



Let's get it done

ANNUAL REPORT 2016/2017

**“You see just seeds,
but I see trees.”**

- Unknown

Bidvest Bank has planted many seeds over the last couple of years.

This can be seen by the increase in Operating Expenditure and Assets. This is in line with the Bank's strategy to diversify its income streams and ensure long-term, year-on-year growth within the competitive environment Bidvest Bank finds itself in. We're doing this by investing in our future and growth.

The seeds we've planted are growing into trees – a 6% growth in Profit Before Tax for 2017, continuing the exceptional year that the Bank had in 2016.

BIDVEST BANK LIMITED

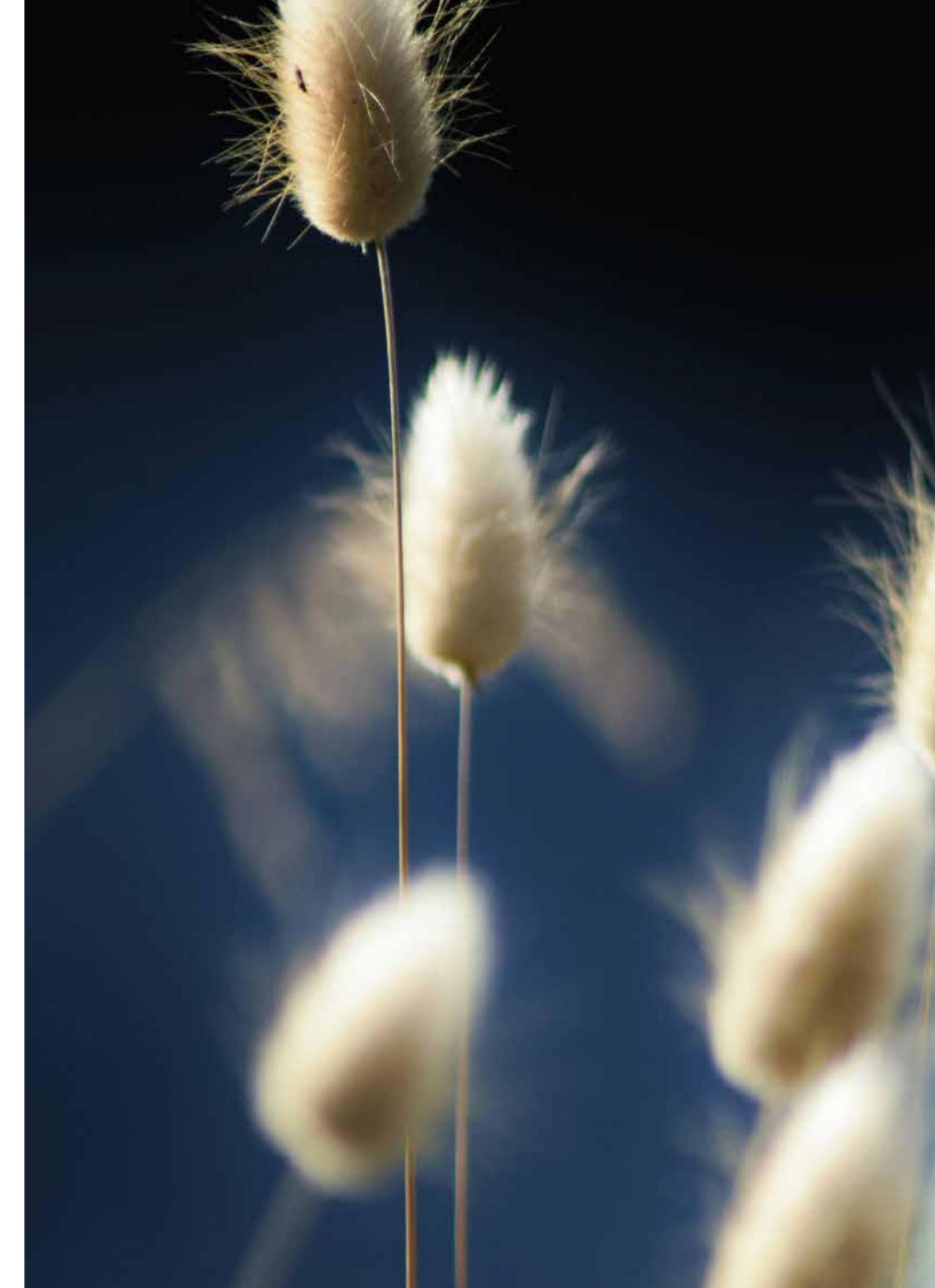
(Registration number 2000/006478/06)

Summarised Consolidated and Separate Annual Financial Statements for the year ended 30 June 2017.

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.

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





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CHAIRMAN'S REPORT 2017

NIGEL GEORGE PAYNE



On behalf of the Bidvest Bank board, it is a privilege to report that we have had another successful year, and are well into our strategic journey commenced a few years ago.

Our primary objective is to diversify our offering in services complementary to our existing niches, enabling us to provide a broader offering to our customers while diversifying our risks, thereby creating the resilience that our depositors and our regulator require.

Successfully executed, this strategy provides career growth prospects for our people and increases our contribution to society. Greater detail is provided in the reports by our CEO and CFO and in the integrated report.

We have a strong ethical culture against which we measure ourselves. If there is anyone who believes we have not lived up to this high standard, I invite you to contact me personally and in confidence.

Our executive team, led by CEO Japie van Niekerk, has been in place for some time, and has successfully balanced the demands of maintaining existing operations while building for the future.

We continue to invest in skills, systems, technologies and processes in order to enable our strategy. This has been accelerated by some strategic acquisitions which brought more talented people into Bidvest Bank. Welcome!

Notwithstanding our entrepreneurial mindset, we retain a conservative risk appetite and are very well capitalised.

Our credit rating sets us apart from our peer niche banks. This is reflective of our own performance, as well as the strength of our sole shareholder The Bidvest Group Limited, for which we are grateful. We are extremely proud that you have allowed us to share your brand.

We continue to work closely with a number of alliance partners. We appreciate your faith in us, are encouraged by your vision, and look forward to growing with you.

Our governance reports deal with the activities of the board and its committees, all of which I believe have been carried out effectively during the year. I am grateful for the contribution made by each of our directors, all of whom are intimately involved in the oversight and guidance entrusted to us as a requirement for our banking licence. We welcome Lindsay Ralphs and Mpumi Madisa to our board and look forward to your contribution.

Notwithstanding tough economic times, we are optimistic about the future.

Nigel George Payne
Chairman**Executive Committee****(Back row)**

Russell Fogg, Neil Capazorio, Japie van Niekerk, Thinus Liebenberg, Mkhuleni Setuse

(Front row)

Jodi Raviv, Brett Jury, Di Crawley, Alexia Shuenyane



MANAGING DIRECTOR'S REPORT



JAPIE VAN NIEKERK

On the back of strong growth in the previous year, we advanced our focus over the last financial year and continued our strategic imperative of diversifying the business to ensure that we are well positioned for the future.

Over the last few years, a more diversified structure with enhanced service and product offerings has moved forward, and despite muted economic and market growth forecast over the short-term, our customers have rewarded us with their support.

The seeds planted over the last few years are developing into a more holistic financial services business. Having grown and developed our business within one of South Africa's most successful enterprises, The Bidvest Group, we understand the needs of our key customer base, and with that in mind, we have set about strengthening our technical and operational capabilities, improving project and business governance, and enhancing efficiencies and customer focus.

While we have been introducing additional revenue streams for the Bank, we have also intensified our efforts to acquire new customers for our fleet business, as certain legacy contracts have matured. We have been able to bring several large full-maintenance lease deals to the table, along with some short-term rental opportunities. Our Business Banking proposition has also gained good initial traction.

The Bank's culture of "*getting things done*" has ensured that we are successfully achieving our key objectives for the year. This is in addition to growing the core business and successfully acquiring certain new offerings, and integrating these into the Bank.

Our strategy remains based on a six-point plan:

1. To continue to grow our core business and maintain our stronghold in the areas where we are competitive;
2. Diversify the business and grow new income streams;
3. To find 'work' for our surplus cash;
4. To keep the Bank adequately capitalised;
5. To continue to look for good strategic acquisitions; and
6. Focus on getting things done.

A NOD FROM MOODY'S

If ever there was a solid indication that our strategy is on the right track, it is the nod received from Moody's Investor Services in the financial year that resulted in a re-rating.

Our discussions with Moody's made it clear to us that while we have always been well capitalised with a solid balance sheet, we had some concentration risk in our portfolio. In response, the Bank moved to diversify revenue streams, products and services. This diversification combined with our well-capitalised balance sheet and a prudent lending philosophy, resulted in Moody's awarding us with an increase of two notches for our long-term national scale rating to Aa2 from A1.

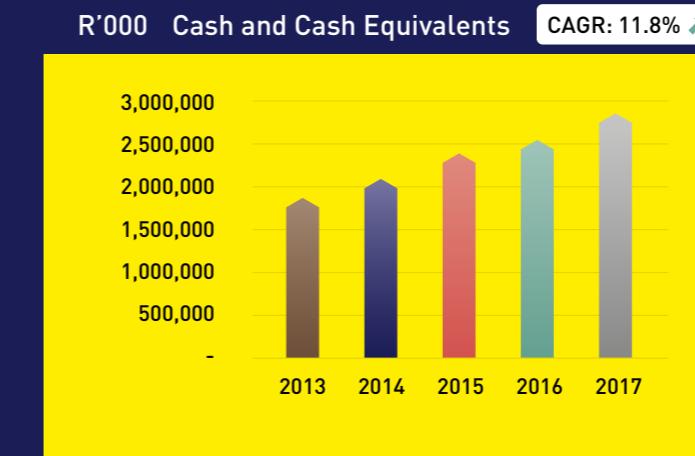
We are very proud of the upgrade and our customers have rewarded us, resulting in pleasing growth.

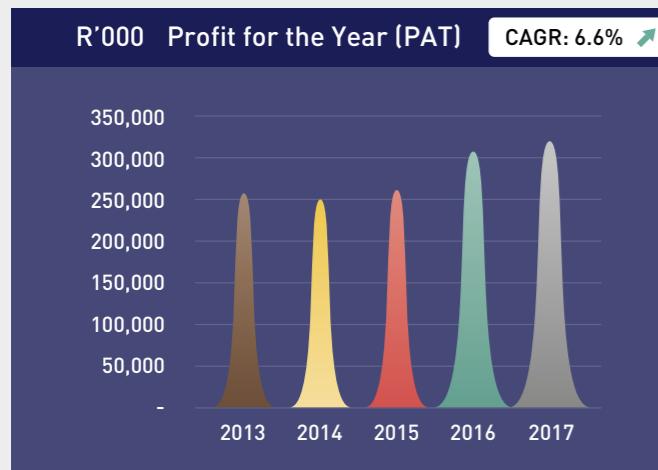
“From a small seed a mighty trunk may grow.”

- Aeschylus

CONTINUED GROWTH & DIVERSIFICATION

The Moody's approval has spurred us on to plant more seeds. In combination with our strategic acquisitive focus, this has seen Bidvest Bank grow in a number of areas, specifically:





FRUITFUL PARTNERSHIPS

These growth areas speak, not only to our diversified products and services, but also our partnerships. While our existing alliances continue to bear fruit, the Bank remains focused on assessing strategic acquisitions.

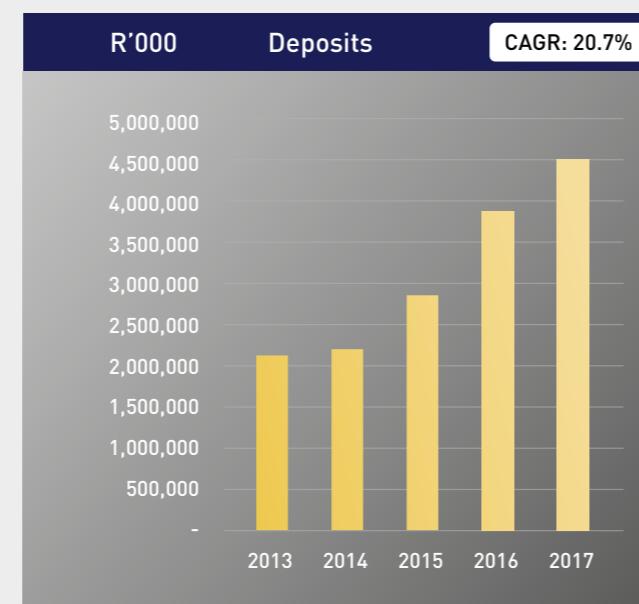
Our Merchant Services offering is growing as a result of the relationship the Bank enjoys with First Data Resources South Africa, which has grown from strength to strength. Looking ahead, the new financial year may bring further opportunities, which we will consider and advance if it makes commercial sense.

Our existing retail relationship with Old Mutual has shown strong growth over the past year. It is these, and other similar strategic alliances, which have allowed us to remain uniquely positioned as a banking partner to key industry players.

As a key division of Bidvest Financial Services, Bidvest Bank has contributed exceptionally well to the overall division's growth. Over the last few years, the Bank has been able to capitalise on a number of unique opportunities to cross-sell and support the other financial services activities of the Bidvest Group.

INVESTING IN OUR ECONOMY & PEOPLE

Our customer and revenue growth achievements are made possible by the people we employ, and those in the communities we serve. As a committed South African citizen, we continue to invest into the communities, people and businesses around us.



Our Corporate Social Investment (CSI) drives funding into education, business development and job creation. We believe that these are the most important areas that can contribute to growing of the economy. We support several programmes and initiatives including Columba Leadership, Bathebile, Simamisa Orphans Care, The Roedean Academy and Modlin Education Services. Our spend of R2.7m on CSI, and R4.7m on social economic development, respectively, contributes toward sustained growth of well-resourced communities on a regional and national level.

Within the Bank, we continue to invest in the future of our own talent. Our Learnership and Graduate Programmes, which were established in 2015, have resulted in 100% of candidates being placed within the Bank. Through this investment in talent, we are creating more jobs and investing in the growth of our economy.

We have also made tremendous progress with the development of our new banking platform, EVO. We finalised the launch of EVO in September 2017. We have also continued to invest in an advanced Anti-Money Laundering (AML) system and a new Global Payments Online (GPO) platform.

Our GPO platform has truly empowered our philosophy of "getting it done" for many of our customers. It has enabled them to send and receive international payments, manage their currency exposures and capitalise on market opportunities. Ultimately, this means their businesses grow and succeed.

Our transformation targets remain on track, and the Bank has retained its Broad-Based Black Economic Empowerment (B-BBEE) level 3 rating verified by Empowerdex.

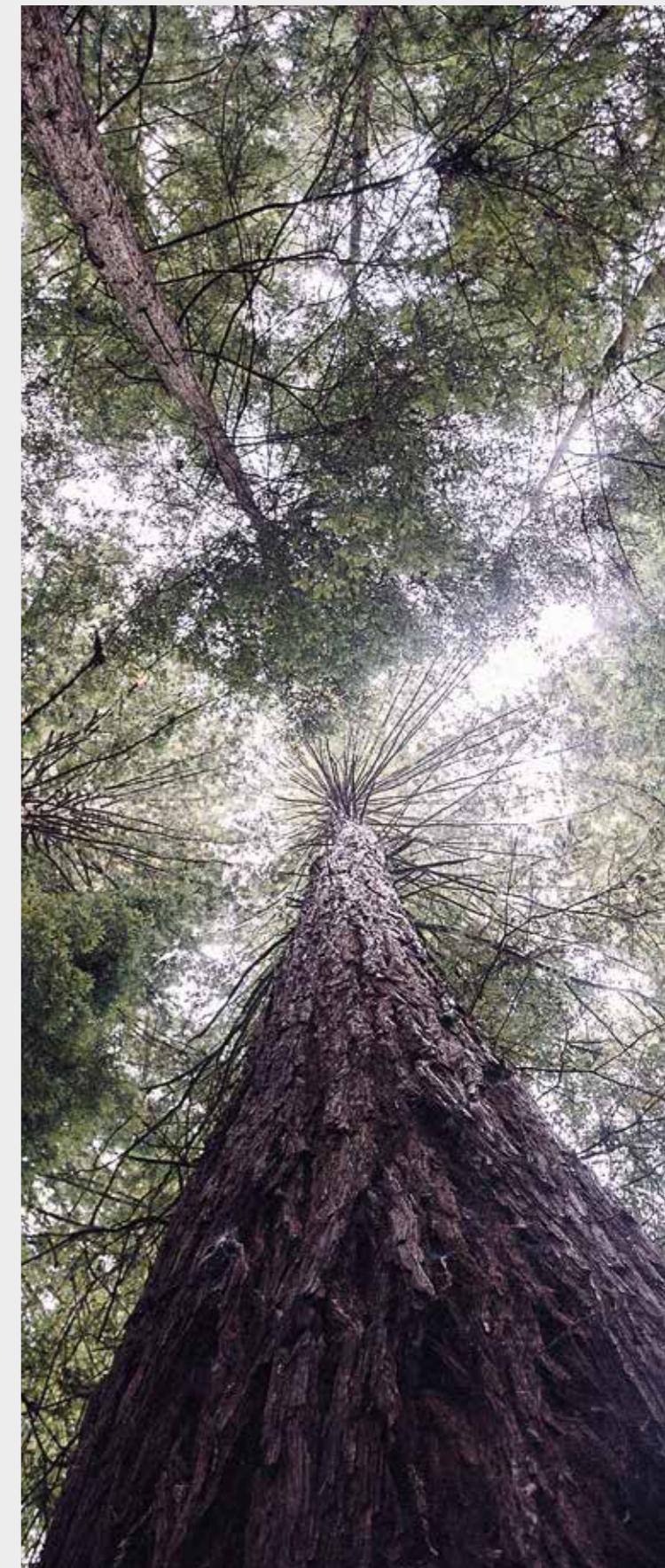
LOOKING AHEAD

We will continue our focus on diversification and transformation, and will continue to look for strategic acquisition opportunities.

While the outlook for the year ahead is reasonably positive, we will maintain our imperative of exercising prudence, specifically about where and how we lend.

We are planting the financial seeds now, which will undoubtedly contribute towards the Bank's growth, economic evolution and job creation.

Japie van Niekerk
Managing Director



FINANCIAL DIRECTOR'S REPORT



THINUS LIEBENBERG

FINANCIAL PERFORMANCE

▲ 26%Net Interest Income[#]Jun'17 - R265.6m
Jun'16 - R211.3m**▲ 6%**

Net Fee and Commission Income

Jun'17 - R167.0m
Jun'16 - R158.2m**▲ 7%**Net Income from leasing[#]Jun'17 - R475.3m
Jun'16 - R446.1m**▼ 90bps**

Net Trading Income

Jun'17 - R324.5m
Jun'16 - R327.4m**▲ 13%**

Operating Expenditure

Jun'17 - R743.3m
Jun'16 - R658.1m**▲ 6%**

Profit Before Tax

Jun'17 - R466.6m
Jun'16 - R440.7m

FINANCIAL POSITION

▲ 13%

Total Assets

Jun'17 - R7.8bn
Jun'16 - R6.9bn**▲ 8%**

Total Equity

Jun'17 - R2.5bn
Jun'16 - R2.3bn**▲ 17%**

Funding Base*

Jun'17 - R4.7bn
Jun'16 - R4.0bn**▲ 14%**

Leased Assets

Jun'17 - R1.7bn
Jun'16 - R1.5bn**▲ 27%**

Loans and Advances

Jun'17 - R2.1bn
Jun'16 - R1.7bn**▲ 13%**

Cash

Jun'17 - R2.9bn
Jun'16 - R2.5bn

*Deposits and intergroup loans

[#]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.

KEY RATIOS

▼ 40bps

Return on Assets

Jun'17 - 4.3%
Jun'16 - 4.7%**▼ 50bps**

Return on Equity

Jun'17 - 13.3%
Jun'16 - 13.8%**▲ 70bps**

Credit Loss Ratio

Jun'17 - 0.1%
Jun'16 - 0.8%**▲ 320bps**

Capital Adequacy Ratio

Jun'17 - 20.1%
Jun'16 - 16.9%**▲ 14%**

Net Stable Funding Ratio

Jun'17 - 101.0%
Jun'16 - 87.0%**▲ 140bps**

Cost to Income

Jun'17 - 62.0%
Jun'16 - 60.6%

SALIENT FEATURES

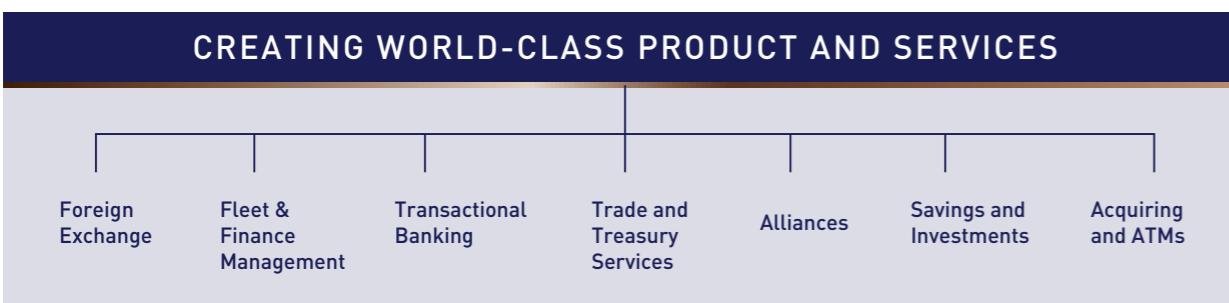
- Moody's Investors Service, raised Bidvest Bank Limited's long-term national scale ratings (NSR) to Aa2.za from A1.za.
- Profit Before Tax (PBT) grew 5.9% year-on-year growing to R466.6m continuing the exceptional year the Bank had in 2016.
- Return on Equity remained stable ending on 13.3% for the year.
- Capital Adequacy remained high increasing to 20.1% up from 16.9%.
- Bidvest Bank Operating Income increased by 7.8% yoy from R1.1bn to R1.2bn.
- Tightened Cost Management of Operating Costs only increasing by 12.9% compared to 24.7% in the prior year.
- Strong Balance Sheet growth maintained:
 - Cash balances have increased by 12.8% yoy up to R2.9bn.
 - Total Advances (including leasing) have increased by 20.9% on prior year:
 - Leased assets increasing by 14.6%.
 - Corporate advances have increased by 26.5% yoy.
 - Deposits continuing to grow and ended at 16.6% up on prior year.
- Acquisition of First Data SA, a global leader in the merchant acquiring business with commerce-enabling technology. The acquisition of First Data's South African business aligns to Bidvest Bank's diversification strategy.

Thinus Liebenberg
Financial Director

WE ASPIRE TO BE A SPECIALIST FINANCIAL SERVICES PARTNER THAT PROVIDES EFFICIENT SOLUTIONS TO BUSINESS AND CONSUMERS INTERNATIONALLY

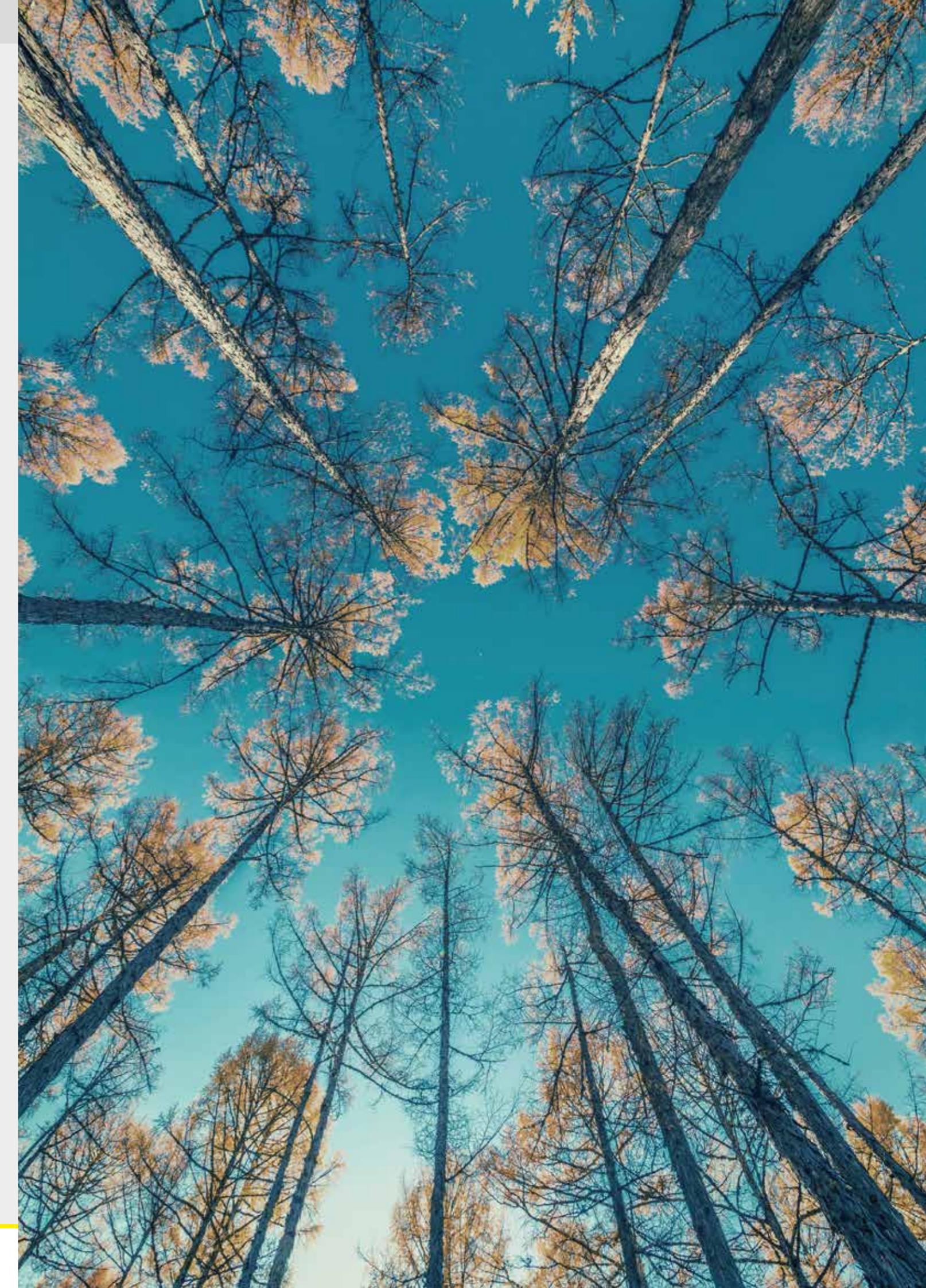
TO ACHIEVE OUR ASPIRATIONS WE ARE IDENTIFYING AND EXPLOITING KEY MARKET OPPORTUNITIES

ESTABLISH EXTERNAL ALLIANCES	DEVELOP AND ROLL OUT TRAVEL SOLUTIONS	DEVELOP AND ROLL OUT COMPETITIVE PAYMENT SOLUTIONS	DEVELOP TRADE SOLUTIONS	ACCESS OPPORTUNITIES IN BIDVEST GROUP	ACQUISITIONS/ NEW CHANNELS	PROCESS EFFICIENCY
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CREATING VALUE FOR OUR STAKEHOLDERS

- | | |
|-------------|----------------|
| • CLIENTS | • SUPPLIERS |
| • EMPLOYEES | • REGULATORS |
| • COMMUNITY | • SHAREHOLDERS |



ECONOMIC ENVIRONMENT

In the 12 months ending June 2017, the South African economy has been under severe strain, having slipped into technical recession – two consecutive quarters of falling gross domestic product (GDP) – in Q1 2017.

