Bidvest Bank Limited

(Registration No. 2000/006478/06)

PILLAR III Public Disclosure

June 30 2014

Introduction and overview

The Bank has exposure to the following major risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risks
- operational risks
- reputational risk

This note presents information about the Bank's exposure to each of the above-mentioned risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital. Further disclosure of the Bank's capital composition and other Pillar III disclosure in terms of the Regulations relating to banks can be found on the Bank's website: www.bidvestbank.co.za.

This note presents information about the Bank's exposure to each of the above-mentioned risks, the Bank's objectives, policies and processes for measuring and managing risk, and the Bank's management of capital.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board has established the Risk and Capital Management Committee, Asset and Liability Committee, and Credit Committee, which are responsible for developing and monitoring the Bank's risk management policies in specified areas. The Risk and Capital Management Committee comprises non-executive directors, and executives attend by invitation. The Asset and Liability Committee and the Credit Committee each have a non-executive chairman and executives as members.

In addition, an Operational Risk Committee comprises executive members from key business areas in the Bank, and reports quarterly to the Risk and Capital Management Committee.

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

The Risk and Capital Management Committee is responsible for monitoring compliance with the Bank's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Bank. The Audit Committee assesses the appropriateness of risk-related provisions.

Credit risk

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

Credit risk is managed within the risk appetite of the Bank. Acceptable credit risk identified in a credit application is mitigated through sufficient underlying security. To enhance the return on funds, and therefore shareholder value, a certain amount of risk has to be taken in the lending activities of the Bank. The risk tolerance of the Bank is, however, low and therefore all credit is mitigated through sound credit principles, and all lending done against appropriate security, except where other factors deem it not necessary to obtain specific security.
The basic principle governing the Bank's lending philosophy is the need for management to satisfy themselves that the business of the borrower has the capacity to deploy its assets in a way that will generate the earnings/cash flows on a sustainable basis to facilitate the repayment of any facilities granted.

Credit risk (continued)

Management of credit risk

The Bank's Board of Directors is ultimately responsible for the maintenance of effective risk management in the Bank. In discharging its responsibilities, the Board has to play a critical role in overseeing the credit granting and credit risk management functions of the Bank. The Board, as a minimum:

- approves the credit risk management policy and review it at least bi-annually;
- ensures that the Bank operates within sound and well-defined credit-granting criteria;
- ensures the senior management is fully capable of managing credit activities conducted by the Bank;
- ensures through independent inspection and audit adherence to the policy, techniques, controls, procedures and information systems;
- reviews all significant credit exposure of the Bank;
- reviews all significant delinquent credits and management's actions taken or contemplated for their recovery;
- reviews any credit granted in conflict of the written credit risk management policy;
- reviews trends in the quality of, and concentration in the Bank's credit portfolio, to identify emerging problems and take action to deal with the problems; and
- ensures that the Bank's remuneration policy is in line with the credit risk strategy and does not reward imprudent activities of credit staff.

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 reported in the Credit Committee Charter, is to support the Board in fulfilling its duties and responsibilities regarding the management of credit risk. Senior management who are members of the Credit Committee have the responsibility of implementing the credit risk strategy approved by the Board and of developing policies and processes for identifying, measuring, monitoring and controlling credit risk. Such policies and processes address credit risk in all of the Bank's credit activities and at both the individual credit and portfolio levels. A separate Credit Department is responsible for oversight of the Bank's credit risk, including:

- *formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements;
- *establishing the authorisation structure for the approval and renewal of credit facilities*. All facilities require approval by the Head of Credit, Credit Committee or the Board of Directors according to authorisation limits;
- *reviewing and assessing credit risk.* The Credit Department assesses all credit exposures prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process;
- *limiting concentration of exposure* to counterparties, geographies, products and industries;
- *reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Credit Committee on the credit quality of portfolios and appropriate corrective action is taken; and
- *providing advice, guidance and specialist skills* to business units to promote best practice throughout the Bank in the management of credit risk.

The Bank operates within sound, well-defined credit granting criteria. These criteria include a clear indication of the Bank's target market and a thorough understanding of the borrower or counterparty.

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. Information disclosed is consistent with the manner in which the Board of Directors and senior management assess and manage risk exposures.

Bidvest Bank Limited

Financial risk management (continued)

Credit risk (continued)

Exposure to credit risk

The following table provides a breakdown of the Bank's assets that are considered for credit risk:

Exposure to credit risk	Gross maximum exposure	
	2014	2013
Loans and advances (excluding banks)	**R'000**	R'000
Non performing book		
Good and average credit quality	**-**	12
Deteriorated credit quality	**14 865**	14 103
Total	**14 865**	14 115
Specific allowance for impairment	**(8 213)**	(5 896)
Carrying amount	**6 652**	8 219
Performing book – collectively impaired		
Good and average credit quality	**684 331**	658 118
Deteriorated credit quality	**23 895**	11 843
Total	**708 226**	669 961
Portfolio allowance for impairment	**(1 364)**	(1 676)
Carrying amount	**706 862**	668 285
Performing book – neither past due nor impaired		
Net exceptional credit quality	**434 257**	331 949
Exceptional credit quality	**434 600**	348 120
Specific allowance for impairment – warranted debt (see commentary below)	**(343)**	(16 171)
Exceptional credit quality (banks)	**9 118**	21 192
Good and average credit quality	**6 891**	181 145
Deteriorated credit quality	**-**	1 357
Total	**450 266**	535 643
Total carrying amount of loans and advances	**1 163 780**	1 212 147
Other financial assets		
Exceptional credit quality	**191 758**	188 251
Exceptional credit quality (banks)	**2 013 418**	1 731 400
Good credit quality	**123 341**	102 889
Total of other financial assets	**2 328 517**	2 022 540
Non-financial assets as per statement of financial position		
Leased assets	**995 188**	1 223 601
Equipment	**62 713**	65 151
Intangible assets	**46 977**	36 910
Inventory	**16 327**	21 361
Current taxation	**29 099**	33 108
Total of non-financial assets	**1 150 304**	1 380 131
Total assets	**4 642 601**	4 614 818

Financial risk management (continued)

Credit risk (continued)

Exposure to credit risk (continued)

The maximum exposure to credit risk is represented by the carrying amount of each financial asset including derivatives in the statement of financial position. Instalment sales and finance lease agreements have been included in the above credit risk analysis.

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.

