# Unaudited Condensed Consolidated Interim Results
## for the six months ended 31 December 2020

sasfin | Holdings Limited
beyond a bank

| Headline earnings for the period | Headline earnings per ordinary share | Total income* | Return on average shareholders' equity |
|---|---|---|---|
| ▼ 65.82% | ▼ 65.82% | ▼ 1.45% | ▼ 617 bps |
| **R26.896 m** (2019: R78.702 m) | **83.54 cents** (2019: 244.44 cents) | **R633.017 m** (2019: R642.352 m) ** including associate income* | **3.56%** (2019: 9.73%) |

| Cost to income ratio | Total assets | Total equity** | Gross loans and advances |
|---|---|---|---|
| ▼ 385 bps | ▼ 13.57% | ▼ 6.61% | ▼ 10.15% |
| **70.48%** (2019: 74.33%) | **R12.555 bn** (2019: R14.527 bn) | **R1.539 bn** (2019: R1.648 bn)** *** total equity excludes preference shares and non-controlling interest* | **R6.990 bn** (2019: R7.780 bn)*** **** restated* |

| Credit loss ratio | Net available cash | Total assets under management and advice**** | Group total capital adequacy ratio |
|---|---|---|---|
| ▲ 118 bps | ▼ 3.90% | ▲ 10.05% | ▲ 1 bps |
| **240 bps** (2019: 122 bps)*** **** restated* | **R2.338 bn** (2019: R2.433 bn) | **R51.807 bn** (2019: R44.077 bn) ***** excluding under administration* | **17.071%** (2019: 17.063%) |

Sasfin Holdings Limited Incorporated in the Republic of South Africa (Company registration number 1987/002097/06)
("Sasfin" or "the Group" or "the Company") (Ordinary share code: SFN ISIN: ZAE000006565)
(Preference share code: SFNP ISIN: ZAE000060273)

# FINANCIAL HIGHLIGHTS

## FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

| | % Change | 31 December 2020 Unaudited | 31 December 2019 Unaudited Restated[1] | 30 June 2020 Audited |
|---|---|---|---|---|
| **Consolidated statement of financial position** | | | | |
| Total cash (Rm) | (1.00) | 1 590 | 1 606 | 1 731 |
| Total assets (Rm) | (13.57) | 12 555 | 14 527 | 14 006 |
| Total gross loans and advances (Rm)[1] | (10.15) | 6 990 | 7 780 | 7 162 |
| Non-performing loans and advances (Rm) | 0.94 | 748 | 741 | 712 |
| **Income statement** | | | | |
| Earnings attributable to ordinary shareholders (Rm) | (50.29) | 39.120 | 78.702 | (60.176) |
| Headline earnings (Rm) | (65.82) | 26.896 | 78.702 | (48.617) |
| **Financial performance** | | | | |
| Return on ordinary shareholders' average equity (%) | | 3.56 | 9.73 | (3.12) |
| Return on total average assets (%) | | 0.41 | 1.08 | (0.34) |
| **Operating performance** | | | | |
| Non-interest income to total income (%) | | 55.32 | 59.03 | 55.84 |
| Cost to income ratio (%) | | 70.48 | 74.33 | 82.20 |
| Credit loss ratio (bps)[1] | | 240 | 122 | 303 |
| Non-performing advances to total amortised cost gross loans and advances (%) | | 11.15 | 9.54 | 10.26 |
| **Share statistics** | | | | |
| Earnings per ordinary share (cents) | (50.29) | 121.50 | 244.44 | (186.90) |
| Headline earnings per ordinary share (cents) | (65.82) | 83.54 | 244.44 | (151.00) |
| Number of ordinary shares in issue at end of the period ('000) | | 32 301 | 32 301 | 32 301 |
| Number of ordinary shares in issue at end of the period excluding treasury shares ('000) | | 32 197 | 32 197 | 32 197 |
| Weighted average number of ordinary shares in issue excluding treasury shares ('000) | | 32 197 | 32 197 | 32 197 |
| Dividends per ordinary share relating to profit for the period (cents)[2] | | – | 48.73 | 48.73 |
| Preference share dividend number 1 for the year (cents) | | – | 416.91 | 416.91 |
| **Capital adequacy (unaudited)** | | | | |
| Capital adequacy ratio (%) | | 17.071 | 17.063 | 16.593 |

[1] *Refer to note 2 in the Selected Explanatory Notes section for more information on restatements.*

[2] *This is based on the total shares in issue, including treasury shares.*

# CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AT 31 DECEMBER 2020

| | 31 December 2020 Unaudited R'000 | 31 December 2019 Unaudited Restated[1] R'000 | 30 June 2020 Audited R'000 |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and cash balances | **1 590 023** | 1 605 756 | 1 731 243 |
| Negotiable securities | **2 135 895** | 2 877 664 | 3 126 595 |
| Trading assets | **1 044 571** | 1 341 129 | 1 060 342 |
| Trade and other receivables | **535 930** | 276 479 | 436 644 |
| Non-current assets held for sale | **6 700** | – | 6 700 |
| Loans and advances[1] | **6 360 064** | 7 346 249 | 6 609 328 |
| Current taxation asset | **20 619** | 7 571 | 21 035 |
| Investment securities[1] | **523 859** | 657 965 | 654 966 |
| Investments at fair value through profit and loss[1] | **513 685** | 547 722 | 528 771 |
| Equity accounted associates | **10 174** | 110 243 | 126 195 |
| Property, equipment and right-of-use assets | **82 075** | 135 850 | 103 550 |
| Investment property | **13 123** | 8 700 | 13 123 |
| Intangible assets and goodwill | **202 475** | 230 276 | 205 206 |
| Deferred tax asset | **39 754** | 39 661 | 36 808 |
| **Total assets** | **12 555 088** | 14 527 300 | 14 005 540 |
| **LIABILITIES** | | | |
| Funding under repurchase agreements and interbank | **876 077** | 2 009 067 | 1 882 806 |
| Trading liabilities | **975 852** | 1 350 499 | 999 842 |
| Current taxation liabilities | **13 119** | 16 370 | 3 963 |
| Trade and other payables | **725 516** | 833 064 | 783 786 |
| Bank overdraft | **110 380** | 41 541 | 151 462 |
| Provisions | **46 043** | 47 022 | 41 629 |
| Lease liabilities | **54 281** | 88 031 | 70 266 |
| Deposits from customers | **4 831 076** | 4 983 459 | 5 138 778 |
| Debt securities issued | **2 740 271** | 2 751 789 | 2 743 823 |
| Long-term loans | **364 474** | 430 040 | 371 649 |
| Deferred tax liability | **90 895** | 135 543 | 94 531 |
| **Total liabilities** | **10 827 984** | 12 686 425 | 12 282 535 |
| **EQUITY** | | | |
| Ordinary share capital | **321** | 321 | 321 |
| Ordinary share premium | **166 945** | 166 945 | 166 945 |
| Reserves | **1 371 752** | 1 481 091 | 1 367 653 |
| Preference share capital | **18** | 18 | 18 |
| Preference share premium | **188 068** | 188 068 | 188 068 |
| Non-controlling interest | **–** | 4 432 | – |
| **Total equity** | **1 727 104** | 1 840 875 | 1 723 005 |
| **Total liabilities and equity** | **12 555 088** | 14 527 300 | 14 005 540 |

