sasfin beyond a bank

Integrated Report 2021

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SASFIN AT A GLANCE

WHO WE ARE

Sasfin Holdings Limited (the Group or Sasfin) was listed on the Johannesburg Stock Exchange (JSE) in 1987 and is a bank-controlling company that comprises three Pillars (previously four Pillars) – Asset Finance, Wealth and Business Banking. We help entrepreneurs and investors grow their businesses and global wealth, supporting job creation and sustainable socioeconomic development. Our personal touch, digital platforms and agility allow us to compete effectively.

At 30 June 2021, the Group had R7.3 billion gross loans and advances extended to clients, R54 billion in local and offshore assets under management and advice, and 5 168 transactional banking accounts.

Our brand

Sasfin is a challenger banking and financial services group. Our brand reflects the value created from being close enough to our clients to understand their needs and agile enough to develop appropriate solutions.

We are:

- An Impact Brand – Transforming our Society
- The Bank for Growing Businesses
- A Global Wealth and Investment Manager
- Relevant in the digital age
- Committed to service excellence

OUR PURPOSE

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

WHAT MAKES US DIFFERENT

- We are a purpose and values-led organisation.
- We provide innovative client-centric solutions while ensuring strong corporate governance.
- Our high-performing human capital, strong brand, broad range of digitalised products and solid balance sheet differentiate us from peers and new entrants.
- We compete effectively against larger players by offering an agile, high-touch model, with creative solutions based on a deep understanding of our clients that helps them grow their businesses and wealth.

ESG[1] IMPACTS

Financing climate-friendly assets
(page 34)

Driving financial inclusion
(page 36)

Affordable accommodation and Black Entrepreneurship
(page 39)

Responsible lending practices
(page 39)

Partnering to create impact
(page 42)

ESG-aligned investing
(page 42)

Promoting ACI[2] and youth skills development
(page 42)

Support for children and youth education
(page 56)

PRIMARY CLIENT SEGMENTS

Asset suppliers
Suppliers of any asset type that wish to offer financing solutions to their clients

Small businesses
Businesses that require digitally orientated, seamless banking and financial solutions

Medium businesses
Businesses that require long-term or working capital finance, long-term capital and general financial solutions

Private clients
Individuals looking for local and global investment advice and solutions

Institutional clients
Corporates and pension funds that require investment solutions

[1] *Environmental, social and governance*
[2] *African, Coloured and Indian*

OPERATIONAL STRUCTURE

Sasfin's latest operational structure comprises three primary Pillars: Asset Finance, Wealth and Business Banking (B\\YOND® Business Banking and Capital[1]). Technology is a strategic enabler in our client-centric business model. It helps to unlock synergies between the Pillars and support cross-selling products and solutions across the client base.

The Group has regional offices in four South African provinces and eight cities, with 730 employees. The Group legal structure is on page 9.

SASFIN HOLDINGS LIMITED*

Group Chief Executive Officer (CEO): Michael Sassoon
Group Financial Director (FD): Angela Pillay

Asset Finance Pillar
(page 36)

Asset Finance Income and Contribution to Group Income

R579 million 45%

Client segment
- Asset suppliers
- Medium businesses
- Small businesses

Head: **Linda Fröhlich**

Service offering
Asset finance
Rental finance
Specialised equipment finance

Primary risks
Credit
Funding and liquidity
Capital management

Wealth Pillar
(page 42)

Wealth Income and Contribution to Group Income

R326 million 25%

Client segment
- Institutional clients
- Private clients

CEO: **Erol Zeki**

Service offering
Global and local investment management
Advisory services

Primary risks
Reputational
Operational
Market

Business Banking Pillar

B\\YOND® Business Banking (page 36)

B\\YOND® Business Banking Income and Contribution to Group Income

R111 million 9%

Client segment
- Medium businesses
- Private clients
- Small businesses

Head: **Rodger Dunn**

Service offering
Transactional banking
Foreign exchange
Digital banking
Cash investments
Credit solutions
Strategic alliances
Revolving credit facilities

Primary risks
Credit
Funding and liquidity
Capital management
Cyber

Capital (page 39)

Capital income and Contribution to Group Income

R171 million 13%

Client segment
- Medium businesses

Head: **Francois Otto**

Service offering
Property equity and debt solutions
Specialised lending
Trade and debtor finance
Private equity

Primary risks
Credit
Market
Investment

Corporate services

Supports the Pillars by providing expert and functional assistance comprising:
- Company Secretarial
- Compliance (page 96)
- Risk (page 68)
- Internal Audit (pages 76 and 77)
- Credit (pages 30 and 31)
- Facilities
- Human Capital (page 46)
- Information Technology (page 52)
- Treasury
- Finance
- Legal
- Marketing

[1] *In 2020 we reported on four Pillars, namely Asset Finance, B\\YOND® Business Banking, Capital and Wealth. In the financial year under review B||YOND Business Banking and Capital was combined into one Pillar: Business Banking.*

* *Group and intersegmental eliminations contributed 8% to total Group income in 2021.*

2021 AT A GLANCE

			2020
Headline earnings	▲ >100%	R141.071 m	R48.617 m
Headline earnings per ordinary share	▲ >100%	438.24 cents	151.00 cents
Total income[1]	▲ 11.65%	R1.303 bn[1]	R1.167 bn
Return on average shareholders' equity	▲ >100%	9.11%	3.12%
Cost-to-income ratio	▼ 425 bps	77.95%	82.20%
Total assets	▼ 13.22%	R12.155 bn	R14.006 bn
Total equity[2]	▲ 1.82%	R1.563 bn[2]	R1.535 bn
Gross loans and advances	▲ 1.24%	R7.251 bn	R7.162 bn
Credit loss ratio	▼ 228 bps	75 bps	303 bps
Net available cash[3]	▼ 0.21%	R2.346 bn	R2.351 bn
Total assets under management and advice[4]	▲ 10.89%	R53.899 bn	R48.605 bn
Group capital adequacy ratio	▲ 146 bps	18.06%[5]	16.59%

[1] *Including associate income*
[2] *Excluding preference shares and non-controlling interest*
[3] *Total cash and liquid negotiable securities less funding under repurchase agreements*
[4] *Excluding assets under administration*
[5] *Unaudited*

STRATEGIC FOCUS AREAS

2021 strategic focus areas	Key developments during 2021
People and culture Develop a talented and empowered team that lives our values	• Dealing with the impact of Covid-19 on employee health and wellbeing • Progress in establishing the new Future of Work model • Improved employee retention despite lower incentives last year
Sales and service Ensure a strong sales and service culture to deliver growth	• Continued capacitating of sales capability in key areas • Digital marketing is showing results • Focus on service model improvement • Credit environment remains challenging, but sales traction is improving
Product, user experience and innovation Digitalise our products and user experience	• Focus on integration and continued enhancements • Nasira facility launched • Revolving credit facility launched in B\\YOND®
Transform our society Contribute to society by driving diversity and inclusion and prioritising impact	• 38% of Exco is female • A number of senior ACI appointments were made across the Group • Progressed impact initiatives, including through Hello Paisa, Nasira, and the Renewable by Nature (RBN) partnership (an impact investment firm)
Organisational capacity and costs Ensure an effective and efficient client-centric organisation	• Improved cost-to-income • New operating model is taking shape

Refer to page 28 for more information on our strategic focus areas for the next five years to 2026.

COMPILATION OF THE 2021 INTEGRATED REPORT

REPORT OBJECTIVES

This Integrated Report (Integrated Report or report) provides an overview of our strategy, operating context, and performance for the financial year 1 July 2020 to 30 June 2021, as well as our medium- to long-term outlook. The information in the report aims to meet the needs of the Group's key stakeholders and is guided by Sasfin's material matters – those matters that have the most potential to materially affect the Group's viability in the short, medium and long term[1]. Material matters also include those matters that significantly influence our stakeholders' assessments and related decisions regarding our long-term sustainability.

HOW WE REPORT AND WHAT WE INCLUDE

The information in this report includes the activities and prospects of Sasfin and its subsidiaries. The Group's interest in subsidiaries, structured entities and associates is shown in the diagram on page 116 and in note 121 to the Consolidated and Separate Annual Financial Statements.

For internal financial reporting purposes, Sasfin reports on the operational structure, being its primary Pillars as shown below.

Integrated Report boundary

Sasfin's external operating environment (page 16)

Sasfin's material matters (page 10)

Financial reporting boundary

SASFIN HOLDINGS LIMITED

Pillars

Asset Finance	Wealth	Business Banking
		B\\YOND® Business Banking
		Capital

Sasfin subsidiaries

Engagements with and concerns of Sasfin's key stakeholders (page 60)

Risks, opportunities and outcomes arising from and affecting Sasfin's operations (page 68)

We have implemented a project to streamline the Group, optimise capital and ensure focus on our core businesses and several disposals and other initiatives finalised during the financial year (see page 17 and 21). Apart from these changes, there were no significant changes to the size, structure or ownership of the Group. 2020 comparative figures in the Pillar performance sections (pages 34 to 45) have been restated to represent the current Pillar operational structure and align with the segmental split shown in the Annual Financial Statements.

In preparing this report and the other reports in the reporting suite, Sasfin was guided by several local and international frameworks and guidelines. These include the:

- International Integrated Reporting Council's (IIRC) Integrated Reporting <IR> Framework
- Companies Act of South Africa, No. 71 of 2008, as amended (Companies Act)
- Banks Act, No. 94 of 1990 and Regulations relating to Banks as amended (Banks Act)
- International Financial Reporting Standards (IFRS)
- King Report on Corporate Governance™ for South Africa, 2016 (King IV™)[2]
- B-BBEE Act, No. 46 of 2013 as amended (B-BBEE Act)
- Basel III
- JSE Listings Requirements

FEEDBACK

Sasfin welcomes feedback that helps us improve our reporting. Please contact us at investorrelations@sasfin.com.

[1] *Sasfin defines 'short term' as the next 18 months, 'medium term' refers to 19 to 48 months and 'long term', the period beyond 4 years.*

[2] *Copyright and trademarks are owned by the Institute of Directors in South Africa NPC (IoDSA) and all of its rights are reserved.*

Icons used in our report

The following icons clarify the trend in key performance indicators (KPIs):

Positive result Unchanged/satisfactory Negative result

This icon indicates disclosure for a specific King IV™ principle. Refer to page 112 for the King IV™ application summary.

These icons show our five primary client segments
Asset suppliers
Medium businesses
Institutional clients
Private clients
Small businesses

These icons show connectivity to our strategic focus areas
People and culture
Organisational capacity
Transformation
Sales
Product, user experience and innovation

REPORTING SUITE

Sasfin's reporting suite is available at www.sasfin.com/investor-relations and includes:

- **The Integrated Report 2021**, Sasfin's primary report providing insight into the value Sasfin creates for itself and its stakeholders.
- Sasfin Holdings Limited's **Annual Financial Statements 2021**, which includes risk and capital management disclosures.
- **The Notice of Annual General Meeting 2021**, which provides shareholder administrative information and the notice of the Sasfin Holdings Annual General Meeting (AGM).
- The **Annual Results Booklet 2021**, which provides summarised Consolidated Financial Statements and commentary for the year ended 30 June 2021.

Sasfin also produces a quarterly Basel Pillar III Disclosure Report on our capital management plan, capital strategy, capital structure, capital adequacy and leverage ratio, as required by the Banks Act, SARB and Basel Committee on Banking Supervision.

Note: The 2021 regulatory ratios contained in this report have not been reviewed or audited by our external auditors at the time of finalising the report.

REPORT ASSURANCE 15

Sasfin's combined assurance framework provides assurance that supports the Board in assessing this report's integrity. The sources of assurance provided over various aspects of the reporting suite across the four lines of defence of the framework are shown in the table below. The Group Executive Committee (Group Exco), Group Audit and Compliance Committee (GACC) and Board reviewed and approved the content of this report.

Content	Assurance provider (lines of defence)				Framework/standard
	First	Second	Third	Fourth	
Annual Financial Statements	Group Finance and Group Exco	Not applicable	Group Internal Audit	PricewaterhouseCoopers Inc. (PwC)†	• IFRS • Companies Act • JSE Listings Requirements • Memorandum of Incorporation of the Company
Regulatory returns	Group Finance and Group Treasury	• Group Risk • Group Compliance	Not applicable	PwC†	• Banks Act
B-BBEE status	Group Exco	Not applicable	Not applicable	National Empowerment Rating Agency†	• B-BBEE Codes of Good Practice • Financial Sector Codes
Corporate governance	• Group Exco • Company Secretarial • Executive Governance Committee	• Group Risk • Group Compliance • Group Legal	Group Internal Audit	Not applicable	• Banks Act • Companies Act • JSE Listings Requirements • King IV™ • Basel Committee on Banking Supervision • Financial Advisory and Intermediary Services Act (FAIS) • International Standards for the Professional Practice of Internal Auditing
Non-financial information	• Group Exco • Company Secretary • Group Finance • Human Capital	• Group Risk • Group Compliance • Group Legal	Group Internal Audit	Not applicable	• International Standards for the Professional Practice of Internal Auditing • Internal models, policies and frameworks
Review of internal controls and risk management	• First-line business units are responsible for risk in their areas • Group Finance • Group Exco • Executive Governance Committee	Group Risk	Group Internal Audit	PwC† (where internal controls relate to financial reporting)	• International Standards for the Professional Practice of Internal Auditing • Internal models, policies and frameworks • Banks Act • King IV™ • JSE Listings Requirements

† *External assurance provider.*

BOARD APPROVAL 5 15

The Board is responsible for overseeing the integrity and completeness of this Integrated Report and has applied its collective mind to the report's preparation and presentation, including the appropriateness of the reporting frameworks used. The Board considered these aspects, including material matters, and believes that the report reflects the Group's performance and strategy accurately for the financial year. The relevant sections of the report were also reviewed by the following Board Committees: REMCO, SEC, DANC, GACC and GRCMC.

The Board is committed to good corporate governance and applying the principles of King IV™. King IV™ disclosures are incorporated in this report, with an application summary on page 112. The Board is of the view that this report broadly aligns with the guidelines in the <IR> Framework.

The Board confirms that Sasfin complies with the provisions of the Companies Act relating to its incorporation and is operating in accordance with its memorandum of incorporation.

The Board approved the 2021 Integrated Report on 12 October 2021.

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

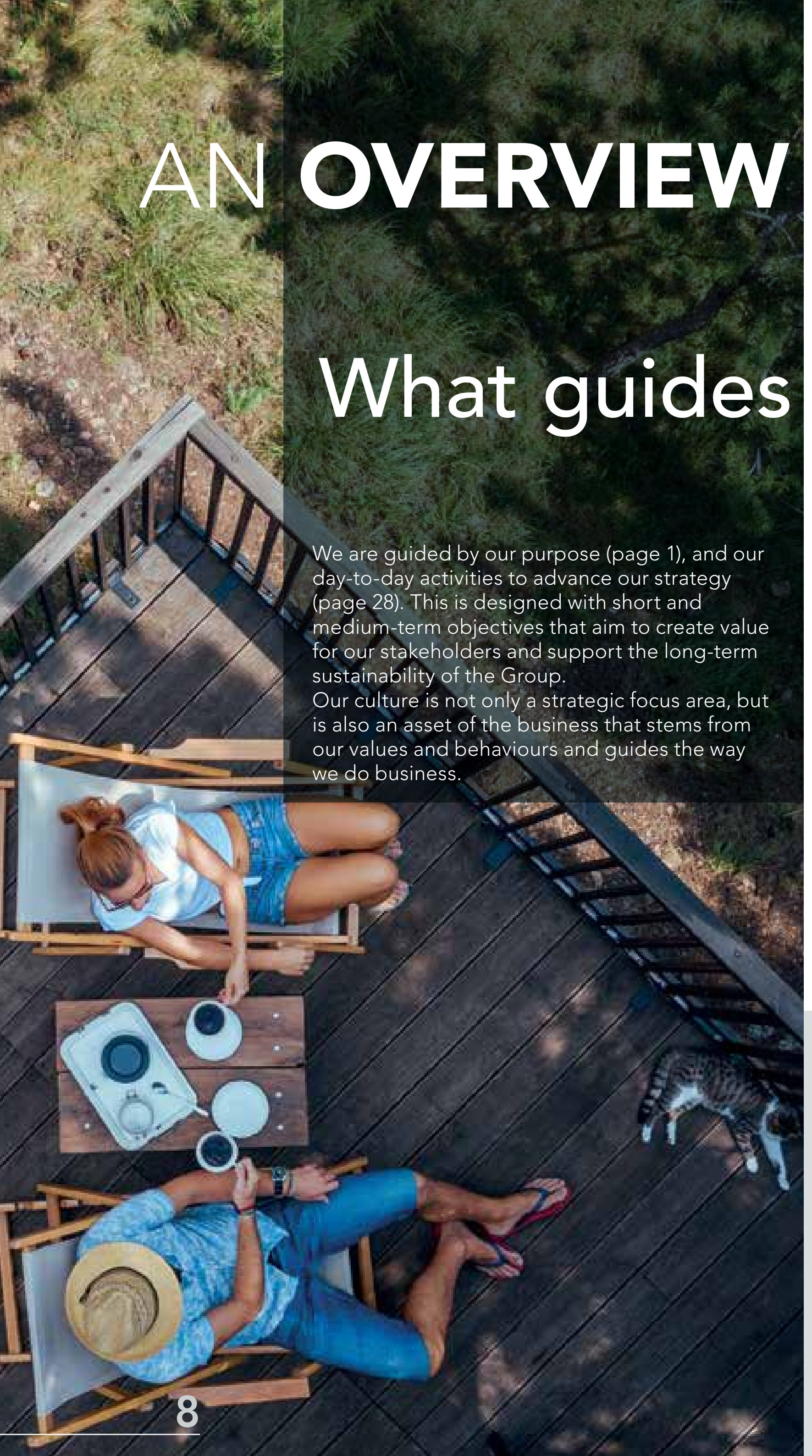
DISCLAIMER

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

Forward-looking statements are not strictly factual. Rather, they are statements made on current estimates, projections, expectations, beliefs and assumptions regarding the Group's future performance, and no assurance is given.

Risks, uncertainties and other factors could cause results to differ materially from our expectations. These uncertainties can arise from numerous known and unknown factors ranging from IFRS changes to political risks, among other things.

The report is intended to provide stakeholders with information on our past year's performance and to assist in making their assessment of our ability to create value in the short term, medium term and long term. As such, the Group does not update forward-looking statements and cannot 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.



AN OVERVIEW OF SASFIN

What guides us?

We are guided by our purpose (page 1), and our day-to-day activities to advance our strategy (page 28). This is designed with short and medium-term objectives that aim to create value for our stakeholders and support the long-term sustainability of the Group.

Our culture is not only a strategic focus area, but is also an asset of the business that stems from our values and behaviours and guides the way we do business.

OUR CULTURE

- Talented and empowered teams who live our values
- A tangible spirit of going beyond
- We are a purpose- and values-led organisation
- Entrepreneurial while compliant
- We treat our clients fairly

HOW WE DO BUSINESS

- Efficient and effective client-centric organisation
- Strong sales and service culture
- Automation and digital tools wherever possible
- A human touch where it matters
- Advice-led clients get more than just a product

OUR VALUES AND BEHAVIOURS

Greatness: We strive for greatness, driven by the aspirations of individuals who take accountability for themselves and others through passion, innovation and excellence. We look for potential in our employees, clients and partners, realising that greatness often comes from unexpected places. We conduct our business with an entrepreneurial spirit, always seeking new opportunities to contribute to a healthy, growing economy.

Respect: We treat our clients, colleagues and communities with the utmost respect.

Integrity: We operate with the utmost honesty, ensuring that ambition is always tempered by uncompromised discipline and ethics.

Partnership: We celebrate the African spirit of Ubuntu ("I am because we are"), striving to be a partner beyond expectations, always seeking products and solutions that enhance our services through beneficial offerings to our clients and the communities in which we operate. We celebrate brilliance and encourage independent thinking, and we recognise that no individual is greater than the team. We seek to uplift the communities in which we operate, recognising the importance of sustainability through projects that enhance the lives of others.

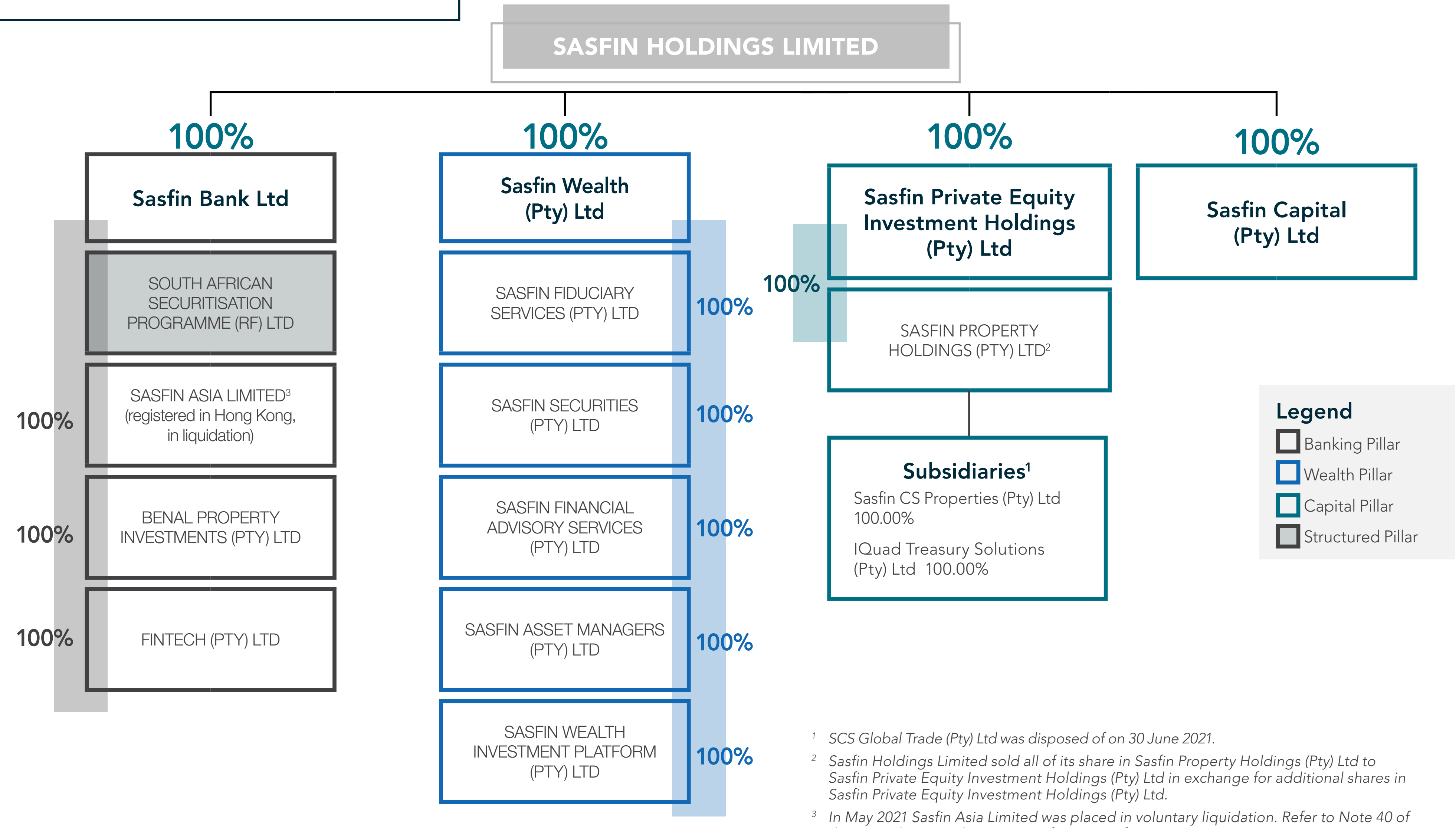
PAY IN 30

"Sasfin is committed to enabling business growth of small and medium enterprises (SMEs). Through the roll out of Nasira, which enables us to lend to women, youth and migrant businesses, the introduction of revolving credit facilities and overdrafts which complement our B\\YOND® business banking platform, we are making access to cash flow funding easier for smaller businesses.

This is in addition to our commitment to support SME suppliers by paying them within 30 days, and we encourage all large businesses and government entities to do the same."

~ Michael Sassoon

Legal structure



[1] *SCS Global Trade (Pty) Ltd was disposed of on 30 June 2021.*

[2] *Sasfin Holdings Limited sold all of its share in Sasfin Property Holdings (Pty) Ltd to Sasfin Private Equity Investment Holdings (Pty) Ltd in exchange for additional shares in Sasfin Private Equity Investment Holdings (Pty) Ltd.*

[3] *In May 2021 Sasfin Asia Limited was placed in voluntary liquidation. Refer to Note 40 of the Annual Financial Statements for more information.*

Material matters

Material matters are those financial and non-financial matters that have the most potential impact on Sasfin's ability to create value for its stakeholders in the short, medium and long term.

The Group's material matters are derived from a range of sources, including a consideration of the current business environment and our strategy (pages 16 and 28), the relevant concerns of our key stakeholder groups (page 60) and Sasfin's key risks (page 68). These matters are prioritised according to the nature and size of their impact on Sasfin's ability to create value.

Management ensures that measures are implemented to effectively manage the associated risks and maximise opportunities arising. The Group's governance and risk management frameworks enable effective oversight of how these risks and opportunities are managed.

The content of this report is informed by the material matters to provide our stakeholders with an understanding of how we create value, our performance for the financial year and our outlook for the short and medium term.

The section that follows discusses Sasfin's most material matters, which have been reviewed and approved by the Board.

High   Medium   Low

CHALLENGING ECONOMIC AND POLITICAL CONDITIONS

Small and medium businesses, which make up most of our clients, are particularly affected in challenging times. While the South African economy remains fragile, it performed better than anticipated over the past year, supported by a strong performance in the commodity sector and government interventions.

Our ongoing investment in distribution supported growth in loans and advances of 1%, while the significant decrease in credit impairments demonstrated the resilience of our clients, the benefits of our close relationships with them and the impact of tighter credit management.

Financial markets were relatively strong, and Sasfin Wealth grew assets under management with good inflows and excellent investment performance. Foreign assets under management remain stable despite the stronger Rand, and investor demand for offshore assets is increasing.

The full impact of the third Covid-19 wave and recent civil unrest remains to be seen. New strains of the coronavirus and the relatively low vaccination rates are a concern.

Positives

- Sasfin's relationships with our clients help us to work closely with them to understand the challenges they face, provide support where we can, accurately assess credit risk and respond appropriately
- The ongoing shift to offshore assets plays to one of Sasfin Wealth's strengths
- The relief and support we provide to our clients strengthen these relationships and enable them to prosper when the economy recovers
- The Group's investment in digital capabilities ensures that we can attract and service new and existing clients remotely

Negatives

- Low economic growth limits opportunities to grow loans within acceptable credit risk
- Increased business failures could affect credit losses
- Political and economic policy uncertainty affects investment and growth
- Weak economic growth reduces clients' funds available for saving and wealth creation
- Government debt levels are an increasing concern
- State of SOEs
- Impact of international trade

Mitigating the risk and maximising the opportunity

- Sasfin's client-centric business model allows us to understand the challenges facing our clients so that we can provide solutions to them.
- Our flat management structure and entrepreneurial spirit improve client access to key decision-makers.
- We respond quickly and appropriately to market changes to capitalise on opportunities and mitigate threats effectively.
- We are committed to providing appropriate support to our client segments and to responsible lending practices.
- We focus on cost containment without constraining the investment required to achieve our strategic goals.
- Our capital, funding and liquidity management ensures we can grow our business sustainably and comply with the regulatory and Board-approved ratios.

Sasfin's ability to control

Low

Stakeholders

- Clients
- Shareholders, investors and debt funders
- Employees

2021 strategy

People and culture

Sales and service

Product, user experience and innovation

Organisational capacity and costs

Transform our society

Further reading

Page 26 , Page 27

SCALE AND COST MANAGEMENT

The cost of establishing the Group's technology, governance and compliance structures has been significant, and Sasfin's fixed cost base is high relative to its size. Sasfin is committed to building scale and growing revenues which will be challenging in the current economic environment.

Positives

- The Group's technology, human capital and governance base is established, and future growth in revenue and scale will reduce the cost-to-income ratio over time
- Sasfin made good progress in rationalising entities and structures during the financial year to reduce the fixed cost base (see page 27)
- The Group's Future Way of Work team evaluated new ways of working that are being implemented in the hybrid work model and will further reduce our fixed cost base

Negatives

- High costs reduce profitability and returns to shareholders
- The current negative economic environment limits the Group's ability to grow revenue in the short term

Mitigating the risk and maximising the opportunity

Sasfin aims to drive growth in scale through digitalising and streamlining the business, including the regular assessment of acquisition opportunities.

Sasfin's ability to control

Medium

Stakeholders

- Shareholders, investors and debt funders

2021 strategy

Organisational capacity and costs

Sales and service

Further reading

Page 27

CLIENT-CENTRICITY

Sasfin's high-touch client service offering supported by digital technologies helps us to understand and meet clients' evolving needs and service expectations. Competition in the financial services industry continues to increase with the entry of new financial technology (fintech) companies and banks and increased focus from established competitors. However, the challenging economy is likely to increase pressure on many of these new entrants and existing players.

Positives

- The way in which we work with clients strengthens relationships, deepens trust and builds the Sasfin brand
- Digital capabilities are enhanced throughout the Group
- Our understanding of our clients and their needs allows us to create bespoke solutions
- Greater client focus as a result of Capital and BBB integration

Negatives

- The necessary investment in human capital, technology, governance, risk and compliance creates a large initial capital outlay

Mitigating the risk and maximising the opportunity

Sasfin's business model allows the Group to be agile in meeting the needs of our five primary client segments.

The Group's strong human capital and innovative and value-adding financial solutions support client-centricity. Our digital solutions are transforming the business banking experience for many clients. This has enabled Sasfin to continue to service its clients with the move to remote work.

Sasfin's ability to control

High

Stakeholders

- Clients
- Shareholders, investors and debt funders

2021 strategy

People and culture

Organisational capacity and costs

Product, user experience and innovation

Sales and service

Further reading

Pages 14, 15, 26 and 27

CREDIT QUALITY

Credit risk is a primary risk for lenders, and the weak South African economy created stress on SMEs, with a consequent deterioration in credit quality. Credit risk must be appropriately managed to ensure that credit losses remain within risk tolerance levels.

Positives

- Our increased focus on collections resulted in a significant improvement in the credit loss ratio from 303 bps in 2020 to 75 bps in 2021
- Credit extended to viable businesses in the current environment supports recovery and future economic growth
- The Nasira facility enables us to lend to borrowers who would not otherwise qualify for credit (refer pages 38 and 58)

Negatives

- Certain sectors have been disproportionately affected by Covid-19, and credit extension in these areas must be carefully managed

Mitigating the risk and maximising the opportunity

Sasfin manages credit risk to support competitive and appropriate offerings to clients. Conservative credit provisions put in place at the end of the previous financial year helped protect the Group during the worst of the crisis. These provisions have reduced in line with the significantly improved credit outcome. Deepening the credit curve in our Asset Finance Pillar can unlock additional growth opportunities.

Sasfin's ability to control

Medium

Stakeholders

- Clients
- Shareholders, investors and debt funders

2021 strategy

People and culture

Organisational capacity and costs

Further reading

Pages 30 and 31, and 71

A HIGH-PERFORMING TEAM

Sasfin's human capital (our employees) is critical to our ability to deliver products and services that exceed our clients' expectations. Our teams are characterised by smart people who are innovative, competent, willing and humble – who work together to achieve the Group's strategic objectives. Sustainable transformation of our workforce is a social and business imperative.

Positives

- Sasfin's high-performing human capital and the relationships they build with clients is one of the Group's competitive advantages
- Bonuses resumed with the return to profitability this financial year

Negatives

- High demand for specialised skills affects our ability to fill certain roles and retain talent while achieving our transformation objectives
- The cost of specialist skills adds to the Group's fixed cost base
- Lack of a share incentive scheme

Mitigating the risk and maximising the opportunity

- The human capital strategy focuses on developing and retaining a capable team of talented and empowered high-performing employees that embody our culture. The Group's transformation goals inform recruitment policies and practices, our training programmes and our approach to succession planning.
- Sasfin's performance management programme and incentive scheme include challenging targets and Key Value Indicators (KVIs) to drive performance while embedding ethical behaviour.

Sasfin's ability to control

High

Stakeholders

- Employees
- Clients

2021 strategy

People and culture

Organisational capacity and costs

Transform our society

Product, user experience and innovation

Further reading

Pages 46 to 50

INCREASING REGULATORY REQUIREMENTS

The financial services industry is highly regulated with a complex and continually evolving regulatory framework, requiring a considerable investment to ensure compliance. The Group's clients are also affected by regulatory requirements that make it costly and onerous for entrepreneurs to establish and grow their businesses. The Protection of Personal Information Act (POPIA) came into effect on 1 July 2021, and the Group implemented the necessary policies, controls and processes to ensure compliance.

Positives

- Sasfin's regulated status and robust governance and compliance architecture are competitive advantages and provide assurance to providers of financial capital and clients

Negatives

- Effective governance and compliance structures require investment in people and technology that increases our cost base

Mitigating the risk and maximising the opportunity

Regulatory compliance and risk management are central to our culture and our approach to doing business. Sasfin's Board oversees robust governance, risk and compliance structures. New and evolving regulatory matters are discussed in the sections referenced alongside.

Sasfin's technology solutions help to reduce the complexity of doing business for clients and offer seamless onboarding processes while ensuring effective compliance.

Sasfin's ability to control

Low

Stakeholders

- Clients
- Government and regulators
- Shareholders, investors and debt funders

2021 strategy

People and culture

Organisational capacity and costs

Transform our society

Product, user experience and innovation

Further reading

Pages 54, 64, 74 and 96

INFORMATION, TECHNOLOGY AND INNOVATION

Information, technology and innovation are central to Sasfin's strategy, supporting value creation by enabling the development and delivery of new products and services, improving the client experience and increasing efficiencies. Rapid advances in technology and new fintech competitors have led to increased competition in the financial services industry.

Positives

- Sasfin's innovative technology solutions enable cost-effective delivery of products and services that meet client needs
- The Group's investment in technology was critical during the second year of the pandemic and the resultant lockdowns
- Sasfin's development of its approach to data and information helps the Group to gain key insights concerning its clients

Negatives

- Information security and increasingly sophisticated cybercrime remain a significant risk for the Group
- Sasfin's ongoing investment in IT solutions represents a significant cost
- Securing specialist IT skills is a challenge

Mitigating the risk and maximising the opportunity

Technology, information and innovation drive Sasfin's competitive advantage and client-centric approach by helping us to reach clients faster and more effectively, and to provide them with value-adding tools.

Investments in technology are aligned with our IT strategy, aim to keep systems and capabilities current, and enable compliance and regulatory requirements. The Group's mitigation of cyber risk is reviewed annually with a co-source partner approved by the South African Reserve Bank (SARB) Prudential Authority (PA).

Sasfin's ability to control

High

Stakeholders

- Clients

2021 strategy

People and culture

Organisational capacity and costs

Product, user experience and innovation

Further reading

Page 68

Business model

Sasfin's high-touch approach, client-centric business model and innovative technology solutions allow us to build relationships and provide excellent service and products to entrepreneurs and investors. The business model summarises how Sasfin uses the various capitals[1] to create value through its business activities and the trade-offs made in the process.

RESOURCES

Financial capital

- Capital, debt and equity funding
  - Total ordinary shareholders equity of **R1.56 billion** (2020: R1.53 billion)
- Cash generated from the Pillars
  - Net available cash[2] of **R2.3 billion** (2020: R2.4 billion)

Innovation and brand

- Established brand and reputation
- Innovative services and products

Stakeholder relationships

- Our relationships with key stakeholders (page 60)

Our people

- **730** employees (2020: 708)
- Specialised knowledge and skills
- Strong, experienced leadership

Physical and technological infrastructure

- **R44.1 million** invested in software, computer equipment, property, plant and equipment (2020: R40.2 million)
- IT systems, processes and procedures

Environmental resources

- Sasfin does not use significant environmental resources. However, we aim to minimise our environmental impact and operate responsibly as part of our ESG initiatives.

BUSINESS ACTIVITIES

The financial products and services that Sasfin designs, develops and provides aim to protect and grow our clients' net assets and meet their specific needs. Central functions provide support across the Pillars.

KEY DIFFERENTIATORS

- Our high-touch approach, excellent service and strong client relationships
- Access to key decision-makers and speed of response
- Innovative technology solutions that simplify onboarding integrate product offerings and value-adding tools
- Focus on small and medium businesses
- An impact brand, intent on Transforming our Society
- A growing team of established investment professionals with an excellent track record
- Big enough to be credible and small enough to be agile
- Entrepreneurial and compliant

OUTPUTS (OUR KEY PRODUCTS AND SERVICES)

Client-focused products and services offer financial solutions across the stages of business and personal wealth life cycles:

• Extend credit to our clients in the form of asset finance, trade and debtor finance, revolving credit and specialised lending	– Earn interest income – Earn fee and commission income
• Facilitate local and foreign transactions	– Earn fee and commission income on transactions
• Provide treasury services	– Earn fee and commission income on transactions
• Offer savings and investment products	– Pay interest on deposits
• Provide asset management, global portfolio management, stock broking and wealth advisory services	– Earn fee and commission income on assets under management and administration
• Offer advice through institutional consulting, corporate advisory and acting as a JSE sponsor	– Earn fee and commission income
• Provide capital for private equity and property equity investment	– Earn interest income on capital extended – Earn capital gains on investments realised at a profit

Drivers of net income

Net interest income (41.9% of total income) is the difference between the interest we charge clients on credit extended to help them grow their businesses and the cost we pay to raise these funds from depositors and other funders.

Non-interest income (58.1% of total income) represents fees earned on assets under management and administration in the Wealth Pillar, on treasury and foreign exchange services, banking payments and transactions, stockbroking and wealth advisory services, institutional consulting and corporate advisory.

Credit impairments represent the change in provision held against loans and advances that are expected not to be repaid as well as the increase in net write-offs (gross write-offs less provisions less recoveries). In 2021 credit impairments represented 0.75% of gross loans and advances (the credit loss ratio).

[1] *The <IR> Framework defines the six capitals as financial, intellectual, human, manufactured, social and relationship, and natural. Sasfin has refined the names of the capitals used in this business model to better reflect the resources available to it.*

[2] *Total cash and liquid negotiable securities less funding under repurchase agreements.*

OUTCOMES

Financial capital

- \+ Headline earnings per share (HEPS) increased to 438.24 cents (2020: 151.00 cents per share loss)
- \+ Cost-to-income ratio improved to 77.95% (2020: 82.20%)
- \+ Dividend of 131.02 cents per share (2020: 48.89 cents per share)
- \+ Credit loss ratio decreased to 75 bps (2020: 303 bps)
- ! Reduced economic activity affected client business activity, which impacted income growth
- ! While return on equity improved to 9.11% (2020: -3.12%), it remains below our long-term target
- ! Difficult trading conditions in certain private equity and property equity investments

Capital trade-offs

The allocation of financial capital is an ongoing priority, and we continue to enhance assessment and performance management processes that aim to optimise capital allocation decisions. Delivering on our strategy requires that we continue to invest in the Group while considering the financial expectations of our stakeholders.

Innovation and brand

- \+ Sasfin's innovative products and services enabled clients to continue using all our products and services during lockdown
- \+ IT systems support increased internal synergies between departments

Capital trade-offs

The support we provided to our clients during the financial year, which included payment holidays and debt restructuring, affected financial returns in the short term. However, it supported the sustainability of these clients and strengthened our relationships with them.

Stakeholder relationships

- \+ Direct tax expense of R58.9 million (2020: R1.8 million recovery)
- \+ Corporate social responsibility (CSR) spend of R2.3 million (2020: R2.6 million)
- \+ Ongoing interactions with National Treasury, the SARB, and industry peers through representation on BASA
- \+ Maintained appropriate relationships with regulators through regular interactions
- ! The ongoing negative impact of Covid-19 on the South African economy and our stakeholders
- ! The regulatory environment is increasingly demanding

Capital trade-offs

The sustainability of our business is dependent on the quality of our relationships with our stakeholders.

Finding an appropriate balance between their often-competing needs and expectations is an ongoing focus.

Our people

- \+ Employee costs of R530.5 million (2020: R517.6 million)
- \+ Employee development through skills development and training spend of R6.5 million (2020: R6.1 million)
- \+ 133 employees trained through the Sasfin Learning Academy (2020: 136), including 10 chartered accountant (CA) trainees (2020: 9)
- ! Ongoing impact of Covid-19 and remote work on employee health and wellbeing
- ! Employee turnover reduced from 2020 to 2021 (14.4% to 13.2%)
- ! Finding the required skills in certain key areas remains a challenge
- ! Difficulty of rapid transformation at senior management level
- ! Challenge of effectively managing culture and innovation during remote work

Capital trade-offs

Employee costs represent our largest operating cost. The investment in human capital to capacitate our governance and compliance structures, attract and retain key skills and experience, and drive transformation at a senior level is significant.

In most cases, no salary increases or bonuses were awarded at the start of the financial year, which helped to strengthen the Group's financial position but affected our employees (human capital).

We retrenched 26 employees as part of our restructuring of business processes in B\\YOND® Business Banking. We do not embark on such rationalisations lightly as we recognise the broader social impact in the context of the country's high unemployment rate. However, we have created several new roles that resulted in a year-on-year increase in total employees.

Physical and technological infrastructure

- \+ Investment in IT and rollout of new technology systems increases efficiencies, improves the client experience and enables remote working
- \+ Investment in development, maintenance and enhancement of IT infrastructure of R190.9 million (2020: R264.4 million)

Capital trade-offs

The Group's investment in IT improves efficiencies and the client experience and enables regulatory compliance, which builds our relationships with clients and regulators. The significant investment required reduces financial capital available to return to shareholders.

Environmental resources

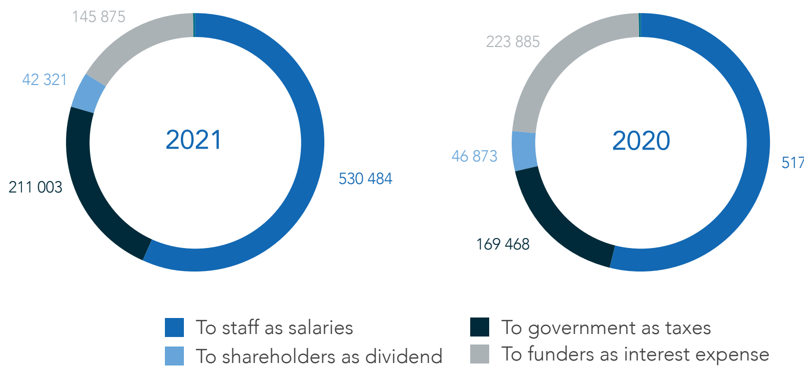
- \+ Electricity and water conservation through promotion of sustainable lending practices for renewable and alternative energy solutions
- \+ Commitment to reducing carbon emissions
- \+ Increased financing of environmentally friendly technology
- \+ New office building incorporates sustainable design features to reduce environmental impact
- \+ Driving ESG imperatives in the way we manage investments – association with RBN (an impact investment firm)

Capital trade-offs

Sasfin's commitment to responsible lending and ESG investing means that some industries we will not fund or invest in, e.g. production or trade in any product deemed illegal in terms of laws or international conventions/agreements, unbonded asbestos, weapons, gambling and radioactive materials. While this prevents us from taking advantage of certain opportunities, it aligns with our values-led approach and supports the Group's sustainability.

The value Sasfin created in the 2021 financial year was distributed to its stakeholders as follows:

Value Created

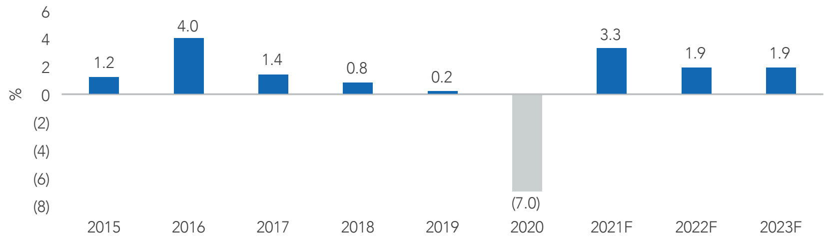


MACROECONOMIC INDICATORS

Macroeconomic conditions remained challenging during the 2021 financial year. While growth and business confidence rose from last year's lows, they remain at low levels and business failures continue to rise.

GDP in South Africa has been at low levels since 2016 and, although growth is expected to rebound in 2021 after the contraction in 2020, weak economic activity going forward is likely to affect growth in loans and advances, and income.

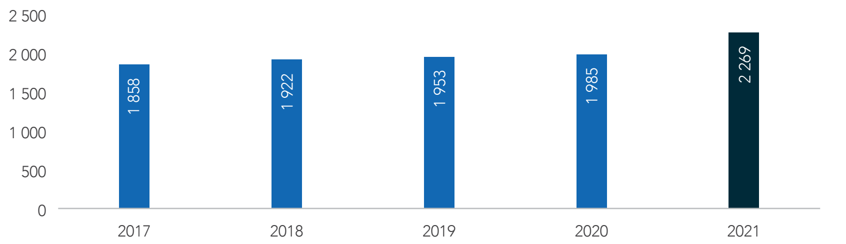
GDP growth



Source: Statssa, National Treasury

Liquidations increased significantly in the 12 months to June 2021, reflecting the severe pressure on business. This ongoing pressure has affected the ability of users of credit to repay their loans, resulting in increased credit risk that requires higher credit provisions.

