Bidvest Bank Limited

(Registration No. 2000/006478/06)

Public Disclosure as at

December 31 2015

Financial risk management

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.

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.

Financial risk management (continued)

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.

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**	*
	2015	2014
Loans and advances (excluding banks)	**R'000**	R 000
Non-performing book		
Exceptional credit quality	**-**	-
Good and average credit quality	**-**	-
Deteriorated credit quality	**30 717**	16 092
Total	**30 717**	16 092
Specific allowance for impairment	**(5 843)**	(8 649)
Carrying amount	**24 875**	7 443
Performing book		
Exceptional credit quality	**-**	-
Good and average credit quality	**854 476**	621 866
Deteriorated credit quality	**-**	-
Total	**854 476**	621 866
Portfolio allowance for impairment	**(3 786)**	(1 530)
Carrying amount	**850 691**	620 336
Neither past due nor impaired		
Net exceptional credit quality	**723 192**	353 832
Exceptional credit quality	**723 192**	354 191
Specific allowance for impairment – warranted debt (see commentary below)	**0**	(359)
Exceptional credit quality (banks)	**9 887**	13 671
Good and average credit quality	**-**	256 460
Deteriorated credit quality	**-**	-
Total	**733 079**	523 963
Total carrying amount of loans and advances	**1 608 645**	1 251 742
Other financial assets		
Exceptional credit quality	**422 801**	207 466
Exceptional credit quality (banks)	**1 172 121**	1 880 834
Good and average credit quality	**700 414**	279 132
Deteriorated credit quality	**-**	-
Total of other financial assets	**2 295 336**	2 367 431
Non-financial assets as per statement of financial position		
Leased assets	**1 853 212**	918 163
Equipment	**110 116**	70 752
Intangible assets	**92 884**	55 688
Current taxation	**29 185**	19 172
Total of non-financial assets	**2 085 397**	1 063 775
Total assets	**5 989 378**	4 682 948

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.

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, 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	**2015 R'000**	2014 R'000
Non-performing book: individually impaired			
Secured			
Movable assets		**13 569**	6 545
Cash, debtors, stock		**-**	-
Property		**-**	-
Guarantees		**-**	-
Total secured		**13 569**	6 545
Unsecured		**-**	898
Total		**13 569**	7 443
		-	-
Performing book: collectively impaired		**-**	-
Secured		**-**	-
Moveable assets		**390 532**	441 377
Cash, debtors, stock		**20 146**	6 283
Property		**284 017**	152 030
Guarantees		**10 061**	-
Total secured		**704 756**	599 690
Unsecured		**41 779**	20 646
Total		**746 535**	620 336
		-	-
Performing book: neither past due nor impaired		**-**	-
Secured		**-**	-
Moveable assets		**454 271**	243 410
Cash, debtors, stock		**-**	7 715
Property		**83 296**	155 227
Guarantees		**263 419**	213 671
Total secured		**800 986**	620 023
Unsecured		**47 555**	3 940
Total		**848 541**	623 963
Carrying value	*13*	**1 608 645**	1 251 742

Financial risk management (continued)

Credit risk (continued)

Security valuation

Type	Tangible value
Rand Cash (Cession over deposit account)	100% (2014: 100%)
Foreign cash (cession over CFC account)	85% (2014: 90%)
Pledge of Shares (JSE top 100) Quarterly statements are obtained from the customer's Broker.	50% (2014: 50%)
Cession of Unit Trusts Monthly statements are obtained from the customer's Broker.	50% (2014: 50%)
Gold coins	50% (2014: 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 (2014: 25%)
General Notarial Bond over Stock Valuation monthly upon submission of stock lists to the Bank.	25% (2014: 25%)
Residential Mortgage Bonds over property Valuation conducted by an independent Valuator approved by the Bank when the deal is initiated.	65% (2014: 60%)
Commercial Mortgage Bonds over property Valuation conducted by an independent Valuator approved by the Bank when the deal is initiated.	70% (2014: 70%)
A1 rated guarantees	100% (2014: 100%)
Suretyships	0% (2014: 0%)
Movable assets	80% (2014: 100%)

