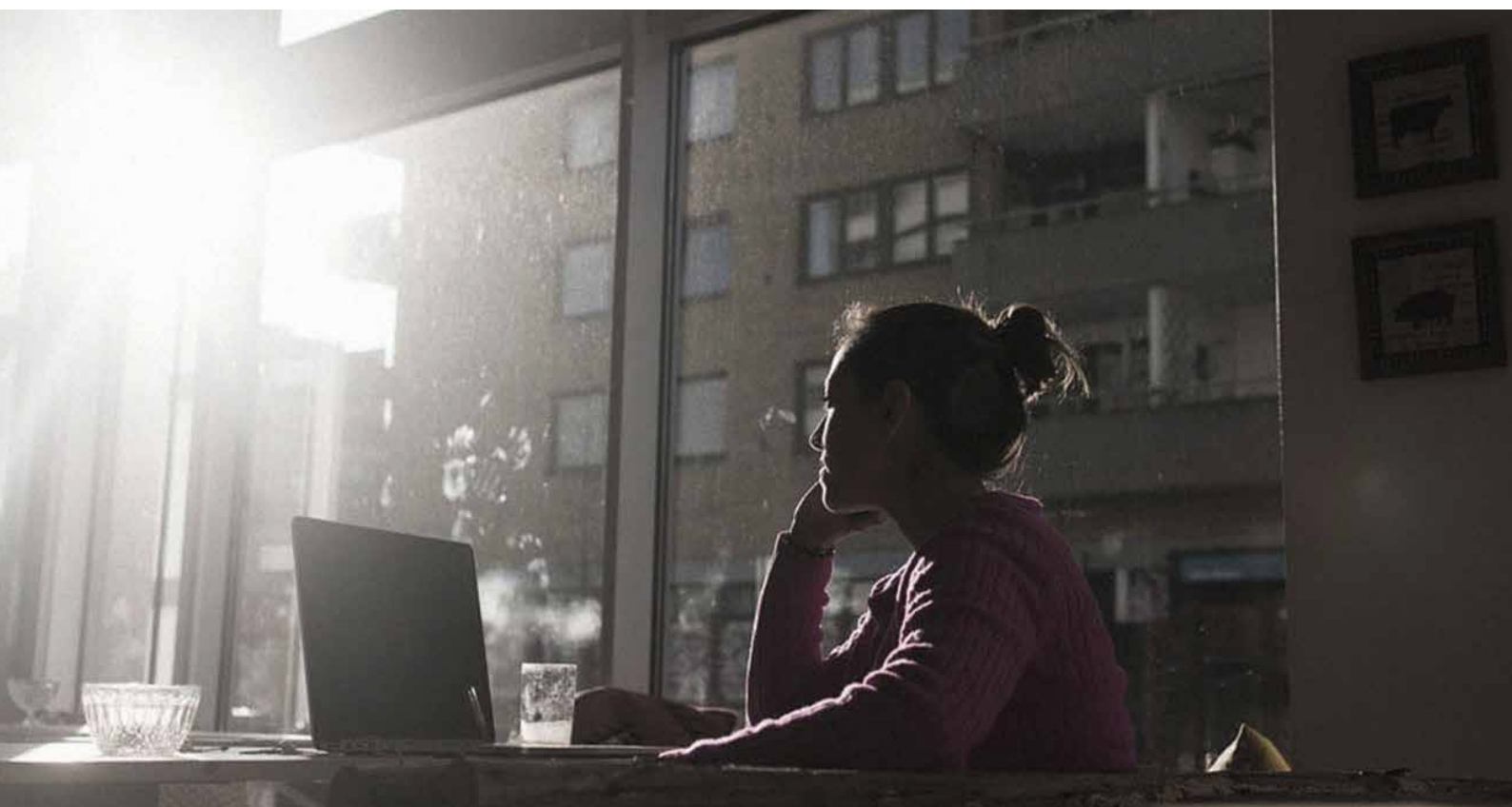
Continuous compliance monitoring is conducted to assess the levels of compliance with regulatory requirements specific to banking, and also to meet the requirements of Regulation 43 of the Companies Act, 2008 in relation to the Social and Ethics Committee.

The Compliance Officer reports directly to the Risk and Capital Management Committee and corresponds with the regulators for the financial services industry, including the South African Reserve Bank (SARB) and the Financial Services Board (FSB).

The New Product Approval process to encourage appropriate regulatory risk assessments at the earliest stage of a new product proposal has been implemented.

**4.1 REGULATORY COMPLIANCE**

The Bank is governed by the Banks Act 1990 and the Regulations relating to banks, which are based on the requirements of the Basel III framework. Within this regulatory environment, the Bank is required to hold adequate capital against its assets to safeguard its solvency and overall economic stability. The Bank maintains a strong relationship with the Bank Supervision Department of the South African Reserve Bank, and communication and transparency are regarded as key factors in this relationship.



*Compliance (continued)*

The objectives of the main regulators, being the Financial Services Board (FSB) and the South African Reserve Bank (SARB), are considered in the preparation of policies, operating procedures and in system development. These objectives are:

- ▶ Financial stability;
- ▶ Appropriate market conduct and treating customers fairly;
- ▶ Combating of financial crime; and
- ▶ Financial inclusion.

Basel III requires banks to hold adequate, high quality capital. It also introduces leverage and liquidity standards to strengthen regulation to improve the banking sector's ability to absorb shocks arising from financial and economic stress. Basel III required banks to comply with the new Liquidity Coverage Ratio of 60% by January 2015 with annual increases to comply with the 100% ratio by 2019, and the Net Stable Funding Ratio by January 2018. The Bank views these new requirements as an improvement in the financial regulatory environment as they will promote a more resilient banking sector.

The Bank continuously strives to improve its regulatory processes and regulatory awareness by ensuring ongoing upgrading and improvement of the Bank's internal governance structures, risk management systems, business models, capital strategies and disclosure standards through compliance with the Basel frameworks and all other applicable laws, regulations and codes.

Bidvest Bank is well capitalised and liquid, and will comply with the new requirements.

**4.2. COMPLIANCE GOVERNANCE**

Management is responsible for ensuring compliance by all employees. A Compliance Manual describing regulatory requirements, together with internal policies, procedures and rules, is available on the Bank's intranet, and encourages adherence by staff. All staff members are required to acknowledge and sign the Bank's Code of Ethics on an annual basis. Online awareness training modules are prescribed for all staff, and classroom training is compulsory for legislation which has a significant impact on specific areas of the Bank.

**4.3. KEY COMPLIANCE FOCUS AREAS**

All departmental Regulatory Risk Profiles are amalgamated into a bank-wide Regulatory Risk Profile. This indicates the following key areas of focus for compliance:

- ▶ Anti-Money laundering (AML) and Combating of Terrorist Financing;
- ▶ Exchange Control Rulings and Regulations;
- ▶ Financial Stability;
- ▶ Payment Systems; and
- ▶ Market conduct and Treating Customers Fairly.

#### 4.4. REGULATORY DEVELOPMENTS

Bidvest Bank has been involved in the initiatives to meet South Africa's Foreign Account Tax Compliance Act (FATCA) obligations and met the testing phase conducted during December 2014. FATCA Reporting will commence in 2015.

The Protection of Personal Information Act, 4 of 2013 was introduced to promote the protection of personal information processed by public and private institutions. Bidvest Bank is currently in the process of introducing measures to meet these obligations by the required effective date.

#### 4.5. MARKET CONDUCT AND TREATING CUSTOMERS FAIRLY MARKET CONDUCT

The Bank's Market Conduct Policy was approved by the Board in November 2014.



### TREATING CUSTOMERS FAIRLY

Treating Customers Fairly (TCF) is an outcomes-based regulatory and supervisory approach designed to ensure that specific, clearly articulated fairness outcomes for financial services consumers are delivered by regulated financial institutions. Such institutions are required to demonstrate that they deliver the six TCF Outcomes to their customers throughout the product life cycle, from product design and promotion, through advice and servicing, to complaints and claims handling - and throughout the product value chain.

