Pillar III Disclosure

OVA: Bank risk management approach

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 defense to ensure accountability and distinguish between owning and managing risk, overseeing risks, and providing independent assurance. 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, COSO's Enterprise Risk Management – an Integrated Framework, 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 and 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.

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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.

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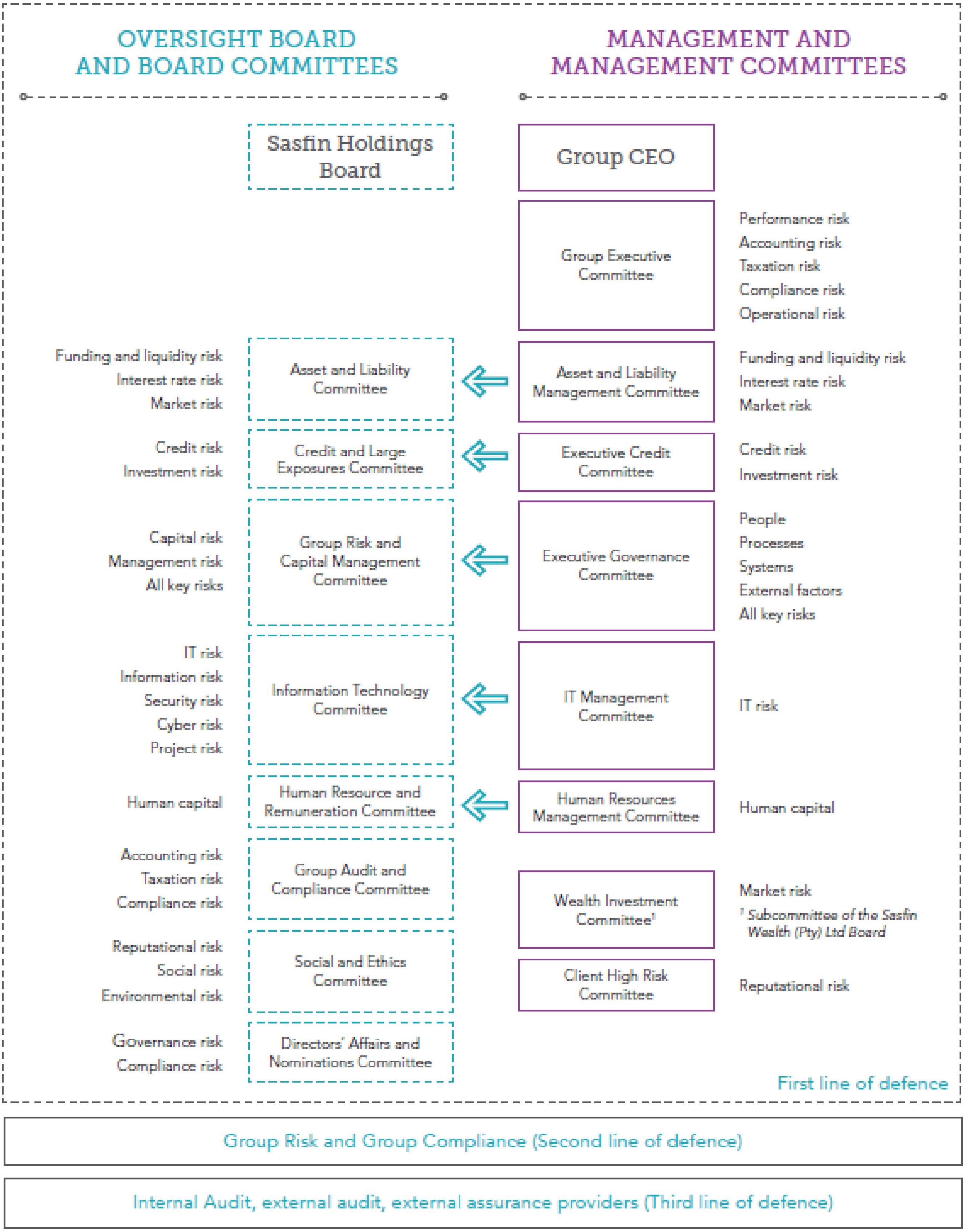

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Risk reporting

The group's risk appetite, risk profile, risk exposures as well as liquidity and capital positions are reported to the applicable board committees and to the Board on a regular basis. Any deterioration in the risk appetite requires escalation to the relevant board committee and any breach in the risk appetite requires immediate escalation to the Board. The Board must then ensure that remedial action is implemented to restore the position to within the risk appetite.

