

**FINANCIAL HIGHLIGHTS** / 2010



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## Managing Director's report

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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



**A C SALOMON**

**August 24 2010**

# Consolidated statement of comprehensive income

\* Includes one month of subsidiary results  
for the year ended June 30

|   | 2010<br>R'000  | 2009<br>R'000  |
|---|----------------|----------------|
| <b>Net interest income</b>                              | 57 190         | 59 264         |
| Interest received                                       | 102 575        | 108 842        |
| Interest paid   | (45 385)       | (49 578)       |
| Net fee and commission income                           | 153 815        | 147 621        |
| Net income from leasing activities                      | 17 604         | -              |
| Net trading income                                      | 245 822        | 251 084        |
| Other income  | 10 393         | 3 477          |
| <b>Operating income</b>                                 | <b>484 824</b> | <b>461 446</b> |
| Net credit impairment charges                           | (1 402)        | (2 276)        |
| <b>Operating income after credit impairment charges</b> | <b>483 422</b> | <b>459 170</b> |
| Operating expenditure                                   | (336 565)      | (271 657)      |
| <b>Profit before direct taxation</b>                    | <b>146 857</b> | <b>182 765</b> |
| Direct taxation   | (38 536)       | (50 134)       |
| <b>Profit for the period</b>                            | <b>108 321</b> | <b>132 631</b> |

# Pro-forma consolidated statement of comprehensive income

\* Pro-forma assuming full year inclusion of subsidiary results for 2010 and 2009

for the year ended June 30

|   | 2010<br>R'000  | 2009<br>R'000   |
|---|----------------|-----------------|
| <b>Net interest income</b>                              | <b>17 471</b>  | <b>(20 554)</b> |
| Interest received                                       | 91 429         | 158 133         |
| Interest paid   | (73 958)       | (178 687)       |
| Net fee and commission income                           | 173 773        | 186 187         |
| Net income from leasing activities                      | 219 532        | 258 376         |
| Net trading income                                      | 245 822        | 251 084         |
| Other income  | 110 301        | 4 512           |
| <b>Operating income</b>                                 | <b>766 900</b> | <b>679 605</b>  |
| Net credit impairment charges                           | (28 183)       | (13 279)        |
| <b>Operating income after credit impairment charges</b> | <b>738 717</b> | <b>666 326</b>  |
| Operating expenditure                                   | (423 262)      | (369 599)       |
| <b>Profit before direct taxation</b>                    | <b>315 454</b> | <b>296 727</b>  |
| Direct taxation   | (93 179)       | (76 315)        |
| <b>Profit for the period</b>                            | <b>222 275</b> | <b>220 411</b>  |