The Bank embarked on the TCF journey in 2012. Various workgroups were created to address and discuss the TCF aspects of each of the outcomes. Some of the Bank's TCF milestones are:

- ▶ Staff awareness of the outcomes was created using posters which are displayed throughout the Bank.
- ▶ A New Product Approval process had been implemented to ensure updated products and new products.
- ▶ A New Business Performance Department has been created to address post launch analysis and determine the success of the product; and
- ▶ Complaints are analysed for particular trends and the Bank maintains statistics.

#### 4.6. SOCIAL AND ETHICS

The Committee received no reports of failure to comply with the social and ethics matters specified in Regulation 43 to the Companies Act, 2008. Version 4 of the Code of Ethics was approved by the Board on 26 May 2015. A programme to raise awareness of the requirements of the Code will be launched.

## 5. FORENSIC INVESTIGATIONS AND SECURITY DEPARTMENT

### 5.1. SECURITY

The department is responsible for the prevention and investigation of all unlawful activity against the Bank, either by third parties, or Bank employees. Security visits and assessments for new or renovated branches are conducted, and security programmes are continuously updated and enhanced to suit the Bank's requirements.



### CARD FRAUD

Card fraud is a growing risk to the Bank. The number of incidents and the amount of the losses has increased in the past year. This trend accords with the experience in the South African banking industry. The growth in e-commerce has seen an increase in fraud losses related to 'card not present' transactions. The Bank is focussing on raising customer awareness of these risks, and monitors card activity, including the number of transactions, amounts and involvement of merchants identified by the Bank as high risk.

In addition a chip-enabled, and therefore more secure, card has been introduced. The Bank implemented an authorisation process for certain over-threshold transactions, requiring additional due diligence processes and senior management authorisation. The Bank's cash holdings were effectively managed during the year, and at year-end, cash holdings were independently verified and no material differences were noted. In addition, during the year there were no losses of cash in transit.

### 5.2. ANTI-MONEY LAUNDERING

The Bank's control measures are aimed at facilitating the detection and investigation of money laundering. These measures include a risk-based approach to customer identification and enhanced due diligence of high risk individuals and entities.

Monitoring is conducted to ensure that employees comply with the FICA and other regulatory provisions. Bank systems enable compliance by business units with cash threshold reporting (CTR) and suspicious transaction reporting (STR) obligations.

Ongoing employee training and workshops on the requirements of applicable legislation are conducted, and the AML department, Compliance and Internal Audit conduct branch inspections to assess the level of compliance. The Bank launched an online AML training program, and employees are trained in AML typologies, and enhanced due diligence exercises on the Bank's customer base. The training is extended to the Executive and Management Committees.

The Bank continuously strives to improve its AML regulatory processes and regulatory awareness by ensuring on-going upgrading and improvement of the Bank's internal governance structures and risk management systems. The Bank maintains strong relationships with the Regulators, and communication and transparency are regarded as key factors in these relationships.



*Anti-money laundering controls also received heightened attention this year. Among the measures, the Bank:*

- ▶ Implemented a new automated system for customer profile and transactional monitoring;
- ▶ Enhanced its processes for new customer on-boarding, including enhancements to the Bank's data warehouse, improving its single customer view;
- ▶ Reviewed its processes for compliance with legislation, as well as effectiveness and efficiency;
- ▶ Implemented enhanced controls over sanction screening;
- ▶ Improved identification controls for politically exposed persons and companies;
- ▶ Enhanced processes and controls over alliance partners;
- ▶ Increased resources and accountability in this area, and regulatory compliance is a component of performance management and employee reward.

The Board endorses the Bank's commitment to compliance with all applicable legislation.

## 6. GOING CONCERN

The directors confirm that the Bank has adequate resources available to continue in operational existence for the foreseeable future, and for this reason they adopt the going-concern basis in the preparation of the financial statements.

## 7. INFORMATION TECHNOLOGY

The Bank continues to make substantial investments in information technology in the form of technical skills, infrastructure and systems. Disaster recovery was further enhanced and successfully tested during the year.

Cyber security has been identified as a major risk. It is a permanent agenda item for Risk and Capital Management Committee meetings, and awareness training has been provided to directors and senior management. Ongoing further training and information will be provided. A formal cybersecurity division, forming part of the IT department, is being established to ensure that the matter receives appropriate focus. Cybersecurity managed service vendors will be appointed to assess shortcomings in Bank systems and processes, and to assist in any necessary remediation in accordance with an agreed roadmap.

## 8. EMPLOYEE RELATIONS

The Human Capital department supports management ensuring that all employee relations matters are dealt with appropriately within the framework of the labour laws of the country. Management is responsible for mitigating any employee relations risk to which the business may be exposed

### 8.1. REMUNERATION

Remuneration of employees is based on performance reviews that occur twice a year and is informed by industry guidelines and prevailing market conditions, to reward and retain superior quality employees, and motivate them to equip the Bank to achieve sustained growth. Executive directors' employment contracts do not contain unusual leave or other benefit provisions, and are terminable on reasonable notice. Director and senior management remuneration is approved by the Remuneration

***Employee relations (continued)***

Committee. The Bank does not offer a share incentive scheme but executives participate in the share incentive scheme of The Bidvest Group Limited.

**8.2. STAFF DEVELOPMENT AND RETENTION**

The Learning and Development of employees is based on individual development plans and the required competencies, skills and knowledge needed for the business to succeed. The Learning and Development team provide training ranging from technical, system and product, to regulatory and compliance. Learning and development is ongoing at all levels. Amongst other accredited courses the Certificate in Banking (NQF Levels 4 and 5) and the Certificate in Management Development (for employees with the potential to advance to junior and middle management roles) are offered.

The Bank has implemented an online training platform, which has been used for an AML refresher course for all employees, and a variety of on-line courses are planned.

The Learning and Development team provides learning programmes geared at building capacity in the business for it to achieve its strategic objectives.

The Bank has a Graduate Development and Learnership Programme, which forms part of capacity building for business. The Bank supports a number of its employees by providing study assistance for further education.

The Bank is committed to developing employees for their and the Bank's benefit.

**8.3. EMPLOYEE WELLBEING**

The Bank provides a 24-hour confidential support service through Independent Counselling and Advisory Services Organisation (ICAS) to employees and their immediate families to assist them to deal with personal problems impacting on their personal and work lives. In addition, the Bank subscribes to online health and wellness programmes for employees and their families.

**8.4. TALENT MANAGEMENT**

The Bank is committed to employee development and retention. The Bank has a Talent Review process which allows for proactive measures to be taken in managing the talent across the Bank. The Bank ensures that critical talent is rewarded, developed and retained.

**8.5. HEALTH AND SAFETY**

The Bank complies with the health and safety requirements of the Occupational Health and Safety Act. Health and Safety Committees have been set up in the three major regions and are functional. Quarterly meetings are held and minutes are kept for record purposes and compliance.



#### 8.6. ILLNESS AND HIV/AIDS

During the year, two Wellness Days were held nationally, at which various health assessments were conducted. Employee response was good in all regions. VCT testing is available during the year, and affected employees are eligible for assistance from the Bank's employee support programme, ICAS.

#### 8.7. ENVIRONMENT

The Bank is conscious of its environmental responsibilities. While the business has a fairly low direct impact, we are working towards paperless administrative systems as we develop new products in our niche markets. The Bank makes use of recycling initiatives to ensure that its waste paper is disposed of in an environmentally acceptable manner.

### 9. TRANSFORMATION

The verification by Empowerdex Verification Agency of the Bank's Level-2 contributor B-BBEE rating is in progress, and is expected to be completed by the end of September 2016.

#### 9.1. PREFERENTIAL PROCUREMENT

The Bank's Broad-Based Black Economic Empowerment spend amounted to R3.1 million (2015: R 1.1 million).

#### 9.2. SKILLS DEVELOPMENT

The Bank has been accredited as a service provider for Assessment and Delivery by the Bank Seta for the National Certificate: Banking (NQF Level 5). There are currently 31 employees enrolled on the course. Bank SETA has approved funding of R1,02 million payable in 2 tranches.

