Annual Financial Statements for the year ended 30 June 2020

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 beyond a bank | Bank Limited

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Indicates additional information available online or from the Company Secretary.

OUR REPORTS

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

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

Legal entity terminology used in this report

Group/Sasfin: Sasfin Holdings Limited and its subsidiaries

Banking Group: Sasfin Bank Limited and its subsidiaries

Bank: Sasfin Bank Limited

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

Capital: Sasfin Capital (Proprietary) Limited

Company: Sasfin Bank Limited

STATEMENT OF PREPARATION

In terms of section 29(1)(e)(ii) of the Companies Act, No 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, No 71 of 2008 as amended.

DISCLAIMER

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

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

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

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

DIRECTORS' RESPONSIBILITY STATEMENT

The Board of Directors (the Board) of Sasfin 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 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 2020 were approved by the Board and are signed on its behalf by:

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

30 September 2020

COMPANY SECRETARY'S CERTIFICATION

I hereby certify that, in terms of section 88(2)(e) of the Companies Act, Sasfin 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 2020 and that all such returns and notices as are required of a public company are true, correct and up to date.

Charissa de Jager
Company Secretary

30 September 2020

GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT

INTRODUCTORY COMMENTS

The Group Audit and Compliance Committee (GACC/the Committee), which also oversees audit and compliance matters of the Banking Group, is pleased to present its report in respect of the 2020 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, JSE Listings Requirements and King Report on Corporate Governance™ for South Africa, 2016 (King IV™)* and are set out in its Charter which is approved by the Board.

COMMITTEE COMPOSITION AND ASSESSMENT OF ITS PERFORMANCE

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

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

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

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

FUNCTIONS OF THE COMMITTEE

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

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

ANNUAL CONFIRMATIONS OF KEY FUNCTIONS FOR THE YEAR

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

Financial control, financial reporting and the Integrated Report

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

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

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

External Audit

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

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

- the independence of PwC not being impaired as set out by IRBA, as well as other regulatory and internal processes within the audit firm; and
- policies and controls regarding non-assurance services provided by PwC.

Internal Audit

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

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

Compliance

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

Combined Assurance

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

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

GROUP AUDIT AND COMPLIANCE COMMITTEE REPORT CONTINUED

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

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

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

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

KEY AUDIT MATTERS AS REPORTED BY THE EXTERNAL AUDITORS

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

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

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

Impact of COVID-19

The areas most impacted by COVID-19 include:

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

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

Expected credit losses of loans and advances

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

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

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

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

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

IN CONCLUSION

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

Mark Thompson

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

30 September 2020

DIRECTORS' REPORT

NATURE OF BUSINESS

Sasfin 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.

COVID-19

The outbreak of the COVID-19 pandemic had a severe impact on the Expected Credit Losses recognised on loans and advances, as well as negotiable securities, given its forward looking nature and the current uncertain economic outlook. It also had an overall negative impact on the fair value measurements of the Group's Private and Property Equity portfolios. The Group continues to maintain a strong cash position and capital adequacy, and remains committed to its clients and employees.

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 2020.

DIRECTORATE AND CHANGES TO THE BOARD

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

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

Thabang Magare was appointed as an Independent Non-Excutive Director on 1 January 2020 and Deon de Kock joined the board as Independent Non-Executive Director on 19 August 2020 together with Nontobeko Ndhlazi, who was appointed as Non-Independent Non-Executive Director.

DIRECTORS AND COMPANY SECRETARY

Independent Non-Executive Directors		Appointed	Resigned
Roy Andersen[1]	Chair	14 February 2011	
Linda de Beer		1 July 2014	30 September 2019
Grant Dunnington[1]		25 February 2010	
Gugu Mtetwa		9 October 2017	30 September 2019
Shahied Rylands		5 August 2006	26 November 2019
Richard Buchholz	Lead	9 January 2018	
Mark Thompson		21 June 2019	
Eileen Wilton		6 August 2019	
Thabang Magare		1 January 2020	
Deon de Kock		19 August 2020	
Non-Independent, Non-Executive Directors			
Gloria Serobe		7 March 2018	14 May 2020
Gugu Dingaan		7 March 2018	
Shaun Rosenthal	Alternate	7 March 2018	
Roland Sassoon		1 January 2020	
Nontobeko Ndhlazi		19 August 2020	
Executive Directors			
Michael Sassoon	Chief Executive Officer	26 October 2018	
Angela Pillay	Group Financial Director	1 March 2018	
Alternate Executive Directors			
Linda Fröhlich		9 October 2013	
Maston Lane		16 March 2018	
Company Secretary			
Howard Brown		28 August 2011	18 December 2019
Charissa de Jager		18 December 2019	

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

SHARE CAPITAL

Ordinary share capital

There were no changes to the authorised ordinary share capital.

SPECIAL RESOLUTIONS PASSED

Special resolutions passed during the year are available for inspection.

EVENTS AFTER THE REPORTING DATE

The Board is not aware of any material events which occurred after the reporting date and up to the date of this report apart from those mentioned in note 43 to the Annual Financial Statements.

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 2020, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

- Sasfin Bank Limited's financial statements set out on pages 10 to 123 comprise:
- the consolidated and separate statements of financial position as at 30 June 2020;
- the consolidated and separate statements of comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies.

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

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 2020", 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. 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 have obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the directors for the consolidated and separate financial statements

The directors are responsible for the preparation 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 the Company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the consolidated and separate financial statements

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

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

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: Vincent Tshikhovhokhovho
Registered Auditor

Johannesburg

30 September 2020

CONSOLIDATED AND SEPARATE STATEMENTS OF FINANCIAL POSITION

AT 30 JUNE 2020

			Consolidated		Separate	
	Accounting policy	Note	**2020 R'000**	2019[1] R'000 Restated[2]	**2020 R'000**	2019[1] R'000 Restated[2]
ASSETS						
Cash and cash balances	1.10	4.	**1 698 350**	1 314 414	**1 442 103**	1 079 459
Negotiable securities	1.12	5.	**3 126 595**	3 077 519	**3 126 595**	3 077 519
Trading assets	1.12	6.	**85 172**	39 007	**84 537**	38 997
Trade and other receivables	1.12	7.	**354 059**	270 955	**286 414**	315 775
Non-current assets held for sale		8.	**6 700**	–	**–**	–
Loans and advances[2]	1.12	9.	**6 609 237**	7 499 418	**3 244 723**	3 937 360
Current taxation asset	1.15		**16 991**	20 130	**–**	–
Investment securities[2]	1.12	10.	**154 221**	142 060	**154 071**	141 839
Loans to entities in the Group			**208 824**	130 490	**541 407**	476 038
Property, equipment and right-to-use assets[2]	1.5	12.	**85 422**	45 740	**82 947**	45 639
Investment property	1.3	13.	**–**	8 900	**–**	–
Intangible assets and goodwill	1.4	14.	**194 709**	215 800	**140 353**	156 676
Deferred tax asset	1.15	11.	**2 210**	2 139	**–**	–
Investments in subsidiaries and structured entities			**–**	–	**255 859**	255 859
Total assets			**12 542 490**	12 766 572	**9 359 009**	9 525 161
LIABILITIES						
Funding under repurchase agreements and interbank	1.12	15.	**1 882 806**	2 271 610	**1 803 712**	2 197 422
Trading liabilities	1.12	6.	**101 438**	40 436	**85 856**	35 171
Current taxation liability	1.15		**1 344**	–	**–**	–
Trade and other payables	1.12	16.	**684 667**	743 310	**458 476**	438 384
Bank overdraft	1.10	4.	**151 462**	46 008	**30 462**	–
Provisions	1.7	17.	**20 291**	38 189	**16 343**	28 591
Lease liabilities[2]	1.8	18.	**65 284**	–	**62 705**	–
Deposits from customers	1.12	19.	**5 327 015**	5 146 236	**5 748 643**	5 561 971
Debt securities issued	1.12	20.	**2 743 823**	2 753 521	**–**	–
Long-term loans	1.12	21.	**121 649**	245 715	**116 360**	240 215
Deferred tax liability	1.15	11.	**90 469**	136 213	**25 728**	45 623
Loans from entities in the Group			**–**	–	**15 384**	8 210
Total liabilities			**11 190 248**	11 421 238	**8 363 669**	8 555 587
EQUITY						
Ordinary share capital	1.9	22.	**3 600**	3 600	**3 600**	3 600
Ordinary share premium	1.9	23.	**459 876**	459 876	**459 876**	459 876
Reserves	1.9		**888 766**	881 858	**531 864**	506 098
Total equity			**1 352 242**	1 345 334	**995 340**	969 574
Total liabilities and equity			**12 542 490**	12 766 572	**9 359 009**	9 525 161

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

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

CONSOLIDATED AND SEPARATE STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2020

	Accounting policy	Note	Consolidated 2020 R'000	Consolidated 2019 R'000 Restated[1]	Separate 2020 R'000	Separate 2019 R'000 Restated[1]
Interest and similar income	1.13	25.	1 235 604	1 269 362	801 348	813 754
Interest and similar income calculated using the effective interest rate method			1 233 266	1 271 948	786 244	808 702
Other interest income			2 338	(2 586)	15 104	5 052
Interest and similar expense		26.	(719 461)	(763 304)	(507 320)	(538 973)
Interest expense calculated using the effective interest method	1.13		(718 117)	(762 378)	(499 365)	(533 323)
Other interest expense	1.13		(1 344)	(926)	(7 955)	(5 650)
Net interest income			516 143	506 058	294 028	274 781
Non-interest income			317 731	341 262	450 756	446 250
Net fee and commission income	1.13	27.	98 443	105 992	265 821	279 630
Fee and commission income			140 010	191 447	290 084	295 656
Fee and commission expense	1.13		(41 567)	(85 455)	(24 263)	(16 026)
Gains and losses on financial instruments			106 935	127 333	180 429	163 486
Net gains or losses on the derecognition of financial instruments at amortised cost	1.13	28.	28 334	52 129	12 884	25 401
Other gains or losses on financial instruments		28.	78 601	75 204	167 545	138 085
Other income		29.	112 353	107 937	4 506	3 134
Total income			833 874	847 320	744 784	721 031
Credit impairment charges	1.12.4 & 2.1.1	39.3.6	(255 560)	(80 291)	(139 333)	(19 820)
Net income after impairments			578 314	767 029	605 451	701 211
Total operating costs			(615 968)	(583 967)	(589 585)	(561 640)
Staff costs	1.14	30.	(340 297)	(321 098)	(284 776)	(256 516)
Other operating expenses		31.	(259 020)	(256 814)	(288 158)	(299 069)
Impairment of non-financial assets	1.11	32.	(16 651)	(6 055)	(16 651)	(6 055)
(Loss)/profit before income tax			(37 654)	183 062	15 866	139 571
Income tax expense	1.5	33.	13 249	(47 675)	19 899	(21 309)
(Loss)/profit for the year			(24 405)	135 387	35 765	118 262
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			41 313	4 877	–	–
Total comprehensive income for the year			16 908	139 371	35 765	118 262

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

CONSOLIDATED AND SEPARATE STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2020

	Ordinary share capital and premium R'000	Distri-butable reserves R'000	Foreign currency trans-lation reserve R'000	Hedging reserve R'000	Total ordinary share-holders' equity R'000	Total share-holders' equity R'000
Consolidated						
2020						
Opening balance at 1 July 2019	463 476	908 762	80 198	(107 099)	1 345 337	1 345 337
Changes on initial application of IFRS 9	–	–	–	–	–	–
Restated balance at 1 July 2019	463 476	908 762	80 198	(107 099)	1 345 337	1 345 337
Transfers	–	5 658	(5 658)	–	–	–
Total comprehensive income for the year	–	(24 408)	41 313	–	16 906	16 906
Profit for the year	–	(24 408)	–	–	(24 408)	(24 408)
Other comprehensive income net of income tax for the year	–	–	41 313	–	41 313	41 313
Foreign exchange differences on translation of foreign operations	–	–	41 313	–	41 313	41 313
Dividends to ordinary shareholders	–	(10 000)	–	–	(10 000)	(10 000)
Balance at 30 June 2020	463 476	880 012	115 853	(107 099)	1 352 242	1 352 242
2019						
Opening balance at 1 July 2018	463 476	903 475	75 321	(107 099)	1 335 173	1 335 173
Changes on initial application of IFRS 9	–	(66 103)	–	–	(66 103)	(66 103)
Restated balance at 1 July 2018	463 476	837 372	75 321	(107 099)	1 269 070	1 269 070
Transfers	–	–	–	–	–	–
Total comprehensive income for the year	–	135 387	4 877	–	140 264	140 264
Profit for the year	–	135 387	–	–	135 387	135 387
Other comprehensive income net of income tax for the year	–	–	4 877	–	4 877	4 877
Foreign exchange differences on translation of foreign operations	–	–	4 877	–	4 877	4 877
Dividends to ordinary shareholders	–	(64 000)	–	–	(64 000)	(64 000)
Balance at 30 June 2019	463 476	908 759	80 198	(107 099)	1 345 334	1 345 334

	Ordinary share capital and premium R'000	Distri-butable reserves R'000	Foreign currency trans-lation reserve R'000	Hedging reserve R'000	Total ordinary share-holders' equity R'000	Total share-holders' equity R'000
Separate						
2020						
Opening balance at 1 July 2019	463 476	613 197	–	(107 099)	969 574	969 574
Transfers	–	–	–	–	–	–
Total comprehensive income for the year	–	35 766	–	–	35 766	35 766
Profit for the year	–	35 766	–	–	35 766	35 766
Dividends to ordinary shareholders	–	(10 000)	–	–	(10 000)	(10 000)
Balance at 30 June 2020	463 476	638 963	–	(107 099)	995 340	995 340
2019						
Opening balance at 1 July 2018	463 476	608 531	–	(107 099)	964 908	964 908
Changes on initial application of IFRS 9	–	(49 596)	–	–	(49 596)	(49 596)
Restated balance at 1 July 2018	463 476	558 935	–	(107 099)	915 312	915 311
Transfers	–	–	–	–	–	–
Total comprehensive income for the year	–	118 262	–	–	118 262	118 262
Profit for the year	–	118 262	–	–	118 262	118 262
Dividends to ordinary shareholders	–	(64 000)	–	–	(64 000)	(64 000)
Balance at 30 June 2019	463 476	613 197	–	(107 099)	969 574	969 574

DIVIDEND PER SHARE

	Consolidated		Separate	
	2020 Cents per share	2019 Cents per share	**2020 Cents per share**	2019 Cents per share
Ordinary shares				
Interim dividend	2.78	10.00	2.78	10.00
Final dividend	–	7.78	–	7.78

CONSOLIDATED AND SEPARATE STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	Consolidated 2020 R'000	Consolidated 2019 R'000 Restated[1]	Separate 2020 R'000	Separate 2019 R'000 Restated[1]
Cash flows from operating activities					
Interest received		1 235 304	1 269 362	801 348	813 754
Interest paid		(719 461)	(763 304)	(507 320)	(538 973)
Fee and commission income received		140 010	191 477	290 084	295 656
Fee and commission expense paid		(41 567)	(85 455)	(24 263)	(16 026)
Net trading and other income/(expenses)		114 502	64 934	4 458	20 483
Cash payments to employees and suppliers		(520 895)	(444 216)	(496 169)	(517 495)
Cash inflow from operating activities	35.1	208 193	232 798	68 138	57 399
Dividends received		10 257	11 901	97 503	71 404
Taxation paid	35.2	(28 086)	(45 206)	–	1 721
Dividends paid	35.3	(10 000)	(64 000)	(10 000)	(64 000)
Cash flows from operating activities before changes in operating assets and liabilities		180 364	135 493	155 641	66 524
Changes in operating assets and liabilities		239 014	(499 278)	305 598	(437 241)
(Increase)/Decrease in loans and advances		787 937	(33 668)	617 692	(424 322)
(Increase)/Decrease in trading assets		(16 036)	133 584	(8 388)	202 525
(Increase)/Decrease in negotiable securities		(74 470)	(1 094 723)	(74 470)	(1 094 723)
Increase/(Decrease) in other receivables		(84 760)	89 949	27 758	21 126
Increase/(Decrease) in deposits		180 778	540 661	186 672	406 394
Increase/(Decrease) in long-term funding		(124 067)	(178 886)	(123 855)	(184 401)
Increase/(Decrease) in funding under repurchase agreements and interbank		(388 804)	348 366	(393 710)	677 750
Increase/(Decrease) in trading liabilities		61 002	(63 808)	50 685	(136 390)
Increase/(Decrease) in debt securities		(9 698)	(361 911)	–	–
Increase/(Decrease) in trade and other payables		(76 423)	113 971	37 833	89 170
Increase/Decrease in provisions		(16 445)	7 187	(14 619)	5 630
Net cash from operating activities		419 378	(363 785)	461 239	(370 717)
Cash flows from investing activities		(121 116)	(209 977)	(103 355)	(128 867)
Proceeds from the disposal of property and equipment		29	5 514	34	–
Proceeds from the disposal of investment securities		–	–	–	(17 917)
Acquisition of property and equipment		(12 268)	(23 907)	(12 268)	(21 293)
Acquisition of intangible assets		(29 077)	(61 094)	(29 078)	(58 295)
Advances made to entities in the Group		(79 800)	(130 490)	(62 043)	(31 362)
Net cash flows from financing activities		(26 206)	–	(25 702)	–
Repayment of lease liabilities		(26 206)	–	(25 702)	–
Net increase/(decrease) in cash and cash balances		272 056	(573 762)	332 182	(499 584)
Cash and cash balances at beginning of the year	4.	1 268 406	1 838 645	1 079 459	1 579 043
Effect of exchange rate movements on cash and cash balances		6 426	3 523	–	–
Cash and cash balances at the end of the year	4.	1 546 888	1 268 406	1 411 641	1 079 459

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES

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

1.1 Basis of preparation

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

The directors assess the 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 affecting the Banking Group's previously reported financial results, disclosures or accounting policies and did not impact the Banking Group's results upon transition:

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

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

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

Impact of adoption of IFRS 16 Leases

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

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

Impact of adoption of IFRS 16 Leases continued

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

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

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

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

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

Consolidated	30 June 2019 R'000	IFRS 16 Transition adjustment R'000	1 July 2019 R'000
ASSETS			
Property, equipment and right-of-use asset[1]	45 740	73 749	119 489
Deferred tax raised on right-of-use asset	–	(19 786)	(19 786)
	45 740	53 963	99 703
LIABILITIES			
Trade and other payables	743 310	(17 741)	725 569
Lease liability (net of accruals/prepayments already recognised)[2]	–	91 490	91 490
Deferred tax raised on lease smoothing provision	4 967	(4 967)	–
Deferred tax raised on lease liability	–	24 753	24 753
	4 967	93 535	841 812
Separate			
ASSETS			
Property, equipment and right-of-use asset[1]	45 639	70 666	116 305
Deferred tax raised on right-of-use asset	–	(19 786)	(19 786)
	45 639	50 880	96 519
LIABILITIES			
Trade and other payables	438 384	(17 741)	420 643
Lease liability (net of accruals/prepayments already recognised)[2]	–	88 407	88 407
Deferred tax raised on lease smoothing provision	4 967	(4 967)	–
Deferred tax raised on lease liability	–	24 753	24 753
	4 967	90 452	533 803

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

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

1. ACCOUNTING POLICIES continued

1.1 Basis of preparation continued

1.1.2 Accounting policy elections

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

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

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. ACCOUNTING POLICIES continued

1.2 Basis of consolidation continued

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.

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 (Proprietary) Limited (Fintech), a subsidiary of Sasfin Bank Limited; and
- Sunlyn (Proprietary) 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. Should the dividend income exceed the carrying amount of the investment in the associate, the excess is recognised in profit or loss.

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 Statement of Financial Position in the separate financial statements.

1. ACCOUNTING POLICIES continued

1.2 Basis of consolidation continued

1.2.4 Associates *continued*

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 at fair value through profit or loss as these investments are managed on a fair value basis in accordance with a business model to realise these investments through sale.

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

1.3 Investment properties

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

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

Fair value is determined annually either by independent professional valuators or by the directors of the Group with the relevant experience. Where fair value cannot be reliably determined, the 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.

1.4 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 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.

Purchased and internally developed software are amortised in profit or loss on the straight-line basis over the expected useful lives of the assets. Refer to note 2.5 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES continued

1.5 Property and equipment and right of use assets

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 their carrying amount being cost less accumulated depreciation and impairment losses.

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

1.5.2 Right-of-use assets

Refer to note 1.8.2.

1.5.3 Depreciation

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

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

1.5.4 Profit or loss on disposal

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

1.6 Currencies

1.6.1 Functional and presentation currency

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

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

Sasfin Asia Limited operates in Hong Kong, with a functional currency of USD. On consolidation, exchange differences arising from the translation of the 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 at the:

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

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

1.7 Provisions

A provision is recognised when the 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.