[1] *Refer to note 2 in the Selected Explanatory Notes section for more information on restatements.*

# CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

| | 31 December 2020 Unaudited R'000 | 31 December 2019 Unaudited Restated[1] R'000 | 30 June 2020 Audited R'000 |
|---|---|---|---|
| Interest and similar income | 517 227 | 683 691 | 1 285 549 |
| Interest income calculated using the effective interest method[1] | 507 212 | 662 418 | 1 250 375 |
| Other interest income[1] | 10 015 | 21 273 | 35 174 |
| Interest and similar expense | (238 288) | (423 811) | (779 234) |
| Interest expense calculated using the effective interest method | (227 411) | (398 608) | (733 312) |
| Other interest expense | (10 877) | (25 203) | (45 922) |
| **Net interest income** | 278 939 | 259 880 | 506 315 |
| **Non-interest income** | 345 357 | 374 454 | 640 180 |
| Net fee and commission income[1] | 202 916 | 222 584 | 429 445 |
| Fee and commission income[1] | 301 537 | 345 360 | 638 402 |
| Fee and commission expense | (98 621) | (122 776) | (208 957) |
| Gains and losses on financial instruments[1] | 59 573 | 77 031 | 85 674 |
| Other income | 82 868 | 74 839 | 125 061 |
| **Total income** | 624 296 | 634 334 | 1 146 495 |
| Credit impairment charges | (130 491) | (45 743) | (252 618) |
| **Net income after impairments** | 493 805 | 588 591 | 893 877 |
| **Total operating costs** | (446 148) | (477 443) | (959 040) |
| Staff costs | (257 542) | (266 182) | (517 605) |
| Other operating expenses | (188 606) | (211 261) | (424 784) |
| Impairments on non-financial assets | – | – | (16 651) |
| **Profit/(loss) from operations** | 47 657 | 111 148 | (65 163) |
| Share of associate income | 8 721 | 8 018 | 20 161 |
| **Profit/(loss) before income tax** | 56 378 | 119 166 | (45 002) |
| Income tax expense | (17 258) | (32 168) | 1 848 |
| **Profit/(loss) for the period** | 39 120 | 86 998 | (43 154) |
| **Other comprehensive income for the period, net of tax effects** | | | |
| Items that may be subsequently reclassified to profit and loss: | | | |
| Foreign exchange differences on translation of foreign operation | (35 021) | 112 | 41 313 |
| **Total comprehensive income for the period** | 4 099 | 87 110 | (1 841) |
| **Profit/(loss) attributable to:** | 39 120 | 86 998 | (43 154) |
| Non-controlling interest | – | 760 | 1 993 |
| Preference shareholders | – | 7 536 | 15 029 |
| Equity holders of the Group | 39 120 | 78 702 | (60 176) |
| **Total comprehensive income attributable to:** | 4 099 | 87 110 | (1 841) |
| Non-controlling interest | – | 760 | 15 029 |
| Preference shareholders | – | 7 536 | 1 993 |
| Equity holders of the Group | 4 099 | 78 814 | (18 863) |
| **Earnings per share:** | | | |
| Basic and diluted earnings per share (cents) | 121.50 | 244.44 | (186.90) |

[1] *Refer to note 2 in the Selected Explanatory Notes section for more information on restatements.*

# HEADLINE EARNINGS RECONCILIATION

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

| | 31 December 2020 Unaudited R'000 | 31 December 2019 Unaudited R'000 | 30 June 2020 Audited R'000 |
|---|---|---|---|
| Earnings are determined as follows: | | | |
| Earnings attributable to equity holders of the Group | 39 120 | 78 702 | (60 176) |
| Headline adjustable items | (12 224) | – | 11 559 |
| Goodwill and intangible asset impairments | – | – | 16 651 |
| Gross | – | – | 16 651 |
| Tax impact | – | – | – |
| Profit on loss of control of subsidiary | – | – | (4 674) |
| Investment property – fair value loss on non-current assets held for sale | – | – | 1 707 |
| Gain on dilution of interest in associate | | | (2 125) |
| Gain on disposal of interest in associate | (12 224) | – | – |
| Gross | (21 518) | – | – |
| Tax impact | 9 294 | – | – |
| Headline earnings | 26 896 | 78 702 | (48 617) |
| Headline earnings per ordinary share (cents) | 83.54 | 244.44 | (151.00) |

# CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

| | 31 December 2020 Unaudited R'000 | 31 December 2019 Unaudited R'000 | 30 June 2020 Audited R'000 |
|---|---|---|---|
| **Opening total shareholders' equity** | 1 723 005 | 1 777 384 | 1 777 384 |
| **Other comprehensive income net of income tax for the period** | 4 099 | 87 110 | (1 841) |
| Profit/(loss) for the period | 39 120 | 86 998 | (43 154) |
| Foreign exchange differences on translation of foreign operations | (35 021) | 112 | 41 313 |
| **Transactions with owners recorded directly in equity** | | | |
| Disposal of controlling interest in subsidiary | – | – | (5 665) |
| Dividends to preference shareholders | – | (7 536) | (15 029) |
| Dividends to ordinary shareholders | – | (16 119) | (31 844) |
| Closing balance | 1 727 104 | 1 840 839 | 1 723 005 |

# CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

| | **31 December 2020 Unaudited R'000** | 31 December 2019 Unaudited R'000 | 30 June 2020 Audited R'000 |
|---|---|---|---|
| Cash flows from operating activities | **171 861** | 87 433 | 141 077 |
| Changes in operating assets and liabilities | **(349 373)** | 121 624 | 154 604 |
| Net cash flows from operating activities | **(177 512)** | 209 057 | 295 681 |
| Net cash flows from investing activities | **113 313** | 98 225 | 48 374 |
| Net cash flows from financing activities | **(15 985)** | (10 234) | (31 052) |
| Net increase/(decrease) in cash and cash equivalents | **(80 185)** | 297 048 | 313 003 |
| Cash and cash equivalents at the beginning of the period | **1 579 781** | 1 266 778 | 1 266 778 |
| Effect of exchange rate fluctuations on cash held | **(19 954)** | 389 | – |
| Cash and cash equivalents at end of the period | **1 479 643** | 1 564 215 | 1 579 781 |

# CONDENSED CONSOLIDATED SEGMENTAL ANALYSIS

**FOR THE SIX MONTHS ENDED 31 DECEMBER 2020**

Previously management reported on three operating segments: Banking, Capital and Wealth. At the beginning of the 2021 financial year, internal restructuring occurred between existing segments. In order to better represent the revised operating model, management now reports on four segments (excluding the Group and inter-segment eliminations segment). These segments are Asset Finance, B\\Yond Business Banking, Capital and Wealth. Accordingly, the segment information for prior periods has been restated.

