Bidvest Bank Limited

(Registration No 2000/006478/06)

2012

Audited Integrated Annual Report

for the year ended June 30 2012

(Preparation supervised by Financial Managers,
E Rosenweig CA(SA) and G Oxford CA(SA))

Bidvest Bank

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Six year review

Consolidated statement of financial performance

for the year ended June 30

	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Net interest income	**165 269**	123 579	61 534	58 305	45 371	25 646
Interest income	**100 514**	93 523	97 751	105 109	71 887	36 265
Imputed interest from rental income	**124 593**	104 457	9 168	2 774	53	–
Interest expense	**(59 838)**	(74 401)	(45 385)	(49 578)	(26 569)	(10 619)
Net fee and commission income	**153 542**	144 941	153 815	147 621	112 145	96 999
Fee and commission income	**216 435**	199 582	200 492	190 606	144 465	118 369
Fee and commission expense	**(62 893)**	(54 641)	(46 677)	(42 985)	(32 320)	(21 370)
Net income from leasing activities	**372 813**	314 559	16 630	959	38	–
Leasing income	**497 406**	419 016	25 798	3 733	91	–
Imputed interest reflected under net interest income	**(124 593)**	(104 457)	(9 168)	(2 774)	(53)	–
Net trading income	**237 819**	262 172	245 822	251 084	174 768	149 181
Other income	**902**	2 819	7 023	3 477	3 073	(239)
Operating income	**930 345**	848 070	484 824	461 446	335 395	271 587
Net credit impairment charges	**(1 456)**	(2 239)	(1 402)	(2 276)	(5 004)	(9 687)
Operating income after credit impairment charges	**928 889**	845 831	483 422	459 170	330 391	261 900
Operating expenditure	**(483 412)**	(445 758)	(326 349)	(271 657)	(205 744)	(174 600)
Employment costs	**(246 637)**	(210 794)	(134 427)	(121 525)	(94 745)	(73 322)
Operating leases	**(67 186)**	(66 915)	(46 998)	(38 534)	(21 820)	(22 178)
Risk control	**(24 552)**	(27 041)	(31 976)	(26 988)	(20 463)	(22 636)
Information technology costs	**(21 464)**	(23 746)	(20 737)	(16 234)	(11 755)	(11 880)
Depreciation and amortisation	**(29 925)**	(31 309)	(22 422)	(14 257)	(10 557)	(5 678)
Other operating expenditure	**(93 648)**	(85 953)	(69 789)	(54 119)	(46 404)	(38 906)
Operating income before indirect taxation	**445 477**	400 073	157 073	187 513	124 647	87 300
Indirect taxation	**(12 558)**	(11 247)	(10 216)	(4 748)	(7 987)	(5 105)
Profit before direct taxation	**432 919**	388 826	146 857	182 765	116 660	82 195
Direct taxation	**(115 881)**	(105 309)	(38 536)	(50 134)	(34 904)	(23 742)
Profit for the year	**317 038**	283 517	108 321	132 631	81 756	58 453

Six year review continued

Consolidated statement of financial position
at June 30

	2012 R'000	2011 R'000	2010 R'000	2009 R'000	2008 R'000	2007 R'000
Assets						
Cash and cash equivalents	**1 385 083**	927 336	975 582	752 374	533 175	174 675
Derivative financial assets	**27 550**	17 831	28 123	49 356	9 587	3 165
Loans and advances	**915 396**	680 246	548 169	582 145	538 984	384 071
Leased assets	**1 486 730**	1 702 077	1 640 712	16 480	1 277	–
Investment securities	**101 599**	82 714	59 028	62 808	52 596	36 787
Other assets	**122 215**	95 373	96 288	41 620	37 289	45 000
Equipment	**70 817**	81 582	66 276	41 438	26 392	17 416
Intangible assets	**34 969**	31 535	30 046	26 436	4 856	5 114
Deferred taxation	**–**	–	8 030	1 882	118	725
Current taxation	**9 321**	–	2 980	–	–	–
Total assets	**4 153 680**	3 618 694	3 455 234	1 574 539	1 204 274	666 953
Equity and liabilities						
Equity	**1 636 405**	1 235 251	952 858	604 983	469 295	389 553
Share capital	**2 070**	1 980	1 980	1 800	1 800	1 800
Share premium	**525 709**	435 799	435 799	165 979	165 979	165 979
Reserves	**1 108 626**	797 472	515 079	437 204	301 516	221 774
Liabilities	**2 517 275**	2 383 443	2 502 376	969 556	734 979	277 400
Intergroup loans	**419 612**	619 548	863 036	–	–	–
Derivative financial liabilities	**18 560**	13 376	17 872	41 492	7 813	433
Deposits	**1 780 330**	1 360 381	1 178 110	832 386	466 935	200 372
Other liabilities	**186 440**	235 105	242 708	95 110	242 348	65 899
Deferred taxation	**112 133**	112 461	103 150	–	–	–
Current taxation	**–**	42 372	97 062	368	17 683	10 522
Defined benefit liability	**200**	200	438	200	200	174
Total equity and liabilities	**4 153 680**	3 618 694	3 455 234	1 574 539	1 204 274	666 953

Six year review continued

Statistics, returns and capital adequacy

	2012	2011	2010	2009	2008	2007
Statistical review						
Statement of financial performance						
Net interest income to assets (%)	**4,0**	2,6	2,2	4,3	4,9	4,3
Non-interest income to assets (%)	**18,4**	23,1	14,5	28,9	31,0	41,4
Operating expenses to assets (%)	**11,6**	14,2	11,3	19,6	22,0	29,1
Interest income to interest earning assets (%)	**4,4**	6,8	4,2	9,8	10,0	8,7
Interest expense to funding liabilities (%)	**2,7**	4,1	3,2	7,6	8,0	6,8
Cost to income (%)	**52,0**	52,6	67,3	58,9	61,3	64,3
Non-interest income to total income (%)	**82,2**	85,4	86,3	87,2	85,6	91,4
Credit loss ratio (%)	**0,1**	0,1	0,1	0,4	1,1	3,3
Effective tax excluding indirect tax (%)	**26,0**	26,3	24,5	26,7	28,0	27,2
Effective tax including indirect tax (%)	**28,8**	29,1	31,0	29,3	34,4	33,0
Statement of financial position						
Return on assets (%)	**7,6**	5,9	3,6	8,4	6,8	8,8
Return on equity (%)	**19,4**	23,0	15,9	21,9	17,4	15,0
Loans and leased assets to deposits (%)	**109,2**	120,3	109,7	71,9	115,7	191,7
Regulatory capital to risk-weighted assets (%)	**17,1**	16,2	21,9	12,8	12,5	27,7
Financial leverage (times)	**2,5**	2,9	3,6	2,6	2,6	1,7
Net stable funding ratio (%)	**119,0**	137,0				
Liquidity coverage ratio (%)	**258,0**	193,0				
Statistical information						
Number of employees	**1 113**	1 058	997	699	550	478
Number of branches	**94**	90	88	79	65	61
Income per employee (R'000)	**836**	814	713	660	616	568
Expense per employee (R'000)	**434**	434	452	389	374	365
Profit before taxation per employee (R'000)	**400**	378	256	268	227	183
Market indicators						
Exchange rates at June 30						
USD	**8,19**	6,79	7,67	7,71	7,85	7,04
GBP	**12,86**	10,87	11,48	12,75	15,66	14,12
EURO	**10,39**	9,82	9,39	10,86	12,38	9,51
Average exchange rates						
USD	**7,74**	7,01	7,59	9,04	7,30	7,22
GBP	**12,27**	11,14	12,03	14,42	14,64	13,95
EURO	**10,38**	9,55	10,57	12,32	10,76	9,41
Average prime overdraft rate (%)	**9,00**	9,30	10,38	14,17	14,29	12,17

Sustainability report

Material issues

- Ensuring full and current compliance with all regulations and responsible banking practices across all levels of the company
- Continued focus on the information technology strategies of the Bank in order to harness competitive advancements in technology
- Finding ways to continue to diversify our revenue streams and broaden our customer base
- Continued focus to reduce losses to crime
- Attracting and retaining senior historically disadvantaged individuals
- Improved efficiency, productivity and the elimination of expense waste
- Succession planning
- Challenging trading conditions in a volatile rand, low-interest rate environment
- Slow economy due to impact of worldwide economic events

Statistical information

	2012	2011
Operating income (R'000)	**930 345**	848 070
Profit before direct taxation (R'000)	**432 919**	388 826
BEE procurement (R'000)	**1 075 399**	711 723
Training spend (R'000)	**20 100**	16 401
Training spend per employee (Rands)	**18 059**	15 502
Number of employees trained	**1 113**	1 058

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 offerings, being asset-based finance and foreign exchange;
- The retention and growth of its extensive customer base;
- The management of the risks associated with banking;
- The fulfilment of its environmental, health and safety and socio-economic obligations; and
- The development of employee skills to meet financial services industry standards.

1.2 Corporate governance, King III, values and ethics

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 Bank's 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 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.

Values and ethics

The Bank is committed to the conduct of its business in accordance with the highest ethical standards, as expressed in its Code of Ethics. All employees of the Bank are required to acknowledge and accept the Code of Ethics, at induction, and also on an annual basis.

The objectives of the main Regulators, being the Financial Services Board (FSB) and the South African Reserve Bank (SARB), are considered in the preparation of policies, operating procedures and system development. These objectives are:

(a) Financial stability;
(b) Appropriate market conduct and treating customers fairly;
(c) Combating of financial crime; and
(d) Financial inclusion.

The Bank's Mission Statement and values are available on the opening page of the Bank's intranet site, as a constant reminder to all employees of our integrity and of our commitment to customers.

2. The board of directors

2.1 Board composition

At June 30 2012, the Board was composed of one executive and six non-executive directors. The second executive director vacancy is in the process of being filled. The Board met four times during the year.

2.2 Board committees

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

- Audit
- Corporate Governance, incorporating the Remuneration, Nominations and Social and Ethics Committees
- Risk and Capital Management and
- Strategic Development.

2. The board of directors continued

2.3 Meeting attendance

Detail of the attendance by directors at Board and Board sub-committee meetings is set out in the schedule below.

	Committee Attendance				
	Board	**Audit**	**Risk and Capital Management**	**Corporate Governance**	**Strategic Development**
Number of meetings	4	4	4	2	7
Mrs LT de Waal – Financial Director# (Resigned April 27 2012)	3	3i	3i	1i	4
Mr EK Diack*@	4	4 Chairman	4 Chairman		
Mr LI Jacobs*	4	4		2	
Mr B Joffe*	3				
Mr P Nyman*^	4	3	2	1	5
Mr JL Pamensky*@	4	4i	3i		
Mr NG Payne*@	4 Chairman	4i	4	2 Chairman	7 Chairman
Mr AC Salomon – Managing Director#	4	4i	4i	2i	7

** Non-executive director*
 # Executive director
@ Independent
i Attendance by invitation
^ Absence due to temporary ill health

2.4 Bidvest Bank committee composition and terms of reference

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

The **Audit Committee** is composed of three non-executive directors. The function of the Committee is, *inter alia*, to monitor the financial, operational and management reporting processes, and 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. The committee has one sub-committee:

- The **Credit Committee** is chaired by a non-executive director, and is composed of the executive director and the Heads: Compliance, Risk and Governance, Credit and Internal Audit. The Committee's role is the effective management of credit risk within the mandate set out in the credit risk management policy. There were 16 meetings held during the year.

The **Risk and Capital Management Committee** is composed of three non-executive directors. 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. The committee has one sub-committee:

- The **Asset and Liability Committee** (**ALCO**) is chaired by a non-executive director and is composed of the executive director, and the Heads: Finance, Compliance, Risk and Governance, Risk, Global Trading & Investments, Lending, Card and the Chief Dealer. The Committee's function is the optimum management of the Bank's assets, liabilities and commitments in accordance with Board mandates and limits. This includes liquidity and cash flow management, and maintaining a strong and sound balance sheet. There were 17 meetings held during the year.

The **Corporate Governance Committee** is composed of three non-executive directors, and chaired by the Board chairman. The Committee's purpose is to assist the Board to maintain and enhance the process of corporate governance in the Bank. The Committee also undertakes the functions of the Remuneration and Nominations Committees, including the appointment, induction and training of directors, and succession planning of the Board and senior management; and the development of remuneration guidelines for executives and senior management. In addition the Committee undertakes the responsibilities of a Social and Ethics Committee, as prescribed by the Companies Act, 2008.