1. ACCOUNTING POLICIES continued

1.8 Leases

1.8.1 Banking Group as the lessor (IFRS16 and IAS17)

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

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

1.8.2 Banking Group as the lessee (IFRS 16)

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

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

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

In determining the incremental borrowing rate, the Banking Group considers the following:

- Interest rates on recently obtained third party funding, when possible;
- The lease term; and
- The currency in which the lease is payable.

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

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

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

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

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

The Banking Group presents right-of-use assets in property and equipment and lease liabilities as such in the Statement of Financial Position.

Short-term leases and leases of low-value assets

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES continued

1.8 Leases continued

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

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

1.9 Share capital

1.9.1 Ordinary share capital

Ordinary shares are classified as equity.

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

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

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

1.9.2 Preference share capital as equity

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

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

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

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

1.10 Cash and cash balances

Cash and cash balances as reflected on the Statement of Cash Flows comprise:

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

Cash and cash balances are available for use by the 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 or 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. ACCOUNTING POLICIES continued

1.12 Financial instruments

Financial instruments, as reflected on the Statement of Financial Position, include all financial assets, financial liabilities, derivative instruments and financial guarantee contracts issued, excluding investments in subsidiaries and associate companies (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 obligations of the financial liability.

Financial instruments are initially recognised at fair value.

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

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

Classification and measurement of financial assets

Financial assets are classified and measured based on the Banking Group's business model for managing them and the contractual cash flow characteristics of the 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 assets lead to cash flows that are solely payments of principal and interest on the principal amount outstanding (SPPI), are classified and measured as 'measured at amortised cost'.

Financial assets held by the 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); and
- The frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. Information about sales activity is considered as part of the overall assessment of how Sasfin's stated objective for managing the financial assets is achieved and how cash flows are realised.

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

Reclassifications

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

Impairment

The Banking 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.

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

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.

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; and
- Financial guarantee contracts: the expected payments to reimburse the holder less any amounts that the Banking Group expects to recover. Refer to note 39.

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

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

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

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

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

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

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

Significant Increase in Credit Risk (SICR)

The 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 Term Loans
  - When a debtor is flagged as High Care; or
  - Once an account becomes past due/arrears for more than seven days and up to and including 30 days.

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

Impact of Covid-19 on SICR

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

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

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

Determining whether the relief is temporary or a distressed restructure is based on the product-specific definitions incorporating various factors.

The sensitivity analysis performed indicates an additional ECL charge of circa R66 million to the income statement if, in a severe event, all the exposures relating to payment relief in stage 1 moved to stage 2 and those in stage 2 deteriorated to stage 3 as at 30 June 2020.

Restructured financial assets (Trade and Debtor finance)

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

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

Default and curing

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 resulting in cost overruns likely to require loan restructuring;
- The increase in the debtor's borrowings is not in proportion to the growth of the debtor's business;
- The debtor is experiencing difficulty with repaying obligations with other creditors; and
- Indications that a debtor would enter into provisional or final liquidation or business rescue.

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

- Up to date; and
- Three consecutive payments paid on or before due date.

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

Write off

Loans and advances as well as debt securities are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the 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 "credit impairment charges" in the statement 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 Statement of Financial Position

Loss allowances for ECL are presented in the Statement of Financial Position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Financial guarantee contracts: as a deduction from loans and advances; and
- Where a financial instrument includes both a drawn and an undrawn component, the 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 Statement of Financial Position, but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Refer to notes 1.2.3 and 35 for more details.

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

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

Amortised cost

Amortised cost financial assets and financial liabilities are measured at the amount determined on initial recognition, less principal repayments and cumulative amortisation using the effective interest method 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 (FVTPL)

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, since realisation of these are anticipated to be through sale.

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

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

1.12.1 Repurchase agreements

The 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 Statement 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

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 Statement 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

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

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

Hedge accounting – net investment hedge

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

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

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%.

1. ACCOUNTING POLICIES continued

1.12 Financial instruments continued

1.12.3 Derivative financial instruments and hedge accounting continued

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 statement of comprehensive income and consolidated statement of changes in equity in the hedging reserve. Any ineffective portion is immediately recognised in profit or loss. On the partial disposal of a foreign operation, the proportionate share of those deferred gains and losses is recognised in profit or loss.

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

1.12.4 Derivative financial instruments and hedge accounting

Derivatives that do not qualify for hedge accounting

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

1.13 Revenue

1.13.1 Net interest income

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

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

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

In calculating the effective interest rate, the 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.

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. The reversal of interest income relating to credit impaired financial assets that have been cured, is recognised as a reduction of the Impairment charges 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, fair value gains and losses (apart from those fair value gains and losses on interest rate swaps that are recognised as part of net interest income), dividend income, foreign exchange gains and losses and other income.

Fee and commission income from contracts with customers are 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 include administration fees, advisory fees and forex service fees as well as fees for providing banking and financial services activities. Fee and commission income are 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 are recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

1. ACCOUNTING POLICIES continued

1.13 Revenue continued

1.13.2 Non-interest income continued

Dividend income is received from equity investments in entities that the Group does not control and those investments in associates that are reccognised at FVTPL (refer note 1.2.4). 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.

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

Tax comprise current and deferred taxation and are recognised in profit or loss.

1.15.1 Current tax

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

1.15.2 Deferred tax

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

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

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

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

1.16 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.

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS

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

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

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

2.1 Impact of the Covid-19 pandemic

The economic impact of the outbreak of the Covid-19 pandemic significantly increased the overall level or estimation uncertainty and judgement applied by management. This is evident in the calculation and determination of the following items, which are explained in more detail below:

- Credit impairment of loans and advances has increased significantly, with credit impairment recognised for the first time on negotiable securities;
- Fair value of the private equity and property equity portfolios declined considerably; and
- Expected cash flows from cash-generating units in determining the impairment of non-financial assets such as goodwill and software, resulting in higher impairments of non-financial assets.

2.2 Credit impairment

2.2.1 Credit impairment of loans and advances (refer to notes 9 and 39)

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

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

The 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. In 2019 one of the key macro-economic elements was changes to the prime interest rate. For the scenarios listed below for 2019 (refer next page), the average values of the prime interest rate over the then next 12 months, and over the remaining forecast period are provided.

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

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

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

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

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.2 Credit impairment continued

2.2.1 Credit impairment of loans and advances (refer to notes 9 and 39) continued

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

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

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

	Best 12 months %	Best Life time %	Expected 12 months %	Expected Life time %	Worst 12 months %	Worst Life time %	Blended 12 months %	Blended Life time %
Separate 2020								
Factors								
Gross Domestic Product	(1.92)	1.65	(6.24)	0.27	(12.12)	(1.53)	(7.71)	(0.18)
Consumer Price Index	3.07		3.47		4.30		3.68	
Gross Fixed Investment	(2.86)		(9.66)		(22.29)		(12.81)	
Unemployment	8.79		15.57		25.18		17.97	
Scenario Probability		–		75		25	Combination[1]	
		R'000		R'000		R'000		R'000
Impact on ECL[2]		(19 692)		(4 032)		11 924		–

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

2 *The impact of forward looking information on the IFRS 9 provision is R31 million.The percentage change of the total IFRS 9 provision is 7% downward adjustment in a 100% best case scenario, 1% downward adjustment in a 100% expected scenario and 4% upward adjustment in a 100% worst case scenario.*

	Up case 12 months %	Up case Life time %	Expected 12 months %	Expected Life time %	Lite down 12 months %	Lite down Life time %	Severe down 12 months %	Severe down Life time %	Probability weighted 12 months %	Probability weighted Life time %
Separate 2019										
Factors										
Change in prime interest rate	(0.75)	(0.75)	(0.25)	(0.25)	(0.50)	(0.50)	(0.75)	(0.75)	(0.2725)	(0.2725)
PD	1.60.	23.48	1.68	27.13	1.83	28.05	2.26	28.96	1.79	27.21
		R'000		R'000		R'000		R'000		R'000
Impact on ECL		(2 257)		(1 019)		516		4 450		–

2.2.2 Credit impairment of negotiable securities (refer to notes 5 and 39)

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.3 Private Equity investment valuations (refer to note 10)

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

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

- 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 CIC and are recommended to the Board for approval.

2.4 Property Equity investment valuations (refer to note 10)

In relation to investments held by the 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 CIC and recommended to the Board for approval.

2.5 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.

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.5 Fair value (refer to note 37) continued

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 Option Pricing.

Assumptions and inputs used in the valuation methodologies comprise:

- Risk-free interest rates;
- Benchmark interest rates;
- Credit spreads; and
- Liquidity and other *premia* used in estimating discount rates, bond and equity prices, foreign currency exchange rates, equity and equity index prices and expected price volatilities and correlations.

Fair value estimates obtained from models are adjusted for factors such as liquidity risk or model uncertainties that the 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.

2.6 Intangible assets and goodwill (refer to note 14)

2.6.1 Intangible assets

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

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

- It is technically feasible to complete the software for use;
- The 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 benefits. 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.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

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

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 (CGU), where applicable, as well as the impairment assessment requires management judgement.

2.6.2 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 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.

2.7 Current and deferred taxation (refer to notes 11 and 33)

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.

2.8 Assessment of significant influence and control of entities (refer to note 39.1)

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.

2.9 Statement of Cash Flows – allocation of funding between operating and financing activities

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

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.10 Classification as a non-current asset held for sale (refer to note 8 and 13)

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

2.11 Restatements

Management applied judgement to determine whether changes in presentation and disclosure from 2019 to the current were re-classification adjustments, or whether it constituted a correction of a prior period error.

2.11.1 Correction of prior year error: classification of specialised lending product

During the year it was identified that upon transition to IFRS 9, the Banking Group continued to recognise the specialised lending product as a bi-furcated financial instrument in accordance with IAS 39 Financial Instruments: Recognition and Measurement, i.e. a portion as loans and receivables (i.e. at amortised cost) in loans and advances and the other portion as a financial asset at fair value through profit or loss as part of investment securities. In terms of IFRS 9, the classification and measurement of the instrument has to be considered as one instrument and is bi-furcation not allowed for this specific instrument. In terms of IFRS 9, the correct classification for this specific specialised lending product is a financial asset at fair value through profit or loss, since the instrument as a whole does not meet the SPPI criteria. The carrying amount of the specialised lending product approximated its fair value and accordingly did not impact the Banking Group's total assets, profit for the year, credit impairment charges and earnings per share. Since the classification and measurement of the specialised lending product adhered to the requirements of IAS 39, the statement of financial position at 30 June 2018 is not restated. The correction in classification had no impact on the statement of cash flows. The impact of this correction in classification on the statement of financial position and statement of profit or loss and other comprehensive income is set out on the following page.

2.11.2. Correction of prior year error in disclosure: Gains on the derecognition of financial assets recognised at amortised cost

IAS 1 requires separate disclosure of gains and losses arising from the derecognition of financial assets measured at amortised cost as a line item in the statement of comprehensive income. Previously settlement profits of R42.488 million were included as part of other income. Settlement profits comprise of gains and losses on the derecognition of loans and advances at amortised cost. The gains on other financial assets at amortised cost of R7.849 million was previously included as part of gains and losses on financial instruments.

This correction in disclosure did not impact the Banking Group's profit for the year and earnings per share. It further had not impact on the total non-interest revenue. This correction in disclosure had no impact on the statement of financial position and consequently the statement of financial position at 30 June 2018 is not restated. The correction in disclosure also had no impact on the statement of cash flows. The impact of this correction on the statement of profit or loss and other comprehensive income is set out in the table below.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.11 Restatements continued

	2019			
	As previously reported R'000	Re-classification error increase/ (decrease) R'000	Disclosure correction increase/ (decrease) R'000	Restated R'000
Consolidated				
Statement of comprehensive income				
Interest and similar income	1 269 362	–	–	1 269 362
Interest income calculated using the effective interest method	1 276 425	(4 477)	–	1 271 948
Other interest	(7 063)	4 477	–	(2 586)
Net interest income	506 058	–	–	506 058
Non-interest income	341 262	–	–	341 262
Net fee and commission income	105 992	–	–	105 992
Fee and commission income	191 477	–	–	191 477
Gains and losses on financial instruments	84 846	–	42 488	127 334
Net gains or losses on the derecognition of financial instruments at amortised cost	84 846	–	42 488	127 334
Other income	150 424	–	(42 488)	107 936

	2019				1 July 2018		
	As previously reported R'000	Re-classification error increase/ (decrease) R'000	Disclosure correction increase/ (decrease) R'000	Restated R'000	As previously reported[1] R'000	Correction increase/ (decrease) R'000	Restated R'000
Statement of financial position							
Investment securities – Investments at fair value through profit or loss	154 363	(12 303)	–	142 060	136 535	–[2]	136 533
Loans and advances	7 487 115	12 303	–	7 499 418	7 617 107	–	7 617 107
Amortised cost	7 487 115	(17 167)	–	7 469 948	7 617 107	(14 915)	7 602 192
Fair value through profit or loss	–	29 470	–	29 470	–	14 915	14 915

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

2. CRITICAL ESTIMATES, JUDGEMENTS AND RESTATEMENTS continued

2.11 Restatements continued

	2019			
	As previously reported R'000	Re-classification error increase/ (decrease) R'000	Disclosure correction increase/ (decrease) R'000	Restated R'000
Separate				
Statement of comprehensive income				
Interest and similar income	813 754	–	–	813 754
Interest income calculated using the effective interest method	813 179	(4 477)	–	808 702
Other interest	575	4 477	–	5 052
Net interest income	274 781	–	–	274 781
Non-interest income	446 250	–	–	446 250
Net fee and commission income	279 630	–	–	279 630
Fee and commission income	295 656	–	–	295 656
Gains and losses on financial instruments	146 132	–	42 488	188 620
Net gains or losses on the derecognition of financial instruments at amortised cost	146 132	–	42 488	188 620
Other income	20 488	–	(42 488)	(22 000)

	2019				2018		
	As previously reported R'000	Re-classification error increase/ (decrease) R'000	Disclosure correction increase/ (decrease) R'000	Restated R'000	As previously reported[1] R'000	Correction increase/ (decrease) R'000	Restated R'000
Statement of financial position							
Investment securities – Investments at fair value through profit or loss	154 142	(12 303)		142 060	136 226	–[2]	136 224
Loans and advances	3 925 057	12 303		3 937 360	3 589 487	–	3 589 487
Amortised cost	3 925 057	(17 167)	–	3 907 890	3 589 487	(14 915)	3 574 572
Fair value through profit or loss	–	29 470	–	29 470	–	14 915	14 915

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

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

3. STANDARDS/INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE

There are new or revised accounting standards and interpretations in issue that are not yet effective for the year ended 30 June 2020 and have not been applied in preparing these Consolidated and Separate Annual Financial Statements. The 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
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 2023.
IFRS 10 and IAS 28	*Sale or contribution of assets between an investor and its associate or joint venture* The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of business is key to determining the extent of the gain to be recognised. These amendments are not expected to have an impact on the Banking Group.	The effective date is deferred by the IASB pending the outcome of its research project on the equity method of accounting.
IFRS 3 amendments	*Definition of a Business* The amendment elaborates on the definition of a business and is aimed at providing further guidance to better distinguish between the acquisition of a business or a group of assets. This amendment is not expected to have an impact on the Banking Group.	Business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020.
Updated references to the Conceptual Framework	*Changes to the references to the Conceptual Framework* When the IASB published the revised 'Conceptual Framework' in March 2018, it also issued 'Amendments to References to the Conceptual Framework in IFRS Standards'. These amendments are not expected to have an impact on the Banking Group.	Annual periods beginning on or after 1 January 2020

3. STANDARDS/INTERPRETATIONS ISSUED BUT NOT YET EFFECTIVE continued

Pronouncement	Title and details	Effective date
IAS 1 and IAS 8 amendments	*Updated materiality definition* The definition of "material" has been clarified and aligned with the definition used in the Conceptual Framework and in the various standards. This amendment is not expected to have an impact on the Banking Group.	Annual periods beginning on or after 1 January 2020
IFRS 9, IAS 39 and IFRS 7 – Phase 1 Amendments	*Interest Rate Benchmark Reform* These amendments address the potential effects from IBOR reform on financial reporting. These amendments are not expected to have a significant impact on the Banking Group.	Annual periods beginning on or after 1 January 2020.
IFRS 16 Amendment	*Covid-19-Related Rent Concessions* Lessees are provided with an exemption from assessing whether a Covid-19-related rent concession is a lease modification. This amendment is not expected to have an impact on the Banking Group.	Annual periods beginning on or after 1 June 2020.
IFRS 3 amendments	*Updating a reference to the Conceptual Framework* An outdated reference in IFRS 3 to the Conceptual Framework has been updated without any significant changes to its requirements. This amendment is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022.
IAS 37 amendments	*Onerous Contracts – Cost of Fulfilling a Contract* This amendment indicates which costs an entity should include as the costs of fulfilling a contract when assessing whether a contract is onerous. This amendment is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2022.
2018-2020 annual improvements cycle	*Amendments to IFRS 1 IFRS 9 IFRS 16 and IAS 41* Changes were made to *IFRS 1*, First-time adoption of International Financial Reporting Standards and *IAS 41*, Agriculture, which will have no impact on the Banking Group. An illustrative example has been removed from *IFRS 16* to prevent potential confusion regarding the treatment of lease incentives. This amendment is not expected to have an impact on the Banking Group. IFRS 9 has been amended to clarify the fees that an entity includes when determining whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. This amendment is not expected to have an impact on the Banking Group.	Annual periods beginning on or after 1 January 2022.
IAS 16 amendments	*Proceeds before intended use* This amendment prohibits an entity from reducing the cost of an item of property, plant and equipment through deducting the proceeds from the sale of items produced whilst bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items and the costs of producing them are to be recognised in profit or loss. This amendment is not expected to have an impact on the Banking Group.	Annual periods beginning on or after 1 January 2022.