| | **31 December 2020 Unaudited R'000** | 31 December 2019 Unaudited Restated[1] R'000 | 30 June 2020 Restated[1] R'000 |
|---|---|---|---|
| **GEOGRAPHICAL SEGMENTS** | | | |
| **External revenue** | | | |
| South Africa | **618 249** | 621 533 | 1 118 305 |
| Asia Pacific | **6 047** | 12 801 | 28 195 |
| **Total** | **624 296** | 634 334 | 1 146 500 |
| **Segment assets** | | | |
| South Africa | **12 214 597** | 13 974 727 | 13 487 003 |
| Asia Pacific | **340 491** | 621 533 | 518 537 |
| **Total** | **12 555 088** | 14 596 260 | 14 005 540 |
| **BUSINESS SEGMENTS** | | | |
| **Segment income** | | | |
| Asset Finance | **287 938** | 264 310 | 530 264 |
| B\\Yond Business Banking | **53 505** | 53 394 | 69 505 |
| Capital (including Trade and Debtor Finance) | **58 265** | 122 336 | 162 467 |
| Wealth | **177 888** | 157 662 | 313 426 |
| Group and inter-segment eliminations | **46 700** | 36 632 | 70 833 |
| **Total income** | **624 296** | 634 334 | 1 146 495 |
| **Segment profit** | | | |
| Asset Finance | **82 423** | 101 374 | 68 335 |
| B\\Yond Business Banking | **(15 022)** | (22 112) | (42 904) |
| Capital (including Trade and Debtor Finance) | **(18 758)** | 11 286 | (62 775) |
| Wealth | **56 546** | 30 958 | 65 136 |
| Group and inter-segment eliminations | **(48 811)** | (2 340) | (72 795) |
| **Profit/(loss) for the period** | **56 378** | 119 166 | (45 002) |
| **Segment assets** | | | |
| Asset Finance | **5 986 547** | 6 255 402 | 5 975 749 |
| B\\Yond Business Banking | **140 977** | 160 930 | 122 978 |
| Capital (including Trade and Debtor Finance) | **2 045 333** | 2 425 770 | 2 035 743 |
| Wealth | **1 168 632** | 1 589 815 | 1 354 080 |
| Group and inter-segment eliminations | **3 213 599** | 4 095 383 | 4 516 990 |
| **Total assets** | **12 555 088** | 14 527 300 | 14 005 540 |
| **Segment liabilities** | | | |
| Asset Finance | **3 323 109** | 3 130 167 | 3 014 725 |
| B\\Yond Business Banking | **226 369** | 433 825 | 415 058 |
| Capital (including Trade and Debtor Finance) | **1 986 278** | 2 005 426 | 1 950 821 |
| Wealth | **1 002 488** | 1 280 494 | 1 075 402 |
| Group and inter-segment eliminations | **4 289 740** | 5 836 513 | 5 826 528 |
| **Total liabilities** | **10 827 984** | 12 686 425 | 12 282 535 |

[1] *Refer to note 2 in the Selected Explanatory Notes section for more information on restatements.*

# SELECTED EXPLANATORY NOTES TO THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

## CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS

The Condensed Interim Consolidated Financial Statements comprise the following:

- Condensed Consolidated Statement of Financial Position
- Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income
- Condensed Consolidated Statement of Changes in Equity
- Condensed Consolidated Statement of Cash Flows
- Condensed Consolidated Segmental Analysis

at and for the six months ended 31 December 2020.

These Condensed Interim Consolidated Financial Statements have been prepared under the supervision of Angela Pillay, CA(SA), Group and Bank Financial Director.

## BASIS OF PREPARATION AND PRESENTATION OF THE CONDENSED INTERIM CONSOLIDATED FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 31 DECEMBER 2020

The Condensed Interim Consolidated Financial Statements have been prepared in accordance with and contain disclosure required by IAS 34 *Interim Financial Reporting*, as well as the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Reporting Pronouncements as issued by the Financial Reporting Standards Council, the JSE Limited Listings Requirements (JSE Listings Requirements), and the requirements of the Companies Act of South Africa, No 71 of 2008, as amended (Companies Act).

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

The Condensed Interim Consolidated Financial Statements are presented in ZAR. All entities in the Group, with the exception of Sasfin Asia Limited, operate in the Republic of South Africa with a functional currency of ZAR.

The accounting policies applied in these unaudited, unreviewed Condensed Interim Consolidated Financial Statements for the period ended 31 December 2020 are in terms of International Financial Reporting Standards (IFRS) and are the same as those applied in the Group's Audited Consolidated Annual Financial Statements at the year ended 30 June 2020.

## 1. IMPACT OF COVID-19

The Covid-19 pandemic continued to have a severe impact on the expected credit loss (ECL) recognised on loans and advances, as well as negotiable securities. It also had a negative impact on the fair value measurements of the Group's Private and Property Equity portfolios. The Group continues to maintain a strong cash position and capital adequacy to withstand further shocks that may arise.

**Expected credit losses on loans and advances and negotiable securities**

The assessment on whether a significant increase in credit (SICR) had occurred specifically included an assessment of the impact of the global Covid-19 pandemic and subsequent lockdown on Probability of Default and Loss Given Default of businesses. This assessment was done in both the consideration of client risk profiles during the granting of payment holidays, as well as in the final calculation of ECLs. Client requests for payment relief due to Covid-19 related factors were considered on a case by case basis taking into account *(inter alia)* the industry within which it operates and its own financial strength. Once payment relief had been granted, these loans and advances were then classified as Covid-19 Restructured Exposures in accordance with Directive 3 of 2020 issued by the Prudential Authority of the South African Reserve Bank.

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

**Estimation uncertainty**

The Covid-19 pandemic significantly increased the overall level or estimation uncertainty and judgement applied by management. The unprecedented nature of this global pandemic renders it challenging to accurately predict the full extent and duration of its economic effect. Although the areas of judgement and estimation applied remained largely the same as in the prior years, greater judgement had to be applied in the following areas:

- Credit impairment of loans and advances
- Determining the fair value of the private equity and property equity portfolios

**Fair value measurement**

The valuation techniques for fair value measurement of the investment securities have been assessed by the respective valuation committees to determine the impact that the market volatility introduced by Covid-19 has had on the fair value measurements of these instruments. When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participants. The assessment specifically included an assessment of the impact of the global Covid-19 pandemic and subsequent lockdown on forecasted cash flows and other critical assumptions of businesses i.e. capitalisation rates, weighted average cost of capital (WACC) and vacancy rates of properties, specific and other risk premiums added to the discount rates. This assessment was considered on a company by company basis taking into account *(inter alia)* the industry within which it operates and its own financial strength.

## 2. RESTATEMENTS

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

**Restatement 1: Correction of prior period presentation: presentation of fair value changes on financial instruments at fair value through profit or loss**

During June 2020 it was identified that fair value changes of R11.082 million on the Fixed Income trading assets and trading liabilities, being instruments held at fair value through profit or loss, were incorrectly presented as fee and commission income, rather than as part of gains and losses on financial instruments. The total non-interest income after this correction of presentation remains unchanged. This correction has no impact on the carrying amounts of the trading assets and trading liabilities. Consequently, the statement of financial position at 31 December 2019 is not restated. The impact of this adjustment on the statement of comprehensive income is set out in the table on the next page.

**Restatement 2: Correction of prior year error: classification of specialised lending products**

During June 2020 it was identified that, upon transition to IFRS 9 *Financial Instruments*, the Group continued to recognise certain specialised lending products as bifurcated financial instruments in accordance with IAS 39 Financial Instruments: *Recognition and Measurement*. A portion was recognised at amortised cost as part of loans and advances and the other portion as a financial asset at fair value through profit or loss, as part of investment securities. In terms of IFRS 9, these instruments should be classified and measured as one instrument, being a financial asset at fair value through profit

## 2. RESTATEMENTS continued

or loss, since these instruments as a whole do not meet the solely payments of principal and interest criteria. The combined carrying amount of the specialised lending products together with the bifurcated embedded derivative approximates their fair value, thereby not impacting the Group's total assets, profit for the year, credit impairment charges, statement of cash flows or earnings per share. The impact of this correction on the statement of financial position and statement of comprehensive income is set out in the table below.

