sasfin Holdings Limited

Annual Financial Statements

for the year ended 30 June 2023

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Annual Financial Statements

Indicates additional information available online or from the Company Secretary.

OUR REPORTS

Annual Financial Statements 2023
This report presents Sasfin Holdings' Annual Financial Statements and includes risk and capital management disclosures.

Integrated Report 2023
This is Sasfin's primary report, offering insight into the value that Sasfin creates for itself and its stakeholders.

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

Company: Sasfin Holdings Limited

Banking Group: Sasfin Bank Limited and its subsidiaries

Bank: Sasfin Bank Limited

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

SasSec: Sasfin Securities (Pty) Limited

Capital: Sasfin Capital (Pty) Limited

Statement of preparation

In terms of section 29(1)(ii) of the Companies Act No. 71 of 2008 (Companies Act), as amended, we confirm that these Annual Financial Statements were prepared under the supervision of Harriet Heymans CA(SA), Group Financial Director, and have been audited in compliance with the requirements of sections 29(1)(e)(i) and 30(2)(a) of the Companies Act.

Disclaimer

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

Forward-looking statements are not statements of fact, but statements by the Board of Directors (the Board) based on its current estimates, projections, expectations, beliefs and assumptions regarding the Group's future performance, and no assurance can be given to this effect. The forward-looking statements in this document are not reviewed and reported on by the Group's external assurance providers.

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

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

Directors' responsibility statement

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

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

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

The directors of the Company are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission. The examination of controls over the maintenance and integrity of the Company's website is beyond the scope of the audit of the financial statements. However, the directors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website. However, if management does become aware of any subsequent amendments, management will notify the directors that the financial statements no longer correspond with the manually signed financial statements.

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

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

The Consolidated and Separate Annual Financial Statements for the year ended 30 June 2023 were approved by the Board on 31 October 2023 and are signed on its behalf by:

Deon de Kock
Chair

Michael Sassoon
Chief Executive Officer

Harriet Heymans
Group Financial Director

31 October 2023

Company Secretary's certification

I hereby certify that, in terms of section 88(2)(e) of the Companies Act, for the financial year ended 30 June 2023, Sasfin Holdings Limited has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission, and that all such returns and notices as are required of a public company are true, correct and up to date.

Charissa de Jager
Company Secretary

31 October 2023

Chief Executive Officer and Group Financial Director's responsibility statement

In compliance with JSE Listings Requirement 3.84(k), the directors, whose names are stated below, hereby confirm that –

a) the annual financial statements set out on pages 18 to 149, fairly present in all material respects the financial position, financial performance and cash flows of the issuer in terms of IFRS;

b) to the best of our knowledge and belief, no facts have been omitted or untrue statements made that would make the annual financial statements false or misleading;

c) internal financial controls have been put in place to ensure that material information relating to the issuer and its consolidated subsidiaries has been provided to effectively prepare the financial statements of the issuer;

d) the internal financial controls are adequate and effective and can be relied upon in compiling the annual financial statements, having fulfilled our role and function as executive directors with primary responsibility for implementation and execution of controls;

e) where we are not satisfied, we have disclosed to the audit committee and the auditors any deficiencies in design and operational effectiveness of the internal financial controls, and have taken steps to remedy the deficiencies; and

f) we are not aware of any fraud involving directors.

Michael Sassoon	Harriet Heymans
Chief Executive Officer	*Group Financial Director*

31 October 2023

Group Audit Committee report

Introductory comments

The Group Audit Committee (GAC or the Committee) is pleased to present its report in respect of the 2023 Annual Financial Statements of Sasfin Holdings Limited (Sasfin or the Group), in compliance with section 94(7) of the Companies Act. The Committee's functions are further informed by the Companies Act, the Banks Act, No. 94 of 1990 (the Banks Act), the JSE Listings Requirements and King IV Report on Corporate Governance for South Africa, 2016™ (King IV)* and are set out in its Charter, which is approved by the Board.

During the period under review, management became aware that certain prior period transactions may not have been correctly accounted for. A review by management to identify and quantify these confirmed that there were errors affecting prior periods that required restatement as set out in Note 49. These have been independently reviewed by internal audit.

The prior period errors have impacted the opening retained earnings for the 2022 financial period and required the reclassification of certain line items in the consolidated statements of financial position, profit or loss and other comprehensive income and cash flows for the 2022 financial period.

Committee composition and assessment of its performance

In terms of the Banks Act, which has precedence over the Companies Act, members of the Committee are appointed by the Board and not by the shareholders. Only independent non-executive directors are eligible to serve on the Committee.

Members		Appointed	Resigned
Tapiwa Njikizana	Chair[1]	**3 May 2021**	
Mark Thompson		**21 June 2019**	
Richard Buchholz		**7 March 2018**	

[1] *Appointed Chair with effect from 25 November 2021.*

The Committee holds private meetings with the External Auditors, the Head of Internal Audit and the Group Financial Director. The Chair of the Board, Executive Directors, executive management and representatives of the External Auditors are invitees to meetings of the Committee.

The Chair of the Committee has regular contact with the management team to discuss relevant matters directly. The Internal and External Auditors have direct access to the Chair of the Committee on any matter that they regard as relevant to the fulfilment of their responsibilities.

Functions of the Committee

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

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

Activities during the year

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

Financial control and financial reporting

- Reviewed the Interim Results, Annual Financial Statements, Integrated Report, dividend declarations and trading updates of the Group, and recommended those to the Board for approval;
- Reviewed the Group Financial Director's quarterly financial analysis of the Group's performance;
- Considered quarterly status updates from the Group Financial Director on internal financial controls and balance sheet substantiation;
- Assessed the appropriateness of the going concern basis for the preparation of the Interim Results and Annual Financial Statements as well as the solvency and liquidity tests in support of financial assistance and distributions;
- Assessed the accounting policies and key assumptions applied in the preparation of the Annual Financial Statements, as well as technical reporting matters relating to complex accounting issues, exceptional transactions and significant accounting judgements and estimates;
- Oversaw compliance of the Interim Results and Annual Financial Statements with IFRS and the material JSE Listings Requirements;
- Considered the annual JSE Proactive Monitoring Report to enhance the integrity of the financial information in the Annual Financial Statements and noted management's response relating to the 2022 calendar year and additional reports issued by the JSE applicable for the 2023 financial year; and

- Evaluated the adequacy and effectiveness of the internal financial controls and reporting processes, supported by the work of the Internal Audit function and other assurance providers. Where weaknesses were identified, specifically on system-related controls and processes, the adequacy and design of compensating controls instituted by management were considered. The Committee satisfied itself as to the overall adequacy and operating effectiveness of the internal financial control environment. During the year, management initiated a remediation programme to address compliance and internal financial control related deficiencies identified. The Board subsequently constituted a sub-committee (Board Remediation Oversight Committee) to oversee the adequate and effective implementation of the remediation plans, progress of which will be reported to the Committee on an ongoing basis.

The Committee noted the improvements made during the year and remedial actions planned for the year ahead.

The Committee noted the JSE Listing Requirements (paragraph 3.84 (k)), as they pertain specifically to the responsibility of the Chief Executive Officer and Group Financial Director to affirm the fair presentation of the Annual Financial Statements and the adequacy and efficacy of internal financial controls and reporting processes. The Chief Executive Officer and Group Financial Director have disclosed to the Committee and the External Auditors a comprehensive report on the deficiencies in the design and operational effectiveness of the material internal financial controls, together with a description of the actions required to remediate these deficiencies, and by when this will be done.

External Audit

- As required in terms of the JSE Listings Requirements, paragraph 22.15(h), in considering the re-appointment of the External Auditors, the Committee reviewed the reports related to the latest inspection performed by the Independent Regulatory Board for Auditors (IRBA) on the External Auditors including the decision letter, findings report and the proposed remedial action to address the findings. The Committee was satisfied that there were no material concerns and was comfortable to recommend the re-appointment of PricewaterhouseCoopers Inc (PwC) as the external audit firm. In line with section 92 of the Companies Act, Mr. Vincent Tshikhovhokhovho, the previous audit engagement partner, has rotated off the Sasfin audit after a tenure of five consecutive financial years. The Committee considered and recommended to the Board and shareholders the appointment of Mr. Costa Natsas as the new designated audit partner for approval;
- Monitored the extent of non-audit engagements provided by the Group's external audit firm, in accordance with approved internal policies and limits and was satisfied that non-audit related services carried out by the External Auditors were in accordance with the Board-approved non-audit services policy;
- In consultation with executive management, approved the engagement letter, audit plan and budgeted audit fees for the 2023 financial year;
- Promoted and enabled effective communication between the External Auditors and Internal Audit; and
- Given the prior period restatements which were previously reported in the 2022 period, the Board, and management, through the GAC, approved the audit plan which included a largely substantive approach on reconciliations.

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

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

Internal Audit

- Reviewed and approved the Group Internal Audit Charter, the annual audit plan and periodic amendments thereto, staffing, and the Internal Audit budget for the financial year;
- Reviewed reports issued by Internal Audit, including considering any weaknesses in controls that were identified and the corrective actions proposed by management;
- On a quarterly basis, the Committee reviewed the status of the audit plan and approved changes made, to ensure it was appropriate in its response to the changing risk landscape;
- Considered quarterly status update reports on the progress made towards addressing the internal and external audit findings;
- Evaluated the independence and performance of the Group Internal Audit function and the Head of Internal Audit. The Committee concluded that the Head of Internal Audit and the function were independent and effective for the period under review;
- Tracked progress on high and moderate risk findings, and monitored related management actions; and
- Met with the Head of Internal Audit as needed, without management being present, to discuss the remit of and reports of internal audit and any issues arising from the internal audits conducted.

The Head of Internal Audit reported regularly to the Committee and had unrestricted access to the Committee Chair. In her annual statement regarding the effectiveness of the Group's governance, risk management, and control processes, the Head of Internal Audit expressed the opinion that internal controls, including those over financial and other reporting processes, required improvement. She noted that management had already put focused plans in place to remediate identified control weaknesses and that she expected to report an improved position in the coming financial year. The Head of Internal Audit attested that, for the year under report, Internal Audit did not identify significant weaknesses in controls that had already resulted or might likely result in fraud or corruption.

Compliance

- Assisted the Board in nominating and appointing a new Head of Group Compliance;
- Approved the Group Compliance function's revised organisational structure and annual compliance work plan;
- Monitored the appropriateness of the Group's actions to manage compliance risks and compliance with applicable laws and regulations, rules, codes, and standards;
- Considered quarterly status update reports from the Head of Group Compliance on all matters related to the Group's compliance, including that remediation plans are in place to address any concerns or non-compliance; During the year under review, the Committee enhanced its focus on compliance, and specifically anti-money laundering and financial crime, and approved a revised Risk Management and Compliance Programme in relation to combatting money laundering and terrorist financing. The Committee noted improvements and progress made during the year under report to mitigate the Group's risks in relation to non-compliance, along with the remedial actions planned for the year ahead under the oversight of the Board Remediation Oversight Committee.

In accordance with Regulation 49(2)(a)(ii) of the Banks Act, the Head of Group Compliance is mandated to, of her own initiative, communicate directly and freely with members of the Committee in respect of any relevant matter, including decisions made by management that might be in conflict with legal or regulatory requirements.

Combined Assurance

The Committee considered the appropriateness of the Group's Combined Assurance Framework, and identified the need for enhancements to mature the combined assurance model. These are being implemented with the aim of improving the co-ordination of activities across the business and providing additional assurance as to the integrity of the financial and regulatory reporting of the Group, so that key risks are identified and managed appropriately, and that the Group's key governance systems are suitably designed and operating effectively.

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

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

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

Key Audit Matters as reported by the External Auditors

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

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

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

Expected credit losses (ECLs)

This is an area that is reviewed by the CLEC before consideration by this Committee. The Committee considered the oversight of the Group's calculation of expected credit losses (ECLs) by the CLEC, with specific review and consideration given to the macro-economic factors used to calculate the forward-looking scenarios. The Committee challenged the level of ECL, model methodology and assumptions applied to calculate the ECL provisions held by the Group. The Committee considered the expert judgment applied to Stage 3 clients and write-offs applied during the year. Finally, the Committee considered the appropriateness of the proposed ECL on the Land Bank bills and other Government Backed Securities, and intercompany loans and noted the specific assertions made by management in support of the ECL.

The Committee also paid specific attention to the IFRS 9 *Financial Instruments* (IFRS 9) disclosure in the Annual Financial Statements and considered its appropriateness.

Valuation of Private and Property Equity Investments

The Committee considered the oversight of the valuation by the CLEC, which reviews Private and Property Equity valuations bi-annually. The assumptions, judgements, methodology, and recommendations by independent external valuers were reviewed and discussed by the Committee to enable it to satisfy itself as to the reasonableness of the valuations. The Committee also had a specific discussion with the External Auditors in order to satisfy itself in this regard.

Correction of prior period errors

The Committee reviewed all business memoranda and accounting papers prepared by management in assessing certain prior period matters in accordance with IAS 8 *Accounting Policies, Changes in Accounting Estimates and Errors* (IAS 8).

The Committee considered the root causes, nature, and impact of each of the issues identified. The required adjustments to restate the financial statements were subject to verification by management and the Internal Audit function to ensure that they were valid, accurate and complete. The root cause analysis indicated that, for the majority of the matters under consideration, the weaknesses of controls in prior periods which made it possible for these errors to arise have since been rectified in subsequent periods.

The restatements and reclassifications were reviewed and approved by the Committee.

Going concern assessment

The Committee assessed, on behalf of the Board, and recommended to the Board that it was appropriate for the financial statements to be prepared on a going concern basis. In this process, it considered reports on the Group's latest budget plan, profitability, capital, liquidity and solvency, regulatory compliance and the impact of legal proceedings. Furthermore, the Committee considered the results of various stress testing analyses based on different economic scenarios and the possible impact on the ability of the Group to continue as a going concern.

In conclusion

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

Tapiwa Njikizana CA(SA)
Chair – Group Audit Committee

31 October 2023

Directors' report

Nature of business

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

Financial results[1] and business update

The Group's Headline Earnings decreased by 19.42% to R112.68 million (2022: R139.84 million). Headline Earnings per share decreased by 19.42% to 366.18 cents (2022: 454.43 cents). This is largely due to an increase in expected credit losses, cost growth and a decline in non-interest income, offset by higher margins on strong loan book growth. The Group's Wealth and Asset Finance businesses continued to perform well, while increased losses were incurred in the Business and Commercial Banking Pillar.

The balance sheet saw healthy growth in Deposits of 7.57% to R5.63 billion (2022: R5.23 billion), Gross Loans and Advances of 11.42% to R9.57 billion (2022: R8.59 billion) and Total Core Funding of 10.76% to R9.74 billion (2022: R8.79 billion). The Wealth business experienced good growth in Assets Under Management and Advice; these collectively resulted in an increase of 12.30% to R66.44 billion (2022: R59.17 billion). As a result of the current and forecast challenging economic conditions and the subdued financial performance, no interim dividend (2022: 33.95 cents) was declared, and the Board has resolved not to declare a final dividend (2022: 120.90 cents).

During the period under review, the Group further strengthened its operational, IT and financial processes, controls and capabilities within the Pillars. Through this process, the Group identified that certain transactions had not been correctly accounted for in prior periods. As noted in the Group Audit Committee Report, the review confirmed that there were errors affecting the prior periods that required restatement as set out in Note 49. These prior period errors impacted the opening retained earnings for the 2022 financial period and certain line items in the consolidated statements of financial position, profit or loss and other comprehensive income and cash flows for the 2022 financial period.

As previously reported, there were allegations of financial misconduct relating to persons and/or entities who had been clients of Sasfin's foreign exchange business unit going back to 2014. Sasfin is cooperating with the relevant authorities in their investigations and has terminated relationships with implicated clients.

Sasfin commissioned an investigation by a leading international audit firm to thoroughly investigate the allegations and determine whether any employees or clients were involved, and how the alleged financial misconduct had occurred. The evidence gathered from the investigation demonstrated that a group of Sasfin employees in the foreign exchange business unit had colluded with the implicated clients to enable the circumvention of exchange control and anti-money laundering regulations, as well as to subvert our system of internal controls. All implicated employees have been dismissed, and criminal cases have been opened where appropriate.

On 22 September 2023, our external auditors submitted an initial notification to the Independent Regulatory Board for Auditors ("the IRBA") that a suspected reportable irregularity may have occurred, primarily, from findings emanating from an investigation mandated by the Prudential Authority of the South African Reserve Bank ("SARB") in terms of its powers under section 135 of the Financial Sector Regulation Act, 2017, as required in terms of sections 44(2) and 44(3) read with Section 45 of the Auditing Profession Act ("APA"). The investigation looked into allegations that Sasfin Bank contravened provisions of various laws, including the Financial Intelligence Centre Act, 2001, the Banks Act, 1990 and the Exchange Control Regulations, 1961 (refer to Note 26), and that certain prescribed officers and the Board may have failed to adequately discharge their duties under section 76(3)(c) of the Companies Act, 2008 read with sections 60 and 60B of the Banks Act, 1990. After additional audit work, the auditors notified the IRBA on 22 October 2023 that in their professional opinion, the suspected reportable irregularity is no longer taking place and that adequate remedial actions have been taken (refer to Note 51).

Both these investigations found no evidence of involvement by members of senior management or of the Board in the alleged financial misconduct. Pursuant to the identification of the financial misconduct, Sasfin has progressively taken significant steps to strengthen the Group's lines of defence and continues to enhance these further.

Following the prior period restatements reported in the 2022 financial period, Sasfin implemented actions to address the root causes and to enhance the control environment. Whilst significant progress has been noted, the process is not yet complete. Our external auditors (under a new audit engagement partner, due to mandatory audit partner rotation) adjusted their audit approach for the current period by adopting a more substantive approach and by extending the scope and extent of procedures to include specific areas of focus as identified by the Group Audit Committee.

The combination of the changes referred to above together with the occurrence of certain significant events (refer to Note 48 and Note 51) in the post balance sheet period, contributed to the late publication of the annual financial statements. The Board is confident that the unique circumstances which impacted our year end process are unlikely to recur in future and the Company will be able to meet its reporting timelines as it has done in the past.

[1] *During the year, a detailed review confirmed that there were errors affecting prior periods which required restatement as set out in Note 49.*

Strategic update

Sasfin has conducted a strategic review with the aim of focusing on its higher ROE generating businesses, where it has strong competitive capabilities in its Wealth, Rental Finance and focused banking activities. In this regard, Sasfin recently announced the disposal of its Capital Equipment Finance and Commercial Property Finance loan books to African Bank Limited, to the value of R3.26 billion. This sale is subject to relevant conditions which are expected to be fulfilled early next year. While there will be costs associated with transitioning to the new strategy, the outcome will result in a more efficient and streamlined business.

The execution of this strategy will enable the Company to focus on strengthening and unlocking the potential of its core Wealth, Rental Finance and focused banking activities, which have delivered excellent returns over many years.

Directorate

Directors and company secretary

Independent Non-executive Directors		Appointed	Resigned
Deon de Kock	Chair[1]	**19 August 2020**	
Richard Buchholz	Lead	**7 March 2018**	
Mark Thompson		**21 June 2019**	
Eileen Wilton		**6 August 2019**	
Tapiwa Njikizana		**3 May 2021**	
Tienie van der Mescht		**29 November 2021**	
Non-independent, Non-executive Directors			
Gugu Dingaan		**13 December 2017**	
Nontobeko Ndhlazi		**19 August 2020**	
Roland Sassoon		**1 January 2020**	
Shaun Rosenthal	Alternate	**7 March 2018**	
Executive Directors			
Michael Sassoon	Group Chief Executive Officer[2]	**23 October 2015**	
Harriet Heymans	Group Financial Director	**4 April 2022**	
Company Secretary			
Charissa de Jager		**13 December 2019**	

1 *Appointed Chair of the Board on 25 November 2021.*
2 *Appointed Group Chief Executive Officer 1 January 2018.*

Share capital

Ordinary share capital

There were no changes to the authorised and issued ordinary share capital.

Analysis of shareholders

Refer to Note 40.1 for an analysis of shareholder interests. A full analysis of ordinary shareholders is provided in the Shareholders and Administrative Information Booklet included as part of the 2023 Integrated Report.

Special resolutions passed

Special resolutions passed during the year are available for inspection at the registered office of the company.

Statement on compliance

The directors confirm that the Company complies with the provisions of the Companies Act and the Company's Memorandum of Incorporation.

Events after the reporting date

The Board is not aware of any material events that occurred after the reporting date and up to the date of this report, apart from those mentioned in Note 48 to the Annual Financial Statements.

Independent auditor's report

To the Shareholders of Sasfin Holdings Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sasfin Holdings Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2023, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Sasfin Holdings Limited's consolidated and separate financial statements set out on pages 18 to 149 comprise:

- the consolidated and separate statements of financial position as at 30 June 2023;
- the consolidated and separate statements of profit or loss and other comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the financial statements, which include a summary of significant accounting policies, excluding the sections marked as "unaudited" in note 46 to the consolidated financial statements.

Basis for opinion

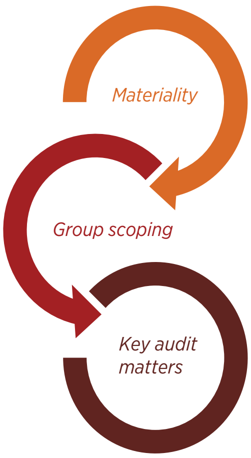
We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the consolidated and separate financial statements* section of our report.

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

Independence

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

Our audit approach



Overview

Overall group materiality

Overall group materiality: R24 million which represents 1% of interest income, fee and commission income, gains and losses on financial instruments, income received from rent for use assets and rental income from property ("consolidated income").

Group audit scope

Full scope audits were performed on those components that were considered to be financially significant based on their contribution to consolidated income or total assets of the Group, and those components where significant risks were identified relating to valuation of private and property equity investments. In addition, audits of specific financial statement line items were performed for those components that were not considered to be financially significant and where significant risks relating to the valuation of private and property equity investments were not identified, to ensure sufficient coverage was obtained over the consolidated financial statements. Analytical procedures were performed over the remaining components.

Key audit matters

- Expected credit losses; and
- Valuation of private and property equity investments
- Correction of prior year errors

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the consolidated and separate financial statements. In particular, we considered where the directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the consolidated financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as a whole as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Overall group materiality	R24 million
How we determined it	1% of consolidated income
Rationale for the materiality benchmark applied	We chose consolidated income as the benchmark because in our view, it is the most suitable benchmark for the Group, it is the benchmark against which the performance of the Group is measured by users, and is a generally accepted benchmark. We chose 1% which is consistent with quantitative materiality thresholds used when using income as the benchmark.

How we tailored our group audit scope

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the consolidated financial statements as a whole, taking into account the structure of the Group, the accounting processes and controls, and the industry in which the Group operates.

The consolidated financial statements are a consolidation of the Company and 20 subsidiaries (each considered a component for the purposes of our group audit scoping). We conducted full scope audits on the Company and an additional 3 components that were considered to be financially significant, based on their contribution to consolidated income or total assets of the Group, as well 2 components where significant risks were identified relating to valuation of private and property equity investments. Furthermore, we conducted audits on specific financial statement line items for those components that were not considered to be financially significant and where significant risks relating to valuation of private and property equity investments were not identified, to provide us with sufficient coverage over the consolidated financial statements. We performed analytical review procedures over the remaining components.

In establishing the overall approach to the group audit, we determined the extent of the work that needed to be performed by us, as the group engagement team and by component auditors operating under our instruction, in order to issue our audit opinion on the consolidated financial statements of the Group. Where the work was performed by component auditors, we determined the level of our involvement necessary in the audit work at those components in order to be able to conclude whether sufficient appropriate audit evidence has been obtained to support our opinion on the consolidated financial statements as a whole.

Further audit procedures were performed by us as the group engagement team on the consolidation process. The work performed by component auditors, together with these additional procedures performed at the group level, provided us with sufficient evidence to express an opinion on the Group's consolidated financial statements as a whole.

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated and separate financial statements of the current period. These matters were addressed in the context of our audit of the consolidated and separate financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have determined that there are no key audit matters to communicate in our report in respect of the separate financial statements.

Key audit matter	How our audit addressed the key audit matter
Expected Credit Losses ("ECL")	
Refer to the following accounting policies and notes to the consolidated financial statements for details: • Note 1.13 (Financial instruments - Policy); • Note 2.1 (Impact of economic conditions); • Note 2.2.1 (Critical estimates, judgements and assumptions - Credit impairment of loans and advances); • Note 2.2.2 (Critical estimates, judgements and restatements - Credit impairment of negotiable securities); • Note 5 (Negotiable Securities); • Note 7 (Trade and other receivables) • Note 9 (Loans and advances); and • Note 43 (Credit risk). At 30 June 2023, loans and advances before expected credit losses amounted to R8.9 billion, against which an ECL of R524 million was recognised while negotiable securities before impairments amounted to R1.3 billion, against which an ECL of R62 million was recognised. In calculating the ECL, in terms of the International Financial reporting Standards - Financial Instruments ('IFRS 9'), the key areas of significant management judgement and assumptions included the following: • Determining whether evidence exists that there has been a significant increase in credit risk ("SICR") since initial recognition in accordance with the Group's SICR definition as disclosed in note 1.13 to the consolidated financial statements. • Determining the inputs to be used in the ECL model, i.e. Probability of Default (PD), Loss given default (LGD), Exposure at default (EAD) and Time to default (TDD) that are used to estimate the ECL for each of Stage 1, Stage 2 and Stage 3 exposures. • Determination of the write-off point. The Group considers this to be the point at which there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that there is no realistic prospect of recovering the monies owed. Incorporation of macro-economic inputs and forward-looking information into the SICR assessment and ECL measurement and determining the impact of forward-looking information (FLI) on the ECL. The forward-looking nature of the ECL model requires estimates about the macro-economic outlook. In light of the changing economic environment, the macro-economic factors considered as part of the forward-looking information are the Gross Domestic Product (GDP), Rand/USD exchange rate, PPI Electricity and Investment to GDP.	Through inspection of underlying supporting documentation and discussions with management, we obtained an understanding of the following management controls implemented over the Group's credit systems and processes: • Information technology controls supporting credit systems and processes; • Relevant credit risk assessment controls that facilitate the identification and measurement of credit risk across all lending products; and • The Group's review controls for high care clients, annual review of credit files, approval of external collateral valuation vendors and approval of significant individual impairments. **Evaluation of SICR and default definition** Making use of our credit expertise, we assessed the reasonableness of the SICR definition and assumptions applied by management in the ECL model by performing the following procedures: • We recalculated the ageing for a sample of loans and advances with reference to underlying supporting documentation. No material exceptions were noted. • We selected a sample of Stage 1 and Stage 2 exposures and assessed through inspection of underlying supporting documentation whether the stage classification of these exposures was appropriate in terms of the Group's accounting policy for SICR at reporting date since the origination date of these exposures. No material exceptions were noted. • We selected a sample of accounts in stage 1 and stage 2 and assessed the performance of the SICR thresholds applied and the resultant transfer rate into Stage 2 for SICR. This included benchmarking of the volume of up-to-date accounts transferred to Stage 2 based on a forward looking view of credit risk. We found the SICR thresholds and transfer rates to be reasonable. • We evaluated the completeness of Stage 3 exposures by selecting a sample of exposures not classified at Stage 3 to assess whether the stage classification was in line with the Group's accounting policy for the definition of default for Stage 3 exposures. No material exceptions were noted.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECL") *continued*	
We considered ECL to be a matter of most significance to our current year audit due to: • The degree of judgement and estimation applied by management in determining the ECL; • the magnitude of the exposures and the ECL recognised in relation to the consolidated financial statements; and • the effect that ECL has on loans and advances and negotiable securities, and the Group's credit risk management processes.	**Evaluation of write-off point** Making use of our credit expertise, we evaluated the reasonableness of the write-off point applied by management in the ECL model by performing the following procedures: • We assessed the point at which there was no reasonable expectation of further recovery against the requirements of IFRS 9; and • We tested the application of the IFRS 9 write-off principles, including the exclusion of post write-off recoveries from the LGD as determined by management by obtaining the approved write-off schedules to inspect whether the write-offs were appropriately approved. Based on our work performed, we accepted the write-off point applied by management as reasonable. **Calibrating of ECL statistical model components (PD, EAD, LGD)** We assessed the reasonableness of the PD, EAD and LGD used by management in the ECL model by performing the following procedures: • We assessed the quality of the data used in the credit management, reporting and modelling process for completeness and accuracy through data analytics and substantive procedures, with specific focus on the appropriateness of assumptions made by management in determining the applicable macroeconomic inputs, credit ratings, EAD, PD, LGD and valuation of collateral in the current economic climate. No material exceptions were noted. • Through discussions with management and inspection of relevant supporting documentation, we obtained an understanding of the methodologies and assumptions used by management in the various ECL model components and how these were calibrated to use historical information to estimate future cash flows. • We then independently recalculated PD, LGD and EAD estimates to derive a reasonable range of ECL values. Management's calculation was determined to be within our range.

Key audit matter	How our audit addressed the key audit matter
Expected credit losses ("ECL") *continued*	
	Inclusion of forward-looking information and macro-economic variables in the ECL Making use of our credit expertise and economic experts, we assessed the reasonableness of the forward-looking information (FLI) and macro-economic variables applied by management in the ECL model by performing the following procedures: • We obtained an understanding of managements' process and key controls including approvals for the FLI methodology and evaluated the appropriateness of forward-looking economic expectations included in the ECL by comparing it to independent industry data. We found management's forward-looking economic expectations to be reasonable; • We assessed the reasonableness of both the base case scenario and alternative scenarios used in the determination of the FLI impact by performing an independent view of the macroeconomic scenarios and associated variables, challenged the reasonability of assumptions applied, performed independent modelling, and critically evaluated counterparty-specific estimates. We found management's scenarios to be reasonable; • We considered the level of ECL estimates, based on other commercial bank's insights and the Group's specific portfolio nuances and noted no material exceptions; and • We independently recalculated the ECL taking into consideration our assessment of the FLI range and noted that management had sufficiently catered for the FLI. **Assessment of ECL raised for individual exposures** Where ECL have been raised for individual exposures, we performed the following procedures to assess the reasonableness of management's assessment of the recoverability of the exposure, and the reasonableness of the valuation of the collateral held: • For a sample of Stage 3 exposures, we independently recalculated the impairment losses based on our assessment of the expected cash flows and recoverability of collateral at an individual exposure level. Our assessment included evaluation of the client's financial information. We noted no material exceptions; • For collateral held, we inspected legal agreements and other underlying documentation to assess the existence and the Group's legal right to the collateral held, as well as the realisability thereof. We noted no material exceptions in this regard; and • We evaluated the collateral valuation techniques applied by management against the Group's valuation guidelines and found these to be aligned.

Key audit matter	How our audit addressed the key audit matter
Valuation of private and property equity investments	
Refer to the following accounting policies and notes to the consolidated financial statements for details: • Note 1.13 (Financial instruments - Policy); • Note 2.1 (Impact of economic conditions); • Note 2.3 (Critical estimates, judgements and • assumptions - Private Equity investment valuations); • Note 2.4 (Critical estimates, judgements and • assumptions - Property Equity investment valuations); • Note 2.5 (Critical estimates, judgements and • assumptions - Fair value); • Note 10 (Investment Securities); and • Note 41 (Classification of assets and liabilities - • Accounting classification and fair values). Included in the Group's investments measured at fair value through profit and loss as at 30 June 2023, are private and property equity investments with a fair value of R516 million. In relation to the valuation of private equity investments, the Group mainly follows a discounted cash flow or earnings methodology, which is corroborated by a market multiples approach, where appropriate. The assumptions and judgements applied in these methodologies and approaches are disclosed in note 2.3 to the consolidated financial statements. In relation to the valuation of property equity investments, the Group obtains third party valuations from registered professional valuers with experience relevant to the types of properties being valued and applies the net income capitalised methodology. The assumptions and judgements applied in the net income capitalised methodology are disclosed in note 2.4 to the consolidated financial statements. In terms of IFRS 13 - Fair value measurement, these investments are classified as level 3 in terms of the fair value hierarchy, which implies that the value is determined with reference to unobservable inputs and includes investments that are valued using quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the investments. We considered the valuation of the Group's private and property equity investments to be a matter of most significance in the current year audit of the consolidated financial statements due to: • the significant judgement applied in determining the fair value of these investments, which includes determining the appropriate models and inputs; and • the magnitude of the fair value of these investments in relation to the consolidated financial statements.	Through discussions with management, we obtained an understanding of the relevant controls implemented over the valuation of private and property equity investments. Through inspection of underlying supporting documentation and attendance of Credit and Large Exposures Committee meetings, we evaluated the design and operating effectiveness of the following control supporting the valuations of private and property equity investments: • the adequacy of the Group's Credit and Large Exposures Committee governance controls over the approval of valuations of private and property equity investments. With the assistance of our valuations expertise, for a sample of private equity investments, we assessed the reasonableness of the fair values by performing the following procedures: • We reviewed the methodology used to determine the fair value against industry available information and IFRS 9 requirements and found these to be reasonable; • We tested the consistency of the assumptions and methodologies utilised to the prior year and assessed the reasoning for any significant changes from the prior year. We noted no material exceptions; • We reviewed the assumptions underlying the calculation of fair value, ensuring that the assumptions reflect market participant assumptions and that the cash flows are reasonable. We noted no material exceptions; • We assessed the forecasts used in the valuation to be consistent with market expectations and compared forecasts to up to date budgets and business plans that were formally approved by management. In addition, the current and previous years' forecasts were compared to actual results of the underlying investee entities to assess the reasonability of management's budgeting techniques. We noted no material exceptions; • We evaluated that the terminal growth rate and valuation adjustments were reasonable and that the terminal value was correctly calculated, taking into account financial services industry benchmarks and inflationary prospects within the respective countries. We noted no material exceptions; • We assessed that the discount rate used was reasonable and that cash flows were correctly discounted to the valuation date. We noted no material exceptions; and • We independently recalculated the fair values utilising the inputs and assumptions referred to above, in accordance with the valuation approach, and compared our results with that of management. We noted no material exceptions.

Key audit matter	How our audit addressed the key audit matter
Valuation of private and property equity investments *continued*	

With the assistance of our valuations expertise, for a sample of property equity investments, we assessed the reasonableness of the fair values by performing the following procedures:

- We evaluated the appropriateness of the valuation methodology against industry available information and IFRS requirements and found these to be reasonable;
- We inspected title deeds and building plans to confirm that the gross lettable area used in valuation was reasonable. We noted no material exceptions;
- We reviewed the assumptions underlying the calculation of fair value (i.e. rental growth rates, operating cost escalations, vacancy factors and capitalisation rates), ensuring that the assumptions reflect market participant assumptions and that the cash flows were reasonable. We noted no material exceptions;
- We assessed the forecasts used in the valuation to be consistent with market expectations and compared forecasts to up to date budgets and business plans that were formally approved by management, as well as current lease contracts and tenancy schedules. We noted no material exceptions;
- We independently sourced inputs and assessed the judgements and estimates applied in relation to our knowledge of current market practice and conditions. We found management's inputs and assumptions to be reasonable;
- We independently recalculated the fair values utilising the inputs and assumptions referred to above and below, in accordance with the income capitalisation approach, and compared our results with that of management. Management's results were found to be within acceptable ranges; and
- We obtained the cash flows, market rental growth, vacancy factors and exit capitalisation rates from underlying supporting documentation and/or market related data for purposes of our independent recalculation.

As part of our assessment of the reasonableness of the fair values of property equity investments, we assessed the competence, objectivity and capabilities of the registered professional valuers appointed by management, by performing the following procedures:

- We inspected the registered professional valuers' valuation reports to form an assessment of their objectivity. We also made use of our valuations expertise in assessing the valuations for compliance with valuation standards; and
- We confirmed the registered professional valuers' affiliation with the South African Council for the Property Valuers Profession.

No aspects requiring further consideration were noted.

