Bankmed
your good health









Notice of Annual General Meeting

to be held on 30 June 2016

Including the 2015 Summarised Financial Statements

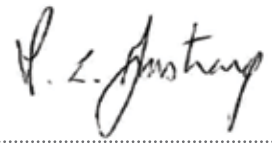
Notice of Annual General Meeting

Notice is hereby given that the 102nd Annual General Meeting of Bankmed will be held on Thursday, 30 June 2016, at 17h00 at the Johannesburg Country Club, 1 Napier Road, Auckland Park.

Agenda

1. To read the notice convening the meeting
2. To approve and sign the minutes of the one hundredth and first Annual General Meeting held on Tuesday, 30 June 2015
3. To appoint the elected members of the Board of Trustees
4. To receive and adopt the audited Financial Statements and the Annual Report of the Board of Trustees for the year ended 31 December 2015
5. To note the additional management information on investments
6. To note the Bankmed Trustee Fee Policy
7. To appoint the auditors for the ensuing year
8. To transact any other business of which notice was given by 29 February 2016
9. General

By order of the Board



D ARMSTRONG
CHAIRMAN

Minutes of the one hundredth and first Annual General Meeting of Bankmed

Held on Tuesday, 30 June 2015 at 17h00 at the Johannesburg Country Club, 1 Napier Road, Auckland Park, Johannesburg

Bankmed Board of Trustees present

Mr CP Wells	Chairman
Ms G Noemdoe	
Mr LJ Botha	
Ms D Mantle	
Mr F de Jager	
Ms S Barrett	
Mr L Rathnum	
Ms J Madavo	
Prof LA van Dyk	

118 Bankmed members were in attendance

Officials in attendance

Mr T Mosomothane	Principal Officer
Dr N Naidoo	Clinical & Operations Executive
Mr N Coghlan	Senior Manager: Finance & Risk
Ms D Krause	Communications Specialist
Ms M Bam	Senior Manager: Client Management
Ms F Petersen Lurie	Audit Committee member
Ms Marilyn Winfield	Quorum Secretarial Services

Apologies

Mr D Armstrong	Vice Chairman
Mr EA Schaffrath	
Mr J Cresswell	
Mr A Coombe	Audit Committee Chairman

1. Welcome, attendance and notice

The Chairman welcomed all to the 101st Annual General Meeting of Bankmed and confirmed that notice was given and the meeting convened in terms of the constitution.

A request from one or two members, who sent in motions for discussion after the cut-off date, would be allowed under "General".

2. Minutes of the one hundredth Annual General Meeting (AGM) held on Tuesday, 30 June 2015

The Minutes of the 100th AGM held on 18 June 2014 were approved as a true reflection of the meeting and signed by the Chairman.

Proposed by Mr Clem Goemans and seconded by Mr Laurel Angoma.

3. Matters arising

A member questioned when the Scheme would make allowance for proxy-voting for non-Gauteng members. The Chairman responded that the Scheme is investigating how other schemes are managing this issue. The Scheme would also be guided by the CMS legislation in this regard.

Electronic Health Record

Mr Goemans referred to the development costs of the application, which were not for Bankmed's account, however costs of R376,000 were shown in the financial statements. Mr Goemans requested details on whether this would be a continuing cost. The Chairman confirmed that the Scheme did not pay for the development costs, however, maintenance costs would be continuous.

4. Appoint elected members of the Board of Trustees

Mr Van der Bronkhorst questioned the Trustee length of service as a number of Trustees had served on the Board for some time and he believed that the Scheme was starting to exceed the guidelines in the King III report.

The Chairman responded that King III is a guideline for all entities, particularly listed companies. Bankmed is not a listed company and falls under the regulations of the Council for Medical Schemes, which has tabled amendments to the Act for consideration by Parliament. When the amendments are promulgated, the Scheme will comply with the prescribed limitations. It was noted that two Board members had served on the Board for more than nine years. The member requested that the Board look into this motion and make a decision and provide feedback at the next AGM.

Mr Goemans expressed a different view, highlighting the value of experience gained over many years on the Board. He indicated that this is a consideration that should not be underestimated.

The Chairman confirmed that the two members retiring were himself and Mr Botha. The results of the election will be announced at the end of the meeting.

5. Adoption of the audited Financial Statements and the Annual Report of the Board of Trustees for the year ended 31 December 2014

The Summarised Financial Statements were printed in booklet format and also sent out electronically. There were some complaints from members that the booklets were received late, for which the Chairman apologised and attributed this to the strike that affected postal services. Members were requested to provide e-mail addresses, which would help to address this problem in the future and save on printing costs.

- Mr Laurel Angoma referred to page 53 of the Summarised Financial Statements and noted that the Comprehensive Plan reported a large deficit, which was worse than the previous financial year. The Chairman explained that the deficit was larger than the previous year, due to a deterioration in claim patterns and increase in claims.

  The Scheme had retained its AA+ Global Credit Rating; only two medical schemes in South Africa have been awarded this rating. The reserves exceed the statutory solvency requirements and part of the Scheme's strategic intent is to utilise some of these reserves to maintain the affordability and adequacy of the healthcare benefits offered. The claims ratio continued to be high for the first five months of the year and the Scheme is considering what measures can be taken to ensure the Scheme's sustainability in 2016 is maintained

- Mr Herman Wheeler questioned the reason for the swing on the Comprehensive Plan of R25m surplus in 2013 to R123m deficit in 2014. The CEO responded that there were a number of factors for the swing. The Scheme is deliberately utilising its reserves and the majority of the members are on the Comprehensive Plan. It was acknowledged that the claims experience was worse than anticipated and this was receiving attention. The impact of the unfavourable claims experience would therefore be more visible in the Comprehensive Plan. The second factor is medical inflation, which exceeds CPI by approximately 3%. There is also a seasonality factor, which is relevant within one year and sometimes relevant over a number of years. The Scheme's actuaries have advised that these trends will occur from time to time and that the Scheme should take a long term view as far as this is concerned. It is an unfavourable trend, but the members were assured that this is receiving the attention required to ensure the sustainability of this benefit option

- Asset Management Fee – Mr Wheeler questioned the fee as a percentage of assets. Mr Coghlan responded that the fees are market related. There are two main portfolios; one is on a performance based-fee and the other is a flat fee of 0.5% of the assets. The CEO confirmed that the asset managers' performance is reviewed annually and the Scheme is comfortable that the fees are competitive

- Mr Goemans expressed his disappointment in respect of the investment reporting and requested a comprehensive report on investments. The numbers show a return of 13% compared to 17% the previous year. The Savings Account is earning money market return at 5.5%. The Scheme took a knock of R9m on African Bank. Mr Goemans was disappointed that, in presenting the financials, the reasons for the poor financial performance on investments were not addressed. Mr Coghlan responded that, in terms of the return on investments, consideration should be given to the 'available-for-sale reserve' (Page 30 of the AFS), which reserve shows the increase and decrease in unrealised gains or unrealised losses. If the movement is taken into account it will show that 2014 out-performed 2013 in terms of investment return

- African Bank – Investment returns. Mr Coghlan confirmed that the African Bank crisis had two effects; senior debt was written down by 10% and subordinate debt was written off completely. The Scheme lost R11m in total. The total return on investments was 8.34% compared to 7.9% the previous year. The Chairman reported that the mandate to the investment managers was CPI + 5% for the multi-asset class portfolio over a three year rolling period, which was achieved. The Investment Committee and the Board believed that they should have achieved better returns and resolved that a third Asset Manager would be appointed with a different mandate.

  Prudential was subsequently appointed in January 2015. Cognisance was taken of the request to enhance reporting on investments and an undertaking was made to attend to this

- Consulting Fees – Mr Goemans queried why the consulting fees were four times higher than the previous year. The Chairman responded that Bankmed has a small executive team and does not have the capacity to handle the larger projects and therefore outsources some short term contracts to consultants, where this is considered necessary.

  The reason consulting fees were high is that the Scheme had three tenders in 2014, and these related to:

  - The recruitment and appointment of a third Asset Manager;
  - The review of optometry benefits and the provision of associated management services;
  - Administration, Managed Care and Wellness.

- Administrative Contract – Mr Goemans questioned whether the tender process has been completed and the outcome thereof

as well as who handled and adjudicated the tender process. The Chairman responded that the tender process was handled by Deloitte and was not yet completed, but in the final stages. The results will be communicated to the members in due course.

- Centenary Celebrations Matter – Mr Goemans stated that, as a matter of policy, the Board should give consideration to adopting a policy that states that no member of staff, Trustee or any other related persons to the Scheme should be in a position of supplier or service provider. The Chairman responded that the Board had resolved that any existing service providers, if connected to a staff member or Trustee, depending on the merits, will be terminated. If the Board agrees with the recommendation of management that this is the best value, then the service provider will have to follow a tender process.

The adoption of the Annual Financial Statements for the year ended 31 December 2014 was proposed by Mr Clem Goemans and seconded by Mr Dylan Garnett and were unanimously adopted.

6. Appointment of auditors

The Audit Committee has recommended to the Board the re-appointment of the external auditors KPMG for the ensuing year.

The re-appointment of KPMG as external auditors was proposed by a member and seconded by Mr Goemans.

7. Adoption of Trustee Fee Policy

The Trustee Fee Policy incorporating the Independent Committee Members was adopted by the Board and tabled for consideration. The meeting unanimously adopted the proposed policy.

Mr Goemans asked if consideration had been given to the level of fees in the year ahead. The Chairman confirmed that an increase of 6% in fees will be effective from 1 July 2015.

8. To transact any other business of which notice was given by 28 February 2015

The Chairman confirmed that in the notice to members they were requested to forward motions for discussion at the AGM. In accordance with the rules of the Scheme, any member may table a motion and Management will engage with the member to resolve the issue.

- **Savings Account Balances:** Mr Angoma expressed concern that his GP had access to his Bankmed Savings Account balance and believed that additional or unnecessary services are possibly being prescribed in accordance with the value of his savings balance. Management agreed to have further discussions with the Administrator to see how this practice can be stopped.

  Mr Angoma proposed that the Trustees of Bankmed, being custodians of members' savings accounts, should not disclose to third parties balances of such funds entrusted on them, without prior consent from the member.

  A member suggested an amendment to the motion, whereby the Board, Metropolitan Health (MH) and the clinical team investigate fully and come up with a solution that is in the best interest of the member. Another member seconded the motion. A majority voted in favour of the amendment and the motion was carried

- **Pensioner Roadshow:** A member request to extend the footprint of Pensioner Roadshows to some of the smaller towns. The Chairman confirmed that Scheme Management has to take into consideration the membership numbers as there were cost implications, which will have an impact on subscriptions. It was agreed that it was not in the members' interests to extend the footprint of roadshows, due to the costs

- **Qualitative Survey:** Dr de Jager tabled a motion for a qualitative survey to be included in the report the patient or the hospital provides following treatment. Dr de Jager's motivation was that public health is in disarray and private hospitals are potentially over-servicing members. The perception amongst the people is that the medical aids pay irrespectively – there is no control on the treatment a patient receives in private hospitals and members pay abhorrent fees.

  The Chairman called for a seconder to the proposal for a qualitative evaluation questionnaire. Mr Goemans seconded the proposal and the motion was carried

- **Why are there employer-appointed Trustees and should there only be member-elected Trustees:** The Chairman responded that the Scheme rules state that the three big employer groups being Absa, Standard Bank and First Rand are entitled to two appointed Trustees and the other 50% are elected by members. The Scheme has agreements with the employer groups and it had to be acknowledged that Bankmed would not exist without the three large employer groups. The motion that there should be no employer-appointed Trustees was put to the vote. The motion was declined with 35 votes against and one in favour

- **Why does it take 14 days for members to get their money back:** Members wish to be paid within one week: Dr Naidoo confirmed that there are four payment runs for members per month. If the claims process is followed correctly, there should be no delay in payment
- **Why does the Scheme not publish member communication in Afrikaans:** The Chairman responded that there are 11 official languages and there would be additional costs and extra resources needed to translate member communication, which would be funded from members' funds. The Board had made a decision that the business language is English
- **Why does the Scheme not pay for vitamins:** Dr Naidoo responded that the Scheme does pay for vitamins, which is subject to the savings or day-to-day limit on the Traditional Plan. The only time vitamins are not paid over the counter is if the vitamin contains a homeopathic ingredient, which would then require a prescription from a doctor for it to be paid from the savings benefit
- **Motion for a special rate for pensioners:** The Chairman responded that in terms of the Council for Medical Schemes, the Scheme cannot have discounted rates for any group of people. If the member has specific hardship then he/she should contact the Call Centre's toll free pensioner line and speak to the appropriate person. The member will be required to complete a sworn affidavit to confirm income. If the income is less than R10,000 then there is a lower income band that a member may move to. In case of financial hardship, the Scheme also has an ex-gratia fund which can be accessed via a fair application process. Ms Mantle commented that Bankmed had a broad range of benefit options and urged pensioners who are experiencing financial difficulty to look at the lower-end benefit options.
- **Why is there a salary band of R10,000 and why does the Scheme not have higher salary bands from R10,000 – R50,000 and R50,000 – R100,000, so that the more you earn the more you pay:** The Chairman confirmed that the Board made a decision that R10 000 is the threshold and has a view that in the long term everyone will earn more than R10 000. In the three lower benefit options the income bands are set to cater for affordability for low income earners; otherwise all the benefit options start from R10 000
- **Bankmed systems do not allow for a refund to be paid into a credit card:** The Chairman confirmed that Scheme Management will engage with the Administrator and establish if this is possible.

