sasfin Holdings Limited

# Pillar III Risk Management Report

30 June 2022

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# 1. Introduction

The risk and capital management report (Pillar 3 disclosure) provides information regarding the activities of Sasfin Holdings Limited and Sasfin Bank Limited in accordance with:

- The Basel Committee on Banking Supervision's (BCBS) revised Pillar 3 disclosure requirements (Pillar 3 standard), BCBS 309 published in January 2015, and the consolidated and enhanced framework, BCBS 400 published in March 2017; and
- Regulation 43 of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act 94 of 1990, Directive D1/2019 on Matters related to Pillar 3 disclosure requirement framework and all other Pillar 3 disclosure-related directives issued by the Prudential Authority (PA).

The information in this report applies mainly to banking operations, relates to risks directly impacting capital, liquidity and other regulatory ratios and is audited. Disclosures are prepared on a prospective basis. Monetary values are expressed in rand thousands.

For the reporting period, 30 June 2022 (compared to June 2021), the Board and senior management are satisfied that Sasfin Holdings Limited (Group) and Sasfin Bank Limited's risk and capital management processes are operating effectively, that business activities have been managed within the enterprise risk management framework, and that the Group is adequately capitalised and funded to support the execution of its strategy.

This report has been internally verified through the group's governance processes, in line with the group's Public Disclosure Policy, which describes the responsibilities of senior management and the board in the preparation and review of the Pillar 3 disclosure and aims to ensure that:

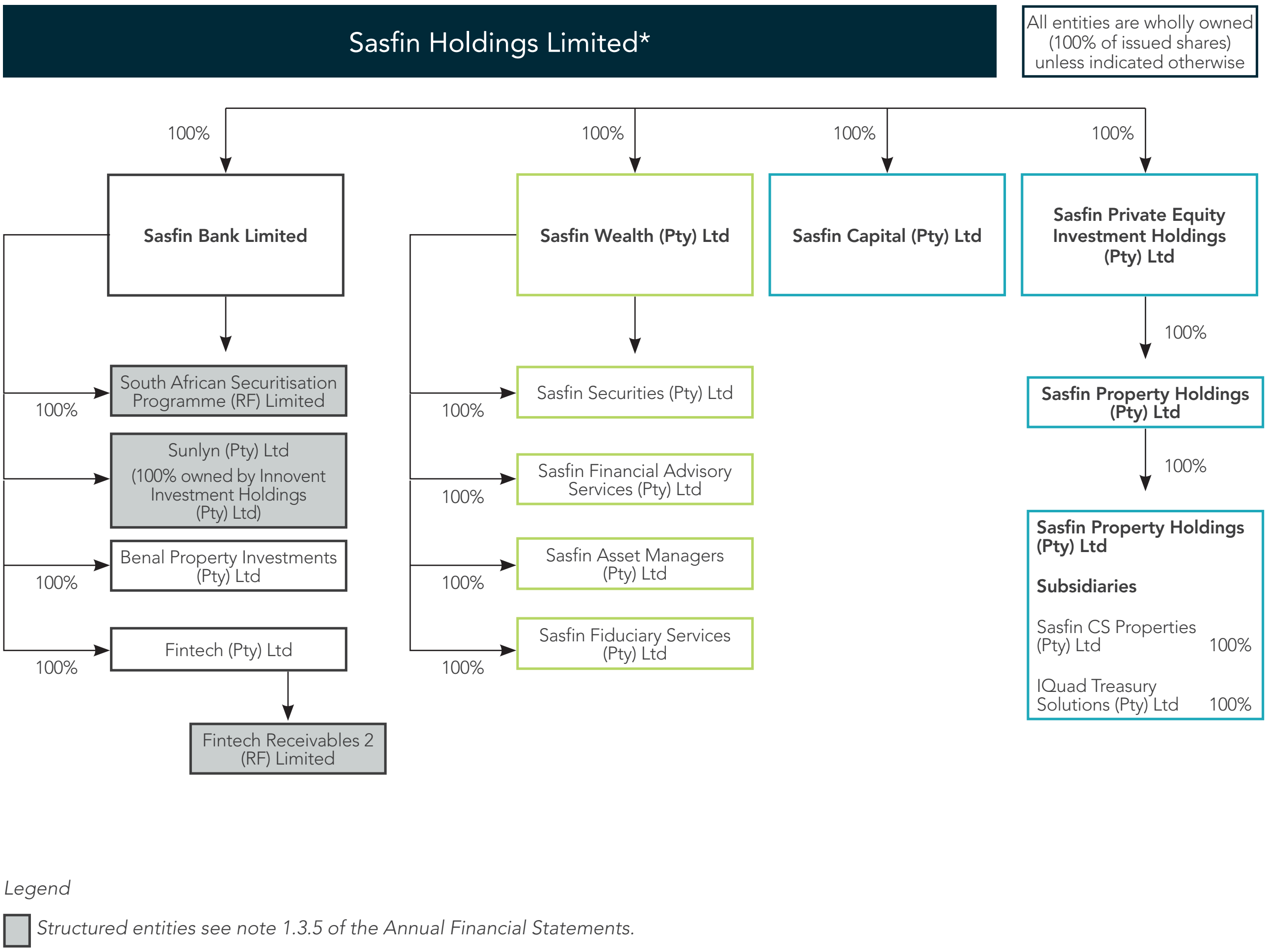
- Appropriate internal control processes and procedures relating to qualitative and quantitative information are followed;
- The changing nature of user needs as well as the regulatory environment in terms of qualitative and quantitative information are monitored and understood;
- The relevance, frequency and materiality of public information is constantly assessed; and
- Material risks are identified.

In this regard, the board and senior management have ensured that the appropriate procedures were followed in the preparation, review and sign-off of all disclosures. The board is satisfied that the Pillar 3 disclosures have been prepared in line with the Public Disclosure Policy, that appropriate internal control processes and review have been applied, and that the Pillar 3 disclosure complies with the relevant disclosure requirements.

# 1. Introduction *continued*

## 1.1. Group legal structure

Disclosure in this report is presented on a bank solo and consolidated basis for the Group. The consolidation is similar to that used for reporting to the Prudential Authority (SARB). Refer to note 3.3. for list of material entities that are included.




All entities are incorporated in South Africa.

* *Shareholders of Sasfin Holdings Limited*

- *Unitas Enterprises Limited (2022: 47.72%; 2021: 46.62%), a wholly owned company of The Erwin Discretionary Settlement Trust, of which Roland Sassoon and Michael Sassoon are discretionary beneficiaries.*
- *Wipfin Investments (Proprietary) Limited (2022: 25.10%; 2021: 25.10%), a wholly owned subsidiary of Women Investment Portfolio Holdings Limited (WIPHOLD).*
- *Public (2022: 22.73%; 2021: 23.83%).*
- *Sasfin Share Incentive Trust (2022: 4.45%; 2021: 4.45%).*

Sasfin Bank has agreed to provide financial support to SASP in the form of subordinated loan funding. The undertaking to support shall not in any way affect the Group's solvency or liquidity.

# 1. Introduction *continued*

## 1.2. Group strategy

**Sasfin assists our clients to grow their businesses and global wealth, supporting job creation and sustainable socioeconomic development. Our personal touch, digital platforms and agility allow us to compete effectively.**

Sasfin contributes to society by going beyond a bank to enable growth in the businesses and global wealth of our clients. By supporting business growth, our products and services drive employment, alleviate poverty, and grow the tax base. Helping investors grow their wealth improves savings rates.

Our strategy guides our day-to-day actions to drive long-term value creation. It focuses on meeting the needs of our five primary client segments, while ensuring that our business remains profitable and sustainable in the best interest of all stakeholders. Our business model aims to deliver innovative client-centric solutions while ensuring strong corporate governance. Our high-performing human capital, personal service, strong brand, broad range of digitalised products, and solid balance sheet differentiate us from peers and new entrants.

Our agile, high-touch model means that we deliver solutions based on a deep understanding of our clients that help them grow their businesses and wealth. This approach enables us to compete effectively against the large players.

# 2. Risk management overview

## 2.1. The year in review

Following the initial measures to respond to the Covid-19 pandemic in 2020 and the subsequent 2nd, 3rd and 4th waves – in 2022 we began to resume normal business operations. The lessons learnt of how we reacted during the pandemic to the 'new normal' of working from home have, however, been integrated into our hybrid working model.

Looking beyond the immediate threat and ongoing effects of Covid-19, the war in Ukraine came at a time when many countries were still struggling to recover from the destabilizing effects of the pandemic, which caused economic slowdown, significant loss of productivity, worsening inequalities, planetary pressures, and in some cases security challenges.

Amid these unparalleled times, Sasfin's organisational resilience and quality of risk management have been tested and heightened due to a variety of factors influencing the environment in which we operated. These include (but are not limited to):

- Ongoing Regulatory changes e.g., Data privacy: The focus on POPIA and the regulatory compliance following its operationalisation as from 1 July 2021 as well as the increased focus on Conduct Risk;
- Economic pressures due to the war in Ukraine – volatile markets with fuel and food price hikes that could have a lasting impact on the economy;
- Technological advances and innovation in digital solutions;
- Political and social instability;
- Adapting to the Hybrid working model;
- Ongoing threat of Cyber Risk and External Fraud; and
- Extreme weather events and long-term shifts in climate negatively impacting the creditworthiness of clients, and adversely affecting asset prices (Increased focus within the banking industry and by Regulators).

Though risk management has always been a vital component within Sasfin, the priority, scope and value of the function as a whole has escalated.

Risk management oversight and decisioning, have become more critical to our success than ever before.

We are of the opinion that we have a sound risk management program in place for the effective identification and analysis of business exposures as well as the ability to develop and implement procedures to minimize the total cost of risk.

The elements of governance, the risk management environment, information and communication technology, operational resilience and the role of disclosure are integrated components of the Enterprise Risk Management Framework of the group.

## 2.2. Risk culture

Risk culture encompasses the awareness, attitudes and behaviours of management and employees that drive risk, such as being responsible and accountable for our own actions, as well as being collaborative, ethical and compliant.

It is a good indicator of how widely the Group's risk management policies and practices have been adopted.

An effective risk culture enables and rewards the right level of informed risk taking. It includes a distinct and consistent tone from the top in respect of risk taking and avoidance, commitment to ethical principles and a transparent and timely flow of risk information without fear of blame.

# 2. Risk management overview *continued*

## 2.2. Risk culture *continued*

Sasfin expects all employees to demonstrate the highest level of integrity by being transparent and proactive in disclosing and managing all types of risks. Appropriate risk-taking behaviours are rewarded and encouraged, and inappropriate behaviours are challenged and sanctioned. Support functions must adopt a constructive and collaborative approach in providing oversight, challenge and facilitate the decision-making process in a clear and timely manner.

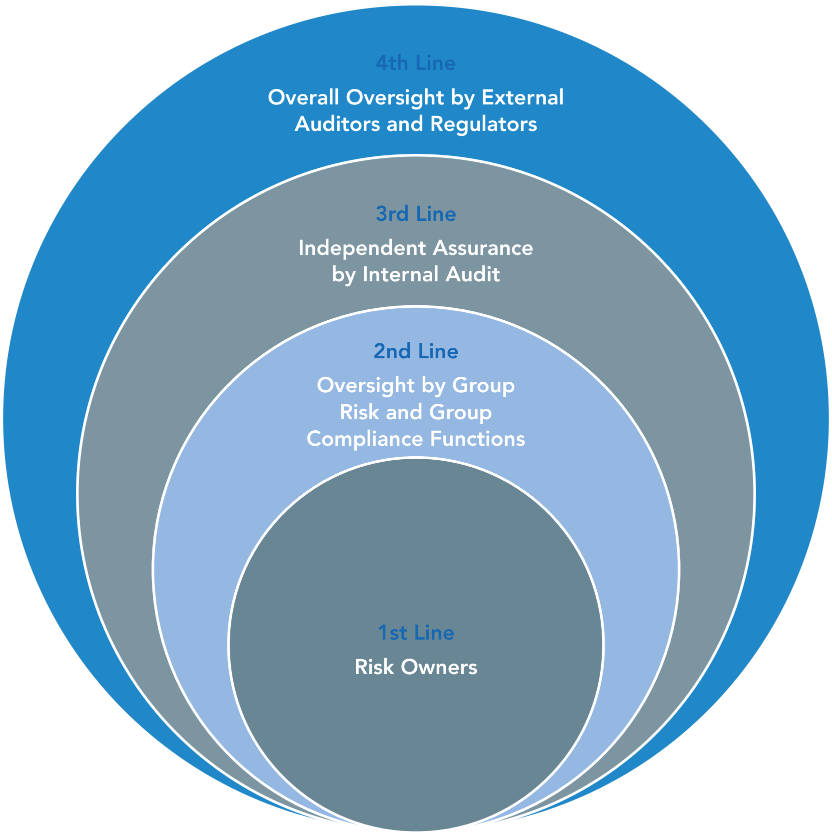
## 2.3. Risk governance

The Group's governance structure makes provision for the governance of risk to identify, assess, manage and communicate risks. Risk is managed in every part of the Group. Every employee of Sasfin has the responsibility for managing risk.

Our governance framework enables the proper allocation of authority and responsibility in terms of risk management and provides clear guidance for our way of work. It defines the boundaries within which directors, management and employees are expected to work and promotes an environment that supports compliance, sound risk management, clarity and accountability. It further enables the decision-making process and allows the Board to monitor and oversee risk management. Management structures and committees across key areas ensure managerial oversight and integrity of information.

Integrating risk management is a dynamic and iterative process, part of the group's purpose, governance, leadership and commitment, strategy, objectives, and operations.

The group's combined assurance model is based on a "four lines of defence" model that provides clear roles and responsibilities to each line of defence. This model distinguishes between functions owning and managing risk, functions overseeing risk, and functions providing assurance as depicted in the diagram below:

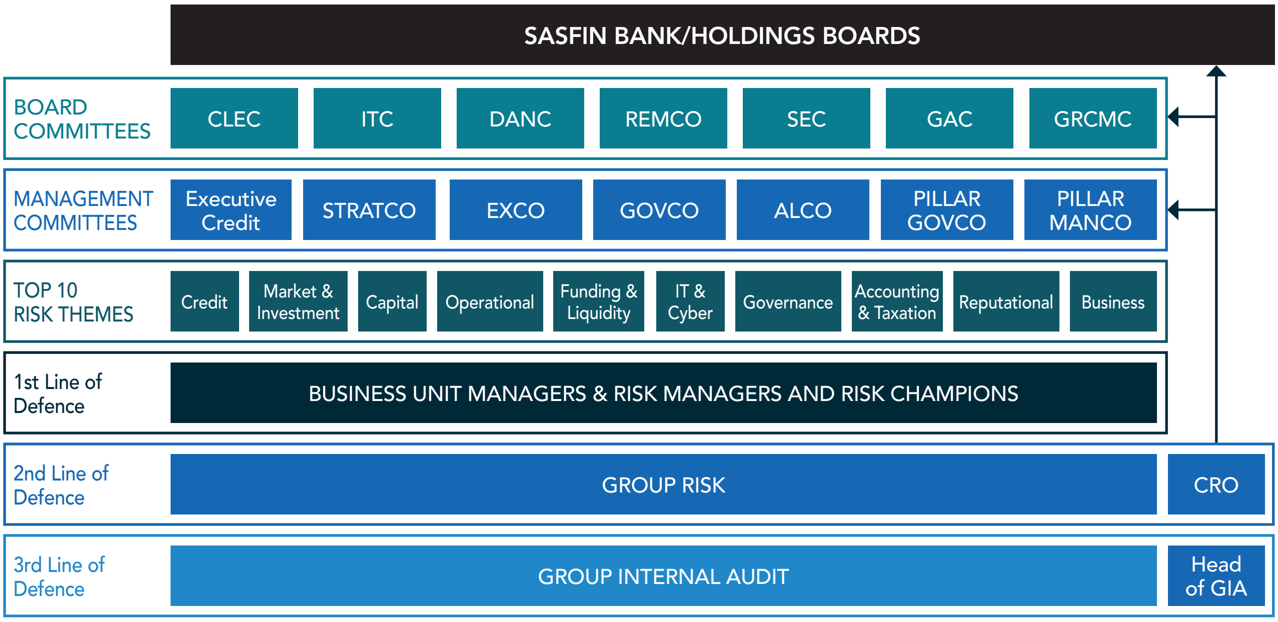


# 2. Risk management overview *continued*

## 2.4. Risk governance structure

The Board is ultimately responsible for risk management, sets the risk appetite and approves the policies and limits, which are applied throughout the Group through risk appropriate tolerance limits and structures. The Board is supported by the board committees and management committees to discharge its duties.

The below diagram outlines the governance structures that support the governance of risk.




Sasfin's external context includes but is not limited to its operating environment (social, political, legal, regulatory, economic, financial, technological factors), external stakeholders (clients, regulators, investors, funders, shareholders), contractual relationships, reputation and commitments.

The internal context includes but is not limited to Sasfin's purpose, values and behaviours, organisational structures, culture, capabilities, interdependencies and interconnections. The tone from the top is full commitment to risk management and risk management activities within the Group. Authorities, roles and responsibilities have been clearly defined with respect to risk management.

