

Unaudited condensed consolidated interim results

for the six months ended 31 December 2022

▼ **20.74%**

HEADLINE EARNINGS

R67.706 m

2021: R85.424 m*
* Restated

▼ **20.74%**

HEADLINE EARNINGS
PER ORDINARY SHARE

220.02 cents

2021: 277.59 cents*
* Restated

▲ **12.62%**

TOTAL
INCOME¹

R705.203 m

2021: R626.179 m*
¹ including associate income
* Restated

▼ **273 bps**

RETURN ON AVERAGE
SHAREHOLDERS'
EQUITY

7.97%

2021: 10.70%*
* Restated

▼ **410 bps**

COST-TO-
INCOME RATIO

76.30%

2021: 80.40%*
* Restated

▲ **10.56%**

TOTAL
ASSETS

R13.573 bn

2021: R12.277 bn*
* Restated

▲ **7.66%**

TOTAL
EQUITY

R1.713 bn

2021: R1.591 bn*
* Restated

▲ **22.54%**

GROSS LOANS
AND ADVANCES

R9.435 bn

2021: R7.700 bn*
* Restated

▲ **107 bps**

CREDIT-LOSS
RATIO

130 bps

2021: 23 bps*
* Restated

▲ **5.17%**

CORE FUNDING²

R9.492 bn

2021: R9.025 bn
² Includes deposits from
customers, debt securities and
long term funding

▲ **0.94%**

ASSETS UNDER
MANAGEMENT AND
ADVICE³

R62.836 bn

2021: R62.251 bn
³ excluding assets under
administration

▼ **103 bps**

GROUP CAPITAL
ADEQUACY RATIO

16.34%

2021: 17.37%*
* Restated

Sasfin Holdings Limited Incorporated in the Republic of South Africa (Company registration number 1987/002097/06) ("Sasfin" or "the Group" or "the Company") (Share code: SFN ISIN: ZAE000006565)

* Prior periods by restatement refer to Note 9 for additional information.

Financial highlights

for the six months ended 31 December 2022

		31 December 2022 Unaudited	31 December 2021 Unaudited Restated ¹	30 June 2022 Audited
	% Change			
Condensed consolidated statement of financial position				
Total cash (Rm)	(22.72)	1 007	1 303	885
Negotiable securities (Rm)	(16.80)	1 570	1 887	1 790
Total assets (Rm)	10.56	13 573	12 277	13 117
Gross loans and advances (Rm)	22.54	9 435	7 700	8 606
Non-performing loans and advances (Rm)	43.06	937	655	831
Net available cash (Rm) ²	(35.19)	1 605	2 476	1 656
Deposits from customers	6.85	5 941	5 560	5 233
Income statement				
Earnings attributable to ordinary shareholders (Rm)	(19.69)	67.876	84.522	183.860
Headline earnings (Rm)	(20.74)	67.706	85.424	166.731
Financial performance				
Return on ordinary shareholders' average equity (bps)	(273)	7.97	10.70	10.46
Return on total average assets (%)		1.01	1.40	1.32
Operating performance				
Non-interest income to total income (%)		51.06	56.61	55.51
Cost-to-income ratio (%)		76.30	80.40	78.93
Credit loss ratio (bps)		130	23	62
Non-performing advances to total amortised cost gross loans and advances (%)		10.46	8.89	10.10
Share statistics				
Earnings per ordinary share (cents)	(19.69)	220.57	274.66	597.47
Headline earnings per ordinary share (cents)	(20.74)	220.02	277.59	541.81
Number of ordinary shares in issue at end of the period ('000)		32 301	32 301	32 301
Number of ordinary shares in issue at end of the period excluding treasury shares ('000)		30 773	30 773	30 773
Weighted average number of ordinary shares in issue excluding treasury shares ('000)		30 773	30 773	30 773
Dividends per ordinary share (cents) ³		–	33.95	164.97
Net asset value per ordinary share (cents) ⁴	7.66	5 303	4 926	5 213
Capital adequacy				
Capital adequacy ratio (%)		16.34	17.37	16.04

¹ Prior periods by restatement, please refer to note 9 for additional information.

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

³ Dividend declared during the period and is based on the total shares in issue, including treasury shares.

⁴ Based on the total shares in issue, including treasury shares.

Condensed consolidated statement of financial position

for the six months ended 31 December 2022

	31 December 2022 Unaudited R'000	31 December 2021 Unaudited Restated ¹ R'000	30 June 2022 Audited R'000
Assets			
Cash and cash equivalents ¹	1 006 642	1 303 135	884 495
Negotiable securities	1 569 580	1 886 738	1 790 340
Trading assets	472 451	307 545	547 848
Trade and other receivables ¹	504 749	558 647	745 903
Non-current assets held for sale	9 299	-	-
Loans and advances ¹	8 962 923	7 215 701	8 130 704
Current taxation asset	54 684	35 539	39 766
Investment securities	618 268	559 432	584 147
Investments at fair value through profit or loss	549 022	523 157	529 397
Equity accounted associates	69 246	36 275	54 750
Property, equipment and right-of-use assets	180 899	197 389	183 082
Investment property	20 138	21 938	20 138
Intangible assets and goodwill	129 740	157 448	144 729
Deferred tax asset	43 374	33 510	45 380
Total assets¹	13 572 747	12 277 022	13 116 532
Liabilities			
Funding under repurchase agreements and interbank	730 285	500 154	803 976
Trading liabilities	494 070	326 281	518 596
Current taxation liability ¹	21 914	21 730	1 364
Trade and other payables ¹	698 847	497 327	945 020
Bank overdraft	73 524	35	68 541
Provisions	38 666	37 586	69 348
Lease liabilities	159 348	167 040	157 116
Deposits from customers	5 941 278	5 559 589	5 233 182
Debt securities issued	3 257 450	2 741 529	2 991 426
Long-term loans	293 417	723 977	499 521
Deferred tax liability	149 989	110 729	144 696
Total liabilities¹	11 858 788	10 685 977	11 432 786
Equity			
Ordinary share capital	321	321	321
Ordinary share premium	166 945	166 945	166 945
Reserves ^{1,2}	1 546 693	1 423 779	1 516 480
Total equity¹	1 713 959	1 591 045	1 683 746
Total liabilities and equity¹	13 572 747	12 277 022	13 116 532

¹ Prior periods by restatement, please refer to note 9 for additional information.

² Treasury shares were aggregated together with distributable reserves, as reserves.

