Annual Financial Statements for the year ended 30 June 2020

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

sasfin beyond a bank | Holdings Limited

TABLE OF CONTENTS

Indicates additional information available online or from the Company Secretary.

OUR REPORTS

Annual Financial Statements 2020
This report is Sasfin's Annual Financial Statements and includes risk and capital management disclosures.

Integrated Report 2020
This is Sasfin's primary report which presents our strategy, performance and plans.

Legal entity terminology used in this report
Group/Sasfin: Sasfin Holdings Limited and its subsidiaries

Banking Group: Sasfin Bank Limited and its subsidiaries

Bank: Sasfin Bank Limited

Wealth Group: Sasfin Wealth (Proprietary) Limited and its subsidiaries

Capital: Sasfin Capital (Proprietary) Limited

Company: Sasfin Holdings Limited

STATEMENT OF PREPARATION

In terms of section 29(1)(e)(ii) of the Companies Act 71 of 2008 as amended, we confirm that these Annual Financial Statements were prepared under the supervision of Angela Pillay CA(SA), Group Financial Director and have been audited in compliance with the requirements of sections 29(1)(e)(i) and 30(2)(a) of the Companies Act 71 of 2008 as amended.

DISCLAIMER

The Group has, in good faith, made a reasonable effort to ensure the fair presentation, accuracy and completeness of the information contained in this document, including all information that may be regarded as "forward-looking statements". Forward-looking statements may be identified by words such as "believe", "anticipate", "expect", "plan", "estimate", "intend", "project", and "target".

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 can be given to this effect.

The risks and uncertainties inherent in the forward-looking statements contained in this document include, but are not limited to, changes to IFRS and the interpretations, applications and practices subject thereto 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 both current and future litigation.

The Group does not undertake to update any forward-looking statements contained in this document, 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.

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors (the Board) of Sasfin Holdings Limited (the Company or the Group) is responsible for the preparation and fair presentation of the Directors' Report and the Consolidated and Separate Annual Financial Statements of the Company including significant accounting policies and other explanatory notes.

The Consolidated and Separate Annual Financial Statements are prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB), the South African Institute of Chartered Accountants (SAICA) Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Listings Requirements, and the requirements of the Companies Act, No 71 of 2008, as amended (Companies Act).

The Board is also responsible for such internal controls as they deem necessary to enable the preparation of these Consolidated and Separate Annual Financial Statements and for maintaining adequate accounting records and an effective system of risk management.

Based on its own monitoring and oversight as well as assurance obtained from management, Group Risk, Compliance and Internal Audit, the Board is of the view that an effective internal financial control environment exists to support the integrity of the Consolidated and Separate Annual Financial Statements. The Board has a reasonable expectation that the Company and the Group will have adequate resources to continue in operational existence and as a going concern in the financial year ahead.

It is the responsibility of the independent auditors to report on the fair presentation of the Consolidated and Separate Annual Financial Statements.

The Consolidated and Separate Annual Financial Statements for the year ended 30 June 2020 were approved by the Board and are signed on its behalf by:

Roy Andersen
Chair

Michael Sassoon
Chief Executive Officer

Angela Pillay
Group Financial Director

30 September 2020

COMPANY SECRETARY'S CERTIFICATION

I hereby certify that, in terms of section 88(2)(e) of the Companies Act, Sasfin Holdings Limited has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission, for the financial year ended 30 June 2020, and that all such returns and notices as are required of a public company are true, correct and up to date.

Charissa de Jager
Company Secretary

30 September 2020

GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT

INTRODUCTORY COMMENTS

The Group Audit and Compliance Committee (GACC/the Committee) is pleased to present its report in respect of the 2020 Annual Financial Statements of Sasfin Holdings Limited (the Group or Sasfin), in compliance with section 94(7) of the Companies Act. The Committee's functions are further informed by the Companies Act, Banks Act, JSE Listings Requirements and King Report on Corporate Governance™ for South Africa, 2016 (King IV™)* and are set out in its Charter which is approved by the Board.

COMMITTEE COMPOSITION AND ASSESSMENT OF ITS PERFORMANCE

In terms of the Banks Act, which takes precedence over the Companies Act, members of the Committee are appointed by the Board and hence not by the shareholders. Only Independent Non-Executive Directors are eligible to serve on the Committee.

Members		Appointed	Resigned
Mark Thompson	Chair	21 June 2019	
Richard Buchholz		7 March 2018	
Gugu Mtetwa		28 August 2017	30 September 2019
Linda de Beer		1 July 2014	30 September 2019
Grant Dunnington		29 July 2013	
Thabang Magare		27 January 2020	
Deon de Kock		19 August 2020	

The Committee noted the resignation of Gugu Mtetwa and Linda de Beer with regret and is grateful for their many years of service on the Committee, and heartily welcomed the appointment of Thabang Magare and Deon de Kock.

The Committee holds private meetings with External Audit, the Chief Audit Executive, the Group Chief Risk Officer, and the Head: Group Compliance. The Chair of the Board, Executive Directors comprising the Chief Executive Officer, Group Financial Director, and executive management are invitees to meetings of the Committee, but are excluded from the private meetings of the Committee.

FUNCTIONS OF THE COMMITTEE

The role of the Committee is to assist the Board to fulfil its oversight responsibilities in areas such as financial reporting, internal control practices, compliance, governance and the Internal and External Audit functions.

The functions of the Committee are outlined in its Charter, which was reviewed and updated during the year and is available on the Sasfin website.

ANNUAL CONFIRMATIONS OF KEY FUNCTIONS FOR THE YEAR

During the year under review the Committee, among other matters, considered the following:

Financial control, financial reporting and the Integrated Report

- Reviewed the Interim Results, Annual Financial Statements, Integrated Report, dividend declarations and trading updates of the Group, and recommend those to the Board for approval;
- Assessed the appropriateness of the going concern basis for the preparation of the Interim Results and Annual Financial Statements and the solvency and liquidity tests in support of financial assistance and distributions;
- Assessed the accounting policies and key assumptions applied in the preparation of the Annual Financial Statements, as well as dealing with technical reporting matters relating to significant exceptional transactions and accounting judgements, estimates and restatements;
- Oversaw compliance of the Interim Results and Annual Financial Statements with IFRS and the material JSE Listings Requirements;
- Considered the annual JSE Proactive Monitoring report to enhance the integrity of the financial information in the Annual Financial Statements; and
- Reviewed the adequacy and effectiveness of the internal financial controls and reporting processes. Where weaknesses were identified, specifically on system-related controls and processes, the adequacy and design of compensating controls instituted by management was considered . The Committee satisfied itself as to the overall adequacy and operating effectiveness of the internal financial control environment and noted the improvements planned for the year ahead.

The Committee noted the JSE amendments to the listing requirements (effective 2 December 2019) together with the JSE guidance note dated 17 July 2020, as it pertains specifically to the responsibility of the Chief Executive Officer and Group Financial Director to affirm the accuracy and completeness of the annual financial statements and the adequacy and efficacy of internal financial controls. This latter regulation is effective for the Group's year-end to June 2021 annual financial statements.

A key focus area for the Committee in the year ahead will be to oversee implementation of management's plans to further streamline and enhance the financial and regulatory reporting environment through the integration of a new financial reporting system that went live during the last quarter of this financial year.

* *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC and all of its rights are reserved.*

External Audit

- Recommended for re-election PricewaterhouseCoopers Inc (PwC) as the audit firm, with Vincent Tshikhovhokhovho as the engagement partner, for shareholder approval;
- Ensured that the appointment of the auditor complied with all the legislation regarding the appointment of auditors;
- Reviewed and approved the list of non-audit services which the auditor may perform. There is a Board-approved non-audit services policy in place which places limits on non-audit services provided by the External Auditors;
- In consultation with the executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the 2020 financial year; and
- Promoted and enabled effective communication between the External and Internal Audit functions.

The Committee is satisfied that PwC is independent of the Group, and the partner who is responsible for signing the Group's Annual Financial Statements, as set out in section 94(8) of the Companies Act, has the requisite skills and expertise. This included consideration of:

- the representations by PwC to the Committee, including the auditor's suitability assessment in terms of the JSE Listing Requirements;
- the independence of PwC not being impaired as set out by IRBA, as well as other regulatory and internal processes within the audit firm; and
- policies and controls regarding non-assurance services provided by PwC.

Internal Audit

- Reviewed and approved the Internal Audit Charter, the annual audit plan, and the Internal Audit budget for the upcoming financial year;
- Reviewed audit reports issued by Internal Audit, including considering any weaknesses in controls that were identified and the corrective actions proposed by management;
- Considered quarterly status update reports on the movements of internal and external audit findings; and
- Evaluated the independence, effectiveness and performance of the Group Internal Audit function and the Chief Audit Executive. The Committee concluded that the Chief Audit Executive and the function were independent and effective for the period under review.

The Chief Audit Executive reported to the Committee, had unrestricted access to the Committee Chair and is of the opinion that the material internal controls, including internal financial controls and reporting processes, were adequate and operated effectively to allow reliance to be placed on external reports issued by the Group.

Compliance

- Reviewed and recommended the Compliance Charter and the annual compliance and monitoring plan;
- Reviewed the findings from the South African Reserve Bank (SARB) Prudential Authority's anti-money laundering compliance inspection conducted in 2018 together with the remedial action plan proposed by management. The Committee is satisfied with the progress made to date; and
- Evaluated the effectiveness and performance of the Compliance function and concluded that these were satisfactory.

Combined Assurance

Reviewed the Group's Combined Assurance Framework, which aims to co-ordinate assurance activities across the business and provide reasonable assurance as to the integrity of the financial and regulatory reporting of the Group; also, that key risks are identified and managed appropriately and that the Group's main governance systems are suitably designed and operating effectively.

The activities coordinated via the Combined Assurance Framework include line functions which own and manage risk, compliance and control activities at that level; specialist functions that oversee risk and compliance; independent assurance activities such as those performed by Internal Audit, various oversight committees such as this Committee, the CLEC, ALCO, GRCMC and the CIC; independent external service providers including External Auditors, property valuators, and other specialists engaged for specific assurance purposes where appropriate; and the Group's regulators.

The Combined Assurance Framework now also incorporates an assurance map whereby key internal financial and reporting controls over key financial statement items are reported on. The assurance map will enhance assurance over the financial and regulatory reporting of the Group and will support the financial reporting attestations required from the Chief Executive Officer and Group Financial Director in terms of the JSE amendments to the listings requirements which become effective in the forthcoming financial year.

The Committee is of the view that the Group's Combined Assurance arrangements are suitably designed and operating effectively.

Expertise and experience of the Finance function and the Group Financial Director

- Received regular reports from the Group Financial Director regarding the financial performance of the Group, the tracking and monitoring of key performance indicators and regulatory ratios, details of budgets, forecasts and long-term plans;
- Considered updates on the enhancement of the financial reporting controls and processes, and the adequacy and reliability of the management information used in the financial reporting process;
- Received feedback from both Internal and External Audit regarding the financial control environment;

GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT CONTINUED

- Considered the responsibilities of the Finance function and concluded on the appropriateness thereof;
- Considered the expertise, resources and experience of the Finance function and the senior management responsible for this function and encouraged management to bolster the resources in the Finance function in order to liberate the Group Financial Director from some of the more mundane responsibilities she has assumed; and
- Considered the appropriateness of the experience, effectiveness and expertise of the Group Financial Director and concluded that these were appropriate.

KEY AUDIT MATTERS AS REPORTED BY THE EXTERNAL AUDITORS

The Committee considered the Key Audit Matters as reported by the External Auditors as part of the PwC audit report.

These matters are also key aspects considered by the Committee as part of the year-end reporting process in recommending the Annual Financial Statements, as well as the adequacy and effectiveness of internal controls, to the Board for approval and disclosure.

In respect of the Key Audit Matters reported in the current year, the Committee's oversight and monitoring processes included the following:

Impact of COVID-19

The areas most impacted by COVID-19 include:

- Expected credit loss (ECL) assessment (IFRS 9 macro-economic scenarios, probabilities and staging);
- Fair value measurement; and
- Going concern and the viability statement, including liquidity.

Steps taken by the Committee to consider the above are referred to below.

Expected credit losses on loans and advances and negotiable securities

This is an area that is also reviewed by the CLEC, before consideration by the Committee. The Committee considered the group's calculation of expected credit losses, with specific review and consideration given to the macro-economic scenarios used to calculate the COVID-19 ECL overlays and the staging applied for COVID-19 restructured positions (payment holidays). In addition, the Committee reviewed the appropriateness of the forward-looking macro-economic scenarios used in the measurement of ECL in South Africa. Finally, the Committee considered the appropriateness of the proposed ECL on the Land Bank Bills and other Government Backed Securities and noted the specific assertions made by management in support of the ECL.

It was important for the Committee that a conservative approach was followed in this regard, considering current strained economic conditions.

The Committee also paid specific attention to the IFRS 9 disclosure in the Annual Financial Statements and considered its appropriateness. The Committee also had explicit discussions with the External Auditors in order to satisfy itself in this regard.

Valuation of investment securities

The Committee considered the oversight in this regard by the CIC of the Board, which reviews Private Equity and Property Equity valuations on a bi-annual basis. The assumptions, judgements and methodology were reviewed and discussed by the Committee to enable it to satisfy itself as to the reasonableness of the valuations. The Committee also had a specific discussion with the External Auditors in order to satisfy itself in this regard.

Going concern assessment

The Committee assessed, on behalf of the Board, and recommended to the Board that it was appropriate for the financial statements to be prepared on a going concern basis. In this process, it considered reports on the Group's latest five-year budget plan, profitability, capital, liquidity and solvency, and the impact of legal proceedings. Together with the GRCMC and ALCO, considered the results of various stress tests based on different COVID-19 economic scenarios and the possible impact of COVID-19 on the ability of the Group to continue as a going concern.

IN CONCLUSION

The Committee is satisfied that it has fulfilled its responsibilities and complied with its legal, regulatory and governance responsibilities as set out in its mandate.

Mark Thompson

Mark Thompson CA(SA)
Chair – Group Audit and Compliance Committee

30 September 2020

DIRECTORS' REPORT

NATURE OF BUSINESS

Sasfin Holdings Limited (the Group or Sasfin) is a bank-controlling company listed on the JSE Limited (JSE). Sasfin and its subsidiaries provide a comprehensive range of specialist financial products and services focused on the needs of asset suppliers, small and medium businesses and institutional and private clients.

COVID-19

The outbreak of the COVID-19 pandemic had a severe impact on the ECL recognised on loans and advances, as well as negotiable securities, given its forward looking nature and the current uncertain economic outlook. It also had an overall negative impact on the fair value measurements of the Group's Private and Property Equity portfolios. The negative outlook further had an adverse impact on the estimated future cash flows from CGUs when assessing the recoverable amounts of the intangible assets, which led to a higher impairment loss on the non-financial assets. The Group continues to maintain a strong cash position and capital adequacy, and remains committed to its clients and employees.

FINANCIAL RESULTS

The Group's headline earnings and headline earnings per share decreased by 130.14% to a loss of R48.617 million (2019: R161.305 million) and down 130.14% to a loss of 151.00 cents (2019:501.00 cents) respectively. This is due to significant increased credit impairment provisions and a decrease in private and property equity valuations, both of which are non-cash items. As result of these losses, a final ordinary and preference share dividend were not declared.

DIRECTORATE AND CHANGES TO THE BOARD

Roland Sassoon rejoined the Sasfin Bank Limited and Sasfin Holdings Boards on 1 January 2020 as a Non-Independent, Non-Executive Director after serving a 12-month cooling off period.

Mark Thompson joined the Board in June 2019 and chairs the Group Audit and Compliance Committee. Eileen Wilton accepted a position on the Board on 6 August 2019 and chairs the IT Committee. Following the retirement of Shahied Rylands and Gloria Serobe (due to additional national commitments resulting from the COVID-19 pandemic), Thabang Magare joined the Board on 19 December 2019, with Deon de Kock and Nontobeko Ndhlazi joining the Board on 19 August 2020.

DIRECTORS AND COMPANY SECRETARY

Independent Non-Executive Directors		Appointed	Resigned
Roy Andersen[1]	Chair	14 February 2011	
Linda de Beer		1 July 2014	30 September 2019
Grant Dunnington[1]		25 February 2010	
Gugu Mtetwa		28 August 2017	30 September 2019
Shahied Rylands		21 May 2007	26 November 2019
Richard Buchholz	Lead	7 March 2018	
Mark Thompson		21 June 2019	
Eileen Wilton		6 August 2019	
Thabang Magare		19 December 2019	
Deon de Kock		19 August 2020	
Non-Independent, Non-Executive Directors			
Gloria Serobe		7 March 2018	14 May 2020
Gugu Dingaan		7 March 2018	
Nontobeko Ndhlazi		19 August 2020	
Roland Sassoon		1 January 2020	
Shaun Rosenthal	Alternate	7 March 2018	
Executive Directors			
Michael Sassoon	Group Chief Executive Officer	1 January 2018	
Angela Pillay	Group Financial Director	1 March 2018	
Company Secretary			
Howard Brown		28 August 2011	18 December 2019
Charissa de Jager		19 December 2019	

[1] *Despite their tenure exceeding nine years, the Prudential Authority approved Roy Andersen to be regarded as an Independent Non-Executive Director and Chair until March 2023 and Grant Dunnington to be regarded as an Independent Non-Executive Director until the Group's AGM in 2021.*

DIRECTORS' REPORT CONTINUED

SHARE CAPITAL

Ordinary share capital

There were no changes to the authorised ordinary share capital.

Preference share capital

There were no changes in the authorised or issued preference share capital of the Company.

Analysis of shareholders

The analysis of ordinary and preference shareholders is provided in the Shareholders' and Administrative Information Booklet included as part of the Integrated Report 2020.

SPECIAL RESOLUTIONS PASSED

Special resolutions passed during the year are available for inspection.

EVENTS AFTER THE REPORTING DATE

The Board is not aware of any material events which occurred after the reporting date and up to the date of this report, apart from those mentioned in note 49 to the Annual Financial Statements.

INDEPENDENT AUDITOR'S REPORT

TO THE SHAREHOLDERS OF SASFIN HOLDINGS LIMITED

Report on the audit of the consolidated and separate financial statements

OUR OPINION

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sasfin Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Sasfin Holdings Limited's consolidated and separate financial statements set out on pages 15 to 111 comprise:

- the consolidated and separate statements of financial position as at 30 June 2020;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies, excluding the section marked as "unaudited" in note 46.

BASIS FOR OPINION

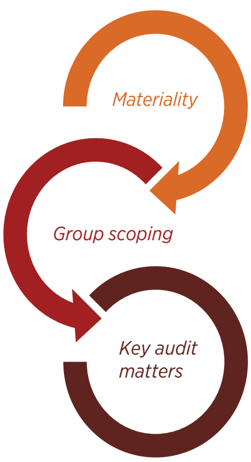
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

We are independent of the Group in accordance with the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors* (IRBA Code) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities in accordance with the IRBA Code and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Code is consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards).*

OUR AUDIT APPROACH



Overview

Overall group materiality

- R21 million, which represents 1% of consolidated income, which comprise of interest and similar income, fee and commission income, gains on financial instruments and other income.

Group audit scope

- The Group operates in two geographic regions namely Southern Africa (South Africa) and Asia-Pacific (Hong Kong).
- Full scope audits were performed for four components (a component represents a subsidiary) based on their financial significance.

Key audit matters

- Expected credit losses on loans and advances; and
- Valuation of investment securities.

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality
The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R21 million.
How we determined it	1% of consolidated income, which comprise of interest and similar income, fee and commission income, gains on financial instruments and other income.
Rationale for the materiality benchmark applied	We chose consolidated income as the benchmark, because, in our view, it is the most suitable benchmark for the Group, due to the fact that the consolidated profit before tax for the Group is volatile year-on-year and the Group has a higher cost to income ratio than other commercial banks. Furthermore, consolidated income has remained consistent for the past three years. We chose 1% which is consistent with quantitative materiality thresholds used when using income as the benchmark.

How we tailored our group audit scope
We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

We conducted full scope audits on four components of the Group, which operate in Southern Africa (South Africa), based on their financial significance. These components include Sasfin Bank Limited, Sasfin Securities (Proprietary) Limited, South African Securitisation Programme (RF) Limited and Sasfin Holdings Limited. Furthermore, Sasfin Private Equity Investment (Proprietary) Limited, Sasfin Asia Limited and Fintech Underwriting (Proprietary) Limited are financially insignificant, but because they contribute to a significant risk of the Group, the specific financial statement line item was scoped in for audit procedures. We performed analytical procedures over the remaining insignificant components.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team and by component auditors operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of involvement necessary in the audit work at those components to be able to conclude whether sufficient appropriate audit evidence has been obtained as a basis for our opinion on the consolidated financial statements as a whole.

Further audit procedures were performed by us as the group engagement team on the consolidation process. The work performed by component auditors, together with these additional procedures performed at the group level, provided us with sufficient evidence to express an opinion on the Group's consolidated financial statements as a whole.

KEY AUDIT MATTERS
Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We communicate the key audit matters that relate to the audit of the consolidated financial statements of the current period in the table below. We determined that there are no key audit matters with regard to the audit of the separate financial statements of the Company for the current period to communicate in our audit report.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances	
At 30 June 2020, gross loans and advances amounted to R6.9 billion, against which an expected credit loss (ECL) of R552 million was recognised. Refer to the following accounting policies and notes to the consolidated financial statements for details: • Note 1.12 (Financial instruments – Policy under IFRS 9); • Note 2.1 (Impact of the COVID-19 pandemic); • Note 2.2.1 (Critical estimates, judgements and restatements – Credit impairment of loans and advances); • Note 9 (Loans and advances); and • Note 43 (Credit risk). The computation of the allowance for ECL requires significant judgement and assumptions to be applied by management. The impact of COVID-19 across the Group and the South African sovereign downgrade resulted in additional judgements and assumptions being applied as at 30 June 2020. In calculating the ECL in terms of the International Financial reporting Standards (IFRS) 9 – Financial Instruments ('IFRS 9'), the key areas of significant management judgement and assumptions included the following: • Determining whether evidence exists that there has been a significant increase in credit risk (SICR) since initial recognition of loans and advances by considering whether the debtors are flagged as high care and the number of days in arrears, taking into account the impact of COVID-19. • Determining the inputs to be used in the ECL model such as Probability of Default (PD), Loss given default (LGD), Exposure at default (EAD) and Time to default (TDD) that are used to estimate the ECL for each of Stage 1, Stage 2 and Stage 3. • Determination of the write-off point. The Group considers that to be the point at which there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that there is no realistic prospect of recovering the monies owed. • Determining the impact of the forward- looking information on the ECL. The forward-looking nature of the ECL model requires estimates about the macro-economic outlook. In light of the changing economic environment brought about by the sovereign downgrade and the COVID-19 pandemic, the macro-economic factors considered as part of the forward-looking information included the Gross Domestic Product (GDP), Consumer Price Index (CPI), Gross Fixed Investment and Unemployment rates.	Our audit procedures addressed the key areas of significant judgement and assumptions in determining the ECL on loans and advances as follows: Through e.g. the inspection of documentation, we obtained an understanding of the following management implemented controls over the credit systems and processes: • Information technology controls supporting credit systems and processes. • Relevant credit risk assessment controls that facilitate the identification and measurement of credit risk across lending products. • Review of the high care clients, annual review of credit files, approval of external collateral valuation vendors and approval of significant individual impairments. **Evaluation of SICR** Making use of our valuations expertise, we assessed the reasonableness of the SICR thresholds and assumptions applied in the ECL model by performing the following procedures: • We recalculated the ageing for a sample of loans and advances. • We selected a sample of Stage 1 and Stage 2 exposures and assessed whether the stage classification of these exposures was appropriate in terms of the Group's accounting policy for SICR at reporting date since the origination date of these exposures. • For payment holidays we tested whether the risk rating given to clients was purely due to COVID-19, or due to the fact that the client was experiencing financial difficulties prior to COVID-19. • We tested the performance of SICR thresholds applied and the resultant transfer rate into Stage 2 for SICR. This included benchmarking of the volume of up to date accounts transferred to Stage 2 based on historical data. • We evaluated management's processes for identifying Stage 3 exposures by selecting a sample of exposures not classified at Stage 3 to assess whether the stage classification was in line with the Group's accounting policy for the definition of default for Stage 3 exposures. Based on the procedures described above, our audit evidence supported the inputs in the ECL which were found to be within an acceptable range in the context of IFRS 9. **Evaluation of write-off point** Making use of our valuation expertise, we evaluated the reasonableness of the write-off point applied in the model by performing the following procedures: • We assessed the point at which there was no reasonable expectation of further recovery against the requirements of IFRS 9. • We tested the application of the IFRS 9 write-off principles, including the exclusion of post write-off recoveries from the LGD as determined by management and by obtaining the approved write-off schedules to inspect whether the write-offs were approved.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses on loans and advances continued	
We considered the ECL on loans and advances to be a matter of most significance to our current year audit due to the following: • The degree of judgement and estimation applied by management in determining the ECL; • the uncertainty related to the unprecedented global and local economic stress due to the COVID-19 pandemic; • the magnitude of the ECL recognised; and • the effect that ECL has on loans and advances and on the Group's credit risk management processes.	Based on our work performed, we accepted the write-off point applied by management. Inclusion of forward-looking information and macro-economic variables in the ECL. Making use of our valuation expertise, we assessed the reasonableness of the forward looking information and macro-economic variables in the ECL by performing the following procedures: • We inspected market and industry data, and assessed it for correlation with the loans and advances book. We then tested management's scenarios by making use of the macro-economic variables to recompute the ECL. • We assessed the reasonableness of the economic stresses used by management in estimating the impact of COVID-19 on forward-looking information by considering historic LGD and PD sensitivity to the stress, and the historic correlation of PDs to lower income and lower GDP, as evidenced by changes in client behaviour. • We independently recalculated the ECL taking into consideration our assessment of the expected impact of COVID-19 on PDs. • We independently assessed the performance and sensitivity of the forward-looking model in order to evaluate whether the chosen macro-economic factors and model provide a reasonable representation of the impact of macro-economic changes on the ECL results. **Assessment of ECL raised for individual exposures** Where ECL has been raised for individual exposures, we performed the following procedures to assess the reasonableness of management's assessment of the recoverability of the exposure, and the reasonableness of the valuation of the collateral held: • For a sample of Stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. Our assessment included evaluation of the assumptions against the industry in which the client operates, as well as the client's financial information. • For collateral held, we inspected legal agreements and other underlying documentation to assess the existence and the Group's legal right to the collateral held, as well as the realisability thereof. We noted no material exceptions in this regard. • The collateral valuation techniques applied by management were evaluated against the Group's valuation guidelines. Based on our work performed, we accepted management's assessment of the recoverability of the exposure and collateral held.

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Expected credit losses on loans and advances continued</td></tr>
<tr><td></td><td>
Calibrating of ECL statistical model components (PD, EAD, LGD)
We assessed the reasonableness of the PD, EAD and LGD used in the ECL model by performing the following procedures:

We assessed the quality of the data used in the credit management, reporting and modelling process for completeness and accuracy through data analytics and substantive procedures, with specific focus on the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, EAD, PD, LGD and valuation of collateral in the current economic climate.
Through discussions and inspection of relevant documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows.
We independently recalculated the ECL and derived a range of ECL values.

Based on our work performed, we accepted the PD, EAD and LGD used in the ECL model.
</td></tr>
<tr><td colspan="2">Valuation of investment securities</td></tr>
<tr><td>
As at 30 June 2020 the Group recognised private and property equity investments with a fair value of R529 million.

Refer to the following accounting policies and notes to the consolidated financial statements for details:

Note 1.12 (Financial instruments – Policy under IFRS 9);
Note 2.1 (Impact of the COVID-19 pandemic);
Note 2.3 (Critical estimates, judgements and restatements – Private Equity investment valuations);
Note 2.4 (Critical estimates, judgements and restatements – Property investment valuations);
Note 2.5 (Fair value);
Note 10 (Investment Securities); and
Note 41 (Classification of assets and liabilities – Accounting classification and fair values).

We considered the valuation of the Group's investments in private and property equity to be a matter of most significance in the current year audit of the consolidated financial statements due to the judgement required in valuing these investments, which includes determining the appropriate inputs and model, and the magnitude of the balances recorded in the consolidated statement of financial position.
</td><td>
As part of our audit, we assessed the competence, objectivity and capabilities of the registered professional valuers appointed by the Group, by performing the following procedures:

We inspected the registered professional valuers' valuation reports to form an assessment of their objectivity. We also made use of our valuations expertise in assessing the valuations for compliance with valuation standards.
We confirmed the registered professional valuers' affiliation with the South African Council for the Property Valuers Profession.

Through inspection of documentation and attendance of certain meetings, we evaluated the design and implementation of the following controls which support the valuation of the investment securities:

Detailed analysis by management of forecasts and trends are compared to actual results; and
Group's Capital and Investment Committee approval of the valuations obtained.

</td></tr>
</table>

Key audit matter	How our audit addressed the key audit matter
Valuation of investment securities continued	
The COVID-19 pandemic resulted in a decline in the fair value of the Group's private and property equity portfolios. The COVID-19 pandemic has increased the level of estimation uncertainty applied by management in determining the fair values of these portfolios. The Group has adopted as its primary valuation model for private equity valuations, a discounted cash flow or earnings methodology, corroborated by a market multiple approach, where appropriate. For property valuations, the Group obtained third party valuations from registered professional valuers with experience relevant to the types of properties being valued, using the net income capitalised methodology. These valuation experts consider best practice market norms in arriving at the value of the underlying property assets.	Our audit included obtaining an understanding and testing of the relevant controls put in place over valuation model development and changes. For a sample of private equity investments and property equity investments valuations we tested the calculations of the fair values by performing the following procedures: Property investments: • Utilising our valuations expertise, we evaluated the appropriateness of the valuation methodology against industry available information and IFRS requirements. • Making use of our valuation expertise, we independently sourced inputs and assessed the judgements and estimates applied in relation to our knowledge of current market practice and conditions. • We compared the cash flows, market rental growth, vacancy factors and exit capitalisation rates against market related data. • We independently recalculated the valuations utilising the inputs and assumptions referred to above, in accordance with the income capitalisation approach, and compared our results with that of management. Management's results were found to be within acceptable ranges. Private equity investments: • Utilising our valuations expertise we evaluated the appropriateness of the valuation methodology against industry available information and IFRS requirements. • We recalculated the discounted cash flow underlying management's valuation for each significant investment. Making use of our valuation expertise, we evaluated the significant assumptions used in determining the discounted cash flow, which included an independent comparison to industry norms and evaluation of the discount rates applied. • We independently recalculated the valuations utilising the inputs and assumptions referred to above, in accordance with the discounted cash flow approach, and compared management's valuations to the amounts we calculated. Management's results were found to be within acceptable ranges. We evaluated the reasonableness of the terminal growth rates and valuation adjustments applied to the forecasted cash flows with reference to the best available independent market information, taking into account financial services industry benchmarks and inflationary prospects within the country. We inspected the cash flow forecasts to consider whether it reflects the most recently approved management budgets and represent management's best estimate of future performance taking into account the significant impact of the restrictions as a result of COVID-19. In addition, the current and previous years' forecasts were compared to actual performance, and our testing did not identify any material differences in this regard.