Key audit matter	How our audit addressed the key audit matter
Correction of prior year errors	
Refer to note 49 *(Correction of prior year errors)* to the consolidated financial statements. As a result of enhancements made to: • financial control processes (including reconciliations, balance sheet substantiations and controls around classification of balances); • certain disclosures; and • the year end review management identified and adjusted the consolidated financial statements for material prior period errors. We considered the correction of prior year errors to be a matter of most significance to our current year audit due to: • The importance of the matter to intended users' understanding of the consolidated financial statements as a whole, in particular, its materiality to the financial statements; • The nature and extent of audit effort needed to address the correction of prior year errors, including the nature of consultations outside the engagement team regarding the matter; • The complexity in the application of International Accounting Standard 8 – Accounting Policies, Changes in Accounting Estimates and Errors ("IAS 8") as it relates to the disclosures relative to the correction of the prior year errors in the consolidated financial statements; and • The magnitude of the adjustments processed to the consolidated financial statements to account for the correction of the errors.	We performed the following procedures relating to the correction of prior year errors: • We held discussions with management and the related operational staff in order to obtain an understanding of the end-to-end business process with regards to the reconciliations, balance sheet substantiations and controls around the classification of balances that resulted in the identification and quantification of the prior year errors. • We obtained management's calculations, workings, reconciliations and support regarding the adjustments to account for the correction of errors and performed the following: – We understood the nature of each of the adjustments; – We tested the calculations for mathematical accuracy and found no exceptions; and – On a sample basis, we tested the individual transactions and balances making up each material adjustment to the relevant underlying supporting documents. We noted no material exceptions. • With the assistance of our accounting specialists we assessed: – the appropriateness of the application of IAS 8 in accounting for the errors in the current year financial statements. No material exceptions were noted. – the adequacy of the disclosures made in the consolidated financial statements with reference to the requirements of IAS 8, noting no material exceptions.

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sasfin Holdings Limited Annual Financial Statements for the year ended 30 June 2023", which includes the Directors' Report, the Group Audit Committee's Report and the Company Secretary's Certification as required by the Companies Act of South Africa, which we obtained prior to the date of this auditor's report, and the document titled "Sasfin Annual Integrated Report 2023", which is expected to be made available to us after that date. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements[1]

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

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

[1] *The examination of controls over the maintenance and integrity of the Group's website is beyond the scope of the audit of the financial statements. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.*

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

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

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

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

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

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the consolidated and separate financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

In accordance with our responsibilities in terms of sections 44(2) and 44(3) read with Section 45 of the Auditing Profession Act, we report that we identified a suspected reportable irregularity in terms of the Auditing Profession Act. We reported such matters to the Independent Regulatory Board for Auditors (“the IRBA”). We subsequently, and within the 30 day period prescribed by the Auditing Profession Act, reported to the IRBA that the suspected reportable irregularity is no longer taking place and that adequate steps have been taken for the prevention or recovery of any loss as a result thereof, if relevant.

The matter pertaining to the suspected reportable irregularity has been described in note 51 to the financial statements.

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: C Natsas
Registered Auditor

4 Lisbon Lane, Waterfall City, Jukskei View, 2090, South Africa

31 October 2023

Consolidated statement of financial position

at 30 June 2023

	Accounting policy	Note	**2023 R'000**	2022 R'000 Restated[1]	2021 R'000 Restated[1]
Assets					
Cash and cash equivalents[1]	1.11	4	**866 637**	768 770	1 259 600
Negotiable securities	1.13	5	**1 293 411**	1 790 340	2 085 077
Trading assets	1.13	6.2	**467 196**	547 848	703 433
Trade and other receivables[1]	1.13	7	**1 232 952**	838 600	463 066
Non-current assets held for sale		8	**–**	–	6 700
Loans and advances[1]	1.13	9	**9 049 976**	8 117 587	6 717 675
Current taxation asset	1.16.1		**47 679**	39 766	26 595
Investment securities	1.13	10	**700 918**	689 447	644 893
Investments at fair value through profit or loss[1]	1.13	10	**621 058**	634 697	624 804
Equity accounted associates	1.3.6	10	**79 860**	54 750	20 089
Property, equipment and right-of-use assets	1.6	11	**164 536**	183 082	65 068
Investment property	1.4	12	**14 600**	20 138	16 400
Intangible assets and goodwill	1.5	13	**110 949**	144 729	160 856
Deferred tax asset	1.16.2	14	**64 228**	45 380	37 584
Total assets			**14 013 082**	13 185 687	12 186 947
Liabilities					
Funding under repurchase agreements	1.13	15	**351 885**	803 976	700 067
Trading liabilities	1.13	6.3	**441 344**	518 596	658 957
Current taxation liability	1.16.1		**1 746**	1 364	5 093
Trade and other payables[1]	1.13	16	**1 448 676**	1 114 419	885 282
Bank overdraft	1.11	4	**113 081**	68 541	30 392
Provisions	1.8	17	**68 657**	69 348	72 714
Lease liabilities	1.9	18	**151 518**	157 116	43 205
Deposits from customers	1.13	19	**5 629 443**	5 233 182	4 732 764
Debt securities issued	1.13	20	**3 720 138**	2 991 426	2 741 583
Long-term loans	1.13	21	**276 488**	499 521	730 904
Deferred tax liability	1.16.2	14	**155 633**	144 696	110 770
Total liabilities			**12 358 609**	11 602 185	10 711 731
Equity					
Ordinary share capital[1]	1.10.1	22	**323**	323	323
Ordinary share premium	1.10.1	23	**166 945**	166 945	166 945
Reserves[1]			**1 487 205**	1 416 234	1 264 617
Preference share capital	1.10.2	24	**–**	–	18
Preference share premium	1.10.2	25	**–**	–	43 313
Total equity			**1 654 473**	1 583 502	1 475 216
Total liabilities and equity			**14 013 082**	13 185 687	12 186 947

[1] *Prior periods by restatement, please refer to Note 49 for additional information.*

Consolidated statement of profit or loss and other comprehensive income

for the year ended 30 June 2023

	Accounting policy	Note	2023 R'000	2022 R'000 Restated[1]
Interest income	1.14	27	**1 471 670**	1 036 421
Interest income calculated using the effective interest method[1]			**1 414 961**	987 895
Other interest income[1]			**56 709**	48 526
Interest expense		28	**(773 926)**	(480 771)
Interest expense calculated using the effective interest method	1.14		**(755 978)**	(469 526)
Other interest expense	1.14		**(17 948)**	(11 245)
Net interest income			**697 744**	555 650
Non-interest income			**681 094**	744 078
Net fee and commission income	1.14	29	**382 068**	384 939
Fee and commission income[1]			**658 891**	635 456
Fee and commission expense[1]	1.14		**(276 823)**	(250 517)
Gains and losses on financial instruments			**140 815**	152 461
Net gains on the derecognition of financial instruments at amortised cost	1.14	30	**17 168**	25 847
Other gains or losses on financial instruments		30	**123 647**	126 614
Other income on non-financial assets[1]		31	**158 211**	206 678
Total income			**1 378 838**	1 299 728
Credit impairment charges[1]	1.13 & 2.2	43.3.5	**(77 424)**	(18 238)
Net income after impairments			**1 301 414**	1 281 490
Total operating costs			**(1 203 945)**	(1 088 532)
Staff costs	1.15	32	**(620 604)**	(560 259)
Other operating expenses[1]		33	**(579 178)**	(528 273)
Impairments of non-financial assets	1.12	34	**(4 163)**	–
Profit for the year from operations			**97 469**	192 958
Share of associate income	1.3.6		**31 270**	14 146
Profit for the year before income tax			**128 739**	207 104
Income tax expense	1.16	35	**(19 912)**	(50 134)
Profit for the year			**108 827**	156 970
Total comprehensive income for the year			**108 827**	156 970
Profit attributable to:				
Equity holders of the Group			**108 827**	156 970
Total comprehensive income attributable to:			**108 827**	156 970
Equity holders of the Group			**108 827**	156 970
Earnings per share:				
Basic and diluted earnings per share (cents)[1]	1.17	38.2	**353.65**	510.09

[1] *Prior periods by restatement, please refer to Note 49 for additional information.*

Consolidated statement of changes in equity

for the year ended 30 June 2023

	Ordinary share capital R'000	Ordinary share premium R'000	Treasury shares R'000	Distributable reserves R'000
2023				
Restated balance at the beginning of the year	**323**	**166 945**	**(40 177)**	**1 456 411**
Total comprehensive income for the year	**–**	**–**	**–**	**108 827**
Profit for the year	**–**	**–**	**–**	**108 827**
Transactions with owners recorded directly in equity				
Dividends to ordinary shareholders	**–**	**–**	**–**	**(37 856)**
Balance at the end of the year	**323**	**166 945**	**(40 177)**	**1 527 382**
2022				
Balance at the beginning of the year	321	166 945	(40 177)	1 378 150
Restatement (refer Note 49)	2	–	–	(73 356)
Restated opening balance at the beginning of the year	323	166 945	(40 177)	1 304 794
Total comprehensive income for the year	–	–	–	156 970
Profit for the year	–	–	–	156 970
Transactions with owners recorded directly in equity				
Preference share buy-back and cancellation and transfer of reserves	–	–	–	43 331
Preference share buy-back accrual write back	–	–	–	2 556
Dividends to ordinary shareholders	–	–	–	(51 240)
Restated balance at the end of the year	323	166 945	(40 177)	1 456 411

Total ordinary shareholders' equity R'000	Preference share capital R'000	Preference share premium R'000	Total shareholders' equity R'000
1 583 502	**–**	**–**	**1 583 502**
108 827	**–**	**–**	**108 827**
108 827	**–**	**–**	**108 827**
–	**–**	**–**	**–**
(37 856)	**–**	**–**	**(37 856)**
1 654 473	**–**	**–**	**1 654 473**
1 505 239	18	43 313	1 548 570
(73 354)	–	–	(73 354)
1 431 885	18	43 313	1 475 216
156 970	–	–	156 970
156 970	–	–	156 970
43 331	(18)	(43 313)	–
2 556	–	–	2 556
(51 240)	–	–	(51 240)
1 583 502	–	–	1 583 502

Consolidated statement of changes in equity *continued*

for the year ended 30 June 2023

Dividend per share

	2023 Cents per share	2022 Cents per share
Ordinary shares		
Interim dividend (declared and paid)	**–**	33.95
Final dividend (declared in 2022 and paid in 2023)	**120.90**	131.02

Consolidated statement of cash flows

for the year ended 30 June 2023

	Note	2023 R'000	2022 R'000 Restated[1]
Cash flows from operating activities			
Interest received[1]		**1 316 030**	899 560
Interest paid[1]		**(785 079)**	(481 298)
Fee and commission income received[1]		**658 891**	635 454
Fee and commission expense paid[1]		**(276 823)**	(250 516)
Net trading and other income/(expenses)[1]		**153 701**	220 656
Cash payments to employees and suppliers[1]		**(1 066 675)**	(945 319)
Cash inflow from operating activities	39.1	**45**	78 537
Dividends received	30	**24 954**	20 965
Taxation paid	39.2	**(35 352)**	(40 905)
Dividends paid	39.3	**(37 856)**	(51 240)
Cash flows from operating activities before changes in operating assets and liabilities		**(48 209)**	7 357
Changes in operating assets and liabilities		**(650 907)**	(569 065)
(Increase) in loans and advances[1]		**(822 009)**	(1 235 099)
Decrease in trading assets[1]		**120 648**	173 329
Decrease in negotiable securities[1]		**551 875**	291 834
Increase in trade and other receivables[1]		**(426 239)**	(375 534)
Increase in deposits from customers[1]		**398 001**	500 268
Increase in trade and other payables[1]		**333 273**	363 949
(Decrease) in provisions		**(54 082)**	(55 269)
(Decrease) in long-term loans[1]		**(223 033)**	(211 383)
(Decrease)/Increase in funding under repurchase agreements[1]		**(452 090)**	119 201
(Decrease) in trading liabilities		**(77 251)**	(140 361)
(Decrease) in debt securities issued[1]		**–**	–
Net cash from operating activities		**(699 116)**	(561 708)
Cash flows from investing activities			
Proceeds from the disposal of property and equipment		**360**	3 890
Proceeds on disposal of subsidiary		**80**	–
Proceeds from the disposal of investment property		**1 097**	23 972
Proceeds from the disposal of investment securities		**56 756**	–
Acquisition of property and equipment		**(10 933)**	(38 796)
Acquisition of intangible assets		**(6 256)**	(15 665)
Acquisition of investment securities		**(15)**	(1 382)
Acquisition of and restructure of associate		**–**	(20 515)
Advances of investment securities		**(1 940)**	(10 512)
Repayments of investment securities[1]		**8 062**	52 189
Net cash flows from investing activities		**47 211**	(6 819)
Cash flows from financing activities			
Purchase and cancellation of preference shares		**–**	(135 180)
Decrease in Absa preference shares[1]		**–**	(20 000)
Settlement of debt securities[1]		**(972 625)**	(1 041 260)
Proceeds from issuance of debt securities[1]		**1 711 000**	1 286 000
Repayment of lease liabilities		**(15 908)**	(33 232)
Increase in bank overdraft[2]		**113 081**	–
Net cash flows from financing activities		**835 548**	56 328
Net increase/(decrease) in cash and cash equivalents		**183 643**	(512 198)
Cash and cash equivalents at beginning of the year[1]	4	**700 229**	1 229 208
Effect of exchange rate movements on cash and cash equivalents		**(17 234)**	(16 781)
Cash and cash equivalents at the end of the year[1]	4	**866 637**	700 229

[1] *Prior periods by restatement, please refer to Note 49 for additional information.*
[2] *Refer to Accounting policy Note 1.11 for the treatment of the bank overdraft.*

Notes to the consolidated financial statements

For the year ended 30 June 2023

1. Accounting policies

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

1.1 Reporting entity

Sasfin Holdings Limited is a company domiciled in South Africa. The Company's registered office is at 140 West Street, Sandton, Gauteng, 2196. These consolidated financial statements comprise Sasfin Holdings Limited and its subsidiaries (collectively, Sasfin or the Group). Sasfin and its subsidiaries provide a comprehensive range of specialist financial products and services focused on the needs of asset suppliers, small and medium businesses, and institutional and private clients.

1.2 Basis of preparation

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

The Consolidated and Separate Annual Financial Statements were authorised for issue by the Board on 31 October 2023.

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

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

The Consolidated and Separate Annual Financial Statements are prepared on the historical cost basis, except as set out in the accounting policies which follow.

Assets and liabilities, income and expenses, are not offset in the income statement or balance sheet unless specifically permitted by IFRS.

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

The following amendments have been adopted without affecting the Group's previously reported financial results, disclosures or accounting policies. The items mentioned below are confirmed not to have had an impact on the Group's or the Company's financial statements for the 2023 financial year-end.

Updating a reference to the Conceptual Framework (Amendments to IFRS 3)

An outdated reference in IFRS 3 to the Conceptual Framework has been updated without any significant changes to its requirements.

Proceeds before intended use (Amendments to IAS 16)

This amendment prohibits an entity from reducing the cost of an item of property, plant and equipment through deducting the proceeds from the sale of items produced whilst bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items and the costs of producing them are to be recognised in profit or loss.

1. Accounting policies *continued*

1.2 Basis of preparation *continued*

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

Onerous Contracts – Cost of Fulfilling a Contract (Amendments to IAS 37)

This amendment indicates which costs an entity should include as the costs of fulfilling a contract when assessing whether a contract is onerous.

Annual improvements to IFRS Standards 2018 – 2020 (Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41)

Changes were made to IFRS 1 *First-time adoption of International Financial Reporting Standards* and IAS 41 *Agriculture*.

An illustrative example has been removed from IFRS 16 *Leases* to prevent potential confusion regarding the treatment of lease incentives.

IFRS 9 *Financial Instruments* has been amended to clarify the fees that an entity includes when determining whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability.

International tax reform – pillar two model rules (Amendment to IAS 12)

These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development (OECD)'s international tax reform. The amendments also introduce targeted disclosure requirements for affected companies.

1.2.2 Interest rate benchmarks and reference interest rate reform

The Financial Stability Board initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Reserve Bank (SARB) has indicated their intention to move away from JIBAR and to create an alternative reference rate for South Africa. The SARB has indicated their initial preference for the adoption of the South African Rand Overnight Index Average (ZARONIA) as the preferred unsecured candidate to replace JIBAR in cash and derivative instruments.

ZARONIA has been published for the purposes of observing the rate and how it behaves but has not been formally adopted by the SARB as the successor rate to JIBAR. Accordingly, there is still uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.

1.2.3 Accounting policy elections

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

Asset/liability	Options	Election and implication	Accounting policy
Property and equipment, and right-of-use assets	Cost/revaluation model	*Group* • Buildings are carried at cost less accumulated depreciation • Computer equipment, furniture and fittings and motor vehicles are carried at cost less accumulated depreciation	1.6
Investment properties	Cost/fair value model	*Group* • Investment properties are carried at fair value with changes in fair value recognised in profit or loss	1.4
Investments in subsidiaries	Cost/financial instrument	*Company* • Cost less accumulated impairments *Group* • Subsidiaries are consolidated	1.3

1. Accounting policies *continued*
1.3 Basis of consolidation
1.3.1 Business combinations

The Group accounts for business combinations using the acquisition method when the acquired set of activities and assets meets the definition of a business and control transfers to the Group. In determining whether a particular set of activities and assets is a business, the Group assesses whether the set of assets and activities acquired includes, at a minimum, an input, a substantive process and whether the acquired set has the ability to produce outputs.

The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar assets.

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

The consideration transferred for the acquisition of a subsidiary comprises of the:

- fair value of the assets transferred;
- fair value of the liabilities incurred to the former owners of the acquired business;
- fair value of equity interests issued by the Group;
- fair value of any asset or liability resulting from a contingent consideration arrangement; and
- fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. The Group elected to initially measure a non-controlling interest at the proportionate share of the acquiree's identifiable net assets at the date of acquisition (refer to Note 1.3.3). The acquisition consideration is measured at fair value and does not include amounts related to the settlement of pre-existing relationships, which are recognised in profit or loss. Identifiable net assets acquired are measured at fair value at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the:
- consideration transferred;
- amount of any non-controlling interest in the acquired entity; and
- acquisition-date fair value of any previous equity interest in the acquired entity

over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a gain on bargain purchase.

Where settlement of any part of a cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the entity's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions. Contingent consideration is classified either as equity or a financial liability.

Amounts classified as financial liabilities are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Goodwill is tested annually for impairment (refer to Note 13), and any gain on bargain purchase is recognised in profit or loss immediately. Contingent considerations payable are measured at fair value at the acquisition date.

1. Accounting policies *continued*

1.3 Basis of consolidation *continued*

1.3.2 Subsidiaries

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

The Group controls an investee if it has the power to direct its significant activities, is exposed to, or has rights to, variable returns from its involvement with the investee, and has the ability to affect those returns through its power over the investee.

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

1.3.3 Non-controlling interests

Non-controlling interests are measured initially at the proportionate share of the acquiree's identifiable net assets at the date of acquisition or at fair value as determined on an acquisition-by-acquisition basis.

Changes in the Group's interest in a subsidiary that do not result in loss of control are accounted for as transactions with owners and recognised directly in equity.

1.3.4 Loss of control

When the Group loses control over a subsidiary, it derecognises the assets and liabilities of the subsidiary and any related non-controlling interest and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the former subsidiary is initially recognised at fair value when control is lost.

1.3.5 Structured entities

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

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

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

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

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

The Group has consolidated the following structured entities:

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

1. Accounting policies *continued*
1.3 Basis of consolidation *continued*
1.3.6 Associates

An associate is an investee over which the Group has significant influence.

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

Strategic investments

Subsequent to initial recognition, investments in associates held as strategic investments are equity accounted. The Group's proportionate share of associate income (or loss) is accounted for in profit or loss and as part of the investment in associates. Dividends received or receivable from associates are recognised as a reduction in the carrying amount of the investment. Should the dividend income exceed the carrying amount of the investment in the associate, the excess is recognised in profit or loss.

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

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

Associate companies held by and managed by Private Equity and Property Equity business units

Investments in associates held by the Private Equity and Property Equity business units of the Group are classified at fair value through profit or loss (FVTPL) as these investments are managed on a fair value basis in accordance with a business model to realise these investments through sale.

Changes in the fair value of these investments are recognised in non-interest income in profit or loss in the period in which they occur.

1.4 Investment properties

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

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

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

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

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

1. Accounting policies *continued*

1.5 Intangible assets and goodwill

1.5.1 Goodwill

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

Subsequent to initial recognition, goodwill is tested annually for impairment and is reflected at cost less any accumulated impairment losses. Refer to Note 2.6 for further information.

1.5.2 Software and distributor relationships

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

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

Purchased and internally developed software are reflected at cost less accumulated amortisation and accumulated impairment losses. They are amortised in profit or loss on the straight-line basis over their useful lives at rates that will reduce the assets to their anticipated residual values. Refer to Note 2.6 for further information.

Distributor relationships are capitalised when acquired as part of a business combination, and the Group is satisfied that the relationship will generate future economic benefits. These relationships are amortised in profit or loss on the straight-line basis over their expected useful lives.

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

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

1.6 Property, equipment and right-of-use assets

1.6.1 Owned assets

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

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

Repairs and maintenance on property and equipment are recognised directly in profit or loss. Subsequent expenditure is only capitalised if it is probable that the future economic benefits associated with the expenditure will flow to the Group.

1.6.2 Right-of-use assets

Refer to Note 1.9.2.

1. Accounting policies *continued*

1.6 Property, equipment and right-of-use assets *continued*

1.6.3 Depreciation

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

Depreciation methods, residual values and useful lives are reviewed and adjusted annually where appropriate. The following estimated useful lives are applied:

- Buildings: 20 years;
- Computer equipment: two to five years;
- Furniture and fittings: six to 10 years;
- Motor vehicles: five years;
- Buildings and leasehold improvements: five to 10 years; and
- Right-of-use assets: shorter of the lease term and the asset's useful life (as per the above).

1.6.4 Profit or loss on disposal

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

1.7 Currencies

1.7.1 Functional and presentation currency

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

All entities in the Group operate in the Republic of South Africa with a functional currency of ZAR.

1.7.2 Transactions and balances

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

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

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

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

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency spot rates of exchange at the reporting date. Foreign exchange gains and losses on monetary and non-monetary assets and liabilities are accounted for based on the classification of the underlying items.

1.8 Provisions

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

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

1.9 Leases

At inception of a contract, the Group assesses whether a contract is, or contains a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for a consideration.

Contracts may contain lease and non-lease components.

The Group allocates the consideration in the contract to each lease component based on its relative stand-alone prices. For a contract that is, or contains, a lease, the Group accounts for each lease component within the contract as a lease separately from the non-lease components.

1. Accounting policies *continued*

1.9 Leases *continued*

1.9.1 Group as the lessor

Rental, lease and instalment sale contracts are financing transactions, with rentals and instalments receivable, less unearned finance charges, being reflected as loans and advances in the statement of financial position. Finance income is recognised over the term of the lease using the effective interest method.

1.9.2 Group as the lessee

The Group mainly leases office space. The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability, adjusted for any lease payments made at or before the commencement date (i.e. the date on which a lessor makes the underlying asset available for use by lessee), plus any initial direct costs and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (refer to Note 1.2.3). The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses (refer to Note 1.12), if any, and adjusted for certain remeasurements of the lease liability.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the lessee's incremental borrowing rate. The Group mostly uses the lessee's incremental borrowing rate as the discount rate, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

In determining the incremental borrowing rate, the Group considers five factors, being the tenure of the lease, currency of the lease, asset type, level of indebtedness of the lessee entity and the economic environment.

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

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

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

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

Extension and termination options are included in several property leases across the Group. These are used to maximise operational flexibility in terms of managing the assets used in the Group's operations. In most instances the extension and termination options held are exercisable only by the Group and not by the respective lessor. The Group assesses whether these options are reasonably certain to be exercised in determining the lease term and lease payments.

The Group presents right-of-use assets in property and equipment and lease liabilities as such in the statement of financial position.

Short-term leases and leases of low-value assets

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

1. Accounting policies *continued*

1.10 Share capital

1.10.1 Ordinary share capital

Ordinary shares are classified as equity.

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

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

1.10.2 Preference share capital as equity

Sasfin Holdings Limited entered into a scheme of arrangement whereby the Company acquired all of the non-redeemable, non-cumulative, non-participating variable rate preference shares in issue by way of a share buy-back. This took place on 5 July 2021.

These shares have been cancelled.

1.10.3 Treasury shares

Own equity instruments that are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments.

1.11 Cash and cash equivalents

Cash and cash equivalents, as reflected on the statement of financial position, comprises of funds on call, notice deposits, balances with the SARB, fixed deposits, cash on hand, money market funds and highly liquid deposits that are readily convertible to a known amount of cash, subject to an insignificant risk of changes in value and are used in the management of short-term commitments.

Cash and cash equivalents, as reflected on the statement of cash flows comprises of:

- cash and cash equivalents as reflected on the statement of financial position; and
- bank overdrafts repayable on demand. Bank overdrafts are included as a component of cash and cash equivalents when the use of these overdrafts form an integral part of the Group's cash management. Evidence supporting such an assertion would be that the bank balance often fluctuates from being positive to overdrawn. Where overdrafts do not often fluctuate from being negative to positive, then the arrangement does not form part of the Group's cash management and, instead, represents a form of financing.

Cash and cash equivalents are available for use by the Group, unless otherwise stated, and are accounted for at amortised cost in the Annual Financial Statements. Money market funds classified as cash equivalents are measured at FVTPL.

1.12 Impairment of non-financial assets

The Group annually assesses all non-financial assets for impairment. Impairment occurs when the carrying amount of the non-financial asset exceeds its recoverable amount.

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

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

1.12.1 Calculation of recoverable amount

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

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

1.12.2 Impairment reversals

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

1. Accounting policies *continued*
1.13 Financial instruments
Financial instruments, as reflected on the statement of financial position, include all financial assets, financial liabilities, derivative instruments and financial guarantee contracts issued. These exclude investments in subsidiaries and associated companies (refer to Note 1.3).

Financial assets and financial liabilities are recognised on the date on which the Group becomes party to the contractual provisions of the contract that is a financial instrument.

Financial instruments are initially recognised at fair value.

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

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

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

1.13.2 Financial instruments at FVTPL
Where the Group has designated financial assets and financial liabilities at FVTPL, it is to eliminate or significantly reduce an accounting mismatch that would otherwise arise. The Group further classifies financial assets and financial liabilities at FVTPL when the business model is such that these financial assets and financial liabilities are managed and measured on a fair value basis, since realisation of these is anticipated to be through sale.

Financial assets and financial liabilities at FVTPL are measured at fair value, with fair value gains and losses reported in non-interest income, apart from those related to interest rate swaps which are reported as part of Other gains or losses on financial instruments.

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

1.13.3 Classification and measurement of financial assets
Financial assets are classified and measured based on the Group's business model for managing them and the contractual cash flow characteristics of the financial assets.

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

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

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

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

1. Accounting policies *continued*

1.13 Financial instruments *continued*

1.13.5 Assessment of whether contractual cash flows are solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, the Group considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making this assessment, the Group considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension features; and
- terms that limit the Group's claim to cash flows from specified assets (e.g. non-recourse features).

A prepayment feature is consistent with the solely payments of principal and interest criterion if the prepayment amount substantially represents unpaid amounts of principal and interest on the principal amount outstanding, which may include reasonable additional compensation for early termination of the contract. Additionally, for a financial asset acquired at a discount or premium to its contractual par amount, a feature that permits or requires prepayment at an amount that substantially represents the contractual par amount plus accrued (but unpaid) contractual interest (which may also include reasonable additional compensation for early termination) is treated as consistent with this criterion if the fair value of the prepayment feature is insignificant at initial recognition.

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

1.13.6 Reclassifications

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

1.13.7 Impairments

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

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

The Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition, which are measured as 12-month ECL (see Note 43).

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

1.13.8 Measurement of ECL (Refer to Note 43)

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

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

1. Accounting policies *continued*

1.13 Financial instruments *continued*

1.13.8 Measurement of ECL (Refer to Note 43) *continued*

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

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

Both qualitative and quantitative measurements should be used in the process of calculating the ECL on the Performing, Under-performing and Non-Performing exposures.

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

- 12-month ECLs are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date.
  - Stage 1 includes exposures that have not had a Significant Increase in Credit Risk (SICR) (defined on the next page) since initial recognition. For these financial instruments, ECL is calculated based on the relevant 12-month PD, TTD, LGD and EAD.
- Lifetime ECLs are the ECL that result from all possible default events over the expected life of the financial instrument.
  - Stage 2 includes exposures that had a SICR since initial recognition but do not have objective evidence of impairment. For these financial instruments, ECL is calculated based on the relevant lifetime PD, TTD, LGD and EAD; and
  - Stage 3 includes exposures for which there is objective evidence of impairment at the reporting date. For these financial instruments, ECL is calculated based on a lifetime PD, TTD, LGD and EAD. The financial instrument must be classified as in "Stage 3" when it is credit-impaired.

Objective evidence of impairment is defined as the occurrence of one or more events since the date of original recognition of the asset, which will have an impact on the expected future cash flow of the borrower e.g. insolvency and business rescue.

Forward-looking information is included in both the assessment of a SICR and the measurement of ECL by means of a "High Care" classification. Refer to the next page for more information.

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

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

1.13.9 Low credit risk

A financial instrument can have a low credit risk when:

- The financial instrument has a low risk of default;
- The borrower has a strong capacity to meet its contractual cash flow obligations in the near term; and
- Adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

1. Accounting policies *continued*

1.13 Financial instruments *continued*

1.13.10 Significant Increase in Credit Risk (SICR)

Credit risk needs to be re-assessed at each reporting period for each financial instrument, to determine whether there is a SICR. To make that assessment, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition, and considers reasonable and supportable information that is available without undue cost or effort that is indicative of a SICR since initial recognition.

The Group defines a SICR as follows:

- Rental and Capital Equipment Finance
  - when a debtor is flagged as High Care; or
  - once an account becomes past due/arrears for more than seven days and up to and including 90 days. This is based on statistical analysis of the historical behaviour of the portfolio, which indicated that past due up to seven days did not provide an indication of financial stress, rather it could be due to administration issues or post-month-end payment cycles.
- Trade Finance
  - when a debtor is flagged as High Care; or
  - when no extensions have been granted in excess of the maximum tenor contractually agreed with the debtor and the debtor then becomes past due/arrears up to and including 90 days; or
  - when extensions have been granted in excess of the maximum tenor contractually agreed with the debtor and the account has been extended more than 30 days. Any one or more extensions will be counted from the first invoice's original payment date.
- Debtor Finance
  - when a debtor is flagged as High Care; or
  - margin excess – once an account is in margin excess for longer than seven days and up to and including 90 days.
- Other Term Loans
  - when a debtor is flagged as High Care; or
  - once an account becomes past due/arrears for more than seven days and up to and including 90 days.

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

Such signs referred to above could include any one or more of the following factors:

- Material deterioration, particularly over a period of time, in the cash flow generation of a business;
- Material and consistent financial losses;
- Material and/or consistent reduction in revenue and/or gross profit margins;
- Significant increases in interest-bearing debt and related finance costs, such that there is a concern about the company's ability to service and repay its financial obligations;
- Material increases in trade creditors out of line with the sales and business growth, indicating an inability to pay creditors on time and in line with credit terms;
- Material increases in trade debtors and/or stock which could place pressure on cash flow generation;
- Regular breaches in the terms and conditions of its financing arrangements, requests for extension of payment dates, excesses, extensions on repayment deadlines, etc.;
- Material negative changes in the business, competitors or economic environment within which the business operates. This will include material negative changes in the business's supply chain;
- Difficulty in producing regular financial information; or
- Significant changes within key leadership with no meaningful succession planning.

Negotiable Securities and Intercompany Loans

- Government and intercompany exposures are evaluated for a SICR by comparing the credit risk rating at the reporting date to the origination credit risk grade. Where the relative change in the credit risk rating exceeds certain pre-defined criteria or when a contractual payment becomes more than 30 days overdue, the exposure is classified within Stage 2. These pre-defined criteria thresholds have been determined based on historic default experience, which indicates that higher-rated risk exposures are more sensitive to a SICR than lower-risk exposures. For the purpose of this calculation, a SICR is defined as a three notch downgrade.

1. Accounting policies *continued*

1.13 Financial instruments *continued*

1.13.11 Restructured financial assets

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

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

1.13.12 Default and curing

A financial instrument is classified as being in default, which is aligned with the definition of credit-impaired, when it meets one or more of the following criteria:

Quantitative criteria
The borrower is more than 90 days past due or in excess on its original contractual payments/margin/limits, excluding Immaterial Arrears as well as any extensions of more than 90 days from the original contractual payment date.

Immaterial Arrears is defined as an amount that is less than 5% of the next contractual instalment.

Qualitative criteria
Evidence that a financial asset is credit-impaired includes observable data about the following events:

- the client has been flagged as legal;
- significant financial difficulty of a borrower;
- default or delinquency by a borrower;
- distressed restructuring of credit obligations. Per IFRS 9, distressed restructures will be credit-impaired, but per PA Directive 7/2015 (section 6.1) these should as a minimum be classified as special mention;
- indications that a borrower would enter provisional or final liquidation or business rescue;
- repayment of the principal amount and/or accrued interest has been overdue for more than 90 days, and the net realisable value of security is insufficient to cover the payment of the principal amount and accrued interest;
- the principal amount and accrued interest are fully secured, but the repayment of the principal amount and/or accrued interest has been overdue for more than 12 months; and
- significant deficiencies exist that threaten the obligor's business, cash flow or payment capability, which deficiencies may include the items specified below:
  - the credit history or performance record of the obligor is not satisfactory;
  - labour disputes or unresolved management problems may affect the business, production or profitability of the obligor;
  - increased borrowings are not in proportion with the obligor's business;
  - the obligor is experiencing difficulty with the repayment of obligations to other creditors; or
  - construction delays or other unplanned adverse events resulting in cost overruns are likely to require loan restructuring.

1. Accounting policies *continued*

1.13 Financial instruments *continued*

1.13.12 Default and curing *continued*

Qualitative criteria continued

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

- the debtor being up to date;
- six consecutive payments are paid on or before due date; and
- no SICR exists.

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

1.13.13 Write-offs

Loans and advances as well as debt securities, are written off when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This is generally the case when the Group determines that there is no realistic prospect of recovering the monies owed.

Write-offs will be considered once all sources of recovery have been exhausted or no further reasonable expectation of further material recoveries exists. The assessment of when an exposure has no reasonable prospect of being recovered will be based on the financial standing of the borrower and the sureties/guarantors vs the outstanding exposure, the value of the security in a forced sale scenario vs the outstanding exposure, as well as the nature and tenor of the legal processes required to pursue recovery, the costs associated with recovery as well as the prospect of success of the legal case.

Recoveries of amounts previously written off are included in 'credit impairment charges' in the statement of profit or loss and other comprehensive income.

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

1.13.14 Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL are presented in the statement of financial position as follows:

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- financial guarantee contracts: as a deduction from loans and advances. However, the ECL on intercompany financial guarantee contracts are reported in other payables; and
- where a financial instrument included both a drawn and an undrawn component, the Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

1.13.15 Derecognition of financial assets

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

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

The Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Refer to Note 30 for more details.

1. Accounting policies *continued*

1.13 Financial instruments *continued*

1.13.16 Classification and measurement of financial liabilities

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

1.13.17 Derecognition of financial liabilities

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

1.13.18 Repurchase agreements

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

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

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

1.13.19 Reverse repurchase agreements

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

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

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

1.13.20 Derivative financial instruments

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

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

1.14 Total income

1.14.1 Net interest income

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

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

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

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

For financial assets that have become credit-impaired subsequent to initial recognition, interest income is calculated by applying the effective interest rate to the amortised cost of the financial asset. If the asset is no longer credit-impaired, then the calculation of interest income reverts to the gross basis. The reversal of interest income calculated on the amortised cost of credit impaired financial assets that have been cured is recognised as a reduction of the credit impairment charges on loans and advances.

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

Interest income and expense on financial assets and financial liabilities held at FVTPL are presented in other interest income and other interest expense respectively.

1. Accounting policies *continued*
1.14 Total income *continued*
1.14.2 Non-interest income

Non-interest income comprises fees and commissions, brokerage commission, asset management fees, fair value gains and losses (apart from those fair value gains and losses on derivative instruments that are recognised as part of net interest income), dividend income, foreign exchange gains and losses, and other income on non-financial assets.

Fee and commission income

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

The Group provides banking and financial services to retail and corporate customers. The Group earns fees and commissions from a range of services it provides to clients. Income earned on the execution of a distinct performance obligation is recognised when the distinct performance obligation has been performed. Revenue is recognised at a point in time.