#### 9.3. LEARNERSHIPS

A total of 31 (2015: 36) learners from previously disadvantaged communities participated in the Bank's learnership programme during the year. The Banking Sector Education and Training Authority (Bank Seta) approved funding of R 1.4 million payable in 2 tranches.

*Transformation (continued)***9.4. BURSARIES**

Bursaries totalling R 1.2 million (2015: R1.1 million) were granted to permanent employees during the year.

**9.5. EMPLOYMENT EQUITY**

The employment equity report is submitted to the Department of Labour annually by October. The Bank complies with Employment Equity Regulations.

The Bank has good equity representation across middle and junior management levels, providing a pool of advancement candidates.

**Demographic breakdown of staff complement:**

	Composition	Composition
	Number of employees	Number of employees
<b>Statistical information</b>	Black males 274	23,0 %
Operating income (R'000)	Black females 505	43,0 %
Profit before direct taxation (R'000)	White males 184	16,0 %
BEE procurement (R'000)	White females 208	18,0 %
	<b>Total 1 171</b>	<b>100 %</b>

**9.6. SOCIAL ECONOMIC DEVELOPMENT**

The Bank acknowledges its place in the community and every year the Bank donates funds to worthy causes. The Bank spent R3.7 million (2015: R4.7 million) in the current year on social economic development. In addition, employees perform charity work in their own time.

**10. DIRECT EXCHANGES WITH GOVERNMENT**

	Group		Company	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	R '000	R '000	R '000	R '000
Employees' tax	64 116	49 156	64 116	49 156
Value added tax	(68 647)	69 244	(68 647)	69 244
Rates and taxes	1 851	2 863	1 851	2 863
Skills development levies	3 118	2 649	3 118	2 649
Unemployment insurance fund	3 101	2 779	3 101	2 779
Workmen's compensation	2	196	2	196
Net income taxation paid	93 355	107 138	123 436	104 874
	<b>96 896</b>	<b>234 025</b>	<b>126 977</b>	<b>231 761</b>

**11. MOODY'S INVESTORS SERVICE**

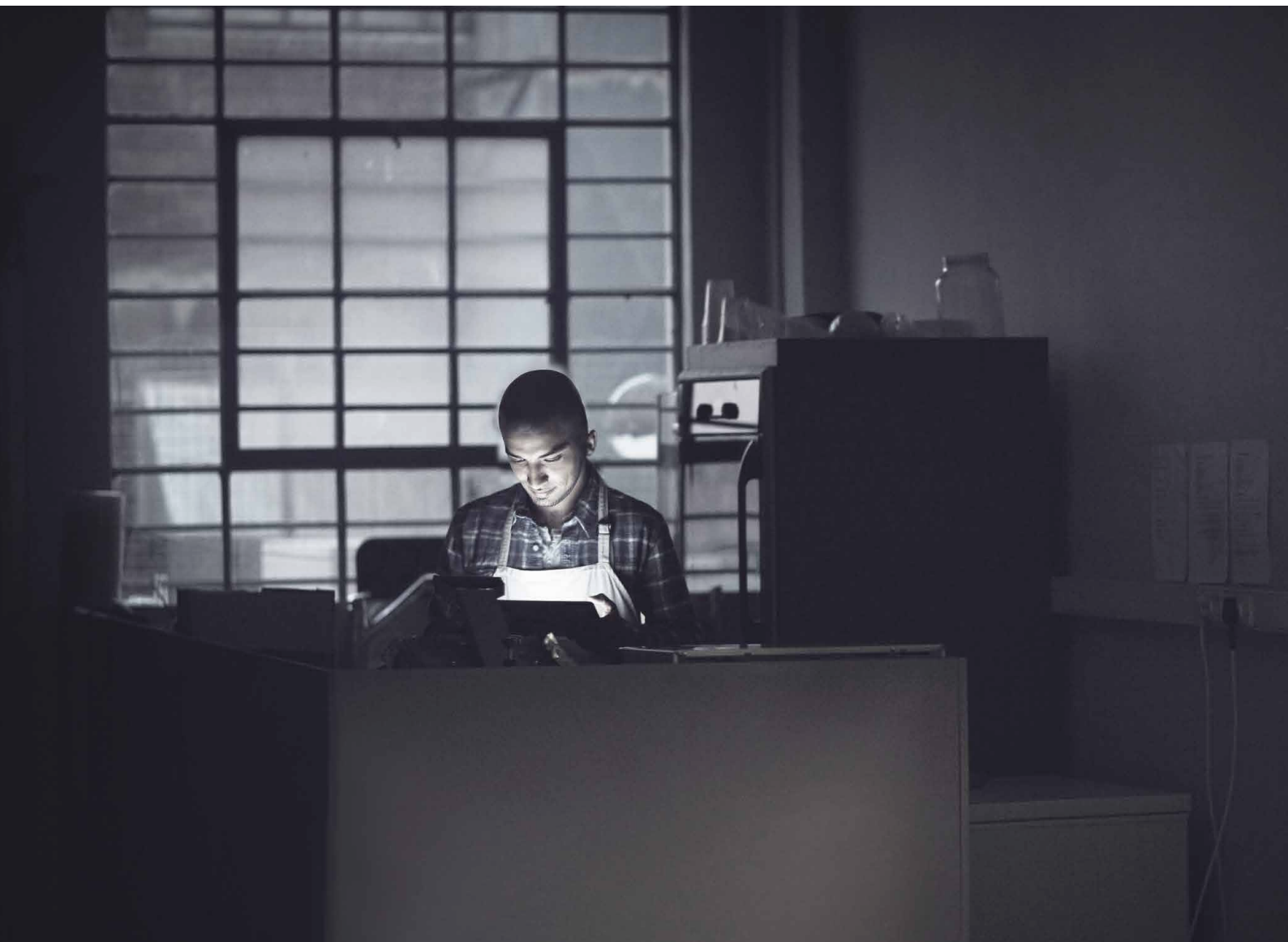
Moody's national-scale issuer rating was changed to A1.za (from A3.za) and P-1.za (from P-2.za) on 10 May 2016.

## 12. CONCLUSION

The directors are committed to the promotion of sound risk management in the conduct of the Bank's activities. The ultimate responsibility for the management of risk lies with the Board, which is assisted by the Risk and Capital Management Committee in the identification of risks inherent in the business and the monitoring of controls to manage those risks. Day-to-day risk management is the responsibility of line managers, with oversight, monitoring and assessment of the effectiveness of controls and mitigations provided by the risk management department, compliance, and the following structures:

- ▶ Risk and Capital Management Committee;
- ▶ Asset and Liability Committee;
- ▶ Credit Committee;
- ▶ Operational Risk Committee; and
- ▶ Risk and Governance Executive Committee

The Board is satisfied that the structures and processes listed adequately and appropriately address the Bank's risk management, and its corporate governance obligations.





## INDEPENDENT AUDITOR'S REPORT

### INDEPENDENT AUDITOR'S REPORT ON THE SUMMARY FINANCIAL STATEMENTS TO THE SHAREHOLDER OF BIDVEST BANK LIMITED

The accompanying summary consolidated and separate financial statements, which comprise the summary consolidated and separate statement of financial position as at 30 June 2016, the summary consolidated and separate statements of comprehensive income, changes in equity and cash flows for the year then ended, and related notes, are derived from the audited annual consolidated and separate financial statements of Bidvest Bank Limited for the year ended 30 June 2016. We expressed an unmodified audit opinion on those annual consolidated and separate financial statements in our report dated 23 September 2016. Our auditor's report on the audited annual consolidated and separate financial statements contained an Other Matter paragraph "Other reports required by the Companies Act" (included below). Those annual consolidated and separate financial statements, and the summary consolidated and separate financial statements, do not reflect the effects of events that occurred subsequent to the date of our report on those annual consolidated and separate financial statements.