OTHER INFORMATION

The directors are responsible for the other information. The other information comprises the information included in the document titled "*Sasfin Holdings Limited Annual Financial Statements for the year ended 30 June 2020*", which includes the Directors' Report, the Group Audit and Compliance Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "*Sasfin Holdings Limited Integrated Report for the year ended 30 June 2020*", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

Our opinion on the consolidated and separate financial statements does not cover the other information and we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the consolidated and separate financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the consolidated and separate financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

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

In preparing the consolidated and separate financial statements, the directors are responsible for assessing the Group and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group and/or the Company or to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated and separate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated and separate financial statements.

As part of an audit in accordance with ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated and separate financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's and the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated and separate financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and/or Company to cease to continue as a going concern.

INDEPENDENT AUDITOR'S REPORT CONTINUED

- Evaluate the overall presentation, structure and content of the consolidated and separate financial statements, including the disclosures, and whether the consolidated and separate financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Sasfin Holdings Limited for three years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho
Registered Auditor
Johannesburg

30 September 2020

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Accounting policy	Note	2020 R'000	2019[1] R'000 Restated[2]
ASSETS				
Cash and cash balances	1.10	4	1 731 243	1 312 786
Negotiable securities	1.12	5	3 126 595	3 077 519
Trading assets	1.12	6.2	1 060 342	1 187 523
Trade and other receivables	1.12	7	436 644	410 776
Non-current assets held for sale		8	6 700	–
Loans and advances[1]	1.12	9	6 609 328	7 499 508
Current taxation asset	1.15		21 035	23 799
Investment securities	1.12	10	654 966	735 411
Investments at fair value through profit or loss[1]	1.12	10	528 771	622 995
Equity accounted associates		10	126 195	112 416
Property, equipment and right-of-use assets[2]	1.5	12	103 550	75 245
Investment property	1.3	13	13 123	8 900
Intangible assets and goodwill	1.4	14	205 206	235 028
Deferred tax asset	1.15	11	36 808	34 907
Total assets			14 005 540	14 601 402
LIABILITIES				
Funding under repurchase agreements and interbank	1.12	15	1 882 806	2 271 610
Trading liabilities	1.12	6.3	999 842	1 175 828
Current taxation liability	1.15		3 963	4 526
Trade and other payables	1.12	16	783 786	899 119
Bank overdraft	1.10	4	151 462	46 008
Provisions		17	41 629	57 695
Lease liabilities[2]	1.8	18	70 266	–
Deposits from customers	1.12	19	5 138 778	4 981 067
Debt securities issued	1.12	20	2 743 823	2 753 521
Long-term loans	1.12	21	371 649	495 715
Deferred tax liability	1.15	11	94 531	138 929
Total liabilities			12 282 535	12 824 018
EQUITY				
Ordinary share capital	1.9	22	321	321
Ordinary share premium	1.9	23	166 945	166 945
Reserves	1.9		1 367 653	1 418 360
Preference share capital	1.9	24	18	18
Preference share premium	1.9	25	188 068	188 068
Non-controlling interest			–	3 672
Total equity			1 723 005	1 777 384
Total liabilities and equity			14 005 540	14 601 402

[1] *Refer to note 2.11 for information on the restatements.*

[2] *Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Accounting policy	Note	2020 R'000	2019 R'000 Restated[1]
Interest and similar income	1.13	27	1 285 549	1 330 151
Interest and similar income calculated using the effective interest rate method			1 250 375	1 292 269
Other interest income			35 174	37 882
Interest and similar expense		28	(779 234)	(830 879)
Interest expense calculated using the effective interest method	1.13		(733 312)	(779 507)
Other interest expense	1.13		(45 922)	(51 372)
Net interest income			506 315	499 272
Non-interest income			640 180	727 588
Net fee and commission income	1.13	29	429 445	427 022
Fee and commission income			638 402	673 280
Fee and commission expense	1.13		(208 957)	(246 258)
Gains and losses on financial instruments			85 674	187 400
Net gains or losses on the derecognition of financial instruments at amortised cost	1.13	30	28 297	50 337
Other gains or losses on financial instruments		30	57 377	137 063
Other income		31	125 061	113 166
Total income			1 146 495	1 226 860
Credit impairment charges	1.12.4 & 2.1.1	43.3.5	(252 618)	(80 358)
Net income after impairments			893 877	1 146 502
Total operating costs			(959 040)	(954 366)
Staff costs	1.14	32	(517 605)	(504 421)
Other operating expenses		33	(424 784)	(437 895)
Impairments on non-financial assets	11	34	(16 651)	(12 050)
(Loss)/profit from operations			(65 163)	192 136
Share of associate income	1.2.4		20 161	19 149
(Loss)/profit before income tax			(45 002)	211 285
Total income tax	1.5	35	1 848	(48 832)
(Loss)/profit for the year			(43 154)	162 453
Other comprehensive income for the year net of tax effects				
Items that may subsequently be re-classified to profit or loss				
Foreign exchange differences on translation of foreign operations			41 313	4 877
Total comprehensive (loss)/income for the year			(1 841)	167 330
(Loss)/profit attributable to:			(43 154)	162 453
Non-controlling interest			1 993	(562)
Preference shareholders			15 029	14 955
Equity holders of the Group			(60 176)	148 060
Total comprehensive (loss)/income attributable to:			(1 841)	167 330
Non-controlling interest			1 993	(562)
Preference shareholders			15 029	14 955
Equity holders of the Group			(18 863)	152 937
Earnings per share:				
Basic and diluted earnings per share (cents)		38	(186.90)	459.86

[1] *Refer to note 2.11 for information on the restatements.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	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
2020								
Opening balance at 1 July 2019	167 266	1 442 018	83 441	(107 099)	1 585 626	188 086	3 672	1 777 384
Transfers	–	8 025[1]	(8 025)[1]	–	–	–	–	–
Total comprehensive (loss)/ income for the year	–	(60 176)	41 313	–	(18 863)	15 029	1 993	(1 841)
(Loss)/profit for the year	–	(60 176)	–	–	(60 176)	15 029	1 993	(43 154)
Other comprehensive income net of income tax for the year	–	–	41 313	–	41 313	–	–	41 313
Foreign exchange differences on translation of foreign operations	–	–	41 313	–	41 313	–	–	41 313
Transactions with owners recorded directly in equity								
Disposal of controlling interest in subsidiary	–	–	–	–	–	–	(5 665)	(5 665)
Dividends to preference shareholders	–	–	–	–	–	(15 029)	–	(15 029)
Dividends to ordinary shareholders	–	(31 844)	–	–	(31 844)	–	–	(31 844)
Balance at 30 June 2020	167 266	1 358 023	116 729	(107 099)	1 534 919	188 086	–	1 723 005
2019								
Opening balance at 1 July 2018	167 266	1 410 720	78 564	(107 099)	1 549 451	188 086	4 234	1 741 771
Changes on initial application of IFRS 9	–	(66 103)	–	–	(66 103)	–	–	(66 103)
Restated balance at 1 July 2018	167 266	1 344 617	78 564	(107 099)	1 483 348	188 086	4 234	1 675 668
Transfers	–	–	–	–	–	–	–	–
Total comprehensive income for the year	–	148 060	4 877	–	152 937	14 955	(562)	167 330
Profit for the year	–	148 060	–	–	148 060	14 955	(562)	162 453
Other comprehensive income net of income tax for the year	–	–	4 877	–	4 877	–	–	4 877
Foreign exchange differences on translation of foreign operations	–	–	4 877	–	4 877	–	–	4 877
Transactions with owners recorded directly in equity								
Dividends to preference shareholders	–	–	–	–	–	(14 955)	–	(14 955)
Dividends to ordinary shareholders	–	(50 659)	–	–	(50 659)	–	–	(50 659)
Balance at 30 June 2019	167 266	1 442 018	83 441	(107 099)	1 585 626	188 086	3 672	1 777 384

[1] *Sascred (Proprietary) Limited, a wholly owned foreign subsidiary of Sasfin Asia Limited, was deregistered on 14 March 2018, at which point the foreign currency translation reserve (FCTR) relating to that foreign subsidiary should have been reclassified to profit or loss. The adjustment is done retrospectively and hence the FCTR is reduced and the distributable reserves increased.*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

	2020 Cents per share	2019 Cents per share
Ordinary shares		
Interim dividend	48.89	49.89
Final dividend	–	50.01
Preference shares		
Dividend no 29	–	418.09
Dividend no 30	–	419.34
Dividend no 31	416.91	–

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 R'000	2019 R'000 Restated[1]
Cash flows from operating activities			
Interest received		1 285 549	1 330 151
Interest paid		(779 234)	(830 879)
Fee and commission income received		638 402	673 280
Fee and commission expense paid		(208 957)	(246 258)
Net trading and other income/(expenses)		157 407	(45 596)
Cash payments to employees and suppliers		(885 923)	(684 601)
Cash inflow from operating activities	39.1	207 244	196 097
Dividends received		23 845	18 014
Taxation paid	39.2	(43 140)	(57 121)
Dividends paid	39.3	(46 872)	(65 614)
Cash flows from operating activities before changes in operating assets and liabilities		141 077	91 376
Changes in operating assets and liabilities		154 604	(589 533)
Decrease/(Increase) in loans and advances		717 316	(33 754)
Decrease in trading assets		165 804	357 612
Increase in negotiable securities		(77 060)	(1 102 112)
Increase in trade and other receivables		(26 048)	(35 396)
Increase in deposits		157 711	531 723
Decrease in long-term funding		(124 066)	(178 901)
(Decrease)/Increase in funding under repurchase agreements and interbank		(388 804)	346 635
Decrease in trading liabilities		(175 986)	(273 375)
Decrease in debt securities		(9 698)	(361 911)
(Decrease)/Increase in trade and other payables		(52 455)	139 956
(Decrease)/Increase in provisions		(32 110)	19 990
Net cash from operating activities		295 681	(498 157)
Cash flows from investing activities		48 374	(123 709)
Proceeds from the disposal of property and equipment		–	568
Proceeds from the disposal of investment securities		–	37 721
Proceeds from the disposal of a subsidiary		270	–
Acquisition of property and equipment		(12 712)	(22 751)
Acquisition of intangible assets		(29 595)	(61 083)
Acquisition of investment securities		(11 176)	(47 672)
Repayments/(Advance) of investment securities		101 587	(30 492)
Net cash flows from financing activities		(31 052)	–
Repayment of lease liabilities		(31 052)	–
Net increase/(decrease) in cash and cash balances		313 003	(621 866)
Cash and cash balances at beginning of the year	4	1 266 778	1 892 167
Effect of exchange rate movements on cash and cash balances		–	(3 523)
Cash and cash balances at the end of the year	4	1 579 781	1 266 778

[1] *Refer to note 2.11.3.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES

The principal accounting policies adopted in the preparation of these Consolidated and Separate Annual Financial Statements are set out below.

1.1 Basis of preparation

The Consolidated and Separate Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, No 71 of 2008, as amended, and the JSE Listings Requirements.

The directors assess the Group's and Company's future performance and financial position on a continuous basis and have no reason to believe that the Group and Company will not be a going concern in the reporting period ahead. Consequently the Consolidated and Separate Annual Financial Statements have been prepared on the going concern basis.

The Group has, in the preparation of these Consolidated and Separate Annual Financial Statements, consistently applied the accounting policies with those applied in the previous financial year, unless otherwise stated.

1.1.1 Adoption of new and amended standards for the first time in the current financial year

The following standards, interpretations and amendments have been adopted without affecting the Group's previously reported financial results, disclosures or accounting policies and did not impact the Group's results upon transition:

- Amendments to IFRS 9 – *Prepayment Features with Negative Compensation*
  In terms of IFRS 9, debt instruments can be measured at amortised cost or at fair value through other comprehensive income, subject to the contractual cash flows being "solely payments of principle and interest" (SPPI) on the principal amount outstanding and the instrument is held in an appropriate business model for that classification. This amendment to IFRS 9 clarifies that a financial asset passes the SPPI criteria irrespective of the event or circumstances that resulted in the early termination of the contracts and regardless of which party pays or receives the reasonable compensation for the early termination of the contract.
- IFRIC 23 – *Uncertainty over Income Tax Treatments*
  This interpretation clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the Annual Financial Statements.

  IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about:

  - judgements made;
  - assumptions and other estimates used; and
  - the potential impact of uncertainties that are not reflected.
- Amendments to IAS 19 – *Plan Amendment, Curtailment or Settlement*
  This amendment addresses the accounting for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period.
- Amendments to IAS 28 – *Long-term Interests in Associates and Joint Ventures*
  This amendment clarifies that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, to which the equity method is not applied. It therefore implies that the expected credit loss model in IFRS 9 applies to such long-term interests.

Impact of adoption of IFRS 16 Leases

IFRS 16 sets out the principles for the recognition, measurement and presentation of leases for both parties to a contract – the lessee and the lessor. It provides a single lessee accounting model, requiring lessees to recognise right-of-use assets and lease liabilities for all leases, unless the lease term is 12 months or less or the underlying asset is a low-value asset.

1. ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

1.1.1 Adoption of new and amended standards for the first time in the current financial year *continued*

Impact of adoption of IFRS 16 Leases *continued*

For annual reporting periods commencing on or after 1 January 2019, IFRS 16 replaced IAS 17 as well as the related interpretations. The core principle of this standard is that the lessee and lessor should recognise the rights and obligations arising from leasing arrangements on the balance sheet. The most significant change pertaining to accounting for operating leases is from the lessee's perspective. IFRS 16 eliminates the classification of leases for lessees as either operating or finance leases, as was required by IAS 17, and introduces a single lease accounting model. According to this model a right-of-use asset, together with a lease liability for the future payments, are recognised for all leases with a term of more than 12 months, unless the underlying asset is of low value. IFRS 16 did not introduce significant changes for lessors. As a result, the accounting policies applicable to the Group as a lessor are not significantly different from those under IAS 17.

As allowed by IFRS 16, the Group has elected to adopt IFRS 16 without restating comparative numbers, by following the simplified approach. Consequently, the comparative information (as previously reported for the year ended 30 June 2019) is presented in accordance with the requirements of IAS 17, with current and future periods presented in terms of IFRS 16. For Regulatory Capital purposes the right-of-use assets are risk weighted in line with the nature of the underlying assets.

In accordance with the allowed simplified approach, the Group applied IFRS 16 only to contracts that were previously identified as leases, and to use a single discount rate to a portfolio of leases with similar characteristics. Judgement was applied in determining the appropriate incremental borrowing rate used. The rate used considers six factors for the individual leases including the tenor of lease, currency of the lease, lessee entity in the Group, asset type, level of indebtedness and the economic environment.

In the application of the simplified approach the Group has recognised the following at the date of initial application (unless the lease term is shorter than 12 months or the underlying asset is of low value):

- A lease liability for all leases previously classified as operating leases, measured at the present value of the remaining lease payments, discounted using the applicable entity's incremental borrowing rate at the date of initial application;
- A right-of-use asset, measured at an amount equal to the lease liability, adjusted for any existing prepaid or accrued rentals; and
- The change had no impact on deferred tax or opening retained earnings.

	30 June 2019 R'000	IFRS 16 transition adjustment R'000	1 July 2019 R'000
Assets			
Property, equipment and right-of-use asset[1]	75 245	83 007	158 252
Deferred tax raised on right-of-use asset	–	(22 379)	(22 379)
	75 245	60 628	135 873
Liabilities			
Trade and other payables	899 119	(18 311)	880 808
Lease liability (net of accruals/prepayments already recognised)[2]	–	101 318	101 318
Deferred tax raised on lease smoothing provision	4 980	(4 980)	–
Deferred tax raised on lease liability	–	27 359	27 359
	4 980	105 386	1 009 485

[1] *The right-of-use asset, included in property, equipment and right-of-use asset, is depreciated over the shorter of the remaining lease term and its useful life.*

[2] *The lease liability is subsequently adjusted for the accrual of interest and lease payments made.*

1. ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

1.1.2 Accounting policy elections

The following accounting policy elections have been made by the Group and Company:

Asset/liability	Options	Election and implication	Accounting policy
Property and equipment, including right-of-use leased assets	Cost/revaluation model	*Group* • Buildings are stated at cost less accumulated depreciation • Computer equipment, furniture and fittings and vehicles are carried at cost less accumulated depreciation • Depreciation rates applied: – Buildings: 20 years – Computer equipment: 2 to 5 years – Furniture and fittings: 6 to 10 years – Motor vehicles: 5 years – Buildings and leasehold improvements: 5 to 10 years – Right-of-use assets: shorter of the lease term and the asset's useful life (as per the above)	1.5
Investment properties	Cost/fair value model	*Group* Investment properties are carried at fair value with changes in fair value recognised in profit or loss	1.3
Investments in subsidiaries	Cost/financial instrument	*Company* • Cost less accumulated impairments *Group* • Subsidiaries are consolidated	1.2
Investments in associate companies	Cost/financial instrument/equity accounted	Strategic investments *Company* • Cost less accumulated impairments *Group* • Equity accounted Private and property equity investments *Company and Group* • Financial asset at fair value through profit or loss	1.2

1. ACCOUNTING POLICIES continued

1.2 Basis of consolidation

1.2.1 Business combinations

The Group accounts for business combinations using the acquisition method at the acquisition date – the date at which control over an investee transfers to the Group.

The Group controls an investee if it is exposed to, or has rights to, variable returns from its relationship with the investee and has the ability to affect those returns through its control over the investee.

The acquisition consideration is measured at fair value and does not include amounts related to the settlement of pre-existing relationships, which are recognised in profit or loss. Identifiable net assets acquired are measured at fair value at the acquisition date.

Contingent considerations payable are measured at fair value at the acquisition date.

1.2.2 Subsidiaries

Subsidiaries are investees controlled by the Group and Company. The financial statements of subsidiaries are consolidated into the Consolidated Annual Financial Statements from the date on which control commences until the date on which control ceases.

Investments in subsidiaries are reflected at cost less accumulated impairment in the Company's Separate Annual Financial Statements.

1.2.3 Structured entities

Structured entities are formed to accomplish a narrow and well-defined objective such as the securitisation of particular assets, or the execution of a specific borrowing, lending or other transaction.

The Group, in substance, controls a structured entity where the Group:

- controls the activities of the structured entity according to the Group's specific needs;
- has the decision-making powers to control the activities of the structured entity;
- has delegated decision-making powers by setting up an 'autopilot' mechanism;
- has rights to obtain the majority of the benefits of the structured entity;
- is exposed to risks incidental to the activities of the structured entity; and
- retains the majority of the residual ownership risks related to the structured entity or its assets.

The assessment of whether the Group has control over a structured entity is carried out at inception. There is normally no further reassessment of control unless:

- there are changes to the structure of the relationship between the Group and the structured entity;
- there are additional transactions between the Group and the structured entity;
- changes in market conditions alter the substance of the relationship between the Group and the structured entity; and
- the Group's voluntary actions, such as lending amounts in excess of existing liquidity facilities or extending terms beyond those established originally, change the relationship between the Group and the structured entity.

The structured entities consolidated are:

- South African Securitisation Programme (RF) Limited (SASP), controlled by Sasfin Bank Limited;
- Fintech Receivables 2 (RF) Limited (FR2), controlled by Fintech (Proprietary) Limited (Fintech), a subsidiary of Sasfin Bank Limited; and
- Sunlyn (Proprietary) Limited, controlled by Sasfin Bank Limited.

1. ACCOUNTING POLICIES continued

1.2 Basis of consolidation continued

1.2.4 Associates

An associate is an investee over which the Group has significant influence, but not control, over its financial and operating activities.

Investments in associate companies are initially accounted for at cost from the date that significant influence is effective.

Subsequent to initial recognition, investments in associates are equity-accounted. The Group's proportionate share of associate income (or loss) is accounted for in profit or loss and as part of the investment in associate. Dividend income from associates is not recognised in profit or loss, but against the investment in associate. Should the dividend income exceed the carrying amount of the investment in the associate, the excess is recognised in profit or loss.

When the Group's share of losses in an associate exceeds its carrying amount, the investment in that associate is written down to zero and recognition of further losses is discontinued except to the extent that the Group has guaranteed obligations in respect of the associate.

Impairments to investments in associates are written down in profit or loss when they are impaired and are reflected at cost less accumulated impairment losses in the statement of financial position in the separate financial statements.

Associate companies held by Private Equity and Property Equity business units

Investments in associates held by the Private Equity and Property Equity businesses of the Group are classified at fair value through profit or loss as these investments are managed on a fair value basis in accordance with a business model to realise these investments through sale.

Changes in the fair value of these investments are recognised in non-interest income in the statement of profit or loss and other comprehensive income in the period in which they occur.

1.3 Investment property

Investment properties are held to earn rental income or for capital appreciation, or both. Investment properties are initially recognised at cost.

Subsequent to initial recognition, investment properties are accounted for at fair value.

Fair value is determined annually either by independent professional valuators or by the directors of the Group with the relevant experience. Where fair value cannot be reliably determined, the Group uses alternative valuation methods such as discounted cash flow projections or recent prices in active markets.

Fair value adjustments on investment properties are reflected in profit or loss as part of non-interest income in the Group in the period in which these gains or losses arise.

When the use of a property changes such that it is re-classified to or from investment property, its fair value at the date of re-classification becomes its new cost. A change in use only occurs when a property meets or ceases to meet the definition of investment property and there is evidence of such a change in use.

1.4 Intangible assets

1.4.1 Goodwill

Goodwill that arises upon the acquisition of subsidiaries in the Group is recognised as an intangible asset and is measured at cost.

Subsequent to initial recognition, goodwill is tested annually for impairment and is reflected at cost less any accumulated impairment losses. Refer to note 2.6 for further information.

1. ACCOUNTING POLICIES continued

1.4 Intangible assets continued

1.4.2 Software and distributor relationships

The Group capitalises its own unique and identifiable software (internally developed software) when it can reliably measure the cost to develop, is able to demonstrate its ability and intention to complete development and is satisfied that the internally developed software will generate future economic benefits.

Subsequent expenditure is only capitalised to the internally developed software asset when the Group determines that the expenditure will increase future economic benefits beyond those initially envisaged.

Distributor relationships are capitalised when acquired as part of a business combination and the Group is satisfied that the relationship will generate future economic benefits. These relationships are amortised over their expected useful lives and assessed for impairment annually.

Purchased and internally developed software are amortised in profit or loss on the straight-line basis over the expected useful lives of the assets. Refer to note 2.6 for further information.

Capitalised computer software is reflected at cost less accumulated amortisation and accumulated impairment losses.

Capitalised computer software and distributor relationships are amortised on the straight-line basis over their useful lives at rates which will reduce the assets to their anticipated residual values.

Amortisation methods, residual values and useful lives are reviewed and adjusted annually where appropriate. Amortisation expense is recognised in profit or loss.

The estimated useful lives of software (including internally developed software) are two to five years and for distributor relationships are five to 10 years, for the current and comparative years.

1.5 Property and Equipment and Right-of-use assets

1.5.1 Owned assets

Property and equipment in the Group are initially measured at cost, including any expenditure directly attributable to the acquisition or bringing the asset into use.

Property and equipment are reflected at their carrying amount being cost less accumulated depreciation and impairment losses.

Repairs and maintenance on property and equipment are recognised directly in profit or loss.

1.5.2 Right-of-use assets

Refer to note 1.8.2.

1.5.3 Depreciation

Assets are depreciated on the straight-line basis over their useful lives at rates which will reduce the assets to their anticipated residual values.

Depreciation methods, residual values and useful lives are reviewed and adjusted annually where appropriate. The estimated useful lives of property and equipment for the current and comparative years are two to 10 years.

1.5.4 Profit or loss on disposal

A profit or loss on the sale/disposal of an item of property and equipment is calculated as the difference between the carrying amount and the net proceeds received. This profit or loss is recognised within non-interest income in the statement of profit or loss and other comprehensive income.

1.6 Currencies

1.6.1 Functional and presentation currency

The Consolidated and Separate Annual Financial Statements are presented in ZAR and all amounts, unless otherwise indicated, are stated in thousands of ZAR (R'000).

All entities in the Group, with the exception of Sasfin Asia Limited, operate in the Republic of South Africa with a functional currency of ZAR.

Sasfin Asia Limited operates in Hong Kong, with a functional currency of USD. On consolidation, exchange differences arising from the translation of the Group's net investment in Sasfin Asia Limited are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES continued

1.6 Currencies continued

1.6.2 Transactions and balances

Foreign currency transactions in the Group are translated into the presentation currency at exchange rates at the date of the transaction.

Foreign exchange gains and losses resulting from the settlement of foreign exchange assets or liabilities or the translation of monetary assets and liabilities are recognised in profit or loss except for qualifying net investment hedges which are recognised in other comprehensive income.

Non-monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the:

- exchange rate at the transaction date if measured at historical cost; or
- exchange rate at the date the fair value was determined if measured at fair value.

Foreign exchange gains and losses on non-monetary assets and liabilities are accounted for based on the classification of the underlying items.

1.7 Provisions

A provision is recognised when the Group has a present, legal or constructive obligation, as a result of a past event, from which it is probable that an outflow of economic benefits will be required to settle the obligation, and a reliable estimate of the amount of the obligation can be made.

Where the effects of the time value of money are material, provisions are recognised at the present value of the expected obligation.

1.8 Leases

1.8.1 Group as the lessor (IFRS 16 and IAS 17)

Rental, lease and instalment sale contracts are financing transactions, with rentals and instalments receivable, less unearned finance charges, being reflected as loans and advances in the statement of financial position.

Finance income is recognised over the term of the lease using the effective interest method.

1.8.2 Group as the lessee (IFRS 16)

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses (refer to note 1.11), if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The Group mostly uses the lessee's incremental borrowing rate as the discount rate.

In determining the incremental borrowing rate, the Group considers six factors which include the tenor of lease, currency of the lease, lessee entity in the Group, asset type, level of indebtedness and the economic environment.

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments, including in-substance fixed payments;
- variable lease payments that depend on an index or a rate, initially measured using the index or rate at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- the exercise price under a purchase option that the Group is reasonably certain to exercise, lease payments in an optional renewal period if the Group is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless the Group is reasonably certain not to terminate early.

1. ACCOUNTING POLICIES continued

1.8 Leases continued

1.8.2 Group as the lessee (IFRS 16) *continued*

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in the Group's estimate of the amount expected to be payable under a residual value guarantee, or if the Group changes its assessment of whether it will exercise a purchase, extension or termination option.

When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to nil.

Extension and termination options are included in a number of the property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In most instances the extension and termination options held are exercisable only by the Group and not by the respective lessor.

The Group presents right-of-use assets in property and equipment and lease liabilities as such in the statement of financial position.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases that have a lease term of 12 months or less and leases of low value assets. The Group regards items such as tablets, personal computers, mobile phones and small items of office furniture to be low value assets. The Group recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

1.8.3 Group as the lessee – operating leases (IAS 17)

Payments under operating leases are expensed on a straight-line basis over the term of the lease in profit or loss. Penalties for early termination of operating lease contracts are recognised in profit or loss in the period in which the termination takes place.

1.9 Share capital

1.9.1 Ordinary share capital

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of tax.

Dividends are accounted for as distributions from equity in the period in which they are payable to shareholders.

Ordinary share capital of the Company purchased by the Company or its subsidiaries, is recognised as a reduction in equity at the amount of consideration paid, including directly attributable costs, net of tax.

1.9.2 Preference share capital as equity

Preference share capital is classified as equity if it is non-redeemable, or it is redeemable only at the Company's option or if dividends payable are discretionary at the option of the Company.

Incremental costs directly attributable to the issue of preference shares are recognised as a deduction from equity, net of tax.

Preference dividends are accounted for as distributions from equity when they become payable to shareholders.

Preference share capital of the Company, purchased by the Company or its subsidiaries, is recognised as a reduction to equity at the amount of the consideration paid, including directly attributable costs, net of tax. Preference shares repurchased by the Company are cancelled.

1.10 Cash and cash balances

Cash and cash balances as reflected on the statement of cash flows comprise:

- cash and cash balances on hand;
- balances with the SARB; and
- bank overdrafts that are repayable on demand.

Cash and cash balances are available for use by the Group unless otherwise stated and are accounted for at amortised cost in the Annual Financial Statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES continued

1.11 Impairment of non-financial assets

The Group annually assesses all non-financial assets for impairment. Impairment occurs where there is evidence that the carrying amount of the non-financial asset exceeds its recoverable amount.

Impairment losses are recognised in profit or loss when the carrying amount of the non-financial asset or cash-generating unit exceeds its recoverable amount.

Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating units, and then to reduce the carrying amount of the other assets in the unit on a pro rata basis.

Calculation of recoverable amount

The recoverable amount of a non-financial asset is the greater of its fair value less costs to dispose, and its value in use. In determining value in use, estimated future cash flows to be generated from the non-financial asset are discounted to their present value using a pre-tax market-related risk-adjusted discount rate specific to the asset.

The recoverable amount of non-financial assets that do not generate largely independent cash inflows is determined for the cash-generating unit to which the asset belongs.

Impairment reversals

Impairment losses on non-financial assets are reversed where there have been changes to the recoverable amount. Impairment losses are reversed to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised. Reversal of impairment losses is not recognised for goodwill that has been impaired.

1.12 Financial instruments

Financial instruments, as reflected on the statement of financial position, include all financial assets, financial liabilities, derivative instruments and financial guarantee contracts issued, excluding investments in subsidiaries and associated companies (refer to note 1.2).

Financial assets are recognised on the date on which the Group commits to purchase the asset. Financial liabilities are recognised on the date on which the Group becomes party to the contractual provisions of the financial liability.

Financial instruments are initially recognised at fair value.

Transaction costs directly attributable to the acquisition of a financial asset or financial liability are recognised in profit or loss for financial instruments measured at fair value through profit or loss and, for all other financial instruments, against the financial instrument.