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**	
Concentration by sector	*Note*	**2015 R'000**	2014 R'000	**2015 R'000**	2014 R'000
Agriculture, Hunting, Forestry & Fishing		**5 291**	8 076		-
Manufacturing		**174 340**	110 843		-
Mining & Quarrying		**1 681**	12 102		-
Construction		**44 861**	113 044		-
Wholesale and retail trade		**167 264**	93 768		-
Transport, storage and communication		**329 185**	114 702		-
Financial intermediation, insurance, real estate & business services		**695 447**	626 016	**15 400**	16 370
Community, social and personal services		**168 475**	157 306		-
Private households		**21 795**	15 745		-
Utilities		**306**	142		-
Other		**-**	-	**9 356**	6 075
Total	*13*	**1 608 645**	1 251 742	**24 756**	22 445
Of which:					
Sovereign		**135 165**	102 583	**53 757**	74 620

Average gross exposure for each major type of credit exposure

	December 2015	December 2014
Corporate	**654 271**	287 029
SME corporate	**738 039**	240 139
Public sector entities	**6 745**	1 843
Sovereign (including central government and central bank)	**129 983**	207 140
Banks	**975 520**	1 667 696
Residential mortgage advances	**1 332**	505
SME retail	**18 066**	24 741
Retail - other	**7 899**	6 409
Total average gross credit exposure	**2 531 855**	2 435 503

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.

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 R'000**	**(Impairment) R'000**	**Net R'000**	**Guarantees & surety ships R'000**	**Pledge of assets R'000**	**Total R'000**	**Carrying value for which no collateral is held R'000**	**Net R'000**
Not past due	**1 598 861**	**(3 786)**	**1 595 075**	**273 480**	**1 232 261**	**1 505 741**	**89 334**	**1 595 075**
Past due 0-30 days	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Past due 31-180 days	**2 021**	**(436)**	**1 585**	**-**	**1 585**	**1 585**	**-**	**1 585**
Past due 181-365 days	**17 391**	**(5 406)**	**11 985**	**-**	**11 985**	**11 985**	**-**	**11 985**
Total	**1 618 273**	**(9 628)**	**1 608 645**	**273 480**	**1 245 831**	**1 519 311**	**89 334**	**1 608 645**

2013	Gross R'000	(Impairment) R'000	Net R'000	Guarantees & surety ships R'000	Pledge of assets R'000	Total R'000	Carrying value for which no collateral is held R'000	Net R'000
Not past due	1 245 656	(1 711)	1 243 945	213 671	1 004 790	1 218 461	18 041	1 236 502
Past due 0-30 days	-	-	-	-	-	-	-	-
Past due 31-180 days	531	(177)	354	-	354	354	898	1 252
Past due 181-365 days	16 092	(8 649)	7 443	-	7 443	7 443	6 545	13 988
Total	1 262 279	(10 537)	1 251 742	213 671	1 012 587	1 226 258	25 484	1 251 742

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; and
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 December 31 2015, the Bank holds a committed borrowing facility of R500 million (2014: R125 million) from The Bidvest Group Limited. 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 December 31 2015, immediately available funds (comprising central bank, interbank and intergroup call and current accounts) totalled R936 million.

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

December 31 2015	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#	**458**	**-**	**-**	**-**	**-**
Other liabilities	**(317 163)**	**(317 163)**	**(317 163)**	**-**	**-**
Deposits	**(3 193 371)**	**(3 227 179)**	**(2 996 734)**	**(227 490)**	**(2 955)**
Derivative liabilities					
Trading: outflow (liabilities)	**(58 916)**	**(58 916)**	**(58 618)**	**(298)**	**-**
	(3 568 992)	**(3 603 258)**	**(3 372 515)**	**(227 788)**	**(2 955)**
December 31 2014					
Non-derivative liabilities					
Intergroup loans	(122 516)	(129 243)	(129 243)	-	-
Other liabilities	(141 788)	(141 788)	(141 788)	-	-
Deposits	(2 124 525)	(2 141 568)	(2 088 444)	(53 125)	-
Derivative liabilities					
Trading: outflow (liabilities)	(26 482)	(26 482)	(26 478)	(3)	-
	(2 415311)	(2 439 081)	(2 385 953)	(53 128)	-

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.

