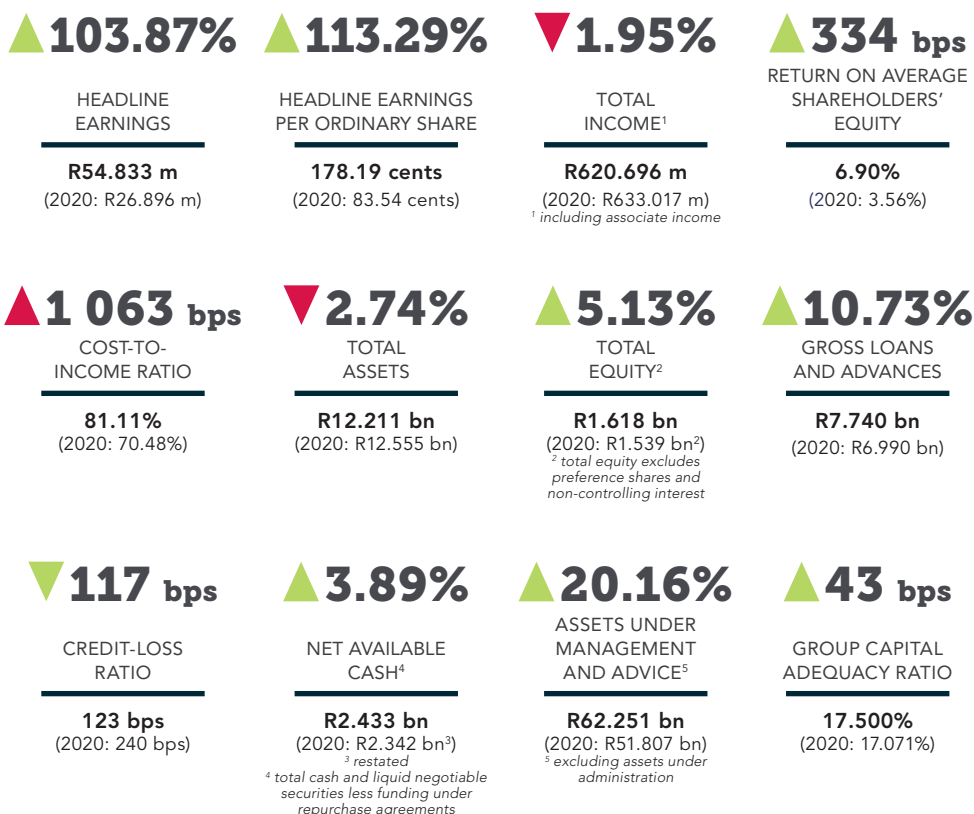


Unaudited condensed consolidated interim results

for the six months ended 31 December 2021



Financial highlights

For the six months ended 31 December 2021

	%	31 December 2021 Unaudited	31 December 2020 Unaudited	30 June 2021 Audited
	Change			
Consolidated statement of financial position				
Total cash (Rm)	(20.75)	1 260	1 590	1 286
Negotiable securities (Rm)	(11.66)	1 887	2 136	2 085
Total assets (Rm)	(2.74)	12 211	12 555	12 155
Total gross loans and advances (Rm)	10.73	7 740	6 990	7 251
Non-performing loans and advances (Rm)	(7.09)	695	748	611
Income statement				
Earnings attributable to ordinary shareholders (Rm)	37.86	53.931	39.120	77.644
Headline earnings (Rm)	>100	54.833	26.896	141.071
Financial performance				
Return on ordinary shareholders' average equity (bps)	334	6.90	3.56	9.11
Return on total average assets (%)	>100	0.90	0.41	1.08
Operating performance				
Non-interest income to total income (%)		57.12	55.32	57.25
Cost to income ratio (%)		81.11	70.48	77.95
Credit loss ratio (bps)		123	240	75
Non-performing advances to total amortised cost gross loans and advances (%)		9.38	11.15	8.81
Share statistics				
Basic earnings per ordinary share (cents)	44.24	175.25	121.50	241.20
Headline earnings per ordinary share (cents)	>100	178.19	83.54	438.24
Number of ordinary shares in issue at end of the period ('000)		32 301	32 301	32 301
Number of ordinary shares in issue at end of the period excluding treasury shares ('000)		30 773	32 197	30 773
Weighted average number of ordinary shares in issue excluding treasury shares ('000)		30 773	32 197	32 191
Dividends per ordinary share relating to profit for the period (cents) ¹		131.02	–	–
Net asset value per ordinary share (cents) ²	5.14	5 009	4 764	4 839
Capital adequacy (2021 provisional)				
Capital adequacy ratio (%)		17.50	17.07	18.06

¹ This relates to the dividend paid during the period and is based on the total shares in issue, including treasury shares.

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

Condensed consolidated statement of financial position

For the six months ended 31 December 2021

	31 December 2021 Unaudited R'000	31 December 2020 Unaudited R'000	30 June 2021 Audited R'000
ASSETS			
Cash and cash equivalents	1 259 773	1 590 023	1 285 578
Negotiable securities	1 886 738	2 135 895	2 085 077
Trading assets	307 545	1 044 571	703 433
Trade and other receivables	543 732	535 930	511 941
Non-current assets held for sale	–	6 700	6 700
Loans and advances	7 207 981	6 360 064	6 715 951
Current taxation asset	35 539	20 619	26 595
Investment securities	559 432	523 859	540 061
Investments at fair value through profit or loss	523 157	513 685	519 972
Equity accounted associates	36 275	10 174	20 089
Property, equipment and right-of-use assets	197 389	82 075	65 068
Investment property	21 938	13 123	16 400
Intangible assets and goodwill	157 448	202 475	160 856
Deferred tax asset	33 510	39 754	37 584
Total assets	12 211 025	12 555 088	12 155 244
LIABILITIES			
Funding under repurchase agreements and interbank	500 154	876 077	700 067
Trading liabilities	326 281	975 852	658 957
Current taxation liability	10 415	13 119	5 093
Trade and other payables	415 815	725 516	722 531
Bank overdraft	35	110 380	30 392
Provisions	37 587	46 043	72 714
Lease liabilities	167 040	54 281	43 205
Deposits from customers	5 559 589	4 831 076	4 732 764
Debt securities issued	2 741 529	2 740 271	2 741 583
Long-term loans	723 977	364 474	730 904
Deferred tax liability	110 729	90 895	110 770
Total liabilities	10 593 151	10 827 984	10 548 980
EQUITY			
Ordinary share capital	321	321	321
Ordinary share premium	166 945	166 945	166 945
Reserves	1 450 608	1 371 752	1 395 667
Preference share capital ¹	–	18	18
Preference share premium ¹	–	188 068	43 313
Total equity	1 617 874	1 727 104	1 606 264
Total liabilities and equity	12 211 025	12 555 088	12 155 244

¹ Refer to the Condensed consolidated statement of changes in equity for more information on the preference share repurchase.

