Annual Financial Statements for the year ended 30 June 2019

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

sasfin Bank Limited
beyond a bank

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Indicates additional information available online or from the Company Secretary.

OUR REPORTS

Annual Financial Statements 2019
This report is Sasfin Bank's Annual Financial Statements and includes risk and capital management disclosures.

Integrated Report 2019
This is Sasfin's primary report which presents our strategy, performance and plans.

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

Banking Group: Sasfin Bank Limited and its subsidiaries

Bank: Sasfin Bank Limited

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

Capital: Sasfin Capital (Pty) Limited

Company: Sasfin Bank Limited

Statement of preparation

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

Directors' responsibility statement

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

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

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

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

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

The Consolidated and Separate Annual Financial Statements for the year ended 30 June 2019 were approved by the Board and are signed on its behalf by:

Roy Andersen *Chair*	Michael Sassoon *Chief Executive Officer*	Angela Pillay *Group Financial Director*

17 September 2019

Company Secretary's certification

I hereby certify, in terms of section 88(2)(e) of the Companies Act, that Sasfin Bank Limited has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission, for the financial year ended 30 June 2019, and that all such returns and notices as are required of a public company are true, correct and up to date.

Howard Brown
Company Secretary

17 September 2019

Group Audit and Compliance Committee report

INTRODUCTORY COMMENTS

The Group Audit and Compliance Committee (GACC/the Committee), which also presides over the Banking Group, is pleased to present its report in respect of the 2019 Annual Financial Statements of Sasfin Bank Limited (the Banking Group or the Bank), in compliance with section 94(7) of the Companies Act. The Committee's functions are further informed by the Companies Act, Banks Act, the JSE Listings Requirements and King Report on Corporate Governance™ for South Africa, 2016 (King IV™)* and are approved by the Board.

COMMITTEE COMPOSITION AND ASSESSMENT OF ITS PERFORMANCE

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

The Board performs an annual review of the Committee's compliance with its responsibilities, performance, governance and best practice, as per its Charter.

Members		Appointed	Resigned
Gugu Mtetwa[1]	Chair	28 August 2017	30 September 2019
Linda de Beer[2]		1 July 2014	30 September 2018
Grant Dunnington		29 July 2013	
Richard Buchholz		7 March 2018	
Mark Thompson		21 June 2019	

[1] *Appointed as Chair on 19 November 2018.*
[2] *Resigned as Chair on 18 November 2018.*

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

FUNCTIONS OF THE COMMITTEE

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

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

ANNUAL CONFIRMATIONS OF KEY FUNCTIONS FOR THE YEAR

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

Financial control, financial reporting and the Integrated Report

- Reviewed the Interim Results, Annual Financial Statements, Integrated Report, dividend declarations and trading updates of the Banking Group, and recommend those to the Board for approval
- Confirmed that it has assessed the appropriateness of the going concern basis for the preparation of the Interim Results and Annual Financial Statements and the solvency and liquidity tests in support of financial assistance and distributions
- Assessed the accounting policies and key assumptions applied in the preparation of the Annual Financial Statements, as well as dealing with technical reporting matters relating to significant exceptional transactions and accounting judgements
- Confirmed compliance of the Interim Results and Annual Financial Statements with IFRS and the JSE Listings Requirements
- Consideration was given to the annual JSE Proactive Monitoring report to ensure the integrity of the financial information in the Annual Financial Statements. In this regard, the Committee notes that the JSE had issued the Group with a letter on its review of the 2018 Annual Financial Statements. The issues raised related to matters of clarification as well as disclosure. These have been addressed with the JSE and appropriately dealt with in the current year's Annual Financial Statements

The Committee also considered combined assurance in the Group and specific attestations from Internal Audit, External Audit, Group Risk and Group Compliance to consider the adequacy and effectiveness of the internal controls within the Group. Even though we are comfortable that both these aspects of adequacy and effectiveness were in place, and there was improvement to the internal controls during the year, a key focus area for the Committee in the year ahead will be to enhance the integration of the new systems which went live during the latter half of this year.

External Audit

- Recommended for re-election PricewaterhouseCoopers Inc (PwC) as the audit firm, with Vincent Tshikhovhokhovho as the engagement partner, for shareholder approval
- Ensured that the appointment of the auditor complied with all the legislation regarding the appointment of auditors
- Reviewed and approved the list of non-audit services which the auditor may perform. There is a Board-approved non-audit services policy in place which places limits on non-audit services provided by the External Auditors
- In consultation with the executive management, agreed to the engagement letter, terms, audit plan and budgeted fees for the 2019 financial year
- Promoted and enabled effective communication between the External and Internal Audit functions

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

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

Internal Audit

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

The Chief Audit Executive reported to the Committee, had unrestricted access to the Committee Chair and is of the opinion that the material internal financial controls were adequate to allow reliance to be placed on external reports issued by the Banking Group. Areas of improvement were identified within the Procurement function and with respect to IT System Implementation Controls. The action plans to remediate are on track and will be monitored.

Compliance

- Reviewed and recommended the Compliance Charter and the annual compliance and monitoring plan
- Reviewed the findings from the South African Reserve Bank (SARB) Prudential Authority's anti-money laundering compliance inspection conducted in 2018 together with the remedial action plan proposed by management. The Committee noted the fine of R500 000 imposed by the SARB Prudential Authority and is satisfied with the action plan to enhance the FICA staff training programme
- Evaluated the effectiveness and performance of the Compliance function and concluded that these were appropriate

Group Audit and Compliance Committee report continued

Combined Assurance
The Committee is of the view that significant strides have been made against the roadmap put in place last year for the Combined Assurance model. Alignment has been reached on the Group's overall risks together with the language used to describe risk, controls, and their measurement. The Committee, together with the GRCMC, considers bi-annually the work completed by the 2nd, 3rd and 4th Lines of Defence, including the assurance level provided by the assurance partners over those key controls linked to each of the Group's top risks. The journey of Combined Assurance will continuously evolve as the process matures within the Group; it continues working towards achieving the objective of enabling an effective control environment, along with supporting the integrity of information used for internal decision-making.

Expertise and experience of the Finance function and the Group Financial Director
- Received regular reports from the Group Financial Director regarding the financial performance of the Group, the tracking and monitoring of key performance indicators and regulatory ratios, details of budgets, forecasts and long-term plans
- Considered updates on the enhancement of the financial reporting controls and processes, and the adequacy and reliability of the management information used in the financial reporting process
- Received feedback from both Internal and External Audit regarding the financial control environment
- Considered the expertise, resources and experience of the Finance function and the senior management responsible for this function
- Considered the appropriateness of the experience, effectiveness and expertise of the Group Financial Director and concluded that these were appropriate

KEY AUDIT MATTERS AS REPORTED BY THE EXTERNAL AUDITORS
The Committee considered the Key Audit Matters as reported by the External Auditors as part of the PwC audit report.

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

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

Expected credit losses of loans and advances
This is an area that is also reviewed by the Credit and Large Exposures Committee of the Board, before consideration by the Committee. The Committee considered whether the levels of provisioning and credit impairment were appropriate, given the impacts of the re-calibration of the impairment model as well as the inclusion of forward-looking information. This included consideration and approval of an amendment to the adjustment to opening Retained Income on 1 July 2018, as required by IFRS 9 (refer to note 1.1.1), and which was previously disclosed. It was important for the Committee that a conservative approach was followed in this regard, considering strained economic conditions.

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

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

Migration of IT Systems impacting financial reporting

The Committee considered the oversight in this regard by the IT Committee which reviews all strategic IT projects of the Group. In the current year, two key systems were implemented, namely, Calypso and LeaseWave. The impact that these projects had on the financial control environment, specifically relating to cash reconciliations, was considered, together with management's post balance sheet plan to remediate unresolved items. The Committee will consider the closeout reports for these projects as they fall due, and will continue to monitor the plan to remediate unresolved items.

IN CONCLUSION

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

We would also like to thank Linda de Beer who resigned from the Committee in the past financial year for her invaluable contribution and insight.

We would like to welcome Mark Thompson to the Committee. He will chair this Committee post my resignation on 30 September 2019. Mark brings with him a wealth of knowledge in the field of audit, credit and treasury.

Finally, I would like to take this opportunity to thank the Committee and Board for their support over the last financial year. My chairmanship of this Committee has been a rewarding one and I wish the new Committee members all the best.

Gugu Mtetwa CA(SA)
Chair – Group Audit and Compliance Committee

17 September 2019

Directors' report

NATURE OF BUSINESS

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

FINANCIAL RESULTS

The results of the Banking Group and Company are set out in the Consolidated and Separate Annual Financial Statements and accompanying notes as well as in the Integrated Report 2019.

DIRECTORATE AND CHANGES TO THE BOARD

On 1 January 2019, Roland Sassoon stepped down as the Chief Executive Officer (CEO) of Sasfin Bank Limited and was succeeded by Michael Sassoon. Roland Sassoon will rejoin the Sasfin Bank Limited and Sasfin Holdings Boards from 1 January 2020 after serving a 12-month cooling off period as a Non-Independent, Non-Executive Director.

Mark Thompson joined the Board in June 2019 and will chair the Group Audit and Compliance Committee upon Gugu Mtetwa's departure. Eileen Wilton accepted a position on the Board on 6 August 2019 and will Chair the IT Committee.

DIRECTORS AND COMPANY SECRETARY

Independent Non-Executive Directors		Appointed	Resigned
Roy Andersen	Chair	14 February 2011	
Linda de Beer		1 July 2014	30 September 2019
Grant Dunnington		25 February 2010	
Gugu Mtetwa		9 October 2017	30 September 2019
Shahied Rylands		5 August 2006	
Richard Buchholz		9 January 2018	
Mark Thompson		21 June 2019	
Eileen Wilton		6 August 2019	
Non-Independent, Non-Executive Directors (Representatives of WIPHOLD, Sasfin's BEE partner)			
Gloria Serobe		7 March 2018	
Gugu Dingaan		7 March 2018	
Shaun Rosenthal (Alternate)		7 March 2018	
Executive Directors			
Michael Sassoon*	Chief Executive Officer	1 January 2019	
Roland Sassoon		9 November 1979	1 January 2019
Angela Pillay	Group Financial Director	1 March 2018	
Alternate Executive Director			
Linda Fröhlich		9 October 2013	5 March 2018
Company Secretary			
Howard Brown		28 August 2011	

* *Michael Sassoon was appointed as an Alternate Director on 9 October 2013, as a Director on 23 October 2015 and as Chief Executive Officer on 26 October 2018.*

SHARE CAPITAL

Ordinary share capital

There were no changes to the authorised ordinary share capital.

Preference share capital

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

Analysis of shareholders

The analysis of ordinary and preference shareholders is provided in the Shareholders' and Administrative Information Booklet included as part of the Integrated Report 2019.

SPECIAL RESOLUTIONS PASSED

Special resolutions passed during the year are available for inspection.

EVENTS AFTER THE REPORTING DATE

The Board is not aware of any material events which occurred after the reporting date and up to the date of this report.

Independent auditor's report

TO THE SHAREHOLDERS OF SASFIN BANK LIMITED

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sasfin Bank Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2019 and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Sasfin Bank Limited's financial statements set out on pages 10 to 114 comprise:

- the consolidated and separate statements of financial position as at 30 June 2019;
- the consolidated and separate statement of comprehensive income for the year then ended;
- the consolidated and separate statement of changes in equity for the year then ended;
- the consolidated and separate statement of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies.

Basis for opinion

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

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

Independence

We are independent of the Group in accordance with the sections 290 and 291 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised January 2018)*, parts 1 and 3 of the Independent Regulatory Board for Auditors' *Code of Professional Conduct for Registered Auditors (Revised November 2018)* (together the IRBA Codes) and other independence requirements applicable to performing audits of financial statements in South Africa. We have fulfilled our other ethical responsibilities, as applicable, in accordance with the IRBA Codes and in accordance with other ethical requirements applicable to performing audits in South Africa. The IRBA Codes are consistent with the corresponding sections of the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* and the *International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards)* respectively.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sasfin Bank Limited Annual Financial Statements for the year ended 30 June 2019", which includes the Directors' Report, the Group Audit and Compliance Committee's Report and the Company Secretary's Certificate as required by the Companies Act of South Africa, and the disclosures set out on pages 117 to 118 that have been presented in terms of the Banks Act 1990 (as amended) and Regulations 43 (1)(e)(ii) of the Banking Regulations. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In terms of the IRBA Rule published in Government Gazette Number 39475 dated 4 December 2015, we report that PricewaterhouseCoopers Inc. has been the auditor of Sasfin Bank Limited for 2 years.

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho
Registered Auditor
4 Lisbon Lane
Waterfall City
2019

17 September 2019

Consolidated and separate statements of financial position

AT 30 JUNE 2019

	Accounting policy	Note	Consolidated 2019 R'000	Consolidated 2018[1] R'000	Separate 2019 R'000	Separate 2018[1] R'000
ASSETS						
Cash and cash balances	1.10	4	1 314 414	1 838 645	1 079 459	1 579 043
Negotiable securities	1.12	5	3 077 519	1 975 407	3 077 519	1 975 407
Trading assets	1.12	6	39 007	179 417	38 997	174 183
Other receivables	1.12	7	270 955	360 904	315 775	336 901
Non-current assets held for sale		8	–	–	–	–
Loans and advances	1.12	9	7 487 115	7 617 107	3 925 057	3 589 487
Current taxation asset	1.15		20 130	14 203	–	1 721
Investment securities	1.12	10	154 363	136 535	154 142	136 226
Loans to entities in the Group			130 490	–	476 038	–
Property and equipment	1.5	12	45 740	51 600	45 639	51 455
Investment property	1.3	13	8 900	12 600	–	–
Intangible assets and goodwill	1.4	14	215 800	179 235	156 676	115 345
Investments in subsidiaries and structured entities			–	–	255 859	692 358
Deferred tax asset	1.15	11	2 139	71	–	–
Total assets			12 766 572	12 365 724	9 525 161	8 652 126
LIABILITIES						
Funding under repurchase agreements and interbank	1.12	15	2 271 610	1 923 244	2 197 422	1 519 672
Trading liabilities	1.12	5	40 436	155 672	35 171	171 561
Current taxation liability			–	14 048	–	–
Trade and other payables		16	743 310	637 944	438 384	349 214
Provisions	1.7	17	38 189	23 686	28 591	22 961
Bank overdraft	1.10	4	46 008	–	–	–
Deposits from customers	1.12	18	5 146 236	4 605 575	5 561 971	5 155 577
Debt securities issued	1.12	19	2 753 521	3 115 432	–	–
Long-term loans	1.12	20	245 715	424 616	240 215	424 616
Deferred tax liability	1.15	11	136 213	130 284	45 623	43 617
Loans from entities in the Group			–	–	8 210	–
Total liabilities			11 421 238	11 030 551	8 555 587	7 687 218
EQUITY						
Ordinary share capital	1.9	21	3 600	3 600	3 600	3 600
Ordinary share premium	1.9	22	459 876	459 876	459 876	459 876
Reserves	1.9		881 858	871 697	506 098	501 432
Total equity	1.9		1 345 334	1 335 173	969 574	964 908
Total liabilities and equity			12 766 572	12 365 724	9 525 161	8 652 126

[1] *Comparative information has not been restated for the adoption of IFRS 9. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

Consolidated and separate statements of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2019

	Accounting policy	Note	Consolidated 2019 R'000	Consolidated 2018[1] R'000	Separate 2019 R'000	Separate 2018[1] R'000
Interest and similar income	1.13	24	1 269 362	1 212 067	813 754	710 815
Interest income calculated using the effective interest method			1 276 425	1 186 768	813 179	641 555
Other interest income			(7 063)	25 299	575	69 260
Interest and similar expense		25	(763 304)	(735 850)	(538 973)	(466 837)
Interest expense calculated using the effective interest method	1.13		(762 378)	731 918	(533 323)	(462 905)
Other interest expense	1.13		(926)	3 932	(5 650)	(3 932)
Net interest income			506 058	476 217	274 781	243 978
Non-interest income			341 262	304 969	446 250	369 881
Net fee and commission income	1.13	26	105 992	88 195	279 630	251 588
Fee and commission income			191 477	146 739	295 656	287 124
Fee and commission expense			(85 455)	(58 544)	(16 026)	(35 536)
Gains and losses on financial instruments	1.13	27	84 846	60 781	146 132	118 351
Other income		28	150 424	155 993	20 488	(58)
Total income			847 320	781 186	721 031	613 859
Impairment charges on loans and advances	1.12.4 and 2.1	39.3.4	(80 291)	(134 366)	(19 820)	(89 286)
Net income after impairments			767 029	646 820	701 211	524 573
Operating costs			(583 967)	(524 536)	(561 640)	(487 802)
Staff costs	1.14	29	(321 098)	(283 764)	(256 516)	(230 947)
Other operating expenses		30	(256 814)	(231 336)	(299 069)	(247 805)
Impairments of non-financial assets	1.11	31	(6 055)	(9 436)	(6 055)	(9 050)
Profit before income tax			183 062	122 284	139 571	36 711
Income tax expense	1.15	32	(47 675)	(47 589)	(21 309)	(5 095)
Profit for the year			135 387	74 695	118 262	31 676
Other comprehensive income for the year, net of tax effects:						
Items that may subsequently be reclassified to profit or loss:						
Foreign exchange differences on translation of foreign operations			4 877	9 740	–	–
Total comprehensive income for the year			139 371	84 435	118 262	31 676

[1] *Comparative information has not been restated for the adoption of IFRS 9. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

Consolidated and separate statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2019

	Ordinary share capital and premium R'000	Distri-butable reserves R'000	Foreign currency trans-lation reserve R'000	Hedging reserve R'000	Total share-holders' equity R'000
Consolidated					
Balance at 30 June 2017	463 476	860 780	65 581	(107 099)	1 282 738
Total comprehensive income for the year	–	74 695	9 740	–	84 435
Profit for the year	–	74 695	–	–	74 695
Other comprehensive income/(loss) net of income tax for the year	–	–	9 740	–	9 740
Dividends to ordinary shareholders	–	(32 000)	–	–	(32 000)
Balance at 30 June 2018	463 476	903 475	75 321	(107 099)	1 335 173
Changes on initial application of IFRS 9 (refer to note 1.1.1)	–	(66 103)	–	–	(66 103)
Restated balance at 1 July 2018[1]	463 476	837 372	75 321	(107 099)	1 269 070
Total comprehensive income for the year	–	135 387	4 877	–	140 264
Profit for the year	–	135 387	–	–	135 387
Other comprehensive income/(loss) net of income tax for the year	–	–	4 877	–	4 877
Dividends to ordinary shareholders	–	(64 000)	–	–	(64 000)
Balance at 30 June 2019	463 476	908 759	80 198	(107 099)	1 345 334

[1] *Comparative information has not been restated for the adoption of IFRS 9. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

Consolidated and separate statements of changes in equity

FOR THE YEAR ENDED 30 JUNE 2019

	Ordinary share capital and premium R'000	Distri-butable reserves R'000	Hedging reserve R'000	Total share-holders' equity R'000
Separate				
Balance at 30 June 2017	463 476	608 855	(107 099)	965 232
Total comprehensive income for the year	–	31 676	–	31 676
Profit for the year	–	31 676	–	31 676
Dividends to ordinary shareholders	–	(32 000)	–	(32 000)
Balance at 30 June 2018	463 476	608 531	(107 099)	964 908
Changes on initial application of IFRS 9 (refer to note 1.1.1)		(49 596)		(49 596)
Restated balance at 1 July 2018[1]	463 476	558 935	(107 099)	915 311
Total comprehensive income for the year		118 262		118 262
Profit for the year	–	118 262	–	118 262
Dividends to ordinary shareholders	–	(64 000)	–	(64 000)
Balance at 30 June 2019	463 476	613 197	(107 099)	969 574

[1] *Comparative information has not been restated for the adoption of IFRS 9. Therefore comparability may not necessarily be achieved. Refer to note 1.1.1.*

Consolidated and separate statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated		Separate	
	Note	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Cash flows from operating activities					
Cash receipts from customers	34.1	1 525 773	1 444 882	1 129 893	969 737
Cash paid to customers, employees and suppliers	34.2	(1 292 975)	(1 209 763)	(1 072 494)	(908 897)
Cash inflow from operating activities	34.3	232 798	253 119	57 399	60 840
Dividends received		11 901	6 351	71 404	57 344
Taxation (paid)/received	34.4	(45 206)	(7 511)	1 721	11 514
Dividends paid	34.5	(64 000)	(32 000)	(64 000)	(32 000)
Cash flows from operating activities before changes in operating assets and liabilities		135 493	201 959	66 524	97 698
Changes in operating assets and liabilities		(499 278)	696 049	(437 241)	(233 643)
Increase in loans and advances		(33 668)	(110 321)	(424 322)	(438 425)
Decrease/(increase) in trading assets		133 584	(106 939)	202 525	(106 509)
Increase in negotiable securities		(1 094 723)	(579 885)	(1 094 723)	(579 885)
Increase/(decrease) in other receivables		89 949	(46 439)	21 126	(65 572)
Increase/(decrease) in deposits from customers		540 661	(158 556)	406 394	64 825
(Decrease)/increase in long-term funding		(178 886)	244 943	(184 401)	244 943
Increase in funding under repurchase agreements and interbank		348 366	–	677 750	523 069
(Decrease)/increase in trading liabilities		(63 808)	629 744	(136 390)	100 343
(Decrease)/increase in debt securities		(361 911)	88 866	–	–
Increase in trade and other payables		113 971	618 714	89 170	–
Increase in provisions		7 187	–	5 630	–
Net cash from operating activities		(363 785)	898 008	(370 717)	135 945
Cash flows from investing activities		(209 977)	(1 184 547)	(128 867)	(231 803)
Proceeds from the disposal of property and equipment		5 514	3 176	–	2 140
Proceeds from disposal of investment property		–		–	–
Proceeds from the disposal of investment securities		–	3 019	(17 917)	23 011
Acquisition of property and equipment		(23 907)	(17 258)	(21 293)	(17 055)
Proceeds from the disposal of intangible assets			5 635	–	5 635
Acquisition of intangible assets		(61 094)	(80 575)	(58 295)	(80 575)
Net cash paid on acquisition of subsidiaries		–	(1 155 444)	–	–
Acquisition of investment securities		–	–	–	–
Advances made to entities in the Group		(130 490)	–	(31 362)	(164 959)
Repayments of investment securities		–	56 900	–	–
Net decrease in cash and cash balances		(573 762)	(286 539)	(499 584)	(367 748)
Cash and cash balances at beginning of the year		1 838 645	2 106 477	1 579 043	1 946 791
Effect of exchange rate movements on cash and cash balances		3 523	18 707	–	–
Cash and cash balances at the end of the year	4	1 268 406	1 838 645	1 079 459	1 579 043

Notes to the consolidated and separate financial statements

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation

The Consolidated and Separate Annual Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB) and IFRS Interpretations Committee, the SAICA Financial Reporting Guides as issued by the Accounting Practices Committee, Financial Pronouncements as issued by the Financial Reporting Standards Council, the requirements of the Companies Act, 71 of 2008, as amended, and the JSE Listings Requirements.

