VBS mutual bank

ANNUAL REPORT 2016

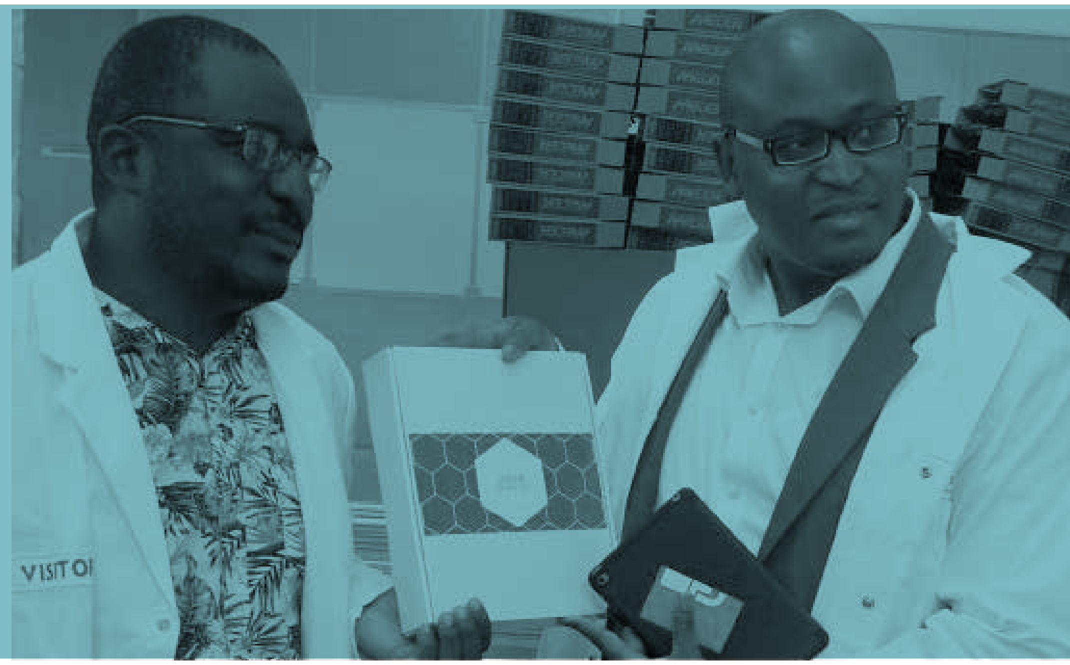
People with a Purpose

We are here to serve our customers and let them gain financially because of our dedicated assistance. To play a meaningful role in our society. To enable our shareholders to obtain their return on investment.


Revamped Branches

His Majesty King T.P Ramabulana


BLASTING &
EXCAVATING
HR
151



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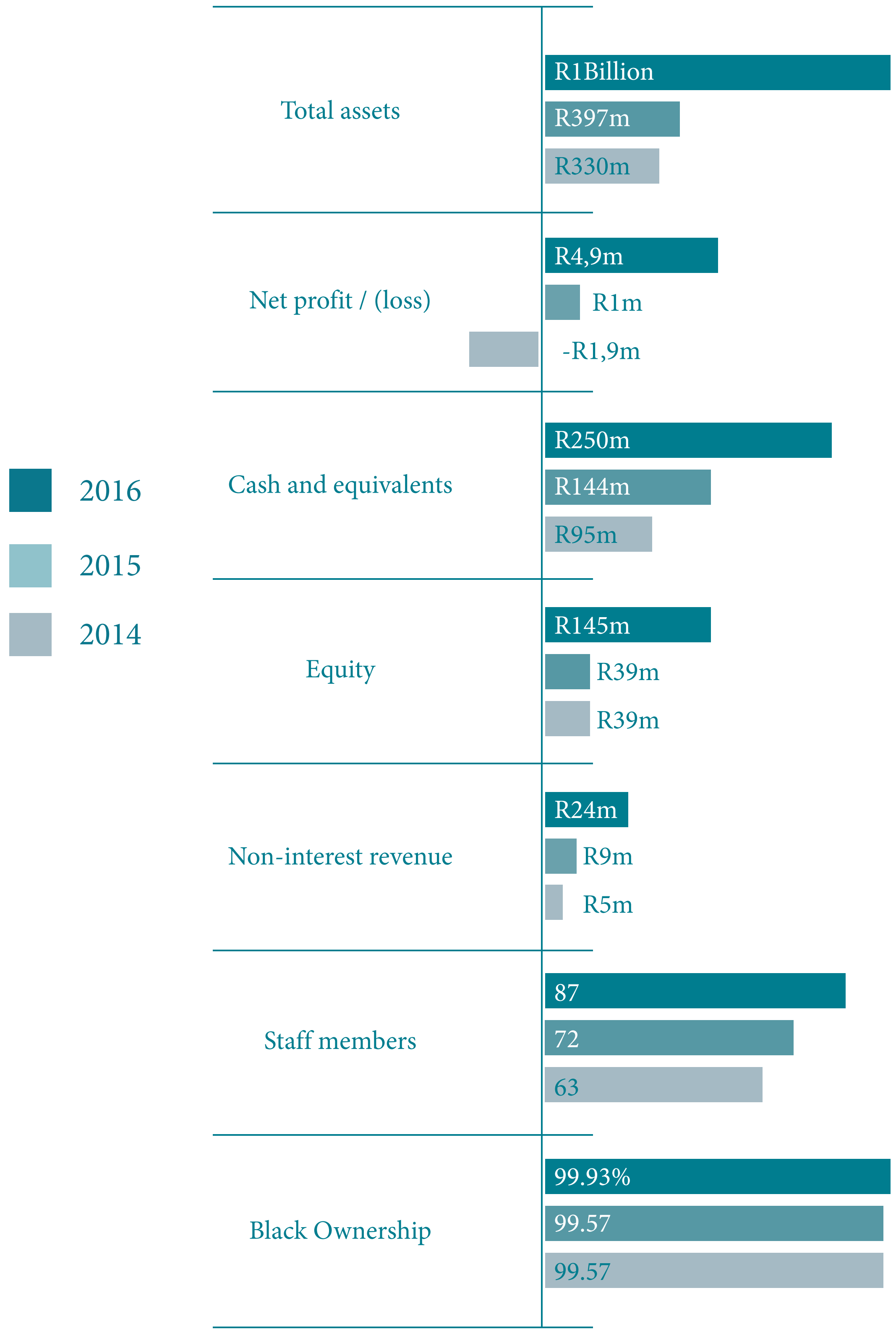
INTRODUCTION

INTRODUCTION

- 2014-2016 HIGHLIGHTS -



INTRODUCTION

VBS Mutual Bank was established in 1982 and initially operated as Venda Building Society. The bank was granted a permanent Mutual Bank License on 11 October 2000.

The bank currently has branches, located in Thohoyandou, Sibasa, Makhado and Johannesburg. The Credit Department is located in Thohoyandou, and its Head Office is located in Makhado. The banks corporate office is situated in Rivonia, Johannesburg.

VBS Mutual Bank is a mutual bank registered with and regulated by the South African Reserve bank (SARB) under mutual banking license number 1051, governed by the Mutual Bank's Act, 1993.

The bank is registered as an Authorised Financial Services Provider with the Financial Services Board (FSB) in terms of the Financial Advisory and Intermediary Services Act, 2002 and operates under FSP license number 30857.

The bank is also registered with the National Credit Regulator in terms of the National Credit Act, 2005 and operates under license number NCRCP2.

The bank is a member of the following organisations:

- Black Business Council
- The Banking Association of South Africa (BASA);
- The South African Credit & Risk Reporting Association (SACRRA);
- Mastercard International
- SWIFT Worldwide
- SAMOS participant
- Institute of Directors
- SABRIC
- The Payments Association of South Africa (PASA);
- bankServ Africa; and
- VISA International (associate member)

Shareholding profile

Authorised share capital comprises of 3 classes of shares namely:

- Permanent interest bearing shares (Class A);
- 72 month fixed period shares (Class B); and
- 60 month fixed period shares (Class C)

Each have a nominal value of R10.

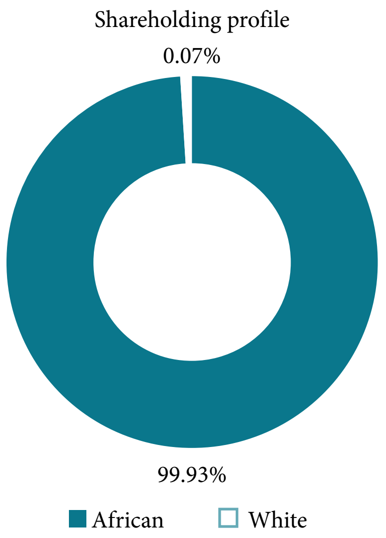
At the end of the current financial year only permanent shares (Class A) to the value of R70.47 million were in issue. An amount of R1.25 million worth of permanent shares (Class A) is reserved for an employee share incentive scheme.

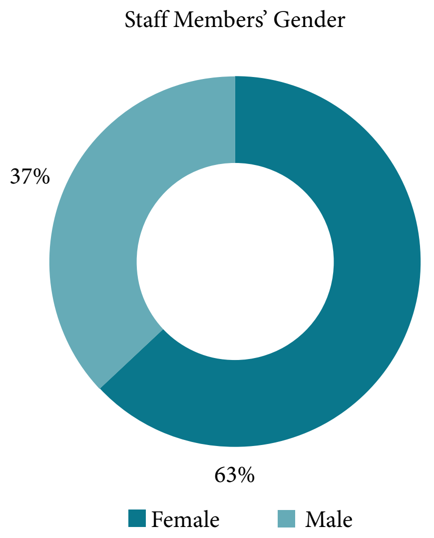
The bank's majority shareholders are the Public Investment Corporation (25.26%) and Dyambeu Investments (Pty) Ltd (25.22%).

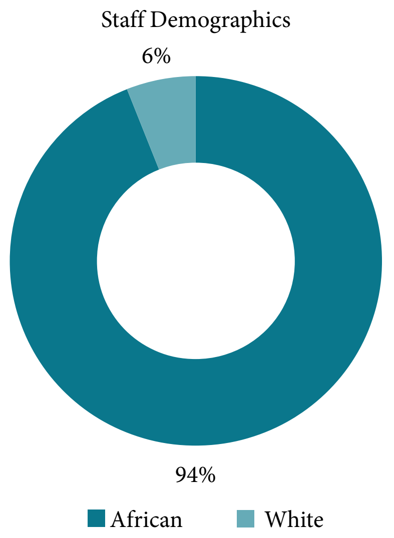
Broad Based Black Economic Empowerment

VBS Mutual Bank is a bona fide BBBEE organisation. It is a level 1 contributor with a recognition level of 135% in terms of BBBEE. As at 31 March 2016 black shareholding

Below is a graphical profile of the bank as at 31 March 2016







VBS Mutual Bank is a bona fide BBBEE organisation. The bank is a level 1 contributor with a recognition level of 135% in terms of BBBEE

Vision

A responsible and caring bank that delivers value and prestige to its shareholders, clients, staff and is an employer of choice.

Key elements of the vision

Responsible
We envisage a bank that conducts business fairly and observes good governance, remains abreast of diversity issues and acts within the framework of the law and regulations.

Caring
The bank must play its role within the different communities in which it does business and bring social upliftment and good citizenship.

Delivery of value
All our activities must culminate in profits and growth.

Prestige
To be regarded by all stakeholders with pride and fulfilment.

Employer of choice
To attract and retain good employees.

Mission

To meet the expectations of our clients, shareholders, stakeholders and to create an environment in which our staff can excel by providing products and services that will result in growth and profits.

Our clients expectations
To offer superior service, solve customer problems and create lasting relationships.

Shareholders and stakeholders expectations
Creation of value is central to the activities of the bank.

Staff that excels
Staff must enjoy work and have fun and have clear cut careers.

Delivery of service
An endeavour to improve and give the best at all times must be made.

Growth and profits
The bank must make profits and grow.

Values

Honesty
To be honest when handling all affairs of the bank and clients as well as being honest with ourselves.

Respect
To treat others with respect at all times so that we can be treated with respect.

Passion
To be passionate about our work and make endeavours to excel in everything we do.

Creativity
To endeavour at all times to find better ways and better our lot.

BOARD MEMBERS

Tshifhiwa Matodzi
Chairperson of the Board
B.Com (Accounting), B.Com (Hons) (Accounting), CA (SA)

Tshifhiwa is a qualified Chartered Accountant and has more than 14 years experience in banking sector audits and banking systems/process consulting. He is well versed in all aspects of a banking system including core banking system, regulatory, card association, certificate authorities, payment and clearing systems.

He has received numerous awards and recognition in both academia and in employment. He is a previous recipient of JSE Top Achievers scholarship, awarded to top B. Com Accounting students nationally.

He served his articles at KPMG Inc and has worked for SizweNtsaluba Inc and EY respectively.

He then joined Denel where he was appointed as Group Financial Manager. Later he joined Brilliant Telecommunications as the Chief Financial Officer, a position which he held from 2006 to 2015.

He serves on various boards including that of Dyambeu investments(Pty)Ltd.

Wilson Muvhulawa
Non-executive director
Certificate Institute of Bookkeepers

Wilson is the longest serving director of the bank and has been involved with the bank since 1989. He also acted as CEO of the bank during 1999. He was the Chairman of Nerpo Association in 1998, Nerpo Investment Chairman in 2000 and Nzhelele Investments Director and co-founder since 2006. He is based in Venda.

Avhashoni Ramikosi
Independent Non-executive director
B.Com (Accounting), B.Compt Honours (Accounting),
H.Dip Tax Law, H.Dip International Tax Law, CA (SA)

Avhashoni is currently the Chief Financial Officer for the South African Police Service (SAPS). He was a director at SekelaXabiso responsible for business consulting. He has also worked for South African Revenue Service as a senior manager responsible for audit operations. He has also worked for Standard Bank of SA Limited in their structured debt finance environment on project and structured finance transactions. He had a short spell as CFO for Vharanani Properties and Mapitsi Civil Works. Avhashoni completed his articles of traineeship with PriceWaterhouseCoopers in 1998.

Avhashoni was a President of the Association for the Advancement of Black Accountants in South Africa (ABASA) from 2004 to 2006 where he served on a number of structures at branch and national level. He was a member of the board for the South African Institute of Chartered Accountants (SAICA) in the same period and has also served on committee structures at the Independent Regulatory Board of Auditors (IRBA).

Nathaniel Mudau
Non-executive Director
Jnr Sec Teachers Certificate

Nathaniel served as a Chairman of SMME and Tourism of Vhembe District Municipality from 2003 to 2008. After having received Democratic Corporative Gorvenance training in 2002, he became chairman of Vhembe Economic Development Agency from 2003 to 2005.

Being an Executive NAFCOC member, he led South African delegations to countries like Malaysia, Hong Kong, India and Botswana on trade missions(2006-2008).

Nathaniel is currenlty the Chairman of Limpopo Premier's services excellence awards since 2010 to date.

Paul Magula
Non-executive director
B.Com, BCom(Hons)(Financial Management), Master in Development Finance, (PIC Representative)

Paul Magula holds the position of Executive Head: Risk Management at Public Investment Corporation (PIC). His previous experience includes working at such prestigious companies as Alexandre Forbes, Deloitte & Touche Auditors and Standard Bank.

Paul holds a B.Sc. degree from the University of Venda (1997), a B.Sc. (Med) Honors degree (1998) as well as a B. Com degree (2005) from the University of Cape Town, a B.Com Honours Degree in Financial Management from UNISA (2012) as well as a Masters degree in Developmental Finance at the University of Stellenbosch Business School (2013)

Manelisa Mavuso
Independent Non-executive director
Bachelor of Economics

Manelisa is an experienced senior business executive with extensive Executive Committee level experience at some of the leading listed entities in SA - inclusive of Telkom, Nedbank and Standard Bank. He studied at Rhodes, Wits Business School and Harvard Executive Education.