# Consolidated statement of financial position

## Six year review

for the year ended June 30

|                                     | 2010<br>R'000    | 2009<br>R'000    | 2008<br>R'000    | 2007<br>R'000  | 2006<br>R'000  | 2005<br>R'000  |
|-------------------------------------|------------------|------------------|------------------|----------------|----------------|----------------|
| <b>Assets</b>                       |                  |                  |                  |                |                |                |
| Cash and balances with banks        | 959 670          | 752 374          | 533 175          | 174 675        | 238 148        | 131 089        |
| Loans and advances                  | 659 277          | 598 625          | 540 261          | 384 071        | 194 889        | 118 368        |
| Leased assets                       | 1 322 849        | -                | -                | -              | -              | -              |
| Investment securities               | 59 028           | 62 808           | 52 596           | 36 787         | 16 730         | 52 866         |
| Other assets                        | 124 411          | 90 976           | 46 876           | 48 165         | 35 602         | 21 839         |
| Equipment and intangibles           | 96 322           | 67 874           | 31 248           | 22 530         | 19 703         | 13 398         |
| Taxation                            | 11 010           | 1 882            | 118              | 725            | 1 205          | 752            |
| <b>Total assets</b>                 | <b>3 235 567</b> | <b>1 574 539</b> | <b>1 204 274</b> | <b>666 953</b> | <b>506 277</b> | <b>338 312</b> |
| <b>Equity and liabilities</b>       |                  |                  |                  |                |                |                |
| <b>Equity</b>                       |                  |                  |                  |                |                |                |
|                                     | 972 346          | 604 983          | 469 295          | 389 553        | 330 896        | 191 330        |
| <b>Liabilities</b>                  |                  |                  |                  |                |                |                |
|                                     | 2 263 221        | 969 556          | 734 979          | 277 400        | 175 381        | 146 982        |
| Intergroup loan                     | 714 172          | -                | -                | -              | -              | -              |
| Deposits                            | 1 178 110        | 832 386          | 466 935          | 200 372        | 113 543        | 94 623         |
| Other liabilities                   | 216 018          | 136 802          | 250 361          | 66 506         | 57 235         | 52 359         |
| Taxation                            | 154 921          | 368              | 17 683           | 10 522         | 4 603          | -              |
| <b>Total equity and liabilities</b> | <b>3 235 567</b> | <b>1 574 539</b> | <b>1 204 274</b> | <b>666 953</b> | <b>506 277</b> | <b>338 312</b> |

# Statistics, return and capital adequacy

Six year review

| Statistical review                             | 2010* | 2009 | 2008  | 2007  | 2006  | 2005  |
|--|-------|------|-------|-------|-------|-------|
| <b>Statement of comprehensive income</b>       |       |      |       |       |       |       |
| Net interest income to assets (%)              | 1,4   | 4,3  | 4,9   | 4,3   | 2,7   | 2,3   |
| Non-interest income to assets (%)              | 19,0  | 28,9 | 31,0  | 41,4  | 48,0  | 65,8  |
| Operating expenses to assets (%)               | 14,8  | 19,6 | 22,0  | 29,1  | 37,8  | 51,8  |
| Interest income to interest earning assets (%) | 10,3  | 9,8  | 10,0  | 8,7   | 6,4   | 7,1   |
| Interest expense to funding liabilities (%)    | 7,4   | 7,6  | 8,0   | 6,8   | 6,1   | 7,3   |
| Cost to income (%)                             | 52,4  | 58,9 | 61,3  | 64,3  | 74,5  | 76,2  |
| Non-interest income to total income (%)        | 95,0  | 87,2 | 85,6  | 91,4  | 94,7  | 96,6  |
| Credit loss ratio (%)                          | 1,3   | 0,4  | 1,1   | 3,3   | 0,8   | 0,8   |
| Effective tax excluding indirect tax (%)       | 28,6  | 26,7 | 28,0  | 27,2  | 26,5  | 28,3  |
| Effective tax including indirect tax (%)       | 31,5  | 29,3 | 34,4  | 33,0  | 34,1  | 34,9  |
| <b>Statement of financial position</b>         |       |      |       |       |       |       |
| Return on assets (%)                           | 8,2   | 8,4  | 6,8   | 8,8   | 6,8   | 9,5   |
| Return on equity (%)                           | 33,2  | 21,9 | 17,4  | 15,0  | 11,0  | 17,0  |
| Return on risk-weighted assets (%)             | 3,0   | 4,0  | 3,7   | 7,9   | 17,1  | 20,1  |
| Loans to deposits (%)                          | 107,4 | 71,9 | 115,7 | 191,7 | 171,6 | 125,1 |
| Regulatory capital to risk-weighted assets (%) | 21,9  | 12,8 | 12,5  | 27,7  | 114,8 | 97,0  |
| Financial leverage (times)                     | 3,3   | 2,6  | 2,6   | 1,7   | 1,6   | 1,8   |