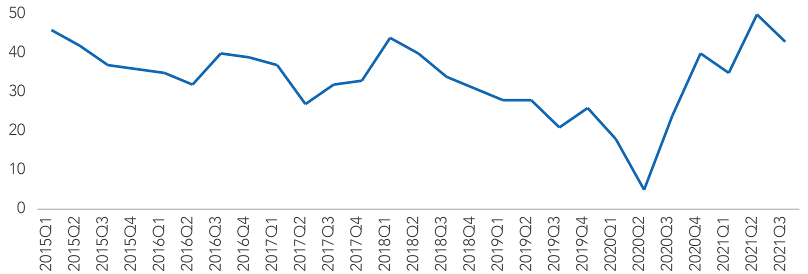
Liquidations



Source: Stats SA (September 2021)

Business confidence drives demand for credit so that entrepreneurs can invest in and grow their businesses. Although business confidence has recovered from its historical low in the second quarter of 2020, it remains below 50, the score where confidence is neither positive nor negative. Since the first quarter of 2008, the indicator has rarely broken into positive territory, reflecting the challenging business environment over the last 13 years.

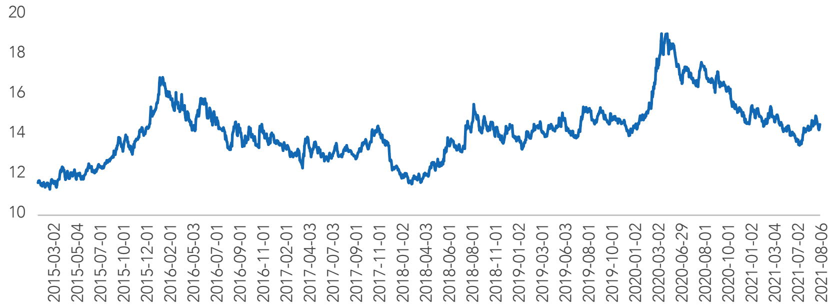
Business confidence



Source: RMB/BER (September 2021)

The Rand has recovered since weakening at the start of 2020. Sasfin Wealth has built strong offshore investment capabilities and benefits from the increased demand for offshore assets.

ZAR/USD



SASFIN INVESTMENT CASE

Target: Generating an ROE of between 15% and 20% in the medium term

An investor in Sasfin, today, is essentially acquiring three distinct yet complementary businesses, Asset Finance, Wealth and Business Banking.

Our Current and Future Champions – Asset Finance and Wealth:

- Currently generate returns on equity well in excess of their cost of capital
- Generate healthy profit margins given their current scale,
- Have diverse income streams
- Have deep distribution and service models

These Pillars are continuously innovating and evolving their offerings. There are many examples of this including:

- Specialised Equipment Finance in Asset Finance
- Institutional Asset Management in Wealth

Both these units are now meaningful profit contributors and were built by leveraging the embedded capabilities inside their Pillars. Off these two Pillars there are opportunities to enhance stakeholder value in the future as highlighted in the Pillar reports.

Our third future Champion – Business Banking (incorporating Sasfin Capital)

Since its establishment, Sasfin Bank's vision was to provide a comprehensive yet integrated offering to businesses in South Africa. Significant investment has been made to bring this vision to fruition in recent years and Sasfin is close to offering a holistic service offering for businesses that require a bank that can support their growth. This offering will enable us to move towards greater client centricity.

This has been achieved through:

- The development of new products:
  - Digital business banking
  - New digitally enabled credit offerings (revolving credit facilities and overdrafts)
  - Specialised term business and property loans
- The integration of the various offerings including:
  - Banking
  - Foreign exchange
  - Trade and Debtor Finance
  - The various business lending offerings
- Strengthening our leadership team
- The expansion of our distribution model including:
  - Appointing Business and Commercial Bankers
  - Growing Direct digital marketing and sales capabilities
  - Establishing larger scale Alliance Partnerships
- The ongoing strengthening of our service model including:
  - Offering Digital self service capabilities, where possible
  - Providing High touch service, where it matters

This approach has required significant investment, all of which has been made from internally generated resources, which has negatively impacted ROE in recent years. Improved returns are expected as the new Business Banking pillar is taking shape, which is positioned to meet the demand for a comprehensive business bank that a client can talk to when they need to.

How will this combined business generate an ROE of between 15% to 20% by 2024?

The key to generating an appropriate ROE is to generate appropriate scale, while managing costs, in the Business Banking Pillar, which will consequently improve the CTI in this area.

The following steps have been taken to improve the Business Banking cost-to-income ratio:

- The primary focus is to grow income by optimising Business Banking. This is being done by having:
  - Created the capacity to meaningfully grow our loans in this area. The integrated service offering will allow for non-interest revenue to be earned, too.
  - Strengthened the capital and funding base, product offering, and distribution teams.
- At the same time Sasfin has taken steps to streamline its business thereby reducing its cost base by:
  - Exiting non-core activities, including Sasfin Commercial Solutions
  - Onshoring our foreign trade finance operation and closing Sasfin Asia
  - Reducing our office space through adopting a hybrid work model
  - Buying back our preference shares at a discount

Summary

In Asset Finance and Wealth, investors in Sasfin have exposure to two meaningful businesses which over a long period have generated healthy returns. Long term investors have been part of the journey to invest in a comprehensive digitally orientated business bank. Sufficient building blocks are in place to offer a range of products to become a holistic primary banker to our clients. Through this comprehensive offering, the Business Banking Pillar is well placed to enable growth in the businesses of our clients, so critical to the economic growth of South Africa. Our aim is that the fruits of this investment should be realised by all stakeholders in the medium term.

LEADERSHIP **REVIEWS**

"The evolution of the Sasfin Board into an increasingly diverse, experienced, skilled, independent and strong leadership body has been one of the most gratifying aspects of my time at the Group. I leave in the knowledge that Sasfin is in good hands and well-positioned for growth."

Chair's letter to stakeholders

Roy Andersen CA(SA), CD(SA)

It is with pleasure and sadness that I present my final letter to stakeholders as Chair of the Sasfin Board in a year of improved performance. I have served on the Board since 2011 and, in that time, I have had the honour of playing a role in overseeing and supporting the transformation of the Company from what was a fantastic founder-led family business into its current form as a fully capacitated, delegated corporate structure headed by the next generation of the family. The most rewarding aspect of the process was witnessing the successful and seamless transfer of leadership from Roland to Michael, which left me full of admiration for both.

CONDITIONS REMAIN CHALLENGING FOR BUSINESS

The South African economy remains under pressure, which adds another hurdle for entrepreneurs trying to expand their businesses and grow their wealth in a low growth environment. The recent unrest not only provided another traumatic shock to the economy, already impacted by Covid-19, but is also unlikely to improve the country's ability to retain the skills and attract foreign investment it needs to recover and grow. At the same time, there are early signs that government policy and the fight against corruption are moving in the right direction, albeit at a slower pace than many would like.

Sasfin extended support to our employees and our clients where we could, knowing that together we will all emerge stronger from these difficulties. This is also true of Sasfin as a Group, which ends the financial year in excellent shape, well-capitalised and with all Pillars positioned to make a good contribution despite the challenging conditions. Management has again demonstrated its competence and commitment, and our employees have done a remarkable job of maintaining high service levels and output in a largely remote working environment.

We are focused on improving the Group's return on equity to create financial value for our shareholders and other stakeholders. Expenses were controlled in the context of the significant cost base required to ensure effective compliance, risk management and assurance in the financial services industry. As growth in our smaller business lines accelerates towards critical mass, the cost-to-income ratio should continue to improve.

SUPPORTING VALUE CREATION IN THE GROUP

One of the gratifying aspects of my time on the Sasfin Board has been witnessing its ongoing evolution into an increasingly diverse, experienced, skilled, and independent leadership body. This broad range of skills and experience was put to good use in the Board's involvement in the review and refinement of the next iteration of the Group's strategy, helping to ensure that the right areas receive the right attention. We also spent a significant amount of time understanding the challenges our employees and clients face and how Sasfin could support them.

Our strategy relies on strong human capital as well as technology as an enabler and a disruptor, which combination enables us to support client value creation. We are equally at risk of disruption in the competitive and continuously evolving fintech space. With increased technology and remote work comes increased risk of cybercrime. The Board applies its collective mind on an ongoing basis to understand the latest trends and whether the Group's response in mitigating these risks is adequate.

We continually assess the skills on the Board to make sure that all key areas are sufficiently resourced. The appointments during the financial year continued the process of enhancing the depth and breadth of skill on the Board, relevant industry insight and niche focus-area expertise available to the Group. In May 2021, we welcomed Tapiwa Njikizana, who brings additional expertise in a range of important areas and in June, we said goodbye to Thabang Magare, who is left to attend to external business commitments. We thank him for his contribution and wish him well for the future.

IMPROVING BOARD PERFORMANCE

There is an ongoing focus on improving the performance and effectiveness of the Board. While last year's independent external Board effectiveness review was generally positive, it identified several areas where we could continuously strengthen our governance processes. The resulting refinements, which included improved decision-making, reduced overlap between committees and restructured Board packs to make sure we are focusing on the most effective areas, are proving beneficial.

This financial year, we conducted an online self-assessment review providing insight into the Board's effectiveness, identifying areas for further improvement and providing assurance that the Board is fulfilling its responsibilities in terms of its charter and the results were again positive. The Group Company Secretary continues to be a source of high-quality, professional corporate governance support for the Board.

A BROADER RESPONSIBILITY FOR ESG

The Board is mindful of the importance of ESG considerations to the long-term sustainability of the Group and society, and this is reflected in our strategy and brand promise. Our direct environmental footprint is small. However, we are committed to minimising any negative impacts we may have on the world around us. We are also proud of the positive social impacts of the initiatives supported through our corporate social responsibility programme.

The Group has more scope to drive positive change in its day-to-day activities through environmentally and socially responsible lending practices, and Sasfin Wealth has made significant progress in embedding ESG considerations into investment and institutional advice processes and culture. As mentioned previously, there are industries that we have chosen not to invest in or fund.

Good relationships with our key stakeholder groups are an essential aspect of sustainability and provide a broader context for ESG deliberations. At a Board-level, our most significant direct engagements are with our regulators and shareholders. While we are unable to be in the office with our employees daily due to lockdown restrictions, their health, morale and mental wellbeing are key for the Board and these are monitored by management on an ongoing basis.

SUSTAINING AN ETHICAL CULTURE

The Board sets Sasfin's strong ethical tone, and the Group's ethical climate is monitored by the Social and Ethics Committee (SEC). KVIs are included in the performance incentive scheme to ensure that the Group's values are effectively prioritised in remuneration.

The Board applied its mind to how to entrench the Group's ethical culture in a largely remote working environment, which removes the in-person mentorship and witnessing of ethical leadership that are key to establishing an organisational culture of ethics and compliance. The code of ethics was refined to include work from home realities, and several ethics-related courses and workshops were run. Management is being encouraged to ensure that ongoing interactions with employees include an appropriate emphasis on demonstrating the importance of ethics and embedding the Group's culture. After the financial year-end, the SEC appointed a Group Ethics Officer to coordinate active management of our ethics performance and an ethics survey is planned for 2021.

Sasfin recognises the benefits of diversity and is committed to the principles of transformation. I consider the introduction in 2017 of WIPHOLD as the Group's BEE partner one of the highlights of my time on the Board. The changes to the Board over the last two years have resulted in gender and demographic representation on the Board at just below our target of 35%. We are exploring opportunities to improve representation while bringing in specialist skills to round out experienced oversight of the Group's activities.

There has also been good progress made in improving ACI representation at middle and lower management levels, but we are still frustratingly below target at senior management level. Over time, this will improve as talent comes through the ranks, but it is critical that we find ways to speed up this process.

DIVIDEND DECLARATION

Given the Group's return to profitability and its strong capital and liquidity position, the Board approved a final dividend of 30% of headline earnings, or 131.02 cents (2020: 48.89 cents) per share, for the year ended 30 June 2021.

OUTLOOK AND APPRECIATION

It is unclear how the Covid-19 pandemic will play out, but its impact on society and the economy is evident, and there is little to suggest a rapid recovery. While we have largely learned to live with the realities of the current situation, pressure will remain on business and, thereby, our clients.

As a Board, we will continue to focus on effective and ethical leadership with an ongoing emphasis on risk management, effective capital allocation and cost management. We are confident that backing our businesses that have performed well (our winners) and driving scale across all our Pillars will result in incremental improvement in the Group's ROE.

I would like to express the Board's appreciation to management and employees, who have helped Sasfin to deliver a positive result in trying times. Michael Sassoon, our CEO, showed dedication and commitment to our clients, employees and the business during the financial year.

Grant Dunnington steps down later this year after 11 years on the Board, during which he chaired and participated in many of the committees. He brought knowledge of banking and credit, as well as seasoned business judgment, to all the areas in which he participated, and we thank him for his singular contribution over this time.

Deon de Kock will replace me as Chair at the AGM in November. The strength of the current Board and my full confidence in the new Chair assure me that the Group is in good hands. It has been a privilege to serve on this Board, and I will watch the further progress of Sasfin with keen interest and fondness.

Roy Andersen CA(SA), CD(SA)
Chair

"Following a period of unprecedented volatility, Sasfin emerges a stronger, more streamlined business. Our Asset Finance and Wealth Pillars delivered excellent results and our Business Banking pillar has made significant strides as evidenced in the improved performance."
– Michael Sassoon

The Group CEO and Group FD's strategy and performance overview

Michael Sassoon
Group Chief Executive Officer

Angela Pillay CA(SA)
Group Financial Director

The World Health Organisation first became aware of Covid-19 on the 31st of December 2019. In the months that followed, the world has gone through perhaps its most seismic change in over seventy years. The almost five million reported global deaths and a quarter of a billion cases have overwhelmed the globe. Unprecedented lockdowns, government interventions and the closing of borders has shifted global supply chains, changed the way we work and permanently disrupted industries. While vaccines were developed in record time and their rollout is starting to allow some countries to open, the world is forever changed, and we are yet to have certainty or assurance on what the future holds.

Sasfin too, is permanently changed, and in three ways, we will never be the same, namely: the human cost of Covid-19, the impact on businesses and the change in how we work and engage.

So many of our stakeholders experienced personal loss in their lives. Sasfin felt this devastation as a collective with the tragic and untimely passing of a much loved young member of our staff, who worked for our Treasury team. This young man was just 30 years old, and he penned his own obituary on Facebook moments before being placed on a ventilator, reminding us to "never forget that life is what you make of it, not what it makes of you." Close on 25% of our employees contracted Covid-19, which had major impacts on teams and projects. A handful of other employees were admitted to ICU, and we are relieved that at the time of reporting, they are home and on the road to recovery.

Our business clients faced major challenges in the aftermath of the first lockdown in March 2020, with several accounts going into arrears. We worked with our clients to assist them through this unprecedented time. Since December, we have been amazed at how so many managed to reshape their businesses and bring their accounts up to date. The original spike in arrears was the cause of the large credit losses experienced in 2020, which materially reduced in 2021. While the global and South African economy performed better than anticipated over the past financial year, some sectors have thrived, while others remain under pressure.

On 26 March 2020, we sent our employees home with laptops, docking stations and office chairs. We could never have imagined that they would still largely be working from home today. During this time, we have had limited to no downtime. We have acquired and remotely serviced clients across all our products and services. While we will require most of our employees to work at our offices some of the time, we expect to see a permanent shift to a hybrid work model, which we believe will meaningfully enhance our employee value proposition and stakeholder value creation. Our new offices, which we will move to in December 2021, have been specifically chosen and designed to support this new way of work.

Against this background, we are pleased to report that the Group delivered improved results, returning to profitability while taking steps to support all our stakeholders. During this time, Sasfin's people went beyond the expectations of our clients, ensuring meaningful progress in meeting the strategic objectives of the Group, while demonstrating compassion for others.

THE GROUP'S FINANCIAL PERFORMANCE AT A GLANCE

Group headline earnings were R141.1 million (2020: loss of R48.6 million) for the year ended 30 June 2021. This improvement was largely because of improved credit performance and an increase in total income of 11.65% to R1.303 billion (2020: R1.167 billion). Group profit was R77.6 million (2020: loss of R43.2 million). These results were made possible by the commitment and competitive spirit of the Sasfin team, despite the challenges we faced.

		Growth %	30 June 2021 R'000	30 June 2020 R'000
Net interest income	▲	6.25	537 980	506 315
Non-interest income	▲	16.50	745 800	640 180
Total income	▲	11.97	1 283 780	1 146 495
Impairment charges on loans and advances	▼	-40.35	(150 696)	(252 618)
Net income after impairments	▲	26.76	1 133 084	893 877
Operating costs	▲	5.88	(1 015 455)	(959 040)
Employee costs	▲	2.49	(530 484)	(517 605)
Other operating expenses	▲	4.61	(444 387)	(424 784)
Goodwill and intangible asset impairment	▲	>100	(40 584)	(16 651)
Profit/(Loss) from operations	▲	>100	117 629	(65 163)
Share of associate profit	▼	-5.95	18 692	20 161
Income tax (expense)/income	▲	>100	(58 947)	1 848
Profit/(Loss) for the year	▲	>100	77 644	(43 154)
Preference dividends	▲	100	–	(15 029)
Non-controlling interest	▲	100	–	(1 993)
Headline adjustable items	▲	>100	63 427	11 559
Headline earnings	▲	>100	141 071	(48 617)

Headline adjustable items comprised mainly impairments of goodwill and intangible assets and a loss on disposal of a subsidiary, offset by a gain on disposal of Efficient Group. The details and comparatives are broken out below:

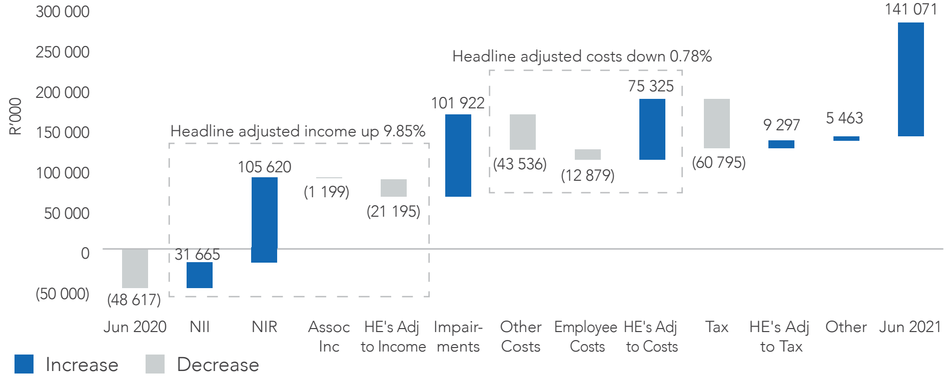
	30 June 2021 R'000	30 June 2020 R'000
Earnings/(loss) are determined as follows:		
Earnings attributable to equity holders of the Group	77 644	(60 176)
Headline adjustable items	63 427	11 559
Goodwill and intangible asset impairments	40 583	16 651
Gross	40 583	16 651
Tax impact	–	–
Loss/(profit) on loss of control subsidiary	31 016	(4 674)
Investment property – fair value loss on non-current assets held for sale	3 726	1 707
Gain on dilution of interest in associate	–	(2 125)
Gain on disposal of interest in associate	(11 898)	–
Gross	(21 195)	–
Tax impact	9 297	–
Headline earnings/(loss)	141 071	(48 617)
Headline earnings/(loss) per ordinary share (cent)	438.24	(151.00)

The focus on improving credit quality, closely managing collections and strengthening our distribution teams is yielding results. Each Sasfin Pillar recorded income growth. Non-interest revenue grew 16.50%, and net interest income grew by 6.25%, despite marginal growth in gross loans and advances of 1.24%, as our cost of funding improved and we focused on margins.

Costs were controlled, growing 5.88% per year. Excluding the one-off costs associated with the closing of Sasfin Asia Limited and the impairment of intangible assets, costs contracted by 0.78%. This, combined with higher total income, resulted in the cost-to-income ratio improving to 77.95% (2020: 82.20%). Excluding headline adjustable items, which are not expected to recur in the next financial year, the cost-to-income ratio would have been 73.36%.

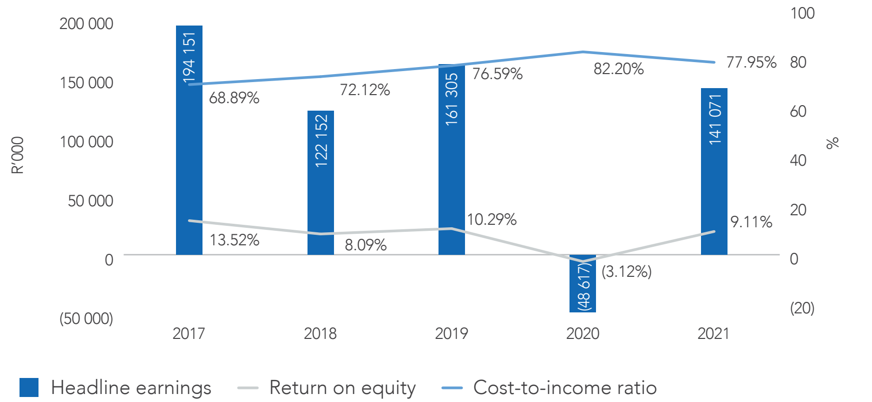
The graph below shows the key contributors to the year-on-year growth in headline earnings.

Headline earnings movements



Had it not been for R98.2 million negative income statement impact on the Group's exposure to the Land Bank, headline earnings for the financial year would have been better than the 2019 financial year.

Headline earnings, cost-to-income and return on equity



We are pleased with the recovery in the Group's return on equity to 9.11%. However, it remains below our target of between 15% and 20%, and we are focused on increasing it further. This will require maintaining momentum in Asset Finance and Wealth and achieving scale in our Business Banking Pillar.

Improved credit performance

Despite the fragile economy, our clients demonstrated resilience. Close collaboration with these businesses and an intense focus from our credit, legal and collections teams resulted in a marked improvement in arrears, a 40% reduction in the income statement impairment charge and an improvement in the book profile compared to 2020 and 2019. Refer to page 31 for a detailed analysis of loan staging and coverage ratios.

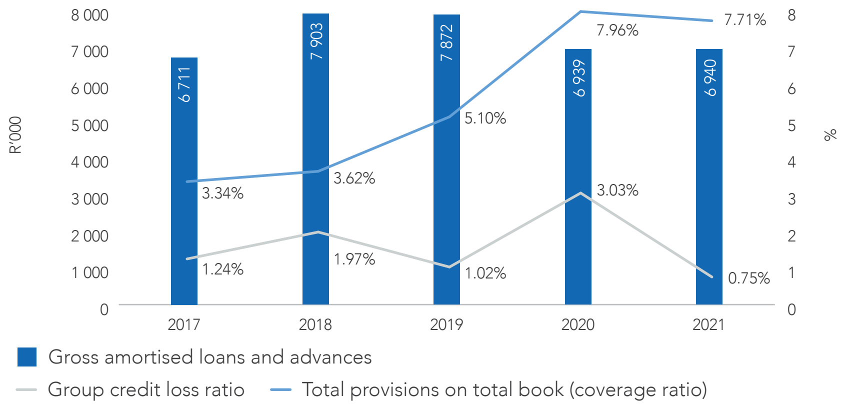
Financial, liquidity and capital position

	Growth %	30 June 2021 R'000	30 June 2020 R'000
ASSETS			
Cash and negotiable securities	30.61	3 370 655	4 857 838
Trading assets	33.66	703 433	1 060 342
Other receivables	17.24	511 941	436 644
Net loans and advances	1.61	6 715 951	6 609 328
Investments of fair value through profit and loss	1.66	519 972	528 771
Equity-accounted associates	84.08	20 089	126 195
Intangible assets and goodwill	21.61	160 856	205 206
Other assets	15.93	152 348	181 216
Total assets	13.22	12 155 244	14 005 540
EQUITY AND LIABILITIES			
Funding under repurchase agreements and interbank	62.82	700 067	1 882 806
Trading liabilities	34.09	658 957	999 842
Trade and other payables, provisions and taxation	1.39	911 108	923 909
Bank overdraft	79.93	30 392	151 462
Deposits from customers	7.90	4 732 764	5 138 778
Lease liability	38.51	43 205	70 266
Debt securities issued	0.08	2 741 583	2 743 823
Long-term loans	96.67	730 904	371 649
Total liabilities	14.11	10 548 980	12 282 535
Ordinary share capital and reserves	1.83	1 562 933	1 534 919
Preference share capital and premium	76.96	43 331	188 086
Total liabilities and equity	13.22	12 155 244	14 005 540

Total assets declined by 13.22% to R12.155 billion due to the Group's decision during Covid-19 to reduce funding under repurchase agreements. Net available cash dropped marginally by 0.21% to R2.346 billion (2020: R2.351 billion).

Gross loans and advances grew 1.24% to R7.251 billion (2020: R7.162 billion). Core funding (excluding funding received under repurchase agreements) dropped 2.02% to R8.236 billion as deposits fell 7.90% to R4.733 billion (2020: R5.139 billion), while long-term funding increased to R730.9 million (2020: R371.6 million).

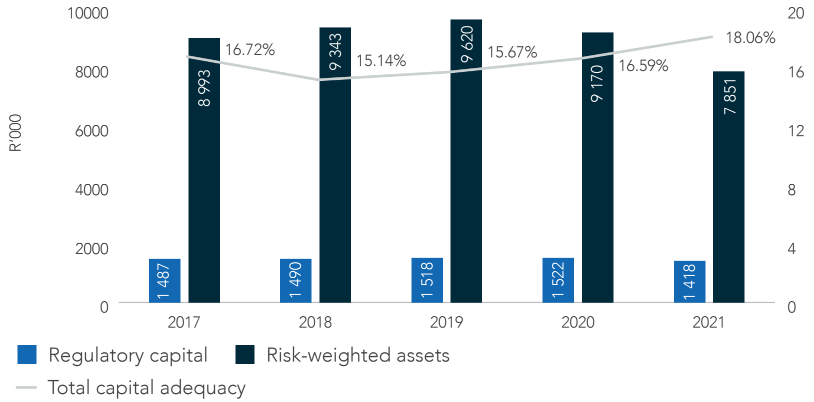
Gross loans and advances and credit risk



Despite the significant improvement in the credit loss ratio, the book is well provisioned as the coverage ratio has only marginally declined year on year.

The Group's capital adequacy ratio (unaudited) strengthened to 18.06%[1] (2020: 16.59%) due to proactive capital management and a decline in risk-weighted assets. The liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) remain strong and above the regulatory requirements.

Capital adequacy – Group



[1] *The 2021 regulatory ratios contained in this report have not been reviewed or audited by our external auditors at the time of finalising the report.*

No interim ordinary dividend was declared for the six months ended 31 December 2020 (2020: 48.89 cents). As a result of the return to profitability and the strong capital and liquidity position, the Company declared a final ordinary cash dividend of 131.02 cents (2020: Nil) per share. The total ordinary dividend for the financial year amounts to 131.02 cents (2020: 48.89 cents) per share.

Segmental performance summary

Previously Sasfin reported on three operating segments: Banking, Capital and Wealth. At the beginning of the 2021 financial year, the existing segments were restructured into four pillars, excluding the Group functions and inter segment eliminations segment. Going forward, the Group will revert to three pillars, with B\\YOND® Business Banking and Sasfin Capital combining to provide a set of business and commercial banking services. These segments (Asset Finance, Wealth and Business Banking) and a summary of their performance are shown below. More detail on each pillar's performance can be found on pages 34 to 45.

ASSET FINANCE

Asset Finance delivered exceptional performance, achieving an operating profit of R289.3 million (2020: R68.9 million) as total income increased 9.27% on improved margins and new business volumes nearing 2019 levels. Focused collection efforts resulted in improved arrears and a material decrease in impairments. Operating costs were well managed and decreased by 3.48%. Please refer to Focus on Collections on page 30 for more information.

We see continued scope to grow this business as we increasingly finance new asset types and roll out new products to support our clients. We anticipate increased demand for climate-friendly asset purchases and the use of software, which we are well placed to finance.

Asset Finance operating profit

319.8%

R289.3 million

(2020: R68.9 million)

B\\YOND® BUSINESS BANKING AND CAPITAL

B\\YOND® Business Banking

Total income grew by 6.17%, with an increase in operating costs of 1.33%, resulting in a reduced operating loss of R40.3 million from R42.9 million last year. We continue to invest in our digital business banking franchise, which integrates banking, foreign exchange, and lending focused on SMEs. Cost growth was negligible despite the increased investment as the foreign exchange and transactional banking businesses were consolidated, reducing duplication and creating efficiencies.

Capital

An improved performance resulted in the operating loss reducing to R4.6 million from R62.8 million in 2020. This was due to strong profits emerging from the specialised lending and property lending businesses, offset by continued pressure on the legacy private equity portfolio and lower utilisations in Trade and Debtor Finance. We continue to exit private equity investments, where appropriate and on acceptable terms. Credit performance in the Trade and Debtor Finance business has improved over the last few years, but activity has reduced due to the impact of Covid-19 on clients' foreign supply chains. Following the onshoring of our foreign trade finance business and the exit of Sasfin Commercial Solutions we will reduce costs in this business.

B\\YOND® Business Banking and Capital operating loss

57.5%

R44.9 million

(2020: R105.7 million)

WEALTH

Operating profit increased to R77.5 million (2020: R65.1 million) as Assets Under Advice and Management (collectively AUM) grew to R53.9 billion (2020: R48.6 billion). Foreign assets under management have remained stable at 28% of total AUM, despite the stronger Rand at year-end.

The Pillar benefited from the disposal of Efficient Group, but was impacted by the negative mark-to-market on its exposure to the Land Bank as detailed elsewhere. Our investment performance remained strong and was again recognised by the receipt of several industry awards (see page 43). Costs were well managed, coming in flat year-on-year, despite an investment in the distribution and technology teams. Sasfin Wealth continues to enhance its offering and strengthen its institutional asset management capabilities.

Wealth operating profit

19.1%

R77.5 million

(2020: R65.1 million)

PERFORMANCE AGAINST STRATEGY

The five-year strategy set at the start of the financial year comprised five strategic focus areas:

2021 Strategic Focus Areas	Progress in 2021
People and culture Develop a talented and empowered team who live our values	Ensuring the health and wellbeing of employees remained a focus this year, with a high proportion of our people working effectively from home. Voluntary employee turnover reduced from 10.5% to 7.8% in 2021. The Group supported employees through various initiatives, including the Sasfin Wishlist and relief provided to those directly affected by the unrest in July. With the return to profitability, bonuses have been provided for, and the Sasfin share incentive trust purchased 1.4 million Sasfin ordinary shares in anticipation of a new share incentive scheme which is being designed to align executives' interests to those of the Group's shareholders. Senior appointments were made to strengthen the team, including a new CIO for Sasfin Wealth and a new Head of Commercial banking. A Future of Work team was established to assess new ways of working considering best practices, feedback from employee surveys and the learnings from remote working during Covid-19. This informed our choice of new office premises where we are adopting a hybrid work model in which no more than 60% of our employees will work from the office at any time. This has allowed us to reduce the required office space and will result in an improved employee value proposition while generating efficiencies (see page 46). Sasfin's human capital practices and performance are discussed on page 46. The remuneration review on page 101 provides more information on how we incentivise and reward performance.
Sales and service Ensure a strong sales and service culture to deliver growth	We continue to invest in building sales capacity in our key growth areas, and since 2018 these sales teams have grown from 18 to 54 people. This primarily comprises growth in the Sasfin Wealth third party distribution team, appointments in our specialised equipment finance unit in the Asset Finance Pillar, and the addition of experienced commercial and business banking specialists in the Sasfin Capital and B\\YOND® Business Banking teams. Our small business client segment has a strong digital marketing and remote servicing capability. Approximately 3 000 new business accounts were opened with higher funding levels and increased credit utilisation. The business grew transactional deposits by 45%, generating lower-cost funding for the Group. Sasfin Capital grew its specialised and property lending books by 60% to R688 million, and these secured portfolios are performing to expectation. The loans typically include profit participation, which provides good revenue growth potential. Despite the challenging business environment, Asset Finance delivered strong growth in new business volumes. The expanded distribution team is well placed to finance new asset types and rollout new products to support our clients. Sasfin Wealth saw assets under management grow by 10.9% to R53.9 billion, and institutional assets under management increased by 24%. While local private client assets remained steady, clients continued to take a greater portion of their investable assets offshore.
Product, user experience and innovation Digitalise our products and user experience	We have rolled out improved digital capabilities across the Group, including the introduction of a new credit scorecard, the imminent launch of our online forex platform and improved data analytics capabilities as we near the end of the risk data aggregation and risk reporting project. This will provide meaningful insights into our business. The transformation of the digital business banking experience through the B\\YOND® platform continues to strengthen our client value proposition. We are growing our lending capabilities, building new credit offerings and putting in place the necessary funding and support to focus on SME lending. This strong digital product set is complemented by our ability to provide a human touch where it matters most, adding important value to our clients, especially as their needs evolve. We replaced our core finance systems, enhanced last mile systems and maintained a rigorous focus on cybersecurity. Refer to page 52 for our information and technology review.

2021 Strategic Focus Areas	Progress in 2021
Transform our society	The events of the last few months have reinforced the need for every business to play its role in transforming our society. In Sasfin's case, we are making an impact by: • Improving access to SME finance through our Nasira partnership with FMO (Dutch Entrepreneurial Development Bank) • Promoting financial inclusion of the previously unbanked through our partnership with Hello Paisa • Driving ESG imperatives in the way we manage investments through a new association with RBN (an impact investment firm) and lending money in terms of our focus on affordable housing and climate-friendly asset types • Our revised B-BBEE score is level 4 which remained unchanged from the previous reporting period. We continue to focus on transforming our society and aim to have an improved B-BBEE score next year. Transforming our society starts at home. Therefore, we have supported our employees and their families to ensure that the impact that we endeavour to see in society is happening within our Company (see page 56).
Organisational capacity and costs Ensure an effective and efficient client-centric organisation	We implemented several initiatives during the financial year to streamline the Group, optimise capital and ensure focus on our core businesses. These include: • Sasfin Wealth sold its 21.1% interest in Efficient Group (Proprietary) Limited for R146.2 million resulting in a post-tax profit of R12.2 million. The proceeds were distributed to SHL. • We closed our Hong Kong operation, Sasfin Asia Limited, incurring a one-off cost of R30.0 million as a result of the unwinding of the hedging and foreign currency translation reserves. The foreign trade finance operations were moved to South Africa, releasing $12 million of capital to Sasfin Bank Limited. • We sold 100% of Sasfin Commercial Solutions (Proprietary) Limited, releasing R30.0 million of capital for reallocation. • We impaired intangible assets of R40.6 million, some of which related to the sunsetting of legacy systems. The above transactions and income statement effects were headline earnings adjustable items and are expected to enhance the Group's future earnings on a sustainable basis. In addition: • Sasfin's repurchase of its preference shares became unconditional during the financial year, with the transaction completing after financial year-end. This will result in an uplift in regulatory capital and shareholders' equity in 2022. • Sasfin Holdings Limited (SHL) sold 100% of its wholly-owned subsidiary, SPH, to Sasfin Property Equity Investments Holdings (Proprietary) Limited (SPEIH), a fellow subsidiary of SHL. This internal reorganisation was effected at cost and concluded in March 2021. There are further opportunities to consolidate the business and eliminate inefficient structures, including exiting the legacy private equity portfolio. As we sunset old systems and move our business onto cloud-based platforms, there should be additional efficiencies to be gained into the future. This remains a major focus of the executive team. We also renegotiated some of the terms of our securitisation vehicle with investors, reducing the risk in the SPV and making it even more sustainable.

The five strategic focus areas combine to drive the key strategic outcomes shown in the table below, with the key metrics that measure progress.

Key strategic outcomes		Metrics	Medium Term Targets	2021	2020
Quality loans – healthy margins and good credit quality	→	• Growth in loans and advances	5 – 10%	+1.2% ▼	-9.4%
		• Average net income margin*	10 – 15%	13.28% ▲	10.06%
		• Credit loss ratio	100 – 125 bps	75 bps ▲	303 bps
Scalable and granular low-cost funding	→	• Growth in deposits	5 – 10%	-7.9% ▼	+3.2%
		• Growth in transactional deposits	10 – 15%	45% ▲	22.38%
Capital light, annuity income with a focus on foreign income	→	• Fee income/Total income	50%+	58.1% ▲	55.8%
		• Foreign income/Total income	15%+	10.7% ▼	10.2%
Organisational capacity that supports an improved cost-to-income ratio	→	• Cost-to-income ratio	65 – 70%	77.95% ▲	82.20%
A solid capital structure that supports our growth ambitions	→	• Return on equity	15 – 20%	9.11% ▼	-3.12%
		• Capital adequacy ratio	15 – 17%	18.06% ▲	16.59%

* *Defined as net interest income plus non-interest income (excluding Wealth) as a percentage of average gross loans and advances.*

SASFIN'S STRATEGIC FOCUS UP TO 2026

The strategic review in the last quarter refined the focus for the next five years. Each area is supported by definitions of victory that will drive our strategic outcomes, which remain as shown above. The focus on people and culture, transforming our society and optimising the organisational structure and costs are retained, and we have added two refined areas, namely backing our champions and growing a credit-led, digitally orientated bank for business.

Backing our champions recognises the growth potential and market position of Asset Finance and Sasfin Wealth, both of which deliver strong returns to the Group and remain the core focus of our business. These businesses have invested in new people, technologies and capabilities to ensure continued growth.

- In Asset Finance, the focus is to deepen the credit curve and widen the asset types financed while working closely with our clients to provide them with solutions to their complex issues.
- In Wealth, we are focused on strengthening our offshore capabilities, offering greater value to clients across the wealth spectrum through a combination of digital and high touch engagements, and are building further scale in our institutional asset management business.

The final focus area of growing a credit-led, digitally orientated bank for business supports our next steps in the journey of building our Business Banking pillar. Our credit product range has been broadened to include revolving credit facilities and term loans in addition to property loans and Trade and Debtor Finance. We have integrated banking, credit, and foreign exchange for the benefit of our clients, and our digital suite continues to evolve. Our comprehensive digital offering can meet clients' full business banking requirements with no human touch. At the same time, we are growing a team of seasoned business and commercial bankers and specialist transactors to deliver value to business clients who require a greater degree of personal service.

Medium-Term Strategic Focus Areas

People and culture
Building a purpose and values-led Company under focused entrepreneurial leadership which will enable the Company to attract and retain the right talent to support future ways of work and sustainable change

Backing our champions
Unlocking the embedded growth potential and market position of Asset Finance and Sasfin Wealth

Growing a credit-led, digitally orientated bank for business
Building a credit-led, digitally enabled bank to support the growing of businesses by providing high touch service where it matters

Project 1/23
Rationalising legal structures and IT systems to reduce costs and governance requirements

Transform our society
A Company with a truly diverse and inclusive workforce and culture that is a genuine champion of underserved SMEs, leverages its CSI spend and demonstrates its status as an Impact Brand

In appreciation

We thank our Board for their guidance and support during the financial year and particularly our outgoing Chair, Roy Andersen and Non-executive Director, Grant Dunnington, who is retiring. Roy will retire as Chair at the AGM and as a director once a new independent Non-Executive Director has been appointed. Roy is a strong and experienced leader, and Grant contributed industry insight and extensive experience to the skills of the Board. Their gravitas and guidance over more than a decade have made a contribution to the Group that is immeasurable.

Francois Otto will be leaving the permanent employment of Sasfin later in 2021, but Sasfin will retain his services as a strategic consultant for a period thereafter to assist with strategic opportunities. We thank him for his leadership in the growth and transformation of the Pillar. We also thank Meagan Rabe, who will leave the Group at the end of October 2021.

Well positioned for sustainable growth

Sasfin has weathered the Covid-19 storm thus far. Challenging times will remain in our country. We believe that Sasfin has a solid foundation, and each of our Pillars are positioned to take advantage of new opportunities as they present themselves. We continue to invest to ensure sustainable growth, and we are confident that our approach of blending digital capabilities where possible and high touch where it matters will enable us to deliver improved value to our stakeholders in the years ahead. This should be evidenced by improved ROE in the years ahead as highlighted in the Sasfin Investment Case on page 17. With our strong capital and liquidity base, the Group is in a good position to grow organically and acquisitively.

We thank our clients and our exceptional employees who have gone above and beyond for our clients and our Company. Many South Africans have struggled against adversity over the last few years, but the entrepreneurial, compassionate, and resilient spirit remains embedded in so many.

It is this spirit, which we are so focused on supporting among our business and investor clients, that will help rebuild our country.

Focus on credit and collections

"Life's roughest storms prove the strength of our anchors."
– Unknown

Maston Lane
Group Chief Operating Officer

The Covid-19 pandemic placed the entire banking industry under significant pressure. Even so, Sasfin's credit function showed incredible resilience to manage the unprecedented challenges of the pandemic while, at the same time, supporting healthy business growth. The immediate challenge was to retain a healthy balance between supporting clients and employees through their financial and personal challenges while ensuring responsible credit risk management.

The Asset Finance book makes up more than 80% of Sasfin's loans and advances and is granular, comprising varying term exposures with limited industry concentration risk. Although a worthwhile mitigation to negative changes in any one industry or client, changes largely emanate from the economic prospects of the country.

The Business Finance portfolio consists of fewer clients, is less diversified and has several large exposures. Sasfin actively assesses and manages these exposures using a hands-on approach through regular interactions to assess changes in the credit risk profile of each client. At the same time, credit supported the growth in new business, resulting in a more diversified portfolio.

The credit function supported Covid-19-impacted clients by providing payment holidays and Covid-19 loans on a client-by-client basis, assessing the merits of each case while considering the guidelines per the Prudential Authority's (PA) Directive 3/2020. We granted payment holidays with a face value of over R1.5 billion to over 1 100 clients at the start of the pandemic.

Sasfin Bank deployed 83% of the total facility approved by the South African Reserve Bank under the SARB loan scheme to support businesses affected by Covid-19.

We implemented additional Covid credit management risk control processes and reporting to assist clients financially within acceptable credit risk criteria and the PA directive.

We also aided clients with their ongoing working capital and asset finance needs and supported the growth of the business within a responsible credit risk appetite, including through the Nasira facility, enabling the funding of businesses that would not normally qualify for credit. We assisted with the building and implementation of a digital credit scorecard to enable faster and more efficient credit approvals within our Asset Finance business.

A key achievement this financial year was improving the Group's collections. We strengthened and consolidated our collection capability, appointing a new Head of Collections and identifying and implementing a collections software solution that introduced critical functionality, such as automated collections processes, productivity management, and data-orientated campaign design. We established a more efficient collections operating model and defined a skills and capabilities framework for collections to build a competitive human capital advantage.

We are pleased to report that the impact of the credit risk reduction process and collections improvement programme is clear in the improvements in the book profile compared to both last year and 2019 before Covid-19.

Gross amortised loans and advances exposure	2021 Exposure Rm	2021 % of book	2021 % change	2020 Exposure Rm	2020 % of book	2020 % change	2019 % of book
Stage 1 (up to date loans)	5 898	85.0%	4.1%	5 668	81.7%	-1.2%	82.6%
Stage 2 (overdue loans)	431	6.2%	-23.0%	559	8.0%	-1.2%	8.2%
Stage 3 (deals 90+ days in arrears)	611	8.8%	-14.2%	712	10.3%	12.0%	9.2%
Total	6 940	100%		6 939	100%		

Provisions for credit losses are calculated based on expected credit loss (ECL), which includes a forward-looking assessment of macroeconomic scenarios, the probability of default, loss given default, exposure at default (quality of security) and the anticipated time to default (refer to note 1.12 of the Notes to the Annual Financial Statements for more details). While the forward-looking assumptions have improved compared to the last financial year, we continue to anticipate tough economic conditions.

Non-performing loans decreased 14.18% to R611 million (2020: R712 million) and, combined with an improvement in staging, was the main driver for the decrease in the coverage ratio to 7.71% (June 2020: 7.96%) and the significant improvement in the income statement credit loss ratio to 75 bps (June 2020: 303 bps).

Coverage ratio	2021 ECL Rm	2021 Coverage ratio	2021 % change	2020 ECL Rm	2020 Coverage ratio	2020 % change	2019 Coverage ratio
Stage 1 (up to date loans)	112	1.90%	-5.8%	114	2.01%	128.4%	0.88%
Stage 2 (overdue loans)	44	10.32%	49.4%	39	6.91%	94.1%	3.56%
Stage 3 (deals 90+ days in arrears)	379	62.01%	10.5%	400	56.13%	26.7%	44.30%
Total	535	7.71%	-3.1%	553	7.96%	56.1%	5.10%

Land Bank Bills

At 30 June 2021, Sasfin Bank held R415.9 million in Land Bank bills that were affected by the default of Land Bank on their debt in April 2020. The Stage 3 ECL provision on the Land Bank bills we held increased to R121.6 million (2020: R23.5 million) at 30 June 2021. This is in addition to a negative mark-to-market of R13 million on Land Bank bonds held by Sasfin Wealth. These increases in impairments were necessitated by new information on Land Bank's financial position coming to light in the current reporting period, as well as delays in finalising their funding solution.

