GROUP ANNUAL REPORT 2010

Bidvest Bank Limited (Registration No. 2000/006478/06) Group Annual Report for the year ended 30 June 2010

BIDVest BANK

Contents

Managing Director's report

Bidvest Bank's growth was maintained and substantial investment was committed to new infrastructure at high-traffic areas, including South Africa's premier airports and prime positions in all World Cup host cities. Ten new branches were opened, bringing the complement to 89 branches.

Satisfactory profitability was achieved, even though lower interest rates in a well capitalised bank and a strong Rand were negative for the bank as the rand/foreign currency conversion rate determines commission, fee and margin income. In foreign currency terms, revenue grew by 19% but was marginally down in Rand terms.

The team performed well, launching new products while positioning the bank as "the foreign exchange specialist." Transaction volumes rose 3,6%, though the average Rand value per transaction moved lower. The customer-base was expanded significantly, with pleasing growth in corporate customers. Expansion here assures continued strengthening of annuity income streams, a key focus area.

The 2010 World Cup did not meet expectations as we anticipated material trading improvement in the months leading up to the event. In actual fact, trading was particularly tough in these lead-up months, but the bank did notably well during the month-long tournament.

Deposit-taking activities showed pleasing growth, cash flows were strong and expenses well managed. Credit management processes remained robust and the bank suffered no bad debts. There are no impairment issues to manage. Margins improved.

The bank assumed management responsibility for Master Currency on an outsourced basis during the year.

Bidvest Bank obtained its first rating, receiving an A3.za/P-2.za rating from Moody's.

The bank took advantage of its strong balance sheet and high level of liquidity by acquiring McCarthy Fleet Solutions from current resources. This asset-based finance business became part of the leasing division.

The acquisition of the leasing business has received South African Reserve Bank approval and was implemented with effect from June 1 2010. Previous impairment issues in the newly acquired division have been addressed and there were no bad debts for credit granted in the financial year under review. Margins and interest yields were well managed and the leasing division produced good profit growth.

The bank remains well capitalised and retains the capacity to fund further growth. Bank assets have grown from R1,6 billion to R3,3 billion. The return on equity, leverage ratio and cost-to-income ratio have improved in the consolidated business.

Three core operating pillars now sustain the business: retail travel foreign exchange, corporate foreign exchange and asset-based lending. The previously narrow banking franchise has widened significantly. Had the acquisition been included for the full year, management's assessment of the profit after tax impact would have been R238 million.

During the year, significant improvements were made in compliance, corporate governance, internal audit, risk management and transformation. Bidvest Bank Limited, which is involved in 3 enterprise developments, is currently being audited, which will result in an anticipated level three (3) contributor empowerment rating compared to our level six (6) rating in June 2009.

Bidvest Bank continued its investment in people and infrastructure to meet the challenges of a growing institution. This is particularly evident in the cluster of governance departments, sales and information technology.

At year end, The Bidvest Group Limited, the bank's ultimate holding company, subscribed for 18 million new shares, thereby increasing 1st tier permanent capital by R270 million.

Many economists believe the interest rate cycle is nearing the bottom and expect the Rand to enter a weakening trend, suggesting the bank's revenue generation will improve in the year ahead. The bank has budgeted for organic revenue and profit growth for the 2011 financial year. A revised Moody's rating will be sought.

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August 24 2010

Financial highlights

Financial highlights

Statement of comprehensive income (R'000)	2010*	2009	% Change
Net income before indirect and direct taxation	**157 073**	187 513	(16,23)
Net income before direct taxation	**146 857**	182 765	(19,65)
Profit attributable to ordinary shareholders	**108 321**	132 631	(18,33)
Statement of financial position (R'000)			
Ordinary shareholder's funds	**985 258**	604 983	62,86
Total assets	**3 248 479**	1 574 539	106,31
Loans and advances	**659 277**	598 625	10,13
Deposits	**1 178 110**	832 386	41,53
Leased assets	**1 322 849**	-	
Financial performance*			
Return on assets (%)	**8,15**	8,42	
Return on equity (%)	**33,16**	21,92	
Cost-to-income ratio (%)	**52,35**	58,87	
Credit loss ratio (%)	**1,31**	0,40	
Capital adequacy			
Total risk-weighted assets (R'000)	**3 201 068**	3 409 459	(6,11)
Regulatory capital (R'000)	**702 042**	435 651	61,15
Regulatory capital to risk-weighted assets (%)	**21,93**	12,78	

* Ratios calculated assuming full year inclusion of subsidiary results

Six year review

Consolidated statement of comprehensive income
for the year ended June 30

	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000
Net interest income	**57 190**	59 264	45 409	25 646	11 668	7 168
Interest income	**102 575**	108 842	71 978	36 265	18 032	12 711
Interest expense	**(45 385)**	(49 578)	(26 569)	(10 619)	(6 364)	(5 543)
Net fee and commission income	**153 815**	147 621	112 145	96 999	88 647	81 063
Fee and commission income	**200 492**	190 606	144 465	118 369	102 897	89 542
Fee and commission expense	**(46 677)**	(42 985)	(32 320)	(21 370)	(14 250)	(8 479)
Net leasing income	**17 604**	-	-	-	-	-
Net trading income	**245 822**	251 084	174 768	149 181	118 976	118 727
Other operating income	**10 393**	3 477	3 073	(239)	2 472	6 233
Operating income	**484 824**	461 446	335 395	271 587	221 763	213 191
Net credit impairment charges	**(1 402)**	(2 276)	(5 004)	(9 687)	(1 189)	(726)
Operating income after credit impairment charges	**483 422**	459 170	330 391	261 900	220 574	212 465
Operating expenditure	**(326 349)**	(271 657)	(205 744)	(174 600)	(165 324)	(162 405)
Employment costs	**(134 427)**	(121 525)	(94 745)	(73 322)	(64 325)	(58 344)
Operating leases	**(46 998)**	(38 534)	(21 820)	(22 178)	(20 971)	(18 828)
Risk control	**(31 976)**	(26 988)	(20 463)	(22 636)	(25 508)	(26 534)
Computing costs	**(20 737)**	(16 234)	(11 755)	(11 880)	(13 340)	(13 707)
Depreciation and amortisation	**(21 704)**	(14 257)	(10 557)	(5 678)	(5 610)	(4 980)
Other operating expenditure	**(70 507)**	(54 119)	(46 404)	(38 906)	(35 570)	(40 012)
Operating income before indirect taxation	**157 073**	187 513	124 647	87 300	55 250	50 060
Indirect taxation	**(10 216)**	(4 748)	(7 987)	(5 105)	(4 201)	(3 274)
Profit before direct taxation	**146 857**	182 765	116 660	82 195	51 049	46 786
Direct taxation	**(38 536)**	(50 134)	(34 904)	(23 742)	(14 639)	(14 175)
Profit for the year	**108 321**	132 631	81 756	58 453	36 410	32 611

Financial highlights

Six year review

Consolidated statement of financial position
at June 30

	2010 R'000	2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000
Assets						
Cash and balances with banks	**975 582**	752 374	533 175	174 675	238 148	131 089
Derivative financial assets	**28 123**	49 356	9 587	3 165	11 598	5 987
Loans and advances	**659 277**	598 625	540 261	384 071	194 889	118 368
Leased assets	**1 322 849**	-	-	-	-	-
Investment securities	**59 028**	62 808	52 596	36 787	16 730	52 866
Other assets	**96 288**	41 620	37 289	45 000	24 004	15 852
Equipment	**66 276**	41 438	26 392	17 416	16 813	13 206
Intangible assets	**30 046**	26 436	4 856	5 114	2 890	192
Deferred taxation	**8 030**	1 882	118	725	1 205	537
Current taxation	**2 980**	-	-	-	-	215
Total assets	**3 248 479**	1 574 539	1 204 274	666 953	506 277	338 312
Equity and liabilities						
Equity	**985 258**	604 983	469 295	389 553	330 896	191 330
Share capital	**1 980**	1 800	1 800	1 800	1 800	720
Share premium	**435 799**	165 979	165 979	165 979	165 979	59 059
Reserves	**547 479**	437 204	301 516	221 774	163 117	131 551
Liabilities	**2 263 221**	969 556	734 979	277 400	175 381	146 982
Intergroup loan	**714 172**	-	-	-	-	-
Derivative financial liabilities	**17 872**	41 492	7 813	433	14 104	8 324
Deposits	**1 178 110**	832 386	466 935	200 372	113 543	94 623
Other liabilities	**197 708**	95 110	242 348	65 899	42 750	44 035
Deferred taxation	**57 859**	-	-	-	-	-
Current taxation	**97 062**	368	17 683	10 522	4 603	-
Defined benefit liability	**438**	200	200	174	381	-
Total equity and liabilities	**3 248 479**	1 574 539	1 204 274	666 953	506 277	338 312

Six year review

Statistics, returns and capital adequacy

Statistical review Statement of comprehensive income	2010*	2009	2008	2007	2006	2005
Net interest income to assets (%)	**1,4**	4,3	4,9	4,3	2,7	2,3
Non-interest income to assets (%)	**19,0**	28,9	31,0	41,4	48,0	65,8
Operating expenses to assets (%)	**14,8**	19,6	22,0	29,1	37,8	51,8
Interest income to interest earning assets (%)	**10,3**	9,8	10,0	8,7	6,4	7,1
Interest expense to funding liabilities (%)	**7,4**	7,6	8,0	6,8	6,1	7,3
Cost to income (%)	**52,4**	58,9	61,3	64,3	74,5	76,2
Non-interest income to total income (%)	**95,0**	87,2	85,6	91,4	94,7	96,6
Credit loss ratio (%)	**1,3**	0,4	1,1	3,3	0,8	0,8
Effective tax excluding indirect tax (%)	**28,6**	26,7	28,0	27,2	26,5	28,3
Effective tax including indirect tax (%)	**31,5**	29,3	34,4	33,0	34,1	34,9
Statement of financial position						
Return on assets (%)	**8,2**	8,4	6,8	8,8	6,8	9,5
Return on equity (%)	**33,2**	21,9	17,4	15,0	11,0	17,0
Return on risk-weighted assets (%)	**3,0**	4,0	3,7	7,9	17,1	20,1
Loans to deposits (%)	**107,4**	71,9	115,7	191,7	171,6	125,1
Regulatory capital to risk-weighted assets (%)	**21,9**	12,8	12,5	27,7	114,8	97,0
Financial leverage (times)	**3,3**	2,6	2,6	1,7	1,6	1,8
Statistical information						
Number of employees	**992**	699	550	478	464	458
Number of branches	**89**	79	65	61	55	53
Income per employee (R'000)	**795**	660	616	568	478	465
Expense per employee (R'000)	**416**	389	374	365	356	355
Profit before taxation per employee (R'000)	**351**	268	227	183	119	109
Capital adequacy						
Total assets (R'm)	**3 248**	1 575	1 204	667	534	342
Risk-weighted assets (R'm)	**3 201**	3 409	3 164	1 213	265	162
Regulatory capital (R'm)	**702**	436	397	336	305	157
Market indicators **Exchange rates at June 30**						
USD	**7,67**	7,71	7,85	7,04	7,14	6,68
GBP	**11,48**	12,75	15,66	14,12	13,17	11,97
EURO	**9,39**	10,86	12,38	9,51	9,11	8,07
Average exchange rates						
USD	**7,59**	9,04	7,30	7,22	6,43	6,21
GBP	**12,01**	14,30	14,64	13,95	11,44	11,93
EURO	**10,56**	12,01	10,76	9,41	7,82	7,89
Prime overdraft rate (%)	**10,00**	11,00	15,50	13,00	11,00	10,50

* 2010 proforma assuming full year inclusion of subsidiary results

Sustainability report

Key challenges

- Attracting and retaining senior historically disadvantaged individuals
- Meeting or exceeding customer expectations
- Improved efficiency, productivity and the elimination of expense waste
- Director and staff training and development
- Succession planning
- Continued focus on reduction in crime losses
- Challenging trading conditions in a strong Rand and low interest rate environment
- Slow economy due to impact of worldwide recession

Statistical information

	2010	2009
Operating income (R'000)	**484 824**	461 446
Profit before direct taxation (R'000)	**146 857**	182 765
BEE procurement (R'000)	**183 414**	163 418
Training spend (R'000)	**14 595**	7 866
Training spend per employee	**23 673**	11 250
Number of employees trained	**617**	699

1 Corporate governance

1.1 Introduction

The Bank is indirectly a wholly-owned subsidiary of The Bidvest Group Limited. The Bank is committed to:

- The diversification of revenue streams without losing focus on its core product offering, being foreign exchange;
- The retention and growth of its extensive customer base;
- The management of the risks associated with banking; and
- The fulfilment of its environmental, health and safety and socio-economic obligations.

1.2 Corporate style, values and ethics

Values and ethics

The Bank is committed to the conduct of its business in accordance with the highest ethical standards, as expressed in the Code of Ethics. The Bank requires all employees to confirm annually that they understand and adhere to the Code of Ethics and to report any instances of non-compliance. A report is submitted to the Audit Committee and to the board in this regard.

Bank policies and procedures, including the anti-fraud, zero tolerance and anti-money laundering policies, are designed to guide employees in the conduct of business in the furtherance of our goals of integrity, fairness and compliance with the regulatory environment. The board is satisfied that ethical standards are adhered to in the Bank's operations, and that the ethics programme is effective, if this were not the case the board would require management to take immediate action to rectify the situation.

Sustainability report (continued)

1 Corporate governance (continued)

1.2 Corporate style, values and ethics (continued)

Corporate governance

The Board of Directors ("the Board") recognises the importance of the principles of good corporate governance, and conducts itself in accordance with the Bank's statutes, the Banks Act, the Companies Act, the King Report and Code on Corporate Governance for South Africa ("King III") and its own code of conduct. The Board endorses the Code of Ethics, and its commitment to integrity, confidentiality, compliance with all applicable legislation, and employment equity. The Board's objectives are the development and sustainable growth of the Bank's business in accordance with applicable regulatory requirements, for the benefit of all stakeholders. The achievement of these objectives is dependent on the adherence to good corporate governance throughout the organisation.

