sasfin Holdings Limited

Pillar III Risk Management Report

30 June 2023

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1. Introduction

The risk and capital management report (Pillar 3 disclosure) provides information regarding the activities of Sasfin Holdings Limited and Sasfin Bank Limited in accordance with:

- The Basel Committee on Banking Supervision's (BCBS) revised Pillar 3 disclosure requirements (Pillar 3 standard), BCBS 309 published in January 2015, and the consolidated and enhanced framework, BCBS 400 published in March 2017; and
- Regulation 43 of the Regulations relating to Banks (Regulations), issued in terms of the Banks Act 94 of 1990, Directive D1/2019 on matters related to Pillar 3 disclosure requirement framework and all other Pillar 3 disclosure-related directives issued by the Prudential Authority (PA).

The information in this report applies mainly to banking operations, relates to risks directly impacting capital, liquidity and other regulatory ratios. Disclosures are prepared on a historical basis. Monetary values are expressed in rand thousands.

For the reporting period, 30 June 2023 (compared to June 2022 – restated), the Board and senior management are satisfied that Sasfin Holdings Limited (Group) and Sasfin Bank Limited's risk and capital management processes are operating effectively, that business activities have been managed within the enterprise risk management framework, and that the Group is adequately capitalised and funded to support the execution of its strategy.

This report has been internally verified through the Group's governance processes, in line with the Group's Public Disclosure Policy, which describes the responsibilities of senior management and the Board in the preparation and review of the Pillar 3 disclosure and aims to ensure that:

- Appropriate internal control processes and procedures relating to qualitative and quantitative information are followed. Where weaknesses were identified, specifically on manual controls and processes, management has initiated a remediation programme to address compliance and internal financial control deficiencies identified. The Board subsequently constituted a sub-committee (Board Remediation Oversight Committee) to oversee the adequate and effective implementation of the remediation plans, progress of which will be reported to the committee on an ongoing basis;
- The changing nature of user needs as well as the regulatory environment in terms of qualitative and quantitative information are monitored and understood;
- The relevance, frequency and materiality of public information is constantly assessed; and
- Material risks are identified.

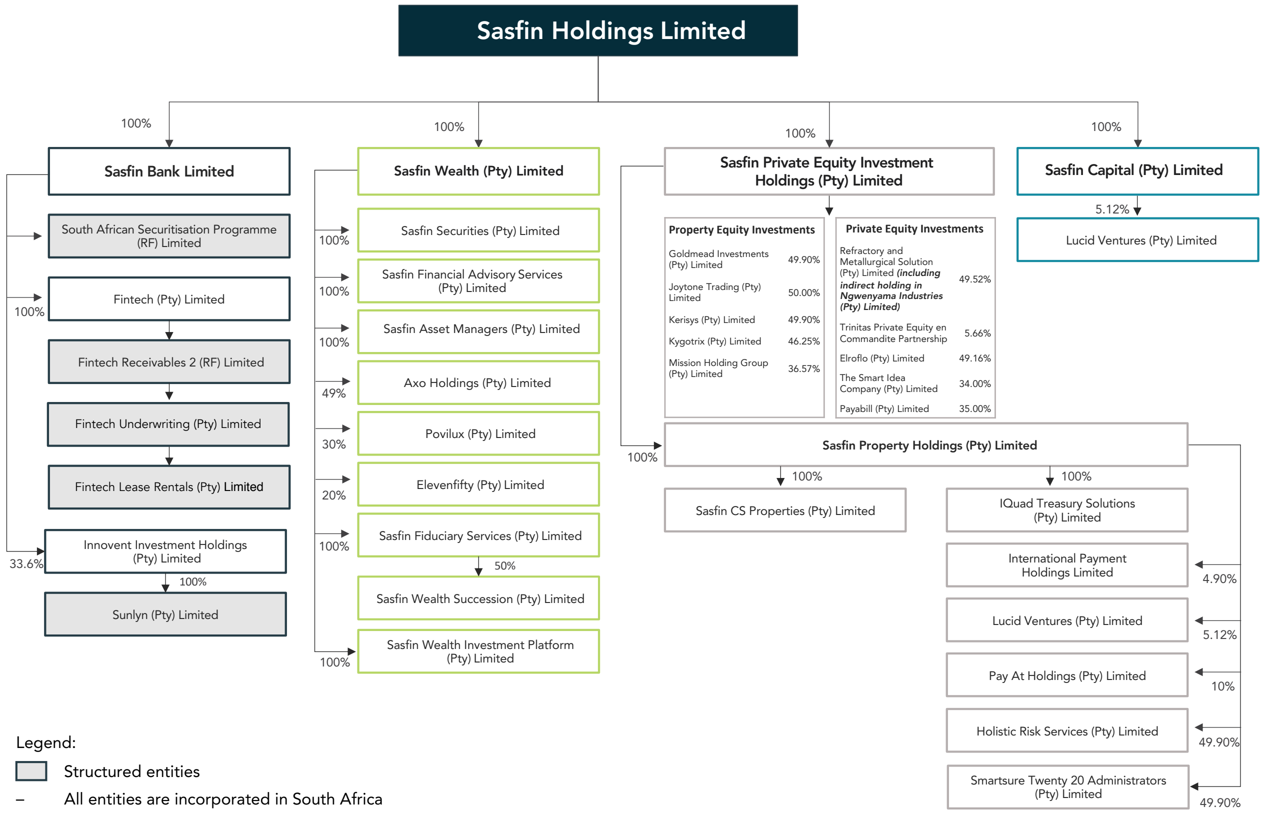
In this regard, the Board and senior management have ensured that the appropriate procedures were followed in the preparation, review and sign-off of all disclosures. The Board is satisfied that the Pillar 3 disclosures have been prepared in line with the Public Disclosure Policy, that appropriate internal control processes and review have been applied, and that the Pillar 3 disclosure complies with the relevant disclosure requirements.

This report is unaudited.

1. Introduction *continued*

1.1. Group legal structure

Disclosure in this report is presented on a bank standalone and consolidated basis for the Group. The consolidation is similar to that used for reporting to the Prudential Authority (SARB). Refer to note 3.3. for list of material entities that are included.



Legend:

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

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

Non-Public:

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

Public:

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

Sasfin Bank provides subordinated loan funding to SASP. In providing the support the Group's solvency and liquidity is not adversely affected.

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

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

1. Introduction *continued*

1.2. Group strategy

Sasfin assists our clients to grow their businesses and global wealth, supporting job creation and sustainable socioeconomic development. Our personal touch, digital platforms, and agility allow us to compete effectively.

Driven by its purpose, Sasfin continues to play a crucial role in supporting our clients, by providing financial services and products that support the growth and resilience of our clients' businesses, and wealth.

During the year, the Group conducted a strategic review to streamline businesses and processes in response to current assessment of the operating context and to ensure that we are well positioned for focused future growth and long-term resilience. This strategic reset has resulted in the Group focusing deeply on core capital light businesses with strong competitive capabilities, generating a higher ROE.

The Group remains firmly committed to continuing to build on its leading market proposition in our chosen market segments.

Sasfin's core businesses have strong value propositions and understand their markets well. Our size and agility are distinct advantages for the Group and provide an opportunity to capture market share through focused offerings and building on deep client relationships. We are excited about our pillar Champions: In Wealth, we are looking to grow market share, particularly at an institutional level; Asset Finance has strong demand for its high-touch, personalised, and solutions-driven offering, and will be growing the Rental Finance loan book on the back of this demand. These two businesses will be supported by our focussed Business and Commercial Banking divisions, with its transactional platform and other key support products.

2. Risk management overview

2.1. The year in review

The theme of the 9th Edition of the IRMSA Risk report, as published in 2023, is 'South Africa in a Polycrisis'. The World Economic Forum Annual meeting in Davos found there is a growing risk of polycrisis, i.e., 'where disparate crises interact such that the overall impact far exceeds the sum of each part.'

The IRMSA-identified top risks for South Africa for 2023 are:

- Failed State;
- Systematic Failure of Public Infrastructure;
- National Grid Failure;
- Proliferation of Illicit Economic Activity;
- Economic Collapse;
- Large Scale Disruption of Digitally Enabled Services;
- Impact of Climate Change and Climate Action Failure;
- Collapse of Social Security Systems;
- Increasing Unemployment and Livelihood Crisis; and
- Political Instability.

These risks are not new. Combined with rising inflation and interest rates, along with global tensions, Sasfin is operating in a challenging economic environment.

The need for effective risk management is critical, and is a fundamental component in improving the organisation's resilience, adapting to changing circumstances, and enhancing the Group's sustainability.

2.2. Risk culture

Risk culture encompasses the awareness, attitudes and behaviours of management and employees that drive risk identification and management, such as being responsible and accountable for our own actions, as well as being collaborative, ethical and compliant. It is a good indicator of how widely the Group's risk management policies and practices have been adopted.

A strong risk culture is essential for effective risk management because it sets the tone and provides guidance for decision-making throughout Sasfin. It encourages proactive risk awareness, promotes accountability, and supports a shared understanding of risk priorities and tolerance levels.

Risk culture can be measured as proactive, reactive or passive. There is presently work underway, as part of the Combined Assurance Programme, to re-introduce risk culture assessments at Sasfin in FY2024.

2. Risk management overview *continued*

2.3. Risk governance

Management structures execute the strategic plans and associated objectives in order to achieve desired levels of sustainable performance and long-term viability. Determining risk management accountability and oversight roles within Sasfin are integral parts of the Group's governance structure.

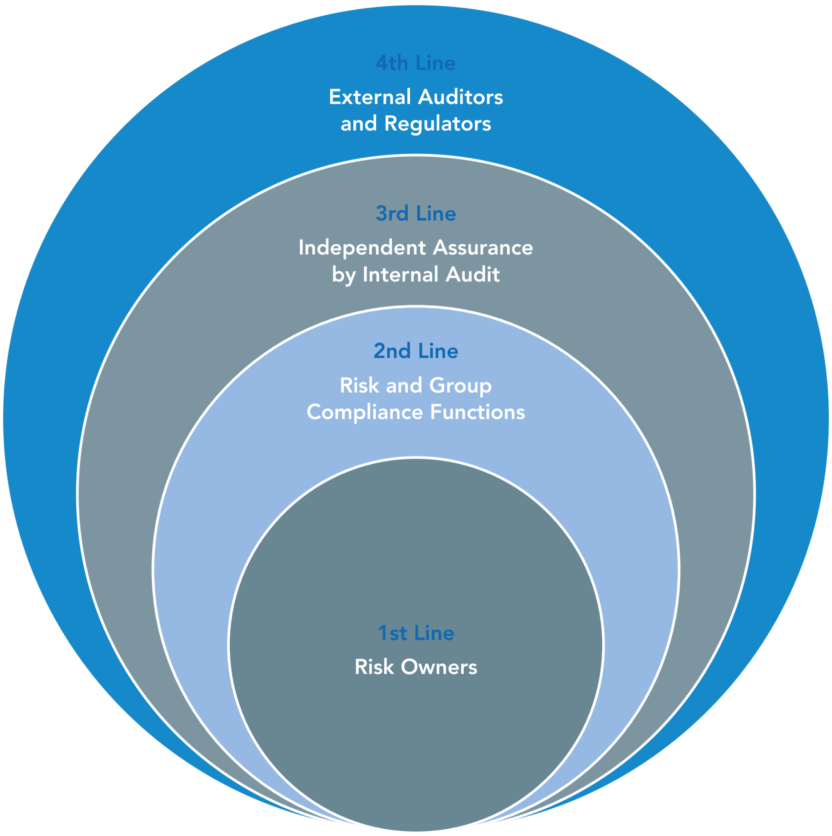
Sasfin's risk governance model is based on a "four lines of defence". Sasfin has implemented a lines of defence model that encourages effective risk management practices at all levels. In this regard, in the first line, i.e., in business, managers and employees are expected to implement procedures, processes, and standards aligned with the policies and processes put forward by governance functions, and monitor and report on their application.

In the second line, i.e., Group Risk and Group Compliance (and to a limited extent, Group Finance, Group Human Capital, etc. for Group Policy-setting) define policies aligned with regulatory and other requirements to deal with the management of all risk types.

In the third line, i.e., Internal Audit provides independent assurance and consulting services to the Board and other stakeholders that risk management, governance, and control processes are being applied appropriately.

In the fourth line, the external auditors and regulators give assurance over the organisation's financial reporting.

This model distinguishes between functions owning and managing risks, functions overseeing risks, and functions providing assurance. This model is illustrated in figure 1 below.

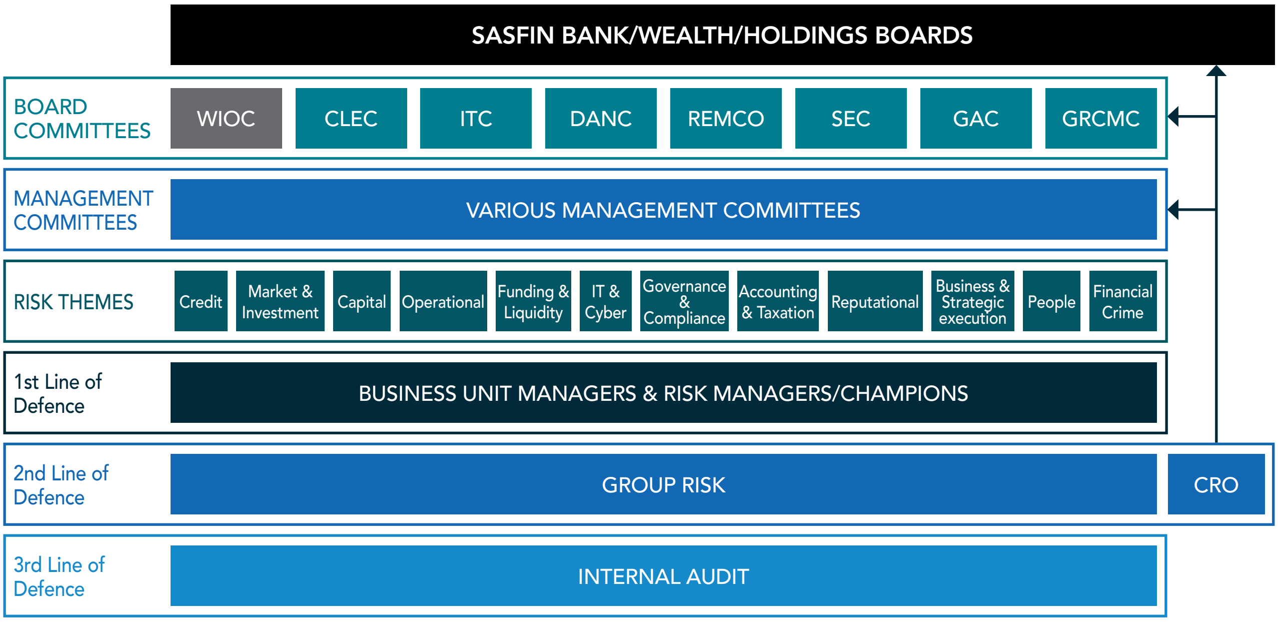


2. Risk management overview *continued*

2.4. Risk governance structure

The Board is ultimately responsible for risk management, sets the risk appetite, and approves the policies and limits, which are applied throughout the Group through risk-appropriate tolerance limits and structures. The Board is supported by the Board committees and management committees to discharge its duties.

The below diagram outlines the governance structures that support the governance of risk.



- The Asset and Liability Committee (ALCO) is a Management Committee that reports through to the GRCMC.
- The Wealth Investment Oversight Committee (WIOC) reports through to the Wealth Board and oversees reputational and operational risk in Sasfin Wealth and its subsidiaries.
- Management Committees include (but are not limited to) the following:
  - STRATCO (Strategic Committee);
  - EXCO (Executive Committee);
  - DGC (Data Governance Committee);
  - GovCo (Executive Governance Committee);
  - ALCO (Asset and Liability Committee);
  - Pillar GovCo (Pillar Governance Committees);
  - Anti-Money Laundering Steering Committee and/or High-Risk Committee;
  - IT Manco;
  - HC Manco (Human Capital) (per pillar);
  - Management and Executive Credit meetings; and
  - BU Mancos.
- The Group's Combined Assurance monitoring activities are primarily based on these risk themes and the level of assurance is reported to the Board through the GAC.

