Integrated Report for the year ended 30 June 2019

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

sasfin beyond a bank | Holdings Limited

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Feedback
We welcome feedback that helps us provide meaningful and relevant information in our reports. Please contact us at investorrelations@sasfin.com.

SOCIAL AND ETHICS

Sasfin's responsible approach to doing business strengthens our long-term sustainability, supports positive contributions to society and minimises environmental impacts.

OPERATING CONTEXT

Sasfin adapts a stakeholder-inclusive approach and has an integrated risk management process that ensures that key risks are managed effectively within acceptable parameters.

GOVERNANCE

Sasfin has a mature governance structure and we are focused on ensuring accountability of senior management so that the Board can adopt a strategic oversight role. We appointed experienced executives last year which strengthened the first, second and third lines of defence in our combined assurance framework. They focused on building their teams, reviewing priorities and introducing innovative monitoring tools.

HOW PERFORMANCE IS REWARDED

The new performance incentive scheme focuses on the Group achieving sustainable growth in return on equity (ROE). The scheme combines short- and long-term components and improves transparency for participants. The scheme rewards performance at a Group, Pillar/business unit and individual level.

Report overview

SASFIN OVERVIEW

Sasfin Holdings Limited (the Group or Sasfin) is a bank-controlling company that listed on the JSE in 1987. Sasfin and its subsidiaries provide a comprehensive range of specialist financial products and services focused on the needs of asset suppliers, small and medium businesses, and institutional and private clients. Sasfin contributes to society by going *beyond a bank* to enable growth in the businesses and global wealth of our clients. Our business comprises three Pillars – Banking, Wealth and Capital.

REPORT COMPILATION

This Integrated Report covers Sasfin's activities for the financial year to 30 June 2019. The report's content was selected to meet the needs of stakeholders and reflect the Group's material matters. There were no restatements of previously disclosed information. Sasfin adopted IFRS 9 retrospectively without restating comparatives. The Board of Directors (Board) approved the report on 10 October 2019.

LEADERSHIP REVIEWS

Within the challenging South African macroeconomic environment, we focused on bedding down the solid foundation established in 2018 and concentrated on fine-tuning the fundamentals of our business. The Board focused on governance, credit, capital management, distribution and information technology.

Total income (including income from associates) grew 2.21% to R1.246 billion, total assets grew 1.97% to R14.601 billion, and gross loans and advances decreased by 0.18%. Credit quality improved markedly as evidenced by the better credit loss ratio of 102bps (2018: 197bps). The Group's investment in our emerging businesses as well as the enhancement of our corporate governance and technology contributed to an increase in the cost-to-income ratio to 76.59%. Our established businesses have a combined cost-to-income ratio of 66.89%. Given the embedded nature of much of the cost structure associated with being a highly regulated banking group, revenue growth remains our core focus and we refined our strategy to improve distribution in Sasfin's primary client segments. For a detailed financial review please refer to page 20.

PILLAR PERFORMANCE

The Banking Pillar provides asset finance and business banking services to asset suppliers and small and medium businesses. Headline earnings increased by 95.51%, primarily due to an 8.87% growth in income and a 39.60% improvement in impairment charges. We continue to see growth in the number of our clients using B\\YOND®, our digital banking platform, and we launched the Hello Paisa banking capability in May 2019. We increased our focus on the asset finance business, the significant contributor to the earnings of the Banking Pillar.

Sasfin Wealth grows the global wealth of our private and institutional clients. Headline earnings increased 28.80% to R40.351 million and assets under management and advice increased by 3.67% to R41.119 billion. We launched the Sasfin umbrella fund; our Flexible Income Fund won two Raging Bull awards; and Sasfin Asset Managers (Proprietary) Limited (SAM) achieved a level 1 Broad-Based Black Economic Empowerment (B-BBEE) rating. Sasfin Wealth saw meaningful growth in associate income from its investments in SCM DMA (Proprietary) Limited, formerly Saxo Capital Markets SA (Proprietary) Limited (DMA) and Efficient Group Limited (Efficient Group).

Sasfin Capital provides bespoke investment banking and financing solutions to mid-market businesses. The Capital Pillar delivered disappointing headline earnings for the year of R4.813 million, primarily due to lower corporate finance revenues and private equity valuations. The Pillar increased its focus on specialised debt solutions to medium-sized corporates, where Sasfin has a competitive edge and can achieve consistent and better quality earnings.

HUMAN CAPITAL

The Human Capital Department supports the Group strategy by attracting, developing and retaining Sasfin's human capital. We implemented the new performance incentive scheme, which includes key risk and value indicators, to incentivise appropriately. We invested R9.5 million in skills development initiatives. Employee turnover increased to 21.7%, partly due to decreased headcount in asset finance following the Absa Technology Finance Services (Proprietary) Limited (ATFS) acquisition in 2018. The Group also conducted an employee engagement survey.

INFORMATION TECHNOLOGY (IT)

IT is a key enabler in achieving the Group strategy and driving Sasfin's client-centric model. We established the structures necessary to bring IT and business closer together to effectively execute IT projects and measure their returns. We implemented a new asset finance system and a new foreign exchange solution. We made good progress on the risk data aggregation and risk reporting (RDARR) system implementation.

Report objectives

This Integrated Report provides information regarding Sasfin's activities for the period 1 July 2018 to 30 June 2019 and is the primary report in our reporting suite. It provides our key stakeholders (page 56) with an overview of our strategy (page 23), business model (page 12), performance for the year and short- and medium-term outlook.

The report includes relevant financial and non-financial information, with an emphasis on Sasfin's material matters (page 8). These are defined as matters that have the most potential to materially affect the Group's ability to remain commercially viable in the short-, medium- and long-term. In determining these matters, we also consider matters that could significantly influence our stakeholders' assessments and related decisions regarding our long-term sustainability.

Scope and boundary

This report covers the activities and prospects of Sasfin and its subsidiaries, excluding our associated companies and investments. The Group's interests in subsidiaries, structured entities and associates are disclosed in note 39 to the Consolidated and Separate Annual Financial Statements.

There were no significant changes to the size, structure or ownership of the Group since the 2018 Integrated Report, other than the increase of Sasfin's holding in Efficient Group which resulted in the Group accounting for it as an associate. Refer to page 35 for more information. No previously disclosed information was restated.

International Financial Reporting Standard (IFRS) 9 *Financial Instruments*, became effective from 1 July 2018. The Group has, as permitted by IFRS 9, elected not to restate its comparative financial information. Therefore, the comparative financial information was prepared on an International Accounting Standard (IAS) 39 *Financial Instruments: Recognition and Measurement* basis.

The cumulative impact of adopting IFRS 9 was applied retrospectively with an adjustment to the Group's opening 1 July 2018 reserves.

In preparing this report and other reports in our reporting suite, we were guided by several local and international frameworks and guidelines. These include, but are not limited to, the:

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

ICONS USED IN OUR REPORT

These icons clarify the trend in **key performance indicators** (KPIs):

Positive result — Unchanged/satisfactory — Negative result

0 This icon indicates disclosure for a specific **King IV™** principle. Refer to page 104 for the King IV™ application summary.

These icons show connectivity to our **strategy**.

- PC People and culture
- OC Organisational capacity
- T Transformation
- S Sales
- PU Product, user experience and innovation
- GO Growing our offshore exposure
- CQ Credit growth and quality
- CM Capital management and planning

These icons indicate our five primary client **segments**.

- Asset suppliers
- Medium businesses
- Institutional clients
- Private clients
- Small businesses

Reporting suite

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

Integrated Report 2019
Sasfin's primary report, which presents our strategy, business model, performance and outlook.

Notice of Annual General Meeting 2019
Provides shareholder administrative information and the notice of the Sasfin Holdings Annual General Meeting.

Annual Financial Statements 2019
Sasfin Holdings Limited's Annual Financial Statements, including risk and capital management disclosures.

Annual Results Booklet 2019
Summarised Unaudited Consolidated Financial Statements and commentary for the year ended 30 June 2019.

Report assurance 15

Sasfin's combined assurance framework (page 80) supports the Board in ensuring that this report is reliable and useful. The framework uses the concept of four lines of defence. The table below shows the sources of assurance provided over various aspects of the reporting suite. The Group Executive Committee (Group Exco), Group Audit and Compliance Committee (GACC) and Board reviewed and approved the content of this report.

	Assurance provider (lines of defence)				
Content	**First**	**Second**	**Third**	**Fourth**	**Framework/standard**
Annual Financial Statements	Group Finance and Group Exco	Not applicable	Group Internal Audit	PricewaterhouseCoopers Inc. (PwC)[1]	• IFRS • Companies Act • JSE Listings Requirements
Regulatory returns in terms of the Banks Act	Group Finance and Group Treasury	• Group Risk • Group Compliance	Not applicable	PwC[1]	Banks Act
B-BBEE contribution	Group Exco	Not applicable	Not applicable	National Empowerment Rating Agency[1]	B-BBEE Codes of Good Practice
Corporate governance	Group Exco and Company Secretarial	• Group Risk • Group Compliance	Group Internal Audit	Not applicable	• Banks Act • Companies Act • JSE Listings Requirements • King IV™ • Basel Committee on Banking Supervision • Financial Advisory and Intermediary Services Act (FAIS) • International Standards for the Professional Practice of Internal Auditing
Non-financial information	• Group Exco • Company Secretarial • Group Finance • Human Capital	• Group Risk • Group Compliance	Group Internal Audit	Not applicable	• Internal models, policies and frameworks • International Standards for the Professional Practice of Internal Auditing
Review of internal controls and risk management	Group Finance	Group Risk	Group Internal Audit	PwC[1] (where internal controls relate to financial reporting)	• International Standards for the Professional Practice of Internal Auditing • Internal models, policies and frameworks • Banks Act

[1] *External assurance providers.*

Board approval

The Board acknowledges its responsibility for overseeing the integrity and completeness of this Integrated Report. It applied its collective mind to the report's preparation and presentation, including the appropriateness of the reporting frameworks used. As a collective, the Board appropriately and diligently considered these aspects, including material matters, and believes the report reflects the Group's performance and strategy accurately.

The Board believes in good corporate governance and applies King IV™. King IV™ disclosures are incorporated in this report and a disclosure matrix is on page 104. The Board is of the view that this report aligns with the <IR> Framework.

The Board approved the 2019 Integrated Report on 10 October 2019.

Roy Andersen
Chair

Michael Sassoon
Group Chief Executive Officer

Angela Pillay
Group Financial Director

DISCLAIMER

The Group has, in good faith, made a reasonable effort to ensure the accuracy and completeness of 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 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 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 or consequential loss or damage.

An overview of Sasfin

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

Our goal is to support South Africa's entrepreneurs and investors to effectively grow their businesses and global wealth. Our strategy aims to drive long-term value creation – guiding our day-to-day actions with a focus on meeting the needs of our five primary client segments. We work closely with these clients to understand their needs and provide customised solutions to the challenges they face through our agile, high-touch model. We aim to minimise bureaucracy and prioritise innovative solutions while ensuring strong corporate governance.

Sasfin's strong human capital, brand strength, broad range of products, regulated status and solid balance sheet differentiate us from smaller peers and new entrants. Our agile approach and personal touch differentiate us from larger peers.

PRIMARY CLIENT SEGMENTS

(page 23)

R
ASSET SUPPLIERS

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

M
MEDIUM BUSINESSES

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

INSTITUTIONAL CLIENTS

Corporates and pension funds that require investment solutions

PRIVATE CLIENTS

Individuals looking for local and global investment advice and solutions

S
SMALL BUSINESSES

Businesses that require digitally orientated, seamless banking and financial solutions

OUR STRATEGIC FOCUS AREAS

(page 24)

- **PC** People and culture
- **OC** Organisational capacity
- **T** Transformation
- **S** Sales
- **PU** Product, user experience and innovation
- **GO** Growing our offshore exposure
- **CQ** Credit growth and quality
- **CM** Capital management and planning*

*New

By helping entrepreneurs and investors to reach their goals, while ensuring that Sasfin remains a profitable and sustainable business, we contribute to South Africa by helping businesses grow. This drives employment, alleviates poverty and grows the tax base. It also helps investors grow their wealth, which improves savings rates. These are critical outcomes for the sustainable development of South Africa – they facilitate entrepreneurial and savings growth, which feeds into economic growth and supports socioeconomic development.

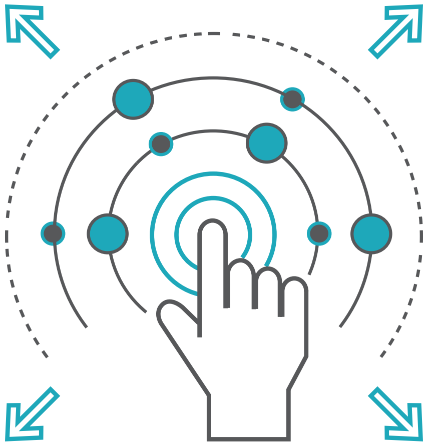
What guides Sasfin?

OUR PURPOSE

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

OUR CULTURE

Sasfin's client-centric approach to doing business is based on a strong ethical culture and an entrepreneurial spirit. We pride ourselves on our personalised, tailored service, and the use of technology to enhance our client relationships.



OUR BRAND

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

OUR PRODUCTS

We provide a comprehensive range of specialist financial products and services for business and wealth clients. Our financial products and services focus on the needs of asset suppliers, entrepreneurs, corporates, institutions, high-net-worth individuals and investors.

OUR VALUES AND BEHAVIOURS

Integrity

We operate with the utmost honesty, ensuring that ambition is always tempered by uncompromised conduct.

Respect

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

Greatness

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

Partnership

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

Sasfin's structure

The Group comprises three Pillars – Banking, Wealth and Capital – which are supported by central functions, including finance, human capital, company secretarial, IT, credit and marketing, as well as governance structures such as risk, audit and compliance. Sasfin's continuing investment in technology provides innovative solutions to our clients, facilitates synergies between the Pillars, and supports cross-selling of products and solutions across the client base.

Sasfin's head office is in Johannesburg and we have regional offices in four South African provinces and eight cities, as well as a wholly owned subsidiary company in Hong Kong, which we are moving to Mauritius (page 117). We have 733 employees across the Group.

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

Banking Pillar (page 30)

Client segments
- Asset suppliers
- Medium businesses
- Private clients
- Small businesses

Leadership
Head: Asset Finance:
Linda Fröhlich
Chief Operating Officer (COO):
Maston Lane

Service offering
Asset finance
Transactional banking
Foreign exchange
Trade and debtor finance
Treasury

Primary risks
Credit
Funding and liquidity
Capital management

Wealth Pillar (page 34)

Client segments
- Institutional clients
- Private clients

Leadership
CEO:
Erol Zeki

Service offering
Private clients: global portfolio management and stockbroking
Asset management
Asset consulting
Healthcare consulting
Fixed-income broking

Primary risks
Market
Reputational
Operational

Capital Pillar (page 40)

Client segments
- Medium businesses

Leadership
Head:
Francois Otto

Service offering
Private equity
Property equity and debt solutions
Corporate finance and special opportunities
Strategic investments

Primary risks
Market
Investment
Credit

Corporate services
Supports the Pillars by providing functional assistance comprising:

- Company Secretarial
- Compliance (page 78)
- Risk (page 60)
- Internal Audit (page 80)
- Credit
- Facilities
- Human Capital (page 44)
- Information Technology (page 50)
- Finance
- Legal
- Marketing

Sasfin's material matters 5

This Integrated Report focuses on the matters that most significantly affect our commercial viability in the short-, medium- and long-term. Sasfin's strategy aims to appropriately manage the risks arising from these material matters while optimising the opportunities they present.

The material matters are derived by considering various elements, including the relevant concerns raised by stakeholders (page 56), Sasfin's key risks (page 60), the prevailing business environment and our strategy (page 23). The Board reviewed and approved these material matters.

The investment required to address several of these material matters over the past few years has had a significant impact on the Group's cost base. This, in conjunction with low revenue growth, contributed to the increase in the cost-to-income ratio. This investment is particularly relevant in the resources required to meet increasing regulatory requirements, attracting and retaining a high-performing team and the necessary investment in technology and innovation.

CHALLENGING ECONOMIC AND POLITICAL CONDITIONS

The ongoing weak economic environment and political uncertainty affect small and medium businesses disproportionately, compared to more established businesses. The resulting low business growth and reduced risk taking in these key client markets lead to lower growth in the Group's loans and advances and an increased risk of credit defaults. Volatility in exchange rates impacts the Group's trade finance and foreign exchange clients.

Continued weak equity markets limit growth in assets under management in the Wealth Pillar. Slow economic growth and political concerns in South Africa drive demand from local investors for Rand-hedge stocks and offshore assets.

Management's ability to control
Low

Stakeholders

- Clients
- Shareholders
- Providers of financial capital

Mitigating the risk and maximising the opportunity

Through our client-centric business model we are able to understand the challenges clients face and can position ourselves to provide solutions to them. Our management structure and entrepreneurial spirit enable us to respond quickly and appropriately when markets change and to capitalise on opportunities and mitigate threats effectively. Sasfin is committed to responsible lending practices and we are becoming more focused on cost containment without limiting the financial investment necessary to achieve our strategic goals.

Our treasury function manages capital, funding and liquidity requirements to ensure we can grow our business sustainably and comply with the regulatory and Board-approved ratios.

Developing offshore earnings remains one of the Group's strategic focus areas.

Strategy

- OC Organisational capacity
- S Sales
- GO Growing our offshore exposure
- CQ Credit growth and quality
- CM Capital management and planning

Further reading
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CLIENT-CENTRICITY

Sasfin delivers a high-touch service to our primary client segments (page 5) and increasingly deploys client-centric technology to meet their evolving needs and service expectations. This client-centric approach is particularly important when the economic conditions are challenging.

The small and medium business market is becoming increasingly competitive with the entry of new financial technology (fintech) companies and banks, and an increased focus in this area from established competitors. A similar trend is evident in the market for retail and institutional investors.

Management's ability to control
High

Stakeholders
- Clients
- Providers of financial capital

Mitigating the risk and maximising the opportunity

Sasfin has strengthened its human capital base and is deploying innovative and value-adding financial solutions that aim to meet and exceed clients' expectations while remaining cost effective. The Group's investment in digital solutions allows clients to access our services conveniently and safely, and creates opportunities for new products and services.

We are an agile organisation which effectively and efficiently meets clients' needs while maintaining an appropriate risk culture. Our close relationship with our clients deepens trust, develops the Sasfin brand and strengthens long-term relationships.

We refined our strategic focus by formalising our five primary client segments and aligning each segment with our strategic focus areas.

Strategy

PC People and culture

OC Organisational capacity

S Sales

PU Product, user experience and innovation

Further reading

Page 6
Page 19
Page 44
Page 50
Page 56

CREDIT QUALITY

Continued weakness in the South African economy has resulted in increased stress on small and medium enterprises (SMEs). This has led to a deterioration in the overall credit quality of this market, which must be appropriately managed to ensure that credit losses remain within risk tolerance levels.

Management's ability to control
Medium

Stakeholders
- Clients
- Shareholders
- Providers of financial capital

Mitigating the risk and maximising the opportunity

Credit risk is managed by our strengthened credit team and monitored and measured through Sasfin's risk management processes to support competitive and appropriate offerings to clients. Our investment in enhancing our credit capabilities and processes last year resulted in an improvement in credit performance in 2019. Improving the granularity of our client base to reduce concentration risk remains a focus.

Strategy

PC People and culture

OC Organisational capacity

CQ Credit growth and quality

Further reading

Page 18
Page 62

A HIGH-PERFORMING TEAM

Sasfin's human capital (our employees) is integral to the Group's ability to deliver products and services that exceed clients' expectations. Our human capital processes aim to build and retain a capable team of talented and empowered high-performing employees that embody the Group's ethical and entrepreneurial culture. We believe that sustainable transformation of our workforce is a social and business imperative.

The shortage of specialist skills in the South African market, particularly in the financial services and IT sectors, remains a challenge.

Management's ability to control
High

Stakeholders
- Clients
- Employees

Mitigating the risk and maximising the opportunity

We offer a compelling employee value proposition to attract, develop and retain people who can deliver our strategy. Transformation is a key aspect of succession plans and recruitment policies and practices to drive effective and sustainable transformation.

Training and skills development are important focus areas. We expanded our South African Institute of Chartered Accountants (SAICA) accredited chartered accountant (CA) training programme. Key value indicators were added in the new incentive scheme to drive ethical and respectful behaviour, and performance expectations were increased and embedded in performance management and incentive processes.

Strategy
- PC People and culture
- OC Organisational capacity
- T Transformation
- PU Product, user experience and innovation

Further reading
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INCREASING REGULATORY REQUIREMENTS

Meeting increasing regulatory requirements demands a significant investment in time, technology, training and governance structures. Sasfin is impacted by the South African financial services' regulatory frameworks, particularly Twin Peaks and Basel III.

The increasingly complex South African regulatory environment impacts our operations directly. It also affects our clients by making it more costly and complex for entrepreneurs to establish and grow their businesses.

Management's ability to control
Low

Stakeholders
- Clients
- Providers of financial capital
- Regulators

Mitigating the risk and maximising the opportunity

Regulatory compliance and risk management are central to Sasfin's culture and how we do business. We have an active and engaged Board that oversees a robust governance, risk and compliance structure. We have introduced a more robust capital planning process led by the Group Risk and Capital Management Committee (GRCMC).

Our technology solutions aim to reduce the complexity of doing business for clients and offer seamless on-boarding processes while ensuring effective compliance.

Strategy
- PC People and culture
- OC Organisational capacity
- PU Product, user experience and innovation
- CM Capital management and planning

Further reading
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TECHNOLOGY AND INNOVATION

Sasfin's strategy leverages technology and innovation to support the development and delivery of new products and services, improve the client experience, increase efficiencies and enable integrated reporting. Investors and entrepreneurs seek increased access to information and digital interaction, and information security is a growing concern.

Innovation challenges in the financial sector include disruptive advances in technology, new fintech competitors and increasingly sophisticated cybercrime. Implementing the IT solutions required to deliver our strategy and keep pace with technological developments represents a significant ongoing business cost.

Management's ability to control
High

Stakeholders

- Clients
- Providers of financial capital
- Regulators

Mitigating the risk and maximising the opportunity

Our focus on innovation, human capital development and technology solutions aims to deepen our relationships with clients by reducing red tape during on-boarding, improving reporting and providing value-adding tools. We conduct an annual review of the Group's mitigation of cyber risk in conjunction with a co-source partner which is approved by the SARB PA.

We prioritise solutions required to meet regulatory requirements, deliver our IT strategy and provide proactive compliance. We invest in our IT systems to remain current and enter into strategic partnerships and bolt-on fintech acquisitions where these best serve client needs.

Strategy

PC People and culture

OC Organisational capacity

PU Product, user experience and innovation

Further reading

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Sasfin's business model

The graphic below illustrates how we use the six capitals as defined in the <IR> Framework and balance the inevitable trade-offs between them to create value through our business activities over the short-, medium- and long-term.

INPUTS

FINANCIAL CAPITAL

- Total equity[1] of **R1.59 billion** (2018: R1.55 billion)
- Liquidity position of **R4.4 billion** (2018: R3.9 billion)
- Capital, debt and equity funding
- Cash generated from the Pillars
- **R50 million** net investment in emerging businesses

HUMAN CAPITAL

- **733** employees (2018: 775)
- Specialised knowledge and skills
- Strong leadership

INTELLECTUAL CAPITAL

- Brand and reputation
- IT systems, processes and procedures
- Innovative services and products

MANUFACTURED CAPITAL

- **R75.2 million** invested in software, computer equipment, property, plant and equipment (2018: R88.2 million)

SOCIAL AND RELATIONSHIP CAPITAL

- Our relationships with key stakeholders (page 56)

NATURAL CAPITAL

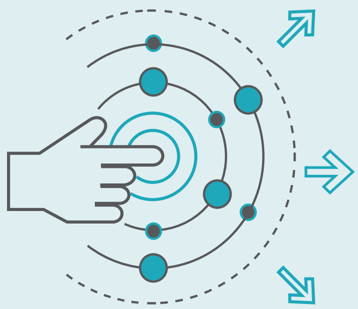
- Electricity and water conservation through the promotion of sustainable lending practices for renewable and alternative energy solutions

[1] *Total equity excludes preference shares.*

BUSINESS ACTIVITIES

The Group designs, develops and provides financial products and services that aim to protect and grow our clients' net assets and satisfy their specific needs. Client-focused products and services offer financial solutions across the stages of business and personal wealth life cycles.

We make strategic investments in fintech and other assets that align with our strategy.



OUTPUTS (OUR KEY PRODUCTS AND SERVICES)

- Extend credit to clients in the form of equipment finance, trade finance, debtor finance and term lending
- Facilitate payments and transactions
- Provide treasury and foreign exchange services
- Offer savings and investment products
- Grow our clients' wealth through local and global asset management, portfolio management, stock broking and wealth advisory services
- Offer advice through institutional consulting, corporate advisory and acting as a JSE sponsor
- Provide capital for investment financing
- Pay interest on deposits and earn interest on credit extended
- Generate a return on our private equity and property equity portfolios

OUTCOMES

FINANCIAL CAPITAL

- Headline earnings per share increased to **501.00 cents** (2018: 381.21 cents)
- Cost-to-income ratio increased to **76.59%** (2018: 71.46%)
- Dividend paid of **99.88 cents** (2018: 151.26 cents)

HUMAN CAPITAL

- Employee costs of **R504.4 million** (2018: R453.7 million)
- Investment in employee development through skills development and training spend of **R9.5 million** (2018: R9.0 million)
- **37** employees trained through the Sasfin Learning Academy, including eight CA trainees
- Reduction in headcount primarily within asset finance, following the ATFS integration

INTELLECTUAL CAPITAL

- Increased utilisation of IT systems to drive internal synergies between departments
- Investment in development, maintenance and enhancement of IT infrastructure of **R281.6 million** (2018: R192.7 million)
- Strategic investment in Payabill (page 43)
- Strategic alliance banking agreement with Hello Paisa (page 33)
- SAM won two Raging Bull awards for the Sasfin Flexible Income Fund (page 37)

MANUFACTURED CAPITAL

- Investment in IT and rollout of new technology systems increased efficiencies and improves the client experience (page 52)

SOCIAL AND RELATIONSHIP CAPITAL

- Direct taxes of **R48.8 million** (2018: R71.4 million)
- Corporate social investment (CSI) spend of **R2.6 million** (2018: R1.7 million) made a difference to Afrika Tikkun and Smile Foundation, among others
- Maintained appropriate relationships with regulators through regular interactions

NATURAL CAPITAL

- Committed to reducing carbon emissions
- Applied international accredited social and environmental management system in assessing the impact of our financing activities

Sasfin's strengths, weaknesses, opportunities and threats

Our assessment of Sasfin's strengths, weaknesses, opportunities and threats is set out below. The Group's enterprise risk management framework adequately mitigates the risks inherent in the threats we face. Our strategy aims to maximise opportunities and play to our strengths while improving our weaknesses.

Strengths

- Well-known and respected brand
- High-touch, client-centric approach where clients have access to senior decision-makers
- Comprehensive range of financial products and service offerings including a diverse set of global investment solutions
- Strong and diverse client base with good representation in rental finance and private client wealth management
- Solid and diverse funding base with growing deposittaking capabilities
- Skilled and experienced management and employees, and an effective Board
- Supportive majority shareholders with a long-term perspective

Opportunities

- Established base from which to scale up our business, widen our product offering, attract new target markets and increase our geographical reach at a relatively low, incremental fixed cost
- Good potential acquisitions could emerge in the challenging economic environment
- Women Investment Portfolio Holdings' (WIPHOLD) strategic shareholding allows us to leverage institutional business off our B-BBEE credentials
- New technology deployments can attract new clients and drive scale
- Increase cross-selling across the Pillars

Weaknesses

- Integrating new IT systems have been challenging, and legacy systems in certain areas remain a weakness
- Given our fixed overhead costs, including risk and compliance-related costs, we currently lack scale to optimise profitability
- Inadequate granularity of our loan book, including the potential impact of impairments
- Lack of transformation at senior leadership level

Threats

- All the risks inherent in banking, including fraud, credit, regulatory, reputational, funding and liquidity risks
- Cybercrime
- Competition from new fintech disruptors, new banks and new initiatives from peers
- Significant macroeconomic and political risks
- Deterioration of credit quality in our target markets

B\\YOND® – reducing the hassle in opening and running a small business bank account

B\\YOND® is Sasfin's digital banking platform built for business that is helping South African entrepreneurs grow their businesses by minimising the time they spend on banking, finance and administration. The sophisticated technology includes free value-adding tools essential for running a business, allowing entrepreneurs to focus on their clients – driving revenue and enhancing their products and services.

B\\YOND® online applications: Businesses with multiple shareholders and directors can apply online by uploading documents and signing the application digitally.

B\\YOND® payroll: A simple-to-use and SARS-compliant payroll function enables business owners to perform their own payroll management.

B\\YOND® invoicing: Businesses can create and send personalised quotes and invoices directly from the platform.

B\\YOND® insights: Smart dashboards generated through account and transaction classification and tagging help manage revenue and expenses, and keep track of projects.

B\\YOND® integrations: Direct-feed integration ensures that small businesses and their accountants can safely and seamlessly connect their Sasfin Bank transactional data with Xero, the world's fastest-growing cloud-based accounting software provider.

B\\YOND® the individual: The solution offers enhanced roles for multiple users (capturers and approvers) with built-in security.

Additional functionality is added regularly such that B\\YOND® has become a business analytics tool that entrepreneurs can access through their internet banking platform.

Uptake has been strong since its launch in April 2018, with more than 1 500 registrations at year-end.


Key stakeholders at the launch function for B\\YOND®

The Chair's letter to stakeholders 2 6 7 9 16

The year's improved performance is a credit to Sasfin's people. The results were built on resilience and teamwork, as well as the positive tension created by the increased emphasis on performance. We thank all Sasfin stakeholders for contributing towards this improved performance.

Despite continued weakness in the South African economy and ongoing political uncertainty, the country appears to be approaching an inflection point. Investors have been reassured by President Cyril Ramaphosa's commitment to growing the economy and rooting out corruption. Our role as a business is to support him and play our part in ensuring that these positive efforts succeed.

Sasfin has an important part to play through our client base, which primarily comprises entrepreneurs who operate small and medium businesses and investors. By supporting growth in these market segments, we support job creation and economic growth that contribute to growth and stability in the broader economy.

LEADING VALUE CREATION IN THE GROUP

Sasfin recognises that good corporate governance is essential to sustain trust and confidence with our stakeholders. The Group's governance framework and approach align with the four key outcomes of King IV™ – ethical culture, good performance, effective control and legitimacy – as well as the corporate governance requirements set out in Regulation 39 of the Banks Act Regulations, and the Basel III principles of corporate governance.

The Board concentrated on monitoring the outcome of last year's Group CEO transition, and the restructuring and strengthening of executive management. We believe these have gone well. In this regard, I would like to thank Michael Sassoon and his executive team for their commitment and hard work during the year.

Information technology is a crucial enabler for Sasfin's business model and an area of continual change and disruption in the financial services industry. The Board applied its mind in this area to challenge management and ensure that the strategy is appropriate to maintain Sasfin's strong position and support sustainable growth.

We have an ongoing focus on improving governance and risk and compliance management, in addition to ensuring that Sasfin's strategy is appropriate to support the long-term sustainability of the Group. The Board is satisfied that it has fulfilled its responsibilities in accordance with its charter for the year.

REFRESHING AND ENHANCING THE BOARD

The Board is managing a transition of Non-Executive Board members. Before year-end, Gugu Mtetwa and Linda de Beer announced their resignations with effect from 30 September 2019 to pursue other opportunities. We thank them for their outstanding contributions over the years and wish them well for their future endeavours.

The SARB Directive 4 of 2018 issued in October 2018 in terms of section 6(6) of the Banks Act, which limits the length of tenure of Independent Non-Executive Directors to nine years, will affect several Board members, including our Lead Independent Director, Shahied Rylands who will be retiring at the forthcoming AGM. We have identified an appropriate potential candidate who is subject to a regulatory approval process. We support any initiative that aims to improve governance while noting that, in technical industries such as banking and financial services, the pool of high-quality talent tends to be small, and experience is a valuable commodity that is difficult to replace. In addition, the Board approved the appointment of Richard Buchholz to succeed Shahied Rylands as the Lead Independent Director.

Mark Thompson joined the Board in June 2019 and will chair the Group Audit and Compliance Committee (GACC) from October 2019. Eileen Wilton joined the Board in August 2019 and will chair the Board IT Committee. Mark brings a wealth of knowledge and experience in banking and financial services as does Eileen in IT. The IT Committee also includes an independent industry specialist to provide the Board with access to the necessary expertise.

We believe that the Board's composition represents an appropriate balance of skills, experience, expertise and independence. I thank my fellow Board members for their contribution during the year. I welcome the new appointees and the fresh perspectives they bring. The Board's diversity will be affected by the transition and we remain committed to ensuring that this is addressed over time.

The Board's effectiveness is evaluated by the annual Board effectiveness review. The Board's review confirmed it was effective. We introduced a revised delegation of authority framework that clarifies responsibility and empowers management. We added capacity with the appointment of a new Assistant Group Company Secretary, Charissa de Jager, who we intend will take over from Howard Brown. This forms part of a strategy to ensure a stronger focus of management, in this case by allowing Howard to focus his efforts as Head of Legal.

ENSURING APPROPRIATE STAKEHOLDER RELATIONSHIPS

The Board monitors the quality of the Group's stakeholder relationships and is particularly involved in its relationship with the SARB PA through regular prudential meetings, including separate meetings with the Chair and the Group CEO. We have an appropriately open and respectful relationship with the regulator. The Board directly engages with all senior management, most notably the heads within the control environment.

Employees are a key stakeholder and the Board takes a keen interest in the regular employee engagement surveys. Although the significant changes to the Group structure and management last year introduced some disruption and uncertainty, the employees are now largely settled.

MANAGING AN ETHICAL CULTURE

The Board sets Sasfin's strong ethical culture and the Social and Ethics Committee monitors the ethical climate. The Board committees track performance in their areas of responsibility and report back to the Board.

Key value indicators included in the new performance incentive scheme aim to entrench our values throughout the Group.

Various formal reporting channels ensure that the Board is kept informed regarding any ethics-related issues. These channels include the whistle-blowing hotline and regular meetings between the Board and key finance, compliance, risk and audit executives.

OUTLOOK

Achieving significant growth will remain a challenge while the economy remains under pressure. The Board will continue its focus on entrenching the highest standards of governance, risk management and compliance while supporting management to drive volumes and manage the cost base. Progress to date is encouraging.