Thilivhali Ramawa
Independent non-executive director
BCom (Acc), CA(SA)- Alternate to M. Manwadu

Thilivhali is a qualified Chartered Accountant and registered auditor. He completed his articles at Sizwe Ntsluaba VSP, after which he became an audit supervisor at SizweNtsaluba. He later joined the South African Revenue Services (SARS) as the Audit Specialist and The Auditor General of South Africa (AGSA) as the audit manager. He is currently the Director of Internal Audit and Risk with the University of Venda.

BOARD MEMBERS

Belinda Mapongwana
Deputy Chairperson
Independent non-executive director
LLB, LLM, Bachelor of Social Science

Belinda Mapongwana is the Founder of Mapongwana Attorneys. She is an admitted Corporate Commercial Attorney with over 15 years experience specialising in Mergers & Acquisitions transactions, all aspects of general Commercial Law, Corporate Governance, Banking Law and Compliance and Risk Management.

Belinda holds a Bachelor of Social Science, an LLB from UCT and an LLM in International Business Law from Vrije Universiteit in Amsterdam, where she graduated with Honorable Mention. After graduating with her LLM, she completed an internship with the Office of the High Commissioner for Human Rights in Geneva.

Belinda commenced her articles in the Commercial Department of Bowman Gilfillan Attorneys. She then joined Edward Nathan Sonnenbergs ("ENS Africa"). From 2007 to 2009, she was a Fellow of the Cyrus Vance South African Visiting Lawyer Program in New York, where she spent time at Simpson Thacher and Morgan Stanley. She then joined Absa Capital Compliance as Vice President, advising the Private Equity and Investment Banking Divisions on Compliance, Risk Management and Corporate Governance matters. During her time at Absa Capital, she was seconded to Barclays Capital in London.

Belinda is the Deputy Chairperson of the Board of VBS Mutual Bank. From 2014-2015, she was a Company Secretary for the Business Women's Association of South Africa.

Mbulaheni Manwadu
Non-executive director
BCom.Honours (Financial Management), BCom (Acc), ACMA

Mr M. Manwadu has more than 15 years' experience in Credit Risk Management and Compliance. He was Head of Credit Risk at the DBSA: International Finance Division. Responsible for credit risk management for public, corporate and project finance at the DBSA. He has worked extensively on projects undertaken in sectors such as Energy, ICT, Agriculture, Social Infrastructure, Transport and Financial Services. He has worked on projects in countries such as Zimbabwe, Angola, DRC, Tanzania, Kenya, Zambia, Botswana, Mauritius, Tunisia, and France amongst others. His technical ability cut across from feasibility studies, due diligence, financial analysis and assessments, project structuring and advisory on corporate strategies.

He was involved in the Risk Management Integration Programme (RIMP) at the DBSA, which is a programme meant to enhance Risk Management across the Bank and also entrench risk culture within the organisation, encourage accountability and ownership of risks.

He was also a DBSA representative in the Investment Committee of KZN Growth Fund Trust for more than 4 years, which is a PPP debt fund formed by KZN Provincial Government, Standard Bank, INCA and DBSA. The fund size was above R1 billion.

Mr Manwadu is a qualified Chartered Global Management Accountant (CGMA) by profession and further holds Certificate on Investment Appraisal and Risk Analysis Programme from Queens University, Canada.

Andile Ramavhunga
Chief Executive Officer
B.Com(Accounting), B.Com.Honours (Accounting), CA (SA)

Andile is the Chief Executive Officer of the bank. He has been successful with the implementation of the bank's turnaround strategy after his appointment in 2014. He became a member of the board of directors before his appointment as CEO in 2013. He has served on a number of boards in the past. He is a qualified Chartered Accountant and has gained broad experience in auditing, accounting, financial management, risk management, compliance and corporate governance. Direct experience with long and short term insurance, retail banking, private equity finance and property management. He has been employed by companies as Deloitte, FirstRand, ABSA, Landbank, Ithala and Sefa.

Philip Truter
Chief Financial Officer
B.Com (Accounting), B.Compt (Hons)

Philip is the Chief Financial Officer at the bank. He has been with the bank since 2005 where he has also fulfilled the role of Financial Manager before being appointed as CFO. He completed his articles at PWC Inc. During 2004 he was appointed as the Accountant at SACM (Pty) Ltd after which he was appointed by the bank as Financial Manager. He has gained extensive experience in the Regulatory Reporting, Financial Reporting, Compliance, Governance and Secretarial fields. He is the bank's main contact point with the South African Reserve Bank. Philip has been the Company Secretary since 2014.

Ernest Nesane
Non-executive Director
LLB, Attorney of the High Court] (PIC Representative)

Ernest is the Executive Head: Legal Counsel, Governance & Compliance for the Public Investment Corporation. As a qualified Attorney of the High Court of South Africa he practiced law and has been exposed to banking, restructurings and governance strategies for over 10 Years. Prior positions includes Corporate Lawyer and Legal Associate for Investments at the PIC. He serves on numerous Board including Eduloan, South Point and VBS Mutual Bank. He is Chairman of the Board's subcommittee on Human Resources and Remuneration for the VBS.

Mangalani Nevhuhulwi
Independent Non-executive director
BCom (IT& Risk)

Mangelani graduated with a Bachelor of Commerce (Information Technology & Risk Managament) from University of the Witwatersrand in 1999. Started his career with a leading South African bank designing and refining retail,IT and operational processes. Has more than 15 yearsexperience in developing, designing and operational implementation of IT Service Management (ITSM) for local and international financial,educational and FMCG institutions. He is currently holding the position of Managing Director at Elayo Consulting Pty Ltd, Johannesburg. Joined the Board of Directors of the bank in August 2015.

GOVERNANCE

The board of directors of the bank governs the bank in terms of the Mutual Bank's Act, the bank's Articles of Association and any other applicable law or regulatory provision. The board of directors recognizes and endorses the Code of Governance Principles as set out in King III.

Composition

The board comprises a balance of executive and non-executive directors, with a majority of non-executive directors who are independent. Directors are appointed through a formal process and the Directors Affairs Committee assists with the process of identifying suitable candidates to be proposed to the shareholders. The Chief Executive Officer and the Chief Financial Officer are ex officio members of the board. A formal induction programme is established for new directors. Inexperienced directors are developed through a variety of mentorship programmes. Continuing professional development programmes are implemented which ensure that directors receive regular briefings on changes in risks, laws and the environment.

Role and responsibilities

Delegation

The board delegates certain functions to well-structured committees but without abdicating its own responsibilities. Delegation is formal and involves the following:

- Formal terms of reference are established and approved for each committee of the board;
- The committees' terms of reference are reviewed once a year;
- The committees are appropriately constituted with due regard to the skills required by each committee; and
- The board establishes a framework for the delegation of authority to management.

Meeting procedures

Frequency

The board holds sufficient scheduled meetings to discharge all its duties subject to a minimum of four meetings per year. Meetings in addition to those scheduled may be held at the insistance of a board member. The chairman of the board may meet with the Chief Executive Officer and the Chief Finance Officer and/or the company secretary prior to a board meeting to discuss important issues and agree on the agenda.

Attendance

Members of senior management, assurance providers and professional advisors may be in attendance at meetings, but by invitation only and they may not vote. Board members must attend all scheduled meetings of the board, including meetings called on an ad hoc-basis for special matters, unless prior apology, with reasons, has been submitted to the chairman or company secretary. The company secretary is the secretary to the board. If the nominated chairman of the board is absent from a meeting his deputy will take over or, the members present must elect one of the members present to act as chairman.

Agenda & minutes

A detailed agenda, together with supporting documentation, is circulated, at least one week prior to each meeting to the members of the board and other invitees. Board members fully prepare for board meetings to ensure appropriate and constructive input on matters for discussion.

The minutes are completed as soon as possible after the meeting and circulated to the chairman and members of the board for review thereof. The minutes are formally approved by the board at its next scheduled meeting.

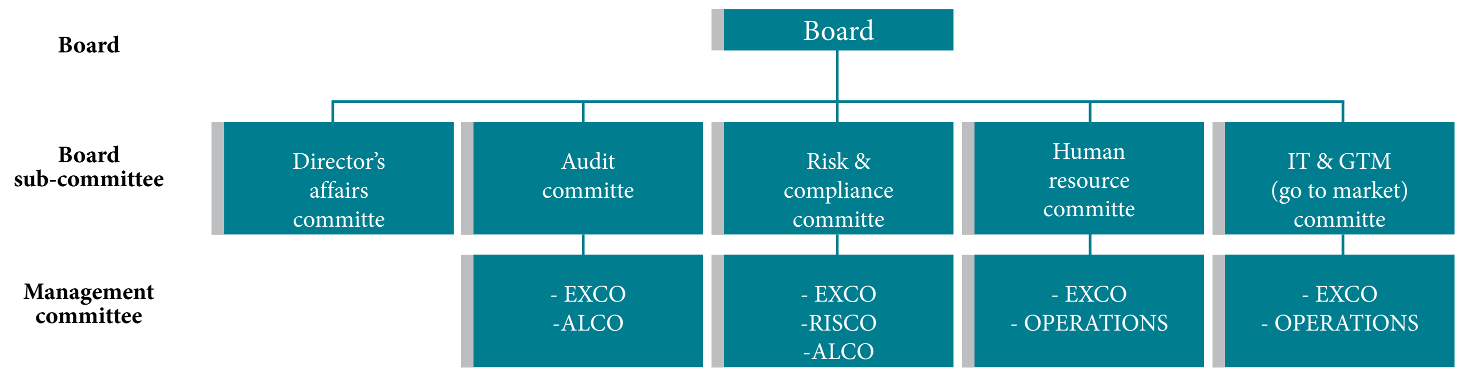
Quorum

A representative quorum for meetings is provided for in the Articles of Association. Individuals in attendance at board meetings by invitation may participate in discussions but do not form part of the quorum for board meetings.

Evaluation

The evaluation of the board, its committees and individual directors, including the chairman, is performed annually.

Board and committee structure



Members of the board of directors

The board of directors of VBS Mutual bank consists of 12 non-executive and 2 executive directors. The following members served on the board of directors during the year under review:

Non-executive directors

Mr T.Matodzi - B.Com (Accounting), B.Com(Hons)(Accounting), CA(SA) - Chairman from 24 July 2015
Mr. M.W. Muvhulawa - Certificate Institute of Bookkeepers - Chairperson up to 23 July 2015
Mr. W.H. Meyer - B.Compt(Hons), B.Pl (Bachelors Degree In Personnel Leadership), CA (SA) - Deputy Chairperson
Mr. P.A. Ramikosi – B.Com(Accounting), B.Compt Honours (Accounting), H.Dip Tax Law, H.Dip International Tax Law, CA (SA)
Mr. L.N. Mudau - Jnr Sec Teachers Certificate Mr. T.E. Nesane - LLB (PIC Representative)
Mr. P. Magula - B.Com, BCom(Hons)(Financial Management) (PIC Representative)
Mr. M.J. Mavuso - Bachelor of Economics
Mrs. T. Ramuedzisi - MPD, MBA, BSC (Honours) Computer Science, BSC (Computer Science and Mathematics)
Mr. M.V.Nevhuhulwi - BCom (IT& Risk)
Mrs. B.L. Mapongwana - LLB, LLM, Bachelor of Social Science
Mr. M.Manwadu - BCom.Honours (Financial Management), BCom (Acc), ACMA
Mr. T.Ramawa - BCom (Acc), CA(SA)- Alternate to M. Manwadu

Executive directors

Mr. A.M.A. Ramavhunga – B.Com(Accounting), B.Com.Honours (Accounting), CA (SA)
Mr P.N.Truter - B.Com (Accounting), B.Compt (Hons)

Board members attended the following board meetings during the reporting period:

Name of director	24/07	24/08	29/09	24/11
T.Matodzi	-	✓	✓	✓
MW Muvhulawa	✓	✓	✓	✓
WH Meyer	✓	A	A	A
PA Ramikosi	✓	✓	✓	✓
LN Mudau	✓	✓	✓	✓
TE Nesane	A	✓	A	✓
M Mavuso	✓	✓	A	✓
BL Mapongwana	A	✓	✓	✓
T Ramuedzisi	✓	A	A	✓
PN Magula	A	✓	A	✓
MV Nevhuhulwi	-	✓	A	✓
M Manwadu	-	✓	A	✓
T.Ramawa	-	-	✓	✓
AMA Ramavhunga	✓	✓	✓	✓
PN Truter	✓	✓	✓	✓

✓ - Present | A - Apology

Governance (continued)

Non-executive remuneration

Name of director	R'000 2016	R'000 2015
T.Matodzi	51	-
MW Muvhulawa	54	78
WH Meyer	32	2
PA Ramikosi	63	75
LN Mudau	49	61
TE Nesane	56	66
M Mavuso	38	59
BL Mapongwana	46	2
T Ramuedzisi	31	2
PN Magula	21	-
MV Nevhuhulwi	36	-
M Manwadu	42	-
T.Ramawa	7	-
AR Prinsloo	-	30
Total	526	375

Board committees

Composition of main board committees

Directors' affairs committee
Objectives of the directors' affairs committee:
The primary purpose of the Directors Affairs Committee is to:

- Ensure compliance with good corporate governance standards;
- Identify individuals qualified to become board members;
- Recommend to the board:
  - Director nominees for election at the annual meeting of shareholders; or
  - Election by the board to fill interim vacancies.
- Recommend to the board committee appointments for directors; and
- Assess board and board committee effectiveness.

Membership of the directors' affairs committee

- Chairperson: Mr. T. Matodzi-Chairperson of the Board - Non-executive
- Member: Mr. W.H. Meyer - Deputy Chairperson of the Board - Non-executive
- Member: Mr. P. A. Ramikosi - Chairperson of the Audit Committee - Non-executive
- Member: Mr. T.E. Nesane - Chairperson of the Human Resources Committee - Non-executive
- Member: Mr. M. Manwadu - Chairperson of the Risk and Compliance Committee - Non-executive
- Member: Mr. M.V. Nevhuhulwi - Chairperson of the IT and Go-To-Market Committee - Non-executive
- Member: Mr. P. Magula - Chairperson of the Credit Committee - Non-executive
  Secretary: Mr. A.M.A. Ramavhunga - Chief Executive Officer

Audit committee

Objectives of the audit committee:
- Function as sub-committee of the board with accountability to both the board and the shareholders;
- Be advisory in nature;
- Assist the board and management with relation to:
  - Integrated reporting;
  - Combined assurance;
  - Internal audit;
  - External audit;
  - Development of internal audit program;
  - Safeguarding of VBS Mutual Bank's assets;
  - Maintenance of adequate accounting records;
  - Development and maintenance of effective internal control systems;
  - Improving the effective utilization of resources; and
  - Reporting of financial matters.

The audit committee will not perform any management functions nor assume any management responsibilities, as this could prejudice the objectivity of the committee.

Membership of the audit committee:
Chairperson: Mr. P.A. Ramikosi-Non-executive
Member: Mrs. T. Ramuedzisi - Non-executive
Member: Mr. W.M. Meyer - Non-executive
Member: Mr. M. Mavuso - Non-executive
Member: Mr. M. Manwadu - Non-executive
Secretary: Mr P.N. Truter - Chief financial officer

Risk and compliance committee
Objectives of the risk and compliance committee:
The risk and compliance committee:
- Functions as a sub-committee of the board with accountability to both the board and the shareholders.
- Is advisory in nature.
- Assists the board and management with relation to:
  - Risk management oversight;
  - Establishing a risk management infrastructure capable of addressing risks identified;
  - The development, maintenance, evaluation and monitoring of risk policies;
  - Compliance oversight;
  - Establishing a compliance management infrastructure capable of addressing compliance areas identified;
  - The development, maintenance, evaluation and monitoring of compliance policies; and
  - Recommending for approval to the board, the bank's compliance plan.