Key drivers of the slowdown in economic growth can be attributed to a lacklustre performance from the economy's key productive sector – manufacturing as well as a significant slowdown in domestic final consumption demand. In addition, the negative fallout from a deteriorating trend in investment into the productive sectors in conjunction with a retrenchment in domestic final consumption have exerted a drag on import demand.

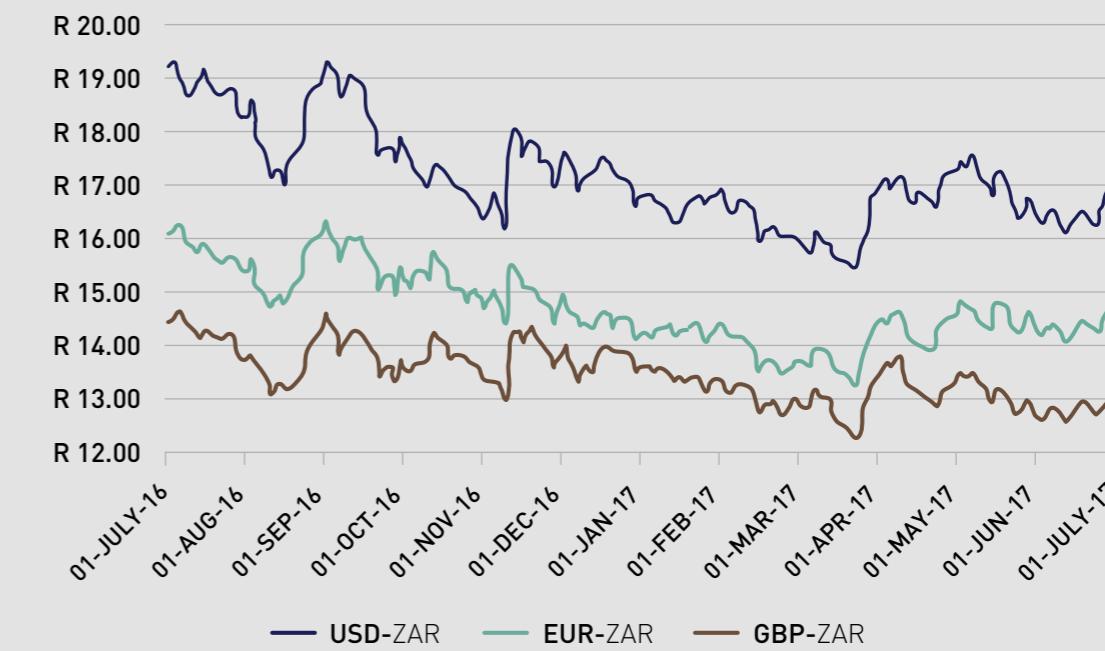
While such a reduction in imports can be viewed as positive from the perspective of aiding to rebalance the economy via swinging the trade account back into a surplus; it has real economic consequences. This includes the erosion of businesses' requirements for foreign exchange transactions. There is no doubt that importers have been feeling the squeeze in the past year as domestic demand has faltered. Yet, going forward, we could see importing businesses experience some reprieve on the back of the more favourable currency environment.

Another factor that has rocked the local economy are the decisions by the major global credit rating agencies to finally pull the trigger on downgrading South Africa's Foreign Exchange (FX) debt rating to sub-investment grade status.

This has added a layer of uncertainty to an already weak local economic environment. Add to this a tumultuous currency market borne out of so-called political noise-flow and you have a cocktail of fundamentals that are not conducive to a ramp-up in business operations.

This volatile FX environment, combined with heightened uncertainty about politics and lingering uncertainty surrounding domestic economic policy have all factored into a particularly depressed business sentiment. While factors such as the rebalancing of external deficits and a tight credit environment has aided in the ZAR managing to appreciate throughout this stormy economic period, it is understandable that a firmer FX environment has not been accompanied by rising foreign exchange income.

ZAR Performance | 12 Months through June 2017



Source: Bloomberg, ETM Analytics

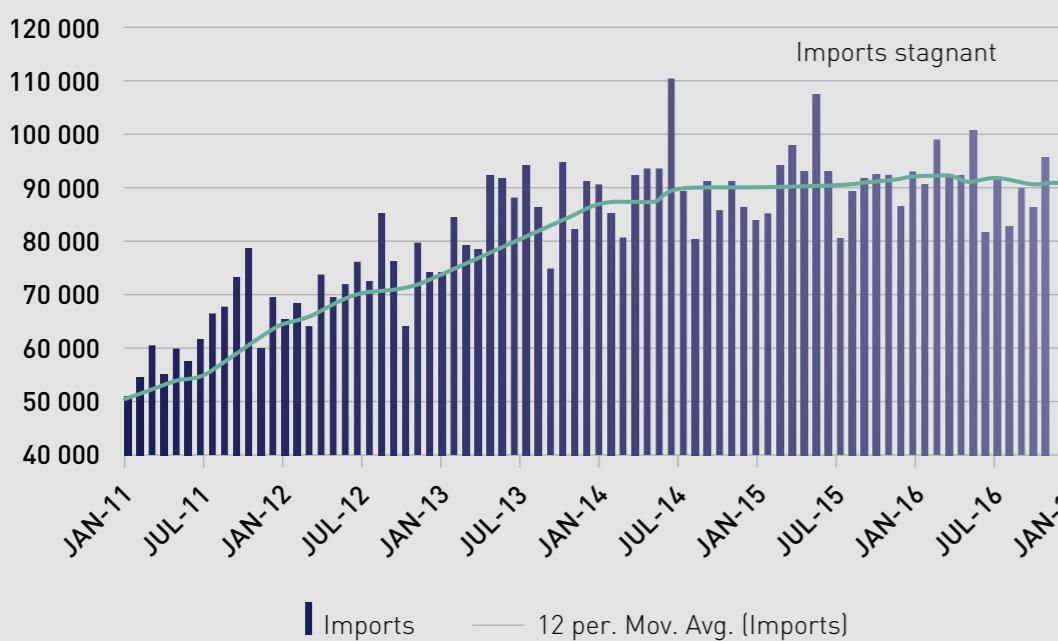
CREDIT RATING

On 14 June 2017, Moody's Investors Service raised Bidvest Bank Limited's long-term national scale rating (NSR) to Aa2.za from A1.za.

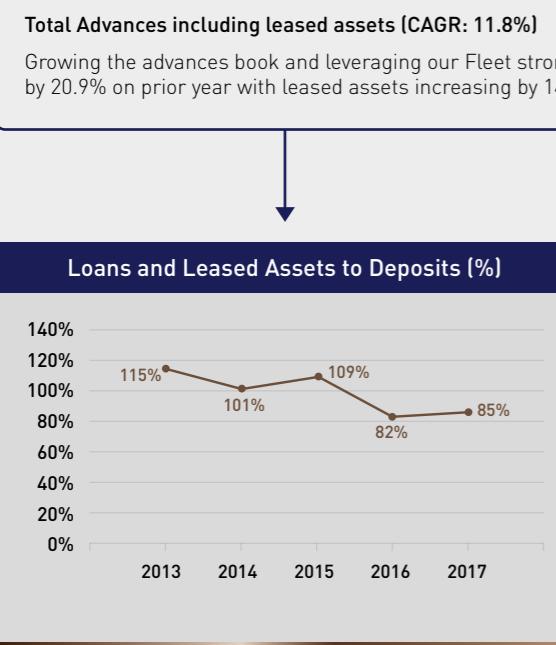
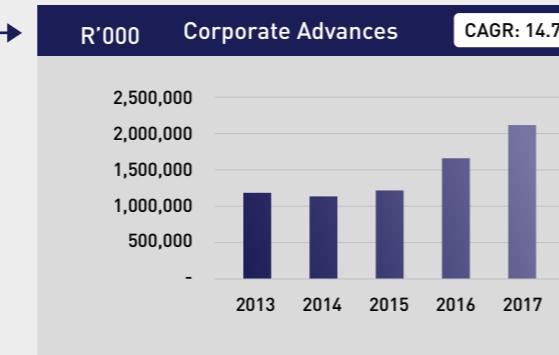
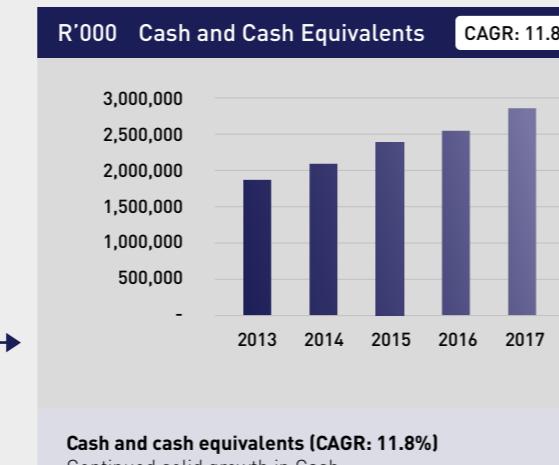
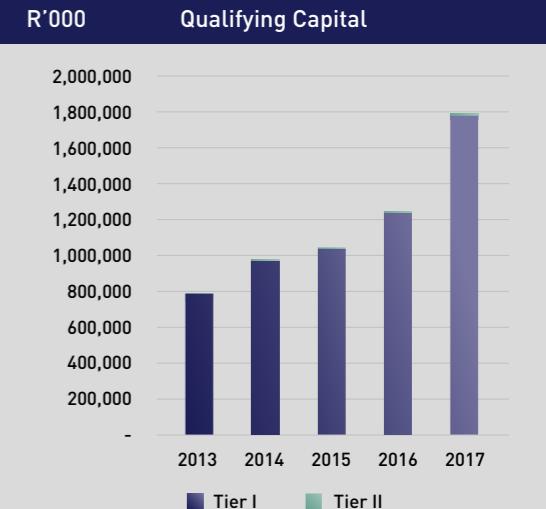
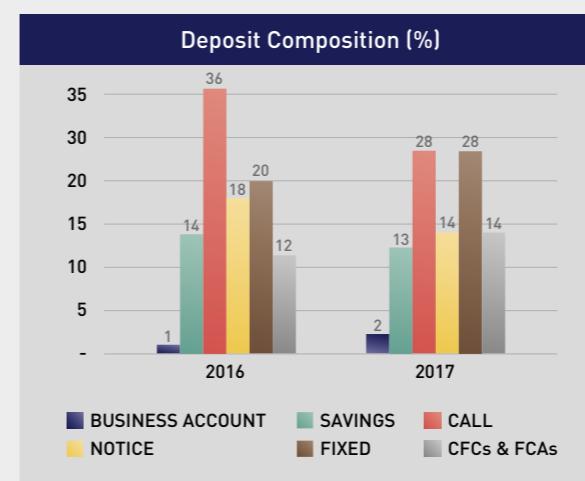
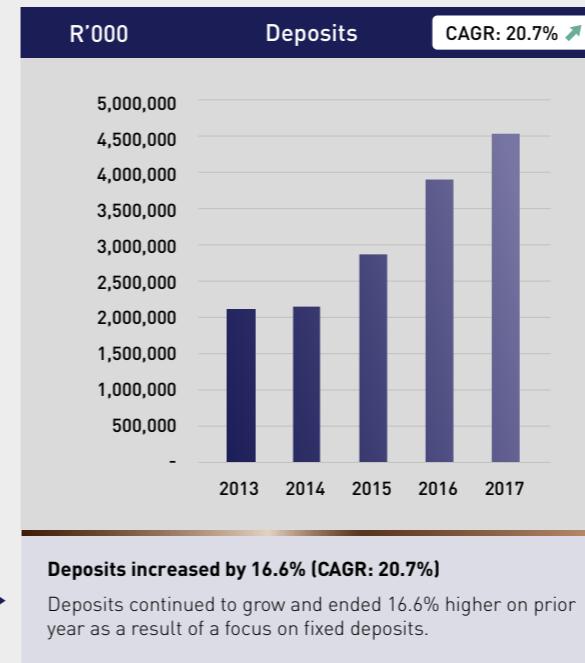
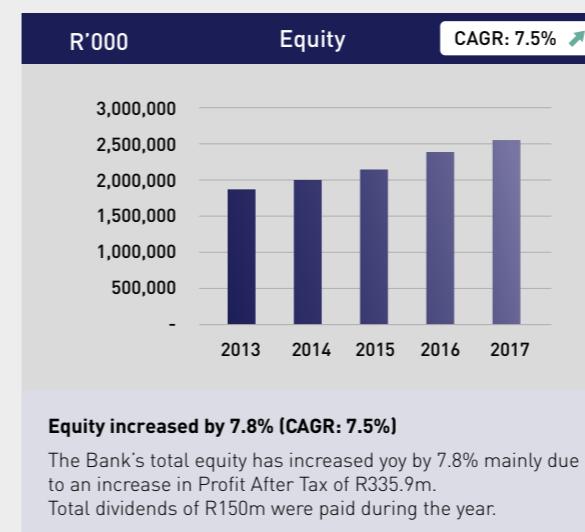
These results are based on an assessment that concluded that Bidvest Bank reflects its niche franchise within the foreign exchange and vehicle leasing business, and its solid financial fundamentals, specifically its comfortable capitalisation level and robust profitability. It also recognises the Bank's efforts and initiatives to diversify its customer offerings, which has gradually started to pay off supporting its revenues.

At the same time, Moody's affirmed Bidvest Group's global scale ratings (GSRs) and changed the outlook to negative from stable.

South Africa Imports | R millions

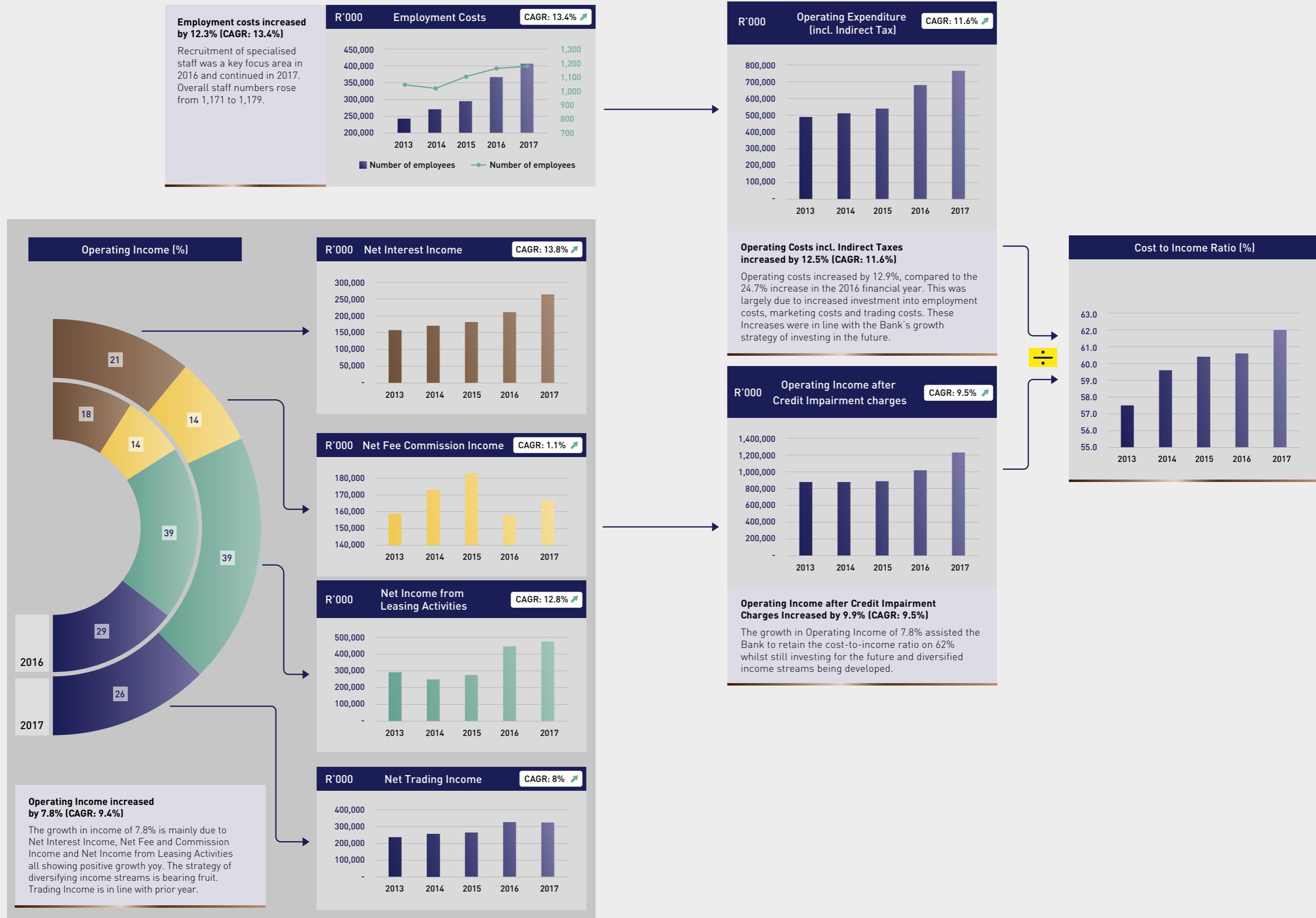


Source: SARS, ETM Analytics

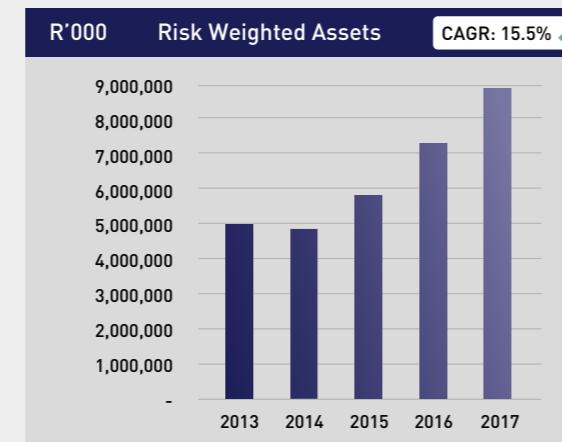
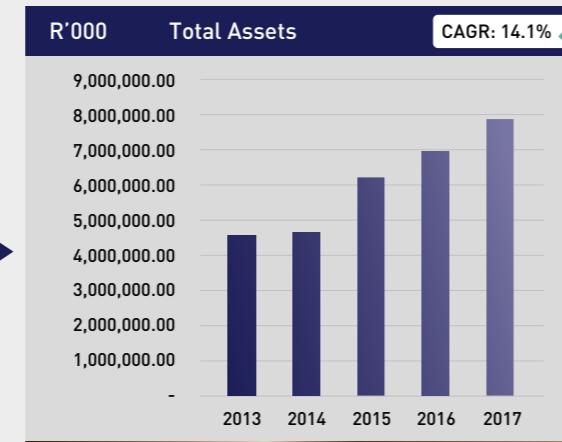
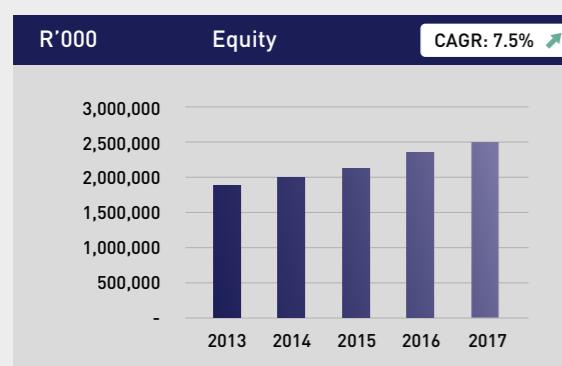
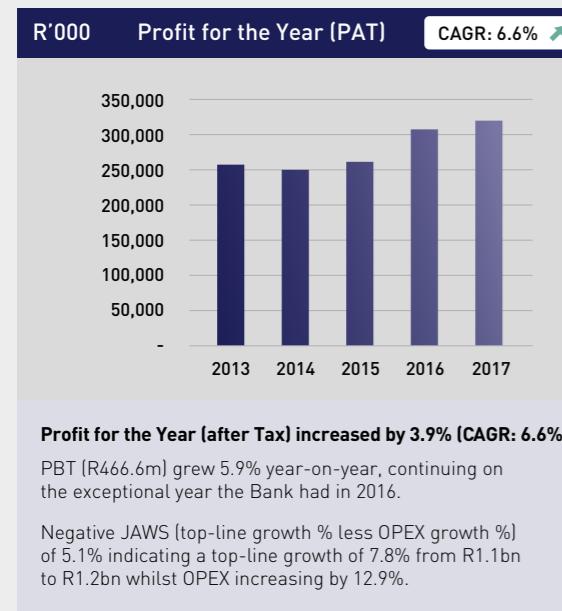
ASSETS**LIABILITIES**

Qualifying Capital (Regulatory Capital)
Total Qualifying Capital [Tier I] increased by 46% yoy and Total Capital by 7.8% yoy.
#Tier I capital, which includes ordinary share capital, share premium and appropriated retained earnings.

Continued solid balance sheet growth.



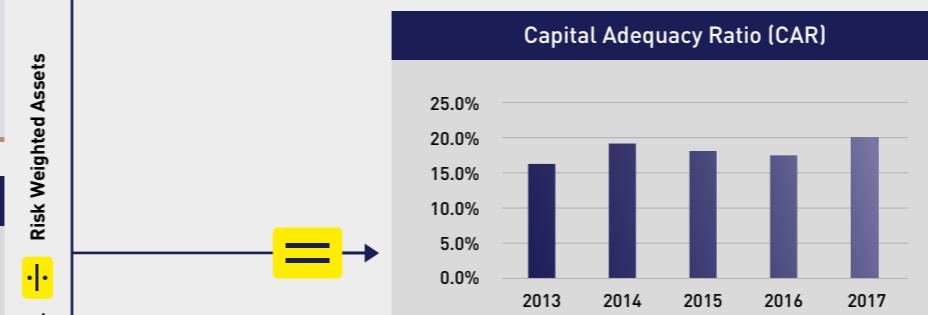
Robust profitability and comfortable capitalisation.



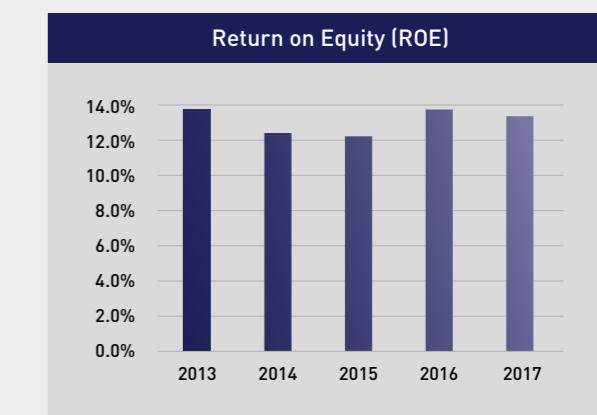
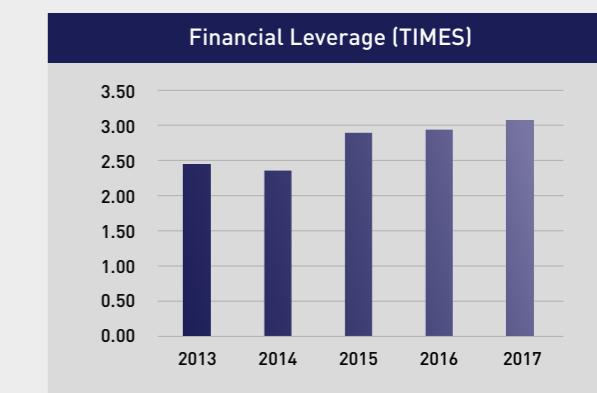
Risk Rating (difference between Total Assets and Risk Weighted Assets):
The Bank follows the standardised approach under Basel III and calculates requirements for market risk in its banking portfolios based on the Bank's market risk models and uses both external and internal grading as the basis for risk weightings for credit risk.