Roy Andersen CA(SA)
Chair

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

Sasfin's financial performance improved, with headline earnings increasing by 32.05% to R161.305 million. This was as a result of improved credit quality which demonstrates the Board's and management's emphasis on this area over the past year. Increasing regulatory requirements have a disproportionate impact on the Group's cost base. Our focus is on ensuring strong capital management while driving revenue growth to improve our cost-to-income ratio.

2019 was a year of bedding down the changes made last year and concentrating on the fundamentals of our business. Where possible, we narrowed the scope of individual responsibility for the Group executive team and increased the focus on core responsibilities to enhance accountability.

Following the management changes in 2018, we gave significant attention to defining our key client segments. Thus, we refined our value offering to them, and adopted a clear distribution approach to winning business within these segments. We believe we are well positioned within these segments to deliver value and growth, which are the primary focuses of the executive team going into 2020.

We faced challenges in credit performance in 2017 and 2018, as well as regulatory changes. Therefore, the Board and management spent meaningful time enhancing the Group's credit approach and control environment (following the appointment of new external auditors and appointments within the control environment). Considerable progress was made in this regard as evidenced by the improved credit loss ratio of 102bps (2018: 197bps) as well as the strengthened combined assurance model. We thank our management team for its hard work and focus, and our Board for its counsel in taking Sasfin forward.

THE GROUP'S FINANCIAL PERFORMANCE

While we are pleased with our progress during the year, the poor state of the South African economy had an inevitable impact on our results. With gross domestic product (GDP) contracting 3.2% in the first quarter of 2019, South African business remains under significant pressure, particularly the small and medium businesses which comprise a large part of our client base. This translated into loans and advances remaining largely flat, which was further affected by the maturing of the ATFS book. The business did, however, achieve good organic growth of 5.8% in loans and advances in the second half of the year.

Total income growth was limited to 2.21% and headline earnings increased 32.05% to R161.305 million (2018: R122.152 million), supported by the improvement in credit quality and normalisation in the tax expense, as well as an increase in associate income. ROE rose to 10.29%, below our target. Driving optimal revenue growth while ensuring appropriate credit quality, and cost and capital management are our primary levers to continue this improvement and get closer to our target ROE in the medium-term.

Our investment in emerging businesses, the control environment and strategic IT solutions increased the cost base and contributed to a deterioration in our cost-to-income ratio to 76.59% from 71.46% in 2018. Our established businesses (Sasfin Wealth, Asset Finance, Business Finance and Treasury within Sasfin Bank) saw revenue growth and an improvement in their combined cost-to-income ratio of 66.89% (2018: 68.25%). Two large IT projects were implemented during the year in asset finance and foreign exchange, and the technology investment cycle is approaching completion. Traction in our digital initiatives in the Banking and Wealth Pillars is promising.

▲ 32.05% HEADLINE EARNINGS	▲ 31.42% HEADLINE EARNINGS PER ORDINARY SHARE	▲ 2.21% TOTAL INCOME*	▲ 220bps RETURN ON AVERAGE SHAREHOLDERS' EQUITY
R161.305m (2018: R122.152m)	**501.00 cents** (2018: 381.21 cents)	**R1.246bn** (2018: R1.219bn) ** Including associate income.*	**10.29%** (2018: 8.09%)

▲ 513bps COST-TO-INCOME RATIO	▲ 1.97% TOTAL ASSETS	▲ 2.39% TOTAL EQUITY*	▼ 0.18% GROSS LOANS AND ADVANCES
76.59 % (2018: 71.46%)	**R14.601bn** (2018: R14.319bn)	**R1.586bn** (2018: R1.549bn) ** Excluding preference shares and non-controlling interest.*	**R7.889bn** (2018: R7.903bn)

▼ 95bps CREDIT LOSS RATIO	▲ 3.71% FUNDING BASE*	▲ 3.67% FUNDS UNDER MANAGEMENT AND ADVICE*	▲ 65bps GROUP TOTAL CAPITAL ADEQUACY RATIO (UNAUDITED)
102bps (2018: 197bps)	**R10.736bn** (2018: R10.352bn) ** Including preference shares.*	**R41.119bn** (2018: R39.663bn) ** Excluding under administration.*	**15.783%** (2018: 15.136%)

2019 OVERALL FINANCIAL REVIEW

FINANCIAL PERFORMANCE

		Growth %	30 June 2019 R'000	30 June 2018 R'000
Net interest income			499 272	472 779
Non-interest income			727 588	746 437
Share of associate income after tax			19 149	110
Total income	▲	2.19	1 246 009	1 2019 326
Impairment charges on loans and advances	▼	44.26	(80 358)	(144 178)
Net income tax after impairments	▲	8.42	1 165 651	1 075 148
Operating costs	▲	9.54	(954 366)	(871 274)
Staff costs	▲	11.17	(504 421)	(453 741)
Other operating expenses	▲	7.30	(437 895)	(408 099)
Goodwill and intangible asset impairment			(12 050)	(9 436)
Profit from operations	▲	3.64	211 285	203 874
Income tax expense	▼	31.63	(48 832)	(71 428)
Profit for the year			162 453	(132 446)
Preference dividends			(14 955)	(15 531)
Non-controlling interest			562	(1 981)
Headline adjustable items			13 245	7 218
Headline earnings	▲	32.05	161 305	122 152

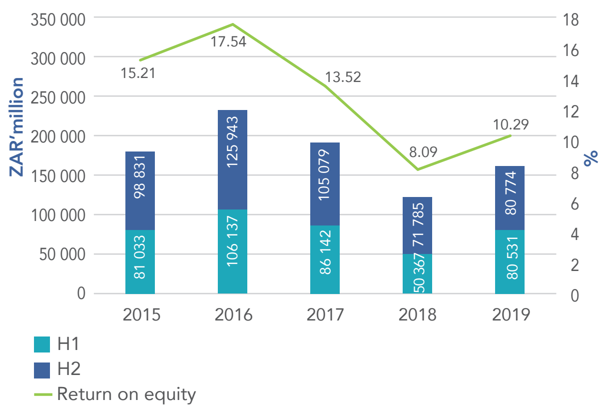
HEADLINE EARNINGS

Headline earnings increased primarily due to an improved credit loss ratio and a normalisation in the tax expense.

Following steps taken by management to upgrade our credit team and processes, we are pleased that, despite the difficult credit environment especially for small businesses, we improved our credit loss ratio by 95bps to 102bps (2018: 197bps) on the back of improved credit quality.

Total income (including income from associates) grew by 2.21% to R1.246 billion with an improvement in the quality of earnings, as there was good growth in earnings in Sasfin Bank and Sasfin Wealth. Income in the Banking Pillar grew by 8.87% and income in Sasfin Wealth grew by 11.23%. Sasfin Capital saw a reduction in total income of 42.89% due to lower mark-to-market valuations and corporate advisory fees. We have taken corrective steps within the Capital Pillar which should result in better quality future earnings.

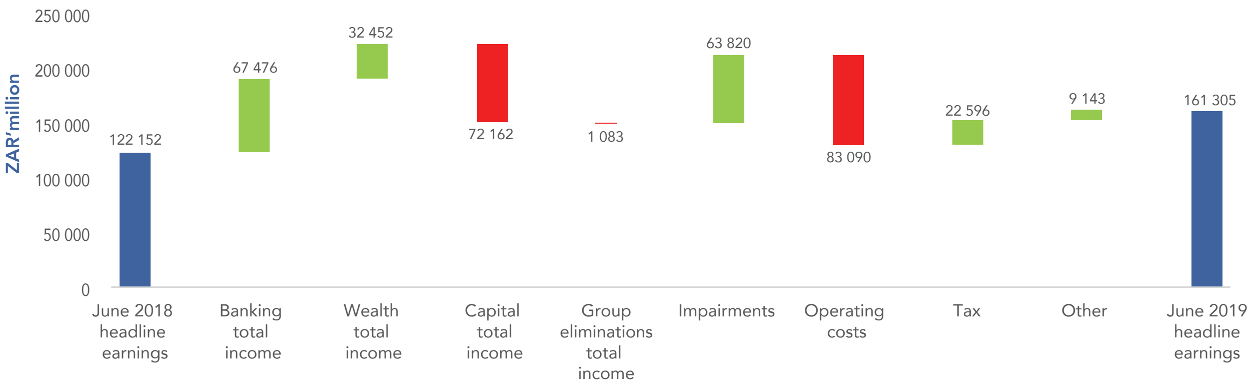
Headline earnings and return on equity



Costs grew by 9.54% due to investment in human capital and technology. The Group currently has a net investment of approximately R50 million per annum into emerging businesses including our investment into digital businesses such as B\\YOND®, our business banking platform. This resulted in an increase in the Group's cost-to-income ratio to 76.59%. We saw growth in our established businesses (namely Sasfin Wealth, and Asset Finance, Business Finance and Treasury within Sasfin Bank) which had a combined cost-to-income ratio of 66.89% (2018: 68.25%).

The waterfall graph below shows the key contributors to the increase in headline earnings for 2019.

Headline earnings movements



FINANCIAL POSITION

		Growth %	30 June 2019 R'000	30 June 2018 R'000
ASSETS				
Cash and negotiable securities	▲	13.52	**4 390 305**	3 867 574
Trading assets	▼	19.57	**1 187 523**	1 476 511
Other receivables	▲	9.43	**410 776**	375 380
Net loans and advances	▼	1.71	**7 487 205**	7 617 179
Investments of fair value through profit and loss	▲	3.08	**635 298**	616 319
Equity-accounted associates	▲	>100	**112 416**	12 174
Investment property, property, plant and equipment, deferred taxation, intangible assets and goodwill	▲	6.76	**377 879**	353 947
Total assets	▲	1.97	**14 601 402**	14 319 084
EQUITY AND LIABILITIES				
Funding under repurchase agreements and inter-bank (including overdraft)	▲	20.40	**2 317 618**	1 924 975
Trading liabilities	▼	18.86	**1 175 828**	1 449 203
Current taxation liability	▼	79.26	**4 526**	21 819
Provisions and other payables	▲	19.34	**956 814**	801 745
Deposits from customers	▲	11.95	**4 981 067**	4 449 344
Debt securities issued	▼	11.62	**2 753 521**	3 115 432
Long-term loans	▼	26.52	**495 715**	674 616
Deferred tax liability	▼	0.89	**138 929**	140 179
Total liabilities	▲	1.96	**12 824 018**	12 577 313
Ordinary share capital and reserves	▲	2.33	**1 585 626**	1 549 451
Preference share capital and premium		–	**188 086**	188 086
Non-controlling interest	▼	13.27	**3 672**	4 234
Total liabilities and equity	▲	1.97	**14 601 402**	14 319 084

LOAN BOOK

Total assets grew by 1.97% to R14.601 billion (2018: R14.319 billion) with gross loans and advances remaining largely flat at R7.889 billion (2018: R7.903 billion).

Loans and advances had contracted to R7.455 billion in December off the back of the expected early run-off of the ATFS rental finance book. The business achieved good organic growth of 5.8% in loans and advances in the second six months of the year. This growth, much of which happened towards the end of the financial year, came from across all our lending activities.

The Group's credit loss ratio improved to 102bps (2018: 197bps) as the changes implemented to our credit structures and processes over the past year took effect.

ADOPTION OF IFRS 9

The Group adopted IFRS 9 in the current financial year, following the modified retrospective approach, by restating opening retained income on 1 July 2018.

The final increase in the provision for credit impairment losses was R84.686 million, better than the initial estimate of R114.671 million. This downward revision was as a result of the recalibration of key input metrics, including enhanced data quality, as well as the inclusion of the forward-looking information.

This had a consequential impact on Total Equity of the Group as well as on the CAR.

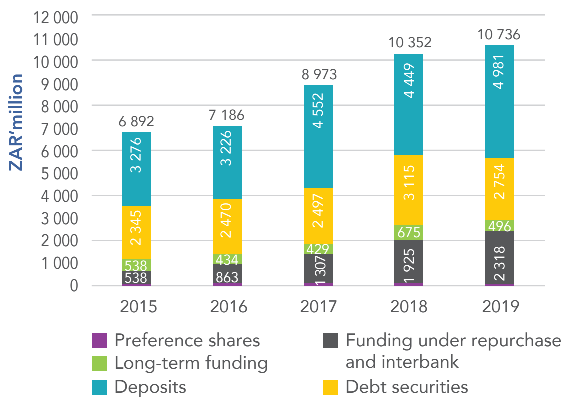
FUNDING/LIQUIDITY

The Group's funding base grew by 3.71% to R10.736 billion (2018: R10.352 billion) with debt securities and long-term funding decreasing by R0.362 billion and R0.179 billion respectively. The total deposit book increased by 11.95% to R4.981 billion.

Near cash, including negotiable securities, grew by 13.52% to R4.390 billion, to optimise the Group's capital adequacy ratio (CAR), following the day-one impact of the IFRS 9 adjustment.

Sasfin's liquidity coverage ratio (LCR) and net stable funding ratio (NSFR) remain healthy, placing the Group in a good position to capitalise on opportunities.

Stable and growing funds



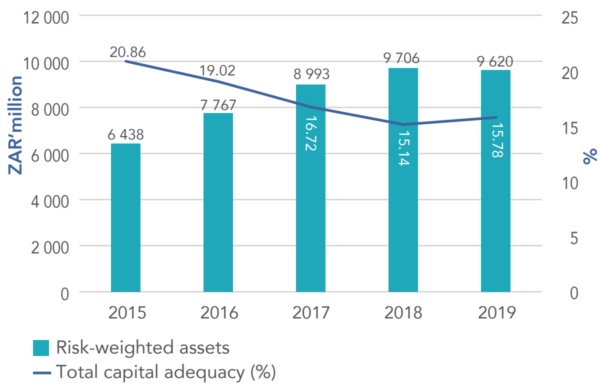
CAPITAL

Over the last year our regulatory capital has reduced as a result of the IFRS 9 adjustment to opening retained earnings, the increased intangible assets, as well as the phasing out of additional tier 1 capital on preference shares.

Given these regulatory and accounting impacts and the growth in lending aspirations of the Group, the Board has decided to retain more capital than previously and therefore has reduced the dividend payout ratio for 2019 to 20% (2018: 40%).

This has enabled us to appropriate more profit during the year which has resulted in the total CAR improving to 15.783% (2018: 15.136%) and gives us a strong base from which to grow risk-weighted assets.

Capital adequacy – Group



OUR STRATEGY REVIEW

Sasfin's operating model comprises three dedicated and symbiotic Pillars that enable focused management to deliver client value and enhance performance in the changing financial services landscape.

In January 2019, the Group Exco further enhanced Sasfin's strategy through a detailed review of our value proposition to our primary client segments, which are shown below. The review interrogated how each strategic focus area applies to each client segment and assessed how meeting clients' needs in each segment feeds back into the strategic focus areas. Effective delivery in these areas will drive the right type of revenue growth by improving volumes at an acceptable margin, as well as ensuring better-quality earnings.

The review identified an additional strategic focus area – capital management and planning. The strategic focus areas are discussed in the following section.

Asset suppliers

Asset finance is one of Sasfin's major strengths and we continue to grow our product offering and client base. Traditionally dominated by office automation suppliers, there is high potential for rental and capital equipment finance solutions for new equipment and asset types.

We successfully integrated ATFS and we dedicated leadership resources to grow asset finance. We launched LeaseWave, a state-of-the-art, core line of business system, which will enhance client experience and efficiencies.

Sasfin's securitisation funding structure provides the opportunity to grow this business without meaningfully growing our capital base.

Our 2020 goal is to develop new asset types and grow this book by increasing distribution.

Medium businesses

The persistent challenging economic environment placed significant pressure on local businesses, resulting in cash flow challenges in these businesses and an increase in business failures.

However, many businesses are well positioned to grow if they are able to access the appropriate funding structures and working capital solutions. These businesses are often too small to receive the necessary attention, level of funding and speed of decisions from larger banks.

Sasfin strengthened the Business Banking and Capital teams; improved credit processes to reduce turnaround times; and expanded our product offering to support this client segment. We also sourced structured credit insurance as additional security for certain clients to protect downside risk.

The book grew by 33.61% in the second half and credit quality improved. We are confident that we can grow this business within appropriate risk levels

Institutional clients

Since 2016, SAM (a level 1 B-BBEE contributor) has made meaningful progress in building an institutional asset management capability, with assets under management having grown over 60% in this period.

Our three balanced unit trusts, which now have a five-year track record, are among the top performers in their categories over most reporting periods. The Sasfin BCI Flexible Income Fund, which won two Raging Bull awards in January 2019, continues to perform excellently and is a top performer over one, two and three years.

Our asset consulting unit, which launched the Sasfin umbrella retirement fund, is delivering compelling offerings to pension funds and corporates. We continue to invest in this area as we are well placed to manage significantly more assets.

We are seeing increased demand for our investment offering in the market.

Private clients

Local equity markets, where most of our clients are invested, were particularly challenging in the financial year.

Increasingly we advise clients to adopt a global approach to their wealth and in this regard, we had seen a 50% growth in offshore assets under management in the last three years to in excess of R10 billion. We have expanded our offering and distribution capabilities to support the client demand.

Our investment solutions are performing well, and we are streamlining operations to improve client experience. We expanded our product offerings and introduced global multi-asset client solutions. Sasfin Wealth Investment Platform (SWIP) (page 38) offers investors an easy, seamless way of interacting with Sasfin.

These developments position Sasfin to support clients to further grow their global wealth.

Small businesses

Sasfin's strategy is to engage with clients primarily digitally through the B\\YOND® platform, which simplifies the small business bank experience. This is supported by a small, but growing, team of bankers who can assist clients where necessary. We made meaningful enhancements to create a more intuitive user experience. Supporting small businesses reduces their frustration levels when banking and helps grow our depositor base, diversify our client base and increase non-interest income.

In the next 12 months we intend to introduce revolving small business loans, digitally-enabled foreign exchange via the B\\YOND® platform as well as a mobile app. The rate of investment is now stable, and revenue grew 50% year on year, albeit off a low base.

Our investments in fintech businesses further support our client proposition. Sasfin invested in small business financier Payabill and entered into an alliance banking relationship with Hello Paisa to offer digital banking services to the previously unbanked.

Sasfin's digital marketing capabilities were enhanced; frontline sales people were employed; and distribution arrangements are regularly signed with participants in the small business sector.

PROGRESS AGAINST OUR STRATEGIC FOCUS AREAS

Sasfin made good progress on its five-year strategy, which was approved by the Board in 2018.

PEOPLE AND CULTURE (PC)

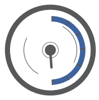
What is our goal?

Build a team of high-performance, empowered employees with a sense of ownership to drive our business forward, together with a renewed and unified culture.

How do we measure this?

- KPIs, key risk indicators (KRIs) and key value indicators (KVIs) are in place to drive and reward performance, our approach to risk and the Sasfin values.
- Senior management is measured on driving sustainable ROE and delivering the strategic objectives.

Progress made in 2019



Sasfin's high-touch business model requires high-calibre, motivated people who reflect our client-centric and ethical culture. Our performance management process was refined to ensure that high performance is appropriately recognised and rewarded. This resulted in higher attrition, which was expected. The revised long-term incentive scheme was approved by the Board and implemented.

The graduate programme increased to 30 candidates and the CA training programme was expanded to include eight trainee CAs.

Our employee engagement survey reflects the impact of the significant organisational and management changes of the past 18 months, as well as the increased focus on performance management. The human capital review on page 44 includes a discussion of the survey and our initiatives to improve engagement. Refer to page 88 for the remuneration review.

Focus for 2020

We will continue to emphasise training and performance management, and roll out the revised incentive structures to sales areas. We will focus on articulating Sasfin's employee value proposition, driving the organisational values and managing the change on various projects.

Progress indicator key

	1/4 full	*Limited progress to date*
	1/2 full	*On track to achieve five-year goal*
	3/4 full	*Strong progress*

ORGANISATIONAL CAPACITY OC

What is our goal?

We aim to drive entrepreneurial agility and improve cost efficiencies through streamlined operations, and realise synergies while meeting our regulatory requirements. We will ensure Sasfin has the correct technology, processes and people to support our strategy and improve the client experience.

How do we measure this?

- Cost-to-income ratio
- Client on-boarding turnaround times and service levels

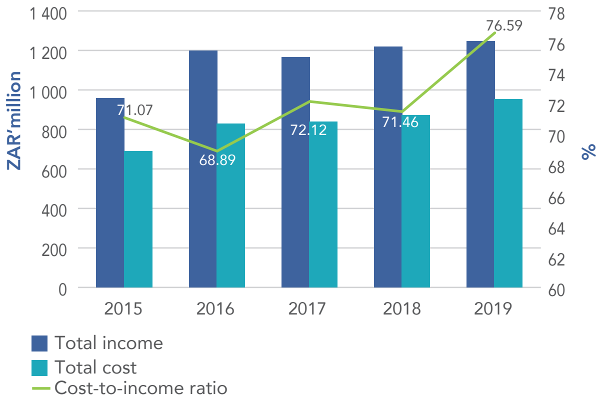
Progress made in 2019

The Group currently has a net investment of approximately R50 million per annum into emerging businesses including our investment into digital businesses such as B\\YOND®, our business banking platform. This, together with the high embedded fixed cost of banking, resulted in an increase in the cost-to-income ratio to 76.59%.

We saw revenue growth in our established businesses (namely Sasfin Wealth, Asset Finance, Business Finance and Treasury within Sasfin Bank) which had a combined cost-to-income ratio of 66.89% (2018: 68.25%).

New cost-efficient technology platforms (LeaseWave and Calypso) were rolled out, and the integration of our systems, processes and people continued. We are making good progress with the implementation of RDARR to provide client-centred solutions and better management information that deliver value while meeting regulatory requirements.

Total income vs cost and cost-to-income ratio



Focus for 2020

We aim to see an improvement in our cost-to-income ratio by stabilising the rate of investment into emerging businesses and achieving some revenue growth from these business lines, together with a focus on cost management in our developed businesses.

We will complete the implementation of RDARR and focus on the last-mile enhancements of new systems. We will undertake further work on organisational design after the implementation of our major IT projects and re-evaluate the Group's total cost structure to address the cost-to-income ratio and bring cost growth to more reasonable levels.

TRANSFORMATION (T)

What is our goal?

We will continue to play our role in addressing transformation in Sasfin's workforce and leadership, and in society. We are committed to supporting improved access to financial services for the broader population.

How do we measure this?

- B-BBEE level
- Employment equity in management

Progress made in 2019

We continue to drive transformation across all levels. Sasfin has an overall level 4 B-BBEE rating under the new Financial Sector Code (FSC). SAM, a wholly owned subsidiary of Sasfin Wealth (Proprietary) Limited, achieved a level 1 B-BBEE status.

Good progress is being made in transforming junior and middle management, but progress at senior management level is slow. Transformation is a key input in recruiting decisions and a meaningful percentage of new appointments came from historically disadvantaged groups.

Sasfin's commitment to promoting financial inclusion was furthered through our alliance banking agreement with Hello Paisa and the growth in B\\YOND® and Payabill.

Focus for 2020

We will continue to focus on sustainable transformation by improving employment equity levels and diversifying our product offering and client base.

SALES (S)

What is our goal?

We endeavour to grow revenue for long-term value creation, prioritise increased cross-selling of Group products and services, strengthen our sales force and sales techniques, and ensure that products and services fit client needs. We are committed to selling with integrity by adding value to our clients.

How do we measure this?

- Revenue growth
- Margin
- Granularity of sales
- Risk-adjusted returns

Progress made in 2019

The Sales and Marketing Forum, chaired by the Group CEO, aims to develop sales, drive cross-selling and identify and enter new market segments. Distribution capabilities were enhanced in key client areas and we are executing the detailed sales strategies developed for each business unit and client segment. Distribution incentives are being changed where appropriate.

While there is potential for growth in the asset finance book in new equipment and asset types, the loan book acquired from ATFS is maturing as expected. The sales activity picked up markedly from April 2019, which bodes well for the future.

Focus for 2020

This area is gaining significant attention. We will continue to ensure that our product offering is built with a client-centred mindset and drive sales through existing channels, investigate new distribution channels and intensify digital marketing activities.

We are also focused on ensuring that revenue growth emanates from high-quality earnings areas with a strong orientation towards credit quality, marginal contribution and the capital implications of increased sales.

PRODUCT, USER EXPERIENCE AND INNOVATION PU

What is our goal?

Our goal is to create products and use technology as a key enabler to improve our clients' experience, focusing on managing the experience at engagement level. We seek to simplify the on-boarding and client servicing process, including credit approval and solution selection.

We will ensure client-centric product design and solutions supported by agile product development and implementation. Furthermore, we will implement back-end technology solutions which support service excellence.

How do we measure this?

- Growth in clients using our new products and technologies
- Client satisfaction levels

Progress made in 2019

We rolled out product enhancements to B\\YOND® and SWIP and implemented LeaseWave (asset finance) and Calypso (foreign exchange). Our goal is to build a common user experience and management across the Group with Microsoft Dynamics and on-boarding capabilities. The overarching engagement metrics of our Sasfin.com website suggests improved engagement performance through this channel. Refer to page 50 for our information and technology review. The Group continues to work with fintechs to support product development and the rollout of effective client solutions.

We established a Digital Advisory Council, chaired by Arthur Goldstuck, to provide expertise and insights on trends shaping the use of technology in financial services (page 51). Our alliance banking arrangement with Hello Paisa extends our client base into a new market segment and supports financial inclusion.

Focus for 2020

We will focus on delivering on last-mile implementation across the new products and platforms while realising the business benefit of the additional information available from the systems.

GROWING OUR OFFSHORE EXPOSURE GO

What is our goal?

We will work to grow income streams from foreign sources in all three Pillars and establish businesses in suitable foreign jurisdictions.

How do we measure this?

- Foreign income growth
- Growth in foreign assets under management

Progress made in 2019

The Wealth Pillar, our current priority in this area, showed good growth in foreign income and grew earnings from global managed share portfolios and institutional asset management fees by 20% in 2019.

Sasfin's stake in DMA enables seamless access to global markets. We expanded our offshore offering to include a multi-asset global solution. Wealth is obtaining more support from a broader base of portfolio managers for offshore assets.

Focus for 2020

We are moving the business of Sasfin Asia from Hong Kong to Mauritius, which will open new markets for our Trade Finance business, improve service to existing trade finance clients and reduce costs. We continue to investigate opportunities for geographical diversification of earnings across all three Pillars. Wealth will continue to drive the uptake of offshore solutions within its client base.

CREDIT GROWTH AND QUALITY CQ

What is our goal?

Our goal is to refine credit processes to grow a granular portfolio of loans and advances at the right margin while maintaining the credit loss ratio within acceptable limits.

How do we measure this?

- Credit loss ratio
- Growth in loans and advances

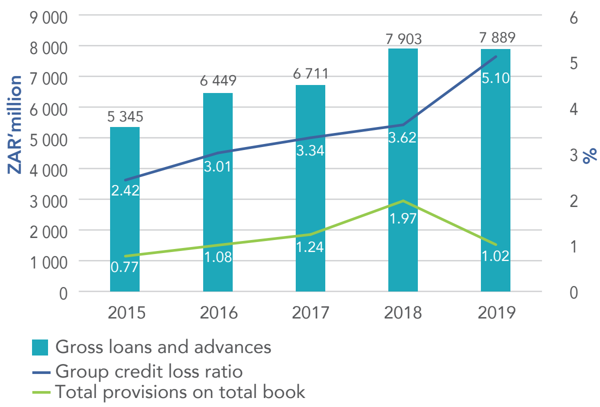
Progress made in 2019

The Group took significant steps to improve our credit capabilities and processes. We continued to improve credit decision-making and customer due-diligence capabilities, strengthen the team, upskill sales and credit, and drive a faster turnaround process. This resulted in our impairments being more in line with historic averages.

Gross loans and advances decreased 0.18% to R7.889 billion largely as a result of the impact of the maturing ATFS book. The implementation of IFRS 9 led to an improvement in the credit coverage ratio.

While Stage 3 exposures have increased to R726.1 million in the current financial year, 21.6% of this book was as a result of loans granted where there are guarantees in place from financial institutions which carry investment grade credit ratings. Excluding those loans, the Stage 3 exposures would be R569.3 million. The balance of the Stage 3 exposure is largely underpinned by asset-backed facilities.

Gross loans and advances and credit risks



Focus for 2020

We will grow loans and advances with an emphasis on developing greater granularity in the book and maintaining the credit loss ratio within our risk appetite.

CAPITAL MANAGEMENT AND PLANNING CM

What is our goal?

We aim to earn an appropriate return on risk-adjusted capital across the business and ensure effective management and deployment of capital.

How do we measure this?

- ROE
- CAR

Progress made in 2019

Capital management and planning is a priority to support improvement in the Group's ROE, and capital modelling has improved significantly. The regulatory team was enhanced, and we introduced more capital and funding models to ensure effective management of regulatory ratios.

Over the last couple of years our regulatory capital has reduced as a result of the IFRS 9 adjustment to opening retained earnings, the increased intangible assets and the phasing out of additional Tier 1 capital on preference shares.

Given these regulatory and accounting impacts and the lending aspirations of the Group, the Board, which adopted a dynamic dividend policy in 2018, approved a reduced dividend payout ratio of 20% of headline earnings for 2019 compared to 40% previously. This enabled the Group to appropriate more profits which should allow for increased risk-weighted assets while maintaining a healthy CAR.

Focus for 2020

We will bed down the new capital management initiatives, explore potential forms of capital-enhancing debt funding, reduce our relative exposure to Private Equity and reduce our intangible assets. These initiatives should allow us to effectively grow our business while managing our CAR.

SEGMENTAL PERFORMANCE

Sasfin's three-Pillar structure enables a sharper focus on our primary client segments and drives a culture of ownership and accountability. The performance of the Pillars is summarised below.

Banking Pillar (page 30)

Headline earnings:
R110.391 million
(2018: R56.464 million)

Headline earnings increased 95.51% to R110.391 million due to the improved credit performance. Asset finance is a significant contributor to Group profitability and is being re-emphasised to take advantage of increased opportunities.

The Banking Pillar provides an excellent value proposition for medium businesses and there are good early signs from the changes made in our Trade and Debtor Finance business.

Our digital banking offering for business is gaining traction. We continue to broaden the base of products and services accessible on the B\\YOND® platform.

Wealth Pillar (page 34)

Headline earnings:
R40.351 million
(2018: R31.327 million)

The Wealth Pillar's headline earnings increased 28.80% to R40.351 million mainly due to increased foreign income (up 20%), institutional asset management fees and income from strategic investments. This growth was offset by underperforming local equity markets, lower brokerage volumes and volatility in the Rand that negatively affected the fixed-income business.

Assets under management and advice increased by 3.67 % to R41.119 billion (2018: R39.663 billion) largely in line with weak equity markets. Low revenue yielding assets under administration decreased to R54 billion (2018: R57 billion). We will continue to build multi-asset class and offshore solutions where we anticipate good growth and the ability to earn annuity income.

Capital Pillar (page 40)

Headline earnings:
R4.813 million
(2018: R37.510 million)

The Capital Pillar delivered headline earnings for the year of R4.813 million (2018: R37.510 million). The weakened performance is on the back of a poor performance in Private Equity as our investee companies struggled in the current environment, and corporate finance experienced lower corporate activity.

Our property division continues to perform well and we see good opportunities for Sasfin Capital to offer specialised debt solutions to businesses and property entrepreneurs. This will improve earnings granularity and stability in the medium-term. We are also reviewing our approach to Private Equity to improve earnings quality.

WHAT TO EXPECT IN 2020

Sasfin has undergone a period of significant change in the last two years. This change required meaningful investment and resulted in increased inward focus.

Our primary aim for 2020 is to ensure that our distribution engine is working optimally to leverage the investment made in our product offering and digital capabilities, including our newly established Sasfin Digital Advisory Council.

Despite the tough realities of the South African economy, we aim to drive good quality revenue growth in each of our businesses by acquiring an incremental percentage of market share within our target client segments. This together with a focus on capital optimisation, credit quality and cost containment should result in positive and sustainable earnings growth in the medium-term.

Michael Sassoon
Group Chief Executive Officer

Angela Pillay CA(SA)
Group Financial Director

Banking Pillar

Maston Lane
Chief Operating Officer

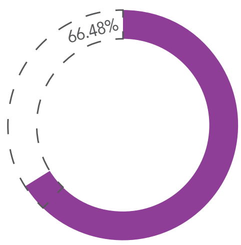
Linda Fröhlich
Head: Asset Finance

The Banking Pillar provides asset finance and business banking services which include working capital finance, transactional banking, treasury and forex. The Banking Pillar serves the banking needs of SMEs in South Africa with a focus on enabling growth in our clients' businesses.

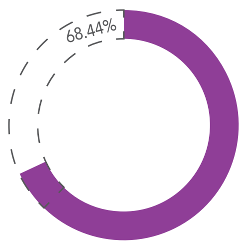
Banking Pillar

- **Asset Finance**
  - Rental and specialised equipment finance
- **Business Banking**
  - Transactional banking
  - Foreign exchange
  - Trade and debtor finance
  - Treasury[1]

Contribution to Group revenue – Banking Pillar



Contribution to Group headline earnings– Banking Pillar



The Banking Pillar's business drivers

- Economic growth
- Business confidence
- SME business activity

Key industry trends that impacted the Banking Pillar in 2019

- Low GDP growth and a challenging environment for SMEs
- Adoption of IFRS 9 impacted provisioning

The Banking Pillar's competitive advantages

- Excellent client service and relationships
- Speed to market
- Advanced technology solutions
- Granularity of the asset finance book
- Credit decision-making efficiencies

New products and services launched in 2019

- Enhanced functionality in the B\\YOND® platform
- Alliance banking agreement with Hello Paisa
- Implemented LeaseWave system in asset finance and Calypso in foreign exchange
- Greater use of credit insurance in trade and debtor finance

[1] *The treasury function reports to the Group CEO.*

BANKING PILLAR'S 2019 PERFORMANCE REVIEW

		Growth %	2019 R'000 Bank	2018 R'000 Bank
Total income	▲	8.87	828 304	760 828
Impairment charges on loans and advances	▼	39.60	(80 019)	(132 491)
Net income after impairments	▲	19.09	748 285	628 337
Operating costs	▲	11.25	(579 266)	(520 668)
Profit before taxation	▲	56.98	169 019	107 669
Taxation			(43 673)	(38 723)
Profit/(loss) for the year	▲	81.80	125 346	68 946
Preference dividends			(14 955)	(15 531)
Headline adjustments			–	3 049
Headline earnings for the year	▲	95.51	110 391	56 464

Low levels of economic growth and weak business confidence led to reduced business volumes and pressured margins. Despite the run-off of ATFS, loans and advances remained largely flat decreasing by 0.18% to R7.9 billion (2018: R7.9 billion), which demonstrates good organic growth in our core businesses.

