sasfin Bank

Annual Financial Statements

for the year ended 30 June 2021

Table of contents

Indicates additional information available online or from the Company Secretary.

OUR REPORTS

Annual Financial Statements 2021
This report presents Sasfin Bank's Annual Financial Statements and includes risk and capital management disclosures.

Integrated Report 2021
This is Sasfin's primary report, which presents our strategy, performance and plans.

Legal entity terminology used in this report

Group/Sasfin: Sasfin Holdings Limited and its subsidiaries

Banking Group: Sasfin Bank Limited and its subsidiaries

Bank: Sasfin Bank Limited

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

Capital: Sasfin Capital (Proprietary) Limited

Company: Sasfin Bank Limited

Statement of preparation

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

Disclaimer

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

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

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

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

Directors' responsibility statement

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

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

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

The directors of the Company are responsible for the controls over, and the security of the website and, where applicable, for establishing and controlling the process for electronically distributing annual reports and other financial information to shareholders and to the Companies and Intellectual Property Commission. We remind you that the examination of controls over the maintenance and integrity of the Company's website is beyond the scope of the audit of the financial statements and if your directors' responsibilities statement does not include reference to this we will include it as a note at the end of the electronic version of our auditor's report. Accordingly, we accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the Website. However, if we do become aware of any subsequent amendments, we will notify the directors that the financial statements no longer correspond with the manually signed financial statements.

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

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

The Consolidated and Separate Annual Financial Statements for the year ended 30 June 2021 were approved by the Board and are signed on its behalf by:

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

03 September 2021

Company Secretary's certification

I hereby certify that, in terms of section 88(2)(e) of the Companies Act, Sasfin Bank Limited has filed all returns and notices required by the Companies Act with the Companies and Intellectual Property Commission, for the financial year ended 30 June 2021 and that all such returns and notices as are required of a public company are true, correct and up to date.

Charissa de Jager
Company Secretary

03 September 2021

Group Audit and Compliance Committee report

Introductory comments

The Group Audit and Compliance Committee (GACC/the Committee) is pleased to present its report in respect of the 2021 Annual Financial Statements of Sasfin Bank Limited (the Group), in compliance with section 94(7) of the Companies Act. The Committee's functions are further informed by the Companies Act, the Banks Act, the JSE Listings Requirements and King IV Report™ on Corporate Governance for South Africa, 2016 (King IV™) and are set out in its Charter which is approved by the Board.

Committee composition and assessment of its performance

In terms of the Banks Act, which takes precedence over the Companies Act, members of the Committee are appointed by the Board. Only Independent Non-Executive Directors are eligible to serve on the Committee.

Members		Appointed	Resigned
Mark Thompson	Chair	**21 June 2019**	
Richard Buchholz		**7 March 2018**	
Grant Dunnington		**29 July 2013**	
Thabang Magare		**27 January 2020**	21 June 2021
Deon de Kock		**19 August 2020**	
Tapiwa Njikizana		**3 May 2021**	

The Committee noted with regret the resignation of Thabang Magare and express their gratitude for his service. The Committee heartily welcomed the appointment of Tapiwa Njikizana.

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

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

Functions of the Committee

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

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

Activities during the year

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

Financial control and financial reporting

- Reviewed the Interim Results, Annual Financial Statements, dividend declarations and recommended those to the Board for approval;
- Assessed the appropriateness of the going concern basis for the preparation of the Interim Results and Annual Financial Statements and the solvency and liquidity tests in support of financial assistance and distributions;
- Assessed the accounting policies and key assumptions applied in the preparation of the Annual Financial Statements, as well as technical reporting matters relating to complex accounting issues, exceptional transactions and significant accounting judgements, estimates and restatements;
- Oversaw compliance of the Interim Results and Annual Financial Statements with IFRS; and
- Reviewed the adequacy and effectiveness of the internal financial controls and reporting processes. Where weaknesses were identified, specifically on system-related controls and processes, the Committee considered the adequacy and design of compensating controls instituted by management. Supported by the work of Internal Audit and other assurance providers, the Committee satisfied itself as to the overall adequacy and operating effectiveness of the internal financial control environment and noted the improvements made during the year and those planned for the year ahead.

External Audit

- Recommended for re-election PricewaterhouseCoopers Inc (PwC) as the audit firm, and Mr Vincent Tshikhovhokhovho as the engagement partner, for shareholder approval;

- Ensured that the appointment of the auditor complied with all the legislation regarding the appointment of external auditors;
- Was satisfied that non-audit related services carried out by the external auditors were in accordance with the Board-approved non-audit services policy which places limits on non-audit services provided by the External Auditors;
- In consultation with the executive management, approved the engagement letter, audit plan and budgeted fees for the 2021 financial year; and
- Promoted and enabled effective communication between the External and Internal Audit functions.

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

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

Internal Audit

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

The Head of Internal Audit reported regularly to the Committee and had unrestricted access to the Committee Chair. In her annual statement regarding the effectiveness of the Group's governance, risk management, and control processes, the Head of Internal Audit expressed the opinion that material internal controls, including those over financial and other reporting processes, were adequately designed, satisfactorily implemented, and operated effectively to allow reliance to be placed by users of external reports issued by the Group. Specifically, in relation to controls over financial reporting, she has attested that Internal Audit did not identify any significant weaknesses in the design, implementation or execution of these controls that had resulted in, or was likely to result in material financial loss, fraud, corruption or error.

The Committee noted the resignation of the erstwhile Chief Audit Executive, Richard Warren-Tangney, in February 2021. Ingrid Ravenscroft joined the Group in April 2021 as the new Head of Internal Audit.

Compliance

- The Committee reviewed and recommended the Compliance Charter and the annual compliance and monitoring plan;
- In terms of a decision taken by the Board in February 2021, Compliance oversight was delegated to the Directors' Affairs and Nomination Committee. This Committee is no longer primarily responsible for Compliance oversight. The Head of Group Compliance continued to attend meetings of the Committee to report any significant compliance matters as required in terms of the Regulations relating to Banks.

Combined Assurance

Requested certain enhancements to the Group's Combined Assurance Framework. These are being implemented to improve co-ordination of activities across the business, and providing reasonable assurance as to the integrity of the financial and regulatory reporting of the Group; that key risks are identified and managed appropriately and that the Group's main governance systems are suitably designed and operating effectively.

Group Audit and Compliance Committee report continued

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

The Combined Assurance Framework now also incorporates an assurance map whereby key internal financial and reporting controls and processes over key financial statement line items are reported on. The assurance map enhances assurance over the financial and regulatory reporting of the Group.

The Committee is of the view that the new Group's Combined Assurance arrangements are suitably designed and bedding down well.

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

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

Key audit matters as reported by the external auditors

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

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

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

Impact of COVID-19

The areas most impacted by COVID-19 include:

- Expected credit loss (ECL) assessment (IFRS 9 macro-economic scenarios, probabilities, and staging); and
- Fair value measurement on level 3 financial instruments and Property Equity instruments.

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

Expected credit losses

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

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

Valuation of Private and Property Equity investments

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

Going concern assessment

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

In conclusion

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

Mark Thompson

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

03 September 2021

Directors' report

Nature of business

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

COVID-19

The 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.

Financial results

The results of the Banking Group and Company are set out in the Consolidated and Separate Annual Financial Statements and accompanying notes as well as in the Integrated Report 2021.

Directorate and changes to the Board

Ms Nontobeko Ndhlazi was appointed a Non-executive Director and Mr Deon De Kock, an Independent Non-executive Director with effect from 19 August 2020. Mr De Kock serves on the Group Audit and Compliance Committee.

Mr Tapiwa Njikizana was appointed as an Independent Non-executive Director with effect from 3 May 2021 and serves on the Group Audit and Compliance Committee.

Mr Thabang Magare resigned on 21 June 2021 due to the increased demands of his external business commitments. He served on the Group Audit and Compliance Committee.

Directors and Company Secretary

Independent Non-executive Directors		Appointed	Resigned
Roy Andersen[1]	Chair	**14 February 2011**	
Grant Dunnington[1]		**25 February 2010**	
Richard Buchholz	Lead	**9 January 2018**	
Mark Thompson		**21 June 2019**	
Eileen Wilton		**6 August 2019**	
Thabang Magare		**19 December 2019**	21 June 2021
Deon de Kock		**19 August 2020**	
Tapiwa Njikizana		**3 May 2021**	
Non-independent, Non-executive Directors			
Gugu Dingaan		**7 March 2018**	
Shaun Rosenthal	Alternate	**7 March 2018**	
Roland Sassoon		**1 January 2020**	
Nontobeko Ndhlazi		**19 August 2020**	
Executive Directors			
Michael Sassoon	Chief Executive Officer	**23 October 2015**	
Angela Pillay	Group Financial Director	**1 March 2018**	
Alternate Executive Directors			
Linda Fröhlich		**9 October 2013**	
Maston Lane		**16 March 2018**	
Company Secretary			
Charissa de Jager		**1 January 2020**	

[1] *Roy Andersen Director and Chair of the Boards of Sasfin Holdings Limited and Sasfin Bank Limited, and Grant Dunnington Director of the Boards of Sasfin Holdings Limited and Sasfin Bank Limited will retire at the AGM on 25 November 2021.*

Share capital

Ordinary share capital

There were no changes to the authorised ordinary share capital.

Special resolutions passed

Special resolutions passed during the year are available for inspection.

Events after the reporting date

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

Independent auditor's report

To the Shareholders of Sasfin Bank Limited

Report on the audit of the consolidated and separate financial statements

Our opinion

In our opinion, the consolidated and separate financial statements present fairly, in all material respects, the consolidated and separate financial position of Sasfin Bank Limited (the Company) and its subsidiaries (together the Group) as at 30 June 2021, and its consolidated and separate financial performance and its consolidated and separate cash flows for the year then ended in accordance with International Financial Reporting Standards and the requirements of the Companies Act of South Africa.

What we have audited

Sasfin Bank Limited's consolidated and separate financial statements set out on pages 10 to 142 comprise:

- the consolidated and separate statements of financial position as at 30 June 2021;
- the consolidated and separate statements of profit or loss and comprehensive income for the year then ended;
- the consolidated and separate statements of changes in equity for the year then ended;
- the consolidated and separate statements of cash flows for the year then ended; and
- the notes to the consolidated and separate financial statements, which include a summary of significant accounting policies, excluding the section marked as "unaudited" in note 42 to the consolidated financial statements.

Basis for opinion

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

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

Independence

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

Other information

The directors are responsible for the other information. The other information comprises the information included in the document titled "Sasfin Bank Limited Annual Financial Statements for the year ended 30 June 2021", which includes the Directors' Report, the Group Audit and Compliance Committee Report and the Company Secretary's Certification as required by the Companies Act of South Africa. The other information does not include the consolidated or the separate financial statements and our auditor's report thereon.

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

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

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

Responsibilities of the directors for the consolidated and separate financial statements

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

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

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

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

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

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

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

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

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

Report on other legal and regulatory requirements

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

PricewaterhouseCoopers Inc.

PricewaterhouseCoopers Inc.
Director: V. Tshikhovhokhovho
Registered Auditor

Johannesburg, South Africa

03 September 2021

Consolidated and separate statements of financial position

at 30 June 2021

	Accounting policy	Note	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
ASSETS						
Cash and cash equivalents	1.11	4.	**1 165 168**	1 698 350	**1 055 572**	1 442 103
Negotiable securities	1.13	5.	**2 085 077**	3 126 595	**2 085 076**	3 126 595
Trading assets	1.13	6.	**43 307**	85 172	**44 526**	84 537
Trade and other receivables	1.13	7.	**525 960**	354 059	**641 808**	286 414
Non-current assets held for sale		8.	**6 700**	6 700	**–**	–
Loans and advances	1.13	9.	**6 787 898**	6 609 237	**3 569 268**	3 244 723
Current taxation asset	1.16		**21 734**	16 991	**–**	–
Investment securities	1.13	10.	**187 390**	154 221	**187 174**	154 071
Investments at fair value through profit or loss			**187 390**	154 221	**187 174**	154 071
Loans to entities in the Group			**186 116**	208 824	**514 600**	541 407
Property, equipment and right-of-use assets	1.6	12.	**55 398**	85 422	**53 636**	82 947
Investment property	1.4	13.	**–**	–	**–**	–
Intangible assets and goodwill	1.5	14.	**153 856**	194 709	**104 798**	140 353
Deferred tax asset	1.16	11.	**3 311**	2 210	**–**	–
Investments in subsidiaries and structured entities			**–**	–	**188 117**	255 859
Total assets			**11 221 915**	12 542 490	**8 444 575**	9 359 009
LIABILITIES						
Funding under repurchase agreements and interbank	1.13	15.	**700 067**	1 882 806	**700 067**	1 803 712
Trading liabilities	1.13	6.	**47 987**	101 438	**40 821**	85 856
Current taxation liability	1.16		**2 069**	1 344	**–**	–
Trade and other payables	1.13	16.	**469 630**	684 667	**402 685**	458 476
Bank overdraft	1.11	4.	**30 392**	151 462	**13**	30 462
Provisions	1.8	17.	**41 564**	20 291	**35 360**	16 343
Lease liabilities	1.9	18.	**35 107**	65 284	**33 126**	62 705
Deposits from customers	1.13	19.	**5 128 289**	5 327 015	**5 577 053**	5 748 643
Debt securities issued	1.13	20.	**2 741 583**	2 743 823	**–**	–
Long-term loans	1.13	21.	**510 904**	121 649	**505 566**	116 360
Deferred tax liability	1.16	11.	**107 824**	90 469	**10 789**	25 728
Loans from entities in the Group			**2 749**	–	**3 277**	15 384
Total liabilities			**9 818 165**	11 190 248	**7 308 757**	8 363 669
EQUITY						
Ordinary share capital	1.10	22.	**3 600**	3 600	**3 600**	3 600
Ordinary share premium	1.10	23.	**459 876**	459 876	**459 876**	459 876
Reserves	1.10		**940 274**	888 766	**672 342**	531 864
Total equity			**1 403 750**	1 352 242	**1 135 818**	995 340
Total liabilities and equity			**11 221 915**	12 542 490	**8 444 575**	9 359 009

Consolidated and separate statements of profit or loss and other comprehensive income

for the year ended 30 June 2021

	Accounting policy	Note	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
Interest income	1.14	25.	**971 948**	1 235 604	**578 504**	801 348
Interest income calculated using the effective interest rate method			**940 363**	1 233 266	**546 479**	786 244
Other interest income			**31 585**	2 338	**32 025**	15 104
Interest expense		26.	**(432 114)**	(719 461)	**(288 881)**	(507 320)
Interest expense calculated using the effective interest method	1.14		**(431 852)**	(718 117)	**(290 508)**	(499 365)
Other interest expense	1.14		**(262)**	(1 344)	**1 627**	(7 955)
Net interest income			**539 834**	516 143	**289 623**	294 028
Non-interest income			**408 421**	317 731	**508 299**	450 756
Net fee and commission income	1.14	27.	**86 373**	98 443	**276 059**	265 821
Fee and commission income			**136 553**	140 010	**300 117**	290 084
Fee and commission expense	1.14		**(50 180)**	(41 567)	**(24 058)**	(24 263)
Gains and losses on financial instruments			**191 119**	106 935	**213 278**	180 429
Net gains or losses on the derecognition of financial instruments at amortised cost	1.14	28.	**37 072**	28 334	**15 176**	12 884
Other gains or losses on financial instruments		28.	**154 047**	78 601	**198 102**	167 545
Other income		29.	**130 929**	112 353	**18 962**	4 506
Total income			**948 255**	833 874	**797 922**	744 784
Credit impairment charges	1.13 & 2.2	39.3.6	**(146 738)**	(255 560)	**(135 383)**	(139 333)
Net income after impairments			**801 517**	578 314	**662 539**	605 451
Total operating costs			**(706 051)**	(615 968)	**(644 067)**	(589 585)
Employee costs	1.15	30.	**(380 839)**	(340 297)	**(322 459)**	(284 776)
Other operating expenses		31.	**(284 628)**	(259 020)	**(281 024)**	(288 158)
Impairment of non-financial assets	1.12	32.	**(40 584)**	(16 651)	**(40 584)**	(16 651)
Profit from operations			**95 466**	(37 654)	**18 472**	15 866
Profit/(loss) before income tax			**95 466**	(37 654)	**18 472**	15 866
Income tax expense	1.16	33.	**(34 328)**	13 249	**14 907**	19 899
Profit/(loss) for the year from continuing operations			**61 138**	(24 405)	**33 379**	35 765
Profit/(loss) for the year			**61 138**	(24 405)	**33 379**	35 765
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			**(39 967)**	41 313	**–**	–
Reclassification of foreign currency differences on loss of control			**(75 886)**	–	**–**	–
Reclassification of hedge reserves on loss of control			**107 099**	–	**107 099**	–
Items that may not subsequently be reclassified to profit or loss						
Total comprehensive income for the year			**52 384**	16 908	**140 478**	35 765

Consolidated and separate statements of changes in equity

for the year ended 30 June 2021

	Ordinary share capital/ stated capital R'000	Ordinary share premium R'000	Distri-butable reserves R'000	Foreign currency trans-lation reserve R'000	Hedging reserve R'000	Total ordinary share-holders' equity R'000	Total share-holders' equity R'000
Consolidated							
2021							
Opening balance at 1 July 2020	**3 600**	**459 876**	**880 012**	**115 853**	**(107 099)**	**1 352 242**	**1 352 242**
Total comprehensive income for the year	**–**	**–**	**61 138**	**(115 853)**	**107 099**	**52 384**	**52 384**
Profit for the year	**–**	**–**	**61 138**	**–**	**–**	**61 138**	**61 138**
Other comprehensive income net of income tax for the year	**–**	**–**	**–**	**(115 853)**	**107 099**	**(8 754)**	**(8 754)**
Foreign exchange differences on translation of foreign operations	**–**	**–**	**–**	**(39 967)**	**–**	**(39 967)**	**(39 967)**
Reclassification of foreign currency differences on loss of control[1]	**–**	**–**	**–**	**(75 886)**	**–**	**(75 886)**	**(75 886)**
Reclassification of hedge reserves on loss of control[1]	**–**	**–**	**–**	**–**	**107 099**	**107 099**	**107 099**
Changes in ownership interests							
Business disposals	**–**	**–**	**(876)**	**–**	**–**	**(876)**	**(876)**
Balance at 30 June 2021	**3 600**	**459 876**	**940 274**	**–**	**–**	**1 403 750**	**1 403 750**
2020							
Opening balance at 1 July 2019	3 600	459 876	908 762	80 198	(107 099)	1 345 337	1 345 337
Transfers	–	–	5 658	(5 658)	–	–	–
Total comprehensive income for the year	–	–	(24 408)	41 313	–	16 906	16 906
Loss for the year	–	–	(24 408)	–	–	(24 408)	(24 408)
Other comprehensive income net of income tax for the year	–	–	–	41 313	–	41 313	41 313
Foreign exchange differences on translation of foreign operations	–	–	–	41 313	–	41 313	41 313
Reclassification of foreign currency differences on loss of control	–	–	–	–	–	–	–
Reclassification of hedge reserves on loss of control	–	–	–	–	–	–	–
Dividends to ordinary shareholders	–	–	(10 000)	–	–	(10 000)	(10 000)
Balance at 30 June 2020	3 600	459 876	880 012	115 853	(107 099)	1 352 242	1 352 242

[1] *During the current year Sasfin Asia Limited was placed in voluntary 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 is related to the foreign operations in Asia was recycled through profit and loss on deconsolidation.*

	Ordinary share capital /stated capital R'000	Ordinary share premium R'000	Distri-butable reserves R'000	Foreign currency translation reserve R'000	Hedging reserve R'000	Total ordinary share-holders' equity R'000	Total share-holders' equity R'000
Separate							
2021							
Opening balance at 1 July 2020	**3 600**	**459 876**	**638 963**	**–**	**(107 099)**	**995 340**	**995 340**
Total comprehensive income for the year	**–**	**–**	**33 379**	**–**	**107 099**	**140 478**	**140 478**
Profit for the year	**–**	**–**	**33 379**	**–**	**–**	**33 379**	**33 379**
Other comprehensive income net of income tax for the year	**–**	**–**	**–**	**–**	**107 099**	**107 099**	**107 099**
Reclassification of hedge reserves on loss of control	**–**	**–**	**–**	**–**	**107 099**	**107 099**	**107 099**
Balance at 30 June 2021	**3 600**	**459 876**	**672 342**	**–**	**–**	**1 135 818**	**1 135 818**
2020							
Opening balance at 1 July 2019	3 600	459 876	613 197	–	(107 099)	969 573	969 573
Total comprehensive income for the year	–	–	35 766	–	–	35 766	35 766
Profit for the year	–	–	35 766	–	–	35 766	35 766
Dividends to ordinary shareholders	–	–	(10 000)	–	–	(10 000)	(10 000)
Balance at 30 June 2020	3 600	459 876	638 963	–	(107 099)	995 340	995 340

Dividend per share

	Consolidated		Separate	
	2021 Cents per share	2020 Cents per share	**2021 Cents per share**	2020 Cents per share
Ordinary shares				
Interim dividend	**–**	2.78	**–**	2.78
Final dividend	**–**	–	**–**	–

Consolidated and separate statements of cash flows

for the year ended 30 June 2021

	Note	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
Cash flows from operating activities					
Interest received		**971 948**	1 235 604	**578 504**	801 348
Interest paid		**(432 112)**	(719 461)	**(288 881)**	(507 320)
Fee and commission income received		**136 553**	140 010	**300 117**	290 084
Fee and commission expense paid		**(50 180)**	(41 567)	**(24 058)**	(24 263)
Net trading and other income/(expenses)		**127 919**	114 502	**21 184**	4 458
Cash payments to employees and suppliers		**(541 286)**	(520 895)	**(517 952)**	(496 169)
Cash inflows from operating activities	35.1	**212 842**	208 193	**68 914**	68 138
Dividends received		**26 065**	10 257	**66 059**	97 503
Taxation paid	35.2	**(22 095)**	(28 086)	**(32)**	–
Dividends paid	35.3	**–**	(10 000)	**–**	(10 000)
Cash flows from operating activities before changes in operating assets and liabilities		**216 812**	180 364	**134 940**	155 641
Changes in operating assets and liabilities		**(544 802)**	239 014	**(580 404)**	305 598
(Increase)/Decrease in loans and advances		**(120 312)**	787 937	**(277 550)**	617 692
Decrease/(Increase) in trading assets		**108 139**	(16 036)	**105 596**	(8 388)
Decrease/(Increase) in negotiable securities		**945 410**	(74 470)	**945 410**	(74 470)
(Increase)/Decrease in other receivables		**(210 218)**	(84 760)	**(362 294)**	27 758
(Decrease)/Increase in deposits from customers		**(198 725)**	180 778	**(171 589)**	186 672
(Decrease)/Increase in trade and other payables		**(215 037)**	(76 423)	**(55 791)**	37 833
Decrease in provisions		**(4 885)**	(16 445)	**(4 712)**	(14 619)
Increase/(Decrease) in long-term loans		**389 255**	(124 067)	**389 206**	(123 855)
Decrease in funding under repurchase agreements and interbank		**(1 182 739)**	(388 804)	**(1 103 645)**	(393 710)
(Decrease)/Increase in trading liabilities		**(53 450)**	61 002	**(45 035)**	50 685
Decrease in debt securities issued		**(2 240)**	(9 698)	**–**	–
Net cash from operating activities		**(327 990)**	419 378	**(445 464)**	461 239
Cash flows from investing activities					
Proceeds from the disposal of property and equipment		**743**	29	**744**	34
Acquisition of property and equipment		**(10 531)**	(12 268)	**(10 531)**	(12 268)
Acquisition of intangible assets		**(27 690)**	(29 077)	**(27 690)**	(29 078)
Acquisition of investment securities		**(33 168)**	–	**(33 103)**	72
Net cash paid on acquisition of subsidiaries		**–**	–	**67 742**	–
Advances/(Repayments) made to entities in the group		**25 456**	(79 800)	**14 700**	(62 043)
Net cash flows from investing activities		**(45 190)**	(121 116)	**11 862**	(103 355)
Cash flows from financing activities					
Repayment of lease liabilities		**(30 177)**	(26 206)	**(29 579)**	(25 702)
Net cash flows from financing activities		**(30 177)**	(26 206)	**(29 579)**	(25 702)
Net increase/(decrease) in cash and cash equivalents		**(403 357)**	272 056	**(463 181)**	332 182
Cash and cash equivalents at beginning of the year	4.	**1 546 888**	1 268 406	**1 411 642**	1 079 459
Effect of exchange rate movements on cash and cash equivalents		**(8 755)**	6 426	**107 099**	–
Cash and cash equivalents at the end of the year	4.	**1 134 776**	1 546 888	**1 055 560**	1 411 641

Notes to the consolidated and separate financial statements

for the year ended 30 June 2021

1. Accounting policies

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

1.1 Reporting entity

Sasfin Bank Limited is a company domiciled in South Africa. The Company's registered office is at 29 Scott Street, Waverley, Johannesburg, 2090. Sasfin Bank is a wholly-owned subsidiary of Sasfin Holdings Limited, a bank controlling company listed on the JSE Limited (JSE). These consolidated financial statements comprise Sasfin Bank Limited and its subsidiaries (collectively, the Banking Group). Sasfin Bank and its subsidiaries provide a comprehensive range of specialist financial products and services focused on the needs of asset suppliers, small and medium businesses and institutional and private clients.

1.2 Basis of preparation

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

The Consolidated and Separate Annual Financial Statements were authorised for issue by the Board of Directors on 03 September 2021.

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

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

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

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

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

The following standards, interpretations and amendments have been adopted without affecting the Banking Group's previously reported financial results, disclosures or accounting policies. Items below are confirmed not to have an impact on the Group or the Company for the 2021 financial year-end.

Amendments to References to Conceptual Framework in IFRS Standards

The IASB revised the Conceptual Framework because certain important issues were not covered, and certain guidance was unclear or out of date. The revised Conceptual Framework, issued by the IASB in March 2018, includes:

- a new chapter on measurement;
- guidance on reporting financial performance;
- improved definitions of an asset and a liability, and guidance supporting these definitions;
- updated recognition criteria for assets and liabilities; and
- clarifications in important areas, such as the roles of stewardship, prudence and measurement uncertainty in financial reporting.

The IASB also updated references to the Conceptual Framework in IFRS Standards by issuing a separate accompanying document, *Amendments to References to the Conceptual Framework in IFRS Standards*, which outlines the consequential amendments made to affected IFRS standards. This was done to support the transition to the revised Conceptual Framework for companies that develop and apply accounting policies using the Conceptual Framework when no IFRS standard or interpretation applies to a particular transaction.

The revised Conceptual Framework will form the basis of new IFRS standards set by the IASB as well as future amendments to existing IFRS standards.

1. Accounting policies continued

1.2 Basis of preparation continued

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

New and amended standards adopted by the Banking Group

Definition of a Business (Amendments to IFRS 3)

The financial reporting requirements for the acquisition of a business are different to the requirements for the purchase of a Banking Group of assets that do not constitute a business. The amendments to the definition of a business are intended to provide entities with clearer application guidance to help distinguish between a business and a Banking Group of assets when applying IFRS 3. The amendments:

- clarify that to be considered a business, an acquired set of activities and assets must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create outputs;
- remove the assessment of whether market participants are capable of replacing any missing inputs or processes and continuing to produce outputs;
- add guidance and illustrative examples to help entities assess whether a substantive process has been acquired;
- narrow the definitions of a business and outputs by focusing on goods and services provided to customers and by removing the reference to an ability to reduce costs; and
- add an optional concentration test that permits a simplified assessment of whether an acquired set of activities and assets is not a business.

The amendments are effective for business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after 1 January 2020 and to asset acquisitions that occur on or after the beginning of that period.

Amendments to the definition of Material (Amendments to IAS 1 and IAS 8)

The IASB issued amendments to the definition of material in IAS 1 and IAS 8.

The amendments to IAS 1, 'Presentation of financial statements', and IAS 8, 'Accounting policies, changes in accounting estimates and errors', and consequential amendments to other IFRSs:

i) use a consistent definition of materiality throughout IFRSs and the Conceptual Framework for Financial Reporting;
ii) clarify the explanation of the definition of material; and
iii) incorporate some of the guidance in IAS 1 about immaterial information.

The amended definition is:

"Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make based on those financial statements, which provide financial information about a specific reporting entity."

The amendment clarifies that the reference to obscuring information addresses situations in which the effect is similar to omitting or misstating that information. It also states that an entity assesses materiality in the context of the financial statements as a whole.

The amendment also clarifies the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general-purpose financial statements for much of the financial information they need.

The Board has also removed the definition of material omissions or misstatements from IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

Amendments to interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7)

Amendments to IFRS 9, IAS 39 and IFRS 7 have now been issued to address uncertainties related to the ongoing reform of interbank offered rates (IBOR). The amendments provide targeted relief for financial instruments qualifying for hedge accounting in the lead up to IBOR reform.