Subsequent to initial measurement, financial instruments are either measured at fair value through profit or loss, or amortised cost, based on the business model in terms of which the financial instruments are acquired and managed, as well as the contractual cash flow characteristics thereof.

Classification and measurement of financial assets

Financial assets are classified and measured based on the Group's business model for managing them and the contractual cash flow characteristics of the financial assets.

Financial assets held by the Group in a business model that has the objective of holding the financial assets to collect contractual cash flows, and the contractual terms of the financial assets lead to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are classified and measured as 'measured at amortised cost'.

Financial assets held by the Group in a business model that has the objective of realising cash flows through the sale of the assets and/or that is managed on a fair value basis, including those held for trading, are classified and measured as fair value through profit or loss (FVTPL).

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

Business model assessment

Sasfin makes an assessment of the objective of a business model in which an asset is held at a portfolio level since this best reflects the way the business is managed and information is provided to management. The following information is considered:

- The stated policies and objectives for the portfolio and the practical implementation of those policies. Specifically, whether management's strategy focuses on earning contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising profits and cash flows through the sale of the assets;
- How the performance of the portfolio is evaluated and reported to Sasfin's management;
- The risks that affect the performance of each portfolio and the strategy for how those risks are managed;
- How managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. Information about sales activity is considered as part of the overall assessment of how Sasfin's stated objective for managing the financial assets is achieved and how cash flows are realised.

Financial assets that are held for trading (i.e. acquired for the purpose of selling in the short-term) and those that the Group has elected to designate as at FVTPL are measured at FVTPL because they are neither held to collect contractual cash flows nor held both to collect contractual cash flows and to sell financial assets.

Reclassifications

Financial assets are not reclassified subsequent to their initial recognition, except in the period after the Group changes its business model for managing those financial assets.

Impairment

The Group recognises loss allowances for ECL on the following financial instruments that are not measured at FVTPL:

- financial assets that are debt instruments;
- lease receivables;
- financial guarantee contracts issued; and
- loan commitments issued.

No impairment loss is recognised on equity investments.

The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition which are measured as 12-month ECL (see note 43).

For lease receivables, the Group has elected, in accordance with the allowed accounting policy choice in IFRS 9, to apply the general model for measuring loss allowance, as explained above.

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments for which a lifetime ECL is recognised and which are credit-impaired, are referred to as 'Stage 3 financial instruments'.

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

Measurement of ECL

ECL are a probability-weighted estimate of credit losses. They are measured as follows:

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Group expects to receive);
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Group expects to recover. Refer to note 43.

The key inputs for the measurement of ECL are the following variables:

- Probability of Default (PD);
- Loss Given Default (LGD);
- Exposure at Default (EAD);
- Time to Default (TTD); or
- Expert judgement referred to below.

ECL is a "three stage" model for calculating impairment losses, based on changes in credit quality since initial recognition namely:

- Stage 1 includes exposures that have not had a Significant Increase in Credit Risk (SICR) since initial recognition. For these financial instruments, ECL is calculated based on the relevant 12-month PD, TTD and EAD;
- Stage 2 includes exposures that had a SICR since initial recognition, but do not have objective evidence of impairment. For these financial instruments, ECL is calculated based on the relevant lifetime PD, TTD and EAD; and
- Stage 3 includes exposures for which there are objective evidence of impairment at the reporting date. For these financial instruments, ECL is calculated based on a lifetime PD, TTD and EAD. The financial instrument must be classified as in "Stage 3", when it is credit-impaired.

An expert judgement approach is used to determine the LGD for the Capital Equipment Finance, Trade and Debtor Finance and Other Term Loan portfolios. This approach determines the expected loss for Stage 3 exposures based on an anticipated salvage calculation. The value of the anticipated salvage used in the determination of the ECL of credit impaired financial instruments is calculated taking the following factors into account:

- Realisable market value of security (e.g. stock, equipment, property) after taking account of costs associated with such sale;
- Stage and nature of legal process;
- Wherewithal of debtor to pay based on available credit data (e.g. financial statements, cash flows, third party credit bureau reports);
- Any supporting suretyships or guarantees;
- Financial standing/reputation of the client group and or related parties;
- Any recourse/warranty claim against a supplier or any other third party;
- Any applicable insurance claim;
- Any negotiated settlement agreements; and
- Timing of expected recoveries.

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

Significant Increase in Credit Risk (SICR)

The Group defines a SICR as follows:

- Rental and Capital Equipment
  - when a debtor is flagged as High Care; or
  - once an account becomes past due/arrears for more than seven days and up to and including 30 days.
- Trade Finance
  - when a debtor is flagged as High Care;
  - when no extensions have been granted in excess of the maximum tenor contractually agreed with the debtor and the debtor then becomes past due/arrears up to and including 30 days; or
  - when extensions have been granted in excess of the maximum tenor contractually agreed with the debtor and the account has been extended more than 30 days. Any one or more extensions will be counted from the first invoice's original payment date.
- Debtor Finance
  - when a debtor is flagged as High Care; or
  - margin excess – Once an account is in margin excess for longer than seven days and up to and including 30 days.
- Other Term Loans
  - when a debtor is flagged as High Care; or
  - once an account becomes past due/arrears for more than seven days and up to and including 30 days.

Clients in High Care are those that have shown signs of pressure because of changes in operating environment, industry sector, and adverse financial health. These have, however, not defaulted.

- Negotiable Securities and Intercompany Loans
  - Government and intercompany exposures are evaluated for SICR by comparing the credit risk grade at the reporting date to the origination credit risk grade. Where the relative change in the credit risk grade exceeds certain pre-defined criteria or, when a contractual payment becomes more than 30 days overdue, the exposure is classified within Stage 2. These pre-defined criteria thresholds have been determined based on historic default experience which indicates that higher-rated risk exposures are more sensitive to SICR than lower-risk exposures.

Impact of COVID-19 on SICR

The assessment on whether a SICR had occurred, specifically included an assessment of the impact of the global COVID-19 pandemic and subsequent lockdown on PD's and LGD's of businesses. This assessment was done in both the consideration of client risk profiles during the granting of payment holidays, as well as in the final calculation of expected credit losses.

Client requests for payment relief due to COVID-19 related factors, were considered on a case by case basis taking into account (inter alia) the industry within which it operates, and its own financial strength. Once payment relief had been granted, these loans and advances were then classified as Covid Restructured Exposures in accordance with the SARB's Directive 3 of 2020.

Each client was classified as either Stage 1 where our assessment indicated that the relief was expected to be of a temporary nature and the client should be able to meet its obligations once the relief period had expired (thereby indicating no SICR had occurred), or Stage 2 where we believed that the distress would likely be of a longer or more permanent nature, indicating a SICR had occurred. Clients indicating a more permanent financial distress would be classified as Distressed Restructures in line with Directive 7 of 2015.

Determining whether the relief is temporary or a distressed, restructure is based on the product-specific definitions incorporating various factors. The sensitivity analysis performed indicates an additional ECL charge of circa R66 million to the income statement if, in a severe event, all the exposures relating to payment relief in stage 1 moved to stage 2 and those in stage 2 deteriorated to stage 3 as at 30 June 2020.

Restructured financial assets (Trade and Debtor finance)

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised and an ECL is measured as follows:

- Where the expected restructuring will not result in derecognition of the existing asset, then the expected cash flows arising from the modified financial asset are included in calculating the cash shortfalls from the existing asset; and
- Where the expected restructuring will result in derecognition of the existing asset, then the expected fair value of the new asset is treated as the final cash flow from the existing financial asset at the time of its derecognition. This amount is included in calculating the cash shortfalls from the existing financial asset that are discounted from the expected date of derecognition to the reporting date, using the original effective interest rate of the existing financial asset.

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

Default and curing

For purposes of calculating the ECL, the Group views a financial asset as in default and hence in Stage 3 (i.e. credit impaired), when the borrower becomes 90 days overdue on its contractual payments. In addition, the following qualitative factors are also considered to determine whether a debtor is in default:

- the debtor's business is subject to labour disputes or unresolved management problems that may affect its business, production or profitability;
- the debtor is experiencing delays or other unplanned adverse events resulting in cost overruns likely to require loan restructuring;
- the increase in the debtor's borrowings is not in proportion to the growth of the debtor's business;
- the debtor is experiencing difficulty with repaying obligations with other creditors; and
- indications that a debtor would enter into provisional or final liquidation or business rescue.

When a debtor has been classified as credit-impaired (Stage 3), it can be cured to Stage 1 subject to the debt being:

- up to date; and
- three consecutive payments paid on or before due date.

Should the debtor be defined as a "High Care" account, it will cure to Stage 2 and not Stage 1. Also, should the client still represent a SICR, curing may only take place to Stage 2. For distressed restructured loans that were in default, there must be at least six consecutive monthly payments under the revised terms, in order to cure.

Write off

Loans and advances as well as debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that there is no realistic prospect of recovering the monies owed. This assessment is carried out at the individual asset level.

Recoveries of amounts previously written off are included in 'credit impairment charges' in the statement of profit or loss and other comprehensive income.

Financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's procedures for recovery of amounts due.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- financial guarantee contracts: as a deduction from loans and advances; and
- where a financial instrument includes both a drawn and an undrawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

Classification and measurement of financial liabilities, including financial guarantee contracts issued

The Group classifies its financial liabilities, other than financial guarantees and loan commitments, as measured at amortised cost or FVTPL.

Derecognition of financial assets and financial liabilities

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or when it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount of the asset (or the carrying amount allocated to the portion of the asset derecognised) and the sum of the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss. Any interest in transferred financial assets that qualify for derecognition that is created or retained by the Group is recognised as a separate asset or liability.

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Refer to notes 1.2.3 and 35 for more details.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled, or expire.

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

Amortised cost

Amortised cost financial assets and financial liabilities are measured at the amount determined on initial recognition, less principal repayments and cumulative amortisation using the effective interest method adjusted for any ECL allowance.

Financial instruments at fair value through profit or loss (FVTPL)

The Group has designated financial assets and financial liabilities at fair value through profit or loss where it eliminates or significantly reduces an accounting mismatch which would otherwise arise. The Group further classifies financial assets and financial liabilities at fair value through profit or loss when the business model is such that these financial assets and financial liabilities are managed and measured on a fair value basis, since realisation of these are anticipated to be through sale.

Financial assets and financial liabilities at fair value through profit or loss are measured at fair value, with fair value gains and losses reported in non-interest income, apart from those related to interest rate swaps.

The fair value gains and losses on interest rate swaps are included in net interest income. Interest income and interest expense on debt instruments classified as at fair value through profit or loss are reported as such in profit or loss.

1.12.1 Repurchase agreements

The Group enters into the sale of securities with a simultaneous agreement to repurchase the same securities, called repurchase agreements. Repurchase agreements are entered into as part of the Group's Fixed Income unit or to obtain short-term liquidity for the Group.

For repurchase agreements, the cash received, including accrued interest, is recognised in the statement of financial position together with a corresponding liability representing the Group's obligation to return the cash and interest.

Interest incurred on repurchase agreements is recognised over the life of each agreement using the effective interest method and recognised as interest expense in profit or loss.

1.12.2 Reverse repurchase agreements

The Group enters into the purchase of securities with a simultaneous agreement to resell the same securities, called reverse repurchase agreements. Reverse repurchase agreements are entered into as part of the Group's Fixed Income unit.

For reverse repurchase agreements, the cash paid, including accrued interest, is recognised in the statement of financial position together with a corresponding asset representing the Group's right to receive the cash and interest.

Interest earned on reverse repurchase agreements is recognised over the life of each agreement using the effective interest method and recognised as interest income in profit or loss.

1.12.3 Derivative financial instruments and hedge accounting

A derivative is a financial instrument that changes value in response to an underlying variable, requires little or no initial net investment, and is settled at a future date. Derivatives are initially recognised at fair value on the date on which the derivatives are entered into and subsequently remeasured at fair value.

Gains and losses from changes in the fair value of derivatives that are classified as held for trading are recognised in profit or loss.

Hedge accounting – net investment hedge

The Group previously hedged a net investment in a foreign operation, which was discontinued on 1 July 2016. Upon transition to IFRS 9 *Financial Instruments* (IFRS 9) in 2018, the Group has elected to continue to apply the hedge accounting requirements of IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) with regards to this specific hedge (for which Sasfin still owns the underlying foreign subsidiary), as permitted by IFRS 9.

Derivatives designated in a hedging relationship comprise a hedge of a net investment in a foreign operation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

1.12.3 Derivative financial instruments and hedge accounting *continued*

Hedge accounting – net investment hedge continued

Hedge accounting is applied to derivatives designated in a hedging relationship where:

- the Group formally documents, at the inception of the hedge, the relationship between the hedged item and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships; and
- the Group documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items during the period for which the hedge is designated, and whether the results of the hedge are within a range of 80% to 125%.

The Group hedges net investments in foreign operations using derivative instruments. For such hedges, the designated component of the hedging instrument that relates to the effective portion of the hedge is recognised directly in the statement of profit or loss and other comprehensive income and consolidated statement of changes in equity in the hedging reserve. Any ineffective portion is immediately recognised in profit or loss. On the partial disposal of a foreign operation, the proportionate share of those deferred gains and losses is recognised in profit or loss.

On disposal of a foreign operation, all remaining deferred gains and losses are recognised in profit or loss.

Derivatives that do not qualify for hedge accounting

All gains and losses from changes in the fair values of derivatives that do not qualify for hedge accounting are recognised in profit or loss.

1.13 Revenue

1.13.1 Net interest income

Net interest income comprises interest income less interest expense as well as the fair value gains and losses on interest rate swaps.

Interest income and interest expense on financial instruments and finance lease receivables are recognised using the effective interest method.

The effective interest rate is the rate that discounts future cash payments or receipts over the expected life of the financial instrument to the carrying amount of the financial instrument and finance lease receivables.

In calculating the effective interest rate, the Group estimates expected cash flows considering all contractual terms of the financial instrument and finance lease receivables, excluding future credit losses but including all fees paid or received, transaction costs and all other premiums or discounts between parties to the contract.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. The reversal of interest income relating to credit impaired financial assets that have been cured, is recognised as reduction of the impairment changes on loans and advances.

The effective interest rate is established on initial recognition of the financial instrument and finance lease receivables and not subsequently revised.

1. ACCOUNTING POLICIES continued

1.13 Revenue continued

1.13.2 Non-interest income

Non-interest income comprises fees and commissions, agency revenue, net brokerage commission, asset management fees, fair value gains and losses (apart from those fair value gains and losses on interest rate swaps that are recognised as part of net interest income), dividend income, foreign exchange gains and losses, and other income.

Fee and commission income from contracts with customers is measured based on the consideration specified in a contract with a customer. The Group recognises revenue when it transfers control over a service to a customer.

Fee and commission income includes administration fees, advisory fees and forex service fees as well as fees for providing banking and financial services activities. Fee and commission income is recognised net of any trade discounts, volume rebates and amounts received on behalf of third parties such as Value Added Tax. Furthermore, when the Group is acting as an agent amounts collected on behalf of the principal are not recognised as revenue.

The Group provides banking services to retail and corporate customers. Fees for ongoing account management are charged to the customer's account on a monthly basis. Transaction-based fees for interchange and foreign currency transactions are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Group. Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

Asset management fees include management fees on assets under management and administration fees. These are recognised over the period for which the services are rendered.

Dividend income is received from equity investments in entities that the Group does not control and those investments in associates that are recognised at FVTPL (refer note 1.2.4). Dividend income is recognised when the Group's right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group and the amount of the dividend can be measured reliably.

1.14 Employee benefits

1.14.1 Short-term benefits

Short-term benefits comprise salaries, incentive bonuses, accumulated leave pay, provident fund contributions, medical aid contributions, group life contributions and company car benefits.

Short-term benefits are recognised in profit or loss as they become due.

A provision is recognised for employees' leave entitlement when the Group has a present legal obligation to settle with the employee in cash or by leave to be taken.

1.14.2 Defined contribution plan

The Group pays fixed contributions as part of a defined contribution provident fund plan for the benefit of its employees to a separate entity. The Group has no further legal or constructive obligation in terms of the defined contribution benefit plan beyond these contributions.

Defined contributions are recognised in profit or loss as they become due.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES continued

1.15 Taxation

Income and capital gains tax comprise current and deferred taxation and are recognised in profit or loss.

1.15.1 Current tax

Current tax, comprising income tax and capital gains tax, is calculated on taxable income for the year based on current tax legislation.

1.15.2 Deferred tax

Deferred tax comprising deferred income tax and deferred capital gains tax is calculated using the statement of financial position method against which existing tax legislation is applied to temporary differences between the tax and accounting bases of assets and liabilities.

The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of the asset or liability and is not discounted.

Deferred tax assets are reviewed for recoverability at each reporting date.

Deferred tax resulting on items accounted for directly in the statement of changes in equity or statement of profit or loss and other comprehensive income is recognised in the statement of changes in equity and statement of profit or loss and other comprehensive income respectively.

Deferred tax is not recognised on:

- the initial recognition of goodwill;
- the initial recognition of assets and liabilities in a transaction that is not a business combination, which affects neither accounting nor taxable profits and losses; and
- investments in subsidiaries where the Group controls the timing of the reversal of temporary differences and it is probable that these differences will not reverse in the foreseeable future.

Deferred tax assets are recognised on tax losses to the extent that it is probable that future taxable profits will be earned.

1.16 Earnings per share (EPS)

Basic EPS represents profit or loss attributable to ordinary shareholders of the Group divided by the weighted average number of ordinary shares outstanding during the period.

Diluted EPS represents the profit or loss attributable to ordinary shareholders of the Group divided by the weighted average number of shares outstanding taking into account the dilutive effects of potential ordinary shares.

1.17 Commitments and contingent liabilities

Commitments represent the Group's commitment to future transactions.

Contingent liabilities are provisions of the Group with an uncertain timing or amount. Contingent liabilities principally consist of third-party obligations underwritten by the Group, guarantees other than financial guarantees and letters of credit.

Commitments and contingent liabilities are not recognised but disclosed in the Consolidated and Separate Annual Financial Statements.

1.18 Funds under administration, advisement and management

The Group holds and manages funds and acts as trustee in a fiduciary capacity on behalf of its clients.

The resulting assets and liabilities are not those of the Group, but of the Group's clients, and are not accounted for in the Consolidated and Separate Annual Financial Statements.

Income relating to these activities is recognised in profit or loss in terms of the Group's policy on revenue.

1. ACCOUNTING POLICIES continued

1.19 Segment reporting

The Group is divided into three operating segments, each of which engages in business activities from which they earn revenue and incur expenses, including revenue and expenses between operating segments.

The operating segments represent the Group's three pillars, i.e. Banking, Wealth and Capital, according to which its business is aligned. The Banking Pillar includes Business Banking as well as Transactional Banking and Treasury. The Wealth Pillar incorporates all divisions related to wealth management, including Asset Management, Portfolio Management and Stockbroking as well as Wealth Advisory and Asset Consulting. The Capital Pillar comprises Private Equity and Property Equity investments as well as Specialised Lending.

The operating results of the three pillars are regularly reviewed by the Group's Board of Directors, Chief Executive Officer, and senior management, who assess the performance of the divisions, and make decisions as to the appropriate resources to be allocated between divisions. Divisions are further segmented into business units as part of the Group's management and internal reporting structure.

Corporate Services represent the Group's central functions, and these costs are allocated to the operating segments using an internal model of cost allocation.

Geographical

The Group operates in two geographic regions being:

- Southern Africa (South Africa); and
- Asia-Pacific (Hong Kong).

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS

The preparation of these Consolidated and Separate Annual Financial Statements in accordance with IFRS requires management to make certain judgements, estimates and assumptions in its calculation of the carrying value of assets and liabilities and the reported amounts of profit or loss.

The assumptions, judgements and estimates used are based on historical experience and other factors that are believed to be reasonable.

Assumptions, judgements and estimates are reviewed on an ongoing basis, with revisions recognised in the period in which the revision was made, or in future periods if applicable.

2.1 Impact of the COVID-19 pandemic

The economic impact of the outbreak of the COVID-19 pandemic significantly increased the overall level or estimation uncertainty and judgement applied by management. The unprecedented nature of this global pandemic renders it challenging to accurately predict the full extent and duration of its economic effect.

Although the areas of judgement and estimation applied remained largely the same as in the prior years, greater judgment had to be applied in the following areas:

- Credit impairment of loans and advances, which resulted in a significant increase, with credit impairment recognised for the first time on negotiable securities (refer to notes 1.12, 2.2, 5, 9 and 43);
- Determining the fair value of the private equity and property equity portfolios, which declined considerably (refer notes 2.3, 2.4, 2.5, 10 and 41.1 to 41.5); and
- Determining the expected cash flows from cash generating units in determining the impairment of non-financial assets such as goodwill and software, resulting in higher impairments of non-financial assets (refer to notes 1.4, 14 and 34).

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.2 Credit impairment

2.2.1 Credit impairment of loans and advances (refer to notes 9 and 43)

The Group assesses its loans and advances portfolio for impairment on a monthly basis using the expected loss model.

The Group applies judgement in the manner in which it defines and applies SICR, which is the driver in dividing the loans and advances portfolios between Stage 1, Stage 2 and Stage 3, with:

- Stage 1: 12-month ECL for those financial assets where there has not been a significant increase in credit risk since initial recognition;
- Stage 2: Lifetime ECL for those financial assets where there has been a significant increase in credit risk on a collective basis; and
- Stage 3: Lifetime ECL for all credit impaired financial assets.

Refer to accounting policy note 1.12 for more information on SICR.

The Group further applies judgement in determining the inputs used in the ECL model, i.e. the PD, LGD, EAD and TTD that are used to determine the ECL for each of Stage 1, Stage 2 and Stage 3.

Given the forward-looking nature of the ECL model, estimates are also made and included in the ECL model for the Group's macro-economic outlook. In 2019 one of the key macro-economic elements was changes to the prime interest rate. For the scenarios listed below for 2019 (refer next page), the average values of the prime interest rate over the then next 12 months, and over the remaining forecast period are provided.

In response to the deteriorating economic environment, which has been exacerbated by the COVID-19 pandemic, the Group adopted a multi-variate macro-economic forward looking model. This was to ensure that the PDs sufficiently capture the Group's lending book drivers as well as the negative impact of COVID-19. The previously applied prime lending rate was considered unsuitable given its use as an economic stimulatory tool by the monetary authorities. The Group therefore used Gross Domestic Product (GDP), Consumer Price Index (CPI), Gross Fixed Investment (indicator of the level of investment from the private sector) and Unemployment as proxies of economic output, demand, business confidence and labour respectively. For each of the scenarios listed below for 2020, the average values of the factors over the next 12 months have been provided at the most conservative horizon as well as the average GDP over the remaining forecast period, from 2021 to 2025.

	Best		Expected		Worst		Blended	
	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %
2020								
Factors								
Gross Domestic Product	(1.92)	1.65	(6.24)	0.27	(12.12)	(1.53)	(7.71)	(0.18)
Consumer Price Index	3.07		3.47		4.30		3.68	
Gross Fixed Investment	(2.86)		(9.66)		(22.29)		(12.81)	
Unemployment	8.79		15.57		25.18		17.97	
Scenario probability		–	75		25		Combination[1]	
		R'000		R'000		R'000		R'000
Impact on ECL[2]		(46 365)		(13 242)		19 350		–

[1] *Combination of the expected scenario (75% weighting) and the worst case scenario (25% weighting).*

[2] *The impact of forward looking information on the IFRS 9 provision is R76 million.The percentage change of the total IFRS 9 provision is 8% downward adjustment in a 100% best case scenario, 2% downward adjustment in a 100% expected scenario and 4% upward adjustment in a 100% worst case scenario.*

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.2 Credit impairment continued

2.2.1 Credit impairment of loans and advances (refer to notes 9 and 43) continued

	Up case		Expected		Lite down		Severe down		Probability weighted	
	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %
2019										
Factors										
Change in prime interest rate	(0.75)	(0.75)	(0.25)	(0.25)	(0.50)	(0.50)	(0.75)	(0.75)	(0.2725)	(0.2725)
PD	1.60.	23.48	1.68	27.13	1.83	28.05	2.26	28.96	1.79	27.21
	R'000		R'000		R'000		R'000		R'000	
Impact on ECL		(5 331)		(2 676)		1 240		11 546		–

In addition, the Group applies expert judgement, as referred to in accounting policy 1.12, to further refine the credit loss allowance. The adjustments based on expert judgement are subject to CLEC review and oversight.

The Group further applies judgement when determining whether a specific loan and/or advances should be written off due to it not being recoverable.

2.2.2 Credit impairment of negotiable securities (refer to notes 5 and 43)

Following the sovereign downgrade in March 2020, the Group has re-considered its assessment regarding expected credit losses from investments in local government bonds and government-backed bonds. This assessment was further influenced by announcements on SENS and in other media reports regarding Landbank's ability to service its debt obligations. Consequently, in line with the requirements of IFRS 9, ECL is also recognised in respect of negotiable securities.

Similar to the credit impairment on loans and advances, the Group applies judgement in the manner in which it defines and applies SICR, which is the driver in dividing the negotiable security portfolio between Stage 1, Stage 2 and Stage 3, with:

- Stage 1: 12-month ECL for those financial assets where there has not been a significant increase in credit risk since initial recognition;
- Stage 2: Lifetime ECL for those financial assets where there has been a significant increase in credit risk on a collective basis; and
- Stage 3: Lifetime ECL for all credit-impaired financial assets.

Refer to accounting policy note 1.12 for more information on SICR.

The Group further applies judgement in determining the inputs used in the ECL model, i.e. the PD, LGD, EAD and TTD that are used to determine the ECL for each of Stage 1, Stage 2 and Stage 3. Similar to the credit impairment on loans and advances, the Group applies expert judgement in the manner in which it defines and applies SICR, which is the driver in segmenting the negotiable security portfolio between stages 1, 2 and 3. The move from 12-month expected credit loss to lifetime expected credit loss can result in a substantial increase in ECL. The sensitivity analysis performed indicates an additional ECL charge of circa R22 million to the income statement if 40% of the gross carrying amount of negotiable securities held at amortised cost suffered a SICR and moved from stage 1 to stage 2 as at 30 June 2020. A 40% increase in financial instruments held at amortised cost categorised as stage 2 can be viewed as a severe possible alternative based on the nature of the instrument and current economic conditions.

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.3 Private Equity investment valuations (refer to note 10)

The Group aims to adopt best practice valuation techniques as incorporated in the South African Venture Capital and Private Equity Association guidelines. It mainly follows a discounted cash flow or earnings methodology, corroborated by a market multiples approach, where appropriate.

These valuations are subject to various assumptions and professional judgement including, but not limited to:

- marketability and minority discounts
- weighted average cost of capital
- estimates of local and global macro-economic performance, including factors such as expected interest and exchange rates;
- estimates of future operating cash flows of investees' businesses, among others revenue growth;
- estimates of long-term underlying operational performance of investees' businesses;
- expected capital expenditure and working capital needs of investees' businesses;
- assessment of long-term viability of investees' business models; and
- the inherent risks specific to the investees' businesses and the industries and countries in which these entities operate.

The valuations are reviewed and approved by the CIC and are recommended to the Board for approval.

2.4 Property Equity investment valuations (refer to note 10)

In relation to investments held by the Group where the primary underlying assets are property, the Group obtains third-party valuations from registered professional valuers with experience relevant to the types of properties being valued, using the net income capitalised methodology.

These valuation experts use best practice market norms in arriving at the value of the underlying property assets. Once the Group has received these valuations, relevant adjustments are made to take into account financial assets and/or obligations associated with these investments.

These valuations are subject to various assumptions and professional judgement including, but not limited to:

- selection of capitalisation rates appropriate for the property considering its location, condition, nature of tenant(s), lease term etc;
- estimated operating factors such as operating costs, expected occupancy and tenant turnover; and
- comparisons to market-related rental yields and/or sold prices property achieved for similar properties.

The valuations are reviewed and approved by the CIC and recommend to the Board for approval.

2.5 Fair value (refer to note 41)

The valuation techniques for fair value measurement of the investment securities have been assessed by the respective valuation committees to determine the impact that the market volatility introduced by COVID-19 has had on the fair value measurements of these instruments. When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participants.

The assessment specifically included an assessment of the impact of the global COVID-19 pandemic and subsequent lockdown on forecasted cash flows and other critical assumptions of businesses i.e. capitalisation rates, weighted average cost of capital (WACC) and vacancy rates of properties, specific and other risk premiums added to the discount rates. This assessment was considered on a company by company basis taking into account (inter alia) the industry within which it operates, and its own financial strength.

Fair value is the price that would be realised on the sale of an asset or paid to transfer a liability on an arm's-length basis to an unrelated party.

The Group measures the fair value of a financial instrument using its quoted price in an active market. A market is regarded as active if transactions for the financial instrument take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

The most accurate fair value of a financial instrument at initial recognition is normally the transaction price less the fair value of the consideration given or received. If the Group determines that the fair value of a financial instrument (measured at amortised cost) at initial recognition differs from the transaction price, and the fair value is evidenced neither by a quoted price in an active market for an identical financial instrument nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value with the difference between the fair value at initial recognition and the transaction price recognised in profit or loss over the life of the instrument, but no later than when the valuation is wholly supported by observable market data or the transaction is closed out.

'Bid' prices in an active market are used to measure financial assets held at fair value, while 'ask' prices in an active market are used to measure financial liabilities held at fair value.

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.5 Fair value (refer to note 41) continued

Financial asset portfolios that are exposed to market risk and credit risk are measured on the basis of a price that would be received when selling a net long position for a particular risk exposure. Financial liability portfolios, that are exposed to market risk and credit risk, are measured on the basis of a price that would be paid to transfer a short position for a particular risk exposure. Market risk and credit risk portfolio level adjustments are allocated to the individual assets and liabilities on the basis of the relative risk adjustment of each of the individual instruments in the portfolio.

The fair value of a demand deposit will not be less than the amount payable by the Group on demand, discounted from the first date on which the amount could be required to be paid.

The fair value of financial instruments that are not quoted in active markets or trade infrequently with little price transparency, requires varying degrees of judgement depending on liquidity, concentration, uncertainty of market factors, pricing assumptions, and other risks affecting the specific instrument, and is determined by using valuation techniques which are validated and independently reviewed by qualified and experienced senior personnel within and external to the Group.

The Group's valuation methodologies comprise:

- price: earnings multiple valuation methodology;
- recent transaction prices and comparison with similar instruments;
- net asset value;
- discounted cash flow or earnings; and
- Black Scholes Option Pricing.