The improvement in impairments contributed to the 95.51% increase in headline earnings to R110.391 million (2018: R56.464 million), on a revenue increase of 8.87% to R828.304 million (2018: R760.828 million). The credit loss ratio reduced to 104bps (2018: 120bps) as the steps taken to address credit losses last year showed their benefit.

Costs increased due to continued investment in our digital banking platform and other IT projects, regulatory risk and compliance, a higher headcount arising from the ATFS acquisition, as well as bonus provision increases. Steps taken to address the increase in costs include the retrenchment of 25 employees.

The balance sheet, capital adequacy and liquidity remained strong and the funding base grew 3.71% to R10.736 billion (2018: R10.352 billion).

We focused on bedding down the structural changes and the ATFS rental book, navigating the challenging operating environment, delivering on the changes required by IFRS 9 and addressing credit losses. Two major IT systems were implemented during the year – LeaseWave (asset finance) and Calypso (foreign exchange).

Regulatory compliance requires a significant investment in technology, management attention and resources. Development of our RDARR-compliant reporting system continues, and we anticipate future business benefits from the additional data analytics that will become available.

In April 2019, Sasfin announced the launch of a strategic alliance banking arrangement with Hello Paisa (part of the Hello Group) to offer digital banking services to the previously unbanked (page 33). Uptake has been strong, with several thousand users signing up by 30 June 2019.

B\\YOND®

Sasfin's transactional banking platform, B\\YOND®, offers small business clients access to a secure digital banking platform with enhanced and integrated digital solutions that include basic accounting, payroll and invoicing capabilities (page 15).

Growth in accounts has been encouraging, albeit off a low base, and we delivered meaningful enhancements to create a more intuitive and simplified user experience. Further new functionality is planned for the year ahead, including access to forex and credit products.

BUSINESS UNIT OVERVIEW

Asset finance

Enables equipment suppliers and users of all types of equipment to grow their businesses through the provision of rental and capital equipment finance

2019 highlights and challenges

- Bedded down the ATFS business, including managing the cost base it came with
- Implemented the LeaseWave system, which creates a platform that can grow with the business
- Restructured to position the asset finance division for substantial medium-term growth – this included the intention to appoint a product and innovation specialist to identify new asset classes, including solar, information and communication technology, medical equipment and software

Transactional banking

Offers transactional banking services to entrepreneurs, including internet banking, debit cards and the use of any automated teller machine (ATM)

2019 highlights and challenges

- Good growth in the number of users on the B\\YOND® platform and ongoing enhancements implemented
- Introduced the roles capability which gives businesses with multiple users an effective banking experience
- Launched Hello Paisa to extend services to the previously unbanked

Foreign exchange

An authorised foreign exchange dealer that offers a complete foreign exchange and forex outsourcing solution for clients

2019 highlights and challenges

- Launched the new Calypso system
- Trading volumes were disappointing

Trade and debtor finance

Finances the working capital requirements of small and medium businesses

2019 highlights and challenges

- On-boarded some good new clients towards the end of the year
- Started the process of moving the Sasfin Asia operation to Mauritius
- Introduced more credit insurance, which has improved the credit risk of the book
- Significant reduction in credit losses

Treasury

Operates the Banking Pillar's money market and treasury offerings, is an active participant in the SARB repo window as a full clearing and settlement bank, and manages the Group's liquidity and capital

2019 highlights and challenges

- The treasury function was repositioned to operate at Group level to manage Group liquidity and capital
- We improved our capital and funding models for more effective deployment of capital while managing regulatory ratios
- Total funding grew 3.71% to R10.736 billion (2018: R10.352 billion) and we invested in lower-yielding assets and lengthened the funding mix to manage regulatory ratios

WHAT TO EXPECT IN 2020

The technology platforms established during the year should position the Banking Pillar well to continue building scale in our areas of strength. Asset finance will continue to invest in people and processes in the short-term to establish the division for good growth in the medium-term, including by extending our solutions to additional asset classes and expanding our geographic presence.

Business banking will focus on maturing and growing the concept of the digital bank, while continuing to develop the forex and trade and debtor finance businesses. Calypso will enable several refinements to our foreign exchange offering, including enhancing the on-boarding and online trading experience of our clients.

We are excited at the prospects for B\\YOND® and Hello Paisa as they take the Bank into new client segments with opportunities to cross-sell other Group solutions as these businesses achieve scale. Further upgrades to B\\YOND® planned for 2020 include incorporating credit and foreign exchange into the platform.

Maston Lane
Chief Operating Officer

Linda Fröhlich
Head: Asset Finance

Sasfin and Hello Paisa – bringing banking to the unbanked

In March 2019, Sasfin and Hello Paisa announced the launch of a new tech-centered, customer-centric initiative to extend banking services to underserved communities.

Hello Paisa's banking offering is backed by Sasfin's banking capabilities and comprises an adaptable ecosystem of services. These include an intuitive mobile app, mobile SIM card, bank account and a Visa debit card that operates at any ATM or point-of-sale device. The account can be opened in minutes and is driven by game-changing smart technology.

The alliance banking agreement aligns with Sasfin's goal to build its transactional clients and deposit base and represents an entry into a new market for the Group. Hello Paisa's strategy aims to continuously extend its products and services to its target market, in line with the SARB's vision of deepening financial inclusion.

Since its launch in May 2019, account numbers and balances are growing in line with expectations. Many of these individuals are underbanked and live in informal settlements.

Hello Paisa is a niche-focused technology company with interests in the mobile, distribution, financial services and retail sectors. The Hello Paisa Mobile Prepaid SIM card is one of the largest mobile virtual network operators in Africa, with a client base in excess of one million. Hello Paisa was the first company to be authorised as an independent money transfer operator in South Africa and is one of the largest remittance players in the market. It serves countries in Africa and Asia to enable seamless remittance of money in 13 different languages.

Wealth Pillar

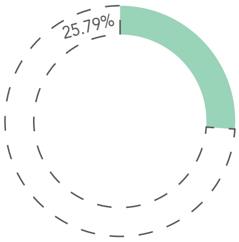
Erol Zeki
Chief Executive Officer

Sasfin Wealth enables our clients to reach their investment goals, to retire with dignity and leave a lasting legacy. We offer a broad range of local and global advisory and investment solutions for private clients, corporates and institutions.

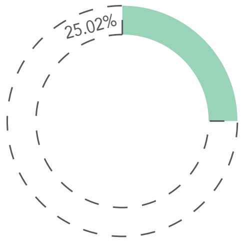
Wealth Pillar

- **Private clients**
  - Global portfolio management
  - Equity stock broking
  - Wealth advisory
- **Institutional clients**
  - Asset management
  - Asset consulting
  - Healthcare consulting
- **Fixed-income broking**
  - Corporate, SME and institutional fixed-income broking
- **Strategic investments**
  - Efficient Group
  - DMA

Contribution to Group revenue – Wealth Pillar



Contribution to Group headline earnings– Wealth Pillar



The Wealth Pillar's business drivers

- Global macroeconomic environment
- Global capital markets
- Regulation
- Competition
- Technology
- Effective investment solutions
- Strong investment professionals

Key industry trends that impacted the Wealth Pillar in 2019

- Low-growth macroeconomic environment
- Evolving regulatory requirements, including Twin Peaks and Conduct of Financial Institutions draft bill
- Increasing focus on socially responsible investing

The Wealth Pillar's competitive advantages

- High-touch approach with a client-centric business model
- Established team of investment professionals with an excellent track record
- Big enough to be credible and small enough to be agile

New products and services launched in 2019

- Expanded global multi-asset investment solutions offering
- Rolled out SWIP and in-house pre- and post-retirement wrappers
- Launched the Sasfin Wealth umbrella retirement fund

WEALTH PILLAR'S 2019 PERFORMANCE REVIEW

		Growth %	2019 R'000 Wealth	2018 R'000 Wealth
Total income*	▲	11.23	321 393	288 941
Operating costs	▲	9.52	(268 681)	(245 328)
Profit before taxation			52 712	43 613
Taxation			(12 361)	(13 096)
Profit/(loss) for the year	▲	32.22	40 351	30 517
Headline adjustments and other			–	810
Headline earnings for the year	▲	28.81	40 351	31 327

* *Includes share of associate profit and loss.*

The Wealth Pillar continued to show strong growth in offshore managed private client assets while local private client assets declined. Institutional assets managed by SAM also showed strong growth, growing by circa 20%.

While overall revenue for the Pillar is up over 11%, the revenue mix continues to evolve. Declining transactional revenue and the impact of local market shocks on portfolio performance, investor behaviour and ultimately local private client revenue is being replaced with offshore revenue, which increased in excess of 15%, and strong growth in institutional assets. Momentum in these two strategic focus areas is expected to continue. South African investors are increasingly taking a global view on investing and Sasfin is well established and positioned in this space to continue servicing this market. Our institutional asset management business is a young business that is getting to the stage where its strong team and track record is receiving more recognition and its asset gathering momentum is evidence of this.

Growth in total assets under management and advice increased marginally by 3.67% and ended the year at R41.119 billion (2018: R39.663 billion). This performance is largely in line with our strong offshore portfolio performance as well as the continued weak local equity returns, putting pressure on local management fees. Local stockbroking fees decreased marginally year on year due to continued weak South African equity returns and lacklustre trading volumes on the JSE.

Managing costs remained a focus considering our continued investment in human capital, IT and marketing. While cost growth was maintained within single digits, it outstripped revenue growth, putting pressure on operating profit. On an after-tax basis, the Pillar's strategic investments in the Efficient Group and DMA contributed to headline earnings increasing by 28.80% to R40.351 million (2018: R31.327 million).

The Pillar's strategy was reviewed to align with the Group's focus on customer segments and client-centricity in terms of value proposition, solution delivery and service models. The Wealth Pillar's primary client segments are institutional and private clients. While most of the building blocks for these two segments already existed, we spent time on pulling the various elements together and positioning the value proposition in a way that puts the client in the centre of our business model and operations.

Investment performance continued to be strong across most of our solutions as was evidenced by SAM winning two Raging Bull awards for the Sasfin BCI Flexible Income Fund[1]. We continue to drive transformation initiatives and SAM achieved a level 1 B-BBEE rating, which positions the business well with current and potential institutional clients.

The Pillar made good progress in its main focus areas – growing offshore and institutional business through a more focused sales and marketing effort. This is supported by our client-centric approach which was enhanced by the new client experience management system.

SWIP remains a key strategic element of the overall value proposition. Its technology and financial services capabilities offer clients one-stop entry to all their investing needs. Products include global and local managed segregated portfolios, active and passive model portfolios, tax-efficient pre- and post-retirement wrappers, online financial needs analysis tools and an advisor portal for independent financial advisors to electronically on-board and service clients. It further enables deeper ownership of the client experience and pricing power through vertical integration.

Efficient Group and DMA

Our strategic investments in the Efficient Group and DMA performed well.

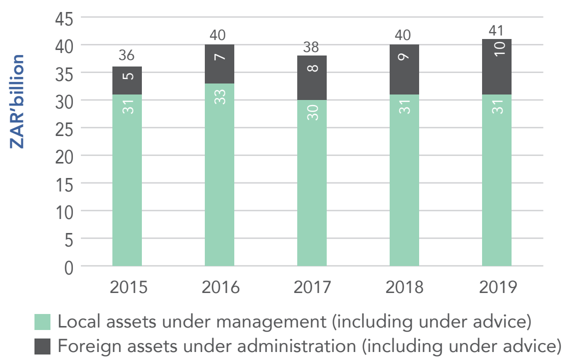
Sasfin increased its investment in Efficient Group from 14.3% to 29.3%. The investment in Efficient Group was previously held as a fair value through profit and loss strategic investment but is now equity accounted and contributes through associate income.

Sasfin's minority shareholding in Axo Holdings (Proprietary) Limited, which owns 100% of SCM DMA (Proprietary) Limited (previously Saxo Capital Markets South Africa (Proprietary) Limited (DMA)), acquired in June 2018, provides access to complementary technology platforms that enable global investing and trading through simple, cost-effective and user-friendly tools. DMA management holds the majority stake in the business, which operates independently of Sasfin. DMA's clients consist primarily of independent financial advisors and boutique asset managers.

[1] *For more information visit Sasfin.com/media/sasfin-asset-managers-unearths-highly-yeilding-opportunities-to-win-big-at-the2019-raging-bull-awards/.*

The quality of our people produces the performance in our business and Sasfin Wealth has a highly skilled and experienced team of investment professionals across our fixed income, private client and institutional businesses.

Asssets under management and advice



BUSINESS UNIT OVERVIEW

Private clients Protects and grows the wealth of clients through high-touch services and tailored local and global investment solutions	**2019 highlights and challenges** • Good growth in offshore revenue • Pressure on local assets under management and administration on the back of weak South African equity market returns • Broadened the Pillar's offshore offering to include multi-asset solutions
Asset management Offers top-rated investment solutions managed by expert fund managers, designed to meet the needs of institutional and private investors. These include unit trusts, pooled portfolios and structured solutions across multiple asset classes	**2019 highlights and challenges** • Two Raging Bull awards • SAM's level 1 B-BBEE rating • Established a five-year track record across most of our Collective Investment Scheme (CIS) solutions
Institutional consulting Provides holistic independent investment advice to retirement funds and healthcare consulting services to business clients	**2019 highlights and challenges** • Introduced an umbrella retirement fund and multi-asset solutions to broaden the service and product offering for institutions and corporates
Fixed income broking Takes advantage of opportunities in the money, repo and bond markets for institutional investors	**2019 highlights and challenges** • Rand volatility negatively affected returns

"The BCI Flexible Income Fund's performance is a testament to the highly rigorous and disciplined investment process in trying to provide investors with high-income returns and capital preservation by flexibly investing across a range of bonds and other lower-risk income assets. We aim to provide similar or better returns than that of the All Bond Index, with lower volatility."

Philip Bradford, Chief Investment Officer and Fund Manager

Sasfin Institutional Balanced and Fixed Income Unit Trust performance with three- and five-year track records as at 30 June 2019

RAGING BULL AWARDS WINNER 2018

Sasfin BCI Flexible Income Fund	Sasfin BCI Balanced Fund	Sasfin BCI Stable Fund	Sasfin BCI Prudential Fund
1/63 (3 years)	**18/77** (3 years)	**16/125** (3 years)	**43/158** (3 years)
– (5 years)	**1/56** (5 years)	**4/84** (5 years)	**11/106** (5 years)

Legend

Top decile

Top quartile

Second quartile

WHAT TO EXPECT IN 2020

With uncertainty likely to persist in the South African political, economic and social environment, Sasfin Wealth will concentrate on improving organisational capacity and operational capability while containing costs. We will focus on building local and offshore assets under management and continuing our strong track record as investment managers. In addition, Sasfin Wealth began establishing an in-house fiduciary offering which will include services such as will drafting, estate planning, trust creation, estate administration and fiduciary-related legal advice.

Erol Zeki
Chief Executive Officer

Sasfin Wealth multi-asset solutions – a broader global strategy

Sasfin Wealth launched its novel multi-asset solutions for private and institutional clients. Portfolio diversification is an investment strategy that helps mitigate the unpredictability of markets for investors. By combining assets that are not correlated, the embedded risks in a portfolio are lowered and higher risk-adjusted returns can be achieved. Over a long-term period, the drawdowns or peak-to-trough maximum losses of a globally diversified portfolio are nearly always less than those of other portfolios.

Strategic asset allocation specifies the proportion of various asset classes in a portfolio designed to provide an investor with an appropriate risk and return profile. It is driven by long-term return and risk expectations for various asset classes. Markets tend to be volatile and returns often diverge sharply from year to year. Viewed over the longer-term, returns tend to become more stable, with gains in some years offsetting losses in other years.

Multi-asset solutions portfolios combine traditional and alternative asset classes to provide the highest expected return for a given level of risk, subject to fundamental diversification and liquidity constraints. The asset classes are defined by differences in their expected response to economic conditions (economic growth, price inflation and changes in interest rates) and are weighted in the portfolio by considering their risk-adjusted returns and correlations.

Sasfin Wealth Investment Platform – digital delivery of wealth products and advice

SWIP is a technology-driven solution that supports Sasfin Wealth to anticipate and respond to emerging market trends. Sasfin is built on meaningful client engagement and relationships, however, we understand the need to provide investment solutions and financial advice that cater to the needs and preferences of tech-savvy investors.

SWIP leverages technology to improve our businesses and our clients' experience. It offers online retirement savings and investment portfolio tools, calculators and products for direct retail clients, third-party independent financial advisors and asset managers. Our advisors can generate quotes and application forms electronically, allowing them to onboard clients electronically, resulting in a time-saving, cost-efficient and improved client experience.

Investment oversight ⑰

Sasfin Wealth provides financial advice and discretionary wealth management services. Accordingly, we view governance as more than ensuring regulatory compliance, but rather requiring a broad and comprehensive oversight framework built around the protection of investors.

OVERSIGHT

The Sasfin Wealth Investment Oversight Committee (WIOC) is a committee of the Sasfin Wealth Board and is chaired by an Independent Non-Executive Director of Sasfin Wealth. The WIOC oversees and monitors the discretionary investment management and advisory services of the various subsidiaries of the Wealth Pillar. This includes: responsibility for effective policies and strategies; overseeing management; measuring and reporting all related investment management and advice risks; conforming to Sasfin Wealth's risk appetite limits and levels of exposure; conforming to client mandates; and complying with applicable laws and regulations.

The Sasfin Wealth Investment Committee and the Sasfin Wealth Advice Committee are the two primary executive committees dealing with discretionary investment management and financial advice. The output from these two committees forms the basis of information provided to the WIOC. The WIOC meets quarterly to review and interrogate all aspects of advice and investment processes and outcomes within the Wealth Pillar.

The Group's investment activities are guided by a social and environmental management policy in recognition of the importance of environmental, social and governance (ESG) considerations, which are increasingly becoming a focus for trustees of retirement funds.

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

INVESTMENT POLICY STATEMENT

Each of the defined contribution funds managed by Sasfin Wealth have an investment policy statement. This is a formal statement of the principles underlying the investment strategy of the fund and provides the theory and framework for investment decisions and ongoing performance measurement as required by legislation and pension fund practice. It considers the Code for Responsible Investing in South Africa (CRISA) and King IV™. It requires that the investment strategy of the fund considers the long-term sustainability of investments and, in particular, considers the impact of ESG aspects. It requires that CRISA and the Financial Services Board Circular PF 130 are used as references for ensuring compliance with King IV™, principle 17. Refer to page 105.

Capital Pillar

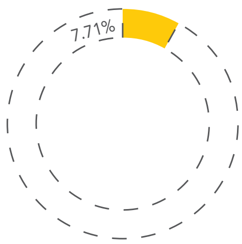
Francois Otto
Head: Capital Pillar

The Capital Pillar incorporates the Group's investment banking activities and leverages its close connection with the Banking Pillar to offer investment banking services to the mid-market. It also houses some of the Group's strategic investments.

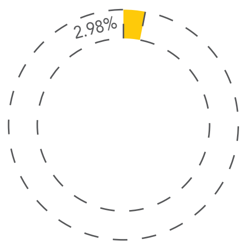
Capital Pillar

- **Private equity**
- **Property equity and debt solutions**
- **Corporate finance and specialised finance**
- **Strategic investments**
  - Global trade and incentives
  - Freight and logistics
  - Insurance broking and administration

Contribution to Group revenue – Capital Pillar



Contribution to Group headline earnings– Capital Pillar



Sasfin Capital is focused on extending and arranging finance for mid-market businesses by providing:

- Strategic corporate finance advisory services including listings, mergers and acquisitions, and capital raising
- Specialised, bridging and equity finance for businesses looking to grow either organically or through acquisitions
- Financing to property entrepreneurs

The Capital Pillar's business drivers

- Business activity
- The need for bespoke investment banking services in mid-market corporates

Key industry trends that impacted the Capital Pillar in 2019

- Weak macroeconomic environment

The Capital Pillar's competitive advantages

- The ability to provide sophisticated funding solutions to mid-market corporates
- Young, dynamic team

New products and services launched in 2019

- Capital provides bespoke solutions to clients according to their needs
- Structured the increased investment in Efficient Group

CAPITAL PILLAR'S 2019 PERFORMANCE REVIEW

		Growth %	2019 R'000 Capital	2018 R'000 Capital
Total income*	▼	42.89	96 106	168 268
Impairment charges on loans and advances	▼	96.89	(339)	(10 911)
Net income after impairment	▼	25.93	95 767	157 357
Operating costs	▲	2.08	(106 415)	(104 244)
Profit/(loss) before taxation			(10 648)	53 113
Taxation			7 709	(13 931)
Profit/(loss) for the year	▼	>100	(2 939)	39 182
Minority interest			562	(1 982)
Headline adjustments			7 190	310
Headline earnings for the year	▼	87.17	4 813	37 510

* *Includes share of associate profit and loss.*

The Capital Pillar supports the Group strategy by extending its product range and reach into the economy to help South African entrepreneurs to grow their businesses, which supports growth in the local economy. Because we are focused on providing bespoke solutions that address the needs of mid-market corporates, we are intrinsically client-centric in our approach.

Total income for the Capital Pillar decreased to R96.106 million (2018: R168.268 million) due to a write-down in the private equity portfolio as our investee companies struggled in the current environment, and corporate finance experienced lower corporate activity.

The strategy of the Capital Pillar shifted to developing our specialised finance business, which offers term finance solutions to mid-sized corporates. This offering complements the working capital finance offered by the Banking Pillar, which tends to be shorter-term in nature. While the deals in this area tend to be more complex and take longer to structure due to their customised nature, there are opportunities to scale this business in a capital-efficient and relatively low-risk manner that will deliver more stable earnings over time.

The bulk of our focus was consequently on developing the processes supporting the specialised finance business, refining the service offering and marketing it. In the private equity business, we took the strategic decision to focus on optimising the existing portfolio rather than aggressively seeking new investments. We are further exploring initiatives to use the existing infrastructure to generate non-interest revenue in a more capital-efficient manner.

The team supported the Group's increased investment in the Efficient Group, managed our portfolio of private equity and controlled investments, and conducted a strategic review of these investments.

The Pillar conducts ongoing on-the-job training to employees to develop our young team. The organisational structure was rationalised to support the new direction of the Pillar.

We follow a robust process that supports accurate valuations. Our valuation models use standardised best practice valuation methodologies that have been refined over time. Valuations are peer reviewed within the Pillar, approved by the Pillar head, and audited as part of the external audit engagement. All valuations are reviewed and approved by the Sasfin Board's Capital Investment Committee.

BUSINESS UNIT OVERVIEW

Private equity

Provides equity capital to high-growth entrepreneurial and medium-sized companies to help entrepreneurs unlock the inherent value of their companies and access some of the wealth they have created

2019 highlights and challenges

- Continued to hold and manage investments in the portfolio
- Many investee companies struggled in the current environment
- We are reviewing our strategic direction in this business

Property equity and debt solutions

Partners with mid-market property investors, offering a range of solutions across the property spectrum including debt, equity, deal structuring, risk assessment and the ultimate exit of an investment

2019 highlights and challenges

- Sasfin Capital has a strong portfolio of income-generating properties, specifically in the student and affordable housing segments. We continue to seek opportunities in this market and plan to grow our property lending franchise

Corporate finance and specialised finance

Provides innovative short- and medium-term structured solutions for clients, including bridging finance, underwriting and exploiting unique short-term opportunities with attractive risk-reward pay-offs. Offers a full range of advisory services and balance sheet support to clients for capital raisings, acquisitions, disposals and other corporate actions. Accredited as a sponsor and designated advisor with the JSE.

2019 highlights and challenges

- Refocused the Pillar on specialised finance as a core business activity
- Advised on Sasfin's increased investment in Efficient Group
- Low corporate activity in the market resulted in low revenue in this area for 2019

Strategic investments

- 30% of Imperial Sasfin Logistics (Proprietary) Limited, which provides freight forwarding and customs clearing services; the other 70% is owned by the Imperial Group
- 51% of Sasfin HRS, an insurance broking and administration company*
- 100% of Sasfin Commercial Solutions, which provides services in global trade and incentives
- 35% of Payabill, a digital lending business providing working capital and trade finance to small businesses

2019 highlights and challenges

- These investments came under pressure in 2019
- In January 2019, Sasfin took an equity stake in Payabill to expand the Group's product offering into underserviced markets

* *Shareholding reduced after year-end.*

WHAT TO EXPECT IN 2020

We will continue to develop our specialised finance offering to support South African entrepreneurs by meeting the needs of mid-market businesses and exploring opportunities for alternative non-interest revenue streams. We are investigating ways to bolster our third-party private equity asset management capability.

Francois Otto
Head: Capital Pillar

Payabill – supporting growth in small businesses

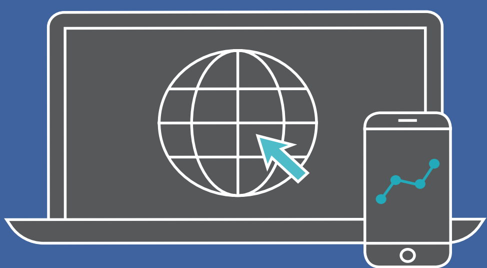
In January 2019, Sasfin acquired a strategic stake in fast-growing fintech lender, Payabill. Payabill is a 100% digital business that provides working capital and trade finance to small businesses.

Traditional lenders tend to neglect small businesses due to the high costs of on-boarding and assessing these customers, as well as managing their credit risk. Payabill set out to build a completely paperless, digital solution to address this market's unique requirements.

Sasfin's long-term focus on small business in South Africa makes for an ideal partnership, providing access to new channels and access to funding for Payabill to continue supporting the growth of small business finance.

While Sasfin has always offered a trade and debtor finance solution, this was largely for more established businesses. Payabill focuses on smaller businesses that are passionate about growth. Sasfin's larger trade and debtor finance offering will support businesses that reach the next phase in their development. Payabill offers loans of up to R150 000 to businesses and the intention is to offer larger loans to SMEs in the near future.

Since starting in 2017, Payabill has grown funding provided to small businesses each month and has a strong credit track record to date. Typical businesses include manufacturers, distributors, retailers and resellers; 55% of these businesses are black-owned and 37% are women-owned.



Human capital performance review

Naseema Fakir
Head: Human Capital

Our strategic goal is to build a diverse team of high-performing, empowered employees who live our values and work together with a sense of ownership to drive Sasfin forward.

KEY HUMAN CAPITAL STATISTICS

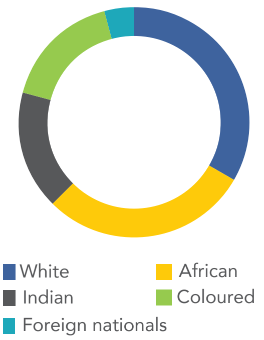
733
Total employees
(2018: 755)

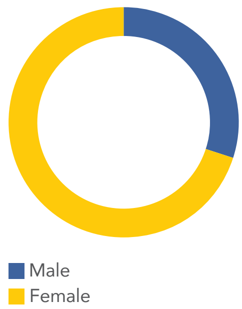
21.7%
Employee turnover
(2018: 15.9%)

13.4%
Voluntary turnover
(2018: 12.9%)

R9.5 million
Skills development
(2018: R8.4 million)

Employee composition





Governance of human capital and transformation

Sasfin's human capital is one of our key assets and an essential part of our high-touch client-centric model. Our human capital is designed to deliver stakeholder value. It is guided by labour legislation, the Basic Conditions of Employment Act and industry norms, practices and standards. The human capital strategy supports the Group strategy to achieve Sasfin's objectives.

The Social and Ethics Committee (SEC) monitors compliance with ethical and governance standards, as well as internal human capital targets, and engages with management on people development plans.

These targets include our employment equity and skills development scores under the FSC scorecard.

The Group Human Resources and Remuneration Committee (REMCO) oversees human capital with a focus on establishing and reviewing executive performance measures, and remuneration policies and practices across the Group.

These measures include the strategic focus areas of the Group, such as people and culture, and organisational capacity.

The Management Transformation Committee manages all elements of the FSC scorecard according to the Board-approved transformation objectives. Progress is reviewed quarterly, and any issues are addressed.

By 2023, our goal for the employment equity element of the scorecard (which includes management control) is to reach 75% of the FSC target.

Key changes to human capital management in 2019

- Implemented a new performance incentive scheme for Group Exco and Pillar Management Committee (Manco) members
- Approved new incentive schemes to support distribution in parts of the Group
- Aligned personal performance measures to business unit, Pillar and Group performance to drive more consistent performance management
- Introduced KRIs and KVIs into employees' KPIs
- Introduced more robust performance management processes across the Group
- Changed our employee benefits consultants and retirement scheme administrators to ensure that employees have the best available, appropriately priced options.

At 30 June 2019, Sasfin employed 733 people, a decrease of 42 from 2018. This reduction was primarily as a result of natural attrition following the acquisition of ATFS in 2018, where we were able to consolidate roles as well as retrenchments for operational purposes. Sasfin has one disabled employee and 20 learners with disabilities on a learnership programme. Following our focus on developing talent within Sasfin, we have strengthened our graduate training programmes, we employed 30 graduates in 2019 (2018: 5) and have eight participants on our CA trainee programme. We remain committed to transformation with 60.3% of our workforce in 2019 comprising African, Coloured and Indian (ACI) candidates (2018: 56.5%). Our challenge remains to improve transformation at senior management level. Limited progress was made in this regard as our senior management team remained stable in the financial year.

Employee composition

	Male		Female		Total	
Race	2019	2018	2019	2018	2019	2018
White	136	154	142	171	278	325
African	81	76	158	151	239	227
Indian	41	39	65	69	106	108
Coloured	20	20	77	83	97	103
Foreign nationals	8	7	5	5	13	12
Total	286	296	447	479	733	775

Employee stakeholder engagement is further discussed on page 58 and in our remuneration review on page 88.

Focus areas for 2019

Implement the revised performance incentive scheme across all Pillars

The new performance incentive scheme was implemented (page 96).

Conduct training on our new learner management system (LMS) and learning library

Many training initiatives were rolled out using this platform, including compliance, cybersecurity and other IT training. The learning library is available to all employees on LMS, enabling them to view all available training in one place. This allows them to keep up to date with changes in their job environment and to carve out a career path in the Group.

Define career paths within each business unit and establish a fast-track programme to accelerate the careers of high-potential employees

Career paths are developed for each role, enabling employees to consider the next steps available to them from their existing roles, and to plan their learning and development initiatives to grow into the desired role. We introduced the accelerated development programme for high-potential employees.

Embed our new performance review process, including the assessment against key risk indicators, key value indicators and 360-degree feedback where appropriate

KRIs and KVIs were added to employee KPIs. The performance review process leads to fair and consistent performance standards across the Group, resulting in fair and equitable increases and bonuses that reflect personal, business unit, Pillar and Group performance.

Employee engagement, particularly regarding the Group's values and strategic objectives

The Group CEO's roadshow hosted employee engagement sessions across the country to provide feedback on Sasfin's strategic progress. Key themes from this engagement were the challenges that naturally come with implementing new IT systems and the perception that remuneration could be improved. The Group CEO and Head: Human Capital will engage employees to unpack the results from the employee engagement survey and communicate and agree on any mitigating actions.

Talent acquisition and performance management

We employed a talent acquisition specialist who focuses on recruitment for specialised and senior roles at a reduced cost.

Our performance management has been more robust, with senior management driving consistency in the expected performance standards and addressing poor performance more proactively. This has contributed in part to the increase in employee turnover.

Building and retaining a high-performing workforce

Sasfin's human capital (HC) practices focus on attracting, rewarding, developing and retaining high-performing employees who embody the Group's values. Our robust recruitment processes identify appropriate candidates by testing for attitude and culture fit in addition to technical requirements for the job. This helps ensure that successful applicants integrate well into our teams.

HC policies are regularly reviewed to align with employees' evolving needs. We offer an attractive employee value proposition that includes:

- Market benchmarked and competitive remuneration with comparable benefits, including provident fund and risk benefits (such as life insurance, income continuation benefits and severe illness benefits)
- Clear performance measurement with fair reward and recognition, including discretionary performance bonuses
- Performance incentives
- Family-oriented, entrepreneurial-driven culture and a collaborative working environment
- Compelling careers with opportunities for career growth and expansion
- Investment in continuous learning and development for self-growth
- Wellness days and trauma counselling services
- Flexi-time and the ability to work remotely
- Competitive leave policies

Main HC challenges

- Employee turnover in certain business units
- Recruitment for specialised roles
- Achieving meaningful transformation at senior management level in the short-term
- Implementation of new business systems

The Group invests in employees through learning and development initiatives, a supportive culture, strong leadership, sound working conditions and employee assistance.

KVIs are included in the overall performance review to support an ethical, respectful and partnering performance culture. KRIs that form part of management's and executives' KPIs aim to ensure that they conduct themselves in a responsible and sustainable manner, with due regard to all stakeholders.

A new performance incentive scheme was implemented and aims to align executives to stakeholder value creation, specifically shareholder returns (page 96).

Total employee turnover increased to 21.7% (2018: 15.9%) due mostly to the attrition from ATFS. Retrenchments due to operational requirements contributed 49% of the involuntary turnover; 25 employees were retrenched, including 19 employees who joined as part of the ATFS acquisition in 2018. The remaining employees were retrenched due to a restructure in the Wealth and Capital Pillars, and changing requirements in Finance and IT. Voluntary employee turnover increased to 13.4% (2018: 12.9%) which is in line with the industry average.

HC and management review exit interview feedback and conduct focus group sessions to understand employee concerns and the reasons for employee turnover, and to respond appropriately. The number of negative exit interviews is within our acceptable risk threshold of below 20%.

Where necessary, employees receive performance counselling to improve performance. In 2019 eight employees (2018: four) were counselled.

Sasfin hosts wellness days, partakes in and sponsors various external initiatives (such as the Sasfin Cyclethon and Mandela Day activities) and drives internal campaigns that aim to create sound relationships with and among employees; 33% of employees attended this year's wellness day. We have seen a slight improvement in employees' health and fitness. However, stress, unhealthy eating and lack of exercise remain concerning. Our next wellness day will aim to encourage employees to sustain healthy living throughout the year.

There were four workplace injuries (2018: six), none of which required hospital treatment. An independent assessment of our compliance with the Occupational Health and Safety Act scored our compliance at 99% (2018: 98%).

Assessing HC management effectiveness

Sasfin assesses the effectiveness of how HC and culture are managed through our employee engagement survey, our participation in the Gordon Institute of Business Sciences (GIBS) Ethics Barometer survey and through general feedback from management and employees as part of 360-degree feedback.

We promote Sasfin's desired values and behaviours by incorporating KVIs into employees' performance indicators, using these to engage with and monitor each employee on their behaviour relative to the values.