Qualifying Capital (Regulatory Capital)
Tier I capital, which includes ordinary share capital, share premium and appropriated retained earnings. Total Qualifying Capital (Tier I) increased by 46% yoy.



Capital Adequacy Ratio increased to 20.08%
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 20.08%, while the Bank's total Capital Adequacy Ratio (total capital and reserve funds as percentage of risk weighted assets) is 28.52%.
The declining CAR trend from 2014 to 2016 is mainly due to the increase in the operational risk capital requirement due to growth in gross income and also in the lending and leasing books. The increase in CAR from 2016 to 2017 is attributed to the appropriation of retained earnings to qualifying capital and reserve funds during the year. There have been no material changes in the Bank's management of capital during the period.





“Growth is never by mere chance; it is the result of forces working together.”

- James Cash Penney

WHO WE ARE

A wholly-owned subsidiary of The Bidvest Group Limited, Bidvest Bank is an entrepreneurially-minded Bank that strives to change the way people and organisations do business with their Bank.

We're a Bank dedicated to change. A Bank that constantly evolves to better suit today's everchanging world. A Bank that embraces ideas and innovative thinking.

Above all, we're a Bank that always seeks new and better ways to improve our customers' lives.

We are the Bank that chooses to partner in our customers' successes, rather than inhibit them.

Whether it is business banking, personal banking or fleet solutions, our boutique range of offers helps our customers and their businesses thrive.

Together, let's get it done.

HERITAGE

1998

The Bidvest Group acquires 100% of The Rennies Group, which includes the Rennies Foreign Exchange business.

2000

The Bidvest Group is granted a banking licence as Rennies Bank, including the Rennies Foreign Exchange business.

Rennies Foreign Exchange launches international money transfers via MoneyGram.

2007

The Bidvest Group leverages the equity of the Bidvest brand and rebrands Rennies Bank to Bidvest Bank.

Focused drive to attract and retain talent with banking expertise.

2010

Credit and lending expertise join the bank.

2009

Savings and investment accounts launched to market.

Bidvest Bank acquires McCarthy Fleet Solutions from the McCarthy Group and offers Fleet Finance and Management Services.

2008

Flagship foreign exchange product, World Currency Card™, launched.

Global Payments Online™ international trading platform launched.

2011

Personal transactional banking launched.

2015

Business transactional banking launched.

2016

Business philosophy 'Let's get it done' communicated to market.

2017

Launch of business merchant services.

VISION AND MISSION

We differentiate ourselves from our competitors in the way in which we service and look after our customers. For us, it is all about getting things done, in a unique manner that is underpinned by our culture and values.

We always abide by legislation without ever letting processes, resources or systems restrict us from satisfying our customers.

We exist to serve and retain our customers, by constantly looking for new and better ways to improve their lives.

Most importantly, we strive to partner in our customers' successes, rather than inhibiting their achievement.

BRAND PHILOSOPHY

LET'S GET IT DONE

A simple belief that permeates every corner of our organisation, our culture and philosophy that drives the way we think and behave.

It's the way we like to do business; the way we like to help our staff and customers achieve their goals.

Looking beyond the norm and tailoring our offers and products to better suit individual needs.

A philosophy that understands that no two individuals are alike, and that we need to constantly evolve to provide better, more innovative solutions.



LET'S GET THINGS DONE



LET'S GET THINGS DONE

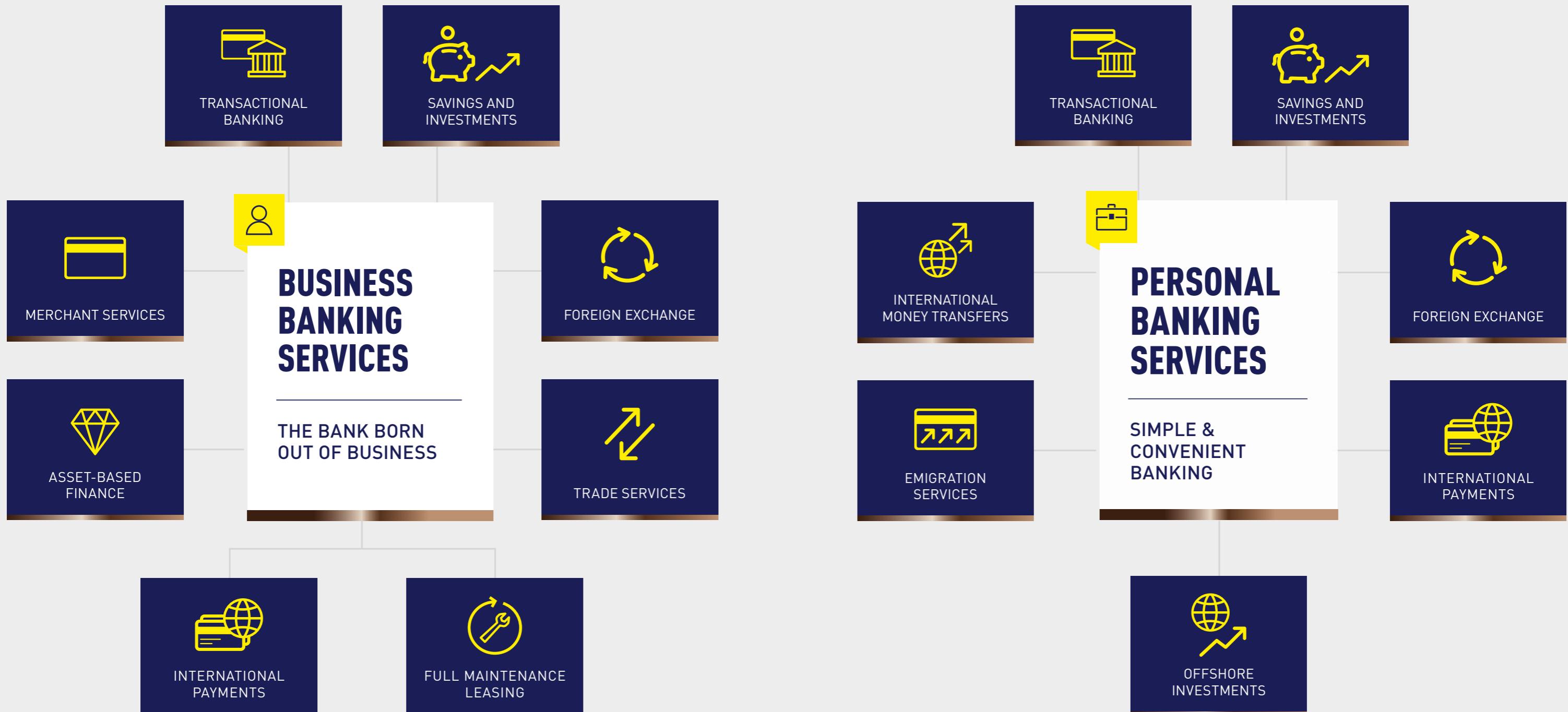
OUR
BRAND
MANTRA

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, 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 the opportunities



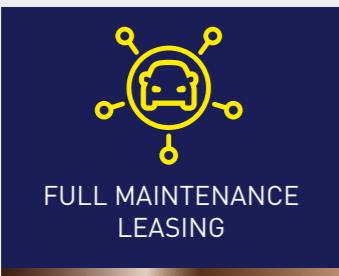
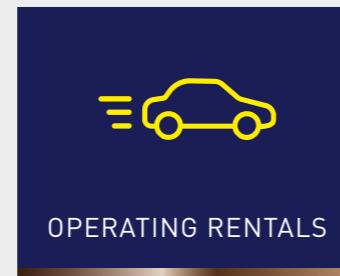
Let's seize the bull by the horns
Let's give it our all
Let's take the high road
Let's never turn from the truth
Let's tackle each challenge with a smile
in our hearts and bounce in our step
Let's help others get their things done
Let's get it done!

SERVICE OFFERINGS

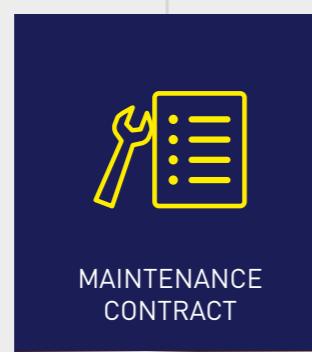
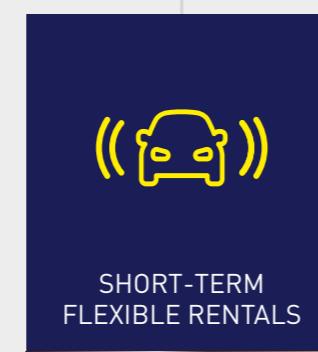
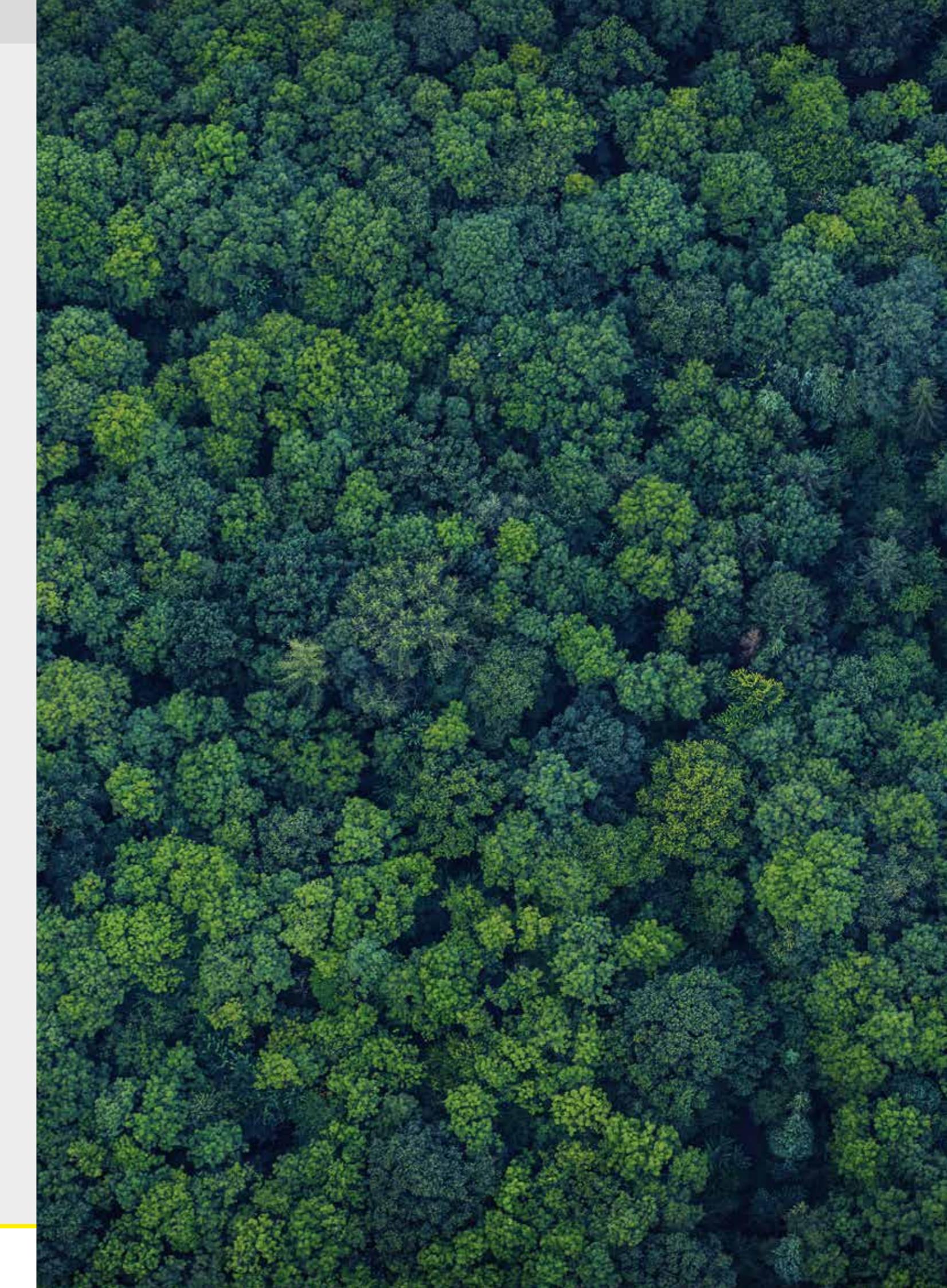




SERVICE OFFERINGS (CONTINUED)

FULL MAINTENANCE
LEASING

OPERATING RENTALS

**FLEET FINANCE
& MANAGEMENT
SERVICES**INSTALMENT SALES
AND FINANCIAL
LEASINGSALE AND
LEASEBACKMANAGED
MAINTENANCEMAINTENANCE
CONTRACTSHORT-TERM
FLEXIBLE RENTALS

INTEGRATED OPERATIONAL REVIEW FOR THE YEAR ENDED 30 JUNE 2017

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 R466.6 million (2016: R440.7 million). Operating income was up 7.8% at R1.2 billion (2016: 1.1 billion). The division remains strongly capitalised and highly cash generative.

HIGHLIGHTS

- Profit before tax up 5.9% to R466.6 million (2016: R440.7 million)
- Operating income rose 7.8% to R1.2 billion (2016: R1.1 billion)
- ROE of 13.3% decreased 0.52 percentage points (2016: 13.82%)
- Moody's rating improved to Aa2.za (from A1.za)
- Continued growth achieved in Fleet Finance and Management Services
- Solid cash generation with cash and cash equivalents rising 12.8% to R2.9 billion (2016: R2.5 billion)
- At R4.5 billion, deposits were 16.6% higher (2016: R3.9 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
 Maintain consistent financial performance	<p>Objective: To maintain profitability. 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>Method: Strategic planning and robust Financial Management. Robust governance structures and control.</p>	<p>KPIs:</p> <ul style="list-style-type: none"> Revenue diversification. Cost-to-income ratio. Growth in profits. 	<p>Performance:</p> <ul style="list-style-type: none"> Operating income 7.8% higher to R1.2 billion (2016: R1.1 billion). Costs were 12.95% up on the prior year, largely due to increased employment costs, in line with the Bank's growth strategy and investment in the future. Recruitment of quality people was stepped up in 2017 and overall staff numbers rose from 1,171 to 1,179. As a result, profit before tax was up 5.9% to R466.6 million (2016: R440.7 million). <p>Actions:</p> <p>Diversification of revenue streams through enhanced and expanded product offerings and alliances with new and existing partners.</p>
 Exceed corporate citizenship expectations	<p>Objective: To keep pace with new regulations. Compliance monitoring and implementation to ensure banking businesses do not contravene regulations. 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>Method: Adherence to Board-approved corporate governance policies and practices.</p>	<p>KPIs:</p> <ul style="list-style-type: none"> JSE SRI performance standards CDP performance standards Governance standards (King III) 	<p>Actions:</p> <ul style="list-style-type: none"> Compliance and forensics teams have been strengthened. Anti-money laundering controls also received heightened attention this year. Among the measures, the Bank: <ul style="list-style-type: none"> Implemented a new automated system for customer profile and transactional monitoring; Enhanced its processes for new customer onboarding, 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.

MATERIAL ISSUES (CONTINUED)

Material issue	Why it is important and strategic objectives	KPIs and targets	Performance against targets and actions going forward
 Promote employee health and satisfaction <p>Objective: To use innovative approaches to improve the health and wellbeing of all employees. People have a right to be healthy and happy. A healthy workplace is a productive workplace.</p> <p>Method: Partnering with healthcare providers to support the physical and mental wellbeing of employees.</p> <p>Objective: To improve talent attraction and retention and to have the required skills in the organisation.</p> <p>Method: Formulation of an Employee Value Proposition (EVP) with five key focus areas, namely: remuneration and employee benefits, performance, career development, leadership and culture.</p>	<p>KPIs:</p> <ul style="list-style-type: none"> Resignation rates Absentee rates <p>Performance:</p> <ul style="list-style-type: none"> The Attrition rate increased from 8.2% in 2016 to 12.4% in 2017. Bidvest Bank encourages career progression and gaining fresh ideas through "new blood". We are committed to retaining key talent. In financial year 2016/2017 there were 75 internal promotions at all levels. Bidvest Bank continues to support and promote internal career progression. In 2016, the absenteeism rate was 1.5%, this increased in 2017 to 2.5%, however, this is still below most South African companies who overall have a rate of between 3.5% and 6%. According to employee wellness reports, this increase is mainly due to lifestyle changes, which lead to stress. Bidvest Bank has wellness programmes to support employees in managing their health and lifestyle. Bidvest Bank conducted an Employee Satisfaction survey at the end of financial year 2017. The research findings indicate that Bidvest Bank is doing well to fulfil employees' basic needs. Teams generally know what is expected of them, and have the skills needed to deliver. The results indicated that 75% of the sample are highly engaged. The Bidvest Bank culture is positively described as diverse, good, dynamic and one of 'family' by the employees. <p>Actions:</p> <ul style="list-style-type: none"> 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 sustainable growth. Focus has also been placed on exit interviews to identify clearly stipulated reasons for resignations. 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. In addition, the Bank subscribes to online health and wellness programmes for employees and their families. During the year, wellness days were held nationally, at which various health assessments were conducted. Employee response was good in all regions. Altogether 348 employees attended the wellness day with their age average being 36. 		
 Enhance talent attraction and retention			

Material issue	Why it is important and strategic objectives	KPIs and targets	Performance against targets and actions going forward
 Human capital technology <p>Objective: Improved quality of human capital technology.</p> <p>Method: Continuous improvement and people strategies.</p>			<p>Bidvest Bank human capital launched an induction app (called backpackers guide) for new joiners in FY17 for product knowledge and policies.</p> <p>The bank developed a "My Bidvest Bank" app, which is available for all employees to access, with a core knowledge of Bidvest Bank.</p> <p>Human capital launched a new payroll system in FY 2017 which enables employee self-service and manager self-service thus reducing the human capital administration for line managers and employees.</p>
 Promote skills development <p>Objective: Development of staff.</p> <p>KPIs:</p> <ul style="list-style-type: none"> Training spend per employee Training hours per employee <p>Method:</p> <ul style="list-style-type: none"> Internal and external training/development. 		<ul style="list-style-type: none"> Annual training spend for 2015/2016 - R10.4m and decreased in 2016/2017 - R8.6m External Bursary funding was offered to 82 permanent employees in 2017 at R1.3m <p>Leadership and Graduate Programmes</p> <ul style="list-style-type: none"> 30 learners (October 2015 - October 2016) 26 learners (October 2016 - October 2017) 8 Graduates (April 2016 - April 2017) <p>Total spend R2.6 million</p> <ul style="list-style-type: none"> New and existing employees can also access Bidlearn which is an e-learning platform. Bidvest Bank launched an Academy in partnership with Milpark and GIBS to offer a wide range of learning programmes to enhance learning and to build leadership capabilities in the Cape Town region; these will be rolled out nationally. 	

MATERIAL ISSUES (CONTINUED)

Material issue	Why it is important and strategic objectives	KPIs and targets	Performance against targets and actions going forward
 Invest in socio-economic development <p>Objective: • To contribute to the socio-economic development of South Africa at national and regional levels. Sustained growth can only be achieved in well-resourced communities.</p> <p>Method: Contribution and management of CSI spend focusing on: • Education • Conservation • Crime prevention • Development of the youth • Charity</p>	<p>KPIs:</p> <ul style="list-style-type: none"> CSI spend CSI spend as % of net profit after tax <p>Targets:</p> <ul style="list-style-type: none"> 1% of net profit after tax 	<p>Performance:</p> <ul style="list-style-type: none"> CSI spend R2.7m (2016 R3.7m). CSI spend as a % of net profit after tax decreased slightly from 1.14% in 2016 to 0.8% in 2017. 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. <p>Our focus areas are:</p> <p>Education By assisting in the education of disadvantaged communities, we believe we can contribute to the development of our future clients and employees.</p> <p>Conservation 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> <p>Crime Prevention 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>Children Children are our future employees. We contribute towards their development to increase the potential of our future workforce.</p> <p>Charity organisations Charity collections include:</p> <ul style="list-style-type: none"> On Spring Day, casual wear is worn for a donation, which is then given to the Association for the Physically Disabled. On World AIDS Awareness Day, there is a sale of Red Ribbons in support of Friends for Life. 	

Material issue	Why it is important and strategic objectives	KPIs and targets	Performance against targets and actions going forward
 Reduce environmental impacts <p>Objective: To contribute by reducing our impact, educating employees, and working with suppliers and offering customer solutions to help them reduce theirs.</p> <p>Method: Active management via management structures.</p>	<p>KPIs:</p> <ul style="list-style-type: none"> Paper purchased Electricity used Gasoline (petrol) used 	<p>Performance:</p> <ul style="list-style-type: none"> Paper purchased decreased in 2017. Electricity and gasoline usage was consistent with the prior year. 	
 Employees (full-time and contract) <p>Objective: Improve employee relationship and satisfaction.</p> <p>Method:</p> <ul style="list-style-type: none"> Employee surveys (annual) Anonymous feedback forms (ongoing) Newsletters <p>Key issues: Remuneration and benefits, being informed about corporate strategy, employee skills development, employee wellness, local economic development, specific employer/employee relationship issues.</p> <p>Issues considered material: Employee wellness, skills development and retention.</p>		<p>Salary structures have been benchmarked against the market, and adjusted where necessary.</p> <p>Focus has been placed on engaging our employees and defining an employee Value proposition.</p> <p>Employees have been informed on the corporate strategy.</p> <p>Focus has been placed on robust talent acquisition strategies and employee exit interviews, with clearly stipulated reasons for resignations.</p>	

STAKEHOLDER ENGAGEMENT

Stakeholders	Objective and engagement method (and frequency)	Key issues identified	Corporate governance
 Financial regulators (SARB and the Financial Services Board)	<p>Objective:</p> <ul style="list-style-type: none"> Enhance reputation for probity and fair dealing. Compliance with all regulations and responsible banking practices. <p>Method:</p> <p>Robust governance structures</p>	<p>Key issues:</p> <p>Compliance with regulatory requirements.</p>	<p>The Board of Directors (the Board) recognises the importance of the principles of good corporate governance, and conducts itself in accordance with 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>
 Industry representative organisations	<p>Objective:</p> <p>Stay abreast of industry developments and any planned changes to the political environment.</p> <p>Method:</p> <p>Participation in industry forums and research.</p>	<p>Key issues:</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>
 Suppliers	<p>Objective:</p> <p>Maintain good relationships and explore efficiencies.</p> <p>Method:</p> <p>Know Your Supplier</p>	<p>Key issues:</p> <ul style="list-style-type: none"> Good governance over procurement processes and functions. Good governance over related-party transactions and potential conflicts of interest. A robust "Know Your Supplier" process in place. 	<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>

Stakeholders	Objective and engagement method (and frequency)	Key issues identified	Key actions taken and planned
 Customers	<p>Objective:</p> <p>Bidvest Bank is currently South Africa's leading niche Bank and offers a diverse range of products and services to individuals and businesses looking to "get things done".</p> <p>Method:</p> <ul style="list-style-type: none"> Diversified product and service offering. Maintain good relations. Understand issues, resolve them together and examine opportunities for needs-driven product innovation. Go further, to get things done. 	<p>Key issues:</p> <p>Developing a common understanding of customers/offering and defining points of customer interaction in order to grow and expand revenue streams.</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/offering and defining points of customer interaction. Competitive payment solutions have been developed, including foreign exchange online ordering with delivery to our customers' doors.</p> <p>Trade solutions have been further developed during the period, including structured trade finance.</p>
 Partners and potential partners	<p>Objective:</p> <p>Diversify the business base and accelerate the penetration of new niche markets.</p> <p>Method:</p> <p>Continuous new product development and identifying opportunities to work with alliance partners.</p>	<p>Key issues:</p> <p>Early identification of areas of future growth and development of new solutions that complement current products and services.</p>	<p>Continued focus on the information technology strategies of the Bank to harness competitive advances in technology.</p>
			<p>Several external alliances have been established and new travel solutions implemented.</p>

“Someone is sitting in the shade today because someone planted a tree a long time ago.”

- Warren Buffett

RISK REPORT

RISK MANAGEMENT

The Board of Directors (the Board) recognises the importance of ongoing 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 programme for Enterprise Risk Management (ERM). The Board further commits to providing sufficient personnel and other resources to ensure full implementation of an ERM programme. 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 divisions, 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 ERM 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 programme and Risk Appetite.

The Board expects executive management of the Bank to be committed to building a risk culture, an 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 programmes, and is demonstrated in daily activities by management and staff.

ERM is a group of structured and consistent risk management processes that are applied across the Bank. The ERM programme identifies, assesses, prioritises, and provides a formal structure for the internal and external risks that impact the organisation. These activities are categorised under commonly accepted categories of risk.

The ERM programme is driven by a formal approach that is aligned with the Bank's profile and strategic objectives. It is enhanced by formalising roles within the Bank, active committees, policies and procedures, reporting, communication, and technology. The ERM programme 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.