On 19 July 2021, Land Bank repaid 10% (R41.4 million) of the capital outstanding on Land Bank bills held by Sasfin.

OUR NEW HEAD OFFICE

Sasfin has successfully adopted a predominantly work from home policy over the last eighteen months. As a new normal develops, Sasfin will be transitioning to a Future of Work model, which will result in no more than 60% of our employees working from the office at any one point. This hybrid model supports the best interests of clients and employees, will result in an improved total employee value proposition and create efficiencies.

In December 2021, Sasfin will move to new offices in Sandton to consolidate the Group's operations into one site, which has been chosen to facilitate the hybrid working model, with the primary measure of success being output. The building design and location are conducive to greater collaboration and will boost employee morale.

The new site has ample parking, is close to public transport hubs and provides facilities to support cyclists, fuel-efficient vehicles and electric vehicles. It has been designed with a focus on indoor environmental quality (IEQ) that covers aspects such as air quality and indoor pollutants, thermal comfort, adequate lighting and glare control, access to daylight and views and comfortable sound levels.

The building incorporates sustainable design features which encompass transport, health, energy, water and waste, including:

- Energy-efficient lighting and daylight sensor-controlled dimmers.
- A design that takes advantage of natural daylight.
- Efficient HVAC (air conditioning) system.
- Water-efficient fittings for taps and sanitation.
- Landscaping with local indigenous plants to reduce irrigation.
- Greywater recycling from showers and wash basins
- Areas to gather waste for recycling and a strategy to reduce, reuse, recycle and rethink.
- Heat pumps to warm water using heat recovered from the air conditioning system.

The new offices also create meaningful cash savings for the Group. However, this saving will not be immediately evident due to the impact of the IFRS 16 *Accounting Standards*, which create a charge from the start of the lease that offsets the rent-free period secured until we vacate the current site. Therefore, the full financial benefits will only be realised from the 2023 financial year onward.

PILLAR PERFORMANCE REVIEWS

Asset Finance Pillar

"A calm mind stills the winds of uncertainty."

Linda Fröhlich
Head: Asset Finance

Sasfin's Asset Finance Pillar:

- Provides funding solutions designed to ease cash flow burdens associated with purchasing equipment, enabling our clients' growth
- Enjoys strong long-term relationships with equipment suppliers and other clients across a broad range of industry sectors
- Primary areas of focus include the financing of office equipment rentals and capital equipment, as well as vendor pre-discounting and asset insurance
- Contributed 45% to total income
- Supports the Group's strategy by driving sales and providing excellent service and innovative solutions

Competitive advantages

- Excellent client service and relationships underpinned by an understanding of their business needs
- Speed to market
- The granularity of the asset finance book
- Robust credit decision-making capabilities
- Diversification of products

Highlights in 2021

- Employee dedication and commitment
- Total income increased 9.27%
- Operating profit of R289.3 million from R68.9 million in 2020
- Software financing product launched

Challenges

- More conservative credit appetite
- Reduced economic activity affecting client business activity

Business drivers

- Economic growth
- Business confidence
- SME business activity

Key industry trends in 2021

- Continued weak economic growth, poor business confidence and pressure on clients due to lockdown regulations impacting their ability to generate revenue
- Opportunities arising to acquire third-party rental portfolios as clients focus on core business lines
- The shift to remote work has impacted demand for office automation equipment

2021 PERFORMANCE OVERVIEW

Covid-19 had a significant impact on the end-users of the equipment we finance at the start of the pandemic, and we worked with our clients and suppliers to navigate the uncertainty. Where necessary, we offered proactive remedial solutions, including payment holidays, Covid Relief Loans and refinancing solutions.

Demand for asset finance remained low. This, and competitors targeting customers under economic pressure resulted in a challenging environment. We continue to focus on proactively managing supplier relationships and improving our client experience to grow our business. Despite these challenges, growth in new business was stronger than expected, and we explored opportunities outside our usual credit-risk appetite by enhancing our risk-adjusted pricing models.

The shift to work from home at many businesses has had an inevitable impact on traditional office automation rentals; however, there are other sectors where we are currently underrepresented and continue to explore alternative finance solutions to support our clients and sustain growth. These include renewables, energy efficiency finance solutions, ICT, software, medical equipment and capital equipment.

The Pillar was restructured to create three centres of excellence, separating the Sales, Operations and Portfolio Management (collections) functions, which was a key focus over the past financial year (see page 30).

We continue to invest in organisational capacity and particularly our distribution channels, which included key appointments in specialised equipment. We acquired several third-party rental portfolios, which allowed us to increase our aggregate collectable portfolio with new distinct clients that increased our market penetration and broadened our footprint.

Asset Finance delivered exceptional performance, achieving an operating profit of R289.3 million (2020: R68.9 million). Total income increased 9.27% due to better-quality margins and new business volumes nearing 2019 levels. Improved arrears from focused collection efforts resulted in a material decrease in impairments. Operating costs have been managed and are down 3.50%.

The strong results generated are a tribute to the exceptional efforts of the asset finance team and their excellent collaboration with our clients.

		Growth %	2021 '000	2020 '000
Total income	▲	9.27	579 444	530 264
Impairment charges on loans and advances	▼	81.78	(36 083)	(198 083)
Net income after impairments	▲	63.57	543 361	332 181
Operating costs	▼	3.48	(254 088)	(263 244)
Profit before taxation	▲	>100	289 273	68 937
Taxation	▲	>100	(86 393)	(17 766)
Profit for the year	▲	>100	202 880	51 171

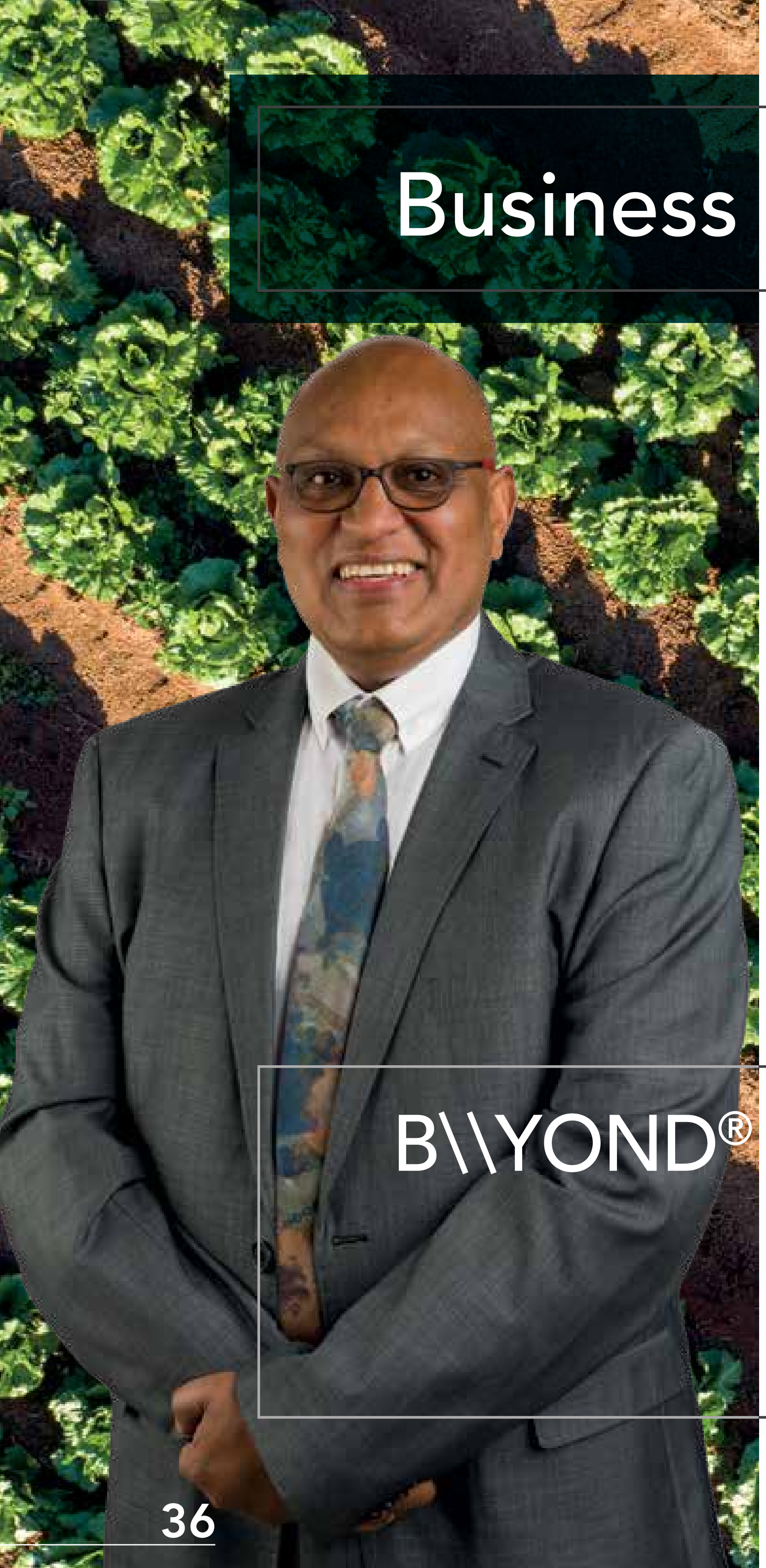
Financing climate-friendly assets and supporting SMEs

By financing renewable energy technologies, Sasfin can support the uptake of the low-carbon energy sources that are essential to addressing climate change and South Africa's growing energy demand. During the financial year, we appointed a renewable energy specialist to drive initiatives in this area.

We are also investigating an asset finance offering for small businesses backed by the Nasira facility (see page 58).

FOCUS FOR 2022

- Client delivery and service. This includes enhancing our credit profile through a new credit scorecard and widening our offering across asset types and industries.
- Increasing our ability to finance SMEs and youth-owned businesses through innovative solutions.
- Attracting and retaining top talent and specialised skills.



Business Banking Pillar

B\\YOND® Business Banking:

- Transforms the banking experience for business clients and entrepreneurs through B\\YOND®, an integrated digital business banking platform. This offers a proposition of products and services to SMEs.
- Provides client-centred, modern and innovative solutions that integrate business banking, foreign exchange, credit and allied services delivered digitally, in person when needed, and via intermediaries.
- Contributed 8.6% to total income in 2021.
- Supports the Group's strategy by driving sales, providing excellent service and innovative products through the B\\YOND® digital platform.

Competitive advantages

- Excellent client service and relationships
- Integrated product offering and digital onboarding
- Advanced integrated digital open-banking solutions
- Robust credit decision-making capabilities supported by digital credit scorecards

B\\YOND® Business Banking

"Unwavering strength – the backbone of success."

Rodger Dunn
Head: B\\YOND® Business Banking

Highlights in 2021

- Integrated foreign exchange and banking to enhance the client experience and improve efficiencies
- Reduced operating loss
- Successful restructure of the unit
- 98% of applications are completed online
- Launched cash deposit service at multiple retailers
- Good uptake on the revolving credit finance offering
- Hello Paisa alliance deal business case realised
- Increased ability to finance SMEs, women and youth-owned businesses via the Nasira facility

Challenges

- Training of our people across our product spectrum and building knowledge
- Finding the required industry skills
- Delivering a foreign exchange online capability
- Service demands from digital users
- Process enhancements across the merged business units
- Multi-platform management

Business drivers

- Economic growth
- Business confidence
- SME business activity

Key industry trends in 2021

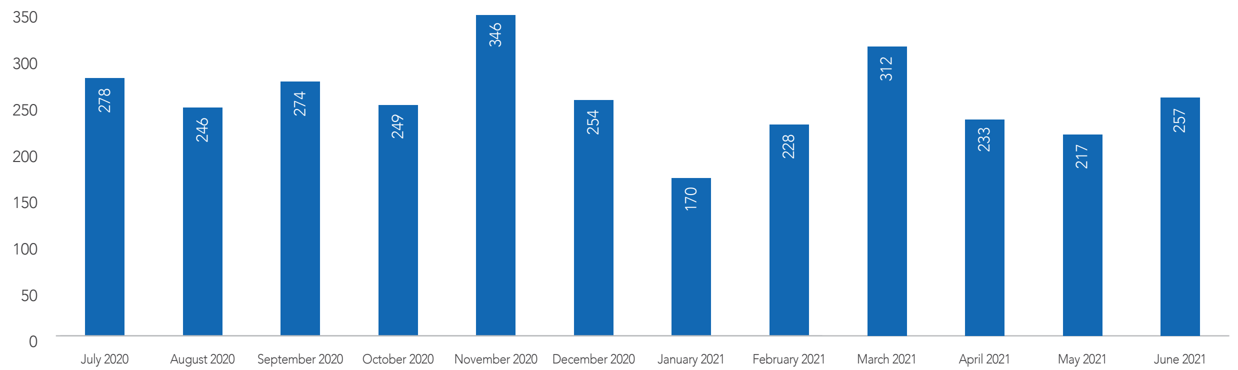
- Continued weak economic growth, poor business confidence and pressure on SMEs
- The drive to open banking is increasing the importance of alliances and strategic relationships

2021 PERFORMANCE OVERVIEW

B\\YOND® Business Banking provides a market-leading digital client experience for businesses and individuals using a tailored sales/service model that is increasingly moving towards 24/7 in all aspects of the offering. Sasfin's hybrid working model combines a digital-first approach for smaller businesses with high-touch personal service for medium-sized businesses that is responsive and individualised. Our product suite aims to meet the banking needs of entrepreneurs and integrates banking, credit and foreign exchange services, and our ability to provide a human touch where it matters most adds important value to our clients, especially as their needs evolve.

During the financial year, we continued to build distribution capabilities, including increasing digital marketing, developing our network of accredited business introducers, and increasing our sales complement by 60%, with an emphasis on capacitating the medium business sales team.

New accounts opened in FY2021



We expanded our credit product offering and uptake by clients of business revolving loan credit facilities continues to increase. A credit application scorecard for smaller loans was introduced, and we have put in place the necessary funding and support to grow SME lending. We have also developed robust processes to handle third-party distribution, including funding third-party lenders, in line with open banking.

We opened approximately 3 000 new business accounts during the financial year, and we saw higher funding levels and increased credit utilisation. This business is responsible for generating lower-cost funding for the Group and grew transactional deposits by 45%.

We advanced our digital product integration and scalability regarding digital onboarding. Our investment in employees, systems, and process improvements in the service component of the business continues, and we initiated a dedicated state-of-the-art service improvement programme that cuts across these areas. The integration of the foreign exchange and transactional banking businesses was completed and has resulted in cost savings and synergies, as well as a more consistent service experience for clients. The foreign exchange business has been aligned to the objectives of the Asset Finance Pillar and the trade finance business to facilitate payments to offshore suppliers.

The rollout of Microsoft Dynamics and its integration into the core banking system has improved first-line resolution capabilities, enhanced onboarding, and facilitated the rationalisation and inclusion of the Group switchboard and reception into the Pillar.

Despite the challenging economic environment for SMEs, transactional deposits grew 45%. The unit was negatively impacted by the lower prime rates as the margin earned on transactional deposits fell. Despite this, B\\YOND® Business Banking grew total income by 6.17%, with an increase in operating costs of 1.33%, resulting in a reduced operating loss of R40.3 million (2020: R42.9 million).

		Growth %	2021 '000	2020 '000
Total income	▲	6.17	**111 030**	104 579
Impairment charges on loans and advances	▲	>100	**(2 060)**	(198)
Net income after impairments	▲	4.34	**108 970**	104 381
Operating costs	▲	1.33	**(149 239)**	(147 284)
Loss before taxation	▼	(6.14)	**(40 269)**	(42 903)
Taxation	▼	(13.95)	**11 276**	13 104
Loss for the year	▼	2.70	**(28 993)**	(29 799)

FOCUS FOR 2022

- Moving from a product-focused business to a client-centred approach through the combination of B\\YOND® Business Banking and Sasfin Capital.
- Service improvement to create a competitive advantage. To this end, we aim to raise the profile of our offerings by recounting the B\\YOND® Business Banking journey to potential clients, especially as we grow.
- B\\YOND® and the commercial banking business currently in Sasfin Capital will be consolidated to drive an increased focus on medium-sized businesses and to realise economies of scale.
- A number of exciting opportunities are on the horizon for 2022, including potential new alliance partnerships and growth in the distribution network.

Driving financial inclusion

Globally, an estimated one-third of adults are unbanked[1]. This figure is higher in Asia and Africa, and the unbanked are disproportionately poor and female.

Financial inclusion is essential to reduce poverty, eliminate inequality and create opportunities for economic growth. It is included in eight of the seventeen UN SDGs and is a priority of the South African Government's National Development Plan.

- A transactional account is the first step towards broader financial inclusion, helping people to save, send and receive money, access further financial services and join the digital economy. Sasfin's B\\YOND® Business Banking provides emerging SMEs with transactional banking services through a secure digital banking platform with enhanced and integrated digital solutions that include basic accounting, payroll and invoicing capabilities. 67% of new clients onboarded in 2021 are black-owned businesses and 50% black women-owned.
- The Sasfin/Hello Paisa banking partnership has on-boarded over 52 000 new bank accounts in under-served markets in South Africa over three years. The service provides free banking to all Hello Paisa's African diaspora clients, including free cash deposits. Hello Paisa also offers remittance services as well as a transnational grocery service through Malaicha.com for Zimbabwean clients. Malaicha.com is available in over 20 cities and towns across Zimbabwe, and has over 65 000 customers and lists over 700 products. Hello Paisa on-boards and manages clients via a mobile application and operates seamlessly in a digital environment whilst servicing clients in their language of choice.
- Sasfin's agreement with FMO (the Dutch Entrepreneurial Development Bank) provides access to a R600 million portfolio guarantee through the Nasira facility that enables us to provide loans to smaller businesses while remaining within our risk tolerance thresholds. The Nasira facility is particularly focused on supporting women- and youth-owned businesses, as well as businesses affected by the Covid-19 pandemic. The facility is supported by bespoke machine learning credit scorecards that enable us to deepen our risk curve without undue increase in our risk profile.

[1] *https://globalfindex.worldbank.org/*

Capital

"Finding simplicity and solutions in complexity."

Francois Otto
Head: Capital

Sasfin Capital:

- Provides bespoke solutions that address the needs of small- and medium-sized businesses and property entrepreneurs
- Incorporates the Group's investment banking activities to the mid-market and the trade and debtor finance business
- Manages the Group's portfolio of private equity investments, optimising these assets with a view to realise value from these investments
- Houses several of the Group's strategic investments
- Supports the Group's strategy by driving sales, providing bespoke service and innovative products, and supporting credit growth and quality

Competitive advantages

- The ability to provide bespoke funding solutions to mid-market corporates
- A high-performing and dynamic team

PILLAR FOCUS AREAS

Specialised lending

Provides innovative structured solutions for clients with attractive risk-reward pay-offs.

Property financing

Partners with mid-market property investors, offering a range of solutions across the property spectrum, including debt and mezzanine finance.

On-balance sheet

Manages the Group's portfolio of private equity investments. Optimises these assets and, where appropriate, realises value by exiting these investments.

Trade and debtor finance

Finances the working capital requirements of small and medium businesses.

Highlights in 2021

- Excellent growth (+60%) in specialised lending initiatives
- Good credit performance
- Streamlining operations through the complete exit of Sasfin Commercial Solutions (Pty) Ltd

Challenges

- Private markets initiatives did not perform to expectation
- Difficult trading conditions in certain private equity and property equity investments
- Relatively low utilisation of approved facilities in trade finance and underperformance of the debtor finance book

Business drivers

- General business/economic activity
- The need for tailored investment banking services in property and mid-market corporates

Key industry trends in 2021

Despite the continued weak economic growth, poor business confidence and impact of Covid-19, we have seen some recovery in business activity that has positively impacted our clients and investee businesses. However, this recovery is in its early stages and could be negatively impacted by further lockdowns, social unrest and a generally weak macroeconomic backdrop.

2021 PERFORMANCE OVERVIEW

Sasfin Capital achieved significant growth in loans and advances in our specialised lending and property finance businesses, which increased by 60% to R688 million. The high level of repeat business demonstrates the value proposition of our offering. These loans are well-secured and typically include profit participation, which provides the potential for good medium-term revenue growth.

The integration of the trade and debtor finance business into the business progressed well, with back-office and systems integration benefits being realised. However, the impact of declining import volumes and a reduced client base led to lower activity in this area. The unit had a strong focus on enhancing credit quality, and the underlying book showed relatively good credit performance in the financial year. The integration combines the majority of Sasfin's commercial lending activity into a single area and is unlocking synergies in operating structures and business systems. An experienced banker has been appointed to head the commercial banking initiative. A new line of business system is being implemented across the lending functions that allow for back-office optimisation, and the sun setting of two legacy systems will lead to further significant cost savings.

We exited Sasfin Commercial Solutions and reduced our shareholding in what was Sasfin HRS (insurance business) to below 50%. Our focus remains on optimising our existing portfolio of private and property investments and reducing our holdings where acceptable prices can be achieved. The closure of Sasfin Asia was concluded and will result in a significant cost saving for Sasfin. While we spent some time investigating the feasibility of establishing a private markets fund, we concluded that current market conditions are not conducive and thus did not pursue the opportunity further. However, we did assist Sasfin Wealth in establishing a partnership with impact investors RBN (an impact investment firm) (see page 43).

Access to finance to enable affordable accommodation and entrepreneurship

Sasfin Capital has deployed funding to companies involved in developing affordable housing and student accommodation, helping to provide this basic human need and contributing to the creation of safe and sustainable cities (SDG 11). Many of the large-scale businesses we support are led by entrepreneurs from previously disadvantaged backgrounds.

Strong profits from the specialised lending and property lending businesses were offset by continued pressure on the legacy private equity portfolio and lower utilisations in trade and debtor finance. This resulted in a lower operating loss of R4.6 million (2020: 62.8 million). Following some realisations at above carrying value, investments at fair value have reduced by 11.2% to R332.6 million (2020: R374.56million). Sasfin Capital's assets grew to R530.1 million.

		Growth %	2021 '000	2020* '000
Total income	▲	2.53	170 579	166 369
Impairment charges on loans and advances	▼	(37.57)	(16 451)	(26 352)
Net income after impairments	▲	10.08	154 128	140 017
Operating costs	▼	(21.71)	(158 776)	(202 803)
Loss before taxation	▼	(92.60)	(4 648)	(62 786)
Taxation	▼	(46.33)	(2 371)	(4 418)
Loss for the year	▼	(89.56)	(7 019)	(67 204)

* *Includes trade and debtor finance, which last year was included in the Banking Pillar.*

Responsible lending practices

Sasfin's social and environmental management system (SEMS) provides a framework to assess ESG aspects related to lending and client practices, particularly those in high-risk industry sectors. The SEMS framework is integrated into Sasfin's operational processes, and the Group reports annually to the European Development Finance Institutions regarding adherence to the framework.

CASE STUDY

Sasfin Capital's Specialised Lending division was approached by an entrepreneur to provide expansion capital to his business that builds and transfers fibre network infrastructure. The business had been unable to raise capital from traditional funders, but after examining the client's order book and historic performance on similar projects, Sasfin recognised the potential and decided to back his growth story.

The solution was tailored to the clients' specific needs and cashflow profile by including elements of a revolving credit facility with deferred capital payments. Our solution also gave the client the flexibility to roll the facility forward to support ongoing growth, which Sasfin would share in through a profit participation mechanism.

At the recent conclusion of the initial term, Sasfin recognised the client's growth and, as a result of the reduced risk profile, renewed the facility on improved credit terms.

The business has 24 employees but creates over 100 jobs indirectly through the use of subcontractors on its projects. In the 12 months we funded the business, it realised a 100% growth in revenue enabling it to pursue new, and larger, contracts.

This transaction reflects our ethos of becoming long-term financial partners to our clients by providing solutions rather than simply offering products.

FOCUS FOR 2022

- We will continue to implement the initiative currently underway to develop our commercial banking and lending capabilities on the back of the B\\YOND® digital platform. Forecast growth in loans and advances is strong with an exciting pipeline of new business.
- Greater integration of commercial and business banking will support a broader suite of products, and several rationalisation and optimisation initiatives currently underway will be completed.
- Private equity investments will be separated from the business unit to allow management to focus on growing the core commercial banking and lending initiatives.

Wealth Pillar

"Enabling financial wellbeing through long-term thinking."

Erol Zeki
CEO: Wealth

Sasfin's Wealth Pillar:

- Enables our clients to reach their global investment goals and retire with dignity
- Offers a broad range of local and global advisory and investment solutions for private clients and institutions
- Contributed 29% to total income and recorded an operating profit of R77.5 million in 2021
- Supports the Group's strategy by providing capital-light annuity income, driving sales, providing excellent service and innovative products, and growing offshore earnings

Competitive advantages

- High-touch approach with a client-centric business model and multi-generational relationships
- An established and growing team of investment professionals with an excellent track record
- Client experience supported by technology
- Big enough to be credible and small enough to be agile

Business drivers

- Global capital markets
- Regulation
- Competition
- Technology
- Effective investment solutions
- Experienced investment professionals

Key industry trends in 2021

- The Covid-19 pandemic had a range of impacts on the business, from remote working and managing people and teams to its effect on global markets, including specific investment themes around accelerated technology adoption
- The low-growth, low-yield macroeconomic environment exacerbated by the impact of Covid-19
- Large divergence in potential return scenarios across asset classes, geographies and the Rand
- Increased pressure on investors to liquidate investments to fund income and other needs, including one-off access to retirement savings
- Growing demand for offshore investment solutions reinforced by the recent unrest and violence in South Africa
- Technology as an enabler from a cost, reach and efficiency perspective and a threat in terms of cybersecurity and increased competition
- Evolving and increasingly onerous regulatory requirements, including the introduction of POPIA and the shift to a principle-based regulatory environment
- Increased focus on environmental, social and governance (ESG) matters and impact investing

Highlights in 2021

- Continued growth in assets under management
- Profits up 19% to R77.5 million
- Investment in people, process, distribution, technology and governance drive strong net asset inflows
- Exited our investment in Efficient Group
- Award-winning investment performance

Challenges

- Effectively managing culture and innovation while working remotely
- Challenging business and socioeconomic environment
- The increasingly demanding regulatory environment

PILLAR FOCUS AREAS

Investment management

Award-winning, multi-asset, multi-boutique investment solutions managed by portfolio and fund managers, designed to meet the needs of institutional and private investors.

- Global portfolio management
- Asset management
- Private markets

Advisory services

Provides holistic, independent investment advice to retirement funds, healthcare consulting services to business clients and wealth and fiduciary advice to private clients.

- Wealth advisory
- Investment services
- Fiduciary
- Asset consulting
- Healthcare

Equities and Fixed Income

- Global stockbroking
- Institutional fixed income broking and solutions

Strategic investments

- DMA

2021 PERFORMANCE OVERVIEW

Our focus remained on people and continued investment in distribution and technology, while managing stringent cost control. While the Pillar had an excellent year despite Covid-19, there is a concern regarding the impact of the pandemic on employee mental wellbeing as people deal with health issues, the loss of loved ones and a lack of personal interaction, socially and at work.

Technology is a key enabler for the Wealth business to improve client service and manage costs by driving efficiencies and scale. It has also been instrumental in helping us to optimise our engagement and operating model to service clients more effectively and efficiently. We invested further in our distribution and service strategy, and our third-party distribution team has grown from two people five years ago to 14 today. Other focus areas include sunsetting legacy IT systems, rolling out enhanced capabilities and deepening the integration of our client experience management system.

Sasfin Wealth continues to build its boutique offering of multi-asset money management capabilities with strong traction across asset classes, including a broad range of global and local multi-strategy solutions. We further strengthened our presence in interest-bearing solutions with a new money market fund focused on high-quality short-term assets that has seen good traction since launching in June 2021.

The strong investment performance of our funds was again recognised through several awards. These include the Sasfin BCI Balanced Fund, which received the best Moderate Allocation Fund award at the Morningstar awards for the second year in a row, and the BCI Flexible Income Fund, which was awarded a third consecutive Raging Bull award. Most of our solutions remain in the top quartile of performance in their categories. These achievements were made possible through the depth of expertise and capability in our team of investment professionals and the excellent support they receive from a well-resourced back office, which is a critical enabler in this highly regulated, competitive and technology-led environment.

Sasfin Securities won the Top Advice-Based Broker award at the Intellidex Top Stockbrokers 2020 awards, recognised as best in class across the stockbroking industry for their personalised and professional service, knowledgeable advice and extensive research. The Company also was placed second as the most improved stockbroker.

Sasfin's minority stake in DMA (formerly Saxo Capital Markets South Africa) provides access to complementary technology platforms that enable global investing and trading. DMA primarily services independent financial advisors and boutique asset managers by providing simple and user-friendly tools that facilitate cost-effective investing. Shortly after the financial year-end, Sasfin Wealth's investment in DMA was restructured to increase its economic interest in DMA while keeping the ownership structure unchanged. DMA continues to operate independently and remains strategically important to Sasfin Wealth, given its access to global markets and hard currency revenue streams.

Partnering to make an impact

During the financial year, we entered into a partnership with Renewable by Nature (RBN) Fund Managers. RBN is a team of experienced impact investing specialists who offer a range of private markets solutions and services in the social responsible investing (SRI) and environmental, social and governance (ESG) space. This partnership provides an opportunity to participate in private market investing and impact investing strategies with Sasfin as a purpose-led business.

Internationalising Sasfin Wealth is of strategic importance, and it is the business in the Group best placed to expand globally and diversify revenue into hard currencies. Currently, Sasfin Wealth has in excess of USD1 billion in offshore assets under management and advice (AUM) that contribute around 30% of the Pillar's revenue. This global diversification aligns with the needs of our clients and the high appetite for foreign assets. Hard currency earnings are further enhanced by our strategic investment in DMA.

FINANCIAL PERFORMANCE

Sasfin Wealth delivered another excellent performance with operating profit before tax increasing by 19% to R77.5 million (2020: R65.1 million), excluding the one-off profit of R12.2 million realised in the first half of the year on the disposal of its 21.1% interest in the Efficient Group Proprietary Limited.

Total AUM increased to R53.9 billion (2020: R48.6 billion) due to strong net inflows and continued investment outperformance across our funds. Foreign assets under management remained stable at 28% of total AUM, despite the stronger Rand at year-end. Total income increased 4.1%, growth was due to continued growth in AUM; foreign comprising 28% of total AUM. Total income includes a further R13 million mark-to-market impairment on the Pillar's Land Bank bond holdings.

Costs remained unchanged year-on-year, despite an investment in the distribution and technology teams.

		Growth %	2021 '000	2020 '000
Total income	▲	4.14	**326 412**	313 425
Operating costs	▼	0.20	**(267 898)**	(268 451)
Profit from operations	▲	30.11	**58 514**	44 974
Share of associate income	▼	(5.95)	**18 962**	20 161
Profit before taxation	▲	18.95	**77 476**	65 135
Taxation	▲	>100	**(24 947)**	(7 913)
Profit for the year	▼	8.20	**52 529**	57 222

SASFIN WEALTH AWARD WINNING BUSINESS

A DECADE OF ACCOMPLISHMENTS AND RECOGNITION

RAGING BULL AWARDS 2013
Winner
Sasfin Value Fund

RAGING BULL AWARDS 2015
Winner
Sasfin Met Equity Fund

RAGING BULL AWARDS 2019
Winner
Sasfin BCI Flexible Income Fund (Best South African Interest-bearing Fund)
Winner
Sasfin BCI Flexible Income Fund (Best South African Multi-asset Income Fund)

RAGING BULL AWARDS 2020
Winner
Sasfin BCI Flexible Income Fund (Best South African Multi-asset Income Fund)
Finalist
Sasfin BCI Balanced Fund (Best South African Multi-asset Medium-equity Fund)

MORNINGSTAR AWARDS 2020
Winner
Sasfin BCI Balanced Fund (Best Moderate Allocation Fund)
Runner up
Sasfin BCI Prudential Fund (Best Aggressive Allocation Fund)

intellidex® SA TOP ADVICE STOCKBROKERS 2020
Winner
Top Advice Broker
Top 3
Choice Award
Top 3
Relationship Manager Award

RAGING BULL AWARDS 2021
Winner
Sasfin BCI Flexible Income Fund (Best South African Multi-asset Income Fund)

MORNINGSTAR AWARDS 2021
Winner
Sasfin BCI Balanced Fund (Best Moderate Allocation Fund)

intellidex® SA TOP WEALTH MANAGERS 2021
Top 5
Boutique Wealth Manager
Top 5
People's Choice Award

FOCUS AREAS FOR 2022

- Continue to strengthen our client-centric model through technology, structure and service
- Retain our focus on people as the IP that is essential to deliver market-leading solutions to our clients' needs
- Further enhance our distribution capabilities to drive growth
- Work closely with our strategic associate DMA, to grow its businesses and unlock synergies

INVESTMENT OVERSIGHT

Sasfin Wealth provides discretionary investment management and advisory services. These are subject to broad and comprehensive oversight in line with Sasfin's commitment to the highest standards of corporate governance to ensure that the interests of investors are protected appropriately.

Oversight and governance

The Sasfin Wealth Investment Oversight Committee (WIOC), a sub-committee of the Sasfin Wealth Board, oversees and monitors the discretionary investment management and advisory services provided by the subsidiaries of Sasfin Wealth. The WIOC's responsibilities include monitoring and overseeing:

- Development and implementation of effective policies and strategies that will enhance Sasfin's ability to achieve its strategic objectives relating to investment management and advice
- The management, measurement and reporting of investment management and advice risks
- That investment management strategies and advice processes conform to Sasfin Wealth's risk appetite limits and levels of exposure as determined by the Board and/or client mandates
- Compliance with applicable laws and regulations, codes and guidelines

The Sasfin Wealth Investment Committee and the Sasfin Wealth Advice Committee are the primary executive committees responsible for managing discretionary investment management and financial advice and report to the WIOC quarterly.

Investment policy statement

Investment policy statements are in place for each defined contribution fund managed by Sasfin Wealth. The requirements of the Code for Responsible Investing in South Africa (CRISA) and King IV™ are embodied in the statements to ensure that:

- The investment strategy of the fund considers the long-term sustainability of investments and, in particular, the impact of ESG matters
- The CRISA and the Financial Services Board Circular PF 130 are used as references for ensuring compliance with King IV™, principle 17

ESG investing

The main objective of ESG relates to social and environmental responsibility and sustainability. However, in the long term, it presents alternative investment opportunities that could result in greater investment and enhanced investment portfolio returns. We are cognisant of these considerations at a business, individual portfolio manager and wealth advisor level when undertaking investments on behalf of the business and our clients.

The Group's investment activities are guided by a social and environmental management policy in recognition of the importance of ESG considerations, which are increasingly becoming a focus for trustees of retirement funds. Significant progress has been made in embedding ESG considerations into our investment and institutional advice processes and culture. All our retirement fund collective investment scheme solutions and institutional pooled portfolios are independently evaluated and rated by MSCI ESG Research, a leading global ESG research company.

HUMAN CAPITAL

Naseema Fakir
Head: Human Capital

"Train people well enough so they can leave. Treat them well enough so they don't have to." – Richard Branson

Sasfin generates long-term value by understanding our clients' needs and providing innovative, fit-for-purpose solutions. To this end, our people are our most valuable asset.

Our ability to deliver on our strategy depends on the wellbeing, motivation, knowledge, expertise, effectiveness and behaviour of our employees and leaders. We attract and retain entrepreneurial talent by ensuring that our leadership and managers are empowered to deliver our purpose and by creating an environment to support and grow our people. Our talent pipeline of future leaders is developed by investing in training, promoting internal talent where possible, and creating opportunities for individuals to realise their potential. Sasfin's culture, epitomised by our purpose statement of "going beyond a bank", is central to how we develop new capabilities, service our clients and lead our business.

Sasfin is focused on enhancing its performance-driven culture and ensuring that, while high performance levels are delivered, our values are not compromised. This balance of high performance and a values-orientated approach permeates the way we recruit, manage, develop talent and reward our people. In the context of South Africa, we aim to achieve this while sustainably transforming and improving diversity.

EMPLOYEES

The Covid-19 pandemic has been with us for over a year, and the impact on our employees continues to increase. Sasfin shifted seamlessly to remote work at the start of the pandemic, and phased-in return-to-work plans were implemented from November 2020.

We maintained high levels of communication with employees to understand the impact of the personal issues they were dealing with, including Covid-19 infections, bereavements, reduction in household incomes, the impact of lockdowns and the changing nature of remote work. Various initiatives were implemented to ensure that they were provided with adequate support and guidance where required.

Our employees have shown incredible resilience and tenacity and have applied themselves to ensuring that they met their key performance objectives despite technological, physical or personal challenges. Their spirit and support of each other and our clients has strengthened, and we believe that we enter our new financial year with increased resolve and commitment. Leadership and teams have shown more appreciation and understanding, and we demonstrated the value we place on our employees by awarding special bonuses for two sales competitions, encouraging them to take time off, allowing space and support for bereavements as well as recovery from severe illness. All of this was achieved while maintaining our commitment to performance and delivery.

Sasfin employed 730 people at 30 June 2021 (2020: 708). Operational restructuring initiatives resulted in role consolidation and redundant positions in certain areas. While we redeployed employees and otherwise mitigated redundancies as far as possible, there were 26 retrenchments during the financial year (2020: 9).

63% of our workforce in 2021 comprised ACI employees (2020: 61%). Sasfin has three employees with disabilities and 21 learners with disabilities on a learnership programme.

Voluntary employee turnover reduced from 10.5% in 2020 to 7.8%, and total employee turnover decreased to 13.2% (2020: 14.4%), which compares favourably with the average for the international banking and finance industry of 18.6%[1]. We attribute some of the decrease in voluntary turnover to stability at leadership level and the use of KRIs and KVIs in employee performance management processes.

Composition of our workforce in 2021

Race	Male 2021	Male 2020	Female 2021	Female 2020	Total 2021	Total 2020
White	122	122	132	138	254	260
African	83	77	166	152	249	229
Indian	42	42	71	67	113	109
Coloured	23	19	74	76	97	95
Foreign nationals	10	8	7	7	17	15
Total	280	268	450	440	730	708

[1] *Source: Compdata.*

730 total employees (increased 3.1%)

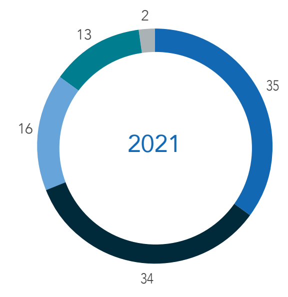
63% ACI[1] employees (2020: 61%)

62% of our employees are women (2020: 62%)

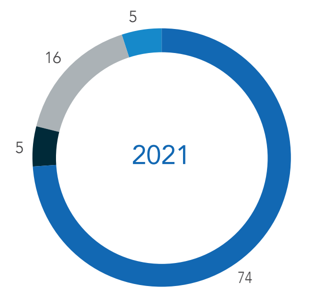
R6.5 million investment in skills development (increased 6.6% from 2020)

13.2% employee turnover (2020: 14.4%)

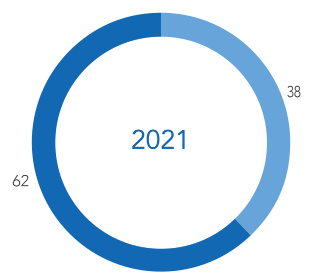
Diversity: All employees (%)



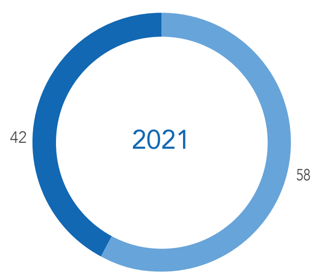
Diversity: Executive management (%)



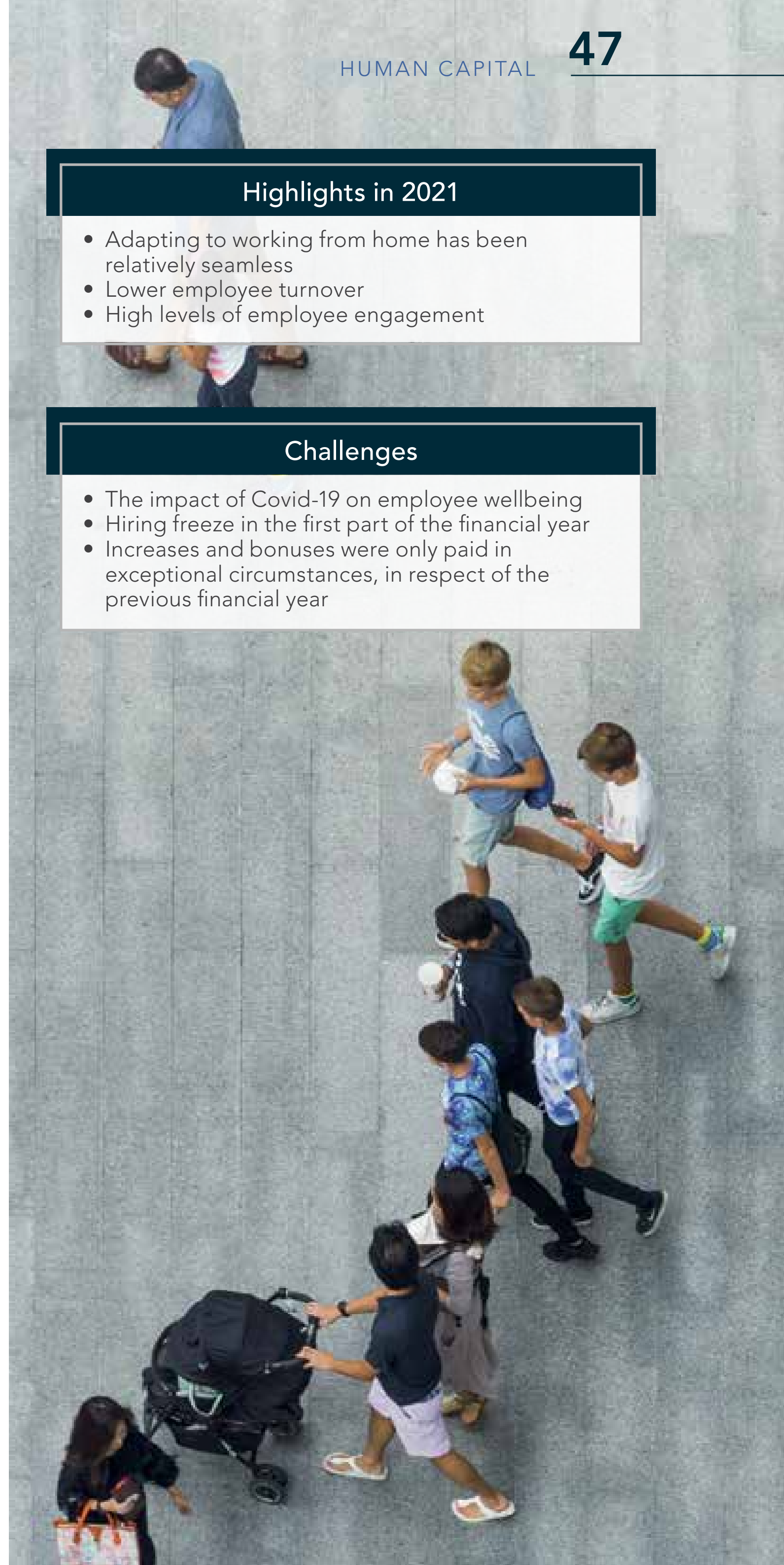
Gender: All employees (%)



Gender: Executive management (%)



[1] *African, Coloured and Indian.*



Highlights in 2021

- Adapting to working from home has been relatively seamless
- Lower employee turnover
- High levels of employee engagement

Challenges

- The impact of Covid-19 on employee wellbeing
- Hiring freeze in the first part of the financial year
- Increases and bonuses were only paid in exceptional circumstances, in respect of the previous financial year

CREATING THE RIGHT CULTURE

Our goal is to create a client-centric, entrepreneurial organisation with a strong sales and service culture. Sasfin's flat management structure and open culture connects employees and facilitates teamwork, reduces bureaucracy, provides access to decision-makers and ensures the visions and values of the organisation are shared. We are increasing the autonomy and responsibility of the business units so that they are more empowered and enabled to make decisions within our governance framework.

OUR CULTURE

- Talented, diverse and empowered team that lives our values
- Tangible spirit of going beyond
- Purpose and values-led organisation
- Entrepreneurial while compliant
- Treat clients fairly

Robust and inclusive recruitment processes include psychometric evaluations to get a more holistic evaluation of a candidate and secure the best fit for the role, assess future potential and are a good cultural fit. With the introduction of a hybrid operating model, our recruitment checks now also include suitability for work from home arrangements.

