sasfin Holdings Limited

Pillar III Risk Management Report

30 June 2021

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1. Introduction

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

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

The information in this report applies to banking operations only and is audited. Disclosures are prepared on a prospective basis. Monetary values are expressed in rand thousands.

For the reporting period, 30 June 2021 (compared to June 2020), the Board and senior management are satisfied that Sasfin Holdings Limited (Group) and Sasfin Bank Limited's risk and capital management processes are operating effectively, that business activities have been managed within the enterprise risk management framework, and that the Group is adequately capitalised and funded to support the execution of its strategy.

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

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

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

1. Introduction continued

1.1. Group legal structure

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

Sasfin Holdings Limited

Sasfin Bank Limited	Sasfin Wealth (Pty) Ltd	Sasfin Capital (Pty) Ltd	Sasfin Private Equity Investment Holdings (Pty) Ltd
100%	100%	100%	100%
SASP (RF) Ltd 100% (Residual ownership held via a Trust)	**Sasfin Securities (Pty) Ltd** 100%		**Sasfin Property Holdings (Pty) Ltd**[1] 100%
Sasfin Asia Ltd[2] 100% (registered in Hong Kong) (in liquidation)	**Sasfin Financial Advisory Services (Pty) Ltd** 100%		
Fintech (Pty) Ltd 100%	**Sasfin Asset Managers (Pty) Ltd** 100%		
Benal Property Investments (Pty) Ltd 100%	**Sasfin Fiduciary Services (Pty) Ltd** 100%		
	Sasfin Wealth Succession (Pty) Ltd (50% interest held by Sasfin Fiduciary Services (Pty) Ltd)		
	Sasfin Wealth Investment Platform (Pty) Ltd 100%		
	Axo Holdings (Pty) Ltd 49.0%		

[1] Sasfin Holdings Limited sold its share in Sasfin Property Holdings to Sasfin Private Equity Investment Holdings in exchange for additional shares in Sasfin Private Equity Investment Holdings.

[2] During the current year, Sasfin Asia Limited was placed into voluntary liquidation.

1.2 Group strategy

Sasfin helps entrepreneurs and investors grow their businesses and global wealth, supporting job creation and sustainable socioeconomic development. Our personal touch, digital platforms and agility allow us to compete effectively.

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

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

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

2. Overview of risk management and risk weighted assets (RWA)

2.1. Approach to risk management

The approach to risk management is guided by the Enterprise Risk Management (ERM) Framework and is effected by the Board of directors, management, and other personnel. The ERM Framework is applied in strategy setting and across the enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite and to provide reasonable assurance regarding the achievement of entity objectives.

2.1.1. Identifying risks

The ERM includes all reasonably foreseeable and relevant material risks to which the group is likely to become exposed as well as the interrelationships between these risks. The material risk types applicable in each of the business pillars are listed in the table below:

Sasfin Holdings Limited

Asset Finance Pillar	Wealth Pillar	Business Banking Pillar: B\\YOND Business Banking	Business Banking Pillar: Capital
Client segment Asset suppliers Medium businesses Small businesses	**Client segment** Institutional clients Private clients	**Client segment** Medium businesses Private clients Small businesses	**Client segment** Medium businesses
Service offering Asset finance Rental Finance Specialised Equipment Finance	**Service offering** Global and local investment management Advisory services	**Service offering** Transactional banking Foreign exchange Digital Banking Cash Investments Credit Solutions Strategic Alliances Revolving Credit Facilities	**Service offering** Property equity and debt solutions Specialised lending Private equity Trade and debtor finance
Primary risks Credit Funding and liquidity Capital management	**Primary risks** Reputational Operational Market	**Primary risks** Credit Funding and liquidity Capital management Cyber	**Primary risks** Investment Credit Market

Group-wide risks
Business, Compliance and IT Risk

2.1.2. Risk appetite

Risk appetite is used as a basis for setting business unit targets and risk tolerance limits throughout the group. It is used as a tool to set boundaries in which business execute strategies and assess and take risks. The risk appetite setting process is linked to risk and capital management and is embedded within the forecasting and stress testing processes. Criteria for setting risk appetite include relevant market analysis, market liquidity and business strategy.

Risk appetite incorporates two elements:

- Set limits to be applied across all business activities, product, and services to ensure no concentrations exist in the risk profile that might result in losses not in line with the Board's expectations; and
- Appropriate performance and thresholds which are used as part of the risk management process to monitor, manage and report risk.

2.1.3. Stress testing

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

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

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

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

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

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

2. Overview of risk management and risk weighted assets (RWA) continued

2.2. Risk culture

Risk culture encompasses the awareness, attitudes and behaviours of management and employees that drive risk, such as being responsible and accountable for our own actions, as well as being collaborative, ethical and compliant. The risk culture is a good indicator of how widely the Group's risk management policies and practices have been adopted.

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

Group Internal Audit assesses the Group's risk culture through an evaluation of management's responsiveness to audits and management and employees' awareness of risks and controls impacting the business. The following behaviours and processes are considered:

- Risk and Compliance responsiveness to incidents;
- Management tools to proactively identify, assess and manage risks;
- Self-assessment against relevant governance standards;
- Use of risk and compliance metrics and communication & reporting on compliance breaches and amendment of compliance profile outlook over time;
- Business strategy, objectives and operational metrics should include a focus on risk and compliance;
- Focus on accountability, roles and responsibility and consequence management;
- Business responsibility includes governance structures and compliance committees;
- Existence of losses, fines, penalties, and fraud because of breach of procedure, ignoring limits and failure to comply;
- Outcomes of independent assessments are used as opportunities to improve the environment;
- Focus on risk and compliance culture during recruitment, on-boarding, and training; and
- Goal setting includes risk and compliance metrics.

2.3. Governance model

Integrating risk management is a dynamic and iterative process, part of and not separate from the group's purpose, governance, leadership and commitment, strategy, objectives, and operations. The group's governance model is based on a "four lines of defence" model that provides clear roles and responsibilities to each line of defence. This model distinguishes between functions owning and managing risk, functions overseeing risk, and functions providing assurance as per below:

First line of defence	Second line of defence	Third line of defence	Fourth line of defence
Functions that own risk	**Functions that oversee risk**	**Internal functions that provide independent assurance**	**External audit and regulators**
Business operations	Risk management and compliance	Internal audit	External audit and regulatory supervisors
• Implement risk management policies. • Identify key areas of risk. • Ensure compliance with internal controls to mitigate risks. • Reporting to governance bodies in the Group.	• Set and manage policies. • Define work practices. • Oversee the business with regards to risk and compliance. • Reporting to Board Committees.	• Review both the business operations and the oversight functions. • Provide independent assurance over the operation of governance structures. • Provide independent assurance over the management of risk. • Provide independent assurance over the design and operating effectiveness of internal controls. • Provide independent assurance over the design and operating effectiveness of internal financial controls.	• Periodically review both the business operations and the oversight functions.

2.4. Combined assurance

The Group Audit Committee is responsible for ensuring that internal and external audit provide appropriate and effective assurance in respect of the Group's risk, governance, and control environment. Sasfin's approach to combined assurance combines the expertise of the Group's Risk, Compliance, and Internal Audit departments together with the assurance provided by external audit, resulting in a holistic risk-based assessment of our risk management, governance, and control processes.

Combined assurance follows a process that:

- Establishes common risk, control, rating, and reporting frameworks across the four lines of defence;
- Identifies the Group's principal risks and the key internal controls in place to mitigate these;
- Maps the assurance providers that assess the effectiveness of these controls; and
- Allows the desired level of assurance to be determined to eliminate duplicate assurance and address control weaknesses.

GACC	Responsible for the combined assurance framework and oversees its effectiveness.
Executive Governance Committee	The committee monitors the governance and internal control environments. It oversees and authorises implementation of combined assurance at an operational level. It reviews the combined assurance process to optimise the programme and ensures it remains relevant to the Group's objectives and operating environment. Group Risk, Group Compliance and Group Internal Audit report progress on the combined assurance model to the committee.
Combined Assurance Forum	This is a management level forum with representatives from the second and third lines of defence that reports to the Executive Governance Committee.

Risk Management

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

Compliance

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

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

Internal audit

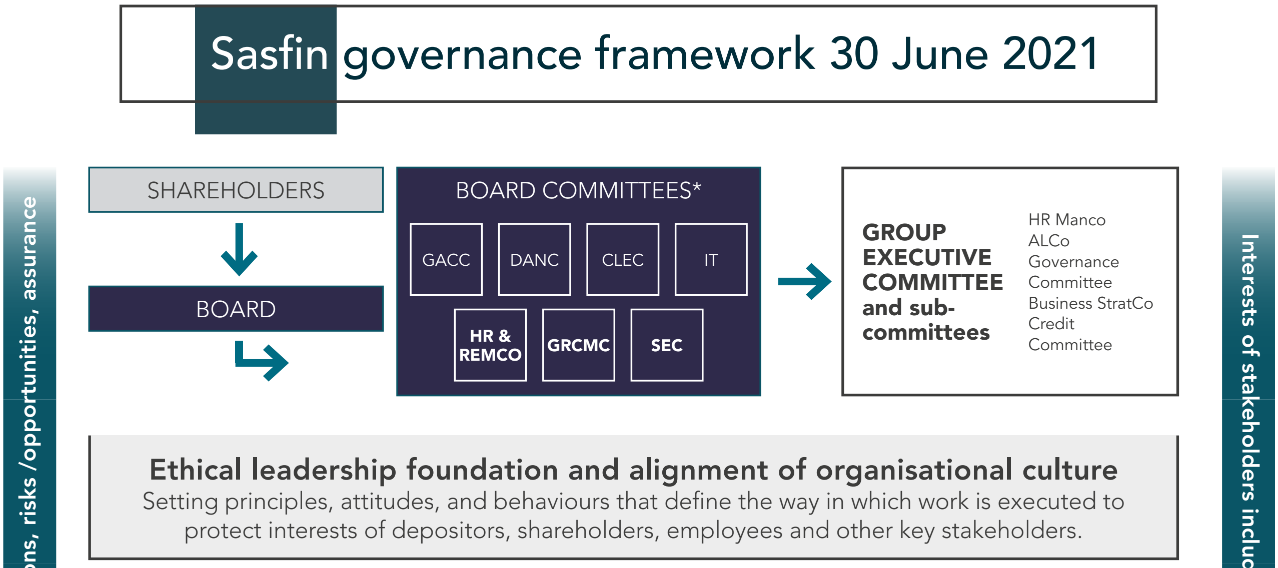
Group Internal Audit provides independent assurance to the Board on the effectiveness of the risk management process in relation to the risks faced by the Group through the following:

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

2. Overview of risk management and risk weighted assets (RWA) continued

2.5. Risk governance structure

The Group uses a hybrid, decentralised risk management operating model. Group Risk is a centralised function that monitors and provides guidance to business units to ensure they follow the ERM process. Risk managers within each of the pillars act as liaison between Group Risk and the business area regarding all risk management initiatives and activities.