Risk reports compiled by business are reviewed and challenged by Group Risk prior to being circulated to the various governance committees.

A report from the Chief Risk Officer is tabled at the board, the GRCMC and the GACC.

In January 2013, the Basel Committee on Banking Supervision (BCBS) published principles for effective Risk Data Aggregation and Risk Reporting (RDARR) with the aim to improve the quality of risk data that banks use in decision making. An implementation programme is underway to ensure compliance with the RDARR principles.

Stress testing

The objective of stress testing is to assess the effect of possible unfavourable events on the group's regulatory capital requirements and on the internal assessment of its Tier 1 and Common Equity Tier 1 capital needs. Stress tests are a fundamental element of the group's overall risk management framework.

In determining the stress tests to apply, the group gives regard to both macro and micro economic factors. Emphasis is placed on historical events as well as hypothetical stress scenarios and the impact these had and could have on the group.

Sasfin's key risks and our approach to managing these risks

Embedded within the group's strategy process is a systematic and continual process for assessing significant risks facing the group.

The key risks to which we are exposed to and how we manage these are as follows:

Risk Category	Detailed Risk Description	Sasfin's approach to managing risk	Risk Governance
Credit Risk	The risk of financial loss resulting from a client's failure to meet a contractual obligation. This would include Concentration, Credit default, Counterparty / Settlement and Securitisation Risk.	• Sasfin's appetite for credit risk is conservative in outlook and all lending policies are prudent in nature, • Sasfin's lending is largely restricted to asset based lending, • A Board approved credit policy is in place which governs Sasfin's lending activities, • A Board approved credit mandate structure is in place and credit is approved by at least two credit mandates, with various levels of mandates structured to ensure involvement from Executives and Non-Executive Directors, at the appropriate levels, • Daily committee meetings allow robust debate between credit mandate holders and sales staff, • Regular reporting and quarterly oversight by committees appointed by the Board,	• Board approved policies • Dual Mandates, • Daily credit meetings • Monthly Post Mortem, Problem Account and High Care Account Meetings • Quarterly Credit Large Exposure Committee (CLEC) meetings,

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		• Financial and asset audits are conducted with increased frequency on larger exposures, • Client visits include visits by credit staff, • Tangible security for Trade, Debtor and Capital Equipment financing. • Credit insurance cover for foreign exposure. • Annual and frequent reviews of credit facilities, and • Management of the Board approved risk appetite for credit risk.	• Quarterly GRCMC meetings, and • Quarterly Board meetings.

Risk Category	Detailed Risk Description	Sasfin's approach to managing risk	Risk Governance
Market Risk	The risk of change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in the market variables such as interest rates, equity values and exchange rates.	• Managed with comprehensive internal risk models • Board approved risk appetite in place for net open positions (NOP) and for Investment Risk. • Structured hedging products in the form of swaps to manage interest rate risk • Active management of the repricing risk of assets and liabilities • No proprietary forex trading book • Sasfin does payment vs payment transactions • • Stop-loss cover to manage open positions • All investments are revalued twice a year in accordance to Southern African Venture Capital and Private Equity Association (SAVCA) guidelines, • Approval of Investments by the Capital Investment Committee (CIC), • On-going regular monitoring of investments, • Financial, commercial and strategic assessments are conducted on all investment possibilities, • Robust due diligence processes are followed, and • A clear, pre-defined exit mechanism is determined and structured up front.	• Board approved policies • Daily Liquidity & Capital meetings, • Monthly Asset and Liability Management Committee meetings, • Monthly management meetings, • Quarterly ALCO meetings, • Quarterly CLEC meetings, • Quarterly GRCMC meetings, and • Quarterly Board meetings.