Condensed consolidated statement of profit or loss and other comprehensive income

for the six months ended 31 December 2022

	31 December 2022 Unaudited R'000	31 December 2021 Unaudited Restated ¹ R'000	30 June 2022 Audited R'000
Interest and similar income ¹	685 257	496 791	1 059 052
Interest income calculated using the effective interest rate method ¹	669 005	481 281	1 033 288
Other interest income	16 252	15 510	25 764
Interest and similar expense	(347 210)	(227 479)	(480 771)
Interest expense calculated using the effective interest method	(338 734)	(224 461)	(469 526)
Other interest expense	(8 476)	(3 018)	(11 245)
Net interest income¹	338 047	269 312	578 281
Non-interest income	352 660	351 396	739 146
Net fee and commission income	221 560	212 981	439 303
Fee and commission income	327 341	311 998	639 301
Fee and commission expense	(105 781)	(99 017)	(199 998)
Gains and losses on financial instruments	78 755	74 410	152 461
Net gains or losses on the derecognition of financial instruments at amortised cost	55 625	9 692	25 847
Other gains or losses on financial instruments	23 130	64 718	126 614
Other Income	52 345	64 005	147 382
Total income¹	690 707	620 708	1 317 427
Credit impairment charges ¹	(81 582)	(7 779)	(46 608)
Net income after impairments¹	609 125	612 929	1 270 819
Total operating costs	(538 068)	(503 430)	(1 050 971)
Staff costs	(297 368)	(261 811)	(560 259)
Other operating expenses	(240 700)	(241 619)	(490 712)
Profit from operations¹	71 057	109 499	219 848
Share of associate income	14 496	5 471	14 146
Profit before income tax¹	85 553	114 970	233 994
Income tax expense ¹	(17 677)	(30 448)	(50 134)
Profit for the period¹	67 876	84 522	183 860
Other comprehensive income for the period	–	–	–
Total comprehensive income for the period¹	67 876	84 522	183 860
Profit and total comprehensive income attributable to:¹	67 876	84 522	183 860
Equity holders of the Group ¹	67 876	84 522	183 860
Earnings per share:			
Basic and diluted earnings per share (cents) ¹	220.57	274.66	597.47

¹ Prior periods by restatement, please refer to note 9 for additional information.

Headline earnings reconciliation

for the six months ended 31 December 2022

	Gross R'000	Tax impact R'000	Profit attributable to ordinary shareholders R'000
Earnings are determined as follows:			
31 December 2022			
Unaudited			
Earnings attributable to ordinary shareholders	85 553	(17 677)	67 876
Headline adjustable items	(233)	63	(170)
Investment property – fair value loss	–	–	–
Insurance claim proceeds	–	–	–
(Profit)/Loss on disposal of property and equipment	(233)	63	(170)
Headline earnings	85 320	(17 614)	67 706
31 December 2021			
Unaudited			
Earnings attributable to ordinary shareholders¹	114 970	(30 448)	84 522
Headline adjustable items	1 162	(260)	902
Investment property – fair value loss	1 162	(260)	902
Insurance claim proceeds	–	–	–
(Profit)/Loss on disposal of property and equipment	–	–	–
Headline earnings¹	116 132	(30 708)	85 424
30 June 2022			
Audited			
Earnings attributable to ordinary shareholders	233 994	(50 134)	183 860
Headline adjustable items	(22 156)	5 027	(17 129)
Investment property – fair value loss	1 162	(260)	902
Insurance claim proceeds	(22 172)	4 966	(17 206)
(Profit)/Loss on disposal of property and equipment	(1 146)	321	(825)
Headline earnings	211 838	(45 107)	166 731
	31 December 2022	31 December 2021	30 June 2022
	Unaudited	Unaudited Restated ¹	Audited
Headline earnings per ordinary share (cents)¹	220.02	277.59	541.81

¹ Prior periods by restatement, please refer to note 9 for additional information.

Condensed consolidated statement of changes in equity

for the six months ended 31 December 2022

	Ordinary share capital R'000	Ordinary share premium R'000	Treasury shares R'000 ³
31 December 2022			
Opening balance at the beginning of the period ²	321	166 945	(40 177)
Total comprehensive income for the period	–	–	–
Profit for the period	–	–	–
Transactions with owners recorded directly in equity			
Dividends to ordinary shareholders	–	–	–
Balance at the end of the period	321	166 945	(40 177)
31 December 2021			
Opening balance at the beginning of the period ²	321	166 945	(40 177)
Adjustment for correction of error (refer to note 9)	–	–	–
Restated opening balance	321	166 945	(40 177)
Total comprehensive income for the period ²	–	–	–
Profit for the period ²	–	–	–
Transactions with owners recorded directly in equity			
Preference share buy-back and cancellation, and transfer of reserves	–	–	–
Dividends to ordinary shareholders	–	–	–
Balance at the end of the period ²	321	166 945	(40 177)
30 June 2022			
Restated opening balance at the beginning of the year	321	166 945	(40 177)
Total comprehensive income for the year	–	–	–
Profit for the year	–	–	–
Transactions with owners recorded directly in equity			
Preference share buy-back and cancellation, and transfer of reserves ¹	–	–	–
Preference share buy-back accrual write back ¹	–	–	–
Dividends to ordinary shareholders	–	–	–
Balance at the end of the year	321	166 945	(40 177)

¹ Sasfin Holdings Limited entered into a scheme of arrangement whereby the Company acquired all of the non-redeemable, non-cumulative, non-participating variable rate preference shares in issue by way of a share buy-back. This took place on 5 July 2021. These shares have been cancelled. Therefore, there are nil preference shares in issue at 30 June 2022. The shares were acquired at a discount and the remaining balance was transferred directly to distributable reserves.

² Prior periods by restatement, please refer to note 9 for additional information.

³ Treasury shares were aggregated together with distributable reserves, as reserves.

	Distributable reserves ^{2,3} R'000	Total ordinary shareholders equity ² R'000	Preference share capital ¹ R'000	Preference share premium ¹ R'000	Total shareholders equity ² R'000
	1 556 657	1 683 746	–	–	1 683 746
	67 876	67 876	–	–	67 876
	67 876	67 876	–	–	67 876
	(37 663)	(37 663)	–	–	(37 663)
	1 586 870	1 713 959	–	–	1 713 959
	1 378 150	1 505 239	18	43 313	1 548 570
	27 103	27 103	–	–	27 103
	1 405 253	1 532 342	18	43 313	1 575 673
	84 522	84 522	–	–	84 522
	84 522	84 522	–	–	84 522
	43 331	43 331	(18)	(43 313)	–
	(42 321)	(42 321)	–	–	(42 321)
	1 490 785	1 617 874	–	–	1 617 874
	1 378 150	1 505 239	18	43 313	1 548 570
	183 860	183 860	–	–	183 860
	183 860	183 860	–	–	183 860
	43 331	43 331	(18)	(43 313)	–
	2 556	2 556	–	–	2 556
	(51 240)	(51 240)	–	–	(51 240)
	1 556 657	1 683 746	–	–	1 683 746