Assumptions and inputs used in the valuation methodologies comprise:

- risk-free interest rates;
- benchmark interest rates;
- credit spreads; and
- liquidity and other *premia* used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices, and expected price volatilities and correlations.

Fair value estimates obtained from models are adjusted for factors such as liquidity risk or model uncertainties that the Group believes an independent market participant would take into account when pricing a valuation.

Fair value hierarchy

Valuation models

The Group measures fair values using the following fair value hierarchy, which reflects the significance of the inputs used in making the measurements:

Level 1: Inputs that are quoted market prices (unadjusted) in active markets for identical instruments.

Level 2: Inputs other than quoted prices included within Level 1 that are observable either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques in which all significant inputs are directly or indirectly observable from market data.

Level 3: Inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

Transfers between levels are recognised at the end of the reporting period during which the change has occurred.

2.6 Intangible assets and goodwill (refer to note 14)

2.6.1 Intangible assets

Intangible assets comprise internally generated and purchased information technology software as well as distributor relationships acquired as part of the business combinations.

The costs associated with internally developed software are only capitalised once the research phase has been concluded and the requirements for the development phase have been met, namely:

- it is technically feasible to complete the software for use;
- the Group is committed to complete the software for use;
- it will be possible to use the software and the Group intends to use the software to increase efficiencies and/or support the business;
- there are sufficient resources available to complete the software; and
- the costs can be reliably measured.

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.6 Intangible assets and goodwill (refer to note 14) continued

2.6.1 Intangible assets continued

It requires judgement from management to determine when the above requirements have been met for capitalisation.

On an annual basis, the Group assesses impairment indicators relating to purchased information technology software such as technology advancement and the ability of the asset to continue to generate future economic benefit. Should an impairment indicator be triggered, the related software is assessed for impairment.

Internally developed software, that is still in the development phase, is assessed annually for impairment.

Changes in estimates of related cash flow benefits from customers would give rise to impairment indicators relating to distributor relationships.

The individual carrying amounts of the respective intangible assets are compared to their estimated recoverable amounts in order to compute the impairment. Determining the estimated recoverable amount (being the greater of the asset's discounted cash flows to determine its value in use and fair value less costs to sell) and future cash flows of the relevant Cash-Generating Units (where applicable), as well as the impairment assessment requires management judgement.

2.6.2 Goodwill

On an annual basis the Group assesses recognised goodwill for impairment. Management judgement is required in both the assessment for impairment and the impairment test. The impairment tests comprise comparing the carrying amount of the cash-generating unit (CGU) being assessed to the estimated CGU value in use. If the carrying amount is less than the value in use in a CGU then a goodwill impairment is recognised. The CGU comprises separate elements of the business to which the goodwill is allocated. The assessment of the value in use requires management judgement of future performance. The assumptions applied in determining the value-in-use match those applied in the preparation of the Group's budgets and forecasts which cover a five-year period. The related pre-tax expected future cash flows used to determine the forecasts in the calculation are discounted at an appropriate risk-adjusted rate which is referenced against the Group's historical long-term cost of funding rate.

2.7 Current and deferred taxation (refer to notes 11 and 35)

The Group is subject to direct and indirect taxation charges. There are elements of uncertainty and resultant judgement involved in the ultimate determination of these tax balances and charges. Should the final outcome differ to that initially calculated, the impact is accounted for in the period in which this outcome is known.

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date for recoverability. These assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption in determining the deferred tax asset to be recognised is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group in order to utilise the deferred tax assets in the medium term.

2.8 Assessment of significant influence and control of entities (refer to note 40.1)

The Group controls and consolidates an entity after having regard to whether the Group has power over the investee, exposure or rights to the variable returns and its ability to affect the amount of the returns in the investee. The Group assesses each entity's core activities and exercises judgement to determine whether the Group has any control over those activities and the variable returns they give rise to. Regard is given to both current and potential voting rights, de facto control and any other contractual rights.

2.9 Statement of cash flows – allocation of funding between operating and financing activities

Management applies significant judgement to determine which position, if any, of changes in long-term funding relates to the operating activities of the Group, i.e. granting funding to clients, and which to funding the investment activities of the Group.

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.10 Classification as a non-current asset held for sale (refer to note 40.5)

During the year under review, the Group received an unsolicited offer for its associate investment in Efficient Group Limited at R5.60 per share, which equates to a total value of R146.3 million. Management had to apply significant judgement to determine whether or not, based on this specific offer under consideration, it should classify this associate investment as a non-current asset held for sale. At year-end it was not yet certain whether this specific offer would become unconditional. Management was further not actively engaging in finding an alternative buyer. In the latter instance, Sasfin will continue as an active investor in Efficient Group Limited exercising its significant influence. Had the associate investment in Efficient Group Limited been classified as a non-current asset held for sale, it would have ceased equity accounting at the end of May 2020 in accordance with the requirements of IFRS 5 *Non-current Assets Held for Sale* and *Discontinued Operations*.

2.11 Restatements

These transactions are to correct the disclosure and presentation of our Statements of Financial Position, Comprehensive Income and Cash Flows and did not have an impact on the earnings, balance sheet or ratios of the Group for either the prior year or the current year.

2.11.1 Correction of prior period presentation: presentation of fair value changes on financial instruments at fair value through profit or loss

We further identified that R23.611m of fair value changes on the trading assets and trading liabilities relating to the Fixed Income trading business was previously included as part of net fee and commission income: other fee and commission income, rather than as part of gains and losses on financial instruments: fair value adjustments on financial instruments held at fair value through profit or loss. The total non-interest income remains unchanged after this change in presentation. This adjustment had no impact on the carrying amounts of the trading assets and trading liabilities and consequently the statement of financial position at 30 June 2019 and 30 June 2018 is not restated. The impact of this adjustment on the statement of comprehensive income is set out below.

2.11.2. Correction of prior year error: classification of specialised lending product

During 2020 it was identified that upon transition to IFRS9, the Group continued to recognise certain specialised lending products as a bi-furcated financial instruments in accordance with IAS 39 Financial Instruments: Recognition and Measurement, i.e. a portion as loans and receivables (i.e. at amortised cost) in loans and advances and the other portion as a financial asset at fair value through profit or loss as part of investment securities. In terms of IFRS 9, the classification and measurement of the instrument has to be considered as one instrument and bi-furcation is not allowed for this specific instrument. In terms of IFRS 9, the correct classification for this specific specialised lending product is a financial asset at fair value through profit or loss, since the instrument as a whole does not meet the SPPI criteria. The combined carrying amount of the specialised lending products together with the bi-furcated embedded derivative approximated its fair value and accordingly did not impact the Group's total assets, profit for the year, credit impairment charges, statement of cashflow or earnings per share. Since the classification and measurement of the specialised lending product adhered to the requirements of IAS 39, the statement of financial position at 30 June 2018 is not restated. The impact of this correction in classification on the statement of financial position and statement of comprehensive income is set out in the table below, under section 4.

2.11.3 Correction of prior year presentation: presentation of gains/losses on derecognition of financial assets recognised at amortised cost

IAS 1 requires gains and losses arising from the derecognition of financial assets measured at amortised cost to be presented as a separate line item in the statement of comprehensive income. Previously settlement profits (representing gains/losses on the derecognition of loans and advances) of R42.488 million were included as part of other income. The gains on other financial assets at amortised cost of R7.849 million was previously included as part of gains and losses on financial instruments. The statement of comprehensive income was restated to disclose the gains/losses separately. This correction in presentation had no impact the Group's total non-interest revenue, profit for the year or earnings per share. The correction in presentation had no impact on the statement of financial position and consequently the statement of financial position at 30 June 2018 and 30 June 2019 is not restated for this error. The correction in presentation also had no impact on the statement of cash flows. The impact of this correction on the statement of comprehensive income is set out in the table below.

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.11 Restatements continued

2.11.4 Summary of impacts on Statement of Financial Position, Statement of Comprehensive Income and Statement of Cash Flows

	2019					1 July 2018		
	As previously reported R'000	Re-statement 1 increase/ (decrease) R'000	Re-statement 2 increase/ (decrease) R'000	Re-statement 3 increase/ (decrease) R'000	Restated R'000	As previously reported[1] R'000	Re-statement 2 increase/ (decrease) R'000	Restated R'000
Statement of comprehensive income	1 330 151	–	–	–	1 330 151			
Interest and similar income								
Interest income calculated using the effective interest method	1 296 746	–	(4 477)	–	1 292 269			
Other interest	33 405	–	4 477	–	37 882			
Net interest income	499 272	–	–	–	499 272			
Non-interest income	727 588	–	–	–	727 588			
Net fee and commission income	450 633	(23 611)	–		427 022			
Fee and commission income	696 891	(23 611)	–		673 280			
Gains and losses on financial instruments	121 301	23 611	–	42 488	187 400			
Net gains or losses on the derecognition of financial instruments at amortised cost	7 849	–	–	42 488	50 337			
Other gains or losses on financial instruments	113 452	23 611	–	–	137 063			
Other income	155 654	–	–	(42 488)	113 166			
Statement of financial position								
Investment securities – Investments at fair value through profit or loss	635 298		(12 303)		622 995	586 497	–[2]	586 497
Loans and advances	7 487 205		12 303		7 499 508	7 533 809	–	7 533 809
Amortised cost	7 487 205	–	(17 167)	–	7 470 038	7 533 809	(14 915)	7 518 894
Fair value through profit or loss	–	–	29 470	–	29 470	–	14 915	14 915

[1] *These are the balances previously reported upon transition to IFRS 9 on 1 July 2018.*
[2] *The portion of the specialised lending product at fair value through profit or loss had no value on 1 July 2018.*

3. STANDARDS/INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

There are new or revised accounting standards and interpretations in issue that are not yet effective for the year ended 30 June 2020, and have not been applied in preparing these Consolidated and Separate Annual Financial Statements. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following standards and interpretations that have been issued, with an indication of the estimated impact on the future financial statements of the Group:

Pronouncement	Title and details	Effective date
IFRS 17	*Insurance Contracts* IFRS 17 replaces the current standard on insurance contracts, IFRS 4. It creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. Among others, IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows, taking into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are further required to be measured based only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2023.
IFRS 10 and IAS 28	*Sale or contribution of assets between an investor and its associate or joint venture* The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of business is key to determining the extent of the gain to be recognised. These amendments are not expected to have an impact on the Group.	The effective date is deferred by the IASB pending the outcome of its research project on the equity method of accounting.
IFRS 3 amendments	*Definition of a Business* The amendment elaborates on the definition of a business and is aimed at providing further guidance to better distinguish between the acquisition of a business or a group of assets. This amendment is not expected to have an impact on the Group.	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
Updated references to the Conceptual Framework	*Changes to the references to the Conceptual Framework* When the IASB published the revised 'Conceptual Framework' in March 2018, it also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2020.
IAS 1 and IAS 8 amendments	*Updated materiality definition* The definition of "material" has been clarified and aligned with the definition used in the Conceptual Framework and in the various standards. This amendment is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

3. STANDARDS/INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE CONTINUED

Pronouncement	Title and details	Effective date
IFRS 9, IAS 39 and IFRS 7 – Phase 1 Amendments	*Interest Rate Benchmark Reform* These amendments address the potential effects from IBOR reform on financial reporting. These amendments are not expected to have a significant impact on the Group.	Annual periods beginning on or after 1 January 2020.
IFRS 16 Amendment	*COVID-19-Related Rent Concessions* Lessees are provided with an exemption from assessing whether a COVID-19-related rent concession is a lease modification. This amendment is not expected to have an impact on the Group.	Annual periods beginning on or after 1 June 2020.
IFRS 3 amendments	*Updating a reference to the Conceptual Framework* An outdated reference in IFRS 3 to the Conceptual Framework has been updated without any significant changes to its requirements. This amendment is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022.
IAS 37 amendments	*Onerous Contracts – Cost of Fulfilling a Contract* This amendment indicates which costs an entity should include as the costs of fulfilling a contract when assessing whether a contract is onerous. This amendment is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022.
2018 – 2020 annual improvements cycle	*Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41* Changes were made to IFRS 1 *First-time adoption of International Financial Reporting Standards* and IAS 41, Agriculture, which will have no impact on the Group. An illustrative example has been removed from IFRS 16 to prevent potential confusion regarding the treatment of lease incentives. This amendment is not expected to have an impact on the Group. IFRS 9 has been amended to clarify the fees that an entity includes when determining whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. This amendment is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022.
IAS 16 amendments	*Proceeds before intended use* This amendment prohibits an entity from reducing the cost of an item of property, plant and equipment through deducting the proceeds from the sale of items produced whilst bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items and the costs of producing them are to be recognised in profit or loss. This amendment is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022.

	2020 R'000	2019 R'000
4. CASH AND CASH BALANCES		
Funds on call[1]	1 304 330	1 030 447
Notice deposits	34 114	21
Balance with the SARB[2]	140 065	129 706
Fixed deposits[1]	252 713	152 599
Cash on hand	21	13
	1 731 243	1 312 786
Less: Bank overdraft	(151 462)	(46 008)
	1 579 781	1 266 778

[1] *In 2019 fixed deposits of R152.599 million were included as part of funds on call. Since fixed deposits have an agreed duration, these are now separately disclosed in their own sub-category.*
[2] *The balance with the SARB is for minimum reserve requirements and not available for use in the Group.*

	Note	2020 R'000	2019 R'000
5. NEGOTIABLE SECURITIES			
Treasury bills		2 681 579	2 335 045
Land Bank bills	43.1 & 43.3.3	473 000	463 964
Promissory notes		–	278 510
Negotiable securities before impairments		3 154 579	3 077 519
Credit loss allowance (refer to notes 43.1 and 43.3.3)		(27 984)	–
Net negotiable securities		3 126 595	3 077 519

Treasury bills and promissory notes to the value of R1.617 billion (2019: R2.286 billion) have been pledged for the SARB refinancing auction.

	Financial assets		Financial liabilities	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
6. TRADING ASSETS AND LIABILITIES				
Financial assets and liabilities held for trade facilitation relate to the Fixed Income trading business in Sasfin Securities (Proprietary) Limited. Long and short bond positions are not set off. Financial assets held for trade facilitation are economically hedged by financial liabilities held for trade facilitation, minimising the Group's exposure to interest rate risk. Financial assets held for trade facilitation comprise the following categories of rated bond positions all of which are traded through the JSE:				
Government bonds	19 040	16 985	447 731	541 489
Government-owned entities	251 582	260 099	–	–
Corporate bonds	262 780	351 736	–	–
Derivatives	85 174	39 007	101 438	40 436
	618 576	667 827	549 169	581 925

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

6. TRADING ASSETS AND LIABILITIES continued

6.1 Reverse repurchase and repurchase agreements

The Group holds proprietary bond positions for trade facilitation related to the Fixed Income business in Sasfin Securities (Proprietary) Limited. This book consists of rated bond positions all traded through the JSE. In the normal course of business, the Group enters into repurchase (repo) and reverse repurchase (reverse repo) agreements to facilitate these trades. Repurchase and reverse repurchase agreements are not set off.

		2020 R'000	2019 R'000
	Reverse repurchase agreements (assets)	441 767	519 696
	Repurchase agreements (liabilities)	450 673	593 903
6.2	**Total trading assets**	1 060 342	1 187 523
	Financial assets	618 575	667 827
	Reverse repurchase agreements (assets)	441 767	519 696
6.3	**Total trading liabilities**	999 842	1 175 828
	Financial liabilities	549 169	581 925
	Repurchase agreements (liabilities)	450 673	593 903

		2020 R'000	2019 R'000 Restated
7.	**TRADE AND OTHER RECEIVABLES**		
	Stockbroking receivable	71 907	107 078
	Insurance asset	49 495	52 596
	Value added taxation	13 410	35 153
	Prepaid expenses[1]	31 497	20 063
	Dividend receivable[2]	8 400	8 064
	Trade receivables[3]	87 351	97 269
	Sundry receivables[2, 3]	174 955	90 553
	Other receivables before impairments	437 015	410 776
	Credit loss allowance	(371)	–
	Net trade and other receivables	436 644	410 776

[1] *An amount of R38.403 million, relating to margin accounts, has been re-classified from Prepaid expenses to trade receivables in 2019 as it relates to specific underlying client accounts.*

[2] *Dividends receivable of R4.032 million were previously included as part of sundry receivables and have now been re-classified to be shown as part of dividends receivable.*

[3] *Trade receivables of R58.866 million, relating to specific client accounts, were previously included as part of sundry receivables and have now been re-classified to be shown as part of trade receivables.*

The Stockbroking receivable represents unsettled transactions in terms of the trading rules applicable to the specific exchange where the deal was booked.

		2020 R'000	2019 R'000 Restated
8.	**NON-CURRENT ASSETS HELD FOR SALE**		
	Investment property	6 700	–
	Fair value prior to classification as held for sale	8 900	–
	Fair value adjustments	(2 200)	–
	Total non-current assets held for sale	6 700	–

9. LOANS AND ADVANCES

	Total R'000	Year 1 R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
2020							
Loans and advances at amortised cost							
Gross investment in leases	7 199 485	3 211 396	1 964 542	1 196 330	635 043	185 105	7 069
Equipment Finance	5 646 631	2 381 258	1 594 012	991 469	527 250	147 819	4 823
Capital Equipment Finance	1 552 854	830 138	370 530	204 861	107 793	37 286	2 246
Less: Unearned finance income	(1 185 948)	(626 019)	(338 824)	(161 445)	(55 047)	(4 164)	(449)
Equipment Finance	(958 396)	(499 384)	(276 778)	(134 164)	(45 332)	(2 529)	(209)
Capital Equipment Finance	(227 552)	(126 635)	(62 046)	(27 281)	(9 715)	(1 635)	(240)
Net investment in leases[1]	6 013 537	2 585 377	1 625 718	1 034 885	579 996	180 941	6 620
Equipment Finance	4 688 235	1 881 874	1 317 234	857 305	481 918	145 290	4 614
Capital Equipment Finance	1 325 302	703 503	308 484	177 580	98 078	35 651	2 006
Trade and Debtor Finance	718 014						
Term Loans	207 171						
Secured Loans	191 568						
Unsecured Loans	15 603						
Loans and advances before expected credit losses	6 938 722						
Credit loss allowance (refer to note 43)	(552 405)						
Total loans and advances at amortised cost	6 386 317						
Loans and advances at FVTPL	223 011						
Specialised lending	223 011						
Total loans and advances	6 609 328						

	Total R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
2019				
Loans and advances at amortised cost				
Gross investment in leases	7 724 095	3 360 253	4 350 102	13 740
Equipment Finance	6 207 083	2 600 182	3 597 443	9 458
Capital Equipment Finance	1 517 012	760 071	752 659	4 282
Less: Unearned finance income	(1 240 417)	(372 505)	(865 751)	(2 161)
Equipment Finance	(993 051)	(278 045)	(714 512)	(494)
Capital Equipment Finance	(247 366)	(94 460)	(151 239)	(1 667)
Net investment in leases[1]	6 483 678	2 987 748	3 484 351	11 579
Equipment Finance	5 214 032	2 322 137	2 882 931	8 964
Capital Equipment Finance	1 269 646	665 611	601 420	2 615
Trade and Debtor Finance	1 207 514			
Term Loans	180 588			
Secured Loans[2]	180 588			
Loans and advances before expected credit losses	7 871 780			
Credit loss allowance (refer to note 43)	(401 742)			
Total loans and advances at amortised cost	7 470 038			
Loans and advances at FVTPL	29 470			
Specialised lending[2]	29 470			
Total loans and advances	7 499 508			

[1] *Loans and advances with a carrying amount of R2.968 billion (2019: R2.995 billion) have been ceded as security for the debt securities issued. Refer to note 20.*

[2] *Refer to note 2.11.1.*

	2020 R'000	2019 R'000 Restated[1]
10. INVESTMENT SECURITIES		
Investments at fair value through profit or loss	528 771	622 995
Listed equity investments	150	221
Private and Property Equity investments[1]	528 621	622 774
Equity-accounted associates	126 195	112 416
	654 966	735 411

[1] *Refer to note 2.11.1.*

The associates of the Group that are classified and measured at fair value through profit or loss, are involved in a variety of businesses. The shareholdings in these investments range between 20% and 50%.

All associates are incorporated in South Africa. A full list of associates is available, on request, at the registered address of the Group.

	2020 R'000	2019 R'000
Summarised financial information for associates that have been equity accounted:		
Post-tax profit from continuing operations	66 607	51 671
Other comprehensive income	–	–
Total comprehensive income	66 607	51 671
Total assets	6 338 451	4 157 158
Total liabilities	6 054 497	3 965 705
11. DEFERRED TAX ASSETS AND LIABILITIES		
Deferred tax assets	36 808	34 907
Deferred tax liability	(94 531)	(138 929)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020			2019		
	Assets R'000	Liabilities R'000	Net R'000	Assets R'000	Liabilities R'000	Net R'000
Equipment finance	–	(238 613)	(238 613)	17	(271 544)	(271 527)
Tax losses[1]	45 903	36 729	82 632	21 959	66 456	88 415
Fair value adjustment	(9 317)	(61 383)	(70 700)	(13 640)	(46 898)	(60 538)
Prepayments	(337)	(1 367)	(1 704)	(541)	(1 690)	(2 231)
Impairments	–	32 073	32 073	12 405	19 264	31 669
Provisions	13 846	142 027	155 873	14 664	101 486	116 150
Investment property	(202)	(1 539)	(1 741)	–	(2 035)	(2 035)
Intangible assets	–	(6 080)	(6 080)	–	(7 415)	(7 415)
Property, equipment and right-of-use assets	(1 225)	(12 957)	(14 182)	(253)	–	(253)
Lease liabilities	1 395	17 557	18 952	–	–	–
Other temporary differences[2]	(13 255)	(978)	(14 233)	296	3 447	3 743
Net tax assets/(liabilities)	36 808	(94 531)	(57 723)	34 907	(138 929)	(104 022)

[1] *Management is of the view that the deferred tax asset relating to the assessed tax losses will reverse in the future periods and therefore the asset will be recovered through future taxable income.*

[2] *Other relates primarily to a portion of the deferred tax asset raised in prior years on assessed tax losses being derecognised and no further deferred tax asset being raised on tax losses in Sasfin Capital (Proprietary) Limited for the current year.*

11. DEFERRED TAX ASSETS AND LIABILITIES continued

Movements in temporary differences during the year

	Balance at 1 July R'000	IFRS 16 transition – day 1 R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
2020				
Equipment finance	(271 527)	–	32 914	(238 613)
Tax losses	88 415	–	(5 783)	82 632
Fair value adjustment	(60 538)	–	(10 162)	(70 700)
Prepayments	(2 231)	–	527	(1 704)
Impairments	31 669	–	404	32 073
Provisions	116 150	–	39 723	155 873
Investment property	(2 035)	–	294	(1 741)
Intangible assets	(7 415)	–	1 335	(6 080)
Property, equipment and right-of-use assets	(253)	(22 379)	8 450	(14 182)
Lease liabilities[1]	–	27 359	(8 407)	18 952
Other temporary differences[2]	3 743	(4 980)	(12 996)	(14 233)
	(104 022)	–	46 299	(57 723)

	Balance at 1 July R'000	IFRS 9 transition – day 1 R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
2019[3]				
Equipment finance[4]	(193 324)	–	(78 203)	(271 527)
Tax losses[4]	59 167	–	29 248	88 415
Fair value adjustment[4]	(57 033)	–	(3 505)	(60 538)
Prepayments	(1 237)	–	(994)	(2 231)
Impairments[4]	31 669	–	–	31 669
Provisions	58 760	18 583	38 807	116 150
Investment property	(1 162)	–	(873)	(2 035)
Intangible assets	(8 750)	–	1 335	(7 415)
Property and equipment[4]	–	–	(253)	(253)
Other temporary differences[4]	2 299	–	1 444	3 743
	(109 611)	18 583	(12 994)	(104 022)

1 *Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

2 *Other relates primarily to a portion of the deferred tax asset recognised in prior years on assessed tax losses and other deductible temporary differences, which are being derecognised. No further deferred tax asset is being recognised on the tax losses and other deductible temporary differences in Sasfin Capital (Proprietary) Limited for the current year.*

3 *The 2019 analysis of movements in temporary difference has been updated to improve accuracy of the numbers.*

4 *Balances in these line items have been reallocated to better present the movements.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

12. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Right-of-use assets buildings[1] R'000	Total R'000
2020						
Cost at the beginning of the year	136 023	40 613	3 085	54 791	–	234 512
IFRS 16 transition – day 1[1]	–	–	–	–	83 007	83 007
Cost at the beginning of the year – inclusive of IFRS 16	136 023	40 613	3 085	54 791	83 007	317 519
Loss of control of a subsidiary	(334)	(451)	(49)	–	–	(834)
Additions	11 156	976	274	271	–	12 677
Disposals	(192)	(62)	(339)	(174)	–	(767)
Transfers	(251)	(258)	338	(18 947)	–	(19 118)
Cost at the end of the year	146 402	40 818	3 309	35 941	83 007	309 477
Accumulated depreciation and impairment at the beginning of the year	(107 660)	(29 786)	(2 585)	(19 236)	–	(159 267)
Depreciation charge for the year	(14 194)	(3 821)	(291)	(5 655)	(30 190)	(54 151)
Loss of control of a subsidiary	111	86	15	–	443	655
Disposals	364	104	340	42	–	850
Transfers	(2 294)	868	(188)	7 600	–	5 986
Accumulated depreciation and impairment at the end of the year	(123 673)	(32 549)	(2 709)	(17 249)	(29 747)	(205 927)
Carrying amount at the beginning of the year	28 363	10 827	500	35 555	83 007	158 252
Carrying amount at the end of the year	22 729	8 269	600	18 692	53 260	103 550

[1] *Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

12. PROPERTY, EQUIPMENT AND RIGHT-OF-USE ASSETS continued

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Right-of-use assets – buildings[1] R'000	Total R'000
2019						
Cost at the beginning of the year	155 406	38 483	3 237	49 614	–	246 740
Additions	14 868	2 657	49	5 177	–	22 751
Disposals	–	(609)	–	–	–	(609)
Transfers	(34 251)	82	(201)	–	–	(34 370)
Cost at the end of the year	136 023	40 613	3 085	54 791	–	234 512
Accumulated depreciation and impairment at the beginning of the year	(120 651)	(28 320)	(2 368)	(6 714)	–	(158 053)
Depreciation charge for the year	(16 959)	(3 974)	(429)	(6 527)	–	(27 889)
Disposals	–	46	–	–	–	46
Transfers	29 950	2 462	212	–	–	32 624
Impairments	–	–	–	(5 995)	–	(5 995)
Accumulated depreciation and impairment at the end of the year	(107 660)	(29 786)	(2 585)	(19 236)	–	(159 267)
Carrying amount at the beginning of the year	34 755	10 163	869	42 900	–	88 687
Carrying amount at the end of the year	28 363	10 827	500	35 555	–	75 245

Land and buildings (56 Mangold Street, Newton Park, Port Elizabeth) which is valued at R18.1 million (2019: R18.1million) have been ceded as security to Absa Bank Limited in respect of a R5.454 million (2019: R8.24 million) Access Bond facility.

[1] *Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

	2020 R'000	2019 R'000
13. INVESTMENT PROPERTY		
Fair value at the beginning of the year	8 900	12 600
Transfer to non-current assets held for sale (refer to note 8)	(8 900)	–
Transfer from Land and buildings	13 123	–
Fair value adjustment during the year	–	(3 700)
Fair value at the end of the year	13 123	8 900

Management has performed a valuation assessment in 2020. An offer to purchase was subsequently signed on 14 May 2020 and the investment property was therefore transferred to non-current assets held for sale (refer to note 8).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

14. INTANGIBLE ASSETS AND GOODWILL

	Distributor relationships R'000	Software[1] R'000	Goodwill[3] R'000	Total R'000
2020				
Carrying amount at the beginning of the year	29 381	169 601	36 046	235 028
Transfers	1 434	(1 434)	–	–
Additions[2]	–	29 595	–	29 595
Disposals	–	(306)	–	(306)
Loss of control of subsidiary	–	(11)	(2 960)	(2 971)
Amortisation	(5 562)	(33 927)	–	(39 489)
Impairment	–	(15 816)	(835)	(16 651)
Carrying amount at the end of the year	25 253	147 702	32 251	205 206
2019				
Carrying amount at the beginning of the year	18 376	147 072	36 835	202 283
Transfers	15 892	(12 328)	(789)	2 775
Additions[2]	–	61 083	–	61 083
Amortisation	(4 887)	(20 171)	–	(25 058)
Impairment[4, 5]	–	(6 055)	–	(6 055)
Carrying amount at the end of the year	29 381	169 601	36 046	235 028

1 *Software consists of capitalised development costs, being an internally generated intangible asset, as well as ready-to-use purchased software.*

2 *100% (2019: 93%) of the software additions relate to the capitalisation of internally developed software.*

3 *The Group assesses the recoverable amount of the CGU to which the goodwill relates, taking into account the current and estimated future profitability of the CGU, to determine whether it is at least equal to the carrying amount of the related goodwill. Should the carrying amount exceed the recoverable amount, an impairment is recognised. The CGU is in most cases the subsidiary to which the goodwill relates. The Group's weighted average cost of capital of 19% (2019: 16%) terminal growth rate of 1% and a 5 year cash flow forecast is used to discount expected future cash flows.*

4 *Value-in-use was applied to determine the recoverable amount of software. Certain of the previously capitalised software items have become obsolete, as interrelated systems were retired from use, which necessitated replacement with next generation software.*

5 *Value-in-use was applied to determine the recoverable amount of goodwill. The goodwill related to the acquisition of Absa Technology Finance Solutions (Proprietary) Limited (ATFS). The underlying book acquired is running off, as was expected, and hence the recoverable amount of the CGU is declining, resulting in the impairment of the goodwill.*

	2020 R'000	2019 R'000
Allocation of goodwill		
Goodwill relating to the Banking Pillar (Rental equipment)	28 496	32 269
Goodwill relating to the Wealth Pillar	3 755	3 777
	32 251	36 046

15. FUNDING UNDER REPURCHASE AGREEMENTS AND INTERBANK

	2020 R'000	2019 R'000
Short-term interbank loans	79 094	74 580
Funding under repurchase agreement	1 803 712	2 197 030
	1 882 806	2 271 610

The Bank participates in the SARB refinancing auction by tendering for cash against eligible collateral. Cash received from the tender is borrowed for one week at the repo rate.

Interbank facilities are overnight facilities utilised by the bank to manage its daily liquidity requirements.