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

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

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

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

- IFRS 15 *Revenue from Contracts with Customers* (IFRS 15) – IFRS 15 replaces IAS 11 *Construction Contracts*, IAS 18 *Revenue*, IFRIC 13 *Customer Loyalty Programmes*, IFRIC 15 *Agreements for the Construction of Real Estate*, IFRIC 18 *Transfer of Assets from Customers* and SIC-31 *Revenue – Barter of Transactions Involving Advertising Services*. This standard contains a single model that applies to all contracts with customers and two approaches to recognising revenue, namely at a point in time or over time. IFRS 15 details a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised. The adoption of IFRS 15 for the year commencing 1 July 2018 did not have a significant impact, since the standard does not impact the timing or amount of fee and commission income from contracts with customers and the related assets and liabilities recognised by the Banking Group. Accordingly, the impact on the comparative information is limited to new disclosure requirements.
- IFRIC 22 *Foreign Currency Transactions and Advance Considerations* (IFRIC 22) – When foreign currency consideration is paid or received in advance of the item it relates to – which may be an asset, an expense or income – IAS 21 *The Effects of Changes in Foreign Exchange Rates* is not clear on how to determine the transaction date for translating the related item. This has resulted in diversity in practice regarding the exchange rate used to translate the related item. IFRIC 22 clarifies that the transaction date is the date on which the Company initially recognises the prepayment or deferred income arising from the advance consideration. For transactions involving multiple payments or receipts, each payment or receipt gives rise to a separate transaction date. The Banking Group adopted IFRIC 22 for the year commencing 1 July 2018. The adoption did not have a significant impact on the Banking Group.

The adoption of IFRS 9 *Financial Instruments* (IFRS 9) had a material impact on the Banking Group's results upon transition. IFRS 9 replaces IAS 39 *Financial Instruments: Recognition and Measurement* (IAS 39) and is applied for the first time by the Banking Group for the year commencing 1 July 2018.

The following is a summary of the main differences between IFRS 9 and IAS 39:

- Changes to the classification and measurement of financial assets. The classification and measurement of financial assets are determined by the business model applied by Sasfin in managing its financial assets and the contractual cash flow characteristics of the financial assets
- Moving from an incurred loss impairment model under IAS 39, to an expected credit loss (ECL) impairment model under IFRS 9
- Changes in the hedge accounting requirements and the application thereof

Refer "IFRS 9 adoption" below for more detail.

IFRS 9 adoption

The Banking Group has elected to adopt IFRS 9 retrospectively without restating comparatives i.e. restating opening retained income on 1 July 2018, the effective date. Consequently, the comparative information (as previously reported for the year ended 30 June 2018) are presented in accordance with the requirements of IAS 39, with current and future reporting periods presented in terms of IFRS 9.

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

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

IFRS 9 adoption continued

Classification and measurement

As indicated in the below table, the changes to the classification and measurement of financial assets and financial liabilities did not have a significant impact on the Banking Group, apart from the increase in the credit loss allowance related to Loans and Advances and the related deferred tax impact.

				IFRS 9 Transition adjustment on 1 July 2018			
Consolidated	IAS 39 Classification	IFRS 9 Classification	IAS 39 30 June 2018 R'000	ECL R'000	Classification and measure-ments R'000	Total IFRS 9 Adjustment R'000	IFRS 9 1 July 2018 R'000
ASSETS							
Cash and cash balances	Amortised cost	Amortised cost	1 838 645	–	–	–	1 838 645
Negotiable securities	Amortised cost	Amortised cost	1 975 407	–	–	–	1 975 407
Loans and advances	Amortised cost	Amortised cost	7 618 423	(84 686)	–	(84 686)	7 533 737
Trading assets	FVTPL	FVTPL	179 417	–	–	–	179 417
Other receivables	Amortised cost	Amortised cost	360 904	–	–	–	360 904
Investment securities	FVTPL – designated	FVTPL – default	136 535	–	–	–	136 535
Property and equipment	Outside scope	Outside scope	51 119	–	–	–	51 119
Investment property	Outside scope	Outside scope	12 600	–	–	–	12 600
Taxation	Outside scope	Outside scope	14 203	–	–	–	14 203
Intangible assets and goodwill	Outside scope	Outside scope	178 400	–	–	–	178 400
Deferred tax asset	Outside scope	Outside scope	71	18 583	–	18 583	18 654
Total assets			12 365 724	(66 103)	–	(66 103)	12 299 621

1. ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

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

IFRS 9 adoption continued

Classification and measurement continued

Consolidated	IAS 39 Classification	IFRS 9 Classification	IAS 39 30 June 2018 R'000	IFRS 9 Transition adjustment on 1 July 2018 ECL R'000	Classification and measure-ments R'000	Total IFRS 9 Adjustment R'000	IFRS 9 1 July 2018 R'000
LIABILITIES							
Funding under repurchase agreements and interbank	Amortised cost	Amortised cost	1 923 244	–	–	–	1 923 244
Deposits from customers	Amortised cost	Amortised cost	4 605 575	–	–	–	4 605 575
Debt securities issued	Amortised cost	Amortised cost	3 115 432	–	–	–	3 115 432
Long-term loans	Amortised cost	Amortised cost	424 616	–	–	–	424 616
Trading liabilities	FVTPL	FVTPL	155 672	–	–	–	155 672
Other payables	Amortised cost	Amortised cost	661 680	–	–	–	661 680
Taxation	Outside scope	Outside scope	14 048	–	–	–	14 048
Deferred tax liability	Outside scope	Outside scope	130 284	–	–	–	130 284
Total liabilities			11 030 551	–	–	–	11 030 551
EQUITY							
Ordinary share capital	Outside scope	Outside scope	3 600	–	–	–	3 600
Ordinary share premium	Outside scope	Outside scope	459 876	–	–	–	459 876
Reserves	Outside scope	Outside scope	871 697	(66 103)	–	(66 103)	805 594
Total equity			1 335 173	(66 103)	–	(66 103)	1 269 070
Total liabilities and equity			12 365 724	(66 103)	–	(66 103)	12 299 621

In the Separate Annual Financial Statements of Sasfin Bank Limited, the same classification and measurement of financial assets and financial liabilities occurs as in the Consolidated Annual Financial Statements of the Banking Group.

Expected credit loss impairment model

The Banking Group has elected not to apply the simplified approach to its finance lease receivables.

The allowance account for credit losses is determined with reference to the following:

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

A significant increase in credit risk considers the impact of forward-looking economic information that is readily available and, where relevant, the ageing of the debt. Refer to note 1.12.A.

The change from an incurred loss model under IAS 39 to an ECL model under IFRS 9 resulted in an increase in the impairment loss allowance account (i.e. provision for credit losses) of R84.686 million (separate: R68.898 million), with a deferred tax impact of R18.583 million (separate: R19.301 million) on 1 July 2018. The ECL model also includes financial guarantees issued, which were previously recognised in accordance with IAS 37 *Provisions, Contingent Liabilities and Contingent Assets*. Management has applied assumptions, judgements and estimates in developing the ECL model, based on historical experience and other factors that are believed to be reasonable. Refer to note 2.1 for further information.

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

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

Expected credit loss impairment model continued

Impairment loss allowance for:

	Loans and advances under IAS 39 on 30 June 2018:						Loans and advances and financial guarantees under IFRS 9 on 1 July 2018:				
	Portfolio	Special mention	Sub-standard	Doubtful	Loss	Total	Stage 1	Stage 2	Stage 3	Total	IFRS 9 transition adjust-ment
Consolidated	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000	R'000
Equipment Finance	41 859	4 851	1 509	11 530	189 436	249 185	27 610	45 050	197 495	270 155	20 970
Capital Equipment Finance	1 102	955	–	–	169	2 226	14 239	74	8 533	22 846	20 620
Trade and Debtor Finance	8 178	2 607	–	–	14 261	25 046	21 792	9 167	28 829	59 788	34 742
Other secured loans	–	164	–	–	9 143	9 307	7 949	–	9 308	17 257	7 950
Financial guarantees	–	–	–	–	–	–	404	–	–	404	404
	51 139	8 577	1 509	11 530	213 009	285 764	78 994	54 291	244 165	370 450	84 686

Hedge accounting

Sasfin currently does not apply hedge accounting and hence the changes in IFRS 9 with regards to hedge accounting did not have any impact upon transition. The Banking Group previously hedged a net investment in a foreign operation, which was discontinued on 1 July 2016. As permitted by IFRS 9, the Banking Group has elected to continue to apply the hedge accounting requirements of IAS 39 with regards to this specific hedge, for which Sasfin still owns the underlying foreign subsidiary. Refer to note 1.12.3 for further information.

1.1.2 Accounting policy elections

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

Asset/liability	**Options**	**Election and implication**	**Accounting policy**
Property and equipment	Cost/revaluation model	*Banking Group* • Buildings are stated at cost less accumulated depreciation. • Computer equipment, furniture and fittings and vehicles are carried at cost less accumulated depreciation. • Depreciation rates applied: – Buildings: 9 years – Computer equipment: 2 to 5 years – Furniture and fittings: 6 to 10 years – Motor vehicles: 5 years – Buildings and leasehold improvements: 5 to 10 years	1.5
Investment properties	Cost/fair value model	*Banking Group* Investment properties are carried at fair value with changes in fair value recognised in profit or loss.	1.3

1. ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

1.1.2 *Accounting policy elections continued*

Asset/liability	Options	Election and implication	Accounting policy
Investments in subsidiaries and joint arrangements	Cost/financial instrument/ equity accounted	*Company* • Cost less accumulated impairments *Banking Group* • Subsidiaries are consolidated and joint arrangements are equity accounted	1.2
Investments in associate companies	Cost/financial instrument/ equity accounted	• Strategic investments *Company* • Cost less accumulated impairments *Banking Group* • Equity accounted • Private equity investments *Company and Banking Group* • Financial asset at fair value through profit or loss	1.2

1.2 Basis of consolidation

1.2.1 *Business combinations*

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

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

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

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

1.2.2 *Subsidiaries*

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

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

1.2.3 *Structured entities*

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

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

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

1. ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

1.2.3 Structured entities continued

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

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

The structured entities consolidated are:

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

1.2.4 Associates

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

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

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

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

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

Associate companies held by Private Equity and Property Equity business units

Investments in associates held by the Private Equity and Property Equity businesses of the Banking Group are classified as mandatory at fair value through profit or loss as these investments are managed on a fair value basis.

Changes in the fair value of these investments are recognised in non-interest income in the consolidated and separate statements of comprehensive income in the period in which they occur.

1.3 Investment property

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

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

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

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

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

1. ACCOUNTING POLICIES continued

1.4 Intangible assets

1.4.1 Goodwill

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

Subsequent to initial recognition, goodwill is tested annually for impairment and is reflected at cost less any accumulated impairment losses. Refer to note 2.5 for further information.

1.4.2 Internally developed software and distributor relationships

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

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

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

Internally developed software is amortised in profit or loss on the straight-line basis over the expected useful lives of the assets. Refer to note 2.5 for further information.

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

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

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

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

1.5 Property and equipment

1.5.1 Owned assets

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

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

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

1.5.2 Depreciation

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

Depreciation methods, residual values and useful lives are reviewed and adjusted annually where appropriate.

The estimated useful lives of property and equipment for the current and comparative years are two to 10 years.

1.5.3 Profit or loss on disposal

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

1.6 Currencies

1.6.1 Functional and presentation currency

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

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

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES continued

1.6 Currencies continued

1.6.1 Functional and presentation currency continued

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

1.6.2 Transactions and balances

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

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

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

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

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

1.7 Provisions

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

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

With the adoption of IFRS 9, financial guarantees issued are recognised in accordance with IFRS 9 and no longer as part of Provisions.

1.8 Leases

1.8.1 Group as the lessor

Rental, lease and instalment sale contracts are financing transactions, with rentals and instalments receivable, less unearned finance charges, being reflected as Loans and Advances in the consolidated and separate statements of financial position.

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

1.8.2 Group as the lessee

Operating leases

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

1.9 Share capital

1.9.1 Ordinary share capital

Ordinary shares are classified as equity.

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

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

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

1.9.2 Preference share capital as equity

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

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

1. ACCOUNTING POLICIES continued

1.9 Share capital continued

1.9.2 Preference share capital as equity continued

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

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

1.10 Cash and cash balances

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

- Cash and cash balances on hand
- Balances with the SARB

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

1.11 Impairment of non-financial assets

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

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

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

Calculation of recoverable amount

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

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

Impairment reversals

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

1.12 Financial instruments

Since the Banking Group has elected not to restate comparative information with the adoption of IFRS 9, the accounting policies applicable to both the current and comparative reporting periods have been included below for ease of reference.

A. Financial instruments – Policy under IFRS 9 (current and future periods)

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

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

Financial instruments are initially recognised at fair value.

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

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

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

***A. Financial instruments – Policy under IFRS 9 (current and future periods)** continued*

Classification and measurement of financial assets

Financial assets are classified and measured based on the Banking Group's business model for managing it and the contractual cash flow characteristics of the financial assets. IFRS 9 eliminated the previous IAS 39 categories of held-to-maturity, loans and receivables and available-for-sale financial assets.

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

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

Business model assessment

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

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

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

Reclassifications

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

Impairment

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

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

No impairment loss is recognised on equity investments.

The Banking Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition which are measured as 12-month ECL (see note 39).

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

1.12 Financial instruments continued

A. Financial instruments – Policy under IFRS 9 (current and future periods) *continued*

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

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

Measurement of ECL

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

- Financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Banking Group expects to receive)
- Financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Banking Group expects to recover. Refer to note 39.3 Credit Risk Policy.

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

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

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

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

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

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

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

A. Financial instruments – Policy under IFRS 9 (current and future periods) *continued*

Significant Increase in Credit Risk (SICR)

The Banking Group defines a SICR as follows:

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

Clients in High Care are those that have shown signs of financial pressure because of the industry in which they operate and/or, based on the available financial information, are experiencing financial difficulty.

Restructured financial assets (Trade and Debtor finance)

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

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

Default and curing (IFRS 9)

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

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

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

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

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

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

A. Financial instruments – Policy under IFRS 9 (current and future periods) *continued*

Write off

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

Recoveries of amounts previously written off are included in 'impairment losses on financial instruments' in the consolidated and separate statements of comprehensive income.

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

Presentation of allowance for ECL in the consolidated and separate statements of financial position

Loss allowances for ECL are presented in the consolidated and separate statements of financial position as follows:

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

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

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

Derecognition of financial assets and financial liabilities

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

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

The Banking Group enters into transactions whereby it transfers assets recognised on its consolidated and separate statements of financial position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Refer to notes 1.12.1, 1.2.3 and 33 for more details.

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

Amortised cost

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

Financial instruments at fair value through profit or loss

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

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

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

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

B. Financial instruments – Policy under IAS 39 (comparative information)

Financial instruments, as reflected on the consolidated and separate statements of financial position, include all financial assets, financial liabilities and derivative instruments, excluding investments in subsidiaries, associated companies and joint ventures (refer to accounting policy note 1.2).

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

Financial instruments are initially recognised at fair value.

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

Subsequent to initial measurement, financial instruments are either measured at fair value through profit or loss, or amortised cost.

Financial instruments at fair value through profit or loss

Financial instruments at fair value through profit or loss consist of instruments held-for-trading and those financial instruments that the Banking Group has elected to designate at fair value through profit or loss.

Financial instruments at fair value are classified as held for trading if they are acquired or incurred for the purpose of selling or repurchasing in the short-term. Financial assets and liabilities held for trading are measured at fair value. Gains or losses on held for trading financial assets and liabilities are recognised in profit or loss.

The Banking Group has designated financial assets and liabilities at fair value through profit or loss for:

- financial assets or liabilities that are managed, evaluated and reported internally on a fair value basis; or
- where it eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- financial assets or liabilities that contain an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

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

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

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable repayments that are not quoted in an active market.

Financial assets classified as loans and receivables are carried at amortised cost using the effective interest rate method, with interest income and impairment losses recognised in profit or loss.

Measurement

Amortised cost

Amortised cost financial assets and financial liabilities are measured at the amount determined on initial recognition, less principal repayments and cumulative amortisation using the effective interest rate method, and any difference between the initial amount and the maturity amount, less any cumulative impairment losses.

Borrowings

Borrowings are recognised initially at fair value, generally being their issued proceeds, net of directly attributable transaction costs incurred, and are subsequently measured at amortised cost with interest recognised over the period of the borrowing, using the effective interest rate method, in profit or loss.

1.12 Financial instruments continued

B. Financial instruments – Policy under IAS 39 (comparative information) *continued*

Measurement continued

Derecognition

Financial instruments are derecognised on the date when the Banking Group commits to selling a financial asset or redeeming a financial liability.

The Banking Group derecognises a financial asset when:

- the contractual rights to the cash flows arising from the financial asset have expired or have been forfeited; or
- it transfers the financial asset, including, substantially, all the risks and rewards of ownership of the asset; or
- it neither transfers nor retains, substantially, all the risks and rewards of ownership of the asset, and no longer retains control of the asset.

A financial liability is derecognised when the contractual obligations are discharged, cancelled, transferred or have expired.

The difference between the derecognised carrying amount of a financial asset or financial liability and the consideration paid or received, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

Offsetting financial instruments and related income (IAS 39 and IFRS 9)

Financial assets and liabilities are set-off and reported net in the consolidated and separate statements of financial position only when there is a legally enforceable right to do so and there is an intention and ability to settle or realise the asset or liability on a net basis or simultaneously.

Income and expenses are presented on a net basis only when permitted under IFRS, or for gains and losses arising from a group of similar transactions such as in the Banking Group's trading activity.

1.12.1 Repurchase agreements (IAS 39 and IFRS 9)

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

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

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

1.12.2 Reverse repurchase agreements (IAS 39 and IFRS 9)

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

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

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

1.12.3 Derivative financial instruments and hedge accounting (IAS 39 and IFRS 9)

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

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

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

1.12.3 Derivative financial instruments and hedge accounting (IAS 39 and IFRS 9) continued

Hedge accounting – net investment hedge

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

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

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

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

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

Derivatives that do not qualify for hedge accounting

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

1.12.4 Impairment of financial assets (IAS 39)

The Banking Group annually assesses financial assets not at FVTPL for impairment. Impairment occurs where there is objective evidence that a loss event has occurred after the initial recognition of the financial asset(s) and that the loss event has an impact on the future cash flows of the financial asset(s) that can be measured reliably.

Financial assets carried at amortised cost

Impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred, discounted at the financial asset's original effective interest rate. Impairment losses are recognised in profit or loss and reflected in an allowance account against loans and receivables.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through profit or loss.

Financial assets carried at cost

Financial assets carried at cost comprise unquoted equity instruments not carried at fair value, as fair value cannot be reliably measured, or derivative assets linked to or to be settled by delivery of an unquoted equity instrument.

Impairment is recognised on financial assets carried at cost where cost of the financial asset exceeds the present value of estimated future cash flows arising from the financial asset.

Impairment losses recognised on financial assets carried at cost are not reversed.

1. ACCOUNTING POLICIES continued

1.13 Revenue

1.13.1 Net interest income

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

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

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

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

From 1 July 2018, for financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis.

Before 1 July 2018, interest income on impaired financial assets was recognised as interest in suspense in the consolidated and separate statements of financial position, as part of the specific impairments on loans and advances.

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

1.13.2 Non-interest income

Non-interest income comprises fees and commissions, agency revenue, net brokerage commission, asset management fees, fair value gains and losses, dividend income, foreign exchange gains and losses, and other income.

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

Fee and commission income includes administration fees, advisory fees and forex service fees as well as fees for providing banking and financial services activities. Fee and commission income is recognised net of any trade discounts, volume rebates and amounts received on behalf of third parties such as Value Added Tax. Furthermore, when the Banking Group is acting as an agent amounts collected on behalf of the principal are not recognised as revenue. Performance fees can be variable and recognition is constrained until such time that it is highly probable that a significant reversal in the amount of revenue recognised will not occur and the services related to the transactions have been completed under the terms of the contract.

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

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

Dividend income is received from equity investments in entities which the Banking Group does not have significant influence or control. Dividend income is recognised when the Banking Group's right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Banking Group and the amount of the dividend can be measured reliably.

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

1. ACCOUNTING POLICIES continued

1.14 Employee benefits

1.14.1 Short-term benefits

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

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

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

1.14.2 Defined contribution plan

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

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

1.15 Taxation

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

1.15.1 Current tax

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

1.15.2 Deferred tax

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

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

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

Deferred tax resulting on items accounted for directly in the consolidated and separate statements of changes in equity or consolidated and separate statements of comprehensive income are recognised in the consolidated and separate statements of changes in equity and consolidated and separate statements of comprehensive income respectively.

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

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

1. ACCOUNTING POLICIES continued

1.16 Earnings per share (EPS)

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

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

1.17 Commitments and contingent liabilities

Commitments represent the Banking Group's commitment to future transactions.