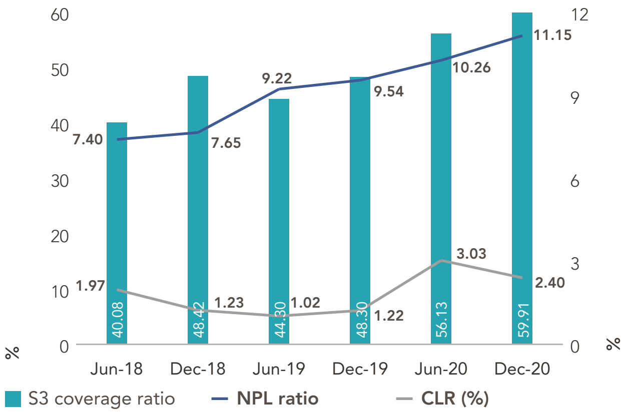
**Summary of impact on Statement of Financial Position and Statement of Comprehensive Income**

| | 31 December 2019 | | | | 30 June 2019 | | |
|---|---|---|---|---|---|---|---|
| | As previously reported R'000 | Restatement 1 Increase/ (decrease) R'000 | Restatement 2 Increase/ (decrease) R'000 | Restated R'000 | As previously reported R'000 | Restatement 2 increase/ (decrease) R'000 | Restated R'000 |
| **Statement of comprehensive income** | | | | | | | |
| Interest and similar income | 683 691 | – | – | 683 691 | | | |
| Interest income calculated using the effective interest method | 665 516 | – | (3 098) | 662 418 | | | |
| Other interest | 18 175 | – | 3 098 | 21 273 | | | |
| **Net interest income** | 259 880 | – | – | 259 880 | | | |
| **Non-interest income** | 374 454 | – | – | 374 454 | | | |
| Net fee and commission income | 233 666 | (11 082) | – | 222 584 | | | |
| Fee and commission income | 356 442 | (11 082) | – | 345 360 | | | |
| Gains and losses on financial instruments | 65 949 | 11 082 | – | 77 031 | | | |
| Net gains or losses on the derecognition of financial instruments at amortised cost | | | | | | | |
| Other gains or losses on financial instruments | 65 949 | 11 082 | – | 77 031 | | | |
| Other income | 74 839 | – | – | 74 839 | | | |
| **Statement of financial position** | | | | | | | |
| Investment securities – Investments at fair value through profit or loss | 560 025 | – | (12 303) | 547 722 | 635 298 | (12 303) | 622 995 |
| Loans and advances | 7 333 946 | – | 12 303 | 7 346 249 | 7 487 205 | 12 303 | 7 499 508 |
| Amortised cost | 7 333 946 | – | (209 639) | 7 124 307 | 7 487 205 | (17 167) | 7 470 038 |
| Fair value through profit or loss | – | – | 221 942 | 221 942 | – | 29 470 | 29 470 |

## 3. CREDIT RISK

### 3.1 Credit risk metrics

Our key credit risk metrics in reporting periods since June 2018 are set out in the graph below.




### 3.2 Credit risk exposure analysis

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

| | Credit risk grading ECL staging | Total | | | A Stage 1 12-Month ECL | | | A and B Stage 2 Lifetime ECL | | | Default (C,D and E) Stage 3 Lifetime ECL | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net amount R'000 | Total exposure R'000 | Total ECL R'000 | Coverage ratio % | Exposure R'000s | ECL R'000 | Coverage ratio % | Exposure R'000 | ECL R'000 | Coverage ratio % | Exposure R'000 | ECL R'000 | Coverage ratio % | Securities and expected recoveries on default exposures R'000 |
| **31 December 2020** | | | | | | | | | | | | | | |
| **Maximum credit exposures of financial assets at amortised cost** | | | | | | | | | | | | | | |
| Cash and cash balances | 1 590 023 | 1 590 023 | – | – | 1 590 023 | – | – | – | – | – | – | – | – | – |
| Negotiable securities | 2 135 895 | 2 208 642 | 72 747 | 3.29 | 1 738 642 | 4 503 | 0.26 | – | – | – | 470 000 | 68 244 | 14.52 | – |
| Loans and advances | 6 078 749 | 6 708 311 | 629 562 | 9.38 | 5 372 810 | 130 629 | 2.43 | 587 780 | 51 009 | 8.68 | 747 722 | 447 926 | 59.91 | 295 642 |
| Equipment finance | 4 121 924 | 4 613 098 | 491 174 | 10.65 | 3 843 152 | 84 020 | 2.19 | 250 726 | 35 506 | 14.16 | 519 220 | 371 649 | 71.58 | 147 571 |
| Capital equipment finance | 1 181 350 | 1 256 490 | 75 140 | 5.98 | 1 088 073 | 30 482 | 2.80 | 75 422 | 5 585 | 7.40 | 92 995 | 39 073 | 42.02 | 53 923 |
| Trade and debtor finance | 519 396 | 552 226 | 32 830 | 5.95 | 311 236 | 8 867 | 2.85 | 124 569 | 4 586 | 3.68 | 116 422 | 19 377 | 16.64 | 92 990 |
| Term loans – secured | 239 157 | 269 048 | 29 891 | 11.11 | 113 025 | 6 758 | 5.98 | 137 063 | 5 332 | 3.89 | 18 960 | 17 802 | 93.89 | 1 158 |
| Term loans – unsecured | 16 997 | 17 449 | 452 | 2.59 | 17 324 | 427 | 2.46 | – | – | – | 125 | 25 | 20.00 | – |
| Guarantees | (75) | – | 75 | – | – | 75 | – | – | – | – | – | – | – | – |
| Trade and other receivables | 535 930 | 536 684 | 754 | 0.14 | 536 684 | 754 | 0.14 | – | – | – | – | – | – | – |
| Gross carrying amount | 10 340 597 | 11 043 660 | 703 063 | 6.37 | 9 238 159 | 135 886 | 1.47 | 587 780 | 51 009 | 8.68 | 1 217 722 | 516 170 | 42.39 | 295 642 |
| **Off-balance sheet exposure to credit risk** | | | | | | | | | | | | | | |
| Total off-balance sheet exposure | 263 028 | | | | | | | | | | | | | |
| Credit loss allowance on off-balance sheet credit risk recognised | 4 200 | | | | | | | | | | | | | |
| **Maximum credit exposures on financial assets at FVTPL** | 1 847 351 | | | | | | | | | | | | | |
| **Total exposure to credit risk** | 12 446 776 | | | | | | | | | | | | | |