Condensed consolidated statement of profit or loss and other comprehensive income

For the six months ended 31 December 2021

	31 December 2021 Unaudited R'000	31 December 2020 Unaudited R'000	30 June 2021 Audited R'000
Interest income	491 308	517 227	995 061
Interest income calculated using the effective interest rate method	475 798	507 212	947 447
Other interest income	15 510	10 015	47 614
Interest expense	(227 479)	(238 288)	(457 081)
Interest expense calculated using the effective interest method	(224 461)	(227 411)	(440 234)
Other interest expense	(3 018)	(10 877)	(16 847)
Net interest income	263 829	278 939	537 980
Non-interest income	351 396	345 357	745 800
Net fee and commission income	212 981	202 916	416 112
Fee and commission income	311 998	301 537	628 388
Fee and commission expense	(99 017)	(98 621)	(212 276)
Gains and losses on financial instruments	74 410	59 573	168 845
Net gains or losses on the derecognition of financial instruments at amortised cost	9 692	19 263	37 072
Other gains or losses on financial instruments	64 718	40 310	131 773
Other Income	64 005	82 868	160 843
Total income	615 225	624 296	1 283 780
Credit impairment charges	(44 202)	(130 491)	(150 696)
Net income after impairments	571 023	493 805	1 133 084
Total operating costs	(503 430)	(446 148)	(1 015 455)
Staff costs	(261 811)	(257 542)	(530 484)
Other operating expenses	(241 619)	(188 606)	(444 387)
Impairment on non-financial assets	–	–	(40 584)
Profit from operations	67 593	47 657	117 629
Share of associate income	5 471	8 721	18 962
Profit before income tax	73 064	56 378	136 591
Total income tax	(19 133)	(17 258)	(58 947)
Profit for the year	53 931	39 120	77 644
Other comprehensive income for the period net of tax effects			
<i>Items that may subsequently be reclassified to profit or loss</i>			
Foreign exchange differences on translation of foreign operations	–	(35 021)	(40 843)
Reclassification of foreign currency differences on loss of control	–	–	(75 886)
Reclassification of hedge reserves on loss of control	–	–	107 099
Total comprehensive income for the period	53 931	4 099	68 014
Profit attributable to:	53 931	39 120	77 644
Equity holders of the Group	53 931	39 120	77 644
Total comprehensive income attributable to:	53 931	4 099	68 014
Equity holders of the Group	53 931	4 099	68 014
Earnings per share:			
Basic and diluted earnings per share (cents)	175.25	121.50	241.20

Headline earnings reconciliation

For the six months ended 31 December 2021

	31 December 2021 Unaudited R'000	31 December 2020 Unaudited R'000	30 June 2021 Audited R'000
Earnings are determined as follows:			
Earnings attributable to ordinary shareholders	53 931	39 120	77 644
Headline adjustable items	902	(12 224)	63 427
Loss on loss of control of subsidiary	–	–	31 016
Gross	–	–	31 016
Tax impact	–	–	–
Investment property – fair value loss on continuing operations	902	–	3 726
Gross	1 162	–	3 726
Tax impact	(260)	–	–
Goodwill and intangible asset impairments	–	–	40 583
Gross	–	–	40 583
Tax impact	–	–	–
Gain on disposal of interest in associate	–	(12 224)	(11 898)
Gross	–	(21 518)	(21 195)
Tax impact	–	9 294	9 297
Headline earnings	54 833	26 896	141 071
Headline earnings per ordinary share (cents)	178.19	83.54	438.24

Condensed consolidated statement of changes in equity

For the six months ended 31 December 2021

	Ordinary share capital R'000	Ordinary share premium R'000	Treasury shares R'000	Distributable reserves R'000	Foreign currency translation reserve R'000	Hedging Reserve R'000	Total ordinary shareholders equity R'000	Preference share capital R'000	Preference share premium R'000	Total shareholders equity R'000
31 December 2021										
Opening balance at the beginning of the period	321	166 945	(40 177)	1 435 844	–	–	1 562 933	18	43 313	1 606 264
Total comprehensive income for the period	–	–	–	53 931	–	–	53 931	–	–	53 931
Profit for the period	–	–	–	53 931	–	–	53 931	–	–	53 931
Transactions with owners recorded directly in equity										
Preference share buy-back and cancellation	–	–	–	43 331 ¹	–	–	43 331	(18) ¹	(43 313) ¹	–
Dividends to preference shareholders	–	–	–	–	–	–	–	–	–	–
Dividends to ordinary shareholders	–	–	–	(42 321)	–	–	(42 321)	–	–	(42 321)
Balance at the end of the period	321	166 945	(40 177)	1 490 785	–	–	1 617 874	–	–	1 617 874
31 December 2020										
Opening balance at the beginning of the period	321	166 945	(177)	1 358 200	116 729	(107 099)	1 534 919	18	188 068	1 723 005
Total comprehensive income for the period	–	–	–	39 120	–	–	4 099	–	–	4 099
Profit for the period	–	–	–	39 120	–	–	39 120	–	–	39 120
Other comprehensive income net of income tax for the period	–	–	–	–	(35 021)	–	(35 021)	–	–	(35 021)
Foreign exchange differences on translation of foreign operations	–	–	–	–	(35 021)	–	(35 021)	–	–	(35 021)
Balance at the end of the period	321	166 945	(177)	1 397 143	81 708	(107 099)	1 539 018	18	188 068	1 727 104
30 June 2021										
Opening balance at the beginning of the year	321	166 945	(177)	1 358 200	116 729	(107 099)	1 534 919	18	188 068	1 723 005
Total comprehensive income for the year	–	–	–	77 644	(116 729)	107 099	68 014	–	–	68 014
Profit for the year	–	–	–	77 644	–	–	77 644	–	–	77 644
Other comprehensive income net of income tax for the year	–	–	–	–	(116 729)	107 099	(9 630)	–	–	(9 630)
Foreign exchange differences on translation of foreign operations	–	–	–	–	(40 843)	–	(40 843)	–	–	(40 843)
Reclassification of foreign currency differences on loss of control	–	–	–	–	(75 886)	–	(75 886)	–	–	(75 886)
Reclassification of hedge reserves on loss of control	–	–	–	–	–	107 099	107 099	–	–	107 099
Changes in ownership interests										
Preference share buy-back and cancellation	–	–	–	–	–	–	–	–	(144 755)	(144 755)
Transactions with owners recorded directly in equity										
Net (increase)/decrease in treasury shares	–	–	(40 000)	–	–	–	(40 000)	–	–	(40 000)
Balance at the end of the year	321	166 945	(40 177)	1 435 844	–	–	1 562 933	18	43 313	1 606 264

* The condensed consolidated statement of changes in equity has been expanded for the current period and prior period comparatives in order to provide more useful information to the users of the condensed consolidated interim results.

¹ During the 2021 financial year end, Sasfin entered into an arrangement to repurchase the entire preference share capital class of shares. On 5 July 2021 (i.e. the current financial period), Sasfin paid the preference shareholders for their shares and the shares were transferred back to Sasfin Holdings Limited, to be held as authorised unissued shares. The remaining preference share capital and preference share premium that was not recognised as an obligation at 30 June 2021 was recognised directly in equity on settlement.