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

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

1.18 Funds under administration, advisement and management

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

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

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

2. CRITICAL ESTIMATES AND JUDGEMENTS

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

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

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

2.1 Credit impairment of loans and advances (refer to note 9 and note 39)

A. Credit impairment – IFRS 9 (current and future periods)

The change from 'incurred loss' to an 'expected loss' model in accordance with IFRS 9, resulted in an extensive project to update and build new credit models to incorporate these changes. The final increase in the allowance for expected credit loss was R84.686 million, better than the initial estimate of R114.671 million. This downward revision was as a result of the recalibration of key input metrics, enhanced data quality and the inclusion of forward-looking information.

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

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

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

Refer accounting policy note 1.12 for more information on SICR.

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

Given the forward-looking nature of the ECL model, estimates are also made and included in the ECL model for the Banking Group's macro-economic outlook. One of the key macro-economic elements are changes to the prime interest rate. For each of the scenarios listed below, the average values of the factors over the next 12 months, and over the remaining forecast period are provided.

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

2. CRITICAL ESTIMATES AND JUDGEMENTS continued

2.1 Credit impairment of loans and advances (refer to note 9 and note 39) continued

Separate	Up case		Expected		Lite down		Severe down		Probability weighted	
	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %
Factors										
Change in prime interest rate	(0.75)	(0.75)	0.25	0.25	0.50	0.50	0.75	0.75	0.2725	0.2725
PD	1.60	23.48	1.68	27.13	1.83	28.05	2.26	28.96	1.79	27.21
		R'000		R'000		R'000		R'000		R'000
Impact on ECL		(2 257)		(1 019)		516		4 450		–

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

B. Credit impairment – IAS 39 (comparative information)

2.1.1 Performing loans and advances

The Banking Group assesses its performing loan portfolio for impairment on a monthly basis using the incurred loss approach. The recoverable amount of performing loans is calculated on a portfolio basis, based on historical loss ratios, industry and Banking Group-specific economic and other conditions.

Impairment is recognised as the difference between the discounted estimated future cash flows (the recoverable amount) on the performing loan portfolio and its carrying amount. The future cash flows used to calculate the recoverable amount excludes consideration of any anticipated future credit losses. The discount rate is the financial asset's original effective interest rate.

Generally, a period of time will elapse between the occurrence of an impairment event and evidence of the impairment becoming evident, the 'emergence period'. The Banking Group has provided for incurred but not reported (IBNR) losses which recognise potential losses on its portfolio of loans and advances that have not yet been evidenced. The IBNR provision is calculated with reference to modelling parameters which include the PD, the LGD and emergence period.

2.1.2 Non-performing loans and advances

Non-performing loans comprise loans where there is evidence of impairment as a result of one or more past events or impairment triggers that have occurred since initial recognition.

Loans and advances are individually impaired where the Banking Group has identified objective evidence of a default event, such as being due but unpaid for a period of 90 days or more or where loan covenants have been breached. Estimates of future cash flows on individually impaired loans and advances are based on historical loss experience for assets with similar credit risk characteristics after considering the estimated recoverability of security in the Banking Group's possession.

The methodology used in determining impairments on non-performing Equipment Finance and Capital Equipment Finance loans and advances involves modelling expected cash flows and recoverability of security. These inputs are reviewed on a regular basis with reference to historical experience.

2.2 Private Equity investment valuations (refer to note 10)

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

These valuations are subject to various assumptions and professional judgement including, but not limited to:
- estimates of local and global macro-economic performance, including factors such as expected interest and exchange rates;
- estimates of future operating cash flows of investees' businesses;
- estimates of long-term underlying operational performance of investees' businesses;
- expected capital expenditure and working capital needs of investees' businesses;
- assessment of long-term viability of investees' business models; and
- the inherent risks specific to the investees' businesses and the industries and countries in which these entities operate.

The valuations are reviewed and approved by the Group Investment Committee and are recommended to the Board for approval.

2. CRITICAL ESTIMATES AND JUDGEMENTS continued

2.3 Property Equity investment valuations (refer to note 10)

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

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

These valuations are subject to various assumptions and professional judgement including, but not limited to:
- selection of capitalisation rates appropriate for the property considering its location, condition, nature of tenant(s), lease term etc;
- estimated operating factors such as operating costs, expected occupancy and tenant turnover; and
- comparisons to market-related rental yields and/or sold prices property achieved for similar properties.

The valuations are reviewed and approved by the Group Investment Committee and recommend to the Board for approval.

2.4 Fair value (refer to note 37)

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

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

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

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

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

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

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

The Banking Group's valuation methodologies comprise:
- price:earnings multiple valuation methodology;
- recent transaction prices and comparison with similar instruments;
- net asset value;
- discounted cash flow or earnings; and
- Black-Scholes.

2. CRITICAL ESTIMATES AND JUDGEMENTS continued

2.4 Fair value (refer to note 37) continued

Assumptions and inputs used in the valuation methodologies comprise:

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

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

Fair value hierarchy

Valuation models

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

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

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

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

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

2.5 Intangible assets and goodwill (refer to note 14)

2.5.1 Intangible assets

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

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

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

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

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

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

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

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

2. CRITICAL ESTIMATES AND JUDGEMENTS continued

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

2.5.2 Goodwill

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

2.6 Current and deferred taxation (refer to notes 11 and 32)

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

Deferred tax assets are reviewed at each reporting date for recoverability. These assets are reduced to the extent that it is no longer probable that the deferred tax asset will be realised. The significant management assumptions in determining these probability assessments to determine the deferred tax assets recoverability are the relevant entity budgets and forecasts.

2.7 Assessment of significant influence and control of entities (refer to note 35.1)

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

2.8 Consolidated and separate statements of cash flows – allocation of funding between operating and financing activities

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

3. STANDARDS/INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

There are new or revised accounting standards and interpretations in issue that are not yet effective for the year ended 30 June 2019, and have not been applied in preparing these Consolidated and Separate Annual Financial Statements. The Banking Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following standards and interpretations that have been issued, with an indication of the estimated impact on the future financial statements of the Banking Group:

Pronouncement	Title and details	Effective date
Amendment to IFRS 9	*Prepayment Features with Negative Compensation – Amendments to IFRS 9* In terms of IFRS 9, debt instruments can be measured at amortised cost or at fair value through other comprehensive income, subject to the contractual cash flows being "solely payments of principle and interest" on the principal amount outstanding (SPPI) and the instrument is held in an appropriate business model for that classification. This amendment to IFRS 9 clarifies that a financial asset passes the SPPI criteria irrespective of the event or circumstances that resulted in the early termination of the contracts and regardless of which party pays or receives the reasonable compensation for the early termination of the contract. This amendment to IFRS 9 is not expected to have a significant impact on the recognition and measurement of financial assets recognised by the Banking Group in accordance with IFRS 9.	Annual periods beginning on or after 1 January 2019.
IFRS 17	*Insurance Contracts* IFRS 17 replaces the current standard on insurance contracts, IFRS 4. It creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. Amongst others, IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows, taking into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are further required to be measured based only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered, rather than on receipt of premiums. These amendments are not expected to have an impact on the Banking Group.	Annual periods beginning on or after 1 January 2021.

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

3. STANDARDS/INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Pronouncement	Title and details	Effective date
IFRS 16	*Leases* IFRS 16 replaces IAS 17 *Leases* and related interpretations. It sets out the principles for the recognition, measurement, presentation and disclosure of leases for both parties to a contract – the customer or lessee and the supplier or lessor. IFRS 16 includes a single model for lessees which will result in almost all leases being included in the consolidated and separate statements of financial position. No significant changes have been included for lessors. IFRS 16 also includes new disclosure requirements for both lessees and lessors. In those instances where the Banking Group is the lessor, no significant impact is expected. In those instances where the Group is the lessee, an increase in leased assets (i.e. right of use of the leased asset) of R73.020 million (separate: R70.656 million) and lease liabilities of R90.793 million (separate: R88.407 million) are expected, with a neutral impact on deferred tax, accompanied by additional disclosure. As allowed by IFRS 16, the Banking Group intends to adopt IFRS 16 without restating comparative numbers, i.e. the day one impact is recognised in opening retained earnings. Right-of-use assets will be risk weighted in line with the nature of the underlying assets.	Annual periods beginning on or after 1 January 2019.
IFRS 10 and IAS 28	*Sale or contribution of assets between an investor and its associate or joint venture* The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 *Business Combinations*. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of business is key to determining the extent of the gain to be recognised. These amendments are not expected to have an impact on the Banking Group.	Effective date is deferred by the IASB indefinitely. Adoption is still permitted.
IFRIC 23	*Uncertainty over Income Tax Treatments* This standard clarifies the accounting for income tax treatments that have yet to be accepted by tax authorities. Specifically, IFRIC 23 provides clarity on how to incorporate this uncertainty into the measurement of tax as reported in the Annual Financial Statements. IFRIC 23 does not introduce any new disclosures but reinforces the need to comply with existing disclosure requirements about: • judgements made; • assumptions and other estimates used; and • the potential impact of uncertainties that are not reflected. The Banking Group does not expect IFRIC 23 to have a significant impact on the measurement of tax in the Annual Financial Statements.	Annual periods beginning on or after 1 January 2019.

3. STANDARDS/INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Pronouncement	Title and details	Effective date
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement* This amendment addresses the accounting for defined benefit plans when a plan amendment, curtailment or settlement occurs during a reporting period. The amendment is not expected to have an impact on the Banking Group.	Annual periods beginning on or after 1 January 2019.
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures* This amendment clarifies that an entity should apply IFRS 9 to long-term interests in an associate or joint venture that form part of the net investment in the associate or joint venture, to which the equity method is not applied. It therefore implies that the expected credit loss model in IFRS 9 applies to such long-term interests. The amendment is not expected to have a significant impact on the Banking Group.	Annual periods beginning on or after 1 January 2019.

All standards and interpretations relevant to the Banking Group will be adopted at their effective date.

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

		Consolidated		Separate	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
4.	**CASH AND CASH BALANCES**				
	Funds on call[1]	1 184 687	1 225 410	949 753	1 437 634
	Notice deposits	21	471 826	–	–
	Balance with the SARB[2]	129 706	141 409	129 706	141 409
		1 314 414	1 838 645	1 079 459	1 579 043
	Less: Bank overdraft	(46 008)	–	–	–
		1 268 406	1 838 645	1 079 459	1 579 043

[1] *Funds on call of R9.2m has been ceded by SASP as security for the debt securities issued. Refer to note 19.*
[2] *The balance with the SARB is for minimum reserve requirements and not available for use in the Banking Group.*

		Consolidated		Separate	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
5.	**NEGOTIABLE SECURITIES**				
	Treasury bills	2 335 045	1 611 657	2 335 045	1 611 657
	Landbank bills	463 964	363 750	463 964	363 750
	Promissory notes	278 510	–	278 510	–
		3 077 519	1 975 407	3 077 519	1 975 407

Landbank bills, Treasury bills and promissory notes to the value of R2.285 billion (2018: R1.456 billion) have been pledged for the SARB refinancing auction.

		Financial assets		Financial liabilities	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
6.	**TRADING ASSETS AND LIABILITIES**				
	Consolidated				
	Derivatives	39 007	179 417	40 436	155 672
	Separate				
	Derivatives	38 997	174 183	35 171	171 561

		Consolidated		Separate	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
7.	**OTHER RECEIVABLES**				
	Insurance asset	**52 596**	50 535	**52 596**	50 535
	Value added taxation	**35 062**	39 362	**22 097**	23 696
	Prepaid expenses	**57 651**	43 973	**57 417**	43 179
	Dividend receivable	**4 032**	7 392	**4 032**	7 392
	Other receivables	**72 639**	63 577	**41 787**	57 023
	Receivables from group entities	**48 975**	156 065	**137 846**	155 076
		270 955	360 904	**315 775**	336 901
8.	**NON-CURRENT ASSET HELD FOR SALE**				
	Fair value at the beginning of the year	**–**	69 500	**–**	–
	Disposals	**–**	(56 900)	**–**	–
	Fair value adjustment	**–**	–	**–**	–
	Transfer to Investment property	**–**	(12 600)	**–**	–
	Fair value at the end of the year	**–**	–	**–**	–

Investment properties obtained through the acquisition of Benal Property Investments (Pty) Limited (included in the Capital business segment) was presented as Non-Current Assets held for sale in 2017. The majority of the properties were sold during 2018. The intention for the remaining properties is to sell but Sasfin is currently not actively marketing the properties and hence it was transferred to Investment property in the 2018 financial year.

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

	Total R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
9. LOANS AND ADVANCES				
Consolidated				
30 June 2019				
Gross investment in leases	7 724 081	3 360 239	4 350 102	13 740
Equipment finance	6 207 069	2 600 169	3 597 442	9 458
Capital Equipment Finance	1 517 012	760 070	752 660	4 282
Less: Unearned finance income	(1 240 417)	(372 505)	(865 751)	(2 161)
Equipment finance	(993 051)	(278 045)	(714 512)	(494)
Capital Equipment Finance	(247 366)	(94 460)	(151 239)	(1 667)
Net investment in leases[1]	6 483 664	2 987 734	3 484 351	11 578
Equipment finance	5 214 018	2 322 124	2 882 931	8 964
Capital Equipment Finance	1 269 646	665 610	601 420	2 615
Trade and Debtor Finance	1 207 514			
Other secured loans	197 679			
Loans and advances before impairments	7 888 857			
Credit loss allowance (Refer to note 39.3)	(401 742)			
Net loans and advances	7 487 115			
Separate				
30 June 2019				
Gross investment in leases	3 856 783	1 601 497	2 249 888	5 398
Equipment finance	2 551 023	957 737	1 592 170	1 115
Capital Equipment Finance	1 305 760	643 759	657 718	4 282
Less: Unearned finance income	(700 986)	(224 242)	(474 602)	(2 142)
Equipment finance	(482 982)	(142 617)	(339 890)	(475)
Capital Equipment Finance	(218 004)	(81 625)	(134 712)	(1 667)
Net investment in leases	3 155 797	1 377 255	1 775 287	3 255
Equipment finance	2 068 041	815 121	1 252 281	640
Capital Equipment Finance	1 087 756	562 134	523 006	2 615
Trade and Debtor Finance	782 454			
Other secured loans	197 665			
Loans and advances before impairments	4 135 915			
Credit loss allowance (Refer to note 39.3)	(210 858)			
Net Loans and Advances	3 925 057			

[1] *Loans and advances with a carrying amount of R2.995 billion (2018: R3.366 billion) have been ceded as security for the debt securities issued. Refer to note 19.*

9. LOANS AND ADVANCES continued

	Total R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
Consolidated				
30 June 2018				
Gross investment in leases	7 717 059	3 181 038	4 527 024	8 997
Equipment finance	6 406 526	2 587 869	3 817 226	1 431
Capital Equipment Finance	1 310 533	593 169	709 798	7 566
Less: Unearned finance income	(1 139 021)	(433 945)	(433 945)	(3 803)
Equipment finance	(924 636)	(359 442)	(564 442)	(752)
Capital Equipment Finance	(214 385)	(74 503)	(136 831)	(3 051)
Net investment in leases	6 578 038	2 747 093	3 825 751	5 194
Equipment finance	5 481 890	2 228 427	3 252 784	679
Capital Equipment Finance	1 096 148	518 666	572 967	4 515
Trade and Debtor Finance	1 141 275			
Other secured loans	183 558			
Loans and advances before impairments	7 902 871			
Impairments (refer to note 42.3)	(285 764)			
Impairments for non-performing loans and advances	(234 625)			
Impairments for performing loans and advances	(51 139)			
Net loans and advances	7 617 107			
Separate				
30 June 2018				
Gross investment in leases	3 598 379	1 532 115	2 057 267	8 997
Equipment finance	2 478 668	1 030 454	1 446 783	1 431
Capital Equipment Finance	1 119 711	501 661	610 484	7 566
Less: Unearned finance income	(657 353)	(221 310)	(432 240)	(3 803)
Equipment finance	(472 200)	(158 179)	(313 269)	(752)
Capital Equipment Finance	(185 153)	(63 131)	(118 971)	(3 051)
Net investment in leases	2 941 026	1 310 805	1 625 027	5 194
Equipment finance	2 006 468	872 275	1 133 514	679
Capital Equipment Finance	934 558	438 530	491 513	4 515
Trade and Debtor Finance	609 930			
Other secured loans	183 558			
Loans and advances before Impairments	3 734 514			
Impairments (refer to note 42.3)	(145 027)			
Impairments for non-performing loans and advances	(124 293)			
Impairments for performing loans and advances	(20 734)			
Net loans and advances	3 589 487			

		Consolidated 2019 R'000	Consolidated 2018 R'000	Separate 2019 R'000	Separate 2018 R'000
10.	**INVESTMENT SECURITIES**				
	Investments at fair value through profit or loss (IFRS 9)	154 363		154 142	
	Listed equity investments	221		–	
	Private and Property Equity investments	154 142		154 142	
	Designated at fair value through profit or loss (IAS 39)		136 535	–	136 226
	Listed equity investments		309	–	
	Private and Property Equity investments		136 226	–	136 226
		154 363	136 535	154 142	136 226
11.	**DEFERRED TAX ASSETS AND LIABILITIES**				
	Deferred tax asset	2 139	71		–
	Deferred tax liability	136 213	(130 284)	(45 623)	(43 617)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

Consolidated	2019 Assets R'000	2019 Liabilities R'000	2019 Net R'000	2018 Assets R'000	2018 Liabilities R'000	2018 Net R'000
Equipment Finance	–	(275 498)	(275 498)	–	(193 324)	(193 324)
Tax losses*	–	70 607	70 607	(2 389)	48 574	46 185
Fair value adjustments	–	(47 995)	(47 995)	–	(44 160)	(44 160)
Prepayments	(5)	(1 688)	(1 693)	(8)	(539)	(547)
Impairments	–	19 264	19 264	–	19 264	19 264
Provisions	2 066	101 442	103 508	2 408	44 618	47 026
Investment property	–	(694)	(694)	–	(1 524)	(1 524)
Intangible assets	–	(7 415)	(7 415)	–	(8 750)	(8 750)
Other temporary differences	78	5 764	5 842	60	5 557	5 617
Net tax assets/(liabilities)	2 139	(136 213)	(134 074)	71	(130 284)	(130 213)

Separate	2019 Assets R'000	2019 Liabilities R'000	2019 Net R'000	2018 Assets R'000	2018 Liabilities R'000	2018 Net R'000
Equipment Finance	–	(157 464)	(157 464)	–	(108 837)	(108 837)
Tax losses*	–	70 607	70 607	–	48 572	48 572
Fair value adjustments	–	(47 980)	(47 980)	–	(44 126)	(44 126)
Prepayments	–	(1 688)	(1 688)	–	(539)	(539)
Impairments	–	19 264	19 264	–	19 264	19 264
Provisions	–	65 677	65 677	–	36 496	36 496
Investment property	–	–	–	–	–	–
Intangible assets	–	–	–	–	–	–
Other temporary differences	–	5 961	5 961	–	5 555	5 555
Net tax assets/(liabilities)	–	(45 623)	(45 623)	–	(43 615)	(43 615)

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

11. DEFERRED TAX ASSETS AND LIABILITIES continued

Movements in temporary differences during the year

Consolidated	Balance at 1 July R'000	IFRS 9 transition – day 1 R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
2019				
Equipment finance	(193 324)	–	(82 174)	(275 498)
Tax losses	46 185	–	24 422	70 607
Fair value adjustments	(44 160)	–	(3 835)	(47 995)
Prepayments	(547)	–	(1 146)	(1 693)
Impairments	19 264	–	–	19 264
Provisions	47 026	18 583	37 899	103 508
Investment property	(1 524)	–	830	(694)
Intangible assets	(8 750)	–	1 335	(7 415)
Other temporary differences	5 617	–	225	5 842
	(130 213)	18 583	(22 444)	(134 074)
Separate				
2019				
Equipment finance	(108 837)	–	(44 673)	(153 510)
Tax losses	48 572	–	17 885	66 457
Fair value adjustments	(44 126)	–	(2 757)	(46 883)
Prepayments	(539)	–	(1 150)	(1 689)
Impairments	19 264	–	–	19 264
Provisions	36 496	19 301	10 074	65 871
Other temporary differences	5 555	–	(688)	4 867
	(43 615)	19 301	(21 309)	(45 623)

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

11. DEFERRED TAX ASSETS AND LIABILITIES continued

Consolidated	Balance at 1 July R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
2018			
Equipment finance	(152 874)	(40 450)	(193 324)
Tax losses	21 119	25 066	46 185
Fair value adjustments	(30 664)	(13 496)	(44 160)
Prepayments	(1 300)	753	(547)
Impairments	17 024	2 240	19 264
Provisions	35 066	11 960	47 026
Investment property	(10 084)	8 560	(1 524)
Intangible assets	(8 340)	(410)	(8 750)
Other temporary differences	6 839	(1 222)	5 617
	(123 214)	(6 999)	(130 213)
Separate			
2018			
Equipment finance	(81 500)	(27 337)	(108 837)
Tax losses	23 421	25 151	48 572
Fair value adjustments	(30 636)	(13 490)	(44 126)
Prepayments	(1 300)	761	(539)
Impairments	17 024	2 240	19 264
Provisions	27 430	9 064	36 494
Other temporary differences	7 039	(1 484)	5 555
	(38 522)	(5 095)	(43 617)

12. PROPERTY AND EQUIPMENT

Consolidated	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Total R'000
2019					
Cost at the beginning of the year	153 582	19 776	2 795	22 441	198 594
Additions	16 161	2 186	237	5 323	23 907
Reclassifications to computer software	(34 307)	–	–	–	(34 307)
Cost at the end of the year	135 436	21 962	3 032	27 764	188 194
Accumulated depreciation and impairment losses at the beginning of the year	119 186	19 589	2 239	5 971	146 994
Depreciation charge for the year	23 170	(343)	429	4 981	28 237
Reclassifications to computer software	(32 840)	–	–	–	(32 840)
Accumulated depreciation and impairment at the end of the year	109 516	19 246	2 668	10 952	142 391
Carrying amount at the beginning of the year	34 396	178	555	16 470	51 600
Carrying amount at the end of the year	25 857	2 710	364	16 812	45 740

