

Integrated Report for the year ended 30 June 2018

At **Sasfin**, we contribute to society by going **Beyond a Bank** to enable **growth** in the businesses and the global wealth of **our clients**.



sasfin | Holdings
beyond a bank | Limited

MESSAGE FROM THE OUTGOING CEO

MY SASFIN JOURNEY

Apart from a period of about 10 years, during which I was employed by four banking and finance groups, I have been at Sasfin since 1962. During these 56 years, some of the more noteworthy developments were:

- Changing from textile merchanting to finance and, with it, a name change from Sasstex to Sasfin
- Listing on the Johannesburg Stock Exchange (JSE) in 1987
- Pioneering securitisation in 1991
- Acquiring a bank licence in 1999
- Acquiring the private client stock broking business of Frankel Pollak in 2000
- Introducing a comprehensive range of banking and financial products and services
- WIPHOLD acquiring a 25.1% shareholding in Sasfin in October 2017

Some of the 'game-changing' events that we lived through were the introduction of economic sanctions, the fall of apartheid, the IT explosion and numerous economic crises including the small bank crisis of 2001, the big banking meltdown in 2008, and the deregulation and subsequent reregulation of the banking and financial services industry. Throughout this, Sasfin's business grew continuously.

While it has been an exciting journey, I believe the real excitement is only starting now. Global and local changes driven by the new regulatory and technological environment, particularly in our industry, are breathtaking.

A STRONG SUCCESSOR

I have no doubt that Michael Sassoon has all the attributes necessary to take the Group forward, including his strong technical knowledge, intellect and leadership skills. In the short period that he has taken over the reins from me, he has significantly strengthened our senior management team, which now has the level of sophistication necessary to compete with the best in our industry.



APPRECIATION

Thank you to all the wonderful people who helped me on my journey. There are far too many to list, but I make special mention of the following people who had a major impact on Sasfin:

- Sydney Sassoon, my late father and the founder of the Company in 1951, from whom I learnt so much about life in general and trading in particular
- Eva Sassoon who, apart from being an amazing wife, was Sasfin's accountant in its formative years in finance. Given our diverse businesses, this was a huge task, which she undertook brilliantly
- Martin Glatt, who financially backed Sasfin when it listed in 1987, was our first Chairman and an important partner for me
- Roy Andersen, our present Chairman, who has been invaluable in strengthening the Group in every way, and who played a vital role in Michael's succession
- Gloria Serobe, Executive Director of WIPHOLD, who has brought great wisdom to the Sasfin Board

I also thank my son, Michael, who stepped up to the plate to lead Sasfin into the future, competently and ethically with vision, passion and humility.

Finally, I thank all our stakeholders – directors, employees, clients, regulators and investors – who have supported Sasfin over my years with the Group and with whom we have formed special relationships.

A handwritten signature in black ink, appearing to read 'Roland Sassoon'. The signature is stylized with a large 'R' and a long horizontal stroke at the end.

Roland Sassoon

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Navigation icons

These icons clarify the trend in key performance indicators (KPIs).








-  Positive result
-  Negative result
-  Unchanged/satisfactory

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This icon indicates King IV disclosure. 

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These icons show how we have applied our strategy.

-  People and culture
-  Organisational capacity
-  Transformation
-  Sales
-  Product, user experience and innovation
-  Growing our offshore exposure
-  Credit quality

Feedback

We welcome feedback that helps us provide meaningful and relevant information in our reports. Please contact us at investorrelations@sasfin.com.

Disclaimer

The Group has, in good faith, made a reasonable effort to ensure the accuracy and completeness of the information contained in this report, including information that may be regarded as 'forward-looking statements'.

Forward-looking statements are not statements of fact, but statements by the Board based on its current estimates, projections, expectations, beliefs and assumptions regarding the Group's future performance, and no assurance is given.

The risks and uncertainties inherent in the forward-looking statements include, but are not limited to, changes to IFRS and the interpretations, applications and practices as they apply to past, present and future periods; domestic and international business and market conditions such as exchange rate and interest rate movements; changes in the domestic and international regulatory and legislative environments; changes to domestic and international operational, social, economic and political risks; and the effects of current and future litigation.

The Group does not undertake to update any forward-looking statements, and does not assume responsibility for any loss or damage, however arising, as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits or consequential loss or damage.

Prior year earnings for the capital pillars numbers have not been restated.

REPORT OBJECTIVES

Sasfin Holdings Limited (the Group or Sasfin) is a bank-controlling company that listed on the JSE in 1987. Sasfin and its subsidiaries, notably Sasfin Bank Limited, provide a comprehensive range of specialist financial products and services focused on the needs of entrepreneurs, corporates, institutions, high-net-worth individuals and investors.

This is our primary report and presents Sasfin's strategy, performance for the financial year and outlook. It aims to provide relevant financial and non-financial information to our key stakeholders (page 27).

This report focuses on Sasfin's material matters (page 40) which are defined as those that could have the biggest impact on our ability to remain commercially viable in the short-, medium- and long-term. Materiality also considers the matters that could significantly influence our stakeholders' assessments and related decisions regarding our long-term sustainability.

SCOPE AND BOUNDARY

This report covers the period from 1 July 2017 to 30 June 2018 for the Group and its subsidiaries, excluding our associated companies and investments. The Group is structured into three Pillars: Banking, Wealth and Capital (page 5). The Group's interests in subsidiaries, structured entities and associates are disclosed in note 34 to the Consolidated and Separate Annual Financial Statements.

There were no significant changes to the size of the Group since the 2017 Integrated Report, other than the acquisition of the business of Absa Technology Finance Solutions (ATFS) including its employees, R1.15 billion loan book, relevant information technology systems and other ancillary assets. Except for the restatements and adjustments of 2016 and 2017 comparative numbers in the statement of financial position (page 15) which had no impact on retained earnings and headline earnings, no other previously disclosed information was restated.

Our reporting suite is informed and guided by local and international frameworks and guidelines, including the:

- International Integrated Reporting Council's (IIRC) Integrated Reporting (<IR>) Framework
- Companies Act No 71 of 2008 of South Africa, as amended (Companies Act)
- Banks Act No 94 of 1990 and Regulations relating to Banks (Banks Act)
- International Financial Reporting Standards (IFRS)
- King IV Report on Corporate Governance™ for South Africa 2016 (King IV)
- Broad-Based Black Economic Empowerment (B-BBEE) Act
- Basel III
- JSE Listings Requirements

REPORTING SUITE

Sasfin's reporting suite is available on our website at www.sasfin.com/investor-relations.



Integrated Report 2018

Sasfin's primary report, which presents our strategy, performance and outlook.

Notice of Annual General Meeting 2018

Provides shareholder administrative information and the notice of the 2018 Sasfin Holdings Annual General Meeting (AGM).

Annual Financial Statements 2018

Sasfin Holdings Limited's Annual Financial Statements, including risk and capital management disclosures.

Annual results booklet 2018

Summarised Consolidated Financial Statements and commentary for the year ended 30 June 2018.

ASSURANCE OVER THE REPORT 15

We apply a combined assurance framework which uses the three lines of defence concept. This defines the first line as business/management, the second line as risk and compliance functions, and internal and external audit represent the third line of defence (page 76).

The combined assurance framework supports the Board in ensuring that this report is reliable and useful. The table below shows the sources of assurance provided over various aspects of this report.

| Content | Assurance provider | Framework/standard |
|---|---|---|
| Annual Financial Statements | <ul style="list-style-type: none"> PwC¹* Group Finance | <ul style="list-style-type: none"> IFRS Companies Act JSE Listings Requirements |
| Regulatory returns in terms of the Banks Act | <ul style="list-style-type: none"> PwC¹* Group Finance Group Risk | <ul style="list-style-type: none"> Banks Act |
| B-BBEE contribution | <ul style="list-style-type: none"> NERA¹ | <ul style="list-style-type: none"> B-BBEE Codes of Good Practice |
| Corporate governance | <ul style="list-style-type: none"> Group Internal Audit Company Secretarial Group Risk Group Compliance | <ul style="list-style-type: none"> Banks Act Companies Act JSE Listings Requirements King IV Basel Committee on Banking Supervision |
| Non-financial information | <ul style="list-style-type: none"> Group Internal Audit Company Secretarial Group Risk Group Compliance Group Finance Human Resources | <ul style="list-style-type: none"> Internal models, policies and frameworks |
| Review of internal controls and risk management | <ul style="list-style-type: none"> Group Internal Audit Group Risk | <ul style="list-style-type: none"> International Standards for the Professional Practice of Internal Auditing Internal models, policies and frameworks Banks Act |

¹ External assurance providers.


* PwC Inc replaced KPMG and Grant Thornton as external auditors with effect from 19 June 2018.

BOARD APPROVAL


The Board acknowledges its responsibility for overseeing the integrity and completeness of this Integrated Report and has applied its collective mind to its preparation and presentation, including the appropriateness of the reporting frameworks used. As a collective, the Board has appropriately and diligently considered these aspects, including material matters, while reflecting the Group's performance and strategy accurately.

In addition, the Board believes in the application of good corporate governance and as such has applied the King IV principles throughout this report. The King IV disclosure matrix can be found on page 99.

The Board approved the 2018 Integrated Report on 10 October 2018.



Roy Andersen
Chair



Michael Sassoon
Group Chief Executive Officer



Angela Pillay
Group Financial Director

SASFIN AT A GLANCE

Sasfin goes 'Beyond a Bank' by exceeding the traditional expectations of the financial services industry to deliver products and solutions with exceptional personalised service. Our holistic client-centric approach emanates from a close understanding of our clients' specific needs, supported by exceptional human capital and technology solutions which combine to provide comprehensive, start-to-finish solutions.

We have a South African and Asian footprint and a comprehensive range of products and services that enable the growth in the businesses and wealth of our clients. This results in growth in deposits, loans and advances, non-interest income and assets under management and advisement, at appropriate returns on investment.

Our purpose

At Sasfin we contribute to society by going Beyond a Bank to enable growth in the businesses and the global wealth of our clients.

Our brand

Sasfin is a challenger banking and financial services group. Our brand reflects the value created from being close enough to our clients to understand their needs and agile in developing solutions.



Our products

We provide a comprehensive range of specialist financial products and services for Business and Wealth clients. Our financial products and services focus on the needs of entrepreneurs, corporates, institutions, high-net-worth individuals and investors.

OUR VALUES AND OUR BEHAVIOURS



Integrity

We operate with the utmost honesty, ensuring that ambition is always tempered by uncompromised conduct.



Respect

We treat our clients, colleagues and communities with utmost respect.



Greatness

We strive for greatness, driven by the aspirations of individuals who take accountability for themselves and others through passion, innovation and excellence. We look for potential in our employees, clients and partners, realising that greatness often comes from unexpected places. We conduct our business with an entrepreneurial spirit, always seeking new opportunities to contribute to a healthy, growing economy.



Partnership

We celebrate the African spirit of Ubuntu ("I am because we are"), striving to be a partner beyond expectations, always seeking products and solutions that enhance our services through beneficial offerings to our clients and the communities in which we operate. While celebrating brilliance and encouraging independent thinking, we recognise that no individual is greater than the team. We seek to uplift the communities in which we operate, recognising the importance of sustainability through projects that enhance the lives of others.

OUR CULTURE

Sasfin's client-centric approach to doing business is based on a strong ethical culture and an entrepreneurial spirit. We pride ourselves in our personalised, tailored service, and focus on using technology to further enhance our client relationships.

OUR PEOPLE

A diverse group of **775** employees

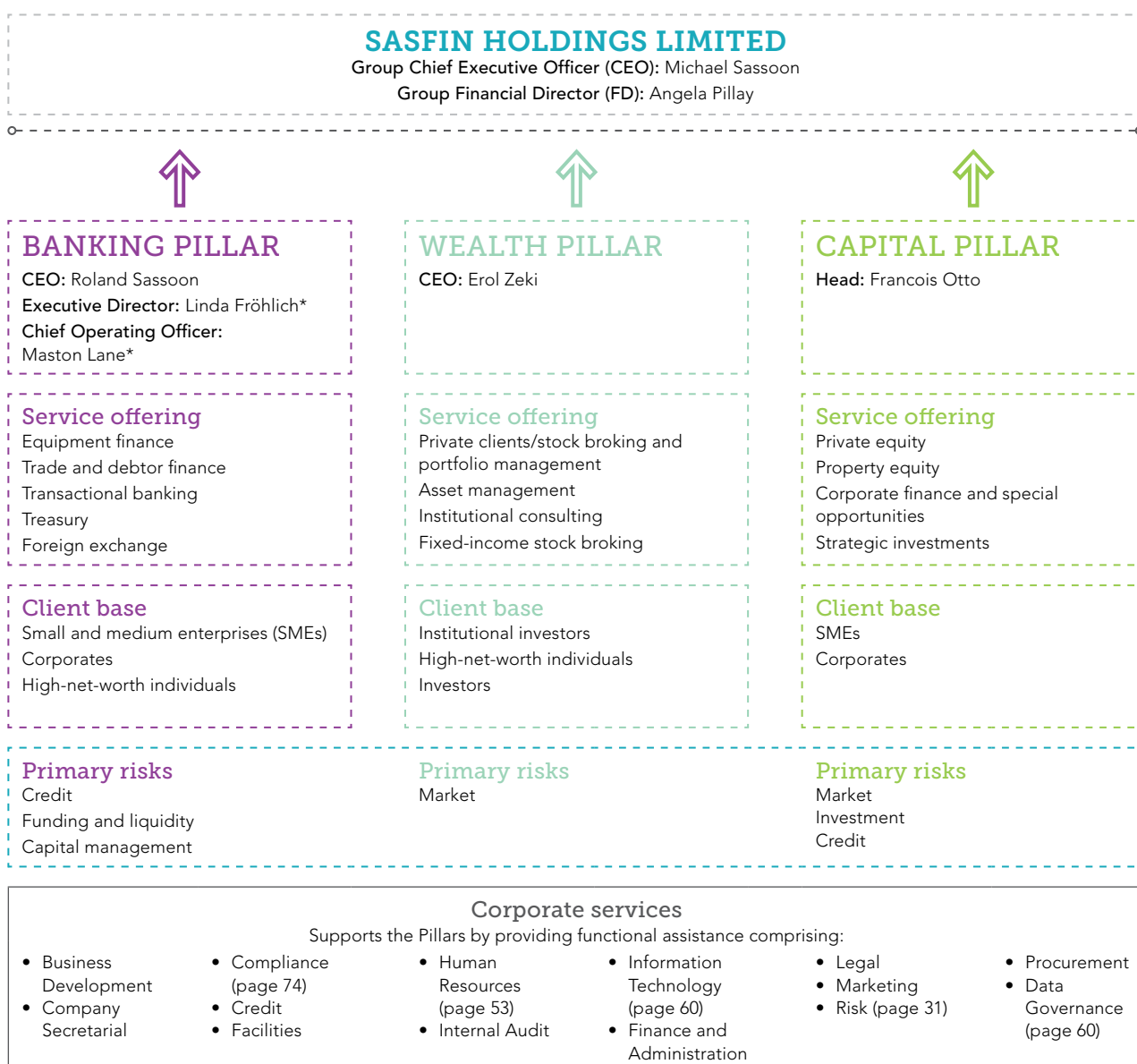
58.6% female employees

58.3% black employees

HOW WE ARE STRUCTURED

Sasfin was listed on the JSE in 1987 as a trade and equipment financier, with a market capitalisation of R6.0 million. In the 19 years since we were awarded a banking licence, our total assets grew from approximately R300 million to over R14 billion. Our growth has been both organic and with measured acquisitions that allowed us to establish Sasfin as a specialist business, banking, and wealth group.

Sasfin is structured into three Pillars – Banking, Wealth and Capital. Our approach to human capital, governance structures and technology solutions facilitates synergies between the Pillars and supports cross-selling of products and solutions across the client base.

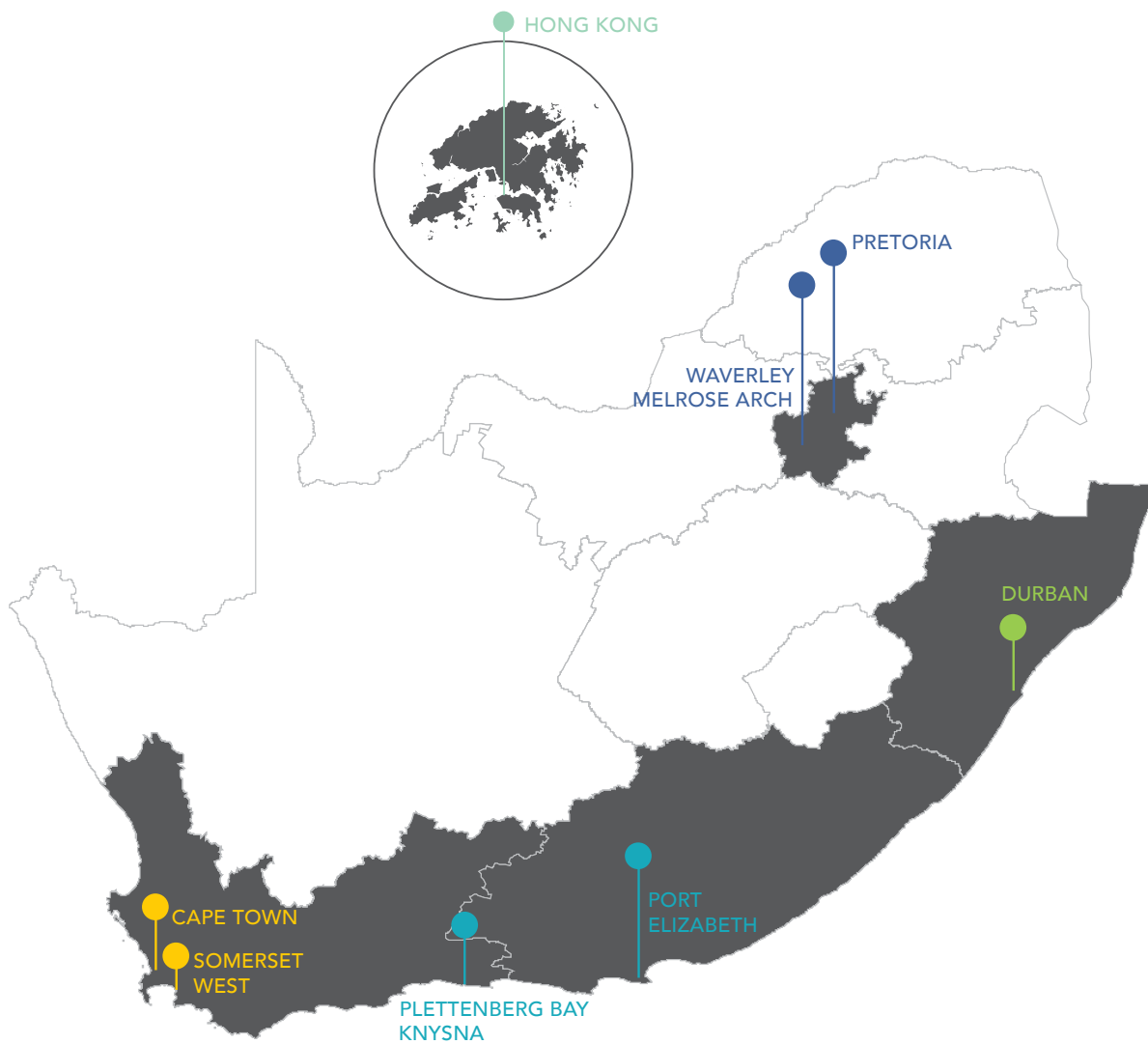


* Alternative Executive Director, Sasfin Bank Limited.

HOW WE ARE STRUCTURED continued

OUR OFFICES

Sasfin's head office is in Johannesburg with regional offices in four South African provinces and eight cities, and an office in Hong Kong.



SASFIN'S STRENGTHS, WEAKNESSES, OPPORTUNITIES AND THREATS

Sasfin's strategy (page 21) aims to maximise our strengths and make the most of our opportunities. We continue to address the weaknesses in our business and ensure that our enterprise risk management framework adequately mitigates the risks inherent in the threats we face.

Strengths

- Well-known and respected brand
- High-touch, client-centric approach, and clients have access to senior decision-makers
- Strong and diverse client base with good representation in rental finance and private client stock broking
- Comprehensive range of financial products and service offerings including a diverse set of global investment solutions
- Solid and diverse funding base with growing deposit-taking capabilities (page 18)
- Skilled and experienced management and employees
- Supportive majority shareholders with a long-term perspective

Opportunities

- Established base from which to scale up our business, widen our product offering, attract new target markets and increase our geographical reach, at a relatively low, incremental fixed cost
- Good potential acquisitions could emerge in the current challenging economic environment
- WIPHOLD's strategic shareholding allows us to leverage institutional business off our improved B-BBEE credentials (page 97)
- New technology deployments can attract new clients and drive scale (page 26 and 61)
- Increase cross-selling across the Pillars

Weaknesses

- New IT system rollouts are proceeding well, but legacy systems in certain areas remain a weakness (page 61)
- Given our fixed overhead costs, including risk and compliance-related costs, we lack scale to optimise profitability
- Inadequate granularity* of our loan book, including the impact of impairments
- Transformation in the workforce needs to further improve
- We need to strengthen the sales culture

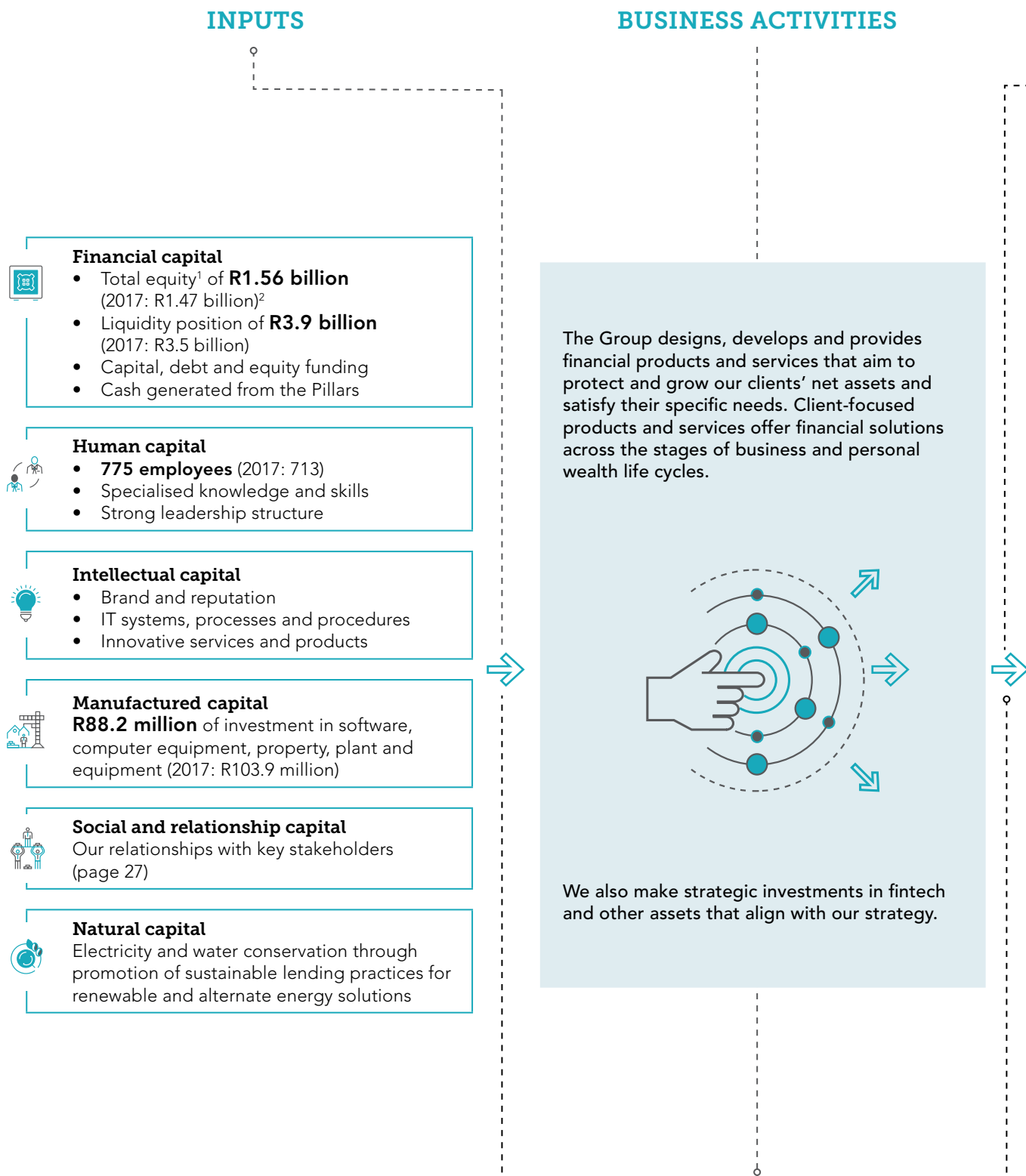
Threats

- All the risks inherent in banking, including fraud, credit, regulatory, reputational and funding and liquidity risks (page 31)
- Cybercrime (page 38)
- Competition from new fintech disruptors, new banks and new initiatives from peers
- Significant macroeconomic and political risks
- Deterioration of credit quality in our target market (page 18)

* Diversification of client and earnings base to reduce concentration risk.

SASFIN'S BUSINESS MODEL

Our ability to generate sustainable and optimal value creation is the outcome of deploying our six capitals, in a balanced manner, through our business activities over the short, medium and long term. The table below depicts this process. We recognise that in certain instances our investment in human capital, our brand, systems and processes, takes time before we realise an appropriate level of return on financial capital.



¹ Excluding preference shares.

² Cash plus negotiable securities.

OUTPUTS

Financial capital

- Headline earnings per share (HEPS) down to 381.21 cents (2017: 611.76 cents)
- Headline earnings of R122.2 million (2017: R194.2 million)
- Dividend paid of 151.26 cents per share (2017: 240.42)
- Strategic acquisition of the ATFS loan book



Human capital

- Employee costs of R453.7 million (2017: R414.5 million)
- Investment in employee development through skills development and training spend of R9.0 million (2017: R5.1 million)
- Restructured Group Exco and management structures to align with the new operational structure
- Sasfin Learning Academy launched (page 57)



Intellectual capital

- Increased utilisation of IT systems to drive internal synergies between business divisions
- Restructured the Group into three Pillars to improve efficiencies and Group synergies
- Investment in development, maintenance and enhancement of IT infrastructure of R192.7 million (2017: R159.0 million)
- B\\YOND for Business launched (page 26)
- Strategic acquisitions of SIPP Investments (Pty) Limited (SIPP) and DMA (previously Saxo Capital Markets South Africa (SCMSA))



Manufactured capital

- Investment in IT and rollout of new technology systems increases efficiencies and improves the client experience



Social and relationship capital

- Direct taxes of R71.4 million (2017: R49.0 million)
- CSI spend of R1.7 million (2017: R1.4 million) making a difference to Afrika Tikkun and Smile Foundation among others
- Maintained strong relationships with regulators through regular interactions
- WIPHOLD transaction concluded providing a new shareholder of reference



Natural capital

- Committed to reducing carbon emissions
- Apply international accredited social and environmental management system in assessing impact of our financing activities



OUTCOMES

- Extend credit to our clients in the form of equipment finance, trade finance and debtor finance
- Facilitate payments and transactions
- Provide treasury and foreign exchange services
- Offer savings and investment products
- Grow our clients' wealth through local and global asset management, portfolio management, stock broking and wealth advisory services
- Offer advice through institutional consulting, corporate advisory and acting as a JSE sponsor
- Provide capital for investment financing
- Pay interest on deposits and earn interest on credit extended
- Generate a return on our private equity and property equity portfolios



CHAIR'S REPORT ② ⑥ ⑦ ⑨



"Sasfin is well positioned for medium-term growth despite the Group's financial results being disappointing, with headline earnings falling 37.08% to R122.2 million and return on equity declining to 8.09%."

ROY ANDERSEN
Chair

While there continue to be encouraging signs that the global economy is improving, socioeconomic and political uncertainty is widespread, and the policy approach from the USA is contributing to instability.

South Africa's economy continues to lag most of the world and is experiencing an increase in populism and ongoing policy uncertainty. While we have confidence in President Ramaphosa's ability to lead the country in the right direction, it will take years to address weak governance, reduce fiscal debt, attract meaningful direct investment and turn the economy around. The country remains in a challenging moment – state-owned enterprises are in a precarious position; investment is limited partly due to uncertainty particularly around land; and business and investors continue to operate in a difficult and unstable environment.

South African business in general and the financial services industry in particular face challenges from a number of emerging trends. Regulation is increasing, especially banking regulation, which brings significant compliance cost that is especially onerous for smaller and more diversified players such as Sasfin. Advances in technology are driving rapid changes in consumer and business habits and behaviours. New fintech companies and digital banks are entering global markets with the goal of disrupting traditional financial services models.

This changing landscape creates opportunities and challenges, and the Board and management team recognise that we need to evolve our business and strategy accordingly.

Sasfin's financial results for the year are undeniably disappointing with headline earnings per ordinary share, profit before tax, and the credit loss ratio all deteriorating. The Board is focused on ensuring that the necessary areas are addressed, with credit processes and risk appetite being particular focus areas. There were some positives in that there was growth in total income, loans and advances and foreign income which are positive signs for the future. The Group CEO and Group FD report on page 14 contains a detailed analysis of our results.

GOVERNANCE IN ACTION

Over the past 18 months, the extent of the governance failures in government has become clearer, with parallel failings in the private sector, as well as in the serious questions raised regarding the conduct of business consultants and the auditing profession.

These developments re-emphasise the critical importance of good governance for the long-term sustainability of all organisations and the creation of value. More than ever, leadership is challenged to maintain its focus on ethical conduct, good governance and risk management. The Board took time during the year to evaluate whether we are discharging our obligations appropriately and we are satisfied that we have fulfilled our responsibilities in accordance with the Board charter¹. The Board is also confident that Sasfin's delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

The business of banking and financial services is built on a foundation of confidence and trust, and good corporate governance is absolutely key to Sasfin's future and our ability to create value. The Group's governance framework and approach take their lead from the four key outcomes of King IV – ethical culture, good performance, effective control and legitimacy – as well as the corporate governance requirements set out in Regulation 39 of the Banks Act Regulations and the Basel principles of corporate governance.

Changes in leadership and succession planning

The increasing scale and complexity of the Group prompted the restructuring of the business at the start of the year and a process of change in the leadership team. This included several new appointments in the second half of the year that strengthened the oversight of risk, compliance and assurance within the Group. The Board was involved in the interview processes of

these appointments and continues to monitor their integration into the Group.

A key aspect of this change was the appointment of Michael Sassoon as Group CEO to succeed Roland Sassoon, Sasfin's leader for nearly 40 years. The standing and success of the business that he hands over is a tribute to his drive, foresight and business acumen. I worked closely with Roland and Michael during the handover and was impressed with the process through what had the potential to be a challenging transition. The Board also welcomes Angela Pillay as Group FD and we congratulate her on the appointment. We also welcome WIPHOLD as B-BBEE partners and shareholders of reference.

The introduction of five new Non-Executive Directors to the Board adds further business acumen, experience and diversity to the Board's composition. The Board is satisfied that our composition reflects the appropriate mix of knowledge, skills, experience, diversity and independence.

Strategic framework

The transition during the year included a review of the business that resulted in a new strategy built around seven focus areas that will drive the Group's growth over the next five years (page 21). Sasfin's purpose is to go beyond what an ordinary bank would do to support entrepreneurs and investors to grow and thrive. By doing so, we support society by promoting the success of investors and small businesses, which creates jobs and grows wealth, thereby driving economic growth and stability.

Sasfin enjoys a good strategic position as a well-governed, regulated challenger bank and wealth manager with a strong brand that is still small enough to work closely with our clients, and agile enough to take advantage of opportunities.

Ethical culture

The Board takes a zero-tolerance approach to unethical behaviour and sets the ethical tone for the Group. Our code of ethics formalises our commitment to good ethical practices and ethics training communicates its importance throughout the Group. The Social and Ethics Committee receives feedback regarding breaches of the ethics policy, including those logged through the whistle-blower hotline, and the Group Audit and Compliance Committee also focuses on ethics.

The Social and Ethics Committee sets and monitors benchmarks against which the Group can be measured, including those that drive integrity, accountability and

¹ Available at www.sasfin.com/investor-relations/.

CHAIR'S REPORT continued

transparency, and reports the results to the Board. Outcomes are measured objectively, including against the Board's risk appetite statements, which allows the Board to monitor performance across a range of financial and non-financial indicators to quickly identify trends and act accordingly.

The new performance incentive scheme, which will be implemented in 2019, includes an assessment of how an employee exemplifies the Group's values, which include integrity as one of the key value indicators.

Corporate citizenship

We value the input of our stakeholders and consider their key concerns and needs in the setting of our strategy and its execution. We focused on employee relations and assessing the fairness and equity of our employee policies and remuneration across the various diversity indicators in the Group. Succession plans were reviewed and approved, and these support the Group's transformation plans. Transformation is a key focus in our five-year strategy. More information is available in the Social and Ethics Committee report (page 96).

We work closely with our regulators and meet them regularly around operational, regulatory and prudential matters, including succession.

Sasfin is committed to being a responsible corporate citizen. While our business has a limited environmental footprint, we incorporate environmental, social and governance (ESG) considerations in the Group's investing activities and through responsible lending, and have a comprehensive social and environmental management system to manage our direct and indirect social and environmental impacts.

GOVERNANCE ACTIVITIES DURING THE YEAR

One of the Board's key focus areas was a deepening of the risk management processes to more accurately measure and mitigate risk, including the Board's risk appetite. Risk is unavoidable in business and we focus on ensuring that we accept appropriate risk that will provide a good return for shareholders, but not excessive risk that will jeopardise the Group.

Over the past two years, we have focused on strengthening our governance of technology and information. This included approving the IT strategy and implementing Board training regarding the latest developments in the field including cyber risk. We also have an independent industry specialist on the Board Information Technology Committee to provide technical input and guidance.

After a year of extensive change in the Group, our focus in the year ahead will remain on ensuring that the new structures and appointments bed down and deliver value. The early signs are positive.


APPRECIATION

I welcome Gloria Serobe, Gugu Mtetwa, Gugu Dingaan, Richard Buchholz and Shaun Rosenthal (who is an alternate Director to Gloria) to the Board – they bring new perspectives and business acumen to the Group, and we look forward to their contribution.

I acknowledge Roland Sassoon for his remarkable commitment to Sasfin over the decades, and congratulate Michael Sassoon and Angela Pillay on their appointments during the financial year.

We thank our employees for their continued commitment during the period of uncertainty that inevitably accompanies a restructuring, and acknowledge Michael and his management team for successfully driving and navigating the change. We believe that these changes to the structure, leadership and governance of the Group represent the right balance of new blood and new perspectives on one hand, and experience and institutional knowledge on the other, which are necessary to take the Group into the next phase of its growth trajectory.

I thank my fellow Directors for their counsel, our clients for their trust in us, our regulators for their guidance and our shareholders for their continued support.



Roy Andersen
Chair

The business of banking and financial services is built on a foundation of confidence and trust, and good corporate governance is absolutely key to Sasfin's future and our ability to create value.



GROUP CEO AND GROUP FD REVIEW



ANGELA PILLAY
Group Financial
Director

MICHAEL SASSOON
Group Chief
Executive Officer



Our strengthened Board and executive leadership team revised our vision and strategy as a result of the changing macroenvironment in which we operate. This resulted in the adoption of seven strategic focus areas which will enable our purpose and unlock our vision.