The 2019 employee engagement survey received responses from 81% of the workforce. The survey showed that 58% of employees are engaged, 40% are neither engaged nor disengaged, and 2% are disengaged. Average employee engagement in Africa is 66%, with disengaged at 10%. Employee engagement in Africa has been on a steady decline since 2012, mainly due to the economic and political environment. Sasfin considered the high percentage of employees not engaged or disengaged. However, this is not unexpected considering the significant changes over the past two years including the restructuring, leadership changes and retrenchments. We are encouraged that the 2% of employees who are disengaged, is lower than the African norm of 10%, and we are engaging with employees to determine how to convert the 'neither engaged nor disengaged' to engaged. Preliminary engagement with affected teams has shown an improvement in engagement levels since the survey was completed.

The survey showed that line manager effectiveness and team effectiveness were well rated. Areas for improvement include effectiveness of communication, diversity management and reward and recognition.

Further outcomes of the effectiveness assessment are:

- Employment practices have been fair and consistent
- While there has been an improvement in learning and development initiatives, Sasfin needs to drive greater awareness across the Group to enhance the learning culture
- Within certain business units, there remains room for improving the employee climate. The CEO and Head of HC are engaging directly with the employees of these units to better understand and address these concerns

REMCO and the SEC considered the feedback from the employee engagement survey, as well as HC's progress on strategic initiatives such as people and culture, and transformation – and are comfortable with the measures being taken to promote and maintain employee engagement at all levels.

SUCCESSION PLANNING

Succession planning forms an important part of our talent management processes by identifying high-potential and high-performing employees. These candidates receive training (including on-the-job training) to develop their skills so they can be considered for other roles as they become available. They are also considered for placement on the fast-track programme.

While we have built more strength and depth across the Group, there remains a succession challenge in certain areas where we have small teams. This challenge is mitigated by knowledge sharing and work distribution in these teams, which will ensure business as usual while we source an external candidate.

REMCO's involvement in succession planning focuses on executive management and developing future leadership. The Board is ultimately responsible for approving succession planning at executive level, and Group Exco is responsible for proposing succession planning across the Group.

Succession plans are in place within each Pillar and business unit, and Group Internal Audit annually verifies these. The Prudential Authority (PA) reviews and approves the executive succession plan on an annual basis. The Prudential Authority did not raise any material concerns during this year's review.

TRAINING AND EMPLOYEE DEVELOPMENT

Sasfin aims to create a culture of learning and continues offering employees opportunities for further development.

Total investment in skills development
R9.5 million
(2018: R8.4 million)

Investment in formal work-related employee qualifications
R0.6 million
(2018: R1.0 million)

Rebates received from SETAs
R1 million
(2018: R758 000)

Formal training programmes and on-the-job training support Sasfin's strategy by developing relevant skills, promoting academic growth, building the right Group culture, sparking innovation, improving organisational capacity, creating a talent pipeline and supporting our transformation initiatives.

The SEC sets training targets for each Pillar in consultation with the Transformation Committee and divisional heads. These targets inform executive, management and individual performance metrics, annual increases and incentive awards.

Training programmes are delivered through the Sasfin Learning Academy (the Academy), which is an accredited training provider through the Banking Sector Education and Training Authority (SETA). The Academy supports the human capital strategy by ensuring the Group has high-performing, well-trained employees who are able to perform according to their job requirements, and who are fit for purpose to adapt to any changes, such as new systems and products.

The Academy is accredited to deliver various courses including a National Qualifications Framework (NQF) Level 5 – Banking Certificate. We facilitated and rolled out this qualification successfully to seven graduates across the business. Through the Academy's initiatives, Sasfin strives to provide opportunities to upskill employees at all levels in an effort to improve the quality of our workforce and play our part in reducing the national wage gap.

Where courses are not available through the Academy, accredited external training providers are used. The Group submits its mandatory workplace skills plan and annual training reports to the various SETAs in terms of the Skills Development Act, No 97 of 1998.

The LMS supports training by creating a centralised source of information and learning opportunities, training content and assessments for various training courses. It includes a training library with information on career paths that lists all positions available within Sasfin.

Other skills development programmes offered include:

Graduate development programmes for commercial graduates with academic ability but who lack experience in the workplace; 30 people were employed on our graduate training programme (2018: five).

We have identified an NQF qualification that is built with a banking framework focusing on aspects of the fourth industrial revolution. All graduates will be registered for this qualification.

A SAICA-accredited **CA training programme** offering specialised training to allow trainees to qualify as CA(SA)s. No CA(SA)s qualified through this programme (2018: one).

The programme was expanded to create a talent pipeline of professional CA(SA)s into the business. This should lead to a higher African, Coloured and Indian representation at middle and senior management levels once they have qualified.

Work-based one-year **learnerships** related to an occupation or field of work for learners with a post-matric qualification. In 2018 nine previously unemployed learners successfully completed the programme.

This year we provided one employee with a learnership in Group IT.

Sasfin partners with an external provider to assist with **learnerships for people with disabilities.** We employed 20 people on this learnership programme (2018: 19) and their programmes are still in progress. In 2018, 13 people successfully completed the programme.

We launched an **accelerated development programme** designed to equip high-achieving employees with skills that enhance and enrich their career growth to accelerate from junior to middle and senior level positions.

We provide **coaching and mentoring programmes** to guide and improve individual performance. We have seen the value of coaching and the benefit it has provided the individuals and teams. We will be looking at initiatives to formalise mentoring across the Group.

We initiated an **employee bursary** scheme.

Sasfin sponsors **external training programmes** that enhance employee performance effectiveness, such as the JSE Registered Persons Examination or JSE Traders Examination.

WHAT TO EXPECT IN 2020

Our focus areas for 2020 will be:

- Employee value proposition: Articulating and sharing the full Sasfin value proposition with employees and providing training on how it impacts employees individually.
- Driving the organisational values: The Human Capital Department will partner with businesses to ensure that employees consistently conduct themselves in line with Sasfin's values.
- Change management: Managing change in the various projects that are planned, be they new systems, leadership or processes e.g. a different method of reviewing performance.
- Employee assistance: Explore various employee assistance programmes to introduce further service offerings to our employees. These include legal assistance and financial wellbeing – employees can access these service providers independently.
- Organisational capacity: We will assess organisational capacity in line with the new systems being implemented and ensure appropriate training is in place to ensure that our teams are fit for purpose.

Information and technology performance review (12)

Josh Souchon
Chief Information Officer

The IT department's purpose is to enable growth in the businesses and global wealth of our clients through business insights, enablement and innovation – delivered through cohesive partnerships.

Key changes in 2019

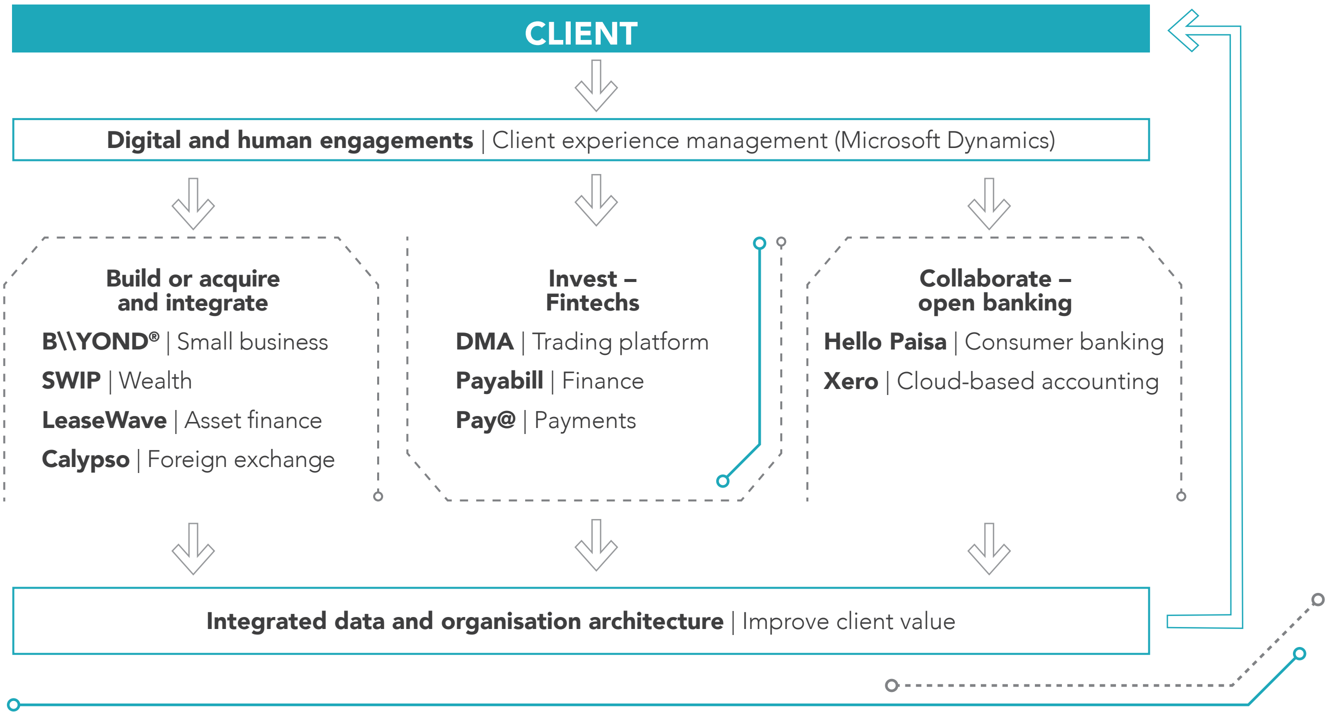
- Appointed a Chief Technology Officer (CTO) for change and transformation, in addition to the existing CTO for operations
- Embedded and enhanced the B\\YOND® digital banking platform
- Established a Business and Operations IT Steering Committee
- Consolidated several line-of-business systems and implemented Calypso and LeaseWave
- Continued focus on digital innovation with the launch of the Sasfin Digital Advisory Council

Our strategic direction

The information technology (IT) strategy focuses on service excellence and delivery, and existing infrastructure improvement. We aim to run Sasfin's technology reliably, securely and cost effectively, and deliver business value through excellence in service and project execution. We placed considerable emphasis on eliminating or reducing single points of failure across people, processes and technology, and on ensuring we protect our intellectual property in systems and people.

We run a competency-based operating model. Project prioritisation follows a rigorous process from project initiation to project delivery to ensure time, costs and quality controls are strictly managed.

The diagram on the facing page illustrates our approach to technology solutions, which places clients at the centre. A dedicated feature team manages the customer experience across the Group through the Microsoft Dynamics customer relationship management application.



In assessing the best ways to meet our clients' needs as seamlessly and cost effectively as possible we developed three approaches:

- We build systems or acquire and integrate solutions using a 'reuse, buy and build' philosophy. This approach was used for B\\YOND® (build), SWIP (acquire), LeaseWave (acquire) and Calypso (acquire).
- We invest in fintech companies that demonstrate a competitive advantage and to which we can add value. These include DMA, Payabill and Pay@.
- We partner with other businesses to integrate with their offerings. For example, Xero, the cloud-based accounting solution available through B\\YOND®, and Hello Paisa.

The RDARR project is being implemented to add business benefits and to support risk data aggregation and risk reporting required by the SARB. The data services strategy is implemented in parallel to establish a new architecture for data services that align with the restructured business.

The system, once implemented, will meet our regulatory compliance obligations and create an enterprise data warehouse that provides a single view of clients for risk management and decision-making. This will reduce costs and provide valuable data to further improve client value.

This approach aligns with our philosophy of being a 'fast follower' rather than a leader in IT, and of looking for opportunities to turn regulatory requirements into a competitive advantage or differentiator in our target markets.

EMERGING INDUSTRY TRENDS

Sasfin is embracing the move to the cloud to drive operational and cost efficiencies. The move was partly justified by the shift to unitised costing last year, which demonstrated the true cost of legacy systems and processes.

This shift to a cloud-first company has improved operational efficiency. It has driven organisational growth without needing to increase resources and infrastructure, thereby achieving significant cost savings.

We have done preliminary investigations into potential applications for blockchain technology and distributed ledger technology. We will continue to monitor developments in this regard.

We conducted a very early stage pilot using artificial intelligence (AI) for robotic process automation. It demonstrated that, at this stage, the business case is not compelling for an operation our size. We are testing the use of AI in algorithmic trading models.

Digital Advisory Council

Sasfin established a Digital Advisory Council in June 2019, aimed at providing the market with expertise and insights into trends that shape the use of technology in financial services. The council will act as an independent think tank and will help Sasfin and its clients 'decipher the fintech present and future'.

The council is headed up by Arthur Goldstuck, who is the founder of research consultancy, World Wide Worx. The council has initiated work within the Group. Developments from the Digital Advisory Council will be communicated to the market when appropriate.

Key focus areas during 2019

Sasfin has been in a major system implementation phase for the past two years, with most major business systems being affected. This has been a significant investment in the context of the low-growth macroeconomic environment which negatively impacted the Group's cost-to-income ratio.

The technology investment in the coming year will reduce. The focus will shift from implementing changes to line-of-business systems, to bedding down the new systems and developing 'last-mile' capabilities. This should realise significant client benefits and efficiencies. The most significant projects and focus areas in 2019 are shown below.

LeaseWave*

We migrated three rental and capital equipment legacy systems onto a single, state-of-the-art, core line-of-business system. This will enhance client experience and efficiencies in the asset finance business.

- Completed during 2019

Digital impact: Enhanced client experience and efficiencies

Calypso

This software-as-a-service cloud-based system replaces six treasury and foreign exchange solutions, with a significant reduction in infrastructure costs.

- Completed during 2019

Digital impact: Refinements to foreign exchange offering, including enhanced on-boarding and online trading experience

RDARR

This establishes the systems to comply with the SARB's effective risk data aggregation and risk reporting requirements.

- The project is on track to be completed by December 2020

Microsoft Dynamics

We implemented an end-to-end customer relationship management (CRM) system within certain business units that will be rolled out across the Group to provide users with a single platform to manage the full client life cycle.

- Ongoing

Digital impact: Common user experience and management across the Group

Preparing for POPI

We are reviewing our processes and documentation to ensure compliance with the Protection of Personal Information Act (POPI) when it comes into effect.

B\\YOND®*

We implemented enhancements to provide digital on-boarding of business banking clients and enable corporate roles to provide access for multiple users on an account.

Digital impact: Simplifies the small business bank experience

Wealth systems consolidation

We consolidated duplicate systems and switched off legacy systems while modernising and integrating functionality.

Digital impact: The new integrated platform will allow for future growth and development and create organisational capacity

Enhance project execution*

We established the necessary structures to bring together IT and business to effectively execute IT projects and measure their returns.

This includes the appointment of an additional CTO and establishing the new Business Operations IT Steering Committee.

Ongoing focus on architecture, service delivery and cybersecurity*

Cybercrime is a developing and significant ongoing risk. We are making progress in terms of our cybersecurity roadmap, which is regularly reviewed by internal and external assurance providers. Progress is presented to the IT Committee, Board and SARB quarterly.

The projects delivered during the year demonstrate good service delivery. Architecture moved from being a role to being a practice. We established an Architecture Forum to ensure effective solutions are defined.

* *Listed as a focus area for 2019 in the 2018 Integrated Report.*

MAIN IT CHALLENGES

- **Cybercrime:** Information security risk, including cyberattacks, could lead to business interruption, reputational damage and even fines and penalties. Refer to IT risk on page 65.
- **Financial control** to generate a sustainable return on IT investment.
- **Finding and retaining relevant skills:** The shortage of specialist skills in the South African IT sector remains an ongoing challenge. Refer to our human capital management on page 44.
- **Client experience journey:** Partnering with select clients for early adoption and early feedback to enhance their overall experience.

Focus areas for 2020

The main IT focus areas in 2020 will include:

- Stabilising the new systems implemented during 2019, developing the 'last-mile' capabilities and realising the full benefits from these projects
- Completing the RDARR project
- Upgrading and enhancing the Group finance systems
- Preparing for POPI

Governance of technology and information

IT is a key enabler in achieving the Group strategy (especially product, user experience, innovation and organisational capacity) and driving Sasfin's client-centric model by allowing clients to conveniently and safely access our services. IT provides new products and services that better meet our clients' needs and plays a critical role in driving internal synergies between business units.

The Board is responsible for governing technology and information.	The Board delegates this responsibility to the Board IT Committee. Information and technology are a standing agenda item at quarterly Board meetings.
The IT Committee meets quarterly.	The committee oversees IT governance and monitors the development and execution of the IT strategy through an IT governance framework, policies and procedures. It oversees, monitors and evaluates significant IT investments and expenditure, and oversees the governance of IT risk.
The Business Operations IT Steering Committee meets monthly.	The committee discusses prioritisation and the change impact all projects have on the Group, and provides input to the IT Committee.
Group IT policies, standards, procedures and frameworks apply across all business units.	We assess the effectiveness of IT governance through the compliance and risk management functions, with risk-based assurance on controls provided by internal and external audit. The IT Department reports quarterly to the SARB. Every 18 months the Group engages an external party to review the Group's IT governance framework.
The IT Department's mandate is to identify and implement projects that grow revenue, increase operational efficiencies, support compliance, innovate and mitigate risk.	Material IT projects are presented to the IT Committee for approval as a business case (projects that exceed R10 million in value). Board approval is required for projects above R20 million. Group Internal Audit reviews all projects 12 months after implementation and reports to the IT Committee on whether the projected benefits were realised. The IT Department works closely with its primary internal stakeholders. This ensures that there is a good understanding of their requirements, priorities and concerns.

Sasfin is also represented on industry associations such as the South African Banking Risk Information Centre and, if required, on SARB projects.

INFORMATION MANAGEMENT

The data services team is responsible for information management, which includes business intelligence and data governance. Business units retain ownership of the data itself and the IT Department provides the tools and mechanisms to manage, move and secure the data. We emphasise information security and are in the second year of a five-year rollout programme.

We designed a resilient network infrastructure to ensure continuity of operations. We continuously maintain and upgrade Sasfin's core infrastructure. Formal disaster recovery plans and backup strategies are in place and these are tested regularly and updated accordingly.

Social and Ethics Committee report 2 13

Demonstrating a strong ethical culture and behaving with integrity sustains the trust that underpins the financial services industry. Sasfin's products and solutions facilitate entrepreneurial growth, wealth creation, transformation and financial inclusion.

Gloria Serobe CD (SA)
Social and Ethics Committee Chair

Sasfin's purpose challenges us to make a positive contribution to society and to live our values (page 6), which include integrity and respect. As a banking and financial services group, Sasfin has the opportunity to direct our business activities in ways that support improved social equity and environmental responsibility.

The majority of Sasfin's lending business is in asset finance and trade and debtor finance, with a focus on SMEs. Sasfin contributes to South Africa's growth by financing entrepreneurs to help them grow and support their transition to more efficient and productive processes, which significantly impacts job creation.

Sasfin finances several products that promote energy efficiency, allowing clients to lower their energy costs and find cleaner alternatives. The asset finance business is investigating opportunities to finance new asset classes that include solar equipment and other energy-efficiency solutions.

The SEC sets and monitors the strategic direction of the aspects of good corporate citizenship in the Group. Refer to page 86 for the SEC's responsibilities, composition and focus areas.

RESPONSIBLE LENDING

Sasfin recognises its responsibility to ensure that clients share our commitment to preventing negative social and environmental impacts. Sasfin's social and environmental management system (SEMS) provides a framework to assess ESG aspects related to lending and client practices, particularly those in high-risk industry sectors. It comprises eight performance standards that aim to promote sound environmental and social practices, encourage transparency and accountability, and contribute to positive developmental impacts.

The SEMS draws from international best practice, including the Equator Principles, United Nations Global Compact (UNGC) Principles, Organisation for Economic Co-operation and Development recommendations regarding corruption, World Bank standards, as well as South African legislation aimed at redressing the relevant local social and labour issues.

The SEMS framework is overseen by the SEC and integrated into our operational processes. An environmental coordinator is responsible for overseeing the screening of corporate clients against the SEMS framework. This contributes to a consistent approach to environmental and social management by facilitating appropriate systems, policies, performance standards, monitoring and assurance within the Group's operations and responsible financing considerations.

Lending decisions consider legislative and regulatory requirements such as environmental permits, financing covenants and conditions, and the exclusion lists required by the various development funders who have partnered with Sasfin.

PROGRESSING TRANSFORMATION

Sasfin is committed to transformation and recognises the importance of playing its part in addressing South Africa's socioeconomic inequalities. The Management Transformation Committee drives the Group's transformation strategy, with a focus on promoting appropriate diversity at Board, Group Exco and senior employee levels (page 45). Targets are in place to improve our employment equity score, and preferential procurement and enterprise and supplier development are other priorities to ensure that these initiatives bring real benefits to black-owned and empowered entities. The B-BBEE level and transformation are included in executive performance metrics at Group and Pillar levels.

Sasfin has a South African National Accreditation System (SANAS)-accredited level 4 score under the new FSC, which translates into a B-BBEE procurement recognition level of 100% and recognises the Group as a value-added supplier.

The Group also has an opportunity to support transformation and financial inclusion by supporting black-owned businesses and extending services to the previously unbanked or underserved. Sasfin's B\\YOND®

transactional banking platform offers digital services to small businesses, many of which are black-owned, and Payabill's client base is 55% black-owned and 37% women-owned (page 43). Sasfin's alliance banking arrangement with Hello Paisa extends the Group's services into rural and migrant communities (page 33).

The SEC monitors the Group's employment practices (page 70). We are satisfied that these are non-discriminatory, and that they uphold the United Nations Universal Declaration of Human Rights and the International Labour Organisation's Fundamental Principles and Rights at Work, which form part of the UNGC.

COMMITTED TO OUR COMMUNITIES

Sasfin supports various programmes that promote sustainable development in education, financial literacy and care for the vulnerable in our communities. The SEC approves and monitors these programmes and in 2019, the Group invested R2.6 million in CSI initiatives and donations (2018: R1.7 million).

The Group supported approximately 24 organisations. Our flagship programmes include Afrika Tikkun, the Smile Foundation and ORT SA. Employee involvement is a priority and flagship organisations are invited to present to employees on the projects they implemented with funding provided by Sasfin.

Sasfin once again participated in the Smile Cyclethon, with funds raised going to the Smile Foundation and Wits Hospice. The Group matches funding raised by employees through initiatives such as Casual Day and Valentine's Day, and relevant employee-led initiatives, which included a campaign to raise funds for the victims of the Khayelitsha fires. Group Exco, the SEC and interested employees will visit one of the hospitals to learn more about the life-changing work of the Smile Foundation.

We are evaluating a consumer education programme to enable the Group to meet its obligations in terms of the FSC.

OPERATING WITH INTEGRITY

The SEC oversees ethical matters to sustain the Group's strong ethical culture. Integrity and ethics are important Group values and critical in maintaining the trust that is essential in the businesses of banking and wealth creation.

A system is in place to monitor conduct and ethics awareness among employees, and ongoing training is provided on relevant issues including Treating Customers Fairly (TCF), the SEMS system, anti-money laundering (AML) and anti-corruption.

Breaches of the ethics policy are reported to the SEC, which reviews and monitors these incidents and the actions taken to follow up and resolve them.

The committee receives complaints registered through the whistle-blower hotline (page 77).

Sasfin promotes ethics in business and government through our annual sponsorship of the GIBS Ethics and Governance Think Tank.

FINES AND SANCTIONS

Sasfin received an administrative sanction of R500 000 during the year, related to a 2017 SARB PA inspection in terms of the Financial Intelligence Centre Act, No 38 of 2001, as amended (FICA) (page 79). The administrative sanction was not imposed because Sasfin was found to have facilitated transactions involving money laundering or the financing of terrorism. It was imposed because the Prudential Authority found that Sasfin Bank Limited had not provided employees with adequate training as prescribed by FICA.

We cooperated throughout the process and paid the sanction in full. Sasfin views this finding as serious and has put processes and procedures in place to remediate the finding and to prevent its repetition.

Apart from this, there were no fines or other non-monetary sanctions imposed on Sasfin during the financial year, including for non-compliance with environmental laws and regulations, as well as laws and regulations concerning the provision and use of products and services.

In light of the debate around corporate political donations, we affirm that Sasfin continues to uphold its long-standing policy of not providing any funding (including loan funding) to any political party.

GOING FORWARD

The solid foundation created by Sasfin's robust governance structures and its ongoing investment in risk and compliance underline the Group's commitment to ethical business practices. This responsible approach strengthens Sasfin's long-term sustainability, supports positive contributions to society and minimises environmental impacts. The SEC looks forward to playing its part in ensuring the Group continues to demonstrate its commitment to good corporate citizenship in the year ahead.

Gloria Serobe CD(SA)
Social and Ethics Committee Chair

We recognise that building strong relationships with our key stakeholders and implementing effective risk management strategies are not only critical to ensuring our sustainability, but can also reveal opportunities that drive our future performance.

Building stakeholder relationships 16

STAKEHOLDER ENGAGEMENT

Sasfin follows a stakeholder-inclusive approach in recognising the important role that strong stakeholder relationships play in the Group's sustainability over time. The Board is responsible for stakeholder engagement and delegates this to management to proactively address stakeholder matters.

We continuously engage key stakeholders to ensure that we understand their legitimate needs, interests and expectations, that key matters are addressed and that, where relevant, these are considered in our strategy deliberations.

Key stakeholder relationships are managed at the level relevant to the level of engagement and stakeholder. The effectiveness of our stakeholder management is measured through engagements appropriate to the stakeholder. For example, through employee climate surveys, feedback received during prudential engagements with the SARB and at annual general meetings (AGMs).

As discussed on page 23, we focused on clients and reviewed our value proposition to each of our five primary client segments and their integration with Sasfin's strategy.

STAKEHOLDER CONCERNS AND HOW WE ARE ADDRESSING THEM

CLIENTS

Who are our clients?

- Previously unbanked/ underserved
- Entrepreneurs/SMEs
- High-net-worth individuals
- Private investors
- Institutional investors
- Asset suppliers
- Corporates

What are their expectations and concerns?

- Security of investments and consistent, risk-adjusted returns
- Seamless access to transactional banking applications and access to capital
- Accountability, sound corporate governance and efficient risk management
- Efficient approval of credit applications and quick turnarounds
- Access to decision-makers
- Fair treatment
- Sasfin's long-term stability and sustainability

What did we achieve in 2019?

- Continued refinement of products and policies to align with client needs and meet regulatory requirements, such as TCF
- Added refinements and new features to B\\YOND®
- Invested in Payabill to improve small business access to trade and debtor finance
- An alliance banking agreement with Hello Paisa (page 33)
- Implemented CRM, LeaseWave and Calypso systems (page 52)

How do we interact?

- Roadshows
- Interaction with decision-makers
- Daily business interactions
- Client/market surveys
- Media

What is our strategic response?

We continue to invest in our technology, processes and people to improve the client experience, align products and services with client needs, and increase cross-selling opportunities. We adhere to all regulations, including the TCF principles.

PC People and culture

OC Organisational capacity

S Sales

PU Product, user experience and innovation

SHAREHOLDERS

Who are our shareholders?

- Directors and their associates: 42.44% (2018: 41.62%)
- WIPHOLD 25.1% (2018: 25.1%)
- Fund managers holding >3% of issued shares: 4.27% (2018: 7.89%)
- Preference shareholders: 523 (2018: 523)

What are their expectations and concerns?

- Consistent financial performance and return on investment
- Sasfin's long-term stability and sustainability
- Transparent and consistent reporting
- Robust corporate governance
- Commitment to transformation

What did we achieve in 2019?

- Headline earnings increased by 32.05% (2018: decrease of 37.08%)
- ROE of 10.29% (2018: 8.09%)
- Dividends declared of 99.88 cents per ordinary share (2018: 151.26 cents)
- Adopted a dynamic dividend policy
- Implemented CRM, LeaseWave and Calypso systems
- Delegations of authority were enhanced and the internal control environment was improved

How do we interact?

- JSE SENS announcements
- Annual and interim results announcements, presentations, reports and roadshows
- AGM and other meetings
- *Ad hoc* meetings during non-closed periods

What is our strategic response?

Sasfin's five-year strategy drives our next growth chapter (page 24).

PC People and culture

OC Organisational capacity

T Transformation

S Sales

PU Product, user experience and innovation

GO Growing our offshore exposure

CQ Credit growth and quality

CM Capital management and planning

PROVIDERS OF FINANCIAL CAPITAL

Who are our providers of financial capital?

- Depositors
- Development finance institutions
- Institutions via debt capital markets

What are their expectations and concerns?

- Security of investments and consistent returns
- Accountability, sound corporate governance and efficient risk management
- Sasfin's long-term stability and sustainability
- Level of credit losses

What did we achieve in 2019?

- Launched refinements to the B\\YOND® transactional banking platform
- Invested in Payabill and entered an alliance banking arrangement with Hello Paisa
- Continued to strengthen our risk management processes, corporate governance structures and internal control environment
- Capital modelling improved significantly
- Enhanced the compliance team and refined the combined assurance model
- Credit losses improved (page 18)

How do we interact?

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

What is our strategic response?

Our investments in technology, processes and people improve the service we offer to depositors and ensure that our products and services meet their needs. The benefits of our improved credit processes were visible in the decline in the credit loss ratio.

OC Organisational capacity

S Sales

PU Product, user experience and innovation

CQ Credit growth and quality

CM Capital management and planning

REGULATORS

Who are our regulators?

- Prudential Authority of the SARB (SARB PA)
- Financial Sector Conduct Authority (FSCA)
- Johannesburg Stock Exchange (JSE)
- South African Revenue Service (SARS)
- Department of Trade and Industry (DTI)
- Payments Association of South Africa (PASA)
- Companies and Intellectual Property Commission (CIPC)
- National Credit Regulator (NCR)
- Financial Intelligence Centre (FIC)

What are their expectations and concerns?

- Capital adequacy and liquidity
- The risk environment, particularly cybercrime
- AML
- The impact of risk data aggregation and risk reporting (RDARR) and IFRS 9
- Credit losses
- Regulatory compliance, including adherence to TCF

What did we achieve in 2019?

- Complied with various regulatory and prudential requirements
- Total CAR of 15.783% (2018: 15.136%)
- Capital modelling improved significantly
- The RDARR system is on track to be completed in December 2020
- Implemented IFRS 9 (page 22)
- Elevated the Treasury function to the Group level and implemented the Calypso system
- Enhanced the compliance team

How do we interact?

- Prudential and other meetings between the SARB, the Board Chair, the Board, the Group CEO, Group Internal Audit, Group Compliance and the Group's executive management
- Monthly and annual regulatory returns and reports
- Regulatory compliance audits and on-site audits
- Trilateral meetings between the GACC, external auditors and the SARB
- Regulatory audits by external auditors reported to the SARB
- Group Internal Audit reports back to the SARB
- Daily monitoring of all bond and equity trades by the JSE via the broker deal accounting systems
- Regular meetings with Group Risk

What is our strategic response?

The Group continues to invest in information and technology solutions, processes and people to strengthen compliance, risk and internal audit capabilities, and support proactive compliance. Our credit processes have been refined and strengthened, and credit performance improved in 2019.

OC Organisational capacity

CQ Credit growth and quality

CM Capital management and planning

EMPLOYEES

Who are our employees?

- 733 employees: (2018: 775)
- Female employees: 61% (2018: 58.6%)
- Black employees: 60.3% (2018: 58.3%)

What are their expectations and concerns?

- Job security
- Fair and appropriate remuneration
- Sound leadership and direction
- Skills development and career opportunities

What did we achieve in 2019?

- Employee costs increased by 11.17% to R504.4 million (2018: R453.7 million)
- Training spend of R9.5 million (2018: R9.0 million)
- Implemented the revised performance incentive scheme
- Delivered the first training programmes through the Sasfin Learning Academy

How do we interact?

- Formal and informal meetings
- Periodic climate surveys
- Regular human capital newsletter and the Group intranet
- Quarterly and annual divisional awards
- Regular update sessions by the Group executives
- Training

What is our strategic response?

Sasfin aims to attract, develop and retain scarce skills at the right reward levels to build a diverse and high-performance team. Our revised performance incentive scheme aligns the interests of employees with shareholders and other stakeholders, the strategic objectives of their Pillars and the Group.

PC People and culture

OC Organisational capacity

T Transformation

Refer to page 44 for our human capital review and page 88 for the remuneration review.

COMMUNITIES

Who are our communities?
- Broader society
- Businesses and local communities aligned to our purpose and vision

What are their expectations and concerns?
- Job creation
- Alignment to the country's transformation targets
- Community development through social contributions (financial and material) and skills development
- Sound corporate governance and acting as a responsible corporate citizen

What did we achieve in 2019?
- CSI contribution of R2.6 million (2018: R1.7 million)
- Creating employment by funding SMEs
- Supported financial inclusion by extending banking services to the previously unbanked through Hello Paisa
- Renewable energy and solar photovoltaic finance
- Assisted in educational development, improved financial literacy and supported care for the vulnerable

How do we interact?
- Engage with the CSI projects we fund in our communities
- Social and environmental due diligence reports

What is our strategic response?
Sasfin contributes to South Africa's development by supporting sustainable projects that decrease poverty, improve quality of life and promote education and development for all South Africans.

PC People and culture

OC Organisational capacity

T Transformation

Refer to page 54 for our Social and Ethics Committee report.

BUSINESS ASSOCIATES

Who are our business associates?
- Industry forums (i.e. BASA)
- Business partners
- Suppliers

What are their expectations and concerns?
- Ethical business practices and legal compliance
- Fair treatment and payment terms

What did we achieve in 2019?
- Our commitment to supporting small business suppliers is evidenced in our enterprise and supplier development B-BBEE score
- Sasfin has representation on committees and forums at BASA, the PASA and SARB/National Payments System Department

How do we interact?
- Formal and informal interactions in the ordinary course of business.

What is our strategic response?
Sasfin participates in industry associations to promote the banking and financial services industries and represent the Group's positions. Business partners ensure that we can access the necessary skills for technical implementations where needed.

OC People and culture

OC Organisational capacity

Risk management and overview (11)

The integrated approach of Sasfin's enterprise risk management (ERM) identifies and proactively addresses the diverse risks and opportunities in Sasfin through appropriate governance structures, processes, policies and frameworks while enabling the business to grow.

Stewart Tomlinson CA(SA)
Chief Risk Officer

Sasfin has a well-established integrated risk management philosophy that aims to ensure that all key risks are managed effectively within acceptable parameters. Sasfin uses four lines of defence to ensure accountability and distinguish between owning and managing risk, overseeing risks, and providing independent assurance (page 80). The Board is ultimately responsible for risk management, setting the risk appetite and approving policies and limits to support the business in achieving its strategic objectives.