On June 1 2010, the Bank acquired a 100% interest in an asset-based finance business from The Bidvest Group Limited. At date of acquisition, the exposure to credit risk in the acquired business was warranted by The Bidvest Group Limited. All warranted loans are reflected as part of the exceptional credit quality category, net of impairments raised.

Leased assets

The leased assets are moveable assets rented to customers under operating leases. The majority of the leases are in the range of 3 to 5 years tenor. The leased assets are depreciated over the period of the lease or the useful life of the asset, whichever is the lesser period. The maintenance costs are borne by the Bank and are expensed as they are incurred. The leased assets' residual values are reviewed and adjusted if appropriate, at each reporting date.

Impaired loans

An impaired loan is a loan in respect of which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the terms of the loan agreement.

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. For smaller balance loans, impairment decisions generally are based on a product specific past due status.

Allowances for impairment

The Bank establishes an allowance for impairment losses that represents its estimate of anticipated losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significance exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Financial risk management (continued)

Credit risk (continued)

Security held

The Bank holds financial collateral and other security against loans and advances to customers in the form of cash, 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.

Loans and advances: balances with security

	Note	**2014 R'000**	2013 R'000
Non-performing book: individually impaired			
Secured: Movable assets		**6 325**	8 232
Unsecured		**327**	(13)
Total		**6 652**	8 219
Performing book: collectively impaired			
Secured			
Moveable assets		**493 987**	337 048
Cash, debtors, stock		**17 684**	189 815
Property		**182 691**	134 649
Total secured		**694 362**	661 512
Unsecured		**12 500**	6 773
Total		**706 862**	668 285
Performing book: neither past due nor impaired			
Secured			
Moveable assets		**191 815**	331 970
Cash, debtors, stock		**-**	1 038
Property		**44 603**	27 387
Guarantees		**203 401**	164 114
Total secured		**439 819**	524 509
Unsecured		**10 447**	11 134
Total		**450 266**	535 643
Carrying value	*13*	**1 163 780**	1 212 147

Financial risk management (continued)

Credit risk (continued)

Security valuation

Type	Tangible value
Rand Cash (Cession over deposit account)	100%
Foreign cash (cession over CFC account)	85%
Pledge of Shares (JSE top 100) Quarterly statements are obtained from the customer's Broker.	50%
Cession of Unit Trusts Monthly statements are obtained from the customer's Broker.	50%
Gold coins	50%
Cession of Insurance / Endowment Policy Valuation at the time the Cession is signed by obtaining surrender values directly from the Assurance company.	Extra security, no commercial value
Cession of Debtors Valuation monthly upon submission of debtor lists to the Bank.	25% excluding arrears, depending on the quality of the book
General Notarial Bond over Stock Valuation monthly upon submission of stock lists to the Bank.	25%
Residential Mortgage Bonds over property Valuation conducted by an independent Valuator approved by the Bank when the deal is initiated.	65% (2013:66%)
Commercial Mortgage Bonds over property Valuation conducted by an independent Valuator approved by the Bank when the deal is initiated.	70%
A1 rated guarantees	100%
Suretyships	0%
Movable assets	80%

The Bank monitors concentration of credit risk by sector. An analysis of concentration of credit risk at the reporting date is shown hereafter:

Credit risk by sector		**Loans and advances**		**Investment securities**	
		2014	2013	**2014**	2013
Concentration by sector	*Note*	**R'000**	R'000	**R'000**	R'000
Agriculture, Hunting, Forestry & Fishing		**5 023**	6 542	**-**	-
Manufacturing		**130 779**	89 617	**-**	-
Mining & Quarrying		**19 700**	43 199	**-**	-
Construction		**55 299**	30 108	**-**	-
Wholesale and retail trade		**114 137**	256 567	**-**	-
Transport, storage and communication		**140 115**	144 336	**-**	-
Financial intermediation, insurance, real estate & business services		**546 869**	461 931	**18 379**	18 290
Community, social and personal services		**137 139**	168 813	**-**	-
Private households		**14 485**	10 398	**-**	-
Utilities		**234**	636	**-**	-
Other		**-**	-	**76 907**	80 232
Total	*13*	**1 163 780**	1 212 147	**95 286**	98 522
Of which:					
Sovereign		**124 419**	156 504	**72 228**	76 312

Financial risk management (continued)

Credit risk (continued)

Credit risk by sector (continued)

The Bank also monitors concentration of credit risk by geographical area and apart from accounts at foreign banks, the majority of all other credit exposure is in South Africa.

Settlement risk

The Bank's activities may give rise to risk at the time of settlement of transactions and trades. Settlement risk is the risk of loss due to the failure of a counterparty to honour its obligations to deliver cash, or other assets as contractually agreed.

External credit assessment

In calculating the required amount of capital to be held against credit risk, the Bank applies the long term, international credit ratings as published by the Moody's Investors Services.

Counterparty credit risk

The Bank nets its exposures with counterparty banks where there are formal legal netting agreements in place.

Carrying value (gross less impairment) of banking and other advances for which collateral is held

2014	**Gross**	**(Impairment)**	**Net**	**Guarantees & suretyships**	**Pledge of assets**	**Total**	**Carrying value for which no collateral is held**	**Net**
	R'000	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**	**R'000**
Not past due	**1 158 996**	**(1 707)**	**1 157 289**	**203 401**	**937 105**	**1 140 506**	**22 947**	**1 163 453**
Past due 0-30 days	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Past due 31-180 days	**1 338**	**(767)**	**571**	**-**	**-**	**-**	**-**	**-**
Past due 181-365 days	**13 366**	**(7 446)**	**5 920**	**-**	**-**	**-**	**327**	**327**
Total	**1 173 700**	**(9 920)**	**1 163 780**	**203 401**	**937 105**	**1 140 506**	**23 274**	**1 163 780**

2013	Gross	(Impairment)	Net	Guarantees & surety ships	Pledge of assets	Total	Carrying value for which no collateral is held	Net
	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Not past due	1 234 542	(22 395)	1 212 147	164 114	1 030 139	1 194 253	16 547	1 210 800
Past due 0-30 days	806	(806)	-	-	-	-	806	806
Past due 31-180 days	-	-	-	-	-	-	-	-
Past due 181-365 days	541	(541)	-	-	-	-	541	541
Total	1 235 889	(23 742)	1 212 147	164 114	1 030 139	1 194 253	17 894	1 212 147

Financial risk management (continued)

Credit risk (continued)

Counterparty credit risk (continued)

Capital requirements for credit risk are calculated by making use of daily average balances for all overdraft, corporate, money market and overnight loan exposures as required in terms of Regulation 23(3) of the Regulations relating to banks. The gross month end exposures reflected above are representative of these average balances.