*EXCO – Group Executive Committee*
*GOVCO – Governance Committee, as sub-committee of EXCO*
*Pillar MANCO – Pillar management Committees*

## 2.4. Risk governance structure *continued*

The Board has delegated the primary oversight of controls to its committees, but remains accountable. The Board approves the Committees' charters, and Committees report to the Board on all key risk matters and activities on a quarterly basis or as and when material issues arise. The main risk-related responsibilities of the Board committees are:

| Board Committees | Responsibilities |
|---|---|
| Group Risk and Capital Management Committee (GRCMC) | • Provide independent oversight of the Group's risk management policies and procedures and its compliance thereof in accordance with the approved risk management framework of the Boards.<br>• Evaluation of adequacy and effectiveness of risk policies, procedures, practices, and controls.<br>• Monitor the Group's risk profile and ensure key risks are identified and reported, including capital management policy and capital planning initiatives.<br>• Consider and approve certain secured and unsecured transaction proposals within the Group, in accordance with Board's risk appetite.<br>• Monitor and oversee all aspects of the Group's Asset and Liability management (including balance sheet management), as reported on to the Committee at each meeting by the ALCo (an executive management committee).<br>• Review risk appetite and tolerance levels and monitor adherence of the various limits established, and report any breaches to the Board.<br>• Consider reports on risks within the Group, including top risks and risks addressed by other Board Committees, as well as risk management assessments (and ratings), and management's response thereto. |
| Directors' Affairs and Nominations Committee (DANC) | • Evaluate adequacy, efficiency and appropriateness of corporate governance structure and practices.<br>• Monitor directors' responsibilities and performance.<br>• Statutory functions in terms of Section 64B of the Banks Act.<br>• Monitor compliance risk and oversee the role of the Group Compliance function. This function will be assigned to the Group Audit Committee from November 2022.<br>• Fulfil the role of a Board nominations committee. |
| Group Audit Committee (GAC) | • Provide independent oversight of the effectiveness of the Group's assurance functions and services, with focus on combined assurance and the finance function.<br>• Provide independent oversight of the integrity of the annual financial statements and other external reports.<br>• Internal and external audit.<br>• Accounting policies and financial reporting.<br>• Internal controls and systems.<br>• Compliance with statutory and regulatory reporting frameworks. |
| Information Technology Committee (ITC) | • Oversee information and technology matters.<br>• Monitor the execution of IT strategy in support of the Group strategy.<br>• Oversee, monitor, and evaluate significant IT investments.<br>• Oversee information security, cybersecurity and governance of IT risk. |
| Social and Ethics Committee (SEC) | • Oversight and reporting on social and economic development, organisational ethics, responsible corporate citizenship, sustainable development, stakeholder relationships, client relationships, brand and reputation, environmental, health and safety matters, labour and employment matters and transformation initiatives.<br>• Reviewing the strategy and monitoring implementation and compliance in terms of the Financial Sector charter and the B-BBEE codes of good practice. |
| Group Human Resources and Remuneration Committee (REMCO) | • Human capital matters<br>• Remuneration and incentives<br>• Remuneration and human capital policies and procedures |
| Credit and Large Exposures Committee (CLEC) | • Credit risk management policy and procedures<br>• Defining credit policy and guidelines<br>• Reviewing compliance with approved credit and investment policies<br>• Assessing and approving the Group's large exposures and specialised finance transactions<br>• Assessing and approving the valuations of investments in these portfolios |

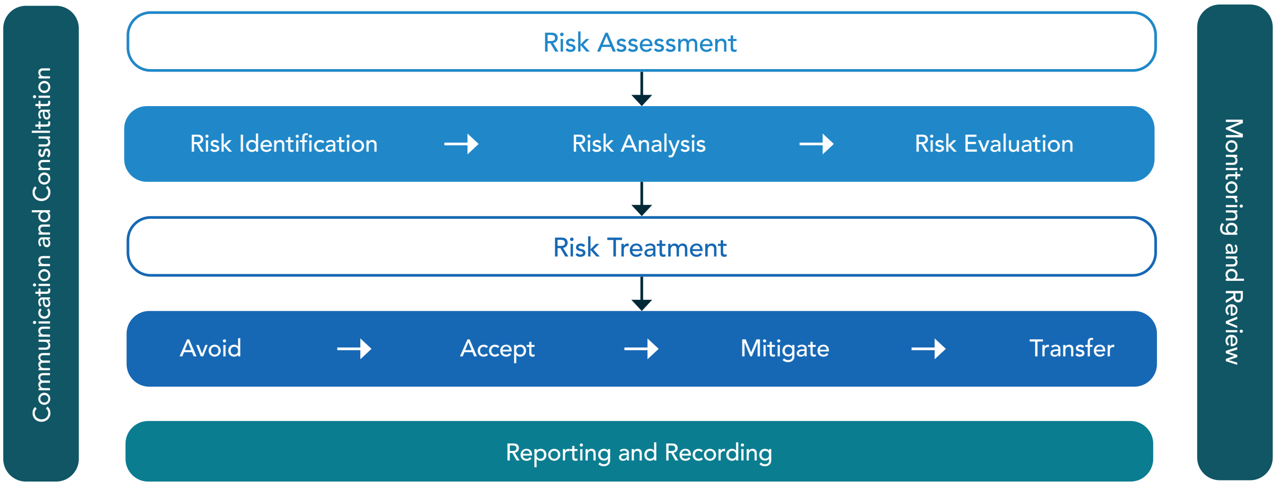
# 2. Risk management overview *continued*

## 2.5. Enterprise risk management framework and processes

The Enterprise risk management framework provides the architecture for the overall management and control of all identified risks and for the implementation of risk management principles across Sasfin.

Enterprise risk management (ERM) includes the methods and processes used by the Group to manage risks and seize opportunities related to the achievement of its objectives. It provides a framework for risk management, which typically involves identifying particular events or circumstances relevant to the organisation's objectives, assessing them in terms of likelihood and magnitude of impact, determining a response strategy, and monitoring progress.

The risk management processes are considered adequate and commensurate with the complexity and risk maturity of the Group. They are informed and governed by the Enterprise Risk Framework with clear lines of responsibility as per the four lines of defence model. They are an integral part of management and decision-making and are integrated into the structure, operations and processes of the Group. The risk management process can be defined as follows:




## 2.6. Risk information reporting

Accurate, complete and timely data is the foundation for effective risk management. To manage risk effectively, timeous and accurate information is distributed to all relevant stakeholders. Reports submitted to relevant governance forums or decision-makers are based on risk data that is accurate, clear and complete to ensure sound decision making.

Reports that are provided to the committees contain forward-looking analysis, coverage of emerging risks, risk related to industry concentration and expected performance in normal and stress scenarios where applicable.

Business units document and implement preventative, detective and / or corrective controls to ensure data quality and to ensure that risk reporting standards are defined and adhered to.

### Risk data aggregation and risk reporting (RDARR)

The BCBS published BCBS 239 – Principles for effective risk data aggregation and risk reporting in January 2013. The RDARR principles seek to improve data aggregation capabilities and internal risk reporting practices. In short, effective implementation of the principles is expected to enhance the Group's risk management and decision-making processes.

Sasfin completed its RDARR regulatory project in December 2021 and was deemed to be fully compliant with all 11 principles as set out in the BCBS 239 document, as attested to by Group Internal Audit.

## 2.7. Combined assurance

In line with our risk-based approach, Sasfin's Chief Risk Officer leads the combined assurance approach enabling assurance providers to deliver deeper insights on governance, risk, and control management to senior management and the Group Audit Committee.

Sasfin's approach to combined assurance ensures alignment of control validation/assurance approaches and efforts across the Group, driving efficiency and the appropriate levels of comfort.

Our risk based approach to combined assurance ensures:

- Application of a common risk and assurance language;
- Coordinated and relevant assurance efforts are directed to the risks that matter most;
- Commitment to enhance controls is demonstrated;
- Consolidated reporting / dashboards that provide an integrated, insightful view;
- Assurance activities produce valuable, integrated data, based on collaboration and not silos;
- Reduction in assurance costs through elimination of duplication and better resource allocation;
- A reduction in the repetition of reports by different committees, resulting in improved and more efficient reporting; and
- A comprehensive and prioritised approach in tracking of remedial actions on identified opportunities/weaknesses;

The forums are split into an Executive forum and an Operational forum and consist of representatives from Internal Audit, Group Risk and Group Compliance.

The Combined Assurance forums function as influential bodies independent from business. Their activities are overseen by the Governance Committee and Group Audit Committee.

### Risk Management

Group Risk reports directly to the GAC quarterly and provides an annual report that includes assurance mapping to key risks that impact the Group's strategic objectives, and provides combined assurance over the Group's risk management, governance, and internal controls over financial and regulatory reporting.

### Compliance

Group Compliance works with management and the business units to identify and manage regulatory risk to comply with relevant legislation, enable effective monitoring of compliance, enhance the culture of compliance, coordinate compliance activities across Sasfin and ensure that the Group keeps up to date with local and international development and trends in compliance.

Sasfin takes a risk-based approach to compliance monitoring, supported by the Group's combined assurance model, which drives a focus on material risks and efforts by the relevant control units to mitigate such risks. Group Compliance operates across all Group Pillars and business units, aligning with the requirements of the regulatory framework introduced by the Financial Sector Regulation Act, 2017 (Twin Peaks).

### Internal audit

Group Internal Audit provides independent assurance to the Board on the effectiveness of the risk management process in relation to the risks faced by the Group through the following:

- Developing a risk-based internal audit programme that is reviewed and updated quarterly, and approved by the GAC;
- Auditing the control processes over highest risks across the organisation;
- Receiving and providing assurance on the management of risk; and
- Reporting on the adequacy and effectiveness of internal controls, risk management, and governance processes.

## 2.8. Risk appetite

A Risk appetite is a necessary tool for Sasfin to set the boundaries within which executive teams and the business execute strategies and take risks. It is set at board level.

Risk appetite is generally expressed through both qualitative and quantitative means and considers extreme conditions, events, and outcomes.

The risk appetite statement (RAS) is board-approved and defines the types and aggregate levels of risk that Sasfin is willing to accept in pursuit of business objectives. The RAS is implemented through a risk appetite framework, which includes standardised language, policies, processes, systems, and tools used to establish, communicate, and monitor risk appetite.

Any breach of Board limits is reported to the Board, and the Board will then take appropriate action to ensure that the risk is mitigated and managed in a timely manner.

Risk appetite adherence is consistently embedded in all risk-related policies and guidelines.

## 2.9. Stress testing

Stress tests provide a forward-looking view of all risks in scope to estimate the potential impact on the Sasfin Group. Stress testing captures the material and relevant risks identified in the forward-looking risk identification process.

Stress testing is performed in Sasfin to support several key business processes, namely:

- Risk appetite setting and measurement;
- Strategic and financial planning;
- Internal Capital Adequacy Assessment Process (ICAAP), including capital planning and the setting of capital buffers;
- Internal Liquidity Adequacy Assessment Process (ILAAP), including liquidity planning and setting of liquidity buffers;
- Identification and mitigation of risks through the review and challenge of limits, restraining of exposures and/or hedging of underlying risks;
- Development and review of contingency and recovery plans;
- Communication with internal and external stakeholders (inter alia Rating Agencies and Regulators) of the sensitivity of Sasfin Group to external events and macro-economic downturn; and
- Regulatory stress test requirements.

Stress testing is performed at varying frequencies depending on the business needs and includes the following two approaches:

- Scenario analysis – applying historical and/or hypothetical circumstances to assess the impact of a possible future event on a financial system, sector, bank, and portfolio/product; and
- Sensitivity analysis – assessing the impact of a change of a single or limited set of risk factors on the Group's current or future risk profile. Relevant factors are identified such as macroeconomic risk factors (e.g., interest rates), credit risk factors (e.g., a shift in probability of defaults) and external events (e.g., market events) for the analysis.

# 2. Risk management overview *continued*

## 2.9. Stress testing *continued*

| Type of stress test | Purpose | Scenario type | Approach | Frequency |
|---|---|---|---|---|
| Enterprise-wide stress testing. | Conduct across all key risk types to provide complete and holistic picture of risks. | Selected economic scenarios spanning multiple years, targeting the group's risk profile and strategy, and considering geographical locations. | Top-down approach used. | At least annually as part of ICAAP process. |
| Risk type stress testing. | Set liquidity and capital buffers. | Sensitivity stress tests to determine the effect of a single or multiple risk factor shock on the respective business unit portfolio. | Bottom up approach within the business units. | Ad hoc but at least quarterly. |
| Reverse and Business Model stress testing. | Identify adverse circumstances which would cause the business model to become non-viable and explore recovery options under these stresses. | Start with a business failure outcome and analyse different scenarios under which such failures may occur. | Group Risk apply stress tests to business unit outcomes. | At least annually as part of Annual Recovery Plan process and liquidity planning process. |

Group Internal Audit reviews stress testing outcomes as part of the ICAAP and budget process annually. Stress testing outcomes are reviewed by the Governance committee, Executive committee, ALCO and approved by the GRCMC. Back testing of stress testing outcomes is performed every three months.

## 2.10. Overview of risk weighted assets

The following table provides the risk-weighted assets (RWA) per risk type and the associated minimum capital requirements. Additional disclosures for each risk type namely credit risk, counterparty credit, equity investment risk, securitisation, market risk, and operational risk are included in the sections to follow.

### OV1: Overview of RWA

| | | Sasfin Holdings Limited | | | |
|---|---|---|---|---|---|
| | | a | b | | c |
| | | RWA | | | Minimum capital require-ments |
| | | Jun-22 | Mar-22[1] | Jun-21[1] | Jun-22 |
| R'000 | | T | T-1 | T | T |
| 1 | Credit risk (excluding counterparty credit risk) | 6 167 598 | 5 556 843 | 5 090 470 | 678 436 |
| 2 | Of which: standardised approach (SA) | 6 167 598 | 5 556 843 | 5 090 470 | 678 436 |
| 3 | Of which: foundation internal ratings-based (F-IRB) approach | – | – | – | – |
| 4 | Of which: supervisory slotting approach | – | – | – | – |
| 5 | Of which: advanced internal ratings-based (A-IRB) approach | – | – | – | – |
| 6 | Counterparty credit risk (CCR) | 94 247 | 94 283 | 78 190 | 10 367 |
| 7 | Of which: standardised approach for counterparty credit risk | 94 247 | 94 283 | 78 190 | 10 367 |
| 8 | Of which: Internal Model Method (IMM) | – | – | – | – |
| 9 | Of which: other CCR | – | – | – | – |
| 10 | Credit valuation adjustment (CVA) | 18 079 | 15 263 | 6 331 | 1 989 |
| 11 | Equity positions under the simple risk weight approach | 342 961 | 352 605 | 341 484 | 37 726 |
| 12 | Equity investments in funds – look-through approach | 309 745 | 333 178 | 243 689 | 34 072 |
| 13 | Equity investments in funds – mandate-based approach | – | – | – | – |
| 14 | Equity investments in funds – fall-back approach | – | – | – | – |
| 15 | Settlement risk | – | – | – | – |
| 16 | Securitisation exposures in the banking book | 334 185 | 333 781 | 333 975 | 36 760 |
| 17 | Of which: securitisation internal ratings-based approach (SEC-IRBA) | – | – | – | – |
| 18 | Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach | – | – | – | – |
| 19 | Of which: securitisation standardised approach (SEC-SA) | 334 185 | 333 781 | 333 975 | 36 760 |
| 20 | Market risk | 315 | 452 | 19 651 | 35 |
| 21 | Of which: standardised approach (SA) | 315 | 452 | 19 651 | 35 |
| 22 | Of which: internal model approaches (IMA) | – | – | – | – |
| 23 | Capital charge for switch between trading book and banking book | – | – | – | – |
| 24 | Operational risk | 1 918 001 | 1 750 375 | 1 719 649 | 210 980 |
| 25 | Amounts below thresholds for deduction (subject to 250% risk weight) | 35 757 | 39 374 | 32 957 | 3 933 |
| 26 | Aggregate capital floor applied | – | – | – | – |
| 27 | Floor adjustment (before application of transitional cap) | – | – | – | – |
| 28 | Floor adjustment (after application of transitional cap) | – | – | – | – |
| **29** | **Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)** | **9 220 888** | **8 476 155** | **7 866 396** | **1 014 298** |

[1] *Restated. Please refer to note 49 of the Annual Financial Statements for additional information on pages 111 to 114.*

## 2.10. Overview of risk weighted assets *continued*

### OV1: Overview of RWA *continued*

| | | Sasfin Bank Limited | | | |
|---|---|---|---|---|---|
| | | a | b | | c |
| | | RWA | | | Minimum capital require-ments |
| | | Jun-22 | Mar-22[1] | Jun-21[1] | Jun-22 |
| R'000 | | T | T-1 | T | T |
| 1 | Credit risk (excluding counterparty credit risk) | 5 127 664 | 4 315 822 | 3 826 829 | 564 043 |
| 2 | Of which: standardised approach (SA) | 5 127 664 | 4 315 822 | 3 826 829 | 564 043 |
| 3 | Of which: foundation internal ratings-based (F-IRB) approach | – | – | – | – |
| 4 | Of which: supervisory slotting approach | – | – | – | – |
| 5 | Of which: advanced internal ratings-based (A-IRB) approach | – | – | – | – |
| 6 | Counterparty credit risk (CCR) | 94 247 | 94 283 | 78 190 | 10 367 |
| 7 | Of which: standardised approach for counterparty credit risk | 94 247 | 94 283 | 78 190 | 10 367 |
| 8 | Of which: Internal Model Method (IMM) | – | – | – | – |
| 9 | Of which: other CCR | – | – | – | – |
| 10 | Credit valuation adjustment (CVA) | 18 079 | 15 263 | 6 331 | 1 989 |
| 11 | Equity positions under the simple risk weight approach | 288 244 | 284 479 | 280 761 | 31 707 |
| 12 | Equity investments in funds – look-through approach | 309 745 | 333 178 | 243 689 | 34 072 |
| 13 | Equity investments in funds – mandate-based approach | – | – | – | – |
| 14 | Equity investments in funds – fall-back approach | – | – | – | – |
| 15 | Settlement risk | – | – | – | – |
| 16 | Securitisation exposures in the banking book | 334 185 | 333 781 | 333 975 | 36 760 |
| 17 | Of which: securitisation internal ratings-based approach (SEC-IRBA) | – | – | – | – |
| 18 | Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach | – | – | – | – |
| 19 | Of which: securitisation standardised approach (SEC-SA) | 334 185 | 333 781 | 333 975 | 36 760 |
| 20 | Market risk | 315 | 452 | 19 651 | 35 |
| 21 | Of which: standardised approach (SA) | 315 | 452 | 19 651 | 35 |
| 22 | Of which: internal model approaches (IMA) | – | – | – | – |
| 23 | Capital charge for switch between trading book and banking book | – | – | – | – |
| 24 | Operational risk | 1 069 566 | 1 004 414 | 1 026 963 | 117 652 |
| 25 | Amounts below thresholds for deduction (subject to 250% risk weight) | 435 | – | – | 48 |
| 26 | Aggregate capital floor applied | | | | – |
| 27 | Floor adjustment (before application of transitional cap) | – | – | – | – |
| 28 | Floor adjustment (after application of transitional cap) | – | – | – | – |
| **29** | **Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)** | 7 242 480 | 6 381 672 | 5 816 388 | 796 673 |

[1] *Restated. Please refer to note 49 of the Annual Financial Statements for additional information on pages 111 to 114.*

# 3. Basis of preparation

## 3.1. Risk measurement approaches

The group applies the following Regulatory demand measurement approaches when determining its Pillar 1 capital requirements:

| Risk type | Measurement approach |
|---|---|
| Credit Risk | Standardised approach |
| Counterparty Credit risk | Standardised approach |
| Securitisation | Standardised approach |
| Equity investment in funds | Look-through approach |
| Equity positions in funds | Simple risk weighted approach |
| Market risk | Standardised approach |
| Operational risk | Basic Indicator approach (BIA) |
| Other assets | Standardised approach |

## 3.2. Accounting policies and valuation methodologies

The principal accounting policies and valuation methodologies applied are set out on pages 24 to 47 of the Group's Audited Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

## 3.3. Linkages between financial statements and regulatory exposures

The difference in approach between Basel regulatory reporting and statutory accounting reporting is set out below for material entities:

| Entity | Statutory accounting treatment | Basel III regulatory treatment |
|---|---|---|
| Sasfin Bank Limited | Consolidated | Consolidated |
| Fintech (Pty) Ltd | Consolidated | Consolidated |
| Benal Property Investments (Pty) Ltd | Consolidated | Consolidated |
| Sunlyn (Pty) Ltd | Consolidated | Consolidated |
| Innovent | Fair value through profit or loss | Fair value through profit or loss |
| Sasfin Wealth (Pty) Ltd | Consolidated | Consolidated |
| Sasfin Securities (Pty) Ltd | Consolidated | Consolidated |
| Sasfin Financial Advisory Services (Pty) Ltd | Consolidated | Consolidated |
| Sasfin Asset Managers (Pty) Ltd | Consolidated | Consolidated |
| Sasfin Wealth Investment Platform (Pty) Ltd | Consolidated | Consolidated |
| Sasfin Private Equity Investment Holdings (Pty) Ltd | Consolidated | Consolidated |
| Sasfin Property Holdings (Pty) Ltd | Consolidated | Consolidated |
| South African Securitisation Programme (RF) Ltd | Consolidated | Equity accounted |

## 3.4. LI1: differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

The carrying values under the scope of regulatory consolidation below are based on the SARB's regulatory requirements, while the financial statement carrying values are based on IFRS requirements.