2. Risk management overview *continued*

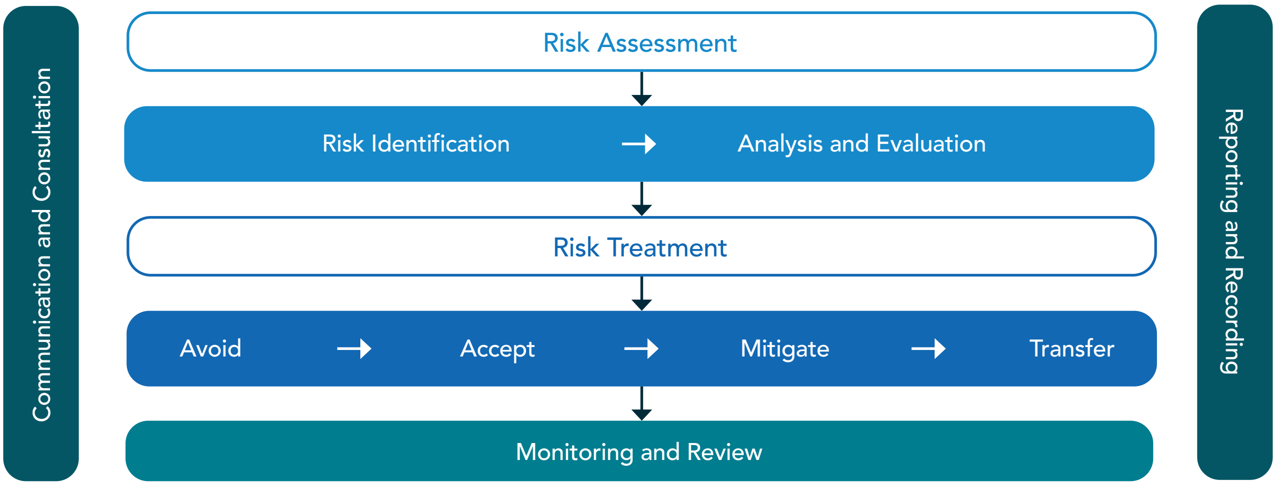
2.4. Risk governance structure *continued*

The Board has delegated the primary oversight of risk related controls and procedures to its committees but remains accountable. The Board approves the Committees' charters, and Committees report to the Board on all key risk matters and activities on a quarterly basis or as and when material issues arise. The main risk-related responsibilities of the Board committees are:

Board Committees	Responsibilities
Group Risk and Capital Management Committee (GRCMC)	• Provides independent oversight of the Group's risk management policies and procedures and its compliance therewith in accordance with the approved risk management framework. • Evaluates adequacy and effectiveness of risk policies, procedures, practices, and controls. • Monitors the Group's risk profile and ensure key risks are identified and reported, including capital management policy and capital planning initiatives. • Monitors the Group's Capital and ensure that the Group has sufficient, but not excessive, Capital for its operations, and complies with all Regulatory requirements. • Considers and approves certain secured and unsecured transaction proposals within the Group, in accordance with Board's risk appetite. • Monitors and oversees all aspects of the Group's Asset and Liability management (including balance sheet management), as reported on to the Committee at each meeting by the ALCo (an executive management committee). • Reviews risk appetite and tolerance levels and monitor adherence of the various limits established, and report any breaches to the Board. • Considers reports on risks within the Group, including top risks and risks addressed by other Board Committees, as well as risk management assessments (and ratings), and management's response thereto.
Directors' Affairs and Nominations Committee (DANC)	• Evaluates adequacy, efficiency and appropriateness of corporate governance structure and practices. • Monitors directors' responsibilities and performance. • Evaluates compliance with statutory functions in terms of Section 64B of the Banks Act. • Fulfils the role of a Board nominations committee.
Group Audit Committee (GAC)	• Provides independent oversight of the effectiveness of the Group's assurance functions and services, with focus on combined assurance, internal- and external audit, and the finance function. • Provides independent oversight of the integrity of the annual financial statements and other external reports, accounting policies and financial reporting, internal controls and systems, and compliance with statutory and regulatory reporting frameworks. • Monitors Compliance Risk
Information Technology Committee (ITC)	• Oversees information and technology matters. • Monitors the execution of IT strategy in support of the Group strategy. • Oversees, monitor, and evaluate significant IT investments. • Oversees information security, cybersecurity, and governance of IT risk.
Social and Ethics Committee (SEC)	• Oversees and reports on social and economic development, organisational ethics, responsible corporate citizenship, sustainable development, stakeholder relationships, client relationships, brand and reputation, environmental, health and safety matters, labour and employment matters, and transformation initiatives. • Reviews the strategy and monitors implementation and compliance in terms of the Financial Sector charter and the B-BBEE codes of good practice.
Group Human Resources and Remuneration Committee (REMCO)	• Oversees human capital and people governance/risk management matters. • Reviews and monitors application of remuneration and incentive practices, and human capital related policies and procedures. • Oversees remuneration and human capital policies and procedures
Credit and Large Exposures Committee (CLEC)	• Reviews and approves credit risk and granting policies, procedures, and guidelines, and monitors compliance against these. • Assesses and approves the Group's large exposures and specialised finance transactions, as well as the valuations of investments in these portfolios.

2.5. Enterprise risk management framework and processes

The Enterprise Risk Management (ERM) framework provides a structured approach for identifying, assessing, and managing risks that could impact Sasfin's objectives and overall performance. It is a systematic process that helps Sasfin proactively identify potential risks, evaluate their potential impact, and develop appropriate strategies to mitigate or capitalise on those risks. The ERM framework sets out Sasfin's approach to risk management and the control framework within which risks are identified and managed. The risk management processes are considered adequate and commensurate with the complexity and risk maturity of the Group. The ERM Framework is an integral part of management and decision-making and is integrated into the structure, operations and processes of the Group. The risk management process can be defined as follows:



2.6. Risk information reporting

Recording and risk information reporting are essential components of the risk management process across the levels of defence.

Effective risk information reporting enables Sasfin to proactively manage risks, improve decision-making, and ensure compliance with regulations. It fosters a risk-aware culture and helps stakeholders understand the potential threats and opportunities facing the Group.

Risk information is communicated to relevant stakeholders, such as senior management, Board members, investors, regulatory bodies, and other internal and external parties. The communication is tailored to the specific needs of each stakeholder group, providing them with the necessary insights to make informed decisions.

Reports that are provided to the committees contain forward-looking analysis, coverage of emerging risks, risk related to industry concentration and expected performance in normal and stress scenarios, where applicable.

The objectives of risk information reporting within Sasfin endeavour to align with the compliance requirements of BCBS239 Risk Data Aggregation and Risk Reporting (RDARR) reporting principles (emphasising the importance of accurate, timely, and comprehensive reporting).

2.7. Combined assurance

Sasfin's Chief Risk Officer leads the combined assurance programme, designed to enable assurance providers to deliver deeper insights on governance, risk management and control to senior management and the Group Audit Committee.

Sasfin's approach to combined assurance ensures alignment of control validation/assurance approaches and efforts across the Group, driving efficiency and the appropriate levels of comfort.

Our risk based approach to combined assurance ensures:

- Application of a common risk and assurance language;
- Coordinated and relevant assurance efforts are directed to the risks that matter most;
- Commitment to enhance controls is demonstrated;
- Consolidated reporting/dashboards that provide an integrated, insightful view;
- Assurance activities produce valuable, integrated data, based on collaboration and not silos;
- Reduction in assurance costs through elimination of duplication and better resource allocation;
- A reduction in the repetition of reports to different committees, resulting in improved and more efficient reporting; and
- A comprehensive and prioritised approach in tracking of remedial actions on identified opportunities/weaknesses.

The forums are split into an Executive forum and an Operational forum and consist of representatives from Internal Audit, Group Risk, and Group Compliance. The operational forums consist of combined assurance/governance forums within each of the pillars.

The Combined Assurance forums function as influential bodies independent from business. Their activities are overseen by the Governance Committee and Group Audit Committee.

Risk Management

Group Risk reports directly to the Group Audit Committee quarterly on combined assurance matters and provides an annual report that includes assurance mapping to key risks that impact the Group's strategic objectives, as well as the Group's risk management, governance, and internal controls over financial and regulatory reporting.

Compliance

Group Compliance works with management and the business units to identify and manage regulatory risk to comply with relevant legislation, enable effective monitoring of compliance, enhance the culture of compliance, coordinate compliance activities across Sasfin, and ensure that the Group keeps up to date with local and international development and trends in compliance.

Sasfin takes a risk-based approach to compliance monitoring, supported by the Group's combined assurance model, which drives a focus on material risks and efforts by the relevant control units to mitigate such risks. Group Compliance operates across all Group Pillars and business units, aligning with the requirements of the regulatory framework introduced by the Financial Sector Regulation Act, 2017 (Twin Peaks).

Internal audit

Group Internal Audit provides independent assurance to the Board on the effectiveness of governance, risk management, and control processes in relation to the Group's objectives through:

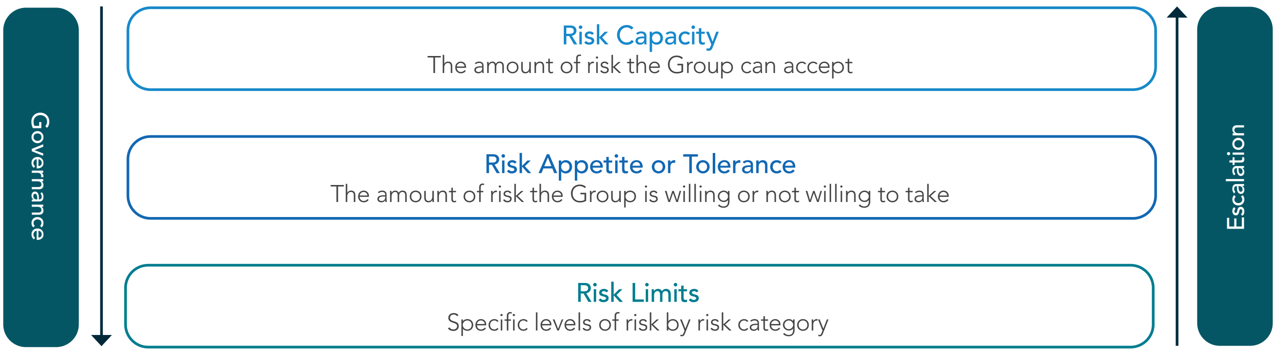
- Developing and providing assurance or consulting services against a risk informed internal audit programme that is reviewed and updated quarterly, and approved by the GAC;
- Reporting on the adequacy and effectiveness of internal controls, risk management, and governance processes.

2. Risk management overview *continued*

2.8. Risk appetite

Sasfin recognises that the business of banking and financial services is conducted within an environment of complex inter-related risks. Accordingly, a philosophy of integrated enterprise risk management has been established to ensure that all business and operational risks are managed effectively within acceptable parameters set by the board.

Board Risk appetite



Risk appetite is generally expressed through both qualitative and quantitative measures and considers extreme conditions, events, and outcomes.

The Board Risk Appetite (BRA) is Board-approved and defines the types and aggregate levels of risk that Sasfin is willing to accept in pursuit of business objectives. The BRA is implemented through a risk appetite framework, which includes standardised language, policies, processes, systems, and tools used to establish, communicate, and monitor risk appetite.

Sasfin generally has a low tolerance towards all types of risk. There are instances where a higher tolerance is either appropriate, acceptable, or prudent and have been specifically agreed and approved by the Board to satisfy the Group's business objectives.

Any breach of Board limits is reported to the Board, and the Board will then take appropriate action to ensure that the risk is mitigated and managed in a timely manner.

Risk appetite adherence is consistently embedded in all risk-related policies and guidelines.

2.9. Stress testing

Stress tests provide a forward-looking view of all in-scope risks to estimate the potential impact on the Sasfin Group. Stress testing captures the material and relevant risks identified in the forward-looking risk identification process.

Stress testing is performed in Sasfin to support several key business processes, namely:

- Risk appetite setting and measurement;
- Strategic and financial planning;
- Internal Capital Adequacy Assessment Process (ICAAP), including capital planning and the setting of capital buffers;
- Internal Liquidity Adequacy Assessment Process (ILAAP), including liquidity planning and setting of liquidity buffers;
- Identification and mitigation of risks through the review and challenge of limits, restraining of exposures and/or hedging of underlying risks;
- Development and review of contingency and recovery plans;
- Communication with internal and external stakeholders (inter alia Rating Agencies and Regulators) of the sensitivity of Sasfin Group to external events and macro-economic downturn; and
- Regulatory stress test requirements.

2.9. Stress testing *continued*

Stress testing is performed at varying frequencies depending on the business needs and includes two approaches:

- Scenario analysis – applying historical and/or hypothetical circumstances to assess the impact of a possible future event on a financial system, sector, bank, and portfolio/product; and
- Sensitivity analysis – assessing the impact of a change of a single or limited set of risk factors on the Group's current or future risk profile. Relevant factors are identified, such as macroeconomic risk factors (e.g., interest rates), credit risk factors (e.g., a shift in probability of defaults), and external events (e.g., market events) for the analysis.

Type of stress test	Purpose	Scenario type	Approach	Frequency
Enterprise-wide stress testing.	Conduct across all key risk types to provide complete and holistic picture of risks.	Selected economic scenarios spanning multiple years, targeting the Group's risk profile and strategy, and considering geographical locations.	Top-down approach used.	At least annually as part of ICAAP process.
Risk-type stress testing.	Set liquidity and capital buffers.	Sensitivity stress tests to determine the effect of a single or multiple risk factor shock on the respective business unit portfolio.	Bottom-up approach within the business units.	Ad hoc, but at least quarterly.
Reverse and Business Model stress testing.	Identify adverse circumstances that would cause the business model to become non-viable and explore recovery options under these stresses.	Start with a business failure outcome and analyse different scenarios under which such failures may occur.	Group Risk apply stress tests to business unit outcomes.	At least annually as part of Annual Recovery Plan – and liquidity planning processes.

Group Internal Audit annually reviews stress testing outcomes as part of the ICAAP and budget process. Stress testing outcomes are reviewed by the Governance committee, Executive committee, and ALCO and approved by the GRCMC. Back-testing of stress testing outcomes is performed every three months.

2.10. Overview of risk weighted assets

The following table provides the risk-weighted assets (RWA) per risk type and the associated minimum capital requirements. Additional disclosures for each risk type, namely credit risk, counterparty credit, equity investment risk, securitisation, market risk, and operational risk are included in the sections that follow.