In addition to Key Performance Indicators (KPIs), performance contracts and incentive schemes include key risk indicators (KRIs) and KVIs to ensure that high performance is delivered within the Group's risk appetite and aligned with our values. Incentives reward excellent performance at individual, divisional, pillar and Group levels. High performers who demonstrate alignment with the Group's culture are favoured for promotion, and those who do not meet the required performance, risk or value targets receive counselling and management support in terms of performance improvement plans to enable them to achieve the required performance standards.

Regular employee surveys assess culture, ethics and engagement levels, with a focus on ensuring that Sasfin's values are being lived and are evident in the behaviour of all employees. They also provide an opportunity for employees to hold management accountable for that culture.

Diversity and inclusion

Sasfin values the benefits of diversity and remains committed to driving diversity and inclusion as a strategic priority and societal necessity. Recruitment practices, promotions, succession planning, pay practices, learning and development programmes and work environment all support this outcome.

Our biggest challenge in this regard is improving ACI representation at senior levels due to low turnover at this level. All appointments at senior and top management are based on merit for the individual role, and a concerted effort is made to appoint candidates from diverse backgrounds. However, the industry-wide challenge of scarce, relevant skills and experience makes attracting and retaining equity candidates at this level challenging. This is mitigated by our employee value proposition, which considers not only financial reward but also the challenging nature of work, access to senior and executive leadership, learning and development opportunities and a supportive working environment that is diverse and inclusive.

ATTRACTING AND RETAINING TOP PERFORMERS

Sasfin offers a compelling employee value proposition (EVP) that includes competitive remuneration, reward and recognition of exceptional performance, skills development, career pathing, employee wellness and career opportunities. The opportunity to work and grow in an entrepreneurial and values-based culture is an important part of our EVP and a key differentiator for the Group.

We regularly review our human capital policies to ensure that they effectively support Sasfin's strategy and focus areas, meet the evolving needs of employees and the changing working landscape, and position Sasfin as an employer of choice within our industry.

We provide our employees with the tools and resources they need to fulfil their roles. At the start of the lockdown, 97%[1] of employees were equipped with laptops and 3G cards so that they could immediately shift to working from home. Training was provided on tools such as Microsoft Teams, Global Protect, Multi-Factor Authentication and DocuSign to support productivity and ensure cybersecurity while working remotely. The majority of work became paperless, which integrated into our POPIA readiness project, ensuring greater protection of client and company data.

The Future of Work team was established to work with employees to create and implement Sasfin's Future Way of Working model. Based on feedback from employees, many of them prefer to work in a hybrid model that incorporates both work from home and the office. After due consideration, and consultation with experts, management and the Board are of the view that this is the desired way to proceed in the future. The necessary policies were revised, with training implemented to support the seamless transition to this model while ensuring that we retain the desired culture and high levels of service provided to our clients. As part of the Future Way of Work, we have introduced an unlimited leave policy for executives and are considering extending this policy to the next level of management. In terms of this policy, an executive may take an unlimited amount of annual leave provided that there is no negative operational impact on the business and the executive remains available and accessible to their teams and management. Sasfin's new head office building has been carefully chosen to facilitate the hybrid working model in team-working spaces that encourages collaboration, social spaces to promote dialogue and rooms equipped with new technology for seamless communication, whether employees are at home or in the office. (see page 32).

The Group performance incentive scheme is designed to align executives' remuneration to sustainable stakeholder value creation. We are currently designing and rolling out separate schemes to incentivise performance at Pillar level. While Sasfin's financial results in the 2020 financial year and the uncertain operating environment at the time did not support the awarding of retention incentives or increases in most areas of the business, the improved performance in 2021 enabled incentives to resume. A new share incentive scheme is being developed to align executive interests with those of shareholders.

Health, safety and wellness

Sasfin provides access to an employee assistance programme for employees and their families that includes counselling and trauma support, as well as legal, financial and management advice. Ongoing webinars and communication raised awareness about the programme and encouraged uptake of the service. Utilisation rates reached 40%, with stress being the main reason for employees and their families seeking assistance.

As at 14 September 2021, 169 Sasfin employees had contracted the Covid-19 virus, of which 168 have recovered. We were devastated to lose a member of our staff to Covid-19. All our people are encouraged to be vaccinated, and as a further incentive, we have offered a day's vaccination leave to any employee who is fully vaccinated.

Other wellness initiatives include wellness days and internal campaigns that aim to create sound relationships with and among employees. Mental health remained a focus, and various initiatives, including workshops and webinars, were conducted. We expect that the focus on mental health and psychological safety will remain important in 2022.

There were four workplace injuries (2019: three), three of which required medical attention and none requiring hospital treatment. An independent assessment of Sasfin's compliance with the Occupational Health and Safety Act rated head office at 100%, and our other offices rated between 95% and 100% with the isolated issues identified being addressed.

Learning and Development

Sasfin facilitates the development of a culture of learning by offering programmes that enable our strategic goals by developing relevant skills, sparking innovation, creating a strong talent pipeline and supporting our diversity initiatives. Training targets for each Pillar are set by the SEC in consultation with the Transformation Committee and divisional heads, which inform executive, management and individual performance metrics. We focused on effective delivery of learning and development in a largely remote working environment and through this realised cost efficiencies while achieving the desired learning outcomes. The increased use of online training and webinars meant that the Group's total investment in skills development increased to R6.5 million (2020: R6.1 million).

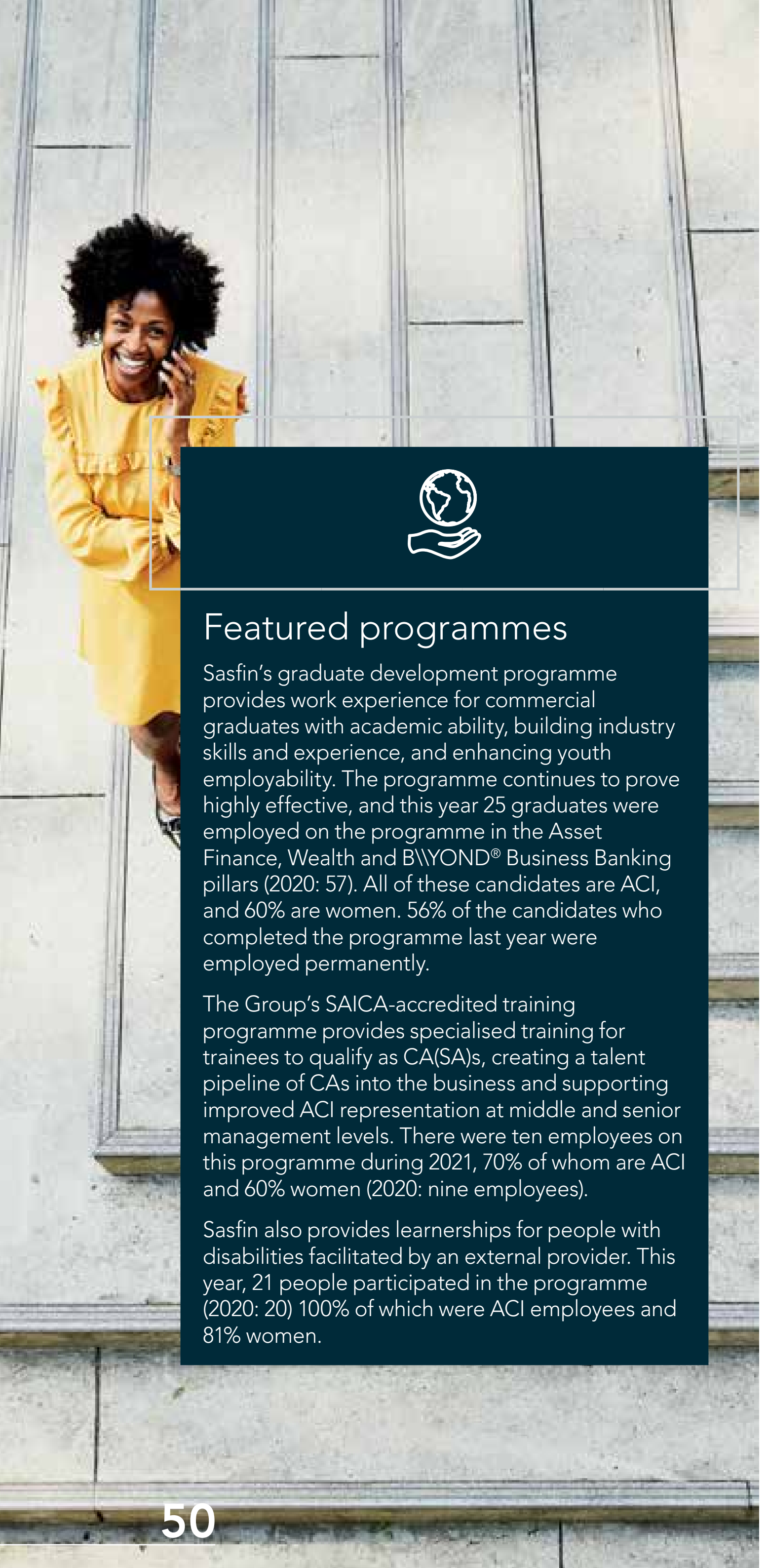
The Group submits its mandatory workplace skills plan and annual training reports to the various Sector Education and Training Authorities (SETAs) in terms of the Skills Development Act, No 97 of 1998.

Career paths have been defined for each role in the Group so that employees can plan the learning and development initiatives they need to progress in their desired career. Focus areas this year included training for managers on how to manage teams remotely and for employees on how to succeed while working remotely.

Training is delivered through formal training programmes, which are supported by on-the-job training, coaching and mentoring programmes. The Sasfin Learning Academy is an accredited training provider through the Banking SETA, and the Group also facilitates training through other accredited external training providers.

Sasfin's employee bursary scheme promotes academic advancement, and 67 employees received support for studies in their fields of work. 87% of these bursary recipients are ACI employees. We also sponsor external training programmes for employees that enhance their performance effectiveness, such as the JSE Registered Persons Examination or JSE Traders Examination.

[1] *3% are facilities employees who do not need remote access.*



Featured programmes

Sasfin's graduate development programme provides work experience for commercial graduates with academic ability, building industry skills and experience, and enhancing youth employability. The programme continues to prove highly effective, and this year 25 graduates were employed on the programme in the Asset Finance, Wealth and B\\YOND® Business Banking pillars (2020: 57). All of these candidates are ACI, and 60% are women. 56% of the candidates who completed the programme last year were employed permanently.

The Group's SAICA-accredited training programme provides specialised training for trainees to qualify as CA(SA)s, creating a talent pipeline of CAs into the business and supporting improved ACI representation at middle and senior management levels. There were ten employees on this programme during 2021, 70% of whom are ACI and 60% women (2020: nine employees).

Sasfin also provides learnerships for people with disabilities facilitated by an external provider. This year, 21 people participated in the programme (2020: 20) 100% of which were ACI employees and 81% women.

HUMAN CAPITAL OVERSIGHT AND GOVERNANCE STRUCTURES

Board Committees	**Group Human Resources and Remuneration Committee (REMCO)** REMCO assists the Board and management with guidance on the adequacy and efficiency of remuneration practices and people policies, procedures and practices applied within the Group. It ensures that Sasfin remunerates fairly, responsibly and transparently to promote the achievement of strategic objectives and positive outcomes in the short, medium and long-term. Refer to page 98 for the REMCO report.	**Social and Ethics Committee (SEC)** The SEC oversees our approach to transforming our society, and in the context of human capital, the SEC is specifically focused on culture, ethics, diversity, inclusion and people development, including compliance with the FSC scorecard. Refer to page 56 for the SEC report.
Management Committees	**HR Management Committee (HR Manco)** Group HR Manco and Pillar HR Mancos oversee human capital with a focus on implementing human capital policies and practices across the Group within mandated levels.	**Transformation Committee** The Transformation Committee is a management level Committee reporting to Group Exco and manages all elements of the FSC scorecard according to the Board-approved transformation objectives and addresses strategic issues of transformation across the Sasfin Group. Progress is reviewed quarterly, and any issues are addressed.

FOCUS FOR 2022

- Supporting our teams to adapt to the change in working environment (office relocation), including supporting leaders to effectively lead and manage their teams, to deliver on performance with the right culture
- Further optimising the hybrid operating model and ensuring ongoing employee engagement is sustained
- Embedding a service culture throughout the organisation
- Recruiting the right people for the right roles, with specific focus on management positions
- Development of a share-based incentive scheme

INFORMATION AND TECHNOLOGY

Josh Souchon
Group Chief Digital and Change Officer

"It always seems impossible until it's done."
– Nelson Mandela

Sasfin's client-centric model leverages innovation, technology and information to create new products and services that better meet our clients' needs. Technology and information solutions are essential to enable safe and convenient access to our products and services, and to maximise internal synergies between business units.

STRATEGIC DIRECTION

The new ways of working arising out of the Covid-19 pandemic have accelerated the shift to the 4th industrial revolution, creating both opportunities and challenges. IT plays a critical role in supporting the business by deepening Sasfin's digital engagement with our clients, enhancing the client experience and driving operational efficiencies. These objectives must be met while ensuring that the Group is protected and defended from increasing cyber risk and able to meet its regulatory requirements.

Sasfin's IT strategy aims to add value to our clients, drive service excellence and improve infrastructure. With the rollout of key line of business platforms across the Group now largely complete, there is an increased emphasis on innovation, change leadership and leveraging data to add value to our various stakeholders, specifically our clients.

Technology, information and innovation drive Sasfin's competitive advantage and client-centric approach by helping us to reach clients faster and more effectively, and are integral to the creation of innovative products that support the Group's focus on transforming our society by bringing relevant banking and financial products to our client base. This enables our clients to drive their businesses, create jobs and grow their wealth.

Sasfin's technology platforms were a critical enabler for the Group's shift to work from home and the new hybrid operating model. It has also created opportunities to consolidate functions and save costs while providing the increased capacity that is allowing the Pillars to increase their distribution capabilities and drive growth. Ongoing enhancements to the B\\YOND® Business Banking platform support growth in client acquisition through the high level of virtual engagement in client on-boarding combined with the effectiveness of our digital marketing strategy, which has been integrated into the client experience management system. As a result, the number of new clients onboarded onto the business banking platform each month doubled during the lockdown. In the new financial year, we plan to implement straight-through processing to remove the human element from on-boarding and further digitalise the process.

Highlights in 2021

- Supporting working from home capabilities and providing a flexible working environment
- Good progress made in project execution
- IT system availability

Challenges

- The global chip shortage
- Preparing for the move to the new head office building
- Employee wellbeing
- Cybersecurity
- Cost-effective delivery
- Skills

An artificial intelligence (AI) tool was developed to assist with a credit risk assessment process that is enabling us to improve the speed of response in our asset finance business and to extend credit backed by the Nasira facility to women, youth, migrant and Covid-affected clients that would otherwise struggle to access credit.

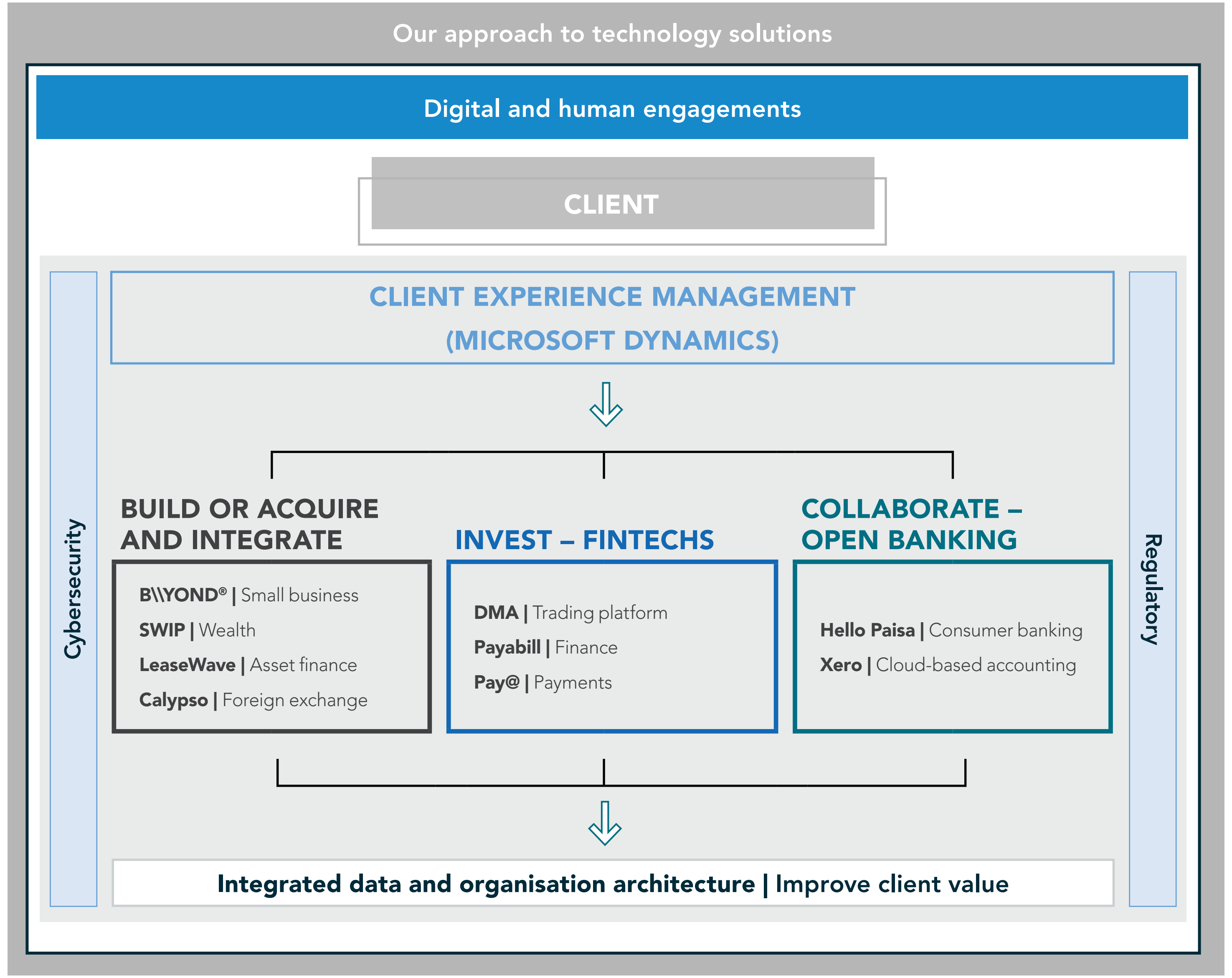
IT is also an important component in the process to assist the bank to meet its current prudential requirements and compliance obligations in the delivery of our data warehouse and RDARR (Risk Data Aggregation and Risk Reporting) capabilities. The first leg of delivery is focused on meeting the regulatory requirements, our implementation objective is to ensure that these systems over time become a further source of competitive advantage.

IT OPERATING MODEL

Our approach to IT is built around a competency-based client-centric IT operating model that includes a dedicated feature team that manages the client experience. Over the last few years, the Group has shifted to become a cloud-first company, which has helped to improve operational and cost efficiencies, and has supported organisational agility and flexibility.

In assessing the best way to meet the Group's IT requirements in a skills-scarce and high-cost environment, Sasfin has followed a cooperative outsourcing and resourcing strategy that combines internal resourcing and collaborative partnerships with established technology service providers which are proving to be effective.

We favour a 'reuse, buy and build' philosophy to application deployment. Certain products and services are also secured through investments in fintech companies that demonstrate a competitive advantage and add value.



GOVERNANCE OF TECHNOLOGY AND INFORMATION

IT represents a critical enabler of Sasfin's strategy, operations and compliance, as well as a significant investment for the Group. As a result, effective governance of IT is a high priority.

IT Committee

The Board is responsible for governing information and technology, and innovation is a standing agenda item at quarterly Board meetings. The Board delegates its IT oversight responsibility to the IT Committee, which meets quarterly and monitors the development and execution of the IT strategy through an IT governance framework, policies and procedures. The IT Committee oversees, monitors and evaluates significant IT investments and expenditure, as well as the governance of IT change and risk (including cyber security) and conducts an annual self-assessment to identify areas for improvement.

Operational and management Committees

The Business Operations IT Steering Committee meets monthly to discuss prioritisation and the impact projects have on the Group. Group IT policies, standards, procedures and frameworks apply across all business units and are reviewed regularly to ensure they remain current.

Project implementation is overseen by the Project Steering Committee. IT projects are prioritised through a process from project initiation to delivery to oversee efficient management of time and costs and to ensure effective quality control. The Group's IT projects are executed in terms of a formal project management standard that includes an independent project assurance model provided by Group Internal Audit to maximise the value derived from audits.

An IT Operational Management Committee was established to ensure alignment to the Group strategy and oversee the execution of planned changes.

We also introduced a Change Management Committee to strengthen governance around change and leadership, and to ensure strategic alignment and prioritisation. An expanded change approval forum was established to assess requested changes.

Assurance

- The compliance and risk management functions regularly assess the effectiveness of IT governance, with risk-based assurance of controls provided by internal and external audits
- The IT Department submits quarterly reports to the SARB
- An external party is engaged every 18 months to review the Group's cybersecurity framework, and the last such assessment was performed in 2020
- Material IT projects are presented to the IT Committee for approval as a business case, and the Board approves larger projects above a material threshold
- Group Internal Audit reviews all strategic projects within 12 to 18 months post implementation and reports to the IT Committee on whether the projected benefits were realised

INFORMATION MANAGEMENT

Information management is overseen by the data services team which includes business intelligence and data governance. Data is owned by the relevant business units, while the IT Department provides the tools to manage, move and secure data.

The Group's network infrastructure is designed to ensure continuity, and we continuously maintain and upgrade our core infrastructure. Formal disaster recovery plans and backup strategies are in place, and these are tested and updated regularly. We are in the process of moving to an outsourced data centre to leverage scale benefits and best in class functionality in our partner while also improving redundancy, business continuity and disaster recovery.

PRIORITIES IN 2021

The primary focus during the financial year was on further developing "last-mile" capabilities in our asset finance and treasury line of business systems to realise client benefits and efficiencies, progressing the finance transformation project and supporting the hardware, software and connectivity requirements of work from home. The changed operating realities required that we adjust our project roadmap and repurpose our priorities. A Future of Work workstream is unpacking our experiences during the pandemic to ensure that we understand the implications of the "new normal".

Major projects currently underway

Risk data aggregation and risk reporting (integrated data and organisation architecture) (RDARR)

The RDARR project establishes the systems to support risk data aggregation and risk reporting required by the PA. The system aims to meet regulatory obligations and create a single view of clients for risk management and business decision-making, reducing costs and providing valuable data to further improve client value.

The project scope has been increased to cover all ten risk types and remains on track to meet the extended December 2021 due date.

Finance transformation (integrated data and organisation architecture)

The finance transformation project is a multi-year project to refine systems, processes and people to enhance the financial control and reporting environment.

This year we implemented phase 2 of the project, which included enhanced management reporting and information as well as dashboards. Phase 3, which involves budgeting and forecasting, is currently being planned.

Protection of Personal Information Act (POPIA) (regulatory)

The first milestones have been achieved to ensure that the Group's processes and documentation comply with POPIA.

Microsoft Dynamics (client experience management)

The rollout of Microsoft Dynamics across the Group was completed. This system provides an end-to-end client experience management system that interfaces with the line of business systems to provide users with a single platform to manage the full client life cycle, improving client acquisition and servicing.

Data Centre Migration

The strategic move of the data centre from the traditional production and disaster recovery (DR) data centre design to an Always On A & B (Blue and Green) design further enhances the Group's resilience and continuity. The location of the Parklands and new Teraco Isando data centres takes us one step closer to the cloud and greatly facilitates and aligns to the new hybrid working environment. All system will be fully migrated by December 2021.

Cybersecurity

Cybercrime is a significant ongoing risk, particularly for banks and financial services companies. There was a marked increase in cyber risk globally during the shift to remote work necessitated by the Covid-19 pandemic.

Sasfin's IT strategy includes a cyberroadmap that identifies and prioritises the Group's main cyber risks to ensure that these are addressed timeously and effectively. The roadmap is regularly reviewed by specialist assurance providers, and progress in implementing the priority areas is reported to the IT Committee, Board and SARB every quarter.

Our approach to cybersecurity remains an ever-balancing act between risk acceptance, cost and benefit. We are acutely aware that, while we are working hard to provide good protection, the ability of hackers to generate new threats continue to grow.

We have made significant investments in the three main areas we have control over:

- **People:** We provide ongoing proactive cybersecurity training and awareness, tips and tricks, and phishing simulations to raise awareness and compliance across the Group.
- **Process:** We have made the necessary changes required to enhance our processes and are working to ensure consistency and reliability.
- **Technology:** We have upgraded and aligned our perimeter and internal systems, with a continued focus on "secure first" with the new data centre design. Patching, antivirus updates and other hygiene factors remain a priority.

We will continue to assess, refine and improve our capabilities in this area in the foreseeable future.

FOCUS FOR 2022

- Continuing to realise the "last mile" benefits of installed systems, implementing current projects, decommissioning legacy systems
- Ensuring that the IT function is appropriately resourced and client-focused
- Maintaining a focus on cybersecurity in the context of the ongoing and increasing cyberthreat landscape
- Moving to the new head office

SOCIAL AND ETHICS COMMITTEE REPORT

Eileen Wilton
Chair: Social and Ethics Committee

"Adversity builds resilience. And resilience is the bedrock of success."

"Sasfin continues to evolve its response to the dynamics brought about by Covid-19 and the need to achieve both a more financially inclusive and sustainable society. In 2021 the SEC fulfilled its mandate in accordance with the Companies Act with no material areas of non-compliance."

The Social and Ethics Committee (SEC) is constituted as a formal Committee in terms of the Companies Act (the Act) and this report is prepared in compliance with the requirements of the Act. The Committee operates according to a formal Charter which contains the composition, responsibilities and duties of the Committee.

PRIMARY MANDATE

The SEC ensures that:

- the ethos of the Group set by the Board, which is a commitment to doing business ethically, responsibly and with integrity, is in place and is embedded into the Group strategy and our day-to-day activities and sits at the heart of every person who works here
- the Group's strategy and initiatives to support our culture and to transform our society are implemented ethically
- ESG elements are embedded in Sasfin's decision-making processes
- it effectively discharges its duties in terms of Regulation 43 of the Act

Highlights in 2021

- Sasfin expanded its support of key CSR projects
- Initiatives to support our employees from a wellness and learning and development perspective were enhanced

Challenges

- Impact of Covid-19 on employees, CSR beneficiaries, skills development and job creation programmes
- Slower progress in transformation at senior management level, despite considerable efforts.

R2.3 million
CSR spend

R6.5 million
investment in skills development

Financial literacy programmes reached

76
learners face to face

76
SMEs

Digital Financial Health Guide provided to over

500 learners
at three schools and to students at the North-West and Limpopo universities

R1.5 billion
direct Covid-19 support (including loan scheme and payment holidays) and donations

IMPACT AND PRIORITIES 3 17

The work of the SEC covers all aspects of the business, including sustainability, impact on the environment, relationships with all its stakeholders, interaction with and impact on the community within which it operates, the treatment of and investment in its employees, its health and safety practices, black economic empowerment, fair treatment of clients and the ethical corporate culture.

Sasfin has an opportunity to make a considerable contribution in the post-Covid-19 context by proactively helping businesses to win and thereby addressing unemployment and poverty. Other areas of focus include promoting financial inclusion, developing and educating the next generation of South African businesses and savers, increasing diversity in our workplace from senior leadership down and having an impactful approach to CSR.

ESG considerations and good corporate citizenship are integrated into the Group strategy through the Transform our Society focus area. One of the SEC's short- to medium-term priorities includes developing a formal sustainability and ESG strategy, which will provide us with an opportunity to review our progress to date and take a fresh look at the risks and opportunities facing our business.

Helping to grow businesses and investors

Sasfin supports entrepreneurs and investors by providing the financial tools and funding that help them to achieve their goals and grow their businesses which in turn creates jobs and stimulates the growth and sustainability of the South African economy.

Impact products, services and programmes

Relevant products, services and programmes include:

FACILITATING SMALL BUSINESS GROWTH

- The B\\YOND® integrated digital business banking platform offers a suite of products, solutions and services that meet the banking needs of SMEs and entrepreneurs, and integrates banking, credit, and foreign exchange services (page 36)
- Funding growth through term funding, the SME revolving credit accounts and the Nasira facility (page 58)
- SME webinars are available on the Sasfin website
- SME workshops on consumer financial education through the National Youth Development Agency and the Group's support for Noble Financial (a black women-owned company that offers Consumer Financial Education services to learners, teachers, disabled learners and SMEs) (page 64)
- Enterprise development through Sasfin's support for ORT Jet (a Business Enterprise Training Programme) (page 66)

SUPPORTING FINANCIAL INCLUSION

- Sasfin's alliance banking arrangement with Hello Paisa has onboarded over 45 000 new bank accounts over the last three years, extending banking services into rural and migrant communities (page 38)

PROMOTING FINANCIAL LITERACY

- Partnering with Noble Financial to provide consumer financial education to learners, educators and SMEs, giving them the financial tools and training to help them become the entrepreneurs and savers of tomorrow (page 65)

RESPONSIBLE LENDING PRACTICES

- Sasfin's social and environmental management system (SEMS) provides a framework to assess ESG aspects related to lending practices, particularly those in high-risk industry sectors (pages 40 and 58)
- The SEC reviewed aspects of the Group's credit policies and lending practices in the context of the Covid-19 pandemic to ensure that these remained appropriate for the challenges facing our clients, including treating customers fairly

RESPONSIBLE INVESTING AND ESG IMPACT

- Investment activities in Sasfin Wealth are guided by a social and environmental management policy that recognises the importance of ESG considerations, which are embedded into Sasfin Wealth's investment and institutional advice processes and culture (page 42)
- Sasfin Wealth has partnered with impact investors (RBN, an impact investment firm) who specialise in socially responsible investing (SRI) that leads to better environmental, social and governance (page 42)

COVID RELIEF

- Please refer to the Pillar performance reviews and page 62 for further information on Covid relief initiatives

NASIRA – SUPPORTING GROWING SMES

Safin's agreement with FMO (the Dutch Entrepreneurial Development Bank) provides access to a R600 million risk-sharing guarantee through the Nasira facility. Nasira is sponsored by the European Union to provide funding to businesses owned and/or managed by young, female and migrant entrepreneurs as well as Covid-affected businesses. The facility is a revolving unfunded portfolio guarantee, in which Sasfin assumes the full credit risk of the first loss (5%) while the balance of 95% of the credit risk is carried by FMO. This enables us to provide loans to smaller businesses while remaining within our risk tolerance thresholds.

The agreement includes a technical assistance programme to support the successful implementation of the risk-sharing facility and strengthen the offering to the target groups. The programme is being implemented by the Frankfurt School of Finance and covers areas ranging from risk management frameworks to distribution strategies.

Our expanded digital banking offering includes digital onboarding, foreign exchange services and a revolving credit facility. We have re-engineered our credit policy to service this target market and built a bespoke machine learning (AI) credit scorecard that allows us to deepen our risk curve without undue increase in our risk profile. A team of bankers has been established to provide support to SMEs.

Environmental impact activities

Sasfin recognises the importance of environmentally responsible business practices and contributing to environmental sustainability. While the Group's direct impact on the environment is minimal, we have an opportunity to promote responsible environmental practices through our lending policies (SEMS), ESG investing and impact investing partnership.

The Asset Finance Pillar is building capacity to increase financing for more environmentally responsible assets, including solar equipment, other energy-efficiency technology and ICT solutions that support the move to the fourth industrial revolution (page 34).

Employee health, wellness and development

Ensuring the continued health and wellbeing of employees during Covid-19 has received significant attention. Appropriate protocols are in place at Sasfin premises, and the SEC monitors health and safety compliance. The SEC considered the impact of the challenges of working remotely on employees, including ensuring appropriate boundaries between work and personal life. Management were supported in their efforts to apply a people first mindset, monitor the situation, provide a safe workplace and offer employees the support that they needed.

Opportunities for learning and development are provided to employees through the Sasfin Academy, external service providers, bursaries and mentorship. We also create opportunities for skills development and work experience to build skills in the broader community through learnerships, disabled learnerships and graduate programmes.

Delivery on our skills development targets was initially negatively affected by the impact of Covid-19 on the business and employees, as well as by the shift to remote working. However, increased use of online training and webinars led to the Group's total investment in skills development increasing to R6.5 million (2020: R6.1 million).

Diversity and inclusion

The SEC monitors the Group's employment practices, and we are satisfied that these are non-discriminatory and that they uphold the United Nations Universal Declaration of Human Rights and the International Labour Organisation's Fundamental Principles and Rights at Work, which form part of the United Nations Global Compact.

We track progress of our B-BBEE transformation against the Financial Sector Code (FSC), and our goal is to exceed the minimum requirements. B-BBEE level and transformation elements are included in executive performance metrics at Group and Pillar levels. During the financial year, activities were pursued to deepen understanding of, and promote diversity across the organisation.

Building on the revised B-BBEE strategy we put in place last year, the Board approved a Group Transformation framework for the business. While we made good progress in most areas, continued attention is required to drive employment equity and diversity at senior management levels due to low turnover and the difficulty of attracting ACI candidates with the right skills at affordable rates.

Our revised South African National Accreditation System accredited B-BBEE score remained at level 4. The Group's score had improved to a level 2 but subsequently returned to a level 4, primarily as a result of the Financial Sector Transformation Council (FSTC) no longer exempting us from the access to finance element of the scorecard. This is despite the fact that Sasfin does not provide consumer finance. We are engaging with the FSTC to obtain an exemption for consumer finance and we aim to obtain a revised B-BBEE score in the coming months. We continue to focus on transforming our society and aim to have an improved B-BBEE score next year.

Making a meaningful contribution to society

Sasfin's CSR strategy aligns with our overall strategy and focuses on consumer education (CE) and social and economic development (SED), which includes enterprise development. The CSR strategy follows a cradle-to-cradle approach that aims to assist people through every stage of their lives and aims to ensure that business units have the opportunity to get closer to beneficiary organisations so that employees can connect with these programmes and increase their impact.

We developed a CSR Policy to formalise the selection, management and governance processes relating to CSR and the organisations we support and to ensure that our investment in CSR contributes to our B-BBEE goals while making a specific and meaningful positive impact on society.

Sasfin's CSR initiatives include sponsorships, donations and charitable support in communities. The Group supports a range of programmes that implement meaningful initiatives in communities, with an emphasis on a few flagship projects, including Fundisa, the Smile Foundation, Afrika Tikkun and Junior Achievers. Support was expanded for beneficiaries in key areas particularly affected by Covid-19. Information on some of the programmes supported during the financial year is available on pages 61 and 62. Other initiatives we supported include:

Adopt a Swimmer

Adopt a Swimmer is a Plettenberg Bay-based life skills programme that teaches children from disadvantaged areas to swim. The programme not only teaches children confidence in the water, but also helps them grow in strength and gives them the ability to enjoy the aquatic environment around them. Instead of viewing the ocean as a source of fear, they come to associate it with enjoyment and fun, while still respecting it.

Children with potential are trained up as mentors, learning skills to teach other children in the future. Some of the children who have come out of the programme with excellent swimming skills have gone on to earn an income as life savers. One exceptional performer earned her South African colours in lifesaving and represented the country in international competitions.

Afrika Tikkun

Sasfin supports Afrika Tikkun's Early Childhood Development programme, which provides resources for 1 100 children at five centres. Targeted at children aged two to six years, the programme focuses on the achievement of age-appropriate developmental and school readiness milestones to set a firm foundation for learning throughout the school career.

Our funding is also assigned to the Child and Youth Development programme, an after-school programme for children aged seven to 18 years that provides a series of activities for education, leadership, career, and personal development throughout their formative years while in the schooling system.

With centres forced to close because of Covid-19, Afrika Tikkun distributed large amounts of food parcels nationally, shifted to online platforms and are doing a drive to raise funds to purchase devices so that the students can continue their learning online.

Impumelelo Day Care Centre

The Impumelelo Educare Centre provides preschool education in the informal settlement of Thula Mntwana. The school started with seven students and one teacher and has grown to 200 children, six teachers and a principal. Sasfin's donations have supported the daily running costs and management of the school, and this year are going towards the changes required to ensure compliance with government regulations around Covid-19. These include:

- Larger and more desks to separate the children
- Individual lockers for children's personal toiletries and clothing
- Screen separators between children
- Sanitisers for teachers and children and for use in the classrooms
- Additional classrooms to be built

Hospice Wits

Sasfin has partnered with Hospice Wits for many years. Hospice Wits provides palliative care at patient units in Johannesburg, Soweto and Diepkloof and by providing nursing and councillors that assist people at home. Our contribution assists with the daily running and operation of their facilities to care for the terminally ill.

We also support the South Africa Medical Education (SAME) foundation, which provides funding to students in the medical field and works on projects to uplift and build hospital wards in government hospitals. As an organisation, we believe that medical and healthcare are vulnerable areas for South Africans who cannot afford private treatment and care, and it is important that they receive funding, especially with the current pandemic.

Junior Achievers SA

Sasfin partnered with Junior Achievers South Africa to implement programmes for 120 grade 8 to 11 learners at three high schools in Gauteng. The programmes included digital enterprises, success skills and a Be Entrepreneurial programme.

Fundisa

Fundisa is part of the Association for Savings and Investing in South Africa that provides a way for investors to contribute to the tertiary education of a child from a low-income household. Donations benefit 81% Black beneficiaries as per the B-BBEE Codes of Good Practice as amended.

Promoting ethical conduct

We aim to ensure that Sasfin's values of integrity and respect and the spirit of Ubuntu underpin the ethical standards of the Group and our employees. The SEC reviews quarterly reports on ethics, including the implementation of the code of ethics, feedback from the whistle-blower hotline and related matters, including outcomes of disciplinary hearings regarding ethical issues and fraud reported.

KVIs are included in individual performance contracts to align performance management with Sasfin's values. Regular ethics-related training is provided including Treating Customers Fairly, the SEMS system, anti-money laundering and anti-corruption. Sasfin does not support or provide funding (including loans) to political parties.

The Board considered how to sustain an ethical culture in a largely remote working environment and revised the code of ethics to include the new way of working. A Group Ethics Officer was appointed to coordinate and manage ethics performance and an ethics survey is planned for the first half of the next financial year.

Fines and sanctions

No fines or other non-monetary sanctions were imposed on Sasfin in 2021, including for non-compliance with environmental laws and regulations, as well as laws and regulations concerning the provision and use of products and services.

FOCUS FOR 2022

- We plan to engage stakeholders to assess the level of trust in Sasfin and sentiment towards our brand
- We will continue to broaden and strengthen our transformation goals and environmental strategy and focus
- The ethics survey will provide important insight into the current organisational culture, and areas identified for improvement will be addressed
- Sasfin will continue to focus on employee wellness, driving awareness and uptake of the employee assistance programme for employees and their dependents

For more information on the Committee's activities during the year under review as well as composition and meeting attendance, refer to page 78.

BUILDING STAKEHOLDER RELATIONSHIPS

The Board recognises the importance of strong stakeholder relationships to ensure the Group's long-term sustainability. Sasfin ensures that it understands the legitimate needs, interests and expectations of stakeholders by engaging with them on a regular basis and addressing their concerns to the best of its abilities. These engagements provide important information and guidance for the Board and management, can help to identify opportunities for value creation and, where relevant, inform strategy deliberations.

The Board is responsible for stakeholder engagement and has delegated this to management to proactively address stakeholder matters. Stakeholder relationships are managed at the appropriate operational level. Information received through the various engagement channels is used to assess the quality of our stakeholder relationships and the effectiveness of our stakeholder management.

With guidance from the SEC, the Group's stakeholder framework was aligned with the current environment and best practices and governance principles. The revised framework classified stakeholders into Primary stakeholders (those who directly affect Sasfin and are directly impacted by the Group) and Secondary stakeholders.

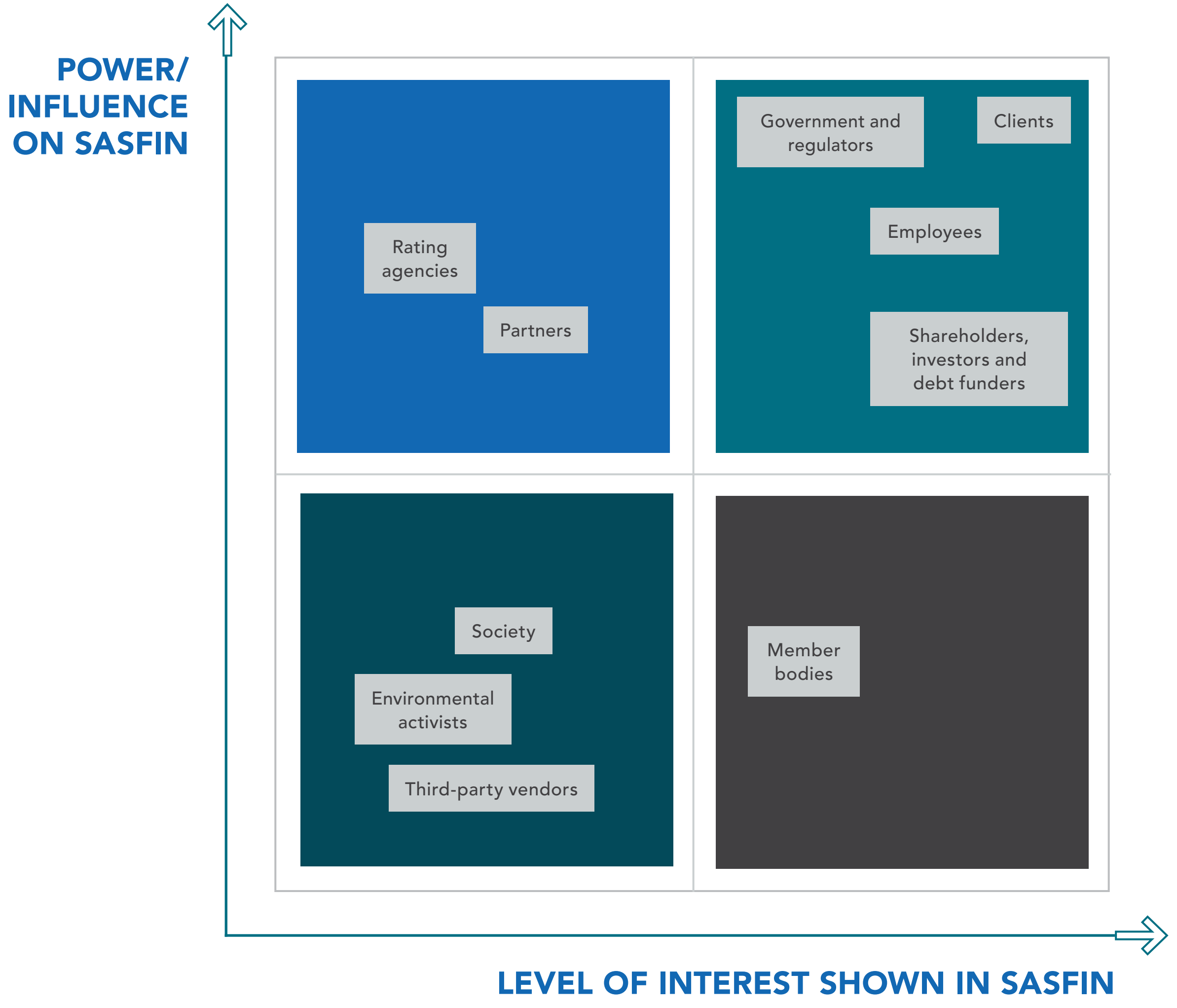
Primary stakeholders

- Employees
- Clients
- Shareholders, investors and funders
- Partners (Rental Vendors/Suppliers, business associates and alliance partners)

Secondary stakeholders

- Government and regulators
- Member bodies
- Society
- Rating agencies
- Environmental activists
- Third-party vendors

The graphic below maps Sasfin's key stakeholder groups according to their influence on the Group and our understanding of their level of interest. The mapping is based on the assessments by Group Exco, informed by input received from the Board and our stakeholders through the relevant engagement channels.



KEY STAKEHOLDER GROUPS [16]

EMPLOYEES

Who are our employees?

- 730 permanent employees
- 70 temporary employees and contractors

What is important to them?

- Employment conditions, including fair remuneration and benefits
- Job security
- Diversity, human rights matters and inclusion
- Transparent leadership and direction
- Skills development and career growth
- Flexible ways of working

Sasfin creates value for them by providing:

- Employment
- Training and development
- Wellness programmes, including the employee assistance programme
- Career growth opportunities
- Bursary programmes
- Volunteer programmes

How we interacted in 2021:

- Internal communications programmes
- Regular virtual townhall engagements
- Performance reviews
- Induction programmes
- Future Way of Work and other surveys

Key outcomes for 2021

- The Covid-19 pandemic, changed ways of working and increased stress levels required regular virtual engagements with employees
- The Future Way of Work team conducted two surveys of employee preferences regarding remote working to inform our hybrid way of working and the resulting office space requirements
- Salary increases, bonuses and learning and development initiatives were suspended due to Covid-19 at the start of the financial year, affecting employee morale and development
- The new employee assistance programme (counselling and support for employees and their families that includes counselling and trauma support as well as legal, financial and management advice)

This relationship is managed by:

- Management

Sasfin's Employee Assistance Programme

Employees and their families can access counselling and trauma support, as well as legal, financial and management advice through the employee assistance programme. Utilisation rates reached 40%, with personal stress being the main concern raised, followed by relationship issues and bereavement.