Consolidated	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Total R'000
2018					
Cost at the beginning of the year	143 357	21 433	2 780	23 465	191 035
Acquisition of business[1]	481	–	–	–	481
Additions	16 415	730	15	98	17 258
Disposals	(1 078)	(149)	–	(1 122)	(2 349)
Reclassifications to computer software	(1 464)	–	–	–	(1 464)
Impairments	(4 129)	(2 238)	–	–	(6 367)
Cost at the end of the year	153 582	19 776	2 795	22 441	198 594
Accumulated depreciation and impairment losses at the beginning of the year	104 013	20 304	1 913	1 487	127 717
Depreciation charge for the year	19 872	1 098	326	4 484	25 780
Disposals	(266)	–	–	–	(266)
Reclassifications to computer software	(519)			–	(519)
Impairments	(3 914)	(1 804)	–	–	(5 718)
Accumulated depreciation and impairment at the end of the year	119 186	19 598	2 239	5 971	146 994
Carrying amount at the beginning of the year	39 344	1 129	867	21 978	63 318
Carrying amount at the end of the year	34 396	178	556	16 470	51 600

[1] *Refer to note 43.*

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

12. PROPERTY AND EQUIPMENT continued

Separate	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Total R'000
2019					
Cost at the beginning of the year	153 558	19 704	2 780	22 344	198 386
Additions	14 842	1 272	–	5 177	21 291
Reclassifications to computer software	(34 169)	–	(202)	–	(34 370)
Cost at the end of the year	134 231	20 976	2 578	27 521	185 307
Accumulated depreciation and impairment losses at the beginning of the year	119 167	19 585	2 223	5 956	146 931
Depreciation charge for the year	19 379	1 182	202	4 814	25 577
Reclassifications to computer software	(30 166)	(2 462)	(212)	–	(32 840)
Accumulated depreciation and impairment at the end of the year	108 380	18 305	2 213	10 770	139 668
Carrying amount at the beginning of the year	34 391	229	557	16 388	51 455
Carrying amount at the end of the year	25 851	2 671	365	16 751	45 639

Separate	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Total R'000
2018					
Cost at the beginning of the year	139 228	19 189	2 780	23 465	184 662
Acquisition of business (Refer to note 43)	481	–	–	–	481
Additions	16 391	664	–	–	17 055
Disposals	(1 078)	(149)	–	(1 121)	(2 348)
Reclassifications to computer software	(1 464)	–	–	–	(1 464)
Impairments	–	–	–	–	–
Cost at the end of the year	153 558	19 704	2 780	22 344	198 386
Accumulated depreciation and impairment losses at the beginning of the year	100 093	18 500	1 912	1 487	121 992
Depreciation charge for the year	19 860	1 085	311	4 469	25 725
Disposals	(266)	–	–	–	(266)
Reclassifications to computer software	(520)	–	–	–	(520)
Accumulated depreciation and impairment at the end of the year	119 167	19 585	2 223	5 956	146 931
Carrying amount at the beginning of the year	39 135	689	868	21 978	62 670
Carrying amount at the end of the year	34 391	119	557	16 388	51 455

	Consolidated 2019 R'000	Consolidated 2018 R'000
13. INVESTMENT PROPERTY		
Fair value at the beginning of the year	12 600	–
Transfer from non-current assets held for sale	–	12 600
Fair value adjustment during the year	(3 700)	–
Fair value at the end of the year	8 900	12 600

The fair value of the investment property has been determined by an independent valuator with the necessary experience and knowledge of the area in which the investment property is located, as at 30 June 2019, with reference to the International Valuations Standards and the Royal Institution of Chartered Surveyors (RICS) Valuation – Professional Standards.

	Distributor Relationships R'000	Software[1] R'000	Goodwill[3] R'000	Total R'000
14. INTANGIBLE ASSETS AND GOODWILL				
Consolidated				
2019				
Carrying amount at the beginning of the year	19 605	128 277	31 353	179 235
Re-classification from Computer Equipment	–	1 530	–	1 530
Additions[2]	–	61 094	–	61 094
Amortisation	(4 768)	(15 236)	–	(20 004)
Impairment	–	(6 055)	–	(6 055)
Carrying amount at the end of the year	14 837	169 610	31 353	215 800
2018				
Carrying amount at the beginning of the year	24 373	72 467	30 904	127 744
Re-classification from Computer Equipment	–	945	–	945
Additions[2]	–	74 940	–	74 940
Amortisation and impairment	(4 768)	(20 075)	(386)	(25 229)
Acquisition of business[4]	–	–	835	835
Carrying amount at the end of the year	19 605	128 277	31 353	179 235

[1] *Software consists of capitalised development costs, being an internally generated intangible asset, as well as ready-to-use purchased software.*
[2] *93% (2018: 41%) of the software additions relate to the capitalisation of internally developed software.*
[3] *The Banking Group assesses the recoverable amount of the CGU to which the goodwill relates, taking into account the current and estimated future profitability of the CGU, to determine whether it is at least equal to the carrying amount of the related goodwill. Should the carrying amount exceed the recoverable amount, an impairment is recognised. The CGU is in most cases the subsidiary to which the goodwill relate. The goodwill relates to the Rental Equipment CGU.*
[4] *Refer to note 43.*

14. INTANGIBLE ASSETS AND GOODWILL continued

	Software[1] R'000	Goodwill[3] R'000	Total R'000
Separate			
2019			
Carrying amount at the beginning of the year	114 510	835	115 345
Re-classification from Computer Equipment	1 530	–	1 530
Additions[2]	58 294	–	58 294
Amortisation	(12 438)	–	(12 438)
Impairment	(6 055)	–	(6 055)
Carrying amount at the end of the year	155 841	835	156 676
2018			
Carrying amount at the beginning of the year	58 700	–	58 700
Re-classification from Computer Equipment	945	–	945
Additions[2]	80 575	–	80 575
Amortisation	(20 075)	–	(20 075)
Disposals at carrying amount	(5 635)	–	(5 635)
Acquisition of business	–	835	835
Carrying amount at the end of the year	114 510	835	115 345

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

[2] *97% (2018: 41%) of the software additions relate to the capitalisation of internally developed software.*

[3] *The Banking Group assesses the recoverable amount of the CGU to which the goodwill relates, taking into account the current and estimated future profitability of the CGU, to determine whether it is at least equal to the carrying amount of the related goodwill. Should the carrying amount exceed the recoverable amount, an impairment is recognised. The CGU is in most cases the subsidiary to which the goodwill relate.*

Value-in-use was applied to determine the recoverable amount of goodwill. It was assumed that the profits of the CGU will grow very conservatively at 1% per annum for the next five years, with a profit based terminal value at the end of year five. These estimated profits were deemed to equal the cash flows over this period and have been discounted using the Banking Group's weighted average cost of capital of 16% (2018: 17%).

15. FUNDING UNDER REPURCHASE AGREEMENTS AND INTERBANK

	Consolidated		Separate	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Short-term interbank loans	74 580	298 522	392	103 664
Funding under repurchase agreement	2 197 030	1 624 722	2 197 030	1 416 008
	2 271 610	1 923 244	2 197 422	1 519 672

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

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

	Consolidated		Separate	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
16. TRADE AND OTHER PAYABLES				
Value Added Taxation	9 271	6 900	–	–
Audit fees and other services	9 041	7 869	6 532	5 881
Accounts payable	418 541	192 596	261 347	174 334
Payables to group entities	9 930	5 339	65 436	5 339
Other payables	18 653	84 113	–	42 482
Accruals	169 116	184 139	105 069	121 178
Borrowings from related parties to the Banking Group*	108 648	156 988	–	–
Income received in advance	110	–	–	–
	743 310	637 944	438 384	349 214

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

	Consolidated		Separate	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
17. PROVISIONS				
Expected credit loss for off-balance sheet exposure[1]	–	–	–	–
Leave pay provision	14 509	11 075	11 252	11 075
Bonus provision	23 680	12 611	17 339	11 886
	38 189	23 686	28 591	22 961

[1] *In terms of the requirements of IFRS 9, a credit loss allowance (i.e. provision) has been raised on financial guarantee contracts issued as well as loan commitments. As allowed by IFRS 9, the Banking Group has elected not to restate comparatives. Therefore there is no comparative information available for this specific item. Refer to note 39 for more details.*

	Consolidated		Separate	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
18. DEPOSITS FROM CUSTOMERS				
Call deposits	2 176 535	2 137 463	2 298 870	2 369 345
Notice deposits	930 012	658 635	1 004 480	727 905
Fixed deposits	1 868 188	1 809 477	2 087 119	2 058 327
Negotiable certificates of deposits	171 501	–	171 502	–
	5 146 236	4 605 575	5 561 971	5 155 577

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

	Consolidated 2019 R'000	Consolidated 2018 R'000	Separate 2019 R'000	Separate 2018 R'000
19. DEBT SECURITIES ISSUED				
Category analysis				
Rated*	2 753 521	3 115 432	–	–

Floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts in the name of SASP (refer to notes 9 and 4). All notes are placed with South African investors. The debt securities in issuance are rated by Global Credit Ratings Co. Refer to note 29.

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

		Consolidated 2019 R'000	Consolidated 2018 R'000	Separate 2019 R'000	Separate 2018 R'000
20. LONG-TERM LOANS					
Represented by:	**Repayment date:**				
European DFI loan facility	February 2014 – November 2018	–	36 096		36 096
European DFI loan facility	August 2018 – May 2021	232 720	349 080	232 720	349 080
IFC		7 495	39 440	7 495	39 440
– Cleantech funding	September 2014 – September 2019	–	16 954	7 495	16 954
– Subordinated loan	September 2014 – March 2020	7 495	22 486	–	22 486
Other		5 500	–	–	–
Total		245 715	424 616	240 215	424 616

Long-term loans are interest bearing and the interest rates are individually negotiated. The long-term loans are guaranteed by Sasfin Holdings Limited.

	Consolidated		Separate	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
21. ORDINARY SHARE CAPITAL				
Authorised				
710 000 000 (2018: 710 000 000) ordinary shares of 1 cent each	7 100	7 100	7 100	7 100
Issued				
360 000 000 (2018: 360 000 000) fully paid up ordinary shares	3 600	3 600	3 600	3 600
22. ORDINARY SHARE PREMIUM				
Balance at the beginning of the year	459 876	459 876	459 876	459 876
Balance at the end of the year	459 876	459 876	459 876	459 876
23. COMMITMENTS AND CONTINGENT LIABILITIES				
Letters of credit	73 685	48 406	71 956	48 406
Guarantees	43 880	55 363	41 927	53 406
Carry facilities	11 952	26 112	11 952	26 112
Capital expenditure	2 721	5 225	2 721	5 225
Non-cancellable operating lease rentals for premises	100 953	119 077	100 560	118 684
– One year	32 391	30 756	31 998	30 363
– One to five years	68 562	88 321	68 562	88 321
	233 191	254 183	229 116	251 833

Funds to meet these commitments will be provided from internal Banking Group resources or external funding arrangements as deemed necessary.

Guarantees have been issued by the Banking Group on behalf of customers.

Operating leases

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

Taxation

The South African Revenue Authority, in the ordinary course of its business, commenced a tax audit on the Bank in August 2017. The process has yet to be concluded and the outcome is therefore not yet known. Having regard that there are elements of uncertainty and resultant judgement included in the determination of the taxes, should the final outcome differ to that initially calculated, a provision will be recognised if it becomes probable that further taxes will be raised. The appropriate carrying amount of any resulting provisions will be informed by the manner in which they are expected to be resolved.

23. COMMITMENTS AND CONTINGENT LIABILITIES continued

Legal proceedings

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

The third matter relates to a claim of approximately R10 million for a refund of moneys which Sasfin collected pursuant to an extent judgement which was subsequently rescinded and referred to trial. Sasfin regards the money as having been owed and is also resisting this claim vigorously.

In addition, the Banking Group is exposed to certain actual and potential claims in the ordinary course of its business, none of which are individually material.

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

24. INTEREST INCOME

	Consolidated 2019 R'000	Consolidated 2018 R'000	Separate 2019 R'000	Separate 2018 R'000
Effective interest rate	1 276 425	1 186 768	813 179	641 555
Deposits with banks	87 064	130 253	90 368	92 427
Negotiable securities	155 934	127 282	155 934	127 282
Equipment finance	741 966	657 086	286 354	205 345
Capital Equipment finance	165 654	143 889	128 165	125 457
Trade and Debtor finance	91 762	115 064	68 938	82 529
Other secured loans	23 386		23 386	
Loans to entities in the Group	10 659	13 194	60 034	8 515
Other interest	(7 063)	25 299	575	69 260
Trading assets and other	(7 063)	25 299	575	69 260
	1 269 362	1 212 067	813 754	710 815
Total interest income (IFRS 9)	1 269 362		813 754	
Interest income on items measured at amortised cost	1 276 425		813 179	
– Performing financial assets	1 259 191		816 592	
– Credit impaired financial assets	17 234		(3 413)	
Interest income on items measured at fair value through profit or loss (IFRS9)	(7 063)		575	

	Consolidated		Separate	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
25. INTEREST EXPENSE				
Effective interest	762 378	731 918	533 323	328 486
Interbank funding	138 110	98 490	134 423	87 727
Call deposits	119 378	134 419	127 888	134 419
Notice deposits	81 047	65 639	86 246	65 639
Fixed deposits	132 602	289 033	147 973	151 771
Debt securities	246 087	120 986	–	–
Long-term borrowings	41 081	19 809	33 346	19 809
Current accounts	(2 583)	–	–	–
Negotiable certificates of deposits	–	–	–	–
Other deposits and loan accounts	67	–	67	–
Loans from entities in the group	6 589	3 542	3 380	3 540
Other interest	926	3 932	5 650	3 932
Trading liabilities and other	926	3 932	5 650	3 932
	763 304	735 850	538 973	466 837
26. NET FEE AND COMMISSION INCOME				
Fee and commission income	191 447	146 739	295 656	287 124
Confirming fees	48 468	62 495	22 789	31 535
Commission income	18 955	20 150	30 074	33 793
Administration fees	70 022	88 671	81 777	85 156
Revenue share income	–	–	119 602	84 658
Other fee and commission income	54 002	76 052	41 414	51 982
Fee and commission expense	(85 455)	(58 544)	(16 026)	(35 536)
Commission expenses	(37 475)	(56 608)	(16 500)	(35 918)
Administration and management fees	(47 980)	(1 936)	474	382
Net fee and commission income	105 992	88 195	279 630	251 588

		Consolidated		Separate	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
27.	**GAINS AND LOSSES ON FINANCIAL INSTRUMENTS**				
	Dividend income	11 901	13 743	71 404	64 736
	Fair value adjustments on financial instruments held at fair value through profit or loss (IFRS 9 and IAS 39)	20 954	(6 951)	24 331	(7 174)
	Fair value adjustments on financial instruments designated at fair value (IAS 39)		12 873		12 873
	Fair value adjustments on derivative instruments at fair value through profit or loss (IAS 39)		10 294		–
	Net gains on the derecognition of financial assets measured at amortised cost (IFRS 9)	7 389		7 389	
	Foreign exchange gains or losses	44 602	30 822	43 008	47 916
	Total (closing balance for gains and losses of financial instruments)	84 846	60 781	146 132	118 351
28.	**OTHER INCOME**				
	Income received on Evergreens	93 496	116 282	(9 045)	–
	Settlement profits[1]	42 488	39 769	17 354	–
	Profit/(loss) on disposal of property and equipment	5	(58)	5	(58)
	Sundry income	14 435	–	12 174	–
		150 424	155 993	20 488	(58)
	[1] *Includes gains or losses on the derecognition of Loans and Advances.*				
29.	**STAFF COSTS**				
	Salaries and wages	259 607	234 301	199 035	181 697
	Executive Directors', Alternate Directors' and Prescribed Officers' remuneration (refer to note 35.3)	33 239	23 067	33 239	22 853
	Non-Executive Directors' remuneration (refer to note 35.3)	4 259	3 531	4 259	3 531
	Contributions to defined contribution plans and other	23 993	22 865	19 983	22 866
		321 098	283 764	256 516	230 947
30.	**OTHER OPERATING EXPENSES**				
	The following items are included in operating expenses				
	Fees paid to auditors – Current year	15 857	8 673	13 940	7 067
	Audit– Current year	7 364	8 249	5 447	6 643
	– Under provision prior year	4 163	–	4 163	–
	Regulatory	3 800	–	3 800	–
	Other	530	424	530	424
	Consulting fees	15 374	8 417	14 135	7 182
	Sundry expenses	6 177		–	
	Depreciation	28 237	25 780	25 578	25 725
	Amortisation of intangible assets	20 004	15 793	15 236	11 025
	Operating lease charges	41 338	33 970	34 769	31 671
	Advertising	6 735		6 753	

	Consolidated 2019 R'000	Consolidated 2018 R'000	Separate 2019 R'000	Separate 2018 R'000
31. IMPAIRMENTS OF NON-FINANCIAL ASSETS				
Internally developed software	6 055	9 050	6 055	9 050
Other intangible assets	–	386	–	–
	6 055	9 436	6 055	9 050
32. INCOME TAX EXPENSE				
Current tax expense	25 231	36 683	–	–
Current year	23 728	39 511	–	–
Under/(over)provision in prior years	1 503	(2 828)	–	–
Deferred tax expense	22 444	10 906	21 309	5 095
Current year	22 444	(2 979)	20 546	(5 692)
Overprovision in prior years	–	13 885	763	10 787
	47 675	47 589	21 309	5 095
Reconciliation of taxation rate	%	%	%	%
South African normal tax rate	28.00	28.00	28.00	28.00
Adjusted for:	(1.96)	10.92	(12.73)	(14.15)
Exempt income	(5.71)	(3.15)	(14.32)	(49.3)
Non-deductible expenses*	1.15	2.2	1.59	7.16
Capital gains	–	(0.08)		
Effect of tax rates in foreign entity**	2.46	3.2		
Underprovision in prior years***	0.33	9.04	0.55	29.34
Fair value adjustments	(0.06)		(0.23)	
Other	(0.14)	(0.29)	(0.32)	(1.35)
Effective rate	26.04	38.92	15.27	13.85
Losses, balance of allowances and credits for which a deferred tax asset has been raised:				
Estimated tax losses available to offset future taxable income	190 193	144 500	237 345	173 476

* *Non-deductible expenditure comprises of legal fees incurred on the acquisition of ATFS and other capital investments, as well as a all donations being non-deductible due to the Bank being in an assessed tax loss position.*

** *Sasfin Asia Limited, a foreign subsidiary of Sasfin Bank, suffered a loss in the current year. Despite being in a loss position, the 10% withholding tax is still payable on the gross interest received.*

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

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		Consolidated 2019 R'000	Consolidated 2018 R'000	Separate 2019 R'000	Separate 2018 R'000
33.	**SECURITISATION**				
	In the ordinary course of business, the Banking Group transfers financial assets to structured entities. The information below sets out the extent of such transfers and the Banking Group's retained interest in transferred assets.				
	Carrying and fair value of transferred assets	2 978 262	4 358 759	–	–
	Carrying and fair value of associated liabilities	(2 753 521)	(3 115 432)	–	–
	Net carrying amount and fair value	224 741	1 243 327	–	–

The Banking Group has sold rental agreements to SASP but has retained residual ownership of SASP and continues to recognise these assets within loans and advances. The Banking Group refinanced a further R200 million (2018: R389 million) worth of rental agreements during the year and placed a further Rnil (2018: R600 million) of notes during the year. Refer to note 18.