Average gross exposure for each major type of credit exposure (balance sheet, off-balance sheet and counterparty credit risk)

	June 2014	June 2013
Corporate	**1 232 468**	1 034 415
SME corporate	**626 742**	591 490
Public sector entities	**20 423**	19 036
Sovereign (including central government and central bank)	**244 135**	265 846
Banks	**1 748 174**	1 545 777
Securities Firms	**200 005**	-
Residential mortgage advances	**770**	1 178
SME retail	**32 013**	74 907
Retail - other	**19 825**	16 935
Total average gross credit exposure	**4 124 555**	3 549 584

Liquidity risk

Liquidity risk is the risk that the Bank may be unable to meet its payment obligations when they fall due and to replace funds when they are withdrawn without incurring unacceptable losses. Liquidity risk can be divided into 2 sub-categories:

2.1 *Market Liquidity Risk*: The ease with which assets can be liquidated;
2.2 *Funding Liquidity Risk*: The ease with which additional funding can be raised e.g. in the interbank or wholesale markets.

Effective liquidity risk management is a daily process to monitor and project cash flows to ensure adequate liquidity is maintained. The mismatch of cash flows could lead to situations where cash outflows exceed cash inflows in a given period. This may result in the Bank's failure to meet its obligations to pay creditors, repay depositors and fulfil commitments to lend.

In summary, liquidity management is the process to meet the Bank's commitments as they fall due, at an appropriate cost, whilst maintaining market confidence in the Bank.

Management of liquidity risk

Active management of liquidity is critical to the continued solvency of the Bank. At all times, the Bank must be able to meet its financial commitments as they fall due. In this context, the Bank is concerned with the management of future cash flows so that at no stage is the Bank unable to fund net cash outflows from either the market or through the sale of liquid assets.

Liquidity management is applied on an overall balance sheet approach, which consolidates all sources and uses of liquidity and aims to maintain a balance between liquidity and cost of funding. The Bank measures, monitors and manages on-balance sheet and off-balance sheet liquidity mismatch risk taking cognisance of contractual and business-as-usual liquidity conditions, stress liquidity scenarios, guidelines and limits as set by the Asset and Liability Committee (ALCO), regulatory requirements and requirements in terms of best practice liquidity risk management.

The Bank recognises that the analysis of net funding requirements is only one aspect of a sound liquidity management framework. The Bank's ability to withstand a net funding requirement in a liquidity crisis also depends on the calibre of its formal contingency plans. Another critical liquidity management practice is the maintenance of sufficiently diversified sources of funding to limit the exposure to any particular segment of the market. The Bank distinguishes between day-to-day and stress liquidity management.

At June 30 2014, the Bank holds a committed borrowing facility of R125 million (2013: R248 million) from The Bidvest Group Limited. This facility is contractually repayable in an instalment of R125 million per annum (2013: R 248 million). Any unutilised portion of this committed facility remains available on demand and can be accessed to meet liquidity needs.

The Bank also has a standing internal limit (referred to as the Liquidity Cushion) that the greater of R200 million, or 25% of its call deposits plus next day notice deposits pay-outs, will be covered at all times by immediately available funds. At June 30 2014, immediately available funds (comprising central bank, interbank and intergroup call and current accounts) totalled R1, 904 million.

Financial risk management (continued)

Liquidity risk (continued)

Management of liquidity risk (continued)

There are a number of other liquidity management techniques, which contribute to the overall soundness of the Bank's liquidity. These include daily monitoring of the liquidity position, adequate diversification of funding, building strong relationships with providers of funding, investment of surplus liquidity, and internal control processes and contingency plans for managing liquidity risk.

Management, in conjunction with ALCO, recommends changes to the Bank's liquidity risk policy documents and these policy changes are reviewed by the Risk and Capital Management Committee for recommendation to the Board for approval. All policy and strategy changes require Board approval prior to implementation.

Residual contractual maturities of financial liabilities

June 30 2014	Gross value R'000	Contractual undiscounted cash flows R'000	6 months or less R'000	6 – 12 Months R'000	1-5 Years R'000
Non-derivative liabilities					
Intergroup loans	**(122 504)**	**(131 006)**	**(1 763)**	**(129 243)**	**-**
Other liabilities	**(190 429)**	**(190 429)**	**(190 429)**	**-**	**-**
Deposits	**(2 141 298)**	**(2 157 627)**	**(2 081 775)**	**(75 852)**	**-**
Derivative liabilities					
Trading: outflow (liabilities)	**(8 361)**	**(8 361)**	**(8 302)**	**(59)**	**-**
	(2 462 592)	**(2 519 988)**	**(2 301 186)**	**(218 802)**	**-**
June 30 2013					
Non-derivative liabilities					
Intergroup loans	(292 706)	(360 389)	(62 561)	(139 360)	(158 468)
Other liabilities	(149 032)	(149 032)	(149 032)	-	-
Deposits	(2 123 953)	(2 137 177)	(2 081 435)	(55 742)	-
Derivative liabilities					
Trading: outflow (liabilities)	(32 062)	(32 062)	(32 062)	-	-
	(2 597 753)	(2 678 660)	(2 325 090)	(195 102)	(158 468)

The cash flows are included as per the contract and are not discounted for the time value of money. The gross value of the liabilities will therefore differ from the total contractual cash flows. In circumstances where there are no fixed terms of repayment, the liability is included on the basis of the earliest date on which the operation can be required to pay.

Financial risk management (continued)

Liquidity risk (continued)

Maturity analysis of financial assets held for managing liquidity risk

June 30 2014	Carrying amount R'000	Less than 3 months R'000	3-12 months R'000	1-5 years R'000	More than 5 years R'000
Cash and balances with banks	**2 128 203**	**2 128 203**	**-**	**-**	**-**
Loans and advances	**1 163 780**	**240 329**	**95 881**	**621 661**	**205 909**
Investment securities	**95 286**	**23 058**	**15 230**	**56 998**	**-**
Other assets#	**96 232**	**96 232**	**-**	**-**	**-**
	3 483 501	**2 487 822**	**111 111**	**678 659**	**205 909**
June 30 2013					
Cash and balances with banks	1 825 049	1 825 049	-	-	-
Loans and advances	1 212 147	412 110	61 499	606 810	131 728
Investment securities	98 522	22 209	-	76 313	-
Other assets#	77 406	77 406	-	-	-
	3 213 124	2 336 774	61 499	683 123	131 728

Market risk

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads 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 exposures within acceptable parameters, while optimising the return on risk.