Condensed consolidated statement of cash flows

for the six months ended 31 December 2022

	31 December 2022 Unaudited R'000	31 December 2021 Unaudited Restated ¹ R'000	30 June 2022 Audited R'000
Cash flows from operating activities			
Interest received ¹	662 336	496 791	980 182
Interest paid	(346 955)	(227 479)	(471 259)
Fee and commission income received	327 341	311 998	639 299
Fee and commission expense paid	(105 781)	(99 017)	(199 998)
Net trading and other income received ¹	27 887	67 614	122 594
Cash payments to employees and suppliers	(482 794)	(443 090)	(910 687)
Cash inflow from operating activities¹	82 034	106 817	160 132
Dividends received	–	4 088	20 965
Taxation paid	(4 745)	(18 722)	(40 905)
Dividends paid	(37 663)	(42 321)	(51 240)
Cash flows from operating activities before changes in operating assets and liabilities¹	39 626	49 862	88 952³
Changes in operating assets and liabilities¹	100 258	152 955	(401 917)
(Increase) in loans and advances ¹	(811 783)	(466 551)	(1 307 896)
Decrease in trading assets	99 614	425 098	212 096
Decrease in negotiable securities	241 319	198 754	295 151
Decrease/(Increase) in trade and other receivables ¹	195 506	(121 893)	(306 869)
Increase in deposits from customers	708 096	826 826	500 418
(Decrease)/Increase in trade and other payables ¹	(245 296)	(118 650)	278 443
(Decrease) in provisions	(48 901)	(51 059)	(55 269)
(Decrease) in long-term loans	(206 104)	(6 927)	(231 383)
(Decrease)/Increase in funding under repurchase agreements and interbank	(73 691)	(199 913)	103 909
(Decrease) in trading liabilities	(24 525)	(332 676)	(140 361)
Increase/(Decrease) in debt securities issued	266 023	(54)	249 844
Net cash from operating activities¹	139 884	202 817	(312 965)

¹ Prior periods by restatement, please refer to note 9 for additional information.

² Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

³ Correction of presentation error that did not impact any other line items or subtotals.

	31 December 2022 Unaudited R'000	31 December 2021 Unaudited Restated ¹ R'000	30 June 2022 Audited R'000
Cash flows from investing activities			
Proceeds from the disposal of property and equipment	225	106	3 890
Proceeds from the disposal of investment property	–	–	23 972
Acquisition of property and equipment	(7 301)	(22 418)	(38 796)
Acquisition of investment securities	–	–	(1 382)
Acquisition of intangible assets	(2 514)	(11 980)	(15 665)
Acquisition of and restructures of associates	–	(10 715)	(20 515)
Advances of investment securities ¹	(350)	(14 193)	(10 512)
Repayments of investment securities ¹	868	21 397	28 655
Net cash flows from investing activities¹	(9 072)	(37 803)	(30 353)
Cash flows from financing activities			
Repurchase and cancellation of preference shares	–	(188 068)	(135 180)
Repayment of lease liabilities	(8 082)	(18 311)	(33 232)
Net cash flows from financing activities	(8 082)	(206 379)	(168 412)
Net increase/(decrease) in cash and cash equivalents ¹	122 730	(41 365)	(511 730)
Cash and cash equivalents at the beginning of the year ¹	815 954	1 344 465	1 344 465
Effect of exchange rate movements on cash and cash equivalents ¹	(5 566)	–	(16 781)
Cash and cash equivalents at the end of the period²	933 118	1 303 100	815 954

¹ Prior periods by restatement, please refer to note 9 for additional information.

² Cash and cash equivalents includes bank overdrafts that are repayable on demand and form an integral part of the Group's cash management.

³ Correction of presentation error that did not impact any other line items or subtotals.

Condensed consolidated segmental analysis

for the six months ended 31 December 2022

Management reports on three business segments and the Group and inter-segment elimination segment, which includes treasury. The business segments are Asset Finance, Business and Commercial Banking and Wealth.

	31 December 2022 Unaudited R'000	31 December 2021 Unaudited Restated ¹ R'000	30 June 2022 Audited R'000
Segment income (Including associate income)			
Asset Finance ²	298 575	266 918	604 525
Business and Commercial Banking ³	164 159	133 645	303 446
Wealth ^{4,5}	201 792	181 364	362 613
Group and Inter-segment Eliminations	40 677	44 252	60 989
Total segment income	705 203	626 179	1 331 573
Segment profit/(loss) before income tax			
Asset Finance ²	75 231	97 773	254 811
Business and Commercial Banking ³	(31 200)	17 224	(36 946)
Wealth ⁴	58 827	12 639	58 000
Group and Inter-segment Eliminations	(17 307)	(12 666)	(41 871)
Total segment profit	85 553	114 970	233 994
Segment assets			
Asset Finance ²	8 267 863	6 706 390 ⁶	7 829 017
Business and Commercial Banking ³	2 277 521	2 397 126	2 123 231
Wealth ⁴	829 326	602 446	1 108 173
Group and Inter-segment Eliminations	2 198 037	2 571 060 ⁶	2 056 111
Total segment assets	13 572 747	12 277 022	13 116 532
Segment liabilities			
Asset Finance ²	7 712 525	6 297 934 ⁶	7 340 902
Business and Commercial Banking ³	2 212 678	2 312 675	2 074 982
Wealth ⁴	619 765	440 126	931 484
Group and Inter-segment Eliminations	1 313 820	1 635 242 ⁶	1 085 418
Total segment liabilities	11 858 788	10 685 977	11 432 787

¹ Prior periods by restatement, please refer to note 9 for additional information.

² Asset Finance provides finance contracts for equipment via instalment sales, lease facilities or rental finance.

³ Business and Commercial Banking offers a range of banking options for businesses and individuals which includes Transactional banking (business accounts, investment accounts and personal accounts), forex and forex risk solutions, unsecured lending and Commercial Banking (specialised lending, commercial property lending, trade finance and debtor finance).

⁴ Incorporates all divisions related to wealth management, including Asset Management, Portfolio Management, Stockbroking, Fiduciary Services, Financial Planning as well as Wealth Advisory and Asset Consulting.

⁵ Wealth total income includes associate income as it is a key metric for the chief operating decision makers.

⁶ Calculation change in segment allocation of R2.897 million from Asset Finance to Group. 30 June 2022 amounts as presented were not impacted.

Selected explanatory notes to the condensed consolidated financial statements

Condensed interim consolidated financial statements

The Condensed Interim Consolidated Financial Statements comprise the following:

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

at and for the six months ended 31 December 2022.

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

Basis of preparation and presentation of the condensed interim consolidated financial statements for the six months ended 31 December 2022

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

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

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

The accounting policies applied in these unaudited, unreviewed Condensed Interim Consolidated Financial Statements for the period ended 31 December 2022 are in terms of International Financial Reporting Standards (IFRS) and are the same as those applied in the Group's Audited Consolidated Annual Financial Statements at the year ended 30 June 2022.

1. Non-current assets held for sale

	31 December 2022 Unaudited R'000	31 December 2021 Unaudited R'000
Non-current assets held for sale		
Investment property	–	–
Fair value at the beginning of the year	–	
Transfer from investment securities	9 299	
Total non-current assets held for sale	9 299	–

The investment security was reclassified to non-current assets held for sale.

Refer to note 7 for details on subsequent events.