The **Strategic Development Committee** is composed of two senior executives and two non-executive directors, to examine business opportunities, and to advise the board on the Bank's strategic direction.

The **Executive Committee** is chaired by the Managing Director and 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 committees, Internal Audit, the Risk and Compliance functions and the Forensic Investigations and Security Department address corporate governance in the Bank.

2.5 Board appointments and succession planning

The identification and appointment of directors with appropriate banking knowledge and experience remains an important issue for the Board. The Bank benefits from their experience, business acumen and critical assessment of the Bank's strategic direction and management's implementation of the Board's objectives.

Mr JL Pamensky retired as chairman of the Bank in May 2011 and remains a non-executive director.

Mrs LT de Waal resigned as financial director on April 27 2012.

2.6 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.

2.7 Directors' independence and performance

The King III definition of director independence is adhered to.

The directors regularly assess the effectiveness of the Board, Board sub-committees, their chairmen and the Managing Director. The results of the assessments are presented to the Corporate Governance Committee. Individual director appraisal is the responsibility of the Board chairman.

The directors are aware of the standard of directors' conduct set out in the Companies Act, 2008.

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.

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 material undue, unexpected or unusual risks. In the period under review, no such risks were identified.

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

4. Compliance

Compliance is a specialised operational risk function that focuses on regulatory related risks requiring to be addressed at operational and operations management level. This implies that control measures need to be incorporated into operating procedures, systems, training and reporting in order to meet regulatory obligations. The compliance function is overseen by the Compliance Officer.

The Compliance Officer reports *administratively* to both the Managing Director of the Bank and the Head of Risk, Governance and Compliance and *directly* to the Risk and Capital Management Committee. The Compliance Officer also corresponds with the regulators for the financial services industry, including the South African Reserve Bank and the Financial Services Board.

Information derived from compliance monitoring is provided to management at all levels within the Bank and also to the Risk and Capital Management Committee.

The compliance function is also responsible for assessing new legislation in order to identify new regulatory risks. A similar process is undertaken for new products prior to launching, to ensure that the Bank is compliant with existing legislation.

In accordance with the new 'twin peaks' model adopted by the South African regulators, specific focus has been afforded to the objectives of the main regulators. To meet market conduct requirements, a TCF (treating customers fairly) project was launched and responsibility for outcomes was assigned to members of the executive committee of the Bank.

4.1 Regulatory compliance

The Bank is ultimately governed by the Banks Act 1990 (as amended) and the Regulations relating to banks, which is based on the requirements of the Basel II framework. Basel II, as issued by the Basel Committee on Banking Supervision, sets out international best practices for risk and capital management and was implemented in January 2008. Within this regulatory environment, the Bank is required to hold adequate capital against its assets to safeguard its solvency and overall economic stability. The Basel II Accord is based on three pillars namely, minimum capital requirements, supervisory review and market discipline. The Bank's primary regulator remains the Bank Supervision Department of the South African Reserve Bank. The Bank maintains a strong relationship with the Regulator, and communication and transparency are regarded as key factors in this relationship.

The Bank continuously monitors new developments within the regulatory environment, including the new global regulatory standard on bank capital adequacy and liquidity as set out in Basel III. Basel III will impact the global banking environment extensively, and was developed in response to the deficiencies in financial regulation revealed by the global financial crises which started in 2007. It is regarded as an enhancement of the current Basel II Accord and proposes to strengthen global capital and liquidity regulations in order to promote a more resilient banking sector. Basel III will require banks to hold more capital and higher quality capital than currently required under Basel II. It also introduces leverage and liquidity standards to strengthen regulation which will improve the banking sector's ability to absorb shocks arising from financial and economic stress. Basel III will require banks to comply with the new Liquidity Coverage Ratio by January 2015, and the Net Stable Funding Ratio by January 2018.

The Bank views these new requirements as an improvement in the financial regulatory environment as it will promote a more resilient banking sector. Although the South African Reserve Bank has not finalised or published the Basel III regulatory limits specific to South Africa, the Bank is well capitalised and liquid, and will comply with the new requirements.

The Bank continuously 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, business models, capital strategies and disclosure standards through compliance with the Basel frameworks 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. Adherence to applicable legislation and regulations is ensured through the documentation of all legal requirements in internal policies 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

Each individual business unit has been assessed to determine the regulatory related risks associated with it, and a Bank-wide risk profile has been prepared to indicate the top twenty Acts that impact on the Bank as a whole. These Acts fall into the following categories:

- Payment mechanisms and systems;
- Combating of financial crime;
- Market conduct and treating customers fairly;
- Occupational Health and Safety;
- Confidentiality and privacy; and
- Labour relations.

Historically the Bank's main focus was the Exchange Control Rulings and Regulations and the Financial Intelligence Centre Act, but recent growth and changes in the Bank's profile have necessitated expansion and enhancement of the compliance focus and function.

Collaboration with Internal Audit, Risk and the Forensic Investigations and Security department, ensures optimal coverage.

Compliance is working with the Information Technology Division and executive management to implement the necessary changes to structures, systems and processes.

4.4 Regulatory developments

The promulgation of the Protection of Personal Information Act (POPI) is awaited. The Bank has the necessary resources to ensure the Bank's compliance with legislation impacting on its information technology systems.

New draft regulations in terms of the Banks Act have been published. The requirements have been communicated to executive management.

In February 2011, the National Treasury issued a National Treasury Policy Document entitled *'A safer financial sector to serve South Africa better'*. Government will have a renewed focus on maintaining financial stability, strengthening consumer protection and ensuring that financial services are appropriate, accessible and affordable. To achieve this, the Reserve Bank will be given lead responsibility for prudential regulation and the Financial Services Board for consumer protection. As part of this, the mandate of the Financial Services Board will be expanded to include the market conduct of retail banking services. Finally, National Treasury will encourage greater access to financial services through a range of initiatives. The new policy document has been communicated to executive management.

5. Forensic Investigations and Security Department

5.1 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 also the Bank's money laundering control officer. The department conducted 268 surprise cash counts during the year and found only R2 044 in differences in a total of R205 million counted. Limits are checked weekly. During the year, 94 branch inspections were conducted to assess branch physical security, and adherence to security operating procedures.

5. Forensic Investigations and Security Department continued

5.1 Security continued

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.

A 24/7 transactional monitoring division monitors card fraud and transactions via exception rules, and is composed of six employees. On average, the department handles 9 055 exception reports per month, and has direct contact with 1 750 customers per month regarding their transactions.

The Bank's cash holdings were effectively managed during the year, and at year end, cash holdings of R52 million at the Bank's three bulk note centres were independently verified with no differences noted. In addition, during the year, a total of 84 551 bags of cash were in transit with no losses incurred.

The Bank has an on-site and off-site camera monitoring system at all of its bank branches, and its key leasing operations. These systems can be accessed by the network operations centre and by the 24/7 monitoring division.

5.2 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 employees comply with the Financial Intelligence Centre Act and other regulatory provisions. Bank systems comply with threshold reporting and suspicious transactional reporting (STR) obligations for each business unit. During the year, the Bank has submitted 16 221 STR reports to the Financial Intelligence Centre (FIC) with a value of R302 million.

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.

During the year, the department underwent an internal compliance audit in which it achieved a 95% compliance rate.

The Bank also had an on-site audit by the SARB on behalf of the FIC. Overall feedback from the SARB was positive. The audit also resulted in a number of constructive improvements to the Bank's FIC processes.

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.

7. Information technology

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

8. Employee relations

8.1 Remuneration

Remuneration of employees is based on regular performance reviews and is informed by industry guidelines and prevailing market conditions. Executive directors' employment contracts do not contain unusual leave or other benefit provisions, and are terminable on reasonable notice. Directors' and senior management's remuneration is approved by the Corporate Governance Committee. The Bank does not offer a share incentive scheme but executives participate in the share incentive scheme of The Bidvest Group Limited.

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.

The executive team at the Bank introduced two Executive Development Programmes for staff. The duration of the Executive Development Programmes is six months comprising lectures, business simulations and practical exercises. During the period, 20 participating employees, all with university degrees, successfully completed the first Executive Development Programme, and 27 employees are currently participating in the second Executive Development Programme. All participating employees have committed to ongoing employment with the Bank as a return on the training investment by the Bank.

The Bank is in a focused drive to attract graduates in the Graduate Acceleration Programme (GAP), and 32 graduates have been enrolled in Gauteng, KwaZulu-Natal and the Western Cape. This has created a pool of future black managers for the bank.

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 on-line e-Care service provides valuable interactive information on nutrition, medical conditions, drug related issues and test procedures.

The Bank provides a crèche for children of employees who work during the December holiday season.

8.4 Talent management

The Bank is committed to employee development and retention. At the end of June 2012, the Bank had 1 113 employees, and its employee turnover rate (resignations, retrenchments, dismissals and death) was 23,79%. The resignation rate was 11,81%.

8.5 Health and safety

No incidents were reported during the year under review. The Bank complies with the health and safety requirements of the Occupational Health and Safety Act. Health and Safety Committees have been set up in all three major regions and are functional. Quarterly meetings are held and minutes thereof are kept for record purposes and compliance.

8.6 Illness and HIV/Aids

During the year, two Wellness Days were held nationally at the Bank. The employees' response was good in all regions. The following assessments were conducted: cholesterol, glucose, blood pressure, voluntary counselling and testing (VCT), voluntary blood donation, dietician/nutritionist assessments and fitness consulting. A total of 525 employees completed VCT testing during the year, comprising 47,2% of the staff complement. Of those tested, 15 employees tested positive for HIV, some of which were newly diagnosed. Affected employees are eligible for assistance from the Bank's medical aid society.

8. Employee relations continued

8.7 Environment

The Bank is conscious of its environmental responsibilities. While the business has a fairly low direct impact, we are working towards paperless administrative systems as we develop new products in our niche markets. The Bank makes use of recycling initiatives to ensure that its waste paper is disposed of in an environmentally acceptable manner.

9. Transformation

The Bank had a Level 3 contributor B-BBEE rating from Empowerdex verification agency at year end. The Bank's rating was upgraded to a Level 2 contributor rating in August 2012.

9.1 Enterprise development

The Bank spent R16 million (2011: R14 million) on enterprise development during the year. These initiatives related to the Transnet Employee Academy, the Rally to Read Programme, SMMT Kagiso Trust and other initiatives.

9.2 Preferential procurement

The Bank's Broad-Based Black Economic Empowerment spend amounted to R1,1 billion (2011: R711 million).

9.3 Skills development

The Bank has been accredited as a service provider for Assessment and Delivery by the Bank Seta for the National Diploma: Banking (NQF Level 5). The Bank submitted its skills plan and workplace skills report to the Bank Seta during the prior year, and R1,2 million (2011: R976 000) was received from the Bank Seta for the year under review.

9.4 Learnerships

A total of 64 (2011: 7) learners from previously disadvantaged communities participated in the Bank's learnership programme during the year, including 10 disabled black female learners. The Banking Sector Education and Training Authority (Bank Seta) subsidised the Bank with R350 000 for the implementation of the disability learnership programme. Total spend on learnerships was R3,7 million (2011: R158 000).

9.5 Bursaries

A total of 82 bursaries were granted to permanent employees totalling R694 000 (2011: R496 000).

9.6 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.

The Bank has good black representation across middle and junior management levels, providing a pool of advancement candidates.

Demographic breakdown of staff complement:

Black males	248	22,3%
Black females	480	43,1%
White males	162	14,6%
White females	223	20,0%
Total	1 113	100,0%

9.7 Social economic development

The Bank acknowledges its place in the community and every year the Bank donates funds to worthy causes. The Bank spent R3,2 million (2011: R2,0 million) in the current year on social economic development. In addition employees perform charity work in their own time.

10. Direct exchanges with government

	2012 R'000	2011 R'000
Employees tax	**39 009**	34 519
Value Added Tax	**117 494**	43 187
Rates and taxes	**1 250**	1 341
Licences	**12 518**	12 369
Skills development levies	**2 313**	2 036
Unemployment insurance fund	**2 436**	2 113
Workmen's compensation	**171**	292
Income taxation	**115 881**	105 309
	291 072	201 166

11. Moody's Investors Service

Moody's has accorded the Bank national scale issuer ratings of A3.za/P-2.za with a stable outlook. The ratings reflect the Bank's position as a leading specialist provider of foreign exchange, leasing and niche banking products and services. The ratings also indicate that the Bank has solid financial fundamentals and strong capitalisation, with an equity-to-assets ratio of 39% (2011: 34%), and high profitability. At June 2012, the Bank's return on shareholders' equity was 19% (2011: 23%), return on assets was 8% (2011: 6%), while after tax profits were R317 million (2011: R284 million).