Committees:

GACC:	Group Audit and Compliance Committee
DANC:	Directors" Affairs and Nominations Committee
CLEC:	Credit and Large Exposures Committee
IT:	Information Technology Committee
HR & Remco:	Human Resources and Remuneration Committee
GRCMC:	Group Risk and Capital Management Committee
SEC:	Social and Ethics Committee

Changes in 2021:
- Credit and Large Exposure Committee (CLEC) mandate was amended.
- Capital investment Committee (CIC) was dissolved, and its mandate was allocated the CLEC.
- Oversight of compliance was allocated to the Directors' Affairs and Nomination Committee (DANC).
- The Asset and Liability Committee (ALCo) Board Committee was dissolved and reconstituted as a sub-committee of Exco (reporting to the Group Risk and Capital Management Committee (GRCMC)

The main risk-related responsibilities of Board committees are:

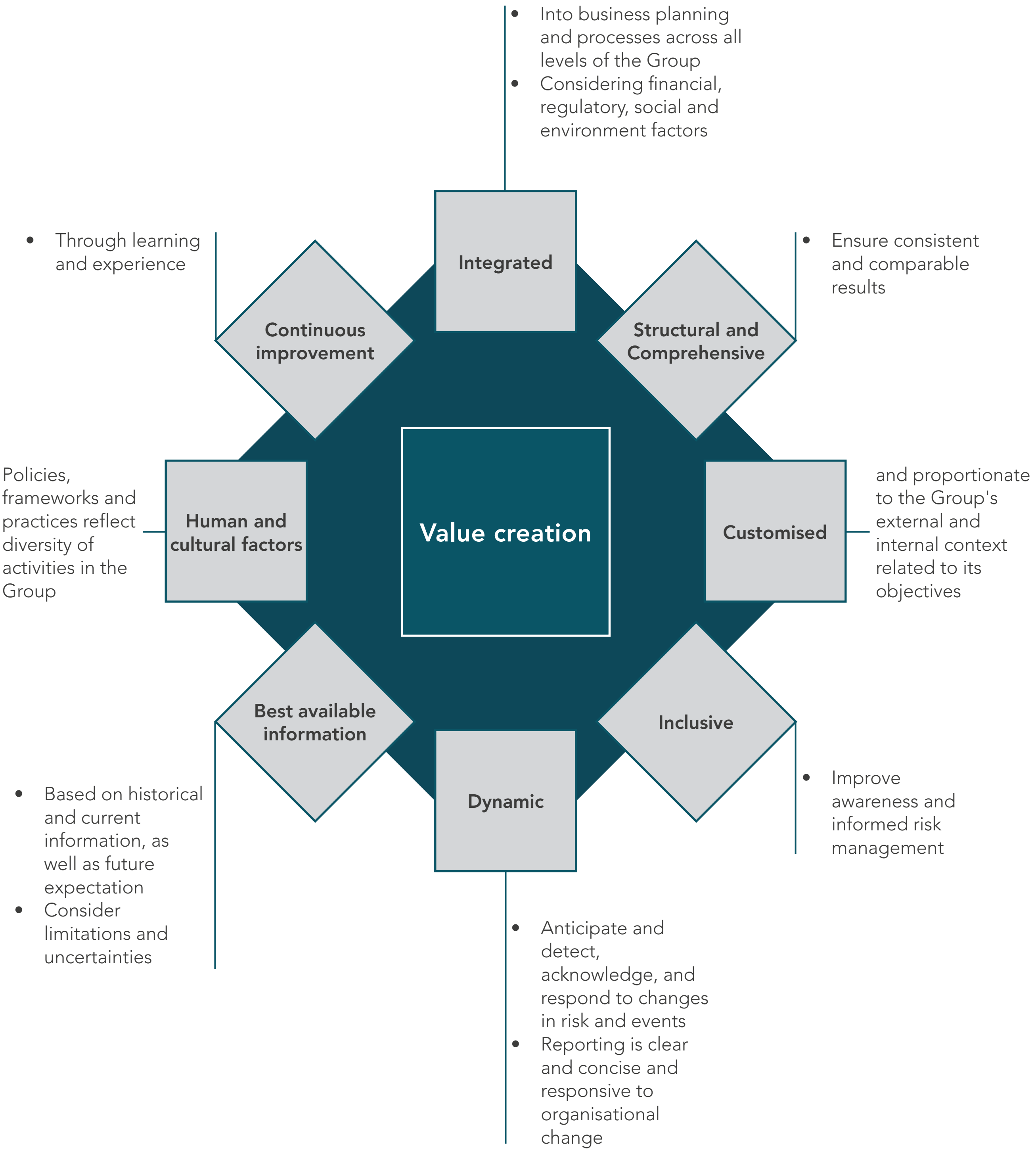
Committees	Key risk focus areas
• Group Risk and Capital Management Committee (GRCMC)	• Provide independent oversight of the effectiveness of the Group's assurance functions and services, with focus on risk management. • Evaluation of adequacy and effectiveness of risk policies, procedures, practices, and controls. • Monitors the Group's risk profile and ensure key risks are identified and reported. • Review information presented by various risk management committees. • Capital management and planning. • Consider and approve certain secured and unsecured transaction proposals within the Group, in accordance with Board's risk appetite. • Monitor and oversee all aspects of the Group's Asset and Liability management (including balance sheet management), as reported on to the Committee at each meeting by the ALCo (an executive management committee).

Committees	Key risk focus areas
• Credit and large exposures Committee (CLEC)	• Credit risk management policy and procedures. • Defining credit policy and guidelines. • Reviewing compliance with approved credit and investment policies. • Assessing and approving the Group's large exposures .
• Human Resources and Remuneration Committee	• Ensures appropriate levels of monitoring and compliance by liaising with other board committees, including the Group Risk and Capital Management committee, the Group Audit and Compliance committee and the Social and Ethics committee, on remuneration affairs in the broader context of risk, disclosure and social responsibility matters. • Provide guidance on the adequacy and efficiency of remuneration practices and HR policies, procedures and practices applied within the Group.
• Directors' Affairs and Nominations Committee (DANC)	• Evaluate adequacy, efficiency and appropriateness of corporate governance structure and practices. • Monitor directors' responsibilities and performance. • Statutory functions in terms of Section 64B of the Banks Act. • Monitoring the effectiveness and activities of the Group's compliance function. • Fulfils the role of a Board nomination committee.
• Group Audit and Compliance Committee (GACC)	• Provide independent oversight of the effectiveness of the Group's assurance functions and services, with focus on combined assurance and the finance function. • Provides independent oversight of the integrity of the annual financial statements and other external reports. • Ensure compliance with statutory and regulatory frameworks relating to internal controls over financial and regulatory reporting and disclosure.
• Information Technology Committee (ITC)	• Oversee information and technology matters. • Monitor the execution of IT strategy in support of the Group strategy. • Oversee, monitor, and evaluate significant IT investments. • Oversee information security, cybersecurity and governance of IT risk.
• Social and Ethics Committee (SEC)	• Oversight and reporting on social and economic development, organisational ethics, responsible corporate citizenship, sustainable development, stakeholder relationships, client relationships, environmental, health and safety matters, labour and employment matters and transformation initiatives. • Reviewing the strategy and monitoring implementation and compliance in terms of the Financial Sector charter and the B-BBEE codes of good practice.

2. Overview of risk management and risk weighted assets (RWA) continued

2.6. Risk management framework

The purpose of risk management is the creation and protection of value. It improves performance, encourages innovation, and supports the achievement of objectives. The principles are the foundation for managing risk and enable the group to manage the effect of uncertainty on its strategic objectives.



2.7. Risk management process

The risk management process is an integral part of management and decision-making and is integrated into the structure, operations and processes of the Group as illustrated below:

Communication and consultation

Monitoring and review

Scope, context and criteria

- Risk management is applied at all levels (strategic, operational, programme, project and other) and include internal and external environments in which the group operates
- The risk appetite framework includes the type and amount of risk that the group are prepared to take and criteria to evaluate

Risk assessment

Risk identification

- Determine the cause and impact of risk to ensure development of relevant mitigation measures to address the risk
- Identify and analyse key processes and systems that support business objectives

Risk evaluation

- Compare results of risk analysis to established risk criteria and determine action
- Consider risk treatment options, undertake further analysis, maintain existing controls or reconsider objectives
- Consider assurance over risk mitigants
- The outcome provides the residual risk, which entails the assessment of risk after controls are considered

Risk analysis

- Assess inherent risks without considering the controls in place

Risk treatment

- Consider the following options to modify risks:
  – Avoid, reduce, transfer or accept

Recording and Reporting

2. Overview of risk management and risk weighted assets (RWA) continued

2.8. Risk information reporting

Process

Senior management are responsible for promoting a transparent culture that supports and encourages the reporting of risks and accountability.

Group Risk is responsible for determining, with input from the business, Group-wide risk reports and ensure the reporting meets both internal and external needs.

Preventative, detective, and corrective controls are documented to ensure data quality and include the following:

- Segregation of functional responsibilities to create checks and balances;
- Use of preventative controls such as control totals to prevent errors in formulas;
- Use of batch totals to verify formulas applied to numbers.

Scope and Content

Reports contain forward-looking analysis, coverage of emerging risks, risk related to industry concentration and expected performance in normal and stress scenarios.

Risk data aggregation and risk reporting (RDARR)

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

We are committed to ensure full compliance of the principles are achieved in line with agreed scope and timelines with the PA. The Group is cognisant of the scope and complexity of the project and a pragmatic approach is being followed. Significant investment, commitment and progress has been made with the implementation of the principles, considering our business strategy.