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk

2.1 Credit risk exposure analysis

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

	Credit risk grading ECL staging	Net amount R'000	Total exposure R'000	Total ECL R'000	Coverage ratio %
Credit risk exposure analysis					
31 December 2022					
Maximum credit exposures of financial assets at amortised cost					
Cash and cash equivalents ¹		1 006 642	1 006 642	–	–
Negotiable securities ²		1 569 580	1 672 699	103 119	6.16
Loans and advances		8 488 353	8 960 679	472 328	5.27
Equipment finance		4 948 170	5 321 211	373 042	7.01
Capital equipment finance		2 254 926	2 285 944	31 018	1.36
Trade and debtor finance		616 884	623 276	6 393	1.03
Other loans		668 539	730 248	61 709	8.45
Guarantees ³		(166)	–	166	–
Trade and other receivables		504 749	552 330	47 582 ⁴	8.61
Net carrying amount		11 569 324	12 192 351	623 029	5.11
31 December 2022					
Off-balance sheet exposure to credit risk					
Letters of credit		37 725	37 725	–	–
Loan commitments		139 415	139 415	–	–
Financial guarantees issued		46 665	46 665	–	–
Total exposure to off-balance sheet credit risk		223 805	223 805	–	–
31 December 2022					
Maximum credit exposures on financial assets at FVTPL					
Loans and advances		474 571			
Trading assets		264 799			
Investment securities		549 022			
		1 288 392			
Total exposure to credit risk		13 081 521			

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

² Negotiable securities in stage 3 impairment are not considered to be liquid.

³ ECL on off-balance sheet exposures that specifically relates to the Loans and advances exposures.

⁴ Based on our current assessment of certain items included under trade and other receivables, the Group has raised a provision. The amount provided has been recognised as part of the impairment charge in profit or loss.

A			A and B			Default (C, D and E)		
Stage 1			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 %
1 006 642	–	–	–	–	–	–	–	–
1 401 893	1 140	0.08	–	–	–	270 806	101 979	37.66
7 767 003	67 576	0.87	256 632	20 500	7.99	937 044	384 252	41.01
4 707 441	59 474	1.26	125 861	15 781	12.54	487 909	297 787	61.03
2 073 847	5 328	0.26	54 612	1 952	3.57	157 485	23 738	15.07
542 811	968	0.18	43 120	425	0.99	37 345	5 000	13.39
442 904	1 640	0.37	33 039	2 342	7.09	254 305	57 727	22.68
–	166	–	–	–	–	–	–	–
505 243	493	0.10	–	–	–	47 089	47 089	100.00
10 680 780	69 209	0.65	256 632	20 500	7.99	1 254 939	533 320	42.50
37 725	–	–	–	–	–	–	–	–
139 415	–	–	–	–	–	–	–	–
46 665	–	–	–	–	–	–	–	–
223 805	–	–	–	–	–	–	–	–

SARB risk bucket/Credit risk grade

Categorisation of counterparty (IFRS 9)

A Good Book
B Special Mention
C Sub Standard
D Doubtful
E Loss

Stage 1 and Stage 2
Stage 2
Stage 3
Stage 3
Stage 3

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.1 Credit risk exposure analysis (continued)

	Credit risk grading ECL staging	Net amount ¹ R'000	Total exposure ³ R'000	Total ECL R'000	Coverage ratio ³ %
Credit risk exposure analysis					
31 December 2021 Restated⁴					
Maximum credit exposures of financial assets at amortised cost					
Cash and cash equivalents ¹		1 303 135	1 303 135	–	–
Negotiable securities ²		1 886 738	2 010 416	123 678	6.15
Loans and advances		6 880 435	7 364 775	484 340	6.58
Equipment finance		4 401 073	4 823 027	421 956	8.75
Capital equipment finance		1 452 396	1 485 202	32 807	2.21
Trade and debtor finance		568 726	577 544	8 819	1.53
Other loans		458 349	479 000	20 651	4.31
Guarantees ³		(108)	–	108	–
Trade and other receivables		558 647	559 140	493	0.09
Net carrying amount		10 628 955	11 237 466	608 511	5.42
31 December 2021					
Off-balance sheet exposure to credit risk					
Letters of credit		86 076	86 076	–	–
Loan commitments		4 073	4 073	–	–
Financial guarantees issued		90 149	90 149	–	–
Total exposure to off-balance sheet credit risk		180 301	180 301	–	–
31 December 2021					
Maximum credit exposures on financial assets at FVTPL					
Loans and advances		335 266			
Trading assets		272 199			
Investment securities		50 959			
		658 424			
Total exposure to credit risk		11 467 680			

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

² Negotiable securities in stage 3 impairment are not considered to be liquid.

³ ECL on off-balance sheet exposures that specifically relates to the Loans and advances exposures.

⁴ Prior periods by restatement, please refer to note 9 for additional information.

A Stage 1 12-month ECL ³ R'000	ECL R'000	Coverage ratio ³ %	A and B Stage 2 Lifetime ECL R'000	ECL R'000	Coverage ratio %	Default (C, D and E) Stage 3 Lifetime ECL R'000	ECL R'000	Coverage ratio %
1 303 135	–	–	–	–	–	–	–	–
1 673 408	2 085	0.12	–	–	–	337 008	121 594	36.08
6 381 166	79 268	1.25	328 503	33 324	10.14	655 106	371 748	56.75
4 165 086	57 953	1.39	199 051	27 045	13.59	458 890	336 957	73.43
1 418 736	13 651	0.96	37 750	3 393	8.99	28 716	15 763	54.89
507 031	4 538	0.90	29 750	576	1.94	40 763	3 704	9.09
290 312	3 017	1.04	61 952	2 310	3.73	126 736	15 323	12.09
–	108	–	–	–	–	–	–	–
559 140	493	0.09	–	–	–	–	–	–
9 916 849	81 844	0.83	328 503	33 324	10.14	992 114	493 341	49.73
86 076	–	–	–	–	–	–	–	–
4 073	–	–	–	–	–	–	–	–
90 149	–	–	–	–	–	–	–	–
180 301	–	–	–	–	–	–	–	–

SARB risk bucket/Credit risk grade

Categorisation of counterparty (IFRS 9)

A Good Book
B Special Mention
C Sub Standard
D Doubtful
E Loss

Stage 1 and Stage 2
Stage 2
Stage 3
Stage 3
Stage 3

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2022				
Equipment Finance				
Credit loss allowance balance beginning of the period	77 504	14 047	288 327	379 878
Transfers between stages	(1 319)	(2 042)	24 572	21 211
Stage 1 to Stage 2	(991)	–	–	(991)
Stage 2 from Stage 1	–	7 905	–	7 905
Stage 1 to Stage 3	(742)	–	–	(742)
Stage 3 from Stage 1	–	–	15 709	15 709
Stage 2 to Stage 1	–	(5 373)	–	(5 373)
Stage 1 from Stage 2	329	–	–	329
Stage 2 to Stage 3	–	(4 633)	–	(4 633)
Stage 3 from Stage 2	–	–	11 947	11 947
Stage 3 to Stage 1	–	–	(2 875)	(2 875)
Stage 1 from Stage 3	85	–	–	85
Stage 3 to Stage 2	–	–	(209)	(209)
Stage 2 from Stage 3	–	59	–	59
Net expected credit losses (released)/raised	(16 711)	3 776	(15 112)	(28 047)
ECL on new exposure raised	17 413	5 786	2 021	25 220
Subsequent changes in ECL input (total including transfers)	(28 864)	(829)	44 985	15 292
Change in ECL due to derecognition	(5 260)	(1 181)	(8 303)	(14 744)
Impaired accounts written off	–	–	(53 815)	(53 815)
Credit loss allowance balance end of the period	59 474	15 781	297 787	373 042