Condensed consolidated statement of cash flows

For the six months ended 31 December 2021

	31 December 2021 Unaudited R'000	31 December 2020 Unaudited R'000	30 June 2021 Audited R'000
Cash flows from operating activities			
Interest received	491 308	517 227	995 061
Interest paid	(227 479)	(238 288)	(457 079)
Fee and commission income received	311 998	301 537	628 388
Fee and commission expense paid	(99 017)	(98 621)	(212 276)
Net trading and other income/(expenses)	78 005	78 052	138 880
Cash payments to employees and suppliers	(443 090)	(388 300)	(844 725)
Cash inflow from operating activities	111 725	171 607	248 249
Dividends received	4 088	10 620	32 157
Taxation paid	(18 721)	(10 366)	(47 915)
Dividends paid	(42 321)	–	–
Cash flows from operating activities before changes in operating assets and liabilities	54 771	171 861	232 490
Changes in operating assets and liabilities	204 355	(349 373)	(591 927)
(Increase)/decrease in loans and advances	(502 973)	220 197	(81 939)
Decrease in trading assets	425 097	39 639	423 572
Decrease in negotiable securities	198 753	945 937	945 410
(Increase) in trade and other receivables	(34 070)	(99 274)	(83 821)
Increase/(decrease) in deposits from customers	826 826	(307 702)	(406 013)
(Decrease) in trade and other payables	(118 650)	(92 337)	(206 011)
(Decrease) in provisions	(51 059)	(14 387)	(16 517)
(Decrease)/increase in long-term loans	(6 927)	(7 175)	359 255
(Decrease) in funding under repurchase agreements and interbank	(199 913)	(1 006 729)	(1 182 739)
(Decrease) in trading liabilities	(332 676)	(23 990)	(340 884)
(Decrease) in debt securities issued	(54)	(3 552)	(2 240)
Net cash from operating activities	259 126	(177 512)	(359 437)
Cash flows from investing activities			
Proceeds from the disposal of property and equipment	106	–	1 630
Proceeds from the disposal of investment securities	–	–	27 438
Proceeds from the disposal of an associate	–	–	146 261
Acquisition of property and equipment	(22 419)	(12 942)	(10 928)
Acquisition of intangible assets	(11 981)	(31 453)	(27 935)
Additional investment in an associate	(10 715)	–	–
Acquisition of investment securities	–	(21 462)	–
(Advances)/Repayments of investment securities	(3 186)	179 170	(18 637)

	31 December 2021 Unaudited R'000	31 December 2020 Unaudited R'000	30 June 2021 Audited R'000
Net cash flows from investing activities	(48 195)	113 313	117 827
Cash flows from financing activities	(18 311)	(15 985)	(33 354)
Repayment of lease liabilities	–	–	(40 000)
Acquisition of treasury shares	–	–	–
Purchase and cancellation of preference shares	(188 068)	–	–
Net cash flows from financing activities	(206 379)	(15 985)	(73 354)
Net increase/(decrease) in cash and cash equivalents	4 552	(80 185)	(314 964)
Cash and cash equivalents at the beginning of the year	1 255 186	1 579 781	1 579 781
Effect of exchange rate movements on cash and cash equivalents	–	(19 954)	(9 631)
Cash and cash equivalents at the end of the year¹	1 259 738	1 479 643	1 255 186

* The condensed consolidated statement of cash flows has been expanded for the current period and prior period comparatives in order to provide more useful information to the users of the condensed consolidated interim results.

¹ Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

Condensed consolidated segmental analysis

For the six months ended 31 December 2021

For the prior financial year ended 30 June 2021, management reported on four operating segments: Asset Finance, Beyond Business Banking, Capital and Wealth. With effect from 1 July 2021, Sasfin Capital merged with Business Banking to create one pillar committed to supporting the growth of businesses. This combined Pillar is better placed to provide a holistic client experience and to extract efficiencies where appropriate. Management now reports on three segments (excluding the Group and inter-segment eliminations segment). These segments are Asset Finance, Business and Commercial Banking and Wealth. Accordingly, the segment information for prior periods has been restated.

	31 December 2021 Unaudited R'000	31 December 2020 Restated R'000	30 June 2021 Restated R'000
Segment income			
Asset Finance	261 435	287 938	579 444
Business and Commercial Banking	133 645	122 542	281 609
Wealth	175 892	177 437	326 412
Group and Inter-segment Eliminations	44 249	36 379	96 315
Total segment income	615 222	624 296	1 283 780
Segment profit			
Asset Finance	55 868	82 423	289 273
Business and Commercial Banking	17 224	(25 001)	(48 974)
Wealth	12 639	55 852	77 476
Group and Inter-segment Eliminations	(12 667)	(56 896)	(181 184)
Total segment profit	73 064	56 378	136 591
Segment assets			
Asset Finance	9 632 692	8 961 288	9 496 439
Business and Commercial Banking	2 319 502	2 316 647	2 265 503
Wealth	602 446	1 169 160	984 589
Group and Inter-segment Eliminations	(343 615)	107 993	(591 287)
Total segment assets	12 211 025	12 555 088	12 155 244
Segment liabilities			
Asset Finance	9 197 133	8 526 243	9 002 987
Business and Commercial Banking	2 235 051	2 076 919	2 175 344
Wealth	440 126	1 002 779	833 222
Group and Inter-segment Eliminations	(1 279 433)	(777 957)	(1 462 573)
Total segment liabilities	10 592 877	10 827 984	10 548 980

Selected explanatory notes to the condensed consolidated financial statements

Condensed interim consolidated financial statements

The Condensed Interim Consolidated Financial Statements comprise the following:

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

at and for the six months ended 31 December 2021.

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

Basis of preparation and presentation of the condensed interim consolidated financial statements for the six months ended 31 December 2021

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

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

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

The accounting policies applied in these unaudited, unreviewed Condensed Interim Consolidated Financial Statements for the period ended 31 December 2021 are in terms of International Financial Reporting Standards (IFRS) and are the same as those applied in the Group's Audited Consolidated Annual Financial Statements at the year ended 30 June 2021.

1. Impact of Covid-19

Management has determined that Covid-19 might continue to have some impact, however it is not expected to be significant.