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 2020

4. CASH AND CASH BALANCES

	Consolidated 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
Funds on call[1]	1 305 572	1 032 088	1 049 329	797 154
Notice deposits	–	21	–	–
Balance with the SARB[2]	140 065	129 706	140 065	129 706
Fixed deposits[1]	252 713	152 599	252 709	152 599
	1 698 350	1 314 414	1 442 103	1 079 459
Less: Bank overdraft	(151 462)	(46 008)	(30 462)	–
	1 546 888	1 268 406	1 411 641	1 079 459

[1] *In 2019 fixed deposits of R152.599 million were included as part of funds in call. Since fixed deposits have an agreed duration, these are now separately disclosed in their own sub-category.*

[2] *The balance with the SARB is for minimum reserve requirements and not available for use in the Group.*

5. NEGOTIABLE SECURITIES

	Note	Consolidated 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
Treasury bills[1]		2 681 579	2 335 045	2 681 579	2 335 045
Land Bank bills	39.1 & 39.3.3	473 000	463 964	473 000	463 964
Promissory notes[1]		–	278 510	–	278 510
Negotiable securities before impairments		3 154 579	3 077 519	3 154 579	3 077 519
Credit loss allowance		(27 984)	–	(27 984)	–
Net negotiable securities		3 126 595	3 077 519	3 126 595	3 077 519

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

6. TRADING ASSETS AND LIABILITIES

	Financial assets 2020 R'000	Financial assets 2019 R'000	Financial liabilities 2020 R'000	Financial liabilities 2019 R'000
Consolidated				
Derivatives	85 172	39 007	101 438	40 436
	85 172	39 007	101 438	40 436
Separate				
Derivatives	84 537	38 997	85 856	35 171
	84 537	38 997	85 856	35 171

7. TRADE AND OTHER RECEIVABLES

	Consolidated 2020 R'000	Consolidated 2019 Restated R'000	Separate 2020 R'000	Separate 2019 Restated R'000
Insurance asset	49 495	52 596	49 495	52 596
Value added taxation	12 632	35 062	–	22 097
Prepaid expenses[1]	27 274	19 248	27 172	19 014
Dividend receivable[2]	8 400	8 064	8 400	8 064
Trade receivables	26 481	38 403	26 230	38 403
Sundry receivables[1]	156 672	68 607	50 339	37 755
Receivables from companies in the Group	74 767	48 975	126 279	137 846
Other receivables before impairments	355 721	270 955	287 915	315 775
Credit loss allowance	(1 662)	–	(1 501)	–
Net other receivables	354 059	270 955	286 414	315 775

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

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

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

		Total R'000	Year 1 R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
9.	**LOANS AND ADVANCES**							
	Consolidated							
	2020							
	Loans and advances at amortised cost							
	Gross investment in leases	7 199 485	3 211 396	1 964 542	1 196 330	635 043	185 105	7 069
	Equipment finance	5 646 631	2 381 258	1 594 012	991 469	527 250	147 819	4 823
	Capital equipment Finance	1 552 854	830 138	370 530	204 861	107 793	37 286	2 246
	Less: Unearned finance income	(1 185 948)	(626 019)	(338 824)	(161 445)	(55 047)	(4 164)	(449)
	Equipment finance	(958 396)	(499 384)	(276 778)	(134 164)	(45 332)	(2 529)	(209)
	Capital equipment finance	(227 552)	(126 635)	(62 046)	(27 281)	(9 715)	(1 635)	(240)
	Net investment in leases[1]	6 013 537	2 585 377	1 625 718	1 034 885	579 996	180 941	6 620
	Equipment finance	4 688 235	1 881 874	1 317 234	857 305	481 918	145 290	4 614
	Capital equipment finance	1 325 302	703 503	308 484	177 580	98 078	35 651	2 006
	Trade and debtor Finance	718 014						
	Term loans	207 081						
	Secured loans	191 569						
	Unsecured loans	15 512						
	Loans and advances before expected credit losses	6 938 631						
	Credit loss allowance (Refer note 39.3)	(552 405)						
	Total loans and advances at amortised cost	6 386 226						
	Loans and advances at fair value	223 011						
	Specialised lending[2]	223 011						
	Total loans and advances	6 609 237						

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

[2] *A loan with a profit share arrangement attached to it was previously recognised as two separate components, with the loan component of R17.167 million included as part of secured loans at amortised cost, and the fair value of the profit component of R12.303 million included as part of Private and property Equity Investment Securities. these types of loans aee better reflected as one debt instruments at fair value through profit or loss in Loans and advances. refer to note 10.*

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FOR THE YEAR ENDED 30 JUNE 2020

		Total R'000	Year 1 R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
9.	**LOANS AND ADVANCES** continued							
	Separate							
	2020							
	Loans and advances at amortised cost							
	Gross investment in leases	3 192 542	1 522 793	837 311	491 016	248 782	90 105	2 535
	Equipment finance	1 950 252	811 834	553 475	343 507	178 492	62 655	289
	Capital equipment finance	1 242 290	710 959	283 836	147 509	70 290	27 450	2 246
	Less: Unearned finance income	(494 517)	(273 211)	(137 307)	(63 497)	(22 838)	2 584	(248)
	Equipment finance	(319 283)	(171 527)	(91 130)	(44 324)	(15 988)	3 694	(8)
	Capital equipment finance	(175 234)	(101 684)	(46 177)	(19 173)	(6 850)	(1 110)	(240)
	Net investment in leases[1]	2 698 025	1 249 583	700 004	427 519	225 944	92 689	2 286
	Equipment finance	1 630 970	640 308	462 345	299 183	162 504	66 349	281
	Capital equipment finance	1 067 055	609 275	237 659	128 336	63 440	26 340	2 005
	Trade and debtor finance	398 209						
	Term loans	207 081						
	Secured loans	191 569						
	Unsecured loans	15 512						
	Loans and advances before expected credit losses	3 303 315						
	Credit loss allowance (Refer note 39.3)	(281 603)						
	Total loans and advances at amortised cost	3 021 712						
	Loans and advances at fair value	223 011						
	Specialised lending[2]	223 011						
	Total loans and advances	3 244 723						

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

[2] *A loan with a profit share arrangement attached to it was previously recognised as two separate components, with the loan component of R17.167 million included as part of secured loans at amortised cost, and the fair value of the profit component of R12.303 million included as part of Private and property Equity Investment Securities. these types of loans are better reflected as one debt instruments at fair value through profit or loss in Loans and advances. refer to note 10.*

	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 continued				
Consolidated				
2019				
Loans and advances at amortised cost				
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	11 579
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			
Term loans	180 512			
Secured loans	180 512			
Unsecured loans	–			
Loans and advances before expected credit losses	7 871 690			
Credit loss allowance (Refer note 39.3)	(401 742)			
Total loans and advances at amortised cost	7 469 948			
Loans and advances at fair value	29 470			
Specialised lending[2]	29 470			
Total loans and advances	7 499 418			
Separate				
2019				
Loans and advances at amortised cost				
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	1 116
Capital equipment finance	1 305 760	643 760	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[1]	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	782 453			
Term loans	180 498			
Secured loans	180 498			
Unsecured loans	–			
Loans and advances before expected credit losses	4 118 748			
Credit loss allowance (Refer note 39.3)	(210 858)			
Total loans and advances at amortised cost	3 907 890			
Loans and advances at fair value	29 470			
Specialised lending[2]	29 470			
Total loans and advances	3 937 360			

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

[2] *A loan with a profit share arrangement attached to it was previously recognised as two separate components, with the loan component of R17.167 million included as part of secured loans at amortised cost, and the fair value of the profit component of R12.303 million included as part of Private and property Equity Investment Securities. these types of loans are better reflected as one debt instruments at fair value through profit or loss in Loans and advances. refer to note 10.*

	Consolidated 2020 R'000	Consolidated 2019 R'000 Restated[2]	Separate 2020 R'000	Separate 2019 R'000 Restated[2]
10. INVESTMENT SECURITIES				
Investments at fair value through profit or loss	**154 221**	142 060	**154 071**	141 839
Listed equity investments	**150**	221	**–**	–
Private and Property Equity investments[1]	**154 071**	141 839	**154 071**	141 839
	154 221	142 060	**154 071**	141 839

[1] A loan with a profit share arrangement attached to it was previously recognised as two separate components, with the loan component of R17.167 million included as part of secured loans at amortised cost, and the fair value of the profit component of R12.303 million included as part of Private and Property Equity investments in Investment Securities. These types of loans are better reflected as one debt instrument at fair value through profit or loss in Loans and advances. Refer to note 9.

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

	Consolidated 2020 R'000	Consolidated 2019 R'000 Restated[2]	Separate 2020 R'000	Separate 2019 R'000 Restated[2]
11. DEFERRED TAX ASSETS AND LIABILITIES				
Deferred tax assets	**2 210**	2 139	**-**	–
Deferred tax liability	**(90 469)**	(136 213)	**(25 728)**	(45 623)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2020 Assets R'000	2020 Liabilities R'000	2020 Net R'000	2019 Assets R'000	2019 Liabilities R'000	2019 Net R'000
Consolidated						
Equipment finance[1]	–	(238 613)	(238 613)	18	(271 544)	(271 526)
Tax losses*[1]	182	36 730	36 912	–	66 456	66 456
Fair value adjustment[1]	1	(48 370)	(48 369)	–	(46 898)	(46 898)
Prepayments	–	(1 366)	(1 366)	(5)	(1 688)	(1 693)
Impairments	–	19 264	19 264	–	19 264	19 264
Provisions	2 168	142 012	144 180	2 066	101 439	103 505
Investment property	(201)	–	(201)	–	(694)	(694)
Intangible assets	–	(6 080)	(6 080)	–	(7 415)	(7 415)
Property, equipment and right-to-use assets[1]	60	(12 956)	(12 896)	60	–	60
Lease liabilities	–	17 557	17 557	–	–	–
Other temporary differences[1]	–	1 353	1 353	–	4 867	4 868
Net tax assets/(liabilities)	**2 210**	**(90 469)**	**(88 259)**	2 139	(136 213)	(134 074)
Separate						
Equipment finance	–	(119 702)	(119 702)	–	(157 464)	(157 464)
Tax losses*	–	36 730	36 730	–	70 607	70 607
Fair value adjustment	–	(48 370)	(48 370)	–	(47 980)	(47 980)
Prepayments	–	(1 366)	(1 366)	–	(1 688)	(1 688)
Impairments	–	19 264	19 264	–	19 264	19 264
Provisions[1]	–	81 763	81 763	–	65 677	65 677
Property, equipment and right-to-use assets	–	(12 956)	(12 956)	–	–	–
Lease liabilities	–	17 557	17 557	–	–	–
Other temporary differences	–	1 352	1 352	–	5 961	5 961
Net tax assets/(liabilities)	**–**	**(25 728)**	**(25 728)**	–	(45 623)	(45 623)

** 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.*

[1] Balances in these line items have been reallocated to better present the movements.

11. DEFERRED TAX ASSETS AND LIABILITIES continued

Movements in temporary differences during the year

	Balance at 1 July R'000	IFRS 16 transition – day 1 R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
Consolidated				
2020				
Equipment finance	(271 527)	–	32 914	(238 613)
Tax losses	66 456	–	(29 544)	36 912
Fair value adjustment	(46 898)	–	(1 471)	(48 369)
Prepayments	(1 693)	–	327	(1 366)
Impairments	19 264	–	–	19 264
Provisions	103 505	–	40 675	144 180
Investment property	(694)	–	493	(201)
Intangible assets	(7 415)	–	1 335	(6 080)
Property, equipment and right-to-use assets	60	(19 786)	6 830	(12 896)
Lease liabilities	–	24 754	(7 197)	17 557
Other temporary differences	4 868	(4 968)	1 453	1 353
	(134 074)	–	45 815	(88 259)
Separate				
2020				
Equipment finance	(153 510)	–	33 808	(119 702)
Tax losses	66 456	–	(29 726)	36 731
Fair value adjustment	(46 883)	–	(1 487)	(48 370)
Prepayments	(1 688)	–	322	(1 367)
Impairments	19 264	–	–	19 264
Provisions	65 871	–	15 892	81 763
Property, equipment and right-to-use assets	–	(19 786)	6 830	(12 956)
Lease liabilities	–	24 754	(7 197)	17 557
Other temporary differences	4 867	(4 968)	1 453	1 352
	(45 623)	–	19 895	(25 728)

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

11. DEFERRED TAX ASSETS AND LIABILITIES continued

Movements in temporary differences during the year continued

	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
Consolidated				
2019				
Equipment finance	(193 324)	–	(78 203)	(271 527)
Tax losses	46 185	–	20 271	66 456
Fair value adjustment	(44 160)	–	(2 738)	(46 898)
Prepayments	(547)	–	(1 146)	(1 693)
Impairments	19 264	–	–	19 264
Provisions	47 026	18 583	37 896	103 505
Investment property	(1 524)	–	830	(694)
Intangible assets	(8 750)	–	1 335	(7 415)
Property and equipment	–	–	60	60
Lease liabilities	–	–	–	–
Other temporary differences	5 617	–	(750)	4 868
	(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 adjustment	(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)

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

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Right-to-use buildings[1] R'000	Total R'000
Consolidated						
2020						
Cost at the beginning of the year	135 373	21 962	3 032	27 764	–	188 131
IFRS 16 transition – day 1[1]	–	–	–	–	73 749	73 749
Cost at the beginning of the year – inclusive of IFRS 16	135 373	21 962	3 032	27 764	73 749	261 880
Additions	11 155	373	274	466	–	12 268
Disposals	(139)	(23)	(339)	(35)	–	(536)
Transfers	(174)	174	–	–	–	–
Cost at the end of the year	146 215	22 486	2 967	28 195	73 749	273 612
Accumulated depreciation and impairment at the beginning of the year	(109 516)	(19 255)	(2 668)	(10 952)	–	(142 391)
Depreciation charge for the year	(14 154)	(1 303)	(215)	(5 607)	(25 079)	(46 358)
Disposals	152	26	339	41	–	558
Transfers	(2)	2	–	–	–	–
Accumulated depreciation and impairment at the end of the year	(123 520)	(20 530)	(2 544)	(16 518)	(25 079)	(188 191)
Carrying amount at the beginning of the year	25 857	2 707	364	16 813	73 749	119 489
Carrying amount at the end of the year	22 695	1 956	423	11 677	48 670	85 422
Consolidated						
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
Transfers	(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 at the beginning of the year	(119 186)	(19 589)	(2 239)	(5 971)	–	(146 985)
Depreciation charge for the year	(23 170)	343	(429)	(4 981)	–	(28 237)
Transfers	32 840	–	–	–	–	32 840
Accumulated depreciation and impairment at the end of the year	(109 516)	(19 246)	(2 668)	(10 952)	–	(142 382)
Carrying amount at the beginning of the year	34 396	178	555	16 470	–	51 599
Carrying amount at the end of the year	25 920	2 716	364	16 812	–	45 812

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

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FOR THE YEAR ENDED 30 JUNE 2020

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

Separate	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and buildings R'000	Right-to-use buildings[1] R'000	Total R'000
2020						
Cost at the beginning of the year	134 231	20 977	2 578	27 521	–	185 307
IFRS 16 transition – day 1[1]	–	–	–	–	70 666	70 666
Cost at the beginning of the year – inclusive of IFRS 16	134 231	20 977	2 578	27 521	70 666	255 973
Additions	11 156	372	274	466	–	12 268
Disposals	(114)	–	–	–	–	(114)
Transfers	(174)	174	–	–	–	–
Cost at the end of the year	145 099	21 523	2 852	27 987	70 666	268 127
Accumulated depreciation and impairment at the beginning of the year	(108 379)	(18 305)	(2 214)	(10 769)	–	(139 667)
Depreciation charge for the year	(14 154)	(1 289)	(215)	(5 591)	(24 394)	(45 643)
Disposals	130	–	–	–	–	130
Accumulated depreciation and impairment at the end of the year	(122 403)	(19 594)	(2 429)	(16 360)	(24 394)	(185 180)
Carrying amount at the beginning of the year	25 852	2 671	364	16 752	70 666	116 305
Carrying amount at the end of the year	22 696	1 929	423	11 627	46 272	82 947
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
Disposals	–	–	–	–	–	–
Transfers	(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 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)
Transfers	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	–	51 565
Carrying amount at the end of the year	25 852	2 671	365	16 751	–	45 639

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

	Consolidated 2020 R'000	Consolidated 2019 R'000
13. INVESTMENT PROPERTY		
Fair value at the beginning of the year	8 900	12 600
Fair value adjustment during the year	–	(3 700)
Transfers to non-current assets held for sale	(8 900)	–
Fair value at the end of the year	–	8 900

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. An offer to purchase was subsequently signed on 14 May 2020 and the investment property was therefore transferred to non-current assets held for sale (Refer to note 8).

	Distributor relation-ships R'000	Software[1] R'000	Goodwill[3] R'000	Total R'000
14. INTANGIBLE ASSETS AND GOODWILL				
Consolidated				
2020				
Carrying amount at the beginning of the year	14 837	169 610	31 353	215 800
Transfers[6]	13 768	(13 768)	–	–
Additions[2]	–	29 077	–	29 077
Amortisation[4]	(4 767)	(28 750)	–	(33 517)
Impairment[5]	–	(15 816)	(835)	(16 651)
Carrying amount at the end of the year	23 838	140 353	30 518	194 709
2019				
Carrying amount at the beginning of the year	19 605	128 277	31 353	179 235
Transfers	–	1 530	–	1 530
Additions[2]	–	61 094	–	61 094
Amortisation[4]	(4 768)	(15 236)	–	(20 004)
Impairment[5]	–	(6 055)	–	(6 055)
Carrying amount at the end of the year	14 837	169 610	31 353	215 800

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

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

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

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

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

[6] *Transfers relate to Fintech distributor relationships.*

	Distributor relation-ships R'000	Software[1] R'000	Goodwill[3] R'000	Total R'000
14. INTANGIBLE ASSETS AND GOODWILL continued				
Separate				
2020				
Carrying amount at the beginning of the year	–	155 842	835	156 677
Additions[2]	–	29 077	–	29 077
Amortisation[4]	–	(28 750)	–	(28 750)
Impairment[5]	–	(15 816)	(835)	(16 651)
Carrying amount at the end of the year	–	140 353	–	140 353
2019				
Carrying amount at the beginning of the year	–	114 510	835	115 345
Transfers	–	1 530	–	1 530
Additions[2]	–	58 294	–	58 294
Amortisation[4]	–	(12 438)	–	(12 438)
Impairment[5]	–	(6 055)	–	(6 055)
Carrying amount at the end of the year	–	155 841	835	156 676

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

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

3 *The 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 relates. The Banking Group's weighted average cost of capital of 19% (2019: 16%) is used to discount expected future cash flows.*

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

5 *Value-in-use was applied to determine the recoverable amount of goodwill. The goodwill related to the acquisition if ATFS. The underlying book acquired is running off, as was expected, and hence the recoverable amount of the CGU is declining, resulting in the impairment of the goodwill.*

	Consolidated 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
15. FUNDING UNDER REPURCHASE AGREEMENTS AND INTERBANK				
Short-term interbank loans	79 094	74 580	–	392
Funding under repurchase agreement	1 803 712	2 197 030	1 803 712	2 197 030
	1 882 806	2 271 610	1 803 712	2 197 422

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 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
16. TRADE AND OTHER PAYABLES				
Value-Added Taxation	11 544	9 271	1 889	–
Audit fees and other services	10 967	9 041	7 753	6 532
Accounts payable	473 718	418 541	409 669	261 347
Other payables	40 051	18 653	16 808	–
Accruals	11 512	169 116	8 920	105 069
Income received in advance	–	110	–	–
Borrowings from related parties to the Group[1]	130 117	108 648	–	–
Payables to entities in the Group	6 758	9 930	13 437	65 436
	684 667	743 310	458 476	438 384

[1] *These borrowings are unsecured, interest-bearing and are repayable on demand subject to 30 days' written notice. The borrowings are not subject to a fixed repayment date. Interest is payable at three-month Libor plus 1.5%, refer to note 36.2.*

	Consolidated		Separate	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
17. PROVISIONS				
Leave pay provision	20 290	14 509	16 343	11 252
Bonus provision	1	23 680	–	17 339
	20 291	38 189	16 343	28 591

Movements in each class of provision:

Consolidated	Bonus provision R'000	Leave pay provision R'000	Total R'000
2020			
Carrying amount at the beginning of the year	23 680	14 509	38 189
Movement recognised in profit or loss:	(3 852)	8 341	4 489
Additional provisions recognised	6 196	7 770	13 966
Unused amounts reversed	(10 048)	571	(9 477)
Amounts used during the year	(16 567)	123	(16 444)
Other movement	(3 260)	(2 683)	(5 943)
Carrying amount at the end of the year	1	20 290	20 291

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

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

Separate	Bonus provision R'000	Leave pay provision R'000	Total R'000
2020			
Carrying amount at the beginning of the year	17 339	11 252	28 591
Movement recognised in profit or loss:	131	7 528	7 659
Additional provisions recognised	1 790	7 202	8 992
Unused amounts reversed	(1 659)	326	(1 333)
Amounts used during the year	(14 619)	–	(14 619)
Other movement	(2 851)	(2 437)	(5 288)
Carrying amount at the end of the year	–	16 343	16 343

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

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

	Consolidated		Separate	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
18. LEASE LIABILITY[1]				
Reconciliation of lease liabilities				
Adjustment on initial application of IFRS 16	91 490	–	88 407	–
Finance costs (note 26)	6 535	–	6 296	–
Capital repayments	(26 206)	–	(25 702)	–
Interest repayments	(6 535)	–	(6 296)	–
Total capitalised lease liability	65 284	–	62 705	–

The total cash outflow for leases in 2020 was R32.741 million for the Banking Group and R31.998 million for the Company. Refer to note 40.1 for the maturity analysis of the undiscounted contractual cash flows.

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

	Consolidated	Separate
	2020 R'000	**2020 R'000**
Reconciliation of operating leases commitments to IFRS 16 liability recognised on 1 July 2019		
Operating lease commitments at 30 June 2019	104 027	100 295
Discounted using the incremental borrowing rate	(12 537)	(11 888)
Total capitalised lease liability	91 490	88 407

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

	Consolidated		Separate	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
19. DEPOSITS FROM CUSTOMERS				
Call deposits	2 638 385	2 176 535	2 806 753	2 298 870
Notice deposits	837 586	930 012	873 327	1 004 480
Fixed deposits	1 815 526	1 868 188	2 033 045	2 087 119
Negotiable certificates of deposits	35 518	171 501	35 518	171 502
	5 327 015	5 146 236	5 748 643	5 561 971

	Consolidated		Separate	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
20. DEBT SECURITIES ISSUED				
Category analysis				
Rated	2 743 823	2 753 521	–	–

Floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts in the name of SASP. All notes are placed with South African investors. The debt securities in issuance are rated by Global Credit Ratings Co. These ratings are available, on request, at the registered address of the Banking Group. Refer note 34.