SNAPSHOT

Sasfin is the only independent, locally registered banking and financial services group in South Africa. Given the context of the local economy and the pressures that entrepreneurs and investors face, we are committed to our purpose of contributing to society by enabling our clients to grow their businesses and global wealth. We continue to strengthen our core franchises and our complementary services, and enhance the value we add to our clients as we drive sustainable and appropriate profitability levels.

We have invested meaningfully into our business including our management team, product offering and digital capabilities and, while the upfront costs of these initiatives were incurred in 2018, their benefits will realise in the years ahead.

SNAPSHOT continued

▼ **37.08%**

HEADLINE EARNINGS

R122.152m
(2017: R194.151m)

▼ **37.69%**

HEADLINE EARNINGS PER ORDINARY SHARE

381.21 cents
(2017: 611.76 cents)

▲ **4.46%**

TOTAL INCOME

R1.219bn
(2017: R1.167bn)

▼ **543bps**

RETURN ON ORDINARY SHAREHOLDERS' AVERAGE EQUITY

8.09%
(2017: 13.52%)

▼ **66bps**

COST TO INCOME RATIO

71.46%
(2017: 72.12%)

▲ **13.12%**

TOTAL ASSETS

R14.319bn
(2017: R12.658bn)

▲ **5.45%**

TOTAL EQUITY*

R1.549bn
(2017: R1.469bn)

* Excluding preference shares and non-controlling interest.

▲ **17.78%**

GROSS LOANS AND ADVANCES

R7.904bn
(2017: R6.711bn)

▲ **73bps**

CREDIT LOSS RATIO

197bps
(2017: 124bps)

▲ **15.37%**

FUNDING BASE*

R10.352bn
(2017: R8.973bn)

* Including preference shares.

▲ **4.98%**

FUNDS UNDER ADMINISTRATION AND MANAGEMENT*

R96.577bn
(2017: R91.992bn)

* Including under advisement.

▼ **63bps**

GROUP TOTAL CAPITAL ADEQUACY RATIO (UNAUDITED)

16.089%
(2017: 16.719%)

A YEAR OF CHALLENGE AND CHANGE

Headline earnings fell 37.08% to R122.2 million (2017: R194.2 million) and return on equity declined to 8.09%. The decline is primarily attributable to increased impairments and the impact of certain tax adjustments. These results, in part, reflect the challenging operating environment, which was impacted by low growth and political uncertainty. We conducted a root cause analysis of our poor performance which was considered in the formulation of our strategy going forward.

In the last year we made significant changes to our leadership team and the implementation of our new strategy. This included the appointment of a new CEO and FD. We made changes within each Pillar including the appointment of a new Wealth CEO, Head of Credit and Head of Capital and significantly strengthened our control functions by appointing a new Chief Audit Executive, Chief Risk Officer and Head of Compliance. As part of good governance and the need for audit rotation, the Group also changed auditors and appointed PwC as external auditors.

These changes, and the implementation of IFRS 9, resulted in a detailed review of the classification of items on our statement of financial position. As a result, we processed various reclassifications and corrected errors.

Furthermore, a detailed control assessment of our investment portfolio and structured entities was conducted, resulting in the consolidation of Sunlyn (Pty) Limited, a rental finance originator for the Group, legally owned by Innovent, a private equity investee of the Group.

These restatements and adjustments, which had no impact on the statement of comprehensive income or retained earnings, led to a restatement of 2016 and 2017 comparative numbers in the statement of financial position. This restatement had no impact on profit or HEPS for the periods concerned.


The financial performance review that follows, takes these adjustments into account.

CURRENT POSITION AND STRATEGIC FOCUS AREAS


Sasfin restructured into three focused, yet symbiotic Pillars to decentralise management and enhance performance. In order to achieve our next chapter of growth, a strategy revision drove a revised operating model. The new operating model enabled Sasfin to build stronger, embedded management teams within the Pillars to operate with greater agility. This enables us to better manage the changing financial services landscape and improve client-centricity by


GROUP CEO AND GROUP FD REVIEW continued


incorporating focused, critical support functions within the Pillars. The five-year strategy established seven strategic focus areas as set out below, that enable our purpose and unlock our vision.


Sasfin remains a high-touch business, so ensuring that we have the right  **people and culture** to achieve our strategic vision is a priority. We restructured the Group, restructured and strengthened the executive and management teams, reviewed our recruiting processes, changed our performance incentive scheme and launched the Sasfin Learning Academy. The aim of these changes is to strengthen leadership and create a more decentralised, empowered, accountable and incentivised high-performance Group.

 **Transformation** is a critical imperative in the South African context which Sasfin is committed to, given our country's history. The WIPHOLD transaction strengthens our B-BBEE ownership while broadening our Board's diversity. Our commitment to transformation is evidenced by our improved B-BBEE rating of level 4. We have set ambitious targets to drive continued transformation across all elements of Sasfin. Also refer to our Social and Ethics Committee report (page 96).


Sasfin's ability to create value requires the necessary  **organisational capacity** to deliver on our strategy. We are better aligning our people, technology and processes to limit bureaucracy so that our clients can engage with us in a seamless way that engenders loyalty while ensuring regulatory compliance.

Disruption in financial services is gathering momentum with new banking entrants, fintech operators and shadow banks emerging regularly. We are actively deploying enhancements in our  **products, user experience and innovation**, which are evident in our digital offerings, including our new B\\YOND banking platform built for businesses, and our Sasfin Wealth Investment Platform (the acquired SIPP business).

Value creation is also a direct result of our ability to grow  **sales** sustainably. We acquired the business of ATFS, including the loan book, for R1.1 billion which adds scale to our equipment finance business. We have placed special emphasis on growing our organic sales by strengthening our distribution team through senior appointments across the Group. We also reviewed our products and services to ensure they continue to align with our clients' evolving needs. In January 2018 we established a Sales and Marketing Forum, chaired by the Group CEO, to drive cross-selling and identify and enter new market segments.

Over the past few years we have expanded our offshore capabilities and we aim to increase our  **growth in offshore revenue**. This is a specific focus of the Wealth

Pillar which saw offshore assets under management exceed R10 billion for the first time and whose offshore capabilities were strengthened by the investment in DMA (previously Saxo Capital Markets SA). In addition, we are exploring offshore opportunities in all three Pillars.

The Group's credit loss ratio has weakened markedly over the past 18 months due to a deteriorating business environment and a number of large credit defaults. We have taken the necessary steps to address  **credit quality**, including reassessing credit processes, strengthening leadership in the department, refining the credit risk appetite and enhancing risk assessment and fraud detection. Our focus going forward is to ensure greater granularity when driving growth in loans and advances.

Technology as a risk and an opportunity

Sasfin has made significant investments in technology over the past few years and this trend is set to continue in the short- to medium-term. While we are not yet seeing a major impact from disruptive technology, we believe that it is definitely coming. The broader issues of cybersecurity and technology-enabled fraud are areas of concern as is the risk of disruptions as a result of failed systems or downtime. Part of our increased investment in technology is to strengthen our IT infrastructure and systems, and part is to address the increasing technology requirements to meet regulatory requirements. During 2018, 20% of our IT spend was allocated to supporting regulatory compliance, reflecting the growing cost of maintaining a banking licence.

Technology also plays an important role in our strategy by supporting our high-touch approach to enhance our clients' experience through product and service innovation in the Banking and Wealth Pillars. We take a three-pronged approach to innovation and technology:

- Where it makes sense, we build our own technology (i.e. B\\YOND)
- We work closely with other businesses where we integrate with their offerings via application programming interfaces (APIs) (i.e. Xero)
- We invest in fintech companies that have a competitive advantage and to which we can add value (i.e. DMA)

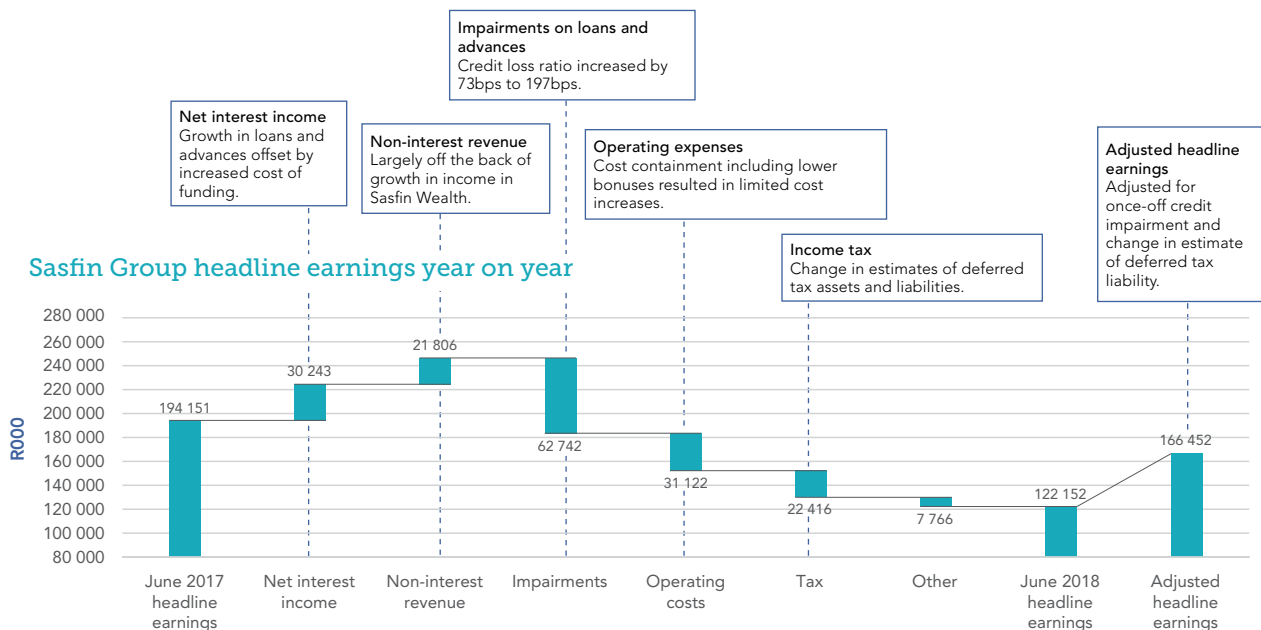
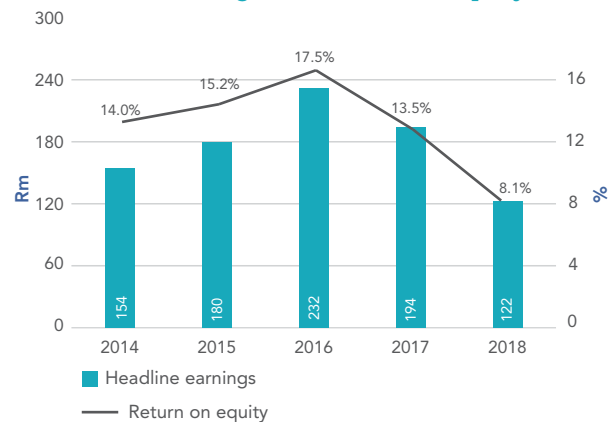
In line with this approach, we built our B\\YOND platform which offers a wide range of integrated services to small businesses. We are the only bank in South Africa to offer a direct feed into Xero thereby giving businesses a seamless integrated banking and accounting experience and made a strategic investment into DMA, a leading digital trading platform.

2018 PERFORMANCE REVIEW

Group overview

The reduction in earnings was mainly due to increased impairments and tax expenses. Impairments grew off the back of a single large credit loss, increase in portfolio provisions and specific impairments evidencing overall weakness in the credit environment. Tax expenses increased due to a change in the accounting estimate of certain deferred tax assets and the Group's deferred tax liability. Total income (up 4.5%) and operating costs (up 3.7%) grew in line with market resulting in a slight improvement to our cost-to-income ratio. As a consequence, headline earnings per share decreased by 37.69% to 381.21 cents (2017: 611.76 cents).

Headline earnings and return on equity



Net interest income increased in line with the growth in loans and advances which largely occurred towards the end of the financial year as the ATFS acquisition was finalised in April. Total income improved off the back of improved earnings from the Wealth Pillar. Funding costs increased due to the increased liquidity and lengthened maturity profile of the book to meet the net stable funding ratio (NSFR) requirements of the South African Reserve Bank (SARB) and to raise funding for the ATFS transaction.

Despite increased legal fees, restructuring costs, acquisition costs and significant investments in people,

compliance and technology, the Group's focus on cost management limited cost growth to 3.70%. This is mainly attributable to greater scrutiny and effective management of information technology projects and containment of employee costs (including short-term incentive accruals in-line with business performance). As a result, the Group's cost-to-income improved by 66bps to 71.46%.

One-off changes to the treatment of deferred tax mentioned above and reduced earnings in lower tax jurisdictions compared to prior years, increased the Group's effective tax rate to 35.0% (2017: 20.1%).

GROUP CEO AND GROUP FD REVIEW continued

Loan book

Total assets grew 13.12% to R14.3 billion (2017: R12.7 billion) and gross loans and advances increased by 17.78%. Excluding the acquisition of the ATFS loan book, loans and advances grew 2.03%.

The Group's credit loss ratio increased to 1.97% (2017: 1.24%) and non-performing loans increased 64.3%, reflecting, in part, the pressure on the small business sector in South Africa. Due to the structure of the securitisation vehicle, the increased impairments do not impact the securitised book.

The Group has strengthened the credit team and enhanced our credit processes to address the changing credit environment. With the implementation of IFRS 9 at the start of the 2019 financial year, there will likely to be more volatility in impairment charges going through the income statement.

Funding/liquidity

The Group's funding base grew by 15.37% to R10.4 billion (2017: R9.0 billion) with debt securities and long-term funding increasing to R3.1 billion and R0.7 billion respectively. While term deposits increased, the total deposit book dropped slightly to R4.4 billion. We lengthened the maturity profile of our funding base to meet the NSFR requirements which became effective on 1 January 2018.

Sasfin's liquidity coverage ratio and NSFR remain healthy, placing the Group in a good position to capitalise on opportunities.

Our surplus cash position has reduced to R1.9 billion (2017: R2.2 billion), primarily as funds were used for the ATFS transaction in April 2018. In November 2017, we securitised R600 million of notes and raised US\$30 million of long-term funding from development finance institution (DFIs) for the ATFS transaction, and to strengthen the balance sheet given the current economic volatility. However, this increased our cost of funding.

Capital

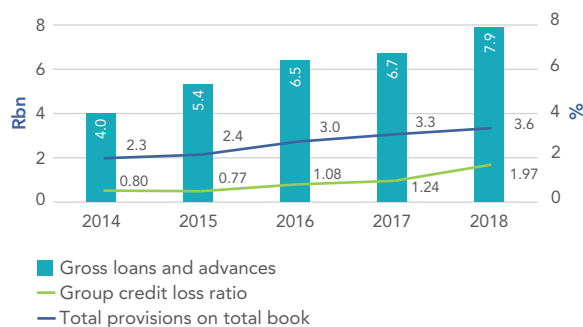
The Group's capital base (excluding preference shares) increased 5.45% to R1.5 billion from R1.4 billion in 2017.*

The capital adequacy ratio decreased to 16.09% (2017: 16.72%), primarily due to growth in risk-weighted assets, including surplus cash placed in money market funds which carries a risk weighting of 100%. The Group maintains a Tier 1 capital ratio of 15.74%.

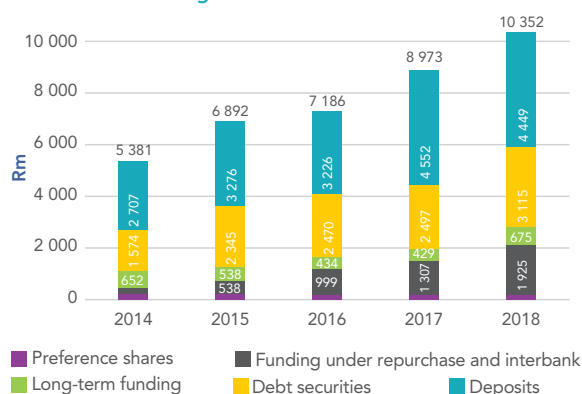
The capital adequacy ratio, liquidity coverage ratio and NSFR all remain within the Board's risk appetite range. We are now more efficiently capitalised than in previous years and expect the trend in capital adequacy to stabilise. Given the growth aspirations of the Group and the introduction of new regulatory requirements (including IFRS 9) the Board will be considering a dynamic dividend policy going forward.

* Unaudited.

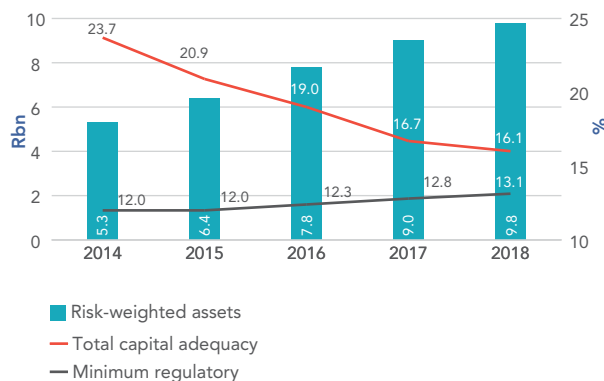
Gross loans and advances and credit performance



Stable funding base



Group capital adequacy and liquidity



Segmental performance

In 2018, the Group was restructured into three Pillars – Banking, Wealth and Capital. This change devolves more decision-making into the Pillars to drive a culture of ownership and accountability, and explicit responsibility for operating costs now rests with Pillar management. 2017 comparative figures were adjusted on the basis that the current operating structure was in place for that period.

Banking Pillar

Page 44

Profit from operations decreased by 46.3% to R107.7 million. The decrease is mainly due to the deteriorating credit quality in our target market, costs incurred on the ATFS transaction and raising of DFI funding, as well as increased costs to attract long-term funding in anticipation of the NSFR requirement.

The Banking Pillar continues to develop its proposition as a leading bank for business. This is achieved through our strengthened team, complementary range of products and our improving technology capabilities including B\\YOND, where we are seeing good growth in client numbers, albeit off a low base.

Wealth Pillar

Page 47

The Wealth Pillar's profit from operations increased to R43.5 million (2017: R20.6 million). The increase is largely due to a year-on-year improvement in the fair value write down on its strategic investment in Efficient Group Limited (Efficient), and a 32% increase in foreign income and institutional asset management fees. This was offset partly by a decrease in local portfolio management and stock broking fees.

Assets under advice and management increased by 3.6% to R39.4 billion (2017: R38 billion) while assets under administration increased by 6% to R57 billion (2017: R54 billion).

The Wealth Pillar has strengthened its team significantly over the last 18 months and continues to expand its global offering, target markets, product offering and technology capabilities (off the back of the SIPP acquisition) to comprehensively service more investor segments.

Capital Pillar

Page 50

Profit from operations increased by 33.3% to R53.1 million. The Capital Pillar's total income declined by 11.54% to R168.2 million due to lower fair value adjustments in the Private Equity business units. There was a particularly pleasing result from the property equity division which has built a strong portfolio of income generating properties.

Capital focused on providing complex financing and advisory needs to service mid-market businesses and going forward, in addition to its current offering, will be placing emphasis on the provision of mezzanine and bridging finance.

GROUP CEO AND GROUP FD REVIEW continued

ADOPTION OF IFRS 9

The Group will adopt IFRS 9 in its 2019 financial statements, without restating comparatives, i.e. restating operating income on 1 July 2018. The change from “incurred loss” to an “expected loss” model in accordance with IFRS 9, resulted in an extensive project to update and build new credit models to incorporate these changes. Based on initial results, we anticipate an increase in the provision for credit impairment losses of R114.7 million, when first applying IFRS 9. The consequential impact on the capital adequacy ratio is a reduction of 0.40% to 15.7%.

PROSPECTS

As we are both new to our roles, we take this opportunity to thank the Board for the opportunity to lead Sasfin, which we are excited about. The Group has a solid foundation, built over many decades, but we believe that in order to achieve our next phase of growth, certain processes and frameworks need to change – which we are actively addressing. Over the past year, we have done much work in this regard and, while we are conscious of the challenges that lie ahead, we are confident that we are positioning the Group for greater success.

The changes implemented in the Group strengthened our client proposition and offering through improving our organisational structure, B-BBEE status, funding base, product portfolio and Board and executive leadership. Our focus in the year ahead will be on

leveraging our enhanced human capital, growing revenue, actively managing our credit portfolio, and driving innovation and digitisation across the Group.

We are operating in uncertain times globally and in South Africa, and therefore businesses and investors need, more than ever, a partner to go beyond for them. We do not expect a significant improvement in the economy in the short-term, which is concerning, but we believe opportunities will continue to present themselves, and we are well positioned to capitalise on such opportunities.

We thank our partners, WIPHOLD, as well as Roy Andersen (our Chair), the Board and our management team for their exceptional leadership and our entire staff for their contribution and commitment. We also thank our clients, suppliers, regulators and all other stakeholders for their continued support.

We also acknowledge and express gratitude to Roland, who has built Sasfin into what it is today and who, over the last few months, has been an exemplary leader and mentor as well as pillar of support to executive management.



Michael Sassoon
Group Chief
Executive Officer



Angela Pillay
Group Financial
Director

SASFIN'S PURPOSE

At Sasfin we contribute to society by going Beyond a Bank to enable the growth in the businesses and global wealth of our clients.

Our business is built around supporting South Africa's entrepreneurs and investors to enable them to effectively grow their businesses and global wealth. Our market position allows us to service investors and small and medium-sized businesses better, with bespoke services, by working with them closely to understand their needs. These services are delivered through an agile, high-touch model that aims to minimise bureaucracy. The Group's brand strength, wide product offering, increasingly innovative technology solutions, regulated status and solid balance sheet differentiate us from smaller peers and new entrants.

By serving entrepreneurs and investors profitably and appropriately, we play a critical role in addressing several of the country's pressing socioeconomic challenges, particularly job creation, poverty, a shrinking tax base and low savings rates. Successful societies are underpinned by high levels of saving and investment as well as strong and innovative growing businesses. These characteristics create jobs, contribute to tax revenues and generate wealth, which feed into economic growth and support socioeconomic development.

2018 STRATEGY REVISION

Since inception, Sasfin has grown organically and via acquisition, developing a strong brand in our chosen markets and continuously growing our suite of products and services to better meet the needs of our clients. This growth, and our changing operating context, prompted a strategic review during 2018 to establish what is needed to drive the Group in our next growth chapter.

The review interrogated Sasfin's operating model in the context of changing political and macroeconomic landscapes, technology risks and opportunities, evolving client needs and the transition from a founder-led business to the next growth phase. It considered the need to continuously evolve the Group's business practices and aimed to identify new ways to solve some

of the existing business challenges. Group Risk attended the strategy sessions and conducted an independent risk review to ensure key risks were appropriately considered throughout the process.

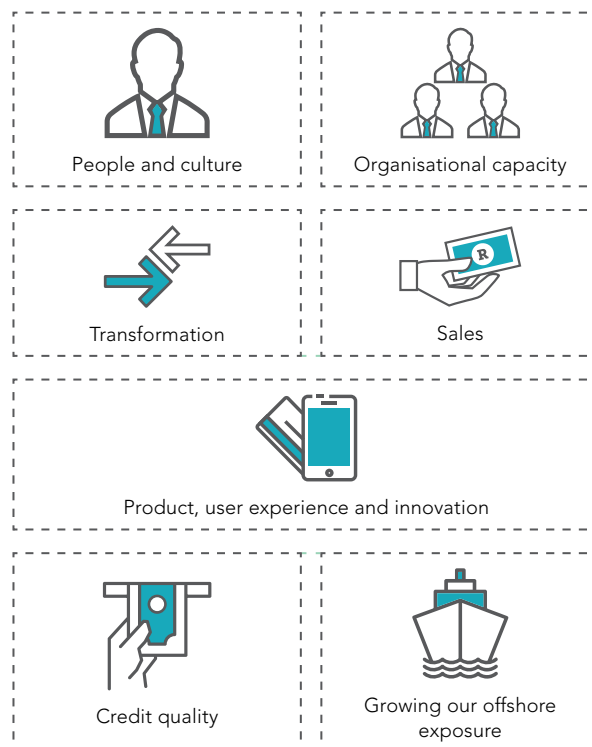
The strategy was derived by senior management and executives from the Group and all three Pillars. The executive team proposed the strategy to the Board, who debated, refined and approved it for implementation. The five-year strategy clarifies Sasfin's purpose and vision, and establishes seven strategic focus areas to enable our purpose and unlock our vision. The strategy has been driven down into the Pillars and business units, with champions, targets, timelines and key performance indicators (KPIs) in place to support effective execution.

STRATEGY REVISION continued

2017 STRATEGIC FOCUS AREAS



2018 – 2023 STRATEGIC FOCUS AREAS



People and culture

What is our goal?

Build a team of high-performance, empowered employees with a sense of ownership to drive our business forward, together with a renewed and unified culture.

How do we measure this?

- KPIs and KRVLs are set to drive and reward performance, approach to risk and the Sasfin values
- Senior management are measured on delivering the strategic objectives

Highlights and challenges in 2018

The restructuring of the business and new executive appointments created a strengthened, decentralised and empowered leadership team with better aligned incentives. The Group Executive Committee (Exco) was restructured to increase effectiveness and take on a more strategic role. The long-term incentive scheme was reviewed to ensure alignment between executives, strategy and stakeholders.

The Sasfin Learning Academy was launched to drive skills development (page 57); and recruitment, development and retention initiatives were revised. The industry skills shortage and high mobility of good candidates makes attracting and retaining experience and talent challenging.

Refer to page 53 for our human capital review and page 83 for the remuneration review.

Outlook

The new performance incentive scheme (page 90) will be implemented in 2019.

The Sasfin Learning Academy encourages academic growth, improves skills, promotes transformation and supports career development.



Organisational capacity

What is our goal?

Ensure Sasfin has the correct technology, processes and people to support our strategy and improve the client experience while meeting our regulatory obligations and improving cost efficiencies. Organisational capacity at Group and Pillar level should streamline operations and enable extraction of synergies.

How do we measure this?

- Cost-to-income ratio
- Client on-boarding turnaround times and service levels

Highlights and challenges in 2018

Sasfin restructured into a three-Pillar business model and strengthened and restructured Exco. While the rollout of various technology platforms across the Group continued (page 61), legacy systems in some areas of the Group need upgrading and in certain instances, will be decommissioned. Key appointments were made to strengthen Group Finance, Group Risk, Group Internal Audit, Group Compliance.

Outlook

We continue to bed down the new executive and organisational structure.

The rollout of new technology platforms and the integration of our systems, processes and people are major focus areas.



Transformation

What is our goal?

Continue to play our role in addressing transformation in Sasfin's workforce, leadership and society. We are committed to supporting improved access to financial services for the broader population.

How do we measure this?

- B-BBEE level
- Employment equity in management

Highlights and challenges in 2018

The WIPHOLD transaction was concluded, improving our B-BBEE ownership levels, establishing a new shareholder of reference and adding valuable skills and experience to the Board. Sasfin achieved a level 4 B-BBEE rating under the Financial Sector Codes.

Transformation action plans are in place at Group, Pillar and business unit level to drive transformation in the workforce. The industry skills shortage is particularly acute for equity candidates.

Outlook

Sasfin aims to enhance our B-BBEE scorecard consistently over the next five years, including improving our employment equity levels, and also through a broader and diversified product offering.



Sales

What is our goal?

Drive revenue growth for long-term value creation. This will be supported by increasing cross-selling of Group products and services, strengthening our sales force and sales techniques and ensuring that our products and services fit client demand, as well as selling in a way that does not compromise our integrity or our clients.

How do we measure this?

- Revenue growth
- Appropriate margin
- Granularity of sales
- Risk-adjusted returns

Highlights and challenges in 2018

We acquired the loan book of ATFS to enhance our market leading position in rental finance, raising DFI funding for the transaction. We established a Sales and Marketing Forum to drive cross-selling and identify and enter new market segments.

Certain lines of business are yet to achieve critical mass. Earnings volatility in a few other lines of business indicates the need to improve the quality of earnings in these areas.

Outlook

We are focusing on growing our distribution capabilities and have developed detailed sales strategies per business unit.

We are targeting granular growth in our loans and advances, deposits (including transactional banking deposits) and assets under management.



Product, user experience and innovation

What is our goal?

Use technology as a key enabler in improving our clients' experience by simplifying the on-boarding and client servicing process, including credit approval and solution selection. Technology also supports agile product development and implementation, and we design our products from the client's perspective. Back-end technology solutions support service excellence.

How do we measure this?

- Growth in clients using our new products and technologies
- Client satisfaction levels

Highlights and challenges in 2018

We launched South Africa's first dedicated SME banking platform through B\\YOND for Business. It allows small businesses to onboard themselves with seamless FICA verification and integrates into basic payroll and accounting services through Xero (page 26).

We acquired SIPP, which we rebranded SWIP, acquired a minority stake in DMA (previously SCMSA), partnered with small business financier Payabill and launched a new website. Further refinements are in the pipeline.

Outlook

Leverage the newly established product forums in each Pillar to drive innovation and product development.

We expect to roll out more features to and products within B\\YOND and SWIP.

We are close to finalising our first alliance banking partnership which should help address financial inclusion.



Growing our offshore exposure

What is our goal?

Grow our income streams from foreign sources in all three Pillars and establish businesses in suitable foreign jurisdictions.

How do we measure this?

- Growth in foreign income
- Growth in foreign assets under management

Highlights and challenges in 2018

The Wealth Pillar's foreign income from global managed share portfolios and institutional asset management fees grew 32%. Sasfin acquired a minority stake in DMA (previously SCMSA) which enables investors to seamlessly access global markets. The Banking Pillar's offshore presence (Sasfin Asia Limited) is being enhanced.

Outlook

Diversification of earnings geographically will be strategically important and each Pillar is focused on identifying offshore investment and growth opportunities.



Credit growth and quality

What is our goal?

Refine our credit processes to grow a granular portfolio of loans and advances at the right margin while maintaining the credit loss ratio within acceptable limits.

How do we measure this?

- Credit loss ratio
- Growth in loans and advances

Highlights and challenges in 2018

Continued challenges in the South African business environment significantly impacted Sasfin's target market of small and medium businesses. Our results in the first half of the year were affected by a large credit event related to a single client, with several more, but smaller, such events in the second half as trading conditions continued to worsen.

In response, we reviewed the total book, leadership was strengthened in the Credit Department and the credit risk appetite at client and portfolio level was refined. The client review process was strengthened to include enhanced risk assessment and fraud detection at a client and portfolio level, and across the whole book.

Outlook

We have strengthened the credit function and are enhancing our credit risk appetite and approach. We will further expand and process re-engineer our credit offering to drive greater granularity in our loan book.

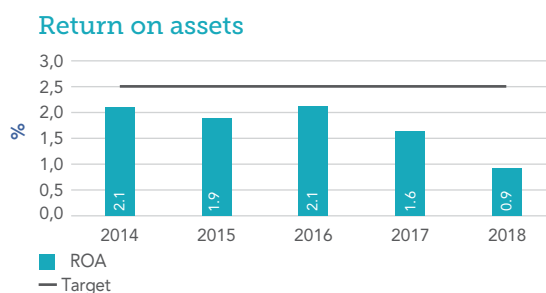
STRATEGY REVISION continued

STRATEGIC PROGRESS

In last year's report we declared several internal long-term targets. The graphs below show our progress in 2018 against these targets. Our inability to improve in 2018 was primarily a consequence of the increased credit losses and tax expense during the year. Refer to the Group CEO and Group FD review on page 14 for more information.

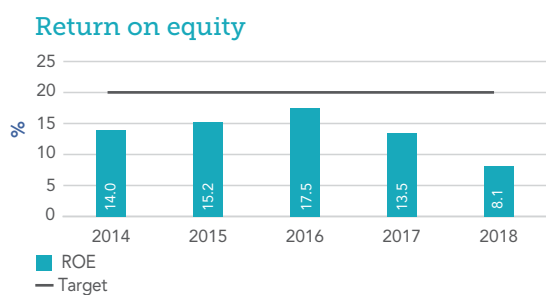
Return on assets above **2.5%**

- achieved 0.91%



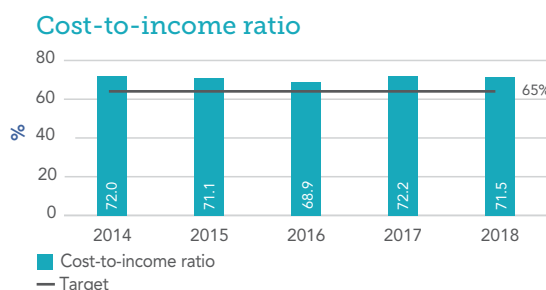
Return on equity above **20.0%**

- achieved 8.09%



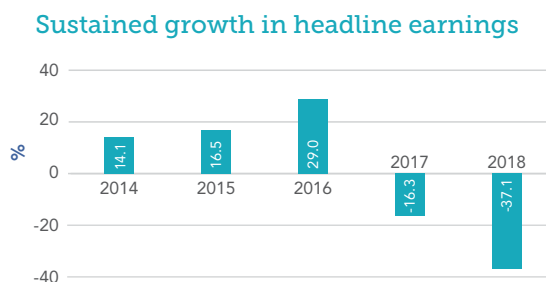
Cost-to-income ratio below **65.0%**

- achieved 71.46%



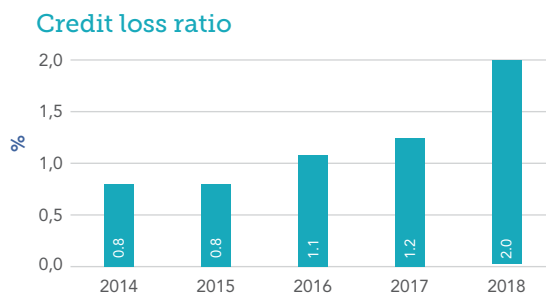
Continuous and sustained growth in **headline earnings**

- achieved negative growth of 37.08%



Credit loss ratio within acceptable limits

- achieved 1.97%



B\\YOND – BANK OUTSIDE THE BOX

In April 2018, Sasfin launched B\\YOND, our digital banking platform. B\\YOND helps South African entrepreneurs to grow their businesses by minimising the time they need to spend on banking, finance and administration, and adding free value-adding tools that are essential for running a business. This allows entrepreneurs to focus on their clients – driving revenue and enhancing their products and services.



Intuitive
dashboards



Account
classification and
transaction tagging



Free personalised
quotes and invoices



Simple, SARS-
compliant payroll
management



Seamless and secure
integration into Xero
accounting software

The sophisticated technology that drives the platform offers seamless 24/7 functionality so that entrepreneurs never need to set foot in a bank branch again. With B\\YOND, entrepreneurs can:

- Apply online, uploading documents and signing the application digitally, even with multiple shareholders and directors
- Quickly understand their finances with smart dashboards built on intelligent account and transaction classification and tagging, to manage revenue and expenses and keep track of projects
- Create and send free personalised quotes and invoices directly from the platform
- Manage their payroll for free, with an integrated, simple-to-use and South African Revenue Service (SARS) compliant payroll function
- Safely and seamlessly integrate their transactional data into Xero, the world's fastest growing cloud-based accounting software provider

B\\YOND demonstrates Sasfin's ability to leverage technology, our intimate understanding of the challenges entrepreneurs face and our willingness to do more for our clients. By going beyond conventional banking, we minimise red-tape, offer access to innovative free services and work closely with entrepreneurs to help them grow their business. This also provides us with a competitive advantage over traditional branch-dependent banks.