Overall authority for market risk is vested in ALCO. The Risk Department is responsible for the development of detailed risk management policies (subject to review and approval by ALCO) and for the day-to-day review of their implementation.

Exposure to interest rate risk – non-trading portfolios

The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the monitoring body for compliance with these limits and is assisted by the Risk Department in its day-to-day monitoring activities. A summary of the Bank's interest rate gap position on non-trading portfolios is as follows:

	Carrying amount R'000	Less than 3 months R'000	3-12 months R'000	1-5 years R'000	More than 5 years R'000
June 30 2014					
Financial assets/(liabilities)@					
Cash and balances with banks	**2 128 203**	**2 128 203**	**-**	**-**	**-**
Loans and advances	**1 163 780**	**1 032 806**	**23 932**	**107 042**	**-**
Investment securities	**95 286**	**23 058**	**15 230**	**56 998**	**-**
Intergroup loans	**(122 504)**	**2 018**	**(124 522)**	**-**	**-**
Deposits	**(2 141 298)**	**(1 541 939)**	**(599 359)**	**-**	**-**
	1 123 467	**1 644 146**	**(684 719)**	**164 040**	**-**

@ Only interest bearing assets and liabilities have been considered
# other assets exclude inventory

Financial risk management (continued)

Market risk (continued)

Exposure to interest rate risk – non-trading portfolios (continued)

	Carrying amount R'000	Less than 3 months R'000	3-12 months R'000	1-5 years R'000	More than 5 years R'000
June 30 2013					
Financial assets/(liabilities)@					
Cash and balances with banks	1 825 049	1 825 049	-	-	-
Loans and advances	1 212 147	1 052 196	25 600	134 351	-
Investment securities	98 522	22 209	-	76 313	-
Intergroup loans	(292 706)	(293 641)	-	935	-
Deposits	(2 123 953)	(2 064 836)	(59 117)	-	-
	719 059	540 977	(33 517)	211 599	-

Analysis based on interest terms	**2014**	2013	**2014**	2013
	Effective rate of interest		**R'000**	R'000
Loans and advances				
Loans and advances with floating interest rates*	**8,28%**	6,81%	**1 041 527**	1 075 873
Loans and advances with fixed interest rates	**11,11%**	11,37%	**132 173**	160 016
			1 173 700	1 235 889
Less : impairment provisions			**(9 920)**	(23 742)
			1 163 780	1 212 147
Deposits				
Deposits with floating interest rates*	**3,69%**	3,60%	**(2 058 972)**	(2 029 685)
Deposits with fixed interest rates	**4,79%**	5,38%	**(82 326)**	(94 268)
			(2 141 298)	(2 123 953)

* The current floating interest rate as at June 30

Interest rate sensitivities

The Bank performs well in an environment of high interest rates (increasing the return on its lending book). As this market indicator has a significant impact on the Bank, fluctuations in the Bank's prime lending rates are closely monitored.

Average prime lending rate	**2014**	2013
For the current year ended June 30	8.70%	8.52%
Interest rate sensitivity based on movements in prime lending	R'000	R'000
(Decrease) before tax in net interest income for the year #	**(4 532)**	**(9 181)**

@ Only interest bearing assets and liabilities have been considered
# Effect of year on year prime rate changes on a constant balance sheet

Financial risk management (continued)

Market risk (continued)

Interest rate sensitivities (continued)

The management of interest rate risk against interest rate gaps is accomplished through monitoring the sensitivity of the Bank's financial assets and liabilities to various standard interest rate scenarios. Standard scenarios that are considered on a monthly basis include a 200 basis point (bp) parallel fall or rise. An analysis of the Bank's sensitivity to an increase or decrease in market interest rates for a six month period (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

Monthly impact on interest income before tax	200 bp parallel increase	200 bp parallel decrease
	R'000	R'000
As at June 30 2014	**2 838**	**(2 838)**
As at June 30 2013	2 840	(2 840)

Overall non-trading interest rate risk positions are managed by the Treasury Department, which uses investment securities, advances to banks, deposits from banks and derivative instruments to manage the overall position arising from the Bank's non-trading activities.

Foreign exchange rate sensitivities

Currency profile R'000	ZAR	GBP	USD	EUR	OTHER	TOTAL
2014						
Assets						
Cash and balances with banks	**1 939 284**	**36 012**	**77 463**	**51 065**	**24 379**	**2 128 203**
Derivative financial assets	**8 796**	**-**	**-**	**-**	**-**	**8 796**
Loans and advances	**1 128 351**	**-**	**25 444**	**9 966**	**19**	**1 163 780**
Leased assets	**995 188**	**-**	**-**	**-**	**-**	**995 188**
Investment securities	**95 286**	**-**	**-**	**-**	**-**	**95 286**
Other assets	**112 029**	**262**	**206**	**16**	**46**	**112 559**
Equipment	**62 713**	**-**	**-**	**-**	**-**	**62 713**
Intangible assets	**46 977**	**-**	**-**	**-**	**-**	**46 977**
Current taxation	**29 099**	**-**	**-**	**-**	**-**	**29 099**
	4 417 723	**36 274**	**103 113**	**61 047**	**24 444**	**4 642 601**
Commitments to purchase foreign currency	**-**	**89 587**	**1 065 321**	**287 136**	**102 307**	**1 544 351**
Total assets	**4 417 723**	**125 861**	**1 168 434**	**348 183**	**126 751**	**6 186 952**
2013	4 322 397	11 793	243 896	16 924	19 808	4 614 818
Commitments to purchase	-	70 542	1 007 589	383 188	182 920	1 644 239
Total assets	4 322 397	82 335	1 251 485	400 112	202 728	6 259 057

Bidvest Bank Limited

Financial risk management (continued)

Market risk (continued)

Foreign exchange rate sensitivities (continued)