## 3. CREDIT RISK continued

### 3.2 Credit risk exposure analysis continued

| | Credit risk grading ECL staging | Total | | | A Stage 1 12-Month ECL | | | A and B Stage 2 Lifetime ECL | | | Default (C,D and E) Stage 3 Lifetime ECL | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | Net amount Restated[1] R'000 | Total exposure Restated[1] R'000 | Total ECL Restated[1] R'000 | Coverage ratio Restated[1] % | Exposure Restated[1] R'000 | ECL R'000 | Coverage ratio Restated[1] % | Exposure R'000 | ECL R'000 | Coverage ratio % | Exposure R'000 | ECL R'000 | Coverage ratio % | Securities and expected recoveries on default exposures R'000 |
| **31 December 2019** | | | | | | | | | | | | | | |
| **Maximum credit exposures of financial assets at amortised cost** | | | | | | | | | | | | | | |
| Cash and cash balances | 1 605 756 | 1 605 756 | – | – | 1 605 756 | – | – | – | – | – | – | – | – | – |
| Negotiable securities | 2 877 664 | 2 877 664 | – | – | 2 877 664 | – | – | – | – | – | – | – | – | – |
| Loans and advances[1] | 7 124 307 | 7 558 206 | 433 899 | 5.74 | 6 355 154 | 62 959 | 0.99 | 410 573 | 12 797 | 3.12 | 792 479 | 358 143 | 45.19 | 383 286 |
| Equipment finance | 4 695 858 | 5 034 362 | 338 504 | 6.72 | 4 499 047 | 36 280 | 0.81 | 162 220 | 7 927 | 4.89 | 373 095 | 294 297 | 78.88 | 78 797 |
| Capital equipment finance | 1 213 530 | 1 244 333 | 30 803 | 2.48 | 1 121 066 | 9 512 | 0.85 | 25 336 | 769 | 3.04 | 97 931 | 20 522 | 20.96 | 77 409 |
| Trade and debtor finance | 1 026 358 | 1 058 691 | 32 333 | 3.05 | 565 270 | 9 880 | 1.75 | 223 017 | 4 101 | 1.84 | 270 404 | 18 352 | 6.79 | 252 052 |
| Term loans – secured[1] | 188 975 | 220 820 | 31 845 | 14.42 | 169 771 | 6 873 | 4.05 | – | – | – | 51 049 | 24 972 | 48.92 | – |
| Term loans – unsecured | – | – | – | – | – | – | – | – | – | – | – | – | – | – |
| Guarantees | (414) | – | 414 | – | – | 414 | – | – | – | – | – | – | – | – |
| Trade and other receivables | 276 479 | 276 479 | – | – | 276 479 | – | – | – | – | – | – | – | – | – |
| Gross carrying amount[1] | 11 884 206 | 12 318 105 | 433 899 | 3.52 | 11 115 053 | 62 959 | 0.57 | 410 573 | 12 797 | 3.1 | 792 480 | 358 143 | 45.19 | 408 258 |

| | |
|---|---|
| **Off-balance sheet exposure to credit risk** | |
| Total off-balance sheet exposure | 211 879 |
| Credit loss allowance on off-balance sheet credit risk recognised | 2 521 |
| **Maximum credit exposures on financial assets at FVTPL[1]** | 1 186 725 |
| **Total exposure to credit risk** | 13 280 289 |

[1] *Refer to note 2 in the Selected Explanatory Notes section for more information on restatements.*

## 3. CREDIT RISK continued

### 3.3 Credit loss allowance analysis

#### 3.3.1 Reconciliation of ECL on loans and advances at amortised cost

| | Stage 1 R'000 | Stage 2 R'000 | Stage 3 R'000 | Total R'000 |
|---|---|---|---|---|
| **Credit loss allowance at 1 July 2020** | 113 581 | 38 639 | 400 185 | 552 405 |
| Net transfers between stages[1] | (912) | 9 281 | 60 567 | 68 935 |
| Transfer from stage 1 | (912) | – | – | (912) |
| Transfer to stage 2 | – | 9 281 | – | 9 281 |
| Transfer to stage 3 | – | – | 60 567 | 60 567 |
| **Net ECLs raised** | 17 959 | 3 089 | 4 502 | 25 550 |
| ECL on new exposure raised | 28 226 | 6 960 | 1 709 | 36 895 |
| Subsequent changes in ECL | (2 709) | 437 | 10 932 | 8 660 |
| Change in ECL due to derecognition | (7 558) | (4 308) | (8 139) | (20 005) |
| Impaired accounts written off | – | – | (17 328) | (17 328) |
| Credit loss allowance at 31 December 2020 | 130 629 | 51 008 | 447 926 | 629 562 |
| **Credit loss allowance at 1 July 2019[2]** | 58 174 | 22 898 | 321 673 | 402 745 |
| Net transfers between stages[1] | (8 238) | (10 101) | 58 822 | 40 483 |
| Transfer from stage 1 | (8 238) | – | – | (8 238) |
| Transfer from stage 2 | – | (10 101) | – | (10 101) |
| Transfer to stage 3 | – | – | 58 822 | 58 822 |
| **Net ECLs raised** | 13 023 | – | – | 13 023 |
| ECL on new exposure raised | 30 708 | – | – | 30 708 |
| Change in ECL due to derecognition | (17 685) | – | – | (17 685) |
| Impaired accounts written off | – | – | (22 352) | (22 352) |
| Credit loss allowance at 31 December 2019 | 62 959 | 12 797 | 358 143 | 433 899 |

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

[2] *Restated. Refer to note 2 in the Selected Explanatory Notes section for more information on restatements.*

## 3. CREDIT RISK continued

### 3.3 Credit loss allowance analysis continued

#### 3.3.2 Reconciliation of ECL on loans and advances at amortised cost by product

| 31 December 2020 | Credit loss allowance on 1 July 2020 R'000 | Total transfers between stages R'000 | Net ECL raised/ (released) R'000 | Impaired accounts written off R'000 | Credit loss allowance on 31 December 2020 R'000 |
|---|---|---|---|---|---|
| **Equipment finance** | 432 838 | 57 696 | 13 540 | (12 899) | 491 175 |
| Stage 1 | 85 887 | (2 906) | 1 039 | – | 84 020 |
| Stage 2 | 24 361 | 6 101 | 5 045 | – | 35 507 |
| Stage 3 | 322 590 | 54 501 | 7 456 | (12 899) | 371 648 |
| **Capital equipment finance** | 56 682 | 6 305 | 12 229 | (76) | 75 140 |
| Stage 1 | 15 077 | (472) | 15 877 | – | 30 482 |
| Stage 2 | 6 216 | 2 888 | (3 519) | – | 5 585 |
| Stage 3 | 35 389 | 3 889 | (129) | (76) | 39 073 |
| **Trade and debtor finance** | 31 791 | 4 905 | (3 867) | – | 32 829 |
| Stage 1 | 8 902 | 2 461 | (2 496) | – | 8 867 |
| Stage 2 | 1 581 | 292 | 2 712 | – | 4 585 |
| Stage 3 | 21 308 | 2 152 | (4 083) | – | 19 377 |
| **Term loans: Secured** | 30 249 | – | 3 995 | (4 353) | 29 891 |
| Stage 1 | 2 870 | – | 3 888 | – | 6 758 |
| Stage 2 | 6 481 | – | (1 150) | – | 5 331 |
| Stage 3 | 20 898 | – | 1 257 | (4 353) | 17 802 |
| **Term loans: Unsecured** | 198 | 30 | 224 | – | 452 |
| Stage 1 | 198 | 5 | 224 | – | 427 |
| Stage 2 | – | – | – | – | – |
| Stage 3 | – | 25 | – | – | 25 |
| **Guarantees** | 646 | – | 571 | – | 75 |
| Stage 1 | 646 | – | 571 | – | 75 |
| Stage 2 | – | – | – | – | – |
| Stage 3 | – | – | – | – | – |
| **Total** | 552 405 | 68 936 | 25 549 | (17 328) | 629 562 |
| Stage 1 | 113 580 | (912) | 17 960 | – | 130 629 |
| Stage 2 | 38 639 | 9 281 | 3 088 | – | 51 009 |
| Stage 3 | 400 185 | 60 567 | 4 501 | (17 328) | 447 925 |