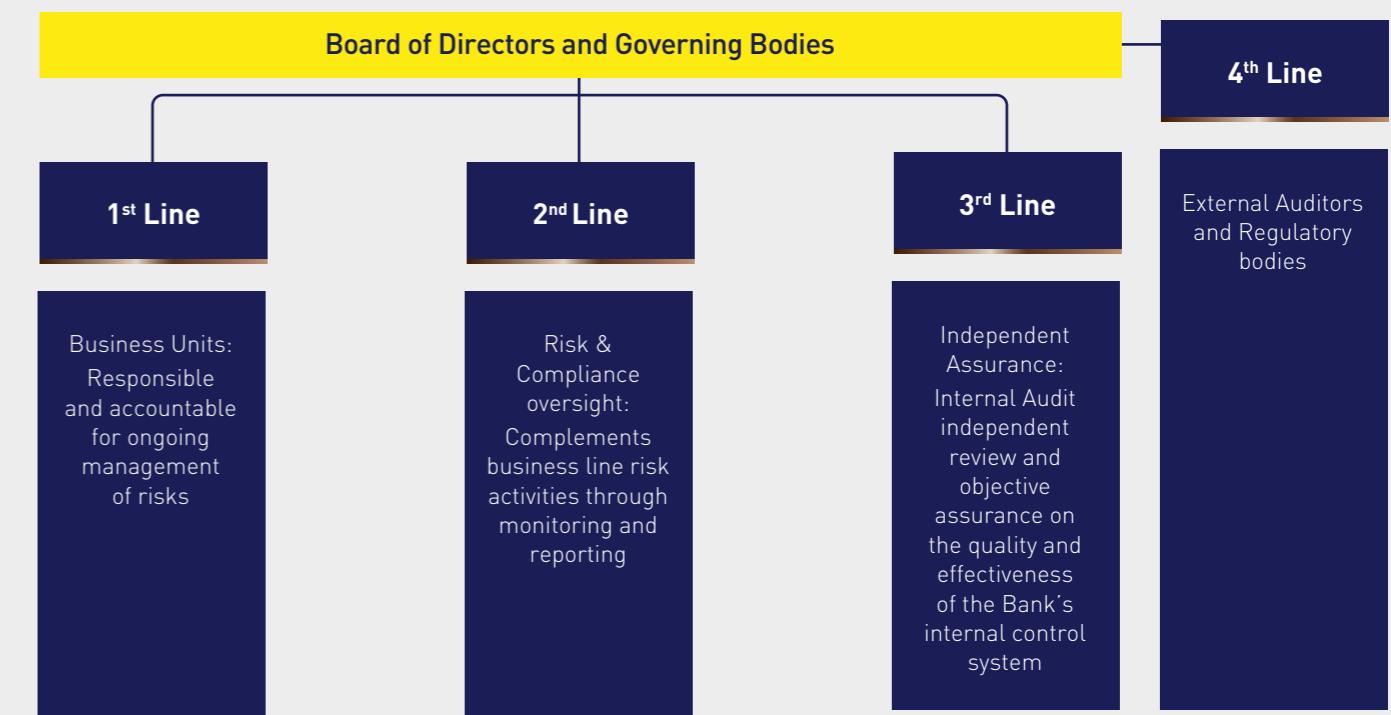
The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework.

RISK GOVERNANCE



INTERRELATIONSHIP OF RISK MANAGEMENT FUNCTIONS – FOUR LINES OF DEFENCE

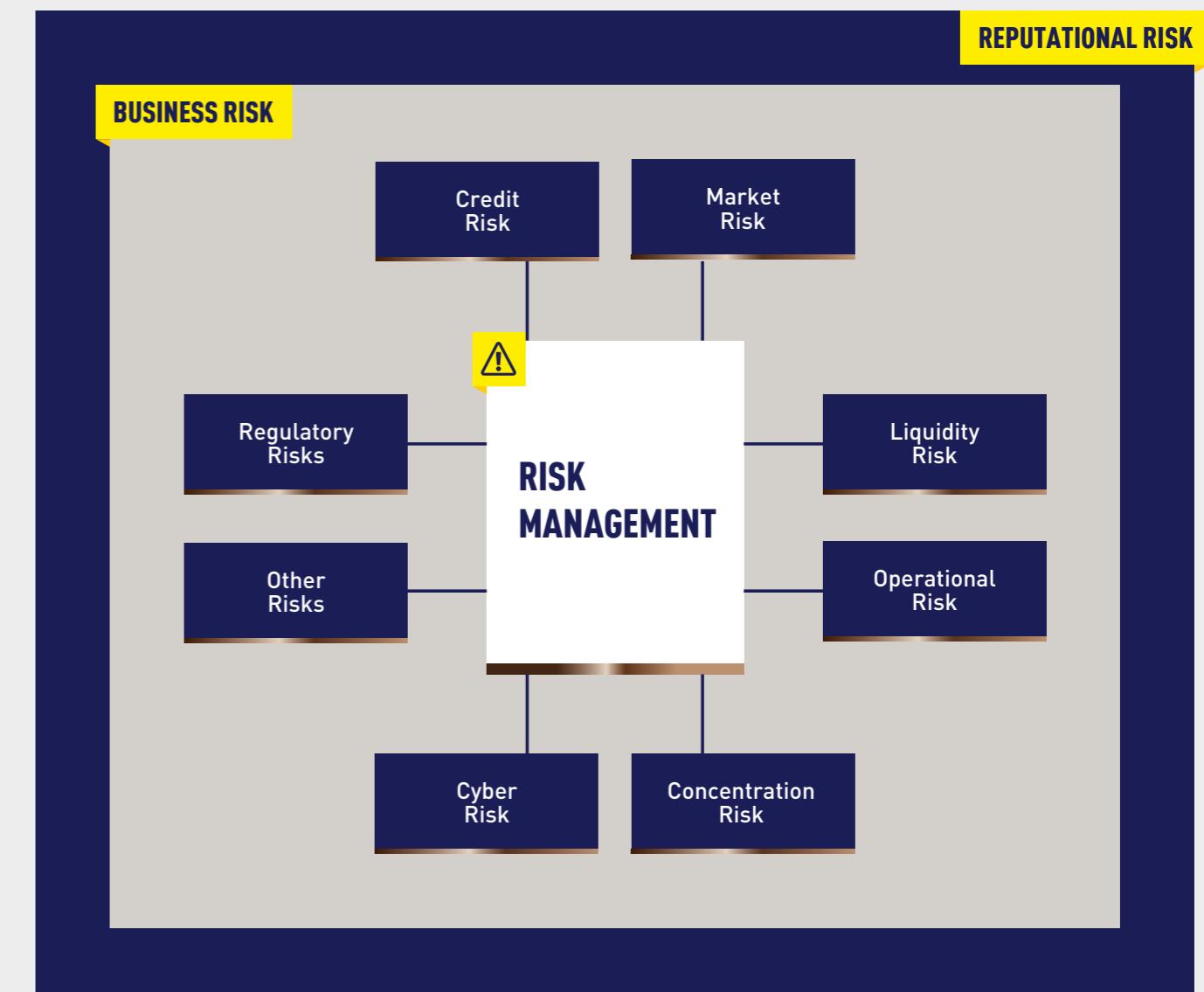
Bidvest Bank adopts the four lines of defence model.





RISK UNIVERSE

The Bank is exposed to various forms of risk in strategic, tactical and daily activities as illustrated in the below diagram.



REPUTATIONAL RISK

The risk that any activity or action taken by the Bank could negatively affect the Bank's reputation. The management of reputational risk is a function of the management of all risks.

BUSINESS RISK

The risk that planned and/or implemented strategic initiatives may not yield the desired or required return, which may affect medium- and long-term business growth and profitability.

The Bank's business strategy is formalised. The success of strategic objectives remains vital to the long-term success of the Bank. All strategic initiatives receive the necessary ongoing oversight and monitoring at Board and sub-committee level. Income derived from new/planned strategic initiatives is measured against the cost of implementation thereof to determine profitability/feasibility.



RISK APPETITE

The Board of Directors and management use a balanced approach in determining acceptable levels of risk to undertake. The Bank will only tolerate those risks which permit it to:

- Achieve its stated strategic business objectives;
- Provide a return that meets or exceeds expectations;
- Comply with all applicable laws and regulations; and
- Conduct its business in a safe and sound manner.

The Board approves and management sets general risk appetite levels annually through several means.

- The overall internal and external risk environments are considered in conjunction with the strategic planning process.

Key strategic business objectives and their financial and non-financial risk appetite levels are set annually and expressed in the strategic plan and policies. Within the scope of their authority and guidelines established in business plans, policies, and procedures, business unit managers make decisions regarding acceptable levels of risk. Managers are also responsible for implementing risk mitigation strategies of retention, control, avoidance and transfer.

CAPITAL MANAGEMENT

The South African Reserve Bank (SARB) sets and monitors capital requirements for the Bank. In implementing current capital requirements, the SARB requires the Bank to maintain a prescribed ratio of total capital to total risk-weighted assets, market risk exposure and operational risk exposure. The Bank follows the standardised approach under Basel III and calculates requirements for market risk in its banking portfolios based upon the Bank's market risk models and uses both external and internal grading as the basis for risk weightings for credit risk.

The Bank's regulatory capital is analysed into two categories:

- Tier I capital, which includes ordinary share capital, share premium and appropriated retained earnings.
- Tier II capital, which includes collective impairment allowances.

Banking operations are categorised as either trading book or banking book, and risk-weighted assets are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets and off-statement financial position exposures.

The Bank's Internal Capital Adequacy Assessment Process (ICAAP) is formalised and approved by the Board. The Bank's policy is to maintain a strong capital base to maintain investor, credit and market confidence and to sustain future development of the business.

The impact of the level of capital on shareholders' return is also recognised and the Bank recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Bank's ICAAP reflects its internal assessment of risk. The ICAAP determines the most suitable level of economic capital, i.e. the capital required to remain solvent under conditions that are extreme in nature. For potential losses arising from risk types that are statistically quantifiable, economic capital reflects the worst-case loss, taking risk-adjusted returns on capital into account.

The final economic capital level determined through the ICAAP reflects the capital to be held for risks as assessed by management instead of implied by a prescribed regulatory formula. The economic capital requirement is then compared to the regulatory capital requirement to determine the buffer to be held for uncertainties to ensure adequate capitalisation for the Bank.

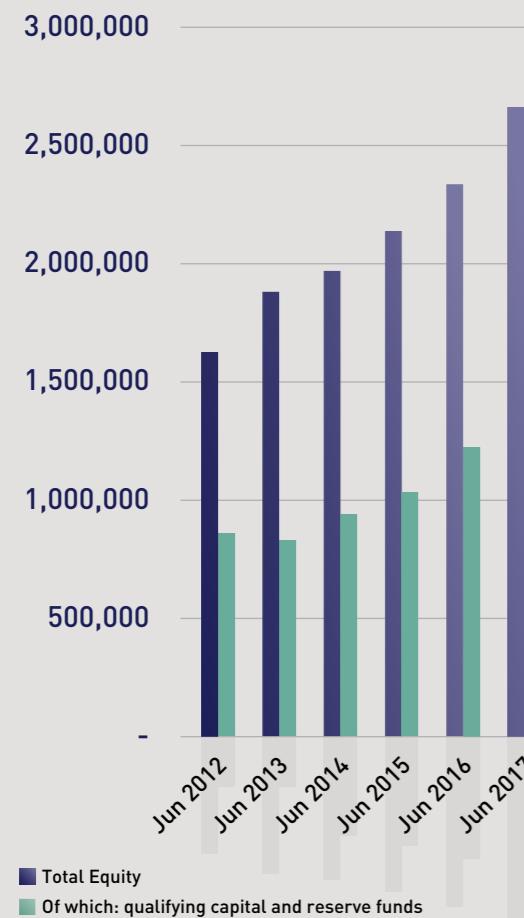
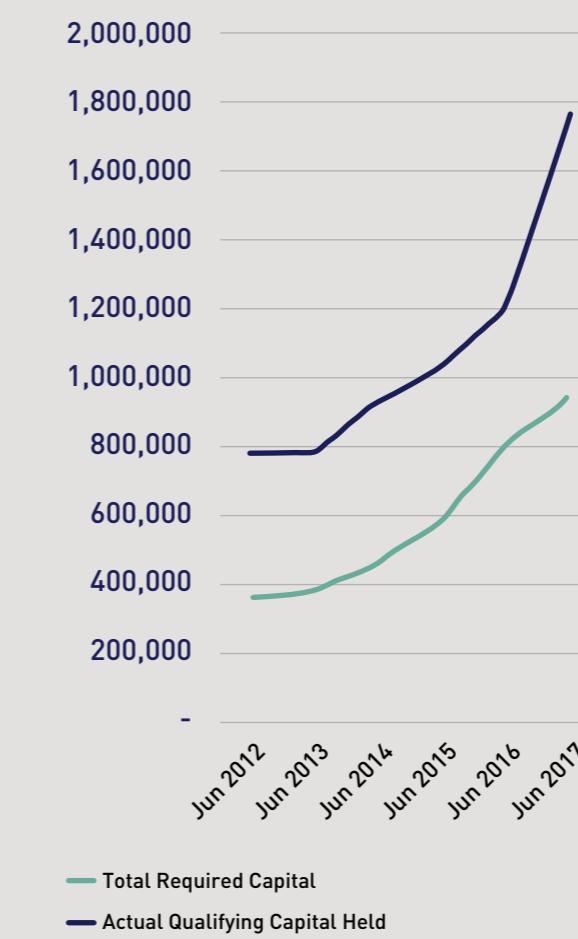
RISK APPETITE STATEMENT

Bidvest Bank considers both qualitative and quantitative measures as part of its risk appetite and focuses on capital, liquidity, profitability, and growth as primary measures. Financial operations are managed to obtain a reasonable risk / return relationship within the management of the various risks to which the Bank is exposed, including strategy risk, credit risk, liquidity risk and reputational risk. The Bank's risk appetite is linked to its short- and longer-term strategy focusing on higher return on equity, growth in profitability, year-on-year growth and revenue diversification. The Bank's risk appetite also specifies, as part of risk appetite, risk tolerances around its risk appetite, such as acceptable limits of credit losses. The risk appetite is reviewed annually and is adjusted to take cognisance of target values and market prospects. The Bank's overall risk appetite is relatively low.

Capital composition

As at 30 June 2017 the Bank was adequately capitalised and the below-capital-related items are highlighted.

Description	R'000/%
Total Capital and Reserves	2 526 027
Qualifying Capital and Reserves	1 778 030
Of which: Tier I	1 773 287
Of which: Tier II	4 743
Total amount of qualifying capital required	952 082
Total risk weighted assets	8 856 560
Capital Adequacy Ratio (CAR) (qualifying capital and reserves)	20.08%
Capital Adequacy Ratio (CAR) (total capital and reserves)	28.52%
Regulatory minimum CAR	10.75%
Internal board approved CAR	14.00%

**CAPITAL GROWTH (R'000)****TOTAL REQUIRED CAPITAL VERSUS ACTUAL QUALIFYING CAPITAL AND RESERVE FUNDS (R'000)**

REQUIRED CAPITAL ADEQUACY RATIO vs ACTUAL CAPITAL ADEQUACY RATIO (R'000)



BREAKDOWN OF CAPITAL REQUIREMENT

The risk weighted exposure for each of the Bank's risk categories are indicated below:



BREAKDOWN OF RISK WEIGHTED ASSETS - JUNE 2017 (R'000)



CREDIT RISK

Credit risk arises principally from the Bank's loans and advances to customers. It is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

Board responsibility

The Bank's Board of Directors (the Board) is ultimately responsible for the maintenance of effective risk management in the Bank. In discharging its responsibilities, the Board plays a critical role in overseeing the credit granting and credit risk management functions of the Bank.

The Board has delegated responsibility for the management of credit risk to its Credit Committee, which is chaired by a non-executive director. The role and responsibilities of the Credit Committee, as specified in the Credit Committee Charter, is to support the Board in fulfilling its duties and responsibilities regarding the management of credit risk.

Credit risk approach

The Bank adopted the standardised approach for the measurement of its exposure to credit risk and applies the requirements of Regulation 23 and 24 of the Regulations, relating to Banks, to its credit exposures.

External ratings

Where a company has a rating issued by a recognised rating agency, that rating has been applied. If not, an internal risk-based rating process has been applied. In the latter case, the Bank determines the financial condition of a borrower by calculating certain financial ratios and changes to certain ratios in order to determine the Internal Credit Rating allocated to the borrower.

Impairment policy

The Bank writes off loans (and any related allowance for impairment losses) when the Credit Committee determines that the loan is uncollectible. This determination is reached after considering information such as significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Restructured exposure

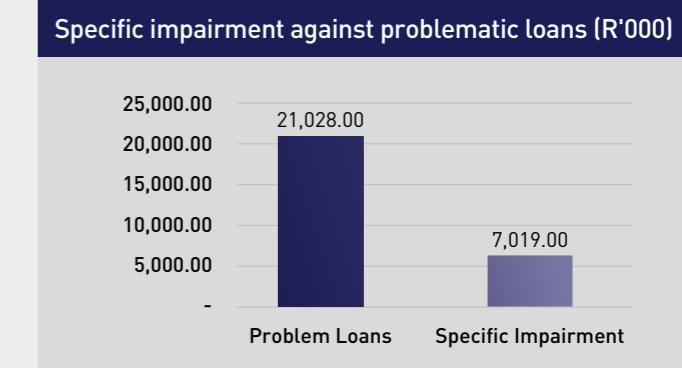
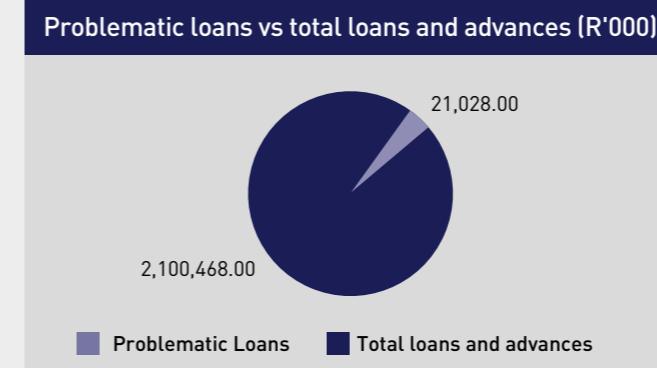
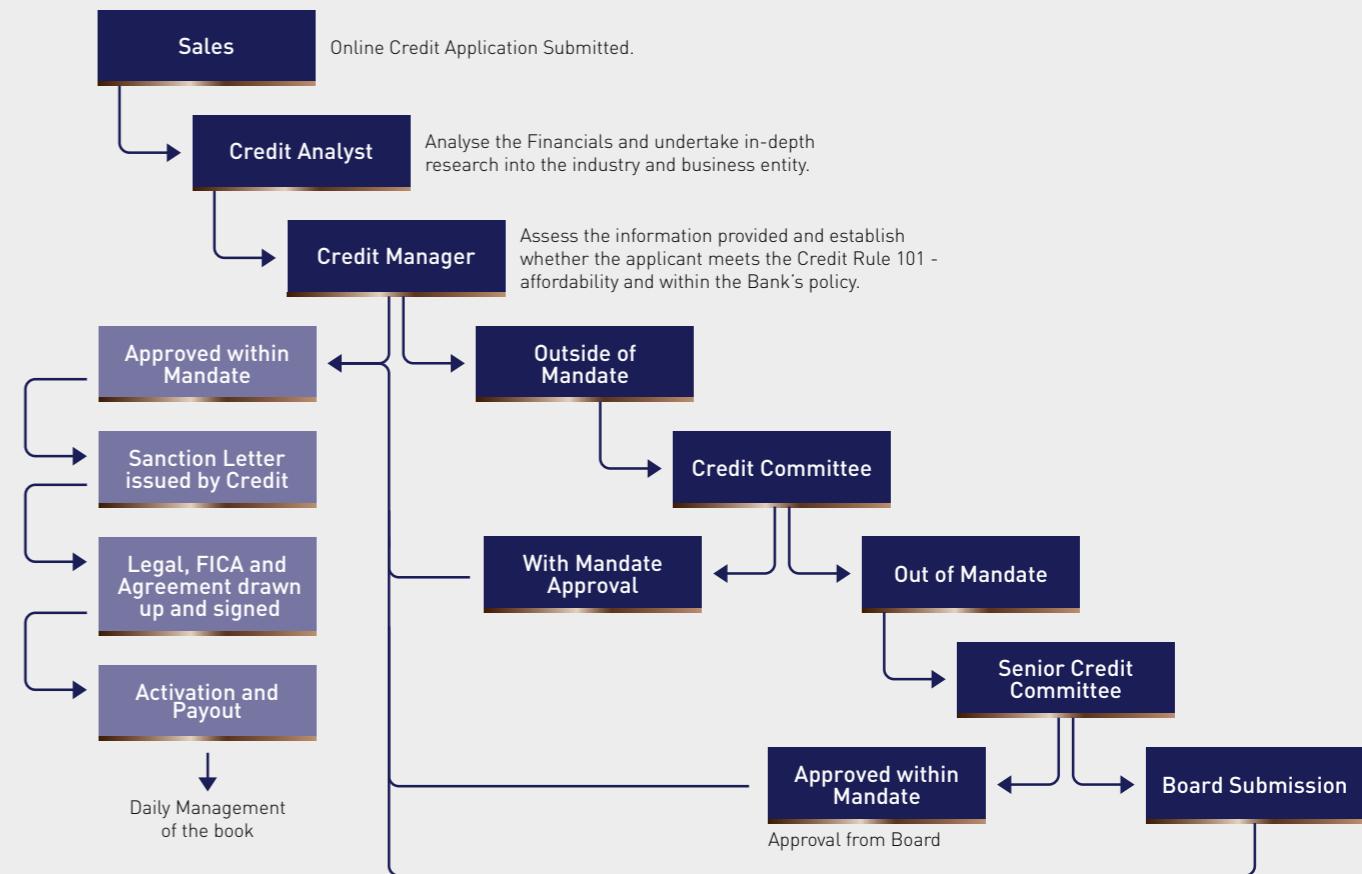
Debt is considered fore restructure when a borrower's financial condition has deteriorated, and a revised repayment plan is necessary.

Restructured credit exposure as defined by Regulation 67 of the Regulations relating to Banks includes any loan, advance or facility in respect of which the Bank granted a concession to the obligor owing to a deterioration in the obligor's financial condition, that is, owing to a financial distressed situation of the relevant obligor.



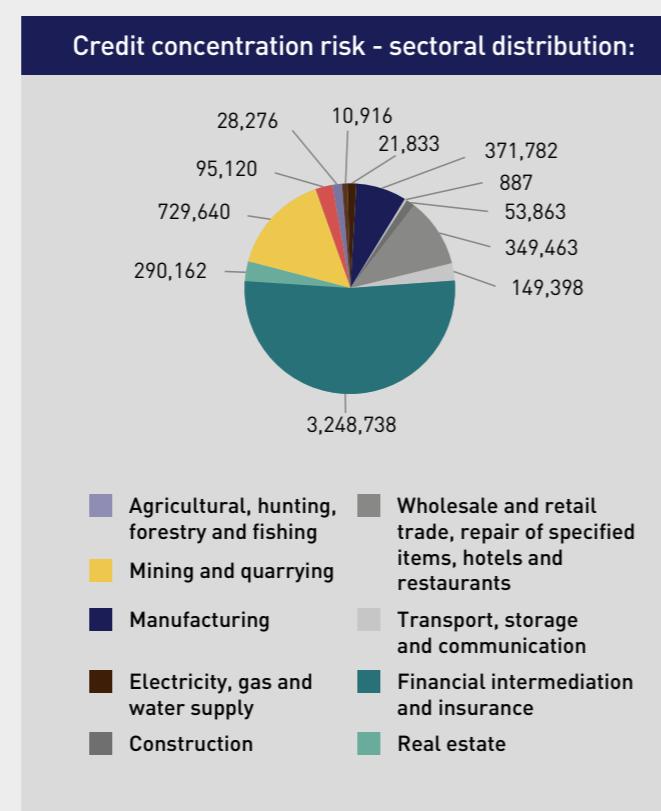
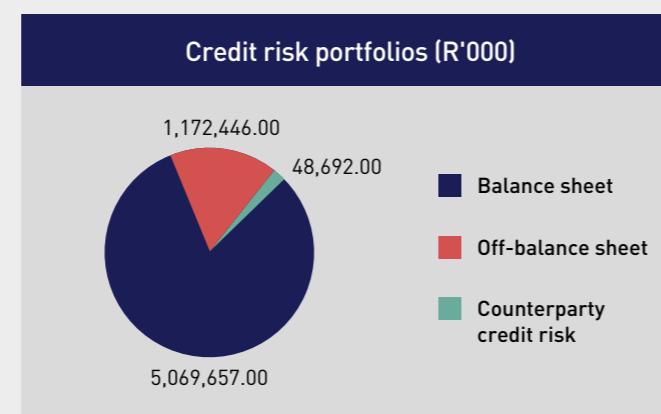
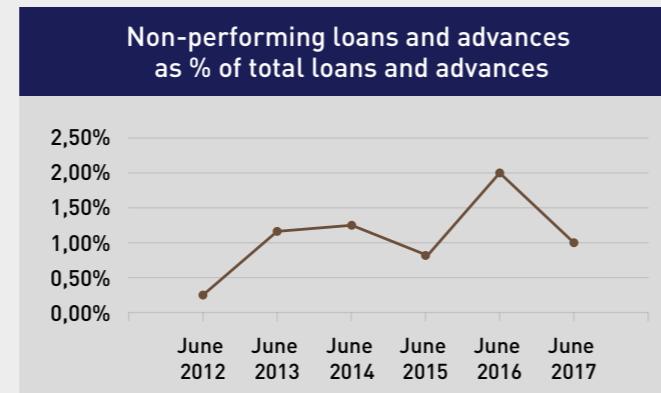
Credit granting process

Credit forms an integral part in the granting of credit by analysing, granting and managing the Bank's lending book.