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk

2.1 Credit risk exposure analysis

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

Credit risk grading	ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %	A Stage 1		A and B Stage 2		Default (C, D and E)		Stage 3		
						12-month ECL R'000	ECL R'000	Coverage ratio %	Lifetime ECL R'000	ECL R'000	Coverage ratio %	Lifetime ECL R'000	ECL R'000	Coverage ratio %
Credit risk exposure analysis														
31 December 2021														
Maximum credit exposures of financial assets at amortised cost														
		1 259 773	1 259 773	–	–	1 259 773	–	–	–	–	–	–	–	
		1 886 738	2 010 416	123 678	6.15	1 673 408	2 085	0.12	–	–	–	337 008	121 594	36.08
		6 872 716	7 404 587	531 873	7.18	6 381 165	79 267	1.24	328 503	33 324	10.14	694 919	419 281	60.34
		4 393 353	4 862 842	469 489	9.65	4 165 086	57 953	1.39	199 051	27 045	13.59	498 704	384 491	77.10
		1 452 396	1 485 202	32 807	2.21	1 418 736	13 651	0.96	37 750	3 393	8.99	28 716	15 763	54.89
		568 726	577 544	8 819	1.53	507 031	4 538	0.90	29 750	576	1.94	40 763	3 704	9.09
		458 349	479 000	20 650	4.31	290 312	3 017	1.04	61 952	2 310	3.73	126 736	15 323	12.09
		(108)	–	108	–	–	108	–	–	–	–	–	–	–
		544 225	546 998	2 773	0.51	546 998	2 773	0.51	–	–	–	–	–	–
		10 563 452	11 221 777	658 324	5.87	9 861 344	84 124	0.85	328 503	33 324	10.14	1 031 927	540 875	52.41
31 December 2021														
Off-balance sheet exposure to credit risk														
		86 076	–	–	–	86 076	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–	–	–	–
		4 073	–	–	–	4 073	–	–	–	–	–	–	–	–
		90 149	–	–	–	90 149	–	–	–	–	–	–	–	–
		–	–	–	–	–	–	–	–	–	–	–	–	–
31 December 2021														
Maximum credit exposures on financial assets at FVTPL														
		335 266	–	–	–	–	–	–	–	–	–	–	–	–
		272 199	–	–	–	–	–	–	–	–	–	–	–	–
		50 959	–	–	–	–	–	–	–	–	–	–	–	–
		658 424	–	–	–	–	–	–	–	–	–	–	–	–
		11 312 025	–	–	–	–	–	–	–	–	–	–	–	–

¹ Negotiable securities in stage 3 impairment are not considered to be liquid.

² In order to provide more useful information to the users of the financial statements, this note has been enhanced to disclose amounts by product. Furthermore, term loans, secured and unsecured, have been consolidated into a single line and renamed to 'Other loans' to better reflect their nature and to align with Sasfin's products.

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.1 Credit risk exposure analysis (continued)

Credit risk grading ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %	A Stage 1 12-month ECL		Coverage ratio %	A and B Stage 2 Lifetime ECL		Coverage ratio %	Default (C, D and E) Stage 3 Lifetime ECL		Coverage ratio %	
					R'000	R'000		R'000	R'000		R'000	R'000		R'000
Credit risk exposure analysis														
31 December 2020														
Maximum credit exposures of financial assets at amortised cost														
Cash and cash equivalents	1 590 023	1 590 023	–	–	1 590 023	–	–	–	–	–	–	–	–	–
Negotiable securities	2 135 895	2 208 642	72 747	3.29	1 738 642	4 503	0.26	–	–	–	470 000	68 244	14.52	
Loans and advances	6 078 749	6 708 311	629 562	9.38	5 372 810	130 629	2.43	587 780	51 009	8.68	747 722	447 926	59.91	
Equipment Finance	4 121 924	4 613 098	491 174	10.65	3 843 152	84 020	2.19	250 726	35 506	14.16	519 220	371 649	71.58	
Capital Equipment Finance	1 181 350	1 256 490	75 140	5.98	1 088 073	30 482	2.80	75 422	5 585	7.40	92 995	39 073	42.02	
Trade and Debtor Finance	519 396	552 226	32 830	5.95	311 236	8 867	2.85	124 569	4 586	3.68	116 422	19 377	16.64	
Other loans ¹	256 154	286 497	30 343	10.59	130 349	7 185	5.51	137 063	5 332	3.89	19 085	17 827	93.41	
Guarantees	(75)	–	75	–	–	75	–	–	–	–	–	–	–	
Trade and other receivables	535 930	536 684	754	0.14	536 684	754	0.14	–	–	–	–	–	–	
	10 340 597	11 043 660	703 063	6.37	9 238 159	135 886	1.47	587 780	51 009	8.68	1 217 722	516 170	42.39	
31 December 2020														
Off-balance sheet exposure to credit risk														
Letters of credit	113 624	–	–	–	113 624	–	–	–	–	–	–	–	–	
Carry facilities	100 076	–	–	–	100 076	–	–	–	–	–	–	–	–	
Loan commitments	–	–	–	–	–	–	–	–	–	–	–	–	–	
Financial guarantees issued	49 328	–	–	–	49 328	–	–	–	–	–	–	–	–	
Total exposure to off-balance sheet credit risk	263 028	–	–	–	263 028	–	–	–	–	–	–	–	–	
Credit loss allowance on off-balance sheet credit risk recognised	4 200	–	–	–	4 200	–	–	–	–	–	–	–	–	
31 December 2020														
Maximum credit exposures on financial assets at FVTPL														
Loans and advances	281 315													
Trading assets	589 546													
Investment securities	976 490													
	1 847 351	1 847 351												
Total exposure to credit risk	12 446 776	12 446 776												

¹ In order to provide more useful information to the users of the financial statements, this note has been enhanced to disclose amounts by product. Furthermore, term loans, secured and unsecured, have been consolidated into a single line and renamed to 'Other loans' to better reflect their nature and to align with Sasfin's products.

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021				
Equipment Finance				
Credit loss allowance balance beginning of the period	78 147	21 193	344 281	443 621
Transfer between stages	(1 234)	(5 996)	20 158	12 928
Stage 1 to Stage 2	(1 204)	–	–	(1 204)
Stage 2 from Stage 1	–	7 046	–	7 046
Stage 1 to Stage 3	(755)	–	–	(755)
Stage 3 from Stage 1	–	–	15 725	15 725
Stage 2 to Stage 1	–	(7 539)	–	(7 539)
Stage 1 from Stage 2	485	–	–	485
Stage 2 to Stage 3	–	(5 902)	–	(5 902)
Stage 3 from Stage 2	–	–	17 465	17 465
Stage 3 to Stage 1	–	–	(11 072)	(11 072)
Stage 1 from Stage 3	240	–	–	240
Stage 3 to Stage 2	–	–	(1 960)	(1 960)
Stage 2 from Stage 3	–	399	–	399
Net expected credit losses (released)/raised	(18 963)	11 848	20 054	12 939
ECL on new exposure raised	14 460	13 258	3 249	30 967
Subsequent changes in ECL input (total including transfers)	(28 015)	738	100 296	73 019
Change in ECL due to derecognition	(5 408)	(2 148)	(11 859)	(19 415)
Impaired accounts written off	–	–	(71 632)	(71 632)
Credit loss allowance balance end of the period	57 950	27 045	384 493	469 488