9. General

- Mr Angoma raised the issue of escalating medical costs, which year-after-year are in excess of CPI. Subscriptions are rising above inflation at the same time benefits are eroded. Mr Angoma tabled a motion for Bankmed to consult with urgency the Minister of Health, Dr Motsoaledi, to bring about legal reforms on the tariff disparity charged by private hospitals and that all healthcare providers charge the same rates as NHN or DSP hospitals, in order to deal with the ever escalating costs in the healthcare sector. There should be legislation to regulate the tariffs that are charged by different medical service providers.

  On a point of clarity a member indicated that this was central to the purpose of the Competitions Commission of Inquiry into the Healthcare Market. The Chairman confirmed that the Competition Commission would determine if there was collusion and what is appropriate in terms of price for the members. There was therefore no seconder to the proposal and the motion was not carried
- Mr Goemans suggested the Scheme should consider having independent members on the Investment Committee as it does with the Audit Committee. Secondly, that the benchmark for asset managers be linked to medical inflation, because medical inflation is out-pacing CPI.

  The Chairman responded that the terms of reference of the Investment Committee make provision for an independent member and the Committee does make use of independent experts as and when required. However, the Scheme did not want such roles to be permanent in the Committee, as it was more cost-efficient to utilise the experts as and when required. The Chairman further indicated that medical inflation was at approximately CPI+2% and the current investment benchmarks, including CPI+5% for the multi-asset class portfolio, provided for more than medical inflation.

Mr Goemans proposed a vote of thanks to the Chairman and the Board of Trustees.

10. Announcement of voting results

The Chairman announced the results of the elections, as provided by the independent auditors, KPMG. Mr Njabulo Nyawo and himself, Mr Charles Wells, were successfully elected to the Bankmed Board of Trustees.

11. Closure

There being no further business the Chairman thanked the members, the Board of Trustees and the Executive team for their attendance and the meeting was closed at 18h45.

Bankmed Summarised Financial Statements

for the year ended 31 December 2015

The reports and statements set out below comprise the Summarised Financial Statements presented to members:

Contents

Report of the Board of Trustees

The Board of Trustees hereby presents its Annual Report for the year ended 31 December 2015. Registration number: 1279

1. Description of the medical scheme

1.1 Terms of registration

Bankmed (the Scheme) is a not-for-profit restricted medical scheme registered in terms of the Medical Schemes Act No. 131 of 1998 (the Act) and the Regulations thereto, as amended.

1.2 Benefit options within Bankmed

In terms of Bankmed's rules, the Scheme offered six options during 2015:

- Bankmed PMB Plan
- Bankmed Basic Plan
- Bankmed Core Saver Plan
- Bankmed Traditional Plan
- Bankmed Comprehensive Plan
- Bankmed Plus Plan

1.3 Personal medical savings account trust monies

In order to provide a facility for members to set funds aside to meet future healthcare costs not covered in the benefit options, the Trustees have made the option of a savings plan available to meet this objective. The savings plan is available on the Core Saver, Comprehensive and Plus benefit options.

These trust monies are invested in the Nedgroup Investments Corporate Money Market Fund and is managed by Taquanta Asset Managers (Pty) Ltd.

Unexpended savings amounts are accumulated for the long-term benefit of members and interest earned on these funds is allocated to members.

The liability to the members in respect of the personal medical savings account is reflected as a financial liability in the financial statements, repayable in terms of Regulation 10 of the Act.

For the year under review, a net average effective rate of 6.52% (2014: 6.19%) was received from the Nedgroup Investments Corporate Money Market Fund and credited to the savings account balances.

1.4 Risk transfer arrangements

Bankmed had the following capitation agreements in place during the year under review:

- Preferred Provider Negotiators (Pty) Ltd – To cover optical claims for members on the Bankmed Comprehensive and Traditional Plans;
- CareCross Health (Pty) Ltd – To cover selected out of hospital benefits for members on the Bankmed Basic and PMB Plans;
- Netcare 911 (Pty) Ltd – To cover emergency evacuation for members on all options; and
- Centre for Diabetes and Endocrinology (Pty) Ltd – To cover diabetes claims for members on the Comprehensive, Plus, Core Saver and Traditional Plans. This is a new agreement that came into effect on 1 January 2015.

2. Management

2.1 Board of Trustees in office during the year under review

Board of Trustees comprises 12 members constituted as follows:

- Six members are appointed by the three largest employer groups.
- Six members are elected on a rotation basis at the Annual General Meeting. Two of the elected Board members retire at each Annual General Meeting and the vacancies thus created are filled.

Appointed by employer groups

Ms D Mantle	Absa Bank (resigned 25 November 2015)
Mr D Armstrong	FirstRand Bank (Chairman)
Ms S Barrett	Absa Bank (resigned 23 July 2015)
Mr J Cresswell	The Standard Bank of South Africa Ltd
Mr L Rathnum	FirstRand Bank
Ms G Noemdoe	The Standard Bank of South Africa Ltd (appointed 1 January 2015)
Mr D Mkhonza	Absa Bank (appointed 25 November 2015)
Mr T Legoete	Absa Bank (appointed 1 January 2016)

Elected by members

Mr CP Wells	(Resigned 25 November 2015)
Mr LJ Botha	(Term ended 30 June 2015)
Ms J Madavo	
Mr EA Schaffrath	(Vice Chairman)
Prof LA van Dyk	
Mr FJ de Jager	
Mr N Nyawo	(Elected 30 June 2015)
Mr G de Lange	(Appointed 18 February 2016)

The Board of Trustees met eleven times during 2015 on the following dates:

- 1 – 3 February 2015 (Annual Strategic Planning Session)
- 20 March 2015
- 21 April 2015
- 6 May 2015
- 15 May 2015
- 29 June 2015
- 23 July 2015
- 13 August 2015
- 17 September 2015
- 13 November 2015
- 25 November 2015

2.2 Principal Officer

Mr T Mosomothane
Office 302bB, 3rd Floor
34 Whiteley Road
Melrose Arch
Johannesburg
2076

2.3 Registered office address and postal address

Office 302bB, 3rd Floor
34 Whiteley Road
Melrose Arch
Johannesburg
2076

2.4 Medical scheme administrator

Metropolitan Health Corporate (Pty) Ltd

Parc du Cap
Mispel Road
Bellville
7530

P.O. Box 4313
Cape Town
8000

Discovery Health (Pty) Ltd became the new administrator with effect from 1 January 2016.

2.5 Managed Care and Wellness providers

Metropolitan Health Risk Management (Pty) Ltd

Parc du Cap
Mispel Road
Bellville
7530

P.O. Box 4313
Cape Town
8000

Discovery Health (Pty) Ltd became the new Managed Care and Wellness provider with effect from 1 January 2016.

CareCross Health (Pty) Ltd

10 Mill Street
Newlands
7700

P.O. Box 44991
Claremont
7735

Discovery Health (Pty) Ltd became the new Managed Care and wellness provider with effect from 1 January 2016.

MediKredit Integrated Healthcare Solutions (Pty) Ltd

10 Kikuyu Road
Sunninghill
Sandton
2157

P.O. Box 692
Parklands
2193

Independent Practitioners' Association Foundation of South Africa

IPA Foundation
Suite 53, Rynlal Building
5th Floor,
320 The Hillside Street
Lynnwood,
Pretoria
0002

P.O. Box 38063
Faerie Glen
Pretoria
0043

The agreement was terminated with effect from 31 December 2015.

Momentum Interactive (Pty) Ltd (Multiply)

268 West Avenue
Centurion
0157

P.O. Box 7400
Centurion
0046

The agreement was terminated with effect from 31 December 2015.

2.6 Capitation providers

Preferred Provider Negotiators (Pty) Ltd

Havelock Street
4th Floor
Oasim Building North
Port Elizabeth
6000

P.O. Box 12450
Centrahill
6006

CareCross Health (Pty) Ltd

10 Mill Street
Newlands
7700

P.O. Box 44991
Claremont
7735

Discovery Health (Pty) Ltd replaced CareCross Health as the new capitation provider with effect from 1 January 2016.

Netcare 911 (Pty) Ltd

Netcare 911 House
49 New Road
Midrand
1682

P.O. Box 3455
Halfway House
1685

Discovery Health (Pty) Ltd, in partnership with Netcare 911 (Pty) Ltd, became the new emergency medical services provider with effect from 1 January 2016.

Centre for Diabetes and Endocrinology (Pty) Ltd

81 Central Street
Houghton
Johannesburg
2198

P.O. Box 2900
Saxonwold
2132

2.7 Investment managers

Investec Asset Management (Pty) Ltd

Investec Building
Cnr Bree and Hans Strijdom Avenue
Foreshore
Cape Town
8001

P.O. Box 1655
Cape Town
8000

Taquanta Asset Managers (Pty) Ltd

7th Floor
Newlands Terraces
8 Boundary Road
Newlands 7735
Cape Town
7700

P.O. Box 23540
Claremont
Cape Town
7735

Prudential Investment Managers (Pty) Ltd

7th Floor
Protea Place
40 Dreyer Street
Claremont
7735

P.O. Box 44813
Claremont
7735

Prudential Investment Managers (Pty) Ltd was appointed as the third investment manager with effect from 20 January 2015.

2.8 Actuaries

Willis Towers Watson (Pty) Ltd

Great Westerford
2nd Floor
240 Main Road
Rondebosch
7701

Private Bag X30
Rondebosch
7701

2.9 External auditor

KPMG Inc

1 Mediterranean Street
Foreshore
Cape Town
8001

P.O. Box 4609
Cape Town
8000

2.10 Attorneys

Edward Nathan Sonnenbergs

150 West Street
Sandton
Johannesburg
2196 2146

P.O. Box 783347
Sandton
Johannesburg

3. Investment strategy of Bankmed

The overall objective is that the return on the assets should be such that:

- The highest rate of return is achieved for the determined tolerance to risk;
- Assets are broadly selected to obtain real growth relative to CPI; and
- Negative returns are allowable except in the money market portfolio, although the Scheme avoids investing in equities that are unduly volatile or risky.

This means that the equity portfolio is expected to provide real rates of return over a three-year period but with lower rates of volatility, whilst the money market portfolio aims to ensure capital preservation and will be limited to investing in term investments.

Asset managers have been appointed to manage the assets invested by the Scheme. The Trustees will not undertake any investment decisions in respect of these allocated assets without consulting a professional asset manager. Investment consultants may be appointed to assist with design and implementation of the investment policy, appointment and termination of asset managers, periodic review of each asset manager's performance against an agreed benchmark and assistance with all investment consulting issues.

The Trustees will not impede asset managers with restrictions or pre-determinations, other than limitations documented in the Bankmed Investment Policy Statement and the applicable Regulations. The asset managers will be free to invest assets under their control according to a specified mandate on the understanding that they will be judged according to the benchmarks set by the Scheme.

The Trustees have appointed an Investment Committee to recommend an investment policy and to oversee the implementation of the Scheme's approved investment policy.