The summary consolidated and separate financial statements do not contain all the disclosures required by the International Financial Reporting Standards and the requirements of the Companies Act of South Africa as applicable to annual financial statements. Reading the summary consolidated and separate financial statements, therefore, is not a substitute for reading the audited annual consolidated and separate financial statements of Bidvest Bank Limited.

#### Directors' Responsibility for the Summary Consolidated Financial Statements

The directors are responsible for the preparation of the summary consolidated and separate financial statements in accordance with the information required by IAS 34: Interim Financial Reporting 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 the summary consolidated and separate financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibility

Our responsibility is to express an opinion on the summary consolidated and separate financial statements based on our procedures, which were conducted in accordance with International Standard on Auditing 810, Engagements to Report on Summary Financial Statements.

#### Opinion

In our opinion, the summary consolidated and separate financial statements derived from the audited annual consolidated and separate financial statements of Bidvest Bank Limited for the year ended 30 June 2016 are consistent, in all material respects, with those annual consolidated and separate financial statements, in accordance with the information required by IAS 34: Interim Financial Reporting and the requirements of the Companies Act of South Africa as applicable to summary financial statements.





## INDEPENDENT AUDITOR'S REPORT

**OTHER REPORTS REQUIRED BY THE COMPANIES ACT**

The "other reports required by the Companies Act" paragraph in our audit report dated 23 September 2016 states that as part of our audit of the annual consolidated and separate financial statements for the year ended 30 June 2016, we have read the Directors' Report, the Audit Committee's Report and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited annual consolidated and separate financial statements. These reports are the responsibility of the respective preparers. The paragraph also states that, based on reading these reports, we have not identified material inconsistencies between these reports and the audited annual consolidated and separate financial statements. The paragraph furthermore states that we have not audited these reports and accordingly do not express an opinion on these reports. The paragraph does not have an effect on the summary consolidated and separate financial statements or our opinion thereon.

Deloitte & Touche  
Registered Auditor

Per: Penny Binnie  
Partner  
31 October 2016



## SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
Interest income	231 845	222 354	230 615	220 832
Interest expense	(146 456)	(91 198)	(146 456)	(91 198)
<b>Net interest income</b>	<b>85 389</b>	<b>131 156</b>	<b>84 159</b>	<b>129 634</b>
Fee and commission income	289 108	264 142	289 108	264 142
Fee and commission expense	(130 863)	(80 201)	(130 863)	(80 201)
<b>Net fee and commission income</b>	<b>158 245</b>	<b>183 941</b>	<b>158 245</b>	<b>183 941</b>
Leasing income	1 696 227	653 818	1 696 227	653 818
Depreciation	(248 942)	(156 238)	(248 942)	(156 238)
Other costs	(875 225)	(173 121)	(875 225)	(173 121)
<b>Net income from leasing</b>	<b>572 060</b>	<b>324 459</b>	<b>572 060</b>	<b>324 459</b>
Net trading income	327 357	267 734	327 357	267 734
Other income/ (loss)	1 530	(9 737)	1 530	(9 737)
<b>Operating income</b>	<b>1 144 581</b>	<b>897 553</b>	<b>1 143 351</b>	<b>896 031</b>
Net credit impairment charges	2.2 (25 984)	(562)	(25 984)	(562)
<b>Operating income after credit impairment charges</b>	<b>1 118 597</b>	<b>896 991</b>	<b>1 117 367</b>	<b>895 469</b>
Employment costs	(361 031)	(295 541)	(361 031)	(295 541)
Operating leases	(87 154)	(76 453)	(87 154)	(76 453)
Risk control	(21 865)	(23 646)	(21 865)	(23 646)
Information technology costs	(32 457)	(24 716)	(32 457)	(24 716)
Depreciation and amortisation	(39 454)	(30 151)	(39 454)	(30 151)
Other operating expenditure	(116 156)	(80 655)	(116 156)	(80 655)
<b>Operating expenditure</b>	<b>(658 117)</b>	<b>(531 162)</b>	<b>(658 117)</b>	<b>(531 162)</b>
<b>Operating income before indirect taxation</b>	<b>460 480</b>	<b>365 829</b>	<b>459 250</b>	<b>364 307</b>
Indirect taxation	(19 816)	(11 472)	(19 816)	(11 472)
<b>Profit before direct taxation</b>	<b>440 664</b>	<b>354 357</b>	<b>439 434</b>	<b>352 835</b>
Direct taxation	(117 179)	(91 345)	(117 054)	(90 027)
<b>Profit for the year</b>	<b>323 485</b>	<b>263 012</b>	<b>322 380</b>	<b>262 808</b>
<b>Other comprehensive income/ (loss): net of income tax</b>				
<b>Items that will not be reclassified to profit or loss:</b>				
Fair value reserve through equity on available-for- sale assets	1 065	(1 840)	1 065	(1 840)
<b>Total comprehensive income for the year</b>	<b>324 550</b>	<b>261 172</b>	<b>323 445</b>	<b>260 968</b>



## SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION

		Group		Company	
		2016	2015	2016	2015
	Notes	R '000	R '000	R '000	R '000
<b>Assets</b>					
Equipment		109 448	74 545	109 448	74 545
Intangible assets		112 726	84 914	112 726	84 914
Leased assets	1	1 489 961	1 851 857	1 489 961	1 851 857
Interest in subsidiaries		-	-	56 387	56 387
Loans and advances	2	1 660 359	1 240 171	1 660 359	1 240 171
Negotiable securities	3	327 442	239 067	327 442	239 067
Derivative financial assets		46 047	9 844	46 047	9 844
Investment securities		255 061	116 184	255 061	116 184
Intergroup loans		445	476	617	648
Current tax receivable		-	30 885	-	1 354
Other assets		378 830	165 488	378 830	165 096
Cash and cash equivalents	4	2 522 371	2 387 550	2 522 371	2 387 550
<b>Total Assets</b>		<b>6 902 690</b>	<b>6 200 981</b>	<b>6 959 249</b>	<b>6 227 617</b>
<b>Equity and Liabilities</b>					
<b>Equity</b>					
Share capital		2 070	2 070	2 070	2 070
Share premium		525 709	525 709	525 709	525 709
Fair value reserve		1 107	177	1 107	177
Share based payment reserve		14 436	16 126	14 436	16 126
Retained income		1 799 244	1 592 759	1 790 851	1 585 471
<b>Total Equity</b>		<b>2 342 566</b>	<b>2 136 841</b>	<b>2 334 173</b>	<b>2 129 553</b>
<b>Liabilities</b>					
Intergroup loans		150 032	150 026	214 429	184 339
Derivative financial liabilities		47 405	6 996	47 405	6 996
Deposits	5	3 862 609	2 830 773	3 862 609	2 830 773
Trade and other payables	6	334 258	893 413	334 258	893 024
Deferred tax		151 087	182 450	151 087	182 450
Current tax payable		14 282	-	14 837	-
Defined benefit liability		451	482	451	482
<b>Total Liabilities</b>		<b>4 560 124</b>	<b>4 064 140</b>	<b>4 625 076</b>	<b>4 098 064</b>
<b>Total Equity and Liabilities</b>		<b>6 902 690</b>	<b>6 200 981</b>	<b>6 959 249</b>	<b>6 227 617</b>

## SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
<b>Cash flows from operating activities</b>				
Cash generated from operations	1 192 132	622 704	1 193 359	622 707
Interest received	231 845	222 354	230 615	220 832
Interest paid	(146 456)	(91 198)	(146 456)	(91 198)
Cash generated by operations after interest	1 277 521	753 860	1 277 518	752 341
Dividends	(117 000)	(118 200)	(117 000)	(118 200)
Tax paid	(93 355)	(107 138)	(123 436)	(104 874)
Proceeds on disposal of leased assets	396 518	106 479	396 518	106 479
Acquisition of leased assets	(1 149 125)	(304 604)	(1 149 125)	(304 604)
<b>Net cash from operating activities</b>	<b>314 559</b>	<b>330 397</b>	<b>284 475</b>	<b>331 142</b>
<b>Cash flows from investing activities</b>				
Proceeds on disposal of equipment and leased assets	87 561	2 197	87 561	2 195
Dividends received	1 530	1 467	1 530	1 467
Acquisition of equipment	(87 807)	(36 740)	(87 807)	(36 740)
Acquisition of intangible assets	(40 665)	(42 282)	(40 665)	(42 282)
Net acquisition of investment securities	(140 394)	(22 738)	(140 394)	(22 738)
<b>Net cash from investing activities</b>	<b>(179 775)</b>	<b>(98 096)</b>	<b>(179 775)</b>	<b>(98 098)</b>
<b>Cash flows from financing activities</b>				
Increase in intergroup loans	37	27 046	30 121	26 303
<b>Net cash from financing activities</b>	<b>37</b>	<b>27 046</b>	<b>30 121</b>	<b>26 303</b>
<b>Total cash movement for the year</b>	<b>134 821</b>	<b>259 347</b>	<b>134 821</b>	<b>259 347</b>
Cash at the beginning of the year	2 387 550	2 128 203	2 387 550	2 128 203
<b>Total cash at end of the year</b>	<b>2 522 371</b>	<b>2 387 550</b>	<b>2 522 371</b>	<b>2 387 550</b>

## SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital	Share premium	Total share capital	Fair value reserve	Share based payment reserve	Total reserves	Retained income	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
<b>Group</b>								
<b>Balance at 01 July 2014</b>	<b>2 070</b>	<b>525 709</b>	<b>527 779</b>	<b>(9 170)</b>	<b>12 310</b>	<b>3 140</b>	<b>1 451 726</b>	<b>1 982 645</b>
Profit for the year	-	-	-	-	-	-	263 012	263 012
Other comprehensive income	-	-	-	9 347	-	9 347	-	9 347
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 347</b>	<b>-</b>	<b>9 347</b>	<b>263 012</b>	<b>272 359</b>
Share based payment expense	-	-	-	-	7 878	7 878	-	7 878
Settlement of share options exercised	-	-	-	-	(6 295)	(6 295)	-	(6 295)
Deferred tax on share based payments recognised directly in equity	-	-	-	-	2 233	2 233	-	2 233
Tax adjustment 2014	-	-	-	-	-	-	(3 779)	(3 779)
Dividends	-	-	-	-	-	-	(118 200)	(118 200)
<b>Balance at 01 July 2015</b>	<b>2 070</b>	<b>525 709</b>	<b>527 779</b>	<b>177</b>	<b>16 126</b>	<b>16 303</b>	<b>1 592 759</b>	<b>2 136 841</b>
Profit for the year	-	-	-	-	-	-	323 485	323 485
Other comprehensive income	-	-	-	930	-	930	-	930
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>930</b>	<b>-</b>	<b>930</b>	<b>323 485</b>	<b>324 415</b>
Share based payment expense	-	-	-	-	7 328	7 328	-	7 328
Settlement of share options exercised	-	-	-	-	(17 669)	(17 669)	-	(17 669)
Deferred tax on share based payments recognised directly in equity	-	-	-	-	8 651	8 651	-	8 651
Dividends	-	-	-	-	-	-	(117 000)	(117 000)
<b>Balance at 30 June 2016</b>	<b>2 070</b>	<b>525 709</b>	<b>527 779</b>	<b>1 107</b>	<b>14 436</b>	<b>15 543</b>	<b>1 799 244</b>	<b>2 342 566</b>

## SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

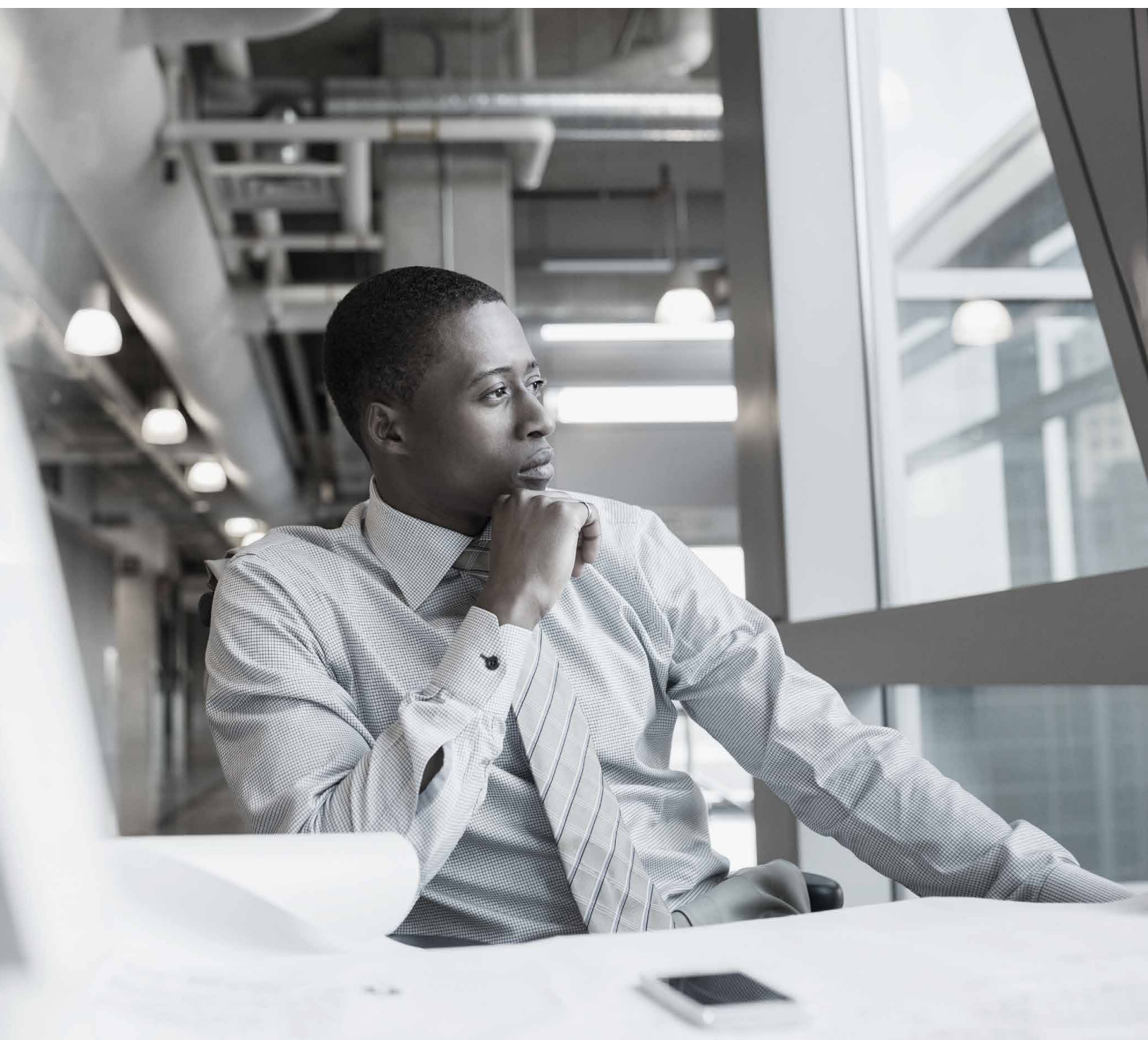
	Share capital	Share premium	Total share capital	Fair value reserve	Share based payment reserve	Total reserves	Retained income	Total equity
	R '000	R '000	R '000	R '000	R '000	R '000	R '000	R '000
<b>Company</b>								
<b>Balance at 01 July 2014</b>	<b>2 070</b>	<b>525 709</b>	<b>527 779</b>	<b>(9 170)</b>	<b>12 310</b>	<b>3 140</b>	<b>1 444 644</b>	<b>1 975 563</b>
Profit for the year	-	-	-	-	-	-	262 808	262 808
Other comprehensive income	-	-	-	9 347	-	9 347	-	9 347
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>9 347</b>	<b>-</b>	<b>9 347</b>	<b>262 808</b>	<b>272 155</b>
Share based payment expense	-	-	-	-	7 878	7 878	-	7 878
Settlement of share options exercised	-	-	-	-	(6 295)	(6 295)	-	(6 295)
Deferred tax on share based payments recognised directly in equity	-	-	-	-	2 233	2 233	-	2 233
Tax adjustments 2014	-	-	-	-	-	-	(3 781)	(3 781)
Dividends	-	-	-	-	-	-	(118 200)	(118 200)
<b>Balance at 01 July 2015</b>	<b>2 070</b>	<b>525 709</b>	<b>527 779</b>	<b>177</b>	<b>16 126</b>	<b>16 303</b>	<b>1 585 471</b>	<b>2 129 553</b>
Profit for the year	-	-	-	-	-	-	322 380	322 380
Other comprehensive income	-	-	-	930	-	930	-	930
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>930</b>	<b>-</b>	<b>930</b>	<b>322 380</b>	<b>323 310</b>
Share based payment expense	-	-	-	-	7 328	7 328	-	7 328
Settlement of share options exercised	-	-	-	-	(17 669)	(17 669)	-	(17 669)
Deferred tax on share based payments recognised directly in equity	-	-	-	-	8 651	8 651	-	8 651
Dividends	-	-	-	-	-	-	(117 000)	(117 000)
<b>Balance at 30 June 2016</b>	<b>2 070</b>	<b>525 709</b>	<b>527 779</b>	<b>1 107</b>	<b>14 436</b>	<b>15 543</b>	<b>1 790 851</b>	<b>2 334 173</b>