STAKEHOLDER RELATIONSHIPS 16

We aim to create sustainable value for all our stakeholders. This requires that we stay cognisant of the opportunities and risks represented by our material matters. The goal of our enterprise risk management (ERM) framework is to mitigate these risks to an acceptable level within our risk appetite so that we can maximise our opportunities.

STAKEHOLDER ENGAGEMENT

We recognise the important role that strong stakeholder relationships play in the Group's sustainability over time. The Group engages key stakeholders on an ongoing basis to ensure that their interests are considered, that key matters are addressed and that, where relevant, these inform our strategy deliberations.

The Board is ultimately responsible for stakeholder engagement in the Group and delegates to management to proactively address stakeholder matters. Key stakeholder relationships are managed at the appropriate Group level. For example, engagements with our primary regulator, the SARB, are managed by Group Compliance, supported by Group Internal Audit.

The Board focuses on ensuring that it understands the information needs of our key stakeholders. During the year we refined reporting to the Board on stakeholder identification, their key needs and expectations, and actions taken. Risks related to stakeholder matters are managed as an integral part of Sasfin's overall ERM framework.

We assess the effectiveness of our stakeholder management through engagements appropriate to the stakeholder. For example, through employee climate surveys, feedback received during prudential engagements with regulators and Board effectiveness reviews.

The strategic focus areas (page 21) emphasise employees and clients, and these stakeholder relationships will consequently be a priority in the year ahead.

STAKEHOLDER CONCERNS AND HOW WE ARE ADDRESSING THEM

Clients

Who are our clients?

- Investors
- Entrepreneurs/SMEs
- High-net-worth individuals
- Institutions
- Corporates

What are their main concerns?

- Security of investments and consistent, risk-adjusted returns
- Ongoing access to capital
- Accountability and sound corporate governance
- Efficient risk management structures
- Efficient approvals of credit applications
- Access to decision-makers
- Long-term stability and sustainability of the Group
- Fair treatment

What did we achieve in 2018?

- Refined our products and policies to ensure these better align with client needs and Treating Customers Fairly (TCF) regulations
- Launched B\\YOND
- Restructured and implemented technology solutions to improve the client experience and availability of products and solutions
- Strengthened our risk management processes and corporate governance structures
- Terminated business relationships that had the potential for negative reputational impact

How do we interact?

- Roadshows
- Interaction with decision-makers
- Daily business interactions
- Client/market surveys
- Media

What is our strategic response?

We continue to invest in our technology, processes and people to improve the client experience, align products and services with client needs, and increase cross-selling opportunities. Adherence to TCF principles.



Organisational capacity



Sales



Product, user experience and innovation

STAKEHOLDER RELATIONSHIPS continued

Shareholders

Who are our shareholders?

- Executives and their associates: 41.62% (2017: 48.95%)
- WIPHOLD 25.1% (2017: Nil)
- Top five fund managers: 12.03% (2017: 18.03%)
- Preference shareholders: 523 (2017: 535)

What are their main concerns?

- Consistent financial performance and dividend payments
- Long-term stability and sustainability of the Group
- Transparent and consistent reporting
- Sound corporate governance

What did we achieve in 2018?

- Headline earnings decline of 37.08% (2017: -16.3%)
- Return on equity of 8.1% (2017: 13.5%)
- B-BBEE transaction with WIPHOLD concluded in October 2017

How do we interact?

- JSE SENS announcements
- Annual and interim results announcements, presentations, reports and roadshows
- AGM and other meetings
- Ad hoc meetings during non-closed periods

What is our strategic response?

The WIPHOLD transaction improves our B-BBEE level. Our five-year strategy focuses on our next growth chapter.



People and culture



Organisational capacity



Transformation



Sales



Product, user experience and innovation



Growing our offshore exposure



Credit quality

Providers of financial capital

Who are our providers of financial capital?

- Depositors
- DFIs
- Institutions via debt capital markets

What are their main concerns?

- Security of investments and consistent returns
- Efficient risk management structures
- Long-term stability and sustainability of the Group
- Accountability and sound corporate governance
- Level of credit losses

What did we achieve in 2018?

- Launched B\YOND
- Raised DFI funding for the ATFS transaction
- Strengthened our risk management processes and corporate governance structures
- Restructured and strengthened our Credit Department and processes
- Global Credit Rating Agency affirmed Sasfin Bank Limited's short-term rating of A1- (ZA) with a stable outlook

How do we interact?

- Roadshows and events
- Executive interaction and information sharing with funders and investors
- Ad hoc meetings with potential investors and funders, analysts, credit rating agencies and media during non-closed periods

What is our strategic response?

Our investments in technology, processes and people improve the service we offer to depositors and ensure that our products and services meet their needs. We are refining and strengthening our credit processes to manage the current challenging credit markets.



Organisational capacity



Sales





Product, user experience and innovation





Credit quality

Regulators

| | | |
|--|---|--|
| <h3>Who are our regulators?</h3> <ul style="list-style-type: none">• SARB• Financial Sector Conduct Authority (FSCA)• JSE• SARS• Department of Trade and Industry (dti)• Payments Association of South Africa (PASA)• Companies and Intellectual Property Commission (CIPC)• National Credit Regulator (NCR)• Financial Intelligence Centre (FIC) | <h3>What are their main concerns?</h3> <ul style="list-style-type: none">• Capital adequacy and liquidity• Heightened risk environment, particularly cybercrime• Anti-money laundering (AML)• The impact of risk data aggregation and risk reporting and IFRS 9• Credit losses• Adherence to TCF• Regulatory compliance | <h3>What did we achieve in 2018?</h3> <ul style="list-style-type: none">• Complied with various regulatory and prudential requirements• Total capital adequacy ratio of 16.089% (2017: 16.7%)• Refined the combined assurance framework and strengthened Group Risk, Group Compliance and Group Internal Audit with new appointments• Terminated business relationships that had the potential for negative reputational impact |
| <h3>How do we interact?</h3> <ul style="list-style-type: none">• Meetings between the SARB, the Chair of the Board, the Board, the Group CEO, Group Internal Audit, Group Compliance and the Group's executive management• Monthly and annual regulatory returns and reports• Regulatory compliance audits and on-site audits• Trilateral meetings with Group Audit and Compliance Committee, external auditors and the SARB• Regulatory audits by external auditors reported to the SARB¹• Group Internal Audit reports back to the SARB• Daily monitoring of all bond and equity trades by the JSE via the Broker Deal Accounting (BDA) systems | <h3>What is our strategic response?</h3> <p>The Group continues to invest in information and technology solutions, processes and people to strengthen our compliance, risk and internal audit capabilities, and support proactive compliance. We are refining and strengthening our credit processes to manage the challenging credit markets.</p> <div> Organisational capacity</div> <div> Credit quality</div> | |




¹ 2018 regulatory audit in process.

Employees



| | | |
|--|--|--|
| <h3>Who are our employees?</h3> <ul style="list-style-type: none">• 775 employees: (2017: 713)• Female employees: 58.6% (2017: 59.7%)• Black employees: 58.3% (2017: 54.7%) | <h3>What are their main concerns?</h3> <ul style="list-style-type: none">• Job security given the tense economic climate• Fair, non-discriminatory market-related remuneration for work done• Sound leadership and direction• Skills development | <h3>What did we achieve in 2018?</h3> <ul style="list-style-type: none">• Employee costs increased by 9.48% to R453.7 million (2017: R414.5 million)• Training spend of R9.0 million (2017: R5.1 million)• Revised the performance incentive scheme for implementation in 2019• Established the Sasfin Learning Academy |
| <h3>How do we interact?</h3> <ul style="list-style-type: none">• Formal and informal meetings• Periodic climate surveys• Regular human resources newsletter and the Group intranet• Quarterly and annual divisional awards• Regular update sessions by the Group Executives• Training | <h3>What is our strategic response?</h3> <p>Sasfin aims to attract, develop and retain scarce skills at the right reward levels to build a high-performance team of empowered people with a sense of ownership. Our revised performance incentive scheme aligns the interests of employees with shareholders and other stakeholders, the strategic objectives of their Pillars and the Group.</p> <div> People and culture</div> <div> Organisational capacity</div> <p>Refer to page 53 for our human capital review and page 83 for the remuneration review.</p> | |

STAKEHOLDER RELATIONSHIPS continued

Communities

| | | |
|---|---|--|
| <p>Who are our communities?</p> <ul style="list-style-type: none"> • Civil society • Businesses and local communities aligned to our purpose and vision | <p>What are their main concerns?</p> <ul style="list-style-type: none"> • Job creation • Alignment to the country's transformation targets • Community development: social contributions, both financial and material, and skills development • Sound corporate governance and acting as a responsible corporate citizen | <p>What did we achieve in 2018?</p> <ul style="list-style-type: none"> • Corporate Social Investment (CSI) contribution of R1.7 million (2017: R1.4 million) • Creating employment by funding SMEs • Renewable energy and solar photovoltaic (PV) finance • Assisted in the educational development and improved financial literacy and care for the vulnerable |
| <p>How do we interact?</p> <ul style="list-style-type: none"> • Engage with the CSI projects we fund in our communities • Social and environmental due diligence reports | <p>What is our strategic response?</p> <p>Sasfin is committed to South Africa and contributing to our country's development. We support sustainable projects that decrease poverty, improve quality of life and promote education and development for all South Africans.</p> <div>  People and culture  Organisational capacity  Transformation </div> <p>Refer to page 59 for our corporate citizenship summary.</p> | |

Business associates

| | | |
|--|--|--|
| <p>Who are our business associates?</p> <ul style="list-style-type: none"> • Industry forums (i.e. Banking Association of South Africa (BASA)) • Business partners • Suppliers | <p>What are their main concerns?</p> <ul style="list-style-type: none"> • Ethical business practices and legal compliance • Fair treatment and payment terms | <p>What did we achieve in 2018?</p> <ul style="list-style-type: none"> • Our commitment to supporting small business suppliers is evidenced in our improved enterprise supplier development (ESD) B-BBEE score • Sasfin has greater representation on committees and forums at BASA, PASA and SARB/National Payments System Department (NPSD) |
| <p>How do we interact?</p> <ul style="list-style-type: none"> • Formal and informal interactions in the ordinary course of business | <p>What is our strategic response?</p> <p>Sasfin participates in industry associations to promote the banking and financial services industries and represent the Group's positions. Business partners ensure that we can access the necessary skills for technical implementations where needed.</p> <div>  People and culture  Organisational capacity </div> | |

RISK GOVERNANCE

Enterprise risk management is critical to Sasfin's sustainability through the identification and proactive addressing of risks and opportunities.

Sasfin has a well-established integrated risk management philosophy that aims to ensure that all key risks are managed effectively within acceptable parameters. A robust ERM framework can reduce the likelihood of risks materialising, mitigate their impact on the Group and deliver many other benefits.

Sasfin uses the three lines of defence to ensure accountability and distinguish between owning and managing risk, overseeing risks, and providing independent assurance (page 76). The Board is ultimately responsible for risk management, setting the risk appetite and approving policies and limits.

RISK PROCESS

Sasfin's ERM process is embedded into how we do business. Management identifies risks prevalent in their businesses which are collated and compared to the risks identified by executive management, the Board through its stated risk appetite and our strategic risk assessment. This process ensures risks are appropriately addressed; aids effective risk monitoring and reporting; supports compliance with laws and regulations; and helps to safeguard our assets and reputation.

Sasfin's approach to risk management is based on relevant regulations, guidelines and standards, including the Banks Act, and ISO 31000:2018 Risk Management Principles and Guidelines. The ERM process is reviewed annually considering current and emerging risk management techniques, research, trends and new or changing regulations that impact risk management.

Group Risk provides oversight under the leadership of the Chief Risk Officer (CRO). The CRO reports directly to the Group CEO with direct access to members of the Board and the Chair of the Group Risk and Capital Management Committee (GRCMC). Group Risk is a centralised function but, business units have risk champions who have defined risk responsibilities in addition to their business roles. In areas with significant risks, dedicated business unit risk managers are in place. Group Risk monitors and provides guidance to the business units to ensure they follow the ERM

process. There is an escalation matrix in place for material risk events. Group Risk collates, analyses and reports on these risk events to the GRCMC. Any trends identified from risk events are addressed accordingly.

Sasfin's risk process assesses ESG risks through the social and environmental management system (SEMS), which provides a way to assess lending and client practices.

Regular process reviews in the business units ensure that risk management principles and processes are embedded and Group Risk engages regularly with businesses to monitor the effectiveness of risk management. Board committees also provide feedback on the effectiveness of the Group's Risk function.

Furthermore, Group Risk conducts an annual business survey to ensure that business units understand risk policies and to identify ways to further embed a proactive risk culture. A focus area that has emerged from the recent survey is to have more regular strategic interaction with individual business units to assist and guide with strategic matters.

RISK APPETITE

The Board defines the Group's risk appetite and risk tolerance, which are formalised in risk appetite statements and relevant metrics. These are further broken down into measurable tolerance levels.

Risk appetite is informed by a range of criteria, including relevant market analysis, market liquidity and business strategy. The process for setting the risk appetite is linked to risk and capital management, embedded into the forecasting process and incorporated in stress testing. Risk appetite informs business unit targets and risk acceptance/tolerance limits throughout the Group. The Board risk appetite is reviewed at least annually to ensure that risk tolerance levels are appropriate and complete.

Group Risk monitors performance against the Board risk appetite and, should there be a breach of the appetite, this is immediately escalated to the GRCMC and Board. Adherence to the Board risk appetite is monitored quarterly by the GRCMC and Board.

RISK GOVERNANCE continued

Quantitative risk appetite statements and measurable tolerance levels have been set for the following risk types:

Credit risk

- Non-performing loan ratio
- Credit loss ratio
- Concentrations
- Counterparty limits

Market risk

- Net open position limits
- Value at risk limit

Funding and liquidity risk

- Defined liquidity buffers
- Liquidity coverage ratio
- Net stable funding ratio
- Securitisation funding concentration ratio
- Securitisation notes issuance size

Capital management risk

- Total regulatory capital
- Tier 1 capital ratio
- Tier 1 common equity ratio
- Leverage ratio
- Internal capital adequacy assessment process (ICAAP) coverage ratio

Operational risk

- Operational losses as a percentage of gross profits
- System downtime and uptime

Business risk

- Return on equity ratio
- Cost-to-income ratio

The return on equity ratio and cost-to-income ratio fell outside the Board risk appetite targets during the financial year. This was largely due to the high credit losses, muted revenue growth and growing costs. Sasfin has prioritised these areas, which should lead to improved results and improved ratios.

FOCUS AREAS FOR 2018 AND 2019

We are in the process of revising and updating risk frameworks and policies to align with ISO 31000:2018. We added further capital management risk appetite metrics and reviewed tolerance levels for capital in line with the increase in regulatory minimum Tier 1 capital from 1 January 2018.

Our key risks were reviewed and revised to 10 key Group risks (page 34). The new risk and compliance management system went live and centralises risk and compliance, increasing efficiency and improving reporting and trend analysis.

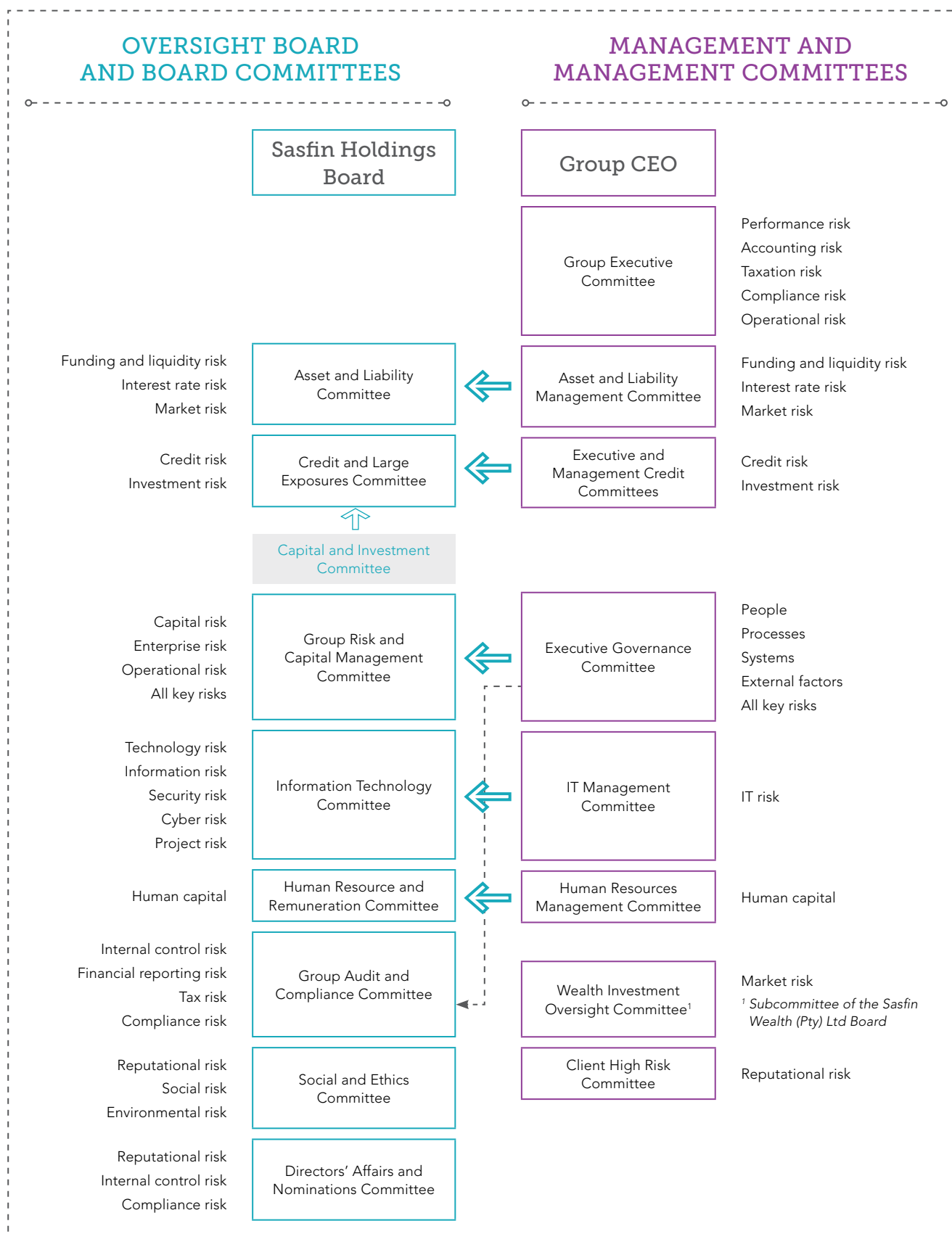
Group Risk is also closely involved in the Basel Committee on Banking Supervision's standard number 239 (BCBS239) RDARR rollout, IFRS 9 implementation and the review of the credit process following the increased credit losses.

A crisis simulation test that included a cyber element, was conducted early in 2018. The outcome of the crisis simulation was successful and all identified test objectives were met. However, areas for improvement were identified to enhance the maturity of our business continuity management.

One of the most significant challenges we face is keeping up with the volume and pace of regulatory change, which shows no sign of slowing. The review of the risk frameworks and policies and the RDARR rollout will continue to be a major focus in 2019. Group Risk will continue to work closely with business and IT to ensure the smooth rollout of the technology platforms across the Group, particularly the new rental system, the treasury system, client relationship management (CRM) system and the centralised Know Your Client (KYC) project.

SASFIN'S INTEGRATED APPROACH TO RISK MANAGEMENT

The diagram below provides a functional overview of Sasfin's Board Committees and Management Committees and the primary risks that each committee manages or oversees. Also refer to the overall governance structure on page 66.



RISK GOVERNANCE continued

KEY RISKS AND OPPORTUNITIES

We cautiously and prudently manage risk within our Board-approved risk appetite through proactive risk management by Pillar executives and independent oversight by Group Risk, and our Board and its committees.

The table below shows the mapping of the Group's 10 risk categories to last year's reported key risks.

| 2017 | 2018 |
|-------------------------|--|
| Credit risk | Credit risk (which includes concentration risk) |
| Concentration risk | |
| Investment risk | Market risk (investment risk is a sub-component) |
| Liquidity risk | Funding and liquidity risk |
| Capital management risk | Capital management risk |
| | Reputational risk (previously addressed under strategic risk but elevated in line with market standards) |
| Operational risk | Operational risk |
| Compliance risk | Compliance risk |
| Strategic risk | Business risk (naming convention changed) |
| | Conduct risk (elevated in light of the emphasis on business and employee conduct) |
| | IT risk (previously addressed under operational risk but elevated as IT risks) including cyber and IT project implementation risks) are key focus areas. |

The tables that follow summarise our key inherent risks and opportunities.

1. Credit risk

Risk description and impact

The risk of financial loss resulting from a client's failure to meet a contractual obligation. This includes concentration, credit default, counterparty/settlement and securitisation risk.

Poor credit portfolio risk management practices lead to rising non-performing loans which compress profit margins.

What opportunities arise from managing this risk?

Responsible lending results in sustainable returns over the long-term. Better credit risk management presents an opportunity to improve overall performance and secure a competitive advantage, while maintaining low credit losses.

Key developments in 2018

- Continued deterioration in the economic environment and business confidence has increased business stress and business failures
- A new Head of Credit was appointed
- Credit processes were enhanced and governance forums were reviewed to make them more robust
- Developed the IFRS 9 (financial instruments) model

Outlook

- Credit demand remains subdued based on the poor economic outlook, particularly in the SME sector
- Government policy uncertainty has a negative impact on investment and businesses
- Continued instability/financial distress of public institutions has an effect on the financial wellbeing and confidence of the private sector
- We are investigating the enhanced use of credit insurance
- Develop a client risk rating model and an enhanced value of risk model

2. Market risk

Risk description and impact

The risk of change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables such as interest rates, equity values and exchange rates.

Market risk affects our financial performance. The performance of equity markets also impacts the Wealth Pillar through the fees earned on assets under management, administration and advisement.

What opportunities arise from managing this risk?

Market risk management supports a proactive approach to seeking out opportunities from changes in market conditions.

Diversification of earnings geographically and by market sector is a key opportunity.

Private equity and property equity investments have the potential to realise capital gains and support the diversification of our asset base. Cross-selling collaborative opportunities arise in other areas of the Group through our involvement with private companies.

Key developments in 2018

- Rand volatility caused uncertainty in the market
- The South African-orientated equities on the JSE performed poorly
- Market risk remained well managed within risk limits and in accordance with hedging policies
- The overall private equity and property equity portfolio remained resilient despite the difficult South African trading conditions

Outlook

- The outlook depends on South Africa's political stability and government's ability to stimulate growth in the economy
- The Rand continues to be vulnerable to US/China and other trade war actions
- The local equity market continues to shrink

3. Funding and liquidity

Risk description and impact

The risk that the Group may not have, or is unable to generate, sufficient funding or cash resources to meet its short- and long-term obligations immediately as they fall due.

What opportunities arise from managing this risk?

Effective funding and liquidity risk management helps ensure Sasfin's ability to meet cash flow obligations and to maximise our returns.

Key developments in 2018

- Lengthened the funding book, securitised circa R600 million of notes in November 2017 and raised US\$30 million of long-term funding from DFIs for the ATFS transaction and to strengthen the balance sheet
- Liquidity remains strong with a cash liquidity position of R1.89 billion

Outlook

- Growing our deposit base and continued diversification of funding
- Ensure that adequate funding strategies are in place to mitigate possible liquidity risk scenarios such as a South African sovereign credit rating downgrade

RISK GOVERNANCE continued

4. Capital management risk

Risk description and impact

The risk of the Group's capital position falling outside of the range required to support its strategic aims.

This can lead to a breach of regulatory requirements and inadequate capital in respect of all risk exposures.

What opportunities arise from managing this risk?

Effective capital and balance sheet management allow us to generate improved returns to providers of financial capital.

Our ability to prudently manage our capital and statement of financial position, while holding sufficient levels of capital and generating increasing returns, inspire stakeholder confidence and form the basis for future growth.

Key developments in 2018

- The Group maintained its capital adequacy ratios above the regulatory minimum. Capital adequacy has declined
- The Group capital adequacy ratio was 16.089% at year-end

Outlook

Capital management and planning are the primary responsibility of the Group Treasurer and a major focus area to ensure optimal capital deployment in terms of risk, return and regulatory requirements (including the effects of IFRS 9).

5. Reputational risk

Risk description and impact

The risk of impairment of the Group's standing.

A poor reputation can impede the sale of services, harm the recruitment of high-calibre employees, deter desirable business partners and debt may become more expensive to obtain.

What opportunities arise from managing this risk?

Successful branding can secure a long-term competitive advantage.

Key developments in 2018

- Established a Client High Risk Committee (a management committee) to increase oversight and manage reputational risk and potential money laundering issues
- There were no material client complaints or reputational matters
- Reviewed our products and services to ensure they align to the outcomes of the TCF regulations and conducted TCF training

Outlook

We will continue to manage and monitor client and supplier relationships and proactively address any client complaints.

6. Operational risk

Risk description and impact

The risk of financial loss resulting from inadequate or failed internal processes, people or systems, or from external events.

What opportunities arise from managing this risk?

Effective operational risk management allows for better decision-making, decreased earnings volatility, lower operating costs, capital relief, increased client and employee satisfaction, and better regulatory compliance.

Key developments in 2018

- System consolidation projects initiated for key business systems
- Implemented phase one of the new risk and compliance management solution, Isometrix, in June 2018
- Conducted a successful crisis simulation test

Outlook

- Implementation of business systems
- Embedding the risk management solution across the Group
- Enhancements to business continuity management
- Improved internal control environment

7. Compliance risk

Risk description and impact

The risk of sanctions as a result of non-compliance with laws, regulations and internal governance requirements.

This can lead to financial penalties and fines and/or the loss of our banking licence.

Refer to page 74 for more information on compliance.

What opportunities arise from managing this risk?

An effective compliance programme provides for an aligned operating and compliance strategy, effective oversight mechanisms, streamlined business processes, quality data and information, and ensures that our reputation is upheld.

Ensuring that compliance risks are effectively managed will result in improved and transparent relationships with our regulators.

Key developments in 2018

- Implemented various regulatory and business projects to ensure compliance with regulatory and legislative requirements (FICA and anti-money laundering)
- Implemented the new risk and compliance management solution, Isometrix, in June 2018
- Underwent an intensive anti-money laundering (FICA) audit where certain matters of remediation were raised and are being addressed (page 76)
- A risk-based approach framework was developed and implemented following the amendments to FICA
- Appointed a head of Compliance

Outlook

- Ongoing compliance training and awareness initiatives
- Embed compliance policies and processes across the Group with continued management and monitoring of compliance risk

8. Business risk

Risk description and impact

The probability of losses or reduced profits arising from the Group's strategic direction or environment (such as competition and adverse economic conditions).

This could result in the inability to provide investors and shareholders with adequate returns.

What opportunities arise from managing this risk?

Financial losses, lost time and productivity, and the negative impact on clients can all be minimised.

Refer to page 21 for more information Sasfin's strategy.

Key developments in 2018

- Restructured the Group into three Pillars
- The WIPHOLD transaction improved the Group's transformation credentials
- Bedded down strategic acquisitions (ATFS, DMA and SIPP)
- Strengthened the executive management team

Outlook

- Diversify the earnings base and increase offshore earnings
- Enhance products and client experience through technology and innovation

9. Conduct risk

Risk description and impact

The threat of financial loss to the Group caused by employees acting without integrity.

This affects our financial stability, reputation, brand value and client confidence.

What opportunities arise from managing this risk?

Our reputation is likely to grow and competitive advantage and greater market share can be derived from managing conduct risk properly.

Key developments in 2018

- We increased our focus on market conduct risk as regulations developed.
- Reviewed our products and services to ensure they align to the outcomes of the TCF regulations and conducted TCF training

Outlook

Ongoing review of products to ensure compliance with TCF requirements.

10. Information and technology (IT) risk

Risk description and impact

The risk of technology failure can create business downtime and loss of revenue etc. In addition, the risk of technology become outdated could result in lost business and decreased competitive advantage. Information security risk, including cyber attacks, could lead to business interruption, reputational damage and even fines and penalties.

What opportunities arise from managing this risk?

IT risk management helps increase network security, reduces management costs, achieves greater compliance and supports readily available and comprehensive information for decision making.

Refer to page 60 for more information on information and technology management.

Key developments in 2018

We increased our focus on controls for safe and efficient operations with an emphasis on security. We also focused on process, people and technology by:

- Improving processes and automation
- Enhancing cyber maturity
- Enhanced data
- Alignment of business and IT strategy

Outlook

The macro IT risk environment is more threatened than ever due to the growth in sophisticated malware attacks and security vulnerabilities.

We will continue to strengthen the protection of key information and information assets to keep pace with the evolving risks and changing threat landscapes.

Greater opportunities through our enterprise data warehouse, which will provide a single view of clients for risk management and decision making and result in reduced costs. Additional opportunities will arise as a result of projects that will lead to greater automation, faster responses to clients and reduced costs.

TREATING CUSTOMERS FAIRLY

The Financial Services Conduct Authority (FSCA) describes TCF as an outcomes-based regulatory and supervisory approach designed to ensure that specific, clearly articulated fairness outcomes for financial services consumers are delivered by regulated financial firms.

Sasfin developed a TCF Group policy which was approved by the Board in September 2018. A Group Steering Committee will be established consisting of TCF champions across the Group. It will report to the Board on implementation progress and related TCF matters. Product-related TCF outcomes, built into the product delivery process from beginning to end.

A Group Compliance meeting takes place every two weeks to discuss the Group's TCF implementation. Group Compliance also provided TCF training.

The Wealth Pillar identified a TCF champion and established its own TCF Committee which meets at least monthly. TCF is a standard agenda point on the various Wealth committees, including the Sasfin Wealth Board. The TCF Committee is performing a gap analysis against the six fairness outcomes with the aim of developing action plans where needed.



MATERIAL MATTERS

Our material matters are those that have the most potential to impact our ability to remain commercially viable in the short-, medium- and long-term. Material matters are derived by considering relevant concerns raised by stakeholders (page 27), our key risks (page 31) and matters key to our strategy and business environment.

We reassessed our material matters to reflect conditions during the year and our revised strategy. Our material matters are:

1. Challenging economic and political conditions
2. Client-centricity
3. Credit quality
4. A high-performing team
5. Increasing regulatory requirements
6. Technology and innovation

By focusing on how to address these material matters, we identify the best ways to meet the needs of our primary clients – entrepreneurs and investors – which in turn supports socioeconomic development in South Africa by facilitating the growth of small businesses, job creation and growing wealth.

Challenging economic and political conditions

Level of control

The current challenging economic conditions have a direct impact on Sasfin's clients, as smaller businesses tend to be hit harder and earlier than larger, more established businesses. This results in low business growth and a more cautious approach to risk-taking that can be seen in low growth in loans and advances and a deterioration in credit quality. Exchange rate volatility affects the Group's trade finance operation.

Weak equity markets impact growth in assets under management, administration and advisement. Low growth and political uncertainty in South Africa increase the attractiveness of Rand-hedge stocks and offshore assets for local investors.

Mitigation





We address this matter through our client-centric business model which ensures a good understanding of our clients' requirements. We incorporate a wide range of market indicators in our assessments of market conditions and emphasise responsible lending practices. Sasfin's relatively flat management structure and entrepreneurial spirit ensure that we remain agile to react quickly to market changes and capitalise on opportunities and mitigate threats. In an economic environment such as South Africa's, cost containment remains a key focus.

We maintain capital and liquidity levels in excess of regulatory requirements and engage with providers of financial capital to enhance our liquidity position.

We continue to develop offshore earnings across the Group.

We promote diligent investment advice to our clients in creating and growing their wealth.



| Stakeholders | Strategy | Further reading |
|---|---|--------------------|
| <ul style="list-style-type: none"> • Clients • Shareholders • Providers of financial capital |  Organisational capacity  Sales  Growing our offshore exposure  Credit quality | Page 10 Page 14 |

Key: Management's ability to control



Client-centricity

Level of control

Sasfin's business model focuses on the needs of entrepreneurs and investors by delivering high-touch service supported by client-centric technology that aims to meet their changing requirements and service expectations. This client-centric approach becomes even more important when times are tough. Competition is increasing in our target markets with the entry of fintech companies, new banks and an increased focus on this niche from established competitors. Investors are increasingly looking for value in active management. Simultaneously, we need to avoid concentration risk.

Mitigation

We aim to minimise the gap between clients and decision-makers to increase Sasfin's speed and flexibility in meeting their needs while maintaining an appropriate risk culture.

We design and deliver value-adding financial solutions that are innovative, cost-effective and competitive. The use of cutting-edge IT solutions allows clients to conveniently and safely access our services, and creates opportunities for new products and services. Working closely with our clients builds trust, develops the Sasfin brand, deepens long-term relationships, and diversifies our client base and increases its granularity.



| Stakeholders | Strategy | Further reading |
|---|--|---|
| <ul style="list-style-type: none"> • Clients • Providers of financial capital |  People and culture  Organisational capacity  Sales  Product, user experience and innovation | Page 8 Page 21 Page 27 Page 61 |

Credit quality

Level of control

The past few years' weak South African economy has seen a marked deterioration in credit quality, particularly in Sasfin's target market of SMEs. This resulted in an increase in defaults that significantly increased credit losses in the Banking Pillar.




Mitigation

Sasfin's risk management processes monitor and measure credit, investment and liquidity risks to support competitive and calculated offerings to our clients.

To address increased credit losses, we strengthened the credit team, enhanced credit processes and are considering the enhanced use of credit insurance.

We aim to improve the granularity of our client base to reduce concentration risk.



| Stakeholders | Strategy | Further reading |
|---|---|--------------------|
| <ul style="list-style-type: none"> • Clients • Shareholders • Providers of financial capital • Regulators |  People and culture  Organisational capacity  Credit quality | Page 18 Page 31 |

MATERIAL MATTERS continued

A high-performing team

Level of control

Sasfin's employees are critical to our success and key to our ability to deliver innovative solutions that exceed client expectations. Our goal is to ensure that the Sasfin team consists of talented and empowered high-performing employees that embody a strong ethical and sales culture. We view the genuine and sustainable transformation of our workforce as a social and business imperative. Finding the right people in the context of the shortage of specialist skills in the South African market remains a challenge, particularly in the financial services and IT sectors.

Mitigation

Our human resources processes focus on delivering a compelling employee value proposition that helps us to attract, develop and retain people that can deliver our strategy. The Group's succession planning and recruitment policies and practices support deep and sustained transformation. We invest significantly in training and skills development, including through the new Sasfin Learning Academy.

During 2018 we made several key appointments and restructured our management, executive and governance structures to enhance delivery. We revised our performance incentive schemes to ensure that strong performance is appropriately recognised and rewarded. Where necessary, we will partner with other businesses to access scarce technology skills.



| Stakeholders | Strategy | Further reading |
|--|---|--------------------|
| <ul style="list-style-type: none"> • Clients • Employees |  People and culture  Organisational capacity  Product, user experience and innovation | Page 53 Page 83 |

Increasing regulatory requirements

Level of control

Regulatory requirements in South Africa are becoming more onerous and Sasfin is particularly impacted by the Twin Peaks regulatory framework and Basel III. Regulatory compliance requires significant investments in technology, training and governance structures.

The increasingly complex regulatory environment impacts our operations directly and affects entrepreneurs by increasing the cost and complexity of establishing businesses.

Mitigation

Risk management and compliance with legislation are core to Sasfin's culture and the way we conduct our business. We have a robust, well-established governance, risk and compliance structure, with an active and engaged Board.