In its review, Moody's commented that the leasing business acquired on June 1 2010 had helped to broaden the Bank's product range and franchise. The stable outlook was based on the Bank's sound financial performance and the absence of imminent threats that might significantly compromise its credit standing.

Confirmation of the Bank's strong capitalisation and solid equity-to-assets ratio is pleasing in the current challenging environment.

Moody's also drew attention to the Bank's strong historical earnings-generating capabilities and low level of problematic exposures – significant positives and an acknowledgement that the Bank's prudent lending practices and largely conservative business philosophy are increasingly appropriate in today's uncertain business conditions.

The Bank also scored highly for securing competitive advantage, extended banking hours, a record of product innovation and delivery-to-the-door service to underpin relationships with valued clients.

12. Conclusion

The directors are committed to the promotion of sound risk management in the conduct of the Bank's activities. The ultimate responsibility for the management of risk lies with the Board, which is assisted by the Risk and Capital Management Committee in the identification of risks inherent in the business and the monitoring of controls to manage those risks.

The Board is satisfied that the structures and processes listed adequately and appropriately address the Bank's risk management, and its corporate governance obligations.

Directors' responsibility for the financial statements

The directors are responsible for the preparation and fair presentation of the Bank financial statements, comprising the directors' report, consolidated statement of financial position at June 30 2012, 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 Bank 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 Bank'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 auditors are responsible for reporting on whether the Bank financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The Bank financial statements were approved by the Board of directors on August 21 2012 and signed on its behalf by:

NG Payne
Chairman

AC Salomon
Managing Director

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

The Committee is composed of three non-executive directors, one of whom is an independent non-executive director. 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 Bank). The Committee reviewed the Bank's financial statements, and assessed whether these accurately represented the financial position of the Bank. The Committee assessed the directors' opinion that the Bank 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 Bank'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 Bank'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, Deloitte & Touche, including the audit plan and budget, and recommended to the Board and shareholders the appointment of the auditors.

EK Diack
Chairman

Independent auditor's report
To the shareholder of Bidvest Bank Limited

We have audited the group annual financial statements of Bidvest Bank Limited, set out on pages 23 to 80, which comprise the consolidated statement of financial position as at 30 June 2012, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and the notes, comprising a summary of significant accounting policies and other explanatory information.

Directors' Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements present fairly, in all material respects, the consolidated financial position of Bidvest Bank Limited as at 30 June 2012, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

Other reports required by the Companies Act

As part of our audit of the financial statements for the year ended 30 June 2012, we have read the Directors' Report, and the Company Secretary's Certificate for the purpose of identifying whether there are material inconsistencies between these reports and the audited financial statements.

These reports are the responsibility of the respective preparers. Based on reading these reports we have not identified material inconsistencies between these reports and the audited financial statements. However, we have not audited these reports and accordingly do not express an opinion on these reports.

Deloitte & Touche

Deloitte & Touche
Registered Auditor

Per: W Klaassen
Partner
15 October 2012

Deloitte Place
The Woodlands
20 Woodlands Drive
Woodmead
2052

National Executive: LL Bam Chief Executive
AE Swiegers Chief Operating Officer GM Pinnock Audit
DL Kennedy Risk Advisory NB Kader Tax
L Geering Consulting & Clients & Industries
JK Mazzocco Talent & Transformation
CR Beukman Finance M Jordan Strategy
S Gwala Special Projects TJ Brown Chairman of the Board
MJ Comber Deputy Chairman of the Board

A full list of partners and directors is available on request

B-BBEE rating: Level 2 contributor/AAA (certified by Empowerdex)

Member of Deloitte Touche Tohmatsu Limited

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) Limited, Viamax Fleet Solutions (Pty) Limited, Bidvest Capital (Pty) Limited and McCarthy Retail Finance (Pty) Limited, (the Group) are incorporated and domiciled in South Africa.

Nature of business

The Bank is a registered commercial bank.

Financial results

The financial results are set out in the financial statements and accompanying notes for the year ended June 30 2012.

Share capital

Details of the authorised and issued share capital appear in note 19 to the financial statements.

Interest of directors and officers

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

Directorate

During the financial year and up to the date of this report, the board consisted of the following members:

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 33 years' experience in the fields of manufacturing, distribution and treasury management. Alan is a member of the Strategic Development Committee, Asset and Liability Committee, the Credit Committee and is chairman of the Executive Committee.

Non-executive directors

Joseph Leon Pamensky
CA (SA), OMSG

Appointed May 16 2000

Joseph is a non-executive director of The Bidvest Group Limited with over 54 years' experience in the financial, insurance and banking industries, and is 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 and is a member of a number of Audit and Remuneration Committees. Joseph was formerly a director of ABSA Group Limited. Joseph was the chairman of the Board from May 16 2000 to May 23 2011.

Non-executive directors (continued)

Brian Joffe
CA (SA)

Appointed May 16 2000

Brian is the chief executive of Bidvest. Brian has over 34 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 he represented South Africa at the coveted "Ernst & Young World Entrepreneur of the Year" award in 2003. He was awarded an honorary doctorate by Unisa in May 2008.

Peter Nyman
CA (SA)

Appointed February 16 2001

Peter is the chairman of the Asset and Liability Committee and the Credit Committee and is a member of the Audit Committee, Risk and Capital Management Committee, Corporate Governance Committee and Strategic Development Committee. He is the chairman of the trustees of the Bidcorp Group Pension Fund, Bidcorp Group Provident Fund and the Quantum Medical Aid Society. Peter is the chairman of Bidvest Insurance Limited and Bidvest Life Limited.

Lionel Jacobs
BCom, MBA

Appointed May 16 2000

Lionel is a director of numerous Bidvest subsidiaries, Bassap Investments (Pty) Limited and Dinatla Investment Holdings (Pty) Limited. He is an entrepreneur with extensive negotiating and investment skills, and he 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 Audit Committee and Corporate Governance Committee.

Nigel Payne
CA (SA), MBL

Appointed August 1 2009 – Appointed chairman of the Board May 23 2011

Nigel is a director of a number of listed companies, including The Bidvest Group Limited, JSE Limited, Mr Price Group Limited, and BSi Steel Limited. He is a leading authority on corporate governance and risk management and is a member of the King Committee. Nigel was the chairman of the Audit Committee and Risk and Capital Management Committee and was appointed chairman of the Board on May 23 2011. He is a member of the Risk and Capital Management Committee, the Corporate Governance Committee and the Strategic Development Committee.

Eric Diack
CA (SA), AMP (Harvard), AMP (UCT)

Appointed May 23 2011

Eric is a chartered accountant and is a director of a number of listed companies, including The Bidvest Group Limited. He was formerly the CEO of Anglo American Ferrous and Industries Division. He is currently a non-executive director of Adcock Ingram and chairman of the Adcock Ingram Audit Committee. He has previously been a director of numerous major listed and unlisted companies. He was appointed chairman of the Audit Committee and Risk and Capital Management Committee on May 23 2011.

Distribution of dividends

On March 23 2012, the Company declared a dividend of R10 800 000 (2011: Rnil).

Performance

Profit after tax rose 11,8% to R317,0 million (2011: R283,5 million) while net interest income rose to R40,7 million (2011: R19,1 million). Net fee, commission and trading income was marginally lower at R392,3 million (2011: R409,9 million) and net income from leasing activities rose to R372,8 million (2011: R314,6 million).

Deposits grew by 31% to R1,78 billion (2011: R1,36 billion). Loans and advances and leased assets ended on R2,40 billion (2011: R2,38 billion). The bank's total assets increased to R4,15 billion (2011: R3,62 billion). Transaction volumes grew, though the value per transaction showed a marginal decline. Cash generated from operations increased to R851 million (2011: R721 million). Low-risk appetite was maintained. As a result of the prudent lending policy there were no significant write-downs or impairments. The credit loss ratio was 0,1% (2011: 0,1%).

The return on assets and return on equity were above banking industry norms at 7,6% and 19,4% respectively. A low financial leverage ratio of 39,4% or 2,5 times was maintained. The Bank's capital adequacy ratio was 17,1%. The Bank complies with Basel Liquidity Coverage Ratio (258%) and Net Stable Funding Ratio (119%) well ahead of their implementation date. The bank's Moody's rating was unchanged during the year at A3.za/P-2.za with a stable outlook. The ratings agency issued a favourable credit report in February 2012.

Company secretary and registered office

DJ Crawley

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18 Crescent Drive, Melrose Arch
Johannesburg
2196 South Africa
Registration number 2000/006478/06

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Website
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Auditors
Deloitte & Touche 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 88(2)(e) of the Companies Act, 71 of 2008, as amended, I certify that, to the best of my knowledge and belief, the Bank has lodged with the Registrar of Companies, for the financial year ended June 30 2012, all such returns and notices 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.

DJ Crawley
Company Secretary
August 21 2012

Consolidated statement of comprehensive income

for the year ended June 30

	Notes	2012 R'000	2011 R'000
Net interest income	6.1	**40 676**	19 122
Interest income		**100 514**	93 523
Interest expense		**(59 838)**	(74 401)
Net fee and commission income		**153 542**	144 941
Fee and commission income		**216 435**	199 582
Fee and commission expense		**(62 893)**	(54 641)
Net income from leasing activities		**497 406**	419 016
Leasing income	6.2	**1 218 885**	945 327
Depreciation		**(266 847)**	(288 100)
Other costs		**(454 632)**	(238 211)
Net trading income		**237 819**	262 172
Other income	6.3	**902**	2 819
Operating income		**930 345**	848 070
Net credit impairment charges	13.2	**(1 456)**	(2 239)
Operating income after credit impairment charges		**928 889**	845 831
Operating expenditure		**(483 412)**	(445 758)
Employment costs	7	**(246 637)**	(210 794)
Operating leases	8.1	**(67 186)**	(66 915)
Risk control		**(24 552)**	(27 041)
Information technology costs		**(21 464)**	(23 746)
Depreciation and amortisation		**(29 925)**	(31 309)
Other operating expenditure	8.2	**(93 648)**	(85 953)
Operating income before indirect taxation		**445 477**	400 073
Indirect taxation	9.1	**(12 558)**	(11 247)
Profit before direct taxation		**432 919**	388 826
Direct taxation	9.2	**(115 881)**	(105 309)
Profit for the year		**317 038**	283 517
Other comprehensive income, net of income tax			
Fair value reserve through equity on available-for-sale assets		**4 046**	(1 729)
Total comprehensive income for the year attributable to the equity holder of the Company		**321 084**	281 788

Consolidated statement of cash flows

for the year ended June 30

	Notes	2012 R'000	2011 R'000
Cash flows from operating activities			
Cash generated by operations before interest	10.1	**810 380**	731 902
Net interest income		**40 676**	19 122
Interest received		**100 514**	93 523
Interest paid		**(59 838)**	(74 401)
Cash generated by operations after interest		**851 056**	751 024
Dividends paid		**(10 800)**	–
Taxation paid	10.2	**(167 902)**	(139 678)
Net cash flows from operating activities		**672 354**	611 346
Cash flows from investing activities		**(104 671)**	(416 104)
Proceeds on disposal of equipment and leased assets		**296 834**	209 006
Dividends received		**1 377**	1 581
Acquisition of leased assets		**(354 224)**	(544 755)
Acquisition of equipment		**(23 634)**	(45 537)
Acquisition of intangible assets		**(10 185)**	(10 984)
Disposal of investment securities	10.3	**7 361**	4 667
Acquisition of investment securities	10.3	**(22 200)**	(30 082)
Cash flows from financing activities		**(109 936)**	(243 488)
Proceeds from share issues		**90 000**	–
Decrease in intergroup loans		**(199 936)**	(243 488)
Net increase (decrease) in cash and cash equivalents		**457 747**	(48 246)
Cash and cash equivalents at beginning of year		**927 336**	975 582
Cash and cash equivalents at end of year	11	**1 385 083**	927 336