1. Accounting policies continued

1.2 Basis of preparation continued

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

Amendments to interest rate benchmark reform (Amendments to IFRS 9, IAS 39 and IFRS 7) continued

The Financial Stability Board has initiated a fundamental review and reform of the major interest rate benchmarks used globally by financial market participants. This review seeks to replace existing interbank offered rates (IBORs) with alternative risk-free rates (ARRs) to improve market efficiency and mitigate systemic risk across financial markets. The South African Revenue Bank ("SARB") has indicated its intention to move away from JIBAR and to create an alternative reference rate for South Africa. This reform is at various stages globally, a suitable alternative for South Africa is only expected to be announced in a few years. Accordingly, there is uncertainty surrounding the timing and manner in which the transition would occur and how this would affect various financial instruments held by the group.

These amendments provide certain reliefs in connection with interest rate benchmark reform. The reliefs relate to hedge accounting and have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness should continue to be recorded in the income statement. In addition, the amendments require companies to provide additional information to investors about their hedging relationships which are directly affected by these uncertainties.

The amendments are effective from 1 January 2020.

COVID-19-Related Rent Concessions (Amendments to IFRS 16)

The amendments introduce an optional practical expedient that simplifies how a lessee accounts for rent concessions that are a direct consequence of COVID-19. The amendment exempts lessees from having to consider individual lease contracts to determine whether rent concessions occurring as a direct consequence of the COVID-19 pandemic are lease modifications and allows lessees to account for such rent concessions as if they were not lease modifications. It applies to COVID-19-related rent concessions that reduce lease payments due on or before 30 June 2021. The practical expedient in the May 2020 amendment applied only to rent concessions occurring as a direct consequence of the COVID-19 pandemic, and only if all of the following conditions were met:

- the change in lease payments resulted in revised consideration for the lease that was substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- the reduction in lease payments relates to payments due on or before 30 June 2021; and
- no other substantive changes have been made to the terms and conditions of the lease.

Lessees applying the practical expedient are required to disclose:

- that fact, if they have applied the practical expedient to all eligible rent concessions and, if not, the nature of the contracts to which they have applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period arising from application of the practical expedient.

The relief was originally limited to a reduction in lease payments that were due on or before 30 June 2021. However, in March 2021, the IASB subsequently extended this date to 30 June 2022 in another amendment to IFRS 16 (the 2021 amendment). If a lessee already applied the original practical expedient in the May 2020 amendment, it is required to continue to apply the practical expedient consistently, to all lease contracts with similar characteristics and in similar circumstances, using the March 2021 amendment. If a lessee did not apply the practical expedient in the May 2020 amendment to eligible lease concessions, it is prohibited from applying the expedient in the March 2021 amendment. The March 2021 amendment is effective for annual reporting periods beginning on or after 1 April 2021, with earlier application permitted – Including in financial statements not yet authorised for issue at 31 March 2021. In practical terms, this means that a lessee that previously applied the practical expedient in the May 2020 amendment is permitted, but not required, to apply the March 2021 amendment immediately when it is issued, subject to any endorsement process.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

1. Accounting policies continued

1.2 Basis of preparation continued

1.2.2 Accounting policy elections

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

Asset/liability	Options	Election and implication	Accounting policy
Property and equipment, including right-of-use leased assets	Cost/revaluation model	*Banking Group* • Buildings are stated at cost less accumulated depreciation • Computer equipment, furniture and fittings and vehicles are carried at cost less accumulated depreciation • Depreciation rates applied: – Buildings: 20 years; – Computer equipment: 2 to 5 years; – Furniture and fittings: 6 to 10 years; – Motor vehicles: 5 years; – Buildings and leasehold improvements: 5 to 10 years; – Right-of-use assets: shorter of the lease term and the asset's useful life (as per the above).	1.5
Investment properties	Cost/fair value model	*Banking Group* Investment properties are carried at fair value with changes in fair value recognised in profit or loss	1.3
Investments in subsidiaries	Cost/financial instrument/equity-accounted	*Company* • Cost less accumulated impairments *Banking Group* • Subsidiaries are consolidated	1.2
Investments in associate companies	Cost/financial instrument/equity-accounted	Private and property equity investments *Company and Banking Group* • Financial asset at fair value through profit or loss	1.2

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

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

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

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

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

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

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

The Banking Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets.

The acquisition consideration is measured at fair value and does not include amounts related to the settlement of pre-existing relationships, which are recognised in profit or loss. Identifiable net assets acquired are measured at fair value at the acquisition date.

Acquisition-related costs are expensed as incurred.

The excess of the:

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

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

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

Amounts classified as a financial liability are subsequently remeasured to fair value, with changes in fair value recognised in profit or loss. (IFRS 3(42)) If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

Goodwill is tested annually for impairment (refer to note 14) and any gain on bargain purchase is recognised in profit or loss immediately. Contingent considerations payable are measured at fair value at the acquisition date.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

1. Accounting policies continued

1.3 Basis of consolidation continued

1.3.2 Subsidiaries

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

The Banking Group controls an investee if it is exposed to, or has rights to, variable returns from its relationship with the investee and has the ability to affect those returns through its control over the investee.

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

1.3.3 Non-controlling interests

Non-controlling interests are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition.

Changes in the Banking Group's interest in a subsidiary that do not result in loss of control are accounted for as equity transactions.

1.3.4 Loss of control

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

1.3.5 Structured entities

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

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

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

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

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

The structured entities consolidated are:

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

1. Accounting policies continued

1.3 Basis of consolidation continued

1.3.6 Associates

An associate is an investee over which the Banking Group has significant influence, but not control, over its financial and operating activities.

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

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

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

1.4 Investment property

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

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

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

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

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

1.5 Intangible assets

1.5.1 Goodwill

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

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

1. Accounting policies continued

1.5 Intangible assets continued

1.5.2 Software and distributor relationships

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

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

Distributor relationships are capitalised when acquired as part of a business combination and the Banking Group is satisfied that the relationship will generate future economic benefits. These relationships are amortised over their expected useful lives and assessed for impairment annually.

Purchased and internally developed software are amortised in profit or loss on the straight-line basis over the expected useful lives of the assets. Refer to note 2.6 for further information.

Capitalised computer software is reflected at cost less accumulated amortisation and accumulated impairment losses.

Capitalised computer software and distributor relationships are amortised on the straight-line basis over their useful lives at rates that will reduce the assets to their anticipated residual values.

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

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

1.6 Property and Equipment and right-of-use assets

1.6.1 Owned assets

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

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

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

1.6.2 Right-of-use assets

Refer to note 1.9.1.

1.6.3 Depreciation

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

Depreciation methods, residual values and useful lives are reviewed and adjusted annually where appropriate. The estimated useful lives of property and equipment for the current and comparative years are two to 10 years, refer to note 1.2.2.

1.6.4 Profit or loss on disposal

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

1. Accounting policies continued

1.7 Currencies

1.7.1 Functional and presentation currency

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

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

Sasfin Asia Limited operates in Hong Kong, with a functional currency of USD. On consolidation, exchange differences arising from the translation of the Banking Group's net investment in Sasfin Asia Limited are recognised in other comprehensive income and accumulated in the foreign currency translation reserve in equity.

1.7.2 Transactions and balances

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

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

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

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

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

1.8 Provisions

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

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

1.9 Leases

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

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

Banking Group as the lessor

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

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

1. Accounting policies continued

1.9 Leases continued

1.9.1 Banking Group as the lessee

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

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term (refer to note 1.2.2). The estimated useful lives of right-of-use assets are determined on the same basis as those of property and equipment. In addition, the right-of-use asset is reduced by impairment losses (refer to note 1.12), if any, and adjusted for certain remeasurements of the lease liability.

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

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

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

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

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

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

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

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

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

1. Accounting policies continued

1.10 Share capital

1.10.1 Ordinary share capital

Ordinary shares are classified as equity.

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

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

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

1.11 Cash and cash equivalents

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

- cash and cash equivalents on hand;
- balances with the SARB; and
- bank overdrafts that are repayable on demand.

Cash and cash equivalents are available for use by the Banking Group unless otherwise stated and are accounted for at amortised cost in the Annual Financial Statements.

1.12 Impairment of non-financial assets

The Banking Group annually assesses all non-financial assets for impairment. Impairment occurs where there is evidence that the carrying amount of the non-financial asset exceeds its recoverable amount.

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

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

Calculation of recoverable amount

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

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

Impairment reversals

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

1. Accounting policies continued

1.13 Financial instruments

Financial instruments, as reflected on the statement of financial position, include all financial assets, financial liabilities, derivative instruments and financial guarantee contracts issued, excluding investments in subsidiaries and associated companies (refer to note 1.2.2).

Financial assets are recognised on the date on which the Banking Group commits to purchase the asset. Financial liabilities are recognised on the date on which the Banking Group becomes party to the contractual provisions of the financial liability.

Financial instruments are initially recognised at fair value.

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

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

Classification and measurement of financial assets

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

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

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

Business model assessment

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

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

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

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

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

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

1. Accounting policies continued

1.13 Financial instruments continued

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

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

Reclassifications

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

Impairments

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

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

The Banking Group measures loss allowances at an amount equal to lifetime ECL, except for those financial instruments on which credit risk has not increased significantly since their initial recognition which are measured as 12-month ECL (see note 39).

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

12-month ECL are the portion of ECL that result from default events on a financial instrument that are possible within the 12 months after the reporting date. Financial instruments for which a 12-month ECL is recognised are referred to as 'Stage 1 financial instruments'.

Life-time ECL are the ECL that result from all possible default events over the expected life of the financial instrument. Financial instruments for which a lifetime ECL is recognised but which are not credit-impaired are referred to as 'Stage 2 financial instruments'. Financial instruments for which a lifetime ECL is recognised and which are credit-impaired, are referred to as 'Stage 3 financial instruments'.

Measurement of ECL (Refer to note 39)

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

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

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

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

1. Accounting policies continued

1.13 Financial instruments continued

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

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

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

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

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

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

Significant Increase in Credit Risk (SICR)

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

The Banking Group defines a SICR as follows:

- Rental and Capital Equipment
  - when a debtor is flagged as High Care; or
  - once an account becomes past due/arrears for more than 7 days and up to and including 90 days. This is based on a statistical analysis of the historical behaviour of the portfolio which indicated that past due up to seven days did not provide an indication of financial stress, rather it could be due to administration issues or post month-end payment cycles.

- Trade Finance
  - when a debtor is flagged as High Care;
  - when no extensions have been granted in excess of the maximum tenor contractually agreed with the debtor and the debtor then becomes past due/arrears up to and including 90 days or
  - when extensions have been granted in excess of the maximum tenor contractually agreed with the debtor and the account has been extended more than 30 days. Any one or more extensions will be counted from the first invoice's original payment date.

1. Accounting policies continued

1.13 Financial instruments continued

- Debtor Finance
  - when a debtor is flagged as High Care; or
  - margin excess – once an account is in margin excess for longer than 7 days and up to and including 90 days.
- Other Term Loans
  - when a debtor is flagged as High Care; or
  - once an account becomes past due/arrears for more than 7 days and up to and including 90 days.

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

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

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

Negotiable Securities and Intercompany Loans

- Government and intercompany exposures are evaluated for SICR by comparing the credit risk rating at the reporting date to the origination credit risk grade. Where the relative change in the credit risk rating exceeds certain pre-defined criteria or, when a contractual payment becomes more than 30 days overdue, the exposure is classified within Stage 2. These pre-defined criteria thresholds have been determined based on historic default experience which indicates that higher-rated risk exposures are more sensitive to SICR than lower-risk exposures. For the purpose of this calculation, a SICR is defined as a 3 notch downgrade.

Impact of COVID-19 on SICR

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

Client requests for payment relief due to COVID-19 related factors were considered on a case by case basis taking into account (inter alia) the industry within which it operates, and its own financial strength. Once payment relief had been granted, these loans and advances were then classified as COVID-19 Restructured Exposures in accordance with Directive 3 of 2020 issued by the Prudential Authority of the South African Reserve Bank.

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

Determining whether the relief is temporary or a distressed restructure is based on the product-specific definitions incorporating various factors, including economic conditions, industry-specific factors as well as the borrower's own financial strength.

1. Accounting policies continued

1.13 Financial instruments continued

Restructured financial assets (Trade and Debtor Finance)

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

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

Default and curing

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

Quantitative criteria

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

Qualitative criteria

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

- the client has been flagged as legal;
- significant financial difficulty of a borrower;
- default or delinquency by a borrower;
- distressed restructuring of credit obligations (refer to section 14.3). Per IFRS 9, distressed restructures will be credit-impaired but per PA Directive 7/2015 this should as a minimum be classified as a special mention;
- indications that a borrower would enter into provisional or final liquidation or business rescue;
- repayment of the principal amount and/or accrued interest has been overdue for more than 90 days, and the net realisable value of security is insufficient to cover the payment of the principal amount and accrued interest;
- The principal amount and accrued interest are fully secured, but the repayment of the principal amount and/or accrued interest has been overdue for more than 12 months;
- Significant deficiencies exist that threaten the obligor's business, cash flow or payment capability, which deficiencies may include the items specified below:
  - The credit history or performance record of the obligor is not satisfactory;
  - Labour disputes or unresolved management problems may affect the business, production or profitability of the obligor;
  - Increased borrowings are not in proportion with the obligor's business;
  - The obligor is experiencing difficulty with the repayment of obligations to other creditors; or
  - Construction delays or other unplanned adverse events resulting in cost overruns are likely to require loan restructuring.

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

- up to date; and
- six consecutive payments paid on or before the due date, and
- No SICR exists.

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

1. Accounting policies continued

1.13 Financial instruments continued

Write-offs

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

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

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

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

Presentation of allowance for ECL in the statement of financial position

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

- financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- financial guarantee contracts: as a deduction from loans and advances; and
- where a financial instrument includes both a drawn and an undrawn component, the Banking Group presents a combined loss allowance for both components. The combined amount is presented as a deduction from the gross carrying amount of the drawn component.

Classification and measurement of financial liabilities

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

Derecognition of financial assets

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

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

The Banking Group enters into transactions whereby it transfers assets recognised on its statement of financial position but retains either all or substantially all of the risks and rewards of the transferred assets or a portion of them. In such cases, the transferred assets are not derecognised. Refer to notes 1.2.2 and 28 for more details.

Derecognition of financial liabilities

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

Amortised cost

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

1. Accounting policies continued

1.13 Financial instruments continued

Financial instruments at fair value through profit or loss (FVTPL)

The Banking Group has designated financial assets and financial liabilities at fair value through profit or loss where it eliminates or significantly reduces an accounting mismatch that would otherwise arise. The Banking Group further classifies financial assets and financial liabilities at fair value through profit or loss when the business model is such that these financial assets and financial liabilities are managed and measured on a fair value basis since the realisation of these is anticipated to be through sale.

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

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

Repurchase agreements

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

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

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

Reverse repurchase agreements

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

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

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

Derivative financial instruments and hedge accounting

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

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

Hedge accounting – net investment hedge

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

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

1. Accounting policies continued

1.13 Financial instruments continued

Derivative financial instruments and hedge accounting continued

Hedge accounting – net investment hedge continued

Hedge accounting is applied to derivatives designated in a hedging relationship where:

- the Banking Group formally documents, at the inception of the hedge, the relationship between the hedged item and hedging instruments, as well as its risk management objective and strategy for undertaking various hedging relationships; and
- the Banking Group documents its assessment, both at the inception of the hedge and on an ongoing basis, of whether the derivatives that are used in hedging relationships are highly effective in offsetting changes in fair values or cash flows of hedged items during the period for which the hedge is designated, and whether the results of the hedge are within a range of 80% to 125%.

The Banking Group hedges net investments in foreign operations using derivative instruments. For such hedges, the designated component of the hedging instrument that relates to the effective portion of the hedge is recognised directly in the statement of profit or loss and other comprehensive income and consolidated statement of changes in equity in the hedging reserve. Any ineffective portion is immediately recognised in profit or loss. On the partial disposal of a foreign operation, the proportionate share of those deferred gains and losses is recognised in profit or loss.

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

Derivatives that do not qualify for hedge accounting

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

1.14 Revenue

1.14.1 Net interest income

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

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

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

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

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

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

1.14.2 Non-interest income

Non-interest income comprises fees and commissions, agency revenue, net brokerage commission, fair value gains and losses (apart from those fair value gains and losses on interest rate swaps that are recognised as part of net interest income), dividend income, foreign exchange gains and losses, and other income.

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

Fee and commission income includes administration fees, advisory fees and forex service fees as well as fees for providing banking and financial services activities. Fee and commission income is recognised net of any trade discounts, volume rebates and amounts received on behalf of third parties such as Value Added Tax. Furthermore, when the Banking Group is acting as an agent, amounts collected on behalf of the principal are not recognised as revenue.

1. Accounting policies continued

1.14 Revenue continued

1.14.2 Non-interest income continued

The Banking Group provides banking services to retail and corporate customers. Fees for ongoing account management are charged to the customer's account monthly. Transaction-based fees for interchange and foreign currency transactions are charged to the customer's account when the transaction takes place. Servicing fees are charged on a monthly basis and are based on fixed rates reviewed annually by the Banking Group. Revenue from account service and servicing fees is recognised over time as the services are provided. Revenue related to transactions is recognised at the point in time when the transaction takes place.

Dividend income is received from equity investments in entities that the Banking Group does not control and those investments in associates that are recognised at FVTPL (refer to note 1.2.2). Dividend income is recognised when the Banking Group's right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Banking Group, and the amount of the dividend can be measured reliably.

1.15 Employee benefits

1.15.1 Short-term benefits

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

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

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

1.15.2 Defined contribution plan

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

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

1.16 Taxation

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

1.16.1 Current tax

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

1. Accounting policies continued

1.16 Taxation continued

1.16.2 Deferred tax

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

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

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

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

Deferred tax is not recognised on:

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

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

1.17 Commitments and contingent liabilities

Commitments represent the Banking Group's commitment to future transactions.

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

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

2. Critical estimates and judgements

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

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

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

2.1 Impact of the COVID-19 pandemic

The economic impact of the outbreak of the COVID-19 pandemic significantly increased the overall level of estimation uncertainty and judgement applied by management. The unprecedented nature of this global pandemic renders it challenging to accurately predict the full extent and duration of its economic effect.

Although the areas of judgement and estimation applied remained largely the same as in the prior years, greater judgment had to be applied in the following areas:

- Credit impairment of loans and advances and credit impairment recognised on negotiable securities (refer to notes 1.13, 2.2, 5, 9 and 39);
- Determining the fair value of the private equity and property equity (refer to notes 2.3, 2.4, 2.5, 10 and 37.1 to 37.5); and
- Determining the expected cash flows from cash-generating units in determining the impairment of non-financial assets such as goodwill and software (refer to notes 1.5, 14 and 32).

Impact on the use of estimates, judgements, and assumptions

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 the government to stimulate growth and increased rollout of vaccines across the country. The onset of the third wave of Covid-19 in the latter part of the financial year led to the government imposing stricter level 4 lockdown restrictions and, most recently, the civil unrest in parts of the country is expected to negatively impact growth. The impact of the better operating conditions in the second half was evidenced by the improved collections and consequential improved credit impairment charges. The Group managed to grow total income across all 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 period.

SARB guaranteed loan scheme

National Treasury, the South African Reserve Bank (SARB) and commercial banks created a R100 billion guaranteed loan scheme to assist businesses. The scheme specifies client eligibility requirements, restrictions on the use of loan proceeds and standardised loan terms. A loan facility of up to R150 million was granted to Sasfin, which loans have a repayment holiday of up to 6 months, and thereafter interest and capital are required to be paid over 60 months. The SARB provides Sasfin with a special-purpose funding facility and partial credit guarantee. A portion of the interest levied on client loans is paid to the SARB. This interest accumulates in reserve accounts and will be used to offset losses on client loans. Once the reserve accounts are exhausted, Sasfin will incur losses of up to 6% of the total notional lent under the scheme. The SARB guarantees all losses in excess of the 6% threshold. When the scheme ends, the SARB will be entitled to withdraw the balances, if any, then remaining in the reserve accounts. As at 30 June 2021, Sasfin had approved R122.56 million of loans under the scheme.

2.2 Credit impairment

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

The Banking Group assesses its loans and advances portfolio for impairment on a monthly basis using the expected credit loss model.

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

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

Refer to accounting policy note 1.13 for more information on SICR.

2. Critical estimates and judgements continued

2.2 Credit impairment continued

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

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

Given the forward-looking nature of the ECL model, estimates are also made and included in the ECL model for the Banking Group's macro-economic outlook.

In response to the deteriorating economic environment in 2019 and as a result of the COVID pandemic, the Banking Group adopted a multi-variate economic forward-looking model. This included the use of Gross Domestic Product (GDP), Consumer Price Index (CPI), Gross Fixed Investment and Unemployment as proxies of economic output.

The macro-economic factors were statistically tested for the current financial year, and the only statistically significant factor given the volatile modelling environment was GDP. The Banking Group, therefore, used only GDP for the regression modelling.

For each of the scenarios listed below for 2021, GDP over the next 12 months has been disclosed. The average GDP over the remaining forecast period, from 2022 to 2026 was used in the statistical modelling.

A weighted probability scenario approach for GDP was applied to determine the final scalar. Given the internal view on the economic outlook, it was assessed that a higher weighting will be allocated to the worst case scenario to take into account the uncertainties in the economic environment.

	Best		Expected		Worst		Blended[2]	
	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %
2021								
Factors								
Gross Domestic Product	2.3	3.4	(1.2)	2.0	(7.4)	0.6	(4.9)	1.1
Scenario Probability		–	40		60		Combination	
		R'000		R'000		R'000		R'000
Impact on ECL[1]		(39 652)		(34 101)		16 654		–

[1] *The impact of forward-looking information on the IFRS 9 provision is R61 million as per the forward-looking models. The percentage change of the total IFRS 9 provision a 7% downward adjustment in a 100% best-case scenario, a 6% downward adjustment in a 100% expected scenario and a 3% upward adjustment in a 100% worst-case scenario.*

[2] *The blended scenario is the actual/base case scenario against which the best, expected and worst-case scenarios are benchmarked.*

	Best		Expected		Worst		Blended[3]	
	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %	12 months %	Life time %
2020								
Factors								
Gross Domestic Product	(1.92)	1.65	(6.24)	0.27	(12.12)	(1.53)	(7.71)	(0.18)
Consumer Price Index	3.07		3.47		4.30		3.68	
Gross Fixed Investment	(2.86)		(9.66)		(22.29)		(12.81)	
Unemployment	8.79		15.57		25.18		17.97	
Scenario Probability	–		75		25		Combination[1]	
		R'000		R'000		R'000		R'000
Impact on ECL[2]		(46 365)		(13 242)		19 350		–

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

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

[3] *The blended scenario is the actual/base case scenario against which the best, expected and worst-case scenarios are benchmarked.*

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

During the prior year one of the SICR triggers was disclosed as being up to and including 30 days for Rental and Capital equipment, Trade finance, Debtor finance and Other term loans. However, the group policy states that the period is up to 90 days. This has been corrected in the current accounting policy for SICR, however, there is no impact on the financial information that was disclosed in prior years or current years as the application thereof was always based on the 90 days criteria.

2. Critical estimates and judgements continued

2.2 Credit impairment continued

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

Following the sovereign downgrade in March 2020, the Banking Group has re-considered its assessment regarding expected credit losses from investments in local government bonds and government-backed bonds. Consequently, in line with the requirements of IFRS 9, ECL is also recognised in respect of negotiable securities.

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

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

Refer to accounting policy note 1.13 for more information on SICR.

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

The sensitivity analysis performed indicates an additional ECL charge of circa R5.6 million to the income statement if 40% of the gross carrying amount of negotiable securities held at amortised cost suffered a SICR and moved from stage 1 to stage 2 as at 30 June 2021. A 40% increase in financial instruments held at amortised cost categorised as stage 2 can be viewed as a severe possible alternative based on the nature of the instrument and current economic conditions. The calculation of the ECL for the financial year ending 30 June 2021 was done on an NPV basis, using the expected cash inflows from the 5-year term loan as set out in the proposed Liability Solution. To calculate an NPV and ECL of the Land bank, being a stage 3 exposure, expert judgement was applied. Various cash flow scenarios were built ranging from an expected case to mild stress to severe stress, each then discounted using an expected, best-case and worst-case credit risk premium. The final NPV was then calculated as a blended NPV by attaching probabilities to each of the potential outcomes to derive a final proposed ECL. This range between best case and worse case was R22 million to R172 million.

2.3 Private Equity investment valuations (refer to note 10)

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

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

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

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

2. Critical estimates and judgements continued

2.4 Property Equity investment valuations (refer to note 10)

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

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

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

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

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

2.5 Fair value (refer to note 37)

The valuation techniques for fair value measurement of the investment securities have been assessed by the respective valuation committees to determine the impact that the market volatility introduced by COVID-19 has had on the fair value measurements of these instruments. When assessing the fair value measurement of financial instruments for this period, the valuation models have been built to take into consideration inputs that are reflective of market participants.

The assessment specifically included an assessment of the impact of the global COVID-19 pandemic and subsequent lockdown on forecasted cash flows and other critical assumptions of businesses i.e. capitalisation rates, weighted average cost of capital (WACC) and vacancy rates of properties, specific and other risk premiums added to the discount rates. This assessment was considered on a company by company basis taking into account (inter alia) the industry within which it operates and its own financial strength.

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

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

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

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

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

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

2. Critical estimates and judgements continued

2.5 Fair value (refer to note 37) continued

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

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

The Banking Group's valuation methodologies comprise:

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

Assumptions and inputs used in the valuation methodologies comprise:

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

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

Fair value hierarchy

Valuation models

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

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

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

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

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

2. Critical estimates and judgements continued

2.6 Intangible assets and goodwill (refer to note 14)

2.6.1 Intangible assets

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

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

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

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

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

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

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

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

2.6.2 Goodwill

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

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

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

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

2. Critical estimates and judgements continued

2.8 Assessment of significant influence and control of entities (refer to accounting policy 1.3)

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

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

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

3. Standards/interpretations issued but not yet effective

There are new or revised accounting standards and interpretations in issue that are not yet effective for the year ended 30 June 2021 and have not been applied in preparing these Consolidated and Separate Annual Financial Statements. The Banking Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated. These include the following standards and interpretations that have been issued, with an indication of the estimated impact on the future financial statements of the Banking Group:

Pronouncement	Title and details	Effective date
IFRS 17	*Insurance Contracts* IFRS 17 replaces the current standard on insurance contracts, IFRS 4. It creates one accounting model for all insurance contracts in all jurisdictions that apply IFRS. Among others, IFRS 17 requires an entity to measure insurance contracts using updated estimates and assumptions that reflect the timing of cash flows, taking into account any uncertainty relating to insurance contracts. The financial statements of an entity will reflect the time value of money in estimated payments required to settle incurred claims. Insurance contracts are further required to be measured based only on the obligations created by the contracts. An entity will also be required to recognise profits as an insurance service is delivered rather than on receipt of premiums. These amendments are not expected to have an impact on the Banking Group.	Annual periods beginning on or after 1 January 2023.
IFRS 10 and IAS 28	*Sale or contribution of assets between an investor and its associate or joint venture* The amendments require the full gain to be recognised when assets transferred between an investor and its associate or joint venture meet the definition of a 'business' under IFRS 3 Business Combinations. Where the assets transferred do not meet the definition of a business, a partial gain to the extent of unrelated investors' interests in the associate or joint venture is recognised. The definition of business is key to determining the extent of the gain to be recognised. These amendments are not expected to have an impact on the Banking Group.	The effective date is deferred by the IASB pending the outcome of its research project on the equity method of accounting.

Pronouncement	Title and details	Effective date
IFRS 3 amendment	*Updating a reference to the Conceptual Framework* An outdated reference in IFRS 3 to the Conceptual Framework has been updated without any significant changes to its requirements. This amendment is not expected to have an impact on the Banking Group.	Annual periods beginning on or after 1 January 2022.
IAS 37 amendment	*Onerous Contracts – Cost of Fulfilling a Contract* This amendment indicates which costs an entity should include as the costs of fulfilling a contract when assessing whether a contract is onerous. This amendment is not expected to have an impact on the Banking Group.	Annual periods or after 1 January 2022.
2018 – 2020 annual improvements cycle	*Amendments to IFRS 1, IFRS 9, IFRS 16 and IAS 41* Changes were made to IFRS 1 First-time adoption of International Financial Reporting Standards and IAS 41, Agriculture, which will have no impact on the Banking Group. An illustrative example has been removed from IFRS 16 to prevent potential confusion regarding the treatment of lease incentives. This amendment is not expected to have an impact on the Banking Group. IFRS 9 has been amended to clarify the fees that an entity includes when determining whether the terms of a new or modified financial liability are substantially different from the terms of the original financial liability. These amendments are not expected to have an impact on the Banking Group.	Annual periods or after 1 January 2022.
IAS 16 amendments	*Proceeds before intended use* This amendment prohibits an entity from reducing the cost of an item of property, plant and equipment by deducting the proceeds from the sale of items produced whilst bringing that asset to the location and condition necessary for it to be capable of operating in the manner intended by management. The proceeds from selling such items and the costs of producing them are to be recognised in profit or loss. These amendments are not expected to have an impact on the Banking Group.	Annual periods or after 1 January 2022.
IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 amendments	*Interest Rate Benchmark Reform – Phase 2 (Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Amendments)* The Phase 2 amendments address issues that arise from the implementation of the reforms, including the replacement of one benchmark with an alternative one. These amendments are not expected to have an impact on the Banking Group.	