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

			Consolidated		Separate	
			2020 R'000	2019 R'000	2020 R'000	2019 R'000
21.	**LONG-TERM LOANS**					
	Represented by:	**Repayment date:**				
	European DFI loan facility	August 2018 – May 2021	116 360	232 720	116 360	232 720
	IFC		–	7 495	–	7 495
	– Cleantech funding	September 2014 – September 2019	–	–	–	7 495
	– Subordinated loan	September 2014 – March 2020	–	7 495	–	–
	Other		5 289	5 500	–	–
	Total		121 649	245 715	116 360	240 215

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

		Consolidated		Separate	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
22.	**ORDINARY SHARE CAPITAL**				
	Authorised				
	710 000 000 (2019: 710 000 000) ordinary shares of 1 cent each	7 100	7 100	7 100	7 100
	Issued				
	360 000 000 (2019: 360 000 000) ordinary shares of 1 cent each	3 600	3 600	3 600	3 600
	Balance at the beginning of the year	3 600	3 600	3 600	3 600
	Balance at the end of the year	3 600	3 600	3 600	3 600
	Reconciliation of the number of shares issued				
	Total shares in issue (number)	360 000 000	360 000 000	360 000 000	360 000 000
		360 000 000	360 000 000	360 000 000	360 000 000

		Consolidated		Separate	
		2020 R'000	2019 R'000	2020 R'000	2019 R'000
23.	**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

	Consolidated		Separate	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
24. COMMITMENTS AND CONTINGENT LIABILITIES				
Letters of credit	**98 460**	73 685	**58 500**	71 956
Guarantees	**42 442**	43 880	**62 442**	41 927
Carry facilities	**41 824**	11 952	**41 824**	11 952
Capital expenditure	**1 899**	2 721	**1 899**	2 721
Non-cancellable operating lease rentals for premises[1]	**547**	100 953	**547**	100 560
– One year	**547**	32 391	**547**	31 998
– One to five years	**–**	68 562	**–**	68 562
	185 172	233 191	**165 212**	229 116

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

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

Short term leases – IFRS 16
The Group leases a number of premises with a remaining lease term of 12 months or less, as at the date of the first-time adoption of IFRS16.

Operating leases – IAS 17
The Group leases a number of premises under operating leases. The lease terms are generally between one to five years, with an option to renew after the lease termination date. If a lease is renewed, the lease payments are renegotiated to reflect market rentals.

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.

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

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

24. COMMITMENTS AND CONTINGENT LIABILITIES continued

Guarantee for overdraft facility

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

	Consolidated		Separate	
	2020 R'000	2019 R'000 Restated[1]	**2020 R'000**	2019 R'000 Restated[1]
25. INTEREST INCOME				
Interest income calculated using the effective interest method	**1 233 266**	1 271 948	**786 244**	802 702
Deposits with banks	**49 586**	87 064	**38 808**	90 368
Negotiable securities	**214 556**	155 934	**214 556**	155 934
Equipment finance	**676 308**	741 966	**249 895**	286 354
Capital equipment finance	**164 874**	165 654	**137 609**	128 165
Trade and debtor finance	**94 985**	91 762	**66 379**	68 938
Loans to entities in the group	**8 486**	10 659	**54 526**	60 034
Other secured loans	**23 526**	18 909	**23 526**	18 909
Unsecured loans	**945**	–	**945**	–
Other interest income	**2 338**	(2 586)	**15 104**	5 052
Specialised lending	**15 104**	4 477	**15 104**	4 477
Trading assets and other	**(12 766)**	(7 063)	**–**	575
	1 235 604	1 269 362	**801 348**	813 754
Total interest income	**1 235 604**	1 269 362	**801 348**	813 754
Interest income on items measured at amortised cost	**1 233 266**	1 271 948	**786 244**	808 702
– Performing financial assets	**1 222 338**	1 254 714	**779 574**	812 115
– Credit impaired financial assets	**10 928**	17 234	**6 670**	(3 413)
Interest income on items measured at fair value through profit or loss	**2 338**	(2 586)	**15 104**	5 052

[1] *Refer to note 2.11.1.*

		Consolidated		Separate	
		2020 R'000	2019 R'000 Restated[2]	**2020 R'000**	2019 R'000 Restated[2]
26.	**INTEREST EXPENSE**				
	Interest expense calculated using the effective interest method	**718 117**	762 378	**499 365**	533 323
	Interbank funding	**104 162**	138 110	**104 156**	134 423
	Call deposits	**122 611**	119 378	**127 659**	127 888
	Notice deposits	**56 316**	81 047	**61 073**	86 246
	Fixed deposits	**167 083**	132 602	**174 259**	147 973
	Lease liabilities[1]	**6 535**	–	**6 296**	–
	Loans from entities in the Group	**–**	6 589	**–**	3 380
	Bank overdraft	**4 662**	–	**288**	–
	Debt securities	**223 885**	246 087	**–**	–
	Long-term borrowings	**28 958**	41 081	**21 773**	33 346
	Current accounts	**–**	(2 583)	**–**	–
	Other deposits and loan accounts	**3 905**	67	**3 861**	67
	Other interest expense	**1 344**	926	**7 955**	5 650
	Trading liabilities and other	**1 344**	926	**7 955**	5 650
		719 461	763 304	**507 320**	538 973

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

[2] *Refer to note 2.11.1.*

		Consolidated 2020 R'000	Consolidated 2019 R'000 Restated[2]	Separate 2020 R'000	Separate 2019 R'000 Restated[2]
27.	**NET FEE AND COMMISSION INCOME**				
	Fee and commission income	**140 010**	191 447	**290 084**	295 656
	Confirming fees	**45 407**	48 468	**17 619**	22 789
	Commission income	**17 074**	18 955	**29 931**	30 074
	Administration fees	**22 958**	70 022	**82 596**	81 777
	Revenue share income	**–**	–	**117 161**	119 602
	Other fee and commission income	**54 571**	54 002	**42 777**	41 414
	Fee and commission expense	**41 567**	85 455	**24 263**	16 026
	Other fee and commission expense	**861**	–	**861**	–
	Commission expense	**40 678**	37 475	**23 402**	16 500
	Administration fee expense	**28**	47 980	**–**	(474)
	Net fee and commission income	**98 443**	105 992	**265 821**	279 630

	Consolidated 2020 R'000	Consolidated 2019 R'000 Restated[4]	Separate 2020 R'000	Separate 2019 R'000 Restated[4]
28. GAINS AND LOSSES ON FINANCIAL INSTRUMENTS				
Net gains or losses on the derecognition of financial instruments at amortised cost	28 334	52 129	12 884	25 401
Net gains/losses on the derecognition of financial assets measured at amortised cost	28 334	52 129	12 884	25 401
Settlement profits[1]	28 631	42 488	14 211	17 354
Realised foreign exchange gains and (losses)	(297)	2 252	(1 327)	658
Other[3]	–	7 389	–	7 389
Other gains or losses on financial instruments	78 601	75 204	167 545	138 085
Dividend income	10 257	11 901	97 503	71 404
Fair value adjustments on financial instruments held at fair value through profit or loss	31 169	20 954	31 240	24 331
Net gains or losses on derivative instruments	38 623	42 349	38 623	42 350
Unrealised foreign exchange gains and (losses)[2]	(1 448)	–	179	–
Total gains and losses on financial instruments	106 935	127 333	180 429	163 486

[1] *Settlement profits comprises gains and losses on the derecognition of loans and advances and were previously disclosed and presented as part of other income. Refer to note 29.*
[2] *Fair value changes on foreign exchange contracts amounting to R44.6 million were previously included as part of foreign exchange gains and losses. Foreign exchange contracts are derivative instruments and hence fair value changes an these are better reflected as part of gams or losses on derivative instruments.*
[3] *The impact of disclosing the gain of R7.389 million as part of the net gain/loss on derecognition of amortised cost has no impact on the overall gain or loss on financial instruments.*
[4] *Refer note 2.11.*

	Consolidated 2020 R'000	Consolidated 2019 R'000 Restated[2]	Separate 2020 R'000	Separate 2019 R'000 Restated[2]
29. OTHER INCOME[1]				
Income received on Evergreens	95 098	93 496	(5 536)	(9 045)
Rental income from investment property	118	–	–	–
Profit on disposal of property and equipment	51	5	50	5
Sundry income	17 086	14 435	9 992	12 174
	112 353	107 936	4 506	3 134

[1] *Other income previously included Settlement profits of R42.488 million, which comprises of gains and losses on the derecognition of loans and advances and hence relates more to the gains and losses on the derecognition of financial assets at amortised cost.*
[2] *Refer note 2.11.*

	Consolidated 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
30. STAFF COSTS				
Salaries and wages	291 978	259 607	241 062	199 035
Executive Directors', Alternate Directors' and Prescribed Officers' remuneration (refer to note 36.3)	19 697	33 239	19 697	33 239
Non-Executive Directors' remuneration (refer to note 36.3)	5 030	4 259	5 030	4 259
Contributions to defined contribution plans and other	23 592	23 993	18 987	19 983
	340 297	321 098	284 776	256 516

31. OTHER OPERATING EXPENSES

	Consolidated 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
The following items are included in operating expenses:				
Fees paid to auditors	12 300	15 857	10 618	13 940
Audit – Current year	9 979	7 364	8 196	5 447
– Under provision prior year	2 321	4 163	2 422	4 163
Regulatory	–	3 800	–	3 800
Other	–	530	–	530
Consulting fees	17 143	15 374	15 547	14 135
Depreciation	46 358	28 237	45 642	25 578
Amortisation of intangible assets	33 517	20 004	28 750	15 236
Computer costs	95 518	75 157	95 471	75 147
Marketing costs	12 658	6 735	11 821	6 753
Lease expense – Low value assets (IFRS 16)	–	–	–	–
Operating lease charges (IAS 17)	–	41 338	–	–
Direct operating expenses arising from investment property that generated rental income	1 220	–	–	–

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

32. IMPAIRMENTS OF NON-FINANCIAL ASSETS

	Consolidated 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
Software	15 816	6 055	15 816	6 055
Internally developed software	15 816	6 055	15 816	6 055
Goodwill	835	–	835	–
	16 651	6 055	16 651	6 055

		Consolidated 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
33.	**INCOME TAX EXPENSE**				
	Current tax expense	32 569	25 231	–	–
	Current year	32 524	23 728	–	–
	Under/(over) provision in prior years	45	1 503	–	–
	Deferred tax expense	(45 818)	22 444	(19 899)	21 309
	Current year	(45 571)	22 444	(19 657)	20 546
	Under/(over) provision in prior years	(247)	–	(242)	763
		(13 249)	47 675	(19 899)	21 309
	Reconciliation of taxation rate	%	%	%	%
	South African normal tax rate	28.00	28.00	28.00	28.00
	Adjusted for:	7.18	(1.96)	(153.41)	(12.73)
	Exempt income	7.63	(5.71)	(172.06)	(14.32)
	Non-deductible expenses[1]	(11.61)	1.15	24.50	1.59
	Additional deductible tax allowances[2]	2.41	–	(5.72)	–
	Effect of tax rates in foreign entity	6.65	2.46	–	–
	Underprovision in prior years[3]	0.57	0.33	(1.53)	0.55
	Fair value adjustments	3.32	(0.06)	(2.84)	(0.23)
	Other[4]	(1.79)	(0.14)	4.24	(0.32)
	Effective rate	35.18	26.04	(125.41)	15.27
	Losses, balances of allowances and credits for which a deferred tax asset has been raised:				
	Estimated tax losses available to offset future taxable income	131 828	237 345	131 179	237 345

[1] *Non-deductible expenditure comprises of legal and consulting fees as well as all donations being non-deductible due to the Bank being in an assessed tax loss position.*
[2] *The additional deductible tax allowances mostly relate to the section 12H learnership allowances.*
[3] *The overprovision of taxes in 2019 relates primarily to the transition to IFRS16.*
[4] *This relates to a capital loss recognised on the write-off of a loan.*

		Consolidated 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
34.	**SECURITISATION**				
	In the ordinary course of business, the Group transfers financial assets to structured entities. The information below sets out the extent of such transfers and the Group's retained interest in transferred assets.				
	Carrying and fair value of transferred assets	2 970 301	2 978 262	–	–
	Carrying and fair value of associated liabilities	(2 743 823)	(2 753 521)	–	–
	Net carrying amount and fair value	226 478	224 741	–	–

The 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 R1.038 billion (2019: R559 million) worth of rental agreements during the year (refer to note 20).

35. NOTES TO THE STATEMENT OF CASH FLOWS continued

	Consolidated		Separate	
	2020 R'000	2019 Restated R'000	2020 R'000	2019 Restated R'000
35.1 Cash inflow from operating activities				
Reconciliation of operating profit to cash flows from operating activities				
Profit before income tax	(37 654)	183 062	15 868	139 571
(Profit)/Loss on disposal of property and equipment	(51)	(5)	(51)	(5)
Movement in provisions[1]	(1 453)	38 788	2 372	10 039
Dividend received	(10 257)	(11 901)	(97 503)	(71 404)
Impairment charges on loans and advances	255 560	80 291	139 332	19 820
Exchange rate fluctuations on cash held[1]	1 745	(2 252)	1 148	(658)
Gains on disposal of financial instruments held at fair value through profit and loss	–	(7 389)	–	–
Net gains/losses on derivative instruments[1]	(38 623)	(42 350)	(38 622)	(42 350)
Settlement profits[1]	(28 631)	(42 488)	(14 211)	(17 354)
Fair value adjustments on financial instruments held at fair value through profit or loss[1]	(31 169)	(20 954)	(31 239)	(24 331)
Fair value (gain)/loss on non-current assets held for sale	2 200	–	–	–
Fair value loss on investment property	–	3 700	–	–
Impairment of goodwill/intangible assets/property, equipment and right-to-use assets	16 651	6 055	16 651	6 055
Depreciation	46 358	28 237	45 643	25 578
Amortisation of intangible assets	33 517	20 004	28 750	12 438
	208 193	232 798	68 138	57 399
35.2 Taxation paid				
Unpaid at the beginning of the year	(20 130)	(155)	–	(1 721)
Charge to the income statement	32 569	25 231	–	–
Unpaid at the end of the year	15 647	20 130	–	–
	28 086	45 206	–	(1 721)
35.3 Dividends paid				
Charge to distributable reserves	10 000	64 000	10 000	64 000
Total dividends paid	10 000	64 000	10 000	64 000

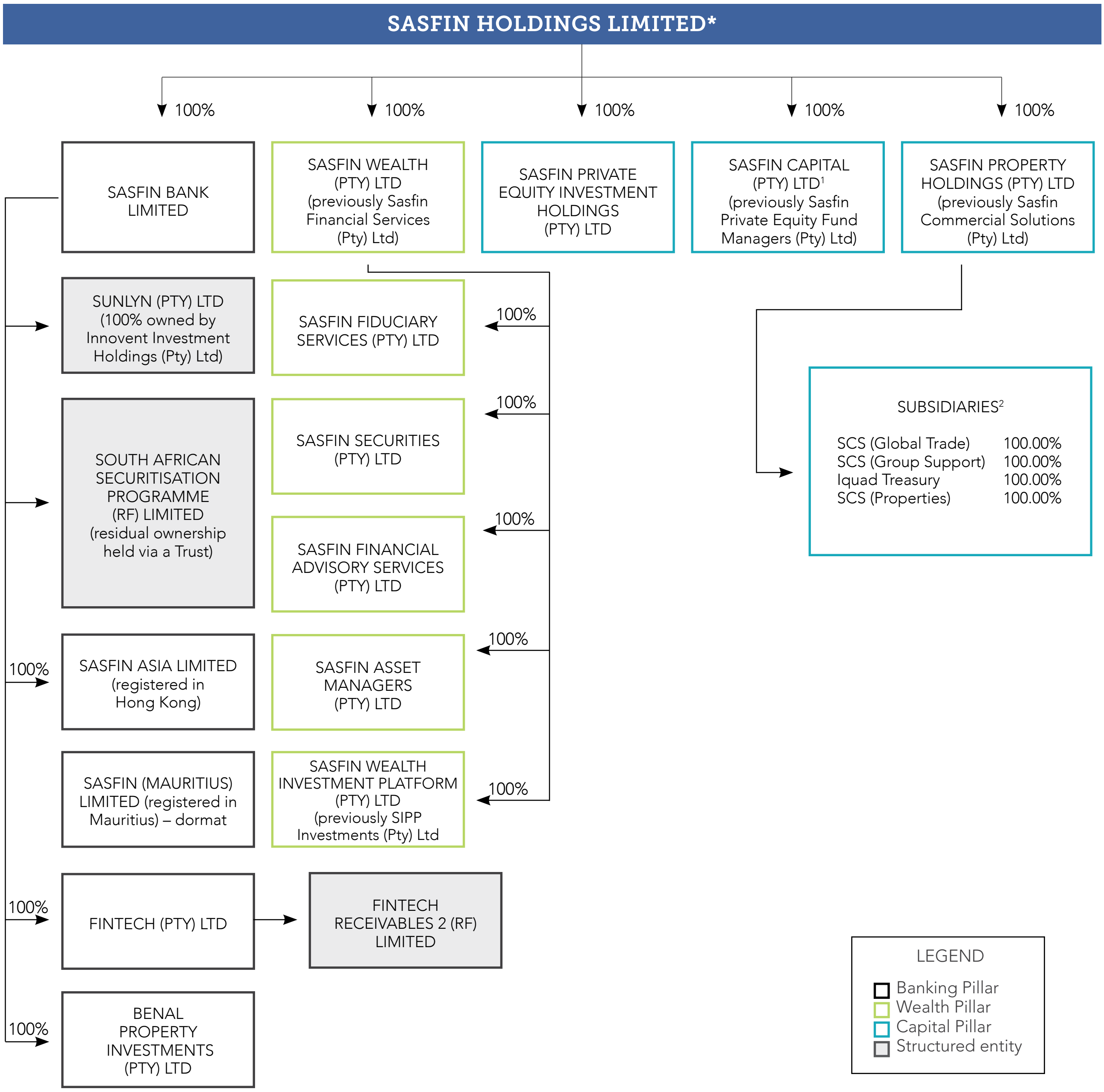
[1] *To enhance disclosure, more granular information was disclosed compared to prior year.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

36. RELATED-PARTY TRANSACTIONS

36.1 Subsidiaries and controlled structured entities



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

[2] *HRS Administrators (Proprietary) Limited was previously a subsidiary (51% owned) and became an associate on 1 April 2020. Refer to note 38.5.1.*

* *Shareholders of Sasfin Holdings Limited*

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

All entities are incorporated in South Africa unless otherwise indicated.

36. RELATED-PARTY TRANSACTIONS continued

36.2 Transactions with related parties

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

	2020 R'000	2019 R'000
Deposits	7 007	964
Short-term borrowings included in other payables[1]	130 117	108 648
Direct shareholders in Sasfin Holdings Limited	38 193	587
Indirect beneficial shareholders in Sasfin Holdings Limited	25 697	66 289
Director of subsidiary in the Group	66 227	41 771
Consultancy fees paid to Roland Sassoon[2]	1 000	1 000

[1] *These borrowings are unsecured, interest baring 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 three-month Libor plus 1.5%, refer to note 16.*

[2] *Roland Sassoon was a consultant to Sasfin Holdings from 1 January 2019 to 31 December 2019.*

36. RELATED-PARTY TRANSACTIONS continued

36.3 Key management personnel and related remuneration

Directors' and Prescribed Officers' remuneration

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2020 R	Incentive bonus[4] payable in Sept 2020 R
2020						
Executive directors						
Michael Sassoon[a]	–	3 641 471	630 865	915 000	5 187 336	71 250
Angela Pillay	–	2 780 927	563 915	705 500	4 050 342	48 750
Alternate executive directors						
Maston Lane	–	2 644 855	668 556	635 000	3 948 411	41 250
Linda Fröhlich	–	2 805 933	377 693	637 500	3 821 126	41 250
Independent non-executive directors						
Grant Dunnington	876 766	–	–	–	–	–
Roy Andersen	1 100 000	–	–	–	–	–
Richard Buchholz	711 490	–	–	–	–	–
Mark Thompson	660 187	–	–	–	–	–
Eileen Wilton	502 622	–	–	–	–	–
Thabang Magare[b]	222 420	–	–	–	–	–
Shahied Rylands[c]	405 568	–	–	–	–	–
Linda de Beer[d]	141 211	–	–	–	–	–
Gugu Mtetwa[d]	131 674	–	–	–	–	–
Non-executive directors						
Roland Sassoon[e]	278 125	–	–	–	–	–
Prescribed officers						
Stewart Tomlinson	–	1 719 970	587 258	383 000	2 690 228	14 250
	5 030 062	13 593 156	2 828 287	3 276 000	19 697 443	216 750

[1] *The remuneration of the Executive Directors are paid by subsidiaries of the Company.*
[2] *Other benefits comprise: provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.*
[3] *Relate to the 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 2020 financial year with payment in future subject to vesting criteria.*
[a] *Resigned 1 January 2019.*
[b] *Appointed on 19 December 2019.*
[c] *Retired on 26 November 2019.*
[d] *Retired on 30 September 2019.*
[e] *Appointed on 1 January 2020.*

36. RELATED-PARTY TRANSACTIONS continued

36.3 Key management personnel and related remuneration continued

Directors' and Prescribed Officers' remuneration continued

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2019 R	Incentive bonus[4] payable in Sept 2019 R
2019						
Executive directors						
Roland Sassoon[a]	–	1 805 706	192 466	643 333	2 641 505	–
Michael Sassoon	–	3 577 649	422 657	643 333	4 643 638	1 200 000
Angela Pillay	–	2 342 997	473 356	–	2 816 353	900 000
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 2018 financial year.
[4] Relate to the Banking Group's and individual's performance in the 2019 financial year.