Consolidated statement of financial position

at June 30

	Notes	2012 R'000	2011 R'000
Assets			
Cash and cash equivalents	11	**1 385 083**	927 336
Derivative financial assets	12	**27 550**	17 831
Loans and advances	13	**915 396**	680 246
Leased assets	14	**1 486 730**	1 702 077
Investment securities	15	**101 599**	82 714
Other assets	16	**122 215**	95 373
Equipment	17	**70 817**	81 582
Intangible assets	18	**34 969**	31 535
Current taxation	10.2	**9 321**	–
Total assets		**4 153 680**	3 618 694
Equity and liabilities			
Equity		**1 636 405**	1 235 251
Share capital	19	**2 070**	1 980
Share premium	20	**525 709**	435 799
Fair value reserve		**3 504**	(542)
Retained earnings		**1 105 122**	798 014
Liabilities		**2 517 275**	2 383 443
Intergroup loans	21	**419 612**	619 548
Derivative financial liabilities	12	**18 560**	13 376
Deposits	22	**1 780 330**	1 360 381
Other liabilities	23	**186 440**	235 105
Deferred taxation	24	**112 133**	112 461
Current taxation	10.2	**–**	42 372
Defined benefit liability		**200**	200
Total equity and liabilities		**4 153 680**	3 618 694

Consolidated statement of changes in equity

for the year ended June 30

	2012 R'000	2011 R'000
Share capital	**2 070**	1 980
Opening balance at July 1	**1 980**	1 980
Transactions with owners – issue of shares	**90**	–
Share premium	**525 709**	435 799
Opening balance at July 1	**435 799**	435 799
Transactions with owners – issue of shares	**89 910**	–
Fair value reserve	**3 504**	(542)
Opening balance at July 1	**(542)**	1 187
Items recognised directly in equity – fair value adjustment on investment	**4 046**	(1 729)
Retained earnings	**1 105 122**	798 014
Opening balance at July 1	**798 014**	513 892
Profit for the year	**317 038**	283 517
Transactions with owners, recorded directly in equity		
Contributions by and distributions to owners		
Dividends paid	**(10 800)**	–
Share-based payment transactions	**870**	605
Closing balance at June 30	**1 636 405**	1 235 251
Total equity		
Opening balance at July 1	**1 235 251**	952 858
Transactions with owners	**80 070**	605
– issue of shares	**90 000**	–
– dividends paid	**(10 800)**	–
– share-based payments	**870**	605
Total comprehensive income	**321 084**	281 788
Items recognised directly in equity	**4 046**	(1 729)
Profit for the year	**317 038**	283 517
Closing balance at June 30	**1 636 405**	1 235 251

Notes to the consolidated financial statements

for the year ended June 30

1. Reporting entity

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

2. Basis of preparation

2.1 Statement of compliance

The financial statements have been prepared using accounting policies that comply with IFRS and which are consistent with those applied in the preparation of the financial statements for the year ended June 30 2011.

The Group has adopted the following new and modified standards and interpretations, in response to changes to IFRS: IAS 39 (revised) – *Financial Instruments: Recognition and Measurement*, IAS 24 (revised) – *Related Party Disclosure,* IAS 32 (revised) – *Financial Instruments: Presentation,* IFRIC 14 – *The limit on a defined benefit asset, minimum funding requirements and their interaction,* and IFRIC 19 – *Extinguishing Financial Liabilities with Equity Instruments.* The adoption of the new and modified standards and interpretations has had no impact on the Group's results.

2.2 Basis of measurement

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

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

2.3 Functional currency

The financial statements are presented in South African rand (rand), which is the Bank'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 Bank. The Bank financial statements include the assets, liabilities and results of the Bank, plus subsidiaries controlled by the Bank, from the date of acquisition until the date the Bank 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 Bank 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 Bank has control.

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

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 28 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.

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 Bank 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 Bank controlling shareholder's consolidated financial statements. Goodwill and intangible assets that form part of the carrying amount that was recognised previously in the Bank 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.

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 Bank'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 Bank 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 at either 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 Bank 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.

3. Significant accounting policies (continued)

3.4 Financial instruments (continued)

Loans and advances

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

Loans and advances 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 Bank 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.

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 Bank 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 Bank 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

3. Significant accounting policies (continued)

3.4 Financial instruments (continued)

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 Bank 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 Bank on terms that the Bank 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.

In assessing collective impairment, the Bank 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 Bank 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 Bank's trading activity.

Collateral

Financial and non-financial assets are held as collateral in respect of recognised financial assets. Such collateral is not recognised by the Bank, as the Bank 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 Bank 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 Bank's accounting policies are applied from the date of recognition. Cash collateral is recognised when the Bank receives the cash and is reported as amounts received from depositors.

Derecognition

The Bank 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 Bank is recognised as a separate asset or liability.

The Bank 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 Bank 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 Bank 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 Bank 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. Significant accounting policies (continued)

3.6 Leased assets

The leased assets are moveable assets rented to customers under operating leases. The leased assets are depreciated over the shorter period of the lease or the useful life of the asset. The maintenance costs are borne by the Bank and are expensed as they are incurred.

Leased assets' residual values are reviewed and adjusted if appropriate, at each reporting date.

3.7 Equipment

Equipment, furniture, motor 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 Bank 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 equipment is determined as the difference 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 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 Bank controlling shareholder's consolidated financial statements that related to these businesses.

Computer software

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

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 Bank 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

3.9 Maintenance contracts

The Group provides for its future maintenance obligations attributable to revenue that has already been earned in terms of maintenance contracts for leased assets.

3.10 Impairment of non-financial assets

The carrying amounts of the Bank'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

3. Significant accounting policies (continued)

3.10 Impairment of non-financial assets (continued)

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.

3.11 Provisions

Provisions are recognised when the Bank 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

Bank 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.

Bank 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 Bank 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 loans and trade payables

Deposits, intergroup loans 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 Bank 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 Bank 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 Bank has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Bank has an obligation for post-employment medical aid, to a capped 8 past and current employees. For past service, the Bank 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 Bank 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 expenses 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 expenses presented in the statement of comprehensive income include:

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

3.19 Fee and commission

Fee and commission income and expenses 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 expenses relate mainly to transaction and service fees, which are expensed as the services are received.

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.

Profit on sale of assets held for resale is recognised when goods are delivered and title has passed.

3.21 Net trading income

Net trading income comprises gains and 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, administration fees and profits from the sale of assets.

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

3.23 Taxation

Normal tax

The 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 taxes 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 the shareholder

Distributions to the shareholder are accounted for once they have been approved by the Board.

4. Financial risk management

4.1 Introduction and overview

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

- Credit risk
- Liquidity risk
- Market risks
- Operational risks
- Reputational risk

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

Risk management framework

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

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

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

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

4.2 Credit risk

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

Credit risk is managed within the risk appetite of the Bank. Acceptable credit risk identified in a credit application is mitigated through sufficient underlying security. To enhance the return on funds, and therefore shareholder value, a certain amount of risk has to be taken in the lending activities of the Bank. The risk tolerance of the Bank is, however, low and therefore all credit is mitigated through sound credit principles, and all lending done against appropriate security, except where other factors deem it not necessary to obtain specific security.

The basic principle governing the Bank's lending philosophy is the need for management to satisfy themselves that the business of the borrower has the capacity to deploy its assets in a way that will generate the earnings/cash flows on a sustainable basis to facilitate the repayment of any facilities granted.

4. Financial risk management (continued)

4.2 Credit risk (continued)

Management of credit risk

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

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

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

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

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

The Bank adopted the standardised approach for the measurement of its exposure to credit risk and applies the requirements of Regulation 23 and 24 of the Regulations relating to Banks to its credit exposures. Information disclosed is consistent with the manner in which the Board of Directors and senior management assess and manage risk exposures.

4. Financial risk management (continued)

4.2 Credit risk (continued)

Exposure to credit risk

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

Exposure to credit risk	Gross maximum exposure 2012 R'000	2011 R'000
Loans and advances (excluding banks)		
Individually impaired		
Average credit quality	**873**	411
Deteriorated credit quality	**1 168**	1 631
Total	**2 041**	2 042
Specific allowance for impairment	**(1 384)**	(1 329)
Carrying amount	**657**	713
Collectively impaired		
Exceptional credit quality	**23 472**	34 572
Good credit quality	**66 383**	174 735
Average credit quality	**246 598**	72 624
Deteriorated credit quality	**19 914**	12 977
Total	**356 367**	294 908
Portfolio allowance for impairment	**(2 389)**	(2 357)
Carrying amount	**353 978**	292 551
Neither past due nor impaired		
Net exceptional credit quality	**351 487**	259 324
Exceptional credit quality	**377 913**	284 815
Specific allowance for impairment – warranted debt (see commentary below)	**(26 426)**	(25 491)
Exceptional credit quality (banks)	**31 194**	30 750
Good credit quality	**22 261**	24 386
Average credit quality	**143 817**	72 235
Deteriorated credit quality	**12 002**	287
Total	**560 761**	386 982
Total carrying amount of loans and advances	**915 396**	680 246
Other financial assets		
Exceptional credit quality	**178 453**	179 220
Exceptional credit quality (banks)	**1 305 780**	833 242
Good credit quality	**152 214**	110 792
Total of other financial assets	**1 636 447**	1 123 254
Non-financial assets as per statement of financial position		
Leased assets	**1 486 730**	1 702 077
Equipment	**70 817**	81 582
Intangible assets	**34 969**	31 535
Current taxation	**9 321**	–
Total of non-financial assets	**1 601 837**	1 815 194
Total assets	**4 153 680**	3 618 694

4. Financial risk management (continued)

4.2 Credit risk (continued)

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

Where a company has a rating issued by a recognised rating agency, that rating has been applied. If not, an internal risk-based rating process has been applied. In the latter case, the Bank determines the financial condition of a borrower by calculating certain financial ratios and changes to certain ratios in order to determine the Internal Credit Rating allocated to the borrower.

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

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

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

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

Allowances for impairment
The Bank establishes an allowance for impairment losses that represents its estimate of anticipated losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually 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.

Security held
The Bank holds financial collateral and other security against loans and advances to customers in the form of mortgage bonds over property, assets financed, other registered securities over assets, and guarantees. Estimates of fair value are based on the value of security assessed at the time of borrowing, and are updated regularly. The Bank applies the comprehensive approach for credit risk mitigation as set out in Regulation 23 of the Regulations relating to banks.

Security value	Note	Loans and advances 2012 R'000	2011 R'000
Against individually impaired			
Movable assets		**578**	312
Cash, debtors, stock		**–**	–
Property		**–**	21
Guarantees		**–**	–
Total secured		**578**	333
Unsecured		**79**	380
Total		**657**	713
Collectively impaired			
Movable assets		**205 776**	175 909
Cash, debtors, stock		**38 304**	13 358
Property		**81 551**	63 518
Guarantees		**17 493**	21 744
Total secured		**343 124**	274 529
Unsecured		**10 854**	18 022
Total		**353 978**	292 551
Neither past due nor impaired			
Movable assets		**302 009**	100 429
Cash, debtors, stock		**80 513**	–
Property		**221**	–
Guarantees		**171 071**	286 553
Total secured		**553 814**	386 982
Unsecured		**6 947**	–
Total		**560 761**	386 982
Carrying value	13	**915 396**	680 246

4. Financial risk management (continued)

4.2 Credit risk (continued)

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 Bank	25% excluding arrears, depending on the quality of the book
General notarial bond over stock Valuated monthly upon submission of stock lists to the Bank	25%
Mortgage bonds over property Valuation conducted by an independent Valuator approved by the Bank when the deal is initiated	60%
A1 rated guarantees	100%
Suretyships	0%
Movable assets	100%

4. Financial risk management (continued)

4.2 Credit risk (continued)

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

Credit risk by sector	Note	Loans and advances 2012 R'000	Loans and advances 2011 R'000	Investment securities 2012 R'000	Investment securities 2011 R'000
Concentration by sector					
Agriculture, hunting, forestry and fishing		**3 830**	2 965	**–**	–
Manufacturing		**56 517**	37 295	**–**	–
Mining and quarrying		**35 198**	38 633	**–**	–
Construction		**21 681**	27 425	**–**	–
Wholesale and retail trade		**157 150**	103 003	**–**	–
Transport, storage and communication		**84 687**	83 808	**–**	–
Financial intermediation, insurance, real estate and business services		**334 965**	290 717	**20 664**	20 150
Community, social and personal services		**206 798**	80 481	**–**	–
Private households		**8 003**	14 135	**–**	–
Utilities		**6 567**	908	**–**	–
Other		**–**	876	**80 935**	62 564
Total	13	**915 396**	680 246	**101 599**	82 714
Of which:					
Sovereign		**177 372**	76 664	**80 292**	37 948

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

Settlement risk

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

External credit assessment

In calculating the required amount of capital to be held against credit risk, the Bank applies the long-term, international credit ratings as published by Moody's Investors Services. Where no rating has been published, the following rating agencies are used:

- Fitch
- Standard & Poor's.