Currency profile R'000 2014	ZAR	GBP	USD	EUR	OTHER	TOTAL
Equity and liabilities						
Share capital	**2 070**	**-**	**-**	**-**	**-**	**2 070**
Share premium	**525 709**	**-**	**-**	**-**	**-**	**525 709**
Reserves	**1 454 866**	**-**	**-**	**-**	**-**	**1 454 866**
Intergroup loans	**122 504**	**-**	**-**	**-**	**-**	**122 504**
Derivative financial liabilities	**8 361**	**-**	**-**	**-**	**-**	**8 361**
Deposits	**1 582 866**	**95 875**	**281 724**	**135 833**	**45 000**	**2 141 298**
Other liabilities	**176 096**	**290**	**13 092**	**224**	**727**	**190 429**
Defined benefit liability	**482**	**-**	**-**	**-**	**-**	**482**
Deferred taxation	**196 882**	**-**	**-**	**-**	**-**	**196 882**
	4 069 836	**96 165**	**294 816**	**136 057**	**45 727**	**4 642 601**
Commitments to sell foreign currency	**-**	**22 153**	**867 040**	**215 808**	**91 327**	**1 196 328**
Total equity and liabilities	**4 069 836**	**118 318**	**1 161 856**	**351 865**	**137 054**	**5 838 929**
2013	4 175 033	64 531	238 021	97 109	40 124	4 614 818
Commitments to sell Foreign currency	-	19 008	995 730	296 597	183 250	1 494 585
Total equity and liabilities	4 175 033	83 539	1 233 751	393 706	223 374	6 109 403

This currency profile analyses the assets and liabilities in terms of their originating currencies. These totals are then expressed in South African rand at the closing spot exchange rate.

Net open position	GBP R'000	USD R'000	EUR R'000	OTHER R'000	TOTAL R'000
June 30 2014	**7 543**	**6 578**	**(3 682)**	**(10 302)**	**137**
June 30 2013	**(1 204)**	**17 734**	**6 406**	**(20 646)**	**2 290**

Closing spot exchange rate	GBP	USD	EUR
June 30 2014	**R18,09**	**R10,61**	**R14,49**
June 30 2013	R15,23	R10,00	R13,06

Average exchange rate	GBP	USD	EUR
For the year ended June 30 2014	**R16,92**	**R10,39**	**R14,11**
For the year ended June 30 2013	R13,88	R8,86	R11,47
For the year ended June 30 2012	R12,27	R7,74	R10,38

Foreign currency sensitivity based on movements in exchange rate:	2014 R'000	2013 R'000
Increase before tax in operating income for the year#	**34 253**	**32 263**

Effect of foreign exchange rate fluctuations on a constant balance sheet

Financial risk management (continued)

Market risk (continued)

Foreign exchange rate sensitivities (continued)

Foreign currency net open position sensitivity based on a 10% movement in exchange rates:

	2014 R'000	2013 R'000
GBP	754	(120)
USD	658	1 773
EUR	(368)	641
Other	(1 030)	(2 065)
	14	229

Operational risks

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks, such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

The Bank's objective is to manage operational risk so as to balance the avoidance of financial losses not part of operational risk with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. The Operational Risk Committee is responsible for oversight of the Bank's operational risks.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by the development of overall Bank standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions
- requirements for the reconciliation and monitoring of transactions
- compliance with regulatory and other legal requirements
- documentation of controls and procedures
- requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified
- requirements for the reporting of operational losses and proposed remedial action
- development of contingency plans
- training and professional development
- ethical and business standards
- risk mitigation, including insurance where this is effective.

Reputational risk

The Bank manages reputational risk by an integrated strategy, understanding the correlation between sustainable performance and reputation, and between corporate image and corporate reputation.

The following basic strategies are followed to manage reputational risk:

- fostering a reputation-conscious culture
- linking corporate social responsibility to reputation
- measuring the impact of media coverage, perceptions and stakeholder impressions
- developing plans to develop and protect reputation
- monitoring potential reputation-damaging issues

Financial risk management (continued)

Reputational risk (continued)

- proactively exploiting good news and having a crisis communication plan to respond in times of bad news
- transforming potential disasters into opportunities.

Capital management

Regulatory capital

The South African Reserve Bank ("SARB") sets and monitors capital requirements for the Bank as a whole. 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 of 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 so as 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 and its operations have complied with all externally imposed capital requirements throughout the year and previous year.

There have been no material changes in the Bank's management of capital during the period.

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 implicated 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.

Statement of financial position forecasting based on business and strategy planning allows management to ensure that minimum required capital ratios are adhered to.

Bidvest Bank Limited

As at 30 June 2014 the Bank Consolidated regulatory capital position was as follows:

Net qualifying capital and reserves	**30 June 2014 R'000**	30 June 2013 R'000
Common equity Tier I	**1 009 879**	849 649
Share capital	**2 070**	2 070
Share premium	**525 709**	525 709
Retained earnings	**478 958**	317 333
Other reserves	**3 142**	4 537
Prescribed deductions against Tier I common equity	**-70 139**	-59 934
	939 740	789 715
Tier II capital (provisions)	**1 364**	1 676
Total qualifying capital and reserves	**941 104**	791 391
Non qualifying capital and reserves	**1 041 541**	1 097 471
Retained earnings not formally appropriated	**971 402**	1 037 537
Prescribed deductions against capital and reserve funds	**70 139**	59 934
Total capital and reserves	**1 982 645**	1 888 862

Risk–weighted exposure	**Capital requirement 30 June 2014 R'000**	**Risk weighted exposure 30 June 2014 R0'000**	Capital requirement 30 June 2013 R'000	Risk weighted exposure 30 June 2013 R'000
Credit risk Retail bank, corporate bank and central treasury	**172 571**	**1 725 712**	110 025	1 158 156
Counterparty credit risk Retail bank, corporate bank and central treasury	**587**	**5 873**	572	6 023
Operational risk Retail bank, corporate bank and central treasury	**189 975**	**1 899 752**	228 460	2 404 843
Market risk Retail bank, corporate bank and central treasury	**1 412**	**14 121**	2 241	23 587
Equity risk Retail bank, corporate bank and central treasury	**468**	**4 679**	372	3 920
Other risks	**120 804**	**1 208 039**	131 921	1 388 643
Total	**485 817**	**4 858 176**	473 591	4 985 172

Capital ratios		
Total capital adequacy ratio	**19.37%**	15.87%
Total primary capital adequacy ratio	**19.34%**	15.84%

None of the exposure at 30 June 2014 was subject to rapid or material change.