Our technology solutions offer seamless on-boarding processes that reduce client frustration.



| Stakeholders | Strategy | Further reading |
|---|--|--------------------|
| <ul style="list-style-type: none"> • Clients • Providers of financial capital • Regulators |  People and culture  Organisational capacity  Product, user experience and innovation | Page 31 Page 74 |

Technology and innovation

Level of control

Technology and innovation are crucial enablers of our strategy, supporting the introduction of new products and services, improving the client experience, increasing efficiencies and enabling integrated reporting across touch points. Increasingly, investors and entrepreneurs want to consume information and interact digitally, but are concerned about the safety of their information.

Innovation also represents a challenge through disruptive advances in technology, new fintech competitors and increased risks such as cybercrime. The cost of keeping technology current requires a significant ongoing investment in IT solutions.

Mitigation

Sasfin focuses on innovation and human capital development and uses technology to further enhance our client relationships through seamless on-boarding, reporting and value-adding tools.

We aim to leverage solutions that address regulatory requirements to advance the overall IT strategy while providing proactive compliance. We upgrade our IT systems on a regular basis and our strategy includes bolt-on fintech acquisitions to serve clients’ needs.



| Stakeholders | Strategy | Further reading |
|---|--|-----------------|
| <ul style="list-style-type: none">• Clients• Providers of financial capital• Regulators | <div> People and culture</div> <div> Organisational capacity</div> <div> Product, user experience and innovation</div> | Page 60 |

BANKING PILLAR



The Banking Pillar provides high-touch business banking, transactional banking, treasury and forex services. The Banking Pillar combines the divisions that serve the banking needs of SMEs in South Africa to improve cross-selling and client service.

ROLAND SASSOON
Chief Executive Officer

THE BANKING PILLAR'S BUSINESS UNITS

| | | | |
|---|------------------------------|-----------------|--|
| Business banking <ul style="list-style-type: none"> • Equipment finance • Trade and debtor finance | Transactional banking | Treasury | Foreign exchange <ul style="list-style-type: none"> • Dealing • Outsourcing |
|---|------------------------------|-----------------|--|

Snapshot*

▲ **5.45%**

BANKING TOTAL
REVENUE

to R760.8m
(2017: R721.5m)

▼ **46.36%**

OPERATIONAL
PROFIT

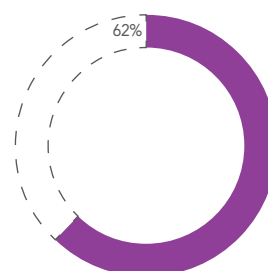
to R107.6m
(2017: R200.7m)

▲ **17.44%**

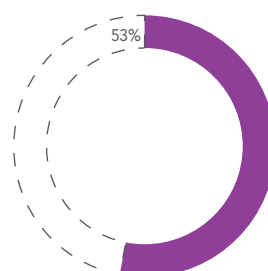
NET LOANS
AND ADVANCES

to R7.6bn
(2017: R6.5bn)

Contribution to Group revenue
– Banking Pillar



Contribution to operating profit
– Banking Pillar



* Sasfin Bank Limited legal entity.

THE YEAR UNDER REVIEW

Performance

| Business segments | | Growth % | 2018 R'000 Banking Pillar | 2017 R'000 Banking Pillar |
|------------------------------|---|----------|---------------------------------|---------------------------------|
| Total income | ▲ | 5.45 | 760 829 | 721 509 |
| Impairments | ▲ | >100 | 132 491 | 65 971 |
| Net income after impairments | | 4.15 | 623 338 | 655 538 |
| Operating costs | ▲ | 14.48 | 520 668 | 454 820 |
| Profit from operations | ▼ | 46.36 | 107 670 | 200 717 |
| Net loans and advances | ▲ | 17.44 | 7 618 495 | 6 487 022 |

The continued weak economic growth in South Africa negatively impacted business volumes and margins, and gross loans and advances increased 17.78% to R7.6 billion (2017: R6.7 billion). Excluding the ATFS transaction, gross loans and advances increased 2.03%.

Banking Pillar revenue grew 5.45% to R760 million (2017: R721 million). However, profit from operations before tax decreased 46% to R107 million (2017: R200 million) as a result of increased defaults and certain one-off costs incurred on the ATFS transaction. The credit loss ratio at 1.20% remains higher than acceptable levels. We took steps to address the credit losses, including refining our credit processes, strengthening our credit team and investigating the enhanced use of credit insurance for larger exposures.

Costs increased due to investment in our digital banking platform and other IT projects, human resources and regulatory risk and compliance, which were offset by a reversal of bonus provisions due to the year's poor performance.

The balance sheet, capital adequacy and liquidity remained strong and the funding base grew 15.55% to R10.4 billion (2017: R9.0 billion). In line with the Basel requirements we lengthened our deposits, improving our liquidity, although this came at an increased cost.

Our focus areas included addressing the credit issues, bedding down new management and the ATFS transaction, refreshing the trade and debtor finance team, launching B\\YOND (page 26), and building scale in transactional banking and forex. We also focused on increasing efficiencies through technology and continued the IT rationalisation process, which included:

- Integrating ATFS onto the Sasfin IT systems
- Rolling out the Leasewave rental system
- The Calypso treasury and forex system
- Developing RDARR compliant reporting (page 62)

BANKING PILLAR continued

Equipment finance

Enables equipment suppliers and users of all types of equipment to grow their businesses through the provision of rental and capital equipment finance.

Progress in 2018

We acquired the entire loan book of ATFS, its employees, IT systems related to the management of the loan book and other ancillary assets. This transaction brings further critical mass to our equipment finance business. Integration of ATFS was a key focus.

We expect to go live with a new rental finance system in 2019.

Capital equipment finance saw decent growth in loans and advances and headline earnings.

Trade and debtor finance

Finances the working capital requirements of small and medium businesses

Progress in 2018

This area was particularly impacted by growth in impairments. Corrective actions are being taken within credit.

There is greater focus on building a more granular book of clients and post-year end the team was significantly strengthened.

Transactional banking

Offers transactional banking services to entrepreneurs, including internet banking, debit cards and the ability to use any ATM.

Progress in 2018

We launched B\\YOND in April 2018, giving our clients access to a secure digital banking platform with enhanced and integrated digital solutions that include basic accounting, payroll and invoicing capabilities. Sasfin is the only South African bank to offer direct feed integration with Xero Accounting Software which provides our clients with a more accurate and secure solution giving them a significant advantage in running their businesses.

Transactional banking clients and volumes are growing, and the division continues to move towards breakeven.

Major steps were taken towards concluding our first alliance banking partnership which we anticipate going live within the new financial year.

Treasury

Operates the Banking Pillar's Money Market and Treasury offerings and is an active participant in the SARB repo window as a full clearing and settlement bank.

Progress in 2018

Treasury was impacted by the higher cost of funding of the Group associated with the lengthening of the funding profile. Total funding grew 15.37% to R10.4 billion (2017: R9.0 billion).

Going forward the Treasurer will play a greater role in capital management of the Group and the Treasury will likely to operate as a Group function.

Foreign exchange

An authorised foreign exchange dealer that offers a complete foreign exchange and forex outsourcing solution for clients.

Progress in 2018

Foreign exchange successfully integrated the IQuad Treasury Solutions business and we expect to see increased contribution from foreign exchange going forward.

We expect to go live with a new integrated treasury and foreign exchange system in 2019.

OUTLOOK

While we expect the current challenging conditions to persist, we will continue to focus on building scale, managing risk and enhancing our technology offerings. We believe that the recent acquisition of ATFS and the initiatives we have implemented, position the Banking Pillar well to grow clients and sales in the short- to medium-term.

WEALTH PILLAR



At Sasfin Wealth we grow the global wealth of our clients and are expanding our target markets and product offering to comprehensively service more investor segments. We provide a wide range of services through four primary business units – Private Wealth Management, Institutional Consulting, Asset Management and Fixed Income Broking. Sasfin Wealth holds Sasfin's investment in the Efficient Group as well as a stake in DMA (formerly Saxo Capital Markets South Africa).

EROL ZEKI
Chief Executive Officer

THE WEALTH PILLAR'S BUSINESS UNITS

Private clients

- Portfolio management
- Equity stock broking
- Wealth advisory

Asset management

Institutional consulting

- Asset consulting
- Healthcare consulting

Fixed-income stock broking

Snapshot

▲ **12.68%**

WEALTH TOTAL
REVENUE*

to R288.8m
(2017: R256.3m)

* Includes fair value adjustment to strategic investments.

▲ **5%**

ASSETS UNDER ADVICE
AND MANAGEMENT

to R40bn
(2017: R38bn)

▲ **>100%**

PROFIT FROM
OPERATIONS*

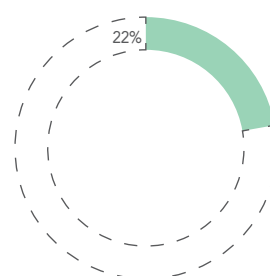
to R43.6m
(2017: R20.6m)

▲ **6%**

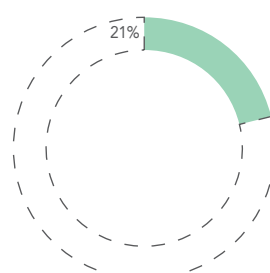
ASSETS UNDER
ADMINISTRATION

to R57bn
(2017: R54bn)

Contribution to Group revenue
– Sasfin Wealth



Contribution to operating profit
– Sasfin Wealth



WEALTH PILLAR continued

THE YEAR UNDER REVIEW

Performance

| Business segments | | Growth % | 2018 R'000 Wealth | 2017 R'000 Wealth |
|------------------------|---|----------|-------------------------|-------------------------|
| Total income | ▲ | 12.68 | 288 849 | 256 344 |
| Operating costs | ▲ | 4.05 | 245 328 | 235 779 |
| Profit from operations | ▲ | >100 | 43 521 | 20 566 |

Sasfin Wealth enjoyed over 30% growth in foreign revenue for the year, driven predominantly by strong inflows into managed offshore share portfolios and the Sasfin Global equity fund. In addition, Sasfin Asset Managers experienced healthy net positive asset inflows, translating into over 40% in revenue growth for the division. Local private client portfolio management and stockbroking fees declined marginally from the previous year. This was largely on the back of weakness across the broader South African equity market during the second half of the financial year and decreased trading volumes on the JSE.

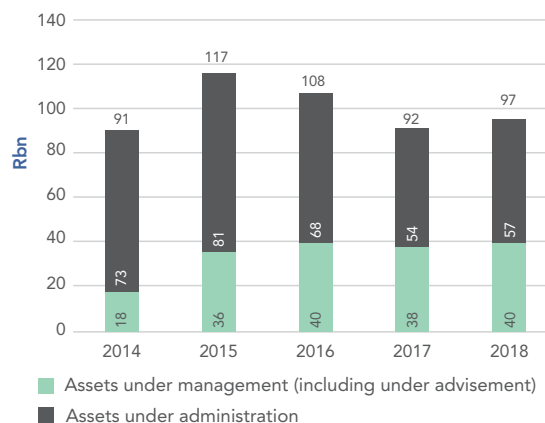
The mark-to-market of the investment in the Efficient Group's share price resulted in large revenue and profit swings from the previous financial year. A large write-down in the previous financial year was followed by a smaller write down in this year. We do not believe the price of the share, which trades in thin volumes, reflects the fair value of the business. When evaluating the investment, we look through the share price to the underlying fundamentals of the business. Efficient Group shareholders have approved a scheme to raise funds and cancel certain profit scheme incentive which we believe is positive for the business.

Wealth Pillar revenue increased 12.68% to R288.8 million (2017: R256.3 million) while total assets under administration and management (including advisement) grew 5% to R97 billion (2017: R92 billion). Costs were well contained despite significant ongoing investments in human resources, IT and marketing.

The Wealth Pillar appointed a new CEO, acquired SIPP Investments (renamed SWIP) in October 2017 and acquired a minority stake in Saxo Capital Markets South Africa (SCMSA) in June 2018.

- SWIP's strong technology and financial services capabilities add seamless solutions to the Wealth Pillar which can be distributed via wealth managers, portfolio managers and independent financial advisors to the investor community (refer to page 62 for the related IT project). Products include managed segregated portfolios, tax-efficient wrappers, online financial needs analysis tools and an advisor portal for independent financial advisors to electronically on-board and service clients.

Assets under administration and management



- The investment in SCMSA, renamed Direct Market Access (DMA) provides access to complementary technology platforms that enable global investing and trading through simple, cost-effective and user-friendly tools. We are a minority shareholder in DMA, with management holding the majority stake. DMA operates independently of Sasfin in servicing its clients which consist primarily of independent financial advisors and boutique asset managers.

Our focus remained on working closely with clients to ensure realistic return expectations and a long-term view, given the current economic environment. We continue to push a theme of true global diversification by offering our clients global investment solutions. We further strengthened the Wealth management team through a number of appointments and invested in technology to improve the client experience and drive productivity.

As a wealth and investment house, our people remain key. Sasfin wealth continue to attract and retain some of the top talent in the industry across its retail and institutional business with some additional high-profile appointments being made in the last financial year. Furthermore, we are working closely with our strategic shareholders, WIPHOLD, to leverage their vast experience and network. This is proving particularly valuable in the asset management space.

Broadening our global investment solutions was another area of focus, while we continue to strengthen compliance to the increasingly complex regulatory environment, both locally and offshore. We are busy rolling out a customer relationship management system that will improve our view of the client and enhance communication and client service (page 62). We also launched an umbrella fund solution, entered Botswana and grew our asset management offering.

| | |
|--|--|
| Private clients | Progress in 2018 |
| Protects and grows the wealth of our clients through high-touch service and tailored local and global investment solutions. | Grew assets under management and administration, but was negatively affected by weakness in the broader local equity market in the second half of the year. We continue to focus on growing our offshore capability in this area. |
| Asset management | Progress in 2018 |
| Offers top-rated investment solutions managed by expert fund managers, designed to meet the needs of institutional and private investors. These include unit trusts, pooled portfolios and structured solutions across multiple asset classes. | Strengthened the asset management team and grew assets under management. We are working closely with WIPHOLD to drive greater transformation in this business and to further grow our corporate and institutional value proposition. |
| Institutional consulting | Progress in 2018 |
| Provides holistic independent asset consulting to pension fund trustees and healthcare consulting services to business clients. | A new head was appointed for this area in 2018 and both healthcare and asset consulting achieved their respective revenue targets. There was strong growth in the investment advice business relationship with Strategic Wealth in Botswana. We continue to see good prospects for this area. |
| Fixed-income stock broking | Progress in 2018 |
| Takes advantage of opportunities in the money, repo and bond markets for institutional investors. | While profit after tax declined marginally in tough trading conditions, we were successful in assisting some entities to access the debt capital markets. |

INVESTMENT OVERSIGHT 17

As a provider of financial advice and discretionary wealth management services, we view governance as moving beyond regulatory compliance towards a broad and comprehensive oversight framework that has the protection of investors at its core. The Sasfin Wealth Investment Oversight Committee (WIOC) is a committee of the Sasfin Wealth Board and chaired by an Independent Non-Executive Director of Sasfin Wealth. It is tasked with the oversight and monitoring of the discretionary investment management and advisory services of the various subsidiaries of the Wealth Pillar.

The output from the Sasfin Wealth Investment Committee (WIC) and the Sasfin Wealth Advice Committee (WAC), the two primary executive committees dealing with discretionary investment management and financial advice, form the basis of the information provided to the WIOC. The WIOC meets

quarterly to review and interrogate all aspects of advice and investment processes and outcomes within the Wealth Pillar.

ESG considerations are increasingly becoming part of the agenda for trustees when it comes to retirement fund investment strategies. The Group has adopted a social and environmental management policy which guides the Group's investment activities.

While the main objective of ESG primarily relates to social responsibility and sustainability, in the long-term it presents alternative investment opportunities that can result in greater investment risk management and enhanced investment portfolio returns. We are cognisant of these considerations at a business and individual portfolio manager and wealth advisor level when undertaking an investment on behalf of the business and our clients.

OUTLOOK

In the absence of a catalyst for positive change, we believe the political, economic and social environment in South Africa will remain uncertain. We will continue to focus on entrenching a long-term view with clients and position our global solutions to improve foreign earnings. The WIPHOLD shareholding improves our B-BBEE level and should improve our access to institutional business.

CAPITAL PILLAR



The Capital Pillar incorporates the Group's investment banking activities and leverages its close connection with the Banking Pillar to offer investment banking services to the mid-market and houses the Group's strategic investments.

FRANCOIS OTTO
Head: Capital Pillar

THE CAPITAL PILLAR'S BUSINESS UNITS



Snapshot

▼ **11.54%**

CAPITAL TOTAL INCOME

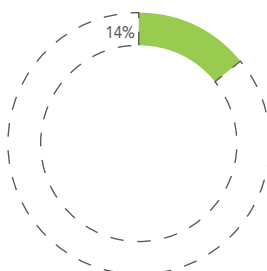
to R168m
(2017: R190m)

▲ **33.35%**

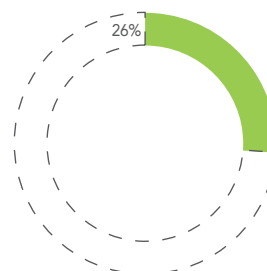
PROFIT FROM OPERATIONS

to R53.1m
(2017: R39.8m)

Contribution to Group revenue
– Sasfin Capital



Contribution to operating profit
– Sasfin Capital



THE YEAR UNDER REVIEW

Performance

| Business segments | | Growth % | 2018 R'000 Capital | 2017 R'000 Capital |
|------------------------------|---|----------|--------------------------|--------------------------|
| Total income | ▼ | 11.54 | 168 250 | 190 192 |
| Impairments | ▼ | 29.45 | 10 911 | 15 465 |
| Net income after impairments | | | 157 339 | 174 727 |
| Operating costs | ▼ | 22.73 | 104 244 | 134 910 |
| Profit from operations | ▲ | 33.35 | 53 095 | 39 817 |

Total income for the Capital Pillar decreased 11.54% to R168 million (2017: R190.2 million). However, there was a strong performance from the Property Equity unit which has successfully turned around over the last few years. The decrease in revenue was due to lower private equity fair value adjustments.

Private equity

Provides equity capital to high-growth entrepreneurial and medium-sized companies to help entrepreneurs unlock the inherent value of their companies and gain access to some of the wealth they have created.

Progress in 2018

Continued to hold investments in the portfolio, with one significant exit and two smaller fresh deployments, with a number of follow-on investments into portfolio companies.

Strategic fintech investing for the Group remains a focus.

Property equity

Partners with mid-market property investors, offering a range of solutions across the property spectrum comprising debt raising, deal structuring, risk assessment and the ultimate exit of an investment.

Progress in 2018

Built a strong portfolio of income generating properties, specifically in the student and affordable housing segments. The book has grown significantly over the past two years. We executed on a number of transactions with attractive risk-reward pay-offs. There were several follow-on investments into existing partner-operated property enterprises.

Corporate finance and special opportunities

Offers a full range of advisory services and balance sheet support to clients for capital raisings, acquisitions, disposals and other corporate actions. Accredited as a sponsor and designated advisor with the JSE. This unit also provides innovative short-term structured solutions for clients, including bridging finance, underwriting and exploiting unique short-term opportunities with attractive risk reward pay-offs.

Progress in 2018

Advised on successful transactions including:

- Notable third-party advisory transactions
- Investment Banking deals
- Sasfin's B-BBEE transaction with WIPHOLD
- Sasfin's R1.1 billion ATFS transaction
- Strategic transactions for Sasfin Wealth

Strategic investments

The Capital Pillar houses the Group's strategic investments, including:

- 30% of Imperial Sasfin Logistics (ISL), which provides freight forwarding and customs clearing services; the other 70% is owned by the Imperial Group
- 51% of Sasfin HRS, a small insurance broking and administration company
- 100% of Sasfin Commercial Solutions, which provides services in global trade and incentives

Progress in 2018

Imperial Sasfin Logistics made progress in restoring profitability through increased revenues from new client growth and reduced overheads.

Sasfin HRS achieved satisfactory profitability and made significant progress in bedding down underwriter relationships and reducing portfolio loss ratios.

Sasfin Commercial Solutions delivered solid results in excess of budget and made progress in streamlining overheads.

CAPITAL PILLAR continued

OUTLOOK

In line with Sasfin's focus on supporting South African entrepreneurs, we have renewed our focus on meeting the more complex financing and advisory needs of mid-market businesses. This includes providing our clients with tailor-made solutions. Our approach is industry agnostic and relies on a partnership model with investee management as strategic industry partners and the Capital Pillar as providers of financial capital.

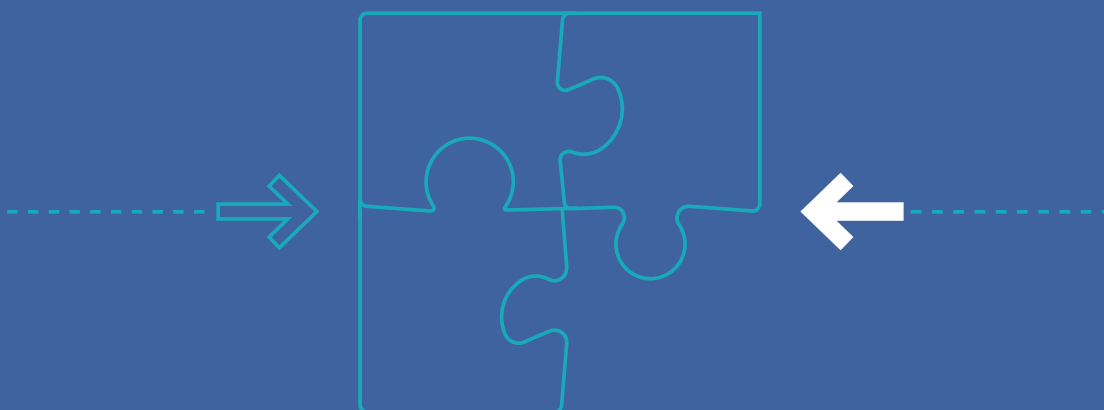
Particular emphasis is placed on the:

- Provision of mezzanine and bridging finance
- Continued roll-out of our unique property equity model
- High-impact financial advisory opportunities with balance sheet deployment potential

We remain interested in high-quality, pure equity deployment opportunities. However, there are more attractive risk-adjusted returns in hybrid debt opportunities with downside protection and we expect significantly more activity in this space.

We will continue to assess potential opportunities to maximise value and grow our balance sheet through acquisitions, strategic investments and partnerships, divestments and optimal structuring in-line with the Group's five-year strategy.

The Group's brand strength, wide product offering, innovative technology solutions, regulated status and solid balance sheet differentiate us from smaller peers and new entrants.



PEOPLE AND CULTURE



Our employees are our greatest asset. Their performance, innovation and positive relationships with our stakeholders are key contributors to our success and we therefore prioritise their work environment and ongoing development.

NASEEMA FAKIR
Head: Human Capital

Sasfin's human capital is a key asset of the Group and the cornerstone of our strategic focus areas (page 21). Our human resource (HR) practices focus on attracting, rewarding, developing and retaining high-performing employees who live the Sasfin values through a compelling employee value proposition which includes:

- Market benchmarked and fair salaries and benefits
- Discretionary performance bonuses
- Provident fund and risk benefits, including life insurance, income continuation benefits and severe illness benefits
- Individual development opportunities
- Wellness days and trauma counselling services
- Flexi-time and the ability to work remotely
- Competitive leave policies
- A collaborative working environment

The human capital strategy is informed by the Group strategy to ensure that it supports achieving Group objectives, including transformation. The Social and Ethics Committee (SEC) monitors compliance with internal targets and engages with management on people development plans. These targets include our employment equity and skills development scores under the Financial Sector Codes (FSC) scorecard.

A Management Transformation Committee was established to manage all elements of the FSC scorecard, per the Board-approved transformation objectives. Sasfin's progress is reviewed quarterly and

any issues are addressed. The executive performance measures also include achieving the Group's transformation objectives, with the SEC, and the Group Human Resources and Remuneration Committee (REMCO) providing oversight.

Achieving meaningful transformation in the short-term remains a challenge and employee turnover in certain business units is a concern. Shortcomings identified by existing and exiting employees are being remedied. Exit interview feedback and focus group sessions enable Sasfin to respond appropriately to specific issues raised by employees. It further deepens our understanding of employee concerns and the reasons for employee turnover.

Refer to page 29 for an overview of our employee stakeholder engagement and page 83 for our remuneration review.

FEEDBACK ON 2018 FOCUS AREAS

In addition to the focus areas overleaf, we revised our leave and overtime policies, revised and improved various employee benefits, established HR Management Committees (Mancos) in each Pillar and introduced new performance management processes and measures.

PEOPLE AND CULTURE continued

The table below provides updates on the HR initiatives communicated in last year's Integrated Report.

| Focus areas | 2018 update |
|--|--|
| A continued focused approach to training and learnerships | We established the Sasfin Learning Academy (page 57), introduced an in-house SETA-accredited learnership programme and initiated a graduate training programme. We also provided facilitation training to HR personnel and Sasfin management. |
| Conscious culture review throughout the Group, with new programmes to enhance the organisational culture and identity | We implemented several programmes to communicate and embed the Group values and revised strategy. We solicited and incorporated feedback from employees on the Sasfin values as part of the Group CEO roadshow. Key value indicators (KVI) were introduced as part of the overall performance review to ensure employees act in an ethical and respectful manner. We also introduced risk indicators in the KPIs of management and executives, to ensure that they conduct themselves in a responsible and sustainable manner, with due regard to all stakeholders. |
| Review our recruitment processes to ensure that we attract and employ candidates with scarce skills at the right reward levels, while maintaining strong talent management and employee relations in line with our brand and culture | Sasfin completed the process reviews and filled key vacancies with good quality candidates within an acceptable timeframe. |
| Review of our existing incentive schemes for each Pillar and the Group. | The Board has approved a new performance incentive scheme for implementation in the 2019 financial year (page 90). |

FOCUS AREAS FOR 2019

Our people and culture strategic focus is to build a team of high-performance, empowered employees with a sense of ownership to drive our business forward. Supporting this, our main focus areas for the coming year are:

- Implement the revised performance incentive scheme across all the Pillars
- Conduct training on our new learning management system and learning library
- Define career paths within each business unit and establish a fast-track programme to accelerate the careers of high-potential employees
- Embed our new performance review process, including the assessment on key value indicators, key risk indicators and 360-degree feedback where appropriate

EMPLOYEE PROFILE

Sasfin employs 775 people (2017: 713). The year-on-year increase is due to the incorporation of Sunlyn's staff into that of Sasfin. Sunlyn was excluded in the 2017 headcount. The headcount also increased due to the Absa employees who joined Sasfin as part of the ATFS transaction.

The Board approved a new transformation objective for HDSA representation in our workforce. Our five-year goal for the management control element (which includes employment equity) is to achieve the lesser of 100% improvement on our 2018 score, or 75% of the target.

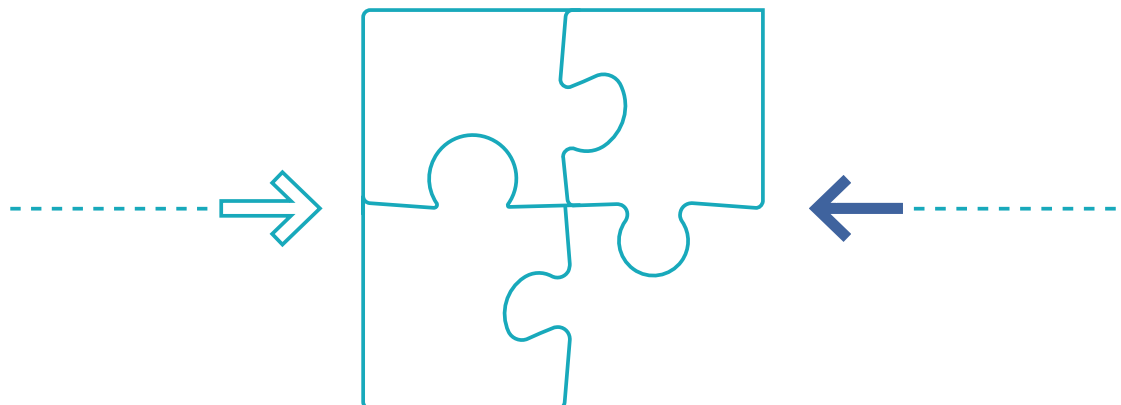
| Race | Male | | Female | | Total | |
|--------------|------------|------------|------------|------------|------------|------------|
| | 2017 | 2018 | 2017 | 2018 | 2017 | 2018 |
| White | 163 | 156 | 160 | 171 | 323 | 327 |
| African | 71 | 81 | 131 | 155 | 202 | 236 |
| Indian | 35 | 39 | 59 | 70 | 94 | 109 |
| Coloured | 18 | 20 | 76 | 83 | 94 | 103 |
| Total | 287 | 296 | 426 | 479 | 713 | 775 |

Sasfin has one employee with a disability and 19 learners with disabilities on a learnership programme.

EMPLOYEE TURNOVER

Total employee turnover decreased to 15.9% (2017: 17.7%). Retrenchments due to operational requirements contribute 20% of the involuntary turnover. Voluntary employee turnover increased to 12.9% (2017: 11.8%). The number of negative exit interviews is within the acceptable risk threshold of below 20%.

We continue to focus on retention, particularly in senior roles due to the high mobility of people with scarce skills in the industry. Succession plans are in place within each Pillar and business unit, and these are annually verified by Group Internal Audit. The SARB annually reviews the executive succession planning.



EMPLOYEE DEVELOPMENT

We invest in our people through learning and development initiatives, a supportive culture, strong leadership, sound working conditions and employee assistance.

Training targets are set for each division by the SEC in consultation with divisional heads, and these targets inform executive, management and individual performance metrics, annual increases and incentive awards.

Formal training and continuous on-the-job learning are provided to ensure employees are equipped with the skills they need. Where required, performance counselling is used to improve performance and in 2018 four employees (2017: eight) received counselling. In addition, Sasfin assists employees in their career paths by sponsoring external training programmes that enhance performance effectiveness, such as the JSE Registered Persons Examination or JSE Traders Examination. Various online training courses are also available via our learner management system (LMS).

We invested R8.4 million (2017: R5.1 million) in skills development of which R1.0 million was spent on employee studies towards formal work-related qualifications (2017: R1.2 million). The employee study loan scheme was changed to a bursary scheme to make training more affordable for our employees. Sasfin's mandatory workplace skills plan and annual training reports were submitted to the various SETAs and we received rebates of R758 000 (2017: R1.3 million).

We launched the Sasfin Learning Academy to provide one platform from which employees can request and complete training. Sasfin Bank was accredited by the BankSETA as a training provider. We are accredited to deliver the NQF Level 5 – Banking Certificate, and are working on accrediting other skills programmes.

GRADUATE DEVELOPMENT AND LEARNERSHIP PROGRAMMES

- **Graduate development** programmes are available to commercial graduates who have demonstrated academic ability but who have little or no experience in the workplace. Five people were employed on our graduate training programme during 2018.
- **Learnerships:** We offer work-based learning programmes directly related to an occupation or field of work for learners with a post-matric qualification. We introduced a one-year learner programme, with 12 previously unemployed learners. Nine learners successfully completed their learnership and were absorbed in permanent positions, with one learner absorbed into our Chartered Accountants (CA) training programme. The remaining learners are still completing their qualifications.

Sasfin partnered with an external provider to assist with learnerships for people with disabilities. We employed 19 people on this learnership programme and 13 successfully completed their learnership.

- **CA training programme:** A SAICA-accredited training programme was developed to give specialised training to allow trainees to qualify as CAs. Our first CA qualified through this programme in 2018. We expect to grow this programme in the years ahead
- **Fast-track programmes:** Designed to equip high-achieving employees with skills that enhance and enrich their career growth to accelerate from junior to middle and senior level positions
- **Coaching:** Aims to improve the individual's performance through enhancing current skills or developing new skills
- **Mentoring:** Assigns a senior or more experienced individual to act as an advisor, counsellor or guide to a junior colleague or trainee

SASFIN LEARNING ACADEMY

Training plays an essential role in the execution of our strategy by promoting academic growth and developing skills in our workforce, building the right Group culture, sparking innovation, improving organisational capacity, creating a talent pipeline and supporting our transformation initiatives.

The Sasfin Learning Academy was launched in June 2018 to drive training and employee development, and is an accredited training provider through the Bank Sector Education and Training Authority. Training programmes are delivered through the Academy, and accredited external training providers are used for courses that are not available at Sasfin.

The Sasfin Learning Academy supports Sasfin's strategy by:

- Creating a strong talent pipeline of competent employees with relevant skills and qualifications
- Implementing a fast-track programme to accelerate the development of high-performing, high-potential employees
- Enabling employees to take responsibility for their career development
- Facilitating skills transfer through mentoring and coaching
- Identifying and sharing career path options with employees
- Providing regulatory training to employees

An LMS was implemented to support training by creating a centralised source of information and learning opportunities, training content and assessments for various training courses. It includes a training library with information on career paths that lists all positions available within Sasfin. Employees can identify their own career paths and use the information for career development purposes by matching minimum requirements for the various positions against the training offered through the Academy.



EMPLOYEE SATISFACTION

Entrenching the required Group culture is a key part of our strategy and, along with opportunities for growth, is an important contributor to employee satisfaction. We regularly review HR policies to align with employees' evolving needs and conduct focus sessions and exit interviews to identify concerns that may contribute to employee turnover. In light of the ATFS transaction and the organisational restructure, Sasfin decided not to conduct an employee engagement survey in 2018.

We launched a new communications plan and the new Group CEO conducted a roadshow across all branches to share Sasfin's five-year strategy and re-emphasise the Group values with employees, as well as to solicit their feedback. Key value indicators were introduced into our performance management measures and processes and the new organisational structure has empowered management with new mandates for recruitment and remuneration.

Our recruitment processes aim to employ talented candidates through a stringent process that tests for attitude and culture fit, in addition to the job's technical requirements. This is to ensure that successful applicants integrate well in our teams. We also designed a new performance incentive scheme for implementation in the 2019 financial year (page 90).

Employee wellness remains a priority. We host wellness days, partake in and sponsor various external initiatives (such as the Sasfin Cyclethon and Mandela Day activities) and drive internal campaigns to create sound relationships with and among employees.

In 2018, six employees (2017: one) were injured while at work, five of whom did not require hospital treatment. We achieved an independent rating of 98% (2017: 99%) for compliance with the Occupational Health and Safety Act. For further information please refer to Social and Ethics Committee Report on page 96.

CORPORATE CITIZENSHIP

Sasfin is fully committed to South Africa and our CSI programme supports sustainable projects that contribute to the socioeconomic development of the country. Sasfin focuses on promoting entrepreneurship and wealth creation, both of which are improved by education. We therefore primarily focus on projects that ensure sustainable development in education, financial literacy and care for vulnerable people.

Implementation of the CSI programme is monitored by the SEC. We support a wide variety of organisations through donations and sponsorships, with an emphasis on a few flagship projects so that greater impact can be achieved in these areas. We also ensure that the majority of the selected projects contribute meaningfully to socioeconomic development points in our B-BBEE scorecard.

Sasfin invested R1.7 million in CSI projects (2017: R1.4 million). Employee volunteerism is an important part of our corporate culture and our employees offer significant support for a number of community and fundraising projects.

Some of our flagship projects during 2018 included:



Supports early childhood development, child and youth development, youth skills development and placement programmes to help underprivileged youths build self-sustaining and productive lives.



Helps children in need with facial conditions through corrective reconstructive surgery and treatments.