Support provided during the unrest in July 2021

During the riots in July 2021, Sasfin delivered food parcels, medicinal and infant care and other necessities to support employees in KwaZulu-Natal.

"I would like to thank each and every one of you that took time to shower us with strength, courage and your concern. You put your staff's safety and wellbeing first. That, to me, is true greatness." – Manjula Naidoo, Manager Investment Services at Sasfin Durban

Refer to the human capital performance review on pages 46 to 50.

CLIENTS

Who are our clients?

- Asset suppliers
- Medium-sized business
- Institutional clients
- Private clients
- Small businesses (including entrepreneurs)

What is important to them?

- Security of investments and consistent, risk-adjusted returns
- Seamless access to banking product and services and capital
- Efficient approval of credit applications and quick turnarounds
- Decision-makers: excellent service and quick response times
- Safsin's long-term stability and sustainability
- A safe haven and a good return on their deposits
- Fair treatment

Sasfin creates value for them by providing:

- Affordable, efficient and innovative financial products and services
- Innovative lending, interest-bearing (deposits) and wealth management solutions
- Credit, which enables them to grow their businesses
- Convenient access to innovative digital banking platforms
- Transparent pricing
- Secure and protected data
- Excellent client service and product advice
- Deep relationships and access to senior management

How we interacted in 2021:

- Daily business interactions, including by decision-makers
- Private Client Wealth Webinars
- Various SME webinars
- Client/market surveys
- Media

Key outcomes for 2021

- Sasfin engaged with industry peers and the Prudential Authority to provide support to entrepreneurs, SMEs and local investors within the regulatory framework
- Sasfin's content hub provides relevant information and resources to support SMEs
- Cloud technology, systems and cybersecurity provided ongoing 'business as usual' access to products and services for clients

This relationship is managed by:

- Sales and distribution teams
- Portfolio managers and Wealth advisors
- Relationship managers
- Group treasury
- Management

Supporting clients through the Covid-19 crisis

Sasfin opened approximately 3 000 new B\\YOND® Business Banking accounts for SME clients. Over 45 000 new accounts have been onboarded through the Hello Paisa partnership for mainly migrant and previously unbanked clients over the last three years. R22.26 million in funding was extended to emerging women- and youth-owned, as well as Covid-affected businesses through the Nasira facility.

"I would just like to reflect on my experience thus far.

With regards to the products that SASFIN has assisted me with, these have been of great value to my business, contributing to the saving on business expenses that I didn't think possible in my first two years of trading.

The service level has also been on another level compared to other financial institutions I have been dealing with. The product knowledge and speedy responses really stand out and makes life a lot easier.

Lastly, I would like to acknowledge the fact that SASFIN believed in me and my business when other institutions didn't."

– Chris Brigl, Director and owner Brigl Group

SHAREHOLDERS, INVESTORS AND DEBT FUNDERS

Who are our shareholders, investors and debt funders?

- Ordinary shareholders
- Bondholders
- Depositors
- Development finance institutions
- Institutions via debt capital markets

What is important to them?

- Consistent financial performance and return on investment, including ROE, and security of investments
- Sasfin's long-term stability and sustainability
- Transparent and consistent reporting
- Commitment to transformation
- Accountability, robust corporate governance and efficient risk management
- Credit loss levels
- Consideration and application of ESG principles

Sasfin creates value for them by providing:

- Financial return on capital
- Stable and growth-orientated investments
- Easy access to management to discuss their investments
- Transparent reporting and disclosure
- Sound application of ESG practices
- Responsibly invested capital through lending and strategic investments
- Active management of debt levels and liquidity, refinancing, interest rates and counterparty risks

How we interacted in 2021:

- JSE SENS announcements
- Annual and interim results announcements, presentations and reports
- AGM and General meetings
- Ad hoc meetings during non-closed periods
- 2020 Integrated Report
- Pillar III Report

Key outcomes for 2021

- Management engaged with investors, analysts and providers of finance regarding the Group's position and resilience in the face of the economic fallout from Covid-19
- In line with the recommendations of the Prudential Authority and to preserve capital, no interim dividends on ordinary and preference shares were declared
- Sasfin obtained regulatory and shareholders' approval to repurchase its preference shares. The scheme of arrangement became unconditional with effect from 18 June 2021, and the preference shares were delisted in July 2021

Refer to the explanation of how performance is rewarded on page 108.

This relationship is managed by:

- Board
- Group CEO and Group FD
- Group Company Secretary, Group Treasurer and Debt Capital Markets team

[1] *Refer to note 40 of the Sasfin Holdings Limited Annual Financial Statements for the year ended 30 June 2021.*

[2] *The preference share repurchase was settled on 5 July 2021 and the preference shares were delisted on 6 July 2021.*

PARTNERS

Who are our partners?
- Rental vendors/suppliers
- Business associates
- Alliance partners

What is important to them?
- Value proposition
- Excellent service
- Fair treatment
- Reputation

Safsin creates value for them by providing:
- Close engagement and strong relationships help them to better serve their clients
- Opportunities to access more clients and provide their clients with more services through alliance partnerships

How we interacted in 2021:
- Day-to-day business interactions, including by decision-makers

Key outcomes for 2021
- Safsin's Asset Finance Pillar worked closely with its rental vendor/supplier clients to help them support their clients to trade through the current challenging economic environment
- Safsin extended R22.3 million in credit backed by the Nasira facility to businesses owned and/or managed by young, female and migrant entrepreneurs

This relationship is managed by:
- Employees
- Relationship managers

GOVERNMENT AND REGULATORS

Who they are:
- SARB Prudential Authority
- JSE
- Financial Services Conduct Authority (FSCA)
- Payments Association of South Africa
- South African Revenue Services
- National Credit Regulator
- Financial Intelligence Centre
- Department of Labour

What is important to them?
- Capital adequacy and liquidity
- The risk environment
- Sustainability of the organisation
- The impact of risk data aggregation and risk reporting and IFRS 9
- Credit losses
- Regulatory compliance and good corporate governance, including adherence to Treating Customers Fairly

Safsin creates value for them by:
- Contributing to addressing social problems such as providing banking services to the previously unbanked
- Actively engaging government institutions on policy matters
- Being a diligent and responsible taxpayer
- Actively participating and contributing to industry and regulatory working groups
- Contributing to government development plans and national priorities (such as transformation and job creation)

How we interacted in 2021:
- Prudential and other meetings between the SARB, Board Chair, Board, Group CEO, Group Internal Audit, Group Compliance, Group Risk and the Group Exco
- Monthly and annual regulatory returns and reports
- Regulatory compliance audits
- Regulatory audits by external auditors communicated to the SARB
- Copies of Group Internal Audit reports were provided to the SARB
- Daily monitoring of all bond and equity trades by the JSE via the broker deal accounting system

Key outcomes for 2021
- Engaged with the Prudential Authority and other government departments, directly and through representation on BASA, to support resilience in the South African banking sector and economy
- Safsin's products and services support entrepreneurs and SMEs to expand their businesses and create jobs and enable investors to grow their wealth

This relationship is managed by:
- Board
- CEO and FD
- Management
- Group Head: Legal
- Group Compliance and Market Conduct Officers
- Group Company Secretary
- Group Internal Audit

SOCIETY

Who they are:
- South Africa's citizens
- The natural environment

What is important to them?
- Job creation
- Alignment to the country's transformation targets
- Community development through social contributions (financial and material) and skills development
- Sound corporate governance and Safsin acting as a responsible corporate citizen
- Responsible use of our natural resources

Safsin creates value for them by:
- Providing banking services
- Positioning ESG considerations, responsible lending and financial inclusion at the forefront of our business practices
- Creating internal efficiencies in Safsin's use of electricity, water and other natural resources
- Focusing leadership attention on transformation at all levels to shape a more inclusive business and the broader economy
- Facilitating regular volunteer programmes to assist CSR

How did we interact in 2021?
- Engaged with CSR projects that we fund in our communities
- Various SME and Digital Advisory Council webinars
- Webinars hosted by Safsin Wealth Portfolio Managers

Key outcomes for 2021
- Safsin supported a range of CSR programmes during the financial year
- Increasing diversity at senior levels in the short term remains an ongoing challenge and focus area

This relationship is managed by:
- Employees
- Relationship managers

Noble Financial

Noble is a black women-owned company that offers Consumer Financial Education services to learners, teachers, disabled learners and SMEs. Due to Covid-19, Noble was not able to complete all of their planned face-to-face training with learners and teachers, but did manage to deliver online sessions to SMEs. Funds were reallocated to produce 20 educational videos and a Financial Literacy Video series that is hosted on the Safsin Content Hub. The programme was broadened to include university learners.

Together with Noble, Safsin produced 10 ten-minute financial literacy videos for the MoneySmartWeek in March 2021. The event was created in collaboration with the FSCA and National Treasury as a financial literacy campaign aimed at motivating and empowering South Africans to become more educated about their finances.

Safsin's support since 2019 has helped the company to grow, expand its office space, invest in office equipment to support its growth and open doors to new opportunities.

Safsin Wishlist

The Safsin Wishlist was launched over a decade ago and aligns perfectly with the Group's purpose-led approach. Safsin employees are invited to contribute to the Wishlist, and the funds are used to support colleagues in need so that they can pay school fees, catch up on debt, buy groceries, cover urgent medical treatment or deal with unforeseen costs.

In December 2020, we created a video to highlight what the Wishlist has done and illustrating how small contributions can go a long way in changing someone's life. The video will be used at induction sessions going forward to raise awareness about the Wishlist for those in need or those who are able to give.

At the 2020 year-end function, the enormous effort of all employees during the extremely challenging year was recognised with an "Unsung Hero Award" that came with a R1 000 prize money. Employees had the option to donate this award to the Wishlist fund and R74 000 was raised. The CEO made a further personal contribution of R26 000 so that a total of R100 000 could be donated to the fund. An additional R108 000 was reallocated from the CSR budget to the Safsin Wishlist early in 2021.

SOCIETY

ORT Jet

The ORT Jet Business Enterprise Training Programme offers unique and proactive solutions to the challenges facing businesses and people from previously disadvantaged areas by providing training, mentoring, networking and tracking.

The programme aims to:

- Develop critical entrepreneurial skills to run a business.
- Expose the business owner to networking opportunities
- Deepen their understanding of strategy, leadership and governance in a business environment.

With the arrival of Covid-19, ORT Jet provided empowering webinars that included topics such as email marketing, digital marketing and Canva graphic design workshops.

Sarah Motshwane Sebetola is the co-founder of Tshepiso Branding Solutions, which specialises in indoor and outdoor signage, vehicle branding, printing and promotional material. They also provide graphic design services such as logos, websites and business profiles. "I was made aware of Ort Jet at a networking session and took the opportunity to connect, with the hope of getting some business guidance and mentorship," she says. "The sessions were practical, informative and enabled us to apply the knowledge that we learned. I was presented with a panel of experts who gave sound advice to concentrate on the jobs that yield the most profits, which are signage related. We were then assigned a mentor who enlightened us on various ways of branding exposure, which resulted in branding requests via LinkedIn and Gumtree. Thank you, ORT Jet. All this wouldn't have been possible without your help! We truly appreciate it."

Smile Foundation

The Smile Foundation works with academic hospitals to provide corrective facial reconstructive surgery and treatments. Covid-19 has created a significant backlog of surgeries, and the focus of the Foundation is to reduce this backlog. Smile Foundation covers the financial and logistical expenses for each patient, including psychological support. Smile Foundation also allocates funding to Smile Weeks, in which operating theatres and additional nurses and at an academic hospital are mobilised for a five-day week. During this time, the Department of Plastic and Reconstructive Surgery operate on as many children as possible. Each Smile Week can assist up to 45 children, depending on the complexity of the cases and time required for each procedure.

Employee initiatives

- R20 000 was raised from an internal Mandela Day event hosted on Zoom that was donated to the SAME Foundation.
- R1.2 million set aside for an annual sales incentive trip in the Asset Finance Pillar was converted into a CSR donation for Sasfin's flagship CSR organisations.
- A drive-through collection was held at Head Office on Mandela Day 2021, and employees were encouraged to drop off items to be donated to those in need. A significant amount of food, clothes, blankets, nappies, toilet paper and pet food was collected. Items were collected and distributed by Gift of the Givers and Pet Empowerment in Townships.
- Employees were also invited to make a monetary donation during the drive-through and R45 000 was raised. This was donated to My Quali Doc (MQD), a clinic in Alexandra founded and managed by Dr Nthabiseng Legoete. MQD provides affordable, convenient and quality medical services to 150 to 200 people a day. Unfortunately, the clinic was looted and destroyed during the unrest in July 2021, in the midst of the third wave of Covid-19. We are beyond grateful for the generous donation which was used to buy essential medical equipment to get the clinic back on its feet again.
- Early in December, employees were challenged to participate in a '60 Sandwiches in 60 Minutes' event in partnership with Ladles of Love that aimed to make 27 000 sandwiches for distribution to the hungry. The Johannesburg and Pretoria teams made approximately 22 000 sandwiches and the Cape Town team helped to make a further 5 000. The Gqeberha team made 180 sandwiches, which they distributed to the children of the Intsika Community Project in Kuyga. Enterprising employee Marzanne Raubenheimer, who was unable to attend the initiatives, contributed her own '24 Hot Dogs in 24 Minutes'.

OTHER STAKEHOLDERS

Some of our other stakeholders:

- Ratings agency (GCR)
- Member bodies (BASA)
- Suppliers
- Third-party vendors
- Financial media
- Buy/sell-side analysts

What is important to them?

- Transparency and regular dialogue
- Transparent and consistent reporting
- Contribution to industry priorities and reputation
- Value-adding information and thought leadership insights
- Fair payment terms
- Fair competition and openness to collaboration

How we interacted in 2021

- Roadshows and events
- Ad hoc meetings with potential investors and funders, analysts, credit rating agencies and media during non-closed periods

Key outcomes for 2021

- Sasfin represented the interests of independent banks in BASA Board deliberations to support the resilience of the South African banking sector and engage with regulators
- Launched the Sasfin content hub as a portal for distribution of industry insights, local and global market commentary, and relevant information for clients and the public

Sasfin creates value for them by:

- Providing novel insights and alternative views
- Promoting challenger bank interests in member body dialogues
- Providing regular financial and strategic reporting updates
- Helping suppliers and partners to contribute towards the broader economy

This relationship is managed by:

- Group CEO and Group FD
- Head of Debt Capital Markets
- Investor relations

RISK MANAGEMENT

Stewart Tomlinson
CA(SA)
Chief Risk Officer

"Tell me and I forget Teach me and I remember Involve me and I learn."
– Benjamin Franklin

Risk management has an essential role in value creation and the protection of that value. Effective risk management improves performance, encourages innovation and supports the achievement of strategic objectives.

Sasfin has an established integrated risk management philosophy that 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.

GOVERNANCE AND RISK MANAGEMENT

Our integrated approach to risk management is designed to optimise its performance and embed strategic risk capabilities throughout the Group. Risks are assessed, managed and monitored from an enterprise-wide perspective.

The Board is responsible for risk management, sets the risk appetite and approves policies and limits. It determines how to cascade the risk appetite down into the Group through appropriate risk tolerances and limit structures.

Sasfin uses four lines of defence to ensure accountability and distinguish between owning and managing risk, overseeing risks, and providing independent assurance (page 77).

Sasfin's enterprise risk management (ERM) process is embedded into how we do business and is informed by relevant regulations, guidelines and standards, including the Banks Act and ISO 31000:2018 *Risk Management Principles and Guidelines*. ESG risks are assessed through the social and environmental management system, which provides a way to assess lending and client practices.

Highlights in 2021

- Enhanced and matured Group Risk reporting
- Enhanced risk team capacity and competencies
- Developed and matured risk models and stress testing capabilities
- Significant progress with the RDARR project
- Enhancements to the risk management system for dashboard reporting capabilities
- Continued Group-wide support in response to the Covid -19 pandemic

Challenges

- Employee capacity due to attrition/resignations and testing positive for Covid-19
- Effective stakeholder/business unit engagements
- Changes in regulations

Group Risk is a centralised function that monitors and provides guidance to business units to ensure they follow the ERM process. The Chief Risk Officer reports to the Group CEO and has direct access to Board members and the Chair of the Group Risk and Compliance Management Committee (GRCMC).

Business units have risk champions with defined risk responsibilities in addition to their business roles, while units with significant risks have dedicated business unit risk managers. The business unit risk managers develop a comprehensive risk assessment for their business unit, process or function, and consider the residual risk profile relative to the Group, to the objectives of the business unit, process or function, and to the relevant risk tolerances/limits.

Risk-related policies and frameworks are approved through a formal governance process and approved by the GRCMC and the Board. The annual risk plan is approved by the Executive Governance Committee, GRCMC and GACC (as part of combined assurance).

Business unit risk assessments are rolled up into a Group-wide risk dashboard that assesses the Group's residual risk profile against Sasfin's overall objectives and risk appetite. The risks identified by business units are compared to those identified by Group Exco and the Board through its stated risk appetite and strategic risk assessment. New products, services, acquisitions and projects are assessed against risk appetite and tolerance levels.

Material risk events are managed in terms of an escalation matrix, and Group Risk collates, analyses and reports risk events to the GRCMC. Any trends identified from risk events are addressed accordingly.

Appropriate risk ownership by line management is reinforced through ongoing risk management awareness and training at all levels, the identification and assignment of risk owners to each risk type defined in the ERM framework, and monthly risk attestations and Board risk appetite attestations completed by Senior Management and risk type owners.

EFFECTIVENESS ASSESSMENT

The annual review of the ERM process includes a consideration of current and emerging risk management techniques, research, trends and new or changing regulations that impact risk management. Regular process reviews are conducted in the business units to assess if risk management principles and processes are embedded. Group Risk engages regularly with business units to monitor the effectiveness of risk management, and Group Risk is represented at all Pillar Manco meetings to ensure that ERM receives the necessary attention.

The effectiveness of risk structures and practices is assessed across several structures on an ongoing basis. These include the annual Group risk attestation by the Chief Risk Officer, for the GRCMC and Board, to affirm that Sasfin has a fit-for-purpose ERM framework in place. A crisis simulation test was planned for 2021; however, discussions are still in progress to confirm the timing and the requirements in conjunction with the third-party service provider and will be aligned to regulatory guidelines.

Group Internal Audit conducts ad hoc reviews of Group Risk, and their findings are remedied and implemented into risk processes and functions. Internal Audit conducted a review of Group Risk, the Internal Capital Adequacy Assessment Process (ICAAP), and Capital and Stress Testing model review, all of which were rated satisfactory.

The Frankfurt School of Business, as part of FMO's Nasira programme commitment 'Internal Capacity Building on Risk Management for Micro and SME Lending', reviewed Sasfin's relevant risk policies and assessed that our Enterprise Risk Management Framework was "exceptionally well documented and meets international best practice".

All business units complete an annual business partner survey to assess the effectiveness of the risk function in the Group.

Site visits are conducted by the Prudential Authority to review the effectiveness of Group risk policies, frameworks and processes, including applicable governance structures. Formal feedback is provided to the Board and relevant committees. Several on-site visits were conducted during 2021 with the Prudential Authority, with the key meetings from a risk perspective being:

- A CRO prudential meeting: overview of Group Risk structures, strategic objectives, processes and policies
- A Risk Data Aggregation and Risk Reporting (RDARR) status update meeting
- A recovery plan prudential meeting following a review of the plan submitted
- A graph discussion meeting providing feedback on BA return submissions

RISK APPETITE

The Board defines the Group risk appetite and risk tolerance, which are formalised in risk appetite statements and relevant metrics, and further broken down into measurable tolerance levels. Quantitative risk appetite statements and measurable tolerance levels are in place for credit, market, investment, funding and liquidity, capital management, operational and business risks.

The risk appetite considers risk and capital management, which are embedded into the forecasting process and incorporated in stress testing. It is assessed in the context of a range of criteria, including relevant market analysis, market liquidity and business strategy, and informs business unit targets and risk acceptance/tolerance limits. The Board risk appetite is reviewed at least annually to ensure that risk tolerance levels are appropriate and complete.

Performance against the Board risk appetite is monitored by Group Risk on an ongoing basis and, in the event that the risk appetite is breached, it is immediately escalated to the GRCMC and Board. Adherence to the Board risk appetite is monitored quarterly by the GRCMC and Board.

The rectification of the ongoing breaches in the ROE and cost-to-income ratios remain a strategic priority of the Group. Costs have been tightly controlled but will be harder to reduce further in the medium-term, so the current focus is on revenue growth. Management is continuing to carefully monitor the impact of Covid-19 and the weak economy on the credit quality of the Group's loans and advances. Refer to the Group CEO and Group FD report on page 21.

More information can be found on page 68.

PRIORITIES IN 2021

Responding to Covid-19

Group Risk was involved in the Group's Covid-19 task team and conducted regular and robust stress testing, including back testing, to understand the impact of the pandemic. We monitored and reported the nature of risk incidents and revised risk assessments to add identifiable new risks. We also delivered ongoing training and awareness such as fraud risk in the working from home scenario.

Continuously improving risk management processes, modelling and reporting

Sasfin's risk and management reporting is being significantly enhanced with the development of an enterprise data warehouse, which has an initial focus on credit and market risk reporting capabilities to provide accurate and effective information. The remaining eight risk types have been included in the scope of the RDARR project. Isometric dashboards have been developed and implemented for automated risk reporting.

Our quantitative risk and analytics team proactively models risks emanating from Sasfin's business and ensures that they are optimised, supporting improved modelling of governance and oversight, financial risk analytics, forecasting and stress testing. A model risk policy and model validation standard ensure that models are used appropriately and can be relied upon to produce the correct outputs. A Group model lifecycle management process was approved to strengthen the model governance framework of the Group and ensure that all the models in the Group receive the appropriate level of review and oversight prior to their use by the business.

The introduction of the standardised measurement approach in terms of Basel III will fundamentally change operational risk capital requirements, and we continue to assess the impact in conjunction with banking industry associations. While there remains room for improvement in the reporting of certain risk types, reporting has been enhanced and automated to ensure more accurate and up to date availability of data. The PA has delayed the implementation of the new requirement to January 2023.

Revising the business continuity management strategy

The Group revised its business continuity management (BCM) strategy with consideration to the remote working solution, backup of data requirements and budget considerations. As a result, we terminated the agreement with our offsite BCM provider in September 2020 following the significant enhancement to the Group's work from home capabilities as the primary business continuity strategy now adopted, which resulted in cost savings to the Group.

FOCUS FOR 2022

- Further improve the maturity of risk management in the Group
- Develop an experienced, cross skilled risk team that is proficient in analysing data in the enterprise data warehouse and recognised as adding value to the Group.
- Continuous focus on improving risk modelling, monitoring and reporting.

KEY RISKS AND OPPORTUNITIES

The impact of the extended Covid-19 pandemic on the structurally weak economy and continued political uncertainty create challenging macroeconomic conditions that affect Sasfin directly and also increase risk through their consequences for our client base, the economy and society.

The Group invoked its business continuity management plan at the onset of Covid-19, and employees were able to work remotely from the safety of their own homes. Remote working risks arising from the changes in the control environment relative to operational risk, legal and regulatory risk, information security and technology risks as well as outsourcing and third-party arrangements. Risk and control assessments were conducted and the necessary assurance provided that additional controls have been implemented where required to manage identified risks within the risk appetite tolerance of the Group.

The Covid-19 pandemic has also raised model risk due to the extreme economic movements, particularly the GDP estimates, which heavily impact IFRS9 provisions. While more difficult to quantify, the pandemic has also affected the physical and mental wellbeing of our employees.

The ongoing deterioration of the Government's fiscal position has restricted the National Treasury's ability to provide support for the Land Bank. Unfortunately, Sasfin has had to take impair its exposure to the Land Bank, through the bills that were held as part of our liquidity management when these were classified as high quality liquid assets. Refer to the Group CEO and Group FD review on page 21 for more insight.

Cyber risk remains top of mind, especially with the coordinated cyberattacks over the past year. Sasfin continues to strengthen its defences and to educate our employees on the inherent risks. Sasfin Wealth has also provided webinars to help inform its client base of the ongoing threat.

The ongoing internal structural reforms aimed at simplifying the Group structure, the redemption of Sasfin's preference shares and the ongoing reduction in private equity investments and associated investments has contributed to a reduction in overall risk.

Top 10 risk themes

Sasfin's top 10 risk themes are described below, along with their potential impacts and opportunities, residual risk ratings, the Board committees that provide oversight, and Sasfin's level of control over the risk. We also include key developments in how the risk is managed and whether we expect the risk to increase or decrease over the short term.

In addition to these top 10 risks, which are constantly reviewed, much work was done on Human Capital risk in the year under review. While staff attrition remained low, there is a concern that as we emerge from the pandemic, the risk of not being able to retain talented employees and specialised skills will increase. This remains a key focus area of the executive team, Human Capital department and Group Risk.

1. CREDIT RISK

Risk description and potential impact

The risk of financial loss resulting from a client's failure to meet a contractual obligation. This includes concentration, credit default, counterparty/settlement and securitisation risk.

Improper credit risk management reduces the Bank's profitability, affects the quality of its assets and increases credit losses and non-performing loans, which may eventually lead to financial distress.

Opportunities arising from managing this risk

Credit risk management aims to maximise the risk-adjusted rate of return by maintaining credit risk exposure within acceptable parameters.

Increased credit risk awareness facilitates better operational and strategic decision-making across the Group.

Year-on-year movement Decreased	Anticipated short-term trend Decreasing
Risk rating[1]	Level of control Medium
	Board oversight CLEC

[1] *Risk ratings indicate the residual risk as at 30 June 2021 after considering the adequacy and effectiveness of any controls*

Key developments in 2021

- Credit risk of our loan and advances book initially increased as the individual client credit quality deteriorated due to the impact of Covid-19. This was mitigated by tightening the credit appetite, increasing our impairment provisions and through our participation in the SARB Covid-19 loan guarantee scheme.
- The loan and advances book subsequently improved, and non-performing loans are within the Board Risk appetite.
- Sasfin has also been able to mitigate its credit risk while expanding its lending capabilities through the credit and technical support provided by FMO's Nasira program, which supports financing for inclusive growth, job creation, sustainable development, and Covid affected business (see page 58)
- Significant progress made on the RDARR project will improve the quality of data and reporting
- We have introduced a credit scorecard for smaller deals which will enable a better client experience as well as providing additional credit data
- We have significantly enhanced our IFRS9 modelling process this year, notwithstanding an increase in modelling risk, due to the effect of the Covid-19 pandemic on macroeconomic variables

Refer to material matters on page 10, and the Group CEO and Group FD review starting on page 21.

2. MARKET RISK

Risk description and potential impact

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 such as interest rates and exchange rates.

Market risk affects our financial performance. The performance of equity markets also impacts the Wealth Pillar through the fees earned on assets under management, administration and advisement.

Opportunities arising from managing this risk

We operate within a tightly controlled market risk appetite. However, the increased market volatility does provide additional opportunities for certain business units.

Year-on-year movement Decreasing	Anticipated short-term trend Stable
Risk rating	Level of control Medium
	Board oversight GRCMC

Key developments in 2021

- The Rand continued to recover following the significant losses due to Covid-19
- The process of managing market risk relies on the use of models, and information on how we improved modelling and forecasting, and progressed the digitisation of the risk function, is on page 68
- Significant progress made on the RDARR project which will also improve the quality of the data and reporting
- Closing Sasfin Asia and moving the foreign trade finance business onshore has also reduced our market risk exposure

Refer to material matters on page 10, the Group CEO and Group FD review starting on page 21 and the Pillar performance reviews starting on page 34.

High Medium-high Medium-low Low

3. FUNDING AND LIQUIDITY RISK

Risk description and potential impact

The risk that the Group may not have, or is unable to generate, sufficient funding or cash resources to meet its short- and long-term obligations immediately as they fall due.

Funding and liquidity risk has played a key role in all historical banking crises.

Opportunities arising from managing this risk

Managing this risk represents an opportunity to enhance returns and improve product pricing through granular measurement of funding and liquidity costs of individual transactions and products.

Year-on-year movement	Anticipated short-term trend
Stable	Increasing
Risk rating	Level of control Medium
	Board oversight Asset and Liability Committee (management committee) reporting to the GRCMC

Key developments in 2021

- A funds transfer pricing model is in place to charge business units a more accurate cost of funding
- The credit downgrade and default by the Land Bank of its payment obligations (refer page 31)
- We continue to monitor the Covid-19 impact on the credit matrix of our securitisation vehicle, and we raised the trigger levels to mitigate the increase in credit risk
- An Internal Liquidity Adequacy Assessment Plan (ILAAP) is being developed to ensure all liquidity risks are managed in a holistic manner and appropriately aligned with regulatory requirements

Refer to the Group CEO and Group FD review starting on page 21.

4. CAPITAL MANAGEMENT RISK

Risk description and potential impact

The risk of the Group's capital position falling outside of the range required to support its strategic aims.

This can lead to a breach of regulatory requirements and inadequate capital in respect of all risk exposures.

Opportunities arising from managing this risk

Effective capital risk management protects the capital of the Group, avoids financial distress and maintains financial performance within the bounds acceptable to shareholders while optimising financial performance by reducing the cost of capital.

Year-on-year movement	Anticipated short-term trend
Decreased	Stable
Risk rating	Level of control Medium
	Board oversight GRCMC

Key developments in 2021

- Explored potential forms of capital-enhancing debt funding, reduced relative exposure to private equity, reduced intangible assets, redeemed the preference shares and simplified the Group structure
- Continued emphasis on balance sheet management
- The Land Bank impact has been reviewed and the CAR remains comfortably above requirements
- The CAR ratios continued to improve throughout the financial year, in line with our strategy to mitigate the Covid-19 effects

Refer to material matters on page 10 and the Group CEO and Group FD review starting on page 21.

5. REPUTATIONAL RISK

Risk description and potential impact

The risk of impairment of the Group's standing.

Reputational damage can have far-reaching consequences, including lost revenue and clients, increased operating costs, capital or regulatory costs and the erosion or destruction of shareholder value. Extreme cases can even lead to bankruptcy.

Opportunities arising from managing this risk

The effective management of reputational risk across social media platforms provides an understanding of what competitors are dealing with and how they react. This can create opportunities to anticipate potential emerging risk issues. Proactive communication can ensure that stakeholders understand how we impact local communities and society through our culture and core values.

The positive correlation between the investment performance of Sasfin Wealth and the inflow of funds.

Year-on-year movement	Anticipated short-term trend
Decreased	Stable
Risk rating	Level of control High
	Board oversight GRCMC and SEC

Key developments in 2021

- Support provided to entrepreneurs to navigate Covid-19 through a video series in partnership with SME Africa
- Granting of payment holidays to help our clients through these difficult times and the provisions of additional funding to clients through our participation in the SARB Covid-19 loan scheme
- Sasfin BCI Flexible Income Fund won the Raging Bull award for the best South African multi-asset income fund over three years, for the third year running
- Wealth Investment Oversight Committee continued to review the investment performance of the various portfolios
- In all areas of our business, we continued to monitor our operations in term of the principles of treating customers fairly

6. OPERATIONAL RISK

Risk description and potential impact

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

Among the various risks facing organisations, operational risks are regarded as being the most important because they can be large, unexpected and pervasive.

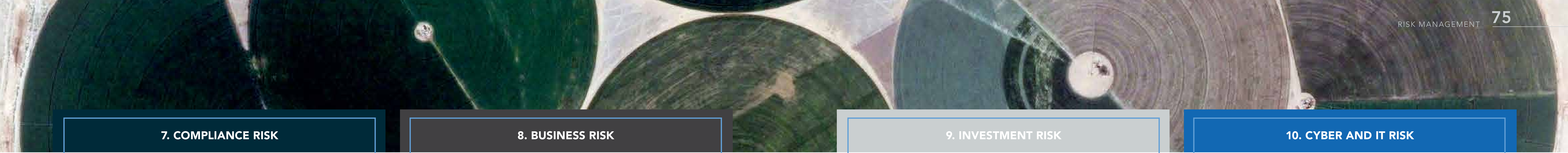
Opportunities arising from managing this risk

Managing this risk can lead to better, more effective and more reliable operations, which can reduce losses from damages, threats, illegal activities and exploits. It can also lower the cost of compliance, improve capital deployment and enhance the client experience.

Year-on-year movement	Anticipated short-term trend
Increased	Increasing
Risk rating	Level of control High
	Board oversight GRCMC

Key developments in 2021

- Ongoing enhancements to the risk management system
- Revised the business continuity management strategy and requirements
- Increased focus on process reviews to proactively identify potential control failures
- Enhanced our reporting and dashboard capability
- Risk assessment reviews completed and updated for all business units and key projects



7. COMPLIANCE RISK

Risk description and potential impact

The risk of sanctions because of non-compliance with laws, regulations and internal governance requirements.

This can lead to financial penalties and fines and/or the loss of our banking licence.

Opportunities arising from managing this risk

Compliance practices provide greater clarity and confidence around the regulatory risk framework and our ability to manage regulatory change. They can also identify process improvement opportunities to ensure the effective and consistent management of compliance and regulatory obligations.

Year-on-year movement Increased	Anticipated short-term trend Stable
Risk rating	Level of control Medium
	Board oversight DANC

Key developments in 2021

- The Prudential Authority issued guidance on IFRS9 application and dividend and bonus payments within the context of Covid-19
- The introduction of POPIA – its compliance remains a focus as efforts continue to ensure that the Group meets the required compliance

Refer to material matters on page 10 and the compliance review on page 96 for further detail.

8. BUSINESS RISK

Risk description and potential impact

The probability of losses or reduced profits arising from the Group's strategic direction and execution or environment (such as competition and adverse economic conditions).

This could result in the inability to provide investors and shareholders with adequate returns.

Opportunities arising from managing this risk

The ability to manage business risk successfully, ensures that Sasfin is able to make confident future business decisions. It can further minimise financial losses, lost time and productivity and enhance the client experience. A successful strategy ultimately enhances shareholder value.

Year-on-year movement Improved	Anticipated short-term trend Stable
Risk rating	Level of control Medium
	Board oversight GRCMC

Key developments in 2021

- Continued weak economic growth in the country and increasing Government debt
- Covid-19 led to a significant increase in business risk with a material impact on income, as demand for our financial products reduced combined with lower interest rates, credit appetite and increased impairments and provisions. This improved over the course of 2021
- While work from home has been a great success, load shedding has had a significant impact on people working remotely
- Progress has been made with streamlining the Group's structure

Refer to the performance against the 2020 strategy, starting on page 26.

9. INVESTMENT RISK

Risk description and potential impact

The risk of adverse changes in the value of an investment in a company or fund.

Investment risk management can reduce or augment the risk exposure depending on the goals of investors and portfolio managers.

Opportunities arising from managing this risk

Investment risk management promotes consistent profits in variable market conditions and can reduce or augment risk exposure.

Year-on-year movement No movement	Anticipated short-term trend Stable
Risk rating	Level of control Medium
	Board oversight CLEC

Key developments in 2021

- The ongoing impact of Covid-19 affects the viability and valuation of all companies, including current and potential investee companies, and has a significant impact on local and global markets
- Strategic decision to reduce the Group's private equity exposure

Refer to the Group CEO and Group FD review starting on page 21 and the Sasfin Capital performance review on page 39 for more detail.

10. CYBER AND IT RISK

Risk description and potential impact

The potential for IT incidents to negatively impact the Group strategy and disrupt core business processes.

The risk of technology becoming outdated could result in lost business and decreased competitive advantage. Information security risk, including cyberattacks, could lead to business interruption, reputational damage and even fines and penalties.

Opportunities arising from managing this risk

IT risk management helps increase network security, reduces management costs, achieves greater compliance and supports readily available and comprehensive information for decision-making.

Year-on-year movement Stable	Anticipated short-term trend Stable
Risk rating	Level of control Medium
	Board oversight IT Committee and GRCMC

Key developments in 2021

- Enhanced work from home capabilities to support continued remote work and the new hybrid working model
- Cyber attacks increased significantly globally during Covid-19 and as a result of people working from home
- Strengthened employee awareness by continued cybersecurity training
- Introduced a new project management methodology, combined with streamlined project steering committees
- Focused on data quality

Refer to the information and technology review starting on page 52 for more detail.

COMBINED ASSURANCE 15

Sasfin's approach to combined assurance aims to create a holistic risk-based assessment of the Group's risk management, governance and control processes by combining the expertise of the Group's Risk, Compliance and Internal Audit departments together with the assurance provided by external audit.

The combined assurance framework makes provision for obtaining assurance regarding the effectiveness of the design and operation of the Group's organisational structure (risk, compliance, and financial and regulatory reporting). The framework informs the combined assurance model, which ensures appropriate levels of assurance over key risks and controls are provided by the right assurance partners at the right time to the right stakeholders.

KEY CHANGES IN 2021

- Following a review, combined assurance is co-ordinated by Group Risk with effect from April 2021
- A management assurance function was established under the Group Chief Operating Officer to assist business units in monitoring their first line of defence control responsibilities

GOVERNANCE AND MANAGEMENT OF COMBINED ASSURANCE

The GACC is responsible for ensuring that internal and external audits provide appropriate and effective assurance in respect of the Group's risk, governance and control environment.

Combined assurance follows a process that:

- Establishes common risk, control, rating and reporting frameworks across the four lines of defence
- Identifies the Group's principal risks and the key internal controls in place to mitigate these
- Maps the assurance provided by each party over those internal controls
- Allows the desired level of assurance to be determined to eliminate duplicate assurance and address control weaknesses

GACC

Responsible for the combined assurance framework and oversees its effectiveness. Group Internal Audit reports directly to the GACC quarterly. Group Internal Audit's annual report includes combined assurance mapping to key risks that impact the Group's strategic objectives and combined assurance over the Group's internal controls over financial reporting.

Executive Governance Committee

The committee monitors the governance and internal control environments. It oversees and authorises the implementation of combined assurance at an operational level. It reviews the combined assurance process to optimise the programme and ensures it remains relevant to the Group's objectives and operating environment. Group Risk, Group Compliance and Group Internal Audit report progress on the combined assurance model to the committee.

Combined Assurance Forum

This is a management level forum with representatives from the second and third lines of defence that reports to the Executive Governance Committee. The forum meets every six weeks to enhance collaboration and reduce duplication.

The work planned and completed by assurance partners is defined in an assurance map that provides a high-level overview of internal and external assurance to enable the GACC and the GRCMC to assess whether appropriate levels of assurance have been provided. The assurance map is refined as required to ensure that it remains relevant and current, and is subject to formal review on a regular basis.

Sasfin's combined assurance model comprises four lines of defence and enables ongoing monitoring of the framework's effectiveness.

Assurance is provided through self-assessment by the first (risk owners) and second (risk control) line functions, and the Group CEO assesses the performance of these first two lines of defence. The third and fourth lines of defence assess and report on the performance of the first and second lines of defence, and the GACC assesses the performance of the third and fourth lines of defence.

The assessment indicated an appropriate level of assurance was provided to the Board through the GACC and the GRCMC.

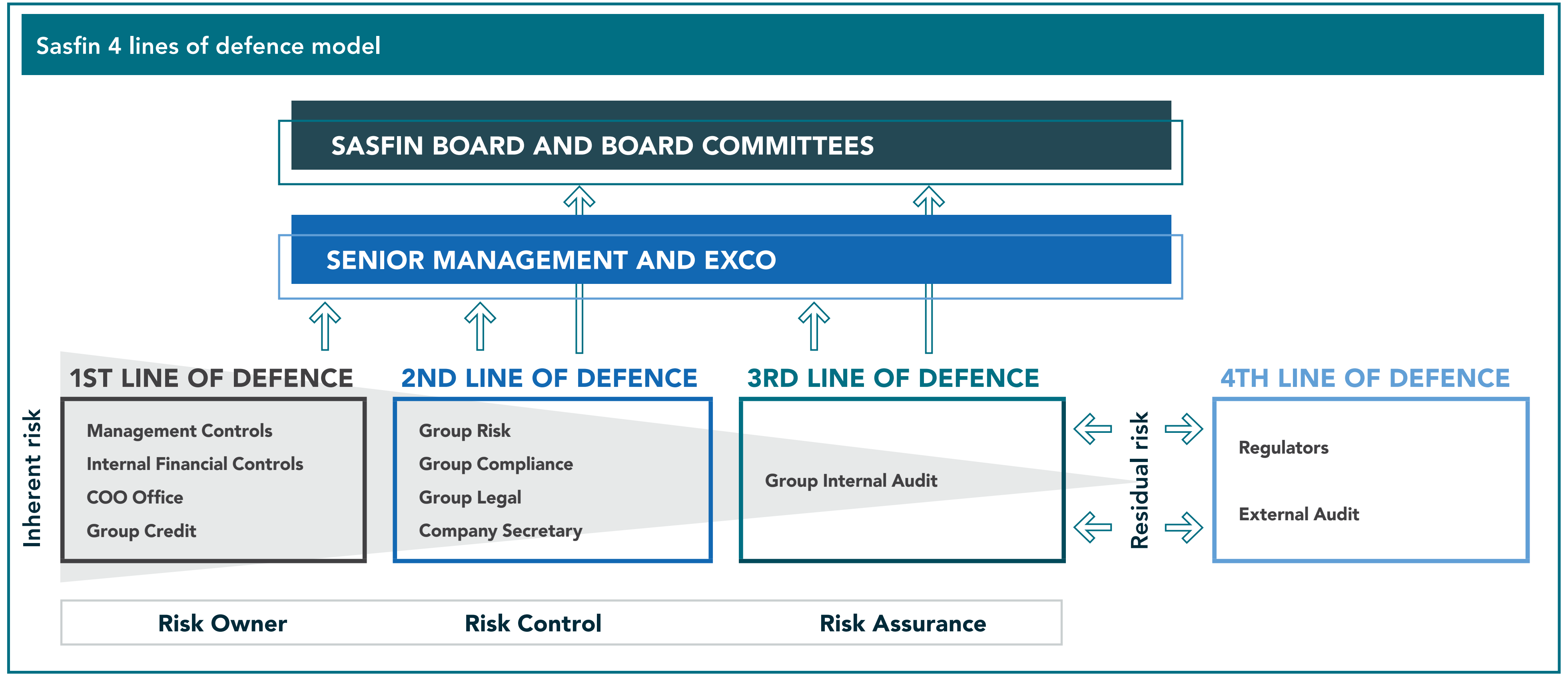
FOCUS AREAS IN 2021

The second- and third-line combined assurance functions successfully transitioned to remote working, albeit with some initial challenges, which we overcame through strong partnering relationships and regular communication.

A management assurance function was established under the Group Chief Operating Officer to assist business units in monitoring their first line of defence control responsibilities. Group Finance has further enhanced first line assessment in respect of internal financial controls, and the Finance Transformation and RDARR projects are enhancing data and information available for internal decision-making.

Good progress was made on standardising risk descriptions and measures, control environment assessments and reporting, and all internal assurance providers have adopted the Group Risk Rating Methodology. However, this remains an agenda item for the Combined Assurance Forum to drive further progress.

Internal audit continued to work closely with management to improve the internal control environment through the implementation of ongoing auditing processes, participation in projects (steering committees and/or providing project assurance) and working as a trusted business partner in giving stakeholders assurance over the state of internal controls and recommendations for improving the internal control environment.



Group Risk, Group Internal Audit, Group IT and the office of the COO worked together to review the IT landscape and better understand Sasfin's inherent cyber risk. Continuous auditing using robotic process automation has been successfully introduced in the human capital and payroll spaces, and a continuous audit pilot, using robotic process automation testing of journal processing controls, will go live early in the 2022 financial year.

Recruitment of skilled and experienced employees to replace employees lost to attrition remains a challenge. However, we were able to recruit two new internal audit managers from Sasfin's CA(SA) Programme. We continue to use a co-sourcing arrangement for IT auditing resources and to conduct cyber-related and other financial modelling related audit work. We annually review our approach in this regard and consistently monitor the performance and cost-effectiveness of this resourcing method.

We will continue to embed and mature the combined assurance model, drive consistency across the lines of defence and improve the efficiency of assurance partner usage, while ensuring efficient allocation of resources in implementing these priorities. We will work closely with management to continuously improve the internal control environment.

FOCUS AREAS FOR 2022

- Driving continuous improvement in all lines of defence and building IT auditing and data analytics capacity in the team through recruitment and training
- Further maturing the combined assurance model by adding additional second line assurance providers, driving first line of defence involvement and involving the external auditor
- Considering opportunities for work integration between Group Risk and Group Internal Audit so that these units can rely on each other's work
- A review of the monitoring methodologies employed by the various assurance providers is planned. Recommendations for improvement and training will be provided, as necessary
- Complete the planned assurance partner cost review that was deferred from this past financial year
- Expand validation of auditing using robotic process automation in the financial year ahead

GOVERNANCE PRACTICES AND OUTCOMES

The Board recognises the direct relationship between good corporate governance and creating and preserving value for all stakeholders. It is the ultimate custodian of good corporate governance and leads the Group in its commitment to doing business ethically and with integrity.