SECURITY HELD

The Bank holds financial collateral and other security against loans and advances to customers in the form of mortgage bonds over property, assets financed, and other registered securities over assets, and guarantees. Estimates of fair value are based on the value of security assessed at the time of borrowing, and are updated regularly. The Bank applies the comprehensive approach for credit risk mitigation as set out in Regulation 23 of the Regulations relating to banks.



OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems from external events. This includes legal risk. These are the types of non-credit and non-interest rate exposures that can lead to financial loss – fraud, business outages, IT failures, vendor outages or failures, financial statement control issues and processing errors.

The Bank uses the standardised approach for purposes of capital calculation.

The capital requirement for operational risk is based on a three-year average gross income, which is allocated to certain business lines depending on the type of income. The business lines carry a prescribed beta factor, as per the Standardised Approach for Operational risk, used for calculating the capital charge.

The key issue when determining the categorisation of a risk event is its primary cause. A loss event will be considered an operational risk event if it arose as a result of inadequate or failed internal processes, people and systems or from external events.

Risk is expressed in terms of three components: event, cause and effect. This may be illustrated by a simple example, a worm virus:

- Risk event – a virus enters your computer;
- Cause – the external cause is a hacker; the internal cause is a lack of current virus protection software; and
- Effect – computer software fails, data is lost, with potential financial and non-financial consequences.

Identifying the root cause(s) of a risk event helps to isolate the operational loss element from other losses and to understand what action might be appropriate to mitigate against exposure to the risk, for example, by amending a process, system, control or management approach. Some examples of operational risk causes include:

- lack of policies and procedures;
- inadequate segregation of duties;
- inadequate activity management;
- lack of management review;
- inadequate analyses;
- information processing errors;
- inadequate physical controls; and
- external events.

When an internal issue is at the root of a risk, the focus should be on how to address the issue. This generally involves modifying a business process or enhancing controls to reduce the potential likelihood and impact of a risk event. For example, if “miscommunication” of critical information caused exposure to a risk, consideration should be given to improving the frequency and quality of communications.

When an external event is at the root of exposure to risk, focus should be on how leading indicators of the external event are monitored. For example, while it may be difficult to prevent lightning from striking the building, weather can be monitored for early warning signs of lightning and lightning conductors installed.

MARKET RISK

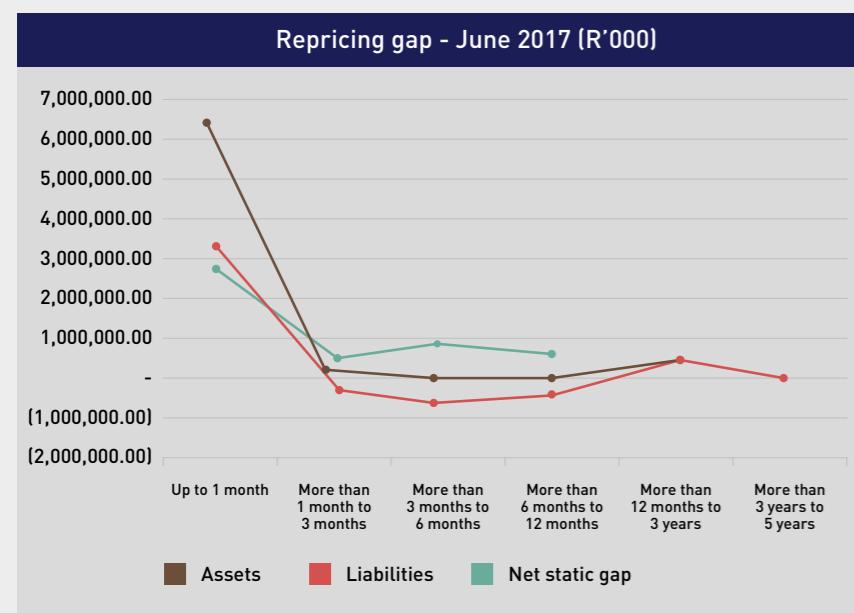
Market risk is the risk that arises from changes in the market prices such as interest rates, equity prices, foreign exchange rates and credit spreads that will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposure within acceptable parameters, while optimising the return on risk.

Interest rate risk

The interest rate risk is the risk that an investment's value will change due to a change in the absolute level of interest rates, in the spread between two rates, in the shape of the yield curve, or in any other interest rate relationship.

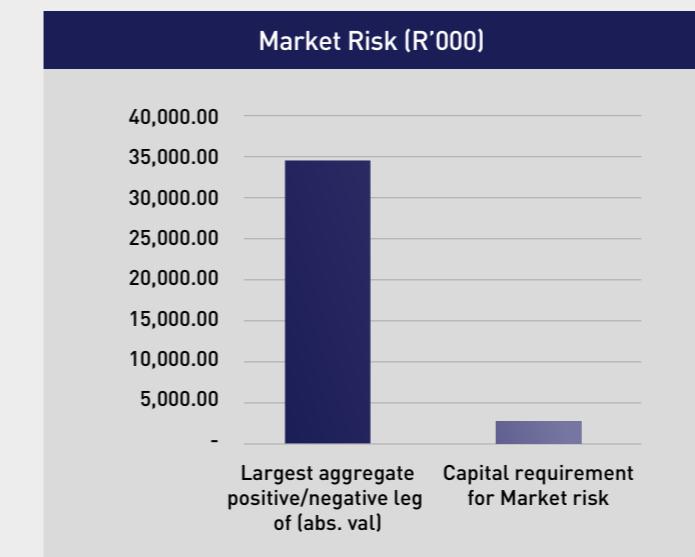
Management of interest rate risk

The Bank measures interest rate risk by establishing the repricing gap of assets and liabilities. The impact of changes in interest rates on the Bank's Net Interest Income (NII) and Economic Value of Equity (EVE) are addressed at the Bank's ALCO on a monthly basis.



Currency risk

This is the risk that profitability will be negatively affected by changes in exchange rates between the Rand and other foreign currencies in which assets and liabilities are denominated. The Net Open Position (NOP) in foreign currency is a limit imposed by the Regulator and is equal to 10 percent of the Bank's qualifying capital and reserve funds.

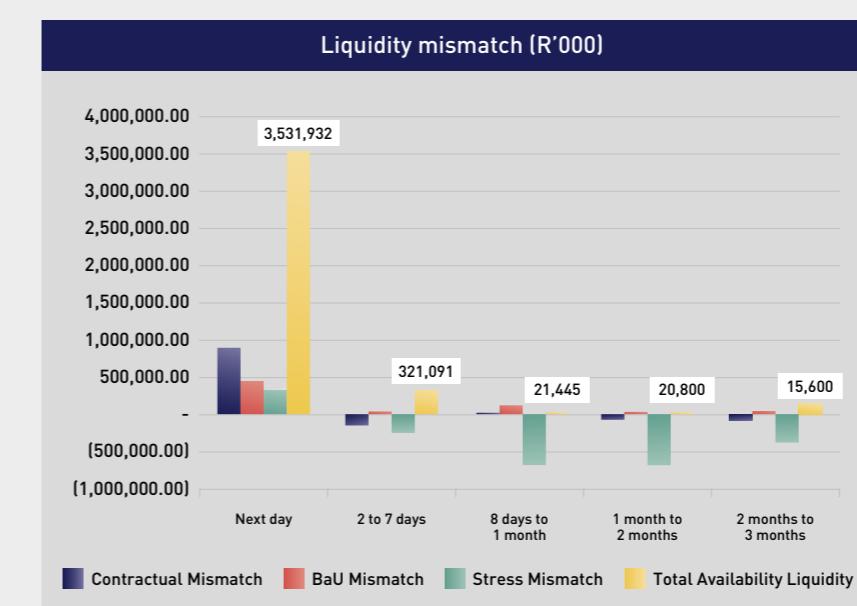


LIQUIDITY RISK

Liquidity risk is the current and prospective risk to earnings or capital arising from incurring unacceptable losses. Liquidity risk includes the inability to manage unplanned decreases or changes in funding sources. Liquidity risk also arises from failure to recognise or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Contractual and behavioural liquidity

The Bank manages its liquidity mismatches on both a contractual and behavioural basis. Liquidity mismatches are stressed to ensure that adequate available liquidity sources are available under stress scenarios.



Liquidity Coverage Ratio (LCR)

The Liquidity Coverage Ratio (LCR) refers to High Quality Liquid Assets (HQLA) held by the Bank to meet short-term obligations. It is designed to ensure that the Bank has the necessary assets on hand to ride out short-term liquidity disruptions. Basel III requires the Bank to have a minimum LCR of 100%.

LCR	2017	2016
LCR %	151%	163%
HQLA (R'000)	460 791	477 899
Net outflow (R'000)	605 638	292 996

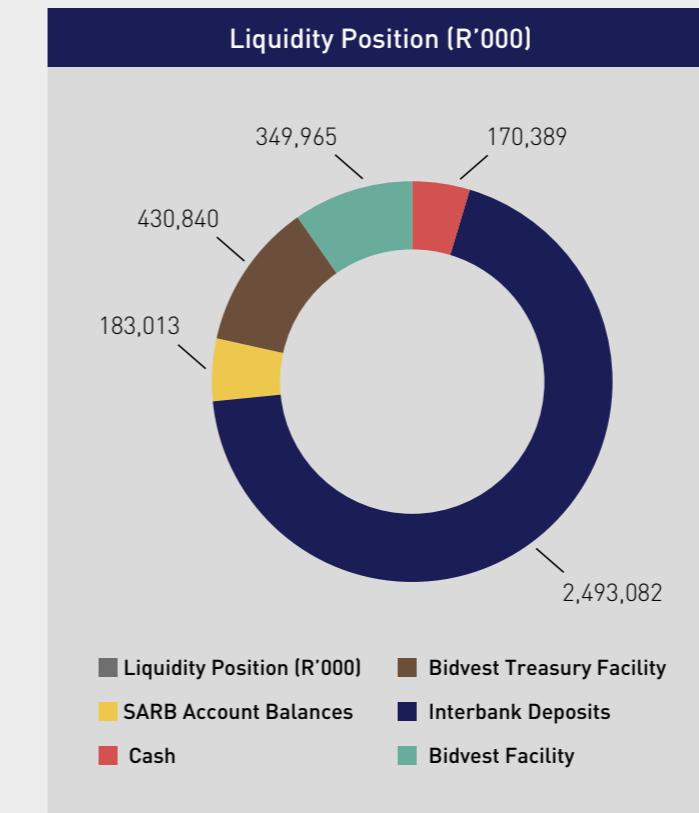
Net Stable Funding Ratio (NSFR)

The Net Stable Funding Ratio (NSFR) is defined as the amount of available stable funding (ASF) relative to the amount of required stable funding (RSF). The ASF is defined as the portion of capital and liabilities expected to be reliable over the time horizon considered by the NSFR, which extends to one year. A ratio of 100% or more by 2018 is prescribed by Basel III.

NSFR	2017	2016
NSFR %	101%	87%
RSF (R'000)	4 807 141	4 061 583
ASF (R'000)	4 856 276	3 535 226



The Bank is highly liquid with the majority of its liquidity placed in the interbank market.





PEOPLE

As our business grows, so does our team. Bidvest Bank's people are fundamental to our 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

- Launch of graduate development programme
- Launch of two learning academies
- Renewal of brand values
- Investment of R8.6m in learning initiatives
- Implemented Employee Child Bursary scheme
- Improved Employment Equity score on our scorecard
- Launched an integrated Human Resources & Payroll system

CHALLENGES

- Retention of key talent
- Increased number of Industrial Relations interventions
- Strengthened capabilities at leadership levels
- Competitive Employee Value Proposition

Every leader at our Bank is accountable for attracting, developing, retaining and engaging talented people as well as empowering them to execute Bidvest Bank's strategy. In doing this, we can connect with customers, deliver excellent service to them and provide them with relevant banking solutions.

Key areas that contribute to our growth:



ENGAGED TALENT

Ensuring engaged talent. The Bank is committed to employee development and retention. It has annual Talent Review sessions, which allow for proactive measures to be taken in managing talent. The Bank ensures that critical talent is rewarded, developed and retained. We 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 creating opportunities for faster development, building the correct knowledge, skills and experience, which align to our values.



STRENGTHENING CAPABILITIES

Strengthening capabilities. We continue to build capabilities in our business through the acquisition of talent with the right skills and competencies as well as the development of our talent to execute our strategy. We also seek to build our internal capabilities in the crucial areas of revenue growth management, key account management, strategic alliances and frontline execution.



INSPIRATIONAL LEADERSHIP

Inspirational Leadership. We continuously strive to develop our leaders to provide strategic direction for their teams in executing the Bank's vision and driving the right culture for our business through living Bidvest Bank's values.

THE ACADEMY OFFERS A BANKERS GRADUATE DEVELOPMENT PROGRAMME

10 Graduates completed the programme in the last year and have been employed in various departments of the Bank.



INVESTMENT IN HUMAN CAPITAL

Over the past financial year, Bidvest Bank continued to increase its contribution and commitment to the development and growth of its staff. This year saw the launch of two Learning Academies, which are fully equipped with the necessary tools to ensure productive learning environments.

The Bidvest Bank Academy launched in Cape Town in October 2016. The Bidvest Financial Services Academy in Durban was officially opened on 30 March 2017.

Unlike the Bidvest Bank Academy in Cape Town, our Academy in Durban is a collaboration between Bidvest Financial Services subsidiaries with a presence in KwaZulu-Natal (Bidvest Bank, Bidvest Insurance, Compendium, FMI Life and Glasscock).

The Bidvest Bank Academy delivers learning programmes to Bidvest Bank's employees via classroom, eLearning and blended approaches. Facilities include learning rooms, a branch simulation environment enabling experiential learning, a library, research centre, coffee bar, ping pong table and Wi-Fi.

It boasts several key features and services that make it an experiential and fun place for people to learn and work, which include:

- BidLearn, Bidvest Bank's bespoke eLearning platform, which hosts various hard and soft skills courses with accompanying assessments.

- Curriculums and career-pathing, which details required courses for various positions. Employees can plan their career paths and identify skills gaps.
- Knowledge centre on BidLearn where employees have access to latest news, business trends, industry research and discussion forums.
- Massive Open Online Courses (MOOCs) that are world-class, free online courses offered by the best universities, and that encourage self-paced learning.
- We have partnered with the Gordon Institute of Business Science (GIBS) for leadership programmes.

The Academy has been accredited as a service provider for Assessment and Delivery by the BANKSETA for the National Certificate: Banking (NQF Level 5 and 4). A total of 35 (2016: 31) learners from previously disadvantaged communities participated in the Bank's learnership programme during the year. Our learnership programme has a 100% success rate as all learners are permanently placed in our business.

The academy also offers a Business Development Sales programme for all sales employees. This is a blended learning approach to equip our sales teams with the right skills to support our business's growth plans.

Training spend for the financial year ending June 2017 was R8.6m.

**ADULT EDUCATION AND TRAINING (AET)**

Eleven housekeepers, switchboard and reception employees have enrolled to complete their matric qualification.



Bidvest Bank also participates in several BANKSETA initiatives, such as the International Executive Deployment Programme and the Risk Practitioner Qualification. We host Junior Business Analyst on a continuous basis to gain workplace experience.

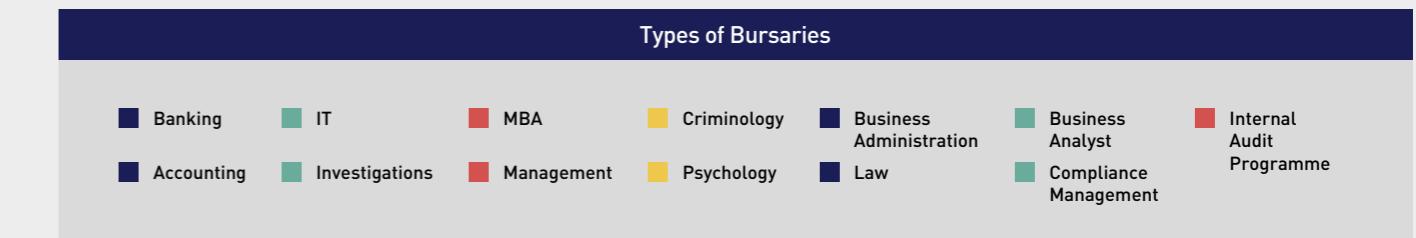
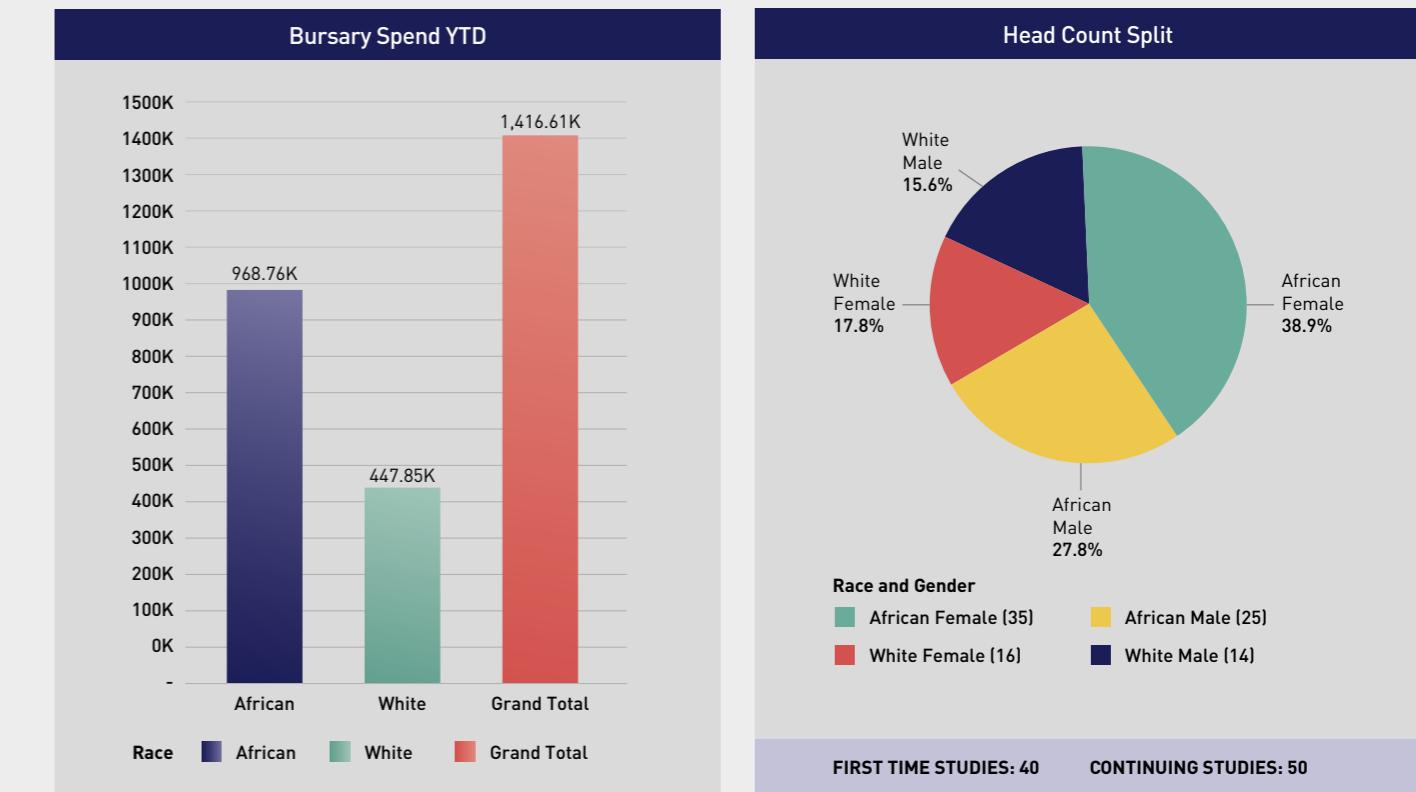
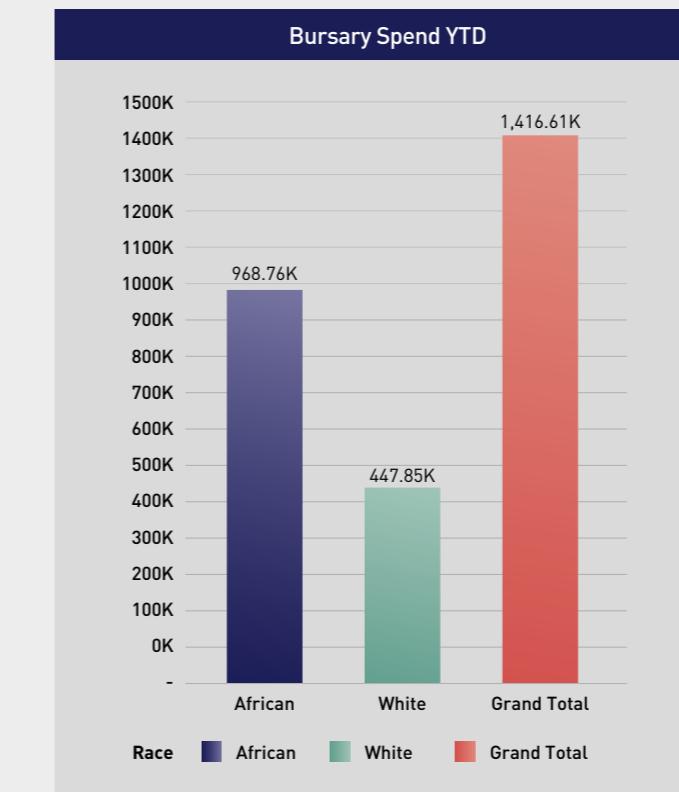
BURSARIES

Self-study learning together with supplemented internal courses, have afforded our employees the opportunity to take ownership of their career development. To support this, the Bank has an internal study assistance programme for employees who wish to obtain a tertiary qualification. The aim is to enhance the supply of internal candidates for career opportunities within the Bank. Our spend on learning and development initiatives was R1.3m for FY 16/17.

EMPLOYEE CHILD BURSARY SCHEME

The Bank introduced an employee child bursary scheme, which has been positioned as a staff attraction and retention tool. The scheme also aims to assist top-performing employees with their children's school fees, provided that the children have a good academic record. This scheme serves not only the employee, but their children as well.







REMUNERATION

The Remuneration Committee (Remco) is composed of three non-executive directors. The Committee oversees the governance of remuneration philosophy, reviews incentive schemes and bonus allocations for senior management, approves employee salary increases and the remuneration of non-executive directors. The Remco's mandate is to ensure that remuneration policies and practices are established and observed which:

- Attract and retain individuals able to create sustainable value; and
- Address remuneration risks inherent in the banking environment.

Remuneration of employees is informed by industry guidelines and prevailing market conditions. Biannual performance reviews are conducted to 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 Remco. The Bank does not offer a share incentive scheme, however, Bank executives do participate in the share incentive scheme of The Bidvest Group Limited.

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. Annually, the Bank also hosts a national Wellness Day for its employees where it assesses employees' health.



EMBRACING DIVERSITY

We believe in fostering a workforce that reflects the diversity of the country in which we operate. Our diversity is essential to remaining the strategic partner of choice for our customers. Diversity and inclusion not only help to stimulate different ways of thinking, but also support innovation and lead to new opportunities. We are committed to providing equal opportunities to all employees and aim to grow a diverse, highly qualified team. We have made progress in this financial year with employment equity targets moving our points on the scorecard from 7.30 out of 15 weighted points to 8.21 points.

EMPLOYEE RELATIONS

The Bank's aim is to promote and foster a healthy relationship between the line manager and its direct report, where both parties take responsibility for their actions. This is done through proactive engagement with communication at all levels and employee-related policies, which include those for disciplinary, grievance and sexual harassment. We ensure consistent communication of these policies to our employees and continuous monitoring to ensure compliance with the applicable legislation.

WORKFORCE PROFILE JUNE 2017

B-BEEE: Classification	Male				Female				Grand Total
	African	Coloured	Indian	White	African	Coloured	Indian	White	
Senior Top Management				1					1
Other Top Management				1					1
Senior Management	1		2	7	2			6	18
Middle Management	7	6	12	45	8	7	13	51	149
Junior Management	52	18	29	88	86	50	22	93	438
Non-Management	80	41	17	42	230	78	30	54	572
GRAND TOTAL	140	65	60	184	326	135	65	204	1179

Race Code: African Coloured Indian White



CORPORATE SOCIAL INVESTMENT STRATEGY

Through our Corporate Social Investment (CSI) strategy, Bidvest Bank is committed to growing the development and wellbeing of the communities that we serve and operate in. Our socio-economic investments remain focused on education, business development and job creation in the Small- to Medium-sized Enterprise (SME) space.

We believe in building robust relationships and working in partnership with organisations that make a measurable difference to people's 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 support, marketing or promotion.