36.4 Associates

36.4.1 List of significant associates

	Nature of business	% ownership 2020	% ownership 2019
Associates recognised at fair value through profit or loss			
Innovent Investment Holdings (Pty) Ltd		34	34

36. RELATED-PARTY TRANSACTIONS continued

36.5 Transactions and balances with associates

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

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

	2020 R'000	2019 R'000
Statement of Financial Position		
Trade and other receivables	8 400	8 064
Statement of Comprehensive Income		
Gains or losses on financial instruments	8 400	8 064

	Consolidated		Separate	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
36.5.1 Loans to/(from) entities in the Group				
Loans to/(from) subsidiaries				
Sunlyn (Pty) Ltd	–	–	–	36 947
South African Securitisation Programme (RF) Ltd	–	–	334 965	328 478
Benal Property Investments (Pty) Ltd	–	–	(4 922)	(7 809)
Fintech (Pty) Ltd	–	–	–	13 076
	–	–	330 043	370 692
Loans to/(from) fellow subsidiaries				
Sasfin Wealth (Pty) Ltd	–	(724)	–	(724)
Sasfin Securities (Pty) Ltd	70 460	(264)	70 460	(264)
Sasfin Private Equity Investment Holdings	123 667	114 872	123 667	114 872
Sasfin Capital (Pty) Ltd	16 162	55 855	16 162	55 855
Iquad Treasury Solutions (Pty) Ltd	–	(192)	–	–
	210 289	169 547	210 289	169 739
Total loans to entities in the Group	210 289	169 547	529 870	540 431

* *The loans are subordinated, secured and bear interest at rates three-month JIBAR plus a percentage agreed upon. These loans are repayable on the maturity date of the respective financing of the notes.*

36. RELATED-PARTY TRANSACTIONS continued

		Consolidated 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
36.5.2	**Commitments and contingencies to/(from) entities in the Group**				
	Commitments and contingencies to/(from) Holding Company				
	Sasfin Holdings Ltd	(96 360)	–	(96 360)	–
		(96 360)	–	(96 360)	–
	Commitments and contingencies to/(from) fellow subsidiaries in the Group				
	Sasfin Securities (Pty) Ltd	225	–	225	–
	SCS (Global Trade) (Pty) Ltd	1 000	–	1 000	–
		1 225	–	1 225	–
	Total loans to entities in the Group	(155 114)	–	(155 114)	–
36.5.3	**Intercompany (payables)/(receivables) with entities in the Group**				
	(Payables to)/receivables from Holding company				
	Sasfin Holdings Ltd	(2 810)	–	(2 810)	–
		(2 810)	–	(2 810)	–
	(Payables to)/receivables from subsidiaries				
	Sunlyn (Pty) Ltd	–	–	(4 181)	–
	South African Securitisation Programme (RF) Ltd	–	–	29 782	–
	Sasfin Asia Ltd	–	–	(7 189)	–
	Benal Property Investments (Pty) Ltd	–	–	385	–
	Fintech (Pty) Ltd	–	–	12 784	–
		–	–	31 581	–
	(Payables to)/receivables from fellow subsidiaries				
	Sasfin Securities (Pty) Ltd	6 318	–	6 318	–
	Sasfin Financial Advisory Services (Pty) Ltd	(213)	–	(213)	–
	Sasfin Private Equity Investment Holdings	1 866	–	1 866	–
	Sasfin Capital (Pty) Ltd	66 580	–	66 580	–
	Iquad Treasury Solutions (Pty) Ltd	(1 077)	–	(1 077)	–
		73 474	–	73 474	–
	Total loans to entities in the Group	70 664	–	102 245	–

36. RELATED-PARTY TRANSACTIONS continued

		Consolidated		Separate	
		2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
36.5.4	**Funds on call and deposits with entities in the group**				
	Funds on call and deposits with Holding company				
	Sasfin Holdings Ltd	5 735	–	5 735	–
		5 735	–	5 735	–
	Funds on call and deposits from subsidiaries				
	Sunlyn (Pty) Ltd	–	–	6 888	–
	South African Securitisation Programme (RF) Ltd	–	–	322 203	315 485
	Benal Property Investments (Pty) Ltd	–	–	25	–
	Fintech (Pty) Ltd	–	–	35 622	–
	Sasfin Asia Ltd	–	–	6 678	12 841
	Fintech Underwriting (Pty) Ltd	–	–	41 707	–
	Fintech Lease Rentals (Pty) Ltd	–	–	14 910	–
		–	–	428 033	328 626
	Funds on call and deposits from fellow subsidiaries				
	Sasfin Wealth (Pty) Ltd	16 287	–	16 287	–
	Sasfin Securities (Pty) Ltd	42 426	–	42 426	–
	Sasfin Financial Advisory Services (Pty) Ltd	6 519	–	6 519	–
	Sasfin Asset Managers (Pty) Ltd	15 681	–	15 681	–
	Sasfin Wealth Investment Platform (Pty) Ltd	387	–	387	–
	Sasfin Private Equity Investment Holdings	43 633	–	43 633	–
	Sasfin Capital (Pty) Ltd	17 715	–	17 715	–
	Sasfin Property Holdings (Pty) Ltd	14 746	–	14 746	–
	SCS (Global Trade) (Pty) Ltd	22 175	–	22 175	–
	Sasfin HRS Administrators (Pty) Ltd	3 967	–	3 967	–
	SCS (Properties) (Pty) Ltd	4 821	–	4 821	–
		188 357	–	188 357	–
	Total loans to entities in the Group	194 092	–	622 125	–
36.5.5	**Trading assets/(liabilities) with entities in the Group**				
	Trading assets/(liabilities) with subsidiaries				
	South African Securitisation Programme (RF) Ltd	–	–	(877)	–
	Sasfin Asia Ltd	–	–	(267)	–
	Sasfin Asia Ltd	–	–	18	–
	Total trading assets/(liabilities) with entities in the Group	–	–	(1 126)	–

* *The company has a prime/JIBAR interest rate swap with Sasfin Bank Limited. This swap is measured at arm's length.*

36. RELATED-PARTY TRANSACTIONS continued

	Consolidated 2020 R'000	Consolidated 2019 R'000	Separate 2020 R'000	Separate 2019 R'000
36.5.6 Transactions with holding companies, subsidiaries and fellow subsidiaries				
Holding company				
Administration fees paid	–	506	–	506
	–	506	–	506
Subsidiaries				
Sunlyn (Pty) Ltd				
Administration fees paid	–		63 067	–
South African Securitisation Programme (RF) Ltd				
Interest received	–		(46 040)	(50 567)
Interest paid	–		18 529	25 371
Administration fees received			(47 458)	(47 960)
Dividend received	–		(62 000)	(45 000)
Management fees received	–		(1 907)	(2 129)
Revenue share	–		(117 161)	(119 602)
Interest paid on interest rate swap	–		6 611	4 176
Sasfin Asia Ltd				
Dividend received	–		(25 250)	–
Fee and commission income	–		(23 735)	(21 593)
Interest paid	–		251	119
	–		(235 093)	(257 185)
Fellow subsidiaries				
Sasfin Wealth (Pty) Ltd				
Interest paid	–	1 710	–	1 710
Sasfin Securities (Pty) Ltd				
Interest received	(485)		(485)	
Fee and commission income	–	(51 587)	–	(51 587)
Fee and commission expense	201		201	
Sasfin Financial Advisory Services (Pty) Ltd				
Interest paid	–	373	–	373
Sasfin Asset Managers (Pty) Ltd				
Interest paid	–	445	–	445
Sasfin Wealth Investment Platform (Pty) Ltd				
Sasfin Private Equity Investment Holdings (Pty) Ltd				
Interest received	(7 001)	(9 165)	(7 001)	(9 165)
Sasfin Capital (Pty) Ltd				
Interest received	(272)		(272)	
Fee and commission income	–	(12 934)	–	(12 934)
Fee and commission expense	–	10 080	–	10 080
Sasfin Property Holdings (Pty) Ltd				
SCS (Global Trade) (Pty) Ltd				
Fee and commission income	–	(3)	–	(3)
Fee and commission expense	–	6 026	–	6 026
Other expenses	–	141	–	141
Sasfin HRS Administrators (Pty) Ltd, while still a subsidiary				
Other expenses paid	–	681	–	681
Iquad Treasury Solutions (Pty) Ltd				
SCS (Properties) (Pty) Ltd				

* *These transactions are measured in terms of agreements between Sasfin Bank Limited and SASP and is based on the performance of the overall equipment finance book.*

37. CLASSIFICATION OF ASSETS AND LIABILITIES

Accounting classification and fair values

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

Consolidated	Fair value through profit or loss (default) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
Assets				
2020				
Cash and cash balances	–	1 698 350	–	1 698 350
Trading assets	85 172	–	–	85 172
Negotiable securities	–	3 126 595	–	3 126 595
Trade and other receivables	–	354 059	–	354 059
Non-current assets held for sale	–	–	6 700	6 700
Loans and advances	223 011	6 386 226	–	6 609 237
Current taxation asset	–	–	16 991	16 991
Investment securities	154 221	–	–	154 221
Loans to entities in the Group	–	208 824	–	208 824
Deferred tax asset	–	–	2 210	2 210
Property and equipment and right-to-use assets	–	–	85 422	85 422
Intangible assets and goodwill	–	–	194 709	194 709
Total assets	462 404	11 774 054	306 032	12 542 490
Liabilities				
2020				
Funding under repurchase agreements and interbank	–	1 882 806	–	1 882 806
Trading liabilities	101 438	–	–	101 438
Current taxation liability	–	–	1 344	1 344
Trade and other payables	–	684 667	–	684 667
Bank overdraft	–	151 462	–	151 462
Provisions	–	–	20 291	20 291
Deposits from customers	–	5 327 015	–	5 327 015
Lease liabilities	–	65 284	–	65 284
Debt securities issued	–	2 743 823	–	2 743 823
Long-term loans	–	121 649	–	121 649
Deferred tax liability	–	–	90 469	90 469
Total liabilities	101 438	10 976 706	112 104	11 190 248

37. CLASSIFICATION OF ASSETS AND LIABILITIES continued

Accounting classification and fair values continued

The table below sets out the 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	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
Assets				
2020				
Cash and cash balances	–	1 442 103	–	1 442 103
Trading assets	84 537	–	–	84 537
Negotiable securities	–	3 126 595	–	3 126 595
Trade and other receivables	–	286 414	–	286 414
Non-current assets held for sale	–	–	–	–
Loans and advances	223 011	3 021 712	–	3 244 723
Current taxation asset	–	–	–	–
Investment securities	154 071	–	–	154 071
Loans to entities in the Group	–	541 407	–	541 407
Property and equipment and right-to-use assets	–	–	82 947	82 947
Intangible assets and goodwill	–	–	140 353	140 353
Investments in subsidiaries and structured entities	–	–	255 859	255 859
Total assets	461 619	8 418 231	479 159	9 359 009
Liabilities				
2020				
Funding under repurchase agreements and interbank	–	1 803 712	–	1 803 712
Trading liabilities	85 856	–	–	85 856
Trade and other payables	–	458 476	–	458 476
Bank overdraft	–	30 462	–	30 462
Provisions	–	–	16 343	16 343
Deposits from customers	–	5 748 643	–	5 748 643
Lease liabilities	–	62 705	–	62 705
Long-term loans	–	116 360	–	116 360
Deferred tax liability	–	–	25 728	25 728
Loans from entities in the Group	–	15 384	–	15 384
Total liabilities	85 856	8 235 742	42 071	8 363 669

37. CLASSIFICATION OF ASSETS AND LIABILITIES continued

Accounting classification and fair values continued

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

	Fair value through				
Consolidated	Profit or loss (default) R'000	Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
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
Trade and other receivables	–	–	270 955	–	270 955
Loans and advances	–	–	7 499 418	–	7 499 418
Current taxation asset	–	–	–	20 130	20 130
Investment securities	142 060	–	–	–	142 060
Loans to entities in the Group	–	–	130 490	–	130 490
Deferred tax asset	–	–	–	2 139	2 139
Property and equipment and right-to-use assets	–	–	–	45 740	45 740
Investment property	–	–	–	8 900	8 900
Intangible assets and goodwill	–	–	–	215 800	215 800
Total assets	181 067	–	12 292 796	292 709	12 766 572
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
Bank overdraft	–	–	46 008	–	46 008
Provisions	–	–	–	38 189	38 189
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

37. CLASSIFICATION OF ASSETS AND LIABILITIES continued

Accounting classification and fair values continued

The table below sets out the 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
Trade and other receivables	–	–	292 677	23 098	315 775
Loans and advances	–	–	3 937 360	–	3 937 360
Investment securities	141 839	–	–	–	141 839
– Investments at fair value through profit or loss	141 839	–	–	–	141 839
Loans to entities in the Group	–	–	476 038	–	476 038
Property and equipment and right-to-use assets	–	–	–	45 639	45 639
Intangible assets and goodwill	–	–	–	156 676	156 676
Investments in subsidiaries and structured entities	–	–	–	255 859	255 859
Total assets	141 839	38 997	8 863 053	481 272	9 525 161
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
Deferred tax liability	–	–	–	45 623	45 623
Loans form entities in the Group	–	–	8 210	–	8 210
Total liabilities	–	35 171	8 446 202	74 214	8 555 587

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FOR THE YEAR ENDED 30 JUNE 2020

37. CLASSIFICATION OF ASSETS AND LIABILITIES continued

37.1 Financial assets and liabilities measured at fair value

	2020				2019			
Consolidated	Level 1 R'000	Level 2 R'000	Level 3 R'000	Fair value R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Fair value R'000
Recurring fair value measurements								
Financial assets	150	85 172	377 082	462 404	221	39 007	141 839	181 067
Investment securities – excluding equity accounted associates	150	–	154 071	154 221	221	–	141 839	142 060
Loans and advances at fair value through profit or loss	–	–	223 011	223 011	–	–	–	–
Trading assets	–	85 172	–	85 172	–	39 007	–	39 007
Trading liabilities	–	101 438	–	101 438	–	40 436	–	40 436
Trading liabilities	–	101 438	–	101 438	–	40 436	–	40 436
Non-financial assets	–	–	6 700	6 700	–	–	8 900	8 900
Investment property – continuing operations	–	–	–	–	–	–	8 900	8 900
Investment property – non-current assets held for sale	–	–	6 700	6 700	–	–	–	–
Separate								
Financial assets	–	84 537	377 082	461 619	–	38 997	141 839	180 836
Investment securities – excluding equity accounted associates	–	–	154 071	154 071	–	–	141 839	141 839
Loans and advances at fair value through profit or loss	–	–	223 011	223 011	–	–	–	–
Trading assets	–	84 537	–	84 537	–	38 997	–	38 997
Trading liabilities	–	85 856	–	85 856	–	35 171	–	35 171
Trading liabilities	–	85 856	–	85 856	–	35 171	–	35 171

37. CLASSIFICATION OF ASSETS AND LIABILITIES continued

37.2 Movement in level 3 instruments

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

	2020				2019			
	Investment securities R'000	Loans and advances at fair value through profit or loss R'000	Investment property – non-current assets held for sale R'000	Investment property – continuing operations R'000	Investment securities R'000	Loans and advances at fair value through profit or loss R'000	Investment property – non-current assets held for sale R'000	Investment property – continuing operations R'000
Consolidated								
Balance at the beginning of the year	141 840	29 470	–	8 900	136 226	–	–	12 600
Total gains or losses in profit and loss	12 231	8 462	(2 200)	–	17 916	–	–	(3 700)
Advances/(repayments)	–	185 079	–	–	–	–	–	–
Transfers	–	–	8 900	(8 900)	(12 303)	–	–	–
Balance at the end of the year	154 071	223 011	6 700	–	141 839	–	–	8 900
Separate								
Balance at the beginning of the year	141 840	29 470	–	–	136 226	–	–	–
Additions	–	–	–	–	–	–	–	–
Total gains or losses in profit and loss	12 231	8 462	–	–	17 916	–	–	–
Advances/(repayments)	–	185 079	–	–	–	–	–	–
Transfers	–	–	–	–	(12 303)	–	–	–
Balance at the end of the year	154 071	223 011	–	–	141 839	–	–	–

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	
	2020 R'000	2019 R'000	2020 R'000	2019 R'000
Total gains/(losses) in profit and loss	18 493	17 916	20 693[1]	17 916

[1] *Refer to note 2.11.*

37. CLASSIFICATION OF ASSETS AND LIABILITIES continued

37.4 Sensitivity analysis of valuations using unobservable inputs continued

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

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

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

Financial instrument	Parameter	Positive/(negative) variance applied to parameters	Equity type	2020 Potential effect recorded in profit or loss favourable R'm	2019 Potential effect recorded in profit or loss favourable R'm
Consolidated					
Investment securities	Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity	(10.2310)	(13.5400)
Investment securities	Marketability and minority discounts	100/(100) bps	Private equity	(3.0390)	(2.9700)
Investment securities	Revenue growth	100/(100) bps	Private equity	(11.7910)	4.0400
Investment securities	Capitalisation rate	50/(50) bps	Property equity	–	4.1000
Separate					
Investment securities	Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity	(10.2310)	(14.0000)
Investment securities	Marketability and minority discounts	100/(100) bps	Private equity	(3.0390)	2.9700
Investment securities	Revenue growth	100/(100) bps	Private equity	11.7910	4.0400
Investment securities	Capitalisation rate	50/(50) bps	Property equity	–	4.1000

37. CLASSIFICATION OF ASSETS AND LIABILITIES continued

37.4 Sensitivity analysis of valuations using unobservable inputs continued

Financial instrument	Parameter	Positive/ (negative) variance applied to parameters	Equity type	2020 Potential effect recorded in profit or loss (unfavourable) R'm	2019 Potential effect recorded in profit or loss (unfavourable) R'm
Consolidated					
Investment securities	Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity	12.0840	11.2000
Investment securities	Marketability and minority discounts	100/(100) bps	Private equity	3.0710	(2.8400)
Investment securities	Revenue growth	100/(100) bps	Private equity	(11.4460)	(4.1000)
Investment securities	Capitalisation rate	50/(50) bps	Property equity	–	(4.0400)
Separate					
Investment securities	Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity	12.0840	(11.2000)
Investment securities	Marketability and minority discounts	100/(100) bps	Private equity	3.0710	(2.8400)
Investment securities	Revenue growth	100/(100) bps	Private equity	(11.4460)	(4.1000)
Investment securities	Capitalisation rate	50/(50) bps	Property equity	–	(4.0400)

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.