Bidvest Bank Limited

As at 30 June 2014 the Bank solo regulatory capital position was as follows:

Net qualifying capital and reserves	**30 June 2014 R'000**	30 June 2013 R'000
Common equity Tier I	**1 009 879**	843 598
Share capital	**2 070**	2 070
Share premium	**525 709**	525 709
Retained earnings	**478 958**	317 333
Other reserves	**3 142**	-1 514
Prescribed deductions against Tier I common equity	**-70 139**	-59 934258
	939 740	783 664
Tier II capital (provisions)	**1 364**	1 676
Total qualifying capital and reserves	**941 104**	785 340
Non qualifying capital and reserves	**1 034 460**	1 097 471
Retained earnings not formally appropriated	**964 321**	1 037 537
Prescribed deductions against capital and reserve funds	**70 139**	59 934
Total capital and reserves	**1 975 564**	1 882 811

Risk–weighted exposure	**Capital requirement 30 June 2014 R'000**	**Risk weighted exposure 30 June 2014 R0'000**	Capital requirement 30 June 2013 R'000	Risk weighted exposure 30 June 2013 R'000
Credit risk Retail bank, corporate bank and central treasury	**172 571**	**1 725 712**	110 025	1 158 156
Counterparty credit risk Retail bank, corporate bank and central treasury	**587**	**5 873**	572	6 023
Operational risk Retail bank, corporate bank and central treasury	**168 545**	**1 685 453**	130 541	1 374 119
Market risk Retail bank, corporate bank and central treasury	**1 412**	**14 121**	2 241	23 587
Equity risk Retail bank, corporate bank and central treasury	**468**	**4 679**	372	3 920
Other risks	**117 315**	**1 173 153**	131 921	1 388 643
Total	**460 898**	**4 608 991**	354 705	3 954 448

Capital ratios		
Total capital adequacy ratio	**20.42%**	19.86%
Total primary capital adequacy ratio	**20.39%**	19.82%

None of the exposure at 30 June 2014 was subject to rapid or material change.

Bidvest Bank Limited

COMPOSITION OF CAPITAL DISCLOSURE

BIDVEST BANK LIMITED (CONSOLIDATED)

30 June 2014

		R'000	R'000
	Basel III common disclosure used during the transition of regulatory adjustments from 1 June 2013 to 1 January 2018		**Amounts subject to pre-Basel III treatment**
	Common Equity Tier I capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	527,779	
2	Retained earnings	478,958	
3	Accumulated other comprehensive income (and other reserves)	3,142	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		
	Public sector capital injections grandfathered until 1 January 2018		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	Common Equity Tier 1 capital before regulatory adjustments	**1 009 879**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	14,831	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	32,146	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
11	Cash-flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		

Bidvest Bank Limited

22	Amount exceeding the 15% threshold		
23	of which: significant investments in the common stock of financials		
24	of which: mortgage servicing rights		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments	23,162	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH:		
	OF WHICH:		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to Common equity Tier 1**	**70,139**	
29	**Common Equity Tier 1 capital (CET1)**	**939,740**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase out from Additional Tier 1		
34	Additional Tier 1 instruments (and CET1) instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	Of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 capital before regulatory adjustments**	**-**	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments		
38	Reciprocal cross-holdings in Additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
41	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH:		
	OF WHICH:		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	**Total regulatory adjustments to Additional Tier 1 capital**	**-**	
44	**Additional Tier 1 capital (AT1)**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**939,740**	
	Tier 2 capital and provisions		
46	**Directly issued qualifying Tier 2 instruments plus related stock surplus**		
47	**Directly issued capital instruments subject to phase out from Tier 2**		

Bidvest Bank Limited

48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions	1,364
51	Tier 2 capital before regulatory adjustments	**1,364**
	Tier 2 capital: regulatory adjustments	
52	Investment in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	
54	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not won more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	
55	regulatory consolidation (net of eligible short positions)	
56	National specific regulatory adjustments	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH:	
	OF WHICH:	
57	**Total regulatory adjustments to Tier 2 capital**	**-**
58	**Tier 2 capital (T2)**	**1,364**
59	**Total capital (TC = T1 + T2)**	**941,104**
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH:	
	OF WHICH:	
60	**Total risk weighted assets**	4,858,176
	Capital ratios	
61	Common Equity Tier 1 (as percentage of risk weighted assets)	19.34%
62	Tier 1 (as percentage of risk weighted assets)	19.34%
63	Total capital (as percentage of risk weighted assets)	19.37%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	4.62%
65	of which: capital conservation buffer requirements	2.50%
66	of which: bank-specific countercyclical buffer requirement	0.00%
67	of which: G-SIB buffer requirement	0.00%
68	Common Equity Tier 1 available to meet buffers (as percentage of risk weighted assets)	19.34%
	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	5.62%
70	National Tier 1 minimum ratio	7.18%
71	National total capital minimum ratio	10.00%
	Amounts below the threshold for deductions (before risk weighting)	
72	Non-significant investments in the capital of other financials	
73	Significant investments in the common stock of financials	
74	Mortgage servicing rights (net of related tax liability)	

Bidvest Bank Limited

75	Deferred tax assets arising from temporary differences (net of related tax liability)	
Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to the application of cap)	1,364
77	Cap on inclusion of provisions in Tier 2 under standardised approach)	21,589
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of cap)	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

Bidvest Bank Limited

MAIN FEATURES DISCLOSURE

BIDVEST BANK LIMITED (SOLO)

30 June 2013

Disclosure for main features of regulatory capital instruments		
1	Issuer	The Bidvest Group Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	
	Regulatory treatment	
4	Transitional Basel III rules	N/A
5	Post-transitional Basel III rules	N/A
6	Eligible at solo / group / group & solo	Group & solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognized in regulatory capital (Currency in mil, as of most recent reporting date)	R528m
9	Par value of instrument	R0.01
10	Accounting classification	Shareholders’ equity
11	Original date of issuance	April 2000
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend / coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory	N/A
21	Existence of step up or other incentive to redeem	N/A
22	Con-cumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down feature	N/A
31	If write-down, write down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write-down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