**Sasfin Holdings Limited**

| | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|
| | | | Carrying values of items: | | | | |
| | Carrying values as reported in published financial statements | Carrying values under scope of regulatory consolidation | Subject to credit risk framework | Subject to counterparty credit risk framework | Subject to the securitisation framework | Subject to the market risk framework | Not subject to capital requirements or subject to deduction from capital |
| **Assets** | | | | | | | |
| Cash and cash balances | 884 495 | 833 549 | 833 549 | – | – | – | 50 946 |
| Negotiable securities | 1 790 340 | 1 790 340 | 1 790 340 | – | – | – | – |
| Trading assets | 547 848 | 220 193 | – | 219 878 | – | 315 | 327 655 |
| Trade and other receivables | 745 903 | 711 060 | 711 060 | – | – | – | 34 843 |
| Non-current assets held for sale | – | – | – | – | – | – | – |
| Loans and advances | 8 130 704 | 5 219 827 | 4 885 642 | – | 334 185 | – | 2 910 877 |
| Current taxation asset | 39 766 | 3 062 | 3 062 | – | – | – | 36 704 |
| Investment securities | 584 147 | 584 147 | 584 147 | – | – | – | – |
| Investments at fair value through profit and loss | 529 397 | 529 397 | 529 397 | – | – | – | – |
| Equity accounted associates | 54 750 | 54 750 | 54 750 | – | – | – | – |
| Property, equipment and right-of-use assets | 183 082 | 183 082 | 183 082 | – | – | – | – |
| Investment property | 20 138 | 20 138 | 20 138 | – | – | – | – |
| Intangible assets and goodwill | 144 729 | – | – | – | – | – | 144 729 |
| Deferred tax asset | 45 380 | – | – | – | – | – | 45 380 |
| **Total assets** | **13 116 532** | **9 565 398** | **9 011 020** | **219 878** | **334 185** | **315** | **3 551 134** |
| **Liabilities** | | | | | | | |
| Funding under repurchase agreements and interbank | 803 976 | 803 976 | – | – | – | – | 803 976 |
| Trading liabilities | 518 596 | 518 596 | – | – | – | – | 518 596 |
| Current taxation liability | 1 364 | 1 364 | – | – | – | – | 1 364 |
| Trade and other payables | 945 020 | 945 020 | – | – | – | – | 945 020 |
| Bank overdraft | 68 541 | 68 541 | – | – | – | – | 68 541 |
| Provisions | 69 348 | 69 348 | – | – | – | – | 69 348 |
| Lease liabilities | 157 116 | 157 116 | – | – | – | – | 157 116 |
| Deposits from customers | 5 233 182 | 5 233 182 | – | – | – | – | 5 233 182 |
| Debt securities issued | 2 991 426 | 2 991 426 | – | – | – | – | 2 991 426 |
| Long-term loans | 499 521 | 499 521 | – | – | – | – | 499 521 |
| Deferred tax liability | 144 696 | 144 696 | – | – | – | – | 144 696 |
| **Total liabilities** | **11 432 786** | **11 432 786** | **–** | **–** | **–** | **–** | **11 432 786** |

# 3. Basis of preparation *continued*

## 3.5. LI2: main sources of differences between regulatory exposure amounts and carrying values in financial statements

Sasfin Holdings Limited

| | | a | b | c | d | e |
|---|---|---|---|---|---|---|
| | | | | Items subject to: | | |
| | | Total | Credit risk framework | Securiti-sation framework | Counter-party credit risk framework | Market risk framework |
| **1** | **Asset carrying value amount under scope of regulatory consolidation (as per LI1)** | **9 565 398** | **9 011 020** | **334 185** | **219 878** | **315** |
| 2 | Liabilities carrying value amount under regulatory scope of consolidation (as per LI1) | **–** | **–** | **–** | **–** | **–** |
| 3 | Total net amount under regulatory scope of consolidation | **9 565 398** | **9 011 020** | **334 185** | **219 878** | **315** |
| 4 | Off-balance sheet amounts | **818 530** | **818 530** | **–** | **–** | **–** |
| 5 | Differences in valuation | **(94 107)** | **(94 107)** | **–** | **–** | **–** |
| 6 | Differences due to different netting rules, other than those already included in row 2 | **547 848** | **547 848** | **–** | **–** | **–** |
| 7 | Difference due to consideration of provisions | **–** | **–** | **–** | **–** | **–** |
| 8 | Differences due to prudential filters | **–** | **–** | **–** | **–** | **–** |
| 9 | | **–** | **–** | **–** | **–** | **–** |
| **10** | **Exposure amounts considered for regulatory purposes** | **10 837 669** | **10 283 291** | **334 185** | **219 878** | **315** |

## 3.6. Prudent valuation adjustments

Sasfin measures certain assets and liabilities at fair value. 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.

For Sasfin's valuation methodologies refer to Note 2.5 Fair value of the accounting policies on pages 45 and 46 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

Regulatory frameworks require financial institutions to apply prudent valuation to all fair value assets and liabilities. Prudent valuations may differ from the fair value in terms of IFRS and such differences are directly deducted from CET 1 capital. Sasfin considers any differences between IFRS fair value and prudent value to be immaterial.

# 4. Credit risk

**Credit risk is the risk of financial loss resulting from a client's failure to meet a contractual repayment obligation. This includes concentration to a particular group of clients and credit default risk on a payment obligation.**

## 4.1. General information about credit risk

### 4.1.1. Risk identification and risk management

The direct and indirect granting of credit to its client base is a major source of income for Sasfin group. Equally it also creates a major source of risk. The business strives to achieve a professionally delivered, soundly based, diversified, and well spread credit portfolio which optimises the risk/return relationship. In pursuit of this goal, our approach is to understand the diversity of risk and to manage it with a strong emphasis on risk reduction/mitigation, thereby maximising returns for the risk assumed.

We base our extension of credit on sound criteria, which include financial justification, the type of business or occupation of the borrower, personal integrity of the owner and ability of the borrower to repay, geographical location, industry exposure, developments in the client's marketplace, the overall state of the economy as well as political, social, and demographic developments, and other key factors as could be applicable to each application under consideration. The integrity of both the borrower and lender is paramount in any business relationship.

Basic to all credit applications is the need to satisfy ourselves that the business of the borrower has the capacity to deploy its assets in a way that will generate sufficient earnings and cash flows, on a sustainable basis, to enable the repayment of our facilities in line with the credit approval and terms of the legal agreements concluded with Sasfin.

Although justification for the granting of a facility could be found in the security, the general policy is to find primary justification in the merits of the business, the borrower's standing and in the transaction itself. It is not our policy to finance purely on the strength of the presence of an important well-known name.

Sasfin's post implementation credit management requires regular reviews of the credit risk on all revolving facilities, as well as the security associated with such facilities, to ensure that Sasfin's risk position remains acceptable. Such valuation of security is done on a conservative basis, considering the type and nature of the assets, as well as the risk, timing and costs associated with disposal of the assets.

Sasfin's credit policies are conservative with proper regard to mix of risk and reward. The objective is to ensure that, through the appropriate pricing of facilities and services, an acceptable return will be generated relative to the capital resources and risk that will be assumed by Sasfin. Returns are assessed based on ROE targets, which targets must be approved by the Board from time to time.

As a method of enhancing the monitoring and risk management of clients showing early signs of higher risk, such clients will be classified as High Care. The aim is to monitor these clients closely and take early corrective action to manage them back to a normal level of risk and prevent them from becoming a problem account or be better prepared and/or secured should they become a problem account.

### 4.1.2. Governance

The credit risk management and control function consist of the following committees:

| Level | |
|---|---|
| 4 | Credit and Large Exposure Committee |
| 3 | Executive Credit Committee |
| | Workout Committee |
| 2 | Management Credit Committee, Equipment Finance Credit Committee and Capital Equipment Finance Credit Committee |
| 1 | Individual & Dual mandate Approvals |

# 4. Credit risk *continued*

## 4.1. General information about credit risk *continued*

### 4.1.3. Credit oversight

- The Group Risk and Capital Management Committee (GRCMC) is a sub-committee of the Board, and is ultimately responsible for the aggregated risk of the Group.
- The Credit and Large Exposures Committee (CLEC) is a sub-committee of the Board, mandated by the Board to oversee all matters relating to credit risk, including large exposures, and is responsible for approval of credit policies, setting guidelines, and reviewing compliance with approved policies. The CLEC is responsible for the approval of all credit applications, credit reviews and risk management reports within its mandate, in addition to its credit portfolio oversight, which includes a semi-annual review of all facilities that fall within its approval mandate.
- The Executive Credit Committee (ECC) is responsible for approval of all credit applications, credit reviews and risk management reports within its mandate and recommends to CLEC all matters above its mandate.
- The Management Credit Committee (MCC) is responsible for the approval of all Business & Commercial Banking credit applications, credit reviews and risk management reports within its mandate and recommends to ECC all applications above mandate.
- The Equipment Finance Credit Committees is responsible for the approval of all Equipment Finance credit applications, credit reviews and risk management reports within its mandate and recommends to ECC all applications above mandate.
- The Capital Equipment Finance Credit Committees is responsible for the approval of all Capital Equipment Finance credit applications, credit reviews and risk management reports within its mandate and recommends to ECC all applications above mandate.
- The Workout Committee is responsible for approval of all credit and legal requests relating to exposures under business rescue, in voluntarily or final liquidation or classified as problem accounts, within its mandate, and it recommends to CLEC all matters above its mandate.

Individual and dual mandate holders are responsible for the approval of all credit applications, credit reviews and risk management reports within their mandate and recommend to the MCC all applications above their mandates.

### 4.1.4. Large exposures

- The CLEC is the ultimate credit sanctioning authority in the Group, responsible for the approval of all aggregated exposures that exceed 10% of the Group's Tier 1 capital (previously the Group's qualifying capital and reserves) under the revised large exposure regulations, irrespective of risk grade, or such lower limit as may be set from time to time.
- Approval must be obtained from the Board (not only the CLEC), as well as the Prudential Authority (SARB) for all exposures to private sector non-bank persons that are greater than 25% of the Group's Tier 1 capital (previously the Group's net qualifying capital).

### 4.1.5. Measuring and managing credit concentrations

- Credit risk concentration limits (risk appetite) are set from time to time and approved by the Board. The risk appetite is set at a reasonable margin below the regulatory prudential limits and will be the maximum limit allowed.
- The CLEC has the authority to delegate and assign credit management mandates and limits of approval.

### 4.1.6. Reporting

Reporting on the following:

- Group's credit risk profile;
- Measurement against risk appetite;
- Emerging risks;
- Large exposures; and
- Evaluation of adequacy and effectiveness of credit risk policies, procedures, practices, and controls applied.

# 4. Credit risk *continued*

## 4.2. Credit quality of assets

All Loans & Advances are categorised as per the diagram below:

| | | |
|---|---|---|
| **Stage 1 performing (not impaired)** | • Performing loans with no significant increase in credit risk (SICR) since origination<br>• Client accounts fully paid to date | 12-month ECL<br><br>(result from default events possible within 12 months after reporting date) |
| **Stage 2 Under-performing (credit deteriorated)** | • Arrears > 7 days overdue < 90 days overdue<br>• Significant increase in credit risk but no objective evidence of impairment<br>• Clients designated as high care as a result of showing signs of financial pressure due to the industry or business environment within which they operate and/or a deterioration in their own financial performance and position<br>• Distressed restructures with no reduced financial obligation | Lifetime ECL<br><br>(result from all possible default events over the expected life) |
| **Stage 3 Non-performing (credit impaired)** | • Regulatory default being:<br>– >90 days overdue<br>– Unlikeliness to pay indicators<br>– Distressed restructures resulting in reduced financial obligation (cure period six consecutive payments)<br>• Credit impaired on origination or after initial recognition | Lifetime ECL<br><br>(difference between gross carrying amount and the present value of estimated future cash flows) |

Please refer to accounting policies Note 1.13 Financial Instruments on pages 33 to 39 of the Annual Financial Statements, which can be found on Safin's website at www.sasfin.com/investor-relations, for further detail on classifications, calculations of ECL, cure periods, write-offs and restructured exposures.

## 4.2. Credit quality of assets *continued*

### 4.2.1. CR1: Credit Quality of Assets

**Sasfin Holdings Limited**

**June 2022**

| | | a | b | c | | | | d |
|---|---|---|---|---|---|---|---|---|
| | | **Carrying values of** | | | **Of which ECL accounting provisions for credit losses on SA exposures** | | | |
| | | **Defaulted exposures** | **Non-Defaulted exposures** | **Allowances/ impairments** | **Allocated in regulatory category of Specific** | **Allocated in regulatory category of General** | **Of which ECL accounting provisions for credit losses on IRB exposures** | **Net values (a+b-c)** |
| 1 | Loans | **831 471** | **7 774 484** | **475 251** | **358 497** | **116 754** | **–** | **8 130 704** |
| 2 | Debt securities | **270 293** | **1 643 725** | **123 678** | **121 593** | **2 085** | **–** | **1 790 340** |
| 3 | Off-balance sheet exposures | **–** | **302 550** | **–** | **–** | **–** | **–** | **302 550** |
| **4** | **Total** | **1 101 764** | **9 720 759** | **598 929** | **480 090** | **118 839** | **–** | **10 223 594** |

June 2021

| | | a | b | c | | | | d |
|---|---|---|---|---|---|---|---|---|
| | | Carrying values of | | | Of which ECL accounting provisions for credit losses on SA exposures | | | |
| | | Defaulted exposures | Non-Defaulted exposures | Allowances/ impairments | Allocated in regulatory category of Specific | Allocated in regulatory category of General | Of which ECL accounting provisions for credit losses on IRB exposures | Net values (a+b-c) |
| 1 | Loans[1] | 611 194 | 6 647 832 | 535 354 | 379 023 | 156 331 | – | 6 723 672 |
| 2 | Debt securities | 415 979 | 1 793 191 | 124 093 | 121 593 | 2 500 | – | 2 085 077 |
| 3 | Off-balance sheet exposures | – | 213 177 | – | – | – | – | 213 177 |
| **4** | **Total** | 1 027 173 | 8 654 200 | 659 447 | 500 616 | 158 831 | – | 9 021 926 |

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information on pages 111 to 114.*

Defaulted exposure decrease for Debt securities is due to capital repayments by the Land Bank on their debt.

## 4.3. CR2: Defaulted loans and debt securities movement

| | | **Sasfin Holdings Limited** | |
|---|---|---|---|
| | | **Jun-22** | Jun-21 |
| 1 | Defaulted loans and debt securities at end of the previous reporting period | **1 027 174** | 1 185 037 |
| 2 | Loans and debt securities that have defaulted since the last reporting period | **314 977** | 177 121 |
| 3 | Returned to non-defaulted status | **(34 392)** | (45 921) |
| 4 | Amounts written off | **(111 866)** | (93 637) |
| 5 | Other changes | **(94 128)** | (195 427) |
| **6** | **Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)** | **1 101 764** | 1 027 173 |

**Definitions**

Defaulted exposure: such exposures must be reported net of write-offs and gross of (i.e., ignoring) allowances/ impairments.

Loans and debt securities that have defaulted since the last reporting period: refers to any loan or debt securities that became marked as defaulted during the reporting period.

Return to non-defaulted status: refers to loans or debt securities that returned to non-default status during the reporting period.

Amounts written off: both total and partial write-offs.

Other changes: balancing items that are necessary to enable total to reconcile.