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



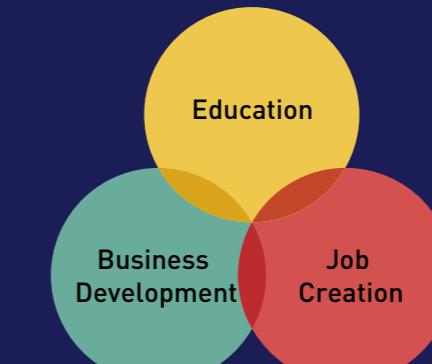
COLUMBA LEADERSHIP

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 is to activate a national movement of engaged young leaders with the objective of improving school performance and youth employment prospects. Bidvest Bank provides 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.

Columba Leadership works with a group of 12 learners from Grade 10 and three seniors. After completing the programme, they become the catalysts for large-scale mobilisation of other youth in targeted schools. By creating and reinforcing a positive action-learning culture, these learners develop the skills needed to contribute positively to society and the communities they're part of. This in turn bolsters their school performance, improves their prospects of success with their studies and prepares them for the world of work.

CORPORATE SOCIAL INVESTMENT FOCUS AREAS



BATHEBILE

Since 2009, Bathebile has been facilitating the development of community-based skills-building projects. Once the projects are self-sustaining they are handed over to the community to manage, thereby contributing to a culture of self-reliance and sustainability.

To date, the project has achieved a number of successes including a winter feeding scheme in Diepsloot, a kids' haven in Benoni that provides tracksuits and sneakers to 192 children, and working with several 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 underprivileged 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 enables participants to grow 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 by providing food and a safe environment. Simamisa also provides basic early learning support for smaller children, and ensures that older children attend school.

Since its establishment in 2005, Simamisa has grown from a single-room Reconstruction and Development Programme (RDP) house and two metal shacks, into an expanded house with a main bedroom, storeroom, office, kitchen, bathroom facilities, a small classroom, lounge area and three bedrooms that can accommodate 18 children.

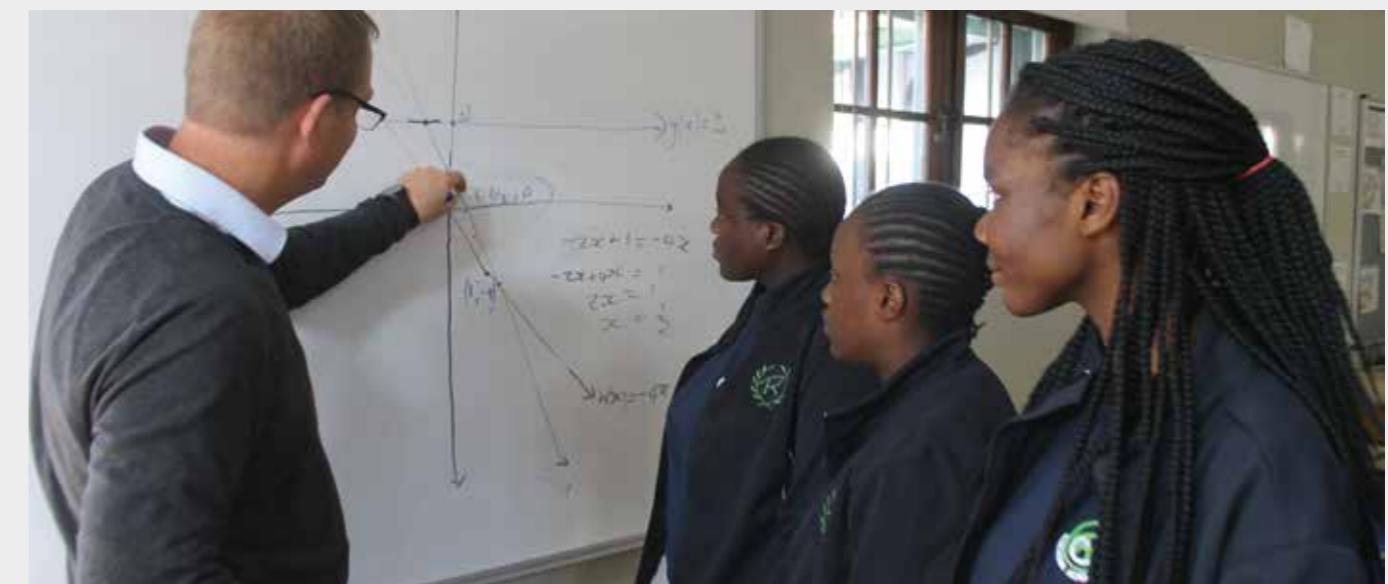
Bidvest Bank continues to support the centre with teacher-funding and monthly groceries. Our staff have also donated clothes and toys in their personal capacity throughout the year.

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 underprivileged 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 hot meals are provided to each learner. Learners also have access to Roedean facilities, including the school's 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.

Bidvest Bank has been sponsoring the Roedean Academy since 2011 in order to fund its vision of providing excellent education to pupils from under-resourced schools.



MODLIN EDUCATION SERVICES

Modlin makes education mobile by teaching critical subjects to community-based teachers and learners in busses. Each bus is kitted out as a mobile classroom – fully-equipped with computers and interactive software. Trained educators travel in these busses to help teachers gain Mathematics, Life Science, Natural Science and Physical Science skills, particularly in underserviced areas. They also supply learners, specifically Grades 8-11, with dictionaries that cover these subjects.

Bidvest Bank supports this initiative at schools within Gauteng (Olievenhoutbosch Secondary School), Cape Town (Groenvlei Secondary School) and KwaZulu-Natal (Tshana Secondary School).

During 2016, Bidvest Bank collaborated with Modlin Education Services; Valued Citizens Initiative (VCI) and Mobile Student Future (MST) to deploy educational products and training to learners and educators in these three provinces. The project was aimed at improving the mathematics and science skills of secondary school learners. It also focused on providing learners and educators with the tools to develop a strong grasp of vocabulary associated with maths and science and improving the frequency, standardisation and quality of assessment. The training, conducted on a mobile vehicle equipped with 12 personal computers, saw a total of 1 774 subject-specific dictionaries distributed to 1 236 learners. It also enabled 37 maths and science educators to be trained on Modlin educational products and methodologies.



ADJUSTED CONSOLIDATED STATEMENT OF FINANCIAL PERFORMANCE FOR THE YEAR ENDED 30 JUNE 2017

	2017 R '000	2016 R '000	2015 R '000	2014 R '000	2013 R '000	2012 R '000
Interest income	342 905	231 845	222 354	188 806	154 528	100 514
Imputed interest from rental income*	133 495	125 939	51 719	61 974	75 733	99 014
Interest expense	(210 793)	(146 456)	(91 198)	(79 714)	(71 717)	(59 838)
Net interest income	265 607	211 328	182 875	171 066	158 544	139 690
Fee and commission income	323 084	289 108	264 142	248 489	228 517	216 435
Fee and commission expense	(156 073)	(130 863)	(80 201)	(74 781)	(68 897)	(62 893)
Net fee and commission income	167 011	158 245	183 941	173 708	159 620	153 542
Leasing income	608 826	572 060	324 459	312 239	369 477	497 406
Imputed interest reflected under net interest income*	(133 495)	(125 939)	(51 719)	(61 974)	(75 733)	(99 014)
Net income from leasing	475 331	446 121	272 740	250 265	293 744	398 392
Net trading income	324 488	327 357	267 734	263 557	238 758	237 819
Other income/(loss)	1 685	1 530	[9 737]	4 007	10 136	902
Operating income	1 234 122	1 144 581	897 553	862 603	860 802	930 345
Net credit impairment charges	[4 960]	[25 984]	[562]	[4 111]	[6 737]	[1 456]
Operating income after credit impairment charges	1 229 162	1 118 597	896 991	858 492	854 065	928 889
Employment costs	(405 432)	(361 031)	(295 541)	(271 500)	(244 935)	(246 637)
Operating leases	(91 796)	(87 154)	(76 453)	(73 818)	(70 916)	(67 186)
Risk control	(25 649)	(21 865)	(23 646)	(23 656)	(23 751)	(24 552)
Information technology costs	(47 945)	(32 457)	(24 716)	(21 310)	(20 582)	(21 464)
Depreciation and amortisation	(43 572)	(39 454)	(30 151)	(30 000)	(29 592)	(29 925)
Other operating expenditure	(128 937)	(116 156)	(80 655)	(73 335)	(85 857)	(93 648)
Operating expenditure	(743 331)	(658 117)	(531 162)	(493 619)	(475 633)	(483 412)
Profit before indirect taxation	485 831	460 480	365 829	364 873	378 432	445 477
Indirect taxation	(19 269)	(19 816)	(11 472)	(18 324)	(15 570)	(12 558)
Profit before direct taxation	466 562	440 664	354 357	346 549	362 862	432 919
Direct taxation	(130 606)	(117 179)	(91 345)	(95 751)	(102 483)	(115 881)
Profit for the year	335 956	323 485	263 012	250 798	260 379	317 038

*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 30 JUNE 2017

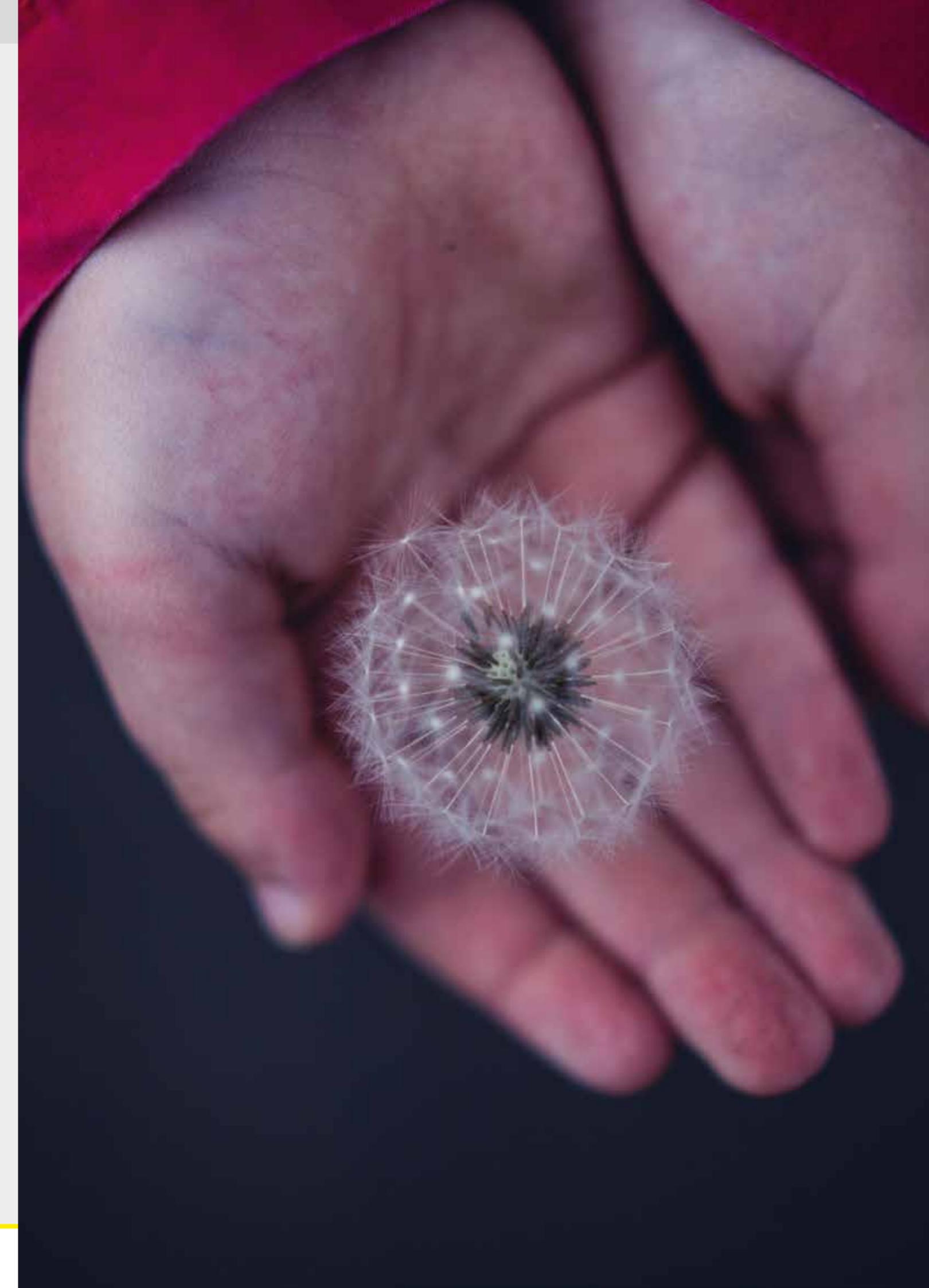
	2017 R '000	2016 R '000	2015 R '000	2014 R '000	2013 R '000	2012 R '000
Assets						
Equipment	98 375	109 448	74 545	62 713	65 151	70 817
Intangible assets	152 424	112 726	84 914	46 977	36 910	34 969
Leased assets	1 707 427	1 489 961	1 851 857	995 188	1 223 601	1 399 660
Loans and advances	2 100 468	1 660 359	1 240 171	1 163 780	1 212 147	1 002 466
Negotiable securities	248 284	327 442	239 067	-	-	-
Derivative financial assets	26 181	46 047	9 844	8 796	21 563	27 550
Investment securities	254 868	255 061	116 184	95 286	98 522	101 599
Intergroup loans	-	445	476	-	-	-
Current tax receivable	-	-	30 885	29 099	33 108	9 321
Other assets	377 454	378 830	165 488	112 559	98 767	122 215
Cash and cash equivalents	2 846 484	2 522 371	2 387 550	2 128 203	1 825 049	1 385 083
Total Assets	7 811 965	6 902 690	6 200 981	4 642 601	4 614 818	4 153 680
Equity and Liabilities						
Equity						
Share capital	2 070	2 070	2 070	2 070	2 070	2 070
Share premium	525 709	525 709	525 709	525 709	525 709	525 709
Share-based payment reserve	12 455	14 436	16 126	12 310	4 286	6 207
Retained income	1 985 796	1 800 351	1 592 936	1 442 556	1 356 797	1 102 419
Total Equity	2 526 030	2 342 566	2 136 841	1 982 645	1 888 862	1 636 405
Liabilities						
Intergroup loans	150 035	150 032	150 026	122 504	292 706	419 612
Derivative financial liabilities	49 585	47 405	6 996	8 361	32 062	18 560
Deposits	4 502 591	3 862 609	2 830 773	2 141 298	2 123 953	1 780 330
Trade and other payables	416 092	334 258	893 413	190 429	149 032	186 440
Deferred tax	161 727	151 087	182 450	196 882	127 762	112 133
Current tax payable	5 454	14 282	-	-	-	-
Defined benefit liability	451	451	482	482	441	200
Total Liabilities	5 285 935	4 560 124	4 064 140	2 659 956	2 725 956	2 517 275
Total Equity and Liabilities	7 811 965	6 902 690	6 200 981	4 642 601	4 614 818	4 153 680

STATISTICS, RETURNS AND CAPITAL ADEQUACY

Statistical review	2017	2016	2015	2014	2013	2012
Statement of financial performance						
Net interest income to assets (%)	3,40	3,06	3,61	3,70	3,40	3,40
Non-interest income to assets (%)	12,40	13,52	12,46	14,90	15,20	19,00
Operating expenses to assets (%)	9,52	9,53	8,63	10,60	10,30	11,60
Interest income to interest earning assets (%)	6,93	5,54	6,13	5,70	5,30	5,10
Interest expense to funding liabilities (%)	4,53	3,65	3,06	3,50	3,00	2,70
Cost to income (%)	62,04	60,60	60,46	59,60	57,50	53,40
Non-interest income to total income (%)	78,79	83,43	85,44	80,20	81,60	85,00
Credit loss ratio (%)*	0,13	0,82	0,02	0,40	0,60	0,10
Effective tax excluding indirect tax (%)	26,88	25,45	24,97	27,60	28,20	26,80
Effective tax including indirect tax (%)	30,85	29,75	28,83	31,30	31,30	28,80
Statement of financial position						
Return on assets (%)	4,30	4,69	4,27	5,40	5,60	7,60
Return on equity (%)	13,30	13,82	12,31	12,60	13,80	19,40
Loans & leased assets to deposits (%)	84,57	81,56	109,23	100,80	114,70	134,90
Regulatory capital to risk-weighted assets (%)	19,95	16,85	18,18	19,40	15,90	17,10
Financial leverage (times)	3,10	2,95	2,90	2,30	2,40	2,50
Net stable funding ratio (%) #	101,00	87,00	70,75	94,00	79,00	-
Liquidity coverage ratio (%) #	151,00	163,00	104,00	117,00	123,00	-
Statistical information						
Number of employees	1 179	1 171	1 109	1 022	1 049	1 113
Number of branches	80	85	85	95	92	94
Income per employee (R'000)	1 048	977	814	1 061	855	836
Expense per employee (R'000)	631	562	484	627	488	434
Profit before taxation per employee (R'000)	396	376	330	428	361	400
Exchange rates at June 30						
USD	13,12	14,70	12,17	10,63	10,00	8,19
GBP	17,03	19,71	19,09	18,18	15,23	12,86
EUR	14,94	16,32	13,54	14,55	13,06	10,39
Average exchange rates						
USD	13,60	15,07	11,45	10,38	8,86	7,74
GBP	17,32	21,40	18,01	16,90	13,88	12,27
EUR	14,98	16,92	13,72	14,09	11,47	10,38
Average prime overdraft rate (%)	10,50	9,94	9,25	8,70	8,52	9,00

*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.





Bidvest Bank Limited's (the Bank) corporate governance practices and processes are informed by the Bank's statutes, the Banks Act, the Companies Act, King IV recommendations, the Basel Committee on Banking Supervision Guidelines on corporate governance principles for banks, and the Bank's code of conduct.

ETHICAL, EFFECTIVE AND RESPONSIBLE LEADERSHIP

VALUES AND ETHICS

The Board of Directors (the Board) endorses the Bank's commitment to the conduct of the business in accordance with the highest ethical standards, as expressed in the Code of Conduct, and to responsibility, accountability, fairness and transparency. The Bank's employees receive training and are required to acknowledge and accept the Code of Conduct and Bank values at induction. The Bank's commitment to ethical conduct in its business is expressed in policies addressing fraud, criminal activity, discrimination, zero tolerance, money laundering, proceeds of crime, discrimination and sexual harassment.

The responsibility for implementing and executing the Code of Conduct and ethics policies lies with management, and disciplinary action is taken against employees who contravene the policies.

Instances of non-compliance are investigated and addressed in accordance with the disciplinary processes, but there has been no independent assessment of adherence to ethical standards by employees and other stakeholders.

RELATED PARTIES

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. Declarations of related party transactions are required to be made at least quarterly, and are reported to the Audit Committee.

WHISTLE-BLOWING

The Bank participates in the Bidvest Group confidential anti-fraud tip-off line, which is managed by Deloitte. All reports to the line are investigated by the security department and the results are reported to the Managing Director and head of the relevant business unit and to the Audit Committee. Where appropriate, disciplinary action is taken against Bank employees, and criminal and civil court proceedings are instituted.

THE BANK AS A RESPONSIBLE CORPORATE CITIZEN

TRANSFORMATION

The Bank has retained its Broad-Based Black Economic Empowerment (B-BBEE) level 3 rating verified by Empowerdex Verification Agency at 30 June 2017, and is planning to improve the rating by further focusing on promoting financial literacy and access to financial services. The impact of the new financial sector rating code is anticipated to lower the rating, areas of activity in which the Bank can improve its rating have been identified, and a programme to achieve such improvement is being developed.

PREFERENTIAL PROCUREMENT

The Bank's B-BBEE spend amounted to R2.6 billion (2016: R3.1 billion).

CORPORATE CITIZENSHIP

The Bank is committed to the development and wellbeing of the communities it serves: its socio-economic investments focus on community-based initiatives, youth and education. The Bank seeks to build robust relationships and it works with organisations that make a measurable difference to lives and communities. In addition to providing financial support at an organisational level, the Bank also encourages employees to participate in community affairs and programmes. For the year-ended 30 June 2017, R2.5 million was allocated to these beneficiaries.

ENVIRONMENT

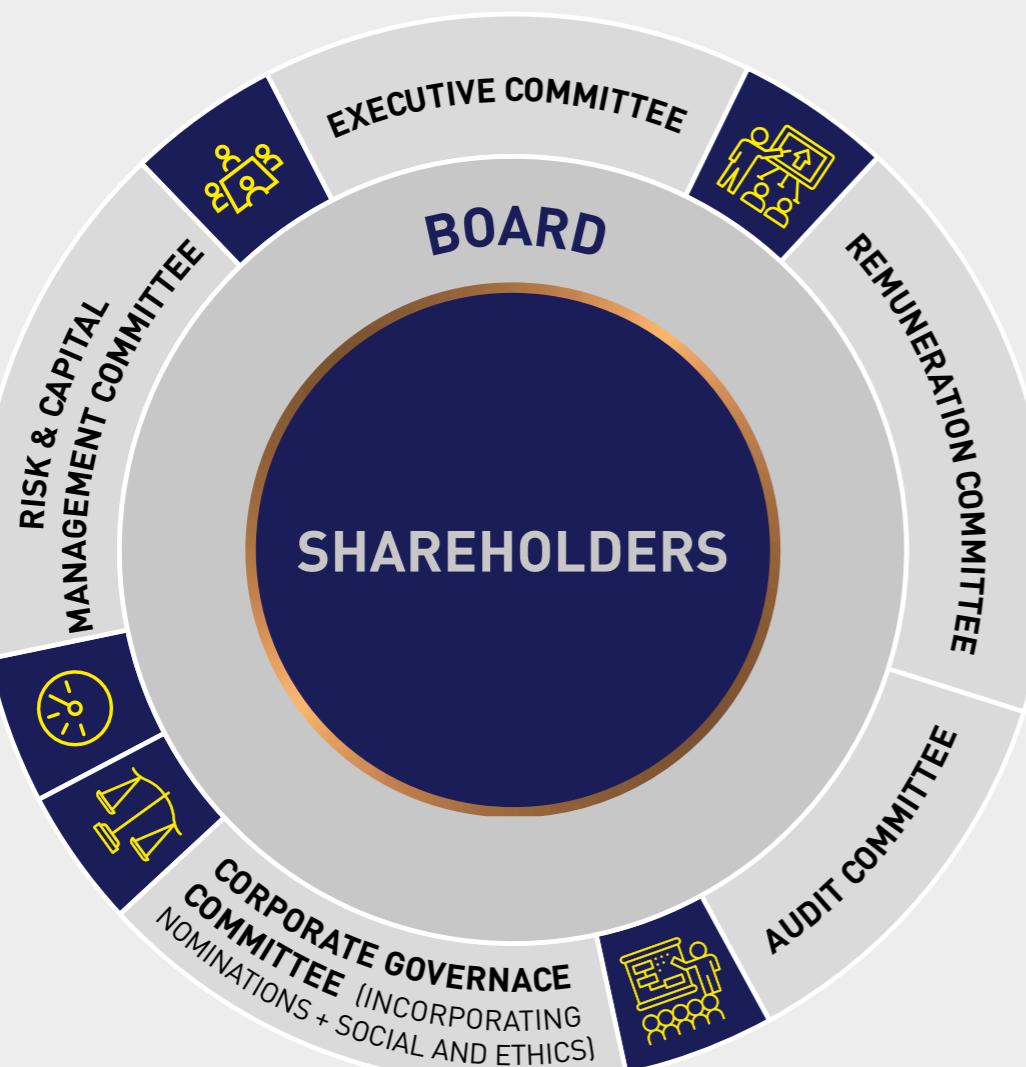
The Bank is conscious of its environmental responsibilities. While the business has a low direct impact, it is working towards paperless administrative systems as it develops new products in its niche markets. Recycling initiatives are used to ensure that waste paper is disposed of in an environmentally acceptable manner.

STRATEGY: CORE PURPOSE, RISK, OPPORTUNITIES, BUSINESS MODEL, PERFORMANCE AND SUSTAINABILITY ARE ALL ELEMENTS OF VALUE CREATION

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 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. Strategy includes short-, medium- and longer-term goals, and the risks attendant on any initiative. The new product approval process requires all new products and services to be approved for implementation by the revenue-generating and support functions. The impact of strategy on stakeholders is part of the approval process, and the business performance management unit measures the effectiveness of initiative implementation and its realisation of initial objectives. Management reports quarterly to the Board on business performance, including strategic initiatives: such reports include any negative consequences of its activities.

From a governance perspective, the Bank was not subject to any regulatory sanctions, significant losses or major unforeseen risks.

	Group		Company	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Statistical information				
Operating income (R'000)	1 234 122	1 144 581	1 234 120	1 143 351
Profit before direct taxation (R'000)	466 562	440 664	466 560	439 434
B-BBEE procurement (R'000)	2 609 241	3 054 734	2 609 241	3 054 734
Training spend (R'000)	8 685	10 468	8 685	10 468
Training spend per employee (Rand)	7 366	8 939	7 366	8 939
Number of employees trained	1 179	1 171	1 179	1 171



GOING CONCERN

The process for assessing the Bank's going-concern status is reviewed by the Audit Committee. The Committee satisfies itself that the Bank has adequate resources available to continue in operational existence for the foreseeable future, and for this reason the Board adopts the going-concern basis in the preparation of the financial statements.

MOODY'S INVESTOR SERVICE

The Bank's long-term National Scale Credit Rating (NSR) was raised to Aa2.za (from A1.za) by Moody's on 14 June 2017.

REPORTING FOR INFORMED ASSESSMENT OF PERFORMANCE AND PROSPECTS

Reports issued by the Bank, including financial statements, the integrated report and the Pillar III Public Disclosure, are approved by the Board, with appropriate review by the Audit Committee. The materiality level for disclosure in the financial reports is determined by the external auditors, but a significantly lower level is set by the Board for purposes of reporting to the directors.

