Annual Report 2009

BIDVest BANK

Contents

Products and services

Corporate Foreign Exchange

fxpaynet™ Online Foreign Exchange Solution
Liquidity Management
Payments and Receipts for Foreign Currency
Spot and Forward Exchange Contracts (FEC's)
Open Accounts
Foreign Currency Accounts

Travel Foreign Exchange

Foreign Bank Notes (80 Currencies)
Bidvest Bank World Currency Cards™
American Express™ Travellers Cheques
Bidvest Bank Cash Passport Card

Foreign Money Transfers

Bank Drafts
MoneyGram™
Telegraphic Transfers

Deposits and Investments

BidSave™ Savings and Transactional Account
Call Accounts
Fixed Deposit Accounts
Notice Deposit Accounts
Foreign Currency Accounts

Trade Services

Customer Foreign Currency (CFC) Accounts
Foreign Bills for collection
Guarantees
Letters of Credit
Trade Finance Loans

Loans

Asset-based Finance
Rental Finance
Secured Loans
General Banking Facilities
Trade Finance
Commercial Mortgages

Card Solutions

Corporate Payment Card
World Currency Card™
BidSave™ Savings and Transactional Cards
Rand Travel Card™

Exchange Control

Exchange Control Services

Bidvest Bank / Rennies Foreign Exchange branch list

Gauteng Region - 35

- Alberton - Meyersdal Mall
- Balfour - Balfour Park Shopping Centre
- Bedfordview - Eastgate Shopping Centre (lower level)
- Bedfordview - Eastgate Shopping Centre (upper level)
- Benoni - Northmead Square
- Brakpan - Mall at Carnival
- Centurion - Centurion Shopping Centre
- Cresta - Cresta Shopping Centre
- Fourways - Fourways Mall
- Johannesburg CBD - Newtown
- Johannesburg CBD - Park Station
- Johannesburg CBD - Rissik Street
- Kempton Park - Festival Mall
- Kensington - Park Meadows
- Killarney - Killarney Mall
- Midrand - San Ridge Square
- Midrand - The Boulders
- Modderfontein - Greenstone Shopping Centre
- Norwood - Norwood Shopping Centre
- Oakdene - The Glen Shopping Centre
- OR Tambo International Airport - OR Tambo Central Terminal Building
- Pretoria - Brooklyn - Cherry Lane Shopping Centre
- Pretoria - Brooklyn - Brooklyn Mall
- Pretoria - Hatfield Square
- Pretoria - Kolonnade Centre
- Pretoria - Menlyn Park Shopping Centre (upper level)
- Pretoria - Sanlam Centre, Andries Street
- Pretoria - Sunny Park Centre
- Randburg - Sanlam Centre
- Roodeport - Westgate Shopping Centre
- Rosebank - The Firs
- Sandton City - Fountain Court
- Sandton City - Nelson Mandela Square
- Vanderbijlpark - Riverside Boulevard
- Vanderbijlpark - Vaal Mall

Kwazulu-Natal - 14

- Amanzimtoti - Arbour Crossing
- Ballito - Ballito Lifestyle Centre
- Berea - Musgrave Centre
- Durban - Mutual Mall
- Hillcrest - Hillcrest Corner
- La Lucia - La Lucia Mall
- Montclair - Montclair Mall
- Morningside - Windermere Centre
- Pietermaritzburg - Midlands Mall
- Pinetown - Pine Crest Centre
- Richards Bay - Boardwalk
- Shelly Beach - FM Howe Building
- Umhlanga - Gateway Centre
- Westville - Pavillion

Western Cape - 19

- Bellville - Tyger Valley Shopping Centre
- Cape Town CBD - St Georges Mall, Cathedral 101 A
- Cape Town CBD - St Georges Mall, Shop 2
- Cape Town International Airport - Domestic Arrivals
- Century City - Canal Walk (upper level)
- Claremont - Cavendish Centre (lower level)
- Claremont - Cavendish Centre (upper level)
- Constantia - Constantia Village Shopping Centre
- Fish Hoek - The Arcade, Main Road
- George - Branch located inside Walton's Stationers, Commercial Close
- Kenilworth - Kenilworth Centre
- Seapoint - Adelphi Centre
- Somerset West - Somerset Mall (entrance 2)
- Somerset West - Somerset Mall (entrance 4)
- Stellenbosch - Checkers Centre
- Tableview - Bayside Centre
- V & A Waterfront - Clock Tower
- V & A Waterfront (Victoria Wharf)
- Wynburg – Maynard Mall

Eastern Cape - 4

- East London - Vincent Park Shopping Centre
- Mthatha - Savoy Shopping Centre
- Port Elizabeth - The Bridge Shopping Centre
- Walmer Park Shopping Centre

Freestate - 1

- Bloemfontein - Loch Logan Waterfront

Limpopo - 2

- Musina - N1 Business Centre
- Polokwane - Limpopo Mall

Mpumalanga - 3

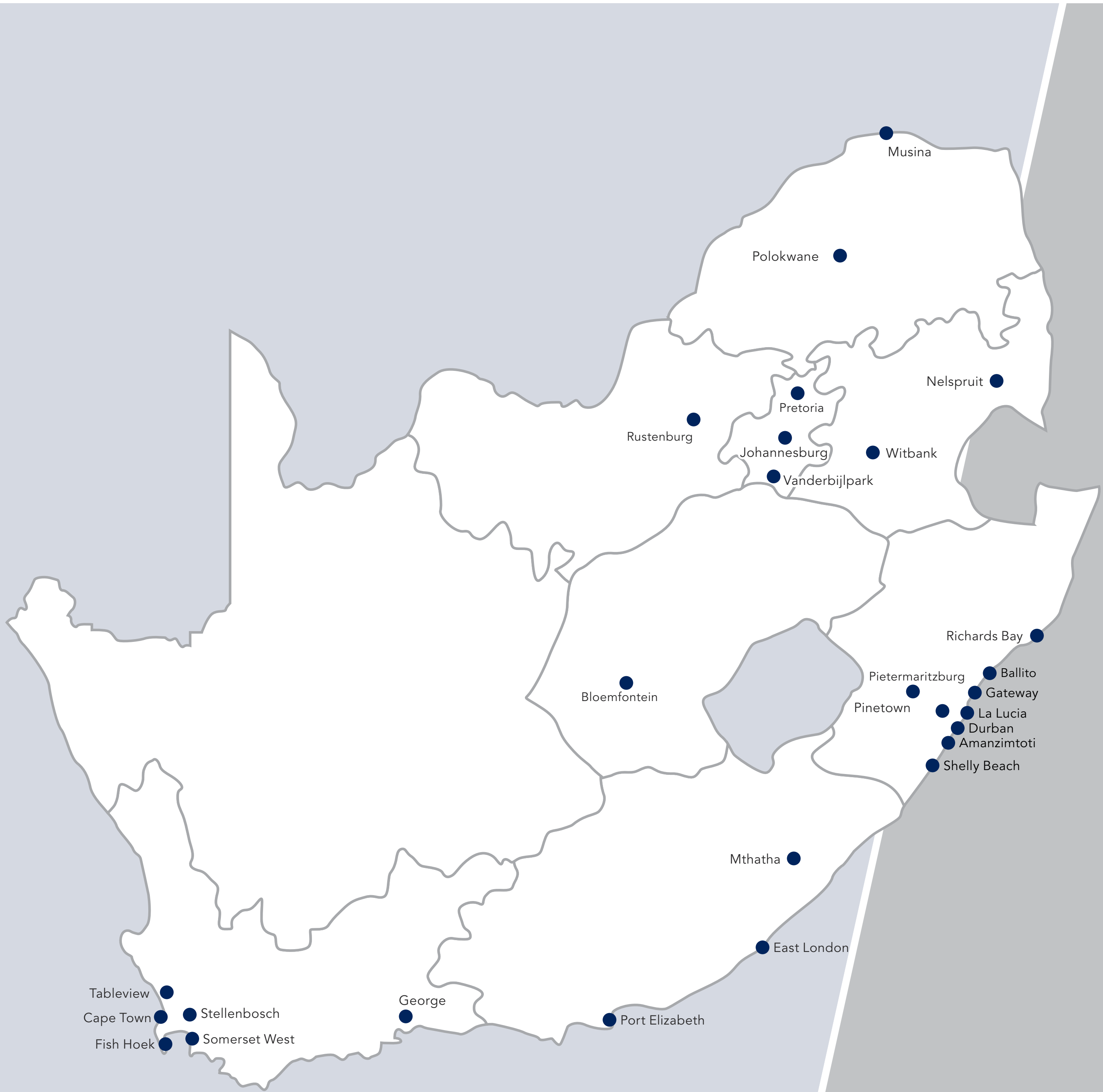
- Nelspruit - Riverside Mall
- Nelspruit - The Pinnacle Building
- Witbank - Highveld Mall

North West - 1

- Rustenburg - Waterfall Mall

Branches open after July 1 2009

- Cape Town International Airport - Ground Plaza
- Cape Town International Airport - International Departures
- Durban - La Mercy Airport
- East London - Hemingways Mall



Managing Director's report

Operating environment

Bidvest Bank's operating environment became more challenging as the 2009 financial year progressed. This financial period consisted of two six month periods which each had materially different micro and macro economic conditions and characteristics. Bidvest Bank operated well in this difficult, volatile and continuously changing economic world. The Bank produced excellent results for the six month July to December period, but generated much slower profit growth in the January to June period.

The July to December trading period reflected:

- a stable growing South African economy
- high interest rates. The prime interest rate was raised by 50 basis points on ten occasions between June 2006 and June 2008, peaking at 15,5%, before the first 50 basis point rate cut in December 2008.
- a volatile and depreciating Rand with the Rand showing significant weakness in October 2008
- relatively high inflation
- the start of the decline in asset and commodity prices
- worldwide, the systemic credit and liquidity crisis started to affect the confidence in the global banking industry
- the beginning of the deteriorating economic outlook and confidence in South Africa and abroad
- the South African economy showed first signs of negative growth in the fourth quarter of 2008
- reduced consumer disposable income and declining retail sales

The January to June 2009 period showed a very different scenario when compared to the previous six months:

- economic conditions became more challenging
- the South African economy moved into recession, with strong declines in mining, manufacturing and retail
- the Business Confidence Index reached a 10 year low
- rising unemployment
- decline in disposable income, and higher personal debt ratio
- lower interest rates and a declining inflation rate
- Rand appreciation, with Rand strength peaking at year end
- significant drop in asset values and increases in asset impairments and bad debts in the South African banking industry

Operational review

- 57% increase in profit before taxation to R183 million
  Profit before taxation for the six months to December 2008 increased by 128% to R108 million
  (2007: R47 million).
  Profit growth for the second six months slowed to 7% to R75 million (2007: R70 million)
- 38% increase in net operating income to R461 million
  Strong growth in fee, commission and trading income
- 31% increase in net interest income to R59 million
- Improvement of cost to income ratio to 58,9% from 61,3%
  Effective expense management in a growing bank
- 31% growth in total assets to R1,6 billion.
  Strong balance sheet a platform for future growth
- 78% growth in deposits to R832 million.
  Pleasing increase in the number of corporate and individual depositors
- Improved return on equity to 21,9% and return on assets to 8,4%
- Low financial leverage of 2,6 times
- Strong positive cash flows
- Further development of infrastructure and divisionalisation of the Bank's activities
- Number of employees increased by 149 to 699.
  Low staff turnover of 6% (2008: 7%)
- Credit loss ratio reduced to 0,4%
- Successful launch of new, competitive products
- Effective training programmes implemented and big increase in training spend
- Strong growth and development of the Bidvest Bank / Rennies Foreign Exchange brands.
  Encouraging growth in the corporate and individual customer base emanating from new product initiatives and effective, successful advertising
- Healthy growth in profit per employee
- 16 new branches opened and 2 closed during the year. Total number of branches: 83
- Significant improvements made in compliance, governance, internal audit and security
- Recognition Awards:
  MoneyGram - 2008 African Agent of the Year
  Airports Company South Africa - 2008 International Retailer of the Year

Managing Director's report (continued)

Strategy

Bidvest Bank's strategy is driven by the following core values:

- to be a niche, focused bank
- to continue its focus in trading and product development around foreign exchange and to grow its identity as "the foreign exchange specialist."
- its performance criteria are strictly directed to quality, sustainable earnings and defined ratios and returns
- specific attention given to maintaining high standards of customer service
- to maintain a robust, low risk culture
- to avoid exposure and involvement in exotic and highly geared banking products
- to diversify revenue streams and broaden our branch network
- a low leverage ratio
- maintenance of cash reserves and readily available, quality liquid assets well in excess of minimum regulatory requirements
- managing and developing talent within the Bank
- investing significant resources in the development of business and Information Technology systems to support Basel II and related risk management processes

Prospects

Notwithstanding pleasing results for the 2009 year, Bidvest Bank faces the current pressures of a depressed economy. The Bank has grown its infrastructure substantially in all areas of its activity over the past 4 years, and management is of the opinion that there should not be a major scale-down of operations, even though the strategy could have a short-term effect on earnings.