RISK PROCESS

Key changes in 2019

- Reviewed and updated the ERM framework and policy
- Added risk culture to the risk management approach
- Investment risk introduced as a top 10 risk
- Updated the combined assurance model to four lines of defence

Sasfin's ERM process is embedded into how we do business. Management identifies the risks prevalent in their businesses. These are collated and compared to the risks identified by Group Exco and the Board through its stated risk appetite and strategic risk assessment. This process ensures that risks are appropriately addressed, aids effective risk monitoring and reporting, supports compliance with laws and regulations, and helps to safeguard our assets and reputation.

Our approach is informed by relevant regulations, guidelines and standards, including the Banks Act, and ISO 31000:2018 Risk Management Principles and Guidelines. We annually review the ERM process, including a consideration of current and emerging risk management techniques, research, trends and new or changing regulations that impact risk management.

The Chief Risk Officer (CRO) reports to the Group CEO with direct access to Board members and the Chair of the Group Risk and Capital Management Committee (GRCMC). Group Risk is a centralised function that monitors and provides guidance to business units to ensure they follow the ERM process. Dedicated business unit risk managers are in place in areas where risk is significant. Other business units have risk champions who have defined risk responsibilities in addition to their business roles. An escalation matrix is in place for material risk events. Group Risk collates, analyses and reports on risk events to the GRCMC. Any trends identified from risk events are addressed accordingly.

ESG risks are assessed through the SEMS, which provides a way to assess lending and client practices.

Regular process reviews in the business units ensure that risk management principles and processes are embedded. Group Risk engages regularly with businesses to monitor the effectiveness of risk management. Group Risk is represented at all Pillar Manco Meetings.

ISOMETRIX

The risk management system (Isometrix) went live in June 2018 and was embedded across the Group. All risk champions and business unit risk managers use the system and all Group risk assessments and incidents are reported. The system includes risk libraries, risk types, a control library, a KRI library and a process library.

Benefits of the new system include more accurate, complete, timely, comprehensive and useful risk information to the Mancos, Board and Board committees. It supports the combined assurance model by centralising risk and compliance data, increasing efficiency and improving reporting and trend analysis.

Sasfin assesses the effectiveness of the Group's risk structures and practices across several structures on an ongoing basis, including:

Group risk annual attestation

The CRO completes an annual attestation to the GRCMC and Board to attest that Sasfin has a fit-for-purpose ERM framework in place.

GRCMC

The GRCMC reviews and recommends the risk policy to the Board.

The Executive Governance Committee, GRCMC and GACC (as part of combined assurance) approve Group Risk's annual plan.

Group Internal Audit review

Group Internal Audit reviewed the Group Risk department in February 2018. All notable findings have been remedied and implemented.

Supervision by the Prudential Authority

The Prudential Authority (the SARB) conducts regular site visits to review the effectiveness of our risk policies, frameworks and processes, including applicable governance structures. Formal feedback is provided to the Board and relevant committees. Four on-site visits were conducted during 2019, including the annual CRO prudential meeting, and the annual trilateral meeting between Sasfin, the Prudential Authority and external audit.

RISK APPETITE

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

Risk appetite is informed by a range of criteria, including relevant market analysis, market liquidity and business strategy. The process for setting the risk appetite is linked to risk and capital management, which is embedded into the forecasting process and incorporated in stress testing. Risk appetite informs business unit targets and risk acceptance/tolerance limits. The Board risk appetite is reviewed at least annually to ensure that risk tolerance levels are appropriate and complete. The last review and updates were done in November 2018.

Group Risk monitors performance against the Board risk appetite. Should there be a breach of the risk appetite, this is immediately escalated to the GRCMC and Board. Adherence to the Board risk appetite is monitored quarterly by the GRCMC and Board.

The only consistent breach that management did not remedy during the year was the cost-to-income ratio at Group level.

FOCUS AREAS

We reviewed and updated the ERM framework and policy to align with ISO 31000:2018 and to include the Group's 10 key risk types. The process included elevating investment risk to the Group's top 10 key risks due to the potential impact of private equity investment write-downs on the Group's earnings. Previously, investment risk was included in market risk. Conduct risk was reallocated to a level two risk type under reputational risk. The Board approved the revised framework and policy in June 2019.

The ERM team focused on improving the risk culture and maturity level of risk management to promote better risk-based decision-making. We achieved this through ongoing business unit engagements, training and awareness regarding ERM principles, processes and requirements.

Various policies and processes were amended, including the new product approval policy and the risk acceptance process. The commercial crime policy was made obsolete to reduce the number of Group policies. Relevant elements of the policy were incorporated into the operational risk policy, which was approved by the Board in May 2019.

Other focus areas during 2019 included:
- Continued close involvement in the Basel Committee on Banking Supervision's standard number 239 RDARR rollout
- Oversight over the project life cycle for the LeaseWave and Calypso system implementations, and continued rollout of the CRM system
- The development and implementation of the capital forecasting model
- Ensuring that the post-live plan for the risk management system was successfully implemented, including the quality of its risk information

One of the challenges we face is ensuring that risk remains top of mind throughout the Group. We continually emphasise the importance of risk management and business accountability for risks within management's areas of responsibility. We are investigating ways to digitise the risk function. This includes ensuring the ongoing effectiveness of the control environment and helping the risk function apply technology to better address regulatory expectations in key areas such as risk measurement, aggregation and reporting. We are enhancing our data modelling and forecasting capabilities to help our approach to become more proactive.

Our primary focus in 2020 will be on:

- Transforming risk efficiency and effectiveness to become enablers and drivers of digital transformation
- Enhancing and maturing Group Risk reporting to move away from an operational risk focus and increase the emphasis on the top 10 key risks
- Enhancing the risk team capacity and competencies, including IT risk, quantitative analysis, developing and maturing risk models and stress-testing capabilities
- Leveraging the data in the enterprise data warehouse
- Improving Sasfin's risk management culture

KEY RISKS AND OPPORTUNITIES

Risks increased from an external perspective as the South African economy deteriorated, rolling electricity blackouts returned in February 2019 and political uncertainty spiked in the period leading up to the May 2019 general election. Concern grew over business interruption caused by failing infrastructure.

These developments impact Sasfin directly and have a significant effect on our client base. From a transactional banking perspective, Hello Paisa transformed the risk environment in which Sasfin operates to become more technology-driven.

1. CREDIT RISK

Risk description and impact

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

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

Opportunities arising from managing this risk

We can utilise the CRM project to provide enhanced views on single client exposure and on groups of connected clients.

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

Key developments in 2019

- Consolidated the asset financing businesses onto a single IT system (LeaseWave)
- Increased credit insurance
- Implemented IFRS 9 (page 62)
- The Group is building an enterprise data warehouse as part of our RDARR project

Outlook

Economic growth, financial stability, political risks, trade tensions, technology and innovation, and ESG risks will shape credit conditions in the year ahead.

2. MARKET RISK

Risk description and impact

This 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 such as interest rates and exchange rates.

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

Opportunities arising from managing this risk

The process of managing market risk relies heavily on the use of models. This provides the opportunity to enhance the relevant risk models as a strategic focus for the year ahead, which in turn aligns to the transformation and digitisation of risk management.

Key developments in 2019

- Consolidated the Treasury and Foreign Exchange Departments onto a common IT business system (Calypso)
- Built new regulatory market risk models

Outlook

Sources of market risk include recession, political turmoil, changes in interest rates, natural disasters and terrorist attacks.

3. FUNDING AND LIQUIDITY RISK

Risk description and impact

This is the risk that the Group may not have, or is unable to generate, sufficient funding or cash resources to meet its short- and long-term obligations immediately as they fall due. Funding and liquidity risk have played a key role in all historical banking crises.

Opportunities arising from managing this risk

We have an opportunity to enhance returns and improve product pricing through granular measurement of funding and liquidity costs of individual transactions/ products.

Key developments in 2019

- Implemented the funds transfer pricing model to ensure that business units are charged the correct funding costs

Outlook

The Group's liquidity position is healthy but requires considerable ongoing management due to its sensitivity to market conditions.

4. CAPITAL MANAGEMENT RISK

Risk description and impact

This is the risk of the Group's capital position falling outside the range required to support its strategy. This could lead to a breach of regulatory requirements and inadequate capital in respect of all risk exposures.

Opportunities arising from managing this risk

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

Key developments in 2019

- Developed and implemented a capital forecasting model
- Strengthened the capital management team and increased oversight

Outlook

The Group is reviewing its capital structure to enhance its potential returns.

5. REPUTATIONAL RISK

Risk description and impact

This is the risk of impairment of the Group's reputation.

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

Opportunities arising from managing this risk

Risk management becomes a strategic enabler to enhance an organisation's reputation, which is a step beyond protecting and preserving the brand and reputation.

Effective management of reputational risk across social media platforms provides an understanding of what competitors are dealing with and how they react. This can create opportunities to help us pre-empt potential emerging risk issues.

Even in a crisis, we can remind others of our core values and the impact these may have on local communities and society.

Key developments in 2019

- Enhanced social media management allowing for faster response times to client or general public queries
- Consolidated Group Marketing function enabled consistent brand messaging
- Revised communications and media policy and marketing standards
- End-to-end ownership of risks identified

Outlook

The Institute of Risk Management of South Africa risk report for 2019 predicts that loss of reputation and severe brand damage risk could increase over the next 18 months to five years.

A complicating factor is that reputational risk is exacerbated by social media and other technologies that enable people to share opinions and information widely and swiftly.

6. OPERATIONAL RISK

Risk description and impact

This is the risk of financial loss resulting from inadequate or failed internal processes, people or systems, or from external events. Unmanaged, it can lead to the destruction of an organisation.

Opportunities arising from managing this risk

We can enhance risk-based decision-making and improve the risk management capability of employees. This provides the rigour to identify and assess risks and establish acceptable risk levels relative to growth and return objectives. Risk-based decision-making also reduces operational surprises and associated losses and improves capital deployment.

Key developments in 2019

- The Isometrix management system was rolled out in June 2018
- A stress-testing framework is in place and we implemented a key issues control log and a risk acceptance standard
- Risk management is included in executive KPIs to reinforce accountability and ownership of risk
- The annual business continuity management test was completed successfully
- Risk rating methodology was aligned across the Audit, Risk and Compliance functions and assurance and monitoring plans are coordinated across these areas

Outlook

Several factors are changing the landscape for operational risk in the financial services industry. One factor is a proposal by the Basel Committee on Banking Supervision to replace all risk management approaches with a standardised measurement approach. This change is expected to significantly alter the regulatory capital required for operational risk.

Other factors include an increase in the scope of work for operational risk functions, new risk exposures such as culture, an increase in regulatory sanctions, and legacy operational risk framework capabilities rapidly becoming redundant as underlying business models change.

7. COMPLIANCE RISK

Risk description and impact

The risk of sanctions as a result of non-compliance with laws, regulations and internal governance requirements. This can lead to financial penalties and fines and/or the loss of our banking licence.

Opportunities arising from managing this risk

Effective compliance ensures that sound corporate governance structures and practices are adopted, aligned with industry good practice. Greater clarity and confidence are created around the regulatory risk framework and our ability to manage regulatory change.

It also helps to identify process improvement opportunities to ensure effective and consistent management of compliance and regulatory obligations.

Key developments in 2019

- Group Compliance enhanced its monitoring function
- A market conduct and JSE compliance function was established
- Sasfin received an administrative sanction of R500 000 from the SARB (page 55)

Refer to page 78 for more information on compliance.

Outlook

As with market risk, our aim is to align all AML/CFT requirements Group-wide within the next 12 to 18 months.

The pending introduction of POPI requires client-facing employees to tighten policies and procedures around the way in which customer data is held, stored and managed.

8. BUSINESS RISK

Risk description and impact

This is the risk of losses or reduced profits arising from the Group's strategic direction or environment (such as competition and adverse economic conditions). This could result in an inability to provide investors and shareholders with adequate returns.

Opportunities arising from managing this risk

The ability to manage business risk supports Sasfin's business decision-making. It assists in minimising financial losses, lost time and productivity, and the negative impact on clients.

Key developments in 2019

- The Group strategy positioned Sasfin to face the difficult economic environment
- Continued focus on growing offshore income to diversify earnings
- "Back-to-basics" focus on sales and client engagement

Outlook

Business risk is increasing due to the political and economic environment. Sasfin's economic capital is key in managing the Group's risk and capital structure and in its day-to-day financial management.

9. INVESTMENT RISK

Risk description and impact

This is the risk of an adverse change in the value of an investment in a company or fund.

Opportunities arising from managing this risk

Investment risk management can reduce or augment the risk exposure by following disciplined practices including diversification, valuation, loss mitigation, due diligence and exit strategies.

Key developments in 2019

The Capital Pillar will reduce its proprietary equity activities in the medium-term and pursue term lending, property and structured finance transactions to enhance the earnings mix.

Outlook

Some businesses in our private equity portfolio may continue to experience difficult trading conditions.

10. IT RISK

Risk description and impact

This is the risk that technology failure will negatively impact the Group strategy and disrupt core business processes.

The risk of technology failure can create business downtime and loss of revenue. In addition, the risk of technology becoming outdated could result in lost business and decreased competitiveness. Information security risk, including cyberattacks, could lead to business interruption, reputational damage, and fines and penalties.

Opportunities arising from managing this risk

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

Key developments in 2019

- Increased IT infrastructure development to enhance system performance and security
- Several key business IT systems were implemented
- A revised data governance framework was rolled out
- An enterprise data warehouse is being developed as a single data source for the Group

Refer to page 50 for more information on IT.

Outlook

Technological innovations pose new risks and opportunities, as well as new cyberthreats. The Group is moving towards an increasingly digitised business model. Cyber risk remains a significant concern across the banking sector.

The Board's focus is on ensuring that the benefits of the strengthened risk and compliance functions extend into the Group, monitoring credit policies and processes, ensuring effective capital management and interrogating the strategy in context of the rapid developments in technology and the competitive arena.

Overview 1

The Board's functions are summarised in a charter that embraces the King IV™ principles of good governance. The Board charter also incorporates the corporate governance principles for banks issued by the Basel Committee on Banking Supervision. These standards place diligence, ethics and effectiveness at their core and consider the relevant South African context by underscoring the importance of diversity and social responsibility, including setting appropriate gender and race diversity targets. Directors are provided with ongoing training to ensure they are equipped to meet the standards of conduct expected of them.

Governance principles are not limited to the boardroom. Prudential and market conduct standards, together with risk management policies and procedures, aim to ensure the Group's activities are conducted responsibly in the interests of all stakeholders and are intended to drive the Group's key strategic focus areas.

Sasfin's 2019 King IV™ application summary is on page 104.

Measuring board effectiveness

The Board prioritises governance, and the annual Board plan and agenda ensure that governance outcomes are at the core of each meeting.

The Board's effectiveness is measured through an internal self-assessment process aimed at measuring qualitative and strategic outputs based on the four governance outcomes outlined in King IV™. Where delivery can be measured, such as performance and information quality, those metrics are reviewed, assessed and interrogated.

Ethics and legitimacy are at the top of the Social and Ethics Committee's agenda, where oversight is exercised and reported to the Board.

How governance impacts performance and sustainability

Effective corporate governance is critical to the proper functioning of the banking sector and the economy.

Sasfin plays a crucial role in intermediating funds from savers and depositors to activities that support enterprises and drive economic growth. The way in which we conduct business is central to our own success and broader economic health.

Governance plays a significant role in ensuring that stakeholders' interests are safeguarded through the proper allocation of authority and responsibility by which Sasfin's business and affairs are carried out. This is particularly true regarding the execution of strategy, protection of the interests of depositors, shareholders and other key stakeholders, and the alignment of corporate culture with integrity and in compliance with applicable laws and regulations.

Governance priorities for 2019

Sasfin has a well-established and mature governance structure at Board level. Therefore, the overarching governance focus in 2019 was to drive governance accountability to senior management so that the Board could adopt a more strategic oversight role.

As a result, we significantly increased the resources in the second and third lines of defence, quantitatively and qualitatively. During 2018, experienced executives were recruited to head up these key defensive roles. In 2019, these executives focused on building their teams, reviewing priorities and introducing innovative monitoring tools.

At an executive level, we established an Executive Governance Committee chaired by the Group CEO. It includes the Heads of Compliance, Audit, Risk, Legal and Finance. The committee, *inter alia*, oversees and ensures the completeness and integrity of relevant information presented to the Board. The committee plays an integral role in implementing the combined assurance model and monitors progress in remediating risk, compliance and audit findings to assist in ensuring that an effective control environment is maintained.

GROUP GOVERNANCE FRAMEWORK AND STRUCTURES 16

Key changes in 2019

- Each Pillar adopted its own governance framework and established focused management committees that report to Group Exco
- Governance and management structures in the Banking Pillar were split into asset finance and business banking to support focused management and improve accountability
- Board and Committee charters were updated

We maintain a Group governance framework that regulates the relationship between the entities within the Group and ensures that appropriate arrangements between holding and subsidiary companies are in place. Complying with the Group governance framework enables the Group to review its own effectiveness and to identify continuing improvements in its governance arrangements.

The Board is the ultimate custodian of our business operations and ensures the application of Sasfin's strategy throughout the business. It holds management accountable for delivering and balancing short- and medium-term performance with long-term sustainability and value creation, within the Group's approved risk appetite and framework. The Board monitors and receives reports to ensure effective control across all Group activities.

All subsidiaries are grouped under one of three Pillars. Each Pillar is headed by a primary Pillar holding company and has its own board, which is responsible for the oversight and strategic development of its businesses. Boards of all legal entities report to the Sasfin Holdings Board.

We conducted a peer review/self-assessment process including the boards of Sasfin Holdings and Sasfin Bank, the boards of the main subsidiaries and all Board committees, as well as Group Exco. Refer to page 76.

The effectiveness of governance was also assessed by internal and external auditors and evaluated by the Board. It included Sasfin's approach to risk management (page 60) which is based on defined governance structures and processes, with individual responsibility and collective oversight. The impact of governance was assessed as a medium-level inherent risk across the Group. Elected members collectively, and senior management individually, were responsible for enhancing the governance of the Group's affairs. Complying with the Good Governance Framework enables the Group to review its own effectiveness and to identify continuing improvements in its governance arrangements.

In 2018 Group Internal Audit conducted a review of the internal control structures, more specifically, a review of the design (adequacy) and effectiveness (operation) of governance structures and the operation thereof across the Group. It included a detailed review to ascertain whether Board-level governance structures were operating adequately and effectively. The governance controls, structures and operating environment were found to be sound and were actively managed on an ongoing basis.

Ensuring the integrity of information received from subsidiary boards

Subsidiary companies appoint independent directors and directors who serve on the main Board to ensure an appropriate balance of skills and experience. Directors serving on both main and subsidiary boards are able to monitor the integrity of information. Subsidiary boards delegated certain of their responsibilities to the Board committees of the main Board, for example, the delegation of responsibility from the Wealth Board to the WIOC and GACC and have adopted the policies of the holding company.

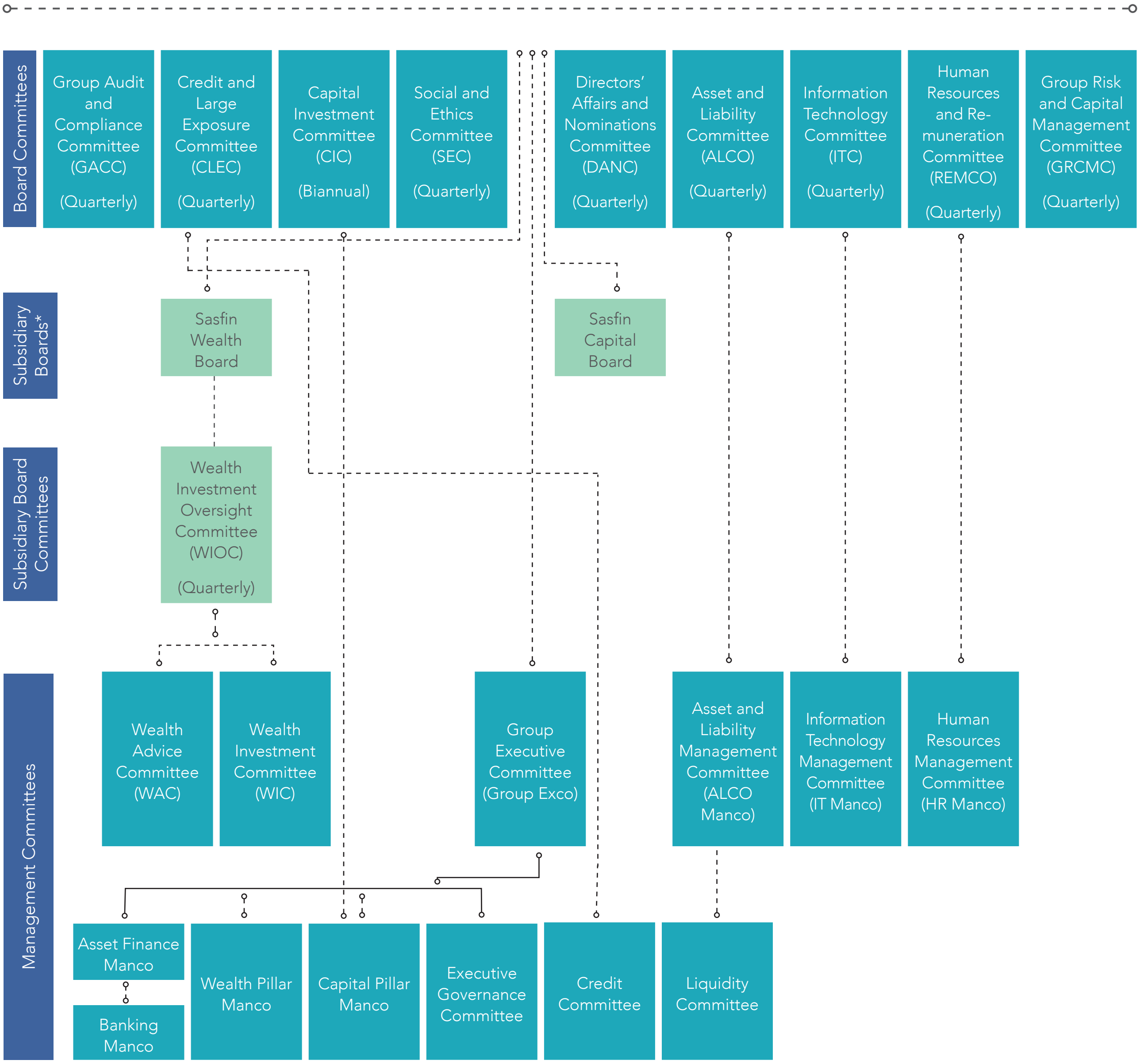
The main Board committees operate under approved Group mandates. For example, the GACC is responsible for separately interrogating and reviewing the financial statements of each operating subsidiary.

Management of each Pillar reports to, and has the opportunity to present their reports to, the main Board and answer any questions which may arise.

The charters of the Board and committees were reviewed and updated. Particular focus was given to ensure they fully encompass all required responsibilities and accord with current governance standards. These include those recommended by the Bank for International Settlements and the SARB's most recent directives regarding corporate governance. These standards are aimed at promoting sound corporate governance in relation to the appointment of directors and executive officers, and particularly the independence of Non-Executive Directors.

To assist the Board with its responsibilities, a number of statutory and operational Board committees are in place. Summarised committee charters are available at www.sasfin.com/investor-relations.

SASFIN HOLDINGS AND SASFIN BANK BOARDS



* *These are the primary subsidiaries of the Group.*

Leadership

The Board comprises a diverse group of skilled directors from varying backgrounds in terms of demographics, skills and experience (page 72). The majority of our directors are non-executive and are classified as independent.

The Board has a Directors' Affairs and Nominations Committee (DANC) comprising only Non-Executive Directors. The committee primarily acts as the Board's sounding board and expert monitor on corporate governance issues based on King IV™ and Banks Act requirements. It also serves as a director nominations committee. It performs independence assessments, evaluates the mix of skills of directors by considering the conduct and competence of each director, and ensures that the balance of power is effectively maintained.

BALANCE OF POWER 7

The balance of power policy is included in the Board charter and forms part of the policy on the appointment of Directors and Executive Officers.

CHAIR

The Chair of the Board is an Independent Non-Executive Director. The Chair is responsible for ensuring the integrity and effectiveness of the Board and its committees. In addition, the Chair is required to:

- Exercise independent judgement, act objectively and ensure that relevant matters are prioritised correctly
- Provide overall leadership to the Board without limiting the principle of collective responsibility for Board decisions
- Ensure that all Board members are fully involved and informed of any business matter on which a decision has to be taken
- Ensure that Executive Directors play an effective management role and participate fully in the operation and governance of Sasfin
- Avail himself to the Group CEO between Board meetings to provide counsel and advice
- Ensure that the performance of the Group CEO is evaluated regularly

LEAD INDEPENDENT DIRECTOR

The Chair is supported by the Lead Independent Director, whose duties include to:

- Perform the duties of the Chair when he is absent or when his independence is questionable or impaired
- Preside at all Board meetings at which the Chair is not present, or where he is conflicted, including any sessions of the Independent Directors
- Assist the Board to deal with any actual or perceived conflicts of interest that arise on the part of the Chair
- Serve as intermediary between other Directors and the Chair
- Deal with shareholders' concerns where contact through the normal channels has failed to resolve concerns, or where contact is inappropriate
- Lead the Chair's performance appraisal

LEADERSHIP COMPOSITION AND INDEPENDENCE 7

Key changes in 2019

- One director retired during the year and two resigned effective 30 September 2019. Sasfin appointed two directors – one before year-end, and one after

DIVERSITY

The Board is cognisant of the need to achieve balance, diversity and transformation and has targets for its composition – 35% black directors and 35% female directors. These targets are incorporated in the Board's charter. The Group's Board representation met these targets as at 30 June 2019. Appropriate diversity is an important factor in the nominations process followed by the DANC.

Sasfin has a diverse Board because we offer a broad array of products to a wide range of consumers of financial products. Directors with different skills and exposure to different markets can offer different perspectives and have the different specialist knowledge sets required to evaluate and support our full range of businesses. The Board's composition represents an appropriate balance of skills, experience, expertise and independence.

Post year-end, the composition and diversity of the Board changed (page 76). The appointment of Eileen Wilton, a highly experienced IT Executive, to replace Linda de Beer as Chair of the IT Committee, will add considerable value to the Board. Mark Thompson, an equally experienced Finance Executive, has replaced Gugu Mtetwa as Chair of the GACC. The Board's diversity will be affected by the transition and we remain committed to ensuring that this is addressed over time.

Additionally, the Group has, as part of its five-year strategy (page 24), set employment equity targets for the appointment of executives and other strategic appointments, as well as the composition of Group Exco in five years' time. A number of programmes have been initiated to fast track and develop talent to assist us in meeting these strategic objectives.

The composition of Sasfin Holdings Limited Board as at 30 June 2019, is as follows:

2 Executive Directors (2018: 3)

7 Independent Non-Executive Directors (2018: 5)

3 Non-Independent Non-Executive Directors (2018: 3)

TENURE	
Less than 3 years	**7**
3 to 5 years	**2**
6 to 8 years	**1**
9 years and longer	**2**

GENDER	Female	Male
2019	**5**/12	**7**/12
2018	**5**/12	**7**/12
2017	**3**/10	**7**/10
Female target (%)	**35**	
Female actual (%)	**42**	

DEMOGRAPHICS	Black	White
2019	**7**/12	**5**/12
2018	**7**/12	**5**/12
2017	**7**/10	**3**/10
Black target (%)		**35**
Black actual (%)		**42**

INDEPENDENCE

The Board performs an annual independence evaluation in respect of each Non-Executive Director. It is based on the principles and specific guidelines set out in applicable governance standards, predominantly King IV™, the Banks Act and Basel Regulations. The assessment considers all relevant factors that may impair a director's independence, including Board tenure and any direct and indirect economic interests he/she has in the Group.

All directors and the Group Company Secretary are obliged to declare their interests at the start of each Board meeting and are required to recuse themselves from all decisions where there is either a perceived or actual conflict of interest.

No director or prescribed officer is allowed to trade either directly or indirectly in any Sasfin shares without the permission of the Chair. The Chair is required to satisfy himself that the proposed trade complies with Group policies and ensure that the trade would not constitute an offence under the Financial Markets Act.

In 2018, the Board approved a new transformation objective for HDSA representation in our workforce. Our five-year goal for the management control element (which includes employment equity) is to achieve the lesser of 100% improvement on our 2018 score, or 75% of the target.

Specific independence assessment

The Board is comfortable that an appropriate process is in place to ensure that its Non-Executive Directors are independent. Shahied Rylands and Grant Dunnington have served on the Board for nine or more years, and their independence was individually assessed in terms of their contribution, behaviour, voting record and circumstances. The Board is satisfied that they remain independent.

In October 2018, the Prudential Authority issued a directive, which is being phased in, which requires a more stringent process for assessing independence. The Board has implemented a policy relating to directors' independence. In light of the directive, those directors who have served for more than nine years will either not offer themselves for reappointment at the AGM or will be reclassified as non-independent in subsequent years after the directive has been formally implemented. Shahied, who has served and added much value to the Group for 13 years, will be retiring from the Board at the AGM in November 2019. Richard Buchholz will take over as Lead Independent Non-Executive Director.

LEADERSHIP CHANGES 7

Sasfin applies the principles of King IV™ relating to race and gender diversity and the mix of skills and experience. We have a standing agenda item in our DANC meetings which assesses the mix and skills of the directors. When a vacancy arises, these factors are considered by the committee before recommending any nominee.

Director resignations and retirements

Director	Effective date	Role	Reason
Linda de Beer	30 September 2019	Independent Non-Executive Director of Sasfin and Sasfin Bank Limited	Accepted a directorship of a listed insurance company which creates a potential conflict with her Sasfin directorship.
Gugu Mtetwa	30 September 2019	Independent Non-Executive Director of Sasfin and Sasfin Bank Limited	Took up a full-time executive position at another financial services company.
Shahied Rylands	26 November 2019	Independent Non-Executive Director of Sasfin and Sasfin Bank Limited	Retiring as a Non-Executive Director due to the SARB Directive 4 of 2018.
Roland Sassoon	31 December 2018	CEO of Sasfin Bank Limited	Retired as CEO of Sasfin Bank Limited and from all other executive positions within Sasfin. He stepped down as a director for a period of 12 months as a cooling off period in compliance with banking regulations. It is envisaged that Roland will take up an appointment as a Non-Executive Director from 1 January 2020.

Director appointment (before 30 June 2019)

Director	Effective date	Role
Mark Thompson	21 June 2019	An Independent Non-Executive Director of Sasfin and Sasfin Bank Limited

Director appointment (after 30 June 2019)

Director	Effective date	Role
Eileen Wilton	6 August 2019	An Independent Non-Executive Director of Sasfin and Sasfin Bank Limited

BOARD APPOINTMENT POLICY

As defined in the Board charter, the appointment of a director must comply with the requirements of the Banks Act, the Companies Act, the JSE Listings Requirements and other relevant legislation. The Board has the following powers regarding the appointment of directors:

- The appointment of the Chair and Lead Independent Director (or Deputy Chair)
- The appointments of the Chair and Lead Independent Director are made as and when vacancies occur and reappointments for both positions take place annually after the AGM
- The appointment of the CEO
- Appointments to and removals of Executive or Non-Executive Directors from the Board
- The appointment, removal or replacement of the Group Company Secretary, and the external auditors
- The appointment, removal or replacement of members to such Board committees as may be established

The DANC considers matters that are required by King IV™ regarding a nominations committee and assists the Board with directors' appointments. Diversity is a factor considered in the nominations process followed by the DANC for new appointments.

SUCCESSION PLANNING

The Board considered and approved a detailed succession plan which ensures that, at least temporarily, internal resources are identified to fill any unexpected vacancy within Group Exco or the Board, including Executive Directors. The SARB approves the succession plan annually, with the last approval being in 2018.

The DANC regularly reviews the Board's composition and considers whether the tenure of any director is anticipated to end. It also considers whether there are sufficient directors with the appropriate mix of skills and diversity. If any gap is identified or anticipated, an appropriate search is undertaken.

Due to the resignations of Linda de Beer and Gugu Mtetwa, and the pending implementation of the SARB directive, we have determined that there is an immediate need for appointing one more Independent Non-Executive Director. Specific gaps relating to IT governance knowledge and skills left by Linda's departure were addressed as part of the recruitment process, and Eileen Wilton was appointed after year-end.

BOARD OF DIRECTORS

ROY ANDERSEN (71)

Independent Non-Executive Chair of Sasfin Holdings Limited and Sasfin Bank Limited

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

Appointed 2011

Roy was previously Chairman of Ernst & Young, Executive President of the JSE, CEO of Liberty Holdings Limited, Chairman of Sanlam Limited and a director of Standard Bank Group Limited. He is currently a member of the King Committee.

SHAHIED RYLANDS (47)

Independent Non-Executive Director (Lead)

Accounting and auditing qualification (UNISA)

Appointed 2007 (Sasfin Bank Limited in 2006)

Shahied previously served in various senior roles within the Arcus Group of companies. He is currently a director of Royal Africa Gateway, First Mahlube Investments and Leonis Newvest Advisory and Investments.

GLORIA SEROBE (59)

Non-Executive Director

BCom (University of Transkei), MBA (Rutgers), Chartered Director (SA)

Appointed 2018

As one of the founders of WIPHOLD, Gloria has experience in a broad spectrum of sectors, including financial services, mining, and agriculture. She is a director of several WIPHOLD companies, Adcorp Holdings Limited and Sasol Mining (Proprietary) Limited.

GUGU DINGAAN (43)

Non-Executive Director

BCom (University of KwaZulu-Natal), PGDip (Accounting), Executive Development Programme, CA(SA)

Appointed 2018

Gugu joined WIPHOLD in 2001 after completing her articles with PwC. She has been involved in corporate finance, where she worked on mergers and acquisitions, transaction structuring and valuations. She is a non-executive board member of a number of WIPHOLD investee companies, as well as a director of Distell Group Holdings Limited.

LINDA DE BEER (50)

Independent Non-Executive Director

MCom (Tax) (University of Pretoria), Chartered Director (SA), CA(SA)

Appointed 2014

Resigned 30 September 2019

Linda is a financial reporting and corporate governance advisor. She is a member of the King Committee and chairs the Financial Reporting Investigations Panel of the JSE. Linda is a director of Aspen Pharmacare Holdings Limited, Aspen Finance, and Omnia Holdings Limited.

GUGU MTETWA (39)

Independent Non-Executive Director

BCom (Accounting), PG Dip (Accounting) (University of Cape Town), CA(SA)

Appointed 2017

Resigned 30 September 2019

Gugu is a senior executive with more than 15 years of experience in the financial services and telecommunications industries, with specific expertise in short- and long-term insurance, investment management, real estate and technology. She is a director at the Development Bank of South Africa, Santam Limited, Landbank, Italtile Limited and Equities Property Fund.