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021				
Capital Equipment Finance				
Credit loss allowance balance beginning of the period	13 125	4 174	27 424	44 724
Transfer between stages	(20)	(727)	2 621	1 874
Stage 1 to Stage 2	(119)	–	–	(119)
Stage 2 from Stage 1	–	839	–	839
Stage 1 to Stage 3	(13)	–	–	(13)
Stage 3 from Stage 1	–	–	3 350	3 350
Stage 2 to Stage 1	–	(1 407)	–	(1 407)
Stage 1 from Stage 2	95	–	–	95
Stage 2 to Stage 3	–	(707)	–	(707)
Stage 3 from Stage 2	–	–	465	465
Stage 3 to Stage 1	–	–	(1 194)	(1 194)
Stage 1 from Stage 3	17	–	–	17
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	548	–	548
Net expected credit losses (released)/raised	545	(55)	(14 282)	(13 792)
ECL on new exposure raised	4 777	2 527	–	7 304
Subsequent changes in ECL input (total including transfers)	(3 830)	(550)	606	(3 774)
Change in ECL due to derecognition	(402)	(2 032)	(7 323)	(9 757)
Impaired accounts written off	–	–	(7 565)	(7 565)
Credit loss allowance balance end of the period	13 650	3 393	15 763	32 807

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis (continued)

2.2.1 Reconciliation of ECL on loans and advances at amortised cost by product (continued)

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021				
Trade and Debtor Finance				
Credit loss allowance balance beginning of the period	8 692	2 543	6 992	18 227
Transfer between stages	(82)	(1 577)	17	(1 642)
Stage 1 to Stage 2	(105)	–	–	(105)
Stage 2 from Stage 1	–	27	–	27
Stage 1 to Stage 3	(2)	–	–	(2)
Stage 3 from Stage 1	–	–	17	17
Stage 2 to Stage 1	–	(1 604)	–	(1 604)
Stage 1 from Stage 2	25	–	–	25
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Net expected credit losses (released)/raised	(4 072)	(390)	(3 305)	(7 692)
ECL on new exposure raised	4 204	164	1 574	5 942
Subsequent changes in ECL input (total including transfers)	(1 744)	(259)	(102)	(2 030)
Change in ECL due to derecognition	(6 532)	(295)	(4 777)	(11 604)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the period	4 538	576	3 704	8 819

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021				
Other loans				
Credit loss allowance balance beginning of the period	111 889	44 442	327	28 568
Transfer between stages	(510)	(10 939)	13 812	2 363
Stage 1 to Stage 2	(474)	–	–	(474)
Stage 2 from Stage 1	–	409	–	409
Stage 1 to Stage 3	(36)	–	–	(36)
Stage 3 from Stage 1	–	–	562	562
Stage 2 to Stage 1	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 2 to Stage 3	–	(11 348)	–	(11 348)
Stage 3 from Stage 2	–	–	13 250	13 250
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Net expected credit losses (released)/raised	(8 183)	(3 281)	1 185	(10 279)
ECL on new exposure raised	1 187	62	556	1 805
Subsequent changes in ECL input (total including transfers)	(9 318)	(3 343)	629	(12 032)
Change in ECL due to derecognition	(52)	–	–	(52)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the period	3 016	2 312	15 324	20 651

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis (continued)

2.2.1 Reconciliation of ECL on loans and advances at amortised cost by product (continued)

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021				
Guarantees				
Credit loss allowance balance beginning of the period	213	–	–	213
Transfer between stages	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Net expected credit losses (released)/raised	(105)	–	–	(105)
ECL on new exposure raised	–	–	–	–
Subsequent changes in ECL input (total including transfers)	(105)	–	–	(105)
Change in ECL due to derecognition	–	–	–	–
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the period	108	–	–	108

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021				
Total loans and advances				
Credit loss allowance balance beginning of the period	111 888	44 443	379 023	535 354
Transfer between stages	(1 846)	(19 240)	36 607	15 521
Stage 1 to Stage 2 ⁵	(1 902)	–	–	(1 902)
Stage 2 from Stage 1	–	8 321	–	8 321
Stage 1 to Stage 3 ³	(807)	–	–	(807)
Stage 3 from Stage 1	–	–	19 654	19 654
Stage 2 to Stage 1 ⁴	–	(10 551)	–	(10 551)
Stage 1 from Stage 2	605	–	–	605
Stage 2 to Stage 3	–	(17 957)	–	(17 957)
Stage 3 from Stage 2	–	–	31 180	31 180
Stage 3 to Stage 1 ¹	–	–	(12 267)	(12 267)
Stage 1 from Stage 3	258	–	–	258
Stage 3 to Stage 2 ²	–	–	(1 960)	(1 960)
Stage 2 from Stage 3 ⁴	–	947	–	947
Net expected credit losses (released)/raised	(30 774)	8 120	3 651	(19 003)
ECL on new exposure raised	24 629	16 010	5 378	46 017
Subsequent changes in ECL input (total including transfers) ⁷	(42 865)	(3 415)	101 428	55 148
Change in ECL due to derecognition ⁸	(12 538)	(4 475)	(23 958)	(40 971)
Impaired accounts written off ⁹	–	–	(79 197)	(79 197)
Credit loss allowance balance end of the period	79 268	33 323	419 281	531 874

¹ Customers are up to date and six consecutive payments paid on due date and no significant increase in credit risk (SICR) exists.

² Customers that are still in high care or the customer still displays signs of SICR. Distressed restructures that were in default and made six consecutive monthly payments under the revised terms.

³ Customers classified as credit-impaired.

⁴ Customers classified as credit-impaired.

⁵ Customers defined as 'high care' showing signs of SICR. SICR takes into account technical arrears (account past due for up to seven days) and materiality (an amount that is equal to or less than 5% of the next instalment due).

⁶ Customers up to date and no qualitative indicators of SICR are present.

⁷ Include ECL move in the current stage for increases/decreases in customer exposures.

⁸ Settlement of accounts.

⁹ No reasonable expectation of further recovery exists.

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis (continued)

2.2.1 Reconciliation of ECL on loans and advances at amortised cost by product (continued)

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2020				
Equipment Finance				
Credit loss allowance balance beginning of the period	85 887	24 361	322 590	432 838
Transfer between stages	(2 906)	6 100	54 501	57 696
Stage 1 to Stage 2	(3 204)	–	–	(3 204)
Stage 2 from Stage 1	–	13 013	–	13 013
Stage 1 to Stage 3	(1 138)	–	–	(1 138)
Stage 3 from Stage 1	–	–	25 045	25 045
Stage 2 to Stage 1	–	(5 707)	–	(5 707)
Stage 1 from Stage 2	1 152	–	–	1 152
Stage 2 to Stage 3	–	(1 888)	–	(1 888)
Stage 3 from Stage 2	–	–	40 589	40 589
Stage 3 to Stage 1	–	–	(8 511)	(8 511)
Stage 1 from Stage 3	283	–	–	283
Stage 3 to Stage 2	–	–	(2 622)	(2 622)
Stage 2 from Stage 3	–	682	–	682
Total Transfers	1 039	5 044	(5 443)	640
ECL on new exposure raised	17 486	5 205	1 693	24 384
Subsequent changes in ECL input (total including transfers)	(10 170)	3 746	12 064	5 641
Change in ECL due to derecognition	(8 306)	(4 436)	(6 927)	(19 669)
Impaired accounts written off	–	–	(12 899)	(12 899)
Credit loss allowance balance end of the period	84 020	35 506	371 648	491 174