Supports business development, teacher training, skills development, work readiness programmes and basic computer literacy.

We also supported a further 20 organisations, mainly in the areas of caring for the sick and vulnerable, and youth education. This included sponsorship for the GIBS Ethics and Governance Think Tank, which initiates and engages in important conversations about the state of ethics in government and corporate South Africa.

Employee initiatives included support for Starsaver during which employees went to schools to teach children the value of saving, and working with Afrika Tikkun on Mandela Day. Employees also donated non-perishable items, medical goods, clothes, and money for victims of the fires in Knysna and Plettenberg Bay. They also attended a handover of uniforms, stationery, textbooks and a car to transport students at Impumelelo Day Care Centre in Grasmere.

In the new year, we will continue our support of organisations that align with our focus areas and aim to add flagship programmes in the areas of education and bursaries, consumer education and enterprise development.



GOVERNANCE OF TECHNOLOGY AND INFORMATION ¹²

The Board is committed to strengthening our technology capabilities and risk management associated with technology and information, particularly in light of rapid technological change and evolving risks such as cybersecurity.

The Board is responsible for governing technology and information. It has delegated this responsibility to the Information Technology (IT) Committee to oversee IT governance and monitor the development and execution of an IT strategy through an IT governance framework, policies and procedures.

IT is a key enabler in achieving the Group strategy, with a mandate to identify and implement projects that grow revenue, increase operational efficiencies, support compliance, innovate, and mitigate risk. IT enables Sasfin's client-centric model by allowing clients to conveniently and safely access our services, and provides new products and services that better meet our clients' needs. IT systems also play a critical role in driving internal synergies between business units.

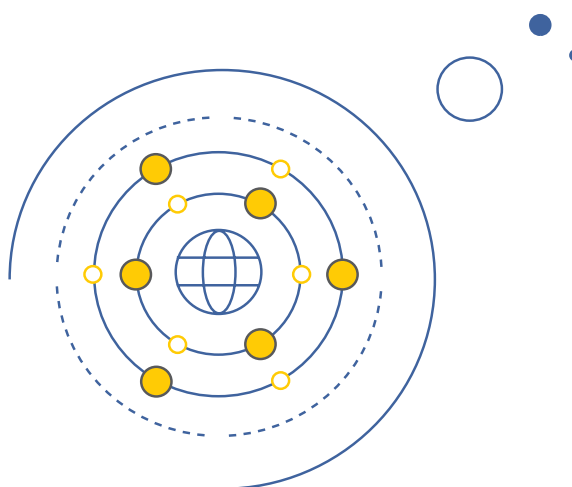
Sasfin's IT Manco meets weekly to discuss strategic focus areas and critical issues. In addition the Board's IT Committee meets quarterly and provides oversight, monitors and evaluates significant IT investments and expenditure, and oversees the governance of IT risk. Information and technology are a standing agenda item at quarterly Board meetings.

IT policies, standards, procedures and frameworks are set at a Group level and apply across all business units. The effectiveness of IT governance is assessed through the compliance and risk management functions, with risk-based assurance on controls provided by internal and external audit.

Material IT projects are presented to the IT Committee for approval as a business case, with a mandate to increase revenue, improve operational efficiency or a combination of these factors. Projects above R10 million must be approved by the Board. A year after implementation, projects are reviewed by Group Internal Audit who reports to the IT Committee on whether the projected benefits were delivered.

INFORMATION MANAGEMENT

Information is managed through the data services team, which includes business intelligence and data governance. The data itself is owned by the business units and the IT Department provides the tools and mechanisms to manage, move and secure the data. The data governance officers report to the head of data services.



IT MANAGEMENT ARCHITECTURE

OUR STRATEGIC DIRECTION

In today's ever-evolving digital age, technological innovations pose new challenges and opportunities in how businesses operate. The uncertain political and economic environment globally, legislative changes, cyber security threats and the introduction of new competitors entering the market have ensured that we need to take further ownership of our strategy which included enhanced focus on service delivery and excellence, and improving our existing infrastructure.

We strive to run Sasfin's technology reliably, securely and cost effectively, and deliver business value through excellence in service and project execution. We have placed considerable emphasis on eliminating or reducing single points of failure across the three key components of business – people, process, and technology, and aim to ensure we protect our intellectual property, in both systems and people.

In line with the IT governance framework and strategy approved by the Board in 2017, the IT operating model has transitioned from a capability-based model to a competency-based model. We have a rigorous process to manage project prioritisation from project initiation to project delivery to ensure time costs and quality controls are strictly managed.

Sasfin IT defines its purpose as going above and beyond to enable growth in the business and global wealth of our clients through business insights, technology and innovation. The IT strategy supports the Group's strategy focus areas (page 21) and has four strategic IT priorities:

- People
- Service excellence
- Enabling business growth of our clients through partnerships
- Digitalisation

In addition to these priorities, we have placed a particular focus on the following areas:

- Information security – aggressive five-year roll out programme
- Consolidation of three rental finance systems into Leasewave, and the consolidation of several Forex trading and treasury systems into Calypso
- Digital onboarding of our business banking clients
- CRM onboarding of Microsoft Dynamics throughout the Group

Once a month, Capability Forums bring together IT professionals with equivalent roles from across the feature teams to improve knowledge sharing, network and facilitate career progression.

Our management structures ensure that IT maintains a close relationship with its primary internal stakeholders and has a sound understanding of their requirements, priorities and concerns. IT is also represented on industry associations such as the South African Banking Risk Information Centre and, if required, on the projects of our primary regulator, the SARB.

Sasfin IT has introduced a unitised cost model to ensure cost recovery from business units follows a scientific and logical methodology. This results in a fairer distribution of costs that improves transparency in IT costs and enables business to make decisions based on accurate information.

STRATEGY AND APPROACH

We approach regulation and compliance as an opportunity and believe being an early adopter can become a competitive advantage. While regulations in the banking industry are onerous, we focus on the underlying intent and purpose of the requirements and identify how we can embrace these to give Sasfin a competitive advantage or become a differentiator in our target markets. An example of this is the RDARR project which is being implemented to support risk data aggregation and risk reporting required by the SARB. The roll-out of the project has been used as an

opportunity to implement the data services strategy in parallel to establish a new architecture for data services that aligns with the restructured business.

A redundant and resilient network infrastructure has been designed to ensure continuity of operations. Maintenance and upgrade of core infrastructure are done on an ongoing basis. Formal disaster recovery plans and backup strategies are in place and these plans are tested regularly and updated accordingly.

KEY FOCUS AREAS DURING 2018

Our highlights include the redesign of the IT Department, the successful launch of B\\YOND and the good progress made on key projects.

The IT Department's main focus areas in 2018 were:

- Getting 'back to basics' and investing in technology in the Banking and Wealth Pillars to ensure that these businesses remain competitive and grow in a rapidly changing and uncertain market
- Keeping Sasfin's technology competitive by decommissioning legacy systems, consolidating systems and adopting mature outsourced systems and infrastructure for base and commoditised services
- Adopting a 'fast follow' approach to technology that supports Sasfin's lean and nimble nature so capital can be used for strategic business acquisitions
- Aligning Sasfin's IT to the new business operating model
- Launching B\\YOND, Sasfin's new digital business banking platform (page 26)

Sasfin is in a capital investment phase with a number of large projects being rolled out across the Banking and Wealth Pillars. During 2018, these included the following projects:

- **Leasewave** migrates three rental and capital equipment legacy systems onto a single platform and is scheduled to be completed in the second half of 2019.

- **Calypso** replaces six treasury and forex solutions with a software-as-a-service cloud-based system, with a significant reduction in infrastructure costs and is scheduled to be completed in 2019.
- **RDARR** establishes the systems to comply with the SARB's effective risk data aggregation and risk reporting requirements. The programme has been reconstituted; a new vendor partner was engaged and the project is on track to be completed in 2019.
- **CRM** implements an end-to-end CRM system Group-wide to provide users with a single platform (Microsoft Dynamics) to manage the full client life cycle.
- **The ATFS transaction** required the relocation of the ATFS server infrastructure to the Sasfin data centre, migration of all ATFS users to the Sasfin domain and integration of systems and servers into Sasfin.
- **The SIPP acquisition** required the integration of SIPP into our website so clients can perform self-assessments and on-boarding through SIPP.

Our main challenges remain:

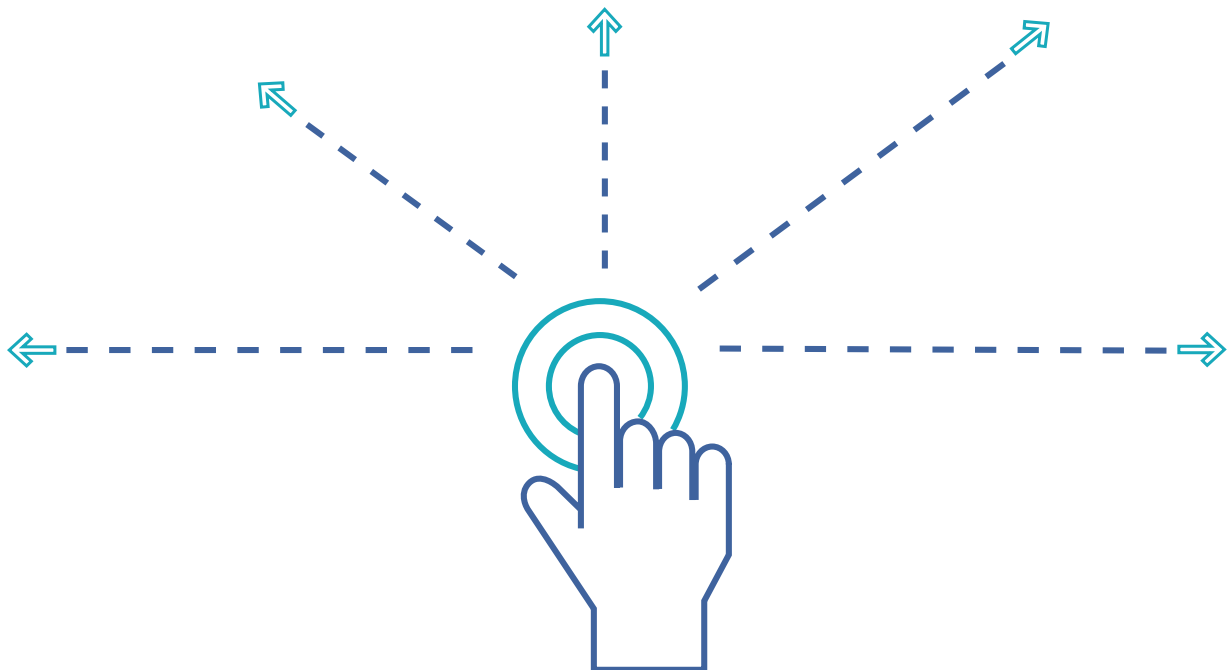
- **Cybercrime**, which is a significant and ongoing risk. We have a three-year roadmap to ensure that cybersecurity is prioritised and progress is presented to the IT Committee, Sasfin Board and SARB on a quarterly basis.

- **Financial control** requires that we use the IT budget as effectively as possible to generate a return on IT investments. The introduction of unitised costing to drive commercially informed decisions was one of the measures introduced to support this.
- **People management** is critically important, specifically finding and retaining the relevant skills and right cultural fit. The speed with which the technological landscape is moving requires us to rethink our attraction, development and retention model, particularly in the context of high employee turnover in the IT industry. Where skills are scarce, we engage with technology partners to supply technical expertise. (Refer to our human capital review on page 53).

FOCUS AREAS FOR 2019

Our five-year strategy aims to use technology as a key enabler in improving our clients' experience and to support agile product development and implementation. Aligned with that, our 2019 focus areas are:

- Implement a new IT solution for rental finance
- Enhance the IT infrastructure to support the Transactional Banking business
- Establish a project office that brings together IT and business to effectively execute IT projects and measure their returns
- Place ongoing focus on architecture, service delivery and cybersecurity



The Board took time during the year to evaluate whether we are discharging our obligations appropriately and we are satisfied that we have fulfilled our responsibilities in accordance with the Board charter.



OVERVIEW

The application of good governance is essential to achieving an ethical and effective Group able to create sustainable value for our stakeholders. Sasfin adopts an approach which places primary responsibility for the ethical tone and standards of governance with the Board.

The Board's functions are summarised in a charter which was reviewed and adapted to better embrace King IV's principles of good governance, including the roles of the Chair and the Lead Independent Director. It also incorporates the most recent corporate governance principles for banks issued by the Basel Committee on Banking Supervision. These standards place diligence, ethics and effectiveness at their core. They also consider the relevant South African context in which the Group operates by underscoring the importance of diversity and social responsibility, including setting of appropriate targets for gender and racial diversity. Directors are provided with ongoing training to ensure they are equipped to meet the standards of conduct expected of them.

The Board considered numerous aspects of the four corporate governance outcomes of King IV – ethical culture, good performance, effective control, and legitimacy. This included a specific focus on ethical

culture, which included a governance review and introducing ethics as a compulsory element of executive KPI performance. Performance and value creation were debated at length when the Board approved the annual strategy in March 2018 and the budget in June 2018. Adequate and effective control was dealt with at every Board meeting through an ongoing evaluation of the governance framework, reviews of Board charters and mandates, and its monitoring of executive and managerial actions.

These principles are not limited to the boardroom. Both prudential and market conduct standards, together with risk management policies and procedures, ensure that the Group's activities are conducted responsibly in the interests of all stakeholders and are intended to drive the Group's key strategic objectives.

Sasfin's 2018 King IV disclosure matrix is on page 99.

GROUP GOVERNANCE FRAMEWORK AND STRUCTURES

We maintain a Group governance framework to regulate relationships between the various entities within the Group and to ensure that arrangements between holding and subsidiary companies are appropriate.

The Board is the ultimate custodian of our business operations and is responsible for ensuring the application of our strategy throughout the business. It holds management accountable for delivering and balancing short- and medium-term performance with long-term sustainability and value creation, within the Group's approved risk appetite and framework. The Board monitors and receives reports to ensure effective control across all of the Group's activities.

At the start of 2018 the Group was restructured, grouping all subsidiaries under one of three Pillars. Each Pillar is headed by a primary Pillar holding company and has its own board, responsible for oversight and strategic development of the businesses within the respective Pillars. The Pillar boards report to the main Board.

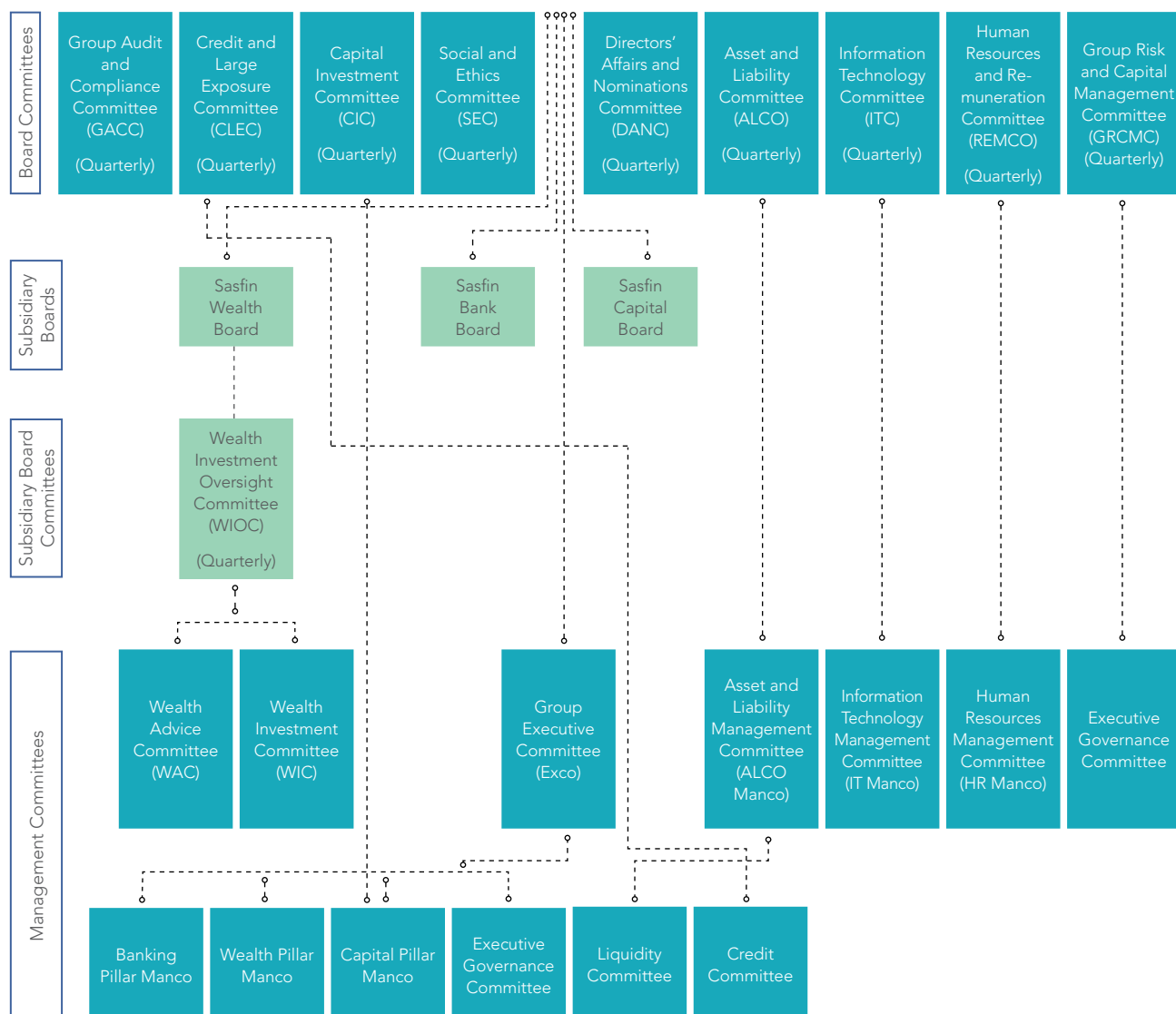
Following the restructuring, an external evaluation of the Group's governance structures and processes was conducted. The recommendations we implemented focused largely on ensuring the integrity of information reaching the Board and improving the level of accountability within the Group. We also reviewed all Board and committee charters to ensure alignment with King IV and the most recent international banking industry standards, and that the subsidiary Boards and Mancos better reflected the new Pillars. These are available at www.sasfin.com/investor-relations/.

Furthermore, we restructured the Group Exco into a more effective and more strategically focused committee, introduced an Executive Governance Committee and established monthly Manco meetings at the Pillar level.

GROUP GOVERNANCE FRAMEWORK AND STRUCTURES continued

To assist the Board with its responsibilities, a number of statutory and operational Board Committees are in place. Also refer to risk structures on page 33.

SASFIN HOLDINGS BOARD



LEADERSHIP TEAM 7

Over the past 18 months, the extent of governance failures in South Africa has become clearer. These developments re-emphasised the critical importance of good governance through effective and ethical leadership to set the tone at the top in the long-term sustainability of all organisations. More than ever, leadership is challenged to maintain its focus on ethical conduct, good governance and risk management.

BALANCE OF POWER

The Board consists of a diverse group of skilled Directors from varying backgrounds in terms of demographics, skills and experience (page 72). The majority of our Directors are Non-Executive, the majority of whom are classified as independent (page 68). The independence of Non-Executive Directors is assessed annually.

The Chair of the Board is an Independent Non-Executive Director. The Chair is responsible for ensuring the integrity and effectiveness of the Board and its Committees. In addition, the Chair is required to:

- Exercise independent judgement, act objectively and ensure that relevant matters are prioritised correctly
- Provide overall leadership to the Board without limiting the principle of collective responsibility for Board decisions
- Ensure that all Board members are fully involved and informed of any business matter on which a decision has to be taken
- Ensure that Executive Directors play an effective management role and participate fully in the operation and governance of Sasfin
- Avail himself to the Group CEO between Board meetings to provide counsel and advice
- Ensure that the performance of the Group CEO is evaluated regularly

He is supported in his duties by the Lead Independent Director, whose duties include:

- Perform the duties of the Chair when he is absent or when his independence is questionable or impaired
- Preside at all meetings of the Board at which the Chair is not present or where he is conflicted, including any sessions of the Independent Directors
- Assist the Board to deal with any actual or perceived conflicts of interest that arise on the part of the Chair
- Serve as intermediary between the other Directors and the Chair
- Deal with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where contact is inappropriate
- Lead the Chair's performance appraisal

LEADERSHIP CHANGES DURING 2018

Sasfin has committed to apply the principles of King IV relating to race and gender diversity and the mix of skills and experience. We have a standing agenda item in our DANC which assesses the mix and skills of the Directors. When a vacancy arises, consideration of all these factors are taken into account by the committee before recommending any nominee.

Five new Non-Executive Directors and one Executive Director were appointed to the Board:

- Gloria Serobe (Non-Independent)
- Gugu Dingaan (Non-Independent)
- Angela Pillay (Executive)
- Richard Buchholz (Independent)
- Gugu Mtetwa (Independent)

Shaun Rosenthal was appointed as an alternate Non-Executive Director to Gloria Serobe.

In August 2017, after six-and-a-half years of service to the Group, John Moses retired as an Independent Non-Executive Director of the Board and the relevant Sasfin subsidiary boards.

Succession planning

The Board considered and approved a detailed succession plan which ensures, that at least on a temporary basis, internal resources are identified to fill any unexpected vacancy within Group Exco or the Board, including Executive Directors. The SARB approves the succession plan on an annual basis.

The DANC, which is responsible for the nomination of Directors, regularly reviews the Board's composition and considers whether the tenure of any Director is anticipated to end. It also considers whether there are sufficient Directors with the appropriate mix of skills and diversity. If any gap is identified or anticipated, an appropriate search is undertaken. The DANC considers the Board's composition appropriate for the requirements of the Group. Consequently, no specific candidates are under consideration.

LEADERSHIP TEAM continued

BOARD OF DIRECTORS



ROY ANDERSEN (70)

Independent Non-Executive Chair of Sasfin Holdings Limited and Sasfin Bank Limited

CA(SA), Certified Public Accountant (Texas), Chartered Director (SA)

Appointed 2011

Roy was previously Chairman of Ernst & Young, Executive President of the JSE, CEO of Liberty Holdings Limited, Chairman of Sanlam Limited and a director of Standard Bank Group Limited. He is currently a director of Aspen Pharmacare Holdings Limited and Nampak Limited, and is a member of the King Committee.



SHAHIED RYLANDS (46)

Independent Non-Executive Director (Lead)

Accounting and auditing qualification (UNISA)

Appointed 2007 (Sasfin Bank Limited in 2006)

Shahied previously served in various senior roles within the Arcus Group of companies. He is currently a director of Royal Africa Gateway, First Mahlube Investments and Leonis Newwest Advisory and Investments.



GLORIA SEROBE (58)

Non-Executive Director

BCom, MBA, Chartered Director (SA)

Appointed 2018

As one of the founders of WIPHOLD, Gloria has experience in a broad spectrum of sectors, including financial services, mining, and agriculture. She is a director of several WIPHOLD companies, Adcorp Holdings Limited and Sasol Mining.



LINDA DE BEER (49)

Independent Non-Executive Director

CA(SA), MCom (Tax) (University of Pretoria), Chartered Director (SA)

Appointed 2014

Linda is a financial reporting and corporate governance advisor. She is a member of the King Committee and chairs the Financial Reporting Investigations Panel (FRIP) of the JSE. Linda is currently a director of Aspen Pharmacare Holdings Limited, Aspen Finance (Proprietary) Limited, and Omnia Holdings Limited.



GUGU MTETWA (38)

Independent Non-Executive Director

BCom (Accounting), PG Dip (Accounting) (University of Cape Town), CA(SA)

Appointed 2017

Gugu is a senior executive with more than 15 years of experience in the financial services and telecommunications industries, with specific expertise in short- and long-term insurance, investment management, real estate and technology. She is a director at the Development Bank of South Africa, Santam Limited, Landbank, Italtile Limited and Equities Property Fund.



GRANT DUNNINGTON (58)

Independent Non-Executive Director

BCom, Certified Associate of the Institute of Bankers

Appointed 2010

Grant has a career history in banking having served in various senior positions at FirstRand Bank Limited, whereafter he moved to SBV Services Proprietary Limited where he served as Group CEO for 16 years, having retired in 2017. He holds various other Director and Trustee positions.



GUGU DINGAAN (42)

Non-Executive Director
BCom (University of KwaZulu-Natal),
PG Dip (Accounting) CA(SA), Executive
Development Programme

Appointed 2018

Gugu joined WIPHOLD in 2001 after completing her articles with PwC. She has been involved in corporate finance, where she worked on mergers and acquisitions, transaction structuring and valuations. She is a non-executive board member of a number of WIPHOLD investee companies, as well as a director of Adcorp Holdings Limited, Adcorp Staffing Solutions and Distell Group Holdings Limited.



RICHARD BUCHHOLZ (60)

Independent Non-Executive Director
BCom (University of Cape Town), CA(SA)

Appointed 2018

Richard has 26 years' experience in the financial services industry, mostly in banking, where he fulfilled senior roles in audit, commercial banking and risk management.



SHAUN ROSENTHAL (54)

Alternate Non-Executive Director
CA(SA), CFA

Appointed 2018

Shaun is the co-head of investments at WIPHOLD. He has more than 25 years' experience in financial services as an executive in corporate finance, trade finance, private equity and investment banking and as a non-executive director on the boards of asset management, stock broking and treasury management companies.



MICHAEL SASSOON (36)

Group Chief Executive Officer,
Chair of Group Exco
BCompt (Unisa), MBA (University of
Rochester) (USA)

Appointed 2015 (appointed alternate Executive Director in 2013)

Michael Sassoon is the Group CEO of Sasfin Holdings and has assumed responsibility for many areas of the Group, including having led and grown the Wealth and Capital Pillars. He was also directly involved in many areas of the banking operations having been appointed an Executive Director of Sasfin Bank and Sasfin Holdings in 2014.



ROLAND SASSOON (72)

Chief Executive Officer: Sasfin Bank
FCIS

Appointed 1979

Prior to joining Sasfin, Roland had 10 years of experience in factoring, leasing, export, shipping, and confirming. Roland led the Group from 1979 and stepped down as Group CEO in January 2018. Roland is responsible for the Banking Pillar's activities at Sasfin.



ANGELA PILLAY (43)

Group Financial Director
CA(SA), MCom (Finance), Executive
Leadership Course

Appointed 2018

Angela joined Sasfin from Liberty Financial Services where she held the position of Chief Financial Officer. She has 15 years of banking experience in designing, leading and implementing a broad range of initiatives to support business strategy. Prior to joining Liberty, Angela was employed at Barclays Africa Group Limited and First National Bank.

LEADERSHIP TEAM continued

GROUP EXECUTIVE COMMITTEE



MICHAEL SASSOON (36)
Group Chief Executive Officer,
Chair Of Group Exco
See Board of Directors



ROLAND SASSOON (72)
Chief Executive Officer: Sasfin Bank
See Board of Directors



ANGELA PILLAY (43)
Group Financial Director
See Board of Directors



NASEEMA FAKIR (45)
Head: Human Resources
BCom (Hons) (Unisa), MBL (Unisa)
Joined the Group in 2001 and appointed to
Group Exco in 2006.



LINDA FRÖHLICH (49)
Head: Business Banking
Diploma in Financial Management
(Damelin)
Joined the Group in 2002 and appointed to
Group Exco in 2013. Appointed alternate
Director of Sasfin Bank Limited in 2018.



MASTON LANE (52)
Chief Operating Officer: Banking Pillar
National Certificate (United Institute of
Credit Management), SIRM (UK)
Joined the Group in 2000 and appointed to
Group Exco in 2003. Appointed alternate
Director of Sasfin Bank Limited in 2018.



EROL ZEKI (41)
Chief Executive Officer:
Sasfin Wealth
BCom (Hons) Investments and Marketing
and BCom (University of Pretoria). CFA,
registered member of the South African
Institute of Stockbrokers (SAIS)
Joined the Group in 2017 and appointed to
Group Exco in 2017.



FRANCOIS OTTO (37)
Head: Capital Pillar
CA(SA), CFA, JSE-Approved Executive
Joined the Group and appointed to Group
Exco in 2015.



ANDREW (JOSH) SOUCHON (53)
Chief Information Officer
BEng (Hons) (Imperial College, University
of London, UK)
Joined the Group and appointed to Group
Exco in 2016.



HOWARD BROWN (53)

Head: Legal, Group Company Secretary

BA (Wits), LLB (Wits), HDip Corporate Law (UNISA) (cum laude))

Joined the Group and appointed to Group Exco in 2006.



STEWART TOMLINSON (52)

Chief Risk Officer

BCom (Wits), Hons BCompt (UNISA), CA(SA)

Joined the Group in 2018 and appointed to Group Exco in 2018.



MICHAEL BLACKBEARD (57)

Head of Compliance

Blur LLB LLM (University of Pretoria), Senior Executive Programme (Wits and Harvard University)

Joined the Group in 2018 and appointed to Group Exco in 2018.



DHESEGAN GOVENDER (43)

Group Treasurer

BActt (Hons) (University of KwaZulu-Natal), CA(SA)

Joined the Group and appointed to Group Exco in 2018.



MAGDA OOSTHUYSEN (54)

Head: Credit

BCom (Hons) (University of Johannesburg), CA(SA), HDip Tax Law (Wits)

Joined the Group and appointed to Group Exco in 2017.



RICHARD WARREN-TANGNEY (45)

Chief Audit Executive (invitee)

BCom (Hons) (Accounting) (Wits) Registered Auditor (RA), CA(SA)

Joined the Group and was appointed as an invitee to Group Exco in 2018.

LEADERSHIP TEAM continued



LEADERSHIP DIVERSITY AND INDEPENDENCE

Diversity

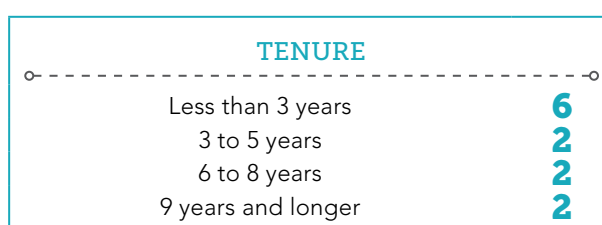
The Board is cognisant of its need to achieve balance, diversity and transformation and has set targets for its composition – 35% black Directors and 35% female Directors. The Group's Board representation already meets these targets, which are reviewed annually.



The Board mix was considerably enhanced with the appointments of Gloria Serobe, Shaun Rosenthal, Gugu Mtetwa, Gugu Dingaan and Richard Buchholz. The composition of Sasfin Holdings Limited Board as at 30 June, is as follows:



| GENDER |  |  |
|--------|---|---|
| 2017 | 3/10 | 7/10 |
| 2018 | 5/12 | 7/12 |
| Target | 35% | |
| Actual | 42% | |

Additionally, the Group has, as part of its five-year strategy (page 21), set employment equity targets for the appointment of executives and other strategic appointments, as well as the composition of Group Exco in five years' time. A number of programmes have been initiated to fast track and develop talent to assist us in meeting these strategic objectives.



| DEMOGRAPHICS |  |  |
|--------------|---|---|
| 2017 | 7/10 | 3/10 |
| 2018 | 7/12 | 5/12 |
| Target | | 35% |
| Actual | | 42% |

Independence

The Board performs an annual independence evaluation of each Non-Executive Director. The assessment considers all relevant factors that may impair their independence, including their Board tenure and any direct and indirect economic interests they may have in the Group.

All Directors and the Company Secretary are obliged to declare their interests at the start of each Board meeting and are required to recuse themselves from all decisions where there is either a perceived or actual conflict of interest.

No Director or prescribed officer is allowed to trade either directly or indirectly in any shares without the permission of the Chair. The Chair is required to satisfy himself that the proposed trade falls within Group policies and ensures that the trade would not constitute an offence under the Financial Markets Act. Additionally, all employees are subject to a code of conduct which expands on the code of ethics. The conduct of employees is monitored by Group

Compliance. An electronic risk and compliance management system was introduced to assist in monitoring conduct and ethics awareness among our employees.

Specific independence assessment

Shahied Rylands, the Lead Independent Director, has served on the Board for more than nine years. The DANC therefore specifically considered his independence. The Board, having regard to the manner in which he acts, concluded that he remains independent. The Board also examined his conduct and voting record, and considered Shahied to in no way be partial to management or any other interest group as a result of his tenure.

The SARB recently introduced revised governance standards which will influence the assessment of Directors' independence and may result in the re-evaluation of the status of certain non-Executive Directors. In instances where the Board's evaluation may differ from the guidelines, the Board will engage with the SARB as may be appropriate.

GOVERNANCE PROCESSES

DELEGATION OF AUTHORITY ⑧ ⑩

The Board delegates specific roles and responsibilities to committees which operate under approved charters. Members for each committee are selected according to their suitability in terms of qualifications and experience.

Group Exco and management operate under a defined authority matrix which is aimed at ensuring there is effective collaboration and accountability. In light of the restructure of the Group, the Sasfin Wealth Board and the Sasfin Capital Board have both assumed responsibility for the strategic direction and operational oversight over the Wealth Pillar and Capital Pillar respectively.

The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

BOARD EVALUATION ① ⑨

The Board and each committee conduct formal annual effectiveness evaluations in respect of the Board itself and for each committee. The 2018 evaluation was formal and internal, and included a comprehensive questionnaire and internal review process. The Chair is assessed by the Board under the leadership of the Lead Independent Director. An external effectiveness assessment of the Board is conducted every third year.

The Board is satisfied that the evaluation process helps to improve its performance and effectiveness.

Company Secretary ⑨

The Board is satisfied with the competence and experience of the Group Company Secretary, Howard Brown. Howard is an admitted attorney with more than 20 years of experience in corporate and company law (page 71). The Board is satisfied that he maintains an arm's-length relationship with Board members.

The Board is able to access professional corporate governance services whenever required. The Board engaged PwC to review and make recommendations to enhance the governance framework (page 65). The Board believes that the process of engaging professional services is effective.

ETHICS AND COMPLIANCE ① ② ⑬

Sasfin is committed to the highest standards of ethical, moral and legal business conduct. The Board charter emphasises our foundation of diligence, ethics and effectiveness.

Ethics

The Board sets the Group's ethical tone and operates with a strong culture of integrity and competence. It is every Sasfin employee's responsibility to ensure that their business behaviour aligns with the highest ethical standards and our values. This approach is integral to our relationships with our clients, suppliers, shareholders and other stakeholders, and is implicit in how we do business.

The Social and Ethics Committee assists the Board with oversight of social and ethical matters, and ensures policies to maintain ethics and compliance are implemented by management throughout the Group. A Client High Risk Management Committee was established to increase oversight and manage reputational risk and potential money laundering issues.

Robust policies are in place to prevent market abuse, conflicts of interest, bribery and other unethical conduct. Other policies promoting positive ethics, including fair working conditions and the code of conduct, are also disseminated to employees and other stakeholders. Anti-bribery and anti-corruption measures were implemented and supported by awareness programmes.

All employees subscribe to the Group's code of ethics, which is informed by the Code of Banking Practice and formalises the ethical standards and expected behaviour for the Group. The overall ethical climate of Sasfin is reviewed against this code on an ongoing basis. Individual standards of conduct, accountability and effectiveness are regularly assessed in a fair and transparent manner and business ethics are included in the personal performance measures that drive annual incentives.

We further promote ethics in government and corporates by sponsoring the GIBS Ethics and Governance Think Tank, which initiates and engages in important conversations about the state of ethics in government and corporate South Africa.