3. Standards/interpretations issued but not yet effective continued

Pronouncement	Title and details	Effective date
IAS 1 amendments	*Classification of liabilities as current or non-current (Amendments to IAS 1)* Under existing IAS 1 requirements, companies classify a liability as current when they do not have an unconditional right to defer settlement of the liability for at least twelve months after the end of the reporting period. As part of its amendments, the IASB has removed the requirement for a right to be unconditional and, instead, now requires that a right to defer settlement must have substance and exist at the end of the reporting period. There is limited guidance on how to determine whether a right has substance, and the assessment may require management to exercise interpretive judgement. The existing requirement to ignore management's intentions or expectations for settling a liability when determining its classification is unchanged. These amendments are not expected to have an impact on the Banking Group.	Annual periods or after 1 January 2023.
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	*Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8* The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. These amendments are not expected to have an impact on the Banking Group.	Annual periods or after 1 January 2023.
IAS 12 amendments	*Deferred tax related to assets and liabilities arising from a single transaction* These amendments require companies to recognise deferred tax on transactions that, on initial recognition give rise to equal amounts of taxable and deduct able temporary differences. These amendments are not expected to have an impact on the Banking Group.	Annual periods or after 1 January 2023.
Amendment to IFRS 16, 'Leases' – COVID-19 related rent concessions Extension of the practical expedient	As a result of the coronavirus (COVID-19) pandemic, rent concessions have been granted to lessees. In May 2020, the IASB published an amendment to IFRS 16 that provided an optional practical expedient for lessees from assessing whether a rent concession related to COVID-19 is a lease modification. On 31 March 2021, the IASB published an additional amendment to extend the date of the practical expedient from 30 June 2021 to 30 June 2022. Lessees can elect to account for such rent concessions in the same way as they would if they were not lease modifications. In many cases, this will result in accounting for the concession as variable lease payments in the period(s) in which the event or condition that triggers the reduced payment occurs. These amendments are not expected to have an impact on the Banking Group.	Annual periods or after 1 April 2021

3. Standards/interpretations issued but not yet effective continued

Pronouncement	Title and details	Effective date
A number of narrow-scope amendments to IFRS 3, IAS 16, IAS 37 and some annual improvements on IFRS 1, IFRS 9, IAS 41 and IFRS 16	Amendments to IFRS 3, 'Business combinations' update a reference in IFRS 3 to the Conceptual Framework for Financial Reporting without changing the accounting requirements for business combinations. Amendments to IAS 16, 'Property, plant and equipment' prohibit a company from deducting from the cost of property, plant and equipment amounts received from selling items produced while the company is preparing the asset for its intended use. Instead, a company will recognise such sales proceeds and related cost in profit. Amendments to IAS 37, 'Provisions, contingent liabilities and contingent assets' specify which costs a company includes when assessing whether a contract will be loss-making. Annual improvements make minor amendments to IFRS 1, 'First-time Adoption of IFRS', IFRS 9, 'Financial instruments', IAS 41, 'Agriculture' and the Illustrative Examples accompanying IFRS 16, 'Leases'. These amendments are not expected to have an impact on the Banking Group.	Annual periods or after 1 January 2022
Amendments to IAS 1, Presentation of financial statements', on classification of liabilities	These narrow-scope amendments to IAS 1, 'Presentation of financial statements', clarify that liabilities are classified as either current or non-current, depending on the rights that exist at the end of the reporting period. Classification is unaffected by the expectations of the entity or events after the reporting date (for example, the receipt of a waiver or a breach of covenant). The amendment also clarifies what IAS 1 means when it refers to the 'settlement' of a liability. These amendments are not expected to have a significant impact on the Banking Group.	Annual periods or after 1 January 2023
Narrow scope amendments to IAS 1, Practice statement 2 and IAS 8	The amendments aim to improve accounting policy disclosures and to help users of the financial statements to distinguish between changes in accounting estimates and changes in accounting policies. These amendments are not expected to have a significant impact on the Banking Group.	Annual periods or after 1 January 2023

		Consolidated		Separate	
		2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
4.	**Cash and cash equivalents**				
	Funds on call	**909 256**	1 305 572	**817 022**	1 049 329
	Balance with the SARB[1]	**137 955**	140 065	**137 955**	140 065
	Fixed deposits[2]	**117 957**	252 713	**100 595**	252 709
		1 165 168	1 698 350	**1 055 572**	1 442 103
	Less: Bank overdraft	**(30 392)**	(151 462)	**(13)**	(30 462)
		1 134 776	1 546 888	**1 055 559**	1 411 641

[1] *The balance with the SARB is for minimum reserve requirements and is available for use subject to certain restrictions and limitations levied by the central bank.*

[2] *The funds are easily accessible if required by the Banking Group.*

		Consolidated		Separate	
		2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
5.	**Negotiable securities**				
	Treasury bills[1]	**1 793 190**	2 681 579	**1 793 189**	2 681 579
	Land Bank bills	**415 980**	473 000	**415 980**	473 000
	Negotiable securities before impairments	**2 209 170**	3 154 579	**2 209 169**	3 154 579
	Credit loss allowance[2]	**(124 093)**	(27 984)	**(124 093)**	(27 984)
	Net negotiable securities	**2 085 077**	3 126 595	**2 085 076**	3 126 595

[1] *Treasury bills to the value of R0.709 billion (2020: R1.617 billion) have been pledged for the SARB refinancing auction.*

[2] *Key management inputs and assumptions around ECL. Refer to note 39.1 and 39.3.3.*

		Financial assets		Financial liabilities	
		2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
6.	**Trading assets and liabilities**				
	Consolidated				
	Derivatives	**43 307**	85 172	**47 987**	101 438
		43 307	85 172	**47 987**	101 438
	Separate				
	Derivatives	**44 526**	84 537	**40 821**	85 856
		44 526	84 537	**40 821**	85 856

		Consolidated		Separate	
		2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
6.1	**Total trading assets**	**43 307**	85 172	**44 526**	84 537
	Financial assets	**43 307**	85 172	**44 526**	84 537
	Reverse repurchase agreements (assets)	**–**	–	**–**	–
6.2	**Total trading liabilities**	**47 987**	101 438	**40 821**	85 856
	Financial liabilities	**47 987**	101 438	**40 821**	85 856
	Repurchase agreements (liabilities)	**–**	–	**–**	–

7. Trade and other receivables

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
Insurance coverage assets	**50 776**	49 495	**50 776**	49 495
Value added taxation	**26 067**	12 632	**9 804**	–
Prepaid expenses	**28 699**	27 274	**28 699**	27 172
Dividend receivable	**–**	8 400	**–**	8 400
Trade receivables[1]	**214 779**	26 481	**136 660**	26 230
Sundry receivables	**116 685**	156 672	**67 712**	50 339
Receivables from companies in the Group	**89 447**	74 767	**348 157**	126 279
Other receivables before impairments	**526 453**	355 721	**641 808**	287 915
Credit loss allowance	**(493)**	(1 662)	**–**	(1 501)
Net other receivables	**525 960**	354 059	**641 808**	286 414

[1] *Trade receivables have increased from prior year as a result of the timing of the settlement of a balance with a significant debtor and an increase in margin accounts at year end.*

8. Non-current assets held for sale

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
Investment property	**6 700**	6 700	**–**	–
Fair value at the beginning of the year	**6 700**		**–**	
Fair value prior to classification as held for sale	**–**	8 900	**–**	–
Fair value adjustments	**–**	(2 200)	**–**	–
Total non-current assets held for sale	**6 700**	6 700	**–**	–

The asset continues to be classified as a non-current asset held for sale. As at 30 June 2021, a signed agreement exists with a third party to acquire the asset; therefore, the sale was considered to be highly probable at year-end.

However, during the unrest in the country in July 2021, the building was razed to the ground. Refer to note 43.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

	Total R'000	Less than 1 year R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
9. Loans and advances							
Consolidated							
2021							
Loans and advances at amortised cost							
Gross investment in leases	7 124 720	3 046 185	1 954 547	1 257 095	642 709	218 224	5 960
Equipment finance	5 626 612	2 409 585	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]	6 002 533	2 487 401	1 622 449	1 096 628	583 103	207 266	5 686
Equipment finance	4 724 818	1 960 675	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	633 500						
Term loans	375 501						
Secured loans	351 631						
Unsecured loans	23 870						
Loans and advances before expected credit losses	7 011 534						
Credit loss allowance (Refer to note 39)	(535 354)						
Total loans and advances at amortised cost	6 476 180						
Loans and advances at fair value	311 718						
Specialised lending	311 718						
Total loans and advances	6 787 898						

[1] *Loans and advances with a carrying amount of R3.079 billion (2020: R2.968 billion) have been ceded as security for the debt securities issued. Refer to note 20.*

9. Loans and advances continued

Separate

2021

	Total R'000	Less than 1 year R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
Loans and advances at amortised cost							
Gross investment in leases	2 989 040	1 265 428	795 357	510 767	287 160	125 738	4 590
Equipment finance	1 886 188	798 936	488 086	321 904	181 085	95 567	610
Capital equipment finance	1 102 852	466 492	307 271	188 863	106 075	30 171	3 980
Less: Unearned finance income	(467 186)	(222 955)	(136 911)	(69 983)	(30 062)	(7 058)	(217)
Equipment finance	(303 871)	(142 757)	(88 648)	(46 499)	(21 000)	(4 960)	(7)
Capital equipment finance	(163 315)	(80 198)	(48 263)	(23 484)	(9 062)	(2 098)	(210)
Net investment in leases[1]	2 521 854	1 042 473	658 446	440 784	257 098	118 680	4 373
Equipment finance	1 582 317	656 179	399 438	275 405	160 085	90 607	603
Capital equipment finance	939 537	386 294	259 008	165 379	97 013	28 073	3 770
Trade and debtor finance	633 500						
Term loans	375 502						
Secured loans	351 632						
Unsecured loans	23 870						
Loans and advances before expected credit losses	3 530 856						
Credit loss allowance (Refer to note 39)	(273 306)						
Total loans and advances at amortised cost	3 257 550						
Loans and advances at fair value	311 718						
Specialised lending	311 718						
Total loans and advances	3 569 268						

[1] *Loans and advances with a carrying amount of R3.079 billion (2020: R2.968 billion) have been ceded as security for the debt securities issued. Refer to note 20.*

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

	Total R'000	Less than 1 year R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
9. Loans and advances							
Consolidated							
2020							
Loans and advances at amortised cost							
Gross investment in leases	7 199 485	3 211 396	1 964 542	1 196 330	635 043	185 105	7 069
Equipment finance	5 646 631	2 381 258	1 594 012	991 469	527 250	147 819	4 823
Capital equipment Finance	1 552 854	830 138	370 530	204 861	107 793	37 286	2 246
Less: Unearned finance income	(1 185 948)	(626 019)	(338 824)	(161 445)	(55 047)	(4 164)	(449)
Equipment finance	(958 396)	(499 384)	(276 778)	(134 164)	(45 332)	(2 529)	(209)
Capital equipment finance	(227 552)	(126 635)	(62 046)	(27 281)	(9 715)	(1 635)	(240)
Net investment in leases[1]	6 013 537	2 585 377	1 625 718	1 034 885	579 996	180 941	6 620
Equipment finance	4 688 235	1 881 874	1 317 234	857 305	481 918	145 290	4 614
Capital equipment finance	1 325 302	703 503	308 484	177 580	98 078	35 651	2 006
Trade and debtor Finance	718 014						
Term loans	207 081						
Secured loans	191 569						
Unsecured loans	15 512						
Loans and advances before expected credit losses	6 938 631						
Credit loss allowance (Refer note 39)	(552 405)						
Total loans and advances at amortised cost	6 386 226						
Loans and advances at fair value	223 011						
Specialised lending	223 011						
Total loans and advances	6 609 237						

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

9. Loans and advances continued

Separate

2020

	Total R'000	Less than 1 year R'000	Year 2 R'000	Year 3 R'000	Year 4 R'000	Year 5 R'000	More than 5 years R'000
Loans and advances at amortised cost							
Gross investment in leases	3 192 542	1 522 793	837 311	491 016	248 782	90 105	2 535
Equipment finance	1 950 252	811 834	553 475	343 507	178 492	62 655	289
Capital equipment finance	1 242 290	710 959	283 836	147 509	70 290	27 450	2 246
Less: Unearned finance income	(494 517)	(273 211)	(137 307)	(63 497)	(22 838)	2 584	(248)
Equipment finance	(319 283)	(171 527)	(91 130)	(44 324)	(15 988)	3 694	(8)
Capital equipment finance	(175 234)	(101 684)	(46 177)	(19 173)	(6 850)	(1 110)	(240)
Net investment in leases[1]	2 698 025	1 249 583	700 004	427 519	225 944	92 689	2 286
Equipment finance	1 630 970	640 308	462 345	299 183	162 504	66 349	281
Capital equipment finance	1 067 055	609 275	237 659	128 336	63 440	26 340	2 005
Trade and debtor finance	398 209						
Term loans	207 081						
Secured loans	191 569						
Unsecured loans	15 512						
Loans and advances before expected credit losses	3 303 315						
Credit loss allowance (Refer note 39)	(281 603)						
Total loans and advances at amortised cost	3 021 712						
Loans and advances at fair value	223 011						
Specialised lending	223 011						
Total loans and advances	3 244 723						

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
10. INVESTMENT SECURITIES				
Investments at fair value through other comprehensive income	**–**	–	**–**	–
Investments at fair value through profit or loss	**187 390**	154 221	**187 174**	154 071
Listed equity investments	**216**	150	**–**	–
Private Equity investments	**187 174**	154 071	**187 174**	154 071
	187 390	154 221	**187 174**	154 071

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 shareholding in these investments range between 20% and 50%.

All associates are incorporated in South Africa. None of the associates are considered to have an impact on the consolidated financial statements that are individually material. A full list of associates is available, on request, at the registered office of the Group.

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
11. Deferred tax assets and liabilities				
Deferred tax assets	**3 311**	2 210	**–**	–
Deferred tax liability	**(107 824)**	(90 469)	**(10 789)**	(25 728)

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	2021 Assets R'000	2021 Liabilities R'000	2021 Net R'000	2020 Assets R'000	2020 Liabilities R'000	2020 Net R'000
Consolidated						
Equipment finance	**–**	**(273 224)**	**(273 224)**	–	(238 613)	(238 613)
Tax losses[1]	**665**	**61 553**	**62 218**	182	36 730	36 912
Fair value adjustment	**(13)**	**(56 144)**	**(56 157)**	1	(48 370)	(48 369)
Prepayments	**–**	**(1 697)**	**(1 697)**	–	(1 366)	(1 366)
Impairments	**–**	**19 264**	**19 264**	–	19 264	19 264
Provisions	**2 861**	**146 222**	**149 083**	2 168	142 012	144 180
Investment property	**(202)**	**–**	**(202)**	(201)	–	(201)
Intangible assets	**–**	**(4 597)**	**(4 597)**	–	(6 080)	(6 080)
Property, equipment and right-of-use assets	**–**	**(6 414)**	**(6 414)**	60	(12 956)	(12 896)
Lease liabilities	**–**	**9 275**	**9 275**	–	17 557	17 557
Other temporary differences	**–**	**(2 062)**	**(2 062)**	–	1 353	1 353
Net tax assets/(liabilities)	**3 311**	**(107 824)**	**(104 513)**	2 210	(90 469)	(88 259)
Separate						
Equipment finance	**–**	**(120 906)**	**(120 906)**	–	(119 702)	(119 702)
Tax losses[1]	**–**	**(61 553)**	**(61 553)**	–	36 730	36 730
Fair value adjustment	**–**	**(56 144)**	**(56 144)**	–	(48 370)	(48 370)
Prepayments	**–**	**(1 697)**	**(1 697)**	–	(1 366)	(1 366)
Impairments	**–**	**19 264**	**19 264**	–	19 264	19 264
Provisions	**–**	**86 343**	**86 343**	–	81 763	81 763
Property, equipment and right-of-use assets	**–**	**(6 414)**	**(6 414)**	–	(12 956)	(12 956)
Lease liabilities	**–**	**9 275**	**9 275**	–	17 557	17 557
Other temporary differences[2]	**–**	**(2 063)**	**(2 063)**	–	1 352	1 352
Net tax assets/(liabilities)	**–**	**(10 789)**	**(10 789)**	–	(25 728)	(25 728)

[1] *These tax losses have arisen from the Banking Group entities incurring operational tax losses. This asset is anticipated to be recovered as financial projections for a period of 5 years indicate these entities are likely to produce sufficient taxable income in the near future.*

[2] *Deferred tax raised on the Optimal income & Money market funds revaluations.*

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

11. Deferred tax assets and liabilities continued

Movements in temporary differences during the year

	Balance at 1 July R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
Consolidated			
2021			
Equipment finance	(238 613)	(34 611)	(273 224)
Tax losses	36 912	25 306	62 218
Fair value adjustment	(48 369)	(7 788)	(56 157)
Prepayments	(1 366)	(331)	(1 697)
Impairments	19 264	–	19 264
Provisions	144 180	4 903	149 083
Investment property	(201)	–	(201)
Intangible assets	(6 080)	1 483	(4 597)
Property, equipment and right-of-use assets	(12 896)	6 482	(6 414)
Lease liabilities	17 557	(8 282)	9 275
Other temporary differences	1 353	(3 416)	(2 063)
	(88 259)	(16 254)	(104 513)
Separate			
2021			
Equipment finance	(119 702)	(1 204)	(120 906)
Tax losses	36 730	24 823	61 553
Fair value adjustment	(48 370)	(7 774)	(56 144)
Prepayments	(1 366)	(331)	(1 697)
Impairments	19 264	–	19 264
Provisions	81 763	4 580	86 343
Property, equipment and right-of-use assets	(12 956)	6 542	(6 414)
Lease liabilities	17 557	(8 282)	9 275
Other temporary differences	1 352	(3 416)	(2 063)
	(25 728)	14 938	(10 789)

11. **Deferred tax assets and liabilities** continued

Movements in temporary differences during the year continued

	Balance at 1 July R'000	IFRS 9 transition – day 1 R'000	Recognised in profit or loss R'000	Balance at 30 June R'000
Consolidated				
2020				
Equipment finance	(271 527)	–	32 914	(238 613)
Tax losses	66 456	–	(29 544)	36 912
Fair value adjustment	(46 898)	–	(1 471)	(48 369)
Prepayments	(1 693)	–	327	(1 366)
Impairments	19 264	–	–	19 264
Provisions	103 505	–	40 675	144 180
Investment property	(694)	–	493	(201)
Intangible assets	(7 415)	–	1 335	(6 080)
Property, equipment and right-of-use assets	60	(19 786)	6 830	(12 896)
Lease liabilities	–	24 754	(7 197)	17 557
Other temporary differences	4 868	(4 968)	1 453	1 353
	(134 074)	–	45 815	(88 259)
Separate				
2020				
Equipment finance	(153 510)	–	33 808	(119 702)
Tax losses	66 456	–	(29 726)	36 731
Fair value adjustment	(46 883)	–	(1 487)	(48 370)
Prepayments	(1 688)	–	322	(1 367)
Impairments	19 264	–	–	19 264
Provisions	65 871	–	15 892	81 763
Property, equipment and right-of-use assets	–	(19 786)	6 830	(12 956)
Lease liabilities	–	24 754	(7 197)	17 557
Other temporary differences	4 867	(4 968)	1 453	1 352
	(45 623)	–	19 895	(25 728)

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

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

	Computer equipment[1] R'000	Furniture and fittings[1] R'000	Motor vehicles R'000	Land and buildings R'000	Right-of-use buildings R'000	Total R'000
Consolidated						
2021						
Cost at the beginning of the year	**146 215**	**22 486**	**2 967**	**28 195**	**73 749**	**273 612**
IFRS 16 transition – day 1	**–**	**–**	**–**	**–**	**–**	**–**
Cost at the beginning of the year – inclusive of IFRS 16	**146 215**	**22 486**	**2 967**	**28 195**	**73 749**	**273 612**
Additions	**10 525**	**5**	**–**	**–**	**–**	**10 530**
Disposals	**(56 883)**	**(13 752)**	**(380)**	**–**	**–**	**(71 015)**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**
Cost at the end of the year	**99 857**	**8 739**	**2 587**	**28 195**	**73 749**	**213 127**
Accumulated depreciation and impairment at the beginning of the year	**(123 520)**	**(20 530)**	**(2 544)**	**(16 518)**	**(25 079)**	**(188 191)**
Depreciation charge for the year	**(9 273)**	**(760)**	**(149)**	**(5 624)**	**(24 050)**	**(39 856)**
Disposals	**56 346**	**13 592**	**380**	**–**	**–**	**70 318**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**
Accumulated depreciation and impairment at the end of the year	**(76 447)**	**(7 698)**	**(2 313)**	**(22 142)**	**(49 129)**	**(157 729)**
Carrying amount at the beginning of the year	**22 695**	**1 956**	**423**	**11 677**	**48 670**	**85 421**
Carrying amount at the end of the year	**23 410**	**1 041**	**274**	**6 053**	**24 620**	**55 398**
Consolidated						
2020						
Cost at the beginning of the year	135 373	21 962	3 032	27 764	–	188 131
IFRS 16 transition – day 1	–	–	–	–	73 749	73 749
Cost at the beginning of the year – inclusive of IFRS 16	135 373	21 962	3 032	27 764	73 749	261 880
Additions	11 155	373	274	466	–	12 268
Disposals	(139)	(23)	(339)	(35)	–	(536)
Transfers	(174)	174	–	–	–	–
Cost at the end of the year	146 215	22 486	2 967	28 195	73 749	273 612
Accumulated depreciation and impairment at the beginning of the year	(109 516)	(19 255)	(2 668)	(10 952)	–	(142 391)
Depreciation charge for the year	(14 154)	(1 303)	(215)	(5 607)	(25 079)	(46 358)
Disposals	152	26	339	41	–	558
Transfers	(2)	2	–	–	–	–
Accumulated depreciation and impairment at the end of the year	(123 520)	(20 530)	(2 544)	(16 518)	(25 079)	(188 191)
Carrying amount at the beginning of the year	25 857	2 707	364	16 813	73 749	119 489
Carrying amount at the end of the year	22 695	1 956	423	11 677	48 670	85 422

[1] *In the current year Assets of R56.3 million and R13.6 million were retired for Computer equipment and furniture and fittings respectively.*

12. Property, equipment and right-of-use assets continued

Separate	Computer equipment[1] R'000	Furniture and fittings[1] R'000	Motor vehicles R'000	Land and buildings R'000	Right-of-use buildings R'000	Total R'000
2021						
Cost at the beginning of the year	**145 099**	**21 523**	**2 852**	**27 987**	**70 666**	**268 177**
IFRS 16 transition – day 1	**–**	**–**	**–**	**–**	**–**	**–**
Cost at the beginning of the year – inclusive of IFRS 16	**145 099**	**21 523**	**2 852**	**27 987**	**70 666**	**268 177**
Additions	**10 525**	**5**	**–**	**–**	**–**	**10 530**
Disposals	**(56 883)**	**(13 752)**	**(380)**	**–**	**–**	**(71 015)**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**
Cost at the end of the year	**98 742**	**7 776**	**2 472**	**27 987**	**70 666**	**207 643**
Accumulated depreciation and impairment at the beginning of the year	**(122 403)**	**(19 594)**	**(2 429)**	**(16 360)**	**(24 394)**	**(185 180)**
Depreciation charge for the year	**(9 273)**	**(748)**	**(149)**	**(5 608)**	**(23 364)**	**(39 142)**
Disposals	**56 343**	**13 592**	**380**	**–**	**–**	**70 315**
Transfers	**–**	**–**	**–**	**–**	**–**	**–**
Accumulated depreciation and impairment at the end of the year	**(75 333)**	**(6 750)**	**(2 198)**	**(21 968)**	**(47 758)**	**(154 007)**
Carrying amount at the beginning of the year	**22 696**	**1 929**	**423**	**11 627**	**46 272**	**82 947**
Carrying amount at the end of the year	**23 409**	**1 026**	**274**	**6 019**	**22 908**	**53 636**
2020						
Cost at the beginning of the year	134 231	20 977	2 578	27 521	–	185 307
IFRS 16 transition – day 1	–	–	–	–	70 666	70 666
Cost at the beginning of the year – inclusive of IFRS 16	134 231	20 977	2 578	27 521	70 666	255 973
Additions	11 156	372	274	466	–	12 268
Disposals	(114)	–	–	–	–	(114)
Transfers	(174)	174	–	–	–	–
Cost at the end of the year	145 099	21 523	2 852	27 987	70 666	268 127
Accumulated depreciation and impairment at the beginning of the year	(108 379)	(18 305)	(2 214)	(10 769)	–	(139 667)
Depreciation charge for the year	(14 154)	(1 289)	(215)	(5 591)	(24 394)	(45 643)
Disposals	130	–	–	–	–	130
Accumulated depreciation and impairment at the end of the year	(122 403)	(19 594)	(2 429)	(16 360)	(24 394)	(185 180)
Carrying amount at the beginning of the year	25 852	2 671	364	16 752	70 666	116 305
Carrying amount at the end of the year	22 696	1 929	423	11 627	46 272	82 947

[1] *In the current year Assets of R56.3 million and R13.6 million were retired for Computer equipment and furniture and fittings respectively.*

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

		Consolidated	
		2021 R'000	2020 R'000
13.	**Investment property**		
	Fair value at the beginning of the year	–	8 900
	Transfers to non-current assets held for sale	–	(8 900)
	Fair value at the end of the year	–	–

		Distributor relation-ships R'000	Purchased software R'000	Internally generated intangible assets[1] R'000	Goodwill[2] R'000	Total R'000
14.	**Intangible assets and goodwill**					
	Consolidated					
	2021					
	As at 1 July 2020					
	Cost	**50 938**	**2 901**	**187 244**	**31 353**	**272 436**
	Accumulated amortisation and impairment	**(27 100)**	**(2 901)**	**(46 891)**	**(835)**	**(77 727)**
	Year ended 30 June 2021					
	Carrying amount at the beginning of the year	**23 838**	**–**	**140 353**	**30 518**	**194 709**
	Additions	**–**	**–**	**27 690**	**–**	**27 690**
	Amortisation	**(5 297)**	**–**	**(22 662)**	**–**	**(27 959)**
	Impairment	**–**	**–**	**(40 584)**	**–**	**(40 584)**
	Carrying amount at the end of the year	**18 541**	**–**	**104 797**	**30 518**	**153 856**
	2020					
	As at 1 July 2019					
	Cost	37 170	16 669	183 791	31 353	268 984
	Accumulated amortisation and impairment	(22 333)	(2 901)	(27 949)	–	(53 183)
	Carrying amount at the beginning of the year	14 837	13 768	155 842	31 353	215 800
	Transfers	13 768	(13 768)	–	–	–
	Additions	–	–	29 077	–	29 077
	Amortisation	(4 767)	–	(28 750)	–	(33 517)
	Impairment	–	–	(15 816)	(835)	(16 651)
	Carrying amount at the end of the year	23 838	–	140 353	30 518	194 709

[1] *All software related intangible assets are internally generated and bespoke and therefore cannot be reliably valued at fair value. The recoverable amount was therefore based on value in use, where applicable. Treasury's weighted average cost of capital of 10.88%, a terminal growth rate of 1% (South African GDP based growth rate) and a 5-year budgeted cash flow forecast[3] was used to discount expected future cash flows.[4]*

[2] *The Group assesses the recoverable amount of the CGU to which the goodwill relates, taking into account the current and estimated future profitability of the CGU, to determine whether it is at least equal to the carrying amount of the related goodwill. Should the carrying amount exceed the recoverable amount, an impairment is recognised. The CGU is in most cases the subsidiary to which the goodwill relates. The Group's weighted average cost of capital of 14% (2020: 19%), a terminal growth rate of 1% (South African GDP based growth rate) and a 5-year budgeted cash flow forecast[3] is used to discount expected future cash flows.[4]*

[3] *Budgeted inputs were adjusted for Macro-economic drivers including GDP, Inflation, Credit risk, Exchange rates, Covid-19 considerations and other cost drivers for a 5-year period from 2022 to 2026.*

[4] *If the growth and cashflow inputs are flexed, there is still not a material difference to the outcome of the calculations.*

14. Intangible assets and goodwill

	Distributor relation-ships R'000	Purchased software R'000	Internally generated intangible assets[1] R'000	Goodwill[2] R'000	Total R'000
Separate					
2021					
As at 1 July 2020					
Cost	**–**	**2 901**	**187 244**	**835**	**190 980**
Accumulated amortisation and impairment	**–**	**(2 901)**	**(46 891)**	**(835)**	**(50 627)**
Year ended 30 June 2020					
Carrying amount at the beginning of the year	**–**	**–**	**140 353**	**–**	**140 353**
Transfers	**–**	**–**	**27 691**	**–**	**27 691**
Additions	**–**	**–**	**–**	**–**	**–**
Amortisation	**–**	**–**	**(22 662)**	**–**	**(22 662)**
Impairment	**–**	**–**	**(40 584)**	**–**	**(40 584)**
Carrying amount at the end of the year	**–**	**–**	**104 798**	**–**	**104 798**
2020					
As at 1 July 2019					
Cost	–	2 901	183 791	835	187 528
Accumulated amortisation and impairment	–	(2 901)	(27 949)	–	(30 850)
Carrying amount at the beginning of the year	–	–	155 842	835	156 677
Transfers	–	–	–	–	–
Additions	–	–	29 077	–	29 077
Amortisation	–	–	(28 750)	–	(28 750)
Impairment	–	–	(15 816)	(835)	(16 651)
Carrying amount at the end of the year	–	–	140 353	–	140 353

[1] *All software related intangible assets are internally generated and bespoke and therefore cannot be reliably valued at fair value. The recoverable amount was therefore based on value in use, where applicable. Treasury's weighted average cost of capital of 10.88%, a terminal growth rate of 1% (South African GDP based growth rate) and a 5-year budgeted cash flow forecast[3] was used to discount expected future cash flows.[4]*

[2] *The Group assesses the recoverable amount of the CGU to which the goodwill relates, taking into account the current and estimated future profitability of the CGU, to determine whether it is at least equal to the carrying amount of the related goodwill. Should the carrying amount exceed the recoverable amount, an impairment is recognised. The CGU is in most cases the subsidiary to which the goodwill relates. The Group's weighted average cost of capital of 14% (2020: 19%), a terminal growth rate of 1% (South African GDP based growth rate) and a 5-year budgeted cash flow forecast[3] is used to discount expected future cash flows.[4]*

[3] *Budgeted inputs were adjusted for Macro-economic drivers including GDP, Inflation, Credit risk, Exchange rates, Covid-19 considerations and other cost drivers for a 5-year period from 2022 to 2026.*

[4] *If the growth and cashflow inputs are flexed, there is still not a material difference to the outcome of the calculations.*

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
15. Funding under repurchase agreements and interbank				
Short-term interbank loans	**–**	79 094	**–**	–
Funding under repurchase agreements	**700 067**	1 803 712	**700 067**	1 803 712
	700 067	1 882 806	**700 067**	1 803 712

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

Interbank facilities are overnight facilities utilised by the bank to manage its daily liquidity requirements.