King III

The guidelines set out in King III, embodying international best practice, are endorsed by the Board, and will be implemented in the Bank, to the extent that they are appropriate, given the Bank's status as a wholly-owned subsidiary of a JSE-listed company, The Bidvest Group Limited.

2 The board of directors

2.1 Board composition

At June 30 2010 the Board was composed of 2 executive and 7 non-executive directors. The Board met four times during the year.

2.2 Board committees

The following Bidvest Bank Holdings Limited subcommittees continue to review the activities of the Bank in accordance with such committees' terms of reference. The committees are:

- Audit
- Directors' Affairs
- Risk and Capital Management

In addition, the Bank board is assisted by its Remunerations and Nominations subcommittees.

Sustainability report (continued)

2 The board of directors (continued)

2.3 Directors' meeting attendance

Details of the attendance by directors at board and board sub-committee meetings is set out in the schedule below:

	Board	Audit	Risk and Capital Management	Directors Affairs
Number of meetings	4	4	4	2
Mrs LT de Waal#	4	4i	4i	
Mr L I Jacobs*	4			2
Mr B Joffe*	3			
Mr P Nyman*	4	4	3	1i
Mr J L Pamensky*@	Chairman 4	2i	3i	Chairman 1
Mr N G Payne* (appointed August 1 2009)	4	3 Chairman (from May 1 2010)	2 Chairman (from May 1 2010)	
Mr J H Postmus* @	4	4	3	2
Mr A C Salomon#	4	4i	3i	2i
Mr R G H Smith* @	3	3 (Chairman until April 30 2010)	4 (Chairman until April 30 2010)	2

* Non-Executive director # Executive director

i By invitation @ Independent non-executive director

2.4 Bidvest Bank Holdings Sub-committee composition and terms of reference

Audit Committee is composed of at least 3 non-executive directors, of whom the board chairman may not be one. Mr N.G. Payne was appointed Audit Committee chairman during the year. The function of the Committee is, inter alia, to monitor the financial, operational and management reporting process, to evaluate the adequacy and effectiveness of internal controls, accounting practices and processes, and information systems. The board is satisfied that the Committee has met its responsibilities under its terms of reference.

Directors Affairs Committee is composed of at least 4 non executive directors, and chaired by the board chairman. The committee's remit is to assist the board to maintain and enhance the process of corporate governance in the Bank.

Risk and Capital Management Committee is composed of at least 3 directors, at least 2 of whom must be non-executives. The Committee's function is principally to review and monitor the risk management strategy and policy, and to co-ordinate risk and capital management assurance activities.

2.5 Bidvest Bank Sub-committee composition and terms of reference

Nominations Committee is composed of at least 2 non executive directors and chaired by the board chairman. Its remit is the composition of the board, the appointment, induction and training of directors, and succession planning of the board and senior management.

Remuneration Committee is composed of not less than 2 directors, the majority of whom are non executive directors, and it is chaired by the board chairman. The function of the Committee is principally to assist the board in the development of remuneration guidelines for executives and senior management.

The Asset and Liability Committee (ALCO) is chaired by a non executive director and is composed of the executive directors, and the Heads: Treasury, Risk, Card and the chief dealer. The committee's function is the optimum management of the Bank's assets and commitments in accordance with board mandates and limits. This includes liquidity and cash flow management, and maintaining a strong and sound balance sheet.

Sustainability report (continued)

2 The board of directors (continued)

2.5 Bidvest Bank Sub-committee composition and terms of reference (continued)

The Credit Committee is chaired by a non executive director, and is composed of the executive directors, the Heads: Risk and Credit Management. The Committee's role is the effective management of credit risk within the mandate set out in the credit risk management policy.

The Executive committee is composed of the heads of departments and divisions, and meets formally monthly, but informally more frequently. Its focus is primarily operational, and the assessment and elimination of risk in the business.

Management is responsible for the implementation of the Board's decisions and for the sustainable development and growth of the business. The Board monitors management's performance and is satisfied that succession plans for senior management are in place.

In addition to the aforementioned sub-committees, Internal Audit, the Compliance function and the Forensic Investigations and Security Department address corporate governance in the Bank.

2.6 Board appointments and succession planning

The identification and appointment of non-executive directors with appropriate banking knowledge and experience remains an important issue for the Board. The term of office of the independent non-executive directors was extended to August 2010. The Bank continues to benefit from their experience, business acumen and critical assessment of the Bank's strategic direction and management's implementation of the Board's objectives.

Mr N.G. Payne was appointed a non-executive director on August 1 2009, and he chairs the Audit and Risk and Capital Management Committees.

2.7 Director induction, training and development programmes

New directors receive an induction pack, an introduction to the business through branch and department visits and interviews with senior management. Ongoing director training is provided, including materials on legislative and regulatory changes applicable to the Bank's operations, and seminars by experts on topical banking and financial matters.

2.8 Directors' independence and performance

The King III definition of director independence is adhered to, and four of the non-executive directors meet the definition.

The directors annually assess the effectiveness of the Board, board sub-committees, their chairmen and the managing director. The results of the assessments are presented to the Directors Affairs committee. Individual director appraisal is the responsibility of the board chairman.

3 Risk Management

The Board has overall responsibility for the establishment and oversight of the Bank's risk management framework. The Board sub-committees are responsible for developing and monitoring the Bank's risk management policies in their specified areas. All Board sub-committees report regularly to the Board on their activities.

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

Sustainability report (continued)

3 Risk Management (continued)

The board is satisfied that the risk management system and process for identifying, evaluating and managing significant risks is effective, and operated throughout the period of this report, providing reasonable assurance. The board is further satisfied that the processes will identify and enable it to take adequate action against any undue, unexpected or unusual risks. In the year under review no such risks were identified.

A documented and tested business continuity plan exists to ensure continuity of business-critical activities.

4 Compliance

Compliance risk management is an independent core risk management activity overseen by the Compliance Officer. The Compliance Officer reports administratively to the Managing Director and reports directly to the Audit Committee. The Compliance Officer engages with the Bank Supervision Department of the South African Reserve Bank on a regular basis.

The Bank's compliance framework is based on the principles of effective compliance risk management stated in the Banks Act, 1990, as amended.

The compliance function is responsible for assisting the Bank in mitigating compliance risk by maintaining an effective compliance risk management framework. The compliance function is responsible for assisting senior management in effectively managing the compliance risks faced by the respective business units. Regional compliance managers report to the Compliance Officer.

Regional compliance managers are responsible for reporting compliance issues to the Compliance Officer. Issues reported are escalated to the Operational Risk Committee and executive management as appropriate, and in need, to the Audit Committee.

To support the Bank's approach to compliance risk management, ongoing monitoring takes place to ensure adherence to the applicable legislation, regulation and industry codes.

Through ongoing training and internal communications, employees are made aware of their responsibilities in terms of legislative and regulatory requirements and developments.

4.1 Regulatory compliance

The Bank functions within a strong regulatory and supervisory environment. The environment is regarded as a control rather than a constraint. The Bank complies with the South African regulatory requirements based on the Basel II Accord, which was implemented in January 2008. Following the international financial crisis that started in 2007, the Bank for International Settlements (BIS) has taken certain steps to enhance the Basel II Accord for Banks. The enhanced Basel II framework, on which the South African Banking Regulations are based, and an implementation of a macroprudential overlay designed to limit system-wide financial distress are together being referred to as Basel III. Amendments to the current Banking Regulations to address the enhancement of the Basel II Accord are expected to be implemented in January 2011. The Banking industry in South Africa is a highly regulated industry and its banking regulations rank with the best in the world.

The Bank aims to comply with all applicable laws, regulations, standards and codes. The Board monitors compliance with these through the compliance reports prepared by the Compliance Officer on a quarterly basis, which reports include information on significant interaction with key stakeholders, including the Bank's various regulators. The Bank's primary regulator remains the Bank Supervision Department (BSD) of the South African Reserve Bank. Regulatory reporting to the BSD is seen as part of the overall compliance function of the Bank and forms part of the independent risk management framework of the Bank that continuously manages the regulatory and supervisory risks. The Bank maintains a strong relationship with the Regulator, and communication and transparency are regarded as key factors in this relationship.

Sustainability report (continued)

4 Compliance (continued)

4.1 Regulatory compliance (continued)

The Bank also adheres to the Code of Banking Practice and training is provided to all staff on its requirements. The Bank constantly strives to improve its regulatory processes and regulatory awareness by ensuring ongoing upgrading and improvement of the Bank's internal governance structures, risk management systems, development of automated systems, business models, capital strategies and disclosure standards through compliance with the Basel II framework and all other applicable laws, regulations and codes.

4.2 Compliance governance

The Bank strives to promote a strong culture of good compliance governance throughout the organisation on an ongoing basis. Adherence to applicable legislation and regulations is ensured through the documentation of all legal requirements in internal policies which are published on the intranet and updated annually. Employees receive regular training on all policies and procedures relevant to their roles and responsibilities. Line management is responsible for ensuring compliance by employees with laws, regulations, policies and procedures. Such compliance is monitored by the Compliance, Internal Audit and Forensic Investigations and Security departments. All instances of non-compliance are reported and the appropriate corrective and disciplinary action taken.

4.3 Key compliance focus areas

Ensuring compliance with the Financial Intelligence Centre Act; Exchange Control Rulings and Regulations; and The Banks Act, remain strong focal points for the compliance function.

As the Bank increases its activities in the savings and investment market, the compliance function has embarked on a project to train additional representatives and an additional key individual in line with the Fit and Proper Requirements published by the Financial Services Board ("FSB") in terms of the Financial Advisory and Intermediary Services Act ("FAIS") in October 2008 and further amended in May 2010.

A gap analysis exercise was undertaken and action plans put in place to ensure compliance with the requirements of the King III report on corporate governance. We await finalisation of the regulations relating to the new Companies Act.

Work has been done to ensure compliance with the Consumer Protection Act when it comes into effect in October 2010.

Efforts have been made to increase the frequency and extent of compliance monitoring through the appointment of an additional compliance manager. Collaboration with Internal Audit, Forensic Investigations and Security department and Operational Risk, remains ongoing, in order to ensure optimal coverage.

Compliance has also commenced a project to ensure that the regulatory universe of the recently acquired fleet solutions business is fully understood and that a comprehensive compliance risk framework is established for it.

4.4 Regulatory developments

To better regulate the quality of financial advice, the FSB has introduced amendments to the FAIS 'Fit and Proper' requirements, which deal with the qualifications and experience needed to perform a Representative or Key Individual role for a Financial Services Provider (FSP). Compliance is collaborating with the Bank Seta and our internal training department to ensure that all representatives are in a position to meet the new requirements within the prescribed period.

Sustainability report (continued)

4 Compliance (continued)

4.4 Regulatory developments (continued)

The effective dates of the Consumer Protection Act (CPA) are April and October 2010. The CPA was enacted to promote a fair, accessible and sustainable marketplace for consumer products and services, promote responsible consumer behaviour, improve standards of consumer information and prohibit unfair marketing and business practices. Compliance is overseeing the implementation of the CPA in the affected areas.

The draft Protection of Personal Information Act (POPI) has been circulated to the industry for comment. Once enacted POPI will have a material impact on all aspects of the Bank's business that are concerned with the processing of personal information in respect of the Bank's clients and employees. Compliance has appointed an additional resource with a specific focus on information technology governance and dedicated to ensuring the Bank's compliance with legislation impacting on the Bank's information technology systems.

5 Forensic Investigations and Security department

Security

The department is responsible for the prevention and investigation of all unlawful activity against the Bank, either by third parties, or Bank employees, and this includes any money laundering activity. The head of the department is the Bank's money laundering control officer. The department conducted 103 surprise cash counts from July 2009 to June 2010, and found only R226,41 in differences. Limits are checked weekly. During the period 67 branch inspections were conducted to assess branch physical security, and adherence to security operating procedures.

Specific attention was paid during the period of the World Cup to ensuring that the Bank's assets were accounted for, including assisting branches to handle the increased volumes. Security visits for new or revamped branches are conducted, to ensure that the security features purchased have been installed and are working correctly. All security programmes are continuously updated and enhanced to suit the Bank's requirements.

The 24/7 card fraud monitoring division was opened in April 2010 and is managed by 5 staff members. On average per month the department handles 7,200 exception reports and has direct contact with 250 customers regarding their transactions. Card fraud in South Africa is on the increase and it is anticipated that the Bank will be affected by this increase.

The Bank has implemented a vehicle tracking system to enhance the security of Bank vehicles.

Anti-Money laundering

The Bank has a number of control measures aimed at facilitating the detection and investigation of money laundering. These measures include a risk-based approach to customer identification, enhanced due diligence and the treatment of politically exposed persons.

Branch visits are conducted to ensure that staff adhere to the Financial Intelligence Centre Act and other regulatory provisions. Systems have been upgraded in order to comply with threshold reporting obligations.

The Bank has implemented a document scanning system in all branches, and has achieved benefits in reduction in the time taken to identify customers, reduced photocopying and document storage costs. Ongoing employee training and workshops on the requirements of applicable legislation are conducted, and the department, Compliance and Internal Audit conduct branch inspections to assess the level of compliance.

6 Going concern

The directors confirm that the Bank has adequate resources available to continue in operational existence for the foreseeable future, and for this reason they adopt the going concern basis in the preparation of the financial statements.

Sustainability report (continued)

7 Information technology

The Bank has made substantial investment in Information Technology during the year in the form of technical skills, infrastructure and systems. Disaster recovery has been enhanced and successfully tested during the year.

8. Sustainability

8.1 Remuneration

Remuneration of employees is determined in accordance with industry guidelines and is reviewed annually based on performance appraisals. Executive directors' employment contracts do not contain unusual leave or other benefit provisions, and are terminable on reasonable notice. All directors' remuneration and terms of employment are determined by the Remuneration committee. Appointments to the Board are subject to the approval of the Regulator. The Bank does not offer a share incentive scheme but executives participate in the share incentive scheme of The Bidvest Group Limited.

8.2 Staff development and retention

Training and development is ongoing, and the Bank offers bursaries to employees. In addition every year the Bank conducts learnership programmes to train candidates from previously disadvantaged communities for employment in the Bank or in the industry. Assessment and coaching is provided for all senior and management staff.