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2022				
Capital Equipment Finance				
Credit loss allowance balance beginning of the period	7 023	1 838	23 793	32 654
Transfers between stages	(115)	(662)	8 529	7 752
Stage 1 to Stage 2	(132)	–	–	(132)
Stage 2 from Stage 1	–	1 053	–	1 053
Stage 1 to Stage 3	(39)	–	–	(39)
Stage 3 from Stage 1	–	–	2 589	2 589
Stage 2 to Stage 1	–	(861)	–	(861)
Stage 1 from Stage 2	56	–	–	56
Stage 2 to Stage 3	–	(854)	–	(854)
Stage 3 from Stage 2	–	–	5 942	5 942
Stage 3 to Stage 1	–	–	(2)	(2)
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Net expected credit losses (released)/raised	(1 580)	776	(8 584)	(9 388)
ECL on new exposure raised	1 460	847	766	3 073
Subsequent changes in ECL input (total including transfers)	(2 840)	(16)	(6 920)	(9 776)
Change in ECL due to derecognition	(200)	(55)	(2 005)	(2 260)
Impaired accounts written off	–	–	(425)	(425)
Credit loss allowance balance end of the period	5 328	1 952	23 738	31 018

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis (continued)

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2022				
Trade and Debtor Finance				
Credit loss allowance balance beginning of the period	3 371	1 228	2 018	6 617
Transfers between stages	–	–	8	8
Stage 1 to Stage 2	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	1	1
Stage 2 to Stage 1	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 2	–	–	4	4
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	3	3
Net expected credit losses (released)/raised	(2 403)	(803)	2 974	(232)
ECL on new exposure raised	546	142	3 400	4 089
Subsequent changes in ECL input (total including transfers)	(972)	(155)	2	(1 124)
Change in ECL due to derecognition	(1 978)	(790)	(429)	(3 197)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the period	968	425	5 000	6 393

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2022				
Other loans				
Credit loss allowance balance beginning of the period	3 209	6 863	(44 360)	(54 432)
Transfers between stages	(160)	(3 532)	20 931	17 240
Stage 1 to Stage 2	(149)	–	–	(149)
Stage 2 from Stage 1	–	995	–	995
Stage 1 to Stage 3	(10)	–	–	(10)
Stage 3 from Stage 1	–	–	10 043	10 043
Stage 2 to Stage 1	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 2 to Stage 3	–	(4 527)	–	(4 527)
Stage 3 from Stage 2	–	–	9 544	9 544
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	1 344	1 344
Net expected credit losses (released)/raised	(1 410)	(989)	(7 564)	(9 963)
ECL on new exposure raised	277	149	350	776
Subsequent changes in ECL input (total including transfers)	(1 450)	(1 138)	2 988	400
Change in ECL due to derecognition	(237)	–	(10 902)	(11 139)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the period	1 640	2 342	57 727	61 709

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis (continued)

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2022				
Guarantees				
Credit loss allowance balance beginning of the period	1 671	–	–	1 671
Transfers between stages	–	–	–	–
Stage 1 to Stage 2	–	–	–	–
Stage 2 from Stage 1	–	–	–	–
Stage 1 to Stage 3	–	–	–	–
Stage 3 from Stage 1	–	–	–	–
Stage 2 to Stage 1	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Net expected credit losses (released)/raised	(1 505)	–	–	(1 505)
ECL on new exposure raised	–	–	–	–
Subsequent changes in ECL input (total including transfers)	(1 505)	–	–	(1 505)
Change in ECL due to derecognition	–	–	–	–
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the period	166	–	–	166

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2022				
Total loans and advances				
Credit loss allowance balance beginning of the period	92 779	23 975	358 479	475 233
Transfers between stages	(1 593)	(6 236)	45 042	37 213
Stage 1 to Stage 2 ⁴	(1 271)	–	–	(1 271)
Stage 2 from Stage 1	–	9 953	–	9 953
Stage 1 to Stage 3 ³	(792)	–	–	(792)
Stage 3 from Stage 1	–	–	19 343	19 343
Stage 2 to Stage 1 ⁵	–	(6 234)	–	(6 234)
Stage 1 from Stage 2	385	–	–	385
Stage 2 to Stage 3	–	(10 014)	–	(10 014)
Stage 3 from Stage 2	–	–	27 437	27 437
Stage 3 to Stage 1 ¹	–	–	(2 876)	(2 876)
Stage 1 from Stage 3	85	–	–	85
Stage 3 to Stage 2 ²	–	–	(209)	(209)
Stage 2 from Stage 3 ³	–	59	1 347	1 406
Net expected credit losses (released)/raised	(23 610)	2 761	(19 269)	(40 118)
ECL on new exposure raised	19 695	6 925	6 537	33 157
Subsequent changes in ECL input (total including transfers) ⁶	(35 630)	(2 138)	50 073	12 305
Change in ECL due to derecognition ⁷	(7 675)	(2 026)	(21 639)	(31 340)
Impaired accounts written off ⁸	–	–	(54 240)	(54 240)
Credit loss allowance balance end of the period	67 576	20 500	384 252	472 328

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

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

³ Clients classified as credit-impaired.

⁴ Clients 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).

⁵ Clients up to date and no qualitative indicators of SICR are present.

⁶ Include ECL move in the current stage for increases/decreases in client exposures.

⁷ Settlement of accounts.

⁸ No reasonable expectation of further recovery exists.

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis (continued)

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021 restated¹				
Equipment Finance				
Credit loss allowance balance beginning of the period	78 147	21 193	344 281	443 621
Transfers between stages	(1 234)	(5 996)	20 158	12 928
Stage 1 to Stage 2	(1 204)	–	–	(1 204)
Stage 2 from Stage 1	–	7 046	–	7 046
Stage 1 to Stage 3	(755)	–	–	(755)
Stage 3 from Stage 1	–	–	15 725	15 725
Stage 2 to Stage 1	–	(7 539)	–	(7 539)
Stage 1 from Stage 2	485	–	–	485
Stage 2 to Stage 3	–	(5 902)	–	(5 902)
Stage 3 from Stage 2	–	–	17 465	17 465
Stage 3 to Stage 1	–	–	(11 072)	(11 072)
Stage 1 from Stage 3	240	–	–	240
Stage 3 to Stage 2	–	–	(1 960)	(1 960)
Stage 2 from Stage 3	–	399	–	399
Net expected credit losses (released)/raised	(18 960)	11 848	(27 482)	(34 594)
ECL on new exposure raised	14 460	13 258	3 249	30 967
Subsequent changes in ECL input (total including transfers)	(28 012)	738	52 760	25 486
Change in ECL due to derecognition	(5 408)	(2 148)	(11 859)	(19 415)
Impaired accounts written off	–	–	(71 632)	(71 632)
Credit loss allowance balance end of the period	57 953	27 045	336 957	421 955

¹ Prior periods by restatement, please refer to note 9 for additional information.