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2020				
Capital Equipment Finance				
Credit loss allowance balance beginning of the period	15 077	6 216	35 389	56 682
Transfer between stages	(472)	2 888	3 889	6 305
Stage 1 to Stage 2	(739)	–	–	(739)
Stage 2 from Stage 1	–	4 601	–	4 601
Stage 1 to Stage 3	(104)	–	–	(104)
Stage 3 from Stage 1	–	–	1 797	1 797
Stage 2 to Stage 1	–	(1 877)	–	(1 877)
Stage 1 from Stage 2	371	–	–	371
Stage 2 to Stage 3	–	(17)	–	(17)
Stage 3 from Stage 2	–	–	3 122	3 122
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	(1 030)	(1 030)
Stage 2 from Stage 3	–	181	–	181
Total Transfers	15 877	(3 519)	(205)	12 153
ECL on new exposure raised	8 863	–	–	8 863
Subsequent changes in ECL input (total including transfers)	8 029	(3 255)	184	4 958
Change in ECL due to derecognition	1 014	265	313	1 592
Impaired accounts written off	–	–	(76)	(76)
Credit loss allowance balance end of the period	30 482	5 585	39 073	75 140

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis (continued)

2.2.1 Reconciliation of ECL on loans and advances at amortised cost by product (continued)

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2020				
Trade and Debtor Finance				
Credit loss allowance balance				
beginning of the period	8 902	1 581	21 308	31 792
Transfer between stages	2 461	292	2 152	4 905
Stage 1 to Stage 2	–	–	–	–
Stage 2 from Stage 1	–	292	–	292
Stage 1 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	18	18
Stage 2 to Stage 1	–	–	–	–
Stage 1 from Stage 2	607	–	–	607
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 2	–	–	2 134	2 134
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	1 854	–	–	1 854
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Net expected credit losses (released)/raised	(2 495)	2 713	(4 082)	(3 864)
ECL on new exposure raised	1 023	170	16	1 209
Subsequent changes in ECL input (total including transfers)	(2 808)	2 680	(2 523)	(2 651)
Change in ECL due to derecognition	(710)	(137)	(1 575)	(2 422)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the period	8 868	4 586	19 378	32 830

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2020				
Other loans				
Credit loss allowance balance beginning of the period	3 069	6 481	20 898	30 447
Transfer between stages	5	–	25	30
Stage 1 to Stage 2	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	25	25
Stage 2 to Stage 1	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	5	–	–	5
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Net expected credit losses (released)/raised	4 110	(1 149)	(3 096)	(135)
ECL on new exposure raised	854	1 585	–	2 439
Subsequent changes in ECL input (total including transfers)	2 812	(2 734)	1 207	1 285
Change in ECL due to derecognition	444	–	50	494
Impaired accounts written off	–	–	(4 353)	(4 353)
Credit loss allowance balance end of the period	7 184	5 332	17 827	30 343

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis (continued)

2.2.1 Reconciliation of ECL on loans and advances at amortised cost by product (continued)

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2020				
Guarantees				
Credit loss allowance balance beginning of the period	646	–	–	646
Transfer between stages	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Net expected credit losses (released)/raised	(572)	–	–	(572)
ECL on new exposure raised	–	–	–	–
Subsequent changes in ECL input (total including transfers)	(572)	–	–	(572)
Change in ECL due to derecognition	–	–	–	–
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the period	74	–	–	75

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2020				
Total loans and advances				
Credit loss allowance balance				
beginning of the period	113 581	38 639	400 185	552 405
Transfer between stages	(913)	9 281	60 567	68 935
Stage 1 to Stage 2	(3 943)	–	–	(3 943)
Stage 2 from Stage 1	–	17 907	–	17 907
Stage 1 to Stage 3	(1 242)	–	–	(1 242)
Stage 3 from Stage 1	–	–	26 885	26 885
Stage 2 to Stage 1	–	(7 584)	–	(7 584)
Stage 1 from Stage 2	2 130	–	–	2 130
Stage 2 to Stage 3	–	(1 905)	–	(1 905)
Stage 3 from Stage 2	–	–	45 845	45 845
Stage 3 to Stage 1	–	–	(8 511)	(8 511)
Stage 1 from Stage 3	2 142	–	–	2 142
Stage 3 to Stage 2	–	–	(3 652)	(3 652)
Stage 2 from Stage 3	–	863	–	863
Net expected credit losses				
(released)/raised	17 959	3 089	(12 826)	8 222
ECL on new exposure raised	28 226	6 960	1 709	36 895
Subsequent changes in ECL input (total including transfers)	(2 709)	437	10 932	8 660
Change in ECL due to derecognition	(7 558)	(4 308)	(8 139)	(20 005)
Impaired accounts written off	–	–	(17 328)	(17 328)
Credit loss allowance balance end				
of the period	130 627	51 009	447 926	629 562

Selected explanatory notes to the condensed consolidated financial statements continued

3. Fair values of financial assets and financial liabilities

The Group's financial risk management objectives and policies are consistent with those disclosed in the Consolidated and Separate Annual Financial Statements at and for the period ended 30 June 2021.

Financial hierarchy

The table below analyses financial instruments carried at fair value by level of fair value hierarchy.

The different levels are based on the inputs used in the calculation of fair value of the financial instruments. The levels have been defined as follows:

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

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

Level 3 – unobservable inputs for the asset or liability.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	31 December 2021 Unaudited R'000	31 December 2020 Unaudited R'000	30 June 2021 Audited R'000
Financial assets	269 435	38 402	858 131	1 165 968	1 839 571	1 535 078
Investment securities ¹	292	–	522 865	523 157	513 685	519 972
Loans and advances at fair value through profit and loss	–	–	335 266	335 266	281 315	311 718
Trading assets	269 143	38 402	–	307 545	1 044 571	703 433
Financial liabilities	288 735	37 546	–	326 281	975 852	658 957
Trading liabilities	288 735	37 546	–	326 281	975 852	658 957
Non-financial assets	–	–	21 938	21 938	19 823	23 100
Investment property – continuing operations	–	–	21 938	21 938	13 123	16 400
Investment property – Non-current assets held for sale	–	–	–	–	6 700	6 700

¹ Excluding equity accounted associates.

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Levels 1, 2 and 3 of the fair value hierarchy for the period ended 31 December 2021.