## 3. CREDIT RISK continued

### 3.3 Credit loss allowance analysis continued

#### 3.3.2 Reconciliation of ECL on loans and advances at amortised cost by product *continued*

| 31 December 2019[1] | Credit loss allowance on 1 July 2019 R'000 | Total transfers between stages R'000 | Net ECL raised/ (released) R'000 | Impaired accounts written off R'000 | Credit loss allowance on 31 December 2019 R'000 |
|---|---|---|---|---|---|
| **Equipment finance** | 320 812 | 41 435 | (1 649) | (22 094) | 338 504 |
| Stage 1 | 33 524 | 4 405 | (1 649) | – | 36 280 |
| Stage 2 | 13 944 | (6 017) | – | – | 7 927 |
| Stage 3 | 273 344 | 43 047 | – | (22 094) | 294 297 |
| **Capital equipment finance** | 28 518 | 4 404 | (1 861) | (258) | 30 803 |
| Stage 1 | 7 255 | 4 118 | (1 861) | – | 9 512 |
| Stage 2 | 1 843 | (1 074) | – | – | 769 |
| Stage 3 | 19 420 | 1 360 | – | (258) | 20 522 |
| **Trade and debtor finance** | 35 211 | (16 855) | 13 977 | – | 32 333 |
| Stage 1 | 13 002 | (17 099) | 13 977 | – | 9 880 |
| Stage 2 | 5 120 | (1 019) | – | – | 4 101 |
| Stage 3 | 17 089 | 1 263 | – | – | 18 352 |
| **Term loans: Secured** | 17 755 | 11 534 | 2 556 | – | 31 845 |
| Stage 1 | 3 944 | 373 | 2 556 | – | 6 873 |
| Stage 2 | 1 991 | (1 991) | – | – | – |
| Stage 3 | 11 820 | 13 152 | – | – | 24 972 |
| **Guarantees** | 449 | (35) | – | – | 414 |
| Stage 1 | 449 | (35) | – | – | 414 |
| Stage 2 | – | – | – | – | – |
| Stage 3 | – | – | – | – | – |
| **Total** | 402 745 | 40 483 | 13 023 | (22 352) | 433 899 |
| Stage 1 | 58 174 | (8 238) | 13 023 | – | 62 959 |
| Stage 2 | 22 898 | (10 101) | – | – | 12 797 |
| Stage 3 | 321 673 | 58 822 | – | (22 352) | 358 143 |

[1] *Restated. Refer to note 2 in the Selected Explanatory Notes section for more information on restatements.*

## 4. CLASSIFICATION OF ASSETS AND LIABILITIES

### Accounting classification and fair values

| | Fair value through Profit or loss (default) R'000 | Fair value through Profit or loss (held for trading) R'000 | Amortised cost R'000 | Outside scope of IFRS 9 R'000 | Total R'000 |
|---|---|---|---|---|---|
| **ASSETS** | | | | | |
| **2020** | | | | | |
| Cash and cash balances | – | – | 1 590 023 | – | 1 590 023 |
| Trading assets | – | 1 044 571 | – | – | 1 044 571 |
| Negotiable securities | – | – | 2 135 895 | – | 2 135 895 |
| Trade and other receivables | – | – | 474 348 | 61 582 | 535 930 |
| Non-current assets held for sale | – | – | – | 6 700 | 6 700 |
| Loans and advances | 281 315 | – | 6 078 749 | – | 6 360 064 |
| Current taxation asset | – | – | – | 20 619 | 20 619 |
| Investment securities | 513 685 | – | – | 10 174 | 523 859 |
| – Investment at fair value through profit or loss | 513 685 | – | – | – | 513 685 |
| – Equity accounted associates | – | – | – | 10 174 | 10 174 |
| Deferred tax asset | – | – | – | 39 754 | 39 754 |
| Property, equipment and right-of-use assets | – | – | – | 82 075 | 82 075 |
| Investment property | – | – | – | 13 123 | 13 123 |
| Intangible assets and goodwill | – | – | – | 202 475 | 202 475 |
| **Total assets** | 795 000 | 1 044 571 | 10 279 015 | 436 502 | 12 555 088 |
| **LIABILITIES** | | | | | |
| Funding under repurchase agreements and interbank | – | – | 876 077 | – | 876 077 |
| Trading liabilities | – | 975 852 | – | – | 975 852 |
| Current taxation liability | – | – | – | 13 119 | 13 119 |
| Trade and other payables | – | – | 725 096 | 420 | 725 516 |
| Bank overdraft | – | – | 110 380 | – | 110 380 |
| Provisions | – | – | – | 46 043 | 46 043 |
| Deposits from customers | – | – | 4 831 076 | – | 4 831 076 |
| Lease liabilities | – | – | 54 281 | – | 54 281 |
| Debt securities issued | – | – | 2 740 271 | – | 2 740 271 |
| Long-term loans | – | – | 364 474 | – | 364 474 |
| Deferred tax liability | – | – | – | 90 895 | 90 895 |
| **Total liabilities** | – | 975 852 | 9 701 655 | 150 477 | 10 827 984 |

## 4. CLASSIFICATION OF ASSETS AND LIABILITIES continued

**Accounting classification and fair values** continued

| | Fair value through | | | | |
|---|---|---|---|---|---|
| | Profit or loss (default) R'000 | Profit or loss (held for trading) R'000 | Amortised cost R'000 | Outside scope of IFRS 9 R'000 | Total Restated[1] R'000 |
| **ASSETS** | | | | | |
| **2019** | | | | | |
| Cash and cash balances | – | – | 1 605 756 | – | 1 605 756 |
| Trading assets | – | 1 341 129 | – | – | 1 341 129 |
| Negotiable securities | – | – | 2 877 664 | – | 2 877 664 |
| Trade and other receivables | – | – | 276 479 | – | 276 479 |
| Non-current assets held for sale | – | – | – | – | – |
| Loans and advances | 221 942 | – | 7 124 307 | – | 7 346 249 |
| Current taxation asset | – | – | – | 7 571 | 7 571 |
| Investment securities | 547 722 | | | 110 243 | 657 965 |
| – Investment at fair value through profit or loss | 547 722 | – | – | – | 547 722 |
| – Equity accounted associates | – | – | – | 110 243 | 110 243 |
| Deferred tax asset | – | – | – | 39 661 | 39 661 |
| Property, equipment and right-of-use assets | – | – | – | 135 850 | 135 850 |
| Investment property | – | – | – | 8 700 | 8 700 |
| Intangible assets and goodwill | – | – | – | 230 276 | 230 276 |
| **Total assets** | 769 664 | 1 341 129 | 11 884 206 | 532 301 | 14 527 300 |
| **LIABILITIES** | | | | | |
| Funding under repurchase agreements and interbank | – | – | 2 009 067 | – | 2 009 067 |
| Trading liabilities | – | 1 350 499 | – | – | 1 350 499 |
| Current taxation liability | – | – | – | 16 370 | 16 370 |
| Trade and other payables | – | – | 833 064 | – | 833 064 |
| Bank overdraft | – | – | 41 541 | – | 41 541 |
| Provisions | – | – | – | 47 022 | 47 022 |
| Deposits from customers | – | – | 4 983 459 | – | 4 983 459 |
| Lease liabilities | – | – | 88 031 | – | 88 031 |
| Debt securities issued | – | – | 2 751 789 | – | 2 751 789 |
| Long-term loans | – | – | 430 040 | – | 430 040 |
| Deferred tax liability | – | – | – | 135 543 | 135 543 |
| **Total liabilities** | – | 1 350 499 | 11 136 991 | 198 935 | 12 686 425 |

[1] *Restated. Refer to note 2 in the Selected Explanatory Notes section for more information on restatements.*

## 4. CLASSIFICATION OF ASSETS AND LIABILITIES continued

**Fair values of financial assets and financial liabilities**

The Group's financial risk management objectives and policies are consistent with those disclosed in the Consolidated and Separate Annual Financial Statements at and for the period ended 30 June 2020.