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021				
Capital Equipment Finance				
Credit loss allowance balance beginning of the period	13 125	4 174	27 424	44 723
Transfers between stages	(20)	(727)	2 621	1 874
Stage 1 to Stage 2	(119)	–	–	(119)
Stage 2 from Stage 1	–	839	–	839
Stage 1 to Stage 3	(13)	–	–	(13)
Stage 3 from Stage 1	–	–	3 350	3 350
Stage 2 to Stage 1	–	(1 407)	–	(1 407)
Stage 1 from Stage 2	95	–	–	95
Stage 2 to Stage 3	–	(707)	–	(707)
Stage 3 from Stage 2	–	–	465	465
Stage 3 to Stage 1	–	–	(1 194)	(1 194)
Stage 1 from Stage 3	17	–	–	17
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	548	–	548
Net expected credit losses (released)/raised	545	(55)	(14 282)	(13 792)
ECL on new exposure raised	4 777	2 527	–	7 304
Subsequent changes in ECL input (total including transfers)	(3 830)	(550)	606	(3 774)
Change in ECL due to derecognition	(402)	(2 032)	(7 323)	(9 757)
Impaired accounts written off	–	–	(7 565)	(7 565)
Credit loss allowance balance end of the period	13 650	3 393	15 763	32 806

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis (continued)

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021				
Trade and Debtor Finance				
Credit loss allowance balance beginning of the period	8 692	2 543	6 992	18 227
Transfers between stages	(82)	(1 577)	17	(1 642)
Stage 1 to Stage 2	(105)	–	–	(105)
Stage 2 from Stage 1	–	27	–	27
Stage 1 to Stage 3	(2)	–	–	(2)
Stage 3 from Stage 1	–	–	17	17
Stage 2 to Stage 1	–	(1 604)	–	(1 604)
Stage 1 from Stage 2	25	–	–	25
Stage 2 to Stage 3	–	–	–	–
Stage 3 from Stage 2	–	–	–	–
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Net expected credit losses (released)/raised	(4 072)	(390)	(3 305)	(7 767)
ECL on new exposure raised	4 204	164	1 574	5 942
Subsequent changes in ECL input (total including transfers)	(1 744)	(259)	(102)	(2 105)
Change in ECL due to derecognition	(6 532)	(295)	(4 777)	(11 604)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the period	4 538	576	3 704	8 818

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021				
Other loans				
Credit loss allowance balance beginning of the period	11 709	16 531	327	28 568
Transfers between stages	(510)	(10 939)	13 812	2 363
Stage 1 to Stage 2	(474)	–	–	(474)
Stage 2 from Stage 1	–	409	–	409
Stage 1 to Stage 3	(36)	–	–	(36)
Stage 3 from Stage 1	–	–	562	562
Stage 2 to Stage 1	–	–	–	–
Stage 1 from Stage 2	–	–	–	–
Stage 2 to Stage 3	–	(11 348)	–	(11 348)
Stage 3 from Stage 2	–	–	13 250	13 250
Stage 3 to Stage 1	–	–	–	–
Stage 1 from Stage 3	–	–	–	–
Stage 3 to Stage 2	–	–	–	–
Stage 2 from Stage 3	–	–	–	–
Net expected credit losses (released)/raised	(8 183)	(3 281)	1 185	(10 279)
ECL on new exposure raised	1 187	62	556	1 805
Subsequent changes in ECL input (total including transfers)	(9 318)	(3 343)	629	(12 032)
Change in ECL due to derecognition	(52)	–	–	(52)
Impaired accounts written off	–	–	–	–
Credit loss allowance balance end of the period	3 016	2 312	15 324	20 652

Selected explanatory notes to the condensed consolidated financial statements continued

2. Credit Risk (continued)

2.2 Credit loss allowance analysis (continued)

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

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

	Stage 1 R'000	Stage 2 R'000	Stage 3 R'000	Total R'000
31 December 2021				
Total loans and advances restated⁹				
Credit loss allowance balance beginning of the period	111 888	44 443	379 023	535 354
Transfers between stages	(1 846)	(19 240)	36 607	15 521
Stage 1 to Stage 2 ⁴	(1 902)	–	–	(1 902)
Stage 2 from Stage 1	–	8 321	–	8 321
Stage 1 to Stage 3 ³	(807)	–	–	(807)
Stage 3 from Stage 1	–	–	19 654	19 654
Stage 2 to Stage 1 ⁵	–	(10 551)	–	(10 551)
Stage 1 from Stage 2	605	–	–	605
Stage 2 to Stage 3	–	(17 957)	–	(17 957)
Stage 3 from Stage 2	–	–	31 180	31 180
Stage 3 to Stage 1 ¹	–	–	(12 267)	(12 267)
Stage 1 from Stage 3	258	–	–	258
Stage 3 to Stage 2 ²	–	–	(1 960)	(1 960)
Stage 2 from Stage 3 ³	–	947	–	947
Net expected credit losses (released)/raised	(30 774)	8 120	(43 881)	(66 535)
ECL on new exposure raised	24 629	16 010	5 378	46 017
Subsequent changes in ECL input (total including transfers) ⁶	(42 865)	(3 415)	53 896	7 616
Change in ECL due to derecognition ⁷	(12 538)	(4 475)	(23 958)	(40 971)
Impaired accounts written off ⁸	–	–	(79 197)	(79 197)
Credit loss allowance balance end of the period	79 268	33 323	371 749	484 340

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

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

³ Clients classified as credit-impaired.

⁴ Clients 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).

⁵ Clients up to date and no qualitative indicators of SICR are present.

⁶ Include ECL move in the current stage for increases/decreases in client exposures.

⁷ Settlement of accounts.

⁸ No reasonable expectation of further recovery exists.

⁹ Prior periods by restatement, please refer to note 9 for additional information.

Selected explanatory notes to the condensed consolidated financial statements continued

3. Fair values of financial assets and financial liabilities

The Group's financial risk management objectives and policies are consistent with those disclosed in the Consolidated and Separate Annual Financial Statements at and for the period ended 30 June 2022.

Financial hierarchy

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

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

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

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

Level 3 – unobservable inputs for the asset or liability.

	Level 1 R'000	Level 2 R'000	Level 3 R'000	31 December 2022 Unaudited R'000	31 December 2021 Unaudited R'000	30 June 2022 Audited R'000
Financial assets	472 136	631	1 023 277	1 496 044	1 165 969	1 509 287
Investment securities ¹	316	–	548 706	549 022	523 158	584 147
Loans and advances at fair value through profit and loss	–	–	474 571	474 571	335 266	377 291
Trading assets	471 820	631	–	472 451	307 545	547 849
Financial liabilities	492 532	1 229	309	494 070	326 281	518 596
Trading liabilities	492 532	1 229	309	494 070	326 281	518 596

¹ Excluding equity accounted associates.

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

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the transfer has occurred. There were no transfers between Levels 1, 2 and 3 of the fair value hierarchy for the period ended 31 December 2022.