\* 2010 pro-forma assuming full year inclusion of subsidiary results

# Statistics, return and capital adequacy

## Six year review

### Statistical review

#### Statement of comprehensive income

### Statistical information

|   | 2010* | 2009 | 2008 | 2007 | 2006 | 2005 |
|---|-------|------|------|------|------|------|
| Number of employees                         | 997   | 699  | 550  | 478  | 464  | 458  |
| Number of branches                          | 89    | 79   | 65   | 61   | 55   | 53   |
| Income per employee (R'000)                 | 791   | 660  | 616  | 568  | 478  | 465  |
| Expense per employee (R'000)                | 414   | 389  | 374  | 365  | 356  | 355  |
| Profit before taxation per employee (R'000) | 349   | 268  | 227  | 183  | 119  | 109  |

### Capital adequacy

|                            |       |       |       |       |     |     |
|----------------------------|-------|-------|-------|-------|-----|-----|
| Total assets (R'm)         | 3 248 | 1 575 | 1 204 | 667   | 534 | 342 |
| Risk-weighted assets (R'm) | 3 201 | 3 409 | 3 164 | 1 213 | 265 | 162 |
| Regulatory capital (R'm)   | 702   | 436   | 397   | 336   | 305 | 157 |

### Market indicators

#### Exchange rates at June 30

|      |       |       |       |       |       |       |
|------|-------|-------|-------|-------|-------|-------|
| USD  | 7,67  | 7,71  | 7,85  | 7,04  | 7,14  | 6,68  |
| GBP  | 11,48 | 12,75 | 15,66 | 14,12 | 13,17 | 11,97 |
| EURO | 9,39  | 10,86 | 12,38 | 9,51  | 9,11  | 8,07  |

#### Average exchange rates

|                          |       |       |       |       |       |       |
|--------------------------|-------|-------|-------|-------|-------|-------|
| USD                      | 7,59  | 9,04  | 7,30  | 7,22  | 6,43  | 6,21  |
| GBP                      | 12,01 | 14,30 | 14,64 | 13,95 | 11,44 | 11,93 |
| EURO                     | 10,56 | 12,01 | 10,76 | 9,41  | 7,82  | 7,89  |
| Prime overdraft rate (%) | 10,00 | 11,00 | 15,50 | 13,00 | 11,00 | 10,50 |

\* 2010 pro-forma assuming full year inclusion of subsidiary results

## Contact

### Board of directors

Mrs L T de Waal

Mr L I Jacobs

Mr B Joffe

Mr P Nyman

Mr J L Pamensky (chairman)

Mr N G Payne

Mr J H Postmus

Mr A C Salomon

Mr R G H Smith

### Company secretary and registered office

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Refer to [www.bidvestbank.co.za](http://www.bidvestbank.co.za) for full set of audited results

## Products and Services

### Corporate Foreign Exchange

- fxpaynet™ online foreign exchange platform
- Treasury solutions
- Foreign currency payments and receipts
- Spot and forward exchange contracts
- Settlement facilities
- Foreign currency accounts

### Trade services

- Customer foreign currency accounts (CFC)
- Foreign bills for collection
- Guarantees
- Letters of credit

### Travel Foreign Exchange - leisure

- World Currency Cards
- Bank notes in over 60 currencies
- American Express Travellers Cheques
- Cash Passport

### Travel Foreign Exchange - business

- Dedicated relationship manager
- Payment facilities
- Delivery and collection services
- Management reports
- Omnibus approvals
- Exchange control regulatory services
- After hours support

### Foreign Money Transfers

- Bank drafts
- MoneyGram
- Telegraphic transfers

### Fleet and Asset Finance

- Full maintenance leasing
- Operating rentals
- Maintenance contracts
- Managed maintenance
- Instalment sale or financial lease

### Corporate Loans and Advances

- General banking facilities
- Debtor finance
- Structured finance
- Equipment and asset-based finance
- Capital raising finance

### Deposits and Investments

- Savings/transactional accounts
- Call accounts
- Fixed deposit accounts
- Notice accounts

### Corporate Card

- Corporate Payment Card solution