Group Internal Audit (GIA) is referencing and, where appropriate, following the Banking Association of South Africa (BASA) BCBS239 audit guidelines, to assist in validating the group's compliance status on an ongoing basis.

2.9. Overview of risk weighted assets

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

OV1: Overview of RWA

		Sasfin Holdings Ltd			
		a	b		c
		RWA			Minimum capital require-ments
		Jun-21 T	Mar-21 T-1	Jun-20 T	Jun-21 T
1	Credit risk (excluding counterparty credit risk)	5 137 801	5 919 448	6 298 168	513 147
2	Of which: standardised approach (SA)	5 137 801	5 919 448	6 298 168	513 147
3	Of which: foundation internal ratings-based (F-IRB) approach	–	–	–	–
4	Of which: supervisory slotting approach	–	–	–	–
5	Of which: advanced internal ratings-based (A-IRB) approach	–	–	–	–
6	Counterparty credit risk (CCR)	78 190	128 609	95 500	8 452
7	Of which: standardised approach for CCR	78 190	128 609	95 500	8 452
8	Of which: Internal Model Method (IMM)	–	–	–	–
9	Of which: other CCR	–	–	–	–
10	Credit valuation adjustment (CVA)	6 331		2 474	633
11	Equity positions under the simple risk weight approach	341 484	369 822	501 183	34 148
12	Equity investments in funds – look-through approach	243 689	–	–	24 369
13	Equity investments in funds – mandate-based approach	–	–	–	–
14	Equity investments in funds – fall-back approach	–	–	–	–
15	Settlement risk	–	–	–	–
16	Securitisation exposures in the banking book	333 975	333 798	334 965	33 397
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	–	–	–	–
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	–	–	–	–
19	Of which: securitisation standardised approach (SEC-SA)	333 975	333 798	334 965	33 397
20	Market risk	19 651	244 167	175 103	1 965
21	Of which: standardised approach (SA)	19 651	244 167	175 103	1 965
22	Of which: internal model approaches (IMA)	–	–	–	–
23	Capital charge for switch between trading book and banking book	–	–	–	–
24	Operational risk	1 719 613	1 631 993	1 742 317	171 961
25	Amounts below thresholds for deduction (subject to 250% risk weight)	32 957	52 443	20 527	3 296
26	Aggregate capital floor applied	–	–	–	–
27	Floor adjustment (before application of transitional cap)	–	–	–	–
28	Floor adjustment (after application of transitional cap)	–	–	–	–
29	**Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)**	**7 913 691**	**8 680 279**	**9 170 237**	**791 368**

Credit Risk weighted assets decrease due to a reduction in exposures of Sasfin Bank and Sasfin Securities, coupled with the de-consolidation of Sasfin Asia.
Market Risk weighted assets decrease due to the de-consolidation of Sasfin Asia.

2. Overview of risk management and risk weighted assets (RWA) continued

2.9. Overview of risk weighted assets continued

OV1: Overview of RWA continued

		Sasfin Bank Ltd			
		a	b		c
		RWA			Minimum capital requirements
		Jun-21	Mar-21	Jun-20	Jun-21
		T	T-1	T	T
1	Credit risk (excluding counterparty credit risk)	3 930 046	4 712 740	4 551 677	393 005
2	Of which: standardised approach (SA)	3 930 046	4 712 740	4 551 677	393 005
3	Of which: foundation internal ratings-based (F-IRB) approach	–	–	–	–
4	Of which: supervisory slotting approach	–	–	–	–
5	Of which: advanced internal ratings-based (A-IRB) approach	–	–	–	–
6	Counterparty credit risk (CCR)	78 190	128 609	95 500	7 819
7	Of which: standardised approach for CCR	78 190	128 609	95 500	7 819
8	Of which: Internal Model Method (IMM)	–	–	–	–
9	Of which: other CCR	–	–	–	–
10	Credit valuation adjustment (CVA)	6 331		2 474	633
11	Equity positions under the simple risk weight approach	280 761	242 239	231 106	28 076
12	Equity investments in funds – look-through approach	243 689	–	–	24 369
13	Equity investments in funds – mandate-based approach	–	–	–	–
14	Equity investments in funds – fall-back approach	–	–	–	–
15	Settlement risk	–	–	–	–
16	Securitisation exposures in the banking book	333 975	333 798	334 965	33 397
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	–	–	–	–
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	–	–	–	–
19	Of which: securitisation standardised approach (SEC-SA)	333 975	333 798	334 965	33 397
20	Market risk	19 651	8 667	3 927	1 965
21	Of which: standardised approach (SA)	19 651	8 667	3 927	1 965
22	Of which: internal model approaches (IMA)	–	–	–	–
23	Capital charge for switch between trading book and banking book	–	–	–	–
24	Operational risk	1 026 963	1 001 674	941 919	102 696
25	Amounts below thresholds for deduction (subject to 250% risk weight)	–	–	–	–
26	Aggregate capital floor applied				–
27	Floor adjustment (before application of transitional cap)	–	–	–	–
28	Floor adjustment (after application of transitional cap)	–	–	–	–
29	**Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)**	5 919 606	6 427 727	6 161 568	591 960

Credit Risk weighted assets decrease due to a reduction in exposures to securities firms and banks.
Equity Risk weighted assets increase due to the adoption of the look-through-approach for the risk weighting of equity investments in funds.
Market Risk weighted assets increase due to an increase in foreign exchange positions.

3. Basis of preparation

3.1. Risk measurement approaches

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

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

3.2. Accounting policies and valuation methodologies

The principal accounting policies applied are set out on pages 24 to 43 of the Group's Audited Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

3.3. Linkages between financial statements and regulatory exposures

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

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

3. Basis of preparation continued

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

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

Sasfin Holdings Limited

	a	b	c	d	e	f	g
				Carrying values of items:			
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to securiti-sation framework	Subject to the market risk framework	Not subject to capital require-ments or subject to deduction from capital
Assets							
Cash and cash balances	1 285 578	1 285 578	1 285 578	–	–	–	–
Negotiable securities	2 085 076	2 085 076	2 085 076	–	–	–	–
Trading assets	703 433	703 433	–	124 484	–	19 651	–
Trade and other receivables	511 941	511 941	511 941	–	–	–	–
Non-current assets held for sale	6 700	6 700	6 700	–	–	–	–
Loans and advances	6 715 951	6 715 951	6 070 259	–	333 975	–	–
Current taxation asset	26 595	26 595	26 595	–	–	–	–
Investment securities	540 061	540 061	540 061	–	–	–	–
Investments at fair value through profit and loss	519 972	519 972	519 972	–	–	–	–
Equity accounted associates	20 089	20 089	20 089	–	–	–	–
Property, equipment and right of use assets	65 068	65 068	65 068	–	–	–	–
Investment property	16 400	16 400	16 400	–	–	–	–
Intangible assets and goodwill	160 856	160 856	–	–	–	–	156 260
Deferred tax asset	37 584	37 584	–	–	–	–	24 401
Total assets	12 155 244	12 155 244	10 607 679	124 484	333 975	19 651	180 661
Liabilities							
Funding under repurchase agreements and interbank	700 067	700 067	–	–	–	–	700 067
Trading liabilities	658 957	658 957	–	–	–	–	658 957
Current taxation liability	5 093	5 093	–	–	–	–	5 093
Trade and other payables	722 531	711 731	–	–	–	–	711 731
Bank overdraft	30 392	30 392	–	–	–	–	30 392
Provisions	72 714	72 714	–	–	–	–	72 714
Lease liabilities	43 205	43 205	–	–	–	–	43 205
Deposits from customers	4 732 764	4 732 764	–	–	–	–	4 732 764
Debt securities issued	2 741 583	2 741 583	–	–	–	–	2 741 583
Long-term loans	730 904	741 704	–	–	–	–	741 704
Deferred tax liability	110 770	110 770	–	–	–	–	110 770
Total liabilities	10 548 980	10 548 980	–	–	–	–	10 548 980

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

		Sasfin Holdings Limited				
		a	b	c	d	e
				Items subject to:		
		Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per LI1)**	**11 085 788**	**10 607 679**	**333 975**	**124 484**	**19 651**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per LI1)	–	–	–	–	–
3	Total net amount under regulatory scope of consolidation	**11 085 788**	**10 607 679**	**333 975**	**124 484**	**19 651**
4	Off-balance sheet amounts	**856 292**	**856 292**	–	–	–
5	Differences in valuation	**311 718**	**311 718**	–	–	–
6	Differences due to different netting rules, other than those already included in row 2	**703 434**	**703 434**	–	–	–
7	Difference due to consideration of provisions	–	–	–	–	–
8	Differences due to prudential filters	–	–	–	–	–
9		–	–	–	–	–
10	**Exposure amounts considered for regulatory purposes**	**12 957 233**	**12 479 124**	**333 975**	**124 484**	**19 651**

3.6. Prudent valuation adjustments

Sasfin measures certain assets and liabilities at fair value. Fair value is the price that would be realised on the sale of an asset or paid to transfer a liability on an arm's-length basis to an unrelated party.

For valuation methodologies refer to Note 2.5 Fair value of the accounting policies on pages 46 and 47 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

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

4. Credit risk

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

4.1. General information about credit risk

4.1.1. Risk identification and risk management

The basic principle and underlying tenet governing the group's lending philosophy is based on the ability of the borrower to generate the earnings/cash flows on a sustainable basis to facilitate the repayment of their facilities with the bank.

Credit policies are conservative with proper regard to mix of risk and reward.

Security values, financial performance and position of the client/guarantors are regularly reviewed, and appropriate action taken if indicators of deterioration are present.

Pricing of facilities considers risk and return on the bank's capital resources and the ALCo funding policy. Discretionary limits are delegated by the Credit and Large Exposures Committee (CLEC).