Income earned from the provision of services is recognised over time as the performance obligation is fulfilled. Categories of these fees are accounted for as follows:

- Foreign income comprises fees earned on interchange and foreign currency transactions. These are charged to the customer's account when the transaction takes place at a point in time.
- Brokerage income is earned on trades made by the client. This is recognised at a point in time.
- Asset management fees are calculated based on a percentage of the assets managed and deducted from the customer's account balance on a monthly basis. Revenue from asset management services is recognised over time as the services are provided.
- Confirming fees are transaction-based fees that are recognised at a point in time.
- Commission income includes fees received from clients for refinancing and factoring and is recognised at a point in time.
- Administration fees includes fees received from clients with an investment, fees received from billing and fixed monthly fees on clients with shareholdings in the private client business. Fees are charged over time through a monthly service fee.
- Other fee and commission income includes commission received on executed trades; advisory fees and consulting fees; and claim fees. These are recognised at a point in time.

Fee and commission income is recognised net of any trade discounts, volume rebates and amounts received on behalf of third parties, such as Value Added Tax (VAT). Furthermore, when the Group is acting as an agent, amounts collected on behalf of the principal are not recognised as revenue.

Gains and losses on financial instruments

Dividend income is received from equity investments in entities that the Group does not control and those investments in associates that are recognised at FVTPL (refer to Note 1.3.6). Dividend income is recognised when the Group's right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be measured reliably.

For financial instruments measured at FVTPL the fair value gains and losses are recognised as part of 'gains and losses on financial instruments'.

Other income on non-financial assets

Included in other income is rental income earned on leases that have reached their end of term and the customer continues to pay for the use of the asset as well as income from non-financial assets.

1. Accounting policies *continued*

1.15 Employee benefits

1.15.1 Short-term benefits

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

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

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

A provision is recognised for employees' bonus entitlement when the Group has a present legal or constructive obligation to make such payments to the employee.

1.15.2 Defined contribution plan

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

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

1.16 Taxation

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

1.16.1 Current tax

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

1.16.2 Deferred tax

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

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

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

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

Deferred tax is not recognised on:

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

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

1.17 Earnings per share (EPS)

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

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

1. Accounting policies *continued*

1.18 Commitments, contingent assets and contingent liabilities

Commitments represent the Group's commitment to future transactions.

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

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

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the control of the Group.

Contingent assets are not recognised but disclosed. When realisation of a contingent asset is virtually certain, it is no longer considered contingent and is recognised as an asset. The asset is recognised in the period in which this change from contingent asset to asset occurs.

1.19 Funds under administration, advisement and management

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

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

Income relating to these activities is recognised in profit or loss as part of fee and commission income.

1.20 Segment reporting

Management reports on three pillars (excluding the Group and inter-segment eliminations segment). These pillars are Asset Finance, Business and Commercial Banking, and Wealth.

The operating results of the three pillars are regularly reviewed by the Group's Board, Chief Executive Officer, and senior management, who assess the performance of the divisions, and make decisions as to the appropriate resources to be allocated between pillars. Pillars are further segmented into business units as part of the Group's management and internal reporting structure.

Corporate Services includes Treasury and represents the Group's central functions, and these costs are allocated to the operating pillars using an internal model of cost allocation.

2. Critical estimates, judgements and assumptions

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

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

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

2.1 Impact of economic conditions

The world economic growth continues to slow down with higher inflation rates experienced in most countries and monetary policy driving higher interest rates to counter same.

In February 2023, South Africa was grey listed by the Financial Action Task Force (FATF) for falling short of certain international standards for the combating of money laundering and other serious financial crimes. Eskom loadshedding, infrastructure issues, high inflation and water shortages have had a marked negative widespread impact on the economy.

Sasfin has not experienced a lasting material impact from COVID-19 as evidenced by a low rate of COVID-19 related defaults, with no further requests for payment holidays and minimal supply chain disruptions to clients. There has been no direct discernible impact from the continued Russia/Ukraine conflict on our clients apart from the overall slowdown in the global economic growth referenced above.

These events have been considered as part of our credit impairments and are reflected in the use of a 77% weighting in our weighted probability scenario approach referred to in Note 2.2.1 and fair value measurements in Note 2.5.

2. Critical estimates, judgements and assumptions *continued*

2.2 Credit impairment

2.2.1 Credit impairment of loans and advances (refer to Notes 9 and 43)

The Group assesses its loans and advances portfolio for impairment monthly using the ECL model.

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

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

Refer to accounting policy Note 1.13 for more information on a SICR.

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

The IFRS 9 ECL requires a forward-looking overlay on the calculated loan book ECL to ensure the timely recognition of expected future credit losses. To capture economic changes accurately and forecast the required levels of impairment provisions expected to be held, the Group uses statistical modelling.

Various macro-economic factors were statistically tested for the current financial year to identify key drivers in the context of power shortages, weak economic outlook, high inflation, and an increasing interest rate environment. Producer price index (PPI) of electricity, ZAR/USD exchange rate and investment to GDP were identified as the most significant drivers of the loan book and were used in the model. For each of the scenarios listed below for 2023, the variables over the next 12 months are disclosed. The average PPI of electricity, ZAR/USD exchange rate and investment to GDP over the remaining forecast period, from 2023 to 2026, were used in the statistical modelling.

For the prior year, the macro-economic factors were statistically tested and only the Prime interest rate and GDP were statistically significant. The Group therefore used GDP and Prime for the regression modelling. For each of the scenarios listed below for 2022, GDP and Prime over the next 12 months have been disclosed. The average forecast GDP and Prime over the remaining forecast period, from 2023 to 2026, was used in the statistical modelling.

A weighted probability scenario approach was applied to determine the model derived scalar as per the table below. Given the conservative internal view on the economic outlook, a management overlay was further applied to determine the final scalar.

	Best		Expected		Worst		Blended[1]	
	12 Months average (%)	Lifetime average (%)	12 Months average (%)	Lifetime average (%)	12 Months average (%)	Lifetime average (%)	12 Months average (%)	Lifetime average (%)
2023								
Factors								
PPI of electricity	**155.95**	**168.16**	**170.84**	**193.69**	**177.14**	**220.73**	**171.23**	**197.28**
Rand/USD exchange rate	**15.03**	**15.39**	**17.78**	**18.50**	**19.87**	**22.77**	**18.02**	**19.11**
Investment to GDP (%)	**16.06**	**16.6**	**15.38**	**15.88**	**14.33**	**14.72**	**15.22**	**15.71**
Scenario probability (%)	**5%**		**77%**		**18%**		**Combination[1]**	
Scalar	**1.2**		**1.4**		**1.64**		**1.44**	
	R'000		**R'000**		**R'000**		**R'000**	
Impact on ECL[2]	**(10 299 581)**		**(1 716 597)**		**8 582 984**		**Base**	

[1] *The blended scenario is the probability-weighted scenario made up of the following scenarios – best case (5%), expected case (77%) and a worst case (18%).*

[2] *The impact of forward-looking information on the IFRS 9 ECL provision is an increase of R31.25 million. This is depicted as the zero base case in the blended column in the above table as the impact is already included in the ECL for the current period. The percentage change of the total IFRS 9 provision is a 2.0% downward adjustment should a 100% best case scenario be assumed, a 0.3% downward adjustment should a 100% expected scenario be assumed and a 1.6% upward adjustment should a 100% worst-case scenario be assumed.*

2. Critical estimates, judgements and assumptions continued
2.2 Credit impairment *continued*
2.2.1 Credit impairment of loans and advances (refer to Notes 9 and 43) *continued*

	Expected		Worst		Blended[1]	
	12 months %	Lifetime %	12 months %	Lifetime %	12 months %	Lifetime %
2022						
Factors						
GDP	2.5	1.7	(6.1)	(1.7)	(3.5)	(0.7)
Prime rate	8.0	8.8	8.6	10.7	8.4	10.1
Scenario probability	30	–	70	–	Combination	
		R'000		R'000		R'000
Increase on ECL[2]		27 657		59 924		–

[1] *The blended scenario is the actual/base case scenario against which the best, expected and worst-case scenarios are benchmarked. The blended scenario comprises 30% of the expected case scenario and 70% of the worst-case scenario.*

[2] *The impact of forward-looking information on the IFRS 9 ECL provision is an increase of R50.1 million. This is depicted as the zero base case in the blended column in the above table as the impact is already included in the ECL for the current period. The percentage change of the total IFRS 9 provision is a 4.0% downward adjustment should a 100% best case scenario be assumed, a 2.0% upward adjustment should a 100% worst-case scenario be assumed.*

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

2.2.2 Credit impairment of negotiable securities (refer to Notes 5 and 43)

Similar to the credit impairment on loans and advances, the Group applies judgement in the manner in which it defines and applies a SICR, which is the driver in dividing the negotiable security portfolio between Stage 1, Stage 2 and Stage 3, with:

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

Refer to accounting policy Note 1.13 for more information on a SICR.

The Group further applies judgement in determining the inputs used in the ECL model, i.e. the PD, LGD, EAD and TTD that are used to determine the ECL for each of Stage 1, Stage 2 and Stage 3. The S&P International Rating Scale is applied to the PD's based on the legal entity's current credit risk rating, as rated by an accredited rating agency. Similar to the credit impairment on loans and advances, the Group applies expert judgement in the manner in which it defines and applies a SICR, which is the driver in segmenting the negotiable security portfolio between Stages 1, 2 and 3. The move from 12-month expected credit loss to lifetime expected credit loss can result in a substantial increase in ECL.

The sensitivity analysis performed indicates an additional ECL charge of circa R3.5 million to the income statement if 40% of the gross carrying amount of negotiable securities held at amortised cost suffered a SICR and moved from Stage 1 to Stage 2 as at 30 June 2023. A 40% increase in financial instruments held at amortised cost categorised as Stage 2 can be viewed as a severe possible alternative based on the nature of the instrument and current economic conditions. To calculate a net present value (NPV) and ECL of the Land Bank, being a Stage 3 exposure, expert judgement was applied. The calculation of the ECL for the financial year ended 30 June 2023 was done on an NPV basis, using the expected cash inflows from the five year term loan as set out in the proposed Liability Solution. Due to the fact that the liability solution, as at the date of this report, has not been finalised, Sasfin appropriately discounted the expected cashflows accordingly. Various cash flow scenarios were built ranging from an expected case to mild stress to severe stress, each then discounted using an expected, best case and worst-case credit risk premium. The final NPV was then calculated as a blended NPV by attaching probabilities to each of the potential outcomes to derive a final proposed ECL. The range between best case and worse-case was R38.9 million to R110.6 million.

2. Critical estimates, judgements and assumptions *continued*

2.3 Private Equity investment valuations (refer to Note 10)

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

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

- marketability and minority discounts;
- weighted average cost of capital (WACC);
- estimates of local and global macro-economic performance, including factors such as expected interest and exchange rates;
- estimates of future operating cash flows of investees' businesses;
- estimates of long-term underlying operational performance of investees' businesses;
- expected capital expenditure and working capital needs of investees' businesses;
- assessment of long-term viability of investees' business models; and
- the inherent risks specific to the investees' businesses and the industries and countries in which these entities operate.

The valuations are reviewed and approved by the CLEC and are recommended to the Board for approval.

2.4 Property Equity investment valuations (refer to Note 10)

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

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

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

- selection of capitalisation rates appropriate for the property considering its location, condition, nature of tenant(s), lease term, etc;
- estimated operating factors such as operating costs, expected occupancy and tenant turnover; and
- comparisons to market-related rental yields and/or sold prices achieved for similar properties.

The valuations are reviewed and approved by the CLEC and recommended to the Board for approval.

2.5 Fair value (refer to Note 41)

The valuation techniques for fair value measurement of the investment securities have been assessed by the respective valuation committees to determine the impact on the fair value measurements of these instruments. When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participants.

The assessment factored in the lingering impact of the shock events on the forecasted cash flows and other critical assumptions of businesses and the economy as a whole i.e. capitalisation rates, growth rate assumptions, WACC, cost of capital, and vacancy rates of properties. This assessment was considered on a company-by-company basis taking into account (inter alia) the industry within which it operates, and its own financial strength.

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

The Group measures the fair value of a financial instrument using its quoted price in an active market.

A market is regarded as active if transactions for the financial instrument take place with sufficient frequency and volume to provide pricing information on an ongoing basis.

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

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

2. Critical estimates, judgements and assumptions *continued*

2.5 Fair value (refer to Note 41) *continued*

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

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

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

The Group's valuation methodologies comprise:

- price:earnings multiple valuation methodology;
- recent transaction prices and comparisons with similar instruments;
- net asset value;
- discounted cash flow or earnings; and
- Black-Scholes Option Pricing.

Assumptions and inputs used in the valuation methodologies comprise:

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

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

Fair value hierarchy

Valuation models

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

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

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

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

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

2.6 Intangible assets and goodwill (refer to Note 13)

2.6.1 Intangible assets

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

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

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

2. Critical estimates, judgements and assumptions *continued*

2.6 Intangible assets and goodwill (refer to Note 13) *continued*

2.6.1 Intangible assets *continued*

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

On an annual basis, the Group assesses impairment indicators relating to purchased information technology software such as technology advancement and the ability of the asset to continue to generate future economic benefits. Should an impairment indicator be triggered, the related software is assessed for impairment.

Internally developed software that is still in the development phase is assessed annually for impairment.

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

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

2.6.2 Goodwill

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

2.7 Current and deferred taxation (refer to Notes 14 and 35)

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

Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the unused tax losses can be utilised. Deferred tax assets are reviewed at each reporting date for recoverability. These assets are reduced to the extent that it is no longer probable that the related tax benefit will be realised. Management's judgement surrounding the probability and sufficiency of future taxable profits, future reversals of existing taxable differences and ongoing developments will determine the recognition of deferred tax. The most significant management assumption in determining whether the deferred tax asset should be recognised is the forecasts used to support the probability assessment that sufficient taxable profits will be generated by the entities in the Group to utilise the deferred tax assets in the medium term.

2.8 Assessment of significant influence and control of entities (refer to Note 40)

In assessing significant influence, the Group assesses voting rights and exercises judgement to determine whether the Group has the power to participate in an entity's financial and operating policy decisions rather than control thereof.

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

2.9 Statement of cash flows – allocation of funding between operating and financing activities

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

2.10 Prescription

Assets and liabilities are regularly assessed to determine whether they may be subject to a claim where the claim may be defeated due to prescription. Prescription occurs when the legal right to enforce a claim or obligation has expired, typically as defined by applicable laws and regulations. The Company relies on legal counsel and expert advice to assess prescription. Prescription periods are interrupted by an admission of indebtedness or by institution of judicial process whereby, the creditor institutes legal action to recover the debt. Upon meeting the prescription requirements, the assets or liabilities are derecognised and a corresponding entry is recognised in profit or loss.

3. Standards/interpretations issued but not yet effective

There are new or revised accounting standards and interpretations in issue that are not yet effective for the year ended 30 June 2023 and have not been applied in preparing these Consolidated and Separate Annual Financial Statements. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following standards and interpretations that have been issued, with an indication of the estimated impact on the future financial statements of the Group:

Pronouncement	Title and details	Effective date
IFRS 17	*Insurance Contracts* IFRS 17 replaces the current standard on insurance contracts, IFRS 4. It creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. Among others, IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows, taking into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are further required to be measured based only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered rather than on receipt of premiums. This standard is not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2023.
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	*Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8* The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2023.
IAS 12 amendments	*Deferred tax related to assets and liabilities arising from a single transaction* These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deductible temporary differences. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2023.

3. Standards/interpretations issued but not yet effective *continued*

Pronouncement	Title and details	Effective date
IAS 12 amendments	*International tax reform – pillar two model rules* These amendments give companies temporary relief from accounting for deferred taxes arising from the Organisation for Economic Co-operation and Development (OCCDs) international tax reform. The amendments also introduce targeted disclosure requirements for affected companies. These amendments are not expected to have an impact on the Group.	Required disclosure per the amendment is effective for annual periods beginning on or after 1 January 2023
IAS 1 amendments	*Classification of liabilities as current or non-current* Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and, instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. The amendments clarified that a company has a right to defer settlement of a liability if the company complies with those conditions at that date. As part of the amendment it specified that only covenants with which a company must comply on or before the reporting date affect the classification of a liability as current or non-current. For liabilities that a company is only required to assess compliance with covenants within twelve months after the reporting date (or further), it would have no effect on the classification of a liability. However, for such liabilities the amendment requires separate disclosure of the information about the covenants, the carrying amount of the related liabilities and the facts and circumstances, if any, that indicate the entity may have difficulty complying with the covenants in the annual financial statements. It also clarified that an entity does not have a right to defer settlement (and therefore classify it as current), if the liability could become repayable within twelve months at the discretion of the counterparty or third party or depending on an uncertain future event or outcome that is unaffected by the company's future actions. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2024.

3. Standards/interpretations issued but not yet effective *continued*

Pronouncement	Title and details	Effective date
IFRS 16 amendments	*Lease Liability in a Sale and Leaseback* The amendment clarifies how a seller-lessee accounts for variable lease payments that arise in a sale-and-leaseback transaction. The amendment confirms that on initial recognition, the seller-lessee includes variable lease payments when it measures a lease liability arising from a sale-and-leaseback transaction. After initial recognition, the seller-lessee applies the general requirements for subsequent account of the lease liability such that it recognises no gain or loss relating to the right of use it retains. The amendment is to applied retrospectively to sale-and-leaseback transactions entered into or after the date of initial application of IFRS 16. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2024.
IFRS 7 and IAS 7 amendments	*Supplier Finance Arrangements – new disclosure requirements* The amendments made to IAS 7 *Statement of Cash Flows* and IFRS 7 *Financial Instruments: Disclosures* is to enhance the usefulness of information provided by entities in relation to supplier finance arrangements. The amendments are intended to assist the users of the financial statements to better understand the effect of such arrangements on the entity's liabilities, cash flows and exposure to liquidity risk. As part of the amendment, the amendment clarifies the characteristics of supplier finance arrangements and disclosure requirements. The disclosure requirements includes the requirement for an entity to provide information about the impact of supplier finance arrangements on liabilities and cash flows. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2024.
IAS 21 amendment	*Lack of Exchangeability* The amendments to IAS 21 *The Effects of Changes in Foreign Exchange Rates* aims to clarify how an entity should assess whether a currency is exchangeable, how to determine the spot exchange rate when exchangeability is lacking and disclosure in the financial statements to enable the financial users to understand the impact of a currency not being exchangeable. These amendments are not expected to have an impact on the Group.	Annual periods beginning on or after 1 January 2025.

4. Cash and cash equivalents

	2023 R'000	2022 R'000 Restated[1]
Funds on call[1]	**338 991**	154 714
Notice deposits	**93 694**	6 925
Balance with the SARB[2]	**155 219**	153 234
Fixed deposits[3]	**27 290**	26 730
Cash on hand	**13**	13
Money market funds at fair value through profit or loss[1]	**251 430**	427 154
Total per consolidated statement of financial position	**866 637**	768 770
Less: Bank overdraft[4]	**–**	(68 541)
Total per consolidated statement of cash flows	**866 637**	700 229

1 *Money market funds at fair value through profit or loss were further disaggregated from funds on call in the current year. In addition, a multi-asset fund did not meet the definition of a cash equivalent and was reclassified to investment securities at fair value through profit or loss. The prior year was amended accordingly. Please refer to Note 49 for further detail.*
2 *The balance with the SARB is for minimum reserve requirements and is available for use subject to certain restrictions and limitations imposed by the central bank.*
3 *The funds are easily accessible if required by the Group.*
4 *The bank overdraft is not included in the calculation of cash and cash equivalents presented in the statement of cash flows in the current year as it forms part of financing activities.*

5. Negotiable securities

	2023 R'000	2022 R'000
Treasury bills[1]	**1 151 463**	1 643 725
Land Bank bills	**203 478**	270 293
Negotiable securities before impairments	**1 354 941**	1 914 018
Credit loss allowance[2]	**(61 530)**	(123 678)
Net negotiable securities	**1 293 411**	1 790 340

1 *Treasury bills to the value of R393 million (2022: R607 million) have been pledged for the SARB refinancing auction.*
2 *For key management inputs and assumptions relating to ECL, refer to Notes 43.1 and 43.3.3.*

6. Trading assets and liabilities[1]

	Financial assets		Financial liabilities	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
Financial assets held for trade facilitation comprise the following categories of rated bond positions all of which are traded through the JSE:				
Government bonds	**26 083**	23 010	**195 019**	213 242
Government-owned entities	**161 420**	171 214	**–**	–
Corporate bonds	**33 989**	51 193	**–**	–
Derivatives	**32 798**	56 653	**27 683**	59 459
	254 290	302 070	**222 702**	272 701
Financial assets no longer held for trade facilitation as they were delisted from the JSE:				
Government-owned entities[2]	**19 309**	20 104	**–**	–
	273 599	322 174	**222 702**	272 701

1 *Financial assets and liabilities held for trade facilitation relate to the Fixed Income trading business in Sasfin Securities (Pty) Limited. Financial assets held for trade facilitation are economically hedged by financial liabilities held for trade facilitation, minimising the Group's exposure to interest rate risk.*
2 *Refer to Note 41.1 for additional information.*

6. Trading assets and liabilities *continued*

6.1 Reverse repurchase and repurchase agreements

The Group holds proprietary bond positions for trade facilitation related to the Fixed Income business in Sasfin Securities (Pty) Limited. This book consists of rated bond positions all traded through the JSE.
In the normal course of business, the Group enters into repurchase (repo) and reverse repurchase (reverse repo) agreements to facilitate these trades. Repurchase and reverse repurchase agreements are not set off.

	2023 R'000	2022 R'000
Reverse repurchase agreements (assets)	**193 597**	225 674
Repurchase agreements (liabilities)	**218 642**	245 895
6.2 Total trading assets	**467 196**	547 848
Financial assets	**273 599**	322 174
Reverse repurchase agreements (assets)	**193 597**	225 674
6.3 Total trading liabilities	**441 344**	518 596
Financial liabilities	**222 702**	272 701
Repurchase agreements (liabilities)	**218 642**	245 895

	2023 R'000	2022 R'000 Restated[1]
7. Trade and other receivables[2]		
Financial assets	**1 070 097**	681 739
Stockbroking receivables[3]	**782 567**	301 998
Insurance coverage asset	**–**	52 203
Trade receivables[1]	**168 300**	288 642
Sundry receivables[1, 4]	**119 230**	38 896
Non-financial assets	**178 996**	157 354
Value added taxation[1]	**139 620**	90 411
Prepaid expenses	**31 815**	37 620
Other receivables	**7 561**	29 323
Other receivables before impairments	**1 249 093**	839 093
Credit loss allowance	**(16 141)**	(493)
Net trade and other receivables	**1 232 952**	838 600

1 *Prior periods by restatement, please refer to Note 49 for additional information.*
2 *The note was re-presented to distinguish between contractual financial instruments and non-contractual assets. There has been no impact on the primary financial statements.*
3 *The stockbroking receivables represent unsettled transactions in terms of the trading rules applicable to the specific exchange where the deal was booked.*
4 *Significant increase from prior year due to recoveries from duplicate and excess client balances in foreign exchange (forex), increase in a debtor and an increase in the Visa deposit from R40.9 million to R49.2 million.*

	2023 R'000	2022 R'000
8. Non-current assets held for sale		
Investment property		–
Fair value at the beginning of the year	**–**	6 700
Transfer to investment property	**–**	(6 700)
Total non-current assets held for sale	**–**	–

9. Loans and advances

	Total R'000	Year 1 R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
2023							
Loans and advances at amortised cost							
Gross investment in leases	**9 947 212**	**3 772 945**	**2 758 167**	**1 922 327**	**1 098 123**	**363 465**	**32 185**
Equipment Finance	**6 682 660**	**2 627 582**	**1 856 371**	**1 283 607**	**701 073**	**207 898**	**6 129**
Capital Equipment Finance	**3 264 552**	**1 145 363**	**901 796**	**638 720**	**397 050**	**155 567**	**26 056**
Less: Unearned finance income	**(2 137 913)**	**(968 388)**	**(651 901)**	**(347 443)**	**(138 848)**	**(28 944)**	**(2 389)**
Equipment Finance	**(1 431 208)**	**(676 820)**	**(433 115)**	**(223 927)**	**(83 534)**	**(13 342)**	**(470)**
Capital Equipment Finance	**(706 705)**	**(291 568)**	**(218 786)**	**(123 516)**	**(55 314)**	**(15 602)**	**(1 919)**
Net investment in leases	**7 809 299**	**2 804 557**	**2 106 266**	**1 574 884**	**959 275**	**334 521**	**29 796**
Equipment Finance	**5 251 452**	**1 950 762**	**1 423 256**	**1 059 680**	**617 539**	**194 556**	**5 659**
Capital Equipment Finance	**2 557 847**	**853 795**	**683 010**	**515 204**	**341 736**	**139 965**	**24 137**
Trade and Debtor Finance	**690 213**						
Other Loans[1]	**489 947**						
Loans and advances before expected credit losses	**8 989 459**						
Credit loss allowance (refer to Note 43)	**(523 827)**						
Total loans and advances at amortised cost	**8 465 632**						
Loans and advances at FVTPL	**584 344**						
Specialised lending[1]	**584 344**						
Total loans and advances[2]	**9 049 976**						
2022							
Loans and advances at amortised cost							
Gross investment in leases	8 421 351	3 297 156	2 341 675	1 565 270	879 098	330 611	7 541
Equipment Finance	5 963 276	2 392 566	1 639 724	1 079 249	619 783	230 174	1 780
Capital Equipment Finance	2 458 075	904 590	701 951	486 021	259 315	100 437	5 761
Less: Unearned finance income	(1 484 624)	(704 400)	(438 346)	(230 574)	(92 626)	(18 037)	(641)
Equipment Finance	(1 066 178)	(514 844)	(311 087)	(162 566)	(65 744)	(11 769)	(168)
Capital Equipment Finance	(418 446)	(189 556)	(127 259)	(68 008)	(26 882)	(6 268)	(473)
Net investment in leases	6 936 727	2 592 756	1 903 329	1 334 696	786 472	312 574	6 900
Equipment Finance	4 897 098	1 877 722	1 328 637	916 683	554 039	218 405	1 612
Capital Equipment Finance	2 039 629	715 034	574 692	418 013	232 433	94 169	5 288
Trade and Debtor Finance	707 601						
Other loans	571 219						
Loans and advances before expected credit losses	8 215 547						
Credit loss allowance (refer to Note 43)	(475 251)						
Total loans and advances at amortised cost	7 740 296						
Loans and advances at FVTPL	377 291						
Specialised lending	377 291						
Total loans and advances[2, 3]	8 117 587						

[1] *During the year, a strategic decision was taken to transfer certain outstanding loans to an external party (for which substantially all the risk and rewards of ownership were transferred) resulting in derecognition of these loans and advances. Further, there was also the transfer of an equity investment and profit participation (for which the Group retained all the risks and rewards of ownership); as such this was not derecognised. No associated liabilities were linked to the transferred financial assets for which risks and rewards were retained. For the transferred equity investment and profit participation, the Group is still exposed to the variability of the amounts to be received. Ownership of this was legally transferred, resulting in the Group not being the legal owner of the shares and as such these financial assets were presented as part of loans and advances as the Group has a contractual right to receive the cash. The carrying amount is R13 million and R24 million for the equity investment and the profit participation respectively.*

[2] *Loans and advances with a carrying amount of R4.073 billion have been ceded as security for the debt securities issued. Refer to Note 20.*

[3] *Prior periods by restatement, please refer to Note 49 for additional information.*

	2023 R'000	2022 R'000 Restated[1]
10. Investment securities		
Investments at fair value through profit or loss	**621 058**	634 697
Listed equity investments	**–**	275
Private Equity investments[2]	**412 314**	411 787
Property Equity investments[2]	**103 780**	117 335
Multi-asset fund[1]	**104 964**	105 300
Equity accounted associates	**79 860**	54 750
	700 918	689 447

1 *Relates to money market funds that did not meet the definition of cash equivalents. Prior year was amended accordingly. Please refer to Note 49 for further detail.*
2 *Private and Property Equity investments were disaggregated in the current year. Prior year was amended accordingly.*

The associates of the Group that are classified and measured at FVTPL are involved in a variety of businesses. The voting rights in these investments range between 20% and 50%.

All associates are incorporated in South Africa. A full list of associates is available, on request, at the registered office of the Group. Refer to Note 40.5.1 for any changes in associates noted.

Material associates[1]

	Material associates			
	Innovent Investment Holdings (Pty) Limited[2]		MCG Industries (Pty) Limited[3]	
	2023 R'000	2022 R'000	2023 R'000	2022 R'000
	Fair value through profit or loss			
Dividends received	**–**	–	**–**	–
Summarised financial information:				
Current assets	**340 202**	353 333	**–**	51 472
Non-current assets	**423 190**	285 575	**–**	51 381
Current liabilities	**288 211**	188 184	**–**	73 509
Non-current liabilities	**164 933**	117 827	**–**	263 450
Total equity	**310 248**	332 897	**–**	(234 106)
Revenue	**624 589**	548 003	**–**	263 272
Profit or loss from continuing operations	**60 958**	74 262	**–**	(34 075)
Post tax profit or loss from discontinued operations	**–**	–	**–**	–
Other comprehensive income	**–**	–	**–**	–
Total comprehensive income	**60 958**	74 262	**–**	(34 075)
Reconciliation of summarised financial information presented to the carrying amount of equity accounted associate				
Total equity	Not required as it is accounted for at fair value through profit or loss			
Group's share in equity - 70% (2022: 70%)[5]				
Additional share of profit				
Group's carrying amount of the investment				

1 *This disclosure has been enhanced from prior year by including disclosures of material and immaterial associates in line with IFRS 12 Disclosure of Interests in Other Entities.*
2 *The amounts presented are before group eliminations due to information not being readily available.*
3 *In the prior year, MCG Industries (Pty) Limited was regarded as a material associate, however, during the current year the investment was disposed of with no investment held at year end.*
4 *In the prior year, Refractory and Metallurgical Solution was regarded as a material associate. However, in the current year it is no longer regarded as a material associate based on the closing balance and as such it is included in the disclosure of immaterial associates.*
5 *The Group has an equity investment of 49% in Axo Holdings, however, due to the Group holding Axo Holdings preference shares, the Group's economic interest is 70%.*

Material associates							
Refractory and Metallurgical Solution (Pty) Limited[4]		Joytone Trading (Pty) Limited		Kerisys (Pty) Limited		Axo Holdings (Pty) Limited	
2023 R'000	2022 R'000	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000	**2023 R'000**	2022 R'000
Fair value through profit or loss						Equity accounted	
–	–	**–**	–	**–**	–	**6 160**	6 860
–	100 043	**1 182**	2 209	**10 107**	148	**86 012**	40 212
–	21 757	**225 692**	232 483	**410 356**	366 175	**38 842**	33 434
–	76 257	**6 134**	2 620	**20 974**	16 527	**27 184**	9 786
–	78 581	**237 825**	231 752	**258 027**	270 893	**7 036**	5 609
–	(33 037)	**(17 084)**	320	**141 463**	78 902	**90 634**	58 251
–	151 576	**37 951**	35 814	**14 607**	25 778	**180 309**	117 089
–	6 804	**(6 003)**	775	**(1 849)**	(2 766)	**45 879**	20 989
–	–	**–**	–	**–**	–	**–**	–
–	–	**–**	–	**–**	–	**–**	–
–	6 804	**(6 003)**	775	**(1 849)**	(2 766)	**45 879**	20 989
						90 634	58 251
						63 444	40 776
						7 551	4 520
						70 994	45 296

10. Investment securities *continued*

Immaterial associates[1]

	Immaterial associates Total 2023 R'000	2022 R'000
Carrying amount	**55 167**	30 591
Profit or (loss) from continuing operations[2]	**5 142**	(748)
Total comprehensive income[2]	**5 142**	(748)

[1] *This disclosure has been enhanced from prior year by including disclosures of material and immaterial associates in line with IFRS 12 Disclosure of Interests in Other Entities.*

[2] *Povilux and Elevenfifty have a 28 February year-end. The year-ends differ due to the entities having their own year-ends, which do not coincide with the Group's year-end. Management's best estimates were used to reflect balances as at 30 June.*

11. Property, equipment and right-of-use assets

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and Buildings (leasehold improvements) R'000	Right-of-use assets R'000	Total R'000
2023						
Cost at the beginning of the year	**115 110**	**18 744**	**2 929**	**44 404**	**219 944**	**401 131**
Additions	**7 419**	**2 517**	**–**	**996**	**10 059**	**20 991**
Disposals	**(1 642)**	**(113)**	**–**	**–**	**(2 061)**	**(3 816)**
Cost at the end of the year	**120 887**	**21 148**	**2 929**	**45 400**	**227 942**	**418 306**
Accumulated depreciation and impairment at the beginning of the year	**(86 933)**	**(11 012)**	**(2 757)**	**(27 920)**	**(89 427)**	**(218 049)**
Depreciation charge for the year	**(12 510)**	**(2 031)**	**(95)**	**(3 206)**	**(21 633)**	**(39 475)**
Disposals	**1 607**	**86**	**–**	**–**	**2 061**	**3 754**
Accumulated depreciation and impairment at the end of the year	**(97 836)**	**(12 957)**	**(2 852)**	**(31 126)**	**(108 999)**	**(253 770)**
Carrying amount at the beginning of the year	**28 177**	**7 732**	**172**	**16 484**	**130 517**	**183 082**
Carrying amount at the end of the year	**23 051**	**8 191**	**77**	**14 274**	**118 943**	**164 536**

11. Property, equipment and right-of-use assets *continued*

	Computer equipment R'000	Furniture and fittings R'000	Motor vehicles R'000	Land and Buildings (leasehold improvements) R'000	Right-of-use assets R'000	Total R'000
2022						
Cost at the beginning of the year	99 863	25 973	2 929	28 938	88 650	246 353
Additions	16 046	7 285	–	15 466	137 387	176 184
Disposals	(799)	(14 514)	–	–	(6 093)	(21 406)
Cost at the end of the year	115 110	18 744	2 929	44 404	219 944	401 131
Accumulated depreciation and impairment at the beginning of the year	(76 455)	(22 377)	(2 547)	(22 879)	(57 029)	(181 287)
Depreciation charge for the year	(11 266)	(2 204)	(210)	(5 041)	(36 704)	(55 425)
Disposals	789	13 568	–	–	4 306	18 663
Transfers	(1)	1	–	–	–	–
Accumulated depreciation and impairment at the end of the year	(86 933)	(11 012)	(2 757)	(27 920)	(89 427)	(218 049)
Carrying amount at the beginning of the year	23 408	3 596	382	6 059	31 621	65 068
Carrying amount at the end of the year	28 177	7 732	172	16 484	130 517	183 082

12. Investment property

	2023 R'000	2022 R'000
Fair value at the beginning of the year	**20 138**	16 400
Disposal	**(1 177)**	(1 800)
Transfers from non-current assets held for sale (refer to Note 8)	**–**	6 700
Fair value movements during the year[1]	**(4 361)**	(1 162)
Fair value at the end of the year	**14 600**	20 138

[1] *An investment property was sold in the current year for an amount below its carrying value. A R4.3 million write down was processed before its sale which represents the fair value movement of the investment property.*

13. Intangible assets and goodwill

	Distributor relationships R'000	Purchased software R'000	Internally generated intangible assets[1] R'000	Goodwill[2] R'000	Total R'000
As at 1 July 2022					
Cost	**58 429**	**17 523**	**223 486**	**33 087**	**332 525**
Accumulated amortisation and impairment	**(44 643)**	**(15 201)**	**(127 117)**	**(835)**	**(187 796)**
Carrying amount at the beginning of the year	**13 786**	**2 322**	**96 369**	**32 252**	**144 729**
Additions	**–**	**–**	**6 257**	**–**	**6 257**
Amortisation	**(5 375)**	**(728)**	**(29 771)**	**–**	**(35 874)**
Impairment	**–**	**–**	**(4 163)**	**–**	**(4 163)**
Carrying amount at the end of the year	**8 411**	**1 594**	**68 692**	**32 252**	**110 949**
As at 1 July 2021					
Cost	58 429	17 523	207 821	33 087	316 860
Accumulated amortisation and impairment	(39 268)	(12 877)	(103 023)	(835)	(156 003)
Carrying amount at the beginning of the year	19 161	4 645	104 798	32 252	160 856
Additions	–	–	15 665	–	15 665
Amortisation	(5 375)	(2 323)	(24 094)	–	(31 792)
Carrying amount at the end of the year	13 786	2 322	96 369	32 252	144 729

1 *All software-related intangible assets are internally generated and bespoke and therefore cannot be reliably valued at fair value. The recoverable amount was therefore based on value-in-use (VIU), where applicable. Treasury's WACC of 11.11% (2022: 10.58%), a terminal growth rate of 1% (2022: 1%) (South African GDP-based growth rate) and a three-year pre-tax budgeted cash flow forecast[3] was used to discount expected future cash flows.[4] The recoverable amount for the Forex CGU was less than the carrying value resulting in an impairment on these internally generated intangible assets.*

2 *The Group assesses the recoverable amount based on VIU of the CGU, which is R51.624 million (2022: R53.952 million) to which the goodwill relates, taking into account the current and estimated future profitability of the CGU, to determine whether it is at least equal to the carrying amount of the related goodwill. Should the carrying amount exceed the recoverable amount, an impairment is recognised. The CGU is, in most cases, the subsidiary to which the goodwill relates. The Group's WACC of 11.11% (2022: 10.58%), a terminal growth rate of 1% (2022: 1%) (South African GDP-based growth rate) and a three-year budgeted cash flow forecast[3] is used to discount expected future cash flows.*

3 *The three-year budgeted cash flow forecast is based on pre-tax budgeted inputs were adjusted for macro-economic drivers including GDP, inflation, credit risk, exchange rates, and other cost drivers for a three-year period from 2024 to 2026.*

4 *If the growth and cash flow inputs are flexed there is still not a material difference to the outcome of the calculations.*

13. Intangible assets and goodwill *continued*

	2023 R'000	2022 R'000
Allocation of goodwill		
Goodwill relating to the Asset Finance Pillar	**28 497**	28 497
Goodwill relating to the Wealth Pillar	**3 755**	3 755
	32 252	32 252

14. Deferred tax assets and liabilities

	2023 R'000	2022 R'000
Deferred tax assets	**64 228**	45 380
Deferred tax liabilities	**(155 633)**	(144 696)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2023			2022		
	Assets R'000	Liabilities R'000	Net R'000	Assets R'000	Liabilities R'000	Net R'000
Equipment finance	**(2 522)**	**(254 685)**	**(257 207)**	–	(245 881)	(245 881)
Tax losses[1]	**72 540**	**91 963**	**164 503**	40 103	94 139	134 282
Fair value adjustment	**(22 631)**	**(33 159)**	**(55 790)**	44	(40 777)	(40 733)
Prepayments	**(353)**	**(4 023)**	**(4 376)**	(385)	(3 018)	(3 403)
Provisions	**23 270**	**49 083**	**72 353**	16 713	52 683	69 356
Investment property	**–**	**(789)**	**(789)**	–	(984)	(984)
Intangible assets	**3 338**	**(7 988)**	**(4 650)**	–	(3 114)	(3 114)
Property, equipment and right-of-use assets	**(1 442)**	**(30 581)**	**(32 023)**	(1 479)	(34 077)	(35 556)
Lease liabilities	**1 665**	**38 499**	**40 164**	1 700	40 077	41 777
Other temporary differences[2]	**(9 637)**	**(3 953)**	**(13 590)**	(11 316)	(3 744)	(15 060)
Net tax assets/(liabilities)	**64 228**	**(155 633)**	**(91 405)**	45 380	(144 696)	(99 316)

[1] *These tax losses have arisen from the group entities incurring operational tax losses. These assets are anticipated to be recovered as financial projections for a period of five years indicating that it is probable that these entities will produce sufficient future taxable profit. The Group has actual tax losses of R11.2 million (2022: R12.3 million) that have not been recognised.*
[2] *These relate primarily to a portion of the deferred tax asset on assessed losses derecognised in Sasfin Capital (Pty) Limited.*

The Group has historically applied a conservative approach to certain tax allowances relating to timing differences on lease assets. The impact is that higher tax was paid in the past. In the current year, the decision has been taken to revise the estimate of allowances allowed prospectively in terms of the relevant tax legislation. The prospective adjustments will impact temporary timing differences.