OV1: Overview of RWA

		Sasfin Holdings Limited			
		a	b		c
		RWA			Minimum capital require-ments
R'000		Jun-23 T	Mar-23[1] T-1	Jun-22[1] T	Jun-23 T
1	Credit risk (excluding counterparty credit risk)	6 045 169	5 666 372	6 097 793	659 678
2	Of which: standardised approach (SA)	6 045 169	5 666 372	6 097 793	659 678
3	Of which: foundation internal ratings-based (F-IRB) approach	–	–	–	–
4	Of which: supervisory slotting approach	–	–	–	–
5	Of which: advanced internal ratings-based (A-IRB) approach	–	–	–	–
6	Counterparty credit risk (CCR)	60 113	53 851	94 247	6 612
7	Of which: standardised approach for counterparty credit risk	60 113	53 851	94 247	6 612
8	Of which: Internal Model Method (IMM)	–	–	–	–
9	Of which: other CCR	–	–	–	–
10	Credit valuation adjustment (CVA)	13 038	8 893	18 079	1 434
11	Equity positions under the simple risk weight approach	329 417	412 565	342 961	36 236
12	Equity investments in funds – look-through approach	244 105	116 622	309 745	28 281
13	Equity investments in funds – mandate-based approach	–	–	–	–
14	Equity investments in funds – fall-back approach	–	–	–	–
15	Settlement risk	–	–	–	–
16	Securitisation exposures in the banking book	207 281	393 092	334 185	22 801
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	–	–	–	–
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	–	–	–	–
19	Of which: securitisation standardised approach (SEC-SA)	207 281	393 092	334 185	22 801
20	Market risk	17 895	3 082	315	1 968
21	Of which: standardised approach (SA)	17 895	3 082	315	1 968
22	Of which: internal model approaches (IMA)	–	–	–	–
23	Capital charge for switch between trading book and banking book	–	–	–	–
24	Operational risk	2 047 324	1 947 627	1 918 001	225 206
25	Amounts below thresholds for deduction (subject to 250% risk weight)	160 568	35 757	35 757	17 663
26	Aggregate capital floor applied	–	–	–	–
27	Floor adjustment (before application of transitional cap)	–	–	–	–
28	Floor adjustment (after application of transitional cap)	–	–	–	–
29	**Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)**	**9 124 910**	**8 637 861**	**9 151 083**	**999 879**

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

2. Risk management overview *continued*

2.10. Overview of risk weighted assets *continued*

OV1: Overview of RWA *continued*

		Sasfin Bank Limited			
		a	b		c
		RWA			Minimum capital require-ments
R'000		Jun-23 T	Mar-23[1] T-1	Jun-22[1] T	Jun-23 T
1	Credit risk (excluding counterparty credit risk)	5 232 794	5 113 449	5 055 238	570 317
2	Of which: standardised approach (SA)	5 232 794	5 113 449	5 055 238	570 317
3	Of which: foundation internal ratings-based (F-IRB) approach	–	–	–	–
4	Of which: supervisory slotting approach	–	–	–	–
5	Of which: advanced internal ratings-based (A-IRB) approach	–	–	–	–
6	Counterparty credit risk (CCR)	60 113	53 851	94 247	6 612
7	Of which: standardised approach for counterparty credit risk	60 113	53 851	94 247	6 612
8	Of which: Internal Model Method (IMM)	–	–	–	–
9	Of which: other CCR	–	–	–	–
10	Credit valuation adjustment (CVA)	13 038	8 893	18 079	1 434
11	Equity positions under the simple risk weight approach	328 646	297 262	288 244	36 151
12	Equity investments in funds – look-through approach	244 105	116 622	309 745	28 281
13	Equity investments in funds – mandate-based approach	–	–	–	–
14	Equity investments in funds – fall-back approach	–	–	–	–
15	Settlement risk	–	–	–	–
16	Securitisation exposures in the banking book	207 281	393 092	334 185	22 801
17	Of which: securitisation internal ratings-based approach (SEC-IRBA)	–	–	–	–
18	Of which: securitisation external ratings-based approach (SEC-ERBA), including internal assessment approach	–	–	–	–
19	Of which: securitisation standardised approach (SEC-SA)	207 281	393 092	334 185	22 801
20	Market risk	17 895	3 082	315	1 968
21	Of which: standardised approach (SA)	17 895	3 082	315	1 968
22	Of which: internal model approaches (IMA)	–	–	–	–
23	Capital charge for switch between trading book and banking book	–	–	–	–
24	Operational risk	1 139 813	1 099 192	1 069 566	125 379
25	Amounts below thresholds for deduction (subject to 250% risk weight)	42 568	–	435	4 682
26	Aggregate capital floor applied				–
27	Floor adjustment (before application of transitional cap)	–	–	–	–
28	Floor adjustment (after application of transitional cap)	–	–	–	–
29	**Total (1+6+10+11+12+13+14+15+16+20+23+24+25+28)**	**7 286 253**	**7 085 443**	**7 170 054**	**797 627**

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

3. Basis of preparation

3.1. Risk measurement approaches

The Group applies the following Regulatory demand measurement approaches when determining Pillar 1 capital requirements:

Risk type	Measurement approach
Credit Risk	Standardised approach
Counterparty Credit risk	Standardised approach
Securitisation	Standardised approach
Equity investment in funds	Look-through approach
Equity positions in funds	Standardised approach
Market risk	Standardised approach
Operational risk	Basic Indicator approach (BIA)
Other assets	Standardised approach

3.2. Accounting policies and valuation methodologies

The principal accounting policies and valuation methodologies applied are set out on pages 24 to 47 of the Group's Audited Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

3.3. Linkages between financial statements and regulatory exposures

The difference in approach between Basel regulatory reporting and statutory accounting reporting is set out below for material entities:

Entity	Statutory accounting treatment	Basel III regulatory treatment
Sasfin Bank Limited	Consolidated	Consolidated
Fintech (Pty) Ltd	Consolidated	Consolidated
Benal Property Investments (Pty) Ltd	Consolidated	Consolidated
Sunlyn (Pty) Ltd	Consolidated	Consolidated
Innovent	Fair value through profit or loss	Fair value through profit or loss
Sasfin Wealth (Pty) Ltd	Consolidated	Consolidated
Sasfin Securities (Pty) Ltd	Consolidated	Consolidated
Sasfin Financial Advisory Services (Pty) Ltd	Consolidated	Consolidated
Sasfin Asset Managers (Pty) Ltd	Consolidated	Consolidated
Sasfin Wealth Investment Platform (Pty) Ltd	Consolidated	Consolidated
Sasfin Private Equity Investment Holdings (Pty) Ltd	Consolidated	Consolidated
Sasfin Property Holdings (Pty) Ltd	Consolidated	Consolidated
South African Securitisation Programme (RF) Ltd	Consolidated	Equity accounted

3.4. LI1: differences between accounting and regulatory scopes of consolidation and mapping of financial statement categories with regulatory risk categories

The carrying values under the scope of regulatory consolidation below are based on the SARB's regulatory requirements, while the financial statement carrying values are based on IFRS requirements.

Sasfin Holdings Limited

	a	b	c	d	e	f	g
			Carrying values of items:				
	Carrying values as reported in published financial statements	Carrying values under scope of regulatory consolidation	Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject to deduction from capital
Assets							
Cash and cash balances	866 637	866 637	866 637	–	–	–	–
Negotiable securities	1 293 411	1 293 411	1 293 411	–	–	–	–
Trading assets	467 196	467 196	193 597	68 587	–	17 895	–
Trade and other receivables	1 232 952	1 232 952	1 232 952	–	–	–	–
Non-current assets held for sale	–	–	–	–	–	–	–
Loans and advances	9 049 976	9 049 976	8 656 327	–	393 649	–	–
Current taxation asset	47 679	47 679	47 679	–	–	–	–
Investment securities	700 918	700 918	700 918	–	–	–	–
Investments at fair value through profit and loss	621 058	621 058	621 058	–	–	–	–
Equity accounted associates	79 860	79 860	79 860	–	–	–	–
Property, equipment and right-of-use assets	164 536	164 536	164 536	–	–	–	–
Investment property	14 600	14 600	14 600	–	–	–	–
Intangible assets and goodwill	110 949	110 949	–	–	–	–	106 300
Deferred tax asset	64 228	64 228	–	–	–	–	64 433
Total assets	**14 013 082**	**14 013 082**	**13 170 657**	**68 587**	**393 649**	**17 895**	**170 733**
Liabilities							
Funding under repurchase agreements and interbank	351 885	351 885	–	–	–	–	351 885
Trading liabilities	441 344	441 344	–	–	–	–	441 344
Current taxation liability	1 746	1 746	–	–	–	–	1 746
Trade and other payables	1 448 676	1 448 676	–	–	–	–	1 448 676
Bank overdraft	113 081	113 081	–	–	–	–	113 081
Provisions	68 657	68 657	–	–	–	–	68 657
Lease liabilities	151 518	151 518	–	–	–	–	151 518
Deposits from clients	5 629 443	5 629 443	–	–	–	–	5 629 443
Debt securities issued	3 720 138	3 720 138	–	–	–	–	3 720 138
Long-term loans	276 488	276 488	–	–	–	–	276 488
Deferred tax liability	155 633	155 633	–	–	–	–	155 633
Total liabilities	**12 358 609**	**12 358 609**	–	–	–	–	**12 358 609**

3.5. LI2: main sources of differences between regulatory exposure amounts and carrying values in financial statements

		Sasfin Holdings Limited				
		a	b	c	d	e
				Items subject to:		
		Total	Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
1	**Asset carrying value amount under scope of regulatory consolidation (as per LI1)**	**13 650 787**	**13 170 656**	**393 649**	**68 587**	**17 895**
2	Liabilities carrying value amount under regulatory scope of consolidation (as per LI1)	–	–	–	–	–
3	Total net amount under regulatory scope of consolidation	**13 650 787**	**13 170 656**	**393 649**	**68 587**	**17 895**
4	Off-balance sheet amounts	**946 597**	**946 597**	–	–	–
5	Differences in valuation	–	–	–	–	–
6	Differences due to applied netting rules, other than those already included in row 2	**273 599**	**273 599**	–	–	–
7	Difference due to consideration of provisions	–	–	–	–	–
8	Differences due to prudential filters	–	–	–	–	–
9	**Exposure amounts considered for regulatory purposes**	**14 870 983**	**14 390 852**	**393 649**	**68 587**	**17 895**

3.6. Prudent valuation adjustments

Sasfin measures certain assets and liabilities at fair value. Fair value is the price that would be realised on the sale of an asset or paid to transfer a liability on an arm's-length basis to an unrelated party.

For Sasfin's valuation methodologies, refer to Note 2.5 Fair value of the accounting policies on pages 45 and 46 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

Regulatory frameworks require financial institutions to apply prudent valuation to all fair value assets and liabilities. Prudent valuations may differ from the fair value in terms of IFRS and such differences are directly deducted from CET 1 capital.

The Prudent valuation adjustment is calculated on assets and liabilities reported at fair value in the financial statements using the absolute value of the assets and liabilities and multiplying that by 0.1%.

4. Credit risk

Credit risk is the risk of financial loss resulting from a client's failure to meet a contractual repayment obligation. This includes concentration to a particular group of clients and credit default risk on a payment obligation.

4.1. General information about credit risk

4.1.1. Risk identification and risk management

A material income source for the Sasfin Group is the direct and indirect granting of credit to clients across its various business units. As a result, credit risk is a key risk that must be managed. The business strives to achieve a professionally delivered, soundly based, diversified, and well-spread credit portfolio that optimises the risk/return relationship. In pursuit of this goal, our approach is to understand the diversity of risk and to manage it with a strong emphasis on risk reduction/mitigation, thereby maximising returns for the risk assumed.

We base our extension of credit on sound criteria, which include financial justification, the type of business or occupation of the borrower, personal integrity of the owner and ability of the borrower to repay, geographical location, industry exposure, developments in the client's marketplace, the overall state of the economy as well as political, social, and demographic developments, and such other key factors as could be applicable to each application under consideration. The integrity of both the borrower and lender is paramount in any business relationship.

Basic to all credit applications is the need to satisfy ourselves that the business of the borrower has the capacity to deploy its assets in a way that will generate sufficient earnings and cash flows, on a sustainable basis, to enable the repayment of our facilities in line with the credit approval and terms of the legal agreements concluded with Sasfin.

Although justification for the granting of a facility could be found in the security, the general policy is to find primary justification in the merits of the business, the borrower's standing and in the transaction itself.

Sasfin's post-implementation credit management requires regular reviews of the credit risk on all facilities, as well as the security associated with such facilities, to ensure that Sasfin's risk position remains acceptable. Such valuation of security is done on a conservative basis, considering the type and nature of the assets, as well as the risk, timing and costs associated with disposal of the assets.

Sasfin's credit policies are conservative, with proper regard to mix of risk and reward. The objective is to ensure that, through the appropriate pricing of facilities and services, an acceptable return will be generated relative to the capital resources and risk that will be assumed by Sasfin. Returns are assessed based on ROE targets, which targets must be approved by the Board from time to time.

As a method of enhancing the monitoring and risk management of clients showing early signs of higher risk, such clients will be classified as High Care. The aim is to monitor these clients closely and take early corrective action to manage them back to a normal level of risk to prevent them becoming a problem account or be better prepared and/or secured should they become a problem account.

4.1.2. Governance

Credit risk is governed and overseen by the following management and Board committees:

Level	
4	Credit and Large Exposures Committee (CLEC)
3	Executive Credit Committee
	Workout Committee
2	Management Credit Committee, Equipment Finance Credit Committee, and Capital Equipment Finance Credit Committee
1	Individual & dual mandate approvals

4. Credit risk *continued*

4.1. General information about credit risk *continued*

4.1.3. Credit oversight

- The Group Risk and Capital Management Committee (GRCMC) is a sub-committee of the Board and is ultimately responsible for oversight of the aggregated risk of the Group.
- The Credit and Large Exposures Committee (CLEC) is a sub-committee of the Board, mandated by the Board to oversee all matters relating to credit risk, including large exposures, and is responsible for approval of credit policies, setting guidelines, and reviewing compliance with approved policies. The CLEC is responsible for the approval of all credit applications, credit reviews and risk management reports within its mandate, in addition to its credit portfolio oversight, which includes a semi-annual review of all facilities that fall within its approval mandate.
- The Executive Credit Committee (ECC) is responsible for approval of all credit applications, credit reviews and risk management reports within its mandate and recommends to CLEC all matters above its mandate.
- The Management Credit Committee (MCC) is responsible for the approval of all Business & Commercial Banking credit applications, credit reviews and risk management reports within its mandate and recommends to ECC all applications above mandate.
- The Equipment Finance Credit Committee is responsible for the approval of all Equipment Finance credit applications, credit reviews and risk management reports within its mandate and recommends to ECC all applications above mandate.
- The Capital Equipment Finance Credit Committee is responsible for the approval of all Capital Equipment Finance credit applications, credit reviews and risk management reports within its mandate and recommends to ECC all applications above mandate.
- The Workout Committee is responsible for approval of all credit and legal requests relating to exposures under business rescue, in voluntarily or final liquidation or classified as problem accounts, within its mandate, and it recommends to CLEC all matters above its mandate.

Individual and dual mandate holders are responsible for the approval of all credit applications, credit reviews and risk management reports within their mandate and recommend to the MCC all applications above their mandates.

4.1.4. Large exposures

- The CLEC is the ultimate credit sanctioning authority in the Group, responsible for the approval of all aggregated exposures that exceed 10% of the Group's Tier 1 capital (previously the Group's qualifying capital and reserves) under the revised large exposure regulations, irrespective of risk grade, or such lower limit as may be set from time to time.
- Approval must be obtained from the Board (not only the CLEC), as well as the South African Reserve Bank (SARB) Prudential Authority (PA) for all exposures to private sector non-bank persons that are greater than 25% of the Group's Tier 1 capital (previously the Group's net qualifying capital).

4.1.5. Measuring and managing credit concentrations

- Credit risk concentration limits (risk appetite) are set from time to time and approved by the Board. The risk appetite is set at a reasonable margin below the regulatory prudential limits and will be the maximum limit allowed.
- The CLEC has the authority to delegate and assign credit management mandates and limits of approval.

4.1.6. Reporting

Reporting on the following that occurs at various levels throughout the Group:

- Group's credit risk profile;
- Measurement against risk appetite;
- Emerging risks;
- Large exposures; and
- Evaluation of adequacy and effectiveness of credit risk policies, procedures, practices, and controls applied.

4. Credit risk *continued*

4.2. Credit quality of assets

All Loans & Advances are categorised per the diagram below:

Stage 1 performing	• Performing loans with no significant increase in credit risk (SICR) since origination • Client accounts fully paid to date	12-month ECL (result from default events possible within 12 months after reporting date)
Stage 2 Under-performing (credit deteriorated)	• Arrears > 7 days overdue < 90 days overdue • Significant increase in credit risk but no objective evidence of impairment • Clients designated as high care as a result of showing signs of financial pressure due to the industry or business environment within which they operate and/ or a deterioration in their own financial performance and position • Distressed restructures with no reduced financial obligation	Lifetime ECL (result from all possible default events over the expected life)
Stage 3 Non-performing (credit impaired)	• Regulatory default being: – >90 days overdue – Unlikeliness to pay indicators – Distressed restructures resulting in reduced financial obligation (cure period six consecutive payments) • Credit impaired on origination or after initial recognition	Lifetime ECL (difference between gross carrying amount and the present value of estimated future cash flows)

Please refer to accounting policies Note 1.13 Financial Instruments on pages 33 to 39 of the Annual Financial Statements, which can be found on Safin's website at www.sasfin.com/investor-relations, for further detail on classifications, calculations of ECL, cure periods, write-offs, and restructured exposures.