Maturity analysis of financial assets held for managing liquidity risk

December 31 2015	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	**1 355 079**	**1 355 079**	**-**	**-**	**-**
Loans and advances	**1 608 645**	**381 186**	**339 062**	**583 246**	**305 151**
Investment securities	**249 199**	**25 031**	**18 318**	**205 850**	**-**
Other assets	**379 406**	**379 406**	**-**	**-**	**-**
	3 592 329	**2 140 702**	**357 380**	**789 096**	**305 151**
December 31 2014					
Cash and balances with banks	2 012 772	2 012 772	-	-	-
Loans and advances	1 251 742	246 293	65 354	663 240	277 856
Investment securities	76 202	38 188	18 494	19 520	-
Other assets	134 549	134 549	-	-	-
	3 475 266	2 431 801	82 848	682 760	277 856

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**
December 31 2015					
Financial assets (liabilities)					
Cash and balances with banks	**1 355 079**	**1 355 079**	**-**	**-**	**-**
Loans and advances	**1 608 645**	**381 186**	**339 062**	**583 246**	**305 151**
Investment securities	**249 199**	**25 031**	**18 318**	**205 850**	**-**
Other assets#	**379 406**	**379 406**	**-**	**-**	**-**
Intergroup loans	**458**	**-**	**458**	**-**	**-**
Deposits	**(3 193 370)**	**(2 173 010)**	**(1 017 619)**	**(2 741)**	**-**
	399 417	**(32 308)**	**(659 781)**	**786 355**	**305 151**
December 31 2014 (restated)*					
Financial assets (liabilities)					
Cash and balances with banks	2 012 772	2 012 772	-	-	-
Loans and advances	1 251 742	246 293	64 354	663 240	277 856
Investment securities	76 202	38 188	18 494	19 520	-
Other assets	134 549	134 549	-	-	-
Intergroup loans	(122 516)	-	(122 516)	-	-
Deposits	(2 124 526)	(1 451 951)	(672 575)	-	-
	1 228 223	979 851	(712 243)	682 760	277 856

Financial risk management (continued)

Analysis based on interest terms	**2015**	2014	**2015**	Restated* 2014
	Effective rate of interest		**R'000**	R'000
Loans and advances				
Loans and advances with floating interest rates#	**8,61%**	8,61%	**1 494 870**	1 143 403
Loans and advances with fixed interest rates	**11,52%**	11,17%	**123 403**	118 876
			1 618 273	1 262 280
Less impairment			**(9 628)**	(10 537)
			1 608 645	1 251 742
Deposits				
Deposits with floating interest rates#	**3 30%**	3,50%	**(2 617 106)**	(2 007 059)
Deposits with fixed interest rates	**7,46%**	7,14%	**(576 265)**	(117 466)
			(3 193 371)	(2 124 525)

The current floating interest rate as at December 31

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 December 31	**9.53%**	9,00%
For the prior year ended December 31	**9.75%**	9,25%

Interest rate sensitivity based on movements in prime lending	**R'000**	R'000
Decrease before tax in net interest income for the year#	**3 812**	3 365

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 forward-looking sensitivity to an increase or decrease in market interest rates (assuming no asymmetrical movement in yield curves and a constant statement of financial position) is as follows:

	200bp parallel movement	
	Increase	**Decrease**
Monthly impact before tax on net interest income	**R'000**	**R'000**
As at December 31 2015	**2 657**	**(2 657)**
As at December 31 2014	**3 577**	**(3 577)**

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.

Financial risk management (continued)

Market risk (continued)