8.3 Employee wellbeing

The Bank provides a 24 hour confidential support service through ICAS (Independent Counselling and Advisory Services Organisation) to employees and their immediate families to assist them to deal with personal problems which impact on their personal and work lives. In addition, the Bank subscribes to on-line health and wellness programmes for employees and their families. The online e-Care service provides valuable interactive information on nutrition, medical conditions, drug related issues and tests procedures.

An employee Wellness Day was presented during the year, at which corporate office employees were able to participate in basic health screening tests and obtain health education.

The Bank provided a crèche for children of employees during the December holidays and World Cup.

8.4 Talent management

The Bank is committed to employee development and retention. At the end of June 2010 the Bank had 992 employees, and its employee turnover rate was 10%.

8.5 Health and safety

No incidents were reported during the 2010 financial year. The Bank complies with the health and safety requirements of the Occupation Health and Safety Act.

8.6 HIV/AIDS

There were no incidents of HIV or AIDS-related illness during the past financial year. Affected employees are eligible for assistance from the Bank's medical aid society.

8.7 Environment

The Bank makes use of recycling initiatives to ensure that its waste paper is disposed of in an environmentally acceptable manner.

Sustainability report (continued)

9 Transformation

9.1 Enterprise development

The Bank spent R5,4 million on enterprise development during the year.

9.2 Preferential procurement

The Bank's Broad-Based Black Economic Empowerment spend with Bidvest Group companies is R48,8 million, comprising 16,87% of B-BBEE procurement.

9.3 Skills development

The Bank submitted its skills plan and workplace skills report to the Bank Seta during the year, and R722 094 was received from the Bank Seta for the 2009/2010 year.

Learnerships

A total of 27 learners from previously disadvantaged communities participated in a Bank learnership programme. Total spend on learnerships was R243 000.

Bursaries

Bursaries in the following amounts were granted to permanent employees:

Black females:	Black males:	White females:	White males:
R122 558	R61 355	R32 993	R71 828

9.4 Employment equity

The employment equity report is submitted to the Department of Labour on an annual basis by October. The Bank complies with Employment Equity Regulations.

Bidvest Bank has excellent black representation across junior management levels, providing a pool of advancement candidates.

Demographic breakdown of staff complement:

Black males:	210
Black females:	397
White males:	168
White females:	217
Total:	**992**

Sustainability report (continued)

9 Transformation (continued)

9.5 Corporate social investment

The Bank acknowledges its place in the community and every year the Bank donates funds to worthy causes. The Bank spent R758 000 in the current year on Corporate Social Investment. In addition employees perform charity work in their own time. In the 2010 year the Bank supported the following institutions:

- Cerebral Palsy Association
- Wits Foundation
- Action for the Blind and Disabled Children
- Association for the Physically Disabled.
- Bathable
- Spiritual Waters
- Bateng Womens Development Forum
- Pennyville Creche
- Kutlwano Social Organisation
- SLAHIC – Donation for hearing impaired children
- Hospice Witwatersrand
- SAVRALA Charity
- Compass Charity
- Spoornet Charity Golf Day
- Aryan Benevolent Home
- Hospice Associates

10 Customer satisfaction

During the year the Bank received 104 customer complaints of which four were unresolved at year end. No matters have been referred to the Banking Ombud during the year under review. One complaint was received from the FAIS Ombud: this was misdirected, in that it related to the deduction of insurance premiums from a First National Bank account by an intermediary, for whom the Bank performs electronic funds transfer services. The complaint was resolved to the satisfaction of the customer.

Directors' responsibility for the financial statements

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the Group financial statements, comprising the directors' report, consolidated statement of financial position at June 30 2010, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa.

The directors' responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of these Group financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

The directors' responsibility also includes maintaining adequate accounting records and an effective system of risk management as well as the preparation of the supplementary schedules included in these financial statements.

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

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

Approval of the financial statements

The Group financial statements were approved by the Board of directors on August 24 2010 and signed on its behalf by –

A C SALOMON
Managing Director

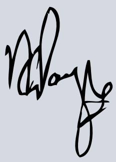
L T DE WAAL
Financial Director

Audit Committee Report

Report of the Audit Committee to the members of Bidvest Bank Limited

The committee is composed of four non-executive directors, two of whom are independent non-executive directors. The work of the committee is specified by its charter, and the provisions of the Banks Act, 1990. The committee is specifically tasked with the review of the activities of Bidvest Bank Limited ("the Group"). The committee reviewed the Group financial statements, and assessed whether these accurately represented the financial position of the Group. The committee assessed the directors' opinion that the Group has adequate resources available to continue in operational existence for the foreseeable future, and the directors' decision to adopt the going concern basis in the preparation of the consolidated financial statements. The committee further reviewed the Group's accounting policies, and the reports of the internal and external audit functions, and of the compliance officer. The committee reviewed the activities of the Group's credit committee. The audit committee met quarterly, and the chairman of the committee reported on the work of the committee to the board. The committee is satisfied that it has discharged all its responsibilities.

The committee reviewed the work of the external auditors, KPMG Inc, including the audit plan and budget, and recommended to the board and shareholders the appointment of the auditors.



N G PAYNE
Chairman

Independent auditors' report

To the members of Bidvest Bank Limited

We have audited the Group financial statements of Bidvest Bank Limited, which comprise the consolidated statement of financial position at June 30 2010, consolidated statement of comprehensive income, consolidated statement of cash flows and consolidated statement of changes in equity for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 20 to 72.

Directors' responsibility for the financial statements

The Group's directors are responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards and in the manner required by the Companies Act of South Africa. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Bidvest Bank Limited at June 30 2010 and its consolidated financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditors

PER P MacDONALD
Chartered Accountant (SA)
Registered Auditor
Director

August 24 2010

Directors' report

General information

Bidvest Bank Limited ("the Bank") is a wholly owned subsidiary of Bidvest Bank Holdings Limited. The Bank's ultimate holding company is The Bidvest Group Limited ("Bidvest") which is listed on the JSE South Africa. The Bank and its subsidiaries, Viamax (Pty) Ltd, Viamax Fleet Solutions (Pty) Ltd, Bidvest Capital (Pty) Ltd and McCarthy Retail Finance (Pty) Ltd, ("the Group") are incorporated and domiciled in South Africa.

Nature of business

Bidvest Bank Limited is a registered commercial bank. All the subsidiaries of the Bank are in the business of full maintenance leasing and asset financing.

Financial results

The financial results are set out in the financial statements and accompanying notes for the year ended June 30 2010. With effect from June 1 2010 the Group acquired its asset-based financing division.

Share capital

Details of the authorised and issued share capital appear in note 19 of the financial statements. The Bank issued 18 000 000 additional shares to its holding company.

Interest of directors and officers

No contracts were entered into in which directors or officers of the Group had an interest and which significantly affected the business of the Group. The emoluments and services of executives are determined by the Remuneration Committee. No long term service contracts exist between executive directors and the Group. Transactions with directors are entered into in the normal course of business under terms that are no more favourable than those arranged with third parties.

Directorate

Executive directors

Alan Salomon CA (SA), BSc (London) (with honours)

Managing Director appointed June 6 2006

Alan is a director of The Bidvest Group Limited. Alan has 31 years' experience in the fields of manufacturing, distribution and treasury management. Alan is a member of the Asset and Liability Committee, the Credit Committee and Chairman of the Executive Committee.

Lydia de Waal (CA) SA

Financial Director appointed March 30 2005

Lydia has 10 years' banking experience. Lydia is a member of the Asset and Liability Committee, the Credit Committee and Executive Committee.

Non-executive directors

Joseph Pamensky CA (SA), OMSG

Chairman of the Board appointed May 16 2000

Joseph is a non-executive director of The Bidvest Group Limited with over 52 years' experience in the financial, insurance and banking industries and the recipient of a number of business and public awards. He serves as a non-executive director on the boards of public and private companies, both locally and internationally, and is a member of a number of audit and remuneration committees. Joseph was formerly a director of ABSA Group Limited. Joseph is the chairman of the Directors' Affairs, Remuneration and Nominations Committees.

Directorate (continued)

Directorate (continued)

Non-executive directors (continued)

Brian Joffe CA(SA)

Appointed May 16 2000

Brian is the chief executive of The Bidvest Group Limited. Brian has over 32 years of South African and international commercial experience. He was one of the Sunday Times top five businessmen in 1992 and is a past recipient of the Jewish Business Achiever of the Year award. Brian was voted South Africa's Top Manager of the Year in 2002 in the Corporate Research Foundation's publication "South Africa's Leading Managers" and represented South Africa at the coveted "Ernst & Young World Entrepreneur of the Year" award in 2003. Awarded an honorary doctorate in May 2008 by Unisa.

Peter Nyman CA(SA), HDip Tax Law, CMA

Appointed February 16 2001

Peter is the chairman of the Asset and Liability Committee as well as the Credit Committee and a member of the Audit Committee, Risk and Capital Management Committee, Nominations and Remuneration Committees. He is the chairman of the trustees of the Bidcorp Group Pension Fund, Bidcorp Group Provident Fund and the Quantum Medical Aid Society. Peter has extensive local and international financial experience in a diverse range of industries specialising in tax.

Guy Smith CA(SA)

Appointed May 16 2000

Guy is a former senior partner of KPMG Inc. Guy is a member of the Audit Committee and Risk and Capital Management Committee as well as a member of the Directors' Affairs Committee.

John Postmus BCom

Appointed February 16 2001

John is a former General Manager: Exchange Control of the South African Reserve Bank. John is a member of the Audit, Directors' Affairs and Risk and Capital Management Committees.

Lionel Jacobs BCom, MBA

Appointed May 16 2000

Director of numerous Bidvest subsidiaries, Bassap Investments (Pty) Limited and Dinatla Investment Holdings (Pty) Limited. Lionel is an entrepreneur with extensive negotiating and investment skills and established Bassap Investments (Pty) Limited, a core shareholder in the Dinatla consortium, to further his commitment to the principles of black economic empowerment. Lionel is a member of the Directors' Affairs Committee.

Nigel Payne BCom (Hons), CA(SA), MBL

Appointed August 1 2009

Nigel is a director of a number of listed companies, including The Bidvest Group Limited, JSE Limited, Mr Price Group Limited, BSi Steel Limited and Glenrand MIB Limited. He is a leading authority on corporate governance and risk management and is a member of the King Committee. Nigel is the Chairman of the Audit Committee and Risk and Capital Management Committee.

Directors' report

Distribution of dividends

No dividends were declared during the current or prior financial year.

Company secretary and registered office

D J Crawley
Bidvest House
18 Crescent Drive, Melrose Arch
Johannesburg
2196 South Africa
Registration Number 2000/006478/06

Corporate office

11th Floor, Rennie House
19 Ameshoff Street
Braamfontein
2001 Johannesburg

Postal address

PO Box 185
2000 Johannesburg

Telephone

Corporate Office
+27 (0)11 407 3000
Call Centre
+27 (0)860 11 11 77

Telefax

+27 (0)11 407 3322

Website

www.bidvestbank.co.za

Auditors

KPMG were the appointed auditors during the year.

Events after the reporting date

There are no material events that have occurred between the statement of financial position date and the date of this report.

Certificate from the Company Secretary

In terms of section 268G(d) of the Companies Act, 61 of 1973, as amended, I certify that, to the best of my knowledge and belief, the Group has lodged with the Registrar of Companies, for the financial year ended June 30 2010, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.

D J CRAWLEY
Company Secretary

Consolidated statement of comprehensive income

for the year ended June 30

	Notes	2010 R'000	2009 R'000
Net interest income	6.1	57 190	59 264
Interest income		102 575	108 842
Interest expense		(45 385)	(49 578)
Net fee and commission income		153 815	147 621
Fee and commission income		200 492	190 606
Fee and commission expense		(46 677)	(42 985)
Net income from leasing activities		17 604	-
Leasing income		50 254	-
Depreciation		(24 948)	-
Other costs		(7 702)	-
Net trading income		245 822	251 084
Other income	6.2	10 393	3 477
Operating income		484 824	461 446
Net credit impairment charges	13.2	(1 402)	(2 276)
Operating income after credit impairment charges		483 422	459 170
Operating expenditure		(326 349)	(271 657)
Employment costs	7	(134 427)	(121 525)
Operating leases	8.1	(46 998)	(38 534)
Risk control		(31 976)	(26 988)
Computing costs		(20 737)	(16 234)
Depreciation and amortisation		(22 422)	(14 257)
Other operating expenditure	8.2	(69 789)	(54 119)
Operating income before indirect taxation		157 073	187 513
Indirect taxation	9.1	(10 216)	(4 748)
Profit before direct taxation		146 857	182 765
Direct taxation	9.2	(38 536)	(50 134)
Profit for the period		108 321	132 631
Other comprehensive income, net of income tax			
Fair value reserve through equity		1 651	2 429
Total comprehensive income for the period		109 972	135 060

Consolidated statement of cash flows

Consolidated statement of cash flows

for the year ended June 30

	Notes	2010 R'000	2009 R'000
Cash flows from operating activities			
Cash generated by operations	*10.1*	549 589	285 778
Taxation paid	*10.2*	(70 187)	(69 309)
Interest received		102 575	108 842
Interest paid		(45 385)	(49 578)
Net cash flows from operating activities		536 592	275 733
Cash flows from investing activities		(678 996)	(56 534)
Proceeds on disposal of equipment		136	-
Dividends received		1 731	2 283
Acquisition of leased assets		(50 790)	-
Acquisition of equipment		(33 616)	(24 563)
Acquisition of intangible assets		(8 010)	(11 958)
Disposal of investment securities	*10.3*	6 016	(7 688)
Business acquisition	*10.4*	(594 463)	(14 608)
Cash flows from financing activities		365 612	-
Proceeds from share issues		270 000	-
Increase in intergroup loan		95 612	-
Net increase in cash and cash equivalents		223 208	219 199
Cash and cash equivalents at beginning of year		752 374	533 175
Cash and cash equivalents at end of year	*10.5*	975 582	752 374