		Consolidated 2019 R'000	Consolidated 2018 R'000	Separate 2019 R'000	Separate 2018 R'000
34.	**NOTES TO THE STATEMENT OF CASH FLOWS**				
34.1	**Cash receipts from customers**				
	Interest income	1 269 362	1 212 067	813 754	710 815
	Other income	256 411	232 815	316 139	258 922
		1 525 773	1 444 882	1 129 893	969 737
34.2	**Cash paid to customers, suppliers and employees**				
	Interest expense	763 304	735 850	538 973	466 837
	Total operating expenses	529 671	473 913	533 521	442 060
		1 292 975	1 209 763	1 072 494	908 897

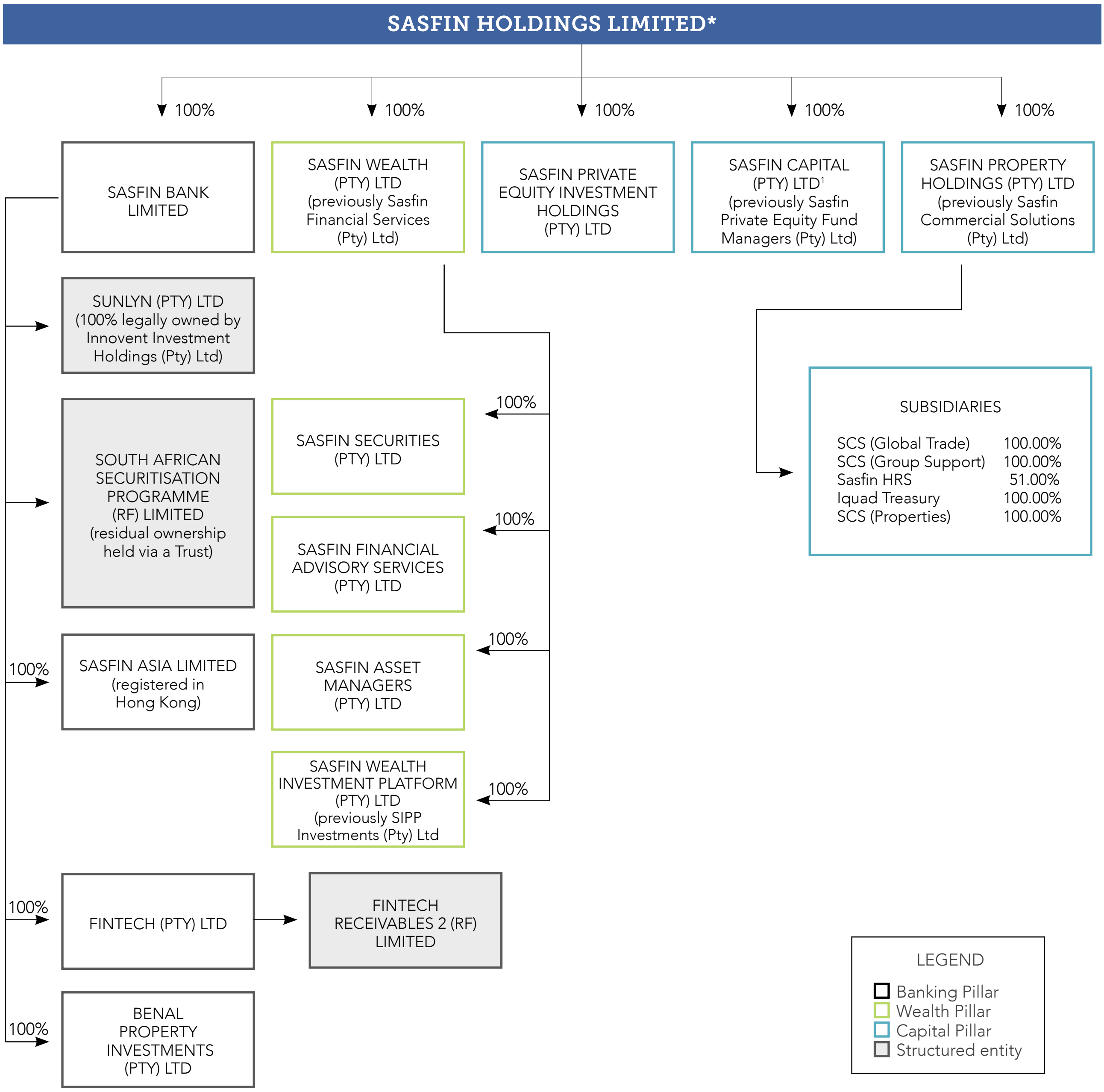
	Consolidated		Separate	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
34. NOTES TO THE STATEMENT OF CASH FLOWS continued				
34.3 Cash inflow from operating activities				
Reconciliation of operating profit to cash flows from operating activities				
Profit before income tax	183 062	122 284	139 570	36 770
Profit/(loss) on disposal of property and equipment	(5)	(58)	(5)	(58)
Dividends received	(11 901)	(6 351)	(71 404)	(57 344)
Impairment charges on loans and advances	80 291	134 366	19 820	89 287
Foreign exchange gains or losses	(44 602)	(18 707)	–	–
Gains on disposal of financial instruments held at fair value through profit or loss	–	–	(43 008)	–
Gains on disposal of financial instruments held at amortised cost	(7 389)	–	(7 389)	–
Fair value adjustments on financial instruments	(24 645)	(47 038)	(24 331)	(53 615)
Fair value adjustments on investment property	3 700	–	–	–
Profit on disposal of investment property	–	–	–	–
Impairment of non-financial assets	6 055	9 050	–	–
Depreciation	28 237	25 780	44 146	45 800
Amortisation of intangible assets	20 004	15 793	–	–
Operating profit to cash flows from operating activities	232 798	235 119	57 399	60 840
34.4 Taxation paid				
Unpaid at the beginning of the year	(155)	(29 327)	(1 721)	(13 235)
Charge to the income statement	25 231	36 683	–	–
Unpaid at the end of the year	20 130	155	–	1 721
	(45 206)	7 511	(1 721)	(11 514)
34.5 Dividends paid				
Charge to distributable reserves	64 000	32 000	64 000	32 000
	64 000	32 000	64 000	32 000

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

35. RELATED-PARTY TRANSACTIONS

35.1 Subsidiaries and controlled structured entities



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

* *Significant shareholders of Sasfin Holdings Limited*

– *Unitas Enterprises Limited (2019: 42.36%; 2018: 41.04%), a wholly owned company of The Erwin Discretionary Settlement Trust, of which Roland Sassoon and Michael Sassoon are beneficiaries.*

– *Wipfin Investments (Pty) Ltd (2019 and 2018: 25.1%), a wholly owned subsidiary of Women Investment Portfolio Holdings Limited (WIPHOLD).*

35. RELATED-PARTY TRANSACTIONS continued

35.2 Transactions with related parties

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

	2019 R'000	2018 R'000
Deposits	964	2 076
Short-term borrowings included in other payables	–	156 988
Funds under management	1 149	1 314
Funds under administration	701 382	830 726
Management fees paid to WIPHOLD	5 626	3 627
Consultancy fees paid to Roland Sassoon[1]	1 000	–
	710 121	994 731

[1] *Roland Sassoon has been a consultant to Sasfin Holdings since 1 January 2019.*

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

35. RELATED-PARTY TRANSACTIONS continued

35.3 Key management personnel and related remuneration

	Services as directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2019 R	Incentive bonus[5] Payable in Sept 2019 R
Directors' and Prescribed Officers' remuneration						
2019						
Executive directors						
Roland Sassoon[a]	–	1 805 706	192 466	643 333	2 641 505	–
Angela Pillay	–	2 342 997	473 356	–	2 816 353	900 000
Michael Sassoon	–	3 577 649	422 657	643 333	4 643 638	1 200 000
Alternate executive directors						
Linda Fröhlich	–	2 677 412	369 378	490 980	3 537 770	800 000
Maston Lane	–	2 653 021	503 146	504 370	3 660 538	800 000
Independent non-executive directors						
Roy Andersen	996 200	–	–	–	996 200	–
Richard Buchholz	631 638	–	–	–	631 638	–
Linda de Beer	539 000	–	–	–	539 000	–
Grant Dunnington	866 913	–	–	–	866 913	–
Gugu Mtetwa	451 100	–	–	–	451 100	–
Shahied Rylands	773 950	–	–	–	773 950	–
Mark Thompson[b]	–	–	–	–	–	–
Prescribed officers						
Michael Blackbeard	–	1 678 234	372 217	–	2 050 451	260 000
Howard Brown	–	2 197 651	252 381	378 667	2 828 699	450 000
David Edwards	–	1 088 377	168 663	100 000	1 357 040	110 000
Francois Otto	–	2 149 557	261 890	842 000	3 253 447	600 000
Andrew (Josh) Souchon	–	2 308 197	292 156	417 600	3 017 953	450 000
Stewart Tomlinson	–	1 663 255	420 014	111 111	2 194 380	440 000
Erol Zeki	–	2 396 383	535 168	500 000	3 431 551	800 000
	4 258 801	26 538 439	4 263 492	4 631 394	39 692 126	6 810 000

[a] *Retired on 31 December 2018.*
[b] *Appointed on 21 June 2019.*
[1] *The remuneration of the Executive Directors is paid by subsidiaries of the Company.*
[2] *Other benefits comprise: provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.*
[3] *Relate to the Banking Group's and individual's performance in the 2019 financial year.*

35. RELATED-PARTY TRANSACTIONS continued

35.3 Key management personnel and related remuneration continued

Directors' and Prescribed Officers' remuneration

	Services as directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2018 R	Incentive bonus[5] Payable in Sept 2018 R
2018						
Executive directors						
Roland Sassoon	–	3 641 930	637 704	750 000	5 029 634	643 333
Angela Pillay	–	760 463	2 306 204	–	3 066 667	–
Michael Sassoon	–	2 931 437	633 613	700 000	4 265 050	643 333
Alternate directors						
Linda Fröhlich	–	2 317 160	618 035	550 000	3 485 195	490 980
Maston Lane	–	2 359 974	669 458	550 000	3 579 432	504 370
Independent non-executive directors						
Roy Andersen	981 042	–	–	–	981 042	–
Linda de Beer	541 205	–	–	–	541 205	–
Grant Dunnington	712 050	–	–	–	712 050	–
John Moses	49 783	–	–	–	49 783	–
Gugu Mtetwa	345 900	–	–	–	345 900	–
Shahied Rylands	652 000	–	–	–	652 000	–
Richard Buchholz	248 825	–	–	–	248 825	–
Prescribed officers						
Howard Brown	–	1 999 009	365 748	550 000	2 914 757	378 667
Andrew (Josh) Souchon	–	2 177 490	344 521	300 000	2 822 011	417 600
David Edwards	–	1 507 419	424 670	541 000	2 473 089	100 000
Francois Otto	–	336 665	52 020	323 880	712 565	842 000
Erol Zeki	–	1 879 327	350 846	–	2 230 173	500 000
Glen Christopulo	–	2 192 380	473 600	500 000	3 165 980	–
Lushen Pather	–	757 739	441 029	1 100 000	2 298 768	–
	3 530 805	22 860 993	7 317 448	5 864 880	39 574 126	4 520 283

1 *The remuneration of the Executive Directors is paid by subsidiaries of the Company.*
2 *Other benefits comprise: provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.*
3 *Relate to the Banking Group's and individual's performance in the 2019 financial year.*
4 *Relate to the Banking Group's and individual's performance in the 2018 financial year.*
5 *Relate to the Banking Group's and individual's performance in the 2019 financial year.*

		Consolidated		Separate	
		2019 R'000	2018 R'000	2019 R'000	2018 R'000
35.	**RELATED-PARTY TRANSACTIONS** continued				
35.4	**Associates accounted for at Fair Value through Profit or Loss**				
	Innovent Investment Holdings (Pty) Limited				
	Other operating expenses	850	773	850	773
35.5	**Loans to/(from) entities in the Group**				
	Loans to/(from) holding company				
	Sasfin Holdings Limited	–	582	–	582
		–	582	–	582
	Loans to/(from) subsidiaries				
	South African Securitisation Programme (RF)	–	–	328 478	446 859
	Benal Property Investments (Pty) Limited	–	–	(7 809)	(14 195)
	Fintech (Pty) Limited	–	–	13 076	3 836
	Sunlyn (Pty) Limited	–	–	36 947	–
		–	–	370 692	436 500
	Loans to/(from) fellow subsidiaries				
	Sasfin Asset Managers (Pty) Limited	–	(547)	–	(547)
	Sasfin Wealth (Pty) Limited	(724)	(616)	(724)	(616)
	Sasfin Financial Advisory Services (Pty) Limited	–	(16)	–	(16)
	Sasfin Private Equity Investment Holdings (Pty) Limited	114 872	109 942	114 872	109 942
	Sasfin Property Solutions (Pty) Limited	–	(672)	–	(672)
	Sasfin Capital (Pty) Limited	55 855	39 580	55 855	39 580
	Sasfin Securities (Pty) Limited	(264)	1 246	(264)	1 246
	Iquad Treasury	(192)	–	–	–
		169 547	148 917	169 739	148 917
	Total loans to entities in the Group	169 547	150 272	540 431	586 772

	Consolidated 2019 R'000	Consolidated 2018 R'000	Separate 2019 R'000	Separate 2018 R'000
35. RELATED-PARTY TRANSACTIONS continued				
35.6 Transactions with holding companies, subsidiaries and fellow subsidiaries				
Holding company				
Interest received			–	–
Admin fees paid			–	–
Other expenses recovered	506	506	–	506
Subsidiaries				
Sasfin Asia Limited				
Fee and commission income	–	–	(21 596)	(25 492)
South African Securitisation Programme (RF) Limited				
Interest received	–	–	(43 372)	(34 170)
Fee and commission income	–	–	(117 115)	(135 797)
Fellow Subsidiaries				
Sasfin Securities (Pty) Limited				
Other operating expenses	(51 587)	(6 112)	(51 587)	(6 112)
Other operating expenses paid	–	1 796	–	1 796
Sasfin Financial Advisory Services (Pty) Limited				
Interest paid	373	–	373	–
Sasfin Wealth (Pty) Limited				
Interest paid	1 710	–	1 710	–
Sasfin Asset Managers (Pty) Limited				
Interest paid	445	–	445	–
Other operating expenses	–	476	–	476
Sasfin Capital (Pty) Limited				
Other operating expenses	10 080	(8 680)	10 080	(8 680)
Other expenses paid	(12 934)	–	(12 934)	–
Sasfin Commercial Solutions (Global Trade) (Pty) Limited				
Fee and commission income	(3)	–	(3)	–
Other operating expenses	6 026	(1 841)	6 026	(1 841)
Other expenses paid	141	647	141	647
Sasfin Commercial Solutions (Properties) (Pty) Limited				
Other operating expenses	–	119	–	119
Sasfin HRS				
Other expenses paid	681	–	681	–
Sasfin Private Equity Investments Holdings (Pty) Limited				
Fee and commission income				
Interest paid	–	1 532	–	1 532
Interest received	(9 165)	(72 972)	(9 165)	(72 972)

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

36. CLASSIFICATION OF ASSETS AND LIABILITIES

Accounting classification and fair values

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

	Fair value through profit or loss				
Consolidated	Default R'000	Held for trading R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
Assets					
2019					
Cash and cash balances	–	–	1 314 414	–	1 314 414
Trading assets	39 007	–	–	–	39 007
Negotiable securities	–	–	3 077 519	–	3 077 519
Other receivables	–	–	270 955	–	270 955
Loans and advances	–	–	7 487 115	–	7 487 115
Current taxation asset	–	–	–	20 130	20 130
Investment securities	154 363	–	–	–	154 363
Deferred tax asset	–	–	–	2 139	2 139
Loans to entities in the Group	–	–	130 490	–	130 490
Property and equipment	–	–	–	45 740	45 740
Investment property	–	–	–	8 900	8 900
Intangible assets and goodwill	–	–	–	215 800	215 800
Total assets	193 370	–	12 280 493	292 709	12 766 572

	Fair value through profit or loss				
	Default R'000	Held for trading R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
Liabilities					
2019					
Funding under repurchase agreements and interbank	–	–	2 271 610	–	2 271 610
Trading liabilities	40 436	–	–	–	40 436
Trade and other payables	–	–	743 310	–	743 310
Provisions	–	–	–	38 189	38 189
Bank overdraft	–	–	46 008	–	46 008
Deposits from customers	–	–	5 146 236	–	5 146 236
Debt securities issued	–	–	2 753 521	–	2 753 521
Long-term loans	–	–	245 715	–	245 715
Deferred tax liability	–	–	–	136 213	136 213
Total liabilities	40 436	–	11 206 400	174 402	11 421 238

36. CLASSIFICATION OF ASSETS AND LIABILITIES continued

Accounting classification and fair values continued

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

Separate	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					
2019					
Cash and cash balances	–	–	1 079 459	–	1 079 459
Trading assets	–	38 997	–	–	38 997
Negotiable securities	–	–	3 077 519	–	3 077 519
Other receivables	–	–	292 677	23 098	315 775
Loans and advances	–	–	3 925 057	–	3 925 057
Investment securities	154 142	–	–	–	154 142
Loans to entities in the Group	–	–	476 038	–	476 038
Property and equipment	–	–	–	45 639	45 639
Intangible assets and goodwill	–	–	–	156 676	156 676
Investments in subsidiaries and structured entities	–	–	–	255 859	255 859
Total assets	154 142	38 997	8 850 750	481 272	9 525 161

	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
Liabilities					
2019					
Funding under repurchase agreements and interbank	–	–	2 197 422	–	2 197 422
Trading liabilities	–	35 171	–	–	35 171
Trade and other payables	–	–	438 384	–	438 384
Provisions	–	–	–	28 591	28 591
Deposits from customers	–	–	5 561 971	–	5 561 971
Long-term loans	–	–	240 215	–	240 215
Loans from entities in the Group	–	–	8 210	–	8 210
Deferred tax liability	–	–	–	45 623	45 623
Total liabilities	–	35 171	8 446 202	74 214	8 555 587

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

36. CLASSIFICATION OF ASSETS AND LIABILITIES continued

Accounting classification and fair values continued

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

Consolidated	Designated at fair value R'000	Held for trading R'000	Loans and receivables R'000	Outside scope of IAS 39 R'000	Total R'000
Assets[1]					
2018					
Cash and cash balances	–	–	1 838 645	–	1 838 645
Trading assets	–	179 417	–	–	179 417
Negotiable securities	–		1 975 407	–	1 975 407
Other receivables	–	–	316 931	43 973	360 904
Loans and advances	–	–	7 617 107	–	7 617 107
Current taxation asset	–	–	–	14 203	14 203
Investment securities	136 226	309	–	–	136 535
Deferred tax asset	–	–	–	71	71
Property and equipment	–	–	–	51 600	51 600
Investment property	–	–	–	12 600	12 600
Intangible assets and goodwill	–	–	–	179 235	179 235
Total assets	136 226	179 726	11 748 090	301 682	12 365 724

	Held for trading R'000	Amortised cost R'000	Outside scope of IAS 39 R'000	Total R'000
Liabilities[1]				
2018				
Funding under repurchase agreements and interbank	–	1 923 244	–	1 923 244
Deposits from customers	–	4 605 575	–	4 605 575
Debt securities issued	–	3 115 432	–	3 115 432
Long-term loans	–	424 616	–	424 616
Trading liabilities	155 672	–	–	155 672
Provisions	–	–	–	–
Trade and other payables	–	637 994	23 686	661 680
Current taxation liability	–	–	14 048	14 048
Deferred tax liability	–	–	130 284	130 284
Total liabilities	155 672	10 706 861	168 018	11 030 551

[1] *As allowed by the transitional requirements of IFRS 9, the comparative numbers have not been restated. Refer to note 1.1.1 for more information on the IFRS 9 transition.*

36. CLASSIFICATION OF ASSETS AND LIABILITIES continued

Accounting classification and fair values continued

Separate	Designated at fair value R'000	Held for trading R'000	Loans and receivables R'000	Outside scope of IAS 39 R'000	Total R'000
Assets[1]					
2018					
Cash and cash balances	–	–	1 579 043	–	1 579 043
Trading assets	–	174 183	–	–	174 183
Negotiable securities	–	–	1 975 407	–	1 975 407
Other receivables	–	–	293 722	43 179	336 901
Loans and advances	–	–	3 589 487	–	3 589 487
Current taxation asset	–	–	–	1 721	1 721
Investment securities	136 226	–	–	–	136 226
Property and equipment	–	–	–	51 455	51 455
Intangible assets and goodwill	–	–	–	115 345	115 345
Loans and investments in subsidiaries and special purpose entities	–	–	692 358	–	692 358
Total assets	136 226	174 183	8 130 017	211 700	8 652 126

	Held for trading R'000	Amortised cost R'000	Outside scope of IAS 39 R'000	Total R'000
Liabilities[1]				
2018				
Funding under repurchase agreements and interbank	–	1 519 672	–	1 519 672
Deposits from customers	–	5 155 577	–	5 155 577
Long-term loans	–	424 616	–	424 616
Trading liabilities	171 561	–	–	171 561
Provisions	–	–	22 961	22 961
Trade and other payables	–	349 214	–	349 214
Deferred tax liability	–	–	43 617	43 617
Total liabilities	171 561	7 449 079	66 578	7 687 218

[1] *As allowed by the transitional requirements of IFRS 9, the comparative numbers have not been restated. Refer to note 1.1.1 for more information on the IFRS 9 transition.*

37. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE

37.1 Financial assets and financial liabilities measured at fair value

	2019			2018		
Consolidated	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Recurring fair value measurements						
Financial assets	221	39 007	154 142	309	179 417	136 226
Investment securities	221	–	154 142	309	–	136 226
Trading assets	–	39 007	–	–	179 417	–
Financial liabilities	–	40 436	–	–	155 672	–
Trading liabilities	–	40 436	–	–	155 672	–
Non-financial assets	–	–	8 900			
Investment property	–	–	8 900	–	–	12 600
Separate						
Recurring fair value measurements						
Financial assets	–	38 997	154 142	–	174 183	136 226
Investment securities	–	–	154 142	–	–	136 226
Trading assets	–	38 997	–	–	174 183	–
Financial liabilities	–	35 171	–	–	171 561	–
Trading liabilities	–	35 171	–	–	171 561	–

37. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

37.2 Movement in level 3 instruments

	2019		2018	
	Investment securities R'000	Investment property R'000	Investment securities R'000	Investment property R'000
Consolidated				
Balance at the beginning of the year	136 226	12 600	133 353	–
Total gains or losses in profit or loss	18 137	3 700	12 873	–
Acquisition of investments	–	–	(100 000)	–
Transfer from investment property	–	–		12 600
Balance at the end of the year	154 363	8 900	136 226	12 600
Separate				
Balance at the beginning of the year	136 226	–	133 353	–
Total gains or losses in profit and loss	17 916	–	12 873	–
Acquisition of investments	–	–	(10 000)	–
Balance at the end of the year	154 142	–	136 226	–

37.3 Gains and losses from fair value measurements

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

	Consolidated		Separate	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Investment securities	17 916	12 873	17 916	12 873

37. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

37.4 Sensitivity analysis of valuations using unobservable inputs

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

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

Significant unobservable parameter	Positive/(negative) variance applied to parameters	
Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity
Marketability and minority discounts	100/(100) bps	Private equity
Revenue growth	100/(100) bps	Private equity
Capitalisation rate	50/(50) bps	Property equity

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

This is demonstrated by the following sensitivity analysis which includes reasonable range of possible outcomes:

Financial instrument	Parameter	2019 Potential effect recorded in profit or loss favourable/ (unfavourable) R'm	2018 Potential effect recorded in profit or loss favourable/ (unfavourable) R'm
Consolidated			
Investment securities	WACC	(11.20)/13.54	(8.39)/10.55
Investment securities	Marketability and minority discounts	(2.84)/2.97	(3.19)/3.19
Investment securities	Revenue growth	(4.10)/4.04	(7.08)/7.30
Investment securities	Capitalisation rate	4.10/(4.04)	7.08/(7.30)
Separate			
Investment securities	WACC	(11.20)/13.54	(8.39)/10.55
Investment securities	Marketability and minority discounts	(2.84)/2.97	(3.19)/3.19
Investment securities	Revenue growth	(4.10)/4.04	(7.08)/7.30
Investment securities	Capitalisation rate	4.10/(4.04)	7.08/(7.30)

37. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

37.5 Market risk sensitivity on investment securities

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

	2019			2018		
	10% reduction in fair value R'000	Fair value R'000	10% increase in fair value R'000	10% reduction in fair value R'000	Fair value R'000	10% increase in fair value R'000
Consolidated						
Listed						
Equity securities at fair value	199	221	243	278	309	340
Impact on gains and losses recognised in profit or loss for the year	20	22	24	27	30	33
Unlisted						
Equity securities at fair value	138 728	154 142	169 556	122 603	136 226	149 849
Impact on gains and losses recognised in profit or loss for the year	16 124	17 916	19 708	11 586	12 873	14 160
Separate						
Unlisted						
Equity securities at fair value	138 728	154 142	169 556	122 603	136 226	149 849
Impact on gains and losses recognised in profit or loss for the year	16 124	17 916	19 708	11 586	12 873	14 160

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

37. ASSETS AND LIABILITIES MEASURED AT FAIR VALUE continued

37.6 Financial assets and financial liabilities not measured at fair value

	2019			2018		
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Consolidated						
Financial assets	–	4 391 933	7 758 070		3 814 052	7 821 946
Cash and cash balances	–	1 314 414	–	–	1 838 645	–
Negotiable securities	–	3 077 519	–		1 975 407	
Other receivables	–	–	270 955	–	–	204 839
Loans and advances	–	–	7 487 115	–	–	7 617 107
Financial liabilities	2 753 521	7 417 846	989 025	3 115 432	6 528 819	1 062 560
Funding under repurchase agreements and interbank	–	2 271 610	–	–	1 923 244	–
Trade and other payables	–	–	743 310	–	–	637 944
Deposits from customers	–	5 146 236	–	–	4 605 575	
Debt securities issued	2 753 521	–	–	3 115 432	–	–
Long-term loans[1]	–	–	245 715	–	–	424 616
Separate						
Financial assets	–	4 156 978	4 240 832	–	3 554 450	3 926 388
Cash and cash balances	–	1 079 459	–	–	1 579 043	–
Negotiable securities	–	3 077 519	–	–	1 975 407	–
Other receivables	–	–	315 775	–	–	336 901
Loans and advances	–	–	3 925 057	–	–	3 589 487
Financial liabilities	–	7 759 393	678 599	–	–	7 449 079
Funding under repurchase agreements and interbank	–	2 197 422	–	–	–	1 519 672
Trade and other payables	–	–	438 384	–	–	349 214
Deposits from customers	–	5 561 971	–	–	–	5 155 577
Long-term loans	–	–	240 215	–	–	424 616

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

[1] *The carrying amount of Loans and Advances has been moved from Level 2 to Level 3 in the fair value hierarchy, since not all of the Level 2 inputs are observable in the market, e.g. credit spreads.*

38. FINANCIAL RISK MANAGEMENT

Risk management is fundamental to the Banking Group's business activities, enabling management to operate effectively in a changing and highly regulated environment. The Banking Group remains committed to the objectives of increasing shareholder value by developing and growing the Banking Group within its Board-approved risk appetite and by seeking an appropriate balance between risk and reward.