GRANT DUNNINGTON (59)

Independent Non-Executive Director

BCom, Certified Associate of the Institute of Bankers

Appointed 2010

Grant has a career history in banking, having served in various senior positions at FirstRand Bank Limited, after which he moved to SBV Services (Proprietary) Limited where he served as group CEO for 16 years, before retiring in 2017. He holds various other director and trustee positions.

MICHAEL SASSOON (37)

Group Chief Executive Officer, Chair of Group Exco

BCompt (Unisa), MBA (University of Rochester) (USA)

Appointed 2015

Michael is the Group CEO of Sasfin Holdings and has assumed responsibility for many areas of the Group, including having led and grown the Wealth and Capital Pillars. He was directly involved in many areas of the banking operations, having been appointed an Executive Director of Sasfin Bank and Sasfin Holdings in 2015.

RICHARD BUCHHOLZ (61)

Independent Non-Executive Director

BCom (University of Cape Town), CA(SA)

Appointed 2018

Richard has 26 years' experience in the financial services industry, mostly in banking, where he fulfilled senior roles in audit, commercial banking and risk management. Richard has served as a non-executive director on the boards of a number of banks in Southern Africa including roles as member and Chair of various board subcommittees of those.

SHAUN ROSENTHAL (55)

Alternate Non-Executive Director

CFA, B.Bus.Sci (University of Cape Town), CA(SA)

Appointed 2018

Shaun is the co-head of investments at WIPHOLD. He has more than 25 years' experience in financial services as an executive in corporate finance, trade finance, private equity and investment banking, and as a non-executive director on the boards of asset management, stock broking and treasury management companies.

ANGELA PILLAY (44)

Group Financial Director

BCom (Wits), MCom (University of Pretoria), Executive Leadership Course, CA(SA)

Appointed 2018

Angela joined Sasfin from Liberty Financial Services where she held the position of chief financial officer. She has 15 years of banking experience in designing, leading and implementing a broad range of initiatives to support business strategy. Prior to joining Liberty, Angela was employed at Barclays Africa Group Limited and First National Bank.

MARK THOMPSON (66)

Independent Non-Executive Director

BCom LLB, BAcc, CA(SA)

Appointed 2019

Mark was formerly the Chief Financial Officer and Executive Director of Sappi Limited – retiring in 2012. Post his retirement he has held non-executive positions in the FirstRand Group as well as in the private equity and construction industries. Before joining Sappi he was Group Treasurer of Anglo American. He is both a qualified lawyer and a Chartered Accountant.

EILEEN WILTON (60)

Independent Non-Executive Director

BCom, PGDip

Appointed 2019

Eileen has more than 20 years of experience across a range of industries – Financial services, mining and ICT. She currently serves on the Board of the Institute of Directors in South Africa NPC.

GROUP EXECUTIVE COMMITTEE

MICHAEL SASSOON (37)

Group Chief Executive Officer, Chair Of Group Exco

See Board of Directors on page 72.

ANGELA PILLAY (44)

Group Financial Director

See Board of Directors on page 73.

NASEEMA FAKIR (46)

Head: Human Capital

BCom (Hons) (Unisa), MBL (Unisa)

Naseema joined the Group in 2001 and was appointed to Group Exco in 2006.

LINDA FRÖHLICH (50)

Head: Asset Finance

Diploma in Financial Management (Damelin)

Linda joined the Group in 2002 and was appointed to Group Exco in 2013.

MASTON LANE (53)

Chief Operating Officer: Banking Pillar

National Certificate (United Institute of Credit Management), SIRM (UK)

Maston joined the Group in 2000 and was appointed to Group Exco in 2003.

EROL ZEKI (42)

Chief Executive Officer: Sasfin Wealth

BCom (Hons) Investments and Marketing and BCom (University of Pretoria). CFA, registered member of the South African Institute of Stockbrokers (SAIS)

Erol joined the Group and was appointed to Group Exco in 2017.

FRANCOIS OTTO (38)

Head: Capital Pillar

CFA (University of Port Elizabeth), JSE-Approved Executive, CA(SA)

Francois joined the Group and was appointed to Group Exco in 2015.

ANDREW (JOSH) SOUCHON (54)

Chief Information Officer

BEng (Hons) (Imperial College, University of London, UK)

Josh joined the Group and was appointed to Group Exco in 2016.

HOWARD BROWN (55)

Head: Legal, Group Company Secretary

BA (Wits), LLB (Wits), HDip Corporate Law (UNISA) (cum laude)

Howard joined the Group and was appointed to Group Exco in 2006.

STEWART TOMLINSON (53)

Chief Risk Officer

BCom (Wits), Hons BCompt (UNISA), CA(SA)

Stewart joined the Group and was appointed to Group Exco in 2018.

MICHAEL BLACKBEARD (58)

Head: Compliance

Blur LLB LLM (University of Pretoria), Senior Executive Programme (Wits and Harvard University)

Michael joined the Group and was appointed to Group Exco in 2018.

DHESEGAN GOVENDER (44)

Group Treasurer

BAcct (Hons) (University of KwaZulu-Natal), CA(SA)

Dhesegan joined the Group in 2012 and was appointed to Group Exco in 2018.

MAGDA OOSTHUYSEN (55)

Head: Group Credit

BCom (Hons) (University of Johannesburg), HDip Tax Law (Wits), CA(SA)

Magda joined the Group and was appointed to Group Exco in 2017.

RICHARD WARREN-TANGNEY (46)

Chief Audit Executive (invitee)

BCom (Hons) (Accounting), (Wits) Registered Auditor (RA), CA(SA)

Richard joined the Group and was appointed as an invitee to Group Exco in 2018.

CHARISSA DE JAGER (42)

Assistant Group Company Secretary

BProc, LLB (University of Johannesburg)

Charissa joined the Group and was appointed as an invitee to Exco in 2019.

ELISHEVA GILBERT (46)

Head: Group Marketing and Communications

Public Relations Diploma (Varsity College), PGDip (Advertising and Marketing) Red & Yellow School, GIBS Certified Professional Business Coach

Elisheva joined the Group in 2017 and was appointed to Group Exco in 2019.

Governance processes

DELEGATION OF AUTHORITY 10

Key changes in 2019

- Delegation of authority policy revised.

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

Group Exco and management operate under a defined authority matrix designed to ensure effective collaboration and accountability. The subsidiary boards are responsible for the strategic direction and operational oversight over the Banking, Wealth and Capital Pillars. The Board is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibilities.

The Board approved a revised delegation of authority policy. It emphasises empowering management and driving accountability through clear responsibilities. It empowers individual business units to establish clear mandates in their respective areas and further delegates responsibilities to Executive Directors. Managers are assigned individual responsibilities and mandates, a process managed by the Group Company Secretary. Mancos across all key areas ensure managerial oversight and peer review of key reports before they are submitted to the Board.

BOARD EVALUATION 9

The Board and each committee are required to conduct formal annual effectiveness evaluations. This was done by means of a self-assessment and peer review process. The Sasfin Bank and Sasfin Wealth boards' performance were also assessed. The Board assesses the Chair's performance under the leadership of the Lead Independent Director. We are satisfied that the Board's performance is acceptable in all respects.

The Board evaluation assessed the effectiveness of the Board's composition, governance and procedures, as well as the effectiveness of the Board committees and its chairs, the Board Chair and the Group Company Secretary in discharging their respective duties. The Board consensus was that it has demonstrated an appropriate mix of knowledge and skills, and a thorough understanding of the business, including the key factors and drivers that determine the Group's success or failure. The Board concluded that its committees were appropriately constituted with clearly defined terms of reference and appropriate reporting lines to the Board, and that the frequency and duration of committee meetings was appropriate to enable them to discharge their mandate.

A synopsis of the evaluation was presented to the Board and its findings were discussed on completion of the process.

An external effectiveness assessment of the Board is conducted every third year and was last conducted in 2016. The next external evaluation is scheduled for 2020, after the director recruitment process is concluded.

GROUP COMPANY SECRETARY 10

The Board is satisfied with the competence and experience of the Group Company Secretary, Howard Brown. Howard is an admitted attorney with more than 20 years of experience in corporate and company law. The Board is satisfied that he maintains an arm's length relationship with Board members. The Board can access professional corporate governance services whenever required.

The Board believes that the process of engaging professional services is effective. We added capacity with the appointment of a new Assistant Group Company Secretary, Charissa de Jager, who we intend will take over from Howard Brown. This forms part of a strategy to ensure a specific focus of management, in this case by allowing Howard to focus his efforts as Head of Legal.

ETHICS 1 2

The Board sets the Group's ethical tone and operates with a strong culture of integrity and competence. It is every Sasfin employee's responsibility to ensure that their business behaviour aligns with the highest ethical standards and our values. This approach is integral to our relationships with clients, suppliers, shareholders and other stakeholders, and is implicit in how we do business.

The Social and Ethics Committee assists the Board with oversight and reporting on social and economic development, organisational ethics, responsible corporate citizenship, sustainable development, stakeholder relationships, consumer relationships, environmental, health and safety matters, labour and employment matters, and transformation initiatives, as well as compliance therewith in terms of the FSC and the B-BBEE Codes of Good Practice. A Client High Risk

Management and Anti-Money Laundering Committee provides oversight and manage reputational risk and potential money laundering issues.

Our robust policies endeavour to prevent market abuse, conflicts of interest, bribery and other unethical conduct. Other policies promoting positive ethics, including fair working conditions and the code of conduct, are also disseminated to employees and other stakeholders. Our anti-bribery and anti-corruption measures are supported by awareness programmes. Sasfin's procurement policies include elements relating to ethics, whistle-blowing and conflicts of interest.

All employees subscribe to the Group's code of ethics, which is informed by the Code of Banking Practice and formalises ethical standards and expected behaviour. The overall ethical climate of Sasfin is reviewed against this code on an ongoing basis. Individual standards of conduct, accountability and effectiveness are regularly assessed in a fair and transparent manner. KVIs are included in the overall performance review to support an ethical culture, and are included in the incentive scheme.

The CEO conducted an employee roadshow to communicate and promote our values. Any employee grievances and complaints made on our whistle-blower hotline will be treated with due urgency and sensitivity.

Sasfin participated in the GIBS Ethics Barometer survey, which assessed employee perceptions of our ethical behaviour. This relates to internal and external stakeholders.

We further promote ethics in government and corporates by sponsoring the GIBS Ethics and Governance Think Tank, which initiates and engages in important conversations about the state of ethics in government and corporate South Africa[1].

Sasfin has a zero-tolerance approach towards fraud. Employees, clients, suppliers and other stakeholders can report concerns to the anonymous whistle-blower hotline (0800 000 902). The hotline is managed by an independent external service provider that reports monthly. It was relaunched in the prior year to raise awareness.

Details of other channels for anonymous tip-offs are available on our website at www.sasfin.com/safety-and-security-centre/. The website includes information on how clients can avoid fraud, money laundering and other financial crime.

Training initiatives

Specific concerns arose as a result of an assessment which reflected that employee retention of the FICA training material was inadequate (page 55). Enhanced training initiatives have since been implemented.

Given the impending implementation of POPI, which deals with the protection of personal information, and the Conduct of Financial Institutions (COFI) bill, which primarily deals with market conduct, we also focus on employee training and awareness in these important areas. This complements the quarterly fraud training programme.

Group Compliance reports are submitted to the GACC, GRCMC, SEC and DANC. These reports deal with a range of conduct issues including ethics, market conduct, prudential compliance and regulatory compliance, particularly compliance with AML initiatives.

Breaches of the ethics policy, including those logged through the whistle-blower hotline, are reported to the SEC. There were no incidents reported in 2019 (2018: Nil). The GACC assists the Board in ensuring they govern compliance with applicable laws and adopted non-binding rules, codes and standards in a way that supports the Group being ethical and a good corporate citizen. In addition, the GACC obtains an annual confirmation that Group Internal Audit conforms to a recognised industry code of ethics.

We are considering ethical leadership training as part of the initiatives to entrench our desired culture across the Group.

1 *For more information visit www.gibs.co.za/about-us/centres/Ethics%20And%20Governance%20Think%20Tank/Pages/default.apx.*

COMPLIANCE 13

An effective compliance programme fosters our relationship with regulators and safeguards our reputation. It creates an aligned operating and compliance strategy, enables effective oversight, streamlines business processes and improves the quality of data and information.

Group Compliance aims to provide objective, independent and proactive compliance guidance and evaluations, which aim to reduce the Group's compliance and reputational risk and to improve its operations.

Key changes in 2019

- Restructured the two separate Compliance divisions into a single Group Compliance Department
- Established an independent monitoring function
- Established a market conduct and JSE regulation function
- Wealth compliance was restructured to separate the compliance, legal and administrative functions

Sasfin takes a risk-based approach to compliance monitoring and works closely with regulators to ensure ongoing compliance. The Group's combined assurance model (page 80) ensures an enhanced focus on risk and efforts by the relevant control units to mitigate such risk.

The Board and its committees

Provides oversight to manage the Group's compliance with regulations and our relationship with the regulators.

Head: Group Compliance

Reports on all areas of compliance with laws and regulations, and is a permanent invitee to the GACC, GRCMC and DANC meetings. Supported by specialist teams focusing on banking regulation, AML, market conduct, exchange control and regulatory interaction.

Group Compliance

Monitors the compliance universe and evaluates Group and business units' policies to update these for new developments. Divisional regulatory officers manage compliance within the various business units and meet regularly with Group Compliance to share information and address compliance-related matters.

The Client High Risk Management and Anti-Money Laundering Committee

This Group Exco subcommittee is tasked with oversight and taking decisions regarding high-risk, adverse and sanctioned clients. The committee is chaired by the Group CEO and its main objective is to ensure compliance with the FICA, regulations, guidance notes and risk management and compliance programme.

During 2019 the two separate compliance divisions in the Banking and Wealth (including Capital) Pillars were restructured into a single Group Compliance Department. This aligns with the requirements of the Twin Peaks regulatory framework. The focus during the forthcoming year will be to align and converge the relevant policies, procedures and systems to establish a Group-wide function in respect of AML and Combating the Financing of Terrorism (CFT), as well as market conduct compliance.

We established an independent monitoring function within the Group Compliance Department to improve oversight. It is governed by a monitoring manual, and its work programme is set out in a Board-approved three-year monitoring plan. The monitoring plan is risk-based and will assist in covering a broad area of the regulatory universe to detect areas of non-compliance and to work with businesses to remediate such areas. Compliance issues and concerns and appropriate remediation actions are reported to the relevant Board committees quarterly.

We established a market conduct and JSE regulation function that is tasked with aligning all market conduct-related requirements Group-wide over time. The Wealth Compliance Department was restructured to clearly separate the compliance, legal and administrative functions it had previously performed.

Group Internal Audit audits the effectiveness of compliance management and provides assessments and findings which are addressed. The Group's compliance function is subject to regular reviews by the regulator and receives feedback from the Board committees regarding the effectiveness of compliance management.

Training of employees in compliance-related matters is delivered on an ongoing basis and measures were implemented to ensure that this training is effective.

FOCUS AREAS IN 2019

Sasfin's operations are impacted by the following regulatory developments, among others:

Regulation	Current status and anticipated impact
Twin Peaks	The Financial Sector Regulations Act was promulgated in 2017 and provides for the so-called Twin Peaks regulatory framework. While certain sections of the Act are scheduled to become effective in September 2019, the main structures and respective functions of the Twin Peaks regulatory architecture were implemented during the year. A far greater regulatory and supervisory focus on our activities as a financial group is anticipated as the Twin Peaks model is further embedded. We remain well positioned to interact effectively with the Prudential Authority and the FSCA.
The Levies Bill	The Levies Bill provides for the imposition of levies on regulated institutions to fund the Twin Peaks infrastructure. Sasfin participates in initiatives led by BASA, which represents the banking industry. BASA has indicated its concern regarding the high cost of regulatory compliance the Levies Bill proposes.
POPI	POPI regulates how client personal information is stored, used and protected. Although certain sections of POPI are not yet effective, the Regulations to the Act were published during 2019, which suggests that the full implementation of POPI is imminent. Once POPI is in effect, companies will have 12 months to be fully compliant with its provisions. Confidentiality, data management and security are all core to Sasfin's business operations and most of the requirements of POPI are already in place. A project team was established to oversee the holistic integration of POPI standards across all applications. The remaining specific standards and technical requirements are being addressed, including developing the required policies, rolling out POPI awareness training to employees and making sure client documentation and third-party contracts align with requirements.
FICA	FICA amendments introduced a risk-based approach to AML and CFT compliance. This requires accountable institutions to, *inter alia*, draft risk management and compliance programmes in order to manage AML and CFT compliance in accordance with the identified risks. We have implemented these successfully in the relevant areas. Draft regulations on international financial transactions in terms of section 31 of FICA and an amendment to the regulations relating to cash transaction reporting and aggregation in terms of section 28 of the FICA Regulations were published. These will be promulgated and implemented in the near future. The SARB conducted a section 42B inspection in terms of FICA on Sasfin's compliance with FICA in 2017. The Group received an adverse finding relating to its employee training and paid an administrative sanction of R500 000, which Sasfin did not appeal (page 55). The finding was remediated.
The Conduct of Financial Institutions Bill	The COFI Bill was published. Sasfin is participating in the processes established by BASA to provide comments and inputs to the COFI Bill. The COFI Bill aims to enact the principles of the TCF regulatory framework. Sasfin established a TCF policy framework and steering committee in order to effectively implement the COFI Bill.

Ensuring that we have enough employees with the necessary skill is an ongoing challenge, particularly in the current tight budgetary environment. Group Compliance has employed several measures to ensure that employees are used effectively. Employee training is encouraged, and compliance employees attend numerous courses, work groups and sessions. Together with businesses, Group Compliance is exploring opportunities to automate processes and procedures to enhance the business and client experience, and to support ongoing compliance.

Apart from the administrative sanction imposed by the SARB in terms of its section 42B FICA inspection, there were no material regulatory penalties, sanctions or fines for contraventions of, or non-compliance with, statutory obligations imposed on the Group, directors or officers (2018: nil). There were no monitoring and compliance inspections by environmental regulators (2018: nil).

FOCUS AREAS FOR 2020

Our primary focus is to align all market conduct and AML/CFT-related requirements Group-wide. We also plan to review the roles played by divisional Risk Officers to use their input and interactions more effectively in the combined assurance approach, inclusive of internal audit responsibilities. Ongoing initiatives are planned to continuously improve the Group's compliance culture.

COMBINED ASSURANCE 15

Key changes in 2019
- Refined the combined assurance model to a four-line defence approach

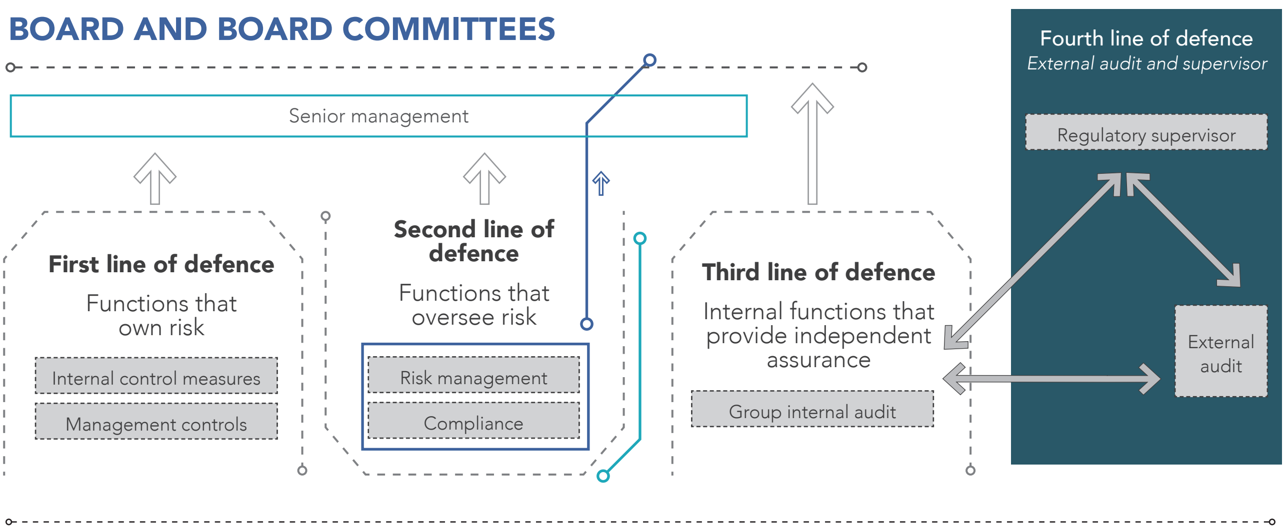
The GACC is responsible for ensuring that internal and external audit provide appropriate and effective assurance in respect of the control environment. Combining the expertise of the Group's Risk, Compliance and Internal Audit departments, together with external audit, provides a holistic risk-based assessment of our governance, risk management and control processes.

The Group uses a combined assurance framework that informs the combined assurance model. Combined assurance ensures appropriate levels of assurance over key risks and controls provided by the right assurance partners at the right time to the right stakeholders.

We revised our model from a three lines of defence concept to four lines of defence. We redefined external audit as a fourth line of defence and recognised the role that regulatory supervision plays in this line of defence.

Our combined assurance model aims to:
- Enhance existing assurance processes, policies and procedures while ensuring efficient oversight and cost effectiveness
- Coordinate all assurance activities to minimise unnecessary duplication between (and within) internal and external assurance providers
- Provide optimal assurance coverage of all key risks and internal controls
- Reduce information clutter and costs
- Strengthen the Group's overall internal control environment
- Enhance information quality for internal and external decision-making

BOARD AND BOARD COMMITTEES



GOVERNANCE AND MANAGEMENT OF COMBINED ASSURANCE

The combined assurance process includes:

- Establishing common risk, control, rating and reporting frameworks
- Identifying the Group's principal risks and the key internal controls in place to mitigate these
- Mapping the assurance providers that assess the effectiveness of these controls

This allows the desired level of assurance to be determined to eliminate duplicate assurance and address control weaknesses.

GACC

Responsible for the combined assurance framework and oversees its effectiveness. Group Internal Audit and Group Compliance report directly to the GACC quarterly. Group Internal Audit's report includes an assessment of the combined assurance process and assurance mapping to key risks that impact the Group's strategic objectives.

Executive Governance Committee

The Executive Governance Committee is a subcommittee of Group Exco that monitors the governance and internal controls environments. It meets monthly to oversee and authorise implementation of combined assurance at an operational level. It reviews the combined assurance process to optimise the programme and ensures it remains relevant to the Group's objectives and operating environment. Group Risk, Group Compliance and Group Internal Audit report progress on the combined assurance model to the committee.

Operational Governance Forum

This is a management level forum with representatives from the second and third lines of defence. It reports to the Executive Governance Committee.

An assurance map provides the GACC and GRCMC with an at-a-glance overview of the assurance provided by each assurance partner (internal and external). It assists the committees to determine whether appropriate levels of assurance have been provided. The first such review was performed in June 2018 and indicated that an appropriate level of assurance was provided to the Board through the GACC and GRCMC.

The combined assurance model enables ongoing monitoring of the effectiveness of the framework and its components. The GACC assesses the performance of the third and fourth lines of defence and the Group CEO assesses the performance of the first and second lines of defence. The third and fourth lines of defence assess and report on the performance of the first and second lines of defence.

FOCUS AREAS

The combined assurance model was implemented and bedded down across all lines of defence. Good progress is being made in bringing commonality to the way in which the different lines of defence describe and measure risk, assess the control environment and report to stakeholders. Combined assurance as a process has matured over the year. However, there is still some work to do to bring all lines of defence to a similar capability level in conducting reviews/audits and reporting outcomes. This will be a focus in the year ahead.

The GACC and GRCMC assurance review identified duplication of certain key risks and strategic focus areas between the assurance partners, and requested further assurance in certain key risk areas and strategic focus areas. These included a focus on outward-looking drivers, e.g. sales, innovation and customer experience, market risk and reputational risk.

Duplication across the second and third lines of defence has been largely addressed through a robust planning process designed to ensure reduced duplication and increased efficiency.

The audit function was further professionalised to enhance its quality of work. This included a revised quality assurance and improvement programme and completing two proofs of concepts to assess the ability of emerging technologies to drive further efficiencies in the audit process. Continuous auditing and monitoring software and an audit robot – to undertake elements of the IT audit process – will be implemented in the coming years to drive further efficiencies.

Going forward, we will prioritise embedding and maturing the combined assurance model further, and improving consistency. We will also focus on ensuring assurance partners are used efficiently and driving technology adoption. We will continuously work towards improving Sasfin's internal control environment.

Board committee overview

BOARD MEETING ATTENDANCE 6

The table below presents the Group's Board, members and attendance. In addition to the meetings mentioned below, Board members also made themselves available for meetings with the SARB, strategy sessions, training sessions and *ad hoc* meetings.

	Sasfin Holdings Limited			Sasfin Bank Limited		
	Scheduled meetings (incl budget and strategy)	Un-scheduled (special) meetings	%	Scheduled meetings	Un-scheduled (special meetings)	%
Roy Andersen	7/7	1/1	100	4/4	1/1	100
Richard Buchholz	7/7	1/1	100	4/4	1/1	100
Linda de Beer*	7/7	1/1	100	4/4	1/1	100
Gugu Dingaan	7/7	0/1	88	4/4	1/1	100
Grant Dunnington	6/7	1/1	88	4/4	0/1	80
Gugu Mtetwa*	5/7	1/1	75	3/4	1/1	80
Angela Pillay	7/7	0/1	88	4/4	1/1	100
Shahied Rylands	7/7	1/1	100	4/4	1/1	100
Roland Sassoon**	3/3	1/1	100	2/2	1/1	100
Michael Sassoon	7/7	1/1	100	4/4	1/1	100
Gloria Serobe	6/7	1/1	88	3/4	1/1	80
Mark Thompson***	0/0	0/0		0/0	0/0	
Eileen Wilton****	0/0	0/0		0/0	0/0	
Alternate Directors						
Linda Fröhlich*****	–	–	–	4/4	1/1	100
Maston Lane*****	–	–	–	4/4	1/1	100
Shaun Rosenthal	7/7	1/1	100	4/4	1/1	100

* *Resigned 30 September 2019.*
** *Retired 31 December 2018.*
*** *Appointed 21 June 2019.*
**** *Appointed 6 August 2019.*
***** *Alternate directors on Sasfin Bank Board only.*

BOARD COMMITTEE FEEDBACK 8

ASSET AND LIABILITY COMMITTEE

Responsibilities
- Assets and liabilities
- Interest rate risk
- Liquidity
- Funding risk
- Currency risk

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

Committee composition as at 30 June 2019

Member	Appointed to committee	Meeting attendance: Number of scheduled meetings	Meeting attendance: Number of unscheduled meetings
Shahied Rylands – Chair	5/8/2006	4/4	1/1
Grant Dunnington	16/11/2017	4/4	1/1
Roland Sassoon*	5/9/2000	2/2	0/0
Richard Buchholz	7/3/2018	4/4	1/1
Shaun Rosenthal	13/12/2017	4/4	1/1
Angela Pillay	1/3/2018	3/3	1/1
Michael Sassoon	28/2/2019	2/2	1/1
Mark Thompson	21/6/2019	0/0	0/0

* *Retired 31 December 2018.*

Key matters the committee focused on
- Management of appropriate mix of assets and liabilities
- Capital Management including FTP, ICAAP, Capital Adequacy and Return on Equity
- Liquidity Risk including Diversified Funding, Asset/Liability matching, Covenant Management, Securitisation refinancing
- Regulatory and Statutory Requirements including LCR, NSFR, NOFP, Liquid Asset Strategy, Liquidity buffers

CREDIT AND LARGE EXPOSURE COMMITTEE

Responsibilities
- Credit risk management policy and procedures
- Defining credit policy and guidelines
- Reviewing compliance with approved credit and investment policies
- Assessing and approving the Group's large exposures

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

Committee composition as at 30 June 2019 (committee established in terms of the Banks Act)

Member	Appointed to committee	Meeting attendance: Number of scheduled meetings	Meeting attendance: Number of unscheduled meetings
Grant Dunnington – Chair	27/7/2010	4/4	13/14
Roland Sassoon*	21/8/1987	1/2	5/6
Shahied Rylands	5/11/2013	4/4	13/14
Michael Sassoon	13/2/2014	4/4	14/14
Shaun Rosenthal	13/12/17	4/4	13/14
Richard Buchholz	7/3/2018	4/4	13/14
Angela Pillay	1/3/2018	2/3	10/12
Maston Lane	28/5/2002	3/4	11/14
Magda Oosthuysen (Head: Credit)	20/2/2018	4/4	14/14
Stewart Tomlinson	14/2/2019	2/2	8/9
Mark Thompson	21/6/2019	0/0	0/0

* *Retired 31 December 2018.*

Key matters the committee focused on
- Stabilising the credit management function and associated processes
- Ensuring that appropriate credit due diligences were performed prior to credit being granted

DIRECTORS' AFFAIRS AND NOMINATIONS COMMITTEE

Responsibilities
- Corporate governance
- Monitoring directors' responsibilities and performance
- Fiduciary capacities of directors
- Fulfilling the role of a Board nomination committee

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

Committee composition as at 30 June 2019

Member	Appointed to committee	Meeting attendance: Number of scheduled meetings	Meeting attendance: Number of unscheduled meetings
Roy Andersen – Chair	8/9/2011	4/4	1/1
Grant Dunnington	2/9/2010	3/4	0/1
Linda de Beer	4/9/2014	4/4	1/1
Shahied Rylands	8/9/2011	4/4	1/1
Gugu Mtetwa	28/7/2017	3/4	0/1
Gugu Dingaan	7/3/2018	4/4	1/1
Gloria Serobe	7/3/2018	3/4	1/1
Shaun Rosenthal	13/12/2017	4/4	1/1
Richard Buchholz	7/3/2018	4/4	1/1
Mark Thompson	21/6/2019	0/0	0/0
Eileen Wilton	6/8/2019	0/0	0/0

Key matters the committee focused on
- The committee is a statutory committee established in terms of section 64B of the Banks Act and focuses on all matters relating to Executive and Non-Executive Directors.
- Implemented a policy on the appointment of Directors and Executive Officers in light of the SARB Directive 4 of 2018 to give effect to the directive, promoting sound corporate governance with a particular focus on independence.
- Appropriate succession planning in consideration of directors approaching the end of their nine-year terms.

GROUP AUDIT AND COMPLIANCE COMMITTEE

Responsibilities
- Internal and external audit
- Accounting policies and financial reporting
- Internal controls and systems
- Annual Financial Statements
- Integrated reporting
- Compliance with statutory and regulatory frameworks

Conclusion
The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference. Also refer to the GACC report in the Annual Financial Statements on page 2.

Committee composition as at 30 June 2019
Independence of committee: 100%

Member	Appointed to committee	Meeting attendance: Number of scheduled meetings	Meeting attendance: Number of unscheduled meetings
Gugu Mtetwa – Chair	4/10/2017	4/4	4/4
Linda de Beer	11/8/2014	4/4	4/4
Grant Dunnington	29/7/2013	4/4	4/4
Richard Buchholz	7/3/2018	4/4	4/4
Mark Thompson	21/6/2019	0/0	0/0

Gugu Mtetwa replaced Linda de Beer as Chair in November 2018.
Mark Thompson was appointed to the committee in June 2019, and will chair the GACC from 1 October 2019.

Key matters the committee focused on
- Exercised oversight of the reconciliation of the recently implemented line-of-business systems with the financial control environment.
- Specific attention was given to ensure appropriate IFRS 9 disclosures in the Annual Financial Statements.

GROUP RISK AND CAPITAL MANAGEMENT COMMITTEE

Responsibilities

- Addressing risks faced by the Group
- Risk management policies and procedures
- Capital management policies
- Capital planning activities

Conclusion

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

Committee composition as at 30 June 2019

Member	Appointed to committee	Meeting attendance Number of scheduled meetings
Grant Dunnington – Chair	17/5/2011	4/4
Linda de Beer	26/8/2014	3/4
Shahied Rylands	28/5/2014	4/4
Richard Buchholz	7/3/2018	4/4
Angela Pillay	1/3/2018	4/4
Shaun Rosenthal	13/12/2017	3/4
Stewart Tomlinson	19/11/2018	3/3

Key matters the committee focused on

- Implementation of the enhanced capital forecast model
- Continued assessment of cyber risk
- Appropriate and continued review of the Board's risk appetite and tolerance levels against the Banks Act and Basel III

INFORMATION TECHNOLOGY COMMITTEE

Responsibilities

- Oversee information and technology matters
- Monitor the execution of IT strategy in support of the Group strategy
- Oversee, monitor and evaluate significant IT investments
- Oversee information security, cybersecurity and governance of IT risk

Conclusion

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

Committee composition as at 30 June 2019

Member	Appointed to committee	Meeting attendance Number of scheduled meetings
Linda de Beer – Chair	28/1/2015	4/4
Shahied Rylands	28/2/2007	4/4
Shaun Rosenthal	13/12/2017	4/4
Bruce Maclaren	26/05/2016	4/4
Michael Sassoon	16/3/2018	4/4

* *Eileen Wilton will chair the IT Committee from 1 October 2019.*

Key matters the committee focused on

- Oversight of the implementation and management of key IT projects
- Ensuring awareness and understanding of the Group's exposure to information security and cyber risks
- Evaluating the Group's cybersecurity programme

HUMAN RESOURCES AND REMUNERATION COMMITTEE

Responsibilities

- Human capital matters
- Remuneration and incentives
- Remuneration and human capital policies and procedures

Committee composition as at 30 June 2019

Independence of committee: 100%

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference. Also refer to the Remuneration Report on page 88.

Member	Appointed to committee	Meeting attendance: Number of scheduled meetings	Meeting attendance: Number of unscheduled meetings
Shahied Rylands – Chair	17/2/2007	4/4	3/3
Roy Andersen	25/2/2015	4/4	3/3
Grant Dunnington	25/8/2010	4/4	3/3

Key matters the committee focused on

- Refinement of the remuneration policy and engagement with external stakeholders to ensure that appropriate hurdles and metrics are incorporated into variable pay elements
- Ensuring the remuneration structures and work environment remain conducive to the retention and motivation of key talent
- Oversight of the Group's Transformation policy with specific reference to the advancement of employment equity targets and pay parity.

SOCIAL AND ETHICS COMMITTEE

Responsibilities

- Good corporate citizenship, including:
  - Social and economic development
  - Environmental health and safety
  - Consumer relationships
  - Labour matters
  - Ethical practices and transformation initiatives
  - B-BBEE compliance
  - FSC compliance

Committee composition as at 30 June 2019

Conclusion

The committee is satisfied that it has fulfilled its responsibilities in accordance with its terms of reference. Also refer to the SEC report on page 54.