		2020 R'000	2019 R'000
16.	**TRADE AND OTHER PAYABLES**		
	Value-Added Taxation	13 119	14 698
	Stockbroking payables	21 184	70 074
	Audit fees and other services	17 196	14 368
	Accounts payable	479 728	438 941
	Other payables	81 426	80 693
	Accruals	38 689	170 602
	Income received in advance	2 327	1 095
	Borrowings from related parties to the Group[1]	130 117	108 648
		783 786	899 119

[1] *These borrowings are unsecured, interest bearing and are repayable on demand subject to 30 days' written notice. The borrowings are not subject to a fixed repayment date. Interest is payable at 3 month Libor plus 1.5%. Refer to note 40.2.*

		2020 R'000	2019 R'000
17.	**PROVISIONS**		
	Leave pay provision	31 326	18 456
	Bonus provision	10 303	39 239
		41 629	57 695

Movements in each class of provision:	Leave pay provision R'000	Bonus provision R'000	Total R'000
2020			
Carrying amount at the beginning of the year	18 456	39 239	57 695
Movement recognised in profit or loss:	12 544	7 938	20 482
Additional provisions recognised	11 964	18 836	30 800
Unused amounts reversed	580	(10 898)	(10 318)
Amounts used during the year	(559)	(31 551)	(32 110)
Loss of control of subsidiary	(890)	(981)	(1 871)
Other movement	1 775	(4 342)	(2 567)
Carrying amount at the end of the year	31 326	10 303	41 629

The Leave pay provision is the amount payable to employees in respect of the annual leave days accumulated by them. Employees are allowed to accumulate leave for a maximum period of 12 months, whereafter any untaken leave days are forfeited.

The Bonus provision is the amount payable to employees based on the achievement of their agreed Key Performance Indicators, subject to satisfactory performance of the Group and continued employment by the Group.

		2020 R'000	2019[1] R'000
18.	**LEASE LIABILITIES**		
	Reconciliation of lease liabilities		
	Adjustment on initial application of IFRS 16	101 318	–
	Finance costs (note 28)	7 338	–
	Capital repayments	(31 052)	–
	Interest repayments	(7 338)	–
	Total capitalised lease liability	70 266	–

[1] *Given the implementation of IFRS 16 without restating the 2019 numbers (i.e. using the simplified approach), the information is not comparable in all respects. Refer to note 1.1.1 for the impact of the IFRS 16 transition.*

18. LEASE LIABILITIES continued

The total cash outflow for leases included in the lease liability in 2020 was R37.7 million. Refer to note 44 for the maturity analysis of the undiscounted contractual cash flows.

The Group leases various office buildings in which to conduct its operations. These rental contracts are typically made for a fixed period of 5 years, with some having renewal options. The lease terms are negotiated on an individual basis and contain a range or different terms and conditions. The lease contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

	2020 R'000
Reconciliation of operating lease commitments to IFRS 16 liability recognised on 1 July 2019	
Operating lease commitments at 30 June 2019	116 354
Discounted using the incremental borrowing rate at 1 July 2019	(13 952)
Recognition exemption for:	
Short-term leases	(1 084)
Lease liabilities recognised on 1 July 2019	101 318

	2020 R'000	2019 R'000
19. DEPOSITS FROM CUSTOMERS		
Call deposits	2 484 262	2 057 254
Notice deposits	803 473	884 124
Fixed deposits	1 815 525	1 868 188
Negotiable certificates of deposits	35 518	171 501
	5 138 778	4 981 067
20. DEBT SECURITIES ISSUED		
Category analysis		
Rated	2 743 823	2 753 521

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. These ratings are available, on request, at the registered address of the Group. Refer to note 36. These notes bear interest at between three-month JIBAR+ 1.3000% and three-month JIBAR+ 3.1500%.

		2020 R'000	2019 R'000
21. LONG-TERM LOANS			
Represented by:	**Repayment date:**		
European DFI loan facility	August 2018 – May 2021	116 360	232 720
IFC – Cleantech funding	September 2014 – September 2019	–	7 495
Absa Bank Limited – Redeemable preference shares[1]	30 August 2022	250 000	250 000
Other		5 289	5 500
Total		371 649	495 715

Long-term loans are interest bearing and the interest rates are individually negotiated.

[1] *The Group's shareholding in its wholly owned subsidiary Sasfin Private Equity Investment Holdings (Proprietary) Limited is pledged as security for these redeemable preference shares.*

		2020 R'000	2019 R'000
22.	**ORDINARY SHARE CAPITAL**		
	Authorised		
	100 000 000 (2019: 100 000 000) ordinary shares with a par value of 1 cent each	1 000	1 000
	Issued		
	32 196 882 (2019: 32 196 882) ordinary shares with a par value of 1 cent each	321	321
	Balance at the beginning of the year	321	321
	Balance at the end of the year	321	321
	Reconciliation of the number of shares issued		
	Total shares in issue (number)	32 301 441	32 301 441
	Less: Treasury shares held by the Sasfin Share Incentive Trust (number)	(12 017)	(12 017)
	Less: Treasury shares held by SasSec (number)	(92 542)	(92 542)
		32 196 882	32 196 882
23.	**ORDINARY SHARE PREMIUM**		
	Balance at the beginning of the year	166 945	166 945
	Balance at the end of the year	166 945	166 945
24.	**PREFERENCE SHARE CAPITAL**		
	Authorised		
	5 000 000 (2019: 5 000 000) non-redeemable, non-cumulative, non-participating, variable rate preference shares with a par value of 1 cent each	50	50
	Issued		
	1 179 722 (2019: 1 179 722) non-redeemable, non-cumulative, non-participating, variable rate preference shares with a par value of 1 cent each	18	18
	Preference shares are listed under the 'Specialist Securities – Preference Shares' sector of the JSE. Dividends are paid semi-annually at a rate of 82.5% of the ruling prime rate when declared.		
25.	**PREFERENCE SHARE PREMIUM**		
	Balance at the beginning of the year	188 068	188 068
	Balance at the end of the year	188 068	188 068

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

		2020 R'000	2019 R'000
26.	**COMMITMENTS AND CONTINGENT LIABILITIES**		
	Letters of credit	39 960	73 685
	Financial guarantees	53 939	17 038
	Carry facilities	–	11 952
	Capital expenditure	–	2 721
	Non-cancellable short-term/operating lease rentals for premises[1]	547	116 354
	– One year	547	39 594
	– One to five years	–	76 760
		94 446	221 750

[1] *Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

Funds to meet these commitments will be provided from internal Group resources or external funding arrangements as deemed necessary. Guarantees have been issued by the Group on behalf of customers.

Short-term leases – IFRS 16

The Group leases a number of premises with a remaining lease term of 12 months or less, as at the date of the first-time adoption of IFRS16.

Operating leases – IAS 17

The Group leases a number of premises under operating leases. The lease terms are generally between one to five years, with an option to renew after the lease termination date. If a lease is renewed, the lease payments are renegotiated to reflect market rentals.

Taxation

The South African Revenue Authority, in the ordinary course of its business, commenced a tax audit on the Bank in August 2017. Similarly, during the year under review, the South African Revenue Authority commenced a review on the Capital Gains Tax calculation of the Bank for 2018 and 2019. These processes are yet to be concluded and the outcomes are therefore not yet known. Having regard that there are elements of uncertainty and resultant judgement included in the determination of the taxes, should the final outcome differ to that initially calculated, a provision will be recognised if it becomes probable that further taxes will be raised. The appropriate carrying amount of any resulting provisions will be informed by the manner in which they are expected to be resolved.

Legal proceedings

In the ordinary course of business, the Group and Company are involved as both plaintiff and defendant in litigation, lawsuits and other proceedings. Management recognises the inherent difficulty of predicting the outcome of defended legal proceedings. Nevertheless, based on management's knowledge from investigation, analysis and after consulting with legal counsel, management believes that there are no individual legal proceedings that are currently assessed as being "likely to succeed and material". There are two matters in which the Group is involved which are considered to be "unlikely to succeed but material should they succeed" but these matters are not expected to be enrolled for trial in the forthcoming year. The Group and Company are also the defendant in some legal cases for which the Group and Company are fully indemnified by external third parties, none of which are individually material. Management is accordingly satisfied that the legal proceedings currently pending against the Group and Company should not have a material adverse effect on the Group's and Company's consolidated financial position and the directors are satisfied that the Group and Company have adequate insurance programmes and, where required in terms of IFRS for claims that are probable, provisions are in place to meet claims that may succeed.

Based on information presently available and an assessment of the probability of these claims, the directors are satisfied that the Group has adequate provisions and/or insurance cover to meet such claims. As such, management it is not expecting any of these to have a material adverse effect on the Group.

Financial support

Should the need arise the Company has agreed to provide financial support to one of its wholly owned subsidiaries, Sasfin Capital (Proprietary) Limited, to enable it to carry on business as a going concern. The undertaking to support Sasfin Capital (Proprietary) Limited shall not in any way affect the Company's solvency or liquidity.

Guarantee for overdraft facility

The Company has issued a guarantee in relation to the overdraft facility which Sasfin Securities (Proprietary) Limited has with Nedbank. The facility is used daily to enable prompt settlement with clients and hence there is no outstanding amount on the facility at the end of each day. The undertaking to support Sasfin Securities (Proprietary) Limited shall not in any way affect the Company's solvency or liquidity.

		2020 R'000	2019 R'000 Restated[1]
27.	**INTEREST INCOME**		
	Interest income calculated using the effective interest method	1 250 375	1 292 269
	Interest income	1 354	–
	Deposits with banks	55 993	98 855
	Negotiable securities	214 556	155 934
	Equipment finance	676 308	741 966
	Capital Equipment finance	164 874	165 654
	Trade and Debtor finance	95 020	91 762
	Other secured loans[1]	41 325	38 098
	Unsecured loans	945	–
	Other interest income	35 174	37 882
	Specialised lending[1]	15 104	4 477
	Trading assets and other	(12 760)	(6 815)
	Fixed income	32 830	40 220
		1 285 549	1 330 151
	Total interest income	1 285 549	1 330 151
	Interest income on items measured at amortised cost	1 250 375	1 292 269
	– Performing financial assets[1]	1 226 728	1 275 035
	– Credit impaired financial assets	23 647	17 234
	Interest income on items measured at fair value through profit or loss[1]	35 174	37 882

[1] *Refer to note 2.11.1.*

		2020 R'000	2019 R'000
28.	**INTEREST EXPENSE**		
	Interest expense calculated using the effective interest method	733 312	779 507
	Interbank funding	104 162	138 110
	Call deposits	118 365	111 325
	Notice deposits	53 819	79 623
	Fixed deposits	167 085	131 640
	Lease liabilities[1]	7 338	–
	Bank overdraft	5 672	–
	Debt securities	223 885	246 087
	Long-term borrowings	49 015	64 080
	Current accounts	–	1 945
	Other deposits and loan accounts	3 971	6 697
	Other interest expense	45 922	51 372
	Trading liabilities and other	1 344	926
	Fixed income	44 578	50 446
		779 234	830 879

[1] *Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

		2020 R'000	2019 R'000 Restated*
29.	**NET FEE AND COMMISSION INCOME**		
	Fee and commission income	638 402	673 280
	Brokerage income and asset management fees	283 059	272 248
	Confirming fees	45 407	48 468
	Binder fees	2 706	3 883
	Commission income[1]	38 853	131 307
	Administration fees[3]	33 114	74 531
	Other fee and commission income[2]	235 263	142 843
	Fee and commission expense	208 957	246 258
	Brokerage and Asset Management fee – expense	47 315	121 383
	Other fee and commission expense	1 379	910
	Commission expense[3]	154 265	76 004
	Administration fee expense[3]	5 998	47 961
	Net fee and commission income	429 445	427 022

[1] *Certain sundry fee and commission items for 2019 of R26.495 million have been re-allocated from commission income to other fee and commission income given their sundry nature.*
[2] *Refer to note 2.11.3.*
[3] *Administration fees of R3.7 million and R7.7 million have now been reclassified, these were previously included as part of sundry income and operating expenses.*

		2020 R'000	2019 R'000 Restated*
30.	**GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**		
	Net gains or losses on the derecognition of financial instruments at amortised cost	28 297	50 337
	Net gains on the derecognition of financial assets measured at amortised cost	28 297	50 337
	Settlement profits[1]	28 631	42 488
	Realised foreign exchange losses	(334)	–
	Other[4]	–	7 849
	Other gains or losses on financial instruments	57 377	137 063
	Dividend income	24 181	18 014
	Fair value adjustments on financial instruments held at fair value through profit or loss[2]	(3 979)	74 036
	Net gains on derivative instruments[3]	38 623	42 760
	Unrealised foreign exchange gains and (losses)[3]	(1 448)	2 253
	Total gains and losses on financial instruments	85 674	187 400

[1] *Refer to note 2.11.2.**
[2] *Refer to note 2.11.3.**
[3] *Fair value changes on foreign exchange contracts amounting to R44.6 million were previously included as part of foreign exchange gains and losses. Foreign exchange contracts are derivative instruments and hence fair value changes on these are better reflected as part of gains or losses on derivative instruments.*
[4] *The impact of disclosing the gain of R7.849 million as part of the net gain/loss on derecognition of amortised cost has no impact on the overall gain or loss on financial instruments.*

	2020 R'000	2019 R'000 Restated*
31. OTHER INCOME		
Income received from rent for use assets	95 098	93 496
Rental income from investment property	748	2 260
Profit on disposal of property, equipment and right-of-use-assets	48	–
Profit on loss of control of subsidiary[1]	4 674	–
Gain on dilution of interest in associate[2]	2 307	–
Sundry income	22 186	17 410
	125 061	113 166

[1] *During the year under review, the Group disposed of a portion of its investment in HRS Administrators (Proprietary) Limited (previously known as Safin HRS Administrators (Proprietary) Limited). Refer to note 40.5.1.*

[2] *During the year under review, Efficient Group Limited had two rights issues. The Group elected not to exercise its rights in terms of these rights issues and hence diluted their interest in Efficient Group Limited, while still retaining significant influence. Refer to note 40.5.1*

* *Refer to note 2.11.2.*

	2020 R'000	2019 R'000
32. STAFF COSTS		
Salaries and wages	475 597	440 009
Executive Directors', Alternate Directors' and Prescribed Officers' remuneration (refer to note 39.3)	9 238	19 615
Non-Executive Directors' remuneration (refer to note 39.3)	5 014	4 557
Contributions to defined contribution plans and other	27 756	40 240
	517 605	504 421
33. OTHER OPERATING EXPENSES		
The following items are included in operating expenses		
Fees paid to auditors	20 796	24 616
Audit fees – Current year	16 309	14 986
– Underprovision prior year	3 198	5 300
Regulatory	1 275	3 800
Other	14	530
Consulting fees	25 015	22 783
Depreciation	54 151	27 889
Amortisation of intangible assets	39 490	25 058
Lease expense – Short-term leases (IFRS 16)[1]	7 263	–
Operating lease charges (IAS 17)[1]	(835)	55 290
Direct operating expenses arising from investment property that generated rental income	(393)	–
Computer costs	112 411	91 946
Marketing	25 586	40 847

[1] *Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

		2020 R'000	2019 R'000
34.	**IMPAIRMENTS ON NON-FINANCIAL ASSETS**		
	Software	15 816	6 055
	Internally developed software	15 816	6 055
	Goodwill	835	–
	Property, equipment and right-of-use assets	–	5 995
		16 651	12 050
35.	**INCOME TAX EXPENSE**		
	Current tax expense	44 903	35 838
	Current year	43 725	35 156
	Under/(over) provision in prior years	1 178	682
	Deferred tax expense	(46 751)	12 994
	Current year	(46 738)	12 555
	Under/(over) provision in prior years	(13)	439
		(1 848)	48 832
	Reconciliation of taxation rate	%	%
	South African normal tax rate	28.00	28.00
	Adjusted for:	(23.92)	(4.89)
	Exempt income	27.67	(10.62)
	Non-deductible expenses[1]	(27.45)	4.79
	Additional deductible tax allowances[2]	1.66	–
	Effect of tax rates in foreign entity	5.56	2.13
	Underprovision in prior years[3]	1.03	0.64
	Fair value adjustments	(2.55)	(1.73)
	Other comprehensive income adjustments	(0.56)	0.04
	Other[4]	(29.28)	(0.14)
	Effective rate	4.08	23.11

[1] *Non-deductible expenditure comprises of interest paid on the preference shares in SPEIH (deemed dividends for tax purposes), legal fees incurred on the acquisition of capital investments, as well as all donations being non-deductible due to the Bank being in an assessed tax loss position.*

[2] *The additional deductible tax allowances mostly relate to the section 12H learnership allowances.*

[3] *The underprovision of taxes in 2018 relates primarily to the increase in the deferred tax liability, given a change in the anticipated manner of realisation of a specific equity investment. The tax rate increased from a blended rate to the Capital Gains tax rate.*

[4] *Other relates primarily to a portion of the deferred tax asset raised in prior years on assessed tax losses being derecognised and no further deferred tax asset being raised on tax losses in Sasfin Capital (Proprietary) Limited for the current year.*

	2020 R'000	2019 R'000
Losses, balances of allowances and credits for which a deferred tax asset has been raised:		
Estimated tax losses available to offset future taxable income	295 118	213 858

		2020 R'000	2019 R'000
36.	**SECURITISATION**		
	In the ordinary course of business, the Group transfers financial assets to structured entities. The information below sets out the extent of such transfers and the Group's retained interest in transferred assets.		
	Carrying and fair value of transferred assets	2 970 301	2 978 262
	Carrying and fair value of associated liabilities	(2 743 823)	(2 753 521)
	Net carrying amount and fair value	**226 478**	224 741
	The Group has sold rental agreements to SASP but has retained residual ownership of SASP and continues to recognise these assets within loans and advances. The Group refinanced a further R1.038 million (2019: R559 million) worth of rental agreements during the year (refer to note 20).		
37.	**FUNDS UNDER ADVISEMENT AND MANAGEMENT**		
	The Group administers client funds in a fiduciary capacity which comprise:		
	Assets under management	39 329 123	33 137 478
	Assets under advisement	9 275 902	7 981 219
	Assets under administration	49 345 219	53 808 534
		97 950 244	94 927 231

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

38. EARNINGS PER SHARE

38.1 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
2020				
Basic earnings	(45 002)	1 848	(17 022)	(60 176)
Headline adjustable items:	12 052	(493)	–	11 559
Profit on loss of control of subsidiary	(4 674)	–	–	(4 674)
Investment property – fair value loss on non-current assets held for sale	2 200	(493)	–	1 707
Goodwill and intangible impairments	16 651	–	–	16 651
Net gain on dilution of interest in associate	(2 125)	–	–	(2 125)
	(32 950)	1 355	(17 022)	(48 617)
2019				
Basic earnings	211 285	(48 832)	(14 393)	148 060
Headline adjustable items:	15 750	(2 505)	–	13 245
Investment property – fair value loss	3 700	(826)	–	2 874
Property and equipment and right-of-use-assets impairment	5 995	(1 679)	–	4 316
Goodwill and intangible impairments	6 055	–	–	6 055
	227 035	(51 337)	(14 393)	161 305

38.2 Summary of earnings and headline earnings per share

	Earnings attributable		Weighted average number of shares		Cents per share	
	2020 R'000	2019 R'000	2020	2019	2020	2019
Earnings per ordinary share	(60 177)	148 060	32 196 882	32 196 882	(186.90)	459.86
Diluted earnings per ordinary share	(60 177)	148 060	32 196 882	32 196 882	(186.90)	459.86
Headline earnings per ordinary share	(48 617)	161 305	32 196 882	32 196 882	(151.00)	501.00
Diluted headline earnings per ordinary share	(48 617)	161 305	32 196 882	32 196 882	(151.00)	501.00

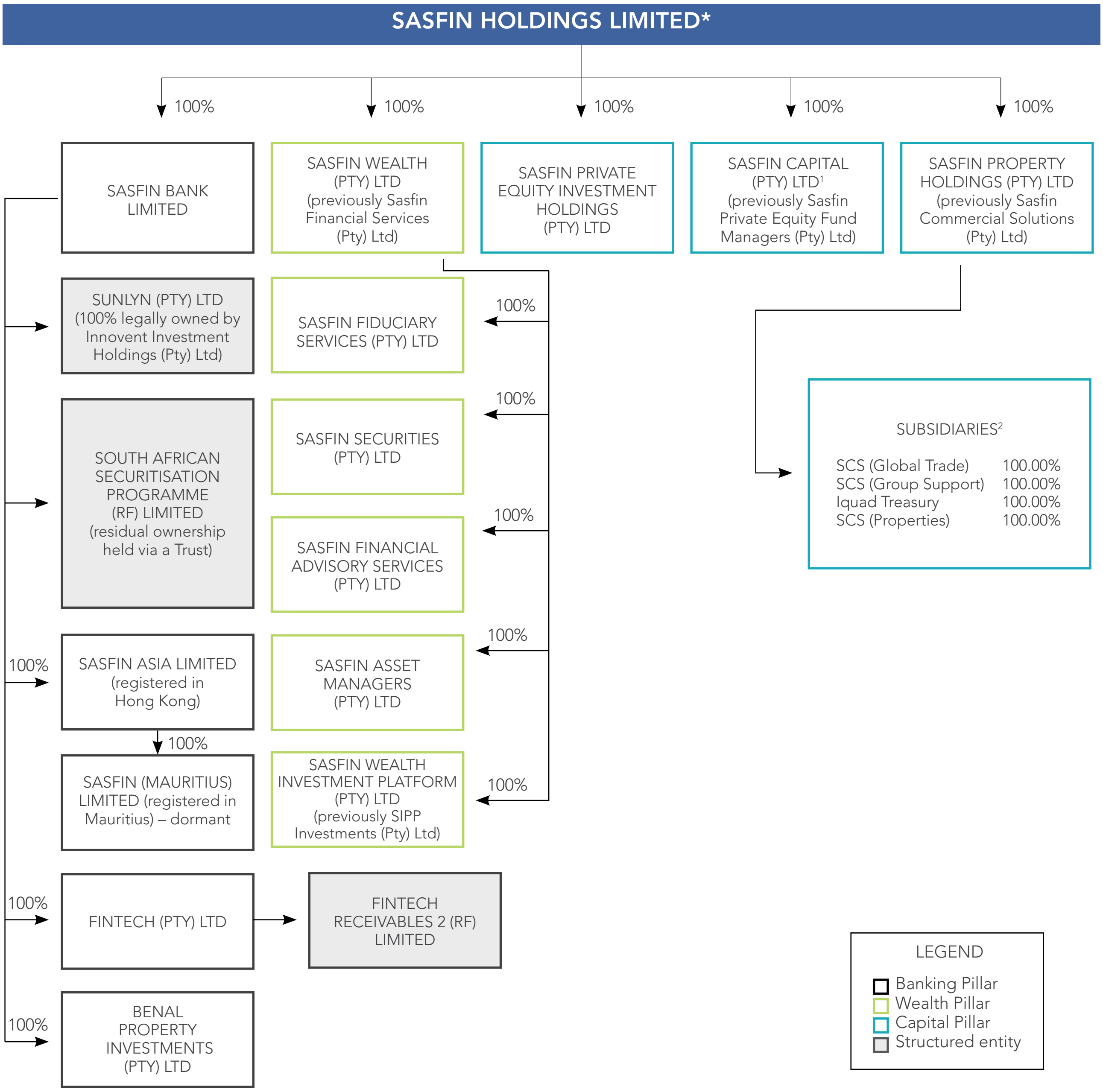
		2020 R'000	2019 R'000 Restated
39.	**NOTES TO THE STATEMENT OF CASH FLOWS**		
39.1	**Cash inflow from operating activities**		
	Reconciliation of operating profit to cash flows from operating activities		
	Profit before income tax	(45 002)	211 285
	Loss/(Profit) on disposal of property and equipment and right-of-use assets	(48)	(5)
	Loss/(Profit) on disposal of subsidiary	(4 674)	–
	Dividend received	(24 181)	(18 014)
	Impairment charges on loans and advances	252 618	80 358
	Exchange rate fluctuations on cash held	–	3 523
	Foreign exchange differences	1 448	(45 013)
	Net gains or losses on derivative instruments	(38 623)	(7 849)
	Gains on derecognition of financial assets measured at amortised cost	(28 297)	(42 488)
	Share of profit of associate	(20 161)	(19 149)
	Gain on the dilution of interest in an associate	(2 307)	–
	Fair value adjustments on financial instruments	3 979	(31 548)
	Fair value loss/(profit) on investment property	–	3 700
	Fair value loss/(profit) on investment property classified as non-current asset held-for-sale	2 200	–
	Impairment of goodwill/intangible assets/property, equipment and right-of-use assets	16 651	12 050
	Depreciation	54 151	27 889
	Amortisation of intangible assets	39 490	25 058
		207 244	196 097
39.2	**Taxation paid**		
	Unpaid at the beginning of the year	(19 273)	2 010
	Loss of control of a subsidiary	438	–
	Charge to the income statement	44 903	35 838
	Unpaid at the end of the year	17 072	19 273
		43 140	57 121
39.3	**Dividends paid**		
	Charge to distributable reserves	46 873	65 614
	Total dividends paid	46 873	65 614

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

40. RELATED-PARTY TRANSACTIONS

40.1 Subsidiaries and controlled structured entities (Refer to note 4 of the separate financial statements)



[1] *Sasfin Capital (Proprietary) Limited was unbundled to Sasfin Holdings Limited on 1 July 2017.*

[2] *HRS Administrators (Proprietary) Limited was previously a subsidiary (51% owned) and became an associate on 1 April 2020. Refer to note 40.5.1.*

All entities are incorporated in South Africa unless otherwise indicated.

* *Shareholders of Sasfin Holdings Limited*

- *Unitas Enterprises Limited (2020: 43.05%; 2019: 42.36%), a wholly owned company of The Erwin Discretionary Settlement Trust, of which Roland Sassoon and Michael Sassoon are beneficiaries.*
- *Wipfin Investments (Proprietary) Limited (2020 and 2019: 25.1%), a wholly owned subsidiary of Women Investment Portfolio Holdings Limited (WIPHOLD).*
- *Public (2020: 31.85%; 2019:32.54%).*

40. RELATED-PARTY TRANSACTIONS continued

40.2 Balances and transactions with related parties

The Group's Key management personnel, and persons connected with them, are also considered to be related parties for disclosure purposes. Key management personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of Sasfin Holdings Limited (directly or indirectly) and comprise of the Board of Directors and the heads of the major business units and functions. Transactions are made on terms equivalent to those on an arm's-length basis as offered to the Group's clients. Key management personnel and their immediate relatives have balances with the Group at year end as follows:

	2020 R'000	2019 R'000
Balances		
Deposits	7 007	964
Short term borrowings included in Trade and other payables (refer note 16)[1]	130 117	108 648
Direct shareholders in Sasfin Holdings Limited	38 193	587
Indirect beneficial shareholders in Sasfin Holdings Limited	25 697	66 289
Director of a subsidiary in the Group	66 227	41 771
Funds under management	–	1 149
Funds under administration	248 907	701 382
Transactions		
Management fees paid to WIPHOLD	5 859	5 626
Consultancy fees paid to Roland Sassoon[2]	1 000	1 000

[1] *These borrowings are unsecured, interest bearing and are repayable on demand subject to 30 days' written notice. The borrowings are not subject to a fixed repayment date. Interest is payable at 3-month Libor plus 1.5%.*
[2] *Roland Sassoon was a consultant to Sasfin Holdings from 1 January 2019 to 31 December 2019.*

40.3 Key management personnel and related remuneration

Directors' and Prescribed Officers' remuneration

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2020 R	Incentive bonus[4] payable in future R
2020						
Executive directors						
Michael Sassoon	–	3 641 471	630 865	915 000	5 187 336	71 250
Angela Pillay	–	2 780 927	563 915	705 500	4 050 342	48 750
Independent non-executive directors						
Grant Dunnington	876 766	–	–	–	876 766	–
Roy Andersen	1 100 000	–	–	–	1 100 000	–
Richard Buchholz	711 490	–	–	–	711 490	–
Mark Thompson	660 187	–	–	–	660 187	–
Eileen Wilton[a]	502 622	–	–	–	502 622	–
Thabang Magare[b]	222 420	–	–	–	222 420	–
Shahied Rylands[c]	405 568	–	–	–	405 568	–
Linda de Beer[d]	141 211	–	–	–	141 211	–
Gugu Mtetwa[d]	131 674	–	–	–	131 674	–
Non-independent, Non-executive directors						
Roland Sassoon[e]	241 848	–	–	–	241 848	–
Prescribed officers						
Linda Fröhlich	–	2 805 933	377 693	637 500	3 821 126	41 250
Maston Lane	–	2 644 855	668 556	635 000	3 948 411	41 250
Francois Otto	–	2 296 319	343 632	495 000	3 134 951	26 250
Stewart Tomlinson	–	1 719 970	587 258	383 000	2 690 228	14 250
Erol Zeki	–	2 828 793	228 349	635 000	3 692 142	1 945 008
	4 993 786	18 718 268	3 400 268	4 406 000	31 518 322	2 188 008

[a] *Appointed on 6 August 2019.*
[b] *Appointed on 19 December 2019.*
[c] *Retired on 26 November 2019.*
[d] *Retired on 30 September 2019.*
[e] *Appointed on 1 January 2020.*
[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 2019 financial year.*
[4] *Relate to the Group's and individual's performance in the 2020 financial year.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

40. RELATED-PARTY TRANSACTIONS continued

40.3 Key management personnel and related remuneration continued

Directors' and Prescribed Officers' remuneration *continued*

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2019 R	Incentive bonus[4] Payable in Sept 2019 R
2019						
Executive directors						
Roland Sassoon[a]	–	1 805 706	192 466	643 333	2 641 505	–
Angela Pillay	–	2 342 997	473 356	–	2 816 353	900 000
Michael Sassoon	–	3 577 649	422 657	643 333	4 643 639	1 200 000
Alternate executive directors						
Linda Fröhlich	–	2 677 412	369 378	490 980	3 537 770	800 000
Maston Lane	–	2 653 021	503 146	504 370	3 660 537	800 000
Independent non-executive directors						
Roy Andersen	996 200	–	–	–	996 200	–
Richard Buchholz	631 638	–	–	–	631 638	–
Linda de Beer	539 000	–	–	–	539 000	–
Grant Dunnington	866 913	–	–	–	866 913	–
Gugu Mtetwa	451 100	–	–	–	451 100	–
Shahied Rylands	773 950	–	–	–	773 950	–
Mark Thompson[b]	–	–	–	–	–	–
Prescribed officers						
Howard Brown	–	2 197 651	252 381	378 667	2 828 699	450 000
Francois Otto	–	2 149 557	261 890	842 000	3 253 447	600 000
Andrew (Josh) Souchon	–	2 308 197	292 156	417 600	3 017 953	450 000
Stewart Tomlinson	–	1 663 255	420 014	111 111	2 194 380	440 000
Erol Zeki	–	2 396 383	535 168	500 000	3 431 551	800 000
	4 258 801	23 771 828	3 722 612	4 531 394	36 284 635	6 440 000

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 2019 financial year.*
4 *Relate to the Group's and individual's performance in the 2018 financial year.*

a *Retired on 31 December 2018*
b *Appointed on 21 June 2019*

40. RELATED-PARTY TRANSACTIONS continued

40.4 Directors' interest in shares

Directors' interest in the Company's issued ordinary share capital at 30 June 2020 were:

Director	2020 Indirect beneficial	2019 Indirect beneficial
Michael Sassoon and Roland Sassoon	13 904 923	13 681 636

No director dealt in the shares of Sasfin Holdings Limited in the period after the financial year-end until the results were issued to the public.