Governance and value creation 1 2 6

The Board is the ultimate custodian of good corporate governance and leads the Group in its commitment to doing business ethically and with integrity. In this regard, we continue to be guided by the principles and practices recommended in the King IV™[1] report as well as the legal requirements pertaining to our business. We believe that there is a direct relationship between good corporate governance and creating and preserving value for all stakeholders, and therefore a simple compliance tick-box approach is not appropriate. The Board therefore takes ownership of and ensures that management are held accountable for living our values and displaying the behaviours that are required to realise our purpose: *to contribute to society by going beyond a bank to enable growth in the businesses and global wealth of our clients.*

We operate in a dynamic environment, which requires us to review and, where appropriate, adapt our governance practices to reflect changes in the social, operational and economic landscapes. From this review, the Board is comfortable that our governance practices are appropriate and suitable in the context of our business and the needs of our clients and other stakeholders, and that it supports our client-centric approach and entrepreneurial spirit without compromising adequate control and oversight.

THE BOARD 4 7

The Board reviews the Group's strategy on an annual basis in the context of execution, the prevailing macroeconomic dynamics, risks and opportunities, as well as the evolving social and regulatory landscape. In 2021 the Board took further steps to improve the balance of time spent on strategy by simplifying our governance structure to enhance accountability and risk management without compromising regulatory compliance and restructured the Board's annual work plan accordingly.

The Board is constituted in terms of the Company's memorandum of incorporation (MOI), and its functions and composition are determined by reference to the Board charter[2] (which is based on the recommendations in the King IV™ report), corporate governance principles for banks issued by the Basel Committee on Banking Supervision and relevant legal and listings requirements.

[1] *Sasfin's 2021 King IV™ application summary is on page 112.*
[2] *https://www.sasfin.com/investor-relations/.*

The regulatory environment and society in which we operate, as well as the broad array of financial products offered by Sasfin to a wide range of consumers, inform the specialist knowledge required by Board members to create value.

The office of the Chair of the Board and the Chief Executive Officer (CEO) is separate, with a clearly defined division of responsibilities to ensure a balance of authority and power. The CEO bears ultimate executive responsibility and is accountable to the Board. The roles of the Chair and Lead Independent Director are outlined in the Board charter. Sasfin's policy on the balance of power is articulated in the Board charter and forms part of the policy on the appointment of Directors and Executive Officers.

Board meetings include standing agenda items such as feedback on the key matters considered by Board committees, updates from the CEO on top-of-mind matters and key financial and strategic drivers of each business pillar. The Group Financial Director (FD) reports on the financial performance of the Group. At the start of each year, the Board identifies its top risks, and a quarterly risk deep dive is presented to assist the Board to assess and manage risk to ensure long-term sustainable development and growth. Additional quarterly focus areas include pillar business spotlights and strategic deep-dive reviews to evaluate progress against strategic goals.

The Board's top priorities in 2021

The Covid-19 pandemic required increased focus on:

- Monitoring the credit environment, including developments with respect to the Land Bank, credit risk and collections
- Further strengthening our capital, funding and liquidity
- Supporting society, our clients and the Sasfin community during the Covid-19 pandemic
- Ensuring continuous stakeholder engagement

The Board held 12 meetings during the period under review, including two strategy workshops to, among other priorities, deliberate strategic matters and attend to the execution of the repurchase of the Company's preference shares, for which purpose an Independent Board Committee[1] was appointed.

Other focus areas included:

- Reassessing and approving the Group's strategy
- Improving efficiencies in terms of legal structures and our business operating model
- Setting the key financial drivers to ensure a sustainable and scalable integrated business
- Increasing the Board's focus on succession planning, talent management and retention
- Consolidation and integration of business units to ensure streamlining and more effective client engagement
- The Future Way of Work strategy and model
- Monitoring progress and risks related to the Risk Data Aggregation and Risk Reporting project

Changes to the Board in 2021

New appointments

- Deon de Kock and Nontobeko Ndhlazi were appointed to the Board on 19 August 2020.
- Tapiwa Njikizana was appointed to the Board on 3 May 2021.

Resignations

- Thabang Magare resigned from the Board with effect from 21 June 2021 due to the increased demands of his external business commitments. Thabang, *inter alia*, served as a member of the Group Audit and Compliance Committee and the Information Technology Committee.

Upcoming retirements

- Roy Andersen will retire as Chair of the Board at the AGM on 25 November 2021 and intends to retire as a director upon the appointment of a new independent Non-Executive Director. Grant Dunnington will retire from the Board at the AGM on 25 November 2021, in compliance with Directive 4 of 2018 (issued by the PA).

Skills and experience added

Deon previously chaired the Board of Mercantile Bank. Deon brings extensive leadership and general management skills, business strategy and implementation experience, as well as retail, banking and retail financial services expertise.

Nonto has been the Group Chief Financial Officer of WIPHOLD since 2011. Nonto's financial planning, analysis and reporting skills, as well as her experience in risk management, strategy formulation and implementation, have strengthened the Board composition.

Tapiwa is currently an executive director of W. Consulting, and an independent non-executive director of the Lewis Group. Tapiwa is an experienced director and financial reporting specialist with extensive risk management expertise, and is a seasoned entrepreneur.

[1] *Members: Richard Buchholz (Chair), Deon de Kock, Grant Dunnington, Mark Thompson.*

BOARD OF DIRECTORS AT 30 JUNE 2021

ROY ANDERSEN[1] (73)

Independent Non-Executive Chair of Sasfin Holdings Limited, Sasfin Bank Limited and Sasfin Wealth (Pty) Ltd

CA(SA), Certified Public Accountant (Texas), Chartered Director (SA)

Appointed to the Board February 2011
Appointed as Chair 2013

DANC, REMCO, WIOC

Key experience and expertise

- Corporate governance
- Financial services
- Accounting and audit
- Leadership
- People and HR

RICHARD BUCHHOLZ (63)

Lead Independent Non-Executive Director

BCom, CA(SA)

Appointed March 2018

DANC, GRCMC, GACC, CLEC

Key experience and expertise

- Risk management
- Commercial banking strategy setting and execution
- Leadership
- Accounting and audit
- Corporate governance and compliance

DEON DE KOCK (66)

Independent Non-Executive Director

Executive programmes at the Business Schools of the University of Cape Town and Stanford University, California (SEP)

Appointed August 2020

DANC, REMCO, CLEC, GACC, ITC, GRCMC

Key experience and expertise

- Corporate governance
- Stakeholder relations
- Leadership
- Business strategy development and implementation
- Banking and financial services
- Risk management
- Technology and innovation
- People and HR

GUGU DINGAAN (45)

Non-Executive Director

PGDip (Accounting), Executive Development Programme, CA(SA)

Appointed March 2018

DANC, SEC

Key experience and expertise

- Accounting and audit
- Corporate finance, mergers and acquisitions, and investment experience
- People and HR
- Corporate governance

GRANT DUNNINGTON[2] (61)

Independent Non-Executive Director

BCom, Certified Associate of the Institute of Bankers, Executive Management Programme

Appointed February 2010

DANC, GACC, REMCO, CLEC, GRCMC

Key experience and expertise

- Banking and financial services
- Risk management
- People and HR
- Corporate governance and compliance
- Leadership

NONTOBEKO NDHLAZI (46)

Non-Executive Director

BCom, Post Graduate Diploma in Accounting

Appointed August 2020

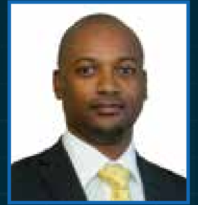
DANC, SEC

Key experience and expertise

- Accounting and audit
- Risk management
- Corporate governance
- Strategy formulation and implementation
- Leadership
- Financial reporting

[1] *Exemption from Directive 4 of 2018 (issued by the PA) granted by the PA until March 2023. As announced on SENS on 31 August 2021, Roy will retire as Chair of the Board at the AGM on 25 November 2021 and intends to retire as a director once a new independent Non-Executive Director has been appointed.*

[2] *Exemption from Directive 4 of 2018 (issued by the PA) granted by the PA until the Group's 2021 AGM. As announced on SENS on 31 August 2021, Grant will retire at the AGM on 25 November 2021.*



TAPIWA NJIKIZANA (45)

Independent Non-Executive Director

CA(SA)

Appointed May 2021

DANC, GACC, GRCMC

Key experience and expertise

- Corporate governance
- Financial reporting
- Accounting and audit
- Risk management
- Technology and innovation

ROLAND SASSOON (75)

Non-Executive Director

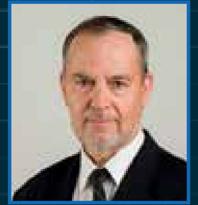
FCIS

Appointed January 2020

DANC, CLEC

Key experience and expertise

- Leadership
- Banking and financial services
- Credit management
- Risk management
- Securitisation and mergers and acquisitions



MARK THOMPSON (68)

Independent Non-Executive Director

BCom, LLB, BAcc, CA(SA)

Appointed June 2019

DANC, GACC, CLEC

Key experience and expertise

- International business and finance
- Accounting and audit
- Investment Banking and Treasury
- Financial reporting
- Risk management
- Leadership
- Corporate governance and compliance

EILEEN WILTON (62)

Independent Non-Executive Director

BCom, HDip in Education, PG Dip in Digital Business, Certificate in Cybersecurity

Appointed August 2019

DANC, REMCO, ITC, SEC, GRCMC

Key experience and expertise

- Leadership
- People and HR
- Risk management
- ESG
- Corporate governance
- Stakeholder relations
- Technology and innovation
- Business and digital strategy development

SHAUN ROSENTHAL (57)

Alternate Non-Executive Director

CFA, B.Bus.Sci, CA(SA)

Appointed August 2018

DANC, ITC, GRCMC, GACC, CLEC, WIOC

Key experience and expertise

- Business strategy development and implementation
- Asset management, treasury management and stockbroking
- Risk management
- Corporate finance, mergers and acquisitions, and investment management
- Corporate governance

MICHAEL SASSOON (39)

Executive Director and Group Chief Executive Officer

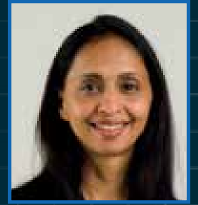
BCompt, MBA

Appointed October 2015

CLEC, ITC, SEC

Key experience and expertise

- Leadership
- Business strategy development and implementation
- Banking and financial services
- Risk management
- People and HR
- Wealth management
- Corporate governance



ANGELA PILLAY (46)

Executive Director (Group Financial Director)

MCom, Executive Leadership Course, CA(SA)

Appointed March 2018

CLEC, GRCMC

Key experience and expertise

- Leadership
- Banking and financial services
- Strategy implementation
- Accounting and audit, financial reporting
- Risk management

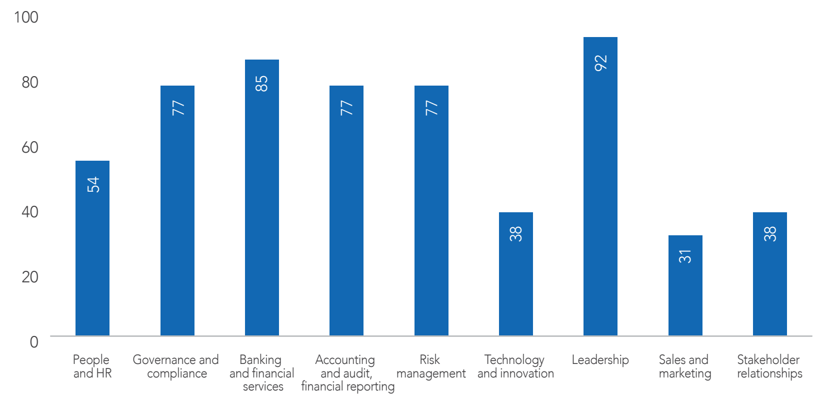
* *Short profiles of each Director's qualifications and experience are available on Sasfin's website.*

BOARD PROFILE

The Group's broad range of financial products and services requires a diverse Board with different perspectives, and specialist knowledge sets to evaluate and support Sasfin. To drive the appropriate strategy and create value for all stakeholders into the future, the Board, with the support of the DANC, assesses the appropriate mix of skills and experience of Directors. We are confident that the composition of the Board has the right balance of skills, experience and diversity of perspective needed to fulfil our fiduciary responsibilities and to provide the necessary oversight over both the development and implementation of our strategy. The Board, as a collective, is well equipped to guide and drive Sasfin into the future and to create value.

On 30 June 2021, the Board comprised 13 members. The size of the Board is primarily determined by the requirements of the banking industry. Four of the Board committees are statutory in nature and maintain adequate levels of independence in terms of their constitutions.

Key expertise (%)



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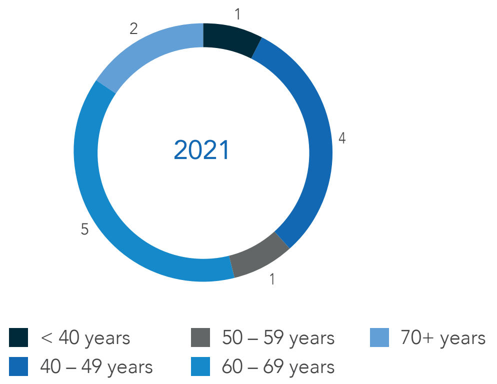


RETIREMENTS AND APPOINTMENTS

Retirement

In accordance with Directive 4 of 2018 (issued by the Prudential Authority (PA)), no director may serve on the Board for more than nine years. The PA granted an exemption to Roy Andersen to continue to serve and be considered an Independent Non-Executive Director until March 2023; however, Roy has indicated that he will retire as Chair at the AGM on 25 November 2021. Roy will retire as a director upon the appointment of a new Independent Non-Executive Director. Grant Dunnington will also retire as a Director at the AGM in compliance with Directive 4 of 2018.

Over the past two years, the Board considered and managed continuity of the Board and succession in anticipation of the retirement of Roy and Grant. As a result, the Board has identified Deon de Kock as the new Chair, with his appointment effective from 25 November 2021. Deon joined the Board as an Independent Non-Executive Director in August 2020. Given Deon's previous experience, including having previously been a Chair of another South African bank, in-depth induction programme, and the time invested by Deon over the last year on understanding Sasfin's business, the Board is comfortable that he will move seamlessly into the role of Chair.

Appointments

The DANC assisted the Board to identify suitable candidates to be proposed for appointment to the Board, taking into consideration the Board's succession plan and skills profile. Potential candidates for appointment are identified through the Board's existing networks. The selection process for new Directors includes reviewing whether the candidate is a 'fit-and-proper' person who possesses the required knowledge, appropriate skills, experience and soundness of judgement to discharge his/her fiduciary duties, consistent with the nature, complexity and risks inherent in the activities and the businesses of Sasfin. Regulatory approval is obtained for Board appointments with due consideration of other directorships and potential conflicts of interest.

Deon de Kock, Nontobeko Ndhlazi and Tapiwa Njikizana were appointed following the DANC's assessment that the Board's expertise should be supplemented in the areas of technology and IT, retail, sales and marketing, people and human resources experience. Although the Board has gone through significant change during the last two years, the newly appointed directors bring meaningful skills and experience to the Board.

DIVERSITY

The Board is also cognisant of the need to achieve balance in terms of race, age and gender diversity and has set targets for its composition – 35% black directors and 35% female directors. However, we failed to meet these targets at 30 June 2021, achieving 30% for both female and black representation. Although two out of the three appointments made by the Board were black candidates and one is a woman, the resignation of Thabang Magare during the 2021 financial year, and the resignation of three female directors the year before, impacted the achievement of our targeted composition. The Board remains committed to reaching the agreed diversity targets and continues to prioritise the recruitment of candidates from diverse backgrounds.

INDEPENDENCE AND TENURE

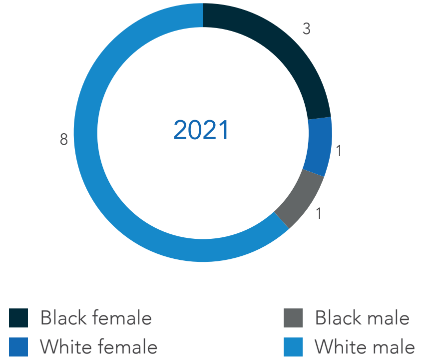
The independence of directors is assessed prior to their appointment and continuously during their tenure.

The Board is satisfied that appropriate processes are in place for assessing the independence of Non-Executive Directors, which include:

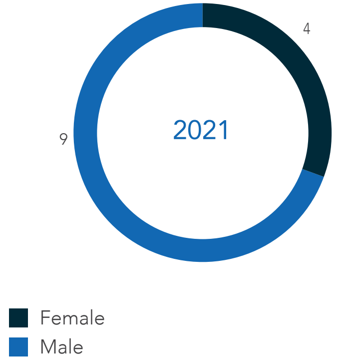
- Annual independence assessments of individual directors by the DANC, and as part of the Board evaluation assessment and peer review. The independence criteria outlined in the King IV™ report are applied as a guideline.
- Declarations of any interests (annually and as and when changes occur).
- During 2021, the Company Secretary performed an independent assessment on the independence of Directors who have been in office for longer than nine years.
- Should a Director wish to take on additional commitments, they are required to discuss and agree this with the Chair before they do so, to ensure that these commitments do not present a potential conflict of interest that would affect the Director's ability to exercise their fiduciary duties.

Based on the recommendation of the DANC, the Board concluded that the Independent Non-Executive Directors meet the criteria for independence, and that no conflicts of interest exist which are likely to affect, or could appear to affect, the objectivity of the directors.

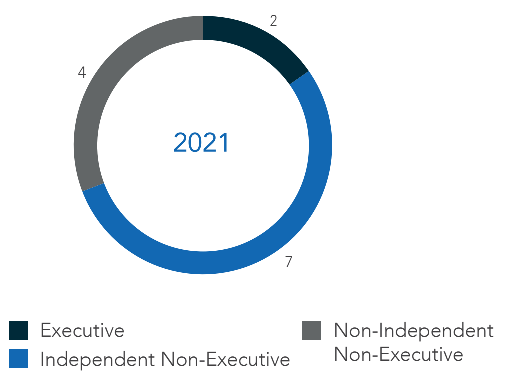
2021 Board demographics
30% black (Target 35%) (2020: 27%)



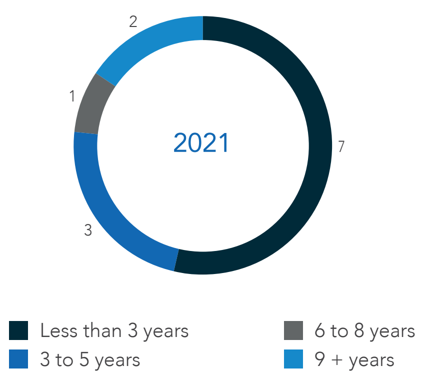
2021 actual gender representation
30% women (Target 35%) (2020: 27%)



Independence



Board Tenure



INDUCTION AND DIRECTORS' PROFESSIONAL DEVELOPMENT

New Directors undergo an induction programme aimed at facilitating their understanding of the Group, their responsibilities as Directors and the business environment and markets in which the Group operates. In addition, they attend onboarding briefings with the Chair, CEO and management to provide an overview of the business.

The DANC identifies and recommends relevant interventions to ensure professional development, including briefings, training and updates relating to regulatory, business or operational matters, and Directors attend training on a periodic basis. Training and information sessions were presented on key concepts of digital, technology and banking trends, the South African banking and SME landscapes, as well as on conduct standards for banks.

THE BOARD'S PERFORMANCE AND EFFECTIVENESS

Although good governance guidelines are in place, we believe that respect, trust and candour are important and inseparable elements to building an involved and effective Board.

The Board is required to perform an independent review of its performance and effectiveness every third year. This year, a self-assessment review was conducted to assess the overall performance of the Board, individual Directors, Board Committees, the Chair and the Group Company Secretary.

The results indicated that the Board operates effectively with the necessary leadership, skills and expertise, underpinned by a culture of transparency, unity and trust. The Board has a good mix of skills, and directors are committed to their responsibilities. Board members agreed that they were able to discharge their duties during the continued nationwide lockdowns and, although they acknowledged the benefits of virtual meetings, they identified the need for in-person meetings in future to facilitate breakthrough discussions, such as strategy workshops.

The Board Chair was acknowledged for his strong leadership, experience, knowledge and focus, and the Board agreed that all the directors' skills and experience are being properly applied to the various issues that come before it.

Following the areas of improvement identified in 2020, a working group was appointed by the Board to re-assess the governance framework, work plans, Charters and agendas of the Board and its Committees. All recommended changes were successfully implemented. The outcome of the 2021 self-assessment review, as well as focus areas for 2022, are summarised below.

Positive feedback

- The Board plays a constructive role in setting the organisation's short-, medium- and long-term goals to realise its core purpose and values.
- The current focus areas of the Board are appropriate, given the needs of the business and the current industry environment.
- Board meetings are conducted in a manner that allows healthy debate, and rigorous and independent, yet collaborative decision-making.
- The Board is appropriately balanced to represent the interests of all stakeholders. The role of independent Directors is meaningful, and the Board is conscious of its responsibility to ensure that the interests of all stakeholders are balanced.
- The Board committees provide clear and specific guidance to the Board and assist it in the overall execution of its responsibilities.

Areas of focus for 2022

- Increasing oversight of critical strategic priorities and issues (threats and opportunities) for the next 12 – 24 months
- Enhancing the pipeline of potential successors for the CEO and other senior executive roles
- Ensuring that the Board spends sufficient time evaluating the strategic risks faced by the organisation
- Enhancing Directors' training on key matters relating to Sasfin's business

BOARD MEETINGS AND ATTENDANCE

In line with the Group's financial reporting cycle, Board and Committee meetings are held quarterly. Two strategy workshops were held in February and June, respectively. A number of unscheduled Board and Committee meetings were held to deliberate strategic matters and corporate opportunities as well as to attend to the execution of the repurchase of preference shares. Board attendance depicted in the table below includes unscheduled meetings.

		Sasfin Holdings Limited		Sasfin Bank Limited		COMMITTEES (^Member; #Chair)						
Director	**Designation and other public company directorships**	Attendance	%	Attendance	%	GACC	CLEC	GRCMC	IT	REMCO	SEC	DANC
Roy Andersen Appointed as a Board member in February 2011 and as Chair in March 2013	Independent Non-Executive *None*	12/12	100	4/4	100					^		#
Richard Buchholz Appointed March 2018	Independent Non-Executive *None*	12/12	100	4/4	100	^	^	#				^
Gugu Dingaan[1, 2] Appointed March 2018	Non-Executive *Distell Limited*	8/12	66.67	3/4	75						^	^
Grant Dunnington Appointed February 2010	Independent Non-Executive *None*	12/12	100	4/4	100	^	#	^		^		^
Deon de Kock Appointed August 2020	Independent Non-Executive *None*	11/11	100	4/4	100	^	^	^	^	^		^
Thabang Magare[1,2] Appointed December 2019 and resigned 21 June 2021	Independent Non-Executive *None*	8/11	72.72	2/4	50	^			^			^
Nontobeko Ndhlazi Appointed August 2020	Non-Executive	11/11	100	4/4	100						^	^
Tapiwa Njikizana Appointed May 2021	Independent Non-Executive *Lewis Group Limited* *(Non-Executive Director)*	2/2	100	1/1	100	^		^				^
Angela Pillay Appointed March 2018	Executive	12/12	100	4/4	100		^	^				
Michael Sassoon Appointed October 2015	Executive *Banking Association of South Africa* *(Non-Executive Director)*	12/12	100	4/4	100		^		^		^	
Roland Sassoon Appointed January 2020	Non-Executive *None*	12/12	100	4/4	100		^					^
Mark Thompson Appointed June 2019	Independent Non-Executive *Hudaco Industries Limited* *PPC Limited* *(Non-Executive Director)*	12/12	100	4/4	100	#	^					^
Eileen Wilton Appointed August 2019	Independent Non-Executive *None*	12/12	100	4/4	100			^	#	#	#	^
Alternate Directors												
Shaun Rosenthal Appointed August 2018	Alternate Non-Executive Director *None*	12/12	100	4/4	100		^	^				
Linda Fröhlich Appointed October 2013	Alternate Director Sasfin Bank (Executive) *None*	N/A		4/4	100							
Maston Lane Appointed March 2018	Alternate Director Sasfin Bank (Executive) *None*	N/A		4/4	100		^					

1 *Absence due to illness and/or bereavement.*
2 *All scheduled quarterly meetings attended.*

ETHICS AND CULTURE

The Board sets an ethical tone and operates with a strong culture of integrity and ethical competence, as evidenced by the findings highlighted by the external Board evaluation conducted in August 2020 as well as the 2021 Board self-evaluation. Sasfin's Code of Conduct provides clear objectives, standards and expectations for every Sasfin employee to ensure that their business strategy and behaviour align with the highest ethical standards and our values of "integrity, partnership, respect and greatness". Our leadership is seen to live the ethical values that are integral to our relationships with stakeholders, and this was particularly evident during the current challenging times when regular and consistent communication and engagement helped us to further embed our ethical culture. The Board holds management to account for ethical leadership through the linking of key performance criteria with ethical behaviour and values, a practice that is applied to all employees' performance contracts throughout the Group.

Board committees play an important role in monitoring risks and activities relating to organisational ethics and the governance thereof. The primary responsibility for ethics oversight and coordination rests with the Group Ethics Officer, although other functions such as Group Human Capital, Group Compliance, and the Group Company Secretary also play a role in the management of ethics-related activities.

The Board approves Sasfin's Purpose and Values as well as all Group policies relating to culture and ethics. Board committees play specific roles in promoting an ethical culture, ensuring healthy interaction within and between these committees takes place. This sets a visible ethical tone.

GRCMC

Monitors whether fraud and corruption risk mitigation is adequate and effective.

Monitors business and operation risks with due consideration of reputational matters.

DANC

Oversees the activities of Group Compliance, which include ethics oversight and coordination (whistleblowing hotline reporting, gifts policy, personal account share trading, fraud).

REMCO

Responsible for ensuring fair and competitive pay and practices and works with the SEC in this regard.

Reviews general HR and remuneration policies and terms and conditions of employment.

GACC

Oversees compliance with the provisions of the Banks Act and Regulations, to enable the preparation of returns and annual financial statements that are free from material misstatement, whether due to fraud or error. Mandated to undertake investigations (e.g. forensic or fraud).

SEC

Monitors the adequacy and relevance of ethics management (prevention of corruption, fraud, misconduct and reputational damage).

Sees that measures are in place to achieve a sustainable ethical corporate culture, including policies and procedures to support this goal.

Works with board committees to ensure ethical outcomes.

Ethics management

The Sasfin code of ethics and related policies are key components of Sasfin's commitment to the highest ethical standards of business and personal ethics in the conduct of our business.

Key codes and policies that guide the governance of ethics include:

- The Sasfin code of ethics, which is disseminated to employees and other stakeholders
- The anti-bribery and anti-corruption policy
- Sasfin's code of banking practice – a voluntary code that sets out the minimum standards for service and conduct, with regard to the services and products we offer to individuals and small business clients
- The treating customers fairly (TCF) policy aligns Sasfin's objectives to those embodied in the TCF principles, by ensuring that clients are treated fairly and that the TCF principles are integrated into all areas of the business to achieve the desired outcomes
- The whistle-blowing policy provides overall guidance for the reporting of concerns and encourages and enables employees to raise concerns through appropriate channels.
- The anti-market abuse policy, which ensures that the Group implements adequate controls to prevent it from being used to facilitate market abuse
- The market conduct policy
- The complaints policy, which outlines Sasfin's commitment to maintaining good communication and relationships with our clients

Strengthening our ethics in 2021

We continuously assessed the ways in which we work and do business to ensure that our behaviours are aligned to our purpose: *to contribute to society by going beyond a bank to enable growth in the businesses and global wealth of our clients.*

We reviewed and updated the Group's strategy to transform our culture and our society to be more purpose-led and deliberate.

Continuous training and awareness:

- Anti-bribery and corruption refresher training
- Procurement framework
- Communication regarding closed periods and the Sasfin policy on share trading.

We established clear ethical principles and guidelines to enable our CSR efforts.

Ethical leadership in 2022

We aspire to embed a values-centred culture that has a focus beyond financial performance and where risk is understood and managed. Sasfin, as a business and employer, must ensure that we proactively address ethical dilemmas and risks that arise from Covid-19 and the related economic distress. With new ways of work in our business and those of our stakeholders, new challenges and risks in terms of culture and ethical behaviour will emerge. Management is tasked to continuously monitor this through various governance structures, including the Executive Governance Committee and the Group Exco.

It is imperative for the Board, through the activities of the SEC, to monitor organisational ethics closely in the coming year to ensure that, despite the difficulties and challenges that the business may face, we do not stray from our ethical path in how we behave as a corporate citizen. The SEC appointed a Group Ethics Officer to ensure a more coordinated approach to actively manage our ethics performance.

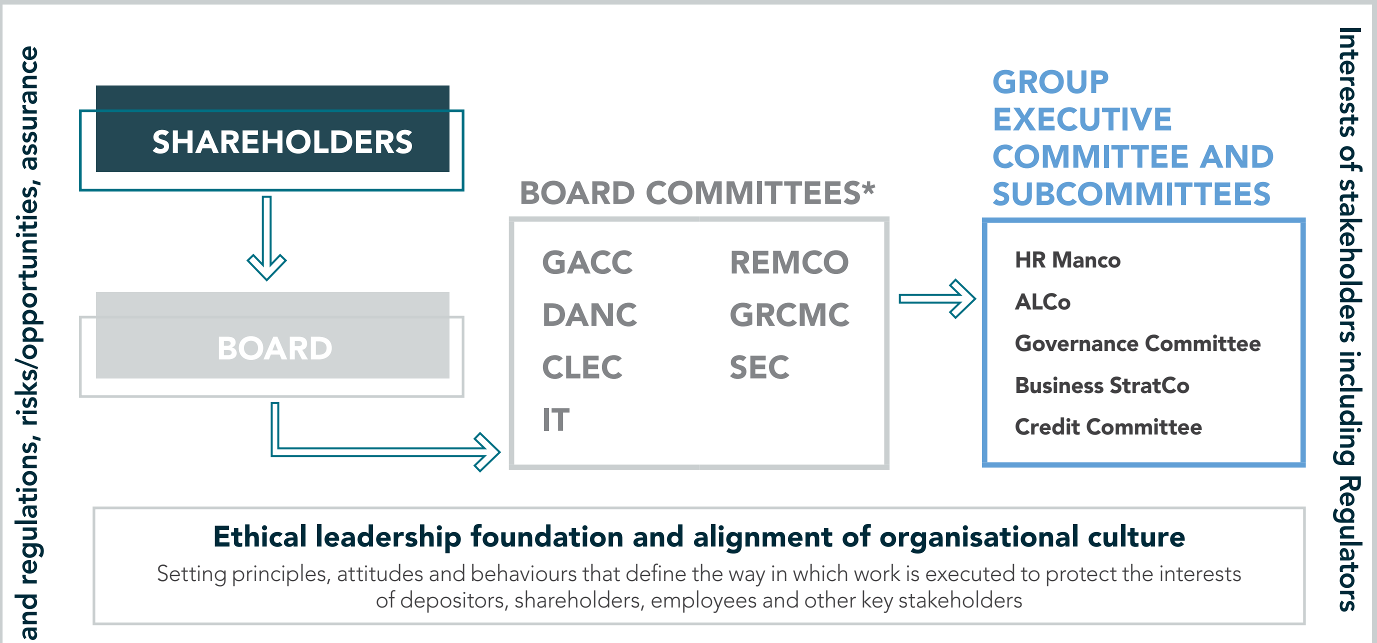
Governance framework

GOVERNANCE STRUCTURE AND PROCESSES

Our governance framework enables the proper allocation of authority and responsibility in terms of which Sasfin's business and affairs are carried out and provides clear guidance for our way of work. It defines the boundaries within which directors, management, employees and other stakeholders are expected to work and promotes an environment that supports compliance, clarity and accountability.

It further enables the decision-making process and allows the Board to monitor and oversee implementation and execution by management. This is particularly true regarding the execution of strategy, protection of the interests of depositors, shareholders and other key stakeholders, the alignment of organisational culture with integrity, and compliance with laws and regulations.

Our governance framework reflects the way the Group performs and is flexible enough to enable the fast-paced, innovative culture that is required to support our business and clients.



** changes in 2021*

- *CLEC mandate was amended.*
- *Capital Investment Committee (CIC) was dissolved, and its mandate was allocated to the CLEC.*
- *Oversight of compliance was allocated to the DANC.*
- *The Asset and Liability Committee (ALCo) Board Committee was re-constituted as a management committee (reporting to the GRCMC).*

** Refer to the committee overviews starting on page 89 for abbreviations.*

Key governance practices 6

- The majority of Non-Executive Directors are independent
- The policy on the balance of power is articulated in the Board Charter (available at https://www.sasfin.com/investor-relations/)
- There is a Board-approved policy on the appointment of Directors and Executive Officers
- The role of the Lead Independent Director is outlined in the Board Charter
- Annual independence assessments are performed
- Board and committee self-evaluations are conducted annually, with external evaluation every three years
- Annual written declarations of Directors' interests are obtained, and these are updated as and when changes occur; in addition, any conflicts are required to be declared at every meeting
- Board members' external directorships and time commitments are assessed annually
- A policy on independent professional advice is in place
- Policy governing share trading by directors and employees
- New Directors receive induction training, and there is a programme of continuous director professional development and training

The Board delegated specific responsibilities to Board committees as outlined in the Board and individual Board committees' charters. At its meeting held on 26 November 2020, the Board approved a set of Group reserved matters whereby key decisions that impact the Group are reserved for the Board, most notably decisions relating to:

- Strategy
- Policy, planning and structure
- Human capital management, including executive management selection, remuneration and succession planning
- Material contracts and capital expenditure
- External relations and reporting/disclosure
- KRIs, risk philosophy and Board risk appetite

DELEGATION OF AUTHORITY 4 10

The Board delegates specific roles and responsibilities to committees, which operate under approved charters. Committee members are selected according to their suitability in terms of skills, qualifications and experience.

Group Exco and management operate under a defined authority matrix designed to ensure effective collaboration, performance management, oversight and accountability. The subsidiary boards are responsible for the strategic direction and operational oversight over the Asset Finance, Business Banking and Wealth Pillars.

The Board-approved delegation of authority policy emphasises the empowerment of management and drives accountability through clear responsibilities. Individual business units have clear mandates in their respective areas, and specific responsibilities are delegated to Executive Directors and Officers. Managers are assigned individual responsibilities and mandates, a process managed by the Group Company Secretary.

Management Committees across all key areas ensure managerial oversight, integrity of information and key reports before they are submitted to the Board. The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

8

The Board committees support the Board in its governance role, and a summary of each committee's responsibility, meeting attendance and focus areas is set out on the pages that follow. Board committees report to the Board on all key matters and activities on a quarterly basis or as and when material issues arise. The Board is satisfied that the committees have fulfilled their responsibilities in accordance with their terms of reference.

The minutes of Board committee meetings are made available to all Board members. The Chief Risk Officer and Head of Compliance are permanent invitees to all committee meetings, apart from REMCO, which is attended only by the Chief Risk Officer.

Credit and Large Exposure Committee (CLEC)

Key responsibilities (established in terms of the Banks Act):

- Credit risk management policy and procedures
- Defining credit policy and guidelines
- Reviewing compliance with approved credit and investment policies
- Assessing and approving the Group's large exposures
- Approving new investments in, and reviewing Private Equity and Private Property Equity valuations

Conclusion:
The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Committee composition at 30 June 2021

Member	Appointed to committee	Meeting attendance
Grant Dunnington (Chair)	27/7/2010	15/15
Richard Buchholz	7/3/2018	13/15
Deon de Kock	19/8/2020	12/13
Maston Lane	28/5/2002	15/15
Magda Oosthuysen (Head: Credit)	20/2/2018	14/15
Angela Pillay	1/3/2018	13/15
Shaun Rosenthal	13/12/2017	15/15
Michael Sassoon	13/2/2014	15/15
Roland Sassoon	1/1/2020	15/15
Mark Thompson	21/6/2019	14/15
Stewart Tomlinson	14/2/2019	11/15

The committee held four scheduled quarterly meetings and eleven special meetings. All members attended the scheduled quarterly meetings which they were eligible to attend.

Key matters the committee focused on:

- Revising the CLEC charter to incorporate the mandate of the Capital Investment Committee
- Recommending an increase in the committee's mandate to approve large exposures, from R50 million to 9% of net qualifying capital, and to review the equivalent rand amounts semi-annually
- Recommending that the authority to determine and amend mandates of the Management Credit Committee and the Business Finance Credit team be delegated to the Executive Credit Committee
- Managing the risk profile of high-value clients and the total credit portfolio in a deteriorating economic environment
- Reviewing and considered the appropriateness and accuracy of impairments and, in particular, impairments for the Land Bank
- Overseeing credit risk during Covid-19 and approved applications for financing through the Government Loan Guarantee Scheme
- Reviewing the credit and investment risk appetite
- Reviewing the existing provisioning in respect of the Land Bank exposure and other SOEs
- Reviewing the breach trigger levels for the net default percentages in the SASP Series Notes

Directors' Affairs and Nominations Committee (DANC)

Key responsibilities:
- Evaluation of the adequacy, efficiency and appropriateness of the corporate governance structure and practices
- Overseeing Board directorship continuity
- Monitoring directors' responsibilities and performance
- Fulfilling the role of a Board nomination committee
- Statutory functions in terms of Section 64B of the Banks Act
- Monitoring the effectiveness and adequacy of the Group's Compliance activities

Conclusion:
The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Committee composition at 30 June 2021

Member	Appointed to committee	Meeting attendance
Roy Andersen – Chair	8/9/2011	4/4
Richard Buchholz	7/3/2018	4/4
Deon de Kock	19/8/2020	4/4
Gugu Dingaan	7/3/2018	3/4
Grant Dunnington	2/9/2010	4/4
Thabang Magare[1]	19/12/2019	2/4
Nontobeko Ndhlazi	19/8/2020	4/4
Tapiwa Njikizana	13/5/2021	1/1
Shaun Rosenthal	13/12/2017	4/4
Roland Sassoon	1/1/2020	4/4
Mark Thompson	21/6/2019	4/4
Eileen Wilton	6/8/2019	4/4

[1] *Resigned 21 June 2021.*

The committee held four scheduled meetings.

Key matters the committee focused on:
- Assessing the Directors' continuity and the Board's succession plan, as well as compliance with Directive 4 of 2018 issued by the PA
- Overseeing and monitoring the Group's compliance activities, including treating clients fairly, anti-money laundering, combating the financing of terrorism and sanctions compliance levels, as well as inspections by regulators
- Approving and oversaw the Group's compliance monitoring plan
- Taking steps to address areas for improvement as identified in the 2020 Board evaluation, including a review of Board committee structures and functions, as well as recommendations to refocus the Board's agenda and work plan to allow the Board to spend more time on matters relating to strategy

Group Audit and Compliance Committee (GACC)

Key responsibilities:
- Managing all aspects relating to the relationship with the external auditors and assessing their independence and effectiveness.
- Assisting the Board to ensure that internal control systems, accounting practices and policies, information systems and auditing processes are in place and operating effectively
- Assisting the Board in ensuring compliance with its duties in terms of section 64 of the Banks Act
- Review of the Interim, Annual Financial Statements and the Integrated Report and recommending same to the Board for approval
- Overseeing and monitoring the independence and performance of the Group Internal Audit function and the Head of Internal Audit, and approving the internal audit plan and strategy

Conclusion:
The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Also, refer to the GACC report in the Annual Financial Statements on pages 3 to 6.

Committee composition at 30 June 2021
Independence of Committee: 100%

Member	Appointed to committee	Meeting attendance
Mark Thompson (Chair)	21/6/2019	7/7
Richard Buchholz	7/3/2018	7/7
Deon de Kock	19/8/2020	7/7
Grant Dunnington	29/7/2013	7/7
Thabang Magare[1]	27/1/2020	6/7
Tapiwa Njikizana[2]	13/5/2021	1/1

[1] *Resigned 21 June 2021.*
[2] *Appointed 3 May 2021.*

The committee held seven scheduled meetings.

Key matters the committee focused on:
- Approving the 2021 external audit plan and scope of work
- Evaluating the external auditor's independence and effectiveness
- Monitoring actions taken by management to address internal and external audit findings, including the appropriateness and adequacy thereof where relevant
- Reviewing and monitored actions taken by management to address regulatory audit findings and concerns around the regulatory reporting function
- Assisting the Board with the appointment of a new Head of Internal Audit
- Monitoring the impact of the Covid-19 pandemic on the internal control environment and financial results, and in particular overseeing credit risk with the support of the CLEC
- Overseeing the formalisation and enhancement of the financial and regulatory reporting controls, including the internal financial controls process and attestations by CEO and FD
- Approving the internal audit plan and assessed the effectiveness and independence of the internal audit function
- Assessing the effectiveness and independence of the Group Finance function and FD
- Reviewing the annual financial statements and integrated report and recommended same to the Board for approval
- Reviewing trading statements and other financial disclosures (e.g. for purposes of the preference share repurchase)
- Fulfilling its responsibilities pursuant to paragraph 22.15(h) of the JSE Listings Requirements

Group Risk and Capital Management Committee (GRCMC)

Key responsibilities:
- Assisting the Board to ensure the development and implementation of an effective policy and strategy for risk management that will enhance Sasfin's ability to achieve its strategic objectives
- Overseeing, reviewing, reporting on and, where necessary, making recommendations to the Board on all risks within the Group, including risks addressed by other Board committees
- Overseeing, reviewing and reporting on the Board risk appetite, tolerance levels, and the monitoring of adherence to the various limits established
- Reviewing risk management policies and procedures
- Reviewing capital management policies as well as capital planning activities and the ICAAP Report
- Monitoring all aspects of the Group's Asset and Liability management functions as well as the activities of the ALCo

Conclusion:
The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Also refer to the risk management and overview section on page 68.

Committee composition at 30 June 2021

Member	Appointed to committee	Meeting attendance
Richard Buchholz – Chair	7/3/2018	4/4
Deon de Kock	19/8/2020	4/4
Grant Dunnington	17/5/2011	4/4
Angela Pillay	1/3/2018	4/4
Shaun Rosenthal	13/12/2017	4/4
Stewart Tomlinson	19/11/2018	4/4
Eileen Wilton	1/10/2019	4/4

Tapiwa Njikizana was appointed to the committee on 27/05/2021.

The committee held four scheduled meetings.

Key matters the committee focused on:
- Performing an annual review of the Internal Capital Adequacy Assessment Process (ICAAP)
- Overseeing the development of the Group's recovery plan
- Reviewing the Group's top risks
- Overseeing the integrated response to Covid-19 with a key focus on both liquidity and credit risk management and its impact on the Sasfin community
- Overseeing the increased awareness and countermeasures relating to cyber risk
- Reviewing and monitoring progress and risks relating to the Risk Data Aggregation and Risk Reporting (RDARR) project
- Overseeing the implementation and development of the Nasira programme and products, including the development of a credit scorecard
- Recommending approval of a new Credit Risk Framework to the Board for approval in accordance with the principles of the new ERM Framework

Information Technology Committee (ITC)

Key responsibilities:
- Overseeing information and technology matters
- Monitoring the execution of IT strategy in support of the Group strategy
- Overseeing, monitoring and evaluating significant IT investments
- Overseeing information security, cybersecurity and governance of IT risk

Conclusion:
The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Also, refer to the information and technology performance review on page 52.

Committee composition at 30 June 2021

Member	Appointed to committee	Meeting attendance
Eileen Wilton – Chair	1/10/2019	5/5
Deon de Kock	19/08/2020	4/4
Bruce MacLaren[1]	26/5/2016	1/1
Thabang Magare[2]	27/01/2020	3/5
Shaun Rosenthal	13/12/2017	5/5
Michael Sassoon	16/3/2018	5/5

[1] *Independent member, resigned on 20 August 2020.*
[2] *Resigned 21 June 2021.*

The committee held four scheduled meetings and one special meeting.

Key matters the committee focused on:
- Continued monitoring of remote working capabilities and requirements
- Continued overseeing of the digital transformation strategy and the implementation thereof across the business
- Overseeing key IT projects, including finance transformation, RDARR and POPIA, as well as sunsetting of legacy systems
- Overseeing the implementation of enhanced security measures to mitigate remote working and cybersecurity risks
- Reviewing and monitoring the Group's technology and cybersecurity risks and controls
- Reviewing and approving outsourcing solutions in terms of SARB Guidance note no. 5 of 2014
- Overseeing the implementation of an IT Leadership Transformation Programme

Human Resources and Remuneration Committee (REMCO)

Key responsibilities:

- Providing guidance to the Board and management on the adequacy and efficiency of remuneration practices and HR policies, procedures and practices
- Assisting the Board to ensure that Sasfin remunerates fairly, responsibly and transparently in order to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term
- Reviewing and approving remuneration and incentives within its mandate and recommending approval to the Board where relevant
- Setting and steering Sasfin's policies on HR and remuneration, subject to review and recommendation thereof by the GRCMC

Conclusion:

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Also refer to the Remuneration Report on page 98, which includes the matters the committee focused on in 2021.