## 4.4. Additional disclosures related to credit quality of assets

### 4.4.1. Breakdown of exposures by geographical area

**Sasfin Holdings Limited**

| | **June 2022** | | | | June 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Total exposure** | **Impaired** | **Specific ECL** | **Write-offs** | Total exposure[1] | Impaired | Specific ECL | Write-offs |
| South Africa | **10 822 523** | **1 101 764** | **480 090** | **111 866** | 9 681 373 | 1 027 173 | 500 616 | 93 637 |

[1] *Restated. Please refer to note 49 of the Annual Financial Statements for additional information on pages 111 to 114.*

### 4.4.2. Breakdown of exposures by Industry

**Sasfin Holdings Limited**

| | **June 2022** | | | | June 2021 | | | |
|---|---|---|---|---|---|---|---|---|
| | **Total exposure** | **Impaired** | **Specific ECL** | **Write-offs** | Total exposure | Impaired | Specific ECL | Write-offs |
| Agriculture | **309 716** | **12 276** | **9 303** | **4 703** | 134 452 | 7 730 | 5 585 | 584 |
| Community, social and personal services | **1 963 598** | **241 932** | **99 307** | **25 251** | 1 667 794 | 150 604 | 98 095 | 14 784 |
| Construction | **285 625** | **58 808** | **20 580** | **13 037** | 321 249 | 58 113 | 19 573 | 1 304 |
| Electricity and water | **51 147** | **3 346** | **2 377** | **91** | 31 661 | 3 333 | 2 566 | 510 |
| Finance, real estate and business services | **3 814 448** | **521 095** | **211 712** | **17 953** | 3 766 084 | 550 248 | 219 186 | 23 324 |
| Manufacturing | **1 239 911** | **103 112** | **32 206** | **16 286** | 1 031 969 | 83 478 | 36 754 | 33 108 |
| Mining | **247 039** | **12 172** | **6 898** | **519** | 236 582 | 9 111 | 5 338 | 89 |
| Trade and accommodation | **1 796 876** | **99 740** | **63 759** | **16 735** | 1 533 795 | 98 621 | 65 832 | 9 633 |
| Transport and communication | **729 441** | **41 933** | **29 435** | **15 088** | 611 923 | 65 935 | 47 687 | 10 301 |
| Other activities not adequately defined[1] | **384 722** | **7 349** | **4 513** | **2 203** | 345 864 | | | |
| **Loans and advances** | **10 822 523** | **1 101 764** | **480 090** | **111 866** | 9 681 373 | 1 027 173 | 500 616 | 93 637 |

[1] *Restated. Please refer to note 49 of the Annual Financial Statements for additional information on pages 111 to 114.*

### 4.4.3. Breakdown of exposures by residual maturity

Refer to Note 44.1 Liquidity Risk table on pages 98 and 99 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

### 4.4.4. Ageing analysis of accounting past-due exposures

Refer to Note 43.1 Credit risk exposure analysis table on pages 82 to 85 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

# 4. Credit risk *continued*

## 4.4. Additional disclosures related to credit quality of assets *continued*

### 4.4.5. Restructured Exposures

- Restructured exposures include any loan, advance or facility in respect of which the bank granted a concession to the obligor owing to a deterioration in the obligor's financial condition, that is owing to a financially distressed situation of the relevant obligor, and which financially distressed situation results or is likely to result in the relevant obligor no longer being able to meet the terms or conditions originally agreed.
- A restructuring agreement may include a modification of terms and conditions such as:
  - A reduction in original interest rate agreed;
  - A reduction in the relevant interest amount due;
  - A reduction in the relevant principal amount due;
  - An amendment to the originally agreed contractual maturity or payment frequency;
  - Any forgiveness, deferral or postponement of principal amount, interest amount, or fees due;
  - Any subsequent increase in the relevant level of working capital or revolving facility;
  - The transfer from the obligor to the bank of real estate, receivables from third parties, other assets, or an equity interest in the obligor in full or partial satisfaction of the said loan, advance or facility;
  - The substitution or addition of a new debtor for the original obligor; and
  - Shall be in writing.
- Provided that no loan, advance, increased credit limit or facility extended or renewed by the bank in its ordinary course of business at a stated interest rate or on terms and conditions equivalent to the current interest rate or terms or conditions for new debt with similar risk, shall constitute a restructured loan or credit exposure.
- Should such Restructured Credit Exposure previously have been classified as default, it should remain so classified and, if such exposure had not previously been impaired, it should then be impaired on the same basis as a category B–Special Mention. Please refer to note 43 Credit Risk on page 81 in the Annual Financial Statements for the measurement of the credit risk.
- Rehabilitation/Curing of restructured loans

The following requirements need to be met before a restructured loan may be reclassified as performing:

  - The obligor's ability to meet the requirements of the revised terms and conditions must be established through at least 6 (six) consecutive months of adherence to the revised terms and conditions
  - In cases of a wholesale obligor or obligors with payments dated longer than monthly, an evaluation may be done by the relevant credit mandate level, considering qualitative factors in addition to adherence to the revised terms and conditions. Such qualitative factors may include compliance with loan covenants and compliance with other existing loan obligations.
  - In no instance may any restructured credit exposure be reclassified as performing within 6 (six) months of the restructure.
- Where the modification results in a reduced financial obligation, the obligor will be classified as impaired.

| | **Sasfin Holdings Limited** | | | | | |
|---|---|---|---|---|---|---|
| | **June 2022 Gross carrying values of** | | | June 2021 Gross carrying values of | | |
| | **Total R'000** | **Impaired R'000** | **Not impaired R'000** | Total R'000 | Impaired R'000 | Not impaired R'000 |
| Total restructured exposures | **521 562** | **39 916** | **481 646** | 844 296 | 48 889 | 795 407 |

# 4. Credit risk *continued*

## 4.5. Credit risk mitigation techniques overview

**Trade and Debtor Finance**

- Trade Finance involves the provision of funding on a short-term basis, to assist businesses with the financing of their purchases, being both imports and/or local.
- The purpose of Debtor Finance is to fund the short-term cash flow needs of a business using its accounts receivable as collateral. Generally, companies with a limited Balance Sheet and low working capital reserves can get into cash flow problems because invoices are paid 30 days or longer. Debtor finance essentially funds slow paying invoices which improves the cash flow of the business and allows it to meet its financial obligations and carry on trading without having to wait for the debtors to pay. The benefit of this form of finance is that it is secured by the debtors' book which limits the risk of a credit loss.
- Trade and Debtor finance are secured by the underlying working capital assets being financed, with funds only advanced once all security is in place.
- Operational risk reviews are conducted before activation of new facilities, as well as on a regular basis post implementation of the facilities. These reviews are conducted to monitor the business' financial controls and accounting records, as well as the value and existence of the security against the approval conditions.

**Capital Equipment Finance**

- Capital Equipment Finance's main business objective is the financing of income generating equipment as well as other assets of a capital nature e.g., solar panels. The key factors in financing of this nature are that the asset under finance is either capable of generating additional revenue to the group, or its main purpose is the reduction of costs to the business. In addition to this, such assets typically have lifespans more than the financing term, could possibly be refinanced after the initial term, and tend to be easy to dispose of to recover the bank's exposure in the event of liquidation. Against this background, it is then important to bear in mind that the assessment of the credit worthiness of the deal depends not only on the financial strength of the business, but also on the nature, economic lifespan, ease of disposal and recovery value of the asset.
- Security primarily consists of the assets being financed, with other assets of the business also taken as security where the risk position requires such.

**Equipment Finance**

- The main purpose of Equipment Finance/Rentals is to enable businesses to acquire the capital equipment needed to enable business success and growth, whilst preserving the business' cash resources for growth funding. It also enables upgrading of such equipment, when necessary, without tying up much needed working capital funding.
- Security primarily consists of the assets being financed, with other assets of the business also taken as security where the risk position requires such.

**Property Equity and Debt Finance**

- The primary purpose of this type of funding is to fund the debt and/or equity component of property developments.
- The funding is provided taking into account key factors such as the experience and track record of the developer, the viability and sustainability of the development taking into account the nature, location and costs of the development, as well as an assessment of the cash flow risks in the development.
- Security includes the underlying property on an appropriate Loan-To-Value (LTV) basis; and Personal guarantees from individuals, legal entities or trusts based on assessment of the underlying business/ property risk profile.
- Where appropriate, Sasfin makes use of external experts to assess the developments as well as provide valuations on the developments.
- Regular monitoring of covenants and assessment of financial performance is conducted to ensure the risk profile remains acceptable.

**Specialised Lending**

- The primary purpose of this type of funding is to enable business growth or acquisitions and is therefore typically term lending.
- The assessment of credit risk is based on the ability of the business to service and repay the bank's funding in line with the agreed terms and conditions.
- Cash flow and the sustainability thereof is of critical importance, and stress testing of the key risk factors associated with each business is critical to the credit risk assessment.
- Security typically consists of the assets of the business being funded or the business being acquired.
- Regular monitoring of covenants and assessment of financial performance is conducted to ensure the risk profile remains acceptable.

# 4. Credit risk *continued*

## 4.5. Credit risk mitigation techniques overview *continued*

### 4.5.1. Valuation of security

It is a requirement that a valuation of the tangible security be performed on all new facility requests as well as on a regular basis thereafter to ensure that Sasfin's credit risk remains adequately protected. This security calculation should be done with each major credit request/change, but not less than annually for all clients except for High Care clients, where such calculation should be done monthly with the High Care Report (as far as is practically possible).

When valuing security, the following factors should be taken into consideration:

- Type and nature of the asset and industry;
- Potential deterioration in value of the asset over time, such as limited useful lifespan and expiry dates;
- Size of the market which would be interested in buying the quantity or extent of the asset held as security;
- Level of specialisation of the asset;
- Branding of the product, which may place limitations on selling in terms of license restrictions;
- Volume versus value of the security items held;
- Risk of losing the asset through theft (insurance held);
- Cost of maintaining, moving, dismantling, or storing the asset;
- Environmental risk and resulting cost;
- Effect of fashion, trends, and technological advancements;
- Buy-back arrangements with the supplier;
- Required expertise to assemble, install and sell the asset and the availability and cost of such expertise;
- Number of locations of the assets in relation to the value;
- The state of completion of the product in comparison to the state if should be where it can easily be sold; and
- Legal restrictions such as permits required to sell the product and non-transferable distribution rights which may not vest in the bank.

### 4.5.2. Review of security documentation

- All standard/master security documentation should be reviewed regularly, but at least every 24 months, to ensure it considers all legal and regulatory changes to adequately protect Sasfin's risk. This review is the responsibility of the Head of Legal together with the Head of Collateral.
- Standard/Master security documentation has been drawn up by Group Legal to govern the legal relationship between Sasfin and its clients, and such standard documentation should be used in all transactions, unless otherwise approved by the Head of Legal.

**CR 3: Overview of credit risk mitigation techniques**

**Sasfin Holdings Limited**

| | | a | b | c | d | e | f | g |
|---|---|---|---|---|---|---|---|---|
| | | | | | June 2022 | | | |
| | | Exposures unsecured: carrying amount | Exposures secured by collateral | Exposures secured by collateral, of which: secured amount | Exposures secured by financial guarantees | Exposures secured by financial guarantees, of which: secured amount | Exposures secured by credit derivatives | Exposures secured by credit derivatives, of which: secured amount |
| 1 | Loans | 418 467 | 7 712 237 | 7 712 237 | – | – | – | – |
| 2 | Debt securities | 1 790 340 | – | – | – | – | – | – |
| **3** | **Total** | **2 208 807** | **7 712 237** | **7 712 237** | – | – | – | – |
| 4 | Of which: defaulted | | 621 673 | 621 673 | | | | |

## 4.5. Credit risk mitigation techniques overview *continued*

### 4.5.2. Review of security documentation *continued*

**CR 3: Overview of credit risk mitigation technique** *continued*

| | | Sasfin Holdings Limited | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g |
| | | | | | June 2021 | | | |
| | | Exposures unsecured: carrying amount | Exposures secured by collateral | Exposures secured by collateral, of which: secured amount | Exposures secured by financial guarantees | Exposures secured by financial guarantees, of which: secured amount | Exposures secured by credit derivatives | Exposures secured by credit derivatives, of which: secured amount |
| 1 | Loans[1] | 1 109 244 | 5 614 425 | 5 614 425 | – | – | – | – |
| 2 | Debt securities | 2 085 076 | – | – | – | – | – | – |
| **3** | **Total** | 3 194 320 | 5 614 425 | 5 614 425 | – | – | – | – |
| 4 | Of which: defaulted | | 526 557 | 526 557 | | | | |

[1] *Restated. Please refer to Note 49 of the Annual Financial Statements on pages 111 to 114.*

**Definitions**

Exposures unsecured – carrying amount: carrying amount of exposures (net of allowances/impairments) that do not benefit from a credit risk mitigation technique.

Exposures secured by collateral: carrying amount of exposures (net of allowances/ impairments) partly or totally secured by collateral, regardless of what portion of the original exposure is secured.

Exposures secured by collateral – of which secured amount: amounts of the exposure portions, which are secured by collateral. Where the value of the collateral (meaning the amount that the collateral can be settled for) exceeds the value of the exposure, the bank must report the exposure amount (i.e., it does not report the over-collateralisation).

Exposures secured by financial guarantees: carrying amount of exposures (net of allowances/impairments) partly or totally secured by financial guarantees, regardless of what portion of the original exposure is guaranteed.

Exposures secured by financial guarantees – of which secured amount: amounts of the exposure portions, which are covered by the financial guarantee. Where the value of the guarantee (amount that can be obtained if the guarantee is called) is above the amount of the exposure, the bank must report the amount of the exposure, i.e., not to report the excess value.

Exposures secured by credit derivatives: carrying amount of exposures (net of allowances/ impairments) partly or totally secured by credit derivatives, regardless of what portion of the original exposure is secured.

Exposures secured by credit derivatives – of which secured amount: amounts of the exposure portions which are secured by the credit derivatives. Where the value of the credit derivative (amount that the credit derivative can be settled for) is above the amount of the exposure, the bank must report the amount of the exposure, i.e., not to report the excess value.

## 4.6. Credit risk under standardised approach

**Use of External credit ratings under the standardised approach:**

Fitch ratings are used by Sasfin as input into standardised capital formulas for the banks and sovereign asset classes. The Corporate asset classes are classified as unrated for Regulatory purposes.

**CR4: Credit risk exposures and credit risk mitigation (CRM) effects**

| | Sasfin Bank (Solo) | | | | | | |
|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f |
| | | June 2022 | | | | | |
| | | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
| | Asset classes | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Sovereigns and their central banks | 1 816 845 | – | 1 816 845 | – | 160 | – |
| 2 | Non-central government public sector entities | 474 071 | – | 474 071 | – | 233 559 | 49.3% |
| 3 | Multilateral development banks | – | – | – | – | – | – |
| 4 | Banks | 11 038 | – | 11 038 | – | 3 916 | 35.5% |
| 5 | Securities firms | – | – | – | – | – | – |
| 6 | Corporates | 4 599 676 | 703 238 | 4 599 676 | 75 971 | 3 810 483 | 81.5% |
| 7 | Regulatory retail portfolios | 194 564 | 115 292 | 194 564 | 46 238 | 211 723 | 87.9% |
| 8 | Secured by residential property | – | – | – | – | – | – |
| 9 | Secured by commercial real estate | 254 304 | – | 254 304 | – | 279 728 | 110.0% |
| 10 | Equity | – | – | – | – | – | – |
| 11 | Past-due loans | – | – | – | – | – | – |
| 12 | Higher-risk categories | – | – | – | – | – | – |
| 13 | Other assets | 1 231 108 | – | 1 231 108 | – | 940 358 | 76.4% |
| **14** | **Total** | 8 581 605 | 818 530 | 8 581 605 | 122 209 | 5 479 927 | 63.0% |

# 4. Credit risk *continued*

## 4.6. Credit risk under standardised approach *continued*

**CR4: Credit risk exposures and credit risk mitigation (CRM) effects** *continued*

| | | Sasfin Bank (Solo) | | | | | |
|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f |
| | | June 2021 | | | | | |
| | | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
| | **Asset classes** | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Sovereigns and their central banks | 1 745 726 | – | 1 745 726 | – | 188 | – |
| 2 | Non-central government public sector entities | 876 546 | – | 876 546 | – | 418 746 | 47.8% |
| 3 | Multilateral development banks | – | – | – | – | – | – |
| 4 | Banks | 440 868 | – | 440 868 | – | 91 374 | 20.7% |
| 5 | Securities firms | – | – | – | – | – | – |
| 6 | Corporates | 3 699 613 | 807 359 | 3 699 613 | 67 893 | 2 991 529 | 79.4% |
| 7 | Regulatory retail portfolios | 137 829 | 48 934 | 137 829 | 1 809 | 90 270 | 64.6% |
| 8 | Secured by residential property | – | – | – | – | – | – |
| 9 | Secured by commercial real estate | – | – | – | – | – | – |
| 10 | Equity | – | – | – | – | – | – |
| 11 | Past-due loans | – | – | – | – | – | – |
| 12 | Higher-risk categories | – | – | – | – | – | – |
| 13 | Other assets | 938 810 | – | 938 810 | – | 678 245 | 72.2% |
| **14** | **Total** | 7 839 392 | 856 292 | 7 839 392 | 69 702 | 4 270 352 | 54.0% |

## 4.6. Credit risk under standardised approach *continued*

**CR4: Credit risk exposures and credit risk mitigation (CRM) effects** *continued*

| | | Sasfin Holdings | | | | | |
|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f |
| | | June 2022 | | | | | |
| | | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
| | Asset classes | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Sovereigns and their central banks | 1 816 845 | – | 1 816 845 | – | 160 | – |
| 2 | Non-central government public sector entities | 474 071 | – | 474 071 | – | 233 559 | 49.3% |
| 3 | Multilateral development banks | – | – | – | – | – | – |
| 4 | Banks | 11 038 | – | 11 038 | – | 3 916 | 35.5% |
| 5 | Securities firms | – | – | – | – | – | – |
| 6 | Corporates | 5 843 668 | 703 238 | 5 843 668 | 75 971 | 5 079 899 | 85.8% |
| 7 | Regulatory retail portfolios | 194 951 | 115 292 | 194 951 | 46 238 | 212 110 | 87.9% |
| 8 | Secured by residential property | – | – | – | – | – | – |
| 9 | Secured by commercial real estate | – | – | – | – | – | – |
| 10 | Equity | – | – | – | – | – | – |
| 11 | Past-due loans | – | – | – | – | – | – |
| 12 | Higher-risk categories | – | – | – | – | – | – |
| 13 | Other assets | 1 280 967 | – | 1 280 967 | – | 990 217 | 77.3% |
| **14** | **Total** | 9 621 539 | 818 530 | 9 621 539 | 122 209 | 6 519 861 | 66.9% |

## 4.6. Credit risk under standardised approach *continued*

**CR4: Credit risk exposures and credit risk mitigation (CRM) effects** *continued*

| | | Sasfin Holdings | | | | | |
|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f |
| | | June 2021 | | | | | |
| | | Exposures before CCF and CRM | | Exposures post-CCF and CRM | | RWA and RWA density | |
| | **Asset classes** | On-balance sheet amount | Off-balance sheet amount | On-balance sheet amount | Off-balance sheet amount | RWA | RWA density |
| 1 | Sovereigns and their central banks | 1 745 726 | – | 1 745 726 | – | 188 | – |
| 2 | Non-central government public sector entities | 876 546 | – | 876 546 | – | 418 746 | 47.8% |
| 3 | Multilateral development banks | – | – | – | – | – | – |
| 4 | Banks | 440 868 | – | 440 868 | – | 91 374 | 20.7% |
| 5 | Securities firms | – | – | – | – | – | – |
| 6 | Corporates | 4 881 717[1] | 807 359 | 3 130 699 | 64 475 | 4 230 502 | 132.4% |
| 7 | Regulatory retail portfolios | 137 829 | 48 934 | 137 829 | 7 126 | 90 270 | 62.3% |
| 8 | Secured by residential property | – | – | – | – | – | – |
| 9 | Secured by commercial real estate | – | – | – | – | – | – |
| 10 | Equity | – | – | – | – | – | – |
| 11 | Past-due loans | – | – | – | – | – | – |
| 12 | Higher-risk categories | – | – | – | – | – | – |
| 13 | Other assets | 647 200 | – | 647 200 | – | 380 304 | 58.8% |
| **14** | **Total** | 8 729 885 | 856 292 | 6 978 868 | 71 601 | 5 211 383 | 73.9% |

[1] *Restated. Please refer to note 49 of the Annual Financial Statements for additional information on pages 111 to 114.*

## 4.6. Credit risk under standardised approach *continued*

**CR5: Exposures by asset classes and risk weights**

| | | Sasfin Bank (Solo) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j |
| | | June 2022 | | | | | | | | | |
| | **Risk weight** / **Asset classes** | **0%** | **10%** | **20%** | **35%** | **50%** | **75%** | **100%** | **150%** | **Others** | **Total credit exposures amount (post CCF and post-CRM)** |
| 1 | Sovereigns and their central banks | 1 816 756 | – | – | – | – | – | 90 | – | – | 1 816 845 |
| 2 | Non-central government public sector entities | 903 | – | 290 433 | – | 4 693 | – | 178 042 | – | – | 474 071 |
| 3 | Multilateral development banks | – | – | – | – | – | – | – | – | – | – |
| 4 | Banks | – | – | 8 902 | – | – | – | 2 135 | – | – | 11 038 |
| 5 | Securities firms | – | – | – | – | – | – | – | – | – | – |
| 6 | Corporates | 391 765 | – | – | – | 148 988 | 171 | 4 158 196 | 230 829 | – | 4 929 950 |
| 7 | Regulatory retail portfolios | 652 | – | – | – | 9 511 | 69 478 | 161 160 | – | – | 240 801 |
| 8 | Secured by residential property | – | – | – | – | – | – | – | – | – | – |
| 9 | Secured by commercial real estate | – | – | – | – | – | – | – | – | – | – |
| 10 | Equity | – | – | – | – | – | – | – | – | – | – |
| 11 | Past-due loans | – | – | – | – | – | – | – | – | – | – |
| 12 | Higher-risk categories | – | – | – | – | – | – | – | – | – | – |
| 13 | Other assets | – | – | – | – | – | – | 1 231 108 | – | – | 1 231 108 |
| **14** | **Total** | 2 210 077 | – | 299 335 | – | 163 192 | 69 649 | 5 730 732 | 230 829 | – | 8 703 814 |