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
16. Trade and other payables				
Value-Added Taxation	**5 444**	11 544	**–**	1 889
Audit fees and other services	**8 705**	10 967	**6 948**	7 753
Accounts payable[2]	**379 673**	473 718	**323 878**	409 669
Other payables	**48 118**	40 051	**18 555**	16 808
Accruals	**23 535**	11 512	**23 783**	8 920
Borrowings from related parties to the Group[1]	**–**	130 117	**–**	–
Payables to entities in the Group	**4 155**	6 758	**29 521**	13 437
	469 630	684 667	**402 685**	458 476

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

[2] *The decrease in Accounts payable relates to a direct decrease in forex volumes for the current year.*

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
17. Provisions				
Leave pay provision	**16 290**	20 290	**13 528**	16 343
Bonus provision	**25 274**	1	**21 832**	–
	41 564	20 291	**35 360**	16 343

Movements in each class of provision:

Consolidated	Bonus provision R'000	Leave pay provision R'000	Total R'000
2021			
Carrying amount at the beginning of the year	1	20 290	20 291
Movement recognised in profit or loss:	25 671	485	26 156
Additional provisions recognised	25 671	2 618	28 289
Unused amounts reversed	–	(1 437)	(1 437)
Unwinding of discount	–	(696)	(696)
Amounts used during the year	–	(2 744)	(2 744)
Other movement	(398)	(1 741)	(2 139)
Carrying amount at the end of the year	25 274	16 290	41 564

Separate	Bonus provision R'000	Leave pay provision R'000	Total R'000
2021			
Carrying amount at the beginning of the year	–	16 343	16 343
Movement recognised in profit or loss:	22 230	1 498	23 728
Additional provisions recognised	22 230	2 695	24 925
Unused amounts reversed	–	(501)	(501)
Unwinding of discount	–	(696)	(696)
Amounts used during the year	–	(2 495)	(2 495)
Other movement	(398)	(1 818)	(2 216)
Carrying amount at the end of the year	21 832	13 528	35 360

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

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

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
18. Lease liability				
Reconciliation of lease liabilities				
Opening finance lease liabilities	**65 284**	–	**62 705**	–
Adjustment on initial application of IFRS 16	**–**	91 490	**–**	88 407
Finance costs (note 26)	**4 139**	6 535	**3 946**	6 296
Capital repayments	**(30 177)**	(26 206)	**(29 579)**	(25 702)
Interest repayments	**(4 139)**	(6 535)	**(3 946)**	(6 296)
Total capitalised lease liability	**35 107**	65 284	**33 126**	62 705

The total cash outflow for leases in 2021 was R34.316 million (2020: R32.741 million) for the Banking Group and R33.525 million (2020: R31.998 million) for the Company. Refer to note 40.1 for the maturity analysis of the undiscounted contractual cash flows.

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

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
19. Deposits from customers				
Current deposits[1]	**627 206**	581 499	**627 206**	581 499
Call deposits[1]	**1 832 129**	2 056 886	**1 987 086**	2 225 254
Notice deposits	**855 498**	837 586	**892 720**	873 327
Fixed deposits	**1 804 157**	1 815 526	**2 060 742**	2 033 045
Negotiable certificates of deposits	**9 299**	35 518	**9 299**	35 518
	5 128 289	5 327 015	**5 577 053**	5 748 643

[1] *Call deposits have been split into current deposits and call deposits for enhanced disclosure in this note.*

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
20. Debt securities issued				
Category analysis				
Rated	**2 741 583**	2 743 823	**–**	–

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 and to note 34). All notes are placed with South African investors. These debt securities in issuance are rated by Global Credit Ratings Co. These are unsubordinated, secured, compulsory redeemable, asset backed notes of R1 000 000 each. These ratings are available, on request, at the registered office of the Banking Group. Refer note 34. These notes bear interest at between three-month JIBAR+ 1.3000% and three-month JIBAR+ 3.1500% with various scheduled maturity dates. Refer to note 40.

		Consolidated		Separate	
		2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
21. Long-term loans					
Represented by:	**Repayment date:**				
European DFI loan facility[1]	January 2022 – October 2022	**390 000**	116 360	**390 000**	116 360
Other	July 2021 – December 2026	**120 904**[2]	5 289	**115 566**	–
Total		**510 904**	121 649	**505 566**	116 360

[1] *The initial European DFI loan facility was settled in May 2021 with a new facility being entered into during the current year.*
[2] *Other relates to SARB guaranteed loans as described in note 2.1.*

Long-term loans are interest-bearing, and the interest rates are individually negotiated. The Group has not had any defaults of principal or interest or other breaches with respect to its long term loans during the year ended 30 June 2021.

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
22. Ordinary share capital				
Authorised				
710 000 000 (2020: 710 000 000) ordinary shares of 1 cent each	**7 100**	7 100	**7 100**	7 100
Issued				
360 000 000 (2020: 360 000 000) ordinary shares of 1 cent each	**3 600**	3 600	**3 600**	3 600
Balance at the beginning of the year	**3 600**	3 600	**3 600**	3 600
Balance at the end of the year	**3 600**	3 600	**3 600**	3 600
Reconciliation of the number of shares issued				
Total shares in issue (number)	**360 000 000**	360 000 000	**360 000 000**	360 000 000
	360 000 000	360 000 000	**360 000 000**	360 000 000

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
23. Ordinary share premium				
Balance at the beginning of the year	**459 876**	459 876	**459 876**	459 876
Balance at the end of the year	**459 876**	459 876	**459 876**	459 876

		Consolidated		Separate	
		2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
24.	**Commitments and contingent liabilities**				
	Letters of credit	**117 461**	98 460	**117 461**	58 500
	Guarantees[1]	**38 302**	42 442	**38 302**	62 442
	Loan commitments	**51 906**	41 824	**51 906**	41 824
	Capital expenditure	**5 189**	1 899	**5 189**	1 899
	Non-cancellable operating lease rentals for premises[2]	**–**	547	**–**	547
	– One year	**–**	547	**–**	547
		212 858	185 172	**212 858**	165 212

[1] *Refer to note 39.1 for the expected credit loss amount raised.*

[2] *In the current year, there are no more non-cancellable operating lease rentals for premises, as the Banking Group applies IFRS 16.*

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

Short-term leases – IFRS 16

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

Legal proceedings

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

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

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

Financial support

Should the need arise, the Company has agreed to provide financial support to a fellow subsidiary, Sasfin Capital (Pty) Limited, to enable it to carry on business as a going concern. The undertaking to support Sasfin Capital (Pty) Limited shall not in any way affect the Company's solvency or liquidity.

24. Commitments and contingent liabilities continued

Guarantee for overdraft facility

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

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
25. Interest income				
Interest income calculated using the effective interest method	**940 363**	1 233 266	**546 479**	786 244
Interest income	**2 298**	–	**1 438**	–
Deposits with banks	**37 298**	49 586	**32 621**	63 628
Negotiable securities	**131 603**	214 556	**131 603**	214 556
Equipment finance	**559 306**	676 308	**184 941**	249 895
Capital equipment finance	**142 955**	164 874	**106 802**	137 609
Trade and debtor finance	**43 593**	94 985	**31 523**	66 379
Loans to entities in the group	**10 705**	8 486	**44 946**	31 002
Other secured loans	**11 037**	23 526	**11 037**	22 230
Unsecured loans	**1 568**	945	**1 568**	945
Other interest income	**31 585**	2 338	**32 025**	15 104
Specialised lending	**32 025**	15 104	**32 025**	15 104
Trading assets and other	**(440)**	(12 766)	**–**	–
	971 948	1 235 604	**578 504**	801 348
Total interest income	**971 948**	1 235 604	**578 504**	801 348
Interest income on items measured at amortised cost	**940 363**	1 233 266	**546 479**	786 244
– Performing financial assets	**856 690**	1 222 338	**485 230**	779 574
– Credit impaired financial assets	**83 673**	10 928	**61 249**	6 670
Interest income on items measured at fair value through profit or loss	**31 585**	2 338	**32 025**	15 104

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

		Consolidated		Separate	
		2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
26.	**Interest expense**				
	Interest expense calculated using the effective interest method	**431 852**	718 117	**290 508**	499 365
	Funding under repurchase agreements and interbank	**33 988**	104 162	**33 843**	104 156
	Call deposits	**65 061**	111 357	**70 459**	116 405
	Notice deposits	**34 814**	56 316	**37 016**	61 073
	Fixed deposits	**115 949**	167 083	**120 113**	174 259
	Lease liabilities	**4 139**	6 535	**3 946**	6 296
	Bank overdraft	**4 320**	4 662	**157**	288
	Debt securities	**145 875**	223 885	**–**	–
	Long-term borrowings	**18 132**	28 958	**15 400**	21 773
	Current accounts[1]	**8 247**	11 254	**8 247**	11 254
	Other deposits and loan accounts	**1 327**	3 905	**1 327**	3 861
	Other interest expense	**262**	1 344	**(1 627)**	7 955
	Trading liabilities and other	**262**	1 344	**(1 627)**	7 955
		432 114	719 461	**288 881**	507 320

[1] *Call deposits have been split into current deposits and call deposits for enhanced disclosure in this note.*

		Consolidated		Separate	
		2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
27.	**Net fee and commission income**				
	Fee and commission income	**136 553**	140 010	**300 117**	290 084
	Confirming fees	**31 698**	45 407	**24 585**	17 619
	Commission income	**18 212**	17 074	**21 141**	29 931
	Administration fees	**35 408**	22 958	**89 003**	82 596
	Revenue share income	**–**	–	**118 891**	117 161
	Other fee and commission income	**51 235**	54 571	**46 497**	42 777
	Fee and commission expense	**50 180**	41 567	**24 058**	24 263
	Other fee and commission expense	**3 746**	861	**3 746**	861
	Commission expense	**46 431**	40 678	**20 312**	23 402
	Administration fee expense	**3**	28	**–**	–
	Net fee and commission income	**86 373**	98 443	**276 059**	265 821

28. Gains and losses on financial instruments

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
Net gains or losses on the derecognition of financial instruments at amortised cost	**37 072**	28 334	**15 176**	12 884
Net gains/losses on the derecognition of financial assets measured at amortised cost	**37 072**	28 334	**15 176**	12 884
Settlement profits	**34 167**	28 631	**12 959**	14 211
Realised foreign exchange gains and (losses)	**2 905**	(297)	**2 217**	(1 327)
Other gains or losses on financial instruments	**154 047**	78 601	**198 102**	167 545
Dividend income	**17 665**	10 257	**57 659**	97 503
Fair value adjustments on financial instruments held at fair value through profit or loss	**75 930**	31 169	**75 864**	31 240
Net gains or losses on derivative instruments	**63 368**	38 623	**63 368**	38 623
Unrealised foreign exchange (losses) and gains	**(2 916)**	(1 448)	**1 211**	179
Total gains and losses on financial instruments	**191 119**	106 935	**213 278**	180 429

29. Other income

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
Income received from rent for use assets	**103 679**	95 098	**(2 496)**	(5 536)
Rental income from investment property	**80**	118	**–**	–
Profit on disposal of property and equipment	**44**	51	**44**	50
Profit on loss of control of subsidiary[1]	**–**	–	**10 889**	–
Sundry income[2]	**27 126**	17 086	**10 525**	9 992
	130 929	112 353	**18 962**	4 506

[1] *During the current year the Banking Group consolidated its foreign operations in South Africa. As a result, its Sasfin Asia Ltd. legal entity was placed in voluntary liquidation.*

[2] *Comprises various individually insignificant line items, including SWIFT charges received and rental recoveries.*

30. Staff costs

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
Salaries and wages	**333 846**	298 903	**275 781**	247 987
Executive Directors', Alternate Directors' and Prescribed Officers' remuneration (refer to note 36.3)	**20 991**	17 802	**20 991**	17 802
Non-Executive Directors' remuneration (refer to note 36.3)	**–**	–	**–**	–
Contributions to defined contribution plans and other	**26 002**	23 592	**25 687**	18 987
	380 839	340 297	**322 459**	284 776

For 2020 the allocation of amounts between Non-executive directors, Executive directors and Salaries and wages was incorrectly allocated between the categories and, therefore, had to be aligned to the Directors emoluments note. Refer to note 36.3

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
31. Other operating expenses				
The following items are included in operating expenses:				
Fees paid to auditors	**8 949**	12 300	**8 142**	10 618
Audit – Current year	**5 100**	9 979	**5 100**	8 196
– (Over)/Underprovision prior year	**2 811**	2 321	**2 074**	2 422
Regulatory	**968**	–	**968**	–
Other	**70**	–	**–**	–
Administration and management fee	**28 255**	2 740	**85 252**	64 845
Amortisation of intangible assets	**27 959**	33 517	**22 662**	28 750
Computer costs	**94 511**	95 518	**94 487**	95 471
Consulting fees	**19 103**	17 143	**15 925**	15 547
Depreciation	**39 856**	46 358	**39 143**	45 642
Loss on disposal of non-financial assets	**30 268**	–	**55**	–
Loss on disposal of property and equipment	**55**	–	**55**	–
Loss on loss of control of subsidiary	**30 213**	–	**–**	–
Marketing costs	**10 218**	12 658	**9 987**	11 821
Occupation and accommodation	**9 302**	11 730	**6 973**	8 852
Direct operating expenses arising from investment property that generated rental income	**2 277**	1 220	**–**	–
Lease expense - Short term leases (IFRS 16)	**754**	–	**754**	–
Other occupation and accommodation	**6 271**	10 510	**6 219**	8 852

During the year under review it was decided to add additional expense categories to provide more meaningful information. For consistency, additional prior year comparatives have been included. These new expense items are Administration and management fee, Loss on disposal of non-financial assets and Occupation and accommodation.

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
32. Impairments of non-financial assets				
Software	**40 584**	15 816	**40 584**	15 816
Internally developed software	**40 584**	15 816	**40 584**	15 816
Goodwill	**–**	835	**–**	835
	40 584	16 651	**40 584**	16 651

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
33. Income tax expense				
Current tax expense	**18 074**	32 569	**–**	–
Current year	**18 633**	32 524	**–**	–
(Over)/under provision in prior years	**(559)**	45	**–**	–
Deferred tax expense	**16 254**	(45 818)	**(14 907)**	(19 899)
Current year	**14 031**	(45 571)	**(17 101)**	(19 657)
Under/(over) provision in prior years	**2 223**	(247)	**2 194**	(242)
	34 328	(13 249)	**(14 907)**	(19 899)
Reconciliation of taxation rate	**%**	%	**%**	%
South African normal tax rate	**28.00**	28.00	**28.00**	28.00
Adjusted for:	**7.96**	7.18	**(102.82)**	(153.41)
Exempt income[5]	**(10.14)**	7.63	**(97.56)**	(172.06)
Non-deductible expenses[1]	**6.00**	(11.61)	**12.60**	24.50
Additional deductible tax allowances[2]	**(0.78)**	2.41	**–**	(5.72)
Effect of tax rates in foreign entity	**0.76**	6.65	**–**	–
Underprovision in prior years[3]	**1.74**	0.57	**11.08**	(1.53)
Fair value adjustments	**(1.95)**	3.32	**(9.49)**	(2.84)
Corporate transactions	**9.42**		**(15.61)**	
Other[4]	**2.91**	(1.79)	**(3.84)**	4.24
Effective rate	**35.96**	35.18	**(74.82)**	(125.41)
Losses, balances of allowances and credits for which a deferred tax asset has been raised:				
Estimated tax losses available to offset future taxable income	**221 152**	131 828	**218 777**	131 179

[1] *Non-deductible expenditure comprises of legal and consulting fees as well as all donations being non-deductible due to the Bank being in an assessed tax loss position.*
[2] *The additional deductible tax allowances mostly relate to the section 12H learnership allowances.*
[3] *The underprovision of taxes in 2020 relates primarily to the transition to IFRS16.*
[4] *This relates to a capital loss recognised on the write-off of a loan.*
[5] *Exempt income comprises exempt dividends.*

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
34. Securitisation				
In the ordinary course of business, the Group sells financial assets to structured entities. The information below sets out the extent of such transfers and the Group's retained interest in transferred assets.				
Carrying and fair value of transferred assets	**3 079 587**	2 970 301	**–**	–
Carrying and fair value of associated liabilities	**(2 741 583)**	(2 743 823)	**–**	–
Net carrying amount and fair value	**338 004**	226 478	**–**	–

The Banking Group has sold rental agreements to SASP but has retained residual ownership of SASP and continues to recognise these assets within loans and advances. The Banking Group refinanced R1.619 billion (2020: R1.038 billion) worth of rental agreements during the year (refer to note 20).

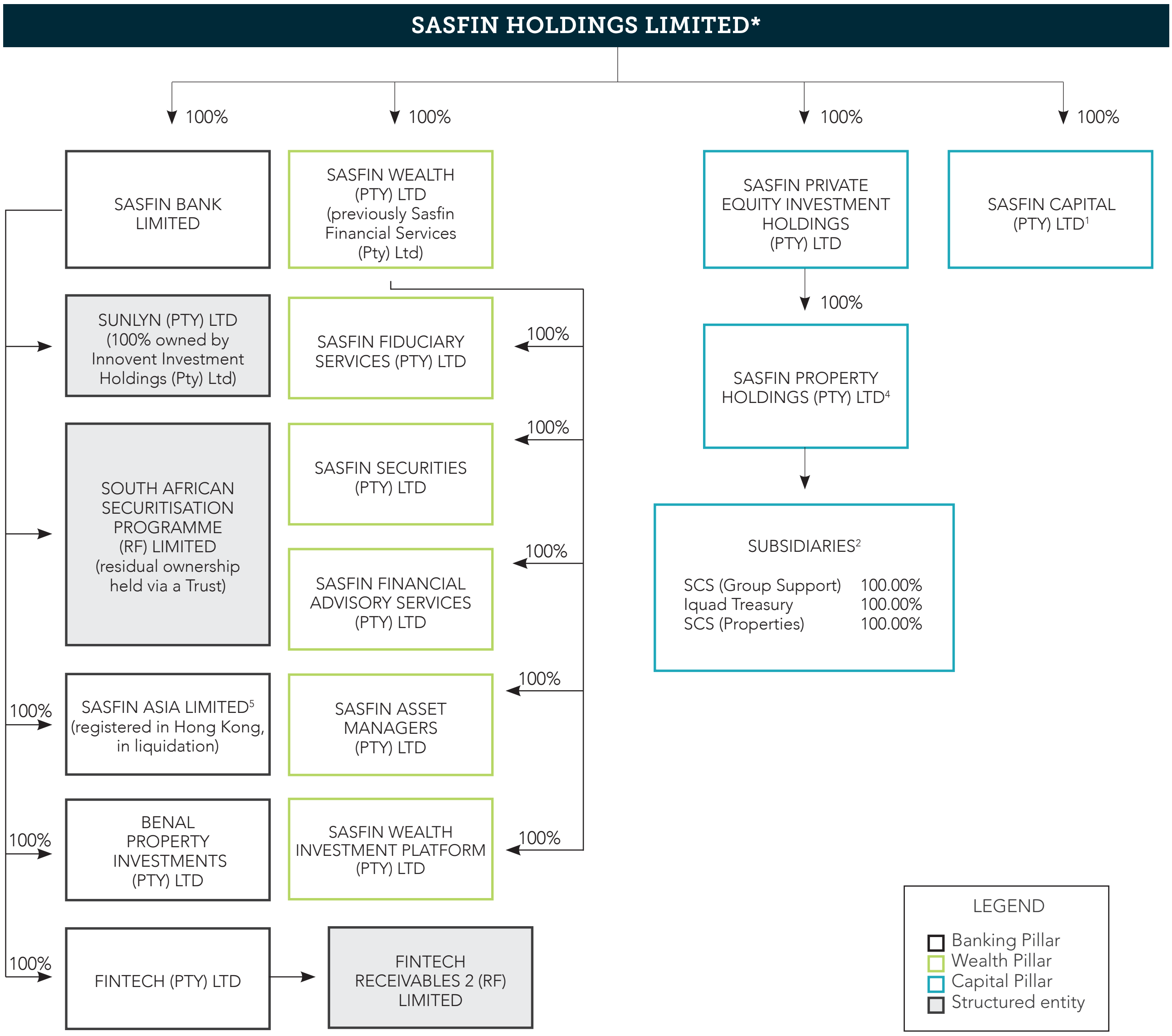
Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
35. Notes to the statement of cash flows				
35.1 Cash inflow from operating activities				
Reconciliation of operating profit to cash flows from operating activities				
Profit before income tax				
Profit/(loss) before income tax	**95 466**	(37 654)	**18 472**	15 868
Adjusted for:	**117 376**	245 847	**42 393**	52 271
Profit on disposal of property and equipment	**(44)**	(51)	**(44)**	(51)
Loss/(profit) on disposal of subsidiary	**30 212**	–	**(10 889)**	–
Dividend received	**(17 665)**	(10 257)	**(57 659)**	(97 503)
Credit impairment charges	**146 738**	255 560	**135 383**	139 333
Gains on disposal of financial instruments held at fair value through profit and loss	**(37 072)**	(28 631)	**(15 176)**	(14 211)
Settlement profits	**(34 167)**	(28 631)	**(12 959)**	(14 211)
Realised foreign exchange gains and losses	**(2 905)**	–	**(2 217)**	–
Fair value adjustments on financial instruments	**(139 348)**	(69 792)	**(139 283)**	(69 861)
Movement in provisions	**26 156**	(1 453)	**23 726**	2 372
Fair value loss on non-current assets held for sale	**–**	2 200	**–**	–
Impairment of goodwill/intangible assets/property, equipment and right-of-use assets	**40 584**	16 651	**40 584**	16 651
Depreciation	**39 856**	46 358	**39 143**	45 643
Amortisation of intangible assets	**27 959**	33 517	**22 662**	28 750
	212 842	208 193	**60 865**	68 139
35.2 Taxation paid				
Unpaid at the beginning of the year	**15 647**	(20 130)	**(25 728)**	–
Charge to the income statement	**(18 074)**	32 569	**14 907**	–
Unpaid at the end of the year	**(19 668)**	15 647	**10 789**	–
	(22 095)	28 086	**(32)**	–
35.3 Dividends paid				
Charge to distributable reserves	**–**	(10 000)	**–**	(10 000)
Total dividends paid	**–**	(10 000)	**–**	(10 000)

36. Related-party transactions

36.1 Subsidiaries and controlled structured entities



[1] *Sasfin Capital (Proprietary) Limited was unbundled to Sasfin Holdings Limited on 1 July 2017.*
[2] *SCS Global Trade (Pty) Ltd was disposed of on 30 June 2021.*
[3] *Sasfin Mauritius Limited was deregistered on 02 March 2021.*
[4] *Sasfin Holdings Limited sold its share in Sasfin Property Holdings to Sasfin Private Equity Investment Holdings in exchange for additional shares in Sasfin Private Equity Investment Holdings.*
[5] *During the current year, Sasfin Asia Limited was placed into voluntary liquidation. Prior to this, a capital reduction was made in the form of a dividend distribution with the balance of cash remaining in Sasfin Asia Limited until the liquidation is complete. The capital distribution was for an amount of R160.2 million, with the balance of R28.2 million being receivable from the liquidators on completion of liquidation. The cost of the investment for the Company was R67 million, and the net asset value on deconsolidation for the Banking Group was R28.2 million. Refer to note 31 for loss of control of subsidiary of R30.2 million for the Banking Group however, a profit of R10.9 million was recognised for the Company, refer to note 29. Refer to Statement of Changes in Equity for the release of the hedge reserve and reclassification of the FCTR through profit and loss on deconsolidation of Sasfin Asia Limited.*

All entities are incorporated in South Africa unless otherwise indicated.
** Shareholders of Sasfin Holdings Limited*
– *Unitas Enterprises Limited (2021: 46.62%; 2020: 43.05%), a wholly-owned company of The Erwin Discretionary Settlement Trust, of which Roland Sassoon and Michael Sassoon are beneficiaries.*
– *Wipfin Investments (Proprietary) Limited (2021: 25.1%; 2020: 25.1%), a wholly owned subsidiary of Women Investment Portfolio Holdings Limited (WIPHOLD).*
– *Public (2021: 23.83%; 2020: 31.85%).*
– *Sasfin Share Incentive Trust (2021: 4.44%; 2020: 0.25%).*

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

36. Related-party transactions continued

36.2 Balances with related parties

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

	2021 R'000	2020 R'000
Deposits	**466 841**	7 007
Short-term borrowings included in other payables[1]	**–**	130 117
Direct shareholders in Sasfin Holdings Limited	**–**	38 193
Indirect beneficial shareholders in Sasfin Holdings Limited	**–**	25 697
Director of subsidiary in the Group	**–**	66 227

[1] *These borrowings are unsecured, interest-baring and are repayable on demand subject to 30 days written notice. The borrowings are not subject to a fixed repayment date. Interest is payable at three-month Libor plus 1.5%; refer to note 16. These have been settled in the current year.*

36. Related-party transactions continued

36.3 Key management personnel and related remuneration

Directors' and Prescribed Officers' remuneration

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2021 R	Incentive bonus[4] payable in Sept 2021 R
2021						
Executive Directors						
AC Pillay	–	2 919 930	865 739	48 750	3 834 419	1 122 500
MEE Sassoon	–	3 701 472	967 090	71 250	4 739 812	1 567 500
Alternate Executive Directors						
LR Fröhlich	–	2 838 678	579 829	41 250	3 459 757	1 382 500
MG Lane	–	2 670 425	884 140	41 250	3 595 815	1 207 500
Independent Non-Executive Directors						
RC Andersen	1 100 000	–	–	–	1 100 000	–
RWR Buchholz	748 003	–	–	–	748 003	–
GP de Kock[a]	663 782	–	–	–	663 782	–
GC Dunnington	796 152	–	–	–	796 152	–
TE Magare[c]	441 398	–	–	–	441 398	–
TH Njikizana[b]	89 103	–	–	–	89 103	–
MR Thompson	682 694	–	–	–	682 694	–
EA Wilton	635 181	–	–	–	635 181	–
Non-independent, Non-Executive Directors						
RDEB Sassoon	448 206	–	–	–	448 206	–
Prescribed officers						
FvD Otto	–	2 353 091	540 399	26 250	2 919 740	–
S Tomlinson	–	1 776 520	650 234	14 250	2 441 004	610 500
	5 604 519	16 260 116	4 487 431	243 000	26 595 066	5 890 500

[1] *The remuneration of the Executive Directors is paid by the bank.*
[2] *Other benefits comprise: provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.*
[3] *Relate to the Banking Group's and individual's performance in the 2019 financial year.*
[4] *Relate to the Banking Group's and individual's performance in the 2021 financial year.*
[a] *Appointed on 19 August 2020.*
[b] *Appointed on 3 May 2021.*
[c] *Resigned on 21 June 2021.*

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

36. Related-party transactions continued

36.3 Key management personnel and related remuneration continued

Directors' and Prescribed Officers' remuneration continued

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2020 R	Incentive bonus[4] payable in Sept 2020 R
2020						
Executive Directors						
Angela Pillay	–	2 780 927	563 915	705 500	4 050 342	48 750
Michael Sassoon[a]	–	3 641 471	630 865	915 000	5 187 336	71 250
Alternate Executive Directors						
Linda Fröhlich	–	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
Independent Non-Executive Directors						
Roy Andersen	1 100 000	–	–	–	–	–
Richard Buchholz	711 490	–	–	–	–	–
Linda de Beer[d]	141 211	–	–	–	–	–
Grant Dunnington	876 766	–	–	–	–	–
Thabang Magare[b]	222 420	–	–	–	–	–
Gugu Mtetwa[d]	131 674	–	–	–	–	–
Shahied Rylands[c]	405 568	–	–	–	–	–
Mark Thompson	660 187	–	–	–	–	–
Eileen Wilton	502 622	–	–	–	–	–
Non-independent, Non-Executive Directors						
Roland Sassoon[e]	278 125	–	–	–	–	–
Prescribed officers						
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
	5 030 063	15 889 475	3 171 919	3 771 000	22 832 394	243 000