4. Credit risk *continued*

4.2. Credit quality of assets *continued*

4.2.1. CR1: Credit Quality of Assets

Sasfin Holdings Limited

June 2023

		a	b	c				d
		Carrying values of			Of which ECL accounting provisions for credit losses on SA exposures			
		Defaulted exposures	Non-Defaulted exposures	Allowances/ impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
1	Loans	935 534	8 638 269	523 827	434 668	89 159	–	9 049 976
2	Debt securities	203 478	1 151 463	61 530	59 881	1 649	–	1 293 411
3	Off-balance sheet exposures	–	181 411	–	–	–	–	181 411
4	**Total**	**1 139 012**	**9 971 143**	**585 357**	**494 549**	**90 808**	**–**	**10 524 798**

June 2022

		a	b	c				d
		Carrying values of			Of which ECL accounting provisions for credit losses on SA exposures			
		Defaulted exposures	Non-Defaulted exposures	Allowances/ impairments	Allocated in regulatory category of Specific	Allocated in regulatory category of General	Of which ECL accounting provisions for credit losses on IRB exposures	Net values (a+b-c)
1	Loans[1]	831 471	7 761 367	475 251	358 497	116 754	–	8 117 587
2	Debt securities	270 293	1 643 725	123 678	121 593	2 084	–	1 790 341
3	Off-balance sheet exposures	–	302 550	–	–	–	–	302 550
4	**Total**	1 101 764	9 707 642	598 929	480 090	118 838	–	10 210 478

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

Defaulted exposure decrease for debt securities is due to capital repayments by the Land Bank on its debt.

4.3. CR2: Defaulted loans and debt securities movement

		Sasfin Holdings Limited	
		Jun-23	Jun-22
1	Defaulted loans and debt securities at end of previous reporting period	**1 101 764**	1 027 174
2	Loans and debt securities that have defaulted since last reporting period	**242 777**	314 977
3	Returned to non-defaulted status	**(15 634)**	(34 392)
4	Amounts written off	**(119 209)**	(111 866)
5	Other changes	**(70 686)**	(94 128)
6	**Defaulted loans and debt securities at end of the reporting period (1+2-3-4±5)**	**1 139 012**	1 101 764

Definitions

Defaulted exposure: such exposures must be reported net of write-offs and gross of (i.e., ignoring) allowances/impairments.

Loans and debt securities that have defaulted since last reporting period: refers to any loan or debt securities that became marked as defaulted during the reporting period.

Return to non-defaulted status: refers to loans or debt securities that returned to non-default status during the reporting period.

Amounts written off: both total and partial write-offs.

Other changes: repayments and balancing items that are necessary to enable total to reconcile.

4.4. Additional disclosures related to credit quality of assets

4.4.1. Breakdown of exposures by geographical area

Sasfin Holdings Limited

	June 2023				June 2022			
	Total exposure	**Impaired**	**Specific ECL**	**Write-offs**	Total exposure[1]	Impaired	Specific ECL	Write-offs
South Africa	**11 110 155**	**1 139 012**	**494 549**	**69 088**	10 809 406	1 101 764	480 090	111 866

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

4.4.2. Breakdown of exposures by Industry

Sasfin Holdings Limited

	June 2023				June 2022			
	Total exposure	**Impaired**	**Specific ECL**	**Write-offs**	Total exposure	Impaired	Specific ECL	Write-offs
Agriculture	**558 559**	**11 394**	**6 464**	**3 129**	309 716	12 276	9 303	4 703
Community, social and personal services	**2 135 538**	**256 882**	**124 207**	**12 574**	1 963 598	241 932	99 307	25 251
Construction	**309 170**	**39 396**	**24 625**	**1 981**	285 625	58 808	20 580	13 037
Electricity and water	**72 586**	**1 567**	**971**	**1 309**	51 147	3 346	2 377	91
Finance, real estate and business services	**3 191 370**	**570 758**	**196 788**	**14 831**	3 814 448	521 095	211 712	17 953
Manufacturing	**1 257 551**	**78 159**	**43 378**	**9 050**	1 239 911	103 112	32 206	16 286
Mining	**304 301**	**20 966**	**9 840**	**58**	247 039	12 172	6 898	519
Trade and accommodation	**1 674 776**	**96 258**	**62 232**	**14 161**	1 796 876	99 740	63 759	16 735
Transport and communication	**948 203**	**39 213**	**26 023**	**11 994**	729 441	41 933	29 435	15 088
Other activities not adequately defined[1]	**658 101**	**24 417**	**21**	**–**	371 605	7 349	4 513	2 203
Total exposure	**11 110 155**	**1 139 012**	**494 549**	**69 088**	10 809 406	1 101 764	480 090	111 866

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

4.4.3. Breakdown of exposures by residual maturity

Refer to Note 44.1 Liquidity Risk table on pages 102 to 104 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

4.4.4. Ageing analysis of accounting past-due exposures

Refer to Note 43.1 Credit risk exposure analysis table on pages 86 to 89 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

4.4. Additional disclosures related to credit quality of assets *continued*

4.4.5. Restructured Exposures

- Restructured exposures include any loan, advance or facility in respect of which the Bank granted a concession to the obligor owing to a deterioration in the obligor's financial condition, that is owing to a financially distressed situation of the relevant obligor, and which financially distressed situation results, or is likely to result, in the relevant obligor no longer being able to meet the terms or conditions originally agreed.
- A restructuring agreement shall be in writing and may include a modification of terms and conditions such as:
  - A reduction in original interest rate agreed;
  - A reduction in the relevant interest amount due;
  - A reduction in the relevant principal amount due;
  - An amendment to the originally agreed contractual maturity or payment frequency;
  - Any forgiveness, deferral or postponement of principal amount, interest amount, or fees due;
  - Any subsequent increase in the relevant level of working capital or revolving facility;
  - The transfer from the obligor to the Bank of real estate, receivables from third parties, other assets, or an equity interest in the obligor in full or partial satisfaction of the said loan, advance or facility; and
  - The substitution or addition of a new debtor for the original obligor.
- Provided that no loan, advance, increased credit limit or facility extended or renewed by the Bank in its ordinary course of business at a stated interest rate or on terms and conditions equivalent to the current interest rate or terms or conditions for new debt with similar risk, shall constitute a restructured loan or credit exposure.
- Should such Restructured Credit Exposure previously have been classified as default, it should remain so classified and, if such exposure had not previously been impaired, it should then be impaired on the same basis as a category B–Special Mention. Please refer to note 43 Credit Risk on page 85 in the Annual Financial Statements for the measurement of the credit risk.
- Rehabilitation/Curing of restructured loans:

  The following requirements need to be met before a restructured loan may be reclassified as performing:
  - The obligor's ability to meet the requirements of the revised terms and conditions must be established through at least 6 (six) consecutive months of adherence to the revised terms and conditions.
  - In cases of a wholesale obligor or obligors with payments dated longer than monthly, an evaluation may be done by the relevant credit mandate level, considering qualitative factors in addition to adherence to the revised terms and conditions. Such qualitative factors may include compliance with loan covenants and compliance with other existing loan obligations.
  - In no instance may any restructured credit exposure be reclassified as performing within 6 (six) months of the restructure.
  - Where the modification results in a reduced financial obligation, the obligor will be classified as impaired.

Sasfin Holdings Limited

	June 2023 Gross carrying values of			June 2022 Gross carrying values of		
	Total R'000	**Impaired R'000**	**Not impaired R'000**	Total R'000	Impaired R'000	Not impaired R'000
Total restructured exposures	**175 597**	**173 736**	**1 861**	521 562	39 916	481 646

4. Credit risk *continued*

4.5. Credit risk mitigation techniques overview

Trade and Debtor Finance

- Trade Finance involves the provision of funding on a short-term basis to assist businesses with the financing of their purchases, being either or both imports or local.
- The purpose of Debtor Finance is to fund the short-term cash flow needs of a business using its accounts receivable as collateral. Generally, companies with a limited Balance Sheet and low working capital reserves can get into cash flow problems because invoices are paid 30 days or longer. Debtor finance essentially funds slow paying invoices, which improves the cash flow of the business and allows it to meet its financial obligations and carry on trading without having to wait for the debtors to pay. The benefit of this form of finance is that it is secured by the debtors' book which limits the risk of a credit loss.
- Trade- and Debtor Financing is secured by the underlying working capital assets being financed, with funds only advanced once all security is in place.
- Operational risk reviews are conducted before activation of new facilities, as well as on a regular basis post implementation of the facilities. These reviews are conducted to monitor the business's financial controls and accounting records, as well as the value and existence of the security against the approval conditions.

Capital Equipment Finance

- Capital Equipment Finance's main business objective is the financing of income-generating equipment as well as other assets of a capital nature e.g., solar panels. The key factors in financing of this nature are that the asset under finance is either capable of generating additional revenue to the borrower, or its main purpose is the reduction of costs to the business. In addition to this, such assets typically have lifespans more than the financing term, could possibly be refinanced after the initial term, and tend to be easy to dispose of to recover the Bank's exposure in the event of liquidation. Against this background, it is then important to bear in mind that the assessment of the credit worthiness of the deal depends not only on the financial strength of the business, but also on the nature, economic lifespan, ease of disposal and recovery value of the asset.
- Security primarily consists of the assets being financed, with other assets of the business also taken as security where the risk position requires such.

Equipment Finance

- The main purpose of Equipment Finance/Rentals is to enable businesses to acquire the capital equipment needed to enable their success and growth, while preserving the business' cash resources for growth funding. It also enables upgrading of such equipment, when necessary, without tying up much needed working capital funding.
- Security primarily consists of the assets being financed, with other assets of the business also taken as security where the risk position requires such.

Property Equity and Debt Finance

- The primary purpose of this type of funding is to fund the debt and/or equity component of property developments.
- The funding is provided taking into account key factors such as the experience and track record of the developer, the viability and sustainability of the development (i.e., the nature, location and costs of the development), as well as an assessment of the cash flow risks in the development.
- Security includes the underlying property on an appropriate Loan-To-Value (LTV) basis and personal guarantees from individuals, legal entities or trusts based on assessment of the underlying business/property risk profile.
- Where appropriate, Sasfin makes use of external experts to assess the developments as well as provide valuations on the developments.
- Regular monitoring of covenants and assessment of financial performance is conducted to ensure the risk profile remains acceptable.

Specialised Lending

- The primary purpose of this type of funding is to enable business growth or acquisitions and is therefore typically term lending.
- The assessment of credit risk is based on the ability of the business to service and repay the Bank's funding in line with the agreed terms and conditions.
- Cash flow and the sustainability thereof is of critical importance, and stress testing of the key risk factors associated with each business is critical to the credit risk assessment.
- Security typically consists of the assets of the business being funded or the business being acquired.
- Regular monitoring of covenants and assessment of financial performance is conducted to ensure the risk profile remains acceptable.
- This portfolio was sold during the year to an external party (for which substantially all the risk and rewards of ownership were transferred) resulting in derecognition of these loans and advances.

4. Credit risk *continued*

4.5. Credit risk mitigation techniques overview *continued*

4.5.1. Valuation of security

It is a requirement that a valuation of the tangible security be performed on all new facility requests as well as on a regular basis thereafter to ensure that Sasfin's credit risk remains adequately protected. This security calculation is done with each major credit request/change, but not less than annually for all clients (except for High Care clients, where such calculation is done monthly with the High Care Report (as far as is practically possible)).

When valuing security, the following factors are taken into consideration:

- Type and nature of the asset and industry;
- Potential deterioration in value of the asset over time, such as limited useful lifespan and expiry dates;
- Size of the market that would be interested in buying the quantity or extent of the asset held as security;
- Level of specialisation of the asset;
- Branding of the product, which may place limitations on selling in terms of licence restrictions;
- Volume versus value of the security items held;
- Risk of losing the asset through theft (insurance held);
- Cost of maintaining, moving, dismantling, or storing the asset;
- Environmental risk and resulting cost;
- Effect of fashion, trends, and technological advancements;
- Buy-back arrangements with the supplier;
- Required expertise to assemble, instal, and sell the asset and the availability and cost of such expertise;
- Number of locations of the assets in relation to the value;
- The state of completion of the product in comparison to the state where it can easily be sold; and
- Legal restrictions such as permits required to sell the product and non-transferable distribution rights that may not vest in the Bank.

4.5.2. Review of security documentation

- All standard/master security documentation are reviewed regularly, but at least every 24 months, to ensure it considers all legal and regulatory changes to adequately protect Sasfin's risk. This review is the responsibility of the Head of Legal together with the Head of Collateral.
- Standard/master security documentation has been drawn up by Group Legal to govern the legal relationship between Sasfin and its clients, and such standard documentation is used in all transactions, unless otherwise approved by the Head of Legal.

CR 3: Overview of credit risk mitigation techniques

Sasfin Holdings Limited

		a	b	c	d	e	f	g
		June 2023						
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans	366 024	8 683 952	8 683 952	–	–	–	–
2	Debt securities	1 293 411	–	–	–	–	–	–
3	**Total**	**1 659 435**	**8 683 952**	**8 683 952**	–	–	–	–
4	Of which: defaulted		644 463	644 463				

4.5. Credit risk mitigation techniques overview *continued*

4.5.2. Review of security documentation *continued*

CR 3: Overview of credit risk mitigation technique *continued*

		Sasfin Holdings Limited						
		a	b	c	d	e	f	g
		June 2022						
		Exposures unsecured: carrying amount	Exposures secured by collateral	Exposures secured by collateral, of which: secured amount	Exposures secured by financial guarantees	Exposures secured by financial guarantees, of which: secured amount	Exposures secured by credit derivatives	Exposures secured by credit derivatives, of which: secured amount
1	Loans[1]	405 350	7 712 237	7 712 237	–	–	–	–
2	Debt securities	1 790 340	–	–	–	–	–	–
3	**Total**	2 195 690	7 712 237	7 712 237	–	–	–	–
4	Of which: defaulted		621 673	621 673				

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information on pages 119 to 129.*

Definitions

Exposures unsecured – carrying amount: carrying amount of exposures (net of allowances/impairments) that do not benefit from a credit risk mitigation technique.

Exposures secured by collateral: carrying amount of exposures (net of allowances/impairments) partly or totally secured by collateral, regardless of what portion of the original exposure is secured.

Exposures secured by collateral – of which: secured amount: amounts of the exposure portions, which are secured by collateral. Where the value of the collateral (meaning the amount that the collateral can be settled for) exceeds the value of the exposure, the Bank must report the exposure amount (i.e., it does not report the over-collateralisation).

Exposures secured by financial guarantees: carrying amount of exposures (net of allowances/impairments) partly or totally secured by financial guarantees, regardless of what portion of the original exposure is guaranteed.

Exposures secured by financial guarantees – of which: secured amount: amounts of the exposure portions, which are covered by the financial guarantee. Where the value of the guarantee (amount that can be obtained if the guarantee is called) is above the amount of the exposure, the Bank must report the amount of the exposure, i.e., not to report the excess value.

Exposures secured by credit derivatives: carrying amount of exposures (net of allowances/impairments) partly or totally secured by credit derivatives, regardless of what portion of the original exposure is secured.

Exposures secured by credit derivatives – of which: secured amount: amounts of the exposure portions that are secured by credit derivatives. Where the value of the credit derivative (amount that the credit derivative can be settled for) is above the amount of the exposure, the Bank must report the amount of the exposure, i.e., not to report the excess value.

4.6. Credit risk under standardised approach

Use of External credit ratings under the standardised approach:

Global Ratings Agency (GRA) ratings are used by Sasfin as input into standardised capital formulas for the banks and sovereign asset classes. Bank of New York has an Investment Grade rating from Moody's. The Corporate asset classes are classified as unrated for Regulatory purposes.