40.5 Associates

40.5.1 List of significant associates

Name	Nature of business	% ownership 2020	% ownership 2019
Equity-accounted associates			
Efficient Group Ltd	Integrated financial services	21.10	28.96
Axo Holdings (Pty) Ltd (acquired on 1 June 2018)	Developer of trading and investment platforms	49.00	49.00
Associates recognised at fair value through profit or loss			
Innovent Investment Holdings (Pty) Ltd	Financial services holding company	33.60	33.60
MCG Industries	Rigid and flexible plastic supplier	45.63	45.63
Refractory and Metallurgical Solution (Pty) Ltd	Refractory and metallurgical solutions supplier	49.52	48.80
Elroflo (Pty) Ltd	Holding company of a corporate clothing manufacturer	49.16	49.16
The Smart Idea Company (Pty) Ltd	Office equipment supplier	25.00	25.00
Strutfast (Pty) Ltd	Mining industry	49.51	49.51
Payabill (Pty) Ltd	Electronic payment management	35.00	35.00
Goldmead (Pty) Ltd	Investment property holding	49.90	49.90
Joytone Trading (Pty) Ltd	Investment property holding	50.00	50.00
Kerisys (Pty) Ltd	Investment property holding	49.90	49.90
Kygotrix (Pty) Ltd	Investment property holding	46.25	46.25
Alvinet (Pty) Ltd	Investment property holding	45.00	45.00
HRS Administrators (Pty) Ltd[1]	Short-term insurance broker	49.90	51.00
Imperial Sasfin Logistics (Pty) Ltd	Freight-forwarding	–	30.00

[1] *HRS Administrators (Proprietary) Limited was previously a subsidiary and became an associate on 1 April 2020. Refer to note 40.1.*

40.5.2 Transactions and balances with associates

The Group provides shareholder loans to some of its associates. The Group further provides Equipment Finance, Capital Equipment Finance as well as Trade and Debtor Finance to some of its associates. These transactions are generally conducted on the same terms as third-party transactions.

Associates in this context include both those that are equity accounted and those that are designated as at fair value through profit or loss. The collective amounts included in the Group's consolidated financial statements relating to these transactions, are as follows:

	2020 R'000	2019 R'000
Statement of financial position		
Loans and advances	277 091	295 567
Gross carrying amount	301 856	307 561
Expected credit losses	(24 765)	(11 994)
Statement of profit or loss and other comprehensive income		
Interest income	25 229	46 923
Non-interest income	(13 380)	(3 125)
Credit losses	11 923	1

41. CLASSIFICATION OF ASSETS AND LIABILITIES

Accounting classification and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, their fair values and carrying amounts.

Assets	Fair value through Profit or loss (default) R'000	Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2020					
Cash and cash balances	–	–	1 731 243	–	1 731 243
Trading assets	85 173	975 169	–	–	1 060 342
Negotiable securities	–	–	3 126 595	–	3 126 595
Trade and other receivables	–	–	391 737	44 907	436 644
Non-current assets held for sale	–	–	–	6 700	6 700
Loans and advances	223 011	–	6 386 317	–	6 609 328
Current taxation asset	–	–	–	21 035	21 035
Investment securities	528 771	–	–	126 195	654 966
– Investments at fair value through profit or loss	528 771	–	–	–	528 771
– Equity accounted associates	–	–	–	126 195	126 195
Deferred tax asset	–	–	–	36 808	36 808
Property and equipment and right-to-use-assets	–	–	–	103 550	103 550
Investment property	–	–	–	13 123	13 123
Intangible assets and goodwill	–	–	–	205 206	205 206
Total assets	836 955	975 169	11 635 892	557 524	14 005 540

Liabilities	Fair value through Profit or loss (default) R'000	Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2020					
Funding under repurchase agreements and interbank	–	–	1 882 806	–	1 882 806
Trading liabilities	101 438	898 404	–	–	999 842
Current taxation liability	–	–	–	3 963	3 963
Trade and other payables	–	–	729 651	54 135	783 786
Bank overdraft	–	–	151 462	–	151 462
Provisions	–	–	–	41 629	41 629
Deposits from customers	–	–	5 138 778	–	5 138 778
Lease liabilities	–	–	70 266	–	70 266
Debt securities issued	–	–	2 743 823	–	2 743 823
Long term loans	–	–	371 649	–	371 649
Deferred tax liability	–	–	–	94 531	94 531
Total liabilities	101 438	898 404	11 088 435	194 258	12 282 535

41. CLASSIFICATION OF ASSETS AND LIABILITIES continued

Accounting classification and fair values continued

Assets	Fair value through Profit or loss (default) R'000	Fair value through Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2019					
Cash and cash balances	–	–	1 312 786	–	1 312 786
Trading assets	–	1 187 523	–	–	1 187 523
Negotiable securities	–	–	3 077 519	–	3 077 519
Trade and other receivables	–	–	410 776	–	410 776
Loans and advances	29 470	–	7 871 780	(401 742)	7 499 509
Current taxation asset	–	–	–	23 799	23 799
Investment securities	622 995	–	–	112 416	735 411
– Investments at fair value through profit or loss	622 995	–	–	–	622 995
– Equity accounted associates	–	–	–	112 416	112 416
Deferred tax asset	–	–	–	34 907	34 907
Property, equipment and right-of-use assets	–	–	–	75 245	75 245
Investment property	–	–	–	8 900	8 900
Intangible assets and goodwill	–	–	–	235 028	235 028
Total assets	652 465	1 187 523	12 672 861	88 553	14 601 402

Liabilities	Fair value through Profit or loss (default) R'000	Fair value through Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2019					
Funding under repurchase agreements and interbank	–	–	2 271 610	–	2 271 610
Trading liabilities	–	1 175 828	–	–	1 175 828
Current taxation liability	–	–	–	4 526	4 526
Trade and other payables	–	–	899 119	–	899 119
Bank overdraft	–	–	46 008	–	46 008
Provisions	–	–	–	57 695	57 695
Deposits from customers	–	–	4 981 067	–	4 981 067
Debt securities issued	–	–	2 753 521	–	2 753 521
Long-term loans	–	–	495 715	–	495 715
Deferred tax liability	–	–	–	138 929	138 929
Total liabilities	–	1 175 828	11 447 040	201 150	12 824 018

41. CLASSIFICATION OF ASSETS AND LIABILITIES continued

41.1 Financial assets and liabilities measured at fair value

	2020 Level 1 R'000	2020 Level 2 R'000	2020 Level 3 R'000	2019 Level 1 R'000	2019 Level 2 R'000	2019 Level 3 R'000
Recurring fair value measurements						
Financial assets	975 320	85 174	751 782	1 148 737	39 007	635 077
Loans and advances at fair value through profit or loss	–	–	223 011	–	–	–
Investment securities – excluding equity accounted associates	150	–	528 771	221	–	635 077
Trading assets	975 170	85 174	–	1 148 516	39 007	–
Trading liabilities	898 404	101 438	–	1 135 392	40 436	–
Trading liabilities	898 404	101 438	–	1 135 392	40 436	–
Non-financial assets	–	–	19 823	–	–	8 900
Investment property – continuing operations	–	–	13 123	–	–	8 900
Investment property – non-current assets held for sale	–	–	6 700	–	–	–

41.2 Movement in Level 3 instruments

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	2020 Investment securities – excluding equity accounted associates R'000	2020 Loans and advances at fair value through profit or loss R'000	2020 Investment property – non-current assets held for sale R'000	2020 Investment property – continuing operations R'000	2019 Investment securities – excluding equity accounted associates R'000	2019 Loans and advances at fair value through profit or loss[1] R'000	2019 Investment property – non-current assets held for sale R'000	2019 Investment property – continuing operations R'000
Balance at the beginning of the year	622 774	29 470	–	8 900	586 190	17 167	–	12 600
Additions	–	–	–	–	–	–	–	–
Total gains or losses in profit and loss	(12 431)	8 462	(2 200)	–	48 276	12 303	–	(3 700)
Acquisition of investments	–	–	–	–	–	–	–	–
Disposal of investments	(92 898)	–	–	–	(37 721)	–	–	–
Advances/ (repayments)	11 176	185 079	–	–	30 185	–	–	–
Transfer from Land and buildings	–	–	–	13 123	–	–	–	–
Transfers	–	–	8 900	(8 900)	(4 156)	–	–	–
Balance at the end of the year	528 621	223 011	6 700	13 123	622 774	29 470	–	8 900

41.3 Gains and losses from fair value measurements

Total unrealised gains and losses for the reporting period on Level 3 positions held at the reporting date are set out below:

	2020 R'000	2019 R'000
Total gains/(losses) in profit and loss	(6 169)[1]	56 879

[1] *Refer to note 2.11*

41. CLASSIFICATION OF ASSETS AND LIABILITIES continued

41.4 Sensitivity analysis of valuations using unobservable inputs

As part of the groups risk management processes, stress tests are applied on the significant unobservable parameters to generate a range of potentially possible alternative valuations. The assets that are most impacted by this sensitivity analysis are Level 3 investment securities. The stress tests are applied independently and do not take into account any cross-correlation between separate asset classes that would reduce the overall effect on the valuations.

A significant parameter has been deemed to be one which may result in a change to profit or loss, or a change in the fair value asset of more than 1%.

The following tables reflect how the unobservable parameters were changed in order to evaluate the sensitivities of Level 3 financial assets:

	Unobservable inputs	Range inputs 2020	Range inputs 2019	Relationship of unobservable inputs to fair value
Investment securities: Investment in Property Equity	Capitalisation rate	**10% – 13%**	10% – 12%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value.
Investment securities: Investment in Private Equity	Weighted average cost of capital (WACC)	**17% – 23%**	17% –23%	The higher the WACC, the lower the fair value.
	Marketability and minority discounts	**10% – 16%**	13% – 18%	The higher the discounts, the lower the fair value.
	Revenue growth	**0% – 12.7%**	3% – 23%	The higher the revenue growth, the higher the fair value.

Financial instrument	Parameter	Positive/ (negative) variance applied to parameters	Equity type	2020 Potential effect recorded in profit or loss favourable R'm	2019 Potential effect recorded in profit or loss favourable R'm	2020 Potential effect recorded in profit or loss (unfavourable) R'm	2019 Potential effect recorded in profit or loss (unfavourable) R'm
Investment securities	Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity	**21.485**	18.809	**(25.115)**	(15.318)
Investment securities	Marketability and minority discounts	100/(100) bps	Private equity	**4.129**	5.409	**(4.174)**	(4.618)
Investment securities	Revenue growth	100/(100) bps	Private equity	**26.382**	11.435	**(26.249)**	(10.279)
Investment securities	Capitalisation rate	50/(50) bps	Property equity	**11.669**	10.102	**(12.613)**	(11.725)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

41. CLASSIFICATION OF ASSETS AND LIABILITIES continued

41.5 Market risk sensitivity on investment securities

The table below illustrates the market risk sensitivity for all investment securities held by the Group assuming a 10% shift in the share price or proxy share price.

	2020			2019		
	10% reduction in fair value R'000	Fair value R'000	10% increase in fair value R'000	10% reduction in fair value R'000	Fair value R'000	10% increase in fair value R'000
Listed						
Equity securities at fair value	135	150	165	199	221	243
Impact on gains and losses recognised in profit or loss for the year	(64)	(71)	(78)	20	22	24
Unlisted						
Equity securities at fair value	475 895	528 772	581 649	571 569	635 077	698 585
Impact on gains and losses recognised in profit or loss for the year	21 392	23 769	26 146	54 521	60 579	66 637

41.6 Financial assets and financial liabilities not measured at fair value

	2020				
	Fair value				
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000	Amortised cost R'000
Financial assets	–	4 857 838	6 822 961	11 680 799	11 680 799
Cash and cash balances	–	1 731 243	–	1 731 243	1 731 243
Negotiable securities	–	3 126 595	–	3 126 595	3 126 595
Trade and other receivables	–	–	436 644	436 644	436 644
Loans and advances[1]	–	–	6 386 317	6 386 317	6 386 317
Financial liabilities	2 743 823	7 173 046	1 225 701	11 142 570	11 142 570
Funding under repurchase agreements and interbank	–	1 882 806	–	1 882 806	1 882 806
Trade and other payables	–	–	783 786	783 786	783 786
Bank overdraft	–	151 462	–	151 462	151 462
Deposits from customers	–	5 138 778	–	5 138 778	5 138 778
Lease liabilities	–	–	70 266	70 266	70 266
Debt securities issued	2 743 823	–	–	2 743 823	2 743 823
Long-term loans	–	–	371 649	371 649	371 649

[1] *Only includes Loans and advances measured at amortised cost.*

41. CLASSIFICATION OF ASSETS AND LIABILITIES continued

41.6 Financial assets and financial liabilities not measured at fair value continued

	2019				
	Fair value				
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Total fair value R'000	Amortised cost R'000
Financial assets	–	4 390 305	7 880 814	12 271 119	12 271 119
Cash and cash balances	–	1 312 786	–	1 312 786	1 312 786
Negotiable securities	–	3 077 519	–	3 077 519	3 077 519
Trade and other receivables	–	–	410 776	410 776	410 776
Loans and advances[1]	–	–	7 470 038	7 470 038	7 470 038
Financial liabilities	2 753 521	7 404 139	1 434 954	11 592 614	11 592 614
Funding under repurchase agreements and interbank	–	2 271 610	–	2 271 610	2 271 610
Trade and other payables	–	–	899 119	899 119	899 119
Bank overdraft	–	151 462	–	151 462	151 462
Provisions	–	–	57 695	57 695	57 695
Deposits from customers	–	4 981 067	–	4 981 067	4 981 067
Debt securities issued	2 753 521	–	–	2 753 521	2 753 521
Long-term loans	–	–	478 140	478 140	478 140

[1] *Only includes Loans and advances measured at amortised cost.*

The carrying amount of financial assets and financial liabilities, recognised at amortised cost, is considered a reasonable approximation of fair value, unless otherwise indicated above.

42. FINANCIAL RISK MANAGEMENT

Risk management is an essential component of value creation and the protection of that value. Implemented effectively, it improves performance, encourages innovation and supports the achievement of the Group's strategic objectives. The Group's well-established integrated risk management philosophy aims to ensure that the diverse risks and opportunities across the Group are identified and proactively addressed within acceptable parameters through appropriate governance structures, processes, policies and frameworks, while supporting business growth. The Group's risk management procedures include, but are not limited to, credit risk, liquidity risk, interest rate risk and market risk. The Group's approach to managing risk and capital is set out in the Group's enterprise risk governance framework approved by the GRCMC.

The areas most impacted by COVID-19 include:

- Expected credit loss (ECL) assessment (IFRS 9 macro-economic scenarios, probabilities and staging);
- Fair value assessments; and
- Going concern and the viability statement, including liquidity.

This is disclosed elsewhere in the financials.

42.1 Capital management

The Group's capital management function is designed to ensure that regulatory requirements are met at all times and that the Group entities are capitalised in line with the Group's risk appetite and target ranges, both of which are approved by the board. Capital adequacy is actively managed and forms a key component of the budget and forecasting process. The capital plan is tested under a range of stress scenarios and takes into consideration the Group's ICAAP model which has been revised during the current financial year. The capital management function is governed primarily by management level subcommittees that oversee the risks associated with capital management, as well as the ALCO and GRCMC which are Board sub-committees.

43. CREDIT RISK

Credit risk is the risk of a financial loss stemming from a borrower's failure to repay a loan or otherwise failure to meet a contractual obligation.

Credit risk arises principally from the Group's loans and advances, deposits placed with other banks, negotiable securities, financial guarantees issued, carry facilities granted and letters of credit issued. For risk management reporting purposes, the Group considers and consolidates all elements of credit risk exposure (individual obligor default risk as well as country and sector risk).

Management of credit risk

The Board of Directors has delegated responsibility for the management of credit risk to the CLEC and CIC. The Group credit department, which reports to the Chief Operating Officer of Sasfin Bank Limited, is responsible for oversight of the Group's credit risk, including:

- Formulating credit policies in consultation with business units, and the legal department, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, impairments, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits, as approved and reviewed regularly by the Board, are allocated to business unit credit officers and credit committees. Larger facilities may require approval by the Executive Credit Committee, and CLEC;
- Reviewing and assessing credit risk. Group Credit assesses all credit exposures, prior to facilities being committed to customers by the business unit concerned;
- Managing post implementation credit risk in line with the Group's credit policies and Board Risk Appetite;
- Limiting concentrations of exposure to counterparties, geographies and industries for loans and advances, deposits with banks and investment securities (refer note 42.1);
- Developing and maintaining the Group's risk indicators in order to categorise exposures according to the degree of risk of financial loss faced, and to focus management on the attendant risks. The risk system is used in determining where impairment provisions (i.e. provisions for credit losses) may be required against specific credit exposures. The current risk framework consists of four grades reflecting varying degrees of risk of default, availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee. Risk grades are subject to regular reviews by Group Risk;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit on the credit quality of local portfolios and appropriate corrective action is taken;
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk;
- Managing, together with the relevant business unit and legal department (where appropriate) the underperforming and non-performing exposures;
- Ensuring that appropriate expected credit losses are raised in line with accounting standards.

Each business unit is required to implement Group credit policies and procedures, with credit approval authorities delegated from the CLEC or CIC. Each business unit is also responsible for the quality and performance of its credit portfolio, and for monitoring and controlling all credit risks in its portfolios, including those subject to Group approval.

Regular audits of business units and Group Credit processes are undertaken annually by GIA.

Securitisation

The Group uses securitisation primarily as a source of funding for its lending operations, by adding flexibility to structural liquidity risk and diversifying its funding base. All securitisable assets are subject to the Group's credit risk policies and procedures.

The Group fulfils a number of roles in the process of securitising these assets, including that of originator, sponsor, hedge counterparty and administrator, and applies its Group credit risk policies and procedures to these functions.

43. CREDIT RISK continued

Management of credit risk continued

Deposits with other banks and money market funds

The Group places funds on a daily basis with other banks or money market funds. These deposits are generally held on overnight call or on a short-term tenor, and are available on demand or at maturity. The deposits are made in accordance with the mandates and directives provided by ALCO and GRCMC. In terms of these policies, deposits can only be made with banking institutions or money market funds that are rated as investment grade by accredited global rating agencies, and may not exceed internal risk limits. Deposits with other banks or money market funds are reported to executive management on a daily basis, and to ALCO on a quarterly basis. Collateral is not held for deposits with other banks or money market funds.

At the reporting date the Group does not expect any losses from non-performance by the counterparties for these deposits and money market funds.

Financial assets held for trade facilitation and reverse repurchase agreements

The Group, through its subsidiary SasSec, holds exchange-traded bonds for the purposes of trading with other market participants.

Credit impairment

The Group determines an allowance for credit losses that represents its estimate of expected credit losses on its loan portfolio in line with IFRS 9. Refer to accounting policy note 1.12 and note 2.2 for more information.

Write-off policy

Loans and security balances (and any related allowances for impairment losses) are written off when (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This determination is reached after considering information such as the occurrence of significant changes in the borrower's or issuer's financial position resulting in the borrower/issuer no longer being in a position to pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Credit risk measurement and determination

The Group uses internally developed models and practices to measure and manage credit risk, by utilising skilled resources to ensure it is properly managed and controlled. The Group has adopted the standardised approach in terms of Basel III to measure credit risk, and uses the regulatory risk buckets per the SARB as measurement criteria for assessing performing counterparties as follows:

SARB risk bucket/ Credit risk grade	Categorisation of counterparty (IFRS 9)
A Good Book	Stage 1 and Stage 2
B Special Mention	Stage 2
C Sub Standard	Stage 3
D Doubtful	Stage 3
E Loss	Stage 3

Collateral for loans and advances

The Group holds collateral against loans and advances in order to reduce credit risk. Although collateral is held, the Group's policy is to grant loans and advances on the basis that they are within the customer's capacity to repay the amount, rather than to rely on the collateral held against them. Estimates of the fair value of collateral are based on the value at the time of borrowing and are updated annually if an account is assessed for impairment. Collateral includes general and special notarial bonds over the client's stock, cash, cession of debtor books as well as continuous covering mortgage bonds over property. Insurance taken out by the lender on loans and advances is also viewed as collateral.

Concentration risk

This is the risk of a material exposure by the Group to a small number of depositors, lenders, financial instruments, individuals, corporates, institutions or geographies.

43. CREDIT RISK continued

43.1 Credit risk exposure analysis

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets, by credit quality.

Credit risk grading		A	A	B	Default (C, D and E)	
ECL staging	Total R'000	Stage 1 12-month ECL R'000	Stage 2 Lifetime ECL R'000	Stage 2 Lifetime ECL R'000	Stage 3 Lifetime ECL R'000	Securities and expected recoveries on default exposures R'000
2020						
Maximum credit exposures of financial assets at amortised cost						
Cash and cash balances[1]	1 731 243	–	–	–	–	–
Negotiable securities	3 154 579	2 681 579	–	–	473 000[2]	–
Loans and advances	6 938 723	5 667 618	367 582	191 485	712 038	26 206
Equipment finance	4 688 234	4 036 177	91 978	137 676	422 403	–
Capital equipment finance	1 325 303	1 188 385	12 428	53 809	70 681	–
Trade and debtor finance	718 014	361 700	168 457	–	187 857	26 206
Term loans – secured	191 569	65 753	94 719	–	31 097	–
Term loans – unsecured	15 603	15 603	–	–	–	–
Trade and other receivables	437 015	–	437 015	–	–	–
Gross carrying amount	12 261 556	8 349 197	804 597	191 485	1 185 038	26 206
Less: Credit loss allowance	(580 760)	(118 985)	(21 562)	(17 077)	(423 136)	–
Net carrying amount	11 680 796	8 230 212	783 035	174 408	761 902	26 206
2020						
Off-balance sheet exposure to credit risk						
Letters of credit	39 960					
Carry facilities	–					
Loan commitments	–					
Financial guarantees issued	53 939					
Total exposure to off-balance sheet credit risk	93 899					
Credit loss allowance on off-balance sheet credit risk recognised	4 328					
2020						
Maximum credit exposures on financial assets at FVTPL						
Loans and advances	223 011					
Trading assets	618 576					
Investment securities	683 928					
	1 525 515					
Total exposure to credit risk	13 304 538					

1 *Management has assessed these as high-quality liquid assets held with institutions with a low risk of default and hence no ECL allowance has been recognised for these, as it is immaterial.*

2 *These relate to the Land Bank bills held refer to note 5.*

43. CREDIT RISK continued

43.1 Credit risk exposure analysis continued

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Group's maximum exposure to credit risk on these assets, by credit quality.

Credit risk grading		A	A	B	Default (C, D and E)	Securities and expected recoveries on default exposures
ECL staging	Total R'000	Stage 1 12-month ECL R'000	Stage 2 Lifetime ECL R'000	Stage 2 Lifetime ECL R'000	Stage 3 Lifetime ECL R'000	R'000
2019						
Maximum credit exposures of financial assets at amortised cost						
Cash and cash balances[1]	1 312 786	–	–	–	–	–
Negotiable securities[1]	3 077 519	–	–	–	–	–
Loans and advances	7 871 780	6 503 263	535 159	107 254	726 104	228 586
Equipment finance	5 214 032	4 582 909	182 000	94 663	354 460	–
Capital equipment finance	1 269 646	1 083 472	48 552	12 591	125 031	–
Trade and debtor finance	1 207 514	712 519	276 447	–	218 548	228 586
Other secured loans	180 588	124 363	28 160	–	28 065	–
Other receivables[2]	410 776	–	–	–	–	–
Gross carrying amount	12 672 861	6 503 263	535 159	107 254	726 104	228 586
Less: Credit loss allowance	(401 742)	(57 163)	(6 310)	(16 588)	(321 681)	–
Net carrying amount	12 271 119	6 446 100	528 849	90 666	404 423	228 586
2019						
Off-balance sheet exposure to credit risk						
Letters of credit	73 816					
Carry facilities	11 952					
Financial guarantees issued	43 326					
Total exposure to off-balance sheet credit risk	129 094					
Credit loss allowance on off-balance sheet credit risk recognised	449					
2019						
Maximum credit exposures on financial assets at FVTPL						
Loans and advances	29 470					
Trading assets	667 827					
Investment securities	366 090					
	1 063 387					
Total exposure to credit risk	13 464 049					

1 *Management has assessed these as high-quality liquid assets held with institutions with a low risk of default and hence no ECL allowance has been recognised for these, as it is immaterial.*
2 *Given the short-term nature, no ECL allowance has been recognised.*

43. CREDIT RISK continued

43.1 Credit risk exposure analysis continued

	2020 R'000	2019 R'000
Concentration risk of advances		
Sectoral analysis		
Agriculture	69 400	89 855
Community, social and personal services	1 554 365	1 601 352
Construction	300 676	468 122
Electricity and water	24 248	32 109
Finance, real estate and business services	2 076 066	1 841 912
Manufacturing	968 780	1 097 170
Mining	224 424	254 569
Trade, repairs of vehicles and goods as well as hotels and restaurants	1 344 546	1 259 547
Transport and communication	599 228	1 256 614
Total	7 161 733	7 901 250

43.1 Credit risk exposure analysis continued

Financial assets attract credit risk in the form of counterparty credit risk and concentration risk.

	2020 %	2019 %
Issuer ratings (international scale) relating to the portfolio of bond assets were as follows		
Aaa/AAA/AAA	0.52	52.12
Aa1/AA+/AA+	3.86	13.71
Aa2/AA/AA	3.14	1.68
Aa3/AA-/AA-	0.83	0.65
A1/A+/A+	2.98	–
A2/A/A	–	–
A3/A-/A-	0.11	31.84
Ba2/BB/BB	68.61	–
Ba3/BB-/BB-	19.95	–
	100.00	100.00

43.2 Collateral and other security enhancements

43.2.1 Description of collateral for loans and advances

Loans and advances	Security
Equipment finance	The Group retains full ownership of the assets and equipment financed throughout the duration of the contract.
Capital equipment finance	The primary collateral for Capital Equipment Finance is the plant/equipment being financed. However, other security such as general notarial bonds over other assets and continuous covering mortgage bonds over property are sometimes taken to increase the collateral cover.
Trade finance	The primary collateral for Trade Finance is the equipment being financed. However, other security such as general notarial bonds over other assets and continuous covering mortgage bonds over property are sometimes taken to increase the collateral cover.
Debtor finance	The Group's Debtor Finance division does not allow an advance which exceeds the debtors book of the counterparty. The Group has control over the debtors' books and is therefore covered regarding its exposure, using primarily the counterparty's receivables as its security. Depending on the credit rating and the industry, the Group also holds a margin of 15% to 30% of the fundable debtors book of the counterparty as an extra buffer for security. Additional securities may also be held as further collateral against these advances.
Other secured loans	The primary collateral held for commercial property finance comprises first and second covering mortgage bonds and, in some instances, suretyships. The collateral is measured in terms of market-related property valuations.