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

36.4 Associates

36.4.1 List of significant associates

	Nature of business	Consolidated % ownership 2021	Consolidated % ownership 2020	Separate % ownership 2021	Separate % ownership 2020
Associates recognised at fair value through profit or loss					
Innovent Investment Holdings (Pty) Ltd		**33.60**	33.60	**33.60**	33.60

36. Related-party transactions continued

36.5 Transactions and balances with associates

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

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

	2021 R'000	2020 R'000
Statement of Financial Position		
Trade and other receivables	–	8 400
Statement of Comprehensive Income		
Gains or losses on financial instruments	–	8 400

	Consolidated		Separate	
	2021 R'000	2020 R'000	2021 R'000	2020 R'000
36.5.1 Loans to/(from) entities in the Group				
Loans to/(from) subsidiaries	–	–	330 698	330 043
South African Securitisation Programme (RF) Ltd	–	–	333 975	334 965
Benal Property Investments (Pty) Ltd	–	–	(3 277)	(4 922)
Loans to/(from) fellow subsidiaries	183 368	–	183 368	–
Sasfin Securities (Pty) Ltd	59 832	70 460	59 832	70 460
Sasfin Private Equity Investment Holdings (Pty) Ltd	123 536	123 667	123 536	123 667
Sasfin Capital (Pty) Ltd	–	16 162	–	16 162
Total loans to entities in the Group	183 368	210 289	514 066	529 870

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

36. Related-party transactions continued

	Consolidated 2021 R'000	Consolidated 2020 R'000	Separate 2021 R'000	Separate 2020 R'000
36.5.2 Commitments and contingencies to/(from) entities in the Group				
Commitments and contingencies to/(from) Holding Company				
Sasfin Holdings Ltd	**–**	(96 360)	**–**	(96 360)
	–	(96 360)	**–**	(96 360)
Commitments and contingencies to/(from) fellow subsidiaries in the Group				
Sasfin Securities (Pty) Ltd	**20 500**	225	**20 500**	225
SCS (Global Trade) (Pty) Ltd	**–**	1 000	**–**	1 000
	20 500	1 225	**20 500**	1 225
Total guarantees with entities in the Group	**20 500**	(95 135)	**20 500**	(95 135)
36.5.3 Intercompany (payables)/(receivables) with entities in the Group				
(Payables to)/receivables from Holding company	**(3 163)**	(2 810)	**(3 163)**	(2 810)
Sasfin Holdings Ltd	**(3 163)**	(2 810)	**(3 163)**	(2 810)
(Payables to)/receivables from subsidiaries	**–**	–	**124 104**	31 581
Sunlyn (Pty) Ltd	**–**	–	**(20 541)**	(4 181)
South African Securitisation Programme (RF) Ltd	**–**	–	**86 829**	29 782
Sasfin Asia Ltd	**–**	–	**–**	(7 189)
Benal Property Investments (Pty) Ltd	**–**	–	**–**	385
Fintech Underwriting Pty Ltd	**–**	–	**42 308**	–
Fintech Lease Rentals Pty Ltd	**–**	–	**(23 768)**	–
Fintech (Pty) Ltd	**–**	–	**39 276**	12 784
(Payables to)/receivables from fellow subsidiaries	**88 704**	73 474	**88 704**	73 474
Sasfin Securities (Pty) Ltd	**4 816**	6 318	**4 816**	6 318
Sasfin Financial Advisory Services (Pty) Ltd	**–**	(213)	**–**	(213)
Sasfin Private Equity Investment Holdings (Pty) Ltd	**634**	1 866	**634**	1 866
Sasfin Capital (Pty) Ltd	**83 028**	66 580	**83 028**	66 580
Sasfin SC Properties (Pty) Ltd (previously SCS Properties)	**(1)**	–	**(1)**	–
Sasfin Property Holdings (Pty) Ltd	**227**	–	**227**	–
Iquad Treasury Solutions (Pty) Ltd		(1 077)		(1 077)
Total intercompany (payables)/receivables with entities in the Group	**85 541**	70 664	**209 672**	102 245

36. Related-party transactions continued

		Consolidated		Separate	
		2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
36.5.4	**Funds on call and deposits with entities in the Group**				
	Funds on call and deposits with Holding company	**(198 106)**	5 735	**(198 106)**	5 735
	Sasfin Holdings Ltd	**(198 106)**	5 735	**(198 106)**	5 735
	Funds on call and deposits from subsidiaries	**–**	–	**(441 485)**	428 033
	Sunlyn (Pty) Ltd	**–**	–	**(782)**	6 888
	Iquad Treasury Solutions (Pty) Ltd	**–**	–	**(4)**	–
	South African Securitisation Programme (RF) Ltd	**–**	–	**(344 843)**	322 203
	Benal Property Investments (Pty) Ltd	**–**	–	**–**	25
	Fintech (Pty) Ltd	**–**	–	**(37 221)**	35 622
	Sasfin Asia Ltd	**–**	–	**–**	6 678
	Fintech Underwriting (Pty) Ltd	**–**	–	**(43 214)**	41 707
	Fintech Lease Rentals (Pty) Ltd	**–**	–	**(15 421)**	14 910
	Funds on call and deposits from fellow subsidiaries	**(197 125)**	188 357	**(197 125)**	188 357
	Sasfin Wealth (Pty) Ltd	**(8 888)**	16 287	**(8 888)**	16 287
	Sasfin Securities (Pty) Ltd	**(72 263)**	42 426	**(72 263)**	42 426
	Sasfin Financial Advisory Services (Pty) Ltd	**(12 744)**	6 519	**(12 744)**	6 519
	Sasfin Asset Managers (Pty) Ltd	**(18 792)**	15 681	**(18 792)**	15 681
	Sasfin Wealth Investment Platform (Pty) Ltd	**(199)**	387	**(199)**	387
	Sasfin Private Equity Investment Holdings (Pty) Ltd	**(38 398)**	43 633	**(38 398)**	43 633
	Sasfin Capital (Pty) Ltd	**(9 462)**	17 715	**(9 462)**	17 715
	Sasfin Property Holdings (Pty) Ltd	**(29 694)**	14 746	**(29 694)**	14 746
	Sasfin Wealth Succession Pty Ltd	**(160)**	–	**(160)**	–
	SCS (Global Trade) (Pty) Ltd	**–**	22 175	**–**	22 175
	Sasfin HRS Administrators (Pty) Ltd	**–**	3 967	**–**	3 967
	Sasfin SC Properties (Pty) Ltd (previously SCS Properties (Pty) Ltd)	**(6 525)**	4 821	**(6 525)**	4 821
	Total funds on call and deposits with entities in the Group	**(395 231)**	194 092	**(836 717)**	622 125
36.5.5	**Trading assets/(liabilities) with entities in the Group**				
	Trading assets/(liabilities) with subsidiaries	**–**	–	**641**	(1 126)
	South African Securitisation Programme (RF) Ltd[1]	**–**	–	**641**	(877)
	Sasfin Asia Ltd	**–**	–	**–**	(267)
	Sasfin Asia Ltd	**–**	–	**–**	18
	Total trading assets/(liabilities) with entities in the Group	**–**	–	**641**	(1 126)

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

36. Related-party transactions continued

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
36.5.6 Transactions with holding companies, subsidiaries and fellow subsidiaries				
Holding company				
Sasfin Holdings Limited	**(26 666)**	–	**(26 666)**	–
Interest received	**(1 129)**	–	**(1 129)**	–
Administration fees paid	**(25 537)**	–	**(25 537)**	–
Subsidiaries				
Sunlyn (Pty) Ltd	**–**	–	**(57 975)**	–
Management fees expense	**–**	–	**(57 975)**	–
Administration fees paid	**–**	–	**–**	(63 067)
South African Securitisation Programme (RF) Ltd[1]	**–**	–	**234 207**	(249 426)
Interest received	**–**	–	**34 241**	46 040
Interest paid	**–**	–	**(10 188)**	(18 529)
Administration fees received	**–**	–	**49 223**	47 458
Dividend received	**–**	–	**40 000**	62 000
Fee and commission income	**–**	–	**2 040**	–
Management fees received	**–**	–	**–**	1 907
Revenue share income	**–**	–	**118 891**	117 161
Interest paid on interest rate swap	**–**	–	**–**	(6 611)
Sasfin Asia Ltd	**–**	–	**5 495**	(48 734)
Administration fees income	**–**	–	**2 442**	–
Dividend received	**–**	–	**–**	25 250
Fee and commission income	**–**	–	**3 053**	23 735
Interest paid	**–**	–	**–**	(251)
Fellow subsidiaries				
Sasfin Wealth (Pty) Ltd	**(15)**	–	**(15)**	–
Interest paid	**(15)**	–	**(15)**	–
Sasfin Securities (Pty) Ltd	**(3 609)**	284	**(3 609)**	284
Interest received	**3 187**	485	**3 187**	485
Administration fees paid	**(2 595)**	–	**(2 595)**	–
Fee and commission expense	**(4 201)**	(201)	**(4 201)**	(201)
Sasfin Private Equity Investment Holdings (Pty) Ltd	**–**	7 001	**–**	7 001
Interest received	**–**	7 001	**–**	7 001
Sasfin Capital (Pty) Ltd	**–**	272	**–**	272
Interest received	**–**	272	**–**	272
Sasfin Property Holdings (Pty) Ltd	**2 495**	–	**2 495**	–
Management fee income	**2 495**	–	**2 495**	–

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

37. Classification of assets and liabilities

Accounting classification and fair values

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

Consolidated	Fair value through Profit or loss R'000	Fair value through Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
Assets					
2021					
Cash and cash equivalents	–	–	1 165 168	–	1 165 168
Trading assets	42 666	641	–	–	43 307
Negotiable securities	–	–	2 085 077	–	2 085 077
Trade and other receivables	–	–	471 193	54 767	525 960
Non-current assets held for sale	–	–	–	6 700	6 700
Loans and advances	311 718	–	6 476 180	–	6 787 898
Current taxation asset	–	–	–	21 734	21 734
Investment securities	187 390	–	–	–	187 390
– Investments at fair value through profit or loss	187 390	–	–	–	187 390
Loans to entities in the Group	–	–	186 116	–	186 116
Deferred tax asset	–	–	–	3 311	3 311
Property and equipment and right-of-use assets	–	–	–	55 398	55 398
Intangible assets and goodwill	–	–	–	153 856	153 856
Total assets	541 774	641	10 383 734	295 766	11 221 915
Liabilities					
2021					
Funding under repurchase agreements and interbank	–	–	700 067	–	700 067
Trading liabilities	47 083	904	–	–	47 987
Current taxation liability	–	–	–	2 069	2 069
Trade and other payables	–	–	464 186	5 444	469 630
Bank overdraft	–	–	30 392	–	30 392
Provisions	–	–	–	41 564	41 564
Deposits from customers	–	–	5 128 289	–	5 128 289
Lease liabilities	–	–	35 107	–	35 107
Debt securities issued	–	–	2 741 583	–	2 741 583
Long-term loans	–	–	510 904	–	510 904
Deferred tax liability	–	–	4 597	103 227	107 824
Loans form entities in the Group	–	–	2 749	–	2 749
Total liabilities	47 083	904	9 617 874	152 304	9 818 165

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

37. Classification of assets and liabilities continued

Accounting classification and fair values continued

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

Separate	Fair value through Profit or loss R'000	Fair value through Profit or loss (held for trading) R'000	Amortised cost R'000	Outside scope of IFRS 9 R'000	Total R'000
Assets					
2021					
Cash and cash equivalents	–	–	1 055 572	–	1 055 572
Trading assets	43 885	641	–	–	44 526
Negotiable securities	–	–	2 085 077	–	2 085 076
Trade and other receivables	–	–	603 305	38 503	641 808
Non-current assets held for sale	–	–	–	–	–
Loans and advances	311 718	–	3 257 550	–	3 569 268
Current taxation asset	–	–	–	–	–
Investment securities	187 174	–	–	–	187 174
– Investments at fair value through profit or loss	187 174	–	–	–	187 174
Loans to entities in the Group	–	–	514 600	–	514 600
Property and equipment and right-of-use assets	–	–	–	53 636	53 636
Intangible assets and goodwill	–	–	–	104 798	104 798
Investments in subsidiaries and structured entities	–	–	–	188 117	188 117
Total assets	542 777	641	7 516 103	385 054	8 444 575
Liabilities					
2021					
Funding under repurchase agreements and interbank	–	–	700 067	–	700 067
Trading liabilities	39 917	904	–	–	40 821
Trade and other payables	–	–	402 685	–	402 685
Bank overdraft	–	–	13	–	13
Provisions	–	–	–	35 360	35 360
Deposits from customers	–	–	5 577 053	–	5 577 053
Lease liabilities	–	–	33 126	–	33 126
Long-term loans	–	–	505 566	–	505 566
Deferred tax liability	–	–	–	10 789	10 789
Loans from entities in the Group	–	–	3 277	–	3 279
Total liabilities	39 917	904	7 221 787	46 149	7 308 757

37. Classification of assets and liabilities continued

Accounting classification and fair values continued

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

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

37. Classification of assets and liabilities continued

Accounting classification and fair values continued

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

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

37. Classification of assets and liabilities continued

37.1 Financial assets and liabilities measured at fair value

	2021				2020			
Consolidated	Level 1 R'000	Level 2 R'000	Level 3 R'000	Fair value R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000	Fair value R'000
Recurring fair value measurements								
Financial assets	**857**	**42 666**	**498 892**	**542 415**	150	85 172	377 082	462 404
Investment securities – excluding equity accounted associates	**216**	**–**	**187 174**	**187 390**	150	–	154 071	154 221
Loans and advances at fair value through profit or loss	**–**	**–**	**311 718**	**311 718**	–	–	223 011	223 011
Trading assets	**641**	**42 666**	**–**	**43 307**	–	85 172	–	85 172
Trading liabilities	**904**	**47 083**	**–**	**47 987**	–	101 438	–	101 438
Trading liabilities	**904**	**47 083**	**–**	**47 987**	–	101 438	–	101 438
Non-financial assets	**–**	**–**	**6 700**	**6 700**	–	–	6 700	6 700
Investment property – continuing operations					–	–	–	–
Investment property – non-current assets held for sale	**–**	**–**	**6 700**	**6 700**	–	–	6 700	6 700
Separate								
Financial assets	**641**	**43 884**	**498 892**	**543 417**	–	84 537	377 082	461 619
Investment securities – excluding equity accounted associates	**–**	**–**	**187 174**	**187 174**	–	–	154 071	154 071
Loans and advances at fair value through profit or loss	**–**	**–**	**311 718**	**311 718**	–	–	223 011	223 011
Trading assets	**641**	**43 884**	**–**	**44 525**	–	84 537	–	84 537
Trading liabilities	**904**	**39 917**	**–**	**40 821**	–	85 856	–	85 856
Trading liabilities	**904**	**39 917**	**–**	**40 821**	–	85 856	–	85 856

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

37. Classification of assets and liabilities continued

37.2 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				2020			
	Investment securities R'000	**Loans and advances at fair value through profit or loss R'000**	**Investment property – non-current assets held for sale R'000**	**Investment property – continuing operations R'000**	Investment securities R'000	Loans and advances at fair value through profit or loss R'000	Investment property – non-current assets held for sale R'000	Investment property – continuing operations R'000
Consolidated								
Balance at the beginning of the year	**154 071**	**223 011**	**6 700**	**–**	141 840	29 470	–	8 900
Total gains or losses in profit and loss	**33 103**	**19 638**	**–**	**–**	12 231	8 462	(2 200)	–
Advances	**–**	**105 832**	**–**	**–**	–	185 079	–	–
Repayments	**–**	**(36 763)**	**–**	**–**	–	–	–	–
Transfers from land and buildings	**–**	**–**	**–**	**–**	–	–	8 900	(8 900)
Balance at the end of the year	**187 174**	**311 718**	**6 700**	**–**	154 071	223 011	6 700	–
Separate								
Balance at the beginning of the year	**154 071**	**223 011**	**–**	**–**	141 840	29 470	–	–
Total gains or losses in profit and loss	**33 103**	**19 638**	**–**	**–**	12 231	8 462	–	–
Advances	**–**	**105 832**	**–**	**–**	–	185 079	–	–
Repayments	**–**	**(36 763)**	**–**	**–**	–	–	–	–
Balance at the end of the year	**187 174**	**311 718**	**–**	**–**	154 071	223 011	–	–

37.3 Gains and losses from fair value measurements

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

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Total gains/(losses) in profit and loss[1]	**52 741**	18 493	**52 741**	20 693

[1] *Refer to accounting policy 2.5.*

37. Classification of assets and liabilities continued

37.4 Sensitivity analysis of valuations using unobservable inputs continued

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

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

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

Financial instrument	Parameter	Positive/ (negative) variance applied to parameters	Equity type	**2021 Potential effect recorded in profit or loss favourable R'm**	2020 Potential effect recorded in profit or loss favourable R'm
Consolidated					
Investment securities	Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity	**9.3930**	(10.2310)
Investment securities	Marketability and minority discounts	100/(100) bps	Private equity	**4.2860**	(3.0390)
Investment securities	Revenue growth	100/(100) bps	Private equity	**14.9540**	(11.7910)
Separate					
Investment securities	Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity	**9.3930**	(10.2310)
Investment securities	Marketability and minority discounts	100/(100) bps	Private equity	**4.2860**	(3.0390)
Investment securities	Revenue growth	100/(100) bps	Private equity	**14.9540**	11.7910

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

37. Classification of assets and liabilities continued

37.4 Sensitivity analysis of valuations using unobservable inputs continued

Financial instrument	Parameter	Positive/ (negative) variance applied to parameters	Equity type	2021 Potential effect recorded in profit or loss (unfavourable) R'm	2020 Potential effect recorded in profit or loss (unfavourable) R'm
Consolidated					
Investment securities	Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity	**8.1550**	12.0840
Investment securities	Marketability and minority discounts	100/(100) bps	Private equity	**(4.2390)**	3.0710
Investment securities	Revenue growth	100/(100) bps	Private equity	**(14.5020)**	(11.4460)
Separate					
Investment securities	Weighted Average Cost of Capital (WACC)	100/(100) bps	Private equity	**(8.1550)**	12.0840
Investment securities	Marketability and minority discounts	100/(100) bps	Private equity	**(4.2390)**	3.0710
Investment securities	Revenue growth	100/(100) bps	Private equity	**(14.5020)**	(11.4460)

37.5 Market risk sensitivity on investment securities

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

	2021			2020		
	10% Reduction in fair value R'000	Fair value R'000	10% Increase in fair value R'000	10% Reduction in fair value R'000	Fair value R'000	10% Increase in fair value R'000
Consolidated						
Listed						
Equity securities at fair value	**194**	**216**	**237**	135	150	165
Impact on gains and losses recognised in profit or loss for the year	**59**	**66**	**73**	(64)	(71)	(78)
Unlisted						
Equity securities at fair value	**168 456**	**187 174**	**205 891**	138 664	154 071	169 478
Impact on gains and losses recognised in profit or loss for the year	**29 793**	**33 103**	**36 413**	11 008	12 231	13 454
Separate						
Unlisted						
Equity securities at fair value	**168 456**	**187 174**	**205 891**	138 664	154 071	169 478
Impact on gains and losses recognised in profit or loss for the year	**29 793**	**33 103**	**36 413**	11 008	12 231	13 454

37. Classification of assets and liabilities continued

37.6 Financial assets and financial liabilities not measured at fair value

	2021				
		Fair value		Total fair value	Amortised cost
	Level 1 R'000	Level 2 R'000	Level 3 R'000	R'000	R'000
Consolidated					
Financial assets	–	3 250 245	7 133 489	10 383 734	10 383 734
Cash and cash equivalents	–	1 165 168	–	1 165 168	1 165 168
Negotiable securities	–	2 085 077	–	2 085 077	2 085 077
Trade and other receivables	–	–	471 193	471 193	471 193
Loans and advances	–	–	6 476 180	6 476 180	6 476 180
Loans to entities in the Group	–	–	186 116	186 116	186 116
Financial liabilities	2 741 583	5 858 748	1 054 510	9 654 841	9 654 841
Funding under repurchase agreements and interbank	–	700 067	–	700 067	700 067
Trade and other payables	–	–	464 186	464 186	464 186
Bank overdraft	–	30 392	–	30 392	30 392
Provisions	–	–	41 564	41 564	41 564
Deposits from customers	–	5 128 289	–	5 128 289	5 128 289
Lease liabilities	–	–	35 107	35 107	35 107
Debt securities issued	2 741 583	–	–	2 741 583	2 741 583
Long-term loans	–	–	510 904	510 904	510 904
Loans from entities in the Group	–	–	2 749	2 749	2 749
Separate					
Financial assets	–	3 140 648	4 375 458	7 516 106	7 516 106
Cash and cash equivalents	–	1 055 572	–	1 055 572	1 055 572
Negotiable securities	–	2 085 076	–	2 085 076	2 085 076
Trade and other receivables	–	–	603 308	603 308	603 308
Loans and advances	–	–	3 257 550	3 257 550	3 257 550
Loans to entities in the Group	–	–	514 600	514 600	514 600
Financial liabilities	–	6 277 133	980 014	7 257 147	7 257 147
Funding under repurchase agreements and interbank	–	700 067	–	700 067	700 067
Trade and other payables	–	–	402 685	402 685	402 685
Bank overdraft	–	13	–	13	13
Provisions	–	–	35 360	35 360	35 360
Deposits from customers	–	5 577 053	–	5 577 053	5 577 053
Lease liabilities	–	–	33 126	33 126	33 126
Long-term loans	–	–	505 566	505 566	505 566
Loans from entities in the Group	–	–	3 277	3 277	3 277

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

37. Classification of assets and liabilities continued

37.6 Financial assets and financial liabilities not measured at fair value

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

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

[1] *The carrying amount of Loans and Advances has been moved from Level 2 to Level 3 in the fair value hierarchy since not all of the Level 2 inputs are observable in the market, e.g. credit spreads.*

38. Financial risk management

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

The areas most impacted by COVID-19 include:

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

This is disclosed elsewhere in the financials.

39. Credit risk

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

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

Management of credit risk

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

- Formulating credit policies in consultation with business units, covering collateral requirements, credit assessment, risk grading and reporting, documentary and legal procedures and compliance with regulatory and statutory requirements;
- Establishing the authorisation structure for the approval and renewal of credit facilities. Authorisation limits, as approved and reviewed regularly by the Board, are allocated to business unit credit officers. Larger facilities may require approval by Group Credit, Head: Group Credit, CLEC, the Board;
- Reviewing and assessing credit risk. Group Credit assesses all credit exposures in excess of designated limits, prior to facilities being committed to customers by the business unit concerned;
- Limiting concentrations of exposure to counterparties, geographies and industries for loans and advances, deposits with banks and investment securities (refer to note 39.1);
- Developing and maintaining the Group's risk indicators in order to categorise exposures according to the degree of risk of financial loss faced and to focus management on the attendant risks. The risk system is used in determining where impairment provisions (i.e. provisions for credit losses) may be required against specific credit exposures. The current risk framework consists of four grades reflecting varying degrees of risk of default, availability of collateral or other credit risk mitigation. The responsibility for setting risk grades lies with the final approving executive/committee. Risk grades are subject to regular reviews by Group Risk;
- Reviewing compliance of business units with agreed exposure limits, including those for selected industries, country risk and product types. Regular reports are provided to Group Credit on the credit quality of local portfolios and appropriate corrective action is taken;
- Providing advice, guidance and specialist skills to business units to promote best practice throughout the Group in the management of credit risk;

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

39. Credit risk continued

Management of credit risk continued

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

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

Securitisation

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

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

Deposits with other banks and money market funds

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

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

Financial assets held for trade facilitation and reverse repurchase agreements

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

Credit impairment

The Group determines an allowance for credit losses that represents its estimate of expected credit losses. Refer to accounting policy note 1.13 and note 2.2 for more information.

Write-off policy

Loans and security balances (and any related allowances for impairment losses) are written off when it is determined that these loans and securities are uncollectible. This determination is reached after considering information such as the occurrence of significant changes in the borrower's or issuer's financial position resulting in the borrower/issuer no longer being in a position to pay the obligation, or that proceeds from collateral will not be sufficient to pay back the entire exposure.

39. Credit risk continued

Management of credit risk continued

Credit risk measurement and determination

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

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

[1] *Up to date till 7 days overdue.*
[2] *More than 7 days overdue up to 30 days overdue.*
[3] *More than 30 days overdue up to 90 days overdue.*

Collateral for loans and advances

The Group holds collateral against loans and advances in order to reduce credit risk. Although collateral is held, the Group's policy is to establish that loans and advances which are granted, are within the customer's capacity to repay the amount, rather than to rely on the collateral held against them. Estimates of the fair value of collateral are based on the value at the time of borrowing and are updated annually if an account is individually assessed for impairment. Collateral includes general notarial bonds over the client's stock and other assets, cession of debtor books as well as continuous covering mortgage bonds over property. Insurance taken out by the lender on loans and advances is also viewed as collateral.

Concentration risk

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

39. Credit risk continued

39.1 Credit risk exposure analysis

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

Consolidated	Credit risk grading / ECL staging / Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %
2021				
Maximum credit exposures of financial assets at amortised cost				
Cash and cash equivalents[1]	1 165 168	1 165 168	–	–
Negotiable securities	2 085 076	2 209 170	124 094	5.62
Loan and advances	6 476 180	7 011 534	535 354	7.63
Equipment finance	4 281 197	4 724 818	443 621	9.39
Capital equipment finance	1 232 992	1 277 715	44 723	3.50
Trade and debtor finance	615 271	633 500	18 229	2.88
Term loans – secured	325 322	351 631	26 309	7.48
Term loans – unsecured	21 611	23 870	2 259	9.46
Guarantees[2]	(213)	–	213	–
Trade and other receivables	525 960	526 453	493	0.09
Loans to entities in the Group	186 116	187 029	913	0.49
Net carrying amount	10 438 500	11 099 354	660 854	5.95
2021				
Off-balance sheet exposure to credit risk				
Letters of credit	117 461			
Loan commitments	51 906			
Financial guarantees issued	38 302			
Total exposure to off-balance sheet credit risk	207 669			
Credit loss allowance on off-balance sheet credit risk recognised	–			
2021				
Maximum credit exposures on financial assets at FVTPL				
Loans and advances	311 718			
Trading assets	43 308			
Investment securities	191			
	355 217			
Total exposure to credit risk	11 001 386			

[1] Management has assessed these as high-quality liquid assets held with institutions with a low risk of default and hence no ECL allowance has been recognised for these, as it is immaterial.
[2] This represents the ECL on the off-balance sheet exposures that specifically relate to the Loans and advances exposures.
[3] These relate to the Land Bank bills held, refer to note 5.
[4] A loss allowance based only on arrear information at an individual deal level may not appropriately cater for the level of deterioration that is contained in the performing loans. To cater for this shortfall, a transfer rate can be estimated by the percentage of performing deals that roll to under-performing and non-performing over a 12-month period. Based on these estimates, this amounts to c. R300 million exposure for the 2021 financial year. The corresponding ECL is not considered material.