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**
2015						
Assets						
Cash and balances with banks	**766 668**	**35 493**	**405 472**	**102 472**	**44 974**	**1 355 079**
Derivative financial assets	**65 006**	**-**	**-**	**-**	**-**	**65 006**
Negotiable Securities	**246 645**					**246 645**
Loans and advances	**1 566 244**	**56**	**26 081**	**15 713**	**551**	**1 608 645**
Leased assets	**1 853 212**	**-**	**-**	**-**	**-**	**1 853 212**
Investment securities	**249 199**	**-**	**-**	**-**	**-**	**249 199**
Other assets	**178 599**	**15 917**	**172 747**	**12 049**	**94**	**379 406**
Equipment	**110 116**	**-**	**-**	**-**	**-**	**110 116**
Current Taxation	**29 185**	**-**	**-**	**-**	**-**	**29 185**
Intangible assets	**92 884**	**-**	**-**	**-**	**-**	**92 884**
	5 157 758	**51 466**	**604 300**	**130 234**	**45 619**	**5 989 377**
Commitments to purchase foreign currency	**-**	**185 956**	**664 372**	**299 667**	**201 906**	**1 351 901**
Total assets	**5 157 758**	**237 422**	**1 268 672**	**429 901**	**247 525**	**7 341 278**
2014 (restated)*	4 427 909	34 114	116 707	76 197	28 021	4 682 948
Commitments to purchase foreign currency	-	138 795	1 145 617	315 347	247 210	1 846 969
Total assets	4 427 909	172 909	1 262 324	391 544	275 231	6 529 917
2015						
Equity and liabilities						
Share capital	**2 070**	**-**	**-**	**-**	**-**	**2 070**
Share premium	**525 709**	**-**	**-**	**-**	**-**	**525 709**
Reserves	**1 707 150**	**-**	**-**	**-**	**-**	**1 707 150**
Intergroup loans	**(458)**	**-**	**-**	**-**	**-**	**(458)**
Derivative financial liabilities	**58 916**	**-**	**-**	**-**	**-**	**58 916**
Deposits	**2 335 346**	**138 674**	**462 995**	**168 563**	**87 792**	**3 193 370**
Other liabilities	**313 992**	**275**	**1 030**	**1 786**	**80**	**317 163**
Deferred tax	**184 975**	**-**	**-**	**-**	**-**	**184 975**
Defined benefit liability	**482**	**-**	**-**	**-**	**-**	**482**
	5 128 182	**138 949**	**464 025**	**170 349**	**87 872**	**5 989 377**
Commitments to sell foreign currency	**-**	**95 761**	**788 322**	**255 555**	**186 424**	**1 326 062**
Total equity and liabilities	**5 128 182**	**234 710**	**1 252 347**	**425 904**	**274 296**	**7 315 439**
2014	4 128 903	85 172	288 806	124 108	55 959	4 682 948
Commitments to sell foreign currency	-	85 136	962 844	259 133	230 430	1 537 543
Total equity and liabilities	4 128 903	170 308	1 251 650	383 241	286 389	6 220 491

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.

Financial risk management (continued)

Market risk (continued)

Foreign exchange rate sensitivities (continued)

Foreign currency profile (continued)

	GBP R'000	USD R'000	EUR R'000	OTHER R'000	TOTAL R'000
Net open position					
December 31 2015	**2 713**	**16 325**	**3 991**	**(26 770)**	**(3 741)**
December 31 2014	2 601	10 674	8 303	(11 159)	10 419

Closing spot exchange rate	**GBP**	**USD**	**EUR**
December 31 2015	**R23,11**	**R15,59**	**R17,03**
December 31 2014	R18,02	R11,56	R14,05

Average exchange rate	**GBP**	**USD**	**EUR**
For the year ended December 31 2015	**R20,85**	**R13,62**	**R15,02**
For the year ended December 31 2014	R17,74	R11,00	R14,26
For the year ended December 31 2013	R15,98	R10,08	R13,53

Foreign currency sensitivity based on movements in exchange rate:	**2015 R'000**	2014 R'000
Increase before tax in operating income for the year#	**37 823**	7 509

Foreign currency net open position sensitivity based on a 10% change in exchange rate:	**2015 R'000**	2014 R'000
GBP	**271**	260
USD	**1 632**	1 067
EUR	**399**	830
Other	**(2 677)**	(1 116)
	(375)	1 042

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.

Effect of foreign exchange rate fluctuations on a constant balance sheet

Financial risk management (continued)

Operational risks (continued)

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; and
- 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
- proactively exploiting good news and having a crisis communication plan to respond in times of bad news; and
- 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 gradings 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 consists of collective impairment allowances.

Capital management (continued)

Regulatory capital (continued)

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 requirement throughout the year and previous periods.

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 ICAAP reflects the capital to be held for risk 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.

None of the exposures at 31 December 2015 were subject to rapid or material change.