	2020			2019		
	10% Reduction in fair value R'000	Fair value R'000	10% Increase in fair value R'000	10% Reduction in fair value R'000	Fair value R'000	10% Increase in fair value R'000
Consolidated						
Listed						
Equity securities at fair value	135	150	165	199	221	243
Impact on gains and losses recognised in profit or loss for the year	(64)	(71)	(78)	20	22	24
Unlisted						
Equity securities at fair value	138 664	154 071	169 478	138 728	141 839	169 556
Impact on gains and losses recognised in profit or loss for the year	11 008	12 231	13 454	16 124	17 916	19 708
Separate						
Unlisted						
Equity securities at fair value	138 664	154 071	169 478	138 728	141 839	169 556
Impact on gains and losses recognised in profit or loss for the year	11 008	12 231	13 454	16 124	17 916	19 708

37. CLASSIFICATION OF ASSETS AND LIABILITIES continued

37.6 Financial assets and financial liabilities not measured at fair value

	2020				
		Fair value		Total fair value	Amortised cost
	Level 1 R'000	Level 2 R'000	Level 3 R'000	R'000	R'000
Consolidated					
Financial assets	–	4 824 945	6 949 110	11 774 055	11 774 055
Cash and cash balances	–	1 698 350	–	1 698 350	1 698 350
Negotiable securities	–	3 126 595	–	3 126 595	3 126 595
Trade and other receivables	–	–	354 059	354 059	354 059
Loans and advances[1]	–	–	6 386 227	6 386 227	6 386 227
Loans to entities in the Group	–	–	208 824	208 824	208 824
Financial liabilities	2 743 823	7 361 283	891 891	10 996 997	10 996 997
Funding under repurchase agreements and interbank	–	1 882 806	–	1 882 806	1 882 806
Trade and other payables	–	–	684 667	684 667	684 667
Bank overdraft	–	151 462	–	151 462	151 462
Provisions	–	–	20 291	20 291	20 291
Deposits from customers	–	5 327 015	–	5 327 015	5 327 015
Lease liabilities	–	–	65 284	65 284	65 284
Debt securities issued	2 743 823	–	–	2 743 823	2 743 823
Long-term loans	–	–	121 649	121 649	121 649
Separate					
Financial assets	–	4 568 698	3 849 533	8 418 231	8 418 231
Cash and cash balances	–	1 442 103	–	1 442 103	1 442 103
Negotiable securities	–	3 126 595	–	3 126 595	3 126 595
Trade and other receivables	–	–	286 414	286 414	286 414
Loans and advances	–	–	3 021 712	3 021 712	3 021 712
Loans to entities in the Group	–	–	541 407	541 407	541 407
Financial liabilities	–	7 582 817	669 268	8 252 085	8 252 085
Funding under repurchase agreements and interbank	–	1 803 712	–	1 803 712	1 803 712
Trade and other payables	–	–	458 476	458 476	458 476
Bank overdraft	–	30 462	–	30 462	30 462
Provisions	–	–	16 343	16 343	16 343
Deposits from customers	–	5 748 643	–	5 748 643	5 748 643
Lease liabilities	–	–	62 705	62 705	62 705
Long-term loans	–	–	116 360	116 360	116 360
Loans from entities in the Group	–	–	15 384	15 384	15 384

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

37. CLASSIFICATION OF ASSETS AND LIABILITIES continued

37.6 Financial assets and financial liabilities not measured at fair value

2019

	Fair value			Total fair value	Amortised cost
	Level 1 R'000	Level 2 R'000	Level 3 R'000	R'000	R'000
Consolidated					
Financial assets	–	4 391 933	7 900 863	12 292 796	12 292 796
Cash and cash balances	–	1 314 414	–	1 314 414	1 314 414
Negotiable securities	–	3 077 519	–	3 077 519	3 077 519
Trade and other receivables	–	–	270 955	270 955	270 955
Loans and advances[1]	–	–	7 499 418	7 499 418	7 499 418
Loans to entities in the Group	–	–	130 490	130 490	130 490
Financial liabilities	2 753 521	7 463 854	1 027 214	11 244 589	11 244 589
Funding under repurchase agreements and interbank	–	2 271 610	–	2 271 610	2 271 610
Trade and other payables	–	–	743 310	743 310	743 310
Bank overdraft	–	46 008	–	46 008	46 008
Provisions	–	–	38 189	38 189	38 189
Deposits from customers	–	5 146 236	–	5 146 236	5 146 236
Debt securities issued	2 753 521	–	–	2 753 521	2 753 521
Long-term loans	–	–	245 715	245 715	245 715
Separate					
Financial assets	–	4 156 978	4 729 173	8 886 151	8 886 151
Cash and cash balances	–	1 079 459	–	1 079 459	1 079 459
Negotiable securities	–	3 077 519	–	3 077 519	3 077 519
Trade and other receivables	–	–	315 775	315 775	315 775
Loans and advances[1]	–	–	3 937 360	3 937 360	3 937 360
Loans to entities in the Group	–	–	476 038	476 038	476 038
Financial liabilities	–	7 759 393	715 400	8 474 793	8 474 793
Funding under repurchase agreements and interbank	–	2 197 422	–	2 197 422	2 197 422
Trade and other payables	–	–	438 384	438 384	438 384
Bank overdraft	–	–	–	–	–
Provisions	–	–	28 591	28 591	28 591
Deposits from customers	–	5 561 971	–	5 561 971	5 561 971
Long-term loans	–	–	240 215	240 215	240 215
Loans from entities in the Group	–	–	8 210	8 210	8 210

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

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

The areas most impacted by COVID-19 include:

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

This is disclosed elsewhere in the financials.

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

Management of credit risk

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

- Formulating credit policies in consultation with business units, 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 note 42.1);
- Developing and maintaining the Group's risk indicators in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk system is used in determining where impairment provisions (i.e. provisions for credit losses) may be required against specific credit exposures. The current risk framework consists of four grades reflecting varying degrees of risk of default, availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee. Risk grades are subject to regular reviews by Group Risk;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit on the credit quality of local portfolios and appropriate corrective action is taken
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk

39. CREDIT RISK continued

Management of credit risk continued

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

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

Securitisation

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

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

Deposits with other banks and money market funds

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

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

Financial assets held for trade facilitation and reverse repurchase agreements

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

Credit impairment

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

Write-off policy

Loans and security balances (and any related allowances for impairment losses) are written off when 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.

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39. CREDIT RISK continued

Management of credit risk continued

Credit risk measurement and determination

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

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

Collateral for loans and advances

The Group holds collateral against loans and advances in order to reduce credit risk. Although collateral is held, the Group's policy is to 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 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 Group's maximum exposure to credit risk on these assets, by credit quality.

Consolidated	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
2020							
Maximum credit exposures of financial assets at amortised cost							
Cash and cash balances[1]		1 698 350	–	–	–	–	–
Negotiable securities		3 154 597	2 681 579	–	–	473 000[2]	–
Loan and advances		6 938 631	5 667 527	367 582	191 485	714 881	–
Equipment finance		4 688 234	4 036 177	91 978	137 676	422 403	–
Capital equipment finance		1 325 303	1 188 385	12 428	53 809	70 681	–
Trade and debtor finance		718 014	361 700	168 457	–	190 700	–
Term loans – secured		191 569	65 753	94 719	–	31 097	–
Term loans – unsecured		15 512	15 512	–	–	–	–
Trade and other receivables		355 721	–	355 721	–	–	–
Loans to entities in the Group		210 290	210 290	–	–	–	–
Gross carrying amount		12 357 571	8 559 396	723 303	191 485	1 187 881	–
Less: Credit loss allowance		(583 517)	(144 631)	(19 981)	(17 077)	(401 828)	–
Net carrying amount		11 774 054	8 414 765	703 322	174 408	786 828	–
2020							
Off-balance sheet exposure to credit risk							
Letters of credit		98 460					
Financial guarantees issued		42 442					
Carry facilities		41 824					
Total exposure to off-balance sheet credit risk		182 726					
2020							
Maximum credit exposures on financial assets at FVTPL							
Loans and advances		223 011					
Trading assets		85 174					
		308 185					
Total exposure to credit risk		12 264 965					

[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] *These relate to the Land Bank bills held, refer to note 5.*

39. CREDIT RISK continued

39.1 Credit risk exposure analysis continued

Consolidated	Total R'000	Credit risk grading: A ECL staging: Stage 1 12-month ECL R'000	Credit risk grading: A ECL staging: Stage 2 Lifetime ECL R'000	Credit risk grading: B ECL staging: Stage 2 Lifetime ECL R'000	Credit risk grading: Default (C, D, E) ECL staging: 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]	1 314 527	–	–	–	–	–
Negotiable securities	3 077 519	–	–	–	–	–
Loan 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	–
Other finance	–	–	–	–	–	–
Trade and debtor finance	1 207 514	712 519	276 447	–	218 548	228 586
Term loans – secured	197 679	141 454	28 160	–	28 065	–
Term loans – unsecured	–	–	–	–	–	–
Trade and other receivables	270 955[2]	–	–	–	–	–
Less: Credit loss allowance	12 551 745	6 520 340	535 159	107 254	726 104	228 586
Net carrying amount	(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	43 880					
Total exposure to off-balance sheet credit risk	129 640					
Credit loss allowance on off-balance sheet credit risk recognised	449					
2019						
Maximum credit exposures on financial assets at FVTPL						
Investment securities	39 007					
Total exposure to credit risk	12 318 201					

[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.*

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 Group's maximum exposure to credit risk on these assets, by credit quality.

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
2020							
Maximum credit exposures of financial assets at amortised cost							
Cash and cash balances[1]		1 442 104	–	–	–	–	–
Negotiable securities		3 154 579	2 681 579	–	–	473 000[2]	–
Loan and advances		3 303 315	2 476 765	264 096	130 219	432 236	–
Equipment finance		1 630 969	1 328 131	30 580	81 535	190 723	–
Capital equipment finance		1 067 056	959 009	11 531	48 684	47 832	–
Other finance		–	–	–	–	–	–
Trade and debtor finance		398 209	108 360	127 266	–	162 584	–
Term loans – secured		191 569	65 753	94 719	–	31 097	–
Term loans – unsecured		15 512	15 512	–	–	–	–
Trade and other receivables		287 914	–	287 914	–	–	–
Loans to entities in the Group		545 255	545 255	–	–	–	–
Gross carrying amount		8 733 167	5 703 599	552 010	130 219	905 236	–
Less: Credit loss allowance		(314 936)	(76 362)	(12 015)	(11 177)	(215 382)	–
Net carrying amount		8 418 232	5 627 237	539 995	119 042	689 854	–
2020							
Off-balance sheet exposure to credit risk							
Letters of credit		58 500					
Financial guarantees issued		62 442					
Carry facilities		41 824					
Total exposure to off-balance sheet credit risk		162 766					
2020							
Maximum credit exposures on financial assets at FVTPL							
Loans and advances		223 011					
Trading assets		84 537					
		307 548					
Total exposure to credit risk		8 888 546					

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

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

39. CREDIT RISK continued

39.1 Credit risk exposure analysis continued

Separate	Total R'000	Stage 1 12-month ECL R'000	Stage 2 Lifetime ECL R'000	Stage 2 Lifetime ECL R'000	Stage 3 Lifetime ECL R'000	Securities and expected recoveries on default exposures R'000
Credit risk grading		A	A	B	Default (C, D, E)	
ECL staging		Stage 1	Stage 2	Stage 2	Stage 3	
2019						
Maximum credit exposures of financial assets at amortised cost						
Cash and cash balances[1]	1 079 459	–	–	–	–	–
Negotiable securities[1]	3 077 519	–	–	–	–	–
Loan 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	–
Other finance	–	–	–	–	–	–
Trade and debtor finance	782 454	327 291	252 922	–	202 241	212 279
Term loans – secured	197 665	141 440	28 160	–	28 065	–
Term loans – unsecured	–	–	–	–	–	–
Trade and other receivables[2]	315 775	–	–	–	–	–
Loans to entities in the Group	476 038	–	–	–	–	–
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	71 956					
Carry facilities	11 952					
Financial guarantees issued	41 927					
Total exposure to off-balance sheet credit risk	125 835					
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	8 562 194					

[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.*

39. CREDIT RISK continued

39.1 Credit risk exposure analysis continued

	Consolidated		Separate	
	2020 R'000	2019 R'000	**2020 R'000**	2019 R'000
Concentration risk of advances				
Sectoral analysis				
Agriculture	**82 486**	89 855	**40 616**	49 149
Community, social and personal services	**1 882 061**	1 601 261	**926 709**	592 425
Construction	**256 187**	468 122	**126 144**	368 328
Electricity and water	**28 820**	32 109	**14 190**	15 320
Finance, real estate and business services	**1 746 328**	1 829 609	**859 876**	967 353
Manufacturing	**932 612**	1 097 170	**459 210**	576 668
Mining	**266 740**	254 569	**131 340**	187 804
Trade, repairs of vehicles and goods as well as hotels and restaurants	**1 356 576**	1 259 547	**667 965**	803 086
Transport and communication	**609 832**	1 256 615	**300 276**	575 783
Total	**7 161 642**	7 888 857	**3 526 326**	4 135 916

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

Issuer ratings (international scale) relating to the portfolio of bond assets were as follows:

	Consolidated		Separate	
	2020 %	2019 %	**2020 %**	2019 %
Aa1/AA+/AA+	–	39.52	–	3.77
Aa2/AA/AA	–	12.60	–	39.52
Aa3/AA-/AA-	–	28.07	–	12.60
Aaa/AAA/AAA	–	3.77	–	28.07
A1/A+/A+	–	13.71	–	13.71
A2/A/A	–	1.68	–	1.68
A3/A-/A-	–	0.65	–	0.65
Ba2/BB/BB	**78.16**	–	**78.16**	–
Ba2/BB-/BB-	**21.84**	–	**21.84**	–
	100.00	100.00	**100.00**	100.00

39.2 Collateral and other security enhancements

39.2.1 Description of collateral for loans and advances

Loans and advances	Security
Equipment finance	While the Group retains full ownership of the assets and equipment financed throughout the duration of the contract, it generally does not take the value of the asset and equipment for collateral purposes.
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 at hand, 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 are also held as further collateral against customers.
Term loans: secured	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 asset 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	Receivables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Unsecured R'000
Consolidated								
2020								
Loans and advances								
Equipment finance[1]	4 688 234	–	3 503 096	–	–	–	3 503 096	1 185 138
Capital equipment[1] finance	1 325 303	–	1 109 645	–	–	–	1 109 645	215 658
Trade and debtor finance	718 014	202 415	39 275	103 863	46 129	65 409	457 091	260 923
Term loans: secured	191 569	–	–	25 911	94 719	49 765	170 395	21 174
Specialised lending	223 011			6 905	69 000	132 406	208 311	14 700
	7 146 130	202 415	4 652 016	136 678	209 848	247 580	5 448 538	1 697 592
2019								
Loans and advances								
Equipment finance[1]	5 214 018	–	3 657 914	–	–	–	3 657 914	1 556 104
Capital equipment[1] 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
Term loans: secured	197 679	–	–	–	–	150 801	150 801	46 878
Specialised lending	–	–	–	–	–	–	–	–
	7 888 857	265 269	4 711 237	275 259	66 260	253 882	5 571 907	2 316 950
Separate								
2020								
Loans and advances								
Equipment finance[1]	1 630 969	–	1 205 807	–	–	–	1 205 807	425 162
Capital equipment[1] finance	1 067 056	–	893 363	–	–	–	893 363	173 693
Trade and debtor finance	398 209	68 240	11 462	76 498	39 085	3 198	198 483	199 726
Term loans: secured	191 569	–	–	25 911	94 719	49 765	170 395	21 174
Specialised lending	223 011	–	–	6 905	69 000	132 406	208 311	14 700
	3 510 814	68 240	2 110 632	109 313	202 804	185 369	2 676 359	834 455
2019								
Loans and advances								
Equipment finance[1]	2 068 041	–	1 551 845	–	–	–	1 551 845	516 196
Capital equipment[1] 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
Term loans: secured	197 665	–	–	–	–	150 801	150 801	46 864
Specialised lending	–	–	–	–	–	–	–	–
	4 135 916	118 918	2 423 211	244 412	58 889	150 801	2 996 231	1 139 685

39. CREDIT RISK continued

39.2 Collateral and other security enhancements continued

39.2.3 Collateral held against individually impaired assets

	Gross exposure R'000	Security: Stock R'000	Security: Fixed assets R'000	Security: Receivables R'000	Security: Property R'000	Security: Pledges/deposits R'000	Security: Total R'000	Unsecured R'000
Consolidated								
2020								
Loans and advances								
Equipment finance	422 403	–	346 877	–	–	–	346 877	75 526
Capital equipment finance	70 681	–	43 861	–	–	–	43 861	26 820
Trade and debtor finance	187 857	3 238	14 240	1 117	17 029	72 236	107 860	79 997
Term loans: secured	31 097	–	–	–	–	9 586	9 586	21 511
	712 038	3 238	404 978	1 117	17 029	81 822	508 184	203 854
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
Term loans: secured	28 065	–	–	–	–	22 719	22 719	5 346
	722 928	3 695	400 372	2 360	1 458	167 060	574 945	147 983
Separate								
2020								
Loans and advances								
Equipment finance	190 723	–	159 677	–	–	–	159 677	31 045
Capital equipment finance	47 832	–	27 468	–	–	–	27 468	20 364
Trade and debtor finance	162 584	3 238	14 240	1 117	17 029	72 236	107 860	54 723
Term loans: secured	31 097	–	–	–	–	9 586	9 586	21 511
	432 236	3 238	201 385	1 117	17 029	81 822	304 592	127 644
2019								
Loans and advances								
Equipment finance[1]	169 411	–	127 125	–	–	–	127 125	42 286
Capital equipment[1] 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
Term loans: secured	28 065	–	–	–	–	22 719	22 719	5 346
	515 898	3 305	263 348	1 401	298	158 233	426 585	89 313

[1] *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 asset is not subsequently reassessed unless there is default.*

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

39. CREDIT RISK continued

39.3 Credit loss allowance analysis

39.3.1 Reconciliation of ECL on loans and advances

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
2020				
Credit loss allowance on 1 July 2019	57 157	22 898	321 687	401 742
Transfers between stages[1, 2]	(5 987)	(23 721)	106 864	77 156
Transfer to stage 1	–	(28 781)	(9 194)	(37 975)
Transfer from stage 1	–	17 919	75 731	93 650
Transfer to stage 2	(4 088)	–	(884)	(4 972)
Transfer from stage 2	948	–	41 211	42 159
Transfer to stage 3	(2 934)	(12 965)	–	(15 899)
Transfer from stage 3	86	106	–	192
Net expected credit losses (released)/raised	62 410	39 462	48 488	150 360
ECL on new exposure raised	19 127	11 249	34 889	65 265
Subsequent changes in ECL	50 934	34 422	35 642	120 998
TVM unwind and IIS movements	–	–	–	–
Change in ECL due to derecognition	(7 651)	(6 209)	(22 043)	(35 903)
Impaired accounts written off[3]	–	–	(76 854)	(76 854)
Credit loss allowance on 30 June 2020	113 581	38 639	400 185	552 405
Separate				
2020				
Credit loss allowance on 1 July 2019	26 543	15 454	168 861	210 858
Transfers between stages[1, 2]	(3 821)	(3 260)	59 299	52 218
Transfer to stage 1	–	(9 345)	(3 026)	(12 371)
Transfer from stage 1	–	10 558	39 906	50 464
Transfer to stage 2	(2 016)	–	(376)	(2 392)
Transfer from stage 2	367	–	22 795	23 162
Transfer to stage 3	(2 216)	(4 519)	–	(6 735)
Transfer from stage 3	45	46	–	91
Net expected credit losses (released)/raised	22 761	12 078	24 823	59 662
ECL on new exposure raised	10 333	8 191	25 576	44 100
Subsequent changes in ECL	16 439	5 221	14 945	36 605
TVM unwind and IIS movements	–	–	–	–
Change in ECL due to derecognition	(4 011)	(1 334)	(15 698)	(21 043)
Impaired accounts written off[3]	–	–	(41 135)	(41 135)
Credit loss allowance on 30 June 2020	45 483	24 272	211 848	281 603

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

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

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

39. CREDIT RISK continued
39.3 Credit loss allowance analysis continued
39.3.1 Reconciliation of ECL on loans and advances continued

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
2019				
Credit loss allowance on 1 July 2018	71 979	54 291	244 165	370 435
Transfers between stages[1, 2]	(31 203)	(51 592)	142 720	59 925
Transfer to stage 1	(31 203)	–	–	(31 203)
Transfer from stage 1	–	–	–	–
Transfer to stage 2	–	(51 592)	–	(51 592)
Transfer from stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
Transfer from stage 3	–	–	142 720	142 720
Net expected credit losses (released)/raised	16 394	20 199	(6 857)	29 376
ECL on new exposure raised	22 823	22 556	19 116	64 495
Subsequent changes in ECL	–	–	–	–
TVM unwind and IIS movements	–	–	–	–
Change in ECL due to derecognition	(6 429)	(2 357)	(25 973)	(34 759)
Impaired accounts written off[3, 4]	–	–	(58 354)	(58 354)
Credit loss allowance on 30 June 2019	57 170	22 898	321 674	401 742
Separate				
2019				
Credit loss allowance on 1 July 2018	38 718	48 160	130 172	217 050
Transfers between stages[1, 2]	(22 584)	(45 157)	62 254	(5 487)
Transfer to stage 1	(22 584)	–	–	(22 584)
Transfer from stage 1	–	–	–	–
Transfer to stage 2	–	(45 157)	–	(45 157)
Transfer from stage 2	–	–	–	–
Transfer to stage 3	–	–	–	–
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 exposure raised	14 749	12 769	15 095	42 613
Subsequent changes in ECL	–	–	–	–
TVM unwind and IIS movements	–	–	–	–
Change in ECL due to derecognition	(4 326)	(318)	(10 352)	(14 996)
Impaired accounts written off[3, 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 recalibration 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.*