The Bank is small and still in its development phase and its true potential will only be realised in the years ahead. In the current environment, profitability is influenced primarily by the high fixed component of our costs, when measured against the low revenue growth, which we anticipate will change for the better in the early part of calendar year 2010.

Fortunately, the Bank has a very low risk culture and accordingly has a low impairment exposure on its balance sheet.

The Bank plans to roll out new branches to maximise its opportunities for the pending 2010 World Cup. Bidvest Bank will be opening branches at the new Cape Town and Durban International Airports, in keeping with the strategy of having a retail presence in high traffic locations, suitably positioned to target the growing tourist market.

Staff morale is high, supported by extensive training and skills development programmes. Our successful graduate programme is beginning to generate positive results.

Management has budgeted for real, organic earnings growth for the year ahead, most of which we anticipate will materialise in the second half of the new financial year. Exciting new product initiatives supported by targeted advertising and a strong, liquid balance sheet augur well for medium term, sustainable growth.

Acknowledgements

Margaret David, the Bank's secretary, sadly passed away on November 25 2008. We acknowledge her many years of support and service to the Bank.

Sincere thanks go to our management, staff, non-executive directors, customers and other stakeholders for their confidence and support. We look forward to a new year of creating shareholder value and developing an environment for achieving corporate excellence.

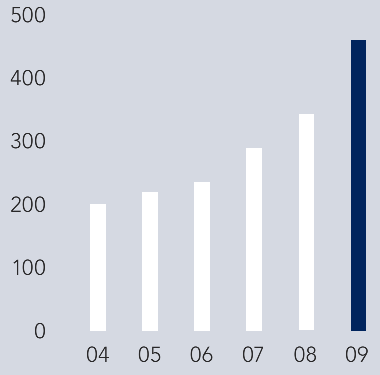
A C SALOMON

August 25 2009

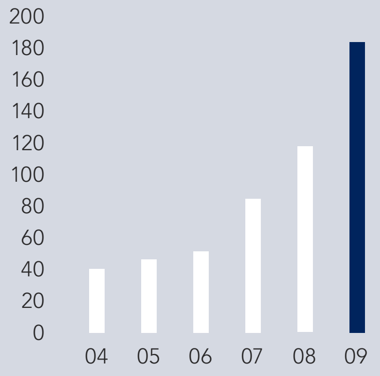

BIDVest BANK
Rennies Foreign Exchange
BIDVest BANK
Bureau de Change
Bureau de Change
MoneyGram

Financial highlights

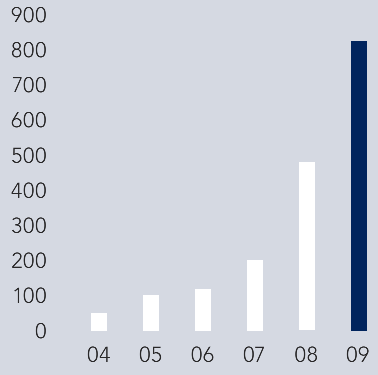
Net operating income R'm



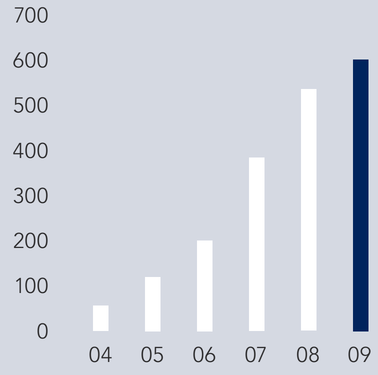
Profit before tax R'm



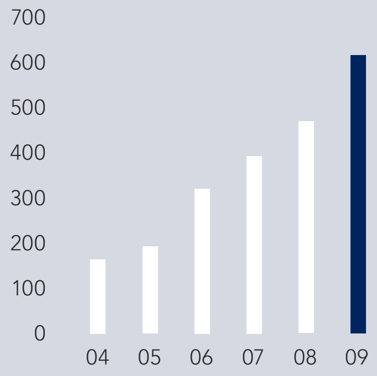
Deposit growth R'm



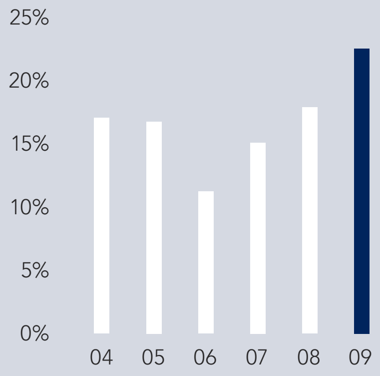
Loans and advances growth R'm



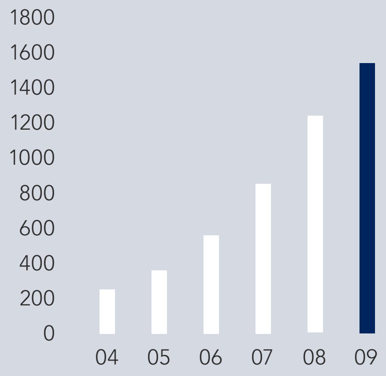
Equity growth R'm



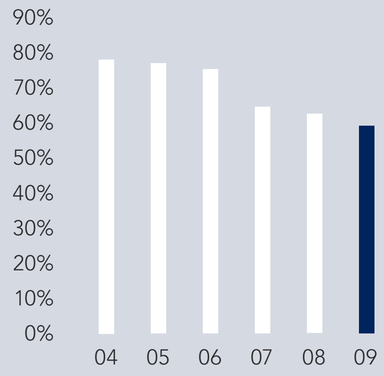
Return on equity



Total Assests R'm



Cost to income ratio



Financial highlights (continued)

Financial highlights	2009	2008	% Change
Income statement (R'000)			
Net income before indirect and direct taxation	**187 513**	124 647	50,44%
Net income before taxation	**182 765**	116 660	56,66%
Profit attributable to ordinary shareholders	**132 631**	81 756	62,23%
Balance sheet (R'000)			
Ordinary shareholder's funds	**604 983**	469 295	28,91%
Total assets	**1 574 539**	1 204 274	30,76%
Loans and advances	**598 625**	540 261	10,80%
Deposits	**832 386**	466 935	78,27%
Financial performance			
Return on assets (%)	**8,42**	6,79	
Return on equity (%)	**21,92**	17,42	
Cost-to-income ratio (%)	**58,87**	61,34	
Credit loss ratio (%)	**0,40**	1,07	
Capital adequacy			
Total risk-weighted assets (R'000)	**3 409 459**	3 163 563	
Regulatory capital (R'000)	**435 651**	397 088	
Regulatory capital to risk-weighted assets (%)	**12,78**	12,55	

Six year review
Income statement

for the year ended June 30	**2009 R'000**	2008 R'000	2007 R'000	2006 R'000	2005 R'000	2004* R'000
Interest income	**108 842**	71 978	36 265	18 032	12 711	14 213
Interest expense	**(49 578)**	(26 569)	(10 619)	(6 364)	(5 543)	(3 524)
Net interest income	**59 264**	45 409	25 646	11 668	7 168	10 689
Fee and commission income	**190 606**	144 465	118 369	102 897	89 542	82 799
Fee and commission expense	**(42 985)**	(32 320)	(21 370)	(14 250)	(8 479)	(8 586)
Net fee and commission income	**147 621**	112 145	96 999	88 647	81 063	74 213
Net trading income	**251 084**	174 768	149 181	118 976	118 727	112 443
Change in fair value of investment securities	**-**	-	(2 324)	-	-	-
Other operating income	**3 477**	3 073	2 085	2 472	6 233	1 401
Net operating income	**461 446**	335 395	271 587	221 763	213 191	198 746
Credit impairment (charges)	**(2 276)**	(5 004)	(9 687)	(1 189)	(726)	19
Net operating income after credit impairment charges	**459 170**	330 391	261 900	220 574	212 465	198 765
Operating expenditure	**(271 657)**	(205 744)	(174 600)	(165 323)	(162 405)	(152 756)
Employment costs	**(121 525)**	(94 745)	(73 322)	(64 325)	(58 344)	(54 976)
Operating leases	**(38 534)**	(21 820)	(22 178)	(20 971)	(18 828)	(16 610)
Depreciation and amortisation	**(14 257)**	(10 557)	(5 678)	(5 610)	(4 980)	(5 015)
Other operating expenditure	**(97 341)**	(78 622)	(73 422)	(74 417)	(80 253)	(76 155)
Operating income before indirect taxation	**187 513**	124 647	87 300	55 250	50 060	46 009
Indirect taxation	**(4 748)**	(7 987)	(5 105)	(4 201)	(3 274)	(5 571)
Profit before direct taxation	**182 765**	116 660	82 195	51 049	46 786	40 438
Direct taxation	**(50 134)**	(34 904)	(23 742)	(14 639)	(14 175)	(11 982)
Profit for the year	**132 631**	81 756	58 453	36 410	32 611	28 456

***2004 not restated for IFRS**

Financial highlights (continued)

Six year review
Balance sheet

at June 30

	2009 R'000	2008 R'000	2007 R'000	2006 R'000	2005 R'000	2004* R'000
Assets						
Cash and balances with banks	**752 374**	533 175	174 675	265 564	134 639	156 350
Derivative financial assets	**49 356**	9 587	3 165	11 598	5 987	10 804
Loans and advances	**598 625**	540 261	384 071	194 889	118 368	58 421
Investment securities	**62 808**	52 596	36 787	16 730	52 866	32 777
Other assets	**41 620**	37 289	45 000	24 004	15 852	10 713
Equipment	**41 438**	26 392	17 416	16 813	13 206	14 824
Intangible assets	**26 436**	4 856	5 114	2 890	192	-
Deferred taxation	**1 882**	118	725	1 205	537	866
Current taxation	-	-	-	-	215	-
Total assets	**1 574 539**	1 204 274	666 953	533 693	341 862	284 755
Equity and liabilities						
Equity	**604 983**	469 295	389 553	330 896	191 330	166 895
Share capital	**1 800**	1 800	1 800	1 800	720	720
Share premium	**165 979**	165 979	165 979	165 979	59 059	59 059
Reserves	**437 204**	301 516	221 774	163 117	131 551	107 116
Liabilities	**969 556**	734 979	277 400	202 797	150 532	117 860
Bank overdrafts	-	-	-	27 416	3 550	2 220
Derivative financial liabilities	**41 492**	7 813	433	14 104	8 324	8 295
Deposits	**832 386**	466 935	200 372	113 543	94 623	56 556
Other liabilities	**95 110**	242 348	65 899	42 750	44 035	40 452
Current taxation	**368**	17 683	10 522	4 603	-	10 337
Defined benefit liability	**200**	200	174	381	-	-
Total equity and liabilities	**1 574 539**	1 204 274	666 953	533 693	341 862	284 755