Bidvest Bank Limited

COMPOSITION OF CAPITAL DISCLOSURE

BIDVEST BANK LIMITED (SOLO)
30 June 2014

	Basel III common disclosure used during the transition of regulatory adjustments from 1 June 2013 to 1 January 2018	R'000	R'000 Amounts subject to pre-Basel III treatment
	Common Equity Tier I capital: instruments and reserves		
1	Directly issued qualifying common share capital (and equivalent for non-joint stock companies) plus related stock surplus	527,779	
2	Retained earnings	478,958	
3	Accumulated other comprehensive income (and other reserves)	3,142	
4	Directly issued capital subject to phase out from CET1 (only applicable to non-joint stock companies)		
	Public sector capital injections grandfathered until 1 January 2018		
5	Common share capital issued by subsidiaries and held by third parties (amount allowed in group CET1)		
6	Common Equity Tier 1 capital before regulatory adjustments	**1,009,879**	
	Common Equity Tier 1 capital: regulatory adjustments		
7	Prudential valuation adjustments		
8	Goodwill (net of related tax liability)	14,831	
9	Other intangibles other than mortgage-servicing rights (net of related tax liability)	32,146	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)		
11	Cash-flow hedge reserve		
12	Shortfall of provisions to expected losses		
13	Securitisation gain on sale		
14	Gains and losses due to changes in own credit risk on fair valued liabilities		
15	Defined benefit pension fund net assets		
16	Investments in own shares (if not already netted off paid-in capital on reported balance sheet)		
17	Reciprocal cross-holdings in common equity		
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)		
19	Significant investments in common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions (amount above 10% threshold)		
20	Mortgage servicing rights (amount above 10% threshold)		
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)		
22	Amount exceeding the 15% threshold		
23	of which: significant investments in the common stock of financials		

Bidvest Bank Limited

24	of which: mortgage servicing rights		
25	of which: deferred tax assets arising from temporary differences		
26	National specific regulatory adjustments	23,162	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH:		
	OF WHICH:		
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions		
28	**Total regulatory adjustments to Common equity Tier 1**	**70,139**	
29	**Common Equity Tier 1 capital (CET1)**	**939,740**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus		
31	of which: classified as equity under applicable accounting standards		
32	of which: classified as liabilities under applicable accounting standards		
33	Directly issued capital instruments subject to phase out from Additional Tier 1		
34	Additional Tier 1 instruments (and CET1) instruments not included in line 5) issued by subsidiaries and held by third parties (amount allowed in group AT1)		
35	Of which: instruments issued by subsidiaries subject to phase out		
36	**Additional Tier 1 capital before regulatory adjustments**	**-**	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own Additional Tier 1 instruments		
38	Reciprocal cross-holdings in Additional Tier 1 instruments		
39	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)		
40	Significant investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)		
41	National specific regulatory adjustments		
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 1 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT		
	OF WHICH:		
	OF WHICH:		
42	Regulatory adjustments applied to Additional Tier 1 due to insufficient Tier 2 to cover deductions		
43	**Total regulatory adjustments to Additional Tier 1 capital**	**-**	
44	**Additional Tier 1 capital (AT1)**	-	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**939,740**	
	Tier 2 capital and provisions		
46	**Directly issued qualifying Tier 2 instruments plus related stock surplus**		
47	**Directly issued capital instruments subject to phase out from Tier 2**		
48	Tier 2 instruments (and CET1 and AT1 instruments not included in lines 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)		

Bidvest Bank Limited

49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions	1,364
51	Tier 2 capital before regulatory adjustments	**1,364**
	Tier 2 capital: regulatory adjustments	
52	Investment in own Tier 2 instruments	
53	Reciprocal cross-holdings in Tier 2 instruments	
54	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, net of eligible short positions, where the bank does not won more than 10% of the issued common share capital of the entity (amount above the 10% threshold)	
55	regulatory consolidation (net of eligible short positions)	
56	National specific regulatory adjustments	
	REGULATORY ADJUSTMENTS APPLIED TO COMMON EQUITY TIER 2 IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH:	
	OF WHICH:	
57	**Total regulatory adjustments to Tier 2 capital**	**-**
58	**Tier 2 capital (T2)**	**1,364**
59	**Total capital (TC = T1 + T2)**	**941,104**
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	
	OF WHICH:	
	OF WHICH:	
60	**Total risk weighted assets**	4,608,991
	Capital ratios	
61	Common Equity Tier 1 (as percentage of risk weighted assets)	20.39%
62	Tier 1 (as percentage of risk weighted assets)	20.39%
63	Total capital (as percentage of risk weighted assets)	20.42%
64	Institution specific buffer requirement (minimum CET1 requirement plus capital conservation buffer plus countercyclical buffer requirements plus G-SIB buffer requirement, expressed as a percentage of risk weighted assets)	4.62%
65	of which: capital conservation buffer requirements	2.50%
66	of which: bank-specific countercyclical buffer requirement	0.00%
67	of which: G-SIB buffer requirement	0.00%
68	Common Equity Tier 1 available to meet buffers (as percentage of risk weighted assets)	19.98%
	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	5.62%
70	National Tier 1 minimum ratio	7.18%
71	National total capital minimum ratio	10.00%
	Amounts below the threshold for deductions (before risk weighting)	
72	Non-significant investments in the capital of other financials	
73	Significant investments in the common stock of financials	
74	Mortgage servicing rights (net of related tax liability)	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	
	Applicable caps on the inclusion of provisions in Tier 2	

76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to the application of cap)	1,364
77	Cap on inclusion of provisions in Tier 2 under standardised approach)	21,589
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to the application of cap)	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	
82	Current cap on AT1 instruments subject to phase out arrangements	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	
84	Current cap on T2 instruments subject to phase out arrangements	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	

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PILLAR III – DISCLOSURE REQUIREMENTS FOR REMUNERATION – 30 JUNE 2014

The Basel Committee on Banking Supervision's guidance to improve compensation practices and strengthen supervision in this area incorporates the Financial Stability Board's Principles for Sound Compensation Practices. In terms of this requirement firms are required to disclose clear, comprehensive and timely information about their compensation practices to facilitate constructive engagement by all stakeholders, including in particular shareholders.

The requirements have been designed to be sufficiently granular and detailed to allow meaningful assessment by market participants of a bank's compensation practices, while not requiring disclosure of sensitive or confidential information. As a result, banks will be required to disclose qualitative and quantitative information about their remuneration practices and policies covering the following areas:

- The governance / committee structures
- The design / operation of remuneration structure, frequency of review
- The independence of remuneration for risk / compliance staff
- The risk adjustment methodologies
- The link between remuneration and performance
- The long-term performance measures (deferral, malus, clawback)
- The types of remuneration (cash / equity, fixed / variable).

The Bank is expected to publish the disclosure on an annual basis at a minimum. The disclosure should be incorporated in the Bank's Pillar III public disclosure, or may refer to a different site or document if an equivalent disclosure has already been made under an accounting or listing requirement relating to the same time period.

The quantitative remuneration disclosure only covers senior management and other material risk takers as required.

To this end, Bidvest Bank Limited's remuneration disclosure is set out in the table below.