38.1 Risk management framework

Governance

The responsibility for risk management resides at all levels, from the Board through to all employees of the Banking Group. The Board has overall responsibility for the establishment and oversight of the Banking Group's risk management framework. The ALCO and GRCMC, both of which are committees of the Board, are responsible for monitoring Banking Group risk management policies in their specified areas of responsibility. The GRCMC, ALCO, CLEC (previously CIC), and IT Committee have both Executive and Non-Executive Directors as members, as well as members of executive management as invitees. The GACC and REMCO have only Non-Executive Directors as members, with Executive Directors and members of senior management as invitees. The chair of each Board committee reports quarterly or as required to the Board on the activities of their respective committees.

The Banking Group's risk management policies are established to identify and analyse the risks faced by the Banking Group, to set appropriate risk limits and controls as well as to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions as well as products and services offered. The Banking Group, through its training and management of standards and procedures, has developed a disciplined and constructive control environment, in which all employees understand their roles and obligations.

The Banking Group uses the following lines of defence:

- Business unit management is primarily responsible for risk management. Its assessment, evaluation and measurement of risk is integrated with the day-to-day activities of the business. This process includes the implementation of the Banking Group risk management policies, identification of key areas of risk, and implementation of corrective action where required. Business unit management is also responsible for appropriate reporting to the governance bodies within the Banking Group.
- The Banking Group Risk and Group Compliance divisions are independent of line management. These Group functions are primarily responsible for setting the Banking Group's risk and compliance management framework and policy, and providing oversight and independent reporting to executive management, ALCO, GRCMC and the Board.
- The GIA function provides an independent assessment of the adequacy and effectiveness of the overall risk management framework and reports directly to the GACC. The GACC is responsible for monitoring compliance with the Banking Group's risk and compliance management policies and procedures, and for reviewing the adequacy of the risk management framework in relation to the risks faced by the Banking Group. The GACC is assisted in these functions by GIA, which undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the GACC.

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38. FINANCIAL RISK MANAGEMENT continued

38.2 Risk types, definitions, governance standards, policies and procedures

The Banking Group has developed a set of policies, procedures and standards for each major risk type to ensure alignment and consistency in a manner in which the major risk types across the Banking Group are identified, measured, managed and reported on. All policies and procedures are approved by GRCMC and applied consistently across the Banking Group.

The risk governance principles in respect of market and liquidity risk have remained relatively unchanged from the prior year. The implementation of IFRS 9 lead to the refinement of certain of the risk governance principles related to credit risk. Refer to note 37 for more information.

39. CREDIT RISK

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

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

Management of credit risk

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, and compliance with regulatory and statutory requirements
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits, as approved and reviewed regularly by the Board, are allocated to business unit credit officers. Larger facilities may require approval by Group Credit, Head: Group Credit, CLEC, CIC or the Board
- Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned
- Limiting concentrations of exposure to counterparties, geographies and industries for loans and advances, deposits with banks and investment securities (refer to note 39.1)
- Developing and maintaining the Banking Group's risk indicators in order to categorise exposures according to the degree of risk of financial loss faced, and to focus management on the attendant risks. The risk system is used in determining where impairment provisions (i.e. provisions for credit losses) may be required against specific credit exposures. The current risk framework consists of four grades reflecting varying degrees of risk of default, availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee. Risk grades are subject to regular reviews by Group Risk
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit on the credit quality of local portfolios and appropriate corrective action is taken
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Banking Group in the management of credit risk

39. CREDIT RISK continued

Management of credit risk continued

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

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

Securitisation

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

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

Deposits with other banks and money market funds

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

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

Financial assets held for trade facilitation and reverse repurchase agreements

The Banking Group, through its subsidiary Sasfin (Pty) Limited (SasSec), holds exchange-traded bonds for the purposes of trading with other market participants.

Impaired loans and securities (IAS 39)

These are loans and securities for which it is probable that the Banking Group will be unable to collect all principal and interest due in accordance with the contractual terms of the loan/securities agreement(s). These loans are graded in the Banking Group's internal credit risk grading system.

Past due but not impaired loans (IAS 39)

These are loans and securities where contractual interest or principal payments are past due, but the Banking Group believes that impairment is not appropriate on the basis of the level of security/collateral available, and/or the stage of collection of amounts owed to the Banking Group.

Credit impairment (IFRS 9)

The Banking Group determines an allowance for credit losses that represents its estimate of expected credit losses on its loan portfolio. Refer accounting policy note 1.12 and note 2.1 for more information.

Credit impairment (IAS 39)

The Banking Group establishes an allowance for impairment losses that represents its estimate of incurred losses in its loan portfolio. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a portfolio loan loss allowance established for groups of homogeneous assets in respect of losses that have been incurred but have not been identified on loans subject to individual assessment for impairment.

Write-off policy (IFRS 9 and IAS 39)

Loans and security balances (and any related allowances for impairment losses) are written off when it is determined that these loans and securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's or issuer's financial position resulting in the borrower/issuer no longer being in a position to pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

39. CREDIT RISK continued

Management of credit risk continued

Credit risk measurement and determination

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

2019 SARB risk bucket/ Credit risk grade	Categorisation of counterparty (IFRS 9)	2018 SARB risk bucket/ Credit risk grade	Categorisation of counterparty (IAS 39)
A	Stage 1 and Stage 2	A	• Performing loans and advances
			• Non-performing loans and advances
B	Stage 2	B	– Special mention
C	Stage 3	C	– Sub-standard
D	Stage 3	D	– Doubtful
E	Stage 3	E	– Loss

Collateral for loans and advances

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

Concentration risk

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

39. CREDIT RISK continued

39.1 Credit risk exposure analysis

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Banking Group's maximum exposure to credit risk on these assets, by credit quality. Given the implementation of IFRS 9, without restating the 2018 numbers, the information below is not comparable in all respects. Refer to note 1.1.1 for the impact of the IFRS 9 transition.

Credit risk grading		A	A	B	Default (C, D, E)	
ECL staging		Stage 1	Stage 2	Stage 2	Stage 3	Securities and expected recoveries on default exposures
Consolidated	Total R'000	12-month ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	Lifetime ECL R'000	R'000
2019						
Maximum credit exposures of financial assets at amortised cost						
Cash and cash balances[1]	1 314 414					
Negotiable securities[1]	3 077 519					
Other receivables[2]	270 955					
Loans and advances	7 888 857	6 520 340	535 159	107 254	726 104	228 586
Equipment finance	5 214 018	4 582 895	182 000	94 663	354 460	–
Capital Equipment finance	1 269 646	1 083 472	48 552	12 591	125 031	–
Trade and Debtor finance	1 207 514	712 519	276 447	–	218 548	228 586
Other secured loans	197 679	141 454	28 160	–	28 065	–
Gross carrying amount	12 551 745	6 520 340	535 159	107 254	726 104	228 586
Less: Credit loss allowance	(401 742)	(57 164)	(6 310)	(16 588)	(321 681)	–
Net carrying amount	12 150 003	6 463 176	528 849	90 666	404 423	228 586
2019						
Off-balance sheet exposure to credit risk						
Letters of credit	73 816					
Carry facilities	11 952					
Financial guarantees issued	43 326					
Total exposure to off-balance sheet credit risk	129 094					
Credit loss allowance on off-balance sheet credit risk recognised	449					
2019						
Maximum credit exposures on financial assets at FVTPL						
Trading assets	39 007					
	39 007					
Total exposure to credit risk	12 318 553					

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

[2] *Given the short-term nature, no ECL allowance has been recognised.*

Notes to the consolidated and separate financial statements continued

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39. CREDIT RISK continued

39.1 Credit risk exposure analysis continued

Banking Group maximum consolidated statement of financial position exposure to credit risk by credit quality

Consolidated	Performing loans and advances R'000	Past due but not impaired R'000	Impaired R'000	Gross maximum exposure R'000	Security against impaired R'000	Net impaired exposure R'000
2018						
Cash and cash balances	1 697 236	–	–	1 697 236	–	–
Negotiable securities	1 975 407	–	–	1 975 407	–	–
Loans and advances	7 252 680	64 828	585 363	7 902 871	350 738	234 625
– Equipment Finance	5 050 776	30 101	401 013	5 481 890	193 687	207 326
– Capital Equipment Finance	1 080 736	632	14 780	1 096 148	13 656	1 124
– Trade and Debtor finance	978 749	34 095	128 431	1 141 275	111 563	16 868
– Other secured loans	142 419	–	41 139	183 558	31 832	9 307
Other receivables	204 839	–	–	204 839	–	–
– Other receivables	204 839	–	–	204 839	–	–
Trading assets	179 417	–	–	179 417	–	–
Investment securities	136 535	–	–	136 535	–	–
	11 446 114	64 828	585 363	12 096 305	350 738	234 625
Add: financial instruments not exposed to credit risk				141 409		
Less: Credit impairments for loans and advances				(285 764)		
– Impairments for non-performing loans and advances				(234 625)		
– Impairments for performing loans and advances				(51 139)		
				11 951 950		
Represented by the following statement of financial position items:						
Cash and cash balances				1 838 645		
Negotiable securities				1 975 407		
Loans and advances				7 617 107		
Investment securities				136 535		
Trading assets				179 417		
Other receivables				204 839		
				11 951 950		

39. CREDIT RISK continued

39.1 Credit risk exposure analysis continued

The following table contains an analysis of the credit risk exposure of financial instruments for which an ECL allowance is recognised. The gross carrying amount of financial assets below also represents the Banking Group's maximum exposure to credit risk on these assets, by credit quality. Given the implementation of IFRS 9, without restating the 2018 numbers, the information below is not comparable in all respects. Refer to note 1.1.1 for the impact of the IFRS 9 transition.

Separate	Credit risk grading / ECL staging	Total R'000	A Stage 1 12-month ECL R'000	A Stage 2 Lifetime ECL R'000	B Stage 2 Lifetime ECL R'000	Default (C, D, E) Stage 3 Lifetime ECL R'000	Securities and expected recoveries on default exposures R'000
2019							
Maximum credit exposures of financial assets at amortised cost							
Cash and cash balances[1]		1 079 459					
Negotiable securities[1]		3 077 519					
Other receivables[2]		315 775					
Loans and advances		4 135 916	3 157 654	413 042	49 322	515 898	212 279
Equipment finance		2 068 041	1 768 120	93 301	37 209	169 411	–
Capital Equipment finance		1 087 756	920 803	38 659	12 113	116 181	–
Trade and Debtor finance		782 454	327 291	252 922	–	202 241	212 279
Other secured loans		197 665	141 440	28 160	–	28 065	–
Gross carrying amount		8 608 669	3 157 654	413 042	49 322	515 898	212 279
Less: Credit loss allowance		(210 858)	(26 550)	(4 113)	(11 340)	(168 855)	–
Net carrying amount		8 397 811	3 131 104	408 929	37 982	347 043	212 279
2019							
Off-balance sheet exposure to credit risk							
Letters of credit		70 476					
Carry facilities		11 952					
Financial guarantees issued		41 373					
Total exposure to off-balance sheet credit risk		123 801					
Credit loss allowance on off-balance sheet credit risk recognised		449					
2019							
Maximum credit exposures on financial assets at FVTPL							
Trading assets		38 997					
		38 997					
Total exposure to credit risk		8 561 058					

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

[2] *Given the short-term nature, no ECL allowance has been recognised.*

Notes to the consolidated and separate financial statements continued

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39. CREDIT RISK continued

39.1 Credit risk exposure analysis continued

Banking Group maximum separate statement of financial position exposure to credit risk by credit quality

Separate	Performing loans and advances R'000	Past due but not impaired R'000	Impaired R'000	Gross maximum exposure R'000	Security against impaired R'000	Net impaired exposure R'000
2018						
Cash and cash balances	1 437 634	–	–	1 437 634	–	–
Negotiable securities	1 975 407	–	–	1 975 407	–	–
Loans and advances	3 272 598	52 973	408 943	3 734 514	284 650	124 293
– Equipment Finance	1 735 005	25 332	246 131	2 006 468	146 172	99 959
– Capital Equipment Finance	920 061	632	13 865	934 558	13 366	499
– Trade and Debtor finance	475 113	27 009	107 808	609 930	93 280	14 528
– Other secured loans	142 419	–	41 139	183 558	31 832	9 307
Other receivables	181 825	–	–	181 825	–	–
– Other receivables	181 825	–	–	181 825	–	–
Trading assets	174 183	–	–	174 183	–	–
Investment securities	136 226	–	–	136 226	–	–
	7 177 873	52 973	408 943	7 639 789	284 650	124 293
Add: financial instruments not exposed to credit risk				141 409		
Less: Credit impairments for loans and advances				(145 027)		
– Impairments for non-performing loans and advances				(124 293)		
– Impairments for performing loans and advances				(20 734)		
				7 639 789		
Represented by the following statement of financial position items:						
Cash and cash balances				1 579 043		
Negotiable securities				1 975 407		
Loans and advances				3 589 487		
Investment securities				136 226		
Trading assets				174 183		
Other receivables				181 825		
				7 639 789		

39. CREDIT RISK continued

39.1 Credit risk exposure analysis continued

	Consolidated		Separate	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
Concentration risk of loans and advances				
Sectorial analysis				
Agriculture	89 855	61 400	49 149	16 092
Community, social and personal services	1 601 261	1 578 142	592 425	437 564
Construction	468 122	373 387	368 328	265 990
Electricity and water	32 109	39 041	15 320	20 382
Finance, real estate and business services	1 829 609	1 705 305	967 353	864 669
Manufacturing	1 097 170	1 260 609	576 668	701 449
Mining	254 569	239 058	187 804	172 273
Trade and accommodation	1 259 547	1 925 688	803 086	777 732
Transport and communication	1 256 615	720 241	575 783	478 363
Total	7 888 857	7 902 871	4 135 916	3 734 514

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

Issuer ratings relating to the portfolio of bond assets were as follows:

	Consolidated		Separate	
	2019 %	2018 %	2019 %	2018 %
Aa1/AA+/AA+	39.52	40.30	39.52	40.30
Aa2/AA/AA	12.60	3.40	12.60	3.40
Aa3/AA-/AA-	28.07	2.40	28.07	2.40
Aaa/AAA/AAA	3.77	53.20	3.77	53.20
A1/A+/A+	13.71	–	13.71	–
A2/A/A	1.68	–	1.68	–
A3/A-/A-	0.65	0.70	0.65	0.70
	100	100	100	100

39. CREDIT RISK continued

39.2 Collateral and other security enhancements

39.2.1 Description of collateral for loans and advances

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

39. CREDIT RISK continued

39.2 **Collateral and other security enhancements** continued

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

Given the nature of the finance lease rental agreement, whereby the underlying assets are legally owned by the Banking Group, management is comfortable that at inception of the agreement, the value of the underlying asset equates to the amount due. The value of the value is not subsequently reassessed unless there is default. An estimate of the fair value of collateral and other security enhancements held is shown below

		Security						
	Gross Exposure R'000	Stock R'000	Fixed assets R'000	Re-ceivables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Unsecured R'000
Consolidated								
2019								
Loans and advances								
Equipment Finance	5 214 018	–	3 657 914	–	–	–	3 657 914	1 556 104
Capital Equipment Finance	1 269 646	–	953 167	–	–	–	953 167	316 479
Trade and Debtor finance	1 207 514	265 269	100 156	275 259	66 260	103 081	810 025	397 489
Other secured loans	197 679	–	–	–	–	150 801	150 801	46 878
	7 888 857	265 269	4 711 237	275 259	66 260	253 882	5 571 907	2 316 950
2018								
Loans and advances								
Equipment Finance	5 481 890	–	2 657 305	–	–	–	2 657 305	2 824 585
Capital Equipment Finance	1 096 148	–	506 158	–	–	–	506 158	589 990
Trade and Debtor finance	1 141 275	381 207	103 929	286 603	78 783	132 813	983 335	157 940
Other secured loans	183 558	–	–	–	–	150 393	150 393	33 165
	7 902 871	381 207	3 267 392	286 603	78 783	283 206	4 297 191	3 605 680

		Security						
	Gross Exposure R'000	Stock R'000	Fixed assets R'000	Re-ceivables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Unsecured R'000
Separate								
2019								
Loans and advances								
Equipment Finance	2 068 041	–	1 551 845	–	–	–	1 551 845	516 196
Capital Equipment Finance	1 087 756	–	816 245	–	–	–	816 245	271 511
Trade and Debtor finance	782 454	118 918	55 121	244 412	58 889		477 340	305 114
Other secured loans	197 665					150 801	150 801	46 864
	4 135 916	118 918	2 423 211	244 412	58 889	150 801	2 996 231	1 139 685
2018								
Loans and advances								
Equipment Finance	2 006 468		2 006 468	–	–	–	2 006 468	–
Capital Equipment Finance	934 558	–	934 558	–	–	–	934 558	–
Trade and Debtor finance	609 930	–	73 315	234 798	68 350	21 203	582 904	27 026
Other secured loans	183 558	185 238	–	–	–	150 393	150 393	33 165
	3 734 514	185 238	3 014 341	234 798	68 350	171 596	3 674 323	60 191

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39. CREDIT RISK continued

39.2 Collateral and other security enhancements continued

39.2.3 Collateral held against individually impaired assets

Consolidated	Gross exposure R'000	Security: Stock R'000	Fixed assets R'000	Re-ceivables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Un-secured R'000
2019								
Loans and advances								
Equipment Finance	351 285	–	252 384	–	–	–	252 384	98 901
Capital Equipment Finance	125 031	–	93 976	–	–	–	93 976	31 055
Trade and Debtor finance	218 547	3 695	54 012	2 360	1 458	144 341	205 866	12 681
Other secured loans	28 065	–	–	–	–	22 719	22 719	5 346
	722 928	3 695	400 372	2 360	1 458	167 060	574 945	147 983
2018								
Loans and advances								
Equipment Finance	401 013	–	193 687	–	–	–	193 687	207 326
Capital Equipment Finance	14 780	–	13 656	–	–	–	13 656	1 124
Trade and Debtor finance	128 431	20 279	30 052	35 109	15 011	11 112	111 563	16 868
Other secured loans	41 139	–	–	–	–	31 832	31 832	9 307
	585 363	20 279	237 395	35 109	15 011	42 944	350 738	234 625

Separate	Gross exposure R'000	Security: Stock R'000	Fixed assets R'000	Re-ceivables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Un-secured R'000
2019								
Loans and advances								
Equipment Finance	169 411	–	127 125	–	–	–	127 125	42 286
Capital Equipment Finance	116 181	–	87 181	–	–	–	87 181	29 000
Trade and Debtor finance	202 241	3 305	49 042	1 401	298	135 514	189 560	12 681
Other secured loans	28 065	–	–	–	–	22 719	22 719	5 346
	515 898	3 305	263 348	1 401	298	158 233	426 585	89 313
2018								
Loans and advances								
Equipment Finance	246 131	–	146 172	–	–	–	146 172	99 959
Capital Equipment Finance	13 865	–	13 366	–	–	–	13 366	499
Trade and Debtor finance	107 808	13 882	29 994	30 393	14 467	4 544	93 280	14 528
Other secured loans	41 139	–	–	–	–	31 832	31 832	9 307
	408 943	13 882	189 532	30 393	14 467	36 376	284 650	124 293

39. CREDIT RISK continued

39.3 Credit loss allowance analysis

Given the implementation of IFRS 9, without restating the 2018 numbers, the information below is not comparable in all respects. Refer to note 1.1.1 for information on the IFRS 9 transition.