Membership of the risk and compliance committee:
Chairperson: Mr. M. Manwadu-Non-executive
Member: Mr. P.A. Ramikosi - Non-executive
Member: Mr. B.L. Mapongwana - Non-executive
Member: Mr. E. Nesane - Non-executive
Member: Mrs. T. Ramuedzisi - Non-executive
Secretary: Mr. P.N. Truter - Chief financial officer

Human resources committee
Objectives of the human resources committee:
The human resources committee:

- Functions as a sub-committee of the board.
- Is advisory in nature.
- Assists the board and management with relation to:
  - Staff training and development;
  - Recruitment of executive staff / directors and making recommendations to the board;
  - Disciplinary function for executive staff / directors;
  - Developing and maintaining staff procedures; and
  - Remuneration and benefits of staff / directors / committees.

The human resources committee will not perform any management functions nor assume any management responsibilities, as this could prejudice the objectivity of the committee.

Membership of the human resource committee:
Chairperson: Mr. T.E. Nesane-Non-executive
Member: Mr. L.N. Mudau - Non-executive
Member: Mrs. B.L. Mapongwana - Non-executive
Member: Mr. M.V. Nevhuhulwi - Non-executive
Secretary: Mr P.N. Truter - Chief financial officer

IT and go-to-market committee
Objectives of the IT and go-to-market committee:
The IT and go-to-market committee:
- Functions as a sub-committee of the board with accountability to both the board and the shareholders;
- Is advisory in nature; and
- Assists the board and management with relation to:
  - Monitoring, approving and reviewing policies regarding information technology, marketing and sales channels conducted by the bank; and
  - Monitoring, reviewing and assisting in the development of the bank's strategy in respect to the bank's value proposition to the target market.

Membership of the IT and go-to-market committee:
Chairperson: Mr. M.V. Nevhuhulwi - Non-executive
Member: Mr. M.J. Mavuso - Non-executive
Member: Mr. M. Manwadu - Non-executive
Secretary: Mr P.N Truter - Chief financial officer

Risk appetite and philosophy
The highest level of authority resides with the board of directors of VBS Mutual Bank. The bank's directors delegate the necessary authority on risk management for the relevant business areas over which they have control.

The authority to take on all risks is exercised at board level. The bank's risk appetite is expressed by the following parameters:
- Approved product listing;
- Risk definitions;
- Limits set for the various risks; and
- Controls in place to ensure adherence to limits/ sound business practices.

Board authority is delegated downwards in a logical way according to a hierarchy of authority levels and mandates.

Risk appetite and philosophy
The application of these responsibilities by the board of directors with respect to risk management is through:
- Approving policies that set out the risk philosophy and the amount of capital that can be put at risk in Investment / Advance activities;
- Giving approval for entering into any new investment / Advance activity not defined in this manual and for the evaluation and approval of new products;
- Approving and assessing risks and the setting of risk management policies;
- Delegating authority to manage the risks;
- Ensuring that timely, accurate and relevant information is provided to the board for monitoring the risks;
- Approving limits by client by product;
- Control and evaluation of assets;
- Monitoring utilisation of counterparty / client limits and act on excesses;
- Monitoring loss histories against specific grades of delegated authority;
- Formulating policies for the management of counterparty risk;
- Proper training of board members to fulfil these roles as members of the board; and
- Ensuring proper succession at board and chief executive level.

Internal audit
The internal audit function is an independent, appraisal and consulting service department established by the board of directors. Its purpose is to evaluate the adequacy and effectiveness of the systems of internal control of the organisation implemented by management and to advise them on mitigating and managing business risk. Internal audit forms an integral part of the combined assurance model as internal assurance provider to VBS Mutual Bank.

The scope of the internal audit department includes the review of:
- The reliability and integrity of financial and operating information and the means used to identify, measure, classify and report such information;
- The systems established to ensure compliance with those policies, plans, procedures, laws and regulations which could have a significant impact on operations and reports;
- The means of safeguarding assets and, where appropriate, verify the existence of such assets;
- The economic and efficient management of the bank's financial, human and other resources, and the effective conduct of its operations; and
- Operations of programmes to ascertain whether or not results are consistent with established objectives and goals and whether or not the operations are being carried out as planned.

In accordance with the recommendation of the Report on Governance for South Africa – 2009 King Committee on Governance (King III), internal audit can provide a written assessment regarding the effectiveness of the system of internal controls and risk management to the board. This enables the board to report on the effectiveness of the system of internal controls in the integrated report.

In accordance with the recommendation of King III, internal audit can conduct a documented review of the key financial reporting controls in identified financial systems and processes every year. This must be submitted to the audit committee to enable it to formulate its comment to be included in the annual financial statements.

Internal audit's focus and approach is guided by a risk based internal audit plan which takes into consideration the strategy and risks faced by VBS Mutual Bank.

The internal audit function objectives, defined in terms of audit focus are:
- **Financial auditing**: which aims to ensure that reliable information is produced for both management purposes and external publication and that adequate controls exist to safeguard assets;
- **Operational auditing**: which focuses on the effectiveness and efficiency of the organisation's operations; and
- **Compliance and sustainability auditing**: which addresses compliance with relevant national laws and regulations and best practice as well as sustainability issues.

Internal audit will examine and evaluate the adequacy and effectiveness of financial controls to reduce business risk to an acceptable level in the most effective manner. In addition to this, internal audit will assess operational and compliance controls, risk management and specialist areas such as Value Added Tax. The internal audit function is currently outsourced to PwC Inc.

Shareholder engagement
An Annual General Meeting (AGM) is held with the shareholders of the bank as required by the Mutual Bank's Act and the Articles of Association of the bank within the required timeframe.

The business of the annual general meeting shall be to:
- Receive, consider and approve the annual financial statements of the bank;
- Elect non-executive directors;
- Confirm the appointment of the external auditors for the next financial year;
- Approve, when a review thereof is proposed, the remuneration of the non-executive directors of the board for the next 12 months;
- Appoint non-executive members of the Audit committee to serve on this committee until the next annual general meeting; and
- Transact any other business referred to in the notice of the meeting, including, but not limited to and special resolutions when required, and business as may be required by relevant legislation from time to time.

EXECUTIVE REPORT

CHAIRMAN'S REPORT

This is my first year as Chairman of the board of VBS mutual bank and, during this short tenure I am already pleased with the strategic direction the bank has taken and the exciting results being presented. I have however been involved with the bank strategy and turnaround since the acquisition of majority stake in 2013 by Dyambeu investments under the leadership of His Majesty Khosikhulu Toni Mphephu Ramabulana.

It is notable that the bank success is on the back of a struggling economy where job creation, access to finance are paramount but difficult to access. The 2016 financial year was a challenging one, with the South African Reserve Bank raising its benchmark repo rate, and the risk of sovereign debt downgrades by rating agencies. This is also at the back of concerns about the growing inflation rate as well as the worsening economic growth outlook.

In my regular contact with the board and senior management and our stakeholders, it is clear to me that the there is growing enthusiasm about the bank's changing business model. This has also resulted in changes in the board and its composition to effectively address the banks new risk appetite and governance.

Regarding the board composition and gender issues, it is worth mentioning that we now have a female deputy Chair person - Ms Belinda Mapongwana.We remain committed to addressing gender imbalances both at board level and senior levels of the bank. We hope that we will now be able to attract more female board members and executives into the bank.

The good financial results are a testimony of the continuing success of our turnaround strategy to transform the bank back to its former glory and to position it accordingly in the South African market.

One of the pillars of the turnaround strategy is the repositioning of the bank as a small and medium enterprise (SME) bank. In this instance, I would like to congratulate the executive management for ensuring that the bank sticks to this mandate, with more than R 450 million having been advanced to SME's during the financial period.

I would like to thank my colleagues on the board for their counsel and support throughout the financial year. Their contribution to the turnaround, stability and sustainability of the bank has been immense and appreciated.

Lastly, I would also like to express my appreciation to our Chief Executive Officer, Mr A Ramavhunga, his management team and our dedicated staff for their efforts which are beginning to bear fruits.

T.Matodzi
Chairman of the board of directors
22 June 2016

Mr T. Matodzi
Chairman of the board of directors

AUDIT AND RISK COMMITTEE REPORT

We are pleased to present our report of the Audit and Risk Committee “the committee” of VBS Mutual Bank appointed for the financial year ended 31 March 2016 in compliance with the Companies Act and in terms of the Mutual Banks Act.

Audit committee charter and terms of reference

The VBS Mutual Bank Audit and Risk ommittee “the committee” has adopted a formal charter and terms of reference that has been approved by the board of directors. The committee has conducted its affairs in compliance with this mandate and the terms of reference and has discharged its responsibilities contained therein. The committee has a charter that complies with the Mutual Banks Act and King III requirements. Copies are available from the bank secretary on request.

Composition and membership

The shareholders appointed the committee for the 2016 financial year at the Annual General Meeting in July 2015 and will be requested to approve the appointment of the chairman and members to the committee for the 2016 financial year at the Annual General Meeting scheduled for 29 July 2016. The committee consists solely of independent non-executive directors who are all financially literate. The current members are PA Ramikosi (Chairperson), MJ Mavuso and M Manwadu. Permanent secretary services were provided to the committee by PN Truter.

Purpose, roles and responsibilities

The purpose of the committee, which in certain instances operates in conjunction with the risk committee and social and ethics committee, is to:

- Assist the board in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control and reporting processes, and the preparation of accurate reporting and financial statements in compliance with the applicable legal requirements and accounting standards;
- Oversee the activities of, and to ensure coordination between internal and external audit;
- Provide a forum for discussing financial, enterprise-wide, market, regulatory, safety and other risks and control issues; and to monitor controls designed to minimise these risks;
- Review the bank’s annual integrated report, including the separate annual financial statements and any other public reports or announcements containing financial information;
- Receive and deal with any complaints concerning the accounting practices, internal and external audit or the content and audit of its financial statements or related matters; and
- Annually review the committee’s work and charter to make recommendations to the board to ensure its effectiveness.

A. Ramikosi
Chairman of the Audit Committee

The committee has performed its duties and responsibilities during the financial year according to its charter.

External auditors

External audit

The committee:

- Nominated KPMG as auditors and Sipho Malaba as the independent auditor and designated audit partner, respectively to the shareholders for appointment for the financial year ended 31 March 2016, of the bank, and ensured that the appointments complied with legal and regulatory requirements for the appointment of an auditor;
- Approved the external audit engagement letter, the audit plan and the budgeted audit fees payable to the external auditors;
- Determined the nature and extent of all non-audit services provided by the independent auditors and pre-approved all non-audit services undertaken;
- Obtained assurances from the independent auditors that adequate accounting records were being maintained;
- Confirmed that no reportable irregularities had been identified or reported by the independent auditors under the Auditing Profession Act;
- The committee is satisfied that KPMG is independent of the bank after taking the following factors into account:
  - Representations made by KPMG to the committee;
  - The auditors do not, except as external auditors or in rendering permitted non-audit services, receive any remuneration or other benefit from the bank;
  - That the auditors' independence was not impaired by any consultancy, advisory or other work undertaken;
  - That the auditors' independence was not prejudiced as a result of any previous appointment as auditors; and
  - The criteria specified for independence by the Independent Regulatory Board for Auditors and international regulatory bodies.

Annual financial statements

The committee has reviewed the annual financial statements of the bank and is satisfied that they comply in all material respects with International Financial Reporting Standards and the requirements of the Mutual Banks Act.

The committee:

- Confirmed, based on management's review, that the interim and annual financial statements were prepared on the going concern basis;
- Examined the annual financial statements and other financial information made public, prior to their approval by the board;
- Considered accounting treatments, significant or unusual transactions and accounting judgements; - considered the appropriateness of accounting policies and any changes made;
- Reviewed the representation letter relating to the annual financial statements;
- Considered any problems identified as well as any legal and tax matters that could materially affect the financial statements; and
- Met separately with management, external audit and internal audit and satisfied themselves that no material control weakness exists.

Duties assigned by the board

The committee fulfils an oversight role regarding the bank's annual report and the reporting process, including the system of internal financial control. It is responsible for ensuring that the bank's internal audit function is independent and has the necessary resources, standing and authority within the organisation to enable it to effectively discharge its duties. Furthermore, the committee oversees co-operation between the internal and external auditors, and serves as a link between the board of directors and these functions.

During the year, the committee met with the external auditors and internal auditors without management being present. The committee is satisfied that it has complied in all material respects with its legal, regulatory and other responsibilities.

Internal audit

The committee:

- Reviewed and approved the annual Internal Audit plans and evaluated the independence, effectiveness and performance of the internal audit function;
- Considered the reports of the Internal Auditors on the bank's systems of internal control including financial controls, business risk management and maintenance of effective internal control systems;
- Received assurances that proper accounting records were maintained and that the systems safeguarded the bank's assets against unauthorised use or disposal;
- Reviewed issues raised by internal audit and the adequacy of corrective action taken by management in response thereto;
- Assessed the adequacy of the performance of the internal audit function and found it satisfactory; and
- Concluded that there were no material breakdowns in internal control.

Internal financial controls

Based on the results of the formal documented review of the design, implementation and effectiveness of the bank's system of internal financial controls conducted by the internal audit function during the financial year ended 31 March 2016, and in addition, considering information and explanations given by management plus discussions held with the external auditor on the results of their audit, the committee is of the opinion that the bank's system of internal financial controls is effective and forms a basis for the preparation of reliable financial statements. No findings have come to the attention of the committee to indicate that any material breakdown in internal controls has occurred during the financial year under review.

Risk management

The board has assigned oversight of the bank's risk management function to a combined audit and risk management committee. The committee fulfils an oversight role regarding financial reporting risks, internal financial controls, fraud risk as it relates to financial reporting and information technology risks as it relates to financial reporting.

Going forward the committee will be separated as there are essential activities that requires the full attention of a risk management committee.

The committee:

- Reviewed the bank's policies on risk management, including information technology risks and found them to be sound;
- Reviewed with the assistance of management legal matters that could have a material impact on the bank;
- Reviewed the adequacy and effectiveness of the bank's procedures to ensure compliance with legal and regulatory responsibilities; and
- Considered reports provided by management, internal assurance providers and the independent auditors regarding compliance with legal and regulatory requirements.

Combined assurance

The committee reviewed the plans and reports of the external and internal auditors and other assurance providers including management and concluded that these were adequate to address all significant financial risks facing the business.

Expertise and experience of financial director and finance function

The committee:

- Considered the appropriateness of the experience and expertise of the bank's financial director and concluded that this was appropriate; and

- Considered the expertise, resources and experience of the finance function and concluded that these were appropriate.

The committee has considered, and has satisfied itself of the overall appropriateness of the expertise and adequacy of resources of the bank's finance function and experience of the senior members of management responsible for the financial function.

Audit committee members and attendance at meetings

The committee consists of three independent, non-executive directors and meets at least four times per annum as per the committee charter and terms of reference.The Chief Executive Officer, Chief financial officer, internal auditors, external auditor and other assurance providers attend meetings by invitation. During the year under review four meetings were held.

Attendance:

The names of the members who were in office during the period April 2015 to March 2016 and the details of audit committee meetings attended by each of the members are:

Director	09/06/2015	10/11/2015	23/02/2016
PA Ramikosi (Chairperson)	√	√	√
WH Meyer	√	√	-
BL Mapongwana	√	-	-
MJ Mavuso	-	√	A
M Manwadu	-	√	√
T Rameudzisi	-	A	A
MW Muvhulawa (Alternate)	-	-	√

✓ - Present | A - Apology

Recommendation of the annual financial statements for approval by the board

Following the review by the committee of the annual financial statements of VBS Mutual Bank for the year ended 31 March 2016, the committee is of the view that, in all material respects, it complies with the relevant provisions of the Mutual Banks Act and IFRS and fairly presents the financial position at that date and the results of its operations and cash flows for the year then ended. The committee has also satisfied itself as to the integrity of the remainder of the annual report.

Having achieved its objectives for the financial year, the committee recommended the annual financial statements and annual integrated report for the year ended 31 March 2016 for approval to the board.