4. Review of the accounting period's activities

4.1 Operational statistics

2015	Basic Plan	PMB Plan	Core Saver Plan	Traditional Plan	Comprehensive Plan	Plus Plan	Total Scheme
Number of members at year end	21 650	1 995	19 373	15 498	44 872	4 165	107 553
Number of beneficiaries at year end	37 861	2 550	35 685	33 898	97 940	8 328	216 262
Average number of members for the year	20 795	1 655	17 716	15 536	44 585	4 238	104 525
Average number of beneficiaries for the year	36 308	2 117	32 666	33 999	97 330	8 510	210 930
Dependant ratio to members at year end	0.7	0.3	0.8	1.2	1.2	1.0	1.0
Pensioner ratio	2.5%	0.9%	4.6%	14.8%	21.6%	54.7%	14.6%
Average age of beneficiaries	24	27	26	32	34	50	31
Average net contributions per member per month (R)	1 656	1 028	1 879	3 425	3 193	4 892	2 734
Average net contributions per beneficiary per month (R)	949	803	1 019	1 565	1 463	2 436	1 355
Relevant healthcare expenditure as a percentage of gross contributions	71.47%	32.52%	57.03%	98.26%	86.29%	90.04%	83.25%
Average administration costs per member per month (R)	218	218	218	218	218	218	218
Average administration costs per beneficiary per month (R)	108	108	108	108	108	108	108
Amounts paid to administrator (R)	26 554 977	1 839 886	38 167 378	33 480 493	96 080 136	9 132 808	205 255 678
Non-health expenses as a percentage of gross contributions	12.11%	16.36%	10.21%	6.55%	5.72%	3.44%	6.92%
Average accumulated funds per member at 31 December (R)	15 687	15 687	15 687	15 687	15 687	15 687	15 687
Average healthcare management expense per member per month (R)	65	65	65	65	65	65	65
Average healthcare management expense per beneficiary per month (R)	32	32	32	32	32	32	32
Return on investments as per an independent review by the Scheme's actuaries. (excluding savings account trust monies)	7.90%	7.90%	7.90%	7.90%	7.90%	7.90%	7.90%

4.1 Operational statistics (continued)

2014	Basic Plan	PMB Plan	Core Saver Plan	Traditional Plan	Comprehensive Plan	Plus Plan	Total Scheme
Number of members at year end	19 230	1 341	15 080	15 884	44 127	4 405	100 067
Number of beneficiaries at year end	33 537	1 719	27 925	34 956	96 528	8 960	203 625
Average number of members for the year	18 787	1 187	14 488	16 135	44 487	4 481	99 564
Average number of beneficiaries for the year	32 744	1 506	26 817	35 432	96 918	9 158	202 576
Dependant ratio to members at year end	0.7	0.3	0.9	1.2	1.2	1.0	1.0
Pensioner ratio	2.6%	1.1%	5.2%	14.2%	21.8%	52.9%	15.5%
Average age of beneficiaries	24.4	26.5	26.1	31.0	34.3	48.2	31.6
Average net contributions per member per month (R)	1 518	991	1 747	3 181	2 934	4 521	2 583
Average net contributions per beneficiary per month (R)	871	781	944	1 449	1 347	2 212	1 269
Relevant healthcare expenditure as a percentage of gross contributions	70.78%	24.35%	60.12%	97.84%	84.69%	85.23%	82.98%
Average administration costs per member per month (R)	206	206	206	206	206	206	206
Average administration costs per beneficiary per month (R)	101	101	101	101	101	101	101
Amounts paid to administrator (R)	22 655 547	1 259 870	29 425 033	32 773 336	90 358 809	9 101 313	185 573 908
Non-health expenses as a percentage of gross contributions	12.47%	16.40%	10.31%	6.64%	5.87%	3.50%	6.90%
Average accumulated funds per member at 31 December (R)	16 433	16 433	16 433	16 433	16 433	16 433	16 433
Average healthcare management expense per member per month (R)	63	63	63	63	63	63	63
Average healthcare management expense per beneficiary per month (R)	31	31	31	31	31	31	31
Return on investments as per an independent review by the Scheme's actuaries. (excluding savings account trust monies)	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%	8.34%

4.2 Results of operations

The results of the Scheme are clearly set out in the Summarised Financial Statements. There are no other matters that the Trustees believe should be brought to the attention of the members of the Scheme.

4.3 Accumulated funds ratio

The accumulated funds ratio is calculated on the following basis:

	2015	2014
	R	R
Total members' funds per the summarised statement of financial position	1 916 160 220	1 921 951 733
Less: Available-for-sale reserve	(229 016 395)	(277 534 626)
Accumulated funds per Regulation 29	1 687 143 826	1 644 417 107
Gross contributions	3 969 450 359	3 575 249 082
Accumulated funds ratio	42.50%	45.99%

4.4 Reserve accounts

Bankmed's reserve ratio exceeds the statutory reserve requirements and the performance of the investment strategy is a major contributing factor to the overall Scheme financial position. The reserve ratio as at 31 December 2015 was 42.50% (2014: 45.99%) of gross annual contribution income (the minimum statutory reserve requirement is 25%), which is largely in line with the Scheme's reserve management policy.

Movements in the reserves are set out in the summarised statement of changes in funds and reserves. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

4.5 Outstanding risk claims provision

Movements on the outstanding risk claims provision are set out in Note 6 to the Summarised Financial Statements. There have been no unusual movements that the Trustees believe should be brought to the attention of the members of the Scheme.

5. Actuarial services

The Scheme's actuaries have been consulted in determining the contribution increases and the viability of benefit levels.

6. Investments in participating employers of members of the Scheme

Bankmed holds the following investments in employer groups:

	2015	2014
	R	R
Bonds	152 381 672	123 847 807
Cash, deposits and money market instruments	355 115 236	564 582 508
Equities	39 438 329	19 066 627
Total	546 935 237	707 496 942

Refer to Note 13 for detailed disclosure in terms of related parties. The Scheme obtained an exemption from Section 35 (8) of the Act and is therefore permitted to hold investments in the participating employers of members.

7. Audit Committee

The Audit Committee was established in accordance with the provisions of the Act. The primary responsibility of the Committee is to assist the Board of Trustees in carrying out its duties relating to the Scheme's accounting, policies, internal control systems and financial reporting practices. The internal and external auditors formally report to the Committee on significant findings arising from audit activities.

The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review. The Committee consists of five members of whom the majority is independent.

The Audit Committee comprised of:	
Mr A Coombe	Chairman (Independent)
Mr V Christian	(Independent)
Ms F Petersen	(Independent)
Mr LJ Botha	(Trustee) (Term ended 30 June 2015)
Mr N Nyawo	(Trustee) (Appointed 23 July 2015)
Mr EA Schaffrath	(Trustee)

The Committee met on four occasions during the course of the year as follows:

- 4 February 2015
- 10 April 2015
- 31 July 2015
- 30 October 2015

The Chairman of the Board of Trustees, the Principal Officer, the financial manager of the Scheme, the administrator, the internal auditor as well as the external auditor are invited to attend all Audit Committee meetings and have unrestricted access to the Chairman of the Committee. The Chairman of the Audit Committee is also a member of the Risk Management Committee.

8. Chairman's Committee

A Chairman's Committee was established and operated in terms of Bankmed Rule 20.17. The Committee was mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties. The primary responsibilities of the Committee were to deal with medium term decision-making and to provide guidance to ensure smooth functioning of Scheme management. The Committee also fulfilled the function of a Remuneration and Nomination Committee and dealt with any other matters as may have been delegated to it by the Board of Trustees from time to time.

The Committee consisted of six members during 2015, all of whom were members of the Board of Trustees.

The Committee comprised of:	
Mr CP Wells	Chairman (Trustee)
Mr D Armstrong	(Trustee)
Prof LA van Dyk	(Trustee)
Mr EA Schaffrath	(Trustee)
Ms D Mantle	(Trustee)
Mr J Cresswell	(Trustee)

The Committee met on four occasions during the course of the year as follows:

- 18 February 2015
- 24 March 2015
- 21 April 2015 (as the Remuneration and Nomination Committee)
- 28 May 2015

The Board of Trustees, at a meeting held on 23 July 2015, resolved to dissolve the Chairman's Committee. All general matters that were previously deliberated on by the Chairman's Committee would be transferred to the agenda of the Board of Trustees. A separate Remuneration Committee was later set up, with terms of reference specific to the Remuneration Committee. Further, the role of the Trustees Nominations Committee would also be assigned to a new Committee which will be constituted specifically for this purpose, subject to approval by the Board of Trustees.

9. Remuneration Committee

The Remuneration Committee was established as a result of the resolution to disband the Chairman's Committee, which previously also performed the duties of a Remuneration Committee. The Remuneration Committee was mandated by the Board of Trustees, at the meeting held on 17 September 2015, by means of written terms of reference as to its membership, authority and duties. Membership of the Remuneration Committee will comprise of the Chairman of the Board of Trustees, the Chairman of the Investment Committee and the Chairman of the Risk Management Committee. The Remuneration Committee meetings will also be attended by an independent advisor to provide expert advice and guidance to the Committee.

The Committee comprised of:	
Mr D Armstrong	Chairman of the Board
Prof LA van Dyk	Chairman of the Risk Management Committee
Mr EA Schaffrath	Chairman of the Investment Committee

The Committee met once during the year, on 11 November 2015.

10. Risk Management Committee

A Risk Management Committee was established to enable the Board to oversee the risks against which the Scheme should be protected. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:	
Prof LA van Dyk	Chairman (Trustee)
Ms G Noemdoe	(Trustee)
Mr J Cresswell	(Trustee)
Mr A Coombe	(Independent Audit Committee Chairman)
Mr FJ de Jager	(Trustee)
Mr T Mosomothane	(Principal Officer)
Mr N Coghlan	(Senior Manager: Finance and Risk)
Dr N Naidoo	(Clinical & Operations Executive)

The Committee met on three occasions during the course of the year as follows:

- 20 March 2015
- 12 August 2015
- 14 October 2015

11. Investment Committee

An Investment Committee was established in order to ensure that the investment process is operated within the parameters of the Scheme's investment strategy. The Committee is mandated by the Board of Trustees by means of written terms of reference as to its membership, authority and duties, which have been complied with during the year under review.

The Committee comprised of:	
Mr EA Schaffrath	Chairman (Trustee)
Mr CP Wells	(Trustee) (Resigned 25 November 2015)
Mr D Armstrong	(Trustee)
Mr LJ Botha	(Trustee) (Term ended 30 June 2015)
Mr N Nyawo	(Trustee) (Appointed 23 July 2015)

The Committee met on four occasions during the course of the year as follows:

- 29 January 2015
- 7 May 2015
- 3 September 2015
- 12 November 2015

12. Administration and Managed Care Tender Committee

The Scheme initiated a tender process during 2014 for an administration and Managed Care service provider. A Tender Committee was established specifically to oversee the process, with the assistance of expert consultants. The Committee automatically dissolved upon the consideration of its report by the Board on 29 June 2015.

The Committee comprised of:	
Mr CP Wells	Chairman (Trustee)
Mr D Armstrong	(Trustee)
Prof LA van Dyk	(Trustee)
Mr EA Schaffrath	(Trustee)
Ms D Mantle	(Trustee)
Mr LJ Botha	(Trustee)
Mr T Mosomothane	(Principal Officer)
Dr N Naidoo	(Clinical & Operations Executive)

The Committee met on four occasions during the course of the year as follows:

- 18 February 2015
- 10 April 2015
- 6 May 2015
- 15 – 20 June 2015

13. Meeting attendance

The following schedule sets out Board of Trustees' meeting attendances where column A indicates the total number of meetings that could have been attended and B the actual number of meetings attended. Trustee remuneration is disclosed in Note 15.1 to the financial statements.

	Board of Trustees meetings		Chairman's Committee meetings		Remuneration Committee meetings		Tender Committee meetings		Audit Committee meetings		Risk Management Committee meetings		Investment Committee meetings	
Trustee	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
Ms D Mantle	11	10	4	4			4	3						
Mr D Armstrong	11	11	4	3	1	1	4	4					4	4
Mr LJ Botha	6	6					4	4	2	2			2	2
Ms S Barrett	7	7									1	1		
Ms J Madavo	11	9												
Mr EA Schaffrath	11	11	4	4	1	1	4	4	4	4			4	4
Mr CP Wells	11	11	4	4			4	4					4	4
Prof LA van Dyk	11	9	4	4	1	1	4	4			3	3		
Mr F de Jager	11	11									3	3		
Mr J Cresswell	11	8	1	1							3	1		
Mr N Nyawo	5	5							2	2			2	2
Ms G Noemdoe	11	11									3	1		
Mr L Rathnum	11	10												
Mr D Mkhonza	1	1												

14. Non-compliance matters

Non-compliance with Section 33(2)(b) and Section 33(2)(c) – Financial performance and soundness of Bankmed benefit options

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self-supporting in terms of membership and financial performance and be financially sound. The Bankmed Comprehensive, Plus and Traditional Plans incurred net healthcare deficits for the year ended 31 December 2015, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes for the failure

The Scheme's benefit design process always includes considerations which look at the Scheme as a whole, needing to provide a full range of benefit options to cater for the target population, and takes into account the Scheme's financial stability and current reserve levels. Similar losses were anticipated in the budget, which was approved by the Council for Medical Schemes (CMS).

Corrective action

The benefits and contributions proposal approved by the CMS for 2015 included budgeted losses for the benefit options which generated operational losses. As required by the CMS, Bankmed continues to submit monthly management accounts reflecting the performance of the benefit options.

Non-compliance with Section 26(7) – Late payment of contributions

Nature and impact

Contributions due from a number of employers were received more than three days after becoming due in certain months during 2015, which was in contravention of Section 26(7) of the Act.

Causes for the failure

Due to internal process delays the employers did not pay contributions on behalf of members within three days of becoming due. As a result, the Scheme was in contravention of Section 26(7) of the Act.

Corrective action

The administrator's robust follow-up process has been instrumental in ensuring timeous payment of contributions by employer groups. Bankmed Scheme Management also continues to engage employer groups to put in place updated Employer/Scheme written contracts, compelling employers to pay according to the Scheme Rules and the Act.