THE BOARD AS THE FOCAL POINT AND CUSTODIAN OF CORPORATE GOVERNANCE

The Board terms of reference set its role, responsibilities, membership and processes, and include the responsibilities of the Board Chairman. The Board has unrestricted access to management and documentation, and a relationship with executive management is created by management's attendance at Board and committee meetings. A method exists for directors to obtain independent professional advice. The Board is satisfied that it has fulfilled its responsibilities in accordance with the terms of reference.

BOARD COMPOSITION: A BALANCE OF KNOWLEDGE, SKILL, EXPERIENCE AND INDEPENDENCE

The Board and committee composition, and the mix of executives and non-executives, are in accordance with the requirements of the Banks Act. The Board does not set gender or race targets, but is mindful of the importance of diversity of age, race, gender, knowledge and experience.

The King IV definition of Director independence is adhered to.

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

At 30 June 2017, the Board was composed of two executive and six non-executive Directors, the majority being independent non-executives. 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. Directors' details are disclosed in the Director's Report on page 9.

BOARD APPOINTMENTS AND SUCCESSION PLANNING

Mr P Baloyi resigned as a Director of the Bank and of Bidvest Bank Holdings during August 2016. Mr LP Ralphs and Mrs NT Madisa were appointed Directors on 8 December 2016.

All appointments are subject to the approval of the regulator in terms of the Banks Act. The selection of candidates for approval is guided by the needs of the Board for skill, knowledge, experience, diversity and the personal attributes of the individual. The Bank Memorandum of Incorporation does not provide for Director rotation, and Directors serve while they meet the requirements of the Banks Act and the Companies Act, subject to review in terms of the Board terms of reference once they reach 70 years of age. Succession plans are not in place: appointments are made as circumstances dictate.

DIRECTOR INDUCTION, TRAINING AND DEVELOPMENT PROGRAMMES

In accordance with the Induction Policy, new Directors receive induction information and materials, access to background information about the Bank, its business and environment, and the wider Bidvest Group. Ongoing Director training workshops are provided by external subject experts on topical issues, including legislative and regulatory changes applicable to the Bank's operations.



INTERESTS OF DIRECTORS AND OFFICERS

Directors and officers are required to comply with the Code of Conduct and Section 75 of the Companies Act in respect of the avoidance of any conflict of interest between their personal interests and those of the Bank. Declarations of interest are made at every Board meeting, and any transaction with a Director is required to be concluded on an arm's length basis, under terms that are no more favourable than those with third parties. Directors and employees are required to declare their personal interests in accordance with the Companies Act and Code of Conduct.

Once a non-executive Director has served for nine years the Board will satisfy itself of such Director's objectivity. The Board has not appointed a lead independent Director.

The Board is supported by the Company Secretary and by the secretarial department of The Bidvest Group Limited in its corporate governance and legal responsibilities. The appointment of the Company Secretary is subject to Board and Regulator approval, and the performance of the Company Secretary is evaluated by the Managing Director and Board Chairman.

DELEGATION TO BOARD COMMITTEES; PROMOTING INDEPENDENT JUDGEMENT, AND THE EFFECTIVE DISCHARGE OF THE BOARD'S DUTIES

The Board delegates its supervisory obligations to Board committees, which operate in accordance with applicable legislation (the Banks Act and the Companies Act) and Board-approved terms of reference.

The committees are:

- Audit;
- Risk and Capital Management;
- Corporate Governance, Nominations and Social and Ethics; and
- Remuneration.

The committees' activities are regularly reported to the Board, which satisfies itself that the committees have performed their functions in accordance with Board-approved terms of reference. Meeting packs for all committee meetings are distributed to all Directors for information purposes.

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	REMCO	Corporate Governance	SARB Trilateral	SARB Directors' meeting	Credit	ALCO
Number of meetings	4	4	4	2	2	1	1	12	12
AD Cunningham@*	4	4	4	-	-	1	1	12	12
MJ Liebenberg#	4	4i	4i	2i	2i	1i	1	12	12
EK Diack@*	4	4	4	-	-	1	1	-	-
NT Madisa* (appointed 8 Dec 2016)	2	-	-	-	-	-	-	-	-
RD Mokate@*	4	-	-	2	2	2i	1	2i	1
NG Payne@*	4	4i	4	2	2	1i	1	-	-
LP Ralphs (appointed 8 Dec 2016)	2	-	-	-	-	-	-	-	-
JJ van Niekerk#	4	4i	4i	2i	2i	1i	1	12	12

* Non-executive Director

@ Independent

Executive Director

i Attendance by invitation



“Without continual growth and progress, such words as improvement, achievement, and success have no meaning.”

- Benjamin Franklin

The **Audit Committee** is composed of three non-executive Directors, Messrs Diack (Chairman), Cunningham, and Dr Mokate. 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. The Committee reviews the work of Internal Audit, and the Head of Internal Audit has unrestricted access to the Committee and to its Chairman. Representatives of the external auditors, Deloitte, attend all Committee meetings. The Credit Committee reports to the Audit Committee.

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 Head of Risk has unrestricted access to the Committee, its Chairman and the Bank Chairman. A representative of Bidvest Group Internal Audit attends meetings by invitation. The Asset and Liability Committee (ALCO) reports to the Risk Committee.

The **Corporate Governance, Social and Ethics and Nominations Committee** is composed of three non-executive Directors, Mr Payne, Dr Mokate and Mrs Madisa, and chaired by the Board Chairman. The Committee assists 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 also undertakes the functions of the Nominations Committee, including the appointment, induction and training of Directors,

and succession planning of senior management. The nominations policy guides the Committee in its identification and nomination of candidates to the Board and to senior management positions.

The Committee undertakes the responsibilities of a Social and Ethics Committee, as prescribed by the Companies Act.

The **Social and Ethics Committee** received no reports of failure to comply with the social and ethics matters specified in Regulation 43 to the Companies Act, 2008 in the year under review.

The **Remuneration Committee** is composed of three non-executive Directors: Mr Payne, Mrs Madisa and Dr Mokate, who is the Chairman. The Committee oversees the development of remuneration philosophy and practices, reviews incentive schemes and bonus allocations for senior management; approves employee salary increases and the remuneration of non-executive Directors.

Board committees are responsible for approving and reviewing the effectiveness of the corporate governance and risk management policies in their specified areas. The Board and Board committees receive regular briefing materials on the Bank's activities, its performance and operating environment. The Board has unfettered access to management and information.

The service by Directors and senior managers on more than one committee promotes collaboration and reduces duplication. Senior managers attend committee meetings by invitation.

PERFORMANCE EVALUATION TO SUPPORT CONTINUED IMPROVEMENT

The Director performance assessment process is determined by the Corporate Governance Committee, and an assessment will be conducted again in 2018, in accordance with the policy approved by the Committee. The results of the 2016 assessments were presented to the Corporate Governance Committee. Individual Director appraisal is the responsibility of the Board Chairman. The performance of the Board Chairman is assessed by the shareholder.

MANAGEMENT EFFECTIVENESS: DELEGATION AND THE EFFECTIVE EXERCISE OF AUTHORITY AND RESPONSIBILITIES

The Managing Director is appointed by and accountable to the Board. The Managing Director is responsible for the implementation of Board-approved strategy, and for the performance of the Executive Committee in managing and directing Bank operations. The Managing Director attends all Board committee meetings as an invitee. The Board Chairman along with the shareholder evaluate the performance of the Managing Director. A succession plan for the Managing Director is not in place, and an appropriate replacement will be identified when the need arises.

The **Executive Committee** is chaired by the Managing Director and is composed of the Financial Director, and the heads of the Bank's major revenue-generating divisions, and support functions. The Committee is responsible for the implementation of Board-approved strategy. The Committee terms of reference specify limits on the Committee's authority and those areas reserved to the Board. Succession plans are in place for senior managers and heads of business units.

In addition to statutory committees, specialised committees support management in the control and governance of specialised activities, for instance the Projects Steering Committee, Operational Risk Committee, and Risk and Governance Executive Committee. Delegation to individuals is by written mandates in accordance with a Board-approved process and is subject to the Board-approved levels of authority matrix.

RISK MANAGEMENT: GOVERNANCE OF RISK TO SUPPORT ACHIEVEMENT OF STRATEGIC OBJECTIVES

The Board has overall responsibility for the establishment and oversight of risk management, with assistance from the **Risk and Capital Management Committee** in the identification of risks inherent in the business and the monitoring of controls to manage those risks.

The Bank has established structures and processes to assist in the achievement of effective risk management, and supports the 'Four Lines of Defence' model. The lines of defence are operational management; the risk and compliance functions; internal audit and the external auditors.

It is the responsibility of line management, the first line of defence, to monitor risks and adherence to limits. Through its training and management standards and procedures, the Bank aims to maintain a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Board recognises the importance of ongoing identification and management of risk to maintain a sound financial and reputational condition, and the risk management policy affirms the need to establish a programme for enterprise risk management (ERM). The Board further commits to providing sufficient personnel and other resources to ensure full implementation of the ERM programme. The Board acknowledges that each of the Bank's activities has an element of risk. Due to the diverse nature of the 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 is imperative.

The Board is satisfied that the risk management system and process for identifying, evaluating and managing significant risks is effective, and operated effectively 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.



INFORMATION TECHNOLOGY AND INFORMATION: SUPPORTING ACHIEVEMENT OF STRATEGIC OBJECTIVES

The Bank's Information Technology (IT) and information requirements are informed by the Board-approved business strategy, and management is responsible for the effective use of IT and information under the review of the Risk and Capital Management Committee, which receives regular reports on the governance of IT, IT risks, including cyber security. IT forms part of the enterprise-wide risk framework, and IT legislation is included in the Bank's regulatory universe, and compliance with regulatory requirements is subject to ongoing monitoring.

Formal documented disaster recovery and business continuity plans are in place for all business units. Disaster recovery testing takes place biannually; a small component of business continuity is tested (due to practical considerations) and has been identified as an area of required improvement.

The use of any outsourced service provider is subject to a due diligence exercise, and the Guidance Note 5 principles, where appropriate. IT policies address security of information, risk management and the achievement of strategic objectives.

The management of IT risk is subject to quarterly independent review by Bidvest Group SA Internal Audit, and in 2016 independent assessments of the maturity of Bank cybersecurity measures were conducted. An Information Security department was established and resourced, and reports are presented quarterly to the Risk and Capital Management Committee meetings.

An Information Security department was established in January 2017, and security initiatives are designed to prevent or detect information security breaches for immediate action.

COMPLIANCE: SUPPORTING THE BANK AS AN ETHICAL GOOD CORPORATE CITIZEN

Compliance, as part of the second line of defence, functions independently of operations and enjoys the support and cooperation of the Board and executive management. Compliance is a core focus of the Board, which is ultimately responsible for ensuring that the Bank identifies and complies with applicable laws, rules, codes and standards.

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

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, the environment, labour and consumer relations are the responsibility of the Corporate Governance Committee, which functions as the Bank's Social and Ethics committee.

REGULATORY COMPLIANCE

The Bank continuously strives to improve its regulatory processes and regulatory awareness by ensuring ongoing upgrading and improvement of 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.

The Bank is well capitalised and liquid.

REMUNERATION: FAIR, RESPONSIBLE AND TRANSPARENT, PROMOTING STRATEGIC OBJECTIVES AND POSITIVE OUTCOMES

Remuneration philosophy

The Bank strives to be an employer of choice in its chosen market by creating an environment where people deliver great results and share in the value they create. Appropriate remuneration and reward policies and practices play a critical role in attracting, motivating and retaining high-performance individuals, and people with scarce and critical skills.

INTERNAL AND EXTERNAL ASSURANCE: ENABLING AN EFFECTIVE CONTROL ENVIRONMENT AND THE INTEGRITY OF INFORMATION

Internal Audit is the third line of defence, providing independent assurance to the Board of the effectiveness of the other lines of defence in the achievement of the objectives of sound risk management and corporate governance. The Internal Audit charter specifies adherence to international best practice methods, and the department is subject to independent review on a regular basis. The King IV guidelines on independence, status and recognition of the Internal Audit function are applied.

The fourth line of defence, the external auditor, Deloitte, provide assurance on the integrity of the financial statements, facilitating informed decision-making, both by the Board and by external stakeholders, such as the shareholder, regulators and public.

The Board is satisfied that assurance services promote an effective control environment, supporting the integrity of information for decision-making, and the quality of external reports. The assurance model effectively addresses significant risks and material issues.

A STAKEHOLDER-INCLUSIVE APPROACH: BALANCING THE NEEDS, INTEREST AND EXPECTATIONS OF MATERIAL STAKEHOLDERS IN THE BANK'S BEST INTEREST

The management of stakeholder relationships and implementation of the stakeholder policy is the responsibility of executive management.

EMPLOYEES

The Bank's most important stakeholder body is its employees. In addition to fair and transparent remuneration practices, the Bank talent management review ensures that critical talent is rewarded, developed and retained.

Skills development

The Bank contributes 1% of the total remuneration monthly in terms of the Skills Development Levies Act.

The Bank has been accredited by the Banking Sector Education and Training Authority (BANKSETA) as a training provider for assessment and delivery of the National Certificate: Banking (NQF Level 5 and 4).

The Bankers Graduate Development and Learnership Programmes provide capacity building for business, and selected employees benefit from study assistance for further education.

Thirty-five learners (2016: 31) from previously disadvantaged communities participated in the Bank's National Certificate in Banking Level 4 (unemployed) learnership programme during the year, and BANKSETA approved funding of R1.1 million payable in two tranches.

Bursaries totalling R1.3 million (2016: R1.2 million) were granted to 82 employees during this period.

Eleven graduates participated in the Bankers Graduate Development programme and eight have been placed in permanent positions.

Thirty employees participated in the National Certificate in Banking Level 5 programme, and BANKSETA approved funding of R1.2 million payable in two tranches.

Staff development and retention

The education and development of employees is based on individual development plans and necessary competencies, skills and knowledge for the business to succeed. The Learning and Development department provides training ranging from technical, system and product, to regulatory and compliance.

The Bank uses online training materials, and has launched its own academy in Cape Town and in KwaZulu-Natal.





GOVERNMENT – CONTRIBUTION TO THE STATE

	Group		Company	
	30 June 2017 R'000	30 June 2016 R'000	30 June 2017 R'000	30 June 2016 R'000
Employees' tax	74 145	64 116	74 145	64 116
Value-added tax	36 315	[68 647]	36 315	[68 647]
Rates and taxes	2 819	1 851	2 819	1 851
Skills development levies	3 499	3 118	3 499	3 118
Unemployment insurance fund	3 394	3 101	3 394	3 101
Workmen's compensation	275	2	275	2
Net income taxation paid	113 870	93 355	114 124	123 436
	234 317	96 896	234 571	126 977

CUSTOMERS

Service standards have been a focus in 2017, with a commitment to the actions, attitudes and offerings that provide the best possible customer experience with the Bank.

SUPPLIERS

The Procurement Policy requires adherence by suppliers with the Code of Conduct, promoting transparent and fair dealings between the Bank and its suppliers.

CONCLUSION

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





DIRECTORS' RESPONSIBILITIES AND APPROVAL

The Directors are required in terms of the Companies Act 71 of 2008 to maintain adequate accounting records and are responsible for the content and integrity of the consolidated and separate annual financial statements and related financial information included in this report. It is their responsibility to ensure that the consolidated and separate annual financial statements fairly present the state of affairs of the Group as at the end of the financial year and the results of its operations and cash flows for the period then ended, in conformity with International Financial Reporting Standards (IFRS). The external auditor is engaged to express an independent opinion on the consolidated and separate annual financial statements.

The consolidated and separate annual financial statements are prepared in accordance with IFRS Standards and are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The Directors acknowledge that they are ultimately responsible for the system of internal financial control established by the Group and place considerable importance on maintaining a strong control environment. To enable the Directors to meet these responsibilities, the Board sets standards for internal control aimed at reducing the risk of error or loss in a cost-effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the Group and all employees are required to maintain the highest ethical standards in ensuring the Group's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the Group is on identifying, assessing, managing and monitoring all known forms of risk across the Group. While operating risk cannot be fully eliminated, the Group endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The Directors are of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the consolidated and separate annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or loss.

The Directors have reviewed the Group's cash flow forecast for the year to 30 June 2018 and, considering this review and the current financial position, they are satisfied that the Group has or had access to adequate resources to continue in operational existence for the foreseeable future.

The external auditor is responsible for independently auditing and reporting on the Group's consolidated and separate annual financial statements. The consolidated and separate annual financial statements have been examined by the Group's external auditors and their report is presented on page 96.

The consolidated and separate annual financial statements set out on pages 94-113 which have been prepared on the going-concern basis, were approved by the Board on 31 October 2017 and were signed on its behalf by:

Approval of financial statements

Nigel George Payne
Chairman

Jacob Jozua van Niekerk
Managing Director

AUDIT COMMITTEE REPORT

The Committee is composed of three independent non-executive Directors. The work of the Committee is specified by its charter, and the provisions of the Banks Act, 1990. The Committee is specifically tasked with the review of the activities of Bidvest Bank Limited. The Committee reviewed the Bank's consolidated and separate annual financial statements, assessed their integrity and whether they accurately represented the financial position of the Bank. The Committee assessed the Directors' opinion that the Bank has adequate resources available to continue in operational existence for the foreseeable future, and the Directors' decision to adopt the going-concern basis in the preparation of the consolidated and separate financial statements.

The Committee is satisfied that the Financial Director has the appropriate expertise and experience to fulfil his obligations in terms of all applicable legislation, and that the finance function is effective.

The Committee reviewed the work of the external auditor, Deloitte, including the audit plan and budget, and recommended to the Board and shareholders the appointment of the auditor. The Committee is satisfied that the external auditors are independent of the Bank, and of the quality of the audit work. Deloitte was appointed in the 2011 financial year and the lead audit partner changed on 9 July 2017.

The Committee reviewed details of non-audit services provided by the external auditor.

The Committee reviewed the reports of the internal audit function, and is satisfied with the quality of assurance provided by Internal Audit and other assurance providers.

The Committee satisfied itself of the effectiveness of internal financial controls, and that no material losses were attributable to weaknesses in the functioning of such controls.

The Committee reviewed the activities of the Bank's Credit Committee.

The Committee met quarterly, and the Chairman of the Committee reported on the work of the Committee to the Board. The Committee is satisfied that it has discharged all its responsibilities.

On behalf of the Audit Committee

Eric Diack
Chairman Audit Committee



INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDER OF BIDVEST BANK LIMITED

Report on the Financial Statements

Opinion

We have audited the consolidated and separate financial statements of Bidvest Bank Limited ("the Group") set out on pages 94-113, which comprise the summarised consolidated and separate statements of financial position as at 30 June 2017, the summarised consolidated and separate statements of comprehensive Income, the summarised consolidated and separate statements of changes in equity and the summarised consolidated and separate statements of cash flows for the year then ended, and the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of the Group and Company as at 30 June 2017, and its consolidated and separate financial performance and consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements section of our report. We are independent of the entity in accordance with the Independent Regulatory Board for Auditors Code of Professional Conduct for Registered Auditors (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the International Ethics Standards Board for Accountants Code of Ethics for Professional Accountants (Parts A and B). We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other Information

The directors are responsible for the other information. The other information comprises the Six-year review, the Governance report, the Audit committee report, the Directors' responsibility and approval, the Directors' report, and the Company secretary's certificate as required by the companies Act of South Africa. The other information does not include the consolidated and separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Consolidated and Separate Financial Statements

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

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

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group and Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

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

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

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

Deloitte & Touche

Deloitte & Touche
Registered Auditor
Per: Claudette van der Merwe
Partner
31 October 2017



SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF COMPREHENSIVE INCOME

	Group		Company		
	Notes	2017 R '000	2016 R '000	2017 R '000	2016 R '000
Interest income	22.1	342 905	231 845	342 903	230 615
Interest expense		[210 793]	(146 456)	[210 793]	(146 456)
Net interest income		132 112	85 389	132 110	84 159
Fee and commission income		323 084	289 108	323 084	289 108
Fee and commission expense		(156 073)	(130 863)	(156 073)	(130 863)
Net fee and commission income		167 011	158 245	167 011	158 245
Leasing income	22.2	1 553 630	1 696 227	1 553 630	1 696 227
Depreciation on leased assets		[192 275]	(248 942)	[196 275]	(248 942)
Other costs		[748 529]	(875 225)	[748 529]	(875 225)
Net income from leasing		608 826	572 060	608 826	572 060
Net trading income	23	324 488	327 357	324 488	327 357
Other income	22.3	1 685	1 530	1 685	1 530
Operating income		1 234 122	1 144 581	1 234 120	1 143 351
Net credit impairment charges	8.2	[4 960]	(25 984)	[4 960]	(25 984)
Operating income after credit impairment charges		1 229 162	1 118 597	1 229 160	1 117 367
Employment costs	24	[405 432]	(361 031)	[405 432]	(361 031)
Operating leases	25.1	[91 796]	(87 154)	[91 796]	(87 154)
Risk control		[25 649]	(21 865)	[25 649]	(21 865)
Information technology costs		[47 945]	(32 457)	[47 945]	(32 457)
Depreciation and amortisation	5&6	[43 572]	(39 454)	[43 572]	(39 454)
Other operating expenditure	25.2	[128 937]	(116 156)	[128 937]	(116 156)
Operating expenditure		(743 331)	(658 117)	(743 331)	(658 117)
Operating income before indirect taxation		485 831	460 480	485 829	459 250
Indirect taxation	26.1	[19 269]	(19 816)	[19 269]	(19 816)
Profit before direct taxation		466 562	440 664	466 560	439 434
Direct taxation	26.2	(130 606)	(117 179)	(130 606)	(117 054)
Profit for the year		335 956	323 485	335 954	322 380
Other comprehensive income:					
Fair value gain on investment securities		2 037	1 065	2 037	1 065
Total comprehensive income for the year		337 993	324 550	337 991	323 445

SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Group		Company	
	Notes	2017 R '000	2016 R '000	2017 R '000
Assets				
Equipment	5	98 375	109 448	98 375
Intangible assets	6	152 424	112 726	152 424
Leased assets	7	1 707 427	1 489 961	1 707 427
Interest in subsidiaries	10	-	-	56 387
Loans and advances	8	2 100 468	1 660 359	2 100 468
Negotiable securities	9	248 284	327 442	248 284
Derivative financial assets	11	26 181	46 047	26 181
Investment securities	12	254 868	255 061	254 868
Intergroup loans	17	-	445	172
Other assets	13	377 454	378 830	377 454
Cash and cash equivalents	14	2 846 484	2 522 371	2 846 484
Total Assets		7 811 965	6 902 690	7 868 524
Equity and Liabilities				
Equity				
Share capital	15	2 070	2 070	2 070
Share premium	16	525 709	525 709	525 709
Fair value reserve		3 635	1 107	3 635
Share-based payment reserve		12 452	14 436	12 452
Retained income		1 982 164	1 799 244	1 973 769
Total Equity		2 526 030	2 342 566	2 517 635
Liabilities				
Intergroup loans	17	150 035	150 032	214 686
Derivative financial liabilities	11	49 585	47 405	49 585
Deposits	18	4 502 591	3 862 609	4 502 591
Trade and other payables	19	416 092	334 258	416 092
Deferred tax	20	161 727	151 087	161 727
Current tax payable		5 454	14 282	5 757
Defined benefit liability		451	451	451
Total Liabilities		5 285 935	4 560 124	5 350 889
Total Equity and Liabilities		7 811 965	6 902 690	7 868 524



SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF CASH FLOWS

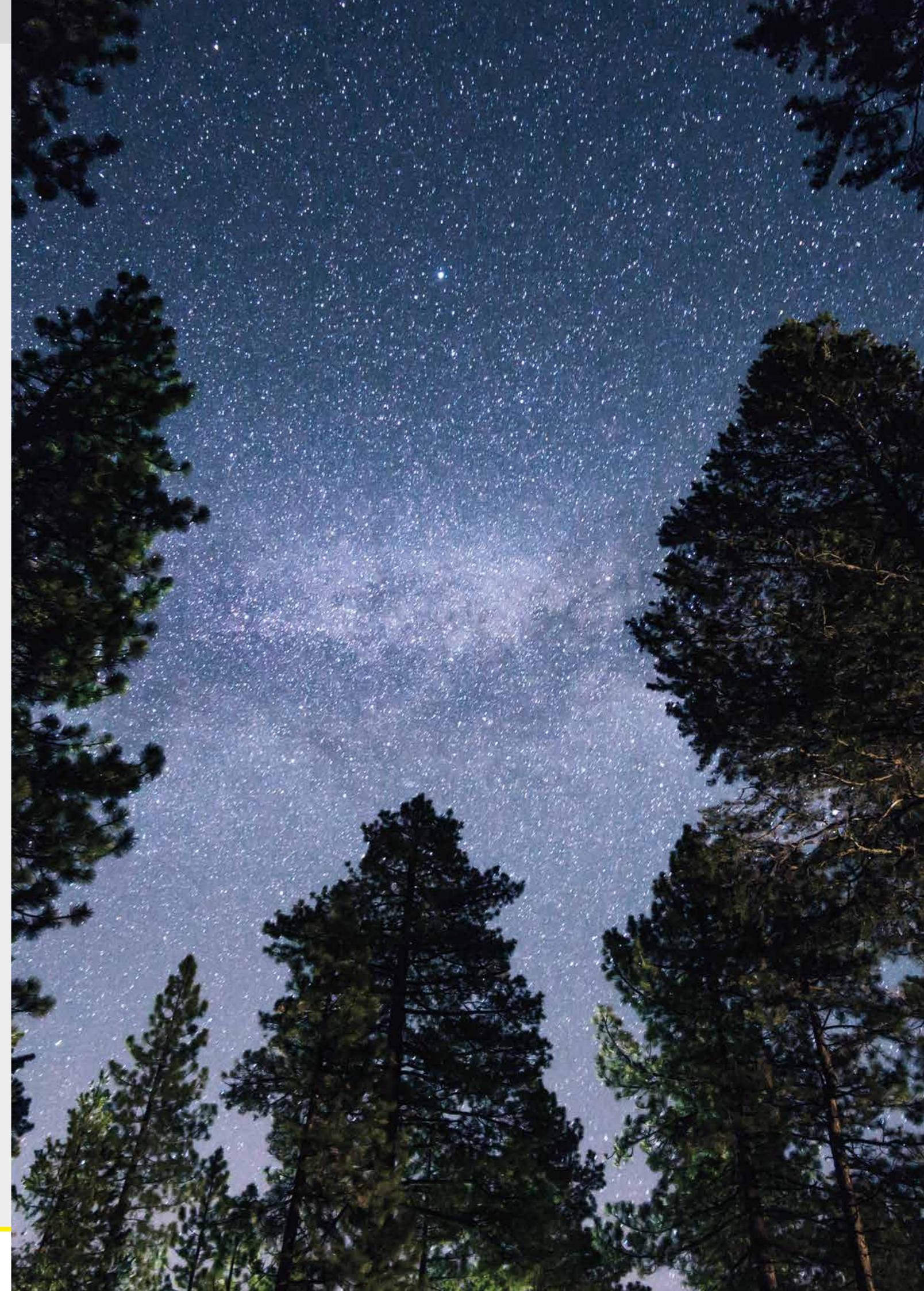
	Notes	Group		Company	
		2017 R '000	2016 R '000	2017 R '000	2016 R '000
Cash flows from operating activities					
Cash generated from operations	27.1	945 691	1 192 132	945 693	1 193 359
Interest received		342 905	231 845	342 903	230 615
Interest paid		(210 793)	(146 456)	(210 793)	(146 456)
Cash generated by operations after interest		1 077 803	1 277 521	1 077 803	1 277 518
Dividends		(150 000)	(117 000)	(150 000)	(117 000)
Tax paid	27.2	[113 870]	[93 355]	[114 124]	[123 436]
Proceeds on disposal of leased assets		265 552	396 518	265 552	396 518
Acquisition of leased assets	7	[622 069]	[1 149 125]	[622 069]	[1 149 125]
Net cash from operating activities		457 416	314 559	457 162	284 475
Cash flows from investing activities					
Proceeds on disposal of equipment	5	-	87 561	-	87 561
Dividends received		1 685	1 530	1 685	1 530
Acquisition of equipment	5	[78 236]	[87 807]	[78 236]	[87 807]
Acquisition of intangible assets	6	[57 117]	[40 665]	[57 117]	[40 665]
Net acquisition of investment securities	27.3	(83)	(140 394)	(83)	(140 394)
Net cash from investing activities		(133 751)	(179 775)	(133 751)	(179 775)
Cash flows from financing activities					
Increase in intergroup loans		448	37	702	30 121
Net cash from financing activities		448	37	702	30 121
Total cash movement for the year		324 113	134 821	324 113	134 821
Cash at the beginning of the year		2 522 371	2 387 550	2 522 371	2 387 550
Total cash at end of the year	14	2 846 484	2 522 371	2 846 484	2 522 371

SUMMARISED CONSOLIDATED AND SEPARATE STATEMENT OF CHANGES IN EQUITY

	Share capital R '000	Share premium R '000	Total share capital R '000	Fair value reserve R '000	Share-based payment reserve R '000	Group		
						Total reserves R '000	Retained income R '000	Total equity R '000
Group								
Balance at 01 July 2015	2 070	525 709	527 779	177	16 126	16 303	1 592 759	2 136 841
Profit for the year	-	-	-	-	-	-	323 485	323 485
Other comprehensive income	-	-	-	930	-	930	-	930
Total comprehensive income for the year	-	-	-	930	-	930	323 485	324 415
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)
Balance at 01 July 2016	2 070	525 709	527 779	1 107	14 436	15 543	1 799 244	2 342 566
Profit for the year	-	-	-	-	-	-	335 956	335 956
Other comprehensive income	-	-	-	2 528	-	2 528	-	2 528
Total comprehensive income for the year	-	-	-	2 528	-	2 528	335 956	338 484
Share-based payment expense	-	-	-	-	-	10 229	10 229	-
Settlement of share options exercised	-	-	-	-	-	(18 972)	(18 972)	-
Intergroup transfer of share-based payment reserve	-	-	-	-	-	54	54	-
Deferred tax on share-based payments recognised directly in equity	-	-	-	-	-	6 705	6 705	-
Dividends	-	-	-	-	-	-	(150 000)	(150 000)
Tradeflow insurance transferred	-	-	-	-	-	-	(3 036)	(3 036)
Balance at 30 June 2017	2 070	525 709	527 779	3 635	12 452	16 087	1 982 164	2 526 030

**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
Company								
Balance at 01 July 2015	2 070	525 709	527 779	177	16 126	16 303	1 585 471	2 129 553
Profit for the year	-	-	-	-	-	-	322 380	322 380
Other comprehensive income	-	-	-	930	-	930	-	930
Total comprehensive income for the year	-	-	-	930	-	930	322 380	323 310
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)
Balance at 01 July 2016	2 070	525 709	527 779	1 107	14 436	15 543	1 790 851	2 334 173
Profit for the year	-	-	-	-	-	-	335 954	335 954
Other comprehensive income	-	-	-	2 528	-	2 528	-	2 528
Total comprehensive income for the year	-	-	-	2 528	-	2 528	335 954	338 482
Share-based payment expense	-	-	-	-	10 229	10 229	-	10 229
Settlement of share options exercised	-	-	-	-	(18 972)	(18 972)	-	(18 972)
Intergroup transfer of share-based payment reserve	-	-	-	-	54	54	-	54
Deferred tax on share-based payments recognised directly in equity	-	-	-	-	6 705	6 705	-	6 705
Dividends	-	-	-	-	-	-	(150 000)	(150 000)
Tradeflow insurance transferred	-	-	-	-	-	-	(3 036)	(3 036)
Balance at 30 June 2017	2 070	525 709	527 779	3 635	12 452	16 087	1 973 769	2 517 635





“You will either step forward into growth or you will step back into safety.”

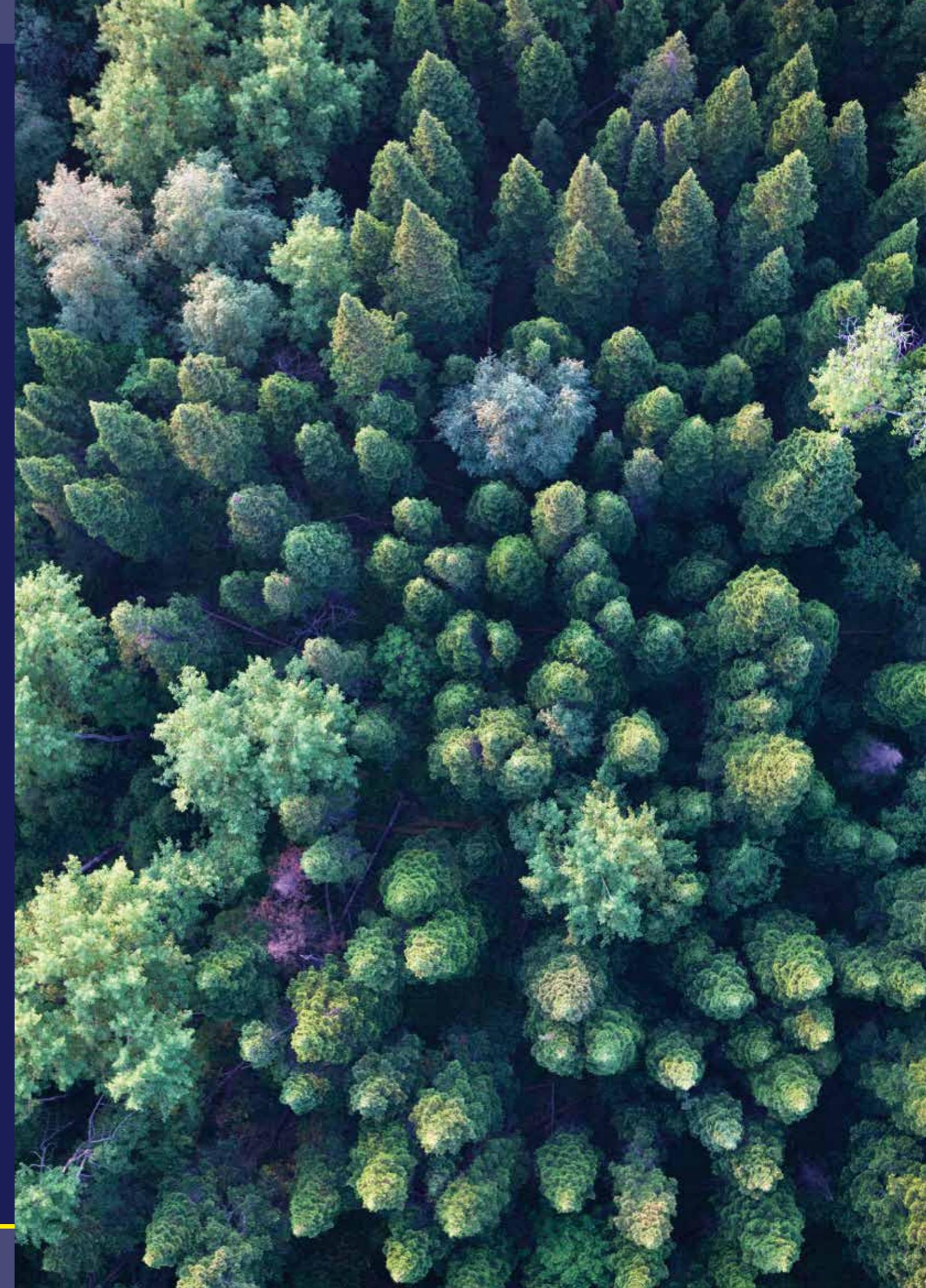
- Abraham Maslow, Psychologist, Creator of Maslow's Hierarchy of Needs

ACCOUNTING POLICIES

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.





1. LEASED ASSETS

Operating leases relate 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	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
Cost	2 109 824	2 501 120	2 109 824	2 501 120
Accumulated depreciation	[619 863]	[649 263]	[619 863]	[649 263]
Carrying value at the beginning of year	1 489 961	1 851 857	1 489 961	1 851 857
Movement for the year				
Additions	613 270	331 250	613 270	331 250
Disposals	(208 328)	(446 708)	(208 328)	(446 708)
Depreciation	(196 275)	(248 942)	(196 275)	(248 942)
Capital work in progress	8 799	2 504	8 799	2 504
Carrying value at end of year	1 707 427	1 489 961	1 707 427	1 489 961
Cost	2 270 692	2 109 824	2 270 692	2 109 824
Accumulated depreciation	[563 265]	[619 863]	[563 265]	[619 863]
	1 707 427	1 489 961	1 707 427	1 489 961

2. LOANS AND ADVANCES

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
Loans and advances to customers				
Call and term loans	717 902	456 418	717 902	456 418
Mortgage loans	318 002	362 368	318 002	362 368
Finance leases and instalment finance	1 055 742	835 317	1 055 742	835 317
	2 091 646	1 654 103	2 091 646	1 654 103
Less: impairment provision	[11 763]	[18 259]	[11 763]	[18 259]
	2 079 883	1 635 844	2 079 883	1 635 844
Loans and advances to banks				
Finance leases	20 585	24 515	20 585	24 515
	2 100 468	1 660 359	2 100 468	1 660 359

2.2 Movement in impairments

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
Finance leases				
Opening balance		[12 879]	[4 342]	[12 879]
Release to/[charge against] income		976	[10 862]	976
Net bad debts written off		4 884	2 325	4 884
	(7 019)	(12 879)	(7 019)	(12 879)
Portfolio impairment				
Opening balance		[5 380]	[1 136]	[5 380]
Release to/[charge against] income		636	[4 244]	636
	(4 744)	(5 380)	(4 744)	(5 380)
Carrying value at end of the year				
Specific impairments		[7 019]	[12 879]	[7 019]
Portfolio impairment		[4 744]	[5 380]	[4 744]
	(11 763)	(18 259)	(11 763)	(18 259)
Released to/[charge against] income				
Finance leases			976	[10 862]
Portfolio impairment			636	[4 244]
Cardholder debit balances			[6]	[194]
Net bad debts recovered			479	426
	2 085	[14 874]	2 085	[14 874]
Impairment charge on negotiable securities (see Note 9)		[7 045]	[11 110]	[7 045]
	(4 960)	(25 984)	(4 960)	(25 984)



2. LOANS AND ADVANCES (CONTINUED)

Maturity of finance leases

Group - 2017

	Gross R '000	Unearned finance charges R '000	Net R '000
Due within one year	628 318	(18 832)	609 486
Between one and five years	569 206	(102 365)	466 841
	1 197 524	(121 197)	1 076 327

Group - 2016

	Gross R '000	Unearned finance charges R '000	Net R '000
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
	994 656	(134 824)	859 832

Company - 2017

	Gross R '000	Unearned finance charges R '000	Net R '000
Due within one year	628 318	(18 832)	609 486
Between one and five years	569 206	(102 365)	466 841
	1 197 524	(121 197)	1 076 327

Company - 2016

	Gross R '000	Unearned finance charges R '000	Net R '000
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
	994 656	(134 824)	859 832

Under the terms of the lease agreements, no contingent rentals are payable.

These agreements relate to motor vehicles and equipment.

3. NEGOTIABLE SECURITIES

Held to maturity investments carried at amortised cost

Bills of exchange
Less: impairment provision

Group	Company	
	2017 R '000	2016 R '000
	266 439	338 552
	(18 155)	(11 110)
	248 284	327 442
	248 284	327 442

4. CASH AND CASH EQUIVALENTS

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 the Financial Services Board requirements. The average interest rate is 3.84% (2016 5.58%).

Cash on hand
Interbank investments
- Current accounts
- Money on call
- South African Reserve Bank
- Restricted cash held at South African Reserve Bank

Group	Company	
	2017 R '000	2016 R '000
	183 013	158 407
	1 032 297	1 244 782
	1 461 625	922 837
	46 726	116 520
	122 823	79 825
	2 846 484	2 522 371
	2 846 484	2 522 371

Total debit balances



5. DEPOSITS

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
Deposits from customers				
Fixed and notice	1 922 931	1 484 582	1 922 931	1 484 582
Call	2 579 660	2 378 027	2 579 660	2 378 027
	4 502 591	3 862 609	4 502 591	3 862 609

The maturity analysis of deposits is based on the contractual period to maturity from the statement of financial position as reflected in Note 4.3. Average interest rate on deposits is 5.5% (2016: 5.5%).

6. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
Value-Added Taxation				
Provisions	-	5 097	-	5 097
Trade payables	101 034	70 740	101 034	70 740
Outstanding bank credits	299 744	250 641	299 744	250 641
Straight-lining of leases	7 052	3 771	7 052	3 771
	416 092	334 258	416 092	334 258

Included in trade and other payables are the following provisions in both the Group and Company numbers.

	Profit share provision R '000	Maintenance obligation provision R '000	Other R '000	Total R '000
Balance at 1 July 2016	42 392	13 258	15 090	70 740
Provision raised	27 122	6 464	7 512	41 098
Provision utilised	(379)	(1 043)	(4 840)	(6 262)
Reversal	-	-	(4 542)	(4 542)
	69 135	18 679	13 220	101 034

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 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.

7. DEFERRED TAX

	Group		Company	
	2017 R '000	2016 R '000	2017 R '000	2016 R '000
Deferred tax liability				
Equipment and leased assets		247 392	215 025	247 392
Accruals		(67 390)	(50 092)	(67 390)
Straight-lining of leases		(2 313)	(1 123)	(2 313)
Prepayments		2 204	1 640	2 204
Share-based payments		(18 166)	(14 363)	(18 166)
Total deferred tax liability		161 727	151 087	161 727
Reconciliation of deferred tax liability				
At beginning of year		151 087	182 450	151 087
Charged to the statement of comprehensive income		21 530	(21 095)	21 530
Charged to equity		(14 811)	(8 651)	(14 811)
Prior year under provision		3 921	(1 617)	3 921
		(161 727)	(151 087)	(161 727)
				(151 087)



8. CLASSIFICATION OF ASSETS AND LIABILITIES

2017	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
Group						
Equipment	-	-	-	-	98 375	98 375
Intangible assets	-	-	-	-	152 424	152 424
Leased assets	-	-	-	-	1 707 427	1 707 427
Loans and advances	-	2 100 468	-	-	-	2 100 468
Negotiable securities	-	248 284	-	-	-	248 284
Derivative financial assets	26 181	-	-	-	-	26 181
Investment securities	-	-	254 868	-	-	254 868
Other assets	-	356 068	-	-	21 386	377 454
Cash and cash equivalents	-	2 846 484	-	-	-	2 846 484
	26 181	5 551 304	254 868	-	1 979 612	7 811 965
Intergroup loans	-	-	-	150 035	-	150 035
Derivative financial liabilities	49 585	-	-	-	-	49 585
Deposits	-	-	-	4 502 591	-	4 502 591
Other liabilities	-	-	-	416 092	-	416 092
Deferred tax	-	-	-	-	161 727	161 727
Current tax	-	-	-	-	5 454	5 454
Defined benefit liability	-	-	-	-	451	451
	49 585	-	-	5 068 718	167 632	5 285 935

2016	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
Group						
Equipment	-	-	-	-	-	109 448
Intangible assets	-	-	-	-	-	112 726
Leased assets	-	-	-	-	-	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	-
Other assets	-	-	-	-	81 285	378 830
Cash and cash equivalents	-	-	-	-	-	2 522 371
	46 047	4 807 717	255 061	445	1 793 420	6 902 690
Intergroup loans	-	-	-	-	150 032	-
Derivative financial liabilities	47 405	-	-	-	-	47 405
Deposits	-	-	-	-	3 862 609	-
Other liabilities	-	-	-	-	334 258	-
Deferred tax	-	-	-	-	-	151 087
Current tax	-	-	-	-	-	14 282
Defined benefit liability	-	-	-	-	-	451
	47 405	-	-	-	4 346 899	165 820
						4 560 124





8. CLASSIFICATION OF ASSETS AND LIABILITIES (CONTINUED)

2017	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
Company						
Equipment	-	-	-	-	98 375	98 375
Intangible assets	-	-	-	-	152 424	152 424
Leased assets	-	-	-	-	1 707 427	1 707 427
Interest in subsidiaries	-	-	-	-	56 387	56 387
Loans and advances	-	2 100 468	-	-	-	2 100 468
Negotiable securities	-	248 284	-	-	-	248 284
Derivative financial assets	26 181	-	-	-	-	26 181
Investment securities	-	-	254 868	-	-	254 868
Intergroup loans	-	-	-	172	-	172
Other assets	-	356 068	-	-	21 386	377 454
Cash and cash equivalents	-	2 846 484	-	-	-	2 846 484
	26 181	5 551 304	254 868	172	2 035 999	7 868 524
Intergroup loans	-	-	-	214 686	-	214 686
Derivative financial liabilities	49 585	-	-	-	-	49 585
Deposits	-	-	-	4 502 591	-	4 502 591
Other liabilities	-	-	-	416 092	-	416 092
Deferred tax	-	-	-	-	161 727	161 727
Current tax	-	-	-	-	5 757	5 757
Defined benefit liability	-	-	-	-	451	451
	49 585	-	-	5 133 369	167 935	5 350 889



2016	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
Company						
Equipment	-	-	-	-	-	109 448
Intangible assets	-	-	-	-	-	112 726
Leased assets	-	-	-	-	-	1 489 961
Interest in subsidiaries	-	-	-	-	-	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
Cash and cash equivalents	-	-	-	-	-	2 522 371
	46 047	4 807 717	255 061	617	1 849 807	6 959 249
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
Current tax	-	-	-	-	-	14 837
Defined benefit liability	-	-	-	-	-	451
	47 405	-	-	4 411 296	166 375	4 625 076

8.1 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).



8. CLASSIFICATION OF ASSETS AND LIABILITIES (CONTINUED)

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

2017

Assets	Notes	Level 1 R '000	Level 2 R '000	Level 3 R '000	Total R '000
Investment securities	12	254 852	-	16	254 868
Derivative financial assets	11	-	26 181	-	26 181
		254 852	26 181	16	281 049

Liabilities

Derivative financial liabilities	11	-	49 585	-	49 585
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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
		255 045	46 047	16	301 108

Liabilities

Derivative financial liabilities	11	-	47 405	-	47 405
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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.

8.3 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.

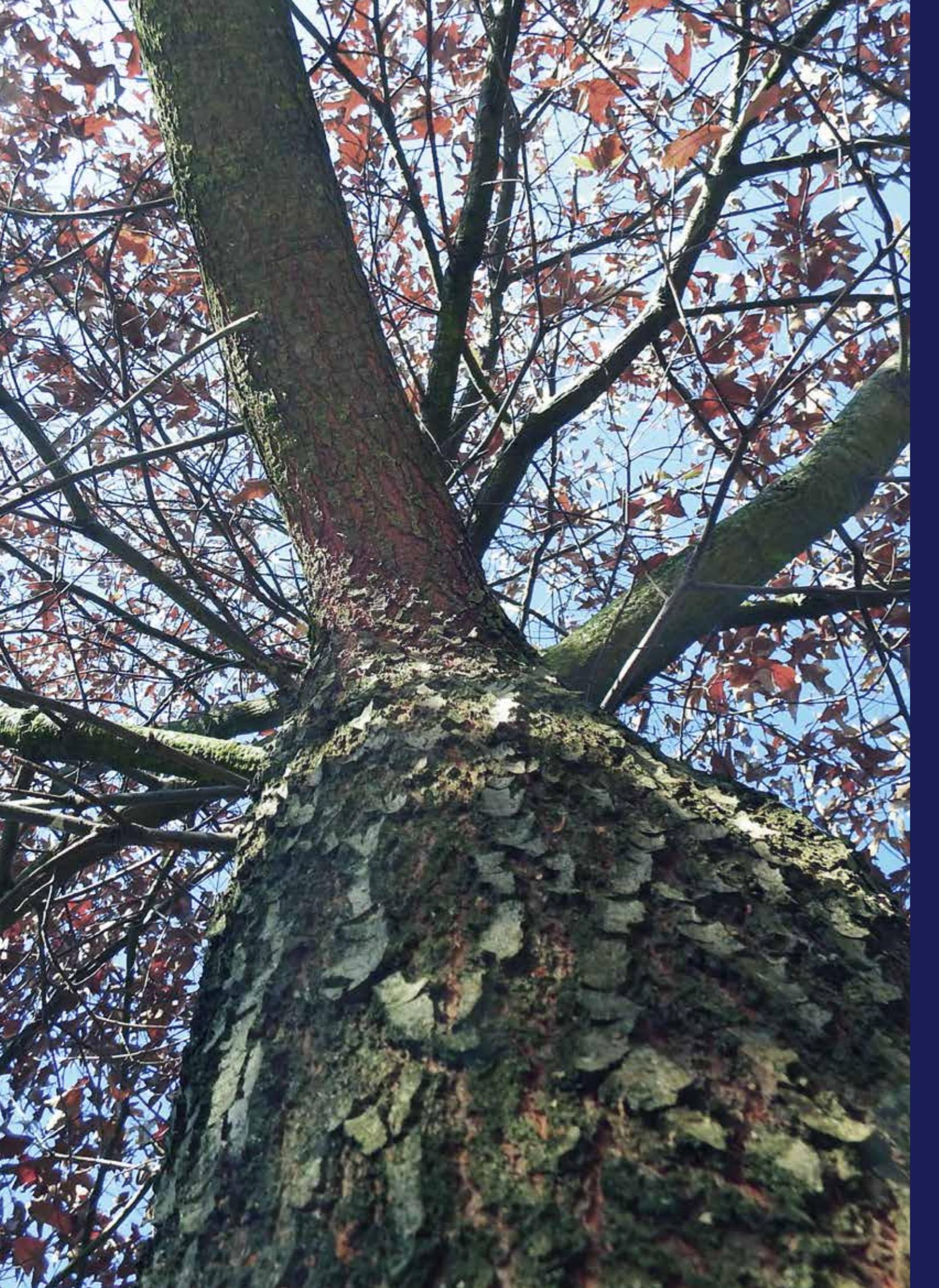
2017 Assets	Carrying value R'000	Fair value R'000
Loans and advances	2 100 468	2 099 528
2016 Assets	Carrying value R'000	Fair value R'000
Loans and advances	1 660 359	1 661 083

9. EVENTS AFTER THE REPORTING PERIOD

On the 8th of August 2017 the Bank acquired a 100% equity in First Data Resources South Africa and Cash Access Corporation (Pty) Ltd.

A dividend of R72 million was declared by the Board of Directors on 8 September 2017.





BIDVEST BANK LIMITED

(Registration number 2000/006478/06)

Summarised Consolidated and Separate Annual Financial Statements for the year ended 30 June 2017.

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.

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