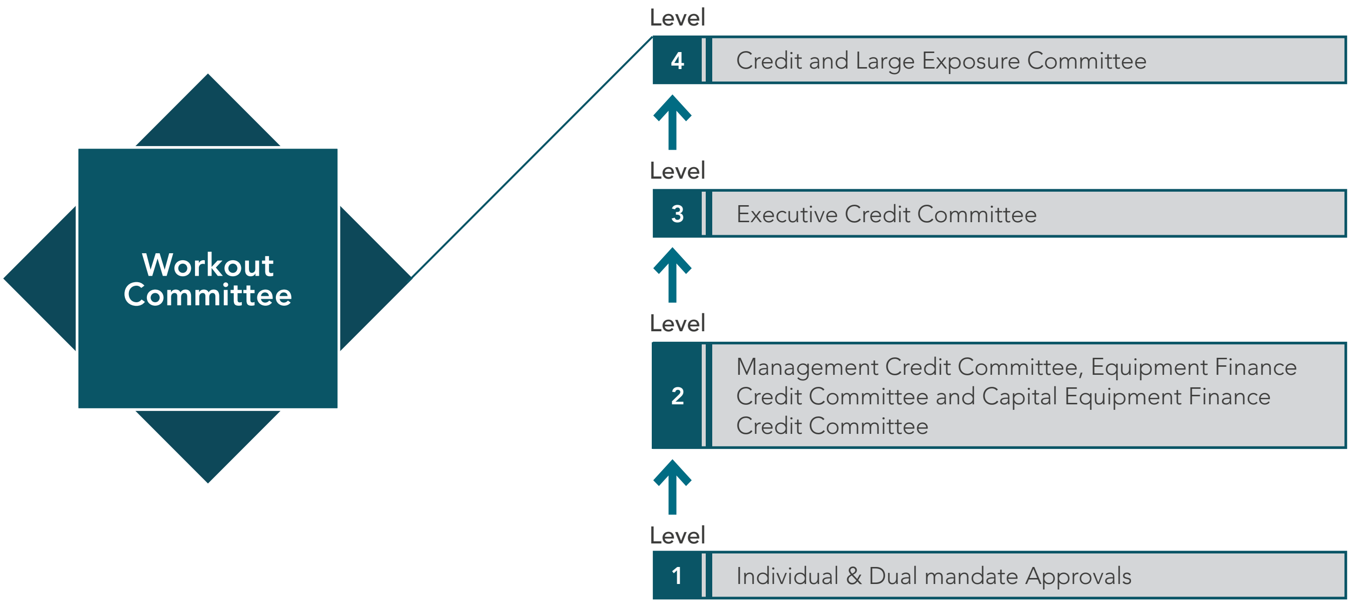
Limits are approved through appropriately delegated mandates.

Sales is responsible for reporting excesses or irregularities outside approved parameters to the credit mandate.

Accounts showing early signs of high risk but that do not trigger the criteria of the definition of default are classified as High Care. These accounts require close monitoring with corrective action to manage them back to normal level of risk.

4.1.2. Governance

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



4.1.3. Credit oversight

- The Credit and Large Exposures Committee (CLEC) is a sub-committee of the Board, mandated by the Board to oversee all matters relating to credit risk, including large exposures and is responsible for approval of credit policies, setting guidelines, and reviewing compliance with approved policies.
- The Executive Credit Committee (ECC) is responsible for approval of all credit applications, credit reviews and field surveys within its mandate and recommends to CLEC all matters above its mandate.
- The Management Credit Committee (MCC) is responsible for the approval of all non-asset finance credit applications, credit reviews and field surveys within its mandate and recommend to ECC all applications above mandate.
- The Equipment Finance Credit Committees is responsible for the approval of all credit applications, credit reviews and field surveys within its mandate and recommend to ECC all applications above mandate.
- The Capital Equipment Finance Credit Committees is responsible for the approval of all credit applications, credit reviews and field surveys within its mandate and recommend to ECC all applications above mandate.

Individual and dual mandate holders are responsible for the approval of all credit applications, credit reviews and field surveys with their mandate and recommend to the MCC all applications above their mandates.

- The CLEC is responsible for the approval of all credit applications, credit reviews and field surveys within its mandate, in addition to its credit portfolio oversight, which includes a semi-annual review of all facilities that fall within its approval mandate.
- The Workout Committee is responsible for approval of all credit and legal requests relating to exposures under business rescue, in voluntarily or final liquidation or classified as problem accounts, within its mandate, and it elevates to CLEC all matters above its mandate.

4.1.4. Large exposures

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

4.1.5. Measuring and managing credit concentrations

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

4.1.6. Reporting

- Reporting on group's risk profile, measurement against risk appetite, emerging risks, large exposures, evaluation of adequacy and effectiveness of credit risk policies, procedures, practices, and controls applied.

4.2. Credit quality of assets

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

Stage 1 performing (not impaired)	• Performing loans with no significant deterioration in credit quality since origination • Client accounts fully paid to date • 30 days overdue back stop	12-month ECL (result from default events possible within 12 months after reporting date)
Stage 2 Under-performing (credit deteriorated)	• Arrears > 30 days overdue < 90 days overdue • Significant increase in credit risk but no objective evidence of impairment • Clients designated as high care as a result of showing signs of financial pressure because of the industry or business environment within which they operate and/or a deterioration in their own financial performance and position • Distressed restructures with no reduced financial obligation	Lifetime ECL (result from all possible default events over the expected life)
Stage 3 Non-performing (credit impaired)	• Regulatory default being: – >90 days overdue – Unlikeliness to pay indicators – Distressed restructures resulting in reduced financial obligation (cure period six consecutive payments) • Credit impaired on origination or after initial recognition	Lifetime ECL (difference between gross carrying amount and the present value of estimated future cash flows)

Please refer to accounting policies Note 1.13 Financial Instruments on pages 34 to 39 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations, for further detail on classifications, calculations of ECL, cure periods, write-offs and restructured exposures.

4. Credit risk continued

4.2. Credit quality of assets continued

4.2.1. CR1: Credit Quality of Assets

Sasfin Holdings Limited

2021

		a	b	c				d
		Carrying values of			Of which ECL accounting provisions for credit losses on SA exposures			
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
1	Loans	611 195	6 640 110	535 354	379 023	156 331	–	6 715 951
2	Debt securities	415 979	1 793 190	124 093	121 593	2 500	–	2 085 076
3	Off-balance sheet exposures	–	213 177	–	–	–	–	213 177
4	**Total**	**1 027 174**	**8 646 477**	**659 447**	**500 616**	**158 831**	**–**	**9 014 204**

2020

		a	b	c				d
		Carrying values of			Of which ECL accounting provisions for credit losses on SA exposures			
		Defaulted exposures	Non-defaulted exposures	Allowances/ impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
1	Loans	712 038	6 449 696	552 405	400 185	152 220	–	6 609 329
2	Debt securities	473 000	2 681 579	27 984	23 481	4 503	–	3 126 595
3	Off-balance sheet exposures	–	93 939	4 328	–	4 328	–	89 611
4	**Total**	1 185 038	9 225 214	584 717	423 666	161 051	–	9 825 535

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

4.3. CR2: defaulted loans and debt securities movement

		Sasfin Holdings Limited	
		Jun-21	Jun-20
1	Defaulted loans and debt securities at end of the previous reporting period	**1 185 037**	726 104
2	Loans and debt securities that have defaulted since the last reporting period	**177 121**	714 027
3	Returned to non-defaulted status	**(45 921)**	(17 954)
4	Amounts written off	**(93 637)**	(76 854)
5	Other changes	**(195 427)**	(160 285)
6	Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)	**1 027 174**	1 185 038

Increase in return to non-defaulted status due to improved collection processes in Equipment finance and capital equipment finance.
Increase in write-offs due to large write-offs in trade finance and term loans.
Increase in other changes due to large repayments in capital equipment finance and debtor finance.

4.4. Additional disclosures related to credit quality of assets

4.4.1. Breakdown of exposures by geographical area

Sasfin Holdings Limited

	2021				2020			
	Total exposure	**Impaired**	**Specific ECL**	**Write-offs**	Total exposure	Impaired	Specific ECL	Write-offs
South Africa	**9 673 651**	**1 027 174**	**500 617**	**93 637**	10 316 311	1 185 038	423 666	76 854

4.4.2. Breakdown of exposures by Industry

Sasfin Holdings Limited

	2021				2020			
	Total exposure	**Impaired**	**Specific ECL**	**Write-offs**	Total exposure	Impaired	Specific ECL	Write-offs
Agriculture	**134 452**	**7 730**	**5 585**	**584**	69 400	6 479	4 159	644
Community, social and personal services	**1 667 794**	**150 604**	**98 095**	**14 784**	1 554 365	118 483	89 381	4 961
Construction	**321 249**	**58 113**	**19 573**	**1 304**	300 676	98 246	16 534	3 082
Electricity and water	**31 661**	**3 333**	**2 566**	**510**	24 248	3 129	2 255	–
Finance, real estate and business services	**3 766 084**	**550 248**	**219 187**	**23 324**	5 028 210	642 266	125 145	19 460
Manufacturing	**1 031 969**	**83 478**	**36 754**	**33 108**	968 780	114 162	59 467	21 574
Mining	**236 582**	**9 111**	**5 338**	**89**	224 424	3 119	1 927	–
Trade and accommodation	**1 533 795**	**98 621**	**65 832**	**9 633**	1 344 546	112 379	71 829	7 586
Transport and communication	**611 923**	**65 935**	**47 687**	**10 301**	801 662	86 776	52 968	19 548
Other activities not adequately defined	**338 142**							
Loans and advances	**9 673 651**	**1 027 174**	**500 617**	**93 637**	10 316 311	1 185 038	423 666	76 854

Decrease in Finance, real estate and business services due to reduction of R888 389 million in Treasury bills.

4.4.3. Breakdown of exposures by residual maturity

Refer to Note 44.1 Liquidity Risk table on pages 100 and 101 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

4.4.4. Ageing analysis of accounting past-due exposures

Refer to Note 43.1 Credit risk exposure analysis table on pages 84 to 87 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

4.4.5. Restructured Exposures

- Restructured exposures include any loan, advance or facility in respect of which the bank granted a concession to the obligor owing to a deterioration in the obligor's financial condition, or caused by a financial distressed situation of the relevant obligor, and which financial distressed situation results or is likely to result in the relevant obligor no longer being able to meet the terms or conditions originally agreed;
- A restructuring agreement may include a modification of terms and conditions such as:
  - reduction in original interest rate agreed;
  - reduction in interest and capital amount;
  - amendment to original contractual maturity or payment frequency;
  - forgiveness, deferral or postponement of capital, interest, or fees;
  - subsequent increase in relevant level of working capital or revolving facility;
  - transfer of assets or interest in obligor in full or partial from the obligor to the bank;
  - the substitution or addition of a new debtor for the original obligor; and
- Shall be in writing.