# 4. Credit risk *continued*

## 4.6. Credit risk under standardised approach *continued*

**CR5: Exposures by asset classes and risk weights** *continued*

| | | Sasfin Bank (Solo) | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j |
| | | June 2021 | | | | | | | | | |
| | **Risk weight** | 0% | 10% | 20% | 35% | 50% | 75% | 100% | 150% | Others | Total credit exposures amount (post CCF and post-CRM) |
| | **Asset classes** | | | | | | | | | | |
| 1 | Sovereigns and their central banks | 1 745 529 | – | – | – | – | – | 197 | – | – | 1 745 726 |
| 2 | Non-central government public sector entities | – | – | 563 372 | – | 7 010 | – | 306 164 | – | – | 876 546 |
| 3 | Multilateral development banks | – | – | – | – | – | – | – | – | – | – |
| 4 | Banks | – | – | 436 852 | – | – | – | 4 017 | – | – | 440 868 |
| 5 | Securities firms | – | – | – | – | – | – | – | – | – | – |
| 6 | Corporates | 387 869 | – | 296 132 | – | 183 183 | (0) | 2 832 738 | 67 585 | – | 3 767 507 |
| 7 | Regulatory retail portfolios | (2) | – | – | – | 24 311 | 103 386 | 11 943 | – | – | 139 638 |
| 8 | Secured by residential property | – | – | – | – | – | – | – | – | – | – |
| 9 | Secured by commercial real estate | – | – | – | – | – | – | – | – | – | – |
| 10 | Equity | – | – | – | – | – | – | – | – | – | – |
| 11 | Past-due loans | – | – | – | – | – | – | – | – | – | – |
| 12 | Higher-risk categories | – | – | – | – | – | – | – | – | – | – |
| 13 | Other assets | – | – | – | – | – | – | 938 810 | – | – | 938 810 |
| **14** | **Total** | 2 133 396 | – | 1 296 356 | – | 214 504 | 103 386 | 4 093 868 | 67 585 | – | 7 909 095 |

# 5. Counterparty credit risk (CCR)

**Counterparty credit risk is the risk of financial loss if the counterparty to a financial instrument fails to meet its contractual obligations. Derivatives are only used by the Bank to cover known risks and are not used for speculative purposes.**

5.1. **CCR measurement:** The group measures CCR exposures on a standardised approach.

5.2. Limits are assigned on a risk weighted basis of the nominal amount.

5.3. **Limit approval:** The Head of Forex, with the delegated authority from credit, may allow a 10% excess of the approved limit subject to a maximum amount.

5.4. **Exposure monitoring:** CCR is monitored through the ALCO (an executive management committee) by setting and monitoring limits with counterparties other than clients, such as banks, for placing funds on deposit with them and having them as a counterparty to a derivative.

5.5. Collateral consists of cash deposits into clients' margin accounts.

5.6. Wrong-way risk arises when exposure to a counterparty is adversely (positive) correlated with the credit quality of that counterparty. Wrong-way risk is considered and managed within the relevant exposure mandates. Sasfin has immaterial exposure to wrong-way risk.

5.7. In the event of a credit rating downgrade the amount of collateral that the group would have to provide will be minimal due to the policy of the group to manage the net open position of the Group.

**CCR1: Analysis of counterparty credit risk (CCR) exposure by approach**

| | | Sasfin Bank (Solo) | | | | | |
|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f |
| | | June 2022 | | | | | |
| | | Replacement cost | Potential future exposure | EEPE | Alpha used for computing regulatory EAD | EAD post-CRM | RWA |
| 1 | SA-CCR (for derivatives) | 44 580 | 19 702 | | 1.4 | 99 911 | 94 247 |
| 2 | Internal Model Method (for derivatives and SFTs) | | | – | – | – | – |
| 3 | Simple Approach for credit risk mitigation (for SFTs) | | | | | – | – |
| 4 | Comprehensive Approach for credit risk mitigation (for SFTs) | | | | | – | – |
| 5 | VaR for SFTs | | | | | – | – |
| **6** | **Total** | | | | | | **94 247** |

# 5. Counterparty credit risk (CCR) *continued*

### CCR1: Analysis of counterparty credit risk (CCR) exposure by approach *continued*

| | | Sasfin Bank (Solo) | | | | | |
|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f |
| | | June 2021 | | | | | |
| | **Asset classes** | Replacement cost | Potential future exposure | EEPE | Alpha used for computing regulatory EAD | EAD post-CRM | RWA |
| 1 | SA-CCR (for derivatives) | 32 175 | 27 037 | | 1.4 | 82 898 | 78 190 |
| 2 | Internal Model Method (for derivatives and SFTs) | | | – | – | – | – |
| 3 | Simple Approach for credit risk mitigation (for SFTs) | | | | | – | – |
| 4 | Comprehensive Approach for credit risk mitigation (for SFTs) | | | | | – | – |
| 5 | VaR for SFTs | | | | | – | – |
| **6** | **Total**[1] | | | | | | 78 190 |

### CCR2: Credit Valuation Adjustment (CVA) capital charge

| | | **Sasfin Bank (Solo)** | | | |
|---|---|---|---|---|---|
| | | **a** | **b** | a | b |
| | | **June 2022** | | June 2021 | |
| | | **EAD post-CRM** | **RWA** | EAD post-CRM[1] | RWA |
| | Total portfolios subject to the Advanced CVA capital charge | **–** | **–** | – | – |
| 1 | (i) VaR component (including the 3x multiplier) | **–** | **–** | – | – |
| 2 | (ii) Stressed VaR component (including the 3x multiplier) | **–** | **–** | – | – |
| 3 | All portfolios subject to the Standardised CVA capital charge | **119 966** | **18 079** | 41 586 | 6 331 |
| **4** | **Total subject to the CVA capital charge** | **119 966** | **18 079** | 41 586 | 6 331 |

[1] *Restated. Please refer to note 49 of the Annual Financial Statements for additional information on pages 111 to 114.*

# 5. Counterparty credit risk (CCR) *continued*

**CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights**

**Sasfin Bank (Solo)**

| | a | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | **June 2022** | | | | |
| **Risk weight** / **Regulatory portfolio** | **0%** | **10%** | **20%** | **50%** | **75%** | **100%** | **150%** | **Others** | **Total credit exposure** |
| Sovereigns | – | – | – | – | – | – | – | – | – |
| Non-central government public sector entities (PSEs) | – | – | – | – | – | – | – | – | – |
| Multilateral development banks (MDBs) | – | – | – | – | – | – | – | – | – |
| Banks | – | – | 2 175 | – | – | – | – | – | 2 175 |
| Securities firms | – | – | – | – | – | – | – | – | – |
| Corporates | – | – | – | – | – | 42 404 | – | – | 42 404 |
| Regulatory retail portfolios | – | – | – | – | – | – | – | – | – |
| Other assets | – | – | – | – | – | – | – | – | – |
| **Total** | – | – | 2 175 | – | – | 42 404 | – | – | 44 580 |

Sasfin Bank (Solo)

| | a | b | c | d | e | f | g | h | i |
|---|---|---|---|---|---|---|---|---|---|
| | | | | | June 2021 | | | | |
| **Risk weight**** / **Regulatory portfolio*** | 0% | 10% | 20% | 50% | 75% | 100%[1] | 150% | Others | Total credit exposure |
| Sovereigns | – | – | – | – | – | – | – | – | – |
| Non-central government public sector entities (PSEs) | – | – | – | – | – | – | – | – | – |
| Multilateral development banks (MDBs) | – | – | – | – | – | – | – | – | – |
| Banks | – | – | 1 784 | – | – | 5 927 | – | – | 7 711 |
| Securities firms | – | – | – | – | – | – | – | – | – |
| Corporates | – | – | – | – | – | 24 464 | – | – | 24 464 |
| Regulatory retail portfolios | – | – | – | – | – | – | – | – | – |
| Other assets | – | – | – | – | – | – | – | – | – |
| **Total** | – | – | 1 784 | – | – | 30 392 | – | – | 32 175 |

[1] *Restated. Please refer to note 49 of the Annual Financial Statements for additional information on pages 111 to 114.*

# 6. Securitisation

**The process of creating a financial instrument by combining other financial assets and then marketing them to investors. The net effect is to monetise a non-monetary asset, attach a corresponding liability to it, and thereby raise funding.**

The Group's securitisation vehicle, South African Securitisation Programme (Pty) Ltd (SASP) is a traditional securitisation scheme from a Regulatory and SARS perspective.

Securitisation is a key funding mechanism for Sasfin and provides the bank with a highly efficient and sustainable funding source, and allows for:

- Alternative source of medium/long-term funding;
- Ability to raise funding at attractive rates;
- Ability to better match duration of assets to duration of liabilities;
- Ability to convert illiquid assets into liquid securities; and
- Ability to achieve optimal gearing.

Securitisation SPVs are consolidated onto the Group's annual financial statements in terms of IFRS. Refer to 1.1. Legal Group Structure.

Assets securitised by Sasfin include the operating and financing of capital and office equipment. SASP issues debt securities, giving current investors first option to refinance (private placement), thereafter if not sufficient appetite, SASP will offer to the public.

# 6. Securitisation *continued*

**Risk management**
All foreseeable and relevant material risks to securitisation to which Sasfin is likely to become exposed to as well as the interrelationships between these risks are evaluated. The following material risks are considered and managed under each of the risk types:

| Risk | |
|---|---|
| Financial risk | Market & Investment risk<br>Credit risk<br>Liquidity risk<br>Excess spread risk<br>Interest rate risk<br>Refinancing risk<br>Commingling risk – risk of mixing customer-owned securities with brokerage-owned securities<br>Concentration risk |
| Strategic risk: Internal | Strategy and business model risk<br>External stakeholder risk<br>Branding and Marketing risk<br>Management of Information risk<br>Service risk<br>Reputational risk<br>New business risk |
| Strategic risk: External | Regulatory risk<br>Rating downgrade risk<br>Counterparty risk |
| Operational risk | Execution, delivery, and process management<br>Internal fraud<br>External fraud<br>Employment practices and Workplace safety<br>Clients, products, and business practices<br>Damage to physical assets<br>Business disruption and system failure<br>Model Risk<br>Legal & Insurance Risk |
| Governance risk | The risk of legal or regulatory sanctions, material financial loss or loss of reputation because of non-compliance with laws, regulations, rules and internal policies, standards, and codes of conduct. |
| Reporting and disclosure risk | The risk of loss due to incomplete, inaccurate, and untimely reporting of required financial and operating information to regulatory agencies. This could result in fines, penalties, and sanctions. |
| Capital management risk | The risk of the Group or Bank's capital base falling below the minimum regulatory approved limit or to a level that would prevent growth in risk weighted assets without the injection of fresh capital. |

# 6. Securitisation *continued*

### SEC1: Securitisation exposures in the banking book

| | | Sasfin Bank (Solo) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | e | f<br>June 2022 | g | h | j | k |
| | | Bank acts as originator | | | Bank acts as sponsor | | | Bank acts as investor | | |
| | | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total |
| **1** | **Retail (total) - of which** | – | – | – | – | – | – | – | – | – |
| 2 | residential mortgage | – | – | – | – | – | – | – | – | – |
| 3 | credit card | – | – | – | – | – | – | – | – | – |
| 4 | other retail exposures | – | – | – | – | – | – | – | – | – |
| 5 | re-securitisation | – | – | – | – | – | – | – | – | – |
| **6** | **Wholesale (total) - of which** | **334 185** | – | **334 185** | – | – | – | – | – | – |
| 7 | loans to corporates | – | – | – | – | – | – | – | – | – |
| 8 | commercial mortgages | – | – | – | – | – | – | – | – | – |
| 9 | lease and receivables | **334 185** | – | **334 185** | – | – | – | – | – | – |
| 10 | other wholesale | – | – | – | – | – | – | – | – | – |
| 11 | re-securitisation | – | – | – | – | – | – | – | – | – |

| | | Sasfin Bank (Solo) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | e | f<br>June 2021 | g | h | j | k |
| | | Bank acts as originator | | | Bank acts as sponsor | | | Bank acts as investor | | |
| | | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total | Traditional | Synthetic | Sub-total |
| **1** | **Retail (total) - of which** | – | – | – | – | – | – | – | – | – |
| 2 | residential mortgage | – | – | – | – | – | – | – | – | – |
| 3 | credit card | – | – | – | – | – | – | – | – | – |
| 4 | other retail exposures | – | – | – | – | – | – | – | – | – |
| 5 | re-securitisation | – | – | – | – | – | – | – | – | – |
| **6** | **Wholesale (total) - of which** | 333 975 | – | 333 975 | – | – | – | – | – | – |
| 7 | loans to corporates | – | – | – | – | – | – | – | – | – |
| 8 | commercial mortgages | – | – | – | – | – | – | – | – | – |
| 9 | lease and receivables | 333 975 | – | 333 975 | – | – | – | – | – | – |
| 10 | other wholesale | – | – | – | – | – | – | – | – | – |
| 11 | re-securitisation | – | – | – | – | – | – | – | – | – |

# 6. Securitisation *continued*

**SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as a sponsor**

| | | Sasfin Bank (Solo) | | | | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o | p | q |
| | | June 2022 | | | | | | | | | | | | | | | | |
| | | Exposure values (by RW bands) | | | | | Exposure values (by regulatory approach) | | | | RWA (by regulatory approach) | | | | Capital charge after cap | | | |
| | | ≤20% RW | >20% to 50% RW | >50% to 100% RW | >100% to <1250% RW | 1250% RW | IRB RBA (inc. IAA) | IRB SFA | SA/SSFA | 1250% | IRB RBA (inc. IAA) | IRB SFA | SA/SSFA | 1250% | IRB RBA (inc. IAA) | IRB SFA | SA/SSFA | 1250% |
| 1 | **Total exposures** | – | – | 334 185 | – | – | – | – | 334 185 | – | – | – | 334 185 | – | – | – | 36 760 | – |
| 2 | Traditional securitisation | – | – | 334 185 | – | – | – | – | 334 185 | – | – | – | 334 185 | – | – | – | 36 760 | – |
| 3 | Of which securitisation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 4 | Of which retail underlying | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 5 | Of which wholesale | – | – | 334 185 | – | – | – | – | 334 185 | – | – | – | 334 185 | – | – | – | 36 760 | – |
| 6 | Of which re-securitisation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 7 | Of which senior | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 8 | Of which non-senior | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 9 | Synthetic securitisation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 10 | Of which securitisation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 11 | Of which retail underlying | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 12 | Of which wholesale | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 13 | Of which re-securitisation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 14 | Of which senior | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 15 | Of which non-senior | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |

# 6. Securitisation *continued*

**SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – bank acting as originator or as a sponsor** *continued*

Sasfin Bank (Solo)

June 2021

| | | a | b | c | d | e | f | g | h | i | j | k | l | m | n | o | p | q |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | | Exposure values (by RW bands) | | | | | Exposure values (by regulatory approach) | | | | RWA (by regulatory approach) | | | | Capital charge after cap | | | |
| | | ≤20% RW | >20% to 50% RW | >50% to 100% RW | >100% to <1250% RW | 1250% RW | IRB RBA (inc. IAA) | IRB SFA | SA/SSFA | 1250% | IRB RBA (inc. IAA) | IRB SFA | SA/SSFA | 1250% | IRB RBA (inc. IAA) | IRB SFA | SA/SSFA | 1250% |
| 1 | **Total exposures** | – | – | 333 975 | – | – | – | – | 333 975 | – | – | – | 333 975 | – | – | – | 33 397 | – |
| 2 | Traditional securitisation | – | – | 333 975 | – | – | – | – | 333 975 | – | – | – | 333 975 | – | – | – | 33 397 | – |
| 3 | Of which securitisation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 4 | Of which retail underlying | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 5 | Of which wholesale | – | – | 333 975 | – | – | – | – | 333 975 | – | – | – | 333 975 | – | – | – | 33 397 | – |
| 6 | Of which re-securitisation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 7 | Of which senior | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 8 | Of which non-senior | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 9 | Synthetic securitisation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 10 | Of which securitisation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 11 | Of which retail underlying | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 12 | Of which wholesale | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 13 | Of which re-securitisation | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 14 | Of which senior | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| 15 | Of which non-senior | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – | – |

# 7. Market and investment risk

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

The group's governance of equity investments is based on the following fundamental principles:

- All investments require approval by the relevant investment approval structures in the group. To this threshold any existing or prospective lending transactions are aggregated with the equity investment in determining what level of approval is required.
- Exits of investments at, or above, the carrying value of an investments can be approved by internal governance structures. Any exits below carrying value or involving vendor facilitation require CLEC approval.
- Updated valuations are considered by the CLEC on the entire portfolio on a bi-annual basis.
- Risk mitigation strategies are considered on the existing investments.
- Continued emphasis are placed on portfolio management and monitoring.

Foreign exchange risk is mitigated through hedging techniques. The foreign exchange division manages the net foreign open position through the use of hedging products, such as currency swaps, forward contracts and options. These products offset the effects of exchange rate fluctuations and protect the investment from losing value.

Refer to note 45 on page 101 to 102 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

The group's equity investments and market risk are measured on a standardised approach.

**Risk management:** Group treasury monitors and manages the bank's hedging strategy with respect to the Net Open Foreign Position, to be below or equal to 10% of the net qualifying capital at Bank, Bank Consolidated and Group level.