GOVERNANCE PROCESSES continued

Sasfin has a zero-tolerance approach towards fraud. Employees, clients, suppliers and other stakeholders are able to report concerns to the anonymous whistle-blower line (0800 000 902). The hotline is managed by an independent external service provider and was relaunched during the year to raise awareness in the Group. Details of other channels for anonymous tips offs are available on our website at www.sasfin.com/safety-and-security-centre/, which also includes information on how clients can avoid fraud, money laundering and other financial crime.

Breaches of the ethics policy, including those logged through the whistle-blower hotline, are reported to the Social and Ethics Committee. The Group Audit and Compliance Committee also has a focus on ethics. There were zero incidents reported through the whistle-blower channels.

During 2018, the following initiatives received attention:

- Reviewed the Group's products and services to ensure that they align to the outcomes of the TCF regulations and conducted TCF training
- Established the Executive Governance Committee and the Client High Risk Committee
- Introduced an electronic risk and compliance management system to assist in monitoring conduct and ethics awareness among employees
- Introduced ethics as a compulsory part of executive performance assessments

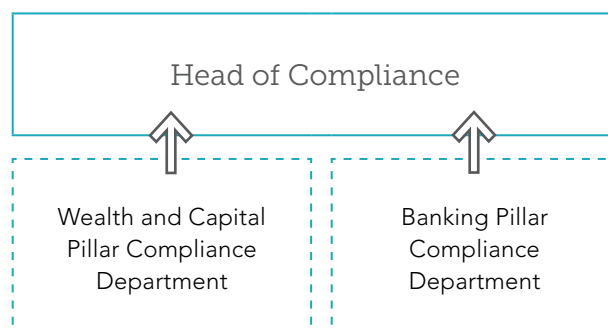
In 2019 we will further refine and develop the above mentioned initiatives.

Compliance

Compliance has become increasingly significant given the heightened regulatory environment in which we operate. An effective compliance programme provides for an aligned operating and compliance strategy, effective oversight mechanisms, streamlined business processes, quality data and information, and ensures that our reputation is upheld.

The Board and its committees provide oversight to manage the Group's compliance with regulations, with our regulators supervising our regulatory compliance.

The Head of Compliance reports on all areas of compliance with laws and regulations, and is a permanent invitee to the GACC, GRMC and DANC meetings. He is assisted by specialist teams focusing on areas such as banking regulation, anti-money laundering, market conduct, exchange control and regulatory interaction. Group Compliance monitors the compliance universe, and evaluates Group and business units' policies to update these for any new developments. While our primary regulations – the Banks Act, Companies Act and FAIS – do not change frequently, we continually monitor changes in the interpretation of the Acts that may impact on Sasfin's business.



Compliance is managed by two separate divisions in the Banking and Wealth (including Capital) Pillars that report via a dotted line to the Head of Compliance. These teams will be restructured into a single Group Compliance Department to align with the requirements of the Twin Peaks regulatory framework.

Divisional regulatory officers manage compliance within the various business units and meet regularly with Group Compliance to share information and address compliance-related matters. Group Internal Audit audits the effectiveness of our compliance management and provides assessments and findings that should be addressed. The Group's compliance function is also subject to regular reviews by the regulator and receives feedback from the Board Committees regarding the effectiveness of compliance management.

LEGISLATIVE CHANGES

The Financial Sector Regulations Act was promulgated with effect from 1 April 2018 and provides for the so-called Twin Peaks regulatory framework. Sasfin is well positioned to interact effectively with the Prudential Authority and the Financial Sector Conduct Authority (FSCA).

The Levies Bill, providing for the imposition of levies on regulated institutions to fund the Twin Peaks infrastructure, was issued for comment. The Banking Association, which represents the banking industry, has voiced concern regarding the high cost of regulatory compliance. Sasfin participated in industry meetings and the drafting of a submission to National Treasury. A workshop with National Treasury was held on 16 July 2018. We await the official response from National Treasury in this regard.

Focus areas 2018

Developments in the regulatory environment that have an impact on Sasfin's operations include those in the table below.

| Regulation | Status and likely impact |
|---|---|
| Protection of Personal Information Act (POPI) | POPI regulates how client personal information is to be stored, used and protected. Because confidentiality, data management and security are all core to Sasfin's business operations, most of the requirements of POPI are already in place. We are addressing the remaining specific standards and technical requirements, including developing the required policies, rolling out POPI awareness training to employees and making sure client documentation and third-party contracts align with requirements. A project manager was appointed to oversee the holistic integration of POPI standards across all applications. |
| Retail Distribution Review (RDR) | The RDR proposes a number of regulatory reforms related to the distribution of financial products and the provision of financial advice informed by the FSCA's TCF. The RDR reforms are being rolled out by the FSCA alongside the Twin Peaks regulations. We continue to assess the impact of these reforms on our products and services and plan accordingly |

We made good progress in reviewing how we respond to the growing universe of laws and regulations we need to comply with, including consolidating into a single Group Compliance Department, implementing a risk-based approach to compliance monitoring and working more closely with regulators. We reviewed and strengthened our governance processes, including external evaluations of the work done and implementing the feedback, and implemented the Isometrix system, which supports the Risk and Compliance functions.

Key 2018 focus areas:

- Restructuring the Group Compliance Department
- Continuing training on relevant legislation
- Remediating the adverse findings following an SARB FICA compliance investigation

GOVERNANCE PROCESSES continued

A new Head of Compliance was appointed in May 2018, and interviews are being held to fill other vacancies. Identifying and employing skilled employees remains a challenge. Policies and procedures impacted by the new regulatory framework were updated and our products were substantially reviewed.

The SARB Prudential Authority assessed Sasfin's compliance with FICA and their report identified certain areas of concern and/or non-compliance. We are in the process of addressing the findings and remain within the timeline for doing so. The SARB Prudential Authority is provided with the relevant monthly progress reports.

Compliance with occupational health and safety standards is independently assessed by an external specialist service provider who performs quarterly inspections of our premises to ensure continued compliance with the requisite standards. There were Department of Labour inspections conducted at the Johannesburg and Pretoria branch offices with no adverse findings.

| Training | Number of employees |
|---|---------------------|
| FAIS | 33 |
| TCF | 52 |
| POPI | 646 |
| Classification Codes training and refresher | 113 |
| Competition Law | 23 |
| Social and environment management refresher | 93 |
| Banks Act | 4 |
| Risk-based approach | 297 |
| Anti-money laundering (FICA) | 222 |
| Sanction operating standards | 171 |
| FircoSoft (Anti-money laundering/ Know Your Client) | 9 |
| Finscan (Anti-money laundering/ Know Your Client) | 71 |

There were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations, imposed on the Group, Directors or officers (2017: 0). However, the SARB performed a Section 42B inspection on Sasfin in terms of the Financial Intelligence Centre Act and raised findings which management have committed to remediate over the coming year and, which they have already commenced. There is nonetheless a possibility that a fine or penalty may be levied by the regulator based on the other banks' past experiences. There were no monitoring and compliance inspections by environmental regulators (2017: 0).

Our focus areas for 2019 are to complete the restructure of Group Compliance, establish an effective monitoring division and align the monitoring plan with that of Group Internal Audit in accordance with the major risk areas identified by Group Risk. We will also align the Group's practices with the revised regulatory market conduct framework introduced by the Financial Sector Regulations Act.

COMBINED ASSURANCE ¹⁵

The GACC has responsibility for ensuring that internal and external audit provide appropriate and effective assurance in respect of the control environment. Combining the expertise of the Group's Risk, Compliance and Internal Audit departments together with external audit provides a holistic risk-based assessment of our governance, risk management and control processes.

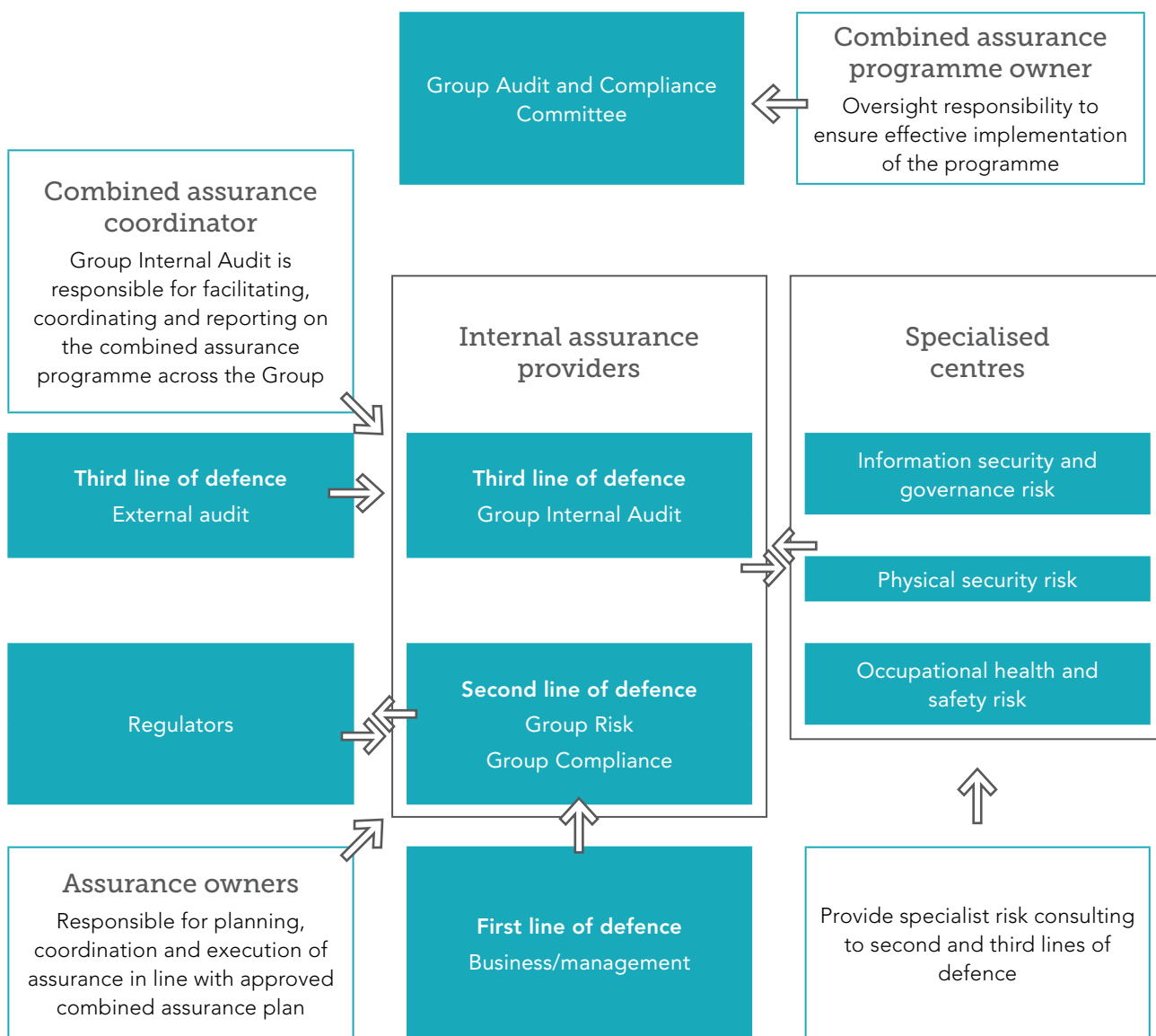
The Group's combined assurance framework was enhanced, approved by the GACC, and we have commenced its implementation. The combined assurance model that informs our framework uses the three lines of defence concept of: management (first line), risk and compliance (second line), and internal and external audit (third line).

Our combined assurance aims are to:

- Enhance existing assurance processes, policies and procedures without creating additional costs or oversight implications
- Coordinate our approach to all assurance activities to minimise unnecessary duplication between (and within) internal and external assurance providers
- Provide optimal assurance coverage of all key risks and internal controls
- Reduce information clutter and costs
- Strengthen the Group's overall internal control environment
- Enhance quality of information for internal and external decision-making

The new heads of Group Internal Audit, Group Risk and Group Compliance were all appointed in the second half of the year. Their focus since appointment included finalising the revised combined assurance framework, establishing appropriate governance forums and commencing implementation of the revised combined assurance model.

Our focus in 2019 will be on continuing to embed consistency across the three lines of defence and leveraging the second and third lines of defence efficiently.



Governance and management of combined assurance

The combined assurance process includes establishing common risk, control, rating and reporting frameworks, identifying the Group's principal risks and the key internal controls in place to mitigate these, and mapping the assurance providers that assess the effectiveness of these controls. This allows the desired level of assurance to be determined, once the maturity of the risk framework is understood, to eliminate duplicate assurance and address control weaknesses.

Group Audit and Compliance Committee



Responsible for the combined assurance programme and oversees its effectiveness. Group Internal Audit and Group Compliance report directly to the Committee on a quarterly basis. Group Internal Audit's report includes an assessment of the combined assurance process and assurance mapping to key risks that impact the Group's strategic objectives.

Executive Governance Forum

A subcommittee of Group Exco established to monitor the Group's governance and internal controls environment, and to give practical effect to Group-wide combined assurance activities. It meets monthly to oversee and authorise implementation of combined assurance at an operational level. It reviews the combined assurance process to optimise the programme and ensure that it remains relevant to the Group's objectives and operating environment. Group Risk, Group Compliance and Group Internal Audit report progress on the combined assurance model to the forum.

Operational Governance Forum



A management level forum with representatives from the second and third lines of defence. It reports to the Executive Governance Forum.

BOARD COMMITTEE OVERVIEW

BOARD AND BOARD COMMITTEE STRUCTURE AND MEETING ATTENDANCE ^⑥ ^⑧

The table below presents the Group's Board committee structure, members and attendance. In addition to the meetings mentioned below, Board members were expected to make themselves available for meetings with the SARB, strategy sessions, training sessions and ad hoc meetings.

| | Sasfin Holdings Limited | | | Sasfin Bank Limited | | | Board training | |
|-------------------------------|---|---------------------------------|-------|---------------------|---------------------------------|-------|----------------|-------|
| | Scheduled Meetings (incl budget and strategy) | Un-scheduled (Special) meetings | % | Scheduled meetings | Un-scheduled (Special) meetings | % | Scheduled | % |
| Number of meetings held | 6 | 4 | | 4 | 2 | | 2 | |
| Directors | | | | | | | | |
| Roy Andersen | 6/6 | 4/4 | 100.0 | 4/4 | 2/2 | 100.0 | 2/2 | 100.0 |
| Richard Buchholz ¹ | 3/4 | 1/1 | 80.0 | 1/2 | 0/0 | 50.0 | 1/1 | 100.0 |
| Linda de Beer | 6/6 | 4/4 | 100.0 | 4/4 | 2/2 | 100.0 | 0/2 | 00.0 |
| Gugu Dingaan ² | 2/4 | 1/1 | 60.0 | 1/2 | 0/0 | 50.0 | 1/1 | 100.0 |
| Grant Dunnington | 6/6 | 4/4 | 100.0 | 4/4 | 2/2 | 100.0 | 2/2 | 100.0 |
| Gugu Mtetwa ³ | 4/6 | 3/3 | 77.7 | 2/3 | 1/1 | 75.0 | 1/2 | 50.0 |
| Angela Pillay | 4/4 | 1/1 | 100.0 | 2/2 | 0/0 | 100.0 | 1/1 | 100.0 |
| Shahied Rylands | 6/6 | 4/4 | 100.0 | 4/4 | 2/2 | 100.0 | 2/2 | 100.0 |
| Roland Sassoon | 6/6 | 4/4 | 100.0 | 4/4 | 2/2 | 100.0 | 2/2 | 100.0 |
| Michael Sassoon | 6/6 | 4/4 | 100.0 | 4/4 | 2/2 | 100.0 | 2/2 | 100.0 |
| Gloria Serobe ⁷ | 4/4 | 1/1 | 100.0 | 2/2 | 0/0 | 100.0 | 0/1 | 00.0 |
| Alternate directors | | | | | | | | |
| Linda Fröhlich ⁴ | 1/2 | 3/3 | 80.0 | 3/4 | 2/2 | 83.3 | 1/1 | 100.0 |
| Maston Lane ⁵ | – | – | – | 2/2 | 0/0 | 100.0 | 1/1 | 100.0 |
| Shaun Rosenthal ⁶ | 4/4 | 1/1 | 100.0 | 0/0 | 0/0 | – | 1/1 | 100.0 |

Notes:

- ¹ Appointed 9/1/2018 (SBL) and 7/3/2018 (SHL)
- ² Appointed 7/3/2018 (SBL and SHL)
- ³ Appointed 28/7/2017 (SHL) and 9/10/2017 (SBL)
- ⁴ Appointed 9/10/2013 (SBL and SHL). Resigned from SHL 1/12/2017
- ⁵ Appointed 16/3/2018 (SBL)
- ⁶ Appointed 13/12/2017 (SHL) and 24/8/2018 (SBL)
- ⁷ Appointed 7/3/2018 (SBL and SHL)

Scheduled meetings

- Ordinary: 11/9/2017, 27/11/2017, 16/3/2018, 20/6/2018
- Strategy: 16/3/2018
- Budget: 20/6/2018

Unscheduled (special) meetings

- 8/8/2017, 11/10/2017, 21/11/2017, 31/5/2018

Scheduled meetings

- Ordinary: 11/9/2017, 27/11/2017, 16/3/2018, 20/6/2018

Unscheduled (special) meetings

- 8/8/2017, 30/11/2017

Scheduled training

- 24/10/2017, 12/6/2018

DIRECTORS' RECORD OF ATTENDANCE AT COMMITTEE MEETINGS:

1 JULY 2017 TO 30 JUNE 2018

| Committee | Members | Scheduled meeting attendance | Unscheduled meeting attendance |
|--|---|------------------------------|--------------------------------|
| ALCO Total attendance 100.00% | Shahied Rylands – Chair | 4/4 | 0/0 |
| | Grant Dunnington | 3/3 | 0/0 |
| | Roland Sassoon | 4/4 | 0/0 |
| | Richard Buchholz* | 1/1 | 0/0 |
| | Shaun Rosenthal (Alternate NED)** | 2/2 | 0/0 |
| | Angela Pillay*** | 1/1 | 0/0 |
| | * Appointed 7/3/2018 ** Appointed 13/12/2017 (SHL) *** Appointed 1/3/2018 | | |
| CLEC Total attendance 86.00% | Grant Dunnington – Chair | 4/4 | 5/6 |
| | Roland Sassoon | 4/4 | 5/6 |
| | Shahied Rylands | 4/4 | 5/6 |
| | Michael Sassoon | 4/4 | 4/6 |
| | Shaun Rosenthal (Alternate)* | 2/2 | 2/2 |
| | Richard Buchholz** | 1/1 | 1/2 |
| | Angela Pillay*** | 1/1 | 1/2 |
| DANC Total attendance 87.50% | Roy Andersen – Chair | 4/4 | 1/1 |
| | Grant Dunnington | 4/4 | 1/1 |
| | Linda de Beer | 4/4 | 1/1 |
| | Shahied Rylands | 4/4 | 1/1 |
| | Gugu Mtetwa* | 2/4 | 0/0 |
| | Gugu Dingaan** | 1/2 | 0/0 |
| | Gloria Serobe** | 2/2 | 0/0 |
| GACC Total attendance 90.63% | Shaun Rosenthal (Alternate)*** | 2/2 | 0/0 |
| | Richard Buchholz** | 1/2 | 0/0 |
| | * Appointed 28/7/2017 ** Appointed 7/3/2018 *** Appointed 13/12/2017 | | |
| | Linda de Beer – Chair | 4/4 | 6/6 |
| | Grant Dunnington | 4/4 | 6/6 |
| | Gugu Mtetwa | 4/4 | 4/6 |
| | Richard Buchholz* | 1/1 | 0/1 |
| | * Appointed 7/3/2018 | | |

BOARD COMMITTEE OVERVIEWS continued

| Committee | Members | Scheduled meeting attendance | Unscheduled meeting attendance |
|--|---|------------------------------|--------------------------------|
| GRCMC Total attendance 100.00% | Grant Dunnington – Chair | 4/4 | 0/0 |
| | Roy Andersen* | 3/3 | 0/0 |
| | Linda de Beer | 4/4 | 0/0 |
| | Shahied Rylands | 4/4 | 0/0 |
| | Richard Buchholz** | 1/1 | 0/0 |
| | Angela Pillay*** | 1/1 | 0/0 |
| | Shaun Rosenthal**** | 2/2 | 0/0 |
| | * Resigned as member May 2018 ** Appointed 7/3/2018 *** Appointed 1/3/2018 **** Appointed 13/12/2017 (SHL) | | |
| Group IT Committee Total attendance 93.33% | Linda de Beer – Chair | 4/4 | 0/0 |
| | Shahied Rylands | 4/4 | 0/0 |
| | Shaun Rosenthal (Alternate NED)* | 2/2 | 0/0 |
| | Bruce Maclaren** | 3/4 | 0/0 |
| | Michael Sassoon*** | 1/1 | 0/0 |
| | * Appointed 13/12/2017 (SHL) ** Independent IT specialist since Nov 2015, not director of the Board *** Appointed 16/3/2018 | | |
| REMCO Total attendance 91.66% | Shahied Rylands – Chair | 4/4 | 0/0 |
| | Roy Andersen | 4/4 | 0/0 |
| | Grant Dunnington | 3/4 | 0/0 |
| | | | |
| SEC Total attendance 100.00% | Gloria Serobe* – Chair | 1/1 | 0/0 |
| | Roland Sassoon*** | 3/3 | 0/0 |
| | Michael Sassoon**** | 2/2 | 0/0 |
| | Gugu Mtetwa** | 3/3 | 0/0 |
| | Gugu Dingaan* | 1/1 | 0/0 |
| | * Appointed 7/3/2018 ** Appointed from November 2017 *** Resigned as member from May 2018 **** Appointed from January 2018 | | |
| | | | |

KEY OUTCOMES FROM OUR BOARD COMMITTEES 8

Asset and Liability Committee

Responsibilities

- Assets and liabilities
- Interest rate risk
- Liquidity
- Funding risk
- Currency risk

2018 focus areas

- Cash flow management
- Long-term funding
- Management of financial covenants
- Regulatory and prudential requirements
- Interest rate management
- Securitisation

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its term of reference.

Credit and Large Exposure Committee

Responsibilities

- Credit risk management policy and procedures
- Defining credit policy and guidelines
- Reviewing compliance with approved credit and investment policies
- Assessing and approving the Group's large exposures
- Considering private equity and property equity investments, and valuations twice a year

2018 focus areas

- Review of the portfolio
- Intra-group loans
- Impairments
- Review of large facilities
- Granularity of the portfolio
- Review of credit processes and approval criteria
- IFRS 9 implementation

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its term of reference.

Directors' Affairs and Nominations Committee

Responsibilities

- Corporate governance
- Monitoring Directors' responsibilities and performance
- Fiduciary capacities of Directors
- Fulfilling the role of a Board nomination committee

2018 focus areas

- Changes to the Board
- Review Board composition and skills of Directors
- Succession planning
- Governance standards

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its term of reference.

Group Audit and Compliance Committee

Responsibilities

- Internal and external audit
- Accounting policies and financial reporting
- Internal controls and systems
- Annual Financial Statements
- Integrated reporting
- Compliance with statutory and regulatory frameworks

2018 focus areas

- Appointment of external auditors
- Strengthen internal financial controls
- Aligned and synchronised the roles of risk, compliance and internal audit to improve combined assurance
- Enhancements of compliance monitoring with specific focus on anti-money laundering
- Appointment of the Group FD
- Review of the role of Internal Audit and appointment of Chief Audit Executive
- Review of the Annual Financial Statements and Integrated Report, and other financial reporting

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its term of reference. Also refer to the GACC report in the Annual Financial Statements on page 2.

BOARD COMMITTEE OVERVIEWS continued

Group Risk and Capital Management Committee

Responsibilities

- Addressing risks faced by the Group
- Risk management policies and procedures
- Capital management policies and ICAAP
- Capital planning activities

2018 focus areas

- ICAAP modelling
- SARB reporting
- Appointment of Chief Risk Officer
- Review of Board risk appetite statement
- Review of key risks

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its term of reference.

Information and Technology Committee

Responsibilities

- Oversee Information and Technology matters
- Monitor the execution of IT strategy in support of the business strategy
- Monitor and evaluate significant IT projects
- Oversee information security and cyber maturity

2018 focus areas

- Continuous enhancements of information security
- Upgrade of business banking and treasury systems
- Digitalisation
- Cyber risk

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its term of reference.

Human Resources and Remuneration Committee

Responsibilities

- Human resources matters
- Remuneration and incentives
- Remuneration and human resources policies and procedures

2018 focus areas

- Build a team of high performance empowered employees
- Embed new performance review process
- Design new long-term performance incentive scheme

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its term of reference.

Social and Ethics Committee

Responsibilities

- Good corporate citizenship, including:
- Social and economic development
- Environmental health and safety
- Consumer relationships
- Labour matters
- Ethical practices and transformation initiatives
- B-BBEE compliance
- FSC compliance

2018 focus areas

- Set revised transformation targets
- Adopted revised BEE scorecard
- Review of social responsibility spend
- Review of conduct, particularly market conduct in line with prescribed TCF outcomes
- Reputational risk

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its term of reference. Also refer to the SEC report on page 96.

CHAIR OF HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT



The goal of the Committee is to ensure that Sasfin's remuneration practices remain fair and responsible, while supporting the delivery of our strategic objectives and rewarding excellent performance.

SHAHIED RYLANDS

Chair of Human Resources and Remuneration Committee

Fair and consistent remuneration practices are an essential part of effective governance frameworks. Sasfin operates within a multi-tiered regulatory framework and our governance practices and policies consider King IV and the recommendations of the Basel Committee on governance. REMCO members have unrestricted access to information to establish compliance with the Board's risk appetite, remuneration policy and regulatory requirements. This ensures that our remuneration policies and practices align remuneration with the long-term interests of the Group and its stakeholders while discouraging excessive and inappropriate risk taking. The REMCO fulfils its Board mandate through interaction with shareholders, Board members, external consultants, and management.

Sasfin operates in a competitive industry and our overall employee value proposition must ensure that we remain an employer of choice and are able to attract, develop, motivate and retain executives and employees of a high calibre to execute our strategy.

Benchmarks and increases

External benchmarks are performed for job roles to ensure that these are correctly graded and appropriately remunerated. These benchmarks consider the specific role requirements, level of complexity, and span of control within the organisational structure. REMCO is satisfied that the external consultants engaged to perform these benchmarking surveys, are independent and objective.

Salary increases are guided by factors such as individual performance in achieving personal KPIs, the positioning of current remuneration on the pay scale, and the scarce or specialised nature of an employee's skills. REMCO is guided by the external consultants who undertake research on industry increases, and by the general economy and inflation rate.

REMCO provides guidelines to management on proposed increases. Taking cognisance of the pay gap, REMCO recommended that management receives smaller increases than general employees, and executives receive smaller increases than management.

Incentive schemes

Our incentive scheme aims to reward performance without compromising on ethics, sustainable performance, responsible risk taking or cultural fit. The scheme incentives apply to Group, Pillar/business unit and individual performance, and include an assessment of financial and non-financial performance indicators, key risk indicators (KRIs) and key value indicators (KVIIs).

We have introduced KRIs and KVIs into our performance management measures and processes. KRIs comprise 15% and KVIs 10% of an employee's performance score. They include considerations such as respect, integrity and partnership to ensure that performance is achieved in a sustainable, responsible way that addresses stakeholder expectations.

We suspended our previous long-term incentive scheme in 2018 and introduced a new performance incentive scheme for implementation in 2019. The new performance incentive scheme combines short-term and long-term components, and provides participants with greater line of sight.

Pay scales

We appreciate the importance of addressing issues such as a living wage, pay gap, gender pay disparity and equal pay for equal work. Our remuneration practices take these into account when setting pay scales for jobs, and determining individual positioning within the pay scales. Sasfin completed a review of each salary level's income, and is satisfied that there is no significant pay disparity in terms of race or gender.

CHAIR OF HUMAN RESOURCES AND REMUNERATION COMMITTEE REPORT continued

RESULTS OF VOTING ON REMUNERATION POLICY AND IMPLEMENTATION REPORT

Sasfin's remuneration policy and remuneration implementation report were tabled for a non-binding advisory vote by shareholders at the AGM on 27 November 2017. 98.95% of the shares represented at the meeting voted in favour of endorsing both the remuneration policy and remuneration implementation report. We appreciate these endorsements and believe that the remuneration policy is effective.

The Board remains available and committed to engaging with dissenting shareholders in good faith to address legitimate and reasonable objections regarding the remuneration policy and implementation report. Shareholders are invited to engage with the Company Secretary, Howard Brown at Howard.Brown@sasfin.com, to communicate their concerns. We will take these engagements into account when considering amendments to the Group's remuneration policy or its implementation.

FOCUS AREAS

We assisted the Board in guiding management on the adequacy and efficacy of the Group's remuneration and HR policies, procedures and practices. During 2018, we focused on the following areas:

- Setting the Group's annual remuneration review and incentive payment guidelines for 2018
- Established the Pillar HR Mancos in order to facilitate better decision-making and greater management empowerment within the restructured Group
- Reviewed and amended the remuneration and recruitment mandates to empower management to make more decisions at executive and senior management level
- Reviewed remuneration policies, which resulted in a revision of the overtime policy to drive more operational efficiency and ensure appropriate reward at the correct levels
- The annual leave, working hours and paternity leave policies were enhanced to make our overall employee value proposition more appealing and market-related

- Reviewed the current short-term and long-term incentive schemes, which are being replaced by the new performance incentive scheme in 2019
- Focused on employment equity at all levels in the Group
- Assessed pay differences between genders and races

REMCO is satisfied that Sasfin's remuneration policy was effective in achieving its objectives in 2018.

In the year ahead, the committee's workplan includes:

- Implementing the new performance incentive scheme across the three Pillars
- Reviewing the employee benefits policy
- Continuing to improve the Group's employment equity and transformation

I thank my fellow REMCO members for their input this year. We continue to ensure Sasfin espouses industry-wide best practices and standards with regards to HR practices and the remuneration of executives, management and employees.

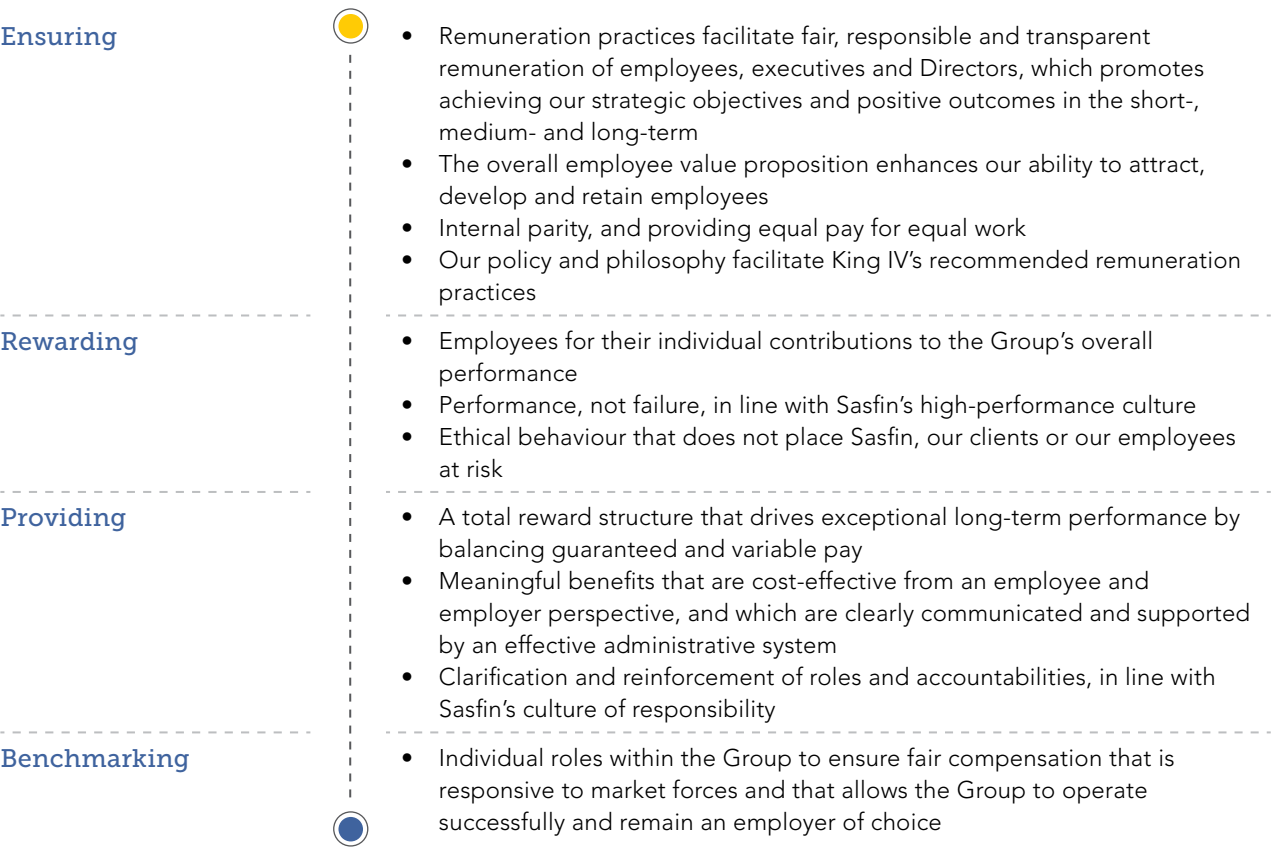


Shahied Rylands

Chair Human Resources and Remuneration Committee

REMUNERATION POLICY 14

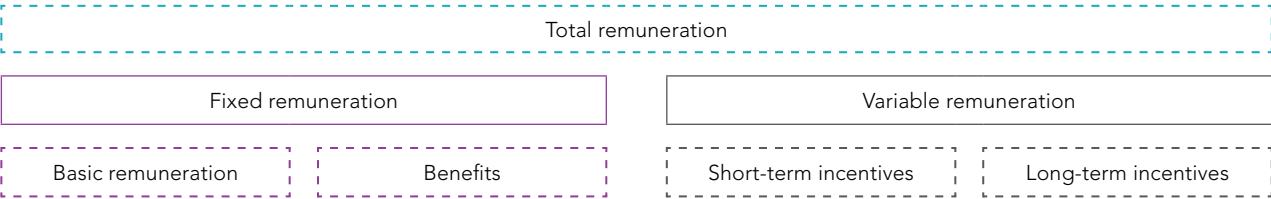
The Group’s remuneration philosophy provides the framework against which remuneration decisions can be made with confidence, integrity and speed. It emphasises the importance of employees and aims to motivate and reward those who are engaged, committed and loyal to the Group, meet or exceed their performance objectives, contribute to the success and sustainability of the Group, and deliver sustainable returns to our shareholders.



LINKING STRATEGY AND REWARD

Remuneration forms an integral element of the Group’s greater management processes, which include performance and talent management. We recognise that remuneration practices are an effective means of supporting the business strategy by motivating and rewarding excellent employee performance that delivers on the Group’s strategic objectives.

Total remuneration comprises fixed and variable remuneration



The results of the most recent benchmarking exercise indicate that we are competitive in terms of guaranteed cost-to-company packages. However, we are less competitive against the short- and long-term incentives offered by our larger competitors.