14. Deferred tax assets and liabilities *continued*

Recognised deferred tax assets and liabilities *continued*

Movements in temporary differences during the year

	Balance at 1 July R'000	Recognised in Other Compre-hensive Income (OCI) R'000	Recognised in profit or loss R'000	Tax rate change effect R'000	Balance at 30 June R'000
2023					
Equipment finance	**(245 881)**	**–**	**(11 326)**	**–**	**(257 207)**
Tax losses	**134 242**	**–**	**30 261**	**–**	**164 503**
Fair value adjustment	**(40 733)**	**–**	**(15 057)**	**–**	**(55 790)**
Prepayments	**(3 403)**	**–**	**(973)**	**–**	**(4 376)**
Provisions	**69 396**	**–**	**2 957**	**–**	**72 353**
Investment property	**(984)**	**–**	**195**	**–**	**(789)**
Intangible assets	**(3 114)**	**–**	**(1 536)**	**–**	**(4 650)**
Property, equipment and right-of-use assets	**(35 556)**	**–**	**3 533**	**–**	**(32 023)**
Lease liabilities	**41 777**	**–**	**(1 613)**	**–**	**40 164**
Other temporary differences	**(15 060)**	**–**	**1 470**	**–**	**(13 590)**
	(99 316)	**–**	**7 911**	**–**	**(91 405)**
2022					
Equipment finance	(252 784)	–	(2 204)	9 107	(245 881)
Tax losses	81 167	–	58 088	(5 013)	134 242
Fair value adjustment	(44 120)	–	1 876	1 511	(40 733)
Prepayments	(2 019)	–	(1 508)	124	(3 403)
Provisions	163 031	–	(91 180)	(2 455)	69 396
Investment property	(1 097)	–	89	24	(984)
Intangible assets	(4 597)	–	1 483	–	(3 114)
Property, equipment and right-of-use assets	(8 475)	–	(28 398)	1 317	(35 556)
Lease liabilities	11 442	–	31 882	(1 547)	41 777
Other temporary differences	(15 734)	–	318	356	(15 060)
	(73 186)	–	(29 554)	3 424	(99 316)

	2023 R'000	2022 R'000
15. Funding under repurchase agreements		
Funding under repurchase agreements	**351 885**	803 976
	351 885	803 976

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

	2023 R'000	2022 R'000 Restated[1]
16. Trade and other payables		
Financial liabilities[4]	**1 306 295**	1 015 397
Stockbroking payables[2]	**827 284**	270 811
Accounts payable[1]	**353 900**	593 368
Other payables[1, 3]	**125 111**	151 218
Non-financial liabilities	**142 381**	99 022
Value-added taxation[1]	**102 404**	52 391
Audit fees and other services	**18 001**	18 760
Accruals[1]	**21 976**	27 736
Income received in advance	**–**	135
	1 448 676	1 114 419

[1] *Prior periods by restatement, please refer to Note 49 for additional information.*
[2] *The Stockbroking payables represents unsettled transactions in terms of the trading rules applicable to the specific exchange where the deal was booked.*
[3] *Primarily comprises of accruals for commission payable to suppliers and transactional income owed to Hello Paisa.*
[4] *The note was re-presented to distinguish between contractual financial instruments and non-contractual liabilities. There has been no impact on the primary financial statements.*

	2023 R'000	2022 R'000 Restated[1]
17. Provisions[1]		
Leave pay provision	**21 643**	22 355
Bonus provision	**47 014**	46 993
	68 657	69 348

Movements in each class of provision:

	Bonus provision R'000	Leave pay provision R'000	Total R'000
2023			
Carrying amount at the beginning of the year	**46 993**	**22 355**	**69 348**
Movement recognised in profit or loss:	**48 895**	**4 505**	**53 400**
Additional provisions recognised	**55 297**	**6 409**	**61 706**
Over provision in prior year	**(6 402)**	**(1 904)**	**(8 306)**
Amounts used during the year	**(48 874)**	**(5 217)**	**(54 091)**
Carrying amount at the end of the year	**47 014**	**21 643**	**68 657**

[1] *These provisions are raised in terms of IAS 19 Employee Benefits.*

17. Provisions *continued*

Movements in each class of provision *continued*

	Bonus provision R'000	Leave pay provision R'000	Total R'000
2022			
Carrying amount at the beginning of the year	48 397	24 317	72 714
Movement recognised in profit or loss:	47 449	3 423	50 872
Additional provisions recognised	61 098	2 505	63 603
(Over)/Under provision in prior year	(13 649)	918	(12 731)
Amounts used during the year	(48 853)	(5 385)	(54 238)
Carrying amount at the end of the year	46 993	22 355	69 348

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

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

18. Lease liabilities

	2023 R'000	2022 R'000
Reconciliation of lease liabilities		
Opening lease liabilities	**157 116**	43 205
Additions	**10 059**	137 632
Interest expense (refer to Note 28)	**14 346**	13 884
Capital repayments	**(15 908)**	(33 232)
Interest repayments	**(14 095)**	(4 373)
Total capitalised lease liability	**151 518**	157 116

The total cash outflow for leases included in the lease liability in 2023 was R30.0 million (2022: R37.6 million). Refer to Note 44.1 for the maturity analysis of the undiscounted contractual cash flows.

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

19. Deposits from customers

	2023 R'000	2022 R'000
Current deposits	**923 184**	674 394
Call deposits	**1 705 562**	1 565 153
Notice deposits	**1 389 965**	946 497
Fixed deposits	**1 517 341**	2 011 826
Negotiable certificates of deposit	**93 391**	35 312
	5 629 443	5 233 182

	2023 R'000	2022 R'000
20. Debt securities issued		
Category analysis		
Rated	**3 720 138**	2 991 426

These floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts in the name of SASP (refer to Note 9). All notes are placed with South African investors. The debt securities in issuance are rated by Global Credit Ratings Co. These ratings are available, on request, at the registered office of the Group. The notes are unsubordinated, secured, compulsory redeemable, asset-backed notes of R1 million each. The Group has not had any defaults or other breaches with respect to its debt securities issued during the year ended 30 June 2023.

They bear interest at between three-month JIBAR+ 1.3000% and three-month JIBAR+ 2.9000%, with various maturity dates (refer to Note 44).

Refer to Note 36 for further information on securitisation, and to Note 48 for events after the reporting date.

SASP has various unsubordinated, compulsory redeemable, asset-backed notes which have varying debt covenant triggers for each of the notes series issued. The triggers per series at year-end, namely net default rate and yield tests and value of debt securities in issue are disclosed below:

- Series 1: The net default trigger level is between 2.625% and 4% and the 2.625% trigger will fall away when those specific notes mature (2022: same as 2023). At June 2023 the average net default rate was at 1.362% (2022: 1.088%) and no breaches were recorded. The average yield of 27.204% (2022: 24.78%) remains above the required yield test of prime rate plus 5.000% (2022: prime plus 5.000%). The debt securities issued as at 30 June 2023 is R1 679 080 935 (2022: R1 363 446 398).
- Series 2: The 0.125% (2022: negative 0.305%) net default rate remains well below the net default trigger level of 4.000% (2022: 4.000%), and with an average yield of 20.458% (2022: 18.98%) remains above the required yield test of prime rate plus 3.000% (2022: prime plus 3.000%). The debt securities issued as at 30 June 2023 is R505 897 460 (2022: R352 569 517).
- Series 3: The net default trigger level is 4.500% (2022: the net default trigger level is between 2.625% and 4.5% and the 2.625% trigger will fall away when those specific notes mature). At June 2023 the average net default rate was at 1.161% (2022: 1.161%) and no breaches were recorded. The average yield of 20.838% (2022: 17.64%) remains above the required yield test of prime plus 4.000% (2022: prime plus 4.000%). The debt securities issued as at 30 June 2023 is R1 535 159 387 (2022: R1 275 410 362).

		2023 R'000	2022 R'000
21. Long-term loans			
Represented by:	**Repayment date:**		
FMO – European DFI loan facility	October 2022	**–**	195 000
Absa Bank Limited – Redeemable preference shares[1]	30 August 2025	**200 000**	200 000
Other[2]	30 July 2023 – 31 December 2026	**76 488**	104 521
Total		**276 488**	499 521

Long-term loans are interest-bearing, and the interest rates are individually negotiated. Dividends on the Absa redeemable preference shares are prime linked. The Group has not had any defaults of principal or interest or other breaches with respect to its long-term loans during the year ended 30 June 2023.

[1] The Group's shareholding in its wholly-owned subsidiary Sasfin Private Equity Investment Holdings (Pty) Limited (SPEIH) is pledged as security for these redeemable preference shares. On 29 August 2022 SPEIH refinanced the preference shares with a new scheduled redemption date of 30 August 2025 from 30 August 2022. Refer to the Sasfin Holdings Separate Annual Financial Statements, Note 20.4 for additional information on the guarantee issued.
[2] These refer to SARB COVID Guaranteed loans.

		2023 R'000	2022 R'000
22.	**Ordinary share capital**		
	Authorised		
	100 000 000 (2022: 100 000 000) ordinary shares with a par value of 1 cent each	**1 000**	1 000
	Issued		
	32 301 441 (2022: 32 301 441) ordinary shares with a par value of 1 cent each		
	Balance at the beginning of the year[1]	**323**	323
	Balance at the end of the year	**323**	323
	Reconciliation of the number of shares issued		
	Total shares in issue (number)	**32 301 441**	32 301 441
	Less: Treasury shares held by the Sasfin Share Incentive Trust (number)	**(1 436 052)**	(1 436 052)
	Less: Treasury shares held by SasSec (number)	**(92 542)**	(92 542)
		30 772 847	30 772 847

[1] *Prior periods by restatements, please refer to Note 49 for additional information.*

		2023 R'000	2022 R'000
23.	**Ordinary share premium**		
	Balance at the beginning of the year	**166 945**	166 945
	Balance at the end of the year	**166 945**	166 945
24.	**Preference share capital**		
	Authorised		
	5 000 000 (2022: 5 000 000) non-redeemable, non-cumulative, non-participating, variable rate preference shares with a par value of 1 cent each	**50**	50
	Issued		
	0 (2022: 0) non-redeemable, non-cumulative, non-participating, variable rate preference shares with a par value of 1 cent each		
	Balance at the beginning of the year	**–**	18
	Repurchase of shares	**–**	(18)
	Balance at the end of the year	**–**	–

Sasfin entered into a scheme of arrangement in 2021, which was only finalised on 5 July 2021, whereby the entire issued preference share capital class was repurchased and cancelled. Therefore, there are nil preference shares in issue at 30 June 2023. The shares were acquired at a discount and the remaining balance was transferred directly to distributable reserves.

		2023 R'000	2022 R'000
25.	**Preference share premium**		
	Balance at the beginning of the year	**–**	43 313
	Repurchase of shares	**–**	(43 313)
	Balance at the end of the year	**–**	–

Sasfin entered into a scheme of arrangement in 2021, which was finalised on 5 July 2021. The shares were acquired at a discount and the remaining balance was transferred directly to distributable reserves.

	2023 R'000	2022 R'000
26. Commitments and contingent liabilities		
Letters of credit	**37 125**	115 806
Loan commitments	**104 911**	146 290
Financial guarantees[1]	**39 375**	40 454
Capital expenditure	**11**	355
	181 422	302 905

[1] *Refer to Note 43.1 for the ECL raised.*

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

Legal proceedings

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

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

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

Notices of intention to sanction by regulator

On or about 1 October 2023, Sasfin Bank received notifications from the South African Reserve Bank ("SARB", "Regulator") of its intention to impose administrative sanctions for alleged contraventions of certain provisions of the Financial Intelligence Centre Act 38 of 2001 read with the Money Laundering and Terrorist Financing Control Regulations, and provisions of the Exchange Control Regulations and the Banks Act 94 of 1990, read with the Financial Sector Regulation Act 9 of 2017.

The notification of an "intention to sanction" is part of a process required by law in terms of which the Regulator sets out the findings on which its intention to sanction is based, together with the form of the intended administrative sanction(s). As required by law, the regulated institution concerned (in this instance, Sasfin Bank) must be given the opportunity to respond to the notice, make representations (or additional representations as the case may be) relating to the factual and legal basis of the findings on which the intended sanctions may be imposed, and to make submissions as to why some, or all, of the intended sanctions should not be imposed. Should the Regulator, having considered the foregoing, impose a sanction, the regulated institution is further entitled to a reconsideration of the findings by taking the matter on appeal and/or review.

The administrative sanctions available to the Regulator may include one or more of a caution, a reprimand, an instruction to remediate the alleged non-compliance(s), suspension or restriction of certain business activities, and/or financial penalties. In arriving at a final decision on the form and extent of sanction, the Regulator is required to consider all submissions received from the regulated institution. Furthermore, the process prior to the issue of a final sanction is confidential.

26. Commitments and contingent liabilities *continued*

Notices of intention to sanction by regulator *continued*

Sasfin Bank is considering the Regulator's notifications of intention to sanction and is in the process of preparing comprehensive responses. Sasfin Bank's engagements with the SARB in respect of the notices of intention to sanction are at an early stage. It is therefore not yet possible to reliably estimate the timing, form of resolution, or quantum of any potential sanctions, as there are numerous considerations and factors that may affect any outcome or final determination by the SARB. Based on external legal opinion obtained, no further statements have been made concerning the financial effects of the contingent liability, so as not to compromise the results of the proceedings or the interests of Sasfin Bank. However, the resulting financial impact, based on the SARB's current notice of intention to sanction, could be material. Sasfin Bank is therefore of the view that this matter should be disclosed as a contingent liability.

27. Interest income

	2023 R'000	2022 R'000 Restated[1]
Interest income calculated using the effective interest method	**1 414 961**	987 895
Interest income	**12 634**	4 958
Deposits with banks[1]	**8 070**	2 619
Negotiable securities	**123 679**	119 386
Equipment finance[1]	**739 609**	555 689
Capital Equipment finance[1]	**326 371**	183 523
Trade and Debtor finance	**74 173**	47 226
Other loans[2]	**130 425**	74 494
Other interest income	**56 709**	48 526
Specialised lending	**20 864**	20 067
Trading assets and other interest income	**(383)**	(3 940)
Fixed income	**14 072**	9 637
Money market fund[1]	**22 156**	22 762
Total interest income	**1 471 670**	1 036 421
Total interest income	**1 471 670**	1 036 421
Interest income on items measured at amortised cost	**1 414 961**	987 895
– Performing financial assets	**1 342 602**	900 622
– Credit impaired financial assets	**72 359**	87 273
Interest income on items measured at fair value through profit or loss	**56 709**	48 526

1 *Prior period restatement, please refer to Note 49 for additional information.*
2 *Other loans consist of revolving credit facilities, overdrafts and term loans.*

28. Interest expense

	2023 R'000	2022 R'000
Interest expense calculated using the effective interest method	**755 978**	469 526
Funding under repurchase agreements	**43 950**	26 740
Call deposits	**100 809**	50 072
Notice deposits	**102 546**	39 390
Fixed deposits	**140 419**	121 661
Lease liabilities	**14 346**	13 884
Bank overdraft	**9 515**	1 318
Debt securities	**286 943**	157 703
Long-term borrowings	**27 147**	47 559
Current accounts	**21 456**	9 740
Other deposits and loan accounts	**8 847**	1 459
Other interest expense	**17 948**	11 245
Trading liabilities and other	**–**	1
Fixed income	**17 948**	11 244
Total interest expense	**773 926**	480 771

29. Net fee and commission income

	2023 R'000	2022 R'000 Restated[1]
Fee and commission income	**658 891**	635 456
Brokerage income and asset management fees[2]	**304 672**	294 421
Foreign income	**162 967**	155 824
Brokerage income	**62 810**	62 779
Asset management fees	**78 895**	75 818
Confirming fees	**43 031**	38 340
Commission income	**26 302**	18 967
Administration fees[1]	**28 747**	39 235
Other fee and commission income[1, 3]	**256 139**	244 493
Fee and commission expense	**276 823**	250 517
Brokerage and asset management expenses	**47 235**	48 005
Commission expense[4]	**151 490**	141 239
Administration fee expense	**7 360**	5 621
Other fee and commission expense	**6 933**	4 494
Commission paid to suppliers[4]	**63 805**	51 158
Net fee and commission income	**382 068**	384 939

1 *Prior periods by restatement, please refer to Note 49 for additional information.*
2 *In the current year the brokerage income and asset management fees were disaggregated to provide enhanced disclosure for the current and prior year comparative.*
3 *Refer to accounting policy Note 1.14.2 for additional information. No amount in this balance was individually material.*
4 *A portion of this amount (2023: R33 million and 2022: R24 million) consists of payments made to suppliers which was disaggregated. The prior year amount includes a prior period adjustment, refer to Note 49.*

30. Gains and losses on financial instruments

	2023 R'000	2022 R'000
Net gains or losses on the derecognition of financial instruments at amortised cost		
Net gains on the derecognition of financial assets measured at amortised cost	**17 168**	25 847
Settlement profits[1]	**15 671**	25 205
Realised foreign exchange gains	**1 497**	642
Other gains or losses on financial instruments	**123 647**	126 614
Dividend income	**24 954**	20 965
Fair value adjustments on financial instruments held at fair value through profit or loss	**51 044**	49 341
Unrealised gains[2]	**15 678**	10 506
Realised gains on derivative instruments[2]	**15 372**	29 844
Realised gains on foreign exchange[2]	**16 599**	15 958
Total gains and losses on financial instruments	**140 815**	152 461

1 *Settlement profits represent the gain earned or loss incurred on the settlement of a deal as a result of termination or upgrade. This gain or loss is calculated as the difference between the settlement received from the client and any remaining rentals due by the customer as well as any unearned finance income.*
2 *In the current year, net gains/(losses) on derivatives are separately disclosed from realised gains/(losses) on financial instruments. Prior year disclosure has been amended accordingly. There has been no impact on the financial statements.*

31. Other income on non-financial assets

	2023 R'000	2022 R'000 Restated
Income received from rent-for-use assets[1]	**125 536**	139 584
Rental income from investment property[3]	**3 102**	3 161
Profit on disposal of property and equipment	**333**	1 581
Profit on loss of control of subsidiary	**2 640**	–
Sundry income[1, 2]	**26 600**	62 352
	158 211	206 678

1 *Prior periods by restatement, please refer to Note 49 for additional information.*
2 *A significant part of this balance comprises the write back of creditors past their prescription period, rental recoveries, insurance premium refunds and interest receivable on overpayments to SARS. In the prior year, the balance comprised various line items, including SWIFT charges received, rental recoveries as well as an amount of R22.2 million that related to an insurance claim payout on investment property that was razed to the ground on 9 July 2021.*
3 *Rental income relating to investment property has been separately disclosed in the current year, and the prior year was amended accordingly. No impact on the primary financial statements.*

		2023 R'000	2022 R'000
32.	**Staff costs**		
	Salaries and wages	**537 043**	491 449
	Executive Directors', Alternate Directors' and Prescribed Officers' remuneration (refer to Note 40.3)	**35 180**	31 568
	Non-Executive Directors' remuneration (refer to Note 40.3)	**5 701**	5 095
	Contributions to defined contribution plans and other	**42 680**	32 147
		620 604	560 259
33.	**Other operating expenses**		
	The following items are included in operating expenses		
	Fees paid to auditors:	**30 113**	24 758
	Audit fees – Current year	**22 379**	22 137
	– Under provision prior year	**7 105**	2 326
	Regulatory audit fees	**629**	295
	Administration and management fees	**9 339**	4 479
	Amortisation of intangible assets	**35 874**	31 792
	Buildings, equipment and consumables	**18 924**	22 063
	Computer costs	**162 344**	124 558
	Consulting fees	**64 731**	37 125
	Depreciation	**39 475**	55 425
	Fair value loss on investment property	**4 361**	1 162
	Loss on disposal of non-financial assets	**35**	434
	Loss on disposal of property and equipment	**35**	434
	Marketing costs	**25 883**	24 608
	Market and data provider costs	**12 611**	11 188
	Occupation and accommodation	**14 317**	12 731
	Lease expense – Short term leases (IFRS 16)	**66**	163
	Expenses relating to investment property[2]	**1 359**	1 241
	Other occupation and accommodation	**12 892**	11 327
	Operational loss[1]	**41 859**	76 799

[1] *Prior periods by restatement, please refer to Note 49 for additional information.*
[2] *Expenses relating to investment property have been separately disclosed in the current year, and the prior year was amended accordingly. No impact on the primary financial statements.*

		2023 R'000	2022 R'000
34.	**Impairments of non-financial assets**		
	Software		
	Internally developed software	**4 163**	–
		4 163	–
35.	**Income tax expense**		
	Current tax expense	**32 716**	23 826
	Current year	**32 699**	24 195
	Under/(Over) provision in prior years	**17**	(369)
	Deferred tax expense	**(12 804)**	26 308
	Current year	**(11 601)**	36 897
	(Over) provision in prior years	**(1 203)**	(7 155)
	(Over) provision as a result of rate change[1]	**–**	(3 434)
		19 912	50 134

Reconciliation of taxation rate	%	%
South African normal tax rate	**27.00**	28.00
Adjusted for:	**(11.26)**	(6.57)
Exempt income[2]	**(16.64)**	(5.12)
Over provision in prior years	**(0.86)**	(3.22)
Non-deductible expenses	**8.22**	3.98
Additional deductible tax allowances	**(1.05)**	(3.04)
Capital gains	**–**	2.41
Fair value adjustments	**0.09**	(0.11)
Other comprehensive income adjustments	**–**	0.01
Tax rate change[1]	**–**	(1.48)
Other	**(1.02)**	–
Effective rate	**15.74**	21.43
Losses, balances of allowances and credits for which a deferred tax asset has been raised:		
Estimated tax losses available to offset future taxable income	**497 621**	497 342

[1] *During the 2022 year, the South African Government announced a decrease in the South African rate of corporation tax from 28% to 27% effective for years of assessment ending on/after 31 March 2023. As a result, the deferred tax balances at 30 June 2023 have been adjusted to reflect this substantively enacted rate change.*
[2] *Exempt income comprises exempt dividends.*

The Group has historically applied a conservative approach to certain tax allowances relating to timing differences on lease assets. The impact is that higher tax was paid in the past. In the current year, the decision has been taken to revise the estimate of allowances allowed prospectively in terms of the relevant tax legislation. The prospective adjustments will impact temporary timing differences.

	2023 R'000	2022 R'000
36. Securitisation		
In the ordinary course of business, Sasfin Bank Limited transfers financial assets to structured entities. The information below sets out the extent of such transfers and the Group's retained interest in transferred assets.		
Carrying and fair value of transferred assets	**3 976 850**	3 473 845
Carrying and fair value of associated liabilities	**(3 720 138)**	(2 991 426)
Net carrying amount and fair value	**256 712**	482 419

The Group refinanced a further R861 million (2022: R1.186 billion) worth of rental agreements during the year (refer to Note 20).

	2023 R'000	2022 R'000
37. Funds under advisement and management		
The Group administers in a fiduciary capacity client funds, which comprise:		
Assets under management	**52 325 695**	46 099 300
Assets under advisement	**14 116 272**	13 065 865
Assets under administration	**62 454 000**	56 480 218
	128 895 967	115 645 383

38. Earnings per share

38.1 Reconciliation of earnings and headline earnings per share

	Gross R'000	**Direct tax R'000**	**Profit attributable to ordinary shareholders R'000**
2023			
Basic earnings	**128 739**	**(19 912)**	**108 827**
Headline adjustable items:	**5 586**	**(1 730)**	**3 856**
Investment property – fair value loss	**4 361**	**(942)**	**3 419**
Impairment of non-financial assets	**4 163**	**(899)**	**3 264**
Profit on loss of control of subsidiary	**(2 640)**	**–**	**(2 640)**
Profit on disposal of property and equipment	**(298)**	**111**	**(187)**
Headline earnings	**134 325**	**(21 642)**	**112 683**
2022			
Basic earnings	207 104	(50 134)	156 970
Headline adjustable items:	(22 156)	5 027	(17 129)
Investment property – fair value loss	1 162	(260)	902
Insurance claim proceeds	(22 172)	4 966	(17 206)
Profit on disposal of property and equipment	(1 146)	321	(825)
Headline earnings	184 948	(45 107)	139 841

38. Earnings per share *continued*

38.2 Summary of earnings and headline earnings per share

Per ordinary share	Earnings attributable 2023 R'000	Earnings attributable 2022 R'000	Weighted average number of shares 2023	Weighted average number of shares 2022	Cents per share 2023	Cents per share 2022
Earnings	**108 827**	156 970	**30 772 847**	30 772 847	**353.65**	510.09
Diluted earnings	**108 827**	156 970	**30 772 847**	30 772 847	**353.65**	510.09
Headline earnings	**112 683**	139 841	**30 772 847**	30 772 847	**366.18**	454.43
Diluted headline earnings	**112 683**	139 841	**30 772 847**	30 772 847	**366.18**	454.43

39. Notes to the statement of cash flows

39.1 Cash inflow from operating activities

	2023 R'000	2022 R'000 Restated[1]
Reconciliation of operating profit to cash flows from operating activities		
Profit or (loss) before income tax	**128 739**	207 104
Adjusted for:	**(128 694)**	(128 566)
Profit/loss on disposal of property and equipment	**(298)**	(1 146)
Non-cash interest received	**(155 640)**	(136 858)
Non-cash interest paid	**(34 855)**	(15 142)
Penalty VAT interest	**–**	2 927
Debt securities	**23 451**	5 103
Dividend received	**(24 954)**	(20 965)
Credit impairment charges	**77 424**	18 707
Movement in provisions	**53 400**	51 903
Gains on disposal of financial instruments held at fair value through profit and loss	**7**	(35 711)
Settlement profits	**(15 671)**	(25 205)
Unrealised foreign exchange gains and losses	**15 678**	(10 506)
Fair value adjustments on financial instruments	**(137 312)**	(75 981)
Share of profit of associate	**(31 270)**	(14 146)
Impairment of non-financial assets	**4 163**	–
Lease liabilities	**251**	9 754
Fair value loss on investment property	**4 361**	1 162
Depreciation	**39 475**	55 425
Exchange rate fluctuations on cash held	**17 229**	16 781
Insurance proceeds	**–**	(22 172)
Amortisation of intangible assets	**35 874**	31 793
Cash inflow/(outflow) from operating activities	**45**	78 538

39.2 Taxation paid

	2023 R'000	2022 R'000 Restated[1]
Unpaid at the beginning of the year	**38 402**	21 503
Charge to the income statement	**(27 821)**	(24 005)
Unpaid at the end of the year	**(45 933)**	(38 402)
	(35 352)	(40 904)

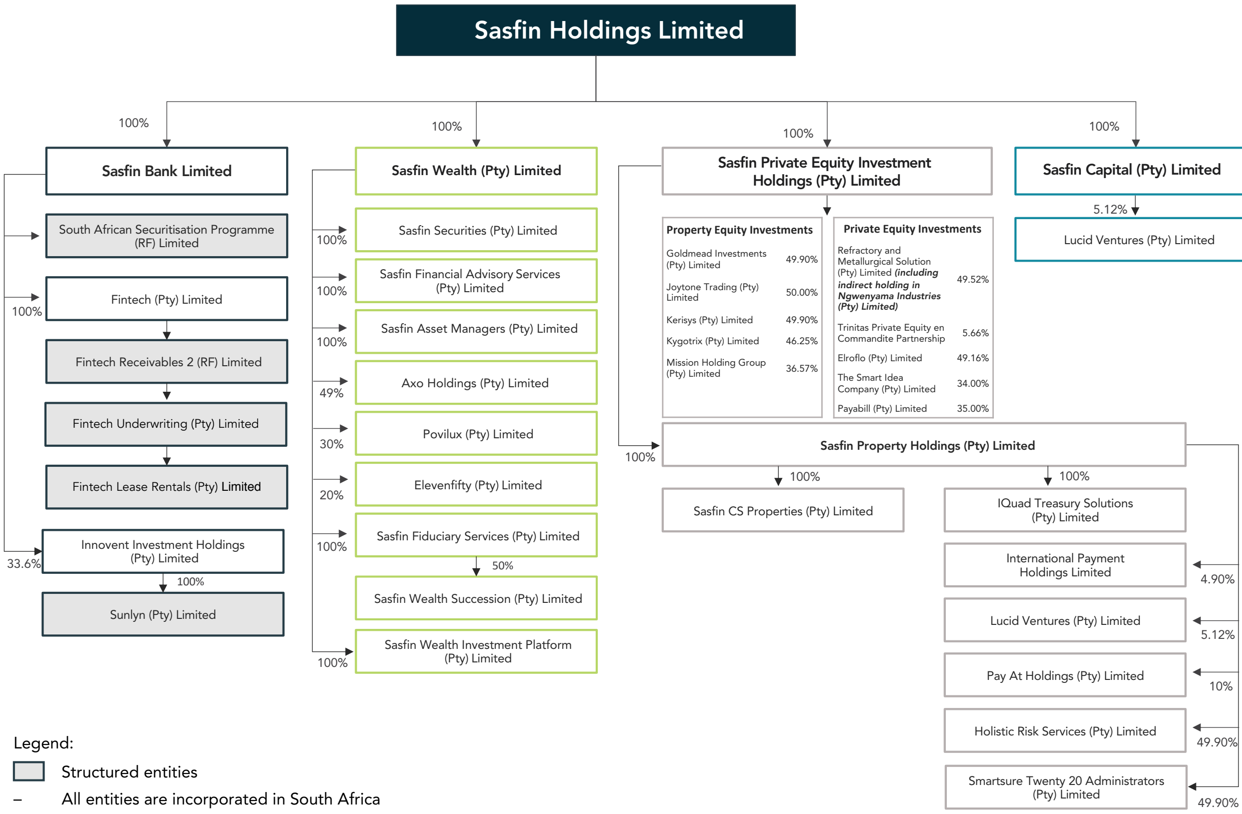
39.3 Dividends paid

	2023 R'000	2022 R'000 Restated[1]
Charge to distributable reserves[2]	**(37 856)**	(51 240)
Total dividends paid	**(37 856)**	(51 240)

[1] *Prior periods by restatement, please refer to Note 49 for additional information.*
[2] *Dividends declared and paid.*

Notes to the consolidated financial statements *continued*
For the year ended 30 June 2023

40. Related-party transactions
40.1 Subsidiaries and controlled structured entities (Refer to Note 4 of the separate financial statements)



Legend:
- Structured entities
- All entities are incorporated in South Africa
- Shareholders of Sasfin Holdings Limited

Beneficial shareholders with a holding greater than 5% of the issued shares	Number of shares	Percentage of issued share capital
Unitas Enterprises Limited	15 398 174	47.67%
Wipfin Investment Investments (Pty) Limited	8 107 662	25.10%
CV Partners Limited	3 332 388	10.32%
	26 838 224	83.09%

Non-Public:
- *Unitas Enterprises Limited (2023: 15 398 174 shares (47.67%); (2022: 15 398 174 shares (47.67%)), a company owned by trusts, of which Roland Sassoon and Michael Sassoon are discretionary beneficiaries.*
- *Wipfin Investments (Pty) Limited (2023: 8 107 662 shares (25.10%); 2022: 8 107 662 shares (25.10%)), a wholly owned subsidiary of Women Investment Portfolio Holdings Limited (WIPHOLD).*
- *CV Partners Limited (2023: 3 332 338 shares (10.32%)); (2022: 2 321 079 shares (7.19%)).*
- *Sasfin Share Incentive Trust (2023: 1 436 052 (4.45%)); (2022: 1 436 052 shares (4.45%)).*

Public:
- *2023: 7 238 722 shares (22.41%); (2022: 7 249 478 shares (22.73%)).*

Sasfin Bank has agreed to provide financial support to SASP in the form of subordinated loan funding. The undertaking to support does not adversely affect the Group's solvency and liquidity.

Benal Property Investments (Pty) Limited was disposed of during the current financial year.

Alvinet (Pty) Limited was disposed of in the current year.

40. Related-party transactions *continued*

40.2 Balances and transactions with related parties

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

	2023 R'000	2022 R'000
Balances		
Deposits	**122 869**	160 838
Funds under management	**27 226**	23 822
Funds under administration	**361 315**	447 575
Transactions		
Management fees paid to WIPHOLD	**6 738**	6 311

Various business bank accounts are held by related party entities with the Group. Directors of the company also hold transactional and other deposit accounts with the Group which are entered into on an arms length basis.