Consolidated statement of financial position

Consolidated statement of financial position

at June 30

	Notes	2010 R'000	2009 R'000
Assets			
Cash and balances with banks	11	975 582	752 374
Derivative financial assets	12	28 123	49 356
Loans and advances	13	659 277	598 625
Leased assets	14	1 322 849	-
Investment securities	15	59 028	62 808
Other assets	16	96 288	41 620
Equipment	17	66 276	41 438
Intangible assets	18	30 046	26 436
Deferred taxation	24	8 030	1 882
Current taxation		2 980	-
Total assets		3 248 479	1 574 539
Equity and liabilities			
Equity		985 258	604 983
Share capital	19	1 980	1 800
Share premium	20	435 799	165 979
Retained earnings		546 292	437 668
Fair value reserve		1 187	(464)
Liabilities		2 263 221	969 556
Intergroup loan	21	714 172	-
Derivative financial liabilities	12	17 872	41 492
Deposits	22	1 178 110	832 386
Other liabilities	23	197 708	95 110
Deferred taxation	24	57 859	-
Current taxation		97 062	368
Defined benefit liability	25	438	200
Total equity and liabilities		3 248 479	1 574 539

Consolidated statement of changes in equity

Consolidated statement of changes in equity

for the year ended June 30

	2010 R'000	2009 R'000
Share capital	1 980	1 800
Opening balance at July 1	1 800	1 800
Transactions with owners		
- issue of shares	180	-
Share premium	435 799	165 979
Opening balance at July 1	165 979	165 979
Transactions with owners		
- issue of shares	269 820	-
Fair value reserve	1 187	(464)
Opening balance at July 1	(464)	(2 893)
Items recognised directly in equity		
- fair value adjustment on investment	2 236	2 524
- deferred tax effect on fair value adjustment	(585)	(95)
Retained earnings	545 989	437 040
Opening balance at July 1	437 668	304 409
Profit for the period	108 321	132 631
	984 955	604 355
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Share based payment transactions	303	628
Closing balance at June 30	985 258	604 983
Total equity		
Opening balance at July 1	604 983	469 295
Transactions with owners	270 303	628
- issue of shares	270 000	-
- share based payments	303	628
Total comprehensive income	109 972	135 060
Items recognised directly in equity	1 651	2 429
Profit for the period	108 321	132 631
Closing balance at June 30	985 258	604 983

Notes to the consolidated financial statements
for the year ended June 30

1 Reporting entity

Bidvest Bank Limited and its subsidiaries ("the Group") are domiciled in South Africa.

2 Basis of preparation

2.1 Statement of compliance

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the Companies Act of South Africa.

The Group has made the following accounting policy elections in terms of IFRS, with reference to the detailed accounting policies shown in brackets:

- regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting (accounting policy note 3.4).
- equipment is accounted for using the cost model (accounting policy 3.7);
- unrecognised actuarial gains or losses on post-retirement benefits are recognised over a period not exceeding the expected average remaining working life of active employees (accounting policy 3.14); and
- business combination transactions under common control are accounted for using the consolidated book value basis (accounting policy 3.1).

The financial statements were authorised for issue by the directors on August 24 2010.

2.2 Basis of measurement

The financial statements are prepared on the historical cost basis except that the following assets and liabilities are stated at their fair value:

- financial instruments at fair value through profit or loss
- financial assets classified as available-for-sale

2.3 Functional currency

The financial statements are presented in South African Rand ("Rand"), which is the Group's functional currency. All financial information presented has been rounded to the nearest thousand.

2.4 Basis of consolidation

Subsidiaries

Subsidiary undertakings are those entities that are controlled by the Group. The Group financial statements include the assets, liabilities and results of the Bank plus subsidiaries, controlled by the Group from the date of acquisition until the date the group ceases to control the subsidiary.

Control is defined as the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Control is presumed to exist when the Group owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity, unless, in exceptional circumstances, it can clearly be demonstrated that such ownership does not constitute control. The existence and effect of potential voting rights that are currently exercisable or convertible, including potential voting rights held by other entities, are taken into account when assessing whether the Group has control.

Intragroup balances, transaction, income and expenses, and profits and losses are eliminated in preparation of the group financial statements. Unrealised losses are not eliminated to the extent that they provide objective evidence of impairment.

Notes to the consolidated financial statements
for the year ended June 30

2 Basis of preparation (continued)

2.5 Use of estimates and judgements

The preparation of financial statements in conformity with IFRS requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. Refer to note 31 for key assumptions made. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

2.6 Adoption of new standards and interpretations effective for the current financial year

The Group has adopted the following new and amended IFRSs as of July 1 2009 that have had an effect on the Group's financial statements:

- Revised IAS 1 *Presentation of Financial Statements*. As a result of adopting this revised standard, the group presents all owner changes in equity in the statement of changes in equity. All non-owner changes in equity are presented in the income statement and the statement of comprehensive income.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

3.1 Acquisitions from entities under common control

Business combinations arising from the acquisition of entities that are under the control of the shareholder that controls the Group are accounted for at the date transfers of interests were established. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. Goodwill and intangible assets that forms part of the carrying amount that was recognised previously in the Group controlling shareholder's consolidated financial statements are also recognised. Any excess of the purchase consideration over the net asset value obtained is recognised in equity as a notional distribution to owners and presented in the common control reserve. If the net asset value exceeds the consideration, the credit is recognised in equity as a capital contribution and presented in the common control reserve.

3.2 Foreign currency

Foreign currency transactions

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Rand at foreign exchange rates ruling at the dates the fair value was determined.

Foreign currency transactions are translated at the exchange rate ruling at the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at rates of exchange ruling at the statement of financial position date. Gains and losses arising on translation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised directly in other comprehensive income.

Notes to the consolidated financial statements
for the year ended June 30

3 Significant accounting policies (continued)

3.3 Cash and cash equivalents

Cash and cash equivalents comprise cash balances on hand, cash and balances with central banks, short term highly liquid investments with maturities of three months or less when purchased and call deposits placed at other banking institutions. Bank overdrafts that are repayable on demand and form an integral part of the Group's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. Where legal right of setoff can be applied and the intention exists to settle on a net basis, bank balances have been shown net of overdraft.

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

3.4 Financial instruments

Initial recognition and measurement

Financial instruments include all financial assets and liabilities. All financial instruments are initially recognised on the trade date at which the Group becomes a party to the contractual provisions of the instrument. All financial instruments are initially measured at fair value, plus, in the case of financial assets or liabilities not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset or liability.

Subsequent measurement

Subsequent to initial measurement, financial instruments are measured either at fair value or amortised cost, depending on their classification.

Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the Group has the positive intent and ability to hold to maturity, and which are not designated at fair value through profit or loss or available-for-sale. Held-to-maturity investments are carried at amortised cost using the effective interest method less any impairment losses.

Loans and advances

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

Loans and advances are measured at amortised cost using the effective interest method, less any impairment losses.

Origination transaction costs and fees received that are integral to the effective rate are capitalised to the value of the loan and amortised through interest income as part of the effective interest rate.

Fair value through profit or loss

An instrument is classified at fair value through profit or loss if it is held for trading or is designated as such upon initial recognition. Upon initial recognition attributable transaction costs are recognised in profit or loss when incurred. Financial instruments at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency exposures. Derivatives are recognised initially at fair value. Attributable transaction costs are recognised in profit or loss when incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

Notes to the consolidated financial statements
for the year ended June 30

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

Available-for-sale financial assets

Available for sale financial assets are non-derivative investments that do not fall into another category of financial assets and are recognised in this category. Unquoted equity securities whose fair value cannot be reliably measured are carried at cost. All other available-for-sale investments are carried at fair value.

Interest income is recognised in profit or loss using the effective interest method. Dividend income is recognised in profit or loss when the Group becomes entitled to the dividend. Foreign exchange gains or losses on available-for-sale debt security investments are recognised in profit or loss. Other fair value changes are recognised directly in other comprehensive income until the investment is derecognised or impaired and the balance in equity is reclassified to profit or loss.

Fair value measurement

The determination of fair values of financial assets and financial liabilities is based on quoted market prices or dealer price quotations for financial instruments traded in active markets. For all other financial instruments fair value is determined by using valuation techniques. Valuation techniques include net present value techniques, the discounted cash flow method or comparison to similar instruments for which market observable prices exist.

Amortised cost measurement

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

Deposits

Deposits are initially measured at fair value plus transaction costs and subsequently at their amortised cost using the effective interest method.

Impairment of financial assets

Identification and measurement of impairment

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

The Group considers evidence of impairment at both a specific asset and collective level. All individually significant financial assets are assessed for specific impairment. All significant assets found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Assets that are not individually significant are then collectively assessed for impairment by grouping together financial assets (carried at amortised cost) with similar risk characteristics.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, restructuring of a loan or advance by the Group on terms that the Group would not otherwise consider, indications that a borrower will enter bankruptcy, the disappearance of an active market for security, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers or economic conditions.

Notes to the consolidated financial statements
for the year ended June 30

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

Impairment of financial assets (continued)

Identification and measurement of impairment (continued)

In assessing collective impairment the Group uses management's judgement whether current economic and credit conditions are such that losses are likely to occur. Default rates, loss rates and the expected timing of future recoveries are regularly benchmarked against actual outcomes to ensure that they remain appropriate.

Impairment losses on assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated cash flows discounted at the assets' original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and advances. Interest on the impaired asset continues to be recognised.

When a subsequent event causes the amount of impairment loss to decrease, the decrease in the impairment loss is reversed through profit or loss.

Available-for-sale financial assets

Available-for-sale financial assets are impaired if there is objective evidence of impairment, resulting from one or more loss events that occurred after initial recognition but before the reporting date, that have an impact on the future cash flows of the asset. In addition, an available-for-sale equity instrument is generally considered impaired if a significant or prolonged decline in the fair value of the instrument below its cost has occurred. In that instance, the cumulative loss that has been recognised in other comprehensive income, measured as the difference between the acquisition cost (net of any principal repayment or amortisation) and the current fair value, less any previously recognised impairment losses on that financial asset, is reclassified from equity and is recognised in profit or loss.

If, in subsequent periods, the amount relating to an impairment loss decreases and the decrease can be linked objectively to an event occurring after the impairment loss was recognised in the profit or loss, the impairment loss is reversed through profit or loss for available-for-sale debt instruments. An impairment loss in respect of an available-for-sale equity instrument is not reversed through the profit or loss but recognised in other comprehensive income.

Maximum credit risk

Credit risk arises principally from loans and advances to clients, investment securities derivatives and irrevocable commitments to provide facilities. The maximum credit risk is typically the gross carrying amount, net of any amounts offset and impairment losses. The maximum credit exposure for loan commitments is the full amount of the commitment if the loan cannot be settled net in cash or using another financial asset.

Offsetting

Financial assets and liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Group's trading activity.

3 Significant accounting policies (continued)

3.4 Financial instruments (continued)

Collateral

Financial and non-financial assets are held as collateral in respect of recognised financial assets. Such collateral, except collateral, is not recognised by the group, as the group does not retain the risks and rewards of ownership, and is obliged to return such collateral to counterparties on settlement of the related obligations. Should a counterparty be unable to settle its obligations, the group takes possession of collateral or calls on other credit enhancements as full or part settlement of such amounts. These assets are recognised when the applicable recognition criteria under IFRS are met, and the Group's accounting policies are applied from the date of recognition. Cash collateral is recognised when the Group receives the cash and is reported as amounts received from depositors.

Derecognition

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expired.

3.5 Financial guarantee contracts

A financial guarantee contract is a contract that requires the Group to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

These financial guarantee contracts are classified as insurance contracts as defined in IFRS 4 Insurance Contracts. A liability is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle the contract and a reliable estimate can be made of the amount of the obligation. The amount recognised is the best estimate of the expenditure required to settle the contract at the statement of financial position date. Where the effect of discounting is material, the liability is discounted. The discount rate used is a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

The Group performs liability adequacy tests on financial guarantee contract liabilities to ensure that the carrying amount of the liabilities is sufficient in view of estimated future cash flows. When performing the liability adequacy test, the Group discounts all expected contractual cash flows and compares this amount to the carrying value of the liability. Where a shortfall is identified, an additional provision is made through profit or loss.

3.6 Leased assets

The leased assets are moveable assets rented to customers under operating leases. This is in the range of 3-5 years. The leased assets are depreciated over the shortest period of the lease or the useful life of the asset. The maintenance costs are borne by the Group and are expensed as they are incurred.

Notes to the consolidated financial statements
for the year ended June 30

3 Significant accounting policies (continued)

3.7 Equipment

Equipment, furniture, vehicles and other tangible assets are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of equipment.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits will flow to the Group and the cost of the item can be measured reliably. Maintenance and repairs, which do not meet these criteria, are recognised in profit or loss as incurred. Depreciation, impairment losses and gains or losses on disposal of assets are recognised in profit or loss.

Items of equipment are depreciated on the straight-line basis over the estimated useful lives of the assets to the current values of their expected residual values. The assets' residual values, depreciation methods and useful lives are reviewed, and adjusted if appropriate, at each reporting date and the depreciation method is reviewed annually and adjusted if appropriate.

The estimated useful lives of equipment for the current and comparative financial year are as follows:

- computer equipment 3-5 years
- motor vehicles 5 years
- office equipment 4-10 years
- furniture and fittings 3-10 years

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, where shorter, the term of the relevant lease.

The gain or loss on the disposal or retirement of an item of property, plant and equipment is determined as the differences between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

There has been no change to useful lives from those applied in the previous financial year.

3.8 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the first-in-first-out method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

3.9 Intangible assets

Goodwill

The goodwill relates to the acquisition by the Bank of certain businesses from the Bidvest Group Limited in prior periods. The goodwill recognised is the proportionate carrying amount that was recognised previously in the Group controlling shareholder's consolidated financial statements that related to these businesses.

Computer software

Computer software that is acquired by the Group is stated at cost less accumulated amortisation and accumulated impairment losses.