43. CREDIT RISK continued

43.2 Collateral and other security enhancements continued

43.2.2 An estimate of the fair value of collateral and other security enhancements held against loans and advances

An estimate of the fair value of collateral and other security enhancements held is shown below

	Gross exposure R'000	Security: Stock R'000	Security: Fixed assets R'000	Security: Receivables R'000	Security: Property R'000	Security: Pledges/ deposits R'000	Security: Total R'000	Unsecured R'000
2020								
Loans and advances								
Equipment Finance[1]	4 688 234	–	3 987 041	–	–	–	3 987 041	701 193
Capital Equipment Finance[1]	1 325 303	–	1 109 672	–	–	–	1 109 672	215 631
Trade and Debtor Finance	718 014	248 240	41 343	275 920	140 977	11 534	718 014	–
Term loans: secured	191 569	–	–	–	–	132 456	132 456	59 113
Specialised lending	223 011	–	–	6 905	69 000	132 406	208 311	14 700
	7 146 131	248 240	5 138 056	282 825	209 977	276 396	6 155 494	990 637
2019								
Loans and advances								
Equipment Finance[1]	5 214 032	–	3 657 914	–	–	–	3 657 914	1 556 118
Capital Equipment Finance[1]	1 269 646	–	953 167	–	–	–	953 167	316 479
Trade and Debtor Finance	1 207 514	265 269	100 156	275 259	66 260	103 081	810 025	397 489
Other secured loans	210 058	–	–	–	–	150 801	150 801	59 257
	7 901 250	265 269	4 711 237	275 259	66 260	253 882	5 571 907	2 329 343

[1] *Given the nature of the finance lease rental agreement, whereby the underlying assets are legally owned by the Group, management is comfortable that at inception of the agreement, the value of the underlying asset equates to the amount due. The value of the asset is not subsequently reassessed unless there is default.*

43.2.3 Collateral held against individually impaired assets

	Gross exposure R'000	Security: Stock R'000	Security: Fixed assets R'000	Security: Receivables R'000	Security: Property R'000	Security: Pledges/ deposits R'000	Security: Total R'000	Unsecured R'000
2020								
Loans and advances								
Equipment Finance	422 403	–	196 857	–	–	–	196 857	225 546
Capital Equipment Finance	70 681	–	16 393	47 832	–	–	64 225	6 456
Trade and Debtor Finance	187 857	32 546	19 121	33 694	33 673	68 823	187 857	–
Term loans: secured	31 097	–	–	4 353	–	24 863	29 216	1 881
	712 038	32 546	232 371	85 879	33 673	93 686	478 155	233 883
2019								
Loans and advances								
Equipment Finance	351 285	–	252 384	–	–	–	252 384	98 901
Capital Equipment Finance	125 031	–	93 976	–	–	–	93 976	31 055
Trade and Debtor Finance	218 547	3 695	54 012	2 360	1 458	144 341	205 866	12 681
Other secured loans	28 065	–	–	–	–	22 719	22 719	5 346
	722 928	3 695	400 372	2 360	1 458	167 060	574 945	147 983

43. CREDIT RISK continued

43.3 Credit loss allowance analysis

43.3.1 Reconciliation of ECL on Loans and Advances at amortised cost

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2020				
Credit loss allowance at 1 July 2019	57 152	22 898	321 674	401 724
Transfers between stages[1]	(5 988)	(23 721)	106 864	77 155
Transfer to stage 1	–	(28 781)	(9 194)	(37 975)
Transfer from stage 1	–	17 919	75 731	93 650
Transfer to stage 2	(4 088)	–	(884)	(4 972)
Transfer from stage 2	948	–	41 211	42 159
Transfer to stage 3	(2 934)	(12 965)	–	(15 899)
Transfer from stage 3	86	106	–	192
Net expected credit losses[1] (released)/raised	62 415	39 462	48 501	150 378
ECL on new exposure raised	19 127	11 249	34 889	65 265
Subsequent changes in ECL	50 939	34 422	35 655	121 016
Change in ECL due to derecognition[3]	(7 651)	(6 209)	(22 043)	(35 903)
Impaired accounts written off[2]	–	–	(76 854)	(76 854)
Credit loss allowance at 30 June 2020	113 581	38 639	400 185	552 405

[1] *It is the Group's practice to transfer the ECL between stages, based on the ECL stage at the beginning of the reporting period and the ECL stage at the end of the reporting period, for those exposures still in existence. Transfers are done at the amount of the exposure at the point of transfer. This excludes the impact of ISP and other recoveries.*

[2] *The contractual amount outstanding on loans and advances that were written off during the period and that are still subject to enforcement activities amounts to R19.550 million (2019: R16.450 million).*

[3] *Loans and advances contracted during the second half of the year as a result of Covid-19 as clients were under economic stress. The ECL increased by 37.66% primarily as a result of the impact of COVID-19. Restructured loans with exposures amounting to R1.57 billion was provided to clients as relief during the COVID-19 period up to June 2020.*

43. CREDIT RISK continued
43.3 Credit loss allowance analysis continued
43.3.1 Reconciliation of ECL on Loans and Advances at amortised cost

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2019				
Credit loss allowance at 1 July 2018	71 979	54 291	244 165	370 435
Transfers between stages[1]	(31 203)	(51 592)	142 720	59 925
Transfer to stage 1	(31 203)	–	–	(31 203)
Transfer from stage 1	–	–	–	–
Transfer to stage 2	–	(51 592)	–	(51 592)
Transfer from stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Transfer from stage 3	–	–	142 720	142 720
Net expected credit losses (released)/raised	16 394	20 199	(6 857)	29 736
ECL on new exposures raised	22 823	22 556	19 116	64 495
Subsequent changes in ECL	–	–	–	–
TVM unwind and ISS movements	–	–	–	–
Change in ECL due to derecognition[3]	(6 429)	(2 357)	(25 973)	(34 759)
Impaired accounts written off[2]	–	–	(58 354)	(58 354)
Credit loss allowance at 30 June 2019	57 170	22 898	321 674	401 742

[1] *It is the Group's practice to transfer the ECL between stages, based on the ECL stage at the beginning of the reporting period and the ECL stage at the end of the reporting period, for those exposures still in existence. Transfers are done at the amount of the exposure at the point of transfer.*

[2] *The contractual amount outstanding on loans and advances that were written off during the period and that are still subject to enforcement activities amounts to R19.550 million (2019: R16.450 million).*

[3] *Loans and advances had contracted during the first half of the year, as a result of the expected early run-off of the Absa Technology Finance Solutions (ATFS) rental finance book . The Group has further improved its credit loss ration, despite a difficult credit environment.*

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

43. CREDIT RISK continued

43.3. Credit loss allowance analysis continued

43.3.2 Reconciliation of ECL on Loans and Advances at amortised cost by product

	Credit loss allowance at 1 July 2019 R'000	Transfers between stages R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Net expected credit losses (released/ raised R'000
2020						
Equipment finance	320 310	42 359	25 856	28 818	(12 315)	136 642
Stage 1	33 009	(1 616)	–	(690)	(926)	54 499
Stage 2	13 944	(26 917)	(15 528)	–	(11 389)	37 334
Stage 3	273 344	70 891	41 384	29 508	–	44 809
Capital equipment finance	28 519	15 799	16 269	269	(739)	16 373
Stage 1	7 255	(798)	–	(93)	(705)	8 619
Stage 2	1 843	1 102	1 137	–	(35)	3 271
Stage 3	19 420	15 495	15 132	363	–	4 483
Trade and debtor finance	35 211	8 286	293	8 842	(849)	(5 315)
Stage 1	13 002	(1 820)	–	(1 614)	(205)	(2 280)
Stage 2	5 120	(1 351)	(707)	–	(644)	(2 188)
Stage 3	17 089	11 456	1 000	10 456	–	(847)
Term loans: secured	17 314	10 713	13 258	(742)	(1 803)	2 222
Stage 1	3 503	(1 754)	–	(742)	(1 012)	1 121
Stage 2	1 991	3 445	4 236	–	(791)	1 045
Stage 3	11 820	9 022	9 022	–	–	56
Term loans: unsecured	–	–	–	–	–	198
Stage 1	–	–	–	–	–	198
Guarantees	388	–	–	–	–	258
Stage 1	388	–	–	–	–	258
Total	401 742	77 156	55 675	37 188	(15 707)	150 379
Stage 1	57 157	(5 987)	–	(3 139)	(2 848)	62 416
Stage 2	22 898	(23 721)	(10 862)	–	(12 859)	39 462
Stage 3	321 687	106 864	66 537	40 327	–	48 501

ECL on new exposure raised R'000	Subsequent changes in ECL R'000	TVM unwind IIS movements R'000	Change in ECL due to derecognition R'000	Impaired accounts written off[3] R'000	Credit loss allowance at 30 June 2020 R'000
41 506	112 545	–	(17 409)	(66 455)	432 838
13 493	44 618	–	(3 612)	–	85 887
7 395	35 889	–	(5 950)	–	24 361
20 618	32 037	–	(7 846)	(66 455)	322 590
21 019	8 602	–	(13 247)	(4 009)	56 682
4 052	6 811	–	(2 243)	–	15 077
3 794	(371)	–	(151)	–	6 216
13 174	2 162	–	(10 853)	(4 009)	35 389
1 888	(2 249)	–	(4 954)	(6 390)	31 792
731	(1 408)	–	(1 603)	–	8 902
61	(2 141)	–	(108)	–	1 581
1 097	1 300	–	(3 244)	(6 390)	21 308
510	2 004	–	(292)	–	30 249
510	803	–	(192)	–	2 870
–	1 045	–	–	–	6 481
–	156	–	(100)	–	20 898
83	115	–	–	–	198
83	115	–	–	–	198
258	–	–	–	–	646
258	–	–	–	–	646
65 265	121 017	–	(35 902)	(76 854)	552 405
19 127	50 939	–	(7 651)	–	113 581
11 249	34 422	–	(6 209)	–	38 639
34 889	35 655	–	(22 043)	(76 854)	400 185

43. CREDIT RISK continued

43.3. Credit loss allowance analysis continued

43.3.2 Reconciliation of ECL on Loans and Advances at amortised cost by product *continued*

	Credit loss allowance at 1 July 2018 R'000	Transfers between stages R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Net expected credit losses (released/ raised) R'000
2019						
Equipment finance	270 156	74 687	82 811	39 984	(48 108)	19 390
Stage 1	27 611	(5 730)	–	(3 149)	(2 581)	10 638
Stage 2	45 050	(52 678)	(7 151)	–	(45 527)	21 572
Stage 3	197 495	133 095	89 962	43 133	–	(12 820)
Capital equipment finance	22 846	(2 901)	(162)	(3 231)	492	8 748
Stage 1	14 239	(10 144)	–	(8 861)	(1 283)	3 161
Stage 2	74	1 613	(162)	–	1 775	156
Stage 3	8 533	5 630	–	5 630	–	5 431
Trade and debtor finance	58 885	(9 983)	(1 464)	(2 089)	(6 430)	(150)
Stage 1	20 888	(8 733)	–	(5 124)	(3 609)	847
Stage 2	9 167	(2 518)	303	–	(2 821)	(1 529)
Stage 3	28 830	1 268	(1 767)	3 035	–	532
Term loans: secured	17 257	(1 035)	–	(3 026)	1 991	1 748
Stage 1	7 949	(5 753)	–	(5 753)	–	1 748
Stage 2	–	1 991	–	–	1 991	–
Stage 3	9 308	2 727	–	2 727	–	–
Guarantees	1 292	(843)	–	(843)	–	–
Stage 1	1 292	(843)	–	(843)	–	–
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Total	370 436	59 925	81 185	30 795	(52 055)	29 736
Stage 1	71 979	(31 203)	–	(23 730)	(7 473)	16 394
Stage 2	54 291	(51 592)	(7 010)	–	(44 582)	20 199
Stage 3	244 166	142 720	88 195	54 525	–	(6 857)

The prior year table was updated to be in line with current year's table to align the presentation.

ECL on new exposure raised R'000	Subsequent changes in ECL R'000	TVM unwind IIS movements R'000	Change in ECL due to derecognition R'000	Impaired accounts written off[3] R'000	Credit loss allowance at 30 June 2019 R'000
43 645	–	–	(24 255)	(44 424)	319 809
13 348	–	–	(2 710)	–	32 519
22 375	–	–	(803)	–	13 944
7 922	–	–	(20 742)	(44 424)	273 346
14 103	–	–	(5 355)	(174)	28 519
5 936	–	–	(2 775)	–	7 256
162	–	–	(6)	–	1 843
8 005	–	–	(2 574)	(174)	19 420
4 999	–	–	(5 149)	(13 541)	35 211
1 791	–	–	(944)	–	13 002
19	–	–	(1 548)	–	5 120
3 189	–	–	(2 657)	(13 541)	17 089
1 748	–	–	–	(215)	17 755
1 748	–	–	–	–	3 944
–	–	–	–	–	1 991
–	–	–	–	(215)	11 820
–	–	–	–	–	449
–	–	–	–	–	449
–	–	–	–	–	–
–	–	–	–	–	–
64 495	–	–	(34 759)	(58 354)	401 742
22 823	–	–	(6 429)	–	57 170
22 556	–	–	(2 357)	–	22 898
19 116	–	–	(25 973)	(58 355)	321 674

43. CREDIT RISK continued

43.3 Credit loss allowance analysis continued

43.3.3 Reconciliation of ECL on negotiable securities

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2020				
Credit loss allowance at 1 July 2019	–	–	–	–
Net expected credit losses (released)/raised	4 503	–	23 841	27 984
ECL on new exposures raised	4 503[1]	–	23 481[2]	27 984
Credit loss allowance at 30 June 2020	4 503	–	23 481	27 984

[1] *ECL on negotiable securities other than the Land Bank Bills refer to note 5.*
[2] *ECL on the Land Bank Bills refer to note 5.*

43.3.4 Reconciliation of ECL on trade and other receivables

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2020				
Credit loss allowance at 1 July 2019	–	–	–	–
Net expected credit losses (released)/raised	(67)	438	–	371
ECL on new exposures raised	(67)	438	–	371
Credit loss allowance at 30 June 2020	(67)	438	–	371

43.3.5 Credit impairment charges recognised in profit or loss

	2020 R'000	2019 R'000
Net ECL recognised	273 882	89 687
Loans and advances[1]	245 527	89 541
Letters of credit, loan commitments and financial guarantees	–	146
Negotiable securities	27 984	–
Trade and other receivables	371	–
Recoveries of loans and advances previously written off	(21 264)	(9 329)
	252 618	80 358

[1] *This includes the impact of ISP and other recoveries.*

44. LIQUIDITY RISK

Liquidity risk is the risk that a bank may be unable to meet short-term financial demands. This usually occurs due to the inability to convert a security or hard asset to cash without a loss of capital and/or income in the process.

This risk is inherent in all banking and financial service operations and can be impacted by a range of institution- specific and market-wide events.

Management of liquidity risk

The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities, when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation. ALCO sets limits and mandates for executive management to manage the liquidity risk within this framework.

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of projected cash flows arising from future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, interbank loans and other interbank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole. The liquidity requirements of business units and subsidiaries are met through short-term loans from Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements. The Group believes that the management of liquidity should encompass an overall Consolidated Statement of Financial Position approach, which consolidates all sources and uses of liquidity while maintaining a balance between liquidity, profitability and interest rate considerations.

Liquidity risk measurement

The Group's daily liquidity position is monitored and reported in the form of cash flow projections in terms of key periods ranging from demand to long term. Regular liquidity stress testing is conducted under a variety of scenarios ranging from normal to severe market conditions. All liquidity policies and procedures are subject to review and approval by ALCO. Daily reports cover the liquidity position of the Group, operating subsidiaries and foreign branches. A summary report, including any exceptions and remedial action taken, is submitted regularly to ALCO. Sources of liquidity are regularly reviewed to maintain a wide diversification by financial product and form.

Exposure to liquidity risk

The key measures used by the Group for managing liquidity risk are:

- the Liquidity Coverage Ratio (LCR) which refers to the proportion of high quality liquid assets to meet the banks liquidity needs during a 30 calendar day liquidity stress; and
- the ratio of net liquid assets to deposits from customers.

For this purpose net liquid assets are considered as including cash and cash balances and investment grade debt securities for which there is an active and liquid market, less any deposits from banks, debt securities issued, other borrowings and commitments maturing within the next month. ALCO monitors the Group's exposure to liquidity risk in terms of internal benchmarks it has set and defined for Treasury to maintain.

To manage the liquidity risk arising from financial liabilities, the Group holds high-quality liquid assets comprising cash and cash balances, treasury bills and negotiable certificates of deposit for which there is an active liquid market.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

44. LIQUIDITY RISK continued

44.1 Contractual maturity analysis

	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual R'000	Total R'000
2020									
Discounted maturity									
Assets									
Cash and cash balances	1 731 243	1 731 243	1 626 541	104 702	–	–	–	–	1 731 243
Trading assets	1 060 342	1 060 342	474 062	67 175	38 180	236 347	244 578	–	1 060 342
Negotiable securities	3 126 595	3 154 579	1 270 949	594 698	581 648	495 650	211 636	(27 984)	3 126 595
Trade and other receivables	436 644	438 879	443 296	17 752	56 794	(78 962)	–	(2 235)	436 644
Non-current assets held for sale	6 700	–	–	–	–	–	–	6 700	6 700
Loans and advances	6 609 328	7 161 733	559 528	740 619	1 946 068	3 493 989	421 529	(552 405)	6 609 328
Current taxation asset	21 035	21 035	8 070	2 686	10 279	–	–	–	21 035
Investment securities	654 966	–	–	–	–	–	–	654 966	654 966
Investments at fair value through profit or loss	528 771	–	–	–	–	–	–	528 771	528 771
Equity accounted associates	126 195	–	–	–	–	–	–	126 195	126 195
Deferred tax asset	36 808	–	–	–	–	–	–	36 808	36 808
Property and equipment and right-of-use-assets	103 550	–	–	–	–	–	–	103 550	103 550
Investment property	13 123	–	–	–	–	–	–	13 123	13 123
Intangible assets and goodwill	205 206	–	–	–	–	–	–	205 206	205 206
Total assets	14 005 540	13 567 814	4 382 446	1 527 632	2 632 969	4 147 024	877 743	437 728	14 005 540
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 882 806	1 882 806	1 882 806	–	–	–	–	–	1 882 806
Trading liabilities	999 842	1 019 251	568 562	2 309	532	212 586	235 262	–	1 019 251
Current taxation liability	3 963	6 716	–	2 798	3 918	–	–	–	6 716
Trade and other payables	783 786	764 970	632 550	38 423	93 997	–	–	–	764 970
Provisions	41 629	–	–	–	–	–	–	41 629	41 629
Bank overdraft	151 462	151 462	151 462	–	–	–	–	–	151 462
Deposits from customers[1]	5 138 778	5 138 778	3 004 999	1 109 195	945 373	79 211	–	–	5 138 778
Lease liabilities	70 266	76 061	3 404	9 776	25 797	37 083	–	–	76 061
Debt securities issued	2 743 823	3 034 334	–	312 415	531 828	2 190 091	–	–	3 034 334
Long term loans	371 649	371 649	255 289	–	–	116 360	–	–	371 649
Deferred tax liability	94 531	–	–	–	–	–	–	94 531	94 531
Total liabilities	12 282 535	12 439 313	6 499 072	1 472 118	1 597 527	2 635 332	235 262	136 160	12 575 472
Off-statement of financial position	–	–	–	–	–	–	–	–	–
Loan commitments	–	–	–	–	–	–	–	–	–

[1] *Based on the historical data on the behaviour of our depositors, it is unlikely that they will withdraw all funds with the Group based on contractual maturities.*

This table represents the contractual maturities of assets and liabilities, as opposed to their "business as usual" maturity profiles.

44 LIQUIDITY RISK continued

44.1 Contractual maturity analysis continued

	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	6 – 10 years R'000	Non-contractual R'000	Total R'000
2019									
Discounted maturity									
Assets									
Cash and cash balances	1 312 786	1 312 786	1 312 786	–	–	–	–	–	1 312 786
Trading assets	1 187 523	1 187 523	623 358	13 883	276 847	273 435	–	–	1 187 523
Negotiable securities	3 077 519	3 077 519	1 500 918	331 968	750 566	294 237	199 830	–	3 077 519
Trade and other receivables	410 776	410 776	208 316	14 436	61 615	126 409	–	–	410 776
Loans and advances	7 487 205	7 487 205	597 206	1 337 843	2 141 487	3 786 893	25 508	(401 732)	7 487 205
Current taxation asset	23 799	23 799	23 799	–	–	–	–	–	23 799
Investment securities	747 714	–	–	–	–	–	–	747 714	747 714
Investments at fair value through profit or loss	635 298	–	–	–	–	–	–	635 298	635 298
Equity accounted associates	112 416	–	–	–	–	–	–	112 416	112 416
Deferred tax asset	34 907	–	–	–	–	–	–	34 907	34 907
Property and equipment and right-of-use-assets[1]	75 245	–	–	–	–	–	–	75 245	75 245
Investment property	8 900	–	–	–	–	–	–	8 900	8 900
Intangible assets and goodwill	235 028	–	–	–	–	–	–	235 028	235 028
Total assets	14 601 402	13 499 608	4 266 383	1 698 130	3 230 515	4 480 974	225 338	700 062	14 601 402
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	2 271 610	2 271 610	2 271 610	–	–	–	–	–	2 271 610
Trading liabilities	1 175 828	1 175 828	55 558	121 747	456 463	542 060	–	–	1 175 828
Current taxation liability	4 526	4 526	–	4 526	–	–	–	–	4 526
Trade and other payables	899 119	899 119	584 782	207 659	106 678	–	–	–	899 119
Provisions	57 695	57 695	–	–	18 804	–	–	38 891	57 695
Bank overdraft	46 008	46 008	46 008	–	–	–	–	–	46 008
Deposits from customers	4 981 067	5 079 743	2 793 858	1 117 543	1 015 948	152 394	–	–	5 079 743
Lease liabilities[1]	–	–	–	–	–	–	–	–	
Debt securities issued	2 753 521	4 009 117	–	721 908	1 364 391	1 922 819	–	–	4 009 118
Long-term loans	495 715	548 308	38 804	3 748	111 756	394 000	–	–	548 308
Deferred tax liability	138 929	–	–	–	–	–	–	138 929	138 929
Total liabilities	12 824 018	14 091 954	5 790 620	2 177 131	3 074 040	3 011 273	–	177 820	14 230 884
Off-statement of financial position	–	–	–	–	–	–	–	–	–
Loan commitments	–	–	–	–	–	–	–	–	–

[1] *Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

This table represents the contractual maturities of assets and liabilities, as opposed to their "business as usual" maturity profiles.

44. LIQUIDITY RISK continued

44.2 Discounted maturity analysis: Current and non-current

	2020 Current R'000	2020 Non-current R'000	2020 Total R'000	2019 Current R'000	2019 Non-current R'000	2019 Total R'000
Assets						
Cash and cash balances	1 731 243	–	1 731 243	1 312 786	–	1 312 786
Trading assets	579 416	480 926	1 060 342	914 088	273 435	1 187 523
Negotiable securities	2 419 309	707 286	3 126 595	2 583 452	494 067	3 077 519
Trade and other receivables	370 299	66 345	436 644	284 367	126 409	410 776
Non-current assets held for sale	6 700	–	6 700			
Loans and advances	3 199 206	3 410 122	6 609 328	4 076 536	3 422 972	7 499 508
Current taxation asset	21 035	–	21 035	23 799	–	23 799
Investment securities	–	654 966	654 966	–	735 411	735 411
Investments at fair value through profit or loss	–	528 771	528 771	–	622 995	622 995
Equity accounted associates	–	126 195	126 195	–	112 416	112 416
Deferred tax asset	856	35 952	36 808	–	34 907	34 907
Property, equipment and right-of-use assets	–	103 550	103 550	–	75 245	75 245
Investment property	–	13 123	13 123	–	8 900	8 900
Intangible assets and goodwill	–	205 206	205 206	–	235 028	235 028
Total assets	8 328 064	5 677 476	14 005 540	9 195 028	5 406 374	14 601 402
Liabilities						
Funding under repurchase agreements and interbank	1 882 806	–	1 882 806	2 271 610	–	2 271 610
Trading liabilities	552 111	447 731	999 842	633 768	542 060	1 175 828
Current taxation liability	3 963	–	3 963	4 526	–	4 526
Trade and other payables	674 449	109 337	783 786	899 119	–	899 119
Provisions	37 682	3 947	41 629	–	57 695	57 695
Bank overdraft	151 462	–	151 462	46 008	–	46 008
Deposits from customers	5 053 038	85 740	5 138 778	4 831 635	149 432	4 981 067
Lease liabilities[1]	60 544	9 722	70 266	–	–	–
Debt securities issued	–	2 743 823	2 743 823	1 432 901	1 320 620	2 753 521
Long-term loans	–	371 649	371 649	154 307	341 408	495 715
Deferred tax liability	59 046	35 485	94 531	–	–	138 929
Total liabilities	8 475 101	3 807 434	12 282 535	10 273 874	2 411 215	12 824 018

[1] *Comparative information has not been restated for the adoption of IFRS 16. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

45. MARKET RISK

Market risk is the risk that changes in market prices, such as interest rates, equity prices, foreign exchange rates and credit spreads (not relating to changes in the obligor's/issuer's credit standing) will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising return.

It is 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. The Group's market risks are:

- Interest rate risk – the risk of difference in the repricing characteristics of assets and liabilities; and
- Equity risk – the risk of an adverse change in the fair value of an investment in listed or unlisted equities.

Settlement risk

The Group is exposed to market price risk through its stock broker trading activities on behalf of clients and credit risk if counterparties fail to perform as contracted.

These risks are mitigated by the fact that the broker's client base comprises controlled clients (i.e. cash and/or scrip held before trading).

Management of market risk

The Group separates its exposures to market risks between trading and non-trading portfolios.

- Trading portfolios
  The Group applies a Value-at-Risk model using the previous five years' historical data as an input to monitor market risk. The Value-at-Risk model measures the amount of maximum loss which will not be exceeded with 99% probability as a result of normal but adverse market price movements over a 10-day holding period.

- Non-trading portfolios
  Non-trading portfolios are held by Treasury and are associated with fluctuations in the market price of assets and liabilities. Accordingly, the Group has exposure to interest rate risk and currency risk in respect of non-trading portfolios.

Overall authority for market risk is vested with ALCO. Group Risk is responsible for the development of detailed risk management policies (subject to review and approval by ALCO and GRCMC) and for the day-to-day review of their implementation. Included in market risk is equity investment risk arising from equity price changes in respect of listed and unlisted investments held by the Group as approved by CIC, GRCMC and ALCO respectively.

Exposure to interest rate risk

- Trading portfolios
  Trading portfolios consist of exchange-traded bonds that bear fixed interest rates.

- Non-trading portfolios
  The principal risk to which non-trading portfolios are exposed is the risk of loss from fluctuations in the future cash flows or fair values of financial instruments because of a change in market interest rates. Interest rate risk is managed principally through monitoring interest rate gaps and by having pre-approved limits for repricing bands. ALCO is the Board-delegated monitoring committee for compliance with these limits and is assisted by Group Risk in its day-to-day monitoring activities.

Market risk on equity investments

The Group enters into Private Equity and Property Equity investments in unlisted entities in accordance with delegated authority limits as defined by the CIC. Market risk on these investments is managed in terms of the investment's purpose and strategic benefits to the Group and not only on investment returns and mark-to-market considerations. Periodic reviews and assessments are undertaken on the performance of these investments.

Currency risk

The Group incurs currency risk as a result of trade finance and foreign exchange businesses, as well as services and supplies acquired from foreign suppliers. The currencies in which the Group primarily deals are US Dollars, Pound Sterling and Euros. The Group is therefore exposed to volatility in the exchange rate of the Rand relative to these foreign currencies.

45. MARKET RISK continued

45.1 Derivative financial instruments

Derivatives are entered into in the normal course of business and no material losses are anticipated other than those which have been accounted for in profit or loss. All commitments or contingent commitments under derivative financial instruments are settled in cash.

Notional principal

Represents the gross notional value of all outstanding contracts as at year-end. The gross notional value is the sum of the absolute value of all purchases and sales of derivative instruments. This value will not affect the amount receivable or payable under a derivative contract due to the cash-settled nature of the various contracts. The gross notional value represents only the measure of involvement by the Group in derivative contracts and not its exposure to market or credit risks arising from such contracts.

Exchange rate contracts

The Group utilises forward-exchange contracts from time to time to limit the exposure to movements in the exchange rate on foreign currency liabilities.

Interest rate swaps

Interest rate swaps are used to hedge the Group's exposure to changes in the fair values of its notes and certain loans and advances attributable to changes in market interest rates. Interest rate swaps are matched to specific issuance of notes or loans and advances.

Net investment hedge

The Group uses a range forward collar contract to hedge the foreign currency translation risk on its net investment in its foreign subsidiary by limiting the risk of a decline in the net asset value of the Group's investment in Sasfin Asia Limited arising from changes in exchange rates. This hedge was terminated on 1 July 2016.

45. MARKET RISK continued

45.2 Market risk

The tables summarise the Group's exposure to interest rate risk through categorisation of assets and liabilities into time buckets, determined as being the earlier of the contractual re-pricing date or maturity.

	Up to 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
2020						
Assets						
Non-trading portfolios						
Cash and cash balances	1 418 612	306 884	5 747	–	–	1 731 243
Negotiable securities	1 270 949	594 698	581 647	495 650	211 635	3 154 579
Loans and advances	4 069 083	286 707	643 130	2 146 951	15 862	7 161 733
Total assets	6 758 644	1 188 289	1 230 524	2 642 601	227 497	12 047 555
Liabilities						
Non-trading portfolios						
Funding under repurchase agreements and interbank	1 882 806	–	–	–	–	1 882 806
Bank overdraft	151 462	–	–	–	–	151 462
Deposits from customers	3 040 516	1 109 195	920 677	68 390	–	5 138 778
Lease liabilities	65 284	1 270	600	3 112	–	70 266
Debt securities issued	–	2 743 823	–	–	–	2 743 823
Long-term loans	250 000	121 649	–	–	–	371 649
Total liabilities	5 390 068	3 975 937	921 277	71 502	–	10 358 784
Net pricing gap	1 368 576	(2 787 648)	309 247	2 571 099	227 497	1 688 771
Cumulative repricing gap	1 368 576	(1 419 072)	(1 109 825)	1 461 274	1 688 772	1 688 769
A 200 basis point interest rate change will have the following effect on profit/loss:						
200 bp parallel shock interest rate increase	(590)	(1 239)	–	–	–	(1 829)
200 bp parallel shock interest rate decrease	590	1 239		–	–	1 829
2019						
Assets						
Non-trading portfolios						
Cash and cash balances	1 312 786	–	–	–	–	1 312 786
Negotiable securities	1 500 918	331 968	506 827	737 806	–	3 077 519
Loans and advances	6 610 781	442 575	280 069	555 522	–	7 888 947
Total assets	9 424 485	774 543	786 896	1 293 328	–	12 279 252
Liabilities						
Non-trading portfolios						
Funding under repurchase agreements and interbank	2 271 610	–	–	–	–	2 271 610
Deposits from customers	3 461 584	504 698	870 920	143 865	–	4 981 067
Debt securities issued	–	2 753 521	–	–	–	2 753 521
Long-term loans	114 148	131 567	–	250 000	–	495 715
Total liabilities	5 847 342	3 389 786	870 920	393 865	–	10 501 913
Net pricing gap	3 577 143	(2 615 243)	(84 024)	899 463	–	1 777 339
Cumulative repricing gap	3 577 143	961 900	877 876	1 777 389	–	1 777 339
A 200 basis point interest rate change will have the following effect on profit/loss:						
200 bp parallel shock interest rate increase	3 125	(11 193)	–	–	–	(8 068)
200 bp parallel shock interest rate decrease	591	11 193	–	–	–	11 784

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

45. MARKET RISK continued

45.3 Currency risk

The Group incurs currency risk as a result of services and supplies acquired from foreign suppliers. The currencies in which the Company primarily deals are United States Dollars, Pound Sterling and Euro. The Group utilises forward-exchange contracts to economically hedge their estimated future foreign currency exposure from purchases.