Member	Appointed to committee	Meeting attendance: Number of scheduled meetings
Gloria Serobe – Chair	7/3/2018	4/4
Michael Sassoon	1/1/2018	4/4
Gugu Mtetwa	1/11/2017	4/4
Gugu Dingaan	7/3/2018	4/4
Angela Pillay	18/2/2019	2/2

Key matters the committee focused on

- Oversight of and compliance with the functions laid out in Regulations 43 of the Companies Act
- Oversight of adherence to the Group's Code of Ethics
- Ensuring that transformation remains a key Board and management focus area

CAPITAL INVESTMENT COMMITTEE

Responsibilities

- Consider certain secured and unsecured transaction proposals in accordance with the Board's risk appetite
- Consider investment proposals that are greater than or equal to R15 million, and which do not exceed R50 million. Proposals in excess of R50 million are considered in conjunction with the CLEC

Conclusion

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

Committee composition as at 30 June 2019

Member	Appointed to committee	Meeting attendance: Number of scheduled meetings	Meeting attendance: Number of unscheduled meetings
Shahied Rylands – Chair	02/6/2009	2/2	3/4
Grant Dunnington	17/8/2011	2/2	4/4
Michael Sassoon	14/2/2017	2/2	4/4
Roland Sassoon*	20/9/2006	1/1	1/1
Gugu Dingaan	07/3/2018	2/2	2/4
Angela Pillay	26/7/2018	2/2	4/4
Mark Thompson	21/6/2019	0/0	0/0

* *Retired 31 December 2018.*

Key matters the committee focused on

- Oversight of the appropriate management of the Group's portfolio of assets
- Considering private equity and property equity investments, and valuations twice a year

Human Resources and Remuneration Committee Report (14)

Our remuneration practices are designed to attract the right employees and motivate them to live our values while driving the Group's strategic objectives. These have been formulated with a strong view of risk management and good governance.

Shahied Rylands
Chair: Human Resources and Remuneration Committee

The Human Resources and Remuneration Committee (REMCO) assists the Board in approving the remuneration policy, which establishes remuneration practices that are fair and responsible, while supporting the delivery of our strategic objectives and rewarding excellent performance. In fulfilling its mandate, REMCO engages with a range of stakeholders including shareholders, the regulators where appropriate, external consultants and management.

The Group CEO and Head: Human Capital attend REMCO meetings as invitees and report on employee matters of concern. REMCO, together with executive management, regularly focus on matters of pay parity, both internal and external – such as this year's internal race and gender analysis, and the annual remuneration benchmarking exercise on Sasfin's remuneration with that of the market. All remuneration decisions comply with regulatory requirements, industry best practice and Sasfin's internal policies and procedures.

We recognise that remuneration practices form an essential aspect of good governance and are an effective way of influencing the desired culture of Sasfin. Our approach to remuneration aligns with the recommendations of King IV™ and the Basel Committee on governance. The Group operates in a highly regulated industry and the members of REMCO have appropriate and unrestricted access to information they need to make decisions that comply with the Board's risk appetite, remuneration policy and regulatory requirements.

Competition in the financial services industry has increased. The market for specialist skills is thin, particularly at a senior level, and the trend towards digitisation in financial services means that relevant IT skills are at a premium. Candidates who have these skills and meet Sasfin's transformation goals are rare. Employee costs are our biggest operational expense and we must balance cost management with the need to strengthen teams and build organisational capacity for future growth.

Sasfin has always developed strong talent within the Group. The rapid change in financial markets and within Sasfin over the past few years, including the leadership transition, restructuring and implementing of significant IT systems, has stretched our talent pool and requires a focus on change management.

Succession planning received considerable attention during the year. The Board has approved a succession plan which ensures that there are identified interim or permanent successors for each senior management role within Sasfin. Transformation remains a priority, and diversity across the Group has improved. We recognise the requirement to ensure appropriate further transformation at senior management level.

In terms of Directive 4 of 2018, issued by the SARB Prudential Authority regarding non-executive director independence, the Board is in the process of undergoing much change which will have an impact on the experience and diversity of directors (page 70). The DANC has developed a process to ensure that these issues are actively addressed.

BENCHMARKS AND INCREASES

Job roles are externally benchmarked annually to ensure that they are correctly graded, and that remuneration is competitive. Pay scales consider the requirements and level of complexity of a specific role, as well as the span of control within the Group. Salary increases are informed by a range of factors, including input from external remuneration consultants, the need to close a gap with benchmark remuneration for the position, retention of scarce or specialised skills, the individual's performance against his/her performance targets, Group and Pillar performance, growth in the general economy and inflation.

REMCO provides guidelines and bands for management regarding proposed increases. This includes measures to improve the pay gap. The committee reviews and ratifies remuneration that falls outside the remuneration policy. REMCO is satisfied that the external consultants engaged in assessing our remuneration practices, including the benchmarking surveys, are independent and objective.

PAY SCALES

Sasfin's approach to remuneration acknowledges the need to ensure fair and responsible remuneration practices, including addressing issues such as a living wage, pay gap, gender pay disparity and equal pay for equal work. These are considered when determining pay scales for jobs and setting individual pay within these parameters. A parity review of gender and race was performed with oversight from Group Risk, which found no concerning pay disparity in these areas across the Group.

INCENTIVE SCHEMES

A new performance incentive scheme was implemented in 2019 for senior management that combines short-term and long-term components and improves transparency for participants. The scheme rewards performance at a Group (with a focus on growing ROE sustainably), Pillar/business unit and individual level. It includes a consideration of qualitative factors such as ethics, sustainability, responsible risk taking and cultural fit through the use of KRIs and KVIs. The first remuneration cycle for the new incentive scheme closed at the end of the financial year and the scheme appears to have been effective.

REMCO has considered the deferral periods included in the performance incentive scheme and approved that these deferral periods be phased in. This is to ensure the scheme achieves its objectives of employee motivation and retention in the first three years. In general, for bonuses in excess of R500 000, between 25% and 45% of the total bonus is deferred for three years. In exceptional circumstances, bonuses may be deferred over four years. During the first two years (phase-in period) the deferral period will be two years. Appropriate performance incentives for sales employees in specific areas are being evaluated to drive distribution and revenue growth, one of our strategic objectives.

OTHER KEY REMUNERATION CHANGES

The following changes were implemented:
- Project incentives for key system projects (for example, LeaseWave)
- Fibre and stand-by allowance for qualifying IT employees

These changes aim to:
- Ensure project delivery is on time and within budget
- Reduce downtime as a result of new systems implementation
- Promote buy-in to new systems and ways of work
- Ensure our benefits to IT employees remain market relevant

AGM VOTING

REMCO believes that the remuneration policy is effective and proactively engaged with shareholders and other stakeholders to identify possible areas for improvement in our remuneration practices. Refer to page 47 for feedback on our employee survey.

As recommended by King IV™, the remuneration policy and the Implementation Report were tabled for separate non-binding advisory votes by shareholders at the AGM on 29 November 2018; 99.08% of the shares represented at the meeting voted in favour of endorsing the remuneration policy and 95.97% in favour of endorsing the Implementation Report.

The REMCO and Board believe in being transparent with our stakeholders and considering their views and input into Sasfin's remuneration policies and practices. Therefore, the Chair of REMCO engaged with the single institutional shareholder that voted against the Implementation Report to understand their motivation. Feedback from this engagement will be considered when reviewing the Group's remuneration policy or its implementation. We have improved our Remuneration Report to address some of their suggestions.

Shareholders who wish to lodge concerns regarding the remuneration policy and Implementation Report are invited to engage with the Group Company Secretary.

GOING FORWARD

I will be retiring from the REMCO and as a director of Sasfin in November 2019, in line with the Prudential Authority directive. While there will be a change of faces in REMCO, Sasfin's commitment to ensuring industry best practices in HR and remuneration remains unchanged. In the year ahead, REMCO will focus on ensuring continuity under the incoming Chair.

I thank my fellow REMCO members and directors for their support and commitment, as well as the HR Executive and her team. I value the knowledge and experience I have gained since 2007 as a director of Sasfin and thank everyone who supported me along the way.

Shahied Rylands
Chair: Human Resources and Remuneration Committee

Remuneration policy

The Group's remuneration philosophy provides the framework for remuneration decisions so that they are made with confidence, integrity and speed. It emphasises that employees are our most valuable asset and aims to motivate and reward those who are engaged, committed and loyal to the Group, meet or exceed their performance objectives, contribute to Sasfin's success and sustainability, and support the delivery of sustainable returns to shareholders.

Sasfin's remuneration philosophy is unchanged from last year and aims to provide value to our stakeholders by:

Ensuring	• Remuneration practices facilitate fair, responsible and transparent remuneration of employees, executives and directors, which promote achieving Sasfin's strategic objectives and positive outcomes in the short-, medium- and long-term • Sasfin's employee value proposition enhances our ability to attract, develop and retain employees • Internal parity and providing equal pay for equal work • The Group's remuneration policy and philosophy facilitate King IV™ recommended remuneration practices
Rewarding	• Employees for their individual contributions to the Group's overall performance • Performance and value-adding contributors • Ethical behaviour that does not place Sasfin, our clients or our employees at risk
Providing	• A total reward structure that drives exceptional long-term performance by balancing guaranteed and variable remuneration • Meaningful benefits that are cost-effective from an employee and employer perspective, and which are clearly communicated and supported by an effective administrative system • Clarification and reinforcement of roles and accountabilities
Benchmarking	• Individual roles within the Group to ensure fair compensation that is responsive to market forces and that allows the Group to operate successfully and remain an employer of choice

REMUNERATION PRACTICES

Sasfin develops and implements fair remuneration practices consistently throughout the Group, subject to REMCO and Board approval, to ensure each employee's performance is recognised and appropriately rewarded. Due regard is given to the risk implications, our ethical standards, and Sasfin's desired culture when changes are made to HC policies. We consider the overall compensation model and the specific remuneration for Executive Directors, Prescribed Officers and Group Exco members. Individual remuneration is disclosed on page 101.

The Group's remuneration levels are based on the Hay Group Total Reward Framework. Jobs are graded and assigned to a pay scale for each Hay Reward Level. Reward Levels range from 5 (unskilled roles) to 27 (Group CEO).

REMCO is directly responsible for all human capital and remuneration decisions that affect senior managers and executives (Reward Level 21 and above), including all remuneration decisions relating to the Group CEO and other Executive Directors, to avoid conflicts of interest. The Group Human Resources Management Committee (HR Manco) is mandated to make decisions at Reward Levels 18 to 20, and Pillar HR Mancos are mandated by REMCO to make decisions regarding employees up to Reward Level 17. Deviation from the standard increase policy is made in consultation with the relevant Group Exco member and the Head: Human Capital to drive the desired behaviour and outcomes.

REMCO reviews the terms and conditions of Executive Directors' and senior executives' service agreements at least annually against peer companies and local and global industry trends. REMCO is satisfied that there are no obligations in executive employment contracts which could give rise to payments on termination of employment or office, and no such payments were made. However, we paid R1.5 million in mutual separation agreements with certain employees, some of whom were long serving

REMUNERATION GOVERNANCE STRUCTURE

Shareholders

- Approve Non-Executive Directors' remuneration
- Non-binding advisory votes on remuneration policy and implementation report

Board

Approves remuneration policies and practices

REMCO

- Guides executive management on remuneration and human capital policies, procedures and practices
- Approves annual increase and incentive guidelines for the Group
- Makes remuneration decisions for executives and senior management at Hay Reward Level 21+, or for positions reporting directly to the Group CEO
- Full REMCO approval for appointments of employees whose annual guaranteed earnings are in excess of R2.5 million, or for appointments reporting directly to the Group CEO
- REMCO Chair approval for all appointments earning a total guaranteed pay between R1.5 million and R2.5 million per annum

Group HR Manco

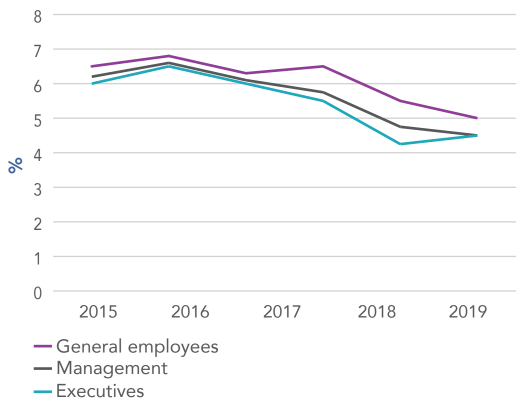
- Guides senior management on remuneration and HC policies, procedures and practices
- Approval for all remuneration decisions for employees at Reward Level 18 – Reward Level 20 within the REMCO guidelines
- Support for all remuneration reviews for Reward Level 21+, prior to REMCO consideration and approval
- Approval for all appointments with guaranteed earnings between R1 million and R1.5 million per annum
- Mandates Pillar HR Mancos with all remuneration and appointment decisions for Reward Level 17 and below, as provided in the HC policies

ENSURING FAIR AND RESPONSIBLE REMUNERATION

While the legislated minimum wage is R3 500 per month, we are guided by the 2014 paper by the Labour Research Service, which proposed a living wage of R8 000 per month. After inflationary adjustments, this figure now amounts to approximately R9 800 per month. We are satisfied that all Sasfin's employees earn a living wage.

Sasfin remains aware of the need to address the wage gap between junior employees and senior executives. Junior employees receive higher percentage annual increases than management and executives to address this concern.

Salary increases



Sasfin's average annual cost-to-company (CTC) is R659 458, excluding commission earners. Therefore, the Group CEO's CTC is 607% of the average CTC, and the Group FD's CTC is 430%. The Group CEO received an increase of 7.7% (2018: 3.8%) and the Group FD's increase was 23.6% (2018: 3.0%). The Group CEO's increase reflects his additional responsibilities as Bank CEO since January 2019. The Group FD's remuneration review addressed pay parity and aligned to market benchmarks for a consolidated financial director and chief financial officer role. Following these increases, both the Group CEO and FD are paid below the median of their respective benchmarks.

In November 2018 Group Risk reviewed salaries to determine if there is any evidence of racial or gender bias in pay practices within the Group, across the various Reward Levels. No salary discrimination based on race or gender within the average salaries per the various Reward Levels was identified.

- Gender findings: The average salaries are generally similar, with differences of less than 10% across the Reward Levels
  - Reward Levels 11 to 16: Average female salaries are higher than average male salaries
  - Reward Levels 17 to 21: Average male salaries are higher than average female salaries
- Race finding: The analysis of all Reward Levels with more than 10 employees indicated no overall discrimination trend in average salaries across the whole Group

BENCHMARKING

All positions are benchmarked individually at least every second year using independent remuneration consultants, which include REMchannel®, PwC Research Services (Proprietary) Limited, the International Zonal Leadership Institute and 21st Century. Job evaluations supported by benchmarking provides REMCO with assurance that roles are graded correctly, and employees are paid in line with the market for the jobs they perform.

Our policy is to pay employees with reference to the median for each Reward Level, although other factors are considered when finalising individual compensation within each Reward Level. The Group's businesses are diverse, and each requires unique skill sets and qualifications. It is therefore difficult to ensure that we pay at the median.

Management and Human Capital must motivate to the Group HR Manco when proposed employee remuneration falls outside the benchmarked pay scale for a job. The Group HR Manco assesses each application and submits those they support to REMCO for consideration and approval at its discretion on a fair, reasonable and equitable basis.

Further benchmarking recommends pay scales each year. REMCO uses these to decide the annual increase guidelines aligned with the remuneration policy. These are communicated to line managers who propose individual increases, with the provision that the average performance-based increase per business cannot exceed the overall Board-approved percentage increase.

HR Mancos and REMCO consider the following during their reviews and assessments:

- Individual performance and alignment with the Sasfin culture and values
- Internal parity and individual positioning relative to pay scale
- Specialised skills required, market scarcity and replacement cost
- Living wage, equal pay for equal work, wage gap and gender pay disparity
- Alignment with the Board risk appetite and REMCO remuneration guidelines

2019 benchmarking

Sasfin developed pay scales for all employees, including executives. The REMchannel® financial services data was used in conjunction with Sasfin 2018 pay scales to develop the proposed 2019 pay scales. As part of this exercise, Sasfin's current total guaranteed package market position was assessed against the 25th, 50th and 75th percentiles, and the mean of both the financial services and banking markets. The market data was extracted in February 2019 and age-corrected to September 2020 by 6.75% for both the pay scale development and market positioning exercise.

The proposed pay scales were verified independently by REMchannel® and were approved for adoption and implementation by REMCO.

The benchmarking outcome was as follows:

- Most Sasfin employees are paid in line with the financial services market median, with the total guaranteed pay averaging 101% of the median.
- 47% of employees are positioned above the market median (60% in 2018 and 66% in 2017). This reflects Sasfin's effort to regularise pay practice in addressing any pay anomalies to ensure equal pay for equal work and ensuring that any extraordinary performance in a given year is rewarded in variable remuneration instead of through guaranteed income. Employees are paid above the median due to several reasons, including individual performance, market practice and tenure. In the case of senior employees or employees with a specialised skill set, we offer candidates packages that are attractive and competitive relative to their previous earnings.
- The benchmarking exercise resulted in pay scale queries from REMchannel® for eight employees. These were resolved, resulting in anomalies for three employees.

The benchmarking validated that Sasfin is competitive on the guaranteed pay element of remuneration, including employee benefits like leave and long-service awards. However, Sasfin is unable to offer employees housing loans and vehicle finance at preferential rates, like larger banks do. Variable remuneration has not been competitive and Sasfin aims to address this with the new performance incentive scheme implementation (page 96).

INTEGRATING STRATEGY AND REWARDS

Key changes in 2019

- Variable remuneration: We implemented the performance incentive scheme and we are designing Pillar incentive schemes for asset finance (Banking Pillar) and the Capital Pillar.
- REMCO also approved a change to the deferred portion of the performance incentive scheme.

Remuneration forms an integral element of the Group's greater human capital management, which includes performance and talent management. Remuneration practices are an effective means of supporting the business strategy by motivating and rewarding excellent employee performance that delivers on the Group's strategic objectives.

Sasfin's variable remuneration aims to directly link reward to individual, Pillar/business unit and Group performance so that employees can directly influence their total remuneration through their individual efforts. Individual performance is measured against KPIs that are agreed in advance and reviewed regularly, in line with any changes to the job function, as well as KVIs and KRIs. This ensures employees understand the bonus calculation, which promotes transparency, consistency and objectivity, and provides honest feedback to employees.

Variable remuneration considers the employee's performance, potential and relative value to the Group. Incentive payments are awarded at REMCO's discretion and employees who do not meet their KPIs, KRIs or KVIs, or who have a current disciplinary record, do not qualify for annual increases or discretionary incentive awards.

Our variable remuneration includes short- and long-term elements, with deferred payments falling due over a period of up to three years from the date of award (in exceptional circumstances, the deferral period will be four years). This deferral ensures a clawback of bonuses paid, in the event of poor financial or personal performance or misconduct.

There are several employees who are on commission arrangements across the Group, with the majority in the Wealth Pillar. Their remuneration structures are in line with the industry norm and are approved by REMCO. Any employees on commission arrangements do not participate in the performance incentive scheme.

TOTAL REMUNERATION COMPRISES FIXED AND VARIABLE REMUNERATION

Element	Fixed remuneration Basic remuneration and benefits
Comprises	• Cash salary • Contribution to pension/provident fund • Medical aid • Risk benefits
Key changes in 2019	• Sasfin reviewed guaranteed pay and variable pay to ensure that total earnings are aligned for each position • Introduced fibre and stand-by allowance for qualifying IT employees
Purpose	Attraction and retention of talent and providing fair market-related remuneration
Eligibility	All employees
How is this determined?	CTC is set around the median for each position. Pay scales and annual increase guidelines are set considering independently benchmarked data. It considers scarce or critical skills, internal parity, equal pay for work of equal value, the wage gap, scope and influence of the role, and individual performance.
Performance hurdle	Not applicable
Deferral	Not applicable
Link between individual remuneration and Group performance	Not applicable

Discretionary performance bonuses	Performance incentive scheme
Annual incentive	**Short- and long-term incentive**
Cash payment	Initial and deferred payments are made in cash
Introduced KRIs and KVIs to align employee conduct and performance with the Group's values and risk appetite	This is the first year the new performance incentive scheme is implemented. It introduced deferred payments as a long-term element of the incentive scheme. The deferred period has been changed to two years during the phase-in period, and thereafter to three years (four years in exceptional circumstances).
• Attraction and retention of talent • Acknowledge and reward individual contribution to achieving the Group's strategic and financial objectives and the employees' KPIs, KRIs and KVIs	• Attraction and retention of talent • Align Sasfin executives to stakeholder value creation and specifically shareholder returns
Support and back-office employees if they achieve their personal KPIs, KRIs and KVIs. The degree of participation is dependent on personal KPI score	Group Exco (including the Group CEO and Group FD), Pillar Mancos and IT Manco members who are in good standing and not underperforming in terms of KPIs, KRIs or KVIs
Group HR and REMCO determine the annual incentive pool based on Group performance: • Employees whose performance met expectations qualify to earn up to 75% of a 13th cheque, dependent on Group, Pillar/division and individual performance • Employees whose performance exceeded expectations qualify to earn up to 200% of a 13th cheque, dependent on Group, Pillar/division and individual performance	• The incentive depends on Group, Pillar/division and individual performance, and is driven by the ROE target set annually by REMCO • The participation level depends on the function performed, e.g. Heads of Pillars and the Group CEO/ Group FD qualify to earn up to two times annual CTC, while the Heads of corporate service departments such as IT and Legal, qualify to earn up to one times annual CTC
Incentive pool is only created if the Group's ROE target is achieved	Achieving or exceeding the ROE target set by REMCO
Not applicable	• Bonuses are split into an initial payment and a deferred portion that vests over three years and five years, dependent on the size of the award • If the ROE is sustained or improved, and the scheme participant has met KPI, KRI and KVI objectives, up to 100% of the deferred portion is paid • If individual KPI, KRI and/or KVI score does not meet expectations, the entire deferred portion is forfeited • Payment of deferred portions requires continued employment and the employee must be in good standing
Group and operational financial targets and a non-financial component, which, in addition to the personal KPI score, includes items such as compliance, risk, strategy implementation, stakeholder expectations, transformation and ethics	Linked to Group ROE and individual KPI, KRI and KVI rating

DISCRETIONARY PERFORMANCE BONUSES

Short-term incentives (STIs) aim to motivate executives and employees to support the Group's annual targets. They comprise Group and operational financial targets and a non-financial component, which, in addition to the personal KPI score, includes items such as compliance, risk, strategy implementation, stakeholder expectations, transformation and ethics. These indicators are regularly reviewed to ensure that they drive the required behaviour. The calculations underlying the incentive scheme payments consider exceptional items and associated costs. This year we also specifically considered:

- The impact of the various system changes across the Group, and employees' contribution towards successful implementation
- Any other gratuities awarded to employees during the year, such as project incentives for new systems

The discretionary performance bonuses are for support and back-office employees, based on Group and individual performance. In general, we paid 75% of monthly CTC as a bonus (2018: 37.5%).

The executive incentive scheme and the divisional incentive schemes were replaced by the new performance incentive scheme in 2019.

SHARE PRICE APPRECIATION SCHEME

In prior years, awards in terms of the share price appreciation scheme (SPAS) were made to key employees while the performance equity scheme was not yet implemented. The SPAS will be discontinued after the last vesting in 2021.

Applies to	Basis	Vesting
Employees earning between R500 000 and R1 million per annum	• Based on the future share price over three to five years from the date of award • Allocations are calculated at 25% of guaranteed earnings • The award date is the end of each financial year	• Three years after award and the employee must be in the Group's employ and in good standing to qualify for the award • Future bonus payments fall due between 2020 and 2021

PERFORMANCE INCENTIVE SCHEME

The STI and long-term incentive (LTI) schemes were comprehensively revised following the restructuring of the Group in 2018 to appropriately incentivise employees aligned to the performance of the Pillar in which they work. This new scheme was implemented in 2019. As with the previous scheme, employees are only eligible once they have completed a full year of service with the Group and must be in the Group's employ and in good standing to qualify for the award. The new performance incentive scheme (the scheme) combines short-term and long-term elements and incorporates KRIs and KVIs in line with market and competitor benchmarks. It was approved by shareholders at the November 2018 AGM.

The scheme was finalised in August 2018 and applies to senior management across the Group and Pillars, excluding individuals on bespoke schemes. The scheme aims to align Sasfin executives to stakeholder value creation and specifically shareholder returns. It is designed to:

- Have a long-term orientation with a risk management focus
- Appropriately balance individual, divisional, Pillar and Group incentives to drive a meritocracy
- Offer clear line of sight
- Be simple but robust
- Have the potential for real long-term value creation

Bonuses are payable where the Group achieves the ROE target set by REMCO each year (which can be different from the budgeted ROE). REMCO considers current performance, budget, cost of capital and ROE achieved in the current year when setting the ROE target. The ROE target can never be lower than the prime lending rate and must be achieved after providing for the performance incentive scheme. A subminimum is set, which determines the point from which pro-rated incentives would fall due.

Sasfin's aim is to ensure that hurdles for each area are based on achieving operational returns in excess of the cost of capital. Given where Sasfin is in its cycle, an appropriate target ROE is set by the REMCO to ensure incentivisation of executives. Meaningful bonuses can only be achieved once Sasfin achieves a ROE in excess of its cost of capital. All executive bonuses are impacted by ROE achieved:

- ROE affects the Group hurdle
- Each Pillar's financial performance affects the Pillar hurdle (profit after tax, return on assets)
- Each division's financial performance affects the divisional hurdle (profit before tax, assets under management, cost-to-income)
- KPIs, KRIs and KVIs affect participation and the quantum of the bonus award

The scheme is structured to ensure that shareholders attain a minimum return on their capital before any bonuses are paid to executives. Even though the scheme is uncapped, the mechanics of the scheme ensure that it is not open-ended.

The rules of the scheme are summarised as follows:

Scheme participants

The participants are either on Group Exco, Pillar, IT or Finance Mancos, or are specialist contributors who are considered key to our succession and talent pipeline. They are on different levels, ranging from Reward Level 17 to Reward Level 27.

As at year-end, 45 employees were on the scheme, out of a total of 733 employees across the Group (6%). These are split into:
- Group Exco: 15 (2%)
- Pillar Mancos: 16 (2%)
- IT Manco: 10 (1.4%)
- Finance Manco: 2 (0.3%)
- Specialist contributors: 2 (0.3%)

Bonus pool

As part of the budget process each year, REMCO sets a base ROE level and a target ROE hurdle which, in terms of the scheme, must be obtained after providing for all bonuses including scheme bonuses per the calculation of the bonus pool below.

Given the ROE achieved in the 2018 financial year of 8.09%, and the Group's long-term strategy to deliver sustainable long-term ROE closer to 20%, the Board approved a ROE target of 11.26% for the 2019 financial year (which is 40% higher than the actual ROE achieved in 2018).

In determining the bonus pool, the profit pool means the profit before scheme bonuses and tax, but after all bonuses and incentives in respect of non-scheme participants, is provided for.

The executive scheme bonus pool is equal to:
- (Actual profit pool less the profit pool assuming ROE target) multiplied by 30% plus
- (Profit pool assuming ROE target less the profit pool assuming base ROE) multiplied by 15%

The scheme ROE hurdle set for 2019 was 11.26%. The absolute level and timing of bonus payments depends on the ROE achieved and a high-level illustration of likely outcomes for senior executives is depicted below.

Scheme ROE hurdle range	Bonus as a % of cost-to-company (CTC)	Immediate payment (approximate % of the bonus)	Deferred portion (% of the bonus)
0 – ROE base		No bonuses paid	
ROE base – ROE target	Up to 30%	70%	30%
ROE target – ROE stretch target	Up to 140%	33%	67%
ROE stretch target +	140% +	18%	82%

Deferred portion payouts depend on sustained personal and Group performance within ranges. This ensures alignment between shareholders and executives for achieving sustainable long-term ROE off the current base of earnings.

Allocation of the bonus pool

The bonus pool is allocated between scheme participants based on each participant's:
- Relative level of seniority and responsibilities within the Group
- Performance against personal KPIs which include a 15% to 25% weighting on KRIs and KVIs
- Position within the Group and the relative performance of the Group, Pillar and/or division
- Applied caps, where appropriate, based on their role within the Group

No incentives are paid to individuals who are underperforming either in terms of KPIs, KRIs or KVIs or if the employee is not in good standing. The KPIs, KRIs and KVIs and performance against those are set and approved at the appropriate Board levels in terms of Sasfin's governance structures.

Payment and vesting

Bonuses are split into an initial payment and a deferred portion that vests over two years for the phase-in period of the scheme, and therefore vests over three years. Initial and deferred payments will be made in cash. Furthermore, any exceptional bonuses are paid over four years.

50% of the deferred payments are paid to employees who have sustained personal performance. 50% of the deferred payments depend on the Group ROE performance in the year of vesting compared to the ROE in the year of the award.

The REMCO has considered incorporating share-based payments into the existing scheme to align scheme participants further to the Group – with the aim that scheme participants own shares equal to the value of 50% of their annual CTC. However, given the limited free float of Sasfin shares and the regulatory and accounting challenges of settling in shares, Sasfin believes the current incentive scheme design is the most effective at present.

EXECUTIVE DIRECTORS' PAY

Name	Title	Cash R	Other benefits R	Bonus paid in Sept 18 R	Total 2019[1] R	Perform-ance on financial measures %	Personal on non-financial measures[2] R	Bonus due in Sept 2019 R
Michael Sassoon	Group CEO	3 577 649	422 657	643 333	4 643 639	0	3.20	1 200 000
Angela Pillay	Group FD	2 342 997	473 356	–	2 816 353	0	3.34	900 000

[1] *Comparative figures can be found on page 102.*
[2] *Out of a possible score of 5.*

PAY MIX AND POTENTIAL REMUNERATION

Scaled performance targets for Executive Directors and management are applied based on:

- Achievement of Group financial targets (no bonus is awarded if the actual ROE is less than the subminimum ROE)
- Achievement of Pillar financial targets
- Achievement of strategic targets (where the KPI score falls into ranges)
- Achievement of KRIs and KVIs

ROE performance	Pillar performance	Personal performance (KPIs)	Risk and value indicators (KRIs and KVIs)	Bonus award
>the base	>Target	<50%	>50%	No bonus due to KPI score
>the base	>Target	>50%	<50%	No bonus due to KRI and KVI score
>the base	>Target	51% – 70%	51% – 70%	Between 1% to 70% of annual CTC proportionately
>the base	>Target	71% – 100%	71% – 100%	Between 71% and 130% of annual CTC proportionately

NON-EXECUTIVE DIRECTORS' FEES

Non-Executive Directors' fees are reviewed annually by the Executive Directors based on external benchmarking that takes place every two years. The fees are recommended to REMCO for consideration, which amends or supports the fees in consultation with Executive Directors, other than in respect of REMCO members' own fees, and submit the recommendation to the Board via the DANC. Increases are presented to, and approved at, the AGM by means of a special resolution.

In setting Non-Executive Directors' fees, the Executive Directors consider a range of factors, including the reasonability and affordability of the proposed increases, and whether they can be justified and supported in relation to Sasfin's growth, the current Board workload and the economic climate.

Directors representing WIPHOLD do not receive directors' fees given that WIPHOLD is paid a management fee for its strategic input.

Changes to Non-Executive Directors' fees

Historically, Sasfin paid 50% of the member fees for special GACC and CLEC meetings. The benchmarking exercise demonstrated that this resulted in total fees for members of those committees above the benchmark, whereas in respect of certain other committees Sasfin was paying below the benchmark. The decision has been taken to reduce special GACC and CLEC fees to 25% of member fees, and fees which were relatively lower than the benchmark for certain roles have been increased.

In addition, the benchmarking exercise reflected that members of the IT Committee were remunerated above the benchmark and therefore the member fees remain unchanged. However, the Chair of the IT Committee was found to be remunerated at 79% of the benchmark and a 20% increase is proposed to align the IT Committee Chair's fee with the benchmark.

The Chair of the Board's fee was found to be below the benchmark. Given the importance of the role played by the Chair, it is proposed that the Chair's remuneration be brought to 97% of the benchmark. The fee for the Board Chair is all inclusive and thus includes any chairship and membership of Board committees.

Overall, the above-mentioned increases seek to ensure that both members and chairs of Board committees receive an increase of whichever is the greater of 4.5% or an increase that aligns their remuneration to 95% of the benchmark.

The net impact of these changes is that, should Sasfin have a similar size Board and number of meetings in the year ahead as compared to 2019, the total increases for Non-Executive Directors' fees will be 5%.

In order to align to the market benchmarks, it is proposed that the Non-Executive Directors' fees be reviewed as follows, resulting in an overall increase of 5%:

	2019 R		2020 R	
	Annual membership fee	Annual Chair's fee	Annual membership fee	Annual Chair's fee
Sasfin Holdings and Sasfin Bank Board fees	234 400	996 200	271 976	1 100 000
Group Audit and Compliance Committee	80 800	148 800	84 436	183 402
Asset and Liability Committee	44 900	70 900	51 224	102 885
Human Resources and Remuneration Committee	61 100	110 000	69 759	120 156
Social and Ethics Committee	44 500	70 300	50 208	80 926
Group Risk and Capital Management Committee	80 800	148 800	84 436	183 402
Credit and Large Exposure Committee	63 300	122 000	69 759	127 490
Capital Investment Committee	31 650	61 000	38 418	77 164
Information Technology Committee	58 600	85 600	58 600	102 885

* *Directors fees are exclusive of VAT.*

Implementation report

REMCO is satisfied that the remuneration practices were in line with the policy, and any exceptions were approved before implementation.

BASIC REMUNERATION ANNUAL INCREASES

Remuneration payments were made in terms of the Group's remuneration policy. Proposed remuneration or increases that deviate from the remuneration policy are submitted to the REMCO for consideration and approval. These deviations mainly relate to the appointment of key personnel in order to offer them compensation that is competitive to their existing salaries at their current employers.

The REMCO approved the increases as set out in the graphs alongside, subject to the overall increase percentage per business unit not exceeding 6.5%, including promotions, transfers and new appointments. The overall cap applies to the salary bill for the period 1 October 2019 to 30 September 2020, and must account for:

- Annual increases
- Extraordinary increases due to promotions and market movements
- Interim remuneration reviews
- Employee exits
- External appointments

Employees who are paid beyond the maximum of the salary band will either be awarded one-off lump-sum payments in lieu of annual increases, or they will be awarded a capped increase of not more than 3%. Any other recommendations need to be motivated by the Pillar Head.