A			A and B			Default (C, D and E)		
Stage 1[4]			Stage 2			Stage 3		
Exposure R'000	12-month ECL R'000	Coverage ratio %	Exposure R'000	Lifetime ECL R'000	Coverage ratio %	Exposure R'000	Lifetime ECL R'000	Coverage ratio %
1 165 168	–	–	–	–	–	–	–	–
1 793 190	2 500	0.14	–	–	–	415 980	121 594[3]	29.23
5 969 804	111 889	1.87	430 535	44 442	10.32	611 195	379 023	62.01
4 099 494	78 149	1.91	136 616	21 192	15.51	488 708	344 280	70.45
1 179 616	13 125	1.11	47 317	4 174	8.82	50 782	27 424	54.00
490 741	8 693	1.77	72 932	2 544	3.49	69 827	6 992	10.01
176 408	9 737	5.52	173 670	16 532	9.52	1 553	40	2.58
23 545	1 972	8.38	–	–	–	325	287	88.31
–	213	–	–	–	–	–	–	–
526 453	493	0.09	–	–	–	–	–	–
187 029	913	0.49	–	–	–	–	–	–
9 641 644	115 795	1.20	430 535	44 442	10.32	1 027 175	500 617	48.74

117 461
51 906
38 302
207 669
–

39. Credit risk continued

39.1 Credit risk exposure analysis continued

Consolidated[2]	Credit risk grading / ECL staging Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %	Exposure R'000
2020					
Maximum credit exposures of financial assets at amortised cost					
Cash and cash equivalents[1]	1 698 350	1 698 350	–	–	1 698 350
Negotiable securities	3 126 595	3 154 579	27 984	0.89	2 681 579
Loan and advances	6 389 070	6 941 475	552 405	7.96	5 667 527
Equipment finance	4 255 397	4 688 234	432 837	9.23	4 036 177
Capital equipment finance	1 268 620	1 325 303	56 683	4.28	1 188 385
Trade and debtor finance	689 065	720 857	31 792	4.41	361 700
Term loans – secured	161 320	191 569	30 249	15.79	65 753
Term loans – unsecured	15 314	15 512	198	1.28	15 512
Guarantees	(646)	–	646	–	–
Trade and other receivables	354 059	355 721	1 662	0.47	–
Loans to entities in the Group	208 824	210 290	1 466	0.70	210 290
Net carrying amount	11 776 898	12 360 415	583 517	4.72	10 257 746
2020					
Off-balance sheet exposure to credit risk					
Letters of credit	98 460				98 460
Carry facilities	41 824				41 824
Loan commitments	–				–
Financial guarantees issued	42 442				42 442
Total exposure to off-balance sheet credit risk	182 726				182 726
Credit loss allowance on off-balance sheet credit risk recognised	–				
2020					
Maximum credit exposures on financial assets at FVTPL					
Loans and advances	223 011				
Trading assets	85 174				
Investment securities	–				
	308 185				
Total exposure to credit risk	12 267 809				

[1] *Management has assessed these as high-quality liquid assets held with institutions with a low risk of default and hence no ECL allowance has been recognised for these, as it is immaterial.*
[2] *In order to provide more useful information to the users of the financial statements, this note has been expanded to include additional information on the Exposure amount, ECL amount and coverage ratio. However, no amounts have been restated from the prior year.*
[3] *These relate to the Land Bank bills held, refer to note 5.*

A		A and B			Default (C, D and E)		
Stage 1		Stage 2			Stage 3		
12-month ECL R'000	Coverage ratio %	Exposure R'000	Lifetime ECL R'000	Coverage ratio %	Exposure R'000	Lifetime ECL R'000	Coverage ratio %
–	–	–	–	–	–	–	–
4 503	0.17	–	–	–	473 000	23 481[3]	4.96
113 579	2.00	559 067	38 639	6.91	714 881	400 187	55.98
85 886	2.13	229 654	24 359	10.61	422 403	322 592	76.37
15 076	1.27	66 237	6 218	9.39	70 681	35 389	50.07
8 903	2.46	168 457	1 581	0.94	190 700	21 308	11.17
2 870	4.36	94 719	6 481	6.84	31 097	20 898	67.20
198	1.28	–	–	–	–	–	–
646	–	–	–	–	–	–	–
–	–	355 721	1 662	0.47	–	–	–
1 466	0.70	–	–	–	–	–	–
119 548	2.87	914 788	40 301	7.38	1 187 881	423 668	35.66

39. Credit risk continued

39.1 Credit risk exposure analysis continued

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

Separate	Credit risk grading ECL staging Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %
2021				
Maximum credit exposures of financial assets at amortised cost				
Cash and cash equivalents[1]	1 055 572	1 055 572	–	–
Negotiable securities	2 085 076	2 209 170	124 094	5.62
Loan and advances	3 257 549	3 530 855	273 306	7.74
Equipment finance	1 389 983	1 582 317	192 334	12.15
Capital equipment finance	905 573	939 537	33 964	3.61
Trade and debtor finance	615 273	633 500	18 227	2.88
Term loans – secured	325 322	351 631	26 309	7.48
Term loans – unsecured	21 611	23 870	2 259	9.46
Guarantees[2]	(213)	–	213	–
Trade and other receivables	641 808	641 808	–	–
Loans to entities in the Group	514 600	517 342	2 742	0.53
Net carrying amount	7 554 605	7 954 747	400 142	5.03
2021				
Off-balance sheet exposure to credit risk				
Letters of credit	117 461			
Loan commitments	51 906			
Financial guarantees issued	38 302			
Total exposure to off-balance sheet credit risk	207 669			
Credit loss allowance on off-balance sheet credit risk recognised	–			
2021				
Maximum credit exposures on financial assets at FVTPL				
Loans and advances	311 718			
Trading assets	44 526			
Investment securities	–			
	356 244			
Total exposure to credit risk	8 118 518			

[1] *Management has assessed these as high-quality liquid assets held with institutions with a low risk of default and hence no ECL allowance has been recognised for these, as it is immaterial.*
[2] *This represents the ECL on the off-balance sheet exposures that specifically relate to the Loans and advances exposures.*
[3] *These relate to the Land Bank bills held, refer to note 5.*
[4] *A loss allowance based only on arrear information at an individual deal level may not appropriately cater for the level of deterioration that is contained in the performing loans. To cater for this shortfall, a transfer rate can be estimated by the percentage of performing deals that roll to under-performing and non-performing over a 12-month period. Based on these estimates, this amounts to c. R300 million exposure for the 2021 financial year. The corresponding ECL is not considered material.*

A			A and B			Default (C, D and E)		
Stage 1[4]			Stage 2			Stage 3		
Exposure R'000	12-month ECL R'000	Coverage ratio %	Exposure R'000	Lifetime ECL R'000	Coverage ratio %	Exposure R'000	Lifetime ECL R'000	Coverage ratio %
1 055 572	–	–	–	–	–	–	–	–
1 793 190	2 500	0.14	–	–	–	415 980	121 594[3]	29.23
2 851 129	55 782	1.96	346 390	31 966	9.23	333 336	185 558	55.67
1 301 445	25 617	1.97	61 061	9 533	15.61	219 811	157 184	71.51
858 990	9 551	1.11	38 727	3 359	8.67	41 820	21 054	50.34
490 741	8 692	1.77	72 932	2 542	3.49	69 827	6 993	10.01
176 408	9 737	5.52	173 670	16 532	9.52	1 553	40	2.58
23 545	1 972	8.38	–	–	–	325	287	88.31
–	213	–	–	–	–	–	–	–
641 808	–	–	–	–	–	–	–	–
517 342	2 742	0.53	–	–	–	–	–	–
6 859 041	61 024	2.68	346 390	31 966	9.23	749 316	307 152	40.99

Exposure R'000
117 461
51 906
38 302
207 669
–

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

39. Credit risk continued

39.1 Credit risk exposure analysis continued

Separate[2]	Credit risk grading / ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %	Exposure R'000
2020						
Maximum credit exposures of financial assets at amortised cost						
Cash and cash equivalents[1]		1 442 104	1 442 104	–	–	1 442 104
Negotiable securities		3 126 595	3 154 579	27 984	0.89	2 681 579
Loan and advances		3 021 713	3 303 316	281 603	8.52	2 476 765
Equipment finance		1 444 804	1 630 969	186 165	11.41	1 328 131
Capital equipment finance		1 024 722	1 067 056	42 334	3.97	959 009
Trade and debtor finance		376 199	398 210	22 011	5.53	108 360
Term loans – secured		161 320	191 569	30 249	15.79	65 753
Term loans – unsecured		15 314	15 512	198	1.28	15 512
Guarantees		(646)	–	646	–	–
Trade and other receivables		286 413	287 914	1 501	–	–
Loans to entities in the Group		541 407	545 255	3 848	0.71	545 255
Net carrying amount		8 418 232	8 733 168	314 936	3.61	7 145 703
2020						
Off-balance sheet exposure to credit risk						
Letters of credit		58 500				58 500
Carry facilities		41 824				41 824
Loan commitments		–				–
Financial guarantees issued		62 442				62 442
Total exposure to off-balance sheet credit risk		162 766				162 766
Credit loss allowance on off-balance sheet credit risk recognised		–				
2020						
Maximum credit exposures on financial assets at FVTPL						
Loans and advances		223 011				
Trading assets		84 537				
Investment securities		–				
		307 548				
Total exposure to credit risk		8 888 546				

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

[2] *In order to provide more useful information to the users of the financial statements, this note has been expanded to include additional information on the Exposure amount, ECL amount and coverage ratio. However, no amounts have been restated from the prior year.*

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

A		A and B			Default (C, D and E)		
Stage 1		Stage 2			Stage 3		
12-month ECL R'000	Coverage ratio %	Exposure R'000	Lifetime ECL R'000	Coverage ratio %	Exposure R'000	Lifetime ECL R'000	Coverage ratio %
–	–	–	–	–	–	–	–
4 503	0.17	–	–	–	473 000	23 481[3]	4.96
45 484	1.84	394 315	24 272	6.16	432 236	211 847	49.01
28 086	2.11	112 115	11 050	9.86	190 723	147 029	77.09
12 172	1.27	60 215	5 660	9.40	47 832	24 502	51.23
1 512	1.40	127 266	1 081	0.85	162 584	19 418	11.94
2 870	4.36	94 719	6 481	6.84	31 097	20 898	67.20
198	1.28	–	–	–	–	–	–
646	–	–	–	–	–	–	–
–	–	287 914	1 501	0.52	–	–	–
3 848	0.71	–	–	–	–	–	–
53 835	0.75	682 229	25 773	3.78	905 236	235 328	26.00

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

39. Credit risk continued

39.1 Credit risk exposure analysis continued

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

	Consolidated		Separate	
	2021 R'000	2020 R'000	**2021 R'000**	2020 R'000
Concentration risk of gross advances				
Sectoral analysis				
Agriculture	**134 452**	82 486	**57 050**	40 616
Community, social and personal services	**1 667 794**	1 882 061	**605 899**	926 709
Construction	**321 749**	256 187	**209 105**	126 144
Electricity and water	**31 660**	28 820	**15 084**	14 190
Finance, real estate and business services	**1 554 316**	1 746 328	**865 618**	859 876
Manufacturing	**1 031 969**	932 612	**625 062**	459 210
Mining	**236 582**	266 740	**177 532**	131 340
Trade, repairs of vehicles and goods as well as hotels and restaurants	**1 533 795**	1 356 576	**789 216**	667 965
Transport and communication	**611 923**	609 832	**350 407**	300 276
Other activities not adequately defined	**412 190**	–	**355 268**	–
Total[1]	**7 536 430**	7 161 642	**4 050 241**	3 526 326

[1] *Amount includes loans and advances at amortised cost as well as at fair value through profit or loss.*

Issuer ratings for negotiable securities

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

	Consolidated		Separate	
	2021 %	2020 %	**2021 %**	2020 %
Ba2/BB/BB	**86.00**	78.16	**86.00**	78.16
Unassigned[1]	**14.00**	21.84	**14.00**	21.84
	100.00	100.00	**100.00**	100.00

[1] *The unassigned category relates to Land Bank, which is not rated in the current year.*

39. Credit risk continued

39.2 Collateral and other security enhancements

39.2.1 Description of collateral for loans and advances

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

39. Credit risk continued

39.2 Collateral and other security enhancements continued

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

Given the nature of the finance lease rental agreement, whereby the underlying assets are legally owned by the Banking Group, management is comfortable that at inception of the agreement, the value of the underlying asset equates to the amount due. The value of the asset is not subsequently reassessed unless there is default. Estimates of the fair value of collateral and other security enhancements held are shown below:

		Security						
	Gross exposure R'000	Stock R'000	Fixed assets R'000	Re-ceivables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Unsecured R'000
Consolidated								
2021								
Loans and advances								
Equipment finance[1]	**4 724 818**	**–**	**3 784 231**	**–**	**–**	**–**	**3 784 231**	**940 587**
Capital equipment finance[1]	**1 277 715**	**–**	**1 077 387**	**–**	**–**	**–**	**1 077 387**	**200 328**
Trade and debtor finance	**633 500**	**183 258**	**33 746**	**170 642**	**587**	**126 093**	**514 326**	**119 174**
Term loans: secured	**351 631**	**2 451**	**1 045**	**105 252**	**119 368**	**203**	**228 319**	**123 312**
Specialised lending	**311 718**	**10 162**	**–**	**–**	**–**	**–**	**10 162**	**301 556**
	7 299 382	**195 871**	**4 896 409**	**275 894**	**119 955**	**126 296**	**5 614 425**	**1 684 957**
2020								
Loans and advances								
Equipment finance[1]	4 688 234	–	3 503 096	–	–	–	3 503 096	1 185 138
Capital equipment finance[1]	1 325 303	–	1 109 645	–	–	–	1 109 645	215 658
Trade and debtor finance	718 014	202 415	39 275	103 863	46 129	65 409	457 091	260 923
Term loans: secured	191 569	–	–	25 911	94 719	49 765	170 395	21 174
Specialised lending	223 011			6 905	69 000	132 406	208 311	14 700
	7 146 131	202 415	4 652 016	136 679	209 848	247 580	5 448 538	1 697 593
Separate								
2021								
Loans and advances								
Equipment finance[1]	**1 582 315**	**–**	**1 276 008**	**–**	**–**	**–**	**1 276 008**	**306 307**
Capital equipment finance[1]	**939 537**	**–**	**794 305**	**–**	**–**	**–**	**794 305**	**145 232**
Trade and debtor finance	**633 500**	**183 258**	**33 746**	**170 642**	**587**	**126 093**	**514 326**	**119 174**
Term loans: secured	**351 631**	**2 451**	**1 045**	**105 252**	**119 368**	**203**	**228 319**	**123 312**
Specialised lending	**311 718**	**10 162**	**–**	**–**	**–**	**–**	**10 162**	**301 556**
	3 818 701	**195 871**	**2 105 104**	**275 894**	**119 955**	**126 296**	**2 823 120**	**995 581**
2020								
Loans and advances								
Equipment finance[1]	1 630 969	–	1 205 807	–	–	–	1 205 807	425 162
Capital equipment finance[1]	1 067 056	–	893 363	–	–	–	893 363	173 693
Trade and debtor finance	398 209	68 240	11 462	76 498	39 085	3 198	198 483	199 726
Term loans: secured	191 569	–	–	25 911	94 719	49 765	170 395	21 174
Specialised lending	223 011	–	–	6 905	69 000	132 406	208 311	14 700
	3 510 814	68 240	2 110 632	109 314	202 804	185 369	2 676 359	834 455

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

39. Credit risk continued
39.2 Collateral and other security enhancements continued
39.2.3 Collateral held against individually impaired assets

		Security							
	Gross exposure R'000	Stock R'000	Fixed assets R'000	Re-ceivables R'000	Property R'000	Pledges/ deposits R'000	Total R'000	Unsecured R'000
Consolidated								
2021								
Loans and advances								
Equipment finance[1]	**488 708**	**–**	**479 745**	**–**	**–**	**–**	**479 745**	**8 963**
Capital equipment finance[1]	**50 782**	**–**	**50 782**	**–**	**–**	**–**	**50 782**	**–**
Trade and debtor finance	**69 827**	**12 730**	**4 654**	**817**	**20 570**	**30 625**	**69 396**	**431**
Term loans: secured	**1 553**	**–**	**–**	**–**	**–**	**1 553**	**1 553**	**–**
	610 870	**12 730**	**535 181**	**817**	**20 570**	**32 178**	**601 476**	**9 394**
2020								
Loans and advances								
Equipment finance[1]	422 403	–	346 877	–	–	–	346 877	75 526
Capital equipment finance[1]	70 681	–	43 861	–	–	–	43 861	26 820
Trade and debtor finance	187 857	3 238	14 240	1 117	17 029	72 236	107 860	79 997
Term loans: secured	31 097	–	–	–	–	9 586	9 586	21 511
	712 038	3 238	404 978	1 117	17 029	81 822	508 184	203 854
Separate								
2021								
Loans and advances								
Equipment finance[1]	**219 811**	**–**	**219 811**	**–**	**–**	**–**	**219 811**	**–**
Capital equipment finance[1]	**41 820**	**–**	**41 820**	**–**	**–**	**–**	**41 820**	**–**
Trade and debtor finance	**69 827**	**12 730**	**4 654**	**817**	**20 570**	**30 625**	**69 396**	**431**
Term loans: secured	**1 553**	**–**	**–**	**–**	**–**	**1 553**	**1 553**	**–**
	333 011	**12 730**	**266 285**	**817**	**20 570**	**32 178**	**332 580**	**431**
2020								
Loans and advances								
Equipment finance[1]	190 723	–	159 677	–	–	–	159 677	31 046
Capital equipment finance[1]	47 832	–	27 468	–	–	–	27 468	20 364
Trade and debtor finance	162 584	3 238	14 240	1 117	17 029	72 236	107 860	54 724
Term loans: secured	31 097	–	–	–	–	9 586	9 586	21 511
	432 236	3 238	201 385	1 117	17 029	81 822	304 592	127 645

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

39. Credit risk continued

39.3 Credit loss allowance analysis

39.3.1 Reconciliation of ECL on loans and advances

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
2021				
Credit loss allowance on 1 July 2020	113 581	38 639	400 185	552 405
Transfers between stages[1]	(2 096)	(10 164)	70 829	58 569
Transfer to stage 1	–	(9 105)	(19 920)	(29 025)
Transfer from stage 1	–	7 626	44 567	52 193
Transfer to stage 2	(1 319)	–	(1 223)	(2 542)
Transfer from stage 2	905	–	47 405	48 310
Transfer to stage 3	(2 039)	(8 906)	–	(10 945)
Transfer from stage 3	357	221	–	578
Net expected credit losses (released)/raised	404	15 967	1 646	18 017
ECL on new exposure raised	68 541	32 603	39 508	140 652
Subsequent changes in ECL	(26 536)	915	22 432	(3 189)
TVM unwind and IIS movements	–	–	–	–
Change in ECL due to derecognition	(41 601)	(17 551)	(60 294)	(119 446)
Impaired accounts written off[2]	–	–	(93 637)	(93 637)
Credit loss allowance on 30 June 2021	**111 889**	**44 442**	**379 023**	**535 354**
Separate				
2021				
Credit loss allowance on 1 July 2020	45 483	24 272	211 848	281 603
Transfers between stages[1]	(521)	(6 622)	36 030	28 887
Transfer to stage 1	–	(3 559)	(9 032)	(12 591)
Transfer from stage 1	–	2 041	16 430	18 471
Transfer to stage 2	(316)	–	(581)	(897)
Transfer from stage 2	401	–	29 213	29 614
Transfer to stage 3	(744)	(5 220)	–	(5 964)
Transfer from stage 3	138	116	–	254
Net expected credit losses (released)/raised	10 820	14 316	2 217	27 353
ECL on new exposure raised	40 640	26 880	23 973	91 493
Subsequent changes in ECL	(6 797)	1 166	8 991	3 360
TVM unwind and IIS movements	–	–	–	–
Change in ECL due to derecognition	(23 023)	(13 730)	(30 747)	(67 500)
Impaired accounts written off[2]	–	–	(64 537)	(64 537)
Credit loss allowance on 30 June 2021	**55 782**	**31 966**	**185 558**	**273 306**

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

[2] *The contractual amounts outstanding on loans and advances that were written off during the period and that are still subject to enforcement activities amounts to R52.992 million for the Group and R23.112 million for Bank.*

39. Credit risk continued

39.3 Credit loss allowance analysis continued

39.3.1 Reconciliation of ECL on loans and advances continued

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
2020				
Credit loss allowance on 1 July 2019	57 157	22 898	321 687	401 742
Transfers between stages[1]	(5 988)	(23 721)	106 866	77 157
Transfer to stage 1	–	(28 781)	(9 192)	(37 973)
Transfer from stage 1	–	17 919	75 731	93 650
Transfer to stage 2	(4 088)	–	(884)	(4 972)
Transfer from stage 2	948	–	41 211	42 159
Transfer to stage 3	(2 934)	(12 965)	–	(15 899)
Transfer from stage 3	86	106	–	192
Net expected credit losses (released)/raised	62 410	39 462	48 488	150 360
ECL on new exposure raised	19 127	11 249	34 889	65 265
Subsequent changes in ECL	50 934	34 422	35 642	120 998
TVM unwind and IIS movements	–	–	–	–
Change in ECL due to derecognition[3]	(7 651)	(6 209)	(22 043)	(35 903)
Impaired accounts written off[2]	–	–	(76 854)	(76 854)
Credit loss allowance on 30 June 2020	113 579	38 639	400 187	552 405
Separate				
2020				
Credit loss allowance on 1 July 2019	26 543	15 454	168 860	210 857
Transfers between stages[1]	(3 820)	(3 260)	59 299	52 219
Transfer to stage 1	–	(9 345)	(3 026)	(12 371)
Transfer from stage 1	–	10 558	39 906	50 464
Transfer to stage 2	(2 016)	–	(376)	(2 392)
Transfer from stage 2	367	–	22 795	23 162
Transfer to stage 3	(2 216)	(4 519)	–	(6 735)
Transfer from stage 3	45	46	–	91
Net expected credit losses (released)/raised	22 761	12 078	24 823	59 662
ECL on new exposure raised	10 333	8 191	25 576	44 100
Subsequent changes in ECL	16 439	5 221	14 945	36 605
TVM unwind and IIS movements	–	–	–	–
Change in ECL due to derecognition[3]	(4 011)	(1 334)	(15 698)	(21 043)
Impaired accounts written off[2]	–	–	(41 135)	(41 135)
Credit loss allowance on 30 June 2020	45 484	24 272	211 847	281 603

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

[2] *The contractual amounts outstanding on loans and advances that were written off during the period and that are still subject to enforcement activities amounts to R19.550 million.*

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

39. Credit risk continued

39.3 Credit loss allowance analysis continued

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
Equipment finance[1]				
Credit loss allowance balance beginning of the year	85 887	24 361	322 590	432 838
Transfer between stages	(2 093)	(7 146)	64 164	54 925
Stage 1 from Stage 2	767	–	–	767
Stage 1 from Stage 3	262	–	–	262
Stage 1 to Stage 2	(1 229)	–	–	(1 229)
Stage 1 to Stage 3	(1 893)	–	–	(1 893)
Stage 2 from Stage 1	–	7 162	–	7 162
Stage 2 from Stage 3	–	210	–	210
Stage 2 to Stage 1	–	(7 734)	–	(7 734)
Stage 2 to Stage 3	–	(6 784)	–	(6 784)
Stage 3 from Stage 1	–	–	41 201	41 201
Stage 3 from Stage 2	–	–	37 733	37 733
Stage 3 to Stage 1	–	–	(13 616)	(13 616)
Stage 3 to Stage 2	–	–	(1 154)	(1 154)
Total Transfers				
ECL on new exposure raised	43 606	11 707	31 817	87 130
Subsequent changes in ECL	(23 522)	(21)	24 849	1 306
Change in ECL due to derecognition	(25 731)	(7 708)	(51 022)	(84 461)
Impaired accounts written off	–	–	(48 116)	(48 116)
Credit loss allowance balance end of the year	78 147	21 193	344 281	443 622
Capital Equipment Finance[2]				
Credit loss allowance balance beginning of the year	15 077	6 216	35 389	56 682
Transfer between stages	(32)	(2 954)	4 614	1 628
Stage 1 from Stage 2	94	–	–	94
Stage 1 from Stage 3	94	–	–	94
Stage 1 to Stage 2	(90)	–	–	(90)
Stage 1 to Stage 3	(130)	–	–	(130)
Stage 2 from Stage 1	–	464	–	464
Stage 2 from Stage 3	–	11	–	11
Stage 2 to Stage 1	–	(1 341)	–	(1 341)
Stage 2 to Stage 3	–	(2 088)	–	(2 088)
Stage 3 from Stage 1	–	–	2 807	2 807
Stage 3 from Stage 2	–	–	8 180	8 180
Stage 3 to Stage 1	–	–	(6 303)	(6 303)
Stage 3 to Stage 2	–	–	(70)	(70)
Total Transfers				
ECL on new exposure raised	7 918	3 290	5 916	17 124
Subsequent changes in ECL	(5 234)	(254)	(50)	(5 538)
Change in ECL due to derecognition	(4 604)	(2 124)	(5 986)	(12 714)
Impaired accounts written off	–	–	(12 458)	(12 458)
Credit loss allowance balance end of the year	13 125	4 174	27 425	44 724

[1] *Improvement in credit profile resulted in a reduction in Stage 3 and stage 2 loans due to improved collections processes.*

[2] *Despite slight growth of 1.21% of the portfolio, the credit profile improved across all three stages with the largest impact in stage 3. The material reduction in stage 3 is due to settlement of a large customer and write-off of smaller clients.*

39. Credit risk continued

39.3 Credit loss allowance analysis continued

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
Trade[1] and Debtor Finance[2]				
Credit loss allowance balance beginning of the year	8 902	1 581	21 308	31 792
Transfer between stages	32	(64)	1 973	1 941
Stage 1 from Stage 2	43	–	–	43
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	(11)	–	–	(11)
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	(30)	–	(30)
Stage 2 to Stage 3	–	(34)	–	(34)
Stage 3 from Stage 1	–	–	480	480
Stage 3 from Stage 2	–	–	1 493	1 493
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	5 574	1 074	1 568	8 216
Subsequent changes in ECL	2 104	1 191	(4 065)	(771)
Change in ECL due to derecognition	(7 920)	(1 238)	(3 236)	(12 394)
Impaired accounts written off	–	–	(10 556)	(10 556)
Credit loss allowance balance end of the year	8 692	2 544	6 992	18 228
Term loans – secured[3]				
Credit loss allowance balance beginning of the year	2 870	6 481	20 898	30 249
Transfer between stages	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	9 737	16 532	–	26 269
Subsequent changes in ECL	–	–	1 699	1 699
Change in ECL due to derecognition	(2 870)	(6 481)	(50)	(9 401)
Impaired accounts written off	–	–	(22 507)	(22 507)
Credit loss allowance balance end of the year	9 737	16 532	40	26 309

[1] *The portfolio remained reasonably unchanged over the year, but the credit profile improved with substantial reductions in both stage 2 and stage 3. The reduction in stage 3 is due to settlement of one large customer and write-off of one large customer. The reduction in stage 2 is due to exiting of one large exposure and cancellation of facilities for a large customer.*

[2] *The portfolio reduced over the past year due to a reduction in stage 3 exposures as a result of repayments from two large customers. The increase in stage 2 is due to increased utilisation by clients in High Care, mainly from one large customer.*

[3] *Large reduction in stage 3 due to write-off of two large customers. Substantial increase in stage 2 due to COVID19 loans provided under the SARB COVID Scheme, certain of which are classified as High Care accounts. The portfolio has increased due to new loan book growth.*

39. Credit risk continued

39.3 Credit loss allowance analysis continued

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
Term loans – unsecured				
Credit loss allowance balance beginning of the year	198	–	–	198
Transfer between stages	(5)	–	80	75
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	(5)	–	–	(5)
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	80	80
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	1 705	–	207	1 912
Subsequent changes in ECL	98	–	–	98
Change in ECL due to derecognition	(24)	–	–	(24)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the year	1 972	–	287	2 259
Guarantees				
Credit loss allowance balance beginning of the year	646	–	–	646
Transfer between stages	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	–	–	–	–
Subsequent changes in ECL	19	–	–	19
Change in ECL due to derecognition	(452)	–	–	(452)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the year	213	–	–	213

39. **Credit risk** continued

39.3 **Credit loss allowance analysis** continued

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
Total loans and advances				
Credit loss allowance balance beginning of the year	113 581	38 639	400 185	552 405
Transfer between stages	(2 096)	(10 164)	70 829	58 569
Stage 1 from Stage 2	905	–	–	905
Stage 1 from Stage 3	357	–	–	357
Stage 1 to Stage 2[5]	(1 319)	–	–	(1 319)
Stage 1 to Stage 3[3]	(2 039)	–	–	(2 039)
Stage 2 from Stage 1	–	7 626	–	7 626
Stage 2 from Stage 3	–	221	–	221
Stage 2 to Stage 1[6]	–	(9 105)	–	(9 105)
Stage 2 to Stage 3[4]	–	(8 906)	–	(8 906)
Stage 3 from Stage 1	–	–	44 567	44 567
Stage 3 from Stage 2	–	–	47 405	47 405
Stage 3 to Stage 1[1]	–	–	(19 920)	(19 920)
Stage 3 to Stage 2[2]	–	–	(1 223)	(1 223)
Total Transfers				
ECL on new exposure raised	68 541	32 603	39 508	140 652
Subsequent changes in ECL[7]	(26 536)	915	22 432	(3 189)
Change in ECL due to derecognition[8]	(41 601)	(17 551)	(60 294)	(119 446)
Impaired accounts written off[9]	–	–	(93 637)	(93 637)
Credit loss allowance balance end of the year	111 889	44 442	379 023	535 354

[1] *Customers are up to date and 6 consecutive payments paid on due date and no SICR exists.*
[2] *Customers that are still in high care or the customer still displays signs of SICR. Distressed restructures that were in default and made 6 consecutive monthly payments under the revised terms.*
[3] *Customers classified as credit-impaired. For the definition refer to accounting policies note 1.13.*
[4] *Customers classified as credit-impaired. For the definition refer to accounting policies note 1.13.*
[5] *Customers defined as "high care" showing signs of SICR. SICR takes into account technical arrears (account past due for up to seven days) and materiality (an amount that is equal to or less than 5% of the next instalment due) Refer to accounting policies note 1.13.*
[6] *Customers up to date and no qualitative indicators of SICR are present.*
[7] *Include ECL move in the current stage for increases/decreases in customer exposures.*
[8] *Settlement of accounts.*
[9] *No further reasonable expectation of further recovery exists.*