Foreign currency risk sensitivity analysis

	US Dollar R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2020						
Forward-exchange contracts	1 783	6 430	303	223	(55 661)	(46 922)
Import bills	169 879	28 690	689	11 246	107 770	318 274
Bank balances	401 323	41 624	386	10 116	10 517	463 966
Bank overdrafts	(50 340)	(32 225)	–	–	(54 134)	(136 699)
Import suppliers	(3 960)	(534)	–	(153)	(1 341)	(5 988)
Usance creditors	(15 552)	(284)	–	–	–	(15 836)
Other payables	(330 789)	(38 676)	–	(19 859)	(10 657)	(399 981)
Total net (short)/ long position	172 344	5 025	1 378	1 573	(3 506)	176 814
Sensitivity – 5%	8 617	251	69	79	(175)	8 841
2019						
Forward-exchange contracts	(467)	–	–	–	–	(467)
Import bills	268 860	61 742	5 056	8 755	83 025	427 438
Bank balances	93 430	10 342	–	2 826	3 765	110 363
Bank overdrafts	–	(38 009)	–	–	(7 999)	(46 008)
Import suppliers	(9 810)	(7 161)	(4 560)	–	(42 506)	(64 037)
Usance creditors	(21 713)	(2 127)	–	–	–	(23 840)
Other payables	(142 336)	(30 579)	–	(9 921)	–	(182 836)
Total net (short)/ long position	187 964	(5 792)	496	1 660	36 285	220 613
Sensitivity – 5%	9 398	(290)	25	83	1 814	11 030

45. MARKET RISK continued

45.3 Currency risk continued

Analysis of assets and liabilities by currency

	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2020						
Assets						
Cash and cash balances	406 101	41 624	9 438	1 267 367	6 713	1 731 243
Trading assets	66 029	13 168	957	979 630	559	1 060 343
Negotiable securities	–	–	–	3 126 595	–	3 126 595
Trade and other receivables	90	–	–	436 533	19	436 642
Non-current assets held for sale	–	–	–	6 700	–	6 700
Loans and advances	163 437	27 509	10 722	6 406 794	866	6 609 328
Taxation	–	–	–	21 035	–	21 035
Investment securities	–	–	–	654 966	–	654 966
– Investments at fair value through profit or loss	–	–	–	528 772	–	528 771
– Equity accounted associates	–	–	–	126 195	–	126 195
Deferred tax asset	–	–	–	36 808	–	36 808
Property, equipment and right-of-use-assets	–	–	–	103 551	–	103 551
Investment property	–	–	–	13 123	–	13 123
Intangible assets and goodwill	–	–	–	205 206	–	205 206
Total assets	635 657	82 301	21 117	13 258 308	8 157	14 005 540
Liabilities						
Funding under repurchase agreements and interbank	28 754	50 340	–	1 803 712	–	1 882 806
Trading liabilities	68 090	12 910	907	917 432	503	999 842
Current taxation liabilities	–	–	–	3 963	–	3 963
Trade and other payables	350 300	39 494	20 012	367 899	6 083	783 788
Provisions	–	–	–	41 628	–	41 628
Bank overdraft	–	3 471	–	147 497	494	151 462
Deposits from customers	–	–	–	5 138 777	–	5 138 777
Lease liabilities	–	–	–	70 266	–	70 266
Debt securities issued	–	–	–	2 743 823	–	2 743 823
Long-term loans	–	–	–	371 649	–	371 649
Deferred tax liability	–	–	–	94 531	–	94 531
Total liabilities	447 144	106 215	20 919	11 701 177	7 080	12 282 535

45. MARKET RISK continued

45.3 Currency risk continued

Analysis of assets and liabilities by currency *continued*

	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2019						
Assets						
Cash and cash balances	238 180	29 733	5 951	1 033 542	5 380	1 312 786
Trading assets	–	–	–	1 187 523	–	1 187 523
Negotiable securities	–	–	–	3 077 519	–	3 077 519
Trade and other receivables	472	–	–	410 304	–	410 776
Loans and advances	268 160	61 214	8 674	7 156 282	5 178	7 499 509
Taxation	–	–	–	23 799	–	23 799
Investment securities	–	–	–	735 411	–	735 411
– Investments at fair value through profit or loss	–	–	–	622 995	–	622 995
– Equity accounted associates	–	–	–	112 416	–	112 416
Deferred tax asset	–	–	–	34 907	–	34 907
Property, equipment and right-of-use assets	–	–	–	75 245	–	75 245
Investment property	–	–	–	8 900		8 900
Intangible assets and goodwill	–	–	–	235 028	–	235 028
Total assets	506 812	90 947	14 625	13 978 460	10 558	14 601 402
Liabilities						
Funding under repurchase agreements and interbank	43 647	30 542	–	2 197 421	–	2 271 610
Trading liabilities	–	–	–	1 175 828	–	1 175 828
Current taxation liability	–	–	–	4 526	–	4 526
Trade and other payables	110 880	47 919	41 771	698 551	–	899 119
Provisions	–	–	–	57 695	–	57 695
Bank overdraft	–	–	–	46 008	–	46 008
Deposits from customers	–	–	–	4 981 067	–	4 981 067
Lease liabilities	–	–	–	–	–	–
Debt securities issued	–	–	–	2 753 521	–	2 753 521
Long-term loans	–	–	–	495 715	–	495 715
Deferred tax liability	–	–	–	138 929	–	138 929
Total liabilities	154 527	78 459	41 771	12 549 261	–	12 824 018

45. MARKET RISK continued

45.4 Derivative financial instruments

	Within 1 year R'000	Net fair value R'000	Positive fair value R'000	Negative fair value R'000	Notional principal R'000
2020					
Exchange rate contracts	719	719	85 174	(84 455)	3 296 487
Interest rate swaps	(16 983)	(16 983)	–	(16 983)	2 417 499
Total derivatives	(16 264)	(16 264)	85 174	(101 438)	5 713 986
2019					
Exchange rate contracts	4 210	4 210	38 349	(34 139)	3 601 677
Interest rate swaps	(4 876)	(4 876)	658	(5 534)	1 630 257
Total derivatives	(666)	(666)	39 007	(39 673)	5 231 934

46. CAPITAL MANAGEMENT

The Group manages its capital to achieve a prudent balance between maintaining appropriate capital levels to support business growth and depositors' confidence, and to provide stakeholders with returns on a sustainable basis.

The key fundamentals of the Group's capital management policy are to ensure that the Group is adequately capitalised to support its risk profile and to develop risk management techniques and internal controls to manage and monitor the risks of the Group.

Key objectives of capital management are to:

- ensure that the Group has sufficient qualifying capital resources to meet the minimum regulatory capital requirements as set by the SARB in accordance with the Basel III Accord and the Group's Board Risk Appetite;
- ensure that the available capital resources of the Group are sufficient to support the economic capital requirements of the Group;
- optimise return on regulatory and economic capital by providing investors with above market-related returns on a sustainable basis;
- generate sufficient capital to support organic and new business growth objectives of the Group;
- allocate capital to businesses to support the strategic and growth objectives of the Group; and
- ensure that the Group is sufficiently capitalised to withstand the impact of potential stress events within the parameters of an appropriate capital buffer.

The Board is responsible for assessing and approving the Group's capital management framework, capital plans and capital buffer. The capital plans and buffer are set annually and reviewed quarterly or when the economy shows signs of stress. The Board has tasked the GRCMC to ensure the Group is in compliance with the capital management objectives. The GRCMC meets on a quarterly basis to review the regulatory and economic capital adequacy of the Group. The capital adequacy of the Group is reported to the Board on a quarterly basis.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

46. CAPITAL MANAGEMENT continued

Capital adequacy (unaudited)

The Group has developed and implemented a capital management framework, which ensures that the Group is adequately capitalised in terms of its regulatory and economic capital requirements, taking into account its risk profile, internal target ratios and stress testing.

The capital management framework and processes ensure the Group maintains adequate capital levels for legal and regulatory compliance purposes. The Group ensures that its actions do not compromise sound corporate governance and appropriate business practices.

The Group has adopted the aggregation approach for consolidation in terms of the Basel III regulations where the capital resources and requirements of the banking and financial entities within the Group are consolidated.

Regulatory capital (unaudited)

In terms of the requirements of the Banks Act, the Group has complied with the minimum capital requirements for the year under review.

The Group's regulatory capital is split into two tiers:

- Tier 1 capital is split into Common Equity Tier 1 capital and Additional Tier 1 capital, includes ordinary share capital, share premium, appropriated earnings and qualifying preference share capital.
- Tier 2 capital includes subordinated term debt after regulatory adjustments.

The minimum capital requirements are defined by two ratios and amount to:

- Tier 1 capital as a percentage of risk-weighted assets; and
- total qualifying capital as a percentage of risk-weighted assets.

	2020 % Unaudited	2019 % Audited
Common Equity Tier 1 Capital	15.707	14.260
Additional Tier 1 Capital	0.420	0.582
Total Tier 1 Capital	16.127	14.842
Tier 2 Capital	0.864	0.827
Total capital	16.991	15.669
Stakeholder capital adequacy ratio minimum requirements		
Regulator:		
– Notional Common Equity Tier 1	8.000	8.500
– Notional Total Tier 1	10.000	10.750
– Total capital	12.500	13.500

47. SEGMENT REPORTING

	2020 South Africa R'000	2020 Asia Pacific R'000	2020 Total R'000	2019 South Africa R'000	2019 Asia Pacific R'000	2019 Total R'000
Geographical segments						
External revenue	1 118 305	28 195	1 146 450	1 199 509	27 351	1 262 840
Segment assets	13 487 002	518 537	14 005 539	14 078 139	523 263	14 691 402

	Banking R'000	Wealth R'000	Capital R'000	Sasfin Holdings and Group eliminations R'000	Total R'000
Business segments 2020					
Interest income	1 578 029	39 808	62 205	(394 493)	1 285 549
Interest expense	(1 079 118)	(46 607)	(48 539)	395 030	(779 234)
Net interest income	498 911	(6 799)	13 666	537	506 315
Non-interest income	286 543	320 224	43 410	(9 997)	640 180
Total income	785 454	313 425	57 076	(9 460)	1 146 495
Credit impairment charges	(234 927)	–	(24 911)	7 220	(252 618)
Net income after impairments	550 527	313 425	32 165	(2 240)	893 877
Operating costs	(601 923)	(269 179)	(98 232)	10 294	(959 040)
Staff costs	(340 281)	(117 004)	(55 326)	(4 994)	(517 605)
Depreciation[1]	(46 358)	(6 926)	(867)	–	(54 151)
Amortisation[1]	(33 517)	(5 699)	(274)	–	(39 490)
Other operating expenses	(165 116)	(139 550)	(41 765)	15 288	(331 143)
Goodwill and intangible asset impairments	(16 651)	–	–	–	(16 651)
Profit from operations	(51 396)	44 246	(66 067)	8 054	(65 163)
Share of associate income	–	20 161	–	–	20 161
Profit before income tax	(51 396)	64 407	(66 067)	8 054	(45 002)
Income tax expense	14 813	(7 913)	(6 038)	986	1 848
Profit for the year	(36 583)	56 494	(72 105)	9 040	(43 154)
Segment assets	11 751 527	1 358 624	1 156 166	(260 777)	14 005 540
Segment liabilities	10 413 805	1 080 661	1 079 968	(291 899)	12 282 535

[1] *There has been a further disaggregation to better reflect segment reporting.*

47. SEGMENT REPORTING continued

	Banking R'000	Wealth R'000	Capital R'000	Sasfin Holdings and Group eliminations R'000	Total R'000
Business segments					
2019					
Interest income	1 233 820	49 421	43 065	3 845	1 330 151
Interest expense	(726 380)	(51 496)	(49 598)	(3 405)	(830 879)
Net interest income	507 440	(2 075)	(6 533)	440	499 272
Non-interest income	320 864	304 330	102 628	(234)	727 588
Total income	828 304	302 255	96 095	206	1 226 860
Credit impairment charges	(80 019)	–	(339)	–	(80 358)
Net income after impairments	748 285	302 255	95 756	206	1 146 502
Operating costs	(579 266)	(268 681)	(106 415)	(4)	(954 366)
Staff costs	(321 098)	(116 528)	(62 537)	(4 258)	(504 421)
Depreciation	–	–	–	–	–
Amortisation	–	–	–	–	–
Other operating expenses	(252 113)	(152 153)	(37 883)	4 254	(437 895)
Goodwill and intangible asset impairments	(6 055)	–	(5 995)	–	(12 050)
Profit from operations	169 019	33 574	(10 659)	202	192 136
Share of associate income	–	19 138	11	–	19 149
Profit before income tax	169 019	52 712	(10 648)	202	211 285
Income tax expense	(43 673)	(12 361)	7 709	(507)	(48 832)
Profit for the year	125 346	40 351	(2 939)	(305)	162 453
Segment assets	12 339 439	1 532 868	1 021 895	(292 800)	14 601 402
Segment liabilities	11 069 105	1 287 063	778 221	(310 371)	12 824 018

48. SUBSEQUENT EVENTS

48.1 Sasfin Asia Limited

During the year under review, Sasfin Asia Limited suffered a loss amounting to $540 000 due to a fraud event, which has been recognised in full in the annual financial statements. Subsequent to year-end, Sasfin has received judgement in its favour in terms of which $286 000 (plus interest and costs) will be recovered.

49. GOING CONCERN

49.1 COVID-19 pandemic

The COVID-19 pandemic had a significant impact on the global economy. The South African economy has been struggling over the last few years, culminating in the sovereign downgrade in March 2020, and COVID-19 exacerbated this position with GDP falling by 51% in the last quarter of our financial year. The Group posted a decline in headline earnings of 130% year on year, posting a loss of R43.15 million for the full year to June 2020. This is largely due to the significant increase in IFRS 9 credit impairments and the marked decline in mark-to-market valuations on the private and property equity portfolio. Our Wealth business posted healthy operating profits which increased by 23% to R65 million to June 2020. Despite the overall poor performance, directors are of the view that the Group is a going concern. The Group has a healthy liquidity and capital position, with our LCR and CAR above the regulatory minimums set by the SARB. Daily liquidity and capital models exist which are used to proactively manage both the Group's liquidity and capital positions. These are subject to oversight by ALCO. The directors believe that the Group has adequate financial resources to continue for the foreseeable future, and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and, together with measures taken to strengthen the liquidity and capital base, is well positioned to take advantage of both organic and acquisitive opportunities. The directors are not aware of any material changes that may adversely impact the Group.

SEPARATE STATEMENT OF FINANCIAL POSITION

AT 30 JUNE 2020

	Accounting policy	Note	2020 R'000	2019 R'000
ASSETS				
Cash and cash balances	1.1	1	5 747	7 462
Trade and other receivables	1.12	2	23 484	15 610
Current taxation asset	1.15		107	–
Deferred tax asset	1.15	3	2 280	725
Investments in subsidiaries and structured entities	1.2	4	515 500	516 152
Total assets			547 118	539 949
LIABILITIES				
Current taxation liability	1.15		–	380
Trade and other payables	1.12	5	9 457	3 474
Total liabilities			9 457	3 854
EQUITY				
Ordinary share capital	1.9	6	323	323
Ordinary share premium	1.9	7	163 363	163 363
Reserves	1.9		185 889	184 323
Preference share capital	1.9	8	18	18
Preference share premium	1.9	9	188 068	188 068
Total equity			537 661	536 095
Total liabilities and equity			547 118	539 949

SEPARATE STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Accounting policy	Note	2020 R'000	2019 R'000
Interest and similar income	1.13	11	310	265
Interest income calculated using the effective interest method			310	265
Interest and similar expense		12	(21)	–
Interest expense calculated using the effective interest method	1.13		(21)	–
Net interest income			289	265
Non-interest income			65 526	88 764
Net fee and commission income	1.13	13	12 526	11 636
Fee and commission income			18 385	17 262
Fee and commission expense	1.13		(5 859)	(5 626)
Other income		14	53 000	77 128
Total income			65 815	89 029
Credit impairment charges	1.12.4 & 2.1.1	15	(4 766)	–
Net income after impairments			61 049	89 029
Total operating costs			(13 616)	(11 755)
Staff costs	1.14	16	(4 994)	(4 259)
Other operating expenses		17	(7 814)	(7 496)
Impairment on non-financial assets	1.11	18	(808)	–
Profit before income tax			47 433	77 274
Total income tax	1.5	19	1 058	(428)
Total comprehensive income for the year			48 491	76 846
Profit attributable to:			48 491	76 846
Preference shareholders			15 029	14 955
Equity holders of the Group			33 462	61 891

SEPARATE STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital and premium R'000	Distributable reserves R'000	Total ordinary shareholders' equity R'000	Preference share capital and premium R'000	Total shareholders' equity R'000
2020					
Opening balance at 1 July 2019	163 686	184 323	348 009	188 086	536 095
Total comprehensive income for the year	–	33 462	33 462	15 029	48 491
Profit for the year	–	33 462	33 462	15 029	48 491
Dividends to preference shareholders	–	–	–	(15 029)	(15 029)
Dividends to ordinary shareholders	–	(31 896)	(31 896)	–	(31 896)
Balance at 30 June 2020	163 686	185 889	349 575	188 086	537 661
2019					
Opening balance at 1 July 2018	163 686	172 253	335 939	188 086	524 025
Total comprehensive income for the year	–	61 891	61 891	14 955	76 846
Profit for the year	–	61 891	61 891	14 955	76 846
Dividends to preference shareholders	–	–	–	(14 955)	(14 955)
Dividends to ordinary shareholders	–	(49 821)	(49 821)	–	(49 821)
Balance at 30 June 2019	163 686	184 323	348 009	188 086	536 095

SEPARATE STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 R'000	2019 R'000
Cash flows from operating activities			
Interest received		310	265
Interest paid		(21)	–
Fee and commission income received		18 385	17 262
Fee and commission expense paid		(5 859)	(5 626)
Net trading and other income/(expenses)		–	128
Cash payments to employees and suppliers		(12 808)	(11 755)
Cash inflow from operating activities	20.1	7	274
Dividends received		53 000	77 000
Taxation paid	20.2	(984)	137
Dividends paid	20.3	(46 925)	(64 774)
Cash flows from operating activities before changes in operating assets and liabilities		5 098	12 637
Changes in operating assets and liabilities		(6 657)	(9 424)
(Increase)/Decrease in other receivables		(12 640)	(10 180)
Increase in trade and other payables		5 983	–
Increase in provisions		–	756
Net cash from operating activities		(1 559)	3 213
Cash flows from investing activities		(156)	–
Further investment in the Share Incentive Trust		(156)	–
Net increase/(decrease) in cash and cash balances		(1 715)	3 213
Cash and cash equivalents at beginning of the year	1	7 462	4 249
Cash and cash balances at the end of the year		5 747	7 462

NOTES TO THE SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

		2020 R'000	2019 R'000
1.	**CASH AND CASH BALANCES**		
	Funds on call	5 747	7 462
		5 747	7 462
2.	**TRADE AND OTHER RECEIVABLES**		
	Prepaid expenses	352	173
	Receivables from companies in the Group	23 132	15 437
		23 484	15 610
3.	**DEFERRED TAX ASSETS AND LIABILITIES**		
	Deferred tax assets	2 280	725

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020 Assets R'000	2020 Net R'000	2019 Assets R'000	2019 Net R'000
Prepayments	(74)	(74)	(35)	(35)
Provisions	2 354	2 354	760	760
Net tax assets/(liabilities)	2 280	2 280	725	725

Movements in temporary differences during the year	Balance at 1 July R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
2020			
Prepayments	(35)	(39)	(74)
Provisions	760	1 594	2 354
	725	1 555	2 280
2019			
Prepayments	(71)	36	(35)
Provisions	400	360	760
	329	396	725

		2020 R'000	2019 R'000
4.	**INVESTMENTS IN SUBSIDIARIES AND STRUCTURED ENTITIES**		
	Unlisted investments		
	Ordinary Shares at carrying amount at the beginning of the year	515 356	515 356
	Share Incentive Trust	796	796
		516 152	516 152
	Further investment in the Share Incentive Trust	156	–
	Less: Impairment of investment in Sasfin Capital (Pty) Ltd	(808)	–
		515 500	516 152

NOTES TO THE SEPARATE FINANCIAL STATEMENTS CONTINUED

FOR THE YEAR ENDED 30 JUNE 2020

		2020 R'000	2019 R'000
5.	**TRADE AND OTHER PAYABLES**		
	Value Added Taxation	79	470
	Audit fees and other services	3 774	2 713
	Other payables	4 637	275
	Accruals	857	16
	Payables to entities in the Group	110	–
		9 457	3 474
6.	**ORDINARY SHARE CAPITAL**		
	Authorised		
	100 000 000 (2019: 100 000 000) ordinary shares with a par value of 1 cent each	1 000	1 000
	Issued		
	32 196 882 (2019: 32 196 882) ordinary shares with a par value of 1 cent each	323	323
	Balance at the beginning of the year	323	323
	Balance at the end of the year	323	323
	Reconciliation of the number of shares issued		
	Total shares in issue (number)	32 301 441	32 301 441
	Less: Treasury shares held by the Sasfin Share Incentive Trust (number)	(12 017)	(12 017)
	Less: Treasury shares held by SasSec (number)	(92 542)	(92 542)
		32 196 882	32 196 882
7.	**ORDINARY SHARE PREMIUM**		
	Balance at the beginning of the year	163 363	163 363
	Balance at the end of the year	163 363	163 363
8.	**PREFERENCE SHARE CAPITAL**		
	Authorised preference share capital		
	5 000 000 (2019: 5 000 000) non-redeemable, non-cumulative, non-participating variable rate preference shares with a par value of 1 cent each	50	50
	Issued preference share capital		
	1 797 226 (2019: 1 797 226) non-redeemable, non-cumulative, non-participating variable rate preference shares with a par value of 1 cent each	18	18
	Preference shares are listed under the 'Specialist Securities – Preference Shares' sector of the JSE. Dividends are paid semi-annually at a rate of 82.5% of the ruling prime rate when declared.		
9.	**PREFERENCE SHARE PREMIUM**		
	Balance at the beginning of the year	188 068	188 068
	Balance at the end of the year	188 068	188 068
10.	**COMMITMENTS AND CONTINGENT LIABILITIES**		
	Guarantees (refer to note 21.4)	814 028	1 103 922
		814 028	1 103 922
11.	**INTEREST INCOME**		
	Interest income calculated using the effective interest method	310	265
	Deposits with banks	310	265
		310	265
12.	**INTEREST EXPENSE**		
	Interest expense calculated using the effective interest method	21	–
	Other deposits and loan accounts	21	–
		21	–

		2020 R'000	2019 R'000
13.	**NET FEE AND COMMISSION INCOME**		
	Fee and commission income	18 385	17 262
	Other fee and commission income	18 385	17 262
	Fee and commission expense	5 859	5 626
	Administration fee expense	5 859	5 626
	Net fee and commission income	12 526	11 636
14.	**OTHER INCOME**		
	Dividend income	53 000	77 000
	Sundry income	–	128
		53 000	77 128
15.	**CREDIT IMPAIRMENT CHARGES RECOGNISED IN PROFIT OR LOSS**		
	Net ECL recognised		
	Financial guarantees[1]	4 766	–
16.	**STAFF COSTS**		
	Non-Executive Directors' remuneration	4 994	4 259
		4 994	4 259
17.	**OTHER OPERATING EXPENSES**		
	The following items are included in operating expenses		
	Fees paid to auditors	4 822	3 998
	Audit fees – Current year	3 774	2 713
	– Underprovision prior year	1 048	1 285
	Consulting fees	83	416
18.	**IMPAIRMENTS ON NON-FINANCIAL ASSETS**		
	Investment in subsidiaries	808	–
		808	–
19.	**INCOME TAX EXPENSE**		
	Current tax expense	497	824
	Current year	497	824
	Deferred tax expense	(1 555)	(394)
	Current year	(1 555)	(394)
		(1 058)	428
	Reconciliation of taxation rate	%	%
	South African normal tax rate	28.00	28.00
	Adjusted for:	(30.23)	(27.40)
	Exempt income	(31.29)	(27.50)
	Non-deductible expenses	0.58	0.10
	Impairment	0.48	–
	Effective rate	(2.23)	0.60

[1] *These arise on the guarantees issued in respect of subsidiaries. These are all stage 1 and there have been no transfers between stages during the year. We have applied the general model with forward-looking information in order to calculate the ECL to be recognised. For the exposure amount refer to note 21.4.*

		2020 R'000	2019 R'000
20.	**NOTES TO THE STATEMENT OF CASH FLOWS**		
20.1	**Cash inflow from operating activities**		
	Reconciliation of operating profit to cash flows from operating activities		
	Profit before income tax	47 433	77 274
	Dividend received	(53 000)	(77 000)
	Credit impairment charges on intercompany receivables	4 766	
	Impairment of investment in subsidiary	808	
		7	274
20.2	**Taxation paid**		
	Unpaid at the beginning of the year	(380)	(581)
	Charge to the income statement	(497)	823
	Unpaid at the end of the year	(107)	(379)
		(984)	(137)
20.3	**Dividends paid**		
	Charge to distributable reserves	46 925	64 774
	Total dividends paid	46 925	64 774
21.	**RELATED-PARTY TRANSACTIONS**		
21.1	**Intercompany receivables with entities in the Group**		
	Receivables from subsidiaries		
	Sasfin Bank Ltd	2 810	–
	Sasfin Capital (Pty) Ltd	20 650	15 437
	Total loans to entities in the Group	23 460	15 437
21.2	**Transactions with subsidiaries**		
	Interest received	310	248
	Dividend received	53 000	64 000
	Dividends paid on treasury shares	(103)	(159)
	Management fees	18 385	18 413
21.3	**Funds on call and deposits with subsidiaries**		
	Sasfin Bank Ltd	5 747	7 462
		5 747	7 462
21.4	**Financial guarantees issued in respect of subsidiaries**		
	The Company has guaranteed the debt exposures of certain of its subsidiaries, as set out below.		
	Sasfin Asia Ltd[1]	347 668	281 472
	Sasfin Bank Ltd[2]	116 360	472 450
	Sasfin Securities (Pty) Ltd[3]	100 000	100 000
	Sasfin Private Equity Investment Holdings (Pty) Ltd[4]	250 000	250 000
		814 028	1 103 922

[1] *Guarantee of $20 million with the IFC as the beneficiary.*
[2] *Guarantee with the Dutch development bank FMO and DEG as the beneficiary.*
[3] *Guarantee with Nedbank as the beneficiary.*
[4] *Guarantee on the ABSA preference shares issued by SPEIH.*

22. CLASSIFICATION OF ASSETS AND LIABILITIES

Accounting classification and fair values

The table below sets out the Group's classification of each class of financial assets and liabilities, their fair values and carrying amounts.

Assets	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2020			
Cash and cash balances	5 747	–	5 747
Trade and other receivables	23 484	–	23 484
Current taxation asset	–	107	107
Deferred tax asset	–	2 280	2 280
Investments in subsidiaries and structured entities	–	515 500	515 500
Total assets	29 231	517 887	547 118

Liabilities	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2020			
Trade and other payables	9 457	–	9 457
Total liabilities	9 457	–	9 457

Assets	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2019			
Cash and cash balances	7 462	–	7 462
Trade and other receivables	15 610	–	15 610
Deferred tax asset	–	725	725
Investments in subsidiaries and structured entities	796	515 356	516 152
Total assets	23 868	516 081	539 949

Liabilities	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2019			
Current taxation liability	–	380	380
Trade and other payables	3 474	–	3 474
Total liabilities	3 474	380	3 854

GLOSSARY OF TERMS

TERM	DEFINITION
AGM	Annual General Meeting
ALCO	Asset and Liability Committee
ATFS	Absa Technology Finance Solutions (Proprietary) Limited
Basel III	Set of reform measures, in addition to Basel II, to strengthen the regulation, supervision and risk management of the banking sector
Benal	Benal Property Investments (Proprietary) Limited
CAR	Capital Adequacy Ratio
CGU	Cash-generating unit
CIC	Capital Investment Committee
CLEC	Credit and Large Exposures Committee
Companies Act	Companies Act, No 71 of 2008, as amended
DFI	Development Finance Institutions
EAD	Exposure at Default
ECL	Expected Credit Losses
Efficient	Efficient Group Limited
Fintech	Fintech (Proprietary) Limited
FVTPL	Fair Value Through Profit or Loss
GACC	Group Audit and Compliance Committee
GIA	Group Internal Audit
GRCMC	Group Risk and Capital Management Committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
INBR	Incurred but not reported
IRBA	Independent Regulatory Board for Auditors
ISAs	International Standards on Auditing
JSE	Johannesburg Stock Exchange Limited
LGD	Loss Given Default
Libor	London Interbank Offered Rate
PA	Prudential Authority
PD	Probability of Default
PwC	PricewaterhouseCoopers Inc.
REMCO	Remuneration Committee
Reporting date	30 September 2020
SAICA	South African Institute of Chartered Accountants
SAL	Sasfin Asia Limited
SAM	Sasfin Asset Managers (Proprietary) Limited
SARB	South African Reserve Bank
SasCred	SasCred Financial Services Limited
Sasfin	Sasfin Holdings Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Proprietary) Limited
SCS	Sasfin Commercial Solutions (Proprietary) Limited
SENS	Stock Exchange News Service
SICR	Significant Increase in Credit Risk
SPAS	Share Price Appreciation Scheme
SPEIH	Sasfin Private Equity Investment Holdings (Proprietary) Limited
SPPI	Solely Payments of Principal and Interest
The Bank	Sasfin Bank Limited
The Banking Group	Sasfin Bank Limited and its subsidiaries
The Company	Sasfin Holdings Limited
The Group	Sasfin Holdings Limited and its subsidiaries
TTD	Time to Default
TVM	Time Value of Money
USD	United States Dollar
WACC	Weighted Average Cost of Capital
WIPHOLD	Women Investment Portfolio Holdings Limited
ZAR	South African Rand

CORPORATE DETAILS

Country of incorporation and domicile	South Africa
Independent Non-Executive Chair	Roy Andersen[1]
Executive directors	Michael Sassoon (Chief Executive Officer) Angela Pillay (Financial Director)
Independent Non-Executive Directors	Richard Buchholz (Lead) Deon de Kock Grant Dunnington[1] Thabang Magare Mark Thompson Eileen Wilton
Non-Independent, Non-Executive Directors	Gugu Dingaan Nontobeko Ndhlazi Roland Sassoon Shaun Rosenthal (Alternate)
Group Company Secretary	Charissa de Jager
Transfer secretaries	Computershare Investor Services (Proprietary) Limited Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg 2196
Lead sponsor	Sasfin Capital (Proprietary) Limited (a member of the Sasfin Group)
Independent sponsor	Deloitte & Touche Sponsor Services (Proprietary) Limited
Auditors	PricewaterhouseCoopers Inc
Registered office	29 Scott Street Waverley Johannesburg 2090
Postal address	PO Box 95104 Grant Park Johannesburg 2051
Website	www.sasfin.com
E-mail	investorrelations@sasfin.com
Company registration number	1987/002097/06
Tax reference number	9300/204/71/7

[1] *Despite their tenure exceeding nine years, the Prudential Authority approved Roy Andersen to be regarded as an Independent Non-Executive Director and Chair until March 2023 and Grant Dunnington to be regarded as an Independent Non-Executive Director until the Group's AGM in 2021.*

GREYMATTER & FINCH # 12992

www.sasfin.com | 0861 SASFIN

sasfin
beyond a bank

Holdings
Limited