4. Credit risk continued

4.4. Additional disclosures related to credit quality of assets continued

4.4.5. Restructured Exposures continued

- Provided that no loan, advance, increased credit limit or facility extended or renewed by the reporting bank in its ordinary course of business at a stated interest rate or on terms and conditions equivalent to the current interest rate or terms or conditions for new debt with similar risk, shall constitute a restructured loan or credit exposure.
- Where the modification results in a reduced financial obligation, the obligor will be classified as impaired.

	Sasfin Holdings Limited					
	2021 Gross carrying values of			2020 Gross carrying values of		
	Total R'000	**Impaired R'000**	**Not impaired R'000**	Total R'000	Impaired R'000	Not impaired R'000
Total restructured exposures	**844 296**	**48 889**	**795 407**	986 714	17 495	969 219

Restructured exposures in the prior year include payment relief provided to clients, impacted by the Covid-19 pandemic.

4.5. Credit risk mitigation techniques overview

Trade, debtor and other equipment finance

- Funding is provided in relation to company trading activities and supported by working capital needs in the form of secured lending, guided by the risk profile of the client.
- Funds are only advanced once all security is in place.
- Regular field surveys are conducted to monitor the business' financial controls and accounting records, as well as the value and existence of the security against the approval conditions.

Rental and Capital Equipment deals

- Security primarily consists of the assets being financed.
- Additional security includes other company assets and guarantees from shareholders/directors/members/ trustees/ suppliers and/or beneficiaries.

Property equity and debt funding

- Funding is provided against the risk of strong and experienced developers and appropriate equity contribution.
- Security includes the underlying property on an appropriate LTV (loan-to-value) basis; and
- Personal guarantees from individuals, legal entities or trusts based on assessment of the underlying business/ property risk profile.

4.5.1. Valuation of security

The following is considered when valuing security:

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

4.5. Credit risk mitigation techniques overview continued

4.5.2. Review of security documentation

- All master security documentation is reviewed at least every 18 months by Group Legal.
- All custom security documentation is signed off by Group Legal.

CR 3: Overview of credit risk mitigation techniques

Sasfin Holdings Limited

		a	b	c	d	e	f	g
		2021						
		Exposures unsecured: carrying amount	**Exposures secured by collateral**	**Exposures secured by collateral, of which: secured amount**	**Exposures secured by financial guarantees**	**Exposures secured by financial guarantees, of which: secured amount**	**Exposures secured by credit derivatives**	**Exposures secured by credit derivatives, of which: secured amount**
1	Loans	**1 611 957**	**5 614 425**	**5 614 425**	**–**	**–**	**–**	**–**
2	Debt securities	**2 085 075**	**–**	**–**	**–**	**–**	**–**	**–**
3	**Total**	**3 697 032**	**5 614 425**	**5 614 425**	**–**	**–**	**–**	**–**
4	Of which: defaulted	**–**	**526 557**	**526 557**	**–**	**–**	**–**	**–**

		a	b	c	d	e	f	g
		2020						
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	453 464	6 155 494	6 155 494	53 182	53 182	–	–
2	Debt securities	3 126 595	–	–	–	–	–	–
3	**Total**	3 580 059	6 155 494	6 155 494	53 182	53 182	–	–
4	Of which: defaulted	283 747	478 155	478 155	–	–	–	–

4. Credit risk continued

4.6. Credit risk under standardised approach

Use of External credit ratings under the standardised approach:

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

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

Sasfin Bank Limited

		a	b	c	d	e	f
		2021					
		Exposures before CCF and CRM		**Exposures post-CCF and CRM**		**RWA and RWA density**	
	Asset classes	**On-balance sheet amount**	**Off-balance sheet amount**	**On-balance sheet amount**	**Off-balance sheet amount**	**RWA**	**RWA density**
1	Sovereigns and their central banks	**1 745 726**	**–**	**1 745 726**	**–**	**188**	**0.0%**
2	Non-central government public sector entities	**876 546**	**–**	**876 546**	**–**	**418 746**	**47.8%**
3	Multilateral development banks	**–**	**–**	**–**	**–**	**–**	**–**
4	Banks	**440 868**	**–**	**440 868**	**–**	**91 374**	**20.7%**
5	Securities firms	**–**	**–**	**–**	**–**	**–**	**–**
6	Corporates	**3 699 613**	**807 359**	**3 699 613**	**67 893**	**2 991 529**	**79.4%**
7	Regulatory retail portfolios	**137 829**	**48 934**	**137 829**	**1 809**	**90 270**	**64.6%**
8	Secured by residential property	**–**	**–**	**–**	**–**	**–**	**–**
9	Secured by commercial real estate	**–**	**–**	**–**	**–**	**–**	**–**
10	Equity	**–**	**–**	**–**	**–**	**–**	**–**
11	Past-due loans	**–**	**–**	**–**	**–**	**–**	**–**
12	Higher-risk categories	**–**	**–**	**–**	**–**	**–**	**–**
13	Other assets	**938 810**	**–**	**938 810**	**–**	**678 245**	**72.2%**
14	**Total**	**7 839 392**	**856 293**	**7 839 392**	**69 702**	**4 270 352**	**54.0%**

Reduction in Securities firms due to adoption of look-through approach on money market funds. This moved the exposures to equity investments in funds.

Reduction in Regulatory Retail portfolios and increase in Corporates asset classes driven by the re-allocation of various clients' exposures not meeting the definition of regulatory retail exposure.

		a	b	c	d	e	f
		2020					
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	2 638 364	–	2 638 364	–	–	–
2	Non-central government public sector entities	969 747	–	965 642	–	598 100	61.9%
3	Multilateral development banks	–	–	–	–	–	–
4	Banks	999 522	–	999 522	–	223 304	22.3%
5	Securities firms	233 346	–	233 346	–	233 346	100.0%
6	Corporates	1 940 721	395 072	1 732 373	75 804	1 838 154	101.7%
7	Regulatory retail portfolios	1 761 772	477 658	1 540 500	14 493	1 289 413	82.9%
8	Secured by residential property	–	–	–	–	–	–
9	Secured by commercial real estate	–	–	–	–	–	–
10	Equity	–	–	–	–	–	–
11	Past-due loans	–	–	–	–	–	–
12	Higher-risk categories	–	–	–	–	–	–
13	Other assets	676 064	–	676 064	–	369 360	54.6%
14	**Total**	9 219 536	872 730	9 038 473	90 296	4 551 677	49.9%

4.6. Credit risk under standardised approach continued

CR5: Exposures by asset classes and risk weights

		Sasfin Bank Limited									
		a	b	c	d	e	f	g	h	i	j
		2021									
	Asset classes	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	1 745 529	–	–	–	–	–	197	–	–	1 745 726
2	Non-central government public sector entities	–	–	563 372	–	7 010	–	306 164	–	–	876 546
3	Multilateral development banks	–	–	–	–	–	–	–	–	–	–
4	Banks	–	–	436 852	–	–	–	4 016	–	–	440 868
5	Securities firms	–	–	–	–	–	–	–	–	–	–
6	Corporates	387 869	–	296 132	–	183 183	–	2 832 738	67 585	–	3 767 507
7	Regulatory retail portfolios	(2)	–	–	–	24 311	103 386	11 943	–	–	139 638
8	Secured by residential property	–	–	–	–	–	–	–	–	–	–
9	Secured by commercial real estate	–	–	–	–	–	–	–	–	–	–
10	Equity	–	–	–	–	–	–	–	–	–	–
11	Past-due loans	–	–	–	–	–	–	–	–	–	–
12	Higher-risk categories	–	–	–	–	–	–	–	–	–	–
13	Other assets	–	–	–	–	–	–	938 810	–	–	938 810
14	**Total**	2 133 396	–	1 296 356	–	214 504	103 386	4 093 868	67 585	–	7 909 095

4. Credit risk continued

4.6. Credit risk under standardised approach continued

CR5: Exposures by asset classes and risk weights

		Sasfin Bank Limited									
		a	b	c	d	e	f	g	h	i	j
		2020									
	Asset classes	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
1	Sovereigns and their central banks	2 638 364	–	–	–	–	–	–	–	–	2 638 364
2	Non-central government public sector entities	–	–	463 411	–	–	–	502 232	–	–	965 642
3	Multilateral development banks	–	–	–	–	–	–	–	–	–	–
4	Banks	–	–	999 522	–	–	–	–	–	–	999 522
5	Securities firms	–	–	–	–	–	–	233 346	–	–	233 346
6	Corporates	272 021	–	–	–	–	–	1 465 695	70 460	–	1 808 176
7	Regulatory retail portfolios	–	–	–	–	–	1 554 993	–	–	–	1 554 993
8	Secured by residential property	–	–	–	–	–	–	–	–	–	–
9	Secured by commercial real estate	–	–	–	–	–	–	–	–	–	–
10	Equity	–	–	–	–	–	–	–	–	–	–
11	Past-due loans	–	–	–	–	14 105	25	105 151	133 380	–	252 661
12	Higher-risk categories	–	–	–	–	–	–	–	–	–	–
13	Other assets	–	–	–	–	–	–	676 064	–	–	676 064
14	**Total**	2 910 385	–	1 462 933	–	14 105	1 555 018	2 982 488	203 840	–	9 128 769

5. Counterparty credit risk (CCR)

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

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

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

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

5.4. **Exposure monitoring:** CCR are monitored through the ALCO Exco sub-committee by setting and monitoring limits with counterparties other than clients, such as banks for placing funds on deposit with them and having them as a counterparty to a derivative.

5.5. Collateral consists of cash deposits into client's margin account.

5.6. Wrong-way risk arises when exposure to a counterparty is adversely (positive) correlated with the credit quality of that counterparty. Wrong-way risk is considered and managed within the relevant exposure mandates. Sasfin has no exposure to wrong-way risk in the group.