Requirement		Bidvest Bank Limited disclosure
Qualitative disclosures		
(a)	Information relating to the bodies that oversee remuneration. Disclosures should include: • Name, composition and mandate of the main body overseeing remuneration. • External consultants whose advice has been sought, the body by which they were commissioned, and in what areas of the remuneration process. • A description of the scope of the bank's remuneration policy (e.g. by regions, business lines), including the extent to which it is applicable to foreign subsidiaries and branches. • A description of the types of employees considered as material risk takers and as senior managers, including the number of employees in each group.	Stated in section 2.4 of the Bank's Annual Financial Statements. No external consultants were approached for advice regarding remuneration during the 2014 financial year ending 30 June 2014. The Bank's remuneration policy sets out the rules, regulations, procedures, forms and standard documents relating to remuneration. Remuneration is determined and agreed on the concept of Cost to Employer (CTE). The Bank considers the senior staff and other risk takers to be limited to the board of directors.
(b)	Information relating to the design and structure of remuneration processes. Disclosures should include: • An overview of the key features and objectives of remuneration policy.	Remuneration is discussed in section 8.1 of the Bank's AFS. Key features of the Bank's remuneration policy include: - Compliance with labour legislation, the Income tax Act, Occupational Health and

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Requirement		Bidvest Bank Limited disclosure
Qualitative disclosures		
		Safety Act and any other applicable legislation. - Consultation with a Workplace Forum set up to represent employees and communicate remuneration-related matters to the applicable authorities. - Remuneration levels, grading and determination of CTE and structuring of the CTE. - Statutory payments in terms of the Unemployment Insurance Fund (UIF), Skills Development levy, Compensation for Occupational Injuries and Diseases Act (COIDA), Employee's tax, Leave and notice payments and overtime payments - Part time and permanent employees - Remuneration increases - Termination of employment - Fixed term employment - Employment equity - Labour brokers and Independent contractors.
	• Whether the remuneration committee reviewed the firm's remuneration policy during the past year, and if so, an overview of any changes that were made.	The Bank's remuneration functions fall under the ambit of the Corporate Governance Committee. The Bank's remuneration policy was reviewed November 2013 and previously approved by the Board of Directors in November 2012.
	• A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	Remuneration of Risk and Compliance staff is based on CTE as agreed upon at the time of employment. Any additional remuneration in the form of performance bonus is based on an individual's performance and the overall performance of the Bank. There is no link between the remuneration of compliance and risk staff and the performance of the business units they oversee.
(c)	Description of the ways in which current and future risks are taken into account in the remuneration processes. Disclosures should include: • An overview of the key risks that the bank takes into account when implementing remuneration measures. • An overview of the nature and type of the key measures used to take account of these risks, including risks difficult to measure (values need not be disclosed). • A discussion of the ways in which these measures affect remuneration. • A discussion of how the nature and type of these measures has changed over the past year and reasons for the change, as well as the impact of	Remuneration of employees is based on regular performance reviews and is informed by industry guidelines and prevailing market conditions. Executive directors' employment contracts do not contain unusual leave or other benefit provisions, and are terminable on reasonable notice. Directors' and senior management's remuneration is approved by the Corporate Governance Committee. The Bank does not offer a share incentive scheme but executives participate in the share incentive scheme of The Bidvest Group Limited. There has been no change in the measurement of performance for remuneration purposes over the past year.

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Requirement		Bidvest Bank Limited disclosure
Qualitative disclosures		
	changes on remuneration.	
(d)	Description of the ways in which the bank seeks to link performance during a performance measurement period with levels of remuneration. Disclosures should include: • An overview of main performance metrics for bank, top-level business lines and individuals. • A discussion of how amounts of individual remuneration are linked to bank-wide and individual performance. • A discussion of the measures the bank will in general implement to adjust remuneration in the event that performance metrics are weak.	Disclosed in section 8.1 of the Bank's AFS. Disclosed in section 8.1 of the Bank's AFS. Disclosed in section 8.1 of the Bank's AFS.
(e)	Description of the ways in which the bank seeks to adjust remuneration to take account of longer-term performance. Disclosures should include: • A discussion of the bank's policy on deferral and vesting of variable remuneration and, if the fraction of variable remuneration that is deferred differs across employees or groups of employees, a description of the factors that determine the fraction and their relative importance. • A discussion of the bank's policy and criteria for adjusting deferred remuneration before vesting and (if permitted by national law) after vesting through clawback arrangements.	The Bank's remuneration is based on CTE. The Bank has no deferrals or vesting of variable remuneration across employees. N/A
(f)	Description of the different forms of variable remuneration that the bank utilises and the rationale for using these different forms. Disclosures should include: • An overview of the forms of variable remuneration offered (i.e. cash, shares and share-linked instruments and other forms). • A discussion of the use of the different forms of variable remuneration and, if the mix of different forms of variable remuneration differs across employees or groups of employees, a description the factors that determine the mix and their relative importance.	Remuneration in the Bank is based on cash. N/A
Quantitative Disclosure – Senior management and material risk takers		
(g)	• Number of meetings held by the main body overseeing remuneration during the financial year and remuneration paid to its members.	Refer section 2.3 of the Bank's AFS.
(h)	• Number of employees having received a variable remuneration award during the financial year. • Number and total amount of	N/A The Bank does not offer guaranteed bonuses.

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Requirement		Bidvest Bank Limited disclosure
Qualitative disclosures		
	guaranteed bonuses awarded during the financial year. • Number and total amount of sign-on awards made during the financial year. • Number and total amount of severance payments made during the financial year.	N/A None
(i)	• Total amount of outstanding deferred remuneration, split into cash, shares and share-linked instruments and other forms. • Total amount of deferred remuneration paid out in the financial year.	None None
(j)	• Breakdown of amount of remuneration awards for the financial year to show: - fixed and variable. - deferred and non-deferred. - different forms used (cash, shares and share-linked instruments, other forms).	Refer to note 7 of the AFS. The Bank does not have deferred and non-deferred remuneration. All bonuses are paid in cash.
(k)	Quantitative information about employees' exposure to implicit (e.g. fluctuations in the value of shares or performance units) and explicit adjustments (e.g. malus, clawbacks or similar reversals or downward revaluations of awards) of deferred remuneration and retained remuneration: • Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments. • Total amount of reductions during the financial year due to ex post explicit adjustments. • Total amount of reductions during the financial year due to ex post implicit adjustments.	N/A N/A N/A N/A