For cash and cash equivalents, negotiable securities, trade and other receivables, loans and advances, funding under repurchase agreements and interbank, trade and other payables, bank overdraft, deposits from customers, debt securities issued and long-term loans, the carrying amount (recognised at amortised cost) is considered a reasonable approximation of fair value.

Fair value of financial assets and financial liabilities	Investment Securities – excluding equity accounted associates	Loans and advances at fair value through profit or loss	Investment securities – non-current assets held or sale	Investment property – non-current assets held for sale	Investment property
December 2022					
Unaudited					
Movement in level 3 instruments					
Balance at the beginning of the period	529 122	377 291	–	–	20 138
Additions	–	–	–	–	–
Total gains or losses in profit or loss	29 750	42 068	–	–	–
Acquisition of investments	–	–	–	–	–
Disposal of investments	(868)	–	–	–	–
Advances	–	83 519	–	–	–
Repayments	–	(28 307)	–	–	–
Transfers	(9 299)	–	9 299	–	–
Balance at the end of the period	548 705	474 571	9 299	–	20 138
December 2021					
Unaudited					
Movement in level 3 instruments					
Balance at the beginning of the period	519 756	311 718	–	6 700	16 400
Additions	–	–	–	–	–
Total gains or losses in profit or loss	10 024	16 651	–	–	(1 162)
Acquisition of investments	–	–	–	–	–
Disposal of investments	(21 474)	–	–	–	–
Advances	14 559	6 897	–	–	–
Repayments	–	–	–	–	–
Transfers	–	–	–	(6 700)	6 700
Balance at the end of the period	522 865	335 266	–	–	21 938

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

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

Selected explanatory notes to the condensed consolidated financial statements continued

4. Changes in the composition of the Group

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

5. Related parties

There has been no material change, by nature or amount, in transactions with related parties since the 2022 financial year-end.

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

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

7. Subsequent events

Refer to note 2 for details on the investment security that was classified as a non-current asset held for sale at 31 December 2022. The sale is no longer considered to be highly probable.

There have been no other material events subsequent to 31 December 2022.

8. Dividends

Given the growth in lending activities and the challenging economic conditions, the Board of Directors of the Company has resolved not to pay an interim dividend for the six months ending 31 December 2022 (2021: 33.95026 cents).

9. Correction of prior year errors, restatements and reclassifications

As disclosed in Note 49 of the 2022 Group Annual Financial Statements, certain reclassifications and restatements were required in the 2022 financial year, which impacted the 31 December 2021 interim financial statements as summarised in the table.

	As previously reported R'000	Cash book recon- ciliation R'000	Recon- ciliations in Business and Com- mercial Banking (BCB) R'000	Recon- ciliations in Treasury R'000	Interest in suspense R'000	Cash flow statement reclassi- fication R'000	Restated R'000
31 December 2021							
Condensed consolidated statement of profit and loss and other comprehensive income							
Interest and similar income	491 308	–	–	–	5 483	–	496 791
Interest income calculated using the effective interest rate method	475 798	–	–	–	5 483	–	481 281
Net interest income	263 829	–	–	–	5 483	–	269 312
Total Income	615 225	–	–	–	5 483	–	620 708
Credit impairment charges	(44 202)	41 905	–	–	(5 483)	–	(7 779)
Net income after impairments	571 023	41 905	–	–	–	–	612 929
Profit from operations	67 593	41 905	–	–	–	–	109 499
Profit before income tax	73 064	41 905	–	–	–	–	114 970
Total income tax	(19 133)	(11 314)	–	–	–	–	(30 448)
Profit for the year	53 931	30 591	–	–	–	–	84 522
Total comprehensive income for the period	53 931	30 591	–	–	–	–	84 522
Earnings per share for profit attributable to ordinary equity shareholders of the Group:							
Basic and diluted earnings per share (cents)	175.25	99.41	–	–	–	–	274.66
Headline Earnings per share							
Headline earnings per ordinary share (cents)	178.19	99.40	–	–	–	–	277.59

Selected explanatory notes to the condensed consolidated financial statements continued

9. Correction of prior year errors, restatements and reclassifications (continued)

	As previously reported R'000	Cash book recon- ciliation R'000	Recon- ciliations in Business and Com- mercial Banking (BCB) R'000	Recon- ciliations in Treasury R'000	Interest in suspense R'000	Cash flow statement reclassi- fication R'000	Restated R'000
31 December 2021							
Condensed consolidated statement of financial position							
Assets							
Cash and cash equivalents	1 259 773	(36 167)	62 708	16 821	–	–	1 303 135
Trade and other receivables	543 732	–	14 915	–	–	–	558 647
Loans and advances	7 207 981	7 720	–	–	–	–	7 215 701
Total assets	12 211 025	(28 447)	77 623	16 821	–	–	12 277 022
Liabilities							
Current taxation liability	(10 415)	(11 314)	–	–	–	–	(21 730)
Trade and other payables	(415 815)	12 658	(77 624)	(16 821)	–	–	(497 327)
Total liabilities	(10 593 151)	1 344	(77 624)	(16 821)	–	–	(10 685 977)
Equity							
Reserves	(1 450 608)	26 829	–	–	–	–	(1 423 779)
Total equity	(1 617 874)	26 829	–	–	–	–	(1 591 045)
Total liabilities and equity	(12 211 025)	(28 173)	(77 624)	(16 821)	–	–	(12 277 022)

	As previously reported R'000	Cash book recon- ciliation R'000	Recon- ciliations in Business and Commer- cial Banking (BCB) R'000	Recon- ciliations in Treasury R'000	Interest in suspense R'000	Cash flow statement reclassi- fication R'000	Restated R'000
31 December 2021							
Condensed consolidated statement of cash flows							
Interest received	491 308	–	–	–	5 483	–	496 791
Net trading and other income received	78 005	–	–	–	–	(10 391)	67 614
Cash inflow from operating activities	111 725	–	–	–	5 483	(10 391)	106 817
Cash flows from operating activities before changes in operating assets and liabilities	54 771	–	–	–	5 483	(10 391)	49 862
Changes in operating assets and liabilities	204 355	41 905	(87 822)	–	(5 483)	–	152 955
(Increase)/Decrease in loans and advances	(502 973)	41 905	–	–	(5 483)	–	(466 551)
(Decrease) in trade and other receivables	(34 070)	–	(87 822)	–	–	–	(121 893)
Increase in trade and other payables	(118 650)	–	–	–	–	–	(118 650)
Net cash from operating activities	259 126	41 905	(87 822)	–	–	(10 391)	202 817
Repayments/(Advances) of investment securities	(3 186)	–	–	–	–	3 186	–
Repayments of investment securities	–	–	–	–	–	21 397	21 397
(Advances) of investment securities	–	–	–	–	–	(14 193)	(14 193)
Net cash flows from investing activities	(48 195)	–	–	–	–	10 391	(37 804)
Net increase/(decrease) in cash and cash equivalents	4 552	41 905	(87 822)	–	–	17 595	(41 365)
Cash and cash equivalents at beginning of the year	1 255 186	9 750	62 708	16 821	–	–	1 344 465
Cash and cash equivalents at the end of the year	1 259 738	(36 167)	62 709	16 820	–	–	1 303 100

Commentary

Purpose

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

Introduction

Economic growth remains a challenge for South Africa, which is now facing the additional global impacts of high inflation and rising interest rates compounded by the local energy crisis. While the economy has recovered somewhat from the impact of the Covid-19 pandemic, the landscape remains challenging, with high levels of unemployment and low levels of business confidence. Despite the economic challenges, global and local financial markets have been relatively resilient.