** 2004 not restated for IFRS*

Six year review
Statistics, returns and capital adequacy

Statistical Review	**2009**	2008	2007	2006	2005	2004
Income statement						
Net interest income to assets (%)	**4,3**	4,9	4,3	2,7	2,3	3,6
Non-interest income to assets (%)	**28,9**	31,0	41,4	48,0	65,8	62,8
Operating expenses to assets (%)	**19,6**	22,0	29,1	37,8	51,8	51,0
Interest income to interest earning assets (%)	**9,8**	10,0	8,7	6,4	7,1	7,5
Interest expense to funding liabilities (%)	**7,6**	8,0	6,8	6,1	7,3	7,6
Cost to income (%)	**58,9**	61,3	64,3	74,5	76,2	76,9
Non interest income to total income (%)	**87,2**	85,6	91,4	94,7	96,6	94,6
Credit loss ratio (%)	**0,4**	1,1	3,3	0,8	0,8	0,0
Effective tax excluding indirect tax (%)	**26,7**	28,0	27,2	26,5	28,3	26,0
Effective tax including indirect tax (%)	**29,3**	34,4	33,0	34,1	34,9	38,2
Balance Sheet						
Return on assets (%)	**8,4**	6,8	8,8	6,8	9,5	10,0
Return on equity (%)	**21,9**	17,4	15,0	11,0	17,0	17,1
Return on risk weighted assets (%)	**6,9**	2,6	4,8	13,7	20,1	21,6
Loans to deposits (%)	**71,9**	115,7	191,7	171,6	125,1	103,3
Regulatory capital to risk-weighted assets (%)	**12,8**	12,5	27,7	114,8	97,0	104,3
Financial leverage (times)	**2,6**	2,6	1,7	1,6	1,8	1,7
Statistical Information						
Income per employee (R'000)	**660**	616	568	478	465	428
Expenses per employee (R'000)	**389**	374	365	356	355	329
Profit before taxation per employee (R'000)	**268**	227	183	119	109	99
Number of employees	**699**	550	478	464	458	464
Capital adequacy						
Total assets (R'm)	**1 575**	1 204	667	534	342	285
Risk-weighted assets (R'm)	**3 409**	3 164	1 213	265	162	132
Regulatory capital (R'm)	**436**	397	336	305	157	138
Market indicators						
Exchange rates at June 30						
USD	**7,71**	7,85	7,04	7,14	6,68	6,24
GBP	**12,75**	15,66	14,12	13,17	11,97	11,32
EURO	**10,86**	12,38	9,51	9,11	8,07	7,61
Average exchange rates						
USD	**8,97**	7,30	7,22	6,43	6,21	6,88
GBP	**14,30**	14,64	13,95	11,44	11,93	11,24
EURO	**12,01**	10,76	9,41	7,82	7,89	8,19
Prime overdraft rate (%)	**11,00**	15,50	13,00	11,00	10,50	11,00

Sustainability report

Key challenges

- Attracting and retaining senior historically disadvantaged individuals
- Enhancing a culture of ethics and compliance
- Meeting or exceeding customer expectations
- Improved efficiency, productivity and the elimination of expense waste
- Director and staff training and development
- Succession planning
- Continued focus on reduction in crime losses

Statistical information	2009	2008
Net operating income (R'000)	**461 446**	335 395
Profit before taxation (R'000)	**182 765**	116 660
BEE procurement (R'000)	**163 418**	93 336
Training spend (R'000)	**7 866**	2 964
Training spend per employee	**11 250**	5 390
Number of employees	**699**	550

1 Corporate governance

1.1 Introduction

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

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

1.2 Corporate style, values and ethics

Values and ethics

The Bank is committed to the conduct of its business in accordance with the highest ethical standards, as expressed in the Code of Ethics, to which all employees are required to subscribe. Bank policies and procedures, including the anti-fraud, zero tolerance and anti-money laundering policies, are designed to guide employees in the conduct of business in the furtherance of our goals of integrity, fairness and compliance with the regulatory environment.

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 Code and its own code of conduct. The Board endorses the Code of Ethics, and its commitment to integrity, confidentiality, compliance with all applicable legislation, and employment equity.

The Board's objectives are the development and sustainable growth of the Bank's business in accordance with applicable regulatory requirements, for the benefit of all stakeholders. The achievement of these objectives is dependent on the adherence to good corporate governance throughout the organisation, and the Board is aware of its responsibilities in respect of corporate governance as specified in the King II report.

2. The board of directors

2.1 Board composition

At June 30 2009 the Board was composed of 2 executive and 6 non-executive directors, unchanged from the prior year. The Board met four times during the year.

2.2 Board committees

With the approval of the Bank Supervision department of the South African Reserve Bank, Bidvest Bank Holdings Limited's committees assumed responsibility for the review of the activities of the Bank in accordance with such committees' terms of reference. The committees are:

- Audit
- Assets and Liabilities
- Credit
- Directors' Affairs
- Remuneration and nominations
- Risk and Capital Management

Executive committee
The committee is composed of the heads of departments and divisions, and meets weekly. Its focus is primarily operational, and the assessment and elimination of risk in the business. A three month programme of intensive coaching has been introduced for committee members, to improve their performance and effectiveness, and the functioning of the committee as a whole.

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

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

2.3 Board procedures and related matters - meetings and functions

The Bank conducts its business in accordance with written operating procedures and policies. All employees acknowledge on commencement of employment that that they will adhere to such policies and procedures, and disciplinary action is taken against employees who do not do so.

2.4 Board appointments and succession planning

The identification and appointment of non-executive directors with appropriate banking knowledge and experience remains an important issue for the Board. The term of office of the independent non-executive directors was extended to August 2009. The Bank continues to benefit from their experience, business acumen and critical assessment of the Bank's strategic direction and management's implementation of the Board's objectives.

The Board is mindful of the importance of the introduction of younger directors, while maintaining the continuity and depth of knowledge of the Board.

2.5 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.

Sustainability report (continued)

2.6 Directors' independence and performance

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

The directors annually assess the effectiveness of the Board, board subcommittees, their chairmen and the managing director. The results of the assessments are presented to the Directors Affairs committee.

3. Risk and compliance

3.1 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 committees have both executive and non-executive members and 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 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.

3.2 Regulatory compliance

The Bank functions within a strong regulatory and supervisory environment. This environment is regarded as a control rather than a constraint. The Bank complies with the South African regulatory requirements based on the Basel II Accord, which was implemented in January 2008. Regulatory reporting to the South African Reserve Bank is seen as a function of Compliance under the Compliance Officer and forms part of the independent risk management framework of the Bank that continuously manages the regulatory and supervisory risks. The Bank maintains a strong relationship with the Regulator, and communication and transparency are regarded as key factors in this relationship. The Bank constantly strives to improve its regulatory processes and regulatory awareness. Training is provided on a continuous basis to ensure that the Bank remains committed to the ongoing upgrading and improvement of the Bank's risk management systems, business models, capital strategies and disclosure standards through compliance with the Basel II framework.

The Bank aims to comply with all applicable laws, regulations, standards and codes. The Board monitors compliance with these through the compliance reports prepared by the Compliance Officer on a quarterly basis, which reports include information on significant interaction with key stakeholders, including the Bank's various regulators.

The Bank also adheres to the Code of Banking Practice and training is provided to all staff on its requirements.

3.3 Compliance governance

The Bank strives to promote a strong culture of good compliance governance throughout the organisation on an ongoing basis. Adherence to applicable legislation and regulations is ensured through the documentation of all legal requirements in internal policies which are published on the intranet and updated annually.

Employees receive regular training on all policies and procedures relevant to their roles and responsibilities. Line management is responsible for ensuring compliance by employees with laws, regulations, policies and procedures. Such compliance is monitored by the Compliance, Internal Audit and Forensic Investigations and Security departments. All instances of non-compliance are reported and the appropriate corrective and disciplinary action taken.

3.4 Key compliance focus areas

Key compliance focus points this year have been: The Financial Intelligence Centre Act; Exchange Control Rulings and Regulations; and The Banks Act. Work has commenced on understanding the requirements of the King III report on corporate governance; the new Companies Act and the Consumer Protection Act, to ensure that the Bank is compliant in all respects by the time that they come into effect in 2010.

Efforts have been made to increase the frequency and extent of compliance monitoring through: the appointment of a compliance manager whose principal focus is monitoring; the use of an electronic risk management system and the appointment of a compliance assistant to administer the system; and increased collaboration with Internal Audit and the Forensic Investigations and Security department.

3.5 Forensic Investigations and Security department

Security

The department is responsible for the prevention and investigation of all unlawful activity against the Bank, either by third parties, or Bank employees, and this includes any money laundering activity. The head of the department is the Bank's money laundering control officer. The department conducts surprise cash counts and checking of limits, branch inspections to assess branch physical security, and compliance by staff with Financial Intelligence Centre Act requirements and security operating procedures, and other regulatory provisions.

Specific attention was paid during the year to ensuring that the Bank's assets were accounted for, partly by means of surprise cash counts and partly by security visits for new or revamped branches, to ensure that the security features purchased have been installed and are working correctly. All security programmes are continuously updated and enhanced to suit the Bank's requirements.

The introduction of new card-based products and the increase of sales of the products have resulted in an increase of card fraud which will necessitate the employment of additional human and systems resources.

Sustainability report (continued)

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 client identification, enhanced due diligence and the treatment of politically exposed persons.

Branch audits indicate areas requiring improvement and these are addressed through changes in procedures, and equipment, including sophisticated imaging and scanning equipment.

The Bank provides ongoing employee training and workshops on the requirements of the legislation, and the department and Internal Audit conduct branch inspections to assess the level of compliance.

3.6 Company secretary

D.J. Crawley was appointed company secretary with effect from June 1 2009.

3.7 Going concern

The directors are confident 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.

3.8 Future concerns

King III and the new Companies Act
The content of the new measures and the implications for the Bank will be the subject of training sessions, to be provided by internal and external experts to the directors and senior management before their commencement dates.

4. Remuneration

Remuneration of employees is determined in accordance with industry guidelines and is reviewed annually based on performance appraisals.

Executive directors' employment contracts do not contain unusual leave or other benefit provisions, and are terminable on reasonable notice. All directors' remuneration and terms of employment are determined by the Remuneration committee. Appointments to the Board are subject to the approval of the Regulator.

5. Sustainability

5.1 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.

5.2 Employee wellbeing

A free, 24 hour confidential support service is provided to employees and their immediate families to assist them to deal with personal problems which impact on their personal and work lives.

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

5.3 Talent management

The Bank is committed to employee development and retention. At the end of June 2009 the Bank had 699 employees, and its employee turnover rate was 6.5%.

5.4 Health and safety

No incidents were reported during the 2009 financial year. The Bank complies with the health and safety requirements of the Occupation Health and Safety Act.

5.5 HIV/AIDS

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

5.6 Environment

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

6. Transformation

6.1 Enterprise development

Bidvest Bank Limited is 100% owned by The Bidvest Group Limited based on the principles and methodology of the DTI codes.

The Bank made an enterprise development contribution of R100 000 to Rainbow South Africa (Pty) Ltd for information technology infrastructure and research in the year.

Bidvest Bank Limited received a level six (BB) contributor empowerment rating.

The increase in enterprise development spend forms part of The Bidvest Group Limited initiative.

6.2 Preferential procurement

Bidvest Bank's Broad Based Black Economic Empowerment grew from R93,3 million year on year to R163,5 million. The year on year spend to Bidvest Group companies is R52,5 million. This means that 32% of B-BBEE procurement is spent on companies owned by The Bidvest Group Limited.

Sustainability report (continued)

6.3 Skills development

The Bank submitted its Skills Plan and Workplace Skills Report to the Bank Seta during the year, and R495 572 was received from the Bank Seta in June 2009 for the 2008/2009 year.

Learnerships
A total of 23 learners from previously disadvantaged communities participated in a Bidvest Bank learnership programme.

Total spend on learnerships was R503 200.