**Governance:** Group treasury reports monthly to ALCO and on a quarterly basis to the GRCMC.

**Reporting:** Reports are produced on a daily and monthly basis detailing positions, sensitivities, and exposures.

**MR1 – Market risk under standardised approach:**

| | | Sasfin Bank (Solo) | |
|---|---|---|---|
| R'000 | | **a<br>June 2022<br>Capital<br>charge in SA** | a<br>June 2021<br>Capital<br>charge in SA |
| 1 | General interest rate risk | – | – |
| 2 | Equity risk | – | – |
| 3 | Commodity risk | – | – |
| 4 | Foreign exchange risk | 315 | 19 651 |
| 5 | Credit spread risk – non-securitisations | – | – |
| 6 | Credit spread risk – securitisations (non-correlation trading portfolio) | – | – |
| 7 | Credit spread risk – securitisation (correlation trading portfolio) | – | – |
| 8 | Default risk – non-securitisations | – | – |
| 9 | Default risk – securitisations (non-correlation trading portfolio) | – | – |
| 10 | Default risk – securitisations (correlation trading portfolio) | – | – |
| 11 | Residual risk add-on | – | – |
| **12** | **Total** | 315 | 19 651 |

*The decrease in foreign exchange risk is driven by the reduction in the net open position of mainly USD currency exposure.*

| | | Sasfin Holdings | |
|---|---|---|---|
| R'000 | | **a<br>June 2022<br>Capital<br>charge in SA** | a<br>June 2021<br>Capital<br>charge in SA |
| 1 | General interest rate risk | – | – |
| 2 | Equity risk | – | – |
| 3 | Commodity risk | – | – |
| 4 | Foreign exchange risk | **315** | 19 651 |
| 5 | Credit spread risk – non-securitisations | – | – |
| 6 | Credit spread risk – securitisations (non-correlation trading portfolio) | – | – |
| 7 | Credit spread risk – securitisation (correlation trading portfolio) | – | – |
| 8 | Default risk – non-securitisations | – | – |
| 9 | Default risk – securitisations (non-correlation trading portfolio) | – | – |
| 10 | Default risk – securitisations (correlation trading portfolio) | – | – |
| 11 | Residual risk add-on | – | – |
| **12** | **Total** | **315** | 19 651 |

# 8. Operational risk

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

Sasfin Group includes operational risk capital as part of the group's Pillar 1 Capital measurement using relevant benchmark percentages provided for under the Basel II Basic Indicator Approach (BIA) for Operational Risk measurement. Under the BIA approach capital is calculated as a percentage of gross income as defined in the Regulations of the Banks Act.

**Reporting:** Business unit management is responsible for identification and collation of operational risk event data and reporting to Group Risk. Operational risk events are differentiated and measured according to their root cause (people, process, systems, or external causal factors). Key risk indicators are used to monitor key risks identified and are risk sensitive. They align to other risk measures to assess the effectiveness of controls.

The following risks are covered through the management of operational risk:

8.1. **Execution, delivery and process management:** Losses from failed transaction processing or process management, from relations with trade counterparties and vendors;

8.2. **Employment practices and workplace safety:** Losses arising from acts inconsistent with employment, health or safety laws or agreements regulation;

8.3. **Clients, products and business practices:** Losses arising from an unintentional negligent failure to meet a professional obligation to specific clients, or from the nature or design of a product;

8.4. **Damage to physical assets:** Losses arising from loss or damage to physical assets from natural disaster or other events.

8.5. **Business disruption and system failure:** Utility disruptions, software failures, hardware failures. Business Continuity Management (BCM) is a management process that identifies potential impacts that threaten an organisation and provides a framework for building resilience and the capability for an effective response which safeguards the interest of key stakeholders, reputation, brand, and value creating activities. BCM includes disaster recovery, business recovery, crisis management and emergency management/response. BCM is an ongoing process requiring continual assessment of business continuity capabilities. Each business unit has a documented Business Continuity Plan and operational risk ensures that this is maintained and regularly updated.

8.6. **Internal and External fraud risk:** Includes a wide range of commercial crimes and deals predominantly with non-violent commercial crimes but could include non-compliance to policies and procedures, employee misconduct, harassment, and victimisation. Internal fraud involves at least one internal party whereas external fraud involves a third party.

8.7. **IT & Cyber risk:** Exposure to harm or financial loss resulting from internal/external breaches of or attacks on information systems. Sasfin's strategy includes a cyber roadmap that identifies and prioritises the Group's main cyber risks so that these are addressed timeously and effectively. The roadmap is regularly reviewed by assurance providers, and progress in implementing the priority areas is presented to the IT Committee, Board and PA every quarter. With the shift to remote work necessitated by the Covid-19 pandemic, there was a marked increase in cyber risk globally with higher potential for cyberattacks and a more complex technology governance and control structure to implement. Fortunately, the steps already implemented in terms of the roadmap, provided multiple layers of defence, including the use of virtual private network (VPN) and access point name (APN) technologies that deployed the same level of security available at Sasfin's offices to the remote environment.

8.8. **Model Risk:** The risk of loss resulting from using insufficiently accurate models to make decisions.

8.9. **Legal and Insurance Risk:** Legal and Insurance risk is the risk of loss to an institution which is primarily caused by:

(a) a defective transaction; or
(b) a claim being made which results in a liability for the institution or other loss (for example, as a result of the termination of a contract); or
(c) failing to take appropriate measures to protect assets (for example, intellectual property) owned by the institution; or
(d) change in law.

**Risk management:** The risk management process involves the systematic application of policies, procedures and practices in the managing of risk. The process is iterative and assists in setting strategy, achieving business objectives and making informed decisions. The process involves the three lines of defence. The three lines of defence operating model segregates those individuals and teams that own and manage the risks as (First Line), those providing oversight, advice, and challenge as (Second Line) and those providing assurance that the frameworks, policies, processes are appropriately applied to manage and oversee the risks (Third Line).

The risk management process is managed through an effective risk system, supported, and applied in conjunction with other Group policies and frameworks.

# 9. Treasury risk

## Overview of treasury risk and key prudential metrics

**Treasury risk comprises liquidity risk, capital risk and interest rate risk in the banking book.**

**Liquidity risk:** The risk arising from the potential inability of the Group to accommodate decreases in liabilities or to fund increase in assets in full, at the right time, place, and currency.

**Capital risk:** The risk of the Group's capital base falling below the risk appetite levels.

**Interest rate risk in the banking book (IRRBB):** This represents the risk that fluctuating interest rates could unfavourably affect the Group's earnings and the value of its assets, liabilities and/or capital.

### Governance

The monitoring of liquidity risk, interest rate risk, currency risk and various other risks has been delegated to the Asset and Liability Committee (ALCO), a sub-committee of the Group Executive Committee. The GRCMC oversees the Group's Asset and Liability management and receives reports from the ALCO on a quarterly basis.

The ALCO considers and reviews the following on a quarterly basis:

- Progress on previously determined strategies;
- Economic conditions;
- Interest rate outlook and sensitivities;
- Loan and deposit demand/mismatch;
- Capital adequacy and capital allocation;
- Deposit pricing and maturity structure;
- Liquidity position;
- Liquidity Stress testing results; and
- Currency Risk.

### Reporting

Group Treasury is responsible for management reporting to ALCO on the following inter alia:

- Overview of liquidity risk – cashflow management, liquidity mismatch, Assets, Liabilities.
- Overview of interest rate risk – Interest rate management, interest rate shocks.
- Overview of currency risk – currency management, Net open position limits and mismatches, Interbank facilities, operations.
- Overview of Debt Capital Markets – stress testing and performance tests.
- Economic and other related reports, International and domestic daily funding, consolidated balance sheet, liquidity stress testing, regulatory returns.

## 9.1. Liquidity risk

**Governance:** The Daily Liquidity Committee is a Sub-Committee of ALCO and is responsible for the daily management of liquidity risk that covers the following:

- Cash Flow risk – the risk that the Group might not be able to generate sufficient cash to repay its maturing deposits or fulfil its obligations.
- Event risk – the risk of loss due to an event leading to serious structural damage to the market.
- Funding risk – the risk of constraints affecting the availability of suitably priced funds.
- Solvency risk – the risk of insufficient capital to cover the depositor's funds.
- Trading (market liquidity) risk – the uncertainty associated with the market liquidity of a financial asset.

**Management and Measurement:** Liquidity is managed within the context of the budget and strategic plan. Critical factors impacting liquidity are monitored daily. Foreign currency and cross border liquidity are managed through matching of foreign currency assets and liabilities.

Refer to Note 45.3 Currency risk on pages 104 to 106 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

**Limit setting:** Qualitative and quantitative targets are determined annually as part of the planning process.

The budget can only be accepted by the Board if the projected assets are reasonable in relation to the expected funding available for each of the various asset classes.

Refer to the appendix for the following standardised disclosures required in terms of Regulation 43 of the Regulations:

- LR1: Summary comparison of accounting assets versus leverage ratio exposure
- LR2: Leverage ratio common disclosure template
- LQ1: Liquidity coverage ratio
- LQ2: Net stable funding ratio

## 9.2. Capital risk

**Governance:** The Board is responsible for capital management and has delegated certain aspects of its role to the GRCMC, including setting of appropriate capital targets and ensuring adequate capitalisation. The capital management function is governed primarily by the GRCMC that oversee the risks associated with capital management, as well as the Asset and Liability Committee (ALCO) and its sub-committee, the Daily Liquidity Committee.

**Management and Measurement:** The internal capital management approach is embedded in a formal ICAAP consisting of the Group's risk appetite, capital, and risk management frameworks (including capital planning and stress testing). The GRCMC and Board reviews the Group's risk profile to ensure that the level of available capital:

- exceeds the Group's minimum regulatory capital requirements by a predetermined margin;
- remains sufficient to support the Group's risk profile;
- remains consistent with the Group's strategic goals; and
- is sufficient to absorb potential losses under severe stress scenarios.

Stress tests are performed on the Group's capital position to determine the impact on the capital position should a severe economic downturn materialise. Stress tests consider changes in the macroeconomic environment, key risks, and vulnerabilities within the Group's business model.

Capital management also includes strategic allocation of capital and capital optimisation.

Refer to note 46 Capital management on pages 107 to 108 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

Refer to the appendix for the following standardised disclosures required in terms of Regulation 43 of the Regulations:

- CC1: Composition of regulatory capital
- CC2: Reconciliation of regulatory capital to balance sheet

## 9.3. Interest rate risk in the banking book

**Governance:** The Daily Liquidity Committee is responsible for the management of interest rate risk with regards to the following:

- Re-Pricing risk – the cost to the Group of interest-rate fluctuations on funding and the time-lag between introducing compensating interest rates on advances.
- Pricing basis risk – The risk where interest rates in respect of both assets and liabilities are linked to different base rates.

**Management and measurement:** The Daily Liquidity Committee selects strategies that optimise the ability of the Group to meet its long-term financial goals, while containing interest rate risk within policy limits established by the Board of Directors through ALCO. The committee also determines and reports the expected cumulative impact or sensitivity on the Group using a two hundred basis point interest rate shock and models a base case for a two hundred basis point movement. Both income and market value orientated techniques are used to select strategies that optimise the relationship between risk and return.

Refer to Note 45.2 Market risk on page 103 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

**Objective:** Sasfin's strategy is not to have any significant position on open interest rates i.e., repricing assets and liabilities are balanced for a given maturity thereby achieving a zero or close to zero duration gap. Where a material gap exists interest rate hedges will be utilised. Sensitivity analysis is used to determine and inform management and other stakeholders of the potential impact of IRR shocks.

## 9.4. Key prudential metrics

### KM1: Prudential Metrics

| | | Sasfin Holdings Limited | | | | |
|---|---|---|---|---|---|---|
| | | a | b | c | d | e |
| | | Jun-22 | Mar-22[1] | Dec-21[1] | Sep-21[1] | Jun-21[1] |
| | R'000 | T | T-1 | T-2 | T-3 | T-4 |
| | **Available capital (amounts)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) | **1 407 735** | **1 349 369** | **1 337 420** | **1 290 165** | **1 291 358** |
| 1a | Fully loaded ECL accounting model | **1 407 735** | **1 349 369** | **1 337 420** | **1 290 165** | **1 291 358** |
| 2 | Tier 1 | **1 407 735** | **1 349 369** | **1 337 420** | **1 290 165** | **1 296 108** |
| 2a | Fully loaded accounting model Tier 1 | **1 407 735** | **1 349 369** | **1 337 420** | **1 290 165** | **1 296 108** |
| 3 | Total capital | **1 482 387** | **1 417 805** | **1 402 750** | **1 352 653** | **1 361 018** |
| 3a | Fully loaded ECL accounting model total capital | **1 482 387** | **1 417 805** | **1 402 750** | **1 352 653** | **1 361 018** |
| | **Risk-weighted assets (amounts)** | | | | | |
| 4 | Total risk-weighted assets (RWA) | **9 220 888** | **8 476 154** | **8 304 923** | **7 294 124** | **7 866 396** |
| | **Risk-based capital ratios as a percentage of RWA** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | **15.267%** | **15.920%** | **16.104%** | **17.688%** | **16.416%** |
| 5a | Fully loaded ECL accounting model CET1 (%) | **15.267%** | **15.920%** | **16.104%** | **17.688%** | **16.416%** |
| 6 | Tier 1 ratio (%) | **15.267%** | **15.920%** | **16.104%** | **17.688%** | **16.477%** |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | **15.267%** | **15.920%** | **16.104%** | **17.688%** | **16.477%** |
| 7 | Total capital ratio (%) | **16.077%** | **16.727%** | **16.891%** | **18.544%** | **17.302%** |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | **16.077%** | **16.727%** | **16.891%** | **18.544%** | **17.302%** |
| | **Additional CET1 buffer requirements as a percentage of RWA** | | | | | |
| 8 | Capital conservation buffer requirement (2.5% from 2019) (%) | **2.500%** | **2.500%** | **2.500%** | **2.500%** | **2.500%** |
| 9 | Countercyclical buffer requirement (%) | **–** | **–** | **–** | **–** | **–** |
| 10 | Bank D-SIB additional requirements (%) | **–** | **–** | **–** | **–** | **–** |
| 11 | Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10) | **2.500%** | **2.500%** | **2.500%** | **2.500%** | **2.500%** |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | **6.767%** | **7.420%** | **8.104%** | **9.688%** | **8.416%** |
| | **Basel III Leverage Ratio** | | | | | |
| 13 | Total Basel III leverage ratio measure | **12 879 762** | **12 077 236** | **11 944 129** | **11 406 295** | **11 824 026** |
| 14 | Basel III leverage ratio (%) (row 2/row 13) | **10.93%** | **11.17%** | **11.20%** | **11.31%** | **10.96%** |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13) | **10.93%** | **11.17%** | **11.20%** | **11.31%** | **10.96%** |
| | **Liquidity Coverage Ratio** | | | | | |
| 15 | Total HQLA | **958 443** | **1 061 791** | **1 004 362** | **1 022 658** | **1 120 952** |
| 16 | Total net cash outflow | **378 235** | **408 982** | **409 773** | **411 016** | **421 247** |
| 17 | LCR ratio (%) | **253.40%** | **259.62%** | **245.10%** | **248.81%** | **266.10%** |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | **5 283 788** | **5 275 982** | **5 632 577** | **4 971 502** | **4 951 917** |
| 19 | Total required stable funding | **5 173 840** | **5 071 916** | **4 969 899** | **4 733 796** | **4 687 830** |
| 20 | NSFR ratio (%) | **102.13%** | **104.02%** | **113.33%** | **105.02%** | **105.63%** |

[1] *Restated. Please refer to note 49 of the Annual Financial Statements for additional information on pages 111 to 114.*

# 9. Treasury risk *continued*

## 9.4. Key prudential metrics *continued*

**KM1: Prudential Metrics** *continued*

| | | Sasfin Bank Limited | | | | |
|---|---|---|---|---|---|---|
| | | a | b | c | d | e |
| | | Jun-22 | Mar-22[1] | Dec-21[1] | Sep-21[1] | Jun-21[1] |
| | R'000 | T | T-1 | T-2 | T-3 | T-4 |
| | **Available capital (amounts)** | | | | | |
| 1 | Common Equity Tier 1 (CET1) | 997 159 | 972 222 | 940 257 | 935 949 | 972 735 |
| 1a | Fully loaded ECL accounting model | 997 159 | 972 222 | 940 257 | 935 949 | 972 735 |
| 2 | Tier 1 | 997 159 | 972 222 | 940 257 | 935 949 | 972 735 |
| 2a | Fully loaded accounting model Tier 1 | 997 159 | 972 222 | 940 257 | 935 949 | 972 735 |
| 3 | Total capital | 1 053 203 | 1 023 475 | 994 215 | 985 769 | 1 022 804 |
| 3a | Fully loaded ECL accounting model total capital | 1 053 203 | 1 023 475 | 994 215 | 985 769 | 1 022 804 |
| | **Risk-weighted assets (amounts)** | | | | | |
| 4 | Total risk-weighted assets (RWA) | 7 242 480 | 6 381 672 | 6 339 528 | 5 679 861 | 5 816 388 |
| | **Risk-based capital ratios as a percentage of RWA** | | | | | |
| 5 | Common Equity Tier 1 ratio (%) | 13.768% | 15.235% | 14.832% | 16.478% | 16.724% |
| 5a | Fully loaded ECL accounting model CET1 (%) | 13.768% | 15.235% | 14.832% | 16.478% | 16.724% |
| 6 | Tier 1 ratio (%) | 13.768% | 15.235% | 14.832% | 16.478% | 16.724% |
| 6a | Fully loaded ECL accounting model Tier 1 ratio (%) | 13.768% | 15.235% | 14.832% | 16.478% | 16.724% |
| 7 | Total capital ratio (%) | 14.542% | 16.038% | 15.683% | 17.356% | 17.585% |
| 7a | Fully loaded ECL accounting model total capital ratio (%) | 14.542% | 16.038% | 15.683% | 17.356% | 17.585% |
| | **Additional CET1 buffer requirements as a percentage of RWA** | | | | | |
| 8 | Capital conservation buffer requirement (2.5% from 2019) (%) | 2.500% | 2.500% | 2.500% | 2.500% | 2.500% |
| 9 | Countercyclical buffer requirement (%) | – | – | – | – | – |
| 10 | Bank D-SIB additional requirements (%) | – | – | – | – | – |
| 11 | Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10) | 2.500% | 2.500% | 2.500% | 2.500% | 2.500% |
| 12 | CET1 available after meeting the bank's minimum capital requirements (%) | 5.268% | 6.735% | 6.832% | 8.478% | 8.724% |
| | **Basel III Leverage Ratio** | | | | | |
| 13 | Total Basel III leverage ratio measure | 9 212 924 | 9 031 512 | 9 901 710 | 8 851 632 | 8 513 120 |
| 14 | Basel III leverage ratio (%) (row 2/row 13) | 10.82% | 10.76% | 9.50% | 10.57% | 11.43% |
| 14a | Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13) | 10.82% | 10.76% | 9.50% | 10.57% | 11.43% |
| | **Liquidity Coverage Ratio** | | | | | |
| 15 | Total HQLA | 958 443 | 1 061 791 | 1 004 362 | 1 022 658 | 1 120 952 |
| 16 | Total net cash outflow | 378 235 | 408 982 | 409 773 | 411 016 | 421 247 |
| 17 | LCR ratio (%) | 253.40% | 259.62% | 245.10% | 248.81% | 266.10% |
| | **Net Stable Funding Ratio** | | | | | |
| 18 | Total available stable funding | 5 283 788 | 5 275 982 | 5 632 577 | 4 971 502 | 4 951 917 |
| 19 | Total required stable funding | 5 173 840 | 5 071 916 | 4 969 899 | 4 733 796 | 4 687 830 |
| 20 | NSFR ratio (%) | 102.13% | 104.02% | 113.33% | 105.02% | 105.63% |

[1] *Restated. Please refer to note 49 of the Annual Financial Statements for additional information on pages 111 to 114.*

# 10. Remuneration and compensation

The Group's remuneration philosophy aims to maximise stakeholder value creation while maintaining good governance. Sasfin recognise that fair, transparent and responsible remuneration practices are essential to fulfil our purpose, deliver on strategy and drive performance within our desired culture and values. Our approach to remuneration aligns with the recommendations of King IV, the Basel Committee on Banking Supervision (Governance guidelines) and other applicable regulations.