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Key Risk	Detailed Risk Description	Sasfin's approach to managing risk	Risk Governance

Funding and Liquidity Risk	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.	• The group has a conservative approach to liquidity management and manages liquidity in accordance with applicable Regulations and within the Board approved risk appetite for liquidity risk,
		• Sasfin's funding strategy is to fund short, medium and long term assets with corresponding liabilities,
		• The group ensures sufficient liquidity to absorb short-term and long-term unplanned financial and economic stress,
		• Under stressed situations, the group uses the Basel III indicators of:
		  ○ Liquidity Coverage Ratio (LCR) to measure short-term liquidity risk
		  ○ Net Stable Funding Ratio (NSFR) to measure long-term liquidity risk,
		• Sasfin ensures that we are significantly within the limits imposed by Basel III and the SARB,
		• The group adequately meets the LCR and NSFR requirements of Basel III by having sufficient, high quality liquid assets available, and
		• Sasfin strives for a diversified tenor and counterparty mix of our short and long term funders in order to remain liquid.
		• Board approved risk appetite metrics in place for liquidity risk as well as adequate liquidity buffers and ALCO approved limits and benchmarks.
		• Stress tests are conducted to assess the impact of systemic and idiosyncratic scenarios on the liquidity position.
			• Board approved policies
			• Daily Liquidity & Capital meetings,
			• Monthly Asset and Liability Management Committee meetings,
			• Quarterly ALCO meetings,
			• Quarterly GRCMC meetings, and
			• Quarterly Board meetings.

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Risk Category	Detailed Risk Description	Sasfin's approach to managing risk	Risk Governance
Capital Management Risk	The risk of the Group's capital base falling below the risk appetite levels.	• Capital planning is an integral part of the group's Capital Management Framework and refers to the process of: o Projecting the expected use and generation of capital derived from the business plans, dividend policy and strategy (multiyear), o Managing 'free' capital in relation to the capital demand and capital supply projected, o Analysing the evolution of capital ratios in relation to the group's strategic objectives, o Advising on expected capital adequacy, risk appetite and required capital actions (incl. capital contingency plans), o This process takes into account a 5-year view on a business as usual and stress scenario, o An integral and comprehensive component of our capital management is the ICAAP process performed in accordance with the Basel III requirements. • Board risk appetite in place for capital adequacy. • Stress tests are conducted to assess the impact of systemic and idiosyncratic scenarios on the capital position.	• Board approved policy • Monthly and quarterly Regulatory Reporting, • Daily Liquidity and Capital meeting • Quarterly GRCMC meetings, and • Quarterly Board meetings.

Risk Category	Detailed Risk Description	Sasfin's approach to managing risk	Risk Governance
Reputational Risk	The risk of impairment of the Group's standing.	• Marketing and communication strategy with respect to response to negative publicity, • Sasfin code of ethics and ethical culture, • Robust management structures, • GRCMC oversight and monitoring of the Board approved risk appetite for Reputational Risk.	• Monthly Exco meetings. • Quarterly Social and Ethics Committee meetings, • Quarterly GRCMC meetings, and • Quarterly Board meetings.

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Risk Category	Detailed Risk Description	Sasfin's approach to managing risk	Risk Governance
Operational Risk	The risk of financial loss resulting from inadequate or failed internal processes, people or systems or from external events.	• Approved Operational Risk Management Policies and processes are in place, • Operational risk incident data base monitoring, analysis and oversight, • Process reviews conducted on high risk processes • Oversight by the Group Risk and Capital Management Committee, • Board approved risk appetite in place	• Monthly Exco meetings, • • Quarterly GRCMC meetings, and • Quarterly Board meetings.