Notes to the consolidated financial statements
for the year ended June 30

3 Significant accounting policies (continued)

3.9 Intangible assets (continued)

Subsequent expenditure

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

Development costs

Expenditure on research activities undertaken with the prospect of gaining new technical knowledge and understanding, is recognised in profit or loss as an expense as incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised if the product or process is technically and commercially feasible, cost can be measured reliably, future economic benefits are probable and the Group has sufficient resources to complete development. The expenditure capitalised includes all directly attributable costs necessary to create, produce and prepare the asset to be capable of operating in the manner intended by management. Other development expenditure is recognised in profit or loss as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

Amortisation

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets unless such lives are indefinite. Intangible assets with an indefinite useful life are systematically tested for impairment at each reporting date or whenever there is an indication that they are impaired. Other intangible assets are amortised from the date they are available for use. The estimated useful lives of the current and prior years are as follows:

- computer software	2 - 10 years
- development costs	3 years

3.10 Impairment of non-financial assets

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Notes to the consolidated financial statements
for the year ended June 30

3 Significant accounting policies (continued)

3.11 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, that can be estimated reliably and it is probable that an outflow of economic benefits will be required to settle the obligation. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

3.12 Leases

Group as lessee

Leases of assets are classified as operating leases if the lessor retains a significant portion of the risks and rewards of ownership. Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

Group as lessor

Lease and instalment sale contracts are primarily financing transactions, with rentals and instalments receivable, less unearned finance charges, being included in loans and advances on the statement of financial position.

Finance charges earned are computed using the effective interest method which reflects a constant periodic return on the investment in the finance lease. Initial direct costs paid are capitalised to the value of the lease amount receivable and accounted for over the lease term as an adjustment to the effective rate of return.

Leases of assets under which the Group effectively retains all the risks and benefits of ownership are classified as operating leases. Rentals received under operating leases, are accounted for as income on the straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required by the lessee by way of penalty is recognised as income in the period in which termination takes place.

3.13 Deposits, intergroup loan and trade payables

Deposits, intergroup loan and trade payables are initially measured at fair value plus transaction cost and subsequently at their amortised cost using the effective interest method.

3.14 Employee benefits

The Group contributes to a defined contribution pension fund and provident fund for all its employees based on a percentage of pensionable earnings funded by both employer and employees. The Group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses when they are due for payment and are included in the operating expenditure note.

Leave benefits due to employees are recognised as a liability in the financial statements. Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

A liability is recognised for the amount expected to be paid under short-term cash bonus if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

Notes to the consolidated financial statements
for the year ended June 30

3 Significant accounting policies (continued)

3.14 Employee benefits (continued)

The Group has an obligation for post employment medical aid, to past and current employees. For past service, the Group recognises and provides for the actuarially determined present value of post employment medical aid employer contributions on an accrual basis using the projected unit credit method. Independent qualified actuaries carry out valuations of these obligations every 3 years. Unrecognised actuarial gains or losses are accounted for over a period not exceeding the remaining working life of active employees.

3.15 Share-based payment transactions

The Bidvest Group Limited share incentive scheme allows Group employees to acquire shares in the ultimate Holding Company. The fair value of options granted is recognised as an employee expense with a corresponding increase in equity. The fair value is measured at grant date and spread over the period during which the employees become unconditionally entitled to the options. The fair value of the options is measured using a binomial method taking into account the terms and conditions upon which the options were granted. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

3.16 Share capital

Share capital is carried at issued cost.

3.17 Share premium

Share premium is carried net of share issue costs.

3.18 Interest

Interest income and expense are recognised in profit or loss using the effective interest method. The effective interest rate is the rate that exactly discounts the estimated future cash payments and receipts through the expected life of the financial asset or liability (or, where appropriate, a shorter period) to the carrying amount of the financial asset or liability. The effective interest rate is established on initial recognition of the financial asset and liability and is not revised subsequently.

The calculation of the effective interest rate includes all fees, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or liability.

Interest income and expense presented in the statement of comprehensive income include:

- interest on financial assets and liabilities at amortised cost on an effective interest basis
- interest on available-for-sale investment securities on an effective interest basis.

3.19 Fees and commission

Fees and commission income and expense that are integral to the effective interest rate on a financial asset or liability are included in the measurement of the effective interest rate.

Other fees and commission income are recognised as the related services are performed. Other fees and commission expense relate mainly to transaction and service fees, which are expensed as the services are received.

Notes to the consolidated financial statements
for the year ended June 30

3 Significant accounting policies (continued)

3.20 Net leasing income

Net leasing income comprises revenue and expenses directly attributable to full maintenance leasing activities. Rental income arising on leased assets is accounted for on a straight-line basis over the lease term on ongoing leases.

3.21 Net trading income

Net trading income comprises gains less losses related to trading assets and liabilities and includes all realised and unrealised foreign exchange differences.

3.22 Other income

Other income comprises investment income, admin fees and profits from the sale of assets.

Dividend income is recognised in profit or loss on the date the Group's right to receive payment is established.

Sale of inventory is recognised when goods are delivered and title has passed.

3.23 Taxation

Normal tax

Income tax expense comprises current and deferred tax. Current tax represents the expected tax payable on taxable income for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustments to tax payable in respect of previous years.

Deferred tax is recognised in respect of all temporary differences arising between the tax bases of assets and liabilities and their carrying values for financial reporting purposes. Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted at the reporting date.

Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss, and differences relating to investments in subsidiaries to the extent that they probably will not reverse in the foreseeable future.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or other comprehensive income.

Indirect tax

Indirect taxes, including non-recoverable value added tax (VAT) and skills development levies are separately disclosed in the statement of comprehensive income.

3.24 Distributions to shareholders

Distributions to shareholders are accounted for once they have been approved by the Board. Additional income taxes that arise from distribution of dividends are recognised at the same time as the liability to pay the related dividend is recognised.

4 Financial risk management

4.1 Introduction and overview

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

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

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

Disclosure requirements under both IFRS 7 and Pillar 3 of Basel II are driven by an overall objective of increasing the transparency of financial institutions. Such transparency allows the reader to be more informed before making decisions.

The disclosures under IFRS 7 focus on financial instruments and provide a presentation by class of financial instrument, taking into account the nature of the information to be disclosed and the characteristics of the underlying financial instruments. The principles in IAS 32 (Financial Instruments: Presentation) and IAS 39 for recognising, measuring and presenting financial assets and liabilities are taken into account in IFRS 7.

On the other hand, the disclosures under Basel II focus on capital management and allow the reader to assess the institution's capital adequacy through a presentation by class of financial exposure. These asset classes support the supervisory review process as well as regulatory reporting requirements to the extent that underlying risk characteristics and Basel II defined risk mitigation factors are taken into account.

Risk management framework

The Board has overall responsibility for the establishment and oversight of the Group's risk management framework. The Board has established the Risk and Capital Management Committee, Asset and Liability Committee, Credit Committee and Operational Risk Committee, which are responsible for developing and monitoring the Group's risk management policies in their specified areas. All Board committees have both executive and non-executive members and report regularly to the Board on their activities.

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

The Risk and Capital Management Committee is responsible for monitoring compliance with the Group's risk management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Group.

Notes to the consolidated financial statements
for the year ended June 30

4 Financial risk management (continued)

4.2 Credit risk

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

Management of credit risk

The Board has delegated responsibility for the management of credit risk to its Credit Committee. A separate Credit Department is responsible for oversight of the Group's credit risk, including:

- *Formulating credit policies* in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements.
- Establishing the authorisation structure for the approval and renewal of credit facilities. All facilities require approval by the Head of Credit, Credit Committee or the Board according to authorisation limits.
- *Reviewing and assessing credit risk*. The Credit Department assesses all credit exposures prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- *Limiting concentrations of exposure* to counterparties, geographies, products and industries.
- *Reviewing compliance* of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Credit Committee on the credit quality of portfolios and appropriate corrective action is taken.
- *Providing advice, guidance and specialist skills* to business units to promote best practice throughout the Group in the management of credit risk.
- It is the policy of the Group to only invest with A1 rated Banks.

4 Financial risk management (continued)

4.2 Credit risk (continued)

Exposure to credit risk

	Note	Gross maximum exposure 2010 R'000	Gross maximum exposure 2009 R'000	Loans and advances 2010 R'000	Loans and advances 2009 R'000	Other financial assets 2010 R'000	Other financial assets 2009 R'000
Individually impaired							
Gross amount							
Grade C (average business credit)		**666**	1 291	**666**	1 291	**-**	-
Grade D (high risk credit)		**18 269**	844	**-**	844	**18 269**	-
Grade E (marginally acceptable business credit)		**-**	754	**-**	754	**-**	-
Grade F (unacceptable business credit)		**51 710**	-	**51 710**	-	**-**	-
Total		**70 645**	2 889	**52 376**	2 889	**18 269**	-
Allowance for impairment		**(34 320)**	(1 326)	**(18 737)**	(1 326)	**(15 583)**	-
Carrying amount		**36 325**	1 563	**33 639**	1 563	**2 686**	-
Loans and advances collectively impaired							
Gross amount							
Grade A		**42 602**	35 934	**42 602**	35 934	**-**	-
Grade B		**115 760**	58 317	**115 760**	58 317	**-**	-
Grade C		**162 710**	112 238	**111 948**	112 238	**50 762**	-
Grade D		**3 605**	6 145	**3 605**	6 145	**-**	-
Grade E		**12 454**	-	**12 454**	-	**-**	-
Grade F		**18 248**	-	**18 248**	-	**-**	-
Total		**355 379**	212 634	**304 617**	212 634	**50 762**	-
Allowance for impairment		**(8 456)**	(4 781)	**(3 840)**	(4 781)	**(4 616)**	-
Carrying amount		**346 923**	207 853	**300 777**	207 853	**46 146**	-
Neither past due nor impaired							
Gross amount							
Grade A		**321 393**	494 592	**163 859**	375 834	**157 534**	118 758
Grade A (banks)		**212 706**	258 854	**-**	-	**212 706**	258 854
Grade B		**55 702**	2 336	**50 740**	-	**4 962**	2 336
Grade B (banks)		**695 506**	502 397	**25 929**	13 375	**669 577**	489 022
Grade C		**73 798**	29 050	**33 295**	-	**40 503**	29 050
Grade D		**1 120**	-	**1 120**	-	**-**	-
Grade F		**49 918**	-	**49 918**	-	**-**	-
Total carrying amount	*13*	**1 793 391**	1 496 645	**659 277**	598 625	**1 134 114**	898 020
Less financial instruments not exposed to credit risk - Cash on hand		**(155 627)**	(118 758)				
		1 637 764	1 377 887				
Represented by the following statement of financial position items:							
Balance with banks		**819 985**	633 616				
Derivative financial assets		**28 123**	49 356				
Loans and advances		**659 277**	598 625				
Investment securities		**59 028**	62 808				
Other assets		**71 351**	33 482				
		1 637 764	1 377 887				

The maximum exposure to credit risk is represented by the carrying amount of each financial asset including derivatives in the statement of financial position, as well as off statement of financial position transactions outlined in note 26.1. Instalment sales and finance lease agreements have been included in the above credit risk analysis. Assets leased under operating leases have been excluded.

Notes to the consolidated financial statements
for the year ended June 30

4 Financial risk management (continued)

4.2 Credit risk (continued)

Impaired loans

An impaired loan is a loan which the Group determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement. The carrying amount of renegotiated loans at June 30 2010 was R1 022 249 (2009: R1 696 393).

Allowances for impairment

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

The past due not impaired balance equals R464 000 in 2010 (2009: Nil) up to 30 days which relates to loans and advances to customers only.

Write-off policy

The Group writes off a loan (and any related allowances for impairment losses) when the Credit Committee determines that the loan is uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's financial position such that the borrower can no longer pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure. For smaller balance loans, write off decisions generally are based on a product specific past due status.

Security held

The Group holds financial collateral and other security against loans and advances to customers in the form of mortgage bonds over property, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of security assessed at the time of borrowing, and are updated regularly, and are reported below:

Notes to the consolidated financial statements

for the year ended June 30

4 Financial risk management (continued)

4.2 Credit risk (continued)

Security held (continued)

Security value

	Note	Loans and advances to customers 2010 R'000	Loans and advances to customers 2009 R'000	Loans and advances to banks 2010 R'000	Loans and advances to banks 2009 R'000
Against individually impaired					
Asset based finance		**96 366**	294	-	-
Property		**32**	54	-	-
Unsecured		**1 691**	2 541	-	-
Total		**98 089**	2 889	-	-
Collectively impaired					
Asset based finance		**123 854**	105 442	-	-
Cash, debtors, stock		**48 920**	59 140	-	-
Property		**67 565**	23 735	-	-
Equity		**27 510**	1 193	-	-
Unsecured		**7 537**	23 125	-	-
Total		**275 386**	212 634	-	-
Neither past due nor impaired					
Asset based finance		**243 668**	142 140	**25 929**	13 375
Unsecured		**38 782**	233 694	-	-
Total		**282 450**	375 834	**25 929**	13 375
Carrying amount	*13*	**655 925**	591 357	**25 929**	13 375

Security valuation

Type	Tangible value
Rand Cash (Cession over deposit account)	100%
Foreign cash (cession over CFC account)	90%
Pledge of Shares (JSE top 100). Quarterly statements are obtained from the customer's Broker.	50%
Cession of Unit Trusts. Monthly statements are obtained from the customer's Broker.	50%
Gold coins	50%
Cession of Insurance / Endowment Policy. Valuated at the time the Cession is signed by obtaining surrender values directly from the Assurance company.	Extra security, no commercial value
Cession of Debtors. Valuated monthly upon submission of debtor lists to the Group.	25% excluding arrears, depending on the quality of the book
General Notarial Bond over Stock. Valuated monthly upon submission of stock lists to the Group.	25%
Mortgage Bonds over property. Valuation conducted by an independent Valuator approved by the Group when the deal is initiated.	60%
A1 rated bank guarantee	100%
Suretyships	0%
Estimated market values per asset for asset based finance	100%

The aforementioned table represents the method applied by the credit committee in determining the value of security. It would be impractical to disclose the fair value of security based on the type and nature of the security.