REMCO assists the Board in setting and approving the remuneration policy and engages with stakeholders, including shareholders, regulators, external consultants and management. It has access to the information required to make informed remuneration decisions that align with the Board's remuneration policy, risk appetite and regulatory requirements.

The GRCMC reviews and approved remuneration decisions that may have implications for the Group's risk appetite, such as changes to Group or pillar incentive schemes, to minimise the risk of unintended consequences when these are applied. The CEO, CRO and Head: Human Capital attend REMCO meetings as invitees and report on employee matters of concern.

The Group's remuneration policy, which describes the key features of the remuneration system, will be outlined in the 2022 Remuneration Report. This was published with the Group's Integrated Report on 31 October 2022.

The salient features are set out below:

### Oversight of remuneration

The Remuneration Committee (REMCO) is directly responsible for all human capital and remuneration decisions that affect senior managers and executives, as well as for any executive, irrespective of reward level, that reports to the Group CEO. REMCO reviews the terms and conditions of Executive Directors' and senior executives' service agreements at least annually against peer companies and local and global industry trends.

All positions are benchmarked individually at least every second year using independent remuneration consultants, which include REMchannel, PwC Research Services (Proprietary) Limited, the International Zonal Leadership Institute and 21st Century. Job evaluations supported by benchmarking provide REMCO with assurance that roles are graded correctly, and employees are paid in line with the market for the jobs they perform.

In the following tables, senior managers are defined as members of the Executive Committee (Exco) reporting to the CEO. Other material risk takers include Executive Directors and Prescribed Officers as described in the Integrated Report.

### Design and structure of the remuneration processes

The objectives of the remuneration policy are to:

- Ensure we attract, develop and retain employees
- Ensure responsible and transparent remuneration of employees which promote Sasfin's strategic objectives
- Reward performance and value-adding contributors and ethical behaviour
- Provide clarification and reinforcement of roles and accountabilities
- Provide a total reward structure that drives long-term performance by balancing guaranteed and variable remuneration
- Provide meaningful benefits that are cost-effective and are clearly communicated and supported
- Benchmark individual roles to ensure fair compensation

### Risk and remuneration

Group and operational financial targets and a non-financial component, which, in addition to the personal KPI score, includes items such as compliance, risk, strategy implementation, stakeholder expectations, transformation and ethics.

### Linking performance and reward

Remuneration forms an integral element of the Group's greater human capital management, which includes performance and talent management. Remuneration practices are an effective means of supporting the business strategy by motivating and rewarding excellent employee performance that delivers on the Group's strategic objectives.

Sasfin's variable remuneration aims to directly link reward to individual, Pillar/business unit and Group performance so that employees can directly influence their total remuneration through their individual efforts. Individual performance is measured against KPIs that are agreed in advance and reviewed regularly, in line with any changes to the job function, as well as KVIs and KRIs.

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

## 10. Remuneration and compensation *continued*

### Variable remuneration

Variable remuneration arrangements include:

- Cash STIs for all employees.
- Deferred short-term and long-term incentives for identified senior executives and management in good standing and not underperforming in terms of KPIs, KRIs or KVIs. These vest over three years and four years, dependent on the size of the award.

The proportion of the total remuneration mix that is variable and therefore subject to performance generally increases for more senior executives.

Incentive schemes are a key focus area for 2023, with the intention to design and implement incentive schemes at Pillar level, in line with the new federated model, that are industry and market-related.

### Remuneration awarded during the financial year

| Remuneration amount | | | a<br>Senior management | b<br>Other material risk-takers |
|---|---|---|---|---|
| 1 | Fixed remuneration | Number of employees | 8 | 2 |
| 2 | | Total fixed remuneration (3+5+7) | 20 184 | 7 563 |
| 3 | | Of which: cash-based | 17 103 | 6 402 |
| 4 | | Of which: deferred | – | – |
| 5 | | Of which: shares or other share-linked instruments | – | – |
| 6 | | Of which: deferred | – | – |
| 7 | | Of which: other forms | 3 081 | 1 162 |
| 8 | | Of which: deferred | – | – |
| 9 | Variable remuneration | Number of employees | – | – |
| 10 | | Total variable remuneration (11+13+15) | 339 | 57 |
| 11 | | Of which: cash-based | – | – |
| 12 | | Of which: deferred | – | – |
| 13 | | Of which: shares or other share-linked instruments | – | – |
| 14 | | Of which: deferred | – | – |
| 15 | | Of which: other forms | 339 | 57 |
| 16 | | Of which: deferred | – | – |
| **17** | **Total remuneration (2+10)** | | **20 523** | **7 620** |

# 10. Remuneration and compensation *continued*

## Special payments:

| | Guaranteed bonuses | | Sign-on awards | | Severance payments | |
|---|---|---|---|---|---|---|
| | Number of employees | Total amount | Number of employees | Total amount | Number of employees | Total amount |
| Senior management | 8 | 5 149 | – | – | – | – |
| Other material risk-takers | 2 | 2 450 | – | – | – | – |

## Deferred remuneration:

| | a | b | c | d | e |
|---|---|---|---|---|---|
| Deferred and retained remuneration | Total amount of outstanding deferred remuneration | Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or post explicit and/or implicit adjustment | Total amount of amendment during the year due to ex post explicit adjustments | Total amount of amendment during the year due to ex post implicit adjustments | Total amount of deferred remuneration paid out in the financial year |
| Senior management | | | | | |
| Cash | 20 117 | 20 117 | – | 20 117 | 742 |
| Shares | – | – | – | – | – |
| Cash-linked instruments | – | – | – | – | – |
| Other | – | – | – | – | – |
| Other material risk-takers | | | | | |
| Cash | 7 563 | 7 563 | – | – | 240 |
| Shares | – | – | – | – | – |
| Cash-linked instruments | – | – | – | – | – |
| Other | – | – | – | – | – |
| **Total** | 27 680 | 27 680 | – | 20 117 | 982 |

# Appendices

### LR1: Summary comparison of accounting assets vs leverage ratio exposure

| | | Sasfin Holdings Limited | |
|---|---|---|---|
| R'000 | | a<br>**June 2022** | March 2022[1] |
| 1 | Total consolidated assets as per published financial statements[1] | **13 116 532** | 12 334 083 |
| 2 | Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation | **–** | – |
| 3 | Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure | **–** | – |
| 4 | Adjustments for derivative financial instruments | **(322 175)** | (281 594) |
| 5 | Adjustment for securities financing transactions (i.e., repos and similar secured lending) | **–** | – |
| 6 | Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures) | **193 815** | 138 753 |
| 7 | Other adjustments | **(108 410)** | (114 006) |
| **8** | **Leverage ratio exposure measure** | **12 879 762** | 12 077 236 |

[1] *Restated. Refer to note 49 of the Annual Financial statements for additional information on pages 111 to 114.*

Other adjustments include exclusion of banking. financial. insurance and commercial entities outside of the regulatory scope of consolidation.

### LR2: Leverage ratio common disclosure template

| R'000 | | Sasfin Bank Limited<br>a<br>June 2022<br>T | b<br>March 2022[1]<br>T-1 |
|---|---|---|---|
| **On-balance sheet exposures** | | | |
| 1 | On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs). but including collateral) | **8 968 925** | 8 845 332 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | **–** | – |
| 3 | **Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)** | **8 968 925** | 8 845 332 |
| **Derivative exposures** | | | |
| 4 | Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) | **44 580** | 40 748 |
| 5 | Add-on amounts for PFE associated with *all* derivatives transactions | **19 702** | 14 927 |
| 6 | Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework | **–** | – |
| 7 | (Deductions of receivable assets for cash variation margin provided in derivatives transactions) | **–** | – |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | **–** | – |
| 9 | Adjusted effective notional amount of written credit derivatives | **–** | – |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | **–** | – |
| 11 | **Total derivative exposures (sum of rows 4 to 10)** | **64 282** | 55 675 |
| **Securities financing transactions** | | | |
| 12 | Gross SFT *assets* (with no recognition of netting). after adjusting for sale accounting transactions | **–** | – |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | **–** | – |
| 14 | CCR exposure for SFT assets | **–** | – |
| 15 | Agent transaction exposures | **–** | – |
| 16 | **Total securities financing transaction exposures (sum of rows 12 to 15)** | **–** | – |
| **Other off-balance sheet exposures** | | | |
| 17 | Off-balance sheet exposure at gross notional amount | **818 530** | 817 474 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | **(638 813)** | (686 969) |
| 19 | **Off-balance sheet items (sum of rows 17 and 18)** | **179 717** | 130 505 |
| **Capital and total exposures** | | | |
| 20 | **Tier 1 capital** | **997 159** | 972 222 |
| 21 | **Total exposures (sum of rows 3, 11, 16 and 19)** | **9 212 924** | 9 031 512 |
| **Leverage ratio** | | | |
| 22 | **Basel III leverage ratio** | **10.82%** | 10.76% |

[1] *Restated. Refer to note 49 of the Annual Financial statements for additional information on pages 111 to 114.*

### LR2: Leverage ratio common disclosure template *continued*

| | | Sasfin Holdings Limited | |
|---|---|---|---|
| R'000 | | a<br>**June 2022**<br>**T** | b<br>March 2022[1]<br>T-1 |
| **On-balance sheet exposures** | | | |
| 1 | On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs). but including collateral) | **12 621 665** | 11 882 808 |
| 2 | (Asset amounts deducted in determining Basel III Tier 1 capital) | **–** | – |
| 3 | **Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)** | **12 621 665** | 11 882 808 |
| **Derivative exposures** | | | |
| 4 | Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting) | **44 580** | 40 748 |
| 5 | Add-on amounts for PFE associated with *all* derivatives transactions | **19 702** | 14 927 |
| 6 | Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework | **–** | – |
| 7 | (Deductions of receivable assets for cash variation margin provided in derivatives transactions) | **–** | – |
| 8 | (Exempted CCP leg of client-cleared trade exposures) | **–** | – |
| 9 | Adjusted effective notional amount of written credit derivatives | **–** | – |
| 10 | (Adjusted effective notional offsets and add-on deductions for written credit derivatives) | **–** | – |
| 11 | **Total derivative exposures (sum of rows 4 to 10)** | **64 282** | 55 675 |
| **Securities financing transactions** | | | |
| 12 | Gross SFT *assets* (with no recognition of netting). after adjusting for sale accounting transactions | **–** | – |
| 13 | (Netted amounts of cash payables and cash receivables of gross SFT assets) | **–** | – |
| 14 | CCR exposure for SFT assets | **–** | – |
| 15 | Agent transaction exposures | **–** | – |
| 16 | **Total securities financing transaction exposures (sum of rows 12 to 15)** | **–** | – |
| **Other off-balance sheet exposures** | | | |
| 17 | Off-balance sheet exposure at gross notional amount | **832 629** | 766 055 |
| 18 | (Adjustments for conversion to credit equivalent amounts) | **(638 813)** | (627 302) |
| 19 | **Off-balance sheet items (sum of rows 17 and 18)** | **193 815** | 138 753 |
| **Capital and total exposures** | | | |
| 20 | **Tier 1 capital** | **1 407 735** | 1 349 369 |
| 21 | **Total exposures (sum of rows 3, 11, 16 and 19)** | **12 879 762** | 12 077 236 |
| **Leverage ratio** | | | |
| 22 | **Basel III leverage ratio** | **10.93%** | 11.17% |

[1] *Restated. Refer to note 49 of the Annual Financial statements for additional information on pages 111 to 114.*

### LIQ1: Liquidity Coverage Ratio (LCR)

| | | Sasfin Holdings Limited | |
|---|---|---|---|
| R'000 | | a<br>Total unweighted value (average) | b<br>Total weighted value (average) |
| **High-quality liquid assets** | | | |
| 1 | Total HQLA | | 958 443 |
| **Cash outflows** | | | |
| **2** | **Retail deposits and deposits from small business customers, of which:** | 894 905 | 89 490 |
| 3 | Stable deposits | – | – |
| 4 | Less stable deposits | 894 905 | 89 490 |
| **5** | **Unsecured wholesale funding, of which:** | 4 591 187 | 1 148 123 |
| 6 | Operational deposits (all counterparties) and deposits in networks of cooperative banks | – | – |
| 7 | Non-operational deposits (all counterparties) | 4 591 187 | 1 148 123 |
| 8 | Unsecured debt | – | – |
| **9** | **Secured wholesale funding** | | – |
| **10** | **Additional requirements, of which:** | 738 648 | 214 822 |
| 11 | Outflows related to derivative exposures and other collateral requirements | 17 072 | 17 072 |
| 12 | Outflows related to loss of funding of debt products | – | – |
| 13 | Credit and liquidity facilities | 721 576 | 197 750 |
| **14** | **Other contractual funding obligations** | – | – |
| **15** | **Other contingent funding obligations** | – | – |
| **16** | **TOTAL CASH OUTFLOWS** | | 1 452 435 |
| **Cash inflows** | | | |
| **17** | **Secured lending (e.g., reverse repo)** | 907 992 | 907 992 |
| **18** | **Inflows from fully performing exposures** | 279 303 | 139 651 |
| **19** | **Other cash inflows** | 26 557 | 26 557 |
| **20** | **TOTAL CASH INFLOWS** | 1 213 852 | 1 074 200 |
| | | | Total adjusted value |
| **21** | **Total HQLA** | | 958 443 |
| **22** | **Total net cash outflows** | | 378 235 |
| **23** | **Liquidity coverage ratio (%)** | | 253.40% |

### LIQ2: Net Stable Funding Ratio (NSFR)

| | | Sasfin Holdings Limited | | | | |
|---|---|---|---|---|---|---|
| | | a | b | c | d | e |
| | | Unweighted value by residual maturity | | | | |
| | | No maturity* | <6 months | 6 months to <1 year | ≥1 year | Weighted value |
| **Available stable funding (ASF) item** | | | | | | |
| 1 | Capital: | – | – | – | 1 093 093 | 1 093 093 |
| 2 | *Regulatory capital* | | | | 1 093 093 | 1 093 093 |
| 3 | *Other capital instruments* | | | | | – |
| 4 | Retail deposits and deposits from small business customers: | – | 1 824 429 | 204 294 | 26 192 | 1 852 043 |
| 5 | *Stable deposits* | | – | – | – | – |
| 6 | *Less stable deposits* | | 1 824 429 | 204 294 | 26 192 | 1 852 043 |
| 7 | Wholesale funding: | – | 1 018 928 | 100 322 | 319 953 | 879 577 |
| 8 | *Operational deposits* | | – | – | – | – |
| 9 | *Other wholesale funding* | | 1 018 928 | 100 322 | 319 953 | 879 577 |
| 10 | Liabilities with matching interdependent assets | | | | | |
| 11 | Other liabilities: | – | 3 170 115 | 99 065 | 608 528 | 1 459 075 |
| 12 | NSFR derivative liabilities | | | | 219 | |
| 13 | All other liabilities and equity not included in the above categories | | 3 170 115 | 99 065 | 608 528 | 1 459 075 |
| **14** | **Total ASF** | | | | | 5 283 788 |
| **Required stable funding (RSF) item** | | | | | | |
| 15 | Total NSFR high-quality liquid assets (HQLA) | | | | | 110 822 |
| 16 | Deposits held at other financial institutions for operational purposes | – | – | – | – | – |
| 17 | Performing loans and securities: | – | 2 912 745 | 614 820 | 4 090 325 | 4 004 950 |
| 18 | Performing loans to financial institutions secured by Level 1 HQLA | – | 1 005 199 | 382 140 | 199 880 | 79 361 |
| 19 | Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions | – | 1 267 159 | 425 | 246 598 | 436 885 |
| 20 | Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which: | – | 640 387 | 232 255 | 3 419 416 | 3 342 825 |
| 21 | With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk | – | – | – | 224 430 | 145 880 |
| 22 | Performing residential mortgages, of which: | – | – | – | – | – |
| 23 | With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk | – | – | – | – | – |
| 24 | Securities that are not in default and do not qualify as HQLA, including exchange-traded equities | – | – | – | – | – |
| 25 | Assets with matching interdependent liabilities | | | | | – |
| 26 | Other liabilities: | – | – | – | 1 044 557 | 1 044 557 |
| 27 | *Physical traded commodities, including gold* | – | | | | – |
| 28 | *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs* | | | | | – |
| 29 | *NSFR derivative assets* | | – | | | – |
| 30 | *NSFR derivative liabilities before deduction of variation margin posted* | | | | | – |
| 31 | *All other assets not included in the above categories* | | – | – | 1 044 557 | 1 044 557 |
| 32 | Off-balance sheet items | | | | | 92 872 |
| **33** | ***Total RSF*** | | | | | 5 173 840 |
| **34** | ***Net Stable Funding Ratio (%)*** | | | | | 102.13% |

### CC1: Composition of regulatory capital

| | | Sasfin Holdings Limited | |
|---|---|---|---|
| | R'000 | a<br>Amounts | b<br>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
| | **Common Equity Tier 1 capital: instruments and reserves** | | |
| 1 | Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus | 167 266 | |
| 2 | Retained earnings | 1 516 480 | |
| 3 | Accumulated other comprehensive income (and other reserves) | (101 816) | |
| 4 | *Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)* | – | |
| 5 | Common share capital issued by third parties (amount allowed in group CET1) | – | |
| **6** | **Common Equity Tier 1 capital before regulatory deductions** | **1 581 930** | |
| | **Common Equity Tier 1 capital regulatory adjustments** | | |
| 7 | Prudent valuation adjustments | 1 502 | |
| 8 | Goodwill (net of related tax liability) | 32 252 | |
| 9 | Other intangibles other than mortgage servicing rights (net of related tax liability) | 109 364 | |
| 10 | Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability) | 31 077 | |
| 11 | Cash flow hedge reserve | – | |
| 12 | Shortfall of provisions to expected losses | – | |
| 13 | Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework) | – | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | – | |
| 15 | Defined benefit pension fund net assets | – | |
| 16 | Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet) | – | |
| 17 | Reciprocal cross-holdings in common equity | – | |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | – | |
| 19 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | – | |
| 20 | Mortgage servicing rights (amount above 10% threshold) | – | |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | – | |
| 22 | Amount exceeding 15% threshold | – | |
| 23 | Of which: significant investments in the common stock of financials | – | |
| 24 | Of which: mortgage servicing rights | – | |
| 25 | Of which: deferred tax assets arising from temporary differences | – | |
| 26 | National specific regulatory adjustments | – | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | – | |
| **28** | **Total regulatory adjustments to Common Equity Tier 1** | **174 194** | |
| **29** | **Common Equity Tier 1 capital (CET1)** | **1 407 735** | |
| | **Additional Tier 1 capital: instruments** | | |
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | – | |
| 31 | Of which: classified as equity under applicable accounting standards | – | |
| 32 | Of which: classified as liabilities under applicable accounting standards | – | |
| 33 | *Directly issued capital instruments subject to phase-out from additional Tier 1* | – | |