Committee composition at 30 June 2021

Independence of Committee: 100%

Member	Appointed to committee	Meeting attendance
Eileen Wilton[1] – Chair	1/10/2019	4/4
Roy Andersen	25/2/2015	4/4
Deon de Kock	19/08/2020	4/4
Grant Dunnington	25/8/2010	4/4

[1] *Eileen Wilton succeeded Grant Dunnington as chair with effect from 26 November 2020.*

The committee held four scheduled meetings.

Key matters the committee focused on:

- Reviewing the CEO and executive management succession and talent management plans
- Reviewing and updating the Group's remuneration and other policies relating to people
- Approving the annual pay scales and remuneration guidelines for 2021, as well as individual remuneration of executive management, the CEO and FD. In addition, the committee approved the development of a new share incentive scheme for implementation in 2022
- Reviewing benchmark remuneration data to evaluate the competitiveness of remuneration
- Reviewing and approving the overall Group people development and talent management strategy with particular consideration of the Future of Work and work from home models
- Reviewing and approving the KPIs for executive directors and executive management
- Reviewing the terms and conditions contained in the service agreements of the Executive Directors, prescribed officers and executive
- Ensuring oversight of fair pay and was satisfied with the outcome of the review performed by the Chief Risk Officer
- Approving the inclusion of claw-back/malus clauses in the performance incentive scheme

Social and Ethics Committee (SEC)

Key responsibilities:

- Overseeing, monitoring and assessing the Group's activities in relation to:
  - Enterprise development
  - Good corporate citizenship and CSR
  - Transformation (including B-BBEE)
  - Stakeholder relationships
  - Organisational ethics
- Monitoring whether ethical standards are clearly articulated and ensuring measures are in place to achieve a sustainable and ethical corporate culture
- Reviewing measures to minimise, manage and avoid the likelihood of adverse impact of reputational risk matters
- Monitoring the Company's activities in respect of the environment, health and public safety
- All activities undertaken by the SEC focuses on sustainability with regard to the Group's contribution to society and economic development

Conclusion:

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference.

Also, refer to the SEC report on page 56.

Committee composition at 30 June 2021

Member	Appointed to committee	Meeting attendance
Eileen Wilton – Chair	1/12/2019	4/4
Gugu Dingaan	7/3/2018	4/4
Nontobeko Ndhlazi	19/08/2020	3/3
Angela Pillay	18/2/2019	4/4
Michael Sassoon	1/1/2018	4/4

The committee held four scheduled meetings.

Key matters the committee focused on:

- Monitoring the progress made and identifying future risks in relation to meeting the Group's transformation targets. Recommended the Group's 2022 EE and SD targets to the Board for approval.
- Overseeing initiatives undertaken to support our people and broader society during the Covid-19 pandemic.
- Reviewing the stakeholder analysis report and recommended further enhancements for 2022.
- Overseeing the Group's activities relating to CSR and the execution against policy and plans.
- Overseeing social media complaints management processes and approved the revised social media policy.
- Assessing remuneration principles and practices to ensure fair pay and was satisfied that remuneration practices are fair and equitable.
- Overseeing and monitoring activities in relation to the Group's responsibilities in terms of organisational ethics.
- Reviewing the Sasfin Group Transformation Framework against the Group's strategy to transform our culture and society and recommended it to the Board for approval.

ENSURING THE INTEGRITY OF INFORMATION RECEIVED FROM SUBSIDIARY BOARDS 16

The Sasfin Holdings Limited (SHL) Board, as the ultimate governing body of the Group, assumes responsibility for governance across the Group. Our governance processes, policies and frameworks have Group-wide application and form the basis for managing the relationship between the holding company and its subsidiary companies. Group policies, including the delegation of authority policy, provide clear guidelines on the application of governance processes, and management is responsible for implementing the necessary procedures to comply therewith. Certain decisions are reserved for decision-making by the SHL Board or its committees as referenced on page 88, which specifically includes matters relating to setting strategy, ethics, culture and values, as well as decisions relating to policy, planning and structure.

With due consideration of proportionality and the nature, circumstances and objectives of each subsidiary, the Group's governance framework enables a collaborative relationship with its subsidiaries and the boards of such subsidiaries. The SHL Board receives feedback from its subsidiary companies in order to ensure that corporate governance practices and the strategic initiatives of the Group are being consistently and adequately complied with. This allowed the holding company, Sasfin Holdings Limited, to exercise appropriate governance oversight over its subsidiaries while recognising and respecting the roles and duties of subsidiary directors and management as well as the legal and governance responsibilities that apply to each subsidiary.

GROUP COMPANY SECRETARY 10

The Group Company Secretary's primary role is to ensure that the Board is cognisant of its fiduciary duties and responsibilities. All Directors have access to the services of the Group Company Secretary, Charissa de Jager. The Group Company Secretary is not a member of the Board. The Board is satisfied that an arm's-length relationship exists between it and the Group Company Secretary and that the Group Company Secretary has the requisite level of knowledge and experience to discharge her duties.

The Board has put arrangements in place for its members to access independent, professional corporate governance and legal advice, should the need arise and is satisfied that such arrangements are effective.

GROUP EXCO COMPOSITION ON 30 JUNE 2021

The Exco is a diverse and experienced management team that comprises the Chief Executive Officer (CEO), Chief Operating Officer (COO), Group Financial Director (FD), Pillar Heads and other members of senior management. The Exco meets monthly to review business performance and progress against strategy and met a number of times to discuss ad hoc matters of importance.

2 Group strategy workshops	1 budget session	10 monthly meetings	1 workshop on transforming our society	A number of business-focused strategy workshops

MICHAEL SASSOON (39)

Group CEO

See Board of Directors on page 81.

ANGELA PILLAY (46)

Group FD

See Board of Directors on page 81.

NASEEMA FAKIR (49)

Head: Human Capital

BCom (Hons) (Unisa), MBL (Unisa)

20 years' service at Sasfin. Member of Exco since 2006.

LINDA FRÖHLICH (52)

Head: Asset Finance

Diploma in Financial Management (Damelin)

19 years' service at Sasfin. Member of Exco since 2013.

MASTON LANE (55)

Group Chief Operating Officer

National Certificate (United Institute of Credit Management), SIRM (UK)

21 years' service at Sasfin. Member of Exco since 2003.

EROL ZEKI (44)

Chief Executive Officer: Sasfin Wealth

BCom (Hons) Investments and Marketing and BCom (University of Pretoria). CFA, registered member of the South African Institute of Stockbrokers (SAIS)

4 years' service at Sasfin and member of Exco since his appointment in 2017.

FRANCOIS OTTO (40)

Head: Capital Pillar

CA(SA), CFA, JSE Approved Executive

6 years' service at Sasfin and member of Exco since his appointment in 2015. Francois has resigned with effect from 30 November 2021.

ANDREW (JOSH) SOUCHON (56)

Group Chief Digital and Change Officer

BEng (Hons) (Imperial College, University of London, UK)

5 years' service at Sasfin and member of Exco since his appointment in 2016.

HOWARD BROWN (57)

Head: Group Legal

BA (Wits), LLB (Wits), HDip Corporate Law (UNISA) (cum laude)

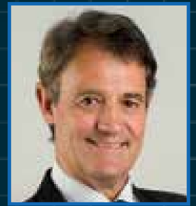
15 years' service at Sasfin and member of Exco since his appointment in 2006.

STEWART TOMLINSON (55)

Chief Risk Officer

BCom (Wits), Hons, BCompt (UNISA), CA(SA)

3 years' service at Sasfin and member of Exco since his appointment in 2018.



MICHAEL BLACKBEARD (60)

Head: Compliance

Blur, LLB, LLM (University of Pretoria), Senior Executive Programme (Wits and Harvard University)

3 years' service at Sasfin and member of Exco since his appointment in 2018.

DHESEGAN GOVENDER (46)

Group Treasurer

BAcct (Hons) (University of KwaZulu-Natal), CA(SA)

9 years' service at Sasfin and a member of Exco since 2018.

MAGDA OOSTHUYSEN (57)

Head: Group Credit

BCom (Hons) (University of Johannesburg), HDip Tax Law (Wits), CA(SA)

4 years' service at Sasfin and member of Exco since her appointment in 2017.

ELISHEVA GILBERT (48)

Chief Marketing Officer and Head of Small Business

Public Relations Diploma (Varsity College), PGDip (Advertising and Marketing) Red & Yellow School, GIBS Certified Professional Business Coach

4 years' service at Sasfin and a member of Exco since 2019.

MEAGAN RABE (40)

Head: Build the Bank

BCom, LLB (University of Johannesburg), CFP (Nelson Mandela Metropolitan University), PGDip (Management) (Rhodes University)

Meagan is a member of Exco since 2020 and resigned with effect from 31 October 2021.

ANDILE HOTE (40)

Head: Commercial Banking

BCom (Mathematical Statistics and Economics) (Rhodes University)

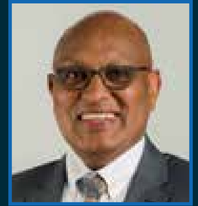
Andile joined Sasfin in June 2021 and is a member of Exco since his appointment date..

CHARISSA DE JAGER (44)

Group Company Secretary

BProc, LLB (University of Johannesburg), Advanced Company Law (Wits), Admitted Attorney

2 years' service at Sasfin. Permanent invitee to Exco since 2019.



RODGER DUNN (61)

Chief Operating Officer, B//YOND Business Banking

MBA (Business School Netherlands), Senior Executive Programme (Wits), Management Development Programme (University of Stellenbosch), Fellow of the Institute of Bankers, Fellow of the Institute of Directors

8 years' service at Sasfin. Permanent invitee to Exco since 2020.

KARIEN JONES (47)

Chief Operating Officer, Group Finance

BCom Accounting, BCom Honours (University of Johannesburg), CA(SA)

Karien joined Sasfin in August 2020 and is a permanent invitee to Exco.

INGRID RAVENSCROFT (42)

Head: Internal Audit

BCom (UJ), BCom (Hons) (Unisa), HDip (Computer Auditing) (Wits), MPhil Internal Audit (UP)

Ingrid joined the Group in April 2021 and is a permanent invitee to Exco.

COMPLIANCE 13

Compliance is an essential aspect of governance that supports Sasfin's commitment to a values-led culture and aims to ensure that the Group's entrepreneurial business activities adhere to the relevant regulatory framework and internal policies. Effective compliance enables alignment of the operating and compliance strategy, improves oversight, streamlines business processes and increases the quality of data and information. This aims to protect employees and clients as well as shareholders, investors, debt funders and society at large. It builds sound relationships with regulators and safeguards the Group's reputation and ongoing ability to create sustainable value.

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

Key changes in 2021

- A dedicated Wealth Compliance department was set up to oversee the unique compliance needs and requirements relevant to Sasfin Wealth
- An Information Compliance section (including POPIA) and a Market Conduct Compliance section were created to provide for the introduction of new legislation in those areas

Sasfin's risk-based approach to compliance monitoring focuses on material risks and efforts by the relevant control units to mitigate such risks and is supported by the Group's combined assurance model (page 76). The Group Compliance Department operates across all Group Pillars and business units, aligning with the requirements of the regulatory framework introduced by the Financial Sector Regulation Act, 2017 (Twin Peaks).

No regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations were imposed on the Group, directors or officers during 2021 (2020: one fine).

No monitoring and compliance inspections were performed by environmental regulators (2020: nil).

Compliance governance structures

The Board and its committees	Head: Group Compliance	Group Compliance Department	Executive Governance Committee	Group FICA Compliance Committee
Oversees the compliance functions across the Group and our relationship with regulators.	A permanent invitee to all committee meetings, with the exception of REMCO, and reports on compliance with laws and regulations.	Monitors the compliance universe and evaluates Group and business units' policies to update these for new developments. Divisional regulatory officers manage compliance within the various business units and meet regularly with Group Compliance to share information and address compliance-related matters.	This Group Exco sub-committee monitors the governance and internal control environment. Its responsibilities include oversight of and taking decisions regarding high-risk, adverse and sanctioned clients to ensure compliance with the risk management and compliance programme.	Oversees, coordinates and standardises the approach to FICA compliance within the Group. It also ensures effective sharing of information and reporting of FICA issues.
	Supported by specialist teams focusing on banking regulation, anti-money laundering (AML), market conduct, exchange control and regulatory interaction.			

Sasfin's compliance manual formalises the compliance monitoring process, which is aligned with a three-year risk-based monitoring plan that is reviewed and approved by the Board. Compliance monitoring is overseen by an independent monitoring function within Group Compliance and conducted according to a documented annual risk-based planning process to ensure that compliance monitoring proactively covers a broad regulatory universe to detect areas of non-compliance for remediation.

Ongoing compliance requirements pertaining to the Banks Act, FICA, FAIS, POPIA and the JSE rules are applied by business and monitored by Group Compliance on a daily basis. Irregular issues such as those related to bribery, corruption, whistle-blowing, conflicts of interest and complaints are dealt with on a case-by-case basis and reported to the relevant governance and Board committees. Compliance reports are submitted monthly to the Executive Governance Committee and quarterly to the DANC, providing assurance to the Board regarding the effectiveness of compliance management within the Group.

The Group Compliance function is periodically reviewed by Group Internal Audit based on its annually derived risk-based audit plan. The compliance function is further subject to regular reviews by the various regulators and by the DANC regarding its effectiveness.

Focus areas in 2021

- Further improving the Group's compliance culture and focusing on cost-effectiveness
- Certain processes and procedures were amended during the year, particularly in the anti-money laundering area, to improve cost efficiencies and business centricity
- Group Compliance, business and IT are working to refine FICA training methodologies, delivery channels and consequence management to ensure that the FICA training programme remains effective
- Group Compliance continues to assess IT tools and automated systems that are able to increase the effectiveness of compliance and compliance monitoring and reporting, and implemented a number of new solutions during the year

Current and pending regulations

New or planned legislation that will affect Sasfin's business and operations will also substantially increase the regulatory and compliance burden on the Group as a whole.

The Levies Bill
The Levies Bill provides for the imposition of levies on regulated institutions to fund the Twin Peaks infrastructure introduced by the Financial Sector Regulations Act.

The Protection of Personal Information Act (POPIA)
POPIA regulates how clients' personal information is stored, used and protected, and became effective on 1 July 2021. The Group has implemented the necessary policies and controls to manage POPIA-related matters.

The Conduct of Financial Institutions (COFI) Bill
The COFI Bill aims to enact the principles of the treating customers fairly regulatory framework. Sasfin established a treating customers fairly policy framework and initiatives to effectively implement the requirements of the COFI Bill. The Bill remains in the parliamentary process.

The Conduct Standard for Banks
The Conduct Standard for Banks was issued by the FSCA in July 2020 and sets standards of fair treatment of financial clients by banks. The necessary processes and procedures are largely in place, with some refinements being implemented, and Group Compliance is assisting business to further improve its compliance.

Other

- A number of Draft Prudential Standards on Conglomerate Supervision issued by the PA. The PA has decided not to designate Sasfin as a Conglomerate and therefore the Prudential Standards are not applicable to Sasfin for the time being.
- The establishment of a Deposit Insurance Scheme and the Corporation for Deposit Insurance within SARB by the Financial Sector Amendment Laws Bill, 2018. The provisions relating to a Deposit Insurance Scheme will be applicable to Sasfin once the scheme becomes effective.
- Companies Amendment Bill 2018 which has been published for comments on 21 September 2021.
- Cybercrimes Act was signed into law but has not yet come into force.

Focus areas for 2022

In addition to our ongoing priorities of strengthening the compliance culture and ensuring cost-effective compliance, we will focus on embedding the compliance structure and remaining relevant in the light of regulatory changes and business requirements. We continue to review processes and procedures to identify opportunities to make them more cost-effective and/or business centric. Other priorities include assisting business with the compliance aspects of POPIA and the Conduct Standard for Banks, successfully implementing the new automated compliance monitoring tool and increasing the effectiveness of FICA training throughout the Group.

HOW PERFORMANCE IS REWARDED (14)

Human Resources and Remuneration Committee Report

Eileen Wilton
Chair: Human Resources and Remuneration Committee

Sasfin's remuneration practices aim to reward excellent performance in line with our strategic objectives, while being fair and responsible.

2021 PERFORMANCE REWARDS

- 5.6% increases awarded in October 2021 for performance in the 2021 financial year
- Performance bonuses were awarded to all qualifying employees across the Group
- 91.7% of shareholders voted in favour of the 2021 remuneration policy at the 2020 AGM

The Board recognises the contribution of Sasfin's employees to the Group's improved performance under difficult circumstances. This improved performance was achieved despite no performance incentives having been granted for 2020 and in the context of the Covid-19 pandemic.

The Board is acutely aware of the high levels of stress, uncertainty, financial hardship and personal loss Sasfin's employees are dealing with as a result of Covid-19. We are extremely proud of how they have risen to the challenge and of the results that have been delivered.

A key area of focus for REMCO was on how best the Group could support, retain and reward employees, maintain connection and keep them motivated and engaged in a largely remote working environment. Following a year of no increases and limited bonuses, we ensured that our incentives went beyond financial reward, including the positioning of our hybrid working model as an attractive incentive to current and prospective employees. We have introduced an unlimited leave policy for executives and are considering extending this policy to the next level of management. We also introduced performance-related competitions with financial rewards to boost team morale.

We have also assessed possible future ways of work to enhance our human capital and reward strategies. The relevant policies have been reviewed to ensure that they are appropriate for work from home and the new hybrid working model. We conducted employee surveys as noted elsewhere in this report to help us understand our people's perspective and guide the changes needed for future performance contracting and reviews.

A key area of focus was on setting appropriate targets for the 2021 financial year in the context of the prevailing economic and business conditions. We enhanced our incentive schemes by ensuring greater alignment of managers' performance and reward to the strategy of the Pillars they are directly responsible for. We are designing a share incentive scheme to align executives' interests to those of shareholders, and the Sasfin share incentive trust purchased 1 424 035 ordinary Sasfin shares in the financial year in anticipation of the development of this new scheme.

REMUNERATION PHILOSOPHY

Sasfin's remuneration philosophy aims to drive stakeholder value creation while ensuring good governance. We recognise that fair, transparent and responsible remuneration practices are essential to fulfil our purpose, deliver on our strategy and drive performance within our desired culture and values. Our approach to remuneration aligns with the recommendations of King IV™, the Basel Committee on governance and the regulations that apply to the Group's activities.

REMCO assists the Board in setting and approving the remuneration policy and engages with stakeholders, including shareholders, regulators, external consultants and management. It has access to the information required to make informed remuneration decisions that align with the Board's remuneration policy, risk appetite and regulatory requirements.

The GRCMC reviews and approves remuneration decisions that may have implications for the Group's risk appetite, such as changes to Group or Pillar incentive schemes, to minimise the chances of unintended consequences when these are applied. The CEO, CRO and Head: Human Capital attend REMCO meetings as invitees and report on employee matters of concern.

BENCHMARKS AND INCREASES

We conduct annual benchmarking of remuneration practices and job roles in preparation for our annual salary and remuneration decision-making process. This is performed by Old Mutual Remchannel (Pty) Ltd. The pay scales were left unchanged in 2020 due to the impact of Covid-19 on remuneration benchmarks. In 2021, having considered our improved performance and affordability, and taking into account the fact that no annual increases were awarded in 2020, REMCO approved an average increase of 5.6% across the Group. Specific increases were determined based on individual personal performance, current pay relative to pay scales and reward level. This resulted in lower-income earners receiving larger increases, in general, than higher-income earners, and contributes to closing the wage gap.

INCENTIVE SCHEME

The Group's incentive scheme for senior management comprises short-term and long-term components and aims to provide transparency for participants. Performance is assessed and rewarded based on Group, Pillar, business unit and individual performance. The scheme is based on delivering an appropriate ROE (approved by the Board) while ensuring values, sustainability, responsible risk-taking and cultural fit, which are measured by Key Risk Indicators and Key Values Indicators. We believe that the current incentive scheme rewards the right behaviour and drives the intended organisational culture and effectiveness. Increased visibility on performance enables employees to establish realistic expectations regarding incentives.

The Board provides input to performance contracting and performance reviews for the executives and key leaders in the business to ensure alignment with the Group's strategic imperatives. REMCO reviews senior management's incentives to ensure alignment and fairness. The outcomes of incentive calculations are reviewed for reasonableness in the context of the potential impact on the rest of the Group and broader industry realities.

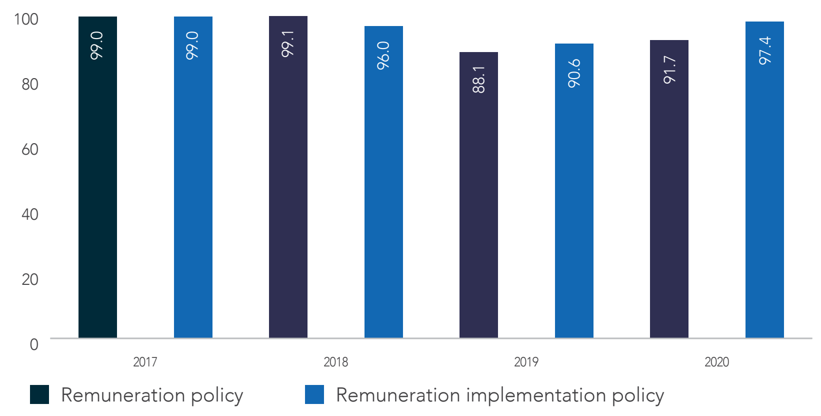
A portion of incentive awards is deferred and retained to incentivise long-term thinking and sustained performance. Deferred payments allow for a clawback of awards made in the event of poor financial or personal performance or misconduct. Our malus and clawback provisions are summarised on page 104. No malus and clawback trigger events occurred during the financial year.

50% of the retained portion was forfeited due to the Group not achieving the target ROE in 2020. The remaining 50% was dependent on personal performance, and total payments of R540 000 were made.

SHAREHOLDERS' VOTING

REMCO believes that the remuneration policy is effective and achieved its objectives during 2021.

Shareholders non-binary advisory votes on Sasfin Remuneration at AGMs



As recommended by King IV™, the remuneration policy and the implementation report were tabled for separate non-binding advisory votes by shareholders at the AGM on 26 November 2020. 91.7% of the shares represented voted in favour of endorsing the remuneration policy and 97.4% in favour of endorsing the implementation report, which represents an improvement from the previous year. This follows extensive work to improve remuneration disclosure and address concerns previously raised by shareholders. Large shareholders who voted against the Group's remuneration policy and practices in 2020 were approached to gain an understanding of their expectations and concerns, which related mainly to enhanced disclosure on the connection between strategy, performance and reward. REMCO believes that the remuneration policy must consider the views of stakeholders and shareholders, but it may not be possible to meet the expectations of all shareholders due to the variety of thinking and priorities. Where shareholders have called for enhanced disclosure, we have included more detail in the current report. We welcome feedback on our remuneration policy and implementation report and invite shareholders to contact the Group Company Secretary to do so.

SUCCESSION PLANNING 10

The Board is ultimately responsible for succession planning at executive level and has delegated oversight of executive management succession and the development of future leadership to REMCO. In the 2020 annual board evaluation, succession planning was identified as an area that required improvement and during the year under review, REMCO spent time on strengthening the succession planning strategy and introducing a fresh approach to identifying the key competencies for executives and other senior role players in the Group.

Sasfin aims to identify at least one successor for each key role in the Group, who could fill that role quite quickly if needed. Succession plans are in place for senior management at Group (including the Group CEO and FD), Pillar and business unit levels. For smaller teams, successors have either been identified, or the risk of an unplanned exit have been assessed as acceptable against the time and cost required to fill the role.

The Prudential Authority reviews the executive succession plan on an annual basis.

FOCUS FOR 2022

- Employee wellbeing and engagement while embedding the hybrid working model
- Attracting and retaining the best people by ensuring market-related remuneration and incentive policies and practices, including finalising an employee and executive share incentive scheme in 2022
- KPIs will be revised to ensure these remain relevant in the new way of working
- Ongoing encouragement of all employees to get vaccinated and developing a vaccination policy

In closing, I would like to thank the Board for their support and recognise the intense efforts of Sasfin's highly motivated management team, who demonstrated their commitment for going beyond in difficult times. On behalf of the Board, I would like to thank Sasfin's employees, who continued to deliver at an extremely high level, adjusting to the new ways of work and negotiating the emotional rollercoaster of Covid-19.

Remuneration policy

The Group's remuneration philosophy provides the framework for remuneration decisions to be made in an informed, consistent, competitive and agile manner. It emphasises the importance of our people and aims to motivate behaviour that supports the delivery of the Group's strategy in a manner that aligns with our values. We reward commitment and exceptional performance with a focus on creating stakeholder value and the delivery of sustainable returns to shareholders. Sasfin's remuneration philosophy aims to provide value to our stakeholders by:

Ensuring	• Fair, responsible and transparent remuneration of employees, executives, and directors, which promote achieving Sasfin's strategic objectives in the short, medium and long term • An employee value proposition that enhances our ability to attract and retain employees • Internal parity and providing equal pay for equal work • Adherence with King IV™ recommended remuneration practices
Rewarding	• Employees for their individual contributions to the Group's overall performance • Performance and value-adding contributors • Ethical behaviour that does not place Sasfin, our clients or our employees at risk
Providing	• A reward structure that drives exceptional long-term performance by balancing guaranteed and variable remuneration • Meaningful benefits which are clearly communicated • Clarity and reinforcement of roles and accountabilities
Benchmarking	• Individual roles within the Group to ensure fair compensation that is responsive to market forces and that allows the Group to operate successfully and remain an employer of choice

REMUNERATION PRACTICES

While Sasfin endeavours to apply its remuneration practices consistently, the Group's diverse businesses require that remuneration practices are refined to ensure that we appropriately attract and retain talent in each sector in which we operate.

Within this approach, we assess the risk implications, our ethical standards, and Sasfin's desired culture when adapting remuneration and human capital policies. We consider the overall compensation model and the specific remuneration for Executive Directors, Prescribed Officers and Group Exco members. Individual remuneration is disclosed on page 110.

The Group's remuneration levels are based on the Hay Group Total Reward Framework. Jobs are graded and assigned to a pay scale for each Hay Reward Level. Reward Levels range from 5 (unskilled roles) to 26 (Group CEO).

14

REMCO reviews and approves the Group's remuneration policies in terms of its Board approved mandate. It considers whether remuneration is fair and consistent and encourages behaviour that is aligned with the strategic direction and performance, values and risk appetite of the Group through a combination of fixed and variable pay. The Group's remuneration policy and implementation report, included in this report, are subject to non-binding votes by shareholders. REMCO considers feedback received from shareholders in formulating remuneration policies.

REMCO reviews the terms and conditions of Executive Directors' and senior executives' service agreements at least annually against peer companies and local and global industry trends. Following the 2021 review, REMCO is satisfied that the three-month notice period for Executive Directors and senior executives is appropriate. One payment was made to an executive on termination of employment due to the closure of our Hong Kong office. Apart from this payment, there are no contractual obligations that could give rise to payments on termination of employment or office, since deferred payments are forfeited on resignation (even if serving notice) and termination of employment.

Remuneration governance structure

REMCO is mandated to make decisions relating to human capital and remuneration that affect senior managers and executives (reward level 21 and above), as well as for any executive, irrespective of reward level that reports to the Group CEO. The Group Human Resources Manco (HR Manco) is mandated to make decisions at reward levels 18 to 20, and Pillar HR Mancos are mandated by REMCO to make decisions for employees up to reward level 17. Deviations from the standard policy are made in consultation with the relevant Group Exco member and the Head: Human Capital to drive the desired behaviour and outcomes and are required to be disclosed to REMCO, as part of quarterly reporting, for consideration.

BOARD

The Board is responsible for governance at a Group level. Provides REMCO its mandate and approves remuneration policies and practices.

GROUP REMCO

Develops and recommends Sasfin's general policy on HR and remuneration, subject to a risk review by the GRCMC. Approves executive appointments and remuneration.

GROUP HR MANCO

Develops reward strategy and policies for approval by REMCO. Executes remuneration philosophy, policies and practice. Approves senior management appointments and remuneration.

PILLAR MANCO

Recommends divisional incentive schemes and reward structures to Group HR Manco. Approves middle management appointments and remuneration.

MANAGEMENT AND HUMAN CAPITAL

Oversee, adhere to and implement approved policies and processes. Approve junior management appointments and remuneration.

EMPLOYEES

Adhere to and benefit from reward policies and processes.

SHAREHOLDERS

Approve Non-Executive Directors' fees.

Non-binding advisory votes on remuneration policy and implementation report.

GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE

Provides oversight and input regarding risk and reward.

Advises Group REMCO on appropriate risk adjustments in remuneration structures.

INDEPENDENT ADVISORS

Provide independent advice on best practice, benchmarking and remuneration governance.

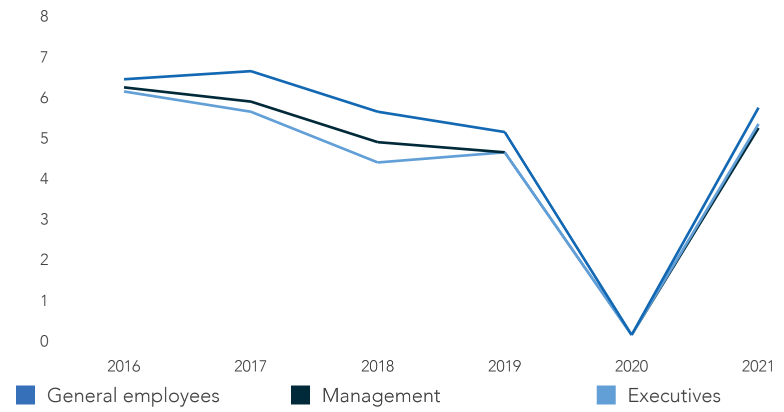
Ensuring fair and responsible remuneration

While the legislated minimum wage is R3 600 per month, we are guided by the Labour Research Service's 2019 paper. The paper proposed a decent standard of living measure that focuses on the ability of people to achieve a socially determined acceptable standard of living to participate fully in society. Their median monthly income for a decent standard of living is R7 043. We are satisfied that all our employees earn significantly more than this.

Sasfin remains aware of the need to address the wage gap between junior-level employees and senior executives. In 2021, junior level employees received higher percentage annual increases than management and executives to address this concern.

A review was conducted by Group Risk to assess parity in pay practices, specifically regarding gender and race. The outcome of the assessment showed that Sasfin's pay practices are fair, with reasonable explanations for any anomalies identified. In March 2021, we further reviewed and increased the remuneration of those employees who were paid below the minimum of the pay scale, so that no employee earns less than 80% of the minimum of the pay scale. Employees who are paid above the maximum of the pay scale are ordinarily awarded a once-off lump sum payment in lieu of an annual increase. However, this year REMCO approved an annual increase for these employees as no increases were awarded in 2020, but capped the increase at 3% to reduce the pay gap.

Salary increases (%)



Increase Guidelines	Meets	Exceeds	Exceptional
Staff paid above the median			
Pay relative to reward level (RL): < RL 13			
Median < Current Pay < Maximum	6%	7%	8%
Current Pay > Maximum	3%	4%	5%
Pay relative to RL: RL 14+			
Median < Current Pay < Maximum	4%	5%	6%
Current Pay > Maximum	3%	4%	5%
Staff paid below the median			
< RL 13			
Current Pay < Minimum	7%	10%	12%
Minimum < Current Pay < Median	6%	9%	11%
< RL 16			
Current Pay < Minimum	6%	9%	11%
Minimum < Current Pay < Median	5%	7.5%	10%
Management RL 16+			
Current Pay < Minimum	6%	8%	10%
Minimum < Current Pay < Median	5%	7%	9%
Senior RL 19+			
Current Pay < Minimum	5%	7%	9%
Minimum < Current Pay < Median	4%	6%	8%

Sasfin's average annual cost-to-company (CTC), excluding commission earners, is R608 700. The Group CEO's CTC is, therefore, 7 times the average CTC, and the Group FD's CTC is 5.7 times the average. This compares favourably with the South African Reward Association figures. These quote a wage gap of as much as 725 times workers' average salary in South African JSE-listed companies, with the average CEO salary 140 times more than the average worker.

The Group CEO and Group FD did not receive salary increases in 2020, in line with REMCO's guideline not to award any general annual increases across the Group. In terms of the latest PwC Research Services (Proprietary) Limited benchmarking report, while both the Group CEO and Group FD are paid below the median of their respective pay scales, this years' increases put them at 95% of the median. We plan to address this over time, through the assessment of a total CTC that is in line with comparative benchmarks but remains heavily performance based with 'at risk' pay/reward structures through our STI and LTI schemes.

Benchmarking

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

Sasfin aims to pay employees with three years' experience in the Group in line with the median for each Reward Level, although other factors are considered when finalising individual compensation within each Reward Level. As the Group's businesses are diverse, and each requires unique skill sets and qualifications, it would be inappropriate to blanketly apply this policy in every instance. The Group HR Manco assesses instances where proposed employee remuneration falls outside the benchmark and submits those that it supports to REMCO for approval at its discretion.

Benchmarking informs recommended adjustments to pay scales each year. REMCO uses these and an analysis of market increases to decide the annual increase guidelines aligned with the remuneration policy. These are factored into individual increase decisions such that the total increases per business do not exceed the overall Board-approved percentage increase.

In assessing individual remuneration, HR Mancos and REMCO consider the following:

- The employee's individual performance and alignment with the Sasfin culture and values, according to his/her performance contract
- Internal parity and individual positioning relative to pay scale
- Specialised skills required, market scarcity and replacement cost
- Decent standard of living measure, equal pay for equal work, wage gap and gender pay parity
- Alignment with the Board risk appetite and REMCO remuneration guidelines
- Specific experience and previous remuneration level

INTEGRATING STRATEGY AND REWARDS

Key changes in 2021

- Revised commission structure in Asset Finance.
- Implemented a Pillar-level incentive scheme in Sasfin Capital, so that remuneration is better aligned to the circle of influence of the executives in that business.
- Introduction of unlimited annual leave for executives to enhance our employee value proposition especially in terms of the new ways of work. Our performance management focus is on managing outcomes, and the introduction of the unlimited annual leave promotes the delivery of defined outcomes. We are in the process of extending this policy to senior managers across the Group. In terms of this policy, an executive may take an unlimited amount of annual leave provided that there is no negative operational impact on the business, and the executive remains available and accessible to his/her teams and management.
- Review of the performance incentive scheme.

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

Sasfin's variable remuneration aims to directly link reward to individual, Pillar/business unit and Group performance so that employees can directly influence their total remuneration through their individual efforts. Individual performance is measured against KPIs that are agreed in advance and reviewed regularly, in line with any changes to the job function, as well as Key Value Indicators (KVIs) and Key Risk Indicators (KRIs). The KVIs aim to align employees to the Group's values while the KRIs focus on the appropriateness of risk taken and how it is managed by employees in driving performance. This ensures that employees are rewarded for sustainable risk-adjusted performance.

The schemes endeavour to create a degree of objectivity in determining reward which promotes motivation, transparency, consistency, and objectivity, and enables managers to provide honest feedback to employees.

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

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

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

Malus and clawback provisions

Incentive remuneration is subject to malus and clawback provisions that are triggered where there has been misconduct or material error by a participating employee or where his or her actions have resulted in reputational damage to the Group, material failure of risk management, or financial loss or damage. They also apply where awards have been based on material misstatements.

The Board empowers REMCO with the discretion to enforce or decline to enforce Malus or Clawback and should, in determining whether to enforce or decline to enforce Malus or Clawback, consider the interests of the Company and its shareholders. In applying its discretion in terms of this Policy, the Board and REMCO shall at all times act in good faith.

Total remuneration comprises fixed and variable remuneration

Fixed remuneration: Basic remuneration and benefits

Fixed remuneration aims to attract and retain talent and provide fair market-related remuneration. There were no policy changes in 2021.

Comprises:

- Cash salary
- Contribution to pension/provident fund
- Medical aid
- Risk benefits

How is this determined?
Pay scales and annual increase guidelines are set considering independently benchmarked data. Individual increases take into consideration scarce or critical skills, internal parity, equal pay for work of equal value, the wage gap, scope and influence of the role, and individual performance.

All employees are eligible, and there is no performance hurdle or deferral.

Discretionary performance bonuses: Annual bonus for employees not on any incentive scheme

The annual bonus aims to attract and retain talent and reward individual contributions to achieving the Group's strategic and financial objectives and the employees' KPIs, KRIs and KVIs. There were no policy changes in 2021.

Comprises a cash payment

How is this determined?
REMCO determines the annual incentive pool based on Group performance:

1. Employees whose performance met expectations qualify to earn up to 100% of a 13th cheque, dependent on Group, Pillar/division and individual performance
2. Employees whose performance exceeded expectations qualify to earn up to 200% of a 13th cheque, dependent on Group, Pillar/division and individual performance

How individual remuneration and Group performance are linked
Group and divisional financial targets and a non-financial component, which, in addition to the personal KPI score, includes items such as compliance, risk, strategy implementation, stakeholder expectations, transformation and ethics.

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

Short-term incentive (STI) indicators are regularly reviewed to ensure that they drive the required behaviour. The calculations underlying the payments consider exceptional items and associated costs. In recognition of the 2021 financial year (current year) performance, bonuses were awarded across the Group, averaging 172% of the total monthly cost-to-company of all employees. These bonuses were accounted for in the 2021 financial year and paid out in September 2021. For the 2020 financial year, no bonuses were awarded except in the Wealth Pillar due to the Pillar's strong financial performance in that financial year.

Performance incentive scheme: Short- and long-term incentive

The performance incentive scheme aims to attract and retain talent and align Sasfin executives to stakeholder value creation, specifically shareholder returns. There were no policy changes in 2021.

Comprises initial and deferred cash payments.

Identified senior executives and managers who are in good standing and not underperforming in terms of KPIs, KRIs or KVIs, are eligible. It excludes individuals on Pillar bespoke schemes.

How is this determined?
The incentive depends on Group, Pillar/division and individual performance, and is driven by the ROE target set annually by REMCO.

The participation level depends on the function performed.

How individual remuneration and Group performance are linked

- The incentive scheme is linked to Group ROE and individual KPI, KRI and KVI ratings.
- Sasfin has to achieve or exceed the ROE target set by REMCO before bonuses are considered.

Deferral

- Bonuses are split into an initial payment and a deferred portion that vests over three or four years, dependent on the size of the award
- If the ROE is sustained or improved, and the scheme participant has met KPI, KRI and KVI objectives, up to 100% of the deferred portion due in the current year vests and is paid
- If the ROE is not sustained or improved, but the scheme participant has met KPI, KRI and KVI objectives, then 50% of the deferred portion due in the current year vests and is paid
- If the individual's KPI, KRI and/or KVI scores do not meet expectations, the entire deferred portion due in the current year is forfeited
- Payment of deferred portions requires continued employment, and the employee must be in good standing

Share price appreciation scheme

In prior years, share price appreciation scheme (SPAS) awards were made to key employees before the performance equity scheme was implemented. The SPAS's last vesting took place in 2021, and the scheme has been discontinued. No payments or awards were made this year.

Performance incentive scheme

The STI and long-term incentive (LTI) schemes were comprehensively revised following the restructuring of the Group in 2018 to appropriately incentivise employees aligned to the performance of the Pillar in which they work. The new performance incentive scheme (the scheme) was implemented in 2019 after being approved by shareholders at the 2018 AGM.

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

The scheme is designed to:

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

At the beginning of each year, REMCO sets an ROE Target and a ROE Base for the financial year, which determines the formulation of the bonus pool for scheme participants. These are set considering the economic environment, historic performance, budget, cost of capital, and the ROE achieved in the prior year when setting the ROE target for the next year. The ROE Target can never be lower than the prime lending rate and must be achieved after providing for the performance incentives.

Sasfin's aim is to ensure that hurdles for each area are based on achieving operational returns more than the cost of capital. Meaningful bonuses can only be achieved once Sasfin achieves a ROE greater than its ROE Target, which over time should be equal to the Group's cost of equity capital.

All executive bonuses are therefore determined by the actual ROE achieved relative to the ROE Target and ROE Base:

- ROE affects the Group hurdle
- Each Pillar's financial performance affects the Pillar hurdle (profit after tax, return on assets)
- Each division's financial performance affects the divisional hurdle (profit before tax, assets under management, cost-to-income)
- KPIs, KRIs and KVIs affect participation and the quantum of the bonus award

The rules of the scheme are summarised as follows:

Scheme participants

This is the Group executive scheme.

Bonus pool

The ROE Base and Target must be achieved after providing for all bonuses, including scheme bonuses.

Due to the difficult economic conditions and as no bonuses were paid in 2020, the Board approved a ROE Target of 7.5% and a ROE Base of 7.1% for 2021. The ROE Target for 2021 was achieved, and bonus payments therefore fall due.

Due to the improved economic conditions and better performance of the Group, the Board approved an ROE Target of 11% and an ROE Base of 6.9% for 2022.

In determining the bonus pool, the profit pool means the profit before scheme bonuses and tax, but after all bonuses and incentives in respect of non-scheme participants is provided for.

The executive scheme bonus pool is equal to:

- (Actual profit pool less the profit pool assuming ROE target) multiplied by 30% **plus**
- (Profit pool assuming ROE target less the profit pool assuming base ROE) multiplied by 15%

The absolute level and timing of bonus payments depend on the ROE achieved, and a high-level illustration of likely outcomes for senior executives is depicted below.

ROE Achieved	Bonus as a % of cost-to-company (CTC)	Immediate payment (approximate % of the bonus)	Deferred portion (% of the bonus)
0 – ROE base		No bonuses paid	
ROE base – ROE target	Up to 30%	70%	30%
ROE target – ROE stretch target	Up to 140%	33%	67%
ROE stretch target +	140% +	18%	82%

Paying out the deferred portion depends on sustained personal and Group performance within ranges. This ensures alignment between shareholders and executives for achieving sustainable long-term ROE off the current base of earnings.

Allocation of the bonus pool

The bonus pool is allocated between scheme participants based on each participant's:

- Relative level of seniority and responsibilities
- Performance against personal KPIs, which include weighting on KRIs and KVIs
- Position within the Group and the relative performance of the Group, Pillar and/or division
- Applied caps, where appropriate, based on their role within the Group

No incentives are paid to individuals who are underperforming either in terms of KPIs, KRIs or KVIs, or if the employee is not in good standing. The KPIs, KRIs and KVIs and performance against these are set and approved at the appropriate governance levels in terms of Sasfin's governance structures.

Payment and vesting

Bonuses are split into an initial payment and a deferred portion that vests over a further two years for the phase-in period of the scheme, and therefore vest over three years in total. Exceptional bonuses (R4 million and above) are paid over four years. Initial and deferred payments will be made in cash.

50% of the deferred payments are paid to employees who have sustained personal performance. The other 50% of the deferred payments depend on the Group ROE performance compared to the ROE in the year of the award.

Share-based remuneration consideration

Share-based incentive schemes remain one of the most effective ways to align the interests of shareholders and employers with that of employees. For some time, Sasfin has been looking at ways to incorporate shares as part of executive compensation. The Board has taken a decision to develop a new share incentive scheme for this purpose. The Sasfin Share Incentive Trust (the Trust), an inter vivos trust, was established for the purpose of a previous share incentive scheme, which has become inoperative. In the year under review the Trust purchased just over 1.4 million ordinary shares which will be held by the Trust until such time as a new share incentive scheme is implemented.

Implementation report

REMCO is satisfied that the remuneration practices were in line with the policy, and any exceptions were approved before implementation.

BASIC REMUNERATION ANNUAL INCREASES

Remuneration payments were made in terms of the Group's remuneration policy. Remuneration that deviates from the policy is submitted to REMCO for approval. Deviations mainly relate to the appointment of key personnel to offer them compensation that is competitive relative to their existing salaries.

An overall 5.6% increase in total salaries for the 2022 financial year (effective October 2021) was implemented.

There were no restraint payments made. We paid R162 500 in retention payments to one employee (2020: R500 000 to two employees). In the event of an executive leaving our employ, they will forfeit any retention amounts on the performance incentive scheme. Two sign-on bonuses were paid to two employees, amounting to R550 000 (2020: nil). We paid R353 485 in two mutual separation agreements with one middle manager and one junior manager (2020: R700 000 to one senior manager).

DISCRETIONARY PERFORMANCE BONUSES

Total short- and long-term bonus awards across the Group amounted to R55.8 million for the 2021 financial year. General bonuses awarded to employees who are not on specific incentive schemes average 79% of monthly CTC. This compares favourably with the 75% awarded in 2019.

SHARE PRICE APPRECIATION SCHEME

The Sasfin share scheme has been discontinued and the last awards vested during the financial year. There were no payments this year (2020: nil). As noted above, REMCO will be developing a new employee Share Scheme in the forthcoming year.

PERFORMANCE INCENTIVE SCHEME

Based on company performance, an award to employees on the performance incentive scheme was approved by REMCO, in line with the scheme rules. For 2021, total awards on the scheme amounted to R18.3 million of which R11 million vested immediately and was paid in September 2021. The balance of R7.3 million is deferred and will be paid over the next three years, subject to the rules of the scheme.