Risk Category	Detailed Risk Description	Sasfin's approach to managing risk	Risk Governance
Compliance Risk	The risk of sanctions as a result of non-compliance with laws, regulations and internal governance requirements.	Sasfin's commitment and approach to compliance is set out in the Compliance manual. This compliance risk is managed by the Group Compliance Division which performs inter alia: • Monitoring and assessing the impact of new legislation on the Sasfin Group, • Assistance with the development and implementation of new policies and procedures as well as the review and updating of existing policies, • Compliance oversight of compliance with exchange control regulations and rulings, • Compliance oversight over the anti-money laundering (AML) programme and reporting thereon, • Reviewing new products from a compliance perspective, • Interacting and corresponding with the various regulators being the various divisions of the SARB, FIC, NCR, FSB, JSE and various industry Ombuds,	• Compliance Manual and Group Compliance Policies, • Monthly Divisional Regulatory Officers meetings, • Quarterly Group Audit and Compliance Committee meetings, • Quarterly GRCMC meetings, and • Quarterly Board meetings.

		• Performing compliance monitoring to monitor the effectiveness and integrity of the compliance system and identify and improve any potential areas of compliance weakness, and • Compliance training and support. Regular compliance induction and AML training is conducted as well as adhoc training on other legislative and regulatory developments. **In addition:** • Embedded Divisional Regulatory Officers (DROs) serve as a central reference point for compliance related matters. Monthly DRO meetings are held to facilitate communication and also serve as a discussion forum for current issues. DROs facilitate monitoring of regulatory requirements and adherence thereto, and • Dedicated sanction screening systems (Finscan & Fircosoft) are used to ensure compliance with sanctions and AML legislation.	

Risk Category	Detailed Risk Description	Sasfin's approach to managing risk	Risk Governance
Business Risk	The probability of losses or reduced profits arising from the Group's strategic direction or environment.	• Major strategies and business strategies are approved by the Board annually, • • Annual strategy sessions across business, • Annual budgeting process and 6 monthly review of budget forecasts, • Monthly progress updates and financial performance reviews in Exco meetings, • Board risk appetite in place for key business metrics. • Enhanced Group Compliance and Group Risk functions in place.	• Monthly Exco meetings, • Quarterly GRCMC meetings, and • Quarterly Board meetings.

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Risk Category	Detailed Risk Description	Sasfin's approach to managing risk	Risk Governance
IT Risk	The potential for IT incidents to negatively impact group strategy and disrupt core business processes.	• Robust IT Governance processes and policies are in place • Solutions are managed to ensure the security and resilience of systems and assets, consistent with related policies, procedures and agreements. • Data and information are managed consistent with the organisation's risk strategy to protect the Confidentiality, Integrity and Availability of information (e.g. Data Loss Prevention (DLP) mechanisms implemented). • The Information systems and assets are monitored regularly to identify Cyber Security events and verify the effectiveness of protective measures. • Internal monitoring and external monitoring systems are in place. • Cyber liability cover in place. • Comprehensive annual budgeting processes covering all IT expenditure are approved by the Board, • Project approval process for all significant expenditure. • Approved Board risk appetite in place for system downtime and unavailability.	• Monthly Exco meetings, • Quarterly IT Committee meetings, • Quarterly GRCMC meetings, and • Quarterly Board meetings.

Risk Category	Detailed Risk Description	Sasfin's approach to managing risk	Risk Governance
Conduct Risk	The threat of financial loss to the Group caused by not acting with integrity.	• Market Conduct and Treating Customers Fairly Policies in place, • Group Risk and Compliance oversight and monitoring, • Training and awareness initiatives	• Monthly Exco meetings, • Quarterly GRCMC meetings, and • Quarterly Board meetings.

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CRA – General information about credit risk

Credit risk is the risk of financial loss due to the inability of a client to meet their financial obligation to us as it falls due.

The Group has adopted the standardised approach to calculate the regulatory capital for credit risk. For all lending portfolios the Group has adopted the standardised approach. The counterparties are primarily unrated. The Group does not make use of external rating agencies for the purposes of evaluating risk weighted assets.

The following portfolios are subject to credit risk:

- Rental Finance
- Capital Equipment Finance
- Trade Finance
- Debtor Finance
- Commercial Property Finance and Other Loans
- Bank Guarantees

Our business model is designed to provide lending products that are largely asset based, thereby providing inherent security in each advance. Depending on the type of lending and the perceived risk of the client, additional collateral may be required.

We apply a high touch approach to our clients with revolving credit exposures, providing us with the ability to monitor the risk closely with updated knowledge of performance and collateral values.