**Financial hierarchy**

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

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

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

Level 3 – unobservable inputs for the asset or liability.

| | Level 1 R'000 | Level 2 R'000 | Level 3 R'000 | 31 Dec 2020 Unaudited R'000 | 31 Dec 2019 Unaudited R'000 | 30 June 2020 Audited R'000 |
|---|---|---|---|---|---|---|
| **Financial assets** | 939 807 | 104 960 | 794 804 | **1 839 571** | 2 110 794 | 1 812 126 |
| Investment securities | 196 | – | 513 489 | **513 685** | 547 722 | 528 772 |
| Loans and advances at fair value through profit and loss | – | – | 281 315 | **281 315** | 221 942 | 223 011 |
| Trading assets | 939 611 | 104 960 | – | **1 044 571** | 1 341 130 | 1 060 343 |
| **Financial liabilities** | 856 398 | 119 454 | – | **975 852** | 1 350 499 | 999 841 |
| Trading liabilities | 856 398 | 119 454 | – | **975 852** | 1 350 499 | 999 841 |
| **Non-financial assets** | – | – | 19 823 | **19 823** | 8 700 | 19 823 |
| Investment property – continuing operations | – | – | 13 123 | **13 123** | 8 700 | 13 123 |
| Investment property – Non-current assets held for sale | – | – | 6 700 | **6 700** | – | 6 700 |

Fair values of financial assets and financial liabilities that are traded in active markets are based on quoted market prices or dealer price quotations. For all other financial instruments the Group determines fair values using valuation techniques.

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Levels 1, 2 and 3 of the fair value hierarchy for the period ended 31 December 2020.

## 4. CLASSIFICATION OF ASSETS AND LIABILITIES continued

**Financial hierarchy** continued

| | 31 Dec 2020 Unaudited R'000 | 31 Dec 2019 Unaudited R'000 | 30 June 2020 Audited R'000 |
|---|---|---|---|
| **Level 3 fair values – Financial and non-financial assets** | | | |
| Opening balance | 771 455 | 635 077 | 650 052 |
| Additions | – | – | 2 186 |
| Total gains or losses in profit or loss | 14 818 | 14 661 | (4 465) |
| Acquisition of investments | – | 10 608 | – |
| Disposal of investments | (34 080) | (96 875) | (92 898) |
| (Repayments)/advances | 62 434 | (6 490) | 196 254 |
| Transfers | – | 2 866 | 20 326 |
| Closing balance | 814 627 | 559 847 | 771 455 |

The valuations of Level 2 and Level 3 investment securities were based predominantly on detailed discounted cash flow methodologies, which were compared with implied price/earnings multiples, and where applicable, benchmarked to proxies of listed entities in similar industries for reasonableness.

This valuation methodology is per the South African Venture Capital and Private Equity guidelines.

## 5. CHANGES IN THE COMPOSITION OF THE GROUP

Sasfin's wholly owned subsidiary, Sasfin Wealth Proprietary Limited (Sasfin Wealth), entered into a sale of shares agreement in terms of which, *inter alia*, Sasfin Wealth disposed of its 21.10% interest in its associate, Efficient Group Limited, for a disposal consideration of R146.261 million. The disposal was concluded on 3 December 2020.

## 6. RELATED PARTIES

There has been no material change, by nature or amount, in transactions with related parties since the 2020 financial year-end.

## 7. ACCOUNTING STANDARDS, INTERPRETATIONS AND AMENDMENTS TO EXISTING STANDARDS THAT ARE NOT YET EFFECTIVE

There has been no significant change to management's estimates in respect of new accounting standards, amendments and interpretations to existing standards that have been published which are not yet effective and which have not yet been adopted by the Group.

## 8. SUBSEQUENT EVENTS

On 11 February 2021 the Land Bank repaid 12% of the capital outstanding on the Land Bank Bills held by Sasfin. The gross amount of the Bills, at 31 December 2020, was R470 million.

# COMMENTARY

## PURPOSE

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

## FINANCIAL PERFORMANCE

Sasfin posted headline earnings for the six months ended 31 December 2020 of R26.896 million (2019: R78.702 million). The decline in profit is primarily due to increased International Financial Reporting Standards (IFRS) 9 credit impairment provisions, as a result of the impact of Covid-19 and the associated lockdowns on South African businesses.

Total income declined by 1.45% for the period, positively impacted by improved margins in Sasfin Bank and increased revenue in the Wealth Pillar, but offset by lower loans and advances as well as a decline in fair value valuations.

Proactive cost management saw total costs decline by 6.55%, resulting in the Group's cost-to-income ratio improving by 3.85% to 70.48% (2019: 74.33%).

## FINANCIAL AND CAPITAL POSITION

The Group's balance sheet remains strong, with cash and near cash, net of Land Bank bills (2020) and repurchase agreements, at R2.338 billion (2019: R2.433 billion, including Land Bank bills). Total deposits declined 3.08% to R4.831 billion (2019: R4.983 billion).

Total assets declined 13.57% to R12.555 billion (2019: R14.527 billion), with net loans and advances contracting 13.42% to R6.360 billion (2019: R7.346 billion), caused by lower demand and the conservative credit approach adopted during the Covid-19 lockdowns.

After consideration of the guidance from the Prudential Authority (PA) of the South African Reserve Bank (SARB) outlined in Guidance Note 3 of 2021 and the continued recommendation that banks act prudently and preserve capital, the Board has decided not to declare an interim ordinary and preference share dividend for the period ended 31 December 2020. The Group's capital adequacy ratio (unaudited) remained stable at 17.07% (2019: 17.06%). In addition, the liquidity coverage and net stable funding ratios remain strong and above minimum requirements.

Following multiple cautionary announcements, the first of which was issued on 30 September 2020, Sasfin has obtained the consent of the SARB's PA in terms of the Regulations relating to Banks, 2012 to proceed with the proposed repurchase of its preference shares. Sasfin will be announcing the terms of the proposed repurchase shortly.

## CREDIT PERFORMANCE

With South African businesses under continued pressure, we have experienced higher arrears, an increase in our credit loss coverage ratio to 9.38% (2019: 5.58%) and the doubling of our credit loss ratio to 240 bps (2019: 122 bps). The profile of our book changed as follows:

- Stage 1 loans (up to date loans): 80.09% of total book (2019: 84.08%)
- Stage 2 loans (overdue loans): 8.76% of total book (2019: 5.43%)
- Stage 3 loans (non-performing loans): 11.15% of total book (2019: 10.49%)

Given the developments at the Land Bank, we have increased the impairment against our exposure to the entity. The Land Bank continues to service interest and repaid 12% of the outstanding capital in February 2021.