Notes to the consolidated financial statements
for the year ended June 30

4 Financial risk management (continued)

4.2 Credit risk (continued)

Credit risk by sector

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

		Loans and advances to customers		Loans and advances to banks		Investment security	
	Note	2010 R'000	2009 R'000	2010 R'000	2009 R'000	2010 R'000	2009 R'000
Concentration by sector							
Agriculture, Hunting, Forestry & Fishing		**3 549**	-	-	-	-	-
Manufacturing		**30 587**	42 261	-	-	-	-
Mining & Quarrying		**50 611**	-	-	-	-	-
Construction		**28 664**	18 010	-	-	-	-
Wholesale		**317 702**	340 343	-	-	-	-
Transport, storage and communication		**103 531**	27 293	-	-	-	-
Financial intermediation and insurance		**20 848**	16 851	**25 929**	13 375	**21 080**	19 201
Real estate		**22 033**	11 447	-	-	-	-
Business services		**26 244**	114 628	-	-	-	-
Community, social and personal services		**13 956**	5 501	-	-	-	-
Private households		**3 835**	13 121	-	-	-	-
Other		**34 365**	1 902	-	-	**37 948**	43 607
Total	*13*	**655 925**	591 357	**25 929**	13 375	**59 028**	62 808
Of which:							
Sovereign (central government and central bank)		**9 081**	3 872	-	-	-	-

The Group also monitors concentrations of credit risk by geographical area and apart from a number of small accounts at foreign banks has exposure in South Africa only.

Settlement risk

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

Notes to the consolidated financial statements

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4 Financial risk management (continued)

4.2 Credit risk (continued)

External credit assessment

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

2010	**Gross R'000**	**(Impairment) R'000**	**Net R'000**	**Guarantees & suretyship R'000**	**Pledge of assets and other R'000**	**Total R'000**	**Carrying value for which no collateral is held R'000**
Not past due	681 291	(22 478)	658 813	67 565	543 301	610 866	47 947
Past due 0-30 days	71	-	71	-	71	71	-
Past due 31-180 days	360	-	360	-	360	360	-
Past due 181-365 days	132	(99)	33	-	-	-	33
Total	681 854	(22 577)	659 277	67 565	543 732	611 297	47 980

2009	Gross R'000	(Impairment) R'000	Net R'000	Guarantees & suretyship R'000	Pledge of assets and other R'000	Total R'000	Carrying value for which no collateral is held R'000
Not past due	603 657	(5 367)	598 290	233 394	345 345	578 687	24 970
Past due 0-30 days	655	(327)	328	301	26	327	-
Past due 31-180 days	41	(41)	-	-	-	-	-
Past due 181-365 days	379	(372)	7	-	-	-	7
Total	604 732	(6 107)	598 625	233 695	345 371	579 066	24 977

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

4.3 Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

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

The daily liquidity position is monitored daily. All liquidity policies and procedures are subject to review and approval by the Asset and Liability Committee (ALCO). Daily reports cover the liquidity position of the Group and are submitted regularly to ALCO. The maturities of financial liabilities are presented to ALCO on a regular basis.

Notes to the consolidated financial statements
for the year ended June 30

4 Financial risk management (continued)

4.3 Liquidity risk (continued)

Residual contractual maturities of financial liabilities

	Carrying amount R'000	Gross nominal outflow R'000	Less than 1 month R'000	1-3 months R'000	3 months to 1 year R'000	1-5 years R'000
June 30 2010						
Non-derivative liabilities						
Intergroup loan	(714 172)	(714 172)	-	-	-	(714 172)
Other liabilities	(194 481)	(194 481)	(140 950)	(53 531)	-	-
Deposits	(1 178 110)	(1 178 110)	(759 730)	(98 896)	(319 262)	(222)
Derivative liabilities						
Trading: outflow (liabilities)	(17 872)	(936 269)	(2 310)	(7 354)	(8 208)	-
Trading: inflow (assets)	28 123	1 437 891	5 640	6 776	15 707	-
	(2 076 512)	(1 585 141)	(897 350)	(153 005)	(311 763)	(714 394)
June 30 2009						
Non-derivative liabilities						
Other liabilities	(92 747)	(92 747)	(92 747)	-	-	-
Deposits	(832 386)	(832 386)	(755 807)	(44 975)	(31 381)	(222)
Derivative liabilities						
Trading: outflow (liabilities)	(41 493)	(788 005)	(26 241)	(3 962)	(11 290)	-
Trading: inflow (assets)	49 356	652 562	15 801	21 790	11 765	-
	(917 270)	(1 060 576)	(858 994)	(27 147)	(30 906)	(222)

The aforementioned table shows the undiscounted cash flows on the Group's financial liabilities on the basis of their earliest possible contractual maturity. The gross nominal inflow (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability. The disclosure for derivatives shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneously gross settlement (e.g. forward exchange contracts).

4.4 Market risks

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

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

Exposure to interest rate risk – non-trading portfolios

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

Notes to the consolidated financial statements

for the year ended June 30

4 Financial risk management (continued)

4.4 Market risks (continued)

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

	Carrying amount R'000	Less than 3 months R'000	3-12 months R'000	1-5 years R'000	More than 5 years R'000
June 30 2010					
Cash and balances with banks	**975 582**	**975 582**	**-**	**-**	**-**
Loans and advances	**681 824**	**428 304**	**96 108**	**147 801**	**9 611**
Leased assets	**1 322 849**	**119 461**	**358 383**	**802 305**	**29 163**
Other assets	**49 089**	**49 089**	**-**	**-**	**-**
Investment securities	**59 028**	**21 079**	**27 869**	**4 906**	**5 174**
Intergroup loan	**(714 172)**	**-**	**-**	**(714 172)**	**-**
Deposits	**(1 178 110)**	**(858 626)**	**(319 262)**	**(222)**	**-**
	1 196 090	**734 889**	**163 098**	**240 618**	**43 948**
June 30 2009					
Cash and balances with banks	752 374	752 374	-	-	-
Loans and advances	604 732	375 889	39 722	176 965	12 157
Investment securities	62 808	19 201	-	43 607	-
Deposits	(832 386)	(800 783)	(31 381)	(222)	-
	587 528	346 681	8 341	220 350	12 157

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

	200bp parallel increase R'000	200bp parallel decrease R'000
June 30 2010		
Cumulative impact before tax on net interest income:		
Average for period	**11 794**	**(11 794)**
Maximum for period	**13 095**	**(13 095)**
Minimum for period	**9 412**	**(9 412)**
June 30 2009		
Cumulative impact before tax on net interest income:		
Average for period	1 045	(1 045)
Maximum for period	2 458	(2 458)
Minimum for period	48	(48)

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

Notes to the consolidated financial statements
for the year ended June 30

4 Financial risk management (continued)
4.4 Market risk (continued)
Foreign exchange rate sensitivities
Foreign currency profile

Currency profile R'000 2010 ASSETS	ZAR	GBP	USD	EUR	OTHER	TOTAL
Cash and balances with banks	864 255	9 121	61 289	18 462	22 455	975 582
Derivative financial assets	28 123	-	-	-	-	28 123
Loans and advances	633 680	-	25 597	-	-	659 277
Leased assets	1 322 849	-	-	-	-	1 322 849
Investment securities	59 028	-	-	-	-	59 028
Other assets	95 992	49	153	79	15	96 288
Equipment	66 276	-	-	-	-	66 276
Intangible assets	30 046	-	-	-	-	30 046
Deferred taxation	8 030	-	-	-	-	8 030
Current taxation	2 980	-	-	-	-	2 980
	3 111 259	9 170	87 039	18 541	22 470	3 248 479
Commitments to purchase	-	51 751	1 185 487	206 015	99 422	1 542 675
	3 111 259	60 921	1 272 526	224 556	121 892	4 791 154
2009	1 445 690	14 075	80 817	15 639	18 318	1 574 539
Commitments to purchase	-	24 148	528 854	873 861	14 058	1 440 921
	1 445 690	38 223	609 671	889 500	32 376	3 015 460
2010						
Equity and liabilities						
Share capital	1 980	-	-	-	-	1 980
Share premium	435 799	-	-	-	-	435 799
Reserves	547 479	-	-	-	-	547 479
Intergroup loan	714 172	-	-	-	-	714 172
Derivative financial liabilities	17 872	-	-	-	-	17 872
Deposits	993 343	30 140	100 666	41 216	12 745	1 178 110
Other liabilities	191 275	1 786	1 298	2 819	530	197 708
Deferred tax	57 859	-	-	-	-	57 859
Current taxation	97 062	-	-	-	-	97 062
Defined benefit liability	438	-	-	-	-	438
	3 057 279	31 926	101 964	44 035	13 275	3 248 479
Commitments to sell	-	36 584	1 163 353	180 429	103 164	1 483 530
	3 057 279	68 510	1 265 317	224 464	116 439	4 732 009
2009	1 289 542	15 190	57 456	207 837	4 514	1 574 539
Commitments to sell	-	28 111	555 991	678 456	20 523	1 283 081
	1 289 542	43 301	613 447	886 293	25 037	2 857 620

Notes to the consolidated financial statements
for the year ended June 30

4 Financial risk management (continued)

4.4 Market risk (continued)

Foreign exchange rate sensitivities (continued)

Foreign currency profile (continued)

	GBP R'000	USD R'000	EUR R'000	OTHER R'000	TOTAL R'000
2010					
Net open position	**(7 589)**	**7 209**	**92**	**5 453**	**5 165**
2009					
Net open position	(5 078)	(3 776)	3 207	7 339	1 692

Closing spot exchange rate

	GBP	USD	EUR
2010	**R11,48**	**R7,67**	**R9,39**
2009	R12,75	R7,71	R10,86

Average exchange rate

	GBP	USD	EUR
2010	**R12,03**	**R7,59**	**R10,57**
2009	R14,42	R9,04	R12,32

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

Impact before tax on shareholders equity based on a 10% increase/decrease in exchange rate.

	2010 R'000	2009 R'000
GBP	**759**	508
USD	**721**	378
EUR	**9**	321

Notes to the consolidated financial statements
for the year ended June 30

4 Financial risk management (continued)

4.5 Operational risks

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

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

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

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

4.6 Reputational risk

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

The following basic strategies are followed to manage reputational risk:

- fostering a reputation-conscious culture
- linking corporate social responsibility to reputation
- measuring the impact of media coverage, perceptions and stakeholder impressions
- developing plans to develop and protect reputation
- monitoring potential reputation-damaging issues
- proactively exploiting good news and having a crisis communication plan to respond in times of bad news
- transforming potential disasters into opportunities.

Notes to the consolidated financial statements
for the year ended June 30

4 Financial risk management (continued)

4.7 Capital management

Regulatory capital

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

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

- Primary capital, which includes ordinary share capital, share premium and appropriated retained earnings.
- Secondary capital, which includes not yet appropriated retained earnings, collective impairment allowances and the element of the fair value reserve relating to unrealised gains on equity instruments classified as available-for-sale.

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

The Group's internal capital adequacy assessment process (ICAAP) is formalised and approved by the Board. The Group's policy is to maintain a strong capital base so as to maintain investor, credit and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position.

The Group and its operations have complied with all externally imposed capital requirements throughout the period and previous period.

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

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

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

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

The Group's regulatory capital position at June 30 was as follows:

Notes to the consolidated financial statements
for the year ended June 30

4 Financial risk management (continued)

4.7 Capital management (continued)

Regulatory capital (continued)

	Notes	2010 R'000	2009 R'000
Net qualifying capital and reserves			
Primary capital		755 111	485 111
Share capital	19	1 980	1 800
Share premium	20	435 799	165 979
Appropriated retained earnings		317 332	317 332
Secondary capital		-	-
Less impairment		(52 723)	(49 460)
Total qualifying capital and reserves		702 388	435 651
Non qualifying capital and reserves		282 870	169 332
Retained earnings not formally appropriated		224 228	115 907
Fair value reserve for available-for-sale equity securities		1 187	(464)
Share based payment reserve		4 732	4 429
Impairment		52 723	49 460
Total capital and reserves		985 258	604 983

Notes to the consolidated financial statements
for the year ended June 30

4 Financial risk management (continued)

4.7 Capital management (continued)

Regulatory capital (continued)

Risk-weighted exposure	Capital requirement 2010 R'000	Risk-weighted exposure 2010 R'000	Capital requirement 2009 R'000	Risk-weighted exposure 2009 R'000
Credit risk				
Retail bank, corporate bank and central treasury	65 651	691 060	263 589	2 703 476
Market risk				
Retail bank, corporate bank and central treasury	1 378	14 509	1 208	12 388
Operational risk				
Retail bank, corporate bank and central treasury	74 029	779 254	59 224	607 425
Equity risk				
Retail bank, corporate bank and central treasury	1 755	18 476	120	1 231
Other assets	161 288	1 697 769	8 282	84 939
Totals	304 101	3 201 068	332 423	3 409 459

Capital ratios	2010	2009
Total capital adequacy ratio	21,93	12,78%
Primary capital adequacy ratio	21,93	12,78%

5 Related party information

Parent company

The holding company of the Group is Bidvest Bank Holdings Limited.

Related-party transactions

The Group, in the ordinary course of business, enters into various financial services transactions with other divisions and subsidiaries within The Bidvest Group Limited as well as with directors and key management of the Group. These transactions are governed by terms no less favourable than those arranged with third parties. No impairment of loans at year end was considered necessary.

Key management personnel

Key management personnel has been defined as: Bidvest Bank Limited and its subsidiaries' boards of directors and executive committees. The definition of key management includes the close members of family of key management personnel. Close members of family are those family members who may be expected to influence, or be influenced by, that individual in their dealing with the Group. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependants of the individual or the individual's domestic partner.