Non-compliance with Section 35(8)(a) – Investments in participating employers

Nature and impact

The Scheme holds investments, via various instruments, with ABSA Bank Ltd, FirstRand Bank Ltd, Landbank SOC Ltd and The Standard Bank of South Africa Ltd who are participating employers of the Scheme. The Scheme also banks with FirstRand Bank Ltd and therefore has various current accounts with this employer. This was in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

Causes for the failure

As these institutions are major commercial banks, an investment portfolio excluding these employers would fail to perform optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

Corrective action

The Scheme has obtained an exemption from the CMS.

Non-compliance with Section 35(8)(c) – Investments in any administrator

Nature and impact

The Scheme holds direct as well as indirect investments in MMI Holdings Ltd, Sanlam Ltd and Liberty Holdings Ltd through the Investec Absolute Opportunity and Prudential Global Real Return portfolios.

Causes for the failure

Investments are outsourced to, and managed by, independent third party asset managers who have full discretionary mandates in terms of asset purchases. All such investment decisions are made by these third party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

Corrective action

The Scheme has obtained an exemption from the CMS.

15. Membership

The membership of Bankmed increased by 7.5% to 107 553 at the end of 2015 when compared to the total membership at the end of 2014 of 100 067. At the end of 2015, the Scheme's average beneficiary age was 31.31 years (2014: 31.57 years). The pensioner ratio decreased from 15.5% at the end of 2014 to 14.6% at the end of 2015.

16. Benefit options

Benefit design is a dynamic process and aimed at fulfilling the needs and healthcare benefit requirements of the Bankmed member and employer base. For this reason, Bankmed offers six benefit options which are reviewed on an ongoing basis in terms of affordability, financial viability, membership choice and legislative compliance.

17. Financial overview

The financial position of Bankmed and its robust risk management approach resulted in a reaffirmation of the AA+ rating from the Global Credit Ratings Agency indicating its strong ability to pay claims. This is the highest rating given to a medical scheme in South Africa, with Bankmed being one of only two medical schemes being awarded this rating and the only closed scheme.

17.1 Review of underwriting results

The claims experience in 2015 reflected an unfavorable trend, very similar to that of 2014. Although the overall claims experience fell within the budget threshold for 2015, the performance of some benefit options were worse than anticipated and required targeted intervention for future sustainability.

Relevant healthcare expenditure, expressed as a percentage of gross contribution income, was 83.25% for 2015 (2014: 82.98%). The gross healthcare (underwriting) result translated to 3.1% of gross contributions, equal to that of 2014.

The net healthcare deficit, after deducting non-healthcare expenditure, amounted to R150 million (before investment and other income) in 2015, compared to a deficit of R128 million in the previous year. In the budget it was anticipated that a net healthcare deficit of R173m would be incurred, compared to a deficit of R103 million in 2014.

The Scheme generated a net surplus for the year under review of R42.9 million (2014: R14.8 million deficit), after favourable investment returns of R193 million in 2015 (2014: R113 million). The Scheme's unfavourable claims experience was driven mainly by higher-than-anticipated claims in the areas of hospitalisation (particularly diagnostic claims), specialists costs and auxiliary claims. The management of these risk areas is an ongoing exercise.

17.2 Administration expenditure

Administration expenditure has increased slightly to 6.92% of gross contribution income (2014: 6.90%). This figure compares favourably with the average administration expenditure of medical schemes in the healthcare industry.

17.3 Investments

Bankmed has an investment policy and employs the services of independent investment managers in order to manage its various investment portfolios. Net investment income (including realised gains after deducting asset management fees) during 2015 amounted to R193m (2014: R113m). The investment managers operate in terms of a strict mandate that has been delegated to them by the Board of Trustees, which complies with the requirements of the Act and Regulations.

The Board has appointed an Investment Committee who in turn utilise the services of independent investment experts with the objective of advising the Board regarding the implementation, benchmarking and monitoring of appropriate investment mandates. The investment mandates incorporate strategies to outperform medical inflation.

The Investment Committee reviewed and amended the Scheme's Statement of Investment Policy during 2014. The outcome of this process included a recommendation to the Board of Trustees that a third investment manager be appointed. The Board of Trustees approved this proposal which resulted in the appointment of Prudential Investment Managers in January 2015.

18. Service and administration

The Scheme's administration was outsourced to Metropolitan Health Corporate (Pty) Ltd, until the end of 2015. The Scheme regularly reviews its service level agreements in terms of effective service delivery. As you will have noted in the 2014 Annual Report of the Bankmed Board of Trustees, a tender process for Bankmed's administration and Managed Care services was underway and due for completion in 2015. This was a robust process, carried out with the assistance of expert independent consultants, which was reviewed by the Council for Medical Schemes. The process was indeed concluded during 2015 as planned, and Discovery Health (Pty) Ltd was awarded the contract with effect from 1 January 2016. Service levels are monitored and evaluated on an ongoing basis.

19. Communication

Scheme communications continue to be aimed at the education and empowerment of members and elevating the profile of the Bankmed brand in order to retain the current membership and attract new members. Ongoing evaluation of communication tools and channels has ensured continuous improvement of the impact of the marketing and communication messages and strategies.

20. Managed Care

The Scheme is continuously reviewing the manner in which it mitigates its clinical and financial risks, while at the same time ensuring the provision of the highest quality care to members. As you will have noted in the 2014 Annual Report of the Board of Trustees, a tender process for Bankmed's administration and Managed Care services was underway and due for completion in 2015. This was a robust process, carried out with the assistance of expert independent consultants, which was reviewed by the Council for Medical Schemes. The process was indeed concluded during 2015 as planned, and Discovery Health (Pty) Ltd was awarded the contract with effect from 1 January 2016.

Bankmed's Managed Care programmes will continue to undergo constant improvement and development in order to cater for the prevailing conditions in the industry.

The Council for Medical Schemes Circular 56 of 2015 prescribes a change in the accounting classification of "accredited Managed Care services", as listed in Circular 13 of 2014. "Accredited Managed Care services" are classified as healthcare expenditure as of the 2015 financial year end, as opposed to the previous classification as non-healthcare expenditure. The changes in classification have been adopted in these Summarised Financial Statements and the 2014 comparatives have been adjusted accordingly.

21. Potential litigation

During the course of 2013 the Scheme was made aware of potential litigation between third parties that could implicate the Scheme. The Scheme consulted with its legal advisers who subsequently investigated this matter. Based on the current information available, the Scheme believes that it is unlikely there will be any adverse financial impact. The Scheme will continue to monitor this matter.

22. Subsequent events

Other than the event below, there have been no events that have occurred subsequent to the end of the accounting period that affect the Summarised Financial Statements and that the Trustees consider should be brought to the attention of the members of the Scheme.

In October 2015 the Council for Medical Schemes (CMS) had raised questions regarding the possibility of incorrect payments for claims which should have been processed as Prescribed Minimum Benefits (PMBs). This was an industry-wide issue and affected many medical schemes. It is the Scheme's understanding that the CMS had raised this issue based on figures in the Annual Statutory Returns for the years in question and the ICD-10 codes associated with those figures. In the response to the CMS at the time, reference was made to the Council's Code of Conduct in respect of PMB benefits (Code of Conduct), which states that:

"in isolation, ICD-10 codes alone are seldom adequate to correctly identify PMB benefits since the PMB regulations define PMB benefits as a diagnosis with specified severity, in relation to specified treatment."

The CMS accepted the Scheme's response, similar to many other schemes in the industry and this matter was closed at the time. However, the CMS has raised this issue again in March 2016 by requesting further information from the Scheme. The Scheme's view on this matter has not changed.

23. Going concern

The Trustees have no reason to believe that Bankmed will not be a going concern in the year ahead.

24. Board of Trustees

Ms S Barrett resigned as a Trustee on 23 July 2015 and Mr D Mkhonza was appointed by Absa Bank as her replacement. Ms D Mantle resigned as a Trustee on 25 November 2015 and Mr T Legoete was appointed by Absa Bank with effect from 1 January 2016. Mr N Nyawo was elected as a Trustee at the Annual General Meeting held on 30 June 2015, replacing Mr LJ Botha whose terms of office had come to an end. Mr C Wells was re-elected at the Annual General Meeting but resigned on 25 November 2015. Mr G de Lange was appointed on 18 February 2016 as Mr Wells' replacement.

The Board welcomes the new Trustees, and looks forward to their valuable input which ensures that the Scheme continues to be effectively managed.

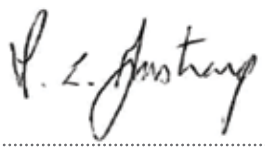
25. Vote of appreciation

On behalf of Bankmed, the Board would like to express its thanks to:

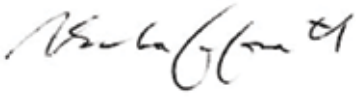
- All members of Bankmed and their employers.
- Independent members of the Board Committees for their support.
- The Executive team and staff for the diligent manner in which they have managed the affairs of the Scheme.
- The Registrar of Medical Schemes and his staff for their co-operation and assistance.
- Our contracted service suppliers, industry associations and healthcare service providers.

26. Conclusion

The Scheme is well positioned to meet the changes in the legislative framework and other industry challenges in the future. The Scheme continues to be financially strong and its products are competitive in terms of pricing, benefits and service levels.



D ARMSTRONG
CHAIRMAN



EA SCHAFFRATH
VICE CHAIRMAN

T MOSOMOTHANE
PRINCIPAL OFFICER

Summarised Financial Statements
for the year ended 31 December 2015

Trustees' responsibility statement

The Trustees are responsible for the preparation and fair presentation of the Summarised Financial Statements of Bankmed, comprising the summarised statement of financial position at 31 December 2015, the summarised statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended and the notes to the Summarised Financial Statements. These include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and in the manner required by the Medical Schemes Act of South Africa, as amended. In addition, the Trustees are responsible for preparing the Board of Trustees report.

The Trustees are also responsible for such internal controls as the Trustees deem 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.

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

The external auditor is responsible for reporting on whether the Summarised Financial Statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of Summarised Financial Statements

The Summarised Financial Statements, as identified in the first paragraph, were approved by the Board of Trustees on 21 April 2016 and are signed on its behalf by:

D ARMSTRONG	EA SCHAFFRATH	T MOSOMOTHANE
CHAIRMAN	VICE CHAIRMAN	PRINCIPAL OFFICER

Statement of corporate governance by the Board of Trustees

Bankmed is committed to the principles and practice of fairness, openness, integrity and accountability in all dealings with its stakeholders. Half of the Trustees are proposed and elected by the members of the Scheme and the other half are appointed by ABSA Bank Ltd, FirstRand Bank Ltd and The Standard Bank of South Africa Ltd.

Board of Trustees

The Trustees meet regularly and monitor the performance of the Scheme. They address a range of key issues and ensure that discussion of items of policy, strategy and performance is critical, informed and constructive.

All Trustees have access to the advice and services of the Principal Officer and, where appropriate, may seek independent professional advice at the expense of the Scheme.

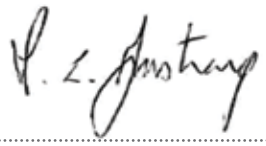
The Board of Trustees appointed a Chairman's Committee, an Audit Committee, an Investment Committee, a Risk Management Committee, a Remuneration Committee and a Tender Committee to assist it in executing its duties.

The Chairman's Committee, which also fulfilled the function of a Remuneration and Nomination Committee, was dissolved with effect from 23 July 2015. A separate Remuneration Committee was appointed thereafter.

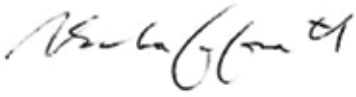
Internal control

The Scheme maintains internal controls and systems designed to provide reasonable assurance as to the integrity and reliability of the Summarised Financial Statements and to safeguard, verify and maintain accountability for its assets adequately. Such controls are based on established policies and procedures and are implemented by trained personnel with the appropriate segregation of duties.

No event or item has come to the attention of the Board of Trustees that indicates any material breakdown in the functioning of the key internal controls and systems during the year under review.



D ARMSTRONG
CHAIRMAN



EA SCHAFFRATH
VICE CHAIRMAN

T MOSOMOTHANE
PRINCIPAL OFFICER

Report of the Independent Auditor on the Summarised Financial Statements

To the Members of Bankmed

The Summarised Financial Statements of Bankmed, as set out on pages 20 – 37, which comprise the summarised statement of financial position at 31 December 2015, the summarised statements of comprehensive income, changes in funds and reserves and cash flows for the year then ended, and related notes, are derived from the audited financial statements of Bankmed for the year ended 31 December 2015. We expressed an unmodified audit opinion on those financial statements in our report dated 26 April 2016. Those financial statements and the Summarised Financial Statements, do not reflect the effects of events that occurred subsequent to the date of our auditor's report on those financial statements.