4. Financial risk management (continued)

4.2 Credit risk (continued)

Counterparty credit risk

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

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

	Gross R'000	Impair-ment R'000	Net R'000	Guarantees and suretyships R'000	Pledge of assets R'000	Total R'000	Carrying value for which no collateral is held R'000	Net R'000
2012								
Not past due	**944 088**	**(29 495)**	**914 593**	**188 564**	**708 149**	**896 713**	**17 880**	**914 593**
Past due 0 – 30 days	–	–	–	–	–	–	–	–
Past due 31 – 180 days	**1 507**	**(704)**	**803**	–	**803**	**803**	–	**803**
Past due 181 – 365 days	–	–	–	–	–	–	–	–
Total	**945 595**	**(30 199)**	**915 396**	**188 564**	**708 952**	**897 516**	**17 880**	**915 396**
2011								
Not past due	707 485	(28 781)	678 704	308 098	352 351	660 449	18 255	678 704
Past due 0 – 30 days	134	(2)	132	–	132	132	–	132
Past due 31 – 180 days	1 274	(11)	1 263	–	1 263	1 263	–	1 263
Past due 181 – 365 days	530	(383)	147	–	–	–	147	147
Total	709 423	(29 177)	680 246	308 098	353 746	661 844	18 402	680 246

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

- *Market Liquidity Risk:* The ease with which assets can be liquidated; and
- *Funding Liquidity Risk:* The ease with which additional funding can be raised eg in the interbank or wholesale markets.

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

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

Management of liquidity risk

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

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

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

At June 30 2012, the Bank holds a committed borrowing facility of R371 million (2011: R494 million) from The Bidvest Group Limited. This facility is contractually repayable in equal annual instalments of R123 million on June 30 of each year. Any unutilised portion of this committed facility remains available on demand and can be accessed to meet liquidity needs.

The Bank also has a standing internal limit (referred to as the Liquidity Cushion) that the greater of R200 million, or 25% of its call deposits plus notice deposits maturing within 14 days, will be covered at all times by immediately available funds. At June 30 2012, immediately available funds (comprising central bank, interbank and intergroup call and current accounts) totalled R1,56 billion.

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

Management of liquidity risk (continued)

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

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

Residual contractual maturities of financial liabilities

	Gross value R'000	Contractual undiscounted cash flows R'000	6 months or less R'000	6 – 12 months R'000	1 – 5 years R'000
June 30 2012					
Non-derivative liabilities					
Intergroup loans	**(419 612)**	**(538 993)**	**(76 992)**	**(141 358)**	**(320 643)**
Other liabilities	**(156 030)**	**(156 030)**	**(156 030)**	**–**	**–**
Deposits	**(1 780 330)**	**(1 793 185)**	**(1 766 348)**	**(26 837)**	**–**
Derivative liabilities					**–**
Trading: outflow (liabilities)	**(18 560)**	**(18 560)**	**(18 419)**	**(141)**	**–**
	(2 374 532)	**(2 506 768)**	**(2 017 789)**	**(168 336)**	**(320 643)**
June 30 2011					
Non-derivative liabilities					
Intergroup loans	(619 548)	(767 627)	(155 038)	(141 459)	(471 130)
Other liabilities	(167 143)	(167 143)	(167 143)	–	–
Deposits	(1 360 381)	(1 368 183)	(1 346 154)	(22 029)	–
Derivative liabilities					
Trading: outflow (liabilities)	(13 376)	(13 376)	(13 376)	–	–
	(2 160 448)	(2 316 329)	(1 681 711)	(163 488)	(471 130)

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

4. Financial risk management (continued)

4.3 Liquidity risk (continued)

Maturity analysis of financial assets held for managing liquidity risk

	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 2012					
Cash and cash equivalents	**1 385 083**	**1 385 083**	**–**	**–**	**–**
Loans and advances	**915 396**	**361 582**	**25 578**	**474 658**	**53 578**
Investment securities	**101 599**	**21 307**	**–**	**80 292**	**–**
Other assets	**102 006**	**102 006**	**–**	**–**	**–**
	2 504 084	**1 869 978**	**25 578**	**554 950**	**53 578**
June 30 2011					
Cash and cash equivalents	927 336	927 336	–	–	–
Loans and advances	680 246	259 534	39 319	341 198	40 195
Investment securities	82 714	25 074	–	57 640	–
Other assets	83 323	83 323	–	–	–
	1 773 619	1 295 267	39 319	398 838	40 195

4.4 Market risk

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

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

4. Financial risk management (continued)

4.4 Market risk (continued)

Exposure to interest rate risk – non-trading portfolios

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

	Carrying amount R'000	Less than 3 months R'000	3 –12 months R'000	1 – 5 years R'000	More than 5 years R'000
June 30 2012					
Financial assets (liabilities)					
Cash and cash equivalents	**1 385 083**	**1 385 083**	**–**	**–**	**–**
Loans and advances	**915 396**	**874 942**	**747**	**38 948**	**759**
Investment securities	**101 599**	**21 307**	**–**	**80 292**	**–**
Other assets	**102 006**	**102 006**	**–**	**–**	**–**
Intergroup loans	**(419 612)**	**(420 996)**	**–**	**1 384**	**–**
Deposits	**(1 780 330)**	**(1 746 875)**	**(33 455)**	**–**	**–**
	304 142	**215 467**	**(32 708)**	**120 624**	**759**
June 30 2011					
Financial assets (liabilities)					
Cash and cash equivalents	927 336	927 336	–	–	–
Loans and advances	680 246	640 551	747	38 948	–
Investment securities	82 714	25 074	–	57 640	–
Other assets	83 323	83 323	–	–	–
Intergroup loans	(619 548)	(630 376)	–	10 828	–
Deposits	(1 360 381)	(1 319 753)	(40 628)	–	–
	(206 310)	(273 845)	(39 881)	107 416	–

Analysis based on interest terms	**Effective rate of interest**			
	2012 %	2011 %	**2012 R'000**	2011 R'000
Loans and advances				
Loans and advances with floating interest rates*	**7,44**	8,00	**739 876**	669 701
Loans and advances with fixed interest rates	**11,31**	10,78	**205 719**	39 722
			945 595	709 423
Less: Impairment			**(30 199)**	(29 177)
			915 396	680 246
Deposits				
Deposits with floating interest rates*	**3,66**	3,85	**(1 717 036)**	(1 228 028)
Deposits with fixed interest rates	**5,62**	6,02	**(63 294)**	(132 353)
			(1 780 330)	(1 360 381)

** The current floating interest rate as at June 30*

Interest rate sensitivities

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

Average prime lending rate	**2012 %**	2011 %
For the current year ended June 30	**9,00**	9,30
For the prior year ended June 30	**9,30**	10,43
Interest rate sensitivity based on movements in prime lending rate:	**R'000**	R'000
Decrease before tax in net interest income for the year	**(4 725)**	(13 928)

4. Financial risk management (continued)

4.4 Market risk (continued)

Interest rate sensitivities (continued)

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

	200bp parallel movement	
Monthly impact before tax on net interest income	**Increase R'000**	**Decrease R'000**
As at June 30 2012	**2 503**	**(2 503)**
As at June 30 2011	2 513	(2 513)

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

Foreign exchange rate sensitivities

Currency profile

	ZAR R'000	GBP R'000	USD R'000	EUR R'000	Other R'000	Total R'000
2012						
Assets						
Cash and cash equivalents	**1 301 000**	**10 786**	**44 779**	**14 666**	**13 852**	**1 385 083**
Derivative financial assets	**27 550**	**–**	**–**	**–**	**–**	**27 550**
Loans and advances	**820 475**	**85**	**94 836**	**–**	**–**	**915 396**
Leased assets	**1 486 730**	**–**	**–**	**–**	**–**	**1 486 730**
Investment securities	**101 599**	**–**	**–**	**–**	**–**	**101 599**
Other assets	**121 241**	**35**	**660**	**131**	**148**	**122 215**
Equipment	**70 817**	**–**	**–**	**–**	**–**	**70 817**
Current taxation	**9 321**	**–**	**–**	**–**	**–**	**9 321**
Intangible assets	**34 969**	**–**	**–**	**–**	**–**	**34 969**
	3 973 702	**10 906**	**140 275**	**14 797**	**14 000**	**4 153 680**
Commitments to purchase foreign currency	**–**	**61 323**	**853 953**	**284 735**	**144 829**	**1 344 840**
Total assets	**3 973 702**	**72 229**	**994 228**	**299 532**	**158 829**	**5 498 520**
2011	3 517 649	8 597	54 209	20 173	18 066	3 618 694
Commitments to purchase foreign currency	–	45 018	916 833	231 023	87 958	1 280 832
Total assets	3 517 649	53 615	971 042	251 196	106 024	4 899 526

4. Financial risk management (continued)

4.4 Market risk (continued)

Foreign exchange rate sensitivities (continued)

Currency profile (continued)

	ZAR R'000	GBP R'000	USD R'000	EUR R'000	Other R'000	Total R'000
2012						
Equity and liabilities						
Share capital	**2 070**	**–**	**–**	**–**	**–**	**2 070**
Share premium	**525 709**	**–**	**–**	**–**	**–**	**525 709**
Reserves	**1 108 626**	**–**	**–**	**–**	**–**	**1 108 626**
Intergroup loans	**419 612**	**–**	**–**	**–**	**–**	**419 612**
Derivative financial liabilities	**18 560**	**–**	**–**	**–**	**–**	**18 560**
Deposits	**1 472 202**	**53 465**	**162 580**	**64 322**	**27 760**	**1 780 330**
Other liabilities	**185 076**	**614**	**897**	**(170)**	**24**	**186 440**
Deferred tax	**112 133**	**–**	**–**	**–**	**–**	**112 133**
Defined benefit liability	**200**	**–**	**–**	**–**	**–**	**200**
	3 844 188	**54 079**	**163 477**	**64 152**	**27 784**	**4 153 680**
Commitments to sell foreign currency	**–**	**22 953**	**826 141**	**229 622**	**133 820**	**1 212 536**
Total equity and liabilities	**3 844 188**	**77 032**	**989 618**	**293 774**	**161 604**	**5 366 216**
2011	3 287 148	41 381	199 614	61 119	29 432	3 618 694
Commitments to sell foreign currency	–	11 489	779 173	183 133	84 413	1 058 208
Total equity and liabilities	3 287 148	52 870	978 787	244 252	113 845	4 676 902

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.

	GBP R'000	USD R'000	EUR R'000	Other R'000	Total R'000
Net open position					
June 30 2012	**(4 803)**	**4 610**	**5 758**	**(2 775)**	**2 790**
June 30 2011	744	(7 745)	6 944	(7 821)	(7 878)
Closing spot exchange rate	**GBP**	**USD**	**EUR**		
June 30 2012	**R12,86**	**R8,19**	**R10,39**		
June 30 2011	R10,87	R6,79	R9,82		
Average exchange rate					
For the year ended June 30 2012	**R12,27**	**R7,74**	**R10,38**		
For the year ended June 30 2011	R11,14	R7,01	R9,55		
For the year ended June 30 2010	R12,01	R7,59	R10,56		

4. Financial risk management (continued)

4.4 Market risk (continued)

Foreign exchange rate sensitivities (continued)

Currency profile (continued)

	2012 R'000	2011 R'000
Foreign currency sensitivity based on movements in exchange rate:		
Increase (decrease) before tax in operating income for the year	**23 066**	(22 657)
Foreign currency net open position sensitivity based on a 10% exchange rate		
GBP	**(480)**	74
USD	**461**	(775)
EUR	**576**	694
Other	**(277)**	(782)
	280	(789)

4.5 Operational risks

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

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

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

- Requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- Requirements for the reconciliation and monitoring of transactions;
- Compliance with regulatory and other legal requirements;
- Documentation of controls and procedures;
- Requirements for the periodic assessment of operational risks faced, and the adequacy of controls and procedures to address the risks identified;
- Requirements for the reporting of operational losses and proposed remedial action;
- Development of contingency plans;
- Training and professional development;
- Ethical and business standards; and
- Risk mitigation, including insurance where this is effective.

4.6 Reputational risk

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

The following basic strategies are followed to manage reputational risk:

- Fostering a reputation-conscious culture;
- Linking corporate social responsibility to reputation;
- Measuring the impact of media coverage, perceptions and stakeholder impressions;
- Developing plans to develop and protect reputation;
- Monitoring potential reputation-damaging issues;
- Proactively exploiting good news and having a crisis communication plan to respond in times of bad news; and
- Transforming potential disasters into opportunities.

4.7 Capital management

Regulatory capital

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

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

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

The Bank and its operations have complied with all externally imposed capital requirements throughout the year and previous periods.