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

39. Credit risk continued

39.3 Credit loss allowance analysis continued

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

	Stage 1 ZAR	Stage 2 ZAR	Stage 3 ZAR	Total ZAR
Separate				
Equipment finance				
Credit loss allowance balance beginning of the year	28 083	11 052	147 030	186 165
Transfer between stages	(568)	(3 296)	27 640	23 776
Stage 1 from Stage 2	273	–	–	273
Stage 1 from Stage 3	86	–	–	86
Stage 1 to Stage 2	(299)	–	–	(299)
Stage 1 to Stage 3	(628)	–	–	(628)
Stage 2 from Stage 1	–	2 041	–	2 041
Stage 2 from Stage 3	–	116	–	116
Stage 2 to Stage 1	–	(2 339)	–	(2 339)
Stage 2 to Stage 3	–	(3 114)	–	(3 114)
Stage 3 from Stage 1	–	–	13 929	13 929
Stage 3 from Stage 2	–	–	19 652	19 652
Stage 3 to Stage 1	–	–	(5 360)	(5 360)
Stage 3 to Stage 2	–	–	(581)	(581)
Total Transfers				
ECL on new exposure raised	17 825	6 164	16 380	40 369
Subsequent changes in ECL	(4 739)	46	11 018	6 325
Change in ECL due to derecognition	(14 984)	(4 433)	(25 655)	(45 072)
Impaired accounts written off	–	–	(19 229)	(19 229)
Credit loss allowance balance end of the year	25 617	9 533	157 184	192 334
Capital Equipment Finance				
Credit loss allowance balance beginning of the year	12 172	5 659	24 503	42 334
Transfer between stages	21	(3 261)	6 335	3 095
Stage 1 from Stage 2	85	–	–	85
Stage 1 from Stage 3	52	–	–	52
Stage 1 to Stage 2	(16)	–	–	(16)
Stage 1 to Stage 3	(100)	–	–	(100)
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	(1 188)	–	(1 188)
Stage 2 to Stage 3	–	(2 073)	–	(2 073)
Stage 3 from Stage 1	–	–	1 941	1 941
Stage 3 from Stage 2	–	–	8 068	8 068
Stage 3 to Stage 1	–	–	(3 674)	(3 674)
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	5 798	3 110	5 819	14 727
Subsequent changes in ECL	(4 278)	(71)	339	(4 010)
Change in ECL due to derecognition	(4 162)	(2 078)	(3 697)	(9 937)
Impaired accounts written off	–	–	(12 245)	(12 245)
Credit loss allowance balance end of the year	9 551	3 359	21 054	33 964

39. Credit risk continued
39.3 Credit loss allowance analysis continued
39.3.2 Reconciliation of ECL on loans and advances at amortised cost by product

	Stage 1 ZAR	Stage 2 ZAR	Stage 3 ZAR	Total ZAR
Separate				
Trade and Debtor Finance				
Credit loss allowance balance beginning of the year	1 514	1 080	19 417	22 011
Transfer between stages	32	(64)	1 973	1 941
Stage 1 from Stage 2	43	–	–	43
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	(11)	–	–	(11)
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	(30)	–	(30)
Stage 2 to Stage 3	–	(34)	–	(34)
Stage 3 from Stage 1	–	–	480	480
Stage 3 from Stage 2	–	–	1 493	1 493
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	5 574	1 074	1 568	8 216
Subsequent changes in ECL	2 104	1 189	(4 065)	(771)
Change in ECL due to derecognition	(532)	(737)	(1 345)	(2 614)
Impaired accounts written off	–	–	(10 556)	(10 556)
Credit loss allowance balance end of the year	8 692	2 542	6 993	18 227
Term loans – secured				
Credit loss allowance balance beginning of the year	2 870	6 481	20 898	30 249
Transfer between stages	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	9 737	16 532	–	26 269
Subsequent changes in ECL	–	–	1 699	1 699
Change in ECL due to derecognition	(2 870)	(6 481)	(50)	(9 401)
Impaired accounts written off	–	–	(22 507)	(22 507)
Credit loss allowance balance end of the year	9 737	16 532	40	26 309

39. Credit risk continued

39.3 Credit loss allowance analysis continued

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

	Stage 1 ZAR	Stage 2 ZAR	Stage 3 ZAR	Total ZAR
Separate				
Term loans – unsecured				
Credit loss allowance balance beginning of the year	198	–	–	198
Transfer between stages	(5)	–	80	75
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	(5)	–	–	(5)
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	80	80
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	1 705	–	207	1 912
Subsequent changes in ECL	98	–	–	98
Change in ECL due to derecognition	(24)	–	–	(24)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the year	1 972	–	287	2 259
Guarantees				
Credit loss allowance balance beginning of the year	646	–	–	646
Transfer between stages	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Total Transfers				
ECL on new exposure raised	–	–	–	–
Subsequent changes in ECL	19	–	–	19
Change in ECL due to derecognition	(452)	–	–	(452)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the year	213	–	–	213

39. Credit risk continued

39.3 Credit loss allowance analysis continued

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

	Stage 1 ZAR	Stage 2 ZAR	Stage 3 ZAR	Total ZAR
Separate				
Total loans and advances				
Credit loss allowance balance beginning of the year	45 483	24 272	211 848	281 603
Transfer between stages	(520)	(6 621)	36 028	28 887
Stage 1 from Stage 2	401	–	–	401
Stage 1 from Stage 3	138	–	–	138
Stage 1 to Stage 2	(316)	–	–	(316)
Stage 1 to Stage 3	(743)	–	–	(743)
Stage 2 from Stage 1	–	2 041	–	2 041
Stage 2 from Stage 3	–	116	–	116
Stage 2 to Stage 1	–	(3 557)	–	(3 557)
Stage 2 to Stage 3	–	(5 221)	–	(5 221)
Stage 3 from Stage 1	–	–	16 430	16 430
Stage 3 from Stage 2	–	–	29 213	29 213
Stage 3 to Stage 1	–	–	(9 034)	(9 034)
Stage 3 to Stage 2	–	–	(581)	(581)
Total Transfers				
ECL on new exposure raised	40 639	26 880	23 974	91 493
Subsequent changes in ECL	(6 797)	1 164	8 992	3 360
Change in ECL due to derecognition	(23 024)	(13 729)	(30 747)	(67 500)
Impaired accounts written off	–	–	(64 537)	(64 537)
Credit loss allowance balance end of the year	55 782	31 966	185 558	273 306

39. Credit risk continued

39.3 Credit loss allowance analysis continued

39.3.2 Reconciliation of ECL on loans and advances at amortised cost by-product continued

Consolidated[1]	Credit loss allowance balance beginning of the year on 1 July 2019 R'000	Transfers between stages R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Net expected credit losses (released)/ raised R'000
2020						
Equipment finance	320 311	42 358	25 856	28 817	(12 315)	136 623
Stage 1	33 009	(1 616)	–	(690)	(926)	54 493
Stage 2	13 944	(26 917)	(15 528)	–	(11 389)	37 332
Stage 3	273 358	70 891	41 384	29 507	–	44 798
Capital equipment finance	28 518	15 800	16 270	270	(740)	16 374
Stage 1	7 255	(798)	–	(93)	(705)	8 619
Stage 2	1 843	1 103	1 138	–	(35)	3 272
Stage 3	19 420	15 495	15 132	363	–	4 483
Trade and debtor finance	35 211	8 286	293	8 842	(849)	(5 315)
Stage 1	13 002	(1 819)	–	(1 614)	(205)	(2 280)
Stage 2	5 120	(1 351)	(707)	–	(644)	(2 188)
Stage 3	17 089	11 456	1 000	10 456	–	(847)
Term loans: secured	17 314	10 713	13 258	(742)	(1 803)	2 222
Stage 1	3 503	(1 754)	–	(742)	(1 012)	1 121
Stage 2	1 991	3 445	4 236	–	(791)	1 045
Stage 3	11 820	9 022	9 022	–	–	56
Term loans: unsecured	–	–	–	–	–	198
Stage 1	–	–	–	–	–	198
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Guarantees	388	–	–	–	–	258
Stage 1	388	–	–	–	–	258
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Total	401 742	77 517	55 677	37 187	(15 707)	150 360
Stage 1	57 157	(5 987)	–	(3 139)	(2 848)	62 409
Stage 2	22 898	(23 720)	(10 861)	–	(12 859)	39 461
Stage 3	321 687	106 864	66 538	40 326	–	48 490

[1] *The disaggregations of transfers between stages could not be replicated without undue cost for the prior year due to the nature of the underlying systems, which collate the ECL information at a point in time. As such, the information presented on transfers will not be comparable to the information presented for 30 June 2020 except on a total level.*

ECL on new exposure raised R'000	Subsequent changes in ECL R'000	Change in ECL due to derecognition R'000	Impaired accounts written off R'000	Credit loss allowance on 30 June 2020 R'000
41 506	112 526	(17 409)	(66 455)	432 837
13 493	44 613	(3 613)	–	85 886
7 395	35 889	(5 952)	–	24 359
20 618	32 024	(7 844)	(66 455)	322 592
21 019	8 602	(13 247)	(4 009)	56 683
4 051	6 811	(2 243)	–	15 076
3 794	(371)	(151)	–	6 218
13 174	2 162	(10 853)	(4 009)	35 389
1 889	(2 249)	(4 955)	(6 390)	31 792
731	(1 408)	(1 603)	–	8 903
61	(2 141)	(108)	–	1 581
1 097	1 300	(3 244)	(6 390)	21 308
510	2 004	(292)	–	30 249
510	803	(192)	–	2 870
–	1 045	–	–	6 481
–	156	(100)	–	20 898
83	115	–	–	198
83	115	–	–	198
–	–	–	–	–
–	–	–	–	–
258	–	–	–	646
258	–	–	–	646
–	–	–	–	–
–	–	–	–	–
65 265	120 998	(35 903)	(76 854)	552 405
19 126	50 934	(7 651)	–	113 579
11 250	34 422	(6 211)	–	38 639
34 889	35 642	(22 041)	(76 854)	400 187

39. Credit risk continued
39.3 Credit loss allowance analysis continued
39.3.2 Reconciliation of ECL on loans and advances at amortised cost by product continued

Separate[1]	Credit loss allowance balance beginning of the year 1 July 2019 R'000	Transfers between stages R'000	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Net expected credit losses (released)/ raised R'000
2020						
Equipment finance	151 718	20 344	11 360	12 661	(3 677)	48 622
Stage 1	13 794	(733)	–	(374)	(359)	15 025
Stage 2	7 450	(6 180)	(2 862)	–	(3 318)	9 780
Stage 3	130 474	27 257	14 222	13 035	–	23 817
Capital equipment finance	19 783	12 740	13 331	4	(595)	10 037
Stage 1	6 164	(629)	–	(34)	(595)	6 637
Stage 2	1 534	695	695	–	–	3 431
Stage 3	12 085	12 674	12 636	38	–	(31)
Trade and debtor finance	21 654	8 422	144	8 847	(569)	(1 675)
Stage 1	2 694	(704)	–	(499)	(205)	(478)
Stage 2	4 479	(1 220)	(856)	–	(364)	(2 178)
Stage 3	14 481	10 346	1 000	9 346	–	981
Term loans: secured	17 314	10 713	13 258	(742)	(1 803)	2 222
Stage 1	3 503	(1 754)	–	(742)	(1 012)	1 121
Stage 2	1 991	3 445	4 236	–	(791)	1 045
Stage 3	11 820	9 022	9 022	–	–	56
Term loans: unsecured	–	–	–	–	–	198
Stage 1	–	–	–	–	–	198
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Guarantees	388	–	–	–	–	258
Stage 1	388	–	–	–	–	258
Stage 2	–	–	–	–	–	–
Stage 3	–	–	–	–	–	–
Total	210 857	52 219	38 093	20 770	(6 644)	59 662
Stage 1	26 543	(3 820)	–	(1 649)	(2 172)	22 761
Stage 2	15 454	(3 260)	1 213	–	(4 473)	12 078
Stage 3	168 860	59 299	36 880	22 419	–	24 823

[1] *The disaggregations of transfers between stages could not be replicated without undue cost for the prior year due to the nature of the underlying systems, which collate the ECL information at a point in time. As such, the information presented on transfers will not be comparable to the information presented for 30 June 2020 except on a total level.*

ECL on new exposure raised R'000	Sub-sequent changes in ECL R'000	Change in ECL due to derecog-nition R'000	Impaired accounts written off R'000	Credit loss allowance on 30 June 2020 R'000
25 506	29 661	(6 545)	(34 519)	186 165
5 492	11 405	(1 872)	–	28 086
4 410	6 473	(1 103)	–	11 050
15 604	11 783	(3 570)	(34 519)	147 029
16 241	6 361	(12 565)	(226)	42 334
3 585	4 947	(1 895)	–	12 172
3 781	(208)	(142)	–	5 660
8 875	1 622	(10 528)	(226)	24 502
1 502	(1 536)	(1 641)	(6 390)	22 011
404	(830)	(52)	–	1 512
1	(2 090)	(89)	–	1 081
1 097	1 384	(1 500)	(6 390)	19 418
510	2 004	(292)	–	30 249
510	803	(192)	–	2 870
–	1 045	–	–	6 481
–	156	(100)	–	20 898
83	115	–	–	198
83	115	–	–	198
–	–	–	–	–
–	–	–	–	–
258	–	–	–	646
258	–	–	–	646
–	–	–	–	–
–	–	–	–	–
44 100	36 605	(21 043)	(41 135)	281 603
10 322	16 440	(4 011)	–	45 484
8 192	5 220	(1 334)	–	24 272
25 576	14 945	(15 698)	(41 135)	211 847

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

39. Credit risk continued

39.3 Credit loss allowance analysis continued

39.3.3 Reconciliation of ECL on negotiable securities

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
2021				
Credit loss allowance on 1 July 2020	4 503	–	23 481	27 984
Net expected credit losses (released)/raised	(2 003)	–	98 112	96 109
ECL on new exposure raised	897[1]	–	–	897
Subsequent changes in ECL	(2 900)	–	98 112[2]	95 212
Credit loss allowance on 30 June 2021	2 500	–	121 593	124 093

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Separate				
2021				
Credit loss allowance on 1 July 2020	4 503	–	23 481	27 984
Net expected credit losses (released)/raised	(2 003)	–	98 112	96 109
ECL on new exposure raised	897[1]	–	–	897
Subsequent changes in ECL	(2 900)	–	98 112[2]	95 212
Credit loss allowance on 30 June 2021	2 500	–	121 593	124 093

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

39.3.4 Reconciliation of ECL on trade and other receivables

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
2021				
Credit loss allowance on 1 July 2020	1 662	–	–	1 662
Net expected credit losses (released)/raised	(1 169)	–	–	(1 169)
ECL on new exposure raised	332	–	–	332
Subsequent changes in ECL	(1 501)	–	–	(1 501)
Credit loss allowance on 30 June 2021	493	–	–	493

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Separate				
2021				
Credit loss allowance on 1 July 2020	1 501	–	–	1 501
Net expected credit losses (released)/raised	(1 501)	–	–	(1 501)
Subsequent changes in ECL	(1 501)	–	–	(1 501)
Credit loss allowance on 30 June 2021	–	–	–	–

39. Credit risk continued

39.3 Credit loss allowance analysis continued

39.3.5 Reconciliation of ECL on loans to companies in the Group

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Consolidated				
2021				
Credit loss allowance on 1 July 2020	1 466	–	–	1 466
Net expected credit losses (released)/raised	(553)	–	–	(553)
ECL on new exposure raised	913	–	–	913
Change in ECL due to derecognition	(1 466)	–	–	(1 466)
Credit loss allowance on 30 June 2021	913	–	–	913

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
Separate				
2021				
Credit loss allowance on 1 July 2020	3 848	–	–	3 848
Net expected credit losses (released)/raised	(1 106)	–	–	(1 106)
ECL on new exposure raised	360	–	–	360
Change in ECL due to derecognition	(1 466)	–	–	(1 466)
Credit loss allowance on 30 June 2021	2 742	–	–	2 742

39. Credit risk continued

39.3 Credit loss allowance analysis continued

39.3.6 Credit impairment charges recognised in profit or loss

Consolidated	2021 R'000	2020 R'000
Net ECL recognised	**162 515**	276 824
Loans and advances[1]	**68 128**	245 820
Negotiable securities	**96 109**	27 984
Trade and other receivables	**(1 169)**	1 554
Loans to companies in the Group	**(553)**	1 466
Recoveries of loans and advances previously written off	**(15 777)**	(21 264)
	146 738	255 560
Separate		
Net ECL recognised	**146 762**	157 295
Loans and advances[1]	**53 260**	123 962
Negotiable securities	**96 109**	27 984
Trade and other receivables	**(1 501)**	1 501
Loans to companies in the Group	**(1 106)**	3 848
Recoveries of loans and advances previously written off	**(11 379)**	(17 963)
	135 383	139 332

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

40. Liquidity risk

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

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

Management of liquidity risk

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

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

Liquidity risk measurement

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

Exposure to liquidity risk

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

- The Liquidity Coverage Ratio (LCR) which refers to the proportion of high-quality liquid assets to meet the banks liquidity needs during a 30 calendar day liquidity stress period/scenario; and
- The ratio of net liquid assets to deposits from customers.

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

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

40. Liquidity risk continued

40.1 Contractual maturity analysis

Consolidated	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual R'000	Total R'000
2021									
Discounted maturity									
Assets									
Cash and cash equivalents	1 165 168	1 165 168	1 061 767	103 401	–	–	–	–	1 165 168
Negotiable securities	2 085 077	2 209 170	2 380	547 450	649 183	794 103	216 054	(124 093)	2 085 077
Trading assets	43 307	43 307	21 659	14 974	6 033	641	–	–	43 307
Trade and other receivables[1]	525 960	–	–	–	–	–	–	525 960	525 960
Non-current assets held for sale	6 700	–	–	–	–	–	–	6 700	6 700
Loans and advances	6 787 898	6 878 605	551 648	794 652	1 823 688	3 665 866	42 751	(90 707)	6 787 898
Current taxation asset	21 734	–	–	–	–	–	–	21 734	21 734
Investment securities	187 390	216	216	–	–	–	–	187 174	187 390
Investments at fair value through profit or loss	187 390	216	216	–	–	–	–	187 174	187 390
Loans to entities in the group	186 116	–	–	–	–	–	–	186 116	186 116
Property and equipment and right-of-use assets	55 398	–	–	–	–	–	–	55 398	55 398
Intangible assets and goodwill	153 856	–	–	–	–	–	–	153 856	153 856
Deferred tax asset	3 311	–	–	–	–	–	–	3 311	3 311
Total assets	11 221 915	10 296 466	1 637 670	1 460 477	2 478 904	4 460 610	258 805	925 449	11 221 915
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	700 067	700 067	700 067	–	–	–	–	–	700 067
Trading liabilities	47 987	47 987	27 799	14 908	5 280	–	–	–	47 987
Current taxation liability	2 069	–	–	–	14	–	–	2 069	2 069
Trade and other payables	469 630	–	–	–	–	–	–	469 630	469 630
Bank overdraft	30 392	30 392	30 392	–	–	–	–	–	30 392
Provisions	41 564	–	–	–	–	–	–	41 564	41 564
Lease liabilities	35 107	36 753	2 948	5 897	21 130	6 778	–	–	36 753
Deposits from customers	5 128 289	5 128 289	2 815 187	1 210 805	1 008 444	93 853	–	–	5 128 289
Debt securities issued	2 741 583	3 044 088	–	346 020	329 860	2 368 207	–	–	3 044 088
Long term loans	510 904	559 595	–	8 433	237 233	313 929	–	–	559 595
Deferred tax liability	107 824	–	–	–	–	–	–	107 824	107 824
Loans from entities in the group	2 749	–	–	–	–	–	–	2 749	2 749
Total liabilities	9 818 165	9 547 171	3 576 393	1 586 063	1 601 961	2 782 767	–	623 836	10 171 007
Off-statement of financial position									
Loan commitments	51 906	51 906	51 906	–	–	–	–	–	51 906
Letters of credit	117 461	117 461	117 461	–	–	–	–	–	117 461
Guarantees	38 302	38 302	38 302	–	–	–	–	–	38 302
Capital expenditure	5 189	5 189	5 189	–	–	–	–	–	5 189
Non-cancellable operating lease rentals for premises	–	–	–	–	–	–	–	–	–
	212 858	212 858	212 858	–	–	–	–	–	212 858

[1] *From a regulatory standpoint Trade and other receivables does not have any contractual terms that would allow for bucketing in this maturity analysis. However, from a cash flow perspective, payment could be requested immediately and these would be classified in the less than 1 month bucket.*

40. Liquidity risk continued

40.1 Contractual maturity analysis

Consolidated	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual R'000	Total R'000
2020									
Discounted maturity									
Assets									
Cash and cash equivalents	1 698 350	1 698 350	1 698 055	295	–	–	–	–	1 698 350
Trading assets	85 172	85 172	1 892	67 176	15 944	160	–	–	85 172
Negotiable securities	3 126 595	3 154 579	1 270 949	594 698	581 647	495 650	211 636	(27 984)	3 126 595
Trade and other receivables	354 059	355 721	350 989	50	4 682	–	–	(1 662)	354 059
Non-current assets held for sale	6 700	–	–	–	–	–	–	6 700	6 700
Loans and advances	6 609 237	7 161 642	559 528	740 619	1 946 068	3 493 989	421 438	(552 405)	6 609 237
Current taxation asset	16 991	16 991	8 135	1 879	6 977	–	–	–	16 991
Investment securities	154 221	–	–	–	–	–	–	154 221	154 221
Investments at fair value through profit or loss	154 221	–	–	–	–	–	–	154 221	154 221
Loans to entities in the group	208 824	210 290	210 290	–	–	–	–	(1 466)	208 824
Deferred tax asset	2 210	–	–	–	–	–	–	2 210	2 210
Property and equipment and right-of-use assets	85 422	–	–	–	–	–	–	85 422	85 422
Intangible assets and goodwill	194 709	–	–	–	–	–	–	194 709	194 709
Total assets	12 542 490	12 682 745	4 099 838	1 404 717	2 555 318	3 989 799	633 074	(140 255)	12 542 490
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 882 806	1 882 806	1 882 806	–	–	–	–	–	1 882 806
Trading liabilities	101 438	101 438	34 189	46 267	17 196	1 364	2 422	–	101 438
Current taxation liability	1 344	1 344	–	1 344	–	–	–	–	1 344
Trade and other payables	684 667	684 667	133 475	335 685	121 867	93 640	–	–	684 667
Provisions	20 291	–	–	–	–	–	–	20 291	20 291
Bank overdraft	151 462	151 462	151 462	–	–	–	–	–	151 462
Deposits from customers[1]	5 327 015	5 327 015	3 193 236	1 109 195	945 373	79 211	–	–	5 327 015
Lease liabilities	65 284	70 337	2 933	8 799	25 049	33 556	–	–	70 337
Debt securities issued	2 743 823	3 034 334	–	312 415	531 828	2 190 091			3 034 334
Long-term loans	121 649	142 020	50	31 669	102 590	7 711	–	–	142 020
Deferred tax liability	90 469	90 469	–	–	–	–	–	90 469	90 469
Total liabilities	11 190 248	11 485 892	5 398 152	1 845 374	1 743 903	2 405 573	2 422	110 760	11 504 839
Off-Statement of Financial Position									
Loan commitments	51 704	51 704	42 324	–	9 380	–	–	–	51 704
Letters of credit	98 460	98 460	98 460	–	–	–	–	–	98 460
Guarantees	42 442	42 442	42 442	–	–	–	–	–	42 442
Carry facilities	41 824	41 824	41 824	–	–	–	–	–	41 824
Non-cancellable operating lease rentals for premises	547	547	547	–	–	–	–	–	547
	234 977	234 977	225 597	–	9 380	–	–	–	234 977

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

40. Liquidity risk continued

40.1 Contractual maturity analysis continued

Separate	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual R'000	Total R'000
2021									
Discounted maturity									
Assets									
Cash and cash equivalents	1 055 572	1 055 572	954 977	100 595	–	–	–	–	1 055 572
Negotiable securities	2 085 076	2 209 169	2 379	547 450	649 183	794 103	216 054	(124 093)	2 085 076
Trading assets	44 526	44 526	22 878	14 974	6 033	641	–	–	44 526
Trade and other receivables[1]	641 808	–	–	–	–	–	–	641 808	641 808
Loans and advances	3 569 268	3 651 103	371 048	515 111	752 487	1 970 800	41 657	(81 835)	3 569 268
Investment securities	187 174	–	–	–	–	–	–	187 174	187 174
Investments at fair value through profit or loss	187 174	–	–	–	–	–	–	187 174	187 174
Loans to entities in the group	514 600	–	–	–	–	–	–	514 600	514 600
Property and equipment and right-of-use assets	53 636	–	–	–	–	–	–	53 636	53 636
Intangible assets and goodwill	104 798	–	–	–	–	–	–	104 798	104 798
Investments in subsidiaries and structured entities	188 117	–	–	–	–	–	–	188 117	188 117
Total assets	8 444 575	6 960 370	1 351 282	1 178 130	1 407 703	2 765 544	257 711	1 484 205	8 444 575
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	700 067	700 067	700 067	–	–	–	–	–	700 067
Trading liabilities	40 821	40 821	20 633	14 908	5 280	–	–	–	40 821
Trade and other payables	402 685	–	–	–	–	–	–	402 685	402 685
Bank overdraft	13	13	13	–	–	–	–	–	13
Provisions	35 360	–	–	–	–	–	–	35 360	35 360
Lease liabilities	33 126	34 772	2 948	5 897	21 130	4 797	–	–	34 772
Deposits from customers	5 577 053	5 577 053	3 263 951	1 210 805	1 008 444	93 853	–	–	5 577 053
Long term loans	505 566	559 595	–	8 433	237 233	313 929	–	–	559 595
Deferred tax liability	10 789	–	–	–	–	–	–	10 789	10 789
Loans from entities in the group	3 277	–	–	–	–	–	–	3 277	3 277
Total liabilities	7 308 757	6 912 321	3 987 612	1 240 043	1 272 087	412 579	–	452 111	7 364 432
Off-statement of financial position									
Loan commitments	51 906	51 906	51 906	–	–	–	–	–	51 906
Letters of credit	117 461	117 461	117 461	–	–	–	–	–	117 461
Guarantees	38 302	38 302	38 302	–	–	–	–	–	38 302
Capital expenditure	5 189	5 189	5 189	–	–	–	–	–	5 189
Non-cancellable operating lease rentals for premises	–	–	–	–	–	–	–	–	–
	212 858	212 858	212 858	–	–	–	–	–	212 858

[1] *From a regulatory standpoint Trade and other receivables does not have any contractual terms that would allow for bucketing in this maturity analysis. However, from a cash flow perspective, payment could be requested immediately and these would be classified in the less than 1 month bucket.*

Sasfin's liquidity risk reporting is based on a contractual maturity basis as opposed to a business as usual maturity basis, which is preferred by the ALCO. The liquidity mismatches forecast are highly improbable to actually occur. Sasfin closely manages its liquidity positions by including various buffers into its daily liquidity monitoring reports.