There are various types of collateral that are obtained for risk mitigation; however for the purposes of calculating regulatory capital for credit risk, the Group only considers cash collateral as eligible collateral. The Group does not apply set-off in calculating regulatory capital for credit risk. The risk weights applied are prescribed by the Banks Act and Regulations and are based on the asset class to which the exposure is assigned.

We mainly apply a dual credit mandate system, while only smaller decisions are allowed on a single mandate basis. Daily Credit meetings are held with all levels of credit mandates to allow discussion of all new and existing credit risks above a certain limits. Credit mandates are structured according to type of products, group exposure levels, number and seniority of mandated staff.

The Credit Large Exposure Committee, which is mandated to exercise the board's credit mandate, is involved from approximately 5% of net qualifying capital.

Board risk appetite for credit risk is set with a buffer below our 25% prudential limit set by the Bank's Act to ensure compliance.

The credit risk function has a separate reporting line from Sales and reports to the CEO through the Bank COO. It also functions separately from Group Risk, which creates a second line of defence, together with the Credit Large Exposure Committee providing oversight over all material aspects of credit risk on a quarterly basis. The Credit Large Exposure Committee's duties include recommending credit policies for approval by the board, establishing credit mandate structures, monitoring risk concentrations and trends.

The frequency of regular management reporting is determined by the level of facilities and perceived risk levels from time to time, with frequencies and content being increased with higher exposures and increasing risk.

Group Internal Audit (GIA), which has a separate reporting line, together with our external auditors provide the third line of defence.

CRB - Credit Quality of Assets

Our accounting definition of past-due and impaired accounts is in line with regulatory requirements. A past-due loan is recorded as being in default when it becomes more than three months past due and the arrears are not considered to be technical in nature. As at year-end we had no material exposures past due more than 90 days which were not impaired.

We use expert judgement to determine anticipated salvage, together with the expected salvage date and the Internal Rate of Return of the deal, to determine the expected shortfall and impairment.

Restructured exposures are classified as such when the Bank has granted a concession to the client to vary material terms of the original agreement. The restructure is considered to be a Distressed Restructure if the concession was given due to a deterioration in the client's financial position, which would have resulted in the client breaching the terms of the original loan agreement, had the restructure not been granted. Distressed Restructures are classified as category B – Special Mention in terms of the Bank's Act. As at year-end all our Restructured exposures were impaired.

CRC – Credit Risk Mitigation

Through established processes, assessments are done on each loan application. Generally, we place high reliance on the financial standing and performance of the business and the background of the principals.

Revolving facilities are reviewed at least annually, together with collateral files and valuations. Compliance audits are done on clients with specific types of lending products in order to control adherence to terms and conditions.

Although collateral is held, our policy is to establish that loans which are granted are within the client's capacity to repay the loan, rather than to rely solely on the collateral held against them.

Estimates of fair value are based on the value of collateral assessed at the time of borrowing and are updated annually, if applicable, and if an account is individually assessed for impairment. Collateral for Large exposures and exposures considered to be "high care" are valued more frequently. The different categories of tangible collateral include general notarial bonds over the client's stock and other assets, cession of debtor's book and continuous covering mortgage bonds over property. Credit Insurance taken out on loans and advances is also viewed as collateral.

There are established guidelines and benchmarks for valuing the different types of collateral.

CCRA: Counterparty Credit Risk

Included in the regulatory capital for credit risk is the regulatory capital requirement for counterparty credit risk. The Group's exposure to counterparty credit risk is in respect of forward exchange contracts entered into on behalf of clients as well as derivative financial instruments which the Group enters into only for hedging our exposures to market risk. All derivative instruments are executed on a back to back basis and are not entered into for speculative purposes. The settlement of these transactions only takes place on the receipt of cleared funds by the client.

Counterparty credit risk is based on the current exposure approach, where the capital requirement is based on the gross positive fair value. The Group neither applies netting nor credit risk mitigation in determining counterparty credit risk. Only Regulatory capital is directly held in respect of this risk and this is considered adequate.

The Group currently does not engage in transactions that would give rise to wrong-way risk.