## CC1: Composition of regulatory capital *continued*

| | R'000 | Sasfin Holdings Limited<br>a<br>Amounts | b<br>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1) | – | |
| 35 | *Of which: instruments issued by subsidiaries subject to phase-out* | – | |
| 36 | Additional Tier 1 capital before regulatory adjustments | – | |
| | **Additional Tier 1 capital: regulatory adjustments** | | |
| 37 | Investments in own additional Tier 1 instruments | – | |
| 38 | Reciprocal cross-holdings in additional Tier 1 instruments | – | |
| 39 | Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation | – | |
| 40 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation | – | |
| 41 | National specific regulatory adjustments | – | |
| 42 | Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions | – | |
| 43 | Total regulatory adjustments to additional Tier 1 capital | – | |
| **44** | **Additional Tier 1 capital (AT1)** | **–** | |
| **45** | **Tier 1 capital (T1= CET1 + AT1)** | **1 407 735** | |
| | **Tier 2 capital: instruments and provisions** | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | – | |
| 47 | *Directly issued capital instruments subject to phase-out from Tier 2* | – | |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | – | |
| 49 | *Of which: instruments issued by subsidiaries subject to phase-out* | – | |
| 50 | Provisions | **74 702** | |
| **51** | **Tier 2 capital before regulatory adjustments** | **74 702** | |
| | **Tier 2 capital: regulatory adjustments** | | |
| 52 | Investments in own Tier 2 instruments | – | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities | – | |
| 54 | Investments in capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | – | |
| 54a | Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only) | – | |
| 55 | Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | – | |
| 56 | National specific regulatory adjustments | – | |
| **57** | **Total regulatory adjustments to Tier 2 capital** | **–** | |
| **58** | **Tier 2 capital (T2)** | **74 702** | |
| **59** | **Total regulatory capital (TC = T1 + T2)** | **1 482 437** | |
| **60** | **Total risk-weighted assets** | **9 220 888** | |
| | **Capital ratios and buffers** | | |
| **61** | **Common Equity Tier 1 (as a percentage of risk-weighted assets)** | **15.27%** | |
| **62** | **Tier 1 (as a percentage of risk-weighted assets)** | **15.27%** | |
| **63** | **Total capital (as a percentage of risk-weighted assets)** | **16.08%** | |

### CC1: Composition of regulatory capital *continued*

| | | Sasfin Holdings Limited | |
|---|---|---|---|
| | R'000 | a<br>Amounts | b<br>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
| **64** | **Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)** | **4.50%** | |
| **65** | **Of which: capital conservation buffer requirement** | **2.50%** | |
| **66** | **Of which: bank-specific countercyclical buffer requirement** | **–** | |
| **67** | **Of which: higher loss absorbency requirement** | **2.00%** | |
| **68** | **Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.** | **6.77%** | |
| | **National minima (if different from Basel III)** | | |
| 69 | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum) | **8.50%** | |
| 70 | National Tier 1 minimum ratio (if different from Basel III minimum) | **10.75%** | |
| 71 | National total capital minimum (if different from Basel III minimum) | **13.50%** | |
| | **Amounts below the thresholds for deduction (before risk weighting)** | | |
| 72 | Non-significant investments in the capital and other TLAC liabilities of other financial entities | **–** | |
| 73 | Significant investments in common stock of financial entities | **–** | |
| 74 | Mortgage servicing rights (net of related tax liability) | **–** | |
| 75 | Deferred tax assets arising from temporary differences (net of related tax liability) | **–** | |
| | **Applicable caps on the inclusion of provisions in Tier 2** | | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) | **–** | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | **–** | |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | **–** | |
| 79 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | **–** | |
| | **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)** | | |
| 80 | *Current cap on CET1 instruments subject to phase-out arrangements* | **–** | |
| 81 | *Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)* | **–** | |
| 82 | *Current cap on AT1 instruments subject to phase-out arrangements* | **–** | |
| 83 | *Amount excluded from AT1 due to cap (excess after redemptions and maturities)* | **–** | |
| 84 | *Current cap on T2 instruments subject to phase-out arrangements* | **–** | |
| 85 | *Amount excluded from T2 due to cap (excess after redemptions and maturities)* | **–** | |

### CC1: Composition of regulatory capital *continued*

| | | Sasfin Bank Limited | |
|---|---|---|---|
| | | a | b |
| | R'000 | Amounts | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
| | **Common Equity Tier 1 capital: instruments and reserves** | | |
| 1 | Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus | 463 476 | |
| 2 | Retained earnings | 630 735 | |
| 3 | Accumulated other comprehensive income (and other reserves) | – | |
| 4 | *Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)* | – | |
| 5 | Common share capital issued by third parties (amount allowed in group CET1) | – | |
| **6** | **Common Equity Tier 1 capital before regulatory deductions** | 1 094 211 | |
| | **Common Equity Tier 1 capital regulatory adjustments** | | |
| 7 | Prudent valuation adjustments | 683,07 | |
| 8 | Goodwill (net of related tax liability) | – | |
| 9 | Other intangibles other than mortgage servicing rights (net of related tax liability) | 96 369 | |
| 10 | Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability) | – | |
| 11 | Cash flow hedge reserve | – | |
| 12 | Shortfall of provisions to expected losses | – | |
| 13 | Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework) | – | |
| 14 | Gains and losses due to changes in own credit risk on fair valued liabilities | – | |
| 15 | Defined benefit pension fund net assets | – | |
| 16 | Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet) | – | |
| 17 | Reciprocal cross-holdings in common equity | – | |
| 18 | Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold) | – | |
| 19 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold) | – | |
| 20 | Mortgage servicing rights (amount above 10% threshold) | – | |
| 21 | Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability) | – | |
| 22 | Amount exceeding 15% threshold | – | |
| 23 | Of which: significant investments in the common stock of financials | – | |
| 24 | Of which: mortgage servicing rights | – | |
| 25 | Of which: deferred tax assets arising from temporary differences | – | |
| 26 | National specific regulatory adjustments | – | |
| 27 | Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions | – | |
| **28** | **Total regulatory adjustments to Common Equity Tier 1** | 97 052 | |
| **29** | **Common Equity Tier 1 capital (CET1)** | 997 159 | |
| | **Additional Tier 1 capital: instruments** | | |
| 30 | Directly issued qualifying Additional Tier 1 instruments plus related stock surplus | – | |
| 31 | Of which: classified as equity under applicable accounting standards | – | |
| 32 | Of which: classified as liabilities under applicable accounting standards | – | |

### CC1: Composition of regulatory capital *continued*

| | R'000 | Sasfin Bank Limited<br>a<br>Amounts | b<br>Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
|---|---|---|---|
| 33 | *Directly issued capital instruments subject to phase-out from additional Tier 1* | – | |
| 34 | Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1) | – | |
| 35 | *Of which: instruments issued by subsidiaries subject to phase-out* | – | |
| 36 | Additional Tier 1 capital before regulatory adjustments | – | |
| | **Additional Tier 1 capital: regulatory adjustments** | | |
| 37 | Investments in own additional Tier 1 instruments | – | |
| 38 | Reciprocal cross-holdings in additional Tier 1 instruments | – | |
| 39 | Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation | – | |
| 40 | Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation | – | |
| 41 | National specific regulatory adjustments | – | |
| 42 | Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions | – | |
| 43 | Total regulatory adjustments to additional Tier 1 capital | – | |
| **44** | **Additional Tier 1 capital (AT1)** | – | |
| **45** | **Tier 1 capital (T1= CET1 + AT1)** | **997 159** | |
| | **Tier 2 capital: instruments and provisions** | | |
| 46 | Directly issued qualifying Tier 2 instruments plus related stock surplus | – | |
| 47 | *Directly issued capital instruments subject to phase-out from Tier 2* | – | |
| 48 | Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2) | – | |
| 49 | *Of which: instruments issued by subsidiaries subject to phase-out* | – | |
| 50 | Provisions | **56 045** | |
| **51** | **Tier 2 capital before regulatory adjustments** | **56 045** | |
| | **Tier 2 capital: regulatory adjustments** | | |
| 52 | Investments in own Tier 2 instruments | – | |
| 53 | Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities | – | |
| 54 | Investments in capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold) | – | |
| 54a | Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only) | – | |
| 55 | Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions) | – | |
| 56 | National specific regulatory adjustments | – | |
| **57** | **Total regulatory adjustments to Tier 2 capital** | – | |
| **58** | **Tier 2 capital (T2)** | **56 045** | |
| **59** | **Total regulatory capital (TC = T1 + T2)** | **1 053 203** | |
| **60** | **Total risk-weighted assets** | **7 242 479** | |
| | **Capital ratios and buffers** | | |
| **61** | **Common Equity Tier 1 (as a percentage of risk-weighted assets)** | 13.77% | |
| **62** | **Tier 1 (as a percentage of risk-weighted assets)** | 13.77% | |
| **63** | **Total capital (as a percentage of risk-weighted assets)** | 14.54% | |

## CC1: Composition of regulatory capital *continued*

| | | Sasfin Bank Limited | |
|---|---|---|---|
| | | a | b |
| | R'000 | Amounts | Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation |
| **64** | **Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)** | | |
| **65** | **Of which: capital conservation buffer requirement** | 2.50% | |
| **66** | **Of which: bank-specific countercyclical buffer requirement** | – | |
| **67** | **Of which: higher loss absorbency requirement** | – | |
| **68** | **Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.** | 5.27% | |
| | **National minima (if different from Basel III)** | | |
| 69 | National Common Equity Tier 1 minimum ratio (if different from Basel III minimum) | 8.50% | |
| 70 | National Tier 1 minimum ratio (if different from Basel III minimum) | 10.75% | |
| 71 | National total capital minimum (if different from Basel III minimum) | 13.50% | |
| | **Amounts below the thresholds for deduction (before risk weighting)** | | |
| 72 | Non-significant investments in the capital and other TLAC liabilities of other financial entities | – | |
| 73 | Significant investments in common stock of financial entities | – | |
| 74 | Mortgage servicing rights (net of related tax liability) | – | |
| 75 | Deferred tax assets arising from temporary differences (net of related tax liability) | – | |
| | **Applicable caps on the inclusion of provisions in Tier 2** | | |
| 76 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap) | – | |
| 77 | Cap on inclusion of provisions in Tier 2 under standardised approach | – | |
| 78 | Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap) | – | |
| 79 | Cap for inclusion of provisions in Tier 2 under internal ratings-based approach | – | |
| | **Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)** | | |
| 80 | *Current cap on CET1 instruments subject to phase-out arrangements* | – | |
| 81 | *Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)* | – | |
| 82 | *Current cap on AT1 instruments subject to phase-out arrangements* | – | |
| 83 | *Amount excluded from AT1 due to cap (excess after redemptions and maturities)* | – | |
| 84 | *Current cap on T2 instruments subject to phase-out arrangements* | – | |
| 85 | *Amount excluded from T2 due to cap (excess after redemptions and maturities)* | – | |

### CC2: Reconciliation of regulatory capital to balance sheet

| | a<br>Balance sheet as in published financial statements<br>As at period-end | b<br>Under regulatory scope of consolidation<br>As at period-end |
|---|---|---|
| **Assets** | | |
| Cash and balances at central banks | 179 848 | 179 848 |
| Items in the course of collection from other banks | – | – |
| Trading portfolio assets | – | – |
| Financial assets designated at fair value | 529 397 | 529 397 |
| Derivative financial instruments | 322 175 | – |
| Loans and advances to banks | 750 004 | 699 058 |
| Loans and advances to customers | 8 085 346 | 5 174 469 |
| Reverse repurchase agreements and other similar secured lending | 225 674 | 225 674 |
| Available for sale financial investments | 1 790 340 | 1 790 340 |
| Current and deferred tax assets | 85 145 | 3 062 |
| Prepayments, accrued income and other assets | 766 041 | 725 718 |
| Investments in associates and joint ventures | 54 750 | 54 750 |
| Goodwill and other intangible assets | 144 729 | – |
| Of which: goodwill | 32 252 | – |
| Of which: intangibles (excluding MSRs) | 112 477 | – |
| Of which: MSRs | – | – |
| Property, plant and equipment | 183 082 | 183 082 |
| **Total assets** | **13 116 532** | **9 565 398** |
| **Liabilities** | | |
| Deposits from banks | – | – |
| Items in the course of collection due to other banks | – | – |
| Customer accounts | 5 233 182 | – |
| Repurchase agreements and other similar secured borrowing | 803 976 | – |
| Trading portfolio liabilities | 245 895 | – |
| Financial liabilities designated at fair value | | |
| Derivative financial instruments | 272 701 | – |
| Debt securities in issue | 2 991 426 | – |
| Accruals, deferred income and other liabilities | 1 670 199 | – |
| Current and deferred tax liabilities | 146 060 | – |
| Of which: DTLs related to goodwill | – | – |
| Of which: DTLs related to intangible assets (excluding MSRs) | – | – |
| Of which: DTLs related to MSRs | – | – |
| Subordinated liabilities | – | – |
| Provisions | 69 348 | – |
| Retirement benefit liabilities | – | – |
| **Total liabilities** | **11 432 787** | **–** |
| **Shareholders' equity** | | |
| Paid-in share capital | 167 266 | 167 266 |
| Of which: amount eligible for CET1 | 167 266 | 167 266 |
| Of which: amount eligible for AT1 | – | – |
| Retained earnings | 1 516 480 | 1 516 480 |
| Accumulated other comprehensive income | | |
| **Total shareholders' equity** | **1 683 746** | **1 683 746** |

# Abbreviations and acronyms

| | |
|---|---|
| **ALCO** | Asset and Liability Committee |
| **ASF** | Available stable funding |
| **AT1** | Additional Tier 1 |
| **BASA** | Banking Association of South Africa |
| **BCBS** | Basel Committee on Banking Supervision |
| **BCM** | Business Continuity Management |
| **BIA** | Basic Indicator approach |
| **CCF** | Credit conversion factor |
| **CCP** | Central counterparty |
| **CCR** | Counterparty credit risk |
| **CET 1** | Common Equity Tier 1 |
| **CLEC** | Credit and Large Exposures Committee |
| **CRM** | Credit risk mitigation |
| **CVA** | Credit valuation adjustment |
| **D-SIB** | Domestic systemically important banks |
| **DTL** | Deferred tax liabilities |
| **EAD** | Exposure at default |
| **ECC** | Executive Credit Committee |
| **ECL** | Expected credit losses |
| **EEPE** | Effective expected positive exposure |
| **ERM** | Enterprise Risk Management |
| **F-IRB** | Foundation internal ratings-based approach |
| **GAC** | Group Audit Committee |
| **GIA** | Group Internal audit |
| **GRCMC** | Group Risk and Capital Management Committee |
| **G-SIB** | Global systemically important banks |
| **HQLA** | High-quality liquid assets |
| **IAA** | Internal assessment approach |
| **ICAAP** | Internal Capital Adequacy Assessment Process |
| **IFRS** | International Financial Reporting Standards |
| **IMA** | Internal model approach |
| **IMM** | Internal Model Method |
| **IRB** | Internal ratings-based approach |
| **IRR** | Interest rate risk |
| **KPI** | Key performance indicators |
| **KRI** | Key risk indicators |
| **KVI** | Key value indicators |
| **LCR** | Liquidity Coverage Ratio |
| **LTV** | Loan-to-value |
| **MCC** | Management Credit Committee |
| **MSR** | Mortgage Servicing Rights |
| **NSFR** | Net Stable Funding Ratio |
| **PA** | Prudential Authority (SARB) |
| **PSE** | Public sector entities |
| **RBA** | Ratings-based approach |
| **RDARR** | Risk data aggregation and risk reporting |
| **REMCO** | Remuneration Committee |
| **ROE** | Return on Equity |
| **RSF** | Required stable funding |
| **RWA** | Risk weighted assets |
| **SA** | Standardised approach |
| **SASP** | South African Securitisation Programme (Pty) Ltd |
| **SEC-ERBA** | Securitisation external ratings-based approach |
| **SEC-IRBA** | Securitisation internal ratings-based approach |
| **SEC-SA** | Securitisation standardised approach |
| **SFT** | Securities financing transactions |
| **SPV** | Special Purpose Vehicle |
| **STI** | Short-term incentives |
| **T2** | Tier 2 capital |
| **TC** | Total regulatory capital |
| **TLAC** | Total loss-absorbing capacity |
| **VaR** | Value at risk |

# Corporate details

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Independent Non-executive Chair** | Deon de Kock |
| **Executive Directors** | Michael Sassoon (Chief Executive Officer)<br>Harriet Heymans (Group Financial Director) |
| **Independent Non-executive Directors** | Richard Buchholz (Lead)<br>Tapiwa Njikizana<br>Mark Thompson<br>Tienie van der Mescht<br>Eileen Wilton |
| **Non-independent, Non-executive Directors** | Gugu Dingaan<br>Nontobeko Ndhlazi<br>Roland Sassoon<br>Shaun Rosenthal (Alternate) |
| **Group Company Secretary** | Charissa de Jager |
| **Transfer secretaries** | Computershare Investor Services (Proprietary) Limited<br>Rosebank Towers<br>15 Biermann Avenue<br>Rosebank<br>Johannesburg<br>2196 |
| **Independent sponsor** | Questco Corporate Advisory (Proprietary) Limited |
| **Auditors** | PwC Inc. |
| **Registered office** | 140 West Street,<br>Sandown, Sandton, Johannesburg, Gauteng, 2196<br>Tel: +27 11 809 7500 |
| **Postal address** | PO Box 95104<br>Grant Park<br>Johannesburg<br>2051 |
| **Website** | www.sasfin.com |
| **Email** | investorrelations@sasfin.com |
| **Company registration number** | 1987/002097/06 |
| **Tax reference number** | 9300/204/71/7 |

## Directorate and changes to the board

Mr Roy Andersen, Director and Chair of the Boards of Sasfin Holdings Limited and Sasfin Bank Limited, and Mr Grant Dunnington, Director of the Boards of Sasfin Holdings Limited and Sasfin Bank Limited retired at the AGM on 25 November 2021.

Mr Tienie van der Mescht was appointed as an independent non-executive director of the Company, effective 29 November 2021.

Ms Angela Pillay resigned in January 2022 and served as the outgoing Financial Director of the Group and Bank until 4 April 2022.

Ms Harriet Heymans was appointed on 4 April 2022 and serves as the Financial Director of the Group and Bank.

## Disclaimer

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

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

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

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

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