Bursaries
45 Bursaries at a cost of R270 174 were offered to permanent employees:

Black females:	17
Black males:	8
White females:	11
White males:	9

6.4 Employment equity

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

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

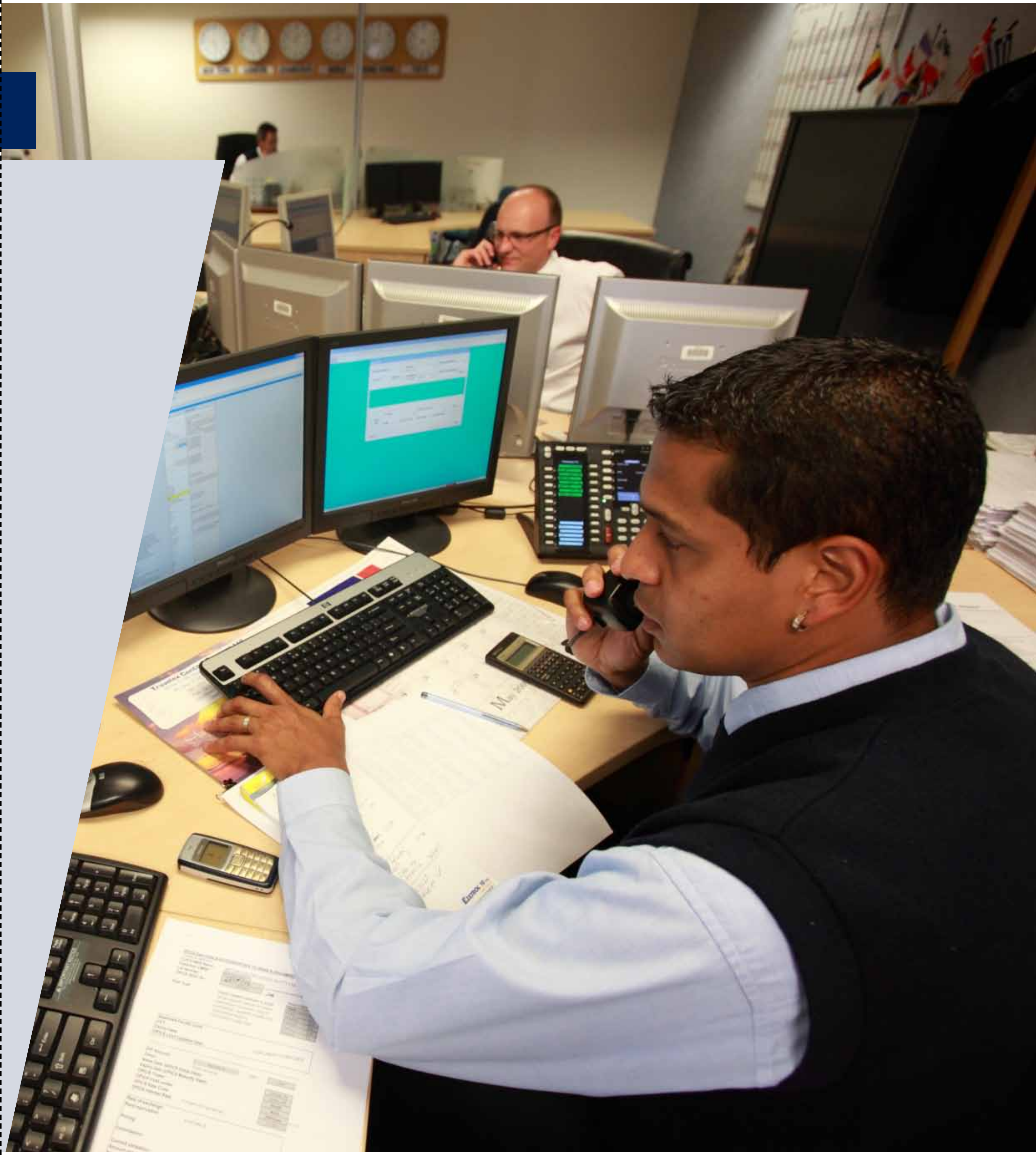
Demographic breakdown of staff compliment:

Black males:	129	18%
Black females:	301	43%
White females:	113	16%
White males:	156	23%
Total:	699	

6.5 Corporate social investment

The Bank acknowledges its place in the community and every year the Bank donates funds to worthy causes. In addition employees perform charity work in their own time. In the 2009 year the Bank supported the following institutions:

- Cerebral Palsy Association
- South African Police Services (Business Against Crime)
- Action for the Blind and Disabled Children
- Cotlands Soweto and Granny Trust
- Association for the Physically Disabled



Directors' responsibility for the financial statements

The Bank's directors are responsible for the preparation and fair presentation of the financial statements, comprising the balance sheet at June 30 2009, the directors' report, the income statement, cash flow statement and the 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 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 auditor is responsible for reporting on whether the financial statements are fairly presented in accordance with the applicable financial reporting framework.

Approval of the financial statements

The financial statements were approved by the Board of directors on August 25 2009 and signed on its behalf by:

A C SALOMON

Managing Director

L T DE WAAL

Financial Director

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

The committee is composed of three non-executive directors, two of whom are independent non-executive directors. The work of the committee is specified by its charter, and the provisions of the Banks Act, 1990. The committee is specifically tasked with the review of the activities of Bidvest Bank Limited ("the Bank"). The committee reviewed the 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 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 reviewed the work of the external auditors, KPMG Inc, including the audit plan and budget, and recommended to the board and shareholders the appointment of the auditors.

R G H SMITH

Chairman

Independent auditors' report

To the members of Bidvest Bank Limited

We have audited the financial statements of Bidvest Bank Limited, which comprise the balance sheet at June 30 2009, and the income statement, cash flow statement and the statement of changes in equity for the year then ended, and the notes to the financial statements, which include a summary of significant accounting policies and other explanatory notes and the directors' report, as set out on pages 33 to 89.

Directors' responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Bank'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.

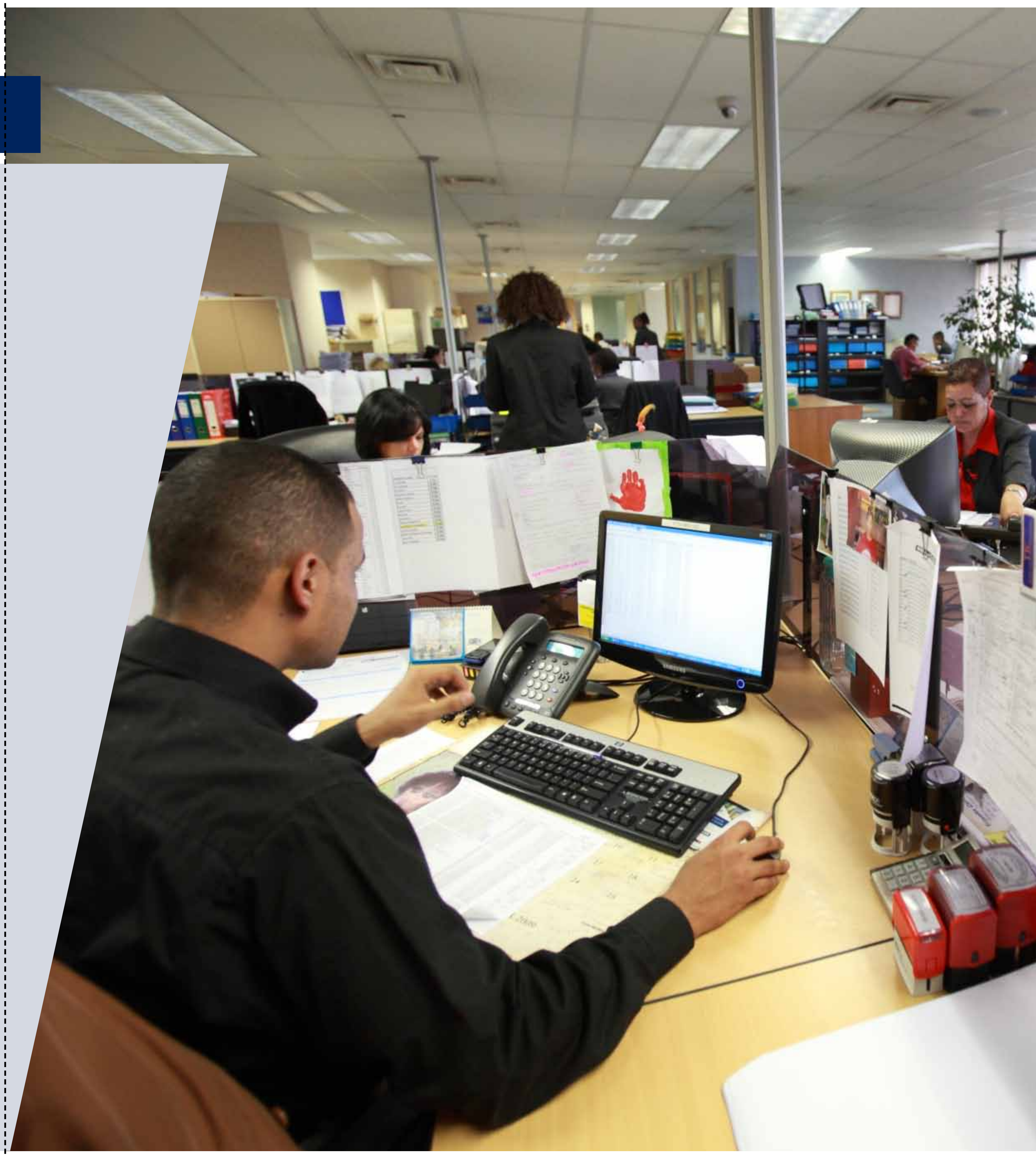
Opinion

In our opinion, the financial statements present fairly, in all material respects, the financial position of Bidvest Bank Limited at June 30 2009 and its financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards, and in the manner required by the Companies Act of South Africa.

KPMG Inc.
Registered Auditor

Per J N Pierce
Chartered Accountant (SA)
Registered Auditor
Director
August 25 2009

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



Directors' report

General information

Bidvest Bank Limited ("the Bank") is a wholly owned subsidiary of Bidvest Bank Holdings Limited. Its ultimate holding company is The Bidvest Group Limited ("Bidvest") which is listed on the JSE South Africa. The Bank is incorporated and domiciled in South Africa.

Nature of business

Bidvest Bank Limited 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 2009.

Share capital

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

Interest of directors and officers

No contracts were entered into in which directors and 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 Remuneration 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 arranged with third parties.

Directorate

Executive directors

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

Managing Director appointed June 6 2006

Alan is a director of The Bidvest Group Limited. Alan has 30 years' experience in the fields of manufacturing, distribution and treasury management. Alan is a member of the Asset and Liability Committee, the Credit Committee and Executive Committee.

Lydia de Waal
(CA)SA

Financial Director appointed March 30 2005

Lydia has 9 years' banking experience. Lydia is a member of the Asset and Liability Committee, the Credit Committee and Executive Committee.

Non-executive directors

Joseph Pamensky
CA(SA), OMSG

Chairman of the Board appointed May 16 2000

Joe is a non-executive director of The Bidvest Group Limited with over 51 years' experience in the financial, insurance and banking industries and the recipient of a number of business and public awards. He serves as a non-executive director on the boards of public and private companies, both locally and internationally, and is a member of a number of audit and remuneration committees. Joe is the chairman of the Directors' Affairs and Remuneration Committees. Joe was formerly a director of ABSA Group Limited.

Brian Joffe
CA(SA)

Appointed May 16 2000

Brian is the chief executive of The Bidvest Group Limited. Brian has over 31 years of South African and international commercial experience. He was one of the Sunday Times top five businessmen in 1992 and is a past recipient of the Jewish Business Achiever of the Year award. Brian was voted South Africa's Top Manager of the Year in 2002 in the Corporate Research Foundation's publication "South Africa's Leading Managers" and represented South Africa at the coveted "Ernst & Young World Entrepreneur of the Year" award in 2003. Awarded an honorary doctorate in May 2008 by Unisa.

Peter Nyman
CA(SA), HDip Tax Law

Appointed February 16 2001

Peter is the chairman of the Asset and Liability Committee as well as the Credit Committee and a member of the Audit Committee, Risk and Capital Management Committee and Remuneration 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 has extensive local and international financial experience in a diverse range of industries specialising in tax.

Guy Smith
CA(SA)

Appointed May 16 2000

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

John Postmus
BCom

Appointed February 16 2001

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

Directors' report (continued)

Lionel Jacobs
BCom, MBA

Appointed May 16 2000

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

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

Appointed August 1 2009

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

Directors' meeting attendance

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

Committee Attendance

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

* Non-executive director
# Executive director
i By invitation

Distribution of dividends

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

Company secretary and registered office

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

Corporate office

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

Postal address

PO Box 185
2000 Johannesburg

Telephone

Corporate Office
+27 (0)11 407 3000

Call Centre
+27 (0)860 11 11 77

Telefax

+27 (0)11 407 3322

Website

www.bidvestbank.co.za

Auditors

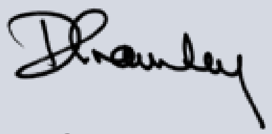
KPMG Incorporated will continue in office in accordance with Section 270(2) of the Companies Act.

Post balance sheet events

There are no material post balance sheet events that have occurred between the balance sheet date and the date of this report.

Certificate from the Company Secretary

In terms of section 268G(d) of the Companies Act, 61 of 1973, as amended, I certify that, to the best of my knowledge and belief, the Bank has lodged with the Registrar of Companies, for the financial year ended June 30 2009, all such returns as are required of a public company in terms of the Companies Act and that all such returns are true, correct and up to date.