A. Ramikosi
Chairman of the Audit Committee
22 June 2016

Honourable Minister of small business Ms Lindiwe Zulu (left)

CHIEF EXECUTIVE OFFICER'S REVIEW

Financial Overview: Stakeholders and Shareholders, the bank has turned yet another corner on its turnaround journey. The bank reported a net profit of R4.9 million in the current financial year which translates to a 376% increase when compared to the net profit of the prior financial year. This is a great milestone for the bank and that which I am proud of. The turnaround strategy of the bank which was approved in the earlier part of 2014 has generated a total of R5.9 million to the bottom line which signifies the success of the strategy. Total assets of the bank have increased to R1 billion (156%) when compared to the prior year. Since the turnaround strategy started the assets have increased by 209%. The results have been achieved during a challenging time in our country where the reported growth in the economy has been less than expected. We have also witnessed a steady increase in the inflation rate which prompted the Reserve Bank to hike the repo rate. Although this being advantageous to the bank's earnings, it increases the probability of impairments increasing thereby reducing the profitability of the bank.

Funding: During the course of the previous financial year, the bank changed its funding strategy from just focusing on deposits from the general public to also include sourcing of funding from institutions and municipalities. This was also necessitated by the low saving culture amongst South Africans. This strategy yielded results as funding to the tune of R280 million was raised from municipalities and institutions in the current financial year. The market competitiveness of this wholesale funding means that it comes at a higher price than deposits from the general public which then increases the interest that the bank has to pay to these depositors.

During the year under review the bank drew down just under R300 million from its PIC facility which enabled it to improve both profitability and total assets. This facility is aimed at financing fuel and energy related transactions.

Bank repositioning: During the financial year the bank revamped its entire branch network and also relocated its underperforming branch. This yielded results in drawing customer feet into our branches thereby increasing public deposits. We also managed to open our first ever branch outside of the Vhembe region in the Johannesburg city centre. Lending to corporates (SMEs) currently comprises 53% of the total lending book which is a shift from a 100% retail lending book of 2013. Our products are also far reaching as we now have products spread in Gauteng, Western Cape, Kwazulu-Natal and Limpopo.

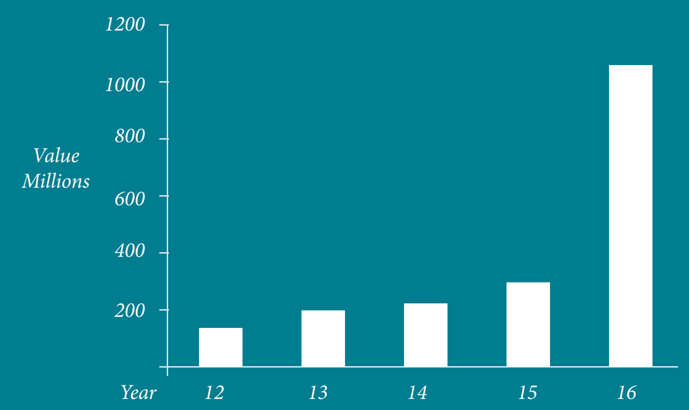
Risk management: As a bank we believe in responsible and sustainable lending. During the year under review the management team went on a robust exercise of refining and improving the bank's policies and procedures. This culminated in the introduction of a new and robust credit policy that takes into account the South African market conditions as well as occurrence that happen globally.

I would like to take this opportunity to thank the Chairman of the Board, Mr Tshifhiwa Matodzi and his entire board for the continued support, robust discussions and guidance. I would also like to thank the PIC for their continued financial support of the bank. To my hardworking staff, goes my sincerest gratitude as these results would not have never been achieved without them.

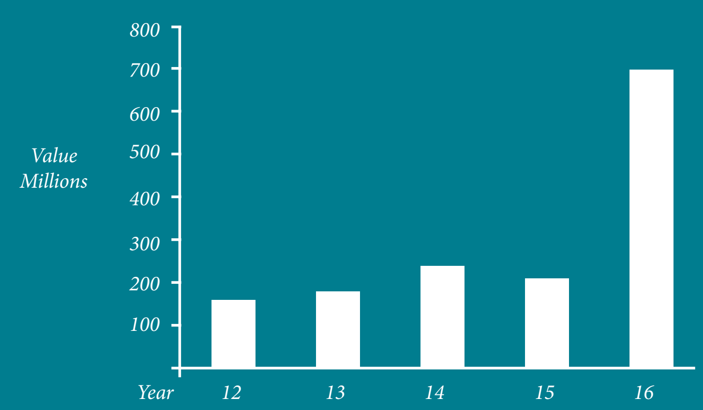
Mr A.M.A Ramavhunga
Chief Executive Officer
22 June 2016

Mr A.M.A Ramavhunga
Chief Executive Officer

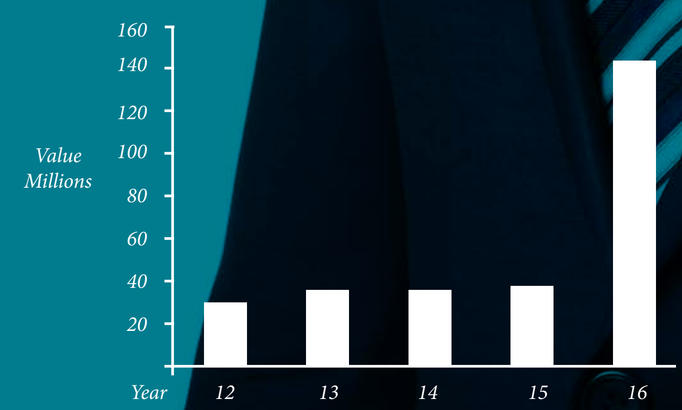
Total Assets



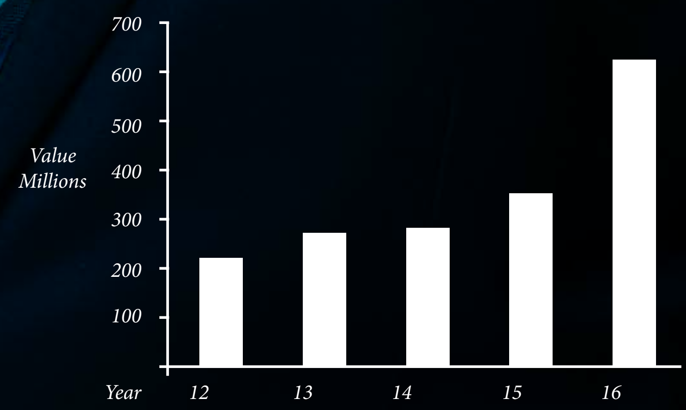
Loans and advances



Capital and reserves



Total client deposits



PERFORMANCE OVERVIEW

Overview: Lower than anticipated economic growth rates, unemployment trends, rising costs and greater consumer indebtedness all contributed to a tough economic enivornment. Even though the bank and it's clients have not been immune to this, the bank still managed to increase it's profit after tax with 376% or R3.8 million from R 1 million to R4.8 million due to the successful implementation of a turnaround strategy. Due to the renewed focus that has been placed on correcting the revenue mix between interest and non-interest income, the non-interest revenue has increased significantly with 167% or R15 million.

Balance sheet growth: Total assets grew by 156% (2015 - 20%) or R620 million (2015 - R68 million) year on year as the bank strengthened its market position. As this continued, advances grew by 214% (2015 - 5%) or R474 million (2015 - R11 million). Cash and cash equivalents grew by 73% (2015 - 50%) or R106 million (2015 - R48 million). Funding from clients grew by 76% (2015 - 24%) or R267 million (2015 - R70 million) to R622 million.

Profitability: Net interest income increased by R 2 million (or 20% from the previous year). This mainly related to the increase of interest on loans and advances. Non-interest revenue increased with 201% (2015 - 78% decrease) or R15 million (2015 - R3,9 million). The increase in additional non-interest revenue relates mainly to the fees generated from the fuel guarantee and contract financing business.

As operating profit after impairments increased by 60% there was also an increase in operating expenditure by 49% in line with the new strategic initiatives around the fuel guarantees and contract financing business. Even though efforts to achieve operational effectiveness continue, this resulted in a profit before tax of R4,8million (2015 - R1million).

Credit risk: Maintained focus on the management of collections resulted in a limited effect of impairment. Even though there was an increase year on year on overdues, impairments relating thereto were limited.

The impairment balance relates largely to contract finance. The impairment charge as a % of advances remains small at 0.36% (R2.5m/R694m) as apposed to 0.31% (R0.681m/R221m) in 2015. Portfolio and specific impairment reviews are conducted on a monthly basis and the model remains prudent. Death and disability insurance cover is in place for all mortgage bonds. This is either arranged by the bank or by the client ceding his own policy, which provides additional comfort on amounts advanced.

Collection efforts will remain a focus area as the current economic climate and rising interest rates will place an increased burden on clients.

Interest rate risk: The bank managed to decrease its reliance on net interest income as opposed to non interest income. For the year net interest income amounted to 34% (2015 - 53%) and non interest revenue to 35% (2015 - 24%). The improvement in this ratio leaves the bank less exposed to interest rate movements.

Mr. P.N. Truter
Chief financial officer
22 June 2016

Mr P.N. Truter
Chief financial officer

FINANCIAL STATEMENTS

DIRECTORS' RESPONSIBILITY STATEMENT

The directors are responsible for the preparation and fair presentation of the annual financial statements of VBS Mutual Bank, comprising the statement of financial position at 31 March 2016, and the statements of profit or loss and other comprehensive income, changes in equity and cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, in accordance with International Financial Reporting Standards and the requirements of the Mutual Bank's Act of South Africa, and the directors' report.

The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and for maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

The directors have made an assessment of the ability of the company to continue as a going concern and have no reason to believe that the business will not be a going concern in the year ahead.

The auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of annual financial statements

The annual financial statements of VBS Mutual Bank, as identified in the first paragraph, were approved by the board of directors on 22 June 2016 and signed by:

T. Matodzi
Chairman: board of directors

A.M.A. Ramavhunga
Chief Executive Officer

Mr T. Matodzi
Chairman of the board of directors

Mr A.M.A Ramavhunga
Chief Executive Officer

DIRECTORS' REPORT

- YEAR ENDED 31 MARCH 2016 -

The directors present their annual report which forms part of the annual financial statements of the bank for the year ended 31 March 2016.

Nature of business
The bank has continued to deliver services in accepting savings money and other deposits, and granting mortgage loans against registered bonds and other medium and short term advance products.

Financial results
Operating results for the year under review are set out in the attached annual financial statements.

	2016	**2015**
Dividends paid to shareholders	**R**	**R**
Dividends paid on permanent interest bearing shares:	894 015	1 269 549
Share captial		
Permanent interest bearing shares	70 473 996	23 750 000

Permanent interest bearing shares qualify as Tier 1 Capital in line with the Mutual Banks Act. Permanent interest bearing shares are not redeemable. Dividends accrue monthly on the capital balance and are paid out as per the shareholders election. The prevailing rate of dividends is the South African Reserve bank repurchase rate plus 1,5%.

Directors
The following persons served as directors for the year under review and at the date of this report:

	Appointed / Re - appointed	Resigned / Term expiry	2016 R Permanent Interest Bearing Shares	2016 R Indefinite Period Shares
Independent Non-executive directors				
P.A. Ramikosi	1 Oct 2013	1 Oct 2016	-	-
M. Mavuso	1 Oct 2013	1 Oct 2016	-	-
M.V. Nevhuhulwi	24 Jul 2015	24 Jul 2018	-	
B.L.Mapongwana	24 Jul 2015	24 Jul 2018	-	
T.Ramawa	24 Jul 2015	24 Jul 2018	-	
T.Ramuedzisi	24 Jul 2015	11 Apr 2016	-	
W.H.Meyer	24 Jul 2015	4 Feb 2016	-	
* Resigned				
Non-executive directors				
T.E.Nesane (PIC Representative)	30 Jul 2013	30 Jul 2016	Refer to Note 16 on PIC Shareholding	-
P.N.Magula (PIC Representative)	24 Jul 2015	24 Jul 2018	Refer to Note 16 on PIC Shareholding	-
T. Matodzi (Chairman from 24 August 2015)	24 Jul 2015	24 Jul 2018	3 153 300	-
M. W. Muvhulawa (Chairman up to 25 July 2015)	25 Jul 2014	25 Jul 2017	80 250	80 250
M. Manwadu	24 Jul 2015	24 Jul 2018	30 000	-
L.N. Mudau	25 Jul 2014	25 Jul 2017	16 000	16 000

Executive directors				
A.M.A.Ramavhunga	1 Aug 2014		-	
P.N.Truter	1 Sep 2014		-	-

Company secretary

P.N.Truter

Registered office

The bank's registered office is situated at 25A Erasmus Street, Makhado.

The bank's postal address is PO Box 3618, Makhado, 0920.

AUDITOR'S REPORT

KPMG Inc
KPMG Crescent
85 Empire Road, Parktown, 2193,
Private Bag 9, Parkview, 2122, South Africa

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Fax +27 (0)11 647 8000
Docex 472 Johannesburg
Web http://www.kpmg.co.za/

Independent Auditor's Report

To the Shareholders of VBS Mutual Bank

We have audited the financial statements of VBS Mutual Bank, which comprise the statement of financial position at 31 March 2016, the statement of comprehensive income, statement of changes in shareholders' equity and statement of cash flows for the year then ended, and the notes to the financial statements which include a summary of significant accounting policies and other explanatory notes, as set out on pages 54 to 90.

Directors' Responsibility for the Financial Statements The bank's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards, and the requirements of the Mutual Banks Act of South Africa, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with International Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, these financial statements present fairly, in all material respects, the financial position of VBS Mutual Bank at 31 March 2016, and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Mutual Banks Act of South Africa.

KPMG Inc.

Per NKS Malaba
Chartered Accountant (SA)
Registered Auditor
Director

STATEMENT OF FINANCIAL POSITION

- AS AT 31 MARCH 2016 -

	Notes	2016 R	2015 R
ASSETS			
Cash and cash equivalents	2	**250 873 801**	144 605 164
Short term money market assets	3	**31 465 826**	24 061 803
Loans and advances	4	**694 956 506**	221 032 365
Receivables and prepayments	6	**22 012 064**	5 401 101
Equipment	7	**15 118 073**	1 451 051
Intangible assets	8	**2 899 209**	919 680
Deferred taxation	12.1	**710 822**	306 534
TOTAL ASSETS		**1 018 036 301**	397 777 698
LIABILITIES AND EQUITY			
EQUITY			
Permanent interest bearing shares	13	**70 473 996**	23 750 000
Reserves		**18 867 355**	14 872 551
Non distributable reserve	15	**54 965 685**	-
Total equity		**144 307 036**	38 622 551
LIABILITIES			
Current account overdrafts		**236 206**	329 771
Amounts owed to depositors	9	**621 781 540**	355 166 683
Other liabilities	10	**5 531 194**	2 153 056
Employee benefit liabilities	11	**2 323 289**	1 505 637
Borrowings	15	**243 619 454**	-
Current tax liabilities	12.5	**237 582**	-
Total liabilities		**873 729 265**	359 155 147
TOTAL LIABILITIES AND EQUITY		**1 018 036 301**	397 777 698

STATEMENT OF COMPREHENSIVE INCOME

- FOR THE YEAR ENDED 31 MARCH 2016 -

	Notes	2016 R	2015 R
Interest income	14.1	**45 191 742**	28 051 599
Interest expense	14.2	**(21 964 275)**	(8 623 043)
Net interest income		**23 227 467**	19 428 556
Non-interest revenue	14.3	**23 909 469**	8 945 330
Operating income before impairments		**47 136 936**	28 373 886
Impairment	14.4	**(1 870 648)**	(153 548)
Operating income after impairments		**45 266 288**	28 220 338
Operating expenditure	14.5	**(40 592 170)**	(27 239 135)
Other income	14.6	**47 995**	28 085
Profit before taxation		**4 722 113**	1 009 288
Taxation	12.3	**166 706**	17 827
Profit and total comprehensive income for the year		**4 888 819**	1 027 115