The Summarised Financial Statements do not contain all the disclosures required by International Financial Reporting Standards and the Medical Schemes Act of South Africa. Reading the Summarised Financial Statements, therefore, is not a substitute for reading the audited Summarised Financial Statements of Bankmed.

Trustees' responsibility for the Summarised Financial Statements

The Trustees are responsible for the preparation of a summary of the audited Financial Statements in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Auditor's responsibility

The Auditor's responsibility is to express an opinion on the summary financial statements based on our procedures, which were conducted in accordance with International Standards on Auditing (ISA) 810, Engagements to Report on Summary Financial Statements.

Opinion

In our opinion, the Summarised Financial Statements derived from the audited Financial Statements of Bankmed for the year ended 31 December 2015 are consistent, in all material respects, with those Summarised Financial Statements, in accordance with the content and disclosure requirements of Circular 6 of 2013 issued by the Council for Medical Schemes.

Report on Other Legal and Regulatory Requirements

Non-compliance with the Medical Schemes Act of South Africa

As required by the Council for Medical Schemes, we report the following material instances of non-compliance with the requirements of the Medical Schemes Act of South Africa as amended that have come to our attention during the course of our audit:

1. Section 33(2)(b) and Section 33(2)(c) – Financial performance and soundness of benefit options.
2. Section 26(7) – Late payment of contributions.
3. Section 35(8)(a) – Investments in participating employers.
4. Section 35(8)(c) – Investments in any administrator.

KPMG Inc.
Registered Auditor

PER GC KRÜGER
CHARTERED ACCOUNTANT (SA)
REGISTERED AUDITOR
DIRECTOR
17 MAY 2016

1 Mediterranean Street
Foreshore
Cape Town
8001

Summarised Statement of Financial Position

As at 31 December 2015

ASSETS	Notes	2015 R	2014 R
Non-current assets		1 318 304 166	1 274 043 096
Equipment		1 037 856	478 286
Available-for-sale investments	2	1 317 266 310	1 273 564 810
Current assets		1 317 059 698	1 294 766 033
Available-for-sale investments	2	209 848 970	108 017 929
Insurance and other receivables		142 165 581	112 096 479
Cash and cash equivalents		965 045 147	1 074 651 625
• Scheme monies		429 879 246	609 299 223
• Personal medical savings account trust monies invested	5	535 165 901	465 352 402
Total assets		2 635 363 864	2 568 809 129

FUNDS AND LIABILITIES			
Members' funds		1 916 160 220	1 921 951 733
Accumulated funds		1 687 143 826	1 644 417 107
Available-for-sale reserve		229 016 395	277 534 626
Non-current liabilities		7 658 988	7 705 200
Post-retirement medical scheme benefit liability	3	7 658 988	7 705 200
Current liabilities		711 544 656	639 152 196
Post-retirement medical scheme benefit liability	3	957 012	911 800
Personal medical savings account trust monies	4	534 876 911	470 740 444
Insurance and other payables		22 612 996	30 517 975
Outstanding risk claims provision	6	153 097 737	136 981 977
Total funds and liabilities		2 635 363 864	2 568 809 129

Summarised Statement of Comprehensive Income

For the year ended 31 December 2015

	Notes	2015 R	2014 R
Risk contribution income	7	3 428 833 847	3 085 579 002
Relevant healthcare expenditure		(3 304 513 885)	(2 966 691 587)
Net claims incurred	8	(3 250 514 333)	(2 910 223 798)
Risk claims incurred		(3 259 666 264)	(2 916 799 191)
Third-party claim recoveries		9 151 931	6 575 393
Managed Care: management services	15	(81 145 498)	(75 259 597)
Net income on risk transfer arrangements	9	27 145 946	18 791 808
Risk transfer arrangements premiums paid		(138 994 359)	(120 181 414)
Recoveries from risk transfer arrangements		166 140 305	138 973 222
Gross healthcare result		124 319 962	118 887 415
Administration expenditure		(273 002 468)	(245 663 685)
Net impairment loss on insurance receivables		(1 582 863)	(1 179 398)
Net healthcare result		(150 265 369)	(127 955 668)
Other income		235 274 793	150 616 490
Net investment income excluding return on personal medical savings account trust monies	10	108 635 675	111 171 320
Return on personal medical savings account trust monies invested	10	32 330 050	25 719 811
Net realised gain on disposal of available-for-sale investments	11	92 276 084	13 011 115
Sundry income		2 032 984	714 244
Other expenditure		(42 135 705)	(37 459 525)
Asset management fees		(9 805 655)	(11 739 714)
Interest paid on personal medical savings account trust monies		(32 330 050)	(25 719 811)
Net surplus/(deficit) for the year		42 873 719	(14 798 703)
Other comprehensive income			
Items that will be classified to profit or loss:			
Fair value adjustments on available-for-sale investments		43 757 853	54 869 117
Net realised gain on disposal of available-for-sale investments		(92 276 084)	(13 011 115)
Items that will not be classified to profit or loss:			
Actuarial (loss)/gain on post retirement liability		(147 000)	43 300
Total comprehensive (loss) / income for the year		(5 791 513)	27 102 599

Summarised Statement of Changes in Funds and Reserves

For the year ended 31 December 2015

	Accumulated funds	Available-sale reserve	Total members' funds
	R	R	R
Balance at 1 January 2015	1 644 417 107	277 534 626	1 921 951 733
Changes in funds and reserves for 2015			
Net unrealised gain on revaluation of available-for-sale investments	–	43 757 853	43 757 853
Net realised gain on disposal of available-for-sale investments transferred to the statement of comprehensive income	–	(92 276 084)	(92 276 084)
Actuarial loss on post retirement liability	(147 000)	–	(147 000)
Net movement recognised directly in funds and reserves	(147 000)	(48 518 231)	(48 665 231)
Net surplus for the year	42 873 719	–	42 873 719
Total surplus recognised for the year	42 873 719	–	42 873 719
Balance at 31 December 2015	1 687 143 826	229 016 395	1 916 160 220
Balance at 1 January 2014	1 659 172 510	235 676 624	1 894 849 134
Changes in funds and reserves for 2014			
Net unrealised gain on revaluation of available-for-sale investments	–	54 869 117	54 869 117
Net realised gain on disposal of available-for-sale investments transferred to the statement of comprehensive income	–	(13 011 115)	(13 011 115)
Actuarial gain on post retirement liability	43 300	–	43 300
Net movement recognised directly in funds and reserves	43 300	41 858 002	41 901 302
Net deficit for the year	(14 798 703)	–	(14 798 703)
Total deficit recognised for the year	(14 798 703)	–	(14 798 703)
Balance at 31 December 2014	1 644 417 107	277 534 626	1 921 951 733

Summarised Statement of Cash Flows

for the year ended 31 December 2015

	Notes	2015 R	2014 R
Cash flows from operating activities			
Net surplus/(deficit) for the year		42 873 719	(14 798 703)
Adjustments for:			
• Depreciation		255 847	223 822
• Increase in outstanding risk claims provision		16 115 760	16 855 094
• Dividend income		(17 403 083)	(12 754 861)
• Interest income		(91 232 592)	(98 416 459)
• Return on personal medical savings account trust monies invested		(32 330 050)	(25 719 811)
• Interest paid on personal medical savings account trust monies		32 330 050	25 719 811
• Net realised gain on available-for-sale investments		(92 276 084)	(13 011 115)
• Decrease in post retirement medical scheme benefit liability	3	(148 000)	(233 200)
Cash utilised in operations before working capital changes		(141 814 433)	(122 135 422)
Working capital changes			
• (Increase)/decrease in insurance and other receivables excluding accrued interest		(42 355 237)	20 160 014
• (Decrease)/increase in insurance and other payables		(7 904 979)	5 689 176
• Increase in personal medical savings account trust monies		64 136 467	50 409 016
Cash utilised in operations		(127 938 182)	(45 877 216)
Interest paid on personal medical savings account trust monies		(32 330 050)	(25 719 811)
Net cash utilised in operating activities		(160 268 232)	(71 597 027)
Cash flows from investing activities			
Purchase of equipment		(815 417)	(155 751)
Proceeds on disposal of available-for-sale investments	2	1 727 602 489	971 625 701
Purchase of available-for-sale investments	2	(1 829 377 177)	(951 039 299)
Interest received		103 518 727	87 855 911
Return on personal medical savings account trust monies invested		32 330 050	25 719 811
Dividends received		17 403 083	12 754 861
Net cash generated by investing activities		50 661 755	146 761 234
Net (decrease) / increase in cash and cash equivalents		(109 606 478)	75 164 207
Cash and cash equivalents at beginning of the year		1 074 651 625	999 487 418
Cash and cash equivalents at the end of the year		965 045 147	1 074 651 625
Scheme monies		429 879 246	609 299 223
Personal medical savings account trust monies	5	535 165 901	465 352 402

Notes to the Summarised Financial Statements

for the year ended 31 December 2015

1. Principal accounting policies

The principal accounting policies applied in the preparation of the Summarised Financial Statements are set out below. The policies applied are consistent with the prior year.

Statement of compliance

The Summarised Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) and the requirements of the Medical Schemes Act of South Africa. In addition, the Summarised Statement of Comprehensive Income is prepared in accordance with Circular 41 of 2012 and Circular 56 of 2015 of the Council for Medical Schemes that set out their interpretation of IFRS as it relates to the Summarised Statement of Comprehensive Income for medical schemes in South Africa.

1.1 Basis of preparation

The Summarised Financial Statements provide information regarding the financial position, results of operations and changes in financial position of the Scheme. These have been prepared under the historical cost convention, except for 'available-for-sale' financial assets, which are measured at fair value and the insurance contract liabilities, measured at discounted estimated future cash flows.

The functional and presentation currency of the Scheme is South African Rands (ZAR).

Use of estimates

The preparation of the Summarised Financial Statements necessitates the use of estimates and assumptions. These estimates and assumptions affect the reported amount of assets, liabilities and contingent liabilities at reporting date and the reported income and expenditure for the year. The actual outcome may differ from these estimates, possibly significantly. For further information on critical estimates and judgments refer to Note 6.

1.2 Standards and interpretations

Standards and interpretations applicable to the Scheme not yet effective:

The following new standards and amendments to IFRS are not yet effective for the current financial year. The Scheme will comply with the new standards and interpretations from the various effective dates. The Scheme will assess the full impact of the standards and interpretations as and when they become effective.

Amendments to IAS 1 Presentation of Financial Statements – Disclosure initiative

There is an emphasis on materiality. Specific single disclosures that are not material do not have to be presented – even if they are a minimum requirement of a standard. This standard is effective 1 January 2016.

IFRS 9 Financial Instruments

IFRS 9, published in July 2014, replaces the existing guidance in IAS 39 **Financial Instruments Recognition and Measurement**. IFRS 9 includes revised guidance on the classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets and new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from IAS 39. This standard is effective from 1 January 2018.

Standards adopted in the current year

The following standards are effective for the current financial year. The Scheme complies with the new standard from the effective date:

Annual Improvements to IFRSs 2010 – 2012 Cycle – various standards

The improvement project has extended the definition of a "related party" per IAS 24 Related Party Disclosures to include a management entity that provides key management personnel services to the reporting entity, either directly or through a group entity.

There is no significant impact on the Scheme of adopting this amendment. Transactions and balances with certain outsourced service providers have previously been disclosed as significant outsourcing relationships within the, "related and other significant", parties disclosure. These parties have now been classified as related parties, however, no additional disclosures, when compared to prior years, is required.

IAS 36 Impairment of assets

The amendment to IAS 36 addresses the disclosure of information regarding the recoverable amount of impaired assets if the recoverable amount is based on fair value less cost of disposal. This amendment has no impact on these Summarised Financial Statements.

2. Available-for-sale investments

	2015	2014
	R	R
Fair value at the beginning of the year	**1 381 582 739**	**1 347 300 024**
Additions	1 829 377 177	951 039 299
Proceeds on disposals	(1 727 602 489)	(971 625 701)
Unrealised gain on revaluation of available-for-sale investments	43 757 853	54 869 117
Fair value at the end of the year	1 527 115 280	1 381 582 739
Less: Short-term portion shown in current assets	209 848 970	108 017 929
	1 317 266 310	1 273 564 810
The investments comprise:		
• Listed equities	574 787 225	449 079 731
• Offshore collective investment schemes	140 592 283	109 939 318
• Money market instruments	146 880 918	430 646 485
• Bonds	625 770 171	361 630 762
• US Dollar denominated offshore bonds	8 885 882	–
• Rand denominated offshore bonds	30 198 801	30 286 443
	1 527 115 280	1 381 582 739

A register of investments is available for inspection at the registered office of the Scheme.

'Available-for-sale' investments are classified as non-current assets, unless they are expected to be realised within twelve months of the reporting date or unless they will need to be sold to raise operating capital.

The weighted average effective interest rate on bonds for the year was 6.04% (2014: 7.39%).