Financial performance

Group headline earnings for the six months ended 31 December 2022 reduced by 20.74% to R67.706 million (2021: R85.424 million), resulting in a decline in return on equity to 7.97% (2021: 10.70%).

Total income (including income from associates) increased by 12.62% to R705.203 million (2021: R626.179 million) with net interest income growing 25.52%, mainly due to strong loan book growth at healthy margins, while non-interest revenue remained flat. Total costs grew by 6.88% to R538.068 million (2021: R503.430 million). The strong income growth resulted in the cost-to-income ratio improving to 76.30% (2021: 80.40%).

Financial position

Total assets increased 10.56% to R13.573 billion (2021: R12.277 billion), as a result of strong growth in net loans and advances of 24.21% to R8.963 billion (2021: R7.216 billion). Core funding (excluding funding received under repurchase agreements) increased by 5.17% to R9.492 billion (2021: R9.025 billion) as deposits from customers increased to R5.941 billion (2021: R5.560 billion). Net available cash and near cash is at R1.605 billion (2021: R2.433 billion). Total ordinary shareholders equity increased by 7.66% to R1.713 billion (2021: R1.591 billion).

Despite higher equity, the Group capital adequacy ratio declined to 16.34% (2021: 17.37%), following strong loan growth. The liquidity coverage ratio and net stable funding ratio remain above regulatory requirements.

Credit performance

The reduction in earnings in the current period is largely due to higher impairment charges. In the first half of the prior year the Group saw a low impairment charge following strong recoveries as the Covid-19 pandemic abated. The credit loss ratio has therefore increased to 130 bps (2021: 23bps). The income statement impairment charge was further impacted by an amount of R47.6 million raised against trade and other receivables (please see note 2.1 for more detail).

The loan growth was primarily in loan portfolios that have a lower loss given default due to the embedded security underlying these loans, which in turn translates into the lower coverage ratios to 5.27% (2021: 6.58%). Over 40% of our Stage 3 loans are covered by independently valued security in the form of property and yellow metal equipment and/or insurance held from blue chip counterparties.

Since June 2022, Stage 3 loans have deteriorated to 10.46% (June 2022: 10.10%). We continue to work closely with those business clients with fundamentally strong business models, who have faced cash flow pressures as a result of the economic challenges.

Gross loans and advances at amortised cost	Exposure R'000	Exposure % of book	ECL R'000	Coverage ratio %
31 December 2022				
Stage 1	7 767 003	86.68	67 576	0.87
Stage 2	256 632	2.86	20 500	7.99
Stage 3	937 044	10.46	384 252	41.01
Total	8 960 679		472 328	5.27
30 June 2022				
Stage 1	7 132 287	86.68	92 778	1.30
Stage 2	264 906	3.22	23 976	9.05
Stage 3	831 471	10.10	358 497	43.12
Total	8 228 664		475 251	5.78
31 December 2021				
Stage 1	6 381 166	86.64	79 268	1.25
Stage 2	328 503	4.47	33 324	10.14
Stage 3	655 106	8.89	371 748	56.75
Total	7 364 775		484 340	6.58

Segmental overview

Asset Finance

Asset Finance operating profit declined 23.05% to R75.231 million (2021: R97.773 million), as a result of the higher impairments following strong loan growth and the impact of rising interest rates on fixed contract margins. Healthy growth experienced in the loan book boosted the book to over R8 billion, resulting in income growth of 11.86% to R298.575 million (2021: R266.918 million). We continue to diversify and expand our offering, with the well-secured Specialised Equipment Finance book, growing to 30% (2021: 23%) of the total Asset Finance book.

We also continue to invest in strengthening our operational, financial and technology capabilities in Asset Finance to support our ongoing growth in this area. Demand for securitisation paper which provides excellent funding, in addition to deposits, remains strong.

Commentary continued

Business and Commercial Banking

Business and Commercial Banking recorded an operating loss of R31.200 million (2021: profit of R17.224 million) mainly due to continued investment in Business Banking, and higher impairments following strong loan growth. Total Income grew 22.83% to R164.159 million (2021: R133.645 million) primarily from strong growth in the Commercial Banking (Trade and Debtor Finance, Specialised Lending and Commercial Property Finance) area, while Business Banking income remained flat.

Sasfin Wealth

Sasfin Wealth saw an increase in operating profit of 365.44% to R58.827 million (2021: R12.639 million), due to solid income growth and the effect of a one-off operational loss in the comparative period. Assets under management and advice (collectively referred to as AUM) remained steady at R62.836 billion (2021: R62.250 billion).

Foreign assets continue to comprise a substantial part of total AUM at 22% (2021: 25%). Sasfin Wealth's strong investment performance and distribution capability, continue to drive strong net inflows, particularly in Sasfin Asset Managers.

Investigation into suspected financial misconduct

As reported in our 30 June 2022 results, the South African Revenue Services (SARS) investigation into Gold Leaf Tobacco and associated companies, and the independent internal investigation into alleged misconduct by former and suspended employees are ongoing. We continue to work with the relevant authorities in this regard.

Prospects

Given the changing economic and competitive landscape, Sasfin is in the process of revisiting its strategy to drive the following key outcomes:

1. Living our purpose: Sasfin is committed to contributing to our society and, for the first time, became a level 1 B-BBEE contributor during the period. Sasfin Asset Managers recently announced a partnership with the Jobs Fund of National Treasury, which will enable Sasfin to provide funding to businesses that can demonstrate job creation. This follows the successful ongoing partnership with the Dutch Entrepreneurial Development Bank (FMO), where over R400 million of funding has been provided to youth, women and Covid-19 impacted businesses in the last 24 months, through our Nasira programme.
2. Backing our Champions: The Group is conducting a thorough strategic review, with the intent of focusing on strengthening and unlocking the potential of its core businesses, where our strong competitive capabilities reside.
3. Supporting our clients: South Africa has not been an easy environment for medium-sized businesses to operate in, over the past few years. Despite the economic challenges, most of our clients are performing exceptionally well, with 86% of our book in Stage 1. In the coming months we will continue to work closely with clients who are experiencing cashflow pressures and will endeavour to ensure that we have the on and off-balance sheet funding to support continued demand for credit.

Conclusion

Since June 2022 we have seen strong growth in our loan book and total funding and excellent continued growth in Sasfin Wealth. While the tough and uncertain economic conditions are likely to persist for some time, we are committed to supporting our core client base with our unique and competitive product and service offering, underpinned by robust and responsible lending practices, while ensuring we strengthen our compliance and operating environment.

Corporate details

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

Disclaimer

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

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

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

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

Notes

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