STATEMENT OF CASH FLOWS

- FOR THE YEAR ENDED 31 MARCH 2016 -

	Notes	2016 R	2015 R
Cash flows from operating activities			
Cash received from customers	18.1	**67 788 565**	36 757 430
Cash paid to customers, suppliers and employees	18.2	**(59 732 718)**	(34 763 048)
Decrease in income earning assets	18.3	**(497 939 127)**	(17 688 895)
Increase in deposits and other liabilities	18.4	**270 670 847**	68 088 344
Cash flows (utilised by)/generated from operating activities before taxation		**(219 212 433)**	52 393 831
Taxation paid	18.6	-	-
Cash flows (utilised by)/ generated from operating activities		**(219 212 433)**	52 393 831
Cash flows from investing activities			
Capital expenditure on equipment	7	**(16 468 267)**	(1 309 375)
Capital expenditure on intangible assets	8	**(2 453 513)**	(623 294)
Proceeds from sale of equipment		**20 600**	-
Cash flows (utilised by)/ generated from investing activities		**(18 901 180)**	(1 932 669)
Cash flows from financing activities			
Proceeds from issue of permanent interest bearing shares		**46 723 996**	-
Proceeds from issue of debt securities		**54 965 685**	-
Proceeds from issue of equity portion of debt securities		**243 619 454**	-
Dividends paid on permanent interest bearing shares	18.5	**(833 320)**	(1 456 936)
Cash flows generated from / (utilised by) financing activities		**344 475 815**	(1 456 936)
Net increase in cash and cash equivalents		**106 362 202**	49 004 226
Cash and cash equivalents at the beginning of the year		**144 275 393**	95 271 167
Cash and cash equivalents at the end of the year	18.7	**250 637 595**	144 275 393

STATEMENT OF CHANGES IN SHAREHOLDERS EQUITY

- FOR THE YEAR ENDED 31 MARCH 2016 -

	Permanent interest bearing shares R	General reserve R	Retained income R	Non-distributable reserve R	Total equity R
Balance as at 1 April 2014	**23 750 000**	**15 000 000**	**114 984**		**38 864 984**
Profit for the year	-	-	1 027 116		1 027 116
Dividends declared to permanent interest bearing shareholders	-	-	(1 269 549)		(1 269 549)
Transfers	-	(150 000)	150 000		-
Balance as at 31 March 2015	**23 750 000**	**14 850 000**	**22 551**		**38 622 551**
Contributions from permanent interest bearing shareholders	46 723 996	-	-		46 723 996
Equity portion of non-qualifying capital		-	-	54 965 685	54 965 685
Profit for the year	-	-	4 888 819		4 888 819
Dividends declared to permanent interest bearing shareholders	-	-	(894 015)		(894 015)
Balance as at 31 March 2016	**70 473 996**	**14 850 000**	**4 017 355**	54 965 685	**144 307 036**

1. Reporting entity and accounting policies

1.2 Reporting entity

VBS Mutual Bank ('the bank') is a mutual bank domiciled in South Africa. The address of the bank's registered office is 25A Erasmus Street, Makhado, 0920. The bank has continued to deliver services in accepting savings and other diposits and granting morgage loans against registered bonds and other medium and short-term advance products.

1.3 Basis of preparation

Basis of accounting

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS), its interpretation adopted by the International Accounting Standards Board and the requirements of the Mutual Banks Act. The financial statements have been prepared on a historical cost basis, unless otherwise stated.

They were authorised for issue by the board of directors on 22 June 2016.

1.3 Functional currency

These financial statements are presented in South African Rand ("Rand"), which is the bank's functional currency. All amounts have been rounded to the nearest Rand.

1.4 Use of estimates and judgements

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of the bank's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 March 2017 is set out below in relation to the impairment of financial instruments and in note 12.1 – recognition of deferred tax assets: availablity of future taxable profit against which carry forward tax losses can be used.

Impairment of financial instruments

Assets accounted for at amortised cost are evaluated for impairment on the basis described in note 19 - financial risk management under credit risk.

The individual component of the total allowance for impairment applies to financial assets evaluated individually for impairment and is based on management's best estimate of the present value of the cash flows that are expected to be received. In estimating these cash flows, management makes judgements about a debtor's financial situation and the net realisable value of any underlying collateral. Each impaired asset is assessed on its merits, and the workout strategy and estimate of cash flows considered recoverable are independently approved by the Credit Risk function.

A collective component of the total allowance is established for:

- Groups of homogeneous loans that are not considered individually significant; and
- Groups of assets that are individually significant but that were not found to be individually impaired (loss 'incurred but not reported' or IBNR).

1.5 Significant accounting policies

The bank has consistently applied the following accounting policies to all periods presented in these financial statements.

Set out below is an index of significant accounting policies, the details of which are available on the pages that follow:

1.5.1 Financial instruments
1.5.2 Loans and advances
1.5.3 Held to maturity
1.5.4 Cash and cash equivalents
1.5.5 Financial guarantees and loan commitments
1.5.6 Deposits and borrowings
1.5.7 Equipment
1.5.8 Intangible assets
1.5.9 Impairment of non-financial assets
1.5.10 Employee benefits
1.5.11 Share capital and reserves
1.5.12 Interest
1.5.13 Non-interest revenue
1.5.14 Leases
1.5.15 Income tax

1.5.1 Financial instruments

i) Recognition

The bank initially recognises loans and receivables, short term money markets, deposits and borrowings on the date on which they are originated. All other financial instruments (including regular-way purchases and sales of financial assets) are recognised on the trade date, which is the date on which the bank becomes a party to the contractual provisions of the instrument.

A financial asset or financial liability is measured initially at fair value plus, for an item not at fair value through profit or loss, transaction costs that are directly attributable to its acquisition or issue.

ii) Classification

Financial assets

The bank classifies its financial assets in one of the following categories:

- Loans and receivables; and
- Held-to-maturity investment securities;

Financial liabilities
The bank classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost.

iii) Derecognition

Financial Assets
The bank derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the bank neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of (i) the consideration received (including any new asset obtained less any new liability assumed) and (ii) any cumulative gain or loss that had been recognised in OCI is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the bank is recognised as a separate asset or liability.

In transactions in which the bank neither retains nor transfers substantially all of the risks and rewards of ownership of a financial asset and it retains control over the asset, the bank continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions, the bank retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for performing the servicing.

Financial liabilities
The bank derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

iv) Offsetting financial instruments

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, the bank currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

1.5 Significant accounting policies (continued)

1.5.1 Financial instruments (continued)

v) Amortised cost measurement

The 'amortised cost' of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition, minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initial amount recognised and the maturity amount, minus any reduction for impairment.

vi) Fair value measurement

'Fair value' is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the bank has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the bank measures the fair value of an instrument using the quoted price in an active market for that instrument. A market is regarded as active if transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

If there is no quoted price in an active market, then the bank uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price – i.e. the fair value of the consideration given or received. If the bank determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by a quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss on an appropriate basis over the life of the instrument but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

If an asset or a liability measured at fair value has a bid price and an ask price, then the bank measures assets and long positions at a bid price and liabilities and short positions at an ask price.

Portfolios of financial assets and financial liabilities that are exposed to market risk and credit risk that are managed by the bank on the basis of the net exposure to either market or credit risk are measured on the basis of a price that would be received to sell a net long position (or paid to transfer a net short position) for a particular risk exposure. Those portfolio- level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of demand deposit is not less than the amount payable, discounted from the first date on which the amount could be required to be repaid

vii) Identification and measurement of impairment

At each reporting date, the bank assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is 'impaired' when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s) and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired includes:

- significant financial difficulty of the borrower or issuer;
- default or delinquency by a borrower;
- the restructuring of a loan or advance by the bank on terms that the bank would not otherwise consider;
- indications that a borrower or issuer will enter bankruptcy;
- the disappearance of an active market for a security, or
- observable data relating to a group of assets such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

The bank considers evidence of impairment for loans and advances and held-to-maturity investment securities at both a specific asset and a collective level. All individually significant loans and advances and held-to-maturity investment securities are assessed for specific impairment.

Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and advances and held-to-maturity investment securities that are not individually significant are collectively assessed for impairment by grouping together loans and advances and held-to-maturity investment securities with similar risk characteristics.

In assessing collective impairment, the bank uses statistical modelling of historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, and makes an adjustment if current economic and credit conditions are such that the actual losses are likely to be greater or lesser than is suggested by historical trends. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets measured at amortised cost are calculated as the difference between the carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised and the new financial asset is recognised at fair value. The impairment loss before an expected restructuring is measured as follows:

- If the expected restructuring will not result in derecogntion of the existing asset, then the estimated cash flows arising from the modified financial asset are included in the measurement of the existing asset based on their expected timing and amounts discounted at the original effective interest rate of the existing financial asset.
- If the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is discounted from the expected date of the derecogntion to the reporting date using the original effective interest rate of the existing financial asset.

Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables or held-to-maturity investment securities. Interest on the impaired assets continues to be recognised through the unwinding of the discount. If an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, then the decrease in impairment loss is reversed through profit or loss.

The bank writes off a loan or an investment debt security, either partially or in full, and any related allowance for impairment losses, when bank Credit determines that there is no realistic prospect of recovery.

1.5.2 Loans and advances

'Loans and advances' are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and that the bank does not intend to sell immediately or in the near term.

Loans and advances to customers include those classified as loans and receivables.

Loans and advances are initially measured at fair value plus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest method.

1.5.3 Held to maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the bank has the positive intent and ability to hold to maturity, and which are not designated as at fair value through profit or loss or as available-for-sale.

Held-to-maturity investments are carried at amortised cost using the effective interest method, less any impairment losses. A sale or reclassification of a more than insignificant amount of held-to-maturity investments would result in the reclassification of all held-to-maturity investments as available-for-sale, and would prevent the bank from

1.5 Significant accounting policies (continued)

1.5.3 Held to maturity (continued)

classifying investment securities as held-to-maturity for the current and the following two financial years. However, sales and reclassifications in any of the following circumstances would not trigger a reclassification:

- sales or reclassifications that are so close to maturity that changes in the market rate of interest would not have a significant effect on the financial asset's fair value;
- sales or reclassifications after the bank has collected substantially all of the asset's original principal; and
- sales or reclassifications that are attributable to non-recurring isolated events beyond the bank's control that could not have been reasonably anticipated.

1.5.4 Cash and cash equivalents

Cash and cash equivalents include notes and coins on hand, balances held with the central bank and highly liquid financial assets with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the bank in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

1.5.5 Financial guarantees and loan commitments

Financial guarantees are contracts that require the bank to make specified payments to reimburse the holder for a loss that it incurs because a specified debtor fails to make payment when it is due in accordance with the terms of a debt instrument. 'Loan commitments' are firm commitments to provide credit under pre-specified terms and conditions.

Liabilities arising from financial guarantees or commitments to provide a loan at a below-market interest rate are initially measured at fair value and the initial fair value is amortised over the life of the guarantee or the commitment. The liability is subsequently carried at the higher of this amortised amount and the present value of any expected payment to settle the liability when a payment under the contract has become probable. Financial guarantees and commitments to provide a loan at a below-market interest rate are included within other liabilities.

1.5.6 Deposits and borrowings

Deposits and borrowings are the bank's sources of debt funding.

The bank classifies capital instruments as financial liabilities or equity instruments in accordance with the substance of the contractual terms of the instrument.

Deposits and borrowings issued are initially measured at fair value minus incremental direct transaction costs, and subsequently measured at their amortised cost using the effective interest.

1.5.7 Equipment

Recognition and measurement

Items of equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

If significant parts of an item of equipment have different useful lives, then they are accounted for as separate items (major components) of equipment. Any gain or loss on disposal of an item of property and equipment is recognised in profit or loss.

Subsequent costs

Subsequent expenditure is capitalised only if it is probable that the future economic benefits associated with the expenditure will flow to the bank. Ongoing repairs and maintenance are expensed.

Depreciation

Depreciation is calculated to write off items of equipment less their estimated residual values using the straight-line method over their estimated useful lives, and is generally recognised in profit or loss.

The estimated useful lives for the current and comparative years for the different categories is 5 years. Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

1.5.8 Intangible assets

Generally, costs associated with developing computer software programs are recognised as an expense when incurred. However, information technology development costs clearly associated with an identifiable and unique system or program and which has a probable economic benefit exceeding one year, the cost of the asset and costs to complete the development can be measured reliably, and the bank is able to demonstrate its intention and ability to complete the development are recognised as intangible assets. Development costs incurred on the establishment of the bank's debit card (ATM) system are capitalised.

Subsequent expenditure on software assets is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

All other expenditure is expensed as incurred. Computer software and banking system development recognised as assets are amortised on the straight-line basis at rates appropriate to the useful lives of the assets (5 years), and are measured at cost less accumulated amortisation and impairment losses. Amortisation methods, useful lives and residual values are reviewed at each financial year end and adjusted if appropriate. Amortisation and impairment losses are recognised in profit or loss.

1.5.9 Impairment of non-financial assets

At each reporting date, the bank reviews the carrying amounts of its non-financial assets (other than deferred tax assets) to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

1.5.10 Employee benefits

Defined contribution plan

The bank has established a defined contribution plan that was registered on 30 March 2001 in terms of the Pension Act, 1956.

A defined contribution plan is a post - employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as expense in profit or loss when they are due in respect of service rendered before the end of the reporting period. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

Obligations for contributions to the defined contribution pension plans are due in respect of services rendered before the end of the reporting period.

Short – term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus if the bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Leave pay accrual

Employee benefits in the form of annual leave entitlements are recognised when they accrue to employees as a result of services rendered, measured on an undiscounted basis and expensed as the related service is provided.

1.5.11 Share capital and reserves

The bank classifies capital instruments as financial liabilities or equity instruments in accordance with the subtance of the contractual terms of the instrument. The bank has issued interest bearing shares which are also entitled to dividend distributions and are recognised in equity. Incremental costs directly attributable to the issue of new shares are shown in equity as a deduction, net of tax, from the proceeds.

1.5 Significant accounting policies (continued)

1.5.12 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The 'effective interest rate' is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or financial liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the bank estimates future cash flows considering all contractual terms of the financial instrument, but not future credit losses.

The calculation of the effective interest rate includes transaction costs and fees and points paid or received that are an integral part of the effective interest rate. Transaction costs include incremental costs that are directly attributable to the acquisition or issue of a financial asset or financial liability.

Interest income and expense presented in the statement of comprehensive income includes interest on financial assets and financial liabilities measured at amortised cost calculated on an effective interest basis.

1.5.13 Non-interest revenue

Non-interest revenue includes fees, commission from banking activities and dormant accounts written off. Fees and commission income that is integral to the effective interest rate on a financial asset or liability is included in the measurement of the effective interest rate.

Other fees and commission income, including account servicing fees and sales commission are recognised as the related services are performed. If a loan commitment is not expected to result in the draw- down of a loan, then the related loan commitment fees are recognised on a straight-line basis over the commitment period.

1.5.14 Leases

Lease payments- lessee

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

1.5.15 Income tax

Income tax expense comprises current and deferred tax. It is recognised in profit or loss except to the extent that it relates to items recognised directly in equity or in OCI.

Current tax

Current tax is the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. It is measured using tax rates enacted or substantially enacted at the reporting date. Current tax also includes any tax arising from dividends.

Deferred tax

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes.

Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are recognised for unused tax losses, unused tax credits and deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be used. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realized.

Unrecognised deferred tax assets are reassessed at each reporting date and recognised to the extent that it has become probable that future taxable profits will be available against which they can be used. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, using tax rates enacted or substantively enacted at the reporting date.

Additional taxes that arise from the distribution of dividends by the bank are recognized at the same time as the liability to pay the related dividend is recognized. These amounts are generally recognized in profit or loss because they generally relate to income arising from transactions that were originally recognized in profit or loss.

Tax exposures

In determining the amount of current and deferred tax, the bank takes into account the impact of tax exposures, including whether additional taxes and interest may be due. This assessment relies on estimates and assumptions and may involve a series of judgements about future events. New information may become available that causes the bank to change its judgement regarding the adequacy of existing tax liabilities; such changes to tax liabilities will impact tax expense in the period in which such a determination is made.