REMUNERATION POLICY continued

Our approach to variable remuneration aims to directly link reward to individual, Pillar/business unit, and Group performance so that employees can directly influence their total remuneration through their individual efforts. Individual performance is measured against KPIs that are agreed in advance and reviewed regularly, in line with any changes to the job function, as well as KRIs and KVIs. This ensures employees understand the bonus calculation, which promotes transparency, consistency and objectivity, and provides honest feedback to employees.

Variable compensation also considers the employee's potential and relative value to the Group. Incentive payments are awarded at REMCO's discretion and employees who do not meet their performance targets or who have a current disciplinary record, do not qualify for annual increases or discretionary incentive awards.

Our performance incentive scheme combines short- and long-term elements, with deferred payments falling due over a period of up to five years from the date of award. This deferral portion enables a clawback of bonuses paid, in the event of any poor financial performance, personal performance or misconduct.

There were no retention or restraint payments made. We paid sign-on bonuses to six employees, totalling R5.1 million.

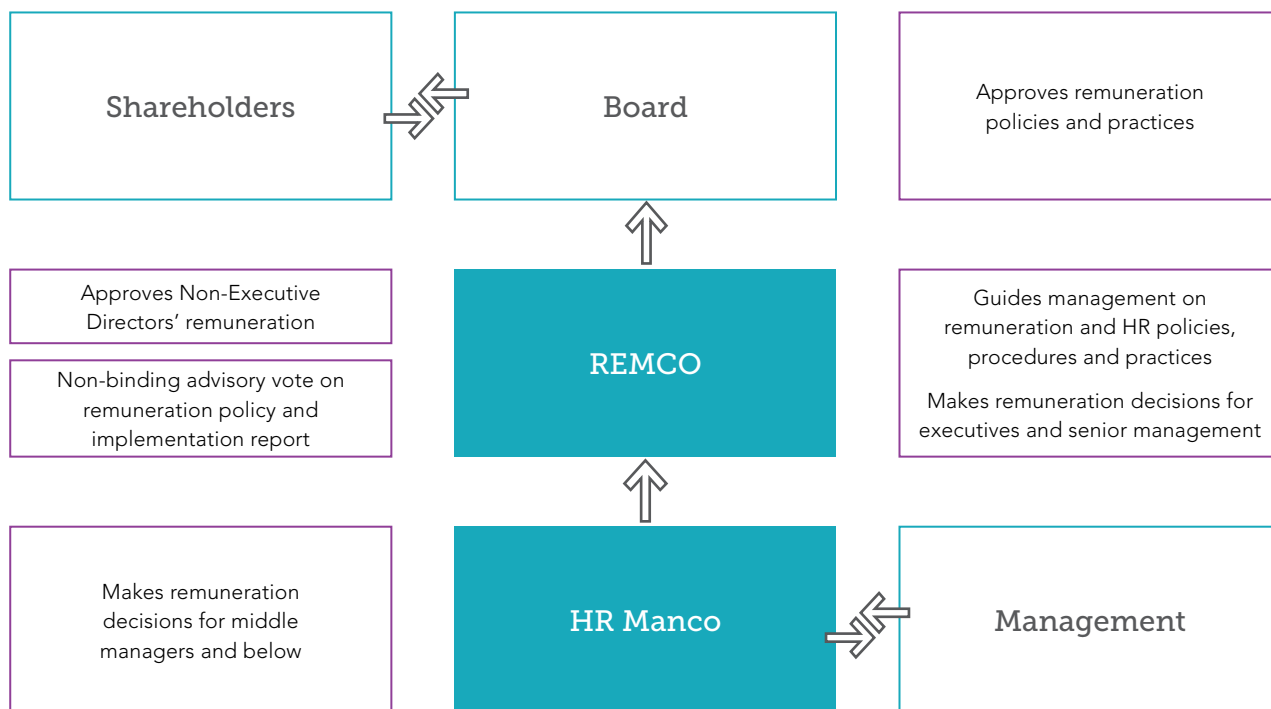
There are a number of employees who are on commission arrangements across the Group, with the majority in the Wealth Pillar. Their remuneration structures are in line with the industry norm. Any employees on commission arrangements do not participate in the performance incentive scheme.

REMUNERATION PRACTICES

Due regard is given to the risk implications, our ethical standards, and Sasfin's desired culture when changes are made to HR policies.

Sasfin develops and implements fair remuneration practices consistently throughout the Group, subject to REMCO and Board approval, to ensure employees' performance is recognised and appropriately rewarded. We consider the overall compensation model and the specific remuneration for Executive Directors, prescribed officers and Group Exco members. Individual remuneration is disclosed on page 94.

Remuneration governance structure

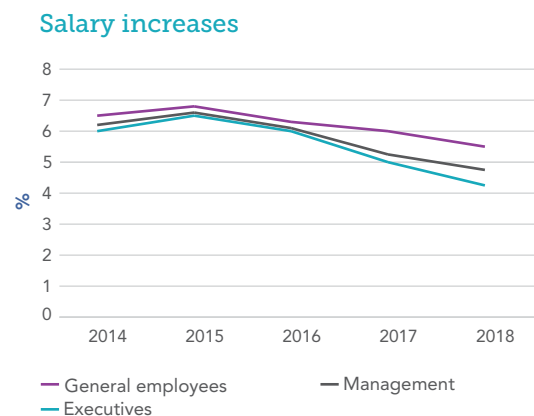


REMCO is responsible for all HR and remuneration decisions that affect senior managers and executives (reward level 21 and above), including all remuneration decisions relating to the Group CEO and other Executive Directors, to avoid conflicts of interest. The Group HR Manco is mandated to make decisions at reward level 18 to 20, and HR Mancos were established and mandated by REMCO to make decisions regarding employees at reward level 20 and below.

REMCO reviews the terms and conditions of Executive Directors' and senior executives' service agreements at least annually against peer companies and local and global industry trends. The outcome of this year's benchmarking review is discussed in the sections that follow. REMCO is satisfied that there are no obligations in executive employment contracts which could give rise to payments on termination of employment or of office and no such payments were made.

Ensuring fair and responsible remuneration

While the legislated minimum wage is R3 500 per month, we are guided by the 2014 paper by the Labour Research Service which proposed a living wage of R8 000 per month. After inflationary adjustments, this figure now amounts to approximately R8 400 per month. A comparative exercise was conducted in 2017 across the Group and we are satisfied that Sasfin's employees all earn a living wage. This survey will be done again in 2019 to ensure that we keep abreast of developments.



Sasfin remains aware of the need to address the wage gap between junior employees and senior executives. The percentage increases awarded to the executive tier are kept below those awarded to management, and junior employees receive higher percentage annual increases than management and executives to address this concern.

Income differentials at every pay level from unskilled employees to executive management were reviewed to determine if there is any disparity in terms of race or gender. No significant disparity at any pay level, both in terms of race and gender, were identified.

Succession planning

Succession planning forms an important part of our talent management processes by identifying high-potential and high-performance employees. These candidates receive training (including on-the-job training) to develop their skills so that they can be considered for other roles as they become available. These employees are also considered for placement on the fast-track programme. REMCO's involvement in succession planning focuses on the Group CEO and the development of future leadership.

The SARB reviews and approves the executive succession plan on an annual basis. Succession plans are in place in each Pillar and business unit, and these are annually verified by Group Internal Audit.

BASIC REMUNERATION AND BENEFITS

The Group's remuneration practices are based on the Hay Group Total Reward Framework. Jobs are graded and assigned to a pay scale for each Hay Reward Level. Reward levels range from 5 (unskilled roles) to 27 (CEO).

All positions are benchmarked at least every second year using independent remuneration consultants, which include RemChannel, PwC Research Services Proprietary Limited, the International Zonal Leadership Institute and 21st Century. This provides REMCO with assurance that roles are graded correctly and employees are paid in line with the market for the jobs they perform.

Our policy is to pay our employees with reference to the median for each reward level although other factors are considered when finalising individual compensation within each reward level. The Group's businesses are diverse and each requires certain unique skills sets and qualifications. It is therefore difficult to ensure that we pay at the median. This year's benchmarking exercise showed that 60% of employees receive above the median pay for their relevant pay scale. Reasons for this include:

- Individual performance
- Market practice
- Tenure
- In the case of senior employees or employees with a specialised skill set, to offer candidates packages that are attractive and competitive relative to their previous earnings

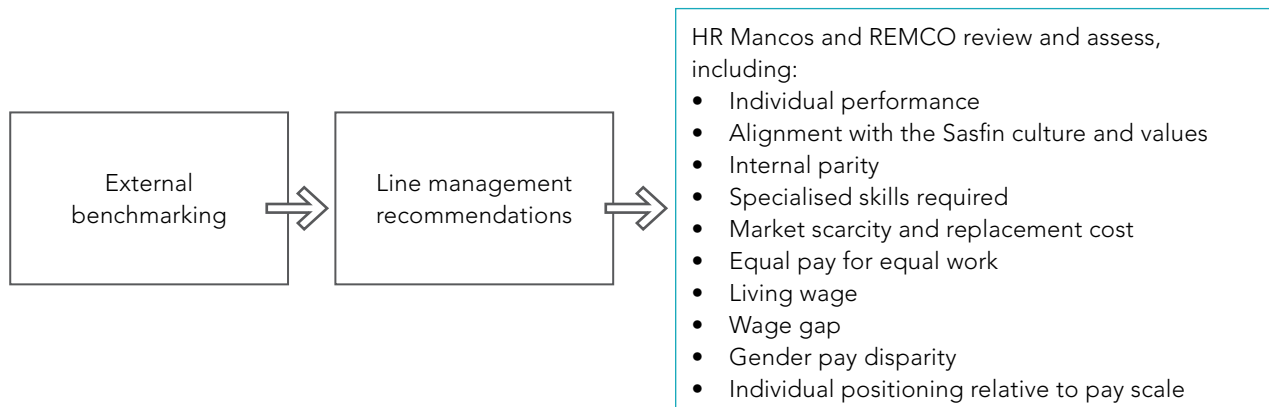
REMUNERATION POLICY continued

Management must motivate to the HR Manco when proposed employee remuneration falls outside the benchmarked range for a job. The HR Manco assesses each application and submit those they support to REMCO for consideration and approval at its discretion on a fair, reasonable and equitable basis.

A further benchmarking report recommends pay scales each year. REMCO uses these to decide the annual

increase guidelines aligned with the remuneration policy. These are communicated via HR to the line managers who propose individual increases, with the proviso that the average performance-based increase per business cannot exceed the overall Board-approved percentage increase for employee remuneration.

Remuneration decision process



SHORT-TERM INCENTIVE SCHEMES

Short-term incentives (STIs) aim to motivate executives and employees to support the Group's annual targets. They comprise Group and operational financial targets and a non-financial component, which, in addition to the personal KPI score, includes items such as compliance, risk, strategy implementation, stakeholder expectations, transformation and ethics. These indicators are regularly reviewed to ensure that they drive the required behaviour. The calculations

underlying the incentive scheme payments take account of exceptional items and associated costs.

REMCO assessed 2018 STI awards based on profit after tax.

The following annual STI schemes are offered across the Group. The executive incentive scheme and the divisional incentive schemes will be replaced by the new performance incentive scheme in 2019.

| Scheme | Eligible | Basis | |
|-----------------------------------|-----------------------------------|--|--|
| Discretionary performance bonuses | Support and back-office employees | <ul style="list-style-type: none"> Group and individual performance | Level of monthly salary 2016: 100% 2017: 50% 2018: 37.5% |
| Divisional incentive schemes | Senior managers in profit centres | <ul style="list-style-type: none"> Divisional and individual performance Capped at 50% to 100% of annual guaranteed earnings | Level of annual salary 2016: 50% 2017: 28% 2018: 17% |
| Executive incentive scheme | Group Exco members | <ul style="list-style-type: none"> Group, Pillar/business unit and individual performance Capped at 100% of annual guaranteed earnings | Level of annual salary 2016: 73% 2017: 28% 2018: 16.7% |

Short-term executive incentive scheme

The short-term executive incentive scheme key performance objectives for Executive Directors in 2018 were:

Financial measures



Financial measures constitute between 20% and 60% of the overall measures, and have a hurdle of 30%. Objectives include, in equal weightings:

- Achieve Group budget
- Improve cost-to-income ratio
- Grow headline earnings and return on risk-weighted assets



Sasfin did not achieve any of its financial targets in 2018. Therefore, bonus considerations were based purely on personal performance. The final bonus amounts approved were further moderated per the scheme calculation, in view of the Group's 2018 results.

For the year under assessment, Roland Sassoon operated as Group CEO from 1 July 2017 until 31 December 2017 after which he remained as Sasfin Bank CEO from 1 January 2018 until 30 June 2018. Michael Sassoon took over and operated as Group CEO from 1 January 2018 until 30 June 2018. As such and only for the 2018 financial year, the Key Performance Indicators (KPIs) have been assessed on a combined basis per the below. The KPIs are in addition to the financial indicators including driving sustainable growth in earnings and risk adjusted return on capital deployed. Given the poor financial performance of the Group, the Executives scored poorly on the financial indicators (which make up a minimum 50% of their bonus consideration).

As detailed throughout this report, however, the Group has made progress on strategic initiatives as highlighted below when assessing the personal (non-financial) performance of the Executives.

| KPI | Assessment | Performance score |
|---|--|-----------------------|
| 1) Driving the Human Capital agenda | Human Capital was appropriately enhanced through the strengthening of the Executive team, enhancing of incentive structures and the establishment of the Sasfin Learning Academy. | Exceeded expectations |
| 2) Making and delivering on strategic decisions | The Sasfin strategy was revised and largely implemented in terms of the revised pillar structure and value accretive strategic deals were concluded. | Met expectations |
| 3) Driving innovation and the technology agenda throughout the Group | B\\YOND was launched. SIPP was acquired and integrated into SWIP ensuring that the Sasfin banking and wealth digital journeys are well on track. | Met expectations |
| 4) Maintaining the transformation objective of the Group | WIPHOLD transaction was concluded. The B-BBEE score improved to a level 4 on the new codes. A transformation forum was established, and greater focus has been placed on employment equity. | Exceeded expectations |
| 5) Growing foreign income throughout the Group where possible | Foreign Income has grown meaningfully in Sasfin Wealth. Offshore footprint being evaluated in each of the Pillars. | Work to be done |
| 6) Ensuring an effective, sustainable approach to credit management | Credit losses are of concern and initial steps have been taken to enhance credit quality including the appointment of a new Head of Credit and the revision of credit policies. This is expected to result in an improved credit loss ratio. | Work to be done |
| 7) Maximising client relationships | Strengthened sales team, product offering and client engagement model including approach to credit. This work has continued into the 2019 financial year. | Met expectations |
| 8) Driving risk management, providing ethical leadership and ensuring strong governance | Strengthened the governance structures of the Group with senior appointments in each of the control environment departments as well as changing auditors in terms of audit rotation. | Met expectations |

* As Group FD, Angela Pillay only joined in March 2018, no formal assessment was conducted and her performance will be assessed in 2019.

REMUNERATION POLICY continued

The graphic below shows the impact for executives of not meeting, achieving and exceeding their performance objectives. The hurdle rate for exceeding the performance objectives is 30% above budget.

| | | |
|--|---|---|
| Achieves budget <ul style="list-style-type: none"> No incentive payment is due on the financial objectives Will qualify for an incentive amount based on the achievement of personal performance objectives | Achieves 100% – 130% of budget <ul style="list-style-type: none"> A pro rata incentive falls due based on the financial objectives Will qualify for an incentive payment based on the achievement of personal performance objectives | Achieves 130%+ of budget <ul style="list-style-type: none"> Qualifies for 100% of the bonus portion related to the financial objectives Will qualify for an incentive amount based on the achievement of personal performance objectives |
| STI awards ranges | | |
| Not meeting the performance objectives <p>0%</p> | Achieving the performance objectives <p>pro rated between 0% and 100%</p> | Exceeding the performance objectives <p>100%</p> |

LONG-TERM INCENTIVE SCHEMES

Sasfin's LTI scheme philosophy aims to align reward for senior management and executives with the interests of shareholders. In prior years, awards in terms of the share price appreciation scheme (SPAS) were made to key employees while the performance equity scheme was being designed but not yet implemented. The SPAS will be discontinued after the last vesting in 2021.

Share price appreciation scheme

| | | |
|---|--|---|
| Applies to <ul style="list-style-type: none"> Employees earning between R500 000 and R1 million per annum | Basis <p>Based on the future share price over three to five years from the date of award. Allocations are calculated at 25% of guaranteed earnings. The award date is the end of each financial year.</p> | Vesting <p>Three years after award and the employee must be in the Group's employ and in good standing to qualify for the award. Future bonus payments fall due between 2019 and 2021.</p> |
|---|--|---|

The new performance incentive scheme

The STI and LTI schemes were comprehensively revised following the restructuring of the Group to appropriately incentivise employees aligned to the performance of the Pillar in which they work. This new scheme will be implemented in 2019. As with the previous scheme, employees are only eligible once they have completed a full year of service with the Group and must be in the Group's employ and in good standing to qualify for the award. The new performance incentive scheme (the scheme) combines short-term and long-term elements, and incorporates risk and values indicators in line with market and competitor benchmarks and as approved by shareholders.

The scheme was finalised in August 2018 and applies to senior management across the Group and Pillars, excluding individuals on bespoke schemes. The scheme aims to align Sasfin executives to stakeholder value creation and specifically shareholder returns. It is designed to:

- Have a long-term orientation with a risk focus
- Appropriately balance individual, divisional, Pillar and Group incentives to drive a meritocracy
- Offer clear line of sight
- Be simple but robust
- Have the potential for real long-term value creation

Bonuses are payable where the Group achieves the return on equity (ROE) target set by REMCO each year (which can be different from the budgeted ROE). The scheme is structured to ensure that shareholders attain a minimum return on their capital before any bonuses are paid to executives.

The rules of the scheme are summarised as follows:

Bonus pool

As part of the budget process each year, REMCO sets a base ROE level and a target ROE level which, in terms of the scheme, must be obtained after providing for all bonuses including scheme bonuses per the below calculation of the bonus pool. In determining the bonus pool, the profit pool means the profit before scheme bonuses and tax after all bonuses and incentives in respect of non-scheme participants are provided for.

The executive scheme bonus pool is equal to:

- (Actual profit pool less the profit pool assuming ROE target) multiplied by 30%; plus
- (Profit pool assuming ROE target less the profit pool assuming base ROE) multiplied by 15%

Allocation of the bonus pool

The bonus pool is allocated between scheme participants based on each individual participant's:

- Relative level of seniority and responsibilities within the Group
- Performance against personal KPIs which include a 25% weighting on KRIs and KVIs
- Position within the Group and the relative performance of the Group, Pillar and/or division
- Applied caps based on their role within the Group

No incentives are paid to individuals who are under performing either in terms of KPIs, KRIs or KVIs or if the employee is not in good standing. The KPIs, KRIs and KVIs and performance against those are set and approved at the appropriate Board levels in terms of Sasfin's governance structures.

Payment and vesting

Bonuses are split into an initial payment and a deferred portion that vests over three years. Furthermore, any portion of a bonus that exceeds the lesser of the individual's current cost to company or R2 million is paid over five years.

Deferred payments are paid to employees who continue to achieve more than 50% on their individual key risk and value indicators each year and are weighted for the ROE performance in the year of payment against the ROE in the year of award.

Initial and deferred payments will be made in cash. In due course the REMCO will consider incorporating share-based payments into the existing scheme to align scheme participants further to the Group. The aim will be that scheme participants own shares equal to the value of 50% of their annual CTC.

NON-EXECUTIVE FEES

Non-Executive Directors' (NEDs') fees are reviewed annually by the Executive Directors based on external benchmarking that takes place every two years. The last review was performed in 2018. The NEDs' fees are recommended to REMCO for consideration, who amend or support in consultation with Executive Management, other than in respect of REMCO members' own fees, and submit the recommendation to the Board via the DANC. NEDs' increases are presented to, and approved at, the AGM by means of a special resolution.

In setting NED fees, the Executive Directors consider a range of factors, including the reasonability and affordability of the proposed increases, and whether they can be justified and supported in relation to Sasfin's growth, the current Board workload, and the economic climate.

In 2018, NEDs received a 5.5% increase in remuneration in general, with REMCO members receiving a 10% and ALCO members a 6.3% increase respectively. These increases were as a result of a benchmarking exercise, and as a result of the additional responsibilities that the committees have assumed. A 4.5% increase is proposed for 2019.

IMPLEMENTATION REPORT

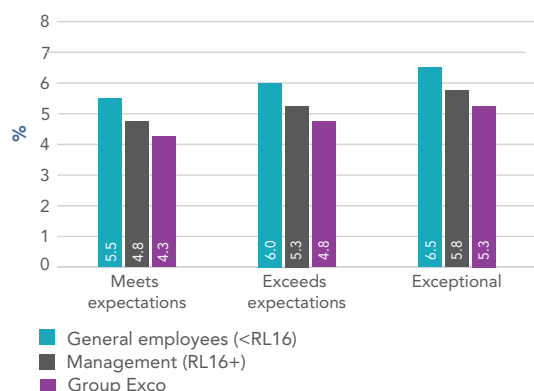
We continue to have robust engagement around rewarding performance, which drives employee focus and behaviour in achieving the Group's strategic objectives without compromising on ethics, stakeholder expectations, responsible risk taking or cultural fit.

Remuneration payments were made in the terms of the Group's remuneration policy. Proposed remuneration or increases that deviate from the remuneration policy are submitted to the REMCO for consideration and approval. These deviations mainly relate to the appointment of key personnel at certain cost-to-company salaries to offer them compensation that is competitive to their existing salaries at their current employers.

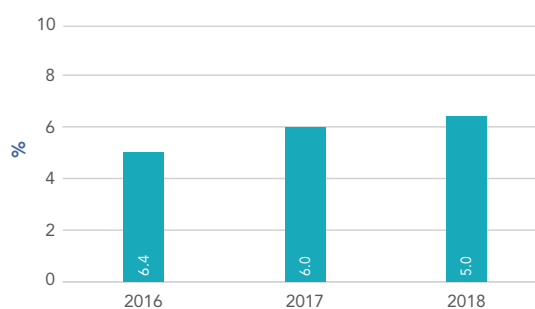
BASIC REMUNERATION INCREASES

The REMCO approved the following increases, subject to the overall increase percentage per business unit not exceeding the Board-approved remuneration budgets for 2019.

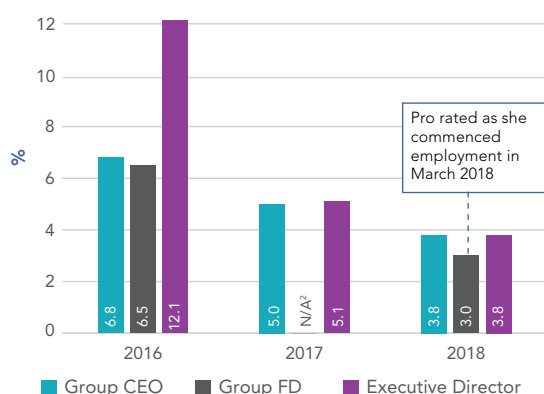
Basic remuneration increases



Average annual salary increase across all levels



Executive Director salary increases¹



¹ Includes certain change of role increases, in addition to a cost-of-living increase.

² The previous Group FD left the Group on 30 June 2017. No additional payments were made on his departure.

SHORT-TERM INCENTIVE PAYMENTS

In 2018, the Group did not meet its financial performance targets and this resulted in reduced STI payments and no LTI payments to Executive Directors and prescribed officers, as shown on the next page.

As the financial performance for the Group in 2018 was below budget, no executive qualified for a bonus against the financial performance measures for STI payments at a Group or divisional level. Divisional financial performance has a weighting of between 30% and 40% on the overall bonus award calculation.

STIs were paid on the portion related to personal performance outcomes during 2018, which were weighted between 40% and 50% for each individual. Individual performance ratings ranged from 45% to 80% and bonus awards were calculated accordingly. Due to the Group's performance this year, REMCO applied its discretion (as per the remuneration policy) to the discretionary STI payments, and it was all reduced accordingly.

The KPIs for the 2019 financial year were agreed and in addition to our risk and value indicators, they include indicators relating to:

- People and culture
- Organisational capacity
- Transformation
- Sales

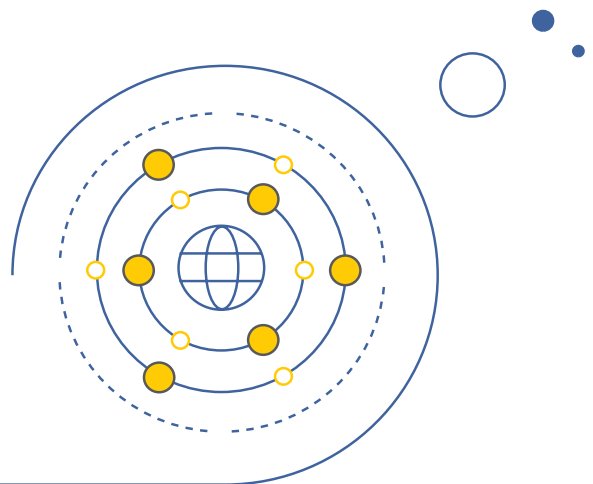
- Credit
- Product, user experience and innovation
- Financial and capital management

Bonuses due for the year have been provided for in the financial results for the year ended June 2018 and will be paid in September 2018.

LONG-TERM INCENTIVE PAYMENTS

The LTI scheme was suspended in 2017 pending the restructuring of the Group and the scheme was redesigned to align with the new structure. Accordingly, no LTI payments were made in 2018. Additionally, no employee received SPAS payments in 2018, due to the depreciation in the share price (2017: R1.5 million).

The SPAS scheme has 261 956 shares remaining with an average strike price of R69.25 as at the end of June 2018. Future bonus payments on the scheme, which will depend on the share price at the time, will fall due between 2019 and 2021.



IMPLEMENTATION REPORT continued

Directors' and prescribed officers' remuneration^j

| | Services as Directors R | Cash package ¹ R | Other benefits ² R | Incentive bonus ³ R | Total 2018 R | Incentive bonus ⁵ Payable in Sept 2018 R |
|--|-------------------------------|-----------------------------------|-------------------------------------|--------------------------------------|--------------------|---|
| 2018 | | | | | | |
| Executive directors | | | | | | |
| Roland Sassoon | – | 3 641 930 | 637 704 | 750 000 | 5 029 634 | 643 333 |
| Angela Pillay ^a | – | 760 463 | 2 306 204 | – | 3 066 667 | – |
| Michael Sassoon | – | 2 931 437 | 633 613 | 700 000 | 4 265 050 | 643 333 |
| Independent non-executive directorsⁱ | | | | | | |
| Roy Andersen | 981 042 | – | – | – | 981 042 | – |
| Linda de Beer | 541 205 | – | – | – | 541 205 | – |
| Grant Dunnington | 712 050 | – | – | – | 712 050 | – |
| John Moses ^b | 49 783 | – | – | – | 49 783 | – |
| Gugu Mtetwa | 345 900 | – | – | – | 345 900 | – |
| Shahied Rylands | 652 000 | – | – | – | 652 000 | – |
| Richard Buchholz ^h | 248 825 | – | – | – | 248 825 | – |
| Prescribed officers | | | | | | |
| Linda Fröhlich | – | 2 317 160 | 618 035 | 550 000 | 3 485 195 | 490 980 |
| Maston Lane | – | 2 359 974 | 669 458 | 550 000 | 3 579 432 | 504 370 |
| Howard Brown | – | 1 999 009 | 365 748 | 550 000 | 2 914 757 | 378 667 |
| Andrew (Josh) Souchon | – | 2 177 490 | 344 521 | 300 000 | 2 822 011 | 417 600 |
| David Edwards ^c | – | 1 507 419 | 424 670 | 541 000 | 2 473 090 | 100 000 |
| Francois Otto ^d | – | 336 665 | 52 020 | 323 880 | 712 565 | 842 000 |
| Erol Zeki ^e | – | 1 879 327 | 350 846 | – | 2 230 173 | 500 000 |
| Glen Christopulo ^f | – | 2 192 380 | 473 600 | 500 000 | 3 165 980 | – |
| Lushen Pather ^g | – | 757 739 | 441 029 | 1 100 000 | 2 298 767 | – |
| | 3 530 805 | 22 860 993 | 7 317 448 | 5 864 880 | 39 574 126 | 4 520 283 |

^a Appointed on 1 March 2018.^b Resigned on 28 August 2017.^c Resigned from the position on 30 April 2018.^d Appointed to the position on 1 May 2018.^e Appointed on 15 September 2017.^f Resigned on 31 March 2018.^g Resigned on 31 December 2017.^h Appointed on 17 March 2018.ⁱ Directors representing WIPHOLD do not receive Directors' fees.^j Directors' fees were adjusted to account for changes in the required VAT treatment following the release by SARS of a binding directive affecting director fees.

| | Services as Directors R | Cash package ¹ R | Other benefits ² R | Incentive bonus ⁴ R | Total 2017 R | Incentive bonus Payable in Sept 2017 R |
|--|-------------------------------|-----------------------------------|-------------------------------------|--------------------------------------|--------------------|--|
| 2017 | | | | | | |
| Executive directors | | | | | | |
| Roland Sassoon | – | 3 779 362 | 999 247 | 3 200 000 | 7 978 609 | 750 000 |
| Tyrone Soondarjee | – | 2 592 125 | 675 550 | 1 800 000 | 5 067 675 | – |
| Michael Sassoon | – | 2 372 926 | 587 213 | 2 300 000 | 5 260 139 | 700 000 |
| Alternate director | | | | | | |
| Linda Fröhlich | – | 2 194 713 | 704 761 | 2 500 000 | 5 399 474 | 550 000 |
| Independent non-executive directors | | | | | | |
| Roy Andersen | 903 600 | – | – | – | 903 600 | – |
| Linda de Beer | 498 500 | – | – | – | 498 500 | – |
| Grant Dunnington | 718 475 | – | – | – | 718 475 | – |
| John Moses | 596 399 | – | – | – | 596 399 | – |
| Shahied Rylands | 683 025 | – | – | – | 683 025 | – |
| Lesego Sennelo | 292 575 | – | – | – | 292 575 | – |
| Prescribed officers | | | | | | |
| Howard Brown | – | 1 902 145 | 349 935 | 1 800 000 | 4 052 080 | 550 000 |
| Glen Christopulo | – | 1 966 141 | 531 704 | 1 500 000 | 3 997 845 | – |
| Maston Lane | – | 2 325 370 | 629 955 | 2 300 000 | 5 255 325 | 550 000 |
| David Edwards | – | 1 889 914 | 309 946 | 1 500 000 | 3 699 860 | 541 000 |
| Neil Eppel | – | 1 925 850 | 522 498 | 1 901 500 | 4 349 848 | 753 557 |
| Lushendren Pather | – | 1 177 437 | 403 148 | 1 050 000 | 2 630 585 | 1 000 000 |
| Andrew (Josh) Souchon | – | 1 222 156 | 270 083 | – | 1 492 239 | 300 000 |
| | 3 692 574 | 23 348 139 | 5 984 040 | 19 851 500 | 52 876 253 | 5 694 557 |

¹ The remuneration of the Executive Directors are paid by subsidiaries of the Company.

² Other benefits comprise: provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.

³ Relate to the Group's and individual's performance in the 2017 financial year.

⁴ Relate to the Group and individual's performance in the 2016 financial year.

⁵ Relate to the Group's and individual's performance in the 2017 financial year.

COMMITMENT TO OUR PEOPLE AND OUR COMMUNITIES



Sasfin recognises that the banking and financial services sector has an important role to play in the context of social and environmental sustainability.

GLORIA SEROBE
Social and Ethics Committee Chair

Sasfin has adopted, as part of its values, a proactive strategy which places the need to positively contribute to society as a basic foundation of its strategic focus areas (page 21). Economic growth, social equity and environmental integrity are interdependent outcomes of all sustainable development, which is inextricably linked to Sasfin's long-term growth prospects.

When WIPHOLD acquired its interest in Sasfin, I was appointed to the Board and assumed the role of Chair of the Social and Ethics Committee. The purpose and responsibilities of this committee, as enunciated in its charter¹, align with the ideals that led WIPHOLD to invest in Sasfin. I thank the previous Chair of the committee and the members for their valued contributions, input and assistance in my induction to the role.

The committee concerns itself primarily with monitoring and setting the strategic direction of the various activities which impact social and economic development, good corporate citizenship, the environment, occupational health and safety and public safety, consumer relationships, employment practices and transformation.

Special attention was paid to the need for Sasfin to accelerate the pace of transformation in the Group and ensure that its market conduct practices adhere to the outcomes envisaged by the Market Conduct Authority.

¹ Available at www.sasfin.com/investor-relations/.

KEY ENVIRONMENTAL AND SOCIAL SUSTAINABILITY DRIVERS

FINANCING OF SME CLIENTS

Sasfin provides financial solutions to various sectors in South Africa. Our lending products primarily fall into the equipment leasing, and trade and debtor finance categories, exposing the business to the full spectrum of the South African economy – from schools and non-governmental organisations (NGOs) to large corporate entities. But the emphasis is on SMEs, which are the backbone of the South African economy. Sasfin supports South Africa's growth by providing financing to trade and industry that assists with the transition to more efficient and productive processes. Furthermore, by funding the SME market, the Group has a significant impact on job creation through these organisations.

ENERGY-EFFICIENT FINANCING

Sasfin has a number of products which facilitate and assist our SME clients to become more energy-efficient by leasing equipment with a lower carbon footprint. This allows them to lower their energy costs, find cleaner alternatives and improve energy efficiencies.

ADOPTION OF SEMS FRAMEWORK

The Group has a responsibility to ensure its clients' activities do not have negative social and environmental impacts. We therefore consider environmental and social risks in our business decisions and activities, particularly in higher-risk industry sectors.

The SEMS aligns the Group's objectives to develop and maintain appropriate systems and controls to the social and environmental requirements and standards set out by international best practice. It draws from the Equator Principles, United Nations Global Compact (UNGC) Principles, Organisation for Economic Co-operation and Development recommendations regarding corruption, World Bank standards, as well as local legislation aimed at redressing the social and labour issues pertinent to South Africa.

Our SEMS framework provides a way to manage those social and environmental risks and impacts, and to enhance development opportunities. The SEMS framework comprises eight performance standards aimed at promoting sound environmental and social practices, encouraging transparency and accountability, and contributing to positive developmental impacts. The SEMS framework is integrated into Sasfin's operational processes and overseen by the Social and Ethics Committee. The SEMS framework provides

employees with an effective tool for identifying and managing environmental and social risks with lending and investment initiatives.

Lending decisions are made in the context of legislative and regulatory compliance, including environmental permits and the exclusion lists required by the various development funders who have partnered with Sasfin. Corrective action plans and recommendations are implemented on specific issues, where considered necessary. In addition, financing covenants and conditions are always considered.

As part of this process, Sasfin has an environmental coordinator who is responsible for overseeing the screening of corporate clients against Sasfin's SEMS framework. The environmental coordinator is mandated to create a consistent approach to environmental and social management by facilitating appropriate systems, policies, performance standards, monitoring and assurance within the Group's operations and responsible financing considerations.

TRANSFORMATION

Sasfin recognises the importance of ensuring that the socio-economic inequalities which pervade South Africa are addressed. After an extended process to identify an appropriate partner, Sasfin and WIPHOLD reached an agreement. WIPHOLD is a B-BBEE investor whose activities complement those of Sasfin and which adds significant value while meeting the broad-based transformative imperatives. The transaction was completed in October 2017.