## ACCOUNTING POLICIES FOR THE YEAR ENDED 30 JUNE 2016

**PRESENTATION OF SUMMARISED CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS**

The same accounting policies and methods of computation are followed in the Summarised Consolidated and Separate Financial Statements as the complete consolidated and separate set.

The Summarised Consolidated and Separate Financial Statements have been prepared in compliance with IAS34: Interim Financial Reporting



## SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

## 1. LEASED ASSETS

Operating leases relates to moveable assets rented to customers for a fixed term. The Bank retains all the risk and benefits of ownership of these leased assets. Rentals received under operating leases, are accounted for as income on a straight-line basis over the period of the lease.

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
Cost	2 501 120	1 553 845	2 501 120	1 553 845
Accumulated depreciation	(649 263)	(558 657)	(649 263)	(558 657)
<b>Carrying value at the beginning of year</b>	<b>1 851 857</b>	<b>995 188</b>	<b>1 851 857</b>	<b>995 188</b>
<b>Movement for the year</b>				
Additions	331 250	304 604	331 250	304 604
Disposals	(446 708)	(106 814)	(446 708)	(106 814)
Depreciation	(248 942)	(156 238)	(248 942)	(156 238)
Capital work in progress	2 504	815 117	2 504	815 117
<b>Carrying value at end of year</b>	<b>1 489 961</b>	<b>1 851 857</b>	<b>1 489 961</b>	<b>1 851 857</b>
Cost	2 109 824	2 501 120	2 109 824	2 501 120
Accumulated depreciation	(619 863)	(649 263)	(619 863)	(649 263)
	<b>1 489 961</b>	<b>1 851 857</b>	<b>1 489 961</b>	<b>1 851 857</b>

## 2. LOANS AND ADVANCES

## 2.1 ANALYSIS OF LOANS AND ADVANCES

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
<b>Loans and advances to customers</b>				
Call and term loans	456 418	286 351	456 418	286 351
Mortgage loans	362 368	311 090	362 368	311 090
Finance leases and instalment finance	835 317	637 644	835 317	637 644
	<b>1 654 103</b>	<b>1 235 085</b>	<b>1 654 103</b>	<b>1 235 085</b>
Less: impairment provision	(18 259)	(5 478)	(18 259)	(5 478)
	<b>1 635 844</b>	<b>1 229 607</b>	<b>1 635 844</b>	<b>1 229 607</b>
<b>Loans and advances to banks</b>				
Finance leases	24 515	10 564	24 515	10 564
	<b>1 660 359</b>	<b>1 240 171</b>	<b>1 660 359</b>	<b>1 240 171</b>

## SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

*Loans and advances (continued)*

## 2.2 MOVEMENT IN IMPAIRMENTS

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
<b>Call and term loans</b>				
Opening balance	-	(246)	-	(246)
Charge against income	-	246	-	246
	-	-	-	-
<b>Finance leases</b>				
Opening balance	(4 342)	(8 309)	(4 342)	(8 309)
Charge against income	(10 862)	(981)	(10 862)	(981)
Net bad debts written off	2 325	4 948	2 325	4 948
	(12 879)	(4 342)	(12 879)	(4 342)
<b>Portfolio impairment</b>				
Opening balance	(1 136)	(1 365)	(1 136)	(1 365)
Release to/(charge against) income	(4 244)	229	(4 244)	229
	(5 380)	(1 136)	(5 380)	(1 136)
<b>Carrying value at end of the year</b>				
Specific impairments	(12 879)	(4 342)	(12 879)	(4 342)
Portfolio impairment	(5 380)	(1 136)	(5 380)	(1 136)
	(18 259)	(5 478)	(18 259)	(5 478)
<b>Net (charge against)/release to income</b>				
Finance leases	(10 862)	(1 254)	(10 862)	(1 254)
Call and term loans	-	246	-	246
Portfolio impairment	(4 244)	229	(4 244)	229
Cardholder debit balances	(194)	-	(194)	-
Net bad debts recovered	426	217	426	217
	(14 874)	(562)	(14 874)	(562)
Impairment charge on negotiable securities (see note 3)	(11 110)	-	(11 110)	-
	(25 984)	(562)	(25 984)	(562)

## SELECTED EXPLANATORY NOTES TO THE SUMMARISED CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

*Loans and advances (continued)*

<b>Maturity of finance leases</b>	<b>Gross</b>	<b>Unearned finance charges</b>	<b>Net</b>
<b>Group - 2016</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Due within one year	324 866	(22 901)	301 965
Between one and five years	629 557	(101 360)	528 197
More than five years	40 233	(10 563)	29 670
	<b>994 656</b>	<b>(134 824)</b>	<b>859 832</b>

<b>Maturity of finance leases</b>	<b>Gross</b>	<b>Unearned finance charges</b>	<b>Net</b>
<b>Group - 2015</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Due within one year	63 521	(2 143)	61 378
Between one and five years	676 615	(92 639)	583 976
More than five years	3 733	(879)	2 854
	<b>743 869</b>	<b>(95 661)</b>	<b>648 208</b>

<b>Maturity of finance leases</b>	<b>Gross</b>	<b>Unearned finance charges</b>	<b>Net</b>
<b>Company - 2016</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Due within one year	324 866	(22 901)	301 965
Between one and five years	629 557	(101 360)	528 197
More than five years	40 233	(10 563)	29 670
	<b>994 656</b>	<b>(134 824)</b>	<b>859 832</b>

<b>Maturity of finance leases</b>	<b>Gross</b>	<b>Unearned finance charges</b>	<b>Net</b>
<b>Company - 2015</b>	<b>R '000</b>	<b>R '000</b>	<b>R '000</b>
Due within one year	63 521	(2 143)	61 378
Between one and five years	676 615	(92 639)	583 976
More than five years	3 733	(879)	2 854
	<b>743 869</b>	<b>(95 661)</b>	<b>648 208</b>

Under the terms of the lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment.



## 3. NEGOTIABLE SECURITIES

	Group		Company	
	2016 R '000	2015 R '000	2016 R '000	2015 R '000
<b>Held to maturity investments carried at amortised cost</b>				
Opening balance	338 552	239 067	338 552	239 067
Charge against income	(11 110)	-	(11 110)	-
	<b>327 442</b>	<b>239 067</b>	<b>327 442</b>	<b>239 067</b>

The ETR bills of exchange consist of customer deals financed by the Bank on behalf of Tradeflow. Tradeflow draws up the bills containing the invoice amount and all interest costs, fees and charges agreed with the customer after which the Bank purchases the bill from Tradeflow and settles the supplier. The customer undertakes to pay the Bank the amount of the bill on due date.