40.3 Key management personnel and related remuneration for Group and Company

Directors' and Prescribed Officers' remuneration

	Services as directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2023 R
2023*					
Executive Directors					
H Heymans	–	3 200 421	425 984	500	3 626 905
MEE Sassoon	–	4 079 842	749 389	1 441 667	6 270 898
Independent non-executive Directors					
RWR Buchholz	911 584	–	–	–	911 584
GP de Kock	1 280 884	–	–	–	1 280 884
TH Njikizana	664 963	–	–	–	664 963
MR Thompson	712 710	–	–	–	712 710
T van der Mescht	937 998	–	–	–	937 998
EA Wilton	726 988	–	–	–	726 988
Non-independent, Non-executive Directors					
RDEB Sassoon	465 840	–	–	–	465 840
Prescribed officers					
LR Fröhlich	–	3 130 964	440 984	2 655 000	6 226 948
MG Lane	–	2 883 432	760 988	1 142 167	4 786 587
S Shabalala[a]	–	3 042 405	606 345	2 250 000	5 898 750
S Tomlinson	–	2 073 420	686 879	615 666	3 375 965
E Zeki	–	2 836 390	606 616	1 550 626	4 993 632
	5 700 967	**21 246 874**	**4 277 185**	**9 655 626**	**40 880 652**

* *G Dingaan, N Ndhlazi and S Rosenthal receive compensation through a management fee paid to WIPHOLD, refer to Note 40.2.*
[a] *Resigned effective 30 June 2023.*
[1] *The remuneration of the Executive Directors is paid by subsidiaries of the Company.*
[2] *Other benefits comprise: provident fund, medical aid, group life, company car and sign-on bonuses.*
[3] *Relates to the Group's and individual's performance in the 2022 financial year.*

40. Related-party transactions *continued*

40.3 Key management personnel and related remuneration for Group and Company *continued*

Directors' and Prescribed Officers' remuneration *continued*

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2022 R	Incentive bonus[4] payable in Sept 2022 R
2022*						
Executive Directors						
A Pillay[a]	–	2 556 789	522 002	1 127 500	4 206 291	–
H Heymans[b]	–	764 342	94 528	–	858 870	–
MEE Sassoon	–	3 844 990	691 351	1 567 500	6 103 841	1 800 000
Independent non-executive Directors						
RC Andersen[c]	563 750	–	–	–	563 750	–
RWR Buchholz	702 474	–	–	–	702 474	–
GP de Kock	950 634	–	–	–	950 634	–
GC Dunnington[c]	372 700	–	–	–	372 700	–
TH Njikizana	541 221	–	–	–	541 221	–
MR Thompson	633 810	–	–	–	633 810	–
T van der Mescht[d]	240 656	–	–	–	240 656	–
EA Wilton	686 257	–	–	–	686 257	–
Non-independent, Non-executive Directors						
RDEB Sassoon	404 459	–	–	–	404 459	–
Prescribed officers						
LR Fröhlich	–	3 029 921	417 041	1 403 250	4 850 212	1 600 000
MG Lane	–	2 763 024	707 162	1 207 500	4 677 686	1 400 000
FvD Otto[e]	–	977 797	149 643	5 000	1 132 440	–
S Shabalala[f]	–	1 492 266	257 734	–	1 750 000	–
S Tomlinson	–	1 865 553	622 180	610 500	3 098 233	700 000
E Zeki	–	2 699 484	570 427	1 620 940	4 890 851	1 500 000
	5 095 961	19 994 166	4 032 068	7 542 190	36 664 385	7 000 000

* *G Dingaan, N Ndhlazi and S Rosenthal receive compensation through a management fee paid to WIPHOLD, refer to Note 40.2.*
[a] *Resigned on 11 January 2022 and served a three-months' notice period until 4 April 2022.*
[b] *Appointed on 4 April 2022.*
[c] *Retired on 25 November 2021.*
[d] *Appointed on 29 November 2021.*
[e] *Resigned on 30 November 2021.*
[f] *Appointed on 2 January 2022.*
[1] *The remuneration of the Executive Directors is paid by subsidiaries of the Company.*
[2] *Other benefits comprise: provident fund, medical aid, group life, company car and sign-on bonuses.*
[3] *Relates to the Group's and individual's performance in the 2021 financial year.*
[4] *Relates to the Group's and individual's performance in the 2022 financial year, including a portion from the 2021 bonus payable deferred to 2022.*

40. Related-party transactions *continued*

40.4 Directors' interest in shares

Directors' interest in the Company's issued ordinary share capital at 30 June 2023 were:

Director	2023 Indirect beneficial	2022 Indirect beneficial[1]
Michael Sassoon and Roland Sassoon (number of shares)	**15 404 297**	15 404 297

[1] *Number has been restated to include 6 123 shares acquired on 20 March 2023.*

No Director dealt in the shares of Sasfin Holdings Limited in the period after the financial year-end until the results were issued to the public.

40.5 Associates

40.5.1 List of associates

Name	Nature of business	% ownership 2023	2022
Equity-accounted associates			
Axo Holdings (Pty) Limited	Developer of trading and investment platforms	**49.00**	49.00
Povilux (Pty) Limited	Financial services	**30.00**	30.00
Elevenfifty (Pty) Limited	Financial services	**20.00**	20.00
Associates recognised at fair value through profit or loss			
Innovent Investment Holdings (Pty) Limited	Financial services holding company	**33.60**	33.60
MCG Industries (Pty) Limited[1]	Rigid and flexible plastic supplier	**–**	45.63
Refractory and Metallurgical Solution (Pty) Limited	Refractory and metallurgical solutions supplier	**49.52**	49.52
Elroflo (Pty) Limited	Holding company of a corporate clothing manufacturer	**49.10**	49.10
The Smart Idea Company (Pty) Limited[2]	Office equipment supplier	**34.00**	25.00
Strutfast (Pty) Limited[1]	Mining services	**–**	49.51
Payabill (Pty) Limited	Digital small business finance	**35.00**	35.00
Goldmead (Pty) Limited	Investment property holding	**49.90**	49.90
Joytone Trading (Pty) Limited	Investment property holding	**50.00**	50.00
Kerisys (Pty) Limited	Investment property holding	**49.90**	49.90
Kygotrix (Pty) Limited	Investment property holding	**46.25**	46.25
Alvinet (Pty) Limited[1]	Investment property holding	**–**	45.00
Holistic Risk Solutions and Smartsure Twenty20 (Pty) Limited	Short-term insurance broker	**49.90**	49.90

[1] *Investment was disposed of in the current year.*
[2] *Management acquired an additional 9% ownership in the associate. These shares were acquired at a nominal value of R1.*

40.5.2 Transactions and balances with associates

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

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

	2023 R'000	2022 R'000
Statement of financial position		
Loans and advances	**151 680**	250 469
Gross carrying amount[1]	**151 680**	250 469
Deposits from customers	**6 894**	8 523
Statement of profit or loss and other comprehensive income		
Interest income	**31 148**	14 307
Interest expense	**141**	381
Non-interest income	**71 291**	88 577
Other operating expenses	**1 344**	1 120

[1] *The amount was amended to more accurately reflect the loans and advances. There has been no impact on the primary financial statements.*

41. Classification of assets and liabilities

Accounting classification and fair values

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

Assets	Fair value through - profit or loss (mandatory) R'000	- profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9[1] R'000	Total R'000
2023					
Cash and cash equivalents	251 430	–	615 207	–	866 637
Negotiable securities	–	–	1 293 411	–	1 293 411
Trading assets	32 798	434 398	–	–	467 196
Trade and other receivables	–	–	1 053 956	178 996	1 232 952
Loans and advances	584 344	–	8 465 632	–	9 049 976
Current taxation asset	–	–	–	47 679	47 679
Investment securities	621 058	–	–	79 860	700 918
– Investments at fair value through profit or loss	621 058	–	–	–	621 058
– Equity accounted associates	–	–	–	79 860	79 860
Property, equipment and right-of-use assets	–	–	–	164 536	164 536
Investment property	–	–	–	14 600	14 600
Intangible assets and goodwill	–	–	–	110 949	110 949
Deferred tax asset	–	–	–	64 228	64 228
Total assets	**1 489 630**	**434 398**	**11 428 206**	**660 848**	**14 013 082**

Liabilities	Fair value through - profit or loss (mandatory) R'000	- profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9[1] R'000	Total R'000
2023					
Funding under repurchase agreements	–	–	351 885	–	351 885
Trading liabilities	27 683	413 661	–	–	441 344
Current taxation liability	–	–	–	1 746	1 746
Trade and other payables	–	–	1 306 295	142 381	1 448 676
Bank overdraft	–	–	113 081	–	113 081
Provisions	–	–	–	68 657	68 657
Lease liabilities	–	–	151 518	–	151 518
Deposits from customers	–	–	5 629 443	–	5 629 443
Debt securities issued	–	–	3 720 138	–	3 720 138
Long-term loans	–	–	276 488	–	276 488
Deferred tax liability	–	–	–	155 633	155 633
Total liabilities	**27 683**	**413 661**	**11 548 848**	**368 417**	**12 358 609**

[1] *Refers to non-financial instruments.*

41. Classification of assets and liabilities *continued*

Accounting classification and fair values *continued*

Assets	Fair value through - profit or loss (mandatory) R'000	Fair value through - profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9[1] R'000	Total R'000
2022					
Cash and cash equivalents[2]	427 154	–	341 616	–	768 770
Negotiable securities	–	–	1 790 340	–	1 790 340
Trading assets	56 653	491 195	–	–	547 848
Trade and other receivables[3, 4]	–	–	681 246	157 354	838 600
Loans and advances	377 291	–	7 740 296	–	8 117 587
Current taxation asset	–	–	–	39 766	39 766
Investment securities	634 697	–	–	54 750	689 447
– Investments at fair value through profit or loss[2]	634 697	–	–	–	634 697
– Equity accounted associates	–	–	–	54 750	54 750
Property, equipment and right-of-use assets	–	–	–	183 082	183 082
Investment property	–	–	–	20 138	20 138
Intangible assets and goodwill	–	–	–	144 729	144 729
Deferred tax asset	–	–	–	45 380	45 380
Total assets	1 495 795	491 195	10 553 498	645 199	13 185 687

Liabilities	Fair value through - profit or loss (mandatory) R'000	Fair value through - profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9[1] R'000	Total R'000
2022					
Funding under repurchase agreements	–	–	803 976	–	803 976
Trading liabilities	59 459	459 137	–	–	518 596
Current taxation liability	–	–	–	1 364	1 364
Trade and other payables[3, 4]	–	–	1 015 397	99 022	1 114 419
Bank overdraft	–	–	68 541	–	68 541
Provisions	–	–	–	69 348	69 348
Lease liabilities	–	–	157 116	–	157 116
Deposits from customers	–	–	5 233 182	–	5 233 182
Debt securities issued	–	–	2 991 426	–	2 991 426
Long-term loans	–	–	499 521	–	499 521
Deferred tax liability	–	–	–	144 696	144 696
Total liabilities	59 459	459 137	10 769 159	314 430	11 602 185

[1] *Refers to non-financial instruments.*
[2] *In the current year cash and cash equivalents was restated to separately reflect money market funds; these money market funds are measured at fair value through profit or loss. Furthermore, there was a restatement for money market funds that did not meet the definition of cash equivalents. Refer to Note 49 for further detail.*
[3] *The amount was amended to more accurately reflect contractual financial instruments. There has been no impact on the primary financial statements.*
[4] *Prior periods by restatement. Please refer to Note 49.*

41. Classification of assets and liabilities *continued*
41.1 Assets and liabilities measured at fair value

	June 2023			June 2022		
	Level 1 R'000	**Level 2 R'000**	**Level 3 R'000**	Level 1 R'000	Level 2 R'000	Level 3 R'000
Financial assets and liabilities measured at fair value						
Recurring fair value measurements						
Financial assets	**444 195**	**360 086**	**1 119 747**	527 548	532 925	926 517
Cash and cash equivalents[1, 2]	**–**	**251 430**	**–**	–	427 154	–
Investment securities – excluding equity accounted associates[1]	**–**	**104 964**	**516 094**	–	105 575	529 122
Loans and advances at fair value through profit or loss	**–**	**–**	**584 344**	–	–	377 291
Trading assets	**444 195**	**3 692**	**19 309**	527 548	196	20 104
Financial liabilities	**441 009**	**335**	**–**	515 813	2 783	–
Trading liabilities	**441 009**	**335**	**–**	515 813	2 783	–
Non-financial assets	**–**	**–**	**14 600**	–	–	20 138
Investment property	**–**	**–**	**14 600**	–	–	20 138

[1] *Prior periods by restatement, please refer to Note 49 for additional information.*
[2] *This has been valued at the underlying investment funds market value.*

41. Classification of assets and liabilities *continued*

41.2 Movement in Level 3 instruments

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

	2023				2022			
	Investment securities – excluding equity accounted associates R'000	**Loans and advances at fair value through profit or loss R'000**	**Investment property R'000**	**Trading assets[1] R'000**	Investment securities – excluding equity accounted associates R'000	Loans and advances at fair value through profit or loss R'000	Investment property – non-current assets held for sale R'000	Investment property R'000
Movement in Level 3 instruments								
Balance at the beginning of the year	**529 122**	**377 291**	**20 138**	**20 104**	519 756	311 718	6 700	16 400
Additions	**15**	**–**	**–**	**–**	–	–	–	–
Non-cash portion of additions	**–**	**–**	**–**	**7 548**	–	–	–	–
Total gains or losses in profit and loss	**43 901**	**72 834**	**(4 361)**	**(8 343)**	26 127	48 145	–	(1 162)
Acquisition of investments	**–**	**–**	**–**	**–**	1 382	–	–	–
Disposal of investments	**(56 516)**	**–**	**(1 177)**	**–**	–	–	–	(1 800)
Advances	**1 474**	**199 886**	**–**	**–**	10 512	99 850		
Repayments	**(1 902)**	**(65 667)**	**–**	**–**	(28 655)	(82 422)	–	–
Transfers from non-current assets held for sale	**–**	**–**	**–**	**–**	–	–	(6 700)	6 700
Balance at the end of the year	**516 094**	**584 344**	**14 600**	**19 309**	529 122	377 291	–	20 138

[1] *Land Bank notes were transferred, effective 30 June 2022, from Level 1 to Level 3 due to the notes being delisted from the JSE. As at 30 June 2022 the value it was transferred at was equal to the fair value. Therefore, no reconciliation for prior year required.*

41.3 Gains and losses from fair value measurements

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

	2023 R'000	2022 R'000
Gains on level 3 instruments held at the reporting date[1]	**26 127**	32 951

[1] *Refer to Note 2.5.*

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

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

41. Classification of assets and liabilities *continued*

41.4 Sensitivity analysis of valuations using unobservable inputs

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

	Unobservable inputs	Range inputs 2023	Range inputs 2022	Relationship of unobservable inputs to fair value
Investment securities: Property Equity	Vacancy rate	**3.1%-10% (weighted average 5%)**	2%-10% (weighted average 5%)	The higher the capitalisation rate and expected vacancy rate, the lower the fair value.
	Capitalisation rate	**11%-13% (weighted average 11%)**	9%-12% (weighted average 10%)	
Investment securities: Private Equity	WACC	**21-24% (weighted average 21%)**	19%-23% (weighted average 20%)	The higher the WACC, the lower the fair value.
	Marketability and minority discounts	**15%-24% (weighted average 22%)**	16%-24% (weighted average 22%)	The higher the discounts, the lower the fair value.
	Revenue	**-7%-26% (weighted average 10%)**	3%-20% (weighted average 6.2%)	The higher the revenue growth, the higher the fair value.
Loans and advances at fair value through profit and loss	Forecast profit	Forecast profit was determined based upon the selling price of the completed development less the development cost multiplied by the agreed upon rate to be paid to the Group. Therefore there are no ranges to be disclosed as it is as per contract.		
	Vacancy rate	**7.0%-8% (weighted average 8%)**	7%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value.
	Capitalisation rate	**11.5%-12.5% (weighted average 12%)**	11%	
Trading assets	The loss recognised on the trading asset is an ECL adjustment calculated in terms the Group's credit impairment model.			
Investment properties	Vacancy rate	**3%**	3%	The higher the capitalisation rate and expected vacancy rate, the lower the fair value.
	Capitalisation rate	**10%**	10%	

41. Classification of assets and liabilities *continued*

41.4 Sensitivity analysis of valuations using unobservable inputs *continued*

Level 3 Instruments	Parameter	Positive/ (negative) variance applied to parameters	Equity type	2023 Potential effect recorded in profit or loss favourable R'm	2022 Potential effect recorded in profit or loss favourable R'm	2023 Potential effect recorded in profit or loss (unfavourable) R'm	2022 Potential effect recorded in profit or loss (unfavourable) R'm
Investment securities	WACC	100/(100) bps	Private equity	**22.05**	20.52	**(19.15)**	(17.86)
	Marketability and minority discounts	100/(100) bps	Private equity	**7.08**	6.14	**(7.00)**	(5.94)
	Revenue growth	100/(100) bps	Private equity	**22.04**	15.59	**(21.37)**	(17.23)
Investment securities[1]	Capitalisation rate	50/(50) bps	Property equity	**13.88**	16.06	**(11.70)**	(14.64)
	Vacancy rate	100/(100) bps	Property equity	**4.16**	3.48	**(3.25)**	(3.61)
Loans and advances at FVTPL[2]	Capitalisation rate	50/(50) bps	–	**2.02**	2.15	**(1.58)**	(1.97)
	Vacancy rate	100/(100) bps	–	**0.72**	0.72	**(0.48)**	(0.71)
	Forecast profit	Not applicable. Refer to above explanation.		**–**	–	**–**	–
Investment properties[2]	Capitalisation rate	50/(50) bps	–	**0.77**	0.77	**(0.69)**	(0.69)
	Vacancy rate	100/(100) bps	–	**0.26**	0.26	**(0.26)**	(0.26)

[1] *Prior year included the amount for Loans and advances at FVTPL. This amount has been disaggregated to only reflect the impact on Investment securities.*
[2] *Current year disclosure has been enhanced to include the significant unobservable inputs for these instruments. Prior year disclosure was amended accordingly.*

41.5 Market risk sensitivity on investment securities classified as Level 3

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

	2023			2022		
	10% reduction in fair value R'000	**Fair value R'000**	**10% increase in fair value R'000**	10% reduction in fair value R'000	Fair value R'000	10% increase in fair value R'000
Listed						
Equity securities at fair value	**–**	**–**	**–**	247	275	302
Impact on gains and losses recognised in profit or loss for the year	**–**	**–**	**–**	53	59	65
Unlisted						
Equity securities at fair value	**464 485**	**516 094**	**567 703**	476 210	529 122	582 034
Impact on gains and losses recognised in profit or loss for the year	**11 725**	**13 028**	**14 331**	23 514	26 127	28 740

41. Classification of assets and liabilities *continued*

41.6 Financial assets and financial liabilities not measured at fair value

	2023				
		Fair value		Total fair value	Amortised cost
	Level 1 R'000	Level 2 R'000	Level 3 R'000	R'000	R'000
Financial assets	**–**	**1 922 765**	**9 569 042**	**11 491 807**	**11 428 206**
Cash and cash equivalents	–	615 207	–	615 207	615 207
Negotiable securities[2]	–	1 307 558	–	1 307 558	1 293 411
Trade and other receivables	–	–	1 053 956	1 053 956	1 053 956
Loans and advances[1, 2]	–	–	8 515 086	8 515 086	8 465 632
Financial liabilities	**3 723 158**	**6 094 409**	**1 580 070**	**11 397 637**	**11 397 330**
Funding under repurchase agreements	–	351 885	–	351 885	351 885
Trade and other payables	–	–	1 306 295	1 306 295	1 306 295
Bank overdraft	–	113 081	–	113 081	113 081
Deposits from customers	–	5 629 443	–	5 629 443	5 629 443
Debt securities issued[2]	3 723 158	–	–	3 723 158	3 720 138
Long-term loans[2]	–	–	273 775	273 775	276 488

[1] *Only includes Loans and advances measured at amortised cost.*
[2] *The fair values of the respective items have been calculated using either observable inputs, where they are reflected as level 1 instruments; or a discounted cash flow where observable inputs can not be readily obtained.*

	2022				
		Fair value		Total fair value	Amortised cost
	Level 1 R'000	Level 2 R'000	Level 3 R'000	R'000	R'000
Financial assets	–	2 131 956	8 421 542	10 553 498	10 553 498
Cash and cash equivalents[2]	–	341 616	–	341 616	341 616
Negotiable securities	–	1 790 340	–	1 790 340	1 790 340
Trade and other receivables[3]	–	–	681 246	681 246	681 246
Loans and advances[1]	–	–	7 740 296	7 740 296	7 740 296
Financial liabilities	2 991 426	6 105 699	1 514 918	10 612 043	10 612 043
Funding under repurchase agreements	–	803 976	–	803 976	803 976
Trade and other payables[3]	–	–	1 015 397	1 015 397	1 015 397
Bank overdraft	–	68 541	–	68 541	68 541
Deposits from customers	–	5 233 182	–	5 233 182	5 233 182
Debt securities issued	2 991 426	–	–	2 991 426	2 991 426
Long-term loans	–	–	499 521	499 521	499 521

[1] *Only includes Loans and advances measured at amortised cost.*
[2] *Prior periods by restatements. Please refer to Note 49 for additional information.*
[3] *The amount was amended to more accurately reflect contractual financial instruments. There has been no impact on the primary financial statements.*

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

42. Financial risk management

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

43. Credit risk

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

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

Management of credit risk

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

- Formulating credit policies in consultation with business units, and the legal department, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures, impairments, and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits, as approved and reviewed regularly by the Board, are allocated to business unit credit officers and credit committees;
- Larger facilities may require approval by the Executive Credit Committee, and/or the CLEC;
- Reviewing and assessing credit risk. Group Credit assesses all credit exposures, prior to facilities being committed to customers by the business unit concerned;
- Managing post-implementation credit risk in line with the Group's credit policies and Board Risk Appetite;
- Limiting concentrations of exposure to counterparties, geographies and industries for loans and advances, deposits with banks and investment securities (refer Note 43.1);
- Developing and maintaining the Group's risk indicators in order to categorise exposures according to the degree of risk of financial loss faced, and to focus management on the attendant risks. The risk system is used in determining where impairment provisions (i.e. provisions for credit losses) may be required against specific credit exposures. The current risk framework consists of five grades reflecting varying degrees of risk of default, availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee. Risk grades are subject to regular reviews by Group Risk;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit on the credit quality of local portfolios, and appropriate corrective action is taken;
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk;
- Managing, together with the relevant business unit and legal department (where appropriate) the underperforming and non-performing exposures; and
- Ensuring that appropriate expected credit losses are raised in line with accounting standards.

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

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

Securitisation

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

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

43. Credit risk *continued*

Management of credit risk *continued*

Deposits with other banks and money market funds

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

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

Financial assets held for trade facilitation and reverse repurchase agreements

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

Credit impairment

The Group determines an allowance for credit losses that represents its estimate of ECL in line with IFRS 9. Refer to accounting policy Note 1.13 and Note 2.2 for more information.

Write-off policy

Loans and security balances (and any related allowances for impairment losses) are written off (either partially or in full) when there is no reasonable expectation of recovering a financial asset in its entirety or a portion thereof. This determination is reached after considering information such as the occurrence of significant changes in the borrower's or issuer's financial position resulting in the borrower/issuer no longer being in a position to pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

Credit risk measurement and determination

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

Classification of credit risk exposure	Categorisation of counterparty (IFRS 9)
A Good Book	Stage 1[1] and Stage 2[2]
B Special Mention	Stage 2[3]
C Sub Standard	Stage 3[4]
D Doubtful	Stage 3
E Loss	Stage 3

1 *Up to date until 7 days overdue.*
2 *More than 7 days overdue up to 30 days overdue.*
3 *More than 30 days overdue up to 90 days overdue.*
4 *Refer to Note 1.13, under heading default and curing, for the definition of credit-impaired.*

Collateral for loans and advances

The Group generally holds collateral against loans and advances in order to reduce credit risk. Although collateral is held, the Group's policy is to grant loans and advances on the basis that they are within the customer's capacity to repay the amount, rather than to rely on the collateral held against them. Estimates of the fair value of collateral are based on the value at the time of borrowing and are updated annually if an account is assessed for impairment. Collateral includes general and special notarial bonds over the client's stock, cash, cessions of debtors as well as continuous covering mortgage bonds over property. Insurance taken out by the customer on loans and advances is also viewed as collateral.

Concentration risk

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

43. Credit risk *continued*

43.1 Credit risk exposure analysis

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

	Credit risk grading ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %
2023					
Maximum credit exposures of financial assets at amortised cost					
Cash and cash equivalents[1]		615 207	615 207	–	–
Negotiable securities[2]		1 293 411	1 354 941	61 530	4.54
Loans and advances[3]		8 465 632	8 989 459	523 827	5.83
Equipment finance		4 854 523	5 251 452	396 929	7.56
Capital equipment finance		2 514 912	2 557 847	42 935	1.68
Trade and debtor finance		682 851	690 213	7 362	1.07
Other loans		414 236	489 947	75 711	15.45
Guarantees[4]		(890)	–	890	–
Trade and other receivables[5]		1 232 952	1 249 093	16 141	3.71
Net carrying amount		11 607 202	12 208 700	601 498	4.93
2023					
Off-balance sheet exposure to credit risk					
Letters of credit		37 125	–	–	–
Loan commitments		104 911	–	–	–
Financial guarantees issued		39 375	–	–	–
Total exposure to off-balance sheet credit risk		181 411	–	–	–
Credit loss allowance on off-balance sheet credit risk recognised[4]		–			
2023					
Maximum credit exposures on financial assets at FVTPL					
Cash and cash equivalents		251 430			
Loans and advances		584 344			
Trading assets		467 196			
Investment securities		621 058			
		1 924 028			
Total exposure to credit risk		13 712 641			

1 *Management has assessed these as high-quality liquid assets held with institutions with a low risk of default and hence no ECL allowance has been recognised for these, as it would be immaterial. Refer to Note 4 for significant changes in the balance.*
2 *Refer to Note 5 for significant changes in the balance.*
3 *Refer to Note 9 for significant changes in the balance.*
4 *The ECL on off-balance sheet exposures is included as part of the Loans and advances total ECL. This ECL is included as part of each product's ECL charge to which it relates.*
5 *Refer to Note 7 for significant changes in the balance. Includes non-financial assets of R179 million that is not subject to credit risk exposure.*
6 *Loans and advances in Stage 1 with a Gross carrying amount of R460.782 million and ECL of R3.928 million has been transferred from Stage 1 to Stage 2 due to SICR based on forward-looking information. The impact on the coverage ratio for Stage 1 is minimal and there is an increase in Stage 2 of 16.46%.*

A	Stage 1		A and B Stage 2[6]			Default (C, D and E) Stage 3		
12 Month Total exposure R'000	Total ECL R'000	Coverage ratio %	Lifetime ECL Total exposure R'000	Total ECL R'000	Coverage ratio %	Lifetime ECL Total exposure R'000	Total ECL R'000	Coverage ratio %
615 207	–	–	–	–	–	–	–	–
1 151 463	1 649	0.14	–	–	–	203 478	59 881	29.43
7 832 953	68 428	0.87	220 972	20 731	9.38	935 534	434 668	46.46
4 647 150	50 513	1.09	95 470	13 924	14.58	508 832	332 492	65.34
2 404 558	8 934	0.37	24 946	1 173	4.70	128 343	32 828	25.58
561 247	1 834	0.33	63 721	1 427	2.24	65 245	4 101	6.29
219 998	6 257	2.84	36 835	4 207	11.42	233 114	65 247	27.99
–	890	–	–	–	–	–	–	–
1 233 735	2 089	0.17	2 612	1 306	50.00	12 746	12 746	100.00
10 833 358	72 166	0.67	223 584	22 037	9.86	1 151 758	507 295	44.05
37 125	–	–	–	–	–	–	–	–
104 911	–	–	–	–	–	–	–	–
39 375	–	–	–	–	–	–	–	–
181 411	–	–	–	–	–	–	–	–

43. Credit risk *continued*
43.1 Credit risk exposure analysis *continued*

	Credit risk grading ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %
2022					
Maximum credit exposures of financial assets at amortised cost					
Cash and cash equivalents[1, 8]		341 616	341 616	–	–
Negotiable securities[2]		1 790 340	1 914 018	123 678	6.46
Loans and advances[3, 7, 8]		7 740 296	8 215 547	475 251	5.78
Equipment finance		4 517 221	4 897 098	379 877	7.76
Capital equipment finance		2 006 975	2 039 629	32 654	1.60
Trade and debtor finance		700 984	707 601	6 617	0.94
Other loans		516 787	571 219	54 432	9.53
Guarantees[5]		(1 671)	–	1 671	–
Trade and other receivables[6, 8]		838 600	839 093	493	0.06
Net carrying amount		10 710 852	11 310 274	599 422	5.30
2022					
Off-balance sheet exposure to credit risk					
Letters of credit		115 806			
Loan commitments		146 290			
Financial guarantees issued		40 454			
Total exposure to off-balance sheet credit risk		302 550			
Credit loss allowance on off-balance sheet credit risk recognised[5]		–			
2022					
Maximum credit exposures on financial assets at FVTPL					
Cash and cash equivalents[8]		427 154			
Loans and advances		377 291			
Trading assets[4]		547 848			
Investment securities[4]		634 697			
		1 986 990			
Total exposure to credit risk		13 000 392			

[1] *Management has assessed these as high-quality liquid assets held with institutions with a low risk of default and hence no ECL allowance has been recognised for these, as it would be immaterial. Refer to Note 4 for significant changes in the balance.*
[2] *Refer to Note 5 for significant changes in the balance.*
[3] *Refer to Note 9 for significant changes in the balance.*
[4] *In the prior year, this amount was incorrectly reflected. This has been amended accordingly.*
[5] *The ECL on off-balance sheet exposures is included as part of the Loans and advances Total ECL. This ECL is included as part of each products ECL charge to which it relates.*
[6] *Refer to Note 7 for significant changes in the balance. Includes non-financial assets of R157 million that is not subject to credit risk exposure.*
[7] *A loss allowance based only on arrear information at an individual deal level may not appropriately cater for the level of deterioration that is contained in the performing loans. To cater for this shortfall, a transfer rate can be estimated by the percentage of performing deals that roll to under-performing and non-performing over a 12-month period. Based on these estimates this amounts to c. R465 million exposure for the 2022 financial year. The corresponding ECL is not considered material.*
[8] *Prior periods by restatements. Please refer to Note 49 for additional information.*

A			A and B			Default (C, D and E)		
	Stage 1			Stage 2[7]			Stage 3	
Exposure R’000	12-month ECL[8] R’000	Coverage ratio %	Exposure R’000	Lifetime ECL R’000	Coverage ratio %	Exposure R’000	Lifetime ECL R’000	Coverage ratio %
341 616	–	–	–	–	–	–	–	–
1 643 725	2 085	0.13	–	–	–	270 293	121 593	44.99
7 119 170	92 778	1.30	264 906	23 976	9.05	831 471	358 497	43.12
4 320 676	77 504	1.79	89 727	14 047	15.66	486 695	288 326	59.24
1 871 411	7 023	0.38	60 471	1 838	3.04	107 747	23 793	22.08
615 181	3 371	0.55	62 684	1 228	1.96	29 736	2 018	6.79
311 902	3 209	1.03	52 024	6 863	13.19	207 293	44 360	21.40
–	1 671	–	–	–	–	–	–	–
839 093	493	0.06	–	–	–	–	–	–
9 943 604	95 356	0.96	264 906	23 976	9.05	1 101 764	480 090	43.57
115 806								
146 290								
40 454								
302 550								
–	–							

43. Credit risk *continued*

43.1 Credit risk exposure analysis *continued*

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

	2023 R'000	2022 R'000
Concentration risk of gross advances		
Sectoral analysis		
Agriculture	**558 559**	309 716
Community, social and personal services	**2 135 538**	1 963 598
Construction	**309 170**	285 625
Electricity and water	**72 586**	51 147
Finance, real estate and business services	**1 836 430**	1 900 430
Manufacturing	**1 257 551**	1 239 911
Mining	**304 301**	247 039
Trade, repairs of vehicles and goods as well as hotels and restaurants	**1 674 776**	1 796 876
Transport and communication	**948 203**	729 441
Other activities not adequately defined	**658 101**	371 605
Total[1]	**9 755 215**	8 895 388

[1] *Amount includes loans and advances at amortised cost, fair value loans through profit or loss, loan commitments, financial guarantees and letters of credit.*

Issuer ratings for negotiable securities and trading assets

	2023 R'000	2023 %	2022 R'000	2022 %
Issuer ratings (local scale) relating to the portfolio of bond assets were as follows				
Aaa/AAA/AAA	**346 066**	**21.69**	852 104	39.10
Aa1/AA+/AA+	**10 493**	**0.66**	10 826	0.50
Aa2/AA/AA	**–**	**–**	–	–
Aa3/AA-/AA-	**55 256**	**3.46**	11 092	0.51
A1/A+/A+	**962 724**	**60.33**	958 845	43.99
A2/A/A	**–**	**–**	56 275	2.58
A3/A-/A-	**–**	**–**	–	–
Ba2/BB/BB	**–**	**–**	–	–
Unassigned[1]	**221 235**	**13.86**	290 397	13.32
	1 595 774	**100.00**	2 179 539	100.00

[1] *The unassigned category relates to the Land Bank bills which are not rated in the current year. Refer to Note 5 and Note 6 for more information. In the current year unassigned was amended to reflect the gross amount rather than the net amount after ECL. Prior year was amended accordingly.*

43.2 Collateral and other security enhancements

43.2.1 Description of collateral for loans and advances

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

43. Credit risk *continued*

43.2 Collateral and other security enhancements *continued*

43.2.2 Estimates of the fair value of collateral and other security enhancements held against loans and advances

Estimates of the fair value of collateral and other security enhancements held are shown below:

	Gross exposure R'000	Security Stock R'000	Fixed assets R'000	Receivables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Unsecured R'000
2023								
Loans and advances								
Equipment Finance[1]	**5 251 452**	**–**	**5 172 559**	**–**	**–**	**–**	**5 172 559**	**78 893**
Capital Equipment Finance[1]	**2 557 847**	**–**	**2 483 470**	**–**	**–**	**–**	**2 483 470**	**74 377**
Trade and Debtor Finance	**690 213**	**236 358**	**42 896**	**208 896**	**1 352**	**143 481**	**632 983**	**57 230**
Other loans	**489 947**	**8 389**	**6 148**	**38 552**	**159 882**	**181 969**	**394 940**	**95 007**
Specialised lending	**584 344**	**–**	**–**	**–**	**–**	**–**	**–**	**584 344**
	9 573 803	**244 747**	**7 705 073**	**247 448**	**161 234**	**325 450**	**8 683 952**	**889 851**
2022								
Loans and advances								
Equipment Finance	4 897 098	–	4 826 813	–	–	–	4 826 813	70 285
Capital Equipment Finance[1]	2 039 629	–	1 964 669	–	–	–	1 964 669	74 960
Trade and Debtor Finance	707 601	234 077	45 862	235 655	696	–	516 290	191 311
Other loans	571 219	–	–	68 799	–	2 400	71 199	500 020
Specialised lending	377 291	5 771	–	5 631	315 037	6 827	333 266	44 025
	8 592 838	239 848	6 837 344	310 085	315 733	9 227	7 712 237	880 601

[1] *Given the nature of the finance lease rental agreement, whereby the underlying assets are legally owned by the Group, management is comfortable that, at inception of the agreement, the value of the underlying asset equates to the amount due. The value of the asset is not subsequently reassessed unless there is default.*

43.2.3 Collateral held against individually impaired assets

	Gross exposure R'000	Security Stock R'000	Fixed assets R'000	Receivables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Unsecured R'000
2023								
Loans and advances								
Equipment Finance[1]	**508 832**	**–**	**497 804**	**–**	**–**	**–**	**497 804**	**11 028**
Capital Equipment Finance[1]	**128 343**	**–**	**85 585**	**–**	**–**	**–**	**85 585**	**42 758**
Trade and Debtor Finance	**65 245**	**230**	**8 684**	**49 661**	**–**	**4 037**	**62 612**	**2 633**
Other loans	**233 114**	**–**	**–**	**–**	**145 444**	**20 898**	**166 342**	**66 772**
	935 534	**230**	**592 073**	**49 661**	**145 444**	**24 935**	**812 342**	**123 192**
2022								
Loans and advances								
Equipment Finance[1]	486 695	–	469 497	–	–	–	469 497	17 198
Capital Equipment Finance[1]	107 747	–	85 049	–	–	–	85 049	22 698
Trade and Debtor Finance	29 736	3 428	697	213	–	–	4 338	25 398
Other loans	207 293	–	23 095	–	120 771	–	143 866	63 427
	831 471	3 428	578 338	213	120 771	–	702 750	128 721