We regard the FSC as an excellent model upon which to base our targets and strategies for the achievement of greater equity within our field of influence. We also seek to achieve real transformative objectives independent of a mechanistic scorecard outcome. In this vein, Sasfin established a Management Transformation Forum in which management consistently drives the transformation strategy. Now that Sasfin has successfully addressed ownership requirements, focus is placed on ensuring that appropriate diversity exists at Board, Group Exco and senior employee levels. Significant work is also being done to ensure procurement practices and enterprise development initiatives bring real benefits to black-owned and empowered entities.

Sasfin was awarded a SANAS-accredited level 4 score, which translates into a B-BBEE procurement recognition level of 100%. This is a significant improvement on previous scores and recognises the impact of the WIPHOLD transaction and the greater

KEY ENVIRONMENTAL AND SOCIAL SUSTAINABILITY DRIVERS continued

diversity of the Board's composition. Sasfin was also recognised as a value-added supplier. Our latest B-BBEE scorecard, reflecting the specific contributions under all pillars of the FSC, is available on our website at www.sasfin.com/sustainability.

Other initiatives include an emphasis on training and fast-tracking black employees who were identified as having exceptional talent. The Sasfin Learning Academy was established for this purpose and is accredited by BankSETA. Additionally, a bursary scheme was introduced, replacing the former study loan structure.

Sasfin strives to support black-owned businesses. We have made important strides in improving access to financial services with the roll-out of B\\YOND, the digital banking platform which complements Sasfin's transactional banking offering (page 26). We have set ambitious five-year targets to improve our B-BBEE level and transformation was included in executive performance metrics at Group and Pillar level (page 89).

The committee is also responsible for monitoring the Group's employment practices and we are satisfied that these are non-discriminatory, that they uphold the United Nations Universal Declaration of Human Rights and the International Labour Organisation's Fundamental Principles and Rights at Work, which form part of the UNGC.

OUR COMMUNITY

Being a good corporate citizen means being there for the communities in which Sasfin operates. We are involved in a variety of CSI and other sponsorships and donations that favour projects that ensure sustainable development in education, financial literacy and care for the vulnerable. The total donations and sponsorships spend was R1.7 million (2017: R1.4 million) (page 59).

The Group aspires to address poverty, improve the quality of life, and promote education and development for all South Africans. The SEC adopted a policy of selecting a few especially worthy initiatives and making meaningful contributions to those beneficiaries rather than spreading contributions too widely for them to create a significant impact. Our flagship beneficiaries over the past year were Afrika Tikkun, the Smile Foundation and ORT SA. We also supported 20 other causes. Our employees once again led with their hearts during a number of voluntary initiatives including Mandela Day, Starsaver and raising supplies and funds for those affected in the Knysna and Plettenberg Bay fires last year.

INTEGRITY AND ETHICS

Integrity is one of Sasfin's most important values, the cornerstone of our code of conduct and guides our daily actions. The Social and Ethics Committee oversees ethical matters to help build a strong ethical culture throughout the Group. Robust policies are in place governing the ethical behaviour that is important in demonstrating that we deserve the trust of our stakeholders, which is a critical asset in a business built around banking and wealth creation.

The SEC receives, reviews and monitors all breaches of the ethics policy, including those reported through the whistle-blower hotline (page 74). The governance frameworks around ethics continued to mature, a new system to monitor conduct and ethics awareness among employees was launched and we reviewed Group products and services to ensure they aligned to TCF regulations. Employees received training on a range of regulations and important matters including TCF, the SEMS system, anti-money laundering and anti-corruption (page 56).

Sasfin further supports the promotion of ethics in government and corporates through our sponsorship of the GIBS Ethics Think Tank, which initiates and engages in important conversations about the state of ethics in government and corporate South Africa.

FINES AND SANCTIONS

We are pleased to report that there were no fines or other non-monetary sanctions imposed on Sasfin for non-compliance with environmental laws and regulations, as well as laws and regulations concerning the provision and use of products and services.

OUTLOOK

Recent events in South Africa in the private and public sector clearly demonstrate the critical importance of an ethical and responsible approach to creating value sustainably. The current outlook for business is both uncertain and full of opportunity. As Sasfin moves into its next phase of growth under new leadership and with a new strategy, we will continue to play a critical role as the focal point for the Board's commitment to good corporate citizenship.



Gloria Serobe

Social and Ethics Committee Chair

KING IV DISCLOSURE MATRIX

Our view on corporate governance and meeting the four governance outcomes of in King IV, namely an ethical culture, good performance, effective controls and legitimacy, have been addressed on pages 3 and 11. The key applications by Sasfin of the principles contained in King IV, with reference to the practices to demonstrate the application of the individual principles are explained in the table below. It includes page references to the 2018 integrated report (available at www.sasfin.com) where further information is available.

| Principle | Sasfin application |
|---|--|
| Principle 1 The governing body should lead ethically and effectively. | The Board adheres to its fiduciary duties by providing leadership and strategic guidance aimed at protecting stakeholder interests and shareholder value within a strict governance framework. Refer page 73. |
| Principle 2 The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture. | The Board ensures that a robust culture of integrity and competence is applied when steering and setting the direction of the organisation. Refer pages 10, 73 and 96. |
| Principle 3 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen. | The Board together with the SEC ensures that our business activities CSI initiatives and strategy of sustainability ensure that we contribute to society in a responsible and ethical corporate citizen. Refer page 96. |
| Principle 4 The governing body should appreciate that the organisation's core purpose, the risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process. | The Board has delegated to management, via Group Exco, the formulation of strategy which is considered and approved by the Board, including key performance measures and targets over the short, medium and long term, and oversees the implementation thereof within the overall context in which Sasfin operates. Refer page 21. |
| Principle 5 The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short, medium and long-term prospects. | The Board has assumed responsibility for the Integrated Report and also approves interim communications, including all SENS announcements, disclosures made in terms of Regulation 43 of the Banks Act and other media statements. Refer page 40. |
| Principle 6 The governing body should serve as the focal point and custodian of corporate governance in the organisation. | The Board, supported by the DANC ensures that applicable governance practices and principles are adhered to and acknowledges its responsibility for the performance and strategic direction of the Group. Refer pages 10 and 78. |
| Principle 7 The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively. | The Board composition is aligned to King IV requirements with regard to the mix of independent, non-executive, and executive directors. The mix of skills, contribution and tenure of directors is monitored and re-assessed regularly by the DANC. Refer pages 10 and 67. |

KING IV DISCLOSURE MATRIX continued

| Principle | Sasfin application |
|--|--|
| <p>Principle 8</p> <p>The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.</p> | <p>The Board has established committees to which it has delegated specific roles and responsibilities. Committee members for each committee are selected according to their suitability in terms of their qualifications and experience which is assessed through annual effectiveness reviews.</p> <p>The executive team and management operate under a defined authority matrix which is aimed at ensuring there is effective collaboration and accountability. Refer pages 73, 78 and 81.</p> |
| <p>Principle 9</p> <p>The governing body should ensure that the evaluation of its own performance and that of its committees, its Chair and its individual members, support continued improvement in its performance and effectiveness.</p> | <p>The Board and each committee have conducted an internal assessment exercise, both in respect of the Board itself and in respect of each committee. The Chair has been assessed by the Board under the leadership of the Chair of REMCO who also serves as the Lead Independent Director.</p> <p>An external assessment on the Board and each committee is conducted every three years. Refer pages 10 and 73.</p> |
| <p>Principle 10</p> <p>The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.</p> | <p>The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibility. Refer page 73.</p> |
| <p>Principle 11</p> <p>The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.</p> | <p>The Board has considered and approved a RAS which sets the parameters as to how risk is to be approached, which supports good governance. Executive oversight of the risk function is delegated to the CRO. Refer page 31.</p> |
| <p>Principle 12</p> <p>The governing body should govern technology and information in a way that supports the organisation to set and achieve its strategic objectives.</p> | <p>The Board's IT Committee considered a comprehensive IT governance framework for Board approval. The Board oversees the strategies adopted to enhance technology, security and digitalization. Refer page 60.</p> |
| <p>Principle 13</p> <p>The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.</p> | <p>The Group has a strong compliance function focusing on areas such as banking regulation, AML, market conduct, exchange control and regulatory interaction responsible for mitigating compliance risk. The Board acknowledges its accountability and provides the necessary guidance regarding the management of compliance risk. Refer page 73.</p> |

Principle**Sasfin application**

Principle 14

The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.

The Board's REMCO considers whether remuneration is fair and consistent, and encourages behaviour which is commensurate with the strategic direction and risk appetite of the Group. The Group's remuneration policy and implementation report will be subject to non-binding votes by shareholders. An initiative to better align the Group's remuneration to performance values and risk assumption has been completed. Refer page 85.

Principle 15

The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.

The GACC oversees the responsibility for ensuring that both internal assurance functions and external assurance services facilitate an effective control environment. They do so by using the combined expertise contained in the Group's Risk, Compliance, Internal Audit and External Audit reports to arrive at a holistic risk-based assessment of the Group's governance, risk management and control processes. Refer pages 3 and 76.

Principle 16

In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.

The Board recognises the importance of maintaining stakeholder relationships. It recognises its shareholders, depositors, employees, regulators, clients and the broader community in which it operates as all being important stakeholders. It manages stakeholder risk as an integral part of its overall risk management framework. Refer pages 27 and 65.

Principle 17

The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.

The Group has adopted a social and environmental management policy which guides the Group's investment activities. A responsible investment standard has been adopted which is applied in both its Wealth and Capital Pillars. Refer page 49.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

at 30 June 2018

| | Note | 2018 R'000 | 2017 Restated* R'000 | 2016 Restated* R'000 |
|---|------|-------------------|----------------------------|----------------------------|
| ASSETS | | | | |
| Cash and cash balances | | 1 892 167 | 2 165 379 | 652 485 |
| Trading assets | 6 | 1 476 511 | 1 352 570 | 1 192 446 |
| Negotiable securities | | 1 975 407 | 1 395 522 | 1 238 267 |
| Other receivables | | 375 380 | 394 690 | 726 940 |
| Non-current assets held for sale | | – | 69 500 | 69 900 |
| Loans and advances | 2 | 7 618 495 | 6 487 022 | 6 254 891 |
| Taxation | | 19 809 | 36 560 | 31 135 |
| Investment securities | 3, 6 | 628 493 | 494 213 | 586 359 |
| Private Equity and Property Equity investments | | 586 497 | 447 233 | 510 479 |
| Strategic investments | | 41 996 | 46 980 | 75 880 |
| Deferred tax asset | | 30 568 | 26 995 | 22 135 |
| Property, plant and equipment | | 88 206 | 103 856 | 87 229 |
| Investment property | | 12 600 | – | – |
| Intangible assets and goodwill | | 201 448 | 131 778 | 122 391 |
| Total assets | | 14 319 084 | 12 658 085 | 10 984 178 |
| LIABILITIES | | | | |
| Funding under repurchase agreements and interbank | | 1 924 975 | 1 306 926 | 862 574 |
| Trading liabilities | 6 | 1 449 203 | 1 333 551 | 1 174 376 |
| Current taxation liabilities | | 21 819 | 9 569 | 16 611 |
| Other payables | | 801 745 | 743 267 | 1 078 046 |
| Deposits from customers | 4 | 4 449 344 | 4 551 990 | 3 226 129 |
| Debt securities issued | 5 | 3 115 432 | 2 496 718 | 2 470 428 |
| Long-term loans | | 674 616 | 429 673 | 433 889 |
| Deferred tax liability | | 140 179 | 127 166 | 125 576 |
| Total liabilities | | 12 577 313 | 10 998 860 | 9 387 629 |
| EQUITY | | | | |
| Ordinary share capital | | 321 | 317 | 317 |
| Ordinary share premium | | 166 945 | 144 010 | 144 010 |
| Reserves | | 1 382 185 | 1 324 559 | 1 259 353 |
| Preference share capital | | 18 | 18 | 18 |
| Preference share premium | | 188 068 | 188 068 | 192 851 |
| Non-controlling interest | | 4 234 | 2 253 | – |
| Total equity | | 1 741 771 | 1 659 225 | 1 596 549 |
| Total liabilities and equity | | 14 319 084 | 12 658 085 | 10 984 178 |

* Refer note 1.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

for the year ended 30 June 2018

| | Note | 2018 R'000 | 2017 R'000 |
|---|------|------------------|------------------|
| Interest income | | 1 281 874 | 1 173 400 |
| Interest expense | | (809 095) | (730 864) |
| Net interest income | | 472 779 | 442 536 |
| Non-interest income | | 746 437 | 724 630 |
| Non-interest income excluding fair value adjustments to strategic investments | | 752 471 | 753 826 |
| Fair value adjustments to strategic investments | | (6 034) | (29 196) |
| Total income | | 1 219 216 | 1 167 166 |
| Impairment charges on loans and advances | | (144 178) | (81 436) |
| Net income after impairments | | 1 075 038 | 1 085 730 |
| Operating costs | | (871 274) | (840 152) |
| Staff costs | | (453 741) | (414 463) |
| Other operating expenses | | (408 097) | (411 326) |
| Goodwill and intangible asset impairments | | (9 436) | (14 363) |
| Profit from operations | | 203 764 | 245 578 |
| Share of associate income/(loss) | | 110 | (2 156) |
| Profit before income tax | | 203 874 | 243 422 |
| Income tax expense | | (71 428) | (49 012) |
| Profit for the year | | 132 446 | 194 410 |
| Other comprehensive income for the year, net of tax effects | | | |
| <i>Items that may subsequently be reclassified to profit or loss</i> | | | |
| Foreign exchange differences on translation of foreign operations | | 9 741 | (27 544) |
| Total comprehensive income for the year | | 142 187 | 166 866 |
| Profit attributable to: | | 132 446 | 194 410 |
| Non-controlling interest | | 1 981 | 2 253 |
| Preference shareholders | | 15 531 | 15 580 |
| Equity holders of the Group | | 114 934 | 176 577 |
| Total comprehensive income attributable to: | | 142 187 | 166 866 |
| Non-controlling interest | | 1 981 | 2 253 |
| Preference shareholders | | 15 531 | 15 580 |
| Equity holders of the Group | | 124 675 | 149 033 |
| Earnings per share: | | | |
| Basic and Diluted earnings per share (cents) | 7 | 358.68 | 556.38 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the year ended 30 June 2018

| | Ordinary share capital and premium R'000 | Distributable reserves R'000 | Foreign currency translation reserve R'000 | Hedging reserve R'000 | Total ordinary shareholders' equity R'000 | Preference share capital and premium R'000 | Non-controlling interest R'000 | Total shareholders' equity R'000 |
|---|--|------------------------------|--|-----------------------|---|--|--------------------------------|----------------------------------|
| Balance at 30 June 2016 | 144 327 | 1 270 085 | 96 367 | (107 099) | 1 403 680 | 192 869 | – | 1 596 549 |
| Total comprehensive income for the year | – | 192 157 | (27 544) | – | 164 613 | – | 2 253 | 166 866 |
| Profit for the year | – | 192 157 | – | – | 192 157 | – | 2 253 | 194 410 |
| Other comprehensive loss net of income tax for the year | – | – | (27 544) | – | (27 544) | – | – | (27 544) |
| Transactions with owners recorded directly in equity | | | | | | | | |
| Preference share buy-back and cancellation | – | 2 919 | – | – | 2 919 | (4 783) | – | (1 864) |
| Dividends to preference shareholders | – | (15 580) | – | – | (15 580) | – | – | (15 580) |
| Dividends to ordinary shareholders | – | (86 746) | – | – | (86 746) | – | – | (86 746) |
| Balance at 30 June 2017 | 144 327 | 1 362 835 | 68 823 | (107 099) | 1 468 886 | 188 086 | 2 253 | 1 659 225 |
| Total comprehensive income for the year | – | 114 934 | 9 741 | – | 124 675 | 15 531 | 1 981 | 142 187 |
| Profit for the year | – | 114 934 | – | – | 114 934 | 15 531 | 1 981 | 132 446 |
| Other comprehensive income net of income tax for the year | – | – | 9 741 | – | 9 741 | – | – | 9 741 |
| Transactions with owners recorded directly in equity | | | | | | | | |
| Issued shares | 413 491 | – | – | – | 413 491 | – | – | 413 491 |
| Repurchase of shares | (390 552) | – | – | – | (390 552) | – | – | (390 552) |
| Dividends to preference shareholders | – | – | – | – | – | (15 531) | – | (15 531) |
| Dividends to ordinary shareholders | – | (67 049) | – | – | (67 049) | – | – | (67 049) |
| Balance at 30 June 2018 | 167 266 | 1 410 720 | 78 564 | (107 099) | 1 549 451 | 188 086 | 4 234 | 1 741 771 |

| | 2018 Cents per share | 2017 Cents per share |
|--------------------------|----------------------------|----------------------------|
| Ordinary shares | | |
| Interim dividend | 46.89 | 80.00 |
| Final dividend | 104.37 | 160.42 |
| Preference shares | | |
| Dividend no 25 | – | 436.68 |
| Dividend no 26 | – | 429.57 |
| Dividend no 27 | 427.42 | – |
| Dividend no 28 | 414.03 | – |

CONSOLIDATED STATEMENT OF CASH FLOWS

for the year ended 30 June 2018

| | 2018 R'000 | 2017 Restated R'000 |
|--|--------------------|---------------------------|
| Cash flows from operating activities | | |
| Cash receipts from customers | 1 938 779 | 1 837 446 |
| Cash paid to customers, employees and suppliers | (1 644 232) | (1 580 463) |
| Cash inflow from operating activities | 294 547 | 256 983 |
| Dividends received | 22 185 | 14 753 |
| Taxation paid | (32 987) | (64 749) |
| Dividends paid | (82 580) | (102 326) |
| Cash flows from operating activities before changes in operating assets and liabilities | 201 165 | 104 661 |
| Changes in operating assets and liabilities | 802 743 | 1 337 618 |
| Increase in loans and advances | (120 207) | (313 567) |
| Increase in trading assets | (123 348) | (160 125) |
| Increase in negotiable securities | (579 885) | (157 255) |
| Decrease in other receivables | 63 252 | 324 762 |
| (Decrease)/Increase in deposits | (102 646) | 1 325 861 |
| Increase in long-term funding | 863 657 | 22 074 |
| Increase in funding under repurchase agreements and interbank | 618 049 | 444 352 |
| Increase in trading liabilities | 115 652 | 159 175 |
| Increase/(Decrease) in other payables | 68 219 | (307 659) |
| Net cash from operating activities | 1 003 908 | 1 442 279 |
| Cash flows from investing activities | (1 281 352) | 64 899 |
| Proceeds from the disposal of property, plant and equipment | 4 299 | 11 960 |
| Proceeds from disposal of investment property | 56 500 | 7 489 |
| Proceeds from the disposal of investment securities | 4 700 | 182 095 |
| Acquisition of property, plant and equipment | (22 471) | (49 680) |
| Acquisition of intangible assets | (82 815) | (40 973) |
| Net cash paid on acquisition of businesses | (1 167 031) | – |
| Acquisition of investment securities | (108 145) | (34 549) |
| Repayments/(Advances) of investment securities | 33 611 | (11 443) |
| Net cash flows from financing activities | 22 939 | (1 864) |
| Proceeds from issue of ordinary shares | 413 491 | – |
| Repurchase of shares | (390 552) | – |
| Purchase and cancellation of preference shares | – | (1 864) |
| Net (decrease)/increase in cash and cash balances | (254 505) | 1 505 314 |
| Cash and cash equivalents at beginning of the year | 2 165 379 | 652 485 |
| Effect of exchange rate movements on cash and cash balances | (18 707) | 7 580 |
| Cash and cash balances at the end of the year | 1 892 167 | 2 165 379 |

NOTES TO THE FINANCIAL STATEMENTS

for the year ended 30 June 2018

1. RESTATEMENTS

Adjustments were made to correct inter-divisional balances not previously eliminated at a Company or Group level

- This resulted in the restatement and disclosure of the 2016 and 2017 balance sheet
- There is no impact on Headline Earnings or Retained Earnings

Consolidation of Sunlyn (Pty) Ltd

- Sunlyn was established as an equipment rental originator of the Bank in 1988
- It is legally owned by Innovent, a Private Equity investee of the Group
- The nature of the business and operations were reviewed in the current year and given the integration of the businesses and the manner in which the ATFS transaction was executed via Sunlyn, it is now deemed to be a controlled entity
- An assessment of materiality was performed on prior year's balance sheet and income statement and hence were not consolidated
- There is no impact on Headline Earnings or Retained Earnings

2. LOANS AND ADVANCES

| | 2018 R'000 | 2017 R'000 |
|---|------------------|------------------|
| Gross Investment in leases | 7 717 059 | 6 679 736 |
| Equipment Finance | 6 406 526 | 5 496 119 |
| Capital Equipment Finance | 1 310 533 | 1 183 617 |
| Less: Unearned finance income | (1 137 705) | (1 295 037) |
| Equipment Finance | (923 320) | (1 104 790) |
| Capital Equipment Finance | (214 385) | (190 247) |
| Net investment in leases | 6 579 354 | 5 384 699 |
| Equipment Finance | 5 483 206 | 4 391 329 |
| Capital Equipment Finance | 1 096 148 | 993 370 |
| Trade and Debtor Finance | 1 141 275 | 1 127 438 |
| Other secured loans | 183 630 | 198 593 |
| Loans and advances before impairments | 7 904 259 | 6 710 730 |
| Impairments | (285 764) | (223 708) |
| Impairments for non-performing loans and advances | (234 625) | (191 836) |
| Impairments for performing loans and advances | (51 139) | (31 872) |
| Net loans and advances | 7 618 495 | 6 487 022 |

| | 2018 R'000 | 2017 R'000 |
|---|---------------|---------------|
| 3. INVESTMENT SECURITIES | | |
| Designated at fair value through profit or loss | 616 319 | 491 798 |
| – Listed Equity investments | 309 | 280 |
| – Private and Property Equity investments | 574 014 | 444 538 |
| – Strategic investments* | 41 996 | 46 980 |
| Investment in associate companies | 12 174 | 2 415 |
| | 628 493 | 494 213 |
| Summarised financial information for non-material associates: | | |
| Post-tax profit/(loss) from continued operations | 42 | (146) |
| Total comprehensive income/(loss) | 42 | (146) |
| Total assets | 5 742 | 4 893 |
| Total liabilities | 917 | 585 |

* Comprises the Group's listed equity investment in Efficient Group Limited.

| | 2018 R'000 | 2017 R'000 Restated |
|-----------------------------------|---------------|---------------------------|
| 4. DEPOSITS FROM CUSTOMERS | | |
| Demand deposits | 2 046 847 | 2 303 078 |
| Notice deposits | 657 342 | 557 793 |
| Fixed deposits | 1 745 155 | 1 691 119 |
| | 4 449 344 | 4 551 990 |

| | 2018 R'000 | 2017 R'000 |
|----------------------------------|---------------|---------------|
| 5. DEBT SECURITIES ISSUED | | |
| Category analysis | | |
| Rated** | 3 115 432 | 2 496 718 |

Floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts in the name of SASP. All notes are placed with South African investors. The debt securities in issuance are rated by Global Credit Ratings Co.

** There are various ratings on the debt securities. These ratings are available, on request, at the registered address of the Group.

NOTES TO THE FINANCIAL STATEMENTS continued

for the year ended 30 June 2018

6. FINANCIAL: FAIR VALUE OF ASSETS AND LIABILITIES

The Group's financial risk management objectives and policies are consistent with those disclosed in the Consolidated and Separate Annual Financial Statements as at and for the year ended 30 June 2018.

Financial hierarchy

The table below analyses financial instruments carried at fair value by level of fair value hierarchy. The different levels are based on the inputs used in the calculation of fair value of the financial instruments. The levels have been defined as follows:

Level 1 – fair value is based on quoted market prices (unadjusted) in active markets for identical instruments.

Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3 – unobservable inputs for the asset or liability.

| | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | 30 June 2018 R'000 | 30 June 2017 R'000 |
|--|------------------|------------------|------------------|--------------------------|--------------------------|
| Trading assets | 1 297 094 | 179 417 | – | 1 476 511 | 1 352 570 |
| Investment securities | 309 | 41 996 | 586 188 | 628 493 | 494 213 |
| Total financial assets carried at fair value | 1 297 403 | 221 413 | 586 188 | 2 105 004 | 3 951 787 |
| Trading liabilities | 1 293 531 | 155 672 | – | 1 449 203 | 1 333 551 |
| Total financial liabilities carried at fair value | 1 293 531 | 155 672 | – | 1 449 203 | 1 333 551 |

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments, the Group determines fair values using valuation techniques.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Level 1, 2 and 3 of the fair value hierarchy during the year ended 30 June 2018.

| | 30 June 2018 R'000 | 30 June 2017 R'000 |
|---|--------------------------|--------------------------|
| Level 3 Fair value – Investment securities | | |
| Opening balance | 446 954 | 493 768 |
| Total gains in profit | 70 451 | 73 649 |
| Net investments/(settlements) | 68 785 | (119 463) |
| Closing balance | 586 190 | 446 954 |

The valuation of Level 3 investment securities was based predominantly on detailed discounted cash flow methodologies, which were moderated against implied price/earnings multiples, and where applicable, benchmarked to proxies of listed entities in similar industries. This valuation methodology is allowed per South African Venture Capital and Private Equity guidelines.

7. EARNINGS PER SHARE

7.1 Reconciliation between basic and headline earnings

| | Gross R'000 | Direct tax R'000 | Non- controlling and preference shareholders R'000 | Profit attributable to ordinary shareholders R'000 |
|--|----------------|---------------------|---|--|
| 2018 | | | | |
| Basic earnings | 203 874 | (71 428) | (17 512) | 114 934 |
| Headline adjustable items: | 9 845 | (2 627) | – | 7 218 |
| Investment property – fair value loss | 400 | (90) | – | 310 |
| Profit on disposal of assets | 9 | (3) | – | 6 |
| Goodwill and intangible impairments | 9 436 | (2 534) | – | 6 902 |
| | 213 719 | (74 055) | (17 512) | 122 152 |
| 2017 | | | | |
| Basic earnings | 243 422 | (49 012) | (17 833) | 176 577 |
| Headline adjustable items: | 17 596 | (22) | – | 17 574 |
| Investment property – fair value loss* | 400 | (90) | – | 310 |
| Profit on disposal of assets | (244) | 68 | – | (176) |
| Profit on disposal of subsidiary | (1 359) | – | – | (1 359) |
| Impairment of leasehold improvements | 4 436 | – | – | 4 436 |
| Goodwill and intangible impairments | 14 363 | – | – | 14 363 |
| | 261 018 | (49 034) | (17 833) | 194 151 |

* Relates to non-current assets held for sale.

7.2 Summary of earnings and headline earnings per share

| | Earnings attributable | | Weighted average number of shares | | Cents per share | |
|---|-----------------------|---------------|--------------------------------------|------------|-----------------|---------------|
| | 2018 R'000 | 2017 R'000 | 2018 | 2017 | 2018 Cents | 2017 Cents |
| Earnings per ordinary share | 114 934 | 176 577 | 32 043 426 | 31 736 515 | 358.68 | 556.38 |
| Diluted earnings per ordinary share | 114 934 | 176 577 | 32 043 426 | 31 736 515 | 358.68 | 556.38 |
| Headline earnings per ordinary share | 122 152 | 194 151 | 32 043 426 | 31 736 515 | 381.21 | 611.76 |
| Diluted headline earnings per ordinary share | 122 152 | 194 151 | 32 043 426 | 31 736 515 | 381.21 | 611.76 |

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Postal address

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Contact details

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Fax: +27 86 575 3829

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Physical address

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Contact details

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SOMERSET WEST

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E-mail: Emil.Visage@sasfin.com

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PORT ELIZABETH (SASFIN WEALTH)

Physical address

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Humeral 6001

Postal address

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Humeral 6013

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PRETORIA

Physical address

Block A, Ground Floor, North Wing,
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Brooklyn 0181

Postal address

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Brooklyn Square 0075

Contact details

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Fax: +27 12 425 6060

DURBAN

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6 The Terrace, Westway Office Park, Spine Road
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Postal address

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Westway Office Park 3635

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Fax: +27 31 265 1296/1297

KNYSNA

Physical address

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Knysna 6570

Postal address

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Knysna 6570

Contact details

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PLETTENBERG BAY (SASFIN WEALTH)

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PRETORIA (SASFIN WEALTH)

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HONG KONG

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30 Harbour Road
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Hong Kong

Contact details

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Fax: +852 3107 0198

GLOSSARY

| Term | Definition |
|----------------|---|
| AGM | Annual General Meeting |
| ALCO | Asset and Liability Committee, a committee of the Board of Directors |
| ALCO Manco | Asset and Liability Management Committee |
| ATFS | Absa Technology Finance Services (Pty) Limited |
| ATM | Automated Teller Machine |
| Bank | Sasfin Bank Limited |
| Banking Group | Sasfin Bank Limited and subsidiaries |
| Banks Act | Banks Act, No 94 of 1990, as amended, of South Africa |
| BASA | Banking Association of South Africa |
| Basel III | Set of reform measures, to strengthen the regulation, supervision and risk management of the banking sector |
| Basel IV | Further reforms, to strengthen the regulation, supervision and risk management of the banking sector |
| B-BBEE | Broad-based black economic empowerment |
| BEE | Black economic empowerment |
| CA | Chartered Accountant (SA) |
| CEO | Chief Executive Officer |
| CIO | Chief Information Officer |
| CIPC | Companies and Intellectual Properties Commission |
| CLEC | Credit and Large Exposure Committee, a committee of the Board of Directors |
| Companies Act | Companies Act, No 71 of 2008, as amended, of South Africa |
| Company | Sasfin Holdings Limited |
| COSO | Committee of Sponsoring Organisations |
| CRM | Customer Relationship Management |
| CRO | Chief Risk Officer |
| CSI | Corporate Social Investment |
| CTC | Cost-to-company |
| CTO | Chief Technology Officer |
| DANC | Directors' Affairs and Nominations Committee, a committee of the Board of Directors |
| DFI | Development finance institution |
| DMA | Direct Market Access – previously Saxo Capital Markets South Africa (SCMSA) |
| dti | Department of Trade and Industry |
| EE | Employment equity |
| Efficient | Efficient Group Limited |
| ERM | Enterprise risk management |
| ESD | Enterprise and supplier development |
| ESG | Environmental, social and governance |
| EVAR | Enhanced value at risk |
| Exco | Group Executive Committee |
| FAIS | Financial Advisory and Intermediary Services Act |
| FCA | Financial Conduct Authority |
| FD | Financial Director |
| FIC | Financial Intelligence Centre |
| FICA | Financial Intelligence Centre Act |
| fintech | Financial technology companies |
| FRIP | Financial Reporting Investigations Panel |
| FSB | Financial Services Board |
| FSC | Financial Sector Code |
| FSCA | Financial Sector Conduct Authority |
| GACC | Group Audit and Compliance Committee, a committee of the Board of Directors |
| GIBS | Gordon Institute of Business Sciences |
| Grant Thornton | Grant Thornton Johannesburg Partnership |

| Term | Definition |
|---------------------------|---|
| GRCMC | Group Risk and Capital Management Committee, a committee of the Board of Directors |
| Group or Sasfin | Sasfin Holdings Limited and its subsidiaries |
| HDSAs | Historically disadvantaged South Africans |
| HEPS | Headline earnings per share |
| HR | Human Resources |
| HR Manco | Human Resources Management Committee |
| HRS | Holistic Risk Solutions Proprietary Limited |
| ICAAP | Internal Capital Adequacy Assessment Process |
| IFRS | International Financial Reporting Standards |
| IFRS 9 | IFRS statement 9: Financial Instruments |
| IIRC | International Integrated Reporting Council |
| <IR> Framework | Integrated Reporting Framework |
| ISL | Imperial Sasfin Logistics Proprietary Limited (Formerly Sasfin Premier Logistics Proprietary Limited) |
| IT | Information Technology |
| IT Manco | Information Technology Management Committee |
| ITC | Information Technology Committee, a committee of the Board of Directors |
| JSE | Johannesburg Stock Exchange Limited |
| JSE Listings Requirements | The JSE Listings Requirements |
| KING III | King Report on Corporate Governance issued in 2009 |
| KING IV | King Report on Corporate Governance™ for South Africa (King IV)* |
| KPI | Key performance indicator |
| KPMG | KPMG Inc |
| KRI | Key risk indicator |
| KVI | Key value indicator |
| KYC | Know Your Client |
| LMS | Learner management system |
| LTI | Long-term incentive |
| MBA | Masters of Business Administration |
| NCR | National Credit Regulator |
| NED | Non-Executive Director |
| NERA | National Empowerment Rating Agency |
| NPL | Non-performing loans |
| NPSD | National Payments System Department (of the SARB) |
| NQF | National Qualifications Framework |
| NSFR | Net stable funding ratio |
| PASA | Payment Association of South Africa |
| Pillars | Sasfin Bank, Sasfin Wealth and Sasfin Capital |
| POPI | Protection of Personal Information Act of South Africa |
| PV | Photovoltaic (solar) |
| PwC | PricewaterhouseCoopers |
| RDARR | Risk Data Aggregation and Risk Reporting |
| RDR | Retail Distribution Review |
| REMCO | Human Resources and Remuneration Committee, a committee at the Board of Directors |
| ROE | Return on equity |
| SAICA | South African Institute of Chartered Accountants |
| SANAS | South African National Accreditation System |
| SARB | South African Reserve Bank |
| SARS | South African Revenue Service |
| Sasfin HRS | Sasfin HRS Administrators Proprietary Limited |
| SASP | South African Securitisation Programme (RF) Limited |

GLOSSARY continued

| Term | Definition |
|----------|--|
| SBL | Sasfin Bank Limited |
| SCMSA | Saxo Capital Markets South Africa |
| SEC | Social and Ethics Committee, a committee of the Board of Directors |
| SEMS | Social and Environmental Management System |
| SENS | Stock Exchange News Service |
| SETA | Sector Education and Training Authorities |
| SHL | Sasfin Holdings Limited |
| SMEs | Small and medium enterprises |
| SPAS | Share price appreciation scheme |
| STI | Short-term incentive |
| TCF | Treating Customers Fairly |
| UNGC | United Nations Global Compact |
| WAC | Wealth Advice Committee |
| WIC | Wealth Investment Committee |
| WIOC | Wealth Investment Oversight Committee |
| WIPHOLD | Women Investment Portfolio Holdings |
| Xero | Xero accounting software |
| Year-end | 30 June 2018 |

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CORPORATE DETAILS

Independent Non-Executive Chair

Roy Andersen

Executive Directors

Michael Sassoon (Group Chief Executive Officer)

Roland Sassoon

Angela Pillay

Non-Executive Directors

Gugu Dingaan

Gloria Serobe

Shaun Rosenthal (Alternate)

Independent Non-Executive Directors

Richard Buchholz

Linda de Beer

Grant Dunnington

Gugu Mtetwa

Shahied Rylands (Lead)

Group Company Secretary

Howard Brown

Transfer secretaries

Computershare Investor Services Proprietary Limited

Rosebank Towers, 15 Biermann Avenue,

Rosebank 2196

PO Box 61051, Marshalltown, 2107

Auditors

PricewaterhouseCoopers Incorporated

Lead sponsor

Sasfin Capital (a member of the Sasfin Group)

Independent sponsor

Deloitte & Touche Sponsor Services Proprietary Limited

Registered office

29 Scott Street, Waverley, Johannesburg 2090

Tel: +27 11 809 7500

Fax: +27 11 887 6167/2489

Company registration number: 1987/002097/06

Tax reference number: 9300/204/71/7

Website and email

www.sasfin.com

investorrelations@sasfin.com

This announcement and additional information is available at: www.sasfin.com

NOTES

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