In summary, scheme participants received the following payments in September 2021:

- The 2021 award as calculated in terms of the Scheme rules
- The deferred portion relating to the 2019 bonus award
- The deferred portion relating to the 2020 bonus award
- The deferred portion of the 2021 awards will fall due in equal portions over three years from 2022 to 2024, subject to the ROE and personal performance targets being met in each of these years

EXECUTIVE DIRECTORS' PAY

The objectives for Executive Directors are set annually. The Group CEO's objectives are set by the Group and REMCO Chairs. The Group FD's objectives are set by the GACC Chair and Group CEO.

Each KPI includes a set of specific focus areas linked, where appropriate, to measurable outputs.

Group CEO and CFO KPIs for 2021	Weighting CEO	Weighting CFO
Attract and retain a talented and empowered team who live our values ("Top Team") Employee attrition improved in the current year with proactive engagements from senior leadership, despite no bonuses paid in the previous financial year. Strong new appointments were made.	10%	10%
Momentum in B\\YOND® Business Banking, including integrated offering, growth in accounts, activity and deposits ("BBB next") While there is continued momentum in this area, we are not generating targeted levels of growth. A lot of work has gone into setting up the business for growth as detailed in this report.	10%	10%
Grow and diversify loans at the right margin ("Grow Loans") While loan growth has been marginal, the quality of the book and the margin embedded in the book has improved.	10%	10%
Strong credit and collections ("Credit") The increased focus on credit and collections resulted in a much-improved credit loss ratio and book profile.	10%	5%
Take Sasfin Wealth to the next level ("Wealth") Wealth AUM has reached new records with particularly strong growth in institutional and international AUM.	10%	5%
Streamlined business, exit non-core ("Streamline") As detailed in this report, the Group has been materially streamlined, enhancing the cost-to-income ratio. Initiatives included the exit of Sasfin Asia, the sale of Sasfin Commercial Solutions and our interest in Efficient Group, as well as the repurchase of preference shares.	10%	15%
Drive change initiatives (new products, new channels, digital, Future of Work) ("Change") We have successfully adopted a hybrid work model and introduced new digital products and channels. There is more work to be done on greater levels of client adoption.	10%	5%
Ensure sustainability (transformation, ESG, financial inclusion) ("Transform") Maintained BEE scores and significant projects in place to impact society positively.	10%	10%
Deliver meaningful IT projects and extract business benefits Most projects either landed in the current year or are on track to be delivered. Work to be done to extract the desired levels of business benefits.	10%	15%
Effective approach to governance, reporting, Board effectiveness ("Focus") The Group successfully implemented new regulatory and legal requirements and changes were made to Board sub-committees' terms of reference to enhance effective governance across the Group.	10%	15%
Total	100%	100%

GROUP CEO AND CFO (GROUP FD) PERFORMANCE FOR 2021

The ROE target was exceeded in 2021 based on improved performance. The CEO's performance was assessed by the REMCO, which includes the Chair of the Board. The CFO's performance was assessed by the CEO, Chair of the GACC and the Chair of the Board. Based on these assessments, as well as overall Company performance, and taking into consideration the exceptionally trying circumstances of the extended Covid-19 pandemic, the performance of the CEO and FD were rated as "satisfactory with a number of areas exceeding expectations".

PAY MIX AND POTENTIAL REMUNERATION

The performance of each Prescribed Officer is reviewed by their manager and relevant Board members. Executive Directors and management are on the Group Performance Incentive Scheme.

- The Group CEO, Group FD and Prescribed Officers all achieved positive performance ratings on their personal KPIs.
- The Group CEO achieved a performance rating of 3.8 out of 5, and a bonus of R2.6 million was awarded, with R1.425 million vesting in September 2021.
- The Group FD's performance score was 3.8 out of 5, and a bonus of R1.8 million was awarded with R1.025 million vesting in September 2021.
- Bonuses were awarded across the Group in September 2021 (for the 2021 financial year).

- Below expectation
- Meeting expectation
- Exceeding expectation

EXECUTIVE DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION TABLES

The remuneration of the Prescribed Officers, including the Executive Directors, who are considered to be the material risk-takers of the Group, is paid by subsidiaries of the Company and is disclosed under cash package in the below tables. Other benefits comprise provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.

2021

R	Cash package[1]	Other benefits[2]	Bonus paid in 2021 for prior years[3]	Total 2021	2021 Bonus Award	Bonus Payments made in Sep 2021[4]
Angela Pillay	2 919 930	865 739	48 750	3 834 419	1 800 000	1 122 500
Michael Sassoon	3 701 472	967 090	71 250	4 739 812	2 600 000	1 567 500
Linda Frohlich	2 838 678	579 829	41 250	3 459 757	2 350 000	1 382 500
Maston Lane	2 670 425	884 140	41 250	3 595 815	2 000 000	1 207 500
Francois Otto	2 353 091	540 399	26 250	2 919 740		
Stewart Tomlinson	1 776 520	650 234	14 250	2 441 004	914 000	610 500
Erol Zeki	2 588 642	681 243	1 118 129	4 388 005	2 500 000	1 870 940
Total	18 848 758	5 168 665	1 361 129	25 378 552	12 164 000	7 761 440

2020

R	Cash package[1]	Other benefits[2]	Bonus paid for prior years[3]	Total 2020	2020 Bonus Award	Bonus Payments made in Sep 2020[4]
Angela Pillay	2 780 927	563 915	705 500	4 050 342	-	48 750
Michael Sassoon	3 641 471	630 865	915 000	5 187 336	-	71 250
Linda Frohlich	2 805 933	377 693	637 500	3 821 126	-	41 250
Maston Lane	2 644 855	668 556	635 000	3 948 411	-	41 250
Francois Otto	2 296 319	343 632	495 000	3 134 951	-	26 250
Stewart Tomlinson	1 719 970	587 258	383 000	2 690 228	-	14 250
Erol Zeki	2 828 793	228 349	635 000	3 692 142	1 945 008	1 118 129
Total	18 718 268	3 400 268	4 406 000	26 524 536	1 945 008	1 361 129

1 *The remuneration of the Executive Directors is paid by subsidiaries of the Company.*
2 *Other benefits comprise provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.*
3 *Relate to the Group's and individual's performance in prior years and bonuses paid in the financial year.*
4 *Relates to the immediate portion of the current year bonus plus deferred bonuses which vested.*

NON-EXECUTIVE DIRECTORS' FEES

Non-Executive Directors' fees consider a range of factors, including the reasonability of the fees in relation to the important role directors play, Sasfin's growth, the Board and its committees' workload and the economic climate.

Non-Executive Directors' fees are reviewed annually based on external benchmarking that takes place every two years. The fees are recommended to REMCO for consideration, in consultation with Executive Directors, other than in respect of REMCO members' own fees, and REMCO submits the recommendation to the Board via the DANC. Increases are presented to and approved by shareholders at the AGM.

Directors representing WIPHOLD do not receive directors' fees. WIPHOLD is paid a management fee in terms of the shareholders agreement.

2021 Benchmarking

External benchmarking was performed by an independent consultant of Non-Executive Directors' fees against small-cap companies across sectors, and an internal comparison against fees paid by other small banks was conducted. Although Sasfin is in the unique position of being a small independent listed bank, the proposed Non-Executive Directors fees and increases are in line with the comparative benchmark.

A 5% increase in the fee of Board members and the Board Chair has been proposed for 2022. Board committee fees were proposed to be increased in accordance with the comparative benchmark, resulting in a total annual average increase of 5.41% in respect of 2022, effective 1 November 2021, against a backdrop of no fee increases being awarded in 2020, along with no increases for staff in that financial year. REMCO recommended that an annual retainer fee be paid in all instances to the Chair, Board members, as well as Board Committee chairs and members. No special meeting fees will be payable for any committees or the board, with the exception of the CLEC. Due to the unique nature of the CLEC, a special meeting fee equal to 25% of the quarterly meeting fee will be payable on attendance of special meetings. This will ensure that members are adequately compensated, considering the number of special meetings and the time members are required to spend on work relating to special meetings. In the case of the GACC, members previously received special meeting fees. However, it was recommended that the retainer fees for members and the Chair of the GACC be increased by 6% and 7% respectively, to account for any special meetings for which members will no longer be remunerated separately.

	2022		2021	
	Annual member fee* R	Annual Chair's fee* R	Annual member fee* R	Annual Chair's fee* R
Sasfin Holdings and Sasfin Bank Board fees	285 575	1 155 000	271 976	1 100 000
Group Audit and Compliance Committee	89 502	196 240	84 436	183 402
Asset and Liability Committee[1]	–	–	51 224	102 885
Human Resources and Remuneration Committee	73 247	128 567	69 759	120 156
Social and Ethics Committee	52 216	87 400	50 208	80 926
Group Risk and Capital Management Committee	87 813	196 240	84 436	183 402
Credit and Large Exposure Committee	73 247	131 315	69 759	127 490
Capital Investment Committee[1]	–	–	38 418	77 164
Information Technology Committee	60 944	110 087	58 600	102 885

* *Directors' fees are exclusive of VAT.*
1 *During 2021, the mandate of the Capital Investment Committee was incorporated into the Credit and Large Exposures Committee. The Asset and Liability Committee was reconstituted as an executive committee, with oversight provided by the Group Risk and Capital Management Committee. This resulted in a saving on non-executive directors' fees.*

The remuneration in the below table represents Non-Executive Directors' fees paid in the period under review.

	2021* R	2020* R
Independent Non-Executive Directors		
Roy Andersen	1 100 000	1 100 000
Richard Buchholz	748 003	711 490
Linda de Beer[1]	–	141 211
Grant Dunnington	796 152	876 766
Deon de Kock[2]	663 782	
Thabang Magare[3]	441 398	222 420
Gugu Mtetwa[1]	–	131 674
Tapiwa Njikizana[4]	89 103	–
Shahied Rylands[5]	–	405 568
Mark Thompson	682 694	660 187
Eileen Wilton[6]	635 181	502 622
Non-Executive Director		
Roland Sassoon[7]	448 206	241 848
Total	5 604 519	4 993 786

* *Directors' fees are exclusive of VAT.*
1 *Resigned 30 September 2019.*
2 *Appointed 19 August 2020.*
3 *Appointed 19 December 2019 and resigned 21 June 2021.*
4 *Appointed 3 May 2021.*
5 *Resigned 26 November 2019.*
6 *Appointed 6 August 2019.*
7 *Appointed 1 January 2020.*

APPENDICES

King IV™ application summary

Principle	Sasfin application	Further reading
Principle 1 **The governing body should lead ethically and effectively.**	The Board adheres to its fiduciary duties by providing leadership and strategic guidance aimed at protecting stakeholder interests and shareholder value within a governance framework which is reviewed for effectiveness on a regular basis.	Pages 78 and 79 Pages 88 and 89
Principle 2 **The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.**	The Board sets the Group's ethical tone and operates with a strong culture of integrity and ethical competence. Sasfin's values and ethical standards are integral to our stakeholder relationships, and are implicit in how we do business. Our robust policies mitigate market abuse, conflicts of interest, bribery and other unethical conduct. Other policies promoting positive ethics are also disseminated to employees and the SEC oversees the effectiveness, implementation, and suitability thereof.	Page 59 Pages 86 to 89 Page 92
Principle 3 **The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.**	The Board, together with the SEC, assess our business activities and CSR initiatives to ensure that we contribute to society as a responsible and ethical corporate citizen. In particular, that our lending and investment activities are consistent with this approach.	Pages 56 to 59
Principle 4 **The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.**	The Board delegates to management, via Group Exco, the formulation of strategy which is considered and approved by the Board, including financial and non-financial key performance measures and targets over the short, medium and long term. The Board oversees the implementation thereof within Sasfin's overall operating context and evaluates management's performance against the set targets, purpose and strategic focus areas.	Pages 78 and 79 Page 84

Principle	Sasfin application	Further reading
Principle 5 **The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.**	The Board is responsible for the Integrated Report and approves interim and year-end communications, including all SENS announcements, disclosures made in terms of Regulation 43 of the Banks Act and other media statements. Governance and assurance processes are in place to review the completeness and accuracy of reports and information.	Page 7 Page 90 Page 96
Principle 6 **The governing body should serve as the focal point and custodian of corporate governance in the organisation.**	The Board, supported by the DANC, ensures that applicable governance practices and principles are adhered to, and acknowledges that it is responsible for the performance and strategic direction of the Group. The Board has adopted a charter setting out its responsibilities, duties and accountability towards Sasfin. The charter is reviewed annually. The Board has agreed on its governance objectives for 2022. Sasfin's governance practices are disclosed in this report.	Page 78 Page 85 Page 88
Principle 7 **The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.**	The Board comprises a balance of executive and non-executive members, with the majority being non-executive and independent. The Board is led by an independent Chair supported by a lead independent director. The mix of skills, diversity, contribution and tenure of Directors are assessed regularly by the DANC and annually by the Board as part of the Board effectiveness and performance review. A Policy on the Appointment of Directors is in place to give effect to the PA Directive 4/2018, issued in terms of section 6(6) of the Banks Act and promotes sound corporate governance in relation to the appointment of Directors and the independence of Non-Executive Directors. This includes independence assessments, tenure, skills (fit and proper) requirements and the principles relating to the appointment of Directors. Directors' terms of appointment and rotation are outlined in the Company's MOI and appointment letters.	Pages 80 to 83
Principle 8 **The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.**	The Board delegated specific responsibilities to its Committees in terms of approved charters and appoints the members of all the committees. Committee members are selected according to their suitability in terms of their qualifications, skills and experience, and are assessed through the annual Board effectiveness and performance review. All Board Committees are chaired by independent Non-Executive Directors. The DANC ensures that the membership of committees is managed effectively to ensure an appropriate spread of responsibility and independence. The Exco and management operate under a defined delegation of authority framework which aims to ensure effective collaboration and accountability. Details of membership and responsibilities of each committee are outlined in this report.	Pages 89 to 92
Principle 9 **The governing body should ensure that the evaluation of its own performance and that of its committees, its Chair and its individual members, support continued improvement in its performance and effectiveness.**	The Board conducted a Board effectiveness and performance review during the year under review. The results indicated that the Board operates effectively with the necessary leadership, skills and expertise, underpinned by a culture of transparency. The outcomes of the review, as well as focus areas for 2022, are summarised in this report.	Page 84

Principle	Sasfin application	Further reading
Principle 10 **The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.**	The Board oversees key executive appointments and is satisfied that the delegation of authority framework and governance structures contribute to role clarity, oversight and the effective exercise of authority and responsibility.	Pages 88 and 89
Principle 11 **The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.**	The Board defines the Group's risk appetite and risk tolerance, which are formalised in risk appetite statements and relevant metrics based on input from the GRCMC. These are further broken down into measurable tolerance levels. Executive management oversight of the risk function is delegated to the Chief Risk Officer.	Pages 68 to 77
Principle 12 **The governing body should govern technology and information in a way that supports the organisation in setting and achieving its strategic objectives.**	The ITC oversees IT governance and monitors the development and execution of the IT strategy through an IT governance framework, policies and procedures. It provides oversight, monitors and evaluates significant IT risks, opportunities, investments and expenditure, and oversees the governance of IT risk.	Page 54 Page 89
Principle 13 **The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.**	The Group's independent compliance function focuses on areas such as banking regulation, anti-money laundering, market conduct, statutory compliance, exchange control and regulatory interaction responsible for mitigating compliance risk. The Board acknowledges its accountability and provides the necessary guidance regarding managing compliance risk and ensures that it obtains sufficient assurance in this regard and delegates specific oversight responsibility to the DANC. Where relevant, other Board committees assist and support the DANC to perform specific compliance oversight, e.g. the GACC oversees compliance with the provisions of the Bank's Act and Regulations, to enable the preparation of returns and annual financial statements that are free from material misstatement.	Pages 96 and 97
Principle 14 **The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short, medium and long term.**	REMCO reviews and approves the Group's remuneration policies in terms of its Board-approved mandate. It considers whether remuneration is fair and consistent, and encourages behaviour that is aligned with the strategic direction, values and risk appetite of the Group through a combination of fixed and variable pay. The Group's remuneration policy and implementation report, included in this report, are subject to non-binding votes by shareholders. REMCO considers feedback received from shareholders in formulating remuneration policies.	Pages 98 to 111

Principle	Sasfin application	Further reading
Principle 15 **The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.**	The GACC has oversight responsibility for ensuring that internal assurance functions and external assurance services facilitate an effective control environment. It does so by using the combined assurance provided by the Group's Risk, Compliance and Internal Audit Departments as well as external audit reports to arrive at a holistic risk-based assessment of the Group's governance, risk management and control processes. The Group Exco and Combined Assurance forum support the GACC in its role and specifically oversee implementation of controls and review of processes.	Pages 76 and 77 Page 90
Principle 16 **In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.**	The Board has identified all its key stakeholders and recognises the importance of maintaining good relationships with them. It manages stakeholder risk as an integral part of its overall risk management framework and business model, through routine engagement with key stakeholders and seeks to address stakeholder concerns in guiding the Group's future strategy and operating model.	Pages 60 to 67 Page 119
Principle 17 **The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.**	The Group has a social and environmental management system policy framework which guides the Group's lending, client practices and investment activities and ensures that the Group's activities do not breach international, social and environmental norms. The framework is integrated into operational processes, and the Group reports annually to the European Development Finance Institutions on its adherence to the framework. A responsible investment standard is also applied to investments made by the Wealth and Capital Pillars and is overseen by the SEC and GRCMC.	Page 1 Page 9 Page 27 Page 40 Pages 57 to 59

Consolidated statement of financial position

At 30 June 2021

	2021 R'000	2020 R'000
ASSETS		
Cash and cash equivalents	1 285 578	1 731 243
Negotiable securities	2 085 077	3 126 595
Trading assets	703 433	1 060 342
Trade and other receivables	511 941	436 644
Non-current assets held for sale	6 700	6 700
Loans and advances	6 715 951	6 609 328
Current taxation asset	26 595	21 035
Investment securities	540 061	654 966
Investments at fair value through profit or loss	519 972	528 771
Equity accounted associates	20 089	126 195
Property, equipment and right-of-use assets	65 068	103 550
Investment property	16 400	13 123
Intangible assets and goodwill	160 856	205 206
Deferred tax asset	37 584	36 808
Total assets	12 155 244	14 005 540
LIABILITIES		
Funding under repurchase agreements and interbank	700 067	1 882 806
Trading liabilities	658 957	999 842
Current taxation liability	5 093	3 963
Trade and other payables	722 531	783 786
Bank overdraft	30 392	151 462
Provisions	72 714	41 629
Lease liabilities	43 205	70 266
Deposits from customers	4 732 764	5 138 778
Debt securities issued	2 741 583	2 743 823
Long-term loans	730 904	371 649
Deferred tax liability	110 770	94 531
Total liabilities	10 548 980	12 282 535
EQUITY		
Ordinary share capital	321	321
Ordinary share premium	166 945	166 945
Treasury shares[1]	(40 177)	(177)
Reserves	1 435 844	1 367 830
Preference share capital	18	18
Preference share premium	43 313	188 068
Total equity	1 606 264	1 723 005
Total liabilities and equity	12 155 244	14 005 540

[1] *Refer to the Statement of Changes in Equity for more information.*

Consolidated statement of profit or loss and other comprehensive income

For the year ended 30 June 2021

	2021 R'000	2020 R'000
Interest income	995 061	1 285 549
Interest income calculated using the effective interest rate method	947 447	1 250 375
Other interest income	47 614	35 174
Interest expense	(457 081)	(779 234)
Interest expense calculated using the effective interest method	(440 234)	(733 312)
Other interest expense	(16 847)	(45 922)
Net interest income	537 980	506 315
Non-interest income	745 800	640 180
Net fee and commission income	416 112	429 445
Fee and commission income	628 388	638 402
Fee and commission expense	(212 276)	(208 957)
Gains and losses on financial instruments	168 845	85 674
Net gains or losses on the derecognition of financial instruments at amortised cost	37 072	28 297
Other gains or losses on financial instruments	131 773	57 377
Other income	160 843	125 061
Total income	1 283 780	1 146 495
Credit impairment charges	(150 696)	(252 618)
Net income after impairments	1 133 084	893 877
Total operating costs	(1 015 455)	(959 040)
Staff costs	(530 484)	(517 605)
Other operating expenses	(444 387)	(424 784)
Impairments on non-financial assets	(40 584)	(16 651)
Profit/(loss) for the year from operations	117 629	(65 163)
Share of associate income	18 962	20 161
Profit/(loss) for the year before income tax	136 591	(45 002)
Total income tax	(58 947)	1 848
Profit/(loss) for the year	77 644	(43 154)
Other comprehensive income for the year net of tax effects		
Items that may subsequently be reclassified to profit or loss		
Foreign exchange differences on translation of foreign operations	(40 843)	41 313
Reclassification of foreign currency differences on loss of control	(75 886)	–
Reclassification of hedge reserves on loss of control	107 099	–
Total comprehensive income/(loss) for the year	68 014	(1 841)
Profit/(loss) attributable to:	77 644	(43 154)
Non-controlling interest	–	1 993
Preference shareholders	–	15 029
Equity holders of the Group	77 644	(60 176)
Total comprehensive income/(loss) attributable to:	68 014	(1 841)
Non-controlling interest	–	1 993
Preference shareholders	–	15 029
Equity holders of the Group	68 014	(18 863)
Earnings per share:		
Basic and diluted earnings per share (cents)	241.20	(186.90)

Consolidated statement of changes in equity

For the year ended 30 June 2021

	Ordinary share capital R'000	Ordinary share premium R'000	Treasury shares[1] R'000	Distributable reserves R'000	Foreign currency translation reserve R'000	Hedging reserve R'000	Total ordinary shareholders' equity R'000	Preference share capital R'000	Preference share premium R'000	Non-controlling interest R'000	Total shareholders' equity R'000
2021											
Opening balance at the beginning of the year	321	166 945	(177)	1 358 200	116 729	(107 099)	1 534 919	18	188 068	–	1 723 005
Total comprehensive income for the year	–	–	–	77 644	(116 729)	107 099	68 014	–	–	–	68 014
Profit for the year	–	–	–	77 644	–	–	77 644	–	–	–	77 644
Other comprehensive income net of income tax for the year	–	–	–	–	(116 729)	107 099	(9 630)	–	–	–	(9 630)
Foreign exchange differences on translation of foreign operations	–	–	–	–	(40 843)	–	(40 843)	–	–	–	(40 843)
Reclassification of foreign currency differences on loss of control[2]	–	–	–	–	(75 886)	–	(75 886)	–	–	–	(75 886)
Reclassification of hedge reserves on loss of control[2]	–	–	–	–	–	107 099	107 099	–	–	–	107 099
Changes in ownership interests											
Preference share buy-back	–	–	–	–	–	–	–	–	(144 755)[1]	–	(144 755)
Transactions with owners recorded directly in equity											
Net (increase)/decrease in treasury shares	–	–	(40 000)	–	–	–	(40 000)	–	–	–	(40 000)
Balance at the end of the year	321	166 945	(40 177)	1 435 844	–	–	1 562 933	18	43 313	–	1 606 264
2020											
Opening balance at the beginning of the year	321	166 945	(177)	1 442 195	83 441	(107 099)	1 585 626	18	188 068	3 672	1 777 384
Transfers	–	–	–	8 025	(8 025)	–	–	–	–	–	–
Total comprehensive income for the year	–	–	–	(60 176)	41 313	–	(18 863)	15 029	–	1 993	(1 841)
Loss for the year	–	–	–	(60 176)	–	–	(60 176)	15 029	–	1 993	(43 154)
Other comprehensive income net of income tax for the year	–	–	–	–	41 313	–	41 313	–	–	–	41 313
Foreign exchange differences on translation of foreign operations	–	–	–	–	41 313	–	41 313	–	–	–	41 313
Changes in ownership interests											
Business disposals	–	–	–	–	–	–	–	–	–	(5 665)	(5 665)
Transactions with owners recorded directly in equity											
Dividends to preference shareholders	–	–	–	–	–	–	–	(15 029)	–	–	(15 029)
Dividends to ordinary shareholders	–	–	–	(31 844)	–	–	(31 844)	–	–	–	(31 844)
Balance at the end of the year	321	166 945	(177)	1 358 200	116 729	(107 099)	1 534 919	18	188 068	–	1 723 005

[1] *During the current year ordinary share capital, ordinary share premium, distributable reserves and treasury shares were separately disclosed in order to provide more useful information to the users of the financial statements. For comparative purposes prior year numbers have also been reclassified.*

[2] *During the current year Sasfin Asia Limited was placed in liquidation upon which it met the criteria for deconsolidation. The hedge reserve that arose in prior years when hedge accounting was applied released through profit and loss upon deconsolidation. Similarly, the FCTR which related to the foreign operations in Asia was recycled through profit and loss on deconsolidation.*

Consolidated statement of changes in equity

continued

For the year ended 30 June 2021

	2021 Cents per share	2020 Cents per share
Ordinary shares		
Interim dividend	–	48.89
Preference shares		
Dividend no 31	–	416.91

Consolidated statement of cash flows

For the year ended 30 June 2021

	2021 R'000	2020 R'000
Cash flows from operating activities		
Interest received	995 061	1 285 549
Interest paid	(457 079)	(779 234)
Fee and commission income received	628 388	638 402
Fee and commission expense paid	(212 276)	(208 957)
Net trading and other income	138 880	157 407
Cash payments to employees and suppliers	(844 725)	(885 923)
Cash inflow from operating activities	248 249	207 244
Dividends received	32 157	23 845
Taxation paid	(47 915)	(43 140)
Dividends paid	–	(46 872)
Cash flows from operating activities before changes in operating assets and liabilities	232 490	141 077
Changes in operating assets and liabilities	(591 927)	154 604
(Increase)/Decrease in loans and advances	(81 939)	717 316
Decrease in trading assets	423 572	165 804
Decrease/(Increase) in negotiable securities	945 410	(77 060)
Increase in trade and other receivables	(83 821)	(26 048)
(Decrease)/Increase in deposits from customers	(406 013)	157 711
Decrease in trade and other payables	(206 011)	(52 455)
Decrease in provisions	(16 517)	(32 110)
Increase/(Decrease) in long-term loans	359 255	(124 066)
(Decrease) in funding under repurchase agreements and interbank	(1 182 739)	(388 804)
(Decrease) in trading liabilities	(340 884)	(175 986)
(Decrease) in debt securities issued	(2 240)	(9 698)
Net cash from operating activities	(359 437)	295 681
Cash flows from investing activities		
Proceeds from the disposal of property and equipment	1 630	–
Proceeds from the disposal of investment securities	27 438	270
Proceeds from the disposal of an associate	146 261	–
Acquisition of property and equipment	(10 928)	(12 712)
Acquisition of intangible assets	(27 935)	(29 595)
Acquisition of investment securities	–	(11 176)
(Repayments)/advances of investment securities	(18 637)	101 587
Net cash flows from investing activities	117 827	48 374
Cash flows from financing activities	–	–
Acquisition of treasury shares	(40 000)	–
Repayment of lease liabilities	(33 354)	(31 052)
Net cash flows from financing activities	(73 354)	–
Net (decrease)/increase in cash and cash equivalents	(314 964)	313 003
Cash and cash equivalents at beginning of the year	1 579 781	1 266 778
Effect of exchange rate movements on cash and cash equivalents	(9 631)	–
Cash and cash equivalents at the end of the year	1 255 186	1 579 781

Notes to the consolidated financial statements

For the year ended 30 June 2021

Basis of preparation and presentation of the consolidated financial statements for the year ended 30 June 2021

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

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

The accounting policies applied in the Financial Statements are the same as those applied in the Group's Audited Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021.

The Consolidated Financial Statements are presented in ZAR. All entities in the Group, with the exception of Sasfin Asia Limited, operate in the Republic of South Africa with a functional currency of ZAR.

1. **Impact of Covid-19**
   The operating conditions in the second half of 2021 were better than what was originally anticipated at the start of the Covid-19 pandemic. This is evidenced by the upward projections on GDP growth, with early interventions by government to stimulate growth and increased rollout of vaccines across the country. The impact of the more positive conditions in the second half was evidenced by improved collections and consequential improved credit impairments. The Group managed to grow total income across all business segments from increased volumes, improved pricing and uplift in fair value measurements in our Specialised Lending and Property portfolios, which have shown good growth over the year.

2. **Changes in legal and investment structure**
   - Sasfin Wealth (Proprietary) Limited (Sasfin Wealth), disposed of its 21.10% interest in its associate, Efficient Group Limited, for a disposal consideration of R146.261 million. The disposal was concluded on 3 December 2020.
   - Sasfin Holdings Limited (SHL) sold 100% of its wholly owned subsidiary, SPH, to Sasfin Property Equity Investments Holdings (Proprietary) Limited (SPEIH), a fellow subsidiary of SHL. This internal reorganisation was effected at cost and concluded in March 2021.
   - Sasfin Bank Limited's wholly owned subsidiary, Sasfin Asia Limited was wound up with effect from 31 May 2021.
   - SHL's wholly owned subsidiary, Sasfin Property Holdings (Proprietary) Limited (SPH) sold 100% of its share of Sasfin Commercial Solutions (Global Trade) (Proprietary) Limited for R33.100 million. This disposal was concluded on 30 June 2021.

   The above transactions were concluded in order to optimise the capital of the Group and streamline the business legal structure.

3. **Related parties**
   There have been no material changes, by nature or amount, in transactions with related parties since the 2020 financial year-end.

4. **Accounting standards, interpretations and amendments to existing standards that are not yet effective**
   There have been no changes of a significant nature in respect of such items from what has been previously reported.

5. **Subsequent events**

   Settlement of Preference share buy-back

   Sasfin acquired all of its issued preference shares by means of a repurchase of the preference shares, implemented by way of a scheme of arrangement. The unconditional obligation to the preference shareholders was raised as a liability at year-end, resulting in the reduction in preference share premium.

   On 5 July 2021 Sasfin paid the Preference Shareholders for their preference shares and the shares were transferred back to SHL, to be held as authorised unissued shares.

   Land Bank

   On 19 July 2021 the Land Bank repaid 10% (R41.4 million) of the capital outstanding on the Land Bank bills held by Sasfin. The gross amount of Bills, at 30 June 2021, was R415.9 million, before stage 3 impairment of R121.6 million.

   Operational loss

   During August 2021, Sasfin Securities (Proprietary) Limited in the normal course of business participated in a corporate action on behalf of a client where an error occurred that resulted in an operational loss of R33.9 million. The Company is insured under professional indemnity insurance for such losses. The timing and quantum of any insurance settlement is currently uncertain.

   New head office and lease

   Sasfin Holdings Limited concluded a lease for a new head office in August 2021 with occupation expected to take place in December 2021. It is currently estimated that the resulting lease liability and asset will approximate R135 million.

Notes to the consolidated financial statements

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For the year ended 30 June 2021

6. **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
2021							
Loans and advances at amortised cost							
Gross investment in leases	7 051 720	2 973 185	1 954 547	1 257 095	642 709	218 224	5 960
Equipment Finance	5 553 612	2 336 585	1 533 628	994 277	504 826	182 316	1 980
Capital Equipment Finance	1 498 108	636 600	420 919	262 818	137 883	35 908	3 980
Less: Unearned finance income	(1 122 187)	(558 784)	(332 098)	(160 467)	(59 606)	(10 958)	(274)
Equipment Finance	(901 794)	(448 910)	(266 461)	(129 228)	(48 466)	(8 665)	(64)
Capital Equipment Finance	(220 393)	(109 874)	(65 637)	(31 239)	(11 140)	(2 293)	(210)
Net investment in leases[1]	5 929 533	2 414 401	1 622 449	1 096 628	583 103	207 266	5 686
Equipment Finance	4 651 818	1 887 675	1 267 167	865 049	456 360	173 651	1 916
Capital Equipment Finance	1 277 715	526 726	355 282	231 579	126 743	33 615	3 770
Trade and Debtor Finance	633 499						
Term Loans	376 554						
Secured Loans	351 631						
Unsecured Loans	24 923						
Loans and advances before expected credit losses	6 939 586						
Credit loss allowance (refer to note 43)	(535 353)						
Total loans and advances at amortised cost	6 404 233						
Loans and advances at FVTPL	311 718						
Specialised lending	311 718						
Total loans and advances	6 715 951						

Notes to the consolidated financial statements

continued

For the year ended 30 June 2021

	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
2020							
Loans and advances at amortised cost							
Gross investment in leases	7 199 485	3 211 396	1 964 542	1 196 330	635 043	185 105	7 069
Equipment Finance	5 646 631	2 381 258	1 594 012	991 469	527 250	147 819	4 823
Capital Equipment Finance	1 552 854	830 138	370 530	204 861	107 793	37 286	2 246
Less: Unearned finance income	(1 185 948)	(626 019)	(338 824)	(161 445)	(55 047)	(4 164)	(449)
Equipment Finance	(958 396)	(499 384)	(276 778)	(134 164)	(45 332)	(2 529)	(209)
Capital Equipment Finance	(227 552)	(126 635)	(62 046)	(27 281)	(9 715)	(1 635)	(240)
Net investment in leases[1]	6 013 537	2 585 377	1 625 718	1 034 885	579 996	180 941	6 620
Equipment Finance	4 688 235	1 881 874	1 317 234	857 305	481 918	145 290	4 614
Capital Equipment Finance	1 325 302	703 503	308 484	177 580	98 078	35 651	2 006
Trade and Debtor Finance	718 014						
Term Loans	207 171						
Secured Loans	191 568						
Unsecured Loans	15 603						
Loans and advances before expected credit losses	6 938 722						
Credit loss allowance (refer to note 43)	(552 405)						
Total loans and advances at amortised cost	6 386 317						
Loans and advances at FVTPL	223 011						
Specialised lending	223 011						
Total loans and advances	6 609 328						

[1] *Loans and advances with a carrying amount of R2.995 billion (2020: R3.366 billion) have been ceded as security for the debt securities issued. Refer to note 9.*

Notes to the consolidated financial statements

continued

For the year ended 30 June 2021

	2021 R'000	2020 R'000
7. Investment securities		
Investments at fair value through profit or loss	519 972	528 771
Listed equity investments	216	150
Private and Property Equity investments	519 756	528 621
Equity-accounted associates[1]	20 089	126 195
	540 061	654 966

[1] *Sasfin's wholly-owned subsidiary, Sasfin Wealth Proprietary Limited (Sasfin Wealth), entered into a sale of shares agreement in terms of which, inter alia, Sasfin Wealth disposed of its 21.10% interest in its associate, Efficient Group Limited, for a disposal consideration of R146.261 million. The disposal was concluded on 3 December 2020. After the disposal, the remaining balance is made up of individually immaterial associates.*

The associates of the Group that are classified and measured at fair value through profit or loss, are involved in a variety of businesses. The shareholdings 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.

	2021 R'000	2020 R'000
Summarised financial information for associates that have been equity accounted:		
Post-tax profit	18 962	66 607
Total comprehensive income	18 962	66 607
Total assets	57 230	6 338 451
Total liabilities	11 273	6 054 497

Notes to the consolidated financial statements

continued

For the year ended 30 June 2021

	2021 R'000	2020 R'000
8. Deposits from customers		
Current deposits[1]	627 206	581 499
Call deposits[1]	1 438 146	1 902 763
Notice deposits	853 956	803 473
Fixed deposits	1 804 157	1 815 525
Negotiable certificates of deposits	9 299	35 518
	4 732 764	5 138 778

[1] *Call deposits have been split into current deposits and call deposits for enhanced disclosure in this note.*

	2021 R'000	2020 R'000
9. Debt securities issued		
Category analysis		
Rated	2 741 583	2 743 823

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. Refer to note 36. These notes are Unsubordinated, secured, compulsory redeemable, asset backed notes of R1m each. These notes bear interest at between three-month JIBAR+ 1.3000% and three-month JIBAR+ 3.1500%, with various maturity dates. Refer to note 44.

Notes to the consolidated financial statements

continued

For the year ended 30 June 2021

10. Classification of assets and liabilities

10.1 Financial assets and liabilities measured at fair value

	2021 Level 1 R'000	2021 Level 2 R'000	2021 Level 3 R'000	2020 Level 1 R'000	2020 Level 2 R'000	2020 Level 3 R'000
Recurring fair value measurements						
Financial assets	660 938	42 666	831 474	975 320	85 174	751 632
Investment securities – excluding equity accounted associates	216	–	519 756	150	–	528 621
Loans and advances at fair value through profit or loss	–	–	311 718	–	–	223 011
Trading assets	660 767	42 666	–	975 170	85 174	–
Trading liabilities	611 874	47 083	–	898 404	101 438	–
Trading liabilities	611 874	47 083	–	898 404	101 438	–
Non-financial assets	–	–	23 100	–	–	19 823
Investment property – continuing operations	–	–	16 400	–	–	13 123
Investment property – non-current assets held for sale	–	–	6 700	–	–	6 700

Notes to the consolidated financial statements

continued

For the year ended 30 June 2021

10.2 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.

	2021 Investment securities – excluding equity accounted associates R'000	2021 Loans and advances at fair value through profit or loss R'000	2021 Investment property – non-current assets held for sale R'000	2021 Investment property R'000	2020 Investment securities – excluding equity accounted associates R'000	2020 Loans and advances at fair value through profit or loss[1] R'000	2020 Investment property – non-current assets held for sale R'000	2020 Investment property R'000
Balance at the beginning of the year	528 621	223 011	6 700	13 123	622 774	29 470	–	8 900
Total gains or losses in profit and loss	11 425	19 638	–	(3 726)	(12 431)	8 462	(2 200)	–
Disposal of investments	(27 437)	–	–	–	(92 898)	–	–	–
Advances	35 401	105 832	–	–	11 176	185 079	–	–
Repayments	(28 254)	(36 763)	–	–	–	–	–	
Transfers from land and buildings	–	–	–	7 003	–	–	–	13 123
Transfers	–	–	–	–	–	–	8 900	(8 900)
Balance at the end of the year	519 756	311 718	6 700	16 400	528 621	223 011	6 700	13 123

10.3 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:

	2021 R'000	2020 R'000
Gains/(losses) on level 3 instruments held at the reporting date	(8 698)	(6 169)

Notes to the consolidated financial statements

continued

For the year ended 30 June 2021

11. Earnings per share

11.1 Reconciliation between basic and headline earnings

	Gross R'000	Direct tax R'000	Non-controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
2021				
Basic earnings	136 591	(58 947)	–	77 644
Headline adjustable items:	54 130	9 297	–	63 427
Loss on loss of control of subsidiary	31 016	–	–	31 016
Investment property – fair value loss on continuing operations	3 726	–	–	3 726
Intangible impairments	40 583	–	–	40 583
Profit on disposal of interest in associate	(21 195)	9 297	–	(11 898)
	190 721	49 650	–	141 071
2020				
Basic earnings	(45 002)	1 848	(17 022)	(60 176)
Headline adjustable items:	12 052	(493)	–	(11 559)
Profit on loss of control of subsidiary	(4 674)	–	–	(4 674)
Investment property – fair value loss on non-current assets held for sale	2 200	(493)	–	1 707
Goodwill and intangible impairments	16 651	–	–	16 651
(Gain)/Loss on dilution of interest in associate	(2 125)	–	–	(2 125)
	(32 950)	1 355	(17 022)	(48 617)

Notes to the consolidated financial statements

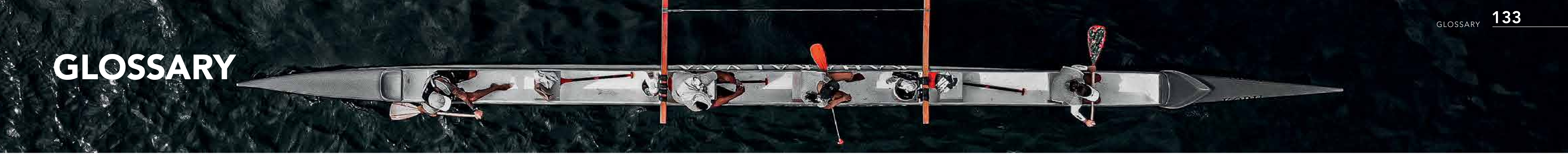
continued

For the year ended 30 June 2021

11. Earnings per share continued

11.2 Summary of earnings and headline earnings per share

	Earnings attributable 2021 R'000	Earnings attributable 2020 R'000	Weighted average number of shares 2021	Weighted average number of shares 2020	Cents per share 2021	Cents per share 2020
Earnings per ordinary share	77 644	(60 177)	32 190 579	32 196 882	241.20	(186.90)
Diluted earnings per ordinary share	77 644	(60 177)	32 190 579	32 196 882	241.20	(186.90)
Headline earnings per ordinary share	141 071	(48 617)	32 190 579	32 196 882	438.24	(151.00)
Diluted headline earnings per ordinary share	141 071	(48 617)	32 190 579	32 196 882	438.24	(151.00)



GLOSSARY

Term	Definition
AGM	Annual General Meeting
AML	Anti-money laundering
ATFS	Absa Technology Finance Services (Proprietary) Limited
Bank	Sasfin Bank Limited
Banks Act	Banks Act, No 94 of 1990 and Regulations relating to banks
BASA	Banking Association of South Africa
Basel III	Set of reform measures, to strengthen the regulation, supervision and risk management of the banking sector
B-BBEE	Broad-Based Black Economic Empowerment
CA(SA)	Chartered Accountant (South Africa)
CAR	Capital adequacy ratio
CEO	Chief Executive Officer
CD(SA)	Chartered Director (South Africa)
CFT	Combating the Financing of Terrorism
CLEC	Credit and Large Exposures Committee, a committee of the Board of Directors
COFI	Conduct of Financial Institutions
Companies Act	Companies Act of South Africa, No 71 of 2008, as amended
Company	Sasfin Holdings Limited
COO	Chief Operating Officer
CRISA	Code for Responsible Investing in South Africa
CRM	Customer relationship management
CRO	Chief Risk Officer
CSI	Corporate social investment
CSR	Corporate social responsibility
CTC	Cost-to-company

Term	Definition
DANC	Directors' Affairs and Nominations Committee, a Board committee
DMA	SCM DMA (Proprietary) Limited, formerly Saxo Capital Markets SA (Proprietary) Limited
Efficient Group	Efficient Group Limited
ERM	Enterprise risk management
ESG	Environmental, social and governance
FAIS	Financial Advisory and Intermediary Services Act
FD	Financial Director
FICA	Financial Intelligence Centre Act, No 38 of 2001, as amended
Fintech	Financial technology companies
FSC	Financial Sector Code
FSCA	Financial Sector Conduct Authority
FSTC	Financial Sector Transformation Council
GACC	Group Audit and Compliance Committee, a Board committee
GDP	Gross domestic product
GIBS	Gordon Institute of Business Sciences
GLAA	Gross loans and advances
GRCMC	Group Risk and Capital Management Committee, a Board committee
Group or Sasfin	Sasfin Holdings Limited and its subsidiaries
Group Exco	Group Executive Committee
HC	Human Capital
HR	Human Resources
HR Manco	Human Resources Management Committee
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards

Term	Definition
IFRS 9	IFRS 9 Financial Instruments
IIRC	International Integrated Reporting Council
<IR> Framework	Integrated Reporting Framework
IT	Information technology
ITC	Information Technology Committee
JSE	Johannesburg Stock Exchange Limited
King IV™	King Report on Corporate Governance™ for South Africa, 2016 (King IV™)*
KPI	Key performance indicator
KRI	Key risk indicator
KVI	Key value indicator
Nasira	Nasira partnership with FMO (Dutch Entrepreneurial Development Bank)
NSFR	Net stable funding ratio
PA	Prudential Authority
Pillars	Asset Finance, Wealth and Business Banking (B\\YOND® and Capital)
POPIA	Protection of Personal Information Act of South Africa
PwC	PricewaterhouseCoopers Inc.
RDARR	Risk data aggregation and risk reporting
REMCO	Group Human Resources and Remuneration Committee, a Board committee
ROE	Return on equity
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
SDG	UN Sustainable Development Goals
SEC	Social and Ethics Committee, a Board committee
SEMS	Social and environmental management system

Term	Definition
SENS	Stock Exchange News Service
SETA	Sector Education and Training Authority
SMEs	Small and medium enterprises
SPAS	Share price appreciation scheme
STI	Short-term incentive
SWIP	Sasfin Wealth Investment Platform
TCF	Treating Customers Fairly
Twin Peaks	The Twin Peaks regulatory structure
WIOC	Wealth Investment Oversight Committee
WIPHOLD	Women Investment Portfolio Holdings
Xero	Xero accounting software

CORPORATE DETAILS

COUNTRY OF INCORPORATION AND DOMICILE

South Africa

INDEPENDENT NON-EXECUTIVE CHAIR

Roy Andersen*

* *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until March 2023.*

EXECUTIVE DIRECTORS

Michael Sassoon (Group Chief Executive Officer)
Angela Pillay (Group Financial Director)

INDEPENDENT NON-EXECUTIVE DIRECTORS

Richard Buchholz (Lead)
Deon de Kock
Eileen Wilton
Grant Dunnington*
Mark Thompson
Tapiwa Njikizana

* *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until the Group's 2021 AGM.*

NON-INDEPENDENT, NON-EXECUTIVE DIRECTORS

Gugu Dingaan
Shaun Rosenthal (Alternate)
Roland Sassoon
Nontobeko Ndhlazi

GROUP COMPANY SECRETARY

Charissa De Jager

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INDEPENDENT SPONSOR

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AUDITORS

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