Notes to the consolidated financial statements

for the year ended June 30 continued

4. Financial risk management (continued)

4.7 Capital management (continued)

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

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

None of the exposures at June 30 2012 were subject to rapid or material change.

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

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

5. Related party information

Parent company

The holding company of the Group is Bidvest Bank Holdings Limited. The ultimate holding company is The Bidvest Group 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's Board of Directors.

	2012 R'000	2011 R'000
5. Related party information (continued)		
Related party balances – outstanding at year-end		
Intergroup loans		
The Bidvest Group Limited	**49 996**	136 376
Bid Industrial Holdings (Pty) Limited	**371 000**	494 000
Bidvest Share Incentive Trust	**(1 384)**	(10 828)
Advances		
Loans to fellow subsidiaries	**285 373**	200 146
Derivative assets with fellow subsidiaries	**10 185**	2 954
Loans to senior employees and key management	**65**	190
Deposits		
Deposits from fellow subsidiaries	**(108 076)**	(49 674)
Deposits from directors, senior employees and key management	**(10 300)**	(9 037)
Derivative liabilities with fellow subsidiaries	**(4 128)**	(328)
Accounts receivable from fellow subsidiaries	**5 286**	1 272
Accounts payable to fellow subsidiaries	**(1 946)**	(23)
Related party transactions – fellow subsidiaries		
Income		
Net interest income	**(2 778)**	(1 110)
Commission and fees	**(1 349)**	(1 228)
Administration fee received	**(7 526)**	(7 340)
Leasing income	**(74 256)**	–
Other	**(5 324)**	(3 175)
Expenses		
Advertising	**2 405**	1 100
Administration fee paid	**10 162**	4 500
IT charges	**912**	776
Leasing activities – other costs	**6 861**	–
Property rentals	**1 743**	3 790
Security fees	**16 201**	10 784
Stationery	**2 556**	2 754
Royalties paid	**180**	90
Office services	**5 746**	1 904
Travel	**1 132**	–
Other	**702**	–
Assets (purchases)		
Equipment	**896**	–
Leased assets	**310 908**	–
Inventories	**2 496**	–

		2012 R'000	2011 R'000
5.	**Related party information (continued)**		
	Related party transactions – key management		
	Savings deposits		
	Credit balance July 1	**1 068**	964
	Interest income	**47**	35
	Net new investments	**880**	69
	Balance June 30	**1 995**	1 068
	Call and notice deposits		
	Balance July 1	**7 969**	5 407
	Interest income	**358**	392
	Net new investments (withdrawals)	**(22)**	2 170
	Balance June 30	**8 305**	7 969
	Other fees		
	Fees and commissions	**42**	5
	Advertising	**804**	644
	Other	**1 031**	753

Key management compensation

	Salaries and other short-term benefits R'000	Share-based payments R'000	Benefit arising on exercise of share options R'000	Services as directors R'000	Total R'000
2012					
LT de Waal	**1 268**	–	–	–	**1 268**
EK Diack*	–	–	–	**415**	**415**
LI Jacobs*	–	–	–	–	–
P Nyman*	–	–	–	–	–
JL Pamensky*	–	–	–	**200**	**200**
NG Payne*	–	–	–	**517**	**517**
JH Postmus	–	–	–	**20**	**20**
AC Salomon*	**6 600**	**2 451**	**5 310**	–	**14 361**
RGH Smith	–	–	–	**20**	**20**
	7 868	**2 451**	**5 310**	**1 172**	**16 801**
2011					
LT de Waal	2 060	97	–	–	2 157
EK Diack	–	–	–	38	38
JL Pamensky*	–	–	–	237	237
NG Payne*	–	–	–	233	233
JH Postmus	–	–	–	212	212
AC Salomon*	6 000	67	–	–	6 067
RGH Smith	–	–	–	182	182
	8 060	164	–	902	9 126

* *Directors who are board members of The Bidvest Group Limited.*

5. Related party information (continued)

Executives participate in The Bidvest Group Limited's share incentive scheme (see note 27).

The above key management compensation only reflects compensation paid by Bidvest Bank Limited. For a full listing of key management compensation of directors that are board members of The Bidvest Group Limited, refer to the Directors' Report in The Bidvest Group Limited Annual Financial Statements for the year ended June 30 2012 which can be inspected at the following registered address:

Bidvest House, 18 Crescent Drive, Melrose Arch, Melrose, 2196, South Africa.

Related party off-balance sheet transactions – Fellow subsidiaries

	2012 R'000	2011 R'000
Letters of credit issued on behalf of group companies	**1 324**	1 399
Guarantees issued on behalf of group companies	**3 270**	3 040
Notional value of FECs liabilities with fellow subsidiaries	**(41 604)**	(48 061)
Notional value of FECs assets with fellow subsidiaries	**126 156**	99 879

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.

	2012 R'000	2011 R'000
6. Income		
6.1 Net interest income		
Interest income	**100 514**	93 523
> Cash and cash equivalents	**28 660**	34 574
> Loans and advances to banks	**–**	2 865
> Loans and advances to customers	**61 225**	46 250
> Investment securities	**5 320**	3 424
> Other	**5 309**	6 410
Interest expense	**(59 838)**	(74 401)
> Deposits from banks	**(344)**	(87)
> Deposits from customers	**(58 162)**	(51 003)
> Intergroup loan	**(1 332)**	(23 311)
Net interest income	**40 676**	19 122
Included within various captions under interest income for the year is interest accrued on impaired financial assets	**2 831**	4 420
Included in interest income relating to available-for-sale financial assets	**5 320**	3 424
6.2 Leasing income		
Contingent rentals included in leasing income	**30 033**	23 582
6.3 Other income		
Dividends on investment securities	**1 377**	1 581
(Loss) profit on disposal of bonds	**(475)**	1 238
	902	2 819

Notes to the consolidated financial statements

for the year ended June 30 continued

		2012 R'000	2011 R'000
7.	**Employment costs**		
	Salaries	**214 095**	189 719
	Contributions to the provident fund	**12 105**	12 096
	Contributions to the defined contribution pension fund	**1 360**	1 190
	Decrease in liability for the defined benefit plan	**(238)**	(238)
	Share-based payment expense	**3 265**	605
	Charged against equity	**870**	605
	Cash-settled	**2 395**	–
	Performance incentive	**16 050**	7 422
	Net retrenchment costs	**–**	–
	Retrenchment costs	**1 398**	–
	Warranty claim	**(1 398)**	–
		246 637	210 794
8.	**Operating expenditure**		
8.1	**Operating leases**		
	– Property rentals	**66 032**	65 462
	– Office equipment	**1 468**	1 477
	– Vehicles	**3**	8
	– Straight-lining of leases	**(317)**	(32)
		67 186	66 915
8.2	**Other operating expenditure**		
	Other operating expenditure includes:		
	Auditors' remuneration	**5 171**	4 548
	Audit fees	**5 030**	4 067
	Taxation advice	**141**	25
	Fees for other services	**–**	456
	Consulting fees	**2 259**	1 139
	Directors' emoluments	**11 191**	9 126
	For services as non-executive directors	**1 172**	902
	For services as executive directors	**10 019**	8 224
	Net loss (profit) on disposal of equipment and leased assets	**17 115**	(5 299)

		2012 R'000	2011 R'000
9.	**Taxation**		
9.1	**Indirect taxation**		
	– Value added tax	**10 245**	9 211
	– Skills development levy	**2 313**	2 036
		12 558	11 247
9.2	**Direct taxation**		
	South African normal taxation	**(116 209)**	(87 968)
	– Current year	**(116 209)**	(87 968)
	Deferred taxation	**328**	(17 341)
	– Current year	**192**	(17 341)
	– Prior year underprovision	**136**	–
		(115 881)	(105 309)
	Tax rate reconciliation	**%**	%
	Effective rate	**26,77**	27,08
	Disallowed expenditure	**(0,06)**	–
	Non-taxable income	**1,26**	1,10
	Prior year underprovision	**0,03**	–
	Other	**–**	(0,18)
	Standard taxation rate	**28,00**	28,00
10.	**Notes to the statement of cash flows**		
10.1	**Reconciliation of cash generated by operations**		
	Profit before tax	**432 919**	388 826
	Adjustments		
	Depreciation of equipment and leased assets	**290 021**	312 597
	Amortisation of intangible assets	**6 751**	6 812
	Loss (profit) on disposal of equipment and leased assets	**17 115**	(5 299)
	Interest received	**(100 514)**	(93 523)
	Interest paid	**59 838**	74 401
	Share-based payments	**870**	605
	Dividends	**(1 377)**	(1 581)
	Operating profit before changes in working capital	**705 623**	682 838
	(Increase) decrease in net derivative financial instruments	**(4 535)**	5 796
	(Increase) decrease in other assets	**(26 842)**	915
	Decrease in other liabilities	**(48 665)**	(7 841)
	Increase in loans and advances	**(235 150)**	(132 077)
	Increase in deposits	**419 949**	182 271
		810 380	731 902

Notes to the consolidated financial statements

for the year ended June 30 continued

		2012 R'000	2011 R'000
10.	**Notes to the statement of cash flows (continued)**		
10.2	**Taxation paid**		
	Opening balance	**(42 372)**	(94 082)
	Normal taxation charge	**(116 209)**	(87 968)
	Closing balance	**(9 321)**	42 372
	Taxation paid	**(167 902)**	(139 678)
10.3	**Movement in investment securities**		
	Opening balance at fair value	**82 714**	59 028
	Increase (decrease) in fair value adjustments during the year	**4 046**	(1 729)
	Additions during the year	**22 200**	30 082
	Closing balance	**(101 599)**	(82 714)
	Disposals during the year	**7 361**	4 667
11.	**Cash and cash equivalents**		
	Cash on hand and in transit	**98 162**	116 657
	Interbank investments		
	– Current accounts	**47 507**	98 278
	– Money on call	**1 140 625**	638 979
	– South African Reserve Bank	**62 672**	45 948
	– Restricted cash held at South African Reserve Bank	**36 117**	27 474
		1 385 083	927 336
12.	**Derivative financial instruments**		
	Foreign exchange contracts (FECs)		
	– Derivative financial assets	**27 550**	17 831
	– Derivative financial liabilities	**(18 560)**	(13 376)
	Net fair values	**8 990**	4 455
	Notional amount	**1 595 126**	1 601 377
	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 Bank, and should only be used in assessing the Bank's participation in derivative contracts. Derivatives are held for banking purposes.		
13.	**Loans and advances**		
13.1	**Analysis of loans and advances**		
	Loans and advances to customers		
	Call and term loans	**354 012**	253 115
	Mortgage loans	**80 993**	62 121
	Finance leases	**510 476**	363 437
		945 481	678 673
	Less: Impairment (note 13.2)	**(30 199)**	(29 177)
		915 282	649 496
	Loans and advances to banks		
	Finance leases	**–**	30 750
	Call and term loans	**114**	–
	Total loans and advances	**915 396**	680 246

		2012 R'000	2011 R'000
13.2	**Movement in impairments**		
	Specific impairments		
	Call and term loans	**(683)**	(1 225)
	Opening balance	**(1 225)**	(1 101)
	Release to (charge against) income	**542**	(124)
	Mortgage loans	**–**	(5)
	Opening balance	**(5)**	(6)
	Release to income	**5**	1
	Finance leases	**(27 127)**	(25 590)
	Opening balance	**(25 590)**	(17 630)
	Charge against income	**(1 537)**	(23 441)
	Net bad debts written off	**–**	15 481
	– Bad debts written off	**–**	29 897
	– Warranty claim	**–**	(14 416)
	Portfolio impairment	**(2 389)**	(2 357)
	Opening balance	**(2 357)**	(3 840)
	Release to (charge against) income	**(32)**	1 483
	Carrying value at end of the year		
	Specific impairments – warranted debt	**(26 426)**	(25 491)
	Specific impairments	**(1 384)**	(1 329)
	Portfolio impairment	**(2 389)**	(2 357)
		(30 199)	(29 177)
	Net release to (charge against) income		
	Call and term loans	**542**	(124)
	Mortgage loans	**5**	1
	Finance leases	**(1 295)**	(15 952)
	– Increase in impairment	**(1 537)**	(23 441)
	– Warranty claim	**242**	7 489
	General portfolio	**(32)**	1 483
	Accounts receivable – provision charge/release net of warranty claim	**(1 550)**	11 953
	Net bad debts recovered	**874**	400
	Bad debts recovered	**1 392**	400
	Less: Warranty reversal	**(518)**	–
	Total	**(1 456)**	(2 239)

13. Loans and advances (continued)

13.3 Maturity of finance leases

	Gross R'000	Unearned finance charges R'000	Net R'000
2012			
Due within one year	**65 488**	**809**	**64 679**
Between one and five years	**505 727**	**66 596**	**439 131**
More than five years	**7 422**	**756**	**6 666**
	578 637	**68 161**	**510 476**
2011			
Due within one year	201 912	7 443	194 469
Between one and five years	218 878	49 910	168 968
	420 790	57 353	363 437

Under the terms of the lease agreements, no contingent rentals are payable. These agreements relate to motor vehicles and equipment. The accumulated allowance for uncollectible minimum lease payments receivable included in the allowance for impairments at the reporting date is R26 million (2011: R26 million).