CR4: Credit risk exposures and credit risk mitigation (CRM) effects

		Sasfin Bank (Solo)					
		a	b	c	d	e	f
		June 2023					
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	2 048 791	46 379	2 048 791	23 190	–	–
2	Non-central government public sector entities	522 179	–	522 179	–	240 175	46.0%
3	Multilateral development banks	–	–	–	–	–	–
4	Banks	41 355	–	41 355	–	8 686	21.0%
5	Securities firms	–	–	–	–	–	–
6	Corporates	4 442 561	882 676	4 442 561	69 486	4 179 331	92.6%
7	Regulatory retail portfolios	222 970	17 542	222 970	3 133	208 947	92.4%
8	Secured by residential property	–	–	–	–	–	–
9	Secured by commercial real estate	–	–	–	–	–	–
10	Equity	–	–	–	–	–	–
11	Past-due loans	–	–	–	–	–	–
12	Higher-risk categories	–	–	–	–	–	–
13	Other assets	1 518 524	–	1 518 524	–	815 974	53.7%
14	**Total**	**8 796 380**	**946 597**	**8 796 380**	**95 809**	**5 453 113**	**61.3%**

4. Credit risk *continued*

4.6. Credit risk under standardised approach *continued*

CR4: Credit risk exposures and credit risk mitigation (CRM) effects *continued*

		Sasfin Bank (Solo)					
		a	b	c	d	e	f
		June 2022					
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	1 816 845	–	1 816 845	–	160	–
2	Non-central government public sector entities	474 071	–	474 071	–	233 559	49.3%
3	Multilateral development banks	–	–	–	–	–	–
4	Banks	11 038	–	11 038	–	3 916	35.5%
5	Securities firms	–	–	–	–	–	–
6	Corporates[1]	4 847 781	703 238	4 847 781	75 971	4 084 013	82.9%
7	Regulatory retail portfolios	194 564	115 292	194 564	46 238	211 723	87.9%
8	Secured by residential property	–	–	–	–	–	–
9	Secured by commercial real estate	–	–	–	–	–	–
10	Equity	–	–	–	–	–	–
11	Past-due loans	–	–	–	–	–	–
12	Higher-risk categories	–	–	–	–	–	–
13	Other assets[1]	1 164 879	–	1 164 879	–	874 130	75.0%
14	**Total**	8 509 178	818 530	8 509 178	122 209	5 407 501	62.6%

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

4. Credit risk *continued*

4.6. Credit risk under standardised approach *continued*

CR4: Credit risk exposures and credit risk mitigation (CRM) effects *continued*

	Sasfin Holdings	a	b	c	d	e	f
		June 2023					
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	2 048 791	46 379	2 048 791	46 379	–	–
2	Non-central government public sector entities	522 179	–	522 179	–	240 175	46.0%
3	Multilateral development banks	–	–	–	–	–	–
4	Banks	41 355	–	41 355	–	8 686	21.0%
5	Securities firms	–	–	–	–	–	–
6	Corporates	5 204 429	882 676	5 204 429	69 486	4 947 840	93.8%
7	Regulatory retail portfolios	222 970	17 542	222 970	3 083	208 947	92.4%
8	Secured by residential property	–	–	–	–	–	–
9	Secured by commercial real estate	–	–	–	–	–	–
10	Equity	–	–	–	–	–	–
11	Past-due loans	–	–	–	–	–	–
12	Higher-risk categories	–	–	–	–	–	–
13	Other assets	1 569 031	–	1 569 031	–	866 481	55.2%
14	**Total**	**9 608 755**	**946 597**	**9 608 755**	**118 948**	**6 272 129**	**64.5%**

4.6. Credit risk under standardised approach *continued*

CR4: Credit risk exposures and credit risk mitigation (CRM) effects *continued*

		Sasfin Holdings					
		a	b	c	d	e	f
		June 2022					
		Exposures before CCF and CRM		Exposures post-CCF and CRM		RWA and RWA density	
	Asset classes	On-balance sheet amount	Off-balance sheet amount	On-balance sheet amount	Off-balance sheet amount	RWA	RWA density
1	Sovereigns and their central banks	1 816 845	–	1 816 845	–	160	–
2	Non-central government public sector entities	474 071	–	474 071	–	233 559	49.3%
3	Multilateral development banks	–	–	–	–	–	–
4	Banks	11 038	–	11 038	–	3 916	35.5%
5	Securities firms	–	–	–	–	–	–
6	Corporates[1]	5 840 677	703 238	5 840 677	75 971	5 076 908	85.8%
7	Regulatory retail portfolios	194 951	115 292	194 951	46 238	212 110	87.9%
8	Secured by residential property	–	–	–	–	–	–
9	Secured by commercial real estate	–	–	–	–	–	–
10	Equity	–	–	–	–	–	–
11	Past-due loans	–	–	–	–	–	–
12	Higher-risk categories	–	–	–	–	–	–
13	Other assets[1]	1 214 153	–	1 214 153	–	923 403	76.1%
14	**Total**	9 551 735	818 530	9 551 735	122 209	6 450 056	66.7%

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

4.6. Credit risk under standardised approach *continued*

CR5: Exposures by asset classes and risk weights

Sasfin Bank (Solo)

		a	b	c	d	e	f	g	h	i	j
		June 2023									
	Risk weight / **Asset classes**	**0%**	**10%**	**20%**	**35%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposures amount (post CCF and post-CRM)**
1	Sovereigns and their central banks	2 071 981	–	–	–	–	–	–	–	–	2 071 981
2	Non-central government public sector entities	165	–	335 104	–	14 166	–	172 744	–	–	522 179
3	Multilateral development banks	–	–	–	–	–	–	–	–	–	–
4	Banks	–	–	40 836	–	–	–	519	–	–	41 355
5	Securities firms	–	–	–	–	–	–	–	–	–	–
6	Corporates	188 462	–	–	–	123 707	–	4 034 441	165 437	–	4 512 047
7	Regulatory retail portfolios	1 269	–	–	–	14 436	171 239	39 158	–	–	226 102
8	Secured by residential property	–	–	–	–	–	–	–	–	–	–
9	Secured by commercial real estate	–	–	–	–	–	–	–	–	–	–
10	Equity	–	–	–	–	–	–	–	–	–	–
11	Past-due loans	–	–	–	–	–	–	–	–	–	–
12	Higher-risk categories	–	–	–	–	–	–	–	–	–	–
13	Other assets	–	–	–	–	–	–	1 518 524	–	–	1 518 524
14	**Total**	2 261 877	–	375 940	–	152 309	171 239	5 765 386	165 437	–	8 892 188

4. Credit risk *continued*

4.6. Credit risk under standardised approach *continued*

CR5: Exposures by asset classes and risk weights *continued*

		Sasfin Bank (Solo)									
		a	b	c	d	e	f	g	h	i	j
		June 2022									
	Risk weight	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
	Asset classes										
1	Sovereigns and their central banks	1 816 756	–	–	–	–	–	89	–	–	1 816 845
2	Non-central government public sector entities	903	–	290 433	–	4 693	–	178 042	–	–	474 071
3	Multilateral development banks	–	–	–	–	–	–	–	–	–	–
4	Banks	–	–	8 902	–	–	–	2 136	–	–	11 038
5	Securities firms	–	–	–	–	–	–	–	–	–	–
6	Corporates[1]	391 765	–	-	–	148 988	171	4 151 998	230 829	–	4 923 751
7	Regulatory retail portfolios	652	–	–	–	9 511	69 478	161 160	–	–	240 801
8	Secured by residential property	–	–	–	–	–	–	–	–	–	–
9	Secured by commercial real estate	–	–	–	–	–	–	–	–	–	–
10	Equity	–	–	–	–	–	–	–	–	–	–
11	Past-due loans	–	–	–	–	–	–	–	–	–	–
12	Higher-risk categories	–	–	–	–	–	–	–	–	–	–
13	Other assets[1]	–	–	–	–	–	–	1 164 880	–	–	1 164 880
14	**Total**	2 210 076	–	299 335	–	163 192	69 649	5 658 305	230 829	–	8 631 386

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

5. Counterparty credit risk (CCR)

Counterparty credit risk is the risk of financial loss if the counterparty to a financial instrument fails to meet its contractual obligations. Derivatives are only used by the Bank to cover known risks and are not used for speculative purposes.

5.1. **CCR measurement:** The Group measures CCR exposures on a standardised approach.

5.2. Limits are assigned on a risk weighted basis of the nominal amount.

5.3. **Limit approval:** The Head of Forex, with the delegated authority from Credit, may allow a 10% excess of the approved limit subject to a maximum amount.

5.4. **Exposure monitoring:** CCR is monitored through the ALCO (an executive management committee) by setting and monitoring limits with counterparties other than clients, such as banks, for placing funds on deposit with them and having them as a counterparty to a derivative.

5.5. Collateral consists of cash deposits into clients' margin accounts.

5.6. Wrong-way risk arises when exposure to a counterparty is adversely (positive) correlated with the credit quality of that counterparty. Wrong-way risk is considered and managed within the relevant exposure mandates. Sasfin has immaterial exposure to wrong-way risk.

5.7. In the event of a credit rating downgrade, the amount of collateral that the Group would have to provide will be minimal due to the policy of the Group to manage the net open position of the Group.

CCR1: Analysis of counterparty credit risk (CCR) exposure by approach

		Sasfin Bank (Solo)					
		a	b	c	d	e	f
		June 2023					
		Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	28 956	22 976		1.4	68 587	60 113
2	Internal Model Method (for derivatives and SFTs)			–	–	–	–
3	Simple Approach for credit risk mitigation (for SFTs)					–	–
4	Comprehensive Approach for credit risk mitigation (for SFTs)					–	–
5	VaR for SFTs					–	–
6	**Total**						60 113

5. Counterparty credit risk (CCR) *continued*

CCR1: Analysis of counterparty credit risk (CCR) exposure by approach *continued*

		Sasfin Bank (Solo)					
		a	b	c	d	e	f
		June 2022					
	Asset classes	Replacement cost	Potential future exposure	EEPE	Alpha used for computing regulatory EAD	EAD post-CRM	RWA
1	SA-CCR (for derivatives)	44 580	19 702		1.4	99 911	94 247
2	Internal Model Method (for derivatives and SFTs)			–	–	–	–
3	Simple Approach for credit risk mitigation (for SFTs)					–	–
4	Comprehensive Approach for credit risk mitigation (for SFTs)					–	–
5	VaR for SFTs					–	–
6	**Total**						94 247

CCR2: Credit Valuation Adjustment (CVA) capital charge

		Sasfin Bank (Solo)			
		a	**b**	a	b
		June 2023		June 2022	
		EAD post-CRM	**RWA**	EAD post-CRM[1]	RWA
	Total portfolios subject to the Advanced CVA capital charge	**–**	**–**	–	–
1	(i) VaR component (including the 3x multiplier)	**–**	**–**	–	–
2	(ii) Stressed VaR component (including the 3x multiplier)	**–**	**–**	–	–
3	All portfolios subject to the Standardised CVA capital charge	**68 587**	**13 038**	119 966	18 079
4	**Total subject to the CVA capital charge**	**68 587**	**13 038**	119 966	18 079

5. Counterparty credit risk (CCR) *continued*

CCR3: Standardised approach – CCR exposures by regulatory portfolio and risk weights

Sasfin Bank (Solo)

	a	b	c	d	e	f	g	h	i
					June 2023				
Risk weight / **Regulatory portfolio**	**0%**	**10%**	**20%**	**50%**	**75%**	**100%**	**150%**	**Others**	**Total credit exposure**
Sovereigns	–	–	–	–	–	–	–	–	–
Non-central government public sector entities (PSEs)	–	–	–	–	–	–	–	–	–
Multilateral development banks (MDBs)	–	–	–	–	–	–	–	–	–
Banks	–	–	2 926	–	–	19 943	–	–	22 869
Securities firms	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	–	–	6 087	–	–	6 087
Regulatory retail portfolios	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–
Total	–	–	2 926	–	–	26 030	–	–	28 956

Sasfin Bank (Solo)

	a	b	c	d	e	f	g	h	i
					June 2022				
Risk weight / **Regulatory portfolio**	0%	10%	20%	50%	75%	100%	150%	Others	Total credit exposure
Sovereigns	–	–	–	–	–	–	–	–	–
Non-central government public sector entities (PSEs)	–	–	–	–	–	–	–	–	–
Multilateral development banks (MDBs)	–	–	–	–	–	–	–	–	–
Banks	–	–	2 175	–	–	–	–	–	2 175
Securities firms	–	–	–	–	–	–	–	–	–
Corporates	–	–	–	–	–	42 404	–	–	42 404
Regulatory retail portfolios	–	–	–	–	–	–	–	–	–
Other assets	–	–	–	–	–	–	–	–	–
Total	–	–	2 175	–	–	42 404	–	–	44 580

6. Securitisation

The process of creating a financial instrument by combining other financial assets and then marketing them to investors. The net effect is to monetise a non-monetary asset, attach a corresponding liability to it, and thereby raise funding.

The Group's securitisation vehicle, South African Securitisation Programme (Pty) Ltd (SASP), is a traditional securitisation scheme from a Regulatory and SARS perspective.

Securitisation is a key funding mechanism for Sasfin and provides the Bank a highly efficient and sustainable funding source, and allows for:

- Alternative sources of medium/long-term funding;
- Ability to raise funding at attractive rates;
- Ability to better match duration of assets to duration of liabilities;
- Ability to convert illiquid assets into liquid securities; and
- Ability to achieve optimal gearing.

For details on sources of funding refer to note 20. Debt securities issued on page 63 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

Securitisation SPVs are consolidated into the Group's annual financial statements in terms of IFRS. Refer to 1.1. Legal Group Structure on page 2 of this report and note 1.3.5. Accounting policies on Structured Entities on page 27 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

Assets securitised by Sasfin include the operating and financing of capital and office equipment. SASP issues debt securities, giving current investors first option to refinance (private placement); thereafter, if not sufficient appetite, SASP will offer these notes to the public.

Refer to note 36 Securitisation on page 71 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

While SBL now recognises the assets and liabilities of SASP in terms of IFRS 9 (refer to notes 9.1 and 9.2 of the Sasfin Bank Limited Annual Financial Statements), these assets and liabilities have not been included for regulatory reporting purposes.

6. Securitisation *continued*

Risk management

All foreseeable and relevant material risks to securitisation to which Sasfin is likely to become exposed, as well as the interrelationships between these risks, are evaluated. The following material risks are considered and managed under each of the risk types:

Risk	
Financial risk	Market & Investment risk Credit risk Liquidity risk Excess spread risk Interest rate risk Refinancing risk Co-mingling risk – risk of mixing client-owned securities with brokerage-owned securities Concentration risk
Strategic risk: Internal	Strategy and business model risk Management of information risk Service risk New business risk
Strategic risk: External	External Stakeholder risk and reputational risk Regulatory risk Rating downgrade risk Counterparty risk
Operational risk	Execution, delivery, and process management Internal fraud External fraud Employment practices and workplace safety Clients, products, and business practices Damage to physical assets Business disruption and system failure Model risk Legal & insurance risk
Compliance risk	The risk of legal or regulatory sanctions, material financial loss, or loss of reputation because of non-compliance with laws, regulations, rules and internal policies, standards, and codes of conduct.
Reporting and disclosure risk	The risk of loss due to incomplete, inaccurate, and untimely reporting of required financial and operating information to regulatory agencies. This could result in fines, penalties, and sanctions.
Capital management risk	The risk of the Group or Bank's capital base falling below the minimum regulatory approved limit or to a level that would prevent growth in risk weighted assets without the injection of fresh capital.

6. Securitisation *continued*

SEC1: Securitisation exposures in the banking book

Sasfin Bank (Solo)

		a	b	c	e	f	g	h	j	k
						June 2023				
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	**Retail (total) – of which**	–	–	–	–	–	–	–	–	–
2	residential mortgage	–	–	–	–	–	–	–	–	–
3	credit card	–	–	–	–	–	–	–	–	–
4	other retail exposures	–	–	–	–	–	–	–	–	–
5	re-securitisation	–	–	–	–	–	–	–	–	–
6	**Wholesale (total) – of which**	393 649	–	393 649	–	–	–	–	–	–
7	loans to corporates	–	–	–	–	–	–	–	–	–
8	commercial mortgages	–	–	–	–	–	–	–	–	–
9	lease and receivables	393 649	–	393 649	–	–	–	–	–	–
10	other wholesale	–	–	–	–	–	–	–	–	–
11	re-securitisation	–	–	–	–	–	–	–	–	–

Sasfin Bank (Solo)

		a	b	c	e	f	g	h	j	k
						June 2022				
		Bank acts as originator			Bank acts as sponsor			Bank acts as investor		
		Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total	Traditional	Synthetic	Sub-total
1	**Retail (total) – of which**	–	–	–	–	–	–	–	–	–
2	residential mortgage	–	–	–	–	–	–	–	–	–
3	credit card	–	–	–	–	–	–	–	–	–
4	other retail exposures	–	–	–	–	–	–	–	–	–
5	re-securitisation	–	–	–	–	–	–	–	–	–
6	**Wholesale (total) – of which**	334 185	–	334 185	–	–	–	–	–	–
7	loans to corporates	–	–	–	–	–	–	–	–	–
8	commercial mortgages	–	–	–	–	–	–	–	–	–
9	lease and receivables	334 185	–	334 185	–	–	–	–	–	–
10	other wholesale	–	–	–	–	–	–	–	–	–
11	re-securitisation	–	–	–	–	–	–	–	–	–

6. Securitisation *continued*

SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – Bank acting as originator or as a sponsor

Sasfin Bank (Solo)

		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		June 2023																
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB RBA (inc. IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (inc. IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (inc. IAA)	IRB SFA	SA/SSFA	1250%
1	**Total exposures**	–	–	393 649	–	–	–	–	393 649	–	–	–	207 281	–	–	–	22 801	–
2	Traditional securitisation	–	–	393 649	–	–	–	–	393 649	–	–	–	207 281	–	–	–	22 801	–
3	Of which securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	Of which retail underlying	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Of which wholesale	–	–	393 649	–	–	–	–	393 649	–	–	–	207 281	–	–	–	22 801	–
6	Of which re-securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	Synthetic securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Of which securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11	Of which retail underlying	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Of which re-securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

6. Securitisation *continued*

SEC3: Securitisation exposures in the banking book and associated regulatory capital requirements – Bank acting as originator or as a sponsor *continued*

		Sasfin Bank (Solo)																
		a	b	c	d	e	f	g	h	i	j	k	l	m	n	o	p	q
		June 2022																
		Exposure values (by RW bands)					Exposure values (by regulatory approach)				RWA (by regulatory approach)				Capital charge after cap			
		≤20% RW	>20% to 50% RW	>50% to 100% RW	>100% to <1250% RW	1250% RW	IRB RBA (inc. IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (inc. IAA)	IRB SFA	SA/SSFA	1250%	IRB RBA (inc. IAA)	IRB SFA	SA/SSFA	1250%
1	**Total exposures**	–	–	334 185	–	–	–	–	334 185	–	–	–	334 185	–	–	–	36 760	–
2	Traditional securitisation	–	–	334 185	–	–	–	–	334 185	–	–	–	334 185	–	–	–	36 760	–
3	Of which securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
4	Of which retail underlying	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
5	Of which wholesale	–	–	334 185	–	–	–	–	334 185	–	–	–	334 185	–	–	–	36 760	–
6	Of which re-securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
7	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
8	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
9	Synthetic securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
10	Of which securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
11	Of which retail underlying	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
12	Of which wholesale	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
13	Of which re-securitisation	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
14	Of which senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–
15	Of which non-senior	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–	–

7. Market and investment risk

Market and Investment Risk refers to 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, equity values, and exchange rates.