Notes to the consolidated financial statements
for the year ended June 30

5 Related party information (continued)

	2010 R'000	2009 R'000
Related party balances – outstanding at year end		
Advances		
Loans to fellow subsidiaries*	**187 639**	372 988
Derivative assets with fellow subsidiaries	**2 547**	12 616
Loans to senior employees and key management	**872**	773
Deposits		
Deposits from fellow subsidiaries	**(195 465)**	(335 159)
Deposits from directors, senior employees and key management	**(8 974)**	(3 966)
Derivative liabilities with fellow subsidiaries	**(3 766)**	(3 295)
Accounts payable to fellow subsidiaries	**(124)**	(89)
Related party transactions – *fellow subsidiaries*		
Income		
Net interest income	**(23 016)**	(21 616)
Commission and fees	**(1 293)**	(431)
Administration fee received	**(5 541)**	(944)
Other	**(1 829)**	(1 576)
Expenses		
Administration fee paid	**11 333**	1 143
IT charges	**2 299**	2 178
Property rentals	**3 667**	3 125
Office equipment rental	**89**	128
Security fees	**9 748**	5 857
Stationery	**2 290**	1 936
Storage fees	**458**	313
Royalties paid	**-**	2 847
Vehicle leases	**-**	307
Related party transactions – *key management*		
Key management personnel compensation for the period comprises		
- Short term employee benefits	**24 114**	18 570
- Retirement and medical aid benefits	**1 729**	1 622
- Share-based payment expense	**303**	628
Related party off statement of financial position transactions - *fellow subsidiaries*		
Letters of credit	**4 554**	1 967
Guarantees	**4 270**	579
Notional value of FECs with fellow subsidiaries	**(159 345)**	(450 703)
Notional value of FECs with fellow subsidiaries	**79 800**	87 045

Director-related transactions

There are no material contracts with directors. Executive directors are permanently employed on the same terms and conditions as other employees. Directors have no long term service contracts.

Executives participate in the Bidvest Group's share incentive scheme (see note 28).
* Loans to fellow subsidiaries are guaranteed by their respective holding companies and will be settled out of their own cash resources.

Notes to the consolidated financial statements
for the year ended June 30

6 Income

	2010 R'000	2009 R'000
6.1 Net interest income		
Interest income	102 575	108 842
- cash and cash equivalents	34 520	35 717
- loans and advances to banks	3 870	2 312
- loans and advances to customers	60 939	66 784
- investment securities	3 136	3 620
- other	110	409
Interest expense	(45 385)	(49 578)
- deposits from banks	(438)	(663)
- deposits from customers	(44 947)	(48 915)
Net interest income	57 190	59 264
Included within various captions under interest income for the year is interest accrued on impaired financial assets.	238	467

Included in interest income is R3,1 million (2009: R3,6 million) relating to available-for-sale financial assets.

6.2 Other income

	2010 R'000	2009 R'000
Dividends on investment securities	1 731	2 283
Other	5 292	1 194
Profit and loss on disposal of vehicles	3 370	-
	10 393	3 477

7 Employment costs

	2010 R'000	2009 R'000
Salaries	117 988	105 815
Contributions to the provident fund	6 057	5 312
Contributions to the defined contribution pension fund	1 268	1 527
Increase in liability for the defined benefit plan	238	-
Share based payment expense	303	628
Performance incentive	8 573	8 243
	134 427	121 525

Notes to the consolidated financial statements
for the year ended June 30

	2010 R'000	2009 R'000
8 Operating expenditure		
8.1 Operating leases		
- property rentals	45 943	37 347
- office equipment	61	80
- vehicles	131	110
- straight lining of leases	863	997
	46 998	38 534
8.2 Other operating expenditure		
Other operating expenditure includes:		
Auditors' remuneration	2 599	2 321
Audit fees		
- current year	1 959	1 750
- prior year	-	200
Fees for other services	640	371
Consulting fees	2 456	1 586
Amortisation of intangible assets	4 762	3 988
Directors' emoluments	7 775	6 455
- for services as non-executive directors	701	397
- for services as executive directors	7 074	6 058
Loss on disposal of equipment	17 671	316
9 Taxation		
9.1 Indirect taxation		
- value added tax	8 823	3 681
- skills development levy	1 393	1 067
	10 216	4 748
9.2 Direct taxation		
South African normal taxation	(57 035)	(51 994)
- current	(51 864)	(51 829)
- prior year under provision	(5 171)	(165)
Deferred taxation		
Origination and reversal of temporary differences	18 499	1 860
	(38 536)	(50 134)
Tax rate reconciliation	%	%
Effective rate	26,24	27,61
Disallowed expenditure	6,71	(0,77)
Non-taxable income	(1,85)	1,25
Prior year under provision	(3,10)	(0,09)
Standard taxation rate	28,00	28,00

Notes to the consolidated financial statements
for the year ended June 30

10 Notes to the statement of cash flows

10.1 Reconciliation of cash generated by operations

	Note	2010 R'000	2009 R'000
Profit before tax		**146 857**	182 765
Adjustments			
Depreciation of equipment and leased assets		**42 608**	10 269
Amortisation of intangible assets		**4 762**	3 988
Loss on disposal of equipment		**17 671**	316
Fair value movement		**(1 651)**	-
Interest received		**(102 575)**	(108 842)
Interest paid		**45 385**	49 578
Share-based payments		**303**	628
Dividends		**(1 731)**	(2 283)
Operating profit before changes in working capital		**151 629**	136 419
Decrease in net derivative financial instruments		**(2 387)**	(6 090)
Increase (decrease) in other assets		**19 499**	(4 244)
Decrease in other liabilities		**(131 041)**	(147 394)
Increase (decrease) in loans and advances		**166 165**	(58 364)
Increase in deposits		**345 724**	365 451
		549 589	285 778

10.2 Taxation paid

		2010 R'000	2009 R'000
Opening balance		**368**	(17 683)
Acquisition of business		**(107 602)**	-
Normal taxation charge		**(57 035)**	(51 994)
Closing balance		**94 082**	368
Taxation paid		**(70 187)**	(69 309)

10.3 Movement in investment securities

		2010 R'000	2009 R'000
Opening balance at fair value		**62 808**	52 596
Increase (decrease) in fair value adjustments during the year		**2 236**	2 524
Closing balance		**(59 028)**	(62 808)
Disposals during the year		**6 016**	(7 688)

Notes to the consolidated financial statements
for the year ended June 30

10 Notes to the statement of cash flows (continued)

	Note	2010 R'000	2009 R'000
10.4 Acquisition of business			
Comprising:			
Cash		55 953	
Other assets		74 167	
Equipment		9 407	
Intangible assets		362	
Leased assets		1 313 959	
Loans and advances		226 817	
Current and deferred taxation		(177 812)	
Non current liabilities		(618 560)	
Other liabilities and provisions		(233 877)	
Net asset value		650 416	
Cash received on acquisition of subsidiary		(55 953)	
Net cash outflow on acquisition of subsidiary		594 463	
10.5 Cash and cash equivalents			
Cash and balances with banks	11	975 582	752 374

11 Cash and balances with banks

	2010 R'000	2009 R'000
Cash on hand and in transit	155 627	118 758
Interbank investments		
- current accounts	756 171	585 693
- money on call	17 574	13 000
- South African Reserve Bank	35 134	26 534
- Restricted cash held at South African Reserve Bank	11 076	8 389
	975 582	752 374

12 Derivative financial instruments

	2010 R'000	2009 R'000
Foreign exchange contracts (FECs)		
- derivative financial assets	28 123	49 356
- derivative financial liabilities	(17 872)	(41 492)
Net fair values	10 251	7 864
Notional amount	2 374 160	1 440 567

The notional amount is the sum of the absolute value of all bought and sold contracts. The amount does not represent the market risk or credit risk exposure of the Group, and should only be used in assessing the Group's participation in derivative contracts. Derivatives are held for banking purposes.

13 Loans and advances

	2010 R'000	2009 R'000
13.1 Analysis of loans and advances to customers		
Call and term loans	219 514	445 193
Mortgage loans	31 005	29 820
Instalment sale	405 406	116 344
	655 925	591 357
Less impairment (note 13.2)	(22 577)	(6 107)
Balance at end of year	633 348	585 250
Loans and advances to banks		
Call and term loans	25 929	13 375
Total loans and advances	659 277	598 625
13.2 Movement in impairments		
Specific impairments		
Call and term loans	(1 101)	(1 229)
Opening balance	(1 229)	(386)
Profit or loss charge	(1 266)	(844)
Bad debts written off	1 394	1
Mortgage loans	(6)	(10)
Opening balance	(10)	(16)
Profit or loss charge	4	6
Instalment sale	(17 630)	(87)
Opening balance	(87)	-
Profit or loss charge	(1 079)	(87)
Bad debts written off	303	-
On acquisition of business	(16 767)	-
Portfolio impairment	(3 840)	(4 781)
Opening balance	(4 781)	(3 430)
Profit or loss charge	941	(1 351)
Carrying value at end of the year		
Specific impairments	(18 737)	(1 326)
Portfolio impairment	(3 840)	(4 781)
	(22 577)	(6 107)

Notes to the consolidated financial statements
for the year ended June 30

13 Loans and advances (continued)

13.3 Maturity of finance leases

2010	Gross R'000	Unearned finance charges R'000	Net R'000
Due within 1 year	243 906	7 794	236 112
Between 1-5 years	213 481	44 217	169 264
	457 387	52 011	405 376

2009	Gross	Unearned finance charges	Net
Due within 1 year	99 664	19 503	80 161
Between 1-5 years	52 131	15 948	36 183
	151 795	35 451	116 344

14 Leased assets

	2010 R'000	2009 R'000
On acquisition of business	1 313 959	-
Cost	2 069 132	-
Accumulated depreciation	(755 173)	-
	8 890	-
Additions and acquisitions	39 078	-
Disposals	(16 952)	-
Depreciation	(24 948)	-
Capital work in progress	11 712	-
Carrying value at end of year	1 322 849	-
Cost	2 024 117	-
Accumulated depreciation	(759 117)	-
Capital work in progress	57 849	-

15 Investment securities

Available-for-sale securities	2010 R'000	2009 R'000
- investment in RSA Government bonds	37 948	43 607
- listed preference shares	20 724	17 970
- listed equities	340	1 215
- unlisted shares at directors' valuation	16	16
	59 028	62 808

Government bonds, listed preference shares and listed equities are held as available-for-sale and are valued by using the market quoted prices. The movement in the fair value is recognised directly in other comprehensive income (refer consolidated statement of changes in equity).

16 Other assets

	2010 R'000	2009 R'000
Accounts receivable	**54 765**	6 463
Uncleared effects	**8 945**	17 993
Payments in advance	**4 319**	4 442
Encashed travellers cheques	**2 304**	1 438
VAT	**1 485**	3 696
Other	**5 337**	7 588
Inventory	**19 133**	-
	96 288	41 620

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17 Equipment

	2010 R'000	2009 R'000
Office equipment	6 838	3 631
Cost	14 814	8 785
Accumulated depreciation and accumulated impairment	(7 976)	(5 154)
Furniture and fittings	29 864	25 648
Cost	59 529	44 369
Accumulated depreciation and accumulated impairment	(29 665)	(18 721)
Computer equipment	10 254	8 694
Cost	36 145	17 907
Accumulated depreciation and accumulated impairment	(25 891)	(9 213)
Motor vehicles	19 320	3 465
Cost	40 756	5 452
Accumulated depreciation and accumulated impairment	(21 436)	(1 987)
	66 276	41 438
Equipment		
Carrying value at beginning of year	41 438	26 392
Cost	76 513	54 254
Accumulated depreciation	(35 075)	(27 862)
Acquisition of business	9 407	-
Additions and acquisitions	33 616	25 631
Office equipment	4 640	1 582
Furniture and fittings	8 865	17 938
Computer equipment	6 615	5 273
Motor vehicles	13 496	838
Disposals	(525)	(316)
Office equipment	(81)	(143)
Furniture and fittings	(231)	(150)
Computer equipment	(68)	(23)
Motor vehicles	(145)	-
Depreciation	(17 660)	(10 269)
Office equipment	(1 686)	(1 376)
Furniture and fittings	(6 554)	(5 005)
Computer equipment	(4 586)	(2 861)
Motor vehicles	(4 834)	(1 027)
Carrying value at end of year	66 276	41 438
Cost	151 246	76 513
Accumulated depreciation	(84 970)	(35 075)

Notes to the consolidated financial statements
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18 Intangible assets

	2010 R'000	2009 R'000
Goodwill at cost	14 831	14 831
Computer software	15 057	11 405
Cost	41 951	28 353
Accumulated amortisation and accumulated impairment	(26 894)	(16 948)
Development costs	158	200
Cost	187	1 453
Accumulated amortisation and accumulated impairment	(29)	(1 253)
	30 046	26 436
Movement in intangible assets		
Carrying value at beginning of year	26 436	4 856
Cost	44 637	19 090
Accumulated amortisation	(18 201)	(14 234)
Acquisition of business	362	-
Additions and acquisitions	8 010	25 568
Goodwill	-	13 610
Computer software	8 010	11 887
Development costs	-	71
Amortisation	(4 762)	(3 988)
Computer software	(4 530)	(3 527)
Development costs	(232)	(461)
Carrying value at end of year	30 046	26 436
Cost	56 969	44 637
Accumulated amortisation	(26 923)	(18 201)

No impairment of intangible assets was considered necessary during the financial year.

Value in use of the businesses purchased was determined by using the projected annual profit before tax of each underlying operation and multiplying the result with the appropriate price earnings ratio. The method assumptions described above may change as economic and market conditions may change.

Notes to the consolidated financial statements
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	2010 R'000	2009 R'000
19 Share capital		
19.1 Authorised		
360 000 000 ordinary shares of 1 cent each	**3 600**	3 600
19.2 Issued		
198 000 000 (2009: 180 000 000) ordinary shares of 1 cent each	**1 980**	1 800

The unissued shares are under the control of the directors until the forthcoming annual general meeting of shareholders.

20 Share premium	2010 R'000	2009 R'000
Opening balance	**165 979**	165 979
Arising on shares issued in the current year	**269 820**	-
	435 799	165 979

21 Intergroup loan	2010 R'000	2009 R'000
Intergroup loan	**714 172**	-

The intergroup loan bears interest at prime -3% and has no fixed term of repayment.

22 Deposits	2010 R'000	2009 R'000
Deposits from banks		
- fixed, notice and call deposits	**10 187**	16 074
Deposits from customers		
- fixed, notice and call deposits	**1 167 923**	816 312
	1 178 110	832 386

The maturity analysis of deposits and other accounts is based on the contractual period to maturity from the statement of financial position as reflected in note 4.3.