	2012 R'000	2011 R'000
14. Leased assets		
Carrying value at beginning of year	**1 702 077**	1 640 712
Cost	**2 343 998**	2 178 106
Accumulated depreciation	**(683 324)**	(595 243)
Capital work in progress	**41 403**	57 849
	(215 347)	61 365
Additions	**388 799**	561 201
Disposals	**(302 724)**	(195 290)
Depreciation	**(266 847)**	(288 100)
Capital work in progress	**(34 575)**	(16 446)
Carrying value at end of year	**1 486 730**	1 702 077
Cost	**1 924 098**	2 343 998
Accumulated depreciation	**(444 196)**	(683 324)
Capital work in progress	**6 828**	41 403

Leased assets are made up of motor vehicles and material handling equipment. All operating leases are cancellable.

	2012 R'000	2011 R'000
15. Investment securities		
Available-for-sale securities		
– Investment in RSA government bonds	**80 292**	62 564
– Listed preference shares	**18 860**	18 751
– Listed equities	**2 431**	1 383
– Unlisted shares at directors' valuation	**16**	16
	101 599	82 714
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		
Net accounts receivable	**88 050**	67 181
Accounts receivable	**100 067**	73 493
Less: Impairment	**(12 017)**	(6 312)
– Warranted	**(11 496)**	(6 312)
– Other	**(521)**	–
Uncleared effects	**73**	6 500
Payments in advance	**3 996**	4 064
Encashed traveller's cheques	**928**	979
Terminated leased assets available for resale	**20 209**	12 050
Other	**8 959**	4 599
	122 215	95 373

	2012 R'000	2011 R'000
17. Equipment		
Office equipment	**6 386**	6 304
Cost	**16 521**	14 377
Accumulated depreciation and accumulated impairment	**(10 135)**	(8 073)
Furniture and fittings	**47 050**	43 879
Cost	**84 192**	72 402
Accumulated depreciation and accumulated impairment	**(37 142)**	(28 523)
Computer equipment	**11 431**	11 988
Cost	**32 102**	27 976
Accumulated depreciation and accumulated impairment	**(20 671)**	(15 988)
Motor vehicles	**5 950**	19 411
Cost	**18 659**	39 256
Accumulated depreciation and accumulated impairment	**(12 709)**	(19 845)
	70 817	81 582
Movement in equipment		
Carrying value at beginning of year	**81 582**	66 276
Cost	**154 011**	151 244
Accumulated depreciation	**(72 429)**	(84 968)
Additions	**23 634**	45 537
Office equipment	**1 669**	1 970
Furniture and fittings	**16 361**	23 865
Computer equipment	**2 339**	7 525
Motor vehicles	**3 265**	12 177
Disposals	**(11 225)**	(5 734)
Office equipment	**(350)**	(305)
Furniture and fittings	**(162)**	(1 605)
Motor vehicles	**(10 713)**	(3 824)
Depreciation	**(23 174)**	(24 497)
Office equipment	**(2 100)**	(2 230)
Furniture and fittings	**(9 250)**	(8 154)
Computer equipment	**(5 812)**	(5 852)
Motor vehicles	**(6 012)**	(8 261)
Carrying value at end of year	**70 817**	81 582
Cost	**151 474**	154 011
Accumulated depreciation	**(80 657)**	(72 429)

No impairment of equipment was considered necessary during the financial year.

		2012 R'000	2011 R'000
18.	**Intangible assets**		
	Goodwill at cost	**14 831**	14 831
	Computer software	**16 889**	15 563
	Cost	**48 048**	40 024
	Accumulated amortisation and accumulated impairment	**(31 159)**	(24 461)
	Development costs	**3 249**	1 141
	Cost	**3 353**	1 193
	Accumulated amortisation and accumulated impairment	**(104)**	(52)
		34 969	31 535
	Movement in intangible assets		
	Carrying value at beginning of year	**31 535**	30 046
	Cost	**56 047**	56 969
	Accumulated amortisation	**(24 512)**	(26 923)
	Disposals	**–**	(2 683)
	Computer software	**–**	(2 593)
	Development costs	**–**	(90)
	Additions	**10 185**	10 984
	Computer software	**6 595**	9 888
	Development costs	**3 590**	1 096
	Amortisation	**(6 751)**	(6 812)
	Computer software	**(6 700)**	(6 789)
	Development costs	**(51)**	(23)
	Carrying value at end of year	**34 969**	31 535
	Cost	**66 232**	56 048
	Accumulated amortisation	**(31 263)**	(24 513)

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

Basis of assessment of carrying value of goodwill

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 and assumptions described above may change as economic and market conditions may change.

		2012 R'000	2011 R'000
19.	**Share capital**		
19.1	**Authorised**		
	360 000 000 ordinary shares of 1 cent each	**3 600**	3 600
19.2	**Issued**		
	207 000 000 (2011: 198 000 000) ordinary shares of 1 cent each		
	Opening balance	**1 980**	1 980
	Arising on shares issued	**90**	–
		2 070	1 980
	The unissued shares are under the control of the directors until the forthcoming annual general meeting of shareholders.		
20.	**Share premium**		
	Opening balance	**435 799**	435 799
	Arising on shares issued	**89 910**	–
		525 709	435 799
21.	**Intergroup loans**		
	The Bidvest Group Limited	**49 996**	136 376
	Bid Industrial Holdings (Pty) Limited	**371 000**	494 000
	Bidvest Share Incentive Trust	**(1 384)**	(10 828)
		419 612	619 548

The Bidvest Group Limited loan is interest free and is payable within six months of year-end.

The Bid Industrial Holdings (Pty) Limited loan bears interest at prime less 3% and needs to be repaid in instalments of R123 million per annum. The full amount was repaid after year-end but the facility remains available should it be required.

The share incentive loan bears interest at 0,25% and has no fixed terms of repayment.

		2012 R'000	2011 R'000
22.	**Deposits**		
	Deposits from banks		
	– Fixed	**–**	10 158
	Deposits from customers		
	– Fixed and notice	**711 424**	511 435
	– Call	**1 068 906**	838 788
		1 780 330	1 360 381
	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**		
	VAT	**6 962**	886
	Accrual for maintenance obligations (refer below)	**27 732**	64 768
	Trade accruals	**144 213**	131 058
	Outstanding bank credits	**4 643**	9 093
	Outstanding cheques	**–**	10 240
	Straight-lining of leases	**2 878**	3 194
	Foreign suppliers and customers	**–**	11 852
	Other	**12**	4 014
		186 440	235 105
	Accrual for maintenance obligations		
	Balance at beginning of year	**64 768**	60 657
	Current year movement	**(37 036)**	4 111
	Balance at end of year	**27 732**	64 768
24.	**Deferred taxation liability**		
	Balance at beginning of year	**112 461**	95 120
	Current year movement		
	– Charged to the statement of comprehensive income	**(192)**	17 341
	– Prior year underprovision	**(136)**	–
	Balance at end of year	**112 133**	112 461
	The deferred tax liability consists of temporary differences arising from:		
	Equipment and leased assets	**133 477**	144 106
	Trademark	**(30)**	34
	Accruals	**(21 057)**	(30 970)
	Straight-lining of leases liability	**(806)**	(894)
	Prepayments	**549**	185
	Balance at end of year	**112 133**	112 461

Notes to the consolidated financial statements

for the year ended June 30 continued

		2012 R'000	2011 R'000
25.	**Contingent liabilities and commitments**		
25.1	**Capital commitments**		
	Authorised and contracted for	**82 550**	285 863
	Authorised but not yet contracted for undrawn facilities	**486 992**	1 069 864
	Funds to meet capital expenditure commitments will be provided from the Bank's internal resources.		
25.2	**Off-balance sheet transactions**		
	Guarantees issued on behalf of group companies	**(3 270)**	(3 040)
	Guarantees issued on behalf of third parties	**(9 777)**	(2 099)
	Letters of credit issued on behalf of third parties	**(65 146)**	(7 141)
	Letters of credit issued on behalf of group companies	**(1 324)**	(1 399)
		(79 517)	(13 679)
	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 include documentary letters of credit with customers regarding imports and exports.		
25.3	**Future operating lease commitments**		
	Property leases		
	– Payable within one year	**97 349**	64 188
	– Payable between one and five years	**106 372**	101 925
	Equipment		
	– Payable within one year	**475**	916
	– Payable between one and five years	**–**	518
		204 196	167 547
	Some property rentals include a turnover clause as additional rental.		
	Escalations are between 8% and 10%.		

26. Classification of assets and liabilities

Accounting classification and fair values

	Held for trading R'000	Loans and receivables R'000	Available for sale R'000	Other amortised cost R'000	Non-financial assets/ liabilities R'000	Total R'000
2012						
Assets						
Cash and cash equivalents	–	1 385 083	–	–	–	1 385 083
Derivative financial assets	27 550	–	–	–	–	27 550
Loans and advances	–	915 396	–	–	–	915 396
Leased assets	–	–	–	–	1 486 730	1 486 730
Investment securities	–	–	101 599	–	–	101 599
Other assets	–	102 006	–	–	20 209	122 215
Equipment	–	–	–	–	70 817	70 817
Intangible assets	–	–	–	–	34 969	34 969
Current taxation	–	–	–	–	9 321	9 321
	27 550	2 402 485	101 599	–	1 622 046	4 153 680
2012						
Liabilities						
Intergroup loans	–	419 612	–	–	–	419 612
Derivative financial liabilities	18 560	–	–	–	–	18 560
Deposits	–	–	–	1 780 330	–	1 780 330
Other liabilities	–	–	–	155 830	30 610	186 440
Deferred taxation	–	–	–	–	112 133	112 133
Defined benefit liability	–	–	–	–	200	200
	18 560	419 612	–	1 936 160	142 943	2 517 275

26. Classification of assets and liabilities (continued)

Accounting classification and fair values (continued)

	Held for trading R'000	Loans and receivables R'000	Available for sale R'000	Other amortised cost R'000	Non–financial assets/ liabilities R'000	Total R'000
2011						
Assets						
Cash and cash equivalents	–	927 336	–	–	–	927 336
Derivative financial assets	17 831	–	–	–	–	17 831
Loans and advances	–	680 246	–	–	–	680 246
Leased assets	–	–	–	–	1 702 077	1 702 077
Investment securities	–	–	82 714	–	–	82 714
Other assets	–	83 323	–	–	12 050	95 373
Equipment	–	–	–	–	81 582	81 582
Intangible assets	–	–	–	–	31 535	31 535
	17 831	1 690 905	82 714	–	1 827 244	3 618 694
2011						
Liabilities						
Intergroup loans	–	619 548	–	–	–	619 548
Derivative financial liabilities	13 376	–	–	–	–	13 376
Deposits	–	–	–	1 360 381	–	1 360 381
Other liabilities	–	–	–	167 143	67 962	235 105
Deferred taxation	–	–	–	–	112 461	112 461
Current taxation	–	–	–	–	42 372	42 372
Defined benefit liability	–	–	–	–	200	200
	13 376	619 548	–	1 527 524	222 995	2 383 443

26.1 Fair value estimation

Effective July 1 2009, the Bank 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).

26. Classification of assets and liabilities (continued)

26.1 Fair value estimation (continued)

The following table presents the Bank's assets and liabilities that are measured at fair value at June 30:

	Note	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total balance R'000
2012					
Assets					
Investment securities	15	**101 583**	**–**	**16**	**101 599**
Derivative financial assets	12	**–**	**27 550**	**–**	**27 550**
Total assets		**101 583**	**27 550**	**16**	**129 149**
Liabilities					
Derivative financial liabilities	12		**18 560**	**–**	**18 560**
Total liabilities		**–**	**18 560**	**–**	**18 560**
2011					
Assets					
Investment securities	15	82 698	–	16	82 714
Derivative financial assets	12	–	17 831	–	17 831
Total assets		82 698	17 831	16	100 545
Liabilities					
Derivative financial liabilities	12	–	13 376	–	13 376
Total liabilities		–	13 376	–	13 376

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, or industry group, pricing market transactions on an arm's length basis. The quoted market price used for financial assets held by the Bank 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.