The Group's governance of equity investments is based on the following fundamental principles:

- All investments require approval by the relevant investment approval structures in the Group. To this threshold, any existing or prospective lending transactions are aggregated with the equity investment in determining what level of approval is required.
- Exits of investments at, or above, the carrying value of an investments can be approved by internal governance structures. Any exits below carrying value or involving vendor facilitation require CLEC approval.
- Updated valuations are considered by the CLEC on the entire portfolio twice annually.
- Risk mitigation strategies are considered on the existing investments.
- Continued emphasis is placed on portfolio management and monitoring.

Foreign exchange risk is mitigated through hedging techniques. The Foreign Exchange business unit manages the net open foreign position through the use of hedging products, such as currency swaps, forward contracts and options. These products offset the effects of exchange rate fluctuations and protect the investment from losing value.

The Group is exposed to interest rate risk from non-trading portfolios that are exposed to the risk of loss from fluctuations in the future cash flows or fair values of financial instruments due to a change in interest rates.

Effective 1 January 2023, the Group adopted the new regulatory requirements for Interest Rate Risk in the Banking Book.

The Group's strategy is to minimise any interest rate exposure through either natural hedging (where most of the book reprices in less than three months) and the use of interest rate swaps to match specific issuances of notes or loans and advances. In terms of SASP exposures, c. 94% of the book is split between High prime and floating rate which reduces the interest rate risk even before hedging. The fixed rate loans are predominantly in Series 3 which are hedged through swaps further mitigating the risk.

Refer to note 45 on pages 105 to 106 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

The Group's equity investments and market risk are measured on a standardised approach.

Risk management: Group Treasury monitors and manages the Bank's hedging strategy with respect to the net open foreign position, to be below or equal to 10% of the net qualifying capital at Bank, Bank Consolidated, and Group level.

Governance: Group Treasury reports monthly to ALCO and on a quarterly basis to the GRCMC.

Reporting: Reports are produced on a daily and monthly basis detailing positions, sensitivities, and exposures.

MR1 – Market risk under standardised approach:

		Sasfin Bank (Solo)	
R'000		**a June 2023 Capital charge in SA**	a June 2022 Capital charge in SA
1	General interest rate risk	–	–
2	Equity risk	–	–
3	Commodity risk	–	–
4	Foreign exchange risk	**17 895**	315
5	Credit spread risk – non-securitisations	–	–
6	Credit spread risk – securitisations (non-correlation trading portfolio)	–	–
7	Credit spread risk – securitisation (correlation trading portfolio)	–	–
8	Default risk – non-securitisations	–	–
9	Default risk – securitisations (non-correlation trading portfolio)	–	–
10	Default risk – securitisations (correlation trading portfolio)	–	–
11	Residual risk add-on	–	–
12	**Total**	**17 895**	315

		Sasfin Holdings	
R'000		**a June 2023 Capital charge in SA**	a June 2022 Capital charge in SA
1	General interest rate risk	–	–
2	Equity risk	–	–
3	Commodity risk	–	–
4	Foreign exchange risk	**17 895**	315
5	Credit spread risk – non-securitisations	–	–
6	Credit spread risk – securitisations (non-correlation trading portfolio)	–	–
7	Credit spread risk – securitisation (correlation trading portfolio)	–	–
8	Default risk – non-securitisations	–	–
9	Default risk – securitisations (non-correlation trading portfolio)	–	–
10	Default risk – securitisations (correlation trading portfolio)	–	–
11	Residual risk add-on	–	–
12	**Total**	**17 895**	315

8. Operational risk

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

The management of operational risk is integral to all Sasfin activities and, therefore, understanding, monitoring, and controlling operational risk is a business imperative. The aim is not to eliminate all operational risk exposure, but to provide guidelines for effectively managing and mitigating operational risk within the business units and Sasfin's operational risk appetite levels.

Operational risk is defined as a Pillar 1 Risk in the ICAAP process. The Group applies the Basic Indicator Approach (BIA) to determine the level of capital required for operational risk.

Total gross income is used as a risk indicator for the Group's operational risk exposures to which a 15% requirement is applied to determine the minimum capital requirement.

Reporting: Business unit management is responsible for identification and collation of operational risk event data and reporting to Group Risk. Operational risk has four broad causal categories; people, processes, systems (technology), and external events. Key risk indicators are used to monitor key risks identified to assess the effectiveness of controls.

The following risks are covered through the management of operational risk:

8.1. **Execution, delivery, and process management:** Losses from failed transaction processing or process management;

8.2. **Employment practices and workplace safety:** Losses arising from acts inconsistent with employment, health or safety laws or agreements regulation;

8.3. **Clients, products and business practices:** Losses arising from an unintentional negligent failure to meet a professional obligation to specific clients, or from the nature or design of a product;

8.4. **Damage to physical assets:** Losses arising from loss or damage to physical assets from natural disaster or other events.

8.5. **Business disruption and system failure:** Utility disruptions, software failures, hardware failures.

8.6. **Internal and External fraud risk:** Includes a wide range of commercial crimes and deals predominantly with non-violent commercial crimes, but could include non-compliance to policies and procedures, employee misconduct, harassment, and victimisation. Internal fraud involves at least one internal party whereas external fraud involves a third party.

8.7. **IT & Cyber risk:** The top risks that cause harm or financial loss include malicious software that is designed to infiltrate bank systems and steal sensitive information or disrupt operations.

8.8. **Model Risk:** The risk of loss resulting from using inaccurate or inadequately designed and/or ineffectively implemented models to make decisions.

8.9. **Legal and Insurance Risk:** Legal and Insurance risk is the risk of loss to an institution that is primarily caused by:

(a) a defective transaction; or

(b) a claim being made that results in a liability for the institution or other loss (for example, as a result of the termination of a contract); or

(c) failing to take appropriate measures to protect assets (for example, intellectual property) owned by the institution; or

(d) changes in the law.

Risk management: The risk management process involves the systematic application of policies, procedures and practices in the managing of risk. The process is iterative and assists in setting strategy, achieving business objectives and making informed decisions. The process involves all of the lines of defence.

The risk management process is managed through an effective risk system, supported, and applied in conjunction with other Group policies and frameworks.

9. Treasury risk

Overview of treasury risk and key prudential metrics

Treasury risk comprises liquidity risk, capital risk and interest rate risk in the banking book.

Liquidity risk: The risk arising from the potential inability of the Group to accommodate decreases in liabilities or to fund increase in assets in full, at the right time, place, and currency.

Capital risk: The risk of the Group's capital base falling below the risk appetite and/or Regulatory minimum levels.

Interest rate risk in the banking book (IRRBB): This represents the risk that fluctuating interest rates could unfavourably affect the Group's earnings and the value of its assets, liabilities and/or capital.

Governance

The monitoring of liquidity risk, interest rate risk, currency risk and various other risks has been delegated to the Asset and Liability Committee (ALCO), a sub-committee of the Group Executive Committee. The GRCMC oversees the Group's Asset and Liability management and receives reports from the ALCO on a quarterly basis.

The ALCO considers and reviews the following on a quarterly basis:

- Progress on previously determined strategies;
- Economic conditions;
- Interest rate outlook and sensitivities;
- Loan and deposit demand/mismatch;
- Capital adequacy and capital allocation;
- Deposit pricing and maturity structure;
- Liquidity position;
- Liquidity stress testing results; and
- Currency Risk.

Reporting

Group Treasury is responsible for management reporting to ALCO on the following, inter alia:

- Overview of liquidity risk – cash flow management, liquidity mismatch, assets, and liabilities.
- Overview of interest rate risk – Interest rate management, interest rate shocks.
- Overview of currency risk – currency management, net open position limits and mismatches, Interbank facilities, operations.
- Overview of Debt Capital Markets – stress testing and performance tests.
- Economic and other related reports, International and domestic daily funding, consolidated balance sheet, liquidity stress testing, regulatory returns.

9.1. Liquidity risk

Governance: The Daily Liquidity Committee is a Sub-Committee of ALCO and is responsible for the daily management of liquidity risk that covers the following:

- Cash Flow risk – the risk that the Group might not be able to generate sufficient cash to repay its maturing deposits or fulfil its obligations.
- Event risk – the risk of loss due to an event leading to serious structural damage to the market.
- Funding risk – the risk of constraints affecting the availability of suitably priced funds.
- Solvency risk – the risk of insufficient capital to cover the depositor's funds.
- Trading (market liquidity) risk – the uncertainty associated with the market liquidity of a financial asset.

Management and Measurement: Liquidity is managed within the context of the budget and strategic plan. Critical factors impacting liquidity are monitored daily. Foreign currency and cross border liquidity are managed through matching of foreign currency assets and liabilities. Refer to Note 45.3 Currency risk on pages 108 to 110 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

Limit setting: Qualitative and quantitative targets are determined annually as part of the planning process.

The budget can only be accepted by the Board if the projected assets are reasonable in relation to the expected funding available for each of the various asset classes.

Refer to the appendix for the following standardised disclosures required in terms of Regulation 43 of the Regulations:

- LR1: Summary comparison of accounting assets versus leverage ratio exposure
- LR2: Leverage ratio common disclosure template
- LQ1: Liquidity coverage ratio
- LQ2: Net stable funding ratio

9. Treasury risk *continued*

9.2. Capital risk

Governance: The Board is responsible for capital management and has delegated certain aspects of its role to the GRCMC, including setting of appropriate capital targets and ensuring adequate capitalisation. Capital management is governed primarily by the GRCMC, which oversees the relevant risks, as well as the Asset and Liability Committee (ALCO) and its sub-committee, the Daily Liquidity Committee.

Management and Measurement: The internal capital management approach is embedded in a formal ICAAP consisting of the Group's risk appetite, capital, and risk management frameworks (including capital planning and stress testing). The GRCMC and Board review the Group's risk profile to ensure that the level of available capital:

- exceeds the Group's minimum regulatory capital requirements by a predetermined margin;
- remains sufficient to support the Group's risk profile;
- remains consistent with the Group's strategic goals; and
- is sufficient to absorb potential losses under severe stress scenarios.

Stress tests are performed on the Group's capital position to determine the impact on the capital position should a severe economic downturn materialise. Stress tests consider changes in the macroeconomic environment, key risks, and vulnerabilities within the Group's business model.

Capital management also includes strategic allocation of capital and capital optimisation.

Refer to note 46 Capital management on pages 112 to 113 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

Refer to the appendix for the following standardised disclosures required in terms of Regulation 43 of the Regulations:

- CC1: Composition of regulatory capital
- CC2: Reconciliation of regulatory capital to balance sheet

9.3. Interest rate risk in the banking book

Governance: The Daily Liquidity Committee is responsible for the management of interest rate risk with regard to the following:

- Re-pricing risk – the cost to the Group of interest-rate fluctuations on funding and the time-lag between introducing compensating interest rates on advances.
- Pricing basis risk – The risk where interest rates in respect of both assets and liabilities are linked to different base rates.

Management and measurement: The Daily Liquidity Committee selects strategies that optimise the Group's ability to meet its long-term financial goals, while containing interest rate risk within policy limits established by the Board through ALCO. The committee also determines and reports the expected cumulative impact or sensitivity on the Group using a two hundred basis point interest rate shock, modelling a base case for a two hundred basis point movement. Both income and market value orientated techniques are used to select strategies that optimise the relationship between risk and return.

Refer to Note 45.2 Market risk on page 107 of the Annual Financial Statements, which can be found on Sasfin's website at www.sasfin.com/investor-relations.

Objective: Sasfin's strategy is not to have any significant position on open interest rates i.e., repricing assets and liabilities are balanced for a given maturity, achieving a zero or close to zero duration gap. Where a material gap exists, interest rate hedges will be used. Sensitivity analysis is used to determine and inform management and other stakeholders of the potential impact of IRR shocks.

9.4. Key prudential metrics

KM1: Prudential Metrics

	R'000	Sasfin Holdings Limited a Jun-23 T	 b Mar-23[1] T-1	 c Dec-22[1] T-2	 d Sep-22[1] T-3	 e Jun-22[1] T-4
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	**1 410 219**	**1 436 410**	**1 422 982**	**1 405 787**	**1 408 422**
1a	Fully loaded ECL accounting model	**1 410 219**	**1 436 410**	**1 422 982**	**1 405 787**	**1 408 422**
2	Tier 1	**1 410 219**	**1 436 410**	**1 422 982**	**1 405 787**	**1 408 422**
2a	Fully loaded accounting model Tier 1	**1 410 219**	**1 436 410**	**1 422 982**	**1 405 787**	**1 408 422**
3	Total capital	**1 480 611**	**1 507 889**	**1 498 759**	**1 480 088**	**1 483 087**
3a	Fully loaded ECL accounting model total capital	**1 480 611**	**1 507 889**	**1 498 759**	**1 480 088**	**1 483 087**
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	**9 124 910**	**8 637 861**	**9 062 286**	**9 016 365**	**9 151 083**
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	**15.455%**	**16.629%**	**15.702%**	**15.592%**	**15.391%**
5a	Fully loaded ECL accounting model CET1 (%)	**15.455%**	**16.629%**	**15.702%**	**15.592%**	**15.391%**
6	Tier 1 ratio (%)	**15.455%**	**16.629%**	**15.702%**	**15.592%**	**15.391%**
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	**15.455%**	**16.629%**	**15.702%**	**15.592%**	**15.391%**
7	Total capital ratio (%)	**16.226%**	**17.457%**	**16.538%**	**16.416%**	**16.207%**
7a	Fully loaded ECL accounting model total capital ratio (%)	**16.226%**	**17.457%**	**16.538%**	**16.416%**	**16.207%**
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	**2.500%**	**2.500%**	**2.500%**	**2.500%**	**2.500%**
9	Countercyclical buffer requirement (%)	**–**	**–**	**–**	**–**	**–**
10	Bank D-SIB additional requirements (%)	**–**	**–**	**–**	**–**	**–**
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	**2.500%**	**2.500%**	**2.500%**	**2.500%**	**2.500%**
12	CET1 available after meeting the bank's minimum capital requirements (%)	**6.95%**	**8.13%**	**7.20%**	**7.09%**	**6.89%**
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio measure	**13 778 526**	**13 183 145**	**13 464 855**	**13 164 808**	**12 926 588**
14	Basel III leverage ratio (%) (row 2/row 13)	**10.23%**	**10.90%**	**10.57%**	**10.68%**	**10.90%**
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	**10.23%**	**10.90%**	**10.57%**	**10.68%**	**10.90%**
	Liquidity Coverage Ratio					
15	Total HQLA	**969 118**	**748 557**	**879 859**	**901 093**	**958 443**
16	Total net cash outflow	**409 867**	**446 149**	**352 834**	**376 141**	**388 660**
17	LCR ratio (%)	**236.45%**	**167.78%**	**249.37%**	**239.56%**	**246.60%**
	Net Stable Funding Ratio					
18	Total available stable funding	**5 405 657**	**5 313 375**	**5 591 305**	**5 606 598**	**5 281 107**
19	Total required stable funding	**5 136 157**	**5 002 462**	**5 146 218**	**5 174 870**	**5 134 745**
20	NSFR ratio (%)	**105.25%**	**106.22%**	**108.65%**	**108.34%**	**102.85%**