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

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

As at 31 December 2015 the Bank Consolidated regulatory capital position was as follows:

Net qualifying capital and reserves	**31 December 2015 R'000**	31 December 2014 R'000
Common equity Tier I	**1 269 112**	1 016 542
Share capital	**2 070**	2 070
Share premium	**525 709**	525 709
Retained earnings	**732 960**	478 958
Other reserves	**8 373**	9 805
Prescribed deductions against Tier I common equity	**(108 285)**	(78 851)
	1 160 827	937 691
Tier II capital (provisions)	**9 628**	1 530
Total qualifying capital and reserves	**1 170 455**	939 221
Non qualifying capital and reserves	**1 064 473**	1 133 374
Retained earnings not formally appropriated	**956 188**	1 054 523
Prescribed deductions against capital and reserve funds	**108 285**	78 851
Total capital and reserves	**2 234 928**	2 072 595

Risk–weighted exposure	**Capital requirement 31 December 2015 R'000**	**Risk weighted exposure 31 December 2015 R'000**	Capital requirement 31 December 2014 R'000	Risk weighted exposure 31 December 2014 R'000
Credit risk Retail bank, corporate bank and central treasury	**219 411**	**2 194 106**	177 892	1 778 915
Concentration risk Retail bank, corporate bank and central treasury	**-**	**-**	-	-
Counterparty credit risk Retail bank, corporate bank and central treasury	**5 340**	**53 399**	3 659	36 594
Operational risk Retail bank, corporate bank and central treasury	**176 560**	**1 765 597**	176 425	1 764 247
Market risk Retail bank, corporate bank and central treasury	**2 707**	**27 066**	2 564	25 638
Equity risk Retail bank, corporate bank and central treasury	**6 500**	**65 001**	608	6 075
Other risks	**234 336**	**2 343 364**	112 548	1 125 482
Total	**644 854**	**6 448 533**	473 696	4 736 950

Capital ratios		
Total capital adequacy ratio	**18.15%**	20.14%
Total primary capital adequacy ratio	**18.00%**	20.11%

None of the exposure at 31 December 2015 was subject to rapid or material change.

As at 31 December 2015 the Bank solo regulatory capital position was as follows:

Net qualifying capital and reserves	31 December 2015 R'000	31 December 2014 R'000
Common equity Tier I	**1 269 112**	1 016 542
Share capital	**2 070**	2 070
Share premium	**525 709**	525 709
Retained earnings	**732 960**	478 959
Other reserves	**8 373**	9 805
Prescribed deductions against Tier I common equity	**(108 285)**	(78 851)
	1 160 827	937 691
Tier II capital (provisions)	**9 628**	1 530
Total qualifying capital and reserves	**1 170 455**	939 221
Non qualifying capital and reserves	**1 057 187**	1 126 293
Retained earnings not formally appropriated	**948 902**	1 047 442
Prescribed deductions against capital and reserve funds	**108 285**	78 851
Total capital and reserves	**2 227 642**	2 065 514

Risk–weighted exposure	Capital requirement 31 December 2015 R'000	Risk weighted exposure 31 December 2015 R'000	Capital requirement 31 December 2014 R'000	Risk weighted exposure 31 December 2014 R'000
Credit risk Retail bank, corporate bank and central treasury	**219 411**	**2 194 106**	177 892	1 778 915
Concentration risk Retail bank, corporate bank and central treasury	**-**	**-**	-	-
Counterparty credit risk Retail bank, corporate bank and central treasury	**5 340**	**53 399**	3 659	36 594
Operational risk Retail bank, corporate bank and central treasury	**176 560**	**1 765 597**	176 425	1 764 247
Market risk Retail bank, corporate bank and central treasury	**2 707**	**27 066**	2 564	25 638
Equity risk Retail bank, corporate bank and central treasury	**6 500**	**65 001**	608	6 075
Other risks	**234 336**	**2 343 364**	112 548	1 125 482
Total	**644 854**	**6 448 533**	473 696	4 736 950

Capital ratios	2015	2014
Total capital adequacy ratio	**18.15%**	20.14%
Total primary capital adequacy ratio	**18.00%**	20.11%

None of the exposure at 31 December 2015 was subject to rapid or material change.