26. Classification of assets and liabilities (continued)

26.2 Fair value of financial instruments (continued)

The following represents the fair values of financial instruments not carried at fair value on the statement of financial position. For all other instruments the carrying value is equal to or a reasonable approximation of fair value.

	Carrying value R'000	Fair value R'000
2012		
Assets		
Total loans and advances	**915 396**	**920 066**
2011		
Assets		
Total loans and advances	680 246	680 156

The fair value of loans and advances has been determined after considering changes in credit risk as a result of non-performance and does not consider potential changes in credit risk where loans and advances are performing at reporting date.

27. Share-based payments

The Bidvest Group Limited (Bidvest) has an incentive scheme which grants options and advances loans to employees of the Group to acquire shares in Bidvest. Both the share option scheme and share purchase scheme have been classified as equity-settled schemes, and therefore an equity-settled share-based payment reserve has been recognised.

A Conditional Share Plan, which awards employees with a conditional right to receive shares in Bidvest, free of any cost, is also operated by the Group. As it is anticipated that the participants will receive shares in settlement of their awards, a share-based payment reserve has been recognised.

Share option scheme

The Group 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:

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 Bidvest to the Trustees of the Bidvest Share Incentive Trust.

27. Share-based payments (continued)

Share option scheme (continued)

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 number and weighted average exercise prices of share options are:

	2012		2011	
	Number	**Average price R**	Number	Average price R
Beginning of the year	**117 390**	**96,51**	67 390	55,72
Granted	**166 000**	**134,56**	50 000	135,11
Lapsed	**(38 445)**	**54,17**	–	54,17
Exercised	**(16 500)**	**52,30**	–	52,30
End of the year	**228 445**	**119,74**	117 390	96,51

The options outstanding at June 30 2012 have an exercise price in the range of R39,10 to R135,15 (2011: R39,10 to R135,15) and a weighted average contractual life of 1,0 to 9,5 years (2011: 1,0 to 9,5 years). The average share price of The Bidvest Group Limited during the year was R163,68 (2011: R147,07).

Share options outstanding at June 30 by year of grant are:

	2012		2011	
	Number	**Average price R**	Number	Average price R
2003 and prior	**12 500**	**39,10**	26 500	39,68
2004	**17 500**	**51,51**	18 000	50,57
2005	**11 445**	**68,30**	22 890	69,37
2011	**45 000**	**135,00**	50 000	135,11
2012	**142 000**	**134,56**	–	–
	228 445	**119,74**	117 390	135,11

The fair value of services received in return for shares allotted is measured based on a binomial model. The contractual life of the option is used as an input into this model.

27. Share-based payments (continued)

Share option scheme (continued)

The fair value of the shares allotted during the current year and the assumptions used are:

	2012	2011
Fair value at measurement date (Rand)	**40,14**	55,62 – 53,68
Exercise price (Rand)	**134,56**	135,15 – 126,50
Expected volatility (%)	**21,24**	39,07 – 39,03
Option life (years)	**4,00 – 6,00**	3,50 – 5,50
Distribution yield (%)	**3,21**	2,76 – 3,07
Risk-free interest rate (based on National Government Bonds) (%)	**6,96**	7,01 – 7,88

The volatility is based on the historic volatility.

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 Company, 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, unless otherwise determined by the Board.

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 number and weighted average exercise prices of shares allotted in terms of the share purchase scheme are:

	2012		2011	
	Number	**Average price R**	Number	Average price R
Beginning of the year	**98 529**	**109,26**	98 529	110,76
Repurchased	**(3 280)**	**106,00**	–	110,51
Shares taken up by staff	**(82 359)**	**107,32**	–	–
End of the year	**12 890**	**107,33**	98 529	109,26

The fair value of services received in return for shares allotted is measured based on a binomial model. The expected contractual life of the loan obligation is used as an input into this model.

No shares were allotted during the year (2011: Nil).

	2012 R'000	2011 R'000
Share-based payment expense recognised relating to the share options and share purchase scheme	**870**	605

28. 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.

28.1 Investment securities

An impairment of an investment security will be considered if there is an indication of permanent diminution of value in the security.

28.2 Credit impairment losses on loans and advances

Performing loans

The Bank assesses its loan portfolio for impairment at each reporting date. In determining whether an impairment loss should be recorded in profit or loss, the Bank 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. Management's 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.

28. Key assumptions (continued)

28.3 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.

28.4 Impairment of non-financial assets

The carrying amount of the Bank'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.

28.5 Residual value of leased assets

Residual values of leased assets are assessed on a yearly basis for purposes of determining the depreciable amounts of leased assets. Any changes to the depreciable amounts are accounted for as a change in estimate.

The residual value estimation is based on a combination of the most recent resale profits and losses on leased assets as well as industry valuation guides. This estimation requires significant judgement.

28.6 Leased assets – maintenance obligation

The maintenance obligation is assessed on a yearly basis. The obligation is based on historical maintenance cost to income ratios and estimated future income escalations for each lease asset category.

29. Standards and interpretations issued but not yet effective

The Group will comply with the following new, revised and amended standards and interpretations applicable to its business from the stated effective date.

IFRS 1 First-time Adoption of International Financial Reporting Standards

Applies to annual periods beginning on or after January 1 2013.

The amendments add an exception to the retrospective application of IFRSs to require that first-time adopters apply the requirements in IFRS 9 *Financial Instruments* and IAS 20 *Accounting for Government Grants and Disclosure of Government Assistance* prospectively to government loans existing at the date of transition to IFRSs.

The *Annual Improvements 2009 – 2011 Cycle* amendments clarify the options available to users when repeated application of IFRS 1 is required and to add relevant disclosure requirements. It also effects amendments to borrowing costs.

This standard is currently not applicable to the Group.

29. Standards and interpretations issued but not yet effective (continued)

IFRS 7 Financial Instruments: Disclosures

Applies to annual periods beginning on or after January 1 2013.

Amendments to IFRS 7 require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of set-off on the entity's rights and obligations.

It is not expected that this amendment will have a significant impact on the Group.

IFRS 9 Financial Instruments (2009 and 2010)

Applies to annual periods beginning on or after January 1 2013.

IFRS 9 introduces new requirements for classifying and measuring financial assets. A revised version of IFRS 9 incorporating revised requirements for the classification and measurement of financial liabilities, and carrying over the existing derecognition requirements from IAS 39 *Financial Instruments: Recognition and Measurement.*

The Group is in the process of assessing the impact that IFRS 9 would have on the financial statements. Until the process is completed, the Group is unable to determine the significance of the impact of IFRS 9.

IFRS 10 Consolidated Financial Statements

Applicable to annual reporting periods beginning on or after January 1 2013.

Requires a parent to present consolidated financial statements as those of a single economic entity, replacing the requirements previously contained in IAS 27 *Consolidated and Separate Financial Statements* and SIC-12 *Consolidation – Special Purpose Entities.*

The standard identifies the principles of control, determines how to identify whether an investor controls an investee and therefore must consolidate the investee, and sets out the principles for the preparation of consolidated financial statements.

It is not expected that this standard will have a significant impact on the Group.

IFRS 11 Joint Arrangements

Applicable to annual reporting periods beginning on or after January 1 2013.

Replaces IAS 31 *Interests in Joint Ventures.* Requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement.

This standard is currently not applicable to the Group.

29. Standards and interpretations issued but not yet effective (continued)

IFRS 12 Disclosure of Interests in Other Entities

Applicable to annual reporting periods beginning on or after January 1 2013.

Requires the extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

This standard addresses disclosure in the annual financial statements and will not affect recognition and measurement. The impact on the revised disclosure is not expected to be significant for the Group.

IFRS 13 Fair Value Measurement

Applicable to annual reporting periods beginning on or after January 1 2013.

Replaces the guidance on fair value measurement in existing IFRS accounting literature with a single standard.

IFRS 13 applies when another IFRS requires or permits fair value measurements or disclosures about fair value measurements (and measurements, such as fair value less costs to sell, based on fair value or disclosures about those measurements). With some exceptions, the standard requires entities to classify these measurements into a 'fair value hierarchy' based on the nature of the inputs. Entities are required to make various disclosures depending upon the nature of the fair value measurement (e.g. whether it is recognised in the financial statements or merely disclosed) and the level in which it is classified.

This standard mainly addresses disclosure in the annual financial statements and is not expected to be significant to the Group.

IAS 1 Presentation of Financial Statements

Applicable to annual reporting periods beginning on or after January 1 2013.

The amendment forms part of the *Annual Improvements 2009 – 2011 Cycle*, and clarifies the requirements for comparative information including minimum and additional comparative information required.

It is not expected that this amendment will have a significant impact on the Group.

IAS 12 Income Taxes

Applicable to annual reporting periods beginning on or after January 1 2012.

A rebuttable presumption is introduced that an investment property will be recovered in its entirety through sale.

This amendment currently does not apply to the Group.

IAS 16 Property, Plant and Equipment

Applicable to annual reporting periods beginning on or after January 1 2013.

The amendment forms part of the *Annual Improvements 2009 – 2011 Cycle*, and introduces amendments to the recognition and classification of servicing equipment.

It is not expected that this amendment will have a significant impact on the Group.

29. Standards and interpretations issued but not yet effective (continued)

IAS 19 Employee Benefits (2011)

Applicable to annual reporting periods beginning on or after January 1 2013.

An amended version of IAS 19 *Employee Benefits* with revised requirements for pensions and other post-retirement benefits, termination benefits and other changes.

This amendment currently does not apply to the Group.

IAS 27 Separate Financial Statements (2011)

Applicable to annual reporting periods beginning on or after January 1 2013.

Amended version of IAS 27 which now only deals with the requirements for separate financial statements, which have been carried over largely unamended from IAS 27 *Consolidated and Separate Financial Statements*. Requirements for consolidated financial statements are now contained in IFRS 10 *Consolidated Financial Statements*. The standard requires that when an entity prepares separate financial statements, investments in subsidiaries, associates, and jointly controlled entities are accounted for either at cost, or in accordance with IFRS 9 *Financial Instruments*. The standard also deals with the recognition of dividends, certain group reorganisations and includes a number of disclosure requirements.

It is not expected that this amendment will have a significant impact on the Group.

IAS 28 Investments in Associates and Joint Ventures (2011)

Applicable to annual reporting periods beginning on or after January 1 2013.

This Standard supersedes IAS 28 *Investments in Associates* and prescribes the accounting for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures. The Standard defines 'significant influence' and provides guidance on how the equity method of accounting is to be applied (including exemptions from applying the equity method in some cases). It also prescribes how investments in associates and joint ventures should be tested for impairment.

This standard is currently not applicable to the Group.

IAS 32 Financial Instruments: Presentation

Applicable to annual reporting periods beginning on or after January 1 2013.

These amendments require entities to disclose gross amounts subject to rights of set-off, amounts set off in accordance with the accounting standards followed, and the related net credit exposure. This information will help investors understand the extent to which an entity has set off in its balance sheet and the effects of rights of set-off on the entity's rights and obligations.

As part of the *Annual Improvements 2009 – 2011 Cycle:* amendments to clarify the tax effect of distribution to holders of equity instruments.

It is not expected that this amendment will have a significant impact on the Group.

IAS 34 Interim Financial Reporting

Applicable to annual reporting periods beginning on or after January 1 2013.

As part of the *Annual Improvements 2009 – 2011 Cycle:* amendments to improve the disclosures for interim financial reporting and segment information for total assets and liabilities.

It is not expected that this amendment will have a significant impact on the Group.

29. Standards and interpretations issued but not yet effective (continued)

IFRIC 20 Stripping Costs in the Production Phase of a Surface Mine

Applicable to annual reporting periods beginning on or after January 1 2013.

This standard is currently not applicable to the Group.

Annexure A

Interest in subsidiaries

Investment in:	Number of shares in issue	Number of shares held	Effective % held	**2012 R'000**	2011 R'000
Direct subsidiaries					
Viamax (Pty) Limited	10 000 000	10 000 000	100	**15 000**	763 215
McCarthy Retail Finance (Pty) Limited	99	99	100	**198**	1 452
Indirect subsidiaries					
Bidvest Capital (Pty) Limited	8 001	8 001	100		
Viamax Fleet Solutions (Pty) Limited	40 000 000	40 000 000	100		