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

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

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

5. Counterparty credit risk (CCR) continued

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

		a	b	c	d	e	f
				2020			
		Replace-ment cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	84 537	33 755		1.4	118 293	95 500
2	Internal Model Method (for derivatives and SFTs)			–	–	–	–
3	Simple Approach for credit risk mitigation (for SFTs)					–	–
4	Comprehensive Approach for credit risk mitigation (for SFTs)					–	–
5	VaR for SFTs					–	–
6	Total						95 500

CCR2: Credit Valuation Adjustment (CVA) capital charge

		Sasfin Bank Limited			
		a	**b**	a	b
		2021		2020	
		EAD post-CRM	**RWA**	EAD post-CRM	RWA
	Total portfolios subject to the Advanced CVA capital charge	**–**	**–**	–	–
1	(i) VaR component (including the 3x multiplier)	**–**	**–**	–	–
2	(ii) Stressed VaR component (including the 3x multiplier)	**–**	**–**	–	–
3	All portfolios subject to the Standardised CVA capital charge	**68 809**	**6 331**	118 293	2 474
4	Total subject to the CVA capital charge	**68 809**	**6 331**	118 293	2 474

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

Sasfin Bank Limited

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

Sasfin Bank Limited

	a	b	c	d	e	f	g	h	i
Risk weight	2020								
Regulatory portfolio	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	–	–	–	–	–	–	–	–	–
Non-central government public sector entities (PSEs)	–	–	–	–	–	–	–	–	–
Multilateral development banks (MDBs)	–	–	–	–	–	–	–	–	–
Banks	–	–	2 706	33 534	–	–	–	–	36 240
Securities firms	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	–	–	13 982	–	–	13 982
Regulatory retail portfolios	–	–	–	–	–	34 315	–	–	34 315
Other assets	–	–	–	–	–	–	–	–	–
Total	–	–	2 706	33 534	–	48 298	–	–	84 537

6. Securitisation

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

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

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

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

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

Assets securitised by Sasfin include the operating and financing of capital and office equipment. SASP may issue securities publicly or privately, depending on the intended investors in the securities, the timing of the issuance and the structure of the transaction.

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

Risk	
Financial risk	Investment risk Credit risk Market risk Liquidity risk Excess spread risk Interest rate risk Refinancing risk Commingling risk – risk of mixing customer-owned securities with brokerage-owned securities Concentration risk
Strategic risk: Internal	Strategy and business model risk External stakeholder risk Branding and Marketing risk Management of Information risk Service risk Reputational risk New business risk
Strategic risk: External	Regulatory risk Rating downgrade risk Counterparty risk

Operational risk	Execution, delivery, and process management Internal fraud External fraud Employment practices and Workplace safety Clients, products, and business practices Damage to physical assets Business disruption and system failure
Governance risk	Requirements that govern the group's authority to operate as a business.
Compliance risk	The risk of legal or regulatory sanctions, material financial loss or loss of reputation because of non-compliance with laws, regulations, rules and internal policies, standards, and codes of conduct.
Reporting and disclosure risk	The risk of loss due to incomplete, inaccurate, and untimely reporting of required financial and operating information to regulatory agencies. This could result in fines, penalties, and sanctions.
Capital management risk	The risk of the Group or Bank's capital base falling below the minimum regulatory approved limit or to a level that would prevent growth in risk weighted assets without the injection of fresh capital.

SEC1: Securitisation exposures in the banking book

Sasfin Bank Limited

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

6. Securitisation continued

SEC1: Securitisation exposures in the banking book continued

		Sasfin Bank Limited								
		a	b	c	e	f	g	i	j	k
		2020								
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	**Retail (total) – of which**	–	–	–	–	–	–	–	–	–
2	residential mortgage	–	–	–	–	–	–	–	–	–
3	credit card	–	–	–	–	–	–	–	–	–
4	other retail exposures	–	–	–	–	–	–	–	–	–
5	re-securitisation	–	–	–	–	–	–	–	–	–
6	**Wholesale (total) – of which**	334 965	–	334 965	–	–	–	–	–	–
7	loans to corporates	–	–	–	–	–	–	–	–	–
8	commercial mortgages	–	–	–	–	–	–	–	–	–
9	lease and receivables	334 965	–	334 965	–	–	–	–	–	–
10	other wholesale	–	–	–	–	–	–	–	–	–
11	re-securitisation	–	–	–	–	–	–	–	–	–

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

Sasfin Bank Limited

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		2021																
		Exposure values (by RW bands)					**Exposure values (by regulatory approach)**				**RWA (by regulatory approach)**				**Capital charge after cap**			
		≤20% RW	**>20% to 50% RW**	**>50% to 100% RW**	**>100% to <1250% RW**	**1250% RW**	**IRB RBA (inc. IAA)**	**IRB SFA**	**SA/ SSFA**	**1250%**	**IRB RBA (inc. IAA)**	**IRB SFA**	**SA/ SSFA**	**1250%**	**IRB RBA (inc. IAA)**	**IRB SFA**	**SA/ SSFA**	**1250%**
1	**Total exposures**	–	–	333 975	–	–	–	–	333 975	–	–	–	333 975	–	–	–	33 397	–
2	Traditional securitisation	–	–	333 975	–	–	–	–	333 975	–	–	–	333 975	–	–	–	33 397	–
3	Of which securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	Of which retail underlying	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Of which wholesale	–	–	333 975	–	–	–	–	333 975	–	–	–	333 975	–	–	–	33 397	–
6	Of which re-securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	Synthetic securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Of which securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11	Of which retail underlying	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Of which re-securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

6. Securitisation continued

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

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		Sasfin Bank Limited																
		2020																
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB RBA (inc. IAA)	IRB SFA	SA/ SSFA	1250%	IRB RBA (inc. IAA)	IRB SFA	SA/ SSFA	1250%	IRB RBA (inc. IAA)	IRB SFA	SA/ SSFA	1250%
1	**Total exposures**	–	–	334 965	–	–	–	–	334 965	–	–	–	334 965	–	–	–	33 497	–
2	Traditional securitisation	–	–	334 965	–	–	–	–	334 965	–	–	–	334 965	–	–	–	33 497	–
3	Of which securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	Of which retail underlying	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Of which wholesale	–	–	334 965	–	–	–		334 965	–	–	–	334 965	–	–	–	33 497	–
6	Of which re-securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	Synthetic securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Of which securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11	Of which retail underlying	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Of which re-securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

7. Investment risk

Investment risk refers to the risk of adverse changes in the value of listed and unlisted equity investments. These investments are longer-term investments held in the banking book for non-trading purposes.

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

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

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

Refer to Note 10 Investment Securities page 57 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

8. Market risk

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

Measurement: The bank measures market risk on a standardised approach.

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

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

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

MR1 – Market risk under standardised approach:

		Sasfin Bank Limited	
		a	a
		2021	2020
R'000		**Capital charge in SA**	Capital charge in SA
1	General interest rate risk	**–**	–
2	Equity risk	**–**	–
3	Commodity risk	**–**	–
4	Foreign exchange risk	**19 651**	3 927
5	Credit spread risk – non-securitisations	**–**	–
6	Credit spread risk – securitisations (non-correlation trading portfolio)	**–**	–
7	Credit spread risk – securitisation (correlation trading portfolio)	**–**	–
8	Default risk – non-securitisations	**–**	–
9	Default risk – securitisations (non-correlation trading portfolio)	**–**	–
10	Default risk – securitisations (correlation trading portfolio)	**–**	–
11	Residual risk add-on	**–**	–
12	**Total**	**19 651**	3 927

9. Operational risk

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

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

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

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

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

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

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

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

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

Refer to page 70 of the Integrated Report for more information on "Responding to Covid-19" and "Revising the business continuity management strategy", which can be found on Sasfin's website at www.sasfin.com/investor-relations.

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

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

10. Treasury risk management

Overview of treasury risk management and key prudential metrics

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

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

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

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

Governance

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

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

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

Reporting

- Group Treasury is responsible for management reporting to ALCO on the following inter alia:
  - Overview of liquidity risk – cashflow management, liquidity mismatch, Assets, Liabilities.
  - Overview of interest rate risk – Interest rate management, interest rate shocks.
  - Overview of currency risk – currency management, Net open position limits and mismatches, Interbank facilities, operations.
  - Overview of Debt Capital Markets – stress testing and performance tests.
  - Economic and other related reports, International and domestic daily funding, consolidated balance sheet, liquidity stress testing, regulatory returns.

10.1. Liquidity risk

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

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

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

Refer to Note 45.3 Currency risk on pages 106 to 108 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

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

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

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

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

10.2. Capital risk

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

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

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

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

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

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

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

10.3. Interest rate risk in the banking book

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

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

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

Refer to Note 45.2 Market risk on page 105 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

10.4. Key prudential metrics

KM1: Prudential Metrics

		Sasfin Holdings Limited				
R'000		a Jun-21 T	b Mar-21 T-1	c Dec-20 T-2	d Sep-20 T-3	e Jun-20 T-4
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	1 349 052	1 376 967	1 369 337	1 389 291	1 406 571
1a	Fully loaded ECL accounting model	1 349 052	1 376 967	1 369 337	1 389 291	1 406 571
2	Tier 1	1 353 802	1 395 775	1 388 145	1 426 908	1 444 188
2a	Fully loaded accounting model Tier 1	1 353 802	1 395 775	1 388 145	1 426 908	1 444 188
3	Total capital	1 418 392	1 469 075	1 465 244	1 500 320	1 521 600
3a	Fully loaded ECL accounting model total capital	1 418 392	1 469 075	1 465 244	1 500 320	1 521 600
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	7 913 691	8 680 279	8 583 438	8 680 493	9 170 237
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	17.047%	15.863%	15.953%	16.005%	15.338%
5a	Fully loaded ECL accounting model CET1 (%)	17.047%	15.863%	15.953%	16.005%	15.338%
6	Tier 1 ratio (%)	17.107%	16.080%	16.172%	16.438%	15.749%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	17.107%	16.080%	16.172%	16.438%	15.749%
7	Total capital ratio (%)	17.923%	16.924%	17.071%	17.284%	16.593%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.923%	16.924%	17.071%	17.284%	16.593%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
10	Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.500%	2.500%	2.500%	2.500%	2.500%
12	CET1 available after meeting the bank's minimum capital requirements (%)	8.672%	7.488%	7.578%	7.630%	6.963%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio measure	11 799 933	11 598 130	11 590 084	11 580 969	13 001 951
14	Basel III leverage ratio (%) (row 2/row 13)	11.47%	12.03%	11.98%	12.32%	11.11%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	11.47%	12.03%	11.98%	12.32%	11.11%
	Liquidity Coverage Ratio					
15	Total HQLA	1 120 952	1 061 791	1 004 362	1 022 658	994 582
16	Total net cash outflow	421 247	408 982	409 773	411 016	415 792
17	LCR ratio (%)	266.10%	259.62%	245.10%	248.81%	239.20%
	Net Stable Funding Ratio					
18	Total available stable funding	5 009 610	5 195 500	4 850 877	4 950 952	4 628 308
19	Total required stable funding	4 792 553	4 162 261	4 129 357	4 138 204	3 869 818
20	NSFR ratio	104.53%	124.82%	117.47%	119.64%	119.60%