COMPOSITION OF CAPITAL DISCLOSURE

BIDVEST BANK LIMITED: CONSOLIDATED

	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	732,960	
3	Accumulated other comprehensive income (and other reserves)	8,373	
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	**1,269,112**	
	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)	78,054	
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 faie 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 relaed tax liability)		
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	15,400	
	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**	**108,285**
29	**Common Equity Tier 1 capital (CET1)**	**1,160,827**
	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)**	**1,160,827**
	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)	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions	9,628
51	Tier 2 capital before regulatory adjustments	**9,628**
	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 entitiy (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)**	**9,628**
59	**Total capital (TC = T1 + T2)**	**1,170,455**
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL III TREATMENT	6,448,533
	OF WHICH:	

	OF WHICH:	
60	**Total risk weighted assets**	
	Capital ratios	
61	Common Equity Tier 1 (as percentage of risk weighted assets)	18.00%
62	Tier 1 (as percentage of risk weighted assets)	18.00%
63	Total capital (as percentage of risk weighted assets)	18.15%
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)	0.25%
65	of which: capital conservation buffer requirements	0%
66	of which: bank-specific countercyclical buffer requirement	0%
67	of which: G-SIB buffer requirement	0%
68	Common Equity Tier 1 available to meet buffers (as percentage of risk weighted assets)	18.00%
	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.5%
70	National Tier 1 minimum ratio	8.0%
71	National total capital minimum ratio	10.0%
	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)	9,628
77	Cap on inclusion of provisions in Tier 2 under standardised approach (1.25% of RWE)	80,607
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)	

CAPITAL DISCLOSURE

BIDVEST BANK LIMITED

Disclosure for main features of regulatory capital instruments		
1	Issuer	The Bidvest Group Ltd
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 recognised in regulatory capital (Currency in mil, as of most recent reporting date)	R528m
9	Par value of instrument	R0.01
10	Accounting classification	Shareholder's 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	Coupn rate and any realted 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	Concumulative 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, specifiy instrument type convertible into	N/A
29	If convertible, specifiy 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

COMPOSITION OF CAPITAL DISCLOSURE

BIDVEST BANK LIMITED: SOLO

		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	732,960	
3	Accumulated other comprehensive income (and other reserves)	8,373	
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	**1,269,112**	
	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)	78,054	
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 faie 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 relaed tax liability)		
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	15,400	
	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**	**108,285**
29	**Common Equity Tier 1 capital (CET1)**	**1,160,827**
	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)**	**1,160,827**
	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)	
49	of which: instruments issued by subsidiaries subject to phase out	
50	Provisions	9,628
51	Tier 2 capital before regulatory adjustments	**9,628**
	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 entitiy (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)**	**9,628**
59	**Total capital (TC = T1 + T2)**	**1,170,455**
	RISK WEIGHTED ASSETS IN RESPECT OF AMOUNTS SUBJECT TO PRE-BASEL	6,448,533

	III TREATMENT	
	OF WHICH:	
	OF WHICH:	
60	**Total risk weighted assets**	
	Capital ratios	
61	Common Equity Tier 1 (as percentage of risk weighted assets)	18.00%
62	Tier 1 (as percentage of risk weighted assets)	18.00%
63	Total capital (as percentage of risk weighted assets)	18.15%
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)	0.25%
65	of which: capital conservation buffer requirements	0%
66	of which: bank-specific countercyclical buffer requirement	0%
67	of which: G-SIB buffer requirement	0%
68	Common Equity Tier 1 available to meet buffers (as percentage of risk weighted assets)	18.00%
	National Minima (if different from Basel 3)	
69	National Common Equity Tier 1 minimum ratio (if different from Basel 3 minimum)	6.5%
70	National Tier 1 minimum ratio	8.0%
71	National total capital minimum ratio	10.0%
	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)	9,628
77	Cap on inclusion of provisions in Tier 2 under standardised approach)	80,607
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)	

Leverage ratio common disclosure template

Summary comparison of accounting assets vs leverage ratio exposure measure

	Item	R'000
1	Total consolidated assets as per published financial statements	5,989,377
2	Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	(15,400)
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	5,973,977
4	Adjustments for derivative financial instruments	65,006
5	Adjustment for securities financing transactions (ie repos and similar secured lending)	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off- balance sheet exposures)	684,492
7	Other adjustments	
8	**Leverage ratio exposure**	5,224,479