[1] *Given the nature of finance lease rental agreements, whereby the underlying assets are legally owned by the Group, management is comfortable that at inception of the agreement, the value of the underlying asset equates to the amount due. The value of the asset is not subsequently reassessed unless there is default.*

43. Credit risk *continued*

43.3 Credit loss allowance analysis

43.3.1 Reconciliation of ECL on loans and advances at amortised cost

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2023				
Total loans and advances				
Credit loss allowance balance beginning of the year	92 778	23 976	358 497	475 251
Transfers between stages[1]	(11 803)	4 874	81 561	74 632
Stage 1 from Stage 2	321	–	–	321
Stage 1 from Stage 3	87	–	–	87
Stage 1 to Stage 2	(1 654)	–	–	(1 654)
Stage 1 to Stage 3	(10 557)	–	–	(10 557)
Stage 2 from Stage 1	–	15 265	–	15 265
Stage 2 from Stage 3	–	1 038	–	1 038
Stage 2 to Stage 1	–	(6 429)	–	(6 429)
Stage 2 to Stage 3	–	(5 000)	–	(5 000)
Stage 3 from Stage 1	–	–	65 219	65 219
Stage 3 from Stage 2	–	–	22 003	22 003
Stage 3 to Stage 1	–	–	(5 192)	(5 192)
Stage 3 to Stage 2	–	–	(469)	(469)
Net ECL (released)/raised	(12 547)	(7 215)	62 794	43 032
ECL on new exposure raised	29 999	6 921	16 506	53 426
Subsequent changes in ECL	(28 685)	(9 633)	78 163	39 845
Change in ECL due to derecognition	(13 861)	(4 503)	(31 875)	(50 239)
Impaired accounts written off[2]	–	–	(69 088)	(69 088)
Credit loss allowance balance end of the year	68 428	20 731	434 668	523 827

[1] *It is the Group's practice to transfer the ECL between stages, by comparing the ECL stage for an exposure at the beginning of the reporting period to the ECL stage of that exposure at the end of the reporting period, for those exposures that have not yet been settled.*

[2] *The contractual amounts outstanding on loans and advances that were written off during the period and that are still subject to enforcement activities amounts to R26.1 million.*

43. Credit risk *continued*

43.3 Credit loss allowance analysis *continued*

43.3.1 Reconciliation of ECL on loans and advances at amortised cost *continued*

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2022				
Total loans and advances				
Credit loss allowance balance beginning of the year	111 888	44 443	379 023	535 354
Transfers between stages[1]	(5 629)	(22 388)	62 561	34 544
Stage 1 from Stage 2	1 815	–	–	1 815
Stage 1 from Stage 3	287	–	–	287
Stage 1 to Stage 2	(4 386)	–	–	(4 386)
Stage 1 to Stage 3	(3 345)	–	–	(3 345)
Stage 2 from Stage 1	–	12 919	–	12 919
Stage 2 from Stage 3	–	100	24 338	24 438
Stage 2 to Stage 1	–	(11 420)	–	(11 420)
Stage 2 to Stage 3	–	(23 987)	–	(23 987)
Stage 3 from Stage 1	–	–	32 696	32 696
Stage 3 from Stage 2	–	–	20 981	20 981
Stage 3 to Stage 1	–	–	(14 926)	(14 926)
Stage 3 to Stage 2	–	–	(528)	(528)
Net ECL (released)/raised	(13 481)	1 921	28 779	17 219
ECL on new exposure raised	45 236	7 905	46 745	99 886
Subsequent changes in ECL	(36 230)	(180)	13 309	(23 101)
Change in ECL due to derecognition	(22 487)	(5 804)	(31 275)	(59 566)
Impaired accounts written off[2]	–	–	(111 866)	(111 866)
Credit loss allowance balance end of the year	92 778	23 976	358 497	475 251

[1] *It is the Group's practice to transfer the ECL between stages, by comparing the ECL stage for an exposure at the beginning of the reporting period to the ECL stage of that exposure at the end of the reporting period, for those exposures that have not yet been settled.*

[2] *The contractual amounts outstanding on loans and advances that were written off during the period and that are still subject to enforcement activities amounts to R183.1 million.*

43. Credit risk *continued*

43.3 Credit loss allowance analysis *continued*

43.3.2 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
2023				
Equipment Finance[1]				
Credit loss allowance balance beginning of the year	**77 504**	**14 047**	**288 326**	**379 877**
Transfer between stages	**(2 504)**	**1 159**	**48 845**	**47 500**
Stage 1 from Stage 2	**248**	–	–	**248**
Stage 1 from Stage 3	**87**	–	–	**87**
Stage 1 to Stage 2	**(1 121)**	–	–	**(1 121)**
Stage 1 to Stage 3	**(1 718)**	–	–	**(1 718)**
Stage 2 from Stage 1	–	**10 625**	–	**10 625**
Stage 2 from Stage 3	–	**134**	–	**134**
Stage 2 to Stage 1	–	**(5 535)**	–	**(5 535)**
Stage 2 to Stage 3	–	**(4 065)**	–	**(4 065)**
Stage 3 from Stage 1	–	–	**42 340**	**42 340**
Stage 3 from Stage 2	–	–	**12 164**	**12 164**
Stage 3 to Stage 1	–	–	**(5 190)**	**(5 190)**
Stage 3 to Stage 2	–	–	**(469)**	**(469)**
Net ECL (released)/raised	**(24 487)**	**(1 282)**	**61 246**	**35 477**
ECL on new exposure raised	**22 514**	**5 738**	**12 035**	**40 287**
Subsequent changes in ECL	**(37 599)**	**(3 732)**	**61 843**	**20 512**
Change in ECL due to derecognition	**(9 402)**	**(3 288)**	**(12 632)**	**(25 322)**
Impaired accounts written off	–	–	**(65 925)**	**(65 925)**
Credit loss allowance balance end of the year	**50 513**	**13 924**	**332 492**	**396 929**
Capital Equipment Finance[2]				
Credit loss allowance balance beginning of the year	**7 023**	**1 838**	**23 793**	**32 654**
Transfer between stages	**(98)**	**(975)**	**24 018**	**22 945**
Stage 1 from Stage 2	**73**	–	–	**73**
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	**(28)**	–	–	**(28)**
Stage 1 to Stage 3	**(143)**	–	–	**(143)**
Stage 2 from Stage 1	–	**747**	–	**747**
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	**(894)**	–	**(894)**
Stage 2 to Stage 3	–	**(828)**	–	**(828)**
Stage 3 from Stage 1	–	–	**14 180**	**14 180**
Stage 3 from Stage 2	–	–	**9 840**	**9 840**
Stage 3 to Stage 1	–	–	**(2)**	**(2)**
Net ECL (released)/raised	**2 009**	**310**	**(13 319)**	**(11 000)**
ECL on new exposure raised	**4 716**	**877**	**1 876**	**7 469**
Subsequent changes in ECL	**(1 981)**	**(514)**	**(7 534)**	**(10 029)**
Change in ECL due to derecognition	**(726)**	**(53)**	**(7 661)**	**(8 440)**
Impaired accounts written off	–	–	**(1 664)**	**(1 664)**
Credit loss allowance balance end of the year	**8 934**	**1 173**	**32 828**	**42 935**

[1] *Lower portfolio growth due to tightening of credit appetite and improvement in credit risk parameters. Deterioration in Stage 3 due to ageing of the book.*
[2] *Continued strong growth despite challenging economic conditions and tightening of credit criteria. Deterioration in Stage 3 due to two large defaults.*

43. Credit risk *continued*

43.3 Credit loss allowance analysis *continued*

43.3.2 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
2023				
Trade and Debtor Finance				
Credit loss allowance balance beginning of the year	**3 371**	**1 228**	**2 018**	**6 617**
Transfer between stages	**(1 625)**	**432**	**1 501**	**308**
Stage 1 from Stage 2	**–**	**–**	**–**	**–**
Stage 1 from Stage 3	**–**	**–**	**–**	**–**
Stage 1 to Stage 2	**(124)**	**–**	**–**	**(124)**
Stage 1 to Stage 3	**(1 501)**	**–**	**–**	**(1 501)**
Stage 2 from Stage 1	**–**	**432**	**–**	**432**
Stage 2 from Stage 3	**–**	**–**	**–**	**–**
Stage 2 to Stage 1	**–**	**–**	**–**	**–**
Stage 2 to Stage 3	**–**	**–**	**–**	**–**
Stage 3 from Stage 1	**–**	**–**	**1 501**	**1 501**
Stage 3 from Stage 2	**–**	**–**	**–**	**–**
Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Stage 3 to Stage 2	**–**	**–**	**–**	**–**
Net ECL (released)/raised	**88**	**(233)**	**2 082**	**1 937**
ECL on new exposure raised	**2 399**	**306**	**2 595**	**5 300**
Subsequent changes in ECL	**1 067**	**491**	**(84)**	**1 474**
Change in ECL due to derecognition	**(3 378)**	**(1 030)**	**(429)**	**(4 837)**
Impaired accounts written off	**–**	**–**	**(1 500)**	**(1 500)**
Credit loss allowance balance end of the year	**1 834**	**1 427**	**4 101**	**7 362**
Other loans[1]				
Credit loss allowance balance beginning of the year	**3 209**	**6 863**	**44 360**	**54 432**
Transfer between stages	**(7 440)**	**2 859**	**8 101**	**3 520**
Stage 1 from Stage 2	**–**	**–**	**–**	**–**
Stage 1 from Stage 3	**–**	**–**	**–**	**–**
Stage 1 to Stage 2	**(245)**	**–**	**–**	**(245)**
Stage 1 to Stage 3	**(7 195)**	**–**	**–**	**(7 195)**
Stage 2 from Stage 1	**–**	**2 966**	**–**	**2 966**
Stage 2 from Stage 3	**–**	**–**	**904**	**904**
Stage 2 to Stage 1	**–**	**–**	**–**	**–**
Stage 2 to Stage 3	**–**	**(107)**	**–**	**(107)**
Stage 3 from Stage 1	**–**	**–**	**7 197**	**7 197**
Stage 3 from Stage 2	**–**	**–**	**–**	**–**
Stage 3 to Stage 1	**–**	**–**	**–**	**–**
Stage 3 to Stage 2	**–**	**–**	**–**	**–**
Net ECL (released)/raised	**10 488**	**(5 515)**	**12 786**	**17 759**
ECL on new exposure raised	**307**	**–**	**–**	**307**
Subsequent changes in ECL	**10 320**	**(5 383)**	**23 940**	**28 877**
Change in ECL due to derecognition	**(139)**	**(132)**	**(11 154)**	**(11 425)**
Impaired accounts written off	**–**	**–**	**–**	**–**
Credit loss allowance balance end of the year	**6 257**	**4 207**	**65 247**	**75 711**

[1] *Other loans includes specialised lending, commercial property lending and unsecured lending. The initial growth in the Property lending business is offset by the sale of the specialised lending portfolio. Stage 3 includes settlement of a large client and claim of two clients against the SARB COVID Guarantee. This impact is negated by further deterioration of two large existing clients.*

43. Credit risk *continued*

43.3 Credit loss allowance analysis *continued*

43.3.2 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
Guarantees				
Credit loss allowance balance beginning of the year	**1 671**	–	–	**1 671**
Transfer between stages	–	–	–	
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers	**(781)**	–	–	**(781)**
ECL on new exposure raised	–	–	–	–
Subsequent changes in ECL	**(781)**	–	–	**(781)**
Change in ECL due to derecognition	–	–	–	–
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the year	**890**	–	–	**890**

43. Credit risk *continued*

43.3 Credit loss allowance analysis *continued*

43.3.2 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
2022				
Equipment Finance[1]				
Credit loss allowance balance beginning of the year	78 148	21 193	344 281	443 622
Transfer between stages	(830)	(8 930)	33 234	23 474
Stage 1 from Stage 2	1 446	–	–	1 446
Stage 1 from Stage 3	273	–	–	273
Stage 1 to Stage 2	(993)	–	–	(993)
Stage 1 to Stage 3	(1 556)	–	–	(1 556)
Stage 2 from Stage 1	–	5 781	–	5 781
Stage 2 from Stage 3	–	100	–	100
Stage 2 to Stage 1	–	(8 080)	–	(8 080)
Stage 2 to Stage 3	–	(6 731)	–	(6 731)
Stage 3 from Stage 1	–	–	28 966	28 966
Stage 3 from Stage 2	–	–	17 432	17 432
Stage 3 to Stage 1	–	–	(12 636)	(12 636)
Stage 3 to Stage 2	–	–	(528)	(528)
Net ECL (released)/raised	186	1 784	8 786	10 756
ECL on new exposure raised	36 247	5 611	15 210	57 068
Subsequent changes in ECL	(25 406)	(450)	12 005	(13 851)
Change in ECL due to derecognition	(10 655)	(3 377)	(18 429)	(32 461)
Impaired accounts written off	–	–	(97 975)	(97 975)
Credit loss allowance balance end of the year	77 504	14 047	288 326	379 877
Capital Equipment Finance[2]				
Credit loss allowance balance beginning of the year	13 125	4 175	27 424	44 724
Transfer between stages	(147)	(1 743)	3 256	1 366
Stage 1 from Stage 2	26	–	–	26
Stage 1 from Stage 3	14	–	–	14
Stage 1 to Stage 2	(131)	–	–	(131)
Stage 1 to Stage 3	(56)	–	–	(56)
Stage 2 from Stage 1	–	289	–	289
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	(1 308)	–	(1 308)
Stage 2 to Stage 3	–	(724)	–	(724)
Stage 3 from Stage 1	–	–	1 997	1 997
Stage 3 from Stage 2	–	–	3 549	3 549
Stage 3 to Stage 1	–	–	(2 290)	(2 290)
Stage 3 to Stage 2	–	–	–	–
Net ECL (released)/raised	(5 955)	(594)	5 522	(1 027)
ECL on new exposure raised	4 809	1 532	12 887	19 228
Subsequent changes in ECL	(8 571)	6	(50)	(8 615)
Change in ECL due to derecognition	(2 193)	(2 132)	(7 315)	(11 640)
Impaired accounts written off	–	–	(12 409)	(12 409)
Credit loss allowance balance end of the year	7 023	1 838	23 793	32 654

[1] *Strong portfolio growth resulted in an improved credit profile, with improvements noted across all three stages. Large write-offs during the year impacted the credit impairment charge but improved the non performing loan (NPL) ratio.*

[2] *Strong portfolio growth, primarily in Stage 1 and improvements noted in Stage 2. Stage 3 exposures almost doubled with the inclusion of a large client, offset by several large exposures written off during the year.*

43. Credit risk *continued*

43.3 Credit loss allowance analysis *continued*

43.3.2 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
2022				
Trade and Debtor Finance[1]				
Credit loss allowance balance beginning of the year	8 693	2 543	6 991	18 227
Transfer between stages	343	(2 032)	–	(1 689)
Stage 1 from Stage 2	343	–	–	343
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	(2 032)	–	(2 032)
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Net ECL (released)/raised				
ECL on new exposure raised	627	748	716	2 091
Subsequent changes in ECL	369	264	1 302	1 935
Change in ECL due to derecognition	(6 661)	(295)	(5 491)	(12 447)
Impaired accounts written off	–	–	(1 500)	(1 500)
Credit loss allowance balance end of the year	3 371	1 228	2 018	6 617

[1] *The portfolio has shown healthy growth over the past year, reflecting an overall growth of 19.66%. While there has been some deterioration in the Stage 2 portfolio, the Stage 3 remains very small at 0.74% of the portfolio. The Stage 2 portfolio contain several smaller clients that are experiencing financial stress for various reasons.*

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Other loans[1]				
Credit loss allowance balance beginning of the year	11 709	16 532	327	28 568
Transfer between stages	(4 995)	(9 683)	26 071	11 393
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	(3 262)	–	–	(3 262)
Stage 1 to Stage 3	(1 733)	–	–	(1 733)
Stage 2 from Stage 1	–	6 849	–	6 849
Stage 2 from Stage 3	–	–	24 338	24 338
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	(16 532)	–	(16 532)
Stage 3 from Stage 1	–	–	1 733	1 733
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Net ECL (released)/raised	(3 505)	14	17 944	14 453
ECL on new exposure raised	1 994	14	17 932	19 940
Subsequent changes in ECL	(5 443)	–	52	(5 391)
Change in ECL due to derecognition	(56)	–	(40)	(96)
Impaired accounts written off	–	–	18	18
Credit loss allowance balance end of the year	3 209	6 863	44 360	54 432

[1] *Other loans includes specialised lending, commercial property lending and unsecured lending. The specialised lending and Commercial Property Lending portfolios marginally increased over the past year and reflects some deterioration. There was a significant increase in stage 3 due to default of one large client. Stage 2 is also showing deterioration due to the property sector struggling with occupancy rates and students unable to afford accommodation. The unsecured lending portfolio has shown material growth over the past 12 months, albeit off a low base. While Stage 1 has increased, the Stage 3 portfolio has deteriorated significantly and credit granting and processes are currently under review.*

43. Credit risk *continued*

43.3 Credit loss allowance analysis *continued*

43.3.2 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
Guarantees				
Credit loss allowance balance beginning of the year	213	–	–	213
Transfer between stages	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Net ECL (released)/raised	1 458			1 458
ECL on new exposure raised	1 559	–	–	1 559
Subsequent changes in ECL	2 821	–	–	2 821
Change in ECL due to derecognition	(2 922)	–	–	(2 922)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the year	1 671	–	–	1 671

43. Credit risk *continued*

43.3 Credit loss allowance analysis *continued*

43.3.3 Reconciliation of ECL on negotiable securities

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2023				
Credit loss allowance balance beginning of the year	**2 085**	**–**	**121 593**	**123 678**
Net expected credit losses (released)/raised	**(436)**		**(61 712)**[1]	**(62 148)**
Subsequent changes in ECL	**(436)**	**–**	**(61 712)**	**(62 148)**
Credit loss allowance balance end of the year	**1 649**	**–**	**59 881**	**61 530**

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2022				
Credit loss allowance balance beginning of the year	2 500	–	121 593	124 093
Net expected credit losses (released)/raised	(415)	–	–	(415)
Subsequent changes in ECL	(415)	–	–	(415)
Credit loss allowance balance end of the year	2 085	–	121 593	123 678

[1] *There was a reversal of ECL in the current year as the agreed upon repayments are up to date.*

43.3.4 Reconciliation of ECL on trade and other receivables

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2023				
Credit loss allowance balance beginning of the year	**493**	**–**	**–**	**493**
Net expected credit losses (released)/raised[1]	**1 596**	**1 306**	**12 746**	**15 648**
Subsequent changes in ECL	**1 596**	**1 306**	**12 746**	**15 648**
Credit loss allowance balance end of the year	**2 089**	**1 306**	**12 746**	**16 141**

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2022				
Credit loss allowance balance beginning of the year	493	–	–	493
Credit loss allowance balance end of the year	493	–	–	493

[1] *Based on the current assessment of certain items included under trade and other receivables, the Group has raised a provision. The amount provided has been recognised as part of the impairment charge in profit or loss.*

43. Credit risk *continued*

43.3 Credit loss allowance analysis *continued*

43.3.5 Credit impairment charges recognised in profit or loss

	2023 R'000	2022 R'000 Restated[1]
Net ECL recognised	**83 886**	41 526
Loans and advances[2]	**130 386**	41 941
Negotiable securities	**(62 148)**	(415)
Trade and other receivables	**15 648**	–
Recoveries of loans and advances previously written off	**(21 415)**	(23 288)
Trade and other receivables written off – previously not provided for	**14 953**	–
	77 424	18 238

[1] *Prior periods by restatement, please refer to Note 49 for additional information.*
[2] *This includes the impact of Interest in Suspense (ISP) and other recoveries.*

44. Liquidity risk

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

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

Management of liquidity risk

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

Treasury receives information from other business units regarding the liquidity profile of their financial assets and liabilities and details of projected cash flows arising from future business. Treasury then maintains a portfolio of short-term liquid assets, largely made up of short-term liquid investment securities, interbank loans and other interbank facilities, to ensure that sufficient liquidity is maintained within the Group as a whole.

The liquidity requirements of business units and subsidiaries are met through short-term loans from Treasury to cover any short-term fluctuations and longer-term funding to address any structural liquidity requirements. The Group believes that the management of liquidity should encompass an overall consolidated statement of financial position approach, which consolidates all sources and uses of liquidity while maintaining a balance between liquidity, profitability and interest rate considerations.

Liquidity risk measurement

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

Exposure to liquidity risk

The key measures used by the Group for managing liquidity risk are *inter alia:*

- The Liquidity Coverage Ratio (LCR). This refers to the proportion of high-quality liquid assets available to meet the banks' liquidity needs during a 30 calendar day liquidity stress period/scenario;
- Net Stable Funding Ratio (NSFR). This refers to the proportion of Available Stable Funding via the liabilities over Required Stable Funding for the assets;
- Various forward-looking liquidity maturity mismatch scenarios; and
- The ratio of net liquid assets to deposits from customers.

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

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

44. Liquidity risk *continued*

44.1 Contractual maturity analysis

	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual[1] R'000	Total R'000
2023									
Discounted maturity									
Assets									
Cash and cash balances	866 637	866 637	866 637	–	–	–	–	–	866 637
Negotiable securities	1 293 411	1 151 463	298 856	346 354	289 643	–	216 610	141 948	1 293 411
Trading assets[2]	467 196	467 196	207 750	12 400	6 348	105 998	134 700	–	467 196
Trade and other receivables	1 232 952	1 026 633	1 023 246	–	–	3 387		206 319	1 232 952
Loans and advances	9 049 976	9 078 318	342 624	275 326	559 898	7 778 635	121 835	(28 341)	9 049 976
Current taxation asset	47 679	–	–	–	–	–	–	47 679	47 679
Investment securities	700 918	104 964	104 964	–	–	–	–	595 954	700 918
Investments at fair value through profit or loss	621 058	104 964	104 964	–	–	–	–	516 094	621 058
Equity accounted associates	79 860	–	–	–	–	–	–	79 860	79 860
Property and equipment and right-of-use-assets	164 536	–	–	–	–	–	–	164 536	164 536
Investment property	14 600	–	–	–	–	–	–	14 600	14 600
Intangible assets and goodwill	110 949	–	–	–	–	–	–	110 949	110 949
Deferred tax asset	64 228	–	–	–	–	–	–	64 228	64 228
Total assets	**14 013 082**	**12 695 211**	**2 844 077**	**634 080**	**855 889**	**7 888 020**	**473 145**	**1 317 871**	**14 013 082**
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements	351 885	351 885	351 885	–	–	–	–	–	351 885
Trading liabilities[2]	441 344	441 344	231 716	8 726	5 884	90 627	104 391	–	441 344
Current taxation liability	1 746	–	–	–	–	–	–	1 746	1 746
Trade and other payables	1 448 676	1 306 295	1 306 295	–	–	–	–	142 381	1 448 676
Bank overdraft	113 081	113 081	113 081	–	–	–	–	–	113 081
Provisions	68 657	–	–	–	–	–	–	68 657	68 657
Lease liabilities	151 518	205 048	2 597	5 076	21 656	116 549	59 170	–	205 048
Deposits from customers	5 629 443	5 738 337	2 959 339	1 275 556	1 360 844	142 598	–	–	5 738 337
Debt securities issued	3 720 138	4 613 989	–	266 570	429 253	3 918 166	–	–	4 613 989
Long term loans	276 488	329 775	2 406	4 812	41 506	281 051	–	–	329 775
Deferred tax liability	155 633	–	–	–	–	–	–	155 633	155 633
Total liabilities	**12 358 609**	**13 099 754**	**4 967 319**	**1 560 740**	**1 859 143**	**4 548 991**	**163 561**	**368 417**	**13 468 171**
Off-balance sheet liquidity exposures									
Letters of credit	37 125	37 125	37 125	–	–	–	–	–	37 125
Loan commitments	147 062	147 062	147 062	–	–	–	–	–	147 062
Financial guarantees	43 878	43 878	43 878	–	–	–	–	–	43 878
Capital expenditure	11	11	11	–	–	–	–	–	11
Loan commitments	228 076	228 076	228 076	–	–	–	–	–	228 076

[1] *Non-contractual refers to non-financial instruments, the ECL on financial instruments and non-performing loans on which legal proceedings have been initiated.*
[2] *Includes derivative instruments. Refer to Note 45.4 for the maturity analysis.*

This table represents the contractual maturities of assets and liabilities, as opposed to their "business as usual" maturity profiles.

44. Liquidity risk *continued*
44.1 Contractual maturity analysis *continued*

	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual[1] R'000	Total R'000
2022									
Discounted maturity									
Assets									
Cash and cash balances[5]	768 770	768 770	768 770	–	–	–	–	–	768 770
Negotiable securities	1 790 340	1 643 725	302 196	247 931	886 268	–	207 330	146 615	1 790 340
Trading assets	547 848	547 848	260 821	33 273	13 078	87 465	153 211	–	547 848
Trade and other receivables[4, 5]	838 600	681 739	681 145	2	592	–	–	156 861	838 600
Loans and advances[5]	8 117 587	7 759 805	344 984	231 749	1 456 173	5 717 879	9 020	357 782	8 117 587
Current taxation asset	39 766	–	–	–	–	–	–	39 766	39 766
Investment securities[5]	689 447	387 298	105 300	–	–	281 998	–	302 149	689 447
Investments at fair value through profit or loss	634 697	387 298	105 300	–	–	281 998	–	247 399	
Equity accounted associates	54 750	–	–	–	–	–	–	54 750	54 750
Property and equipment and right-of-use-assets	183 082	–	–	–	–	–	–	183 082	183 082
Investment property	20 138	–	–	–	–	–	–	20 138	20 138
Intangible assets and goodwill	144 729	–	–	–	–	–	–	144 729	144 729
Deferred tax asset	45 380	–	–	–	–	–	–	45 380	45 380
Total assets	13 185 687	11 789 185	2 463 216	512 955	2 356 111	6 087 342	369 561	1 396 502	13 185 687
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements	803 976	803 976	803 976	–	–	–	–	–	803 976
Trading liabilities	518 596	518 596	273 710	19 610	30 963	86 370	107 943	–	518 596
Current taxation liability	1 364	–	–	–	–	–	–	1 364	1 364
Trade and other payables[4, 5]	1 114 419	1 015 397	1 014 217	924	256	–	–	99 022	1 114 419
Bank overdraft	68 541	68 541	68 541	–	–	–	–	–	68 541
Provisions	69 348	–	–	–	–	–	–	69 348	69 348
Lease liabilities	157 116	220 669	1 205	6 700	20 242	130 146	62 376	–	220 669
Deposits from customers[6]	5 233 182	6 229 639	4 864 018	336 271	796 795	226 127	6 428	–	6 229 639
Debt securities issued	2 991 426	3 321 350	–	472 328	550 265	2 298 757	–	–	3 321 350
Long term loans	499 521	522 127	28	310 962	123 016	81 247	6 874	–	522 127
Deferred tax liability	144 696	–	–	–	–	–	–	144 696	144 696
Total liabilities	11 602 185	12 700 295	7 025 695	1 146 795	1 521 537	2 822 647	183 621	314 430	13 014 725
Off-balance sheet liquidity exposures									
Letters of credit	115 806	115 806	115 806	–	–	–	–	–	115 806
Loan commitments	146 290	146 290	146 290	–	–	–	–	–	146 290
Financial guarantees[3]	40 454	40 454	40 454	–	–	–	–	–	40 454
Capital expenditure	355	355	355	–	–	–	–	–	355
Loan commitments	302 905	302 905	302 905	–	–	–	–	–	302 905

[1] *Non-contractual refers to non-financial instruments, the ECL on financial instruments and non-performing loans on which legal proceedings have been initiated.*
[2] *Includes derivative instruments. Refer to Note 45.4 for the maturity analysis.*
[3] *R24 099 million was erroneously included in the 1 – 5 years maturity in the prior year financial statements rather than in the less than 1 month category. This was corrected in the current year with no impact on the primary financial statements.*
[4] *The amount was amended to more accurately reflect contractual financial instruments. There has been no impact on the primary financial statements.*
[5] *Prior periods by restatement. Refer to Note 49 for additional information.*
[6] *In the current year, the amounts were adjusted to correctly reflect the undiscounted amounts. There has been no impact on the primary financial statements.*

This table represents the contractual maturities of assets and liabilities, as opposed to their "business as usual" maturity profiles.

44. Liquidity risk *continued*

44.2 Discounted maturity analysis: Current and non-current

	2023 Current R'000	2023 Non-current R'000	2023 Total R'000	2022 Current R'000	2022 Non-current R'000	2022 Total R'000
Assets						
Cash and cash balances[1]	**866 637**	**–**	**866 637**	768 770	–	768 770
Negotiable securities	**934 853**	**358 558**	**1 293 411**	1 583 010	207 330	1 790 340
Trading assets	**226 498**	**240 698**	**467 196**	307 172	240 676	547 848
Trade and other receivables[1]	**1 232 952**	**–**	**1 232 952**	838 600	–	838 600
Loans and advances[1]	**1 088 689**	**7 961 287**	**9 049 976**	1 557 655	6 559 932	8 117 587
Current taxation asset	**47 679**	**–**	**47 679**	39 766	–	39 766
Investment securities	**104 964**	**595 954**	**700 918**	105 300	584 147	689 447
Investments at fair value through profit or loss[1]	**104 964**	**516 094**	**621 058**	105 300	529 397	634 697
Equity accounted associates	**–**	**79 860**	**79 860**	–	54 750	54 750
Property and equipment and right-of-use assets	**–**	**164 536**	**164 536**	–	183 082	183 082
Investment property	**–**	**14 600**	**14 600**	–	20 138	20 138
Intangible assets and goodwill	**–**	**110 949**	**110 949**	–	144 729	144 729
Deferred tax asset	**–**	**64 228**	**64 228**	–	45 380	45 380
Total assets	**4 502 272**	**9 510 810**	**14 013 082**	5 200 273	7 985 414	13 185 687
Liabilities						
Funding under repurchase agreements	**351 885**	**–**	**351 885**	803 976	–	803 976
Trading liabilities	**246 326**	**195 018**	**441 344**	324 283	194 313	518 596
Current taxation liability	**1 746**	**–**	**1 746**	1 364	–	1 364
Trade and other payables[1]	**1 448 676**	**–**	**1 448 676**	1 114 419	–	1 114 419
Bank overdraft	**113 081**	**–**	**113 081**	68 541	–	68 541
Provisions	**68 657**	**–**	**68 657**	69 348	–	69 348
Lease liabilities[2]	**16 970**	**134 548**	**151 518**	27 487	129 629	157 116
Deposits from customers	**5 486 845**	**142 598**	**5 629 443**	4 583 244	649 938	5 233 182
Debt securities issued	**684 853**	**3 035 285**	**3 720 138**	1 013 522	1 977 904	2 991 426
Long term loans	**23 437**	**253 051**	**276 488**	395 000	104 521	499 521
Deferred tax liability	**–**	**155 633**	**155 633**	–	144 696	144 696
Total liabilities	**8 439 630**	**3 918 979**	**12 358 609**	8 401 184	3 201 001	11 602 185

[1] *Prior periods by restatement, please refer to Note 49 for additional information.*
[2] *The amounts reflected as current will be settled in less than 12 months and the amounts reflected in non-current are expected to be settled in greater than 12 months.*

45. Market risk

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

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

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

Settlement risk

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

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

Management of market risk

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

- Trading portfolios
  The Group applies a Value-at-Risk (VAR) model using the previous five years' historical data as an input to monitor market risk, as it is regarded as being one of the soundest and most intuitive methods.

  Two confidence intervals have been selected to analyse. Both scenarios use daily historical closing prices from 15 May 2017 to 29 June 2022 inclusive, and the R186 government bond as the benchmark. ZJS is used as the risk-free rate.

  The VAR model measures the amount of maximum loss which will not be exceeded with 99% probability as a result of normal but adverse market price movements over a 10-day holding period.

  For multiple currencies, all historical prices of securities are first converted back to the base currency of the portfolio (ZAR) at the historical reigning cross-rate on that day, after which the VAR is then calculated.

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

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

Exposure to interest rate risk

- Trading portfolios
  Trading portfolios consist of exchange-traded bonds that bear fixed interest rates.