KM1: Prudential Metrics continued

		Sasfin Bank Limited				
	R'000	a Jun-21 T	b Mar-21 T-1	c Dec-20 T-2	d Sep-20 T-3	e Jun-20 T-4
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	998 377	923 825	922 327	921 665	962 086
1a	Fully loaded ECL accounting model	998 377	923 825	922 327	921 665	962 086
2	Tier 1	998 377	923 825	922 327	921 665	962 086
2a	Fully loaded accounting model Tier 1	998 377	923 825	922 327	921 665	962 086
3	Total capital	1 048 445	982 524	978 570	976 095	1 018 455
3a	Fully loaded ECL accounting model total capital	1 048 445	982 524	978 570	976 095	1 018 155
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	5 919 606	6 427 727	6 141 893	5 833 794	6 161 568
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	16.866%	14.373%	15.017%	15.799%	15.614%
5a	Fully loaded ECL accounting model CET1 (%)	16.866%	14.373%	15.017%	15.799%	15.614%
6	Tier 1 ratio (%)	16.866%	14.373%	15.017%	15.799%	15.614%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	16.866%	14.373%	15.017%	15.799%	15.614%
7	Total capital ratio (%)	17.711%	15.286%	15.933%	16.732%	16.529%
7a	Fully loaded ECL accounting model total capital ratio (%)	17.711%	15.286%	15.933%	16.732%	16.529%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.50%	2.50%	2.50%	2.50%	2.50%
9	Countercyclical buffer requirement (%)	0%	0%	0%	0%	0%
10	Bank D-SIB additional requirements (%)	0%	0%	0%	0%	0%
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.500%	2.500%	2.500%	2.500%	2.500%
12	CET1 available after meeting the bank's minimum capital requirements (%)	8.491%	5.998%	6.642%	7.424%	7.239%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio measure	8 489 027	8 294 798	8 052 516	8 029 119	8 810 809
14	Basel III leverage ratio (%) (row 2/row 13)	11.76%	11.14%	11.45%	11.48%	10.92%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	11.76%	11.14%	11.45%	11.48%	10.92%
	Liquidity Coverage Ratio					
15	Total HQLA	1 120 952	1 061 791	1 004 362	1 022 658	994 581
16	Total net cash outflow	421 247	408 982	409 773	411 016	415 792
17	LCR ratio (%)	266.10%	259.62%	245.10%	248.81%	239.20%
	Net Stable Funding Ratio					
18	Total available stable funding	5 009 610	5 195 500	4 850 877	4 950 952	4 628 308
19	Total required stable funding	4 792 553	4 162 261	4 129 357	4 138 204	3 869 818
20	NSFR ratio (%)	104.53%	124.82%	117.47%	119.64%	119.60%

11. Remuneration and compensation

The Group's remuneration philosophy provides the framework for remuneration decisions to be made in an informed, consistent, competitive, and agile manner. It emphasises the value we place on our people and aims to motivate behaviour that supports the delivery of the Group's strategy in a manner that aligns with our values.

We reward commitment and exceptional performance with a focus on creating stakeholder value and the delivery of sustainable returns to stakeholders.

Sasfin implements fair remuneration practices consistently throughout the Group to ensure each employee's performance is recognised and appropriately rewarded. We consider the risk implications, our ethical standards and Sasfin's desired culture in developing our human capital policies. The HR and Remuneration Committee has been mandated by the Board to consider and approve the overall compensation model, policy, and the specific remuneration of Executive Directors, Prescribed Officers and Group Exco members.

The Group's remuneration policy, which describes the key features of the remuneration system, will be outlined in the 2021 Remuneration Report. This will be published with the Group's Integrated Report on 31 October 2021.

The salient features are set out below:

Oversight of remuneration

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

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

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

Design and structure of the remuneration processes

The objectives of the remuneration policy are:

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

During the year, the remuneration policy was amended for instances where a significant increase would result from payment at the minimum of the pay scale on appointment or promotion to a new role where employees do not yet meet all the required criteria. In these instances, increases up to the minimum of the pay scale will be phased in over three years, subject to satisfactory performance and conduct.

Risk and remuneration

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

Linking performance and reward

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

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

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

Our variable remuneration includes short and long-term elements, with deferred payments falling due over a period of up to three years from the date of award (in exceptional circumstances, the deferral period will be four years). This deferral ensures a clawback of bonuses paid, in the event of poor financial or personal performance or misconduct.

There are several employees who are on commission arrangements across the Group, with the majority in the Wealth Pillar. Their remuneration structures are in line with the industry norm and are approved by REMCO. Any employees on commission arrangements do not participate in the performance incentive scheme.

The incentive pool is only created if the Group's ROE target is achieved.

Short-term incentive (STI) indicators are regularly reviewed to ensure that they drive the required behaviour. The calculations underlying the payments consider exceptional items and associated costs.

Adjustment to reward taking account of longer-term performance

Employees are eligible once they have completed a full year of service with the Group and must be in the Group's employ and in good standing to qualify for the award. The scheme combines short-term and long-term elements and incorporates KRIs and KVIs in line with market and competitor benchmarks.

The scheme is designed to:

- Have a long-term orientation with a risk management focus
- Appropriately balance individual, divisional, Pillar and Group incentives to drive a meritocracy
- Offer clear line of sight
- Be simple but robust
- Have the potential for real long-term value creation

Variable remuneration

Variable remuneration arrangements include:

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

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

Remuneration awarded during the financial year

	Remuneration amount		a Senior management	b Other material risk-takers
1	Fixed remuneration	Number of employees	**8**	**2**
2		Total fixed remuneration (3+5+7)	**21 850**	**7 815**
3		Of which: cash-based	**18 504**	**6 621**
4		Of which: deferred	–	–
5		Of which: shares or other share-linked instruments	–	–
6		of which:deferred	–	–
7		of which: other forms	**3 346**	**1 194**
8		Of which: deferred	–	–
9	Variable remuneration	Number of employees	–	–
10		Total variable remuneration (11+13+15)	**1 569**	**639**
11		Of which: cash-based	–	–
12		Of which:deferred	–	–
13		Of which: shares or other share-linked instruments	–	–
14		Of which: deferred	–	–
15		Of which: other forms	**1 569**	**639**
16		Of which: deferred	–	–
17	**Total remuneration (2+10)**		**23 419**	**8 454**

11. Remuneration and compensation continued

Special payments:

	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	8	1 280	–	–	–	–
Other material risk-takers	2	120	–	–	–	–

Deferred remuneration:

Deferred and retained remuneration	a Total amount of outstanding deferred remuneration	b Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or post explicit and/or implicit adjustment	c Total amount of amendment during the year due to ex post explicit adjustments	d Total amount of amendment during the year due to ex post implicit adjustments	e Total amount of deferred remuneration paid out in the financial year
Senior management					
Cash	10 442	10 442	–	10 442	1 241
Shares	–	–	–	–	–
Cash-linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Other material risk-takers					
Cash	3 990	3 990	–	3 990	120
Shares	–	–	–	–	–
Cash-linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Total	14 432	14 432	–	14 432	1 361

Appendices

LR1: Summary comparison of accounting assets vs leverage ratio exposure

		Sasfin Holdings Limited	
		a	
R'000		**Jun-21**	Mar-21
1	Total consolidated assets as per published financial statements	**12 155 244**	12 474 050
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**–**	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**–**	–
4	Adjustments for derivative financial instruments	**59 213**	64 941
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	**–**	–
6	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	**140 072**	142 693
7	Other adjustments	**(554 596)**	(1 083 556)
8	Leverage ratio exposure measure	**11 799 933**	11 598 128

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

Appendices continued

LR2: Leverage ratio common disclosure template

R'000		Sasfin Holdings Limited a Jun-21 T	 b Mar-21 T-1
	On-balance sheet exposures		
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)	**11 799 933**	11 666 118
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**–**	–
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	**11 799 933**	11 666 118
	Derivative exposures		
4	Replacement cost associated with all derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**32 175**	5 265
5	Add-on amounts for PFE associated with all derivatives transactions	**27 037**	59 677
6	Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	**–**	–
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	**–**	–
8	(Exempted CCP leg of client-cleared trade exposures)	**–**	–
9	Adjusted effective notional amount of written credit derivatives	**–**	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**–**	–
11	**Total derivative exposures (sum of rows 4 to 10)**	**59 213**	64 941
	Securities financing transactions		
12	Gross SFT assets (with no recognition of netting), after adjusting for sale accounting transactions	**–**	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**–**	–
14	CCR exposure for SFT assets	**–**	–
15	Agent transaction exposures	**–**	–
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**–**	–
	Other off-balance sheet exposures		
17	Off-balance sheet exposure at gross notional amount	**856 292**	883 720
18	(Adjustments for conversion to credit equivalent amounts)	**(716 220)**	(741 027)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**140 072**	142 693
	Capital and total exposures		
20	**Tier 1 capital**	**1 353 802**	1 395 775
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**11 799 933**	11 598 130
	Leverage ratio		
22	**Basel III leverage ratio**	**11.47%**	12.03%

LIQ1: Liquidity Coverage Ratio (LCR)

	R'000	a Total un-weighted value (average)	b Total weighted value (average)
	High-quality liquid assets		
1	Total HQLA		1 120 952
	Cash outflows		
2	**Retail deposits and deposits from small business customers, of which:**	1 095 733	109 573
3	Stable deposits	–	–
4	Less stable deposits	1 095 733	109 573
5	**Unsecured wholesale funding, of which:**	3 805 610	1 084 791
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7	Non-operational deposits (all counterparties)	3 805 610	1 084 791
8	Unsecured debt	–	–
9	**Secured wholesale funding**		–
10	**Additional requirements, of which:**	988 567	264 822
11	Outflows related to derivative exposures and other collateral requirements	20 037	20 037
12	Outflows related to loss of funding of debt products	–	–
13	Credit and liquidity facilities	968 530	244 785
14	**Other contractual funding obligations**	225 802	225 802
15	**Other contingent funding obligations**	–	–
16	**TOTAL CASH OUTFLOWS**		1 684 988
	Cash inflows		
17	**Secured lending (eg reverse repo)**	1 240 958	1 240 958
18	**Inflows from fully performing exposures**	192 061	96 031
19	**Other cash inflows**	157 432	89 322
20	**TOTAL CASH INFLOWS**	1 590 451	1 426 311