Fair value of financial assets and financial liabilities	Investment Securities – excluding equity accounted associates	Loans and advances at fair value through profit or loss	Investment property – non-current assets held for sale	Investment property – continuing operations
December 2021				
Unaudited				
Movement in level 3 instruments	519 756	311 718	6 700	16 400
Balance at the beginning of the year				
Additions	–	–	–	–
Total gains or losses in profit or loss	10 024	16 651	–	(1 162)
Acquisition of investments	–	–	–	–
Disposal of investments	(21 474)	–	–	–
Advances	14 559	6 897	–	–
Repayments	–	–	–	–
Transfers	–	–	(6 700)	6 700
Balance at the end of the year	522 865	335 266	–	21 938
December 2020				
Unaudited				
Movement in level 3 instruments	528 621	223 011	6 700	13 123
Balance at the beginning of the year				
Additions	–	–	–	–
Total gains or losses in profit or loss	(2 515)	17 333	–	–
Acquisition of investments	–	–	–	–
Disposal of investments	(34 079)	–	–	–
Advances	21 462	40 972	–	–
Repayments	–	–	–	–
Transfers	–	–	–	–
Balance at the end of the year	513 489	281 315	6 700	13 123
June 2021				
Audited				
Movement in level 3 instruments	528 621	223 011	6 700	13 123
Balance at the beginning of the year				
Additions	–	–	–	–
Total gains or losses in profit or loss	11 425	19 638	–	(3 726)
Acquisition of investments	–	–	–	–
Disposal of investments	(27 437)	–	–	–
Advances	35 401	105 832	–	–
Repayments	(28 354)	(36 763)	–	–
Transfers from land and buildings	–	–	–	7 003
Balance at the end of the year	519 756	311 718	6 700	16 400

Selected explanatory notes to the condensed consolidated financial statements continued

3. Fair values of financial assets and financial liabilities (continued)

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

These valuation methodologies are per the South African Venture Capital and Private Equity guidelines.

4. Changes in the composition of the Group

During the period under review, there have been no changes in the composition of the Group.

5. Related parties

There has been no material change, by nature or amount, in transactions with related parties since the 2021 financial year-end.

6. Accounting standards, interpretations and amendments to existing standards that are not yet effective

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

7. Subsequent events

There have been no material events subsequent to 31 December 2021.

Commentary

Purpose

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

Financial performance

Group headline earnings for the six months ended 31 December 2021 grew by 103.9% to R54.8 million (2020: R26.9 million). This improvement was mainly attributable to improved credit performance offset by additional IFRS 16 costs associated with our new head office and a significant once-off operational loss (refer to the latest integrated report) in our Wealth Pillar. Group profit was R53.9 million (2020: R39.1 million) and return on equity improved to 6.90% (2020: 3.56%).

Total income (including income from associates) reduced by 1.95% to R620.696 million (2020: R633.017 million). This decline is due, in part, to expected margin contraction, additional IFRS 16 interest on the new building, and income earned from the Efficient Group and Sasfin Commercial Solutions which was disposed of in the prior period not recurring. Excluding the impact of these disposals, total income would have increased by 3.24%.

Total costs grew by 12.84% to R503.430 million (2020: R446.148 million) significantly influenced by the operational loss referred to above, additional IFRS 16 depreciation in the current year and offset by Sasfin Commercial Solutions costs in the prior year not recurring. As a result, the cost-to-income ratio increased to 81.11% (2020: 70.48%). Excluding the once-off impacts, the cost growth would have been 5.75% with a cost-to-income ratio of 73.83%.

Financial and capital position

The Group's balance sheet remains strong, with net available cash and near cash at R2.433 billion (2020: R2.342 billion). Core funding (excluding funding received under repurchase agreements) increased by 13.75% to R9.026 billion (2020: R7.935 billion) as deposits increased 15.08% to R5.560 billion (2020: R4.831 billion) and long-term funding increased by 98.63% to R723.9 million (2020: R364.5 million).

While total assets declined 2.74% to R12.211 billion (2020: R12.555 billion), net loans and advances grew 13.33% to R7.208 billion (2020: R6.360 billion). This growth in lending occurred primarily in the second quarter, and the demand for credit continues to improve, which bodes well for the second half of the financial year.

Total ordinary shareholders equity increased by 5.13% to R1.618 billion (2020: R1.539 billion) due to profits and as a result of the repurchase of the preference shares at a discount.

The Group's capital adequacy ratio strengthened to 17.50% (2020: 17.07%) due to proactive capital management. The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) remain strong and above regulatory requirements. As a result of the improved profitability and the strong capital and liquidity position, the Company has declared an interim dividend of 33.95 cents (2020: nil) per share.

Credit performance

We have seen an improvement in the profile of the lending book through a continued focus on collections, as well as improved credit quality on new business growth. The profile of our book has changed as follows:

Gross amortised loans and advances	31 December 2021				31 December 2020			
	Exposure R'000	Exposure % of book	ECL R'000	Coverage ratio %	Exposure R'000	Exposure % of book	ECL R'000	Coverage ratio %
Stage 1	6 381 165	86.18	79 267	1.24	5 372 810	80.09	130 629	2.43
Stage 2	328 503	4.44	33 324	10.14	587 780	8.76	51 009	8.68
Stage 3	694 919	9.38	419 281	60.34	747 722	11.15	447 926	59.91
Total	7 404 587		531 872	7.18	6 708 312		629 564	9.38

Commentary continued

Pleasingly, the Stage 1 book has increased to 86.18% of the total amortised loans and advances (2020: 80.09%). This improvement in staging, together with a reduction in non-performing loans of 7.06% to R695 million (2020: R748 million), has been the primary driver for the decrease in the coverage ratio to 7.18% (2020: 9.38%) and an improvement in our credit loss ratio to 123bps (2020: 240bps).

While the Land Bank default has not been cured, the Land Bank has made capital repayments of R89 million since June 2021, further increasing our ECL coverage ratio on this exposure. Given the ongoing uncertainty regarding the ability of the Land Bank to conclude on an appropriate liability solution, Sasfin is considering all options to recover the debt in an optimal manner.

New head office and lease

Sasfin Holdings Limited concluded a lease for a new head office in August 2021 with occupation commencing in early January 2022. The resulting IFRS 16 lease liability and corresponding asset approximates R136 million. Our new head office premises consolidates the Group's operations into one site, which will facilitate a hybrid working model, whereby no more than 60% of our employees are expected to work from the office at any time. The building provides a better, more functional infrastructure at a reduced cash cost.

For the period August to December 2021, costs include the depreciation on the right-of-use asset and interest expense on the lease liability in accordance with IFRS 16 for both the lease of the new building and the lease of the old building (which ends in April 2022). The additional impact of the new lease is to increase total costs by R12 million.

Segmental overview

Asset Finance

Asset Finance operating profit declined by 32.22% to R55.868 million (2020: R82.423 million) off the back of higher costs and a decline in income of 9.20% to R261.435 million (2020: R287.938 million), impacted by margin contraction due to the final run-off on the Absa Technology Finance Solutions book and changes in the prime interest rate. While the staging of the Asset Finance book has improved, following the focused collections effort made in this area, a decision was taken to increase provisions against our Stage 3 Equipment Finance portfolio resulting in a higher Stage 3 coverage ratio of 77.10% (2020: 71.58%).

Core performance remains strong with new business volumes achieved now higher than during the pre-Covid comparative period. We continue to diversify and expand our offering with Specialised Equipment Finance growing to 23% (2020: 21%) of the total Asset Finance book. A considerable portion of the 10.23% book growth occurred in the second quarter which, together with the improved staging, should result in improved performance in the second half of the financial year.