3. Post-retirement medical scheme benefit liability

	2015	2014
	R	R
Balance at the beginning of the year	8 617 000	8 893 500
Current year movement	(1 000)	(276 500)
Balance at the end of the year	8 616 000	8 617 000
Less: Short-term portion shown in current liabilities	957 012	911 800
	7 658 988	7 705 200
Obligation per statement of financial position	8 616 000	8 617 000
Change in liability		
Opening balance	8 617 000	8 893 500
Interest cost	734 000	634 500
Actuarial loss/(gain)	147 000	(43 300)
Benefits paid	(882 000)	(867 700)
Closing balance	8 616 000	8 617 000
Change in plan assets		
Opening balance	–	–
Contributions by participants – employer	882 000	867 700
Benefits paid	(882 000)	(867 700)
Closing balance	–	–
Funding level liability		
Projected benefit obligation	8 616 000	8 617 000
Movement in statement of comprehensive income		
Interest cost	734 000	634 500
Employer contribution	(882 000)	(867 700)
Amount recognised as staff costs in the statement of comprehensive income	(148 000)	(233 200)
Key assumptions		
Discount rate	10.40%	8.10%
Medical inflation	9.30%	6.70%
Sensitivity information		
1% increase in medical inflation		
Increase in defined benefit obligation (amount)	581 000	647 200
Increase in defined benefit obligation (percentage)	6.74%	8.00%
Increase in service cost and interest cost (amount)	47 000	59 600
Increase in service cost and interest cost (percentage)	6.38%	8.00%
1% decrease in medical inflation		
Decrease in defined benefit obligation (amount)	(522 000)	(579 100)
Decrease in defined benefit obligation (percentage)	-6.06%	-7.00%
Decrease in service cost and interest cost (amount)	(43 000)	(53 200)
Decrease in service cost and interest cost (percentage)	-5.83%	-7.00%

4. Personal medical savings account trust monies managed by the scheme on behalf of its members

	2015	2014
	R	R
Balance due to members on personal medical savings account liability at the beginning of the year	470 740 444	420 331 428
Less: Prior year advances on personal medical savings accounts	(106 606)	(312 149)
Net adjusted balance on personal medical savings accounts liability at the beginning of the year	470 633 838	420 019 279
Add:		
• Personal medical savings account contributions received or receivable for the current year (Note 7)	540 616 512	489 670 080
• Interest allocated to members' Medical Savings Accounts	32 330 050	25 719 811
Less :		
• Savings payouts on death or resignation	(29 975 910)	(25 973 400)
• Claims paid on behalf of members (Note 8)	(478 827 231)	(438 801 932)
Add: Advances on personal medical savings accounts	99 652	106 606
Balance due to members on personal medical savings accounts held in trust at the end of the year	534 876 911	470 740 444

In terms of the rules of the Scheme, interest on personal medical savings accounts only accrues to members on a monthly basis on positive balances existing at that date.

In accordance with the rules of the Scheme, the personal medical savings account trust monies are underwritten by the Scheme. The personal medical savings account liability contains a demand feature in terms of Regulation 10 of the Medical Schemes Act which requires that any credit balance on a member's personal medical savings account must be taken as a cash benefit when the member terminates his or her membership of the Scheme or benefit option, and then enrolls in another benefit option or medical scheme without a personal medical savings account or does not enroll in another medical scheme.

It is estimated that claims to be paid out of members' personal medical savings accounts in respect of claims incurred in 2015 but not recorded will amount to R7.7m (2014 : R6.10m) (Note 6).

As at year end the carrying amount of the members' PMSAs were deemed to be equal to their fair values, which is of a short term nature. The PMSAs were invested on behalf of members as disclosed in Note 5. The difference between the asset and the liability is due to timing differences.

5. Personal medical savings account trust monies

	2015	2014
	R	R
The investment comprises:		
• Current and call accounts	9 629	8 846
• Money market instruments	535 156 272	465 343 556
Total personal medical savings account trust monies invested	535 165 901	465 352 402

The carrying amount of the trust funds investment approximates its fair value due to the short term maturity of this asset.

These funds are invested in the Nedgroup Investments Corporate Money Market Fund managed by Taquanta Asset Managers (Pty) Ltd. The effective interest rate is 6.52% (2014 : 6.19%).

6. Outstanding risk claims provision

	2015		2014	
	R	R	R	R
	Covered by risk transfer arrangements	Not covered by risk transfer arrangements	Covered by risk transfer arrangements	Not covered by risk transfer arrangements
Provision for outstanding risk claims – incurred but not reported	3 487 021	149 610 716	3 164 521	133 817 456
Analysis of movements in outstanding risk claims				
Balance at beginning of year	3 164 521	133 817 456	3 057 443	117 069 440
Payments in respect of prior year	(3 164 521)	(132 161 769)	(3 057 443)	(107 642 140)
Over provision in respect of prior year	–	1 655 687	–	9 427 300
Adjustment for current year	3 487 021	147 955 029	3 164 521	124 390 156
Balance at end of year	3 487 021	149 610 716	3 164 521	133 817 456
			–	
Analysis of outstanding risk claims provision	3 487 021	149 610 716	3 164 521	133 817 456
Estimated gross claims	–	157 330 000	–	139 914 338
Outstanding risk claims provision relating to risk transfer arrangements	3 487 021	–	3 164 521	–
Less: Estimated recoveries from personal medical savings accounts (Note 4)	–	(7 719 284)	–	(6 096 882)
Total outstanding risk claim provision per Statement of Financial Position - covered by risk transfer arrangement and not covered by risk transfer arrangement.		153 097 737		136 981 977

Process and assumptions used to prepare estimates

The process used to determine the assumptions in respect of risk claims provisioning is intended to result in realistic estimates of the most likely or expected outcome. The sources of data used as inputs for the assumptions are internal, using detailed studies that are carried out monthly. There is more emphasis on current trends, and where in early years, there is insufficient information to make a reliable best estimate of claims development, prudent assumptions are used.

Each notified claim is assessed on a separate, case-by-case basis with due regard to the claim circumstances, information available from Managed Care management services and historical evidence of the size of similar claims. The provisions are based on information currently available. However, the actual claims incurred may vary from the estimate of outstanding risk claims provision. Reasons for this include differences in the underlying insurance contract, claim complexity, the volume of claims, the individual severity of claims, determining the occurrence date of a claim and reporting lags.

The Chain Ladder method is used to estimate the most likely cost of outstanding claims. This method extrapolates the development of paid and incurred claims to estimate the ultimate claim amounts for each benefit month based upon observed developments of earlier periods. In this instance, actual claims paid to the mid-March 2016 claims run were combined with an extrapolation of future claims paid at claims runs occurring after mid-March 2016. It is assumed that the payments of future claims will emerge in a manner that is consistent with the historical pattern.

The actual method used is consistent with prior years and considers categories of claims and observed historical claims development. To the extent that these methods use historical claims development information they assume that the historical claims development pattern will occur again in the future. There are reasons why this may not be the case, which, in so far as they can be identified, have been allowed for by modifying the methods. Such reasons include:

- Changes in processes that affect the recording and settlement of claim payments;
- Economic, legal, political and social trends that result in different than expected levels of inflation and/or medical benefits to be provided;
- Changes in the Scheme's composition of members and their dependants; and
- Random fluctuations, including the impact of large losses.

6. Outstanding risk claims provision (continued)

Assumptions

The assumptions that have the greatest effect on the measurement of the outstanding risk claims provision are the expected percentages of claims settled at each claims run occurring after the mid-March 2016 claims run.

The claims outstanding at the end of the year are shown in the table below as a percentage of total expected claims for each service month:

	Basic	Core Saver	Traditional	Comprehensive	Plus	PMB	Average
December	70%	60%	46%	48%	46%	47%	54%
November	16%	9%	8%	11%	11%	13%	11%
October	4%	3%	2%	3%	2%	5%	3%
September	2%	3%	1%	1%	1%	1%	2%
August and prior	0%	0%	0%	0%	0%	1%	0%

Changes in assumptions and sensitivities to changes in key variables

The table below outlines the sensitivity of the outstanding risk claims provision to changes in the assumed proportion of claims outstanding used in the estimation process. It should be noted that this is a deterministic approach with no allowance for possible correlations between the key variables.

An analysis of the outstanding risk claims provision's sensitivity provides an indication of the adequacy of the Scheme's estimation process. The Scheme believes that the outstanding risk claims provision in the statement of financial position is adequate. However, it recognises that the process of estimation is based upon expected values for certain variables and assumptions of which the actual values might be different.

The table outlines the sensitivity of these percentages, and the impact on the Scheme's liabilities if an incorrect assumption is used.

	2015	2014
	R	R
Effect of a 1% increase in assumed percentage	12 268 068	11 074 681
Effect of a 2% increase in assumed percentage	24 882 461	22 452 632
Effect of a 3% increase in assumed percentage	37 859 774	34 147 756

7. Risk contribution income

Gross contributions per registered rules	3 969 450 359	3 575 249 082
Less: Personal medical savings account contributions received*	(540 616 512)	(489 670 080)
Risk contribution income	3 428 833 847	3 085 579 002

*The Savings contributions are received by the Scheme in terms of Regulation 10(1) and the Scheme's registered rules and held in trust on behalf of its members. Refer to Note 4 to the financial statements for more detail on how these monies were utilised.

8. Net claims incurred

	2015	2014
	R	R
Claims incurred excluding claims incurred in respect of risk transfer arrangements		
Current year claims	3 426 610 733	3 096 294 758
Movement in outstanding risk claims provision (Note 6)	147 955 029	124 390 156
• Over provision in prior year (Note 6)	(1 655 687)	(9 427 300)
• Current year balance	149 610 716	133 817 456
Less:	481 039 803	442 858 945
• Savings plan claims paid (Note 4)	478 827 231	438 801 932
• Discounts received on claims	2 212 572	4 057 013
	3 093 525 959	2 777 825 969

8. Net claims incurred (continued)

	2015	2014
	R	R
Claims incurred in respect of risk transfer arrangements		
Current year claims	162 653 284	135 808 701
Movement in outstanding claims provision		
• Adjustment for current year (Note 6)	3 487 021	3 164 521
	166 140 305	138 973 222
Total risk claims incurred	3 259 666 264	2 916 799 191
Less:		
Recoveries from the Road Accident Fund	(9 151 931)	(6 575 393)
Net claims incurred	3 250 514 333	2 910 223 798

9. Net income on risk transfer arrangements

	2015	2014
	R	R
Recoveries received on risk transfer arrangements	166 140 305	138 973 222
Preferred Provider Negotiators	52 985 147	43 447 535
CareCross Health	95 441 785	81 715 237
Centre for Diabetes and Endocrinology	1 363 965	–
Netcare 911	16 349 408	13 810 450
Less:		
Premiums paid on risk transfer arrangements	(138 994 359)	(120 181 414)
Preferred Provider Negotiators	(43 875 899)	(40 556 741)
CareCross Health	(78 874 924)	(67 151 266)
Centre for Diabetes and Endocrinology	(2 457 400)	–
Netcare 911	(13 786 136)	(12 473 407)
Net income on risk transfer arrangements	27 145 946	18 791 808

The Scheme renewed its three existing risk transfer arrangments and entered into a fourth during 2015:

Preferred Provider Negotiators (Pty) Ltd

Preferred Provider Negotiators (PPN) cover the optometry benefits for the Comprehensive and Traditional options. The risk transfer agreement is in accordance with instructions given by the Scheme. The agreement expired at the end of 2015, but is reviewed annually and is renewable depending on fee negotiations. The risk transfer premiums are charged on a per beneficiary basis.

CareCross Health (Pty) Ltd

Primary healthcare for the Basic and PMB options are covered by the risk transfer arrangement with CareCross Health (Pty) Ltd (CareCross). The risk transfer agreement is in accordance with instructions given by the Scheme. The agreement expired at the end of 2015. The risk transfer premiums are charged on a per beneficiary basis.

Netcare 911 (Pty) Ltd

Netcare 911 (Netcare) provides emergency evacuation services to members of all options of the Scheme. The risk transfer agreement is in accordance with instructions given by the Scheme. The agreement expired at the end of 2015. The risk transfer premiums are charged on a per beneficiary basis.

Centre for Diabetes and Endocrinology (Pty) Ltd

The Centre for Diabetes and Endocrinology provides diabetes benefits to members of all benefit options of the Scheme, except for the Basic and PMB plans. The risk transfer agreement is in accordance with instructions given by the Scheme. The agreement expires at the end of 2015, but is reviewed annually and is renewable depending on fee negotiations. The risk transfer premiums are charged on a per enrollee basis.