		Total adjusted value
21	**Total HQLA**	1 120 952
22	**Total net cash outflows**	421 247
23	**Liquidity coverage ratio (%)**	266.10%

Appendices continued

LIQ2: Net Stable Funding Ratio (NSFR)

	R'000	a	b	c	d	e
		Unweighted value by residual maturity				
		No maturity*	<6 months	6 months to <1 year	≥1 year	Weighted value
	Available stable funding (ASF) item					
1	Capital:	–	–	–	1 135 817	1 135 817
2	*Regulatory capital*				1 135 817	1 135 817
3	*Other capital instruments*	–	–	–	–	–
4	Retail deposits and deposits from small business customers:	–	1 854 789	293 038	50 234	1 983 279
5	*Stable deposits*		–	–	–	–
6	*Less stable deposits*	–	1 854 789	293 038	50 234	1 983 279
7	Wholesale funding:	–	837 812	225 719	34 204	565 970
8	*Operational deposits*		–	–	–	–
9	*Other wholesale funding*	–	837 812	225 719	34 204	565 970
10	Liabilities with matching interdependent assets	–	–	–	–	–
11	Other liabilities:	–	2 700 912	44 691	526 469	1 324 545
12	NSFR derivative liabilities	–	–	–	(3 705)	–
13	*All other liabilities and equity not included in the above categories*	–	2 700 912	44 691	526 469	1 324 545
14	**Total ASF**	–	–	–	–	5 009 610
	Required stable funding (RSF) item	–	–	–	–	–
15	Total NSFR high-quality liquid assets (HQLA)	–	–	–	–	80 933
16	Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17	Performing loans and securities:	–	3 203 248	620 951	3 342 284	3 687 549
18	*Performing loans to financial institutions secured by Level 1 HQLA*	–	237 547	274 338	500 538	50 621
19	*Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions*	–	1 168 653	5 345	270 012	447 982
20	*Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:*	–	1 152 535	276 817	2 233 123	2 612 831
21	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	–	–	–	330 929	215 104
22	*Performing residential mortgages, of which:*	–	–	–	–	–
23	*With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk*	–	–	–	–	–
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*	–	644 513	64 450	7 682	361 011
25	Assets with matching interdependent liabilities					–
26	Other liabilities:	–	3 705	–	987 352	991 057
27	*Physical traded commodities, including gold*	–	–	–	–	–
28	*Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	–	–	–	–	–
29	*NSFR derivative assets*	–	3 705	–	–	3 705
30	*NSFR derivative liabilities before deduction of variation margin posted*	–	–	–	–	–
31	*All other assets not included in the above categories*	–	–	–	987 352	987 352
32	Off-balance sheet items	–	–	–	–	83 636
33	**Total RSF**	–	–	–	–	4 792 553
34	**Net Stable Funding Ratio (%)**	–	–	–	–	104.53%

CC1: Composition of regulatory capital

	R'000	a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	127 090	(h)
2	Retained earnings	1 435 844	
3	Accumulated other comprehensive income (and other reserves)	(28 254)	
4	Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)	–	
5	Common share capital issued by third parties (amount allowed in group CET1)	–	
6	**Common Equity Tier 1 capital before regulatory deductions**	1 534 680	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	2 194	
8	Goodwill (net of related tax liability)	32 252	(a)
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	124 007	(b)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	24 401	
11	Cash flow hedge reserve	0	
12	Shortfall of provisions to expected losses	–	
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined benefit pension fund net assets	–	
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in common equity	2 774	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	
22	Amount exceeding 15% threshold	–	
23	Of which: significant investments in the common stock of financials	–	
24	Of which: mortgage servicing rights	–	
25	Of which: deferred tax assets arising from temporary differences	–	
26	National specific regulatory adjustments	–	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–	
28	**Total regulatory adjustments to Common Equity Tier 1**	185 628	
29	**Common Equity Tier 1 capital (CET1)**	1 349 052	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	4 750	
31	Of which: classified as equity under applicable accounting standards	43 331	
32	Of which: classified as liabilities under applicable accounting standards	–	
33	*Directly issued capital instruments subject to phase-out from additional Tier 1*	–	

Appendices continued

R'000		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	–	
35	*Of which: instruments issued by subsidiaries subject to phase-out*	–	
36	Additional Tier 1 capital before regulatory adjustments	**4 750**	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments	–	
38	Reciprocal cross-holdings in additional Tier 1 instruments	–	
39	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	
40	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	
41	National specific regulatory adjustments	–	
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	–	
43	Total regulatory adjustments to additional Tier 1 capital	–	
44	**Additional Tier 1 capital (AT1)**	**4 750**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1 353 802**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	–	
47	*Directly issued capital instruments subject to phase-out from Tier 2*	–	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	–	
49	*Of which: instruments issued by subsidiaries subject to phase-out*	–	
50	Provisions	**64 590**	
51	**Tier 2 capital before regulatory adjustments**	**64 590**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	–	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	–	
54	Investments in capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–	
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	–	
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments	–	
57	**Total regulatory adjustments to Tier 2 capital**	–	
58	**Tier 2 capital (T2)**	**64 590**	
59	**Total regulatory capital (TC = T1 + T2)**	**1 418 392**	
60	**Total risk-weighted assets**	**7 913 691**	

R'000		a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**17.05%**	
62	**Tier 1 (as a percentage of risk-weighted assets)**	**17.11%**	
63	**Total capital (as a percentage of risk-weighted assets)**	**17.92%**	
64	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	**4.50%**	
65	**Of which: capital conservation buffer requirement**	**2.50%**	
66	**Of which: bank-specific countercyclical buffer requirement**	**–**	
67	**Of which: higher loss absorbency requirement**	**2.00%**	
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement**	**8.67%**	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	**8.00%**	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	**10.00%**	
71	National total capital minimum (if different from Basel III minimum)	**12.50%**	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	**–**	
73	Significant investments in common stock of financial entities	**–**	
74	Mortgage servicing rights (net of related tax liability)	**–**	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	**–**	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	**–**	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	**–**	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**–**	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	**–**	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 instruments subject to phase-out arrangements*	**–**	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	**–**	
82	*Current cap on AT1 instruments subject to phase-out arrangements*	**–**	
83	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	**–**	
84	*Current cap on T2 instruments subject to phase-out arrangements*	**–**	
85	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	**–**	

CC2: Reconciliation of regulatory capital to balance sheet

	a Balance sheet as in published financial statements As at period-end	b Under regulatory scope of consolidation As at period-end	c Reference
Assets			
Cash and balances at central banks	162 098	162 098	(a)
Items during collection from other banks	–	–	
Trading portfolio assets	–	–	
Financial assets designated at fair value	519 972	519 972	
Derivative financial instruments	371 165	371 165	
Loans and advances to banks	1 123 480	1 123 480	(a)
Loans and advances to customers	6 715 951	6 715 951	(a)
Reverse repurchase agreements and other similar secured lending	332 268	332 268	
Available for sale financial investments	2 085 077	2 085 077	
Current and deferred tax assets	64 179	64 179	
Prepayments, accrued income and other assets	535 041	535 041	
Investments in associates and joint ventures	20 089	20 089	
Goodwill and other intangible assets	160 856	160 856	
Of which: goodwill	32 252	32 252	
Of which: intangibles (excluding MSRs)	128 604	128 604	
Of which: MSRs	–	–	
Property, plant and equipment	65 068	65 068	
Total assets	**12 155 244**	**12 155 244**	
Liabilities			
Deposits from banks	–	–	
Items during collection due to other banks	–	–	
Customer accounts	4 732 764	4 732 764	
Repurchase agreements and other similar secured borrowing	700 067	700 067	
Trading portfolio liabilities	280 243	280 243	
Financial liabilities designated at fair value	–	–	
Derivative financial instruments	378 714	378 714	
Debt securities in issue	2 741 583	2 741 583	
Accruals, deferred income and other liabilities	1 527 032	1 527 032	
Current and deferred tax liabilities	115 863	115 863	
Of which: DTLs related to goodwill	–	–	
Of which: DTLs related to intangible assets (excluding MSRs)	–	–	
Of which: DTLs related to MSRs	–	–	
Subordinated liabilities	–	–	
Provisions	72 714	72 714	
Retirement benefit liabilities	–	–	
Total liabilities	**10 548 980**	**10 548 980**	
Shareholders' equity			
Paid-in share capital	463 476	463 476	
Of which: amount eligible for CET1	463 476	463 476	
Of which: amount eligible for AT1	–	–	
Retained earnings	1 435 844	1 435 844	
Accumulated other comprehensive income	–	–	
Total shareholders' equity	**1 899 320**	**1 899 320**	

Abbreviations and acronyms

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

Corporate details

Country of incorporation and domicile	South Africa
Company registration number	1987/002097/06
Tax reference number	9300/204/71/7
Independent Non-Executive Chair	Roy Andersen*
Executive Directors	Michael Sassoon (Group CEO) Angela Pillay (Group FD)
Independent Non-Executive Directors	Richard Buchholz (Lead Independent Director) Deon de Kock Eileen Wilton Grant Dunnington** Mark Thompson Tapiwa Njikizana
Non-Independent, Non-Executive Directors	Gugu Dingaan Nontobeko Ndhlazi Roland Sassoon Shaun Rosenthal (Alternate)
Group Company Secretary	Charissa De Jager
Transfer secretaries	Computershare Investor Services (Proprietary) Limited Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg 2196
Sponsor	Sasfin Capital (Pty) Ltd (a member of the Sasfin Group)
Independent sponsor	Deloitte & Touche Sponsor Services (Proprietary) Limited
Auditors	PwC Inc.
Registered office	29 Scott Street Waverley Johannesburg 2090 Tel: +27 11 809 7500 Fax: +27 11 887 6167/2489 Company registration number: 1987/002097/06
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* *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until March 2023.*
** *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until the Group's 2021 AGM.*

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