Business and Commercial Banking

With effect from 1 July 2021, Sasfin Capital merged with Business Banking to create one pillar committed to supporting the growth of businesses. Sandile Shabalala joined as Chief Executive of Business and Commercial Banking on 1 January 2022. This combined Pillar is better placed to provide a holistic client experience and extract efficiencies where appropriate, and comprises:

- Transactional Banking, Forex, Revolving Credit Facilities (collectively Business Banking);
- Trade and Debtor Finance;
- Specialised Lending; and
- Property Lending.

Commentary continued

The combined Pillar saw a healthy turnaround, posting an operating profit of R17.224 million (2020: loss of R25.001 million) mainly due to significant debt recoveries in the current year and a 9.06% increase in income to R133.645 million (2020: R122.542 million).

- Business Banking increased income by 14.25% to R61.129 million (2020: R53.505 million) impacted by increased transactional deposits and growth in revolving credit facilities;
- Trade and Debtor income increased by 41.02% to R47.151 million (2020: R33.434 million) owing to increased new business volumes and improved utilisation; and
- We continue to grow our well-secured specialised finance and property lending book, which is performing to expectation. These loans typically include profit participation, which provides potential for good medium-term income growth.

While we expect the performance of this area to improve relative to prior years, we do continue to invest in the platform and, given the large debt recoveries achieved, the first half credit performance is better than the through the cycle expectations for the Pillar.

Sasfin Wealth

Sasfin Wealth's operating profit declined by 77.74% to R12.639 million (2020: R55.852 million), mainly attributable to the gain on sale of its stake in Efficient in the comparative period and the once-off operational loss in the current year. Sasfin has completed a thorough review of what gave rise to this operational loss and internal controls have been strengthened to prevent such incidents recurring in the future.

Underlying performance was strong, with operating profit, excluding these events, increasing by 65.1% to R57.814 million (2020: R35.030 million) on account of record growth in assets under advice and management (collectively AUM) to R62.3 billion (2020: R51.8 billion). Foreign assets now comprise 25% of total AUM. Wealth's investment in distribution, and strong investment performance, continue to drive strong net inflows, particularly in Sasfin Asset Managers. In February 2021, Sasfin was awarded a fourth annual consecutive Rating Bull award for its BCI Flexible Income Fund.

Prospects

While financial performance has improved as we emerge from an extremely tough period for South Africa, returns remain below our aspirations for the Group. Notwithstanding, Sasfin enters 2022 with several positives:

- Our investment in and repurposing of the Business and Commercial Banking Pillar over the last few years is paying off;
- We have seen healthy growth in our key financial drivers, namely Loans, Deposits (including Transactional Deposits) and AUM. This growth is the result of the continued investment in our distribution capabilities and improved customer product offerings across the Group; and
- We have successfully moved into new modern premises at 140 West Street, where we have taken less floor space at reduced rentals and implemented a hybrid work model.

In 2022 we aim to:

- Strengthen our platforms to enable growth and improve client service and efficiencies;
- Invest in distribution to drive scale;
- Focus on developing our human capital approach to deal with the changing work realities; and
- Continue to contribute to society by supporting business growth and savers.

Changes in directorship

As previously announced on SENS (29 November 2021), Mr Tienie van der Mescht has been appointed as an independent non-executive director of the Company. He has been an independent non-executive director of Sasfin Wealth (Proprietary) Limited, a subsidiary of the Company, since 2017. The Board welcomes Tienie and looks forward to his contribution.

Commentary continued

As announced on SENS (Tuesday, 11 January 2022) our Financial Director, Ms Angela Pillay, will be leaving us next month. Over the last few years Angela has played a significant role in the development of our business as a whole and in enhancing our finance function. The Board thanks Ms. Pillay for her excellent contribution and wishes her all the best in her future endeavours.

Conclusion

While the business credit environment remains challenging, we are starting to see increased activity and demand for credit. We expect this to gather momentum and remain committed to enabling business growth by supporting our clients to take advantage of opportunities that will present themselves.

We recognise the global political tensions and increasing inflationary pressures which are creating new challenges for Central Banks around the world after a long period of stimulatory monetary policy. This creates a new set of challenges for investors, particularly clients in our Wealth Business, and we are committed to working with them to grow their global wealth in the uncertain market conditions ahead.

Interim ordinary share cash dividends

Ordinary share dividend

The Directors have declared a gross interim ordinary share cash dividend for the half year ended 31 December 2021 ("interim dividend") of 33.95026 cents (2020: nil cents) per share.

The following further information is provided to shareholders with regards to the interim dividend declaration:

- The interim dividend has been declared from income reserves;
- The applicable tax rate levied in terms of the Income Tax Act, Act 59 of 1962, as amended ("dividend withholding tax") is 20%, and a net interim dividend of 27.16021 cents (2020: Nil cents) per share is to be paid to those shareholders who are not exempt from dividend withholding tax;
- Sasfin's income tax reference number is 9300204717;
- The issued number of ordinary shares as at declaration date is 32 301 441 (2020: 32 301 441); and
- The issued number of ordinary shares (excluding treasury shares) as at declaration date is 30 772 847 (2020: 32 196 882).

The interim ordinary dividend is payable to holders of ordinary shares recorded in the register of the Company at the close of business on Friday, 25 March 2022.

The salient dates relating to the ordinary dividend are as follows:

Last day to trade 'cum' the interim dividend

Tuesday, 22 March 2022

Ordinary shares commence trading 'ex' the interim dividend

Wednesday, 23 March 2022

Interim dividend record date

Friday, 25 March 2022

Payment date of interim dividend

Monday, 28 March 2022

Ordinary share certificates may not be dematerialised or rematerialised between Wednesday, 23 March 2022 and Friday, 25 March 2022, both days inclusive.

The above dates and times are subject to amendment. Any such amendment will be published on SENS.

Corporate details

Country of incorporation and domicile	South Africa
Independent Non-executive Chair	Deon de Kock
Executive Directors	Michael Sassoon (Chief Executive Officer) Angela Pillay (Financial Director)
Independent Non-executive Directors	Richard Buchholz (Lead) Tapiwa Njikizana Mark Thompson Tienie van der Mescht ¹ Eileen Wilton
Non-independent, Non-executive Directors	Gugu Dingaan Nontobeko Ndhlazi Shaun Rosenthal (Alternate) Roland Sassoon
Group Company Secretary	Charissa De Jager
Website and email	www.sasfin.com investorrelations@sasfin.com
Transfer secretaries	Computershare Investor Services (Proprietary) Limited Rosebank Towers, 15 Biermann Avenue, Rosebank, Johannesburg, 2196
Sponsor	Questco Corporate Advisory (Proprietary) Limited
Sponsor	Deloitte & Touche Sponsor Services (Proprietary) Limited
Auditors	PwC Inc.
Registered office	140 West Street, Sandown, Sandton, Johannesburg, 2196 Tel: +27 11 809 7500 Fax: +27 11 887 6167/2489
Postal address	PO Box 95104, Grant Park, Johannesburg, 2051
Company registration number	1987/002097/06
Tax reference number	9300/204/71/7

¹ Appointed 26 November 2021.

Disclaimer

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

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

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

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

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Holdings Limited

beyond a bank

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