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SECA – Qualitative disclosure requirement related to securitisation exposures

The group uses securitisation primarily as a source of funding to raise medium and long term funding for its rental and capital equipment finance operations. All securitisable assets are subject to the group's credit policies and procedures. The group does not hold securitisation positions in the trading book, however does have exposures from time to time in the banking book.

The group securitises equipment leases and capital equipment in a structured entity. Structured entities are formed to accomplish a narrow and well-defined objective such as the securitisation of a particular assets, or the execution of a specific borrowing, lending or other transaction. These assets are securitised in segregated series' in the South African Securitisation Programme (RF) Limited (SASP). The group provides the 2^{nd} loss credit enhancement to the SASP securitisation vehicles and to this extent there is no transfer of credit risk. SASP currently has 3 outstanding series; Series 1, Series 2 and Series 3.

Concentration risk, liquidity risk, interest rate risk, prepayment risk and commingling risk are evaluated and regularly assessed.

All securitisation notes issued by SASP are rated by Global Credit Rating Company (GCR).

The group complies with IFRS in recognising and accounting for securitisation transactions. The Special Purpose Entity (SPE) is consolidated into the group as required by IFRS which is more fully described in the group's accounting policy notes.

In accordance with IAS 39, no gain or loss on sale is recognised as these assets are sold at carrying value. Securitised assets are fully derecognised when required to reflect the element of risk and reward transfer.

Sasfin does not enter into any resecuritisation transactions.

MRA: Qualitative disclosures requirements related to market risk

Market risk is defined as the 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.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Sasfin's key market risks are:

- Interest rate risk in the banking book,
- Equity risk, and
- Foreign currency risk.

Interest rate risk

The group defines interest rate risk as the risk that fluctuating interest rates could unfavourably affect the earnings and the value of its assets, liabilities and/ or capital. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for re-pricing bands.

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Our strategy in terms of interest rate risk management is that repricing of assets and liabilities should be on similar terms to minimise the repricing gap. Structured hedging products in the form of derivatives are in place to manage interest rate risk where there are no natural hedges.

Interest rate risk is managed by Treasury as a group function who determine and report on the expected cumulative impact or sensitivity using a 200 basis point interest rate shock (in either direction) on the pricing gap. This is the expected maximum short-term interest rate fluctuation. Sasfin is in a favourable position in both a rising and decreasing interest rate environment due to the effect of high prime deals in the loan portfolio, which increase in a rising interest rate environment and do not decrease in a declining interest rate environment.

The Asset and Liability Committee (ALCO) provides oversight of interest rate risk.

Equity risk

We are exposed to equity risk due to our private equity and property equity investments. Private equity investments are not subject to daily mark-to-market but are revalued twice a year in accordance to Southern African Venture Capital and Private Equity Association (SAVCA) guidelines.

Financial, commercial and strategic assessments are conducted on all investment possibilities and robust due diligence processes are followed. Investments are subjected to on-going and regular monitoring. A clear, pre-defined exit mechanism is determined and structured upfront.

The Capital and Investment Committee (CIC) approves and provides oversight of all equity investments.

In addition to the private equity investments, Sasfin has an exposure to a listed entity as a strategic investment which is subject to monthly mark-to-market valuations.

Foreign currency risk

The group is an authorised foreign currency exchange dealer. The group has no trading portfolio, and does not engage in proprietary trading in its foreign currency activities. There may however be instances where intraday net open positions may be created due to the timing of when a client deals and the interbank deals are booked. Market risk arises as a result of the net open position which is the greater of the net long or net short trading position.

Open forex positions are managed with conservative net open position (NOP) limits and are reported to the Regulator as part of the regulatory supervision.

Sasfin does Payment versus Payment (PvP) transactions only.

The Asset and Liability Committee (ALCO) provides oversight of foreign currency risk.

Sasfin is also exposed to market risk in the Fixed Income straddle and retail facilitation book. This risk is hedged with a daily Value at Risk (VAR) of not more than R10 million. The group Risk and Capital Management Committee (GRCMC) provides oversight of market risk that the Fixed Income business is exposed to.

The group is exposed to market price risk through its stock broker trading activities on behalf of clients.