## 4. CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 R '000	2015 R '000	2016 R '000	2015 R '000
Cash on hand	158 407	142 271	158 407	142 271
Interbank investments				
-Current accounts	1 244 782	812 345	1 244 782	812 345
-Money on call	922 837	1 312 932	922 837	1 312 932
-South African Reserve Bank	116 520	95 632	116 520	95 632
-Restricted cash held at South African Reserve Bank	79 825	24 370	79 825	24 370
	<b>2 522 371</b>	<b>2 387 550</b>	<b>2 522 371</b>	<b>2 387 550</b>
Total debit balances	2 522 371	2 387 550	2 522 371	2 387 550

Cash and cash equivalents includes cash on hand and cash in banks and includes cash and bank balances held by insurance and banking subsidiaries in terms of FSB requirements. The average interest rate is 5.58% (2015 4.54%).

## 5. DEPOSITS

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
<b>Deposits from customers</b>				
Fixed and notice	1 484 582	996 249	1 484 583	996 249
Call	2 378 027	1 834 524	2 378 026	1 834 524
	<b>3 862 609</b>	<b>2 830 773</b>	<b>3 862 609</b>	<b>2 830 773</b>

The maturity analysis of deposits is based on the contractual period to maturity from the statement of financial position. Average interest rate on deposits is 5.5% (2015: 4.4%).

## 6. TRADE AND OTHER PAYABLES

	Group		Company	
	2016	2015	2016	2015
	R '000	R '000	R '000	R '000
<b>Intergroup loans payable</b>				
Value added taxation	5 097	-	5 097	-
Provisions	70 740	21 441	70 740	21 441
Trade payables	250 641	866 859	250 641	866 470
Outstanding bank credits	3 771	3 949	3 771	3 949
Straight-lining of leases	4 009	1 164	4 009	1 164
	<b>334 258</b>	<b>893 413</b>	<b>334 258</b>	<b>893 024</b>

Included in trade and other payables are the following provisions in both the group and company numbers:

	Profit share provision	Maintenance obligation provision	Other	Total
	R '000	R '000	R '000	R '000
Balance at 1 July 2015	11 045	10 396	-	21 441
Provision raised	42 392	6 974	15 090	64 456
Provisions utilised	(11 045)	(4 112)	-	(15 157)
<b>Balance at 30 June 2016</b>	<b>42 392</b>	<b>13 258</b>	<b>15 090</b>	<b>70 740</b>

The profit share provision represents a profit sharing arrangement arising throughout the term of the contract on certain leasing contracts whereby the bank will share a percentage of profits realised on the sale of the asset and also on the maintenance profit earned over the term of the contract.

The maintenance fund provision represents an obligation for future costs to be incurred on full maintenance leasing contracts.

The other provisions represent general provisions for travel incentive, operational risk and potential service penalties.

## NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

## 7. CLASSIFICATION OF ASSETS AND LIABILITIES

2016 Group	Held for trading	Loans at amortised cost	Available for sale	Other amortised cost	Non- financial assets / liabilities	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Equipment	-	-	-	-	109 448	109 448
Intangible assets	-	-	-	-	112 726	112 726
Leased assets	-	-	-	-	1 489 961	1 489 961
Loans and advances	-	1 660 359	-	-	-	1 660 359
Negotiable securities	-	327 442	-	-	-	327 442
Derivative financial assets	46 047	-	-	-	-	46 047
Investment securities	-	-	255 061	-	-	255 061
Intergroup loans	-	-	-	445	-	445
Other assets	-	297 545	-	-	-	378 830
Cash and cash equivalents	-	2 522 371	-	-	-	2 522 371
<b>Total</b>	<b>46 047</b>	<b>4 807 717</b>	<b>255 061</b>	<b>445</b>	<b>1 793 420</b>	<b>6 902 690</b>
Intergroup loans	-	-	-	150 032	-	150 032
Derivative financial liabilities	47 405	-	-	-	-	47 405
Deposits	-	-	-	3 862 609	-	3 862 609
Other liabilities	-	-	-	334 258	-	334 258
Deferred tax	-	-	-	-	151 087	151 087
Current tax payable	-	-	-	-	14 282	14 282
Defined benefit liability	-	-	-	-	451	451
<b>Total</b>	<b>47 405</b>	<b>-</b>	<b>-</b>	<b>4 346 899</b>	<b>165 820</b>	<b>4 560 124</b>

## NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

*Classification of assets and liabilities (continued)*

2015 Group	Held for trading	Loans at amortised cost	Available for sale	Other amortised cost	Non-financial assets / liabilities	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Equipment	-	-	-	-	74 545	74 545
Intangible assets	-	-	-	-	84 914	84 914
Leased assets	-	-	-	-	1 851 857	1 851 857
Loans and advances	-	1 240 171	-	-	-	1 240 171
Negotiable securities	-	239 067	-	-	-	239 067
Derivative financial assets	9 844	-	-	-	-	9 844
Investment securities	-	-	116 184	-	-	116 184
Intergroup loans	-	-	-	476	-	476
Current tax	-	-	-	-	30 885	30 885
Other assets	-	150 048	-	-	15 440	165 488
Cash and cash equivalents	-	2 387 550	-	-	-	2 387 550
<b>Total</b>	<b>9 844</b>	<b>4 016 836</b>	<b>116 184</b>	<b>476</b>	<b>2 057 641</b>	<b>6 200 981</b>
Intergroup loans	6 996	-	-	150 026	-	150 026
Derivative financial liabilities	-	-	-	-	-	6 996
Deposits	-	-	-	2 830 773	-	2 830 773
Other liabilities	-	-	-	893 413	-	893 413
Deferred tax	-	-	-	-	182 450	182 450
Defined benefit liability	-	-	-	-	482	482
<b>Total</b>	<b>6 996</b>	<b>-</b>	<b>-</b>	<b>3 874 212</b>	<b>182 932</b>	<b>4 064 140</b>



## NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

*Classification of assets and liabilities (continued)*

2016	Held for trading	Loans at amortised cost	Available for sale	Other amortised cost	Non-financial assets / liabilities	Total
Company						
	R '000	R '000	R '000	R '000	R '000	R '000
Equipment	-	-	-	-	109 448	109 448
Intangible assets	-	-	-	-	112 726	112 726
Leased assets	-	-	-	-	1 489 961	1 489 961
Investment in subsidiaries	-	-	-	-	56 387	56 387
Loans and advances	-	1 660 359	-	-	-	1 660 359
Negotiable securities	-	327 442	-	-	-	327 442
Derivative financial assets	46 047	-	-	-	-	46 047
Investment securities	-	-	255 061	-	-	255 061
Intergroup loans	-	-	-	617	-	617
Other assets	-	297 545	-	-	81 285	378 830
Cash and cash equivalents	-	2 522 371	-	-	-	2 522 371
<b>Total</b>	<b>46 047</b>	<b>4 807 717</b>	<b>255 061</b>	<b>617</b>	<b>1 849 807</b>	<b>6 959 249</b>
Intergroup loans	-	-	-	214 429	-	214 429
Derivative financial liabilities	47 405	-	-	-	-	47 405
Deposits	-	-	-	3 862 609	-	3 862 609
Other liabilities	-	-	-	334 258	-	334 258
Deferred tax	-	-	-	-	151 087	151 087
Current tax payable	-	-	-	-	14 837	14 837
Defined benefit liability	-	-	-	-	451	451
<b>Total</b>	<b>47 405</b>	<b>-</b>	<b>-</b>	<b>4 411 296</b>	<b>166 375</b>	<b>4 625 076</b>



## NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

*Classification of assets and liabilities (continued)*

2015 Company	Held for trading	Loans at amortised cost	Available for sale	Other amortised cost	Non-financial assets / liabilities	Total
	R '000	R '000	R '000	R '000	R '000	R '000
Equipment	-	-	-	-	74 545	74 545
Intangible assets	-	-	-	-	84 914	84 914
Leased assets	-	-	-	-	1 851 857	1 851 857
Interest in subsidiaries	-	-	-	-	56 387	56 387
Loans and advances	-	1 240 171	-	-	-	1 240 171
Negotiable securities	-	239 067	-	-	-	239 067
Derivative financial assets	9 844	-	-	-	-	9 844
Investment securities	-	-	116 184	-	-	116 184
Intergroup loans	-	-	-	648	-	648
Current tax	-	-	-	-	1 354	1 354
Other assets	-	165 096	-	-	-	165 096
Cash and cash equivalents	-	2 387 550	-	-	-	2 387 550
<b>Total</b>	<b>9 844</b>	<b>4 016 836</b>	<b>116 184</b>	<b>648</b>	<b>2 069 057</b>	<b>6 227 617</b>
Intergroup loans	-	-	-	184 339	-	184 339
Derivative financial liabilities	6 996	-	-	-	-	6 996
Deposits	-	-	-	2 830 773	-	2 830 773
Other liabilities	-	-	-	893 024	-	893 024
Deferred tax	-	-	-	-	182 450	182 450
Defined benefit liability	-	-	-	-	482	482
<b>Total</b>	<b>6 996</b>	<b>-</b>	<b>-</b>	<b>3 908 136</b>	<b>182 932</b>	<b>4 098 064</b>

**7.1 Fair value estimation**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Bank adopted the amendment to IFRS 7 and IFRS 13 regarding the fair value measurement of financial instruments in the statement of financial position on 1 July 2009 and July 2013 respectively. These statements require disclosure of fair value measurements by using the following fair value measurement hierarchy:

- ▶ Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date (level 1);
- ▶ Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- ▶ Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs (level 3).

## NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

*Classification of assets and liabilities (continued)*

7.2 The following table presents the Bank's assets and liabilities that are measured at fair value at 30 June

2016					
Assets	Notes	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Investment securities	12	255 045	-	16	255 061
Derivative financial assets	11	-	46 047	-	46 047
<b>Total</b>		<b>255 045</b>	<b>46 047</b>	<b>16</b>	<b>301 108</b>
<b>Liabilities</b>					
Derivative financial liabilities	11	-	47 405	-	47 405
2015					
Assets	Notes	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total R'000
Investment securities	12	116 168	-	16	116 184
Derivative financial assets	11	-	9 844	-	9 844
<b>Total</b>		<b>116 168</b>	<b>9 844</b>	<b>16</b>	<b>126 028</b>
<b>Liabilities</b>					
Derivative financial liabilities	11	-	6 996	-	6 996

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, or industry group, pricing market transactions on an arm's-length basis. The quoted market price used for financial assets held by the Bank is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as available-for-sale securities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.



## NOTES TO THE CONSOLIDATED AND SEPARATE ANNUAL FINANCIAL STATEMENTS

*Classification of assets and liabilities (continued)***7.3 Fair value of financial instruments**

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position. For all other instruments the carrying value is equal to or a reasonable approximation of fair value.

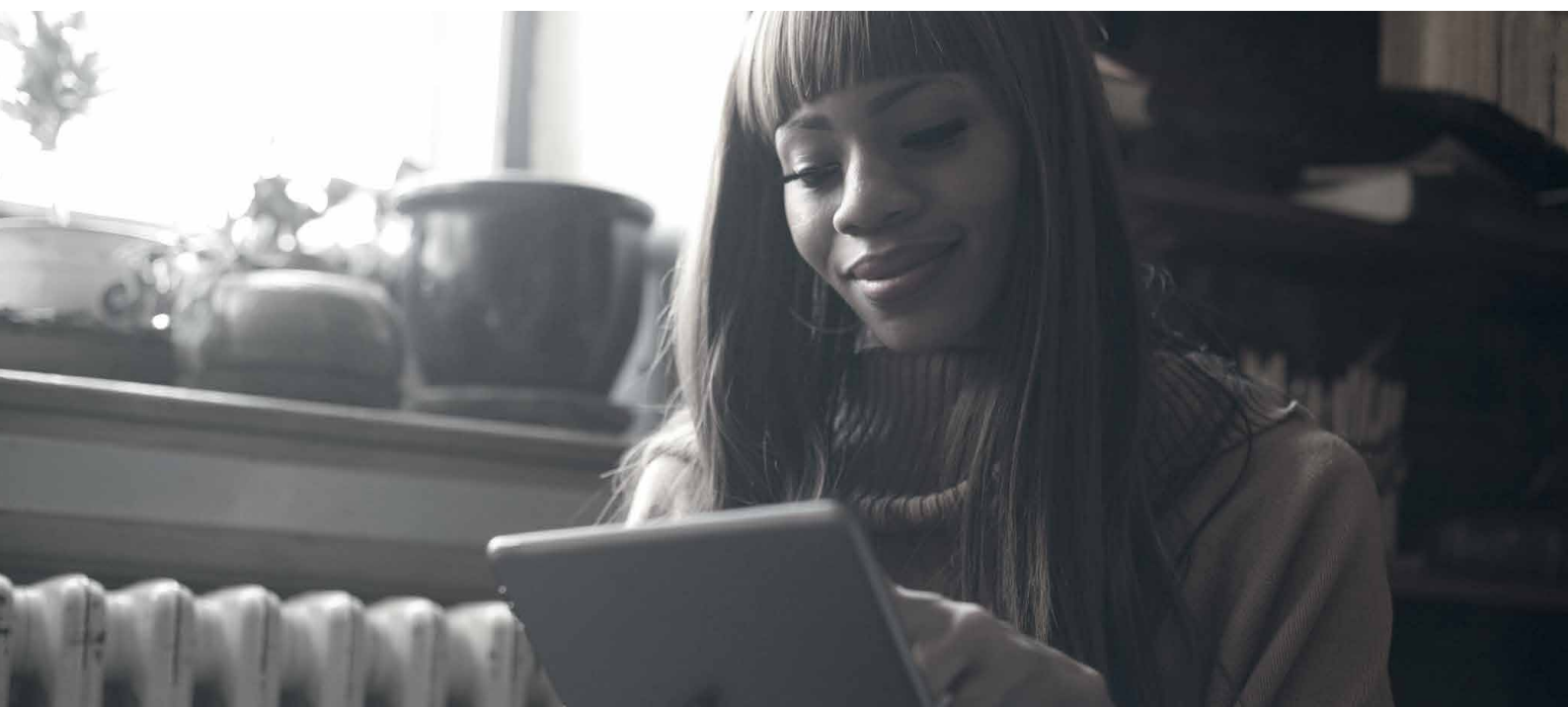
2016		
Assets	Carrying value R'000	Fair value R'000
Total advances at amortised cost	1 660 359	1 661 083

2015		
Assets	Carrying value R'000	Fair value R'000
Total advances at amortised cost	1 240 171	1 237 442

**8. EVENTS AFTER THE REPORTING PERIOD**

Paul Bayoli resigned as a non-executive director on 8 August 2016. A dividend of R72,5 million was declared by the Board of Directors on 19 August 2016.

**COMPANY ENSURES ALL CHARGES EFFECTED**



## BRAND MANTRA

Let's get things done  
Let's do it today, not tomorrow  
Let's take the risks together  
Let's never accept 'no' as a starting point  
Let's see the barriers as speed humps  
Let's think, let's question, then act  
Let's be accountable for our decisions  
Let's listen, talk and understand  
Let's believe that every challenge can be solved  
Let's look for opportunities  
And seize the bull by the horns  
Let's give it our all  
Let's take the high road  
And never turn from the truth  
Let's attack each challenge with a smile in our  
hearts and a bounce in our step  
Let's help each other get things done  
Let's get it done!

**BIDVEST BANK LIMITED**

(Registration number 2000/006478/06)

Summarised Consolidated and Separate Annual Financial Statements for the year  
ended 30 June 2016

The preparation of these Summarised Consolidated and Separate Annual Financial Statements  
was supervised by: G Oxford CA(SA) Head Financial Control

These Summarised Consolidated and Separate Annual Financial Statements have been  
audited in compliance with the applicable requirements of the Companies Act 71 of 2008.