23 Other liabilities	2010 R'000	2009 R'000
- Maintenance fund accrual	**15 657**	-
- Warranty claim	**5 087**	-
- Trade accruals	**114 638**	37 470
- Outstanding bank credits	**6 855**	4 402
- Outstanding cheques	**13 502**	21 065
- Straight lining of leases	**3 227**	2 363
- Foreign suppliers and customers	**36 375**	23 305
- Other	**2 367**	6 505
	197 708	95 110

24.1 Deferred taxation asset

	2010 R'000	2009 R'000
Balance at beginning of year	1 882	118
Current year movement		
- charged to the statement of comprehensive income	6 733	1 859
- charged to equity	(585)	(95)
Balance at end of year	8 030	1 882

The deferred tax asset consists of temporary differences arising from:

	2010 R'000	2009 R'000
Leased assets	58 210	13 576
Trademark	41	41
Accruals and prepayments	2 877	2 504
Finance leases	(53 416)	(14 806)
Operating leases	903	662
Fair value of investment securities	(585)	(95)
Balance at end of year	8 030	1 882

24.2 Deferred taxation liability

	2010 R'000	2009 R'000
Acquisition of business	(70 210)	-
Current year movement	12 351	-
Balance at end of year	(57 859)	-

The deferred tax liability consists of temporary differences arising from:

	2010 R'000	2009 R'000
Leased assets and equipment	(75 124)	-
Accruals and prepayments	17 265	-
	(57 859)	-

Notes to the consolidated financial statements
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25 Defined benefit liability

	2010 R'000	2009 R'000
Post retirement medical benefits		
The Bank provides post retirement medical benefits to 8 employees who were employed before January 1 1999 and joined the Quantum Medical Aid Society before January 1 2000.	438	200
The fund is actuarially valued every three years and the last valuation was done in June 2010.		
Accrued liability		
Opening balance	200	174
Actuarial loss (gain)		
Past service costs	238	114
Effect of settlement	-	(88)
Closing balance	438	200

Valuation date	June 30 2010	June 30 2009
Discount rate	9,00% p.a.	7,75% p.a.
Increases in rand subsidy amount	R0 p.a	R0 p.a.
Expected retirement age	65	65
Membership discontinued at retirement	0%	0%
Number of qualifying employees	13	11
The valuation results are based on the aforementioned assumptions.		
If the assumptions were to change the impact would be as follows:	One percentage point increase R'000	One percentage point decrease R'000
One percent movement in the discount rate:		
Accrued liability June 30 2010	46	56,5
Increase or decrease in expected retirement age:	One year older R'000	One year younger R'000
Accrued liability June 30 2010	12,3	15,8

Notes to the consolidated financial statements
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26 Contingent liabilities and commitments

26.1 Off statement of financial position transactions

	2010 R'000	2009 R'000
Guarantees issued on behalf of group companies	**(4 270)**	(578)
Guarantees issued on behalf of third parties	**(3 583)**	(843)
Letters of credit issued on behalf of third parties	**(1 380)**	(6 838)
Letters of credit issued on behalf of group companies	**-**	(1 967)
	(9 233)	(10 226)

Guarantees are both payment and performance related guarantees on behalf of customers. Management have assessed the probability that a liability should be raised and are satisfied that the liability adequacy test indicated that there is no present obligation to raise a liability.

Letters of credit (LC) include documentary LCs with customers regarding imports and exports.

The amount relating to corporate card clients represents credit card balances where the Group bears the credit risk in the event of default. This amount does not form part of the Group's loans and advances.

26.2 Future operating lease commitments

	2010 R'000	2009 R'000
Property leases		
- payable within one year	**49 478**	35 833
- payable between one and five years	**83 196**	101 207
Motor vehicles leases		
- payable within one year	**-**	60
- payable between one and five years	**-**	7
	132 674	137 107

Notes to the consolidated financial statements
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27 Classification of assets and liabilities - Accounting classification and fair values

	Note	Held for trading R'000	Loans and receivables R'000	Available for sale R'000	Other amortised cost R'000	Other non financial assets/ liabilities R'000	Fair value R'000
2010							
Assets							
Cash and balances with banks		-	975 582	-	-	-	975 582
Derivative financial assets		28 123	-	-	-	-	28 123
Loans and advances		-	253 871	-	-	405 406	659 277
Leased assets		-	-	-	-	1 322 849	1 322 849
Investment securities		-	-	59 028	-	-	59 028
Other assets		-	71 351	-	-	24 937	96 288
Equipment		-	-	-	-	66 276	66 276
Intangible assets		-	-	-	-	30 046	30 046
Deferred taxation		-	-	-	-	8 030	8 030
Current taxation		-	-	-	-	2 980	2 980
		28 123	1 300 804	59 028	-	1 860 524	3 248 479
2010							
Liabilities							
Intergroup loan		-	-	-	-	714 172	714 172
Derivative financial liabilities		17 872	-	-	-	-	17 872
Deposits		-	-	-	1 178 110	-	1 178 110
Other liabilities		-	-	-	194 481	3 227	197 708
Deferred taxation		-	-	-	-	57 859	57 859
Current taxation		-	-	-	-	97 062	97 062
Defined benefit liability		-	-	-	-	438	438
		17 872	-	-	1 372 591	872 758	2 263 221
2009							
Assets							
Cash and balances with banks		-	752 374	-	-	-	752 374
Derivative financial assets		49 356	-	-	-	-	49 356
Loans and advances		-	482 281	-	-	116 344	598 625
Investment securities		-	-	62 808	-	-	62 808
Other assets		-	33 482	-	-	8 138	41 620
Equipment		-	-	-	-	41 438	41 438
Intangible assets		-	-	-	-	26 436	26 436
Deferred taxation		-	-	-	-	1 882	1 882
		49 356	1 268 137	62 808	-	194 238	1 574 539
2009							
Liabilities							
Derivative financial liabilities		41 492	-	-	-	-	41 492
Deposits		-	-	-	832 386	-	832 386
Other liabilities		-	-	-	92 747	2 363	95 110
Current taxation		-	-	-	-	368	368
Defined benefit liability		-	-	-	-	200	200
		41 492	-	-	925 133	2 931	969 556

Loans and deposits are prime linked therefore the effective rate is market related. All investment securities are valued using quoted market prices and all derivatives are valued using a spot and forward curve. Due to the short term nature of the assets and liabilities, the fair value approximates the carrying value.

27 Classification of assets and liabilities (continued)

27.1 Fair value estimation

Effective July 1 2009, the Group adopted the amendment to IFRS 7 for financial instruments that are measured in the statement of financial position at fair value. This requires disclosure of fair value measurements by using the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1).
- Inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2).
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The following table presents the Group's assets and liabilities that are measure at fair value at June 30 2010:

	Note	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
Assets					
Investment securities	*15*	59 028	-	-	59 028
Derivative financial assets	*12*	-	28 123	-	28 123
Total assets		**59 028**	**28 123**	**-**	**87 151**

	Note	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
Liabilities					
Derivative financial liabilities	*12*	-	17 872	-	17 872
Total liabilities		**-**	**17 872**	**-**	**17 872**

The fair value of financial instruments traded in active markets is based on quoted market prices at the reporting date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing market transactions on an arm's length basis. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1. Instruments included in level 1 comprise primarily listed equity investments classified as available-for-sale securities.

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

If one or more of the significant inputs are not based on observable market data, the instrument is included in level 3.

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28 Share-based payments

The Bidvest Share Incentive Scheme ("Scheme") grants options and advances loans to employees of the Bidvest Group to acquire shares in The Bidvest Group Limited. Both the share schemes have been classified as equity-settled schemes, and therefore an equity-settled shared-based payment reserve has been recognised.

Share options scheme

The Bank elected to account only for the cost of options granted subsequent to November 7 2002 which had not vested by January 1 2005 in terms of the transitional provisions on conversion to IFRS.

The terms and conditions of the options are as follows:

Option holders are only entitled to exercise their options if they are in the employment of the Group in accordance with the terms referred to hereafter, unless otherwise recommended by the Board of the Company.

Option holders in the Scheme may exercise the options at such times as the option holder deems fit, but not so as to result in the following proportions of the holder's total number of instruments being purchased prior to: 50% of total number of instruments at the expiry of three years; 75% of total number of instruments at the expiry of four years; and 100% of total number of instruments at the expiry of five years from the date of the holder's acceptance of an option. All options must be exercised no later than the tenth anniversary on which they were granted unless approval is obtained from the trustees.

The fair value of services received in return for shares allotted is measured based on a binomial method. For additional disclosure relating movement of shares refer to The Bidvest Group Limited annual financial statements.

Share purchase scheme

In terms of the share purchase scheme, the Scheme advances loans to employees to acquire shares in The Bidvest Group Limited. Interest is charged on the loans at interest rates determined by the board of directors of The Bidvest Group Limited, the loans must be settled no later than the tenth anniversary on which the shares were allotted and the shares are held by the Scheme as security for the loans.

The employees are entitled to settle the loans at such times as they deem fit, but not so as to result in the following proportions of the employees' total number of allotted shares being paid for prior to: 50% of total number of allotted shares at the expiry of three years; 75% of total number of allotted shares at the expiry of four years; and 100% of total number of allotted shares at the expiry of five years from the date of the holder's acceptance of the allotted share.

Options acquired, valid for 3, 4 or 5 years, by the Trust to buy back shares are offset against share premium. No options were acquired during the period.

Distributions arising on the allotted shares are utilised to settle any interest or income tax obligations with any excess being applied to settle the outstanding liability.

The fair value of services rendered is calculated with reference to the discount on the share price in relation to the share's market price on the date of allotment and is expensed over the period that the loan is payable.

	2010 R'000	2009 R'000
Share-based payment expense recognised relating to the share options and share purchase scheme	**303**	628

29 Acquisition of business

Common control transaction

The Bank obtained control of McCarthy Retail Finance (Pty) Ltd for R1 452 000 and Viamax (Pty) Ltd for R648 964 512 on June 1 2010. The subsidiaries were purchased from The Bidvest Group Limited and McCarthy Limited.

These companies provide installment finance and full maintenance leasing.

In the month of June 2010, the subsidiaries contributed a profit after tax of R11,983 million. If the acquisition had occurred on July 1 2009, management estimates the consolidated profit after tax would have been R238,187 million.

The following summarises the major classes of consideration transferred, and the recognised amounts of assets acquired and liabilities assumed at the acquisition date:

Considered transferred	R'000
Cash	650 416
Identifiable assets acquired and liabilities assumed	
Leased assets	1 313 959
Equipment	9 407
Intangible assets	362
Loans and advances	226 817
Non current liabilities	(618 560)
Other assets	74 167
Cash and cash equivalents	55 953
Other liabilities and provisions	(233 877)
Current taxation and deferred taxation	(177 812)

30 Capital commitments

	2010 R'000	2009 R'000
Authorised and contracted for	170 189	837

Funds to meet capital expenditure commitments will be provided from the Group's internal resources.

Notes to the consolidated financial statements
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31 Key assumptions

In preparing the financial statements, estimates and assumptions are made that could affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continually evaluated and are based on factors such as historical experience and current best estimates of uncertain future events that are believed to be reasonable under the circumstances. An impairment of an investment security will be considered if there is an indication of permanent diminution of value in the security.

Leased asset residual values and estimated useful lives are assessed on an annual basis. The residual values of vehicles are estimated based on published second hand vehicle values as well as trading history.

31.1 Credit impairment losses on loans and advances

Performing loans

The Group assesses its loan portfolio for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Group makes judgements whether there is observable data indicating a measurable decrease in the estimated future cash flows from a portfolio of loans before the decrease can be allocated to an individual loan in that portfolio. Estimates are made of the duration between the occurrence of a loss event and the identification of a loss on an individual basis. The impairment for performing loans is calculated on a portfolio basis, based on historical loss ratios, adjusted for economic conditions. Annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

Non-performing loans

Loans are individually impaired if the amounts are due and unpaid at year end. Corporate loans are analysed on a case-by-case basis taking into account breaches of key loan conditions. Managements' estimates of future cash flows on individually impaired loans are based on historical loss experience for the lending book. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Estimated security values are taken into account when determining the impairment requirement.

31.2 Income taxes

The tax charged to the accounts is subject to determination of the South African Revenue Services. When the final tax outcome upon agreement of assessment differs from the amounts initially recorded such differences are adjusted in subsequent periods.

31.3 Impairment of non financial assets

The carrying amount of the Group's assets other than financial assets is reviewed at each reporting date to determine whether there is an indication of impairment. If any such indication of impairment exists, the assets recoverable amount is established. This estimation requires significant judgement. An impairment loss is recognised in profit or loss whenever the carrying amount exceeds the recoverable amount.

32 Standards and interpretations issued but not yet effective

- *IAS 24 Related Party Disclosures (revised 2009)*

The revised IAS 24 Related Party Disclosures amends the definition of a related party and modifies certain related party disclosure requirements for government-related entities.

- *Improvements to IFRSs 2010 – IFRS 7 Financial Instruments: Disclosures*

The amendments add an explicit statement that qualitative disclosure should be made in the contract of the quantitative disclosures to better enable users to evaluate an entity's exposure to risks arising from financial instruments. In addition, the IASB amended and removed existing disclosure requirements.

- *Improvements to IFRSs 2010 – IAS 1 Presentation of Financial Statements*

The amendments clarify that disaggregation of changes in each component of equity arising from transactions recognised in other comprehensive income also is required to be presented, but may be presented either in the statement of changes in equity or in the notes.

- *IFRS 9 Financial Instruments*

IRFS 9 is the first standard issued as part of a wider project to replace IAS 39.

IFRS 9 retains but simplifies the mixed measurement model and establishes two primary measurement categories for financial assets: amortised cost and fair value. The basis of classification depends on the entity's business model and the contractual cash flow characteristics of the financial asset. The guidance in IAS 39 on impairment of financial assets and hedge accounting continues to apply.

Prior periods need not be restated if an entity adopts the standard for reporting periods beginning before January 1 2012.

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Annexure A
Interest in subsidiaries

Investment in:	Number of shares in issue	Number of shares held	Effective % held	2010 ZAR
Direct				
Viamax (Pty) Ltd	10 000 000	10 000 000	100%	648 964 512
McCarthy Retail Finance (Pty) Ltd	99	99	100%	1 452 000
Indirect subsidiary				
Bidvest Capital (Pty) Ltd	8 001	8 001	100%	
Viamax Fleet Solutions (Pty) Ltd	40 000 000	40 000 000	100%	