10. Net investment income

	2015	2014
	R	R
Available-for-sale investments	77 016 271	72 415 024
• Dividend income	17 403 083	12 754 861
• Interest income	59 613 188	59 660 163
Cash and cash equivalents interest income	31 619 404	38 756 296
	108 635 675	111 171 320
Return on personal medical savings account trust monies invested	32 330 050	25 719 811
	140 965 725	136 891 131

11. Net realised gain on disposal of available-for-sale investments

	2015	2014
	R	R
Realised gains on available–for–sale investments	113 922 969	30 498 779
• Listed equities	110 558 960	24 374 811
• Bonds	2 719 100	6 062 059
• Money market instruments	644 909	61 909
Realised losses on available-for-sale investments	(21 646 885)	(17 487 664)
• Listed equities	(16 677 696)	(5 306 317)
• Bonds	(1 729 138)	(2 632 489)
• Money market instruments	(3 240 051)	(9 548 858)
	92 276 084	13 011 115

12. Surplus/(deficit) after investment income, other income and other expenditure per benefit option

2015	PMB	Basic	Core Saver	Traditional	Comprehensive	Plus	Total
Risk contribution income	**20 408 983**	**413 279 951**	**399 376 271**	**638 482 262**	**1 708 473 694**	**248 812 686**	**3 428 833 847**
Relevant healthcare expenditure	**(6 637 647)**	**(295 388 366)**	**(267 946 062)**	**(627 379 262)**	**1 808 603 397)**	**(298 559 151)**	**(3 304 513 885)**
Net claims incurred	(4 734 060)	(298 191 262)	(253 593 626)	(616 556 939)	(1 781 641 244)	(295 797 202)	(3 250 514 333)
Risk claims incurred	(4 881 869)	(300 014,502)	(255 156 848)	(617 912 894)	(1 785 534 059)	(296 166 092)	(3 259 666 264)
Third party claim recoveries	147 809	1 823 240	1 563 222	1 355 955	3 892 815	368 890	9 151 931
Managed Care: management services	(935 867)	(14 387 681)	(14 110 912)	(13 443 749)	(34 933 451)	(3 333 838)	(81 145 498)
Net income on risk transfer arrangements	(967 720)	17 190 577	(241 524)	2 621 426	7 971 298	571 889	27 145 946
Risk transfer arrangements premiums paid	(1 390 250)	(80 448 477)	(2 462 698)	(16 835 978)	(37 016 329)	(840 627)	(138 994 359)
Recoveries from risk transfer arrangements	422 530	97 639 054	2 221 174	19 457 404	44 987 627	1 412 516	166 140 305
Gross healthcare result	**13 771 336**	**117 891 585**	**131 430 209**	**11 103 000**	**(100 129 703)**	**(49 746 465)**	**124 319 962**
Administration expenditure	(3 314 575)	(49 747 500)	(47 692 871)	(41 602 206)	(119 307 383)	(11 337 933)	(273 002 468)
Net impairment loss on healthcare receivables	(24 864)	(314 633)	(267 278)	(235 646)	(676 086)	(64 356)	(1 582 863)
Net healthcare result	**10 431 897**	**67 829 452**	**83 470 060**	**(30 734 852)**	**(220 113 172)**	**(61 148 754)**	**(150 265 369)**
Other income	**3 245 271**	**40 690 042**	**43 087 842**	**30 019 846**	**108 011 238**	**10 220 554**	**235 274 793**
Net investment income (pro-rata)	1 711 090	21 693 525	18 322 803	16 145 030	46 356 740	4 406 487	108 635 675
Interest earned on personal medical savings accounts	–	–	8 678 198	–	21 613 508	2 038 344	32 330 050
Net realised gain on disposal of available-for-sale investments	1 499 554	18 586 581	15 733 043	13 577 544	39 183 969	3 695 393	92 276 084
Sundry income	34 627	409 936	353 798	297 272	857 021	80 330	2 032 984
Other expenditure	**(155 284)**	**(1 960 881)**	**(10 335 222)**	**(1 454 793)**	**(25 794 318)**	**(2 435 207)**	**(42 135 705)**
Asset management fees	(155 284)	(1 960 881)	(1 657 024)	(1 454 793)	(4 180 810)	(396 863)	(9 805 655)
Interest paid on personal medical savings accounts	–	–	(8 678 198)	–	(21 613 508)	(2 038 344)	(32 330 050)
Net surplus/(deficit) for year	**13 521 884**	**106 558 613**	**116 222 680**	**(2 169 799)**	**(137 896 252)**	**(53 363 407)**	**42 873 719**

12. Surplus/deficit after investment income, other income and other expenditure per benefit option (continued)

2014	PMB	Basic	Core Saver	Traditional	Comprehensive	Plus	Total
Risk contribution income	**14 120 198**	**342 214 550**	**303 674 186**	**615 961 596**	**1 566 509 062**	**243 099 410**	**3 085 579 002**
Relevant healthcare expenditure	**(3 437 979)**	**(242 229 662)**	**(214 760 357)**	**(602 640 000)**	**(1 627 445 346)**	**(276 178 243)**	**(2 966 691 587)**
Net claims incurred	(2 146 229)	(244 603 498)	(203 140 643)	(590 721 591)	(1 596 427 559)	(273 184 278)	(2 910 223 798)
Risk claims incurred	(2 223 418)	(245 841 406)	(204 093 602)	(591 789 923)	(1 599 369 831)	(273 481 011)	(2 916 799 191)
Third-party claim recoveries	77 189	1 237 908	952 959	1 068 332	2 942 272	296 733	6 575 393
Managed Care: management services	(666 384)	(12 669 029)	(11 131 226)	(13 515 690)	(33 862 683)	(3 414 585)	(75 259 597)
Net income on risk transfer arrangements	(625 366)	15 042 865	(488 488)	1 597 281	2 844 896	420 620	18 791 808
Risk transfer arrangements premiums paid	(949 935)	(68 710 217)	(1 821 815)	(15 245 415)	(32 893 967)	(560 065)	(120 181 414)
Recoveries from risk transfer arrangements	324 569	83 753 082	1 333 327	16 842 696	35 738 863	980 685	138 973 222
Gross healthcare result	**10 682 219**	**99 984 888**	**88 913 829**	**13 321 596**	**(60 936 284)**	**(33 078 833)**	**118 887 415**
Administration expenditure	(2 301 388)	(42 449 329)	(36 653 325)	(40 698 123)	(112 260 311)	(11 301 209)	(245 663 685)
Net impairment loss on healthcare receivables	(14 705)	(223 690)	(173 119)	(189 911)	(525 259)	(52 714)	(1 179 398)
Net healthcare result	**8 366 126**	**57 311 869**	**52 087 385**	**(27 566 438)**	**(173 721 854)**	**(44 432 756)**	**(127 955 668)**
Other income	**1 673 743**	**24 001 550**	**24 919 003**	**19 825 307**	**72 917 828**	**7 279 059**	**150 616 490**
Net investment income (pro-rata)	1 489 809	21 363 931	16 753 410	17 646 630	49 023 722	4 893 818	111 171 320
Interest earned on personal medical savings account	–	–	6 097 195	–	17 841 572	1 781 044	25 719 811
Net realised gain on disposal of available-for-sale investments	174 362	2 500 362	1 960 762	2 065 302	5 737 571	572 756	13 011 115
Sundry income	9 572	137 257	107 636	113 375	314 963	31 441	714 244
Other expenditure	**(157 324)**	**(2 256 035)**	**(7 866 359)**	**(1 863 488)**	**(23 018 487)**	**(2 297 832)**	**(37 459 525)**
Asset management fees	(157 324)	(2 256 035)	(1 769 164)	(1 863 488)	(5 176 915)	(516 788)	(11 739 714)
Interest paid on personal medical savings account	–	–	(6 097 195)	–	(17 841 572)	(1 781 044)	(25 719 811)
Net surplus/(deficit) for year	**9 882 545**	**79 057 384**	**69 140 029**	**(9 604 619)**	**(123 822 513)**	**(39 451 529)**	**(14 798 703)**

13. Related party disclosures

Transactions and balances with key management personnel

The following table provides the total amount of transactions, entered into with related parties for the relevant financial year.

Statement of comprehensive income	2015	2014
	R	R
Compensation		
Short-term employee benefits	5 933 816	4 873 545
Trustees' remuneration	2 598 566	2 448 200
Centenary celebrations	–	587 590
Total compensation paid to key management personnel	8 532 382	7 909 335
Contributions and claims		
Gross contributions received	708 730	896 822
Claims incurred	602 168	1 080 185
Statement of financial position		
Personal medical savings accounts balances	24 155	16 327

The terms and conditions of the related party transactions were as follows:

Transaction	Nature of transactions and terms and conditions thereof
Centenary celebrations	The Centenary celebrations line item is comprised of amounts paid to Star Trackers, to arrange and coordinate the Bankmed Centenary celebration. Star Trackers is the trading name of Wells Corporate Management CC, which is owned by Mrs L Wells who is the wife of the former Chairman of the Board of Trustees. R537 590 of the total amount related to reimbursements for payments made to sub-contractors and R50 000 was for project management fees.
Contributions received	This constitutes the contributions paid by the related party as a member of the Scheme, in their individual capacity. All contributions were at the same terms as applicable to third parties.
Claims incurred	This constitutes amounts claimed by the related parties, in their individual capacity as members of the Scheme. All claims were paid out in terms of the rules of the Scheme, as applicable to third parties.
Personal medical savings account balances	The amounts owing to the related parties relate to medical scheme savings balances to which the parties have a right. In line with the provisions of Circular 38, all interest earned on the allocated to members personal medical savings accounts. The amounts are all current and are payable on demand should an appropriate claim be issued, or the member exit the Scheme.

13. Related party disclosures (continued)

	2015	2014
	R	R
Transactions and balances with related parties		
Statement of comprehensive income		
Actuarial fees	1 905 357	1 754 302
Administration fees	205 255 678	185 573 907
Risk transfer premiums paid	122 750 823	107 708 007
Managed Care: management services	73 656 148	66 702 788
Benefit management services	24 755 928	18 804 892
Statement of financial position		
Available-for-sale investments: Participating employers	516 666 550	681 887 562
Cash and cash equivalents: Participating employers	30 268 687	25 609 379
Insurance and other payables	5 512 023	4 257 557
Share of outstanding claims provision	1 843 210	1 931 832

Terms and conditions of the risk transfer agreements

The risk transfer agreements are in accordance with instructions given by the Trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations.

Terms and conditions of the Managed Care agreements

The Managed Care agreements are in accordance with instructions given by the Trustees of the Scheme. The agreements are reviewed annually and are renewable depending on fee negotiations.

Terms and conditions of the actuarial contract

The actuarial agreement is in accordance with instructions given by the Trustees of the Scheme. The agreement is reviewed annually and is renewable depending on fee negotiations, unless notification of termination is received. The Scheme has the right to terminate the agreement on 90 days' notice.

Terms and conditions of investments in participating employers

All investments in participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

14. Non-Compliance with the Medical Schemes Act No 131 Of 1998

Non-compliance with Section 33(2)(b) and Section 33(2)(c) – Financial performance and soundness of the Bankmed benefit options

Nature and impact

In terms of Sections 33(2)(b) and 33(2)(c) of the Act, each benefit option shall be self–supporting in terms of membership and financial performance and be financially sound. The Bankmed Comprehensive, Plus and Traditional plans incurred net healthcare deficits for the year ended 31 December 2015, thereby contravening Section 33(2)(b) and Section 33(2)(c) of the Act.

Causes for failure

The Scheme's benefit design process always includes considerations which look at the Scheme as a whole, needing to provide a full range of benefit options to cater for the target population, and takes into account the Scheme's financial stability and current reserve levels. Similar losses were anticipated in the budget, which was subsequently approved by the Council for Medical Schemes (CMS).

Corrective action

The benefits and contributions proposal approved by the CMS for 2015 included budgeted losses for the benefit options which generated operational losses. As required by the CMS, Bankmed continues to submit monthly management accounts reflecting the performance of the benefit options.

Non-compliance with Section 26(7) – Late payment of contributions

Nature and impact

Contributions due from a number of employers were received more than three days after becoming due in certain months during 2015, which is in contravention of Section 26(7) of the Act.

Causes for failure

Due to internal process delays, the employers did not pay contributions on behalf of members within 3 days of becoming due. As a result the Scheme is in contravention of Section 26(7) of the Act.

Corrective action

The administrator's robust follow-up process has been instrumental in ensuring timeous payment of contributions by employer groups. Bankmed Scheme Management also continues to engage employer groups to put in place updated Employer–Scheme contracts compelling employers to pay according to the Scheme rules and the Act.

Non-compliance with Section 35(8)(a) – Investments in participating employers

Nature and impact

The Scheme holds investments, via various instruments, with ABSA Bank Ltd, FirstRand Bank Ltd, Landbank and The Standard Bank of SA Ltd who are participating employers of the Scheme. The Scheme also banks with FirstRand Bank Ltd and therefore has various current accounts with this employer. This is in contravention of Section 35(8)(a) of the Act, as the Scheme is not allowed to hold investments in any participating employer.