D J CRAWLEY
Company Secretary

Income statement

for the year ended June 30

	Notes	2009 R'000	2008 R'000
Interest income		108 842	71 978
Interest expense		(49 578)	(26 569)
Net interest income	6.1	59 264	45 409
Fee and commission income		190 606	144 465
Fee and commission expense		(42 985)	(32 320)
Net fee and commission income		147 621	112 145
Net trading income		251 084	174 768
Other income	6.2	3 477	3 073
Net operating income		461 446	335 395
Net credit impairment charges	13.2	(2 276)	(5 004)
Net operating income after credit impairment charges		459 170	330 391
Operating expenditure		(271 657)	(205 744)
Employment costs	7	(121 525)	(94 745)
Operating leases	8.1	(38 534)	(21 820)
Depreciation and amortisation		(14 257)	(10 557)
Other operating expenditure	8.2	(97 341)	(78 622)
Operating income before indirect taxation		187 513	124 647
Indirect taxation	9.1	(4 748)	(7 987)
Profit before direct taxation		182 765	116 660
Direct taxation	9.2	(50 134)	(34 904)
Profit for the year		132 631	81 756

Cash flow statement

for the year ended June 30

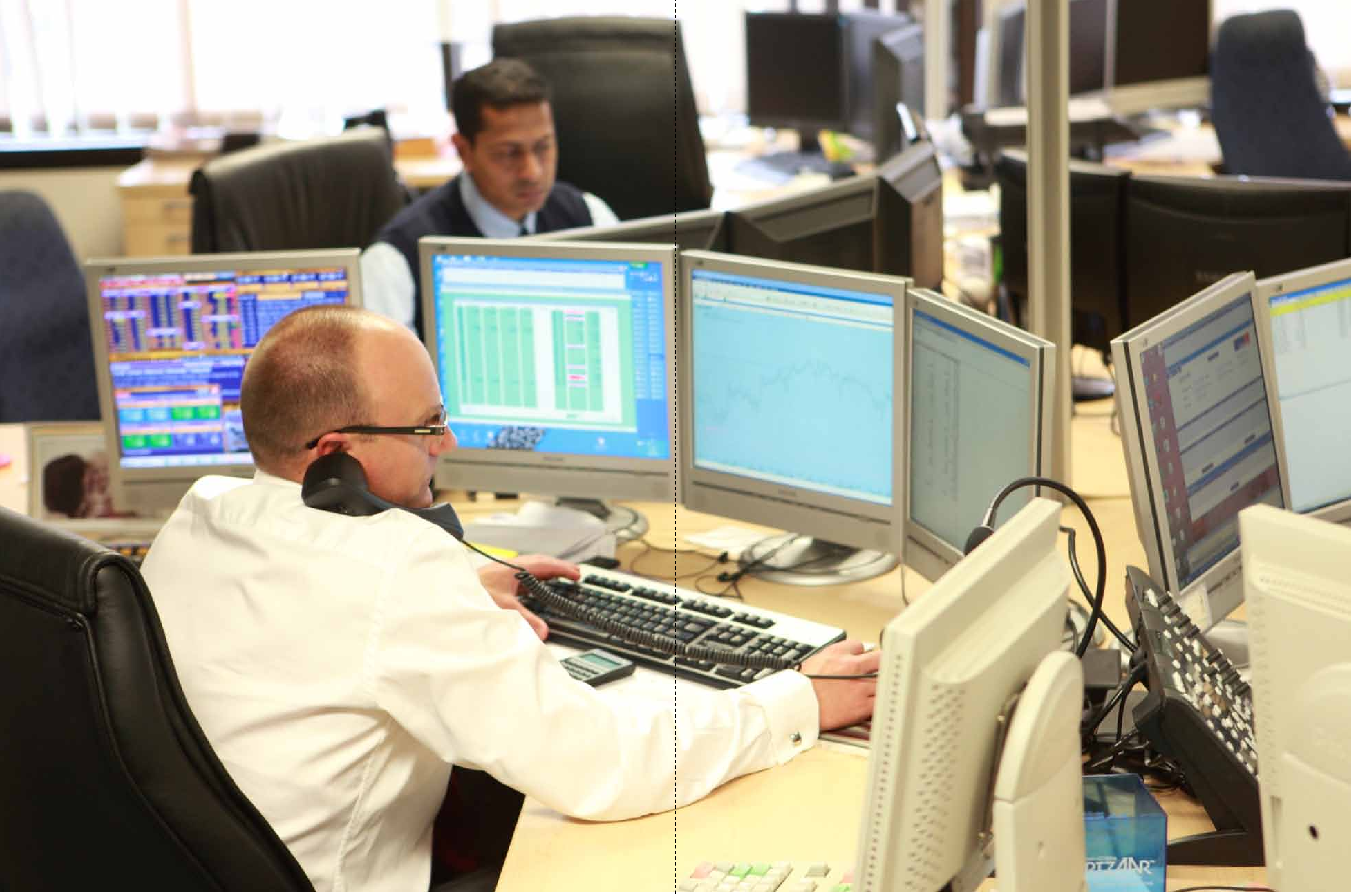
	Notes	2009 R'000	2008 R'000
Cash flows from operating activities			
Cash generated by operations	10.1	285 778	376 908
Taxation paid	10.2	(69 309)	(26 175)
Interest received		108 842	71 978
Interest paid		(49 578)	(26 569)
Net cash flows from operating activities		275 733	396 142
Cash flows from investing activities		(56 534)	(37 642)
Proceeds on disposal of equipment		-	26
Dividends received		2 283	1 935
Acquisition of equipment		(24 563)	(16 169)
Acquisition of intangible assets		(11 958)	(1 936)
Purchase of investment securities	10.3	(7 688)	(19 847)
Business acquisition	27	(14 608)	(1 651)
Net increase in cash and cash equivalents		219 199	358 500
Cash and cash equivalents at beginning of year		533 175	174 675
Cash and cash equivalents at end of year	10.4	752 374	533 175

Balance sheet

at June 30	Notes	2009 R'000	2008 R'000
Assets			
Cash and balances with banks	*11*	752 374	533 175
Derivative financial assets	*12*	49 356	9 587
Loans and advances	*13*	598 625	540 261
Investment securities	*14*	62 808	52 596
Other assets	*15*	41 620	37 289
Equipment	*16*	41 438	26 392
Intangible assets	*17*	26 436	4 856
Deferred taxation	*18*	1 882	118
Total assets		1 574 539	1 204 274
Equity and liabilities			
Equity		604 983	469 295
Share capital	*19*	1 800	1 800
Share premium	*20*	165 979	165 979
Reserves		437 204	301 516
Liabilities		969 556	734 979
Derivative financial liabilities	*12*	41 492	7 813
Deposits	*21*	832 386	466 935
Other liabilities	*22*	95 110	242 348
Current taxation		368	17 683
Defined benefit liability	*23*	200	200
Total equity and liabilities		1 574 539	1 204 274

Statement of changes in equity

for the year ended June 30	2009 R'000	2008 R'000
Share capital		
Balance at June 30	1 800	1 800
Share premium		
Balance at June 30	165 979	165 979
Reserves		
Non-distributable reserves	-	-
Opening balance at July 1	-	3 824
Transfer to retained earnings	-	(3 824)
Retained earnings	433 239	300 608
Opening balance at July 1	300 608	215 028
Profit for the year	132 631	81 756
Transfer from non-distributable banking reserve	-	3 824
Share based payment reserve	4 429	3 801
Opening balance at July 1	3 801	1 943
Items recognised directly in equity		
- share-based payments	628	1 064
- reversal of deferred tax effect on equity settled share based payment reserve	-	794
Fair value reserve	(464)	(2 893)
Opening balance at July 1	(2 893)	979
Items recognised directly in equity		
- fair value adjustment on investment	2 524	(4 039)
- deferred tax effect on fair value adjustment	(95)	167
	437 204	301 516



Notes to the financial statements

For the year ended June 30 2008

1 Reporting entity

Bidvest Bank Limited ("the Bank") is a company domiciled in South Africa.

2 Basis of preparation

2.1 Statement of compliance

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

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

- regular way purchases and sales of financial assets are recognised and derecognised using trade date accounting (accounting policy note 3.3).
- equipment is accounted for using the cost model (accounting policy 3.5); and
- unrecognised actuarial gains or losses on post-retirement benefits are recognised over a period not exceeding the expected average remaining working life of active employees (accounting policy 3.10).

The financial statements were authorised for issue by the directors on August 25 2009.

2.2 Basis of measurement

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

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

2.3 Functional currency

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

2.4 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 29 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 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 balance sheet date. Gains and losses arising on translation are credited to or charged against income, except for differences arising on the retranslation of available-for-sale equity instruments which are recognised directly in equity.

3.2 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 balance sheet.

3.3 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 either at fair value or amortised cost, depending on their classification.

Held-to-maturity

Held-to-maturity investments are non-derivative assets with fixed or determinable payments and fixed maturity that the 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 rate method less any impairment losses.

Loans and advances

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

Notes to the financial statements (continued)

3.3 Financial instruments (continued)

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 assets or liabilities are non-derivative investments that are not designated as another category of financial assets. 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 equity until the investment is derecognised or impaired and the balance in equity is recognised in 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 balance sheet 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 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 through the unwinding of the discount.

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 balance sheet 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, measured as the difference between the acquisition price and the current fair value, less any previously recognised impairment losses on that financial asset, is removed 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 the income statement 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 accounted for directly in equity.

Notes to the financial statements (continued)

3.3 Financial instruments (continued)

Offsetting

Financial assets and liabilities are set off and the net amount presented in the balance sheet 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 by the accounting standards, or for gains and losses arising from a group of similar transactions such as in the Bank's trading activity.

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.

3.4 Financial guarantee contract

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 balance sheet 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.

3.5 Equipment

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

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

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 and useful lives are reviewed, and adjusted if appropriate, at each balance sheet 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 years
- motor vehicles	5 years
- office equipment	5 years
- furniture and fittings	3-6 years

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

3.6 Intangible assets

Goodwill

Goodwill represents the excess of the cost of an acquisition over the net fair value of the identifiable assets and liabilities. When the excess is negative it is realised directly in profit or loss. Goodwill is measured at cost less accumulated impairment losses. In assessing value in use, the expected future cash flows from the purchased assets are discounted to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

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 the income statement 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 the income statement as an expense as incurred. Capitalised development expenditure is stated at cost less accumulated amortisation and accumulated impairment losses.

3.6 Intangible assets (continued)

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 balance sheet 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

3.7 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 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.

3.8 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.

3.9 Instalment finance

Bank as the 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 balance sheet.

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. The benefits arising from investment allowances on assets leased to clients are accounted for in tax.

Leases of assets under which the Bank effectively retains all the risks and benefits of ownership are classified as operating leases. Receipts of operating leases, net of any incentives given to lessees, 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.

3.10 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 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.

3.11 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.

Notes to the financial statements (continued)

3.12 Share capital

Share capital is carried at issued cost.

3.13 Share premium

Share premium is carried net of share issue costs.

3.14 Interest

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

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

Interest income and expense presented in the income statement include:

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

Interest income and expense on all trading financial assets and financial liabilities are considered to be incidental to the Bank's trading operations and are presented together with all other changes in the fair value of trading assets and liabilities in net trading income.

3.15 Fees and commission

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

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

3.16 Net trading income

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

3.17 Dividends

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

3.18 Operating lease payments

Leases where the lessor retains the risk and rewards of ownership of the underlying asset are classified as operating leases. Operating leases, which have a fixed determinable escalation, are charged against income on a straight line basis over the period of the lease.

3.19 Taxation

Normal tax

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

Deferred income tax is provided for on the comprehensive basis, using the balance sheet method, for 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 balance sheet date.

Deferred tax is provided for temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for 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 balance sheet date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Current and deferred tax relating to items which are charged or credited directly to equity, are also charged or credited directly to equity and are subsequently recognised in the income statement when the related deferred gain or loss is recognised.

Indirect tax

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

3.20 Distributions to shareholders

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

Notes to the financial statements (continued)

3.21 Comparative figures

Where necessary, comparative figures within the notes have been restated to conform to changes in presentation in the current year. Refer to note 7, 8.1, 10.1 for changes made to comparatives.

4 Financial risk management

4.1 Introduction and overview

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

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

This note presents information about the 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.