39.3.1 Reconciliation of ECL on Loans and Advances at amortised cost

Consolidated	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2019				
Credit loss allowance on 1 July 2018[1]	71 979	54 291	244 165	370 435
Transfers between stages[2]	(31 203)	(51 592)	142 720	59 925
Transfer (to)/from stage 1	(31 203)	–	–	(31 203)
Transfer from/(to) stage 2	–	(51 592)	–	(51 592)
Transfer from stage 3	–	–	142 720	142 720
Net expected credit losses (released)/raised	16 394	20 199	(6 857)	29 736
ECL on new exposures raised	22 823	22 556	19 116	64 495
Change in ECL due to derecognition[3]	(6 429)	(2 357)	(25 973)	(34 759)
Impaired accounts written off[4]	–	–	(58 354)	(58 354)
Credit loss allowance on 30 June 2019	57 170	22 898	321 674	401 742

Separate	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2019				
Credit loss allowance on 1 July 2018[1]	38 718	48 160	130 172	217 050
Transfers between stages[2]	(22 584)	(45 157)	62 254	(5 487)
Transfer (to)/from stage 1	(22 584)	–	–	(22 584)
Transfer from/(to) stage 2	–	(45 157)	–	(45 157)
Transfer from stage 3	–	–	62 254	62 254
Net expected credit losses (released)/raised	10 423	12 451	4 743	27 617
ECL on new exposures raised	14 749	12 769	15 095	42 613
Change in ECL due to derecognition[3]	(4 326)	(318)	(10 352)	(14 996)
Impaired accounts written off[4]	–	–	(28 322)	(28 322)
Credit loss allowance on 30 June 2019	26 557	15 454	168 847	210 858

[1] *Refer to note 2.1A for changes in the PDs due to re-calibration of the ECL model.*

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

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

[4] *The contractual amount outstanding on loans and advances that were written off during the period and that are still subject to enforcement activities amounts to R12.6 million.*

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

39. CREDIT RISK continued

39.3 Credit loss allowance analysis continued

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

Consolidated	Credit loss allowance on 1 July 2018 R'000	Total transfers between stages R'000	Net ECL raised/ (released) R'000	Impaired accounts written off R'000	Credit loss allowance on 30 June 2019 R'000
2019					
Equipment finance	270 156	74 687	19 390	(44 424)	319 809
Stage 1	27 611	(5 730)	10 638	–	32 519
Stage 2	45 050	(52 678)	21 572	–	13 944
Stage 3	197 495	133 095	(12 820)	(44 424)	273 346
Capital equipment finance	22 846	(2 901)	8 748	(174)	28 519
Stage 1	14 239	(10 144)	3 161	–	7 256
Stage 2	74	1 613	156	–	1 843
Stage 3	8 533	5 630	5 431	(174)	19 420
Trade and debtor finance	58 885	(9 983)	(150)	(13 541)	35 211
Stage 1	20 888	(8 733)	847	–	13 002
Stage 2	9 167	(2 518)	(1 529)	–	5 120
Stage 3	28 830	1 268	532	(13 541)	17 089
Other secured loans	17 257	(1 035)	1 748	(215)	17 755
Stage 1	7 949	(5 753)	1 748	–	3 944
Stage 2	–	1 991	–	–	1 991
Stage 3	9 308	2 727	–	(215)	11 820
Guarantees	1 292	(843)	–	–	449
Stage 1	1 292	(843)	–	–	449
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Total	370 435	59 925	29 736	(58 354)	401 742
Stage 1	71 979	(31 203)	16 394	–	57 170
Stage 2	54 291	(51 592)	20 199	–	22 898
Stage 3	244 165	142 720	(6 857)	(58 354)	321 674

39. CREDIT RISK continued

39.3 Credit loss allowance analysis continued

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

Separate	Credit loss allowance on 1 July 2018 R'000	Total transfers between stages R'000	Net ECL raised/ (released) R'000	Impaired accounts written off R'000	Credit loss allowance on 30 June 2019 R'000
2019					
Equipment finance	150 087	7 180	14 488	(20 551)	151 204
Stage 1	9 141	(1 845)	5 996	–	13 292
Stage 2	40 935	(45 854)	12 369	–	7 450
Stage 3	100 011	54 879	(3 877)	(20 551)	130 462
Capital equipment finance	16 404	(4 886)	8 265	–	19 783
Stage 1	12 392	(8 907)	2 679	–	6 164
Stage 2	73	1 306	155	–	1 534
Stage 3	3 939	2 715	5 431	–	12 085
Trade and debtor finance	33 302	(6 993)	3 116	(7 771)	21 654
Stage 1	9 236	(6 541)	–	–	2 695
Stage 2	7 152	(2 600)	(73)	–	4 479
Stage 3	16 914	2 148	3 189	(7 771)	14 480
Other secured loans	17 257	(1 250)	1 748	–	17 755
Stage 1	7 949	(5 753)	1 748	–	3 944
Stage 2	–	1 991	–	–	1 991
Stage 3	9 308	2 512	–	–	11 820
Guarantees	1 286	–	(824)	–	462
Stage 1	1 286	–	(824)	–	462
Stage 2	–	–	–	–	–
Stage 3	–	–	–	–	–
Total	218 336	(5 949)	26 793	(28 322)	210 858
Stage 1	40 004	(23 046)	9 599	–	26 557
Stage 2	48 160	(45 157)	12 451	–	15 454
Stage 3	130 172	62 254	4 743	(28 322)	168 847

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

39. CREDIT RISK continued

39.3 Credit loss allowance analysis continued

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

Consolidated	Equipment finance R'000	Capital Equipment Finance R'000	Trade and debtor finance R'000	Other secured loans R'000	Total R'000
2018					
Non-performing loans					
Balance at beginning of the year	149 897	730	33 180	8 029	191 836
Net impairments raised/(released)	52 976	4 847	(16 313)	1 279	42 789
Balance at end of the year	202 873	5 577	16 867	9 308	234 625
Performing loans					
Balance at beginning of the year	24 027	2 022	5 821	–	31 870
Net impairments released	6 917	9 995	2 357	–	19 269
Balance at end of the year	30 944	12 017	8 178	–	51 139
Total credit impairments	233 817	17 594	22 684	9 308	285 764

Separate	Equipment finance R'000	Capital Equipment Finance R'000	Trade and debtor finance R'000	Other secured loans R'000	Total R'000
2018					
Non-performing loans					
Balance at beginning of the year	47 205	730	18 649	8 029	74 613
Net impairments raised/(released)	52 755	(232)	(4 122)	1 279	49 680
Balance at end of the year	99 960	498	14 527	9 308	124 293
Performing loans					
Balance at beginning of the year	10 202	1 758	2 778	–	14 738
Net impairments released	6 623	(819)	192	–	5 996
Balance at end of the year	16 825	939	2 970	–	20 734
Total credit impairments	116 785	1 437	17 497	9 308	145 027

A 5% (2018) increase or decrease to the PD and LGD rates, results in a R1.8 million (2018) increase and R1.732 million (2018) decrease respectively, to the impairment of performing loans.

39. CREDIT RISK continued

39.3 Credit loss allowance analysis continued

39.3.3 Impaired exposure of non-performing loans and advances

Consolidated	Special mention R'000	Sub-standard R'000	Doubtful R'000	Expected loss R'000	Net impaired exposure R'000
2018					
Equipment Finance	4 851	1 509	11 530	189 436	207 326
Capital Equipment Finance	955	–	–	169	1 124
Trade and Debtor finance	2 607	–	–	14 261	16 868
Other secured loans	164	–	–	9 143	9 307
	8 577	1 509	11 530	213 009	234 625
Separate					
2018					
Equipment Finance	2 915	1 013	7 659	88 372	99 959
Capital Equipment Finance	330	–	–	169	499
Trade and Debtor finance	2 288	–	–	12 240	14 528
Other secured loans	164	–	–	9 143	9 307
	5 697	1 013	7 659	109 924	124 293

	Consolidated		Separate	
	2019 R'000	2018 R'000	2019 R'000	2018 R'000
39.3.4 Credit impairment charges recognised in profit or loss				
IFRS 9				
Net ECL recognised	89 620		21 125	
Loans and advances	89 474		21 968	
Letters of credit, loan commitments and financial guarantees	146		(843)	
Recoveries of loans and advances previously written off	(9 329)		(1 305)	
IAS 39				
Increase in allowance		62 058		55 676
Non-performing loans		42 789		49 680
Performing loans		19 269		5 996
Amounts written off, net of recoveries		72 308		33 610
	80 291	134 366	19 820	89 286

40. LIQUIDITY RISK

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

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

Management of liquidity risk

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

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

Liquidity risk measurement

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

Exposure to liquidity risk

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

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

40. LIQUIDITY RISK continued

40.1 Contractual maturity analysis

Consolidated	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual R'000	Total R'000
2019									
Discounted maturity									
Assets									
Cash and cash balances	1 314 414	1 314 414	1 314 414	–	–	–	–	–	1 314 414
Trading assets	39 007	39 007	14 634	13 883	10 490	–	–	–	39 007
Negotiable securities	3 077 519	3 077 519	1 500 918	331 968	750 566	294 237	199 830	–	3 077 519
Other receivables	270 955	270 955	130 898	12 405	–	126 409	–	1 243	270 955
Loans and advances	7 487 115	7 487 115	566 631	1 368 327	2 141 487	3 786 893	25 519	(401 742)	7 487 115
Taxation	20 130	20 130	20 130	–	–	–	–	–	20 130
Investment securities	154 363	–	–	–	–	–	–	154 363	154 363
Deferred tax asset	2 139	–	–	–	–	–	–	2 139	2 139
Loans to entities in the Banking Group	130 490	130 490	–	–	–	130 490	–	–	130 490
Property and equipment	45 740	–	–	–	–	–	–	45 740	45 740
Investment property	8 900	–	–	–	–	–	–	8 900	8 900
Intangible assets and goodwill	215 800	–	–	–	–	–	–	215 800	215 800
Total assets	12 766 572	12 339 630	3 547 625	1 726 583	2 902 543	4 338 029	225 349	26 443	12 766 572
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	2 271 610	2 271 610	2 271 610	–	–	–	–	–	2 271 610
Trading liabilities	40 436	40 436	16 724	12 952	10 189	571	–	–	40 436
Trade and other payables	743 310	743 310	522 244	207 659	13 407	–	–		743 310
Provisions	38 189	38 189	–	–	–	–	–	38 189	38 189
Bank overdraft	46 008	46 008	46 008	–	–	–	–	–	46 008
Deposits from customers	5 146 236	5 238 912	2 761 555	1 209 115	1 101 178	167 063	–	–	5 238 911
Debt securities issued	2 753 521	4 009 117	–	721 908	1 364 391	1 922 819	–	–	4 009 117
Long-term loans	245 715	298 308	38 804	3 748	111 756	144 000	–	–	298 308
Deferred tax liability	136 213	–	–	–	–	–	–	136 213	136 213
Total liabilities	11 421 238	12 685 890	5 656 945	2 155 382	2 600 921	2 234 453	–	174 402	12 822 103
Off-statement of financial position									
Loan commitments	126 450	126 450	112 773	13 352	326	–	–	–	126 450

	Funding under repurchase agreements and interbank R'000	Trading liabilities R'000	Trade and other payables R'000	Provisions R'000	Deposits from customers R'000	Debt securities issued R'000	Long-term loans R'000	Deferred tax liability R'000
2019								
Discounted maturity								
Current liabilities	2 271 610	39 865	743 310	38 189	165 209	2 086 299	–	–
Non-current liabilities	–	571	–	–	4 981 027	667 222	245 715	136 213
Total	2 271 610	40 436	743 310	38 189	5 146 236	2 753 521	245 715	136 213

Sasfin's Liquidity risk reporting is based on a contractual maturity basis as opposed to a business as usual maturity basis which is preferred by the ALCO. The liquidity mismatches forecast are highly improbable to actually occur. Sasfin closely manages its liquidity positions by including various buffers into its daily liquidity monitoring reports.

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

40. LIQUIDITY RISK continued

40.1 Contractual maturity analysis continued

Consolidated	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual R'000	Total R'000
2018									
Discounted maturity									
Assets									
Cash and cash balances	1 838 645	1 838 645	1 838 645	–	–	–	–	–	1 838 645
Trading assets	179 417	179 417	68 178	52 031	59 208	–	–	–	179 417
Negotiable securities	1 975 407	1 975 407	295 203	977 043	703 161	–	–	–	1 975 407
Other receivables	360 904	360 904	196 285	122 421	42 198	–	–	–	360 904
Loans and advances to customers	7 617 107	7 617 107	463 789	1 209 312	2 092 035	4 109 054	28 681	(285 764)	7 617 107
Taxation	14 203	14 203	14 203	–	–	–	–	–	14 203
Investment securities	136 535	136 535						136 535	136 535
Deferred tax asset	71	71	–	–	–	–	–	71	71
Property and equipment	51 600	51 600	–	–	–	–	–	51 600	51 600
Investment property	12 600	12 600	–	–	12 600	–	–	–	12 600
Intangible assets and goodwill	179 235	179 235	–	–	–	–	–	179 235	179 235
Total assets	12 365 724	12 365 724	2 876 303	2 360 807	2 909 202	4 109 054	28 681	81 677	12 365 724
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 923 244	1 923 244	1 923 244	–	–	–	–	–	1 923 244
Trading liabilities	155 672	155 672	112 084	31 134	12 454	–	–	–	155 672
Current taxation liabilities	14 048	14 048	–	14 048	–	–	–	–	14 048
Other payables	661 680	661 680	476 506	134 234	39 863	–	–	11 077	661 680
Deposits from customers	4 605 575	4 605 575	2 387 100	919 749	1 182 699	116 027	–	–	4 605 575
Debt securities issued	3 115 432	4 919 262	–	400 160	–	4 519 102	–	–	4 919 262
Long-term loans	424 616	801 247	–	55 124	129 277	616 846	–	–	801 247
Deferred tax liability	130 284	130 284	–	–	–	–	–	130 284	130 284
Total liabilities	11 030 551	13 211 012	4 898 934	1 554 449	1 364 293	5 251 975	–	141 361	13 211 012
Off-statement of financial position									
Loan commitments		129 882	64 701	34 622	25 354	4 805	400	–	129 882

	Funding under repurchase agreements and interbank R'000	Trading liabilities R'000	Current taxation liabilities R'000	Provisions and other payables R'000	Deposits from customers R'000	Debt securities issued R'000	Long-term loans R'000	Deferred tax liability R'000
2018								
Discounted maturity								
Current liabilities	1 923 244	4 489 548	392 432	184 401	155 672	650 603	14 048	–
Non-current liabilities	–	116 027	2 723 000	240 215	–	11 077	–	130 284
Total	1 923 244	4 605 575	3 115 432	424 616	155 672	661 680	14 048	130 284

Sasfin's Liquidity risk reporting is based on a contractual maturity basis as opposed to a business as usual maturity basis which is preferred by the ALCO. The liquidity mismatches forecast are highly improbable to actually occur. Sasfin closely manages its liquidity positions by including various buffers into its daily liquidity monitoring reports.

40. LIQUIDITY RISK continued

40.1 Contractual maturity analysis continued

Separate	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual R'000	Total R'000
2019									
Discounted maturity									
Assets									
Cash and cash balances	1 079 459	1 079 459	1 079 459	–	–	–	–	–	1 079 459
Trading assets	38 997	38 997	14 624	13 883	10 490	–	–	–	38 997
Negotiable securities	3 077 519	3 077 519	1 500 918	331 969	750 567	294 238	199 827	–	3 077 519
Other receivables	315 775	315 775	40 484	57 466	129 489	87 093	–	1 243	315 775
Loans and advances	3 925 057	3 925 057	269 935	894 951	1 023 193	1 947 127	20 878	(231 027)	3 925 057
Taxation									
Investment securities	154 142	–	–	–	–	–	–	154 142	154 142
Loans to entities in the Banking Group	476 038	–						476 038	476 038
Property and equipment	45 639	–	–	–	–	–	–	45 639	45 639
Intangible assets and goodwill	156 676	–	–	–	–	–	–	156 676	156 676
Investments in subsidiaries and structured entities	255 859	–	–	–	–	–	–	255 859	255 859
Total assets	9 525 161	8 436 807	2 905 420	1 298 269	1 913 739	2 328 458	220 705	858 570	9 525 161
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	2 197 422	2 197 422	2 197 422	–	–	–	–	–	2 197 422
Trading liabilities	35 171	35 171	12 221	12 189	10 189	572	–	–	35 171
Trade and other payables	438 384	438 384	317 457	99 010	21 917	–	–	–	438 384
Provisions	28 591	28 591	–	–	–	–	–	28 591	28 591
Deposits from customers	5 561 971	5 561 971	3 124 466	1 189 653	1 082 643	165 209	–	–	5 561 971
Long-term loans	240 215	298 308	38 804	3 748	144 000	85 907	–	–	298 308
Deferred tax liability	45 623	45 623	–	–	–	–	–	45 623	45 623
Loans from entities in the Banking Group	8 210	8 210	–	–	–	–	–	8 210	8 210
Total liabilities	8 555 587	8 613 680	5 690 370	1 304 600	1 226 505	251 688	–	82 424	8 613 680
Off-statement of financial position									
Loan commitments	126 450	126 450	112 773	13 351	326	–	–	–	126 450

	Funding under repurchase agreements and interbank R'000	Trading liabilities R'000	Trade and other payables R'000	Provisions and other payables R'000	Deposits from customers R'000	Long-term loans R'000	Deferred tax liability R'000	Loans from entities in the Banking Group R'000
2019								
Discounted maturity								
Current liabilities	2 197 422	34 599	438 384	28 591	5 396 762	154 308	–	–
Non-current liabilities	–	572	–	–	165 209	85 907	45 623	8 210
Total	2 197 422	35 171	438 384	28 591	5 561 971	240 215	45 623	8 210

Sasfin's liquidity risk reporting is based on a contractual maturity basis as opposed to a business as usual maturity basis which is preferred by the ALCO. The liquidity mismatches forecast are highly improbable to actually occur. Sasfin closely manages its liquidity positions by including various buffers into its daily liquidity monitoring reports.

40. LIQUIDITY RISK continued

40.1 Contractual maturity analysis continued

Separate	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contrac-tual R'000	Total R'000
2018									
Discounted maturity									
Assets									
Cash and cash balances	1 579 043	1 579 043	1 579 043	–	–	–	–	–	1 579 043
Trading assets	174 183	174 183	97 542	55 739	20 902	–	–	–	174 183
Negotiable securities	1 975 407	1 975 407	295 203	977 043	703 161	–	–	–	1 975 407
Other receivables	336 901	336 901	187 819	106 884	42 198	–	–	–	336 901
Non-current assets held for sale	–	–	–	–	–	–	–	–	–
Loans and advances	3 589 487	3 589 487	309 086	721 781	961 975	1 719 135	22 537	(145 027)	3 589 487
Taxation	1 721	1 721	–	1 721	–	–	–	–	1 721
Investment securities	136 226	136 226	–	–	–	–	–	136 226	136 226
Deferred tax asset	–	–	–	–	–	–	–	–	–
Property and equipment	51 455	51 455	–	–	–	–	–	51 455	51 455
Investment property	–	–	–	–	–	–	–	–	–
Intangible assets and goodwill	115 345	115 345	–	–	–	–	–	115 345	115 345
Loans and investments in subsidiaries and special purpose entities	692 358	692 358	–	–	–	–	–	692 358	692 358
Total assets	8 652 126	8 652 126	2 468 693	1 863 168	1 728 236	1 719 135	22 537	850 357	8 652 126
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 519 672	1 519 672	1 519 672	–	–	–	–	–	1 519 672
Trading liabilities	171 561	172 561	53 184	75 487	42 890	–	–	–	171 561
Current taxation liabilities	–	–	–	–	–	–	–	–	–
Provisions and other payables	372 175	372 175	189 130	132 107	39 863	–	–	11 075	372 175
Deposits from customers	5 155 577	5 155 577	2 915 419	941 432	1 182 699	116 027	–	–	5 155 577
Debt securities issued	–	–	–	–	–	–	–	–	–
Long-term loans	424 616	801 247	–	55 124	129 277	616 846	–	–	801 247
Deferred tax liability	43 617	43 617	–	–	–	–	–	43 617	43 617
Total liabilities	7 687 218	8 063 849	4 677 405	1 204 150	1 394 729	732 873	–	54 692	8 063 849
Off-statement of financial position									
Loan commitments		127 925	64 701	34 622	23 397	4 805	400	–	127 925

	Funding under repurchase agreements and interbank R'000	Trading liabilities R'000	Current taxation liabilities R'000	Provisions and other payables R'000	Deposits from customers R'000	Debt securities issued R'000	Long-term loans R'000	Deferred tax liability R'000
2018								
Discounted maturity								
Current liabilities	1 519 672	171 561	–	361 100	5 039 550	–	184 401	–
Non-current liabilities	–	–	–	11 075	116 027	–	240 215	43 167
Total	1 519 672	171 561	–	372 175	5 155 577	–	424 616	43 617

Sasfin's liquidity risk reporting is based on a contractual maturity basis as opposed to a business as usual maturity basis which is preferred by the ALCO. The liquidity mismatches forecast are highly improbable to actually occur. Sasfin closely manages its liquidity positions by including various buffers into its daily liquidity monitoring reports.

41. MARKET RISK

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

It is the risk of change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables. The Banking Group's market risks are:

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

Settlement risk

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

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

Management of market risk

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

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

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

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

Exposure to interest rate risk

- Trading portfolios
  Trading portfolios consist of exchange-traded bonds that bear fixed interest rates, hence there is no interest rate risk.