Causes for the failure

As these institutions are major commercial banks an investment portfolio excluding these employers would fail to perform optimally in the South African investment markets. Funds are therefore invested in various instruments issued by these participating employers. Investments in publicly traded instruments of participating employers are made and managed via external investment managers and are managed in terms of the agreed mandates.

Corrective action

The Scheme has obtained an exemption from the CMS.

Non-compliance with Section 35(8)(c) – Investments in any administrator

Nature and impact

The Scheme holds direct as well as indirect investments in MMI Holdings, Sanlam Limited and Liberty Holdings through the Investec Absolute Opportunity and Prudential Global Real Return portfolios.

14. Non-Compliance with the Medical Schemes Act No 131 Of 1998 (continued)

Causes for failure

Scheme's investments are outsourced to, and managed by, independent third-party asset managers who have full discretionary mandates in terms of share purchases. All such investment decisions are made by these third-party asset managers based on their own investment theses. The Scheme is not involved in this investment decision making process as the asset manager is solely responsible for the asset selection and investment performance of the portfolio.

Corrective action

The Scheme has obtained an exemption from the CMS.

15. Reclassification of fees for accredited Managed Care services

Fees are contractually determined per member per month, reducing upfront capital outlays. Circular 56 of 2015 issued by the Council for Medical Schemes on 9 September 2015 concluded that all accredited Managed Care services should be included as part of relevant healthcare expenditure, as they directly impact on the delivery of cost-effective and appropriate healthcare benefits to beneficiaries of medical schemes. Fees for accredited Managed Care services have therefore been reallocated from below "Gross Healthcare result" to "Relevant healthcare expenditure" in the Statement of Comprehensive Income for 2014 and 2015. The reallocation has not affected or altered the "Net healthcare result" or net financial position of the Scheme.

Additional management information on investments

– in addition to that included in the 2015 Annual Financial Statements (as requested at the 2015 AGM)

Introduction

The overall objective of Bankmed's investment activities is to achieve the Scheme's targeted return with the available investable reserves, at the lowest possible risk of capital loss.

The oversight of the Scheme's investment strategy and activities has been delegated to an Investment Committee by the Board of Trustees. The Committee is appointed by the Board and currently consists of four Trustees. The Committee is allowed to invite investment experts and consultants to participate in its deliberations. The Committee's powers, duties and responsibilities are specified in the Terms of Reference of the Investment Committee.

Achieving Bankmed's strategic investment return target

The Scheme's overall strategic investment return target is based on average medical inflation over the past 10 years, which amounts to approximately CPI+3.5%. The details of Bankmed's investment strategy and objectives, are specified in the Scheme's Statement of Investment Policy, as well as the processes and procedures undertaken to achieve these objectives. Following is a brief summary of the key aspects:

Three investment managers have been appointed to generate the investment returns required by the Scheme. Two multi-asset managers (Investec and Prudential), and one money market manager (Taquanta), have been appointed. The investment managers are selected, and ultimately appointed, via a rigorous and thorough recruitment process. The appointed investment managers' performance is also continually compared to peers, to ensure the returns generated are reasonable considering the prevailing market conditions.

Bankmed's investable funds are allocated to the three investment managers based on the managers' individual benchmarks, which must aggregate to the overall targeted return, and therefore the overall benchmark, of CPI+3.5%. The investment return is measured against the overall benchmark over a rolling three-year period and is therefore the aggregated annualised return over the previous 36 months.

The current strategic allocation of the Scheme's investable funds, is 65% to the multi-asset managers (35% Investec; 30% Prudential), and 35% to the money market manager (Taquanta). The allocation percentages are basically derived as follows:

Manager	Benchmark: CPI +	Allocation	Weighted
Investec	5%	35%	1.75%
Prudential	4%	30%	1.20%
Taquanta	1.5%	35%	0.53%
Overall target/benchmark = CPI+			**3.48%**

The individual mandates of the investment managers compel the managers to operate within the provisions of the Medical Schemes Act (MSA), and of any other applicable legislation. The mandates also include other restrictions and limitations specified by the Scheme, to further limit exposure to risk within the Scheme's risk appetite. An example of such is a provision that prohibits investment managers from losing more than 5% of the funds under their management, over any particular 12-month period. Other constraints include prohibiting certain practices using derivatives and prohibiting the investment of funds in institutions with a lower credit rating than that specified in the mandate.

Asset allocation

Regulation 30 of the Medical Schemes Act (MSA), and Annexure B related thereto, regulate the types of asset that medical schemes may invest in and the amounts that may be invested in those asset types. These regulations are in place to limit the risk that medical schemes undertake when investing reserves. A maximum of 40% of total invested funds is permitted to be held in local equities, with no off-shore equity holdings permitted. At least 20% of the total funds invested must be in cash and/or other liquid instruments of the large and medium sized domestic banking institutions. No more than 35%, however, is to be invested in any one of the larger banking institutions, in aggregate (i.e. Bonds, Money Market instruments, Debt, Equity, etc.), and no more than 10% in any other institution, in aggregate. Certain government owned enterprises are allowed up to 20%. 100% of a medical scheme's funds may be invested in Government bonds and other Government guaranteed instruments.

No more than 15% of a medical scheme's funds may be held in foreign cash, money market instruments and/or foreign bonds. No more than 10% in total, may be invested in property or in shares of property companies.

Asset allocation	2015	2014	2013
Equity	**23%**	**19%**	**17%**
Property	5%	3%	2%
Debt	23%	19%	16%
Cash and Money Market	37%	51%	57%
Foreign	12%	8%	8%

In terms of Bankmed's asset allocation, multi-asset managers are only constrained by Reg. 30, and the mandated credit-rating limitation, as to what type of assets they are permitted to invest in. They are otherwise free to allocate funds to where they consider it best to maximise the Scheme's returns. The one exception is investments in Equity, where the multi-asset managers can invest over the 40% limit prescribe by Annexure B, as there is no equity allocation within the Taquanta portfolio allowing the multi-asset managers the freedom to invest up to 60% of the funds invested by them in equities. Ultimately, compliance with the limits prescribed in Annexure B has to be monitored at Scheme level.

'Available-for-sale' vs 'Cash and Cash Equivalents'

The classification of investment instruments between 'available-for-sale' and 'Cash and Cash Equivalents' in the Annual Financial Statements is based mainly on the type of instrument and the maturity date of the specific instrument thereafter. In certain instances, classification can be based on the Scheme's intended use of the specific instrument. The general practice is that equity, property and debt instruments (bonds) are classified as 'available-for-sale', irrespective of the maturity date. Money market instruments that have a maturity date that is more than 12 months after the balance sheet date, will also be classified as 'available-for-sale'. The short-term portion of 'available-for-sale' investments shown under "Current Assets" on the balance sheet are bonds with a maturity date with-in 12 months from the balance sheet date. Short-term money market instruments, and cash held in call accounts and current accounts, are classified as 'Cash and Cash Equivalents'.

Investment performance

The investment performance in 2015 was satisfactory considering the state of the economy and the volatility of the investment markets. Compared to their peers, the investment managers fared well.

	2015	2014	2013
Unrealised gain/(loss) [Δ in revaluation reserve]	(48 518 231)	41 858 002	(45 215 449)
Realised gains	92 276 084	13 011 115	90 124 533
Overall capital gain	43 757 853	54 869 117	44 909 084
Investment income	108 635 675	111 171 320	97 263 795
Total return for year	152 393 528	166 040 437	142 172 879
Annual return percentage	***7.9%***	***8.3%***	***7.9%***
1-year benchmark (CPI+3.5%)	8.3%	8.3%	7.8%
Annualised 3-year return percentage	***8.0%***	***9.0%***	***8.9%***
Overall Scheme benchmark *(CPI+3.5% annualised over 3-years)*	8.3%	8.6%	8.7%

NEWTON COGHLAN
SENIOR MANAGER: FINANCE & RISK
5 MAY 2016

Trustee Fee Policy

Incorporating Independent Committee Members

Version number:	2	
Summary:	This document sets out the policy for fees paid to the Trustees of the Board.	
Proposed by:	**Mr Teddy Mosomothane** Chief Executive Officer	**20 April 2016** Date
Recommended by the Remuneration Committee for tabling at the Annual General Meeting (AGM):	**Mr D Armstrong** Chairman of the Remuneration Committee	**20 April 2016** Date
Effective for the year ending:	**31 December 2016** Date	
Next revision date:	**23 November 2016** Date	
Policy implementer/administrator:	Chief Executive Officer	

1. Objectives of the policy

The purpose of this policy is to document Bankmed's approach for fees paid to Trustees for services rendered in their capacity as a Trustee of the Board and of the Board's Committees.

2. Scope

Once approved, this policy is applicable to all current Trustees formally appointed to Bankmed's Board and Committees.

3. Principles

The following principles underpin Bankmed's approach to Trustee and independent Committee member fees:

3.1. **Remuneration stance.** Bankmed wishes to remunerate its member-elected and employer-appointed Trustees for their contribution to the Board and its various Committees. This will include independent Committee members serving on any Committee of the Board.

Employer-appointed Trustees may elect not to receive the fee in their personal capacity. In this event, the fee shall either be waived in writing or paid to the respective employer organisation, as directed by the Trustee.

3.2. **The quantum of the fee.** In setting the quantum of the fee Bankmed acknowledges:

- The role of the Trustee is akin to that of a non-executive director. This means that the role of the Trustee is primarily one of strategic oversight dealing with long-term sustainability issues. The normal role of the Trustee is therefore to provide a creative and informed contribution and to act as a constructive critic in looking at the objectives and benefit options devised by the executive team. Trustees should not be treated as employees with a 'portfolio' of day-to-day responsibilities for the Scheme.
- Trustees carry personal liability for the oversight role of the Scheme.
- As a medical scheme, Bankmed has a non-profit motive.
- The public interest of providing affordable healthcare.

3.3. **Differentiating the fee.** Fees will typically vary according to the level of expertise and responsibility of each Trustee. Fees for the Board Chair and the Committee Chair will therefore carry a premium over an ordinary member's fee.

4. The fee structure

4.1. The fee will comprise of an attendance fee per scheduled meeting attended, as per the sign-on register.

4.2. Persistent late coming and tardiness shall, at the discretion of the Chair, result in non-payment or pro-rata payment of the meeting fee. Disqualification of attendance fees shall be based on the holistic performance of the Trustee, as determined by the Chair from time to time.

4.3. Non-attendance will not qualify for a fee.

4.4. The fee shall be payable within 10 days of the meeting, subject to the timely receipt of evidence of attendance (signed attendance register).

5. Scheduled meetings

5.1. Core meetings shall be scheduled in advance each year.

5.2. The number of core meetings that are expected to be held each year are indicated in Appendix A.

6. Expenses

6.1. Trustees shall be reimbursed for all reasonable expenses incurred by them for attendance at the meetings and the annual strategy session.

6.2. Travel and accommodation requirements for attendance at these meetings shall be co-ordinated by Bankmed.

6.3. Trustees shall be reimbursed for all reasonable and properly-documented travel, meal and accommodation expenses that were incurred for attendance at these meetings. The receipts and documentation associated with these expenses must be submitted to Bankmed's Finance Department.

7. Taxation

Consistent with the Income Tax Act, 1962 as amended, fees paid to Trustees shall be subject to PAYE withholding at the standard rate, which is currently 25%.

8. Consulting services

Fees shall not be paid for consulting services performed by any Trustee to the Board or the Scheme, as this impinges on their independence and increases the risk of a conflict of interest, between their independent role as a Trustee and their role as consultant.

9. Conference and training workshops

Fees shall not be payable for attendance at conference or training events, over and above the conference and training cost as well as accommodation, where applicable.

10. Annual General Meeting (AGM)

10.1. The notice of meeting of the AGM shall be distributed to the members and the CMS at least 14 days before the AGM.

10.2. Trustee fees and all expense reimbursements shall be disclosed in the Annual Financial Statements on an individual Trustee basis, rather than on a 'globular' basis, in order to promote transparency.

10.3. The Annual Financial Statements are available to all members.

11. Review of fees

Market trends will normally guide the Remuneration Committee in proposing any increases to the Trustee fees. In addition, the fees shall be benchmarked to similar size restricted medical schemes, from time to time.

12. Monitoring and review of the policy

12.1. Adherence to this policy shall be monitored by the CEO's office. Any party found in non-compliance with the Trustee Fee Policy will be dealt in accordance with Bankmed's Disciplinary Policy.

12.2. Changes to this policy shall be recommended by the Remuneration Committee.

Annexure A: Core meetings per annum

Committee	Number of core meetings
Board of Trustees	7 **
Audit Committee	4
Remuneration Committee	2
Risk Management Committee	3
Investment Committee	4

** Board = 4
Strategy = 1
Benefit Design = 2 max

Remuneration = 2

Notes

Notes

Bankmed
your good health

0800 BANKMED **(0800 226 5633)**

enquiries@bankmed.co.za

www.bankmed.co.za

Bankmed App

GM_37842DIH_19/05/2016_V16