1.6 Standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 January 2015; however, the Bank has not applied the following new or amended standards in preparing these financial statements:

1 January 2018
IFRS 9 Financial Instruments
On 24 July 2014, the IASB issued the final IFRS 9 Financial Instruments Standard, which replaces earlier versions of IFRS 9 and completes the IASB's project to replace IAS 39 Financial Instruments:

The standard is effective for annual periods beginning on or after 1 January 2018 with retrospective application, early adoption is permitted. The impact of the adoption of the standard on the financial statements for the bank has not yet been quantified.

1 January 2017
IFRS 15 Revenue from contracts with customers

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue – Barter of Transactions Involving Advertising Services.

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time.

The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

This new standard will most likely have a significant impact on the bank, which will include a possible change in the timing of when revenue is recognised and the amount of revenue recognised.

The standard is effective for annual periods beginning on or after 1 January 2017, with early adoption permitted under IFRS.

The impact of the adoption of the standard on the financial statements for the bank has not yet been quantified.

1.7 Comparative figures

Where necessary, comparative figures have been adjusted to conform to changes in presentation in the current year.

	2016	2015
	R	R
2 Cash and cash equivalents		
Coins and bank notes	**3 592 550**	3 328 990
Money at call and at short notice	**238 131 251**	135 926 174
SARB General Reserve	**9 150 000**	5 350 000
	250 873 801	144 605 164

Money at short notice constitutes amounts available on demand. Mandatory reserve deposits (SARB General Reserve) are not available for use in the bank's day-to-day operations.

	2016	2015
3 Short term money market assets		
Treasury bills	**25 465 826**	18 061 803
Term deposits	**6 000 000**	6 000 000
	31 465 826	24 061 803

Short term money market assets are held to maturity.

	2016	2015
4 Loans and advances		
Gross loans and advances	**697 508 746**	221 714 242
Less : Impairments - (Refer to note 5)	**(2 552 240)**	(681 877)
Loans and advances after impairment	**694 956 506**	221 032 365

			2016			2015
Geographical analysis	**Gross amount**	**Impairment allowance**	**Carrying amount**	Gross amount	Impairment allowance	Carrying amount
Limpopo Province	**351 815 456**	**1 027 856**	**350 787 599**	205 604 414	681 877	204 922 537
Gauteng Province	**320 782 238**	**1 374 942**	**319 407 296**	15 350 678	-	15 350 678
Kwazulu Natal Province	**7 796 404**	**0**	**7 796 404**	-	-	-
North West Province	**5 647 115**	**149 441**	**5 497 674**	759 150	-	759 150
Mpumalanga Province	**9 888 759**	**-**	**9 888 759**	-	-	-
Eastern Cape Province	**1 578 771**	**-**	**1 578 771**	-	-	-
	697 508 746	**2 552 240**	**694 956 506**	221 714 242	681 877	221 032 365

Product mix	**Gross amount**	**Impairment allowance**	**Carrying amount**	Gross amount	Impairment allowance	Carrying amount
Home loans	**240 805 160**	**506 160**	**240 299 000**	189 590 165	551 821	189 038 344
Contract financing	**288 489 315**	**1 716 453**	**286 772 862**	18 435 921	-	18 435 921
Overdrafts	**77 168 479**	**-**	**77 168 479**	4 603 853	-	4 603 853
Vehicle finance	**83 641 218**	**-**	**83 641 218**	7 398 795	-	7 398 795
Asset finance	**5 163 873**	**-**	**5 163 873**	-	-	-
Short term personal loans and investment loans	**2 240 700**	**329 627**	**1 911 073**	1 685 506	130 056,00	1 555 450
	697 508 746	**2 552 240**	**694 956 506**	221 714 242	681 877	221 032 365

Home loans are secured through mortgage bonds. Investment loans are secured through cessions on term and fixed deposits as per note 9. Contract financing is secured through sessions with contracting parties. Short term personal loans are unsecured.

5 Impairment of loans and advances	Total		Specific impairment		Portfolio impairment	
	2016	2015	**2016**	2015	**2016**	2015
	R	R	R	R	R	R
Balance at the beginning of the year	**(681 877)**	(583 091)	**(545 796)**	(476 368)	**(136 081)**	(106 723)
Statement of comprehensive income charge	**(1 870 363)**	(98 786)	**(1 394 536)**	(69 428)	**(475 827)**	(29 358)
Loans and advances	**(2 552 240)**	(681 877)	**(1 940 332)**	(545 796)	**(611 908)**	(136 081)
Amounts written off against impairment	-	-	-	-	-	-
Impairment at the end of the year	**(2 552 240)**	(681 877)	**(1 940 332)**	(545 796)	**(611 908)**	(136 081)
Impairments by classification						
Home loans	**(506 160)**	(551 821)	**(369 220)**	(435 681)	**(136 940)**	(116 140)
Short term loans	**(329 627)**	(130 056)	**(313 126)**	(110 115)	**(16 501)**	(19 941)
Contract finance	**(1 716 453)**	-	**(1 257 986)**	-	**(458 467)**	-
Impairment at the end of the year	**(2 552 240)**	(681 877)	**(1 940 332)**	(545 796)	**(611 908)**	(136 081)

The credit impairment policy is divided into two types of impairment methods:

Specific impairments

The specific impairment is the amount the bank expects to lose on its identified non performing loans, after taking into account the discounted value of future recoveries.

Portfolio impairments

This type of impairment is based on that part of the performing portfolio where historical data analysis, together with current objective determinable events indicate that an impairment event has occurred, and a loss cannot be identified on an individual basis.

For a detailed analysis of credit quality and impairment, refer to note 19.

6 Receivables and prepayments	**2 016**	2 015
Rights issue receivable (refer to note 13)	**15 161 752**	-
Interbank settlement accounts receivable	**2 851 209**	4 712 298
Prepaid expenses	**2 518 527**	464 961
Head office insurance debtors	**739 850**	60 641
Insurance debtors	**487 392**	-
Corporate office rent deposit	**152 427**	152 427
Other receivables	**100 905**	10 774
	22 012 064	5 401 101

7 Equipment

	Cost	Accumulated Depreciation	Carrying Amount
	R	R	R
2016			
Computer equipment	**2 497 839**	**1 101 008**	**1 396 831**
Motor vehicles	**384 146**	**174 385**	**209 761**
Leasehold improvements	**11 663 202**	**1 876 834**	**9 786 368**
Office furniture and equipment	**6 054 562**	**2 329 449**	**3 725 113**
Total	**20 599 749**	**5 481 676**	**15 118 073**
2015			
Computer equipment	1 443 623	1 200 527	243 096
Motor vehicles	384 146	115 848	268 298
Leasehold improvements	419 558	147 357	272 201
Office furniture and equipment	3 715 196	3 047 740	667 456
Total	5 962 523	4 511 472	1 451 051

2016 **Movement in equipment**	**Computer Equipment R**	**Furniture and Fittings R**	**Leasehold Improvements R**	**Motor Vehicles R**	**Total R**
Cost at the beginning of the year	**1 443 623**	**3 715 196**	**419 558**	**384 146**	**5 962 523**
Additions	**1 446 175**	**3 754 378**	**11 267 714**	**-**	**16 468 267**
Disposals	**(143 864)**	**(688 978)**	**(24 070)**	**-**	**(856 912)**
Write-offs	**(248 095)**	**(726 036)**	**-**	**-**	**(974 131)**
Cost at end of year	**2 497 839**	**6 054 560**	**11 663 202**	**384 146**	**20 599 747**
Accumulated depreciation at the beginning of the year	**(1 200 527)**	**(3 047 740)**	**(147 357)**	**(115 848)**	**(4 511 472)**
Depreciation charge for the year	**(287 769)**	**(691 381)**	**(1 753 547)**	**(58 537)**	**(2 791 234)**
Disposals	**143 033**	**688 978**	**24 070**	**-**	**856 081**
Write-offs	**244 255**	**720 696**	**-**	**-**	**964 951**
Accumulated depreciation at the end of the year	**(1 101 008)**	**(2 329 447)**	**(1 876 834)**	**(174 385)**	**(5 481 674)**
Carrying amount at end of the year	**1 396 831**	**3 725 113**	**9 786 368**	**209 761**	**15 118 073**

2015 **Movement in equipment**	Computer Equipment R	Furniture and Fittings R	Leasehold Improvements R	Motor Vehicles R	Total R
Cost at the beginning of the year	1 359 965	3 335 622	128 048	166 750	4 990 386
Additions	200 598	499 762	316 329	292 687	1 309 376
Disposals	(16 446)	(33 099)	(24 819)	(75 291)	(149 655)
Write-offs	(100 494)	(86 773)	-		(187 267)
Cost at end of year	1 443 623	3 715 512	419 558	384 146	5 962 840
Accumulated depreciation at the beginning of the year	(1 230 572)	(3 024 552)	(128 048)	(166 748)	(4 549 920)
Depreciation charge for the year	(79 674)	(139 218)	(21 001)	(24 390)	(264 283)
Disposals	109 719	115 714	1 692	75 290	302 415
Accumulated depreciation at the end of the year	(1 200 527)	(3 048 056)	(147 357)	(115 848)	(4 511 788)
Carrying amount at end of the year	243 096	667 456	272 201	268 298	1 451 052

8 Intangible assets

	Cost	Accumulated amortisation	Carrying amount
	R	R	R
2016			
banking system development	**6 104 100**	**3 268 587**	**2 835 513**
Computer software	**347 660**	**283 965**	**63 695**
Total	**6 451 760**	**3 552 552**	**2 899 209**
2015			
banking system development	3 672 207	2 821 633	850 574
Computer software	326 040	256 934	69 106
Total	3 998 247	3 078 567	919 680

Movement in intangible assets	Banking system R	Computer software R	2016 Total R	2015 Total R
Cost at the beginning of the year	**3 672 207**	**326 040**	**3 998 247**	3 374 953
Additions	**2 431 893**	**21 620**	**2 453 513**	623 294
Cost at the end of the year	**6 104 100**	**347 660**	**6 451 760**	3 998 247
Accumulated depreciation at the beginning of the year	**(2 821 634)**	**(256 934)**	**(3 078 568)**	(2 670 736)
Amortisation charge for the year	**(446 953)**	**(27 031)**	**(473 984)**	(407 831)
Accumulated depreciation at the end of the year	**(3 268 587)**	**(283 965)**	**(3 552 552)**	(3 078 567)
Carrying amount at end of year	**2 835 513**	**63 695**	**2 899 208**	919 680

9 Amounts owed to depositors

Classifications

Savings deposits	**208 683 016**	187 312 852
Notice and term deposits	**276 932 615**	52 835 474
Fixed deposits	**136 165 909**	115 018 357
	621 781 540	355 166 683

		2016 R	2015 R
10	**Other liabilities**		
	Value Added Tax	**139 656**	102 313
	Dividends payable on permanent interest bearing shares	**374 367**	313 671
	Interbank settlements	**740 882**	525 217
	Sundry creditors	**3 233 783**	-
	Provisions and other payables	**1 042 506**	1 221 855
		5 531 194	2 153 056
11	**Employee benefit liabilities**		
	Leave pay accrual	**970 052**	819 476
	Bonus accrual	**1 152 387**	564 788
	Defined benefit contribution	**200 850**	121 373
		2 323 289	1 505 637
12	**Taxation**		
	12.1 Deferred taxation		
	Tax effect on temporary differences between the tax and carrying value of :		
	Employee benefit liabilities	**(594 283)**	(387 594)
	Prepaid expenses	**195 714**	120 770
	Straight lining of operating leases	**(39 144)**	(11 133)
	Doubtful debt allowances	**(32 223)**	(28 577)
	Provisions	**(240 886)**	-
	Net deferred tax asset	**(710 822)**	(306 534)
	Assessed loss accumulated plus current period profit / (loss)	-	(6 055 619)

Prior year accumulated losses **were utilised** against taxable income in the current year
Recognition of deferred tax asset of R710,822 (2015 - R306,534) is based on management's profit forecasts which indicate that the will have future taxable profits against which these can be utilised. There is no unrecognised deferred tax in the year under review.

	2016 R	2015 R
12.2 Reconciliation of deferred tax asset balance		
Deferred tax asset at the beginning of the year	306 534	288 707
Temporary differences on employee benefits, expenses and doubtful debt allowance recognised in profit or loss	415 420	17 827
Underprovision previous year	(11 132)	-
Deferred tax asset at the end of the year	710 822	306 534
12.3 South African normal taxation		
Current taxation: South African normal taxation	(237 582)	-
- Current year	(237 582)	-
Deferred taxation	404 288	17 827
- Reversal of temporary differences	415 420	17 827
- Prior year under provision	(11 132)	-
	166 706	17 827

12.4 Reconciliation of taxation rate	**2016**	**2015**	**2016** R	2015 R
Effective tax rate per profit or loss	(3,53%)	(5,85%)	(166 706)	17 827
Adjusted for :	31,53%	33,85%	1 488 898	(322 404)
Deferred tax asset not raised for assessed losses	0,00%	28,00%	-	(304 577)
Non taxable income	0,24%	0,00%	11 132	
Non deductible expense	(4,38%)	7,57%	(206 675)	(23 071)
Additional tax deduction	0,00%	(1,72%)	-	5 244
Under provision in prior years	(0,24%)	0,00%	(11 132)	
Assessed loss utilised/not utilised	35,91%	0,00%	1 695 573	-
Standard corporation tax rate	28,00%	28,00%	1 322 192	(304 577)

12.5 South African normal taxation liabilities	2016 R	2015 R
Normal taxation liability at the beginning of the year	-	-
Current taxation	237 582	-
- Current year - tax liability	237 582	-

13 Equity

Permanent interest bearing shares (Class A Shares)

	2016		2 015	
Authorised at par value of R10	**Number of shares**	**Class A shares**	Number of shares	Class A shares
	R	R		R
At the beginning of the year	**2 500 000**	**25 000 000**	2 500 000	25 000 000
Increase in authorised permanet interest bearing shares	**27 500 000**	**275 000 000**	-	-
At the end of the year	**30 000 000**	**300 000 000**	2 500 000	25 000 000

	2016		2015	
Issued at par value of R10	**Number of shares**	**Class A shares**	Number of shares	Class A shares
	R	R		R
At the beginning of the year	**2 375 000**	**23 750 000**	2 375 000	23 750 000
Right issue	**4 672 399**	**46 723 996**	-	-
At the end of the year	**7 047 400**	**70 473 996**	2 375 000	23 750 000

14.5 Equity (continued)

	2016	2 015
	R	R
Rights issue	**70 473 996**	23 750 000
Fully paid	**(55 312 244)**	(23 750 000)
Receivable at the end of the year	**15 161 752**	-
Rand value of authorised allocated permanent interest bearing shares for issue to employees	**1 250 000**	1 250 000

At the board meeting held on 24 July 2015, dividends declared amounted to R1,269,549. Accumulated dividend for permanent interest bearing shares as at 31 March 2016 were R894 015.
Class A shares carry a voting right of 1 vote per every 1 share held.

72 months fixed period shares (Class B Shares)

Rand value of authorised permanent interest bearing shares for issue at R10 nominal value per share	**R 5 000 000 000**	-
Number of authorised permanent interest bearing shares	**500 000 000**	-

Class B shares carry a voting right of 1 vote per every 100 share held.

60 months fixed period shares (Class C Shares)

Rand value of authorised permanent interest bearing shares for issue at R10 nominal value per share	**R 15 000 000 000**	-
Number of authorised permanent interest bearing shares	**1 500 000 000**	-

Class C shares carry a voting right of 1 vote per every 1000 share held.