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

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

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

Risk management framework

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

The 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.

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.

Notes to the financial statements (continued)

4.2 Credit risk (continued)

Management of credit risk

The Board has delegated responsibility for the management of credit risk to its Credit Committee. A separate Credit Department is responsible for oversight of the 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 Head of Credit, Credit Committee or the Board according to authorisation limits.
- Reviewing and assessing credit risk. The Credit Department assesses all credit exposures prior to facilities being committed to customers. Renewals and reviews of facilities are subject to the same review process.
- Limiting concentrations of exposure to counterparties, geographies, products and industries.
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to the Credit Committee on the credit quality of portfolios and appropriate corrective action is taken.
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Bank in the management of credit risk.

Exposure to credit risk		Gross maximum exposure		Loans and advances		Other financial assets	
	Note	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000
Individually impaired							
Gross amount							
Grade Ba (Exceptional business credit)		**-**	-	**-**	-	**-**	-
Grade Bb (Good business credit)		**-**	-	**-**	-	**-**	-
Grade Bc (Average business credit)		**637**	-	**637**	-	**-**	-
Grade Bd (High risk credit)		**844**	-	**844**	-		
Grade Be (Marginally acceptable business credit)		**754**	-	**754**	-	**-**	-
Unrated		**654**	852	**654**	852	**-**	-
Total		**2 889**	852	**2 889**	852	**-**	-
Allowance for impairment		**(1 326)**	(402)	**(1 326)**	(402)	**-**	-
Carrying amount		**1 563**	450	**1 563**	450	**-**	-
Loans and advances *collectively impaired*							
Gross amount							
Grade Ba		**35 934**	49 401	**35 934**	49 401	**-**	-
Grade Bb		**58 317**	112 556	**58 317**	95 034	**-**	-
Grade Bc		**97 217**	54 959	**97 217**	45 238	**-**	-
Grade Bd		**6 145**	10 263	**6 145**	10 263	**-**	-
Grade Be		**-**	3 459	**-**	3 459	**-**	-
Grade Bf (Unacceptable business credit)		**-**	2 048	**-**	2 048	**-**	-
Unrated		**15 021**	48 517	**15 021**	16 074	**-**	-
Total		**212 634**	281 203	**212 634**	221 517	**-**	-
Allowance for impairment		**(4 781)**	(3 430)	**(4 781)**	(3 430)	**-**	-
Carrying amount		**207 853**	277 773	**207 853**	218 087	**-**	-
Neither past due nor impaired							
Gross amount							
Grade Ba		**375 834**	303 512	**375 834**	300 254	**-**	-
Grade Ba (Banks)		**258 854**	459 705	**-**	21 470	**258 854**	438 235
Grade Bb (Banks)		**406 107**	-	**13 375**	-	**392 732**	-
Unrated		**246 389**	127 117	**-**	-	**254 572**	127 116
Total carrying amount	*13*	**1 496 645**	1 168 557	**598 625**	540 261	**906 158**	565 351
Less financial instruments not exposed to credit risk		**(118 758)**	(94 940)				
		1 377 887	1 073 617				
Represented by the following balance sheet items:							
Balance with banks		**633 616**	438 235				
Derivative financial assets		**49 356**	9 587				
Loans and advances		**598 625**	540 261				
Investment securities		**62 808**	52 596				
Other assets		**33 482**	32 938				
		1 377 887	1 073 617				

The maximum exposure to credit risk is represented by the carrying amount of each financial asset including derivatives in the balance sheet, as well as off balance sheet transactions outlined in note 24.1. Instalment sales and finance lease agreements have been included in the above credit risk analysis.

Notes to the financial statements (continued)

4.2 Credit risk (continued)

Impaired loans

An impaired loan is a loan regarding which the Bank determines that it is probable that it will be unable to collect all principal and interest due according to the contractual terms of the loan agreement. The carrying amount of renegotiated loans at June 30 2009 was R1 696 393 (2008: Rnil).

Allowances for impairment

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

The past due not impaired balance equals nil in 2009 (2008: R17 000) up to 30 days which relates to loans and advances to customers only.

Write-off policy

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

Security held

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

Security value

		Loans and advances to customers		Loans and advances to banks	
	Note	2009 R'000	2008 R'000	2009 R'000	2008 R'000
Against individually impaired					
Asset based finance		294	-	-	-
Cash, debtors, stock		-	-	-	-
Property		54	79	-	-
Unsecured		2 541	772	-	-
Total		2 889	851	-	-
Collectively impaired					
Asset based finance		105 442	80 448	-	-
Cash, debtors, stock		59 140	81 378	-	-
Property		23 735	10 425	-	-
Equity		1 193	11 024	-	-
Unsecured		23 125	60 698	-	-
Total		212 634	243 973	-	-
Neither past due nor impaired					
Asset based finance		142 140	39 684	13 375	21 470
Unsecured		233 694	238 115	-	-
Carrying amount	*13*	591 357	522 623	13 375	21 470

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 Valued at the time the Cession is signed by obtaining surrender values directly from the Assurance company.	Extra security, no commercial value
Cession of Debtors Valued 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 bank guarantee	100%
Suretyships	0%

Notes to the financial statements (continued)

4.2 Credit risk (continued)

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

Credit risk by sector

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

		Loans and advances to customers		Loans and advances to banks		Investment Security	
	Note	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000	**2009 R'000**	2008 R'000
Concentration by sector							
Manufacturing		**42 261**	17 494	**-**	-	**-**	-
Construction		**18 010**	25 425	**-**	-	**-**	-
Wholesale		**340 343**	296 481	**-**	-	**-**	-
Transport, storage and communication		**27 293**	51 786	**-**	-	**-**	-
Financial intermediation and insurance		**16 851**	27 667	**13 375**	21 470	**19 201**	18 903
Real estate		**11 447**	1 523	**-**	-	**-**	-
Business services		**114 628**	93 406	**-**	-	**-**	-
Community, social and personal services		**5 501**	427	**-**	-	**-**	-
Private households		**13 121**	4 612	**-**	-	**-**	-
Other		**1 902**	3 802	**-**	-	**43 607**	27 975
Total	*13*	**591 357**	522 623	**13 375**	21 470	**62 808**	46 878
Of which:							
Sovereign (central government and central bank)		**3 872**	427	**-**	-	**-**	-
Public sector entities		**-**	377	**-**	-	**-**	-
Local government / municipalities		**-**	50	**-**	-	**-**	-

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

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

It is the policy of the Bank to only invest with A1 rated Banks.

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

2009	**Gross R'000**	**(Impairment) R'000**	**Net R'000**	**Guarantees & suretyship R'000**	**Pledge of assets R'000**	**Total R'000**	**Carrying value for which no collateral is held R'000**
Not past due	603 657	(5 367)	598 290	233 394	345 345	578 739	24 970
Past due 0-30 days	655	(327)	327	301	26	327	-
Past due 31-180 days	41	(41)	-	-	-	-	-
Past due 181-365 days	379	(372)	7	-	-	-	7
Total	604 732	(6 107)	598 625	233 695	345 371	579 066	24 977

2008	**Gross R'000**	**(Impairment) R'000**	**Net R'000**	**Guarantees & suretyship R'000**	**Pledge of assets R'000**	**Total R'000**	**Carrying value for which no collateral is held R'000**
Not past due	543 988	(3 788)	540 201	248 280	241 372	489 652	50 653
Past due 0-30 days	97	(40)	57	39	14	53	5
Past due 31-180 days	6	(3)	3	-	-	-	3
Past due 181-365 days	1	(1)	-	-	-	-	1
Total	544 093	(3 832)	540 261	248 319	241 386	489 705	50 662

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 will encounter difficulty in meeting obligations from its financial liabilities.

Management of liquidity risk

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

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

Residual contractual maturities of financial liabilities

	Carrying amount R'000	Gross nominal outflow R'000	Less than 1 month R'000	1 - 3 months R'000	3 months to 1 year R'000	1 -5 years R'000
June 30 2009						
Non-derivative liabilities						
Other liabilities	(92 747)	(92 747)	(92 747)	-	-	-
Deposits	(832 386)	(832 386)	(755 807)	(44 975)	(31 381)	(222)
Trading: outflow (liabilities)	(41 493)	(788 005)	(26 241)	(3 962)	(11 290)	-
Trading: outflow (assets)	49 356	652 562	15 801	21 790	11 765	-
	(917 270)	(1 060 576)	(858 994)	(27 147)	(30 906)	(222)
June 30 2008						
Non-derivative liabilities						
Other liabilities	(240 981)	(240 981)	(240 981)	-	-	-
Deposits	(466 935)	(466 935)	(416 841)	(25 189)	(24 905)	-
Trading: outflow (liabilities)	(7813)	(190 230)	(4 765)	(1 280)	(1 768)	-
Trading: outflow (assets)	9 587	228 305	7 692	1 346	549	-
	(706 142)	(669 841)	(658 440)	(25 123)	(26 124)	-

The aforementioned table shows the undiscounted cash flows on the Bank's financial liabilities on the basis of their earliest possible contractual maturity.

The gross nominal inflow (outflow) disclosed in the previous table is the contractual, undiscounted cash flow on the financial liability or commitment. The disclosure for derivatives shows a net amount for derivatives that are net settled, but a gross inflow and outflow amount for derivatives that have simultaneously gross settlement (e.g. forward exchange contracts).

4.4 Market risks

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

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

Exposure to interest rate risk – non-trading portfolios

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

	Carrying amount R'000	Less than 3 months R'000	3 - 12 months R'000	1 - 5 years R'000	More than 5 years R'000
June 30 2009					
Cash and balances with banks	752 374	752 374	-	-	-
Loans and advances	604 732	375 889	39 722	176 965	12 157
Investment securities	62 808	19 201	-	43 607	-
Deposits	(832 386)	(800 783)	(31 381)	(222)	-
	587 528	**346 681**	**8 341**	**220 350**	**12 157**
June 30 2008					
Cash and balances with banks	533 175	533 175	-	-	-
Loans and advances	544 093	337 742	48 587	157 764	-
Investment securities	52 596	52 596	-	-	-
Deposits	(466 935)	(442 029)	(24 906)	-	-
	662 929	**481 484**	**23 681**	**157 764**	-

4.4 Market risks (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 sensitivity to an increase or decrease in market interest rates for a six month period (assuming no asymmetrical movement in yield curves and a constant balance sheet position) is as follows:

	200bp parallel increase R'000	200bp parallel decrease R'000
June 30 2009		
Cumulative impact before tax on net interest income:	**1 616**	**(1 616)**
June 30 2008		
Cumulative impact before tax on net interest income:	2 210	(2 210)

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

Foreign currency profile

Currency profile R'000	ZAR	GBP	USD	EUR	OTHER	TOTAL
2009						
Assets						
Cash and balances with banks	641 412	13 854	63 524	15 340	18 244	752 374
Derivative financial assets	49 356	-	-	-	-	49 356
Loans and advances	581 629	-	16 996	-	-	598 625
Investments securities	62 808	-	-	-	-	62 808
Other assets	40 729	221	297	299	74	41 620
Equipment	41 438	-	-	-	-	41 438
Intangible assets	26 436	-	-	-	-	26 436
Deferred taxation	1 882	-	-	-	-	1 882
	1 445 690	**14 075**	**80 817**	**15 639**	**18 318**	**1 574 539**
Commitment to purchase	-	24 148	528 854	873 861	14 058	1 440 921
	1 445 690	**38 223**	**609 671**	**889 500**	**32 376**	**3 015 460**
2008*	1 079 048	11 893	85 544	14 473	13 316	1 204 274
Commitment to purchase	-	16 589	420 965	251 830	29 406	718 789
	1 079 048	28 482	506 509	266 303	42 722	1 923 063
2009						
Equity and liabilities						
Share capital	1 800	-	-	-	-	1 800
Share premium	165 979	-	-	-	-	165 979
Reserves	437 204	-	-	-	-	437 204
Derivative financial liabilities	41 492	-	-	-	-	41 492
Deposits	568 034	13 986	49 544	199 879	943	832 386
Other liabilities	74 465	1 204	7 912	7 958	3 571	95 110
Current taxation	368	-	-	-	-	368
Defined benefit liability	200	-	-	-	-	200
	1 289 542	**15 190**	**57 456**	**207 837**	**4 514**	**1 574 539**
Commitments to sell		**28 111**	**555 991**	**678 456**	**20 523**	**1 283 081**
	1 289 542	**43 301**	**613 447**	**886 293**	**25 037**	**2 857 620**
2008*	1 117 172	14 893	38 679	32 380	1 150	1 204 274
Commitment to sell	-	19 258	456 818	239 603	41 254	756 933
	1 117 172	34 151	495 497	271 983	42 404	1 961 207

* These comparatives have been restated to correctly reflect the net open position of the Bank.