## SEGMENTAL OVERVIEW

### Asset Finance

Asset Finance posted an operating profit of R82.423 million (2019: R101.374 million), representing an 18.69% decline off the back of increased impairments. Income, however, increased 8.94% to R287.938 million (2019: R264.310 million), attributable to better margins offset by lower lending volumes. We continue to diversify the book and expand our offering, with specialised equipment finance growing to 22% of the total Asset Finance book (up from 19% in 2019).

### B\\Yond Business Banking

We have merged our foreign exchange operations into this unit, which continues to enhance our integrated digital business client experience while extracting cost efficiencies where appropriate.

Transactional Banking grew revenue 14.02% through increased client volumes, despite lower interest rates. The next step in our digital banking evolution will be to increase the credit offering to small businesses off the back of the Nasira offering.

B\\Yond Business Banking reduced its operating loss by 32.06% to R15.022 million (2019 loss: R22.112 million). This was achieved, largely due to a 9.58% cost saving over the period, following the integration of the business units.

### Sasfin Capital (which includes Trade and Debtor Finance)

With effect from 1 July 2020, the Trade and Debtor Finance unit moved into the Capital Pillar. The combined Pillar posted an operating loss of R18.758 million (2019 profit: R11.286 million) largely caused by lower revaluations of the private and property equity portfolios and lower utilisation of facility limits within our Trade and Debtor Finance unit because of declining import volumes and a reduced client base.

Following some realisations at above carrying value, investments at fair value have reduced by 6.20% to R514 million (2019: R548 million). We continue to grow our well-secured specialised finance and property lending book, which is performing to expectation. These loans typically include profit participation, which provides potential for good medium-term revenue growth.

Our Trade and Debtor Finance unit, where we have focused much attention on enhancing credit quality, recorded relatively good credit performance in the year. The lower utilisation resulted in reduced income levels, which were offset by lower costs.

### Sasfin Wealth

Sasfin Wealth increased its operating profit by 82.65% to R56.546 million (2019: R30.958 million), in part attributable to the sale of its 21.10% interest in Efficient Group (Proprietary) Limited for R146.2 million. The transaction was concluded on 3 December 2020 at a profit of R12.225 million which has been recognised in the income statement. Excluding this sale, the performance was still strong, with operating profit increasing by 13.15% to R35.030 million (2019: R30.938 million) due to record growth in assets under advice and management (collectively AUM) to R51.8 billion (2019: R44.1 billion), and with foreign assets now comprising 27.80% of total AUM. Included in total income is a further negative fair value adjustment of R6.400 million on our Land Bank bond holdings.

Wealth's investment into distribution, and strong investment performance, continue to drive strong net inflows, particularly into institutional AUM managed by Sasfin Asset Managers (SAM). The business continues to invest in building out its depth and breadth of talent as well as its distribution capability. Last month, SAM was awarded a third consecutive Raging Bull award for its BCI Flexible Income Fund. We continue to strengthen our investment and distribution teams.

## PROSPECTS

In the wake of Covid-19, Bradley Fried, chairman of the Bank of England, recently commented:

*"2020 – the year of survival; 2021 – the year of repair; 2022 – the year of renewal and 2023 – the first year of growth."*

Sasfin emerges from 2020 with a stronger balance sheet and lower cost base. In the last 12 months, Sasfin has created over R300 million in credit provisions to appropriately recognise the risk of clients potentially not being able to meet their obligations, and which consider the economic outlook. Furthermore, Sasfin ensured that it was able to seamlessly service clients remotely and effectively.

In the coming months we aim to:

1. Grow our lending book within the appropriate credit risk profile. The funding and capital are in place to support this growth.
2. Consolidate cost saving gains including further steps in respect of streamlining activities and changing the way we work. We expect to relocate from our Waverley head office in early 2022 and we are in the final stages of negotiating a lease, which should result in a far-improved client and employee experience and achieve meaningful additional cost savings.
3. Further enhance our client experience and distribution capabilities across the Group to achieve growth in our core businesses.

## CONCLUSION

The business credit environment remains exceptionally challenging. Most businesses have seen a meaningful reduction in turnover but are managing to find ways to navigate the current economic challenges; many businesses, however, either are under threat of not surviving the pandemic or have already failed. Furthermore, second degree impacts are to be expected as the reality of lower employment levels sets in, and the various forms of Covid-19 relief come to an end.

We will continue to do what we can to support all of our clients in this very challenging economy, while retaining a cautious approach to credit. Investment markets have been resilient, and our Wealth business has delivered stellar investment performance for our clients. We are well placed to continue to enable our clients to grow their businesses and global wealth.

## INTERIM ORDINARY SHARE AND PREFERENCE SHARE CASH DIVIDENDS

### Ordinary share dividend

After consideration of the guidance from the Prudential Authority of the South African Reserve Bank outlined in Guidance Note 3 of 2021 and the continued recommendation that banks act prudently and preserve capital, the Board has decided not to declare an interim ordinary dividend for the period ended 31 December 2020.

### Preference share dividend

The preference shares are non-redeemable, non-cumulative and non-participating. Preference shareholders are entitled to receive dividends out of the profits of Sasfin Holdings that it determines to distribute. Given the financial performance of the Group, the Board has not declared a preference dividend for the period ended 31 December 2020.

# CORPORATE DETAILS

| | |
|---|---|
| **Country of incorporation and domicile** | South Africa |
| **Independent Non-Executive Chair** | Roy Andersen* |
| **Executive Directors** | Michael Sassoon (Chief Executive Officer)<br>Angela Pillay (Group Financial Director) |
| **Independent Non-Executive Directors** | Deon de Kock<br>Eileen Wilton<br>Grant Dunnington**<br>Mark Thompson<br>Richard Buchholz (Lead)<br>Thabang Magare |
| **Non-Independent, Non-Executive Directors** | Gugu Dingaan<br>Nontobeko Ndhlazi<br>Roland Sassoon<br>Shaun Rosenthal (Alternate) |
| **Group Company Secretary** | Charissa de Jager |
| **Website and email** | www.sasfin.com<br>investorrelations@sasfin.com |
| **Transfer secretaries** | Computershare Investor Services Proprietary Limited<br>Rosebank Towers<br>15 Biermann Avenue<br>Rosebank, Johannesburg, 2196 |
| **Sponsor** | Sasfin Capital (a member of the Sasfin Group) |
| **Independent sponsor** | Deloitte & Touche Sponsor Services Proprietary Limited |
| **Auditors** | PwC |
| **Registered office** | 29 Scott Street<br>Waverley, Johannesburg, 2090<br>Tel: +27 11 809 7500<br>Fax: +27 11 887 6167/2489 |
| **Postal address** | PO Box 95104, Grant Park, Johannesburg, 2051 |
| **Company registration number** | 1987/002097/06 |
| **Tax reference number** | 9300/204/71/7 |

* *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until March 2023.*

** *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until the Group's 2021 AGM.*

*Disclaimer*

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

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

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

*The Group does not undertake to update any forward-looking statements and does not assume responsibility for any loss or damage, however arising, as a result of the reliance by any party thereon, including, but not limited to, loss of earnings, profits or consequential loss or damage. Forward-looking statements have not been reviewed nor reported on by the Group's external auditors.*

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