			2016 R	2015 R
14	**Analysis of income and expenditure**			
	14.1 Interest income			
	Interest on :	Loans and advances	**35 541 120**	20 023 688
		Short term money markets assets	**8 846 742**	7 645 450
		Cash and cash equivalents	**803 880**	382 461
			45 191 742	28 051 599
	14.2 Interest expense			
	Interest on :	PIC funding	**(8 606 461)**	-
		Fixed deposits	**(7 491 633)**	(4 820 719)
		Call and term deposits	**(3 111 889)**	(1 681 255)
		Savings deposits	**(2 754 292)**	(2 121 069)
			(21 964 275)	(8 623 043)
	14.3 Non-interest revenue			
	Retail transaction fees		**9 433 314**	6 322 330
	Contract finance initiation fee		**6 664 862**	1 170 550
	Contract finance management fee		**5 499 735**	108 098
	Other contract finance fees		**301 491**	30 000
	Guarantees initiation fee		**812 216**	357 954
	Dormant accounts recognised as income		**500 073**	254 909
	Commission		**697 778**	701 489
			23 909 469	8 945 330

Dormant accounts recognised as income relate to deposit accounts that have been dormant for a period of over 5 years. These are transferred to profit or loss as income.

		2016 R	2015 R
14.4 Impairment			
Advances		**(1 870 363)**	(98 786)
Properties in possession		-	(48 652)
Other		**(285)**	(6 110)
Total		**(1 870 648)**	(153 548)
14.5Operating expenditure			
Auditors' remuneration			
Audit fees - External		**(709 056)**	(887 803)
Audit fees - Internal		**(661 272)**	(489 880)
		(1 370 328)	(1 377 683)
Depreciation			
Office furniture and equipment		**(2 444 928)**	(160 219)
Computer equipment		**(287 769)**	(79 673)
Motor vehicles		**(58 537)**	(24 390)
		(2 791 234)	(264 282)
Amortisation			
Banking system development		**(446 953)**	(374 768)
Computer software		**(27 031)**	(33 063)
		(473 984)	(407 831)
Operating lease expenditure		**(2 240 823)**	(1 738 253)
Professional fees		**(1 747 201)**	(1 287 487)

	2016 R	2015 R
14.5 Operating expenditure (continued)		
Staff costs		
Salaries and allowances	**(13 411 939)**	(8 763 719)
Contributions to pension funds and medical aid	**(1 244 394)**	(793 234)
Other staff benefits	**(316 897)**	(283 674)
	(14 973 230)	(9 840 627)
Directors' remuneration		
Executive directors		
Short term benefits	**(2 715 413)**	(2 744 341)
Cash portion of package	**(2 546 660)**	(1 864 821)
Bonuses	**-**	(732 149)
Allowances	**(168 753)**	(147 371)
Post employment benefits	**(99 537)**	(84 942)
	(2 814 950)	(2 829 283)
Non-executive directors		
Emoluments for services as directors	**(627 253)**	(458 298)
Fees	**(525 752)**	(383 208)
Allowances	**(101 501)**	(75 090)
	(3 442 203)	(3 287 581)
Administrative costs		
Membership fees	**(1 712 788)**	(1 472 577)
Transaction fees	**(1 899 059)**	(1 601 067)
Marketingand communication	**(1 532 993)**	(1 043 412)
Account hosting fees	**(1 424 827)**	(1 379 132)
Travel and accommodation	**(1 242 482)**	(435 594)
Banking and security	**(808 427)**	(816 869)
Bank charges	**(780 921)**	(397 263)
Corporate social responsibility	**(618 982)**	-
Publication and subscription	**(532 134)**	(202 407)
Water and electricity	**(499 533)**	(296 544)
Printing and stationary	**(485 657)**	(280 607)
Office equipment expenses	**(396 306)**	(164 534)
PIC transaction fee	**(266 000)**	-
Insurance	**(235 964)**	(254 236)
Bankserv swift outsource fee	**(201 632)**	-
ATM maintenance	**(181 644)**	(209 012)
Office running expenses	**(153 766)**	(77 133)
Valuation fees	**(136 016)**	(61 583)
Conferences and seminaars	**(120 038)**	(3 860)
Entertainment and functions	**(90 517)**	(87 692)
Motor vehicle expenses	**(92 539)**	(110 544)
Credit validation fees	**(45 013)**	(38 272)
Building maintenance	**(35 171)**	(14 332)
Other administrative costs	**(60 759)**	(88 721)
	(13 553 168)	(9 035 391)
Total operating expenditure	**(40 592 170)**	(27 239 135)
14.6 Other income		
Recoveries of advances previously written off	**28 106**	13 086
Profit on sale of equipment	**19 769**	14 999
Other	**120**	-
	47 995	28 085

15 PIC funding

Classification of PIC Funding		
Borrowings	**243 619 454**	-
Non distributable reserves (equity portion)	**54 965 685**	-
	298 585 139	-
Balance at the beginning of the year		
Advances	**301 995 002**	
Interest	**8 606 458**	-
	310 601 460	-
Less : Repayments	**(12 016 321)**	-
Total amount outstanding at the end of the year	**298 585 139**	-

Terms and conditions

- The total facility granted by the Public Investment Corporation (PIC) to the bank was R350 million, for a period of 5 years from the disbursement date
- Interest is charged at prime less 1%
- A transaction fee of 0.5% of the facility amount of R266,000 was charged. This amount has been capitalised and will be repaid over the term of the facility
- The amount due to PIC will be repaid over the life of the borrowing, and any amounts (capital, interest or otherwise) not repaid will accumulate and be paid in full on the final repayment date
- The facility outstanding amount or any portion of the outstanding amount may be converted into equity, at the option of the PIC, at any time before the final repayment date

16 Related parties

Related parties are the directors of the bank, the PIC and Dyambeu Investments (Pty) Ltd. Key management consist only of executive and non-executive directors. At year end the PIC held R 18 million or 25.3% (2015 - 25.3%) and Dyambeu Investments (Pty) Ltd R17.9 million or 25.2% (2015 - 25.2%) of the permanent interest bearing shares in the bank. For directors interests in permanent interest bearing shares refer to the directors' report on page 18. The PIC provided a R350 million facility to the bank in the year under review (note 15). The following loan transactions in the form of mortgage bonds or short term loans took place with related parties:

Executive directors		
Balance at the beginning of the year	**82 089**	-
Advances for the year	**4 187 714**	100 000
Interest for the year	**163 736**	3 623
	4 433 539	103 623
Less : Repayments thereon	**-307 986**	-21 534
Total amount outstanding at the end of the year	**4 125 553**	82 089

Loans are granted at either the prevailing client or SARS rates as determined from time to time. The repayment terms and securities provided are the same as for normal clients. There are no impairments against loans advanced to executive directors.

Non-executive directors		
Balance at the beginning of the year	**721 431**	-
Advances for the year	**2 087 415**	761 848
Interest for the year	**126 343**	40 027
	2 935 189	801 875
Less : Repayments thereon	**-256 429**	-80 444
Total amount outstanding at the end of the year	**2 678 760**	721 431

	2016	2015
	R	R

16 **Related parties (continued)**

Loans to non-executive directors are granted at prime plus one percent. The repayment terms and securities provided are the same as for normalclients. There are no impairments against loans advanced to executive directors. Refer to note 14.5 where all directors' remuneration is disclosed.

	2016	2015
Shareholders - Closed Vehicle Finance Scheme		
Balance at the beginning of the year	5 635 944	-
Advances for the year	7 212 590	5 832 946

17 **Contingencies and commitments**

17.1 Contingencies

Financial guarantees		
Guarantees by bank	30 767 748	2 629 688

The bank issued guarantees secured by investment deposits held for various clients. No material losses are anticipated or probable as a result of these transactions because they are backed by deposits.

The amount disclosed is the amount owing by the clients at the reporting date.

17.2 Commitments

Mortgage loans		
Loans granted in principle, not yet advanced	15 910 680	13 087 883
Unutilised facilities		
Contract financing facilities, granted not yet advanced	25 197 238	24 136 349
Operating leases : Office premises		
Within 1 year	1 221 644	1 056 224
From 1 to 5 years	2 166 281	1 826 855
	3 387 925	2 883 079

Operating leases relate to the rental of buildings for the head office, corporate office, credit department, regional office and branches. Operating leases have all been renewed for a period of less than five years, with the option of renewal at the end of the contract.

The majority of the lease agreements carry an annual escalation of between 6% - 10% per annum.

	2016	2015
	R	R
18 Cash flow information		
18.1 Cash received from customers:		
Interest income (excluding non-cash items)	45 191 742	28 202 746
Other income (excluding non-cash items)	22 596 823	8 554 684
	67 788 565	36 757 430
18.2 Cash paid to customers, suppliers and employees:		
Interest expenditure (excluding indefinite period share)	(21 964 275)	(8 340 546)
Total operating expenditure (excluding depreciation / amortisation)	(37 768 443)	(26 422 502)
	(59 732 718)	(34 763 048)
18.3 Increase in income earning assets:		
Advances, properties in possession, receivables and prepayments	(490 535 104)	(13 922 177)
Short term money market assets	(7 404 023)	(3 766 718)
	(497 939 127)	(17 688 895)
18.4 Increase in deposits and other liabilities:		
Deposits and savings accounts (excluding indefinite period shares)	267 213 231	67 082 057
Other liabilities (excluding interest payable on indefinite period shares)	3 457 616	1 006 287
	270 670 847	68 088 344
18.5 Dividends paid on permanent interest bearing shares:		
Payable at beginning of year	(313 671)	(501 058)
Dividends accrued	(894 015)	(1 269 549)
Payable at end of year	374 366	313 671
	(833 320)	(1 456 936)
18.6 Taxation paid:		
Amounts owing at beginning of year	-	-
Taxation charge - current (Refer to note 12.3)	237 582	-
Amounts owing at end of year	(237 582)	-
	-	-
18.7 Cash and cash equivalents at the end of the year:		
Cash on hand	3 592 550	3 328 990
Bank overdraft	(236 206)	(329 771)
Money at call and short notice	238 131 251	135 926 174
SARB General reserve	9 150 000	5 350 000
	250 637 595	144 275 393

SARB General reserve investment is not available to fund the day-to-day activities of the bank.

19 Risk management

The bank is exposed to the following type of risks from financial instruments:

- credit risk
- liquidity risk
- interest rate risks; and
- operational risks

The bank's board of directors has overall responsibility for the establisment and oversight of the bank's risk management framework.

The bank's risk management policies are established to identify and analyse the risks faced by the bank, to set appropriate risk limits an controls, and to monitor risks and adherence to limits. The risk mananegement policies and systems are reviewed regularly to reflect change in market conditions and the bank's activities. The bank, through training and management standards and procedures, aims to develop disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit Committee oversees how management monitors compliance with the bank's risk management policies and procedures, an reviews the adequacy of the risk management framework in relation to the risks faced by the bank. The Audit Committee is assisted in it oversight role by the Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures the results of which are reported to the Audit Committee.

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 contractua obligations, and arises principally from the bank's loans and advances.

The bank has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Comprehensive credit evaluations ar performed on all customers applying for credit. The bank's policy requires customers to provide sufficient collateral prior to the disbursemen of funds for approved home loans and investment loans. For mortgage loans, the bank registers a bond over the property financed, whicl provides repossession rights in the event of default by the customer.

i) Credit quality analysis

The table below sets out information about the bank's maximum exposure to the credit risk:

		Loans and advances		**Short term money markets**		**Lending commitments and guarantees**	
		2016	2015	**2016**	2015	**2016**	201
Maximum exposure to credit risk	Notes						
Carrying amount	4	**697 508 746**	221 714 242	**31 465 826**	24 061 803	**-**	-
Collateral and securities		**-**	-	**-**	-	**41 107 918**	37 224 232
At amortised cost							
Performing		**682 310 765**	206 513 025	**31 465 826**	24 061 803	**-**	-
Past due but not impaired		**4 484 855**	3 739 627	**-**	-	**-**	-
Non performing		**10 713 126**	10 097 836	**-**	-	**-**	-
Total gross amount		**697 508 746**	220 350 488	**31 465 826**	24 061 803	**-**	-
Total allowance for impairment	4	**(2 552 240)**	(681 877)	**-**	-	**-**	-
Net carrying amount		**694 956 506**	221 032 365	**31 465 826**	24 061 803	**-**	-

	Loans and advances		**Short term money markets**		**Lending commitments and guarantees**	
	2016	**2015**	**2016**	**2015**	**2016**	**2015**
Loans with renegotiated terms						
Gross carrying amount	2 183 180	815 238	-	-	3 563 995	219 999
Allowance for impairment	-	-	-	-	-	-
	2 183 180	815 238	-	-	3 563 995	219 999

Analysis of past due but not impaired loans:

2016

	Home loans	Security held at fair value (home loans)	Short term loans	Security held at fair value (short term loans)	Total past due but not impaired
	R	R	R	R	R
0 - 30 days	**732 394**	**3 667 996**	**61 610**	**-**	**794 004**
30 - 60 days	**1 554 566**	**3 081 996**	**-**	**-**	**1 554 566**
60 - 90 days	**947 606**	**4 076 996**	**-**	**-**	**947 606**
90 - 180days	**-**	**-**	**-**	**-**	**-**
180+ days	**1 188 679**	**1 959 999**	**-**	**-**	**1 188 679**
	4 423 245	**12 786 987**	**61 610**	**-**	**4 484 855**

2015

	Home loans	Security held at fair value (home loans)	Short term loans	Security held at fair value (short term loans)	Total past due but not impaired
	R	R	R	R	R
0 - 30 days	2 980 477	4 065 995	-	-	2 980 477
30 - 60 days	-	-	-	-	-
60 - 90 days	-	-	-	-	-
90 - 180 days	-	-	-	-	-
180+ days	759 150	849 999	-	-	759 150
	3 739 627	4 915 994	-	-	3 739 627

Other product types such as contract financing, overdraft, vehicle and asset financing do not have any loans past due but not impaired as at 31 March 2016 (2015: Nil).

	2 016			2 015		
	Carrying amount before impairment	**Security held at fair value**	**Impairments**	Carrying amount before impairment	Security held at fair value	Impairments
Individually impaired	R	R	R	R	R	R
Analysis by classification						
Home loans	**8 290 086**	**17 520 984**	**(506 160)**	9 984 491	14 989 986	(551 821)
Short term advances	**329 627**	**-**	**(329 627)**	113 345	-	(130 056)
Contract financing	**2 093 413**		**(1 716 453)**	-		-
Non-performing lending	**10 713 126**	**17 520 984**	**(2 552 240)**	10 097 836	14 989 986	(681 877)

	Loans and advances	
	2016	2015
Allowance for impairment		
Individual	**1 940 332**	545 796
Collective	**611 908**	136 081
Total allowance for impairment	**2 552 240**	681 877

19 Risk management (continued)

Impaired loans and short term money markets

The bank regards a loan and advance or a short term money market as impaired in the following circumstances:

- There is objective evidence that a loss event has occurred since initial recognition and the loss event has an impact on future estimated cash flows from the asset.

A loan that has been renegotiated due to a deterioration in the borrower's conditions is usually considered to be impaired unless there is evidence that the risk of not receiving contractual cash flows has reduced significantly and there are no other indicators of impairment.

As at 31 March 2016, there were no impaired short term money market assets.

Loans and short term money markets that are past due but not impaired

Loans and short term money markets that are 'past due but not impaired' are those for which contractual interest or principal payments are past due but the bank believes that impairment is not appropriate on the basis of the level of security or collateral available and/or the stage of collection of amounts owed to the bank.

Loans with renegotiated terms

Loans with renegotiated terms are loans that have been restructured due to deterioration in the borrower's financial position and where the bank has made concessions that it would not other- wise consider. Once the loan is restructured it remains in this category independent of satisfactory performance after restructuring. The bank does not have any loans with renegotiated terms hence not disclosed the carrying amounts.

ii) Collateral held and other credit enhancements

The bank holds collateral and other credit enhancements against certain of its credit exposures.
The table below sets out the principal types of collateral held against different types of financial assets.

Type of credit exposure

	Note	2016			2015			
		Carrying amount	Collateral	Unsecured	Carrying amount	Collateral	Unsecured	Type of collateral
Loan and advances	4	**694 956 506**	**530 942 011**	**164 014 495**	221 032 365	638 021 980	(416 989 615)	Residential properties Sureties

The general creditworthiness of a customer tends to be the most relevant indicator of credit quality of a loan extended. However, collateral provides additional security and the bank generally requests that borrowers provide it. The type of security held for loans and advances is residential properties and sureties.