Notes to the financial statements (continued)

	GBP	USD	EUR	OTHER	TOTAL
2009					
Net open position	**(5 078)**	**(3 776)**	**3 207**	**7 339**	**1 692**
	GBP	USD	EUR	OTHER	TOTAL
2008					
Net open position	(5 669)	11 012	(5 680)	318	(19)

4.4 Market risks (continued)

Foreign exchange rate sensitivities (continued)

Foreign currency profile (continued)

Closing spot exchange rate	GBP	USD	EUR
2009	**R12,75**	**R7,71**	**R10,86**
2008	R15,66	R7,85	R12,38
Average exchange rate	GBP	USD	EUR
2009	**R14,30**	**R8,97**	**R12,01**
2008	R14,64	R7,30	R10,761

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

Foreign currency sensitivity based on a 10% movement in exchange rate.

	2009 R'000	2008 R'000
GBP	**508**	567
USD	**378**	1 101
EUR	**321**	568

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, and reputational risk, 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
- risk mitigation, including insurance where this is effective

4.6 Reputational risk

The reputation of the Bank is a significant asset and accounts for a large percentage of its equity. 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
- transforming potential disasters into opportunities
- risk mitigation, including insurance where this is effective

Notes to the financial statements (continued)

4.7 Capital management

Regulatory capital

The Bank's regulator, 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 retained earnings.
- Secondary capital, which includes 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-balance sheet 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 period and previous period.

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

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 (RAROC) into account.

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

Balance sheet forecasting based on business and strategy planning allows management to ensure that minimum required capital ratios are adhered to.

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

	Notes	2009 R'000	2008 R'000
Net qualifying capital and reserves			
Primary capital		**485 112**	420 112
Share capital	*19*	**1 800**	1 800
Share premium	*20*	**165 979**	165 979
Appropriated retained earnings		**317 332**	252 333
Secondary capital		**-**	-
Less impairment		**(49 460)**	(23 024)
Total qualifying capital and reserves		**435 651**	397 088
Non qualifying capital and reserves		**169 332**	72 270
Profit not formally appropriated		**115 907**	48 275
Fair value reserve for available-for-sale equity securities		**(464)**	(2 893)
Share based payment reserve		**4 429**	3 801
Impairment		**49 460**	23 024
Total capital and reserves		**604 983**	469 295

Notes to the financial statements (continued)

Risk-weighted exposure

	Capital requirement 2009 R'000	Risk-weighted exposure 2009 R'000	Capital requirement 2008 R'000	Risk-weighted exposure 2008 R'000
Credit risk				
Retail bank, corporate bank and central treasury	263 589	2 703 476	254 344	2 608 647
Market risk				
Retail bank, corporate bank and central treasury	1 208	12 388	1 732	17 773
Operational risk				
Retail bank, corporate bank and central treasury	59 224	607 425	45 563	467 312
Equity risk				
Retail bank, corporate bank and central treasury	120	1 231	115	1 178
Other assets	8 282	84 939	6 694	68 653
Totals	332 423	3 409 459	308 448	3 163 563

Capital ratios	2009	2008
Total capital adequacy ratio	12,78%	12,55%
Total primary capital adequacy ratio	12,78%	12,55%

5 Related party information

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

Related-party transactions
The Bank, 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 Bank. 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 board of directors and executive committee. The definition of key management includes the close members of family of key management personnel. Close members of family are those family members who may be expected to influence, or be influenced by that individual in their dealing with the Bank. They may include the individual's domestic partner and children, the children of the individual's domestic partner, and dependents of the individual or the individual's domestic partner.

Related party balances – outstanding at year end	2009 R'000	2008 R'000
Advances		
Loans to fellow subsidiaries	372 988	75 392
Derivative assets with fellow subsidiaries	12 616	2 006
Loans to senior Bank employees and key management	773	1 208
Deposits		
Deposits from fellow subsidiaries	(335 159)	(94 064)
Deposits from directors, senior employees and key management	(3 966)	(14 313)
Derivative liabilities with fellow subsidiaries	(3 295)	(597)
Accounts payable to fellow subsidiaries	(89)	(465)
Related party transactions – fellow subsidiaries		
Income		
Net interest income	(21 616)	(24 145)
Commission and fees	(431)	(568)
Administration fee received	(944)	(381)
Other	(1 576)	(1 173)
Expenses		
Administration fee paid	1 143	241
IT charges	2 178	1 737
Property rentals	3 125	2 654
Office equipment rental	128	109
Security fees	5 857	6 007
Stationery	1 936	771
Storage fees	313	291
Royalties paid	2 847	2 946
Vehicle leases	307	318
Related party transactions – key management		
Key management personnel compensation for the period comprises		
- Short term employee benefits	18 570	13 401
- Retirement and medical aid benefits	1 622	1 284
- Share-based payment expense	628	1 064
Related party off balance sheet transactions - fellow subsidiaries		
Letters of credit	1 967	18 179
Guarantees	579	-
Notional value of FECs with fellow subsidiaries (loans)	(450 703)	(59 860)
Notional value of FECs with fellow subsidiaries (deposits)	87 045	49 973

Notes to the financial statements (continued)

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 service contracts.

Executives participate in the Bidvest Group's share incentive scheme (see note 26).

6 Income

6.1 Net interest income

	2009 R'000	2008 R'000
Interest income	108 842	71 978
cash and cash equivalents	35 717	16 434
loans and advances to banks	2 312	2 237
loans and advances to customers	66 784	51 239
investment securities	3 620	1 945
other	409	123
Interest expense	(49 578)	(26 569)
deposits from banks	(663)	(2 094)
deposits from customers	(48 915)	(24 475)
Net interest income	59 264	45 409
Included within various captions under interest income for the year is interest accrued on impaired financial assets.	467	135

Included in interest income is R3,6 million (2008: R1,9 million) relating to available-for-sale financial assets.

6.2 Other income

	2009 R'000	2008 R'000
Dividends on investment securities	2 283	1 934
Other	1 194	1 139
	3 477	3 073

7 Employment costs

	2009 R'000	2008 R'000
Salaries	105 815	78 611
Contributions to the provident fund	5 312	2 942
Contributions to the defined contribution pension fund	1 527	2 282

7 Employment costs (continued)

	2009 R'000	2008 R'000
Increase in liability for the defined benefit plan	-	26
Share based payment expense	628	1 064
Performance incentive	8 243	9 820
	121 525	94 745

8 Operating expenditure

8.1 Operating leases

	2009 R'000	2008 R'000
Property rentals	37 347	20 714
Office equipment	80	32
Vehicles	110	337
Straight lining of leases	997	737
	38 534	21 820

8.2 Other operating expenditure

Other operating expenditure includes:

	2009 R'000	2008 R'000
Auditors' remuneration	2 321	1 364
audit fee		
- current year	1 750	1 340
- prior year	200	24
Fees for other services	371	-
Consulting fees	1 586	296
Amortisation of intangible assets	3 988	3 418
Directors' emoluments	6 455	6 153
for services as non-executive directors	397	405
for services as executive directors	6 058	5 748
Loss on disposal of equipment	316	125

Notes to the financial statements (continued)

9 Taxation

	2009 R'000	2008 R'000
9.1 Indirect taxation		
Value added tax	3 681	7 245
Revenue stamps	4	4
Skills development levy	1 063	738
	4 748	7 987
9.2 Direct taxation		
South African normal taxation	(51 994)	(33 336)
Current	(51 829)	(33 159)
Prior year under provision	(165)	(177)
Deferred taxation		
Origination and reversal of temporary differences	1 860	(1 647)
Change in tax rate	-	(25)
Capital gains tax	-	104
	(50 134)	(34 904)
Tax rate reconciliation	%	%
Effective rate	27,61	29,90
Disallowed expenditure	(0,77)	(2,01)
Non-taxable income	1,25	0,18
Change in tax rate	-	(0,02)
Prior year under provision	(0,09)	(0,13)
Capital gains tax	-	0,08
Standard taxation rate	28,00	28,00

10. Notes to the cash flow statement

	2009 R'000	2008 R'000
10.1 Reconciliation of cash generated by operations		
Profit before tax	182 765	116 660
Adjustments		
Depreciation of equipment	10 269	7 142
Amortisation of intangible assets	3 988	3 415
Loss on disposal of equipment	316	137
Interest received	(108 842)	(71 978)
Interest paid	49 578	26 569
Share-based payments	628	1 064
Dividends	(2 283)	(1 934)
Operating profit before changes in working capital	136 419	81 075
Increase (decrease) in net derivative financial instruments	(6 090)	958
Increase (decrease) in other assets	(4 244)	8 070
Increase (decrease) in other liabilities	(147 394)	176 431
Increase in loans and advances	(58 364)	(156 190)
Increase in deposits	365 451	266 564
	285 778	376 908
10.2 Taxation paid		
Opening balance	(17 683)	(10 522)
Normal taxation charge	(51 994)	(33 336)
Closing balance	368	17 683
Taxation paid	(69 309)	(26 175)
10.3 Purchase of investment securities		
Opening balance at fair value	52 596	36 788
Increase (decrease) in fair value adjustments during the year	2 524	(4 039)
Closing balance	(62 808)	52 596
Purchases during the year	(7 688)	(19 847)

10.4 Cash and cash equivalents

	Note	2009 R'000	2008 R'000
Cash and balances with banks	11	752 374	533 175

11 Cash and balances with banks

	2009 R'000	2008 R'000
Cash on hand and in transit	118 758	94 940
Interbank investments		
current accounts	585 693	187 467
money on call	13 000	242 909
South African Reserve Bank	26 534	546
Restricted cash held at the South African Reserve Bank	8 389	7 313
	752 374	533 175

12 Derivative financial instruments

	2009 R'000	2008 R'000
Foreign exchange contracts (FECs)		
derivative financial assets	49 356	9 587
derivative financial liabilities	(41 492)	(7 813)
Net fair values	7 864	1 774
Notional amount	1 440 567	890 345

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 to customers

	2009 R'000	2008 R'000
Call and term loans	445 193	449 173
Mortgage loans	29 820	10 505
Lease agreements	116 344	62 945
	591 357	522 623
Less impairment (note 13.2)	(6 107)	(3 832)
Balance at end of year	585 250	518 791

	2009 R'000	2008 R'000
Loans and advances to banks		
Call and term loans	13 375	21 470
Total loans and advances	598 625	540 261

13.2 Movement in impairments

	2009 R'000	2008 R'000
Specific impairments		
Call and term loans	(1 229)	(386)
Opening balance	(386)	(5 475)
Income statement charge	(844)	(2 240)
Bad debts written off	1	7 329
Mortgage loans	(10)	(16)
Opening balance	(16)	(22)
Income statement reversal	6	6
Instalment sale	(87)	-
Opening balance	-	-
Income statement charge	(87)	-
Bad debts written off	-	-
Portfolio impairment	(4 781)	(3 430)
Opening balance	(3 430)	(660)
Income statement charge	(1 351)	(2 770)
Carrying value at the end of the year		
Specific impairments	(1 326)	(402)
Portfolio impairments	(4 781)	(3 430)
	(6 107)	3 832)

Notes to the financial statements (continued)

13.3 Maturity of finance leases

2009	Gross R'000	Unearned finance charges R'000	Net R'000
Due within 1 year	99 664	19 503	80 161
Between 1-5 years	52 131	15 948	36 183
	151 795	35 451	116 344

2008	Gross R'000	Unearned finance charges R'000	Net R'000
Due within 1 year	6 120	613	5 507
Between 1-5 years	77 454	20 016	57 438
	83 574	20 629	62 945

14 Investment securities

	2009 R'000	2008 R'000
Available-for-sale securities		
investment in RSA Government bonds	43 607	33 722
listed preference shares	17 970	17 705
listed equities	1 215	1 153
unlisted shares at directors' valuation	16	16
	62 808	52 596

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 equity (refer statement of changes in equity).