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

Market risk on equity investments

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

Currency risk

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

41. MARKET RISK continued

Derivative financial instruments

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

Notional principal

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

Exchange rate contracts

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

Interest rate swaps

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

Net investment hedge

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

41. MARKET RISK continued

41.1 Market risk

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

Consolidated	Up to 1 month R '000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	Total R'000
2019					
Assets					
Non-trading portfolios					
Cash and cash balances	1 314 414	–	–	–	1 314 414
Negotiable securities	1 500 918	331 968	506 827	737 806	3 077 519
Loans and advances	6 572 296	473 059	287 980	555 522	7 888 857
Intercompany loans	130 490	–	–	–	130 490
Total assets	9 518 118	805 027	794 807	1 293 328	12 411 280
Liabilities					
Non-trading portfolios					
Funding under repurchase agreements and interbank	2 271 610	–	–	–	2 271 610
Deposits from customers	3 465 035	504 698	1 032 637	143 866	5 146 236
Debt securities issued	–	2 753 521	–	–	2 753 521
Long-term loans	114 148	131 567	–	–	245 715
Total liabilities	5 850 793	3 389 786	1 032 637	143 866	10 417 082
Net pricing gap	3 667 325	(2 584 759)	(237 830)	1 149 462	1 994 198
Cumulative repricing gap	3 667 325	1 082 566	844 736	1 994 198	1 994 198
A 200 basis point (bp) interest rate change will have the following effect on profit/loss:					
200 bp parallel shock interest rate increase	2 899	(9 997)	–	–	(7 098)
200 bp parallel shock interest rate decrease	817	9 997	–	–	10 815

41. MARKET RISK continued

41.1 Market risk continued

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

Separate	Up to 1 month R '000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	Total R'000
2019					
Assets					
Non-trading portfolios					
Cash and cash balances	1 079 459	–	–	–	1 079 459
Negotiable securities	1 500 918	331 968	506 827	737 806	3 077 519
Loans and advances	3 406 548	238 188	101 925	389 255	4 135 916
Intercompany loans	476 038	–	–	–	476 038
Total assets	6 462 963	570 156	608 752	1 127 061	8 768 932
Liabilities					
Non-trading portfolios					
Funding under repurchase agreements and interbank	2 197 422	–	–	–	2 197 422
Deposits from customers	4 042 487	504 698	870 920	143 866	5 561 971
Debt securities issued	–	–	–	–	–
Long-term loans	–	240 215	–	–	240 215
Intercompany loans	8 210				8 210
Total liabilities	6 248 119	744 913	870 920	143 866	8 007 818
Net pricing gap	214 844	(174 757)	(262 168)	983 195	761 114
Cumulative repricing gap	214 844	40 087	(222 081)	761 114	761 114
A 200 bp interest rate change will have the following effect on profit/loss:					–
200 bp parallel shock interest rate increase	(2 050)	(10 018)	510	2 194	(9 365)
200 bp parallel shock interest rate decrease	3 386	10 018	(510)	(2 194)	10 701

41. MARKET RISK continued

41.1 Market risk continued

Consolidated	Up to 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	Total R'000
2018					
Assets					
Non-trading portfolios					
Cash and cash balances	1 697 236	–	–	–	1 697 236
Negotiable securities	295 203	977 043	703 161	–	1 975 407
Loans and advances	6 733 639	482 294	99 152	587 786	7 902 871
Total assets	8 726 078	1 459 337	802 313	587 786	11 575 514
Liabilities					
Non-trading portfolios					
Funding under repurchase agreements and interbank	1 923 244	–	–	–	1 923 244
Deposits from customers	2 404 253	919 749	1 165 546	116 027	4 605 575
Debt securities issued	–	3 115 432	–	–	3 115 432
Long-term loans	–	424 616	–	–	424 616
Total liabilities	4 327 497	4 459 797	1 165 546	116 027	10 068 867
Net pricing gap	4 398 581	(3 000 460)	(363 233)	471 759	1 506 647
Cumulative repricing gap	4 398 581	1 398 121	1 034 888	1 506 647	1 506 647
A 200 bp point interest rate change will have the following effect on profit/loss:					
200 bp parallel shock interest rate increase	4 243	(3 313)	(14 910)	(79 520)	(93 500)
200 bp parallel shock interest rate decrease	3 497	18 793	84 572	451 048	557 910

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

41. MARKET RISK continued

41.1 Market risk continued

Separate	Up to 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	Total R'000
2018					
Assets					
Non-trading portfolios					
Cash and cash balances	1 437 634	–	–	–	1 437 634
Negotiable securities	295 203	977 043	703 161	–	1 975 407
Loans and advances	2 884 699	180 227	81 802	587 786	3 734 514
Total assets	4 617 536	1 157 270	784 963	587 786	7 147 555
Liabilities					
Non-trading portfolios					
Funding under repurchase agreements and interbank	1 519 672	–	–	–	1 519 672
Deposits from customers	3 674 562	403 408	961 581	116 026	5 155 577
Debt securities issued	–	–	–	–	–
Long-term loans	–	424 616	–	–	424 616
Total liabilities	5 194 234	828 024	961 581	116 026	7 099 865
Net pricing gap	(576 698)	329 246	(176 618)	471 760	47 690
Cumulative repricing gap	(576 698)	(247 452)	(424 070)	47 690	47 690
A 200 bp interest rate change will have the following effect on profit/loss:					
200 bp parallel shock interest rate increase	(3 670)	(8 755)	(39 398)	(210 123)	(261 946)
200 bp parallel shock interest rate decrease	5 884	13 183	59 320	316 375	394 762

41. MARKET RISK continued

41.2 Currency risk

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

Foreign currency risk sensitivity analysis

Consolidated	US Dollar R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2019						
Forward exchange contracts	(467)	–	–	–	–	(467)
Import bills	268 860	61 742	5 056	8 755	83 025	427 438
Bank balances	93 430	10 342	–	2 826	3 765	110 363
Bank overdrafts	–	(38 009)	–	–	(7 999)	(46 008)
Import suppliers	(9 810)	(7 161)	(4 560)	–	(42 506)	(64 037)
Usance creditors	(21 713)	(2 127)	–	–	–	(23 840)
Other payables	(142 336)	(30 579)	–	(9 921)	–	(182 836)
Total net (short)/long position	187 964	(5 792)	496	1 660	36 285	220 613
Sensitivity – 5%	9 398	(290)	25	83	1 814	11 031
2018						
Forward exchange contracts	(4 944)	3 123	(18)	(49)	170	(1 718)
Import bills	389 758	43 984	1 627	4 398	73	439 840
Bank balances	295 702	31 654	197	3 609	1 214	332 376
Bank overdrafts	(85 276)	(64 331)	(900)	(2 269)	(172)	(152 948)
Import suppliers	(13 901)	(690)	–	–	–	(14 591)
Usance creditors	(155 321)	(2 756)	–	–	–	(158 077)
Other payables	(264 383)	(13 631)	(201)	(5 406)	(504)	(284 125)
Total net (short)/long position	161 635	(2 647)	705	283	781	160 757
Sensitivity – 5%	8 082	(132)	35	14	39	8 038

41. MARKET RISK continued

41.2 Currency risk continued

Separate	US Dollar R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2019						
Forward exchange contracts	(467)	–	–	–	–	(467)
Import bills	268 860	61 742	5 056	8 755	83 025	427 438
Bank balances	93 430	10 342	–	2 826	3 765	110 363
Bank overdrafts	–	(38 009)	–	–	(7 999)	(46 008)
Import suppliers	(9 810)	(7 161)	(4 560)	–	(42 506)	(64 037)
Usance creditors	(21 713)	(21 127)	–	–	–	(42 840)
Other payables	(142 336)	(3 058)	–	(9 921)	–	(155 315)
Total net (short)/ long position	187 964	2 729	496	1 660	36 285	229 134
Sensitivity – 5%	9 398	136	25	83	1 814	11 457
2018						
Forward exchange contracts	(4 944)	(1 270)	(18)	(49)	(10)	(6 291)
Bank balances	109 404	12 482	197	3 609	632	126 324
Other payables	(104 625)	(12 631)	(201)	(3 264)	(397)	(121 118)
Total net (short)/ long position	(165)	(1 419)	(22)	296	225	(1 085)
Sensitivity – 5%	(8)	(71)	(1)	15	11	(54)

41. MARKET RISK continued

41.2 Currency risk continued

Analysis of assets and liabilities by currency

Consolidated	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2019						
Assets						
Cash and cash balances	238 180	29 733	5 951	1 035 170	5 380	1 314 414
Trading assets	10	–	–	38 997	–	39 007
Negotiable securities	–	–	–	3 077 519	–	3 077 519
Other receivables	472	–	–	270 483	–	270 955
Loans and advances	268 160	61 214	8 674	7 143 889	5 178	7 487 115
Taxation	–	–	–	20 130	–	20 130
Investment securities	921	–	–	85 700	67 742	154 363
Deferred tax asset	–	–	–	2 139	–	2 139
Loans to entities in the Group	–	–	–	130 490		130 490
Property and equipment	–	–	–	45 740	–	45 740
Investment property	–	–	–	8 900	–	8 900
Intangible assets and goodwill	–	–	–	215 800	–	215 800
Total assets	507 743	90 947	14 625	12 074 957	78 300	12 766 572
Liabilities						
Funding under repurchase agreements and interbank	43 647	30 542	–	2 197 421	–	2 271 610
Trading liabilities	477	–	–	39 959	–	40 436
Trade and other payables	110 880	47 917	41 771	537 216	5 526	743 310
Provisions	–	–	–	38 891	–	38 891
Bank overdraft			46 008	–		46 008
Deposits from customers	–	–	–	5 146 236	–	5 146 236
Debt securities issued	–	–	–	2 753 521	–	2 753 521
Long-term loans	–	–	–	245 715	–	245 715
Deferred tax liability	–	–	–	136 213	–	136 213
Total liabilities	155 004	78 459	87 779	11 095 172	5 526	11 421 940

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

41. MARKET RISK continued

41.2 Currency risk continued

Analysis of assets and liabilities by currency continued

Separate	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2019						
Assets						
Cash and cash balances	144 750	19 392	5 951	907 751	1 615	1 079 459
Trading assets	–	–	–	38 997	–	38 997
Negotiable securities	–	–	–	3 077 519	–	3 077 519
Other receivables	–	–	–	315 775	–	315 775
Loans and advances	–	–	–	3 925 057	–	3 925 057
Investment securities	–	–	–	154 142	–	154 142
Loans to entities in the Group	–	–	–	476 038	–	476 038
Property and equipment	–	–	–	45 639	–	45 639
Intangible assets and goodwill	–	–	–	156 676	–	156 676
Investments in subsidiaries and structured entities	–	–	–	255 859	–	255 859
Total assets	144 750	19 392	5 951	9 353 453	1 615	9 525 161
Liabilities						
Funding under repurchase agreements and interbank	–	–	–	2 197 422	–	2 197 422
Trading liabilities	–	–	–	35 171	–	35 171
Provisions	–	–	–	28 591	–	28 591
Trade and other payables	–	–	–	438 384	–	438 384
Deposits from customers	–	–	–	5 561 971	–	5 561 971
Long-term loans	–	–	–	240 215	–	240 215
Deferred tax liability	–	–	–	45 623	–	45 623
Loans from entities in the Group	–	–	–	8 210	–	8 210
Total liabilities	–	–	–	8 555 587	–	8 555 587

41. MARKET RISK continued

41.2 Currency risk continued

Analysis of assets and liabilities by currency continued

Consolidated	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2018						
Assets						
Cash and cash balances	295 702	31 654	3 609	1 506 269	1 411	1 838 645
Trading assets	–	–	–	43 191	136 226	179 417
Negotiable securities	–	–	–	1 975 407	–	1 975 407
Other receivables	56	–	–	360 659	189	360 904
Loans and advances	383 723	43 332	4 316	7 184 036	1 700	7 617 107
Taxation	–	–	–	14 203	–	14 203
Investment securities	–	–	–	136 535	–	136 535
Deferred tax asset	–	–	–	71	–	71
Property and equipment	–	–	–	51 600	–	51 600
Investment property	–	–	–	12 600	–	12 600
Intangible assets and goodwill	–	–	–	179 235	–	179 235
Total assets	679 481	74 986	7 925	11 463 806	139 526	12 365 724
Liabilities						
Funding under repurchase agreements and interbank	240 597	67 087	2 269	1 612 219	1 072	1 923 244
Trading liabilities	–	–	–	155 672	–	155 672
Taxation	–	–	–	14 048	–	14 048
Other payables	175 557	–	2 142	483 874	107	661 680
Deposits from customers	–	–	–	4 605 575	–	4 605 575
Debt securities issued	–	–	–	3 115 432	–	3 115 432
Long-term loans	–	–	–	424 616	–	424 616
Deferred tax liability	104 625	12 631	3 264	9 166	598	130 284
Total liabilities	520 779	79 718	7 675	10 420 602	1 777	11 030 551

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

41. MARKET RISK continued

41.2 Currency risk continued

Analysis of assets and liabilities by currency continued

Separate	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2018						
Assets						
Cash and cash balances	109 404	12 482	3 609	1 452 719	829	1 579 043
Trading assets	–	–	–	174 183	–	174 183
Negotiable securities	–	–	–	1 975 407	–	1 975 407
Other receivables	–	–	–	336 901	–	336 901
Loans and advances	–	–	–	3 589 487	–	3 589 487
Taxation	–	–	–	1 721	–	1 721
Investment securities	–	–	–	136 226	–	136 226
Property and equipment	–	–	–	51 455	–	51 455
Intangible assets and goodwill	–	–	–	115 345	–	115 345
Loans and investments in subsidiaries and special purpose entities	–	–	–	692 358	–	692 358
Total assets	109 404	12 482	3 609	8 525 802	829	8 652 126
Liabilities						
Funding under repurchase agreements and interbank	–	–	–	1 519 672	–	1 519 672
Trading liabilities	–	–	–	171 561	–	171 561
Other payables	104 625	12 631	3 264	251 057	598	372 175
Deposits from customers	–	–	–	5 155 577	–	5 155 577
Long-term loans	–	–	–	424 616	–	424 616
Deferred tax liability	–	–	–	43 617	–	43 617
Total liabilities	104 625	12 631	3 264	7 566 100	598	7 687 218

41. MARKET RISK continued

41.3 Derivative financial instruments

Consolidated	Within 1 year R'000	Net fair value R'000	Positive fair value R'000	Negative fair value R'000	Notional principal R'000
2019					
Exchange rate contracts	4 210	4 210	38 349	(34 902)	3 601 677
Interest rate swaps	(4 876)	(4 876)	658	(5 534)	1 630 257
Total derivatives	(666)	(666)	39 007	(40 436)	5 231 934
2018					
Exchange rate contracts	22 496	22 496	177 677	(155 181)	(28 204)
Interest rate swaps	1 249	1 249	1 740	(491)	1 591 693
Total derivatives	23 745	23 745	179 417	(155 672)	1 563 489

Separate	Within 1 year R'000	Net fair value R'000	Positive fair value R'000	Negative fair value R'000	Notional principal R'000
2019					
Exchange rate contracts	4 210	4 210	38 349	(34 139)	3 601 677
Interest rate swaps	(383)	(383)	648	(1 032)	1 316 573
Total derivatives	3 827	3 827	38 997	(35 171)	4 918 250
2018					
Exchange rate contracts	19 289	19 289	174 183	(154 894)	15 623
Interest rate swaps	(16 667)	(16 667)	–	(16 667)	1 741
Total derivatives	2 622	2 622	174 183	(171 561)	17 634

Notes to the consolidated and separate financial statements continued

FOR THE YEAR ENDED 30 JUNE 2019

42. CAPITAL MANAGEMENT

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

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

Key objectives of capital management are to:

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

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

Capital adequacy (unaudited)

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

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

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

Regulatory capital (unaudited)

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

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

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

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

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

42. CAPITAL MANAGEMENT continued

Regulatory capital (unaudited) continued

Consolidated	2019 % Unaudited	2018 % Audited
Common Equity Tier 1 Capital	16.265	14.562
Additional Tier 1 Capital	–	1.00
Total Tier 1 Capital	16.265	15.562
Tier 2 Capital	0.968	0.341
Total capital	17.233	14.903
Stakeholder capital adequacy ratio minimum requirements		
Regulator:		
– Notional Common Equity Tier 1	8.500	8.375
– Notional Total Tier 1	10.700	10.375
– Total capital	13.500	13.125

Separate	2019 % Unaudited	2018 % Audited
Common Equity Tier 1 Capital	14.023	13.295
Total Tier 1 Capital	14.023	13.295
Tier 2 Capital	0.656	0.305
Total capital	14.679	3.600
Stakeholder capital adequacy ratio minimum requirements		
Regulator:		
– National Common Equity Tier 1	8.500	8.375
– National Total Tier 1	10.750	10.375
– Total capital	13.500	13.125

43. BUSINESS COMBINATIONS COMPLETED IN THE PRIOR YEAR

Acquisition of the ATFS business

On 1 April 2018, the Banking Group acquired the business of Absa Technology Finance Solutions (Pty) Limited (ATFS). The business consisted of the loan book, IT equipment, IT software and personnel.

The loan book comprises rental deals relating to technology assets such as business centres, PABX systems and IT Infrastructure (networking and communication).

The transaction was concluded as part of Sasfin's strategy to expand its market share and grow its rental business.

As disclosed in the 2018 Annual Financial Statements, the allocation of the purchase price was based on provisional fair values of the assets and liabilities acquired, while the Banking Group sought a professional valuation to determine the fair values of certain of the assets and liabilities acquired. The valuation had not been completed by the date the 2018 Annual Financial Statements were approved for issue by the Board of Directors.

Identifiable assets acquired and liabilities assumed

The following is a summary of the (restated) fair value of the identifiable assets and liabilities acquired, purchase consideration and goodwill (previously gain on bargain purchase):

	Provisional fair values reported 2018 R'000	Adjustment R'000	Finalised fair value 2019 R'000
Loans and Advances (Loan book)	1 195 212	(40 613)	**1 154 599**
IT Equipment	–	481	**481**
Total assets	1 195 212	(40 132)	**1 155 080**
Accrued leave balances transferred on purchase	(471)	0	**(471)**
Total liabilities	(471)	–	**(471)**
Total identifiable net assets acquired at fair value	1 194 741	(40 132)	**1 154 609**
(Gain on bargain purchase)*/Goodwill	(39 297)	40 132	**835**
Total purchase consideration settled in cash	1 155 444	–	**1 155 444**

* *Since the purchase price allocation was only provisional in 2018, recognition of the gain on bargain purchase was postponed until the purchase price allocation was finalised with reference to the professional valuation obtained. Based on the finalised and completed purchase price allocation, a small goodwill was recognised, which is mostly representing the expected synergies arising from this acquisition.*

The comparative information has been restated in these Consolidated and Separate Annual Financial Statements to include the effect of the adjustments noted above. According to paragraph 10(f) of IAS 1 *Presentation of Financial Statements*, a restatement will usually require the presentation of a third consolidated and separate statements of financial position as at 1 July 2017. Since this restatement of the provisional fair values has no effect on the consolidated and separate statements of financial position as at that date, the directors do not consider that this would provide useful additional information. Consequently a third consolidated and separate statements of financial position is not presented.

During 2018 the Banking Group incurred acquisition-related costs of R3.752 million relating to external legal fees and due diligence costs. These costs have been included in "Consulting fees" in note 30.

ATFS contributed R35.972 million to interest income and R479 117 to Banking Group profit before tax from the date of acquisition to 30 June 2018. Had the acquisition occurred on 1 July 2017, the Banking Group interest income would have been R1.389 billion and the Banking Group profit before tax R205.331 million for the year to 30 June 2018.

Glossary of terms

TERM	DEFINITION
ALCO	Asset and Liability Committee
ATFS	Absa Technology Finance Solutions (Pty) Ltd
Banks Act	Banks Act, 94 of 1990, as amended
Basel III	Set of reform measures, in addition to Basel II, to strengthen the regulation, supervision and risk management of the banking sector
Benal	Benal Property Investments (Pty) Ltd
CAR	Capital Adequacy Ratio
CGU	Cash-generating unit
CIC	Capital Investment Committee
CLEC	Credit and Large Exposures Committee
Companies Act	Companies Act, No 71 of 2008, as amended
DFI	Development Finance Institutions
ECL	Expected Credit Losses
Efficient	Efficient Group Limited
Fintech	Fintech (Pty) Ltd
FVTPL	Fair value through profit or loss
GACC	Group Audit and Compliance Committee
GIA	Group Internal Audit
GRCMC	Group Risk and Capital Management Committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
INBR	Incurred but not reported
IRBA	Independent Regulatory Board for Auditors
ISAs	International Standards on Auditing
JSE	Johannesburg Stock Exchange Limited
LGD	Loss given default
Libor	London Interbank Offered Rate
PD	Probability of default
REMCO	Remuneration Committee
Reporting date	16 September 2019
SAICA	South African Institute of Chartered Accountants

Glossary of terms continued

SARB	South African Reserve Bank
Sasfin	Sasfin Holdings Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Pty) Limited
SCS	Sasfin Commercial Solutions (Pty) Ltd
SICR	Significant Increase in Credit Risk
The Bank	Sasfin Bank Limited
The Company	Sasfin Bank Limited
The Holding Company	Sasfin Holdings Limited
The Group	Sasfin Holdings Limited and its subsidiaries
USD	United States Dollar
WACC	Weighted Average Cost of Capital
WIPHOLD	Women Investment Portfolio Holdings Limited
ZAR	South African Rand

Corporate details

Country of incorporation and domicile	South Africa
Independent Non-Executive Chair	Roy Andersen
Executive directors	Michael Sassoon (Chief Executive Officer) Angela Pillay (Financial Director)
Independent Non-Executive Directors	Richard Buchholz Linda de Beer Grant Dunnington Gugu Mtetwa Shahied Rylands (Lead) Mark Thompson Eileen Wilton
Non-Independent, Non-Executive Directors	Gugu Dingaan Gloria Serobe Shaun Rosenthal (Alternate)
Group Company Secretary	Howard Brown
Transfer secretaries	Computershare Investor Services (Pty) Ltd Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg 2196
Lead sponsor	Sasfin Capital (Pty) Ltd (a member of the Sasfin Group)
Independent sponsor	Deloitte & Touche Sponsor Services (Pty) Ltd
Auditors	PricewaterhouseCoopers Inc
Registered office	29 Scott Street Waverley Johannesburg 2090
Postal address	PO Box 95104 Grant Park Johannesburg 2051
Website	www.sasfin.com
E-mail	investorrelations@sasfin.com
Company registration number	1951/002280/06
Tax reference number	9375/204/71/7

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