	Item	Leverage ratio framework
	On-balance sheet exposures	
1	On-balance sheet items (excluding derivatives and SFTs, but including collateral)	5,989,377
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	(15,400)
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of lines 1 and 2)**	5,973,977
	Derivative exposures	
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	61,486
5	Add-on amounts for PFE associated with *all* derivatives transactions	17,835
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the operative accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	**Total derivative exposures (sum of lines 4 to 10)**	79,321
	Securities financing transaction exposures	
12	Gross SFT *assets* (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	CCR exposure for SFT assets	
15	Agent transaction exposures	
16	**Total securities financing transaction exposures (sum of lines 12 to 15)**	-
	Other off-balance sheet exposures	
17	Off-balance sheet exposure at gross notional amount	684,492
18	(Adjustments for conversion to credit equivalent amounts)	437,034
19	**Off-balance sheet items (sum of lines 17 and 18)**	247,458

		-
Capital and total exposures		
20	**Tier 1 capital**	1,160,827
21	**Total exposures (sum of lines 3, 11, 16 and 19)**	6,300,756
Leverage ratio		
22	**Basel III leverage ratio**	18.42%

LCR common disclosure template

(R'000)

		TOTAL UNWEIGHTED VALUE (average)	TOTAL WEIGHTED VALUE (average)
HIGH-QUALITY LIQUID ASSETS			
1	Total high-quality liquid assets (HQLA)		415,875
			CASH OUTFLOWS
2	Retail deposits and deposits from small business customers, of which:	1,821,129	182,113
3	Stable deposits		
4	Less stable deposits	1,821,129	182,113
5	Unsecured wholesale funding, of which:	1,315,655	624,605
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks		
7	Non-operational deposits (all counterparties)	1,315,655	624,605
8	Unsecured debt		
9	Secured wholesale funding		56,587
10	Additional requirements, of which:	6,080	6,080
11	Outflows related to derivative exposures and other collateral requirements	6,080	6,080
12	Outflows related to loss of funding on debt products		
13	Credit and liquidity facilities		
14	Other contractual funding obligations	117,443	11,744
15	Other contingent funding obligations	664,644	27,541
16	**TOTAL CASH OUTFLOWS**		908,670
			CASH INFLOWS
17	Secured lending (eg reverse repos)		
18	Inflows from fully performing exposures	1,228,075	1,129,804
19	Other cash inflows		
20	**TOTAL CASH INFLOWS**		1,129,804
			TOTAL ADJUSTED VALUE
21	**TOTAL HQLA**		415,875
22	**TOTAL NET CASH OUTFLOWS**		227,168
23	**LIQUIDITY COVERAGE RATIO (%)**		183.07%

PILLAR III – DISCLOSURE REQUIREMENTS FOR REMUNERATION – 31 DECEMBER 2015

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 2015 financial year ending 30 June 2015. 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 Annual Financial Statements. Key features of the Bank's remuneration policy include: - Compliance with labour legislation, the Income tax Act, Occupational Health and 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.

Requirement		Bidvest Bank Limited disclosure
Qualitative disclosures		
	• 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. • A discussion of how the bank ensures that risk and compliance employees are remunerated independently of the businesses they oversee.	- 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. The Bank's remuneration functions fall under the ambit of the Remuneration Committee. The Bank's remuneration policy was reviewed in January 2015. Remuneration of Risk and Compliance staff is based on TCE 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 changes on remuneration.	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 Remuneration. 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.
(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	Disclosed in section 8.1 of the Bank's AFS. Disclosed in section 8.1 of the Bank's AFS.

Requirement		Bidvest Bank Limited disclosure
Qualitative disclosures		
	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.
(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 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 The Bank does not offer guaranteed bonuses. 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:	Refer to note 7 of the AFS. The Bank does not

Requirement		Bidvest Bank Limited disclosure
Qualitative disclosures		
	- fixed and variable. - deferred and non-deferred. - different forms used (cash, shares and share-linked instruments, other forms).	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:	N/A
	• Total amount of outstanding deferred remuneration and retained remuneration exposed to ex post explicit and/or implicit adjustments.	N/A
	• Total amount of reductions during the financial year due to ex post explicit adjustments.	N/A
	• Total amount of reductions during the financial year due to ex post implicit adjustments.	N/A