15 Other assets

	2009 R'000	2008 R'000
Accounts receivable	6 463	14 146
Uncleared effects	17 993	12 186
Payments in advance	4 442	2 568
Encashed travellers cheques	1 438	2 737
VAT	3 696	1 783
Other	7 588	3 869
	41 620	37 289

16 Equipment

	2009	2008
Office equipment	3 631	3 567
Cost	8 785	8 187
Accumulated depreciation and accumulated impairment	(5 154)	(4 620)
Furniture and fittings	25 648	12 864
Cost	44 369	27 683
Accumulated depreciation and accumulated impairment	(18 721)	(14 819)
Computer equipment	8 694	6 306
Cost	17 907	13 770
Accumulated depreciation and accumulated impairment	(9 213)	(7 464)
Motor vehicles	3 465	3 655
Cost	5 452	4 614
Accumulated depreciation and accumulated impairment	(1 987)	(959)
	41 438	26 392

Notes to the financial statements (continued)

Equipment

	2009 R'000	2008 R'000
Carrying value at beginning of year	26 392	17 416
Cost	54 254	41 194
Accumulated depreciation	(27 862)	(23 778)
Additions and acquisitions	25 631	16 284
Office equipment	1 582	1 213
Furniture and fittings	17 938	6 949
Computer equipment	5 273	6 256
Motor vehicles	838	1 866
Disposals	(316)	(166)
Office equipment	(143)	(34)
Furniture and fittings	(150)	(116)
Computer equipment	(23)	(16)
Depreciation	(10 269)	(7 142)
Office equipment	(1 376)	(1 174)
Furniture and fittings	(5 005)	(3 319)
Computer equipment	(2 861)	(1 978)
Motor vehicles	(1 027)	(671)
Carrying value at end of year	41 438	26 392
Cost	76 513	54 254
Accumulated depreciation	(35 075)	(27 862)

No impairment of assets was considered necessary during the current or prior financial years.

17 Intangible assets

	2009 R'000	2008 R'000
Goodwill at cost	14 831	1 221
Computer software	11 405	3 045
Cost	28 353	16 487
Accumulated amortisation and accumulated impairment	(16 948)	(13 442)
Development costs	200	590
Cost	1 453	1 382
Accumulated amortisation and accumulated impairment	(1 253)	(792)
	26 436	4 856
Movement in intangible assets		
Carrying value at beginning of year	4 856	5 114
Cost	19 090	16 286
Accumulated amortisation	(14 234)	(11 172)
Additions and acquisitions	25 568	3 157
Goodwill	13 610	1 221
Computer software	11 887	1 819
Development costs	71	117
Amortisation	(3 988)	(3 415)
Computer software	(3 527)	(2 974)
Development costs	(461)	(441)
Carrying value at end of year	26 436	4 856
Cost	44 637	19 090
Accumulated amortisation	(18 201)	(14 234)

Notes to the financial statements (continued)

17 Intangible assets (continued)

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

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

Goodwill relating to acquired operations:	2009 R'000	2008 R'000
Purchase price	**16 301**	2
540		
Net book value of acquired operations	**(2 691)**	(1 319)
Goodwill	**13 610**	1 221

18 Deferred taxation

	2009 R'000	2008 R'000
Balance at beginning of year	**118**	725
Current year movement		
charged to the income statement	**1 859**	(1 543)
charged to equity	**(95)**	167
reversal of deferred tax on equity settled		
share based payment reserve	**-**	794
change in rate	**-**	(25)
Balance at end of year	**1 882**	118
The deferred tax asset consists of temporary differences arising from:		
Leased assets	**13 576**	4 999
Trademark	**41**	(4)
Accruals and prepayments	**2 504**	2 134
Finance leases	**(14 806)**	(7 393)
Operating leases	**662**	382
Fair value of investment securities	**(95)**	-
Balance at end of year	**1 882**	118

19 Share capital

	2009 R'000	2008 R'000
19.1 Authorised		
360 000 000 ordinary shares of 1 cent each	**3 600**	3 600
19.2 Issued		
180 000 000 ordinary shares of 1 cent each	**1 800**	1 800

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

20 Share premium

	2009 R'000	2008 R'000
Arising on shares issued in prior years	**178 200**	178 200
Goodwill	**(11 908)**	(11 908)
Share issue cost	**(313)**	(313)
	165 979	165 979

21 Deposits

	2009 R'000	2008 R'000
Deposits from banks		
Fixed, notice and call deposits	**16 074**	10 832
Deposits from customers		
Fixed, notice and call deposits	**816 312**	456 103
	832 386	466 935

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

22 Other liabilities

	2009 R'000	2008 R'000
Trade accruals	**37 470**	31 385
Outstanding bank credits	**4 402**	6 567
Outstanding cheques	**21 065**	27 115
Straight lining of leases	**2 363**	1 367
Foreign suppliers and customers	**23 305**	170 077
Other	**6 505**	5 837
	95 110	242 348

Notes to the financial statements (continued)

23 Defined benefit liability

	2009 R'000	2008 R'000
Post retirement medical benefits The Bank provides post retirement medical benefits to 8 employees who were employed before January 1 1999 and joined the Quantum Medical Aid Society before January 1 2000.	200	200

The fund is actuarially valued every three years and the last valuation was done in June 2007.

24 Contingent liabilities and commitments

24.1 Off balance sheet transactions

	2009 R'000	2008 R'000
Guarantees issued on behalf of group companies	578	-
Guarantees issued on behalf of third parties	843	28 198
Letters of credit issued on behalf of third parties	6 838	2 694
Letters of credit issued on behalf of group companies	1 967	18 179
Corporate card clients	-	1 133
Unutilised loan facilities granted	-	123 000
	10 226	173 204

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

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

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

24.2 Future operating lease commitments

	2009 R'000	2008 R'000
Property leases		
payable within one year	35 833	26 540
payable between one and five years	101 207	105 038
payable after five years	-	3 498
Motor vehicles leases		
payable within one year	60	115
payable between one and five years	7	155
	137 107	135 346

25 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	Other non financial assets/ liabilities R'000	Fair value R'000
2009						
Assets						
Cash and balances with banks	-	752 374	-	-	-	752 374
Derivative financial assets	49 356	-	-	-	-	49 356
Loans and advances	-	482 281	-	-	116 344	598 625
Investment securities	-	-	62 808	-	-	62 808
Other assets	-	33 482	-	-	8 138	41 620
Equipment	-	-	-	-	41 438	41 438
Intangible assets	-	-	-	-	26 436	26 436
Deferred taxation	-	-	-	-	1 882	1 882
	49 356	1 268 137	62 808	-	194 238	1 574 539
2009						
Liabilities						
Derivative financial liabilities	41 492	-	-	-	-	41 492
Deposits	-	-	-	832 386	-	832 386
Other liabilities	-	-	-	92 747	2 363	95 110
Current taxation	-	-	-	-	368	368
Defined benefit liability	-	-	-	-	200	200
	41 492	-	-	925 133	2 931	969 556
2008						
Assets						
Cash and balances with banks	-	533 175	-	-	-	533 175
Derivative financial assets	9 587	-	-	-	-	9 587
Loans and advances	-	477 316	-	-	62 945	540 261
Investment securities	-	-	52 596	-	-	52 596
Other assets	-	32 938	-	-	4 351	37 289
Equipment	-	-	-	-	26 392	26 392
Intangible assets	-	-	-	-	4 856	4 856
Deferred taxation	-	-	-	-	118	118
	9 587	1 043 429	52 596	-	98 662	1 204 274
2008						
Liabilities						
Derivative financial liabilities	7 813	-	-	-	-	7 813
Deposits	-	-	-	466 935	-	466 935
Current taxation	-	-	-	-	17 683	17 683
Other liabilities	-	-	-	240 981	1 367	242 348
Defined benefit liability	-	-	-	-	200	200
	7 813	-	-	707 916	19 250	734 979

Loans and deposits are prime linked therefore the effective rate is market related. All investment securities are valued using quoted market prices and all derivatives are valued using a spot and forward curve.

Notes to the financial statements (continued)

26 Share-based payments

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

Share options scheme

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

The terms and conditions of the options are as follows:

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

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

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

Share purchase scheme

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

The employees are entitled to settle the loans at such times as they deem fit, but not so as to result in the following proportions of the employees' total number of allotted shares being paid for prior to: 50% of total number of allotted shares at the expiry of three years; 75% of total number of allotted shares at the expiry of four years; and 100% of total number of allotted shares at the expiry of five years from the date of the holder's acceptance of the allotted share. Options acquired, valid for 3, 4 or 5 years, by the Trust to buy back shares are offset against share premium. No options were acquired during the period.

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

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

	2009 R'000	2008 R'000
Share-based payment expense recognised relating to the share options and share purchase Scheme	**628**	1 064

27 Business acquisition

Date of acquisition **September/October 2008**

Contribution to net profit since acquisition (R'000) **2 843**

The details of the fair value of the assets and liabilities acquired and goodwill arising are as follows:

R'000	**Fair value R'000**	Carrying amount
Cash and balances with banks	**1 701**	1 701
Equipment	**1 067**	1 067
Other assets	**87**	87
Other liabilities	**(156)**	(156)
	2 699	2 699
Goodwill	**13 610**	
Total purchase consideration paid	**16 309**	
Less: Cash and cash equivalents acquired	**(1 701)**	
Cash outflow on acquisition	**14 608**	

Starting September 2008, the Bank acquired certain businesses from The Bidvest Group Limited. The purchase price is based on an earnings valuation and the goodwill is calculated as the excess over the net book value. The goodwill relates to strategic locations, rationalisation synergies and experienced management.

Notes to the financial statements (continued)

28 Capital commitments

	2009 R'000	2008 R'000
Authorised and contracted for	837	2 198

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

29 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. Refer to note 13 for change in intention. An impairment of an investment security will be considered if there is an indication of permanent diminution of value in the security.

29.1 Credit impairment losses on loans and advances

Performing loans

The Bank assesses its loan portfolio for impairment at each balance sheet date. In determining whether an impairment loss should be recorded in the income statement, 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. Managements' estimates of future cash flows on individually impaired loans are based on historical loss experience for the lending book. The methodology and assumptions used for estimating both the amount and timing of future cash flows are reviewed regularly to reduce any differences between loss estimates and actual loss experience. Estimated security values are taken into account when determining the impairment requirement.

29.2 Income taxes

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

29.3 Impairment of non financial assets

The carrying amount of the Bank's assets other than financial assets is reviewed at each balance sheet 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 the income statement whenever the carrying amount exceeds the recoverable amount.

30 Standards and interpretations issued but not yet effective

The Bank is yet to assess the impact of this interpretation which will be effective for the Bank's 2008 financial statements.

- Revised IAS 1 Presentation of Financial Statements (applicable for reporting periods beginning on or after 1 January 2009)

  The revised statement introduces changes to the presentation of financial statements and does not affect the recognition, measurement or disclosure of specific transactions. The standard will not affect the financial position or results of the Bank but will introduce some changes to the presentation of the financial position, changes in equity and financial results of the Bank. The changes are not expected to be of any significance to the current level of disclosure in the Bank's financial statements.

- Amendments to IFRS 2 Share-based Payments (applicable for reporting periods beginning on or after 1 January 2009)

  The amendments clarify that vesting conditions compromise only service conditions and performance conditions and clarifies the accounting treatment of a failure to meet a non-vesting condition. Adoption of the standard i snot expected to have a significant impact on the Bank's financial statements.

- Amendments to IAS 32 Financial Instruments Presentation and IAS 1 Presentation of Financial Instruments: Puttable Financial Instruments and obligations Arising on Liquidation (applicable for reporting periods beginning on or after 1 January 2009)

  These amendments will have no impact on the Bank.

- IFRS 7 Improving Disclosures about Financial Instruments (applicable for reporting periods beginning on or after 1 January 2009)

Whilst the Bank has adopted several of the improvements in this set of financial statements, a complete transition to the revised standard will be achieved in the 2010 Annual Report. Changes to the standard have no impact on accounting policies and recognition and measurement of financial instruments.

Improvements to International Financial Reporting Standards 2008 and Improvements to International Financial Reporting Standards 2009

There were numerous updates, which are considered by the IASB to be non urgent but important. None of these updates will result in a change to the accounting policies of the Bank.

The following interpretations have been issued which are deemed to have no impact on the Bank financial statements but have not been formally adopted by the Bank:

IFRS 1 – First-time adoption of International Financial Reporting Standards

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