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

Market risk on equity investments

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

Currency risk

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

45. Market risk *continued*

45.1 Derivative financial instruments

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

Notional principal

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

Exchange rate contracts

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

Interest rate swaps

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

45. Market risk *continued*

45.2 Market risk

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

	Up to 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
2023						
Assets						
Non-trading portfolios						
Cash and cash equivalents	**264 702**	**–**	**–**	**–**	**–**	**264 702**
Negotiable securities	**502 334**	**346 354**	**289 642**	**–**	**216 610**	**1 354 940**
Loans and advances	**8 205 424**	**217 643**	**168 292**	**490 695**	**870**	**9 082 923**
Total assets	**8 972 459**	**563 997**	**457 934**	**490 695**	**217 480**	**10 702 565**
Liabilities						
Non-trading portfolios						
Funding under repurchase agreements	**351 885**	**–**	**–**	**–**	**–**	**351 885**
Bank overdraft	**113 081**	**–**	**–**	**–**	**–**	**113 081**
Deposits from customers	**4 306 325**	**320 401**	**796 795**	**199 494**	**6 428**	**5 629 443**
Lease liabilities	**43**	**136**	**385**	**1 545**	**–**	**2 108**
Debt securities issued	**–**	**3 720 138**	**–**	**–**	**–**	**3 720 138**
Long-term loans	**276 488**	**–**	**–**	**–**	**–**	**276 488**
Total liabilities	**5 047 822**	**4 040 674**	**797 180**	**201 039**	**6 428**	**10 093 143**
Net pricing gap	**3 924 637**	**(3 476 677)**	**(339 246)**	**289 656**	**211 052**	**609 422**
Cumulative repricing gap	**3 924 637**	**447 960**	**108 714**	**398 370**	**609 422**	**609 422**
A 400[1] basis point interest rate change will have the following effect on profit/loss:						
400[1] bps parallel shock interest rate increase	**18 083**	**11 313**	**59 330**	**(15)**	**–**	**88 711**
400[1] bps parallel shock interest rate decrease	**(14 632)**	**(4 748)**	**(35 689)**	**15**	**–**	**(55 054)**
2022						
Assets						
Non-trading portfolios						
Cash and cash equivalents	304 057	–	–	–	–	304 057
Negotiable securities	270 293	–	–	–	–	270 293
Loans and advances	7 666 988	1 338	10 167	78 973	–	7 757 466
Total assets	8 241 338	1 338	10 167	78 973	–	8 331 816
Liabilities						
Non-trading portfolios						
Funding under repurchase agreements	803 976	–	–	–	–	803 976
Bank overdraft	68 160	–	–	–	–	68 160
Deposits from customers	2 858 475	286 293	–	–	–	3 144 768
Debt securities issued	–	2 991 426	–	–	–	2 991 426
Long-term loans	494 021	5 500	–	–	–	499 521
Total liabilities	4 224 632	3 283 219	–	–	–	7 507 851
Net pricing gap	4 016 706	(3 281 881)	10 167	78 973	–	823 965
Cumulative repricing gap	4 016 706	734 825	744 992	823 965	823 965	823 965
A 200 basis point interest rate change will have the following effect on profit/loss:						
200 bps parallel shock interest rate increase	1 850	(10 896)	102	1 003	–	(7 941)
200 bps parallel shock interest rate decrease	2 362	10 896	(102)	(1 003)	–	12 153

[1] *During 2023 the sensitivity analysis was modified due to regulatory requirements to use 400 bps as a parallel shock rate compared to 200 bps in prior years.*

45. Market risk *continued*

45.3 Currency risk

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

Foreign currency risk sensitivity analysis converted into ZAR

	US Dollar R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2023						
Forward exchange contracts	**(63 773)**	**(19 950)**	**(839)**	**(2 803)**	**(500)**	**(87 865)**
Import Bills	**177 124**	**16 951**	**3 455**	**1 661**	**–**	**199 191**
Bank balances	**37 560**	**20 195**	**652**	**9 956**	**2 161**	**70 524**
Trade receivables	**61 598**	**5 360**	**–**	**–**	**–**	**66 958**
Import suppliers	**(1 697)**	**(111)**	**–**	**–**	**–**	**(1 808)**
Usance creditors	**(11 374)**	**–**	**(2 455)**	**–**	**–**	**(13 829)**
Other payables	**(27 660)**	**(22 528)**	**(650)**	**(6 777)**	**(994)**	**(58 609)**
Total net (short)/ long position	**171 778**	**(83)**	**163**	**2 037**	**667**	**174 562**
Sensitivity – 5%[1]	**8 589**	**(4)**	**8**	**102**	**33**	**8 728**
2022						
Forward exchange contracts[2]	100 888	14 479	1 124	4 441	1 203	122 135
Import Bills	209 812	12 254	1 139	11 986	–	235 191
Bank balances	42 023	57 138	30	8 513	2 247	109 951
Trade receivables[2]	58 962	4 395	6 106	34 525	235	104 223
Import suppliers	(3 107)	–	–	(992)	–	(4 099)
Usance creditors	(36 531)	(788)	–	–	–	(37 319)
Other payables[2]	(469 137)	(46 626)	–	(40 725)	(11 212)	(567 700)
Total net (short)/ long position	(97 090)	40 852	8 399	17 748	(7 527)	(37 618)
Sensitivity – 5%[1]	(4 855)	2 043	420	887	(376)	(1 881)

[1] *This indicates the impact on profit or loss and equity that a 5% increase in the foreign exchange rate will have. A decrease will have the opposite effect.*

[2] *Amounts have been restated to more accurately reflect the balances per foreign currency. As a result, the Total net (short)/long position and Sensitivity totals have changed. No impact on primary financial statements noted.*

45. Market risk *continued*

45.3 Currency risk *continued*

Analysis of assets and liabilities by currency converted into ZAR

	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2023						
Assets						
Cash and cash equivalents	**37 560**	**20 194**	**9 955**	**796 115**	**2 813**	**866 637**
Negotiable securities	**–**	**–**	**–**	**1 293 411**	**–**	**1 293 411**
Trading assets	**24 589**	**3 521**	**466**	**438 520**	**100**	**467 196**
Trade and other receivables	**61 598**	**5 360**	**–**	**1 165 994**	**–**	**1 232 952**
Non-current assets held for sale	**–**	**–**	**–**	**–**	**–**	**–**
Loans and advances	**179 646**	**16 951**	**1 660**	**8 848 264**	**3 455**	**9 049 976**
Taxation	**–**	**–**	**–**	**47 679**	**–**	**47 679**
Investment securities	**–**	**703**	**–**	**700 215**	**–**	**700 918**
Investments at fair value through profit or loss	**–**	**703**	**–**	**620 355**	**–**	**621 058**
Equity accounted associates	**–**	**–**	**–**	**79 860**	**–**	**79 860**
Property, equipment and right-of-use assets	**–**	**–**	**–**	**164 536**	**–**	**164 536**
Investment property	**–**	**–**	**–**	**14 600**	**–**	**14 600**
Intangible assets and goodwill	**–**	**–**	**–**	**110 949**	**–**	**110 949**
Deferred tax asset	**–**	**–**	**–**	**64 228**	**–**	**64 228**
Total assets	**303 393**	**46 729**	**12 081**	**13 644 511**	**6 368**	**14 013 082**
Liabilities						
Funding under repurchase agreements	**–**	**–**	**–**	**351 885**	**–**	**351 885**
Trading liabilities	**23 187**	**3 060**	**411**	**414 634**	**52**	**441 344**
Current taxation liabilities	**–**	**–**	**–**	**1 746**	**–**	**1 746**
Trade and other payables	**40 732**	**22 639**	**6 777**	**1 374 430**	**4 098**	**1 448 676**
Bank overdraft	**–**	**–**	**–**	**113 081**	**–**	**113 081**
Provisions	**–**	**–**	**–**	**68 657**	**–**	**68 657**
Lease liabilities	**–**	**–**	**–**	**151 518**	**–**	**151 518**
Deposits from customers	**–**	**–**	**–**	**5 629 443**	**–**	**5 629 443**
Debt securities issued	**–**	**–**	**–**	**3 720 138**	**–**	**3 720 138**
Long-term loans	**–**	**–**	**–**	**276 488**	**–**	**276 488**
Deferred tax liability	**–**	**–**	**–**	**155 633**	**–**	**155 633**
Total liabilities	**63 919**	**25 699**	**7 188**	**12 257 653**	**4 150**	**12 358 609**

45. Market risk *continued*

45.3 Currency risk *continued*

Analysis of assets and liabilities by currency converted into ZAR

	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2022						
Assets						
Cash and cash equivalents[1]	42 023	57 138	8 513	658 819	2 277	768 770
Negotiable securities	–	–	–	1 790 340	–	1 790 340
Trading assets[2]	44 694	3 900	596	495 981	2 677	547 848
Trade and other receivables[1]	58 962	4 395	34 525	734 376	6 342	838 600
Non-current assets held for sale	–	–	–	–	–	–
Loans and advances[1]	209 811	12 254	11 986	7 882 397	1 139	8 117 587
Taxation	–	–	–	39 766	–	39 766
Investment securities	–	703	–	688 744	–	689 447
Investments at fair value through profit or loss[1]	–	703	–	633 994	–	634 697
Equity accounted associates	–	–	–	54 750	–	54 750
Property, equipment and right-of-use assets	–	–	–	183 082	–	183 082
Investment property	–	–	–	20 138	–	20 138
Intangible assets and goodwill	–	–	–	144 729	–	144 729
Deferred tax asset	–	–	–	45 380	–	45 380
Total assets	355 490	78 390	55 620	12 683 752	12 435	13 185 687
Liabilities						
Funding under repurchase agreements	–	–	–	803 976	–	803 976
Trading liabilities[2]	46 248	3 754	492	465 933	2 169	518 596
Current taxation liabilities	–	–	–	1 364	–	1 364
Trade and other payables[1]	508 775	47 414	41 717	505 301	11 212	1 114 419
Bank overdraft	–	–	–	68 541	–	68 541
Provisions	–	–	–	69 348	–	69 348
Lease liabilities	–	–	–	157 116	–	157 116
Deposits from customers	–	–	–	5 233 182	–	5 233 182
Debt securities issued	–	–	–	2 991 426	–	2 991 426
Long-term loans	–	–	–	499 521	–	499 521
Deferred tax liability	–	–	–	144 696	–	144 696
Total liabilities	555 023	51 168	42 209	10 940 404	13 381	11 602 185

[1] *Prior periods by restatement. Refer to Note 49 for additional information.*
[2] *In the prior year, the net position between Trading assets and Trading liabilities was disclosed rather than the gross exposure. This has been corrected in the current year with no impact on the primary financial statements noted.*

45. Market risk *continued*

45.4 Derivative financial instruments

	Within 1 year R'000	Net fair value R'000	Positive fair value R'000	Negative fair value R'000	Notional principal R'000
2023					
Interest rate swaps	**3 155**	**3 155**	**3 223**	**(68)**	**45**
Exchange rate contracts	**1 960**	**1 960**	**29 576**	**(27 616)**	**–**
Total derivatives[1]	**5 115**	**5 115**	**32 799**	**(27 684)**	**45**
2022					
Interest rate swaps	(2 151)	(2 151)	2 406	(4 557)	(121 026)
Exchange rate contracts	(655)	(655)	54 247	(54 902)	–
Total derivatives	(2 806)	(2 806)	56 653	(59 459)	(121 026)

[1] *Interest rate swaps were fair valued on a discounted basis using forward interest rates. Foreign exchange contracts were valued using applicable forward rates.*

46. Capital management

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

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

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

Key objectives of capital management are to:

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

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

46. Capital management *continued*

Capital adequacy (unaudited)

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

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

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

Regulatory capital (unaudited)

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

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

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

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

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

	2023 % Unaudited	2022 % Unaudited Restated
Common Equity Tier 1 Capital	**15.286**	15.391
Additional Tier 1 Capital	**0**	0
Total Tier 1 Capital	**15.286**	15.391
Tier 2 Capital	**0.782**	0.816
Total Capital	**16.068**	16.207
Stakeholder Capital adequacy ratio minimum requirements		
Regulator:		
- National Common Equity Tier 1	**8.000**	8.000
- National Total Tier 1	**11.000**	11.000
- Total Capital	**13.500**	13.500

47. Segment reporting

Management reports on three segments (excluding the Group and inter-segment eliminations segment). These segments are Asset Finance, Business and Commercial Banking, and Wealth. The segmental income statement has been disaggregated to better align to how management analyses and reviews segments. The prior year comparative disclosures have also been restated in line with this change. This disaggregation had no impact on the income statement.

	Asset Finance[1] R'000	Business and Commercial Banking[2] R'000	Wealth Pillar[3] R'000	Group Treasury Eliminations Total R'000	Total R'000
Business segments					
2023					
Interest income	**1 101 220**	**289 613**	**27 886**	**52 951**	**1 471 670**
Interest expense	**(601 458)**	**(134 092)**	**(22 311)**	**(16 065)**	**(773 926)**
Net interest income	**499 762**	**155 521**	**5 575**	**36 886**	**697 744**
Non-interest income	**113 589**	**148 379**	**376 751**	**42 375**	**681 094**
Net fee and commission income	**(71 895)**	**107 679**	**360 330**	**(14 046)**	**382 068**
Fee and commission income	**43 744**	**119 475**	**517 546**	**(21 874)**	**658 891**
Fee and commission expense	**(115 639)**	**(11 796)**	**(157 216)**	**7 828**	**(276 823)**
Gains and losses on financial instruments	**43 464**	**31 560**	**12 569**	**53 222**	**140 815**
Other income on non-financial instruments	**142 020**	**9 140**	**3 852**	**3 199**	**158 211**
Total income	**613 351**	**303 900**	**382 326**	**79 261**	**1 378 838**
Credit impairment charges	**(81 850)**	**(57 517)**	**(2)**	**61 945**	**(77 424)**
Net income after impairments	**531 501**	**246 383**	**382 324**	**141 206**	**1 301 414**
Operating costs	**(333 790)**	**(384 115)**	**(296 254)**	**(189 786)**	**(1 203 945)**
Staff costs	**(114 500)**	**(129 681)**	**(155 421)**	**(221 002)**	**(620 604)**
Depreciation	**(624)**	**(169)**	**(3 739)**	**(34 943)**	**(39 475)**
Amortisation	**(5 297)**	**–**	**(806)**	**(29 771)**	**(35 874)**
Other operating expenses	**(213 369)**	**(254 265)**	**(136 288)**	**100 093**	**(503 829)**
Goodwill and intangible asset impairments	**–**	**–**	**–**	**(4 163)**	**(4 163)**
Profit from operations	**197 711**	**(137 732)**	**86 070**	**(48 580)**	**97 469**
Share of associate income	**–**	**–**	**31 270**	**–**	**31 270**
Profit before income tax	**197 711**	**(137 732)**	**117 340**	**(48 580)**	**128 739**
Income tax expense	**(53 966)**	**30 045**	**(23 186)**	**27 195**	**(19 912)**
Profit for the year	**143 745**	**(107 687)**	**94 154**	**(21 385)**	**108 827**
Headline earnings adjustment	**–**	**3 419**	**34**	**403**	**3 856**
Headline earnings	**143 745**	**(104 268)**	**94 188**	**(20 982)**	**112 683**
Segment assets	**8 601 427**	**2 260 887**	**1 620 010**	**1 530 758**	**14 013 082**
Segment liabilities	**8 058 799**	**2 309 631**	**1 394 560**	**595 619**	**12 358 609**

[1] *Asset Finance provides finance contracts for equipment via instalment sales, lease facilities or rental finance.*
[2] *Business and Commercial Banking offers a range of banking options for businesses and individuals which includes transactional banking (business accounts, investment accounts and personal accounts), forex and forex risk solutions, unsecured lending and Commercial Banking (specialised lending, commercial property lending, trade finance and debtor finance).*
[3] *Incorporates all divisions related to wealth management, including Asset Management, Portfolio Management, Stockbroking, Fiduciary Services, Financial Planning as well as Wealth Advisory and Asset Consulting.*

47. Segment reporting *continued*

	Asset Finance[1] R'000	Business and Commercial Banking[2] R'000	Wealth Pillar[3] R'000	Group Treasury Eliminations Total R'000	Total R'000
Disaggregation of fee and commission income[4]					
2023					
Brokerage income and asset management fees	–	–	304 672	–	304 672
Foreign income	–	–	162 967	–	162 967
Brokerage income	–	–	62 810	–	62 810
Administration fees	–	–	78 895	–	78 895
Confirming fees	–	43 031	–	–	43 031
Commission income	–	13 871	2 812	9 619	26 302
Administration fees	37 982	14 071	10 033	(33 339)	28 747
Other fee and commission income	5 762	48 502	200 029	1 846	256 139
Fee and commission income	**43 744**	**119 475**	**517 546**	**(21 874)**	**658 891**

1 *Asset Finance provides finance contracts for equipment via instalment sales, lease facilities or rental finance.*
2 *Business and Commercial Banking offers a range of banking options for businesses and individuals which includes transactional banking (business accounts, investment accounts and personal accounts), forex and forex risk solutions, unsecured lending and Commercial Banking (specialised lending, commercial property lending, trade finance and debtor finance).*
3 *Incorporates all divisions related to wealth management, including Asset Management, Portfolio Management, Stockbroking, Fiduciary Services, Financial Planning as well as Wealth Advisory and Asset Consulting.*
4 *The disaggregation of fee and commission income has been added based on the requirements of IFRS 8 Operating Segments and IFRS 15 Revenue from Contracts with Customers.*

47. Segment reporting *continued*

	Asset Finance[1] R'000	Business and Commercial Banking[2] R'000	Wealth Pillar[3] R'000	Group Treasury Eliminations Total R'000	Total R'000
Business segments					
2022[4]					
Interest income	759 926	164 695	15 965	95 835	1 036 421
Interest expense	(342 065)	(76 184)	(15 590)	(46 932)	(480 771)
Net interest income	417 861	88 511	375	48 903	555 650
Non-interest income	172 971	192 763	348 091	30 253	744 078
Net fee and commission income	471	106 204	336 174	(57 910)	384 939
Fee and commission income	31 424	122 644	492 651	(11 263)	635 456
Fee and commission expense	(30 953)	(16 440)	(156 477)	(46 647)	(250 517)
Gains and losses on financial instruments	44 667	74 246	7 378	26 170	152 461
Other income on non-financial instruments	127 833	12 313	4 539	61 993	206 678
Total income	590 832	281 274	348 466	79 156	1 299 728
Credit impairment charges	(4 570)	(26 355)	(19)	12 706	(18 238)
Net income after impairments	586 262	254 919	348 447	91 862	1 281 490
Operating costs	(354 333)	(291 865)	(304 595)	(137 739)	(1 088 532)
Staff costs	(107 413)	(109 065)	(128 220)	(215 561)	(560 259)
Depreciation	(690)	(173)	(3 700)	(50 863)	(55 426)
Amortisation	(5 297)	–	(2 401)	(24 094)	(31 792)
Other operating expenses	(240 933)	(182 627)	(170 274)	152 779	(441 055)
Goodwill and intangible asset impairments	–	–	–	–	–
Profit from operations	231 929	(36 946)	43 852	(45 877)	192 958
Share of associate income	–	–	14 146	–	14 146
Profit before income tax	231 929	(36 946)	57 998	(45 877)	207 104
Income tax expense	(67 722)	12 868	(12 773)	17 493	(50 134)
Profit for the year	164 207	(24 078)	45 225	(28 384)	156 970
Headline earnings adjustment	(397)	(16 307)	313	(738)	(17 129)
Headline earnings	163 810	(40 385)	45 538	(29 122)	139 841
Segment assets	7 872 057	2 202 488	1 108 173	2 002 969	13 185 687
Segment liabilities	7 490 256	2 154 239	931 483	1 026 207	11 602 185

[1] *Asset Finance provides finance contracts for equipment via instalment sales, lease facilities or rental finance.*
[2] *Business and Commercial Banking offers a range of banking options for businesses and individuals which includes Transactional banking (business accounts, investment accounts and personal accounts), forex and forex risk solutions, unsecured lending and Commercial Banking (specialised lending, commercial property lending, trade finance and debtor finance).*
[3] *Incorporates all divisions related to wealth management, including Asset Management, Portfolio Management, Stockbroking, Fiduciary Services, Financial Planning as well as Wealth Advisory and Asset Consulting.*
[4] *Prior period by restatements. Please refer to Note 49 for additional information.*
[5] *Balance has been further enhanced through disaggregation in the current year.*

47. Segment reporting *continued*

	Asset Finance[1] R'000	Business and Commercial Banking[2] R'000	Wealth Pillar[3] R'000	Group Treasury Eliminations Total R'000	Total R'000
Disaggregation of fee and commission income[4, 5]					
2022					
Brokerage income and asset management fees	–	–	294 421	–	294 421
Foreign income	–	–	155 824	–	155 824
Brokerage income	–	–	62 779	–	62 779
Administration fees	–	–	75 818	–	75 818
Confirming fees	–	38 340	–	–	38 340
Commission income	354	15 163	3 413	37	18 967
Administration fees	24 028	12 429	11 551	(8 773)	39 235
Other fee and commission income	7 042	56 712	183 266	(2 527)	244 493
Fee and commission income	31 424	122 644	492 651	(11 263)	635 456

[1] *Asset Finance provides finance contracts for equipment via instalment sales, lease facilities or rental finance.*
[2] *Business and Commercial Banking offers a range of banking options for businesses and individuals which includes Transactional banking (business accounts, investment accounts and personal accounts), forex and forex risk solutions, unsecured lending and Commercial Banking (specialised lending, commercial property lending, trade finance and debtor finance).*
[3] *Incorporates all divisions related to wealth management, including Asset Management, Portfolio Management, Stockbroking, Fiduciary Services, Financial Planning as well as Wealth Advisory and Asset Consulting.*
[4] *Prior period by restatements. Please refer to Note 49 for additional information.*
[5] *The disaggregation of fee and commission income has been added based on the requirements of IFRS 8 Operating Segments and IFRS 15 Revenue from Contracts with Customers.*

48. Events after the reporting date

48.1 SASP notes

The Group successfully re-financed Class A notes to the value of R263 million in August 2023.

48.2 Contingent liability assessment

Refer to Note 26 *Commitments and contingent liabilities*.

48.3 Binding heads of agreement for disposal of Capital Equipment Finance business and Commercial Property Finance business to African Bank Limited

Sasfin Bank and SPEIH entered into binding heads of agreement with African Bank Limited ("the Purchaser") on or about 12 October 2023, in terms of which it is intended that, subject to certain suspensive conditions, Sasfin Bank will, as one indivisible transaction, dispose of its Capital Equipment Finance business ("CEF Business") and its Commercial Property Finance business ("CPF Business"), as going concerns, to the Purchaser; and SPEIH (and Sasfin Bank to the extent applicable) will dispose of various shares and claims in entities in which the CPF Business has equity participation rights ("CPF Shares and Claims") to the Purchaser by no later than 28 February 2024 or such later date as may be agreed ("the Closing Date").

The estimated aggregate consideration for the disposal, including CPF Shares and Claims of circa R112 million, is approximately R3.26 billion as at February 2023.

The rationale for the transaction is that, as communicated in the Group's interim results released on 2 March 2023, the Group has concluded its strategic review, resulting in the Group focusing on its higher ROE generating businesses, where it has strong competitive capabilities in its Wealth, Rental Finance and focused Banking activities.

The value of the net assets that are the subject of the CEF Business as at 30 June 2023 was R2.5 billion and the profit after tax attributable to such net assets for the year ended 30 June 2023 was R66 million.

The purchase price payable for the CEF Business will be equal to the sum of the gross value of the CEF loan book (i.e. the outstanding amount owing to Sasfin Bank under the CEF Loan Book at the Closing Date), net of the provision for expected credit losses plus R100 million goodwill.

The value of the net assets that are the subject of the CPF Business including the CPF Shares and Claims as at 30 June 2023 was R890 million and the loss after tax attributable to such net assets for the year ended 30 June 2023 was R15.3 million.

The purchase price payable will be equal to the sum of the gross value of the CPF loan book (i.e. the outstanding amount owing to Sasfin Bank under the CPF Loan Book at the Closing Date), net of the provision for expected credit losses plus 33.3% of all profits actually realised following the Closing Date from profit share arrangements and/or agreements subsisting in respect of the CPF Loan Book as at the Closing Date, and which profits were not included in the Final CPF Loan Book Value.

CPF Shares and Claims are separately identifiable components of this transaction. The closing date of the appropriate pre-emptive rights will be the date on which requisite waiver/s as required in respect of any particular Sale Company are obtained and any regulatory approvals, exemptions and/or waivers which are required for the transfer of the relevant CPF Shares and Claims have been obtained by no later than 6 months after the Closing Date. The value of the CPF Shares and Claims was R120 million as at 30 June 2023.

The transaction is subject to relevant conditions and is expected to be concluded in early 2024.

49. Correction of prior period errors

Reconciliation and balance sheet substantiation processes were a key focus for management during the year under review. Through enhancements made to the financial control processes, amendments to certain disclosures, and the year end review, the following material prior period errors were identified and adjusted for:

Business and Commercial Banking (BCB) reconciliations

Due to operational errors, certain reconciling items relating to recoveries (including contractual and non-contractual recoveries) from clients or foreign beneficiaries were incorrectly offset against trade and other payables instead of being recognised in trade and other receivables. This resulted in an understatement of trade and other payables and trade and other receivables on the statement of financial position amounting to R79.2 million in 2022, and an understatement of trade and other payables and trade and other receivables on the statement of financial position amounting to R21.1 million in 2021.

Asset Finance balance sheet substantiation

Through the balance sheet substantiation process, it was identified that certain balances and transactions were incorrectly accounted for in prior financial years.

The material errors identified related to the following:

Legal costs in trade and other receivables

Incorrect system entries resulted in the capitalisation of legal fees to trade and other receivables instead of these fees being expensed as credit impairment charges on write off of these loans. As a result, trade and other receivables to the value of R11.7 million were written off (R5.7 million to credit impairment charges in the 2022 statement of profit or loss and other comprehensive income and R6 million to the 2022 opening retained earnings).

In addition, in cases where legal fees had been capitalised on loans and advances that were already written off and subsequent legal fees were incurred to attempt to recover the outstanding balances; these legal fees were incorrectly capitalised to trade and other receivables, instead of being expensed as incurred. In correcting the error, these legal fees have now been expensed. Items that were incorrectly capitalised to trade and other receivables amount to R15.3 million (of which R3.8 million impacts operating expense in the 2022 statement of profit or loss and other comprehensive income and R11.5 million impacts the 2022 opening retained earnings).

Further to the above, other unsubstantiated individually immaterial credit balances included in trade and other receivables have also been written off and included in the related column in the table below.

Commission payable to suppliers included in trade and other payables

Commission payable to suppliers includes income received on leases that have reached their end of term.

During the current year, it was identified that a commission expense of R21 million (R7 million in 2022 and R14 million in 2021) for commission payable to suppliers was not raised in the respective prior financial periods.

Other individually immaterial unsubstantiated trade receivable balances related to commission expense were also written off and included in the related column in the table below.

In addition, commissions expenses incurred to the value of R38 million in 2022 were incorrectly netted off against the other income on non-financial assets line item instead of being shown on a gross basis in the fee and commission expense line item.

Individually immaterial errors

In addition to the above material and immaterial errors, further reconciling items were identified that were not individually material, however, when considered in aggregate, these resulted in certain financial statements line items being materially misstated.

These errors are outlined below together with the respective financial statement line items impacted:

Cash and cash equivalents

A misstatement was identified in the cash and cash equivalent balances as a result of incorrect reversals and processing of certain transactions. This resulted in the overstatement of R10.4 million of the cash and cash equivalents and retained earnings line items respectively on the statement of financial position for the 2022 opening balances. The errors were corrected through writing off the amounts to retained earnings as these errors impacted profit or loss in the years prior to the 2022 financial period.

49. Correction of prior period errors *continued*

Trade and other receivables

Amounts that were not recoverable from non-performing customers were incorrectly recorded in loan and advances, and in the trade and other receivables line item within the statement of financial position at 30 June 2022. These non-recoverable amounts should have been expensed for those years. The non recoverable balances have now been written off to profit or loss for the respective financial period to which it relates.

Creditors control and sundry creditors in trade and other payables

Unsubstantiated reconciling items were identified on the creditors control and on the sundry creditors control accounts, respectively.

This resulted in the misstatement of trade and other payables and retained earnings within the statement of financial position at 30 June 2022. These unsubstantiated balances were subsequently written off to retained earnings. The misstatements also impacted the other income on non-financial assets and other operating expenses line items in the statement of comprehensive income for the year ended 30 June 2022.

The sundry creditors error resulted in the misstatement of trade and other payables, trade and other receivables and retained earnings within the statement of financial position at 30 June 2022. The misstatements also impacted the other income on non-financial assets and other operating expenses in the statement of profit or loss and other comprehensive income for the year ended 30 June 2022.

Capitalised commissions in trade and other payables

The nature of the errors in capitalised commissions arise from the inaccurate recording of commission expenses and incorrect recording of transactions in commissions payable as opposed to the underlying accounts to which it pertains.

This resulted in the misstatement of trade and other payables and the opening balances of retained earnings within the statement of financial position at 30 June 2022. In the statement of profit or loss and other comprehensive income; fee and commission expense and other income on non-financial assets were also impacted for the year then ended.

Unallocated receipts included within loans and advances

Unsubstantiated balances included in the unallocated receipts account have been written off.

In performing a reconciliation between various system reports, it was identified that certain reconciling amounts in the reconciliation were unsubstantiated which resulted in a misstatement of the loans and advances line item within the statement of financial position at 30 June 2022.

Restatement of ISP

Interest on arrears balances or "late fee interest" was incorrectly excluded from the calculation of interest in suspense (ISP), which resulted in overstatements of interest income calculated using the effective interest method and credit impairment charges in the statement of statement of profit or loss and other comprehensive income. Both the interest charged and related credit impairment charges were incorrectly overstated by R12.5 million in 2022.

Interest income on stage 3 assets was also incorrectly reversed to interest income calculated using the effective interest method for deals that have been cured or written off. This resulted in a misstatement of both the interest income calculated using the effective interest method and credit impairment charges line items which were both overstated by R21.5 million in 2022.

Other

There were other individually immaterial line items which impacted the financial statements for the period ended 30 June 2022. The nature of these errors ranged from unsubstantiated balances within loans and advances and trade and other payables, incorrect capturing of invoice amounts resulting in over or understatements in amounts owed to third parties, incorrect treatment of recoveries from third parties, incorrect treatment of reloaded deals which resulted in the overstatement in the net investment in the lease, and reconciliation issues within the sundry creditors account.

Fee and commission expense

Fee and commission expenses of R12.4 million were incorrectly netted off against fee and commission income as opposed to being presented separately on a gross basis in the statement of profit or loss and other comprehensive income for the period ended 30 June 2022. This error had no impact on the profit for the 2022 financial year.

49. Correction of prior period errors *continued*

Documentation fees

The Group charges client's documentation fees for originating deals. The documentation fees were incorrectly treated as revenue from contracts with customers, instead of taking these fees into account as part of the initial measurement of the net investment in the lease, through the inclusion of the amount as a fixed payment of the lease under IFRS 16 Leases.

This should have formed part of the gross investment in the lease which is equal to the lease payments (including the documentation fees) receivable by the lessor, plus any unguaranteed residual accruing to the lessor.

This resulted in misstatements to loans and advances of R10.1 million (R4.1 million for 2022 and R6.1 million for 2021), interest income calculated using the effective interest method of R11.4 million, fee and commission expenses of R15.4 million and retained earnings of R6.1 million at 30 June 2022 and for the period then ended.

System VAT correction

In prior years, system generated erroneous VAT entries were created upon the transfer of loans between subsidiaries in the Group as part of securitisations of capital equipment finance instalment deals. This resulted in VAT input being claimed in Sasfin Bank Limited and levying of VAT output in South African Securitisation Programme (RF) Limited (positions have a net nil impact at a Group level). The resulting VAT payable and VAT receivable balances have been restated at a Group level.

The potential interest payable to SARS relating to over claiming of VAT from the above, amounts to R11.5 million which is included in trade and other payables, of which R8.6 million is included in retained earnings at 30 June 2022 and R2.9 million is reflected in interest expense for 2022.

Cash equivalents

Cash and cash equivalent balances incorrectly included an investment in a money market fund that did not meet the definition of a cash equivalent in the prior years. The 2022 amount of R105.3 million (2021: R104.8 million) has been reclassified from cash and cash equivalents to the investment securities line item at 30 June 2022.

The interest earned on the money market funds was incorrectly classified as interest income calculated using the effective interest rate as the investment did not meet the requirements of solely payments of principal and interest in prior years. In order to correct this error, an amount of R22.7 million was reclassified from interest income calculated using the effective interest method to other interest income for the year ended 30 June 2022. There was no impact on profit for the year.

Statement of cash flows

Incorrect classification of debt securities and long-term loans

Debt securities and long-term loan balances were incorrectly classified as cash flows from operating activities instead of cash flows from financing activities in the prior year. For long-term loans, cash flows amounting to R20 million were reclassified from operating activities to financing activities for the 2022 financial period.

For debt securities issued, the cash flows have now been appropriately classified in financing activities (as opposed to being included in cash flows from operating activities) on a gross basis as settlement of debt securities of R1 billion and proceeds from issuance of debt securities of R1.3 billion for the 2022 financial period.

Non-cash and incorrect mapping errors

Non-cash interest accruals were incorrectly included within the interest received (R58 million), interest paid (R10 million), increase in loans and advances (R37.8 million), increase/(decrease) in funding under repurchase agreements and interbank (R15.3 million) and repayments from investment securities (R23.5 million). These and other immaterial non-cash interest accruals resulted in misstatements within the cash generated from operating activities, investing activities and financing activities sections of the statement of cash flows for the period ended 30 June 2022.

A realised gain (R38.8 million) was incorrectly mapped to "decrease in trading assets", as opposed to appropriately including it within the "net trading and other income/(expense)" within the cash generated from operations section of the statement of cash flows. This resulted in an overstatement of the movement in trading assets and an understatement in the net trading and other income/(expense) line items in the statement of cash flows for the period ended 30 June 2022.

In addition to the correction of the statement of cash flows per this section, the restatements in the other sections also had an impact on the statement of cash flows as reflected in the table below.

These errors have been corrected by restating each of the affected financial statement line items for the prior periods affected. The following tables summarise the impacts on the Group's consolidated financial statements.

49. Correction of prior period errors *continued*

The following tables summarise the impacts on the Group's consolidated financial statements.

	As previously reported R'000	BCB reconciliations R'000	Asset Finance balance sheet substantiation R'000
30 June 2022			
Consolidated statement of financial position			
ASSETS			
Cash and cash equivalents	884 495	–	(10 425)
Trade and other receivables	745 903	79 257	(24 622)
Loans and advances	8 130 704	–	(2 991)
Investment securities	584 147	–	–
Investments at fair value through profit or loss	529 397	–	–
Total assets	13 116 532	79 257	(38 038)
LIABILITIES			
Trade and other payables	945 020	79 257	40 546
Total liabilities	11 432 786	79 257	40 546
EQUITY			
Ordinary share capital	321		
Reserves	1 516 480	–	(78 584)
Total equity	1 683 746	–	(78 584)
Total liabilities and equity	13 116 532	79 257	(38 038)

Restatement of ISP R'000	Other R'000	System VAT correction R'000	Cash equivalents R'000	Statement of cash flows changes R'000	Restated R'000
–	–	–	(105 300)	–	768 770
–	–	38 062	–	–	838 600
–	(10 126)	–	–	–	8 117 587
–	–	–	105 300	–	689 447
–	–	–	105 300	–	634 697
–	(10 126)	38 062	–	–	13 185 687
–	–	49 596	–	–	1 114 419
–	–	49 596	–	–	11 602 185
	2				323
–	(10 128)	(11 534)	–	–	1 416 234
–	(10 126)	(11 534)	–	–	1 583 502
–	(10 126)	38 062	–	–	13 185 687

49. Correction of prior period errors *continued*

	As previously reported R'000	BCB reconciliations R'000	Asset Finance balance sheet substantiation R'000
30 June 2022			
Consolidated statement of profit or loss and other comprehensive income			
Interest income	1 059 052	–	–
Interest income calculated using the effective interest method	1 033 288	–	–
Other interest income	25 764	–	–
Net interest income	578 281	–	–
Non-interest income	739 146	–	20 400
Net fee and commission income	439 303	–	(38 895)
Fee and commission income	639 301	–	(806)
Fee and commission expense	(199 998)	–	(38 089)
Other income on non-financial assets	147 382	–	59 295
Total Income	1 317 427	–	20 400
Credit impairment charges	(46 608)	–	(5 675)
Net income after impairments	1 270 819	–	14 725
Total operating costs	(1 050 971)	–	(34 631)
Other operating expenses	(490 712)	–	(34 632)
Profit for the year from operations	219 848	–	(19 906)
Profit for the year before income tax	233 994	–	(19 906)
Income tax expense	(50 134)	–	–
Profit for the year	183 860	–	(19 906)
Total comprehensive income for the year	183 860	–	(19 906)
Profit attributable to:	183 860	–	(19 906)
Equity holders of the Group	183 860	–	(19 906)
Total comprehensive income attributable to:	183 860	–	(19 906)
Equity holders of the Group	183 860	–	(19 906)
Earnings per share:	597.47	–	(64.69)
Basic and diluted earnings per share (cents)	597.47	–	(64.69)

Restatement of ISP R'000	Other R'000	System VAT correction R'000	Cash equivalents R'000	Statement of cash flows changes R'000	Restated R'000
(34 045)	11 414	–	–	–	1 036 421
(34 045)	11 414	–	(22 762)	–	987 895
–	–	–	22 762	–	48 526
(34 045)	11 414	–	–	–	555 650
–	(15 468)	–	–	–	744 078
–	(15 468)	–	–	–	384 939
–	(3 039)	–	–	–	635 456
–	(12 429)	–	–	–	(250 517)
–	–	–	–	–	206 678
(34 045)	(4 054)	–	–	–	1 299 728
34 045	–	–	–	–	(18 238)
–	(4 054)	–	–	–	1 281 490
–	–	(2 929)	–	–	(1 088 532)
–	–	(2 929)	–	–	(528 273)
–	(4 054)	(2 929)	–	–	192 958
–	(4 054)	(2 929)	–	–	207 104
–	–	–	–	–	(50 134)
–	(4 054)	(2 929)	–	–	156 970
–	(4 054)	(2 929)	–	–	156 970
–	(4 054)	(2 929)	–	–	156 970
–	(4 054)	(2 929)	–	–	156 970
–	(4 054)	(2 929)	–	–	156 970
–	(4 054)	(2 929)	–	–	156 970
–	(13.17)	(9.52)	–	–	510.09
–	(13.17)	(9.52)	–	–	510.09

49. Correction of prior period errors *continued*

	As previously reported R'000	BCB reconciliations R'000	Asset Finance balance sheet substantiation R'000
30 June 2022			
Consolidated statement of cash flows			
Cash flows from operating activities			
Interest received	980 183	–	–
Interest paid	(471 259)	–	–
Fee and commission income received	639 299	–	(806)
Fee and commission expense paid	(199 998)	–	(38 089)
Net trading and other income/(expenses)	122 594	–	59 295
Cash payments to employees and suppliers	(910 687)	–	(34 632)
Cash inflow/(outflow) from operating activities	160 132	–	(14 231)
Cash flows from operating activities before changes in operating assets and liabilities[1]	88 952	–	(14 231)
Changes in operating assets and liabilities	(401 917)	–	16 841
(Increase) in loans and advances	(1 307 896)	–	–
Decrease in trading assets	212 096	–	–
Decrease in negotiable securities	295 151	–	–
(Increase) in trade and other receivables	(306 869)	(58 205)	5 879
Increase in deposits from customers	500 418	–	–
Increase in trade and other payables	278 443	58 205	10 962
(Decrease) in long-term loans	(231 383)	–	–
Increase/(Decrease) in funding under repurchase agreements	103 909	–	–
(Decrease) in debt securities issued	249 844	–	–
Net cash from operating activities	(312 965)	–	2 610
Cash flows from investing activities			
Repayments from investing securities	28 655	–	–
Net cash flows from investing activities	(30 353)	–	–
Cash flows from financing activities	–	–	–
Decrease in Absa preference shares	–	–	–
Settlement of debt securities	–	–	–
Proceeds from issuance of debt securities	–	–	–
Net cash flows from financing activities	(168 412)	–	–
Net increase/(decrease) in cash and cash equivalents	(511 730)	–	2 610
Cash and cash equivalents at beginning of the year	1 344 465	–	(10 425)
Cash and cash equivalents at the end of the year	815 954	–	(10 425)

[1] *In the prior year the previously reported subtotal was erroneously presented as a negative amount of R71 180 instead of a positive amount of R88 952. The correction to reflect the correct subtotal did not impact any other subtotals and totals in the consolidated statement of cash flows.*

Restatement of ISP R'000	Other R'000	System VAT correction R'000	Cash equivalents R'000	Statement of cash flows changes R'000	Restated R'000
(34 045)	11 414	–	–	(57 992)	899 560
–	–	–	–	(10 039)	(481 298)
–	(3 039)	–	–	–	635 454
–	(12 429)	–	–	–	(250 516)
–	–	–	–	38 767	220 656
–	–	–	–	–	(945 319)
(34 045)	(4 054)	–	–	(29 264)	78 537
(34 045)	(4 054)	–	–	(29 264)	7 357
35 022	–	–	–	(219 011)	(569 065)
35 022	–	–	–	37 775	(1 235 099)
–	–	–	–	(38 767)	173 329
–	–	–	–	(3 317)	291 834
–	–	(16 339)	–	–	(375 534)
–	–	–	–	(150)	500 268
–	–	16 339	–	–	363 949
–	–	–	–	20 000	(211 383)
–	–	–	–	15 292	119 201
–	–	–	–	(249 844)	–
977	(4 054)	–	–	(248 275)	(561 708)
–	–	–	–	23 534	52 189
–	–	–	–	23 534	(6 819)
–	–	–	–	–	–
–	–	–	–	(20 000)	(20 000)
–	–	–	–	(1 041 260)	(1 041 260)
–	–	–	–	1 286 000	1 286 000
–	–	–	–	224 740	56 328
977	(4 054)	–	–	(1)	(512 198)
–	–	–	(104 832)	–	1 229 208
–	–	–	(105 300)	–	700 229

49. Correction of prior period errors *continued*

	As previously reported R'000	BCB reconciliations R'000	Asset Finance balance sheet substantiation R'000
1 July 2021			
Consolidated statement of financial position			
ASSETS			
Cash and cash equivalents	1 374 857	–	(10 425)
Trade and other receivables	439 034	21 052	(18 743)
Loans and advances	6 723 672	–	75
Investment securities	540 061	–	–
Investments at fair value through profit or loss	519 972	–	–
Total assets	12 179 337	21 052	(29 093)
LIABILITIES			
Trade and other payables	804 318	21 052	29 584
Total liabilities	10 630 767	21 052	29 584
EQUITY			
Ordinary share capital	321		
Reserves	1 337 973	–	(58 677)
Total equity	1 548 570	–	(58 677)
Total liabilities and equity	12 179 337	21 052	(29 093)

Restatement of ISP R'000	Other R'000	System VAT correction R'000	Cash equivalents R'000	Statement of cash flows changes R'000	Restated R'000
–	–	–	(104 832)	–	1 259 600
–	–	21 723	–	–	463 066
–	(6 072)	–	–	–	6 717 675
–	–	–	104 832	–	644 893
–	–	–	104 832	–	624 804
–	(6 072)	21 723	–	–	12 186 947
–	–	30 328	–	–	885 282
–	–	30 328	–	–	10 711 731
	2				323
–	(6 074)	(8 605)	–	–	1 264 617
–	(6 072)	(8 605)	–	–	1 475 216
–	(6 072)	21 723	–	–	12 186 947

50. Going concern

Over the last twelve months, South Africa's economic and political landscape has faced significant challenges, marked by subdued growth and dwindling business optimism. This stems from the country's grey listing, disruptions in supply chains, particularly in relation to rail and ports, sluggish demand, high inflation, rising fuel prices, and consistent hikes in interest rates. Against this backdrop, Sasfin achieved headline earnings of R112.7 million (2022: restated earnings of R139.8 million) for the year ended 30 June 2023. The decrease this year was mainly due to higher impairments and material once off costs countered by growth in total income. Total income (including income from associate) was up 7.31% to R1.410.1 billion (2022: restated R1.313.9 billion). Given the overall performance, as well as the stable financial, liquidity and capital position, the directors are of the view that the Group is a going concern. The directors believe that the Group has adequate financial resources to continue for the foreseeable future, which further supports that the financial statements be prepared on a going concern basis. The directors have satisfied themselves that the Group is in a sound financial position and, together with measures taken to strengthen the capital and liquidity base, is well-positioned to take advantage of opportunities. The Group's capital adequacy ratio (CAR) and LCR are above the required regulatory minimums. The directors are not aware of any material factors, other than those included in this report, that may adversely impact the Group.