The following employees do not qualify for an increase:

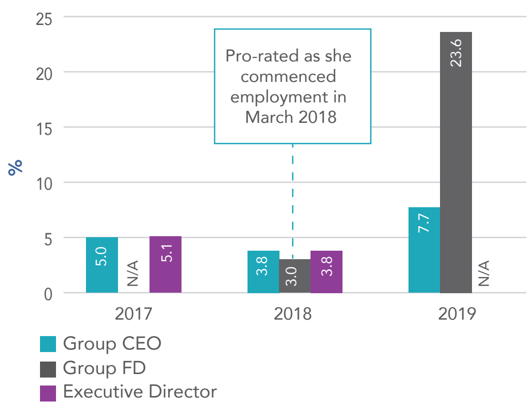
- Employees with a performance score of 2.5 and below, (out of a score of 5)
- Employees with a current disciplinary record
- New employees who started on or after 1 July 2019

There were no restraint payments made and we paid R600 000 in retention bonuses to two employees (2018: no retention or restraint payments). We paid sign-on bonuses to three employees, totalling R1.4 million with commitment periods between one and four years (2018: six employees, R5.1 million).

Basic remuneration increases (actual payment depends on specific circumstances)

Basic remuneration increases[1]

Executive Directors' salary increases[2]



DISCRETIONARY PERFORMANCE BONUSES (STI)

REMCO approved the discretionary bonus payments to not exceed 75% of the Group's monthly salary bill for qualifying employees.

SHARE PRICE APPRECIATION SCHEME (SPAS)

The scheme is being discontinued and there were no payments this year (2018: nil). The last awards vest in 2021.

The SPAS has 148 115 shares remaining, with an average strike price of R71.60 as at the end of June 2019. Future bonus payments on the SPAS, which will depend on the share price at the time, will fall due between 2020 and 2021.

[1] *Includes certain change of role increases, in addition to a cost-of-living increase.*
[2] *The previous Group FD left the Group on 30 June 2017. No additional payments were made upon his departure.*

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION TABLES

The remuneration of the Executive Directors is paid by subsidiaries of the Company and is disclosed under cash package in the tables that follow. Other benefits comprise provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2019 R	Incentive bonus[4] *Payable in Sept 2019* R
2019						
Executive Directors						
Roland Sassoon[a]	–	1 805 706	192 466	643 333	2 641 505	–
Angela Pillay	–	2 342 997	473 356	–	2 816 353	900 000
Michael Sassoon	–	3 577 649	422 657	643 333	4 643 639	1 200 000
Independent Non-Executive Directors						
Roy Andersen	996 200	–	–	–	996 200	–
Richard Buchholz	631 638	–	–	–	631 638	–
Linda de Beer	539 000	–	–	–	539 000	–
Grant Dunnington	866 913	–	–	–	866 913	–
Gugu Mtetwa	451 100	–	–	–	451 100	–
Shahied Rylands	773 950	–	–	–	773 950	–
Mark Thompson[b]	–	–	–	–	–	–
Prescribed Officers						
Linda Fröhlich	–	2 677 412	369 378	490 980	3 537 770	800 000
Maston Lane	–	2 653 021	503 146	504 370	3 660 537	800 000
Howard Brown	–	2 197 651	252 381	378 667	2 828 699	450 000
Francois Otto	–	2 149 557	261 890	842 000	3 253 447	600 000
Andrew (Josh) Souchon	–	2 308 197	292 156	417 600	3 017 953	450 000
Stewart Tomlinson	–	1 663 255	420 014	111 111	2 194 380	440 000
Erol Zeki	–	2 396 383	535 168	500 000	3 431 551	800 000
	4 258 801	23 771 828	3 722 612	4 531 394	36 284 635	6 440 000

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 Group's and individual's performance in the 2018 financial year.*
4 *Relate to the Group's and individual's performance in the 2019 financial year.*

a *Retired on 31 December 2018.*
b *Appointed on 21 June 2019.*

DIRECTORS' AND PRESCRIBED OFFICERS' REMUNERATION TABLES

	Services as Directors R	Cash package[1] R	Other benefits[2] R	Incentive bonus[3] R	Total 2018 R	Incentive bonus[4] *Payable in Sept 2018* R
2018						
Executive Directors						
Roland Sassoon	–	3 641 930	637 704	750 000	5 029 634	643 333
Angela Pillay[a]	–	760 463	2 306 204	–	3 066 667	–
Michael Sassoon	–	2 931 437	633 613	700 000	4 265 050	643 333
Independent Non-Executive Directors						
Roy Andersen	981 042	–	–	–	981 042	–
Linda de Beer	541 205	–	–	–	541 205	–
Grant Dunnington	712 050	–	–	–	712 050	–
John Moses[b]	49 783	–	–	–	49 783	–
Gugu Mtetwa	345 900	–	–	–	345 900	–
Shahied Rylands	652 000	–	–	–	652 000	–
Richard Buchholz[h]	248 825	–	–	–	248 825	–
Prescribed Officers						
Linda Fröhlich	–	2 317 160	618 035	550 000	3 485 195	490 980
Maston Lane	–	2 359 974	669 458	550 000	3 579 432	504 370
Howard Brown	–	1 999 009	365 748	550 000	2 914 757	378 667
Andrew (Josh) Souchon	–	2 177 490	344 521	300 000	2 822 011	417 600
David Edwards[c]	–	1 507 419	424 670	541 000	2 473 089	100 000
Francois Otto[d]	–	336 665	52 020	323 880	712 565	842 000
Erol Zeki[e]	–	1 879 327	350 846	–	2 230 173	500 000
Glen Christopulo[f]	–	2 192 380	473 600	500 000	3 165 980	–
Lushen Pather[g]	–	757 739	441 029	1 100 000	2 298 768	–
	3 530 805	**22 860 993**	**7 317 448**	**5 864 880**	**39 574 126**	**4 520 283**

[1] *The remuneration of the Executive Directors is paid by subsidiaries of the Company.*
[2] *Other benefits comprise: provident fund, medical aid, group life, company car, cash-settled share options and sign-on bonuses.*
[3] *Relate to the Group's and individual's performance in the 2017 financial year.*
[4] *Relate to the Group's and individual's performance in the 2018 financial year.*

[a] *Appointed on 1 March 2018*
[b] *Resigned on 28 August 2017*
[c] *Resigned on 30 April 2018*
[d] *Appointed on 1 May 2018*
[e] *Appointed on 15 September 2017*
[f] *Resigned on 31 March 2018*
[g] *Resigned on 31 December 2017*
[h] *Appointed on 17 March 2018*

Sasfin 2018 year-end function

"2018's improved performance is a credit to Sasfin's people." *Roy Andersen, Chair, Sasfin Holdings Limited*

King IV™ application summary

Principle	Sasfin application	Further reading
Principle 1 The governing body should lead ethically and effectively.	The Board adheres to its fiduciary duties by providing leadership and strategic guidance aimed at protecting stakeholder interests and shareholder value within a governance framework which is reviewed for effectiveness on a regular basis.	Page 66 Page 76
Principle 2 The governing body should govern the ethics of the organisation in a way that supports the establishment of an ethical culture.	The Board sets the Group's ethical tone and operates with a strong culture of integrity and competence. Sasfin's values and ethical standards are integral to our stakeholder relationships, and are implicit in how we do business. Our robust policies prevent market abuse, conflicts of interest, bribery and other unethical conduct. Other policies promoting positive ethics are also disseminated to employees.	Page 16 Page 54 Page 76
Principle 3 The governing body should ensure that the organisation is and is seen to be a responsible corporate citizen.	The Board, together with the SEC, ensure that our business activities, CSI initiatives and sustainability strategy ensure that we contribute to society as a responsible and ethical corporate citizen. In particular, that our lending and investment activities are consistent with this approach.	Page 100
Principle 4 The governing body should appreciate that the organisation's core purpose, its risks and opportunities, strategy, business model, performance and sustainable development are all inseparable elements of the value creation process.	The Board delegates to management, via Group Exco, the formulation of strategy which is considered and approved by the Board, including key performance measures and targets over the short-, medium- and long-term, and oversees the implementation thereof within the overall context in which Sasfin operates. The Board evaluates management's performance against the purpose and strategic focus areas.	Page 23
Principle 5 The governing body should ensure that reports issued by the organisation enable stakeholders to make informed assessments of the organisation's performance and its short-, medium- and long-term prospects.	The Board is responsible for the Integrated Report and approves interim and year-end communications, including all SENS announcements, disclosures made in terms of Regulation 43 of the Banks Act and other media statements.	Page 4 Page 8
Principle 6 The governing body should serve as the focal point and custodian of corporate governance in the organisation.	The Board, supported by the DANC, ensures that applicable governance practices and principles are adhered to, and acknowledges that it is responsible for the performance and strategic direction of the Group.	Page 16 Page 82
Principle 7 The governing body should comprise the appropriate balance of knowledge, skills, experience, diversity and independence for it to discharge its governance role and responsibilities objectively and effectively.	The Board composition is aligned to King IV™ requirements regarding the mix of Independent, Non-Executive, and Executive Directors. The mix of skills, contribution and tenure of directors is monitored and reassessed regularly by the DANC. Refer to page 70 for new standards applicable to Banks regarding director independence and their impact on Sasfin.	Page 16 Page 69 Page 70 Page 72
Principle 8 The governing body should ensure that its arrangements for delegation within its own structures promote independent judgement, and assist with balance of power and the effective discharge of its duties.	The Board has committees to which it has delegated specific roles and responsibilities. Committee members for each committee are selected according to their suitability in terms of their qualifications and experience, which are assessed through annual effectiveness reviews. Sasfin ensures that the membership of all Board committees is managed effectively to ensure an appropriate spread of responsibility and independence. The executive team and management operate under a defined authority matrix which aims to ensure there is effective collaboration and accountability.	Page 83
Principle 9 The governing body should ensure that the evaluation of its own performance and that of its committees, its Chair and its individual members, support continued improvement in its performance and effectiveness.	The Board and each committee conducted an internal assessment exercise, both in respect of the Board itself and in respect of each committee. The Chair has been assessed by the Board under the leadership of the Lead Independent Director. An external assessment of the Board and each committee is usually conducted every three years, but this exercise has been postponed until 2020 given the change of Board composition, which is underway.	Page 16 Page 76

Principle	Sasfin application	Further reading
Principle 10 The governing body should ensure that the appointment of, and delegation to management contribute to role clarity and the effective exercise of authority and responsibilities.	The Board oversees all key executive appointments and is satisfied that the delegation of authority framework contributes to role clarity and the effective exercise of authority and responsibility.	Page 76
Principle 11 The governing body should govern risk in a way that supports the organisation in setting and achieving its strategic objectives.	The Board defines the Group's risk appetite and risk tolerance, which are formalised in risk appetite statements and relevant metrics based on input from the GRCMC. These are further broken down into measurable tolerance levels. Executive oversight of the risk function is delegated to the CRO.	Page 60
Principle 12 The governing body should govern technology and information in a way that supports the organisation to set and achieve its strategic objectives.	The IT Committee oversees IT governance and monitors the development and execution of the IT strategy through an IT governance framework, policies and procedures. It provides oversight, monitors and evaluates significant IT investments and expenditure, and oversees the governance of IT risk.	Page 50
Principle 13 The governing body should govern compliance with applicable laws and adopted, non-binding rules, codes and standards in a way that supports the organisation being ethical and a good corporate citizen.	The Group's independent compliance function focuses on areas such as banking regulation, AML, market conduct, exchange control and regulatory interaction responsible for mitigating compliance risk. The Board acknowledges its accountability and provides the necessary guidance regarding the management of compliance risk and ensures that it obtains sufficient assurance in this regard and delegates specific oversight responsibility to the GACC.	Page 54 Page 78
Principle 14 The governing body should ensure that the organisation remunerates fairly, responsibly and transparently so as to promote the achievement of strategic objectives and positive outcomes in the short-, medium- and long-term.	REMCO considers whether remuneration is fair and consistent, and encourages behaviour which is commensurate with the strategic direction and risk appetite of the Group through a combination of fixed and variable pay. The Group's remuneration policy and Implementation Report are subject to non-binding votes by shareholders and take into account feedback received from shareholders in formulating remuneration policies.	Page 88
Principle 15 The governing body should ensure that assurance services and functions enable an effective control environment, and that these support the integrity of information for internal decision-making and of the organisation's external reports.	The GACC oversees the responsibility for ensuring that internal assurance functions and external assurance services facilitate an effective control environment. It does so by using the combined assurance provided by the Group's Risk, Compliance, Internal Audit and external audit reports to arrive at a holistic risk-based assessment of the Group's governance, risk management and control processes.	Page 3 Page 4 Page 80
Principle 16 In the execution of its governance role and responsibilities, the governing body should adopt a stakeholder-inclusive approach that balances the needs, interests and expectations of material stakeholders in the best interests of the organisation over time.	The Board has identified all its key stakeholders and recognises the importance of maintaining these relationships. It manages stakeholder risk as an integral part of its overall risk management framework, through routine engagement with key stakeholders and seeks to address stakeholder concerns in guiding the Group's future strategy and operating model.	Page 16 Page 56 Page 67
Principle 17 The governing body of an institutional investor organisation should ensure that responsible investment is practised by the organisation to promote good governance and the creation of value by the companies in which it invests.	The Group has a social and environmental management policy framework which guides the Group's investment activities and ensures that the Group's activities do not breach international social and environmental norms. A responsible investment standard is also applied to investments made by the Wealth and Capital Pillars and overseen by the SEC from an overall Group perspective.	Page 39

Consolidated statement of financial position

AT 30 JUNE 2019

	Note	2019 R'000	2018[1] R'000
ASSETS			
Cash and cash balances		1 312 786	1 892 167
Negotiable securities		3 077 519	1 975 407
Trading assets		1 187 523	1 476 511
Other receivables		410 776	375 380
Non-current assets held for sale		–	–
Loans and advances	1	7 487 205	7 617 179
Current taxation asset		23 799	19 809
Investment securities	2	747 714	628 493
Investments at fair value through profit or loss		635 298	616 319
Equity accounted associates		112 416	12 174
Property and equipment		75 245	88 687
Investment property		8 900	12 600
Intangible assets and goodwill		235 028	202 283
Deferred tax asset		34 907	30 568
Total assets		14 601 402	14 319 084
LIABILITIES			
Funding under repurchase agreements and interbank		2 271 610	1 924 975
Trading liabilities		1 175 828	1 449 203
Current taxation liability		4 526	21 819
Trade and other payables		899 119	764 040
Provisions		57 695	37 705
Bank overdraft		46 008	–
Deposits from customers	3	4 981 067	4 449 344
Debt securities issued	4	2 753 521	3 115 432
Long-term loans		495 715	674 616
Deferred tax liability		138 929	140 179
Total liabilities		12 824 018	12 577 313
EQUITY			
Ordinary share capital		321	321
Ordinary share premium		166 945	166 945
Reserves		1 418 360	1 382 185
Preference share capital		18	18
Preference share premium		188 068	188 068
Non-controlling interest		3 672	4 234
Total equity		1 777 384	1 741 771
Total liabilities and equity		14 601 402	14 319 084

[1] *Comparative information has not been restated for the adoption of IFRS 9. Therefore comparability may not necessarily be achieved.*

Consolidated statement of comprehensive income

FOR THE YEAR ENDED 30 JUNE 2019

	2019 R'000	2018[1] R'000
Interest and similar income	1 330 151	1 281 874
Interest income calculated using the effective interest method	1 296 746	1 204 995
Other interest income	33 405	76 879
Interest and similar expense	(830 879)	(809 095)
Interest expense calculated using the effective interest method	(779 507)	(753 421)
Other interest expense	(51 372)	(55 674)
Net interest income	499 272	472 779
Non-interest income	727 588	746 437
Net fee and commission income	450 633	482 861
Fee and commission income	696 891	771 042
Fee and commission expense	(246 258)	(288 181)
Gains and losses on financial instruments	121 301	130 767
Other income	155 654	132 809
Total income	1 226 860	1 219 216
Impairment charges on loans and advances	(80 358)	(144 178)
Net income after impairments	1 146 502	1 075 038
Operating costs	(954 366)	(871 274)
Staff costs	(504 421)	(453 741)
Other operating expenses	(437 895)	(408 097)
Impairments on non-financial assets	(12 050)	(9 436)
Profit from operations	192 136	203 764
Share of associate income	19 149	110
Profit before income tax	211 285	203 874
Income tax expense	(48 832)	(71 428)
Profit for the year	162 453	132 446
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	4 877	9 741
Total comprehensive income for the year	167 330	142 187
Profit attributable to:	162 453	132 446
Non-controlling interest	(562)	1 981
Preference shareholders	14 955	15 531
Equity holders of the Group	148 060	114 934
Total comprehensive income attributable to:	167 330	142 187
Non-controlling interest	(562)	1 981
Preference shareholders	14 955	15 531
Equity holders of the Group	152 937	124 675
Earnings per share:		
Basic and diluted earnings per share (cents)	459.86	358.68

[1] *Comparative information has not been restated for the adoption of IFRS 9. Therefore comparability may not necessarily be achieved.*

Consolidated statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2019

	Ordinary share capital and 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	Pre-ference share capital and premium R'000	Non-con-trolling Interest R'000	Total share-holders' equity R'000
Balance at 30 June 2017	144 327	1 362 835	68 823	(107 099)	1 468 886	188 086	2 253	1 659 225
Total comprehensive income for the year	–	114 934	9 741	–	124 675	15 531	1 981	142 187
Profit for the year	–	114 934	–	–	114 934	15 531	1 981	132 446
Other comprehensive income net of income tax for the year	–	–	9 741	–	9 741	–	–	9 741
Transactions with owners recorded directly in equity								
Issued shares	413 491	–	–	–	413 491	–	–	413 491
Repurchase of shares	(390 552)	–	–	–	(390 552)	–	–	(390 552)
Dividends to preference shareholders	–	–	–	–	–	(15 531)	–	(15 531)
Dividends to ordinary shareholders	–	(67 049)	–	–	(67 049)	–	–	(67 049)
Balance at 30 June 2018	167 266	1 410 720	78 564	(107 099)	1 549 451	188 086	4 234	1 741 771
Changes on initial application of IFRS 9 (refer to note 1.1.1)	–	(66 103)	–	–	(66 103)	–	–	(66 103)
Restated balance at 1 July 2018[1]	167 266	1 344 617	78 564	(107 099)	1 483 348	188 086	4 234	1 675 668
Total comprehensive income for the year	–	148 060	4 877	–	152 937	14 955	(562)	167 330
Profit for the year	–	148 060	–	–	148 060	14 955	(562)	162 453
Other comprehensive income net of income tax for the year	–	–	4 877	–	4 877	–	–	4 877
Transactions with owners recorded directly in equity								
Dividends to preference shareholders	–	–	–	–	–	(14 955)	–	(14 955)
Dividends to ordinary shareholders	–	(50 659)	–	–	(50 659)	–	–	(50 659)
Balance at 30 June 2019	167 266	1 442 018	83 441	(107 099)	1 585 626	188 086	3 672	1 777 384

	2019 Cents per share	2018 Cents per share
Ordinary shares		
Interim dividend	49.86	46.89
Final dividend	50.01	104.37
Preference shares		
Dividend no 27	–	427.42
Dividend no 28	–	414.03
Dividend no 29	418.09	–
Dividend no 30	419.34	–

[1] *Comparative information has not been restated for the adoption of IFRS 9. Therefore comparability may not necessarily be achieved.*

Consolidated statement of cash flows

FOR THE YEAR ENDED 30 JUNE 2019

	2019 R'000	2018 R'000
Cash flows from operating activities		
Cash receipts from customers	1 981 446	1 938 779
Cash paid to customers, suppliers and employees	(1 761 738)	(1 644 232)
Cash inflow from operating activities	219 708	294 547
Dividends received	18 014	22 185
Taxation paid	(57 121)	(32 987)
Dividends paid	(65 614)	(82 580)
Cash flows from operating activities before changes in operating assets and liabilities	114 987	201 165
Changes in operating assets and liabilities	(613 144)	802 743
Increase in loans and advances	(33 754)	(120 207)
(Increase)/decrease in trading assets	334 001	(123 348)
Increase in negotiable securities	(1 102 112)	(579 885)
(Increase)/decrease in other receivables	(35 396)	63 252
Increase/(decrease) in deposits	531 723	(102 646)
(Decrease)/increase in long-term funding	(178 901)	244 943
Increase in funding under repurchase agreements and interbank	346 635	618 049
(Decrease)/increase in trading liabilities	(273 375)	115 652
(Decrease)/increase in debt securities	(361 911)	618 714
Increase in trade and other payables	139 956	92 275
Increase/(decrease) in provisions	19 990	(24 056)
Net cash from operating activities	(498 157)	1 003 908
Cash flows from investing activities	(123 709)	(1 281 352)
Proceeds from the disposal of property and equipment	568	4 299
Proceeds from disposal of investment property	–	56 500
Proceeds from the disposal of investment securities	37 721	4 700
Acquisition of property and equipment	(22 751)	(22 471)
Acquisition of intangible assets	(61 083)	(82 815)
Net cash paid on acquisition of subsidiaries	–	(1 167 031)
Acquisition of investment securities	(47 672)	(108 145)
(Advance)/repayments of investment securities	(30 492)	33 611
Net cash flows from financing activities	–	22 939
Proceeds from issue of ordinary shares	–	413 491
Repurchase of ordinary shares	–	(390 552)
Net decrease in cash and cash balances	(621 866)	(254 505)
Cash and cash balances at beginning of the year	1 892 167	2 165 379
Effect of exchange rate movements on cash and cash balances	(3 523)	(18 707)
Cash and cash balances at the end of the year	1 266 778	1 892 167

Notes to the financial statements

FOR THE YEAR ENDED 30 JUNE 2019

	Total R'000	Less than 1 year R'000	Between 2 and 5 years R'000	More than 5 years R'000
1. LOANS AND ADVANCES				
30 June 2019				
Gross investment in leases	7 724 095	3 360 253	4 350 102	13 740
Equipment Finance	6 207 083	2 600 182	3 597 443	9 458
Capital Equipment Finance	1 517 012	760 071	752 659	4 282
Less: Unearned finance income	(1 240 417)	(372 505)	(865 751)	(2 161)
Equipment Finance	(993 051)	(278 045)	(714 512)	(494)
Capital Equipment Finance	(247 366)	(94 460)	(151 239)	(1 667)
Net investment in leases[1]	6 483 678	2 987 748	3 484 351	11 579
Equipment Finance	5 214 032	2 322 137	2 882 931	8 964
Capital Equipment Finance	1 269 646	665 611	601 420	2 615
Trade and Debtor Finance	1 207 514			
Other secured loans	197 755			
Loans and advances before impairments	7 888 947			
Credit loss allowance	(401 742)			
Net loans and advances	7 487 205			
30 June 2018				
Gross investment in leases	7 717 059	3 181 038	4 527 024	8 997
Equipment Finance	6 406 526	2 587 869	3 817 226	1 431
Capital Equipment Finance	1 310 533	593 169	709 798	7 566
Less: Unearned finance income	(1 139 021)	(433 945)	(701 273)	(3 803)
Equipment Finance	(924 636)	(359 442)	(564 442)	(752)
Capital Equipment Finance	(214 385)	(74 503)	(136 831)	(3 051)
Net investment in leases	6 578 038	2 747 093	3 825 751	5 194
Equipment Finance	5 481 890	2 228 427	3 252 784	679
Capital Equipment Finance	1 096 148	518 666	572 967	4 515
Trade and Debtor Finance	1 141 275			
Other secured loans	183 630			
Loans and advances before expected credit losses	7 902 943			
Impairments	(285 764)			
Impairments for non-performing loans and advances	(234 625)			
Impairments for performing loans and advances	(51 139)			
Net loans and advances	7 617 179			

[1] *Loans and advances with a carrying amount of R2.995 billion (2018: R3.366 billion) have been ceded as security for the debt securities issued.*

2. INVESTMENT SECURITIES

	2019 R'000	2018 R'000
Investments at fair value through profit or loss (IFRS 9)	635 298	–
Listed equity investments	221	–
Private and Property Equity investments	635 077	–
Designated at fair value through profit and loss (IAS 39)	–	616 319
Listed equity investments	–	309
Private and Property Equity investments	–	574 014
Strategic investments*	–	41 996
Equity accounted associates	112 416	12 174
	747 714	628 493

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 is individually material. A full list of associates is available, on request, at the registered address of the Group.

	2019 R'000	2018 R'000
Summarised financial information for associates:**		
Post-tax (loss)/profit from continuing operations	51 671	42
Other comprehensive (loss)/income	–	–
Total comprehensive (loss)/income	51 671	42
Total assets	4 157 158	5 742
Total liabilities	3 965 705	917

* *Comprises the Group's listed equity investment in Efficient Group Limited, prior to it becoming an associate.*
** *The current financial year includes the results of Axo Holdings (Pty) Ltd and Efficient Group Ltd that were not included in the prior year.*

3. DEPOSITS FROM CUSTOMERS

	2019 R'000	2018 R'000
Call deposits	2 057 254	1 879 830
Notice deposits	884 124	657 342
Fixed deposits	1 868 188	1 745 155
Negotiable certificates of deposits	171 501	167 017
	4 981 067	4 449 344

	2019 R'000	2018 R'000
4. DEBT SECURITIES ISSUED		
Category analysis		
Rated*	2 753 521	3 115 432

Floating rate notes are secured by a cession of rentals and equipment, underlying instalment finance assets and bank accounts in the name of South African Securitisation Programme (RF) Limited. All notes are placed with South African investors. The debt securities in issuance are rated by Global Credit Ratings Co.

* *There are various ratings on the debt securities. These ratings are available, on request, at the registered address of the Group.*

5. FINANCIAL: FAIR VALUE OF ASSETS AND LIABILITIES

The Group's financial risk management objectives and policies are consistent with those disclosed in the Consolidated and Separate Annual Financial Statements as at and for the year ended 30 June 2019.

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.

5.1 Financial assets and liabilities measured at fair value

	2019			2018		
	Level 1 R'000	Level 2 R'000	Level 3 R'000	Level 1 R'000	Level 2 R'000	Level 3 R'000
Recurring fair value measurements						
Financial assets	1 148 737	39 007	635 077	1 297 403	221 413	586 188
Investment securities	221	–	635 077	309	41 996	586 188
Trading assets	1 148 516	39 007	–	1 297 094	179 417	–
Financial liabilities	1 135 392	40 436	–	1 293 531	155 672	–
Trading liabilities	1 135 392	40 436	–	1 293 531	155 672	–
Non-financial assets	–	–	8 900	–	–	12 600
Investment property	–	–	8 900	–	–	12 600

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 at 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 during the year ended 30 June 2019.

5. FINANCIAL: FAIR VALUE OF ASSETS AND LIABILITIES continued

5.2 Movement in Level 3 instruments

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

	2019			2018		
	Investment securities R'000	Non-current assets held for sale R'000	Investment property R'000	Investment securities R'000	Non-current assets held for sale R'000	Investment property R'000
Balance at the beginning of the year	586 190	–	12 600	446 954	69 500	–
Total gains or losses in profit and loss	60 579	–	(3 700)	70 451	(400)	–
Acquisition of investments	–	–	–	107 096	–	–
Disposal of investments	(37 721)	–	–	(4 700)	(56 500)	–
Advances/(Repayments)	30 185	–	–	(33 611)	–	–
Transfers	(4 156)	–	–	–	(12 600)	12 600
Balance at the end of the year	635 077	–	8 900	586 190	–	12 600

The valuation of Level 3 investment securities was based predominantly on detailed discounted cash flow methodologies, which were moderated against implied price/earnings multiples and, where applicable, benchmarked to proxies of listed entities in similar industries. This valuation methodology is allowed per the South African Venture Capital and Private Equity guidelines.

6. EARNINGS PER SHARE

6.1 Reconciliation between basic and headline earnings

	Gross R'000	Direct tax R'000	Non-controlling and preference shareholders R'000	Profit attributable to ordinary shareholders R'000
2019				
Basic earnings	211 285	(48 832)	(14 393)	148 060
Headline adjustable items:	15 750	(2 505)	–	13 245
Investment property – fair value loss	3 700	(826)	–	2 874
Property and equipment impairment	5 995	(1 679)	–	4 316
Goodwill and intangible impairments	6 055	–	–	6 055
	227 035	(51 337)	(14 393)	161 305
2018				
Basic earnings	203 874	(71 428)	(17 512)	114 934
Headline adjustable items:	9 845	(2 627)	–	7 218
Investment property – fair value loss	400	(90)	–	310
Profit on disposal of assets	9	(3)	–	6
Goodwill and intangible impairments	9 436	(2 534)	–	6 902
	213 719	(74 055)	(17 512)	122 152

6.2 Summary of earnings and headline earnings per share

	Earnings attributable		Weighted average number of shares		Cents per share	
	2019 R'000	2018 R'000	2019	2018	2019 cents	2018 cents
Earnings per ordinary share	148 060	114 934	32 196 882	32 043 426	459.86	358.68
Diluted earnings per ordinary share	148 060	114 934	32 196 882	32 043 426	459.86	358.68
Headline earnings per ordinary share	161 305	122 152	32 196 882	32 043 426	501.00	381.21
Diluted headline earnings per ordinary share	161 305	122 152	32 196 882	32 043 426	501.00	381.21

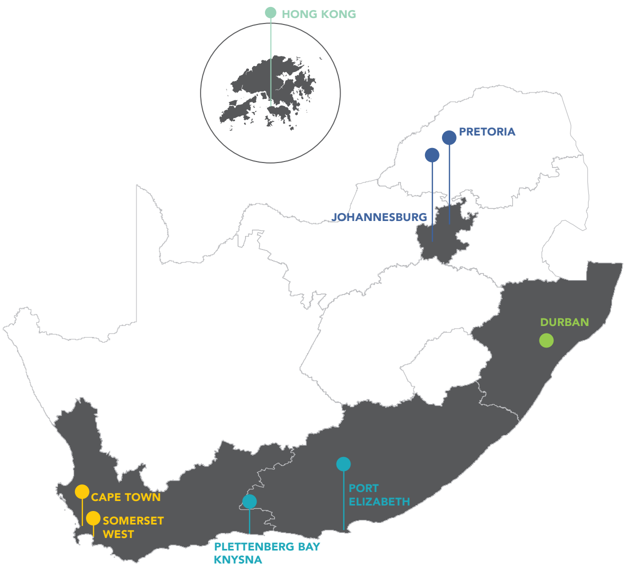
Glossary

Term	Definition
the Academy	Sasfin Learning Academy
AGM	Annual General Meeting
AML	Anti-money laundering
ATFS	Absa Technology Finance Services (Proprietary) Limited
ATM	Automated teller machine
Bank	Sasfin Bank Limited
Banks Act	Banks Act, No 94 of 1990 and Regulations relating to banks
BASA	Banking Association of South Africa
Basel III	Set of reform measures, to strengthen the regulation, supervision and risk management of the banking sector
B-BBEE	Broad-Based Black Economic Empowerment
CA(SA)	Chartered Accountant (South Africa)
CAR	Capital adequacy ratio
CEO	Chief Executive Officer
CD(SA)	Chartered Director (South Africa)
CFT	Combating the Financing of Terrorism
CLEC	Credit and Large Exposures Committee, a committee of the Board of Directors
COFI	Conduct of Financial Institutions
Companies Act	Companies Act of South Africa, No 71 of 2008, as amended
Company	Sasfin Holdings Limited
COO	Chief Operating Officer
CRISA	Code for Responsible Investing in South Africa
CRM	Customer relationship management
CRO	Chief Risk Officer
CSI	Corporate social investment
CTC	Cost-to-company
CTO	Chief Technology Officer
DANC	Directors' Affairs and Nominations Committee, a committee of the Board of Directors
DMA	SCM DMA (Proprietary) Limited, formerly Saxo Capital Markets SA (Proprietary) Limited
Efficient Group	Efficient Group Limited
ERM	Enterprise risk management
ESG	Environmental, social and governance
FAIS	Financial Advisory and Intermediary Services Act
FD	Financial Director
FICA	Financial Intelligence Centre Act
fintech	Financial technology companies
FSC	Financial Sector Code
FSCA	Financial Sector Conduct Authority
GACC	Group Audit and Compliance Committee, a committee of the Board of Directors
GDP	Gross domestic product
GIBS	Gordon Institute of Business Sciences
GRCMC	Group Risk and Capital Management Committee, a committee of the Board of Directors
Group or Sasfin	Sasfin Holdings Limited and its subsidiaries
Group Exco	Group Executive Committee
HC	Human Capital
HR	Human Resources
HR Manco	Human Resources Management Committee

Term	Definition
IAS	International Accounting Standard
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IFRS 9	IFRS 9 *Financial Instruments*
IIRC	International Integrated Reporting Council
<IR> Framework	Integrated Reporting Framework
IT	Information technology
JSE	Johannesburg Stock Exchange Limited
King IV™	King Report on Corporate Governance™ for South Africa, 2016 (King IV™)*
KPI	Key performance indicator
KRI	Key risk indicator
KVI	Key value indicator
LMS	Learner management system
NQF	National Qualifications Framework
NSFR	Net stable funding ratio
PA	Prudential Authority
PASA	Payment Association of South Africa
Pillars	Sasfin Bank, Sasfin Wealth and Sasfin Capital
POPI	Protection of Personal Information Act of South Africa
PwC	PricewaterhouseCoopers Inc.
RDARR	Risk data aggregation and risk reporting
REMCO	Group Human Resources and Remuneration Committee, a committee of the Board of Directors
ROE	Return on equity
SAICA	South African Institute of Chartered Accountants
SAM	Sasfin Asset Managers (Proprietary) Limited
SANAS	South African National Accreditation System
SARB	South African Reserve Bank
SARS	South African Revenue Service
Sasfin HRS	Sasfin HRS Administrators (Proprietary) Limited
SEC	Social and Ethics Committee, a committee of the Board of Directors
SEMS	Social and environmental management system
SENS	Stock Exchange News Service
SETA	Sector Education and Training Authority
SMEs	Small and medium enterprises
SPAS	Share price appreciation scheme
STI	Short-term incentive
SWIP	Sasfin Wealth Investment Platform
TCF	Treating Customers Fairly
Twin Peaks	The Twin Peaks regulatory structure
UNGC	United Nations Global Compact
WIOC	Wealth Investment Oversight Committee
WIPHOLD	Women Investment Portfolio Holdings
Xero	Xero accounting software

Offices

Sasfin's head office is in Johannesburg with regional offices in four South African provinces and eight cities, and an office in Hong Kong (which is being moved to Mauritius).



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

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Richard Buchholz
Grant Dunnington
Shahied Rylands (Lead Independent Director)
Mark Thompson
Eileen Wilton

NON-EXECUTIVE DIRECTORS

Gugu Dingaan
Shaun Rosenthal (Alternate)
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GROUP COMPANY SECRETARY

Howard Brown

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Notes

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