40. Liquidity risk continued
40.1 Contractual maturity analysis continued

Separate	Carrying amount R'000	Gross outflow R'000	Less than 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Non-contractual R'000	Total R'000
2020									
Discounted maturity									
Assets									
Cash and cash equivalents	1 442 104	1 442 104	1 442 104	–	–	–	–	–	1 442 104
Trading assets	84 537	84 537	29 406	38 171	13 225	3 734	–	–	84 537
Negotiable securities	3 126 595	3 154 579	1 270 949	594 698	581 647	495 650	211 636	(27 984)	3 126 595
Trade and other receivables	286 413	287 914	176 721	–	104 243	6 950	–	(1 501)	286 413
Loans and advances	3 244 723	3 526 326	452 559	493 014	870 564	1 689 943	20 245	(281 603)	3 244 723
Investment securities	154 071	–	–	–	–	–	–	154 071	154 071
Investments at fair value through profit or loss	154 071	–	–	–	–	–	–	154 071	154 071
Loans to entities in the group	541 407	545 255	210 290	–	–	–	334 965	(3 848)	541 407
Property and equipment and right-of-use assets	82 947	–	–	–	–	–	–	82 947	82 947
Intangible assets and goodwill	140 353	–	–	–	–	–	–	140 353	140 353
Investments in subsidiaries and structured entities	255 859	–	–	–	–	–	–	255 859	255 859
Total assets	9 359 009	9 040 715	3 582 029	1 125 883	1 569 679	2 196 276	566 847	318 294	9 359 009
Undiscounted maturity									
Liabilities									
Funding under repurchase agreements and interbank	1 803 712	1 803 712	1 803 712	–	–	–	–	–	1 803 712
Trading liabilities	85 856	85 856	28 937	39 160	14 554	1 154	2 050	–	85 856
Trade and other payables	458 476	458 476	89 379	224 786	81 606	62 705	–	–	458 476
Provisions	16 343	–	–	–	–	–	–	16 343	16 343
Bank overdraft	30 462	30 462	30 462	–	–	–	–	–	30 462
Deposits from customers[1]	5 748 643	5 748 643	3 414 569	1 215 076	1 033 258	85 740	–	–	5 748 643
Lease liabilities	62 705	67 652	2 707	8 124	24 518	32 303	–	–	67 652
Long-term loans	116 360	133 704	–	31 568	102 136	–	–	–	133 704
Deferred tax liability	25 728	25 728	–	–	–	–	–	25 728	25 728
Loans from entities in the group	15 384	15 384	–	–	–	–	15 384	–	15 384
Total liabilities	8 363 669	8 369 617	5 369 767	1 518 713	1 256 073	181 902	17 434	42 072	8 385 960
Off-Statement of Financial Position									
Loan commitments	51 704	51 704	42 324	–	9 380	–	–	–	51 704
Letters of credit	58 500	58 500	58 500	–	–	–	–	–	58 500
Guarantees	62 442	62 442	62 442	–	–	–	–	–	62 442
Carry facilities	41 824	41 824	41 824	–	–	–	–	–	41 824
Non-cancellable operating lease rentals for premises	547	547	547	–	–	–	–	–	547
	215 017	215 017	205 637	–	9 380	–	–	–	215 017

Sasfin's liquidity risk reporting is based on a contractual maturity basis as opposed to a business as usual maturity basis, which is preferred by the ALCO. The liquidity mismatches forecast are highly improbable to actually occur. Sasfin closely manages its liquidity positions by including various buffers into its daily liquidity monitoring reports.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

40. Liquidity risk continued

40.2 Discounted maturity analysis: Current and non-current

Consolidated	2021 Current R'000	2021 Non-current R'000	2021 Total R'000	2020 Current R'000	2020 Non-current R'000	2020 Total R'000
Assets						
Cash and cash equivalents	1 165 168	–	1 165 168	1 698 350	–	1 698 350
Negotiable securities	1 074 920	1 010 157	2 085 077	2 419 309	707 286	3 126 595
Trading assets	42 666	641	43 307	85 014	160	85 174
Trade and other receivables	525 960	–	525 960	318 072	43 213	354 059
Non-current assets held for sale	6 700	–	6 700	6 700	–	6 700
Loans and advances	3 079 281	3 708 617	6 787 898	3 199 206	3 410 031	6 609 237
Current taxation asset	21 734	–	21 734	16 991	–	16 991
Investment securities	216	187 174	187 390	–	154 221	154 221
Investments at fair value through profit or loss	216	187 174	187 390	–	154 221	154 221
Loans to entities in the Group	–	186 116	186 116	–	208 824	208 824
Property, equipment and right-of-use assets	–	55 398	55 398	–	85 422	85 422
Intangible assets and goodwill	–	153 856	153 856	–	194 709	194 709
Deferred tax asset	–	3 311	3 311	–	2 210	2 210
Total assets	5 916 645	5 305 270	11 221 915	7 743 642	4 806 076	12 542 490
Liabilities						
Funding under repurchase agreements and interbank	700 067	–	700 067	1 882 806	–	1 882 806
Trading liabilities	47 987	–	47 987	98 897	2 540	101 438
Current taxation liability	2 069	–	2 069	1 344	–	1 344
Trade and other payables	469 630	–	469 630	683 685	982	684 667
Bank overdraft	30 392	–	30 392	151 462	–	151 462
Provisions	41 564	–	41 564	16 344	3 947	20 291
Lease liabilities[1]	32 119	2 988	35 107	55 562	9 722	65 284
Deposits from customers	5 034 436	93 853	5 128 289	5 241 275	85 740	4 745 515
Debt securities issued	544 796	2 196 787	2 741 583	–	2 743 823	2 743 823
Long term loans	97 501	413 403	510 904	–	121 649	121 649
Deferred tax liability	–	107 824	107 824	58 661	31 808	90 469
Loans from entities in the Group	–	2 749	2 749	(87 405)	94 632	–
Total liabilities	7 000 561	2 817 604	9 818 165	8 102 631	3 094 843	10 608 749

[1] *The amounts reflected as current will be settled in less than 12 months and the amounts reflected in non-current are expected to be settled in greater than 12 months.*

40. Liquidity risk continued

40.2 Discounted maturity analysis: Current and non-current continued

Separate	2021 Current R'000	2021 Non-current R'000	2021 Total R'000	2020 Current R'000	2020 Non-current R'000	2020 Total R'000
Assets						
Cash and cash equivalents	1 055 572	–	1 055 572	1 442 104	–	1 442 104
Negotiable securities	1 074 919	1 010 157	2 085 076	2 419 309	707 286	3 126 595
Trading assets	43 885	641	44 526	84 378	160	84 537
Trade and other receivables	641 808	–	641 808	286 218	195	286 413
Loans and advances	1 556 811	2 012 457	3 569 268	2 271 612	973 111	3 244 723
Investment securities	–	187 174	187 174	–	154 071	154 071
Investments at fair value through profit or loss	–	187 174	187 174	–	154 071	154 071
Loans to entities in the Group	–	514 600	514 600	210 290	331 118	541 407
Property, equipment and right-of-use assets	–	53 636	53 636	–	82 947	82 947
Intangible assets and goodwill	–	104 798	104 798	–	140 353	140 353
Investments in subsidiaries and structured entities	–	188 117	188 117	–	255 859	255 859
Total assets	4 372 995	4 071 580	8 444 575	6 227 591	3 081 418	9 359 009
Liabilities						
Funding under repurchase agreements and interbank	700 067	–	700 067	1 803 712	–	1 803 712
Trading liabilities	40 821	–	40 821	85 856	–	85 856
Trade and other payables	402 685	–	402 685	458 476	–	458 476
Bank overdraft	13	–	13	30 462	–	30 462
Provisions	35 360	–	35 360	16 343	–	16 343
Lease liabilities[1]	30 948	2 178	33 126	55 562	7 142	62 705
Deposits from customers	5 483 200	93 853	5 577 053	5 662 903	85 740	5 167 143
Long term loans	97 501	408 065	505 566	116 360	–	116 360
Deferred tax liability	–	10 789	10 789	–	25 728	25 728
Loans from entities in the Group	–	3 277	3 277	–	15 384	15 384
Total liabilities	6 803 689	506 716	7 308 757	8 147 422	216 248	8 363 669

[1] *The amounts reflected as current will be settled in less than 12 months, and the amounts reflected in non-current are expected to be settled in greater than 12 months.*

41. Market risk

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

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

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

Settlement risk

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

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

Management of market risk

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

- Trading portfolios
  The Group applies a Value-at-Risk model using the previous five years' historical data as an input to monitor market risk, as we regard this as being one of the soundest and most intuitive methods. Two confidence intervals have been selected to analyse. Both scenarios are using daily historical closing prices from 3 May 2016 to 29 June 2021 inclusive, and use R186 as the benchmark. ZJS is used as the risk-free rate. The Value-at-Risk model measures the amount of maximum loss which will not be exceeded with 99% probability as a result of normal but adverse market price movements over a 10-day holding period. For multiple currencies all historical prices of securities are first converted back to the base currency of the portfolio (ZAR) at the historical reigning cross-rate on that day, after which the VAR is then calculated.

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

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

Exposure to interest rate risk

- Trading portfolios
  Trading portfolios consist of exchange-traded bonds that bear fixed interest rates, hence there is no interest rate risk.

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

41. Market risk continued

Market risk on equity investments

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

Currency risk

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

Derivative financial instruments

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

Notional principal

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

Exchange rate contracts

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

Interest rate swaps

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

Net investment hedge

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

41. Market risk continued

41.1 Market risk

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

Consolidated	Up to 1 month R'000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
2021						
Assets						
Non-trading portfolios						
Cash and cash equivalents	1 133 981	103 401	–	–	–	1 237 382
Negotiable securities	2 380	547 450	649 183	794 103	216 054	2 209 170
Loans and advances	6 039 652	284 856	251 160	618 844	23 121	7 217 633
Loans to Entities in the Group	186 116	–	–	–	–	186 116
Total assets	7 362 129	935 707	900 343	1 412 947	239 175	10 850 301
Liabilities						
Non-trading portfolios						
Funding under repurchase agreements and interbank	700 067	–	–	–	–	700 067
Bank overdraft	30 379	–	–	–	–	30 379
Deposits from customers	2 815 188	1 210 805	1 008 444	93 853	–	5 128 290
Debt securities issued	–	2 741 583	–	–	–	2 741 583
Long-term loans	–	5 338	97 500	392 866	15 199	510 903
Loans from Entities in the Group	2 749	–	–	–	–	2 749
Total liabilities	3 548 383	3 957 726	1 105 944	486 719	15 199	9 113 971
Net pricing gap	3 813 746	(3 022 019)	(205 601)	926 228	223 976	1 736 330
Cumulative repricing gap	3 813 746	791 727	586 126	1 512 354	1 736 330	1 736 330
A 200 basis point interest rate change will have the following effect on profit/loss:						
200 bp parallel shock interest rate increase	6 490	(1 024)	–	–	–	5 466
200 bp parallel shock interest rate decrease	(5 509)	1 024	–	–	–	(4 485)

41. Market risk continued
41.1 Market risk continued

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

41. Market risk continued

41.1 Market risk continued

Separate	Up to 1 month R '000	1 – 3 months R'000	4 – 12 months R'000	1 – 5 years R'000	More than 5 years R'000	Total R'000
2021						
Assets						
Non-trading portfolios						
Cash and cash equivalents	1 027 977	100 595	–	–	–	1 128 572
Negotiable securities	2 380	547 450	649 183	794 103	216 054	2 209 170
Loans and advances	2 786 452	264 585	178 704	484 977	22 236	3 736 954
Loans to Entities in the Group	186 116	331 226	–	–	–	517 342
Total assets	4 002 925	1 243 856	827 887	1 279 080	238 290	7 592 038
Liabilities						
Funding under repurchase agreements and interbank	700 067	–	–	–	–	700 067
Bank overdraft	–	–	–	–	–	–
Deposits from customers	3 263 951	1 210 805	1 008 444	93 853	–	5 577 053
Long-term loans	–	–	97 500	392 866	15 199	505 565
Loans from Entities in the Group	3 277	–	–	–	–	3 277
Total liabilities	3 967 295	1 210 805	1 105 944	486 719	15 199	6 785 962
Net pricing gap	35 630	33 051	(278 057)	792 361	223 091	806 076
Cumulative repricing gap	35 630	68 681	(209 376)	582 985	806 076	806 076
A 200 basis point interest rate change will have the following effect on profit/loss:	–	–	–	–	–	–
200 bp parallel shock interest rate increase	(986)	(273)	–	–	–	(1 258)
200 bp parallel shock interest rate decrease	1 966	273	–	–	–	2 239

41. Market risk continued
41.1 Market risk continued

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

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

41. Market risk continued

41.2 Currency risk

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

Foreign currency risk sensitivity analysis

Consolidated	US Dollar R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2021						
Forward-exchange contracts	**4 370**	**65**	**25**	**314**	**64**	**4 838**
Import Bills	**202 369**	**16 691**	**–**	**16 067**	**–**	**235 127**
Bank balances	**6 566**	**53 116**	**310**	**12 688**	**1 446**	**74 126**
Funding under repurchase and interbank	**(109 840)**	**–**	**–**	**–**	**(1)**	**(109 841)**
Import suppliers	**(1 554)**	**–**	**–**	**(3 878)**	**–**	**(5 432)**
Usance creditors	**(18 191)**	**(211)**	**–**	**–**	**–**	**(18 402)**
Other payables	**(27 459)**	**(41 439)**	**580**	**(64 258)**	**868**	**(131 708)**
Total net (short)/long position	**56 261**	**28 222**	**915**	**(39 067)**	**2 377**	**48 708**
Sensitivity – 5%	**2 813**	**1 411**	**46**	**(1 953)**	**119**	**2 435**
2020						
Forward exchange contracts	1 783	6 430	303	223	(55 661)	(46 922)
Import bills	169 879	28 690	689	11 246	107 770	318 274
Bank balances	401 323	41 624	386	10 116	10 517	463 966
Funding under repurchase and interbank	(50 340)	(32 225)	–	–	(54 134)	(136 699)
Import suppliers	(3 960)	(534)	–	(153)	(1 341)	(5 988)
Usance creditors	(15 552)	(284)	–	–	–	(15 836)
Other payables	(330 789)	(38 676)	–	(19 859)	(10 657)	(399 981)
Total net (short)/long position	172 344	5 025	1 378	1 573	(3 506)	176 814
Sensitivity – 5%	8 617	251	69	79	(175)	8 841

41. Market risk continued

41.2 Currency risk continued

Foreign currency risk sensitivity analysis continued

Separate	US Dollar R'000	Euro R'000	Japanese Yen R'000	British Pound R'000	Other R'000	Total R'000
2021						
Forward-exchange contracts	**4 370**	**65**	**25**	**314**	**64**	**4 838**
Import Bills	**202 369**	**16 691**	**–**	**16 067**	**–**	**235 127**
Bank balances	**6 566**	**53 116**	**310**	**12 688**	**1 446**	**74 126**
Funding under repurchase and interbank	**(109 840)**	**–**	**–**	**–**	**(1)**	**(109 841)**
Import suppliers	**(1 554)**	**–**	**–**	**(3 878)**	**–**	**(5 432)**
Usance Creditors	**(18 191)**	**(211)**	**–**	**–**	**–**	**(18 402)**
Other payables	**(27 459)**	**(41 439)**	**580**	**(64 258)**	**868**	**(131 708)**
Total net (short)/long position	**56 261**	**28 222**	**915**	**(39 067)**	**2 377**	**48 708**
Sensitivity – 5%	**2 813**	**1 411**	**46**	**(1 953)**	**119**	**2 435**
2020						
Forward-exchange contracts	1 783	44	–	50	46	1 923
Bank balances	212 904	39 614	–	6 898	6 068	265 484
Other payables	(212 165)	(38 546)	–	(5 423)	(5 634)	(261 768)
Total net (short)/long position	2 522	1 112	–	1 525	480	5 639
Sensitivity – 5%	126	56	–	76	24	282

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

41. Market risk continued

41.2 Currency risk continued

Analysis of assets and liabilities by currency

Consolidated	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2021						
Assets						
Cash and cash equivalents	6 566	53 116	12 688	1 091 042	1 756	1 165 168
Trading assets	38 023	3 579	1 006	416	283	43 307
Negotiable securities	–	–	–	2 085 077	–	2 085 077
Trade and other receivables	–	–	–	525 960	–	525 960
Non-current assets held for sale	–	–	–	6 700	–	6 700
Loans and advances	202 369	16 691	16 067	6 552 771	–	6 787 898
Taxation	–	–	–	21 734	–	21 734
Investment securities	–	–	–	187 390	–	187 390
– Investments at fair value through profit or loss	–	–	–	187 390	–	187 390
Loans to entities in the Group	–	–	–	186 116	–	186 116
Deferred tax asset	–	–	–	3 311	–	3 311
Property, equipment and right-to-use assets	–	–	–	55 398	–	55 398
Intangible assets and goodwill	–	–	–	153 856	–	153 856
Total assets	**246 958**	**73 386**	**29 761**	**10 869 771**	**2 039**	**11 221 915**
Liabilities						
Funding under repurchase agreements and interbank	109 840	–	–	590 226	1	700 067
Trading liabilities	33 653	3 515	692	9 933	194	47 987
Current taxation liabilities	–	–	–	2 069	–	2 069
Trade and other payables	47 204	41 649	68 136	314 090	(1 449)	469 630
Provisions	–	–	–	41 564	–	41 564
Bank overdraft	–	–	–	30 392	–	30 392
Deposits from customers	–	–	–	5 128 289	–	5 128 289
Lease liabilities	–	–	–	35 107	–	35 107
Debt securities issued	–	–	–	2 741 583	–	2 741 583
Long-term loans	–	–	–	510 904	–	510 904
Deferred tax liability	–	–	–	107 824	–	107 824
Loans from entities in the Group	–	–	–	2 749	–	2 749
Total liabilities	**190 697**	**45 164**	**68 828**	**9 514 730**	**(1 254)**	**9 818 165**

41. Market risk continued

41.2 Currency risk continued

Analysis of assets and liabilities by currency continued

Separate	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2021						
Assets						
Cash and cash equivalents	6 566	53 116	12 688	981 446	1 756	1 055 572
Trading assets	38 023	3 579	1 006	1 635	283	44 526
Negotiable securities	–	–	–	2 085 076	–	2 085 076
Trade and other receivables	–	–	–	641 808	–	641 808
Loans and advances	202 369	16 691	16 067	3 334 141	–	3 569 268
Investment securities	–	–	–	187 174	–	187 174
– Investments at fair value through profit or loss	–	–	–	187 174	–	187 174
Loans to entities in the Group	–	–	–	514 600	–	514 600
Property, equipment and right-to-use assets	–	–	–	53 636	–	53 636
Intangible assets and goodwill	–	–	–	104 798	–	104 798
Investments in subsidiaries and structured entities	–	–	–	188 117	–	188 117
Total assets	**246 958**	**73 386**	**29 761**	**8 092 431**	**2 039**	**8 444 575**
Liabilities						
Funding under repurchase agreements and interbank	109 840	–	–	590 227	–	700 067
Trading liabilities	33 653	3 515	692	2 767	194	40 821
Trade and other payables	47 204	41 649	68 136	247 141	(1 449)	402 681
Provisions	–	–	–	35 360	–	35 360
Bank overdraft	–	–	–	13	–	13
Deposits from customers	–	–	–	5 577 053	–	5 577 053
Lease liabilities	–	–	–	33 126	–	33 126
Long-term loans	–	–	–	505 566	–	505 566
Deferred tax liability	–	–	–	10 789	–	10 789
Loans from entities in the Group	–	–	–	3 277	–	3 277
Total liabilities	**190 697**	**45 164**	**68 828**	**7 005 319**	**(1 255)**	**7 308 753**

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

41. Market risk continued

41.2 Currency risk continued

Analysis of assets and liabilities by currency continued

Consolidated	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2020						
Assets						
Cash and cash equivalents	406 101	41 624	9 438	1 234 475	6 713	1 698 350
Trading assets	66 029	13 168	957	4 460	557	85 172
Negotiable securities	–	–	–	3 126 595	–	3 126 595
Trade and other receivables	90	–	–	353 950	19	354 059
Non-current assets held for sale	–	–	–	6 700	–	6 700
Loans and advances	163 437	27 509	10 722	6 406 703	866	6 609 237
Taxation	–	–	–	16 991	–	16 991
Investment securities	–	–	–	154 221	–	154 221
– Investments at fair value through profit or loss	–	–	–	154 221	–	154 221
Loans to entities in the Group	–	–	–	208 824	–	208 824
Deferred tax asset	–	–	–	2 210	–	2 210
Property, equipment and right-of-use assets	–	–	–	85 422	–	85 422
Intangible assets and goodwill	–	–	–	194 709	–	194 709
Total assets	635 657	82 301	21 117	11 795 260	8 156	12 542 490
Liabilities						
Funding under repurchase agreements and interbank	28 754	50 340	–	1 803 712	–	1 882 806
Trading liabilities	68 090	12 910	907	19 028	503	101 438
Current taxation liabilities	–	–	–	1 344	–	1 344
Trade and other payables	350 300	39 494	20 012	268 778	6 083	684 667
Provisions	–	–	–	20 291	–	20 291
Bank overdraft	–	3 471	–	147 497	494	151 462
Deposits from customers	–	–	–	5 327 015	–	5 327 015
Lease liabilities	–	–	–	65 284	–	65 284
Debt securities issued	–	–	–	2 743 823	–	2 743 823
Long-term loans	–	–	–	121 649	–	121 649
Deferred tax liability	–	–	–	90 469	–	90 469
Total liabilities	447 144	106 215	20 919	10 608 890	7 080	11 190 248

41. Market risk continued
41.2 Currency risk continued
Analysis of assets and liabilities by currency continued

Separate	US Dollar R'000	Euro R'000	British Pound R'000	South African Rand R'000	Other R'000	Total R'000
2020						
Assets						
Cash and cash equivalents	212 904	39 613	6 898	1 176 620	6 068	1 442 103
Trading assets	66 029	12 870	957	4 133	548	84 537
Negotiable securities	–	–	–	3 126 595	–	3 126 595
Trade and other receivables	–	–	–	286 414	–	286 414
Loans and advances	–	–	–	3 244 723	–	3 244 723
Investment securities	–	–	–	154 071	–	154 071
Loans to entities in the Group	–	–	–	541 407	–	541 407
Property, equipment and right-of-use assets	–	–	–	82 947	–	82 947
Intangible assets and goodwill	–	–	–	140 353	–	140 353
Investments in subsidiaries and structured entities	–	–	–	255 859	–	255 859
Total assets	278 933	52 483	7 855	9 013 122	6 616	9 359 009
Liabilities						
Funding under repurchase agreements and interbank	–	–	–	1 803 712	–	1 803 712
Trading liabilities	68 090	12 825	907	3 531	503	85 856
Trade and other payables	212 165	38 546	5 423	196 708	5 634	458 476
Provisions	–	–	–	16 343	–	16 343
Bank overdraft	–	–	–	30 462	–	30 462
Deposits from customers	–	–	–	5 748 643	–	5 748 643
Lease liabilities	–	–	–	62 705	–	62 705
Long-term loans	–	–	–	116 360	–	116 360
Deferred tax liability	–	–	–	25 728	–	25 728
Loans from entities in the Group	–	–	–	15 384	–	15 384
Total liabilities	280 255	51 371	6 330	8 019 576	6 137	8 363 669

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

41. Market risk continued

41.3 Derivative financial instruments

	Within 1 year R'000	Net fair value R'000	Positive fair value R'000	Negative fair value R'000	Notional principal R'000
Consolidated					
2021					
Interest rate swaps	**(9 517)**	**(9 517)**	**(577)**	**(8 940)**	**(126 737)**
Exchange rate contracts	**4 838**	**4 838**	**43 884**	**(39 047)**	**358 369**
Total derivatives	**(4 679)**	**(4 679)**	**43 308**	**(47 987)**	**231 632**
2020					
Interest rate swaps	(16 983)	(16 983)	–	(16 983)	2 417 499
Exchange rate contracts	717	717	85 172	(84 455)	3 296 487
Total derivatives	(16 266)	(16 266)	85 172	(101 438)	5 713 986
Separate					
2021					
Interest rate swaps	**(1 133)**	**(1 133)**	**641**	**(1 774)**	**1 108 146**
Exchange rate contracts	**4 838**	**4 838**	**43 884**	**(39 047)**	**358 369**
Total derivatives	**3 705**	**3 705**	**44 526**	**(40 821)**	**1 466 515**
2020					
Interest rate swaps	(3 041)	(3 041)	–	(3 041)	1 151 825
Exchange rate contracts	1 722	1 722	84 537	(82 815)	3 240 780
Total derivatives	(1 319)	(1 319)	84 537	(85 856)	4 392 605

42. Capital management

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

42. Capital management continued

	2021 % Unaudited	2020 % Audited
Consolidated		
Common Equity Tier 1 Capital	**18.887**	19.270
Additional Tier 1 Capital	**–**	–
Total Tier 1 Capital	**18.887**	19.270
Tier 2 Capital	**0.894**	0.951
Total Capital	**19.781**	20.221
Stakeholder Capital adequacy ratio minimum requirements		–
Regulator:		–
– National Common Equity Tier 1	**8.000**	8.000
– National Total Tier 1	**10.000**	10.000
– Total Capital	**12.500**	12.500
Separate		
Common Equity Tier 1 Capital	**16.745**	15.915
Additional Tier 1 Capital	**–**	–
Total Tier 1 Capital	**16.745**	15.915
Tier 2 Capital	**0.852**	0.933
Total Capital	**17.597**	16.848
Stakeholder Capital adequacy ratio minimum requirements		
Regulator:		
– National Common Equity Tier 1	**8.000**	8.000
– National Total Tier 1	**10.000**	10.000
– Total Capital	**12.500**	12.500

43. Events after the reporting date

43.1 Riots July 2021

43.1.1 Benal Property Investments (Pty) Ltd

During 2021, Sasfin was in the final stages of disposing of an investment property consisting of land and buildings owned by one of its subsidiaries, Benal Property Investments (Pty) Ltd. This asset was classified as a non-current asset held for sale in terms of IFRS 5 as at 30 June 2021, refer to note 8 Non-current assets held for sale for more information. However, during the recent unrest in the country, the building was razed to the ground on 9 July 2021. Consequently, the sale of the property was cancelled, and a claim was lodged with the insurers which management considers is highly probable to succeed. The damage to the building is a material non-adjusting event in terms of IAS 10 Events after the Reporting Period.

43.1.2 KZN Rental Finance Book

Furthermore, In Rental Finance we have identified c. R300m of exposure that relates to clients based in KZN, of which c. R277m is in our stage one book. We have assessed the names and comfortable with the individual exposures we carry. We continue to monitor the book, especially with the payment cycles coming up in the coming months.

43.2 Land Bank

On 19 July 2021 the Land Bank repaid 10% of the capital outstanding on the Land Bank Bills held by Sasfin. The gross amount of Bills, at 30 June 2021, was R413.6 million.

Notes to the consolidated and separate financial statements continued

for the year ended 30 June 2021

44. Going concern

Over the last twelve months, the South African economy performed better than anticipated. This was due to the strong performance in the commodity sector coupled by some of the early interventions by the government, including the reduction in interest rates. The economy however remains very fragile, and the full impact of the third COVID-19 wave and recent civil unrest remain to be seen. Against this backdrop Sasfin has produced an improved set of results, returning to profitability, whilst taking active steps to support our stakeholders, including society at large. Sasfin posted profits of R61.1 million (2020: loss of R24.4 million) for the year ended 30 June 2021. This improvement was largely because of improved credit performance and an increase in total income of 13.8% to R948 million (2020: R833 million). Given the overall improved performance, as well as the stable financial, liquidity and capital position, the directors are of the view that the Group is a going concern. The directors believe that the Bank has adequate financial resources to continue for the foreseeable future, and accordingly the financial statements have been prepared on a going concern basis. The directors have satisfied themselves that the Bank is in a sound financial position and together with measures taken to strengthen the capital and liquidity base, is well positioned to take advantage of growth opportunities. The Bank has a healthy liquidity and capital position, with the LCR and CAR above the regulatory minimums set by the SARB. The directors are not aware of any material changes that may adversely impact the Bank.

Glossary of terms

Term	Definition
ALCO	Asset and Liability Committee
ATFS	Absa Technology Finance Solutions (Proprietary) Limited
Banks Act	Banks Act, 94 of 1990, as amended
Basel III	Set of reform measures, in addition to Basel II, to strengthen the regulation, supervision and risk management of the banking sector
Benal	Benal Property Investments (Proprietary) Limited
CAR	Capital Adequacy Ratio
CGU	Cash-generating unit
CLEC	Credit and Large Exposures Committee
Companies Act	Companies Act, No 71 of 2008, as amended
DANC	Directors' Affairs and Nominations Committee
DFI	Development Finance Institutions
EAD	Exposure at Default
ECL	Expected Credit Losses
Efficient	Efficient Group Limited
Fintech	Fintech (Proprietary) Limited
FVTPL	Fair value through profit or loss
GACC	Group Audit and Compliance Committee
GIA	Group Internal Audit
GRCMC	Group Risk and Capital Management Committee
IAS	International Accounting Standard
IASB	International Accounting Standards Board
IFC	International Finance Corporation
IFRIC	International Financial Reporting Interpretations Committee
IFRS	International Financial Reporting Standards
INBR	Incurred but not reported
IRBA	Independent Regulatory Board for Auditors
ISAs	International Standards on Auditing
JSE	Johannesburg Stock Exchange Limited
LGD	Loss Given Default
Libor	London Interbank Offered Rate
PA	Prudential Authority
PD	Probability of default
PwC	PricewaterhouseCoopers Inc.
REMCO	HR and Remuneration Committee
Reporting date	03 September 2021
SAICA	South African Institute of Chartered Accountants
SARB	South African Reserve Bank
Sasfin	Sasfin Holdings Limited
SASP	South African Securitisation Programme (RF) Limited
SasSec	Sasfin Securities (Proprietary) Limited
SCS	Sasfin Commercial Solutions (Proprietary) Limited
SICR	Significant Increase in Credit Risk
SPPI	Solely Payments of Principal and Interest
The Bank	Sasfin Bank Limited
The Banking Group	Sasfin Bank Limited and its subsidiaries
The Company	Sasfin Bank Limited
The Holding Company	Sasfin Holdings Limited
The Group	Sasfin Holdings Limited and its subsidiaries
TTD	Time to Default
USD	United States Dollar
WACC	Weighted Average Cost of Capital
WIPHOLD	Women Investment Portfolio Holdings Limited
ZAR	South African Rand

Notes

Corporate details

Country of incorporation and domicile	South Africa
Independent Non-executive Chair	Roy Andersen[1]
Executive Directors	Michael Sassoon (Chief Executive Officer) Angela Pillay (Group Financial Director)
Independent Non-executive Directors	Richard Buchholz (Lead) Grant Dunnington[2] Mark Thompson Eileen Wilton Tapiwa Njikizana[3] Deon de Kock
Non-independent, Non-executive Directors	Gugu Dingaan Shaun Rosenthal (Alternate) Roland Sassoon Nontobeko Ndhlazi
Group Company Secretary	Charissa De Jager
Transfer secretaries	Computershare Investor Services (Proprietary) Limited Rosebank Towers 15 Biermann Avenue Rosebank Johannesburg 2196
Lead sponsor	Sasfin Capital (Proprietary) Limited (a member of the Sasfin Group)
Independent sponsor	Deloitte & Touche Sponsor Services (Proprietary) Limited
Auditors	PwC Inc.
Registered office	29 Scott Street Waverley Johannesburg 2090
Postal address	PO Box 95104 Grant Park Johannesburg 2051
Website	www.sasfin.com
E-mail	investorrelations@sasfin.com
Company registration number	1951/002280/06
Tax reference number	9375/204/71/7

[1] *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until March 2023.*
[2] *Exemption from Directive 4 of 2018 (issued by the Prudential Authority) granted by the PA until the Group's 2021 AGM.*
[3] *Appointed 3 May 2021.*

GREYMATTERFINCH # 15350

sasfin beyond a bank