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 2019 R'000	Transfers between stages R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Net expected credit losses (released)/ raised R'000
2020						
Equipment finance[1]	320 311	42 359	25 856	28 818	(12 315)	136 623
Stage 1	33 009	(1 616)	–	(690)	(926)	54 494
Stage 2	13 944	(26 917)	(15 528)	–	(11 389)	37 334
Stage 3	273 358	70 892	41 384	29 508	–	44 796
Capital equipment finance[1]	28 519	15 799	16 269	270	(740)	16 374
Stage 1	7 255	(798)	–	(93)	(705)	8 619
Stage 2	1 843	1 102	1 137	–	(35)	3 272
Stage 3	19 420	15 495	15 132	363	–	4 483
Trade and debtor finance	35 211	8 286	293	8 842	(849)	(5 315)
Stage 1	13 002	(1 819)	–	(1 614)	(205)	(2 280)
Stage 2	5 120	(1 351)	(707)	–	(644)	(2 188)
Stage 3	17 089	11 456	1 000	10 456	–	(847)
Term loans: secured	17 314	10 713	13 258	(742)	(1 803)	2 222
Stage 1	3 503	(1 754)	–	(742)	(1 012)	1 121
Stage 2	1 991	3 445	4 236	–	(791)	1 045
Stage 3	11 820	9 022	9 022	–	–	56
Term loans: unsecured	–	–	–	–	–	198
Stage 1	–	–	–	–	–	198
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Guarantees	388	–	–	–	–	258
Stage 1	388	–	–	–	–	258
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Total	401 742	77 156	55 675	37 188	(15 707)	150 360
Stage 1	57 157	(5 987)	–	(3 139)	(2 848)	62 410
Stage 2	22 898	(23 721)	(10 862)	–	(12 859)	39 462
Stage 3	321 687	106 864	66 537	40 327	–	48 488

[1] *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 asset is not subsequently reassessed unless there is default.*

ECL on new exposure raised R'000	Sub-sequent changes in ECL R'000	Change in ECL due to derecog-nition R'000	Impaired accounts written off R'000	Credit loss allowance on 30 June 2020 R'000
41 506	112 526	(17 409)	(66 455)	432 838
13 493	44 613	(3 612)	–	85 887
7 395	35 889	(5 950)	–	24 361
20 618	32 024	(7 846)	(66 455)	322 591
21 019	8 602	(13 247)	(4 009)	56 683
4 051	6 811	(2 243)	–	15 076
3 794	(371)	(151)	–	6 217
13 174	2 162	(10 853)	(4 009)	35 389
1 889	(2 249)	(4 955)	(6 390)	31 792
731	(1 408)	(1 603)	–	8 903
61	(2 141)	(108)	–	1 581
1 097	1 300	(3 244)	(6 390)	21 308
510	2 004	(292)	–	30 249
510	803	(192)	–	2 870
–	1 045	–	–	6 481
–	156	(100)	–	20 898
83	115	–	–	198
83	115	–	–	198
–	–	–	–	–
–	–	–	–	–
258	–	–	–	646
258	–	–	–	646
–	–	–	–	–
–	–	–	–	–
65 265	120 998	(35 903)	(76 854)	552 404
19 127	50 934	(7 651)	–	113 580
11 249	34 422	(6 209)	–	38 639
34 889	35 642	(22 043)	(76 854)	400 185

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 2019 R'000	Transfers between stages R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Net expected credit losses (released)/raised R'000
2020						
Equipment finance	151 720	20 342	11 359	12 660	(3 677)	48 621
Stage 1	13 794	(735)	–	(375)	(360)	15 023
Stage 2	7 450	(6 180)	(2 863)	–	(3 317)	9 781
Stage 3	130 476	27 257	14 222	13 035	–	23 817
Capital equipment finance	19 783	12 740	13 331	4	(595)	10 037
Stage 1	6 164	(629)	–	(34)	(595)	6 637
Stage 2	1 534	695	695	–	–	3 431
Stage 3	12 085	12 674	12 636	38	–	(31)
Trade and debtor finance	21 654	8 422	144	8 847	(569)	(1 675)
Stage 1	2 694	(704)	–	(499)	(205)	(478)
Stage 2	4 479	(1 220)	(856)	–	(364)	(2 178)
Stage 3	14 481	10 346	1 000	9 346	–	981
Term loans: secured	17 314	10 713	13 258	(742)	(1 803)	2 222
Stage 1	3 503	(1 754)	–	(742)	(1 012)	1 121
Stage 2	1 991	3 445	4 236	–	(791)	1 045
Stage 3	11 820	9 022	9 022	–	–	56
Term loans: unsecured	–	–	–	–	–	198
Stage 1	–	–	–	–	–	198
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Guarantees	388	–	–	–	–	258
Stage 1	388	–	–	–	–	258
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Total	210 858	52 217	38 092	20 769	(6 644)	59 662
Stage 1	26 543	(3 822)	–	(1 650)	(2 172)	22 760
Stage 2	15 454	(3 260)	1 212	–	(4 472)	12 079
Stage 3	168 861	59 299	36 880	22 419	–	24 823

ECL on new exposure raised R'000	Subsequent changes in ECL R'000	Change in ECL due to derecognition R'000	Impaired accounts written off R'000	Credit loss allowance on 30 June 2020 R'000
25 505	29 660	(6 544)	(34 520)	186 163
5 491	11 404	(1 872)	–	28 082
4 410	6 473	(1 102)	–	11 051
15 604	11 783	(3 570)	(34 520)	147 030
16 241	6 361	(12 565)	(226)	42 334
3 585	4 947	(1 895)	–	12 172
3 781	(208)	(142)	–	5 660
8 875	1 622	(10 528)	(226)	24 502
1 502	(1 536)	(1 641)	(6 390)	22 011
404	(830)	(52)	–	1 513
1	(2 090)	(89)	–	1 081
1 097	1 384	(1 500)	(6 390)	19 418
510	2 004	(292)	–	30 249
510	803	(192)	–	2 870
–	1 045	–	–	6 481
–	156	(100)	–	20 898
83	115	–	–	198
83	115	–	–	198
–	–	–	–	–
–	–	–	–	–
–	258	–	–	646
–	258	–	–	646
–	–	–	–	–
–	–	–	–	–
43 841	36 862	(21 042)	(41 135)	281 602
10 073	16 697	(4 011)	–	45 481
8 192	5 220	(1 333)	–	24 273
25 576	14 945	(15 698)	(41 135)	211 848

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	Credit loss allowance balance beginning of the year on 1 July 2019 R'000	Transfers between stages R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Net expected credit (released)/ raised R'000
2019						
Equipment finance	270 156	74 687	82 811	39 984	(48 108)	19 390
Stage 1	27 611	(5 730)	–	(3 149)	(2 581)	10 638
Stage 2	45 050	(52 678)	(7 151)	–	(45 527)	21 572
Stage 3	197 495	133 095	89 962	43 133	–	(12 820)
Capital equipment finance	22 846	(2 901)	(162)	(3 231)	491	8 748
Stage 1	14 239	(10 144)	–	(8 861)	(1 283)	3 161
Stage 2	74	1 613	(162)	–	1 775	156
Stage 3	8 533	5 630	–	5 630	–	5 431
Trade and debtor finance	58 885	(9 983)	(1 463)	(2 089)	(6 430)	(150)
Stage 1	20 888	(8 733)	–	(5 124)	(3 609)	847
Stage 2	9 167	(2 518)	303	–	(2 821)	(1 529)
Stage 3	28 830	1 268	(1 767)	3 035	–	532
Term loans: secured	17 257	(1 035)	–	(3 026)	1 991	1 748
Stage 1	7 949	(5 753)	–	(5 753)	–	1 748
Stage 2	–	1 991	–	–	1 991	–
Stage 3	9 308	2 727	–	2 727	–	–
Guarantees	1 292	(843)	–	(843)	–	–
Stage 1	1 292	(843)	–	(843)	–	–
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Total	370 435	59 925	81 186	30 795	(52 056)	29 736
Stage 1	71 979	(31 203)	–	(23 730)	(7 473)	16 394
Stage 2	54 291	(51 592)	(7 009)	–	(44 583)	20 199
Stage 3	244 165	142 720	88 195	54 525	–	(6 857)

ECL on new exposure raised R'000	Change in ECL due to derecog-nition R'000	Impaired accounts written off R'000	Credit loss allowance on 30 June 2019 R'000
43 645	(24 255)	(44 424)	319 809
13 348	(2 710)	–	32 519
22 375	(803)	–	13 944
7 922	(20 742)	(44 424)	273 346
14 103	(5 355)	(174)	28 519
5 936	(2 775)	–	7 256
162	(6)	–	1 843
8 005	(2 574)	(174)	19 420
4 999	(5 149)	(13 541)	35 211
1 791	(944)	–	13 002
19	(1 548)	–	5 120
3 189	(2 657)	(13 541)	17 089
1 748	–	(215)	17 755
1 748	–	–	3 944
–	–	–	1 991
–	–	(215)	11 820
–	–	–	449
–	–	–	449
–	–	–	–
–	–	–	–
64 495	(34 759)	(58 354)	401 742
22 823	(6 429)	–	57 170
22 556	(2 357)	–	22 898
19 116	(25 973)	(58 354)	321 675

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 balance beginning of the year R'000	Transfers between stages R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Net expected credit (released)/ raised R'000
2019						
Equipment finance	150 087	7 180	6 654	41 332	(40 806)	14 488
Stage 1	9 141	(1 845)	–	(3 226)	1 381	5 996
Stage 2	40 935	(45 854)	(3 667)	–	(42 187)	12 369
Stage 3	100 011	54 879	10 321	44 558	–	(3 877)
Capital equipment finance	16 404	(4 886)	(117)	(6 192)	1 423	8 265
Stage 1	12 392	(8 907)	–	(8 907)	–	2 679
Stage 2	73	1 306	(117)	–	1 423	155
Stage 3	3 939	2 715	–	2 715	–	5 431
Trade and debtor finance	33 302	(6 993)	2 927	(967)	(8 953)	3 116
Stage 1	9 236	(6 541)	–	(2 258)	(4 283)	–
Stage 2	7 152	(2 600)	2 070	–	(4 670)	(73)
Stage 3	16 914	2 148	857	1 291	–	3 189
Term loans: secured	17 257	(1 250)	–	(3 241)	1 991	1 748
Stage 1	7 949	(5 753)	–	(5 753)	–	1 748
Stage 2	–	1 991	–	–	1 991	–
Stage 3	9 308	2 512	–	2 512	–	–
Guarantees	1 286	–	–	–	–	(824)
Stage 1	1 286	–	–	–	–	(824)
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Total	218 336	(5 949)	9 464	30 932	(46 345)	26 793
Stage 1	40 004	(23 046)	–	(20 144)	(2 902)	9 599
Stage 2	48 160	(45 157)	(1 714)	–	(43 443)	12 451
Stage 3	130 172	62 254	11 178	51 076	–	4 743

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

ECL on new exposure raised R'000	Impaired accounts written off R'000	Credit loss allowance on 30 June 2019 R'000
23 132	(20 551)	151 204
6 623	–	13 292
12 608	–	7 450
3 901	(20 551)	130 462
13 600	–	19 782
5 434	–	6 164
161	–	1 534
8 005	–	12 085
4 133	(7 771)	21 654
944	–	2 695
–	–	4 479
3 189	(7 771)	14 481
1 748	–	17 755
1 748	–	3 944
–	–	1 991
–	–	11 820
(824)	–	462
(824)	–	462
–	–	–
–	–	–
41 789	(28 322)	210 858
13 925	–	26 557
12 769	–	15 454
15 095	(28 322)	168 847

39. CREDIT RISK continued

39.3 Credit loss allowance analysis continued

39.3.3 Reconciliation of ECL on negotiable securities

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

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

39.3.4 Reconciliation of ECL on trade and other receivables

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
2020				
Net expected credit losses (released)/raised	1 662	–	–	1 662
ECL on new exposure raised	1 662	–	–	1 662
Credit loss allowance on 30 June 2020	1 662	–	–	1 662
Separate				
2020				
Net expected credit losses (released)/raised	1 501	–	–	1 501
ECL on new exposure raised	1 501	–	–	1 501
Credit loss allowance on 30 June 2020	1 501	–	–	1 501

39. CREDIT RISK continued

39.3 Credit loss allowance analysis continued

39.3.5 Reconciliation of ECL on loans to companies in the Group

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
2020				
Net expected credit losses (released)/raised	1 466	–	–	1 466
ECL on new exposure raised	1 466	–	–	1 466
Credit loss allowance on 30 June 2020	1 466	–	–	1 466
Separate				
2020				
Net expected credit losses (released)/raised	3 848	–	–	3 848
ECL on new exposure raised	3 848	–	–	3 848
Credit loss allowance on 30 June 2020	3 848	–	–	3 848

39.3.6 Credit impairment charges recognised in profit or loss

Consolidated	2020 R'000	2019 R'000
Net ECL recognised	276 824	89 620
Loans and advances[1]	245 820	89 474
Letters of credit, carry facilities, loan commitments and financial guarantees issued	–	146
Cash and cash balances	–	–
Negotiable securities	27 984	–
Trade and other receivables	1 554	–
Loans to companies in the Group	1 466	–
Recoveries of loans and advances previously written off	(21 264)	(9 329)
	255 560	80 291
Separate		
Net ECL recognised	157 295	21 125
Loans and advances[1]	123 962	21 968
Letters of credit, carry facilities, loan commitments and financial guarantees issued	–	(843)
Cash and cash balances	–	–
Negotiable securities	27 984	–
Trade and other receivables	1 501	–
Loans to companies in the Group	3 848	–
Recoveries of loans and advances previously written off	(17 963)	(1 305)
	139 333	19 820

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

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

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

Liquidity risk measurement

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

Exposure to liquidity risk

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

1. The Liquidity Coverage Ratio (LCR) which refers to the proportion of high quality liquid assets to meet the banks liquidity needs during a 30 calendar day liquidity stress.
2. 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 Banking Group's exposure to liquidity risk in terms of internal benchmarks it has set and defined for Treasury to maintain.

To manage the liquidity risk arising from financial liabilities, the Group holds high-quality liquid assets comprising cash and cash balances, treasury bills, Land Bank 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
2020									
Discounted maturity									
Assets									
Cash and cash balances	1 698 350	1 698 350	1 698 055	295	–	–	–	–	1 698 350
Trading assets	85 172	85 172	1 892	67 176	15 944	160	–	–	85 172
Negotiable securities	3 126 595	3 154 579	1 270 949	594 698	581 647	495 650	211 636	(27 984)	3 126 595
Trade and other receivables	354 059	355 721	350 989	50	4 682	–	–	(1 662)	354 059
Non-current assets held for sale	6 700	–	–	–	–	–	–	6 700	6 700
Loans and advances	6 609 237	7 161 642	559 528	740 619	1 946 068	3 493 989	421 438	(552 405)	6 609 237
Current taxation asset	16 991	16 991	8 135	1 879	6 977	–	–	–	16 991
Investment securities	154 221	–	–	–	–	–	–	154 221	154 221
Investments at fair value through profit or loss	154 221	–	–	–	–	–	–	154 221	154 221
Loans to entities in the group	208 824	210 290	210 290	–	–	–	–	(1 466)	208 824
Deferred tax asset	2 210	–	–	–	–	–	–	2 210	2 210
Property and equipment and right-to-use assets	85 422	–	–	–	–	–	–	85 422	85 422
Intangible assets and goodwill	194 709	–	–	–	–	–	–	194 709	194 709
Total assets	12 542 490	12 682 745	4 099 838	1 404 717	2 555 318	3 989 799	633 074	(140 255)	12 542 490
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 882 806	1 882 806	1 882 806	–	–	–	–	–	1 882 806
Trading liabilities	101 438	101 438	34 189	46 267	17 196	1 364	2 422	–	101 438
Current taxation liability	1 344	1 344		1 344					
Trade and other payables	684 667	684 667	133 475	335 685	121 867	93 640	–	–	684 667
Provisions	20 291	–	–	–	–	–	–	20 291	20 291
Bank overdraft	151 462	151 462	151 462	–	–	–	–	–	151 462
Deposits from customers[1]	5 327 015	5 327 015	3 193 236	1 109 195	945 373	79 211	–	–	5 327 015
Lease liabilities	65 284	70 337	2 933	8 799	25 049	33 556	–	–	70 337
Debt securities issued	2 743 823	3 034 334	–	312 415	531 828	2 190 091			3 034 334
Long-term loans	121 649	142 020	50	31 669	102 590	7 711	–	–	142 020
Deferred tax liability	90 469	90 469	–	–	–	–	–	90 469	90 469
Total liabilities	11 190 248	11 485 892	5 398 152	1 845 374	1 743 903	2 405 573	2 422	110 760	11 504 839
Off-Statement of Financial Position									
Loan commitments	51 704	51 704	42 324	–	9 380	–	–	–	–

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

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
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
Trade and other receivables	270 955	270 955	130 898	12 405	–	126 409	–	1 243	270 955
Loans and advances	7 499 418	7 499 418	566 631	1 368 327	2 141 487	3 786 893	25 519	(389 439)	7 499 418
Current taxation asset	20 130	20 130	20 130	–	–	–	–	–	20 130
Investment securities	142 060	–	–	–	–	–	–	142 060	142 060
Investments at fair value through profit or loss	142 060	–	–	–	–	–	–	142 060	142 060
Loans to entities in the group	130 490	130 490	–	–	–	130 490	–	–	130 490
Deferred tax asset	2 139	–	–	–	–	–	–	2 139	2 139
Property and equipment and right-to-use assets	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	12 351 933	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[1]	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

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

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
2020									
Discounted maturity									
Assets									
Cash and cash balances	1 442 104	1 442 104	1 442 104	–	–	–	–	–	1 442 104
Trading assets	84 537	84 537	29 406	38 171	13 225	3 734	–	–	84 537
Negotiable securities	3 126 595	3 154 579	1 270 949	594 698	581 647	495 650	211 636	(27 984)	3 126 595
Trade and other receivables	286 413	287 914	176 721	–	104 243	6 950	–	(1 501)	286 413
Loans and advances	3 244 723	3 526 326	452 559	493 014	870 564	1 689 943	20 245	(281 603)	3 244 723
Investment securities	154 071	–	–	–	–	–	–	154 071	154 071
Investments at fair value through profit or loss	154 071	–	–	–	–	–	–	154 071	154 071
Loans to entities in the group	541 407	545 255	210 290	–	–	–	334 965	(3 848)	541 407
Property and equipment and right-to-use assets	82 947	–	–	–	–	–	–	82 947	82 947
Intangible assets and goodwill	140 353	–	–	–	–	–	–	140 353	140 353
Investments in subsidiaries and structured entities	255 859	–	–	–	–	–	–	255 859	255 859
Total assets	9 359 009	9 040 715	3 582 029	1 125 883	1 569 679	2 196 276	566 847	318 294	9 359 009
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 803 712	1 803 712	1 803 712	–	–	–	–	–	1 803 712
Trading liabilities	85 856	85 856	28 937	39 160	14 554	1 154	2 050	–	85 856
Trade and other payables	458 476	458 476	89 379	224 786	81 606	62 705	–	–	458 476
Provisions	16 343	–	–	–	–	–	–	16 343	16 343
Bank overdraft	30 462	30 462	30 462	–	–	–	–	–	30 462
Deposits from customers[1]	5 748 643	5 748 643	3 414 569	1 215 076	1 033 258	85 740	–	–	5 748 643
Lease liabilities	62 705	67 652	2 707	8 124	24 518	32 303	–	–	67 652
Long-term loans	116 360	133 704	–	31 568	102 136	–	–	–	133 704
Deferred tax liability	25 728	25 728	–	–	–	–	–	25 728	25 728
Loans from entities in the group	15 384	15 384	–	–	–	–	15 384	–	15 384
Total liabilities	8 363 669	8 369 617	5 369 767	1 518 713	1 256 073	181 902	17 434	42 072	8 385 960
Off-Statement of Financial Position									
Loan commitments	51 704	51 704	42 324	–	9 380	–	–	–	–

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

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
Trade and other receivables	315 775	315 775	40 484	57 446	129 489	87 093	–	1 243	315 775
Loans and advances	3 937 360	3 937 360	269 935	894 951	1 023 193	1 947 127	20 878	(218 724)	3 937 360
Investment securities	141 839	–	–	–	–	–	–	141 839	141 839
Loans to entities in the 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 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