Assets obtained by taking possession of collateral

There were no assets obtained by taking possession of collateral during the year under review. The bank's policy is to pursue timely realization of collateral in an orderly manner. The bank does not generally use the non-cash collateral for its own operations.

Credit risk (continued)

iii) Offsetting financial assets and financial liabilities

There are no financial assets and financial liabilities that are offset in the bank's statement of financial position or that are subject to an enforceable master netting arrangement or similar agreement that covers similar financial instruments, irrespective of whether they are offset in the statement of financial position.

b) Liquidity risk

Liquidity risk is the risk that the bank is unable to meet its payment obligations associated with its financial liabilities when they fall due and to replace funds when they are withdrawn. The consequence may be the failure to meet obligations to repay depositors and fulfil commitments to lend.

The bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the bank's reputation.

Liquidity management is a priority of the bank. Liquidity risk is managed using a multifaceted approach, including:

- prudential limits to restrict concentration of cash flows by maturity or client;
- daily cash management procedures;
- maintaining a stable deposit base;
- maintaining a large amount of highly marketable assets, including surplus liquid assets determined by the board of directors; and
- having a standby liquidity contingency plan.

Liquidity determines the day to day viability of the bank and remains one of the principal considerations of asset / liability management. The bank has a detailed Asset and Liability Management Policy which sets out the policies and procedures that are in place and applied within the bank's Asset and Liability management process. The authority and responsibility for liability and interest rate risk management rests with the bank's oard of directors. Liquidity is managed strictly by the bank and involves prudently managing assets and liabilities, both as to cash flow and concentration, to ensure that cash inflows have an appropriate relationship to approaching cash outflows.

i) Exposure to liquidity risk

The South African Reserve Bank (SARB) requires the bank to hold a liquid asset requirement (LAR) as prescribed to all banks in the country. This amount is calculated as 5% of adjusted liabilities as per the DI310 return on a monthly basis. The bank purchases treasury bills to adhere to the LAR as prescribed.

The bank complied with the LAR requirement at all times during the year.

The liquid assets (treasury bills) for the above purpose held at the reporting date and during the reporting period were as follows:

	2016	**2015**
At 31 March	**R 25 465 826**	R 18 061 803
Average for the period	**R 22 151 915**	R 16 555 952
Highest for the period	**R 25 503 380**	R 18 174 175
Lowest for the period	**R 18 062 589**	R 14 308 508

19 **Risk management (continued)**

b) Liquidity risk (continued)

ii) Maturities of financial assets and liabilities

The following table provides an analysis of the financial assets and liabilities of the bank into relevant groupings based on the remaining contractual period to maturity at undiscounted amounts.

2016	Carrying amount	Gross nominal inflow/ (outflow)	0 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non determinant*
	R	R	R	R	R	R	R
Financial assets							
Cash and cash equivalents	**250 873 801**	**250 873 801**	**241 723 801**	-	-	-	**9 150 000**
Short term money market assets	**31 465 826**	**31 465 826**	**25 465 826**	**6 000 000**	-	-	-
Loans and advances	**694 956 506**	**759 407 325**	**288 596 759**	**81 906 508**	**388 904 058**	-	-
Receivables	**18 113 868**	**18 113 868**	**18 113 868**	-	-	-	-
Total	**995 410 001**	**1 059 860 820**	**573 900 254**	**87 906 508**	**388 904 058**	-	**9 150 000**
Financial liabilities							
Current account overdrafts	**(236 206)**	**(236 206)**	**(236 206)**	-	-	-	-
Amounts owed to depositors	**(621 781 540)**	**(626 455 446)**	**(551 613 969)**	**(46 944 576)**	**(27 896 900)**	-	-
Other liabilities	**(5 391 538)**	**(5 391 538)**	**(5 391 538)**	-	-	-	-
Borrowings	**(243 619 454)**	**(243 619 454)**	-	-	**(243 619 454)**	-	-
Unrecognised loan commitments	**(41 107 918)**	**(41 107 918)**	**(41 107 918)**	-	-	-	-
Total	**(912 136 656)**	**(916 810 562)**	**(598 349 631)**	**(46 944 576)**	**(271 516 354)**	-	-
Maturity mismatch	**83 273 345**	**143 050 258**	**(24 449 377)**	**40 961 932**	**117 387 704**	-	**9 150 000**

2015	Carrying amount	Gross nominal inflow/ (outflow)	0 - 6 months	6 - 12 months	1 - 5 years	More than 5 years	Non determinant*
	R	R	R	R	R	R	R
Financial assets							
Cash and cash equivalents	144 605 164	144 605 164	139 255 164	-	-	-	5 350 000
Short term money market assets	24 061 803	24 061 803	24 061 803	-	-	-	-
Loans and advances	221 032 365	302 523 009	25 617 706	6 729 499	9 887 868	260 287 936	-
Receivables	4 723 071	4 723 071	4 723 071	-	-	-	-
Total	394 422 403	475 913 047	193 657 744	6 729 499	9 887 868	260 287 936	5 350 000
Financial liabilities							
Current account overdrafts	(329 771)	(329 771)	(329 771)	-	-	-	-
Amounts owed to depositors	(355 166 683)	(353 918 453)	(303 471 035)	(32 558 996)	(17 888 422)	-	-
Other liabilities	(2 050 743)	(2 050 743)	(2 050 743)	-	-	-	-
Unrecognised loan commitments	(37 224 232)	(37 224 232)	(37 224 232)	-	-	-	-
Total	(394 771 429)	(393 523 199)	(343 075 781)	(32 558 996)	(17 888 422)	-	-
Maturity mismatch	(349 026)	82 389 848	(149 418 037)	(25 829 497)	(8 000 554)	260 287 936	5 350 000

* Non determinant cash and cash equivalents relate to the general reserve at the South African Reserve Bank that is not available for day to day use.

(c)Interest rate risk

Interest rate risk is the potential impact on earnings or the value of the bank's holdings of financial instruments and on future cash flow of financial instrument due to changes in the interest rate.

Interest rate risk is managed principally by the management of interest rate gaps. The bank monitors this exposure primarily through a process known as sensitivity analysis. This involves estimating the effect on profit before tax over various periods of a range of possible changes in interest rates. The sensitivity analysis model used for this purpose makes no assumptions about any interrelationships between such rates or about the way in which such changes may affect the economies involved. As a consequence, figures derived from the bank's sensitivity analysis model should be used in conjunction with other information about the bank's risk profile.

The bank accepts a degree of interest rate risk as long as the effect of various changes in the rates, as calculated using the sensitivity analysis, remain within certain prescribed ranges.

Interest rate sensitivity and gap analysis

Sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates at the reporting date would have increased / (decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables remain constant. The analysis is performed on the same basis as for 2015.

	Profit or loss and equity	
	100 basis points increase	**100 basis points decrease**
31 March 2016		
Variable rate instruments	**(570 060)**	**570 060**
31 March 2015		
Variable rate instruments	(510 640)	510 640

19 Risk management (continued)

The following table indicates the effective interest rate at the reporting date and the periods in which the assets and liabilities reprice.

2016	Total	Floating interest rate	Fixed interest rate: Less than three months	Fixed interest rate: Between three months and one year	Fixed interest rate: More than one year	Non-interest items
Financial assets	R	R	R	R	R	R
Cash and cash equivalents	**250 873 801**	**238 131 251**	-	-	-	**12 742 550**
Short term money market assets	**31 465 826**	**31 465 826**	-	-	-	-
Loans and advances	**694 956 506**	**694 285 306**	-	**671 200**	-	-
Receivables	**18 113 868**	-	-	-	-	**18 113 868**
	995 410 001	**963 882 383**	-	**671 200**	-	**30 856 418**
Liabilities						
Current account overdrafts	**(236 206)**	**(236 206)**	-	-	-	-
Amounts owed to depositors	**(621 781 540)**	**(564 906 808)**	**(23 142 481)**	**(27 958 975)**	**(5 773 276)**	-
Other liabilities	**(5 391 538)**	-	-	-	-	**(5 391 538)**
Borrowings	**(243 619 454)**	**(243 619 454)**	-	-	-	-
Unrecognised loan commitments	**(41 107 918)**	**(41 107 918)**	-	-	-	-
	(911 899 074)	**(849 870 386)**	**(23 142 481)**	**(27 958 975)**	**(5 773 276)**	**(5 153 956)**
Net exposure	**83 510 927**	**114 011 997**	**(23 142 481)**	**(27 287 775)**	**(5 773 276)**	**25 702 462**

2015	Total	Floating interest rate	Fixed interest rate: Less than three months	Fixed interest rate: Between three months and one year	Fixed interest rate: More than one year	Non-interest items
Assets	R	R	R	R	R	R
Cash and cash equivalents	144 605 164	135 926 174	-	-	-	8 678 990
Short term money market assets	24 061 803	24 061 803	-	-	-	-
Loans and advances	221 032 365	220 841 715	-	190 650	-	-
Receivables	4 875 499	-	-	-	-	4 875 499
	394 574 831	**380 829 692**	-	**190 650**	-	**13 554 489**
Liabilities and equity						
Current account overdrafts	(329 771)	(329 771)	-	-	-	-
Amounts owed to depositors	(355 166 683)	(278 371 906)	(9 945 604)	(59 328 688)	(4 654 844)	-
Other liabilities	(2 050 743)	-	-	-	-	(2 050 743)
Unrecognised loan commitments	(37 224 232)	(37 224 232)	-	-	-	-
	(357 547 197)	(278 701 677)	(9 945 604)	(59 328 688)	(4 654 844)	(2 050 743)
Net exposure	37 027 634	102 128 015	(9 945 604)	(59 138 038)	(4 654 844)	11 503 746

(d)**Operational risk**

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The bank operates within a risk management framework approved by the board of directors . This framework demarcates risk limits, delegations and levels of authority, which are incorporated in comprehensive operational procedures.

The internal audit function has been outsourced to PwC Inc. They perform an independent, objective assurance designed to add value and improve the bank's operations. Internal audit assists the bank in accomplishing its objectives by applying a systematic, disciplined approach to evaluating and improving the effectiveness of the risk management, control and governance processes.

20 Statement of financial position - categories of financial instruments

	Notes	Total	Held to maturity	Loans and receivables	Financial liabilities at amortised cost
2016		R		R	R
Assets					
Cash and cash equivalents	2	**250 873 801**	-	**250 873 801**	-
Short term money market assets	3	**31 465 826**	**31 465 826**	-	-
Loans and advances	4	**694 956 506**	-	**694 956 506**	-
Receivables		**18 113 868**	-	**18 113 868**	-
Total		**995 410 001**	**31 465 826**	**963 944 175**	-
Liabilities					
Current account overdrafts		**(236 206)**	-	-	**(236 206)**
Amounts owed to depositors	9	**(621 781 540)**	-	-	**(621 781 540)**
Other liabilities	10	**(5 391 538)**	-	-	**(5 391 538)**
Borrowings	15	**(243 619 454)**	-	-	**(243 619 454)**
Total		**(871 028 738)**	-	-	**(871 028 738)**

	Notes	Total	Held to maturity	Loans and receivables	Financial liabilities at amortised cost
2015		R		R	R
Assets					
Cash and cash equivalents	2	144 605 164	-	144 605 164	-
Short term money market assets	3	24 061 803	24 061 803	-	-
Loans and advances	4	221 032 365	-	221 032 365	-
Receivables		4 875 499	-	4 875 499	-
Total		394 574 831	24 061 803	370 513 028	-
Liabilities					
Current account overdrafts		(329 771)	-	-	(329 771)
Amounts owed to depositors	9	(355 166 683)	-	-	(355 166 683)
Other liabilities	10	(2 050 743)	-	-	(2 050 743)
Total		**(357 547 197)**	-	-	**(357 547 197)**

21 Fair values of financial instruments

The bank measures fair values using the following hierarchy, which reflects the significance of the inputs used in making the measurements.

- **Level 1** :Inputs are quoted market prices (unadjusted) in active markets for identical instruments
- **Level 2** : Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.
- **Level 3** : Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

Inputs and valuation techniques

Fair value is measured based on quoted market prices or dealer price quotations for identical assets and liabilities that are traded in active markets, which can be accessed at the measurement date, and where those quoted prices represent fair value. If the market for an asset or liability is not active or the instrument is not quoted in an active market, the fair value is determined using other applicable valuation techniques that maximise the use of relevant observable inputs and minimises the use of unobservable inputs. These include the use of recent arm's length transactions, discounted cash flow analyses, pricing models and other valuation techniques commonly used by market participants.

Fair value measurements are categorised into level 1, 2 or 3 within the fair value hierarchy based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. Where discounted cash flow analyses are used, estimated future cash flows are based on management's best estimates and a market-related discount rate at the reporting date for an asset or liability with similar terms and conditions.

Loans and advances - Discounted cash flow models are used to determine fair value. Discounted cash flow models incorporate parameter inputs for interest rate and credit risk, as appropriate, as well as the relevant terms of the respective loans. The main assumption used in the valuation is the discount rate.

Deposits and borrowings - Discounted cash flow models are used to determine fair value based on the contractual cash flows related to the instrument. The fair value measurement incorporates all market risk factors, including a measure of the bank's credit risk relevant for that financial liability. The main assumption used in the valuation is the discount rate.

	Notes	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2016		R	R	R	R	R
Assets						
Loans and advances	4	-	**497 552 922**	-	**497 552 922**	**694 956 506**
Total		-	**497 552 922**	-	**497 552 922**	**694 956 506**
Liabilities						
Amounts owed to depositors	9	-	**(617 990 086)**	-	**(617 990 086)**	**(621 781 540)**
Borrowings		-	**(211 276 714)**	-	**(211 276 714)**	**(243 619 454)**
Total		-	**(829 266 800)**	-	**(829 266 800)**	**(865 400 994)**

21 Fair values of financial instruments (continued)

	Notes	Level 1	Level 2	Level 3	Total fair value	Total carrying amount
2015		R	R	R		R
Assets						
Loans and advances	4	-	104 169 002	-	104 169 002	221 032 365
Total		-	104 169 002	-	104 169 002	221 032 365
Liabilities						
Amounts owed to depositors	9	-	(349 820 724)	-	(349 820 724)	(355 166 683)
Total		-	(349 820 724)	-	(349 820 724)	(355 166 683)

The carrying amounts of cash and cash equivalents, short term money markets, receivables, current account overdrafts and other liabilities reasonably approximate fair value.

22 Capital management

During the year the shareholders of the bank approved the introduction of 3 classes of shares namely permanent interest bearing shares (Class A), 72 month fixed period shares (Class B) and 60 month fixed period shares (Class C). Shares have a nominal value of R10 each.

The shareholders also approved a rights issue that was concluded during the year. The rights issue was done on the basis of a right issued for 2 shares for every 1 share held.

At year-end only permanent shares (Class A) to the value of R 70.47 million were in issue. Whilst an amount of R1.25 million is reserved for an employee share incentive scheme.

The bank has complied with all externally imposed capital requirements throughout the year.

Tier 1 capital	**2016**	2015
Permanent interest bearings shares	**70 473 996**	23 750 000
General reserve	**14 850 000**	14 850 000
Retained income	**4 017 355**	22 551
Total	**89 341 351**	**38 622 551**
Risk weighted assets	**626 910 000**	175 864 000

Capital ratios

Total regulatory capital expressed as a percentage of total risk-weighted assets	**14,3%**	22,0%

Capital management policy

The bank is subject to a prudential minimal share capital and unimpaired reserve funds ratio of 10% of risk weighted assets. If the bank does not comply with the minimum share capital and unimpaired reserves funds of 10% the bank may be subject to regulatory sanction.

23 Going concern

The financial statements have been prepared on the assumption that the bank will be able to continue as a going concern.The bank's assets exceeded its liabilities by R144.3m (2015: R38.6m).

After reviewing and approving the bank's strategy, budget and cash flows for the 12 months, the directors have no reason to believe that the bank will not be a going concern in the foreseeable future.

24 Subsequent events

There were no material post reporting date events which required adjustment to, or disclosure in these financial statements.


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