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

9.4. Key prudential metrics *continued*

KM1: Prudential Metrics *continued*

	R'000	Sasfin Bank Limited a Jun-23 T	b Mar-23[1] T-1	c Dec-22[1] T-2	d Sep-22[1] T-3	e Jun-22[1] T-4
	Available capital (amounts)					
1	Common Equity Tier 1 (CET1)	1 033 007	957 493	951 777	931 762	923 149
1a	Fully loaded ECL accounting model	1 033 007	957 493	951 777	931 762	923 149
2	Tier 1	1 033 007	957 493	951 777	931 762	923 149
2a	Fully loaded accounting model Tier 1	1 033 007	957 493	951 777	931 762	923 149
3	Total capital	1 069 941	995 425	1 009 333	996 263	979 193
3a	Fully loaded ECL accounting model total capital	1 069 941	995 425	1 009 333	996 263	979 193
	Risk-weighted assets (amounts)					
4	Total risk-weighted assets (RWA)	7 286 253	7 085 443	7 284 887	7 220 270	7 170 054
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	14.177%	13.514%	13.065%	12.905%	12.875%
5a	Fully loaded ECL accounting model CET1 (%)	14.177%	13.514%	13.065%	12.905%	12.875%
6	Tier 1 ratio (%)	14.177%	13.514%	13.065%	12.905%	12.875%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	14.177%	13.514%	13.065%	12.905%	12.875%
7	Total capital ratio (%)	14.684%	14.049%	13.855%	13.798%	13.657%
7a	Fully loaded ECL accounting model total capital ratio (%)	14.684%	14.049%	13.855%	13.798%	13.657%
	Additional CET1 buffer requirements as a percentage of RWA					
8	Capital conservation buffer requirement (2.5% from 2019) (%)	2.500%	2.500%	2.500%	2.500%	2.500%
9	Countercyclical buffer requirement (%)	–	–	–	–	–
10	Bank D-SIB additional requirements (%)	–	–	–	–	–
11	Total of bank CET1 specific buffer requirements (%) (row 8 + row 9+ row 10)	2.500%	2.500%	2.500%	2.500%	2.500%
12	CET1 available after meeting the bank's minimum capital requirements (%)	5.68%	5.01%	4.57%	4.40%	4.38%
	Basel III Leverage Ratio					
13	Total Basel III leverage ratio measure	8 837 930	9 070 906	9 714 497	9 867 965	9 306 483
14	Basel III leverage ratio (%) (row 2/row 13)	11.69%	10.56%	9.80%	9.44%	9.92%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row 2A/row 13)	11.69%	10.56%	9.80%	9.44%	9.92%
	Liquidity Coverage Ratio					
15	Total HQLA	969 118	748 557	879 859	901 093	958 443
16	Total net cash outflow	409 867	446 149	352 834	376 141	388 660
17	LCR ratio (%)	236.45%	167.78%	249.37%	239.56%	246.60%
	Net Stable Funding Ratio					
18	Total available stable funding	5 405 657	5 313 375	5 591 305	5 606 598	5 281 107
19	Total required stable funding	5 136 157	5 002 462	5 146 218	5 174 870	5 134 745
20	NSFR ratio (%)	105.25%	106.22%	108.65%	108.34%	102.85%

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

10. Remuneration and compensation

The Group's remuneration philosophy aims to maximise stakeholder value creation while maintaining good governance. Sasfin recognise that fair, transparent, and responsible remuneration practices are essential to fulfil our purpose, deliver on strategy, and drive performance within our desired culture and values. Our approach to remuneration aligns with the recommendations of King IV, the Basel Committee on Banking Supervision (Governance guidelines), and other applicable regulations.

REMCO assists the Board in setting and approving the remuneration policy and engages with stakeholders, including shareholders, regulators, external consultants and management. It has access to the information required to make informed remuneration decisions that align with the Board's remuneration policy, risk appetite, and regulatory requirements.

The Human Capital Risk is one of the 12 core risk themes considered by the GRCMC on a quarterly basis. The CEO, CRO, and Head: Human Capital attend REMCO meetings as invitees and report on employee matters of concern.

The Group's remuneration policy, which describes the key features of the remuneration system, is outlined in the 2023 Remuneration Report, which was published with the Group's Integrated Report on 30 November 2023.

The salient features are set out below:

Oversight of remuneration

The Remuneration Committee (REMCO) is directly responsible for all human capital and remuneration decisions that affect senior managers and executives, as well as for any executive, irrespective of reward level, that reports to the Group CEO. 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.

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 provide REMCO with assurance that roles are graded correctly, and employees are paid in line with the market for the jobs they perform.

In the following tables, senior managers are defined as members of the Executive Committee (Exco) reporting to the CEO. Other material risk takers include Executive Directors and Prescribed Officers as described in the Integrated Report.

Design and structure of the remuneration processes

The objectives of the remuneration policy are to:

- Ensure we attract, develop and retain employees
- Ensure responsible and transparent remuneration of employees to promote Sasfin's strategic objectives
- Reward performance and value-adding contributors and ethical behaviour
- Provide clarification and reinforcement of roles and accountabilities
- Provide a total reward structure that drives long-term performance by balancing guaranteed and variable remuneration
- Provide meaningful benefits that are cost-effective and are clearly communicated and supported
- Benchmark individual roles to ensure fair compensation

Risk and remuneration

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.

Linking performance and reward

Remuneration forms an integral element of the Group's greater human capital management strategy, 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 aligned with job functions that are agreed in advance and reviewed regularly, as well as KVIs and KRIs.

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.

10. Remuneration and compensation *continued*

Variable remuneration

Variable remuneration arrangements include:

- Cash short-term incentives (STIs) for all employees.
- Deferred short-term and long-term incentives for identified senior executives and management in good standing and not underperforming in terms of KPIs, KRIs or KVIs. These vest over three- and four years, dependent on the size of the award.

The proportion of the total remuneration mix that is variable and therefore subject to performance generally increases for more senior executives.

Remuneration awarded during the financial year

Remuneration amount			a Senior management	b Other material risk-takers
1	Fixed remuneration	Number of employees	7	2
2		Total fixed remuneration (3+5+7)	22 167	8 335
3		Of which: cash-based	18 705	7 280
4		Of which: deferred	–	–
5		Of which: shares or other share-linked instruments	–	–
6		Of which: deferred	–	–
7		Of which: other forms	3 462	1 055
8		Of which: deferred	–	–
9	Variable remuneration	Number of employees	–	–
10		Total variable remuneration (11+13+15)	366	121
11		Of which: cash-based	–	–
12		Of which: deferred	–	–
13		Of which: shares or other share-linked instruments	–	–
14		Of which: deferred	–	–
15		Of which: other forms	366	121
16		Of which: deferred	–	–
17	**Total remuneration (2+10)**		**22 533**	**8 456**

10. Remuneration and compensation *continued*

Special payments:

	Guaranteed bonuses		Sign-on awards		Severance payments	
	Number of employees	Total amount	Number of employees	Total amount	Number of employees	Total amount
Senior management	6	4 238	1	2 250	1	70
Other material risk-takers	1	1 050	–	–	–	–

Deferred remuneration:

Deferred and retained remuneration	a Total amount of outstanding deferred remuneration	b Of which: Total amount of outstanding deferred and retained remuneration exposed to ex post explicit and/or post explicit and/or implicit adjustment	c Total amount of amendment during the year due to ex post explicit adjustments	d Total amount of amendment during the year due to ex post implicit adjustments	e Total amount of deferred remuneration paid out in the financial year
Senior management					
Cash	22 147	22 147	–	22 147	2 925
Shares	–	–	–	–	–
Cash-linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Other material risk-takers					
Cash	8 335	8 335	–	–	392
Shares	–	–	–	–	–
Cash-linked instruments	–	–	–	–	–
Other	–	–	–	–	–
Total	30 482	30 482	–	22 147	3 317

Appendices

LR1: Summary comparison of accounting assets vs leverage ratio exposure

		Sasfin Holdings Limited	
R'000		a **June 2023**	March 2023
1	Total consolidated assets as per published financial statements[1]	**14 013 082**	13 338 038
2	Adjustments for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	**–**	–
3	Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	**–**	–
4	Adjustments for derivative financial instruments	**(273 600)**	(222 063)
5	Adjustment for securities financing transactions (i.e., repos and similar secured lending)	**–**	–
6	Adjustments for off-balance sheet items (i.e., conversion to credit equivalent amounts of off-balance sheet exposures)	**157 844**	172 943
7	Other adjustments	**(118 800)**	(105 773)
8	**Leverage ratio exposure measure**	**13 778 526**	13 183 145

Other adjustments include exclusion of banking, financial, insurance, and commercial entities outside of the regulatory scope of consolidation.

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

LR2: Leverage ratio common disclosure template

R'000		Sasfin Bank Limited a June 2023 T	b March 2023 T-1
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)[1]	**8 638 929**	8 851 956
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**–**	–
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	**8 638 929**	8 851 956
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**28 956**	24 448
5	Add-on amounts for PFE associated with *all* derivatives transactions	**22 976**	20 885
6	Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	**–**	–
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	**–**	–
8	(Exempted CCP leg of client-cleared trade exposures)	**–**	–
9	Adjusted effective notional amount of written credit derivatives	**–**	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**–**	–
11	**Total derivative exposures (sum of rows 4 to 10)**	**51 932**	45 332
Securities financing transactions			
12	Gross SFT *assets* (with no recognition of netting). after adjusting for sale accounting transactions	**–**	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**–**	–
14	CCR exposure for SFT assets	**–**	–
15	Agent transaction exposures	**–**	–
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**–**	–
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	**906 945**	919 320
18	(Adjustments for conversion to credit equivalent amounts)	**(759 876)**	(745 702)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**147 069**	173 618
Capital and total exposures			
20	**Tier 1 capital**	**1 033 007**	957 493
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**8 837 930**	9 070 906
Leverage ratio			
22	**Basel III leverage ratio**	**11.69%**	10.56%

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

LR2: Leverage ratio common disclosure template *continued*

R'000		Sasfin Holdings Limited a **June 2023** **T**	b March 2023 T-1
On-balance sheet exposures			
1	On-balance sheet exposures (excluding derivatives and securities financing transactions (SFTs), but including collateral)[1]	**13 568 750**	12 964 870
2	(Asset amounts deducted in determining Basel III Tier 1 capital)	**–**	–
3	**Total on-balance sheet exposures (excluding derivatives and SFTs) (sum of row 1 and 2)**	**13 568 750**	12 964 870
Derivative exposures			
4	Replacement cost associated with *all* derivatives transactions (where applicable net of eligible cash variation margin and/or with bilateral netting)	**28 956**	24 448
5	Add-on amounts for PFE associated with *all* derivatives transactions	**22 976**	20 885
6	Gross-up for derivatives collateral provide where deducted from the balance sheet assets pursuant to the operative accounting framework	**–**	–
7	(Deductions of receivable assets for cash variation margin provided in derivatives transactions)	**–**	–
8	(Exempted CCP leg of client-cleared trade exposures)	**–**	–
9	Adjusted effective notional amount of written credit derivatives	**–**	–
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	**–**	–
11	**Total derivative exposures (sum of rows 4 to 10)**	**51 932**	45 332
Securities financing transactions			
12	Gross SFT *assets* (with no recognition of netting). after adjusting for sale accounting transactions	**–**	–
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	**–**	–
14	CCR exposure for SFT assets	**–**	–
15	Agent transaction exposures	**–**	–
16	**Total securities financing transaction exposures (sum of rows 12 to 15)**	**–**	–
Other off-balance sheet exposures			
17	Off-balance sheet exposure at gross notional amount	**916 541**	917 464
18	(Adjustments for conversion to credit equivalent amounts)	**(758 697)**	(744 521)
19	**Off-balance sheet items (sum of rows 17 and 18)**	**157 844**	172 943
Capital and total exposures			
20	**Tier 1 capital**	**1 410 219**	1 436 410
21	**Total exposures (sum of rows 3, 11, 16 and 19)**	**13 778 526**	13 183 145
Leverage ratio			
22	**Basel III leverage ratio**	**10.23%**	10.90%

[1] *Restated. Refer to note 49 of the Annual Financial Statements for additional information.*

LIQ1: Liquidity Coverage Ratio (LCR)

R'000		Sasfin Holdings Limited a Total unweighted value (average)	 b Total weighted value (average)
High-quality liquid assets			
1	Total HQLA		969 118
Cash outflows			
2	**Retail deposits and deposits from small business customers, of which:**	1 267 658	126 766
3	Stable deposits	–	–
4	Less stable deposits	1 267 658	126 766
5	**Unsecured wholesale funding, of which:**	4 529 815	1 116 664
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	–	–
7	Non-operational deposits (all counterparties)	4 529 815	1 116 664
8	Unsecured debt	–	–
9	**Secured wholesale funding**	517 951	–
10	**Additional requirements, of which:**	198 986	70 751
11	Outflows related to derivative exposures and other collateral requirements	6 402	6 402
12	Outflows related to loss of funding of debt products	–	–
13	Credit and liquidity facilities	192 584	64 349
14	**Other contractual funding obligations**	–	3
15	**Other contingent funding obligations**	–	–
16	**TOTAL CASH OUTFLOWS**		1 314 184
Cash inflows			
17	**Secured lending**	773 032	773 032
18	**Inflows from fully performing exposures**	244 909	122 455
19	**Other cash inflows**	8 830	8 830
20	**TOTAL CASH INFLOWS**	1 026 771	904 317
			Total adjusted value
21	**Total HQLA**		969 118
22	**Total net cash outflows**		409 867
23	**Liquidity coverage ratio (%)**		236.45%

LIQ2: Net Stable Funding Ratio (NSFR)

	Sasfin Holdings Limited				
	a	b	c	d	e
	Unweighted value by residual maturity				
	No maturity*	<6 months	6 months to <1 year	≥1 year	Weighted value
Available stable funding (ASF) item					
1 Capital:	–	–	–	1 111 739	1 111 739
2 *Regulatory capital*	–	–	–	1 111 739	1 111 739
3 *Other capital instruments*	–	–	–	–	–
4 Retail deposits and deposits from small business clients:	–	2 554 097	295 272	84 294	2 648 727
5 *Stable deposits*	–	–	–	–	–
6 *Less stable deposits*	–	2 554 097	295 272	84 294	2 648 727
7 Wholesale funding:	–	737 480	44 890	–	391 185
8 *Operational deposits*	–	–	–	–	–
9 *Other wholesale funding*	–	737 480	44 890	–	391 185
10 Liabilities with matching interdependent assets	–	–	–	–	–
11 Other liabilities:	–	2 989 235	319 834	374 884	1 254 006
12 NSFR derivative liabilities	–	–	–	27 683	–
13 All other liabilities and equity not included in the above categories	–	2 989 235	319 834	374 884	1 254 006
14 Total ASF					5 405 657
Required stable funding (RSF) item	–	–	–	–	–
15 Total NSFR high-quality liquid assets (HQLA)	–	–	–	–	65 334
16 Deposits held at other financial institutions for operational purposes	–	–	–	–	–
17 Performing loans and securities:	–	3 258 798	115 769	3 774 619	3 851 025
18 Performing loans to financial institutions secured by Level 1 HQLA	–	1 279 707	–	26 974	65 334
19 Performing loans to financial institutions secured by non-Level 1 HQLA and unsecured performing loans to financial institutions	–	1 151 020	2 647	150 964	324 941
20 Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSEs, of which:	–	828 071	113 121	3 261 556	3 242 919
21 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	–	–	335 125	217 831
22 Performing residential mortgages, of which:	–	–	–	–	–
23 With a risk weight of less than or equal to 35% under the Basel II standardised approach for credit risk	–	–	–	–	–
24 Securities that are not in default and do not qualify as HQLA, including exchange-traded equities	–	–	–	–	–
25 Assets with matching interdependent liabilities	–	–	–	–	–
26 Other liabilities:	–	1 892	–	1 235 124	1 237 017
27 *Physical traded commodities, including gold*	–	–	–	–	–
28 *Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs*	–	–	–	–	–
29 *NSFR derivative assets*	–	1 892	–	–	1 892
30 *NSFR derivative liabilities before deduction of variation margin posted*	–	–	–	–	–
31 *All other assets not included in the above categories*	–	–	–	1 235 125	1 235 125
32 Off-balance sheet items	–	–	–	–	48 115
33 Total RSF					5 136 157
34 Net Stable Funding Ratio (%)					105.25%