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

40.2 Discounted maturity analysis: Current and non-current

Consolidated	2020 Current R'000	2020 Non-current R'000	2020 Total R'000	2019 Current R'000	2019 Non-current R'000	2019 Total R'000
Assets						
Cash and cash balances	1 698 350	–	1 698 350	1 314 414	–	1 314 414
Trading assets	85 012	160	85 172	39 007	–	39 007
Negotiable securities	2 447 293	693 302	3 126 595	2 583 452	494 067	3 077 519
Trade and other receivables	355 721	(1 662)	354 059	143 303	127 652	270 955
Non-current assets held for sale	–	6 700	6 700	–	–	–
Loans and advances	3 246 215	3 363 022	6 609 237	4 076 445	3 422 973	7 499 418
Current taxation asset	16 991	–	16 991	20 130	–	20 130
Investment securities	–	154 221	154 221	–	142 060	142 060
Investments at fair value through profit or loss	–	154 221	154 221	–	142 060	142 060
Loans to entities in the Group	210 290	(1 466)	208 824	–	130 490	130 490
Deferred tax asset	–	2 210	2 210	–	2 139	2 139
Property, equipment and right-to-use assets	–	85 422	85 422	–	45 740	45 740
Investment property	–	–	–	–	8 900	8 900
Intangible assets and goodwill	–	194 709	194 709	–	215 800	215 800
Total assets	8 059 872	4 482 618	12 542 490	8 176 751	4 589 821	12 766 572
Liabilities						
Funding under repurchase agreements and interbank	1 882 806	–	1 882 806	2 271 610	–	2 271 610
Trading liabilities	97 652	3 786	101 438	39 865	571	40 436
Current taxation liability	1 344	–	1 344	–	–	–
Trade and other payables	591 027	93 640	684 667	743 310	–	743 310
Provisions	–	20 291	20 291	38 189	–	38 189
Bank overdraft	151 462	–	151 462	46 008	–	46 008
Deposits from customers	5 247 804	79 211	5 327 015	165 209	4 981 027	5 146 236
Lease liabilities[1]	55 562	9 722	65 284	–	–	–
Debt securities issued	–	2 743 823	2 743 823	2 086 299	667 222	2 753 521
Long-term loans	121 649	–	121 649	–	245 715	245 715
Deferred tax liability	–	90 469	90 469	–	136 213	136 213
Loans from entities in the Group	(87 405)	87 405	–	–	–	–
Total liabilities	8 061 901	3 128 347	11 190 248	5 390 490	6 030 748	11 421 238

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

40. LIQUIDITY RISK continued

40.2 Discounted maturity analysis: Current and non-current continued

Separate	2020 Current R'000	2020 Non-current R'000	2020 Total R'000	2019 Current R'000	2019 Non-current R'000	2019 Total R'000
Assets						
Cash and cash balances	1 442 103	–	1 442 103	1 079 459	–	1 079 459
Trading assets	80 803	3 734	84 537	38 997	–	38 997
Negotiable securities	2 447 293	679 302	3 126 595	2 583 454	494 065	3 077 519
Trade and other receivables	280 965	5 449	286 414	227 439	88 336	315 775
Loans and advances	1 816 137	1 428 586	3 244 723	2 188 080	1 749 280	3 937 360
Investment securities	–	154 071	154 071	–	141 839	141 839
Investments at fair value through profit or loss	–	154 071	154 071	–	141 839	141 839
Loans to entities in the Group	210 290	331 118	541 407	–	476 038	476 038
Property, equipment and right-to-use assets	–	82 947	82 947	–	45 639	45 639
Intangible assets and goodwill	–	140 353	140 353	–	156 676	156 676
Investments in subsidiaries and structured entities	–	255 859	255 859	–	255 859	255 859
Total assets	6 227 591	3 081 418	9 359 009	6 117 429	3 407 732	9 525 161
Liabilities						
Funding under repurchase agreements and interbank	1 803 712	–	1 803 712	2 197 422	–	2 197 422
Trading liabilities	82 651	3 204	85 856	34 599	572	35 171
Trade and other payables	395 771	62 705	458 476	438 384	–	438 384
Provisions	–	16 343	16 343	–	28 591	28 591
Bank overdraft	30 462	–	30 462	–	–	–
Deposits from customers	5 662 903	85 740	5 748 643	5 396 762	165 209	5 561 971
Lease liabilities[1]	55 562	7 143	62 705	–	–	–
Long-term loans	116 360	–	116 360	154 308	85 907	240 215
Deferred tax liability	–	25 728	25 728	–	45 623	45 623
Loans from entities in the Group	–	15 384	15 384	–	8 210	8 210
Total liabilities	8 147 422	216 248	8 363 669	8 221 475	334 112	8 555 587

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

41. MARKET RISK

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

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

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

Settlement risk

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

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

Management of market risk

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

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

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

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

Exposure to interest rate risk

- Trading portfolios
  Trading portfolios consist of exchange-traded bonds that bear fixed interest rates, 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 Group enters into Private Equity and Property Equity investments in unlisted entities in accordance with delegated authority limits as defined by the CIC. Market risk on these investments is managed in terms of the investment's purpose and strategic benefits to the Group and not only on investment returns and mark-to-market considerations. Periodic reviews and assessments are undertaken on the performance of these investments.

Currency risk

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

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 Group in derivative contracts and not its exposure to market or credit risks arising from such contracts.

Exchange rate contracts

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

Interest rate swaps

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

Net investment hedge

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

41. MARKET RISK continued

41.1 Market risk

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

Consolidated	Up to 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
2020						
Assets						
Non-trading portfolios						
Cash and cash balances	1 445 466	252 884	–	–	–	1 698 350
Negotiable securities	1 270 949	594 698	581 647	495 650	211 635	3 154 579
Loans and advances	4 069 083	286 707	643 130	2 146 860	15 862	7 161 642
Loans to entities in the Group	202 095	–	–	8 195	–	210 290
Total assets	6 987 593	1 134 289	1 224 777	2 650 705	227 497	12 224 861
Liabilities						
Non-trading portfolios						
Funding under repurchase agreements and interbank	1 882 806	–	–	–	–	1 882 806
Bank overdraft	151 462	–	–	–	–	151 462
Deposits from customers	3 228 754	1 109 195	920 677	68 390	–	5 327 016
Lease liabilities	65 284	–	–	–	–	65 284
Debt securities issued	–	2 743 823	–	–	–	2 743 823
Long-term loans	–	121 649	–	–	–	121 649
Loans from entities in the Group	–	–	–	–	–	–
Total liabilities	5 328 306	3 974 667	920 677	68 390	–	10 292 040
Net pricing gap	1 659 287	(2 840 378)	304 100	2 582 315	227 497	1 932 821
Cumulative repricing gap	1 659 287	(1 181 091)	(876 991)	1 705 324	1 932 821	1 932 821
A 200 basis point interest rate change will have the following effect on profit/loss:						
200 bp parallel shock interest rate increase	2 349	(732)	–	–	–	1 617
200 bp parallel shock interest rate decrease	(2 349)	732	–	–	–	(1 617)

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
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
Loans to entities in the Group	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 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

Separate	Up to 1 month R '000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
2020						
Assets						
Non-trading portfolios						
Cash and cash balances	1 189 395	252 708	–	–	–	1 442 103
Negotiable securities	1 270 949	594 698	581 647	495 650	211 635	3 154 579
Loans and advances	2 267 028	149 068	531 354	563 895	14 981	3 526 326
Loans to entities in the Group	545 255	–	–	–	–	545 255
Total assets	5 272 627	996 474	1 113 001	1 059 545	226 616	8 668 263
Liabilities						
Non-trading portfolios						
Funding under repurchase agreements and interbank	1 803 712	–	–	–	–	1 803 712
Bank overdraft	30 462	–	–	–	–	30 462
Deposits from customers	4 303 755	505 740	864 230	74 918	–	5 748 643
Lease liabilities	62 705	–	–	–	–	62 705
Long-term loans	–	116 360	–	–	–	116 360
Loans from entities in the Group	15 384	–	–	–	–	15 384
Total liabilities	6 216 018	622 100	864 230	74 918	–	7 777 266
Net pricing gap	(943 391)	374 374	248 771	984 626	226 617	890 997
Cumulative repricing gap	(943 391)	(569 017)	(320 246)	664 380	890 997	890 997
A 200 basis point interest rate change will have the following effect on profit/loss:						
200 bp parallel shock interest rate increase	(2 361)	725	–	–	–	(1 637)
200 bp parallel shock interest rate decrease	3 186	(725)	–	–	–	2 461

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
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
Loans to entities in the Group	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
Long-term loans	–	240 215	–	–	240 215
Loans from entities in the Group	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 basis point 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	(9 635)
200 bp parallel shock interest rate decrease	3 386	10 018	(510)	(2 194)	10 701

41. MARKET RISK continued

41.2 Currency risk

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

Foreign currency risk sensitivity analysis

Consolidated	US Dollar R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2020						
Forward-exchange contracts	1 783	6 430	303	223	(55 661)	(46 922)
Import bills	169 879	28 690	689	11 246	107 770	318 274
Bank balances	401 323	41 624	386	10 116	10 517	463 966
Bank overdrafts	(50 340)	(32 225)	–	–	(54 134)	(136 699)
Import suppliers	(3 960)	(534)	–	(153)	(1 341)	(5 988)
Usance creditors	(15 552)	(284)	–	–	–	(15 836)
Other payables	(330 789)	(38 676)	–	(19 859)	(10 657)	(399 981)
Total net (short)/long position	172 344	5 025	1 378	1 573	(3 506)	176 814
Sensitivity – 5%	8 617	251	69	79	(175)	8 841
2019						
Forward exchange contracts	(467)	–	–	–	–	(467)
Import bills	268 860	61 742	5 056	8 755	83 025	427 438
Bank balances	93 430	10 342	–	2 826	3 765	110 363
Bank overdrafts	–	(38 009)	–	–	(7 999)	(46 008)
Import suppliers	(9 810)	(7 161)	(4 560)	–	(42 506)	(64 037)
Usance creditors	(21 713)	(2 127)	–	–	–	(23 840)
Other payables	(142 336)	(30 579)	–	(9 921)	–	(182 836)
Total net (short)/long position	187 964	(5 792)	496	1 660	36 285	220 613
Sensitivity – 5%	9 398	(290)	25	83	1 814	11 031

41. MARKET RISK continued

41.2 Currency risk continued

Foreign currency risk sensitivity analysis continued

Separate	US Dollar R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2020						
Forward-exchange contracts	1 783	44	–	50	46	1 923
Bank balances	212 904	39 614	–	6 898	6 068	265 484
Other payables	(212 165)	(38 546)	–	(5 423)	(5 634)	(261 768)
Total net (short)/ long position	2 522	1 112	–	1 525	480	5 639
Sensitivity – 5%	126	56	–	76	24	282
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

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
2020						
Assets						
Cash and cash balances	406 101	41 624	9 438	1 234 475	6 713	1 698 350
Trading assets	66 029	13 168	957	4 460	557	85 172
Negotiable securities	–	–	–	3 126 595	–	3 126 595
Trade and other receivables	90	–	–	353 950	19	354 059
Non-current assets held for sale	–	–	–	6 700	–	6 700
Loans and advances	163 437	27 509	10 722	6 406 703	866	6 609 237
Taxation	–	–	–	16 991	–	16 991
Investment securities	–	–	–	154 221	–	154 221
– Investments at fair value through profit or loss	–	–	–	154 221	–	154 221
Loans to entities in the Group	–	–	–	208 824	–	208 824
Deferred tax asset	–	–	–	2 210	–	2 210
Property, equipment and right-to-use assets	–	–	–	85 422	–	85 422
Intangible assets and goodwill	–	–	–	194 709	–	194 709
Total assets	635 657	82 301	21 117	11 795 260	8 156	12 542 490
Liabilities						
Funding under repurchase agreements and interbank	28 754	50 340	–	1 803 712	–	1 882 806
Trading liabilities	68 090	12 910	907	19 028	503	101 438
Current taxation liabilities	–	–	–	1 344	–	1 344
Trade and other payables	350 300	39 494	20 012	268 778	6 083	684 667
Provisions	–	–	–	20 291	–	20 291
Bank overdraft	–	3 471	–	147 497	494	151 462
Deposits from customers	–	–	–	5 327 015	–	5 327 015
Lease liabilities	–	–	–	65 284	–	65 284
Debt securities issued	–	–	–	2 743 823	–	2 743 823
Long-term loans	–	–	–	121 649	–	121 649
Deferred tax liability	–	–	–	90 469	–	90 469
Total liabilities	447 144	106 215	20 919	10 608 890	7 080	11 190 248

NOTES TO THE CONSOLIDATED AND SEPARATE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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
2020						
Assets						
Cash and cash balances	212 904	39 613	6 898	1 176 620	6 068	1 442 103
Trading assets	66 029	12 870	957	4 133	548	84 537
Negotiable securities	–	–	–	3 126 595	–	3 126 595
Trade and other receivables	–	–	–	286 414	–	286 414
Loans and advances	–	–	–	3 244 723	–	3 244 723
Investment securities	–	–	–	154 071	–	154 071
Loans to entities in the Group	–	–	–	541 407	–	541 407
Property, equipment and right-to-use assets	–	–	–	82 947	–	82 947
Intangible assets and goodwill	–	–	–	140 353	–	140 353
Investments in subsidiaries and structured entities	–	–	–	255 859	–	255 859
Total assets	278 933	52 483	7 855	9 013 122	6 616	9 359 009
Liabilities						
Funding under repurchase agreements and interbank	–	–	–	1 803 712	–	1 803 712
Trading liabilities	68 090	12 825	907	3 531	503	85 856
Trade and other payables	212 165	38 546	5 423	196 708	5 634	458 476
Provisions	–	–	–	16 343	–	16 343
Bank overdraft	–	–	–	30 462	–	30 462
Deposits from customers	–	–	–	5 748 643	–	5 748 643
Lease liabilities	–	–	–	62 705	–	62 705
Long-term loans	–	–	–	116 360	–	116 360
Deferred tax liability	–	–	–	25 728	–	25 728
Loans from entities in the Group	–	–	–	15 384	–	15 384
Total liabilities	280 255	51 371	6 330	8 019 576	6 137	8 363 669

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
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
Trade and other receivables	472	–	–	270 483	–	270 955
Loans and advances	268 160	61 214	8 674	7 156 192	5 178	7 499 418
Taxation	–	–	–	20 130	–	20 130
Investment securities	921	–	–	73 397	67 742	142 060
– Investments at fair value through profit or loss	921	–	–	73 397	67 742	142 060
Loans to entities in the Group	–	–	–	130 490	–	130 490
Deferred tax asset	–	–	–	2 139	–	2 139
Property, equipment and right-to-use assets	–	–	–	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	–	38 189
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	155 004	78 459	87 779	11 094 470	5 526	11 421 238

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FOR THE YEAR ENDED 30 JUNE 2020

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
Trade and other receivables	–	–	–	315 775	–	315 775
Loans and advances	–	–	–	3 937 360	–	3 937 360
Investment securities	–	–	–	141 839	–	141 839
– Investments at fair value through profit or loss	–	–	–	141 839	–	141 839
Loans to entities in the Group	–	–	–	476 038	–	476 038
Property, equipment and right-to-use assets	–	–	–	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
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
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

41.3 Derivative financial instruments

	Within 1 year R'000	Net fair value R'000	Positive fair value R'000	Negative fair value R'000	Notional principal R'000
Consolidated					
2020					
Exchange rate contracts	(16 983)	(16 983)	–	(16 983)	2 417 499
Interest rate swaps	717	717	85 172	(84 455)	3 296 487
Total derivatives	(16 266)	(16 266)	85 172	(101 438)	5 713 986
2019					
Exchange rate contracts	(4 876)	(4 876)	658	(5 534)	1 630 257
Interest rate swaps	3 447	3 447	38 349	(34 902)	3 601 677
Total derivatives	(1 429)	(1 429)	39 007	(40 436)	5 231 934
Separate					
2020					
Exchange rate contracts	(3 041)	(3 041)	–	(3 041)	1 151 825
Interest rate swaps	1 722	1 722	84 537	(82 815)	3 240 780
Total derivatives	(1 319)	(1 319)	84 537	(85 856)	4 392 605
2019					
Exchange rate contracts	(384)	(384)	648	(1 032)	1 316 573
Interest rate swaps	4 210	4 210	38 349	(34 139)	3 601 677
Total derivatives	3 826	3 826	38 997	(35 171)	4 918 250

42. CAPITAL MANAGEMENT

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

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FOR THE YEAR ENDED 30 JUNE 2020

42. CAPITAL MANAGEMENT continued

	2020 % Unaudited	2019 % Audited
Consolidated		
Common Equity Tier 1 Capital	18.186	16.460
Additional Tier 1 Capital	–	–
Total Tier 1 Capital	18.186	16.460
Tier 2 Capital	0.945	0.970
Total Capital	19.131	17.430
Stakeholder Capital adequacy ratio minimum requirements	–	–
Regulator:	–	–
– National Common Equity Tier 1	8.000	8.500
– National Total Tier 1	10.000	10.750
– Total Capital	12.500	13.500
Separate		
Common Equity Tier 1 Capital	15.634	13.969
Additional Tier 1 Capital	–	–
Total Tier 1 Capital	15.634	13.969
Tier 2 Capital	0.932	0.654
Total Capital	16.566	14.623
Stakeholder Capital adequacy ratio minimum requirements		
Regulator:		
– National Common Equity Tier 1	8.000	8.500
– National Total Tier 1	10.000	10.750
– Total Capital	12.500	13.500

43. SUBSEQUENT EVENTS

Sasfin Asia Limited

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

44. GOING CONCERN

Covid-19 Pandemic

The Covid-19 pandemic had a significant impact on the global economy. The South African economy has been struggling over the last few years, culminating in the sovereign downgrade in March 2020 and Covid-19 exacerbated this position with GDP falling by 51% in the last quarter of our financial year. The Banking Group posted a loss of R37.6 million for the full year to June 2020. This is largely due to the significant increase in IFRS9 credit impairments and the marked decline in mark-to-market valuations on the private and property equity portfolio. Despite the overall poor performance, directors are of the view that the Group is a going concern. The Group has a healthy liquidity and capital position, with our LCR and CAR above the regulatory minimums set by the SARB. Daily liquidity and capital models exist which is used to proactively manage both the Banking Group's liquidity and capital positions. These are subject to oversight by ALCO. The directors believe that the Banking Group has adequate financial resources to continue for the foreseeable future and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Banking Group is in a sound financial position, and together with measures taken to strengthen the liquidity and capital base, is well positioned to take advantage of both organic and acquisitive opportunities. The directors are not aware of any material changes that may adversely impact the Banking Group.

GLOSSARY OF TERMS

TERM	DEFINITION
ALCO	Asset and Liability Committee
ATFS	Absa Technology Finance Solutions (Proprietary) Limited
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 (Proprietary) Limited
CAR	Capital Adequacy Ratio
CGU	Cash-generating unit
CIC	Capital Investment Committee
CLEC	Credit and Large Exposures Committee
Companies Act	Companies Act, No 71 of 2008, as amended
DANC	Directors Affairs and Nominations Committee
DFI	Development Finance Institutions
EAD	Exposure at Default
ECL	Expected Credit Losses
Efficient	Efficient Group Limited
Fintech	Fintech (Proprietary) Limited
FVTPL	Fair value through profit or loss
GACC	Group Audit and Compliance Committee
GIA	Group Internal Audit
GRCMC	Group Risk and Capital Management Committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
INBR	Incurred but not reported
IRBA	Independent Regulatory Board for Auditors
ISAs	International Standards on Auditing
JSE	Johannesburg Stock Exchange Limited
LGD	Loss Given Default
Libor	London Interbank Offered Rate
PA	Prudential Authority
PD	Probability of default
PwC	PricewaterhouseCoopers Inc.
REMCO	Remuneration Committee
Reporting date	16 September 2019
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
Sasfin	Sasfin Holdings Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Proprietary) Limited
SCS	Sasfin Commercial Solutions (Proprietary) Limited
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
The Bank	Sasfin Bank Limited
The Banking Group	Sasfin Bank Limited and its subsidiaries
The Company	Sasfin Bank Limited
The Holding Company	Sasfin Holdings Limited
The Group	Sasfin Holdings Limited and its subsidiaries
TTD	Time to Default
USD	United States Dollar
WACC	Weighted Average Cost of Capital
WIPHOLD	Women Investment Portfolio Holdings Limited
ZAR	South African Rand

CORPORATE DETAILS

Country of incorporation and domicile	South Africa
Independent Non-Executive Chair	Roy Andersen[1]
Executive directors	Michael Sassoon (Chief Executive Officer) Angela Pillay (Financial Director)
Independent Non-Executive Directors	Richard Buchholz (Lead) Grant Dunnington[1] Mark Thompson Eileen Wilton Thabang Magare Deon de Kock
Non-Independent, Non-Executive Directors	Gugu Dingaan Shaun Rosenthal (Alternate) Roland Sassoon Nontobeko Ndhlazi
Group Company Secretary	Charissa De Jager
Transfer secretaries	Computershare Investor Services (Proprietary) Limited Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg 2196
Lead sponsor	Sasfin Capital (Proprietary) Limited (a member of the Sasfin Group)
Independent sponsor	Deloitte & Touche Sponsor Services (Proprietary) Limited
Auditors	PricewaterhouseCoopers Inc
Registered office	29 Scott Street Waverley Johannesburg 2090
Postal address	PO Box 95104 Grant Park Johannesburg 2051
Website	www.sasfin.com
E-mail	investorrelations@sasfin.com
Company registration number	1951/002280/06
Tax reference number	9375/204/71/7

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

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