51. Report in terms of Section 45 of the Auditing Profession Act

In accordance with their responsibilities in terms of sections 44(2) and 44(3) read with Section 45 of the Auditing Profession Act ("APA"), the Company's external auditors, PwC, on 22 September 2023 reported to the Independent Regulatory Board for Auditors ("the IRBA") that, in their view, a suspected reportable irregularity may have occurred, following which Sasfin Bank and Sasfin Holdings ("the entities") were informed of these reports.

The suspected reportable irregularity arose, primarily, from findings emanating from an investigation mandated by the Prudential Authority of the South African Reserve Bank ("SARB") in terms of its powers under section 135 of the Financial Sector Regulation Act, 2017 ("the Reports").

The investigation looked into allegations that Sasfin Bank contravened provisions of various laws, including the Financial Intelligence Centre Act, 2001, the Banks Act, 1990 and the Exchange Control Regulations, 1961 (refer to Note 26), and that certain prescribed officers and the Board of the entities may have failed to adequately discharge their duties under section 76(3)(c) of the Companies Act, 2008 read with sections 60 and 60B of the Banks Act, 1990.

Subsequent to the initial report to the IRBA and, as required in terms of the APA, PwC engaged with the entities in order to consider the matter further and undertook work to gather additional audit evidence. On 22 October 2023 and, in accordance with its obligations in terms of Section 45 of the APA, PwC notified the IRBA that in their professional opinion, the suspected reportable irregularity is no longer taking place and that adequate remedial actions have been taken for the prevention or recovery of any loss as a result thereof, if relevant.

The investigations mandated by the SARB and covered by the Reports considered activities from as far back as January of 2014. The Reports provided an overview of the different modus operandi of criminal syndicates which targeted Sasfin as a vehicle for illicit transactions, including the export of foreign currency, and took advantage of alleged internal control failures.

The Group also commissioned a leading international audit firm to conduct a forensic investigation into the modus operandi by staff implicated in the financial misconduct. We have previously reported on this matter, noting that the Group is cooperating with authorities. To date, the Group has terminated relationships with implicated businesses through which the syndicates had operated, and has disciplined implicated employees, resulting in terminations and the opening of criminal cases where deemed appropriate.

The Reports and the findings of the independent forensic investigation were considered by our lawyers who did not find evidence to implicate any past or present member of the Board or senior management in the alleged financial misconduct.

Separate statement of financial position

At 30 June 2023

	Accounting policy	Note	2023 R'000	2022 R'000
Assets				
Cash and cash equivalents	1.11	1	**28 340**	26 376
Trade and other receivables	1.13	2	**23 516**	10 755
Current taxation asset	1.16.1		**264**	363
Deferred tax asset	1.16.2	3	**4 615**	1 865
Investments in subsidiaries and structured entities	1.3	4	**552 254**	552 239
Total assets			**608 989**	591 598
Liabilities				
Trade and other payables	1.13	5	**55 991**	13 574
Total liabilities			**55 991**	13 574
Equity				
Ordinary share capital	1.10.1	6	**323**	323
Ordinary share premium	1.10.1	7	**163 363**	163 363
Distributable reserves			**389 312**	414 338
Total equity			**552 998**	578 024
Total liabilities and equity			**608 989**	591 598

Separate statement of profit or loss and other comprehensive income

For the year ended 30 June 2023

	Accounting policy	Note	2023 R'000	2022 R'000
Interest income	1.14.1	11	**378**	186
Interest income calculated using the effective interest method			**378**	186
Net interest income			**378**	186
Non-interest income			**76 962**	65 465
Net fee and commission income	1.14.2	12	**31 962**	8 465
Fee and commission income			**38 700**	14 776
Fee and commission expense			**(6 738)**	(6 311)
Gains and losses on financial instruments[1]		13	**45 000**	57 000
Other gains or losses on financial instruments			**45 000**	57 000
Total income			**77 340**	65 651
Credit impairment write back/(charge)	1.13 & 2.2	14 & 22.2.2	**376**	(932)
Net income after impairments			**77 716**	64 719
Total operating costs			**(66 440)**	(9 745)
Staff costs	1.15	15	**(5 247)**	(5 203)
Other operating expenses		16	**(61 193)**	(4 542)
Profit for the year before income tax			**11 276**	54 974
Income tax credit	1.16	17	**2 750**	1
Total comprehensive income for the year			**14 026**	54 975
Profit attributable to:			**14 026**	54 975
Equity holders			**14 026**	54 975

1 *Wording enhanced to align to the Groups financial statement line item descriptions from the prior year.*

Separate statement of changes in equity

For the year ended 30 June 2023

	Ordinary share capital R'000	Ordinary share premium R'000	Distri-butable reserves R'000	Total ordinary share-holders' equity R'000	Preference share capital R'000	Preference share premium R'000	Total share-holders' equity R'000
2023							
Opening balance at the beginning of the year	**323**	**163 363**	**414 338**	**578 024**	**–**	**–**	**578 024**
Total comprehensive income for the year	**–**	**–**	**14 026**	**14 026**	**–**	**–**	**14 026**
Profit for the year	**–**	**–**	**14 026**	**14 026**	**–**	**–**	**14 026**
Transactions with owners recorded directly in equity	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Dividends to ordinary shareholders	**–**	**–**	**(39 052)**	**(39 052)**	**–**	**–**	**(39 052)**
Balance at the end of the year	**323**	**163 363**	**389 312**	**552 998**	**–**	**–**	**552 998**
2022							
Opening balance at the beginning of the year	323	163 363	366 433	530 119	18	43 313	573 450
Total comprehensive income for the year	–	–	54 975	54 975	–	–	54 975
Profit for the year	–	–	54 975	54 975	–	–	54 975
Transactions with owners recorded directly in equity							
Preference share buy-back and cancellation	–	–	43 331	43 331	(18)	(43 313)	–
Transactions directly in equity	–	–	2 887	2 887	–	–	2 887
Dividends to ordinary shareholders	–	–	(53 288)	(53 288)	–	–	(53 288)
Balance at the end of the year	323	163 363	414 338	578 024	–	–	578 024

Separate statement of cash flows

For the year ended 30 June 2023

	Note	2023 R'000	2022 R'000
Cash flows from operating activities			
Interest received	11	**378**	186
Fee and commission income received	12	**38 700**	14 776
Fee and commission expense paid	12	**(6 738)**	(6 311)
Cash payments to employees and suppliers		**(66 439)**	(9 745)
Cash inflow from operating activities	18.1	**(34 099)**	(1 094)
Dividends received	13	**45 000**	57 000
Taxation paid	18.2	**100**	(836)
Dividends paid	18.3	**(39 052)**	(53 288)
Cash flows from operating activities before changes in operating assets and liabilities		**(28 051)**	1 782
Changes in operating assets and liabilities		**30 030**	(136 855)
(Increase)/Decrease in trade and other receivables		**(12 390)**	211
Increase/(decrease) in trade and other payables		**42 420**	(137 066)
Net cash from operating activities		**1 979**	(135 073)
Cash flows from investing activities			
Further investment in the Share Incentive Trust		**(15)**	(93)
(Repayments) made to entities in the group		**–**	(36 564)
Net cash flows from investing activities		**(15)**	(36 657)
Cash flows from financing activities			
Net cash flows from financing activities		**–**	–
Net (decrease)/increase in cash and cash equivalents		**1 964**	(171 730)
Cash and cash equivalents at beginning of the year	1	**26 376**	198 106
Cash and cash equivalents at the end of the year	1	**28 340**	26 376

Notes to the separate financial statements

For the year ended 30 June 2023

		2023 R'000	2022 R'000
1.	**Cash and cash equivalents**		
	Funds on call	**28 340**	26 376
		28 340	26 376
2.	**Trade and other receivables**		
	Financial assets	**23 030**	10 441
	Receivables from companies in the Group	**23 030**	10 441
	Non-financial assets	**486**	607
	Value added taxation	**106**	309
	Prepaid expenses	**380**	298
	Total trade and other receivables before impairments	**23 516**	11 048
	Credit loss allowance	**–**	(293)
	Net trade and other receivables	**23 516**	10 755
3.	**Deferred tax assets and liabilities**		
	Deferred tax assets	**4 615**	1 865

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2023 Assets R'000	2023 Net R'000	2022 Assets R'000	2022 Net R'000
Tax losses	**2 729**	**2 729**	473	473
Prepayments	**(88)**	**(88)**	(67)	(67)
Provisions	**1 974**	**1 974**	1 459	1 459
Net tax assets/(liabilities)	**4 615**	**4 615**	1 865	1 865

Movements in temporary differences during the year	Balance at 1 July R'000	Recognised in profit or loss R'000	Other movement R'000	Closing balance at 28%	Tax rate change effect	Balance[1] at 30 June R'000
2023						
Tax losses	**473**	**2 256**	**–**	**–**	**–**	**2 729**
Prepayments	**(67)**	**(21)**	**–**	**–**	**–**	**(88)**
Provisions	**1 459**	**515**			**–**	**1 974**
	1 865	**2 750**	**–**	**–**	**–**	**4 615**
2022						
Tax losses	–	491	–	491	(18)	473
Prepayments	(82)	12	–	(70)	3	(67)
Provisions	1 861	(347)	–	1 513	(54)	1 459
	1 779	156	–	1 934	(69)	1 865

[1] *During the 2022 year, the South African Government announced a decrease in the South African rate of corporation tax from 28% to 27% effective for years of assessment ending on/after 31 March 2023. As a result, the deferred tax balances at 30 June 2022 have been adjusted to reflect this substantively enacted rate change. Deferred tax in 2023 is calculated at 27%.*

		2023 R'000	2022 R'000
4.	**Investments in subsidiaries and structured entities**		
	Unlisted investments		
	Ordinary shares at carrying amount at the beginning of the year[1, 2]	**514 548**	514 548
	Share Incentive Trust	**37 691**	37 598
		552 239	552 146
	Further investment in the Share Incentive Trust	**15**	93
		552 254	552 239

[1] *The ordinary shares in SPEIH have been ceded to Absa, with Sasfin Holdings Limited providing a guarantee over these preference shares with certain negative undertakings put in place as usual for transactions of this nature.*
[2] *Refer to Note 40.1 in the notes to the Consolidated Financial Statements for the Group structure.*

		2023 R'000	2022 R'000
5.	**Trade and other payables**		
	Financial liabilities	**52 430**	12 298
	Other payables	**4 171**	4 248
	Payables to entities in the Group	**48 259**	8 050
	Non-financial liabilities	**3 561**	1 276
	Audit fees and other services	**3 561**	1 231
	Accruals	**–**	45
6.	**Ordinary share capital**		
	Authorised		
	100 000 000 (2022: 100 000 000) ordinary shares with a par value of 1 cent each	**1 000**	1 000
	Issued		
	32 301 441 (2022: 32 301 441) ordinary shares with a par value of 1 cent each	**323**	323
	Balance at the end of the year	**323**	323
7.	**Ordinary share premium**		
	Balance at the beginning of the year	**163 363**	163 363
	Balance at the end of the year	**163 363**	163 363
8.	**Preference share capital**		
	Authorised preference share capital		
	5 000 000 (2022: 5 000 000) non-redeemable, non-cumulative, non-participating variable rate preference shares with a par value of 1 cent each	**50**	50
	Issued preference share capital		
	0 (2022: 0) non-redeemable, non-cumulative, non-participating variable rate preference shares with a par value of 1 cent each	**–**	–
	Balance at the beginning of the year	**–**	18
	Repurchase of shares	**–**	(18)
	Balance at the end of the year	**–**	–
	Preference shares were listed under the 'Specialist Securities – Preference Shares' sector of the JSE. Dividends were paid semi-annually at a rate of 82.5% of the ruling prime rate when declared.		
9.	**Preference share premium**		
	Balance at the beginning of the year	**–**	43 313
	Repurchase of shares	**–**	(43 313)
	Balance at the end of the year	**–**	–

		2023 R'000	2022 R'000
10.	**Commitments and contingent liabilities**		
	Guarantees (refer to Note 19.4)	**256 672**	262 195
		256 672	262 195
11.	**Interest income**		
	Interest income calculated using the effective interest method		
	Deposits with banks	**378**	186
	Total interest income	**378**	186
	Interest income on items measured at amortised cost	**378**	186
	– Performing financial assets	**378**	186
12.	**Net fee and commission income**		
	Fee and commission income	**38 700**	14 776
	Administration fees	**38 700**	14 776
	Fee and commission expense	**(6 738)**	(6 311)
	Administration fee expenses	**(6 738)**	6 311
	Net fee and commission income	**31 962**	8 465
13.	**Gains and losses on financial instruments**		
	Dividend income	**45 000**	57 000
		45 000	57 000
14.	**Credit impairment allowance**		
	Net ECL recognised		
	Financial guarantees	**(83)**	669
	Trade and other receivables	**(293)**	257
	Intercompany receivables	**–**	6
		(376)	932
15.	**Staff costs**		
	Non-executive directors' remuneration[1]	**5 130**	5 095
	Salaries and wages	**117**	108
		5 247	5 203

[1] *Refer to Note 40.3 in the Consolidated Financial Statements for the directors' and prescribed officers' remuneration disclosure.*

		2023 R'000	2022 R'000
16.	**Other operating expenses**		
	The following items are included in operating expenses		
	Fees paid to auditors	**13 399**	(470)
	Audit fees – Current year	**5 087**	(470)
	Audit fees – Under-provision prior year	**7 683**	–
	Regulatory	**629**	–
	Consulting fees[1]	**40 829**	673
	Marketing costs	**1 161**	1 908
	Legal Fees	**2 283**	–
	Other charges	**1 333**	1 091
	Tax related expenses	**2 188**	1 340
	Other operating expenses	**61 193**	4 542

[1] *Refer to Note 26 in the consolidated financial statements for more information as to explain the increase in 2023. These costs are incurred on behalf of the Group.*

		2023 R'000	2022 R'000
17.	**Income tax expense**		
	Current tax expense	–	86
	Under provision in prior years	–	86
	Deferred tax expense	**(2 750)**	(87)
	Current year	**(2 750)**	(156)
	Under provision as a result of rate change	–	69
		(2 750)	(1)
	Reconciliation of taxation rate	**%**	%
	South African normal tax rate	**27.00**	28.00
	Adjusted for:	**(51.38)**	(28.00)
	Exempt income[1]	**(107.63)**	(29.07)
	Non-deductible expenses[2]	**49.17**	0.78
	Capital gains	**7.08**	
	Under provision in prior year	–	0.16
	Tax rate change	–	0.13
	Effective rate	**(24.38)**	–

[1] *Exempt income comprises exempt dividends.*
[2] *Expenses attributable to exempt income.*

		2023 R'000	2022 R'000
18.	**Notes to the statement of cash flows**		
18.1	**Cash inflow from operating activities**		
	Reconciliation of operating profit to cash flows from operating activities		
	Profit before income tax	**11 277**	54 974
	Dividend received	**(45 000)**	(57 000)
	Credit impairment charges on financial guarantees	**(83)**	669
	Credit impairment charges on intercompany receivables	–	6
	Credit impairment charges on trade and other receivables	**(293)**	257
		(34 099)	(1 094)
18.2	**Taxation paid**		
	Unpaid at the beginning of the year	**363**	(387)
	Charge to the income statement	–	(86)
	Unpaid at the end of the year	**(264)**	(363)
		100	(836)
18.3	**Dividends paid**		
	Charge to distributable reserves	**(39 052)**	(53 288)
	Total dividends paid	**(39 052)**	(53 288)

	2023 R'000	2022 R'000
19. Related-party transactions		
19.1 Intercompany receivables/(payables) with entities in the Group		
Sasfin Capital (Pty) Limited	**(17 072)**	8 353
Sasfin Capital (Pty) Limited	**–**	(8 050)
Sasfin Bank Limited	**(31 187)**	1 764
Sasfin Bank Limited	**23 030**	–
Sasfin Wealth (Pty) Limited	**–**	324
Total intercompany receivables/(payables) with entities in the Group[1]	**(25 229)**	2 391

[1] *The intercompany receivables balances relate to transactions with related parties for admin charges and are payable within 30 days.*

	2023 R'000	2022 R'000
19.2 Transactions with subsidiaries		
Interest received from Sasfin Bank Limited	**378**	186
Dividends paid to The Sasfin Share Incentive Trust	**1 389**	1 895
Dividends received from Sasfin Private Equity Investment Holdings (Pty) Limited	**–**	27 000
Dividends received from Sasfin Bank Limited	**–**	10 000
Dividends received from Sasfin Wealth (Pty) Limited	**45 000**	20 000
Dividends paid to Sasfin Securities (Pty) Limited	**112**	153[1]
Management fee income from Sasfin Bank Limited	**38 700**	14 776
	85 579	74 010

[1] *Amount has been restated from prior year.*

	2023 R'000	2022 R'000
19.3 Funds on call and deposits with subsidiaries		
Sasfin Bank Limited	**28 340**	26 376
	28 340	26 376
19.4 Financial guarantees issued in respect of subsidiaries		
The Company has guaranteed the debt exposures of certain of its subsidiaries, as set out below.		
Sasfin Securities (Pty) Limited[1]	**56 672**	62 195
Sasfin Private Equity Investment Holdings (Pty) Limited[2]	**200 000**	200 000
	256 672	262 195

[1] *Guarantee with Nedbank as the beneficiary.*
[2] *Guarantee on the Absa preference shares issued by Sasfin Private Equity Investment Holdings (Pty) Limited. With the guarantee, the Company irrevocably and unconditionally guarantees to Absa full, complete and punctual payment and performance from SPEIH of all its obligations under the preference shares issued and, should SPEIH fail to pay, the Company shall immediately pay the amount as if it were the principal obligor. Refer to other payables in Note 5 for ECL amounting to R3.846 million raised on Financial guarantees.*

	2023 R'000	2022 R'000
19.5 Transactions with other related parties		
Management fees paid to WIPHOLD	**6 738**	6 311

20. Classification of assets and liabilities

Accounting classification and fair values

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

Assets	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2023			
Cash and cash equivalents	**28 340**	**–**	**28 340**
Trade and other receivables	**23 030**	**486**	**23 516**
Current taxation asset	**–**	**264**	**264**
Deferred tax asset	**–**	**4 615**	**4 615**
Investments in subsidiaries and structured entities	**–**	**552 254**	**552 254**
Total assets	**51 370**	**557 619**	**608 989**

Liabilities	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2023			
Trade and other payables	**52 430**	**3 561**	**55 991**
Total liabilities	**52 430**	**3 561**	**55 991**

Assets	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2022			
Cash and cash equivalents	26 376	–	26 376
Trade and other receivables[1]	10 148	607	10 755
Current taxation asset	–	363	363
Deferred tax asset	–	1 865	1 865
Investments in subsidiaries and structured entities	–	552 239	552 239
Total assets	36 524	555 074	591 598

Liabilities	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
2022			
Trade and other payables[1]	12 343	1 231	13 574
Total liabilities	12 343	1 231	13 574

[1] *The amount was amended to more accurately reflect contractual financial instruments. There has been no impact on the primary financial statements.*

21. Financial assets and financial liabilities not measured at fair value

	2023				
		Fair value		Total fair value	Amortised cost
	Level 1 R'000	Level 2 R'000	Level 3 R'000	R'000	R'000
Financial assets	–	28 340	23 030	51 370	51 370
Cash and cash equivalents	–	28 340	–	28 340	28 340
Trade and other receivables[1]	–	–	23 030	23 030	23 030
Financial liabilities	–	–	52 430	52 430	52 430
Trade and other payables[1]	–	–	52 430	52 430	52 430

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

[1] *The amounts were amended to more accurately reflect contractual financial instruments. There has been no impact on the primary financial statements.*

22. Credit risk

22.1 Credit risk exposure analysis

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

	Credit risk grading					A
	ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %	Stage 1 12-month exposure R'000
2023						
Maximum credit exposures of financial assets at amortised cost						
Cash and cash equivalents[1]		28 340	28 340	–	–	28 340
Trade and other receivables		23 516	23 516	–	–	23 516
Net carrying amount		51 856	51 856	–	–	51 856
2023						
Off-balance sheet exposure to credit risk						
Financial guarantees issued		256 672	–	–	–	256 672
Total exposure to off-balance sheet credit risk		256 672	–	–	–	256 672
Credit loss allowance on off-balance sheet credit risk recognised		3 846	–	–	–	3 846
Total exposure to credit risk		252 826	–	–	–	252 826

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

		2022		
	Fair value		Total fair value	Amortised cost
Level 1 R'000	Level 2 R'000	Level 3 R'000	R'000	R'000
–	26 376	10 148	36 524	36 524
–	26 376	–	26 376	26 376
–	–	10 148	10 148	10 148
–	–	12 343	12 343	12 343
–	–	12 343	12 343	12 343

		A and B			Default (C, D and E)		
ECL R'000	**Coverage ratio R'000**	**Stage 2 lifetime exposure R'000**	**ECL R'000**	**Coverage ratio R'000**	**Stage 3 lifetime exposure R'000**	**ECL R'000**	**Coverage ratio %**
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–

22. Credit risk *continued*
22.1 Credit risk exposure analysis *continued*

Credit risk grading		A			
ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %	Stage 1 12-month exposure R'000
2022					
Maximum credit exposures of financial assets at amortised cost					
Cash and cash equivalents[1]	26 376	26 376	–	–	26 376
Trade and other receivables	10 755	11 048	(293)	2.65	11 048
Net carrying amount	37 131	37 424	(293)	2.65	37 424
2022					
Off-balance sheet exposure to credit risk					
Financial guarantees issued	262 195	–	–	–	262 195
Total exposure to off-balance sheet credit risk	262 195	–	–	–	262 195
Credit loss allowance on off-balance sheet credit risk recognised	3 928	–	–	–	3 928
Total exposure to credit risk	266 123	–	–	–	266 123

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

		A and B			Default (C, D and E)		
ECL R'000	Coverage ratio R'000	Stage 2 lifetime exposure R'000	ECL R'000	Coverage ratio R'000	Stage 3 lifetime exposure R'000	ECL R'000	Coverage ratio %
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–
–	–	–	–	–	–	–	–

22. Credit risk *continued*

22.2 Credit loss allowance analysis

22.2.1 Reconciliation of ECL on trade and other receivables

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
2023				
Credit loss allowance on 1 July 2022	**293**	–	–	**293**
Net expected credit losses (released)/raised				
Subsequent changes in ECL	**(293)**	–	–	**(293)**
Impaired accounts written off				
Credit loss allowance on 30 June 2023	–	–	–	–

22.2.2 Credit impairment charges recognised in profit or loss

	2023 R'000	2022 R'000
Net ECL recognised	**376**	(932)
Letters of credit, carry facilities, loan commitments and financial guarantees issued	**83**	(669)
Trade and other receivables	**293**	(257)
Intercompany receivables	–	(6)
	376	(932)

23. Liquidity risk

23.1 Contractual maturity analysis

	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual[1] R'000	Total R'000
Discounted maturity									
Assets									
Cash and cash equivalents	**28 340**	**28 340**	**28 340**	**–**	**–**	**–**	**–**	**–**	**28 340**
Trade and other receivables	**23 516**	**23 030**	**23 030**	**–**	**–**	**–**	**–**	**486**	**23 516**
Current taxation asset	**264**	**–**	**–**	**–**	**–**	**–**	**–**	**264**	**264**
Deferred tax asset	**4 615**	**–**	**–**	**–**	**–**	**–**	**–**	**4 615**	**4 615**
Investments in subsidiaries and structured entities	**552 254**	**–**	**–**	**–**	**–**	**–**	**–**	**552 254**	**552 254**
Total assets	**608 989**	**51 370**	**51 370**	**–**	**–**	**–**	**–**	**557 619**	**608 989**
Undiscounted maturity									
Liabilities									
Current taxation liability	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Trade and other payables	**55 991**	**52 430**	**52 430**	**–**	**–**	**–**	**–**	**3 561**	**55 991**
Loans from entities in the Group	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Total liabilities	**55 991**	**52 430**	**52 430**	**–**	**–**	**–**	**–**	**3 561**	**55 991**
Off-statement of financial position									
Guarantees	**256 672**	**256 672**	**256 672**	**–**	**–**	**–**	**–**	**–**	**256 672**
2022									
Discounted maturity									
Assets									
Cash and cash equivalents	26 376	26 376	26 376	–	–	–	–	–	26 376
Trade and other receivables	10 755	10 441	10 441	–	–	–	–	314	10 755
Current taxation asset	363	–	–	–	–	–	–	363	363
Deferred tax asset	1 865	–	–	–	–	–	–	1 865	1 865
Investments in subsidiaries and structured entities	552 239	–	–	–	–	–	–	552 239	552 239
Total assets	591 598	36 817	36 817	–	–	–	–	554 781	591 598
Undiscounted maturity									
Liabilities									
Current taxation liability	–	–	–	–	–	–	–	–	–
Trade and other payables[3]	13 574	12 343	4 293	–	8 050	–	–	1 231	13 574
Loans from entities in the Group	–	–	–	–	–	–	–	–	–
Total liabilities	13 574	12 343	4 293	–	8 050	–	–	1 231	13 574
Off-statement of financial position									
Guarantees	262 195	262 195	262 195[2]	–	–	–	–	–	262 195

[1] *Non-contractual refers to non-financial instruments and the ECL on the financial instrument.*
[2] *Restated from prior year.*
[3] *The amount has been updated to more accurately reflect the maturity thereof.*

23. Liquidity risk *continued*

23.2 Discounted maturity analysis: Current and non-current

	2023			2022		
	Current R'000	**Non-current R'000**	**Total R'000**	Current R'000	Non-current R'000	Total R'000
Assets						
Cash and cash equivalents	**28 340**	**–**	**28 340**	26 376	–	26 376
Trade and other receivables	**23 516**	**–**	**23 516**	10 755	–	10 755
Current taxation asset	**264**	**–**	**264**	363	–	363
Deferred tax asset	**–**	**4 615**	**4 615**	–	1 865	1 865
Investments in subsidiaries and structured entities	**–**	**552 254**	**552 254**	–	552 239	552 239
Total assets	**52 120**	**556 869**	**608 989**	37 494	554 104	591 598
Liabilities						
Current taxation liability	**–**	**–**	**–**	–	–	–
Trade and other payables	**55 991**	**–**	**55 991**	13 574	–	13 574
Loans from entities in the Group	**–**	**–**	**–**	–	–	–
Total liabilities	**55 991**	**–**	**55 991**	13 574	–	13 574

The amounts reflected as current will be settled in less than 12 months, and the amounts reflected in non-current are expected to be settled after 12 months.

24. Capital management

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

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

Key objectives of capital management are to:

- Generate sufficient capital to support organic and new business growth objectives of the Company;
- Allocate capital to businesses to support the strategic and growth objectives of the Company; and
- Ensure that the Company is sufficiently capitalised to withstand the impact of potential stress events within the parameters of an appropriate capital buffer.

The Board is responsible for assessing and approving the Company's capital management framework, capital plans and capital buffer. The capital plans and buffer are set annually and reviewed quarterly or when the economy shows signs of stress. The Board has tasked the GRCMC to ensure the Company is in compliance with the capital management objectives.

24. Capital management *continued*

	2023 R'000	2022 R'000
Ordinary share capital	**323**	323
Ordinary share premium	**163 363**	163 363
Distributable reserves	**389 312**	414 338
	552 998	578 024

25. Going concern

The directors believe that the Company has adequate financial resources to continue in operation for the foreseeable future and accordingly the annual financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Company is in a sound financial position and that it has access to sufficient cash resources and borrowing facilities to meet its foreseeable cash requirements. The directors are not aware of any new material changes that may adversely impact the company. The directors are also not aware of any material non-compliance with statutory or regulatory requirements or of any pending changes to legislation which may affect the Company.

26. Events after the reporting date

There were no material events that occurred after the reporting date and up to the date of this report.

27. Report in terms of Section 45 of the Auditing Profession Act

Refer to Note 51 of the consolidated financial statements of the Group.

Glossary of terms

Term	Definition
AGM	Annual General Meeting
ALCO	Asset, Liability, and Investment Committee
ARR	Alternative Risk-Free
Banks Act	Banks Act, No. 94 of 1990
Basel III	Set of reform measures, in addition to Basel II, to strengthen the regulation, supervision and risk management of the banking sector
BCB	Business and Commercial Banking
Benal	Benal Property Investments (Pty) Limited
bps	Basis points
CAR	Capital Adequacy Ratio
CGU	Cash-generating unit
CLEC	Credit and Large Exposures Committee
Companies Act	Companies Act No. 71 of 2008, as amended
DFI	Development Finance Institutions
EAD	Exposure at Default
ECL	Expected Credit Loss/Losses
Efficient	Efficient Group Limited
EPS	Earnings per share
FATF	Financial Action Task Force
FCTR	Foreign Currency Translation Reserve
Fintech	Fintech (Pty) Limited
FLI	Forward-looking information
FMO	Dutch Entrepreneurial Development Bank
Forex	Foreign exchange
FVTPL	Fair Value Through Profit or Loss
GAC or the Committee	Group Audit Committee
GDP	Gross Domestic Product
GIA	Group Internal Audit
GRCMC	Group Risk and Capital Management Committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IBOR	Interbank Offered Rates
ICAAP	Capital Adequacy Assessment Process
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
IRBA	Independent Regulatory Board for Auditors
ISAs	International Standards on Auditing
ISP	Interest in Suspense
JIBAR	Johannesburg Interbank Agreed Rate
JSE	Johannesburg Stock Exchange Limited
JSE Listings Requirements	Listings Requirements of the JSE Limited
King IV	King IV Report on Corporate Governance for South Africa, 2016
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default

Term	Definition
Libor	London Interbank Offered Rate
Non-Public	Shareholding as defined in the JSE Listing Requirements paragraph 4.25
NPV	Net Present Value
NSFR	Net Stable Funding Ratio
OECD	Organisation for Economic Co-operation and Development
OCI	Other Comprehensive Income
PA	Prudential Authority
PD	Probability of Default
PPI	Producer Price Index
Public	Shareholding as defined in the JSE Listing Requirements paragraph 4.25 to 4.27
PwC	PricewaterhouseCoopers Inc.
REMCO	HR and Remuneration Committee
Reporting date	31 October 2023
SAICA	South African Institute of Chartered Accountants
SAM	Sasfin Asset Managers (Pty) Limited
SAMOS	South African Multiple Option Settlement
SARB	South African Reserve Bank
SARS	The South African Revenue Services
SasCred	SasCred Financial Services Limited
Sasfin	Sasfin Holdings Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Pty) Limited
SCS	Sasfin Commercial Solutions (Pty) Limited
SENS	Stock Exchange News Service
SICR	Significant Increase in Credit Risk
SPAS	Share Price Appreciation Scheme
SPEIH	Sasfin Private Equity Investment Holdings (Pty) Limited
SPPI	Solely Payments of Principal and Interest
The Bank	Sasfin Bank Limited
The Banking Group	Sasfin Bank Limited and its subsidiaries
The Board	Board of Directors
The Company	Sasfin Holdings Limited
The Group	Sasfin Holdings Limited and its subsidiaries
TTD	Time to Default
TVM	Time Value of Money
USD	United States Dollar
VAR	Value-at-Risk
VAT	Value-added taxation
VIU	Value-in-use
WACC	Weighted Average Cost of Capital
WIPHOLD	Women Investment Portfolio Holdings Limited
ZAR	South African Rand
ZARONIA	South African Rand Overnight Index Average
ZJS	Funding Curve Variation

Notes

Corporate details

Country of incorporation and domicile	South Africa
Independent Non-executive Chair	Deon de Kock
Executive Directors	Michael Sassoon (Chief Executive Officer) Harriet Heymans (Group Financial Director)
Independent Non-executive Directors	Richard Buchholz (Lead) Tapiwa Njikizana Mark Thompson Tienie van der Mescht Eileen Wilton
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 (Pty) Limited Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg 2196
Independent sponsor	Questco Corporate Advisory (Pty) Limited
Auditors	PricewaterhouseCoopers Inc. (PWC)
Registered office	140 West Street, Sandown, Sandton, Johannesburg, Gauteng, 2196 Tel: +27 11 809 7500 Fax: +27 11 887 6167/2489
Postal address	PO Box 95104 Grant Park Johannesburg 2051
Website	www.sasfin.com
Email	investorrelations@sasfin.com
Company registration number	1987/002097/06
Tax reference number	9300/204/71/7

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