CC1: Composition of regulatory capital

	R'000	Sasfin Holdings Limited a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	167 266	(h)
2	Retained earnings	1 487 209	
3	Accumulated other comprehensive income (and other reserves)	(71 712)	
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	–	
5	Common share capital issued by third parties (amount allowed in group CET1)	–	
6	**Common Equity Tier 1 capital before regulatory deductions**	**1 582 763**	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	1 812	
8	Goodwill (net of related tax liability)	39 152	(a)
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	67 147	(b)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	64 433	
11	Cash flow hedge reserve	–	
12	Shortfall of provisions to expected losses	–	
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined benefit pension fund net assets	–	
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in common equity	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	
22	Amount exceeding 15% threshold	–	
23	Of which: significant investments in the common stock of financials	–	
24	Of which: mortgage servicing rights	–	
25	Of which: deferred tax assets arising from temporary differences	–	
26	National specific regulatory adjustments	–	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–	
28	**Total regulatory adjustments to Common Equity Tier 1**	**172 544**	
29	**Common Equity Tier 1 capital (CET1)**	**1 410 219**	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	–	
31	Of which: classified as equity under applicable accounting standards	–	
32	Of which: classified as liabilities under applicable accounting standards	–	
33	*Directly issued capital instruments subject to phase-out from additional Tier 1*	–	

CC1: Composition of regulatory capital *continued*

	R'000	Sasfin Holdings Limited a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	–	
35	*Of which: instruments issued by subsidiaries subject to phase-out*	–	
36	Additional Tier 1 capital before regulatory adjustments	–	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments	–	
38	Reciprocal cross-holdings in additional Tier 1 instruments	–	
39	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	
40	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	
41	National specific regulatory adjustments	–	
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	–	
43	Total regulatory adjustments to additional Tier 1 capital	–	
44	**Additional Tier 1 capital (AT1)**	**–**	
45	**Tier 1 capital (T1= CET1 + AT1)**	**1 410 219**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	–	
47	*Directly issued capital instruments subject to phase-out from Tier 2*	–	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	–	
49	*Of which: instruments issued by subsidiaries subject to phase-out*	–	
50	Provisions	70 392	
51	**Tier 2 capital before regulatory adjustments**	**70 392**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	–	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	–	
54	Investments in capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–	
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	–	
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments	–	
57	**Total regulatory adjustments to Tier 2 capital**	**–**	
58	**Tier 2 capital (T2)**	**70 392**	
59	**Total regulatory capital (TC = T1 + T2)**	**1 480 611**	
60	**Total risk-weighted assets**	**9 124 910**	
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**15.46%**	
62	**Tier 1 (as a percentage of risk-weighted assets)**	**15.46%**	
63	**Total capital (as a percentage of risk-weighted assets)**	**16.23%**	

CC1: Composition of regulatory capital *continued*

	R'000	Sasfin Holdings Limited a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
64	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	**2.50%**	
65	**Of which: capital conservation buffer requirement**	**2.50%**	
66	**Of which: bank-specific countercyclical buffer requirement**	**–**	
67	**Of which: higher loss absorbency requirement**	**–**	
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	**6.95%**	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	**8.50%**	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	**10.75%**	
71	National total capital minimum (if different from Basel III minimum)	**13.50%**	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	**–**	
73	Significant investments in common stock of financial entities	**–**	
74	Mortgage servicing rights (net of related tax liability)	**–**	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	**–**	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	**–**	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	**–**	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	**–**	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	**–**	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 instruments subject to phase-out arrangements*	**–**	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	**–**	
82	*Current cap on AT1 instruments subject to phase-out arrangements*	**–**	
83	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	**–**	
84	*Current cap on T2 instruments subject to phase-out arrangements*	**–**	
85	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	**–**	

CC1: Composition of regulatory capital *continued*

	R'000	Sasfin Bank Limited a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	Common Equity Tier 1 capital: instruments and reserves		
1	Directly issued qualifying common share (and equivalent for non-joint stock companies) capital plus related stock surplus	463 476	(h)
2	Retained earnings	643 005	
3	Accumulated other comprehensive income (and other reserves)	(3 935)	
4	*Directly issued capital subject to phase-out from CET1 (only applicable to non-joint stock companies)*	–	
5	Common share capital issued by third parties (amount allowed in group CET1)	–	
6	**Common Equity Tier 1 capital before regulatory deductions**	1 102 546	
	Common Equity Tier 1 capital regulatory adjustments		
7	Prudent valuation adjustments	847	
8	Goodwill (net of related tax liability)	–	(a)
9	Other intangibles other than mortgage servicing rights (net of related tax liability)	68 692	(b)
10	Deferred tax assets that rely on future profitability, excluding those arising from temporary differences (net of related tax liability)	–	
11	Cash flow hedge reserve	–	
12	Shortfall of provisions to expected losses	–	
13	Securitisation gain on sale (as set out in paragraph 36 of Basel III securitisation framework)	–	
14	Gains and losses due to changes in own credit risk on fair valued liabilities	–	
15	Defined benefit pension fund net assets	–	
16	Investments in own shares (if not already subtracted from paid-in capital on reported balance sheet)	–	
17	Reciprocal cross-holdings in common equity	–	
18	Investments in the capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued share capital (amount above 10% threshold)	–	
19	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation (amount above 10% threshold)	–	
20	Mortgage servicing rights (amount above 10% threshold)	–	
21	Deferred tax assets arising from temporary differences (amount above 10% threshold, net of related tax liability)	–	
22	Amount exceeding 15% threshold	–	
23	Of which: significant investments in the common stock of financials	–	
24	Of which: mortgage servicing rights	–	
25	Of which: deferred tax assets arising from temporary differences	–	
26	National specific regulatory adjustments	–	
27	Regulatory adjustments applied to Common Equity Tier 1 due to insufficient Additional Tier 1 and Tier 2 to cover deductions	–	
28	**Total regulatory adjustments to Common Equity Tier 1**	69 539	
29	**Common Equity Tier 1 capital (CET1)**	1 033 007	
	Additional Tier 1 capital: instruments		
30	Directly issued qualifying Additional Tier 1 instruments plus related stock surplus	–	
31	Of which: classified as equity under applicable accounting standards	–	
32	Of which: classified as liabilities under applicable accounting standards	–	

CC1: Composition of regulatory capital *continued*

	R'000	Sasfin Bank Limited a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
33	*Directly issued capital instruments subject to phase-out from additional Tier 1*	–	
34	Additional Tier 1 instruments (and CET1 instruments not included in row 5) issued by subsidiaries and held by third parties (amount allowed in AT1)	–	
35	*Of which: instruments issued by subsidiaries subject to phase-out*	–	
36	Additional Tier 1 capital before regulatory adjustments	–	
	Additional Tier 1 capital: regulatory adjustments		
37	Investments in own additional Tier 1 instruments	–	
38	Reciprocal cross-holdings in additional Tier 1 instruments	–	
39	Investments in capital of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	
40	Significant investments in the common stock of banking, financial and insurance entities that are outside the scope of regulatory consolidation	–	
41	National specific regulatory adjustments	–	
42	Regulatory adjustments applied to additional Tier 1 due to insufficient Tier 2 to cover deductions	–	
43	Total regulatory adjustments to additional Tier 1 capital	–	
44	**Additional Tier 1 capital (AT1)**	–	
45	**Tier 1 capital (T1= CET1 + AT1)**	**1 033 007**	
	Tier 2 capital: instruments and provisions		
46	Directly issued qualifying Tier 2 instruments plus related stock surplus	–	
47	*Directly issued capital instruments subject to phase-out from Tier 2*	–	
48	Tier 2 instruments (and CET1 and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties (amount allowed in group Tier 2)	–	
49	*Of which: instruments issued by subsidiaries subject to phase-out*	–	
50	Provisions	**36 934**	
51	**Tier 2 capital before regulatory adjustments**	**36 934**	
	Tier 2 capital: regulatory adjustments		
52	Investments in own Tier 2 instruments	–	
53	Reciprocal cross-holdings in Tier 2 instruments and other TLAC liabilities	–	
54	Investments in capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation, where the bank does not own more than 10% of the issued common share capital of the entity (amount above 10% threshold)	–	
54a	Investments in the other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation and where the bank does not own more than 10% of the issued common share capital of the entity: amount previously designated for the 5% threshold but that no longer meets the conditions (for G-SIBs only)	–	
55	Significant investments in the capital and other TLAC liabilities of banking, financial and insurance entities that are outside the scope of regulatory consolidation (net of eligible short positions)	–	
56	National specific regulatory adjustments	–	
57	**Total regulatory adjustments to Tier 2 capital**	–	
58	**Tier 2 capital (T2)**	**36 934**	
59	**Total regulatory capital (TC = T1 + T2)**	**1 069 941**	
60	**Total risk-weighted assets**	**7 286 253**	
	Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of risk-weighted assets)**	**14.18%**	
62	**Tier 1 (as a percentage of risk-weighted assets)**	**14.18%**	
63	**Total capital (as a percentage of risk-weighted assets)**	**14.68%**	

CC1: Composition of regulatory capital *continued*

	R'000	Sasfin Bank Limited a Amounts	b Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
64	**Institution specific buffer requirement (capital conservation buffer plus countercyclical buffer requirements plus higher loss absorbency requirement, expressed as a percentage of risk-weighted assets)**	2.50%	
65	**Of which: capital conservation buffer requirement**	2.50%	
66	**Of which: bank-specific countercyclical buffer requirement**	–	
67	**Of which: higher loss absorbency requirement**	–	
68	**Common Equity Tier 1 (as a percentage of risk-weighted assets) available after meeting the bank's minimum capital requirement.**	5.68%	
	National minima (if different from Basel III)		
69	National Common Equity Tier 1 minimum ratio (if different from Basel III minimum)	8.50%	
70	National Tier 1 minimum ratio (if different from Basel III minimum)	10.75%	
71	National total capital minimum (if different from Basel III minimum)	13.50%	
	Amounts below the thresholds for deduction (before risk weighting)		
72	Non-significant investments in the capital and other TLAC liabilities of other financial entities	–	
73	Significant investments in common stock of financial entities	–	
74	Mortgage servicing rights (net of related tax liability)	–	
75	Deferred tax assets arising from temporary differences (net of related tax liability)	–	
	Applicable caps on the inclusion of provisions in Tier 2		
76	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to standardised approach (prior to application of cap)	–	
77	Cap on inclusion of provisions in Tier 2 under standardised approach	–	
78	Provisions eligible for inclusion in Tier 2 in respect of exposures subject to internal ratings-based approach (prior to application of cap)	–	
79	Cap for inclusion of provisions in Tier 2 under internal ratings-based approach	–	
	Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2018 and 1 Jan 2022)		
80	*Current cap on CET1 instruments subject to phase-out arrangements*	–	
81	*Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)*	–	
82	*Current cap on AT1 instruments subject to phase-out arrangements*	–	
83	*Amount excluded from AT1 due to cap (excess after redemptions and maturities)*	–	
84	*Current cap on T2 instruments subject to phase-out arrangements*	–	
85	*Amount excluded from T2 due to cap (excess after redemptions and maturities)*	–	

CC2: Reconciliation of regulatory capital to balance sheet

	a Balance sheet as in published financial statements As at period-end	b Under regulatory scope of consolidation As at period-end
Assets		
Cash and balances at central banks	866 637	421 261
Items in the course of collection from other banks	–	–
Trading portfolio assets	–	–
Financial assets designated at fair value	621 058	621 058
Derivative financial instruments	273 599	273 599
Loans and advances to banks	150 190	507 227
Loans and advances to customers	8 899 786	8 988 252
Reverse repurchase agreements and other similar secured lending	193 597	193 598
Available for sale financial investments	1 293 411	1 293 411
Current and deferred tax assets	111 907	111 907
Prepayments, accrued income and other assets	1 247 552	1 327 412
Investments in associates and joint ventures	79 860	–
Goodwill and other intangible assets	110 949	110 949
Of which: goodwill	32 252	32 252
Of which: intangibles (excluding MSRs)	78 697	78 697
Of which: MSRs	–	–
Property, plant and equipment	164 536	164 408
Total assets	**14 013 082**	**14 013 082**
Liabilities		
Deposits from banks	–	–
Items in the course of collection due to other banks	–	–
Customer accounts	5 629 443	5 629 443
Repurchase agreements and other similar secured borrowing	351 885	351 885
Trading portfolio liabilities	218 642	–
Financial liabilities designated at fair value	–	–
Derivative financial instruments	222 702	441 344
Debt securities in issue	3 720 138	3 720 138
Accruals, deferred income and other liabilities	1 989 763	1 989 763
Current and deferred tax liabilities	157 379	157 379
Of which: DTLs related to goodwill	–	–
Of which: DTLs related to intangible assets (excluding MSRs)	–	–
Of which: DTLs related to MSRs	–	–
Subordinated liabilities	–	–
Provisions	68 657	68 657
Retirement benefit liabilities	–	–
Total liabilities	**12 358 609**	**12 358 609**
Shareholders' equity		
Paid-in share capital	167 268	167 268
Of which: amount eligible for CET1	167 268	167 268
Of which: amount eligible for AT1	–	–
Retained earnings	1 487 205	1 487 205
Accumulated other comprehensive income	–	–
Total shareholders' equity	**1 654 473**	**1 654 473**

Abbreviations and acronyms

ALCO	Asset and Liability Committee
ASF	Available stable funding
AT1	Additional Tier 1
BASA	Banking Association of South Africa
BCBS	Basel Committee on Banking Supervision
BCM	Business Continuity Management
BIA	Basic Indicator approach
CCF	Credit conversion factor
CCP	Central counterparty
CCR	Counterparty credit risk
CET 1	Common Equity Tier 1
CLEC	Credit and Large Exposures Committee
CRM	Credit risk mitigation
CVA	Credit valuation adjustment
D-SIB	Domestic systemically important banks
DTL	Deferred tax liabilities
EAD	Exposure at default
ECC	Executive Credit Committee
ECL	Expected credit losses
EEPE	Effective expected positive exposure
ERM	Enterprise Risk Management
F-IRB	Foundation internal ratings-based approach
GAC	Group Audit Committee
GIA	Group Internal audit
GRCMC	Group Risk and Capital Management Committee
G-SIB	Global systemically important banks
HQLA	High-quality liquid assets
IAA	Internal assessment approach
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
IMA	Internal model approach
IMM	Internal Model Method
IRB	Internal ratings-based approach
IRMSA	Institute of Risk Management South Africa
IRR	Interest rate risk
KPI	Key performance indicators
KRI	Key risk indicators
KVI	Key value indicators
LCR	Liquidity Coverage Ratio
LTV	Loan-to-value
MCC	Management Credit Committee
MSR	Mortgage Servicing Rights
NSFR	Net Stable Funding Ratio
PA	Prudential Authority (SARB)
PSE	Public sector entities
RBA	Ratings-based approach
RDARR	Risk data aggregation and risk reporting
REMCO	Remuneration Committee
ROE	Return on Equity
RSF	Required stable funding
RWA	Risk weighted assets
SA	Standardised approach
SARS	South African Revenue Services
SASP	South African Securitisation Programme (Pty) Ltd
SEC-ERBA	Securitisation external ratings-based approach
SEC-IRBA	Securitisation internal ratings-based approach
SEC-SA	Securitisation standardised approach
SFT	Securities financing transactions
SPV	Special Purpose Vehicle
STI	Short-term incentives
T2	Tier 2 capital
TC	Total regulatory capital
TLAC	Total loss-absorbing capacity
VaR	Value at risk

Corporate details

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

Disclaimer

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

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

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

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

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